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IN THIS EDITION ...

The merger of Saudi Arabia's LIV Golf with DP World Tour and PGA Tour highlights the kingdom's rising clout in the global sports and entertainment industries.

The three parties signed an agreement that combines Public Investment Fund's (PIF) golf-related commercial businesses and rights (including LIV Golf) with the commercial businesses and rights of PGA Tour and DP World Tour into a new, collectively owned, for-profit entity to ensure that all stakeholders benefit from a model that delivers maximum excitement and competition among the game's best players.

PIF will make a capital investment in the new entity to facilitate its growth and success. The new entity (its name has yet to be decided) will implement a plan to grow these combined commercial businesses, drive greater fan engagement, and accelerate growth initiatives, which are already underway.

The move comes as Saudi Arabia invests heavily in entertainment, gaming, sporting, and other cultural events to create fresh revenues streams and raise its profile. The kingdom is also attracting world-renowned talent with football star Cristiano Ronaldo signing up to join Riyadh-based Al Nasr Football Club.

Its capital city Riyadh has been selected to host the 2034 Asian Games in a further testament to the country's sporting ambition. The USD 500 billion NEOM project rising on the kingdom's west coast will also host the 10th edition of Asian Winter in 2029.

Saudi Arabia has already hosted the Supercoppa Italiana, the expanded Supercopa de Espana, golf's Saudi International and the USD 20 million Saudi Cup — the world's richest horse race.

These activities translate into major tourism dollars, jobs, and investments.

Ernst & Young estimates the sports industry's revenues to rise to USD 3.3 billion in 2024 with an annual growth rate of 8%.

ECONOMY

First-quarter figures point to a year-on-year upward trajectory for the kingdom, with the non-oil sector doing the heavy lifting.

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GAMING

The country pushes ahead with its diversification strategy by pouring cash into the video game industry, which holds massive potential for homegrown talent development and game localisation.

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PETROCHEMICALS

The move is part of the country's liquids-to-chemicals strategy as it pursues to reduce dependence on the upstream sector, according to an analysis.

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TRADE

Robust trade in 2022 sets the stage for another stellar performance this year, allowing the country to attract more foreign direct investments.

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SME

Recognising entrepreneurs' crucial role in the kingdom's economic development, authorities have ensured a steady flow of financing through various government agencies.

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ROBUST ECONOMIC GROWTH BUOYS CONFIDENCE IN SAUDI

The Saudi economy remains strong in the first quarter of this year.

Latest data from the General Authority for Statistics showed real GDP increased by 3.8% in Q1 2023 compared to the same quarter in 2022.

Non-oil activities grew 5.4% during the period versus the year before, while government activities rose 4.9%, and oil activities expanded 1.4%. Seasonally adjusted real GDP fell 1.4% in the first quarter of 2023 compared to the fourth quarter of 2022.

The kingdom was the fastest growing G20 economy in 2022, expanding 8.7% as a result of strong oil production and a 4.8% non-oil GDP growth driven by robust private consumption, and non-oil private investment including giga projects. Wholesale, retail trade, construction, and transport were the main drivers of non-oil growth.

The International Monetary Fund (IMF) forecast non-oil growth in Saudi Arabia to rise above 5% in the first half of 2023.

"Non-oil growth momentum is expected to remain strong," the IMF said in its latest report on the kingdom. "While the April 2023 OPEC+ production cuts would reduce overall real growth to 2.1% in 2023, non-oil growth is expected to average 5% in 2023 and remain above potential as strong consumption spending and accelerated project implementation boost demand."

More crucially, the IMF has noted that risk to the economy are balanced, witht higher oil prices — as expectations of strong oil demand for the rest of the year persist — leading to accelerated structural reforms and investment could spur growth.

"Conversely, too rapid a rise in non-oil investment could further raise domestic demand, thereby adding pressure on prices and external accounts," the IMF noted, noting that lower oil prices due to subdued global activity represent a key short-term risk.

VISION 2030 A KEY DRIVER

Vision 2030 reform agenda remains a key driver towards a productive and green economy.

"A mid-way stocktaking of the objectives set under Vision 2030 has identified progress on digitalisation, the regulatory and business environment, female labour force participation, and higher private sector investment — in some cases with targets set for 2030 already surpassed," the IMF noted.

The authorities' focus on harnessing human capital through the Human Capital Development programme, streamlining of multiple fees, higher access to finance, a new investment law, and stronger governance would further enhance private sector growth and total factor productivity.

The IMF also lauded the country's robust banking system, noting in particular the strength of the aggregate capital adequacy ratio, and profitability that surpassed pre-pandemic levels.

Additionally, the non-performing loan (NPL) ratio is low and shows a downward trend. Although the growth in mortgages has recently slowed down, there is still strong demand for project-related and consumer loans. This helps counterbalance the impact on profitability caused by rising funding costs associated with higher interest rates and an increased share of time and saving deposits in banks' liabilities.

BUSINESS SENTIMENT

The non-oil private sector continues to gain strength in operating conditions in May, amid rising market demand and a steep increase in economic activity, according to the latest Purchasing Managers' Index (PMI) from S&P Global.

"Demand strength underlined further uplifts in output, employment and purchasing, with staff levels rising at the joint-fastest rate since January 2018," S&P said, adding that strong wage pressures meant that firms' output prices rose sharply in May, with the pace of inflation accelerating to the highest level in nearly three years.

Significant increase in new orders was witnessed in May by non-oil private sector businesses. This growth followed a previous surge in April, which was the highest in eight and a half year. Although the rate of expansion slowed slightly, there was a renewed increase in sales from foreign clients. Survey participants often attributed the rise in new orders to improved economic conditions, as well as increased travel, tourism, and business investment.
Furthermore, activity levels in May showed a notable rise, although the rate of expansion was lower compared to previous months in 2023. Reports indicated that suppliers responded well to clients' requests for faster deliveries, resulting in a strong improvement in supply chains.

So far, the strong growth has a moderate impact on inflation, compared to other parts of the world where central banks are fighting high inflation. The IMF expects headline inflation to be well-managed.

Despite the presence of inflationary pressures from a tightening labour market and a thriving non-oil economy, the average Consumer Price Index (CPI) is projected to be 2.8%, only slightly higher than in 2022, the IMF projects. This is primarily due to the positive effects of a strong currency, subsidies, and a cap on gasoline prices, which help offset the inflationary impact.

VIDEO GAMES ARE NEXT FRONTIER FOR SAUDI INVESTMENT

Saudi Arabia is emerging as a major player in the USD 215.6 billion global video game industry.

The digital revolution and cutting-edge technologies have transformed the gaming industry with a number of deep-pocketed players such as Microsoft entering the fray. The gaming industry is tipped to maintain its recent rapid growth, and could be worth USD 324 billion by 2026, a new PwC report says. Gaming is now the third-largest data-consuming entertainment and media content category, behind video and communications. Around 3 billion people play video games worldwide.

The kingdom is a major hub for esports and gaming, with its market value hitting USD 1 billion in 2021 and projected to reach USD 6.8 billion by 2030. According to studies by the Saudi Esports Federation (SEF), Saudi Arabia is home to 85% of gaming fans in the Middle East and North Africa (MENA) region.

VIDEO GAMING HUB

The country sees an opportunity as the market remains ripe for new players. Last year, the government unveiled a National Gaming and Esports Strategy, heralding a new era in the kingdom's gaming sector. The goal is to establish the country as a global hub for gaming by 2030, as part of efforts to diversify the economy, generate employment opportunities, and provide top-notch entertainment for citizens, residents, and visitors.

The strategy aims to harness the creativity of Saudi gamers, leverage the country's strong youth population of 21 million, and create new jobs, investment, and sector revenue streams. But the kingdom's aspiration is global and ultimately aims to position itself as a global gaming hub by 2030.

The country is looking to generate SAR 50 billion in gross domestic product, and create 39,000 new direct and indirect jobs. By 2030, Saudi Arabia would produce more than 30 globally competitive games from Saudi studios and position the country among the top three nations in terms of professional esports players.

To nurture the gaming sector, the kingdom plans to undertake 86 initiatives covering the entire value chain, with the participation of more than 20 government and private entities. These initiatives span various areas such as technology and hardware development, game production, esports, additional services, and other enabling aspects including infrastructure, regulations, education, talent acquisition, financing, and financial support. This comprehensive approach will drive the growth of the gaming and esports sector in Saudi Arabia.

The kingdom has already witnessed a surge in homegrown game development studios and start-ups, contributing to the overall growth of the gaming sector. The local studios are creating innovative games that reflect Saudi culture, traditions, and values, appealing to both domestic and international audiences. Saudi game developers are actively participating in global gaming conferences and competitions, gaining recognition for their creativity and technical expertise. According to market research platform Tracxn, there are 36 gaming start-ups in the kingdom.

SAVVY INVESTMENT

Saudi also launched Savvy Games Group, fully owned by the Public Investment Fund (PIF), which aims to drive growth in the electronic games industry and esports.

Led by CEO Brian Ward, who was formerly head of major gaming studio Activision Blizzard, Savvy Games has a SAR 142 billion war chest. It seeks to nurture Saudi talent and leverage the country's unique geographical location to establish itself as the dominant global hub for games and esports.

The group has five subsidiaries that will play a crucial role in developing the ecosystem. EFG, Savvy's esports arm, combines the strengths of ESL and FACEIT groups, forming a significant part of the global competitive gaming environment. Nine66 focuses on creating an ecosystem for game developers and studios, providing infrastructure, talent opportunities, financing, and consultancy support. It also offers publishing services in Middle Eastern markets to facilitate international developers' entry into the region.

Another subsidiary, VOV, specialises in constructing gaming and competition venues that prioritise the well-being and health of players.

The Savvy Games Fund will invest in leading publishers and developers, facilitating their establishment in Saudi Arabia.

GETTING IN THE GAME

Earlier this year, PIF also became the largest outside investor in Japanese gaming giant Nintendo, with an 8.26% stake in the company. The sovereign wealth fund holds stock worth USD 2.9 billion in Activision Blizzard, USD 1.7 billion in Electronic Arts, and USD 1.2 billion stake in Take-Two Interactive, according to data from the Nasdaq Stock Market.

Savvy Games Group also recently acquired mobile games studio Scopely for USD 4.9 billion. Founded in 2011, the gaming company is known for several popular mobile games including Yahtzee With Buddies, Star Trek Fleet Command, Marvel Strike Force, Stumble Guys, and Scrabble Go.

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HUGE GLOBAL DEMAND RAISES STAKES FOR SAUDI PETROCHEMICALS

Saudi Arabia accounted for around 80% of the Gulf region's petrochemical production capacity, according to the Gulf Petrochemicals & Chemicals Association (GPCA).

Overall, the GCC represented 6.7% of the global chemicals industry in 2021, and generated USD 95.9 billion in industry revenues—the highest level in eight years.

The kingdom is looking to boost its petrochemical sector.

Petrochemical projects will constitute the majority of the upcoming oil and gas projects, which are expected to commence operations in Saudi Arabia between 2023 and 2027, accounting for around 61% of the total projects, according to GlobalData.

The research firm also noted that "petrochemical projects are expected to witness the highest project starts in Saudi Arabia (44), followed by midstream (13), upstream (fields), and refineries with 11 and four, respectively". Of the 44 petrochemical projects that are expected to start operations in the country by 2027, 36 are likely to be new builds and the remaining are expansion projects.

"Petrochemicals continue to gain prominence in Saudi Arabia as part of its liquids-to-chemicals strategy, which is aimed at reducing dependence on the upstream sector, diversify its economy, and create additional employment opportunities. The country has huge potential to convert its liquids into chemicals through advanced technologies and support a viable circular economy," said Himani Pant Pandey, oil and gas analyst at GlobalData.

Among upcoming petrochemical projects in Saudi Arabia by 2027 is the Saudi Aramco Total Refining and Petrochemical Company Al-Jubail Ethylene Plant, with a capacity of 1.50 million tonnes per year (tpy) and costing USD 2.7 billion. The plant will provide feedstock to other petrochemical and specialty companies in the Jubail industrial city.
Pandey concludes: "The state-owned companies of Saudi Arabia and China – SABIC, Aramco, and Sinopec – have recently announced plans to increase their collaboration in refinery and petrochemicals sectors. The collaboration helps to further advance the downstream sector in both countries and provides a stable market for Saudi Arabia for its oil and petrochemicals."

NEW PRODUCTS

Saudi Arabia is expanding its petrochemical product portfolio. In May,

Japan received its first shipment of independently certified low-carbon ammonia for use as fuel in power generation. It represents another milestone in the development of this lower-carbon energy solution.

"The shipment is the result of a successful multiparty collaboration across the low-carbon ammonia value chain. The ammonia was produced by SABIC Agri-Nutrients with feedstock from Aramco, and sold by Aramco Trading Company to the Fuji Oil Company," according to the partners. "Mitsui O.S.K. Lines was tasked with shipping the liquid to Japan, then the low-carbon ammonia was transported to the Sodegaura Refinery for use in co-fired power generation, with technical support provided by Japan Oil Engineering Co."

The ammonia is categorised as low carbon because CO2 from the associated manufacturing process was captured and utilised in downstream applications.

In 2020, Aramco collaborated with SABIC to dispatch the world's first shipment of low-carbon ammonia to Japan in a demonstration project. Then in 2022, Aramco and SABIC received the world's first independent accreditation for low-carbon hydrogen and ammonia products. By the end of that year, the two companies had delivered the world's first accredited low-carbon ammonia shipment to South Korea. The latest shipment to Japan brings this lower-carbon energy solution one step closer to the mainstream.

Ensuring that it is near its key Asian customers, Aramco began work earlier this year on a major integrated refinery and petrochemical complex being developed by Huajin Aramco Petrochemical Company (HAPCO). This joint venture between Aramco (30%), NORINCO Group (51%), and Panjin Xincheng Industrial Group (19%) is developing the complex in the city of Panjin, in China's Liaoning Province.

Aramco will supply up to 210,000 barrels per day (bpd) of crude oil feedstock to the facility, which is expected to be up and running by 2026.

In March, Aramco also signed agreements to acquire a 10% interest in Shenzhen-listed Rongsheng Petrochemical Co. Ltd. for USD 3.6 billion. Combined, the partnership with Rongsheng and the HAPCO joint venture would see Aramco supply a total of 690,000 bpd of crude to high chemical conversion assets in China, in line with its strategy of converting four million bpd of crude to chemicals by 2030.
As part of the deal, Aramco would supply 480,000 bpd of Arabian crude oil to Rongsheng affiliate Zhejiang Petroleum and Chemical Co. Ltd, under a long-term sales agreement.

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RECORD TRADE FLOWS PUT A SHINE ON SAUDI ECONOMY

The kingdom enjoyed its best trade flows in a decade following strong growth in 2022.

Total merchandise exports shot up 48.9% in 2022, compared to 2021, with the value of exports rising to more than SAR 1.54 trillion, up from SAR 1.03 trillion in 2021. Oil exports led the way, rising to SAR 1.23 trillion, or 61.8% higher compared to the same period a year before. The share of oil exports in total exports increased from 73.2% in 2021 to 79.5% in 2022, according to the General Authority for Statistics.

Non-oil exports (including re-exports) also rose an impressive 13.7%, compared to 2021, increasing to SAR 315.7 billion from SAR 277.5 billion. Excluding re-exports, non-oil exports rose 14.8% as re-exports also soared by 8.6% during the period.

Meanwhile, merchandise imports jumped 24.2% to SAR 712.0 billion in 2022 versus 2021. The kingdom's trade surplus for the year reached SAR 830 billion.

NON-OIL EXPORT GROWTH

Chemical and allied industries products, which make up 35.8% of non-oil merchandise exports, saw a 34.5% increase to reach SAR 113 billion, while plastic products declined 1.7% compared to 2021 to reach a still formidable SAR 89 billion. Base metal exports rose 31.5% to SAR 29 billion, while transport equipment slipped 7.2% to SAR 21.8 billion.

China was Saudi Arabia's biggest export market, with flows of SAR 249 billion, followed by India, which accounted for SAR 157 billion of all merchandise exports. Japan (SAR 152 billion), South Korea (SAR 142 billion), and the United States (SAR 87.1 billion) make up the rest of the kingdom's top five export markets.

China was also the biggest source of Saudi imports, accounting for SAR 149.3 billion, while the USA was a distant second biggest source of imports with SAR 65 billion. The UAE (SAR 45.1 billion), India (SAR 39.5 billion), and Germany (SAR 30 billion) were the other major importers to the kingdom.

The first quarter of 2023 saw merchandise exports of Saudi Arabia reach SAR 313.5 billion, compared to SAR 367.1 billion during Q1 of 2022, a 14.6% decrease. The value of oil exports by March 2023 reached SAR 245.4 billion, a 14.9% decline from the same period the previous year. Non-oil exports (including re-export) reached SAR 68.1 billion, a 13.3% contraction.

To boost non-oil exports, Saudi Export Development Authority (Saudi Exports) introduced a basic programme to develop exporters, equipping them with the knowledge and skills needed to sell their goods in international markets.

The programme sheds light on several important key themes, including marketing research and data, use of databases, research and reports to analyse target markets, payment procedures in international trade, documentary accreditation course, key items in requesting the issuance or modification of documentary accreditation, in addition to acquainting stakeholders with financing options available from development banks, trade and export guarantee.

Saudi Exports is expected to be the main driver for the sustainable growth of the kingdom's non-oil exports through its strategic objectives of developing exporters' capacities and readiness to meet global challenges. It also seeks to improve their competitiveness in targeted international markets by providing various quality services, initiatives, and training programs that are of interest to owners of national enterprises and exporters, further helping them achieve to their export objectives.

A MAJOR TRADE ZONE

The government granted King Abdullah Economic City a licence for the Special Economic Zone, developing another robust infrastructure for trade and investment. Situated at the crossroads of global trade routes, the city enjoys direct access to all markets in the Middle East and North Africa region. Spanning a total area of 60 square kilometres, the zone will be under the direct supervision of the Special Economic Cities and Zones Authority (ECZA).

"The Special Economic Zone's strategic location facilitates the operations of various logistics services and light industries. It is a promising investment environment, offering economic incentives with globally competitive advantages," according to the company.

A unique advantage of the zone is its cutting-edge infrastructure, including the King Abdullah Port, the Industrial Valley, and a modern and vibrant community. This community encompasses diverse commercial and social facilities, catering to the needs and aspirations of residents, visitors, and workers in the city.

Moreover, the Special Economic Zone focuses on economic sectors such as car manufacturing, consumables, food, medicine, logistics, and associated industries. It aims to boost domestic output, attract foreign direct investment, generate new employment opportunities, and maximise the kingdom's exports by hosting a diverse and extensive range of industries.

Saudi entities are also forging closer trade ties with key partners in South and East Asia, and Africa, in addition to its traditional markets of Europe and North America. In recent months, various Saudi delegations have visited Oman, Germany, and South Africa to expand trade ties, and encourage investment flows.

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FUNDING SCHEME CONTINUES TO GIVE IMPETUS TO SAUDI SMES

Saudi Arabia has poured nearly SAR 30 billion in its development ecosystem in the first quarter of 2023. The effort was led by the National Development Fund (NDF) and its supervised development funds and banks. It was in line with the objectives of Saudi Vision 2030 strategy, which aims to drive economic, social, and cultural growth, and maximise the developmental impact on the national economy, especially in building the capacity of small and medium enterprises (SMEs).

Among the initiatives include Saudi Industrial Development Fund's (SIDF) approval of more than SAR 875 million for 24 businesses in collaboration with the Small and Medium Enterprises General Authority (Monsha'at). The project focused on providing support with initiating industrial projects, empowering entrepreneurs, and facilitating their entry into the industrial sector. SIDF also supported over 100 beneficiaries through academic and advisory programmes.

In the tourism sector, the Tourism Development Fund (TDF) approved financing of more than SAR260 million for 11 businesses in the sector. TDF served 57 beneficiaries through pre-financing counselling and logistical support programmes. The fund sponsored significant events like the Foras Forum and Biban 23 Forum, and signed memorandums of understanding with local and international companies to attract private sector investments.

The Cultural Development Fund (CDF) was also given a boost with support of around SAR 15 million and issued guarantees of SAR 16 million to boost cultural projects. The fund launched a programme for financing the film sector with a budget of SAR 879 million as part of the Ignite initiative. The aim is to encourage a vibrant and sustainable film sector by providing financing packages for feature films and series, empowering investors, and supporting authors, artists, and cultural content creators.

INVESTING IN HUMAN CAPITAL

Building human capital is another key cornerstone project. The Human Resources Development Fund supported over 836,000 individuals and 73,000 enterprises to the tune of more than SAR 2.2 billion. Their employment support programmes, empowerment programmes, job search assistance, and training contributed to the employment of over 96,000 individuals in the Saudi labour market.

The fund also launched its new strategy and identity, focusing on empowering the private sector's role in Saudisation and strengthening partnerships for training and employment.

In addition, the Small and Medium Enterprises Bank provided more than SAR 1.1 billion in financing to 301 SMEs through the financing portal and indirect lending initiative, in collaboration with its partners.

During the first quarter of 2023, the Social Development Bank (SDB) provided financing to approximately 9,000 individuals, freelance beneficiaries, and small and emerging enterprises, with values amounting to SAR 454 million, SAR 1.5 billion, and SAR 1.1 billion, respectively.

The Real Estate Development Fund (REDF) served about 21,000 beneficiaries of housing support programmes, enabling them to sign financing contracts totalling SAR 13.7 billion. The REDF deposited over SAR 2.7 billion to "Sakani" beneficiaries, continuing its contributions to the Housing Programme of Saudi Vision 2030. The real estate advisor service of REDF recorded new beneficiaries, and issued financing and housing recommendations.

Meanwhile, the Agricultural Development Fund injected more than SAR 2.6 billion in financing to more than 2,08 individuals and 21 establishments during the first quarter of 2023. It financed various projects as diverse as small farmers and breeders, poultry projects, greenhouse projects, fish production in inland waters, and dates production. The fund also approved financing to construct silos for storing grains in three locations in the kingdom, in addition to financing the import of agricultural products targeted in the food security strategy.

ACCELERATING START-UP CULTURE

Other large entities are also boosting start-ups and sowing the seeds of entrepreneurship. The Ministry of Communications and Information Technology (MCIT), PepsiCo, and AstroLabs teamed up to launch the 'Scale Up Accelerator' programme and support digital entrepreneurship. The programme was designed to boost SMEs and help launch their first e-commerce websites. Highlights from the top 40 participants reflected outstanding digitisation and entrepreneurship skills. Eighty digital marketing campaigns were launched, 30 new websites were built, and 30 new business models were introduced to reveal 10% revenue growth for over half of the cohort's top 40.

The programme, sponsored by PepsiCo's philanthropic arm, unleashed the full potential of SMEs in the kingdom by enabling the transformation of local businesses into e-commerce interfaces. In its first edition, the programme selected 103 contestants from more than 250 participants based on their business capabilities and models, and the diversity of their cultural backgrounds.

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