

Strong economic fundamentals to support Saudi industrial and steel sector

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Saudi Arabia is heading towards a new era of development, where a comprehensive approach to every sector of the economy will help enhance the sustainability of the Kingdom. These structural changes have a direct impact on the steel industry as the forecasted economic growth and financial success will contribute to the well-being of the industrial sector.

The backbone of the forecasted construction boom in the Kingdom is the sustainable economy. "With the national economic prosperity, we have confidence that Saudi Arabia will meet all targets of Vision 2030. Right now, we create a fundament for future industrial growth. The key pillars of such approach are developing of different industrial clusters, which are providing new business opportunities for Saudi steelmakers because of massive localisation efforts," Bandar bin Ibrahim Al Khorayef, minister of industry and mineral resources, said during the 2nd Saudi International Iron and Steel Conference held in September in Riyadh.

Recovery of the oil prices will allow Saudi Arabia's robust targets to come true as the budget surplus is expected to hit SAR 90 billion (\$24 billion; \$1 = SAR 3.75) in 2022, according to Mohammed al-Jadaan, minister of finance. Sustainable financial figures are predicted for the next year as well. According to a preliminary budget statement, the Kingdom will receive a revenue of SAR 1.12 trillion (\$0.3 trillion) and spend SAR 1.11 trillion (\$0.3 trillion) in 2023. As a result, the country will have a surplus of SAR 9 billion (\$2.4 billion), which is equivalent to 0.2% of GDP. The economy is forecast to grow by 3.1%.

The skyrocketing oil prices fuelled by the negative circumstances of Russia's war in Ukraine changed the Kingdom's approach to revenue. Finance minister said earlier this year that the government will hold billions of dollars from its oil windfall in its current account and only decide how to distribute the money by the end of the year, Metal Expert reported.

The local steel sector is highly optimistic about the MENA's projected steel consumption growth at a rate of approximately 3.3% in 2021-2026. The players believe that they will not have problems with the demand. "The anticipation of projects of the NEOM's scale to come on stream triggered discussion within steelmakers. Some of them believe that with the existing long capacity, the producers will not be able to meet the demand. From my point of view, one project will not corner the industry, even NEOM," an insider told Metal Expert.