



**NEW ZEALAND**  
**FOREIGN AFFAIRS & TRADE**  
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# **Economic and Social Revolution in Saudi Arabia**

MARKET INTELLIGENCE REPORT

# Summary

- There is an economic and social revolution underway in Saudi Arabia. It is a remarkably different place to what it was five years ago, and a very different place to what is commonly understood or assumed by most New Zealanders even today. This report provides some broad context regarding the political, social and economic factors that can help us understand modern Saudi Arabia.
- Saudi Arabia is already an important export market for New Zealand (our 15th largest goods market in 2022), and will become more so as its economy diversifies and its young, and fast growing, population increasingly demand high quality international goods and services.

# Report

There is a revolution underway in Saudi Arabia. It is a remarkably different place to what it was five years ago, and a very different place to what is commonly understood or assumed in New Zealand.

Some things haven't changed:

- Saudi Arabia is still the home of Islam, including the two holiest sites for Muslims in Mecca and Medina.
- Saudi Arabia remains an absolute monarchy, where the King's word is law (acting as the final court of appeal and source of pardon). There is genuine love and respect for the royal family; the idea of democracy largely remains a foreign concept for most Saudi citizens.
- Traditional family and Islamic values remain central. Saudi Arabia is culturally a tribal society. Most people are deeply religious and conservative.
- Saudi Arabia still has vast oil reserves, with the lowest-cost of extraction in the world, and is determined to maximise the value of this resource.

But some things have changed dramatically:

- For the first time since the death of Saudi Arabia's founder King Abdulaziz Al-Saud, leadership has dropped down to the next generation. Mohammed bin Salman (MbS) was elevated to Crown Prince in 2017 and appointed Prime Minister in 2022. He is very young – today aged only 38 – and his rise has unleashed the interests of his generation (which make up over two thirds of Saudi Arabia's population of 35 million) for the first time.
- There is an acknowledgement (and acceptance) that the fossil fuel age is coming to an end. Saudi Arabia knows that economic diversification is critical, not just for the wellbeing of its people but also for the survival of its political system. Motivation is high.

In response to these shifts, there have been dramatic changes in Saudi Arabia in the last five years. [Vision 2030](#) is a Saudi Government program which outlines transformational economic and social development changes. Vision 2030 has many strands. It is headlined by a number of futuristic mega-projects like the Line at NEOM (a futuristic city powered by 100% renewable energy), some of which (to many eyes) do not look

particularly realistic or credible and have resulted in skepticism. In many respects, this skepticism misses the point – regardless of the eventual completion of all the mega-projects outlined in Vision 2030, the changes that it is driving amount to an economic and social revolution. These include the following:

## Massive investment to develop new sectors of the economy

**Tourism:** until 2020, it was not even possible to visit Saudi Arabia as a tourist – you had to be a religious pilgrim or businessperson. A mere few years later, it is possible to obtain a visitor’s visa in minutes online, with Saudi Arabia receiving 17 million foreign tourists in 2022. For 2023, tourism numbers are on track for 25 million with Saudi Arabia targeting 100 million by 2030. Domestic tourism has also exploded. With these numbers, there is a boom in associated developments in infrastructure, hospitality and services.

**Renewable energy:** Saudi Arabia is positioning itself to retain its strategic role as the world’s leading energy provider regardless of the transition away from fossil fuels. With vast tracts of empty, sunny land, Saudi Arabia has natural advantages for solar and wind generation and aims to have 50% of its electricity generated from renewable sources by 2030. In conjunction, Saudi Arabia is investing aggressively in hydrogen and construction is under way on the world’s largest green-hydrogen-based ammonia production facility.

**Food and beverage:** Saudi Arabia’s F&B market is valued at US\$45 billion, the largest in the Middle East and accounting for over 50% of total food retail sales in the Gulf Cooperation Council. Saudi Arabia has put local production at the heart of its food security strategy, and is offering significant incentives (financial and regulatory) for foreign investments in agri-tech and food processing. Saudi Arabia also recognises that imported food will continue to play a crucial role in its food security objectives, and to that end the Public Investment Fund (through its subsidiary SALIC, the Saudi Agriculture and Livestock Investment Company) is expanding its interests.

**Transport and logistics:** Riyadh Air, a new national carrier set up by Saudi Arabia’s Public Investment Fund, is set to go head-to-head with neighbouring global mega-connectors Qatar Airways and Emirates from 2025, and in preparation this year made one of the largest aircraft purchases in Boeing’s history (72 Boeing 787 Dreamliners). On land, Saudi Arabia is subsidising electric vehicles and public transport, including the outright purchase and relocation of United States luxury electric car brand Lucid. In the sea, Saudi Arabia is rapidly developing its ports on the Gulf and the Red Sea (and a railway between them), which provide a competitive infrastructure advantage over its Gulf rivals through the ability to access and link both these important international sea-lanes.

**Sports and entertainment:** Saudi Arabia’s significant investments in golf (purchase of LIV Golf and subsequent merger with the PGA Tour), football (purchase of international

stars such as Cristiano Ronaldo for its domestic league) and motor sport (hosting the Saudi Arabian Grand Prix, a Formula One motor race, since 2021) have dominated the international headlines, but that only scratches the surface. Other examples include sailing (with Jeddah hosting a pre-regatta for the 37th Americas Cup) and cricket (with Visit Saudi a banner sponsor of this year's India Premier League (IPL) and talks underway with IPL owners for a Twenty20 league in Saudi Arabia). In a country where cinemas and live music were illegal only five years ago, there are now hundreds of local and international cinema brands, and MDLBeast (an annual entertainment extravaganza) attracts many of the world's biggest names in popular music.

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## Rapidly modernising regulatory environment

The legal system in Saudi Arabia is still based on Sharia, Islamic law derived from the Qur'an and the Sunnah (practices and sayings of the Prophet Muhammad). But groundbreaking legal reforms have been underway since 2021 to modernise and codify the law, particularly in the civil and economic spheres[1]. The result is that for businesses operating in Saudi Arabia today, the legal environment is starting to reflect key objectives such as certainty, transparency and consistency (although there is still some way to go and development is ongoing).

On top of the significant recent improvements in the 'baseline' ease of doing business, Saudi Arabia is also now competing aggressively with other Gulf 'hubs' to attract business and investment through economic and regulatory incentives. For example earlier this year, four new special economic zones (SEZs) were established as part of a strategy to establish Saudi Arabia as the region's pre-eminent investment destination and leading business hub, while helping to stimulate private-sector growth and non-oil exports. The benefits available to companies setting up in the four new SEZs include:

- the removal of any restrictions or quotas on foreign ownership;
- competitive corporate tax rates (5% instead of 20%);
- exemption from 15% value-added tax (VAT);
- exemption from customs duties on key imports such as machinery, raw materials and other inputs; and,
- looser 'Saudisation' rules allowing for flexibility to attract and hire foreign talent.

[1] Saudi Arabia's new civil transactions law will be the subject of a separate market intelligence report.

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## Transformational social reforms

In an incredibly short period, Saudi Arabia has undergone transformational social reforms: the religious police abolished, women driving, male guardianship laws ditched, the end of segregated restaurants, the beginning of public entertainment. (For clarity, we note that while these changes are momentous for Saudi Arabia, there remain significant differences in social morals and human rights standards between Saudi Arabia and New

Zealand).

Previously taboo subjects are now (relatively) openly addressed, for example the following FAQs from the official government [Visit Saudi website](#):

- “Is it possible for women to wear swimsuits in public? As is the case when visiting other countries, it is important to respect local customs and act in a culturally appropriate manner. On public beaches, visitors are expected to wear modest clothing. On private beaches, spas, pools and cruises it is within the discretion of each private establishment to determine its policy.”
- “Are LGBT visitors welcome to visit Saudi Arabia? Everyone is welcome to visit Saudi, and we ask that they follow and respect our culture, traditions and laws, as you would when visiting any other country in the world. Like other governments around the world, visitors are not required to disclose their personal information and we will strongly respect your right to privacy.”
- “Are unmarried couples welcome to visit Saudi Arabia? Everyone is welcome to visit Saudi Arabia. As is the case when visiting other countries, it is important to respect local customs and act in a culturally appropriate manner. Unmarried couples are able to share accommodation.”

These reforms are just as much a part of Vision 2030 as the economic development initiatives, even if not explicitly articulated as such. There is a clear linkage between them: new sectors of economic activity are labour-intensive, so Saudi Arabia needs to lift its workforce participation rate. With the development of sport and entertainment, the Kingdom’s large population now have new options to spend their money in Saudi Arabia rather than overseas. Saudi Arabia knows that it will not attract the 100 million tourists it aspires to, nor the headquarters of the world’s most prestigious multinational companies and their workforces, if foreigners do not want to visit or live in the country.

The dramatic changes in Saudi Arabia are not limited to the domestic sphere. The country’s Vision 2030 ambition is also changing the way Saudi Arabia engages with the world. With its international relationships, Saudi Arabia has recently moved determinedly to reduce tensions in the region, including by sponsoring a ceasefire in Yemen, playing the peacemaker in Sudan and seeking rapprochement with longstanding rivals such as Iran, Syria and Türkiye. Further afield, Saudi Arabia is deepening and broadening its relationships with emerging powers such as China, while seeking to maintain traditional relationships with partners such as the United States and United Kingdom. While not explicitly part of Vision 2030, these developments reflect similar drivers: economic (regional conflict is bad for business) and geopolitical (Saudi Arabia positioning itself as the responsible regional power).

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# Can Saudi Arabia continue to fund this social and economic revolution?

The scale of the resources being channeled into the diversification of its economy is undeniable and macro-economic indicators are strong. Saudi Arabia was the world's fastest growing major economy in 2022, with a growth rate of 7.6%, pushing the size of the Saudi economy over US\$1 trillion for the first time. It has outperformed not only the major developed economies of the G7, but also other major emerging economies such as China, India and Indonesia. Inflation is low (about 3%) and unemployment is falling. The percentage of women in the workforce has more than doubled in the last five years.

Saudi Arabia's fiscal position should enable it to see Vision 2030 through. The economic revolution is being funded off the back of Saudi Arabia's traditional strength: oil exports. Off the back of high oil prices in 2022, Saudi Aramco overtook Apple as the world's most valuable company, increasing its profits by 46% to US\$161 billion. The international oil price is expected to remain elevated for some time due to Russia's illegal invasion of Ukraine and the reopening of China.

Yes, the world is moving away from fossil fuels – but as Saudi Energy Minister Abdulaziz bin Salman put it last year: “we are going to be the last man standing, and every molecule of hydrocarbon will come out”. As one of the world's cheapest and lowest emissions-intensive oil producers, Saudi Arabia is well positioned to be the ‘last man standing’. Windfall profits from oil exports is, of course, not a new phenomenon for Saudi Arabia – what is now different is the discipline and strategy that is applied to their reinvestment in the economy.

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## Conclusion

In conclusion, there is an economic and social revolution underway in Saudi Arabia. Significant reforms over the last five years are real and are likely to be sustained. Saudi Arabia continues to have many international critics, who decry these changes as little more than green-washing or sports-washing. Time will tell, and Saudi Arabia is not on an inevitable journey to becoming a western liberal democracy. However, one thing is clear: New Zealand exporters need to throw away traditional perceptions of Saudi Arabia, for good.

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