



The Saudi Economy in 2026

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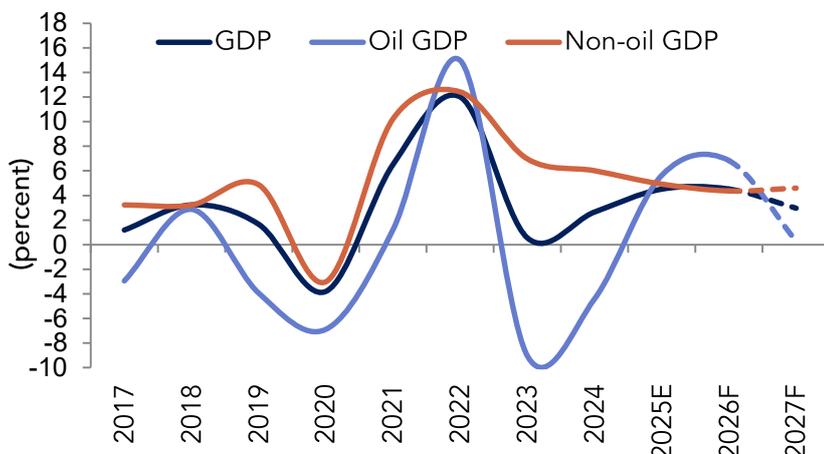


The Saudi Economy in 2026

Robust growth continues amid lower oil prices

- We forecast 4.5% real GDP growth in 2026, with higher oil and gas output and non-oil growth that is normalizing from elevated rates but still compares well to Emerging Markets (Figure 1).
- We forecast non-oil real GDP growth of 4.4%, supported by structural developments across a number of sectors, including tourism, non-oil manufacturing, transport and logistics, finance and insurance, as well as renewable energy and technology.
- There will be less impetus to growth from public sector spending, with budget spending flat and rationalization across project spending.
- Credit growth will slow but remain in high single digits as the well-capitalized banking sector mobilises non-deposit financing.
- We expect lower policy interest rates in 2026 that should feed through to lower Saibor rates, even though the Saibor-Repo spread widened in 2025.
- Lower rental inflation will bring consumer price inflation under 2% even as a weaker US dollar leads to some imported inflation.
- We project a budget deficit of 4.7% of GDP in 2026, narrower than the 2025 deficit, and government debt at 35% of GDP.
- In 2027 we expect the budget deficit to narrow to around 4% of GDP, with a smaller rise in government debt.
- We assume Brent crude averages \$63pb in 2026, lower than in 2025, before picking up to \$66pb in 2027.
- We forecast current account deficits of less than 3% of GDP in 2026-2027. Foreign reserves will remain high, close to USD 450b.

Fig 1: Change in Real GDP



For comments and queries:

Toby Iles, Chief Economist
tiles@jadwa.com

Dr. Nouf N. Alsharif, Managing Director
nalsharif@jadwa.com

Phone +966 11 279-1111
P.O. Box 60677, Riyadh 11555
Saudi Arabia

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The global economy was resilient in the face of policy volatility and geopolitical concerns in 2025.

2026 started with a mix of geopolitical and trade policy risks.

Global economic outlook

In 2025 the global economy was resilient in the face of extreme policy volatility, most notably US tariff policy, and a slew of geopolitical concerns. Fiscal and monetary policies were generally supportive and financial conditions fairly loose. The global AI investment race also contributed.

The IMF estimates global real GDP growth was 3.3% in 2025, in line with 2024 performance, and projects a similar outlook for 2026-2027. The median growth outlook across a range of forecasters is somewhat more cautious, at 2.9% (Table 1; Figure 2).

Early 2026 has already witnessed a familiar mix of risks, related to geopolitics and trade policy: Venezuela, Iran and US tariff threats. At the same time, many stock markets are near record highs. Aside from geopolitics, the key downside risks include less optimism regarding AI—leading to lower valuations of AI companies and less investment—and higher long-term interest rates in response to wider fiscal deficits.

Table 1: Global GDP Growth

(percent; IMF January 2026 and consensus projections)

	2024		2025E		2026F		2027F	
	IMF	IMF	Consensus	IMF	Consensus	IMF	Consensus	
Global	3.3	3.3	2.9	3.3	2.9	3.2	2.9	
US	2.8	2.1	2.1	2.4	2.2	2	2	
UK	1.1	1.4	1.4	1.3	1.1	1.5	1.4	
Canada	2	1.6	1.5	1.6	1.3	1.9	1.8	
Euro zone	0.9	1.4	1.4	1.3	1.2	1.4	1.4	
Japan	-0.2	1.1	1.2	0.7	0.8	0.6	0.8	
China	5	5	4.9	4.5	4.5	4	4.3	
Russia	4.3	0.6	0.8	0.8	0.9	1	1.4	
Brazil	3.4	2.5	2.3	1.6	1.7	2.3	2	
India	6.5	7.3	7.2	6.4	6.6	6.4	6.6	

Note: Consensus forecasts are those of FocusEconomics.

We expect the US economy to grow higher than the consensus forecast.

For the US economy we assume growth outperforms the consensus forecast of 2.2% in 2026 given pro-growth policy settings. The US registered better growth in 2025 than many expected, helped by financial conditions, AI-related investment and resilient consumption. The labor market has been weakening

Fig. 2: EM growth holds above 4%

(real GDP growth, %)

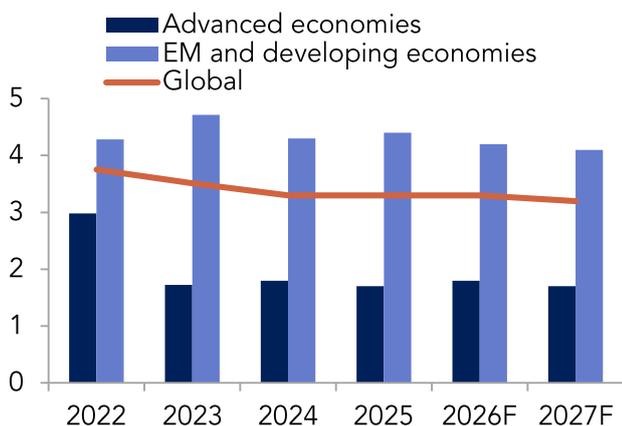
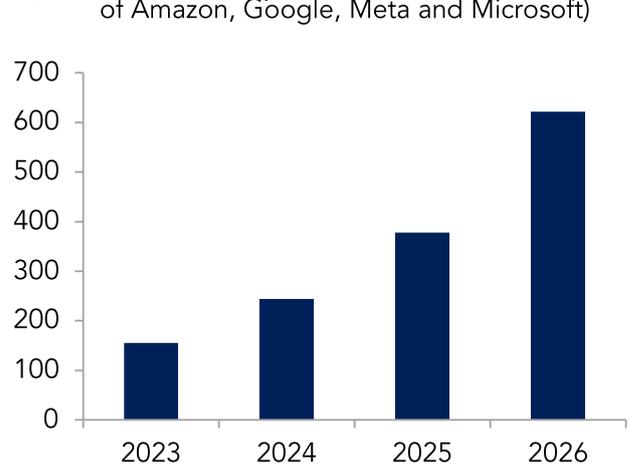


Fig. 3: AI-related capex gains further (\$b, capex of Amazon, Google, Meta and Microsoft)





China's economy continued to be supported by trade, despite higher US tariffs.

Europe could see stronger growth in 2026 supported by a rise in investment spending.

Growth in emerging markets is expected to remain above 4%.

We forecast Brent crude to average \$63pb in 2026 and \$66pb in 2027.

which may start to drag more on consumption in 2026. However, fiscal policy is set to provide more stimulus as the Big Beautiful Bill kicks in and the trend of AI-investment looks set to continue, even as there is growing concern about an AI bubble (Figure 3). We assume two rate cuts in 2026, although uncertainty remains elevated over the path of Fed rates, given that inflation is still above target and economic activity remains resilient, despite signs of labor market softening (Figure 4).

China managed to hit its 5% growth target in 2025, according to official data, although alternative data points to lower growth numbers. Despite higher US tariffs, Chinese trade continued to underpin the economy. The trade surplus reached USD 1.2trillion.

In 2026, while trade will continue to support China's economy, we expect downward pressure on overall growth given weaker investment trends in response to overcapacity across a number of sectors (with the exception of the semiconductor industry and AI-related investments). The government will take further steps to boost consumption, but these will have limited impact given weak dynamics in the labor market. The gradual strengthening of the renminbi which has broken through the CNY7:USD1 barrier may help consumer confidence, as might the resurgence of the stock market (Figure 5). The property market, though, remains in the doldrums and household savings rates remain high signaling caution.

Meanwhile, in Europe, growth will not be stellar but could strengthen modestly in 2026, on stronger domestic demand stemming from a rise in investment spending. In Q4-25 euro zone growth came in slightly stronger than expected. Inflation is currently on target and policy rates are stable. In Japan, on the other hand, the tight labor market is adding to inflation and the likelihood of a further interest rate increase by the Bank of Japan.

Median growth for EMs and developing economies will remain above 4%. Asia again will be the standout region, despite slower growth in China and India. The growth picture across the Middle East and Africa is uneven but has bright spots. Saudi Arabia, where we expect overall GDP growth at 4.5%, fares well in an EM comparison.

Oil market outlook

We forecast Brent crude to average \$63pb in 2026, down from an average of \$68pb in 2025, due to ample supply in the market. Risks of volatility around this baseline mostly relate to worries about a more extreme supply glut on the downside (price slump) and geopolitical disruptions to oil supply on the upside (price spike). The latter has been in evidence in February, with the Brent spot price around \$70pb on concerns over US-Iran tensions.

For 2027 we anticipate some recovery in oil prices, picking up to an average of \$66pb, as global demand continues to grow and supply additions are more limited (Figure 6).

Beyond 2027 we expect these dynamics to support oil prices over the medium term, especially given that OPEC's spare capacity has declined materially

Fig. 4: US and Saudi interest rates (%)

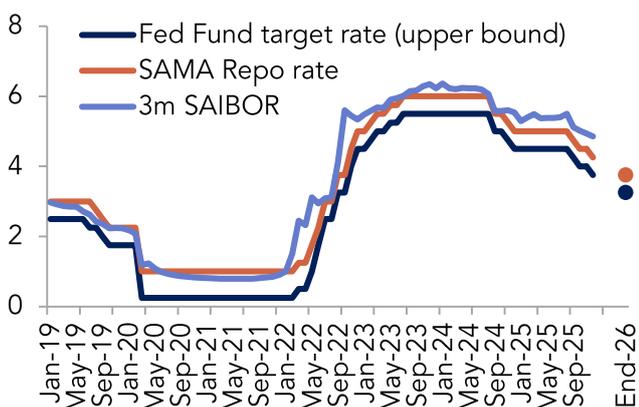


Fig. 5: Dollar weakens against Renminbi (CNY:\$)





The oil market is currently well supplied.

Oil demand is expected to grow by 1.1mbpd in 2026.

More supply is expected from Latin America and Canada.

Geopolitics remains a wild card and could have an impact on the market.

following the sharp production increases in 2025. In a recent study of oil and gas field decline rates, the IEA found that around 90% of annual upstream oil and gas investment since 2019 has been dedicated to offsetting production declines. This implies that, at current levels of upstream investment, supply growth will be modest at best in the coming years.

The market is currently well supplied because OPEC8 (the eight countries that previously cut production voluntarily) added 2.4mbpd during 2025, while supply outside of the broader OPEC+ grouping also increased. As a result, global inventories (including oil-on-water) have risen although there are two nuances here: a majority of the oil-on-water represents sanctioned oil looking for buyers and some of the inventory build consists of China adding to strategic reserves.

In 2026 the three major agencies—OPEC, IEA and EIA—on average expect demand growth of 1.1mbpd, with OPEC the most optimistic (1.4mbpd). Global economic growth continues to translate into higher oil demand, especially in emerging markets.

China’s strategic inventory builds, which were a key source of demand in 2025, will likely continue to support demand in 2026. China will be keen to take advantage of lower prices and US actions in Venezuela, which are disrupting China’s oil supply, reinforce the incentive for China to build its strategic reserve.

However, global oil supply is also set to keep increasing. Forecasts for supply growth from countries outside of OPEC+ range from 0.6mbpd (OPEC’s forecast) to 1.2mbpd (IEA’s view). The IEA therefore sees a sizeable surplus whereas OPEC’s numbers imply that the organization still has room to add more barrels (Figure 7). OPEC+ decided to keep production flat in Q1-26. However, OPEC+ may start to add more barrels gradually during the year depending on market conditions—in particular the trend of global inventories and prices, including the shape of the oil futures curve.

Non-OPEC+ additional supply will come largely from Latin America (Brazil, Guyana and Argentina), alongside some growth in Canada. We expect US oil production will plateau in 2026 after reaching a new record of 13.8mbpd in late 2025. Some incremental output is expected from the Gulf Of Mexico/ America, but US shale oil output might finally start to hit limits especially given subdued prices.

While the US shale oil industry will continue to make productivity gains, industry sources emphasize that tier-1 geology is increasingly drilled already. Shale company strategy has shifted to generating shareholder returns over volume growth. In 2025 tight oil output rose by 0.13mbpd on average to 9.1mbpd, according to the EIA. The rate of growth slowed significantly from recent years. Output from the Permian basin, which accounts for more than 60% of US shale oil output, has been flat since July.

Fig. 6: Brent crude oil price, annual average

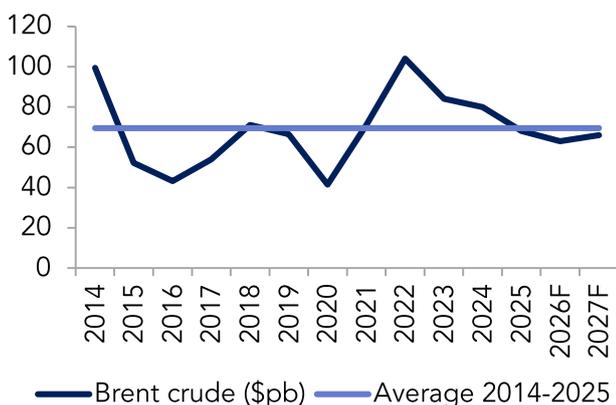
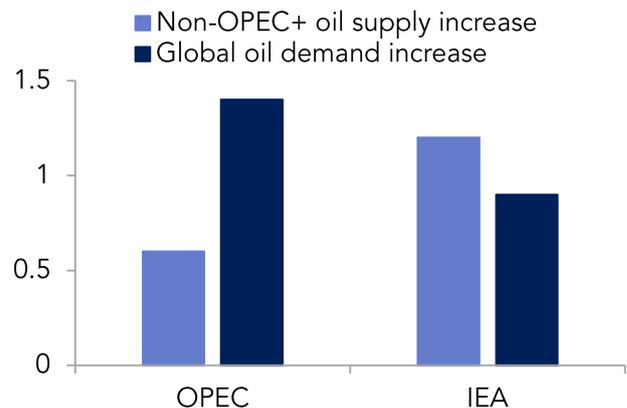


Fig. 7: Oil balance outlooks for 2026 diverge (mbpd)





The main impact of Western sanctions on Russia has been on lowering refinery runs.

In 2027, the oil market outlook starts to brighten with weaker supply additions.

We forecast real GDP to grow by 4.5% in 2026.

Global geopolitics remains volatile. Oil prices could rise in relation to events that lead to disruptions of oil supply or raise the risk of supply disruptions. However, actual disruption to oil supply was limited in 2025.

The Israel-Iran 12-day war in June 2025 caused the oil price to spike by around \$10pb. The conflict did not ultimately impact supply and prices returned to their previous levels. This was a case of a temporary risk premium. So far in 2026, the widespread protests in Iran and risks of US attacks on Iran have pushed up oil prices. A US-Iran deal would lead prices lower again, whereas a US attack that impacts supply or leads to meaningful Iranian retaliation would push prices higher.

Western sanctions on Russia and Ukrainian drone attacks have placed some pressure on the Russian oil sector, but have not materially impacted Russian crude supply as yet. The main impact has been on lowering refinery runs (by around 1mbpd). Nonetheless, Ukraine’s expanding drone capability could disrupt Russian crude supply in the future depending on how the war evolves. Drone damage to the CPC (Caspian Pipeline Consortium) infrastructure—partly owned by Russia—reduced loadings of Kazakh crude to Europe in Q4-25 and January 2026.

The US arrest of president Maduro in Venezuela has not had much market impact because US actions and sanctions had already reduced Venezuelan oil supply which, at around 1mbpd, is small relative to global supply of more than 100mbpd.

It should also be noted that geopolitical events could lead to lower oil prices in cases where the global economy and trade suffer or indeed in cases which lead to higher crude supply, for example if there was a diplomatic resolution to the Russia-Ukraine war.

In conclusion, global supply and demand forecasts point to a comfortably supplied market in 2026, absent geopolitical shocks. For 2027 the oil market outlook starts to brighten as supply additions weaken and demand continues to grow.

Saudi Economic Performance

Real GDP growth accelerated to 4.5% in 2025, boosted by the rebound in oil GDP, by 5.6%, while non-oil GDP growth steadied to 4.9% and government activities growth slowed to 0.9%.

Table 2: Real GDP shares and Growth Rates

2025		2023	2024	2025E	2026F
% Share of:		% year-on-year			
Overall GDP		0.5	2.6	4.5	4.5
Oil sector	26	-9.0	-4.4	5.6	6.8
Non-oil activities	56	7.0	6.0	4.9	4.4
Govt. activities	13	1.1	3.3	0.9	0.9
Non-oil GDP by sector		% year-on-year			
Agriculture	4.6	4.6	5.1	2.8	3.5
Non-oil mining	0.8	3.9	8.3	2.5	5.5
Non-oil manufacturing	19.9	4.6	5.6	4.7	4.4
Electricity, gas and water	2.9	3.5	6.7	7.1	4.5
Construction	13.4	7.5	5.0	4.1	3.5
Wholesale & retail trade	20.9	9.8	6.8	6.5	5.6
Transport & communication	9.8	7.4	4.3	4.5	3.3
Real estate activities	9.4	2.4	3.2	4.0	3.5
Finance, insurance, & bus.	11.6	8.2	10.6	6.8	5.0
Community & social services	6.7	12.3	5.9	4.8	4.5

Note: Overall GDP and main sectors in 2025 are the flash estimates. Non-oil GDP by sector for 2025 (growth and shares) is the year-to-Q3 2025. Overall GDP in 2025 also includes net taxes.

In 2026, real GDP will again post growth of around 4.5%, with non-oil growth of 4.4% and oil GDP almost 7% higher than in 2025 on average. Non-oil growth is normalizing from elevated levels in recent years, as the impetus from public sector investment stabilizes amid lower oil prices (Figure 8).



Ongoing reforms will continue to boost non-oil GDP and investments.

In 2026, we expect oil GDP to grow by 7%.

Oil GDP can be also influenced by developments in the gas sector.

Consumer demand continues to be resilient, supported by expanding labor market.

Tourism activity expansion showed in number of visits and number of new hospitality facilities.

Nonetheless, these GDP growth rates compare well in an Emerging Market comparison.

The non-oil economy is supported by ongoing reforms to improve the investment climate and structural developments across a number of sectors, including tourism, non-oil manufacturing, transport and logistics, finance and insurance, as well as renewable energy and technology. These sectors will continue to develop in 2026.

At the same time, there will be less impetus to growth from public sector spending, with budget spending flat and rationalization across project spending. Credit growth will slow but remain in high single digits as the well-capitalized banking sector mobilises non-deposit financing.

Oil activities

Saudi Arabia added 1.1mbpd of crude production in 2025, with output reaching 10.1mbpd in December. This is the highest level of crude production since April 2023. This equates to an annual average of 9.5mbpd for 2025, up by 5.5% from 2024.

In 2026, we assume crude output will remain largely stable from end-2025, with minor additions during the year as OPEC gradually unwinds previous production cuts. This still means average crude output will be close to 7% higher than the average in 2025.

'Oil GDP' tends to broadly track changes in crude oil output, but can also be influenced by the gas sector where significant investments are taking place, notably to develop the Jafurah gas field which started to come on stream in late 2025. Accordingly, we forecast real oil GDP growth of 7% in 2026.

In 2027, we project 2% growth in oil GDP with small additions to Saudi crude and further gas production growth.

Non-oil activities

Wholesale & Retail, Restaurants & Hotels (20.9% of non-oil GDP) was up by 6.5% in the year to Q3 2025, year-on-year, broadly in line with growth of 6.8% recorded in the same period in 2024. The expansion reflects resilient consumer demand, supported by employment gains and continued progress in the hospitality sector. Both Saudi and non-Saudi employment numbers increased during 2025, underpinning domestic demand, with total employment rising by 767,088 in Q1-Q3 2025, on a net basis.

Tourism activity continued to perform strongly across both religious and non-religious segments. Umrah visitors reached 20.6 million in H1, up from 13.7 million in H2 2024. Non-religious tourism also remained robust, with the number of visitors in the summer season rising by 26% year-on-year to 32 million, including domestic and international tourists. This supported a 15% increase in tourism-related spending in the summer season year-on-year. In general, the number of total visitors (domestic and international) reached 122 million tourist in 2025, up from 116 million in 2024, with international visitors

Fig. 8: Significant expansion in non-oil GDP (2015=100)

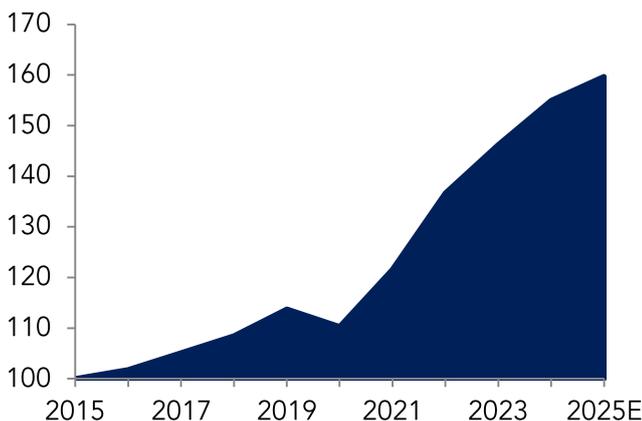
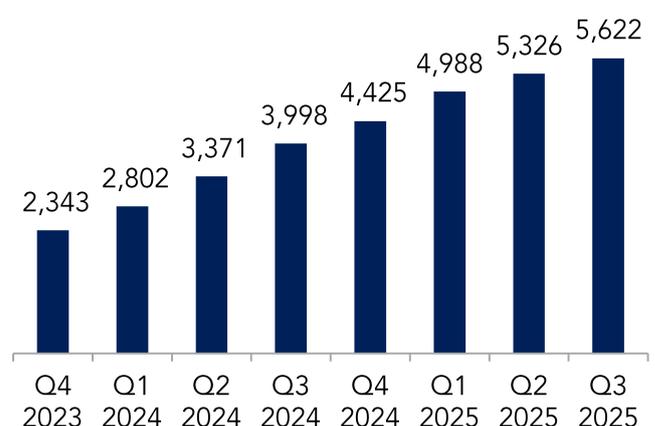


Fig. 9: Number of licensed hospitality facilities in Saudi Arabia





Tourism is expected to benefit from hotel openings and multiple events taking place in the near term.

Non-oil manufacturing was enhanced by localization and domestic consumption.

Local content in final expenditure rose from 33% in 2020 to 51% in 2025.

accounting for 30 million of this total. In addition, tourism spending went up from SAR 282b in 2024 to more than SAR 300b in 2025.

In parallel, the supply side continued to expand, with the number of licensed hospitality facilities in the Kingdom increasing from 4,425 at end-2024 to 5,622 by Q3 2025, according to Gastat (Figure 9).

Full-year consumer spending (POS, e-commerce & ATM cash withdrawals) rose 10.7% year-on-year in nominal terms to SAR 1.570 trillion, beating last year's growth of 7.5%. This has largely been driven by e-commerce, while growth in POS spending has been weaker, at 5.8% (Figure 10).

Looking ahead, spending growth is expected to remain supported by continued employment gains and a sustained expansion in tourism. A significant number of new hotels are set to open across the Kingdom, including in Makkah, Riyadh (Qiddiya and Diriyah), and at the two main sites on the Red Sea (the Red Sea project and Amaala). In addition, a wide calendar of sports and entertainment events throughout the Kingdom is expected to further boost hospitality activity. In this context, the Ministry of Tourism is targeting an increase in tourism spending to SAR 351b in 2026.

Non-oil Manufacturing (19.9% of non-oil GDP) continued to show resilient growth, expanding by 4.7% in the year to Q3 2025. In recent years, the sector has faced headwinds from weaker demand from China for imported petrochemicals, the Kingdom's largest manufacturing sub-sector (roughly a third of total non-oil manufacturing), reflecting China's expansion of domestic capacity. Meanwhile, localization efforts and rising domestic consumption have underpinned growth, partly reflecting an import-substitution strategy to promote domestic supply chains.

Policy measures aimed at increasing local content have played a key role in supporting this momentum. According to the Local Content and Government Procurement Authority, local content in final expenditure by government procurement in the Kingdom rose from 33% in 2020 to 51% in 2025. Rising demand for consumption goods and a large pipeline of construction projects, has supported domestic manufacturing. As a result, demand for numerous goods, such as construction-related items and food products, has increased, benefiting local producers in various sectors.

This is reflected in industrial indicators. The manufacturing component of the Index of Industrial Production (IIP) rose by 4% in 2025 (Figure 11). The number of industrial factories exceeded 12,900, with 1,247 factories starting production during the year. The sector has also benefited from strong investment activity, including SAR 32.8b in non-oil export financing facilities provided to local exporters.

Momentum is expected to continue into 2026, supported by further capacity expansion and targeted policy initiatives. The Ministry of Mining and Minerals (MIM) plans to promote innovation and increase product registration under the "Made in Saudi" program.

Notable upcoming projects include the launch of PIF's CEER Electric Vehicle Manufacturing Plant in H1 2026, spanning one million square meters in King Abdullah Economic City (KAEC). The facility will be developed in phases and

Fig. 10: Robust growth in consumer spending

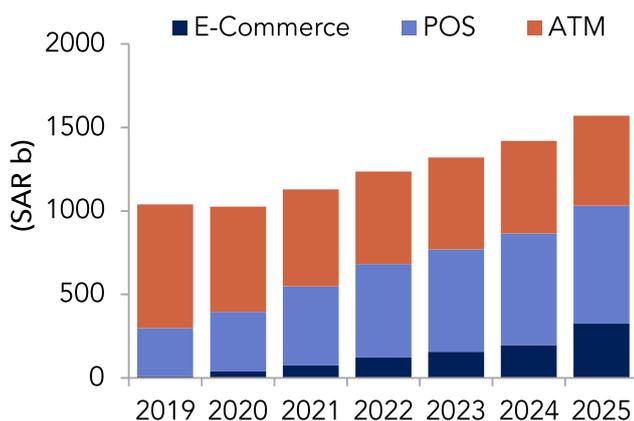
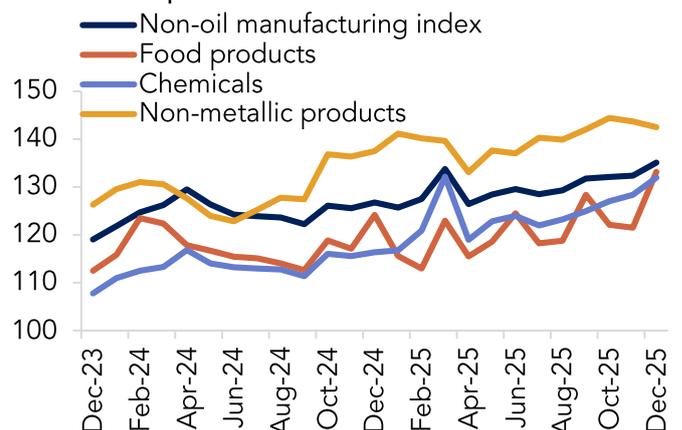


Fig. 11: IIP manufacturing and its main components





Business activity and tourism supported growth in transport and logistics.

The expansion was seen in air travel, cargo and railways.

Digital transformation continued to boost growth in IT and technology, with a number of data centers under construction.

Bank lending to the private sector remained strong, despite slowing.

is expected to catalyze local supply chain development. Moreover, ALAT, a PIF company, has already signed a deal with Lenovo to build PC in the Kingdom, which is expected to start production in 2026.

In addition, Almarai is set to launch major poultry production expansion project in 2026, with investments estimated at SAR 4.5b and capacity increases of 50-70%, further reinforcing growth in food manufacturing.

The **Transport, Storage & Communication** sector (9.8% of non-oil GDP) expanded by 4.5% in the year to Q3 2025, in line with growth of 4.4% during the same period in 2024. The expansion was supported by continued growth in business activity and tourism, which increased demand for passenger and cargo transport across multiple modes. Reflecting these improvements, Saudi Arabia's ranking in the World Bank's Logistics Performance Index (LPI) improved by 17 places to 38th out of 160 countries in the latest edition.

Air travel remained a key driver of growth. Passenger numbers increased by 9% year-on-year in FY 2025, reaching 140 million passengers across 980,000 flights, with total trips rising by 8% year-on-year (Figure 12).

In 2026, air travel is expected to grow further, supported by Riyadh Air's planned expansion of commercial operations and the launch of a new low-cost airline headquartered in Dammam, which is expected to serve 24 domestic and 57 international destinations. In addition, ongoing airport infrastructure upgrades-including the expansion of terminals at several airports-are set to further support sector growth. For example, parts of King Salman International Airport in Riyadh are expected to be launched in 2026.

Rail transport carried more than 157 million passengers in 2025, with the Riyadh Metro accounting for over 90% of total rail journeys, providing a significant boost to overall sector output. Cargo transportation also experienced notable growth, reflecting gains in trade.

The IT and communication sector grew by 5% in 2025 year-on-year, supported by various digital transformation programs and initiatives, according to the 2025 budget statement. Growth is expected to continue in 2026 by a further 5% to reach a market size of SAR 199b. Planned investments include the construction and launch of multiple data centers in Riyadh, Jeddah and Dammam, further strengthening the Kingdom's digital infrastructure (Figure 13).

Finance, Insurance, and Business Services (11.6% of non-oil GDP) expanded strongly by 6.8% in the year to Q3 2025. Bank lending to the private sector grew significantly, although slowed during the year amid tightening bank liquidity, to 10.4% growth by end-2025, down from a peak of 15% in April. Deposit growth was slower at 8.7% by year end, pushing the headline loan-to-deposit ratio to 113%.

New residential mortgages provided by banks and finance companies declined in H2 2025, falling by an average of 29% year-on-year, compared with average growth of 15% in H1. Elevated interest rates and increased uncertainty over the direction of house prices amid new regulations weighed on mortgage demand.

Fig. 12: Rising number of air travel passengers

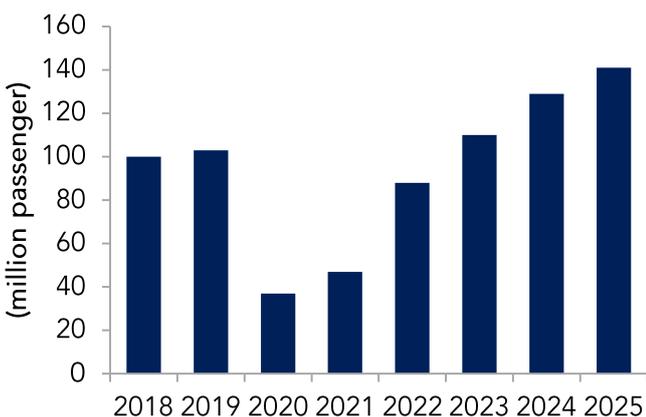
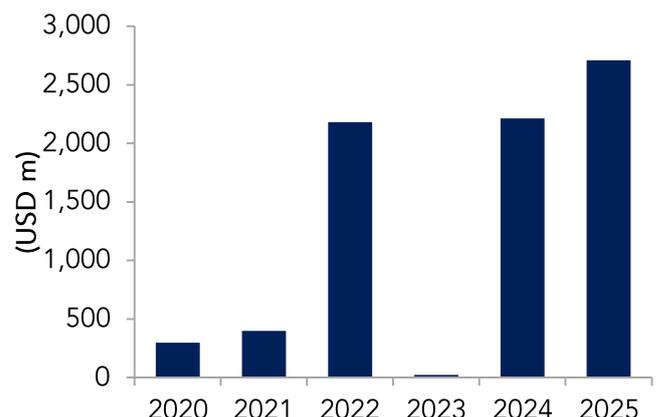


Fig. 13: Value of contract awards for data centers in Saudi Arabia (USD m)





IPO activity continued to grow in the Saudi market.

In 2025, Saudi Arabia led venture capital activity in MENA.

2025 saw a rise in the number of privately insured persons.

We expect strong credit demand and further gain in employment to support the finance sector in 2026.

Real estate activities were supported by various housing projects.

Meanwhile, new residential mortgages weakened in 2025.

The capital markets saw a total of 40 Initial Public Offerings (IPOs) during 2025, broadly in line with 42 IPOs in 2024, including 13 listings on the main market, compared with 14 in the previous year. Over the year, the Saudi Stock Market (Tadawul) declined by almost 13%, following two consecutive years of strong gains. However, market sentiment improved toward the start of 2026 following the Capital Market Authority's (CMA) announcement to fully open the capital market to all categories of foreign investors, allowing direct investment from February 1, 2026. Also in 2025, Saudi Arabia led venture capital activity in the MENA region, attracting USD 1.7b in funding, accounting for almost half of total MENA investments and marking a 145% year-on-year increase (Figure 14). Foreign investments accounted for 50% of this funding in 2025, the highest in five years. Overall VC funding across MENA rose by 89% to USD 3.4b, with investment activity largely concentrated in FinTech and Artificial Intelligence.

The insurance segment continued to expand, supporting overall sector growth. The number of privately insured persons increased by around 1.5 million in the year to August, representing an 11% increase, with growth observed among both Saudi and non-Saudi beneficiaries. Total insured beneficiaries exceeded 14.5 million by August 2025. Looking ahead, the insurance segment is set to attract foreign investments, as mentioned lately in Davos, the sector is expected to grow to more than SAR 140b by 2030.

In 2026, we expect that the Finance, Insurance, and Business services sector will continue to benefit from strong credit demand linked to the expanding non-oil economy, further gains in employment and insurance coverage, continued IPO activity, and a gradual recovery in mortgage demand. Tight liquidity will remain a challenge even as direct credit lending by regional and international banks will help meet some of the demand for credit. We assume two 25bp rate cuts in 2026, which should partially support a rebound in mortgage activity as the impact of recent real estate regulations on prices becomes clearer.

Real Estate Activities (9.4% of non-oil GDP) grew by 4% in the year to Q3 2025, supported by housing initiatives under the Ministry of Municipalities and Housing' (MOMAH) Sakani program. During FY2025, more than 90,000 households received housing support through various financing and ownership options. As a result, the homeownership rate increased to 66% in 2025, up from 62% in 2020, moving closer to the Vision 2030's target of 70%, according to MOMAH.

In contrast, new residential mortgages weakened in 2025, declining by 12% in volume terms, compared with a 16% increase in 2024. The latest SAMA data showed that new mortgage lending totaled SAR 82.9b in 2025, down from SAR 93.6b in 2024 (Figure 15). This slowdown likely reflects a combination of factors, including a high interest rate environment, which encouraged households to postpone borrowing in anticipation of lower rates, and a period of adjustment following the announcement of real estate market stabilizing policies. These policies aim to improve housing affordability and incentivize the development of vacant land. Since their implementation on January 1, 2026, white land fees have been issued to around 60,000 landowners in Riyadh, according to MOMAH.

Fig. 14: Venture Capital Market in Saudi Arabia

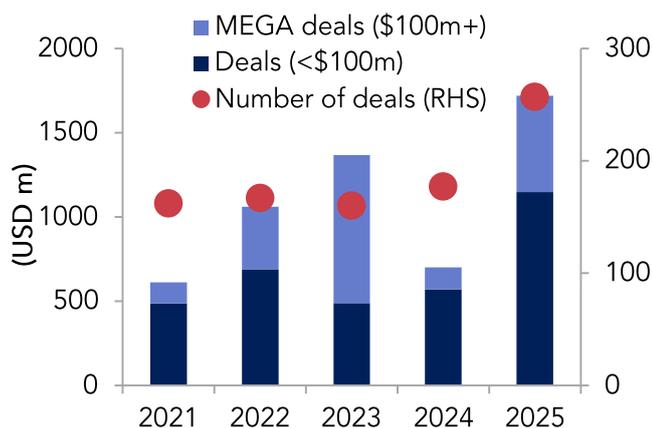
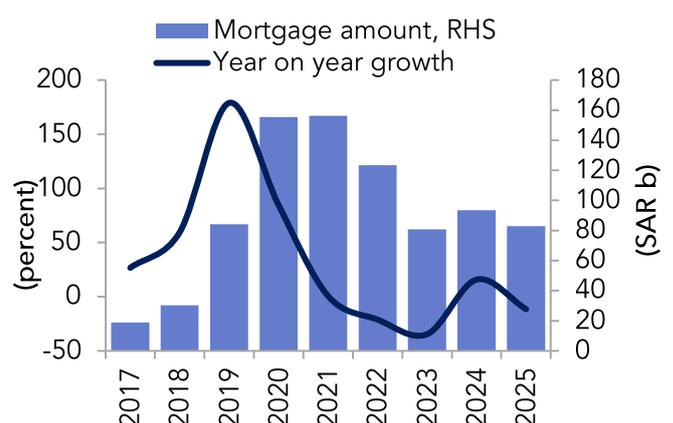


Fig. 15: Mortgage growth





In 2026, we expect a gradual recovery in mortgage demand, as interest rates ease and housing supply expands.

The construction sector continues to benefit from housing, tourism, and priority giga and mega projects.

The diverse array of sports and entertainment events is expected to boost the construction sector.

In 2026, there are plans to host numerous sports events and launch new hospitals and schools in the Kingdom.

As a result, real estate activity appears to have moderated in recent months. Latest SAMA data indicate that bank credit to real estate companies has stabilized, following strong growth in 2024 and Q1 2025 (Figure 16).

A gradual recovery in mortgage demand in 2026 is expected to support real estate activity, as interest rates ease and housing supply expands. In Riyadh, MOMAH estimates the availability of 100 million square meter of developed land plots, sufficient to accommodate up to 300,000 housing units over the next three years. The Sakani program is one source of sector growth in 2026, with MOMAH planning to extend housing support to 100,000 families, alongside the delivery of a further 80,000 housing units and developed land plots in partnership with the private sector.

Meanwhile, the National Housing Company (NHC) plans to provide 300,000 units nationwide in the near term, having already delivered a similar number across 16 cities.

The **Construction** sector (13.4% of non-oil GDP) grew by 4.1% in the year to Q3 2025, compared with 4.6% over the same period in 2024. The sector is underpinned by spending on priority giga and mega projects, tourism-related accommodations, and housing projects across both the private and public sectors. Notably, more than 2.5 million square meters of parks and urban development were delivered in H1 2025, while over 107,000 housing units and developed land plots were provided to citizens in 2025 by MOMAH, according to the 2026 budget statement.

In 2026, MOMAH plans to deliver a further 80,000 housing units and developed land plots. The PIF's priority giga and mega projects are expected to remain key pillars supporting construction activity: Red Sea, Roshn, Qiddiya, Diriyah, Riyadh Sports Boulevard, King Salman Park, and Seven. Nonetheless, the value of new construction contract awards declined in 2025, notably for giga projects, and may remain at lower levels in 2026 in line with the PIF's project recalibration. The PIF's upcoming 2026-2030 strategy is likely to place an increasing emphasis on crowding in investments from partners and the private sector, alongside increased focus on logistics, mining, tourism, advanced manufacturing, AI and data centers.

In preparation for hosting the AFC Asian Cup in 2027, Expo 2030, and the FIFA World Cup in 2034, hotel capacity is set to expand significantly. According to the Ministry of Tourism, around 250,000 hotel rooms are currently in the pipeline over the next five years to support these major events. The sector is also benefiting from new stadium construction and expansions in Riyadh, Jeddah and Khobar. Moreover, preparatory construction works for the Expo 2030 site have commenced, which is expected to add further momentum to construction activity over the coming five years.

Community, Social & Personal Services (6.7% of non-oil GDP) rose by 4.8% in the year to Q3 2025, year-on-year, moderating from 6.1% in the same period of 2024. This sector includes education, healthcare, arts, entertainment, and sports. In healthcare, services were expanded through the Virtual Sehha Hospital across the Kingdom, alongside the addition of around 1,700 beds across five major hospitals (Figure 17). In sports, the

Fig. 16: Bank credit by sector (year on year change)

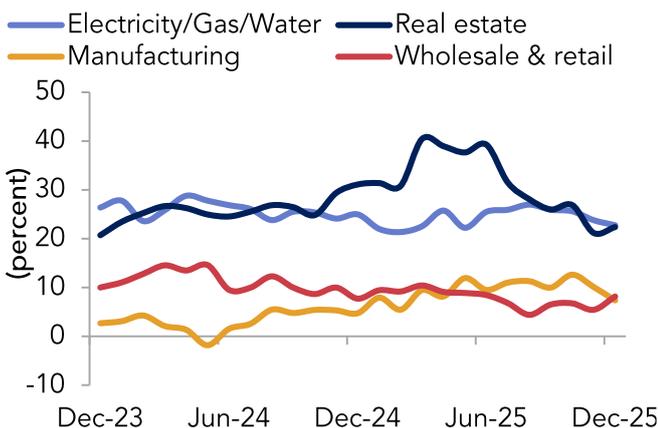
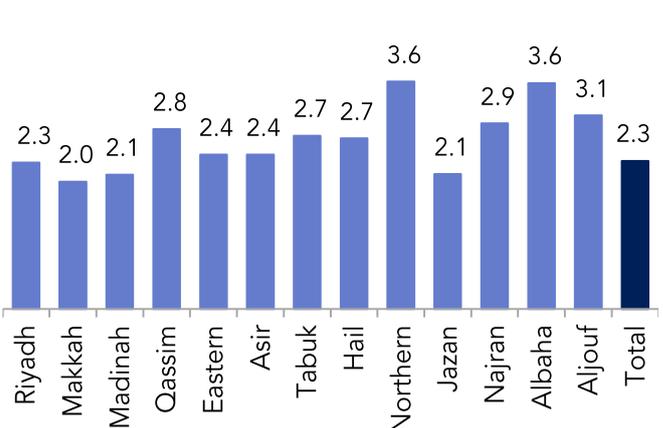


Fig. 17: Number of hospital beds per 1000 people (Gastat - 2024)





In 2026, the Kingdom plans to raise agriculture output to strengthen food security.

There will be further expansion in water desalination and solar power projects in 2026.

Major growing interest in the mining sector is coming from foreign exploration firms.

Kingdom hosted more than 15 international events, including football, Formula1, Formula-E, and tennis.

Growth is expected to continue in 2026, supported by plans to host 13 sports events and the launch of six new hospitals, adding around 1,100 beds. Further support will come from education initiatives to expand specialized schools for gifted students to 16 nationwide and broaden Chinese language instruction in public schools, alongside plans by the Ministry of Culture to launch new museums in numerous cities, including Al-Jouf, Al-Qassim, and Makkah.

Agriculture (4.6% of non-oil GDP) rose by 2.8% in the year-to-Q3 2025, year-on-year. Growth was supported by continued progress toward food self-sufficiency and ongoing tree planting projects under the Saudi Green Initiative. In 2026, the Kingdom plans to raise basic agricultural output by 13 million tons to strengthen food security and expand the sector (Figure 18).

Electricity, Gas, and Water (2.9% of non-oil GDP) grew by 7.1% in the year to Q3 2025, driven by the rollout of SAR 44b in projects. These included investments in water desalination and transmission infrastructure, as well as the expansion of solar power generation capacity. In addition, the launch of the Bisha Battery Energy Storage Project in February- one of the world's largest- aims to enhance grid stability under the National Renewable Energy Program, and another large-scale battery storage project came online in December in the Kingdom's south west region. By end-2024, cumulative investments in renewable energy reached SAR 19.8b, with solar energy accounting for 92% of total investments, alongside one operational wind farm, according to GaStat (Figure 19).

In 2026, growth in this sector is expected to be driven by further expansion in water desalination capacity, additional solar power projects coming online in the Red Sea development, Al-Madinah and Al-Jouf, and ongoing improvements in electricity generation and transmission networks. In parallel, the Saudi Irrigation Organization increased the share of renewable water use to 30% in 2025, with a target to raise this to 35% in 2026 across agriculture, industrial, and urban uses. Moreover, the planned construction of five new dams, with a combined capacity exceeding 8 million cubic meters, will further support water security and related economic activity.

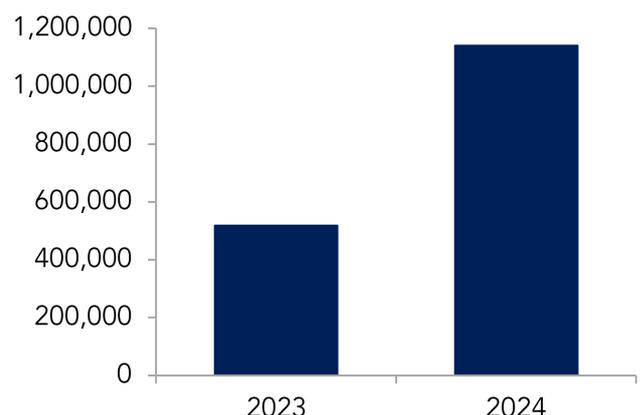
Non-oil Mining and Quarrying (0.8% of non-oil GDP) saw an expansion of 2.5% in the year to Q3 2025, driven by ongoing exploration efforts for base metals. The sector remains small, but the Kingdom continues to pursue its ambition to become a global hub for critical minerals and mining services, with rising interest from both foreign and domestic investors.

According to MIM, total exploration spending increased five-fold between 2020 and 2024, reaching SAR 1b. This was led by private investment, which rose from SAR 155m to SAR 770m, alongside a smaller but notable increase in government spending from SAR 11m to SAR 180m over the same period. The number of exploration companies have also expanded sharply, from six in 2020 to 226 in 2024, with foreign firms accounting for 66% of total participants, primarily from Canada, Australia, the UK, China and India.

Fig. 18: Loans by the Agriculture Development Fund for food security projects (stock)



Fig. 19: Estimated number of housing units using electricity generated by renewable energy





Exploration activity is expected to intensify around critical minerals, which are essential inputs for various supply chains.

In 2025, oil revenue declined 20% year-on-year.

In 2026, revenue growth is expected to be weaker due to lower oil revenue...

...but non-oil revenue will continue to grow.

Government spending is expected to be slightly lower as 2025.

Reflecting these developments, Saudi Arabia's global standing improved significantly. The Kingdom's ranking in the Fraser Institute's Mining Investment Attractiveness Index rose from 104th in 2013 to 23rd in 2024, while its position in the Mineral Potential Index improved from 58th to 24th over the same period. In 2025, the MIM also announced a major discovery of 7.8m ounces of gold across four sites within the Kingdom.

Looking ahead, exploration activity is expected to intensify across aluminum, phosphate, and gold, alongside continued development of critical minerals such as lithium, graphite, copper, and titanium, which are essential inputs for supply chains related to batteries, electric vehicles, aerospace, and defense industries. According to MIM, these resources have an estimated value of SAR 375b. As an example, a joint venture announced in November between Maaden and US-based MP Materials aims to establish a rare earths refinery in the Kingdom, supporting downstream processing and value addition.

Fiscal: budget deficit to narrow over medium term

The 2025 budget deficit widened to SAR 277b (5.8% of GDP), due to lower oil revenue which declined 20% year-on-year. Meanwhile, spending increased by 1% in 2025, following rapid spending growth in 2022-2024.

The 2026 budget projects a smaller deficit of SAR 165b (3.3% of GDP). This is based on a 5.2% rise in revenue and a 1.8% decline in spending due to lower investment-related outlays, specifically cuts to goods and services and capex.

We expect revenue growth to be weaker than planned due to lower oil revenue. We assume that Brent crude averages \$63pb and that Saudi Arabia produces 10.1mbpd of crude on average, with 8.6mbpd of crude and refined exports. On this basis we expect oil revenue to be lower year-on-year. At the same time non-oil revenue will continue to trend higher linked to ongoing growth in the non-oil economy.

For 2026 we expect spending to be slightly lower than in 2025, but around 3% above budget. Over the last ten years (2016-2025), actual spending on average has been 7.6% higher than budgeted. The extent of overspending varies significantly and is much smaller when oil prices are relatively low.

Overall, we anticipate a budget deficit of 4.7% of GDP in 2026, narrower than the deficit in 2025, but wider than the planned deficit (Figure 20). Assuming this is financed through borrowing, gross government debt will rise to 35% of GDP, still low in an international comparison. On a net basis, accounting for government deposits at SAMA which are more than USD 100b, equivalent to 9% of GDP, government debt would be 26% of GDP. In short, the government has space to weather a period of low oil prices, as illustrated by spreads tightening on government bonds last year and remaining tight for borrowing in early 2026.

Oil prices remain the key swing factor for the budget. A \$5pb change in the oil price would shift the deficit outcome by around 1% of GDP (holding other factors constant such as the level of spending).

For 2027-2028 the government projects smaller budget deficits, at SAR 120-125b (2.3-2.2% of GDP). This assumes revenue growth at 6.2% on average and

Fig. 20: Budget deficit (SAR b; % of GDP)

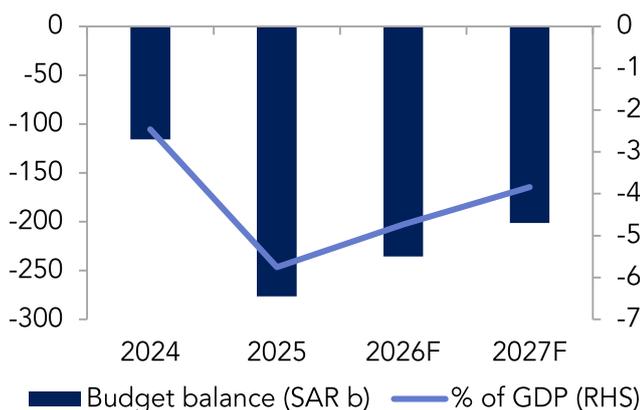
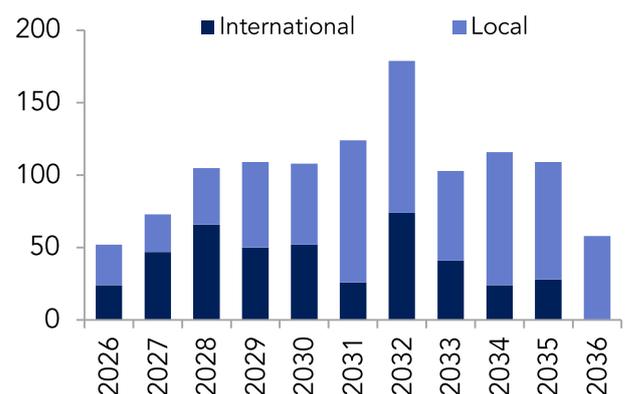


Fig. 21: Government debt maturities (SAR b)





The key risk remains to be oil price volatility.

The budget shows the Kingdom's policy of balancing economic support with strong fiscal metrics.

In 2025 Saudi Arabia's current account deficit also widened.

Oil exports declined, while non-oil exports surged, supported by re-exports.

Import spending continued to increase.

We expect gains from non-oil goods exports and tourism revenue in 2026.

spending growth at 4%. Indeed, we expect global oil balances to be gradually tighter in 2027-2028 as non-OPEC oil supply growth moderates, providing a basis for higher oil prices and gradually smaller budget deficits than in 2025-2026 and a shallower rise in government debt.

Government debt maturities increase in 2027 and further in 2028, as outlined in the Annual Borrowing Plan (Figure 21). This will increase the incentive for the government to reduce the deficit in order to contain gross borrowing requirements.

The budget's plan to contain spending highlights Saudi Arabia's policy of balancing support for the economy with maintaining strong fiscal metrics, including a controlled rise in government debt from low levels. While another year of lower oil prices is a headwind for economic growth, structural developments in the economy will continue to support non-oil expansion in 2026.

External account: deficit widens, reserves resilient

Alongside the budget deficit, the current account deficit also widened in 2025—reaching USD 25b in Jan-Sep 25. For the full year we estimate a current account deficit of 2.6% of GDP (or USD 34b), double the 1.3% of GDP deficit in 2024. Lower oil prices, growing imports and worker remittances were the key drivers of the larger deficit. Nonetheless, this size of current account deficit is easily manageable and Saudi Arabia's stock of foreign reserves remained very large (Figure 22).

Goods exports were broadly flat year-on-year in Jan-Sep, as the value of oil exports declined by 7% year-on-year, while non-oil exports surged by 20%. The bulk of the increase in non-oil exports came from re-exports which were up almost 50% due to expansion of logistics, notably the Special Integrated Logistics Zone (SILZ) next to King Khalid International Airport (KKIA) in Riyadh which includes a regional distribution center for Apple. Non-oil exports will surpass USD 100b in 2026.

Import spending, meanwhile, continued to increase, up by 9% in Jan-Sep, driven by machinery and electrical appliances. A significant contribution to import growth relates to imports that are then re-exported. Adjusting for re-exports, import growth has been slowing year-on-year since May.

These trade dynamics led to a smaller goods trade surplus (USD 65b) in Jan-Sep. And this surplus was outweighed by the services deficit (USD 45b) and workers remittances. The latter grew strongly, by 30%, reaching USD 42b.

For 2026, we project a slightly wider current account deficit, at 2.7% of GDP. Oil revenue (from crude and refined exports) will edge lower due to lower prices, but higher export volumes. Non-oil goods exports and tourism revenue will make gains. Meanwhile, we expect the growth in imports and outbound remittances to slow, but still offset the higher non-oil export revenues.

Saudi Arabia's foreign reserves increased in 2025, up to USD 460b, despite the wider current account deficit. This is explained by net inflows through

Fig. 22: Current account and Foreign reserves

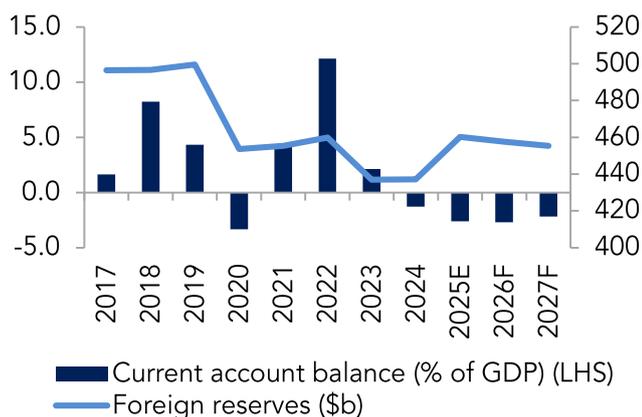


Fig. 23: FDI (inflows net, % of GDP)





the financial account. Primarily these inflows were from external debt issuance by the public and private sector (notably banks). Aside from debt inflows we expect a gradual rise in FDI (Figure 23). In 2026, we expect reserves to remain resilient as capital inflows remain strong. In January alone external borrowing reached around USD 26b.

Monetary and Financial Developments

In 2025, broad money supply (M3) grew by 8.4%, slightly slower than the 8.8% recorded in 2024. Growth was primarily driven by strong expansion in time and saving deposits (36% of M3), which rose by 23.6% in 2025, compared with 10% in 2024. By contrast, demand deposits (47% of M3) showed a deceleration during the year, slowing from an average growth of 7% in H1 to just 1.3% in H2.

Liquidity in the banking sector tightened further in 2025 as credit growth continues to outpace deposit growth. Total bank claims increased by 11.1% in 2025, while credit growth to the private sector expanded by 10.4%, moderating from 13% in 2024 (Figure 24). Meanwhile, total deposits grew by 8.7%. As a result, the headline loan-to-deposit (LDR) ratio rose to 113% by end-2025. Banks' Net Foreign Assets (NFA) position has become more negative over the year, reflecting increased reliance on foreign borrowing to meet strong domestic credit demand.

In January, the US federal reserve kept interest rates unchanged, with SAMA following suit. We assume two rate cuts in 2026, although uncertainty remains elevated over the path of Fed rates, given that inflation is still above target and economic activity remains resilient, despite signs of labor market softening.

Lower interest rate are likely to reduce the relative attractiveness of time and saving deposits, which have grown rapidly over the past two years, potentially supporting a rebound in demand deposit. At the same time, lower interest rates, combined with strong activity in the local economy, should support continued strong credit demand, and could boost mortgage demand especially when there is greater clarity over the market impact of recent real estate regulations.

Despite tight liquidity conditions, credit growth is expected to remain robust as banks continue to tap external wholesale funding. SAMA's 100bps increase in the countercyclical capital buffer will become effective this year. This contributed to the moderation in credit growth since mid-2025, but the banking sector is well capitalized and will look to continue expanding credit portfolios. At the same time, regional and international banks may provide more direct financing to large projects and corporates.

Sectoral credit growth continued to diverge in 2025, particularly within the three largest credit sectors. Following the introduction of real estate market stabilization policies, credit growth to real estate slowed in H2 2025: year-on-year growth was still strong averaging 26% in H2, but this was down from a peak of 40% in March and since June the stock of credit to the real estate sector grew by just 2.5%. Credit growth to 'wholesale and retail' also moderated. In contrast, credit to 'manufacturing' accelerated, averaging 10%

M3 grew by 8.4% in 2025, following 8.8% in 2024.

Tighter liquidity continued as credit growth outpaced deposit growth.

We assume two interest rate cuts in 2026.

Credit growth is expected to remain robust.

Fig. 24: Bank credit to the private sector is expected to remain robust

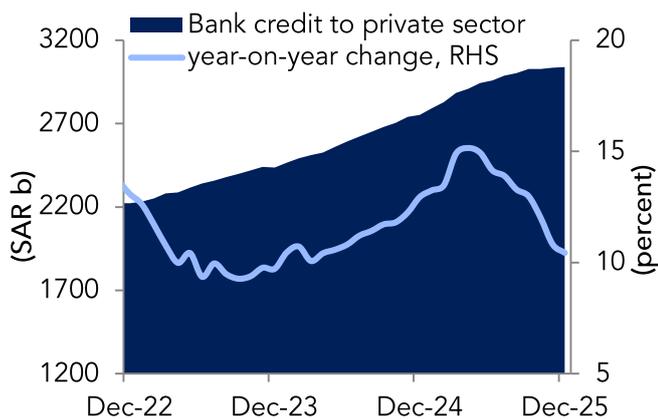
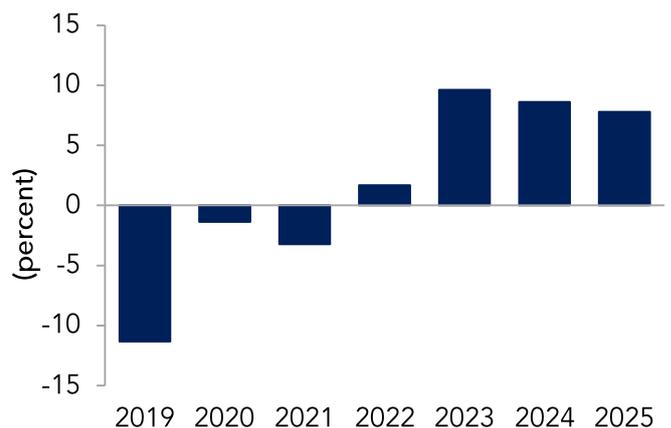


Fig. 25: Rentals for housing are moderating (annual averages - year on year change)





The share of SME loans in total credit continued to expand.

In 2025, non-performing loans continued to ease and the liquid assets-to-total assets ratio improved.

Inflation remained moderate in 2025, with main upward pressure from 'housing'.

We expect inflation to ease with lower pressures from food and housing prices.

in 2025, up from 3.2% in 2024, supported by robust domestic demand and local content initiatives.

Meanwhile, the share of Small & Medium Enterprise (SME) loans in total credit provided by banks and finance companies continued to expand, reaching 11% by Q3 2025. This was higher than the 9.4% registered in Q4 2024, driven largely by a sharp rise in lending to micro-sized enterprises, which grew by 88% year-on-year in Q3.

Financial soundness indicators

Risk metrics data (up to Q3 2025) indicates a continued improvement in non-performing loans (NPLs), which eased to 1.1% of total gross loans, down from 1.2% at end-2024. Other key ratios also remain solid; for example, the liquid assets-to-total assets ratio was 20.4% at the end of Q3, slightly improving from 19.8% at end-2024.

Inflation

Consumer price inflation increased in FY2025 compared with 2024, but remained moderate at 2.04%, broadly in line with our forecast of 2.1%. The main upward pressures came from 'insurance and financial services' and 'housing and utilities', which increased by 6.4% and 6.1% year-on-year, respectively.

In 2026, we expect inflation to ease to 1.7%, reflecting lower pressure from food prices and moderating rental inflation. According to the Food and Agriculture Organization (FAO), global food prices increased by 4.3% in FY 2025, compared with a 1.8% decline in FY 2024. However, prices fell by an average of 1.6% in Q4 2025, driven by declines in dairy, cereals, and sugar, which is likely to weigh on domestic food prices in H1 2026.

Housing inflation is also expected to slow, supported by base effects, a lower weight in the revised CPI basket, and the five-year rental freeze in Riyadh. The 'Rental for housing', a major sub-item in the group, eased to an average of 5.4% in Q4 2025, down from 10.8% a year earlier, and is expected to decelerate further in 2026 (Figure 25).

The depreciation of the US dollar is expected to have a limited impact on the cost of some imported goods and services in the Kingdom. By contrast, elevated gold prices are likely to continue having upward pressure on the 'Personal care and miscellaneous items' group, albeit at a more moderate pace. Overall, we forecast inflation to average 1.7% in 2026, easing further to 1.5% in 2027.

The Outlook for 2027

In 2027, the impact of structural reforms and Vision 2030 goals, further project delivery and healthy demographics will continue to support robust growth in the non-oil economy. Various sectors will continue to add capacity and develop, including tourism and entertainment, non-oil manufacturing, finance and technology as well as transport and logistics. The growth in the economy should attract more foreign capital, especially given policy initiatives to encourage foreign investment in equities and property. A modest recovery in oil prices will also help and allow for a smaller budget deficit.

Key downside risks include external shocks such as weaker global growth, global financial instability, lower oil prices or greater geopolitical instability including regional tensions. The latter can lead to higher oil prices, but is negative for business sentiment and attracting investment. The Kingdom's strong balance sheet is an important mitigating factor in these downside scenarios.

Upside risks mostly relate to higher than expected oil prices, a bigger increase in capital inflows or a sharper pick up in productivity from the reform drive.



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Key data

	2020	2021	2022	2023	2024	2025E	2026F	2027F
Nominal GDP								
(SAR b)	2,880	3,685	4,647	4,570	4,703	4,809	4,982	5,273
(USD b)	768	983	1,239	1,219	1,254	1,283	1,329	1,406
(% change)	-13.6	28.0	26.1	-1.7	2.9	2.3	3.6	5.8
Real GDP (% change)								
Oil	-6.9	1.2	15.0	-9.0	-4.4	5.6	6.8	2.3
Non-oil activities	-3.0	10.2	12.4	7.0	6.0	4.9	4.4	4.6
Government activities	-0.6	1.1	4.6	1.1	3.3	0.9	0.9	1.1
Total	-3.8	6.5	12.0	0.5	2.6	4.5	4.5	3.5
Oil indicators (average)								
Brent (USD/b)	42	71	104	84	80	68	63	66
Production (m b/d)	9.2	9.1	10.6	9.6	9.0	9.5	10.1	10.3
Budgetary indicators (SAR b)								
Government revenue	782	965	1,268	1,212	1,259	1,112	1,115	1,182
Government expenditure	1,076	1,039	1,164	1,293	1,375	1,388	1,351	1,384
Budget balance	-294	-73	104	-81	-116	-277	-236	-201
(% GDP)	-10.2	-2.0	2.2	-1.8	-2.5	-5.8	-4.7	-3.8
Gross public debt	854	938	990	1,050	1,216	1,519	1,755	1,956
(% GDP)	29.6	25.5	21.3	23.0	25.9	31.6	35.2	37.1
Monetary indicators								
Inflation (% change, average)	3.2	3.2	2.5	2.3	1.7	2.0	1.7	1.5
SAMA Repo (% , year end)	1.00	1.00	5.00	6.00	5.00	4.25	3.75	3.50
External trade indicators (USD b)								
Oil export revenues	119	202	327	247	223	209	204	217
Total export revenues	172	275	410	319	304	305	311	332
Imports	123	135	169	183	206	219	231	246
Trade balance	48	140	241	136	98	86	80	86
Current account balance	-26	41	150	26	-16	-34	-36	-31
(% GDP)	-3.3	4.1	12.1	2.1	-1.3	-2.6	-2.7	-2.2
Official reserve assets	454	455	460	437	437	460	458	455
Social and demographic indicators								
Population (m)	31.6	30.8	32.2	33.7	35.3	36.3	37.1	37.8
Saudi Unemployment (15+, %)	12.6	11.5	8.2	7.8	7.0	6.5	6.3	6.1
GDP per capita (USD)	24,339	31,921	38,510	36,157	35,528	35,369	35,823	37,233

Sources: General Authority for Statistics, Saudi Central Bank and Ministry of Finance. Jadwa Investment forecasts for 2026 and 2027.