

# Doing Business in the Saudi Arabian Market



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# Saudi-Arabian Economy

## ► Exports

### ► Oil

- 80% of the state budget revenues
- 17% of global oil production
- leading role in the Organization of the Petroleum Exporting Countries (OPEC)

### ► Petrochemicals

### ► Natural gas

# New Opportunities

- ▶ **Aim:** political diversity and rehabilitation of the economy from oil and natural gas to reduce unemployment
- ▶ Sectors
  - ▶ energy and alternative energy
  - ▶ telecommunications and information technology
  - ▶ the extraction and export of natural gas
  - ▶ petrochemicals

- ▶ 6 million foreigners in the private sector
  - ▶ Sectors: services and oil
- ▶ **Reason:**
  - ▶ Foreigners have the necessary experience and knowledge
- ▶ **Problem:**
  - ▶ lack of adequate education and qualifications the main obstacles to recruiting Saudis

# Why invest and do business in Saudi Arabia

- ▶ Not so much affected by the recent financial and economic crisis
- ▶ Stable Economy
- ▶ Developmental course and gradual independence from oil exports, gas and petrochemicals
- ▶ Stable currency
- ▶ operation of a modern banking system
- ▶ relatively liberal tax system
- ▶ **Largest free market in the Middle East and North Africa**

# Entry in Saudi Arabia

- ▶ Visa necessary
  - ▶ Exception: GCC Countries
  - ▶ Women:
    - ▶ Refusal to women who are not accompanied by a first degree relative
    - ▶ Over 40 years old and married, the visa is granted more comfortably
  - ▶ Business visa to those:
    - ▶ Have a proven business in the country

# Import requirements

- ▶ List of necessary documents
  - ▶ for more details:
    - ▶ website of the Saudi Ministry of Commerce or information ([www.mci.gov.sa](http://www.mci.gov.sa))
- ▶ importation is not allowed in several products among these are
  - ▶ alcohol and alcoholic beverages
  - ▶ pork
- ▶ To avoid various problems it would be of interest for Greek businessmen and exporters to contact the Office of Economic and Commercial Affairs Jeddah for further information

# Patents - Trademarks - Intellectual Property Rights

- ▶ Single Harmonized Tariff and Codification System (H.S.) and Unified Product Description System
- ▶ Official website of the Saudi Customs (Saudi Customs Office) [www.customs.gov.sa](http://www.customs.gov.sa)
- ▶ The Saudi Agency for Foreign Investments (Saudi Arabian General Investment Authority - SAGIA - [www.sagia.gov.sa](http://www.sagia.gov.sa)) has all relevant information



- ▶ The Saudi Agency for Foreign Investments (Saudi Arabian General Investment Authority - SAGIA - [www.sagia.gov.sa](http://www.sagia.gov.sa)) has all relevant information necessary for investing in one of the sectors
- ▶ The Saudi Ministry of Commerce (Saudi Ministry of Commerce) has all the powers on providing protection for trade marks as well as all the information on what signals are protected and what not ([www.mci.gov.sa](http://www.mci.gov.sa))

# Cooperation with local agents

- ▶ No requirement for foreign companies to find local agent for doing business in the country
  - ▶ Cooperation recommended and more efficient method to promote a company's products in the Saudi Arabian market
  - ▶ Also for the opportunity to participate in a local international competition

# Food market

- ▶ The Hypermarkets and Supermarkets 1/3 of the market
  - ▶ projection increase in the next 5 years
- ▶ Modern large food retail complexes in large cities, urban and suburban areas.
  - ▶ Offer a wide variety of food and consumer products as well as entertainment and leisure products
- ▶ The traditional food stores, both small and medium-sized is reducing as the number of modern retail centers grows
- ▶ Regional or neighborhood food stores (Mini-Markets) is in every neighborhood of large cities.
  - ▶ Prices are high
  - ▶ they offer important services and serve women

# VISION 2030 - SAUDI ECONOMY BEYOND OIL

## ► The Saudi Arabian Economy

► <b>20<sup>th</sup></b>	<b>5<sup>th</sup></b>	<b>17<sup>th</sup></b>	<b>29<sup>th</sup></b>
► Largest	Highest	Largest	Largest
► Economy	Growth (G20)	Exporter	Importer

- SAGIA 2018 - INVEST SAUDI
- Source: IFM World Bank Data 2016
- General Authority for Statistic

# **VISION 2030 – SAUDI ARABIA TODAY**

Young, large and growing demography

Rich cultural heritage

Central location between Europe, Asia and Africa

Bedrock of regional stability

Energy resources

Blessed with rich mineral resources

Global leader in Petrochemicals

# VISION 2030 KINGDOM OF SAUDI ARABIA - OUR VISION - PILLARS

**Saudi Arabia**  
**The heart of the Arab and**  
**Muslim World**

**An Investment**  
**powerhouse**

**A HUB**  
**connecting three continents**

# **VISION 2030 - The heart of the Muslim World**

**Umrah Visitors from 8 Million to 30 Million**

**Telecom & ICT  
Infrastructure  
Digital Content  
Energy  
Transportation  
Health Care  
Clean-Tech  
Retail  
Tourism & Hospitality**

# **VISION 2030 – An Investment Powerhouse**

**The main Arm of the Governmental Investment  
in Saudi Arabia**

**PUBLIC INVESTMENT FUND (PIF)**

**Launch Strategic Sectors**

**Increase effectiveness of the funds**

**The Largest Sovereign Wealth Fund Globally**

**PIF Assets**

**SAR 600 Billion to SAR 7 Trillion**



# **VISION 2030 - Connecting 3 Continents**

**A logistical Location**

**10% of World Trade passes by the Red Sea**

**Geographic Location enhances Global Trade  
Progress**

**Improving Governance and Easing Trade  
Movement**

**The upcoming Goal 1<sup>st</sup> in the GCC Countries  
Logistics Performance Index from 49 to 25**

# Saudi Economy 2017 - Key Figures for 2017 - Saudi Budget for 2017

- ▶ Saudi Arabia unveiled its much-anticipated budget for 2018, the first of its long-term plan to end the economy's dependence on oil. Here are some key figures
- ▶ **Spending**
- ▶ 890 billion riyals in 2018
- ▶ Spending in 2016 is estimated at 825 billion riyals, 1,8 percent below budget. Total expenditure expected by the end of 2016, including late due payments for previous years, is 930 billion riyals
- ▶ Military spending expected at 191 billion riyals in 2018 versus 205 billion in 2017
- ▶ 268 billion riyals on National Transformation Plan through 2020 of which 42 billion allocated in 2018

# Saudi Budget 2017 - Deficit

- ▶ 2017 Budget deficit projected at 7,7% of Gross Domestic Product or 198 billion riyals
- ▶ 2017 Budget deficit is expected to be 33% lower than 2016
- ▶ Deficit to be financed by issuing debt and drawing from reserves
- ▶ 2016 deficit estimated at 11,5% of GDP or 297 billion riyals, compared with expected 13%. Deficit was 362 billion riyals in 2015

# ➤ Saudi Budget 2017 - Revenue

692 billion riyals in 2017

- ▶ Revenue for 2016 estimated at 528 billion riyals, 2,7% above target
- ▶ “Realized returns from other sources”, led to revenue increase of 15 billion riyals over 2015, the budget document said, without giving details
- ▶ Oil revenue projected at 480 billion riyals versus 329 billion in 2016

# Saudi Budget 2017 - Non Oil Economy

- ▶ Non-Oil Revenues in 2017 expected to be 212 billion riyals, up from estimated 199 billion in 2016
- ▶ Non-Oil Revenues in 2016 were boosted by the growth in transfers from the Saudi Arabian Monetary Agency (SAMA) - 62.2 billion in 2015
- ▶ Government is focused on increasing non-oil revenues, expects it to account for 50% of total by 2020

# Saudi Budget 2017 - Oil Prices

- ▶ Government is “very optimistic” about oil-price recovery in 2018
- ▶ 2017 budget based on conservative oil-price assumptions, the Saudi Minister of Petroleum said
- ▶ The Saudi Kingdom to link fuel prices to global costs in 2017-2020

# Saudi Budget 2017 - Subsidies

- ▶ Government will launch cash-transfer program for low and middle income households. Citizen can register from February 2017 and program will start before energy increasing energy prices in 2018
- ▶ Cash-transfer program to cost 25 billion riyals in 2017, rising to 60 billion by 2020.
- ▶ Saudi Industries, mines, energy to get more government support in 2018

# Saudi Budget 2017 - Taxes

- ▶ “Selective taxes” on tobacco, soft and energy drinks to be imposed during 2018
- ▶ Government to introduce 5% value-added tax, since January 1<sup>st</sup> 2018
- ▶ Government has no plans to impose taxes on nationals and residents or to tax Saudi Companies
- ▶ **Government to introduce fees on foreign residents. 100 SAR for the foreigner himself plus 100 SAR for each member of his family. For the second year 200 SAR for every foreigner and each member of his family, 300 SAR for the third year and 400 SAR for the fourth year.**



# Saudi Budget 2017 - Debt and GDP

- ▶ **Public debt estimated at 12,3% of GDP in 2016.**
- ▶ **Debt service in 2016 estimated at 5,4 billion riyals, to increase to 9,3 billion in 2017**
- ▶ **Spending plan envisions “three scenarios”. “Base scenario” sees public debt at 419 billion riyals in 2020, while the “very conservative” scenario sees it at 737 billion. A third “convervative” scenario sees it at 590 billion.**
- ▶ **Public debt ceiling set at 30% by 2020**
- ▶ **Saudi GDP estimated to grow 1,4% in 2016. Oil Economy by 3,37%**
- ▶ **Public sector GDP growth seen to 0,51% in 2016. Private sector GDP growth at 0,11% in 2016.**