

Saudi Arabia's Vision 2030 - Key Highlights

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In one of the most ambitious economic announcements, Saudi Arabia's Deputy Crown Prince announced the Kingdom's 'Vision 2030' in which he highlighted some of the key areas to strengthen the economy and drive the Kingdom away from 'oil addiction' that led to uneven growth and disruption in several sectors over the past few years. The plan highlighted an aim to turn the Kingdom into a 'global investment powerhouse' by diversifying revenues sources followed by a plan to transform the Kingdom into a global logistical hub exploiting its strategic location as the physical center of the world.

On oil price, the Deputy Crown Prince said that the vision is achievable even in a low oil price scenario although a higher oil price of more than USD 30/b, the price at which the vision is based, would be instrumental in achieving the vision. We believe that an oil price of USD 30/b is a significant and practical approach to devise and implement plans for economic growth. Any increase in price should come as a windfall gain for the target goals. He also insisted that the Kingdom is open to freeze its oil output provided other producers also freeze their output.

There was also a clear dedicated effort to better manage Aramco and its assets as the Deputy Crown Prince said that not offering the company for public subscription would have been high risk. He highlighted the importance of offering a meagre less than 5% of Aramco's parent company to shareholders valuing the company at around USD 2 Trillion or more than SAR 7 Trillion. According to the plans, Aramco and its investment portfolios, which are primarily in energy companies, would be diversified into other areas by borrowing and exploring other opportunities to balance the overall investment portfolio.

The above aims and target would be further discussed in an elaborate plan and quantified in the National Transformation Plan that is expected to be announced by the end of June-16. This plan would highlight the objectives of the broader Vision 2030 broken down into sectors designed to reduce the Kingdom's dependence on crude oil exports by 2020 and spur an era wherein the Kingdom can survive without oil.

Saudi Arabia Vision 2030 Goals - Current vs. Targeted

Saudi Arabia Vision 2030 Goals	Current	Target by 2030
PIF assets	SAR 600 Bn	SAR 7 Trillion
FDI (% of GDP)	3.8%	5.7%
Lower the rate of unemployment	11.6%	7.0%
Private sector contribution to GDP	40.0%	65.0%
Share of non-oil exports in non-oil GDP	16.0%	50.0%
Non-oil government revenue	SAR 163 Bn	SAR 1 Trillion
SME contribution to GDP	20.0%	35.0%
Localization of oil and gas sectors	40.0%	75.0%
Military Spending within Saudi Arabia (% of total spending)	2.0%	50.0%
Umrah visitors per year	8 Mn	30 Mn
Household spending on cultural and entertainment activities	2.9%	6.0%
Increase the average life expectancy	74 years	80 years
Women's participation in the workforce	22.0%	30.0%
Household savings (% of total household income)	6.0%	10.0%
Non-profit sector's contribution to GDP	< 1.0%	5.0%

Global Rankings	Current Rank	Target Rank by 2030
Size of the economy	19	15
Social Capital Index	26	10
Global Competitiveness Index	25	Among the top 10
Logistics Performance Index	49	25
Government Effectiveness Index	80	20
E-Government Survey Index	36	Among the top 5

Source: SPA, KAMCO Research

Faisal Hasan, CFA

Head - Investment Research

+(965) 2233 6907

faisal.hasan@kamconline.com

Junaid Ansari

Assistant Vice President

+(965) 2233 6912

junaid.ansari@kamconline.com

The plan also envisages the **restructuring the Kingdom's Public Investment Fund (PIF)** in order to promote Saudi Arabian investment internationally. Under the plan, the country's stake in Aramco would be transferred to PIF, **making it the world's largest sovereign wealth fund**. The aim is also to improve the efficiency of the fund in order to improve the return on investments made by the fund. The fund would invest in capital intensive projects in strategic sectors contributing towards establishing new economic sectors.

Stressing the importance of the hospitality sector, the plan highlighted the importance of increase Umrah visitors in the Kingdom. The aim, according to the Vision, is to grow Umrah visitors to 30 million a year by 2030 from the current 8 million a year visitors.

On manufacturing and job creation, the plan envisages the manufacturing of half of the Kingdom's military needs as the world's third largest military spender within the country from the present 2% by 2030. One of the key initiatives announced was the reduction of subsidy in the energy sector and increasing the competitiveness of the sector by basing it on market prices rather than subsidized prices.

In one of the significant change in how the Kingdom views its non-Saudi workforce and in order to boost the investment within the country, the Deputy Crown Prince also announced plans to **introduce a "green card" system within five years** to allow resident expatriates in the Kingdom.

Overall, the expectations from the plans are that Saudi Arabia would grow at a much faster pace as the plans starts to take shape, although growth in the initial years of implementation may not be as high. This will include collaboration with the gulf economies on infrastructure development by linking roads, rail network and ports with each other. There is also a plan to collaborate with Egypt and Sudan to support on the agriculture front as well as to promote exports to Europe.

Executive Programs that would enable the implementation of Vision 2030

The Saudi Aramco Strategic Transformation program: Position the company as a leader in more than one sector.

The Public Investment Fund Restructuring program: Restructure the fund and enable it to manage a broader portfolio of current and new assets. Transform it into the largest sovereign wealth fund in the world.

The Human Capital program: Program to nurture local human talent. This program will measure, assess and analyze the efficiency of civil service. It will also support our government agencies with staff, studies, consultations, and strategic partnerships related to human capital.

The National Transformation program: Initiatives necessary for delivering on national priorities.

The Strategic Partnerships program: Working with economic partners around the world to build new strategic partnerships to transform the Kingdom to a trade hub connecting three continents and enhance exports.

The Privatization program: Identify additional sectors suitable for privatization.

The program for Strengthening Public Sector Governance: Restructure our government agencies continuously and with flexibility.

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KAMCO Investment Company - K.S.C. (Public)

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 1852626 Fax: (+965) 22492395

Email : Kamcoird@kamconline.com

Website : <http://www.kamconline.com>