



وزارة الاستثمار
Ministry of Investment

استثمر في السعودية
INVEST
SAUDI



ECONOMIC AND INVESTMENT MONITOR, SAUDI ARABIA

Q2

20
23



"My primary goal is to be an exemplary and leading nation in all aspects, and I will work with you in achieving this endeavor"

-Custodian of the Two Holy Mosques,
King Salman Bin Abdulaziz Al-Saud



"Our nation holds strong investment capabilities, which we will harness to stimulate our economy and diversify our revenues"

-His Royal Highness the Crown Prince
Mohammed bin Salman bin Abdulaziz Al-Saud



Contents

<u>Abbreviation List</u>	4
<u>Executive Summary</u>	5
<u>One: Global Economy</u>	7
<u>I: Economic Growth</u>	8
<u>II: Oil Market</u>	12
<u>III: Natural Gas Market</u>	13
<u>Two: Saudi Economy</u>	14
<u>I: Saudi Economy Robustness, and Local and International Outlook</u>	15
<u>II: Saudi Economy Actual Performance</u>	16
<u>1: Real Sector</u>	16
<u>2: Monetary Sector</u>	18
<u>3: Capital Market</u>	18
<u>4: External Sector (Balance of Payments)</u>	19
<u>5: Fiscal Performance</u>	20
<u>6: Selected Economic Indicators</u>	21
<u>Three: Enabling Investment and Enhancing the Attractiveness of Its Environment in Saudi Arabia</u>	25
<u>I: Saudi Arabia's Targets Related to Investment Indicators</u>	26
<u>II: Investment in Saudi Arabia</u>	27
<u>III: Saudi Arabia's Performance in Global Indicators</u>	32
<u>IV: Efforts to Support Investment Environment in Saudi Arabia</u>	34
<u>V: Key Legislation Related to Investment</u>	38
<u>VI: Key Saudi Initiatives to Support Investment Environment</u>	40
<u>Four: Economic Cities and Special Zones in Saudi Arabia, Exceptional Investment Opportunities</u>	42
<u>I: A brief about Economic Cities and Special Zones (ECSZ) in Saudi Arabia</u>	43
<u>II: Key Initiatives and Events in ECSZs</u>	45
<u>III: Special Economic Zones (SEZs)</u>	47
<u>IV: Economic Cities (ECs)</u>	59

Abbreviation List

Bn	Billion
Capex	Capital Expenditures
CPI	Consumer Price Index
FDI	Foreign Direct Investment
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GSCRI	Global Supply Chain Resilience Initiative
ICT	Information Communications Technology
IMF	International Monetary Fund
IPI	Industrial Production Index
LLC	Limited Liability Companies
MISA	Ministry of Investment of Saudi Arabia
Mn	Million
MoF	Ministry of Finance
NIS	National Investment Strategy
NOMU	Parallel Market Index
OECD	The Organization for Economic Cooperation and Development
OPEC	The Organization of Petroleum Exporting Countries
OPEC+	A group of OPEC and non-OPEC oil-producing states
PMI	Purchasing Managers' Index
PoS	Points of Sale
REPI	Real Estate Price Index
SADAD	National Electronic Bill Presentment and Payment
SAIBOR	Saudi Arabian Interbank Offered Rate
SAMA	Saudi Central Bank
SAR	Saudi Riyals
SMLLC	Single-member Limited Liability Company
SMEs	Small and Medium Enterprises
Tadawul	The Saudi Stock Exchange
TASI	Tadawul All Share Index
VRPs	Vision Realization Programs
WEO	World Economic Outlook
WB	World Bank
WPI	Wholesale Price Index

Executive Summary (1/2)

- The International Monetary Fund (IMF), in the World Economic Outlook Report (WEO) July 2023, revised up the growth projection for the global economy by 0.2 percentage points for 2023, compared to WEO April 2023, and the projection for 2024 remains the same, making growth projections for 2023 and 2024 at 3.0%.
- The IMF, in WEO July 2023, revised down the growth projection for Saudi Economy to 1.9%, compared to 3.1% in April 2023, however, it is still higher than the growth rates of advanced economies and the Euro Area.
- In WEO July 2023, the IMF estimated the inflation rate to reach 4.7% for advanced economies and 8.6% for emerging market and developing economies in 2023. The inflation rate for Saudi Arabia, however, is estimated at 2.8% for the same year, according to WEO April 2023.
- According to the IMF data published in July 2023, Q1 2023 witnessed a decline in the FDI inflows growth rates globally, as a result of slower economic growth.
- The global PMI declined by 5.6% in Q2 2023, compared to the same quarter last year. South Korea, the United States, Japan and the European Union recorded a decline in the PMI, however, China's PMI grew by 3.4% for the same period.
- According to the Organization of Petroleum Exporting Countries (OPEC) report, the average price of Brent crude decreased by 30.2% in Q2 2023, on an annual basis. For Saudi Arabia, the average oil production decreased by 2.8% in Q2 2023, on an annual basis.
- The OPEC data show a decrease in the average spot price of natural gas in the US market in Q2 2023 by 70.8% on an annual basis. In Europe, gas prices, also, declined for the same period, as the average price of natural gas in the European market dropped by 64.2%, on an annual basis.
- According to the General Authority for Statistics (GASTAT) data, the real GDP grew by 1.2% in Q2 2023 compared to the same quarter of the previous year. The growth was due to the increase in non-oil activities and government activities by 6.1% and 2.3%, respectively.
- The nominal private final consumption grew by 6.0% in Q2 2023, due to an increase in the Points of Sale (PoS), SADAD payments, and cash withdrawals by 11.2%, 15.9%, and 4.3%, respectively, compared to the same quarter in the previous year.
- The nominal GFCF rose by 6.0% in Q2 2023, on an annual basis, due to private investment indicators grew in Q2 2023, as the Purchasing Managers' Index (PMI) rose by 5.9%, reaching 59.6 points, due to an improvement in the performance of the non-oil private sector and an increase in new business.



Executive Summary (2/2)

- The inflation rate increased to 2.7% in Q2 2023, compared to 2.3% in the same quarter of the previous year. The increase is attributed to the rise in the prices of housing, water, electricity, gas and other fuels by 8.6%, and restaurants and hotels by 5.2%.
- In Q1 2023, the current account of the balance of payments recorded a surplus of SAR 66.4 billion, which represents 6.6% of nominal GDP, compared to a surplus of SAR 148.5 billion in the same quarter last year.
- According to the Budget Performance Report for Q2 2023, government revenues reached SAR 314.8 billion, a decline of 15.0% on an annual basis. Government expenditures, on the other hand, recorded SAR 320.1 billion, an increase of 9.4%, on an annual basis. Therefore, the budget recorded a deficit of SAR 5.3 billion in Q2 2023.
- The FDI flows into Saudi Arabia grew by 10.2% in Q1 2023 compared to the same quarter of the previous year, reaching SAR 8.1 billion.
- In Q2 2023, the number of new investment licenses recorded a growth of 93.9%, or 1,819 new licenses, compared to 938 licenses in the same quarter of the previous year (excluding the licenses issued as part of the anti-concealment law enforcement).
- Saudi Arabia has achieved advanced positions in several global indicators in 2023, as it ranked second in the Consumer Sentiment Index, the PCSI Personal Financial Conditions, and the PCSI Economic Expectations.
- MISA, in cooperation with other government entities, has a pivotal role in promoting investment and attracting investors through organizing and participating in numerous events. More than 10 events were organized during Q2 2023 in various areas, including real estate, transport & logistics, and tourism, in addition to its participation in several investment forums between Saudi Arabia and several countries.
- Proceeding from the objective of creating a more diverse and sustainable economy in Saudi Arabia, Investment Overview in this report features Economic Cities and Special Zones in the Kingdom, as they present exceptional investment opportunities for both domestic and foreign investors. This is due to the strategic location as a link between global markets in the East and West. With the launch of several economic zones, to enhance its position as a global investment destination, Saudi Arabia provides economic incentives to the special economic zones, such as competitive tax rates, customs exemptions for imports, production inputs, machinery and raw materials, and allowing 100% foreign ownership.



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01

GLOBAL ECONOMY



One: Global Economy

I. Economic Growth

i. Global Economy Outlook

The International Monetary Fund (IMF), in the **World Economic Outlook report (WEO)** July 2023, revised up the growth projection for the global economy by 0.2 percentage points for 2023, compared to WEO April 2023, and the projection for 2024 remains the same, making growth projections for both 2023 and 2024 at 3.0%. Although these predictions are slightly more optimistic than the WEO April 2023, they remain relatively low compared to historical growth rates.

The IMF estimates that the slowdown in the global economy is influenced by the slowdown in advanced economies, whose growth rates for 2023 and 2024 are expected to reach 1.5% and 1.4%, respectively, compared to 2.7% in 2022. This is due to the negative effects of the Central Banks' decisions to continue increasing interest rates to curb inflation until they reach historic levels around the world.

The interest rate in the United States reached 5.5%, the highest since 2001, after the recent increase of 25 basis points based on the decision of the Federal Reserve (US Central Bank) at its last meeting held in July 2023.

In response to the Federal Reserve's decision, most Gulf central banks raised interest rates as their currencies are pegged to the US dollar.

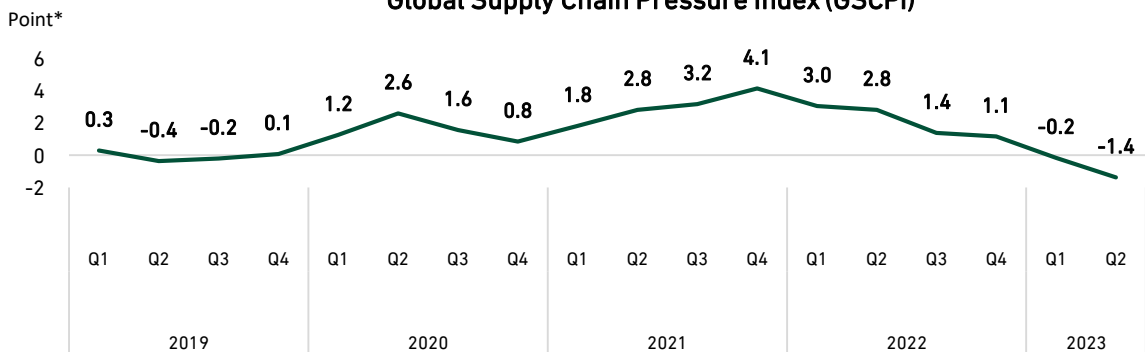
Also, the European central bank announced 25 basis points increase in interest rate, following the Federal decision.

The Bank of England, also, raised interest rates by 25 basis points at its meeting in August, two months after the last increase in June by 50 basis points.

Central banks still intend to continue the tightening policies to confront inflation until the end of 2024.

This will lead to a further rise in the cost of lending, a decline in the pace of both investment and spending, and a decline in financial market indicators coinciding with every increase in interest rates, which in turn will slow down economic activity movement and growth globally, not to mention the global economy has not yet fully recovered from the consequences of the COVID-19 pandemic and the Russia-Ukraine war, which is one of the main reasons for the rise in commodity prices such as energy and food, and the supply chain disruptions that began to recede gradually since the beginning of this year, as Global Supply Chain Pressure Index (GSCPI) recorded its lowest value since 2020, indicating a decline in pressure on supply chains. Also, freight costs and delivery times for freight and cargo have returned to prepandemic levels.

Global Supply Chain Pressure Index (GSCPI)



Source: Federal Reserve Bank of New York

* Standard deviations from average value

The IMF indicates that emerging markets and developing economies will be more optimistic about the projection stability of their economies' growth at 4.0% in 2023 and 4.1% in 2024. As for the **Saudi economy**, the IMF's projection decreased by 1.2 and 0.3 percentage points for both 2023 and 2024, respectively, compared to the WEO in April 2023. Therefore, the Saudi economy growth is projected to rise to 1.9% in 2023 and 2.8% in 2024. The downward revision for Saudi Arabia for 2023 is due to the cut in oil production announced by the Kingdom in April and June 2023, in line with the OPEC+ agreement. However, private investments in Saudi Arabia, including those arising from the implementation of the mega projects, still support the growth of non-oil GDP.

ii. Inflation

The inflation response to interest rates is still weak and it has not yet reached the target range, despite the continued rise in interest rates in 2023. Thus, the IMF did not update the inflation of advanced economies projection for 2023 in the WEO July 2023 (at 4.7%), however, slightly increased it for 2024 to 2.8%, up from 2.6%.

On the other hand, the IMF revised down inflation projection for developing economies by 0.3 percentage points, to 8.3% for 2023, and raised it by 0.3 to 6.8% for 2024.

These high estimates indicate that overcoming the consequences of the COVID-19 pandemic, the Russia-Ukraine war, and their impact on the prices of basic goods and services requires further tightening of monetary policies by central banks, as inflation rates for 2022 reached very high levels due to the effects of the pandemic and the Russia war, which further affected energy and food prices around the world.

iii. Global Investment

The IMF projected global investments to reach 27.2% (as % of GDP) in 2023, down by 0.3% from the previous year, according to the IMF's April 2023 data. This decline was reflected in the projections of the G7 economies and the European Union for 2023 and 2024. Emerging markets and developing economies, on the other hand, maintained their percentage, as the IMF estimated growth of 0.1% from 2022 to 2023.

Growth Rate (Real GDP, Annual Percent Change)	2022	2023**	2024**
Global Economy	3.5	3.0	3.0
Advanced Economies	2.7	1.5	1.4
Emerging Markets and Developed Economies	4.0	4.0	4.1
Saudi Arabia	8.7	1.9	2.8
United States	2.1	1.8	1.0
China	3.0	5.2	4.5
Japan	1.0	1.4	1.0
India	7.2	6.1	6.3
Euro Area	3.5	0.9	1.5

Source: IMF (WEO, July 2023), GASTAT, official statistical offices of countries

**Projections

Inflation rate (%)	2021	2022	2023*	2024*
Advanced Economies	3.1	7.3	4.7	2.8
Emerging Market and Developing Economies	5.9	9.8	8.3	6.8

Source: IMF (WEO April, 2023)

*Projections

Investment (% of GDP)	2021	2022	2023*	2024*
Global Economy	27.0	27.5	27.2	27.3
G7	22.0	22.6	21.8	21.7
European Union	23.0	24.4	23.7	23.6
Emerging markets and developing economies	33.4	33.4	33.5	33.7

Source: IMF (WEO, April 2023)

*Projections

FDI Inflows:

Global investments, particularly the FDI flows, were affected by the slowdown of economic growth as a result of geopolitical tensions, which led companies and decision-makers to adopt strategies that ensure maintaining the flexibility of supply chains, such as localizing investments or directing it to countries that are geographically and politically close, according to several economic reports and studies issued by international organizations concerned with foreign investment, in addition to high interest rates and their impact on increasing debt-related risks. According to the OECD's latest data, the global FDI flows declined in Q1 2023 by 34.7% compared to Q1 2022. It shows that the OECD countries also witnessed a decrease in foreign investment flows by 37.6%, down from the growth achieved in 2021 and the beginning of 2022. The European Union countries recorded the highest decline of 91.7%, on the other hand, the FDI inflows into Saudi Arabia increased significantly by 10.1% in the same period.

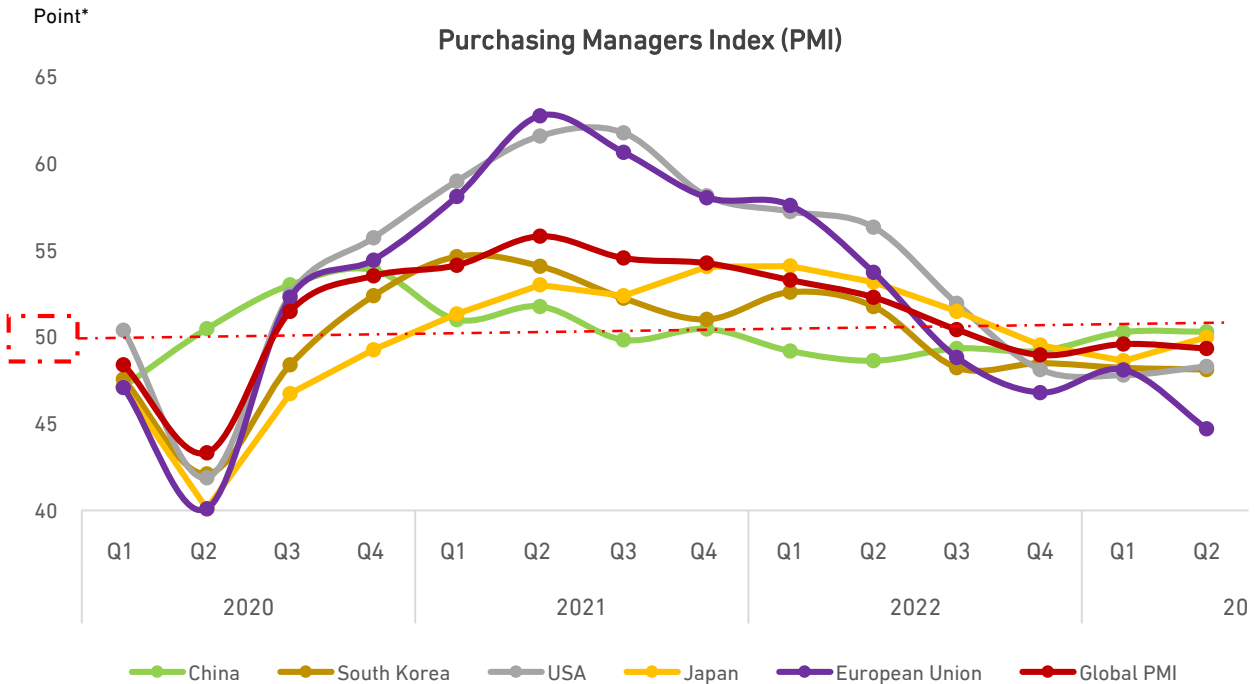
FDI Inflows (%)	2021 Q1	2022 Q1	2023 Q1
Global FDI	57.7	10.4	-34.7
OECD countries	38.6	23.0	-37.6
European Union	31.5	13.7	-91.7
Saudi Arabia	11.2	9.4	10.1

Source: OECD, SAMA, IMF

iv. Global Purchasing Managers Index (PMI)

The Manufacturing Purchasing Managers' Index declined by 5.6%, in Q2 2023 on an annual basis to average 49.3 points, compared to 52.3 points in the same quarter last year. In Q2 2023, the PMI of South Korea, the United States, the European Union and Japan also declined compared to the same quarter last year, except for China which witnessed an increase of 3.4% in the same period.

It should be noted that the unbalanced growth in the PMI for the selected countries is attributed to the stagnation in global commodity exports and the increasing trend of inventory reduction policies due to the decline in new manufacturing orders.



* >50 Improvements since previous month
Source: IHS Markit

II: Oil Market

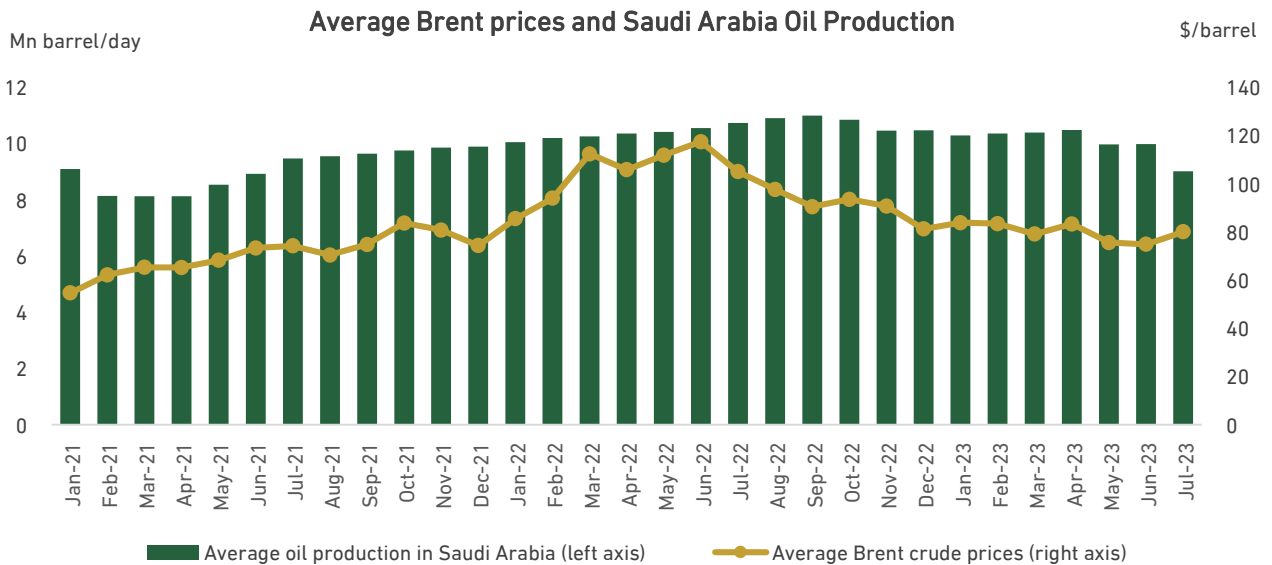
The Organization of Petroleum Exporting Countries (OPEC) report shows a decline in **global oil markets** at the beginning of Q2 2023, as the average price of Brent crude decreased by 30.2% on an annual basis, to reach an average of \$78.0/barrel, compared to an average of \$111.8/ barrel in the same quarter of the previous year.

The **average oil production in Saudi Arabia** decreased by 2.8% in Q2 2023 compared to the same quarter in the previous year, to reach a total average of 10.2 million barrels/day compared to an average of 10.5 million barrels/day, in the same quarter last year.

The decline is a result of the OPEC+ decision to cut oil production by 1.7 million barrels/day, which will contribute to balancing supply and demand and support price stability.

The **Oil Market Outlook** report issued by the **King Abdullah Petroleum Studies and Research Center** for Q2 2023 states that the quarterly growth in oil demand is expected to reach 440,000 barrels/day, driven by the demand resulting from growth in non-OECD countries, which fully compensated the decrease in oil demand from the OECD countries in Q1 and Q2 2023, due to the economic slowdown in these countries.

Moreover, according to the projections of OPEC and the King Abdullah Petroleum Studies and Research Center, the global demand for oil will increase between 1.8 million barrels/day to 2.4 million barrels/day, in 2023, reaching global demand to a total average of 102 million barrels/day in 2023.





III. Natural Gas Market

The OPEC data show a decrease in the **average spot price of natural gas in the US market** in Q2 2023 by 70.8% on an annual basis, to reach an average of \$2.2/MBtu, compared to an average of \$7.4/MBtu, in the same quarter of the previous year.

In Europe, gas prices, also, declined in Q2 2023, as the **average price of natural gas in the European market** reach an average of \$11.3/MBtu, down by 64.2%, compared to an average of \$31.7/MBtu, in the same quarter of the previous year, this is attributed to a decline in demand driven by a decrease in European gas consumption during the summer, in addition to the implementation of the European Union (EU) regulation on voluntary reduction of natural gas demand, as the consumption of the EU declined by 8.1% on an annual basis bringing the total consumption to 66 billion m³ in Q2 2023,

compared to 71.8 billion m³ in the same quarter of the previous year. In China, however, natural gas consumption increased by 5% on an annual basis, to reach a total of 162 billion m³, during the period from January - May 2023.

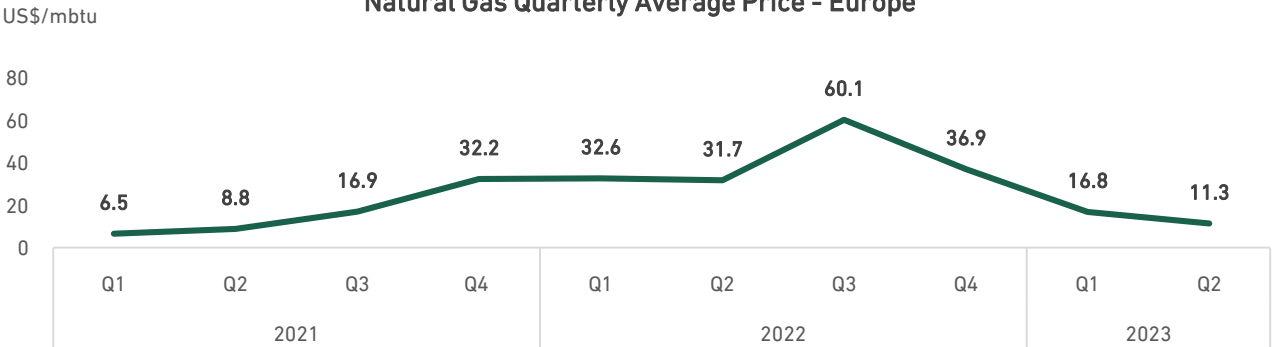
On the supply side, the **Gas Exporting Countries Forum (GECF) report** shows a decline of 12.7% in gas production in Europe in Q2 2023, reaching a total of 42 billion m³, compared to 48 billion m³ in the same quarter of the previous year.

In the United States, shale gas production increased by 5.3% on an annual basis, bringing the total production to 249.9 billion m³ compared to 237.3 billion m³ in the same quarter of the previous year. The number of global gas rigs reached its peak, with a total of 372 rigs, in June 2023.

Natural Gas Quarterly Average Price - USA



Natural Gas Quarterly Average Price - Europe



Source: OPEC, International Energy Agency (IEA) Oil Market Report



02

SAUDI ECONOMY

Two: Saudi Economy

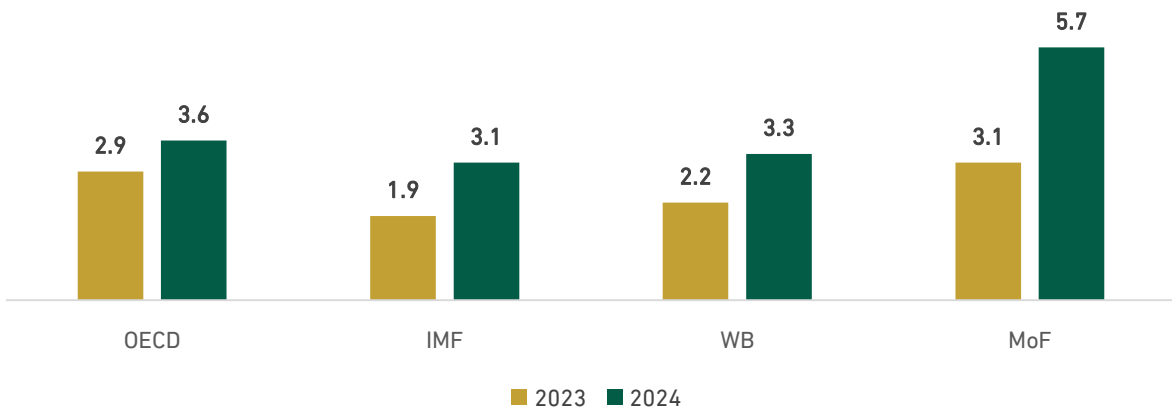
I: Saudi Economy Robustness, and Local and International Outlook

The Saudi economy is among the **20 largest economies** in the world, as it ranked **16th among the G20 countries** and **17th globally** in 2022. Saudi Arabia aims to be among the **top 15 largest economies** in the world by 2030. This ambitious goal is supported by many reforms and initiatives that back the economic growth of the Kingdom and contribute to improving the performance of the non-oil sector, increasing foreign direct investment (FDI) and other indicators, despite the challenges facing the global economy in recent years.

Reports of international organizations and local authorities state the steady pace of the Saudi economy towards prosperity and growth, and realizing global achievements. **International Monetary Fund (IMF), July 2023**, projected real GDP growth of 1.9% in 2023 and 2.8% in 2024. **The World Bank**, also, projected real GDP growth of 2.2% in 2023 and 3.3% in 2024, as well as a strong growth in the non-oil sector of 4.6% by the end of the current year. As for the **Organization for Economic Cooperation and Development (OECD)**, the real GDP is projected to grow by 2.9% in 2023 and revised up the projection for 2024 to 3.6%.

The Budget Statement FY 2023 issued by the Ministry of Finance (MoF) **projected** a real GDP increase of 3.1% in 2023 and 5.7% in 2024. A lower growth rate is projected for the Saudi economy in 2023 after the 2022 strong growth, in conjunction with the decline in global activity and drop in oil prices. The voluntary cut of Saudi oil production, started in March 2023, will contribute to a relatively reduced growth of oil activities and a decline in GDP, however, according to international organizations' projections, Saudi Arabia remains among the highest-growing countries in 2023.

Saudi Arabia GDP Growth Projections for 2023 and 2024 (%)



Source: IMF Report (WEO, July 2023), World Bank Report (Global Economic Prospects, June 2023, OECD (OECD Economic Outlook, June 2023)

II: Saudi Economy Actual Performance

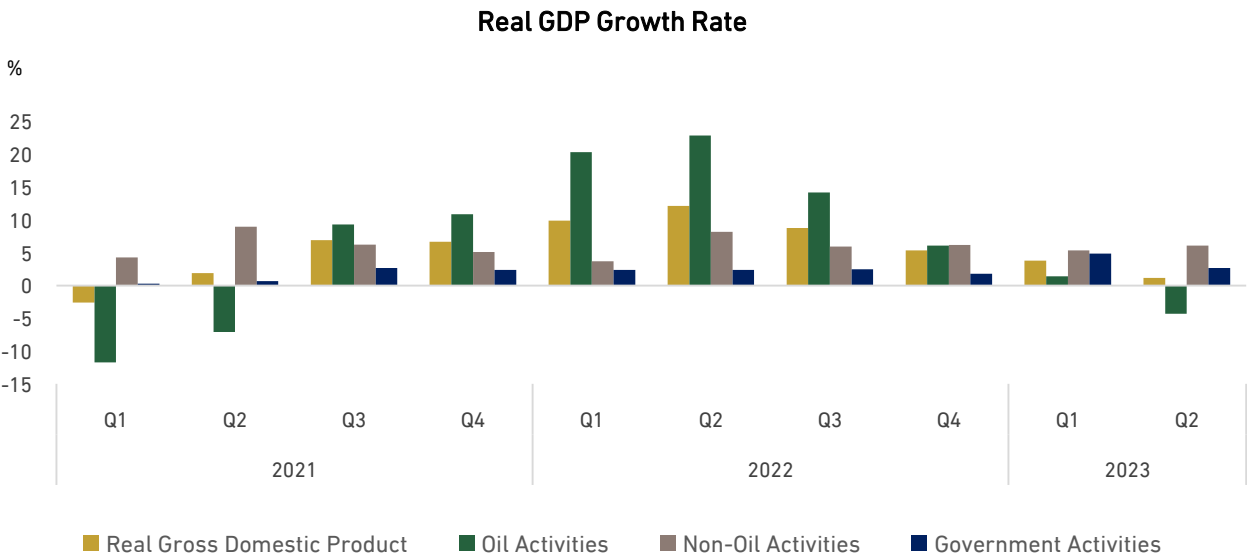
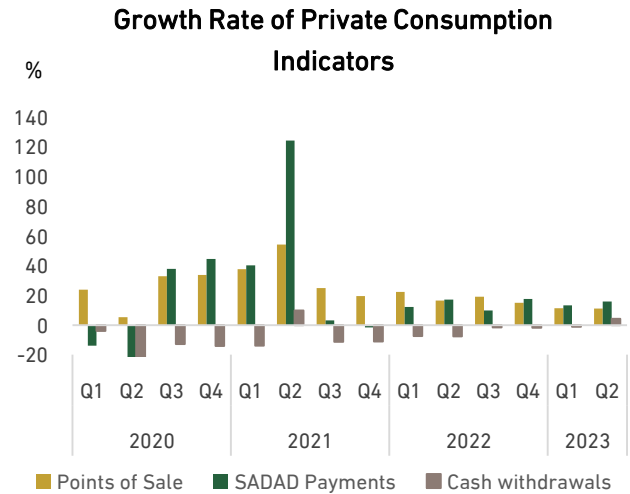
1. Real Sector

According to the General Authority for Statistics (GASTAT) data, the real GDP grew by 1.2% in Q2 2023 compared to the same quarter of the previous year. The growth was due to the increase in non-oil activities** and government activities by 6.1% and 2.3%, respectively, compared to the same period of the previous year, however, oil activities** decreased by 4.3% for the same period, this may be due to the voluntary cut in oil production in Saudi Arabia, to reach a total average oil production of 10.2 million barrels/day compared to an average of 10.5 million barrels/day, in the same quarter last year.

Most economic activities showed positive growth rates, as transportation, storage & communications increased by 12.9%, the highest growth rate in Q2 2023, compared to the same quarter last year, followed by wholesale & retail trade, restaurants and hotels by 9.8%, then Community, social & personal services by 9.0% on an annual basis.

**The terms "oil activities, non-oil activities and government service activities" are used based on the new classification of the GASTAT, issued on December 14, 2021 (instead of institutional sectors)

According to GASTAT, the nominal private final consumption grew by 6.0% in Q2 2023, due to an increase in the **Points of Sale (PoS)**, **SADAD payments**, and cash withdrawals by 11.2%, 15.9%, and 4.3%, respectively, compared to the same quarter in the previous year. The growth is attributed to an increase in restaurants & cafes and beverages & food by 22.2% and 14.3%, respectively, for the same period. Similarly, the number of PoS transactions increased by 27.2% in the same period.



The nominal GFCF rose by 6.0% in Q2 2023, due to private investment indicators grew in Q2 2023, as the **Purchasing Managers' Index (PMI)** rose by 5.9%, reaching 59.6 points, due to an improvement in the performance of the non-oil private sector and an increase in new business. While in August 2023, the PMI decreased by 1.9% on an annual basis, reaching 56.6 points.

The Industrial Production Index (IPI) rose slightly by 0.1% in Q2 2023, driven by an increase in production of the manufacturing activity by 10.3% (22.6% of the total index weight). Electricity and gas production, also, increased by 20.7% during the same period. In June 2023, however, the IPI decreased by 1.6% compared to the same month last year, due to a decline in mining and quarrying activity by 6.5% for the same period.

Cement sales decreased by 3.7% in Q2 2023, compared to the same quarter in the previous year, to reach 10.7 million tons, this may be due to a slowdown in construction activities during Ramadan and the use of modern technologies in construction that reduce dependence on cement.

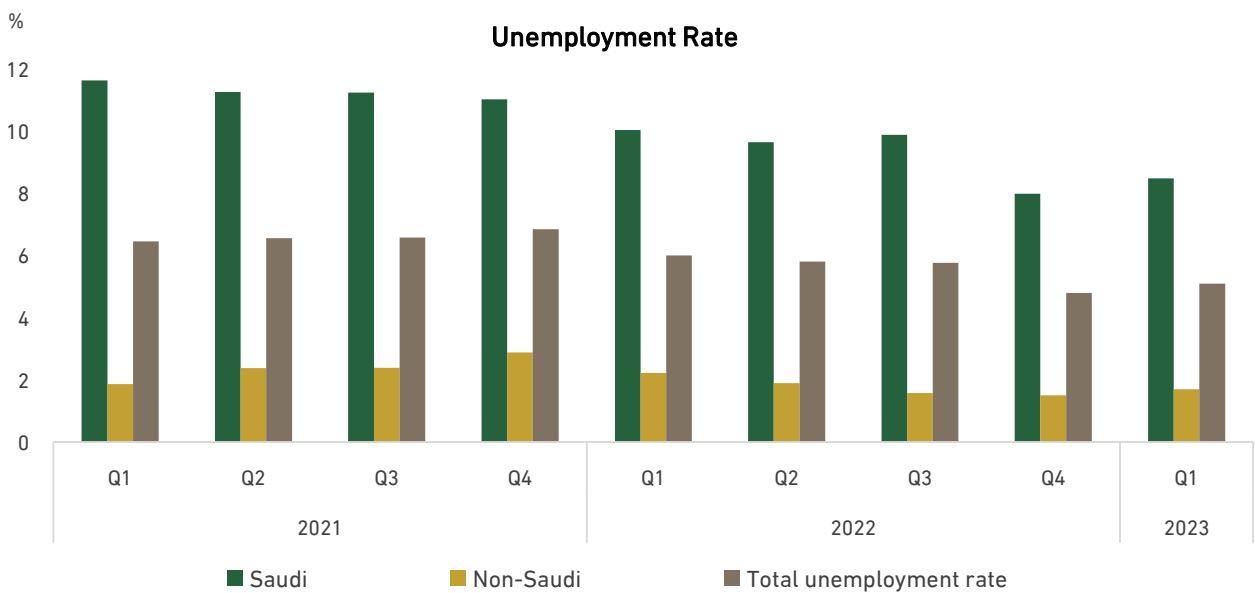
In Q2 2023, the **Real Estate Price Index (REPI)** increased by 0.8% compared to the same quarter in the previous year, mainly due to the increase in residential and commercial real estate prices by 1.1% and 0.2%, respectively.

1.1 Labor Market

According to GASTAT Labor Force Survey, the **total unemployment rate** increased to 5.1% in Q1 2023, compared to 4.8% in Q4 2022. The unemployment rate for Saudis reached 8.5% compared to 8.0% in the previous quarter, due to the high unemployment rate for Saudi females at 16.1% and the high unemployment rate for Saudi males at 4.6% for the same period.

The non-Saudis unemployment rate increased to 1.7% in Q1 2023, compared to 1.5% in Q4 2022, at a rate of 1.0% and 6.2% for non-Saudi males and non-Saudi females, respectively, for the same period.

The labor force participation rate (for Saudis and non-Saudis) increased to 61.7% in Q1 2023 compared to 61.5% in Q4 2022.



Source: GASTAT

2. Monetary Sector

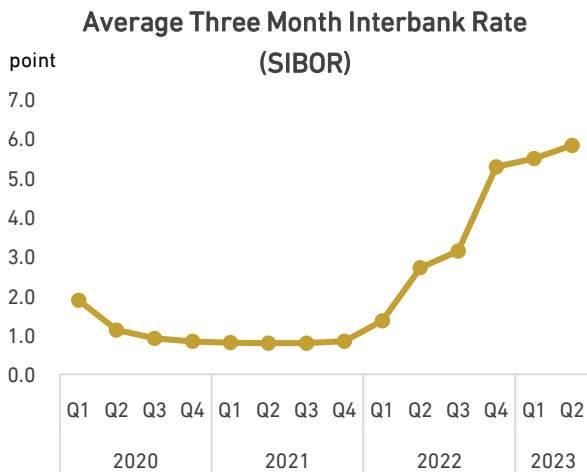
2.1 Money Supply and Reserve Assets

According to SAMA data, the **money supply** increased by 9.1% in Q2 2023, compared to the same quarter in the previous year, driven by an increase in other quasi-monetary deposits by 15.0% and time and savings deposits by 41.9% (**growth in government time and savings deposits by 51.3% and companies and individuals by 32.5%**). Reserve assets rose by 1.0% in Q2 2023 compared to Q1 2023, due to the increase in foreign currency and deposits abroad by 14.7% for the same period.

2.2 Interest Rates

The **average Interbank Offered Rate (SIBOR)** recorded 5.8 basis points in Q2 2023, up by 3.1 basis points compared to Q2 2022. The rate of Repurchase Agreement (Repo) increased to 5.8 basis points, and the rate of Reverse Repurchase Agreement (Reverse Repo) to 5.3 basis points for the same period, following the increase of the US Federal Reserve interest rate.

The **volume of lending in Saudi Arabia remains high**, as the bank claims on the public sector increased by 11.3% in Q2 2023, compared to the same quarter of the previous year, and the credit to the private sector by 9.4%, on an annual basis. Real estate loans by banks, also, grew by 16.6% in Q1 2023, on an annual basis.



Source: SAMA

2.3 Inflation

According to GASTAT data, the **Inflation Rate (Consumer Price Index (CPI))** rose to 2.7% in Q2 2023, compared to 2.3% in the same quarter of the previous year, due to higher prices of housing, water, electricity, gas, and other fuels by 8.6%, and restaurants and hotels by 5.2%.

In July 2023, the inflation rate declined to 2.3%, the lowest level since July 2022, driven by a decrease in the prices of clothing and footwear by 3.9%, and furnishings and household equipment by 2.5%.

The **Wholesale Price Index (WPI)** decreased by 0.7% in Q2 2023, compared to the same quarter last year, due to lower prices of metal products, machinery & equipment by 1.7% (39.7% of the index weight) and agriculture & fishery products by 1.1% (8.7% of the index weight). In July 2023, the WPI declined by 0.9%, compared to the same month in the previous year, as a result of lower prices of basic chemicals by 21.5%.

Overall, inflation rates are directly affected by geopolitical repercussions and disruptions in supply chains on the supply side. On the demand side, the rise of domestic demand, driven by private consumption, has affected the inflation rate in Saudi Arabia.

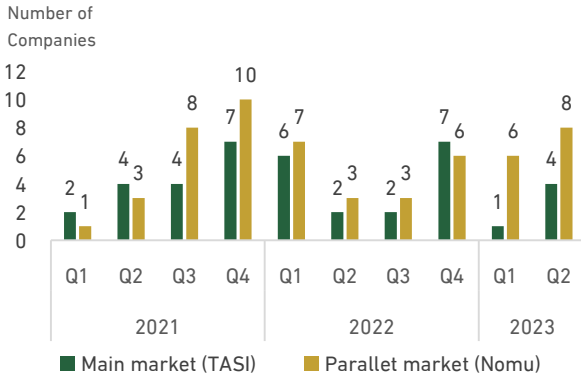
3. Capital Market

Tadawul All Share Index (TASI) closed at 11,459 points at the end of Q2 2023, down by 0.6% compared to the same quarter in the previous year. The total volume of traded shares dropped by 34.3%, to SAR 325 billion, compared to the same quarter in the previous year.

The **Parallel Market Index (NOMU)** closed at 26,148 points at the end of Q2 2023, up by 21.1% compared to the same quarter of the previous year. The total volume of traded shares fell by 6.3%, reaching SAR 1.9 billion compared to the same quarter of the previous year.

The total number of companies whose listings have been approved in Q2 2023 reached 12 companies, a growth of 140% compared to the same quarter in the previous year, with 4 companies listed in TASI and 8 companies listed in NOMU.

Number of New Listed Companies



Tadawul data show a decline in Saudi investors' ownership in the stock market by 5.1% in Q2 2023 compared to the same quarter in the previous year. On the other hand, the GCC investors' ownership and the foreign investors' ownership grew by 16.2%, and 6.3% respectively, for the same period, which demonstrates the attractiveness of the stock market to both GCC and foreign investors.

Ownership of foreign investors in the stock market

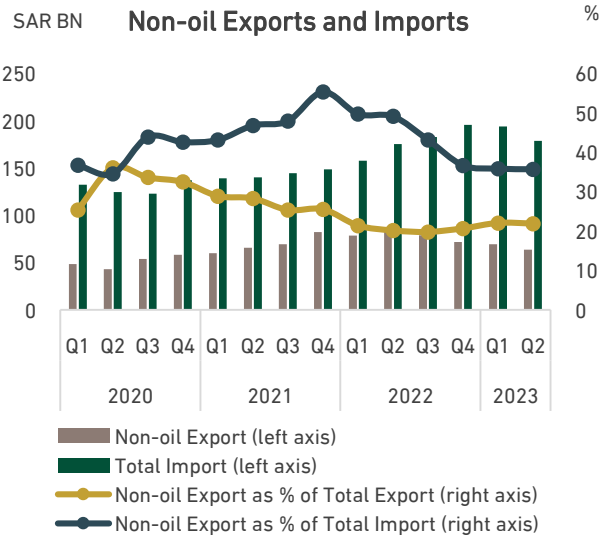


4. External Sector (Balance of Payments)

According to the SAMA data for the balance of payments, the **current account** recorded a surplus of SAR 66.4 billion, 6.6% of nominal GDP in Q1 2023, compared to a surplus of SAR 148.5 billion in the same quarter of the previous year.

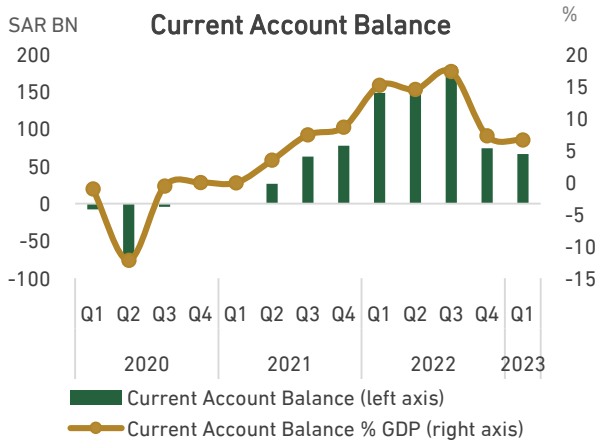
Regarding international trade in Q2 2023, the trade balance recorded a surplus of SAR 112.7 billion, a decline of 55.4%, compared to SAR 252.4 billion for the same quarter in the previous year. Merchandise exports decreased by 31.8%, recording SAR 291.6 billion, compared to SAR 427.8 billion in the same quarter of the previous year, driven by a decline in oil export, recording SAR 227.7 billion in Q2 2023 compared to SAR 341.6 billion in the same quarter of the previous year. Similarly, non-oil exports* decreased by 25.9%, recording SAR 63.9 billion, compared to SAR 86.2 billion in the same quarter of 2022.

Imports, on the other hand, increased by 2.0%, or SAR 178.9 billion, compared to SAR 175.4 billion in the same quarter of 2022. The share of non-oil export to total imports was 35.7% for the same period.

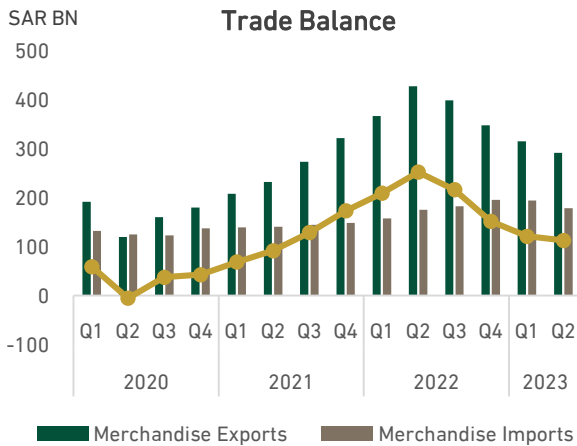


*Non-oil exports include re-exports.

Source: GASTAT



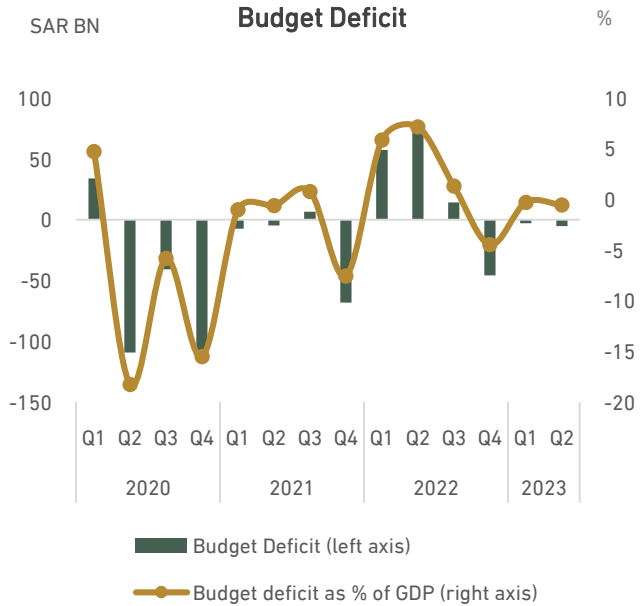
Source: SAMA, GASTAT



Source: GASTAT

5.3 Surplus/deficit and Debt

The budget recorded a deficit of SAR 5.3 billion, in Q2 2023, compared to a surplus of SAR 77.9 billion in Q2 2022. Moreover, public debt reached SAR 989.2 billion in Q2 2023, with domestic debt at SAR 623.5 billion (63.0% of total debt) and external debt at SAR 365.6 billion (37.0% of total debt).



Source: MoF, GASTAT

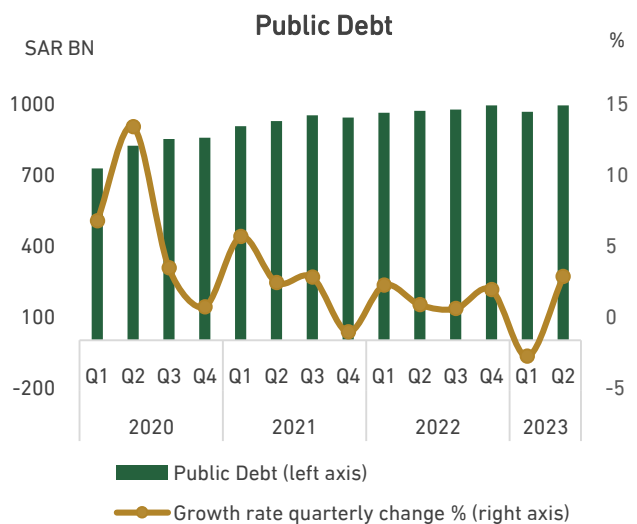
5. Fiscal Performance

5.1 Revenues

According to the Budget Performance Report for Q2 2023, government revenues reached SAR 314.8 billion, a decline of 15.0% on an annual basis, which is attributed to a decrease in oil revenues by 28.2%, or SAR 179.7 billion compared to SAR 250.4 billion for the same period in 2022. Non-oil revenues, on the other hand, rose by 12.6%, to reach SAR 135.1 billion, compared to SAR 120 billion in Q2 2022.

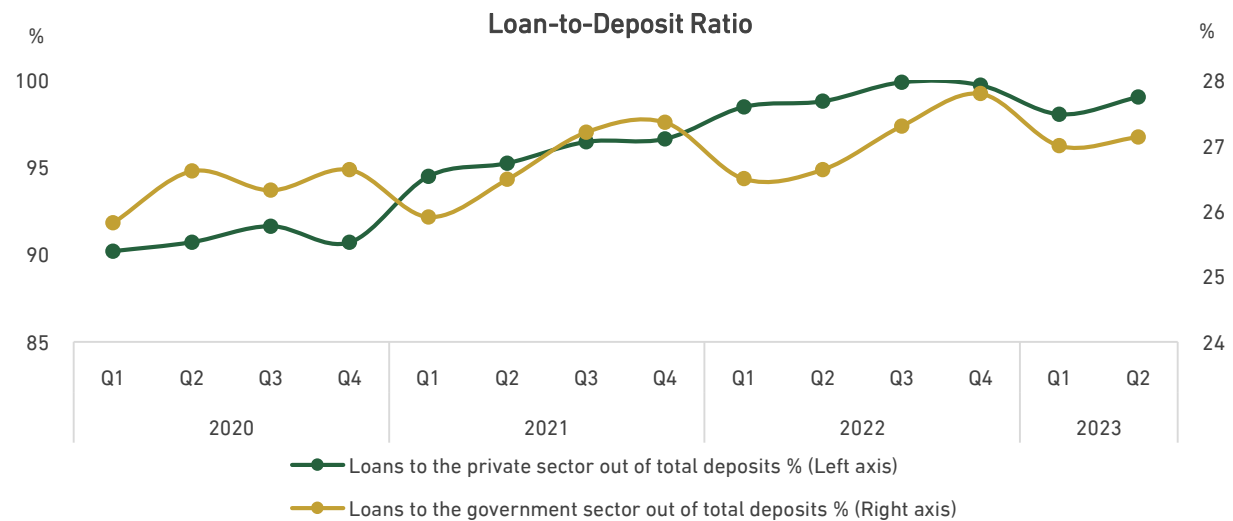
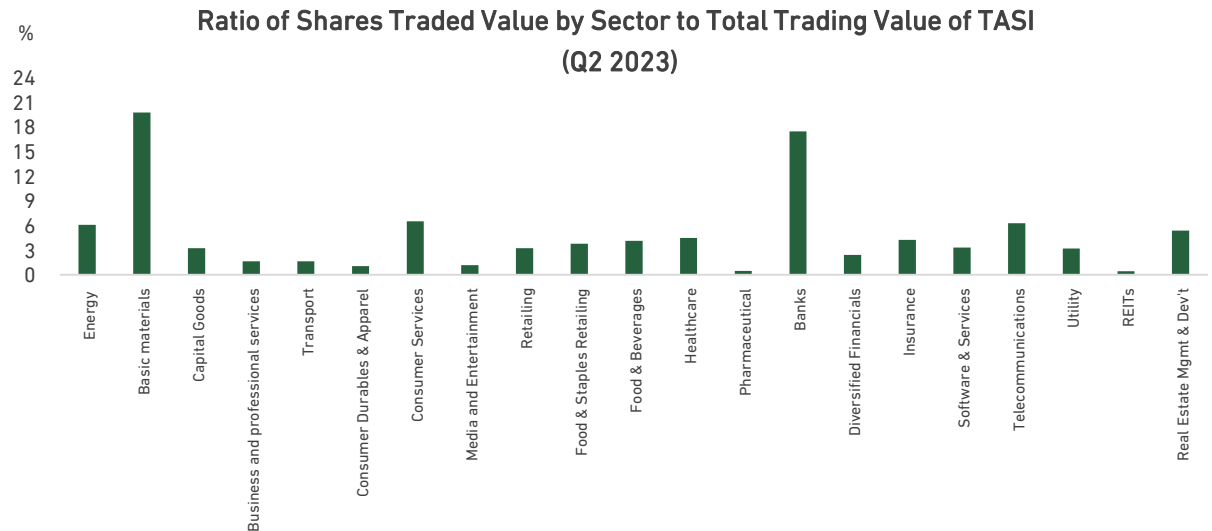
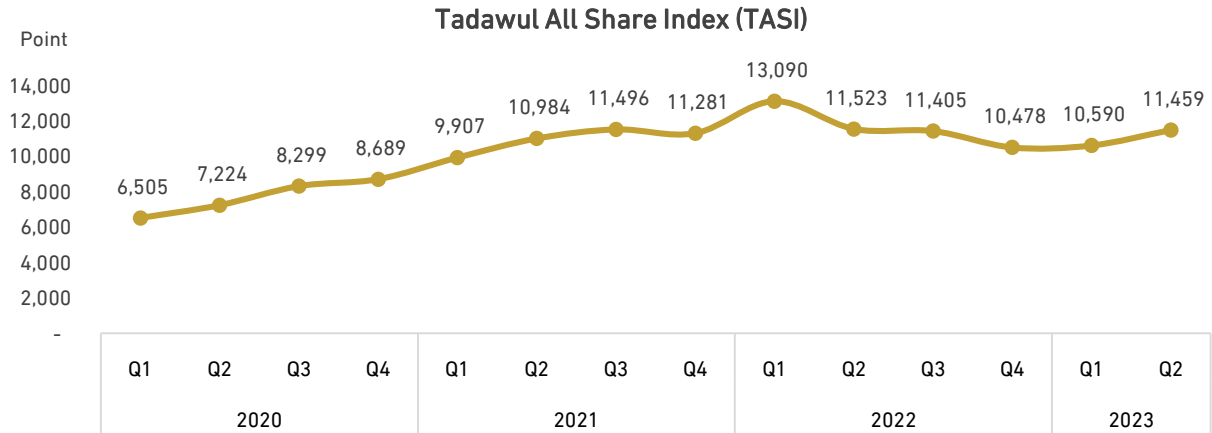
5.2 Expenditures

Government expenditures recorded SAR 320.1 billion in Q2 2023, up by 9.4% on an annual basis, due to a significant increase in most components of actual expenses driven by growth in both current and capital expenses, jointly grew by 13.6%, however, the use of goods and services decreased by 5.0%.



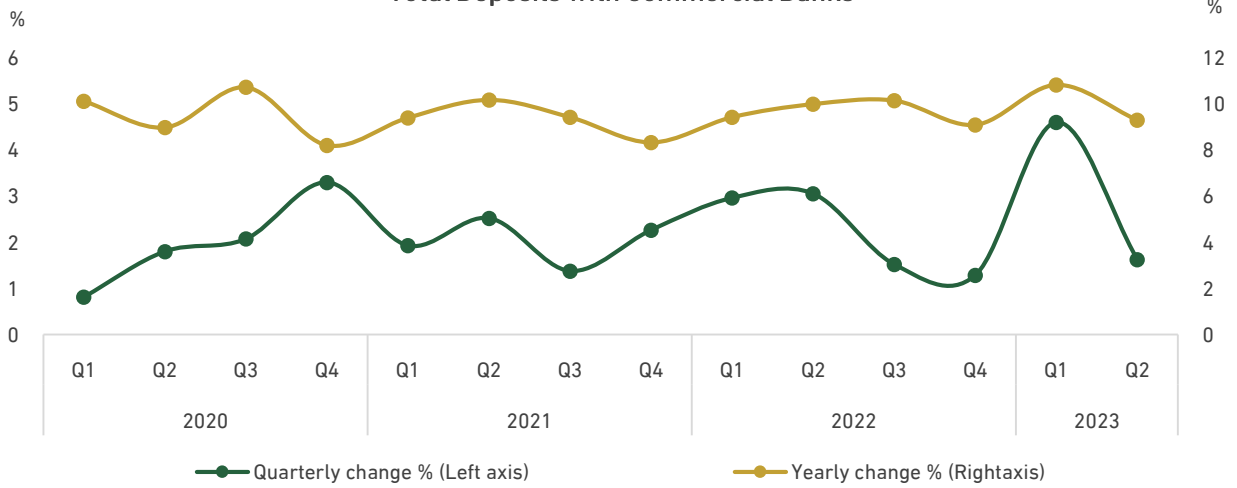
Source: SAMA, GASTAT

6. Selected Economic Indicators

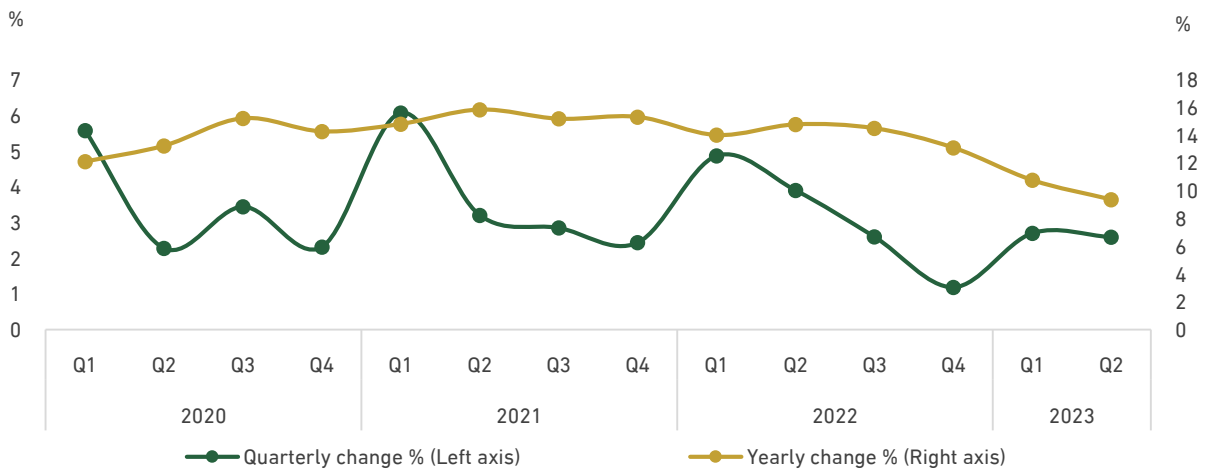


Source: Tadawul, SAMA

Total Deposits with Commercial Banks



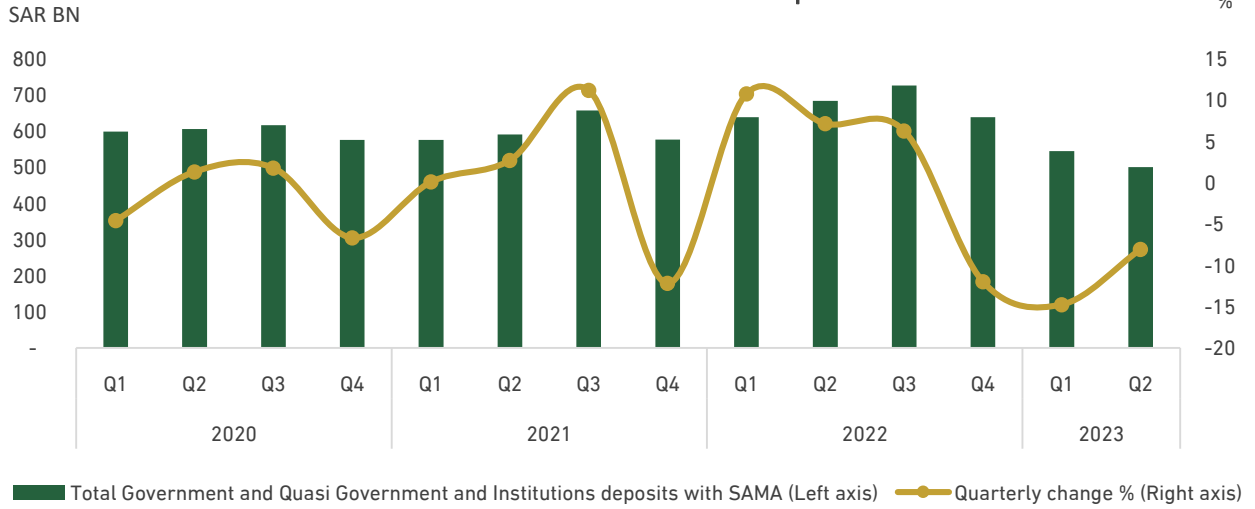
Credit to the Private Sector



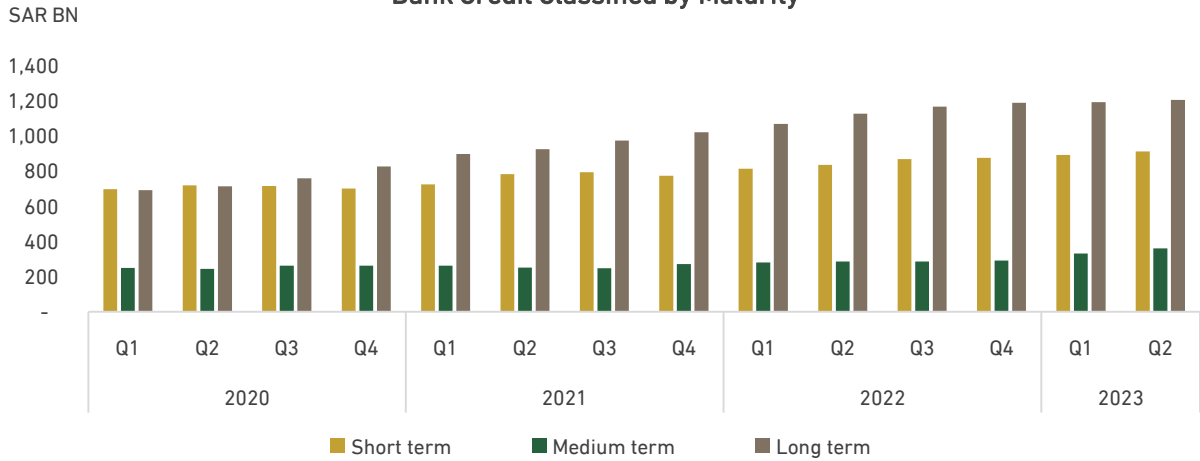
Credit to the Private Sector and Average Interbank Rate (3 months)



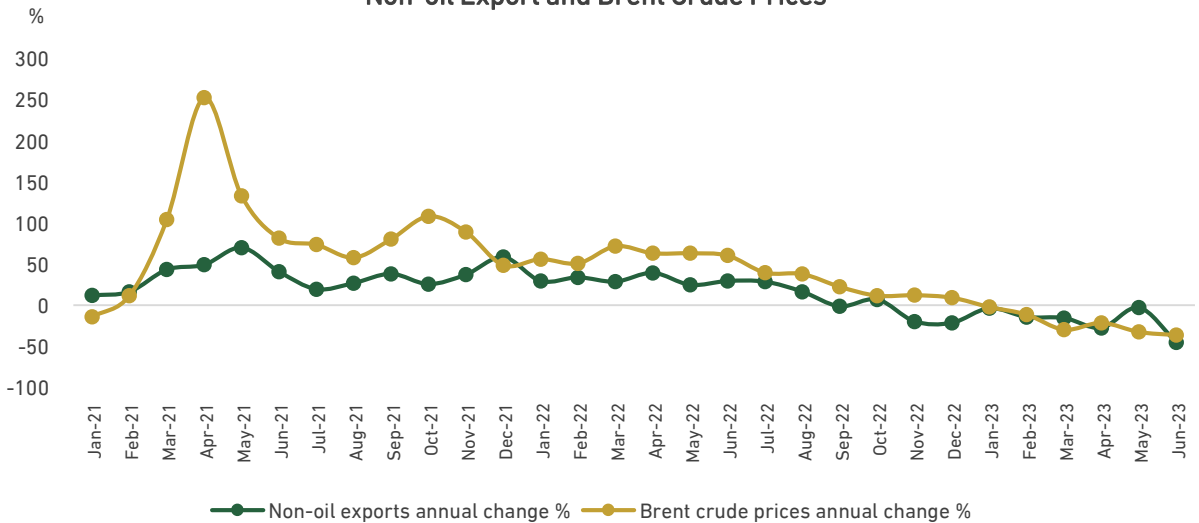
Total Government and Semi-Government Deposits with SAMA



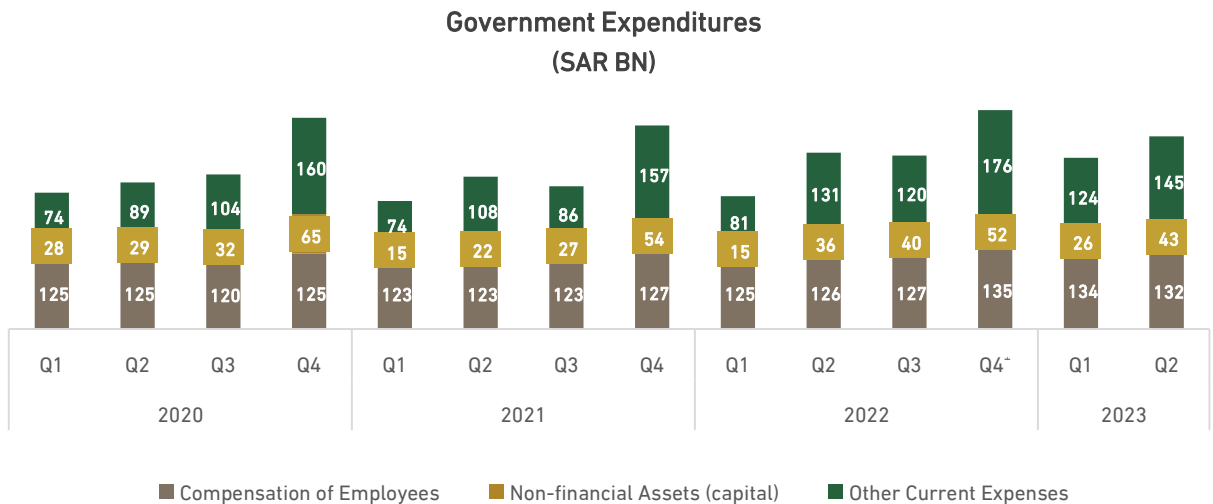
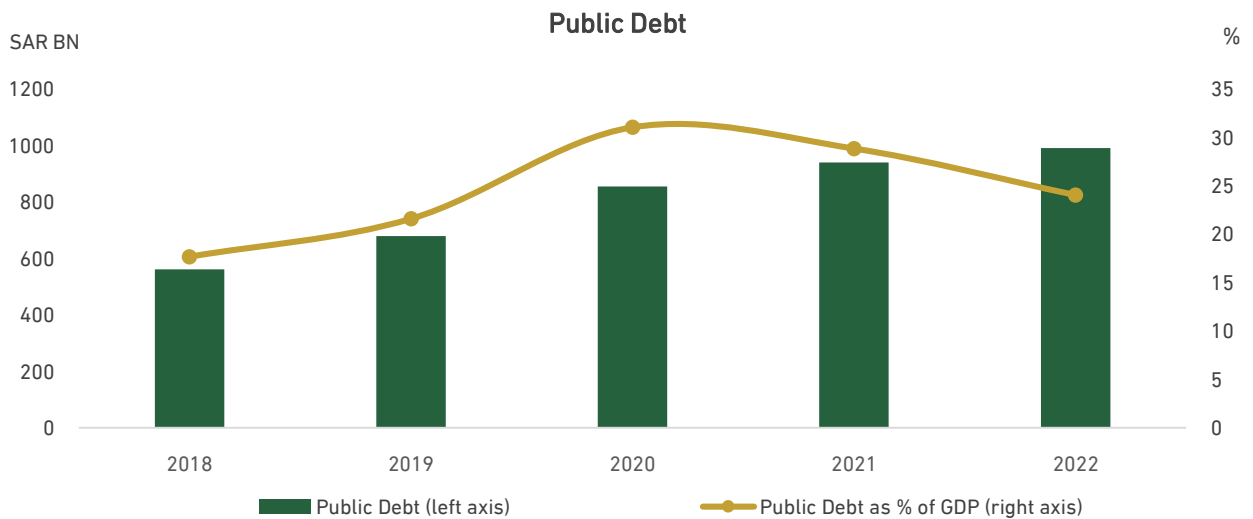
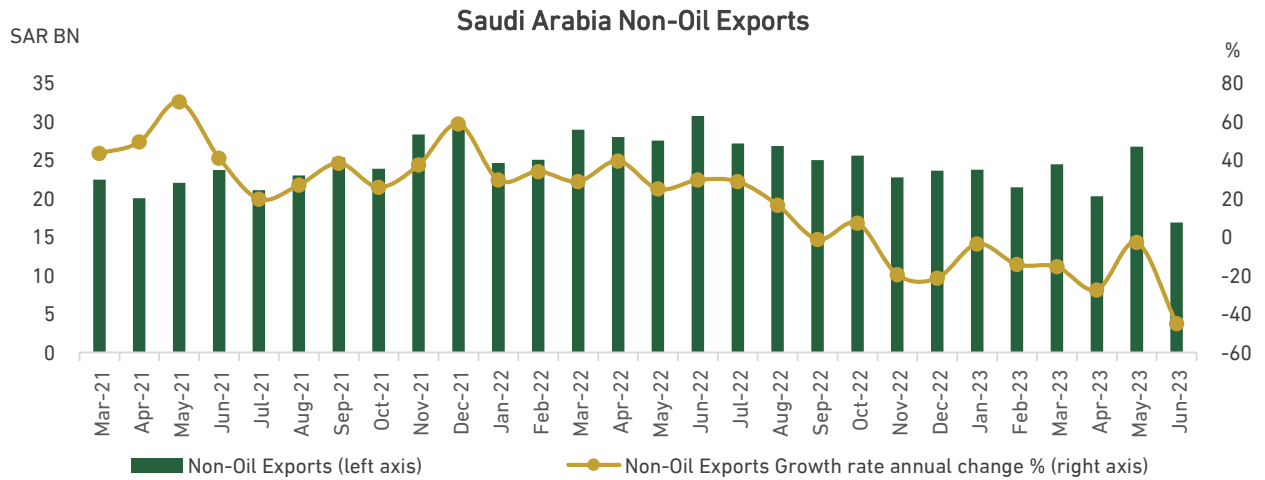
Bank Credit Classified by Maturity



Non-oil Export and Brent Crude Prices



Source: GASTAT, SAMA, OPEC



Source: GASTAT ,MoF



وزارة الاستثمار
Ministry of Investment

استثمر في السعودية
INVEST
SAUDI



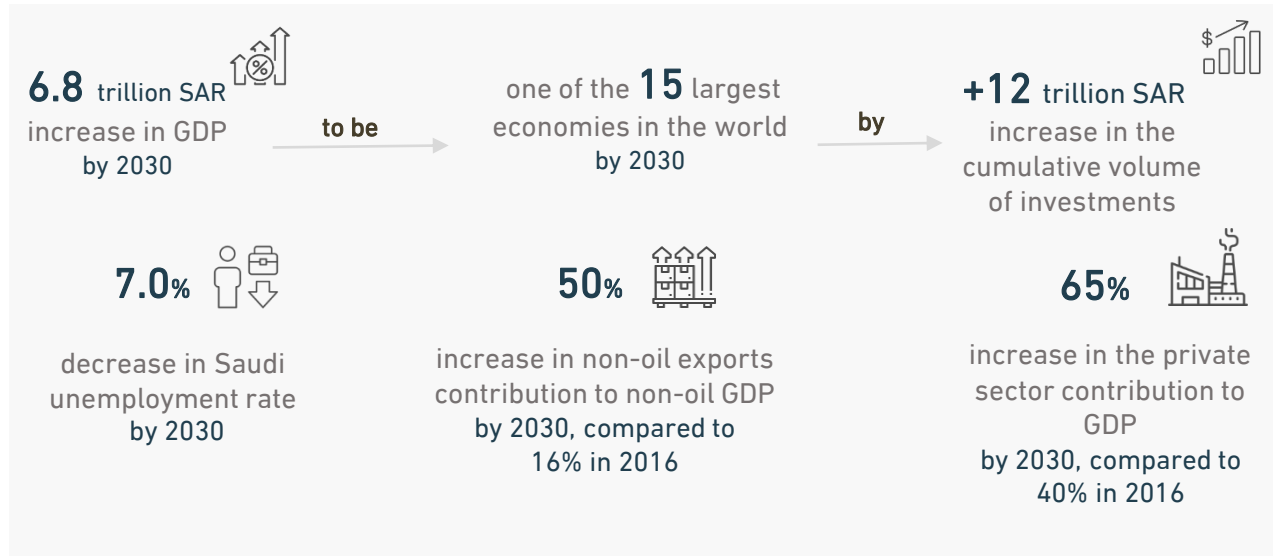
03

ENABLING INVESTMENT AND ENHANCING THE ATTRACTIVENESS OF ITS ENVIRONMENT IN SAUDI ARABIA

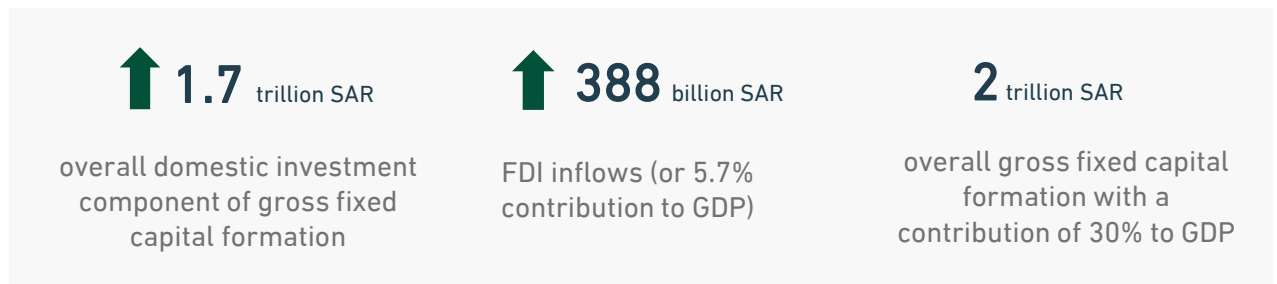
Three: Enabling Investment and Enhancing the Attractiveness of Its Environment in Saudi Arabia

I: Performance of Saudi Arabia in Investment Indicators

The National Investment Strategy (NIS) is one of the enablers to achieve the targets of Saudi Vision 2030, through:



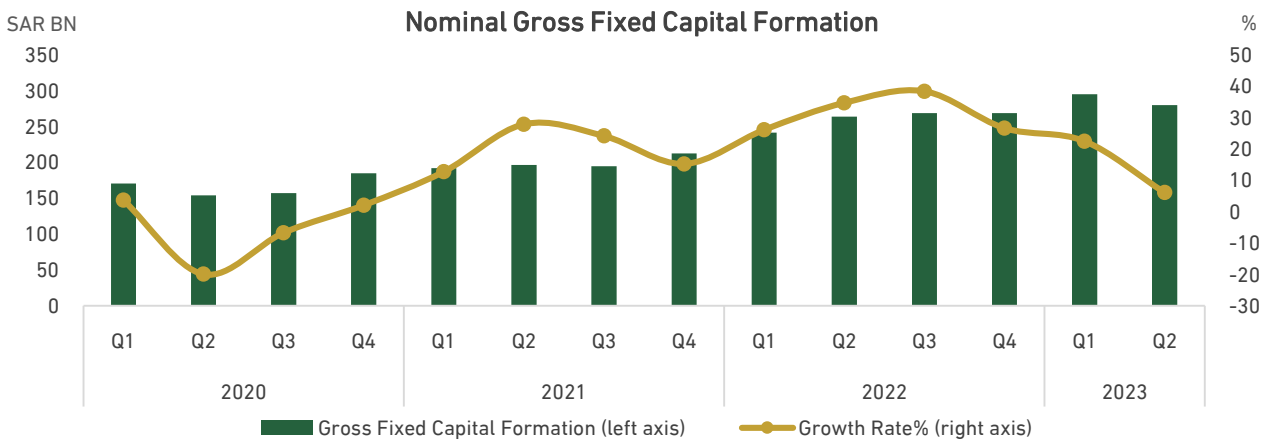
The NIS Investment Targets by 2030



II: Investment in Saudi Arabia

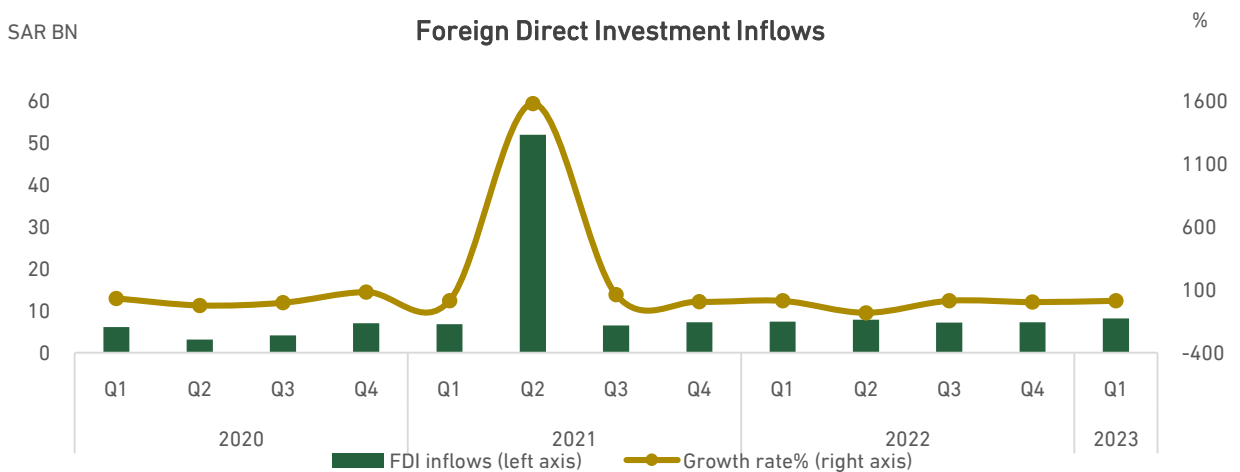
1. Gross Fixed Capital Formation (GFCF)

The **nominal GFCF** grew by 6.0% in Q2 2023, on an annual basis, reaching SAR 279 billion, driven by an increase in the fixed capital formation of the government sector and the non-government sector by 22.0% and 3.5%, respectively, for the same period. The contribution of fixed capital formation to nominal GDP rose to 28.8% in Q2 2023 compared to 24.2% in the same quarter of the previous year. In 2022, the **nominal GFCF** grew by 31.2% compared to the previous year, reaching SAR 1,040 billion, exceeding the target of the National Investment Strategy (NIS) for 2022 of SAR 747 billion. This is due to the increase in the fixed capital formation of the government and non-governmental sectors by 21.9% and 32.6%, respectively, which indicates efforts undertaken to promote the role of the private sector in economic development.



2. Foreign Direct Investment (FDI)

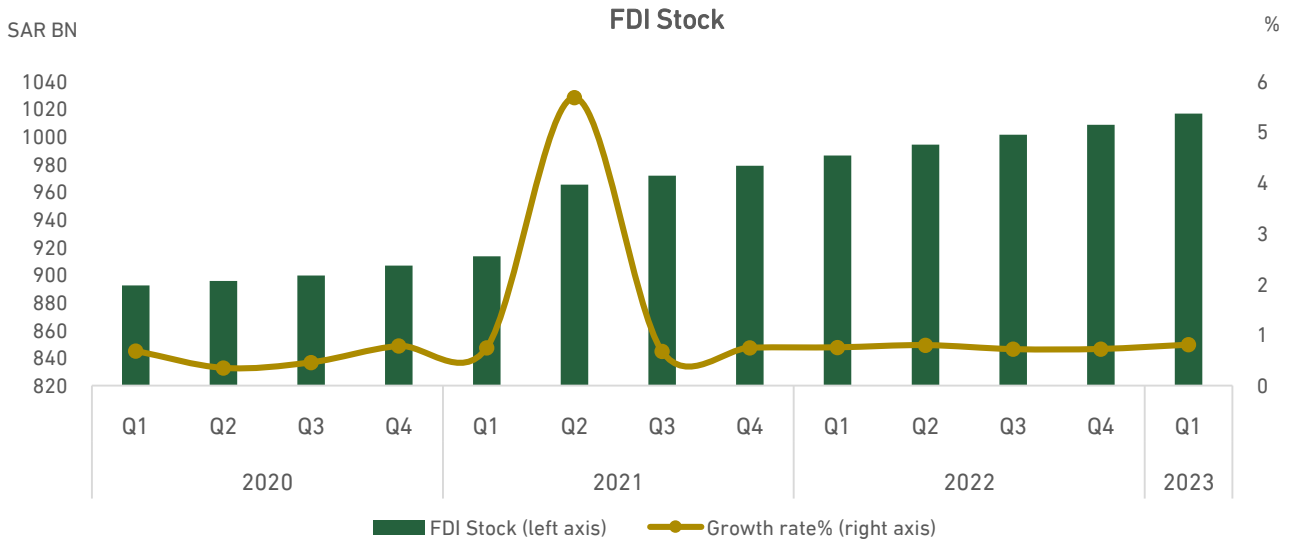
The **FDI inflows** into Saudi Arabia recorded an increase of 10.2%, reaching SAR 8.1 billion, in Q1 2023 compared to the same quarter in the previous year. In 2022, the FDI inflows grew by 14.7%, or SAR 30 billion compared to 2021, exclusive of the Aramco deal from 2021 inflows. This reflects the effectiveness of the investment ecosystem in attracting more investments and increasing foreign investor confidence in the investment environment.



*The increase in Q2 2021 was due to the Aramco's deal of SAR 46.5 bn.

3. FDI Stock

Saudi Arabia's **FDI stock** grew by 0.8% in Q1 2023, compared to the previous quarter, reaching SAR 1,017 billion, which reflects the effectiveness of the efforts undertaken towards enhancing investment attractiveness through developing the investment environment and providing incentives to investors.

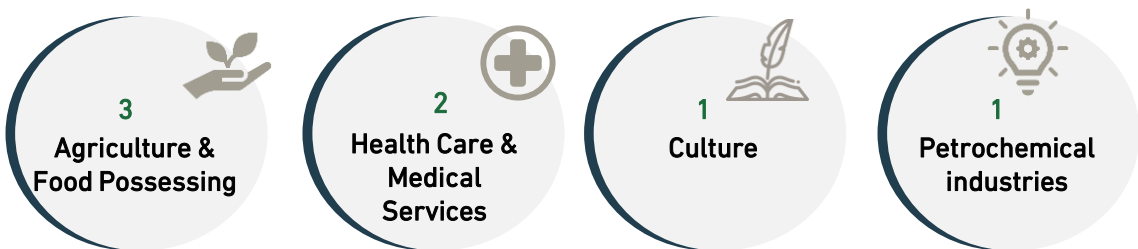


4. Closed Deals in Q2 2023

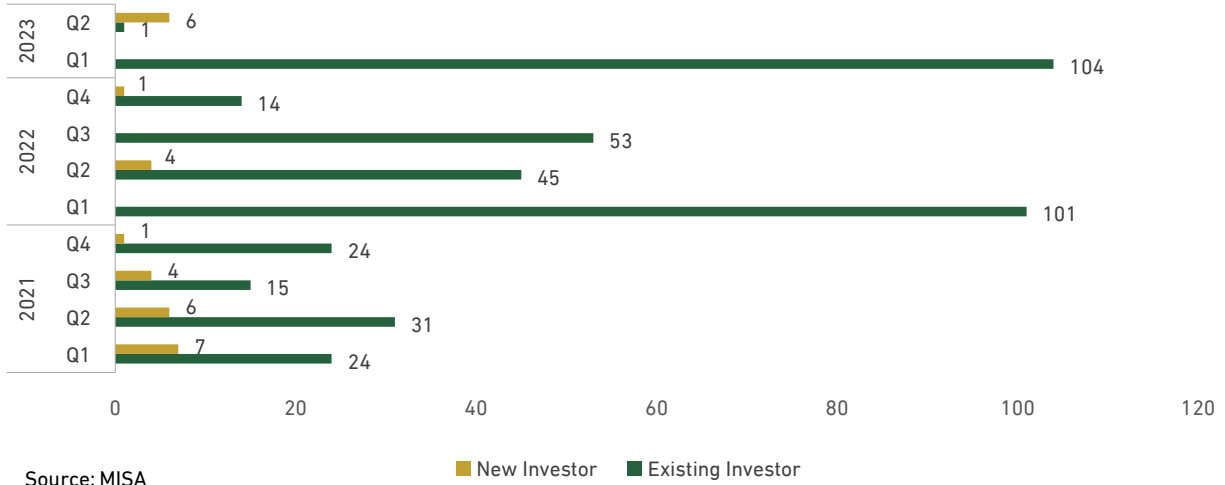
According to MISA investment data, the closed deals reached 7 investment deals in Q2 2023. Looking at economic activities, the distribution of deals shows that agriculture & food processing, health care & medical services, received the most attention from investors, as they received 3 deals, and 2 deals respectively. Moreover, the culture and petrochemical industries activities received one deal each.

As for countries, the top investors in Saudi Arabia in Q2 2023, are: China with 3 deals, Jordan with 2 deals, the United Arab of Emirates with 1 deal, and a joint deal between the United Arab of Emirates and Singapore.

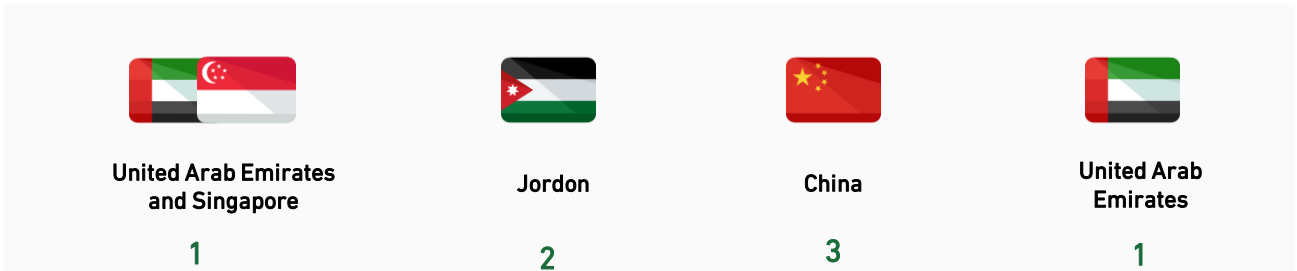
Distribution of Deals by Sector in Q2 2023



Number of Investors in Deals by Type of Investor in Q2 2023



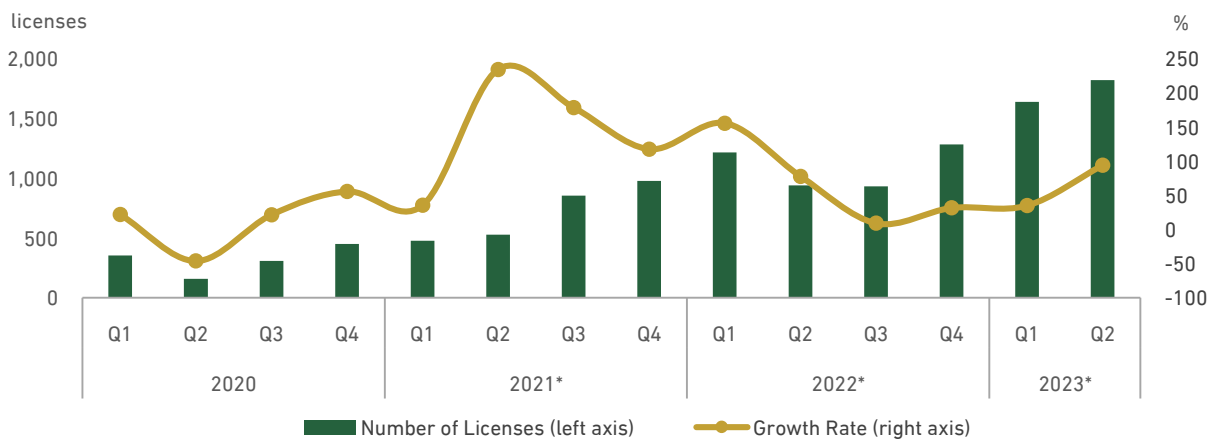
Distribution of Deals by Country in Q2 2023 (Number of deals)



v. Investment Licenses in Q2 2023

According to MISA data, the number of **new investment licenses** grew by 93.9%, or 1,819 licenses in Q2 2023, compared to 938 in the same quarter of the previous year (excluding licenses issued as part of the anti-concealment law enforcement). The total number of new investment licenses reached 1,833 licenses for the same period.

Number of Investment Licenses



Source: MISA

*Figures exclude investment licenses issued as part of the anti-concealment law enforcement

Historical figures of investment licenses are subject to update according to data dynamics

Overall, a high number of investment licenses were issued for **construction, manufacturing, vocational, educational & technical, ICT, accommodation, wholesale & retail trade and repair of motor vehicles activities**, representing 80.7% of total investment licenses issued during in Q2 2023.

The public administration and defense activity recorded the highest growth rates of 100% of investment licenses in Q2 2023, compared to the same quarter of the previous year, followed by ICT and other services activities by 91.7% and 90.0%, respectively.

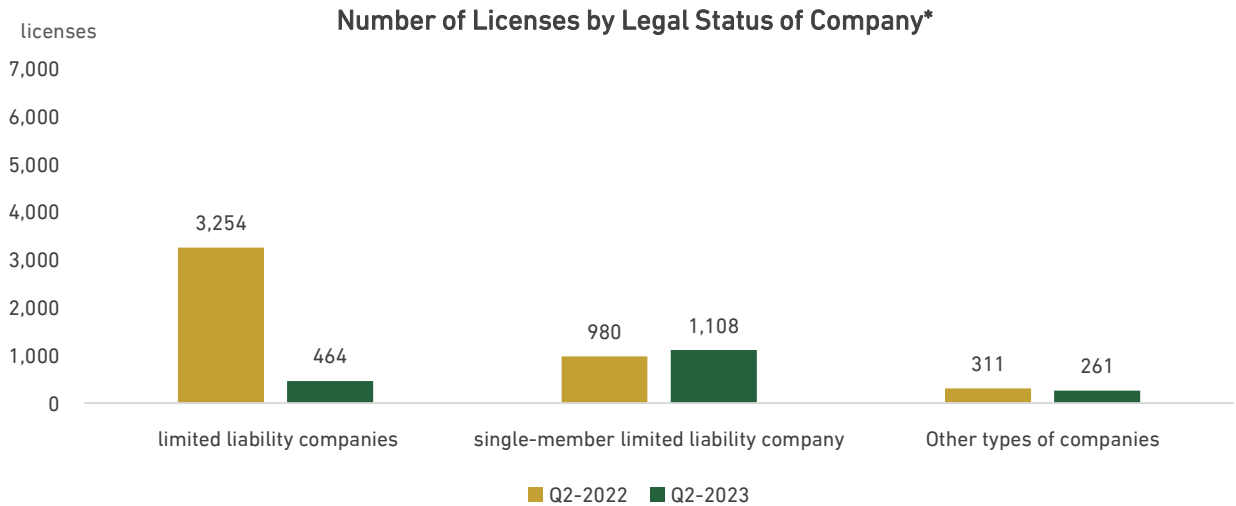
Activity*	2022 Q2	2023 Q2	Growth Rate
Construction	553	546	-1.3%
Manufacturing	353	288	-18.4%
Professional, scientific & technical activities	162	213	31.5%
Information and communication	84	161	91.7%
Accommodation & food service	280	151	-46.1%
Wholesale & retail trade; repair of motor vehicles and motorcycles	2,757	120	-95.6%
Administrative and support services	87	93	6.9%
Transportation and storage	79	66	-16.5%
Real estate	34	28	-17.6%
Health and social activities	37	28	-24.3%
Financial and insurance services	13	24	84.6%
Education	15	22	46.7%
Other services	10	19	90.0%
Arts, entertainment, & recreation	23	18	-21.7%
Water supply, sewerage activities & waste management	23	17	-26.1%
Agriculture, forestry & fishing	14	16	14.3%
Mining and quarrying	12	11	-8.3%
Electricity, gas, steam & air conditioning	7	11	57.1%
Public administration and defense	0	1	100.0%
Activities of extraterritorial organizations	2	0	-100.0%
Total	4,545	1,833	-59.7%

Source: MISA

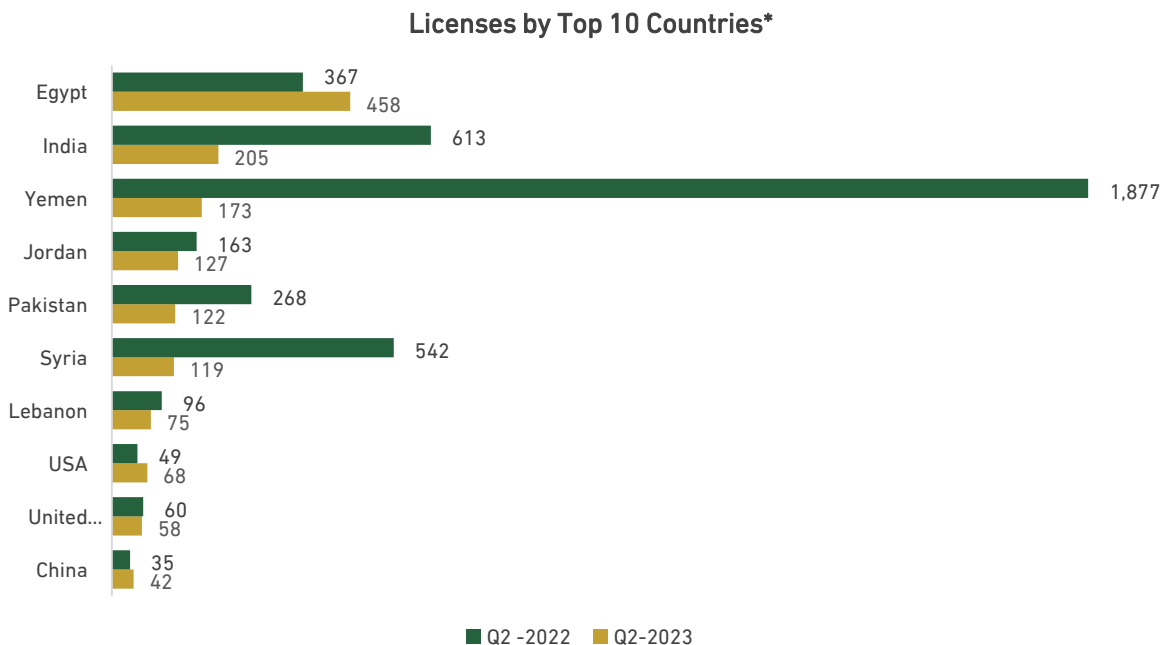
*Figures include investment licenses issued as part of the anti-concealment law enforcement

Historical figures of investment licenses are subject to update according to data dynamics

Considering the legal status of the company, the licenses issued for **limited liability companies (LLC)** amounted to 464 licenses in Q2 2023. The **single-member limited liability company (SMLLC)** recorded 1,108 licenses. The rest of the licenses were distributed among other types of companies with 261 licenses



With regards to the **distribution of licenses by country** (a share was calculated for each country participating in the ownership of the capital), **Egypt** received the highest number of investment licenses issued by MISA in Q2 2023, with 458 licenses, followed by **India** with 205 licenses, **Yemen** with 173 licenses, then **Jordan** with 127 licenses and **Pakistan** with 122 licenses.



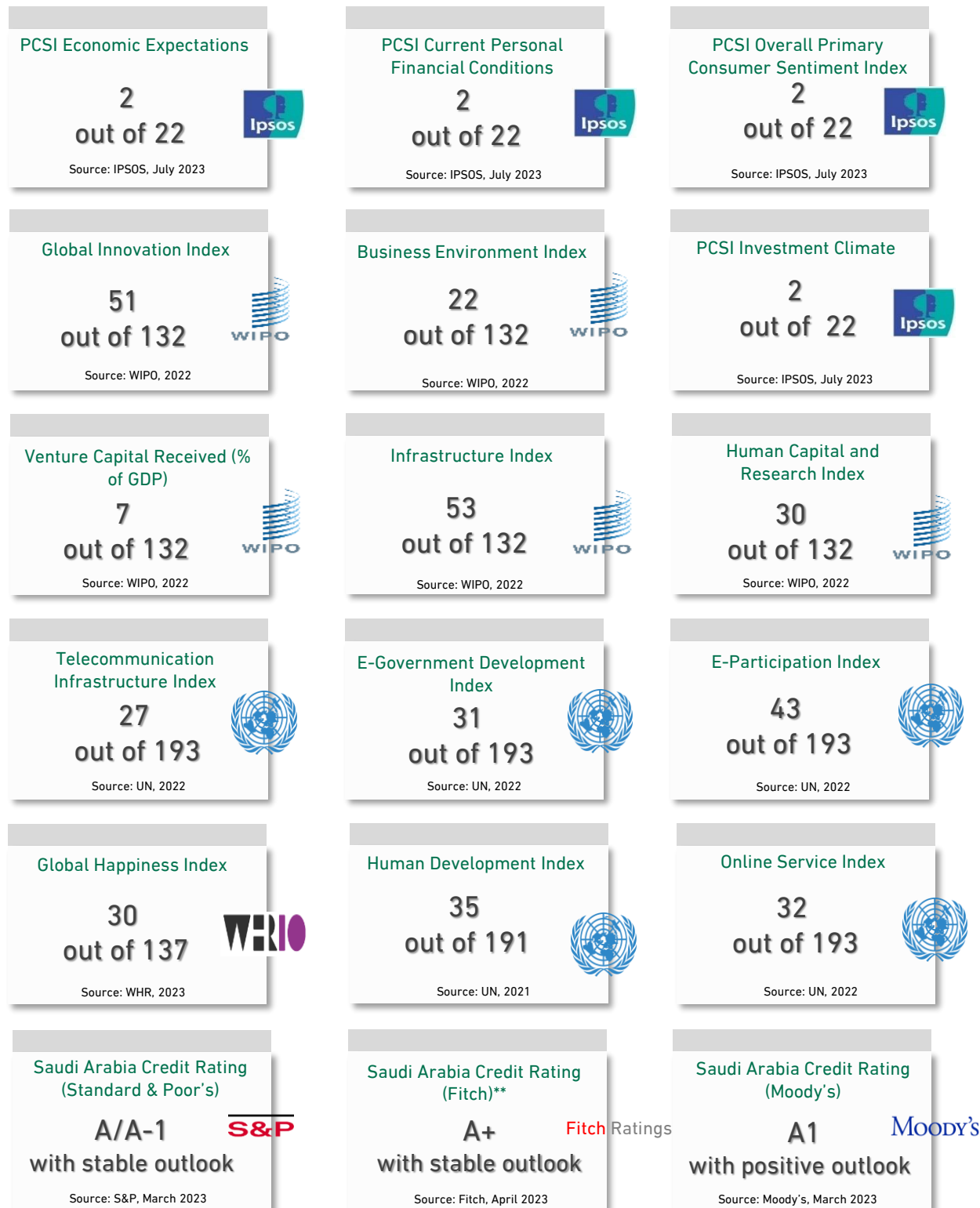
Source: MISA

*Figures include investment licenses issued as part of the anti-concealment law enforcement

Historical figures of investment licenses are subject to update according to data dynamics

III: Saudi Arabia's Performance in Global Indicators

A review of Saudi Arabia ranking in several global indicators, which reflect the Kingdom's economic and investment performance, the most important of which are:



*Fitch estimates

III: Saudi Arabia's Performance in Global Indicators

A review of Saudi Arabia ranking in several global indicators, which reflect the Kingdom's economic and investment performance, the most important of which are:



*IMF estimates

** Excluding countries groups, according to the IMF classification.

IV: Efforts to Support Investment Environment in Saudi Arabia

Strategic and Operational Achievements

- Key operational achievements of MISA

E-services provided to investors through MISA recorded 34,764 services in Q2 2023. The requests and queries reached 1,302 requests for the same period.

- E-services provided to investors via the website:



- MISA Events in Q2 2023

MISA, in cooperation with other government entities, has a pivotal role in promoting investment and attracting investors through organizing and participating in numerous events. **More than 10 events had been organized in Q2 2023** in various areas including real estate, transport & logistics, and tourism, in addition to its participation in several investment forums between Saudi Arabia and several countries.

MISA, also, hosted specialized global events that witnessed an international presence, aiming to attract foreign investment into Saudi Arabia, strengthen bilateral relations with major trading partners, and contribute to generating long-term resources for many dynamic sectors in a rapidly diversifying global economy.

MISA Events in Q2 2023



Iraq Exhibition for Real Estate and Investment 2023 Area of Focus: Real estate

May 1, 2023
Baghdad, Iraq

The Iraq Exhibition Real Estate and Investment, in its second edition, is the largest event in its field in Iraq. It is a comprehensive market that allows exhibitors to promote their projects, present their investments and products, display innovative ideas and form strong partnerships. The exhibition targets real estate professionals and investors in this field and sheds light on real estate trends, features, prices and locations.



Transport Logistics Area of Focus: Transport

May 9, 2023
Munich, Germany

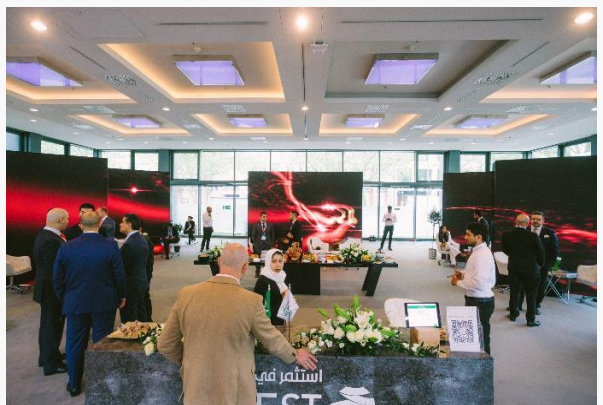
Transport Logistics has been held every two years in Munich and is considered the leading platform for international networking in the logistics industry, as it offers various activities and showcases the latest developments and innovative products on an international level.



IHIF Area of Focus: Tourism

May 15, 2023
Berlin, Germany

The International Hospitality Investment Forum (IHIF) Berlin is an international trade fair for the hotel and tourism industry. Over 2,000 hotel owners, investors and general managers as well as lawyers, designers and architects meet to network and do business. The IHIF Berlin also gathers decision-makers and tourism management professionals who advise investors and hotel owners on strategic decisions.





SFA

Area of Focus: Sports

May 18, 2023

Riyadh, Saudi Arabia

The SFA Expo is the perfect platform to discover established global and regional brands and services that are making waves in the sports, wellness, and fitness industries. SFA Expo offers the perfect opportunity to network with industry experts, establish grassroots connections, and tap into the growing Saudi market. From networking to learning, exploring to playing, and even competing, the Expo is your ultimate destination.



Saudi Special Economic Zones Investment Forum

Area of focus: Investment

May 29, 2023

Riyadh, Saudi Arabia

Following the official launch of the zones by HRH Prince Mohammed bin Salman bin Abdulaziz, Crown Prince, Prime Minister and Chairman of the Council for Economic and Development Affairs, the Economic Cities and Special Zones Authority (ECZA) hosted the forum, in partnership with the Saudi Program for Attracting Regional Headquarters of International Companies, to explore the unique characteristics of the economic cities and special zones in Saudi Arabia, diversify the Saudi economy and improve the investment environment, thus enhancing the Kingdom's position as a global investment destination.



Arab China Business Conference

Area of focus: Bilateral trade & investment

Jun 11, 2023

Riyadh, Saudi Arabia

Under the patronage of His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince and Prime Minister, the Kingdom of Saudi Arabia hosted the 10th Arab-China Business Conference, on 11 - 12 June 2023 at King Abdulaziz International Conference Center, Riyadh, under the theme "Collaborating For Prosperity" to support and promote cooperation in the areas of economy, trade, and investment to achieve solutions of common interest for both Arab nations and China through strategic collaboration.





[Back to Contents](#)



VivaTech Area of Focus: Technology

Jun 14, 2023
Paris, France

VivaTech is an annual technology conference, dedicated to innovation and startups, held in Paris. The first two days of VivaTech are for startups, investors, executives, students and academics, and it is open to the general public on the third day. VivaTech is Europe's biggest startup and tech event, with a reach of 231 million people, 13,000 startups, 3,300 investors and 2,500 journalists from more than 125 countries.



Invest Saudi Roadshow Meeting Area of focus: Waste & Water

Jun 15, 2023
Madrid, Spain

On the sidelines of the Saudi-Spain Meeting for Water and Waste Management in Madrid, InvestSaudi showcased Saudi Arabia's commitment to a greener future through the water management value proposition with SAR 124 billion invested in the sector.



France Saudi Investment Forum Area of focus: Investment

Jun 19, 2023
Paris, France

The forum witnessed the signing of several memorandums of understanding between the two countries, which will contribute to enhancing cooperation and achieving sustainable economic growth.



Estonia Saudi Investment Forum Area of focus: Investment

Jun 21, 2023
Tallinn, Estonia

The aim of the forum is to strengthen and enhance the economic and trade relations between the two countries by exploring investment areas and available opportunities in light of Saudi Vision 2030.



V: Key Legislation Related to Investment

MISA concentrates its efforts on providing a safe and competitive investment environment, as well as developing investment laws and procedures with its partners from government entities, to complement the legislative and regulatory structure.

■ Highlights of MISA's journey



Rules of Practicing Customs Clearance Profession in 1444 AH

They aim to document the policies, regulations and legislation related to the Customs Clearance profession throughout a series of steps that the goods go through, define the rules of practicing customs clearance activities, in addition to regulating the management of relations between the authority, customs clearance facilities, and customers.

Civil Transactions Law

It aims to enhance the stability of transactions, reduce the cases of invalidating or rescinding contracts, and expand contractual freedom as the origin in contracts and conditions is validity and permissibility. This is in line with the rapid development that Saudi Arabia is witnessing in increased economic activity, and protecting individual property that contributes to increasing economic activity.

Amendments of the Implementing Regulations of the Value-Added Tax Law

The Board of Directors of the Zakat, Tax and Customs Authority decided to approve the amendment of articles in the Implementing Regulations of the Value Added Tax Law for 1438 AH. The decision includes amending articles (8, 9, 29, 34, 40, 46, 63, 70, 75) and adding article (36 duplicate 2). These amendments contribute to improving the legislative and regulatory environment in Saudi Arabia, which in turn may contribute to increasing economic activity.

Regulation of Saudi Space Agency in 1444 AH

The agency aims to lead the development of the civil space sector, promote the peaceful use of space, strengthen the Kingdom's position in the field of space science and technology, and contribute to serving the developmental and vital sectors in Saudi Arabia. The regulation represents a quantum leap in terms of focusing on creating a space market, stimulating research and innovation, and achieving national goals in developing the sector. The development and growth in the space sector driving development in other sectors such as industry, digital technology and communications.



Transferring the competence of issuing license for teaching and educational consulting profession from the Ministry of Commerce to the Ministry of Education

The Council of Ministers agreed to transfer the competence, and the Ministry of Education should reflect the competence in the education law project. The Ministry of Commerce shall continue to exercise the competence until its entry into force.

Rules of procedures of the Committee for the Consideration of Violations by Competitors and Contractors of the provisions of the government Tenders and Procurement Law and Contracts concluded with them (amended) in 1444 AH

The rules aim to enhance performance and effectiveness in accomplishing tasks related to the committee and define the responsibilities, duties, competencies, and tasks assigned to the committee and its members. The committee's work patterns shall be determined by laying down the foundations and rules regulating its activity, in a manner consistent with other relevant laws, regulations, and instructions.

Rules governing rehabilitation, payment of compensation for damage and refunding owners in accordance with the Tourism Law and its Regulations in 1444 AH

The document regulates the provisions and procedures applied by the Committee when considering obliging the violator to rehabilitate, remove the violations and undo their effects, pay compensation for damages, or return the amounts obtained to the affected party.

Amendments to the Implementing Regulations for Zakat Collection in 1440 AH

The amendments address paragraphs of Articles (5, 6, 8, 25) of the Implementing Regulations for the Collection of Zakat in 1440 AH, such as including what can be deducted from the Zakat base, namely: employee housing owned by the Zakat payer, housing loans paid to employees, and adding controls on the calculation of the Zakat base with regard to employee housing ownership programs, that the price of the housing unit borne by the employee should not exceed its actual cost to the Zakat payer, the employee should not bear any additional amounts in exchange for the loan, the Zakat payer may treat the sukuk and bonds issued as capital, add debt returns that the Zakat payer bears on behalf of his employees in employee housing ownership programs to what may be deducted from the expenses to determine the net result of the activity.

Rules of procedures for the Standing Committee to decide on objections submitted by government entities to request for allocation of areas of mining complexes and to grant mining licenses in 1444 AH

The rules aim to organize the work of the committee when considering and deciding on objections submitted by government entities on the requests for allocation of areas of mining complexes and requests to grant mining licenses for specific areas.

Rules of procedures for the Committee for the Consideration of Grievance of competitors and contractors and requests for price adjustments to the government Competition and Procurement System in 1444 AH

The aim of the rules is to provide legal, administrative and technical support and assistance to the grievances and violations committees of the government Competition and Procurement System. The committee oversees all handling procedures of grievances and violations, requests, price adjustments, and exchange and processing of their notes, in the interest of achieving prompt justice, enhancing transparency and confidence among those who come in contact with the system, and ensuring transparency and enhance economic development.

Licensing and technical guides for railway transport activities in 1444 AH

The guides provide a consistent and coherent view of the regulatory requirements for all stakeholders to design, build, operate, maintain, renovate and change the railways as well as other directed transport systems that fall under the umbrella of the relevant laws and regulations in Saudi Arabia.

Organizing Prince Mohammed bin Salman Park Foundation for 1444 AH

Establishing an institution for the park, its personality, independence, organizational affiliation, headquarters, criteria and principles and its supervising authority, the institution's goal and powers, the board of directors, competencies and powers of the board, the meetings of the board, the institution's CEO, his responsibilities and competencies, the functional system of the institution, its resources and revenues, budget and fiscal year, financial control, exemptions from import duties, modifying the park's map. The organization comes into force on the date of its publication in the official journal.

VI: Key Saudi Initiatives to Support Investment Environment

1. Manar Initiative

The Saudi Arabia and Japan joint initiative aims to promote clean energy collaboration, building on the aspirations of the two countries and their quest to reach net zero. The initiative seeks to highlight the leadership of the Kingdom and Japan in clean energy projects and sustainable materials, in addition to ensuring the flexibility of supply chains to achieve the sustainability and security of supplies. The initiative will reinforce Saudi Arabia's ongoing efforts to establish itself as a hub for clean energy and will encompass several projects that drive the transition by focusing on areas such as hydrogen and ammonia, synthetic fuels, circular carbon economy, and carbon recycling, direct air carbon capture (DAC) and critical minerals needed to achieve the resilience of the energy sector and supply chains. development of sustainable materials, and sharing of knowledge and research.

2. Ubour Initiatives

The Ministry of Transport and Logistics Services launched, together with Riyadh Bank, "Ubour" initiatives, which include 4 tracks: Business Ubour, digital Ubour, quality of life Ubour, and sustainability Ubour. The initiatives aim to contribute to achieving 33 goals of Saudi Vision 2030, 14 economic and social development pillars, and 10 global indicators for Saudi Arabia, as well as motivate and support the private sector participating in the transport and logistics services sector, develop the business of establishments, increase the ratio of the local content in transport sector projects, rely on the digital economy, and achieve a high level of satisfaction and quality in the indicators of the beneficiaries' experience, in addition to providing job opportunities, raising the skills of human resources in the sector, and providing initiatives and opportunities that attract domestic and foreign investment.

3. Sports Clubs Investment and Privatization Project

The project aligns with the ambitious objectives of Saudi sports within Vision 2030, emphasizing the development of an efficient sports sector by encouraging and enabling the private sector to contribute to the industry's growth, developing national teams, regional sports clubs, and practitioners at all levels. The project will contribute to achieving a quantum leap in the sports sector, by creating attractive investment opportunities. One of the most important tracks included in the investment and privatization project for sports clubs is the transfer of ownership of four sports clubs in the Kingdom, namely; Al-Ittihad, Al-Ahly, Al-Nasr and Al-Hilal clubs, to the Public Investment Fund, converted into companies owned by the fund (75%), and a non-profit institution for each club (25%). The project has been designed to create opportunities and the right environment for investment in the sports sector, raise levels of professionalism, and administrative and financial governance in sports clubs

4. Investment Opportunities in Local Supply Chains' Initiative

The Ministry of Industry and Mineral Resources launched the Investment Opportunities in Local Supply Chains Initiative, which specialized in small and medium enterprises (SMEs). aiming to study and analyze 10,000 locally manufactured and imported products, and define criteria for identifying opportunities in the value chains associated with it. The initiative would help to build 100 detailed investment opportunities that include several sectors supportive of the Saudi National Industry Strategy. It targets small and medium factories in Saudi Arabia and aims in localizing the local supply chains, providing more than 600 investment opportunities for entrepreneurs, with an estimated investment of SAR 4 billion.

VI: Key Saudi Initiatives to Support Investment Environment

5. Public Investment Fund launches three key initiatives to empower local private sector companies, which are:

- **Local Content Growth Program (Musahama):** aiming at increasing the share of local content spending in the PIF's domestic portfolio to 60% by the end of 2025, as it enhances the local content of the Fund companies' projects throughout all work stages, by following policies and relevant practices for procurement work.
- **Suppliers Development Program:** supporting the upskilling of local suppliers and vendors to meet the growing requirements of the fund's portfolio companies. The PIF will hold vendor boot camps to help Tier 2 and Tier 3 contractors prepare their companies to qualify as vendors.
- **Private Sector Hub:** enabling the domestic private sector companies through showcasing available opportunities to enhance their role as investors and main partners in the PIFs investments and as suppliers to the PIF's projects and portfolio companies.

6. Establishing Sawani Company

The company enables the growth of the Saudi camel farming industry and contributes to its sustainable development. It aims to be a leading producer of camel dairy products, supporting Saudi Arabia's Food and Agriculture sector and helping to diversify the Saudi economy, in line with Saudi Vision 2030. Sawani will work in partnership with the private sector to boost the production capacity of the camel dairy industry and seek to elevate the standards of the domestic production ecosystem by modernizing operations, improving the localization of knowledge and investing in the sector's latest technologies.

7. Enabling Accelerators Initiative

The National Technology Development Program (NTDP) launched the Enabling Accelerators initiative, the fifth initiative of the program, aiming to support and empower entrepreneurs to come up with distinctive business models, increase the flow of high-quality startups in the technical sector and create jobs directly and indirect by providing An incentive package for local and international technology accelerators in Saudi Arabia, to encourage them to adopt a set of quality standards based on international best practices.

8. Al Madinah Heritage Company

The Public Investment Fund announced the establishment of the Al-Madina Heritage Company, to play a key role in improving the quality and production capacity of Ajwa dates in the Madinah region, which will further develop the Saudi Food and Agriculture industry, increase the volume of local content of the dates sector, raise its contribution to GDP, and drive the diversification of Saudi Arabia's economy, in line with Vision 2030.



04

ECONOMIC CITIES AND SPECIAL ZONES IN SAUDI ARABIA

EXCEPTIONAL INVESTMENT OPPORTUNITIES

Four: Economic Cities and Special Zones in Saudi Arabia, Exceptional Investment Opportunities

I. A brief about the Economic Cities and Special Zones (ECSZ) in Saudi Arabia

Proceeding from the ambitious Vision 2030, through which Saudi Arabia seeks to diversify its production base and increase the contribution of the non-oil sector to the GDP, the Economic Cities and Special Zones Authority, as a regulatory umbrella, in cooperation with several government entities, has launched four Special Economic Zones (SEZs), one of the key initiatives of the National Investment Strategy (NIS) to widen Saudi Arabia investment horizons by attracting value-added investments, transferring technology, and developing strategic sectors.

Economic Cities and Special Zones in Saudi Vision 2023

1. Strategic objectives related to the ECSZ in the National Transformation Program:



- Facilitating doing business
- Attracting foreign direct investment
- Developing regional economic relations
- Developing economic relations with global partners
- Developing the digital economy

MISA also launched initiatives to support the strategic objectives related to ECSZ under the National Transformation Program, as follows:

- Evaluating the regulatory and legislative framework to improve the external investment environment for companies
- Identifying and developing investment opportunities to attract domestic and foreign investors
- Promoting Saudi Arabia as an attractive investment destination

2. Strategic objectives related to the ECSZs under the National Industrial Development and Logistics Program:



- Establishing special zones and rehabilitating economic cities
- Maximizing and capturing the value obtained from the mining sector
- Improving the local, regional and international connectivity of trade and transport networks

Key initiatives supporting the strategic objectives related to the ECSZs, within the National Industrial Development and Logistics Program, are:

- Developing business models in the ECSZs
- Establishing the regulatory infrastructure for the ECSZs
- Attracting and stimulating investments in the ECSZs
- Operationalizing the national strategy, controls, frameworks and incentives of the ECSZs

I. A brief about the Economic Cities and Special Zones (ECSZ) in Saudi Arabia

SEZs Targets



Improving public services and improving the quality of life



Supporting the growth and diversification of the Saudi economy



Attracting high-quality, diversified and sustainable domestic and foreign investments



Providing the appropriate environment to explore new business concepts, models and practices



Developing strategic sectors



Encouraging innovation and entrepreneurship

SEZs Achievements

- **The launching of four SEZs and attracting more than SAR 48 billion (\$12.9 billion) in Q2 2023**

of initial investments in the SEZs with ongoing investments exceeding SAR 116 billion (\$31 billion)

- **Signing cooperation agreements with 8 government entities**

to meet the needs of investors and ensure the provision of the required supportive regulations, competitive advantages and approved incentives

Economic Cities:

- **Attracting Investments:**
 - The ECZA won the NIDLP Excellence Award for government operational excellence in attracting and enabling investments in 2022, with estimated investments of SAR 6.6 billion
 - Attracting several investments, including Ceer's manufacturing facility for electric vehicles in the KAEC.
- **Accelerating the development process:**

The official opening of Al Salem Johnson Controls Factory, the largest complex of the York Group in the Middle East, located in King Abdullah Economic City.
- **Strategic partnerships:**

Signing several strategic partnerships, including the one between MISA, the ECZA, Yokoon and Emaar Economic City



II. Initiatives and Key Events in ECSZs

Saudi Arabia has worked on fundamental reforms based on a set of strategic initiatives to improve the business environment, provide qualitative opportunities for investors and position Saudi Arabia as a key link in global value chains, which will support ECSZs to achieve strategic initiatives of their objectives by attracting foreign direct investment, diversifying the economic base and supporting strategic sectors. .

The Global Supply Chain Resilience Initiative (GSCRI)

it aims to develop a unified strategy to attract strategic supply chains to the Kingdom, and to obtain a regional and global market share from the vital and promising sectors of the Saudi economy. It will enable Saudi Arabia to achieve the ambitions and aspirations of Vision 2030, which includes developing and diversifying the resources of the national economy and strengthening its economic position to become among the 15 largest economies in the world by 2030.

NATIONAL
INVESTMENT
STRATEGY
الاستراتيجية الوطنية للاستثمار

SUPPLY
CHAIN
ATTRACTION
PROGRAM



Saudi Green Initiative (SGI):

it aims to increase Saudi Arabia's reliance on clean energy, reduce carbon emissions and protect the environment, in line with Vision 2030 targets, which include improving the quality of life and protecting future generations.

Industrial Clusters Program

it is one of the government initiatives that was established to stimulate the establishment and development of five industries in the Kingdom, including manufacture of cars and their parts particularly electric cars, metals and steel industry, solar energy industry, plastic and packaging materials industry and home appliance



التجمعات الصناعية
Industrial Clusters



Digital Saudi Strategy

It is set to enable and accelerate government transformation efficiently and effectively, as well as to provide electronic and accessible government services.

Labor market strategy

key objectives of the strategy are reducing the unemployment rate, increasing productivity, participation, and market efficiency, through reform initiatives including, improving working conditions and climate for investment growth, labor market activation, career planning, setting occupational standards, skills, recruitment, and employment systems.

وزارة الموارد البشرية
والتنمية الاجتماعية
المملكة العربية السعودية



II. Key Initiatives and Events in ECSZs

April
2023

Launching four
new Special
Economic Zones



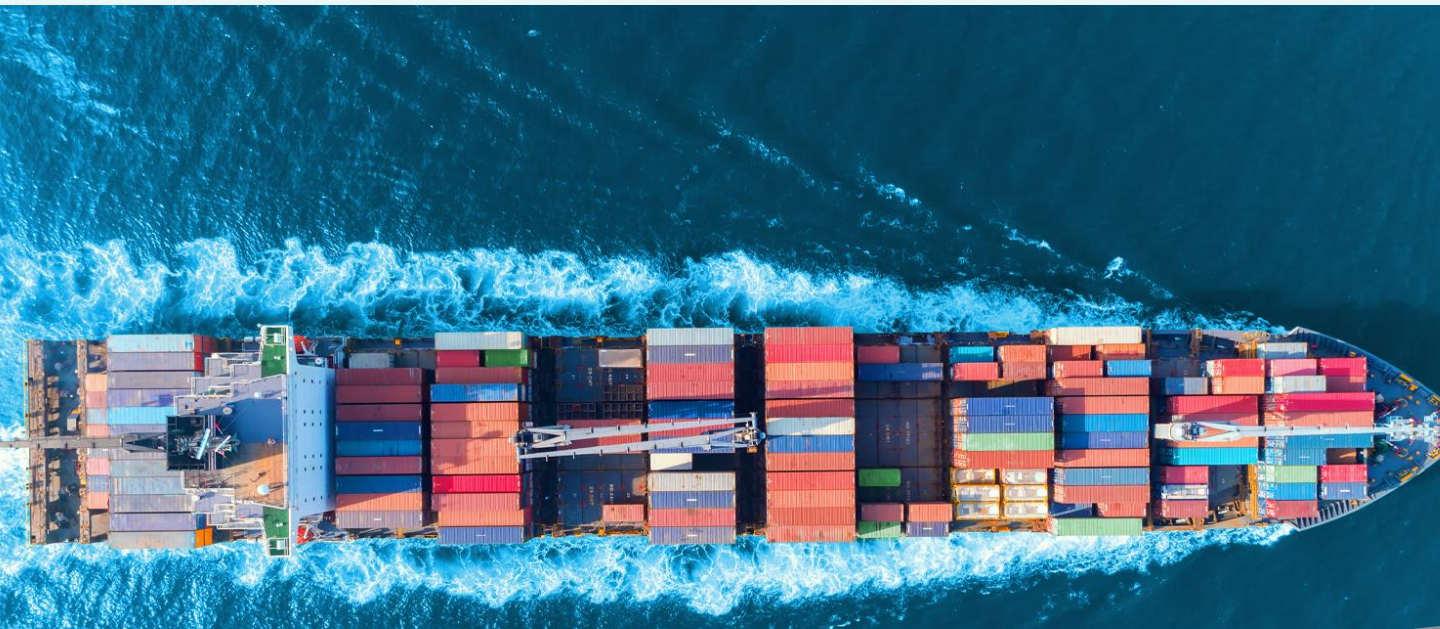
29 May
2023

Hosting Saudi
Special
Economic Zones
Investment
Forum



20 June
2023

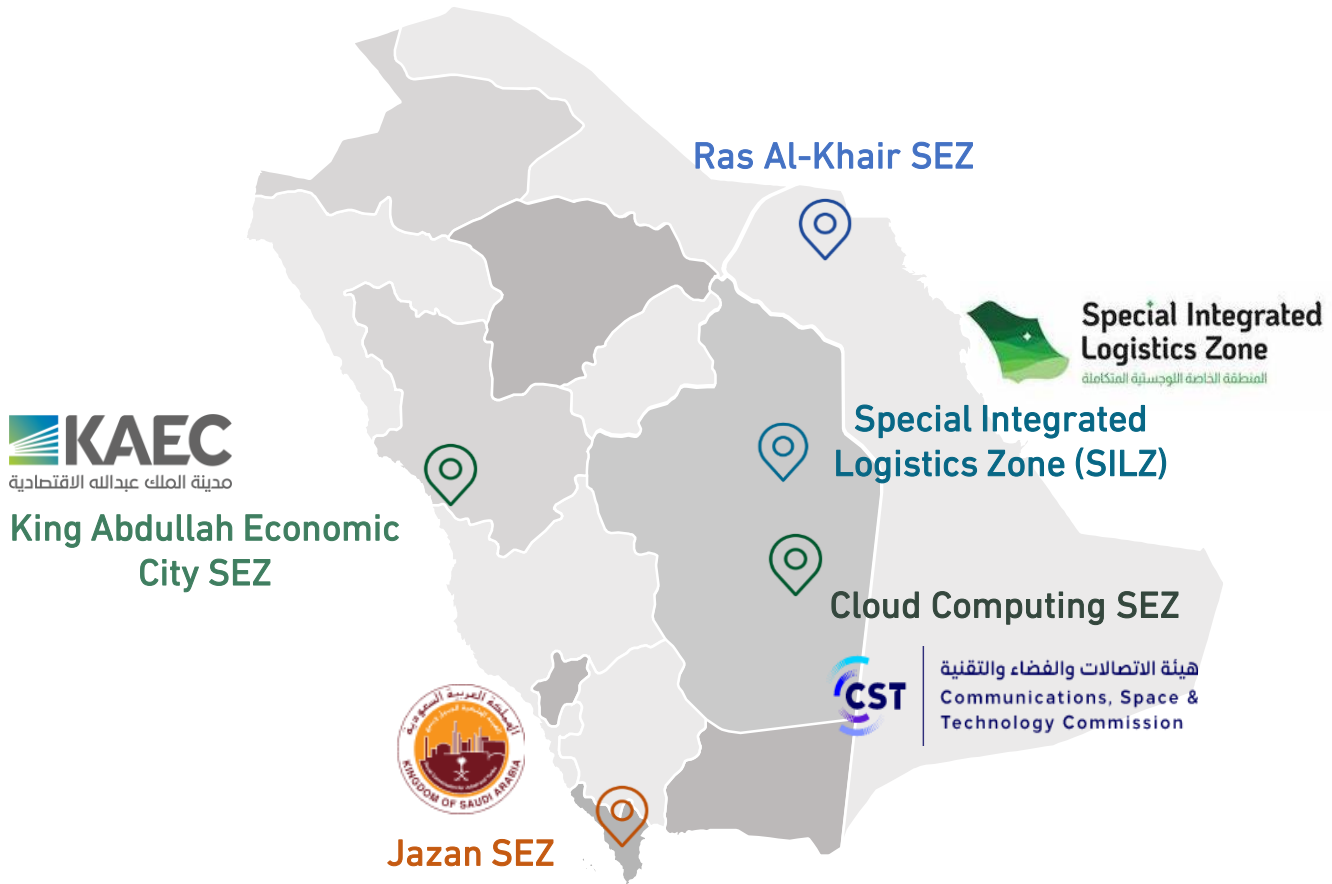
The Saudi Cabinet
approved the
relocation of the
ECZA HQ from King
Abdullah Economic
City in Rabigh to
Riyadh



Source: ECZA



III. Special Economic Zones (SEZs)



Linking three continents



13% of Global Trade

passes through the Red Sea



+70%

of the world's population
lives just a seven-hour away



+40

fast-growing markets



10 Seaports

+8.3 million TEU per year,
forming the largest maritime
network in the Middle East.



1st in the world

in road transport



28 Airports

serving more than 90 million
passengers annually

Source: ECZA

III. Special Economic Zones (SEZs)

Growing network of Special Economic Zones in Saudi Arabia

“ New route to global markets at one of Saudi Arabia’s Special Economic Zones ”

Special Economic Zones in Saudi Arabia open up new horizons in economic development and support vital and promising sectors, based on the competitive advantages of each region, as the special economic zones are strategically located. The zones are integrated logistical and industrial platforms, which focus on providing an exceptional investment experience, through legislative systems and special regulations for economic activities to attract more qualitative investments and accelerate growth in multiple sectors.

To accelerate economic diversification, Saudi Arabia has **launched its four SEZs** in addition to Special Integrated Logistics Zone (SILZ)

Ras Al-Khair Special Economic Zone

King Abdullah Economic City Special Economic Zone

Jazan Special Economic Zone

Cloud Computing Special Economic Zone

1. Special Integrated Logistics Zone (SILZ)

"The Kingdom's leading industrial and logistics zone"

SILZ is the first zone of its kind that combines best practices in regulation, technology and infrastructure from around the world. This provides a strategic location that brings together investors, suppliers, customs and the government. SILZ enjoys global and regional connectivity due to its proximity to King Khalid International Airport in Riyadh and access to rail, metro, and ring road networks. It is the largest local market in the Middle East, with a growth of 7.6% in 2021 and 2022.



Location: close to King Khalid International Airport in Riyadh



Area: 3 million Km²



Key Focus



Computer parts



Luxury goods, jewelry and precious metals



Pharmaceuticals



Aerospace spare parts



Consumer products



Nutritional and medical supplies



Opportunities in SILZ:



100% foreign ownership of business



Bonded corridor to King Khalid Airport and other zones



One-stop shop for administrative processes



No customs for goods remaining in zone



No restrictions on capital repatriation



Rapid certification of goods for export



Flexible Saudization requirements



Key concessions and investment incentives in SILZ:

- 0% Corporate Income Tax
- VAT exemptions
- Withholding tax exemptions*
- Remittance tax exemptions*
- 50 years tax relief period

2. King Abdullah Economic City (KAEC) SEZ

"Advantageous strategic location towards global trade"

The Special Economic Zone is located in KAEC on the Red Sea coast, one of the most important routes of global trade. The area benefits from solid infrastructure including, King Abdullah Port, Al-Haramin High-Speed Rail Station and King Abdulaziz International Airport. It supports the Kingdom's ambitions of advanced manufacturing, transport and logistics. It will position the Kingdom as a hub of main future industries and benefit from the strategic location on the Red Sea to play a key role in trade and re-export.



Location: North Rabigh



Area: 60 Km²



Key Focus



ICT (Electronic light manufacturing)



Consumer goods



Automobile supply chain and assembly



Logistics



Pharmaceutical Industry



Attracted investments

- **Lucid Motors** - electric vehicle manufacturer
- **Ceer National Automotive Company** - electric vehicle manufacturer



Opportunities in King Abdullah Economic City SEZ:



The Gas Zone will supply investors with natural gas at a significant cost advantage



Wide portfolio of telecom services with a state-of-the-art fiber network



Reliable sewage networks, including a membrane bioreactor plant



Potable and process water supply, with distribution at a 1.5 bar minimum



Key concessions and investment incentives in King Abdullah Economic City SEZ:

- 0% VAT for all intra-SEZ goods exchanged within the zone and between zones
- 0% customs duties deferral for goods inside the SEZ
- 5% Corporate Income Tax for up to 20 years
- Expat levy exemption for employees and their families in the zone
- Flexible and supportive regulations around foreign workers' recruitment
- Withholding tax exemptions

3. Ras Al-Khair SEZ

It is located in Ras Al-Khair Industrial City, 100 km from Jubail Industrial City, near oil and gas production sites and close to global trade routes, therefore, the aim is to build an integrated system for marine industries. It is at the forefront of the Kingdom's capabilities to be a global hub for marine industries, taking decisive steps towards enhancing the future of industrial complexes, to support their competitive capabilities and enhance the Kingdom's position in the marine industries sector.



Location: Eastern Province



Area : 20 Km²



Key Focus



Rig platforms, maintenance,
repair



Ship building, maintenance,
repair



Competitive advantages in Ras Al-Khair SEZ for international and regional companies



A high-level infrastructure



A significant market for the marine industries



Direct rail links to the Kingdom's mines provide easy access to raw material



Leading innovation in refueling and shipbuilding



A unique outlet to major regional and global markets



Key concessions and investment incentives in Ras Al-Khair SEZ:

- 0% VAT for all intra-SEZ goods exchanged within the zone and between zones
- 0% Customs duties deferral for goods inside the SEZ
- 5% Corporate Income Tax for up to 20 years
- Expat levy exemption for employees and their families in the zone
- Flexible and supportive regulations around foreign workers' recruitment
- Withholding tax exemptions



Attracted Investments

- **International Maritime Industries (IMI)** - new build and maintenance, repair and overhaul services as well as Offshore Jackup rigs
- **McDermott Company** - fully integrated engineering and construction solutions to the energy industry and investment
- **Makeen Company** - manufacturing marine engines
- **Baosteel Company** - steel plate manufacturing for marine industry



Source: ECZA

4. Jazan SEZ

“Advanced industrial city and ideal hub for business growth, perfectly located on the Red Sea”

It is located within Jazan City for Basic and Downstream Industries and is categorized by advanced basic infrastructure and its connection to the seaport, the most recent port in Saudi Arabia on the Red Sea trade route. The Jazan SEZ will enable Saudi Arabia's mining industry to play an increasingly important role in global construction & processed metals and mineral markets, making it a major international destination for attracting investments, and an integrated industrial hub for infrastructure development in the region.



Location: Jazan



Area: 24.6 Km²



Key Focus



Logistics



Metal Conversion



Food Processing



Competitive advantages in Jazan SEZ:



Competitive industrial lease compared nationally and to the region



Cheap and readily available energy, including output of 2.4GW from the Aramco power plant



The region offers a large and highly skilled workforce



Take advantage of the SEZ's proximity to Aramco's Jazan Refinery Complex



Access building materials for construction to power infrastructure development



Gain direct access to raw materials such as limestone, gypsum, and sand, as well as natural gas



A range of cheap and efficient water supply options, across irrigation, potable water and sanitary wastewater



Key concessions and investment incentives in Jazan SEZ

- 0% VAT for all intra-SEZ goods exchanged within the zone and between zones
- 0% Customs duties deferral for goods inside the SEZ
- 5% Corporate Income Tax for up to 20 years
- Flexible and supportive regulations around foreign workers' recruitment
- Expat levy exemption for employees and their families in the zone
- Withholding tax exemptions



Attracted Investments

- Saudi Coffee Company - coffee production industry
- Al-Hadi Pasta Company - pasta factory

5. Cloud Computing SEZ

Driven by the government's commitment to encouraging and supporting the growth of the digital economy in the Kingdom, where cloud computing plays a pivotal role in building the new digital economy, the Cloud Computing SEZ has been established, choosing Riyadh as its headquarters. It operates through supportive and operational offices in King Abdulaziz City for Science and Technology. The data centers can be established and operated anywhere across Saudi Arabia.



Location: Riyadh - King Abdulaziz City for Science and Technology



Key Focus



Internet of Things



Digital Health



AI



Big Data



Developing Industrial
Technologies



Competitive advantages in the Cloud Computing SEZ:



Potential global cloud computing market size of \$834 billion (SAR 3.1 trillion) by 2027



Saudi Arabia Cloud market size of \$10 billion (SAR 37.5 billion) by 2030, driven by a 'Cloud First' policy*



Increase in the size of the potential global cloud computing market by 150% (2.5 times) in 2027, compared to 2021

Cloud Computing SEZ aims to:

- Attract leading cloud computing companies to Saudi Arabia
- Place Saudi Arabia among the most digitally competitive economies in the world



Key concessions and investment incentives in Cloud Computing SEZ:

- Special tax treatment in line with OECD principle that avoids double taxation
- Expat levy exemption for employees and their families in the zone
- Affordable network connectivity and electricity prices

IV. Economic Cities (ECs):

Economic cities are comprehensive cities that contain various upscale facilities, services and living standards, in addition to the possibility of moving from them to the main cities with ease through various channels. These cities offer promising business solutions and opportunities (industry and services), housing and entertainment with high-quality standards. They are funded, developed and operated by the private sector under government oversight and enablement.



1. King Abdullah Economic City (KAEC)

It is the largest economic city in Saudi Arabia, with a strategic location on the Red Sea coast, near King Abdullah Port, which connects the markets in both the East and the West. The city is also characterized by the presence of high-tech logistics and industrial clusters.

 **Location: Rabigh, Makkah Province**  **Area: 181 million m²**



Key Focus



Industry Valley



Specialized educational services and facilities



King Abdullah Port



Unique living experience



Global leisure and tourism destination



Location for businesses to succeed

Source: ECZA

1. King Abdullah Port The world's fastest-growing port

Officially inaugurated by HRH Mohammed bin Salman, Crown Prince, on February 11, 2019, located in the heart of the world trade lines and the link between the three continents, Asia, Africa and Europe. It is one of the fastest-growing ports in the world. Besides its strategic location on the world map, its location at the local level is of no less importance, Jeddah. The port benefits from the city's advanced facilities and services, especially the Industrial Valley. King Abdullah Port embodies an essential element in the integrated transportation network in the Kingdom, as it is connected to many major and industrial cities.

SAR 10.5 billion (+\$2.8 billion)

Value of private sector investments

Capacity: 25,000,000 TEU

when completed



King Abdullah Port ranked first in the Container Port Performance Index (CPPI) 2021



King Abdullah Port is listed in the world's 100 largest ports



Hosting a number of the largest shipping lines



King Abdullah Economic City at a Glance:

77 factories
some under
construction

200 existing
companies

Attract Investment worth
SAR 30 billion (\$8 billion)



Key concessions and investment incentives in King Abdullah Economic City:

- %100 foreign ownership for organizations
- Seaport and bonded zone competitive regulations
- Ease of access to permit licenses related to establishing and doing businesses
- Ease of access to permit licenses related to establishing and doing businesses
- Mortgage availability for all income levels

2. Knowledge Economic City (KEC)

Designed to enhance the urban renaissance that focuses on creating real estate products with knowledge and technology content, contributing to achieving the objectives of Saudi Arabia's development plans, attracting talent and creating opportunities internationally. It is characterized by its strategic location within the boundaries of the Medina Sanctuary and within the urban range of Medina. It also embraces of Al-Haramain High-Speed Railway, which passes through King Abdullah Economic City and Jeddah.



Location: Medina



Area: 6.8 million m²



Key Focus



Exhibitions and
Conferences



Hospitality



Housing



Knowledge (Health Care, Education,
Entertainment, Museums and Interactive
Parks)



Retail & Shopping



Ground-breaking new projects in KEC will provide new experiences to investors, pilgrims, and visitors

- **KEC Hub**

It is a new social destination that provides a distinct urban environment and lifestyle with an urban hub that combines shopping, housing and entertainment services.

- **Islamic World District**

It includes various neighborhoods to serve the residents of Medina, visitors and pilgrims, meeting their daily needs in an integrated manner, including housing, health, transportation, and restaurants, and take into account the diverse culture of the Islamic communities.

- **Madinah Gate**

The first transit-oriented development project of its kind in Saudi Arabia. The development's placement adjacent to the Madinah Station of the Haramain High-speed Railway network, and it is linked to the transportation stations and the complementary elements and services they provide



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