

Market Insights & Strategy Global Markets

Saudi Arabia – Vision 2030 & National Transformation Plan

On April 25th, Saudi Arabia's Council of Ministers approved the Kingdom's "Vision 2030". The ambitious plan involves a series of major economic and social reforms, some of which were already revealed earlier this year by the country's Deputy Crown Prince, Mohammed bin Salman. The plan indeed envisages raising the country's non-oil related revenues to SAR 600bn (\$160bn) by 2020 and SAR 1tn (\$267bn) by 2030. The main objective of the vision is to completely over-haul the economy and build a dynamic modern 21st century economy away from oil. The vision also targets to achieve a sovereign credit rating of Aa2 by 2020. The current rating of Saudi Arabia is A1 by Moody's, A- by S&P and AA- by Fitch. On May 7th, the kingdom's Council of Ministers approved a "Comprehensive Reform Plan" which includes closure/merger of ministries and the replacement of ministers.

Following the above announcements, the Saudi Cabinet reviewed the *National Transformation Plan (NTP)*, a pivotal element of the Vision 2030, and The Council of Economic and Development Affairs approved the plan on June 7th. Prince Mohammed bin Salman (main driver of this plan) has the central role in decision making after his father, King Salman. The main reforms and the final objectives of the NTP are listed below.

If you have any questions or would like to discuss further please do not hesitate to contact the Market Insights & Strategy team.

REFORMS

* Privatize certain government assets.

- Up to 5% of Saudi Aramco would be floated and the ownership of the firm would be transferred to the PIC.
- State hospital ownership transferred into a holding company and an IPO conducted.

* Reduce inefficiencies

- Clamp down on corruption.
- Cut wastage and improve transparency.
- Transform public investment fund (PIF) into a sovereign wealth fund (US\$2 trillion)
- Develop a local defense industry which would produce 50% of the military's requirements by 2030.
- Develop a mining industry by 2020.
- Encourage funding to SME's.
- Focus on renewable energy resources.

* Social Reforms

- Increase the number of affordable housing projects.
- Streamline lending and create a mortgage guarantee fund.
- Reduce specific subsidies & raise taxes but provide relief to poorer citizens.
- Encourage the development of sporting activities.
- Reform labor market & educational system to improve productivity and labor participation rate

* Streamline the visa process.

- Introduce a "green-card" system to allow expatriates to apply for permanent residency by 2021.
- Raise visa fees and other costs of hiring expatriates.
- Allow expatriates to own property.

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* Economic Reforms

- Reduce subsidies on fuel, electricity & water (Current 10% of GDP)
- Raise non-oil revenue through fines, fees & VAT (Currently oil revenue constitutes 87%)
- Reduce oil sector dependence and increase private sector role in economy
- Privatize and reduce limits on foreign ownership

OBJECTIVES

- Reduce unemployment from 11.60% to 7% by 2030.
- Increase the number of women in the workforce from 22% to 30%.
- Boost the private sector's contribution towards GDP from 40% to 65%
- Raise SME's contribution from 20% in 2015 to 70% of GDP by 2030
- Raise the share of non-oil exports from 16 to 50% of non-oil GDP
- Raise non-oil revenues four times to 20% of GDP by 2020
- Reduce the fiscal deficit from 16% of GDP in 2015 to break-even (0%) by 2020 (Currently deficit was at \$98bn)
- Develop the country's tourism potential and increase the annual number of pilgrims to Mecca from 8 million to 30 million.
- Double GDP by 2030 to remain in G-20 (Currently \$640bn, ranked 19th)

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