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# Business Insight

March 2021

Issue 3. Vol. 7

## IN THIS EDITION ...

New labour reforms taking effect in March in Saudi Arabia are set to boost labour mobility, boost worker-employee relationship and attract highly skilled foreign workforce in the country.

The Labor Reform Initiative (LRI), part of the National Transformation Program, will develop a robust job market, boost labour skills and create a dynamic work environment in the kingdom.

“LRI allows job mobility and regulates the Exit and Re-Entry Visa issuance. It applies to all expatriate workers in the private sector, and includes specific control measures put in place to take into account the rights of both parties of the contractual relationship,” according to the Ministry of Human Resources and Social Development.

The initiative is in parallel to the Wage Protection System, digitation of workforce contracts, Labor Education and Awareness Initiative, and the launch of “Wedy” for the settlement of labour disputes.

Indeed, improving the work environment is key to attracting skilled labour and developing a strong domestic workforce. With countries fighting for talent and focused on upgrading its workforce, Saudi Arabia’s new labour reforms will go a long way in creating an attractive destination for knowledge workers.

The kingdom has also made huge strides in improving women’s access to the job market. A new report by the World Bank on Women, Business and the Law (WBL), notes that Saudi Arabia took a number of measures recently to improve work environment for women.

The kingdom eliminated all restriction on women’s employment and lifted bans on women working at night, according to the bank, which raised its standing among its global peers.

On a scale of 1 to 100, the kingdom scored 80 points in WBL 2021, up from 70.6 in WBL 2020. The report placed Saudi Arabia in 2020 as the first among GCC countries and second in the Arab world. The kingdom got full 100 points in five of the eight criteria such as: mobility, workplace, pay, entrepreneurship and pensions.

While the kingdom is investing billions of dollars in hard infrastructure, and developing new sectors, the focus on labour market reforms is also going to play a crucial role in the overall success of the economy.

### ECONOMIC TRENDS

Data from the fourth quarter of 2020 points to a strong rebound, with both oil and non-oil sectors contributing positively to economic growth.

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### OIL AND GAS

Preventing a flood of oil has helped oil producers get a better price for their product at a time when global consumption starts to gather pace.

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### REAL ESTATE

Even with the pandemic, the amount of mortgages lent to nationals rose by a whopping 87% in 2020.

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### FINANCIAL SERVICES

Digital transformation has allowed financial institutions in the country to provide seamless service to customers during these tough times.

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### RENEWABLE ENERGY

The government has bold plans to source half of the country’s electricity from renewable energy in less than a decade.

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### CEMENT

Manufacturers reported impressive sales growth from late 2020 to early 2021 despite challenges brought about by the pandemic.

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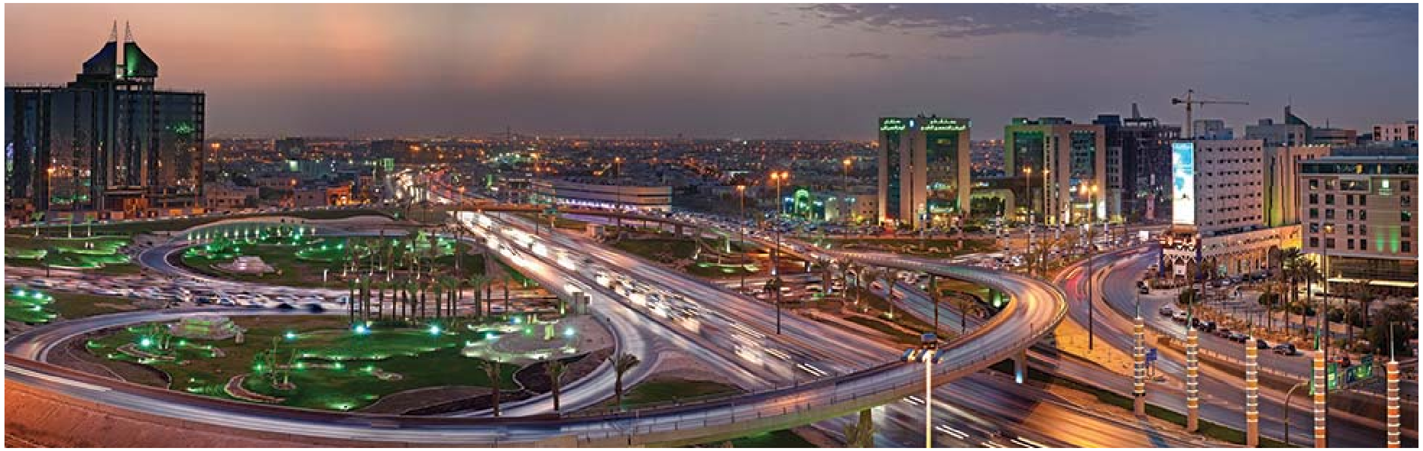
# SAUDI GDP REBOUNDS AS PANDEMIC SHOCK EASES



The Saudi economy has roared back to life with a 2.5% increase in gross domestic product in the fourth quarter of 2020, compared to the third quarter.

The increase shows that the effects of COVID-19 lockdowns and the ensuing economic slowdown are receding, with the government's efforts to stimulate the economy paying off and starting to trickle down to the private sector.

Top performers in the fourth quarter, compared to the third quarter, were petroleum refining (up 25.5%), community, social and personal services (up 6.7%), and wholesale and retail trade, restaurants and hotels (up 5.7%).

The non-oil sector enjoyed a strong 2.4% expansion in the fourth quarter, compared to the third quarter, while the oil sector saw a 2.6% increase on the back of rising oil prices during the quarter, according to the General Authority for Statistics (GaStats).

Within the non-oil sector, economic growth in the private sector was 3.2%, quarter on quarter, while the government sector increased by 0.6%, quarter on quarter.

Like the rest of the world, the Saudi economy is still recovering from the impact of COVID-19, which continues to restrict activity in a number of sectors and has hurt consumer and business sentiment.

Encouragingly, the private sector economy only shrunk by 0.8%, while the government sector showed a negative growth rate of 1.0% in the fourth quarter, compared to the same period last year.

Compared to the same quarter in 2019, GDP growth declined 3.9%, led by an 8.5% contraction in the oil sector and a smaller 0.8% decline in the non-oil sector.

## POSITIVE INDICATORS

But this was the smallest decline over the past four quarters, compared to the first two quarters, which saw an 8.5% drop each, and the third quarter, which fell 8.5% compared to the same period in 2019.

Year on year, agriculture was the best performing sector, rising 3.6% as Saudi consumers leaned on domestic producers due to global supply disruptions.

Petroleum refining was the next best performer during the period, rising 2.9%, while real estate sector rose 2.6% in the fourth quarter, compared to the same period the year before.

The private sector now makes up 50.5% of Saudi's economy with the government sector contributing 25.4% and oil sector accounting for 24.1% of GDP.

Saudi Arabia's trade figures also improved quarter on quarter.

"Comparing the economic development of Q4/2020 to the previous quarter, International trade showed a remarkable pick-up in Q4/2020, with imports of goods and services growing by 21.2% while it was-7.9% in Q3/2020," said GaStats.

"Exports of goods and services increased by 3.7%, while they were negative by -6.5% in Q3/2020. Government final consumption expenditure increased by 2.4% in Q4/2020, and private final consumption expenditure by 1.5%."

In other welcome news, the country's GDP per capita also hit its highest level since COVID-19 impacted economic activity. GDP per capita stood at SAR 19,695 in the fourth quarter, after dipping as low as SAR 16,115 in the second quarter. The country's GDP was at SAR 22,292 per capita at the end of the fourth quarter.

## PMI MARKIT

Other economic indicators also suggest a strong upturn in the economy. IHS Markit's monthly purchasing managers' index (PMI) for February shows continued increase in business sentiment.

"The economic recovery in Saudi Arabia's non-oil private sector lost some momentum in February, with the PMI dropping from 57.1 in January to 53.9 to signal the softest rate of improvement in four months," said David Owen, economist at IHS Markit. A figure above 50 points suggests business optimism.

"Nevertheless, the sector remained broadly on the right track, with new business inflows and export sales continuing to rise whilst firms also built inventories in anticipation of stronger future growth."

Businesses reported strong client demand, which boosted orders and stocks of purchases and an inflow of new work. The improved business confidence was also key factors in higher sales, while businesses surveyed by IHS also pointed to higher demand from international customers.

"In response to sustained growth, companies purchased higher volumes of inputs midway through the first quarter," IHS noted. "The upturn was much softer than in January, however, largely due to the weaker rise in new orders. Nevertheless, firms continued to build inventories amid hopes of a swift rebound in the economy from the COVID-19 downturn."

# SUPPLY CUTS AND RISING DEMAND BOOST OIL MARKET

Brent crude prices briefly surpassed USD 70 per barrel amid concerted efforts by Saudi Arabia, other members of the Organization of the Petroleum Exporting Countries and non-OPEC allies, such as Russia and Oman, to support the oil market.

Prices were buoyed after OPEC and non-OPEC ministers in March extended their current production levels to April, with the exception of Russia and Kazakhstan, which were allowed to increase production by 130,000 and 20,000 barrels per day (bpd), respectively.

The group also commended Saudi Arabia for the extension of its additional voluntary adjustments of 1 million bpd until April 2021, exemplifying its leadership, and demonstrating its flexible and pre-emptive approach to manage the market.

"Overall conformity with the original decision was 103%, reinforcing the trend of aggregate high conformity by participating countries," OPEC said in a joint statement.

"The meeting noted that since the April 2020 meeting, OPEC and non-OPEC countries had withheld 2.3 billion barrels of oil by end of January 2021, accelerating the oil market rebalancing."

## RISING DEMAND

There are fundamental and structural reasons for more robust prices. Global oil demand averaged around 90.3 million bpd, only 9.7 million bpd less compared to 2019. The declines are not as weak as originally feared given that parts of the global economy were in extended periods of lockdowns and economic activity took a hit.

OPEC expects global oil demand to rise to 96.1 million bpd in 2021,a 6.4% increase over the previous year, with positive developments on the global economic front, supported by massive stimulus programmes, which will boost demand especially in the second half of the year.

"In 2021, global oil demand is forecast to grow by around 5.8 million bpd, recovering some of the losses seen in 2020. At the same time, global GDP growth is projected to rebound based on positive developments, particularly in the US, China and India in 4Q20," OPEC said.

"With regard to oil demand, the negative impact of the containment measures on transportation fuels is expected to carry over, particularly into 1Q21, with a stronger rebound in oil demand growth, especially for industrial fuels, forecast in 2H21."

China will lead global demand in 2021, after a 0.45 million bpd increase last year in consumption, despite the lockdowns. Overall, Chinese demand will grow 1.1 million bpd in 2021 to reach 14.14 million bpd, an 8.45% increase over 2020.

Other emerging markets including rest of Asia, the Middle East and South America will also see an increase in oil demand, with India witnessing a 13.45% increase in demand to just under 5 million bpd this year, OPEC forecasts.

Among sectors, a resurgent aviation sector and the general travel sector will be key driver of global oil demand.

"Oil-intensive sectors, especially travel and transportation, accounted for a disproportionately large drop in overall world oil demand in 2020, compared to the decline in global economic growth, while the slower recovery in these sectors is expected to have a less positive impact on oil demand growth in 2021," OPEC said.

## KEEPING TABS ON SUPPLY

At the same time, supply is either being curtailed or will see moderate growth from key producers.

Supply from Organisation for Economic Co-operation and Development (OECD) countries such as the United States and Canada will grow around 1.86 million bpd in 2021, but will be offset by declines elsewhere such as Russia and India, leading to a total increase from non-OPEC sources to 63.33 million bpd in 2021, lower than the 64.76 million bpd delivered in 2020.

Meanwhile, call on OPEC crude will reach 27.5 million bpd in 2021, an increase of 5 million bpd compared to 2020.

With the global economy showing signs of returning to its normal levels and pent-up demand expected to lead to a rebound in travel and consumption, the conditions are ripe for oil prices to remain at healthy levels throughout the year.

Indeed, there are concerns that lower prices in much of the past decade has led to many producers shelving large-scale projects, which could lead to supply bottlenecks in the future.

Mohammad Sanusi Barkindo, the OPEC secretary general, discussed the need for continued investment at the 11th IEA-IEF-OPEC Symposium in February, and emphasised the need for continued investment in the oil industry to ensure stability of supply and to help maintain an inclusive approach to addressing climate change, the energy transition and energy access challenges.

"These investments are essential for both producers and consumers," Barkindo said.

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# HOMEOWNERSHIP DRIVES SOARING SAUDI MORTGAGE MARKET

Saudi citizens' dreams of owning their homes are coming ever closer.

Last year, banks provided a record 289,257 new mortgages to individuals, a nearly 70% jump from 2019, according to Saudi Central Bank data.

Banks provided SAR 110.26 billion in mortgages for houses, an 87% increase compared to 2019, while loans for apartments stood at SAR 18.96 billion, an 86.5% expansion.

Mortgages for land for individuals stood at SAR 17.42 billion, a 32% increase from the previous year. All in, banks provided mortgages valued at SAR 136.2 billion in 2020, an 83% growth over 2019, SAMA data shows.

Mortgage financing activity was brisk throughout the year, except for April and May – the height of the pandemic. But June registered a record 893 mortgage loans, the highest in the year, as banks shrugged off the temporary lockdown and focused on the longer-term pent-up demand for residential real estate.

## COMMERCIAL PROPERTY SECTOR

The commercial real estate sector was also robust last year, with real estate loans valued at SAR 428.4 billion outstanding in 2020, a 44% jump over the previous year.

Real estate loans in the retail space grew 59% to SAR 335.2 billion, while corporate rose 14% to SAR 113.2 billion.

Despite the slower economic activity and lockdowns in the kingdom due to COVID-19, the residential market saw 60,000 units being handed over in the key markets of Riyadh and Jeddah, according to real estate consultancy Jones Lang LaSalle.

"As the kingdom continues its drive towards increasing home ownership rates, further investment into the housing sector can be expected," JLL said.

With most of the upcoming supply situated within masterplan developments rather than standalone projects, huge emphasis is being placed on delivering best-in-class customer experience through amenities, health and safety features, convenience stores, and communal spaces, the consultancy said.

This will be especially evident in Riyadh, which is expected to undergo a major transformation, focused on job creation, economic growth and

investment.

The capital city could be home to around 15 to 20 million people by 2030, from around 7.5 million currently, according to Crown Prince Mohammed bin Salman, who noted that the city's strong infrastructure will serve as a spring board for future growth.

''The cost of developing infrastructure and real estate is also 29% less than the other cities, while the infrastructure in Riyadh is already very well accomplished because of the sound management and planning performed by His Highness King Salman over a period of 55 years and more,'' the Crown Prince said during a speech at the Future Investment Initiative in January.

## SECONDARY MORTGAGE MARKET

The jump in mortgages is in line with growing needs of an affluent and rising population, and is part of the government's efforts to raise Saudi homeownership.

Demand for real estate financing in the kingdom is expected to increase from SAR 280 billion in 2017 to SAR 500 billion in 2026, according to the Public Investment Fund.

The Saudi Real Estate Refinance Company (SRC), a unit of the Public Investment Fund, also took advantage of low interest rates by raising a dual tenor SAR 4 billion (around USD 1.067 billion) sukuk.

The SRC was launched in 2017, with the mandate to refinance up to SAR 75 billion of the kingdom's housing sector over the next five years, reaching SAR 170 billion by 2026.

The company's latest Islamic bond offerings are part of the SAR 10 billion Saudi riyal sukuk programme under which SRC will issue sovereign-guaranteed Islamic bonds targeting local investors.

More than 30% of the issuance was subscribed by a mix of asset managers, pension fund, government funds, and insurance companies, and was oversubscribed 2.15 times.

"The successful sukuk issuance demonstrates confidence among the investor community and trust in a robust housing market in the kingdom and more broadly a resilient Saudi economy," said Majed Al-Hogail, the minister of Municipal, Rural Affairs and Housing and chairman of SRC.

"The favourable cost of funding for SRC ultimately translates to an ecosystem where mortgages are more affordable and accessible to Saudi families. The sukuk programme brings us one step closer to achieving the strategic objectives of the housing programme under Vision 2030."

SRC's sukuk programme will help with the development of a strong secondary mortgage market.
"The latest sovereign-guaranteed offering, underpinned by favourable cost of funding and terms, will further provide liquidity to the Saudi housing market that helps our citizens climb the housing ladder," said Fabrice Susini, CEO of SRC.

The bonds will help the company achieve its goal of being an intermediary access point for investors, aligning the liquidity, capital, and risk management requirements of real estate mortgage companies, with the risk acceptability and return on equity to meet investor targets.

"It endeavours to create stability and growth in the kingdom's housing sector by injecting liquidity into the secondary mortgage market, improving standards, and facilitating access to local and international financing sources," PIF said.

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# LIFELINE FOR SMES AS SAUDI EMBRACES DIGITAL FINANCE


Led by the Saudi Central Bank, the kingdom's financial services sector has stepped up efforts during COVID-19, supporting businesses – big and small – and citizens in these drawn-out uncertain times.

In March, the Saudi Central Bank (SAMA) said it will extend its popular Deferred Payment Program for three additional months until the end of June, to support the country's micro, small and medium-sized enterprises (MSME) sector.

"The central bank also announces the extension of the Guaranteed Financing Program for one year to end on 14 March 2022, as another support lever for MSMEs to help overcome challenges that arise from the COVID-19 preventive measures," the SAMA said. "MSMEs can benefit from the Guaranteed Financing Program through banks and financing companies that are subject to the supervision of the Saudi Central Bank and are members of the Small & Medium Enterprises Loan Guarantee Program 'Kafalah'."

The deferred payment programme has already benefitted 99,000 contracts valued at SAR 124 billion, while the guaranteed finance programme has supported 5,000 companies with total financing of SAR 8 billion.

## GOING DIGITAL

The kingdom's banking sector also accelerated its digital payments infrastructure last year as COVID-19 necessitated social distancing, remote work and a preference for cashless payments and transactions.

The efforts and investment paid off handsomely. E-commerce transactions nearly quadrupled to SAR 38.82 billion last year, compared to SAR 10.25 billion in 2019. The number of transactions also jumped to 170 million in 2020, versus just over 38 million the year before.

The number of transactions has risen steadily over the past four quarters last year, with a record SAR 12.55 billion of e-commerce transactions in the fourth quarter, across 55 million transactions, according to the latest Saudi Central Bank data.

Point-of-sales transactions using near field communications technology, such as contactless payments, have also risen. Sales using mobile phones jumped 490% during the year to 54.89 million, compared to the same period last year. Meanwhile, sales using cards grew 156% during the year.

In February, SAMA launched its instant payment system 'Sarie' as part of its efforts to promote the national payments' ecosystem and to enhance its infrastructure, aiming to achieve financial inclusion.

"National payment systems are fundamental in strengthening the kingdom's pioneering position in the financial sector," SAMA said. "They offer secure and innovative payment solutions, meet the needs of various segments of the economy, and increase the effectiveness of the liquidity circulation in the financial system, through reducing the operational costs of cash handling, facilitating sending and receiving payments, and driving the digital transformation in the kingdom by increasing the volume of digital financial transactions."

In a significant development in the kingdom's banking sector, The Saudi British Bank (SABB) completed its merger with The Alawwal Bank to create a banking powerhouse designed in line with the kingdom's growth ambitions. A 300-member project team migrated 4,500 corporate clients and 500,000 retail customers from Alawwal bank into the new combined business, despite the pandemic and the complexity of the operations.

"As a stronger, more diverse and now fully integrated bank, we are even better positioned to be the bank of choice for a wide range of innovative banking and finance services and to support the exciting transformation of the Kingdom and our economy," said Ms Lubna Olayan, Chair, SABB.

The banks began combining their operations after their merger in June 2019, retaining the best qualities of each bank, to create a suite of comprehensive services that serve the needs of its business customers, large or small. Retail customers will also benefit from access to a larger banking network, apart from an award-winning online and mobile apps suite of services and a rewards program.

The merged bank also aims to leverage its partnership with HSBC to boost its global international banking network and develop new digital services in the country.

David Dew, managing director of SABB who is retiring in May, said that the increased balance sheet and capital means the bank can better support its customers and deliver greater shareholder value.

"We're all very proud of the bank we have created and the new world of financial opportunities it provides for our customers."

The merged bank will be led by Tony Cripps, former CEO of HSBC Singapore, and will be charged with taking the bank "in a new strategic direction," according to SABB.

## OPEN BANKING

SAMA also announced in January its Open Banking policy, which aims to bring innovation to the financial services sector, leverage financial technologies (fintech) and enable new cost-effective and efficient services for consumers and businesses.

"Open Banking represents an opportunity for stakeholders to leverage on the data associated with financial transactions to imagine and access new ways of managing money," SAMA said in its Open Banking policy document.

Meanwhile, customers will benefit from better financial products and services, ranging from bringing all accounts into a single dashboard to creating smoother journeys into daily banking activities.

"Data are securely shared, and customers have a choice to consent to give access to third-party providers providing explicit and informed consent," the bank noted.

The Open Banking policy will be broken up in three phases: focus on design in the first half of 2021, market implementation in the second half and it is expected to go live by the first half of 2022.

The policy builds on a string of developments in the financial services sector. In 2018, SAMA established a regulatory sandbox that allows financial services and fintech companies to test and launch their products and services in a ring-fenced environment. Last year, SAMA licensed 15 non-bank financial institutions.

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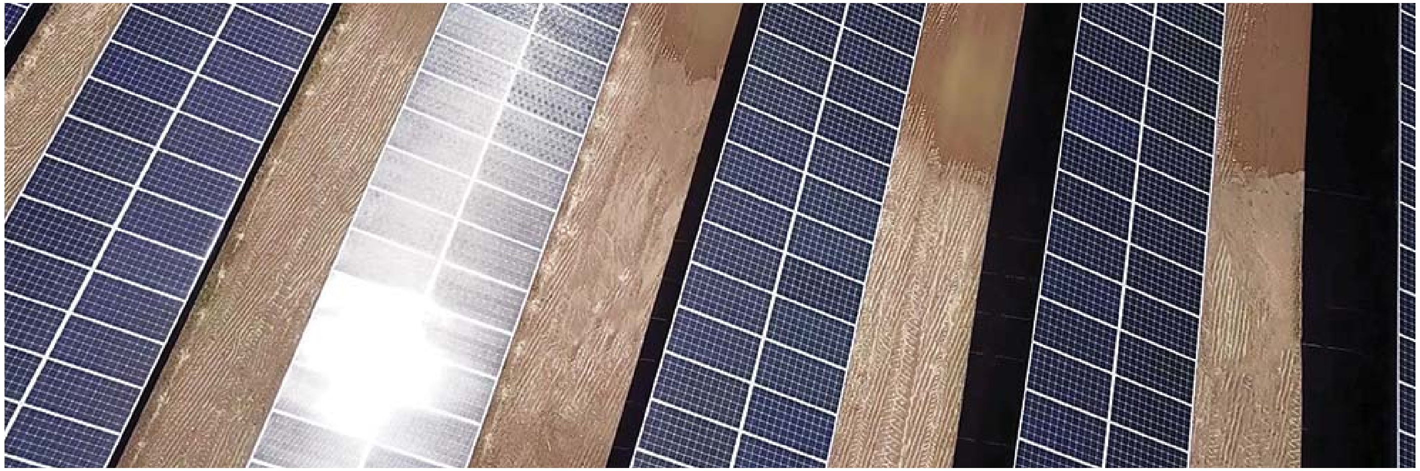
# SAUDI SCALES UP ITS GREEN POWER AMBITIONS



Saudi Arabia has set ambitious targets to reduce its carbon footprint and introduce more green power in its growing energy grid.

The kingdom is aiming to source 50% of its electricity output through renewable energy by 2030, according to Dr. Khalid bin Saleh Al-Sultan, chairman of King Abdullah City for Atomic and Renewable Energy (KACARE).

"The Kingdom of Saudi Arabia began planning to stimulate the private sector and interested investors in this field to invest in the renewable energy sector in addition to the Kingdom's commitment to creating a local competitive market for renewable energy with a clear methodology to ensure the competitiveness of renewable energy, in line with the kingdom's Vision 2030," according to the chairman.

To accelerate the developments, the National Renewable Energy Program (NREP) has set up a portal for domestic businesses to showcase their products and services to international developers participating in the NREP.

"The portal offers domestic suppliers access to a multi-billion-dollar renewable energy investment programme that aims to increase the share of renewable energy in the kingdom energy mix," according to a web portal developed by NREP.

The portal offers international companies direct access to the on-ground expertise necessary to comply with the local content requirements of the NREP. Registered local companies are searchable by company size, region, product, service or technology.

The Arab Petroleum Investment Corporation estimates NREP has projects valued at USD 6 billion.

As the coronavirus disrupted plans, the country's Ministry of Energy has extended the RFP timeframe for Round 3 of the NREP, in light of business and travel restrictions. Round 3 is comprised of four solar PV projects with a combined generation capacity of 1,200 MW.

## INVESTING IN CLEAN ENERGY

Saudi Arabia has either committed or is planning to invest in power projects to the tune of USD 40 billion over the next three years, APICORP said in a new report.

"The kingdom targets a staggering 27.3 GW of renewable energy capacity by 2024, 30% of which will come from REPDO projects and the remaining 70% from Public Investment Fund (PIF) projects. The PIF projects are awarded on a direct basis to fast-track localisation, foster technology transfer to the kingdom and hasten project delivery," APICORP noted.

The kingdom is also looking to get a head start in new energy sources as it diversifies its revenue streams. The country is especially eyeing the nascent hydrogen market, expected to be a USD 700 billion industry, according to Bloomberg New Energy Finance.

In a landmark development last June, Air Products announced a USD 5 billion joint green hydrogen project with ACWA Power in the futuristic Saudi city of NEOM powered by 4GW of renewable energy. The plant will use solar and wind power to produce hydrogen from water then mix it with nitrogen from the air to produce 1.2 million tonnes per annum of ammonia as a carrier for green hydrogen.

Air Products also plans to invest USD 2 billion in distribution infrastructure, including depots to turn the ammonia back into hydrogen for buses, trucks and cars. The project is expected to start operating by 2025.

## SEC RESTRUCTURING

In order to accelerate the kingdom's power infrastructure upgrade, the government stepped in to restructure some of Saudi Electricity Co.'s (SEC) liabilities and place it on a solid financial footing.

In November, SEC secured approval to convert government liabilities into a perpetual deeply subordinated equity-like financial instrument. The conversion is considered non-dilutive and will have no impact on the company's existing shareholders' stakes.

"The reforms will help the sector and SEC overcome several financial and structural challenges faced in the past, and will ultimately improve the quality of service to consumers and enhance the sector's reliability and its ability to provide electricity transmission and distribution grids in order to further boost electricity generation efficiency levels," said Dr. Khaled bin Saleh Al Sultan, chairman of SEC.

"The recently approved reforms will also help the kingdom achieve an optimal energy mix for electricity generation, which is in line with the goals of Vision 2030."

The chairman added that the relief from liabilities will allow the SEC to fulfil its obligations and fund projects that will help develop "a stronger, more sustainable, and diverse electricity sector."

The restructuring is timely, as the SEC is going to play a critical role in helping the kingdom achieve its target of developing its renewable energy sources, bring more electricity efficiency and meet rising demand from residential, commercial and industrial sectors.

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# BUOYANT SAUDI CONSTRUCTION SECTOR FUELS CEMENT BOOM

Sales growth in Saudi's cement sector in the first month of 2021 has underscored the expansion in the country's construction activity.

Yamama Cement Company data shows production of 17 Saudi cement companies rose 6% to 5.1 million tonnes in January. Around 12 producers reported higher sales, led by Arabian Cement Company, which saw its sales jump 50%, while Najran Cement and Tabuk Cement each posted a 25% growth during the same period.

January's performance builds on a strong 2020 for Saudi cement companies, which remained resilient despite the challenges of COVID-19. The country's overall cement sales rose 21% to 51 metric tonnes last year, compared to 42 metric tonnes in 2019, according to Global Cement.

## COMPANY PERFORMANCE

Here's how some of the kingdom's cement companies fared last year:

Saudi Cement Co. saw its net profit rise just over 1% to SAR 456 million, a remarkable achievement in a difficult year for the domestic and global economy. The company's sales stood at SAR 1.57 billion, an 8.9% increase over 2019.

Other Saudi cement companies saw impressive jumps in net income, with Southern Province Cement Co.'s net profit rising 31.5% to SAR 609 million, on sales of SAR 1.65 billion.

Eastern Provincial Cement Co. saw its net profit rise nearly 20% during the year to SAR 217 million on the back of a decrease in the cost of sales and administrative and general expenses. The company's sales stood at SAR 742 million for the year.

Yanbu Cement Co.'s net profit rose around 9% to SAR 281 million on sales of SAR 940 million, according to a filing on the Tadawul website.

However, Arabian Cement Co. saw its net profit decline to SAR 184.9 million, an 11.4% drop over 2019. Sales, however, rose 11.5% higher during the year to SAR 871.9 million.

Similarly, Umm Al-Qura Cement Co. saw its net profit jump 47.4% during the year, as sales climbed to SAR 333.33 million.

Tabuk Cement Co.'s net profit soared 113% on sales of SAR 276.5 million. City Cement Co. registered sales of SAR 572 million last year, netting a profit of SAR 220.5 million, an increase of nearly 16%.

Yamama Cement Co. grew its net profit by 41.7% to SAR 363,000, on sales of SAR 880,000 during the period.

Najran Cement Co. also saw strong growth during the year, with net profit surging 282% in 2020 to reach SAR 204,300 on sales of SAR 623,200.

## CONSTRUCTION SECTOR GROWTH

The cement industry's growth reflects the brisk activity witnessed in the construction sector.

Construction accounted for 6.7% of GDP in the third quarter of 2020, making it the sixth largest segment of the economy.

The sector managed to eke out a 0.2% GDP growth during the period, year on year, according to third quarter data from the Saudi General Authority for Statistics. In the third quarter, construction saw a 5.6% jump compared to the second quarter.

New mega projects such as NEOM City and Red Sea Development Company (RSDC), both rising on the kingdom's western coast, are expected to lead to a further surge in construction activity.

In March, the RSDC awarded contracts to Saudi company Al Bawani and Swiss firm Blumer Lehmann to support the development plans and structural work of its luxury hotels and resorts.

The two companies will lead the construction of hotels across The Red Sea Project, with Al Bawani responsible for civil and structural works across 40 hotel villas on the Southern Dunes site, and Blumer Lehmann responsible for timber construction planning and fabrication as well as supply works for a hotel situated on Ummahat Al Shaykh Island.

"The Red Sea Project has already passed significant milestones and work is on track to welcome the first guests by the end of 2022, when the international airport and the first four hotels will open," according to the company. "The remaining 12 hotels planned for phase one will open in 2023."

When fully complete, the destination will feature 50 resorts, comprising 8,000 hotel rooms and around 1,300 residential properties across 22 islands and six inland sites.

Another project that will keep contractors, cement producers and the construction sector busy is The Line, which is being developed within NEOM City. The 170-kilometre, high-tech city will preserve 95% of nature within NEOM, with zero cars, zero streets, and zero carbon emissions.

Construction of the project will begin immediately, with special focus on state-of-the-art transit and artificial intelligence. It will feature residences, mixed-use development, schools, medical clinics, leisure facilities, as well as green spaces.

These projects are just the tip of the iceberg. With the transformative Saudi Vision 2030 initiative now in full swing, virtually every sector of the economy will require new buildings, infrastructure and spaces to meet their ambitious targets.

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