

## FEATURE ARTICLE

# Full Steam Ahead

Saudi Arabia's economic results show that expansion and diversification are well on track with more to come before 2030

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Saudi Arabia's economy is booming, with a larger than expected budget surplus of \$27.13 billion in 2022. While largely owed to heightened energy prices, the nation's non-oil economy – its current engine of job creation – grew by 6.2% in Q4 2022, its highest growth rate ever. On the back of this rapid jump in economic fortune, the Middle Eastern powerhouse is spending hundreds of billions of dollars on all manner of industrial projects both within and outside the energy sector, including the transformation of its health sector, a housing program and a massive financial overhaul. Its current diversification strategy is also embracing social transformation, including allowing and developing cinemas, concerts and other entertainment attractions. This new focus on industry and private sector participation under the Vision 2030 initiative is attracting the eye of investors worldwide, all keen on leveraging the country's attractive geographical location, low energy costs, access to raw materials and educated labor force. According to a recent poll by financial services firm EFG Hermes, 34% of respondents identified the Vision 2030 strategy as the most significant source of current investment opportunities on the global stage, followed by opportunities in artificial intelligence at 25%.

In October 2022, the country unveiled the details of its giant National Industry Strategy that aims to triple industrial output, increase the value of industrial exports from \$45 billion in 2020 to \$238 billion and raise the industrial sector's contribution to Saudi Arabia's gross domestic product from \$88.3 billion in 2020 to \$377 billion by 2035. The program has identified 800 investment opportunities worth \$266.2 billion involved in more than doubling the number of factories in Saudi Arabia from a 2022 baseline to 36,000 working units by 2035. These manufacturing assets aim to increase production of industrial goods such as specialized chemical installations, plastics and rubber, agrifoods, medicine, medical equipment and marine technologies. The initiative will also work as a catalyst to increase local human capital by creating 2.4 million new jobs from a 2020 baseline and upping localization rates from 41% to 64% by 2035. Under the program, Saudi Arabia is looking to become a substantial electric vehicle manufacturer with targets to produce 500,000 cars by 2030. The country signed deals with two electric car builders in 2023 to create manufacturing assets, USA's Lucid Motors and China's Human Horizons.

Additionally, Minister of Industry and Mineral Resources Bandar Al-Khorayef unveiled the launch of the Stimulating Local Industries initiative in December 2022. Included in the program is the Factories of the Future strategy, which aims to transform 4,000 factories with automation and new developments including micro- and nanotechnology related to the fourth industrial revolution. Under the initiative, Saudi Arabia aims to increase the percentage of local content, raise operational efficiencies, improve the competitiveness of local factories and facilitate technology transfer in the region. Up to 75% of projects costs related to the program will be met by the ministry to a maximum of \$2.66 million and paid when factories come on line. Alongside the Factories of the Future program, the ministry also launched the Promising Factories initiative, which includes the offering of soft loans through the Saudi Industrial Development Fund without requiring personal guarantees or mortgaging the investor's property. "This initiative reflects the volume of interest that the Kingdom attaches to the development of Saudi industries and confirms the continued endeavor of the industrial system to provide incentives and advantages for local and foreign investors," said Al-Khorayef.