FACTS & STATISTICS

Saudi Arabia

Saudi Arabian General Investment Authority
SAGIA

Quarter 3 2016:

August 2016

Latest Edition

Facts & Statistics
Saudi Arabia

Saudi Arabia's value proposition to Investors is built on four key components:-

- ❖ The Saudi Economy
- ❖ Skills Availability & Education
- ❖ Investor Benefits
- ❖ Operating Environment

The underlying sourced data & information supporting KSA's offering to investors are set out in this ***Facts & Statistics Document -*** providing supporting data that underpins the components of KSA's value proposition to Investors:-

(1) Macroeconomics Fundamentals

(2) Human Capital Fundamentals

(3) Business Fundamentals

(4) Competitiveness

The Saudi Economy

MACROECONOMIC FUNDAMENTALS

	Page
❖ Key Economic Indicators	4
❖ KSA's GDP Profile by Economic Activity	6
❖ KSA's GDP Profile by Sector & Diversification	7
❖ KSA's Global GDP Ranking	8
❖ KSA's Foreign Trade: Exports, Imports & Trading Partners	9
❖ Selected Economic Indicators (IMF)	10
❖ KSA's Budget Allocations	12

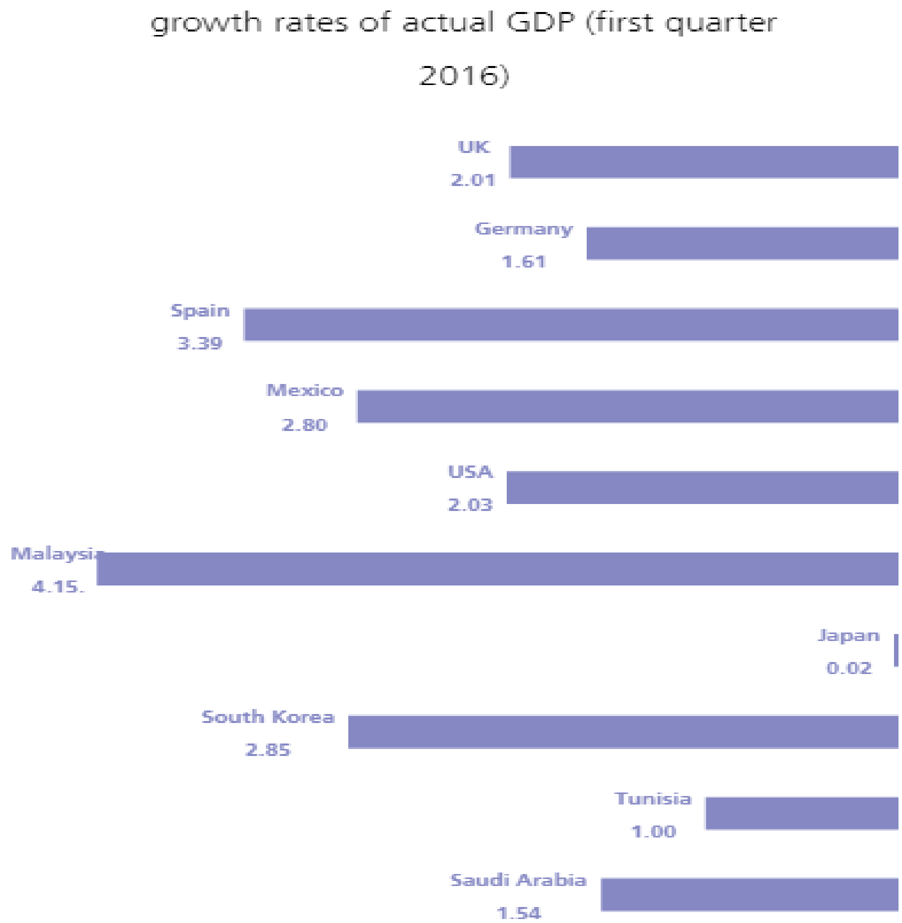
Key Economic Indicators - Saudi Economy

Key Indicators	Latest Available	2005
Total Population	31.7 million (2015)	23.3 million
Labor Force	11.9 million (2015)	7.5 million
Saudi Unemployment Rate	11.5% (2015)	11.5%
Per Capita GDP at current prices	$US20,722 (2015)	$US 13,303
GDP By Sector*		
- Oil	28% (2015)	46.47%
- Private Sector	49% (2015)	39.2%
- Government Sector	22% (2015)	14.33%
GDP Growth at constant prices	3.35% (2015)	-
Cost of Living Index (Inflation)	2.3% (2015)	-

Data Source: General Authority for Statistics

*GDP Data is preliminary for 2015

(4): Growth rates of actual GDP in some countries



KSA's GDP Profile by Economic Activity

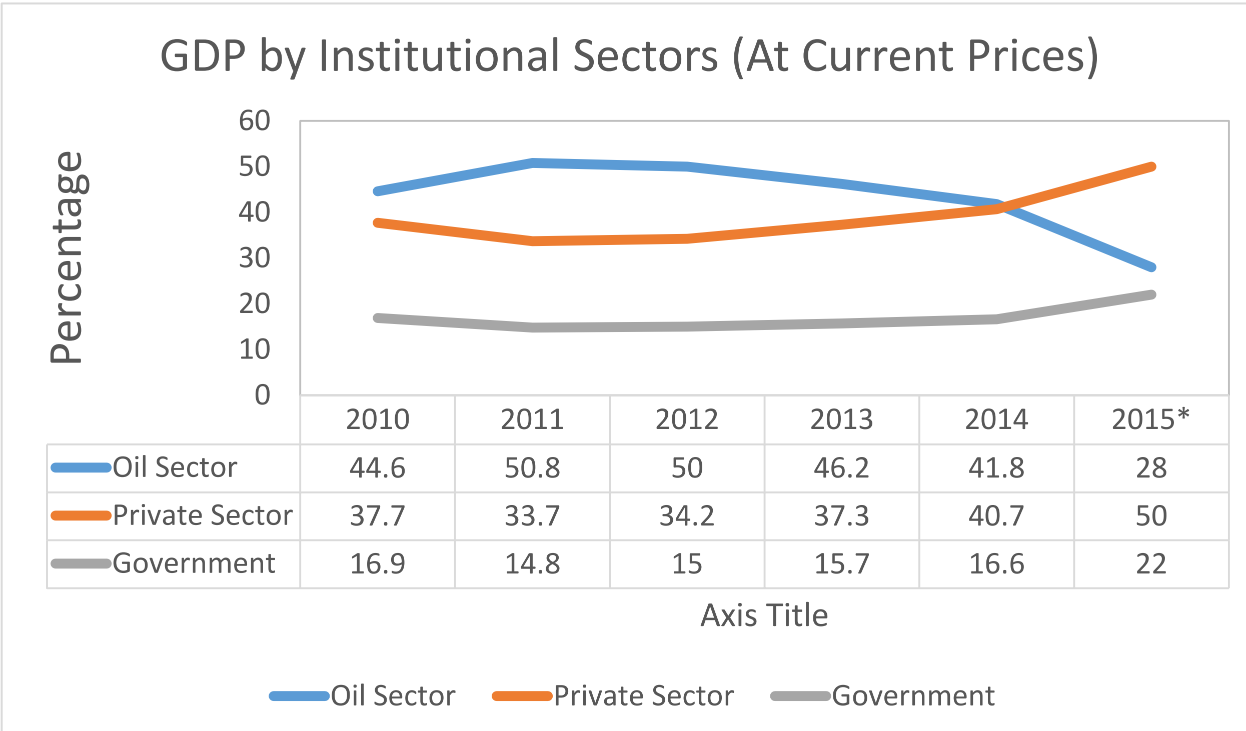
Lower oil prices had a significant impact on the composition of KSA's GDP in 2015. 3.35% economic growth in 2015 underpins economic diversification & the growing contributions of the financial, manufacturing, transportation, construction & wholesale / retail sectors to the economy. The private sector's impact is highlighted in the Table below - showing the growing sectors that are compensating for the reducing GDP contribution from oil.

Economic Sector	2015* % of GDP	2005 % of GDP	Shift: 05-15
Manufacturing	12.23%	9.45%	+ 2.78%
Construction	6.84%	4.74%	+ 2.1%
Wholesale / Retail & Leisure	11.52%	6.27%	+ 5.25%
Transportation & Communications	6.36%	3.54%	+ 2.82%
Finance	12.57%	8.8%	+ 3.77%
Oil & Mining	25.45%	46.47%	- 21.02%

* Preliminary GDP Data for 2015 General Authority for Statistics

General Authority for Statistics 2015 & 2005 DATA

KSA GDP Profile – Diversification of the Economy



	2010	2011	2012	2013	2014	2015*
Oil Sector	44.6	50.8	50	46.2	41.8	28
Private Sector	37.7	33.7	34.2	37.3	40.7	50
Government	16.9	14.8	15	15.7	16.6	22

- In nominal terms KSA's macro economy is converging in such that both the oil and non-oil sectors are contributing robustly to overall growth- all be it that lower average oil prices has reduced hydrocarbon contributions.

- This convergence is driven by private sector development through economic diversification and downstream oil economic activity.

- The Government sector remains steady in its contribution to GDP.

General Authority for Statistics: 2010 to 2015 Data: Note 2015 Data is Preliminary

GDP Global Countries: Saudi Arabia Ranks 20th

Gross domestic product 2015

Ranking	*Economy*	*(millions of US dollars)*	
1	United States	17,946,996	
2	China	10,866,444	
3	Japan	4,123,258	
4	Germany	3,355,772	
5	United Kingdom	2,848,755	
6	France	2,421,682	
7	India	2,073,543	
8	Italy	1,814,763	
9	Brazil	1,774,725	
10	Canada	1,550,537	
11	Korea, Rep.	1,377,873	
12	Australia	1,339,539	
13	Russian Federation	1,326,015	a
14	Spain	1,199,057	
15	Mexico	1,144,331	
16	Indonesia	861,934	
17	Netherlands	752,547	
18	Turkey	718,221	
19	Switzerland	664,738	
20	Saudi Arabia	646,002	
21	Argentina	*548,055*	
22	Sweden	492,618	

Source World Bank

Foreign Trade: Exports & Imports
Key Trading Partners

Exports

Top Destinations of Exports	**2014**	**2005**
USA	12.65%	15.5%
China	12.5%	6%
Japan	12.2%	15.6%
South Korea	9.64%	8.5%
India	8.86%	6%
Singapore	3.64%	5.2%
Taiwan	3.4%	3.4%
To GCC	7.6%	6.7%
Others	29.51%	33.1%
Composition of Exports		
Raw Materials	73.6%	80%
Semi-Finished Products	12.8%	8%
Finished Products	13.6%	12

General Authority for Statistics: 2014 Data - Latest Available

Imports

Top Sources of Imports	**2014**	**2005**
China	13.4%	7.4%
USA	13%	14.8%
Germany	7.2%	8.2%
Japan	5.7%	9%
South Korea	5%	3.6%
India	3.6%	3.1%
France	3.4%	3.5%
From GCC	7.3%	4.6%
Others	41.4%%	45.8%

Selected Economic Indicators - IMF July 2016

On July 18, 2016, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation[1] with Saudi Arabia.

Real GDP growth is expected to slow to 1.2 percent in 2016, but recover to 2 percent in 2017 as the pace of fiscal consolidation eases and to settle around 2.25 -2.5 percent over the medium-term.

Inflation has risen in recent months to over 4 percent as energy and water prices have been increased, and is expected to ease to 2 percent in 2017.

Based on current policies, the fiscal deficit is projected to narrow to 13 percent of GDP in 2016.

Non-oil revenues are expected to increase, while spending restraint, particularly on the capital side, will result in a substantial reduction in expenditure. The fiscal deficit is expected to be financed through a mix of deposit drawdown and domestic and international borrowing.

The current account deficit is projected to narrow to 6.4 percent of GDP in 2016 and then move close to balance by 2021 as oil prices partial recover.

Saudi Arabia has begun a fundamental policy shift to respond to low oil prices.

The government has introduced a series of reforms over the past year and has recently set out plans for a bold and ambitious transformation of the Saudi Arabian economy in *Vision 2030* and the National Transformation Program.

Diversifying the economy, creating jobs for nationals in the private sector, and implementing a gradual, but sizable and sustained fiscal consolidation to reach budget balance in 5 years are key policy priorities

Selected Economic Indicators, 2011–16

						Proj.
	2011	2012	2013	2014	2015	2016
Production and prices	(Annual percent change; unless otherwise stated)					
Real GDP	10.0	5.4	2.7	3.6	3.5	1.2
Real oil GDP	12.2	5.1	-1.6	2.1	4.0	0.6
Real non-oil GDP	8.1	5.5	6.4	4.8	3.1	1.6
Nominal GDP (billions of U.S. dollars)	670	734	744	754	646	646
Consumer price index (avg)	3.7	2.9	3.5	2.7	2.2	4.2
Fiscal and Financial variables	(Percent of GDP; unless otherwise stated)					
Central Government revenue	44.5	45.3	41.4	36.9	25.4	22.7
Of which: oil revenue	41.2	41.6	37.1	32.3	18.4	14.2
Central Government expenditure	33.4	33.3	35.6	40.3	41.3	35.7
Fiscal balance (deficit -)	11.2	12.0	5.8	-3.4	-15.9	-13.0
Non-oil primary balance (percent of non-oil GDP)	-61.7	-60.4	-59.7	-64.0	-50.8	-39.3
Broad money (annual percent change)	13.3	13.9	10.9	11.9	2.5	2.2
External sector	(US$ billions; unless otherwise stated)					
Exports	364.7	388.4	375.9	342.5	202.3	183.9
Of which: Oil and refined products	317.6	337.2	321.7	284.4	151.3	132.6
Imports	-120.0	-141.8	-153.3	-158.5	-155.0	-149.4

Source IMF Article IV Consultation[1] with Saudi Arabia July 18th 201

KSA’s 2016 Budget Allocations

2016 Budget Allocation	SR Million	%
Sector:		
Education and training	191.659	22.8%
Health and Social Development	104.864	12.5%
Municipality Services	21.246	2.5%
Military and Security Services	213.367	25.4%
Infrastructure and Transportation	23.903	2.85%
Economic resources	78.121	9.3%
Public administration	23.840	2.8%
Budget Support Provision *	183.000	21.8%
Total	840.000	100%

*Due to the sharp fluctuation in oil prices recently, a new allocation is now established to support the budget and help address shortages in revenue, with SR 183 million dedicated to give more flexibility to the budget and redirect capital and operational expenditure in line with national priorities and to fulfil spending in conjunction with Vision 2030.

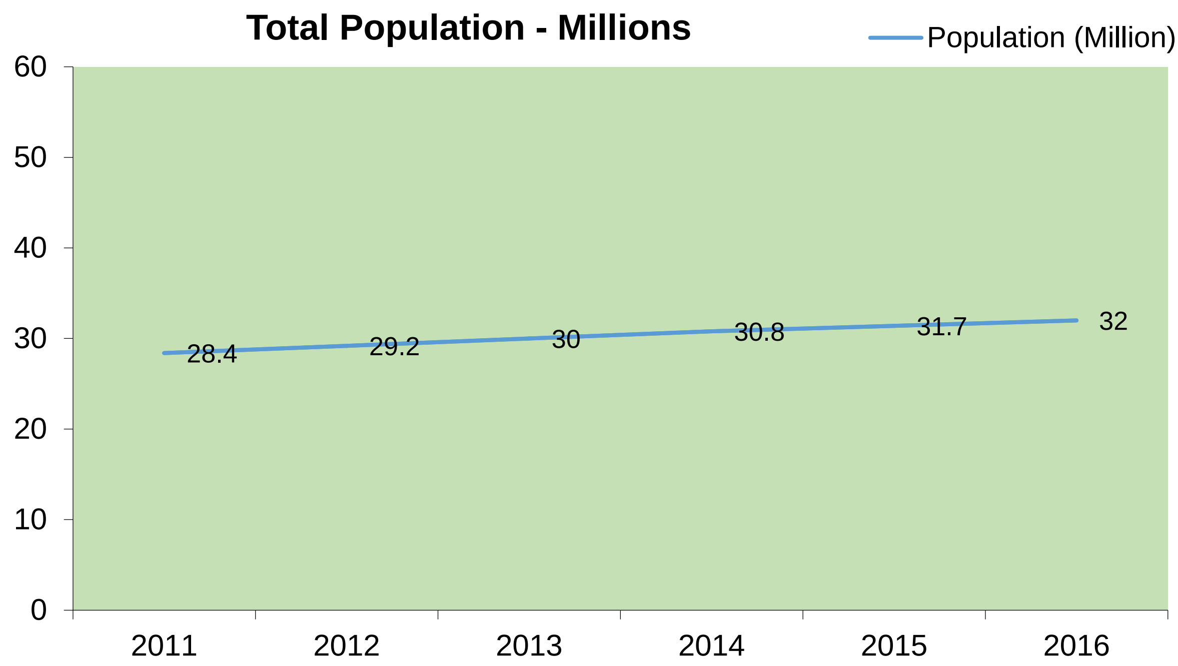
Source: MOF December 2015

Skills & Education

HUMAN CAPITAL FUNDAMENT

	Page
❖ KSA – Demographics	13
❖ Population by Age, Gender & Nationality	14
❖ Key Labour Market Data	15
❖ Private / Public Sector Labour Market	16
❖ Profile of Employment Distribution	17
❖ Third Level Education Statistics	18
❖ Training	19
❖ Profile of Students Studying Abroad	20-22

Saudi Arabia: Demographics



General Authority for Statistics Data: Based on estimates of population from 2010 Census

- Population of Saudi Arabia (2016) is 31,716,240 of which 21,112,155 are Saudi Nationals
- Saudi nationals account for 66.6% of the total population based on General Authority for Statistics estimates (2016)
- General Authority for Statistics long term demographic estimates, total Saudi (nationals) population will increase from 20.7m in 2015 to 23.98 million in 2025.

Population by Age, Gender & Nationality

Population by Age (Band)	% of Total Population
0 to 14 years	24.4%
15 – 24 years	16%
25 to 54 years	50.7%
55 to 64 years	5.8%
65 + years	3.1%

% of Total Population	Gender & Nationality
Saudi Nationals: Male	33.8%
Saudi Nationals: Female	32.7%
Non Saudi Nationals: Male	22.9%
Non Saudi Nationals: Female	10.5%

Data Sourced from General Authority for Statistics: 2016 estimates of population

KSA has a young population, with 40.4% under 25 years of age

- Of the total population 56.7 % is male and 43.3% is female
- Saudi Nationals - 50.9% are male & 49.1% are female
- Non-Nationals - 68.6% are male & 31.4% are female

Key Labor Market Data

Labor Force (000s)	2015
Saudis	5,577,489
Non-Saudis	6,161,814

Total Employed (000s)	2015
Saudis	4,926,184
Non-Saudis	6,141,489
Total	11,067,673
Saudization Ratio %	44.5%

Unemployment	2015
Overall Unemployed Rate %	5.7%
Unemployed Saudis (000s)	651,305
Saudi Unemployment Rate	11.7%

Data is from General Authority for Statistics: (Latest Available)

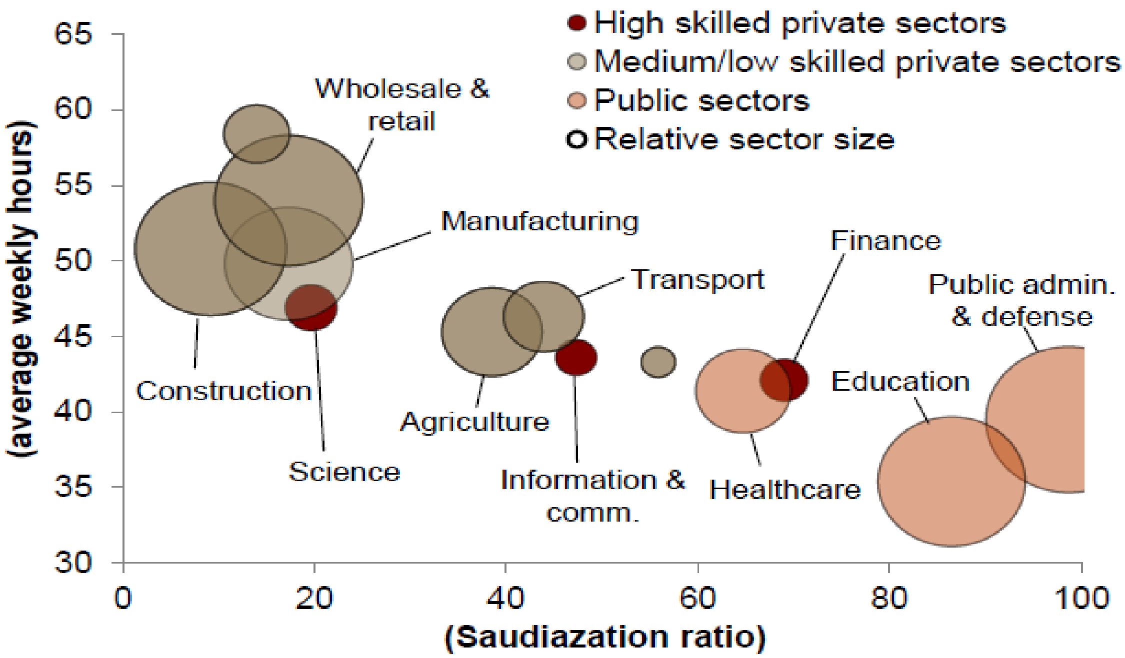
Private & Public Sector

Private Sector (000s)	2013	2014
Saudis	1,571	1,678
Non-Saudis	5,845	5,912
Total	7,416	7,591
Saudization Ratio %	21.2%	22.1%

Public Sector (000s)	2013	2014
Saudis	3,145	3,248
Non-Saudis	168	229
Total	3,313	3,477
Saudization Ratio %	94.9%	93.4%

Data is from General Authority for Statistics and the Ministry of Economic Planning: (Latest Available)

Profile of Employment Distribution 2015



Data is from General Authority for Statistics (Latest Available)
Graphic from Jadwa Investment / Saudi Labor Market Outlook October 2015

- The private sectors with the highest labor concentration are wholesale & retail, followed by construction and manufacturing Saudization rates in such sectors were significantly lower than in higher-skilled / lower labor intensity sectors.

- Saudization rates in the wholesale & retail and construction sectors stood at 15.8% and 9.2% respectively, compared to 75% and 49.5% in Finance and information technology respectively.

- Lower number of Saudis employed in labor-intensive sectors is due in part to disconnect between these sectors needs and education/ training outputs of the Saudi labor force.

Third Level Education
Summary of Higher Level Students

For the Academic Year 2013 / 2014	Total Students	Of which Male	Of which Female	2013 Student Graduates	Of which Male	Of Which Female
Universities	1,359,447	664,278	665,169	115,879	49,924	65,955
TVTC	96,686	86,161	10,525	19,985	17,551	2,434
Al Jubail & Yanbu Industrial Colleges	1,873	11,553	2,696	1,873	1,646	227
Prince Sultan Military College for Health Science	1,051	624	427	189	99	90
Institute of Public Administration	1,,292	2,337	357	1,292	1,136	156
Other National Higher Education	74,569	36,871	37,698	7,426	3,844	3,582
TOTAL	1,548,696	801,824	746,872	146,644	74,200	72,444

General Authority for Statistics: 2014 Statistical Yearbook: Data Source Ministry of Education: Latest Available

i

Training

In addition to the higher education universities, Saudi Arabia has a strong commitment to technical training of its workforce through the Technical & Vocational Training Corporation (TVTC)

Technical and Vocational Training Corporation (TVTC) is a governmental agency responsible for vocational education and training in the Kingdom of Saudi Arabia.

TVTC is the driver of vocational and technical training in KSA, working to provide skilled labour to the industrial sectors.

TVTC carries out the Kingdom’s policies of workforce development through the TVT system, which consists of three sectors:

- Technical Colleges
- Secondary Institutions
- Vocational Training centres.

There are now 35 technical colleges, 35 secondary institutions and 65 vocational training centres throughout the Kingdom, in addition to more than 1000 private organizations accredited by TVTC.

Source: TVTC Web Site

Studying Abroad
2013 / 2014 Academic Year

Country of Study	Students Nos	Male	Female
North America	112,647	86,560	26,087
European Countries	25,332	16,579	8,753
Other Arab Countries	17,030	10,720	6,310
Australia	11,542	9,489	2,053
Asian Countries	4,527	3,641	886
Overall Totals	**171,078**	**126,989**	**44,089**
Selected Countries			
USA	97,592	75,323	22,269
UK	17,248	11,219	6,029

Overall Totals	171,078	140,033	31,045
Privately Funded	44,089	37,160	6,929
Government Scholarship	126,989	102,873	24,116

General Authority for Statistics: 2014 Statistical Yearbook & Ministry of Education

Students Studying Abroad
2013 / 2014 Academic Year

	Total	Male	Female
Overall Student Numbers	171,078	140,033	31,045
Of which - Privately Funded	44,089	37,160	6,929
Of which - Government Scholarship	126,989	102,873	24,116

	Total	Male	Female
Graduate Output 2013 /2014 Academic Year	16,941	11,949	4,992
Student Intake 2013 / 2014 Academic Year	17,341	10,434	6,907

General Authority for Statistics: 2014 Statistical Yearbook: Data Source Ministry of Education

Area of Study by Students Abroad 2013 / 2014 Academic Year

Area of Study of the 171,078 Students	Student Numbers	Area of Study of the 171,078 Students	Student Numbers
Training Teachers	1,325	Informatics	18,853
Science Education	4,127	Engineering	33,264
Arts	1,857	Production / Manufacturing Industries	385
Humanities	6,820	Architecture & Construction	3,058
Social Science	3,220	Agri / Forestry & Fishing	97
Press & Media	1,001	Veterinary Medicine	29
Business Management	49,197	Health	26,805
Law	4,497	Transport Services	1,079
Life Sciences	3,913	Social Services	2,015
Physical Sciences	3,803	Personal Services	108
Maths & Statistics	1,878	Security Services	575
Environmental Protection	271	Other	2,899

General Authority for Statistics: 2014 Statistical Yearbook: Data Source Ministry of Education

Business Operating Environment

BUSINESS FUNDAMENT

	Page
❖ Utilities	
- Water	25
- Electricity	26
- Telecommunications & Social Media	27-28
❖ Investor Incentives Overview	29
❖ Taxation	31
❖ Custom Duties	35

Utilities – Water Costs

- Water in KSA is obtained from four distinct sources:
  - desalinated water - **Desalination plants provide about 50% of the country's drinking water**
  - non-renewable groundwater from the deep fossil aquifers
  - renewable groundwater from shallow alluvial aquifers – **Combined groundwater sources accounts for c 40% of supply**
  - surface water - **Surface water accounts for about 10% of total supply**

- The capital Riyadh is supplied to a great extent with desalinated water pumped from the Persian Gulf over 467 km to the city located in the heart of the country.

- **The cost of water for business is based on usage:**

SAR 6.0 [US$1.6] per cubic meter for water or SAR 9.0 (US$ 2.4) for combined water and sanitation per cubic meter

Source: National Water Company

The Ministry of Water & Electricity increase the water Tariff in December 2015 by 50%

Utilities – Electricity Costs

Consumption Tariffs for Electricity following Council of Ministers decree No 95 dated 28 December 2015. Source Saudi Electricity Corporation web site.

Consumption categories (Kwh)	Residential (Halalah / kwh)	Commercial (Halalah / kwh)	Agricultural & Charities (Halalah / kwh)	Governmental (Halalah / kwh)	Industrial, private educational facilities, private medical facilities (Halalah / kwh)
1 – 2000	5	16	10		
2001 – 4000	10				
4001 – 6000	20	24	12		
6001 – 8000	30			32	18
More than 8000		30	16		

Inefficient Energy Consumption Tariff :

1. Any Customer of electricity classified within the industrial, governmental consumption or commercial consumption, and whose contractual load is over one mega volt ampere (1 MVA), should adhere to the minimum electrical power factor of (0.85).

2. Inefficient Energy Consumption tariff applied at (5) Halalas per every additional (K.Var.H.), when the monthly consumption of the ineffective power exceeds (62%) of the effective power consumption (power factor coefficient is less than 0.85).

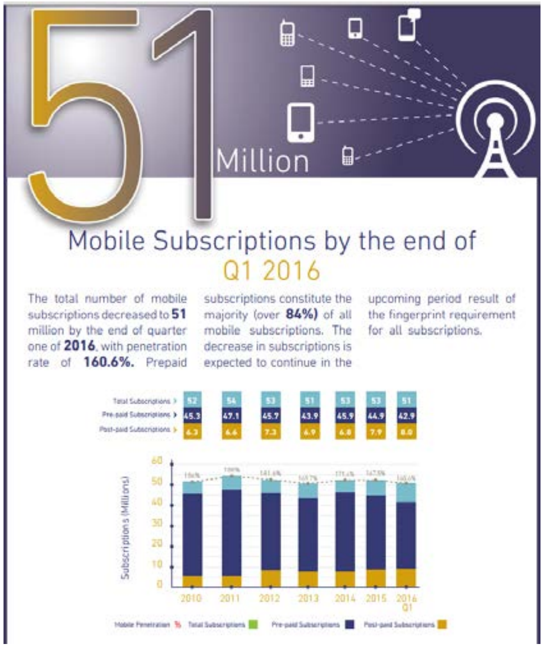
Monthly fee of Meters:

Saudi Electricity Company charges a constant monthly amount based on the capacity of breakers. Each month, the company charges this amount due to meter reading, meter maintenance and bill preparation. As the following table:

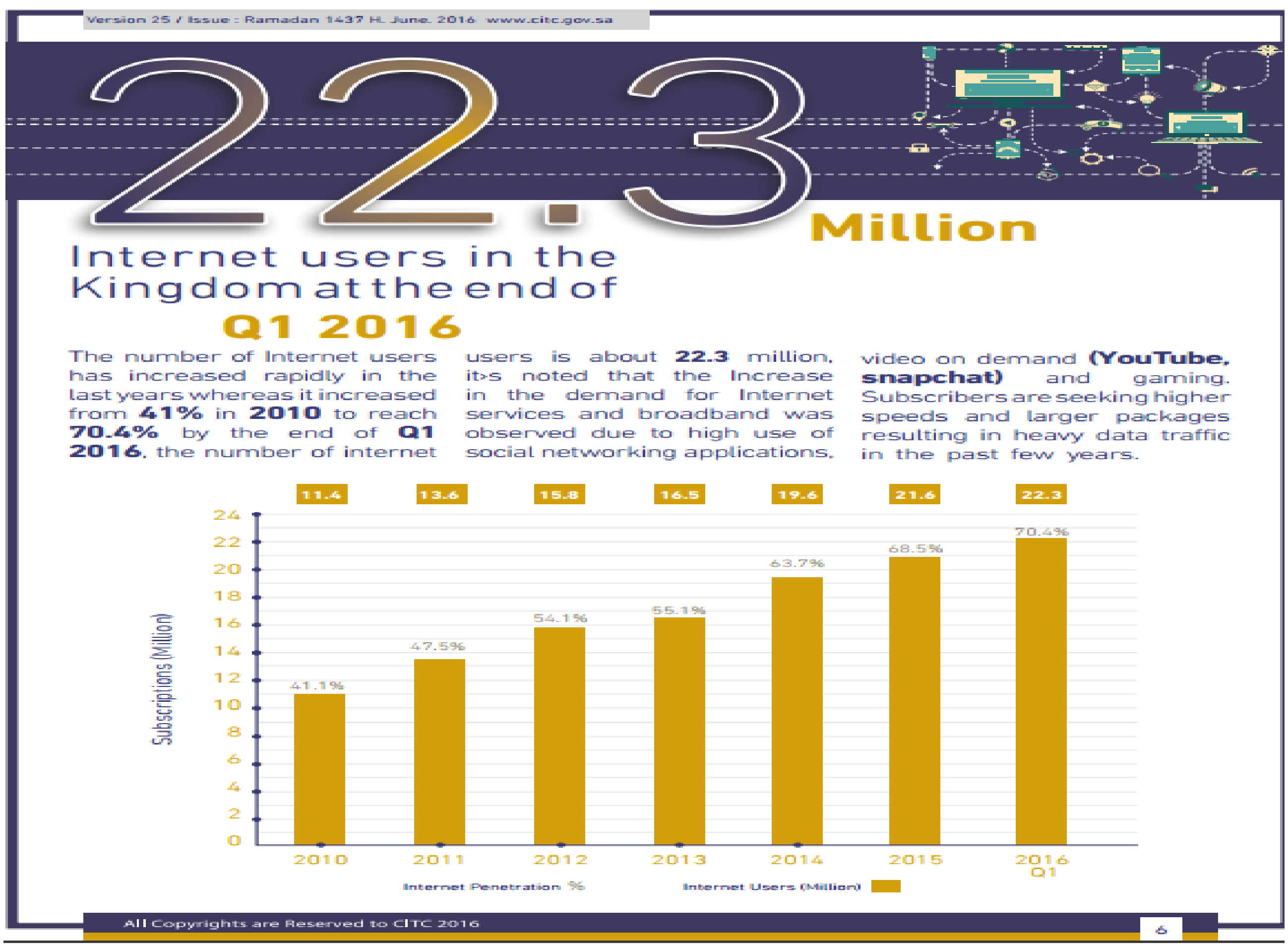
Capacity of breaker (Ampere)	Meter reading, meter maintenance and bill preparation fee (Riyals)
20 ≤ breaker capacity < 100	10
100 ≤ breaker capacity < 200	15
200 ≤ breaker capacity < 300	21
300 ≤ breaker capacity < 400	22
400	25
More than 400	30

Source: Saudi Electricity Company. www.se.com.sa

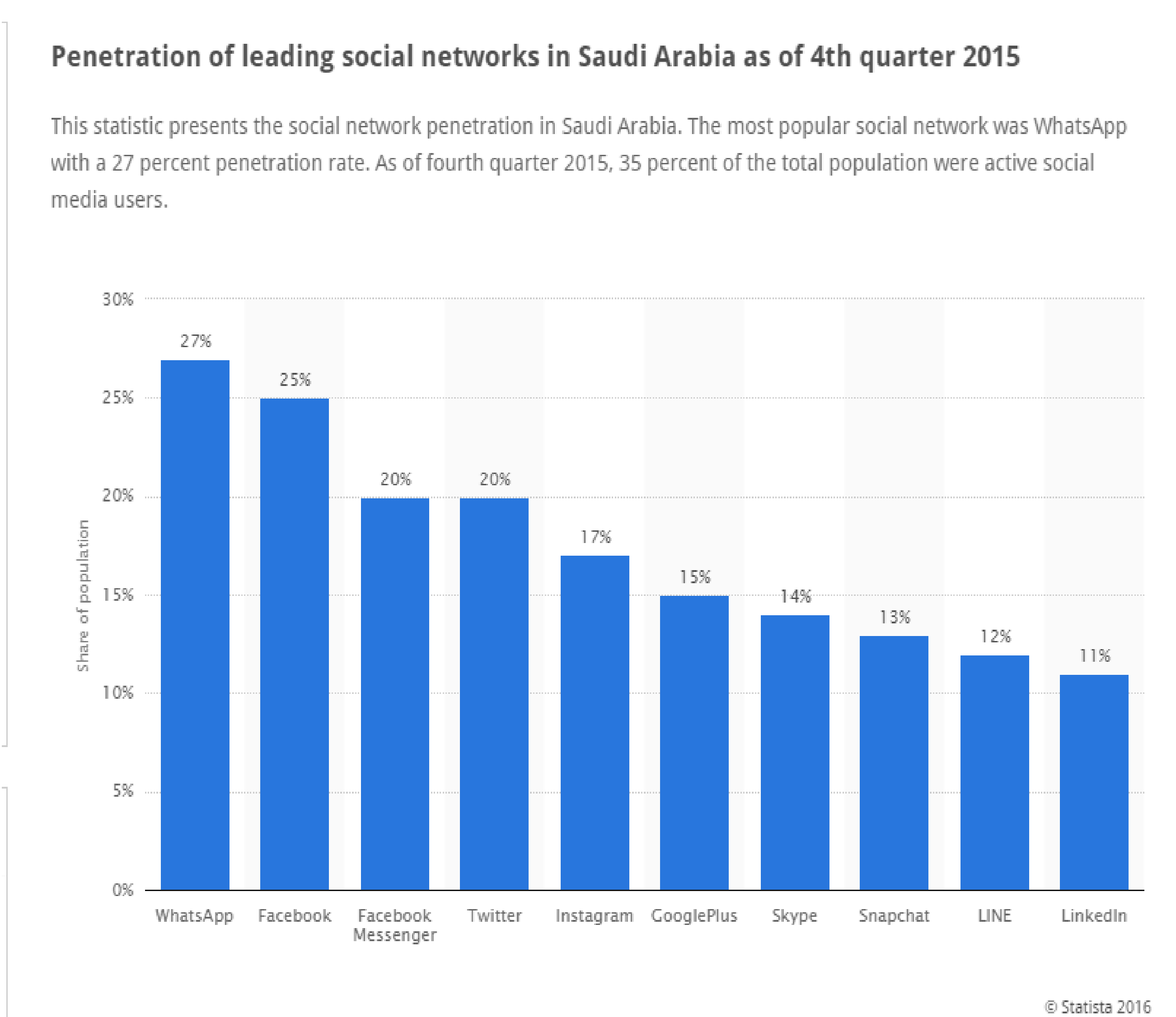
Mobile Subscription & Internet Users



Source:
Communications & Information Technology Commission: Newsletter Issues 25: June 2016



KSA & Social Media



Source
Population Penetration of leading Social Media networks in Saudi Arabia Quarter 4 2015. Data Source: Statista 2016

A Supportive Operating Environment for Investors

Saudi Arabia lies at the heart of the Middle East, providing easy access to export markets across the Middle East, Europe, Asia & Africa in addition to the Kingdom's own market opportunities underpinned by a strong & growing domestic economy.

The Saudi Arabian Government provides a welcoming and enabling environment for investors. This enabling environment underlies KSA's membership of international trade organisations, its extensive trade and bilateral agreements & the support of several authorities and agencies, dedicated to streamlining businesses operations. Combined, these factors create a competitive operating environment that demonstrate the Kingdom's commitment to the needs of investors.

Saudi Arabian General Investment Authority (SAGIA) is the responsible authority for issuing investment licences to foreign investors and coordinating with other related governmental bodies for their approval.

An Overview of Supports & Incentives

Foreign companies, who have been licensed to operate in the Kingdom, enjoy all the benefits, incentives & guarantees extended to national enterprises.

A foreign industrial investor possesses the right of 100 % ownership of their investment projects with the exception of activities in Consultancy, Banking, Telecommunication and EPC (Engineering, Procurement & Construction) contracting.

International Economic Treaties

The Kingdom of Saudi Arabia is one of the world's most important trading nations. Saudi Arabia is the Middle East-North Africa region's largest exporter, the world's 16th largest exporter and its 23rdlargest importer. These facts are underpinned by international economic treaties, membership of international political-economic institutions, trade agreements and bilateral investment treaties which significantly endorses the attractiveness of the country in the eyes of foreign investors. KSA offers an open, supportive and stable environment for trade in accordance with WTO rules.

Gulf Cooperation Council (GCC)

Saudi Arabia is a founding member of the Gulf Cooperation Council (GCC), whose other members are the United Arab Emirates, Bahrain, Oman, Qatar and Kuwait.

The GCC Customs Union enables the free movement of labor and capital internally and creating a unified 5% external tariff on most imported products. GCC countries have signed free-trade agreements with Singapore and the European Free Trade Association.

Greater Arab Free Trade Area (GAFTA)

Saudi Arabia is also a founding member of the Greater Arab Free Trade Area (GAFTA). Under the agreement there is full exemption of custom duties and charges between members of GAFTA for goods with a local content exceeding 40%. GAFTA members are the GCC states plus Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Sudan, Syria, Tunisia and Yemen.

Bilateral Investment Treaties:

Saudi Arabia has signed bilateral trade and investment agreements with over 20 countries. These agreements promote and protect the investments of nationals and enterprises by providing an appropriate legislative environment to stimulate and increase investment, trade and industrial activities.

Double Taxation Agreements

To facilitate international business, Saudi Arabia has signed comprehensive double taxation agreements with 40 countries to date. These agreements allow for the elimination or mitigation of double taxation & Saudi Arabia is continuously expanding this treaty network.

Austria	Hungry	Malaysia	South Africa
Azerbaijan	India	Malta	Spain
Bangladesh	Ireland	Netherlands	Syria
Belarus	Italy	Pakistan	Tunisia
China	Japan	Poland	Turkey
Czech Republic	Kazakhstan	Portugal	Ukraine
Ethiopia	Korea (South)	Romania	United Kingdom
France	Kyrgyzstan	Russia	Uzbekistan
Greece	Luxemburg	Singapore	Vietnam
Gabon	Macedonia	Sweden	Venezuela

Fiscal Incentives

Corporation Tax

Companies are taxed at a flat rate of 20% on their profits. Companies are allowed to carry forward losses on their balance sheets, effectively relieving companies of any tax burden until they become profitable. There are no restrictions on transferring capital and profits abroad.

Individual Income Tax

There is no individual income tax scheme in Saudi Arabia. Income tax is not imposed on an individual's earnings if they are derived only from employment in Saudi Arabia.

Property Tax

There are no real estate tax in KSA, but a local tax called ‘zakat’ may be payable on real estate if held for speculative purposes.

Tax on Rental Income

Non-resident individuals earning rental income from real estate are subject to withholding tax of 5% levied on the gross rent.

Capital Gains

Capital derived from trade or business are subject to 20% capital gains tax. Taxable capital gains are calculated as market value or selling price less acquisition costs and related expenses.

Gains on the disposal of property other than assets used in a business activity are exempt from tax.

Sales Tax

There is currently no Value Added Tax (VAT) or sales tax in Saudi Arabia.

Currency Stability

The Saudi Riyal (SAR) is pegged to the dollar which is the world’s most stable currencies and has served the Saudi economy well in terms of managing inflation and potential currency swings.

Financial Incentives

Project Financing Options

The Saudi Arabian Government offers a wide range of competitive financing opportunities to foreign investors in addition to having access to generous regional and international financial programs that include:-

- Saudi Industrial Development Find (SIDF) – provides investors locating in the Kingdom's major cities loan finance of up to 50% of total project costs over a 15 year period. Investments locating in smaller cities can qualify for loans up to 60% over a 20 year term while smaller urban areas not less than 150 KM from a major city can access loans of up to 75% of total project costs over a 20 year term.

- KSA's Public Investment Fund (PIF) who provide medium and long term loans for large scale government & private industrial projects.

- The Saudi Arabian Industrial Investment Company (SAIIC) established in 2014 with capital of SAR 2 billion in (50% from PIF & 25% each from Aramco & SABIC). Investors interested in downstream processing opportunities relying on petrochemicals, plastics, fertilizers, steel, aluminium and basic industries are the investment focus of SAIIC.

- Arab Fund for Economic and Social Development (AFESD): Participates in financing economic and social development projects in Arab countries.

- Arab Monetary Fund: Promotes the development of Arab financial markets and trade among member states; advises member states on investment of resources.

- Arab Trade Financing Program: Provides medium and long-term loans to individuals and organizations for private and commercial trade.

- Inter-Arab Investment Guarantee Corporation: Provides insurance coverage for inter-Arab investments and export credits against commercial and non-commercial risks.

- Islamic Development Bank: Participates in equity capital and grants loans for productive projects and enterprises. It accepts deposits to mobilize financial resources through Sharia compatible avenues.

Human Resources - Skills Development & Training

With one of the fastest-growing higher education systems in the Middle East, Saudi Arabia has over 50 universities offering bachelors, masters and doctoral degrees across all areas of study. The graduates emanating from these universities together with the over 170,000 Saudi nationals studying overseas provide a strong and diverse talent pool to meet the needs of companies establishing operations in the Kingdom.

In addition, investors also benefit from:-

King Abdullah University for Science & Technology (KAUST) which is a globally renowned graduate research university.

Technical & Vocational training for the needs of industry provided across the KSA by TVTC – Saudi's Technical & Vocational Training Corporation.

The Saudi Human Resources Development Fund (HRDF) was established to aid those companies involved in the preparation, training and employment of the national workforce in the private sector. The rates of contribution varies but include a % of the employee's salary up to certain limits & covering time period between 3 & 24 months.

Property & Facilities Infrastructure

Saudi Arabia has a significant range of industrial & property offerings available at competitive costs:-

Land & facilities with the required utility infrastructure - electricity, water waste water, gas and fuel – are available in KSA's 29 industrial cities and economic cities at competitive prices.

The industrial parks are equipped with public utilities including roads, desalinated water, sewage, electricity, telephone, mosques, clinics, fire station, restaurants, post offices and police stations.

Saudi Arabia currently has in total 40 industrial and economic cities managed by the Saudi Industrial Property Authority (MODON), the Royal Commission for Jubail and Yanbu and by the Economic Cities Authority (ECA). The Industrial & economic cities offer clients significant advantages in terms of cost efficiency, infrastructure & services through their integrated business models and are part of KSA's Government efforts to encourage & support the diversification of the Saudi economy.

In addition, private industrial cities also offer property solutions. A brief overview of some of the key industrial property offerings in KSA for investor are outline below.

MODON is responsible for developing industrial lands in Saudi Arabia in partnership with the private sector. MODON has been involved in developing 34 industrial cities with a combined area of more than 178 million sq. metre of which more than 50% is leased. MODON also provides buildings of up to 1500 sq. metre in size to facility the SME sector. Each MODON industrial city has on site administration to handle the day to day needs of investors.

The **Royal Commission for Jubail and Yanbu** manages three world class industrial cities located in Jubail & Ras Alkhair on the East coast of the country and Yanbu on the west coast. Jubail and Janbu are fully developed hosting industrial for the petrochemical, mineral and synthetic material producers of downstream and finished products.

Jubail Industrial City has the necessary power infrastructure to operate continuously without failure while also meeting the community requirements within modern, high living standards & recreational facilities. The city has 85km2 of industrial land, 27,000 residential units, 3 hospitals and 3 clinics, 89 schools and preschool facilities. The city produces 7% of the world's petrochemicals and contributes 11.5% of KSA non-oil GDP. The city has attracted over 50% of KSA total FDI. Royal Commission Yanbu industrial city has some 197 industries (end of 2014) established on the development. The industrial area is 11,500 km2 & employment is over 40,000.

Economic Cities. Saudi Arabia has established four new Economic Cities. These are built on a unique model where each city is planned, developed & operated by a master developer form the private sector. The largest of the four cities is **King Abdullah Economic City (KAEC)** with an area of 181 million sq. metres. KAEC is strategically located on the Red Sea coast with excellent access infrastructure including sea, air, rail & road. It is located 88 KM north of Jeddah

Sources: Web sites kaec.net / modon.gov.sa / rcjy.gov.sa

Custom Duties

The Saudi Customs website (www.customs.gov.sa) provides information on Saudi customs procedures.

Key points regarding Custom Duties in KSA

- Most of the basic consumer commodities are duty free (e.g. Sugar, Rice, Tea, meat etc.)
- The customs tariff on the majority of imported goods is 5%.
- There is a protective tariff of 12 or 20% on some imports in order to support certain national industries.
- There are import controls on a number of products such as pork products and alcohol.

Industrial project may be exempt totally or partially from customs duties in accordance with the GCC Unified Industrial System. Investors are eligible for exemption from import duties on new machinery, equipment, tools and spare parts used for the manufacturing of industrial products as well as any imported material used for manufacturing products intended for re-export at the economic cities bonded zones

Competitiveness

COMPETITIVENESS FUNDAMENTALS

	Page
❖WEF Report / Rankings	37
❖KSA Stock of FDI	41
❖KSA's FDI Performance First Half 2016	42
- Messages	

GLOBAL RANKINGS
WEF: Global Competitiveness Report
Saudi Arabia Rankings: 2007 to 2016

Global Competitiveness Report Overall Ranking	Global Ranking
2015 /2016	25
2014 /2015	24
2013 / 2014	20
2012 / 2013	18
2011 / 2012	17
2010 / 2011	21
2009 / 2010	28
2008 / 2009	27
2007 / 2008	35

GLOBAL RANKINGS

WEF: Global Competitiveness Report 2015-2016 (latest)

Trends & Comparisons: 2007/2008 (First Year KSA included)

Global Competitiveness Report 12 Pillars of Competitiveness	2015/2016 Ranking	2007/2008 Ranking	Trend
Institutions	24	34	↑
Infrastructure	30	41	↑
Macroeconomic Environment	4	9	↑
Health & primary Education	49	51	↑
Higher Education & Training	49	53	↑
Goods Market Efficiency	29	34	↑
Labour Market Efficiency	60	63	↑
Financial Market Development	41	73	↑
Technology Readiness	42	52	↑
Market Size	17	22	↑
Business Sophistication	29	41	↑
Innovation	34	34	↔

GLOBAL RANKINGS
WEF: Global Competitiveness Reports
Saudi Arabia: GCC & MENA Comparison

Saudi Arabia Competitiveness Performance within GCC	2015/2016 Ranking	2007/2008 Ranking	Trend
Qatar	31	14	↑
UEA	37	17	↑
Saudi Arabia	35	25	↑
Kuwait	30	34	↓
Bahrain	39	43	↓
Oman	42	60	↓

Saudi Arabia Competitiveness Performance MENA	2015/2016 Ranking	2007/2008 Ranking	Trend
Saudi Arabia	35	25	↑
Jordan	49	64	↓
Morocco	64	73	↓

Egypt	77	116	⬇

GLOBAL RANKINGS

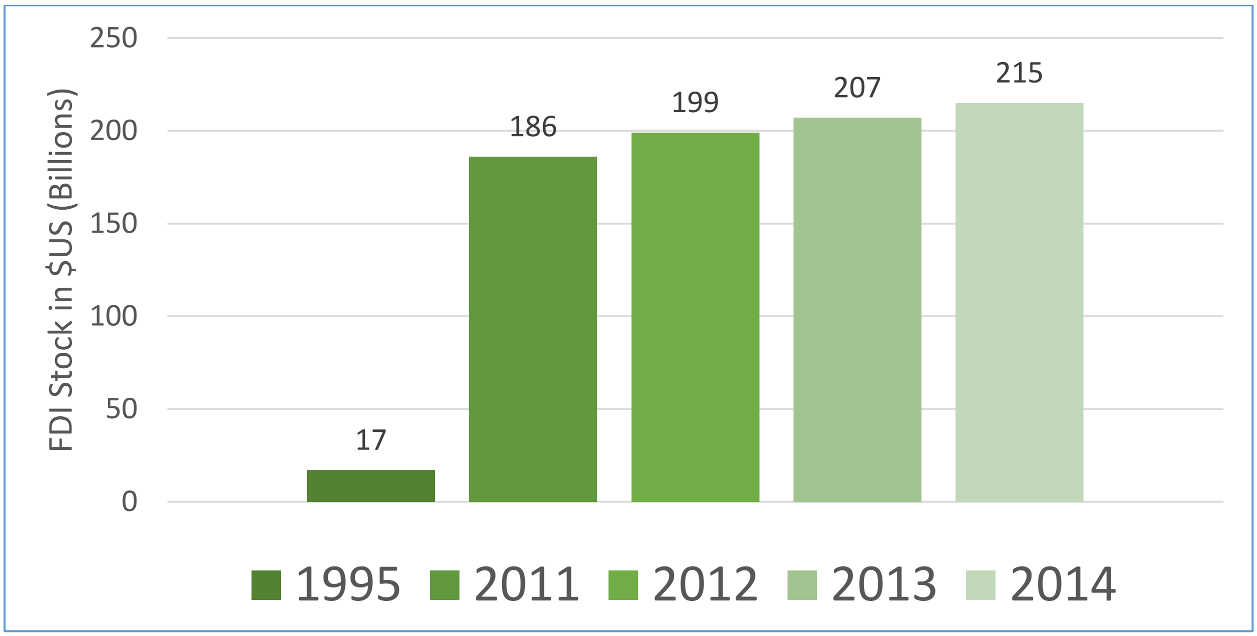
World Bank: Doing Business Report ‘Ease of Doing Business’ Rankings: GCC & MENA Comparison

Saudi Arabia ‘Ease of Doing Business’ Rankings within GCC	**2016 Ranking**	**2005 Ranking**
UEA	31	69
Saudi Arabia	82	38
Qatar	68	NA
Bahrain	65	NA
Oman	70	51
Kuwait	101	47

Saudi Arabia Competitiveness Performance MENA	**2016 Ranking**	• **2005** • **Ranking**
Saudi Arabia	82	• 38
Morocco	75	• 102
Egypt	131	• 141

Jordan	113	• 74

KSA's Stock of FDI



Year	**1995**	**2011**	**2012**	**2013**	**2014**
FDI Stock	17,056	186,758	199,032	207,897	215,908
FDI Annual Inflows	-	16,308	12,182	8,865	8,012

Year	**2012**	**2013**	**2014**
KSA FDI Stock as % GDP	27.1%	27.9%	28.7%

World Average FDI as % of GDP	30%	34.4%	33.6%

Data Source: World Bank 2015

FDI Performance Quarter 1 & 2 2016: Source FDI Markets Database of Announced Investments

KSA: FDI Investment Messages

First Half 2016 Investment Flows into Saudi Arabia very strong

A total of 31 FDI projects were announced with a planned total capital investment of $10.6 billion.

These investments expected to lead to the creation of 13,760 jobs

Range of countries investing in KSA very broad including:-
USA, Canada, Germany, UK, Norway, India & Australia

33% of the investment from the GCC

Strong sectoral spread supporting diversification:- ICT, Healthcare, Food, Real Estate, Industrial Machinery, Auto Components, Energy & Chemicals

August 2016