

Investment Outlook Saudi Arabia 2025



Mohammad Bin Salman Bin Abdul Aziz Al Saud
His Royal Highness Crown Prince and the
Prime Minister of Saudi Arabia Prince

“We are determined to reinforce and diversify the capabilities of our economy, turning our key strengths into enabling tools for a fully diversified future. As such, we will transform Aramco from an oil producing company into a global industrial conglomerate. We will transform the Public Investment Fund into the world’s largest sovereign wealth fund. We will encourage our major corporations to expand across borders and take their rightful place in global markets.”

“The Saudi economy has shown strong resilience and adaptability in addressing the global economy's challenges. The monetary conditions in the Kingdom are reassuring due to SAMA's prudent monetary policy. Additionally, the banking sector maintains strong solvency, operational efficiency, adequate liquidity, and the capacity to face challenges.”



H.E. Ayman Al-Sayari
Governor of the Saudi Central Bank
(SAMA)

KSA Macroeconomic Outlook

Oil Dependence Persists:

Declining production and exports underscore Saudi Arabia’s role as swing producer, but also highlight fiscal vulnerability to lower crude volumes and bearish price momentum. Investors should watch oil-linked revenue streams as the primary driver of fiscal and external balances.

Fiscal Pressure Rising:

Revenue softness and elevated baseline spending reinforce structural deficits. Debt sustainability remains intact, but growing gross financing needs increase reliance on market confidence and diversified funding channels.

Liquidity Tightening, Credit Expanding:

Slowing deposit growth is tempering system-wide liquidity, while private sector credit growth remains firmly in double digits. This reflects strong Vision 2030–linked lending but raises leverage and asset-quality risks if productivity gains lag.

External Buffers Still Intact:

Despite current account volatility, FX reserves continue to build, supporting currency stability and compressing sovereign risk premia. FDI inflows remain a bright spot, providing non-debt financing and signaling confidence in reform momentum.

Inflation Risks Broadening:

While housing and utilities pressures are easing, new inflation drivers are emerging in food, services, and consumer goods. This indicates a wider pass-through risk that could impact real income growth and necessitate policy recalibration.

Real Estate Divergence:

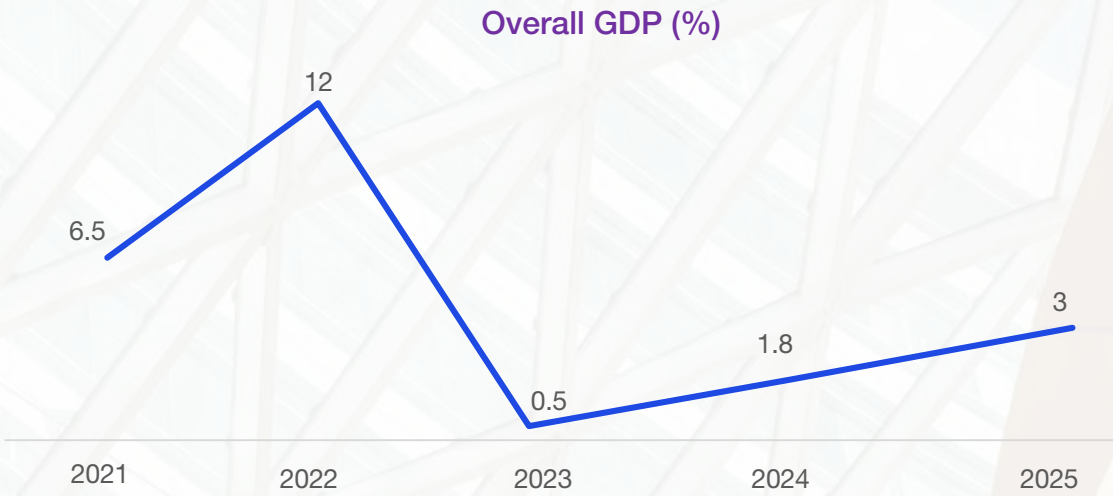
Commercial real estate shows resilience, with prices rising, while residential transactions remain weak, reflecting affordability constraints and cyclical volatility. Concentration in Riyadh reinforces its status as the Kingdom’s market anchor.



GDP Snapshot of KSA

Gross Domestic Product (GDP) Growth

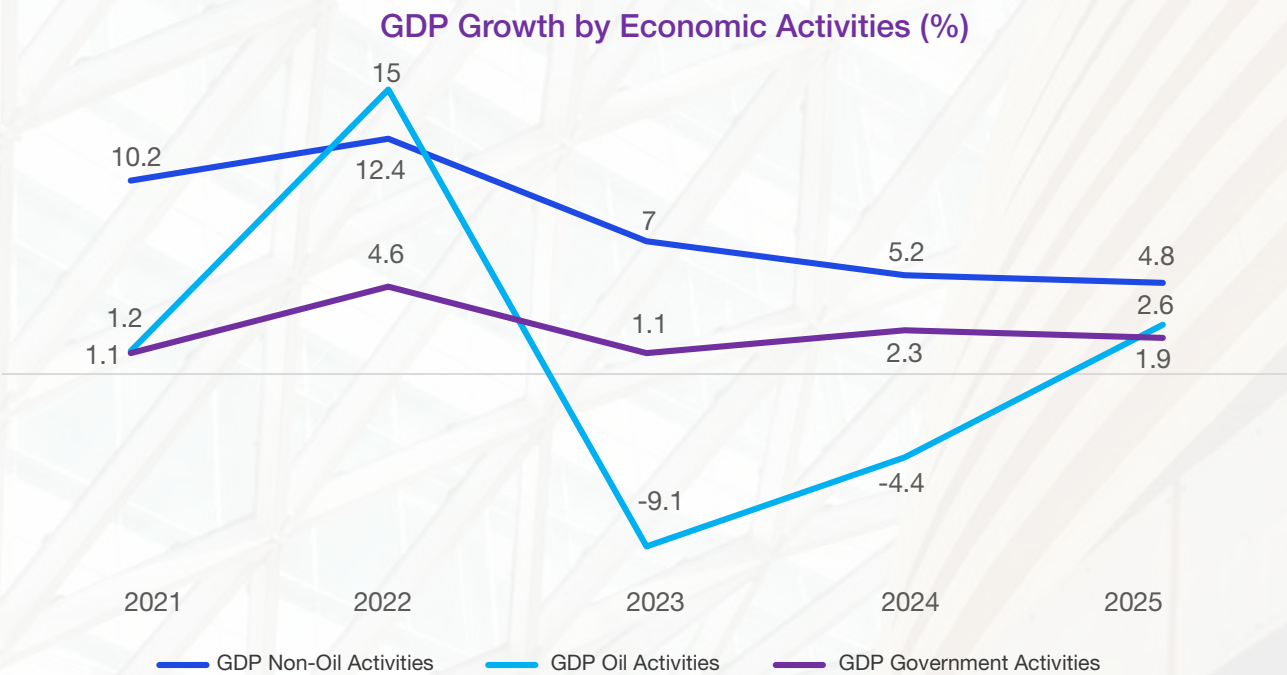
Saudi Arabia’s growth outlook signals a return to steady expansion following a period of adjustment. The economy is entering a phase of balanced recovery, underpinned by fiscal prudence, targeted public investment, and sustained non-oil diversification. This trajectory reflects structural resilience, improving investor confidence, and the government’s success in translating macro stability into medium-term growth momentum.



Oil sector normalization enhances FX reserve buffers and debt-servicing capacity, preserving fiscal headroom for Vision 2030 commitments.

Non-oil deceleration signals weakening productivity gains and underscores execution risk in diversification. Sustained FDI inflows and SME scalability remain critical to avoid structural drag.

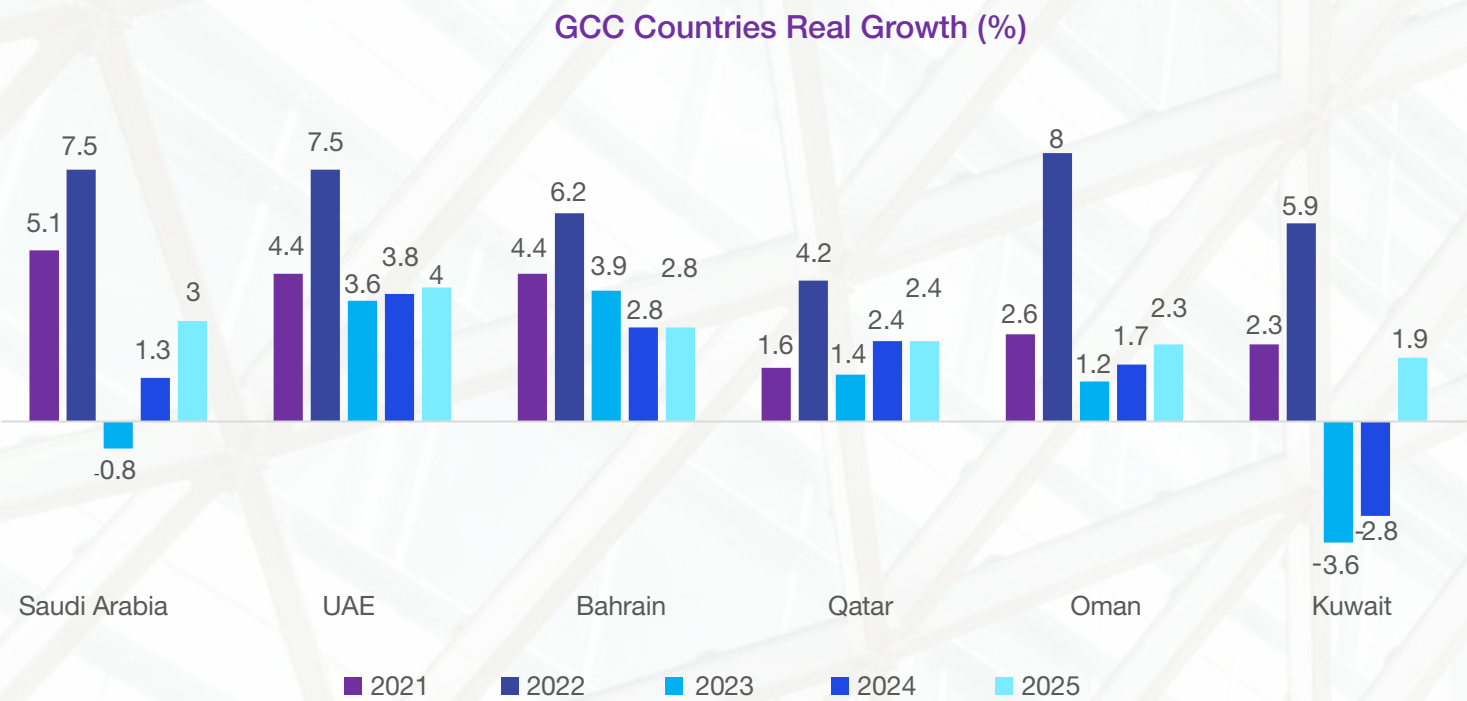
Government spending remains measured, favoring sustainability over short-term stimulus. Modest growth still signals policy discipline and reinforces investor confidence in a stable, predictable environment.



GDP Snapshot of KSA

GCC GDP Growth

After peaking in 2022, real GDP growth across GCC countries declined due to oil production cuts, weaker global demand, and tighter financial conditions. The strong growth in 2022 was driven by high oil prices and post-COVID recovery, but this momentum faded as OPEC+ output restrictions, especially in Saudi Arabia and Kuwait, reduced hydrocarbon GDP from 2023 onwards.



Global inflation and rising interest rates further slowed investment and consumption. Fiscal space narrowed as oil revenues declined, limiting government spending. While non-oil sectors grew, particularly in the UAE and Saudi Arabia, they remain too small to fully offset oil-sector weakness.



“We seek to accelerate the transition to low-carbon, clean, and renewable energy, and to leverage China’s Belt and Road Initiative to support regional connectivity and integration between ASEAN and GCC countries.”

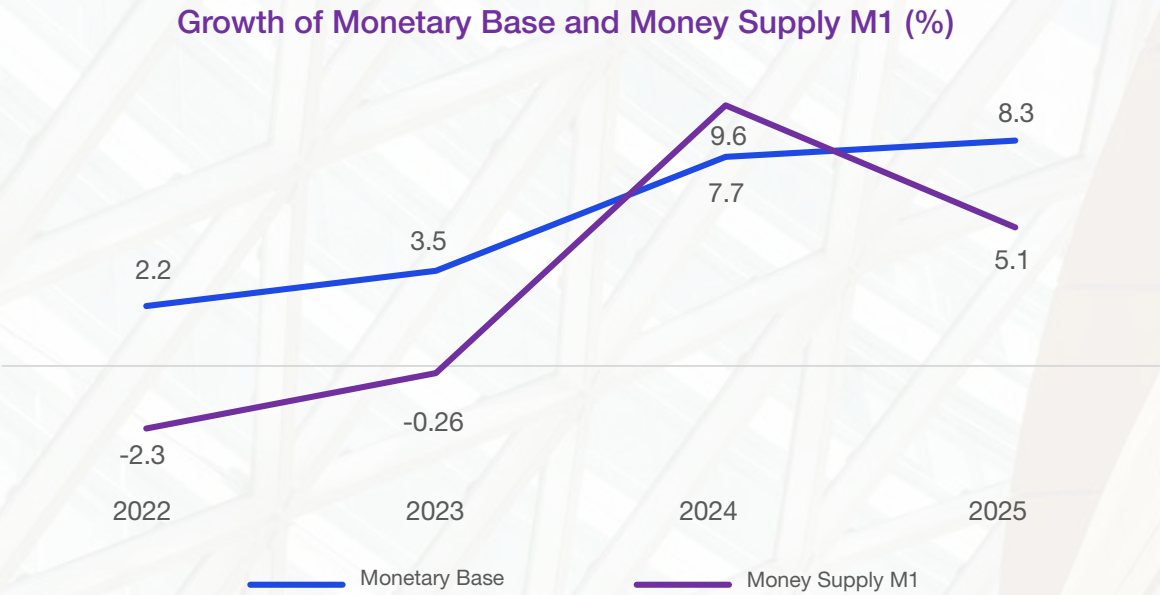
H.E Prince Faisal Bin Farhan Saudi Foreign Minister

Developments in Banking and Money Supply

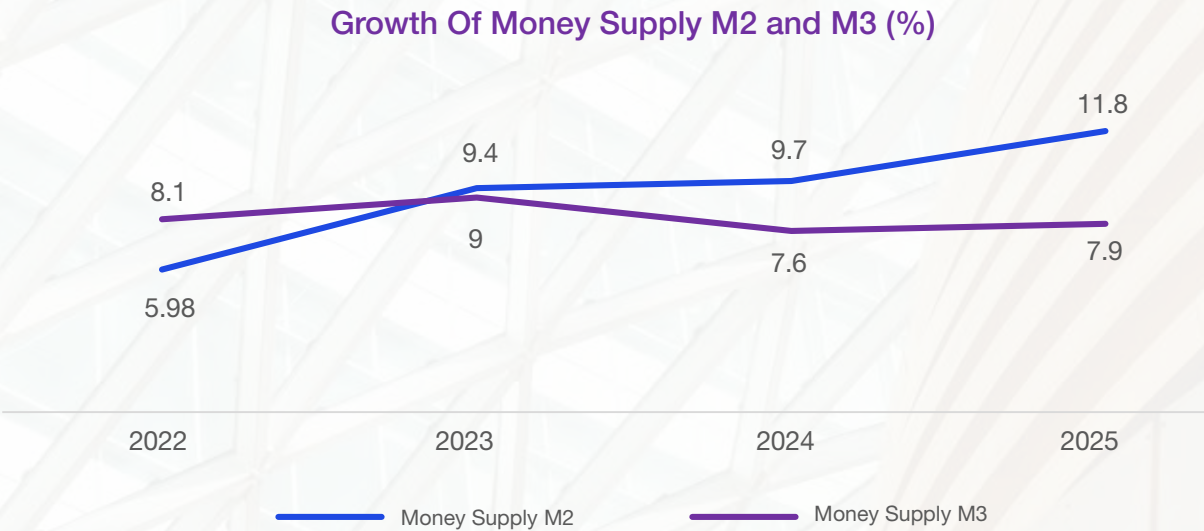
Monetary and Banking Aggregates

Saudi Arabia's monetary base expansion suggests active liquidity management by the Saudi Central Bank (SAMA), possibly through open market operations or increased bank reserves.

The increase supports credit availability and underpins domestic economic activity, particularly in non-oil sectors targeted under Vision 2030.



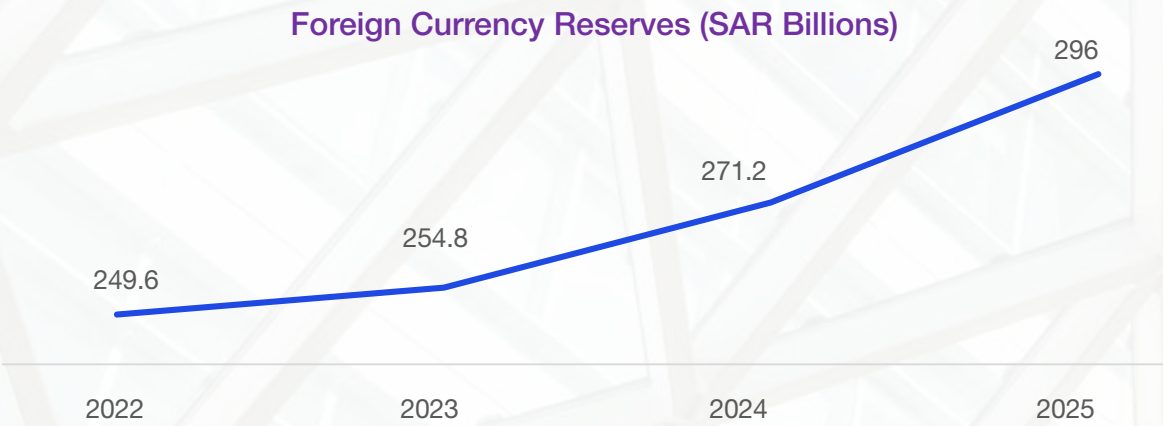
Money supply growth, especially in broader aggregates (M2 and M3), has remained strong. This indicates rising bank deposits and liquidity in the financial system, supporting private sector lending and consumption. However, such monetary expansion must be carefully monitored to manage inflationary risks and avoid financial imbalances.



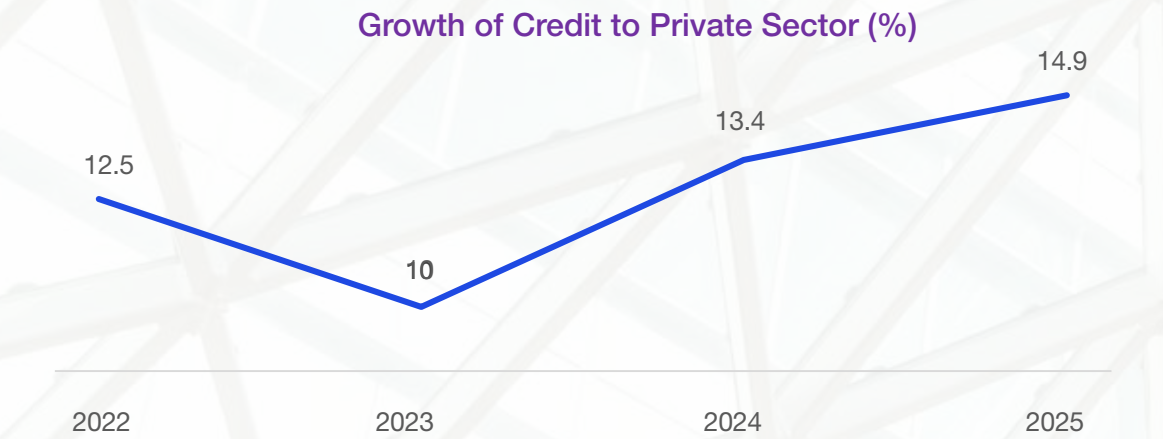
Developments in Banking and Money Supply

Monetary and Banking Aggregates

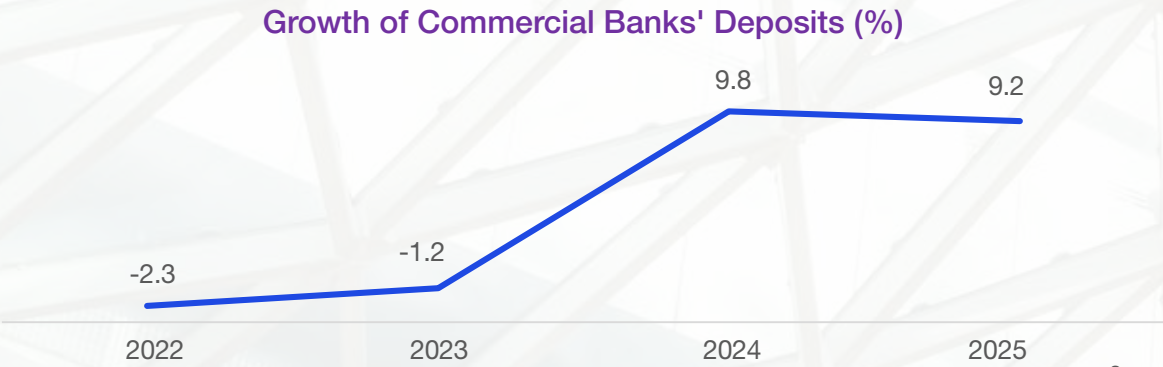
The accumulation of reserves enhances the country’s external buffers and supports investor confidence, particularly given the Saudi riyal’s peg to the U.S. dollar.



Credit to the private sector in Saudi Arabia has maintained strong momentum, reflecting the banking sector’s growing role in financing economic diversification under Vision 2030, particularly through increased lending to SMEs, real estate, and infrastructure. The acceleration in 2024–2025 signals improved investor confidence, stronger private sector activity, and supportive monetary conditions.



Meanwhile, commercial banks’ deposit growth contracted, likely due to tight liquidity conditions and shifts in government deposit placements. However, deposit growth rebounded in 2024 (9.8%) and remained solid in 2025 (9.2%), indicating improved banking sector liquidity and rising household and corporate savings.



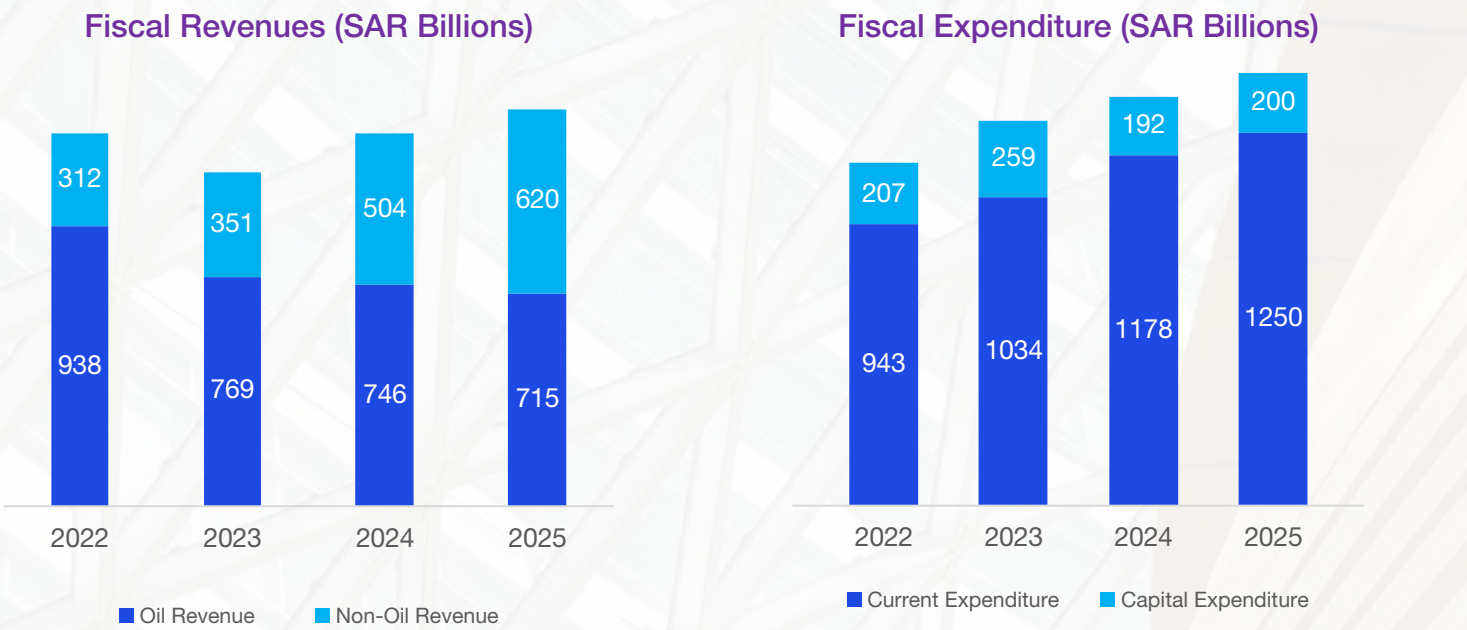
Source: Saudi Central Bank

Fiscal Developments Overview

Fiscal Developments

The drop in fiscal revenues aligns with OPEC+ production cuts and weaker oil price outlooks, as confirmed by Saudi budget forecasts indicating reduced hydrocarbon receipts. While non-oil revenue rose significantly , suggesting limited momentum in sustaining revenue diversification.

Non-oil income growth has been driven by VAT, customs duties, and government fees, but remains vulnerable to cyclical demand and policy shifts.



On the expenditure side, current spending reflects a shift from expansive fiscal support to more conservative budgeting amid falling revenues. Capital expenditure followed a similar trend, indicating a possible slowdown in public investment projects.

According to the Saudi Ministry of Finance, fiscal deficits are being managed through a mix of debt issuance and strategic drawdowns from reserves to maintain capital project continuity and economic momentum.

“Saudi Arabia’s investment outlook remains robust, driven by Vision 2030’s structural reforms and sustained fiscal discipline. Capital inflows are expanding across infrastructure, manufacturing, and tourism, reflecting the Kingdom’s accelerating diversification beyond hydrocarbons. With strong sovereign balance sheets and deepening capital markets, global investors are increasingly drawn to high-growth emerging sectors. Though regional geopolitics and oil price volatility present headline risks, the medium-term trajectory remains firmly positive.”

Mohammad Owais Zubair, Senior Manager



Source: Ministry of Finance

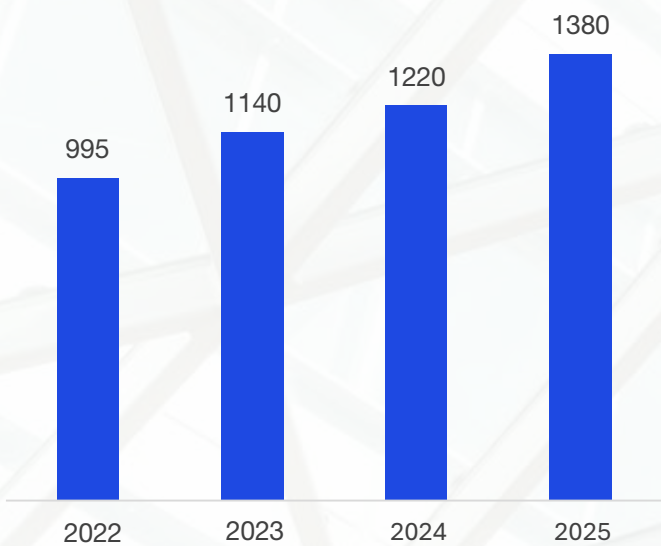
Fiscal Developments Overview

Fiscal Developments

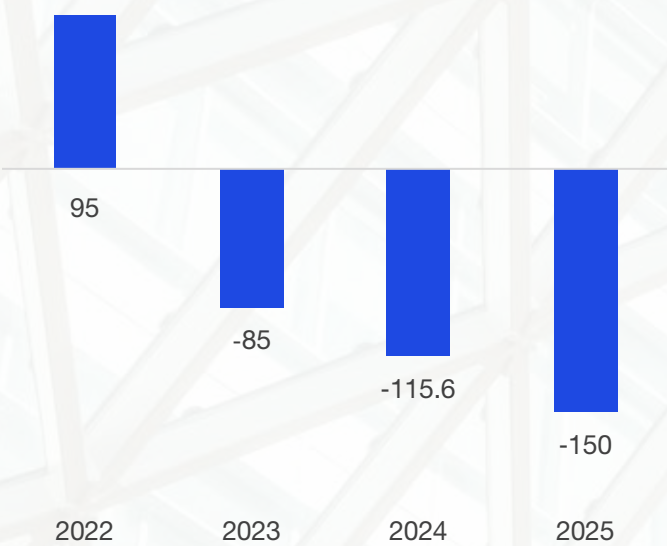
Consequently, outstanding public debt has risen steadily, reflecting increased borrowing to finance widening deficits. While Saudi Arabia maintains relatively low debt-to-GDP levels compared to global peers, the rising debt stock underscores growing fiscal pressure.

The government has reiterated its commitment to keeping debt sustainable and within prudent limits, leveraging its strong credit rating and sizable reserves to buffer short- to medium-term risks.

Outstanding Government Debt (SAR Billions)



Fiscal Deficit/Surplus (SAR Billions)



According to the Saudi Ministry of Finance, fiscal deficits are being managed through a mix of debt issuance and strategic drawdowns from reserves to maintain capital project continuity and economic momentum.



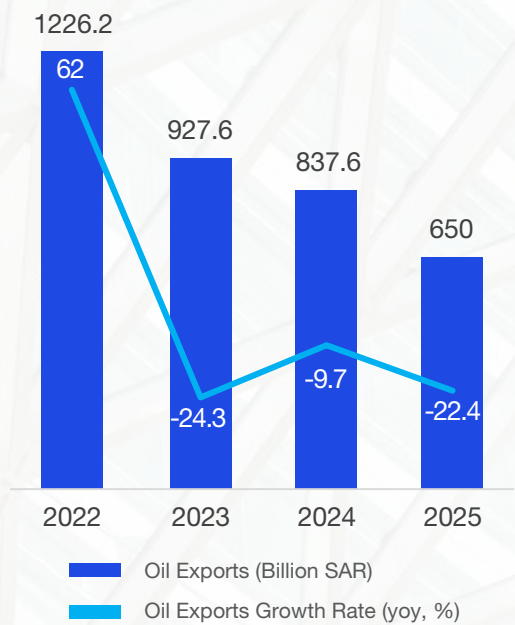
“While today’s world seems uncertain, we continue with our mandate to inspire the future of business and future proof our economies and societies to create a more stable and resilient world order.”

H.E Yasir Al Rumayyan Chairman of FII Institute and Governor of the Public Investment Fund (PIF),

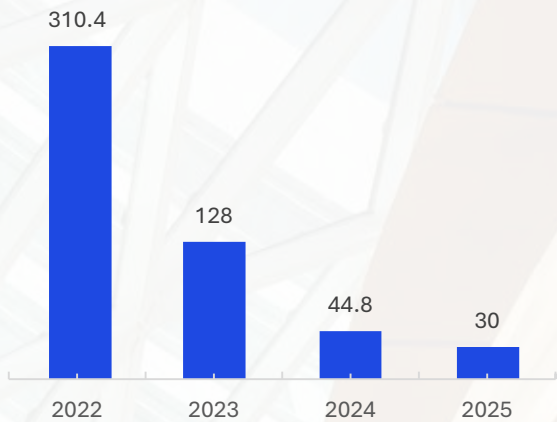
Developments in the External Sector

External Sector Analysis

Non-Oil Merchandise Exports

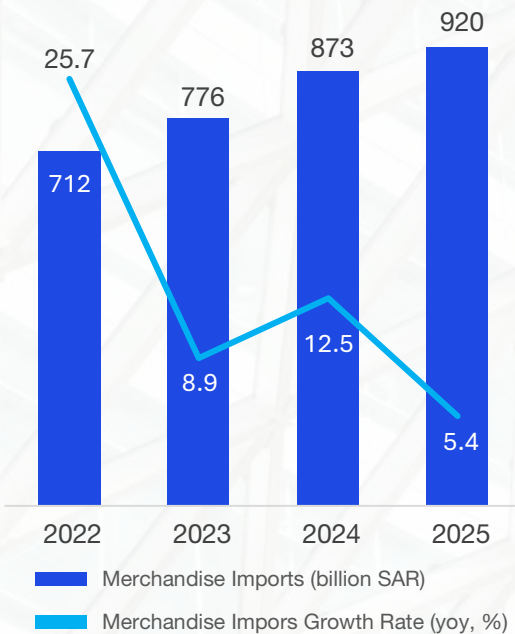


Current Account Balance (SAR Billions)

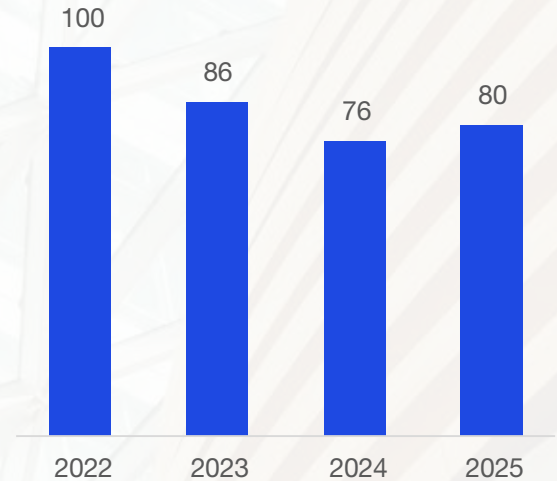


According to the Saudi Ministry of Finance, fiscal deficits are being managed through a mix of debt issuance and strategic drawdowns from reserves to maintain capital project continuity and economic momentum.

Merchandise Imports



Foreign Direct Investment (SAR Billions)



However, the return to surplus in 2025 signals near-term stabilization and stronger external buffers. FDI inflows remain a bright spot, with sustained momentum reinforcing Saudi Arabia’s appeal as a reform-led investment destination and providing critical non-debt financing for Vision 2030 priorities.

Macroeconomic Performance Snapshot of KSA

“Saudi Arabia’s 2025 investment landscape stands out for its momentum and maturity. While many emerging markets are navigating volatility, the Kingdom is rapidly institutionalizing reform, strengthening fiscal frameworks, deepening capital markets, and expanding private sector capacity. It is a market no longer defined by oil cycles but by its ability to generate consistent, policy-backed growth. Investors are not just observing reform; they are participating in a structural redefinition of the region’s economic core.”

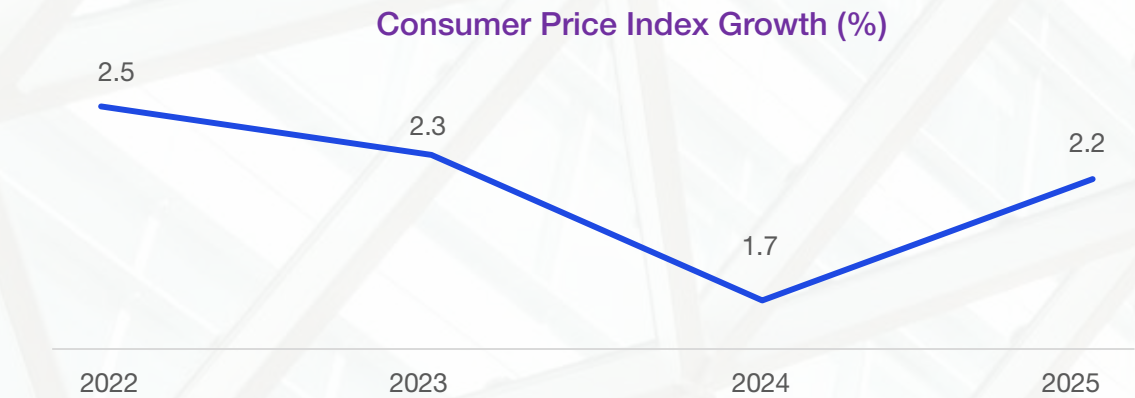
Nick Whitford, Senior Vice President



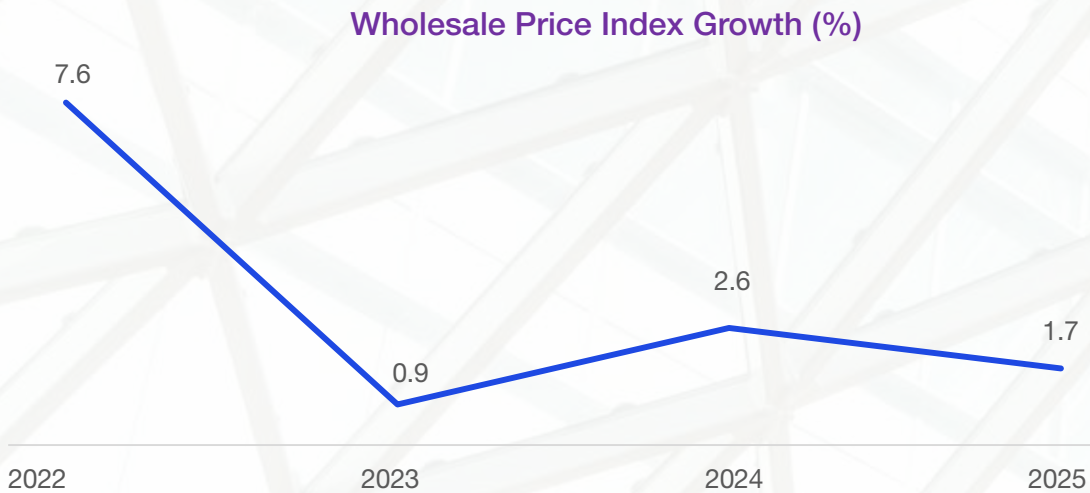
Inflation Dynamics and Economic Impact

Inflation Rate

The Saudi Central Bank’s stable monetary policy and improved supply chains helped contain consumer price pressures.



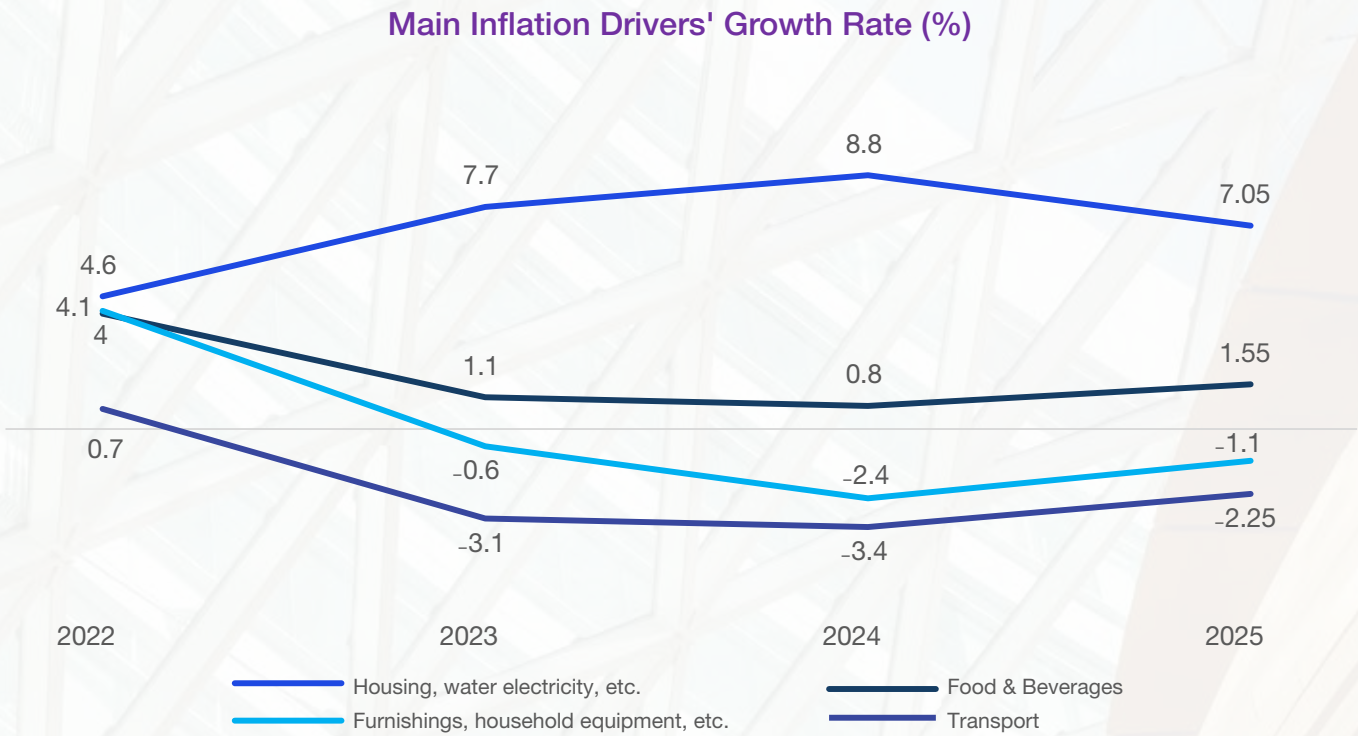
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Surge in housing, water and electricity is driven by subsidy rationalization and rising demand. This aligns with broader tariff reforms aimed at ensuring fiscal sustainability. In contrast, food inflation fell below 1%, reflecting global agricultural price normalization and improved local supply, though regional tensions remain a risk. The sectoral trends of furnishing and transport highlight structural adjustments and effective policy measures to sustain moderate inflation while supporting economic diversification.

Inflation Dynamics and Economic Impact

Inflation Rate



Prices for housing, water, and electricity remained the biggest contributor to inflation, though inflation in this category eased a bit compared to earlier in the year. This reflects ongoing government efforts to adjust utility prices as part of broader economic reforms.

Categories such as furnishings and household equipment, communication, transport, and clothing and footwear continued to see price declines, likely due to improved supply and weaker demand.

These trends show that while essential services and some consumer sectors are seeing price growth, other goods and services are experiencing price stability or decreases, highlighting a balanced inflation environment in the economy.

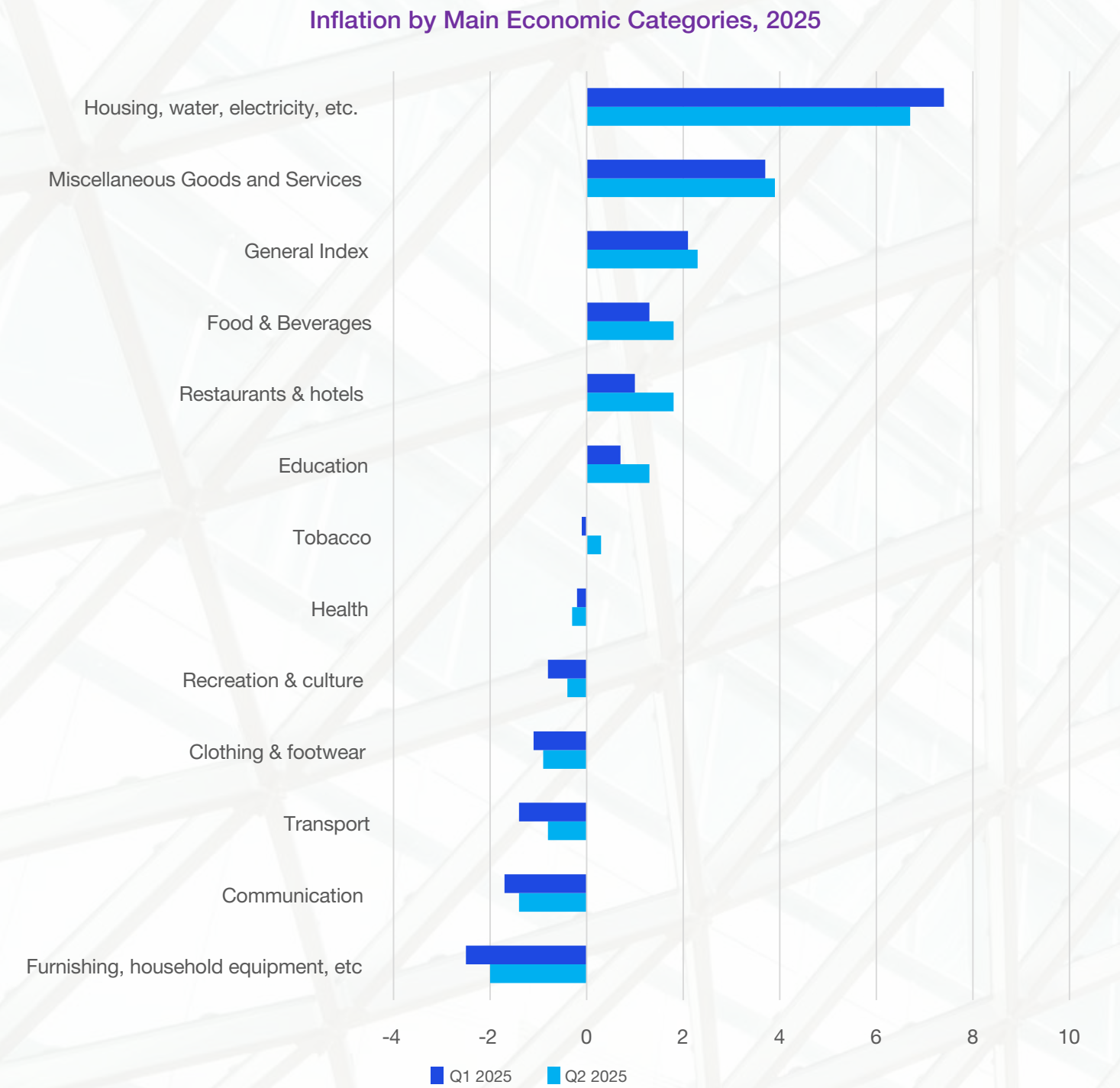


“Inflation in Saudi Arabia remains under control at 1.7% this year, far below global averages. Projections indicate it will stay below 2% over the medium term.”

H.E Mohammad Al-Jadaan Saudi Finance Minister

Inflation Dynamics and Economic Impact

Inflation Rate

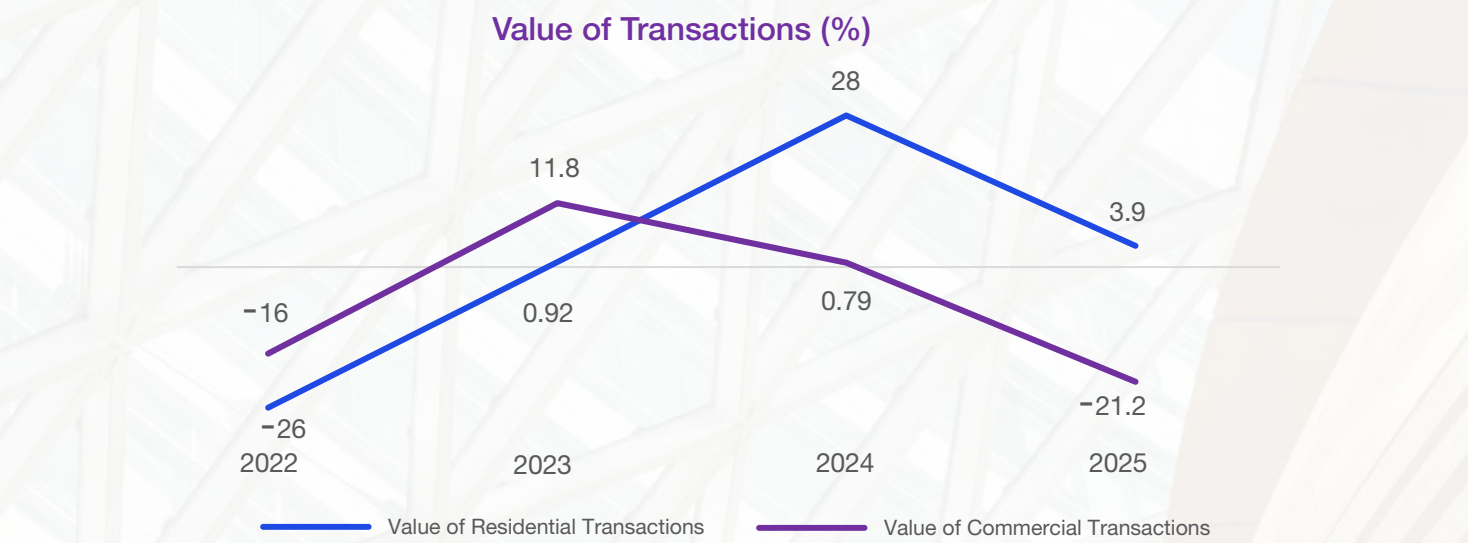


Housing inflation, particularly in the rental market, reflects strong demand pressures stemming from urbanization, population growth, and ongoing Vision 2030 development initiatives. Food and beverage prices are sensitive to global commodity trends and supply chain disruptions, highlighting the economy’s reliance on imports. Transport-related inflation is closely tied to fuel price adjustments and rising vehicle ownership, while utility costs have increased due to gradual subsidy reforms and higher consumption levels. These components collectively underscore the interplay between domestic policy shifts and global economic forces in shaping the Kingdom’s inflationary dynamics.

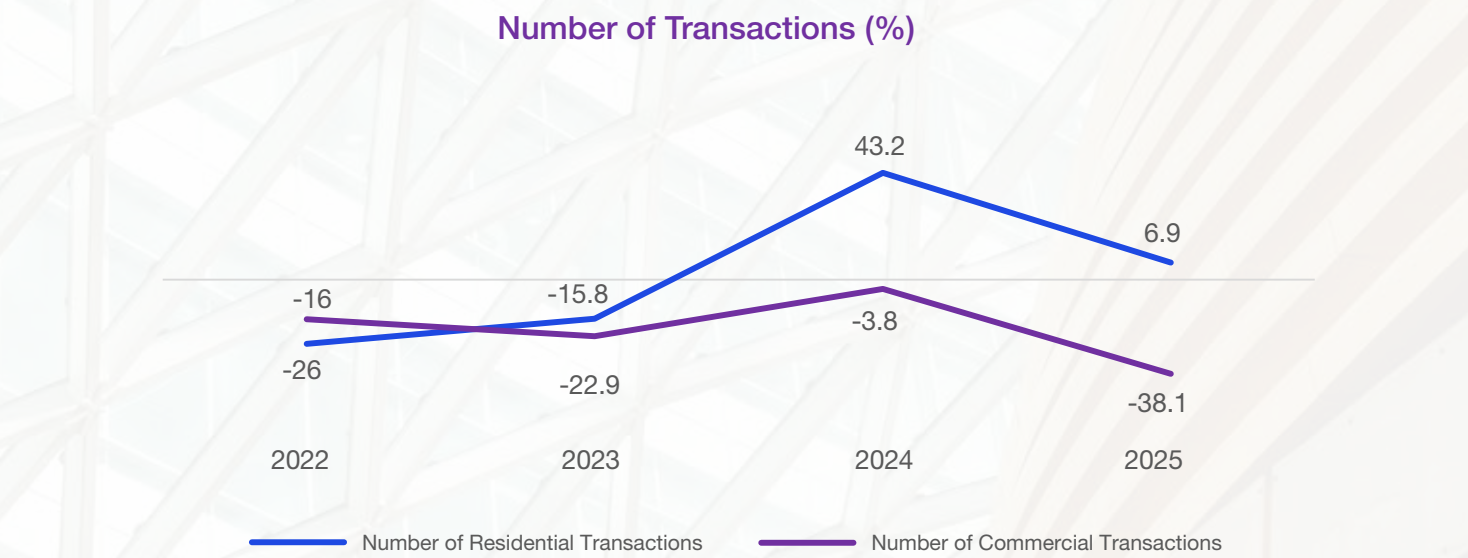
Real Estate Market Snapshot

Real Estate Market Indicators

Saudi Arabia’s residential real estate market rebounded strongly after declines in 2022. This recovery reflects government efforts to boost homeownership through mortgage reforms and affordable housing initiatives under Vision 2030. Residential price growth slowed to 1% in 2024, indicating market stabilization, with a moderate increase to 2.8% expected in 2025.



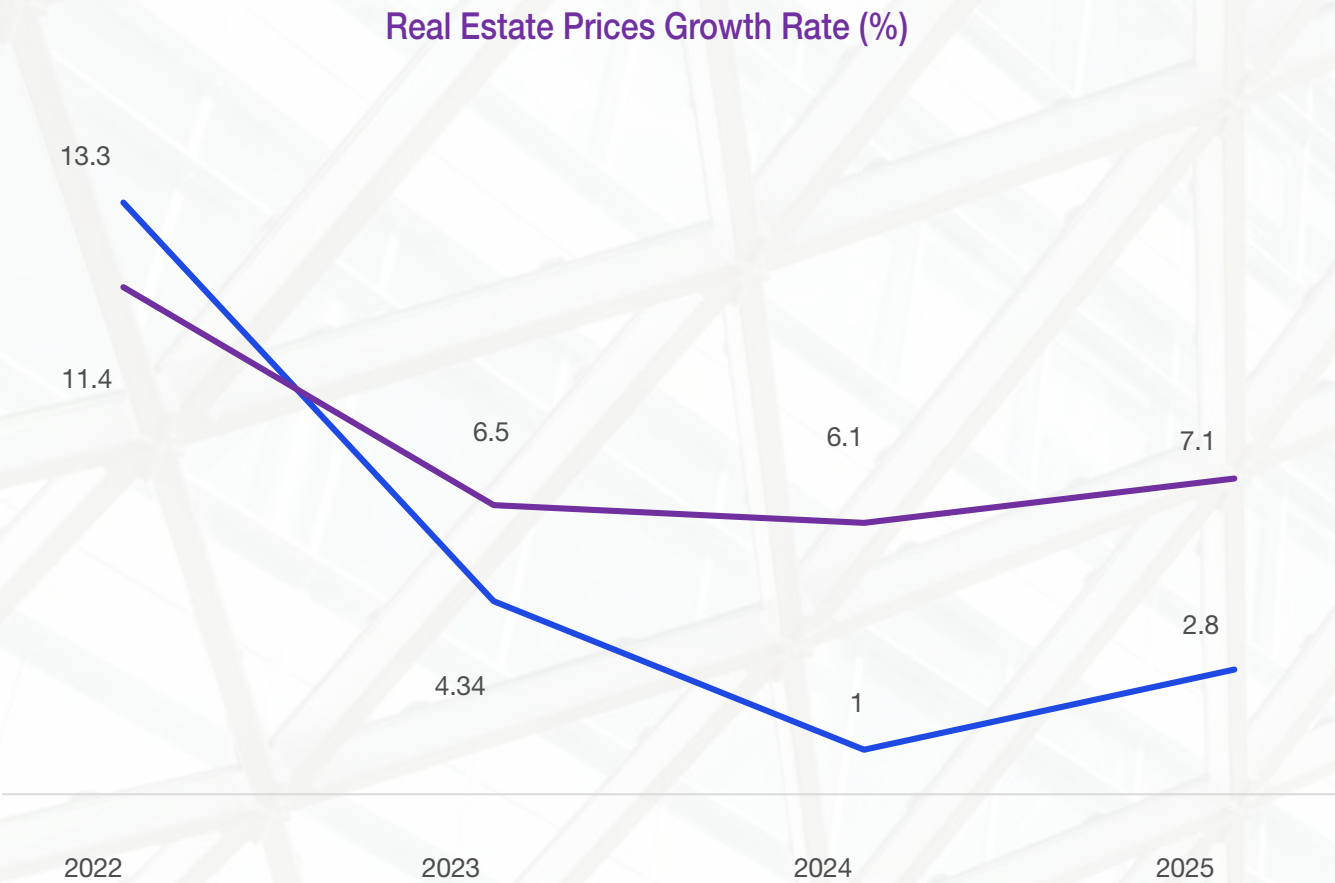
Conversely, the commercial real estate sector shows weakening activity. This suggests cautious investor sentiment amid economic shifts and potential oversupply. However, commercial property prices continue to rise steadily, indicating sustained long-term investment interest despite lower transaction volumes.



Real Estate Market Snapshot

Real Estate Market Indicators

Overall, the residential sector’s recovery signals strong demand supported by policy measures, while the commercial sector is undergoing adjustment. The contrasting trends reflect structural shifts and evolving investor preferences in Saudi Arabia’s real estate market.



Real Estate Market Snapshot

Regional Breakdown of Transaction Value , 2025



Riyadh accounts for 48.1% of real estate transaction value, reflecting its central role as Saudi Arabia’s political and economic hub. Rapid urbanization, mega-projects like NEOM and Qiddiya, and a growing population drive strong residential and commercial demand, aligning with Vision 2030’s focus on Riyadh as a key growth engine.

Makkah (25.7%) and Madinah (3.8%) follow, with demand largely fueled by religious tourism. Makkah benefits from large-scale hospitality and housing expansions to support millions of annual pilgrims, while Madinah’s smaller share reflects a more specialized, less commercially diverse market.

The remaining 22.4% is spread across emerging regions, supported by government efforts to develop secondary cities and diversify the economy. However, the concentration of activity in Riyadh and Makkah underscores ongoing urban centralization, presenting both investment potential and regional development challenges.



“What makes the real estate sector special is that, once it works, construction works, the supply chain works, the trade of construction materials works, and engineer works.”

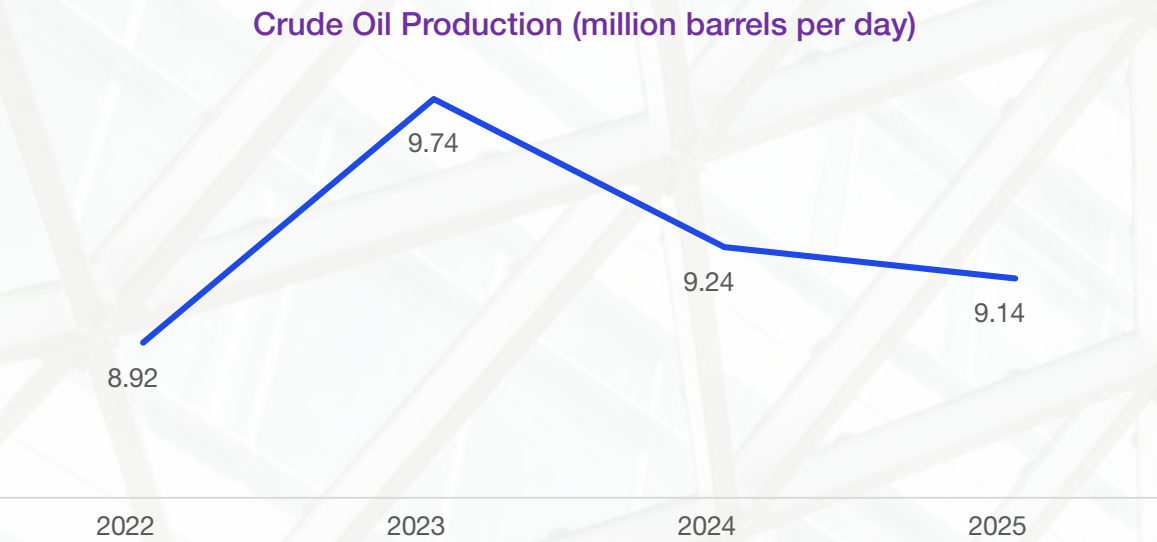
H.E Ahmed Al-Rajhi Saudi Arabia’s Minister of Human Resources and Social Development.

Overview of the Oil Market

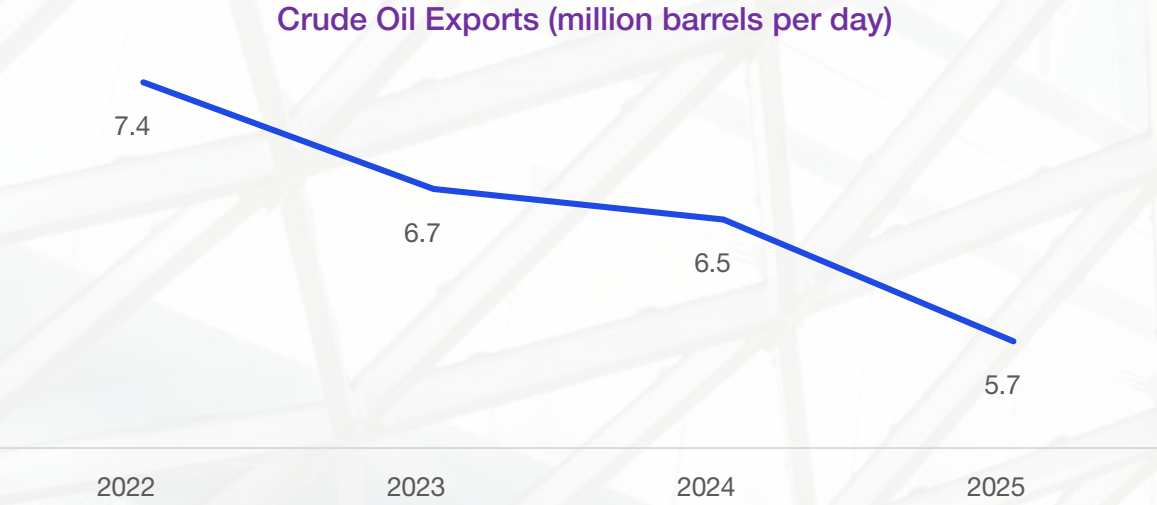
Oil Market Overview

Over the years, Saudi Arabia’s crude oil production and exports showed decline over the years. The declining exports reflects a strategic shift toward meeting rising domestic demand and expanding downstream refining and petrochemical activities.

Geopolitical tensions, particularly the Israel-Iran conflict, influenced Saudi Arabia’s oil policy in 2025. The kingdom temporarily boosted production beyond its OPEC+ quota to nearly 9.8 million barrels per day, leveraging market opportunities amid regional uncertainty.



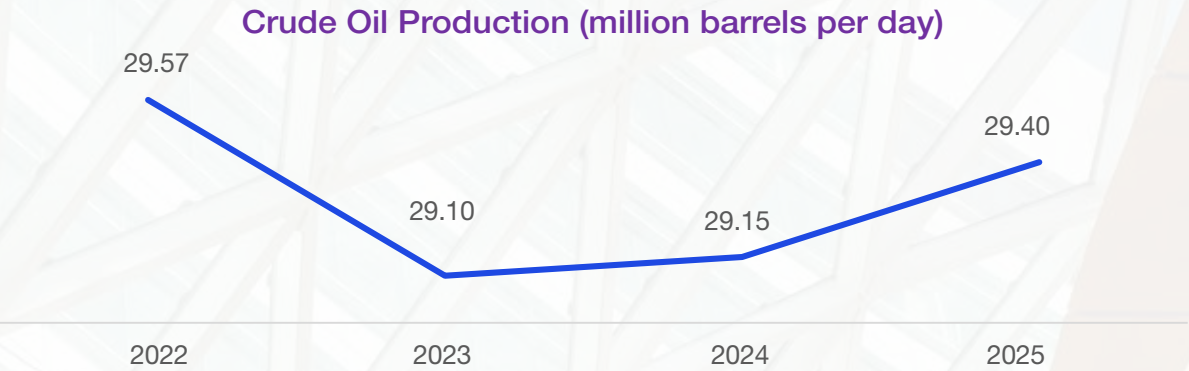
Overall, Saudi Arabia’s oil sector in 2025 reflects a careful balance between maintaining export leadership and advancing economic diversification through investments in refining and petrochemicals, aligned with Vision2030 objectives.



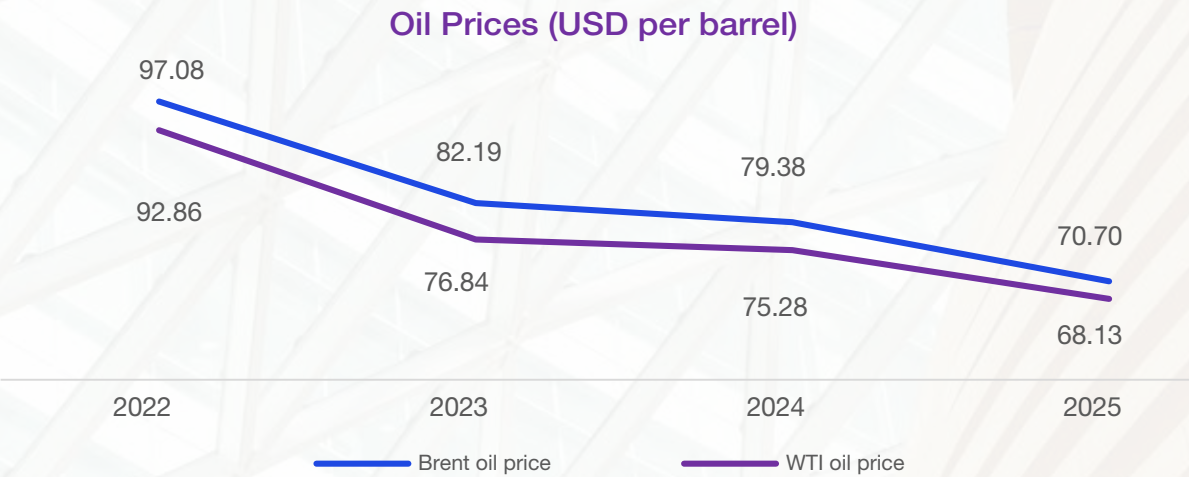
Overview of the Oil Market

Oil Market Overview

Despite lower prices, OPEC crude oil production has remained relatively stable. This reflects OPEC’s calibrated production policies aimed at balancing market stability with member countries’ fiscal needs. The organization’s adjustments respond to geopolitical tensions, notably in the Middle East, and global demand fluctuations, underscoring its strategic role in managing oil supply to support price stability.



The downward trend in oil prices reflects a combination of easing global supply chain disruptions, moderated demand growth due to inflationary pressures, and the increasing adoption of renewable energy sources worldwide. Additionally, economic slowdowns in major economies, including China and Europe, have tempered oil consumption forecasts, further weighing on prices.



“While renewable, nuclear power, and hydrogen energy sources are expanding, oil and gas will remain indispensable, especially in hard to abate sectors like heavy industry, transport, and in supporting economies of developing countries.”

H.E Prince Abdul Aziz Bin Salman Saudi Energy Minister

Investor Takeaways

01

Growth & Diversification

- Headline GDP has stabilized, but non-oil momentum is weakening, underscoring the limits of diversification-led growth absent stronger productivity and FDI inflows.
- Government spending remains measured, prioritizing fiscal discipline, which supports policy credibility but limits short-term stimulus.

02

Monetary & Banking System

- Slowing money supply growth and weaker deposit formation point to tightening liquidity conditions, raising marginal funding costs for banks.
- Credit growth to the private sector remains strong, aligned with Vision 2030, but sustained double-digit lending increases systemic leverage risk if not matched by productivity gains.
- Rising FX reserves continue to reinforce external buffers and currency stability, providing a cushion against oil price volatility.

03

Fiscal Position & Debt

- Revenue contraction driven by oil underscores fiscal vulnerability to hydrocarbon cycles, despite diversification progress.
- Persistent deficits highlight structural challenges in expenditure rationalization, with gross financing needs increasingly reliant on debt markets.
- Public debt, now at ~SAR 1.4 trillion, remains manageable but requires continued investor confidence and diversified funding channels.

04

External Sector

- Non-oil exports show resilience, yet rising imports reflect strong domestic demand, widening external funding needs if not offset by services.
- The swing into a current account deficit in 2024 revealed structural dependence on oil and services imbalances, though the rebound in H1 2025 signals improved external stability.
- FDI inflows remain robust, reinforcing Saudi Arabia's positioning as a reform-led investment destination and a key source of non-debt financing.

05

Inflation Dynamics

- Inflation has regained momentum, highlighting structural cost drivers in housing, utilities, and energy.
- Easing pressures in administered components reduce immediate risks, but broadening price increases in food, services, and consumer goods suggest pass-through risks that could erode real incomes.

06

Real Estate Market

- Transaction volumes are softening, particularly in residential, reflecting affordability constraints and cyclical volatility.
- Commercial real estate is comparatively resilient, though signs of slowing momentum warrant caution.
- Price growth has reaccelerated, with stronger gains in commercial assets indicating capital allocation toward income-generating properties.

07

Oil Market & Global Linkages

- Declining Saudi output and exports underscore supply discipline but reduce fiscal inflows, tightening budgetary space.
- Divergent OPEC strategies may weaken Saudi Arabia's ability to steer production policy, adding uncertainty to market stabilization efforts.
- Lower Brent prices amplify fiscal stress, compress sovereign buffers, and raise downside risks to credit metrics.

2025

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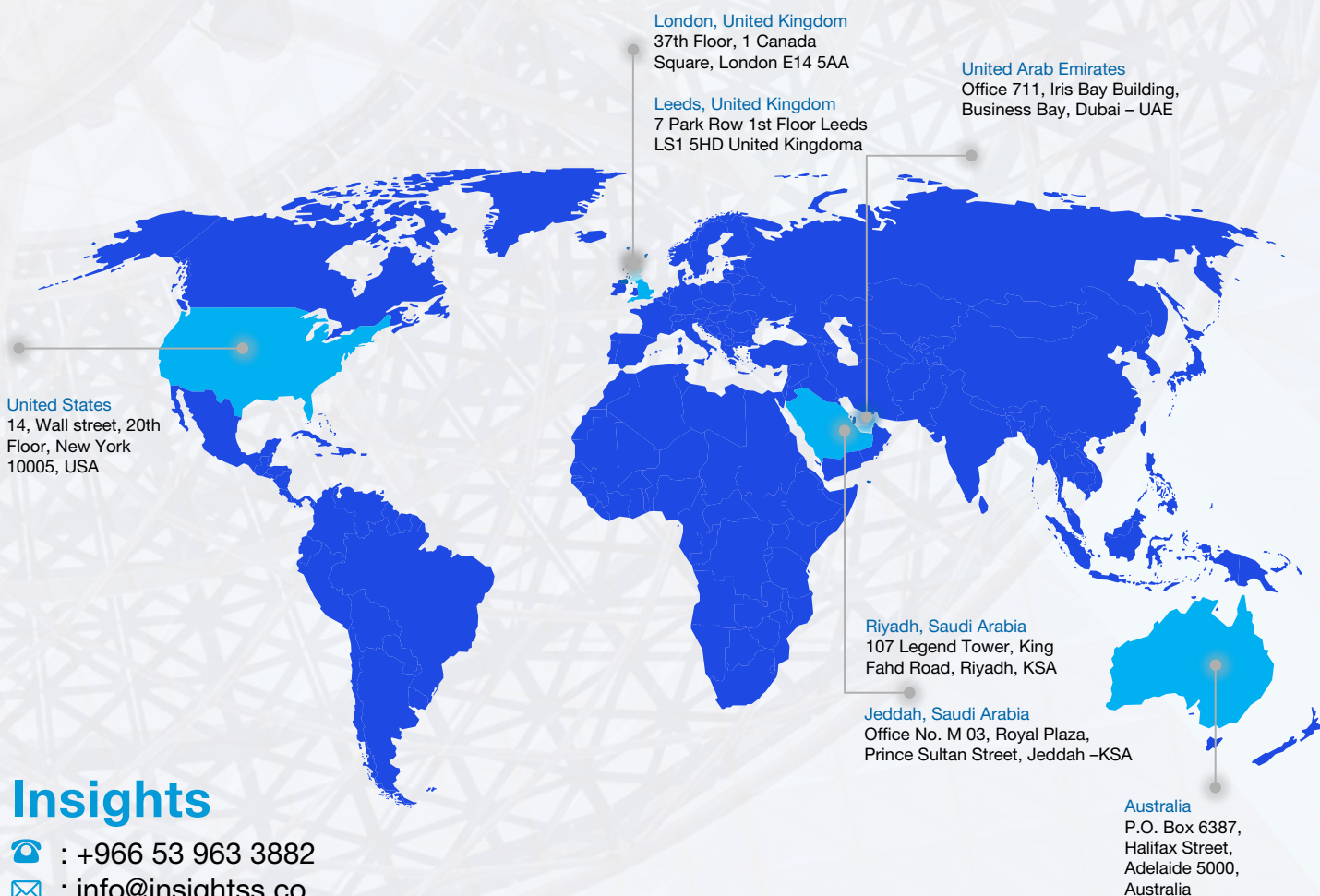
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