

Business

SAUDI ARABIA'S ENHANCED INVESTMENT ENVIRONMENT

47

ENTREPRENEURSHIP & INNOVATION

2

EDUCATION AND INNOVATION

2

BIOTECH

1

HEALTHCARE

1

ADVANCED MANUFACTURING

DEALS DISTRIBUTION BY SECTOR

DEALS DISTRIBUTION BY COUNTRY (Q3, 2022)
Number of deals

10

UAE

21

SAUDI ARABIA

4

CAYMAN ISLANDS

3

USA

2

2

2

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NATIONAL INVESTMENT STRATEGY

Sources: National Investment Strategy / MISA

INVESTMENT GOALS BY 2030

SR 2tn

increase in overall gross fixed capital formation with a contribution of 30% to GDP

SR 388bn

increase in FDI inflows or 5.7% to GDP

SR 1.7tn

increase in overall domestic investment component of gross fixed capital formation

SR 12tn

increase in the cumulative volume of investments

50%

increase in non-oil exports contribution to non-oil GDP, compared to 16% in 2016

65%

increase in the private sector contribution to GDP, compared to 40% in 2016

7%

decrease in unemployment rate

YEAR IN REVIEW

Beating the global financial turbulence

Saudi Arabia has become an attractive market riding on the back of its oil-led economic growth

Farida El-Gazzar Riyadh

Saudi Arabia has become an attractive and growing market riding on the back of its remarkable oil-led economic growth and its exemplary focus on the targets of its Vision 2030, positioning itself as one of the world's leading investment destinations.

"Our nation holds strong investment capabilities, which we will harness to stimulate our economy and diversify our revenues," said Crown Prince Mohammed bin Salman in the third quarter report of the Economic and Investment Monitor.

The Kingdom largely intends to achieve this through the National Investment Strategy to make Saudi Arabia a sustainable and world-class investment destination.

The NIS aims to triple its investment volume, measured by gross fixed capital formation, to reach SR2 trillion (\$530 billion) or 30 percent of its gross domestic product. It also plans to increase the overall domestic investment

component of GFCF to SR1.65 trillion, meaning an average annual growth rate of around 9 percent.

The crown prince said at the launch of the Vision 2030 blueprint in 2016: "We intend to provide better opportunities for partnerships with the private sector through our position as the heart of the Arab and Islamic worlds, our leading investment capabilities, and our strategic geographical location."

As the private sector's role in the Kingdom's economic development strengthened, the nominal GFCF increased 36.2 percent year on year to reach SR248 billion in the second quarter of this year, according to the Ministry of Investment.

The private sector accounted for 86 percent of the GFCF in the country, and it increased by 31.4 percent in the second quarter of 2022 compared to the same period a year before. On the other hand, the government sector's share rose by 75.6 percent.

As a percentage of nominal GDP, however, the GFCF slightly dropped to 23.6 percent in the second quarter compared to 24.7 percent in the same quarter of 2021.

Sustained growth

The Kingdom has also taken remarkable steps toward attracting foreign investment into the country, like introducing governance, labor market reforms, and new initiatives for foreign investors.

Its NIS targets include increasing FDI around 20 times to 5.7 percent of GDP by 2030.

Compared to the first quarter of 2022, the FDI inflows into the Kingdom in the second quarter increased by 6.6 percent, revealed the Ministry of Investment of Saudi Arabia.

FDI saw a year-on-year increase of 46.5 percent in the second quarter when excluding Saudi Arabian Oil Co.'s \$12.4 billion deal with EIG and Mubadala to sell 49 percent in its subsidiary, Aramco Oil Pipelines Co.

Data released by MISA also revealed a substantial 178.9 percent surge year on year in the number of closed deals, reaching 53 in the third quarter of 2022.

Between January to September, the Kingdom closed 203 deals, showing a 133.3 percent surge compared to the same period in 2021.

When assessing the sector distribution, it was clear that the entrepreneurship and innovation sector was the most appealing to investors, with 47 deals closed in the third quarter.

The biotech, education, and training sectors saw two new deals closed in the third quarter of 2022, while healthcare and advanced manufacturing bagged a

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transaction each.

The UAE inked 10 deals, followed by the Cayman Islands and the Virgin Islands, signing four and three contracts, respectively, in the third quarter of 2022.

The country with the largest number of closed deals was the UAE, reaching 10 agreements. The Cayman Islands, the British Virgin

Islands, and the US followed with four and three contracts, respectively, in the third quarter of 2022.

More bang for the buck

Furthermore, the MISA report noted that up until the third quarter of this year, the number of investment licenses increased by 15,000 licenses, meaning a staggering 527.4 percent rise year on year.

New investment licenses grew 8.8 percent in the third quarter to 928 compared to 853 in the same quarter a year before. This does not include licenses issued as part of anti-concealment law enforcement.

Specifically, the real estate industry grew five times year on year in the third quarter to 30 new licenses, showing the most significant increase among all registered activities. The leading activity with new licenses was construction, with 234 licenses issued in the third quarter.

A close second was wholesale and retail trade, with new license issuance equal to 233, while manufacturing came in third with 186 new ones between July

and September. The Kingdom continues to attract local and international investor participation, with the deals recorded in the \$1 million to \$5 million bracket reaching a record high first half of the year, according to the Saudi Arabia Venture Investment Report of the first half of this year.

"The highs recorded by KSA in H1 2022 have been reflective of the keen interest shown by global and regional investors in the VC (venture capital) ecosystem," added the venture investment report.

The Kingdom's VC ecosystem aggregated over \$550 million in funding in the first two quarters, surpassing the total proceeds of 2021.

"Saudi Arabia has set itself a goal for growing international and private domestic investment in the Kingdom, a goal that is unprecedented in purpose and scale," reported the NIS catalog.

"The Kingdom has done so knowing that this is nothing short of critical — increasing investment is a lynchpin to achieving the wider and more diverse economic and social goals of Vision 2030," it added.