Budget Brief 2026

Kingdom of Saudi Arabia

December 2025

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Content

Foreword

We are pleased to share our assessment of Saudi Arabia's annual budget, offering our perspective on the government's planned revenues and expenditures. All figures reflect the Ministry of Finance's FY 2026 Budget Statement, approved on 02 December 2025, complemented by our own analytical insights and supporting sources.

The Ministry of Finance has released the Budget Statement for Fiscal Year (FY) 2026, presenting the government's updated outlook on revenues, expenditures, fiscal priorities, and key national programs. The document reinforces the Kingdom's continued commitment to fiscal transparency and prudent financial stewardship, fully aligned with the ambitions of Vision 2030.

Saudi Arabia's economy has remained resilient despite a challenging global backdrop. While oil market conditions and earlier OPEC+ voluntary cuts shaped overall performance, the non-oil sector continued to deliver solid momentum, supported by rising private-sector participation, expanding services activity, and ongoing structural reforms. Inflation remains contained at around 2 %, reflecting the effectiveness of monetary and fiscal policy coordination.

The FY 2026 budget anticipates real GDP growth of 4.6 , with non-oil activities expected to remain the primary source of expansion. Continued regulatory enhancements, labor-market modernisation, and investment-friendly reforms are designed to attract capital, boost productivity, and create sustainable employment opportunities. Total revenues are projected to reach ⃁ 1,147 billion, driven by improvements in both oil and non-oil streams, while total expenditures are planned at ⃁ 1,313 billion, reflecting ongoing commitments to infrastructure development, strategic projects, and quality-of-life initiatives.

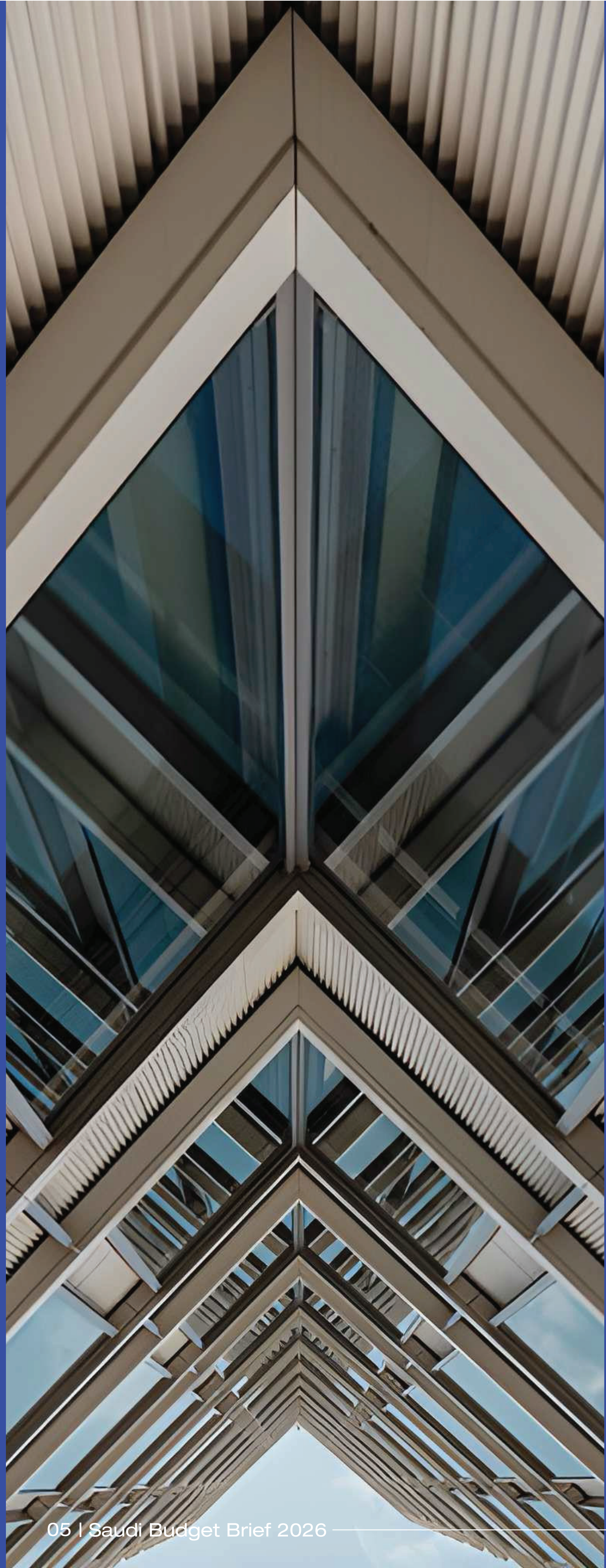
"Under the leadership of King Salman Bin Abdul Aziz Al Saud, the Prime Minister and Crown Prince of Saudi Arabia continue to steer Kingdom towardsd a more resilient, agile, and forward-looking economic landscape. His remarks on the 2026 budget underscore the government's firm intent to enhance economic flexibility, sustain durable growth, and confidently navigate global uncertainties. The Kingdom remains steadfast in its pursuit of a diversified economic base, stronger investment activity, and the accelerated realization of Vision 2030's transformative ambitions."

A budget deficit of ⃁ 165 billion (3.3 % of GDP) is forecast for 2026. The government intends to maintain public debt at sustainable levels, with the debt stock expected to reach SAR 1,622 billion (32.7 % of GDP).Funding needs will be met through a balanced mix of domestic and external borrowing and supporting continued progress on transformative national programs.

As Saudi Arabia advances into the remaining phases od Vision 2030, the 2026 budget underscores its focus on economic diversification, social development, and long-term fiscal resilience. With these measures, the Kingdom remains well-positioned to manage global uncertainties and sustain forward-looking economic growth.

We trust this analysis will be valuable to your organisation, and our Insights team remains available to discuss these developments in greater depth.

Nick Whitford
Senior Vice President



"The 2026 budget reflects a government shifting from capacity-building to disciplined, execution-driven transformation. The combination of a narrowing deficit and a controlled rise in public debt signals a deliberate recalibration: Saudi Arabia is no longer spending to "ignite" transformation it is now spending to institutionalize it."

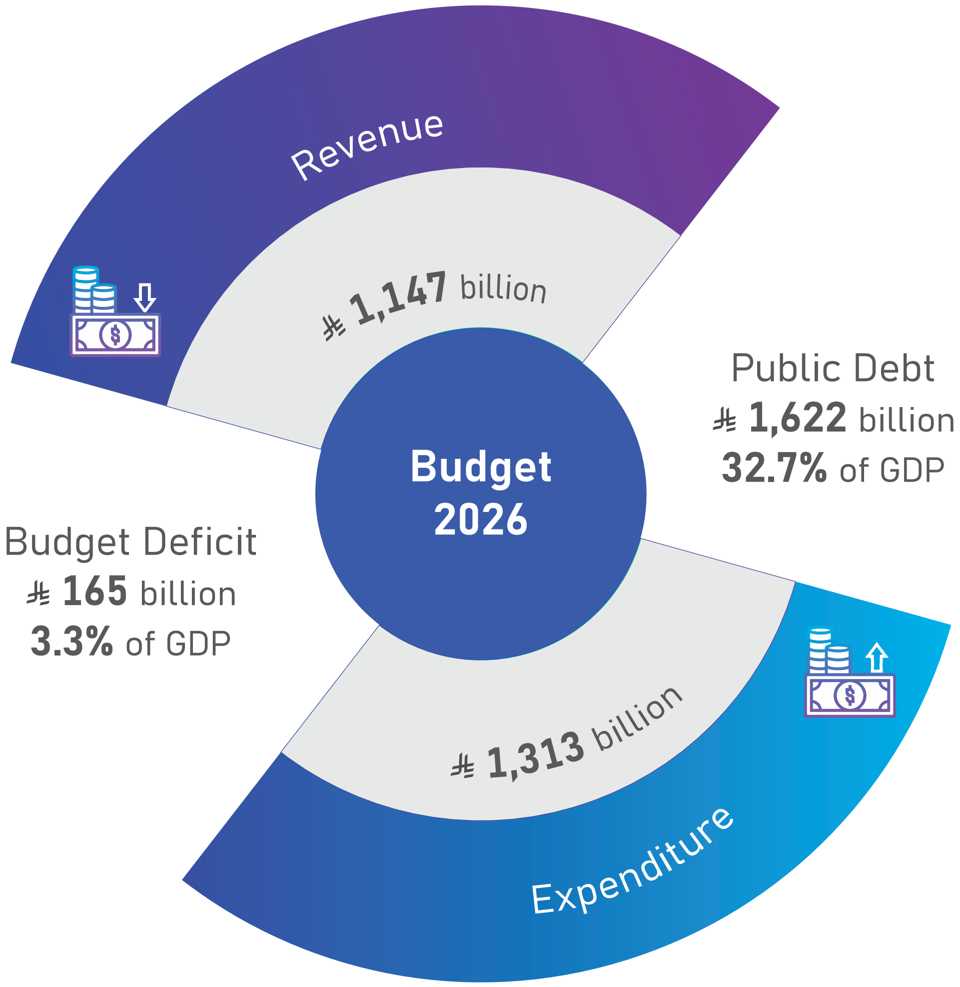
Abdullah Mohammed Alhumaid
Manager – Strategic Consultancy

"Budget 2026 shows Kingdom is moving with purpose: investing in its people, strengthening its economic foundations, and shaping a better future for the next decade and beyond."

Mohammad Owais
Senior Manager – Strategic Consultancy

Budget Summary

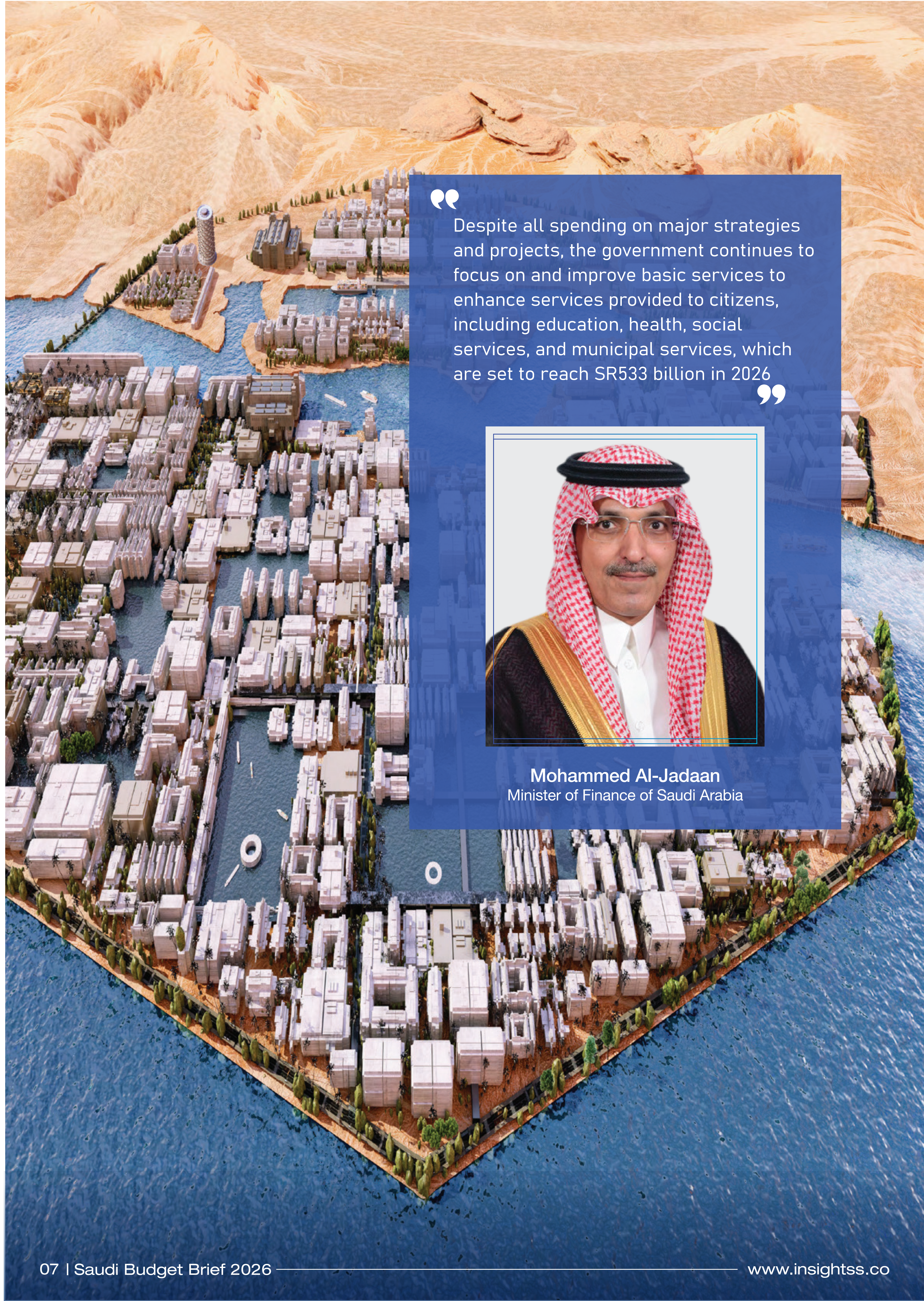
Budget 2026



Changes in budget 2025-26

	Estimated in 2025 (⃁ billions)	Budgeted in 2026 (⃁ billions)	Change YoY	Change YoY (%)
Tax Revenue	393	412	19	4.8%
Non-Tax Revenue	698	735	37	5.3%
Total Revenue	1,091	1,147	56	5.13%
Expenditures	1,336	1,313	23	1.7%
Deficit	-245	-165	80	32.7%
Public Debt	1,457	1,622	165	11.3%

Source: Ministry of Finance



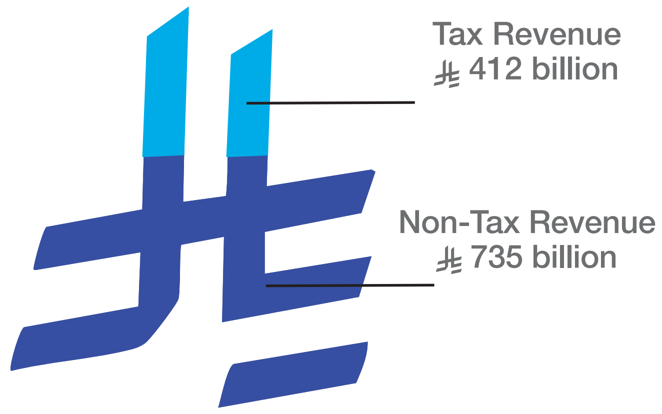
“Despite all spending on major strategies and projects, the government continues to focus on and improve basic services to enhance services provided to citizens, including education, health, social services, and municipal services, which are set to reach SR533 billion in 2026”

Mohammed Al-Jadaan
Minister of Finance of Saudi Arabia

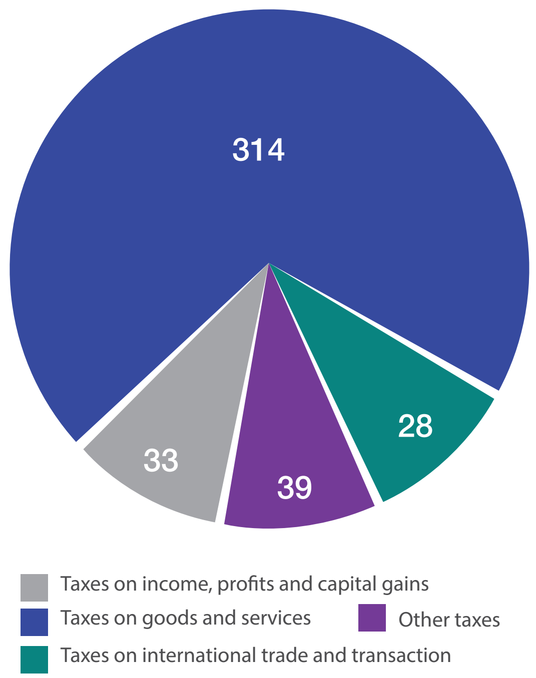
Budget Summary

Budgeted Revenues 2026

Total Revenue
⃁ 1,147 billion

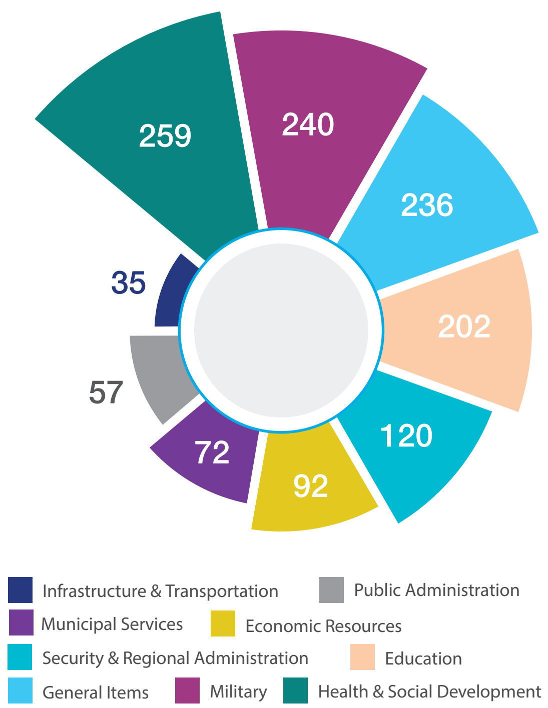


Tax Revenue
⃁ 412 billion

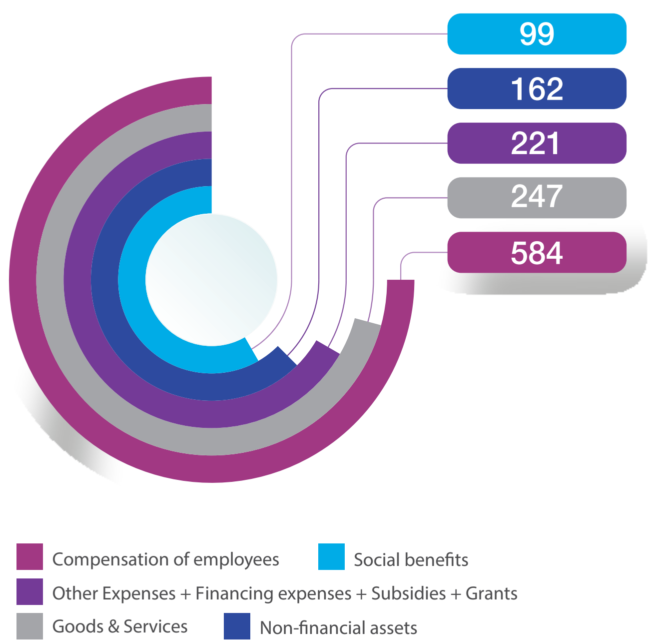


Budgeted Expenditures 2026

Expenditure by sectors
⃁ 1,313 billion



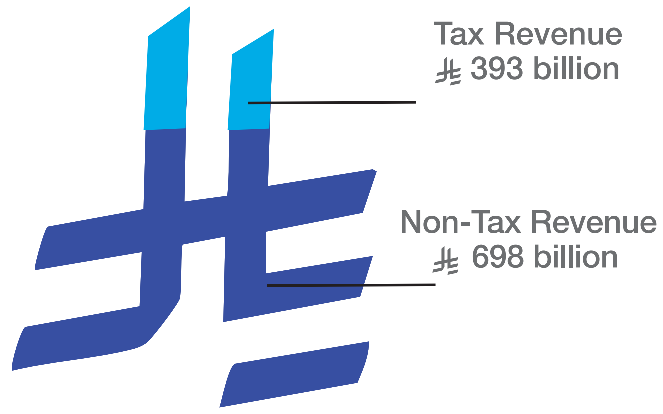
Expenditure by sectors
⃁ 1,313 billion



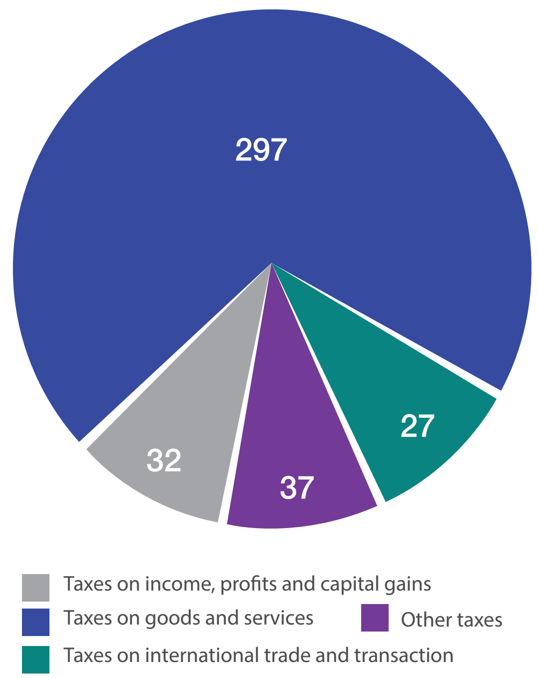
Source: Ministry of Finance

Estimated Revenues 2025

Total Revenue
⃁ 1,091 billion

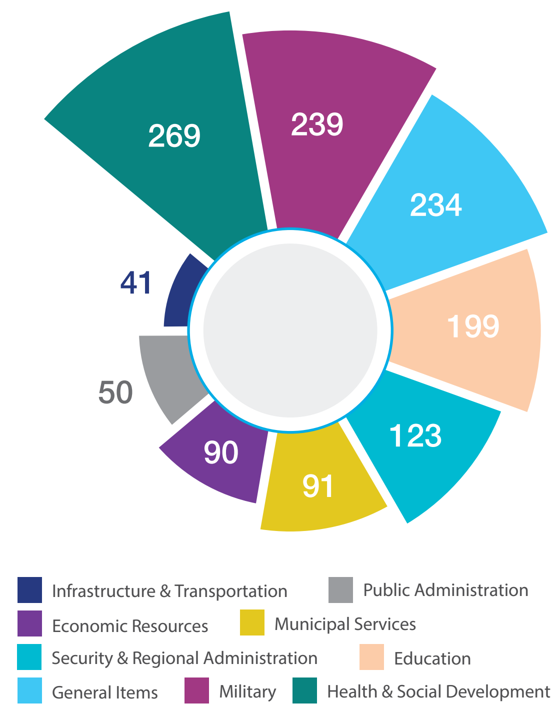


Tax Revenue
⃁ 393 billion

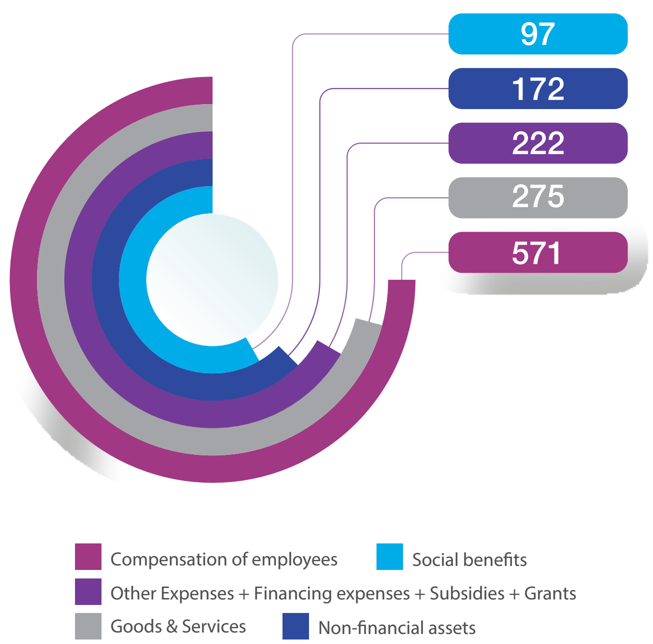


Budgeted Expenditures 2025

Expenditure by sectors
⃁ 1,336 billion



Expenditure by sectors
⃁ 1,336 billion



Source: Ministry of Finance

Budget Summary

Dashboard

	2022 A	2023 A	2024 A	2025 E	2026 B	2027 P
Economic Output						
Nominal GDP (SAR billions)	4,157	4,003	4,703	4,600	4,965	5,258
Nominal GDP (% change YoY)	26.8%	-3.7%	17.4%	-2.2%	7.9%	5.9%
Real GDP (% change YoY)	7.5%	-0.8%	2.7%	4.4%	4.6%	3.7%
Budget						
Total Revenue	1,268	1,212	1,259	1,091	1,147	1,230
Total Revenue as % of GDP	*30.5%*	*30.3%*	*26.8%*	*23.7%*	*23.1%*	*23.4%*
Oil Revenue	857	755	757	501	-	-
Oil Revenue as % of GDP	*20.6%*	*18.9%*	*16.1%*			
Non-Oil Revenue	411	458	502	590	-	-
Non-Oil Revenue as % of GDP	*9.9%*	*11.4%*	*10.7%*	*12.8%*		
Expenditure	1,164	1,293	1,375	1,336	1,313	1,350
Expenditure as % of GDP	*28.0%*	*32.3%*	*29.2%*	*29.0%*	*26.4%*	*25.7%*
Surplus/(Deficit)	104	(81)	(116)	(245)	(165)	(120)
Surplus/(Deficit) as % of GDP	*2.5%*	*-2.0%*	*-2.5%*	*-5.3%*	*-3.3%*	*-2.3%*
Gross Public Debt	990	1,050	1,216	1,457	1,622	1,742
Debt as % of GDP	*23.8%*	*26.2%*	*25.9%*	*31.7%*	*32.7%*	*33.1%*

A | Actual B | Budgeted E | Estimated P | Projected — | N/A

Source: Ministry of Finance

Budget Summary

Key Takeaways

DOMESTIC ECONOMIC RECOVERY WILL SUPPORT PUBLIC REVENUES

An improvement in household spending and private-sector activity will continue to support total revenues in FY2026, even as oil receipts soften. Non-oil GDP remains the primary engine of growth, reinforcing the shift toward a more diversified revenue base

EFFORTS TO DIVERSIFY FUNDING SOURCES FOR PUBLIC DEBT AND INFRASTRUCTURE DEVELOPMENT WILL CONTINUE

Funding needs will be met through a mix of domestic and international issuances, alongside continued engagement with global investors. Broader access to capital markets will support liquidity, reduce concentration risks, and strengthen the financing of development projects.

GOVERNMENT WILL REMAIN COMMITTED TO BALANCING FISCAL SUSTAINABILITY AND MAINTAINING DEVELOPMENT SPENDING

Vision 2030 programmes, national transformation initiatives, and long-term diversification projects will continue to anchor government spending. Authorities will maintain a disciplined approach to expenditure while protecting priority sectors such as education, health, social development, and infrastructure.

KEY SPENDING CATEGORIES WILL REMAIN STABLE AND ALIGNED WITH VISION 2030 PRIORITIES

Education, healthcare, social support, public administration, and strategic infrastructure will continue to constitute major spending pillars. Efficiency improvements and targeted reforms will moderate operational expenditure while sustaining service quality and transformation outcomes.

GEOPOLITICAL SHOCKS REMAIN A KEY RISK TO FISCAL AND ECONOMIC REFORM PROGRESS

Global trade tensions, regional instability, and volatile oil prices pose downside risks to fiscal performance. Heightened uncertainty could weaken investor sentiment and private-sector confidence, underscoring the importance of diversification and countercyclical fiscal policy.

Budget 2026

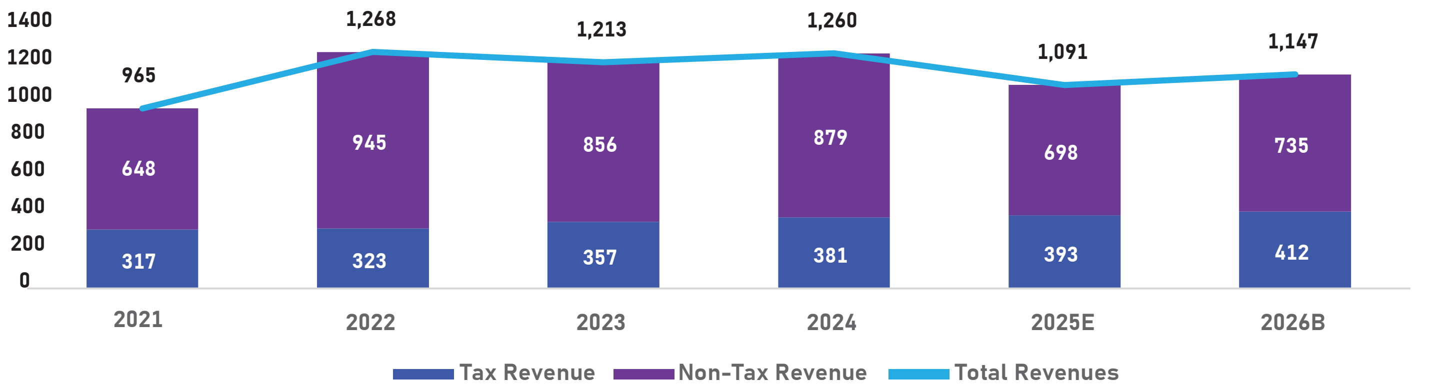
Budget

Saudi Arabia's cabinet approved the budget for fiscal year 2026, reaffirming the government's focus on balancing targeted public spending that accelerates economic diversification with disciplined fiscal management.

Strong non-oil GDP performance through 2025 has sustained non-oil revenue growth, partially offsetting softer oil receipts in a more uncertain global environment.

Continued expansion across core non-oil sectors is expected to drive broader economic activity and reinforce revenue resilience in 2026. At the same time, the government will maintain tight control over expenditure while advancing a wide range of strategic programmes, giga-projects, and reforms designed to deepen diversification. This measured approach will remain evident in the coming fiscal year as policymakers prioritize stability, efficiency, and long-term competitiveness.

Tax and Non-Tax Revenue (⃁ billions)



Source: Ministry of Finance

Revenues

The FY2026 budget reflects a disciplined fiscal stance shaped by shifting macro conditions and the government's continued emphasis on strengthening non-oil revenues while maintaining expenditure efficiency.

Total revenues for FY2026 are projected at ⃁ 1,147 billion, slightly higher than the ⃁ 1,091 billion estimated for FY2025, supported by firm non-oil momentum and a cautious recovery in global demand. This moderate uplift follows the ⃁ 1,260 billion recorded in 2024, which benefited from stronger oil and non-oil performance.

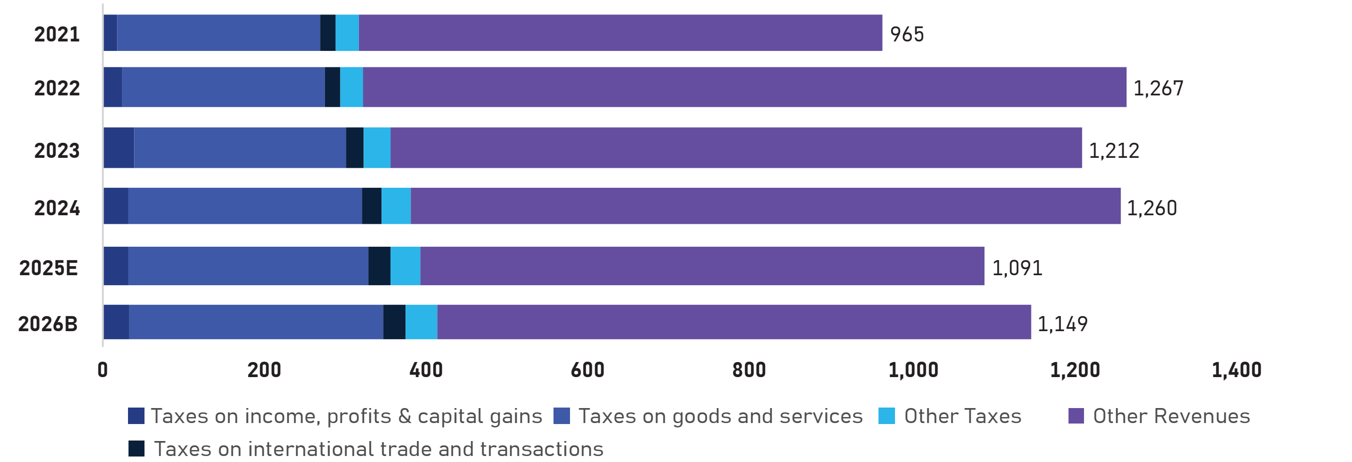
Tax revenues are expected to reach ⃁ 412 billion in FY2026, up from ⃁ 393 billion in FY2025, driven by ongoing improvements in consumption-linked taxes, VAT performance, and continued formalization across the economy. This is consistent with the medium-term trend of steady expansion from ⃁ 381 billion in 2024 and ⃁ 357 billion in 2023.

Non-tax revenues are projected at ⃁ 735 billion in FY2026, an increase from ⃁ 698 billion in FY2025. The gain reflects a partial recovery in oil-related receipts, stronger investment income, and improved dividend flows from state-owned enterprises. Although below the ⃁ 879 billion achieved in 2024, the level signals a stable non-oil base supported by structural reforms.

External risks remain a key consideration for FY2026, as prolonged geopolitical tension, slower global trade flows, and volatility in energy markets could pressure oil-linked revenues and limit upside in non-tax receipts. These risks heighten exposure to global shocks at a time when liquidity conditions are tightening and major economies are revising growth expectations downward, potentially challenging fiscal buffers amid persistent uncertainty.

The Saudi tax composition is shifting moderately since 2021 as income taxes rise 83%, goods & services taxes up 25%, trade taxes 47%, other taxes up 34%, while other revenues rise 13%, mainly driven by stronger non-oil activity and higher domestic demand, partly offset by oil-price volatility.

Revenue Components (⃁ billions)



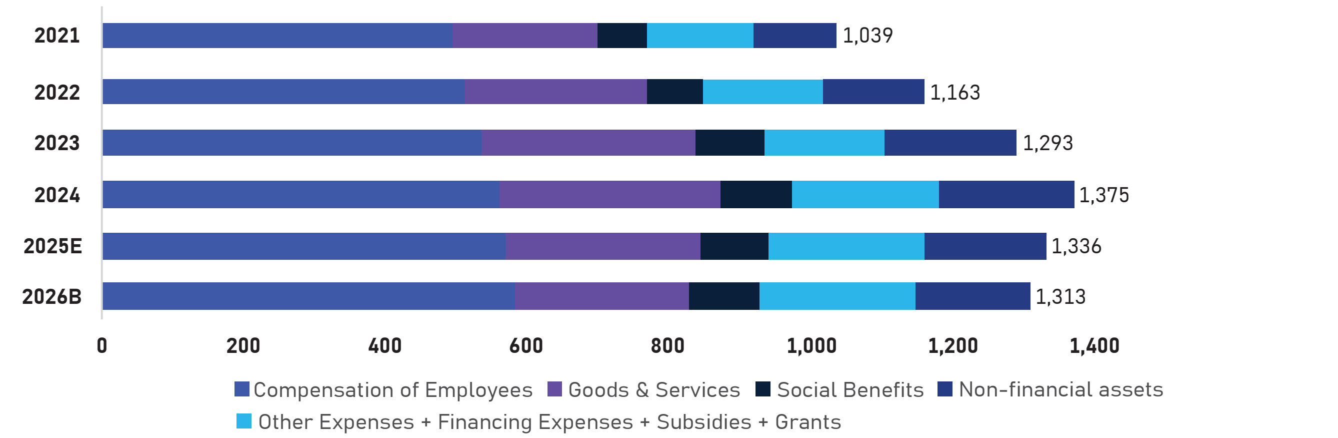
Source: Ministry of Finance

Expenditure

Saudi Arabia's FY2026 budget demonstrates a continued shift toward operational expenditure and away from capital spending, reflecting the government's prioritization of Vision 2030 execution, fiscal flexibility, and resilience in a volatile macro environment. Total expenditures for 2026 are projected at ⃁ 1,313 billion, representing a slight 1.7% correction vs. 2025 estimates (⃁ 1,336B) but still elevated relative to pre-2024 levels due to structural transformation pressures.
Operating expenditures remain heavy at ⃁ 1,151 billion in 2026, with employee compensation rising to ⃁ 584 billion, up from 571 billion in 2025. The wage bill will continue exceeding 50% of OPEX as the government's commitment to maintain employment during transformation as public-sector employment is used as a stability tool, especially through economic cycles and rapid rollout of strategies require staffing across sectors .

Spending on goods and services drops further to ⃁ 247 billion in 2026 vs ⃁ 275 billion in 2025, −10% decrease, driven by efficiency programs under NCGR and digital transformation reducing procurement costs and completion of several early-wave Vision 2030 operational phases. This marks a continuation of the 11% decline observed in FY2025, reinforcing a deliberate tightening of non-essential operational spending.

Expenditure Components (⃁ billions)



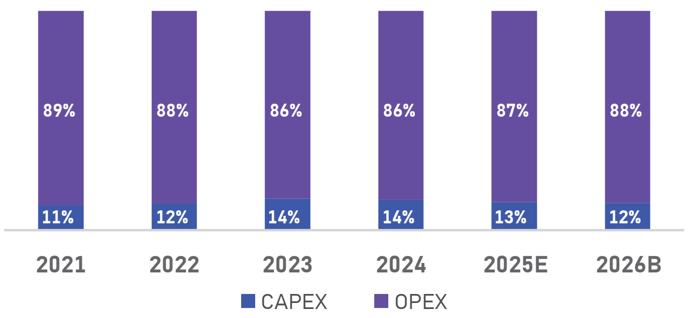
Source: Ministry of Finance

Budget 2026

Budget

Capital expenditures for FY2026 are projected at ⃁ 162 billion, −5.8% from the FY2025 estimate and representing 12.3% of total spending significantly below the 2018 share of 17% and the 2023 share of 15.9%. We understand this is because Government is increasingly leveraging PIF, NDF, and PPPs to fund giga-projects, shifting capital burden off the central budget.

Expenditures by Category



Source: Ministry of Finance

Municipal Services

Municipal Services experience the steepest contraction of -21.2%. This reflects a normalization following one-off, non-recurring 2024–25 expropriation and compensation payments, which the budget explicitly highlights as inflating historical municipal spending. As those obligations unwind, spending reverts to structural levels. The shift also aligns with the pivot toward digitized municipal operations under NCGR, lowering opex needs. In addition, increasing reliance on PIF- and private-sector-financed urban development, reducing the direct fiscal burden on the central budget. The Kingdom is deliberately removing legacy municipal inefficiencies, funnelling capital instead into high-ROI Vision 2030 sectors.

Infrastructure & Transportation

The infrastructure spend was driven by international airport development, logistics expansion, and mega-project groundwork, much of which transitions into private and PIF balance sheets from 2026 onward. Giga projects (NEOM, Red Sea, Qiddiya) shift into construction maturity, reducing direct government funding cycles. A deliberate effort to tighten capital intensity as oil revenues soften and financing costs rise. Saudi Arabia is entering the "operator & optimizer" phase of infrastructure rollout where government steps back as private capital steps in.

Public Administration

The 13.2% increase is consistent with the emphasis on expanding regulatory capacity across fast-growing sectors (tourism, entertainment, digital, finance). The Kingdom aims to invest in the state capability layer required to govern a diversified, high-complexity economy, not just in infrastructure, but in institutions.

Economic Resources

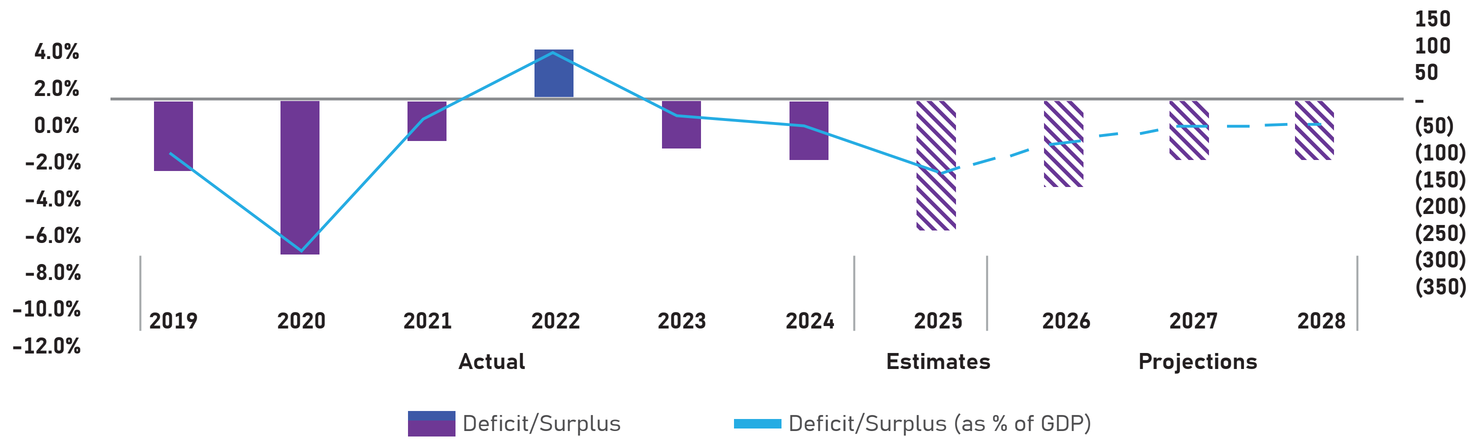
A modest but important increase from SAR 90 billion to 92 billion. This highlights continued prioritization of Agriculture, water, and food security and support to SMEs and industrial diversification under NIDLP. Furthermore, energy transition initiatives aligned with the circular carbon economy strategy reflects a targeted reallocation of spending from traditional physical infrastructure toward productive, supply-side sectors that expand non-oil GDP highlighted as the main growth engine of 2026–28.

Expenditures by Sector

Sector	Estimates 2025	Budget 2026	Annual Change
Public Administration	50	57	13.2%
Military	239	240	0.3%
Secuirty & Regional Administration	123	120	-2.1%
Municipal Services	91	72	1.5%
Education	199	202	-3.5%
Health and Social Development	269	259	-3.5%
Economic Resources	90	92	1.7%
Infrasructure and Transportation	41	35	-14.9%
General items	234	236	1.0%
Total	**1,336**	**1,313**	**-1.8%**

Source: Ministry of Finance

Budget Deficit/Surplus as % of GDP



Source: Ministry of Finance

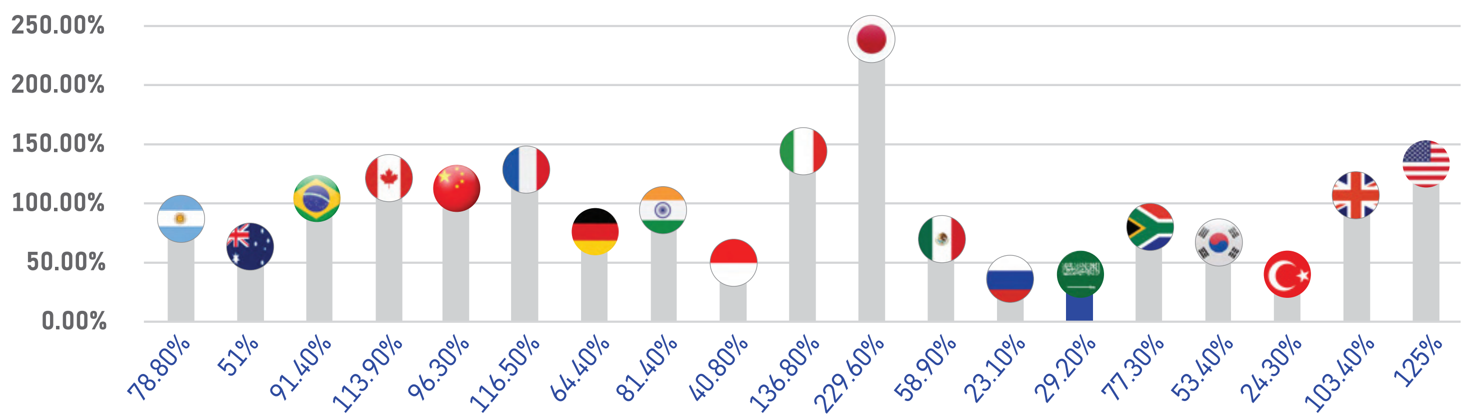
Saudi Arabia's FY2026 budget deficit of ⃁ 165B (3.3% of GDP) marks a significant improvement from estimated 5.3% in 2025, driven by tighter expenditure discipline, stronger non-oil revenue growth, and a deliberate slowdown in capital outlays as major Vision 2030 projects transition from heavy build-phase to operational scaling. The narrowing deficit demonstrates the government's ability to recalibrate fiscal policy without undermining economic momentum.

Public debt is projected to rise to ⃁ 1,622B (32.7% of GDP) in 2026, a controlled and intentional increase that supports strategic transformation while maintaining ample fiscal headroom. Saudi continues to leverage domestic issuance, extend maturities, and execute early buybacks to reduce refinancing risk. This reflects a forward-looking stance, financing structural diversification rather than covering structural deficits.

Despite this gradual rise, Saudi Arabia's debt ratio remains one of the lowest in the G20. While many peers operate at 60–100% of GDP, and advanced economies frequently exceed 120%, Saudi stays near 33% due to conservative fiscal governance, robust reserve buffers, and disciplined medium-term debt strategy. This low leverage enhances investor confidence, safeguards credit ratings, and preserves the Kingdom's ability to deploy countercyclical policy when global conditions deteriorate.

Government reserves at SAMA remain stable at SAR 390B, preserving liquidity buffers. Maintaining reserves at this level during a deficit year underscores confidence in medium-term revenue growth and the resilience built through diversified financing channels.

Debt to GDP



Source: Ministry of Finance

Macro Economic Assumptions

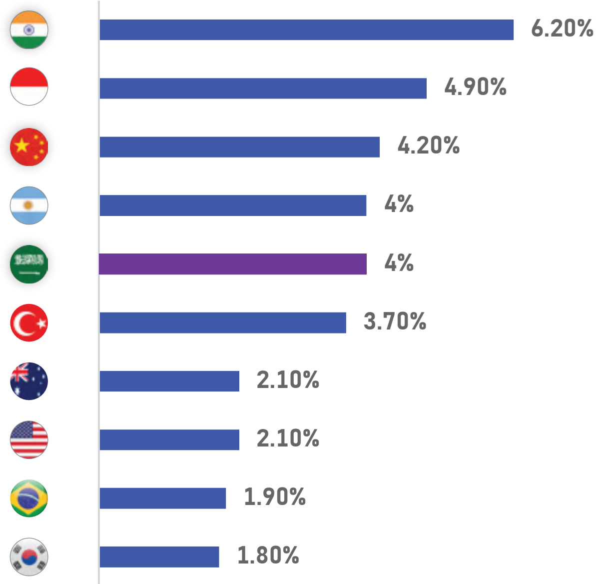
	2024A	2025E	2026P	2027P	2028P
Growth Indicators					
Real GDP Growth	2.7%	4.4%	4.6%	3.7%	4.5%
Nominal GDP (tn)	4.7	4.6	4.97	5.26	5.6
Inflation	1.7%	2.3%	2%	1.8%	1.9%

GDP Growth

Real GDP growth in Saudi Arabia is expected to reach approximately 4.6% in 2026, underpinned by robust expansion in non-oil economic activities, and driven by the private sector continuing to serve as the principal engine of growth.

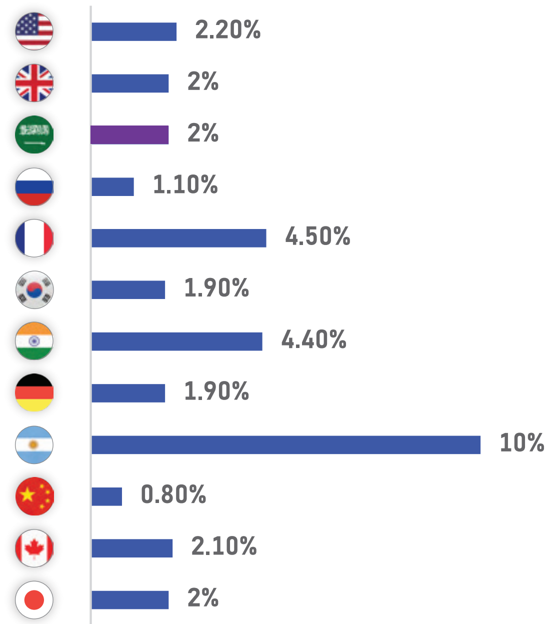
The Ministry of Finance's projection closely aligns with IMF's projection of 4%. According to IMF, only a handful of G20 economies, notably India, Indonesia, Argentina, and China, are projected to grow faster in 2026. This places Saudi Arabia among the top five G20 economies by growth rate, effectively sharing a "top-tier growth slot" with Argentina and China

G20 Countries with the Highest Expected GDP Growth Rates



Source: IMF

Expected Inflation of Prominent G20 Countries



Source: IMF

Inflation

In 2026, the inflation rate in Saudi Arabia is projected to settle at around 2.0 percent, underlining the Kingdom's success in retaining price stability. This rate signals a deliberately calibrated balance which is low enough to preserve purchasing power and macroeconomic confidence, yet sufficient to support moderate nominal adjustments across wages, rents, and non-oil sectors.

Saudi Arabia's modest inflation rate places it among the bottom tier within the G20, reflecting the relative insulation of the Saudi economy from the more volatile inflationary pressures that afflict many emerging and advanced economies alike.

Oil Market

Saudi Arabia's oil market outlook FY2026 is shaped by a gradual easing of global prices alongside a measured recovery in production volumes. According to the IMF's baseline assumptions, the average oil price is projected to decline from USD 68.92 per barrel in 2025 to USD 65.84 in 2026, reflecting expectations of a moderately oversupplied global market and softer demand growth. For the Kingdom, this price trajectory implies a slight reduction in per-barrel revenue, increasing the importance of production strategy and broader economic diversification.

In 2025, Saudi oil output remained constrained for much of the year due to extended OPEC+ cuts, averaging close to 9.0 mb/d early in the year, before rising toward 9.5 mb/d by mid-2025 and approaching 9.8–10.0 mb/d by year-end as quotas gradually loosened. Looking ahead, industry and research forecasts indicate that Saudi crude production in 2026 is likely to average around 10.0 mb/d, supported by the phased unwinding of OPEC+ restrictions and efforts to reclaim market share.

Average Oil Price per Barrel

68.92
USD per barrel
Estimated Price in 2025

65.84
USD per barrel
Estimated Price in 2026

Average Oil Production per Day

9.45
million barrels per day
Estimated Production in 2025

10
million barrels per day
Estimated Production in 2026

Source: IMF, JODI

Banking Sector

Total bank assets have maintained a steady momentum around ⃁ 5 trillion since 2023, reaching over ⃁ 4.9 trillion by September 2025. For 2026, total bank assets are expected to continue their trajectory near ⃁ 5 trillion.Bank credit to private sector stood at ⃁ 3,209 billion in 2025. In 2026, private sector credit is expected to increase by around 9%,

By September FY2025, money supply reached ⃁ 3.2 trillion, growing 7.8% YoY. This expansion was mainly driven by rise in time and savings deposits, and demand deposits. Based on IMF and SAMA estimates, money supply is projected to grow by about 8.2%, supported by continued deposit accumulation and sustained credit

Total Bank Assets

⃁ **+5** trillion
2025E

⃁ **+5** trillion
2026P

Private Sector Credit

⃁ **3.2** trillion
2025E

⃁ **3.49** trillion
2026P

Money Supply (M3)

9.3%
Estimated Increase in 2025

8.2%
Project Increase in 2026

Source: IMF

Risks & Challenges

Global Economic Slowdown and External Demand Pressures

Saudi Arabia's risk landscape in FY2026 is heavily shaped by a weakening global economy, with the IMF projecting world growth to ease to 3.1% in 2026. This continued deceleration heightens Saudi Arabia's vulnerability, particularly through lower demand in major economies and weaker global oil consumption. Compared to FY2025, where uncertainty centered on geopolitical tensions and financial market volatility, FY2026 signals a more structural and sustained slowdown. This evolution intensifies the challenge for the Kingdom's export- and investment-linked sectors, making external demand weakness a more persistent drag than in prior years.

Escalating Geopolitical Tensions and Protectionist Trade Policies

Geopolitical risks are expected to become more pronounced in FY2026, with the added weight of tightening protectionist policies and trade restrictions. These developments threaten to disrupt global trade flows, raise input costs, and weaken investor confidence. Unlike FY2024, where global tensions primarily manifested through supply chain strain, FY2026 presents a more complex combination of geopolitical friction and trade fragmentation. This environment poses a direct challenge to Saudi Arabia's non-oil sector expansion, as both export markets and cross-border investments become more constrained.

Oil Market Volatility and Implications for Fiscal Stability

Oil markets experienced significant fluctuations through 2025, with Brent crude averaging USD 69.9 per barrel in Q1–Q3, down 14.5% year-on-year due to geopolitical and trade disruptions. As these pressures spill into FY2026, the Kingdom faces continued exposure to uncertainty around global oil demand and price volatility.

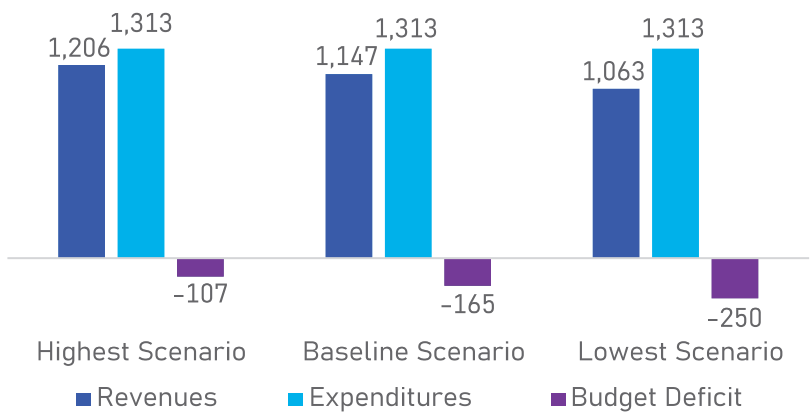
Kingdom's Response to Global Shocks

Flexible and Resilient Fiscal Framework: Maintaining a flexible and conservative fiscal policy, Saudi Arabia continues to implement structural reforms that enhance the efficiency and log-term sustainability of public finances, ensuring stability while safeguarding development priorities.
Strategic Spending and Economic Prioritisation: Government expenditures are focused on high-impact programs and projects that drive economic and social benefits. Targeted countercyclical measures further support economic transformation and growth of non-oil revenues.
Debt Management and Financing Strength: Borrowing is strategically managed under the medium-term debt framework, balancing costs with economic returns. Diversified debt instruments, extended maturities, and a strong credit rating provide affordable access to funding, maintain fiscal flexibility, and strengthen investor confidence.

Kingdom's Response to Global Shocks

For FY2026, the Kingdom has developed multiple revenue scenarios that strategically account for potential oil market volatility, thereby safeguarding fiscal stability. The baseline scenario emphasizes prudent management under lower-than-expected revenues, while the government remains fully prepared to adjust to evolving global and domestic dynamics.

Revenue Scenarios for FY2026 Budget (SAR bn)



Source: Ministry of Finance

Review 2025

Estimates

Saudi Arabia entered FY2025 with a clear commitment to balancing disciplined fiscal management with the momentum of its diversification programme.

Despite softer oil prices averaging USD 69.9 per barrel through September 2025 and a 13.3% decline in total revenues to SAR 1,091 billion, the non-oil economy remained the central anchor of fiscal resilience. Non-oil GDP expanded by 5.0% in 2025, lifting overall real GDP by 4.4% and sustaining non-oil revenue growth even as oil receipts weakened.

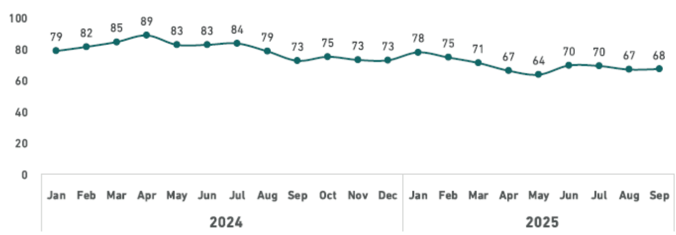
Robust private consumption, improving labour market indicators, and steady investment supported by SAR 46.5 billion in H1 FDI inflows helped maintain economic momentum throughout the year.

Expenditures are estimated to reach SAR 1,336 billion, reflecting the government's continued support for giga-projects, public services, social protection, and economic enablers, while maintaining a countercyclical stance. This measured fiscal approach, combined with ongoing structural reforms, positions the Kingdom to enter FY2026 with strengthened economic foundations and sustained diversification traction.

Revenues

Saudi Arabia's FY2025 revenue outlook reflects a year of contrasting dynamics between oil-based income and the fast-expanding non-oil economy. Total revenues are projected at SAR 1,091 billion, representing a 13.3% decline year-on-year and a 7.8% drop versus the original FY2025 budget. This contraction is almost entirely attributed to weaker oil performance, underscoring the lingering impact of lower prices and constrained production.

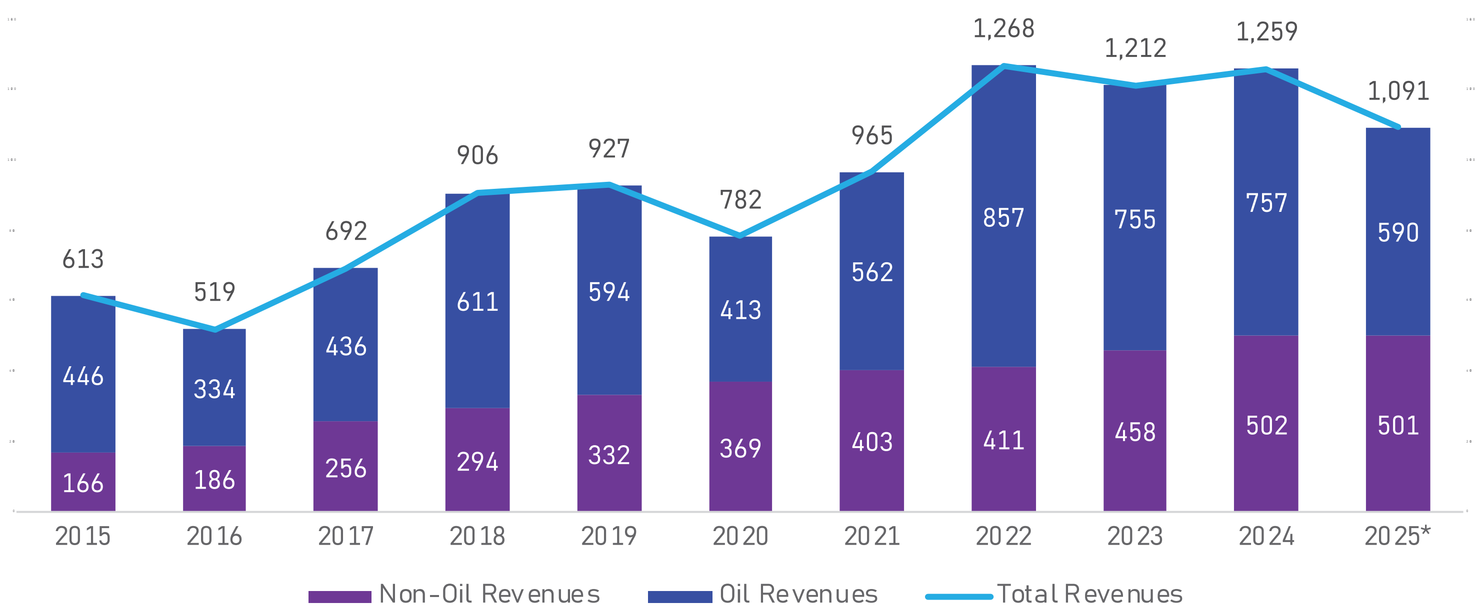
Average Prices of Brent Crude Futures



Source: Reuters

Oil revenues experienced a substantial decline as Brent crude averaged USD 69.9/bbl, approximately 15% lower YoY, while voluntary OPEC+ cuts continued to restrain output. These two forces sharply reduced fiscal inflows from the oil sector, reaffirming the sensitivity of headline revenues to external market conditions. Despite this, domestic economic resilience helped counterbalance part of the shortfall.

Revenue

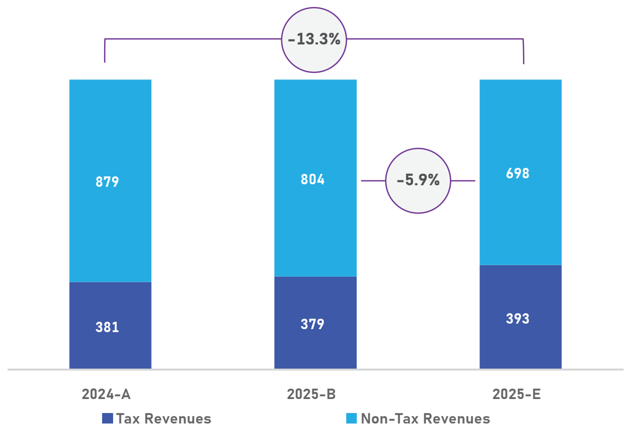


Source: Ministry of Finance

Achieved till 2025

In contrast, non-oil revenues strengthened meaningfully, supported by a solid expansion in non-oil GDP, which grew 4.7% YoY in Q3 2025. Ongoing structural reforms, regulatory enhancements, and improvements in economic activity contributed to higher collections across services, retail, tourism, and logistics. These gains highlight the growing depth of the non-oil economy and the increasing effectiveness of fiscal diversification policies.

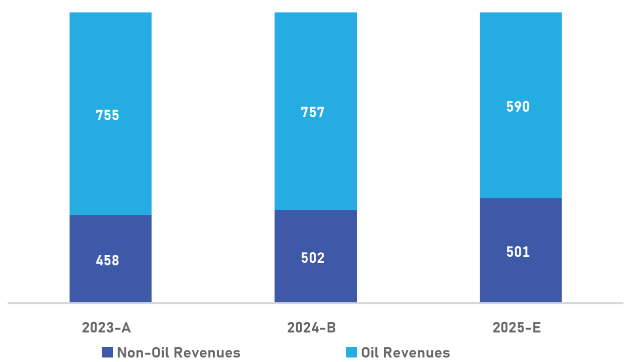
Revenues (⃁ billion)



Source: Ministry of Finance

Tax revenues rose to ⃁ 393 billion, a 3.3% annual increase. The bulk of this came from taxes on goods and services, which reached ⃁ 297 billion, driven by robust household spending, stronger POS activity, and a sharp rise in e-commerce transactions up 64.3% during the first nine months of 2025 compared to the same period in 2024. Income and profit taxes grew modestly, reflecting stable corporate performance, while customs duties increased by 9.1% on the back of higher imports of capital and intermediate goods.

Revenues (⃁ billion)



Source: Ministry of Finance

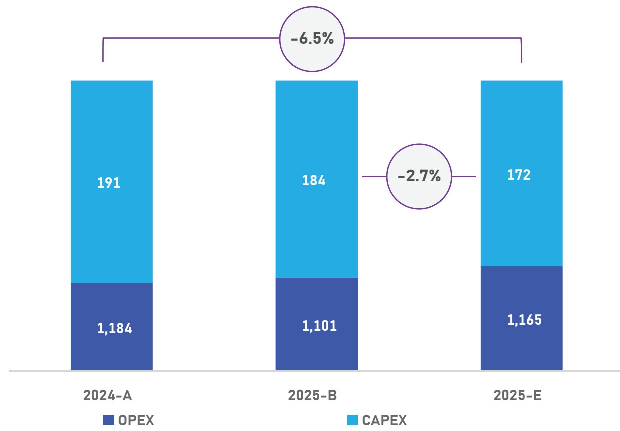
Meanwhile, non-tax revenues declined to ⃁ 698 billion, a 20.5% drop, due to lower oil-related dividends, the absence of exceptional one-off revenue items seen in 2024, and softer returns from government investments. These movements reflect cyclical rather than structural factors.

Overall, FY2025 showcases a pivotal shift: while oil revenues weakened materially, the non-oil economy and tax system continued to expand, reinforcing the Kingdom's long-term fiscal diversification objectives under Vision 2030.

Expenditures

Saudi Arabia's FY2025 expenditure estimates reflect a deliberate and strategic overshoot relative to the originally approved budget. Total spending is now estimated at ⃁ 1,336 billion, compared with the

Expenditure (⃁ billion)



Source: Ministry of Finance

A significant share of the overspend stems from higher operating expenditures, which reached ⃁ 1,165 billion, exceeding the approved budget of ⃁ 1,101 billion. The main contributors include elevated employee compensation driven by expanded service delivery and public-sector staffing needs, increased goods and services spending linked to health, education, and municipal operations, and notably higher financing costs, which rose 18.5% above budget as the government undertook additional borrowing to support ongoing development programs reflecting Vision 2030 implementation, where rapid program mobilization naturally raises operating requirements across ministries and service agencies.

Review 2025

While CAPEX for FY2025 came in slightly below its SAR 184 billion budget, the overall execution mix shows a pivot toward operating-heavy activity consistent with large-scale giga-projects moving deeper into construction, procurement, and service contracting phases. Much of this spending is classified as OPEX, which helps explain why total expenditures rose even though headline capital spending remained contained.

Strategically, the government's decision to exceed the budget aligns with its countercyclical fiscal stance, which aims to support growth during periods of oil market softening. The Ministry of Finance explicitly notes the continued use of targeted spending to catalyze non-oil activity, stimulate investment, and maintain economic resilience.

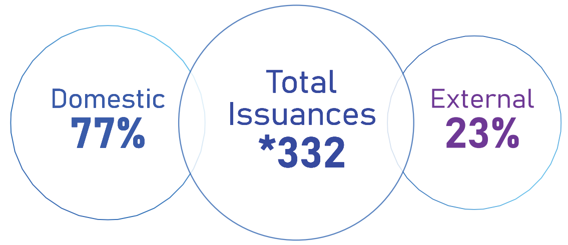
In effect, the FY2025 expenditure overshoot reflects Saudi Arabia's choice to prioritize transformation momentum and structural diversification over short-term fiscal tightening an approach consistent with global best practices for economies in the midst of large-scale strategic reform.

Budget Deficit/Surplus and Public Debt

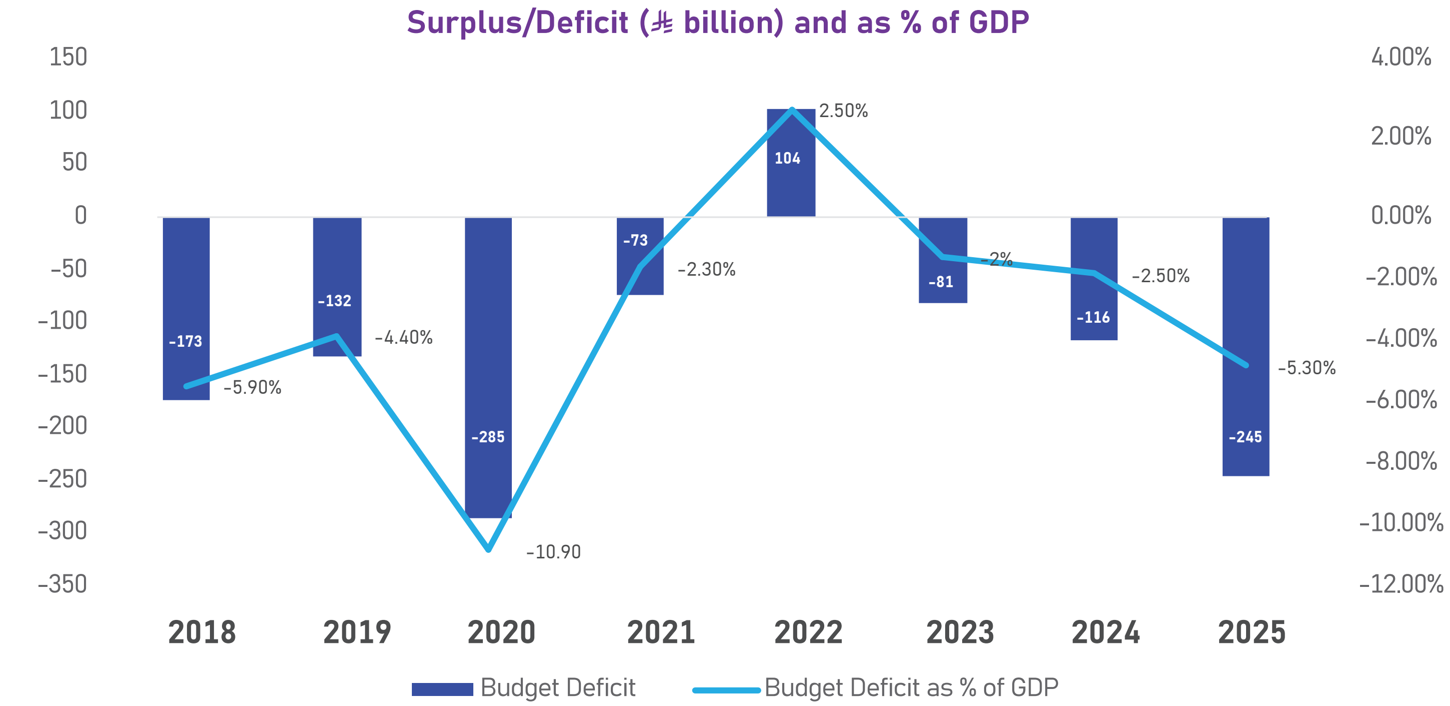
Saudi Arabia's fiscal position in FY2025 reflects an intentional expansionary stance, with the updated budget showing a deficit of SAR 245 billion (5.3% of GDP). This shortfall stems from elevated, investment-led spending as the government accelerated transformational programs aimed at diversifying the economy.

Public debt stood at SAR 1,467 billion, with 63% domestic and 37% external, a structure the Ministry of Finance views as both stable and sustainable.

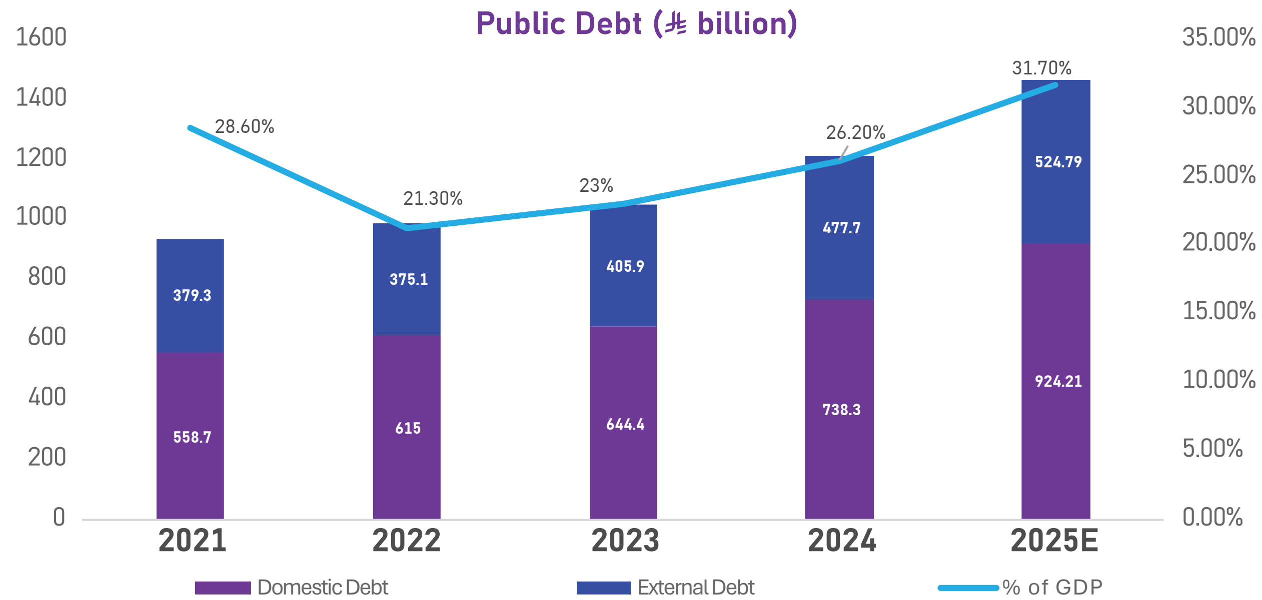
Borrowing Activities until the end of Q3 of FY2025



After a period of front-loaded investment in 2025, many large programs enter execution or maturity phases in 2026, reducing pressure on the operating budget and enabling a more measured expansion of borrowing. Meanwhile, enhanced non-oil revenues and tighter expenditure management improve fiscal space.



Source: Ministry of Finance



Source: Ministry of Finance

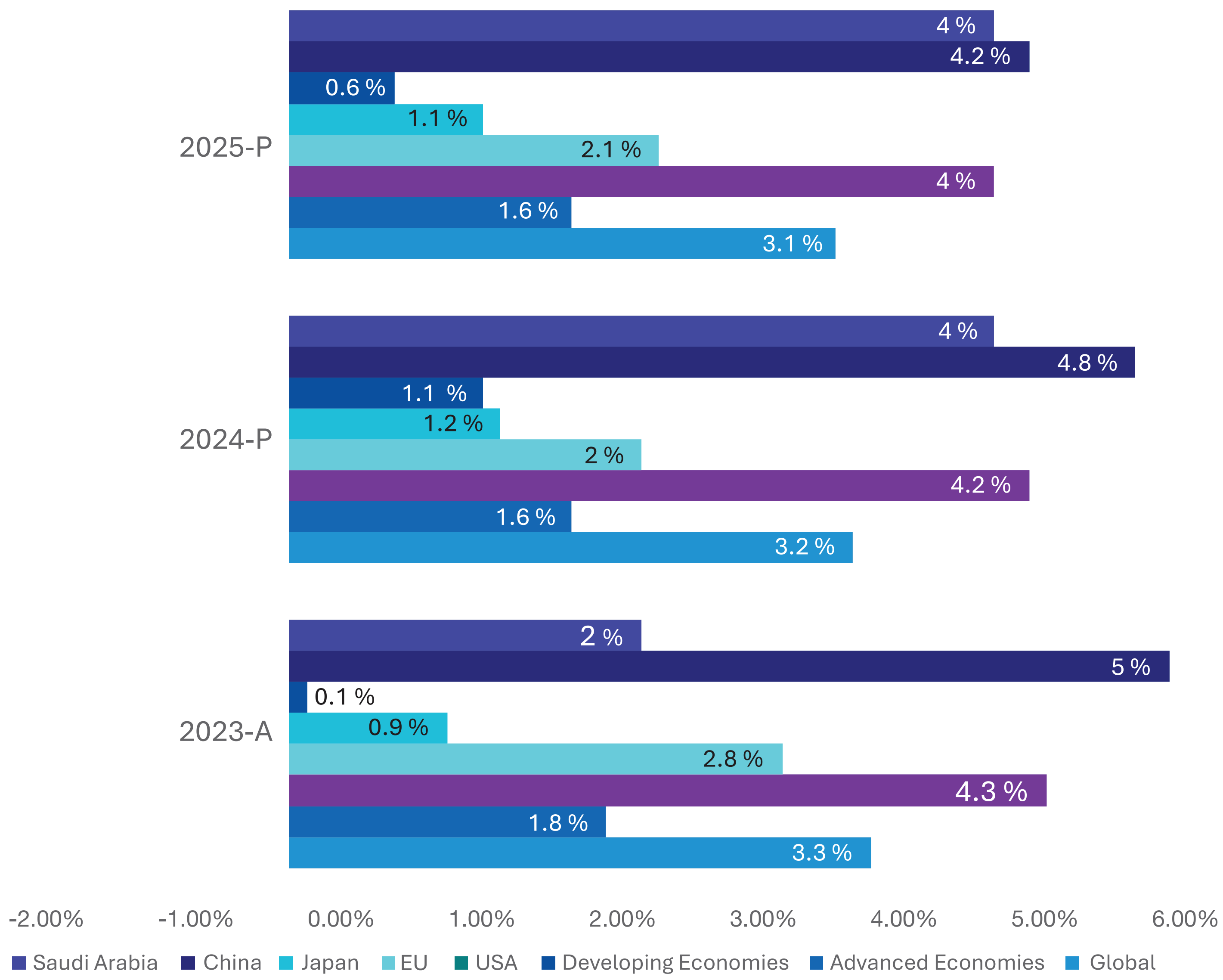
Review 2025

Economic Growth

The global economy faces challenges from escalating geopolitical conflicts and trade disputes, particularly in the Middle East. Rising inflation, especially in advanced economies, is a result of tightening monetary policies, which have led to high interest rates. Despite these pressures, central banks, including the US Federal Reserve, have made efforts to manage inflation and reduce interest rates, contributing to global economic recovery.

The IMF predicts global economic growth will be 3.2% in 2024 and 2025, with a decline in global inflation rates. Advanced economies are expected to see inflation drop to 4.3% in 2025, while emerging markets and developing economies will experience a decrease in inflation to 5.9%. Despite ongoing geopolitical uncertainties, inflation is expected to slow in the medium term.

Global Economic Growth (%)



Source: IMF - WEO

Review 2025

Domestic Economic Developments

Positive Economic Developments in KSA

- Global oil demand increased in 2025, supporting higher prices and contributing to overall economic stability.
- Strong non-oil economic activity in 2025, driven by reforms and expanding private-sector participation.
- Labor-market conditions strengthened, supported by higher employment and rising female workforce participation.

Non-Oil Growth and Economic Expansion

- Non-oil activities posted strong performance in FY2024, growing 6.0% and reaching a historic SAR 2.6 trillion.
- Growth driven by tourism, entertainment, logistics, transportation, and digital services.
- Higher employment and rising household income boosted private consumption and supported steady expansion.
- From beginning of FY2025 to Q3, real GDP grew 4.1%, with non-oil GDP rising 4.7% on strong domestic demand.

Boost Employment and Economic Competitiveness

- Saudi labor market continues to strengthen, supported by Vision 2030 reforms and targeted employment initiatives.
- Overall unemployment declined to 3.2% in Q2 2025, while Saudi unemployment dropped to 6.8%, reflecting steady labor market improvements.
- Saudi women's participation reached 34.5%, sustaining strong progress toward inclusive workforce development.
- Private-sector employment of Saudis rose by 144k on an annual basis, reaching nearly 2.5 million employees across sectors.

Tourism and Infrastructure Enhancements

- Saudi Arabia emerged as a global tourism leader, ranking first worldwide in Q1 FY2025 for international tourism revenue growth.
- International tourist arrivals surged 102% compared to Q1 FY2019, far exceeding global and regional averages.

Inflation Trends and Economic Stability

- Inflation rate increased by 2.0% from the beginning of FY2025 until October, driven mainly by services and housing-related categories.
  - Insurance and financial services saw the highest increase at 6.7%, followed by housing, water, electricity, gas, and other fuels at 6.5%.
  - Personal care, social protection, and other goods and services rose by 4.8%, while furnishings and household equipment declined by 0.9%.
  - Wholesale prices increased by 1.9%, led by agricultural and fisheries products at 4.3%.
  - Real estate price index rose by 2.9%, driven by increases in both commercial and residential real estate.
- Preliminary estimates indicate FY2025 inflation will reach around 2.3%, supported by government measures to stabilize prices.

Trade Balance and Economic Growth

- International trade recorded a surplus of SAR 162 billion from FY2025 to Q3, driven by strong non-oil merchandise exports growing 17.7%.
- Merchandise imports rose 10.4%, with intermediate and capital goods making up 68.9% of total imports, reflecting stronger production activity.
- Travel-sector revenues remained robust, posting a SAR 32.2 billion surplus in H1 FY2025, supported by tourism growth and government-led destination development

Foreign Investment Growth

- Foreign direct investment inflows reached SAR 46.5 billion in H1 FY2025, reflecting strong investor confidence and an improving economic climate.
- Net inflows grew by 29.2% year-on-year, supporting the Kingdom's broader diversification and investment objectives

Achieved till 2025

Financial Developments in the Banking Sector

- The banking sector continued to show strong performance, with total bank assets rising by 13% to reach ⃁ 4.9 trillion by the end of September FY2025.
- Bank credit expanded by 14%, with credit to companies growing 19% and personal loans increasing 3% in Q3 FY2025.
- Real estate activities accounted for 20% of total bank credit to companies, recording annual growth of 21% in Q3 FY2025.

Consumer Loans
Grew by 3% YoY in Q3 FY2025, reaching ⃁ 476 billion.

Real Estate Loans
Increased by 10.5% YoY in Q3 FY2025, totaling ⃁ 726.2 billion.

Commercial Activities (Wholesale & Retail) Credit Growth
Grew by 4.6% YoY in Q3 FY2025, driven by the expansion of e-commerce.

Bank Claims on Public Sector
Rose by 15% YoY in Q3 FY2025, driven by higher lending and bond issuance.

Ratio of Non-Performing Loans
Declined to below 1.2% in Q2 FY2025, reaching a historic low.

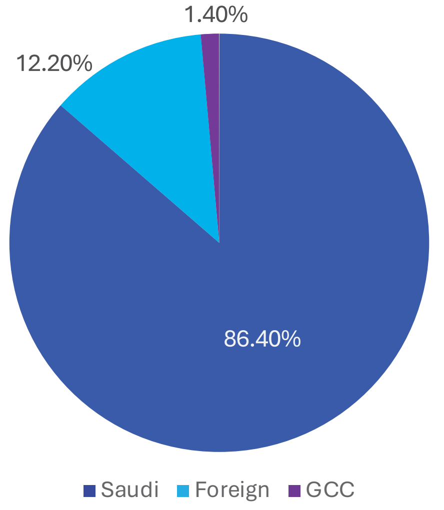
Capital Adequacy Ratio
Stood at 19.6% in Q2 FY2025, well above Basel requirements.

Money Supply (M3)
Increased by 7.8% YoY in September FY2025, reaching ⃁ 3.1 trillion.

Tadawul Stock Exchange

- The Tadawul All Share Index (TASI) closed September 2025 at 11,503 points, supported by new listings and stronger institutional participation.
- Institutional investors accounted for more than 50.1% of traded value, surpassing the FY2025 target under the Financial Sector Development Program.
- Foreign ownership increased by ⃁ 29.5 billion, with foreign investor share rising to 12.2%, reflecting growing international interest in the Saudi capital market.

Ownership by Nationality (Tadawul)



Source: Saudi Stock Exchange (Tadawul)

Nomu (Parallel Market) Developments

- The Nomu Index closed the first nine months of FY2025 with a slight uptick to 25,472 points, supported by stronger SME participation.
- Trading volumes rose by 13.7%, reaching 766 million shares, while transactions increased by 32.7% to 868,000 during the same period

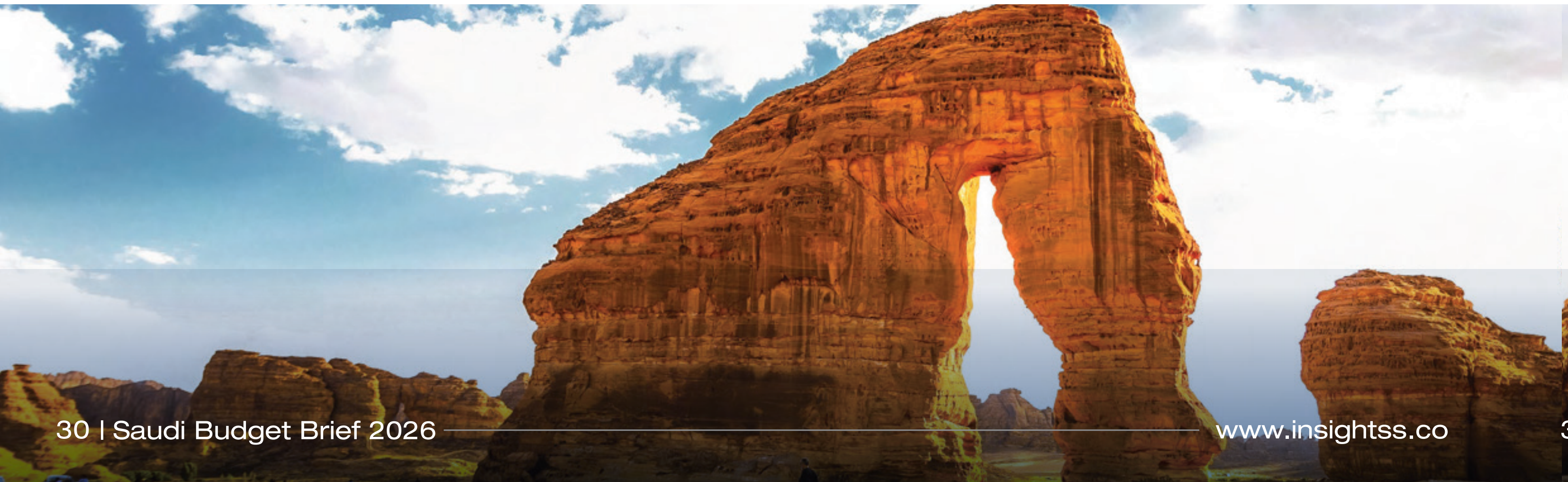
Debt Market Performance

- The Sukuk & Bond Market Index recorded a slight decline, closing at 917 points by September FY2025, despite strong growth in traded value.
- Traded value exceeded ⃁ 27 billion in the first nine months of FY2025, marking a 49% increase, while the number of transactions fell slightly by 1.1% to 33,944.

Vision 2030 Achievements reflected in Budget 2026

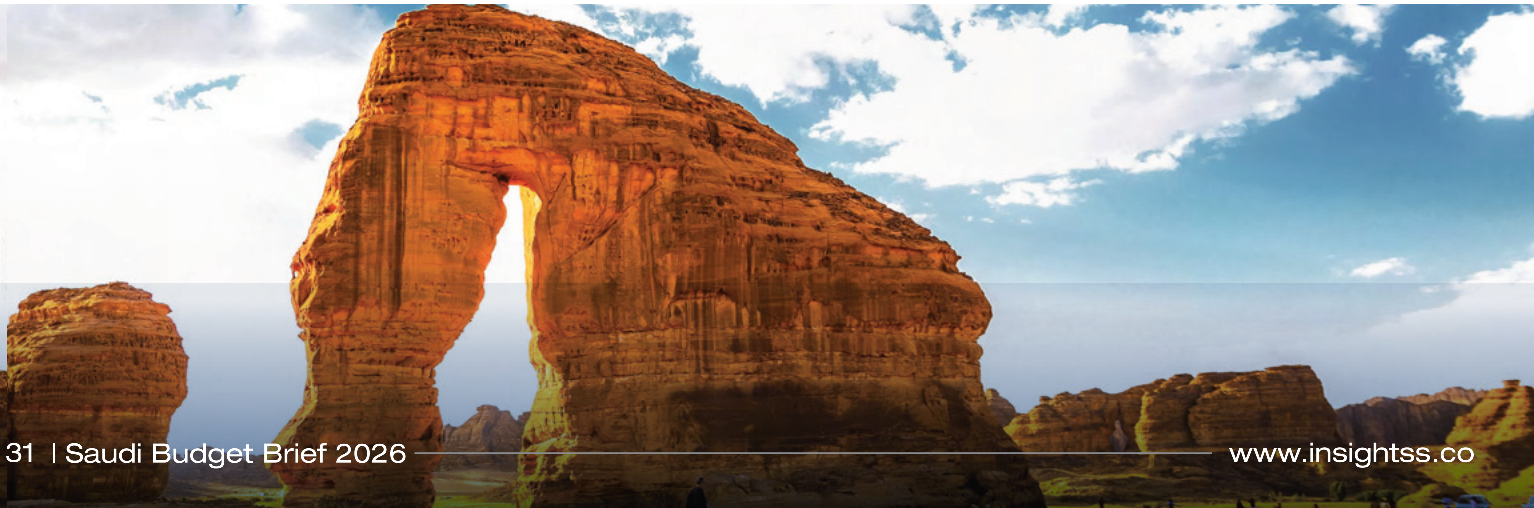
Achieved till 2025

Achievement by 2025	Vision 2030 Target
Over **8.3 million travellers** used automated e-gates across major airports, reducing processing time and enhancing border efficiency.	Transform aviation hubs and digitize government services to world-class standards; achieve top-tier rankings in travel efficiency and passenger experience.
49,000+ Saudis employed in transport & logistics, boosting localization.	Increase Saudi workforce participation, localize logistics jobs, and position the Kingdom as a **global logistics hub** under NTLS.
21% growth in women's leadership participation in logistics and transport.	Raise women's labor-force participation to **30%+** and expand female leadership roles nationally.
Significant aviation growth: 15**% more passengers, 11% more flights, 34% cargo growth.**	Triple passenger numbers by 2030 and make Saudi Arabia a top global aviation transit hub.
National airlines placed orders for **457 new aircraft.**	Expand airline fleets to support 330M passengers by 2030 and increase international connectivity to 250+ destinations.
Local content reached **52.6% (Roads Authority)** and **51% (GACA).**	Lift local content across government projects to exceed **50%,** supporting domestic industry and economic diversification.
Three Saudi airports ranked among the **Top 50 globally (Skytrax).**	Position Saudi airports among the world's best and elevate travel infrastructure to global standards.
Logistics centers expanded to **24 operational hubs.**	Develop a nationwide logistics network enabling Saudi Arabia to become a **top 10 logistics hub** globally



Planned in 2026

Planned Outcome for 2026	Vision 2030 Target
Elevate Saudi Arabia into the **Top 17 global AI and data economies**, achieving 70% of the national AI strategy milestones by 2026.	Become a **Top 10 global AI nation** and regional AI leader by 2030.
Expand **Tawakkalna** to offer **926 integrated government services** by end-2026.	Create one of the world's most advanced digital governments with seamless public-sector integration.
Train and certify 20,000 AI and data specialists nationwide.	Build a globally competitive future-skills workforce and strengthen digital human capital.
Expand the technology and telecommunications market as part of the digital-economy strategy.	Grow the ICT sector's GDP contribution to **USD 40+ billion** and position Saudi Arabia as the region's digital innovation hub.
Strengthen national innovation, space, and cybersecurity capabilities.	Establish a globally competitive innovation ecosystem and develop sovereign digital and space capabilities.
Improve efficiency across Vision Realization Programs (VRPs) to accelerate national transformation.	Ensure VRPs deliver full Vision 2030 outcomes on time by strengthening institutional capacity and governance.
Advance the National Industrial Strategy (NIS) to diversify production and grow non-oil exports.	Increase non-oil exports' share to **50% of non-oil GDP** and expand high-value advanced manufacturing.
Enhance foundational sectors—technology, transport, logistics, and industrial ecosystems—to support long-term sustainability.	Build globally competitive foundational sectors that underpin long-term economic resilience and diversification.



Looking Ahead

As Saudi Arabia moves into FY2026, the Kingdom stands poised at a pivotal moment marked by both significant promise and complex challenges.

The global economic landscape is undergoing a pronounced slowdown, compounded by escalating geopolitical tensions and fluctuating oil markets, which inevitably test the resilience of any economy reliant on external demand. Yet, Saudi Arabia's sustained commitment to fiscal discipline, strategic economic reforms, and diversification efforts provides a solid foundation for navigating this uncertain terrain.

With a robust growth outlook and inflation under control, the Kingdom is well-positioned o capitalize on emerging opportunities while remaining vigilant against persistent risks.

Looking ahead, Saudi Arabia's medium-term priorities will need to carefully balance ambitious expansionary fiscal policies with the pressing realities of a complex and uncertain global environment.

While the continuation of spectral and regional strategies, alongside incentive programs and high-impact projects, remains crucial to driving sustainable economic growth and improving public service quality, the effectiveness of these initiatives will be tested by persistent external headwinds.

Strengths

- Saudi Arabia's foremost strength lies in its flexible and resilient fiscal framework, which ensures stability even amid global economic turbulence. The government's prudent fiscal policies and disciplined debt management allow the Kingdom to maintain essential public investments without compromising financial sustainability.
- Its conservative breakeven oil price and sizeable foreigtn reserves provide additional safeguards against oil market volatility, while the currency peg to the US dollar adds stability to the exchange rate environment.
- The growing private sector, supported by influential institutions like the Public Investment Fund (PIF) and the National Development Fund (NDF), continues to drive economic diversification and expand growth opportunities.
- Positive social indicators, including a decline in total and youth unemployment alongside increased female labor force participation, reflect the Kingdom's progress in building a more inclusive labor market.

Opportunities

- The projected GDP growth of around 4.6% highlights the Kingdom's competitive positioning, with robust expansion in non-oil sectors driven by a dynamic private sector.
- Low and stable inflation further strengthens purchasing power and economic confidence, creating fertile ground for sustained domestic consumption and investment.
- The successful implementation of Vision 2030 initiatives provides a critical pathway for sustainable development, with tangible gains.
- The expanding share of non-oil revenue sources signals a positive structural shift, reducing reliance on hydrocarbons and fostering a more diversified and balanced economy.

2026

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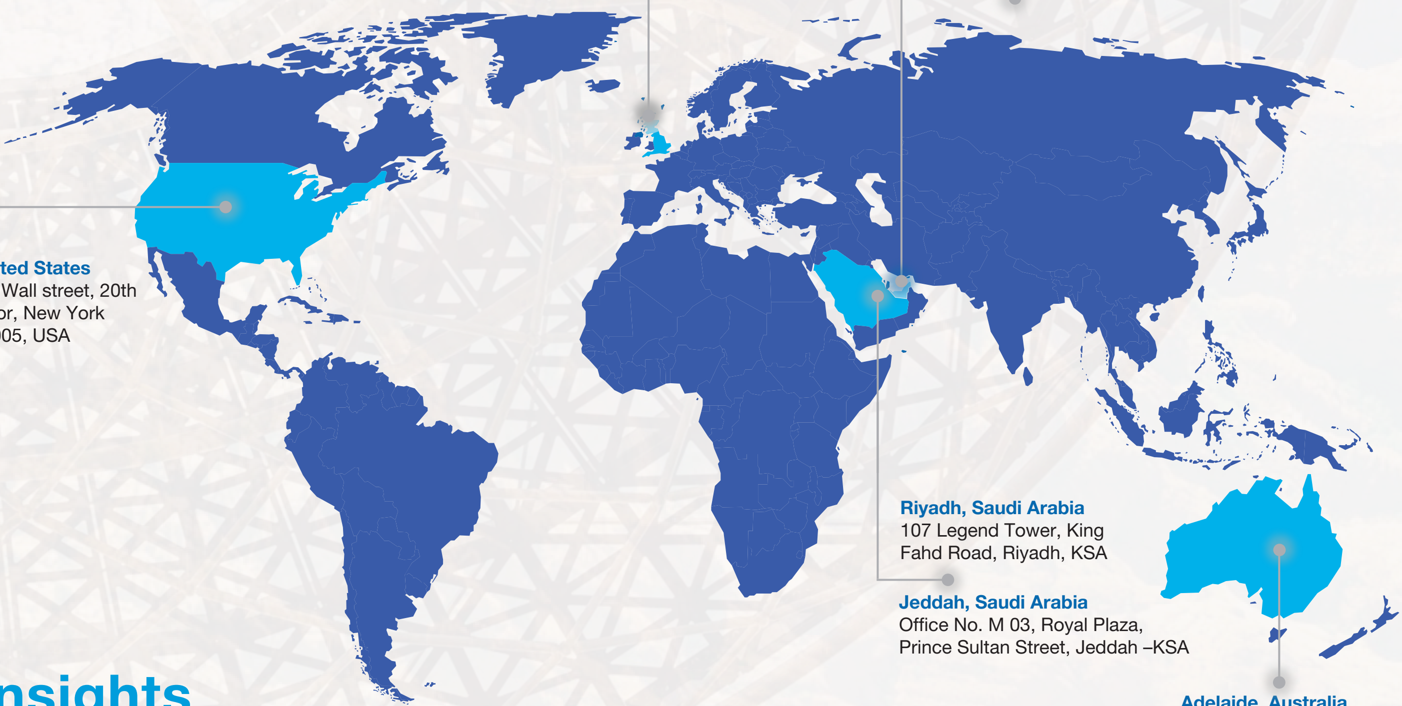

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Navigating Complexity, Simplifying Success