

Kingdom of Saudi Arabia

هيئة الاتصالات وتقنية المعلومات
Communications and Information Technology Commission



ICT Indicators Report

End of 2013

February, 2014

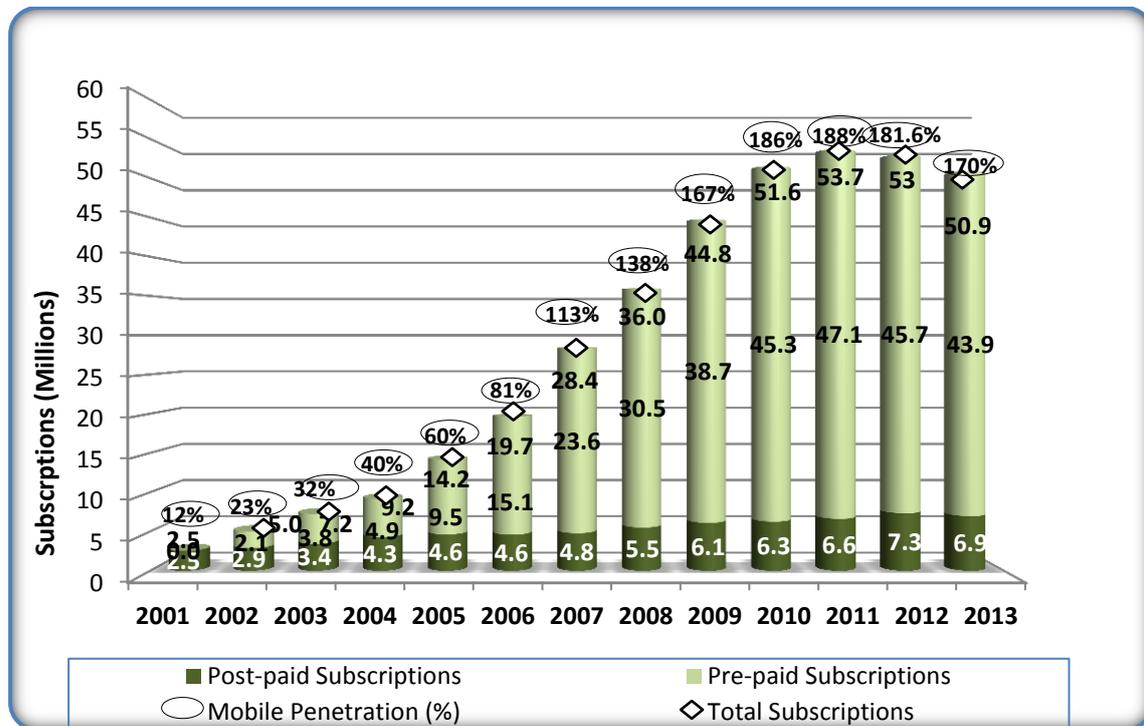


The ICT Sector in the Kingdom of Saudi Arabia

1. Mobile Telecommunications Market

The total number of mobile subscriptions reached around 51 million by the end 2013, with penetration rate of 169.7%. 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 - 2013)

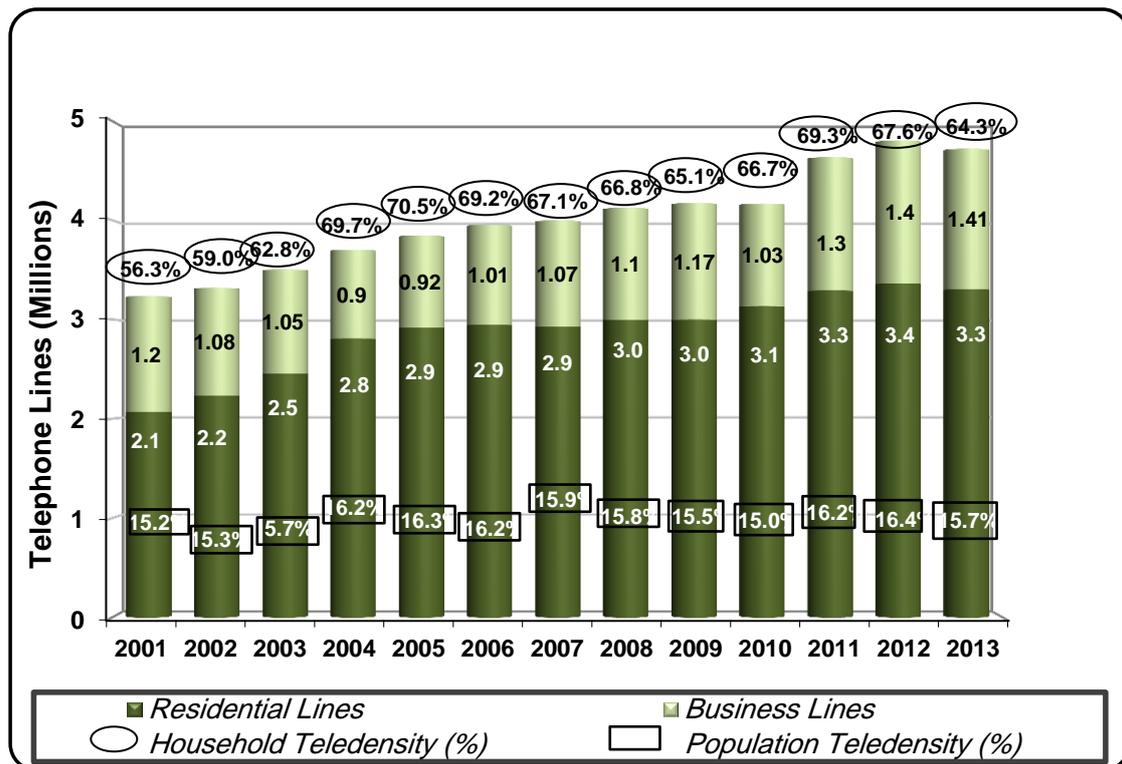


2. Fixed Telephony Market

Fixed telephone lines stood at 4.7 million by the end of 2013, of which around 3.3 million or 70% were residential lines. This represents a household teledensity of around 64.3%, while the population teledensity is about 15.7%.



Figure (2): Fixed Telephone Market Evolution (2001 - 2013)



- 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

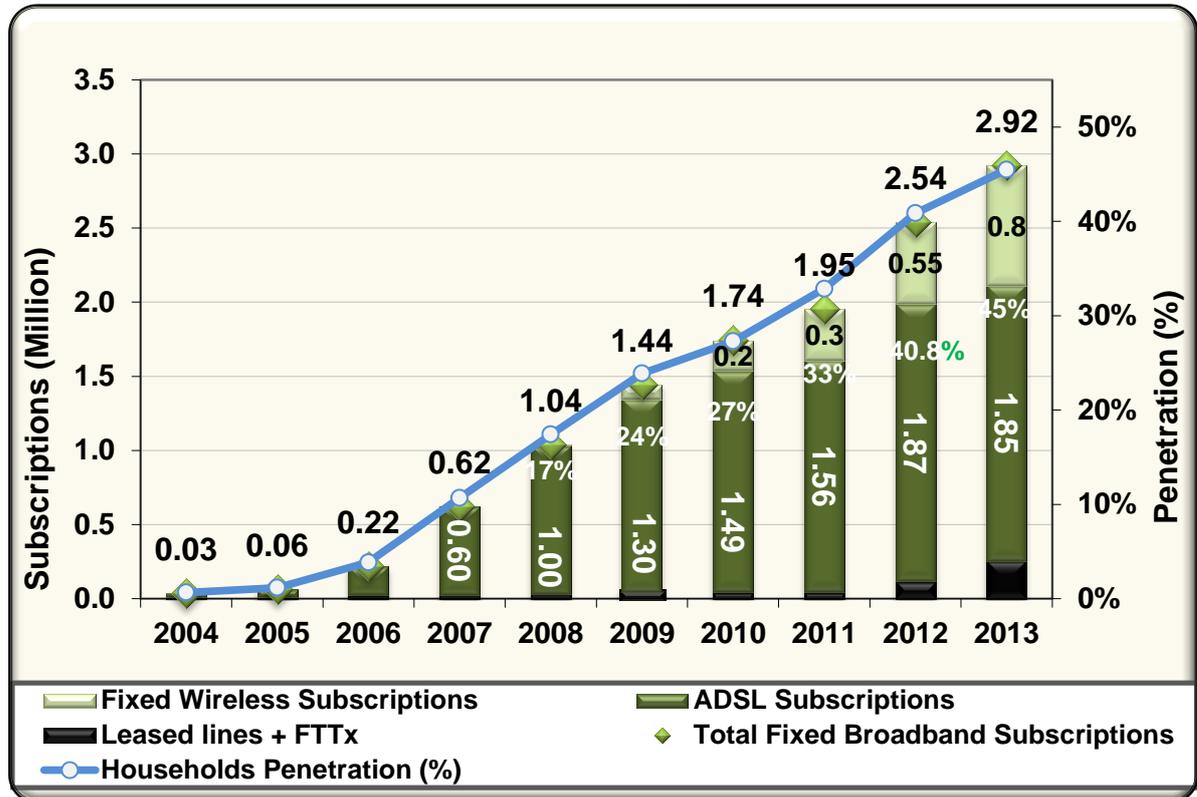
Recently, demand for broadband services has increased significantly compared to previous years, due to the society's need for broadband services, especially after the government strong support to the high tech projects, which require a good digital infrastructure. In addition to that, many government 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 2.92 million subscriptions at the end of 2013. The Fixed Broadband penetration rate was about 45.5% of the households.

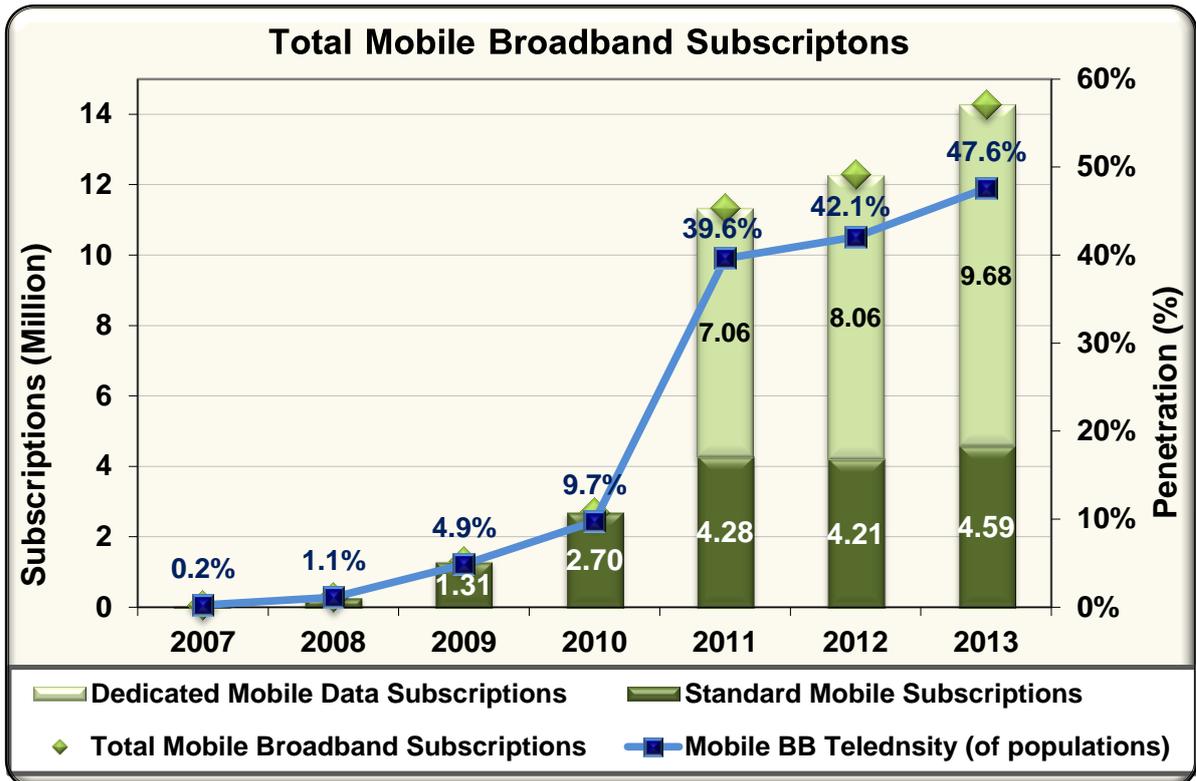
Figure (3): Fixed Broadband Market Evolution (2004 - 2013)



3.2 Mobile Broadband Services:

The total number of mobile broadband subscriptions reached 14.27 million by the end of 2013, representing a population penetration rate of 47.6%. 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 which led to a rise in the number of users dramatically in recent years, and an increase in the data traffic over these devices supported by the wide range of the (3G) & (4G) networks

Figure (4): Mobile Broadband Market Evolution (2007 - 2013)



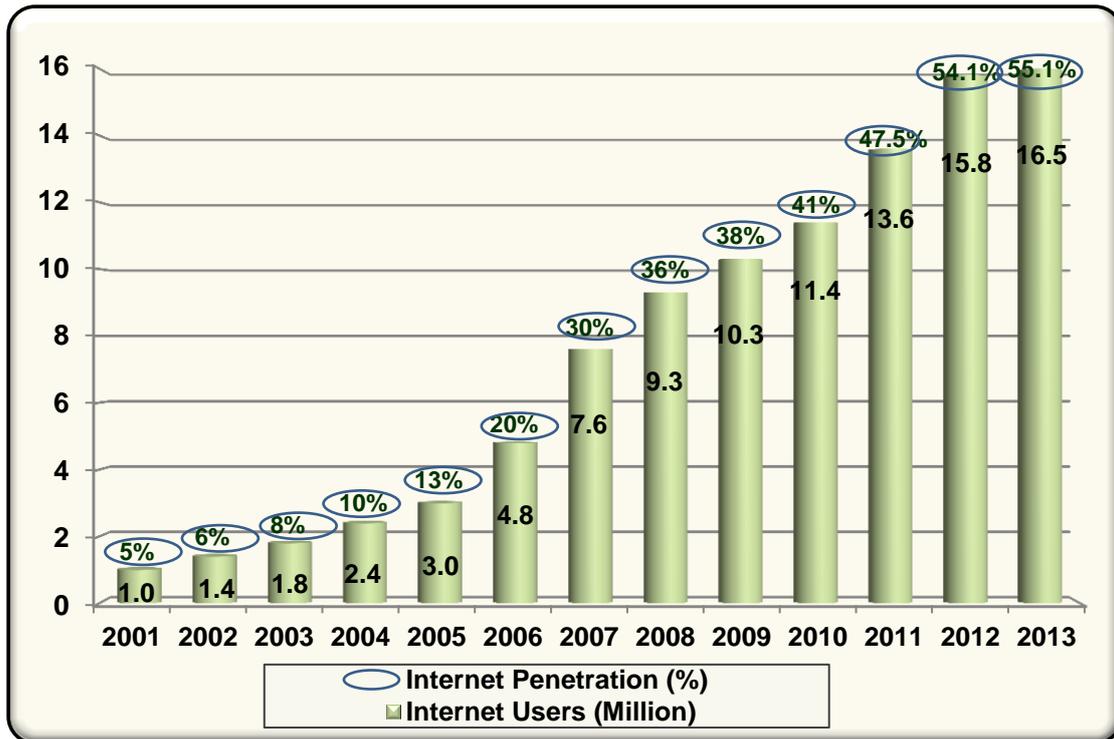
- *Note: The figures were adjusted based on an audit and analysis of inputs and application of methodology for calculating the numbers.*

4. Internet Services Market

The estimated number of Internet users in the Kingdom was 16.5 million at the end of 2013, with a population penetration of 55.1%. An increased demand for Internet services and broadband was observed due to high use of social networking services, video downloading and gaming. Customers are seeking higher speeds and capacities resulting in heavy data traffic on both mobile and fixed.

It is expected that the demand for Internet services will continue to increase significantly in the next few years as a result of availability of high speed fiber-optic networks (FTTx), increased Internet content, and the continue of spread of handheld smart devices and applications.

Figure (5): Internet Market Evolution (2001 - 2013)



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.

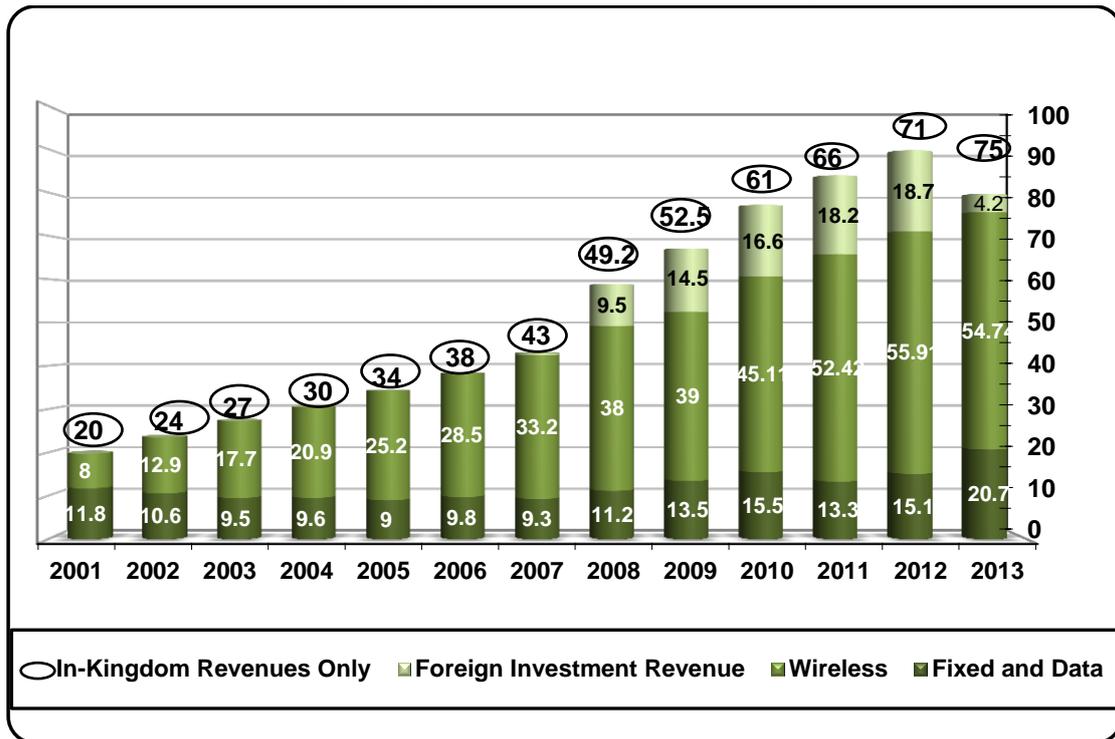
2010 –2013: CITC estimate (projection) based on field surveys.

5. Telecom Services Sector Revenues

Telecom services revenues in Saudi Arabia have been steadily growing at a CAGR of around 10%, increasing from about SR 20 billion (US \$5.3 billion) in 2001 to SR 75 billion (US \$20 billion) in 2013. Figure (6) tracks the overall revenue growth, including both fixed and mobile services revenues, over the ten year period (2003-2013). Mobile services revenues represent about 73% of all telecom sector revenues in the Saudi market.



Figure (6): Telecom Sector Revenues (2001-2013)

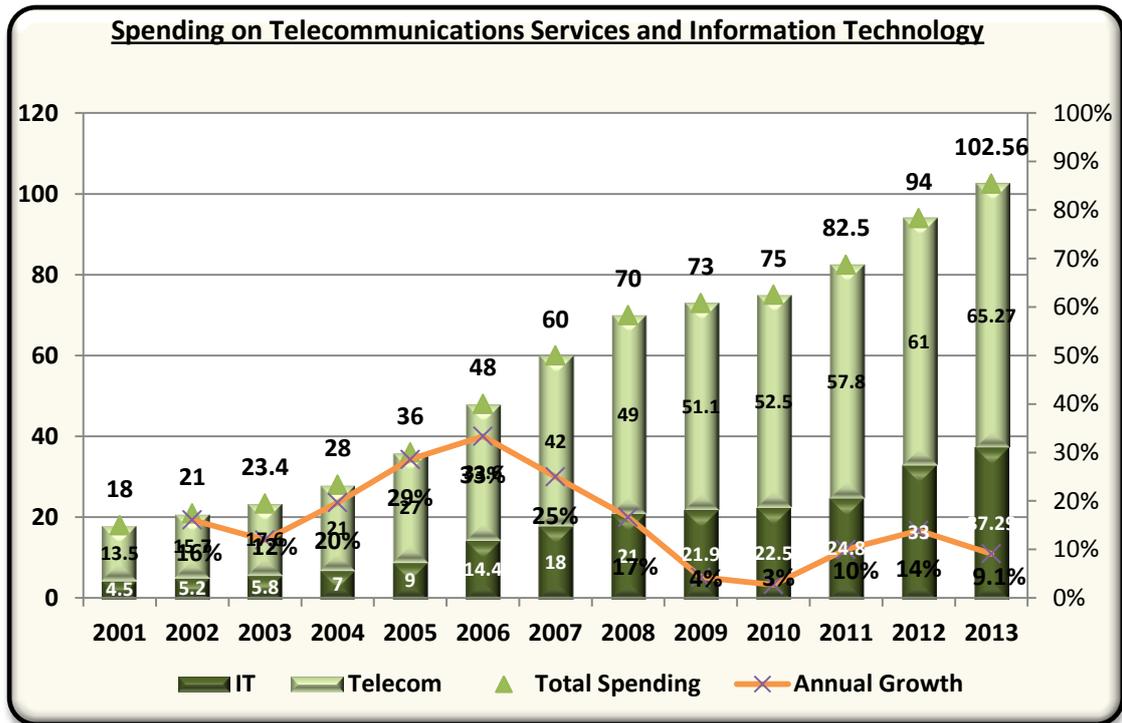


6. Spending on ICT Services

CITC estimates that the volume of spending on the ICT services is up to SR 102 billion in 2013 compared to SR 36 billion 2005, resulting in an average annual growth of about 14%. The spending on IT services is around 36% 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 12% in 2014, 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.



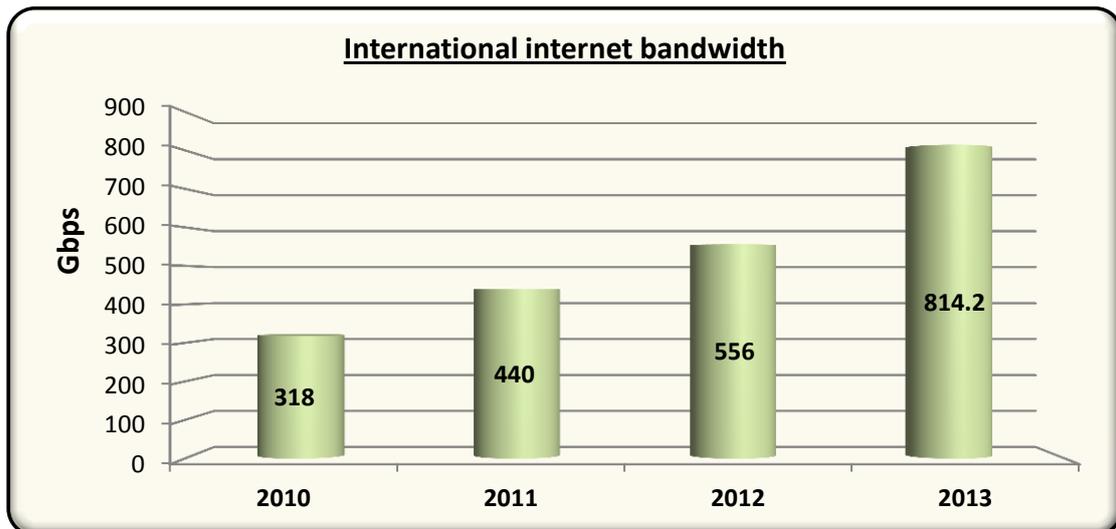
Figure (7): Spending on ICT Services



7. International Internet Bandwidth

The total capacity for the international connectivity of the Internet in 2013 was about 814 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 2.78% years.. If however, we neutralize the oil and mining sector components of the GDP, it is estimated that the telecom sector contribution to the national GDP (excluding oil and mining) would go up to 8% in 2013. 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%.