



## G20 in Saudi Arabia

### The economic impact of Saudi Arabia hosting the G20 Summit

- The G20 is an international forum for governments of 19 countries and the European Union (EU) to gather every year.
- In December 2019, Saudi Arabia assumed the G20 presidency, which will lead up to the Leaders' Summit in Riyadh on 21-22 November 2020.
- The Kingdom has been participating in the G20 summit since the latter's inception in 1999, with the Kingdom's membership being ensured by virtue of its crucial importance to the world's energy markets.
- Whilst Saudi Arabia's capital has hosted several large functions in the recent past, the G20 summit differs due to the sheer number of different events related to it. In fact, more than 120 workshops, ministerial meetings and specialized seminars have been scheduled to be held in the Kingdom throughout the year.
- In addition to further promoting Riyadh as a suitable business and tourism destination, we see the G20 summit directly contributing to raising the Kingdom's GDP. More specifically, we calculate an additional 0.2 percent being added to non-oil private sector GDP as result of hosting the G20 summit.
- We see the direct impact of this major event being felt through a rise in business tourism, higher retail expenditure, increased activity in hotels and hospitality sectors and measurable positive impact on the local labor market.

For comments and queries please contact:

Asad Khan  
Head of Research  
rkhan@jadwa.com

Nouf N. Alsharif  
Senior Economist  
nalsharif@jadwa.com

Head office:

Phone +966 11 279-1111  
Fax +966 11 279-1571  
P.O. Box 60677, Riyadh 11555  
Kingdom of Saudi Arabia  
www.jadwa.com

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**Table 1: Member countries of the G20**

 Saudi Arabia	 European Union	 United States	 United Kingdom	
 Australia		 Turkey		
 Brazil		 South Korea		
 Canada		 South Africa		
 China		 India		
 France		 Russia		
 Germany		 Mexico		
 Argentina		 Indonesia	 Italy	 Japan



## Overview

*The G20 is an international forum for discussing global financial stability.*

*China, Saudi Arabia and South Korea, were the most notable recent additions to the G20.*

*In December 2019, Saudi Arabia assumed the G20 presidency for 2020.*

The G20 (or Group of Twenty) is an international forum for the governments of 19 countries and the European Union (EU) (Table 1). Founded in 1999, the G20 was set-up to discuss policy pertaining to the promotion of international financial stability. Since 2008, the agenda has been expanded to include heads of government alongside finance and foreign ministers periodically attending the summits as well. The summit seeks to address issues that go beyond the responsibilities of single organizations. For example, following the financial crisis in 2008, the heads of the G20 nations held summits twice a year in 2009 and 2010, but have shifted back to one meeting per year thereafter.

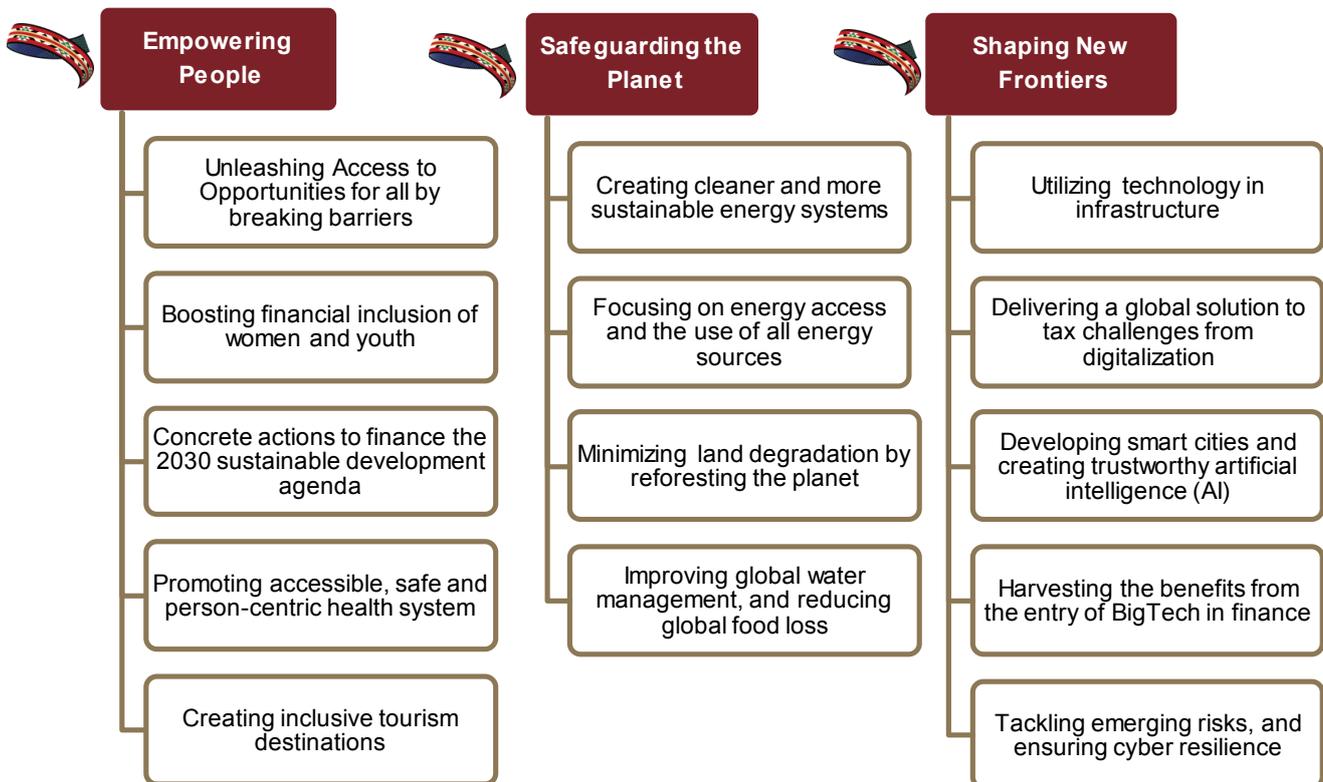
The G20 group originated from the G7, a seven-nation coalition that includes US, UK, France, Canada, Japan, Italy, and Germany. Emerging economic powerhouse China, along with two other developing countries, Saudi Arabia and South Korea, were the most notable additions to the coalition in the G20 group. Currently, the G20 aims to focus on alleviating the effects of present and future economic crises.

In December 2019, Saudi Arabia assumed the G20 presidency, which will lead up to the Leaders' Summit in Riyadh on 21-22 November 2020. Riyadh's G20 summit will discuss a number of issues, with three main focus areas: empowering people, safeguarding the planet, and shaping new frontiers (Table 2).

As the G20 summit in Riyadh will be the first ever G20 meeting held in the Arab world, the summit is expected to bring into focus the challenges faced by countries in the Middle East. Thus, issues such as sustainable energy, attracting investment, and labor market challenges facing the large youth population in the region are expected to be part of the agenda, in addition to the main issues around the global economy.

**Table 2: The G20 Saudi Arabia agenda**

### Realizing Opportunities of the 21st Century for All





*The presidency of the G20 rotates between member countries every year...*

*...and the host country leads the setting of the agenda.*

*The G20 preparations and meetings are organized through three governmental tracks: Finance, Sherpa and engagement groups.*

## Preparing for the G20

Every year, the presidency of the G20 rotates between member countries, with host country setting the agenda, and organizing the Leaders' Summit (which is attended by the G20 heads of state or government). By the end of the summit, a declaration is issued based on policy discussions at the Leaders' Summit and meetings held throughout the year prior to the main summit itself.

In preparations for the summit, the presidency hosts numerous meetings featuring ministers, senior government officials and civil society representatives. In general, the G20 preparations and meetings are organized through three governmental tracks (Table 3):

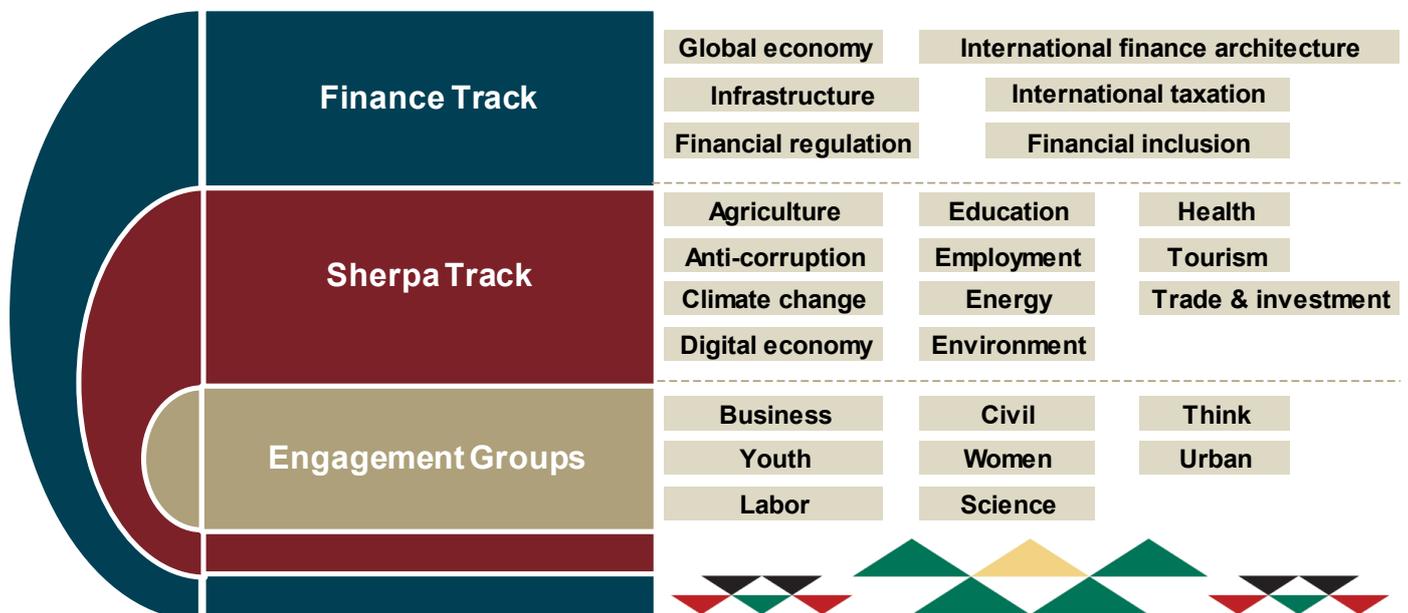
1. **The Finance Track:** which includes meetings of G20 finance ministers and central bank governors and their deputies. The track focus on fiscal and monetary policy issues.
2. **The Sherpa Track:** which includes meetings of ministers and relevant senior officials, from government entities that focus on socioeconomic issues.
3. **Engagement groups:** which represent civil society groups and develop recommendations submitted to the G20 leaders for their consideration (Box 1 and Table 4).

### Box 1: G20 Engagement Groups

The G20 engagement groups are comprised of various independent stakeholders from the international community, which host meetings relevant to the G20 discussions, and are led by organizations from the host country. They work together with other organizations from G20 countries to develop policy recommendations that are formally submitted to G20 leaders for consideration. The various groups represent the Business community (B20), Civil society (C20), Labor (L20), Scientists (S20), Think tanks (T20), Urban cities (U20), Women (W20) and Youth (Y20) from the G20 members (Table 4).

The groups include participants from inside and outside the host country with Riyadh therefore hosting a significant number of participants and experts in each group throughout 2020, and ahead of the main summit in November.

Table 3: The G20 tracks





*More than 100 meetings are scheduled to take place within the Kingdom...*

*...with Riyadh hosting most of the meetings, in addition to Jeddah, Khobar and Al-Ula.*

Overall, at least 120 meetings, which include ministerial, senior officials and civil society groups, are scheduled to take place in 2020. Moreover, so far, whilst a total of 12 meetings are scheduled to be held in international locations, such as Washington and Seoul, more than 100 meetings are scheduled to take place within the Kingdom (Figure 1).

Riyadh, the main host city of the G20 summit, will naturally host most of the meetings, which will total at least 73. In addition, Jeddah and Khobar will host 34 meetings in total. Added to the three main cities in the Kingdom, Al-Ula is scheduled to host two meetings, in relation to the tourism sector, signaling the Kingdom's emphasis on promoting this sector.

**Table 4 : G20 engagement groups**

Engagement groups	Objective	Leading Organizations
 <b>Business 20</b>	Represents the global business community across all G20 countries, and provides specific policy recommendations by the private sector	Council of Saudi Chambers
 <b>Youth 20</b>	Brings together young leaders from across the G20 members	Misk & Ithraa
 <b>Labor 20</b>	Represents the interests of workers around the world, and promotes and advocate for workers' rights	Saudi National Committee for Labor Committees
 <b>Think 20</b>	A network of think tanks and researchers, providing research-based policy recommendations	King Abdullah Petroleum Studies & Research Center (KAPSARC) and King Faisal Center for Research & Islamic Studies (KFCRIS)
 <b>Civil Society 20</b>	Provides a platform for civil society organizations around the world to contribute to the G20 agenda	King Khalid Foundation (KKF)
 <b>Women 20</b>	Aims to ensure that the gender considerations are mainstreamed into G20 discussions	Al-Nahdha Organization
 <b>Science 20</b>	Allows science academies to effectively contribute to the G20 by capturing non-governmental, non-business voices of the scientific community	King Abdullah University of Science & Technology (KAUST)
 <b>Urban 20</b>	Aims to bring sustainable urban development issues to the forefront of the G20 agenda	Royal Commission for Riyadh City



## Saudi Arabia and the G20 Members

*The Kingdom's membership in the G20 is a result of its crucial role in the world's energy markets.*

*The largest trade partners of the Kingdom are amongst the G20 members.*

*Despite the low levels of trade between the Kingdom and Russia, investments between the two countries has seen a notable rise since 2015.*

Saudi Arabia has been participating in the G20 summit since the latter's inception in 1999. According to the summit, the Kingdom's membership in the G20 is a result of its crucial importance in stabilizing the world's energy markets. All together, the G20 countries comprise two-thirds of the world's population, 80 percent of global GDP (Figure 2), and 75 percent of international trade.

In fact, the largest trade partners of the Kingdom are amongst the G20 members. Exports to China, Japan, India, South Korea and the US together account for more than 50 percent of the Kingdom's total exports (Figure 3). At the same time, the Kingdom's largest imports come from China and the US (Table 5). Notably, trade relations with countries in Latin America are limited, whilst trade between the Kingdom and Russia is witnessing remarkable development, as demonstrated by recent trade and investment agreements (Box 2).

### Box 2: Trade Relations with Russia and Brazil

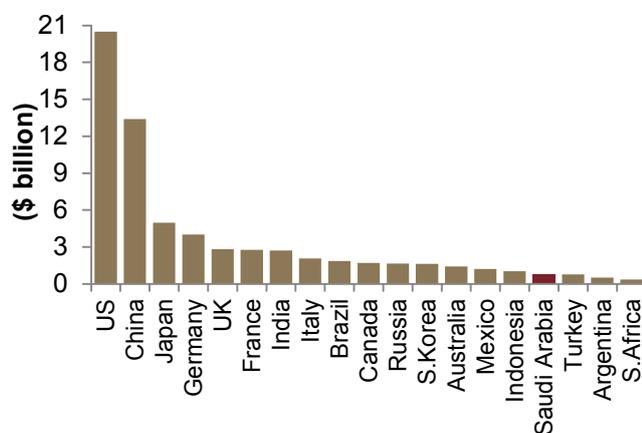
With both countries being major oil exporters, trade between Saudi Arabia and Russia has not been significant in the past, with the Kingdom's major imports from Russia being barley and copper wires. Despite this, investment between the two countries has seen a notable rise since 2015, when the Public Investment Fund (PIF) signed an agreement with the Russian Direct Investment Fund (RDIF) to jointly invest up to \$10 billion. More recently, in October 2019, the two countries signed more deals during the Russian President's visit to the Kingdom. The deals ranged between technology and health services, energy relations, culture and tourism cooperation, and an agreement to enhance trade relations, especially through increased investments in agriculture and food.

Moreover, since 2016, the two countries have been in continuous negotiations and mutual efforts in taking a leading part of the OPEC and partners (OPEC+) agreement, which aims to enhance the cooperation between OPEC and major non-OPEC oil producers, including Russia, to work towards stabilizing global oil markets.

**Figure 1: G20 meetings around the Kingdom**



**Figure 2: G20 member countries nominal GDP, 2018**





As for Brazil, the PIF recently announced plans to invest up to \$10 billion in the Latin American country over the next few years (mainly in infrastructure projects), making it the first country in South America to receive direct PIF investments. The investments come at a time when Brazil is going through renewed period of privatization, with the country offering investment opportunities in order to raise \$325 billion over the next few years, which will be done through the auctions of licenses to operate ports, airports, oil wells as well as the postal service.

Brazil's trade with Saudi Arabia has risen by 27 percent in the last three years, with main imports from Brazil being frozen meats and cane sugar.

### Saudi Arabia Hosting the G20 Summit

Based on the numbers from previous G20 summits, more than 10,000 international delegates and media representatives are expected to visit Riyadh for the G20 summit in November 2020. We view this as a prime opportunity for Riyadh, and indeed the Kingdom, to showcase its potential as a leading international destination for high profile events. Indeed, as a successful host of previous high-profile events, the relevant authorities have repeatedly demonstrated the ability to handle large-scale events professionally. For example, in May 2017, Riyadh successfully hosted the Arab Islamic American Summit, with leaders and delegates from 55 countries, including the US President, arriving for a two-day summit.

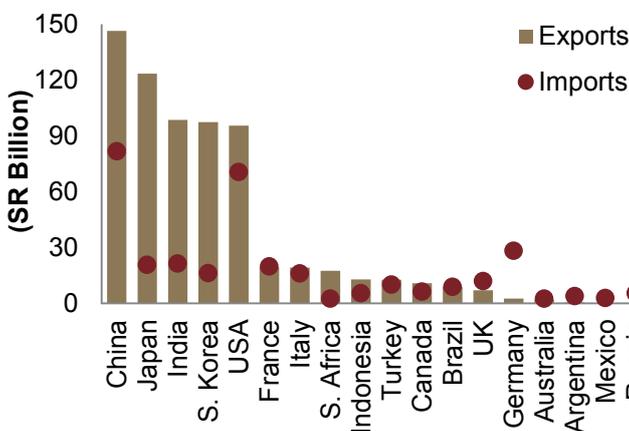
The G20 summit, however, differs from any other international event, in that it entails a number of workshops and engagement group meetings prior to the main summit itself. The delegates range from government officials to security teams, journalists and media specialists, who are expected to visit the capital city during the two-day summit. Data on previous summit shows the arrival of delegates picks up around seven days prior to the actual summit (Figure 4).

However, there are also a number of non-delegates that travel to the host city/country for the meetings prior to the main summit. In fact, we expect Riyadh to host around 12,000 visitors throughout 2020, with a large number of these visitors attending workshops and conferences set by the main tracks and engagement groups, prior to the Leaders' Summit in November.

*The Kingdom is expected to host around 10,000 delegates during the G20 summit in November 2020...*

*...and more than 12,000 visitors throughout the year prior to the main summit.*

**Figure 3: The Kingdom's largest G20 trade partners (2018)**



**Table 5: Largest imports from main G20 partners, (total in SR million, 2018)**

China	Wireless phones & data machines	81,821
USA	Aeroplanes & private cars	70,642
Germany	Medicine, private cars & aeroplanes	28,306
India	Rice, hydrocarbons & tiles	21,322
Japan	Private cars & jeeps	20,590
France	Medicine, barley & perfumes	19,777
S. Korea	Private cars	16,195
Italy	Valves, medicine & other fuels	16,088
UK	Aeroplanes, medicine & jeeps	11,868
Turkey	Cigarettes, carpet & marble	10,036
Brazil	Frozen meat & cane sugar	8,824



*The G20 summit will allow the Kingdom to showcase its potential as a leading international destination for high profile events and tourism.*

*We believe that the summit's impact on local GDP is positively correlated with cities in the developing economies.*

*We expect to see a rise in the Kingdom's non-oil private sector GDP in 2020 by an additional 0.2 percent.*

Thus, in total, we expect Riyadh to host between 22-25 thousand visitors during 2020 inclusive of the main summit in November 2020.

**Regional benefits**

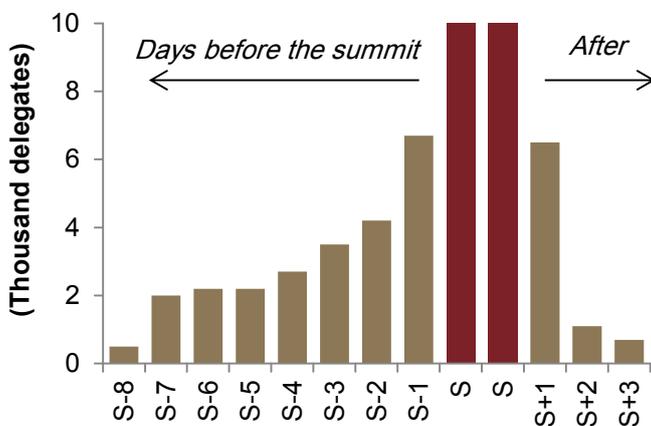
Although it is difficult to assess the overall economic benefit associated with hosting such a high profile summit, when looking at the impact on previous G20 host nations, the more measurable direct benefits entail:

- 1) immediate, visible short-term stimulus of higher spending at hotels, restaurants and shops and associated temporary jobs;
- 2) raised profile for the host nation through increased media and advertising coverage;
- 3) new, permanent public infrastructure built specifically for the summit, such as road upgrades, landscaping and office buildings.

More specifically, when we look at the economic benefits of hosting the G20 summits, we expect they are likely to be much greater for cities that have less international visibility and tourist traffic, i.e. cities in developing economies. More established cities in advanced economies, such as London and Washington, which have a long history of hosting such events, are less likely to invest in infrastructure upgrades.

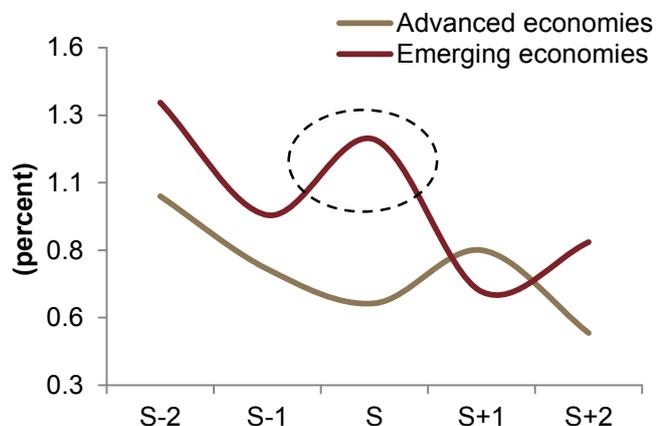
Accordingly, Figure 5 shows that the average quarterly GDP growth rate tends to peak in developing countries during the quarter of the summit (S), but then slows in the following quarters. This trend suggests that the developing economies witness numerous local developments around the time of the summit, including infrastructure development, hotels and buildings projects, and higher business tourist spending by the delegates. In line with this, we expect that Saudi Arabia's GDP is likely to benefit from hosting of the G20 summit. More specifically, we estimate that the summit could contribute to lifting the Kingdom's non-oil private sector GDP by an additional 0.2 percent in 2020.

**Figure 4: Expected number of delegates during the G20 summit**



S = Summit days  
 S-1 = One day prior to the summit day (S)  
 S-2 = Two days prior to the summit day (S)  
 S+1 = One day after the summit day (S)  
 S+2 = Two days after the summit day (S)

**Figure 5: Hosting the G20 summit has a larger impact on GDP in emerging economies (quarter-on-quarter change)**



S = Quarter of hosting the summit (S)  
 S-1 = One quarter prior to the summit quarter (S)  
 S-2 = Two quarters prior to the summit quarter (S)  
 S+1 = One quarter after the summit quarter (S)  
 S+2 = Two quarters after the summit quarter (S)



*Business tourism is a fast-growing segment within the global tourism industry, accounting for 13 percent of international visits...*

*...and 15 percent of total inbound trips to the Kingdom in 2018.*

*Business tourists spent the most amongst all inbound tourists in the Kingdom by Q1 2019.*

*The average number of nights spent in the Kingdom by inbound tourists is 10 nights per visitor, mostly spent in Makkah & Madinah.*

**Business Tourism**

According to the World Tourism Organization (UNWTO) global business tourism is a fast-growing segment within the tourism industry, accounting for 13 percent of total international visits. The global business travel market is expected to reach \$1.6 trillion by 2023, with an average growth rate of 4.1 percent to 2023. The main revenue contributors to business tourism are the food & hotel segment, as well as the recreational activity segment.

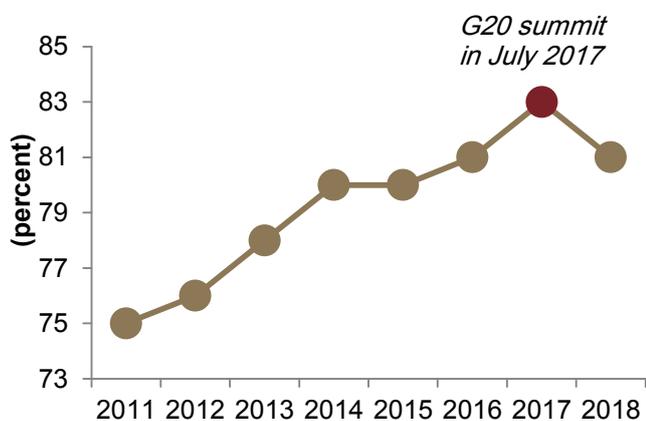
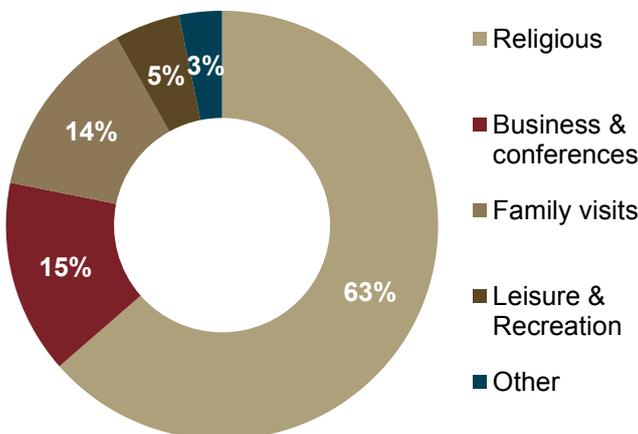
In the Kingdom, inbound trips for business and professional purposes accounted for 15 percent of the total in 2018, whilst religious trips for Haj and Umrah dominated the largest share by 63 percent (Figure 6). However, these shares are expected to change with the introduction of the e-visa system since September 2019, as the Kingdom aspires to attract more leisure tourists with a fast-track visa process (Box 3).

Moreover, according to the Saudi Commission for Tourism and National Heritage (SCTH), business tourist spending was the highest amongst all tourists in the Kingdom. As per latest available data for Q1 2019, average spend per night for business tourists was around SR470, higher than the average of SR458 for all types of inbound tourists. In fact, this is indicative of the trend seen globally. For example, the World Travel and Tourism Council (WTTC) noted that the average business tourist in Australia spends \$192 per night, and \$268 per night in Hamburg, compared with a leisure visitor who spends \$110 and \$85 per night in the two destinations, respectively. The WTTC also notes that business tourism is a significant contributor to global trade, accounting for one third of growth in global trade over the last decade.

**Box 3: E-Visas**

Currently, the average number of nights spent in the Kingdom by inbound tourists is 10 nights per visitor, which are mostly spent in Makkah and Madinah. Meanwhile, the international average is as high as 18 nights per visitor in the US, 7.6 nights in the UK and 3.6 nights in Dubai. With rising quotas for Haj and Umrah visitors, and the PIF's plans to develop Makkah and Madinah as part of its Vision Realization Program (VRP), the real estate and the hospitality industry are key sectors that are likely to be positively affected.

**Figure 6: Purpose of inbound trips to the Kingdom, 2018**      **Figure 7: Hotel occupancy in Hamburg, Germany, during the 2017 G20 summit**





Looking forward, we expect a larger number of Umrah pilgrims to enter the Kingdom, under the new e-Visa system, with the price now fixed (at \$117 / SR440) regardless of the number of Umrah visits performed, compared to a steep increase in price for the second trip (at \$533 / SR2000) previously. In addition, with no geographical restrictions under the new system, we estimate that up to 88 million Muslims from eligible e-Visa countries can visit the whole country, rather than just the holy sites, as was the case previously.

*With such a large number of visitors around the G20 summit, suitable hotel accommodation is likely to be highly demanded.*

*By Q1 2019, Riyadh had around 120 hotels, representing around 17,000 hotel rooms.*

**Hotel rooms**

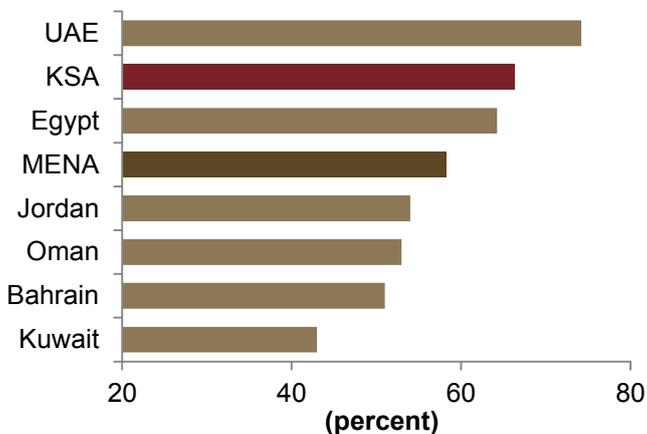
Naturally, with such a large number of visitors around the G20 summit, suitable hotel accommodation is likely to be highly demanded. In Hamburg, for example, where the G20 summit was held in 2017, the occupancy rate in the second biggest city in Germany saw a notable rise during the year of the summit (Figure 7). Despite being a city which is accustomed to a large number of tourists, a sizable rise in demand for hotel rooms during the G20 summit resulted in a rise in prices as well.

According to the SCTH, by September 2019, Riyadh had around 120 hotels, representing around 17,000 hotel rooms. However, when looking at the number of rooms for hotels in the 4-5 star category, the total number of rooms declines to 12,400, barely exceeding the total number of expected delegates for the Leaders' Summit in November 2020. Thus, when considering that hotel occupancy has risen significantly in Riyadh in the last few months (Box 4), we would expect occupancy and prices to spike significantly during the G20 summit, especially if the summit coincides with other events, such as the Riyadh Season, in 2020.

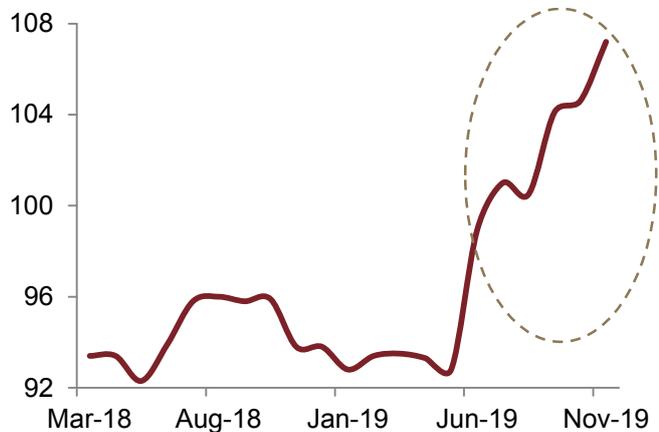
**Box 4: Hotel occupancy**

Hotel occupancy in the Kingdom has been following an upward trend in recent years. According to latest available data from the SCTH, hotel occupancy rose from 57 percent in 2017 to 67 percent by September 2019 (Figure 8). Riyadh, in particular, has seen a marked rise in 2019, with occupancy hitting 82 percent in November 2019, well above the national average, and third behind Makkah and

**Figure 8: MENA hotel occupancy**



**Figure 9: Accommodation services price index in Riyadh (includes hotels and service apartments)**





*The price index for accommodation services in Riyadh shows significant rises since mid-2019.*

Madinah. The higher level of occupancy in Saudi Arabia's capital has resulted in price rises, with the price index for accommodation services within the capital showing significant rises since mid-2019 (Figure 9). Therefore, higher rates of occupancy seen in Riyadh, coupled with increased touristic traffic related to the newly launched Riyadh and Diriyah Seasons, is likely to add even more upward pressure on occupancy during the main G20 summit (Figure 10).

That said, recent indicators in the real estate sector show that more than 20 hotels in Riyadh are already in the pipeline, with majority of them in advanced construction phases. If a good number of these hotels were to be operational before the main summit in November 2020, this would help alleviate the expected shortage in suitable hotel rooms, and indeed would help push up in the level of high quality hotel capacity in Riyadh for the next few years.

*Retail sales might be affected during the week of the summit, but should have a significant rebound in the week after the summit.*

**Retail shops and transport**

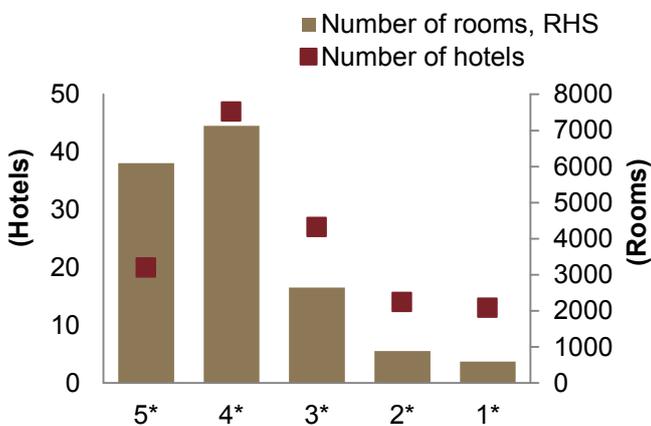
It is often the case that a two-day holiday is assigned in the host city to coincide with the duration of the Leaders' Summit in order to ease congestion and facilitate security measures. The two-day holiday, in turn, tends to have an impact on retail sales, with people usually staying in-doors to avoid the anticipated heavy traffic. That said, whilst retail sales do decline during the week of the main summit, data shows that retail sales see a significant rebound in the week immediately after the summit, thereby likely compensating for the loss (Figure 11).

*Large summits usually tend to create many part-time jobs in the host city.*

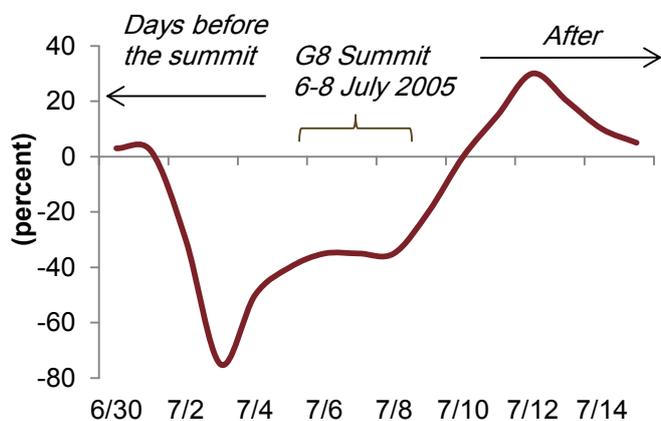
**Labor market**

Based on analysis of previous summits (e.g. G20, G8), a large budget is usually allocated as overtime payments for public sector staff and for the employment of temporary staff. In fact, the summit opens up a whole host of temporary job opportunities, which range from employment in sectors related to tourism, security, PR and hospitality. For example, in the 2014 G20 summit in Brisbane, Australia, a rise in temporary employment contributed in a rise in the share of Queensland (where Brisbane is located) employment to total employment around the month of November 2014 (Figure 12).

**Figure 10: Number of hotels and rooms in Riyadh region by type**



**Figure 11: Retail sales activity amongst key retailers during the G8 summit in Edinburgh in 2005 vs. a year ago**





## Outlook

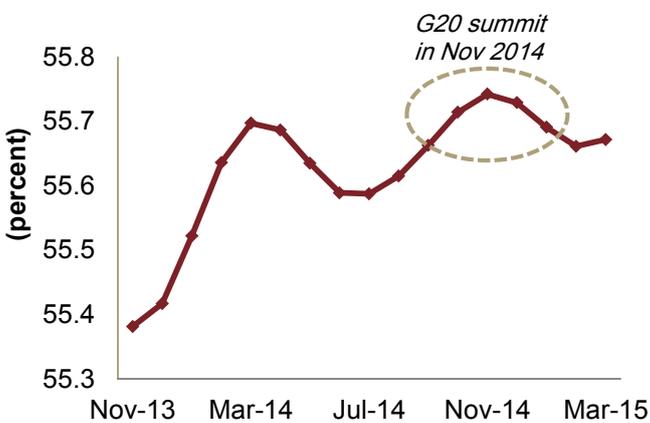
*The longer-lasting economic effects are likely to be felt over the course of two to three years after the summit...*

*...as the increased profile of the Kingdom takes effect and galvanizes further economic opportunities.*

Hosting the G20 summit will be a major event in the Kingdom, with a number of economic benefits expected to be derived from the event. That said, the longer-lasting effects are likely to be felt over the course of two to three years after the summit, as the increased profile of the Kingdom takes effect and galvanizes further economic opportunities. At the same time, more broadly speaking, the summit will also help shed light on wider developmental issues within the Arab region as a whole.

Overall, with less than a year to go to the main summit, we see a great opportunity for numerous sectors such as hospitality, retail, touristic and entertainment services to accommodate the anticipated rise in demand in the year ahead. Whilst we see the direct measurable impact on the Kingdom's non-oil private sector GDP being lifted by an additional 0.2 percent, the longer term benefits will continue in years after, as the Kingdom witnesses the rise of its perception as a global destination for business and tourism.

**Figure 12: Employment share in total population of Queensland, Australia, in 2014**



**Figure 13: List of invited countries and organizations to the G20 2020 in Saudi Arabia**



**Countries**

- Jordan
- Singapore
- Spain
- Switzerland
- Vietnam
- United Arab Emirates
- Senegal



**Organizations**

- Islamic Development Bank
- Arab Monetary Fund
- Food & Agriculture Org.
- Financial Stability Board
- International Labor Org.
- International Monetary Fund
- United Nations
- World Bank
- World Health Org.
- World Trade Org.



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