

Kingdom of Saudi Arabia

هيئة الاتصالات وتقنية المعلومات
Communications and Information Technology Commission



ICT Indicators 2011

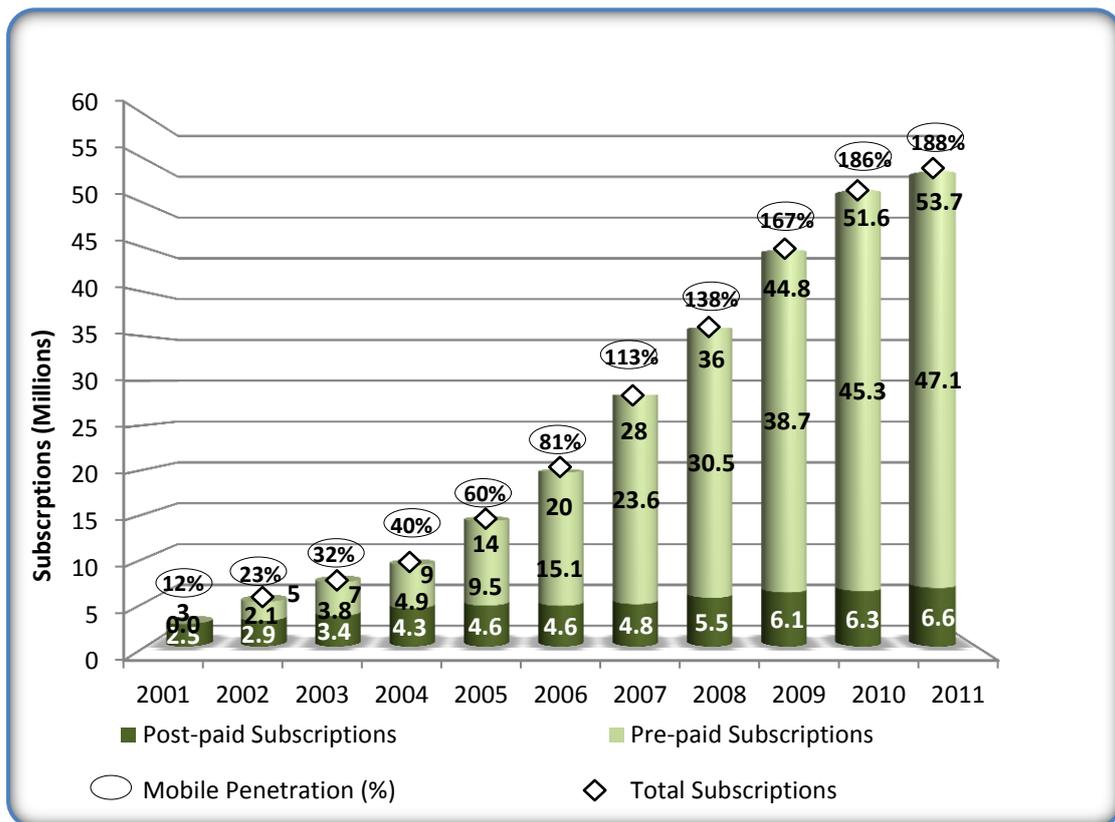


The ICT Sector in the Kingdom of Saudi Arabia

1. Mobile Telecommunications Market

The total number of mobile subscriptions grew to around 53.7 million by the end of 2011, with penetration rate of 188%. Prepaid subscriptions constitute the majority (over 87%) of all mobile subscriptions. Despite the high growth rates achieved by the mobile sector in recent years, the growth is expected to continue albeit at a slower growth rate.

Figure (1): Mobile Service Market Growth-Total Subscriptions (2001-2011)



Source: Based on numbers reported by mobile service providers. The figures were adjusted based on an audit and analysis of inputs and application of methodology for calculating the numbers.

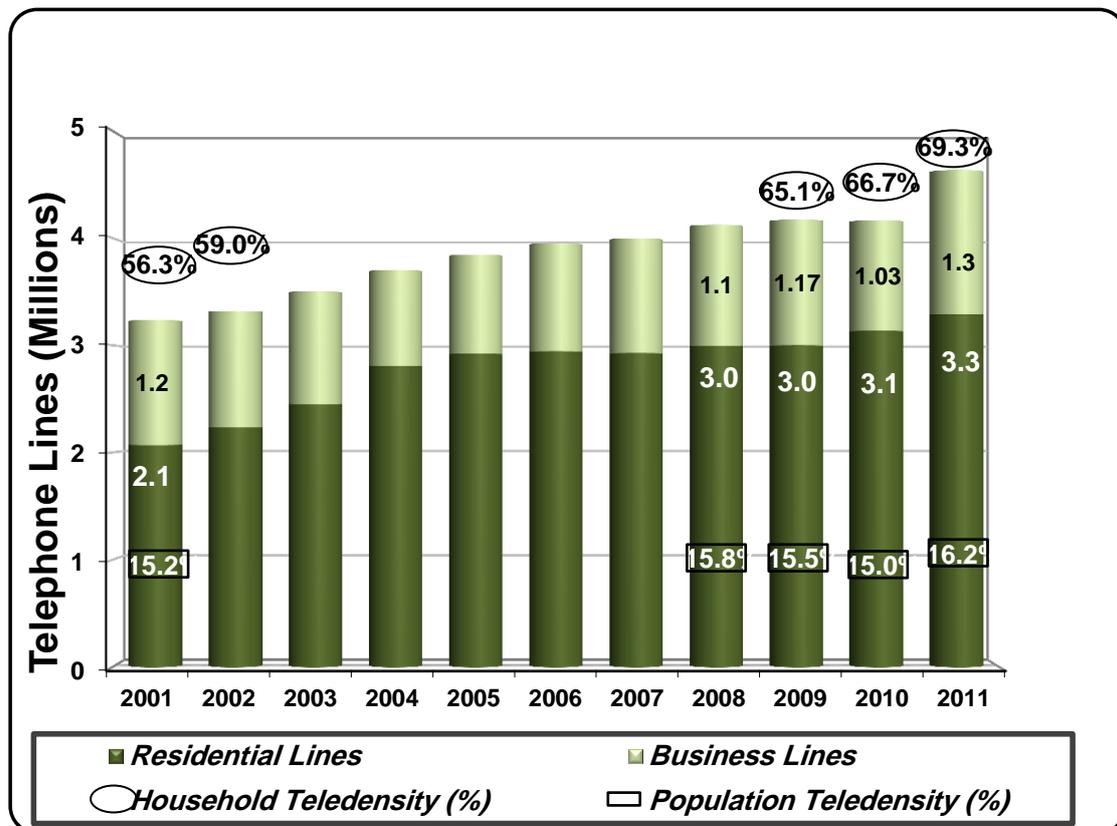


2. Fixed Telephony Market

Fixed telephone lines stood at 4.63 million by end of 2011, of which around 3.3 million or 71% were residential lines. This represents a household teledensity of around 69.3%, while the population teledensity is about 16.2%. This is slightly lower than the world average of over 17%, but is higher than the Arab world and the developing countries averages.

It is clear from Figure (2) that the rate of demand for fixed line service has been relatively stable since 2004. The main reason is the rapid spread of mobile telecom services, ease of subscription, and the gradual decrease in prices; which has led to the lower number of requests from consumers for a fixed service. However, the demand for fixed services, especially in major cities, is expected to grow as a result of growing demand for broadband services, especially for the fiber-optic network (FTTx) services.

Figure (2): Fixed Telephone Market Evolution (2001-2011)



Note: Population teledensity is calculated by dividing total fixed telephone lines by population, while household teledensity is calculated by dividing residential lines by number of households.



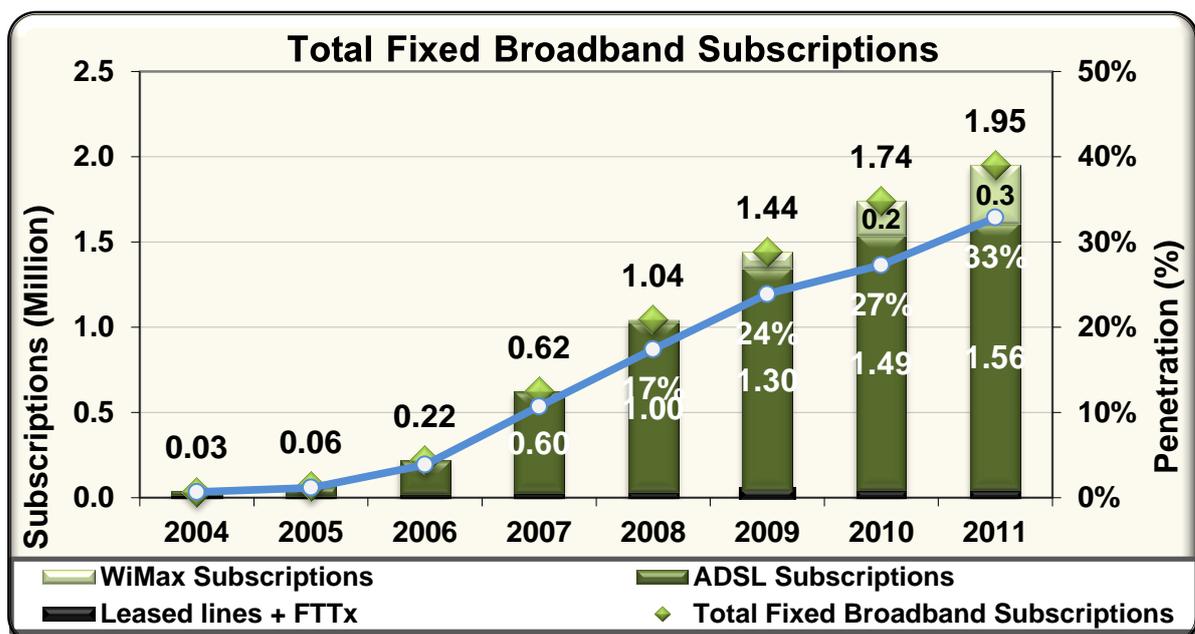
3. Broadband Market

Studies indicate that broadband services will be the main driver for the growth of telecommunications and information technology in the coming years, and an important source of income for the sector. The opportunities for deployment of broadband networks in the Kingdom are good, over the immediate future, especially for wireless fixed and modern mobile networks, to meet increased demand for the use of broadband services and applications. The gap in the spread of broadband services in the Kingdom is still large compared with developed countries. The objectives of the Ninth Development Plan of the Kingdom include, "the pursuit of knowledge-based economy through the application of electronic trading and the dissemination of use in all regions of the Kingdom". Therefore, and in order to achieve this objective and to facilitate the flow of information, there is a greater need for high speed and high quality broadband networks at reasonable prices to be made available in the Kingdom.

3.1 Fixed Broadband Services:

Fixed Broadband subscriptions including the DSL, Fixed Wireless (WiMax), FTTx and other fixed lines have grown to around 1.95 million subscriptions at the end of 2011. The Fixed Broadband penetration rate was about 33 % of the households.

Figure (3): Fixed Broadband Market Evolution (2004- 2011)



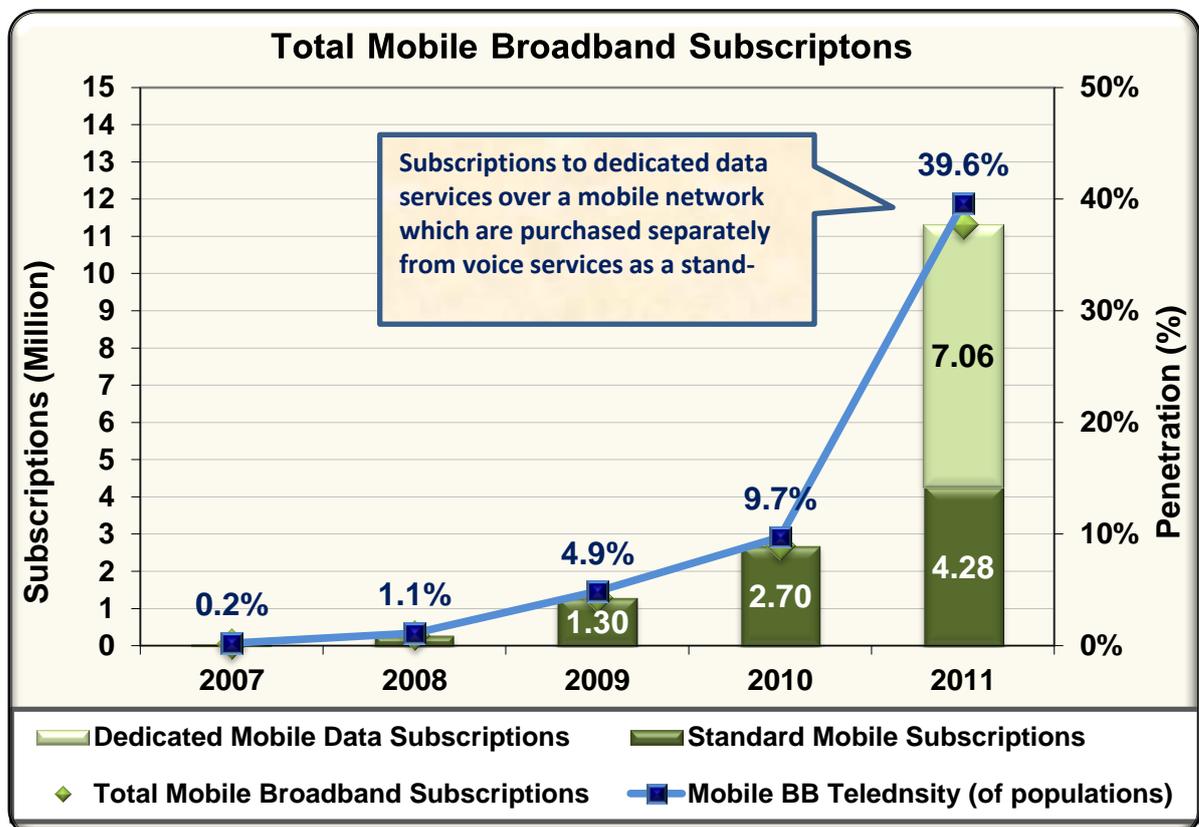


3.2 Mobile Broadband Services:

The total subscriptions to the mobile broadband reached 11.3 million by the end of 2011, representing a population penetration rate of 39.6%. The mobile broadband market continues to gain momentum in the Kingdom. The key reasons for this growth are the vigorous competition, a healthy expansion of smart phones and offer of various data packages by mobile operators. It has become easier to access via mobile devices such as smart phones. The mobile networks are also improving, as the 3.5G (HSPA) continues to be deployed and as wireless broadband technologies (4G) emerge over the next few years.

It should be noted that in calculating the number of subscriptions, CITC has adopted the new methodology recommended by ITU in early 2011. This allows for inclusion of voice and data subscription SIMs at broadband speeds. As a result, the broadband subscriptions and penetration totals for 2011 are substantially higher relative to those reported in previously.

Figure (4): Mobile Broadband Market Evolution (2007- 2011)

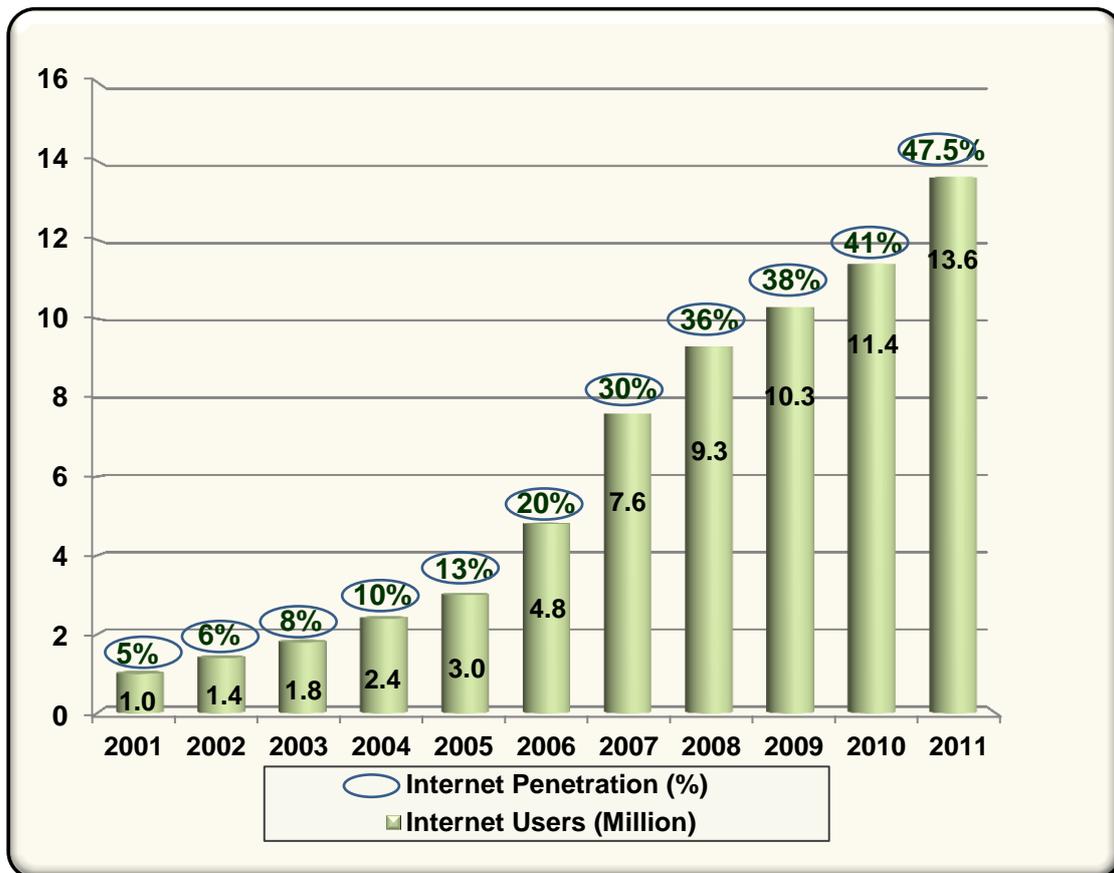




4. Internet Services Market

Internet penetration increased at a high rate during the past years from 5% in 2001 to about 47.5% at the end of 2011. The estimated number of Internet users in the Kingdom is now 13.6 million. Increased awareness of the benefits of the Internet, the significant growth in the availability of high speed broadband services and applications, continuing decline in the prices for devices and services, and significant usage of electronic transactions (banking, commercial and government) have helped in the growth of Internet services. It is expected that the demand for Internet services will increase significantly in the next few years due to the availability of optical networks (FTTx) at very high speeds, especially in large cities initially, growing Internet content, and the spread of handheld smart devices and applications.

Figure (5): Internet Market Evolution (2001- 2011)



Notes:

2001-2006: CITC estimates based on reported Internet connections (dial-up and broadband).

2007-2009: Actual based on field surveys of the Internet market commissioned by CITC.

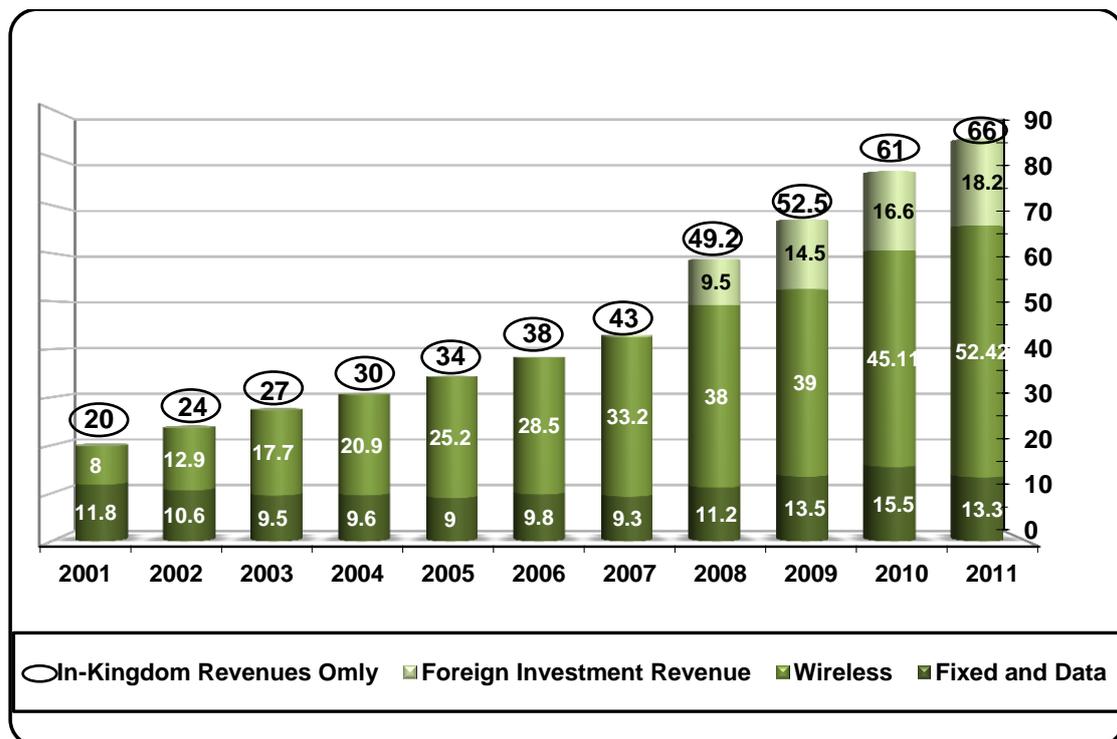
2010 & 2011: CITC estimate (projection) based on field surveys.



5. Telecom Services Sector Revenues

Telecom services revenues in Saudi Arabia have been steadily growing at a CAGR of around 12.8%, increasing from about SR 20 billion (US \$5.3 billion) in 2001 to SR 65.7 billion (US \$17.5 billion) in 2011. Figure (5) tracks the overall revenue growth, including both fixed and mobile services revenues, over the eleven year period (2001-2011). Mobile services revenues represent about 80% of all telecom sector revenues in the Saudi market. In addition to revenues from the domestic market, investment by Saudi licensed telecom companies in foreign telecom markets have led to a rapid growth of revenues for the sector from foreign operations, from SR 455 million in 2007 to around SR 18.2 billion (US \$4.85 billion) in 2011. Domestic revenues, however, still represent over 78% of the total telecom sector revenues of SR 84 billion (US \$22.4 billion) in 2011.

Figure (6): Telecom Sector Revenues (2001-2010)



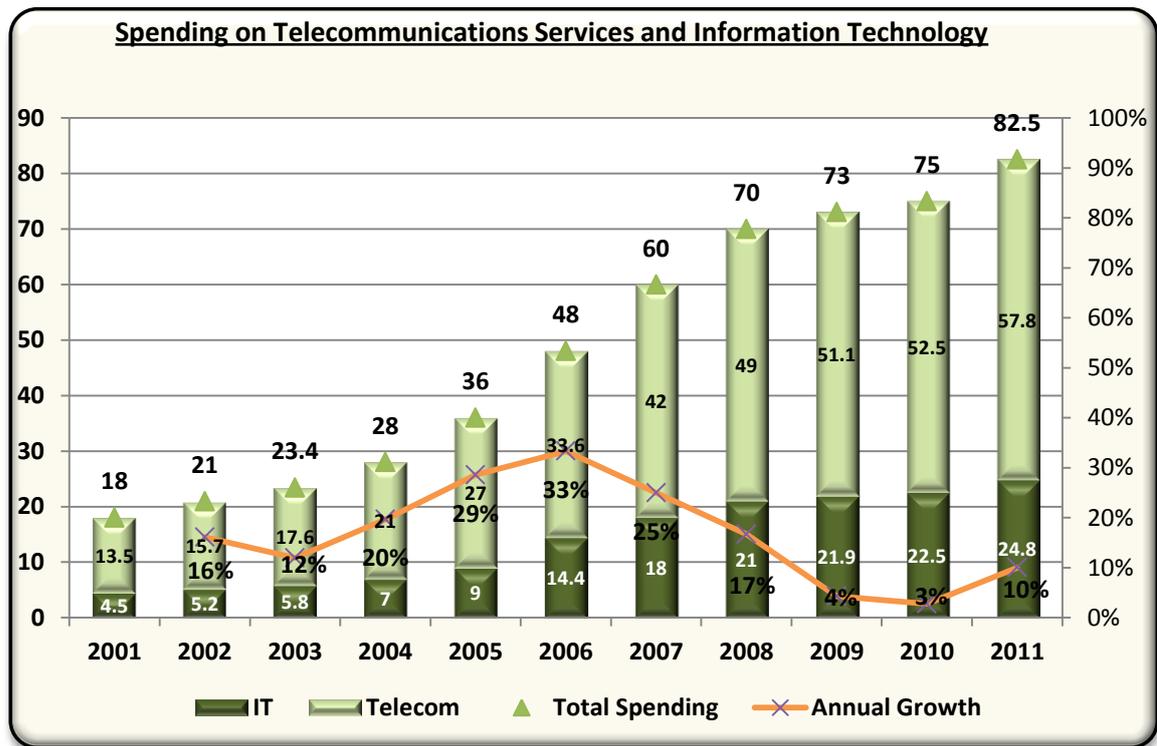
6. Spending on ICT Services

CITC estimates that the volume of spending on the ICT services is up to SR 83 billion in 2011 compared to SR 21 billion 2002, resulting in



an average annual growth of about 14%. The spending on information technology is around 30% of the total volume of expenditure, mostly concentrated in spending on hardware and IT services. This spending on ICT products and services is expected to grow by more than 10% in 2012, driven mainly by expected strong growth in demand for smart phones, high speed networks and interactive applications resulting in strong growth of investment in the sector, implementation of government projects, all of which will lead in turn to the growth of support services in the sector. The ICT market in the Kingdom is the biggest in the Middle East, in terms of capital value and volume of spending, and accounts for greater than 68% of the GCC ICT market. The capital investment of more than SR 125 billion in the past ten years is due to the industrial diversification in the Kingdom, and has led to increased demand for software, equipment and services that make up the fastest growing sector in the IT field.

Figure (7): Spending on ICT Services

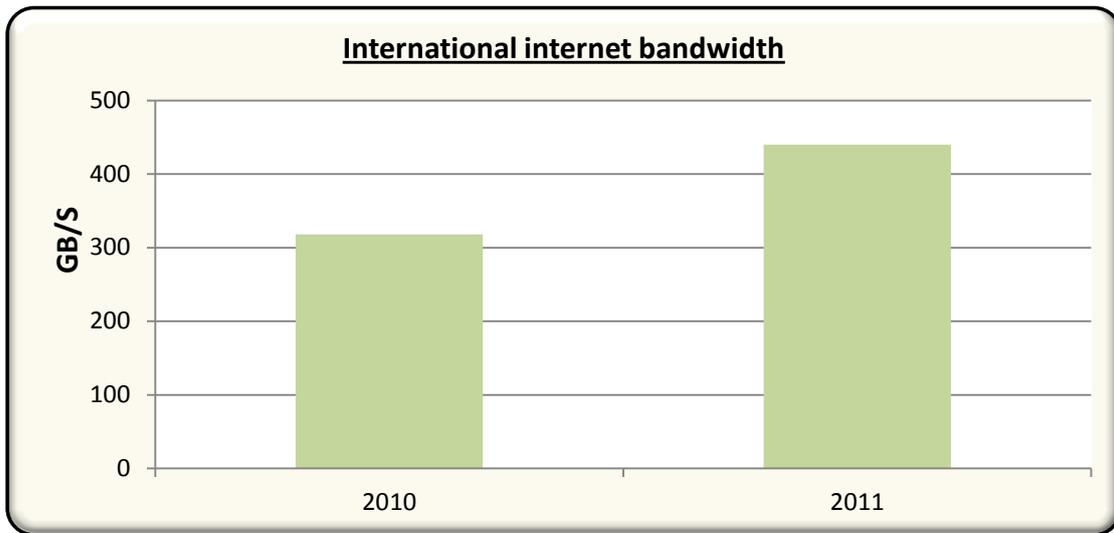


7. International Internet Bandwidth

The total capacity for the international connectivity of the Internet in 2011 was about 440 gb/sec compared with 318 gb/sec in 2010.



Figure (8): **International Internet Bandwidth**



8. ICT Contribution to the National GDP

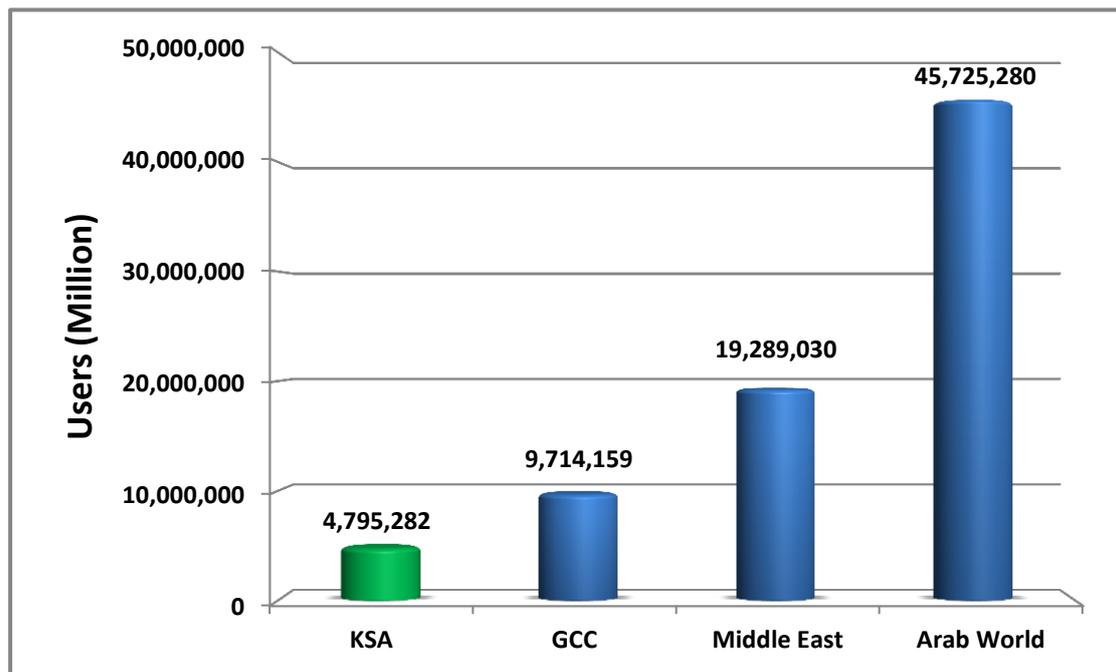
The growth of capital investment, development and expansion and of ICT networks have significantly contributed to the national GDP. This has been the result of liberalizing the telecommunications sector and opening its market to competition which in turn has led to attract investments and growth of the sector. The deployment of modern technology and availability of applications has the positive effect of raising the efficiency of other economic sectors as well. The growth in GDP in 2011 was SR 7.1 billion or about 7%. According to CITC estimates, the contribution of the ICT sector is around 3%, and is seen rising over the past three years. The percentage of added value of the ICT sector to the GDP was 4.4% in 2007 to and is now 3% in 2011. This abnormality is mainly due to the significant growth in GDP due to high oil prices and increased oil production rates. If however, one were to neutralize the oil and mining sector components of the GDP, it is estimated that the ICT contribution to the national GDP (excluding oil and mining) was up 6% in 2011. Studies also show that there is a direct correlation between the prevalence of broadband services and the rate of growth in GDP. It is estimated that a rise in the spread of broadband services by 10% could result in the growth in GDP of between 1.2% and 1.3%.



9. Social Networking

In the current global technological evolution, the social sites on the Web are one of the most important phenomena as demonstrated by the dramatic and rapid increase in the usage of these networks in recent years. While there are more than 200 sites of social networking in the world today such as “Twitter” and the “LinkedIn”, “Facebook” is the most popular and widespread, and was ranked first globally in terms of its proliferation and the number of users. It is estimated that at the end of 2011, there were more than of 845 million active users, with more than half of them visiting the Facebook site every day.

The social network usage in the Kingdom has doubled over a year since 2010. The number of users on Twitter and Facebook now is very large across all age and social groups. The estimated number of users of Facebook in the Kingdom, at the end of 2011, was 4.8 million, with a penetration rate of 16.8% of the population, and 35.3% of the Internet users. The Kingdom occupies 30th position globally, in terms of the number of users of social sites, and is ranked second in the Arab world after Egypt.





Indicator	Value
Global Rank	30
Arab World Rank	2
Penetration (Individuals)	16.8%
Penetration (Internet Users)	35.3%

