

WHITE PAPER

# INVEST IN SAUDI ARABIA'S TOURISM SECTOR

*An Exceptional  
Opportunity*

PRESENTED BY:



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# Contents

- 3 EXECUTIVE SUMMARY
- 4 FASTEST GROWING DESTINATION IN THE WORLD
- 8 MASSIVE INFRASTRUCTURE PROJECTS
- 10 NEW CITIES AND ATTRACTIONS
- 12 HOTEL DEVELOPMENT
- 14 GOVERNMENTAL INCENTIVES
- 15 SKILLED WORKFORCE SUPPORTS TOURISM DEVELOPMENT



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# Executive summary

As the fastest growing tourism destination in the world, Saudi Arabia offers unique opportunities to invest in hospitality and leisure assets. Compared to other tourism destinations in the region, the country features a wide range of topographies and attractions, including mountains, untouched coastline and eight UNESCO World Heritage sites. Massive infrastructure projects, including new cities, resorts and airports, provide exceptional opportunities for profitable investments in hotels and attractions. Furthermore, the Government of Saudi Arabia offers significant incentives to investors in tourism infrastructure. As well, the government has set a goal of creating 1.6 million additional jobs in hospitality and tourism by 2030 .

Indeed, Saudi Arabia is embarking on a totally new phase of development, as it seeks to move away from its historical dependence on hydrocarbon extraction towards a more diversified economy with a growing service sector, of which tourism is to be a major component.



# Fastest growing destination in the world

Saudi Arabia registered over 100 million tourist arrivals in 2023, which surpassed the goal initially set for 2030, which was subsequently raised to 150 million. The country topped the UN Tourism ranking for the growth of international tourist arrivals in 2023 compared to 2019, among G20 destinations, achieving an increase of 56%, as tourism spending rose by 37%, according to the World Tourism Barometer report released in January 2024. Growth has continued to accelerate so far this year, as the total number of tourist arrivals surged to 60 million during the first half of 2024 and spending amounted to SAR150 billion (US\$40 billion), based on preliminary data, according to the Saudi Minister of Tourism, Ahmed Al-Khateeb. And, furthermore, the Ministry of Tourism forecasts that the number of incoming tourists will rise to 32 million in 2024, an increase of over 18% year-on-year and nearly double that of the 2019 figure.

## Current market size and segmentation

In 2023, KSA welcomed over 27 million international tourists, as well as more than 79 million domestic tourists with a combined total spend of some US\$68 billion. Inbound spend amounted to SAR 141 billion (US\$38 billion) vs SAR 114 billion (US\$30 billion) for the domestic market.

Incoming arrivals and spending grew by 64.8% and 43.7%, respectively, compared to 2022; meanwhile; the number of domestic tourists grew by 5.2%, as spending advanced by 6.7%. Incoming tourists had an average length of stay of 15.8 nights vs 6.1 nights for domestic travelers. Foreign tourists spent an average of SAR 5,150 (US\$ 1,373) per trip vs. SAR 1,397 (US\$ 373) for domestic travelers.



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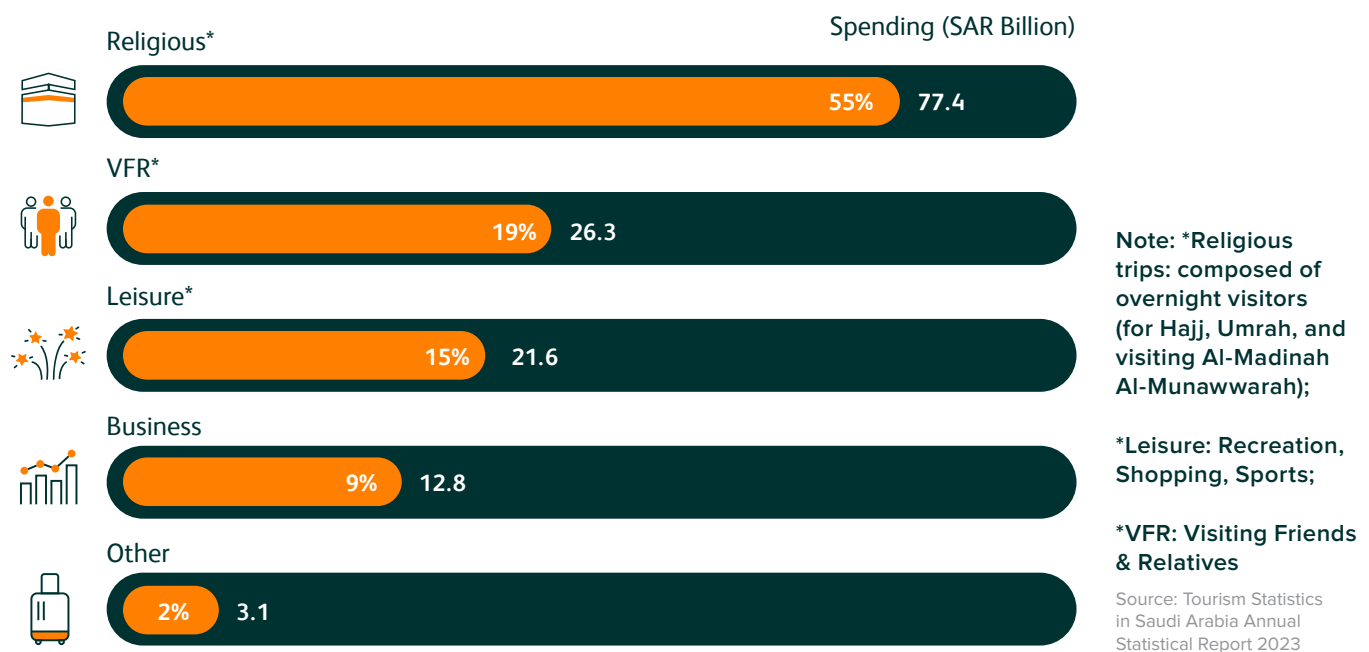
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US\$68 billion.

# Travel Purpose

While traveling for religious reasons, such as pilgrimage, remains the main motivating factor for incoming tourists, leisure is the leading reason for travel in the domestic market, with arrivals rising by almost 17% over the 2022 level. (30mn leisure arrivals in 2022; 35mn in 2023 <https://mt.gov.sa/tic/dashboard/domestic-tourism> )

**FIGURE 1: TRAVEL PURPOSE FOR INCOMING TOURISTS IN 2023, RANKED BY EXPENDITURE**



## Domestic market

Leisure was the most important travel motivation for domestic travelers, representing 43% (35 million) of all domestic trips. VFR (visiting friends and relations) was the second most important travel purpose, with 25 million tourists, which accounted for 31% of all domestic trips. And those traveling for religious reasons accounted for 12% of total domestic trips.

## Key destinations

Makkah dwarfs the other cities, both in terms of the number of arrivals and growth rate over 2022-2023 which was close to 100%.

**FIGURE 2: TOP-SIX DESTINATIONS FOR TOURISM ARRIVALS IN 2023 AND 2022**

City	Makkah		Riyadh		Jeddah		Khobar		Dammam		Ahsa	
Years	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Tourists mn	15.4	8.2	2.8	1.8	1.6	1.2	1.5	1.2	1.2	0.89	1.0	0.72

Source: Tourism Statistics in Saudi Arabia Annual Statistical Report 2023

## Target audience for this report

This report targets a diverse group of investors, government officials and academic researchers, which can be divided into primary and secondary audiences. It should also be noted that the US Dollar is pegged to the Saudi Arabian Ryal (SAR) at a fixed rate of SAR 3.75/US Dollar.

### **Primary**

International investors, global infrastructure development companies, and multinational corporations.

### **Secondary**

Policy makers, economic strategists, and academic institutions focused on economic development and tourism.



## New eVisa for 66 countries facilitates inbound travel

This surge in the country's incoming tourism is being facilitated by the Saudi Arabia's new online visa portal that allows international visitors from 66 eligible countries to apply for an eVisa, which is a one-year, multiple entry visa, allowing tourists to spend up to 90 days in the country. The eVisa enables tourists to take part in tourism-related activities such as: MICE tourism, visiting friends and family, leisure travel and Umrah, but excludes the Hajj, since the visa is subject to the religious season which is based on the Islamic calendar, as well as other activities, such as educational purposes. All the major outbound markets in the world (e.g. US, Germany, UK, Japan, Australia and most recently China) are approved for the scheme.

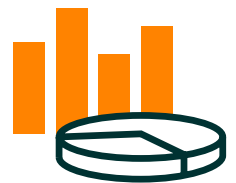
### **Approved destination status (ADS) for China**

Effective from July 1, 2024, Chinese citizens can take advantage of KSA's eVisa program, which should stimulate strong growth from the world's biggest outbound travel market. The ADS designation represents a significant milestone for group travel to Saudi Arabia, as the country aims to make China its third largest source market for international arrivals by 2030. In order to serve the expected surge in Chinese travelers, the number of direct flights has been significantly increased since 2023. In addition, tailored travel products have been introduced and strategic partnerships formed, in order to enhance group and Flexible Independent Travel (FIT) experiences.

The CEO of Saudi Tourism Authority, Fahd Hamidaddin, notes that, "Saudi's approval as a tourist destination for Chinese visitors reflects our continuous efforts and participation in trade shows and conferences, leading to agreements with Chinese organizations. We strive to provide a seamless, enjoyable, and safe experience for Chinese tourists, including streamlined visa procedures, increased flight capacity, and Mandarin integration across airports, destinations, tourist sites, and digital platforms like the 'Visit Saudi' website. Partnerships with trusted Chinese brands such as UnionPay, Trip.com, Huawei, and Tencent further enhance our offerings."

All-in-all, the Saudi Arabia aims to attract five million Chinese tourists by 2030, through upgrading connectivity, with new direct flights by Air China, China Eastern, and China Southern, in addition to existing Saudia flights. These initiatives represent a 130% increase in inbound seat capacity and a doubling of weekly flight frequency compared to a year previous.

Saudi Arabia aims to attract five million Chinese tourists by 2030



# Massive infrastructure projects

KSA's array of massive infrastructure projects provides exceptional opportunities for investment in hotels and attractions.

## Saudi Vision 2030

Saudi Vision 2030 defines three pillars targeted for the country's economic and tourism development, including: its position as the heart of the Arab and Islamic worlds; its leading investment capabilities; and its strategic geographical position — within 6 hours' flight time of 40% of the world's population. Concerning the tourism and leisure sectors, the objectives include: the creation of high-quality attractions; facilitation of entry procedures for visitors; and the development of historical and heritage sites.





## Transport infrastructure

Although Saudi Arabia is already well served for air travel with its 16 international airports, major expansion in air travel capacity is under way.

### **Record growth in air traffic in H1 2024**

Air passenger traffic surged by 17% in the first half of 2024 compared to the prior year period, reaching a record total of 62 million, according to Saudi Arabia's General Authority of Civil Aviation (GACA). Meanwhile, the number of flights increased by 12% Y-O-Y to 446,000, surpassing pre-pandemic levels. This robust performance was largely driven by low-cost carriers, with international routes seeing a 38% increase and domestic routes experiencing a 22% rise in traffic. Furthermore, Saudi Arabia's air connectivity achieved a 23% improvement year-on-year and now stands at 163 destinations.

GACA President Abdulaziz Al-Duailej emphasizes the country's role in creating opportunities for global aviation and the private sector, citing the example of over 100 companies bidding to participate in the Abha Airport Public-Private Partnership project, set to expand the capacity of the airport in the country's southwestern corner from 1.5 million to 13 million passengers.

### **King Salman International Airport under construction**

With its six runways spanning 57 sq km, set to serve 120 million passengers annually, the new King Salman International Airport is scheduled to open in 2030, when it will become the biggest airport in the world.



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# New cities and attractions

There are futuristic cities, large cultural complexes, luxurious resorts and archaeological sites under development in Saudi Arabia, which offer exceptional opportunities for investment in hospitality and leisure assets.

- **AIUla**, a heritage site with over 200,000 years of history, AIUla features ancient cultural sites, sandstone mountains and oases. The project will include five districts that span the historic area of AIUla Old Town, Dadan, Jabal Ikmah, Nabataean Horizon and Hegra Historical City. The districts will be traversed by AIUla's ancient oasis, with a nine-km section at the heart of the Cultural Oasis being fully rejuvenated. On completion, it will add to the Royal Commission for AIUla's (RCU) goals of contributing at least \$32 billion to the national GDP, and providing 38,000 jobs by 2035.
- **Amaala**, this Public Investment Fund (PIF) giga-project, located in northwestern Saudi Arabia along the Red Sea, will span 3,800 sq km and will feature 14 of the world's top hotel brands, more than 800 residential villas, apartments, and estate homes, 200 high-end fashion establishments, an arts academy, and a wide range of galleries, ateliers, and artisan workshops. The project's focus on sustainable development and preserving the natural environment is a testament to the country's commitment to achieving the UN's Sustainable Development Goals.
- **Diriyah**, located just 20 minutes northwest of Riyadh's city center, Diriyah will showcase over 300 years of authentic culture and history, delivering inspiring heritage experiences, educational and cultural opportunities, world-class residential living, and outstanding lifestyle offerings. The project, under the mandate of the Diriyah Gate Development Authority, and as one of the Public Investment Fund's projects, supports Vision 2030 by targeting 27 million local and international visitors by 2030.



- **Jeddah Albalad**, Jeddah's Historic District features traditional Hijazi houses that are characterized by their wooden Roshan windows and balconies. In May 2019, Crown Prince Mohammed bin Salman announced a multi-billion-dollar restoration of 56 historical building in Al-Balad. The first stage of the restoration is worth \$13.3 million. In October 2023, and in line with Saudi Vision 2030, the Saudi Public Investment Fund announced the creation of the Al Balad Development Company, which aims to transform Historic Jeddah into a global tourist destination.
- **NEOM**, The Line will be a vertical city extending over 170 km in northwestern Tabuk province.
- **Oxagon**, the largest floating structure in the world, covering 48 sq km, is a center for innovation, trade, and eco-friendly technology.
- **Qiddiya** is a planned entertainment and tourism megaproject in Riyadh.
- **Red Sea**, the Red Sea Project, located between the coastal cities of Umluj and Al Wajh, will span 30,000 sq km and will comprise a natural archipelago of pristine islands, a vast desert landscape, mountain peaks, and archaeological treasures. The region boasts 200km of untouched coastline and is set to become one of the world's most successful sustainable tourist resorts. Designed with a strong focus on heritage, culture, and conservation, the Red Sea Project should attract visitors year-round. The resort will provide 8,000 new hotel rooms once completed and will be the first fully integrated, luxury, mixed-use resort in the region. The developers of the Red Sea Project are determined to make it a model for sustainable tourism. A zero waste-to-landfill-policy, 100% carbon neutrality, and a ban on single-use plastics are some of the steps being taken to achieve this goal. The Red Sea Project is scheduled for completion by 2030 and is expected to attract visitors from throughout the world.
- **Sindalah chain of islands** are to be developed in NEOM, to showcase the future of luxury travel and yachting.
- Located at 1,600 meters, **Trojena**, the Gulf's first outdoor ski resort will host the 2029 Asian Winter Games.

## New tourism sectors

New tourism sectors are being developed such as sports, entertainment and MICE (meetings, incentives, conferences and events). Coming global events include Expo 2030, the World Cup 2034, Formula 1, boxing matches, Asian Winter Games, and the AFC (Asian Football Confederation) Asian Cup.

# Hotel development

There were 426,056 licensed rooms in Saudi Arabia as of August 2024, according to the country's Ministry of Tourism.

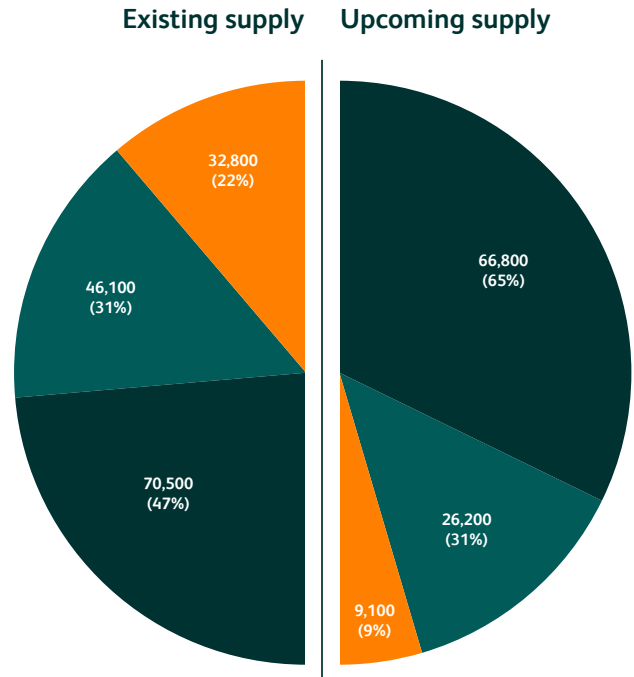
## Chain penetration

The international brand share of Saudi Arabia's hotel room capacity is set to rise from a current level of 47% to 65%, according to consultants Knight Frank.

Accor should retain its position as the leading hotel group in Saudi Arabia, but Hilton and Marriott are set to grow faster, according to Knight Frank projections.

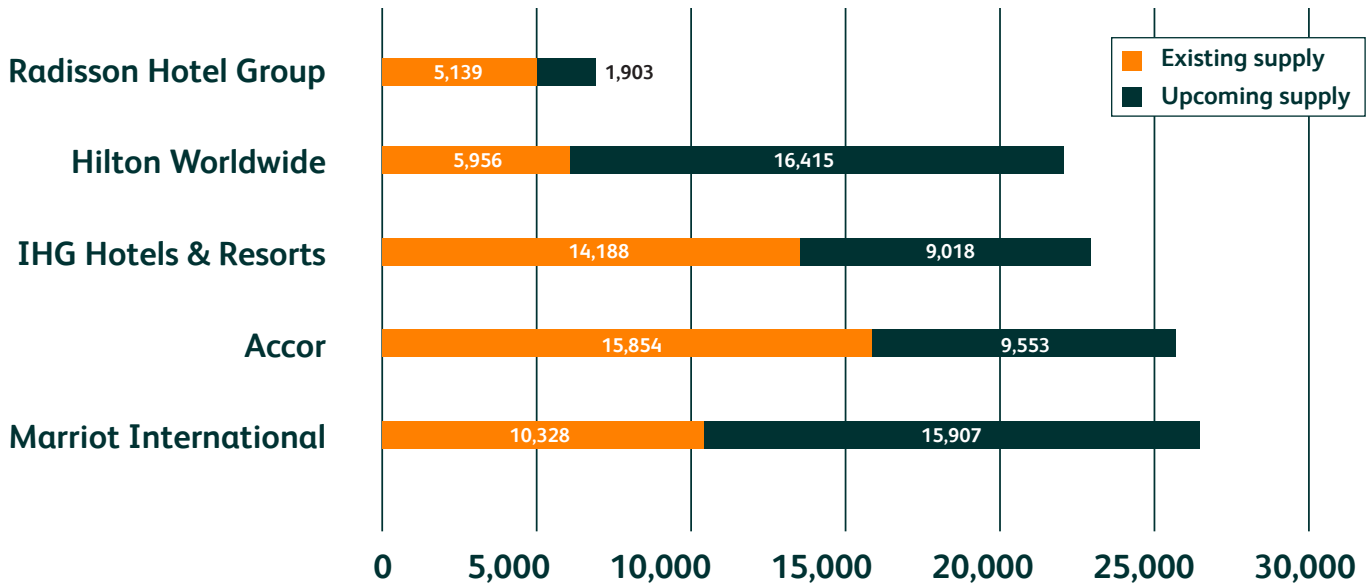
**FIGURE 3: SUPPLY BREAKDOWN BY OPERATOR**

Classification (#of Keys),2024



**FIGURE 4: LEADING INTERNATIONAL CHAIN CAPACITY IN SAUDI ARABIA IN 2024**

Saudi Arabia's top 6 hotel operators



Source: SAUDI ARABIA HOSPITALITY MARKET REVIEW – 2024, Knight Frank

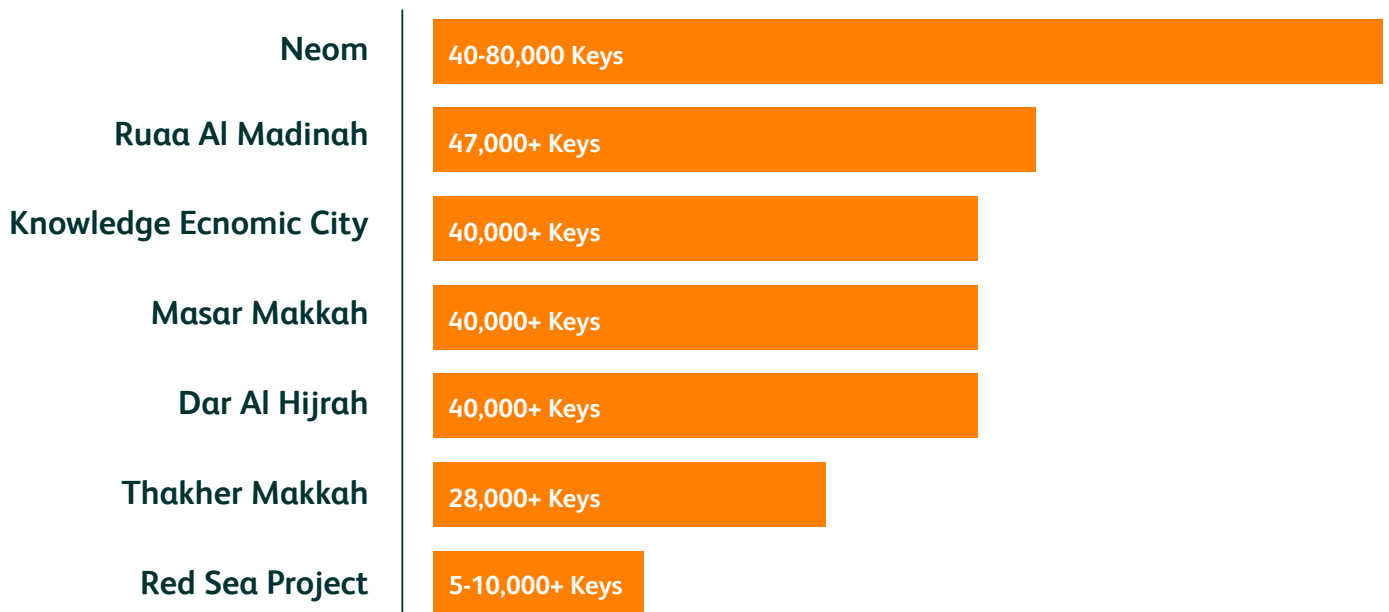
## Pipeline

As of the end of Q3 2024, there were 275 projects with 67,614 rooms in Saudi Arabia's construction pipeline, which accounts for 47% of the projects in the total Middle Eastern pipeline, according to Lodging Econometrics. In the longer term, there are plans to expand the country's hotel capacity to over 500,000 rooms by 2030, with 4-star properties expected to account for almost half of the estimated total development cost of US\$21.3 billion.

Meanwhile, the country's giga projects represent nearly 73% of the hotel supply pipeline, with a predicted 62% surge in the number of 4- and 5-star hotel rooms by the end of the decade, according to Knight Frank projections.

### FIGURE 3: SUPPLY BREAKDOWN BY OPERATOR

#### Giga projects with the most number of planned hotel keys



Source: Knight Frank, STR Global & MeedProjects

# Governmental incentives

The government of Saudi Arabia has put in place new regulations, incentives and subsidies to encourage investment in the country's hospitality and tourism infrastructure. For example, the time to obtain licenses for tourism activities has been reduced to just five working days from over 60 days previously. Also, the Tourism Development Fund has contributed over SAR 7.4 billion (US\$2 billion) supporting over 1,200 SMEs and facilitating more than SAR 1.5 billion (US\$400 million) in financing.

Tourism Investment enablers have been introduced to support investment in the Saudi tourism sector.

## TIEP facilitates investment

Launched in early March 2024, TIEP (Tourism Investment Enabler Program) aims to make it easier and more cost-efficient for international and local investors to do business in Saudi Arabia. Specifically, Hospitality Investment Enablers, part of the wider TIEP, should stimulate private investment in key tourism sites across the country by up to SAR 42 billion (US\$11 billion). Key enablers include facilitating access to government-owned land on favorable terms, streamlining project development processes, and reducing barriers to market entry. Multiple regulatory adjustments are part of the effort to lower operational costs and encourage industry growth. Saudi Arabia expects the initiative to create 42,000 new hotel rooms and some 120,000 jobs .

Additionally, in September 2024, Saudi Arabia announced the cancellation of municipality licensing fees for all types of accommodation in a major initiative to make the sector even more competitive. The country is also enhancing its infrastructure with new airports (as mentioned above) and is amending laws and regulations to attract international investors . In addition, Saudi Arabia has been courting around 7,000 firms globally by offering incentives like tax breaks and support for staff relocation to establish their regional bases in Riyadh.



# Skilled workforce supports tourism development

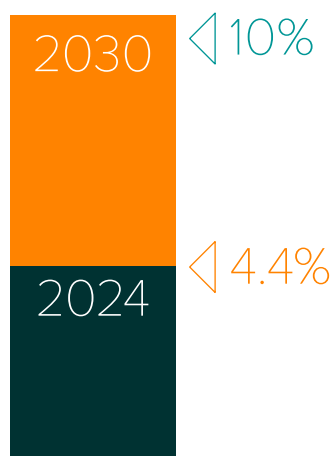
Saudi Arabia is ramping up its workforce through tourism and hospitality training programs and has set the goal of creating a million new jobs in tourism & hospitality by 2030. Notably programs, such as “Tourism Pioneers 2” and other initiatives, have prepared nearly 500,000 Saudis for tourism jobs since 2019.

## Total Workforce

By the end of 2023, the tourism sector employed some 925,000 individuals, of which 241,400 were Saudis, with women accounting for 45.7% of the Saudi total. Indeed, the total female workforce in the tourism sector grew by 66% from 2020, reaching 123,900 by the end of 2023. Furthermore, Saudi Arabia has a young demographic profile which will fuel growth in the coming years and decades.

## GDP growth

KSA has set the objective of raising the current share of GDP generated by tourism from 4.0-4.4% to 10%, the worldwide average, by 2030.



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Ministry of Tourism



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