

# INDUSTRIAL PAGES

October 2022



# LAUNCH OF THE NATIONAL INDUSTRIAL STRATEGY, AND THE ROLE PLAYED BY SIDF

## NATIONAL INDUSTRIAL STRATEGY

His Royal Highness, Crown Prince Mohammed bin Salman bin Abdul Aziz Al Saud, launched the National Industrial Strategy, which aims at building an industrial economy that attracts investment, enhances economic diversification, and develops GDP and non-oil exports, in line with the objectives of Saudi Vision 2030.

NIS aims to increase development in the industrial sector up to around 36,000 factories by 2035, focusing on 12 industrial sub-sectors, and targeting more than 800 investment opportunities worth one trillion Saudi riyals, striving towards:

- Double the industrial GDP by around 3 times.
- Double the value of industrial exports, to realize 557 billion riyals.
- Raise the total value of industrial sector investments to 1.3 trillion riyals.
- Increase exports of high-tech products by 6 times.
- Create tens of thousands of high-value job opportunities.
- Enable the private sector.
- Boost the industrial sector's flexibility and high competitiveness.
- Lead the regional industrial integration of value chains.
- Invest in new promising technologies.

## SIDF'S ROLE IN ACHIEVING THE OBJECTIVES OF THE NATIONAL INDUSTRIAL STRATEGY

5 years ago, and within its journey headed for institutional transformation, which included a new basic system, expansion of funded sectors, and capital increase, SIDF announced its readiness to achieve the objectives of the National Industrial Strategy, through the tools and mechanisms necessary to help it play a pivotal role in meeting the aspirations of the Saudi industrial renaissance, in light of the fact that SIDF is the main financial enabler for the National Industrial Development and Logistics Program (NIDLP).








SIDF's contribution to achieve NIS's objectives includes 3 basic axes:



You may learn more about the National Industrial Strategy through the webpage of the Ministry of Industry and Mineral Resources by visiting here.

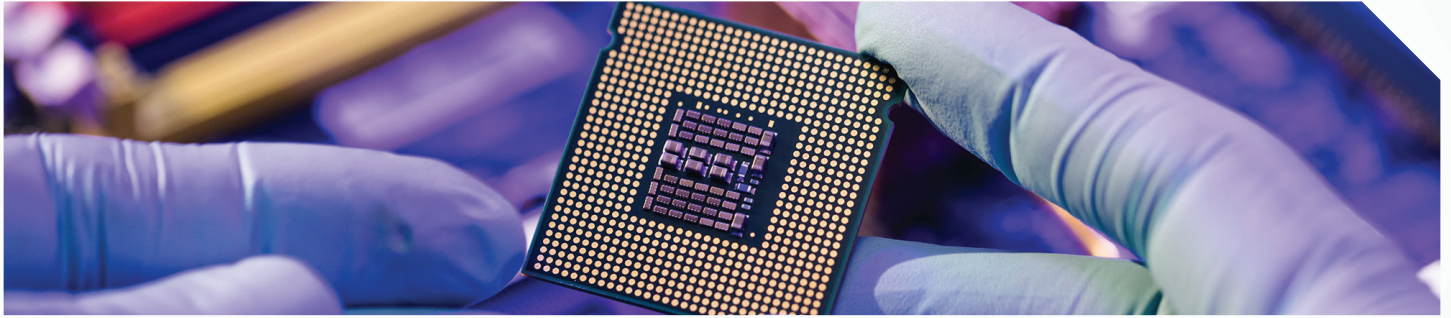


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# The Industry in Lines

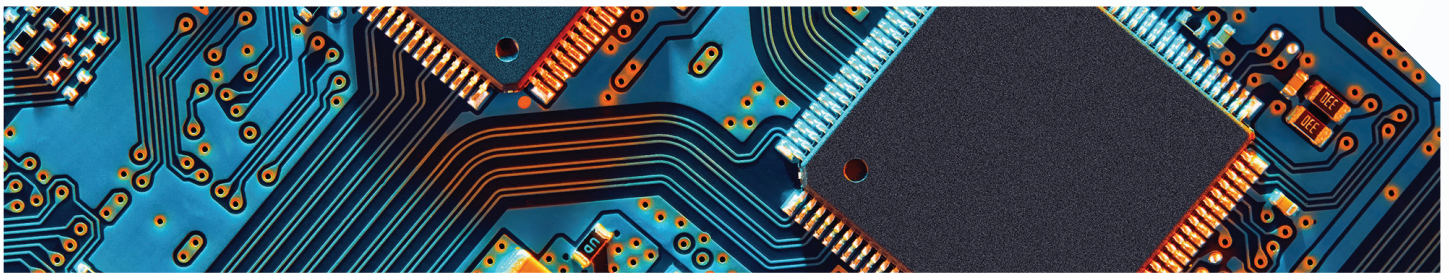
Electronic chips... the backbone of the modern economy



In light of the technical transformation in all different fields, the world suffers from a shortage in the production of electronic chips, also known as "semiconductors", on which the technology industry in general and the automobile and smart phone manufacturing sectors in particular depend.

The crisis began with the rise of 5G networks and the increasing demand for the production of electronic chips and exacerbated after the spread of the COVID-19 epidemic and the necessity of companies and employees to work remotely, which increased the demand for the purchase of electronic devices.

The repercussions of the COVID-19 crisis have disrupted global supply chains of electronic chips and negatively affected huge industrial sectors around the world, and one of the most important sectors affected by the lack of electronic chip production in the auto industry, as one car needs from 50 to 150 electronic chips and 40% of the car's components depend on these chips. The shortage has prompted the auto industry to demand a surplus of semiconductors - 10-20% more than actually needed - to ensure inventory and production continuity.



The technology war between China and the United States led to an increase in the crisis. The Wall Street Journal reported that Washington D.C continues to restrict the Chinese tech sector by restricting access to chips and modern equipment, as it approved strict licensing requirements that would prevent sales of advanced processors produced by NVIDIA and AMD.

Within the framework of that war, Taiwan entered the conflict. It dominates the market by manufacturing the latest types of chips as it produces about 90% of the world's highly advanced electronic chips, with the Taiwan Semiconductor Manufacturing Company standing as the largest chip manufacturer in the world. Therefore, the United States supports Taiwan in facing China.

The US Department of Commerce revealed a plan to disburse \$50 billion to boost the semiconductor industry domestically in the race against China, according to the New York Times.

The global semiconductor market grew by 26% in 2021 compared to 2020, with global revenues amounting to about \$556 billion, according to the statistics website Statista.

Deloitte expects that the semiconductor shortage will continue until early 2023, and some customers will have to wait a few months for their orders.



**\$556**

billion Chip market revenue in 2021



**%26**

Market growth in 2021 compared to 2020



**50**

billion To boost the conductor industry in America



**%90**

Taiwan's production of the global market for chips

Sources — New York Times, Wall Street Journal, Statista, Deloitte

# Figures & Statistics

A report dealing with the increase in the industrial production index last July compared to the same month last year (this is the last statistic announced by the General Authority for Statistics), in addition to the continuation of the index in achieving positive trends as a result of the rise in mining, quarrying, and manufacturing activities, and the impact of the fund on the increase in GDP.

**%16.8**

## increase in the industrial production index in August



**In August 2022, the Industrial Production Index (IPI) increased by 16.8% compared to August 2021. The IPI continued to show growth rates due to the high production in mining and quarrying, manufacturing activity, and electricity and gas supply.**

According to the General Authority for Statistics, mining and quarrying grew by 15.5% compared to August 2021 as Saudi Arabia increased its oil production to its highest level by more than 10 million barrels per day in August 2022. The manufacturing activity increased by 22% compared to the same month of the previous year. The electricity and gas supplies increased by 11.3%.

Compared to July 2022, the overall IPI increased by 2.2%. Mining and quarrying showed a month-on-month growth rate of 2.2%. The manufacturing sector increased by 3.9%, electricity and gas supplies increased by 10.6%.



**%16.8**

The rate of change in the general index of industrial production



**%15.5**

Mining and quarrying



**%22**

Manufacturing industries



**%11.3**

Electricity and gas supply

Sources — General Authority for Statistics

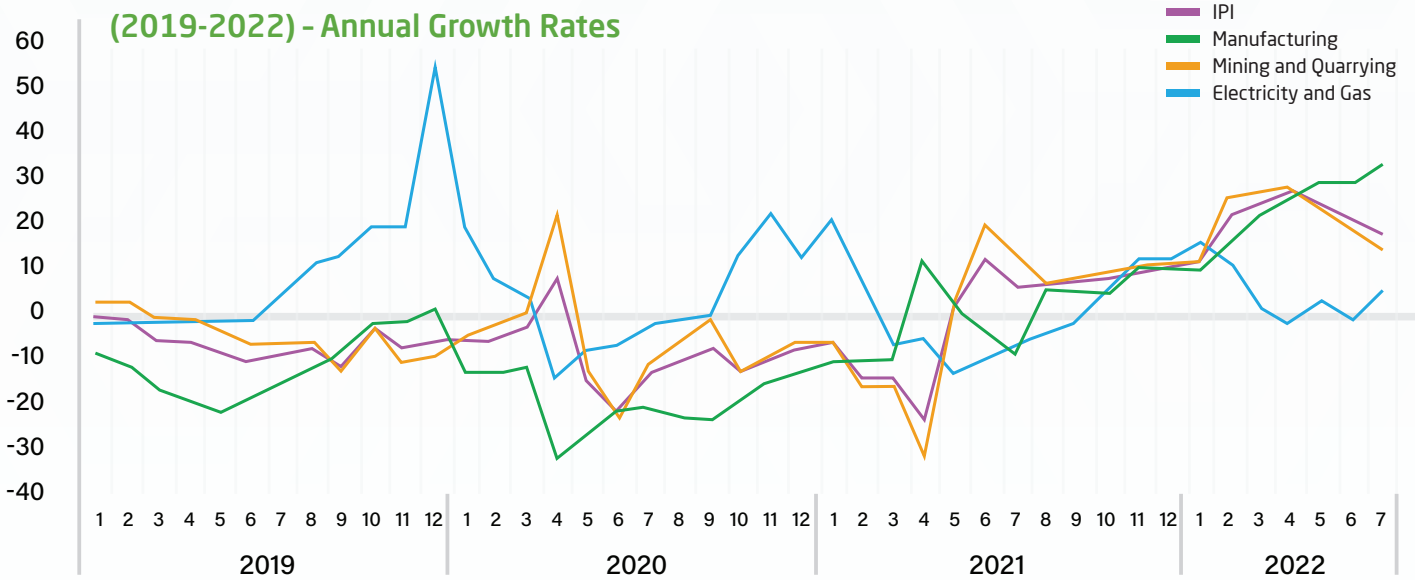
# Annual Growth Rate

## of the Industrial Production Index (%)



| Month     | 2019  | 2020  | 2021  | 2022 |
|-----------|-------|-------|-------|------|
| January   | -0.9  | 6.7-  | -6.9  | 11.1 |
| February  | -2.0  | -5.7  | -14.8 | 22.3 |
| March     | -6.0  | -3.3  | -14.5 | 24.8 |
| April     | -6.4  | 7.0   | -24.0 | 26.7 |
| May       | -9.0  | -15.5 | 0.5   | 24.0 |
| June      | -10.3 | -22.2 | 11.9  | 20.8 |
| July      | -9.1  | -13.4 | 5.9   | 17.7 |
| August    | -7.3  | -11.6 | 5.8   | 16.8 |
| September | -11.3 | -7.5  | 6.5   | -    |
| October   | -2.5  | -13.5 | 7.7   | -    |
| November  | -8.1  | -10.0 | 10.3  | -    |
| December  | -6.3  | -7.6  | 11.2  | -    |

Industrial Production Index and the Three Sub-Indices (2019-2022) - Annual Growth Rates



Sources — General Authority for Statistics

## 950 Loans Approved by SIDF since the launch of Vision 2030

Total Value

**77+**  
Billion SAR

SMEs

**%79**

Cities and promising regions

**%40**

Sources — SIDF

# Report of environmental sustainability standards,

## Social impact, and corporate governance



## Sustainable industrial

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## Transformation in the Kingdom

An ESG Intelligence Report issued by Oxford Business Group (OBG) in partnership with the Saudi Industrial Development Fund (SIDF) on standards for environmental sustainability, societal impact, and corporate governance concluded that the industrial, mining, renewable energy, and logistics sectors are becoming more mature and scalable in line with the objectives set by the Kingdom's Vision 2030, the national roadmap for economic transformation, and the National Industrial Development and Logistics Program (NIDLP), one of the primary programs to achieve the vision.

The report highlights the role of SIDF and its ongoing adoption of sustainability criteria in its project evaluations, credit assessments, and support services. By doing so, SIDF can help ensure a sustainable growth trajectory for domestic enterprises and a positive economic multiplier effect from their activities.

The report also pointed out the progress made by SIDF in adopting environmental policies in operational processes and product development, as SIDF launched in 2019 the "Mutajadedda" and "Tanafusiya" programs in order to finance the production of renewable energy components, digitize all administrative and procedural processes, and consolidate the concept of recycling in SIDF's headquarters.

Regarding social development, the report highlighted SIDF's internal policies and external procedures, and the positive impact they had on promoting social development.

Finally, the report reviewed SIDF's growth journey with governance and risk management for sustainable growth in SIDF and other targeted industries.

[To download the report Click Here](#)

# Advisory Services

How the advisory services contribute to the recovery of industrial facilities from the pandemic



In terms of its goal of empowering the industrial sector and increasing the need and demand for advisory services globally in all fields, SIDF played a major role in the recovery of industrial facilities from the effects of the COVID-19 pandemic through its services, including advisory services.

The advisory services provided by a team of specialists contributed to supporting small and medium enterprises, improving the performance of projects, and supporting them for growth and expansion, after a long period of closure that had a significant negative impact on the market.

SIDF worked through advisory services to support some industrial establishments after the pandemic, identifying sales growth opportunities and setting priorities for their market strategy.

SIDF also worked on analyzing the current status of companies, analyzing sales, and studying their movement, in addition to studying fast-trading products and analyzing sales channels. All this had a great impact on expansion and access to new markets, which made industrial establishments rise again, and return to the market better than before.



# Advisory services achieving growth and sustainability

A team of specialized consultants in SIDF provides support to small and medium enterprises in the industrial sector by seeking appropriate opportunities to improve performance, achieve growth and sustainability.

## Counseling areas

### 1 Cost Optimization

- Compare the prices of raw materials to the market and improve the list of suppliers
- Expand the scope of outsourcing
- Improve the cost efficiency of non-product advertising
- Analyze at the pattern of material purchases and improving the repurchase rate
- Improve production cost efficiency
- Improve the overhead efficiency of full-time employees
- Improve the salary and benefits structure of employees

# 2

## Go To Market Strategy

- Identification of priority markets for export
- Launch of new distribution channels such as e-commerce channels or re-evaluating distribution channels
- Determination of the target segment and target applications for the products in order of priority
- Launch of new products and brands
- Expansion of contracted manufacturing
- Determination of priority local cities for expansion
- Improving the organizational structure of sales and marketing
- Assessment of the competitive landscape and prices
- Expansion of the product portfolio

# 3

## Raising Operational Efficiency

- Analyze and understand production processes
- Define goals and ways to measure them.
- Prepare administrative systems to ensure follow-up of targets and continuation of improvements.
- Understand challenges related to productivity, quality, or waste reduction.
- Solve problems using global tools and practices.

### What industrial establishments are eligible to benefit from advisory services?

Small and medium enterprises (operational for at least one year), that ranges from 6 to 250 number of employees and achieve revenues ranging from 3 to 200 million Saudi Riyals.

Sources — SIDF



To request this service



# 14 establishments benefiting from advisory services

5 of which are expected to increase revenue by 32%



The number of establishments that have benefited from consulting services, since the trial launch in October 2021, has reached 14, 13 of which are in the service of market strategy, and one in the service of raising cost efficiency.

The rate of expected increase in the revenues of the five establishments benefiting from the market strategy service is estimated at 66% after 2025. While the expected cost reduction rate for the establishment benefiting from the cost efficiency service is estimated at 3% of the total costs of the facility.

The advisory service is provided through a project that lasts 3 to 4 weeks, during which the specialized team assesses the current situation of the establishment through a 360-degree evaluation that looks at the company's internal data and the external markets to which it belongs, then identifies opportunities for improvement, and finally the team details solutions and recommendations and submits a proposal for their implementation.

With regard to the outputs, the team presents a detailed report that includes the evaluation, analysis, recommendations, and the expected impact thereof.

# SIDF Academy

Announcing for the first time the accreditation of the SIDF Academy as a platinum training provider from the Institute of Management Accountants (IMA)

## The SIDF Academy schedule The Fourth Quarter

### November

| Program Title  | Training Category | Language | Date           | Duration | Level        | Presentation Type |
|--|-------------------|----------|----------------|----------|--------------|-------------------|
| Financial analysis and corporate finance - Group Three   | Finance           | Arabic   | 6-10 November  | Days 5   | Intermediate | Virtual           |
| Logistics Operations and Supply Chain Management Seminar | Business          | English  | November 22    | Day 1    | Basic        | Virtual           |
| Project Feasibility Study - Group Four                   | Business          | Arabic   | 27-29 November | Days 3   | Intermediate | Virtual           |

### December

| Program Title   | Training Category | Language | Date                               | Duration | Level        | Presentation Type |
|---|-------------------|----------|------------------------------------|----------|--------------|-------------------|
| Renewable Energy Seminar: Green Hydrogen                          | Business          | English  | 5 December                         | Day 1    | Basic        | Virtual           |
| Automotive Industry Seminar: Automotive Manufacturers Development | Business          | English  | 6 December                         | Day 1    | Basic        | Virtual           |
| Aluminum Value Chain Symposium                                    | Business          | English  | 7 December                         | Day 1    | Basic        | Virtual           |
| Certified Management Accountant Certification - Exam Preparation  | Finance           | English  | 21 December - 30, 2022 March, 2023 | Days 90  | Intermediate | Virtual           |

To learn more about the Academy and register for its programs please visit the link here



# SIDF



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