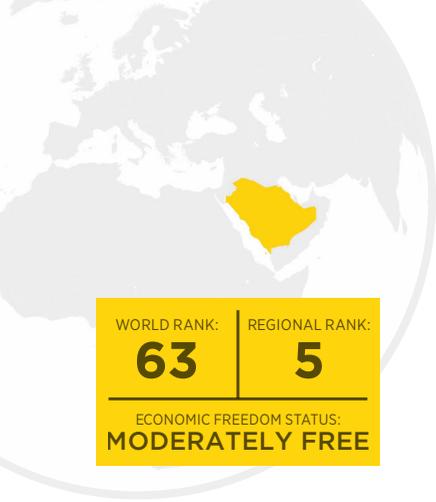


SAUDI ARABIA



WORLD RANK: **63** | REGIONAL RANK: **5**

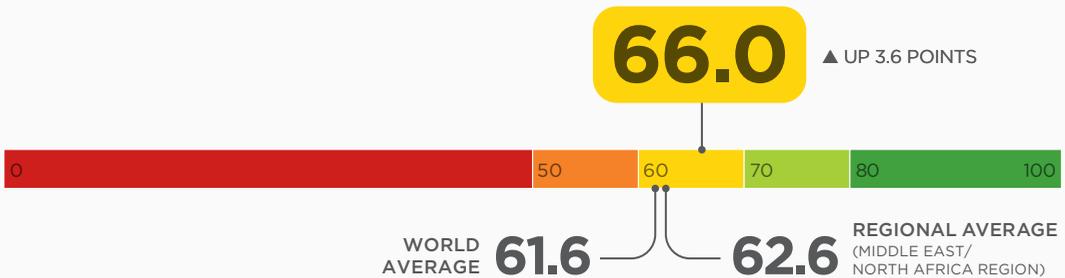
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Saudi Arabia's economic freedom score is 66.0, making its economy the 63rd freest in the 2021 *Index*. Its overall score has increased by 3.6 points, primarily because of an improvement in **business freedom**. Saudi Arabia is ranked 5th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The Saudi economy remained moderately free this year. Although the government has greatly improved the kingdom's fiscal health, it has a long way to go to get excessive spending and deficits under control. Further liberalization of the investment regime and toughening of anti-corruption efforts are also needed to increase economic freedom and diversify the economy.

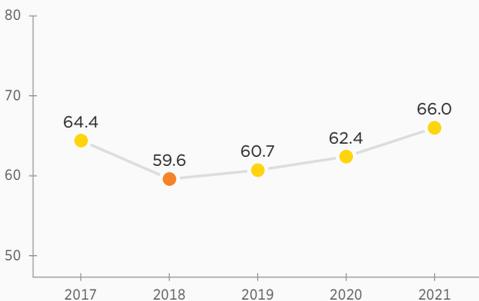
IMPACT OF COVID-19: As of December 1, 2020, 5,907 deaths had been attributed to the pandemic in Saudi Arabia, and the economy was forecast to contract by 5.4 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): -2.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
34.3 million

GDP (PPP):
\$1.9 trillion
0.3% growth in 2019
5-year compound annual growth 1.6%
\$48,908 per capita

UNEMPLOYMENT:
5.9%

INFLATION (CPI):
-1.2%

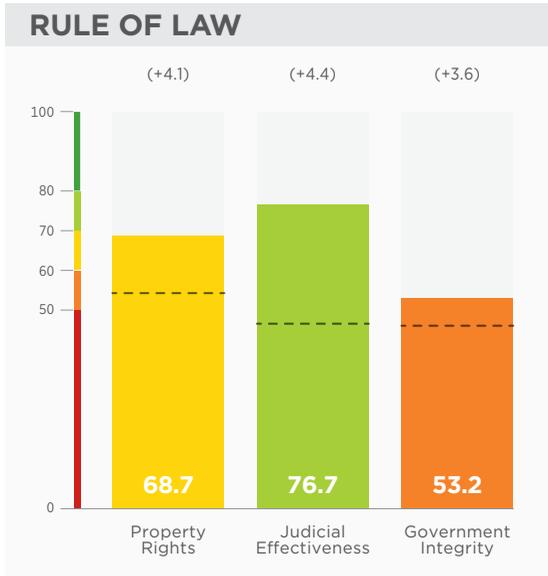
FDI INFLOW:
\$4.6 billion

PUBLIC DEBT:
22.8% of GDP

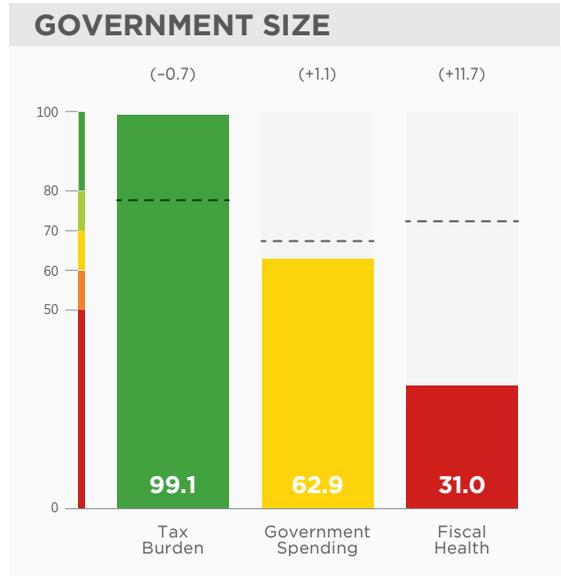
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: The birthplace of Islam and home to its two holiest shrines in Mecca and Medina, Saudi Arabia is an absolute monarchy ruled by King Salman bin Abdulaziz Al Saud. His son, Crown Prince Mohammed bin Salman Al Saud, remains central to decision-making. Historically, the country has embraced a particularly strict form of Sunni Islam known as Wahabbism that over the years has been influential with such groups as al-Qaeda, the Taliban, and the Muslim Brotherhood. The Saudi government is pushing back against Iranian efforts to radicalize Saudi Arabia's Shia minority and has intervened in Yemen in opposition to Iran-backed Houthi rebels. Oil exports account for more than 85 percent of government revenue. Saudi Arabia is the world's largest exporter of petroleum and a leader in OPEC.

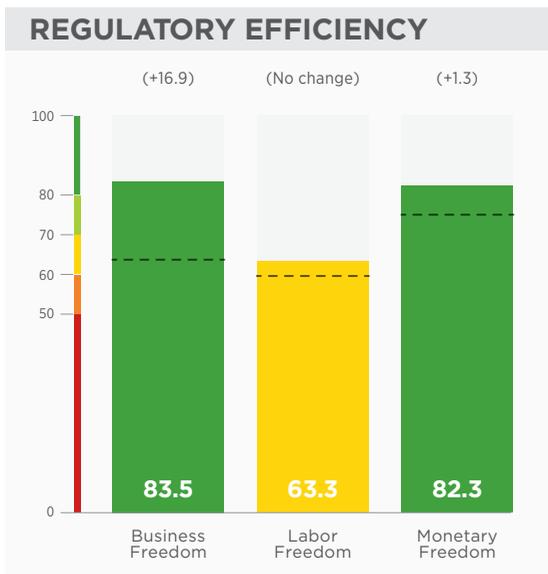
12 ECONOMIC FREEDOMS | SAUDI ARABIA



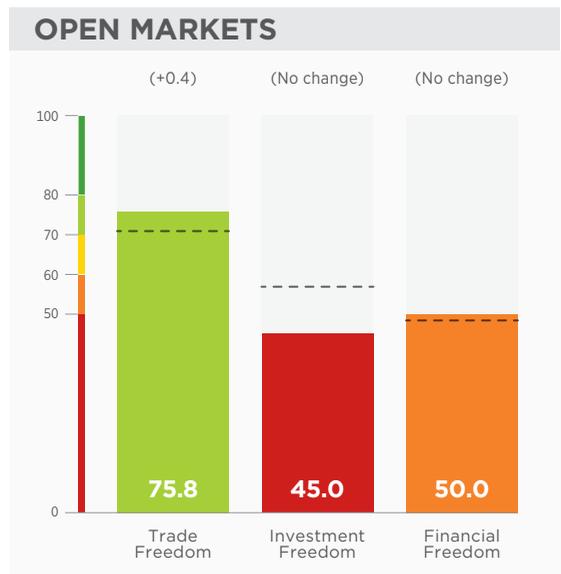
The legal system protects and facilitates acquisition and disposition of property consistent with Islamic practice. The slow and nontransparent judiciary is not independent and must coordinate its decisions with the executive branch. Enforcement of court judgments can take years. Some officials are believed to engage in corrupt practices with impunity. The royal family and other elites heavily influence the oil and energy sectors.



Saudi nationals or citizens of the Gulf Cooperation Council and corporations pay a 2.5 percent religious tax mandated by Islamic law. Other taxes include a value-added tax. The overall tax burden equals 8.9 percent of total domestic income. Government spending has amounted to 35.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 6.5 percent of GDP. Public debt is equivalent to 22.8 percent of GDP.



A one-stop shop for registering a business has been launched, and bankruptcy procedures have been improved. Strong government controls interfere with labor freedom. According to the International Monetary Fund, subsidies were projected to be equivalent to 0.8 percent of GDP in 2020.



Saudi Arabia has three preferential trade agreements in force. The trade-weighted average tariff rate is 4.6 percent, and 136 nontariff measures are in effect. Regulatory reforms have been made to allow foreign investors to own controlling stakes in firms. The financial sector is open and offers a range of options. In 2020, measures were taken to support the private sector by permitting banks to defer loan payments and increase lending to businesses.