Opinion **Lex**

Saudi's sway is here to stay

For business, following the whims of politicians isn't always easy, but it does create opportunities

Donald Trump with Crown Prince Mohammed bin Salman at the Oval Office in November © Reuters

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Politicians redraw maps; companies follow their steps. That's sometimes literally true: recall the ranks of corporate honchos who followed the then chancellor of the exchequer George Osborne to Shanghai, where he hailed a golden age for China and the UK.

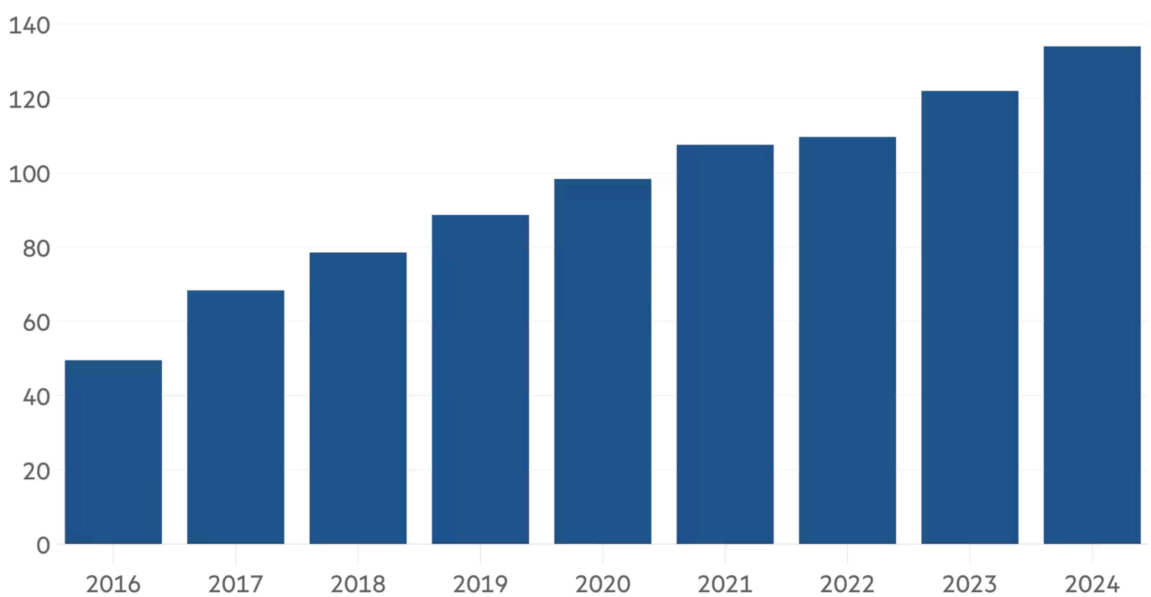
The new friend on the block is the Middle East, as demonstrated by the extravagant welcome US President Donald Trump extended to Saudi Arabia's Crown Prince Mohammed bin Salman in November. Lurking concerns over human rights were seemingly quashed by the hope of $1tn of investment.

Friendship and funding are flowing in the opposite direction too. The bosses of conference outfit Informa and Revolut are among those who have recently decamped to the United Arab Emirates. Foreign direct investment to the UAE has more than doubled in the past three years. Saudi’s was up a quarter to $32bn last year. Both are in the top 20 in Kearney’s FDI Confidence index, which ranks markets that are likely to attract the most investment in the coming three years.

That reflects some of the tailwinds from which the Middle East benefits. Take energy. With the lowest per-barrel costs in the world, Saudi will keep pumping oil after everyone else has stopped. It is also pushing ahead on renewables, thanks to dependable sun and consistent winds. The country’s recent auction for $2.4bn-worth of projects yielded solar costs of $11 per megawatt — well below estimates in the less sunny UK — and the lowest wind costs on record at $13.30.

Oil slick

Non-oil revenue since launch of Saudi's Vision 2030 plan ($bn)



Source: Vision 2030 annual report (2024)

The kingdom is diversifying into everything from mining to tourism and even gambling. While Saudi's reinvention has left scars, in the form of budget overruns and scaled-back projects, the country has breezed through its own 2030 target and is set to generate an estimated 57 per cent of economic output from non-oil activities this year. Money, too, is plentiful, with more than $5tn in the region's various sovereign wealth funds. Much of this is directed at domestic assets such as real estate, not all of which have been successful.

Cheap energy is also one of the reasons for Big Tech's push into the Middle East. Microsoft was cleared to ship the latest Nvidia chips to the UAE, just a few months after the US and UAE agreed to build an AI data centre campus in Abu Dhabi. So far, the numbers are small. Microsoft is raising its budget in the region by $600mn over three years and the chips it is allowed to supply, by tech analyst Richard Windsor's reckoning, are less than 1 per cent of the region's needs next year.

But the Middle East's importance for tech giants can only rise. China and the US — hosting a combined 86 per cent of the global data centre capacity between them — are laying out their chess pieces. Washington has already leaned on G42, Abu Dhabi's artificial intelligence champion, to ditch its China investments, including a stake in TikTok owner ByteDance; G42 in turn is hatching expansion plans in the US. For business, following the whims of politicians isn't always easy, but it does create opportunities.

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