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INVEST

FOREIGN DIRECT INVESTMENT

FDI flows to Saudi Arabia had gradually declined in the last decade due to political factors and lower oil prices; however, economic diversification and new projects outside the oil and gas sector helped reverse the trend. According to UNCTAD's [World Investment Report 2023](#), FDI inflows to Saudi Arabia stood at USD 7.8 billion in 2022, down from USD 19.2 billion one year earlier (-59.1%); whereas the total stock of FDI reached USD 268.9 billion, around 24.3% of the country's GDP. As per the report, cross-border M&A sales remained high, the most notable transaction involving the acquisition of a 49% share in Aramco Gas Pipelines for USD 16 billion by an investor consortium comprising entities from China, Hong Kong, Saudi Arabia, and the United States. The United Arab Emirates, the United States, France, Singapore, Japan, Kuwait and Malaysia are the main investors in Saudi Arabia. The investments are mainly oriented towards the chemical industry, real estate, fossil fuels, automobiles, tourism, plastics and machinery. Meanwhile, outflows from Saudi Arabia totalled USD 18.8 billion in 2022, making the Kingdom the 17th largest investor worldwide.

The country has pushed to increase FDI in recent years as part of the "Vision 2030" plan to end reliance on fossil fuels, and it is aiming for USD 100 billion in annual FDI by 2030. Moreover, Saudi Arabia adopted seven "Guiding Principles for Investment Policymaking", including non-discrimination, investment protection, investment sustainability, enhanced transparency, protection of public policy concerns, ease of entry for employees, and the transfer of knowledge and technology; and the Saudi Arabian General Investment Authority was upgraded, becoming the Ministry of Investment. Recently, Saudi Arabia also launched a SEZ program that focuses on non-traditional industries, which include cloud computing, tourism, renewable energy, and logistics. Among new investment incentives, Saudi Arabia introduced a Special Integrated Logistics Zone, which offers a 50-year tax exemption for investors, including those with full foreign ownership rights. Moreover, investors benefit from VAT advantages for servicing and assembly operations within the zone. Furthermore, the country established the Saudi Investment Promotion Authority, which will collaborate with the Ministry of Investment to gather opinions and prepare proposals for laws, procedures and manuals. Political and social tensions, reduced access to credit and the policy of "Saudization", which favours the domestic labour force, have all been obstacles to FDI. Nonetheless, the government has invested heavily in national infrastructure to attract investment, and FDI is seen as one of the most effective ways to diversify the economy and provide employment for younger generations. The government opened the retail and wholesale sectors to 100% foreign ownership and has launched a large privatization programme. The authorities welcome FDI due to its ability to transfer technology, employ and train the national workforce, foster economic development and enhance local raw materials. The country's controlled inflation and relatively stable exchange rate, openness to foreign capital in upstream gas, as well as extensive privatisation programmes are among the advantages attracting investors to the country. Moreover, the dynamic performance of the banking sector is driving the growth of the non-oil sector. Lastly, access to the world's largest oil reserves, very low energy costs and a high standard of living are decisive factors for foreign investors. Nevertheless, foreign investment is currently prohibited in 10 sectors, including oil exploration, drilling, and production; fisheries; security and detective services; and real estate investment in the holy cities of Mecca and Medina. Saudi Arabia ranks 48th among the 132 economies on the [Global Innovation Index 2023](#) and 69th out of 184 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	5,399	19,286	7,886
FDI Stock <i>(million USD)</i>	241,775	261,061	268,947
Number of Greenfield Investments*	90	150	239
Value of Greenfield Investments (million USD)	9,431	8,958	13,473

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Saudi Arabia	Middle East & North Africa	United States	Germany
Index of Transaction Transparency*	9.0	6.4	7.0	5.0
Index of Manager's Responsibility**	9.0	4.8	9.0	5.0
Index of Shareholders' Power***	7.0	4.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN SAUDI ARABIA

Strong Points

Once Saudi Arabia became a member of the WTO in 2005, the foreign investment climate in the Kingdom substantially improved. From an investor's point of view, the country's strong points are:

- Economic stability
- Largest world oil reserves, important position in OPEC
- A large local market with a high spending power (and a population of over 35 million)
- A strategy of economic diversification (with the program Saudi Vision 2030)
- Sound infrastructure
- Consolidated finances
- Well-regulated banking system

Weak Points

While the country has undertaken reforms to encourage foreign investment, the legal framework in resolving commercial disputes is considered by some to be inadequate. There is a lack of transparency in applying intellectual property legislation, and the Government imposes quotas of Saudi employees in companies. Cases of delayed payment of some government contracts have been reported. The traditionally conservative cultural environment, including the enforced segregation of the sexes in most businesses and social settings, may discourage certain investors who are not accustomed to such practises.

Other weak points are:

- High dependence on hydrocarbons sector
- High unemployment rate among natives, and under-employment of women
- Economy is dependant on public spending
- Weak political governance
- Weak economic transparency
- Deteriorated regional geopolitical environment.

Government Measures to Motivate or Restrict FDI

According to the law on foreign direct investment, being licensed to operate in Saudi Arabia as a foreign investor is necessary to obtain any permit to start operations. In 2018, the Saudi Council of Ministers approved full foreign investments in the transport, recruitment, audio visual and real estate sectors. Foreign direct investments (FDI) can be made in Saudi Arabia in all business activities that are not restricted to those which must be exclusively undertaken by Gulf Cooperation Council nationals or companies owned by them, the negative list (oil and mining sector, some services, etc.). Foreign investors are no longer required to have local partners in a number of sectors and may own property for company activities. They are allowed to repatriate their company money and can sponsor foreign employees, subject to certain criteria in accordance with the Nitaqat (Saudisation) programme. In 2016, Saudi Arabia authorised the acquisition of 100% of assets by foreign investors in retail and wholesale trade. A privatisation program has also been launched. The government also tries to attract FDI in the sectors of renewable energy and entertainment.

In order to facilitate investments in the Kingdom, the [Ministry of Investment](#) has set up an Investment Services Centre (ISC). The ISC must decide to grant or refuse a license within 30 days of receiving an application from an investor. The [Saudi Centre for commercial arbitration](#) has also been created, which assures foreign investors an inexpensive fee in case of commercial arbitration.

The Saudi government launched [Saudi Vision 2030](#), an ambitious development program that foresees important opportunities for foreign investors in the sectors of education, housing, health and energy, among others.

[Invest Saudi](#) was created by the [Ministry of investment](#) (MISA) to be the national investment promotion brand of the Kingdom and offer several services to investors. Saudi Arabia's incentives and support schemes are specifically designed to encourage investment with the potential to diversify and improve the Kingdom's competitiveness. The incentives include financial, fiscal and employment support. The [MERAS](#) facilitates services with government agencies.

Nevertheless, other recent governmental initiatives aimed at favouring employment of Saudi citizens may discourage foreign investors: cost of working permits for foreigners, quota of foreign worker employees, stricter policy of localisation and introduction of a VAT since 2018.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Oil sector, automobile industry, building, information and communication technologies, health, pharmaceutical industry, defence.

High Potential Sectors

Franchising, tourism, banking, electricity, mines.

Privatization Programmes

The [Privatization Program](#), is one of the executive programs launched by the Council of Economic and Development Affairs (CEDA) to achieve the objectives of Vision 2030. The targeted sectors are linked to ministries of Education; Communications and Information Technology; Municipal and Rural Affairs; Environment, water and agriculture; Transport; Sport; Energy; Housing; Health; the Haj and Umrah and Labor and Social Development.

Tenders, Projects and Public Procurement

[Saudi Tenders](#)

[Tenders Info](#), Tenders in Saudi Arabia

[DgMarket](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Telecommunications, electricity, water, hydrocarbons.

Sectors in Decline

Insurance

Finding Assistance For Further Information

Investment Aid Agency

[Ministry of Investment](#)

[Invest Saudi](#)

Other Useful Resources

[Saudi Chambers Council](#)

[Gulf Consulting House](#)

Doing Business Guides

[Doing business guide Saudi Arabia \(Deloitte\)](#)