

IN THIS EDITION ...

Saudi Arabia is emerging as a formidable player in the global economy, with its industrial strategy encompassing crude oil and natural gas sector, petrochemicals, and other manufacturing industries.

The launch of draft rules for mineral investment will add another weapon in the kingdom's industrial arsenal. It will also unleash a new industry that would likely see robust foreign direct investments, jobs creation, and technical expertise into the economy.

The development is vital to increase foreign direct investment (FDI), which fell to USD 1.4 billion last year, according to a World Investment Report by [UNCTAD](#). This figure, however, was low primarily due to the one-off divestment of Royal Dutch Shell Plc from Sadaf petrochemicals firm, when it sold its 50% stake to its partner [Saudi Arabia Basic Industries Corporation \(SABIC\)](#). A lag from the low oil prices from 2014 to 2017 also contributed to a drop in FDI.

But the oil market has recovered since late 2017, leading to a clearance of public sector arrears to contractors and an easing of austerity measures, which will improve the environment for foreign investment.

There have been a slew of new reforms that will make Saudi Arabia more attractive to foreign investors. These include a new insolvency law and the removal of some limits on foreign ownership by the Saudi Arabia General Investment Authority (SAGIA), including permitting 100% ownership in the engineering and retail sectors, subject to certain criteria. Japan's SoftBank is also considering major investments in the solar sector and the Neom project, which aspires to attract hundreds of billions of dollars in FDI.

All this comes amid a brighter outlook on the growth of Saudi's gross domestic product (GDP). GDP expanded 1.15% in the first quarter of 2018, with crude oil prices hitting an average of USD 74 per barrel, and a spate of new Saudi Vision 2030 projects are revving up economic activity. The Saudi economy is on the rebound, with prospects of higher economic growth on the horizon.



ECONOMIC TRENDS

The government is gradually loosening its purse strings as fresh oil export revenues beef up the country's coffers.

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OIL AND GAS

Oil-producing nations must continue to pour money into exploration and production operations to keep up with global demand.

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AVIATION

Regulatory reforms and a strong focus on privatisation and operational efficiency have put the lustre back in the kingdom's domestic and international travel sector.

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SME

The In-Kingdom Total Value Add programme has helped open up the oil and gas sector to small-to-medium-scale suppliers in the country.

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PETROCHEMICALS

Rising demand for petrochemical and refinery products in emerging markets has raised prospects for Saudi Arabia.

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MANUFACTURING

Valued at around SAR 4.9 trillion, the kingdom's minerals sector is a potential goldmine waiting to be tapped.

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SAUDI ECONOMY GETS BOOST FROM RISING OIL PRICES



With gross domestic product expanding at 1.15% in the first quarter of 2018 and crude oil prices hitting an average of USD 74 per barrel, the Saudi economy is rebounding strongly and expects to generate greater economic activity in the near future.

Saudi authorities are using the additional oil revenues to loosen their stance following three years of fiscal consolidation. After a contraction of 1% in 2017, the Institute of International Finance (IIF) sees the country's real GDP growth recovering to 2.2% in 2018, reflecting higher oil production and the effect of substantial fiscal stimulus spending.

"The fiscal deficit will narrow as oil earnings climb," the IIF said. "The overall deficit will improve by nearly 3 percentage points of GDP to 5.8% of GDP in 2018. Public debt, while gradually rising, will remain below 30% of GDP by 2020."

The International Monetary Fund (IMF) agrees that the country has made good progress in returning to growth mode.

"Saudi Arabia is making good progress in implementing its ambitious reform programme under Vision 2030. The government remains committed to wide-ranging economic and social reforms to transform the economy away from its traditional reliance on oil and to create a more dynamic private sector that creates jobs for the growing working age population," according to [IMF](#) executive Tim Callen.

"The primary challenges for the government going forward are to sustain the implementation of the bold structural changes that are underway, meet the medium-term fiscal targets it has set, and resist the temptation to re-expand government spending in line with higher oil prices."

STRIKING A BALANCE

The Saudi government is getting adept at walking the tight rope of ensuring economic stimulation while keeping an eye on expenses and fiscal reserves.

In a sign that the [Saudi Arabian Monetary Authority's](#) (SAMA) reserves are being replenished, government accounts reportedly rose by SAR 13 billion month on month in May, as government current deposits reached SAR 12 billion during the month. At the same time, local banks' net holdings of government debt rose by SAR 2.7 billion in May, following a domestic sukuk. Overall SAMA's foreign assets soared by 13.4% to USD 506 billion during the period.

Exports of goods and services stood at SAR 258.26 billion in the first three months of 2018, an increase of 17% compared to the same period last year. Exports of goods rose 17.89% to SAR 243.7 billion, as against the same period last year, while exports of services expanded 4% to SAR 14.5 billion year on year.

Meanwhile, imports of goods and services stood at SAR 172.8 billion during the first quarter of 2018, a decrease of 0.88%, compared to the same period of the previous year. The imports of goods contracted 1.7% to SAR 123.4 billion, while service imports were down 1.26% to SAR 48.4 billion, as the government kept a tight lid on imports and encouraged use of domestic products and services.

However, the health of the non-oil private sector improved at the fastest pace in 2018 to date in June. Markit, which tracks purchasing managers' index across the world, said an "upturn in output and new order growth were the key components behind the latest expansion."

"Output growth accelerated at the end of the second quarter, with the latest expansion being the strongest since December last year. Firms frequently linked higher output to strong inflows of new business and improving market conditions," Markit said.

"New orders in Saudi Arabia improved at the fastest rate in six months during June. New business was sourced from both domestic and foreign sources, with the latter returning to growth for the first time since January during the most recent survey."

LABOUR MARKET

However, unemployment rate among Saudi nationals increased to 12.9% in the first quarter, from 12.7% a year ago, as the labour market undergoes transformation, which is expected to benefit the country's citizens in the long run, according to the [General Authority for Statistics](#).

The total number of people employed in the kingdom fell by around 0.6 million year on year, although the number of employed Saudis rose by 0.1 million.

Expat employment declined as the intended consequence of 'Saudisation' policies, which restrict jobs in certain sectors for nationals. In addition, the cost of hiring expat workers has risen for both employers and employees.

Once the labour market restructuring is completed, and a number of Saudi Vision 2030 projects come on stream, the private sector would be able to generate opportunities for Saudi nationals.

SAUDI'S AVIATION SECTOR GAINS ALTITUDE

Saudi Arabia's General Authority of Civil Aviation (GACA) is pushing ahead with its privatisation plans, while raising efficiency and boosting the performance of airports across the kingdom.

As a result, GACA recently signed a memorandum of understanding with the United States Federal Aviation Administration (FAA) and American companies to shore up the aviation sector.

"The MoU aims at training, capacity building in various aviation sectors, safety, security and environmental protection in air transport, as well as improving civil aviation operations and access to the latest technologies and best practices in various sectors of civil aviation," [GACA](#) said in a statement.

The MoU also addressed privatisation, revenue sharing, project financing and the establishment of civil aviation research centres and their development.

The discussions with more than 50 representatives of [US companies](#) focused on developing the investment environment and opportunities in the kingdom's civil aviation sector.

This renewed focus on boosting performance comes as passenger and flight numbers at Saudi's 27 airports continue to show significant growth.

According to [GACA](#) data, passenger traffic in Saudi airports stood at 91.8 million in 2017, a 7.7% increase over the previous year, while the number of flights jumped by 4.6% to reach 741,293.

Global gateways such as King Khalid International Airport (KKIA) in Riyadh, King Abdulaziz International Airport (KAIA) in Jeddah, King Fahad International Airport (KFIA) in Dammam, Prince Mohammed bin Abdulaziz International Airport in Madinah and Al Taif International Airport in Taif city saw the biggest surge in passenger traffic.

During the year, [GACA](#) launched an initiative to link all of the kingdom's airports as part of a national project.

"This in turn has contributed to the provision of a number of extra flights and have addressed the problem of lack of seats and rarity of flights to some destinations," GACA noted. "The number of passengers traveling through domestic airports in 2017 have reached 13.775 million, on 147,427 flights."



STREAMLINING AVIATION

Over the past six years, domestic and international passenger travel in Saudi Arabia has increased by 10% annually, with overall travel expected to surpass the 140-million mark by 2022, according to intelligence firm [ReportBuyer](#).

"The government of Saudi Arabia is working to streamline and sophisticate the industry through infrastructure development, privatisation initiatives and market liberalisation. The concerned authorities are planning to expand and build more than 25 airports by 2022," ReportBuyer said in its report. "Also, development programmes are aiming to privatise all of the airports in the Saudi Arabia by the next three to five years."

Authorities also unveiled a soft opening for the new King Abdulaziz International Airport in Jeddah in May. The facility will have the capacity to handle 50 million passengers each year, and is expected to be fully operational by the first quarter of 2019.

"We are talking about more than 800,000 square metres, which are five to six times the current area of the airport, so gradually observations must be followed by regulations regarding airlines and different operating systems as it depends on the soft opening and to what extent the project is ready and well equipped," Abdullah Al-Khurief, spokesman for [GACA](#) said at the time of unveiling.

Abdul Hakeem bin Mohammed Al-Tamimi, president of [GACA](#), also discussed the importance of the new Taif International Airport, which will be built through the private sector. As the facility is located near Makkah, it is geared towards catering to the needs of pilgrims and is expected to be operational by December 2020.

Developers will work on improving the existing terminals of Taif International Airport so as to accommodate an influx of pilgrims. Al-Tamimi added that the next season is set to receive a large number of pilgrims coming to the kingdom through Taif airport.

In December last year, Faisal Hamad al-Sugair, chairman of the Saudi Civil Aviation Holding (SAVC), said the goal was for airports in the kingdom to be "[corporatised](#)," or turned into private companies in 2018, and that privatisation would follow later.

The process has already kicked off with Prince Mohammed Bin Abdulaziz Airport in Madinah in 2011, and Terminal 5 at King Khaled International Airport in Riyadh in 2016 – both of which are now run by the private sector.

In a direct move to attract more international capital and expertise, GACA recently announced that there will be no need for a foreign investor to have a Saudi partner. For some airports, the limit for local investors has been capped at over 25%, leaving ample opportunities for investments.

[SAVC](#) has earmarked the privatisation of King Khalid International Airport in Riyadh, King Fahd International Airport, King Abdulaziz International Airport, Prince Mohammed Bin Abdul Aziz International Airport in Madinah Al-Munawarah, in addition to the privatisation of the country's domestic and regional airports, information technology sector and the air navigation sector.

ARAMCO BURNISHES ITS PETROCHEMICAL CREDENTIALS



[Saudi Aramco](#) is flexing its petrochemicals muscles with plans to build a general petrochemical complex in Jubail. The oil giant signed an agreement with France's Total ASA, building on their partnership at SATORP refinery, in which the French company has a 37.5% stake.

Located next to the SATORP refinery in the same industrial area, the petrochemicals complex will comprise a world-size mixed-feed steam cracker (50% ethane and refinery off-gas) with a capacity of 1.5 million tonnes per year of ethylene and related high-added-value petrochemical units.

The project will represent an investment of around USD 5 billion. Aramco and Total are planning to start the front-end engineering and design (FEED) in the third quarter of 2018.

The cracker will feed other petrochemical and specialty chemical plants representing an overall amount of USD 4 billion investment by third party investors. In total, USD 9 billion will be invested, creating 8,000 local direct and indirect jobs. The project will produce more than 2.7 million metric tonnes of high value chemicals.

"This project illustrates our strategy of maximising the integration of our large refining and petrochemical platforms and of expanding our petrochemical operations from low-cost feedstock, to take advantage of the fast-growing Asian polymer market," commented Patrick Pouyanné, chairman and CEO of Total.

"Furthermore, this project will enable us to strengthen our ties with

Saudi Aramco, with whom we successfully operate our biggest and most efficient refinery in the world. Finally, it will contribute to the Vision 2030 of the kingdom by creating 8,000 jobs and bringing in new high-added-value technologies."

STRATEGIC PARTNERSHIPS

In June, [Aramco](#) and UAE's Abu Dhabi National Oil Company and a group of Indian companies also agreed to jointly develop the Ratnagiri Refinery and Petrochemicals Limited (RRPCL), a 1.2 million barrels per day (bpd) integrated mega refinery and petrochemicals complex at Ratnagiri, 215 miles south of Mumbai in India at a cost of USD 44 billion. Saudi Aramco and ADNOC will jointly own 50% of RRPCL, with the remaining 50% owned by the Indian consortium.

A pre-feasibility study to determine the project's overall configuration will now be jointly executed by the parties. Aramco is eyeing India's rising demand for petrochemical and refinery products as its economy expands dramatically.

In Southeast Asia, Aramco and partner Petrolim Nasional Berhad (or Petronas), Malaysia's state-owned oil company, have also completed the mechanical part of Package 2 comprising the crude distillation unit (CDU) at their jointly owned Pengerang Integrated Complex (PIC) located in Pengerang, Johor, Malaysia.

[Aramco](#) and partner Saudi Arabian Basic Industries Corp's (SABIC) fully

integrated crude-oil-to-chemicals (COTC) complex have also moved forward by awarding a contract to KBR, which provides project management services and FEED to the COTC project.

The string of petrochemical ventures closely aligns with Aramco's downstream strategy to invest in a global refining and petrochemicals system of world-scale manufacturing complexes in key regions with participated refining capacity of eight to 10 million bpd by 2030.

Meanwhile, [SABIC](#) – the country's largest petrochemicals producers – is building on its strength and expanding its market share in petrochemical products. In May, the company said it plans to introduce its latest materials and solutions for drink, food and non-food packaging caps and closures through a new unit.

SABIC's goal is to extend its application coverage across food and beverage and non-food areas alike, especially detergents, cosmetics and pharmaceuticals.

"SABIC's Caps & Closure portfolio spans all types of polyethylene and polypropylene (PE, PP), through to engineering plastics like polycarbonate," Hans Pierik, SABIC's global caps and closures segment leader.

PETCHEM PRICES BOOSTING SAUDI FIRMS

The kingdom's petrochemicals sector is expected to benefit from surging crude oil prices and the corresponding increase in the value of most petrochemical products, which will reflect in their quarterly earnings.

Key products such as naphtha (up 45.6% for the year), propane (up 28.9%), butane (+22.8%) and ethylene (+23.5%) should boost the prospects of the Saudi petrochemicals complex.

The petrochemicals sector, which is among the most dominant in Tadawul, should also see a boost after the MSCI upgraded the Saudi exchange's status to emerging market, which would push USD 14.5 billion of passive investment funds into the capital market.

OIL MAJORS CALL FOR HIGHER UPSTREAM INVESTMENTS



Saudi Arabia and a number of major producers have underscored the need to raise investment in exploration and production to ensure a steady supply of crude oil in the medium term.

“What we do at Saudi Aramco is invest over the long term – and our investments since the downturn, in both upstream and downstream – did not decrease, but they actually increased,” [Saudi Aramco](#) president and CEO Amin Nasser said at the 7th edition of the OPEC Seminar in Vienna in June.

“However, what we have noticed in the rest of the world is a big drop in investments, which will likely impact future supply.”

While the trajectory of investment is now positive, Nasser said that it may not be adequate.

“For certain companies in a low-price scenario, they cannot continue investing or sustain investments at low prices. While companies maintain the same level of shareholder dividend, investments have dropped, especially in exploration, which has been hit badly,” he added.

Meanwhile, [Khalid A. Al-Falih](#), Saudi Arabia's minister of energy, industry and mineral resources and chairman of the Joint Ministerial Monitoring Committee (JMMC), told OPEC delegates in June that crude oil demand in the second half of 2018 will be two million barrels per day (bpd) more than in the first half of the year.

During the two years since the declaration of co-operation between OPEC and non-OPEC countries went into effect, total global demand has increased by more than three million barrels while supply declined by 2.8 million bpd.

“OPEC analysis indicates that if we took no action, the supply deficit in the second half of the year could rise to an unacceptably high figure of 1.7 million bpd, and OECD inventories would be further drawn down by another 300 million barrels,” the minister said.

OIL PRICES RECOVER

The OPEC meeting in Vienna, wherein non-OPEC allies also attended, was held in response to rising prices, as a result of an increase in production by 1 million bpd. The raised output was to help offset lower anticipated exports from Venezuela and Iran.

“The 1 million bpd increase will be monitored closely by the JMMC and means the market is less likely to slip out of control into significant oversupply or undersupply,” according to Ann-Louise Hittle, vice president, macro oils, at Wood Mackenzie.

The group has pledged to call an emergency meeting if further adjustment to the 1 million bpd increase is deemed necessary, depending on global demand in the remainder of the year, according to Wood Mackenzie.

“We expect oil price impact to be more muted than the upward reaction on Friday, 22 June, because it is clear there will be tweaks to output, if needed,” Wood Mackenzie Hittle said. “The markets should expect less oil price volatility and risk to economic growth because today's announcement represents a compromise between responding to consumer pressure and the need for oil-producing countries to maintain oil prices and prevent harming their economies.”

CAPACITY CUSHION ‘STRETCHED TO THE LIMIT’

The [International Energy Agency](#) is also echoing Saudi Arabia's view that spare capacity is being stretched to the limit.

“This vulnerability currently underpins oil prices and seems likely to continue doing so. We see no sign of higher production from elsewhere that might ease fears of market tightness,” the IEA said in its latest report.

The calls to raise capacity comes as production appears to be growing unabated.

[OPEC's](#) latest report projects world oil demand next year to grow by 1.45 million bpd year on year, compared to 1.65 million bpd in 2018. The members expect OECD region to grow by 0.27 million bpd.

“Europe is projected to continue to see an expansion, albeit at a slower pace, as economic growth projections ease slightly, while Asia-Pacific oil demand is anticipated to weaken in light of planned substitution programmes. In the non-OECD region, growth is anticipated at around 1.18 million bpd,” OPEC said.

Slightly lower Chinese oil demand growth, compared with 2018, is expected to be offset by higher oil requirements mainly in Latin America and the Middle East.

Given the focus on price, Saudi [Aramco](#) recently adjusted its Asia crude oil pricing marker to boost its piece discovery mechanism, changing its long-held formula of averaging the Platts Oman benchmark with Platts Dubai. The new formula replaced Platts Oman with Dubai Mercantile Exchange (DME) Oman effective 1 October 2018.

“We're rebalancing our Asia marker to ensure that it is underpinned by a broad and vibrant marketplace,” said Ahmed Subaey, Saudi Aramco's vice president of marketing, sales and supply planning said.

IKTVA LEVELS PLAYING FIELD FOR SAUDI SMES

Once the domain of major international players with large-scale operations, the oil sector in Saudi Arabia is being transformed into a growth opportunity for the country's small and medium enterprises (SMEs). It has also emerged as a multi-billion opportunity that will generate local employment and develop domestic industries.

[Saudi Aramco](#) has been leading the way with a staggering SAR 26 billion in contracts awarded to 16 local pressure vessel manufacturers in May. This initiative is part of the government's In-Kingdom Total Value Add (IKTVA) programme.

"The agreements, carrying a procurement value of more than SAR 26 billion, further enhances the company's ongoing support and commitment to empower local companies within the small and medium-sized enterprises (SMEs) realm under IKTVA, in tandem with Saudi Vision 2030," Aramco said.

Saudi Vision 2030 considers small businesses central to the development of the economy, and aims to raise the economic contribution of SMEs from 20% to 35% of national output by 2030. Creating an ecosystem that supports smaller businesses, it also enables the diversification of the industry as well as the wider economy.

Aramco's IKTVA programme aims to see local industries taking up 70% of procurement while creating 500,000 SME jobs over time. The company has already engaged 1,000 local suppliers, mostly SMEs, to stimulate the domestic economy.

Aramco is also extending the IKTVA requirements to the procurement of other strategic materials such as drilling equipment, process automation systems, line pipes, pumps and valves.

In a presentation to small-and-medium-sized businesses, [Aramco](#) said SMEs can participate in a 10-year capital programme, which would include spending on drilling and well services (USD 134 billion), maintenance (USD 78 billion), crude-oil-to-chemicals services (USD 20 billion), pipeline projects (USD 7 billion), or base oil plants (USD 1.5 billion).

Aramco has had early success with the IKTVA programme, which has achieved an average of 45% localisation rate, with domestic purchases of goods reaching 50% in 2017, a record in the company's history, according to Abdullah Al Thaal, [Aramco's](#) manager for industrial development and strategic supply.

Since its launch at the end of 2015, the IKTVA programme has awarded



contracts valued at USD 3 billion to local industries in 2016, and USD 25 billion in 2017, according to [Aramco](#).

PARK DEVELOPMENTS

Aramco has also developed Wa'ed, its entrepreneurship arm, to assist entrepreneurs in establishing or expanding their ventures by providing them a variety of financial offerings. Wa'ed also offers guidance and tools to nurture entrepreneurs and their businesses.

The company is providing support to SMES through its value parks across the country, including Ras Al Khair and Jazan City for Primary and Downstream Industries in the west, and King Salman Energy Park (SPARK) in the east. These areas are emerging as industry clusters

focused on base materials to finished goods, providing attractive rates and rent-free periods to small businesses, apart from access to skilled labour and feed stock, and multi-modal hubs such as road, rail and ports facilities.

[Jazan City](#) park has been repositioned to become a hub for local heavy industries, petrochemical industries, mining industries and downstream industries, and localised ship manufacturing. It takes advantage of the region's minerals, agriculture, wildlife and fish resources.

[SPARK](#), officially endorsed in March 2018, features Aramco as an anchor tenant alongside major international players such as Schlumberger, Baker Hughes-GE, and Oilfields Supply Company Saudi, which will also drive the development of a strong local industries complex.

"Saudi Aramco will capitalise on its broad expertise in supply chain and project management to ensure that crude oil, gas and chemicals projects generate sustainable economic benefits for the kingdom," said Amin Nasser, [Aramco](#) president and CEO.

"SPARK will enhance investment in the most important asset – namely, Saudi youth, male and female – as IKTVA provides job opportunities and state-of-the-art training programmes for them."

Once fully developed by 2035, the city will contribute SAR 22.5 billion annually to the kingdom's gross national product (GDP) and help localise more than 300 new industrial and service facilities in support of world-class innovation, development, and competition, according to the company.

"Localisation of the energy industry is a top priority that requires the development of facilities such as King Salman Energy Park to capitalise on Saudi Aramco's global leadership and expertise in the oil and petrochemicals sectors, while also developing other complementary sectors," the [company](#) said.

MINERALS COULD PROPEL SAUDI'S MANUFACTURING SECTOR

Saudi Arabia's manufacturing industry emerged as the fastest growing non-oil sector in the first quarter of 2018, as it expanded by 13.3% compared to the same period last year.

The gains were specifically led by a 9.1% increase in "other" manufacturing, which made up nearly 77% of the industrial complex that also comprises refining, according to the [General Authority for Statistics](#).

The other manufacturing sector, comprises food, beverages and tobacco, textiles and clothing, leather products, cork and wooden products, paper and paper products, metallic and rubber, and plastic products.

Indeed, the industrial sector should benefit from a new draft mineral investment law announced by the Ministry of Energy, Industry and Mineral Resources (MEIM), which opens the path for investors and the private sector to benefit from promising investment opportunities in the industry.

According to the [Saudi Press Agency](#), MEIM minister Engineer Khalid Al-Falih said the promising future opportunities will "contribute to diversifying sources of income and enhancing the national economy, in addition to supporting the development of local industry by providing basic local crude materials that form the basis of any advanced industrial economy."

A PROMISING INDUSTRY

The value of minerals in the sector stand at SAR 4.9 trillion, comprising phosphates, iron ore, bauxite, gold, zinc, copper and industrial minerals, the minister said.

The strategy aims to raise production of basic metals and precious metals by 10 times from the current levels to propel the mining sector to become the third pillar of the Saudi industrial sector, along with oil, gas and petrochemicals.

"Widening opportunities for businesses across the supply chain of a number of industrial segments is a key strategy for the kingdom as it attempts to foster the development of mining and metals, plastics and car manufacturing," according to the Oxford Business Group.

In April, the [Saudi Arabian General Investment Authority](#) (SAGIA) issued licenses to 13 American companies investing in the industry, information technology, oil services, construction, automotive, environment, food

services, oil, gas, and renewable energy. The new push to attract American industrial firms will build on the massive SAR 193 billion investments that [US firms](#) have already poured into the kingdom across 95 projects over the years.

Four French companies also secured [SAGIA](#) licenses in April in the areas of environment, technology and transport, while as many as 10 licenses were granted to UK firms.

As a further incentive to international investors, [SAGIA](#) has extended foreign investment licenses for five renewable years to encourage investors to pump more capital into the economy.

INDUSTRIAL FUNDING

In May, the [Saudi Industrial Development Fund](#) (SIDF) said it is offering a unique financing programme for logistics and industrial support services projects with financing ratio of up to 50% of funding anywhere in the kingdom.

The [SIDF](#) got a big boost last year when its capital was increased to SAR 65 billion, from SAR 25 billion, as part of the government's efforts to support the sector in line with the Saudi Vision 2030 initiative.

The Saudi industrial strategy envisions developing new industries in fields such as mining, renewable energy, manufacturing, automotive, pharmaceuticals and electronics, in addition to increasing the local content of the industry and enhancing value-added imports.

Progress is also being made on the massive Solar Power Project 2030 being developed by Softbank Group Corp. and the [Public Investment Fund](#).

The agreement aims to start work on two solar plants with a capacity of 3 gigawatts (GW) and 4.2 GW to be launched by 2019, with solar panels being manufactured and developed in Saudi Arabia. With its completion date set for 2030, the project is anticipated to generate between 150 GW and 200 GW of power.

The project will create 100,000 jobs, cut Saudi Arabia's own consumption of fossil fuels, and highlight the country's potential to export renewable energy.

The kingdom's geographic location will likely make it an attractive base for international manufacturing, according to the Oxford Business Group.



"With energy transport technology innovations, the kingdom's climate and position could make it a key domestic and international supplier of renewable energy," said OBG.

PARTNERSHIP WITH UAE

In June, [Saudi Arabia](#) said it is collaborating with the UAE to develop a number of strategic projects, many of which have a strong focus on the manufacturing industry.

Areas of co-operation between the two countries include the establishment of a joint investment fund to support small and medium enterprises (SMEs) in emerging industrial sectors, in partnership with the private sector.

Both countries also pledged to collaborate on developing value-added manufacturing industries in combination with existing industries, especially in the fields of iron, aluminium and petrochemicals. They also aim to build a standardised industrial database as well as coding systems for industrial goods and services.

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