

# KSA 2021 ATTRACTIVENESS AND UNCERTAINTIES









# KSA 2021 ATTRACTIVENESS AND UNCERTAINTIES

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## IPSOS FLAIR: UNDERSTAND TO FORESEE

### **Henri Wallard**

Deputy CEO

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We are very pleased to publish our first edition of Ipsos Flair focusing on KSA.

Launched in 2005, Ipsos Flair is an international publication that analyzes the values and attitudes of consumers and citizens impacting to provide substantial analysis and recommend the best strategies for decision makers.

Flair is about instinct and intuition, the ability to capture the atmosphere of a country, to perceive the right direction, to know when to act. At Ipsos we believe our clients need more than a data supplier: they need a partner who can produce accurate and relevant information and turn it into actionable truth. This is why our curious and passionate experts not only provide the most precise measurement but shape it to provide true understanding. To do this we use the best of science, technology and know-how - and apply the principles of security, simplicity, speed and substance to everything we do. So that our clients can act faster, smarter and bolder. Ultimately, success comes down to a simple truth: You act better when you are sure.

Our teams help clients develop and strengthen brands and build long-term relationships with their customers. They test advertising and study audience responses to various forms of media and they measure public opinion around the globe.



Ipsos has grown into a worldwide research group with a strong presence in 90 markets, and Ipsos has been in KSA since 2001 with offices in Riyadh and Jeddah.

By bringing together diverse and complementary perspectives, the Ipsos Flair series helps our clients to formulate and to fine tune strategic planning approaches. This publication summarizes the knowledge and experience gained by our research teams in KSA. It is part of a series of books published by Ipsos around the world: the Ipsos Flair programme.

*Enjoy your reading!*



## EDITORIAL

### **Yves Bardon**

Ipsos Flair Programme Director –  
Ipsos Knowledge Centre

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More than two years ago, Saudi Arabia's historic decision to allow women to drive was a flagship measure of the Kingdom's reform agenda. It was a strong change and symbol in line with the ambitious "Vision 2030" and the National Transformation Programme intended to "*empower women and materialize their potential*". This increase in empowerment has had an impact on lifestyles, professional life, labor, economics and has even created a new occupation for women, selling cars for a new female clientele.

In August 2019, according to the same line, Saudi authorities announced that women would no longer need the permission of male guardians to apply for a passport, travel, register child birth, marriage or divorce, to study at university, undergo surgery or get a job after decrees issued by His Majesty King Salman.

This year, His Majesty King Salman has appointed thirteen women to the Kingdom's Human Rights Commission, giving them equal representation with men.

All these changes are connected to the same ambition: to modernise the Kingdom, move it away from a dependence on oil revenue and developing international attractiveness.



At the same time, several events have negatively impacted the economic prosperity of the country, the Covid-19 crisis and the fall of the price of oil in particular, causing a slowdown in the economy, as it did with other countries in the region. Still driven by oil exports, the Kingdom's budget also suffered due to the fall in global consumption.

The measures announced in May 2020 aim to cope with a crisis the magnitude of which has not been seen for decades, and to safeguard the economic and monetary stability of the Kingdom. The most spectacular of these measures are the tripling of the VAT rate, going from 5 to 15%, the end of the bonus allocated to civil servants (\$ 267M, which benefits around 1.5 million people) and a reduction in public spending, allocated to several public sectors and some planned projects under the "Vision 2030".

These austerity measures will likely have a social impact, particularly on employment and purchasing power, and are likely to impact on major projects, such as the creation of the city of Neom on the Red Sea, which embodies the desire to make the Kingdom more attractive and open to world tourism.

Inflation rates will also be impacted as well: the British consultancy and research firm Capital Economics forecasts a price increase of 6% in July compared to the same month last year, against +1.1% in May compared to 2019.

Hence our title, *"Attractiveness & Uncertainties"*.

Attractiveness; to move from an oil-based economy to one fueled by tourism, to change the image of the country and to attract high value visitors. The significant increase in the oil price is a welcome breath of fresh air, that is useful for the rapid development of "Vision 2030" priority projects.



Uncertainties because the world economic situation remains hectic and economic turbulences remain threatening. The key question is 'what's next on the road to economic recovery', both globally and its impact on the region and the Kingdom.

In summary, Saudi Arabia has demonstrated its willingness and ability to face challenges head-on as seen in its early response to the containment of the virus through decisive action. Such lessons will galvanize the Kingdom, better than many other countries in the region, in uniting its citizens to embrace change going forward.

Looking at Ipsos Flair, our view on the Kingdom of Saudi Arabia is designed for the purpose of exploring, with the help of Ipsos experts, ways to offer solutions to our clients:

- Public opinions held on brands, ads, companies and institutions.
- Elements that help us understand messages, and attitudes towards them.
- The consequences we should learn, to help define a strategy and influence (marketing, media, ads, etc.).
- The keys needed to learn and to succeed, identifying the existing trends before the Covid-19 crisis and those that have been amplified by it, the new trends created by the crisis (short or long term) while connecting key changes on both macro and micro levels, looking at economic, environmental, technological and social changes, with new cultural values, consumer trends and new market dynamics.







## VIEWPOINT

### **Rami Abudyab**

CEO

Ipsos in KSA

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Saudi Arabia is one of the most dynamic growth markets globally. With its average age of just 29 and an insatiable appetite for high technology, Saudi youth remain the highest users of social media channels on the planet. As Saudi women begin to exert their new-found freedom to travel unaccompanied and enter the workplace, the Kingdom is clearly on a fast track of unparalleled change in Middle Eastern history. Saudi Arabia is undoubtedly now the 'gem of the region' and is being closely observed by its neighbours as the Kingdom strives forward in roll-out of its ambitious Vision 2030 strategy to diversify its oil-based economy. Watch this space.

There was a saying in the early 90s that 'Inside every young Saudi is an American trying to break out'. Well that may have been a valid opinion or perception at that time, but as the new generation of well-educated, extensively travelled and tech savvy young Saudi's have taken over major business entities from their forefathers, things have moved forward on an unprecedented trajectory. Young Saudi CEO's and senior executives of well established Saudi business entities are becoming highly competent business leaders capable of determining their own destiny, and are clearly willing to experiment in developing their own brand of corporate culture in a 'brave new world' where tradition sometimes take second place.



Combine the demand for 'instant gratification' with the desire to change the norms has given access to newfound freedoms. This is fuelling 'times of change' across the Saudi Kingdom.

It was inevitable from the early days of the 'Arab Spring', as young Saudis watched closely as governments collapsed, that giving way to new found freedoms from tradition was now achievable. Social media was (and still is) deemed as 'the voice of the youth' globally, which certainly is the case across the Middle East.

Clearly change was essential to maintain stability as an entire generation influenced by real-time unrestricted exposure to global events and evolving youth culture. On top of this, the added pressure of large-scale unemployment, fuelled by students entering the job market with limited potential to secure a career opportunity was unsustainable in the absence of radical change.

Enter HRH Prince Mohammad Bin Salman (MBS), who at 36, clearly understood and identified with the need for change, thus wasted little time in quenching young people's thirst for unparalleled change. There has not been a time during the last 30 years where Saudis have been so united and rightfully proud of their culture and willingness to embrace change, transformation and potentially opportunity.



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# USER GUIDE



ATTRACTIVENESS AND UNCERTAINTIES





## BACKGROUND

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Saudi Arabia is the birthplace of Islam and home to Islam's two holiest shrines in Mecca and Medina. The Monarch's official title is the "Custodian of the Two Holy Mosques". The modern Saudi state was founded in 1932 by ABD AL-AZIZ bin Abd al-Rahman Al SAUD (Ibn Saud) after a 30-year campaign to unify most of the Arabian Peninsula. One of his male descendants rules the country today, as required by the country's 1992 Basic Law.

Following Iraq's invasion of Kuwait in 1990, Saudi Arabia accepted the Kuwaiti royal family and 400,000 refugees while allowing Western and Arab troops to deploy on its soil for the liberation of Kuwait the following year. Major terrorist attacks in May and November 2003 spurred a strong ongoing campaign against domestic terrorism and extremism.

From 2005 to 2015, King ABDALLAH bin Abd al-Aziz Al Saud incrementally modernized the Kingdom. Driven by personal ideology and political pragmatism, he introduced a series of social and economic initiatives, including expanding employment and social opportunities for women, attracting foreign investment, increasing the role of the private sector in the economy, and discouraging businesses from hiring foreign workers.

These reforms have accelerated under King SALMAN bin Abd al-Aziz, who ascended to the throne in 2015, and has since lifted the Kingdom's ban on women driving and allowed cinemas to operate for the first time in decades. Saudi Arabia saw some protests during the 2011 Arab Spring, but not nearly to the level of protests seen elsewhere in the region.



The government held its first-ever elections in 2005 and 2011, when Saudis went to the polls to elect municipal councillors. In December 2015, women were allowed to vote and stand as candidates for the first time in municipal council elections, with 19 women winning seats. After King SALMAN ascended to the throne in 2015, he placed the first next-generation prince, MUHAMMAD BIN NAYIF bin Abd al-Aziz Al Saud, in the line of succession as Crown Prince. He designated his son, MUHAMMAD BIN SALMAN bin Abd al-Aziz Al Saud, as the Deputy Crown Prince.

In March 2015, Saudi Arabia led a coalition of 10 countries in a military campaign to restore the government of Yemen, which had been ousted by Huthi forces allied with former president ALI ABDULLAH al-Salih. The war in Yemen has drawn international criticism for civilian casualties and its effect on the country's dire humanitarian situation. In December 2015, then Deputy Crown Prince MUHAMMAD BIN SALMAN (abbreviated by many as 'MBS') announced Saudi Arabia would lead a 34-nation Islamic Coalition to fight terrorism (it has since grown to 41 nations). In May 2017, Saudi Arabia inaugurated the Global Centre for Combatting Extremist Ideology (also known as "Etidal") as part of its ongoing efforts to counter violent extremism. In June 2017, King SALMAN elevated MUHAMMAD BIN SALMAN to Crown Prince.

The country remains a leading producer of oil and natural gas and holds about 16% of the world's proven oil reserves. The government continues to pursue economic reform and diversification, particularly since Saudi Arabia's accession to the WTO in 2005 and promotes foreign investment in the Kingdom. In April 2016, the Saudi Government announced a broad set of socio-economic reforms, known as Vision 2030. Low global oil prices throughout 2015 and 2016 significantly lowered Saudi Arabia's governmental revenue. In response, the government cut subsidies on water, electricity, and gasoline; reduced



government employee compensation packages; and announced limited new land taxes. In coordination with OPEC and some key non-OPEC countries, Saudi Arabia agreed cut oil output in early 2017 to regulate supply and help elevate global prices.

## ECONOMICS

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 16% 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 87% of budget revenues, 42% 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. Approximately six million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors. At the same time, however, Riyadh is striving to reduce unemployment among its own nationals. Saudi officials are particularly focused on tackling the problem of youth unemployment. In 2017, the Kingdom incurred a budget deficit estimated at 8.3% of GDP, which was financed by bond sales and drawing down reserves.



Although the Kingdom can finance high deficits for several years by drawing down its considerable foreign assets or by borrowing, it has cut capital spending and reduced subsidies on electricity, water, and petroleum products and tripled VAT from 5% to 15%. In January 2016, Crown Prince and Deputy Prime Minister MUHAMMAD BIN SALMAN announced that Saudi Arabia planned to list shares of its state-owned petroleum company, ARAMCO - another move to increase revenue and external investment. The government has also looked at privatization and diversification of the economy more closely in the wake of a diminished oil market. Historically, Saudi Arabia has focused diversification efforts on power generation, telecommunications, natural gas exploration, and petrochemical sectors.

More recently, the government has approached investors about expanding the role of the private sector in the healthcare, education and tourism industries. While Saudi Arabia has emphasized their goals of diversification for some time, current low oil prices may force the government to make more drastic changes ahead of their long-run timeline.



## ECONOMIC RISK FACTORS

The future of Saudi oil refining and chemicals will be shaped by a complex convergence of the five market forces. Although the overall balance of the downstream industry is likely to pivot more to the chemicals side and undergo significant consolidation, it is imperative that Saudi companies prepare themselves by:

- Reassessing roles and ownership across the value chain to replace the linear product and efficiency-centric supply chain model with an ecosystem-linked, platform-based and value-centric mindset.
- Prioritizing speed-to-market strategies that favour modular workflows, facilitating opportunities, complement chemistry and engineering with data analytics, and drive aggressive sustainability goals.
- Building a strong alliance capability that focuses on open innovation of molecules and materials, shares environmental footprint across a product supply chain and sponsors end-market innovations.
- Elevating the manufacturer–distributor relationship to tap into unique insights in GCC region, including the Saudi market product stream.
- Speaking the language of jobs, investment and sustainability standards, and exploring new win-win trade strategies that take the Saudi business model beyond securing supply-and-demand centres.
- Preserving and advancing the core by rationalizing cost, extending scale advantage in specific end-markets and integrating assets and operations through advanced analytics.



## CURRENT STATUS

During Q1 2020, oil prices Cost per Barrel (CPB) plummeted to as low as US\$28 following Saudi Arabia's withdrawal from OPEC. This was in direct response to increased oil production by Russia, which effectively triggered a virtual 'oil war' between major producers. Whilst the oil price has subsequently increased, it remains significantly short of the essential US\$80 CPB which is essential to sustaining the Saudi economy.

The Saudi government-led 'Vision 2030' (driven by MBS) aims to significantly diversify the Saudi economy away from its dependence upon oil exploration. The 2030 strategy includes multitrillion dollar investment in creating new 'entertainment cities' by the Red Sea with the aim of encouraging Saudis to holiday inside the Kingdom.

## NEED FOR A SUSTAINABLE ECONOMY BEYOND OIL

Recent withdrawal by Saudi Arabia from OPEC, has greatly impacted and destabilized the market with oil trading as low as US\$28 CPB, while the Saudi economy is largely dependent on a minimum of US\$80 to sustain its ambitious 2030 vision and strategic plan to diversify its economy away from its dependency on oil.

There will clearly be no winners emerging from the current global oil crisis which has evolved into mass overproduction and shortage of storage capacity. Add to this the reality that global demand for oil will decline well in advance of available supply with the rapid development of alternative energy.

Thus, the Kingdom's wise move is to diversify its economy.











# PROSPECTIVE



## FUTURE MARKET CHALLENGES

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A key challenge facing the Kingdom continues to be lack of expertise in on-the-job experience in execution of its vision. Thus, the continued presence of all the major business consulting companies, specifically in government entities, as they compete in execution of the Kingdom's ambitious 2030 Vision.

Knowledge transfer is perhaps the greatest challenge along with the introduction of new work ethics and the need to develop corporate culture by design not by default. Smart companies perusing business within the Kingdom already, recognise the need to support Saudi companies to help themselves in transforming into new challenging initiatives beyond traditional business activities.

There will clearly be increased demand for smart based consumer insights via online channels as the demand for instant data emerges.



## KEY OPPORTUNITIES

Several opportunities will emerge in the aftermath of the Covid-19 crisis in the Kingdom and beyond:

1. The need for improved pre-emptive, proactive risk mitigation and management ensuring seamless end-to-end business continuity. Clearly the government and the private sector were ill-prepared to effectively respond to the global pandemic, as were most countries in the world. Lessons will be learned from this including the need for tried and tested 'readiness' with automated and well-planned roles and responsibilities.
2. 'Pulse monitoring' will be far easier to sell to established businesses who will recognise the value of dashboard-based key indicators with real-time monitoring of customer sentiment.
3. Optimization of digital communications channels, specifically internal, where many companies failed to equip management and employees with adequate technology solutions enabling business continuity from remote locations.







# FOCUS / COVID-19



## COVID-19 AND CHANGES

In a lot of countries, coronavirus has been an accelerator of trends in mobility, home, health, and demography. From an optimist's perspective, it's saved 10 years in the transformation of society, companies and the way we work with, of course, the rise of the home office.

- **Work.** The world will likely become a very different place as companies large and small adapt to the need for embracing communications technology. An example being the significant (forced) savings in business travel, with online conferencing becoming the norm. Working from home which has its own unique challenges, will clearly accelerate increased flexibility in office hours and a reduced need to be physically present in city-based offices as consumers enjoy the delights of reduced traffic congestion and its obvious impact upon the environment.

- **Driverless** mobility to avoid contact (autonomous cars for transporting patients, packages, catering without a human)

- **Micromobility** and two wheels, in a usage> property logic for customers, and new management professions for companies specializing in two wheels (fleet, maintenance, dispatching, etc.)

- **Transport and tourism** with has seen the end of shorter flights in favor of the environmentally friendly option of trains, buses and coaches. Which are ecologically cleaner, and, consequently, the bankruptcy of already fragile airlines, staff cuts (Airbnb, Booking, Expedia have dismissed 20% of their workforces)



- **Home**, with the optimization of the security and risk management offer (opening of doors without physical contact, smart home market, sensors, intrusion, fire, flooding sensors) and a level of technical expertise which will create new smart home transformation jobs (plug and play is too difficult for most customers)

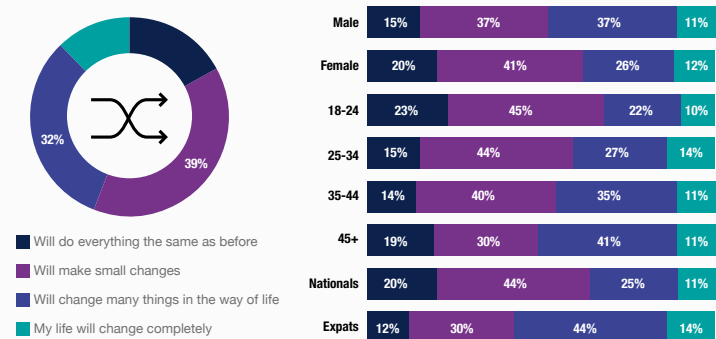
- **Health and medical** (teleconsultations, Doctolib, connected products, alerts, improve prevention). For instance, connected T-shirts would have made it possible to keep fragile or already sick people at home and to limit confinement with the diagnosis of temperature, heart rate, blood pressure, etc.

It is interesting to note that only 17% of consumers in the Kingdom imagine that nothing will have changed when the Covid-19 crisis ends. More than two-thirds expect changes, more or less significant, but which would not necessarily have taken place, nor at the same speed, without the health crisis and the economic crisis.

**Figure 1**

Over time people will resume "regular" activities.

In the long-term, which of the following do you expect best applies to you?



Source: Returning to Normal: Attitudes Towards the Post-Lockdown Era in KSA



# THE COVID-19 AGENDA

## COVID-19 SAUDI ARABIA CONSUMER SENTIMENT TRACKER

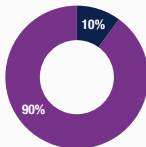
Results of the June 2020 Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by Ipsos<sup>1</sup>, reveal a slight increase from the previous month, reaching 60.0.

However, **Saudi Arabia still ranks first when it comes to the current state of its economy**, surpassing China which was previously in the lead among all 24 markets surveyed. On the other hand, the country remains in second place globally with more consumers (90%), believing the Kingdom is heading in the right direction.

Figure 2

### Right direction / Wrong track

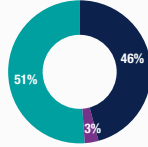
Q. Generally speaking, would you say things in this country are heading in the right direction, or are they off on the wrong track?



■ Wrong Track  
■ Right Direction

### Current economic situation

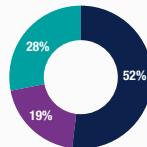
Q. Rate the current state of the economy in your local area using a scale from 1 to 7, where 7 means a very strong economy today and 1 means a very weak economy.



■ Strong (T2B)  
■ Neither Strong Nor Weak  
■ Weak (B2B)

### Personal financial situation

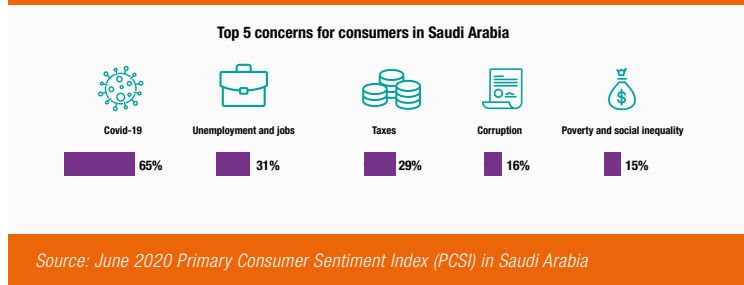
Q. Rate your financial situation, using a scale from 1 to 7, where 7 means your personal financial situation is very strong today and 1 means it is very weak.



■ Strong (T2B)  
■ Neither Strong Nor Weak  
■ Weak (B2B)

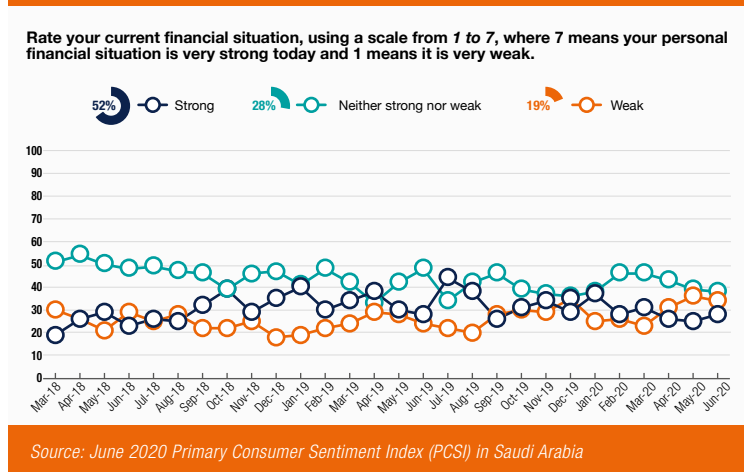
Source: June 2020 Primary Consumer Sentiment Index (PCSI) in Saudi Arabia



**Figure 2a**

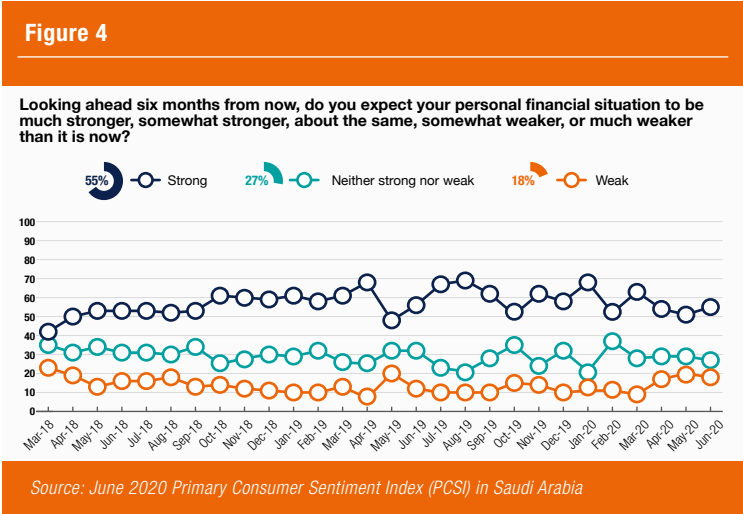
While coronavirus continues to top the list of concerns in the Kingdom, taxes have seen the most significant increases in those citing it as a major worry, rising 16% in comparison to last wave.

On the current personal level, consumers in the Kingdom come in first globally, when it comes to their personal financial situation today, with 28% believing their situation is strong.

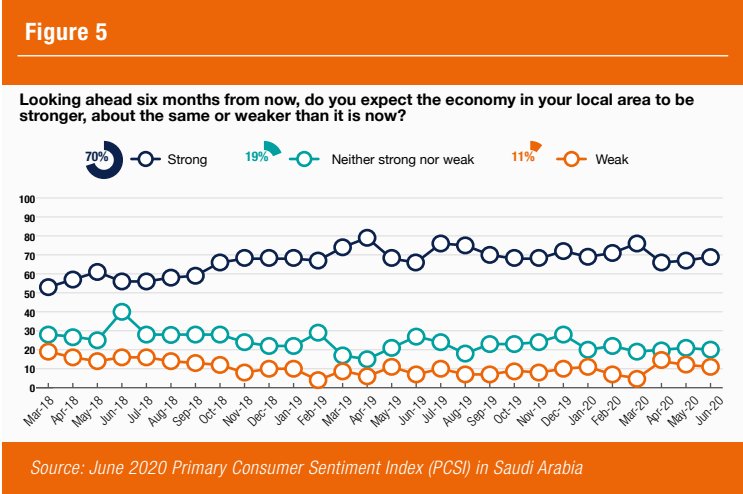
**Figure 3**



On the future personal financial situation, consumers in the Kingdom want to believe that the worst is over.



On the economics, overallly speaking, looking ahead to the coming six months, the majority are remaining positive. 70% are confident that the economy will become even stronger, a slight increase compared to the previous month.





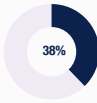
## RETURNING TO NORMAL

More than half of the people in Saudi Arabia believe there should be a balance between slowing down the spread of the virus and trying to uphold the economy as best as possible. However, 38% feel that the virus should be stopped completely, even if it means fully locking down the country<sup>2</sup>.

**Figure 6**

### Preferred course of action: Health vs. Economy

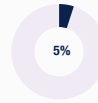
Which of the below courses of action do you think the government needs to take considering Covid?



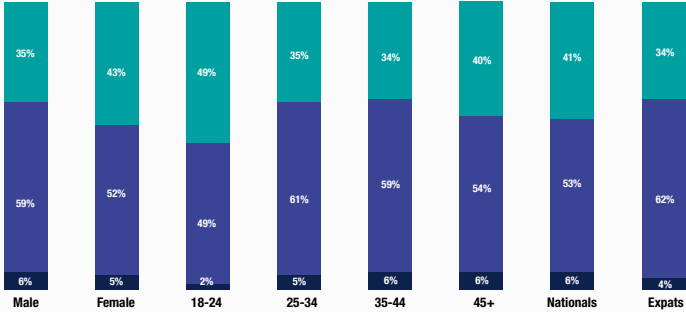
Stop virus from spreading, even if it means fully locking down the country



Slow down virus spread and try upholding economy as best as possible



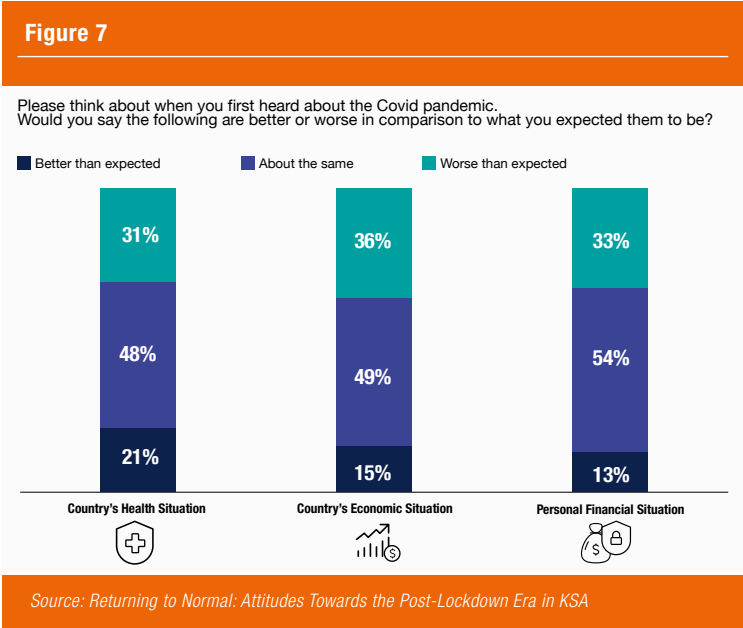
Keep the economy running fully, even if it means the virus spreads



Source: Returning to Normal: Attitudes Towards the Post-Lockdown Era in KSA



When it comes to people’s assessment of the current situation vs. what they had expected at the start of the pandemic, around a third believe the situation is worse than they had expected, while around half said it was in line with their expectations.

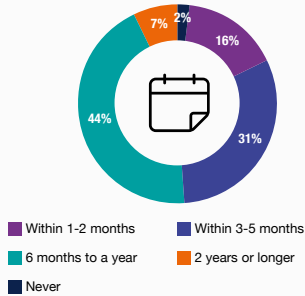


Almost a third (31%) believe that it will take between three to five months to feel that things are getting back to normal. While 44% see that it will take between six months and a year. Even with things going back to normal, the majority say that they will either make small permanent changes in their lives or change many things about the way that they lived before lockdown.

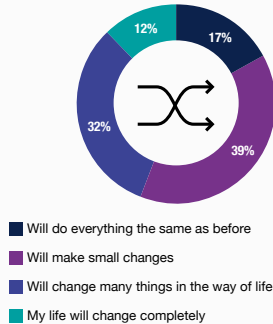


**Figure 8**

Considering the Covid outbreak, How long do you think it will take before things feel like they are getting back to normal?



Over time people will resume "regular" activities. In the long-term, which of the following do you expect best applies to you?

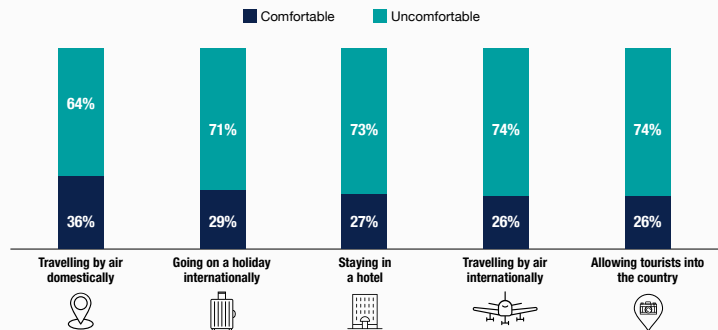


Source: Returning to Normal: Attitudes Towards the Post-Lockdown Era in KSA

When it comes to travel and tourism, most people feel uncomfortable carrying out these activities, especially going on an international holiday or staying in a hotel. While most are still not comfortable allowing tourists back into the country.

**Figure 9**

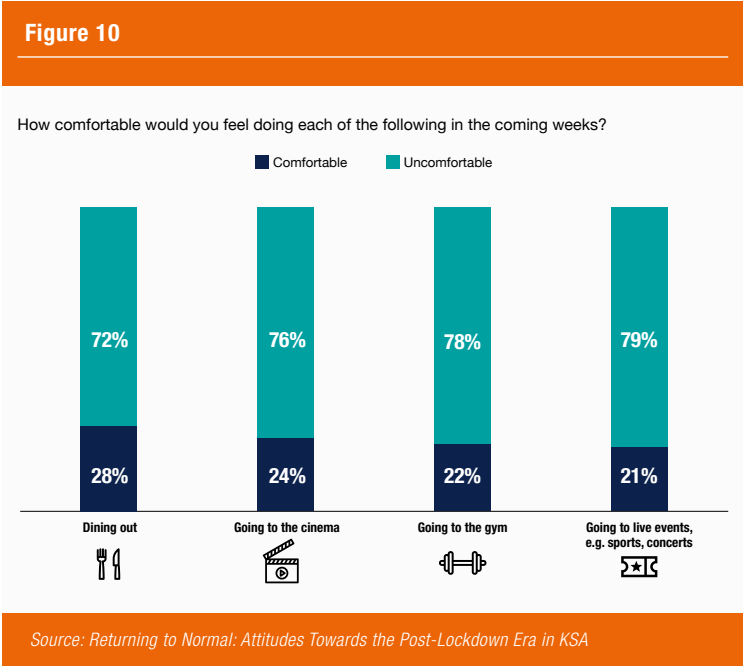
How comfortable would you feel doing each of the following in the coming weeks?



Source: Returning to Normal: Attitudes Towards the Post-Lockdown Era in KSA



While people were divided between those who are comfortable going back to work (52%) and those who aren't (48%), the vast majority still do not feel at ease dining out, going to the gym, cinema, or attending live events



As for shopping, over half feel comfortable going to the supermarket and having their groceries delivered to their homes, but 63% were still uncomfortable about visiting a shopping mall in the coming weeks.



## COVID-19 IMPACTS

The health crisis completely reversed the relationship between being outside or inside. Normally, inside is synonymous with comfort, “*home sweet home*”, but it is also a place restricted by its four walls. Being outside is synonymous with freedom, space, meetings and new discoveries.

The virus has changed everything. Other people have become a danger, the risk of contamination can be linked to passing someone in the street. Our home has become a secure space protected from risks.

Digital technologies have made it possible to stream films, information or entertainment, products and services, packages, food, everything, into the home.

In this context, why to return to the cinema, the restaurant, in public places?

Why take the risk?

It is likely that this inside/outside inversion will have huge consequences for companies, their customers. Social distancing will leave its mark.

**Industry:** Saudi Arabia was one of the countries most reliant on cash for daily transactions. Plastic money and digital/eCommerce was not a favorable option to consumers due to mistrust across digital channels. However, things have changed, and people are becoming more confident in using these channels as opposed to cash.



**How internet behavior is changing:** We have seen a minor change in use of applications and plastic money in recent years, adding to that Covid-19 has forced all age groups to use this option.

**The future of automobiles:** It's the largest market in the GCC area, with the average family owning six cars. The market is dominated by Asian manufacturers with Toyota followed by Hyundai being the leaders. Due to Covid-19 the market was down, but with a reduction in VAT from 15% to 5% in July, the market has picked up slightly.

**New modes of mobility:** Saudi Arabia has finally agreed to import electrical cars starting at the end of 2020, which will help its image in becoming a country that is socially responsible and environmental friendly.

**Customized Experience:** Post-Covid, we have seen that in KSA there is a high reliance on eCommerce solutions as compared to pre-Covid across all categories and buying habits. Based on our findings, consumers are utilizing multiple touchpoints before making a purchase, becoming more informed before they buy.

**Health:** In many countries, health, especially food, was already a concern with Mad Cow Disease, prion, animal meal, etc. Fear of death from Covid-19 has radicalized this trend. In France, for example, one of the reasons for the success of frozen food products is consumers considered it less dangerous to buy them than fresh, bulk products handled by other consumers in supermarkets. The very cold temperatures were a security. This concern for health will change perceptions and expectations across many sectors.



**Obesity:** Obesity is very high in Saudi Arabia especially among the new generation, as is the case amongst other countries in the region, simply because digital gaming and weather conditions do not allow for steady physical activities. The Ministry of Sport is encouraging activity and is on the right path. Saudi families are highly becoming aware nowadays on the importance of being healthy, but still consume large portions of food due to cultural norms embedded in society.

**Fitness:** In Saudi Arabia, people among all generations are becoming more health cautious and are changing their lifestyles by attending various gyms located in KSA. Yet, their habits and traditions sometimes prove a barrier for those to get started.

**Environment:** The global spread of the virus has shown the vulnerability of our interdependent economic system. It also showed that man is not what he thought he was: the master of a domesticated nature. As our study What Worries the World shows, fear of a devastating phenomenon on a global scale because of climate change closely follows fears about pandemics.

Hence, more desirability or vigilance on ecological and organic products, committed companies, etc. and also for soft mobility in the context of smart cities.

**Natural, Ethical and Sustainable food:** According to our latest food & health survey, consumers are becoming more aware and more concerned about what they eat, and becoming more loyal to manufacturers that produce healthier products.







# THE ATTRACTIVENESS



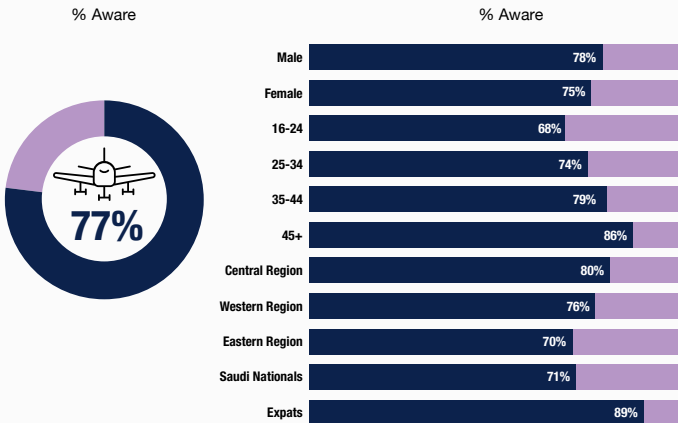
## AN INSPIRING CHALLENGE

Tourism is one of the key pillars of the Vision 2030 initiative, with the Kingdom targeting 100 million annual visits by 2030 and aiming for tourism to contribute 10% of Saudi Arabia's GDP.

To boost the transition from oil economy to tourism economy, KSA is encouraging and simplifying its visa policy. In September 2019, the government introduced its new e-visa program, which allows visitors from 49 countries to travel to the Kingdom either by applying ahead of time or upon arrival.

Ipsos in Saudi Arabia conducted a survey to assess the reactions of people in the Kingdom towards the new visa policy, and its perceived impact on various aspects in the country<sup>3</sup>. 77% said they were aware on the new visa policy.

Figure 11

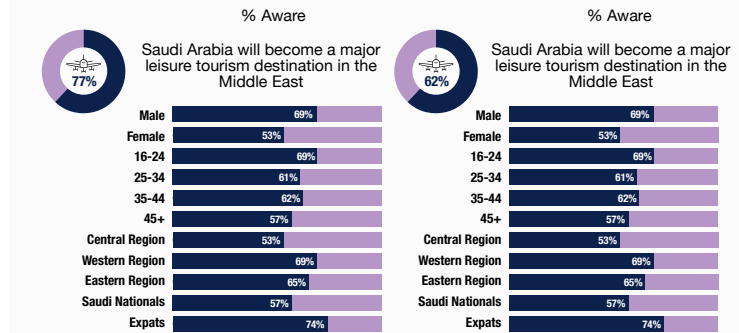


Source: Tourism Survey: Views on the Kingdom's New Tourist Visa Policy



The idea to make Saudi Arabia as a tourist destination is well-received.

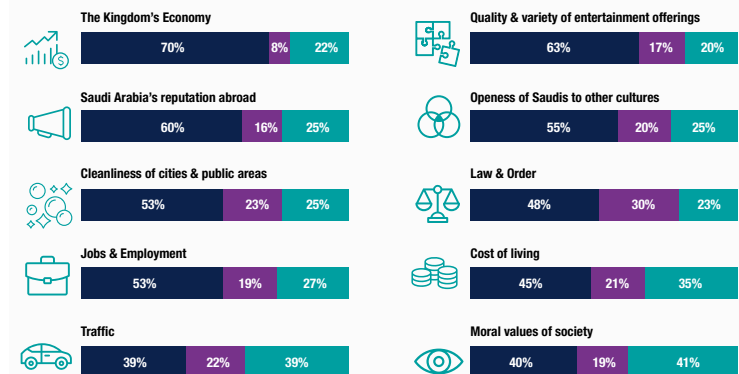
**Figure 12**



Source: Tourism Survey: Views on the Kingdom's New Tourist Visa Policy

The new visa policy impacts different parts of the country.

**Figure 13**

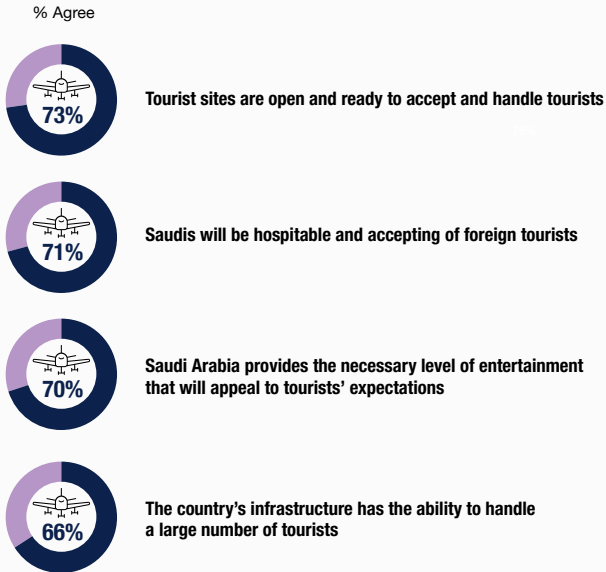


Source: Tourism Survey: Views on the Kingdom's New Tourist Visa Policy



For most people, the country is ready to welcome tourists.

**Figure 14**



*Source: Tourism Survey: Views on the Kingdom's New Tourist Visa Policy*



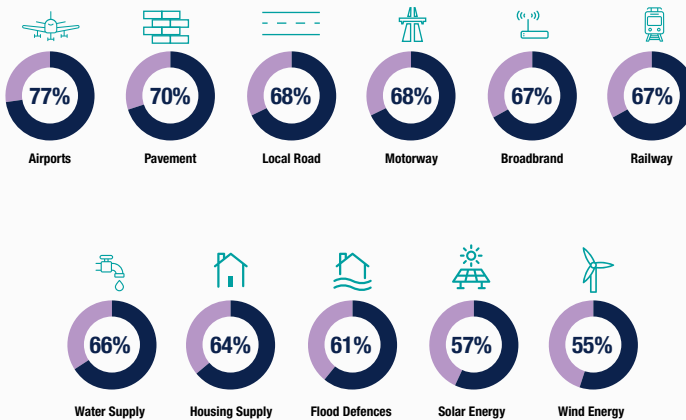




## AN OPPORTUNITY FOR THE KINGDOM'S INFRASTRUCTURE

Directly linked with tourism is infrastructure. The good news is the majority (68%) of residents in Saudi Arabia are satisfied with the current infrastructure in the country. Airports (77%), pavement (70%), and local roads and motorways (68%) were the most impressive<sup>4</sup>.

**Figure 15**

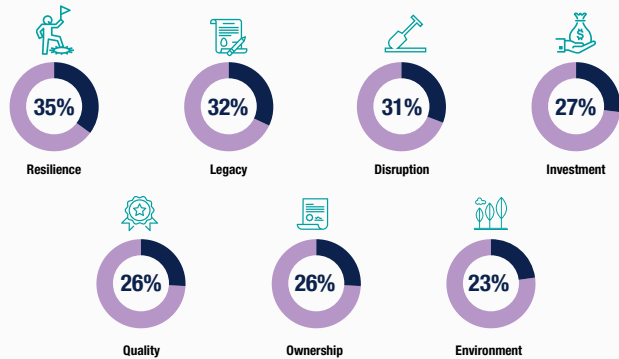


Source: Spotlight\*KSA: Views on the Kingdom's Infrastructure

Looking further ahead, locals believed that resilience, meaning how well their infrastructure stands up to challenges today and in the future, is the most important factor to be taken into account. They also gave equal importance to legacy for future generations and disruption, while the infrastructure is being built. 41% preferred that government would maintain and repair the roads, as opposed to adding new investments.



Figure 16



Source: Spotlight\*KSA: Views on the Kingdom's Infrastructure

**Resilience:** how well our infrastructure stands up to challenges today and in the future (e.g. population increases and climate change).

**Legacy:** the infrastructure that we pass on to future generations.

**Disruption:** the amount of disruption we have to deal with (e.g. roadworks, disruptions to water supply) while infrastructure is built or improved.

**Investment:** paying for the costs of improving and building new infrastructure now, to avoid having to pay more later.

**Quality:** making sure that infrastructure is as good as it possibly can be (e.g. in terms of speed or convenience of services).

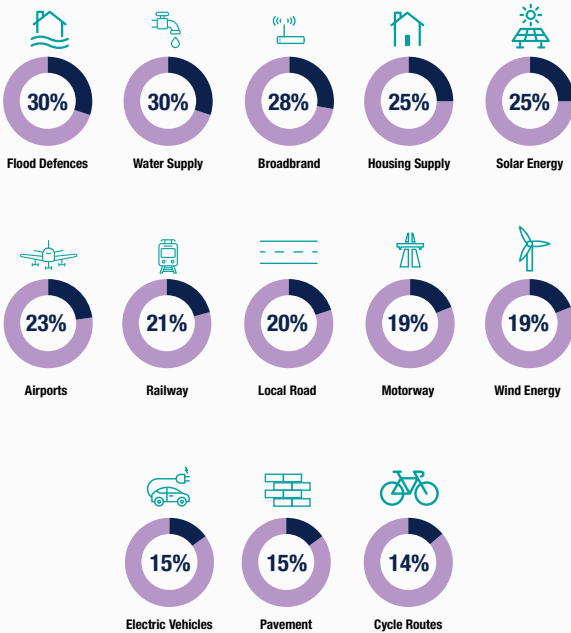
**Ownership:** whether the infrastructure is owned by the public sector – that is, national or local government or some other public-sector body – or private businesses

**Environment:** the impact our infrastructure has on our environment.



However, to them, investing in infrastructure is vital to the economy's future growth and they are open to foreign investments when it comes to new infrastructure.

**Figure 17**

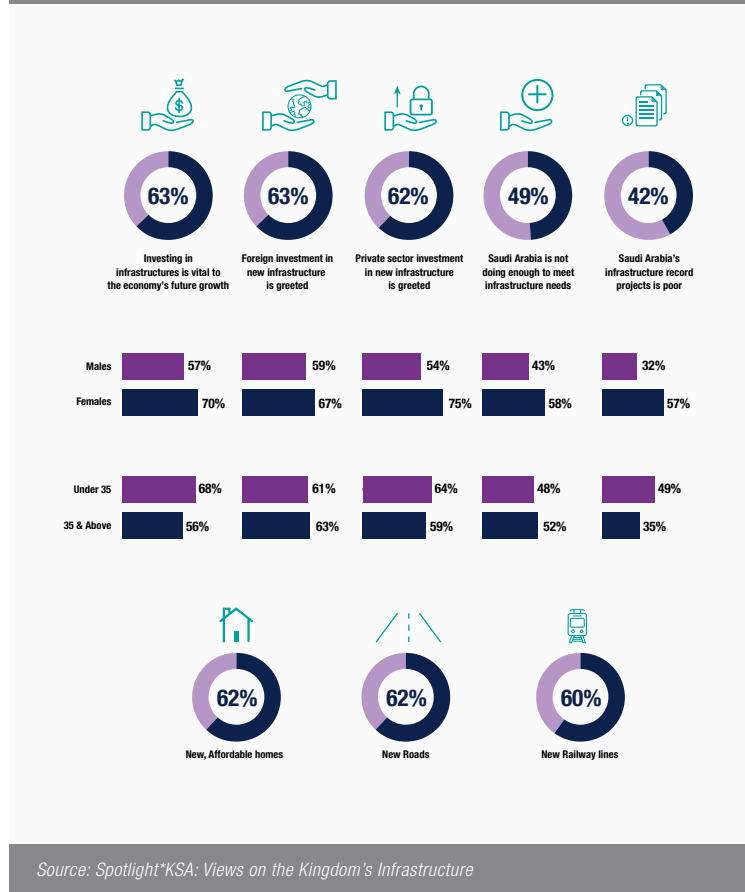


*Source: Spotlight\*KSA: Views on the Kingdom's Infrastructure*



Thus, the majority are supportive of the government's new infrastructure plans, with only 5% opposing them. They foresee these plans to include new, affordable homes, new roads, and new railway lines.

**Figure 18**









# SAUDI MARKET PROFILE



## SOCIETY

### POPULATION

The estimated Saudi population from the US Bureau of the Census based on statistics from population censuses, vital statistics registration systems, or sample surveys pertaining to the recent past and on assumptions about future trends<sup>5</sup>. The total Saudi National population = 34,173,498 (July 2020 est.)

Note: Non-Saudi expats make up 38.3% of the total Saudi population, according to UN data (2019)

Ethnicity in the country is Arab 90%, Afro-Asian 10%

### LANGUAGES

Primary spoken and written language in Saudi Arabia is Arabic. However, English is now spoken as the key business language throughout the Kingdom where there is exposure to global trade and commerce. English language is also a major element of the Saudi education curriculum.

### RELIGION

This entry is an ordered listing of religions by adherents starting with the largest group as a percentage of total population. Muslim (official; citizens are 85-90% Sunni and 10-15% Shia), other (includes Eastern Orthodox, Protestant, Roman Catholic, Jewish, Hindu, Buddhist, and Sikh) (2012 est.)



## SAUDI DEMOGRAPHICS

Distribution of the Saudi population according to age.

Information is included by sex and age group as follows: 0-14 years (children), 15-24 years (early working age), 25-54 years (prime working age), 55-64 years (mature working age), 65 years and over (elderly). The age structure of the Saudi population impacts key socioeconomic issues. Countries with young populations (high percentage under age 15) need to invest more in schools, compared to countries with older populations...

0-14 years: 24.84% (male 4,327,830/female 4,159,242)  
 15-24 years: 15.38% (male 2,741,371/female 2,515,188)  
 25-54 years: 50.2% (male 10,350,028/female 6,804,479)  
 55-64 years: 5.95% (male 1,254,921/female 778,467)  
 65 years and over: 3.63% (male 657,395/female 584,577) (2020 est.)

Includes the number of Saudi males for each female in five age groups - at birth, under 15 years, 15-64 years, 65 years and over, and for the total Saudi population. 0-14 years: 1.04 male(s)/female...

15-24 years: 1.09 male(s)/female  
 25-54 years: 1.52 male(s)/female  
 55-64 years: 1.61 male(s)/female  
 65 years and over: 1.12 male(s)/female

Total population: 130.2 male(s)/female (2020 est.)



## LIFE EXPECTANCY AT BIRTH

The average number of years to be lived by a group of people born in the same year, if mortality at each age remains constant in the future. Life expectancy at birth is also a measure of overall quality of life in a country and summarizes the mortality at all ages.

Total Saudi population: 76.2 years

Male: 74.6 years

Female: 77.8 years (2020 est.)

## TOTAL FERTILITY RATE

The average number of children that would be born per woman if all women lived to the end of their childbearing years and bore children according to a given fertility rate at each age.

The total fertility rate (TFR) is a more direct measure of the level of fertility than the crude birth rate, since it refers to births per woman. This indicator shows the potential for population change in the country. A rate of two children per woman is considered the replacement.

Saudi Arabia Fertility rate = 1.95 children born/woman (2020 est.)



## MEDIAN AGE

The Saudi population can be effectively divided into two numerically equal groups. The following index summarizes the age distribution of the population:

Total: 30.8 years

Male: 33 years

Female: 27.9 years (2020 est.)

## POPULATION GROWTH RATE

The average annual percent change in the population, resulting from a surplus (or deficit) of births over deaths and the balance of migrants entering and leaving Saudi Arabia. The rate may be positive or negative. The growth rate is a factor in determining how great a burden would be imposed on a country by the changing needs of its people for infrastructure (e.g., schools, hospitals, housing, roads), resources (e.g., food, water, electricity), and jobs. The rapid Saudi population growth can be seen as 1.6% (2020 est.)

## BIRTH RATE

This entry gives the average annual number of births during a year per 1,000 people in the population at midyear; also known as crude birth rate. The birth rate is the dominant factor in determining the rate of Saudi population growth. It depends on both the level of fertility and the age structure of the Saudi population.

14.7 births/1,000 population (2020 est.)



## DEATH RATE

The average annual number of deaths during a year per 1,000 population at midyear; also known as crude death rate. The death rate, while only a rough indicator of the mortality situation in Saudi Arabia, accurately indicates the current mortality impact on population growth. This indicator is significantly affected by age distribution, and will eventually show a rise in the overall death rate, in spite of continued decline in mortality at all ages, as declining 3.4 deaths/1,000 population (2020 est.)

## NET MIGRATION RATE

This includes the difference between the number of people entering and leaving Saudi Arabia during the year per 1,000 people (based on midyear population). An excess of people entering Saudi is referred to as net immigration (e.g., 3.56 migrants/1,000 population); an excess of people leaving the country as net emigration (e.g., -9.26 migrants/1,000 population). The net migration rate indicates the contribution of migration to overall level of population is 4.7 migrant(s)/1,000 population (2020 est.)



## EDUCATION

### LITERACY

Definition of literacy based on UNESCO's percentage estimates. The Saudi population (aged 15 years and over), having the ability to read and write.

Definition: Age 15 and over can read and write

Total population: 95.3%

Male: 97.1%

Female: 92.7% (2017)

### SCHOOL LIFE EXPECTANCY (PRIMARY TO TERTIARY EDUCATION)

School life expectancy (SLE) is the total number of years of schooling (primary to tertiary) that a child can expect to receive, assuming that the probability of his or her being enrolled in school at any particular future age is equal to the current enrolment ratio at that age.

Total: 17 years

Male: 18 years

Female: 16 years (2018)



## GEOGRAPHY

### POPULATION DISTRIBUTION

Summary description of the Saudi population dispersion Kingdom-wide. While it suggests population density, it does not provide density figures.

Historically a population that was mostly nomadic or semi-nomadic, the Saudi population has become more settled since petroleum was discovered in the 1930s. Most of the economic activities - and with it the country's population - is concentrated in a wide area across the middle of the peninsula, from Ad Dammam in the east, through Riyadh in the interior, to Jeddah, Mecca and Medina in the west.

### URBANIZATION

Two measures of the degree of urbanization in the Saudi population. First, urban population, describes the percentage of the total population living in urban areas. The second, rate of urbanization, describes the projected average rate of change of the size of the urban population over a given period of time.

The population of the capital Riyadh and other cities defined as 'urban agglomerations' with populations of at least 750,000 people.



An urban agglomeration is defined as comprising the city or town proper and also the suburban fringe or thickly settled territory lying outside of, but adjacent to, the boundaries of the city.

7.231 million Riyadh (capital), 4.610 million Jeddah, 2.042 million Mecca, 1.489 million Medina, 1.253 million Ad Dammam (2020)

## DRINKING WATER SOURCE

This entry provides information about access to improved or unimproved drinking water sources available to segments of the Saudi population. Improved drinking water - use of any of the following sources: piped water into dwelling, yard, or plot; public tap or standpipe; well or borehole; protected dug well; protected spring; or rainwater collection. Unimproved drinking water - use of any of the following sources: unprotected dug well; unprotected spring; cart with small tank or improved:

- Urban: 97% of population.
- Rural: 97% of population
- Total: 97% of population
- Unimproved: Rural: 3% of population
- Total: 3% of the Saudi population (2015 est.)



## HEALTHCARE

### CURRENT HEALTH EXPENDITURE

Current Health Expenditure (CHE) is the share of spending on health relative to the size of the Saudi economy. It includes expenditure corresponding to the final consumption of health care goods and services and excludes investment, exports, and intermediate consumption. CHE shows the importance of the health sector in the economy and indicates the priority given to health in monetary terms. Note: Current Health Expenditure is 5.7% (2016)

### PHYSICIANS DENSITY

The number of medical doctors (physicians), including generalist and specialist medical practitioners, per 1,000 of the Saudi population. The World Health Organization estimates that Saudi Arabia has 2.39 physicians/1,000 population (2016)

### HOSPITAL BED DENSITY

The number of Saudi hospital beds per 1,000 people. It serves as a general measure of inpatient service availability. Hospital beds include inpatient beds available in public, private, general, and specialized hospitals and rehabilitation centres. Beds for both acute and chronic care are included. The level of required beds depends on the burden of potential disease - There were 2.7 beds/1,000 population (2019) in Saudi Arabia. Note: Saudi Arabia has today commandeered several hotels (including the GOSI owned Riyadh Hilton Granada



to quarantine Saudi Nationals returning to KSA from the overseas. This is good space management, taking potential pressure of hospitals at a time when hotel occupancy is low due to departure of many expatriates.

## OBESITY - ADULT PREVALENCE RATE

The percentage of Saudi population considered to be obese. Obesity is defined as an adult having a Body Mass Index (BMI) greater to or equal to 30.0. BMI is calculated by taking a person's weight in kg and dividing it by the person's squared height in meters. Saudi Arabia was at 35.4% (2016)

## SANITATION FACILITY ACCESS:

Provides information about access to improved or unimproved sanitation facilities available to segments of the Saudi population. Improved sanitation - use of any of the following facilities: flush or pour-flush to a piped sewer system, septic tank or pit latrine; ventilated improved pit (VIP) latrine; pit latrine with slab; or a composting toilet. Unimproved sanitation - use of any of the following facilities: flush or pour-flush not piped to a sewer system, septic tank. improved:

Urban: 100% of population (2018)

Rural: 100% of population (2018)

Total: 100% of population (2018)

Unimproved: urban: 0% of population (2018)

Rural: 0% of population (2018)

Total: 0% of population (2018)



## STATE

### GDP (PURCHASING POWER PARITY)

The gross domestic product (GDP) or value of all final goods and services produced within Saudi Arabia. A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States in the year noted. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries:

\$1.775 trillion (2017)

\$1.79 trillion (2016)

\$1.761 trillion (2015)

Note: 2017 data in US\$

GDP (Official Exchange Rate)

This entry gives the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation's GDP at official exchange rates (OER) is the home-currency-denominated annual GDP figure divided by the bilateral average US exchange rate with that country in that year. The measure is simple to compute and gives a precise measure of the value of output.

\$686.7 billion (2017)



## GDP - COMPOSITION, BY END USE

Shows 'who does the spending' in the Saudi economy: consumers, businesses, government, and foreigners. The distribution gives the percentage contribution to total GDP of household consumption, government consumption, investment in fixed capital, investment in inventories, exports of goods and services, and imports of goods and services, and will total 100 percent of Saudi GDP. Household consumption consists of expenditures by resident households, and by non-profit institutions...

Household Consumption: 41.3% (2017)

Government Consumption: 24.5% (2017)

Investment in Fixed Capital: 23.2% (2017)

Investment in Inventories: 4.7% (2017)

Exports of Goods and Services: 34.8% (2017)

Imports of Goods and Services: -28.6% (2017)

## GDP - COMPOSITION, BY SECTOR OF ORIGIN

The below distribution gives the percentage contribution of agriculture, industry, and services to total Saudi GDP. Agriculture includes farming, fishing, and forestry. Industry includes mining, manufacturing, energy production, and construction. Services cover Saudi government activities, communications, transportation, finance, and all other private economic activities that do not produce.

Agriculture: 2.6% (2017)

Industry: 44.2% (2017)

Services: 53.2% (2017)



## AGRICULTURE - PRODUCTS

A listing of Saudi major crops and products starting with the most important:

Wheat, Barley, Tomatoes, Melons, Dates, Citrus: Mutton, Chickens, Eggs, Milk

## INDUSTRIES

A rank ordering of Saudi industries starting with the largest by value of annual output.

Crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertilizer, plastics, metals, commercial ship repair, commercial aircraft repair, construction.

## INDUSTRIAL PRODUCTION GROWTH RATE

The annual percentage increase in Saudi industrial production (includes manufacturing, mining, and construction) = 2.4% (2017)



## PEOPLE

### LABOUR FORCE

Saudi total labour force = 13.8 million (2017 est.)

Comprised of 3.1 million Saudis and 10.7 million non-Saudis

Lists the percentage distribution of the Saudi labour force by sector of occupation. Agriculture includes farming, fishing, and forestry. Industry includes mining, manufacturing, energy production, and construction. Services cover government activities, communications, transportation, finance, and all other economic activities that do not produce material goods. The distribution will total less than 100% if the data is incomplete and may range from 99-101% due to rounding.

Agriculture: 6.7%

Industry: 21.4%

Services: 71.9%



## UNEMPLOYMENT RATE

The percent of the Saudi labour force that is without jobs. Substantial underemployment might be noted.

12% (2019)

9% (2018)

6% (2017)

The percent of the total Saudi labour force aged between 15-24 unemployed during a specified year.

Total: 28.8%

Male: 19.9%

Female: 62.6% (2018)





## DEPENDENCY RATIOS

Dependency ratios are a measure of the age structure of a population. They relate the number of individuals that are likely to be economically “dependent” on the support of others. Dependency ratios contrast the ratio of youths (ages 0-14) and the elderly (ages 65+) to the number of those in the working-age group (ages 15-64). Changes in the dependency ratio provide an indication of potential social support requirements resulting from changes in population age structures.

Saudi fertility total dependency ratio is: 39.3

Saudi youth dependency ratio of: 34.4

Elderly dependency ratio of: 4.9

Potential support ratio: 20.5 (2020 est.)





## HOUSEHOLD INCOME OR CONSUMPTION BY PERCENTAGE SHARE

### BUDGET

Includes revenues, expenditures, and capital expenditures. These figures are calculated on an exchange rate basis, i.e., not in purchasing power parity (PPP) terms.

Revenues: 181 billion (2017)

Expenditures: 241.8 billion (2017)

### TAXES AND OTHER REVENUES

Total taxes and other revenues received by the Saudi Government during the time period indicated, expressed as a percent of GDP. Taxes include personal and corporate income taxes, value added taxes (VAT), excise taxes, and tariffs. Other revenues include social contributions - such as payments for social security and hospital insurance - grants, and net revenues from public enterprises. Normalizing the data, by dividing total revenues by GDP, enabled a robust comparison.

26.4% (of GDP) (2017)



## INFLATION RATE (CONSUMER PRICES)

The annual percent change in Saudi consumer prices compared with the previous year's consumer prices.

0.9% (2017)

## CURRENT ACCOUNT BALANCE

The Saudi net trade in goods and services, plus net earnings from rents, interest, profits, and dividends, and net transfer payments (such as pension funds and worker remittances) to and from the rest of the world during the period specified. These figures are calculated on an exchange rate basis, i.e., not in purchasing power parity (PPP) terms.

\$15.23 billion (2017)

\$23.87 billion (2016)







## SONG

### ABOVE ALL CLOUDS

Up above all the clouds even your sand  
Up higher than comets, you're the greatest land  
your glory leading, you're full of glories making your haters wonder  
But we don't care for them ever  
We won't ever, we won't ever find like this country ever  
I swear there is nothing like you ever  
Who crossed the deserts for you on his bare feet deserves you  
Who fought for you giving his blood and sweat deserves you  
And who shepherds through hot deserts sheep and camels deserves you  
We deserve you our homeland through everything  
Deserve you the greatest land, you're full of good things  
Who preached to God and ruled this great nation deserves you  
And who raised you among all world's nations deserves you  
And who bent swords fighting for you, even his pens deserves you  
We deserve you our homeland, you are everything  
You are the light of our own eyes, people and King



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So that our clients can act faster, smarter and bolder. Ultimately, success comes down to a simple truth: **You act better when you are sure.**



## REFERENCES

1. The Primary Consumer Sentiment Index is a global index conducted monthly by Ipsos across 24 countries in collaboration with Thomson Reuters, and measures consumer attitudes towards the current and future state of the local economy, consumers' personal financial situation, as well as confidence to make large investments and ability to save. The survey has been running monthly in Saudi Arabia since 2010.
2. [https://www.ipsos.com/sites/default/files/ct/news/documents/2020-06/returning\\_to\\_normal\\_-\\_ksa\\_edition\\_ipsos.pdf](https://www.ipsos.com/sites/default/files/ct/news/documents/2020-06/returning_to_normal_-_ksa_edition_ipsos.pdf)
3. 500 interviews conducted in Saudi Arabia, across the Kingdom via Ipsos's KSA online panel. The survey covered Saudi nationals & expats aged 16 to 64 years, males & females; interviewed individuals are the general public
4. 500 interviews conducted in Saudi Arabia, across the Kingdom. Saudi Arabia was covered amongst 27 other countries around the world. The survey was conducted via the Ipsos MENA online panel and covered Saudis & expats aged 18 to 64 years, males and females. Interviewed individuals are the general public.
5. Key information Sources: US Central Intelligence Agency - Global Country Reports, Saudi Exports published data 2017/2018, Mead KSA Business Reports







# KSA 2021

## **ATTRACTIVENESS AND UNCERTAINTIES**