

**Kingdom of Saudi Arabia**

هيئة الاتصالات وتقنية المعلومات  
Communications and Information Technology Commission



# **ICT Indicators Report**

**End of 2012**

**February, 2013**

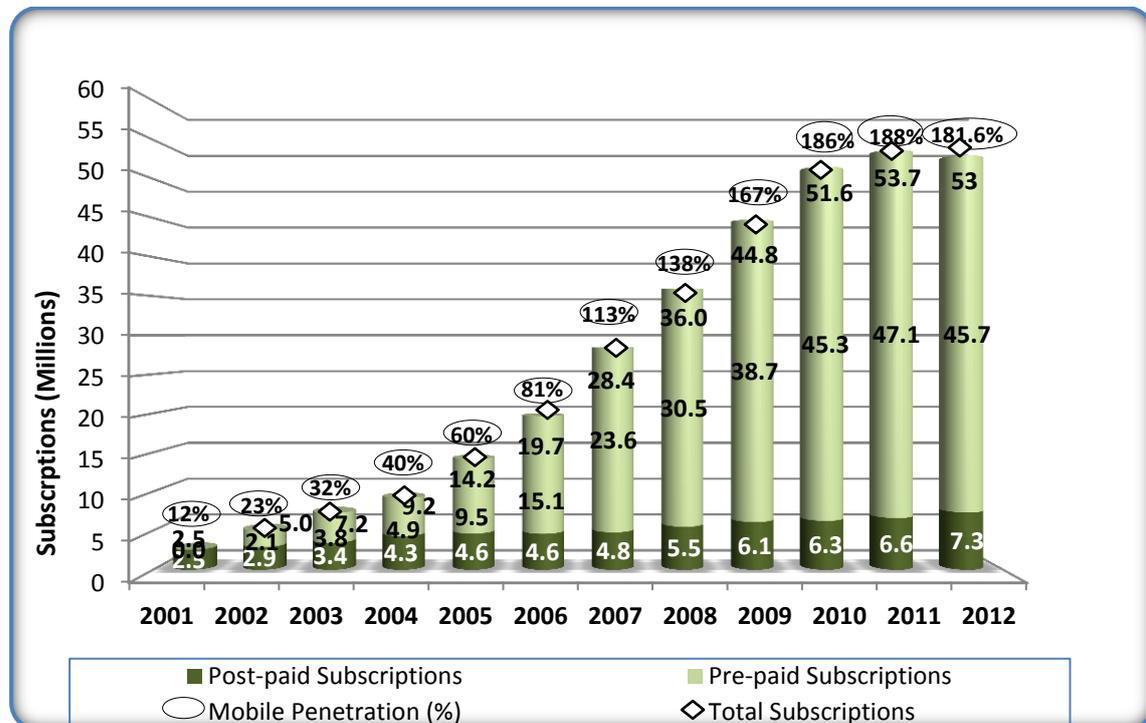


# The ICT Sector in the Kingdom of Saudi Arabia

## 1. Mobile Telecommunications Market

The total number of mobile subscriptions reached around 53 million by the end 2012, with penetration rate of 181.6%. Prepaid subscriptions constitute the majority (over 86%) of all mobile subscriptions. The observation here is the decrease of the number of subscriptions due to the implementation of CITC new decision on regulating the sale and activation of pre-paid SIM cards, as companies deactivated a large number of unidentified SIM cards, thus affecting the total number of subscriptions and penetration rate.

Figure (1): Mobile Service Market Growth-Total Subscriptions (2001 - 2012)



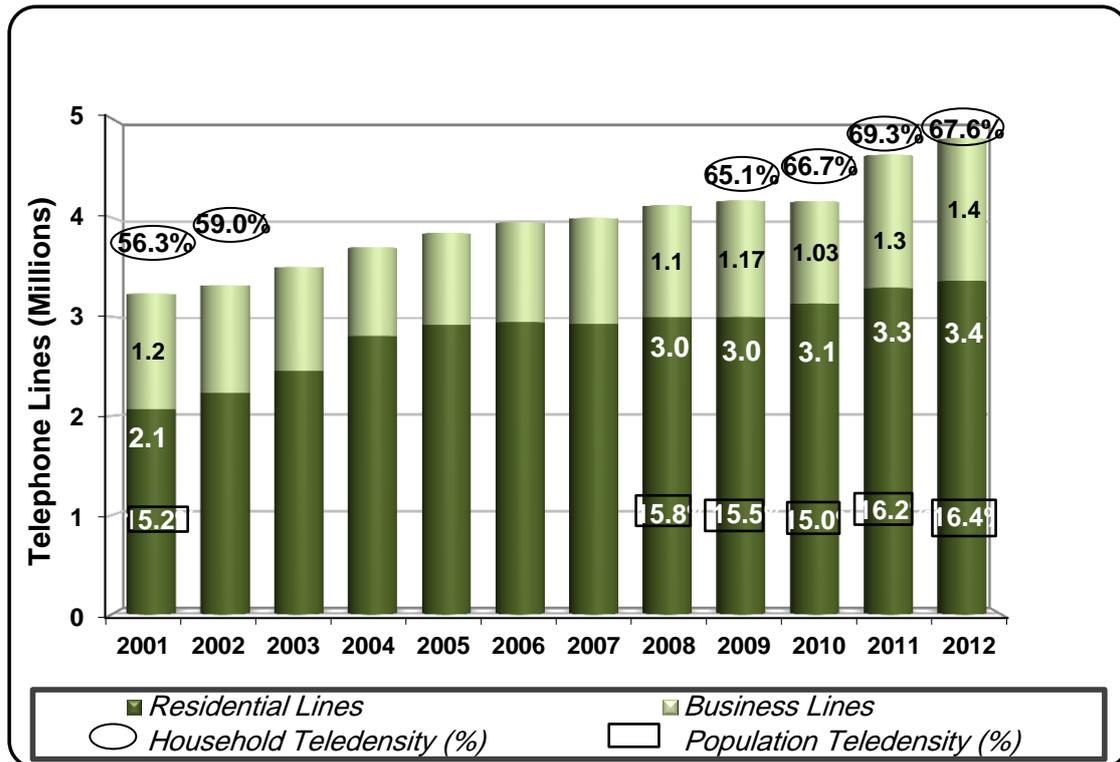
## 2. Fixed Telephony Market

Fixed telephone lines stood at 4.8 million by the end of 2012, of which around 3.4 million or 70% were residential lines. This represents a household teledensity of around 67.7%, while the population teledensity is about 16.4%. 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 - 2012)**



- 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

Recently, demand for broadband services has increased significantly compared to previous years, due to the society's need for broadband services, especially after the government strong support to the high tech projects, which require a good digital infrastructure. In addition to that, many government services are being made through e-government transactions. The widespread use of Internet in the society is another factor that led to this growth, where internet has become a major source of hundreds of thousands of applications that are

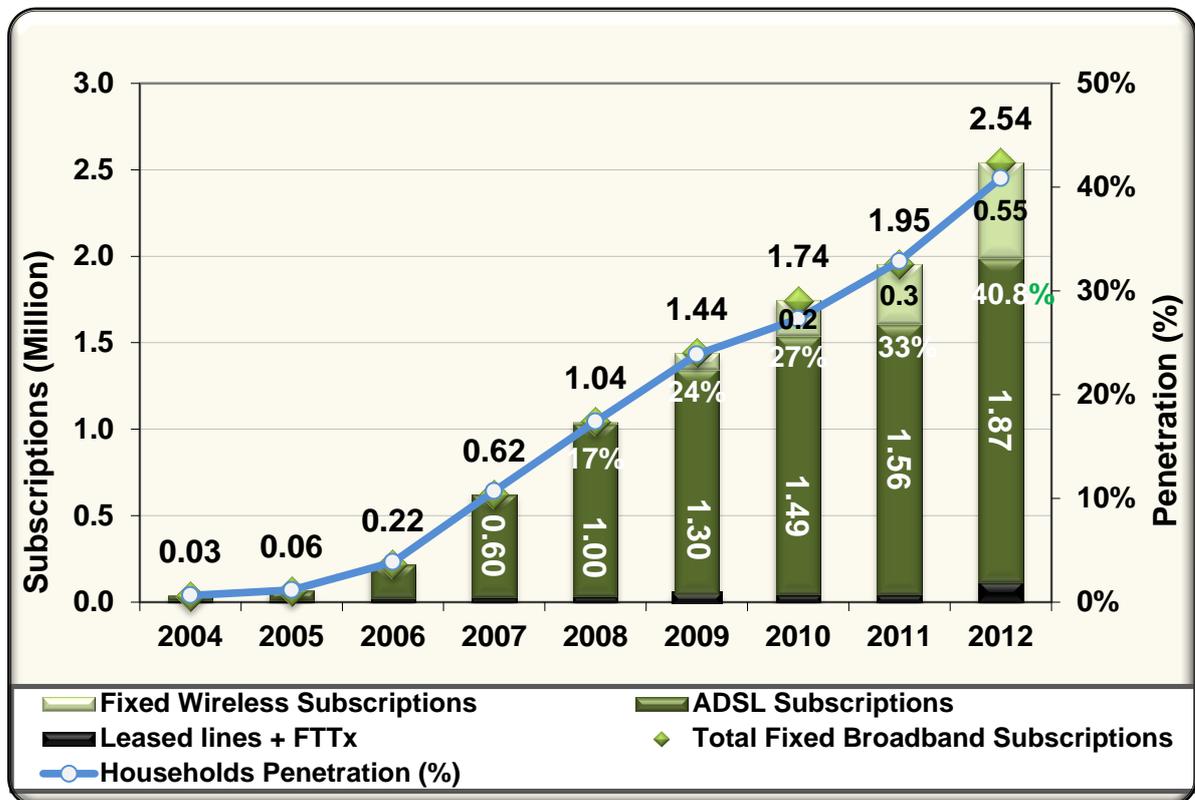


downloaded to smart devices such as social networking, business applications, word processors, chat programs, security tools, games and more. Service providers are currently providing broadband services through both fixed and mobile networks.

### 3.1 Fixed Broadband Services:

Fixed Broadband subscriptions including the DSL, Fixed Wireless (WiMax), FTTx and other fixed lines have grown to around 2.54 million subscriptions at the end of 2012. The Fixed Broadband penetration rate was about 40.8% of the households.

Figure (3): Fixed Broadband Market Evolution (2004 - 2012)



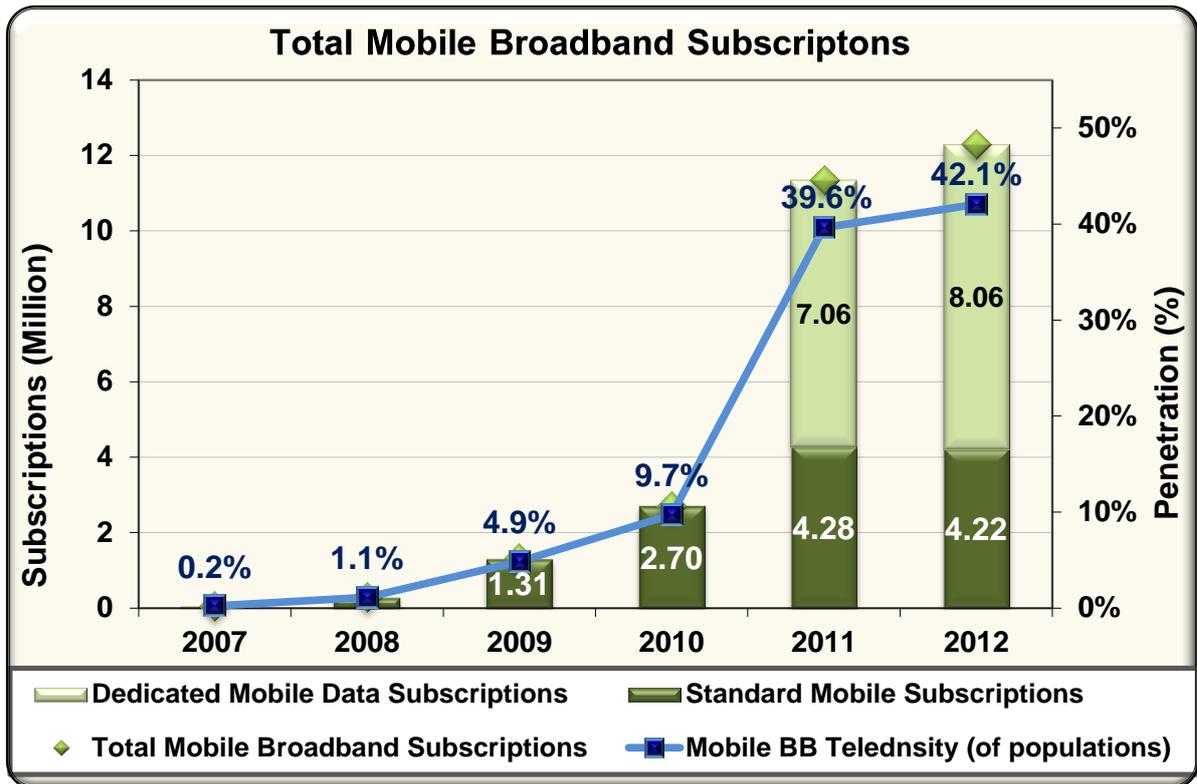
### 3.2 Mobile Broadband Services:

The total number of mobile broadband subscriptions reached 12.28 million by the end of 2012, representing a population penetration rate of 42.1%. The mobile broadband market continues to gain momentum in the Kingdom. The key reasons for this growth are the strong competition, the healthy expansion of smart phones, and the



offering of various data packages by mobile operators. It has become easier to access the internet 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.

Figure (4): Mobile Broadband Market Evolution (2007 - 2012)



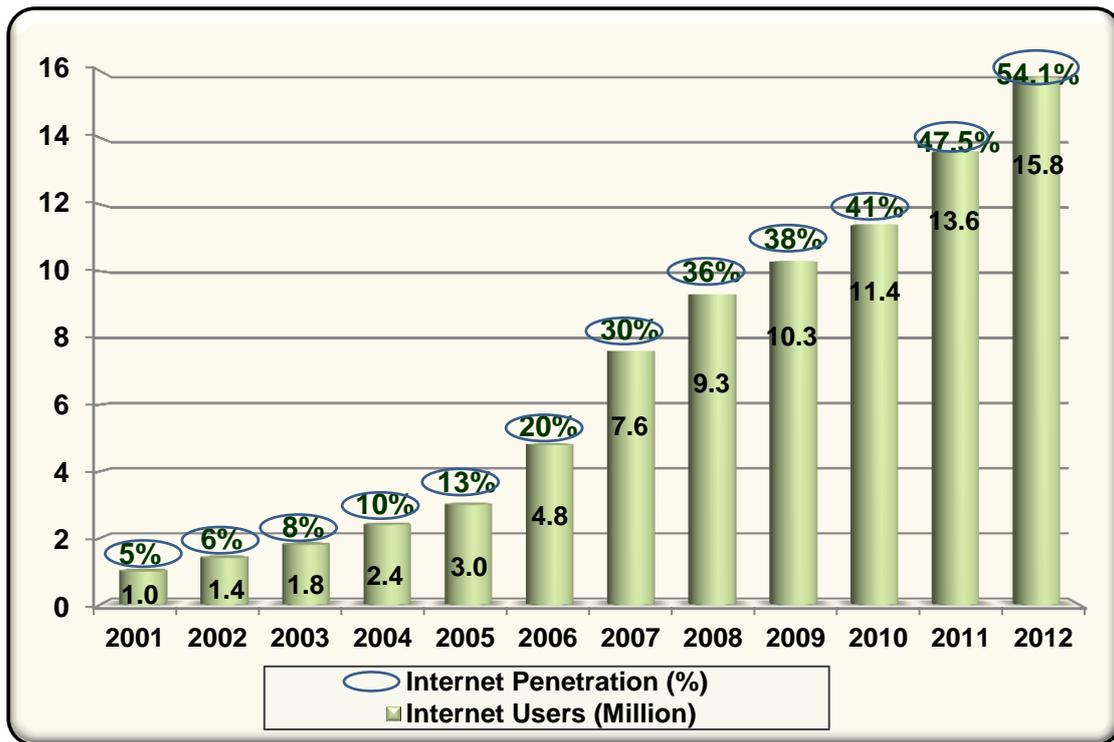
- Note: The figures were adjusted based on an audit and analysis of inputs and application of methodology for calculating the numbers.

#### 4. Internet Services Market

The estimated number of Internet users in the Kingdom is 15.8 million users at the end of 2012, with a population penetration of 54.1%. It is expected that the demand for Internet services will increase significantly in the next few years due to the availability of fiber-optic networks (FTTx) at very high speeds, initially in large cities, growing Internet content, and the spread of handheld smart devices and applications.



Figure (5): Internet Market Evolution (2001 - 2012)



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.

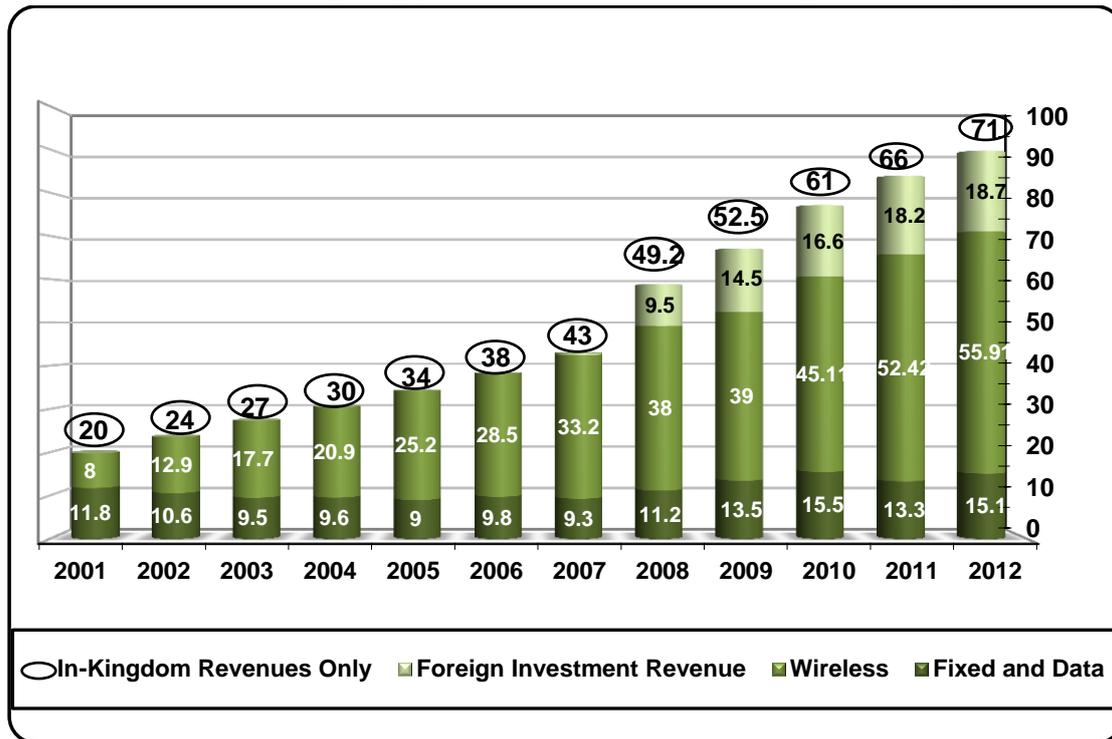
2010 -2012: CITC estimate (projection) based on field surveys.

## 5. Telecom Services Sector Revenues

Telecom services revenues in Saudi Arabia have been steadily growing at a CAGR of around 12%, increasing from about SR 20 billion (US \$5.3 billion) in 2001 to SR 71 billion (US \$18.9 billion) in 2012. Figure (6) tracks the overall revenue growth, including both fixed and mobile services revenues, over the ten year period (2003-2012). Mobile services revenues represent about 78% 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 18.7 billion (US \$4.98 billion) in 2012. Domestic revenues, however, still represent over 79% of the total telecom sector revenues of SR 90 billion (US \$24 billion) in 2012.



Figure (6): Telecom Sector Revenues (2001-2012)

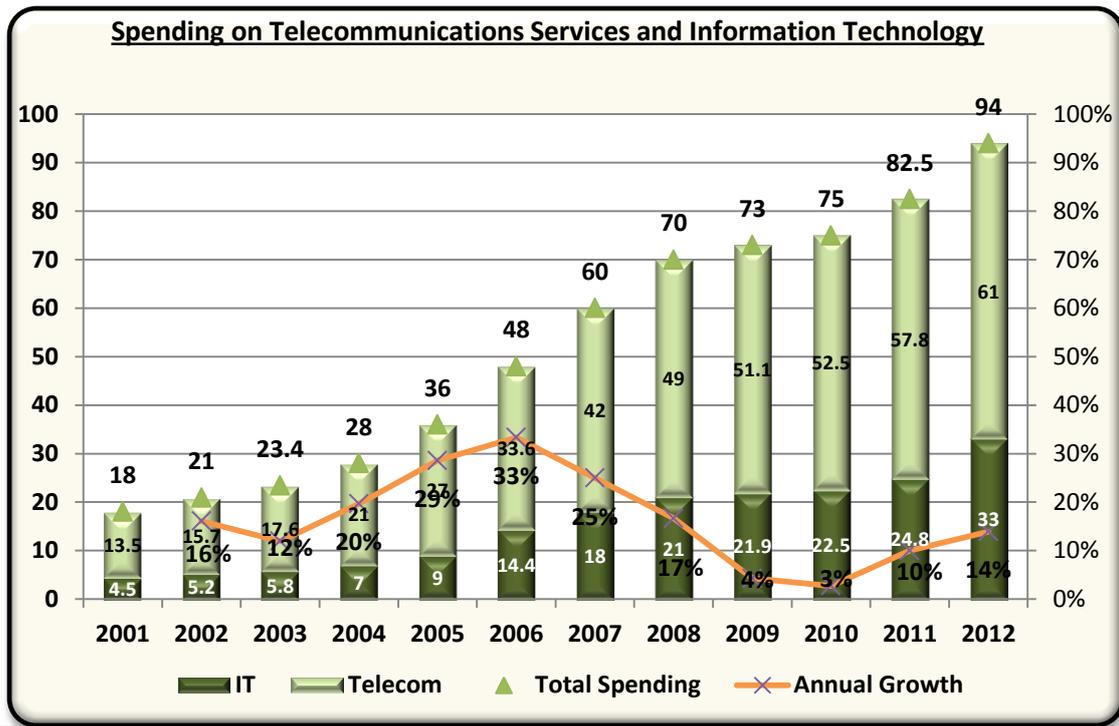


## 6. Spending on ICT Services

CITC estimates that the volume of spending on the ICT services is up to SR 94 billion in 2012 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 2013, 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 70% of the GCC ICT market with capital investment of more than SR 135 billion in the past ten years. This is due to the industrial diversification in the Kingdom, which has led to increased demand for software, equipment and services that make up the fastest growing sector in the IT field.



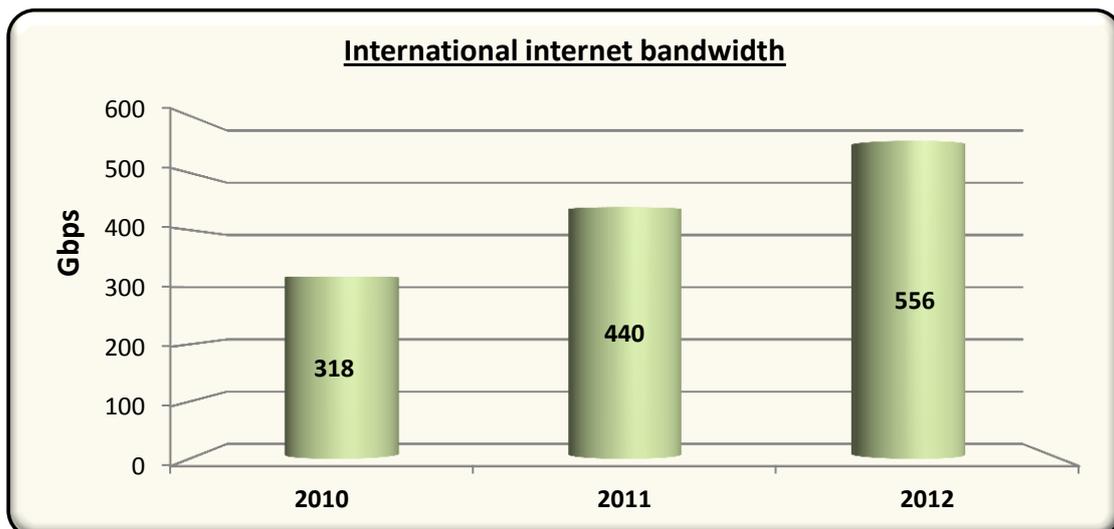
Figure (7): Spending on ICT Services



## 7. International Internet Bandwidth

The total capacity for the international connectivity of the Internet in 2012 was about 556 Gb/s compared with 318 Gb/s 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. According to CITC estimates, the contribution of the ICT sector is around 2.75% compared to 4.4% in 2007. Yet, the percentage of added value has been rising over the past three years. The decrease in the ICT sector contribution is a result of rising oil prices and production rates. If however, we 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) would go up to 7% in 2012. In addition, studies 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 around 1.3%.