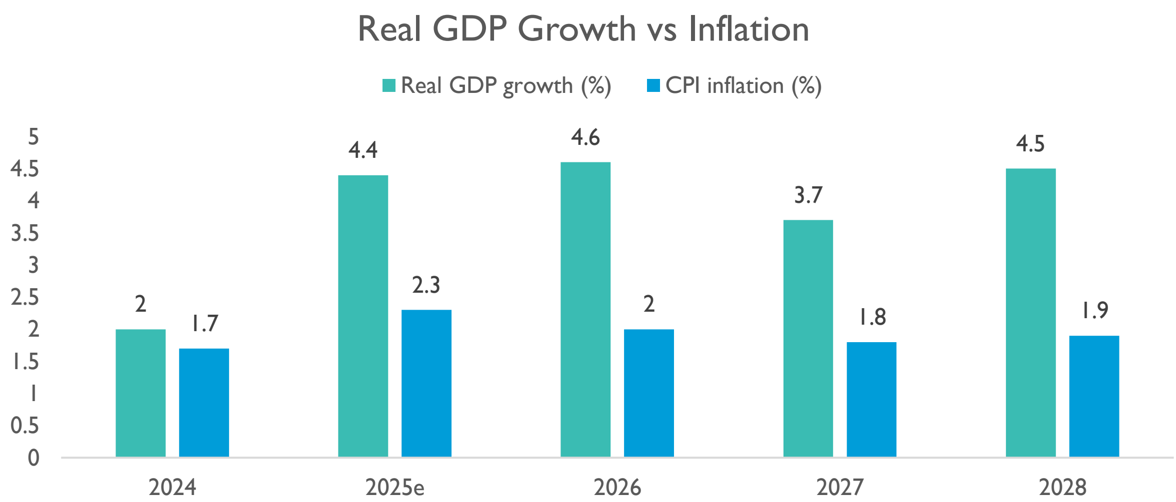
Tharaa
Financial
Center

Sustaining Momentum

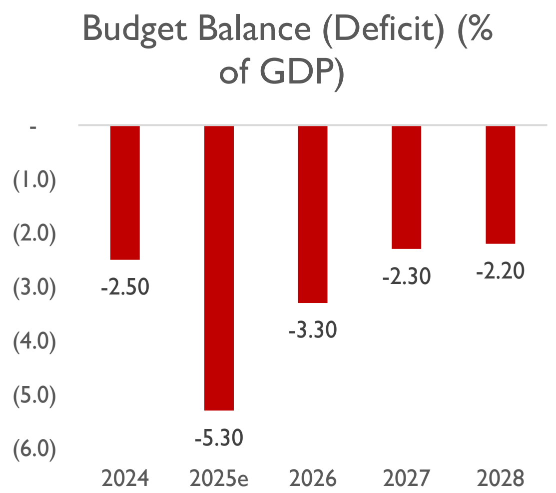
Pre-Budget 2026

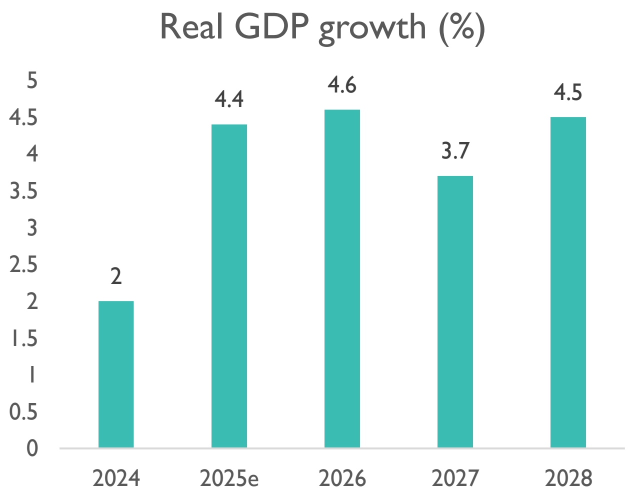
Executive Summary



*Source: Pre-Budget Statement FY 2026, MOF

Saudi Arabia's medium-term economic trajectory indicates a balanced and confident expansion, underpinned by Vision 2030 reforms and prudent fiscal management. Real GDP is set to accelerate from about 2% in 2024 to 4.6% by 2026, maintaining growth near 4.5% through 2028. Inflation remains contained around 2%, reflecting stability in prices and effective policy coordination. This environment fosters stronger private-sector activity, sustained employment gains, and greater resilience, reinforcing the Kingdom's progress toward diversified and sustainable growth.

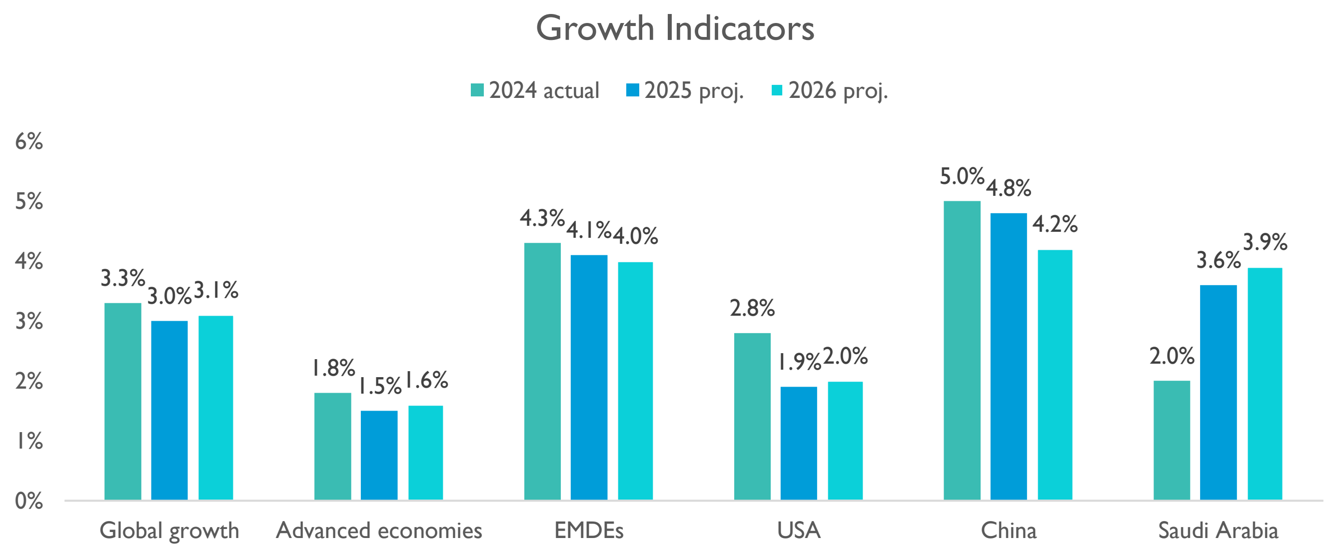




*Source: Pre-Budget Statement FY 2026, MOF

Saudi Arabia's fiscal stance over the medium term reflects a strategic balance between growth support and fiscal discipline. The budget deficit widens temporarily to around 5.3% of GDP in 2025 as investment spending accelerates under Vision 2030 initiatives, before narrowing to near 2% by 2028 as revenues strengthen and expenditure efficiency improves. This trajectory complements a solid growth outlook, with real GDP expanding from 2% in 2024 to above 4% through 2028, signaling a shift toward more diversified and resilient economic drivers.

Domestic vs. Global Pulse



*Source: Pre-Budget Statement FY 2026, MOF

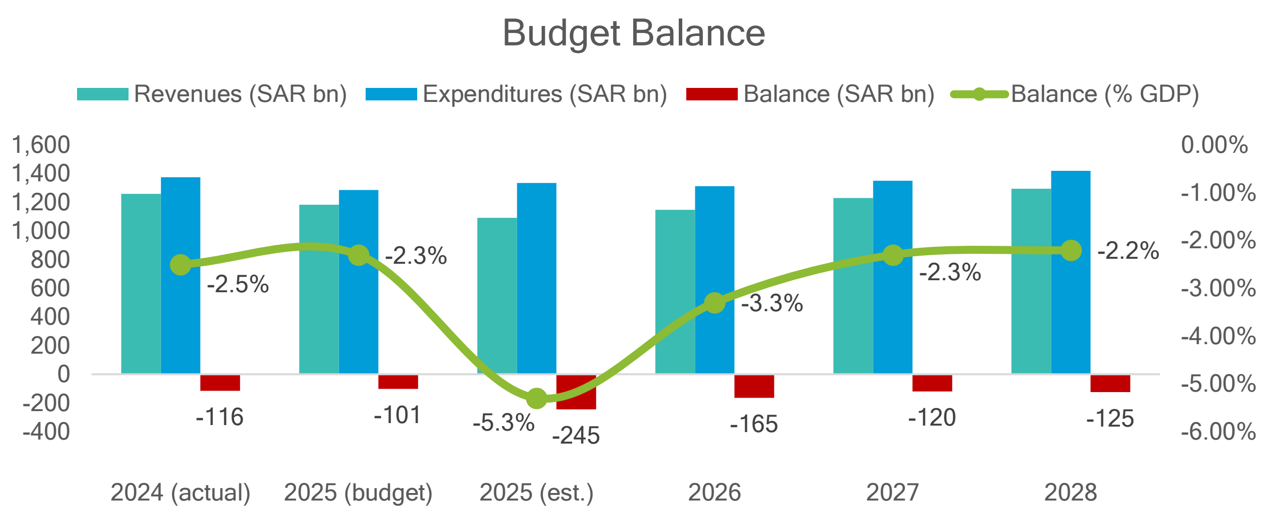
Global economic activity is projected to soften modestly in the coming years as tighter monetary policies, lingering geopolitical tensions, and subdued trade weigh on momentum. Overall global growth is expected to ease from 3.3% in 2024 to about 3.1% by 2026. Advanced economies continue to face headwinds from higher borrowing costs and slower productivity gains, with growth stabilizing near 1.6%. In contrast, Emerging Markets and Developing Economies (EMDEs) remain the main contributors to global expansion, supported by stronger consumption, infrastructure investment, and improved fiscal positions, maintaining growth close to 4%.

The United States is expected to record steady but moderate growth, hovering around 2% as consumer spending normalizes and fiscal support wanes. China's economy is projected to decelerate gradually from 5.0% in 2024 to around 4.2% by

2026 amid structural adjustments and weaker external demand. Meanwhile, other large emerging economies such as India and Indonesia are expected to retain robust momentum, cushioning the overall slowdown in global output. Despite these challenges, inflation pressures are easing worldwide, allowing for a more balanced policy environment as central banks cautiously shift toward supportive stances.

Saudi Arabia's growth trajectory stands out against this global backdrop. Real GDP is forecast to rise from 2% in 2024 to about 3.9% by 2026, driven by strong non-oil sector performance, strategic public investments, and progress on Vision 2030 initiatives. Diversification efforts are stimulating private sector participation, while stable inflation and disciplined fiscal management support household purchasing power and investor confidence. The Kingdom's resilience amid a slowing global economy highlights the effectiveness of ongoing structural reforms and its growing role as a regional hub for investment, logistics, and clean energy transformation.

Fiscal Stance & Path



*Source: Pre-Budget Statement FY 2026, MOF

Saudi Arabia's fiscal path reflects a proactive balance between growth-oriented spending and gradual fiscal consolidation. Revenues are projected to rise steadily from SAR 1.26 trillion in 2024 to about SAR 1.29 trillion by 2028, supported by diversified income sources, improved non-oil revenues, and ongoing efforts to enhance fiscal efficiency. Expenditures follow a disciplined yet growth-supportive trajectory, reaching SAR 1.29 trillion by 2028, with priority given to infrastructure, human capital, and Vision 2030 programs.

The budget deficit widens temporarily in 2025 to SAR 245 billion as public investment accelerates, particularly in strategic sectors and giga-projects, before narrowing to around SAR 125 billion by 2028. This controlled fiscal stance underscores the government's commitment to maintaining macroeconomic stability while sustaining momentum in diversification and social development. Over the medium term, Saudi Arabia's fiscal framework continues to emphasize efficiency, resilience, and alignment with long-term development goals.

Revenue Diversification & Resilience

Ratio	2015	2024	Note
Non-oil revenues / total revenues	27%	40%	Structural shift in revenue mix.
Non-oil revenues covering expenditures	17%	37%	Greater fiscal resilience.
Non-oil revenues / nominal non-oil GDP	9%	15%	Depth of the non-oil base.

*Source: Pre-Budget Statement FY 2026, MOF

Saudi Arabia's fiscal structure has undergone a significant transformation over the past decade, reflecting strong progress in reducing dependence on oil revenues. The share of non-oil revenues in total revenues has risen from 27% in 2015 to 40% in 2024, marking a structural shift in the Kingdom's revenue composition. This progress highlights the effectiveness of ongoing fiscal reforms, tax diversification, and the growth of non-oil economic activities.

Non-oil revenues now cover 37% of total expenditures, more than double their 2015 level, underscoring enhanced fiscal resilience and reduced exposure to oil price volatility. Likewise, the ratio of non-oil revenues to non-oil GDP has increased from 9% to 15%, indicating stronger private-sector participation and a broader, more sustainable revenue base. These developments place Saudi Arabia on a more solid fiscal foundation, reinforcing the objectives of Vision 2030 and supporting the transition toward a diversified, stable, and resilient economy.

Structural Transformation & Household Demand

Indicator	Base value (2016)	Latest value (2025)	Change / note
Non-oil share of real GDP	45.4%	55.6% (H1-2025)	+10.2 pp; non-oil activities "more than half" of GDP.
PFCE share of GDP	40.5%	43.7% (H1-2025)	+3.2 pp; reflects stronger household purchasing power.
Saudi unemployment	12.3%	6.8% (Q2-2025)	Lowest on record; below Vision 2030 objective.
Women's labor force participation	19.3%	34.5% (Q2-2025)	Strong rise on policy support.
Saudi employees in private sector	1.9 mn	2.5 mn (Q2-2025)	+31% since 2016.
Non-oil exports (incl. re-exports)	SAR 87.4 bn (H1-2016)	SAR 169.9 bn (H1-2025)	+94.5%; manufacturing depth ↑.
Capital & intermediate goods share of imports	~60%	68% (H1-2025)	Shift toward production inputs.
Travel item (BoP)	-SAR 20.9 bn	+SAR 49.8 bn (2024)	Swing to surplus with tourism boom.

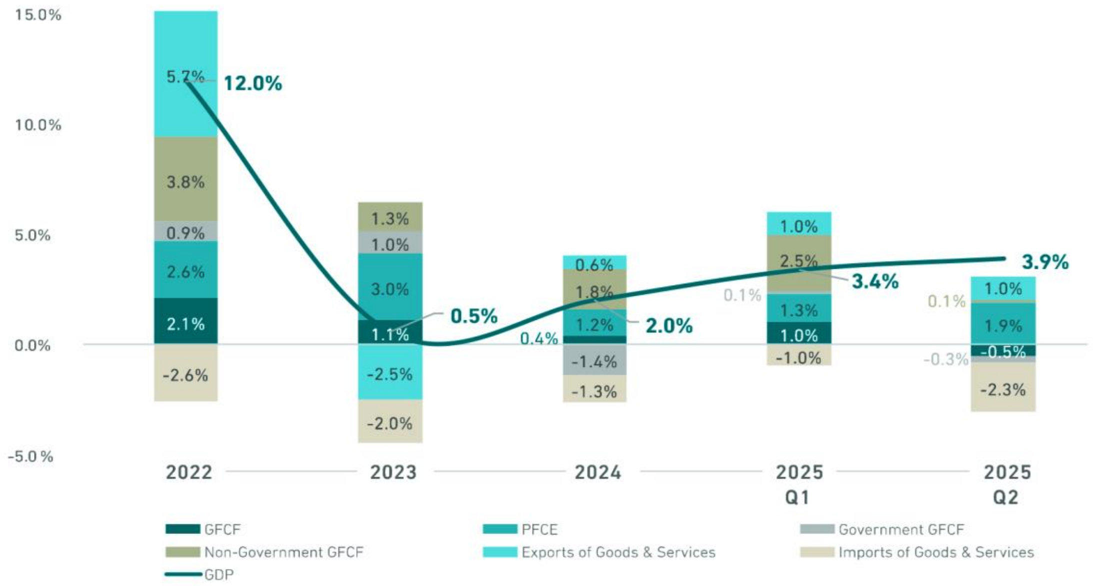
*Source: Pre-Budget Statement FY 2026, MOF

Saudi Arabia's economic structure continues to evolve rapidly, driven by the diversification momentum under Vision 2030. The non-oil share of real GDP is projected to rise to 55.6% by mid-2025, reflecting the growing contribution of sectors such as manufacturing, tourism, and services. Private consumption has also strengthened, with the Private Final Consumption Expenditure (PFCE) reaching 43.7% of GDP, indicating improving household confidence and higher purchasing power.

Labor market dynamics show remarkable progress, with Saudi unemployment expected to fall to 6.8%, the lowest on record, supported by rising participation among women, which has climbed to 34.5%. Employment in the private sector has expanded by over 30% since 2016, signalling deeper labor market integration and stronger private sector absorption capacity.

External indicators further highlight the structural shift underway. Non-oil exports have nearly doubled since 2016, reaching SAR 169.9 billion in early 2025, underscoring growing industrial capacity and competitiveness. At the same time, the shift toward capital and intermediate goods imports points to an economy investing in production rather than consumption. The swing of the travel account to a surplus of SAR 49.8 billion reflects the surge in tourism, reinforcing the Kingdom's diversification gains and strengthening its external position.

What's Driving Growth Right Now



*Source: Pre-Budget Statement FY 2026, MOF

Growth momentum in Saudi Arabia is strengthening through 2025, driven primarily by a rebound in investment and resilient domestic demand. After moderating in 2023, GDP growth regained pace in 2024 and early 2025, supported by robust gross fixed capital formation (GFCF), particularly from the non-government sector, reflecting progress in major infrastructure and private investment projects. Household consumption also remains firm, contributing steadily to overall activity.

External demand is beginning to recover, with exports of goods and services improving alongside the ongoing expansion of tourism, logistics, and manufacturing. Meanwhile, imports are normalizing as domestic production capacity increases, enhancing the trade balance. The combination of stronger investment, solid consumption, and improving net exports positions Saudi Arabia for sustained, broad based growth through the remainder of 2025.

External Sector, Tourism & Watch-List

Metric	Latest	Context
International tourists (Q1-2025)	~9.6 million	2nd in MENA, 3rd globally by growth (UN Tourism). Visitor spending ~SAR 49.4 bn; travel-item surplus ~SAR 26.8 bn in Q1-2025.
Tourism 2030 target	150 million visitors	Updated objective for the sector within Vision 2030
Tourists (full-year 2024)	~116 million	Reflects strong appeal/events.
Merchandise trade balance (H1-2025)	+SAR 98.9 bn	Non-oil exports +16.5% y/y.

*Source: Pre-Budget Statement FY 2026, MOF

Saudi Arabia's external sector continues to strengthen, anchored by the rapid expansion of tourism and a resilient trade performance. International tourist arrivals reached around 9.6 million in the first quarter of 2025, placing the Kingdom second in MENA and third globally in growth terms. Visitor spending exceeded SAR 49 billion, driving a travel account surplus of roughly SAR 26.8 billion. These results underscore the sector's growing importance as a key pillar of non-oil diversification and foreign exchange generation.

The Kingdom's Tourism 2030 target has been revised upward to 150 million visitors, reflecting both capacity expansion and global recognition of Saudi Arabia as a premier destination for culture, entertainment, and investment. Total visitors for 2024 are estimated at around 116 million, supported by major events and enhanced connectivity. In parallel, the merchandise trade balance recorded a surplus of SAR 98.9 billion in the first half of 2025, with non-oil exports rising by 16.5% year-on-year, highlighting the continued diversification and competitiveness of Saudi exports.

Conclusion: The Path Ahead for Saudi Arabia's Economic Transformation

Saudi Arabia stands at a pivotal stage in its economic evolution, with the foundations of diversification, fiscal reform, and private sector vitality firmly in place. The transformation underway is reshaping growth dynamics, expanding productive capacity, and creating new engines of competitiveness across sectors. Progress in tourism, manufacturing, logistics, and innovation demonstrates a maturing economy that is steadily reducing its reliance on oil.

The policy framework guiding this shift remains forward-looking and disciplined, balancing investment in strategic priorities with prudent fiscal management. Strengthened institutions, improved labor market outcomes, and rising non-oil revenues continue to enhance economic resilience and long-term sustainability.

Looking forward, Saudi Arabia's ability to sustain momentum will depend on deepening reforms, fostering productivity, and maintaining investor confidence. With its clear vision, expanding capabilities, and strategic geographic position, the Kingdom is well placed to emerge as a leading, diversified economy at the center of regional and global growth.