An Economic Overview
of the National Investment Strategy
of the Kingdom of Saudi Arabia

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“Today, we are proud of the remarkable achievements made in the ‘Kingdom of Opportunities’ during the first phase of Vision 2030, under the leadership of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud. We will continue our work to pave the way towards a bright future, enriched by a diversified and sustainable economy. This strategy is one means to achieve this goal, and we are confident in our abilities to reach our ambitious targets and meet the aspirations of our great people.”

His Royal Highness Mohammed bin Salman
The National Investment Strategy (NIS)

The National Investment Strategy is one of the main enablers to achieve the goals of Saudi Vision 2030, a comprehensive package of reforms to the national investment system to bridge the investment gaps and to allow economic growth and diversify its production base. The strategy, in general, aims to increase the quality and volume of investments in the Kingdom by making it a stimulating and sustainable investment destination. It also aims to provide better partnerships with the private sector and develop the business environment, which will lead to creating quality job opportunities for citizens and achieving long-term prosperity for all. To ensure the achievement of the objectives of the strategy’s pillars, 40 executive initiatives were adopted.
What is the National Investment Strategy?

An ambitious plan to:

- Support the goals of Vision 2030
- Achieve economic diversification
- Accelerate the pace of investment

What is the main entity responsible for its implementation?

The Ministry of Investment is the entity responsible for implementing the NIS. It is the result of coordinated efforts among various government institutions that work to achieve alignment between the various stakeholders and relevant entities, for the Kingdom to be a competitive investment destination.

The NIS and Vision 2030

The strategy is integrated with the Vision Realization Programs in addition to other national strategies, where investment is a major part, such as:

- Quality of Life Program
- Financial Sector Development Program
- Privatization Program
- The National Industrial Development and Logistics Program
- The Public Investment Fund Program

The NIS’s Key Sectors

The NIS has detailed investment plans for the development of sectors, such as:

- Transport and Logistics
- Renewable Energy
- Industry
- Healthcare
- Digital Infrastructure
- Tourism
Saudi Arabia has a strong foundation, which makes it able to achieve Vision 2030 and attract investment, include:

- Large local market and increasing integration with the wider regional market
- Competencies of human resources
- Geographical location
- Strong national investment institutions
- Solid physical and digital infrastructure
- Resilience and well-regulated capital markets

The NIS enables the goals of Vision 2030, through:

- **6.4 trillion SAR**
  Increasing GDP by 2030

- **7.0%**
  Unemployment rate by 2030

- **50%**
  Increasing non-oil exports contribution to the GDP by 2030, compared to 16% in 2016.

- **65%**
  Increasing the private sector contribution to the GDP by 2030, compared to 40% in 2016.

The NIS Investment Goals by 2030:

- **1.65 trillion SAR**
  Overall domestic investment component of gross fixed capital formation

- **388 billion SAR**
  FDI flows (5.7% of GDP)

- **2 trillion SAR**
  Overall gross fixed capital formation (30% of GDP)
**The NIS Pillars**

The NIS is based on four pillars, each one has a goal under which many programmes and initiatives. Due to the difference between investment opportunities and required reforms, the strategy is implemented through two tracks: the first track includes short to medium-term initiatives and the second track includes sustainable and long-term initiatives.

1. **Investment Opportunities**
   - **Objective**: Generating, developing and accelerating diverse and strong investment opportunities in all economic sectors.
   - **Main Initiatives**
     - Launching Supply Chain Attraction Program
     - Connecting “Invest Saudi” with all investment opportunities in the Kingdom
     - Identifying and detailing investment opportunities for each sector strategy

2. **Investor Categories**
   - **Objective**: Increasing the compatibility and participation of investors in the investment system, (domestic and foreign, public and private sectors, and large and small companies).
   - **Main Initiatives**
     - Enhancing the engagement with the private sector
     - Providing differentiated services to key local and international strategic investors
     - Engaging large Saudi companies in achieving national investment objectives through "Shareek" Program

3. **Financing**
   - **Objective**: Removing financial barriers to investment and diversifying financing options available for investors
   - **Main Initiatives**
     - Expanding models for financing partnership between the government and the private sector
     - Establishing specialized funds for development finance covering key sectors
     - Creating new funding products to enhance capital formation

4. **Competitiveness and Enablers**
   - **Objective**: Creating an attractive and competitive investment environment for local and foreign investors
   - **Main Initiatives**
     - Launching (4-5) Special Economic Zones with game-changing regulatory and competitiveness offerings
     - Approving investment incentive packages
     - Ensuring the international and domestic investors recognize the Kingdom’s emergence as an attractive investment destination
The Kingdom’s performance in some indicators has improved after the launch of Vision 2030, which includes:

- **1.5 trillion SAR**
  - PIF assets under management in 2020, compared to SAR 570 billion in 2015

- **9.1%**
  - Money supply in Q2 2021, compared to 2% in 2015

- **264%**
  - Investment licenses growth rate in Q2 2021, compared to the same period in 2015

- **60%**
  - Saudi families home ownership in 2020, compared to 50% in 2016.

- **34%**
  - Female participation in workforce in 2021, compared to 19% in 2016

- **15.7%**
  - Credit to Private Sector Growth Rate in Q2 2021, Compared to 10% in 2015

- **60%**
  - Customs clearance times

- **54%**
  - Dwell times of import
Key Economic Indicators

The implementation of the NIS initiatives is monitored through key performance indicators which focus on foreign direct investment (FDI) and gross fixed capital formation in absolute numbers or as a percentage of GDP. The following is an analysis of the most prominent indicators from the beginning of launching Vision until 2021.

Real GDP in Saudi Arabia

The graph shows a growth in the real GDP by 1.8% in Q2 2021 compared to the same quarter of the previous year. The NIS is a key enabler to achieve the goals of Vision 2030, which include increasing the real GDP to reach SAR 6.4 trillion and increasing the total annual investment (gross fixed capital formation) to reach triple the current investment volume (equivalent to cumulative investments of SAR 12.4 trillion between 2021 and 2030), which will make the Kingdom one of the world’s top 15 economies.

The Private Sector’s Contribution to Real GDP in Saudi Arabia

The graph shows an increase in the contribution of the private sector to real GDP by 43% in Q2 2021, compared to 39% in the same quarter of 2016. This is due to the incentives provided by the government to the private sector as one of the Vision initiatives to increase the contribution of the private sector to 65% by 2030. Despite the impacts of COVID-19 pandemic, the contribution of the private sector to real GDP has maintained the same levels of growth during the last period.

Source: GASTAT
*Preliminary estimates
Before the launch of Vision 2030, the Saudi economy relied heavily on oil as an engine of growth for GDP. The Vision came with a set of goals, one of which is to diversify the economy and increase the contribution of non-oil exports to non-oil GDP to 50% by 2030, up from 16% in 2016, which estimated at 7.8% in 2020. In the progress towards achieving this goal, the contribution of non-oil exports increased by 12.7% in Q2 2021, compared to 10.4% in Q2 2016, and by 9.4% in Q2 2020. This reflects a marked improvement after the challenges of exporting during the pandemic.

The investment objectives of the NIS have indirect effects on several economic and social indicators of Saudi Vision 2030, including its contribution to decreasing the Saudi unemployment rate to 7% by 2030. According to estimates of the General Authority for Statistics (GASTAT), the unemployment rate of total Saudis decreased to 11.3% in Q2 2021, compared to 11.7% in Q1 2021, due to the efforts made in saudazing several economic activities and in improving systems and supportive means.
Despite the decline in global flows of FDI by 35% in 2020, due to the impact of the pandemic, FDI flows in Saudi Arabia recorded a growth of 18.3% in 2020, compared to the previous year. In light of further improvement in Saudi, FDI flows increased by 1574% in Q2 2021, compared to Q2 2020. This is a stepping stone to achieve one of the Kingdom targets, that is to increase the contribution of FDI to 5.7% of GDP by 2030. The NIS aims to reach an approximately twentyfold increase in FDI flows by 2030, which is equivalent to an annual growth of 33%.
The Conclusion

The Kingdom has set itself a goal for growing international and domestic investment in Saudi Arabia, a goal that is unprecedented in purpose and scale, as increasing investment is essential to the achievement of the economic and social goals of Vision 2030. Despite the challenges, the Kingdom is fully committed to making the necessary changes and reforms to achieve this ambitious endeavor.