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IN THIS EDITION ...

A new poll shows Middle East fund managers have become more positive toward Saudi equities after authorities launched a crackdown on corruption.

The survey, initiated by Reuters, found that around 46% of respondents expect to increase their allocation to Saudi equities in the next three months, buoyed by greater transparency and a government focus on improving the economy.

The news comes amid a number of other promising developments, which point to more upbeat growth in the foreseeable future.

First, a Saudi-led OPEC decision to maintain output cuts for the entire 2018 has propped up oil prices. The move will help drain global inventories and boost prices, as worldwide demand for the commodity continues to gather pace.

In addition, non-oil revenues remain on an upward trajectory, expanding by more than 80% in the third quarter as efforts to boost the sector starts to yield results. The improved figures are also evident in the first nine months of 2017, with revenues surging 23.1% year on year to reach SAR 450.1 billion.

Meanwhile, business sentiment hit a 27-month high in November – a sign of growing optimism. Job creation continued during the month, thus extending the current sequence of hiring to 44 months, according to Markit, which tracks monthly data.

With the decline of foreign reserves also slowing, and global appetite for government debt remaining strong, fiscal pressures have since abated.

Going forward, the Institute of International Finance (IIF) expects fiscal financing to be met comfortably and, perhaps, equally from three sources, namely: domestic debt issuance to local banks, privatisation, and sovereign issuance of conventional bonds and sukuk.

"Relatively low government debt ratio, still large financial buffers, and the fiscal consolidation underway, combined with some recovery in oil prices, should put fiscal positions on a more sustainable footing," the IIF said.

These string of developments should boost Saudi Arabia's coffers and propel the government's Vision 2030 programme forward. All of these could make 2018 a transformative year for the kingdom's economy.

ECONOMIC TRENDS

Initiatives to diversify the kingdom's economy is powering ahead, giving the non-oil sector more room to spread its wings.

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REAL ESTATE

With the government's mortgage programme, home ownership is becoming a reality for many nationals, thus boosting demand for properties.

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OIL AND GAS

As stockpiles drop and crude oil bounces from its grim price outlook, the market is seen reaching a highly anticipated equilibrium.

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POWER

The kingdom's utilities industry has gained more power, following the backing of international investors keen to harness its renewable energy potential.

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OUTLOOK 2018

The kingdom is on the path to recovery, with economic indicators showing strength as the diversification agenda gets underway.

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CONSTRUCTION

With economic diversification came the need to modernise infrastructure across the country, attracting investments of more than USD 850 billion.

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REFORMS REWARD SAUDI WITH ECONOMIC GAINS

Saudi Arabia's third quarter economic data shows economic reforms are bearing fruit. Non-oil revenues, a key focus of the government, climbed 80% during the quarter compared to the same period last year, according to the Saudi Ministry of Finance.

"This quarterly budget report is further illustration of Saudi Arabia's commitment to transparency and financial disclosure, as well as a main factor in delivering Vision 2030," the ministry said in its third quarter update. "Moreover, this third quarter budget highlights the progress in achieving the objectives of the fiscal balance programme within the framework of the Saudi Vision 2030."

Total revenue surged 11% year on year to SAR 142.1 billion, led by non-oil revenues, but oil revenues slid 7%, ministry data show. Meanwhile, expenses stood at SAR 190.9 billion, a more modest year-on-year increase of 5%, but they remain virtually flat on a year-to-date basis.

The improved figures are evident over the nine-month period as well. Revenues from January to September rose 23.1% year on year to SAR 450.1 billion. Expenses stood at SAR 571.6 billion, up slightly by 0.4% year on year, representing 64% of total annual expenses.

According to the Ministry of Finance's data, 44% of the budget was spent on health, education and municipal services.

"The government continued to prioritise expenses that directly benefits its citizens, with education being the single largest sector spend in the first nine months of 2017," the ministry said. "Also, these budget figures demonstrate that the government remains on track to meet its ambitious fiscal objectives for the long-term, including the delivery of a balanced budget."

The deficit for the first nine months of the year stood at SAR 121.5 billion, a decline of 40% year on year.

PMI DATA

Other economic indicators also show that the economy is shaking off sluggishness.

Markit, which tracks business sentiment, showed non-oil private sector growth hit a 27-month high in November. Steep output and new order expansions contributed to the latest positive result.

"Meanwhile, foreign demand improved at a modest pace and job creation continued. On the price front, cost burdens rose moderately, whilst output prices were unchanged since October amid strong competition in the sector. Business confidence remained positive, albeit the level of sentiment fell slightly since the preceding survey," Markit said in its latest survey.

The market intelligence firm noted that the rate of growth accelerated to a 10-month high in November, driven by strong domestic demand. The improvement in new work inflows was reported by more than a third of respondents.

"Job creation continued in November, thereby extending the current sequence of hiring to 44 months. That said, the rate of increase eased since October, in contrast to the trends for output and new orders," Markit added.

Meanwhile, new export order growth reached a three-month high in November, thanks to an economic upturn in neighbouring countries.

Exports for September show that Saudi trade flows are picking up. The value of merchandise exports in September was up 12% to SAR 64.36 billion, compared to SAR 57.46 billion in September 2016, according to data from the General Authority for Statistics.

Encouragingly, the value of oil exports during the month reached SAR 51.11 billion, a 16.4% increase over September 2016. In addition, the value of petroleum exports increased by 1.6% compared to August.

BANK CREDIT

Saudi Arabian Monetary Authority's (SAMA) Monetary and Banking Development Q3 2017 report shows total bank credit fell by a marginal 0.2%, or SAR 3 billion, to almost SAR 1.41 trillion in the third quarter compared to a rise of 0.4% in the preceding quarter. That takes its annual decline to 1.5% in the first nine months of 2017.

Despite the lower headline figure, the banking sector raised credit to key sectors such as transport and telecommunication (up 6.8%), finance (4.4%), water, electricity, gas and health services (3.7%), commerce (3.1%), and building and construction (2.4%).

However, banks pulled back on annual credit to mining and quarrying (down 10.8%), manufacturing and production (-2.8%), and government and quasi-government (-0.6%).

In addition, SAMA data shows total reserve assets decreased by 3.1%, or SAR 58.1 billion, to SAR 1.82 trillion during the third quarter, taking its annual decline to 12% by the end of the third quarter.

SAMA's foreign reserves shot up to USD 493 billion in October, rising USD 8.2 billion month on month, likely due to a USD 12.5 billion international sovereign bond issuance in September.

With Saudi Arabia and its OPEC partners and non-OPEC allies sealing a deal to extend output cuts, oil prices are expected to get a significant lift. That should also keep the economy buoyant in the final quarter of 2017.

SAUDI REAL ESTATE SECTOR POISED TO ACCELERATE

Like the rest of Saudi's economy, the property market is gaining international attention. Knight Frank, the UK-based real estate consultancy, has included Saudi Arabia for the first time in its third quarter Global Housing Price Index, which tracks some of the world's most active property markets.

The Knight Frank data shows that the Saudi Arabian property market fell 5.4% in the third quarter of 2017, compared to the same period last year, but grew 0.7% in the past six months.

The figures tally with data from the General Authority for Statistics, which noted that residential properties index saw a 5.4% drop for a plot, 4.2% decline for a building, and a 0.4% contraction for a villa in the third quarter, compared to the same period last year.

ROOM TO GROW

However, some Saudi real estate companies are finding opportunities to grow, even as prices have dropped over time.

Dar Al-Arkan, for example, said its net profit for the third quarter jumped 86.38% amid robust demand.

"The increase in net income is mainly due to the higher property sale. The increase in finance cost and operating expenses are partially offset by the increase in non-operating income received from murabaha deposits and the increase in lease revenue," the company said.

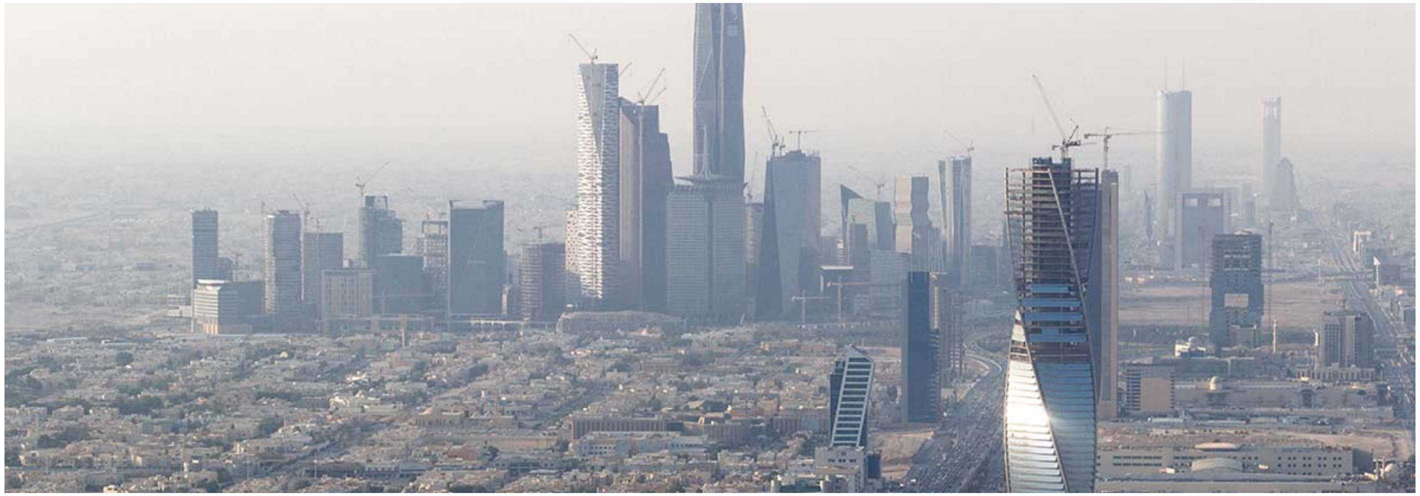
Dar Al-Arkan's total sales jumped 140.9% to more than SAR 1.48 billion during the third quarter of 2017, as against SAR 617.57 million in the same quarter a year ago. The company, which saw its net profit from January to September 2017 rise by 9%, said total sales reached almost SAR 2.3 billion, compared to SAR 1.46 billion for the same period in 2016, an increase of 57.53%.

The company also recently launched an e-commerce platform, allowing customers to book and buy properties easily.

"The e-commerce launch is part of a new evolving strategy of the company, which aims to elevate its businesses and boost its sales revenues by providing multiple lucrative options for residential units, to boost our investors' real estate portfolios and to cater to their housing or investment needs," said Yousef Al Shelash, chairman of Dar Al-Arkan.

Arriyadh Development Co. also enjoyed strong results with a 22.91% increase in net profit during the period. However, Saudi Real Estate Co. witnessed a 43.9% decrease in its third quarterly profit, while Taiba Holding Co.'s year-on-year profit shrank by 21.9% during the third quarter and Emaar the Economic City's (EEC) profit slipped 60.87%.

EEC said decrease in net profit year-to-date was due to a drop in residential sales, which was partially offset by the increase in industrial land sales. Meanwhile, Jabal Omar Development Co. made a loss of SAR 60.79 million, compared to a profit of SAR 63.65 million.



SAFETY BUFFERS

In October, the Public Investment Fund (PIF) established the Saudi Real Estate Refinance Company (SRC), to improve the real estate market's performance.

PIF estimates demand for real estate financing in the kingdom will increase from SAR 280 billion in 2017 to SAR 500 billion in 2026. SRC is anticipated to refinance up to SAR 75 billion for the country's housing sector over the next five years, reaching SAR 170 billion by 2026.

"The company will act as 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," PIF said.

The SRC also aims 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 added.

The new initiative is vital as Saudi Arabia aims to raise the sector's contribution to the country's GDP, and increase the rate of homeownership among Saudis to 52% from 47% by the end of 2020

Earlier in the year, the Saudi Arabian Monetary Agency relaxed the loan-to-deposit ratio and eased the loan-to-value ratio for first home mortgage lending by banks (from 70% to 85%), which should make home ownership an achievable dream for Saudi citizens.

"The majority of the new projects being delivered by the Ministry of Housing focus on off-plan sales to increase affordability," according to Jones Lang LaSalle. "By selling off-plan, developers receive direct payments from buyers, dispensing the need for interest-laden loans from banks, which are then reflected in unit prices."

OUTPUT CUT DEAL EXTENSION LEADS TO OIL MARKET RALLY

The Organization of the Petroleum Exporting Countries (OPEC) and its non-member allies have once again stepped in to ensure oil markets are in a state of balance.

The agreement to cut output by 558,000 barrels per day (bpd) was initially set to be implemented from January until the end of June this year, and extended to March of 2018. But in a meeting in Vienna at the end of November, OPEC members and their allies, comprising 10 nations including Russia, Oman and Bahrain, have agreed to further extend that deal to the end of 2018.

Brent crude prices had already climbed above USD 60 per barrel on the prospects of the agreement and are now trading closer to USD 63 per barrel, in a sign that market equilibrium may be reached soon.

"There is now global recognition that without our collaborative action, the market would have continued to exhibit extreme volatility and future uncertainty, with far-reaching negative consequences for producers, consumers, investors, the industry, and the global economy at large," said Khalid A. Al-Falih, president of the OPEC Conference and Saudi Arabia's minister of energy, industry and mineral resources.

However, he cautioned that dealing with the current oil market cycle and its complex challenges has required great patience, resolve and perseverance, and, together, oil-producing countries have shown admirable commitment.

"To ensure that our hard-earned improvements are not compromised, we must continue to work in unison," Al-Falih added.

COMPLIANCE IS KEY

OPEC and its allies will need to keep a sharp eye on compliance as prices edge up. The International Energy Agency (IEA) estimates that compliance in October stood at 96%, the highest since the deal began in January, and lifting the year-to-date rate to 87%.

"Adherence to agreed output cuts from the 10 non-OPEC countries party to the supply cut deal reached 107% in October, down from an upwardly revised 142% in September," the IEA said. "Russian compliance slipped to 98% from 104% a month earlier. Mexican output rose from an exceptionally and unexpected low September level. Production problems at the Kashagan field likely saw Kazakhstan output move lower. Year to date, the group's compliance rate is estimated to have averaged 81%."

Saudi Arabia has done most of the heavy lifting, with compliance levels of 121%, taking 486,000 bpd off the market – the highest level. Other smaller producers such as Equatorial Guinea (123%), Angola (126%) and Kuwait (100%) were also major contributors.

Still, October marked a change in Saudi output.

"Supply from Saudi Arabia rose 80,000 bpd in October to 10.05 million bpd, as higher shipments to world markets more than offset lower internal demand. Exports typically rise in the fourth quarter after dropping during the summer when more oil is consumed in domestic power plants and as global refiners return from maintenance and purchase additional crude," the IEA said.

"Preliminary tanker tracking data show Saudi shipments climbing more than 200 kb/d m-o-m. Despite the higher exports, the kingdom has stayed below its supply target since the OPEC cut commenced at the start of the year."

ARAMCO DEALS

In November, Saudi Aramco signed eight deals collectively valued at USD 4.5 billion with several oil and gas service contractors for megaprojects designed to enhance the company's energy sustainability, diversify the country's economy, expand gas production, and localise domestic content.

Aramco signed three agreements with Madrid-based Técnicas Reunidas under the Gas Compression Programme in the Southern Area. The project aims to improve and sustain gas production from Haradh and Hawiyah fields for the next 20 years by bringing an additional 1 billion cubic feet per day (cfd) of gas.

"The Hawiyah Gas Plant (HGP) Expansion Project will provide additional gas processing facilities to process raw sweet gas, to efficiently meet the kingdom's energy demand. The contract will be awarded to the Italian firm SNAMPROGETTI (Saipem)," Aramco said.

Other agreements signed include the Free Flow Pipeline Contract for Haradh and Hawiyah with China Petroleum Pipelines Company; engineering and project management services for the Zuluf Field Development Programme with Jacobs Engineering Inc.; the Pipeline and Trunkline Project of Safaniyah Field with Abu Dhabi-based National Petroleum Construction Company (NPCC); and the Slipover Platforms and Electrical Distribution Platform Project in Safaniyah Field with McDermott Middle East.

In another landmark move, the company signed a memorandum of understanding with Saudi Arabian Basic Industries Corp. (SABIC) to develop a fully integrated crude-oil-to-chemicals (COTC) complex in the country, which governs the execution of the front-end engineering design (FEED) before a final investment decision is made.

The COTC complex is expected to process 400,000 bpd of crude oil, with a capacity of around 9 million tonnes of chemicals and base oils annually and is expected to start operations in 2025.

GLOBAL FUNDS RALLY BEHIND SAUDI'S SOLAR ENERGY SCHEME

Saudi Arabia's power sector has appeared on the radar screen of some of the world's largest private sector investment funds, as the government seeks the support of international investors in expanding the renewable energy industry.

The Public Investment Fund (PIF) and the SoftBank Vision Fund (SBVF) announced in October the creation of a New Energy Solar Plan 2030. The non-binding memorandum of understanding (MOU) states that the two partners will develop 3GW solar generation capacity in the kingdom in 2018, through the Saudi Electricity Company (SEC), which is 73% owned by PIF.

The Saudi government will continue to be the controlling shareholder of SEC, providing it with the same level of support.

"On that basis, the parties involved will evaluate SBVF taking a significant equity stake in SEC," the company said in a statement.

Furthermore, PIF and SBVF said they will identify opportunities to establish solar and battery manufacturing ecosystems in the kingdom, helping to support sector diversification and high-tech job creation activities. The two parties will complete their due diligence by 28 February 2018.

"Rapid technology advancement and scale have transformed solar power into an attractive source of electricity," said Masayoshi Son, chairman and CEO of SoftBank Group Corp. "As the kingdom is blessed with limitless sunshine, we are very excited to work together with PIF to build a world-leading solar plant, develop an advanced solar and battery manufacturing ecosystem, and bring high-tech jobs to the kingdom."

SBVF has committed a capital of USD 93 billion, making it the largest fund of its kind in the world. The fund counts Japan's Softbank, PIF, Mubadala and other international investors, such as Apple Inc., Foxconn Technology Group, Qualcomm Incorporated, and Sharp Corporation.

SEC has been raising domestic and international financing to help with its expansion plans. It recently secured a USD 1.3 billion loan from local banks.

The state utility also borrowed a record USD 5.1 billion in 2016, surpassing previous records of USD 3.7 billion in 2014 and 2015. Since 2007, SEC has borrowed over USD 21 billion from local and international capital markets, data shows.

NEW PROJECTS

Saudi Arabia has renewed efforts to develop the renewable energy sector, in a bid to raise its power capacity by 2021. The project is part of the National Transformation Plan (NTP) and Vision 2030, which seek to increase the contribution of renewable sources to the country's energy mix.

Through NTP, the kingdom is targeting 3.45 gigawatts (GW) of renewable energy by 2020, further increasing it to 9.5GW by 2023. The Ministry of Energy is leading the charge in launching the National Renewable Energy Programme, which will be phased.

The Arab Petroleum Investments Corporation (Apicorp) estimates that more than 25GW of new power capacity is already in the pipeline.

"Estimated capacity stood at around 86GW in 2016, with SEC representing around 60GW, but we estimate that in order to meet rising demand, the country will need to invest USD 59 billion, increasing capacity to 114GW," Apicorp said.

Among the major projects include the 3.1GW Yanbu 3 Plant, expected to be online in 2018, and the 2.6GW Shuqaiq plant.

The SEC has also been active in developing independent water and power projects with the private sector. These include the 1,200 megawatt (MW) Rabigh IPP1 – located 140 kilometres north of Jeddah – which began operations in 2013.

The project is 40% owned by Riyadh-based ACWA Power, 40% by the Korea Electric Power Corporation, and the remaining 20% by the SEC. It was developed as a greenfield power generation project on a build, own and operate (BOO) basis.

Riyadh PP11 IPP, a 1,729MW gas-fired combined-cycle power generation, was developed also in 2013 by Sojitz Corporation, GDF Suez Group, Al Jomaih Holding Company, and the SEC.

The 3,927MW Qurayyah IPP in Eastern Province, which began operations in 2014, was developed by ACWA Power (17.5%), Samsung C&T Corporation (17.5%), MENA Infrastructure (15%) and SEC (50%).

Meanwhile, Rabigh IPP 2, a 2,000MW plant and an extension of the original project, is also set to be completed soon.

RENEWABLE ENERGY

Although these projects rely on fossil fuels, new developments would likely use renewable energy as their fuel source.

In October, the Renewable Energy Project Development Office, a division of the Ministry of Energy, Industry and Mineral Resources, sought bids for a 300MW solar power project in Skaka City, Al Jouf.

Eight tenders were submitted by pre-qualified regional and international developers, highlighting the kingdom's appeal to attract investments in the renewable energy sector, according to the Saudi Press Agency.

In addition, Saudi Aramco and General Electric are collaborating to develop a wind turbine demonstration project, which will power the Saudi energy company's facility in Turaif.

"The wind turbine is connected to Turaif Bulk Plant's electrical distribution system to help it reduce the amount of power purchased from the Saudi Electricity Company and to reduce the diesel currently consumed to supply power at the plant," Aramco said.

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OUTLOOK BRIGHTENS FOR SAUDI ECONOMY IN 2018

The Saudi Arabian economy is expected to see a shift in sentiment in 2018. During the three years of austerity programme – in the midst of one of the worst global oil downturns – authorities have painstakingly been diligent: cutting costs, rationalising spending and promoting efficiencies to reduce fiscal burden on the economy.

The kingdom has also embarked on a transformative Vision 2030 programme, which focuses on restructuring the economy and developing new sectors. Next year could see all these developments coming together, and the economy taking off.

The World Bank expects the Saudi economy to grow 1.2% in 2018, from a modest 0.3% in 2017.

"The Saudi economy is projected to undergo a significant moderation growing by around 0.3% in 2017, mainly due to a modest outlook in oil prices, OPEC production quota reduction and the effect of the Fiscal Balance Programme," the World Bank said.

However, as the negative short-term effects of structural reforms dissipates and government balances improve, it is projected that growth will rise to over 2% by 2019, the bank added.

Meanwhile, the International Monetary Fund (IMF) also forecasts the country's fiscal deficit to dissipate in the coming years.

"It is expected to decline from 17.2% of GDP in 2016 to 9.3% of GDP in 2017 and to just under 1% of GDP by 2022," the IMF said. "This assumes that the major non-oil revenue reforms and energy price increases outlined in the Fiscal Balance Programme are introduced on schedule and that operational and expenditure savings identified so far by the Bureau of Spending Rationalisations are realised."

The deficit is expected to continue to be financed by a combination of asset drawdowns and domestic and international borrowing.

VISION 2030 ROLLS OUT

Launched in 2016, the Saudi Vision 2030 programme was at its busiest in 2017, as a number of announcements – geared toward expanding the economy – were issued. These included the USD 500 billion NEOM megacity project, which is poised to become a financial and technological hub, capable of attracting some of the world's most innovative companies.

In addition, the Public Investment Fund (PIF) has launched an ambitious plan to nearly double its assets under management to USD 400 billion by 2020, from its current level of USD 230 billion.

The four key objectives underpinning the fund's programme include growing and maximising PIF assets; launching new sectors; localising advanced technologies and knowledge; and building strategic economic partnerships. PIF has already secured a number of initiatives with some of the world's most well-known companies, including Softbank, Blackrock and Virgin Galactic.

Analysts expect more such announcements in the future, as the kingdom pushes ahead with plans to revitalise its non-oil sector.

The IMF said "reform momentum is strong and is being supported by a governance and monitoring system that has been put in place."

LIST OF REFORMS

To support reform implementation, the government has identified a set of strategic objectives and has established key performance indicators (KPIs) for government ministries and entities.

A debt management office has been established to ensure that the kingdom's finances are running smoothly, while a National Financial Stability Committee was also set up.

"The authorities are re-starting their privatisation programme and are reviewing business regulations, and easing the regulatory burden," the IMF said. "An SME Authority has been set up to co-ordinate SME policies."

Another important reform is import substitution policies and local content targets in areas such as defence procurement. To stimulate the private sector and improve productivity, authorities are now working on a series of public-private partnership programmes.

Also, to deepen the domestic capital markets, the Capital Markets Authority has introduced a number of reforms – foreign investment limits have been relaxed further; settlement on the Tadawul has been moved to T+2; and a parallel equity market for smaller companies (Nomu) has been established. The government has also listed its bonds to increase liquidity.

FTSE Russell, the global index provider, recently launched a stand-alone Saudi index, as it anticipates the kingdom will meet requirements for potential inclusion as a secondary emerging market from early 2018.

"The Saudi Arabia inclusion indexes are a very positive step for the market and country as a whole and we will now begin work with institutional and market practitioners to prepare for the anticipated classification of Saudi Arabia as a secondary emerging market," said Mark Makepeace, CEO of FTSE Russell. "We look forward to working with Tadawul to further develop the index series and create innovative index products for this market."

2018 may be the year when Saudi Arabia starts seeing the fruits of a number of reforms sown in late 2016 and much of 2017, which will further keep the economy afloat.

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INVESTMENT SPREE PUTS SAUDI CONSTRUCTION ON SOLID FOOTING

Saudi Arabia's construction industry may have slowed since the heady days of the building boom, but it continues to attract global players looking to grab a slice of the kingdom's promising market.

Latest data from BNC Network shows that the kingdom currently has more than 4,700 active construction projects, with a combined estimated value of USD 852.3 billion. Out of this, around 2,000 projects are already under construction, with an estimated price tag of USD 243.5 billion.

In addition, another 713 projects, collectively worth USD 36.6 billion, are in the tendering stage, while as many as 170 active projects are valued at USD 1 billion or more and constitute approximately 70% of all active projects in the country.

"There is an estimated USD 284.3 billion worth of projects in the early stages of development (i.e. concept or design) indicating a steady flow-through of new project investments to support a growing market," said BNC. "It is also noteworthy to mention that over 700 projects in concept and design are scheduled to begin work in the near future with a completion date on or before 2022."

However, around 1,000 projects valued at USD 387.8 billion are on hold, after the kingdom put the brakes on non-core projects, and focused on developments that were in line with the Saudi Vision 2030 programme.

"Long-term diversification plans under Saudi Vision 2030 is driving construction demand, while localised industries are benefiting from broad-based reform policies," BNC said in its note.

"Scaling up infrastructure investments will improve transport networks and utilities capacity in highly industrialised areas of the country. The construction market is expected to experience a moderate, but steady growth as the pipeline of new projects suggests an overall positive market outlook."

URBAN EXPANSION

Saudi authorities are channelling investments into urban development, so as to address its fast-growing population's needs for housing, healthcare, educational, hospitality, and retail facilities.

Data shows that as much as USD 273.5 billion is being poured in constructing buildings and mega-urban developments across more than 1,700 projects, as part of the authorities' aim to provide affordable housing across the country.

Other areas that have secured the greatest allocations in public budgets over the past years are education and healthcare. According to BNC, as many as 375 healthcare projects are under construction, with a combined value of USD 28.5 billion, while around 504 education projects, valued at USD 16.6 billion, are under way.

GREAT CONNECTIONS

Connecting the vast country via rails, airports, roads and seaports is a particular focus for the government, in line with Saudi Vision 2030.

Majority of the country's transport investments are tied up in rail projects, which account for approximately 70% of all transport initiatives, which tend to be high in value and delivered in phases, BNC said.

Road development is also getting its fair share of attention with USD 22 billion worth of projects under way, primarily in the capital city Riyadh, while a steady number of roadworks remain active in Jeddah, Makkah, Hail, Madinah and the Asir Region.

The oil and gas sector remains a cornerstone of the national infrastructure scheme, although majority of the investment, or USD 68.5 billion, is devoted to processing facilities, while only USD 21.8 billion are set aside for exploration and production.

As the country's four major cities get a facelift, authorities are also looking to expand and develop other cities so as to promote widespread economic growth.

Riyadh will receive investments of around USD 188.6 billion, while Dammam will get USD 130.8 billion. Around USD 112.7 billion will be set aside for Makkah, and USD 101.9 billion for Jeddah. These budgets will be used to build roads, metro systems, housing, utilities and recreational facilities, as well as medical and educational institutions.

Other key cities are also securing significant construction projects, with Yanbu, Tabouk and Madinah witnessing construction projects worth billions of dollars. In addition, the kingdom is expected to spend USD 159.1 billion on other cities not mentioned above, in a sign that the government is committed to unlocking growth by developing new metropolises and regions.

The breadth of construction developments under way makes up for the slowdown in current projects being awarded this year, as the government prioritises projects that will provide maximum benefit to the wider economy.

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