Saudia Arabia’s economic freedom score is 55.5, making its economy the 118th freest in the 2022 Index. Saudi Arabia is ranked 9th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

The Saudi Arabian economy was gaining strength five years ago before slowing in 2019 and then contracting in 2020. Growth resumed in 2021. Economic freedom has fluctuated over the past five years. Dragged down by sharply lower scores for fiscal health, judicial effectiveness, and property rights, the kingdom has recorded a substantial 8.9-point overall loss of economic freedom since 2017 and is now near the middle of the “Mostly Unfree” category. Generous state subsidies have been accompanied by light taxation, but government integrity and financial freedom have lagged.

**IMPACT OF COVID-19:** As of December 1, 2021, 8,837 deaths had been attributed to the pandemic in Saudi Arabia, and the government’s response to the crisis ranked 55th among the countries included in this Index in terms of its stringency. The economy contracted by 4.1 percent in 2020.

**ECONOMIC FREEDOM SCORE**

**REGIONAL AVERAGE (MIDDLE EAST/NORTH AFRICA):** 56.9

**WORLD AVERAGE:** 60.0

**HISTORICAL INDEX SCORE CHANGE (SINCE 1996):** -12.8

**RECENT FREEDOM TREND**

**QUICK FACTS**

**POPULATION:**
34.8 million

**GDP (PPP):**
$1.6 trillion

-4.1% growth

in 2020

5-year compound annual growth -0.1%

$46,811 per capita

**UNEMPLOYMENT:**
8.2%

**INFLATION (CPI):**
3.4%

**FDI INFLOW:**
$5.5 billion

**PUBLIC DEBT:**
32.4% of GDP

2020 data unless otherwise noted. Data compiled as of September 2021

**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 Wahhabism. 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 approximately 87 percent of government revenue. With 16 percent of the world’s proven oil reserves, Saudi Arabia is also the world’s largest exporter of petroleum and a leader in OPEC.
Property rights are protected, and the legal system facilitates their acquisition and disposition. The judiciary lacks independence and is slow and nontransparent. Its decisions are coordinated with the executive branch, and enforcement of court judgments can take years. Some officials are believed to engage in corrupt practices with impunity. The oil and energy sectors are heavily influenced by the royal family and other elites.

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 7.4 percent of total domestic income. Government spending has amounted to 37.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.1 percent of GDP. Public debt is equivalent to 32.4 percent of GDP.

A new initiative to attract multinational companies was announced in 2021. Reforms have allowed more women to enter the workforce, but private businesses have been subject to disruptions from “Saudization” policies requiring them to employ a quota of Saudi workers. Stepping back from the subsidy reforms introduced by Crown Prince Mohammed bin Salman, the government restored subsidized price caps for gasoline in 2021.

Saudi Arabia has three preferential trade agreements in force. The trade-weighted average tariff rate is 5.1 percent, and 143 nontariff measures are in effect. Regulatory reforms have been made to allow foreign investors to own controlling stakes in firms. The financial sector, which offers a range of financing options, has undergone gradual transformation with limits eased on foreign investment in financial services.