



Strategic Gears
Management Consultancy

Growth Potential of Private Education in Saudi Arabia



By Strategic Gears Management Consultancy
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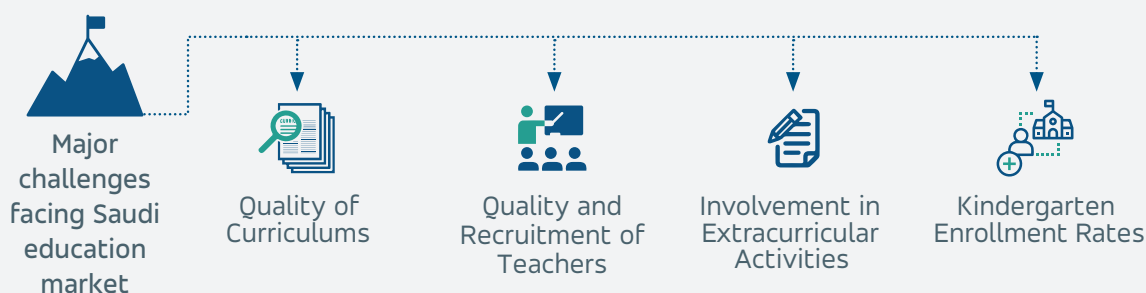
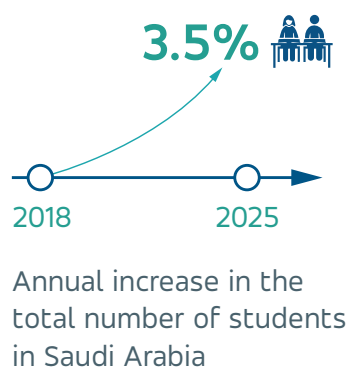
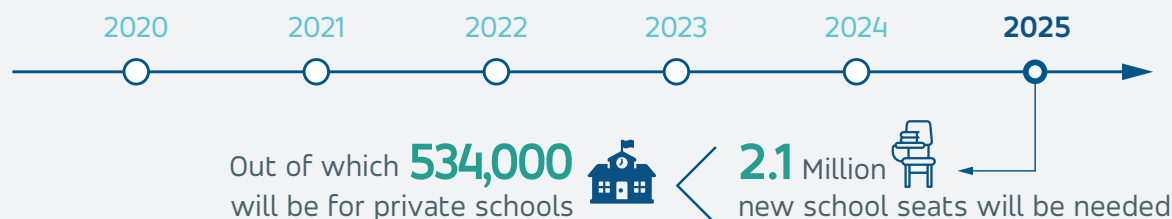
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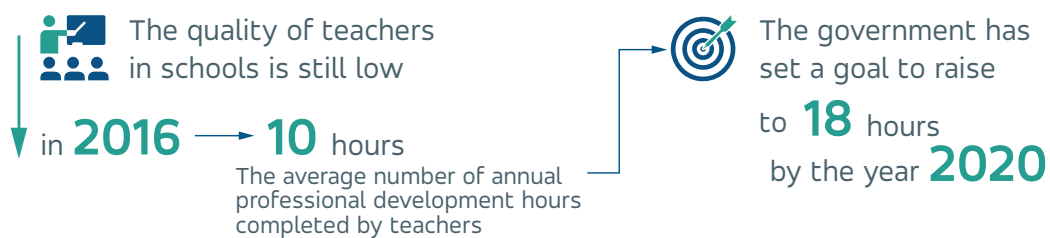
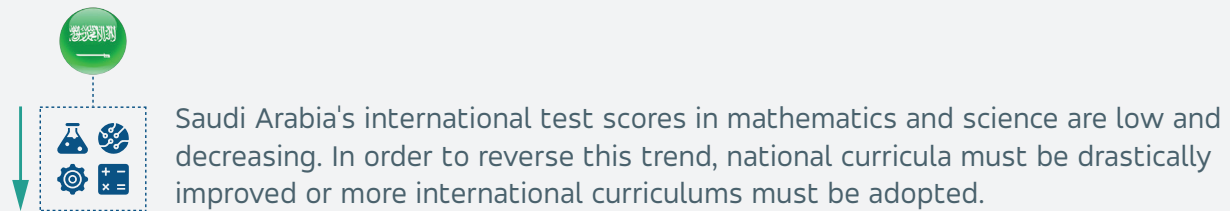
Executive summary



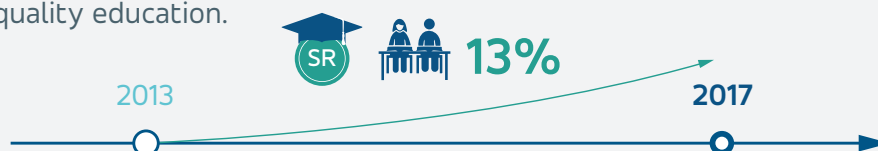
Executive summary

Saudi Arabia's private education market is set to more than double in value over the coming few years. The growth in the market is being fueled by an increase in population, the government's Vision 2030 education initiatives, and changing consumer (parents) mindsets. Below are the key conclusions and highlights of the report:





Consumer spending on education increased by **13%** over the past 5 years in Saudi Arabia, indicating the growing preference given to a quality education.



Introduction



Introduction:

- The Kingdom of Saudi Arabia is undergoing rapid changes in many different Industries due to its Vision 2030 initiatives. One such industry is the education sector, specifically the Private K-12 market which is set to more than double in value from **\$5 Billion** currently to over **\$12 Billion** by 2023.
- Education plays a key role in achieving Saudi Arabia's Vision 2030 targets. Improving the access and quality of education would create a thriving economy by enabling the population to meet growing labor market demands. Furthermore, it would create a vibrant & ambitious society who are socially responsible and able to lead a fulfilling life.
- In 2016, the Saudi government developed the National Transformation Program 2020 to fulfill some of the objectives of Vision 2030. As part of the plan, the ministry of education was tasked with 8 key objectives to transform the education industry in Saudi Arabia, which in turn would strengthen the economy and provide the Saudi citizens with the key skills to become more competitive in the local and global labor market.
- As it stands, there are approximately **7.7** million students in Saudi Arabia, out of which **6.7** million (**87%**) attend public schools and **1** million (**13%**) attend private schools. There are a total of **30,625** schools in Saudi Arabia, out of which **26,248** (**86%**) are public and **4,377** (**14%**) are private. Between the years 2013 and 2017, the number of private schools grew by **13%**, while the number of public schools grew by **1%**.
- Certain factors are affecting the education landscape including the governments push for privatization, the need for overall improvement in the quality of education, and consumers growing preference for private schools that offer value for money.
- In this report we focus on private education in Saudi Arabia by looking at the overall GCC private education market and Saudi Arabia's position in it, challenges facing the Saudi education market that need to be addressed, and the size of the opportunity for the private education market.



Regional Comparison of Private Education Market

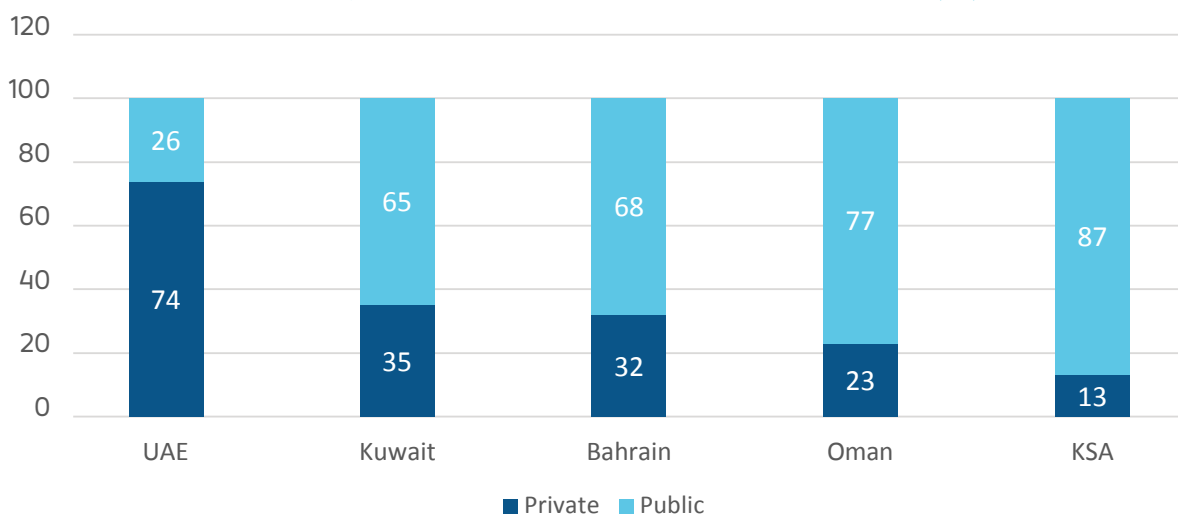


Regional Comparison of Private Education Market:

Saudi Arabia's current private education market is valued at **\$5 Billion**, only slightly greater than the UAE's which is at **\$4.3 Billion**. Given that Saudi Arabia's population is more than **3** times larger than the UAE's indicates the huge potential for growth. Kuwait's market stands at **\$1.2 Billion** followed by Oman at **\$1 Billion** respectively. Given its small population, Bahrain's private education market size is the smallest in the GCC at **\$0.4 Billion**.

The UAE has the highest private school enrollment in the GCC at **74%**, while in Saudi Arabia public schools dominate, leaving only **13%** enrollment for private schools. The government of Saudi Arabia is aiming to push private school enrollment up to 25% by the year 2020.

Figure 1: Private vs. Public School Enrollment (%)

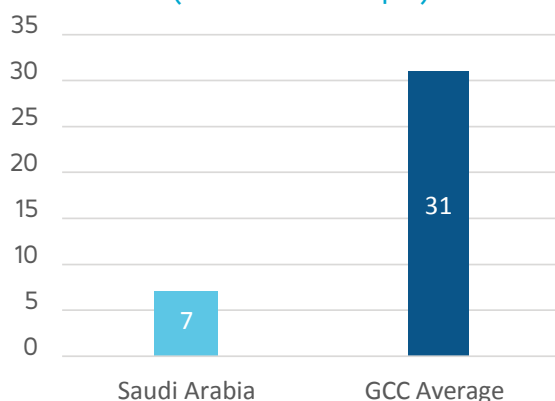


Source: Saudi MoE; UAE MoE; Kuwait Central Statistical Bureau; Bahrain MoE; World Bank

When it comes to private international schools, Saudi Arabia only has **7** international schools per 1 million people, while the GCC average is **31** international schools per 1 million people. This indicates the huge potential that the Saudi private education market has, particularly for high quality schools that offer international curriculums.

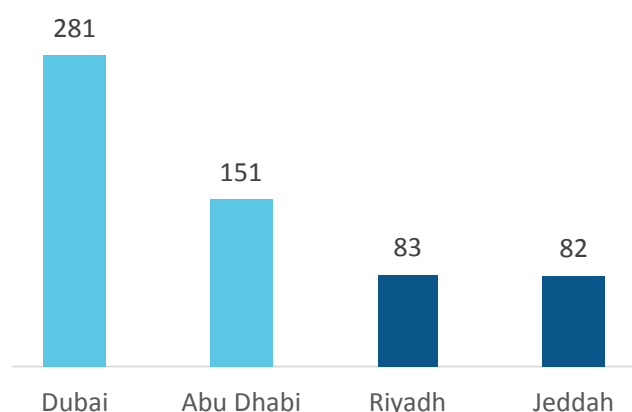
Dubai and Abu Dhabi are the top two cities in the GCC with the highest number of international schools. Riyadh and Jeddah on the other hand, have a significantly lower amount of International Schools.

Figure 2: Number of International Schools (Per 1 Million People)



Source: SG Analysis; International Schools Consultancy; World bank

Figure 3: Number of International Schools in various cities

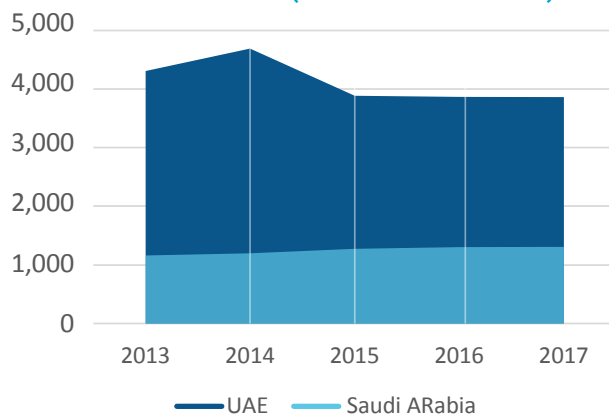


Source: International Schools Consultancy

Case Study: United Arab Emirates vs. Saudi Arabia

		
	UAE	Saudi Arabia
Total Population	9.3 Million	32.3 Million
Expat Population	8.1 Million (88% of total)	12 Million (37% of total)
Current Private education market value	\$4.3 Billion	\$5 Billion
Expected 2023 market value	\$7 Billion	\$12 Billion
Prevalent Education Systems	-British -IB	-Saudi -American
Average tuition fee per year (Private schools)	\$4,600	\$4,400

Figure 4: Consumer Expenditure on Education (USD Per Household)



It is important to note that while the GDP per capita for both Saudi And UAE has dropped over the past 5 years, consumer expenditure on education for Saudi Arabia has risen by **13%** over the same period and has decreased for the UAE by **18%**.

Source: Euromonitor



UAE and Saudi Arabia have completely opposite education markets. Due to its high expatriate population and higher income levels, the UAE has an oversupply of International Schools that offer premium level quality. Because of this, the major challenge facing the UAE education market is student retention, as tuition prices have reached an unsustainable level. As a result, the UAE government has recently halted an increase in tuition prices.

Saudi Arabia on the other hand has a low amount international schools, since much of the expatriate population is of a low income level and Saudi citizens weren't allowed to attend international schools until a few years back. When compared to the UAE, Saudi Arabia's education market faces more fundamental challenges such as the quality of curriculums and teachers which needs to be addressed first if the country aims to build a thriving knowledge based economy.



Challenges facing Saudi Education market



Challenges Facing Saudi Education Market:

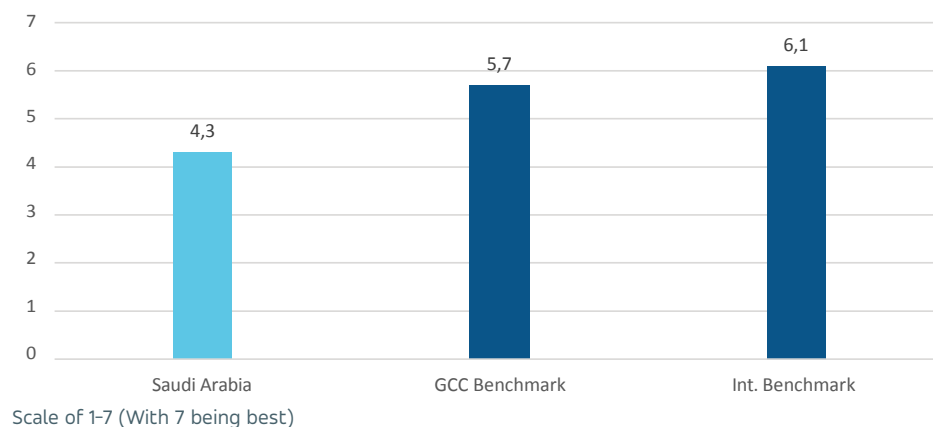
Saudi Arabia's education sector faces challenges on many fronts including quality of education, quality and recruitment of teachers, involvement in extra curricular activities and kindergarten enrollment. These challenges must be addressed in order to reach the ambitious targets set by the government to reach high international standards in education. Below are the highlights of each challenge:

1. Quality of Education

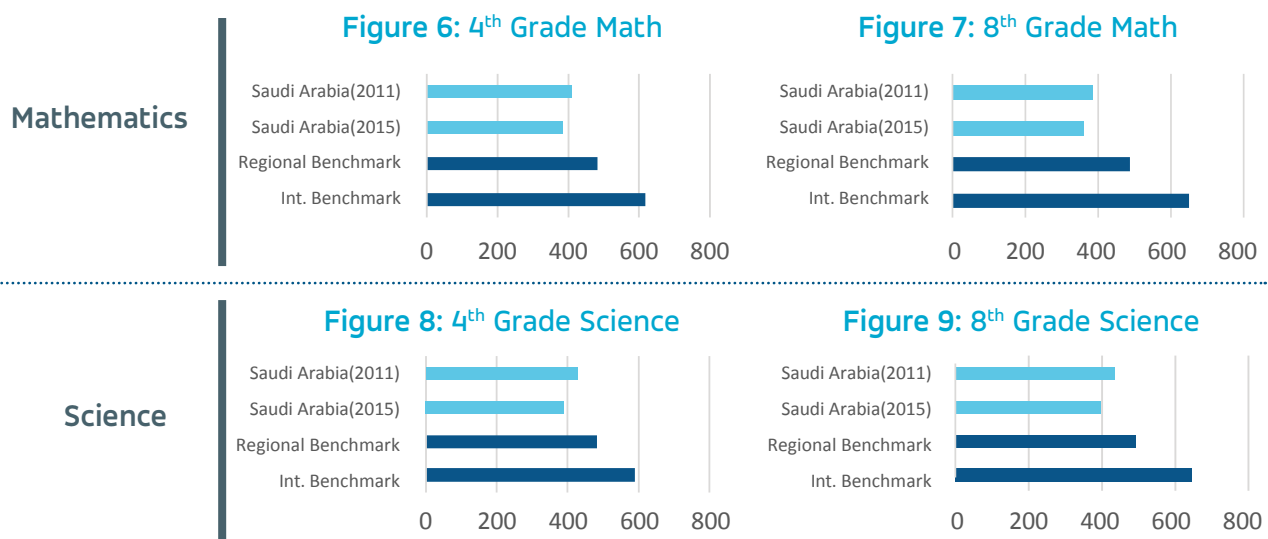
One of the aims of Saudi Arabia's Vision 2030 program is to build a thriving economy and a fundamental part of that is to improve the access and quality of education.

Due to outdated curriculums and low quality of teachers, Saudi Arabia generally ranks low on global education rankings. According to the World Economic Forum, Saudi Arabia's overall quality of education scores **4.3** (Out of 7) on the global index scale, significantly lower than the GCC benchmark of **5.7** and even farther away from the International benchmark of **6.1**.

Figure 5: Quality of Education Scores (World Economic Forum-2017)



International test scores for Saudi Arabia in math and science (TIMSS)* dropped significantly between 2011 and 2015. **4th** grade and 8th grade math scores dropped by **7%**, while **4th** and **8th** grade science scores dropped by **10%**. In order to improve the scores, significant efforts must be made in either upgrading the national curriculum or adopting more international curricula.



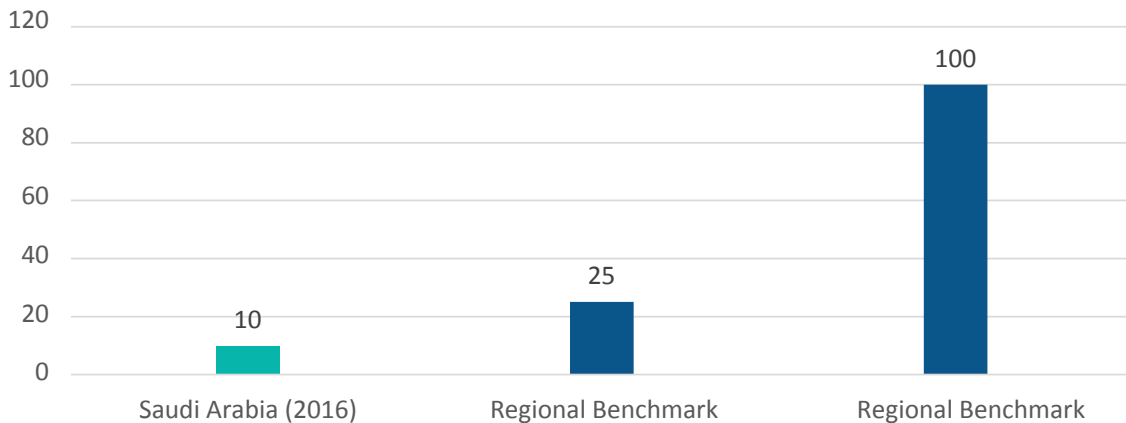
*TIMSS = Trends in International Math and Science Study

TIMSS is conducted by the International Association for the Evaluation of Educational Achievement

2. Training and development of teachers

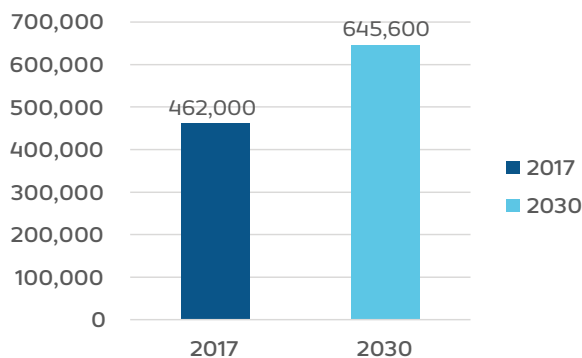
Teacher quality remains one of the biggest challenges for Saudi Arabia. In 2016, the average number of professional development hours completed by teachers annually was **10**. Teacher quality is directly related to student outcomes and countries such as Singapore and Finland that are ranked among the best in terms of education quality place great emphasis on the quality and recruitment of teachers.

Figure 10: Average number of professional development hours completed by teachers



Source: MoE

Figure 11: Overall Needed Number of School Teachers

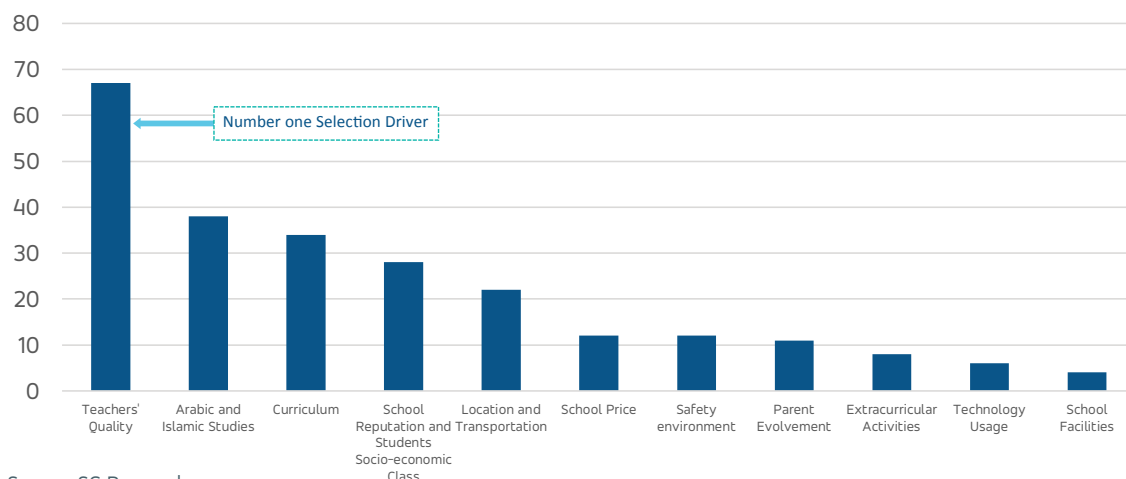


Source: MoE; SG Analysis

An estimated **183,600** teachers will be needed by the year 2030 and this presents a huge opportunity to train and develop local teachers who can enter the job market and reduce overall unemployment of the country.

Teacher quality is also the number one selection driver among Saudi Parents, adding to its importance as a key component of education.

Figure 12: School Selection Drivers for parents in Saudi Arabia

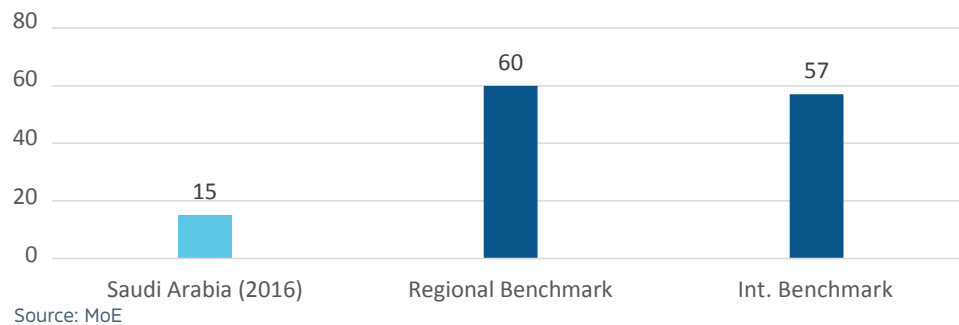


Source: SG Research

3. Extra-Curriculars Involvement

Only **15%** of Saudi students were involved in extracurricular activities in 2016. Extracurricular activities are one of the key selection drivers for parents and schools that offer strong programs can quickly differentiate themselves in the market.

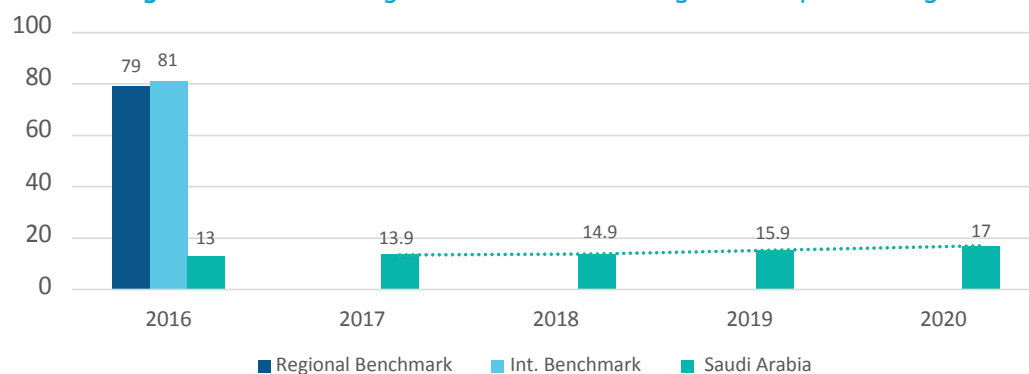
Figure 13: Percentage of Saudi students involved in Extra Curriculars



4. Kindergarten enrollment rates

Kindergarten enrollment in KSA is currently among the lowest in the GCC with only **13.9 %** of the Saudi population enrolled in KG. Current estimates indicate that by the year 2020 about **17%** of the Saudi population aged **3-6** will be attending KG, still significantly lower than the regional benchmark which is at **79%**.

Figure 14: % of Kindergarten Enrollment among Saudi Population Aged 3-6



Source: Gastat; MoE; SG Analysis

Government Interventions:

To improve current education levels and tackle various challenges, the Saudi Ministry of Education has laid out an ambitious plan, as part of the National Transformation Program 2020, to reform the quality of education in Saudi Arabia with the help of the private sector. Some of the objectives of the plan include:

- 1) Improve the quality of education by upgrading curricula and teaching methods to improve math & science scores by **21%** and reading scores by **7%** by 2020.
- 2) Improve recruitment, training, and development of teachers by increasing the number of annual professional development hours from **10** in 2016 to **18** in 2020.
- 3) Improve students' values and core skills by increasing involvement in extra curricular activities from **15%** in 2016 to **55%** by 2020
- 4) Provide education services to all student levels by increasing kindergarten enrollment from **13%** in 2016 to **27.2%** by 2020



Private Education Potential in Saudi Arabia



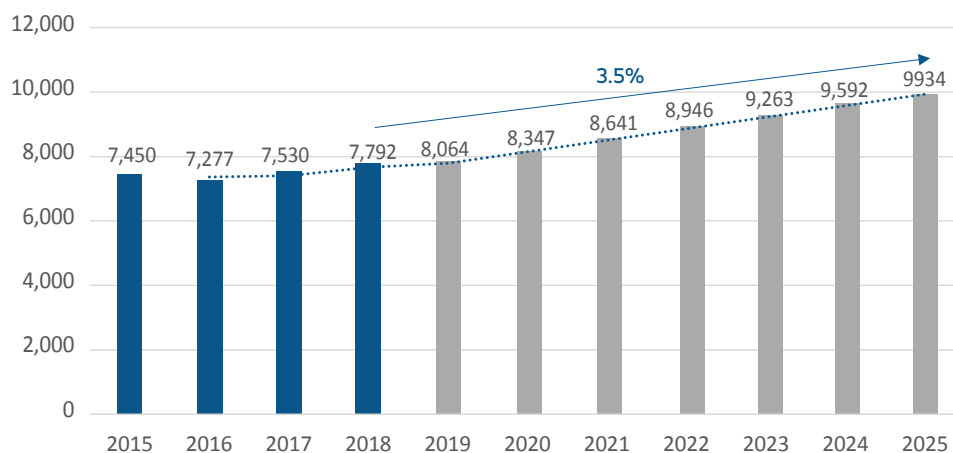
Private Education Potential in Saudi Arabia:

The past few years have seen an increase in the number of private schools as well as private school enrollment and it is expected to increase much further. This growth is being caused by 2 major factors including an increase in student population and an increasingly greater preference for private education.

Student Population Growth:

Based on the average growth rate over the past three years, the total number of students in Saudi Arabia is expected to increase by **3.5%** annually during the period 2018 to 2025. This indicates an additional **2.1** million seats (Public + Private) will be needed in the next **7** years to accommodate for new students.

Figure 15: : Student Population Growth in Saudi Arabia



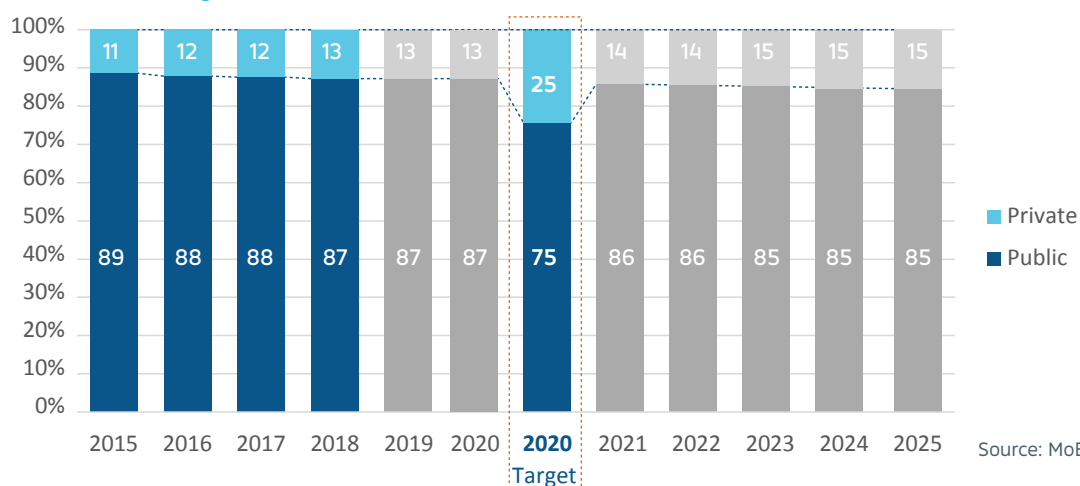
Source: MoE; SG Analysis

Enrollment Growth and Shift Toward Private Schools:

Based on the public and private enrollment growth rate over the past 3 years, private enrollment is expected to reach **15%** by the year 2025. Out of the **2.1** Million new seats that will be needed by 2025, over **534,000** should be provided by private schools. Given that the average private school size is **540** students, over **980** new private schools will be needed by the year 2025.

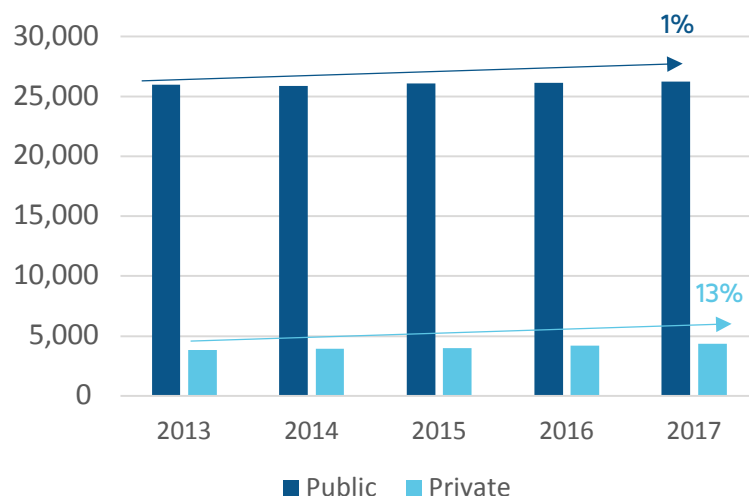
Reaching **15%** private enrollment however is much lower than the governments target of **25%** private enrollment by the year 2020. In order to reach the government's target of **25%** private enrollment, over **2,000** new private schools will be needed by the year 2020 to accommodate for over **1** million new private school students.

Figure 16: Private vs Public Enrollment in Saudi Arabia



Source: MoE; SG Analysis

Figure 17: Increase in Public and Private Schools in Saudi Arabia

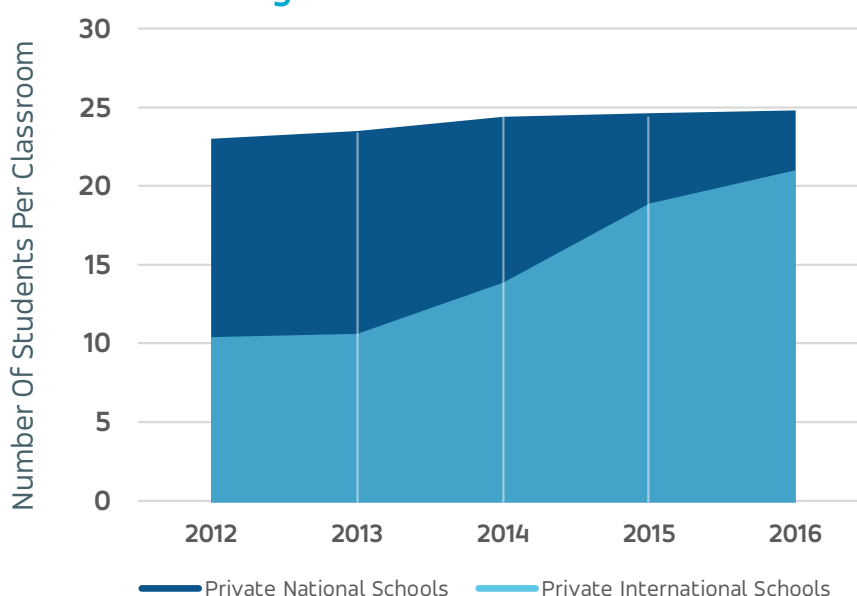


Source: MoE; SG Analysis

The number of public schools in Saudi Arabia has increased by **1%** over the previous **5** years. However, the number of private schools has increased by **13%** in the same period, indicating a much greater demand for private schools.

Also, class sizes in private national schools have remained mostly steady at around **23-25** students per class while those in private international schools have more than doubled in a period of **4** years between 2012 – 2016 showcasing the increasing demand for such services.

Figure 18: Increase in Class Sizes



Source: MoE; SG Analysis

Conclusion

Conclusion:

Saudi Arabia's private education market is set to more than double in value over the coming few years. The growth in the market is being fueled by an increase in population, government education initiatives, and changing consumer mindsets.

There are many fundamental challenges facing the education sector in Saudi Arabia, including quality of curriculums, teacher recruitment, and kindergarten enrollment to name a few. Such challenges, coupled with the governments vision and serious initiatives all indicate the big potential for current and new private schools, especially ones that can address the most important selection drivers and pass the nationalization requirements.

With the right entry strategy and school offerings, private education investors will be welcomed by a growing demand all while contributing to the governments Vision 2030 initiatives.



Strategic Gears
Management Consultancy

About Strategic Gears:

Strategic Gears is a Management Consultancy based in Saudi Arabia, with presence in Riyadh and Jeddah, serving clients across the country. Strategic Gears' clients include the biggest public and private sector organizations, including a number of ministries, authorities, financial institutions, and companies.

The company utilizes its top notch local consultants, and global network of experts to offer strategic solutions in the fields of public policy, analytics, product development, and strategic marketing, and have a proven track record with multiple clients in each.

www.strategicgears.com
info@strategicgears.com



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