

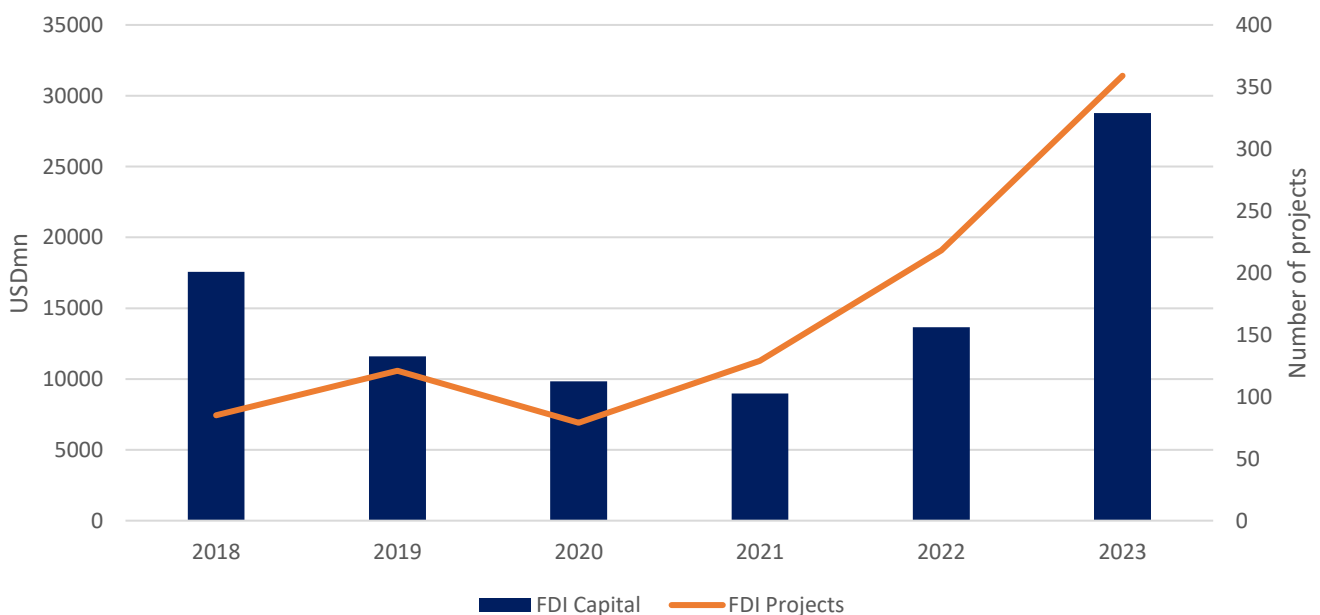


# Saudi Arabia: Greenfield FDI inflows rose 110% y/y in 2023

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Saudi Arabia’s greenfield FDI inflows surged by more than 110% to USD 28.78bn in 2023<sup>1</sup>. The greenfield FDI inflows have surpassed the 2018 high of USD 17.57bn but remain shy of the 2008 record of USD 34.26bn. Riyadh captured the largest share of the total greenfield FDI inflows, receiving USD 8.18bn, followed by Ras Al-Khair with USD 4.23bn and Dammam with USD 772mn. The number of greenfield FDI projects reached a new record, increasing by 65% y/y to 359 projects.

Greenfield FDI Inflows into Saudi Arabia



Source: fDi Markets, Emirates NBD Research

Chinese investments made up 58% of greenfield FDI inflows.

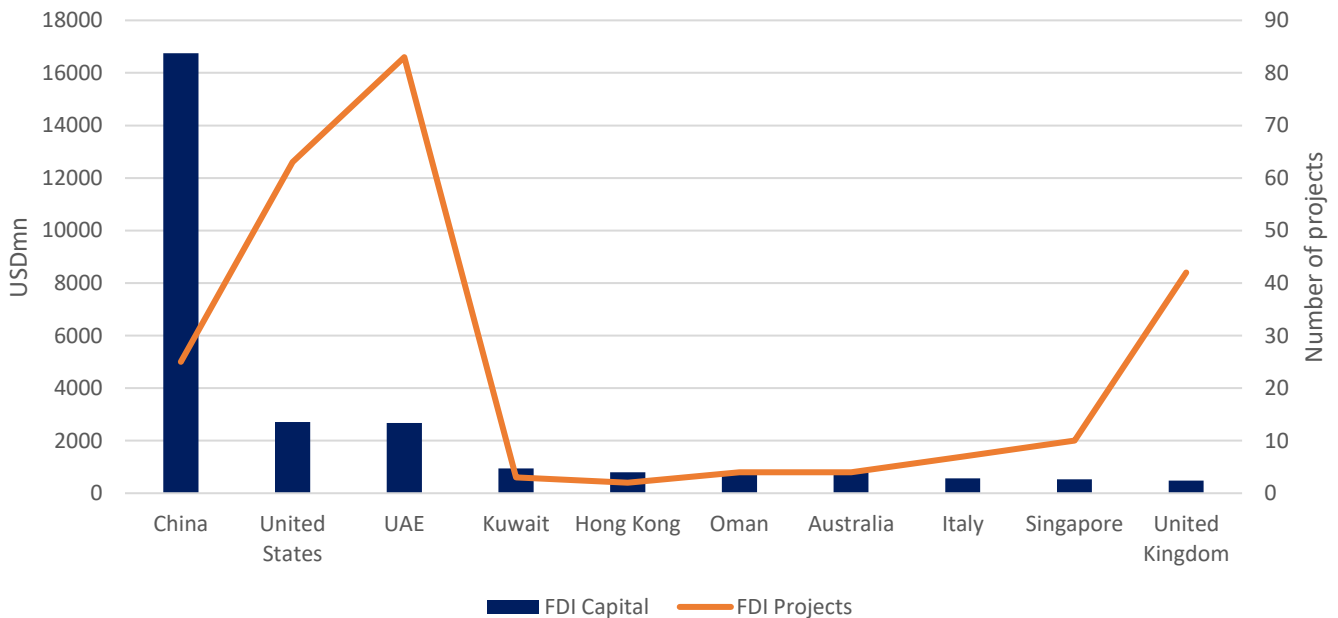
China emerged as the top source of greenfield FDI inflows in 2023, with investments soaring more than tenfold from USD 1.47bn in 2022 to USD 16.75bn.

<sup>1</sup> All data in this report is from the Financial Times fDi Markets database as of 26 March. The figures are continually updated



Most of the Chinese capital flowed into the automotive OEM (USD 5.6bn), metals (USD 5.26bn), and semiconductors (4.26bn) sectors. The United States followed in second place with USD 2.7bn, a 238% y/y increase. The bulk of American investments were in the software and IT services sector with USD 1.6bn, followed by the communication sector with USD 311mn, and food and beverages with USD 291mn. The UAE was the third largest source of greenfield FDI into Saudi Arabia last year with USD 2.67bn of investment, a 225% increase y/y. The UAE investments were mainly in the renewable energy sector, which saw USD 1bn in greenfield FDI, followed by the communications sector with USD 444mn, and food and beverages with USD 237mn. Kuwait came in fourth with USD 949mn, an increase of 189% y/y. The real estate sector received the largest share of Kuwaiti investments with USD 639mn, followed by metals with USD 228mn, and food and beverages with USD 83mn. Hong Kong came fifth with USD 796mn in greenfield FDI inflows, mainly from a USD 763mn investment by GCL Technology Hsoldings in a manufacturing project in the chemicals sector.

### Greenfield FDI by country



Source: fDi Markets, Emirates NBD Research

### Automotive OEM sector led in terms of greenfield FDI inflows

The Automotive OEM sector topped in greenfield FDI inflows with USD 5.6bn. The lead is attributed to the 5.6bn investment from China-based Human Horizons, an



electric car manufacturer. The Chinese company signed an investment agreement with the Ministry of Investment in Saudi Arabia to set up an automotive research, development, manufacturing, and sales joint venture facility in Saudi Arabia.

The metals sector came in second with USD 5.5bn in greenfield FDI inflows. The Chinese-based Bashan Iron and Steel (Baosteel), a subsidiary of China Baowu Steel Group (Shanghai Baosteel Group), made an investment of USD 4bn to establish a metal plate manufacturing facility in Ras Alkhair Special Economic Zone. Chinese firms have made other significant projects in the metal sector. The China-based Zhonghuan International Group, a company focusing on carbon-neutral technology development, signed an agreement with Saudi Arabia-based company Amar Al Oula, to build an iron ore processing plant and manufacture iron pellets for smelting plants for USD 533mn in Saudi Arabia.

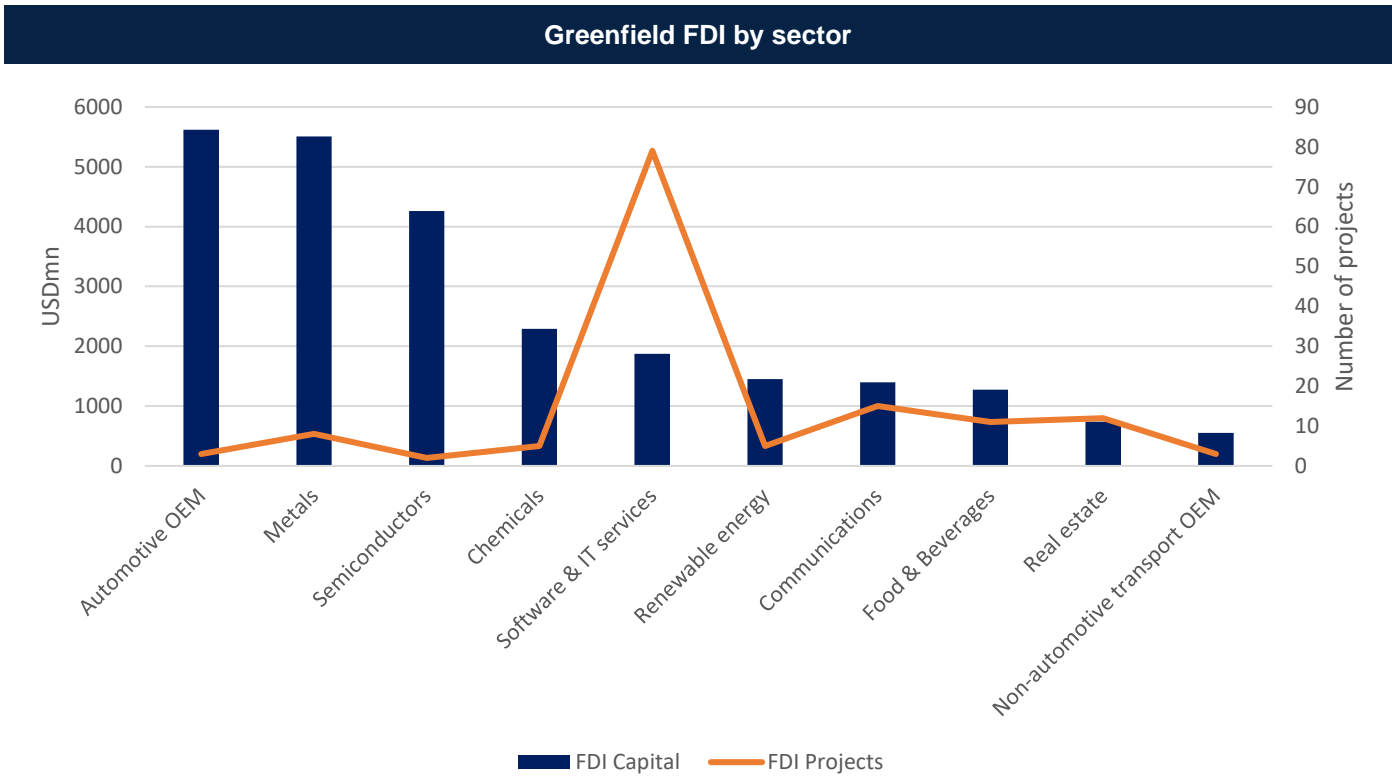
The semiconductors sector came in third with USD 4.26bn in greenfield FDI inflows. This came from two projects by Chinese-based companies Beijing GL-Microelectronics and China Electric Power Equipment and Technology (CET), which invested approximately USD 2.13bn each. Beijing GL-Microelectronics, an integrated circuit design company, and China Electric Power Equipment and Technology (CET), a supplier of power equipment, have both signed a memorandum of understanding with King Abdulaziz City for Science and Technology to establish a center for designing and manufacturing microchips in Riyadh.

The chemicals sector came in fourth with USD 2.29bn in greenfield FDI inflows. The inflows into the sector came from three main projects by Hong Kong-based GCL-Poly Energy Holdings, Oman-based Aflaj International, and Australia-based European Lithium, each investing an estimated USD 763mn. Hong Kong-based GCL-Poly Energy Holdings is building a new plant to produce 120k tonnes of polysilicon annually. Oman-based Aflaj International, a distributor of chemicals, has signed a memorandum of understanding with Saudi Arabia's Ministry of Investment to build a liquid fertilizer manufacturing plant. Australia-based European Lithium, a mining exploration and development company, has entered a joint venture with Saudi Arabia-based Obeikan Investment Group, to build and operate a hydroxide plant in Saudi Arabia.

The software and IT services sector came in fifth with USD 1.87bn in greenfield FDI inflows. US companies were the main source of the sector inflows with



1.62bn. Oracle had the biggest share of the investments with USD 950mn deployed into two projects. Oracle has signed a memorandum of understanding with the Ministry of Communications and Information Technology (MCIT) in Saudi Arabia to open a new public cloud region in Riyadh for an estimated cost of USD 750mn. Oracle is also expanding the capacity of its cloud region in Jeddah at an estimated cost of USD 200mn.



Source: fDi Markets, Emirates NBD Research

### Tourism sector saw limited capital flows in 2023

The tourism sector hasn't seen significant greenfield FDI inflows in 2023 with only USD 227mn invested into the sector last year. Radisson Hospitality has opened a 223-room hotel in Riyadh Convention and Exhibition Centre at an estimated cost of USD 112mn. Olayan Investment Company Establishment has invested an estimated USD 112mn to build The Mondrian Riyadh Al Malga Hotel and Residences. The 200-room hotel is expected to open in 2026 and will be operated by UK-based hospitality developer and operator, Ennismore.

Saudi Arabia has big ambitions for the tourism sector. The tourism sector contributes 4.5% to the total GDP with aims to reach 10% by 2030. Saudi Arabia is targeting more than 500k rooms by 2030. As of February 2023, the total number of rooms in Saudi Arabia was 145,180 rooms, according to data from STR.



To reach the targets, significant investment is required. The expected investment in the sector is expected to reach SAR 800bn by 2030. However, as it stands, it appears that the majority of the investments in the sector will be driven by the government and local companies rather than coming from FDI.

### Redefining Economic Horizons: Saudi Arabia's push toward diversification

The USD 28.78 billion in greenfield FDI achieved last year demonstrates Saudi Arabia's growing appeal as a regional hub for international investment. This influx, driven by significant contributions to sectors like automotive OEM, metals, semiconductors, and IT services, marks a pivotal shift from traditional oil dependency and paves the way towards a future of sustainable and diversified economic growth. In 2022, total FDI inflows were USD 33bn, with greenfield FDI accounting for 41% of the total. The substantial rise in greenfield FDI in 2023 suggests that overall FDI has also experienced a significant increase in 2023. However, official figures for 2023 haven't yet been published.

The substantial growth in FDI is a testament to the effectiveness of Saudi Arabia's strategic reforms, including the introduction of Special Economic Zones, a 50-year tax exemption for investors, and the establishment of the Saudi Investment Promotion Authority. These initiatives, coupled with a commitment to enhancing transparency and regulatory frameworks, have significantly bolstered the Kingdom's investment climate. Moreover, the focus on manufacturing activities underscores a strategic pivot towards sustainable economic practices, aiming to diminish the nation's vulnerability to oil market volatilities. Manufacturing activities made up 73% of the total greenfield FDI inflows in 2023.

Looking ahead, Saudi Arabia's ambitious goal of attracting USD 100bn in annual FDI by 2030 reflects not just an aspiration for economic growth but a blueprint for a future where non-oil sectors drive prosperity. This vision aligns with the broader objectives of the Vision 2030 plan, which seeks to increase FDI's GDP contribution to 5.7% and non-oil exports to 50%.

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