

ExportReady **DISCOVER**



**COUNTRY
REPORT**

**SAUDI
ARABIA**

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ExportReady Sponsor



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1. General information: Kingdom of Saudi Arabia

Geography

- Area: Total: 2,149,690 km² (830,000 sq mi) (12th)
- **Saudi Arabia** officially the **Kingdom of Saudi Arabia**, is a country in Western Asia constituting the vast majority of the Arabian Peninsula. With a land area of approximately 2,150,000km² (830,000 sq mi), Saudi Arabia is geographically the largest sovereign state in Western Asia, the second-largest in the Arab world (after Algeria), the fifth-largest in Asia, and the 12th-largest in the world. Saudi Arabia is bordered by Jordan and Iraq to the north, Kuwait to the northeast, Qatar, Bahrain, and the United Arab Emirates to the east, Oman to the southeast and Yemen to the south; it is separated from Egypt and Israel in the north-west by the Gulf of Aqaba. Saudi Arabia is the only country with both a Red Sea coast and a Persian Gulf coast, and most of its terrain consists of arid desert, lowland, steppe and mountains. As of October 2018, the Saudi economy was the largest in the Middle East and the 18th largest in the world. Saudi Arabia also has one of the world's youngest populations, with approximately 50 percent of its population of 34.2 million being under 25 years old.
- Capital City: Riyadh is the capital of Saudi Arabia and the largest city on the Arabian Peninsula. Located in the center of the an-Nafud desert, on the eastern part of the Najd plateau, the city sits at an average of 600 metres (2,000 ft) above sea level, and receives around 5 million tourists each year, making it the forty-ninth most visited city in the world and the 6th in the Middle East. Riyadh had a population of 7.6 million people in 2019, making it the most-populous city in Saudi Arabia, 3rd most populous in the Middle East, and 38th most populous in Asia.

Population

- Total Population: 35,189,073 million March (2021)
- Population growth: 1.50% (2020)
- Median age: 31.8 years
- Density: 16 per Km² (42 people per mi²)
- Urban Population: 84 % of the population is urban (29,255,576 people in 2020)
- Population of main cities: Riyadh (4,205,961), Jeddah (2,867,446), Mecca (1,323,624), Medina (1,300,000), Sultanah (946,697), Dammam (768,602)
- **Ethnic Origins:** 90% Arab, 10% Afro-Asian
- **Religion:** Sunni Islam (official), (Wahhabism)

Language

- Official Language: Arabic
- Business Language(s): English

Government

- Type: Monarchy
- Head of government: King SALMAN bin Abdulaziz Al Saud
- **Currency:** National Currency: Saudi Riyal (SR) (SAR)
- **Time Zone:** GMT/UTC + 3h

Saudi Arabia General Overview

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 17% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 80% of budget revenues, 45% of GDP, and 90% of export earnings.

Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Diversification efforts are focusing on power generation, telecommunications, natural gas exploration, and petrochemical sectors.

Over 5 million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors, while Riyadh is struggling to reduce unemployment among its own nationals. Saudi officials are particularly focused on employing its large youth population, which generally lacks the education and technical skills the private sector needs.

Riyadh has substantially boosted spending on job training and education, most recently with the opening of the King Abdallah University of Science and Technology - Saudi Arabia's first co-educational university. As part of its effort to attract foreign investment, Saudi Arabia acceded to the WTO in December 2005 after many years of negotiations.

The government has begun establishing six "economic cities" in different regions of the country to promote foreign investment and plans to spend \$373 billion between 2010 and 2014 on social development and infrastructure.

Graph 1: Saudi Arabia, Total population from 2016-2026 (Statista, 2021) (in million inhabitants)

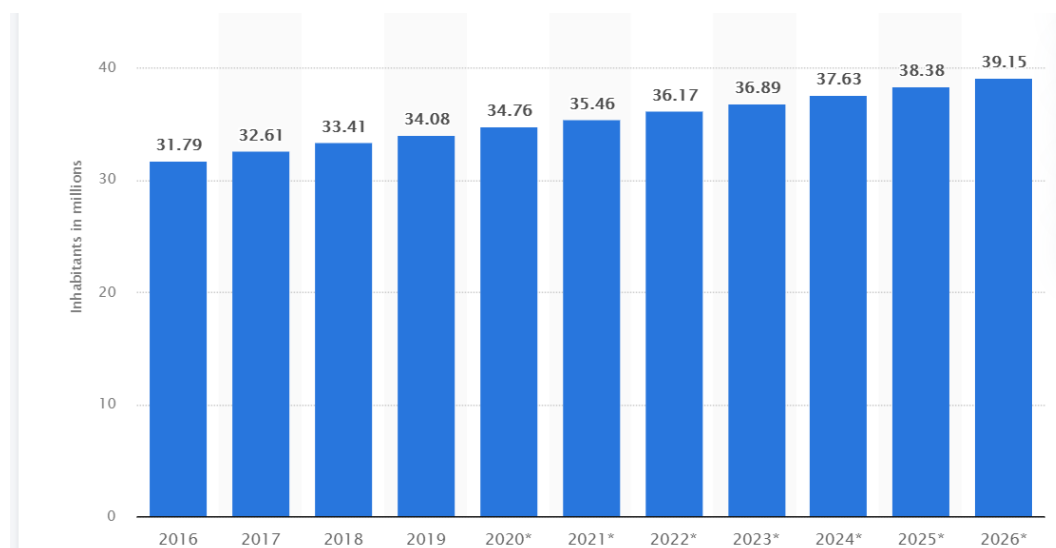


Table 1: Saudi Arabia Country Profile (World Development Indicators Database, The World Bank, September 2021)

INDICATOR	1990	2000	2010	2020
Population, total (millions)	16.23	20.66	27.42	34.81
Population growth (annual %)	3.6	2.3	2.9	1.6
Surface area (sq. km) (thousands)	2,149.7	2,149.7	2,149.7	2,149.7
Population density (people per sq. km of land area)	7.6	9.6	12.8	16.2
Poverty headcount ratio at national poverty lines (% of population)	..	..	..	..
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)	..	..	..	..
GNI, Atlas method (current US\$) (billions)	119.90	168.38	514.15	763.64
GNI per capita, Atlas method (current US\$)	7,39	8,15	18,75	21,93
GNI, PPP (current international \$) (billions)	540.81	828.01	1,431.87	1,663.87
GNI per capita, PPP (current international \$)	33,31	40,07	52,22	47,79
PEOPLE				
Income share held by lowest 20%	..	..	..	..
Life expectancy at birth, total (years)	69	73	74	75
Fertility rate, total (births per woman)	5.9	4.0	3.0	2.3
Adolescent fertility rate (births per 1,000 women ages 15-19)	70	27	11	7
Contraceptive prevalence, any methods (% of women ages 15-49)	..	21	24	..
Births attended by skilled health staff (% of total)	88	91	97	99
Mortality rate, under-5 (per 1,000 live births)	44	22	12	7
Prevalence of underweight, weight for age (% of children under 5)	..	..	..	..
Immunization, measles (% of children ages 12-23 months)	88	94	98	95
Primary completion rate, total (% of relevant age group)	..	..	102	96
School enrollment, primary (% gross)	..	..	106.6	100.7
School enrollment, secondary (% gross)	..	..	95	112

School enrollment, primary and secondary (gross), gender parity index (GPI)	..	..	1	1
Prevalence of HIV, total (% of population ages 15-49)	0.1	0.1	0.1	0.1
ENVIRONMENT				
Forest area (sq. km) (thousands)	9.8	9.8	9.8	9.8
Terrestrial and marine protected areas (% of total territorial area)	..	..	..	4.5
Annual freshwater withdrawals, total (% of internal resources)	671.7	847.8	900.1	883.3
Urban population growth (annual %)	4.4	2.6	3.2	1.8
Energy use (kg of oil equivalent per capita)	3,573	4,736	6,764	..
CO2 emissions (metric tons per capita)	10.25	11.82	16.02	15.27
Electric power consumption (kWh per capita)	4,018	5,665	7,975	..
ECONOMY				
GDP (current US\$) (billions)	117.63	189.51	528.21	700.12
GDP growth (annual %)	15.2	5.6	5.0	-4.1
Inflation, GDP deflator (annual %)	7.1	10.9	17.2	-7.9
Agriculture, forestry, and fishing, value added (% of GDP)	6	5	3	3
Industry (including construction), value added (% of GDP)	49	54	58	41
Exports of goods and services (% of GDP)	40	43	50	26
Imports of goods and services (% of GDP)	31	25	33	24
Gross capital formation (% of GDP)	16	19	31	26
Revenue, excluding grants (% of GDP)	..	..	37.4	31.2
Net lending (+) / net borrowing (-) (% of GDP)	..	..	4.4	-4.5
STATES & MARKETS				
Time required to start a business (days)	..	81	27	10
Domestic credit provided by financial sector (% of GDP)	..	..	..	..
Tax revenue (% of GDP)	..	..	2.5	7.4
Military expenditure (% of GDP)	14.0	10.5	8.6	8.4
Mobile cellular subscriptions (per 100 people)	0.1	6.7	188.0	124.1

Individuals using the Internet (% of population)	0.0	2.2	41.0	97.9
High-technology exports (% of manufactured exports)	..	..	1	1
Statistical Capacity score (Overall average)	..	..	..	..
GLOBAL LINKS				
Merchandise trade (% of GDP)	58	57	68	44
Net barter terms of trade index (2000 = 100)	..	100	121	109
External debt stocks, total (DOD, current US\$) (millions)	..	..	..	..
Total debt service (% of exports of goods, services and primary income)	..	..	..	..
Net migration (thousands)	-110	748	1,723	675
Personal remittances, received (current US\$) (millions)	..	..	236	302
Foreign direct investment, net inflows (BoP, current US\$) (millions)	1,861	-1,881	29,233	4,563
Net official development assistance received (current US\$) (millions)	14.7	22.0	-131.1	..

2. Economy

2.1. Economic Overview

Saudi Arabia is the largest economy in the Middle East and the richest Arab country in the region. The policy of large-scale public works undertaken by the authorities, as well as foreign direct investment and the soundness of the banking and financial system, have enabled the country to become the number one regional economy and one of the largest in the world. However, the economy of Saudi Arabia is almost entirely based on oil, with GDP growth being closely linked to real oil growth. Extended OPEC production cuts and declining oil prices in 2020 pulled the Saudi economy into recession, with GDP contracting by an estimated 5.4%.

Saudi Arabia's crude exports fell to a record low of 4.98mn barrel per day (b/d) in June 2020 as Covid-19 weighed on global oil demand and prices, prompting OPEC to introduce several production cuts. Crude exports have started a slow recovery since late summer and reached a seven-month high of 6.35mn b/d in November 2020. This was nevertheless below an already nine-year low of 6.82mn b/d in 2019. Low oil revenue weighed on Saudi Arabia's current account balance, with a projected rare deficit of USD 17.1 billion in 2020, against a surplus of USD 47 billion a year earlier. Saudi Arabia's foreign revenues were further impacted a quasi-ban on Hajj - the Muslim pilgrimage, which attracts millions of visitors to the country each year - as Saudi authorities limited the entry of foreign nationals to slow the spread of Covid-19

cases. The deficit is projected to narrow in the next couple of years, hitting USD 8.3 billion by 2022. Saudi authorities implemented fiscal mitigation measures, estimated at around 7.3% of GDP (World Bank) to curb the impact of Covid-19 on the private sector. This, in return, brought up the public debt to a projected 33.4% of GDP in 2020 from 22.8% a year earlier.

The standard of living is one of the highest in the Middle East, with a GDP per capita over USD 20,000. The country is still marked by an unemployment rate of about 14.9% among Saudis (8.5% in total) (third quarter of 2020 - Saudi General Authority for Statistics), especially among young people, and a high degree of social inequality. Unemployment among Saudis rose as high as 15.4% in the second quarter of 2020 at the height of the pandemic.

2.2. Macro-economic projection

According to the IMF's October 2020 forecast, the country is expected to grow by 3.1% in 2021, with the expansion of hydrocarbon activity and resumption of capital projects. In its most recent January 2021 update of the World Economic Outlook, the IMF has revised its GDP growth projections for Saudi Arabia to 2.6% in 2021 and 4% in 2022 (representing a difference from October 2020 WEO projections of -0,5% and +0,6% , respectively).

Public debt is expected to inch up marginally over the next years, peaking at 34.3% in 2021. Inflation rate rose to an estimated 3.6% from minus 2.1% a year earlier, as the government hiked the VAT rate to 15% in July from 5%. Repercussions of the hike are projected to linger well into 2021-22, with inflation anticipated to peak at 3.7% in 2021. This followed further increases to heavily-subsidised energy and water tariffs.

Table 2: (Saudi Arabia - Economic Forecasts - 2021-2022 Outlook) Trading Economics

Markets	Actual	Q3	Q4	Q1	Q2	2022
Currency	3.75	3.75	3.75	3.75	3.75	3.75
Stock Market (points)	11422.11	11189	10966	10746	10532	10115
Overview	Actual	Q3	Q4	Q1	Q2	2022
GDP Growth Rate (%)	0.60	1.5	1	1	0.5	1
GDP Annual Growth Rate (%)	1.80	3.5	2.9	4.1	3.3	4
Unemployment Rate (%)	6.50	6.5	6.3	6.1	6	6
Inflation Rate (%)	0.30	2	2	2.1	2.1	2
Interest Rate (%)	1.00	1	1	1	1.25	1.5

Balance of Trade (Million SAR)	87372.00	81606	104660	86755	89125	145000
Current Account (USD Million)	8707.00	1923	1425	927	430	1000
Current Account to GDP (% of GDP)	-2.80	3	3	2	2	2
Government Debt to GDP (% of GDP)	32.50	34	34	34	34	34
Government Budget (% of GDP)	-11.20	-3.5	-3.5	-2.5	-2.5	-2.5
Manufacturing PMI (points)	54.10	55	58	60	57	57
Consumer Confidence (points)	130.00	120	115	110	110	110
Corporate Tax Rate (%)	20.00	20	20	20	20	20
Personal Income Tax Rate (%)	0.00	0	0	0	0	0

2.3. SWOT Analysis

Strengths

- Natural resource base (oil and gas).
- Strategic importance as an oil exporter and with spare capacity to increase output when needed.
- Large financial asset base and strong foreign exchange reserves.
- Net creditor.
- Generally good relations with the U.S.
- Long-standing and stable exchange rate system.
- In common with other Gulf countries, Saudi Arabia has historically possessed a large pool of low-cost foreign labour.
- Most foreign business travellers and expatriates are safe, as Saudi Arabia has a low crime rate due to strict Islamic laws and high penalties.
- There is widespread access to a range of traditional financial products and services, including long-term and low-cost loans.

Opportunities

- The government is attempting to boost female employment rates and thereby replace the expatriate workforce on which the private sector relies.
- Increased cooperation and coordination with neighbouring countries would limit interstate and terrorist security threats.
- The government has a goal of creating jobs and diversifying the economy and will continue to take steps to attract investment.

- The construction of numerous railway networks will diversify internal transport options and facilitate trade flows.

Weaknesses

- Dependence on international oil prices along with a narrow economy focused on the hydrocarbon sector.
- High unemployment and under-employment have the potential to fuel increased militancy, particularly among the minority Shia population.
- Data transparency is below average for a high income economy.
- Regional uncertainties, with land borders with Iraq and Yemen and with Iran as a close neighbor. The latter is seen by some as a competitor for regional power. Real GDP growth will remain mainly driven by domestic demand over the coming quarters, rather than energy exports as has typically been the case for the country.
- The education system does not provide students with the skills demanded by employers, raising training costs when hiring Saudi nationals.
- The legal system is opaque and unpredictable, which presents a risk to investors involved in legal disputes.
- Saudi Arabia's dependence on road transport for land freight increases the risk of delays, longer lead times and higher costs.

Threats

- The 'Saudisation' policy and efforts to reduce the number of foreign workers is limiting the availability of low skilled labour and increasing costs.
- Major unrest among the Shi'a population in the Eastern Province, especially if instigated by Iran, could destabilize the state.
- The reliance on government investment to drive growth limits opportunities for foreign investors, as public procurement is opaque and tends to favour domestic entities.
- Congestion in the country's logistics network, particularly for ports and roads, heightens the threat of supply chain disruptions, causing delays and increasing costs to businesses.

2.4. Structure of the Economy

Agriculture accounts for 2.2% of the GDP and employs 2.3% of the active population. Agricultural productivity remains limited compared with public investment that funds the sector. Because of geographical and climatic constraints (droughts), Saudi Arabia imports most of its agricultural and food product requirements. Water scarcity is a serious regional problem that the country is likely to face in the coming years, as growing cultivation of wheat presents the threat of water depletion.

The industrial sector represents 47.4% of the GDP and employs 24.8% of the workforce. It is dominated by non-manufacturing activities (oil drilling). The country has the largest oil reserves in the world and is also the largest producer and exporter of oil in the world. Oil accounts for nearly 80% of exports and 70% of government revenues (and more than 40% of GDP). The share of non-oil industrial sector has been increasing along with economic diversification efforts of the Saudi authorities.

Lastly, services represent 50.4% of the GDP and employ 72.9% of the active population. This sector is mainly dominated by tourism, financial and banking services and the insurance sector. Tourism generates very high revenues (almost 4 million tourists per year), due in particular to the Hajj, the pilgrimage to Mecca that takes place in the last month of the Islamic year, that all Muslims are expected to make at least once during their lifetime. The country introduced a new upon-arrival tourism visa to nationals of nearly 50 countries in an attempt to increase tourism revenues.

Table 3: Saudi Arabia, Breakdown economic activity by sector

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	2.4	24.8	72.8
Value Added (in % of GDP)	2.6	41.4	56.2
Value Added (Annual % Change)	-1.7	-5.8	-1.8

Source: World Bank, Latest Available Data

2.5. Operational Environment

Saudi Arabia boasts a strong logistics sector particularly regarding the availability and cost of key utilities, such as electricity and fuel, and good levels of transport network connectivity. In addition, the country has the largest population in the Gulf Cooperation Council with high per capita incomes, making it potentially attractive to consumer-facing businesses such as retail, telecoms, healthcare and financial services. The labour market is also one of the most attractive in MENA, boosted by relatively high educational attainment levels and strengthening investment in research and development. Nevertheless, potential threats weigh on its overall attractiveness. A prolonged slump in global oil prices would present serious macroeconomic and political challenges as the country is heavily reliant on the hydrocarbons sector. The monarch relies on a combination of generous public sector wages and subsidies, financed in large part by oil revenues, and a strict security policy to enforce social stability. Meanwhile, close ties with the US have strained Saudi Arabia's relations with neighbouring Iran while military operations in Yemen exposes the country to attacks by regional terrorist groups, such as Islamic State and al Qaeda. This will necessitate comprehensive insurance cover and additional private security provisions by businesses, where possible. Overall, Saudi Arabia ranks third out of 18 states in the MENA region, behind the UAE and Bahrain, and 38th out of 201 states globally, with a relatively high Operational Risk score of 64.8 out of 100.

Crime And Security (60.6/100): Businesses face lower security threats in Saudi Arabia than most states in the MENA region. The strict security regime offers some advantages, with a low rate of crimes and limited presence of criminal gangs, ensuring that foreign workers and businesses are largely safe. Saudi Arabia is also one of the least risky countries regionally when it comes to business crime risks. The kingdom has improved its anti-money laundering/combating the financing of terrorism legal framework and has developed a strong institutional capacity for implementation, which means that it is largely compliant with most of the Financial Action Task

Force's recommendations. Saudi Arabia also has a strong record on corporate governance, ranking among the top globally, enhancing its appeal for international businesses. In contrast, businesses and foreign workers are exposed to risks from the potential of terrorist attacks and interstate conflict due to the geopolitical rivalry with Iran, involvement in regional conflicts and the potential for radicalisation within the population, raising security-related costs.

Trade And Investment (65.9/100): Saudi Arabia is heavily reliant on the hydrocarbons sector, which is expected to benefit from a continued recovery in global oil prices in 2021 and beyond following a Covid-19-induced crash in early 2020. Although oil output volumes look set to decline slightly on the back of the announced 1mn b/d production cuts over February-March 2021.

Nevertheless, domestic consumption, FDI inflows and government revenues are all heavily tied to significant volatility in the hydrocarbons sector, underscoring the need for diversification to boost economic stability and investment appeal. That said, certain risks, such as the extensive presence of state-owned enterprises in the main economic sectors including hydrocarbons, could slow down the pace of key economic reforms meant to pave way for private sector growth in line with the country's Vision 2030. At the same time, corruption, limited government transparency and perception of political interference in the judiciary are potential areas of concern among international investors.

Labour Market (66.1/100): face substantial and growing risks to finding suitable workers in Saudi Arabia. While companies have often relied on importing foreign labour to meet skills shortages and keep costs low, this is becoming increasingly difficult as the government increases its intervention in the labour market to support employment of Saudi nationals. Sourcing workers from the local population carries numerous risks for investors, including limited vocational and educational skills, extremely low female labour force participation and higher wages demanded by Saudi nationals. Upside risks include the country's large, healthy and urbanized labour force and that the quality of the education system is slowly improving.

Logistics (66.5/100): Saudi Arabia ranks competitively within the MENA region in terms of overall logistics risks. The kingdom's strong infrastructure and the availability of natural resources mean that businesses are unlikely to experience power or fuel shortages, while its dry climate is compensated for through the use of desalination and water storage facilities. The quality of Saudi Arabia's transport infrastructure is generally above-average within the MENA region, although an overreliance on the road network for freight transport means that the road network can be congested and unsafe in major urban areas. While rail travel is also generally underdeveloped outside the Eastern Province, this is improving as various projects come online. Maritime and aviation infrastructure are also seeing increased investment as the kingdom strives to diversify its economy away from oil and market itself as a Red Sea tourism, transit and trade hub. However, given the stiff competition it faces from the UAE, Qatar, Oman and Egypt, these plans seem ambitious. Additional problems stem from the significant time and cost burdens businesses and travelers face to pass through Saudi customs clearance.

Table 4: Saudi Arabia operational risk (Fitch Solutions Operational Risk Index)

SAUDI ARABIA - OPERATIONAL RISK					
	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime And Security Risk
Saudi Arabia score	64.8	66.1	65.9	66.5	60.6
MENA average	48.2	50.5	50.3	49.4	42.5
MENA position (out of 18)	3	2	4	5	4
MENA average	48.2	50.5	50.3	49.4	42.5
MENA position (out of 18)	3	2	4	5	4
Global average	49.5	49.9	49.6	49.3	49.3
Global position (out of 201)	38	17	42	49	56

Note: 100 = Lowest risk; 0 = highest risk. Source: Fitch Solutions Operational Risk Index

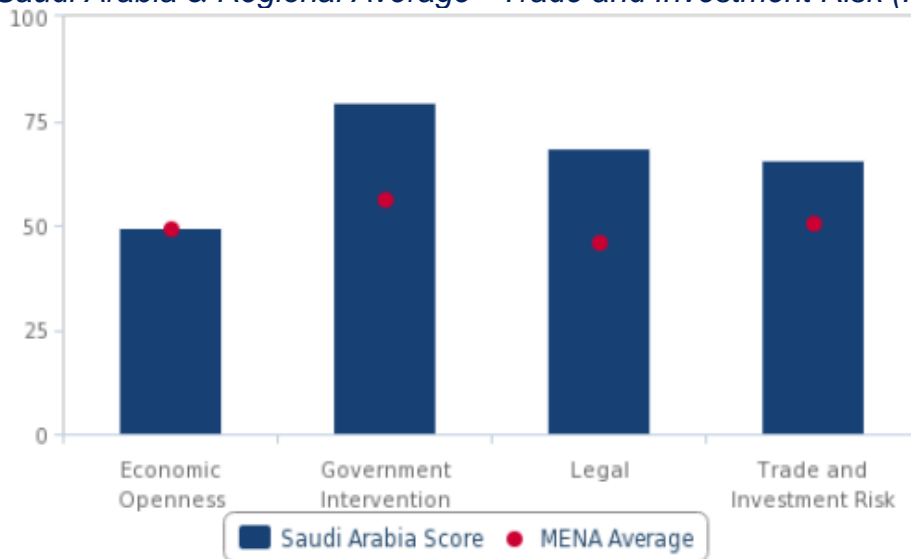
2.6. Investment

Saudi Arabia has an oil-based economy with strong government run economic activities. The government is encouraging private sector growth to lessen the kingdom's dependence on oil and increase employment opportunities for the growing population. Export products from Saudi Arabia include petrochemicals, plastics, metal goods, construction materials, and electrical appliances.

As part of its efforts to attract foreign investment and diversify the economy, Saudi Arabia acceded to the WTO in 2005 after many years of negotiations. Saudi Arabia attracts a great deal of foreign investment, especially since the government is eager to encourage local companies to enter into partnerships with foreign businesses and boost the economy's non-petroleum sectors.

Saudi Arabia is heavily reliant on the hydrocarbons sector, which is expected to benefit from a continued recovery in global oil prices in 2021 and beyond following a Covid-19-induced crash in early 2020. Although oil output volumes look set to decline slightly on the back of the announced 1mn b/d production cuts over February-March 2021, our Oil and Gas team believes that this will be insufficient to offset the anticipated price gains. Nevertheless, domestic consumption, FDI inflows and government revenues are all heavily tied to significant volatility in the hydrocarbons sector, underscoring the need for diversification to boost economic stability and investment appeal. That said, certain risks, such as the extensive presence of state-owned enterprises in the main economic sectors including hydrocarbons, could slow down the pace of key economic reforms meant to pave way for private sector growth in line with the country's Vision 2030. At the same time, corruption, limited government transparency and perception of political interference in the judiciary are potential areas of concern among international investors. Overall, Saudi Arabia has a moderately high score of 65.9 out of 100 for Trade and Investment Risk, ranking fourth behind the UAE, Bahrain and Morocco out of 18 states in the MENA region and 42nd out of 201 countries globally.

Graph 2: Regionally Competitive Trade and Investment Environment
 Saudi Arabia & Regional Average - Trade and Investment Risk (Fitch solutions)



Trade & Investment Risk SOWT

Strengths:

- Geographically, Saudi Arabia is well placed for firms and investors looking to establish a base in the region.
- A large market and strong macroeconomic stability increase the country's appeal as an investment destination.
- There is widespread access to a range of traditional financial products and services, including long-term and low-cost loans.

Weakness:

- The legal system is based on shari'a law, which frequently places it at odds with secular and commercial interests and limits its efficacy in resolving contractual disputes.
- Several economic activities, including participation in the upstream oil and gas sector, remain barred to foreign investors.
- The tax system, though beneficial for Saudi residents, remains a burden on non-resident individuals and corporate entities, particularly in comparison with GCC peers.

Opportunities:

- The government is attempting to create jobs and diversify the economy and will continue to take steps to attract foreign investment.
- The banking sector is growing rapidly, and the capital market is becoming more sophisticated; it is opening up to foreign investors.
- Saudi Arabia's non-hydrocarbon sector has seen rapid growth in recent years, creating opportunities for investment in a range of industries.

Threats:

- The reliance on government investment to drive growth limits opportunities for foreign investors, as public procurement is opaque and tends to favour domestic entities.
- Regional geopolitical volatility can have an impact on Saudi Arabia's foreign direct investment inflows.
- Efforts to nationalize the workforce and a crackdown on visas and immigrant workers are increasing labour costs and the difficulties finding suitable workers.

2.7. Taxation**Company Tax: 20% + 2.5% Zakat**

Tax Rate For Foreign Companies: A resident company is taxed on income sourced in Saudi Arabia. Only non-Saudi investors are liable for income tax in Saudi Arabia, and GCC nationals are considered as Saudi citizens for tax purposes. If a company has both Saudi and foreign shareholders, the corporate income tax is calculated on the portion of taxable income attributable to the non-Saudi, while the Saudi part contributes to the tax base of Zakat.

A non-resident company carrying out business activities in Saudi Arabia through a permanent establishment is taxed on income arising from or related to the permanent establishment.

No foreign tax relief is provided for foreign entities in Saudi Arabia.

Capital Gains Taxation: The disposal of shares in a resident company by a non-resident shareholder is subject to a capital gains tax of 20%. Capital gains are subject to the normal income tax or Zakat rate, as appropriate. However, capital gains deriving from the disposal of securities traded on foreign stock markets are tax-exempt if they are also traded on the Saudi stock market.

Capital gains and losses on depreciable assets are not taken into consideration in determining the tax base. No gain or loss arises on the transfer of assets between companies belonging to the same group provided that the companies are wholly owned directly or indirectly within the group and the assets are not disposed of outside the group for two years from the date of transfer.

Main Allowable Deductions and Tax Credits: All costs and expenses paid or incurred during the tax year to earn taxable income such as salaries and wages, travel expenses which are connected with the business or enterprise, and rent on properties used in the business, are deductible from the tax base, provided that they respect certain conditions: the expenses are supported by a verifiable document or other qualifying evidence; they are related to the generation of taxable income and to the subject tax year; they are of a non-capital nature.

Other expenses which may be deducted from the tax base include: employers' contributions paid for the employees to retirement funds; research and development expenses incurred to generate an income that is subject to taxation; costs of repair, maintenance and improvement of depreciable fixed assets, school fees paid for the employees' children (provided that such benefit is stated in the employment contract and that fees are paid to a local licensed school). Start-up expenses can generally be

fully expensed in the first financial year or can be capitalised and amortised. Bad debts are also deductible (conditions apply), same as for donations to certain approved charitable organizations. Operational losses can be carried forward (the maximum yearly profit percentage that could be used to offset cumulative losses should not exceed 25% of the year's taxable profit). Carryback of losses is not permitted.

Non-deductible expenses include: taxes, entertainment expenses incurred for certain events, expenses of an individual for personal consumption, insurance commission in excess of 3% of total premiums collected in Saudi Arabia through an agent or other, payments made to headquarter offices located abroad by wholly owned local subsidiaries or branches.

Tax incentives are provided for investments at 50% of annual training costs for Saudi labour and 50% of their annual wages paid to Saudi citizens. The Saudi government also grants a 10-year tax incentive on investments in the following six underdeveloped provinces: Hail, Jizan, Abha, Northern Border, Najran and Al-jouf. Machinery and raw materials that are required for approved projects are exempted from customs duties (when they are not available in the local market).

Other Corporate Taxes: There is no capital duty, stamp duty or payroll tax in Saudi Arabia. While there is no real estate tax, Zakat (religious tax) may be payable on real estate if held for speculation. A Real Estate Transaction Tax ("RETT") applies on the disposal of real estate, at a rate of 5%.

Zakat also applies to companies that are resident in Saudi Arabia and other GCC nations. It is levied at a flat rate of 2.5% and is chargeable on the total of the taxpayer's capital resources held more than 12 months and income not invested in fixed assets. These include the company's capital, net profits, retained earnings and reserves not created for specific liabilities.

Saudi employees are responsible for the monthly payment of the social insurance tax, that is levied at 2% for non-Saudi employees and 12% for Saudi employees (who also have to contribute with 10%), calculated on basic wage, housing allowance and commissions (capped at SAR 45,000).

Table 5: Paying Taxes in Saudi Arabia (Doing Business 2020)

Details - Paying Taxes in Saudi Arabia							
Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax and contribution rate (% of profit)	Notes on TTCR
Employer paid - Labor contributions	1.0	online	9.0	12%	gross salaries	13.54	
Zakat	1.0	online	23.0	2.5%	Higher of zakat base or taxable income	2.18	
Vehicle fee	1.0					0.00	small amount
Employee paid - Social security contributions	0.0	online and jointly		10%	gross salaries	0.00	withheld
VAT	1.0	online	72.0	5%	value added		not included
Totals	4		104			15.7	

Table 6: Taxes by type, Saudi Arabia (Doing Business 2020)

Details - Paying Taxes in Saudi Arabia - Tax by Type	
Taxes by type	Answer
Profit tax (% of profit)	2.2
Labor tax and contributions (% of profit)	13.5
Other taxes (% of profit)	0.0

3. Consumer Behavior and Characteristics

3.1. Consumer Profile: The Saudi population represents 0.45% of the world's population with 34.9 million inhabitants in 2020. Some 42.2% are women according to the latest estimates of the World Bank. The population increases by 1.6% per year, bringing the country's density from 9.6 inhabitants / km² in 2000 to 16 inhabitants / km² in 2020. According to the World Bank 32.3% of the population residing in Saudi Arabia was born outside the country. The median age is 31.8 years in 2020 while it was 21.3 years in 2000. This ageing of the population can be seen at all age group levels. The 0/14 age group represented 24.86% of the population in 2019 compared to 41.7% in 1995, the 15/64 age group 71.7% in 2019 against 55.3% in 1995 and those aged 65 and over 3.4% against 2.9% over the same period. While this ageing the Saudi government even estimates that the over 60s could represent 25% of the population by 2050.

The number of households is 5.46 millions of which 35.9% are foreign and 64.1% Saudi. According to the country's General Statistics Authority, households have an average of 5.9 people and 52% of them are in Mecca or Riyadh. The majority of the population is urban with 84% of Saudis living in the city in 2020 and 46.17% of whom live in settlements with more than one million residents. There are four of these, Riyadh (capital and the most populous city in the country with more than 4 million souls), Jeddah, Mecca and Medina. According to the World Bank, 95.3% of the population aged 15 and over was literate in 2017 (latest data available, UNESCO). Thus, 92.7% of women and 97.1% of Saudi men know how to read and write.

The enrolment rate has increased significantly in the last ten years. According to UNESCO, 100.7% of the population attended primary education in 2019, compared to 95.7% in 2005, according to the World Bank. Some 111.8% of the population had secondary education in 2019 compared to 87.4% in 2005 and 71% of the population attended tertiary education in 2019 whereas only 29.5% had this chance in 2005. While unemployment affects 5.8% of the total population in 2020, it concerns 28.8% of young people aged 15 to 24, and 22.5% of women looking for work (only 2.7% of men). The hiring sectors are services (73% of total employment), industry (25%) and agriculture (2.3%).

3.2. Purchasing Power: In Saudi Arabia, GDP per capita PPP was \$ 48,908 in 2019 compared with \$ 39,882 in 2000, according to the World Bank. A five-year survey data issued by the General Authority for Statistics (GASTAT) showed that the

average monthly income for Saudi families amounted to SAR 14,820 in 2018, up 8.9% from 2013's income of SAR 11,980. The average monthly income for individuals (Saudis and residents) reached SAR 2,485 in 2018, compared to SAR 2,062 in 2013. One of the main problem of Saudi Arabia is the low household savings ratio, which stood at 1.6 percent of annual disposable income for Saudi nationals in 2018, which is significantly below the 10 percent global standard recognized as the minimum level to ensure long-term financial independence. The kingdom has a two-tier economy made up of about 16 million Saudis, with most of the rest foreign workers. They have lower income and work mainly in the construction and maintenance sector. The poverty rate among Saudis continues to rise as youth unemployment skyrockets.

Another notable inequality is women's access to education, work and outdoor activities. While Prince Mohammed bin Salman has taken a more progressive approach in granting driving licenses the kingdom remains one of the world's most lagging countries in terms of gender equality. In particular, gender segregation and women's wards prevent women from working, making Saudi Arabia one of the lowest countries in the world for women to access jobs. According to the World Bank, the proportion of women that is economically active is 23.5% in 2020, far below the 81% male labor force participation rate

3.3. Consumer Behaviour: According to the latest survey of McKinsey & Company, Saudi consumer optimism has remained steady throughout the Covid-19 crisis, even if more than half of consumers have seen a decline in income savings. Most Saudi shoppers go to shopping centres for food, clothing and electronics. According to a survey conducted by McKinsey & Company in 2018, they can be divided into five broad categories based on their behaviours. The savvy consumers, brand savers, multi-channel buyers, discounted converts and selective spenders. More generally, Saudis prefer quality over quantity (66% of consumers value quality over price) and are attracted by international brands, especially luxury brands. However, in recent years there has been a change in the behaviour of consumers in the Arab world in general, and Saudi Arabia in particular. They pay more attention to prices and are therefore less loyal to brands. Some 52% of Saudi Arabian consumers are becoming more mindful of how they spend their money. Consumers tend to change to less expensive products, research brand and make shopping lists before buying. In the last months, they show increased shopping intent for essential categories and expect to shop more online. This trend is accompanied by a decrease in consumer confidence, decreasing to 104 index points in July 2020, compared with 121 index points in January 2020 according to Trading Economics.

The e-commerce market in the MENA region is particularly promising and represents the emerging trend in Saudi Arabia. Its growth is even one of the largest in the world according to an Ipsos survey conducted in 2018. The total value of the e-commerce market for consumer goods in the country was estimated at \$ 6.31 billion in 2020, a 28% increase over the previous year. For example, 64% of Saudis now report buying a product or service online every month. A behaviour strongly focused on their mobile phones with 51% of internet users making their purchases smartphones and barely 24% on a computer. This is mainly due to the predominance of a young and

connected population (86.8% of households have access to the internet) that seeks to save time and money, but also by the arrival in Saudi Arabia of new secure online payment methods. E-consumers are mainly men, aged from 25 to 44 years. The market's largest segment is Fashion with a projected market volume of US\$2,058m in 2020, then there are electronics & media and food & personal care. According to the survey of McKinsey & Company, more people expect to make a portion of their purchases online post-Covid-19 than before. It is common for these internet users to discover new brands and new places to shop thanks to online activity and online ads. The researchers highlighted the positive impact of social media on the development of companies located in the country, particularly in terms of communication with customers and business partners.

3.4. Internet and Ecommerce

Saudi Arabia, with its 33.6 million inhabitants, has the third largest population in the Middle East after Iran and Iraq. It also has the second largest internet user population that reaches 24.1 million (Internet World Stats), with a penetration rate well above the regional average at 72% (as opposed to 57.8%). Moreover, Saudi internet users account for 16.4% of total digitally connected populations in the Middle East. Internet penetration growth is expected to grow at a rate of 6.9% to 73.5% by 2022. Saudi Arabia has a high smartphone penetration rate (65.2%), which is nonetheless behind regional leaders such as the UAE (78%) and Israel (74%). Smartphone penetration is forecast to grow only slightly in the four next years to 66.7% (Eshop World). As far as search engines are concerned, Google dominates the industry with a 97.1% market share, followed by Bing at 1.3% and Yahoo at 1.19% (Statcounter).

E-commerce market: The Saudi e-commerce market has enjoyed steady growth in recent years, with turnover increasing by 11% on average, according to the Ecommerce Foundation. Total e-commerce revenue across all product categories was US\$ 6.13 billion in 2017, and is expected to grow to US\$ 9.41 billion by 2021, according to Statista. The market, with its 12.94 million users (50% of all internet users), is one of the largest across the MENA region and is expected to continue its growth in the upcoming years, albeit at a slower rate than the global average (12.5% as opposed to 24.8% worldwide). 6.34 million additional Internet users are expected to shop online, putting the number of e-shoppers at 19.28 million by 2022 (accounting for 54% of total population). With such a growth rate both in turnover and number of online shoppers, Saudi Arabia is expected to surpass the United Arab Emirates as the top e-commerce market in the Middle East. While Saudi Arabia ranks 46th on UNCTAD E-commerce Index worldwide, it has the third highest score in the Middle East after the UAE and Israel. Cross-border trade is significant, especially within the regional context, with UAE-based websites leading international shipments to Saudi Arabia. 65% of all online purchases were made from websites based in Gulf Cooperation Council countries and Noon.com, based in the UAE but owned 50% by Saudi Arabia Public Investment Fund, launched a local version of its website in Saudi Arabia at the end of 2017 and is expected to contribute to the share of domestic online shopping. Souq.com (which was recently purchased by Amazon), as well as Amazon Global and Aliexpress are among the most visited

e-commerce websites in Saudi Arabia. The market is dominated by big retail groups, as only 5% of SMEs use e-commerce in addition to traditional sales mediums, according to the Saudi Communications and Information Technology Commission.

E-commerce sales and customers: Unlike Emirati e-commerce, with which the Saudi e-commerce shares many similarities, fashion products lead online sales in Saudi Arabia. In 2017, total revenue generated by the fashion industry stood at US\$ 1.91 billion, followed by electronics & media at US\$ 1.85 billion. The online fashion market is expected to grow at an average of 20% between 2018 and 2021 and continue to lead the e-commerce market with an estimated value of US\$ 3.08 billion by 2021, while the electronics & media category is set to maintain a slower growth rate and reach US\$ 2.66 billion in the same year. The footwear segment is forecast to have the highest growth within the fashion market during this period (average annual growth of 28.3%). Saudi online shoppers are rather frequent buyers, as 23% of e-commerce customers purchase a product at least once every two weeks, while only 3% buy less frequently than every six months, according to the Saudi Communications and Information Technology Commission. Overall, 19% of male and 27% female Internet users are considered 'heavy buyers', purchasing online at least once every two weeks. That rate is particularly significant among those under 30, as 29% of all internet users in that age group shop online at least once every two weeks. As far as product categories are concerned, games, consoles, music, film, event tickets and travel services are purchased mostly online. The average Saudi consumer spends US\$ 618 online, an amount which is expected to grow only slightly to US\$ 642 by 2020. In fact, online purchases were reported to drop by 13% in the last four years, according to the Ecommerce Foundation. Saudi online shopping is also characterised by the prevalence of cash-on-delivery (comprising between 69% and 85% of online orders according to various estimates), while e-wallets such as PayPal, Amazon Payments and Google Wallet account for 24% of all purchases.

Social media: Saudi Internet users are active on social media and spend on average 2 hours 55 minutes per day (behind the UAE and Israel that lead social media consumption in the region). Saudi Arabia has a total of nearly 19 million social media users (59% of total population and 79% of internet users) and 16 million of them also access their social media accounts via mobile (Hootsuite Survey 2017). Almost all social media users are reported to have a Facebook account (nearly 19 million) and 45% of them access the platform daily. As in most other GCC countries, WhatsApp is used by a large amount of internet users (88% of total - 21.2 million people). Twitter and Snapchat register their highest usage rates in Saudi Arabia across the MENA region, with 40% and 45% of social media consumers using these platforms. Twitter with 7.6 million users and Snapchat with 8.5 million. Despite decreasing popularity, the Japanese-owned Line is used by 20% of Internet users (4.8 million people), the highest rate by far in the Middle East, according to MidEast Media Survey 2017. Saudi social media users are among the most engaged ones in Arab countries, with 90% of all users

posting messages or comments on social media and 88% via direct and instant messaging (second highest rate after the UAE).

4. International Trade

4.1. Trade partnerships

Trade Agreements: Saudi Arabia is a founding member of the Organisation of the Petroleum Exporting Countries (OPEC). As a member of the GCC, Saudi Arabia is party to a number of free-trade agreements (FTAs) and FTA negotiations conducted by the economic bloc. The GCC has signed FTAs with Singapore and the European Free-Trade Association. Saudi Arabia is also member of the Greater Arab Free-Trade Area (GAFTA). Some of the trading partners of Saudi Arabia include USA, China, Japan, South Korea and Germany.

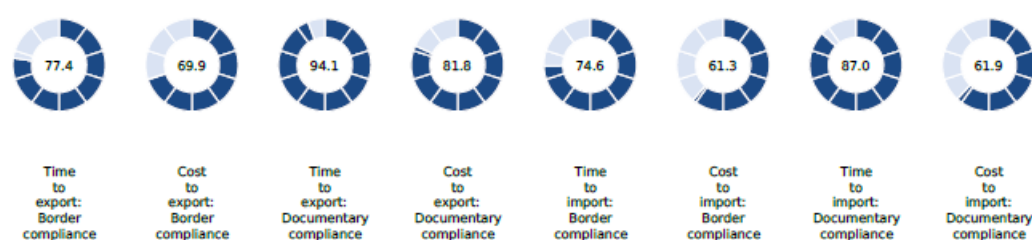
4.2. Trading Across Borders

Table 7: Trading across borders, Saudi Arabia (Doing Business 2020)

Trading across Borders - Saudi Arabia

Indicator	Saudi Arabia	Middle East & North Africa	OECD high income	Best Regulatory Performance
Time to export: Border compliance (hours)	37	52.5	12.7	1 (19 Economies)
Cost to export: Border compliance (USD)	319	441.8	136.8	0 (19 Economies)
Time to export: Documentary compliance (hours)	11	66.4	2.3	1 (26 Economies)
Cost to export: Documentary compliance (USD)	73	240.7	33.4	0 (20 Economies)
Time to import: Border compliance (hours)	72	94.2	8.5	1 (25 Economies)
Cost to import: Border compliance (USD)	464	512.5	98.1	0 (28 Economies)
Time to import: Documentary compliance (hours)	32	72.5	3.4	1 (30 Economies)
Cost to import: Documentary compliance (USD)	267	262.6	23.5	0 (30 Economies)

Figure - Trading across Borders in Saudi Arabia - Score



Graph 5: Trading across borders, Saudi Arabia and Comparator Economies (Doing Business 2020)

Figure - Trading across Borders in Saudi Arabia and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of trading across borders is determined by sorting their scores for trading across borders. These scores are the simple average of the scores for the time and cost for documentary compliance and border compliance to export and import.

Graph 6: Trading across borders, Saudi Arabia – Time and Cost (Doing Business 2020)

Figure - Trading across Borders in Saudi Arabia - Time and Cost

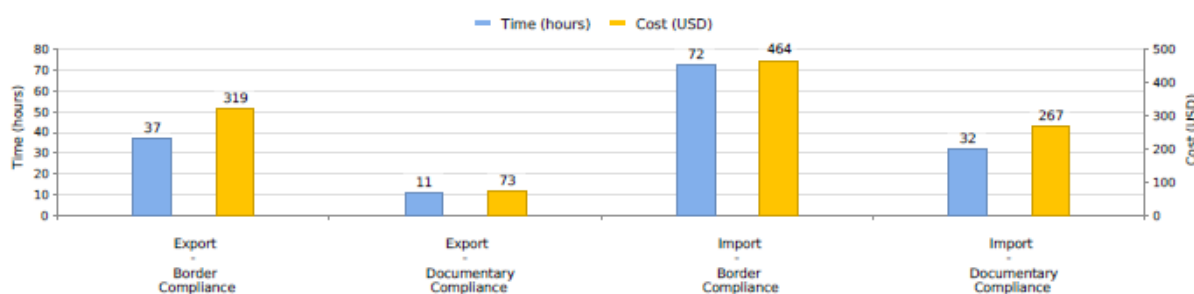


Table 8: Trading across borders, Saudi Arabia– Trade Documents (Doing Business 2020)

Details - Trading across Borders in Saudi Arabia - Trade Documents

Export	Import
Bill of lading	Bill of lading
Commercial invoice	Commercial invoice
Customs declaration	Customs declaration
Packing list	Packing list
SOLAS certificate	Delivery Order
	Certificate of conformity
	SOLAS certificate

4.3. Trade Standards

Standards: Saudi Arabia adheres to standards developed both domestically by SASO and by the GSO, an umbrella group serving the six countries of the Gulf Cooperation Council. While the GSO continues to push for standards harmonization

across the Gulf, SASO maintains significant authority in developing, elaborating on, and enforcing standards for Saudi Arabia specifically.

Over the course of 2016, Saudi Arabia continued to revise technical regulations for a variety of products based solely on standards developed by the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC), marking a shift from the Kingdom's longstanding reliance on standards developed by U.S.-domiciled standards development organizations (SDOs)

SASO has published over 20,500 standards and is actively pursuing the promulgation of hundreds of new standards currently in various stages of development. SASO has shown increasing reluctance in recognizing standards developed by U.S. SDOs, which are international standards. It would be prudent for U.S. companies to consider this matter seriously in planning to do business in Saudi Arabia. There may be many cases where procurement agencies will insist on purchasing and placing orders from firms whose manufacturing processes are in compliance with ISO 9000 or an equivalent quality management system. Saudi Arabia's residential electric power system of 127/220 volts, 60 hertz, is unique and has caused export problems for many American firms. However, SASO will accept electrical products as low as 120 volts, 60 hertz. The SAG is moving to make 220 volts the only accepted standard.

Trade Barriers: As a member of the World Trade Organization (WTO), the Saudi Arabian government (SAG) has taken positive steps to become a more open, transparent, and predictable market; however, it has regressed in several key areas as well. In January 2018, the SAG implemented a VAT at a rate of five percent, in addition to the excise taxes implemented in June 2017 on cigarettes (at a rate of 100 percent), carbonated drinks (at a rate of 50 percent), and energy drinks (at a rate of 100 percent). Over the past year, certain U.S. pharmaceutical companies have alleged that the SAG violated their intellectual property rights and the confidentiality of their trade data in licensing local firms to produce competing pharmaceuticals. The use of unlicensed U.S. software, including on SAG computer systems, has continued unabated.

Import Tariffs: Saudi Arabia uses the Harmonized Commodity Description and Coding System for tariff classification purposes. As a member of the Gulf Cooperation Council (GCC), it applies the GCC common external tariff of 5 percent to be levied on most goods imported from countries outside the GCC.

Goods that compete with those produced domestically are dutiable at rates of 12 percent or 20 percent, depending on the industry. Certain textile imports are among the products on which the 12 percent rate applies. Dates are dutiable at 40 percent. Cigarettes and other tobacco products are dutiable at 100 percent.

Certain goods are exempt from the common external tariff. For instance, goods manufactured within the GCC states are exempt from any duties as they are transported within the union. There are also a limited number of GCC-approved

country-specific exceptions. Saudi Arabia's exceptions include 758 products that may be imported duty-free, including aircraft and most livestock.

Import Tariffs on Food/Agricultural Products: Most of food products are subject to a 5 percent import duty. Selected processed food products, however, are assessed higher import duties. In order to protect local food processors and production from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products. As a rule, a maximum import tariff rate of 40 percent ad-valorem is applied when local production of a food or agricultural product exceeds a self-sufficiency level.

Currently, a 40 percent import duty rate applies to fresh, dried/processed dates and 25 percent on wheat flour. Poultry imports face a mixed tariff; 20 percent or SAR 1.00 (USD0.267) per kilogram, whichever is higher.

Imports of rice, baby milk and animal feed (soybean meal, feed corn, barley, rice, sorghum, palm kernel meal, wheat bran, alfalfa, hay, sugarcane molasses, rice bran, and sunflower meal, oats, canola meal, fish meal, alfalfa pellets, soy bean hulls, sunflower hulls, and rice bran) are subsidized while coffee, tea and fresh red meat enter the country duty-free. Saudi Arabia has no tariff rate quota (TRQ) requirement.

In April 2017, the country began levying a 50 percent excise tax on soft drinks and a 100 percent tax on cigarettes, tobacco products, and energy drinks.

Import Requirements & Documentation: Under its World Trade Organization (WTO) obligations, Saudi Arabia has committed to implement a transparent and predictable import licensing system. The Government of Saudi Arabia requires that local chambers of commerce around the United States perform the authentication of shipping documents. The following documents are required for exporting goods to Saudi Arabia:

Original certificate of origin legalized by the chamber of commerce of the exporting country;

Original commercial invoice (in triplicate) invoice attested by the agency responsible for trade in the exporting country and which must state the country of origin, name of the carrier, brand and quantity of goods, and description of the goods including weight and value;

- Irremovable label showing the country of origin affixed on the commodity;
- A clean bill of lading or airway bill;
- Documents indicating compliance with health regulations, if applicable;
- Insurance documents, if shipments are sent CIF;
- Packing list; and
- Certificate of conformity with applicable Saudi standards, if available.
- The original documents must be accompanied by an Arabic translation of a radiation certificate, if applicable.

Saudi exporters must submit a copy of their commercial registration, which indicates they can export. They are also required to submit a certificate of origin of Saudi products (issued by the Ministry of Commerce and Investment).

Certain items such as antiques, Arabian horses, livestock, or subsidized items need special approval to export, e.g., feed additives require a Certificate of Analysis that needs to be authenticated.

Foodstuff validity period together with ingredients should be labeled in Arabic in accordance with the Saudi or GCC specifications.

Register medical preparations at the Ministry of Health (especially medicaments and herbs).

Exports of oil, petroleum products, natural gas and wheat all require export licenses.

Saudi Arabia has removed its export ban on all scrap metals and will not apply export duties on these products.

4.4. Imports - Exports

Saudi Arabia is the 23rd largest exporter of goods and the 31st largest import market in the world. Foreign trade represents 62% of its GDP (2020). Petroleum products represent a large majority of exports (77% of total exports in 2019), followed by petrochemical products (propylene, ethylene, etc.) (around 14% of total). Machinery and electrical equipment account for the largest share of imports, followed by automobile, followed by chemical and metal products. Exports were anticipated to decline by 10.8% in volume in 2020 whereas imports were projected to fall 16% as Covid-19 weighed on global trade dynamics.

Saudi Arabia's main export partners are China, India, Japan, South Korea and the UAE. Its main import partners are China, the United States, UAE, Germany and Japan. In order to promote international trade, attract foreign investment and diversify the non-oil sectors, the government announced plans to establish four 'economic cities' in different regions of the country.

The country's trade balance, although structurally in surplus, fluctuates depending on the price of oil and global demand. In 2019, exports fell once again from their peak in 2018 as global oil prices tumbled during the period whereas imports reached their highest since 2015. This brought the trade surplus down to USD 129 billion in 2019 from USD 168.7 billion a year earlier, but above levels seen in 2015-17. The surplus narrowed at a faster rate in 2020 as oil prices dipped at the height of the pandemic in the spring. In January-November 2020, the surplus fell to SAR 145 billion (USD 39 billion), according to Saudi General Authority for Statistics.

Table 9: Foreign Trade Values, Saudi Arabia

Foreign Trade Values	2015	2016	2017	2018	2019
Imports of Goods (million USD)	172,252	139,390	134,519	137,065	153,163
Exports of Goods	201,739	174,919	221,835	294,373	261,603

(million USD)					
Imports of Services (million USD)	56,520	71,159	54,305	55,031	51,569
Exports of Services (million USD)	13,807	15,958	17,447	18,974	23,468

Source: World Trade Organisation (WTO)

Table 10: Foreign Trade Indicators Saudi Arabia

Foreign Trade Indicators	2016	2017	2018	2019	2020
Foreign Trade (in % of GDP)	61.9	64.2	66.7	63.7	50.6
Trade Balance (million USD)	55,764	98,461	168,749	121,336	55,476
Trade Balance (Including Service) (million USD)	2,750	38,018	105,327	66,919	12,377
Imports of Goods and Services (Annual % Change)	-18.2	0.3	2.6	9.6	-25.2
Exports of Goods and Services (Annual % Change)	8.0	-3.1	7.2	-5.0	-10.8
Imports of Goods and Services (in % of GDP)	30.7	29.3	26.6	27.6	24.3
Exports of Goods and Services (in % of GDP)	31.1	34.9	40.0	36.0	26.3

Source: World Trade Organisation (WTO)

Table 11: Foreign Trade Forecasts, Saudi Arabia

Foreign Trade Forecasts	2020	2021 (e)	2022 (e)	2023 (e)	2024 (e)
Volume of exports of goods and services (Annual % change)	-15.6	15.1	4.4	2.0	2.3
Volume of imports of goods and services (Annual % change)	-23.3	16.6	3.2	3.0	1.3
Foreign Trade Forecasts	2020	2021 (e)	2022 (e)	2023 (e)	2024 (e)

Source: World Trade Organisation (WTO)

4.5. Greece – Saudi Arabia Trade Relations

Bilateral trade between Greece and Saudi Arabia amounted to € 840 million. Greek imports from Saudi Arabia amounted to € 543 million during 2020, according to Eurostat.

Table 12: Value of Greek Imports from Saudi Arabia 2019 (Eurostat, 2021)

IMPORTS - Value in Euro (€)	2019	2020
Food and Live Animals	17.160	28.276
Beverages and Tobacco	5.222	4.156
Crude Materials, Inedible, Except fuels	37.628.587	31.739.811
Mineral Fuels, Lubricants and Related Materials	723.276.263	402.092.417
Animal and Vegetable, Oils, Fats and Waxes	0	12.559
Chemical and Related Products, N.E.S.	124.201.351	107.348.662
Manufactured Goods Classified Chiefly by Material	4.547.054	1.790.318
Machinery and Transport Equipment	3.397.239	163.820
Miscellaneous Manufactured Articles	30.885	106.764
Commodities and Transactions not Classified Elsewhere in the SITC	40.894	26.701
Total	893.144.655	543.313.484

Greek exports to Saudi Arabia amounted to € 296 million during 2020, according to Eurostat.

Table 13: Value of Greek Exports to Saudi Arabia 2020, (Eurostat, 2021)

EXPORTS - Value in Euro (€)	2019	2020
Food and Live Animals	33.547.238	36.947.110
Beverages and Tobacco	378.970	612.491
Crude Materials, Inedible, Except fuels	12.815.667	11.856.796
Mineral Fuels, Lubricants and Related Materials	635.560.338	177.258.034
Animal and Vegetable, Oils, Fats and Waxes	1.185.848	914.011
Chemical and Related Products, N.E.S.	21.059.434	20.611.725
Manufactured Goods Classified Chiefly by Material	22.828.038	26.616.172
Machinery and Transport Equipment	9.789.393	9.896.534
Miscellaneous Manufactured Articles	10.762.385	12.119.834
Commodities and Transactions not Classified Elsewhere in the SITC	33.547.238	36.947.110
Total	747.927.311	296.832.707

4.6. Leading Sectors for Exporters

Saudi Arabia Industry Sectors: Oil and Gas: The Saudi Arabian government (SAG) 2020 budget projection released December 9 plans for total expenditures of about \$272 billion before declining to \$255 billion in 2022. Projected revenues for the year are \$222 billion, resulting in a \$50 billion deficit, or 6.4 percent of GDP. The government has budgeted for non-oil revenue to reach \$85 billion in 2020, about 2 percent greater than 2019's actual total. The government is budgeting oil revenue to reach a total of \$137 billion in 2020, down 14 percent year-on-year. If achieved, this will drop oil revenue as a percentage of overall budget revenue to 62 percent, a step toward reducing Saudi's dependence on oil revenue. The SAG does not release its oil-price budgeting assumptions, but analysts' estimates calculate an oil-price benchmark ranging from \$55-\$65. The budget projects overall revenues to increase to \$230 billion in 2022.

Saudi Arabia - Architecture, Engineering and Construction: The government of the Kingdom of Saudi Arabia's priorities are shaping trends in architecture and design in the Kingdom. The government continues to invest heavily in infrastructure development as it moves to diversify its economy and respond to the needs of a young, growing population seeking employment opportunities in a diversifying economy. Despite budget deficits and lower oil prices, Saudi Arabia's construction sector remains strong as the country builds the infrastructure necessary for its "new economy" model based on knowledge industries, local manufacturing and capacity building of the Saudi labor force.

Economic cities are the foundation of the country's strategy plan to diversify into new-generation economic sectors like healthcare, life sciences, automotive, information technology, logistics, alternative energy, and advanced manufacturing. These cities are massive construction projects that require urban planners, civil engineers and project management services. In addition to government initiatives, the market for architectural design is driven by regional competition and the status that bold and innovative designs confer status.

Saudi Arabia Healthcare: Healthcare remains a top priority for the SAG. In 2018 the government allocated \$39.2 billion for the Healthcare and Social Development sector, more than 10 percent over the 2017 figure. More than 22 percent of that budget will be spent on the initiatives of Saudi Vision 2030. The healthcare budget also stipulates the construction of 36 new hospitals (8,950 beds) two medical cities (2,350 beds) were expected to be completed by the end of 2018 but are still not completed. The Ministry is also expected to build an additional 18 hospitals with a bed capacity of 9,904 over the next two years.

In line with the government Vision 2030 and the 2020 National Transformation Plan (NTP), the Ministry of Health was expected to spend close to \$71 billion over a five-year period ending in 2020. Among the objectives of the NTP for the healthcare sector in 2020 are:

- To expand the role of the private sector from 25 to 35 percent of total healthcare expenditures;
- To increase the number of licensed medical facilities from 40 to 100;
- To increase the number of internationally accredited hospitals;
- To double the number of primary healthcare visits per capita from two to four;
- To decrease the percentage of smoking and obesity by two percent and one percent from baseline respectively;
- To double the percentage of patients receiving healthcare after critical care or long-term hospitalization within four weeks from release from the hospital from 25 to 50 percent
- To focus on improving the quality of preventive and therapeutic healthcare services; and,
- To increase the focus on digital healthcare innovations.

Saudi Arabia Agriculture: Even though the agriculture sector of Saudi Arabia face many challenges, the country has the largest dynamic agricultural projects in the Middle East related to date palm, poultry, dairy and aquaculture.

Saudi Arabia is well known as a net food importing country, however the country sustain self-sufficiency and even produce surplus food products: Fresh milk 122%, table eggs 115%, dates 115% and vegetables 70%. Agriculture sector provide 30% of the total food available for consumption. This sector contributes 53 billion SR annually to the GDP (estimated at 3.4% of non-oil GDP). Modern technologies are widely adopted by many large scale agricultural activities. The government consistently supports the agricultural sector in compliance with WTO commitments. Top agriculture exports of Saudi Arabia are vegetables (cauliflower & broccoli, cabbage & brassicas, egg plants, cucumbers and pumpkins), dairy & poultry Products (cheese & fresh cream, Buttermilk, fresh milk, skimmed, dried, condensed & evaporated milk) and fruits (dates, figs, grapes).

Saudi Arabia - Pharma and Biosciences: The Kingdom of Saudi Arabia accounts for 59.4 percent of the purchases of pharmaceutical products in the Gulf region. The market was estimated at \$5.75 billion in 2017 and poised to grow at CAGR 6.7 percent, expected to reach \$8.46 billion by 2023, according to a report published by Precision Business Insights.

Saudi Arabia's Vision 2030 and the NTP's priorities for job creation and economic diversification provided a strong incentive for both the private and public sector to develop the life sciences industry in general, and pharmaceuticals in particular. Currently, only 30 percent of pharmaceutical products are manufactured locally. Major factors affecting the pharmaceutical market are the Kingdom's growing population, the increase in per capita spending on healthcare services, and the propensity to prefer research-based products as opposed to purchase more expensive patented products. However, in recent years, the SAG's efforts to curb pharmaceutical expenditures and promote local manufacturing resulted in a fast and growing generics market. European, U.S., and Indian companies already have established production facilities -- especially, at the King Abdullah Economic Industrial Valley -- producing a full range of products including antibiotics, diabetic treatments, cardiovascular drugs, and anticoagulants. Opportunities abound for

additional manufacturers to establish a presence in the Kingdom, especially in vaccines, APIs, injectables, and biologics.

Saudi Arabia - Mining and Minerals: Saudi Arabia's mining sector continues to expand and provides a growing opportunity for foreign companies. The government plans to make mining the third pillar of the economy, alongside oil and downstream petrochemical production. In March 2018, former Saudi Energy Minister Khalid Al-Falih announced that the Kingdom has \$1.3 trillion worth of mining resources and aims to quadruple the size of its mining, renewables and logistics sectors. The Ministry of Energy, Industry and Mineral Resources (MEIMR) seeks to increase mining's contribution to GDP from \$3 billion (over the last five years) \$64 billion by 2030 and generate more than 25,000 new jobs in the industry.

Recent changes in Saudi Arabia's mining laws have created conditions which allow greater access for foreign investment in the Kingdom's mining sector. The new laws allow for companies to work either with Saudi's parastatal Saudi Arabian Mining Company (Ma'aden) or through joint ventures with local companies. Furthermore, there are sizable domestic, regional and neighboring markets in the Middle East and Asia for high grade, industrial raw materials from Saudi Arabia.

Ma'aden continues to grow at brisk pace and has more than tripled its net income from 2017 to 2018. Furthermore, Ma'aden's first international acquisition of Mauritius-based Meridien is expected to close in the third quarter of 2019.

Saudi Arabia offers medium risks to investors with a quality transportation network, low utilities costs, low crime rates, and limited employment costs due to the lack of an official minimum wage. However, incoming businesses face significant labor market risks due to a small domestic labor force with basic numeracy and literacy skills, a lack of female workers and rising government focus on creating more jobs for Saudi citizens, which restricts the number of skilled foreign laborers.

Saudi Arabia Power: The Saudi Arabian electricity generation, transmission, distribution and smart-grid power sector continues on a growth curve and is racing to keep up with growing electricity demand. Domestic consumption rose at rate of 2.5 percent through 2017 and declined slightly to 2 percent in 2018. Saudi Arabia currently relies on liquid petroleum for approximately 60 percent of its electricity generation feed stock requirements. To reduce consumption of oil in the generation of power, Saudi Arabia is eager to upgrade its entire power generation, distribution, and transmission sector. Apart from increasing its non-oil generation capacity, the Kingdom is looking to replace its outdated transmission and distribution infrastructure (D&T), implement smart-grid technology, and promote international grid connectivity.

Saudi Arabia faces an enormous task in expanding its power-generation capacity. It is estimated that the Kingdom needs to increase power-generation capacity from 82GW in 2018 to 160GW in 2040. This translates into installing 5GW in capacity and distribution infrastructure each year through 2020. To achieve this, the government is looking to make a yearly investment of approximately \$5 billion in generation and \$4 billion in distribution (D&T). Moreover, Saudi Arabia intends to privatize all electricity generation by 2025. The newly privatized power-generation companies are expected

to need substantial investment to increase efficiency, meet environmental standards, and replace aging power plants.

Saudi Arabia Transport & Logistics: The Vision 2030 transformation program is based upon growing inward investment to stimulate and diversify the economy and transform the Kingdom into a global hub connecting Asia, Europe and Africa. Its geographical competitive advantage based on accessibility to major emerging markets and important marine passages will play a key role in this transformation. The transportation and logistics sector is large and strongly supported by state-led investment in rail, maritime, road, airport and logistics infrastructure. Economic growth, population maturation and rapid urbanization are all factors driving Saudi Arabia to invest in the expansion of its transportation networks. This includes the introduction of urban transport systems such as metros and buses, as well as inter-urban networks such as freight and high-speed railways, by working closely with leading global logistics companies via public-private partnerships (PPP). One aspect of the new approach is the increased promotion of special economic zones in parts of the country, creating industrial clusters with multi-modal freight links to a range of international destinations.

The Saudi Arabian government (SAG) is committed to developing the sector and has set aside considerable capital for expansion plans. The SAG 2019 budget includes a 28 percent increase in planned government expenditure on infrastructure and transportation, an increase from \$14.6 billion to \$18.6 billion.

Saudi Arabia's goal is to strengthen the private sector's role in transportation as it pushes to diversify its economy. Vision 2030 aims to make the Ministry of Transport projects 20% self-financed, creating a significant scope for private participation in ports, airports, rail, and road infrastructure.

Private entities are being encouraged to collaborate with the government as it develops the Kingdom's transportation infrastructure. Partnerships for operating seaports, airports, and their related supply chains are in demand. Public-private partnerships (PPP) are being pursued to fund several key schemes, while several of the country's publicly operated transportation facilities are preparing for full privatization. Under the Saudi Foreign Investment Law, foreign investors can now own 100% of businesses after obtaining a license from the Saudi Arabian General Investment Authority (SAGIA) and can then bid in PPP projects directly or through a local consortium. A draft law covering partnership between the government and the private sector is under discussion to attract fresh foreign investments. By 2020, the target is for private sector companies to be involved in the development and operation of at least 5 percent of roads, 50 percent of railroads and 70 percent of ports.

Saudi Arabia Information and Communication Technology: With over 27 million consumers and a sizable number of global enterprises, Saudi Arabia is the largest Information and Communications Technology (ICT) market in the Middle East. The Saudi Arabian telecommunications and information technology industries represent more than 55 percent and 51 percent, respectively, of the total Middle East market.

The ICT strategy of the Ministry of Communications and Information Technology 2019-23 is targeting a goal of 50 percent growth of the IT sector and raising the Saudi IT workforce to 50 percent by 2023. It also aims to attract foreign investments and support empowerment and more participation of women in the sector. The strategy is part of the Government's efforts to establish a robust and cutting-edge digital architecture so digital transformation accelerates and supports the Vision 2030 goal of promoting the sector's role to build a digital society, a digital government, a thriving digital economy, and innovation. E-commerce, digital education, digital health, industry for smart cities, national data, and e-government are the major beneficiary sectors of the ICT Strategy.

The Kingdom is said to be investing \$1 billion to support the artificial intelligence sector while focusing on startups, research and development, and the development of higher skills. Saudi Arabia's digital transformation continues to grow with reports showing that the Kingdom's ICT spending grew six percent in 2018 to \$36 billion and is predicted to finish in 2019 at the value of \$40 billion. This growth is led by Government, Telecom, Finance and Oil/Gas sectors. Aggressive IT projects to modernize the Saudi Arabian Government's (SAG) IT infrastructure, including an e-government initiative and the liberalization of the telecom industry, are increasing competition, service levels, and usage.

Because the Saudi society is young and growing rapidly, its consumer market is weighted heavily toward technologically literate early adopters. Arabization (digital content, software) activities show growth prospects due to this emerging market and the increasing supply of qualified software engineers coming available in the public and private sectors.

Rising personal wealth and the growing number of experts with commitment to achieving leadership in connectivity and information technology are the drivers of Saudi ICT growth. Saudi Arabia has embarked on a 20-year ICT plan that will support widespread technology and telecommunications adoption across its households and enterprises. A combination of deregulation and substantial public investments should create investment opportunities for the private sector.

5. Accessing to the local market

Saudi Arabia - Market Opportunities: Saudi Arabia's Vision 2030 and the National Transformation Program (NTP) suggest a paradigm shift from a public sector-driven economy to one driven by the private sector as the main engine for economic growth and job creation. This may present some areas of opportunity for foreign businesses and industry, including: workforce development; IT/big data/geospatial information systems; health care services; electricity generation (including renewables) and distribution/transmission; mining industry; entertainment, and tourism. Saudi Arabia has the Gulf Region's largest IT market, and the NTP outlines \$4 billion in ICT initiatives over the next five years. Important growth sectors include cyber security, smart grid, and command/control of major infrastructure utilizing geospatial IT systems.

Saudi Arabia's ambitious plans to expand and upgrade its infrastructure may offer major opportunities for foreign firms. In addition to both light and heavy rail, Saudi Arabia also seeks to expand intermodal connectivity between maritime, bus, rail, and air services. The SAG has pressed forward with key projects, including an ongoing \$27 billion metro project in Riyadh. The NTP outlines \$1.5 billion in transport initiatives over the next four years and sets a goal of increasing the number of cities benefiting from public transport projects from 11 to 16 by 2020.

Saudi Arabia's abundant oil and gas reserves have provided the kingdom with a comparative advantage in terms of energy costs while export revenues have helped fund the Kingdom's ambitious power-sector-capacity expansion plans. All the state-owned Saudi Electricity Company's (SEC) fuel for power generation is still supplied under long-term arrangements with Aramco, with the government intervening to set preferential prices. Saudi Arabia's need for increased electricity output will continue to underpin its position as the largest oil-consuming country in the Middle East and the sixth largest in the world, according to calculations by the International Energy Agency (IEA). Source: BMI Research.

The SEC has announced plans to privatize all its power stations but the privatization process has not yet begun. The SEC and the generation companies will be looking to boost generation capacity, replace outdated distribution infrastructure, implement smart grid technology, and promote international connectivity. To meet increased demand, the Kingdom must more than double its power generation capacity, supplemented by new investments in solar and wind projects, from 77GW in 2014, to 156GW by the year 2040. This translates into adding 5GW of capacity at a cost of \$5 billion annually during that period. Likewise, the government plans to invest \$4 billion annually to upgrade its distribution infrastructure. Over the long term, Saudi Arabia is expanding minerals mining and diversification of downstream petrochemicals in order to develop a strong manufacturing base for automobiles, electronics, and life-science technologies. The purpose is to create higher-paying technical jobs for Saudi nationals.

The Saudi healthcare market is expected to continue to provide opportunities for firms. The healthcare sector is expected to open further to public-private partnerships. Saudi Arabia is also facing increased demand for healthcare services to treat non-communicable diseases, such as cardiovascular disease and diabetes.

Saudi Mega Projects: Saudi Arabia is the Middle East's largest construction site. More than 80 mega projects, each worth at least \$1 billion, being built or planned for construction by 2030 create opportunities for architects and engineering firms: upgrades to airports including expansions of major airports in Riyadh and Jeddah; several major rail projects are in the pipeline; and contracts have yet to be awarded for the design of the Saudi Land Bridge that will connect ports on the Red Sea to ports in the Arabian (Persian) Gulf.

These Mega Projects include:

- Transportation Infrastructure (Saudi Land Bridge, King Fahad Causeway, airports expansion, rail projects)
- Economic Cities (Neom, Faisaliah)
- Housing/Residential Infrastructure (1.5 million new homes)
- Tourism and Entertainment (Red Sea Beach Tourism Project, Al-Qiddiya Entertainment City, Jeddah's Waterfront Corniche, Souq Okaz City, Ula city, cinemas, museums)
- Expected increase in hotel and hospitality project spending in both public and private sector (Two Holy Cities).

Using an agent: Foreign businesses do not need to appoint a commercial agent in order to operate in Saudi. Companies can sell direct to Saudi Arabian companies from outside the country. Nevertheless, appointing an agent or distributor is the most common means of breaking into the market. These relationships are regulated by the Ministry of Commerce and firms are allowed to have more than one agent on a regional basis. Agency agreements need to be agreed with the ministry. Virtually all government purchasing is done by means of local tenders and in most instances only Saudi- companies can bid, so this is one area where an agent is essential.

Like anywhere else, it is important to appoint the right agent and establish clearly which services this agent will provide. It is highly recommended meet up with any prospective agent at their premises before signing a deal, and that you seek experienced legal advice also. Chamber International can advise with these matters, and introduce you to suitable law firms on request.

There is a five per cent customs tariff on most exports to Saudi Arabia and also a "protective tariff" of 12 or 20 percent to protect local businesses in many cases. Typically, corporate taxes of 20% apply to foreign companies and, though there have been no personal taxes in the past, there are plans to introduce a VAT regime in 2018.

Establishing an office: The procedures to establish an office in Saudi Arabia differ according to the type of business undertaken. To open an office in Saudi Arabia, a foreign company must submit to the Ministry of Commerce and Investment a copy of its articles of association as incorporated in the country of origin; a copy of its commercial registration; a written approval by the board of directors of the company, its chief executive officer/president, or a similar entity related to their decision to open a subsidiary office; the name of the city where the office will be established; and the name of the subsidiary's manager. All the documents must be attested by the Saudi Embassy of the country. The most common and direct method is simply to appoint an agent/distributor who can set up the office under its own commercial registry. The agent/distributor agreement should be registered with the Ministry of Commerce and Investment. The Commercial Agency regulations govern the conduct of the agent/distributor.

Franchising: The franchise market in Saudi Arabia has witnessed remarkable growth in the past decade with many successful American, European and local franchise concepts taking root. Catching on the trend, many local Saudi franchise developers have managed to promote Saudi concepts with some of them having gone international. Franchising is perceived to be an ideal business model for small and medium-sized enterprises (SMEs) in Saudi Arabia.

Direct marketing: Direct marketing is not widely practiced in Saudi Arabia. Personal relations between vendors and customers play a more important role than in the West. Furthermore, many forms of direct marketing practiced in the United States are unacceptable due to Islamic precepts regarding gender segregation and privacy at home. Limitations in the Saudi postal system are also a constraint, though a new mail delivery system called Wasel delivers mail and parcels to residences. Direct marketing has been conducted on a very limited basis using unsolicited mail campaigns and fax, catalog sales (with local pick-up or delivery arranged), and commercials on satellite television providing consumers with a local telephone number to arrange delivery. Direct marketing through instant messaging is also gaining in popularity among franchisees and others to promote their products and increase sales.

Joint Ventures/Licensing: The one-member LLC may in the future become the investment vehicle of choice, given the relative simplicity and ease of registration and administration. LLCs can be owned 100 percent by foreign investors or have a mixed Saudi/foreign ownership. Joint-stock companies require authorization from both SAGIA and the Ministry of Commerce and Investment. In general, the provisions applicable to the administration of joint-stock companies are more detailed than those applicable to limited liability companies. The law requires the authorization of the Council of Ministers for the formation of any joint-stock companies for undertaking public sector projects that receive assistance from the State, in which public institutions participate, or for joint-stock companies engaged in banking business.

The Investors Service Center (ISC) at SAGIA oversees all matters related to foreign investor licensing and registration. The ISC was intended as a one-stop shop to assist foreign investors and minimize lengthy procedures, though its record in achieving this goal has been mixed. Foreign companies' profits are taxed at 20 percent of profits, and losses may generally be carried forward.

Selling to the Government: Foreign companies interested in operating in Saudi Arabia without a Saudi agent can open offices and appoint representatives to pursue business opportunities directly with various government agencies and departments. Foreign companies interested in bidding on a government project must make themselves known to that specific government agency/ministry offering the project. When a project becomes available, the government agency/ministry selects bidders from a list of prequalified/known companies and invites them to bid for that project.

The Saudi Government Contracting and Procurement Law states that all qualified companies and individuals will be given equal opportunities and will be treated

equally. The law also affirms that all government bids must be announced in the official gazette Umm al-Qoura (Arabic), in two local newspapers, as well as in electronic media. There is no central tender board in Saudi Arabia. Every government agency has its own full contracting authority. The Ministry of Finance operates a central government procurement portal where all government tenders are listed. The system was established, among other things, to standardize the government procurement process and procedures, promote fairness and transparency, and enable the sharing and exchange of data and information between the government and the private sector.

Foreign companies can provide services to the Saudi Arabian government (SAG) directly without a Saudi service agent, and can market their services to public entities through an office that has been granted temporary registration. Foreign suppliers to the SAG, if not already registered to do business in Saudi Arabia, are required to obtain a temporary registration from the Ministry of Commerce and Investment within 30 days of contract signing.

Most Saudi defense contracts are negotiated outside these regulations on a case-by-case basis. Contractors must subcontract 40 percent of the value of any government contract, including support services, to firms majority-owned by Saudi nationals. An exemption is granted where no Saudi-owned company can provide the goods and services necessary to fulfill the procurement requirement.

Distribution & Sale Channels: Saudi Arabia is the largest consumer market in the GGC countries. Despite the fall in oil prices, the market in Saudi Arabia has been continuing to enjoy a robust growth, due to its solid base of domestic consumers and growing youth population with high disposable income, the rising level of disposable income (higher than the global average), and high consumer confidence index. BMI research indicates that total household spending in the retail sector was estimated at \$293 billion in 2019. Population expansion and considerable purchasing power combine to have a positive impact on the Saudi retail sector, which is expected to reach \$350 billion in 2022.

The government has moved on in order not to rely solely on revenues from fuel as the global energy market dynamics is changing and demographics of the country is expected to enter the transition phase with an increasing number of working-age Saudi Arabians by 2030. One of the main characteristics of the retail market is the high demand for luxury products.

According to the most recent available figures from the General Authority for Statistics (GASTAT), Saudi nationals make up 48.4% of the retail workforce, with just under half of these employees, some 125,000, being women. This strong representation in the retail workforce helped take the overall Saudi female economic participation rate to 19.7% as of the end of September 2019.

There are three main commercially active regions in the Kingdom: the Western Region, with the city of Jeddah as the main commercial centre; the Central Region, including the capital Riyadh; and the Eastern Province, where the oil and gas industry is concentrated.

In terms of product category, food & beverages accounted for a nearly one-third market share in 2018 and the segment is anticipated to maintain its market dominance in the short-term.

Some of the major players operating in Saudi Arabia retail market are Panda Retail Co (Savola Group), Lulu Group International (EMKE Group), Abdullah Al Othaim Markets Co., Fawaz Abdulaziz AlHokair Co., Majid Al Futtaim Retail LLC, among others.

6. Business Culture and Communication

Business Customs: While modern Saudi Arabia has adopted numerous business methods and styles of the West, many cultural differences remain. Most important is that business will generally only be conducted after a degree of trust and familiarity has been established. Considerable time may be spent exchanging courtesies, and several visits may be needed to establish a business relationship. Business visitors should arrange their itineraries to allow for long meetings, as traditional Saudis often maintain an “open office” in which they will sign papers, take telephone calls and converse with friends or colleagues who drop by.

Many Saudi businessmen have been educated or have traveled extensively in the West and are sophisticated in dealing with Americans. For the most part, travelers can rely on Western manners and standards of politeness in dealing with business counterparts, with a few additional rules that may be observed. One should avoid sitting at any time with the sole of the foot pointed at the host or other guest. Unless one is on familiar terms with a Saudi, it may be discourteous to ask about a man’s wife or daughters; ask instead about his family.

Shoes are often removed before entering a Saudi living room (majlis). If you are invited to the home of a Saudi for a party or reception, a meal is normally served at the end of the evening, and guests will not linger long after finishing. Be observant and adapt your behavior to the customs of your host.

Dress is conservative for both men and women. Men should not wear shorts or tank tops, while women are advised to wear loose-fitting and concealing clothing with long skirts, elbow-length sleeves and modest necklines. There is strict gender separation in the Kingdom and restaurants maintain separate sections or single men and families. Saudi wives are often excluded from social gatherings or are entertained separately.

Tea and traditional Saudi coffee are usually offered. One to three cups of Saudi coffee should be taken for politeness, after which the cup may be wiggled between thumb and forefinger when returning it to the server to indicate that you do not need more.

In Saudi Arabia, business cards are common but not essential to business culture. They must be given by the right hand and should not be thrown to your interlocutors if you are across a large table. LinkedIn is an increasingly popular way to stay in touch in the region.

Meetings Management: As it is essential for Saudi Arabians to know and trust their partner, meetings are conducted at a leisurely pace, and the first meeting may consist entirely of small talk, which may include prolonged enquiries about your health, family, etc. You should wait to talk about your business until your business partner brings it up.

During the presentation, it is advised not to be dazzlingly technical. You should keep the formal part of the presentation brief, backed up with points and graphics. It is highly advisable to have your documents translated into Arabic and to use well-produced and slick material, as Saudi Arabians are very brand-conscious. Saudis are tough negotiators and demand patience, thus it is important not to rush the process.

Saudis often use body language and eye contact rather than direct words. Particular emphasis is placed on tone of voice, the use of silence, and facial cues. People make assumptions about what is not said. As silence is often used for contemplation, you should not feel obliged to speak during these periods. Some Saudis will decline an offer at least one time out of politeness.

Time Management: Saudi Arabians are generally polychronic, which means that they value time as flexible and fluid. They have a relaxed approach of punctuality, but never allow meetings to encroach on their time of prayer. Meeting times are usually set as times of day rather than fixed hours, for example in the morning, afternoon or evening. It is not uncommon to have a meeting cancelled at the last minute, and agendas and due dates are not strictly respected.

Greetings and Titles: You should greet each person individually with a handshake while standing at a reasonable distance and maintaining eye contact. You will notice that Saudi Arabians' conversational distance is quite similar to that of Latin Americans and Southern Europeans. It is fundamental to use the right hand for all public functions, as the left hand is considered dirty. You must address your Saudi Arabian counterparts with appropriate titles such as Doctor, Shaikh (chief), Mohandas (engineer), and Ustadh (professor), followed by his or her first name. Saudis generally prefer addressing their counterparts by their first names but it is advisable to wait until you are invited to do so.

Gift Policy: Gift giving is appreciated but is not necessary in a business setting. They are generally exchanged between close friends because they are seen as rather personal in nature. Gifts must be given with the right hand.

Visa Requirements: A valid, unexpired passport and a visa are required for entry into Saudi Arabia. On September 27, 2019 the Saudi government began issuing tourist visas to American citizens. American citizens may now apply for an "e-visa" online (<https://visa.visitsaudi.com>) prior to visiting the Kingdom, or at an airport upon arrival. Saudi e-visas are generally valid for one year; the maximum allowable stay during a visit is three months. The visa cost 440 Saudi riyals (\$117), including a health insurance fee. The tourists visiting the country will be obliged to follow the regulations that Saudi Arabia has mentioned on its travel website. Persons holding tourist visas are not authorized to work or study and will not be able to open bank

accounts or perform other bureaucratic procedures for which a residence permit (iqama) is required.

Language: The official language of Saudi Arabia is Arabic, but English is widely used in business and some signs and notices. Most road signs are in Arabic, while major highways and streets in major cities display road signs in both Arabic and English.

Currency: The Saudi Riyal (SAR) is fixed to the United States Dollar at an exchange rate of SAR 3.75 = \$ 1.00.

Telecommunications/Electronics

Telephone: Country code: 966.

A sophisticated telecommunications network and satellite, microwave and cable systems span the country.

Mobile Telephone: International roaming agreements exist with some mobile phone companies. Coverage is mostly good.

Internet: The Saudi Telecommunications Company (STC) and other telecommunication companies provide Internet facilities in most cities. E-mail can also be accessed from internet connections at many hotels and internet cafes. Access is blocked to many web sites featuring sensitive political, religious, and/or social content, or content that is deemed obscene and anti-Islamic. E-mail traffic may be monitored in certain cases.

Local Time, Business Hours: Saudi Arabia's time zone is UTC/GMT+03:00.

Saudi Arabia is a Muslim country that requires strict adherence to Islamic principles. Five times a day, Muslims are called to pray in the direction of the holy city Mecca. The prayer times are published in newspapers and come at dawn, noon, afternoon, sunset and evening. Stores and restaurants close for approximately 30 minutes at these times. When staging promotional events or product demonstrations, one must anticipate these prayer breaks.

Business hours vary in different parts of the country. Saudi companies usually close for two to four hours in the afternoon and remain open throughout the early evening. Retail stores close for the noon prayer and reopen around 4:00 P.M., often staying open until late in the evening.

The Saudi working week begins on Sunday and ends on Thursday. Friday and Saturday are the official days of rest, but in certain cases Saturday might be considered as a working day. Office hours tend to be from 9:00 a.m. to 1:00 p.m. and from 4:30 p.m. to 8:00 p.m. (from 8:00 p.m. to 1:00 a.m. during Ramadan), with some regional variation. The normal workweek runs from Sunday through Thursday. Friday is the Muslim weekly holy day.

Transportation: The business centers of Riyadh, Jeddah, and Dammam/Al-Khobar/Dhahran have international airports served by a variety of international

airlines. Domestic air service is provided by national carrier, Saudi Arabian Airlines, and one private, low-cost airline, NAS Air. Women are now allowed to drive in Saudi Arabia. Short-term visitors may drive on their U.S. driver's license. American men and women employed in Saudi Arabia should obtain a local driver's license with the Department of Traffic Police.

Traffic accidents are a significant hazard in Saudi Arabia. Driving habits are generally poor, and accidents involving vehicles driven by minors are not uncommon. In the event of a traffic accident resulting in personal injury, all persons involved (if not in the hospital) may be taken to the local police station. Drivers are likely to be held for several days until responsibility is determined and any reparations paid.

7. Useful contacts

Embassy in Riyadh

Address : P.O. Box 94375 , Riyadh 11693, Saudi Arabia

Tel. : (0096611) 4801974-5 4807626

Fax : (0096611) 4801969

Emergency tel: 0506090207 (No Viza informations)

E-mail : gremb.ria@mfa.gr

Web Site: www.mfa.gr/saudi-arabia

[Map - Driving Directions](#)

Head of Mission : Alexis Konstantopoulos

Consular Office

Address : P.O. Box 94375 , Riyadh 11693, Saudi Arabia

Tel.: (0096611) 4801974, -5 ext. 113

Fax: (0096611) 4807092

E-mail: grcon.ria@mfa.gr

Web Site: www.mfa.gr/saudi-arabia

[Map - Driving Directions](#)

Head: Jason Nicholas Caranicas

Consulate General in Jeddah

Address : 26 Nour El Hayat, Plot 187, Al Andalus District, P.O Box 5108, Jeddah 21422 KSA

Tel. : (0096612) 6674064, 6674088

Fax : (0096612) 6656228

Emergency Tel: 00966544821840

E-mail : grgencon.jed@mfa.gr

Web Site: www.mfa.gr/jeddah

GR Consulate General Map:

[Show on Google maps](#)

[Show on Bing Maps](#)

Consul General : Michael Votsi

Commercial Section in Jeddah

Address : 26 Nour El Hayat, Al Andalus, Jeddah 21422

Tel.: 00966 12 6690824

Fax: 00966 12 6656228

E-mail : ecocom-jeddah@mfa.gr

Web Site: <http://www.agora.mfa.gr/en/offices-of-economic-and-commercial-affairs>

Head of Commercial Office: Alexandros Oikonomou

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- World bank

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