

MARKET GUIDE SAUDI ARABIA



NEW ZEALAND
TRADE & ENTERPRISE
Te Taurapa Tūhono

**KNOW
HOW**

About Saudi Arabia

This oil-rich country represents approximately half the Gulf Cooperation Council's (GCC) gross domestic product (GDP) and is home to half of the GCC population. With 90 percent of its export earnings coming from oil, it's an affluent economy that's looking to diversify, which presents significant opportunities for New Zealand businesses.

The Saudi Government is looking to build capability in power generation, telecommunications, natural gas exploration, and petrochemicals. The country's rapidly-growing population (33 million) and increasing affluence together with the development of more sophisticated retail outlets, make it a good target market for New Zealand.

Saudi Arabia is New Zealand's 20th largest export market, and our second largest export

destination in the Middle East. New Zealand exports to Saudi Arabia have grown considerably, totalling NZ\$507 million in 2017. Exports to Saudi Arabia are mostly primary products such as dairy, sheep meat, wood, and malt extract. Saudi Arabia is New Zealand's largest supplier of fertiliser and a significant supplier of crude oil. Education is playing an increasingly significant role in the bilateral relationship. New Zealand is currently looking into ways we can help the Saudi Government with educational reform including

curriculum development, technical vocation and in-country training.

The United Nations forecasts that the population of Saudi Arabia will reach 39.8 million by 2025 and 54.7million by 2050. Rising life expectancy, falling infant mortality, and a steadily more youthful population (over 67 percent are aged under 30 years old) combine to suggest long-term business opportunities in many areas where New Zealand has core strengths.

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Quick facts

Saudi Arabia is:

- an economy on the brink of major diversification
- home to a population where 67 percent of people are aged under 30 years old
- dependent on imports for a large part of its food needs
- open to consultancy and expertise from other countries.

GDP:

US\$683.8 billion (2017)

GDP per capita (PPP):

US\$21,120 (2017)

Currency:

Saudi Riyal (SAR)

Official languages:

Arabic

World Bank Ease of Doing Business ranking (2018):

92 of 190 (NZ ranked 1 of 190)

Corruption Perceptions Index ranking (2017):

57 of 180 (NZ ranked 1 of 180)

Value of NZ exports:

NZ\$507 million (2017)

New Zealand's 20th-largest market in 2017

Land area:

2,149,690 sq km

Population:

33 million (2018)

Density:

14.7 people/km²

Trade Agreements

If you are a goods exporter, use the Ministry of Foreign Affairs and Trade's [tariff finder](#) to find out the applicable rates for Saudi Arabia, as well as HS codes, document and shipping requirements. For more details on Free Trade Agreements in force, go to the [Free Trade Agreements](#) section of the Ministry of Foreign Affairs and Trade's website.

Opportunities for New Zealand businesses

Food and beverage

Saudi consumers are discerning and enjoy new food products; they are becoming more educated about quality, nutritional value, price and packaging. Growth is also occurring in the private label, hospitality and restaurant sectors, including fast food. Halal is an obvious feature of the food and beverage market, due to an abundance of Muslim consumers.

Health care

The Saudi health care sector is the largest in the Middle East, according to the World Bank, and is expected to grow at an average compound rate of 18 percent during 2018. Government spending on health care was budget at US\$39.1 billion in 2018 and its Ministry of Health runs approximately 55 percent of hospitals. There is a strong local pharmaceutical industry, particularly in generics, and with a relatively low hospital bed density of 22 per 10,000 people, there remains significant growth potential.

Construction

Saudi Arabia's housing ministry has set a target for the mortgage market to reach a total value of 502 billion riyals (US\$134 billion) by 2020 from 290 billion riyals (March 2018). Demand drivers of the industry include the strong performance of the construction industry, public spending on affordable housing programmes, large investments into commercial real estate assets, population growth and increasing per capita income.

With hotel, hospital and large infrastructural spending likely, the sector is expected to provide opportunities in professional services, building components, and fittings, where a unique value proposition can be combined with viable pricing.

Services

The services sector now comprises over 35 percent of the economy, and consultancy opportunities exist in many areas. Civil administration, defence, retail and tourism are some of the most important segments, but opportunities are not restricted to these. New Zealand companies have had some success in providing services in areas as diverse as retail interior design, government and policy consulting, food safety and architecture.

Business culture and etiquette

The country is ruled under Sharia law, i.e. Islamic Law. Zakat is a religious wealth tax under this system, where complex rules may apply for joint ventures or partnerships. As always, high-quality professional advice should be sought and taken to familiarise yourself with requirements and rules.

Companies can make direct sales to the private sector from outside Saudi Arabia. Local agents or distributors can be appointed and need not be exclusive, but agency/distributorship contracts must be submitted in a standard format to the Ministry of Commerce and Investment for registration.

It is usually best not to visit Saudi Arabia during July and August due to the high heat and the fact that many locals leave Saudi Arabia for holidays during this period.

The working week is **Sunday to Thursday**, with Friday and Saturday serving as the weekend.

During Ramadan, it can be difficult to transact business as there are fewer working hours. Meetings may be set outside of normal business hours, sometimes very late at night.

Ramadan's dates change annually and should be checked well in advance. If possible business travel should be avoided over summer too as many locals take extended summer vacations.

Women in Saudi

Both Saudi and foreign women have to wear an abaya in public; this is a full-length black cloak. A headscarf should be carried in case religious police advise a woman she must cover her head. Whilst visiting malls or public areas, keep in mind, that separate areas at restaurants, government offices and businesses are allocated just for women and children. Men may not be allowed in these designated locations, and same may apply to women at male designated areas.

The culture is quite conservative, however, in line with Vision 2030, several reforms have been introduced. For instance, on 24th June 2018, Saudi Arabia's Crown Prince Mohammed bin Salman, passed a decree ending the ban giving women the right to drive in the country. Local women have now been granted licenses and women are allowed to drive freely.

Business attire

For women, business attire must include an abaya, full-length dress or pair of trousers and a top with a high neckline and long sleeves. Men usually wear suits to business meetings.

Arabic is the official language in the country, and is the language used in official documentation and transactions. Although English is used in corporates and business meetings. In rural areas English would be limited.

Travel and visiting Saudi Arabia

Visas and immigration

In all cases, expatriates require visas to enter/exit Saudi Arabia.

Business visit visa

A Business Visit Visa is usually used for exploratory visits, trade shows, short-term contracts (less than 18 months), consulting work or business development and marketing purposes. The process starts with a Letter of Invitation (LOI) being generated by a Saudi company, which invites a named individual from a specific company to visit Saudi Arabia. Application forms and photos are then submitted to the Saudi Embassy or Consulate in the country of application.

Residency visa

A Residency Visa, also known as an Iqama, is a permit for the holder to take up permanent residency in Saudi Arabia and sponsor dependents (wife, children). Iqamas are granted following an application by a Saudi-registered company to Saudi Arabia's Ministry of Labour.

Accommodation

Here are some accommodation options in Saudi Arabia:

Hotel	Address	Telephone	Website/Email
Courtyard Marriot	Al-Hada District, Abdullah bin Huzafah, Al-Sahmi Street Riyadh 64819 Saudi Arabia	+966 11 281 7300	www.marriott.com
Ibis Riyadh	Al Olaya Street Opposite to the Kingdom Tower Riyadh	+966 11 419 9995	www.accorhotels.com
Novotel Dammam	Al Khobar Dammam Highway Dammam	+966 13 845 8888	www.accorhotels.com
Mövenpick Hotel City Star Jeddah	Madinah Road, Jeddah	+966 12 618 0000	www.movenpick-hotels.com

Transport

Taxis

Taxis are widely available in Saudi Arabia's main cities and most have working meters. It was reported in local media recently that "taxis will be banned from picking up passengers on streets, due to new regulations released by the Kingdom's Transport Ministry, and will instead have to be booked in advance". However, this has not yet been enforced.

The web/app-based [*Uber*](#) taxi service is now widely available in the main business and residential areas.

Car rental

To rent a car, you'll need an International Driving Licence. You will also need to present your passport.

In Saudi Arabia traffic drives on the right-hand side of the road and is exclusively male dominated throughout the country, with the exception of a few remote areas.

Trains

Saudi Arabia has an ambitious plan to link its main cities through a comprehensive railway network but, for now, the services remain limited. Visit [Saudi Railways](#) site for updates on rail services.

Currency, credit cards and ATMs

The Saudi currency is the Saudi Riyal (SAR). International credit cards (Visa and MasterCard) are accepted widely in Saudi Arabia. ATM machines are readily available and their displays are in both English and Arabic. Cash (SAR) is preferred for everyday transactions, and sometimes is the only method accepted.

Public holidays

- Eid AlFitr: May 29 – 8 June 2019 (changes annually according to the lunar calendar **NOTE:** Actual dates may vary)
- Eid Al Adha (Hajj): 5 August – 16 August 2019 (changes annually according to the lunar calendar **NOTE:** Actual dates may vary)
- Saudi National Day: 23 September.

It is usually best not to visit Saudi Arabia during July and August due to the high heat and the fact that many locals leave Saudi Arabia for holidays during this period.

During Ramadan, it can be difficult to do business as there are fewer working hours. Meetings may be set outside of normal office hours, sometimes very late at night.

Language

Arabic is the official language in the country and is the language used in official documentation and transactions. Although English is used in corporate and business meetings, in rural areas English would be limited.

Safety and security

Visit the [Safe Travel](#) website for the latest travel advisory updates. New Zealanders in Saudi Arabia are strongly encouraged to register their details on Safe Travel.

Medical services and hospitals

The Medical Emergency telephone number is 997.

(This can be called from any telephone, landline or mobile.) The main private providers of medical services are:

Riyadh

Dr Sulaiman AlHabib Hospitals
Telephone: +966 11 462 2224

Jeddah

Saudi German Hospital
Telephone: +966 12 682 9000

Dammam

Mouwasat Hospital
Telephone: +966 13 820 0000

Trade shows and industry exhibitions

Saudi Big Five (Construction): March

Saudi Health Exhibition: May

Saudi Agriculture: October

Foodex: November

HORECA (Food Service) November

Product registration

All products, imported or locally produced, must meet the Saudi standards, obtain the necessary certification and be registered before they are cleared into the Saudi market.

The most common and direct method is simply to appoint an agent/distributor which can set up the office under its own commercial registry. The agent/distributor agreement should be registered with the Ministry of Commerce and Industry. Remember that the Commercial Agency regulations govern the agent/distributor agreement.

To establish any type of entity structure, foreign investors are required to obtain an Investment Licence from the Saudi Arabian General Investment Authority (SAGIA) under the Foreign Investment Regulations. For certain forms of business, foreign investors may also need to obtain a pre-approval from the relevant Ministry before applying for the SAGIA licence.

The *Saudi Food and Drug Authority* (SFDA) is the regulatory body for food and drug products.

The *Saudi Standards, Metrology and Quality Organization* (SASO) is the regulatory body for other products.

Note: A Saudi business partner will need to undertake the process of product registration.

Setting up operations and establishing a business

Non-Saudi producers of goods are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, but commercial regulations restrict importing for resale and direct commercial marketing within Saudi Arabia to Saudi nationals.

As a non-Saudi producer of goods, you are allowed to appoint local agents as your representative to sell products and/or services in Saudi Arabia. Whether they act as distributors, sales agencies or otherwise, the Saudi Arabian Commercial Agencies Law governs any arrangement.

The law requires a direct relationship between the business agent or distributor of products and the foreign company. Non-Saudis are not allowed to engage in import and export businesses or commercial agencies in Saudi Arabia.

The process of establishing an office in Saudi Arabia differs according to the type of business you're involved in.

Customs and import regulations

Saudi Arabia is part of the Gulf Cooperation Council (GCC) Customs Union, which was established in 2003 to remove customs and trade barriers among the GCC member states (United Arab Emirates, Oman, Qatar, Kuwait and Bahrain). The implementation of the GCC Customs Union is still in progress.

The GCC member states apply a Common Customs Law and a *Unified Customs Tariff* with a standard customs duty rate of 5 percent of the combined cost of goods, insurance and freight (CIF) value. However, there are certain items that are subject to a 12 percent duty rate, and certain commodities which are produced locally that are subject to customs duties at between 6-25 percent, in order to protect local production.

Saudi law prohibits the importation of the following products: weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, and certain sculptures.

Taxation

There are two main types of taxes in Saudi Arabia: Zakat, which is based on Islamic concepts, and income tax. Zakat is applicable to the ownership in a Saudi Arabian company by nationals of Saudi Arabia or other GCC member states. Zakat is assessed at 2.5 percent. Only non-Saudi investors (and Saudi branches of any foreign company) are liable for income tax in Saudi Arabia. The rate of income tax is 20 percent of the net adjusted profits.

Sales tax/Value Added Tax (VAT): Given the need for diversifying government-related revenues, finance ministers of the Gulf Cooperation Council (GCC) have approved the introduction of formal VAT systems across the entire Gulf region. VAT was introduced in Saudi Arabia on 1 January 2018, at a rate of 5 percent for most goods and services, with certain exceptions applicable. There is also no form of stamp duty, transfer, excise, sales, turnover, production, real estate, or property taxation except where such duties may fall within the scope of Zakat, which is applicable only to Saudi nationals.

Personal income tax: There are no personal income tax regulations in Saudi Arabia. However, Social Security contributions apply. Social Insurance Tax is paid monthly, based on the monthly basic salary as well as housing (with an upper limit of SAR45,000) and is computed at 2 percent for non-Saudi employees and paid by the employer. For Saudi employees, the rate is 22 percent and is paid by both the employees (10 percent) and the employer (12 percent).

Opening a bank account

Only Saudi residents (Saudi nationals or expatriates with Saudi residency) or Saudi resident entities (companies registered in Saudi) can open bank accounts. The most common engagement of a Saudi bank by a foreign company is in connection with underwriting bids or Performance Bonds for proposals, tender responses and any resultant contracts as well as guarantees (such as Advance Payment Guarantees) that may be required by a customer.

Any foreign investors wishing to establish an entity in Saudi Arabia and open a bank account need to register with a number of Saudi governmental authorities. They should do this only after obtaining the required investment licence from the Saudi Arabian General Investment Authority (SAGIA).

Expatriates working in Saudi

To open a bank account, you must have a residence visa, which demonstrates the right to be in the country. A 'letter of no objection' or a 'no objection certificate' (NOC) from your employer is also required. The employer's letter needs to stipulate your salary, to demonstrate how much will regularly be paid into the proposed bank account.

Resources and contacts

Government directory

Organisation	Address	Telephone	Website
Ministry of Commerce and Investment	Prince Abdul Rahman Ibn Abdul Aziz Rd, Al Murabba Riyadh, 12628	+966 11 401 2222	mci.gov.sa
Ministry of Environment, Water and Agriculture	King Abdul Aziz Rd, Al Murabba Riyadh 12628	+966 11 417 2000	mewa.gov.sa
Ministry of Finance	King Abdul Aziz Rd, Al Malaz Riyadh 12641	+966 11 405 0000	mof.gov.sa
Ministry of Foreign Affairs	Al Washm St Riyadh 12735	+966 11 406 7777	mofa.gov.sa
Ministry of Energy Industry and Minerals	King Saud Rd, Al Wizarat Riyadh 12622	+966 11 478 7777	meim.gov.sa

Business associations

Organisation	Contact	Location	Website / Email
Council of Saudi Chambers (CSC)	Abdul-Karim Yaquob, Director General for International Relations	Riyadh	www.csc.org.sa ahabibullah@csc.org.sa
Riyadh Chamber of Commerce and Industry	Mansour Al-Ajmi Public Relations Manger	Riyadh	www.chamber.sa ajmim@rdcci.org.sa
Jeddah Chamber of Commerce and Industry	Hassan Ibrahim Dahlan General Secretary	Jeddah	www.jcci.org.sa
Eastern Region Chamber of Commerce and Industry	AbdulRahman A. Al-Wabel, General Secretary	Dammam	www.chamber.org.sa

NZTE/Embassy contact details

NZTE and the Ministry of Foreign Affairs and Trade have offices in Saudi Arabia, as well as websites for further information.

Organisation	Address	Telephone	Website / Email
New Zealand Trade and Enterprise (Saudi Arabia)	c/o New Zealand Embassy Abdullah Ibn Hudhafah As Sahmi As Safarat Riyadh 11693 Kingdom of Saudi Arabia	+966 11 488 7988 Ext. 125 / 106 / 109	nzte.govt.nz exporthelp@nzte.govt.nz
New Zealand Embassy (Riyadh)	Abdullah Ibn Hudhafah As Sahmi As Safarat Riyadh 11693 Kingdom of Saudi Arabia	+966 11 488 7988	mfat.govt.nz



New Zealand Trade and Enterprise (NZTE) is the Government agency charged with a single purpose: growing companies internationally, bigger, better and faster, for the good of New Zealand.

We employ 600 people, have over 200 private sector partners and draw on a global network of thousands more. We have people based in 50 offices, working across 24 time zones and 40 languages to support New Zealand businesses in over 100 countries. Our global presence lets us deliver value to the businesses we support, through our unique know-how (knowledge and experience) and know-who (networks and connections).

Our know-how and know-who is expressed in our Māori name: Te Taurapa Tūhono. Te Taurapa is the stern post of a traditional Māori waka, which records valuable knowledge, and stabilises and guides

the craft forward. Tūhono represents connections to people and an ability to build relationships.

We provide customised services and support to ambitious businesses looking to go global. We help them build their capability, boost their global reach, connect to other businesses and invest in their growth. We also connect international investors with opportunities in New Zealand through a global network of investment advisors.

We call on our Government network and work closely with our NZ Inc partners and the business community, to grow our national brand and help businesses to open doors in global markets.

nzte.govt.nz

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