

Strategic Outlook for Cement Industry in the Kingdom of Saudi Arabia

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Strategic Outlook for Cement Industry in the Kingdom of Saudi Arabia

- Country Overview
- Cement Industry Snapshot
- Cement demand: Past, Future, Demand Drivers, Demand Dispersion
- Cement Capacity: Existing and Future
- Market Characteristic: Market Shares, Product Mix, Packaging, Customer Segmentation, Prices
- Input Materials
- Key Challenges
- Future Outlook & Opportunities

Saudi Arabia: A Country Overview

Saudi Arabia is the 19th largest economy in the world with a GDP of over \$1 trillion, estimated to grow at 4% over next 4-5 years.

Saudi Arabia is one of the top oil producing country. Oil contributes approximately 45% to GDP, 90% to exports, and 75% to government revenue, reflecting its pivotal role in the national economy.

Saudi Arabia has the world's third-largest immigrant population with foreign nationals make up 41% of Saudi Arabia's population.

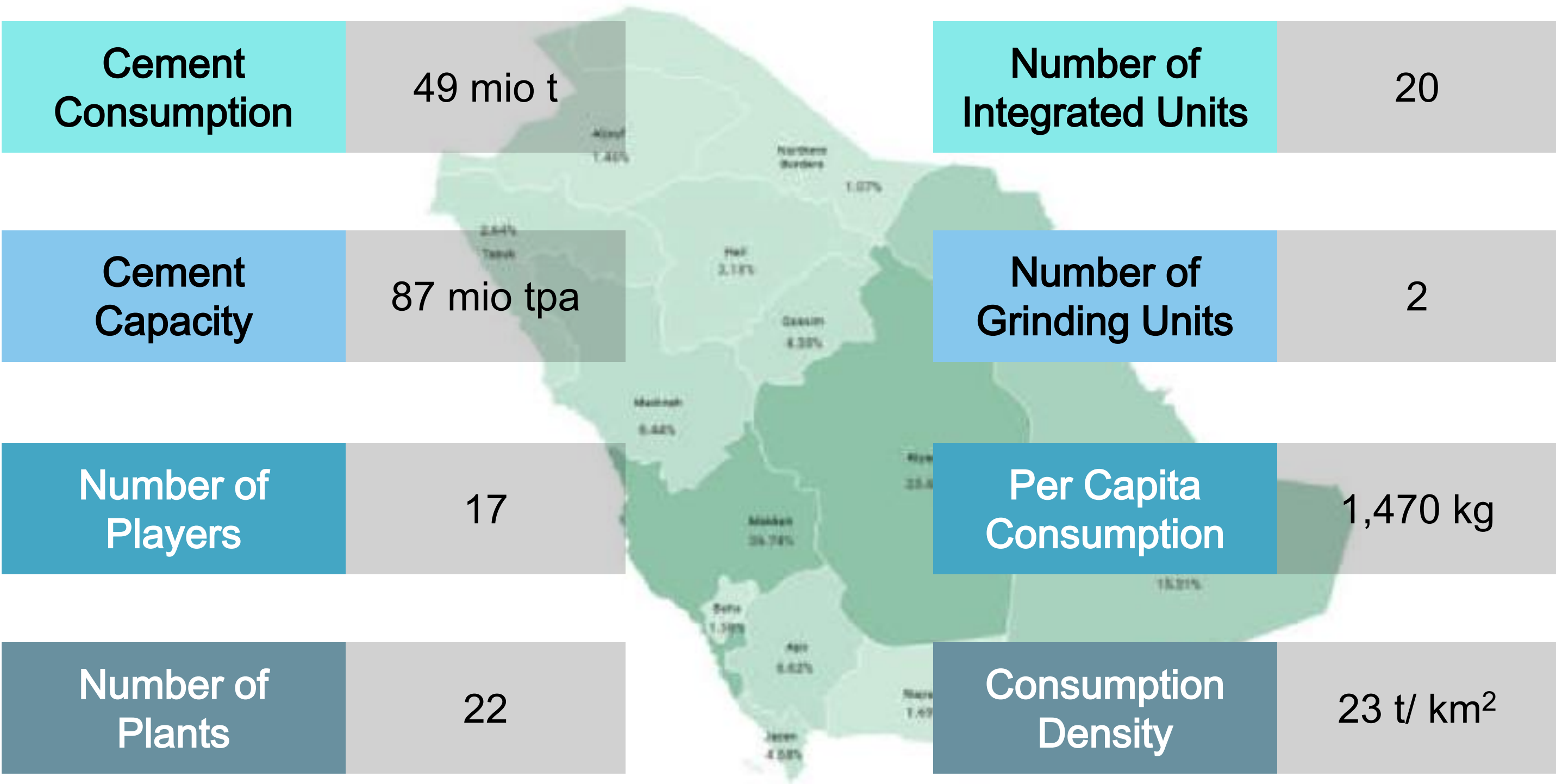
Saudi Arabia is member of both G20 and OPEC+ and plays a significant role in global economy and oil market.

Vision 2030 aims at diversifying the economy, empowering citizens, creating a vibrant environment for both local and international investors, and establishing Saudi Arabia as a global leader.

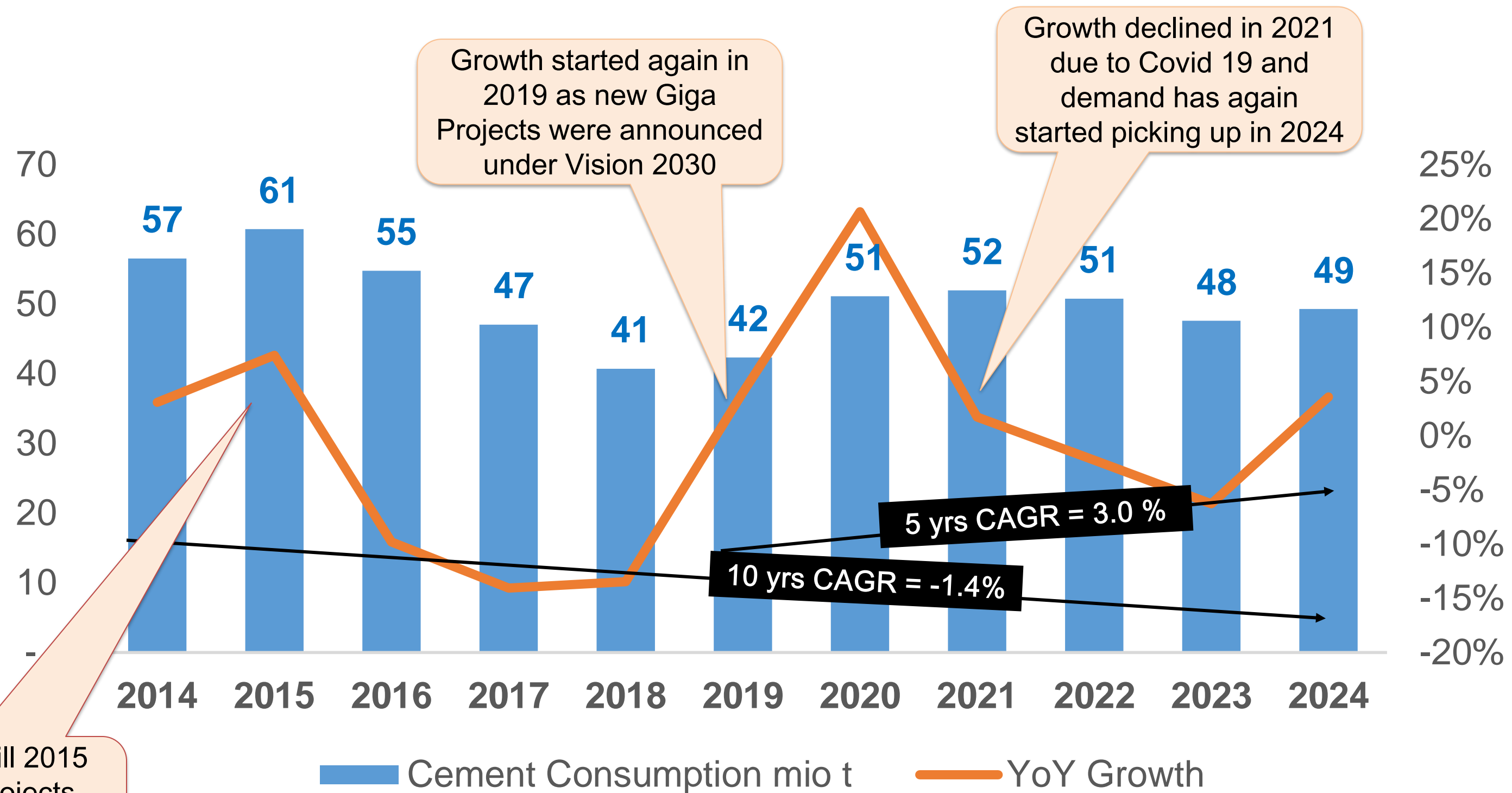
A major surge in infrastructure development backed by mega-projects like NEOM, the Red Sea Project . Upcoming FIFA World Cup 2034 and Asian Winter Games 2029 are expected to further fuel the development.

Saudi Arabia Cement Industry: At A Glance

2024



Saudi Arabia: Past Cement Consumption

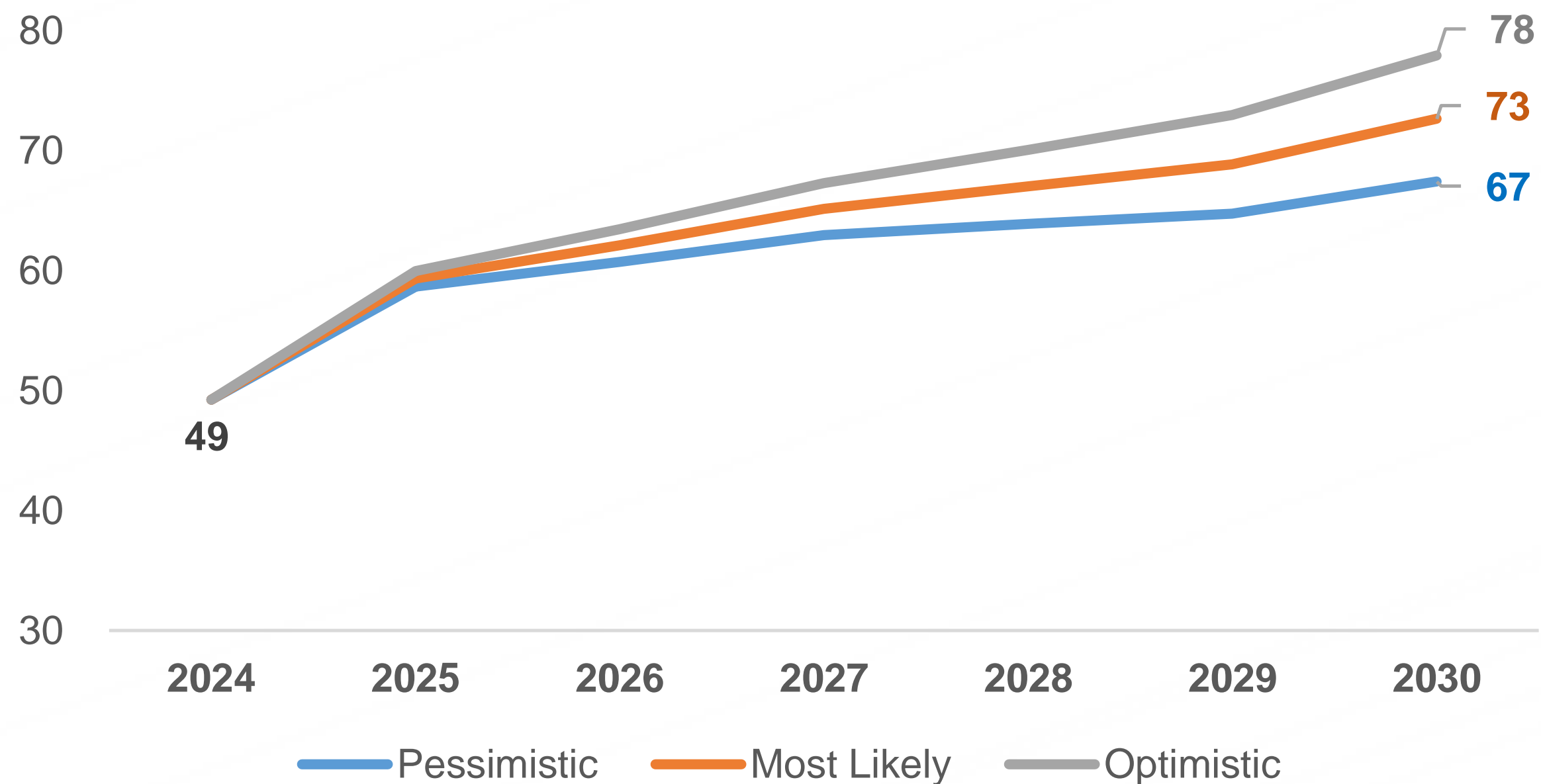


Saudi Arabia: Demand Drivers

- ✓ Key drivers for the recent spurt of growth in cement demand are Giga Projects like NEOM (a futuristic city), the Red Sea Project (a luxury tourism destination), King Salman park, etc. under the government's Vision 2030.
- ✓ These giga-projects involve housing, tourism, infrastructure, and industrial zones that will consume cement in bulk. Saudi Arabia aims to develop these sectors to reduce the country's dependence on oil.
- ✓ Saudi Arabia plans to build over 1 million affordable housing units by 2030 under the Sakani Program and Ministry of Housing initiatives.
- ✓ The government has allocated funds toward roads, airports, railways (like the Riyadh Metro and Saudi Land Bridge) and utility networks.
- ✓ Urban expansion in Riyadh, Jeddah, Dammam, and new economic zones is also boosting construction activity.
- ✓ For FIFA World Cup 2034, there are plans to build 11 new stadiums and refurbish four existing ones. Apart from these, new roads, hotels, upgrading of existing infrastructure is also planned.

Saudi Arabia: Estimated Future Cement Demand

Cement demand is expected to grow at an average of 5% to 8% p.a.
Under Most Likely scenario cement demand is expected to reach 73 mio t in 2030 growing at an average of 7%p.a.



Cement demand has been projected based on correlation of past cement demand with GDP, Population and Time and expected cement consumption from Giga Projects over next 5-6 years

Saudi Arabia: Cement Capacity



Capacity (2024)

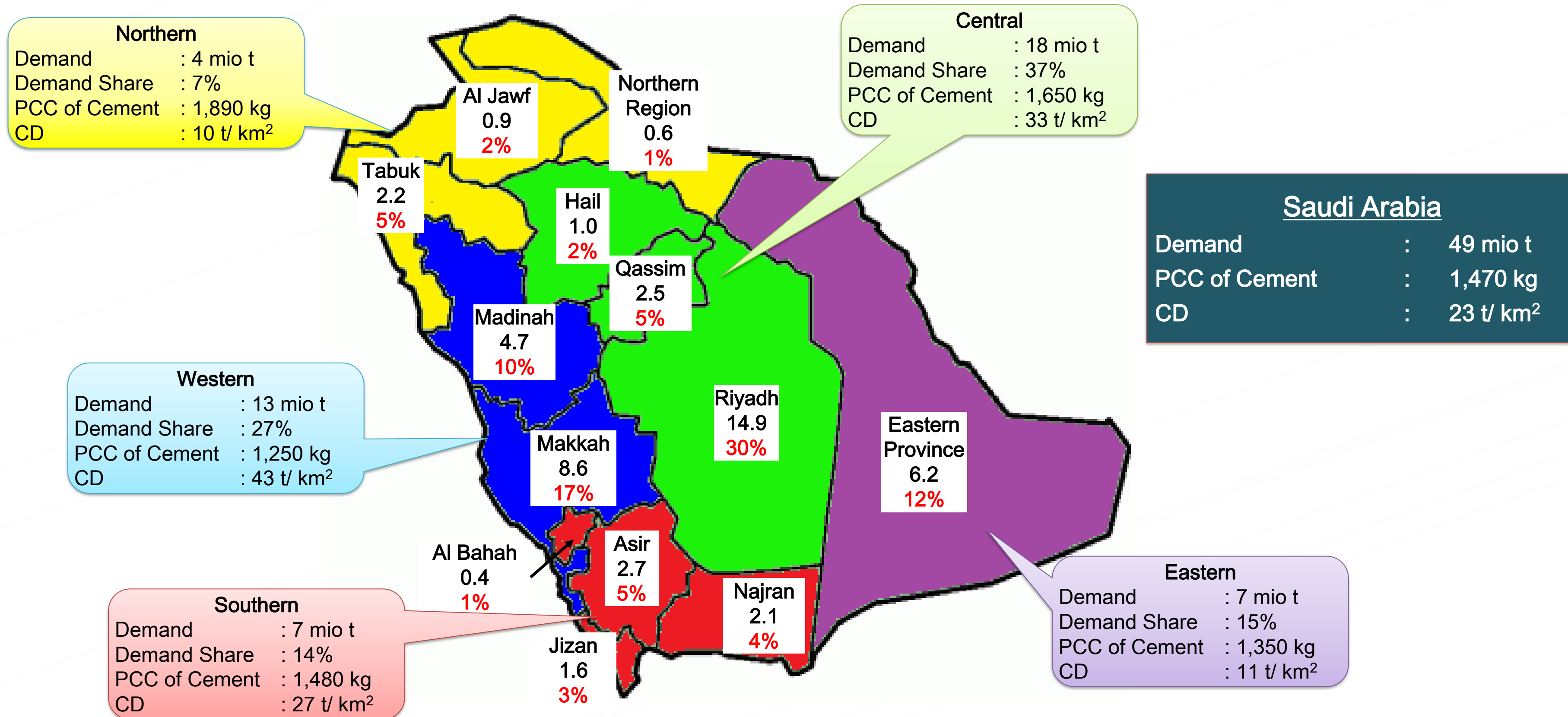
- 17 cement companies
- 22 plants
- Total cement capacity of 86.6 mio t

Region	Capacity (mio tpa)	Capacity Share (%)
Central	22.5	26%
Western	22.0	25%
Eastern	15.9	18%
Southern	16.6	19%
Northern	9.7	11%
Total - 2024	86.6	100%

Future Capacity Addition – around 12 mio tpa

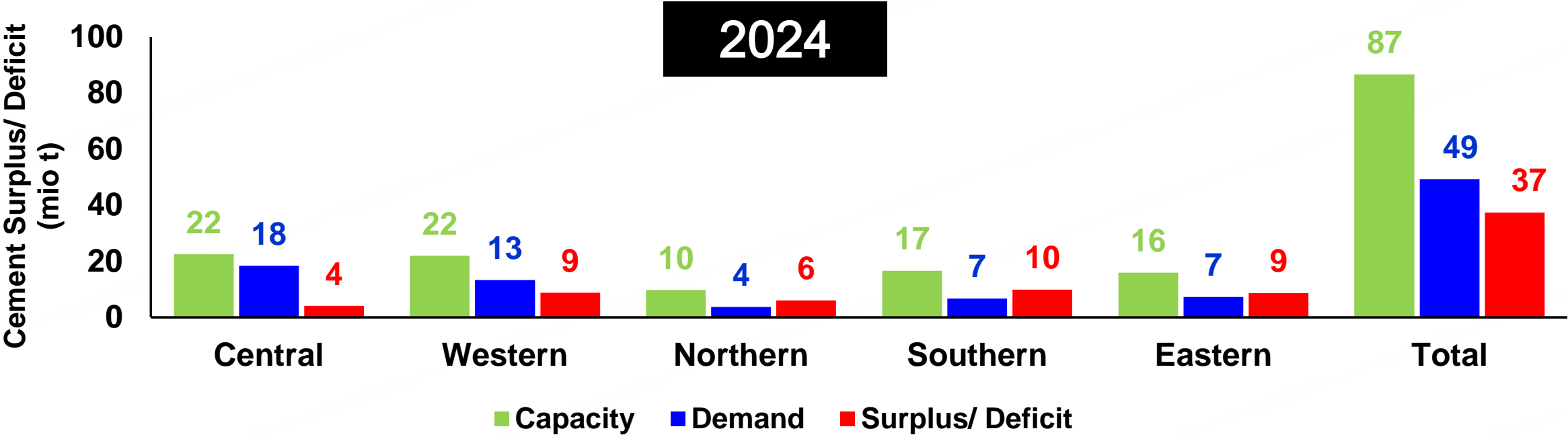
- **Yamama Cement:** 3.5 mio tpa in 2025, Relocation and upgrade of an existing production line to a new site.
- **Eastern Cement and Qassim** 3.5 mio tpa each by 2028.
- **Southern Province Cement:** 1.7 mio tpa by 2028.

Saudi Arabia: Demand Dispersion (2024)

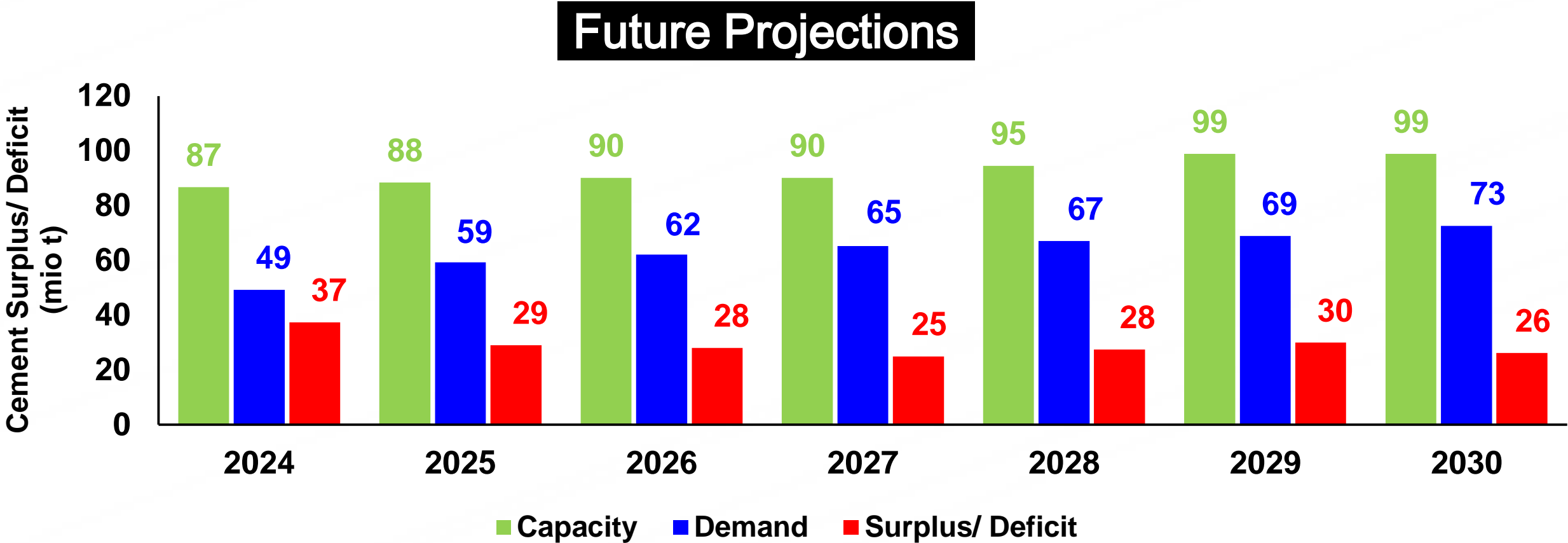


Saudi Arabia: Demand-Capacity Gap

Saudi Arabia is a cement surplus country and all regions in the country are also cement surplus

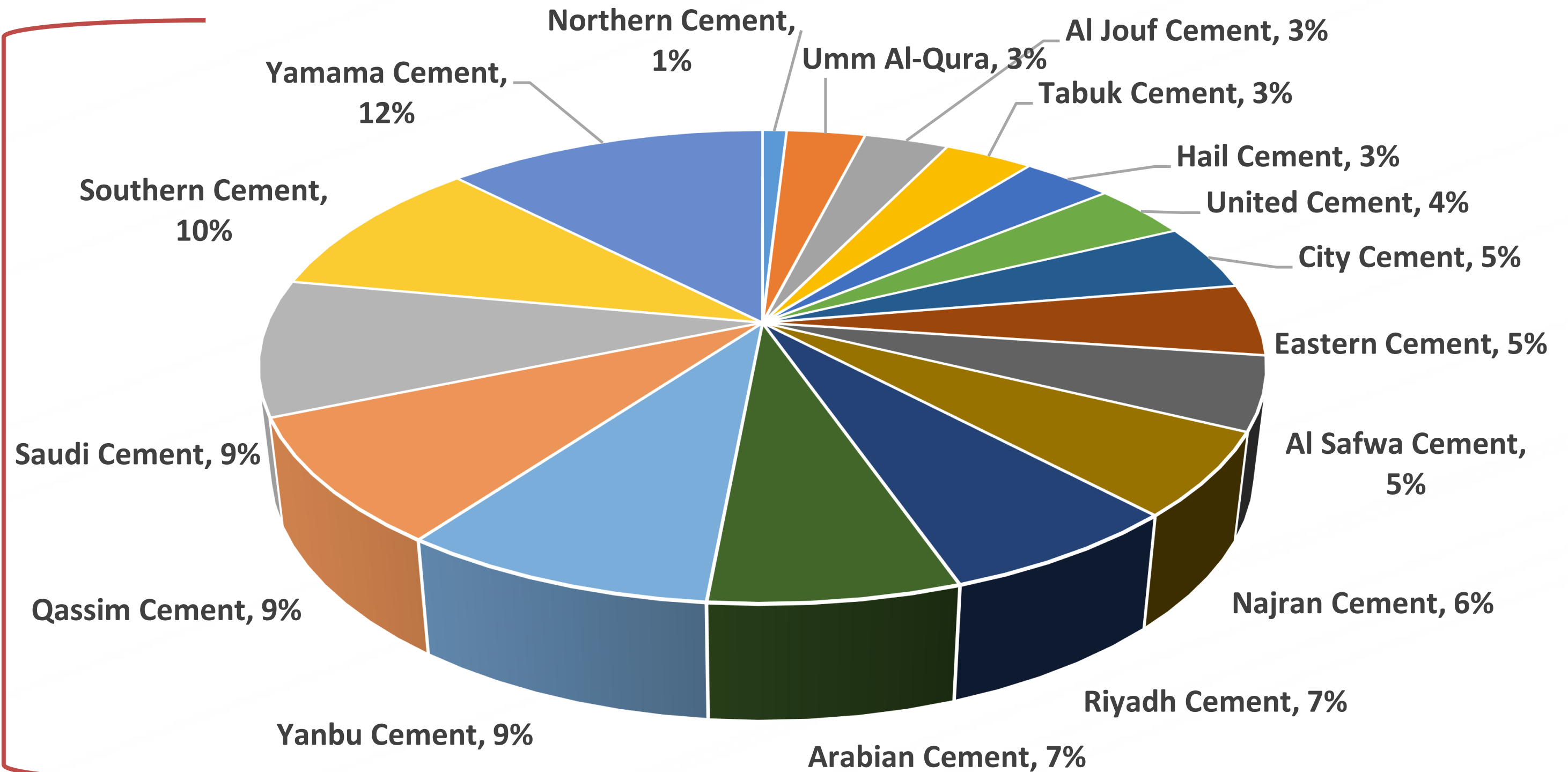


Saudi Arabia is expected to remain surplus in the future



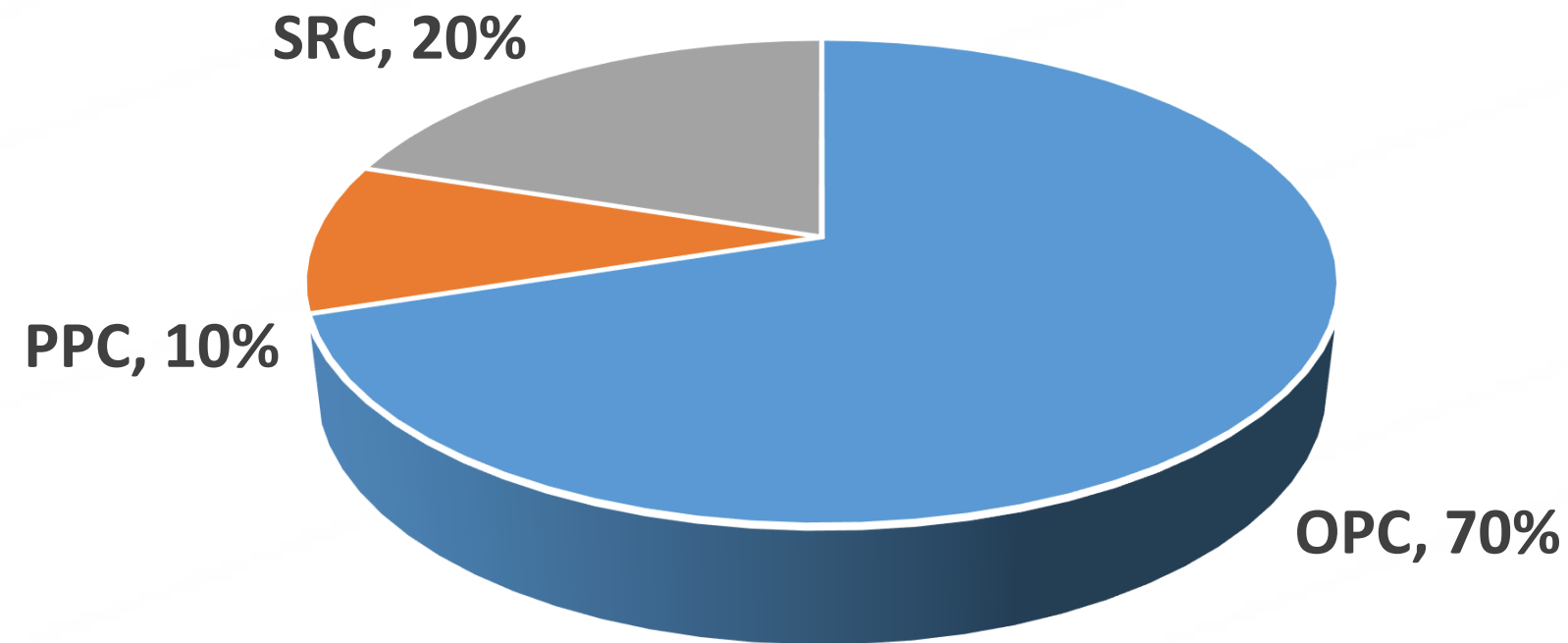
Saudi Arabia: Market Shares

- Yamama is the market leader with 12% market share
- Southern Cement has 10% share
- Other major players like Saudi cement, Qassim Cement & Yanbu cement have around 9% market shares each
- These top 5 players together account for about 50% market share
- Balance 50% share is held by rest of the 12 players

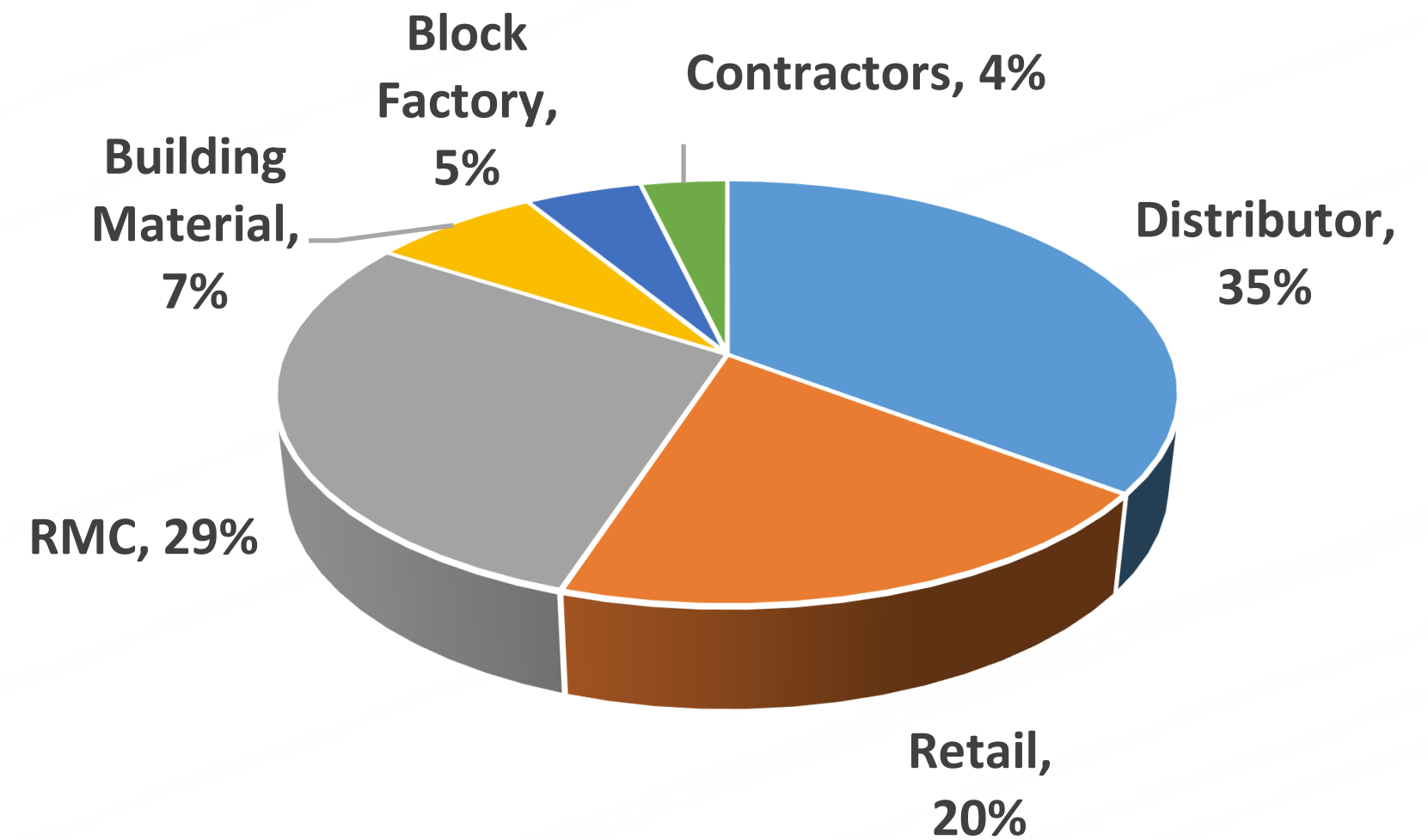


Saudi Arabia: Product Mix, Packaging & Customer Segmentation

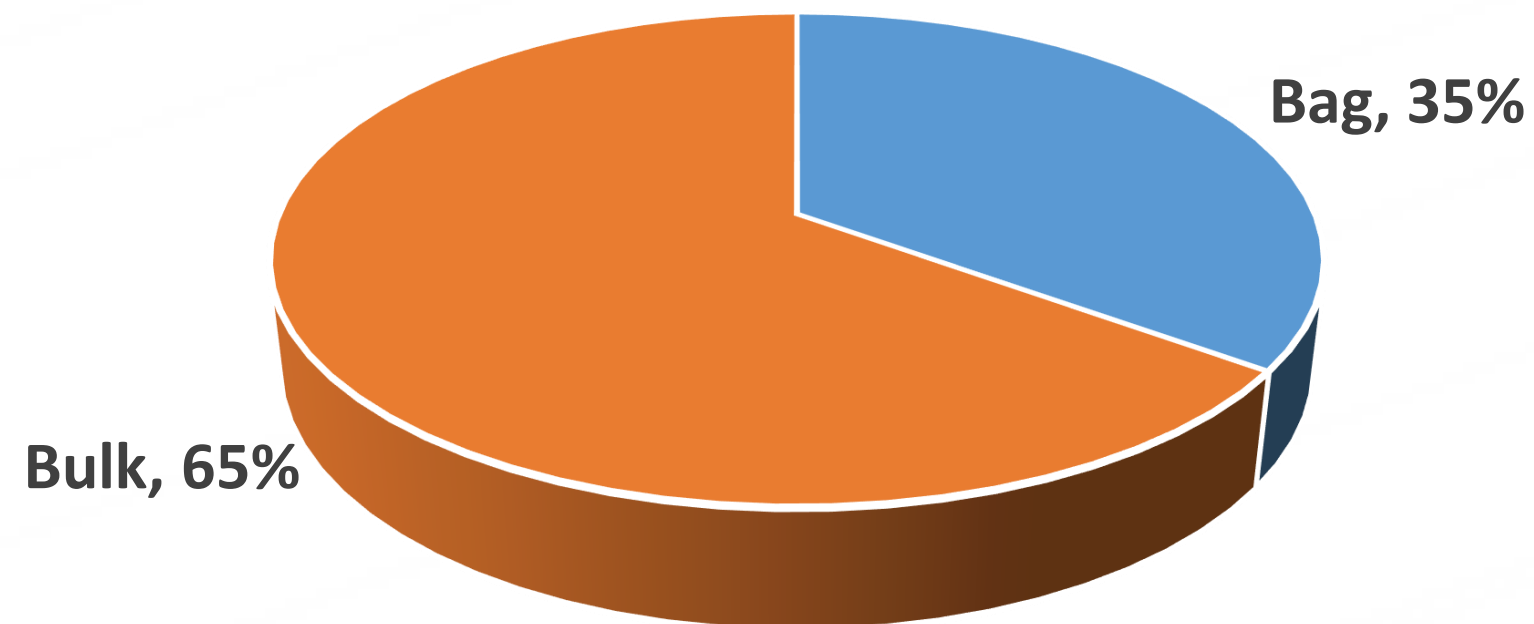
Product Mix



Customer Segmentation

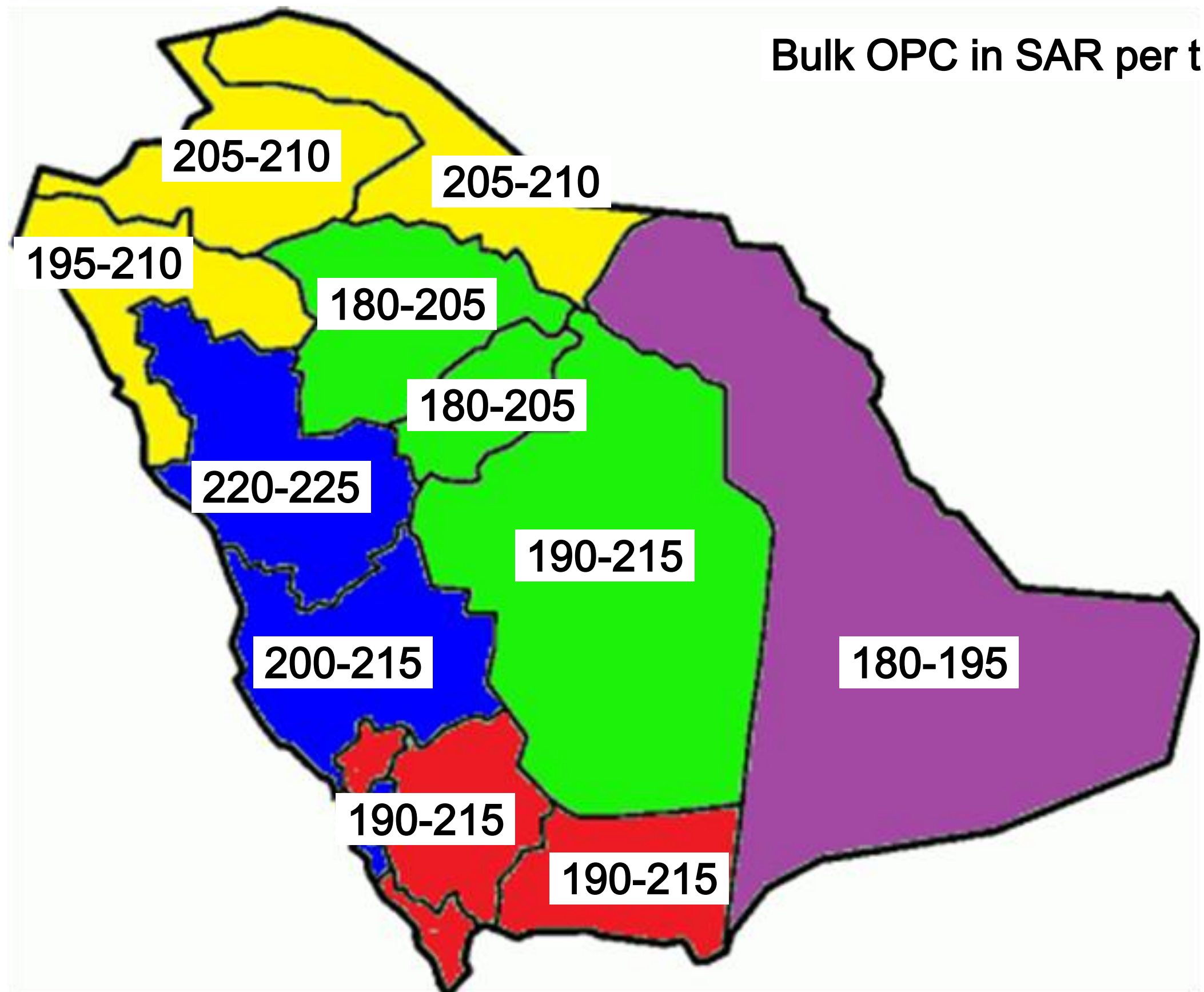


Packaging



About 40-45% of the cement is sold directly to end users and the balance 55-60% is sold through distribution channel

Saudi Arabia: Cement Prices



- OPC bulk price is in the range of SAR 180 to 225 per t (or USD 50-60 per t).
- PPC is priced SAR 10 per t lower than OPC, whereas SRC is priced SAR 15-20 per t higher than OPC.
- Maximum price that can be charged for bulk OPC is SAR 280/ t as capped by the Government.

Saudi Arabia: Exports and Imports



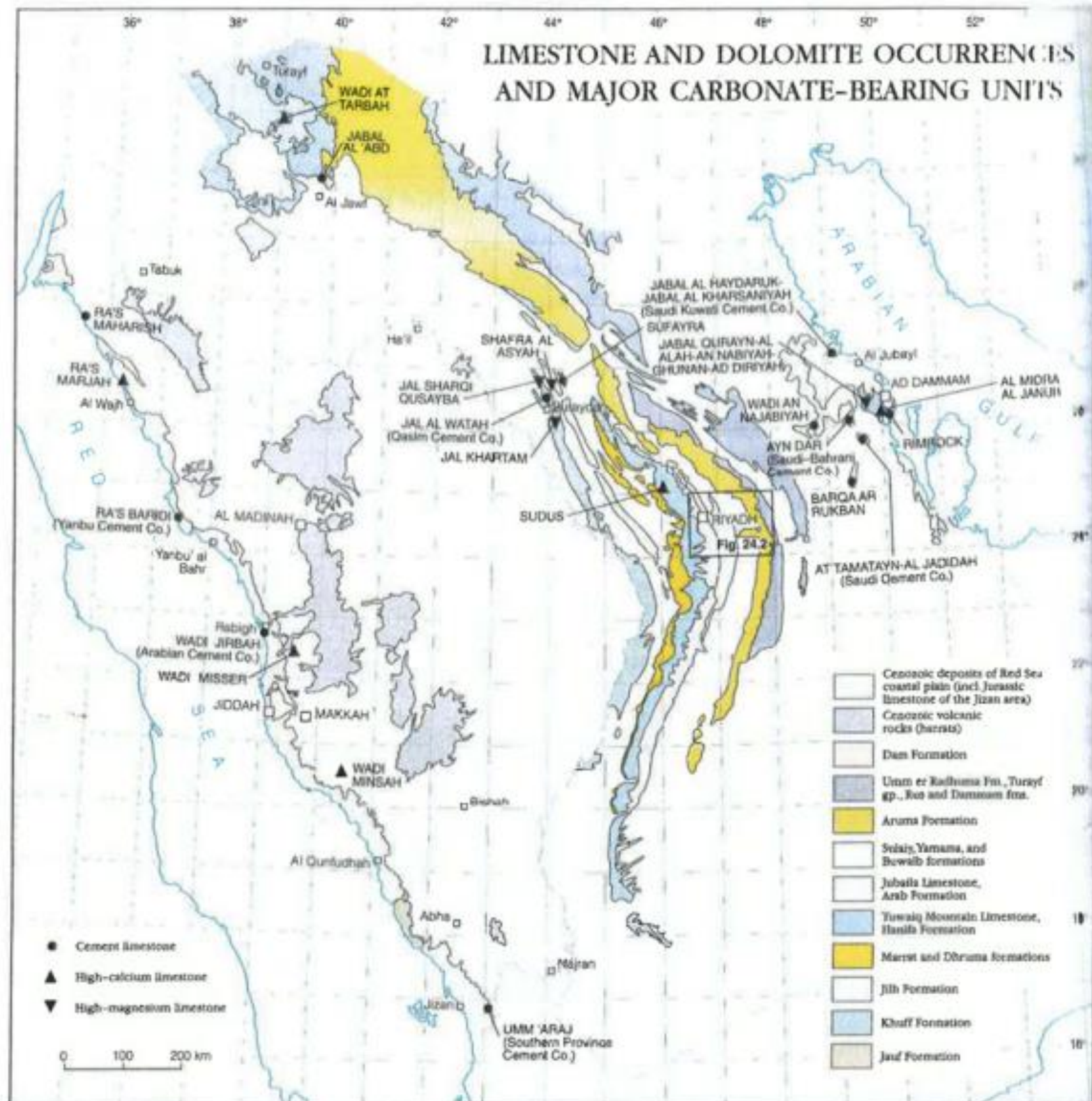
Exports

- Saudi Arabia exports both clinker and cement.
- In 2024, Saudi Arabia exports 4.5 mio t of clinker and 2.0 mio t of cement.
- In 2023 also around 2 mio t of cement was exported although clinker exports were higher at around 6.4 mio t.
- Major export destinations of clinker exports from Saudi Arabia are Jordan, Ghana, Yemen, Mozambique, Sudan, Bangladesh, etc.

Imports

Import of cement and clinker into Saudi Arabia is negligible.

Saudi Arabia: A Key Input Material for Cement Industry



- Saudi Arabia has **significant limestone deposits** mainly in **Red Sea coast** (Arabian Cement, Yanbu Cement, Tabuk Cement, Southern Province Cement), **Central Region** (Yamama Cement, Qassim Cement, Riyadh Cement, City Cement, Hail Cement etc.), **Eastern Province** (Saudi Cement, Eastern Province Cement Co. etc.) and **North Borders Province** (Al Jouf Cement, Northern Region Cement Company).
- **Clay, Sandstone and Iron ore** are also available in Kingdom, which are used as correctives with limestone for cement clinker production.
- **Natural gypsum** which is used as additive for cement manufacturing is also available at northern **Red Sea coastal** plains, **near Buraydah in Riyadh area** and on **Arabian Gulf** coast east of Al Hufuf.
- **Natural pozzolanas** are found extensively in the **western region**, with specific deposits **near Al-Madinah**.

Challenges Faced by Cement Industry in Saudi Arabia

- One of the major challenges faced by the cement industry in Saudi Arabia is [reduction of CO₂ emission](#).
- Under SGI target (Saudi Green Initiative Target) of Vision 2030, the government plans to reduce CO₂ emission by 278 million tpa by 2030. As a part of this effort, [all cement companies are required to convert from HFO to Natural Gas by 2027](#). This is expected to [decrease CO₂ emission by 27-30%](#).
- Cost incurred for conversion of plant from HFO to Natural Gas is fully funded by the government. Time required for conversion is around 1 year (with 30 days of shut down required).
- OPEX is expected to decrease by 10-15%. Although production capacity may also decrease by 5-10% if appropriate modification in the plant are not made.
- As a part of Green initiative, plants are also working towards [using AFR](#) like Soot powder (produced from incomplete combustion of HFO), Palm tree, etc and are aiming [at 10% TSR](#).
- Many plants in Saudi Arabia do not have WHR and are now [putting up WHR based powerplants](#).
- [Power](#) required for the cement plants would also be met [through Grid and all HFO based CPP are to be shut down](#). Power is expected to be available at a similar rate as CPP.

Saudi Arabia: Future Outlook & Opportunities

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- Cement Demand in Saudi Arabia is expected to be robust in coming years based on demand from Giga projects under Vision 2030, housing projects and urban expansion projects.
- Upcoming FIFA World Cup 2034 and 2029 Asian Winter Games to be held in Saudi Arabia are expected to add to the cement demand in the country.
- Country is highly surplus with demand of around 50 mio t + exports of 6 mio t against capacity of 87 mio tpa, which translates to average capacity utilization of around 65% for the industry.
- However, companies are still adding capacity as companies are positive about the future with surge in demand expected from the giga projects like NEOM city. Around 12 mio tpa of capacity is expected to be added over next 4-5 years.
- The government is investing in ports and infrastructure to enable exports. With low energy cost and port infrastructure, there is potential to increase export of cement and clinker.
- Cement players also must convert the plants for Natural Gas usage over next 2 years to meet the government's target date of 2027 under Saudi Green Initiative of Vision 2030.
- The government further plans to have net zero emissions by 2060, this is would include investing in new energy sources, improving energy efficiency, and developing a carbon capture and storage program.
- Cement players would be required to start using AFR (like soot powder, palm tree, tyre waste, RDF, etc.); companies are already aiming for 10% TSR. The country including the cement industry would need to use of solar energy instead using traditional fuel for power generation.

Saudi Arabia: Future Outlook & Opportunities

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- Increased environmental awareness and strong emphasis of Saudi Arabian government on sustainable development is likely see a trend of towards green cement leading to low-carbon production like flyash-based, slag-based, limestone-based cement.
- Saudi Arabia is encouraging the use of precast concrete and modular construction for faster project timelines. This gives the cement companies an opportunity to integrate downstream into prefab manufacturing.
- Some cement companies in Saudi Arabia are strategically entering into RMC business to capitalize on increased cement demand from large projects for efficient construction. This trend is likely to continue in future.
- Companies may set up terminals near ports for cement export.
- Saudi Arabia is a fragmented market with 17 players. The cement industry may witness consolidation through M&As as companies seek to increase market presence and look for synergies to reduce cost.

Recently in 2024, Saudi Arabian cement industry witnessed its first merger between Qassim Cement Co. and Hail Cement Co, followed by Southern Province Cement and Yanbu Cement Co signing a non-binding MoU for possible merger. City Cement Co reached an agreement with Umm Al Qura Cement Co to acquire its entire stake in Jan 2025.

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