INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/223

SAUDI ARABIA

August 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Saudi Arabia, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 28, 2025, consideration of the staff report that concluded the Article IV consultation with Saudi Arabia.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 28, 2025, following discussions that ended on May 26, 2025, with the officials of Saudi Arabia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 14, 2025.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PR 25/275

IMF Executive Board Concludes 2025 Article IV Consultation with Saudi Arabia

FOR IMMEDIATE RELEASE

- Saudi Arabia's economy has demonstrated strong resilience to shocks, with non-oil economic activities expanding, inflation contained, and unemployment reaching record-low levels.

- Despite heightened uncertainty and declining commodity prices, the outlook remains strong with risks to the downside. External and fiscal buffers remain ample, even as current account and fiscal deficits persist over the medium term.

- Given the current heightened global uncertainty, pursuing a countercyclical fiscal stance is crucial. Addressing strong credit is important to mitigate risks to systemic financial stability. At the same time, structural reforms are essential to sustain non-oil growth and drive economic diversification, irrespective of oil price developments.

Washington, DC- August 4, 2025: On July 28, 2025 the Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Saudi Arabia.[1]

As its economic diversification advances, Saudi Arabia has shown strong resilience to external shocks. In 2024, non-oil real GDP grew by 4.5 percent, driven by retail, hospitality, and construction, while OPEC+ production cuts held oil output at 9 mbpd, causing a 4.4 percent decline in oil GDP and moderating overall growth to 2.0 percent. Inflation remained contained, with housing rent increases continuing to decelerate. Unemployment among Saudi nationals hit a record low, with youth and female unemployment rates halved over four years. The current account shifted to a 0.5% of GDP deficit from a 2.9 percent of GDP surplus in 2023, increasingly financed by external borrowing and reduced foreign asset accumulation. Despite these shifts, Saudi Central Bank's net foreign assets stabilized at $415 billion, covering 187 percent of the IMF's reserve adequacy metric. The banking sector remained strong, marked by high capitalization, profitability, and nonperforming loans at their lowest since 2016.

Amid heightened uncertainty and weakened commodity prices, robust domestic demand, including government-led projects, will continue to keep non-oil growth above 3.5 percent over the medium term. This reflects the ongoing implementation of Vision 2030 projects and major international events. Overall, real GDP is projected to accelerate to 3.9 percent by 2026, supported by the continued phase-out of OPEC+ production cuts. Inflation is expected to remain contained, while the current account deficit is projected to persist over the medium

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

term due to increased investment-linked imports and remittance outflows. Reserve buffers will remain appropriate, with the current account deficit expected to be financed through deposit drawdowns, less FX asset accumulation abroad, and higher external borrowing

The near-term outlook faces downside risks, including weaker oil demand due to global trade tensions, lower government spending, and regional security risks that could dampen investor sentiment. On the upside, higher oil production or additional investments linked to Vision 2030 initiatives would support growth, and oil prices could rise if the global recovery strengthens or in the case of disruptions to the global supply of oil.

Executive Board Assessment[2]

Executive Directors commended Saudi Arabia's strong economic performance despite elevated global uncertainty and external shocks, buttressed by ongoing reforms under Vision 2030 to diversify the Saudi economy. Directors welcomed the robust non-oil economic activity, low inflation, and record-low unemployment. Despite high uncertainty and the emergence of twin deficits, the outlook remains favorable—helped by appropriate macroeconomic policies, strong buffers, and impressive reform momentum.

Directors supported a countercyclical fiscal policy in the near term, given ample fiscal buffers, to support growth and avoid magnifying the impact of large oil price fluctuations. They welcomed the authorities' contingency planning and encouraged careful consideration of trade-offs in the use of fiscal buffers. Over the medium term, Directors agreed that a gradual fiscal consolidation is needed to achieve intergenerational equity. This could be achieved through broader tax policy reforms to increase non-oil revenue, wage bill containment, energy subsidy reform alongside better targeting social safety nets, and streamlining of non-essential expenditures.

Directors also commended the authorities for progress in strengthening fiscal institutions. They encouraged continued efforts to enhance the medium-term fiscal framework, and encouraged the operationalization of an expenditure-based fiscal rule, improvements in budget execution, and operationalization of a comprehensive sovereign asset-liability management framework. Directors welcomed the significant improvement in fiscal transparency with enhanced fiscal analysis and data disclosure, ongoing risk analysis efforts, including of contingent liabilities, and encouraged further progress in these areas. They highlighted the tightening sovereign spreads following recent bond issuance, which reflects increased investors' confidence in the sustainability of fiscal policies.

Directors agreed that the currency peg to the U.S. dollar remains appropriate. They welcomed improvements in the liquidity management framework and noted that monetary operations should remain focused on smoothing short-term liquidity without fueling asset and credit growth.

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[2] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Directors noted that the banking system remains well-capitalized and profitable, liquidity conditions are adequate, and systemic financial sector vulnerabilities are low. They welcomed continued progress in banking regulatory and supervisory reforms and encouraged swift adoption of the Banking Law and finalization of the crisis management framework. They commended the good progress in implementing FSAP recommendations, SAMA's vigilance in monitoring potential risks, and welcomed their proactive review of macroprudential tools to ensure continued financial stability—including through the recent introduction of a 100 basis points countercyclical capital buffer. Directors also welcomed continued progress in deepening the domestic capital market, which is important to help diversify funding sources.

Directors commended the impressive structural reforms since 2016 and stressed the importance of sustaining the reform momentum irrespective of oil price developments. They particularly welcomed improvements in the regulatory and business environment, human capital, female labor participation, and governance, and looked forward to sustained improvement in SME access to finance, regional trade integration, and climate resilience. Directors noted that industrial policies should remain complementary to structural reforms, and be targeted, temporary, transparent, and should continue prioritizing crowding in private sector investment and advancing economic diversification.

Directors commended Saudi Arabia for its stabilization role in the region, and its leadership in multilateral fora, including G20, and its role as Chair of the IMFC, and looked forward to its continued contributions to addressing global challenges.

Saudi Arabia: Selected Economic Indicators, 2024–26

Population: 35.3 million (2024)

Quota: SDR 9,992.6 million (2.10% of total)

Main products and exports: Oil and oil products (77%)

Key export markets: Asia, U.S., and Europe

	2024	Proj. 2025	Proj. 2026
Output			
Real GDP growth	2.0	3.6	3.9
Non-oil GDP growth	4.5	3.4	3.5
Prices			
CPI Inflation (avg, %)	1.7	2.1	2.0
Central government finances			
Revenue (% GDP)	27.1	24.1	24.0
Expenditure (% GDP)	29.6	28.1	27.9
Fiscal balance (% GDP)	-2.5	-4.0	-3.9
Public debt (% GDP)	26.2	29.8	32.6
Non-exported oil primary balance (% Nonoil GDP)	-24.7	-21.1	-20.3
Money and credit			
Broad money (% change)	8.8	9.3	8.2
Credit to the private sector (% change)	13.4	12.4	8.9
Balance of payments			
Current account (% GDP)	-0.5	-2.6	-3.0
FDI (% GDP)	1.6	1.6	1.6
Reserves (months imports)[1]	14.9	14.1	13.3
External debt (% GDP)	30.1	34.8	38.1
Exchange rate			
REER (% change) [2]	2.4	3.0	…
Unemployment rate			
Overall (% total labor force)	3.5	…	…
Nationals (% total labor force)	7.4	…	…

Sources: Country authorities and IMF staff estimates and projections.

[1] Imports of goods and services.

[2] For 2025, data is latest available.

INTERNATIONAL MONETARY FUND

SAUDI ARABIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

July 14, 2025

KEY ISSUES

Context. As its economic diversification advances, Saudi Arabia has shown strong resilience to external shocks. Non-oil economic activities continue to expand, inflation is contained, and unemployment has fallen to record-low levels. While lower oil proceeds and investment-linked imports led to the emergence of twin deficits, the country maintains ample external and fiscal buffers.

Outlook and risks. The direct impact of rising global trade tensions is limited. Robust domestic demand and the unwinding of OPEC+ production cuts will drive growth despite heightened global uncertainty. Inflation would remain anchored around 2 percent while the external position is expected to weaken. Risks to the outlook are to the downside.

Fiscal policy. A higher-than-budgeted fiscal deficit in 2025 remains appropriate to prevent procyclicality that could amplify the growth impact of lower oil prices. A gradual fiscal consolidation—underpinned by stronger fiscal institutions—will be necessary to achieve intergenerational equity. This would require intensifying efforts in non-oil revenue mobilization, energy subsidy reform and spending rationalization. Amid high uncertainty, prudent debt management and proper sovereign asset liability management will be essential.

Monetary and financial sector. The peg to the US dollar remains appropriate and the central bank's monetary operations should continue to focus on smoothing short-term liquidity. The banking sector demonstrates strong capitalization and profitability, and good progress is being made to improve the banking regulatory and supervisory framework. Addressing strong credit growth and associated funding pressures will be essential in mitigating risks to financial stability.

Structural reforms. Significant and wide-ranging reforms—particularly in business regulations, investment efficiency, governance, labor, digitalization and capital markets—will help enhance private sector development and promote economic diversification. The reform momentum should be accelerated amid high uncertainty, irrespective of oil price developments. Targeted interventions through industrial policies should complement—not replace— structural reforms and must avoid crowding out private sector investment.

Approved By
Zeine Zeidane (MCD) and Geremia Palomba (SPR)

Discussions were held in Riyadh during May 12–26, 2025. The team comprised Amine Mati (head), Jérôme Vacher, Masashi Saito, Yuan Gao Rollinson (all MCD), and Vassili Prokopenko (MCM). Nordine Abidi (MCD) helped support the mission from headquarters. Jihad Azour (MCD) participated in the concluding meetings. The Executive Director for Saudi Arabia, Mr. Mohammed Al Rashed and Ms. Hend AlShaikh, Advisor to the Executive Director, accompanied the mission. The team met with Minister of Finance Al-Jadaan, Governor of the Saudi Central Bank (SAMA) Alsayari, Minister of Investment Al-Falih, Minister of Industry and Mineral Resources Al Khorayef, and other senior officials, as well as representatives of the private sector and academics. Esther George and Jarin Nashin (all MCD) provided excellent support for the preparation of the report.

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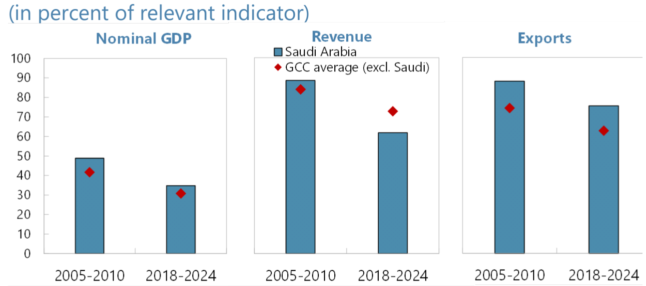
ANNEXES

BACKGROUND

1. Saudi Arabia's economy has demonstrated a strong performance and resilience in the face of economic shocks. Spillovers from the Red Sea tensions and regional conflicts have had a minimal impact on the economy. Non-oil economic activities are expanding, supporting greater economic diversification. Inflation is contained, private sector employment is growing, and unemployment is at a record low. The implementation of Vision 2030—bolstered by a strong push on structural reforms—has been progressing well, including through a good intake of past Article IV recommendations (Annex I). Investment—key to post-Covid growth—has moderated as projects were recalibrated and reprioritized.

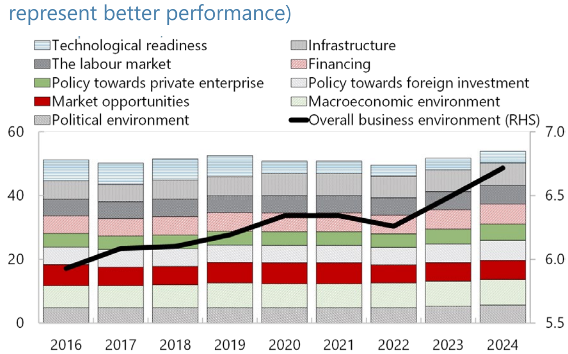
Hydrocarbon Dependence
(in percent of relevant indicator)



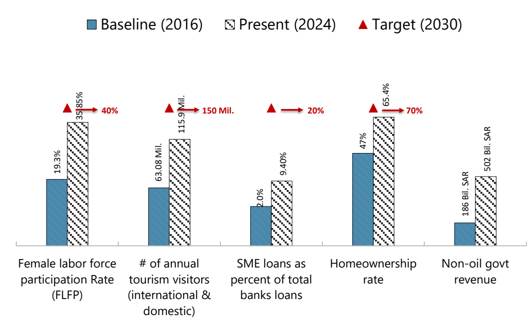
Sources: IMF staff calculations.

Text Figure 1. Vision 2030 Reforms Moving Ahead

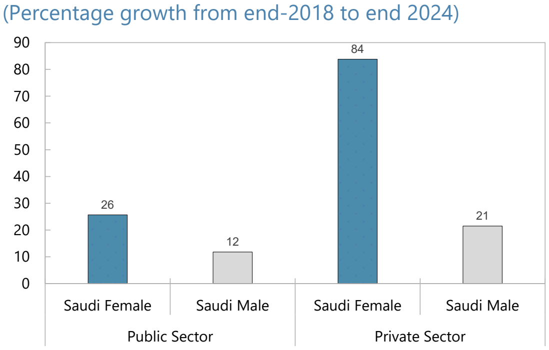
Evolution of Structural Reform
(Scale 0 to 100 (LHS) and 0 to 10 (RHS); large numbers represent better performance)



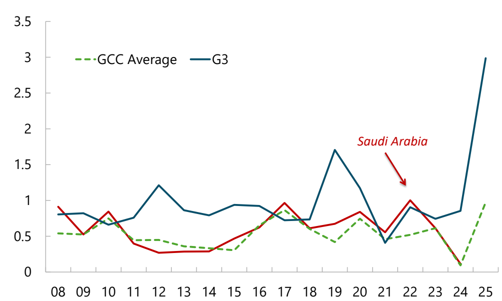
Selected Macro Targets



Growth of Saudi Nationals Employees by Sector
(Percentage growth from end-2018 to end 2024)



Indicator of Domestic Uncertainty, 2008-25 1/
(G3 period average =1)

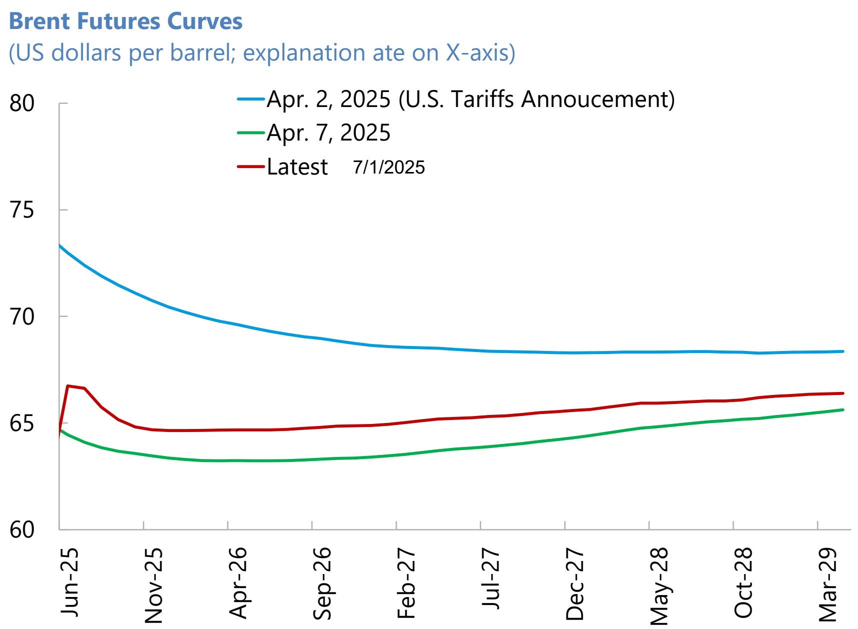


1/ Annual average of monthly data. Jan-may average for 2025. GCC countries include Saudi Arabia, Qatar, Oman, and the UAE. G3 countries include Germany, Japan and the USA

Sources: EIU, GASTAT, World Development Indicators, World Uncertainty Index, and IMF staff calculations.

2. High global economic uncertainty and lower oil prices pose additional challenges to achieving Vision 2030 diversification objectives. Over the past two years, the authorities have conducted a welcome fiscal space exercise, leading to a reassessment of funding needs and a subsequent reprioritization—including the extension—of certain projects. In the current environment of lower oil prices and heightened global uncertainty, as well as twin current account and fiscal deficits, the policy response to already approved projects—including the execution of those at various stages of development—will be crucial in shaping the impact on growth and diversification. Pursuing the ongoing diversification agenda—including through higher investment and structural reforms—while avoiding overheating and fiscal policies that are procyclical with respect to the oil price is a key policy challenge.

Text Figure 2. Oil Price Dynamics



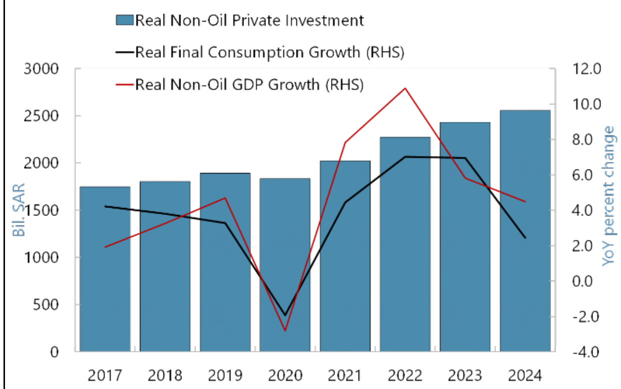
Sources: Bloomberg and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

3. Growth remained strong, driven by private investment and consumption. Non-oil real GDP, based on the newly rebased methodology (Box 1), expanded by 4.5 percent in 2024, with retail, hospitality, and construction leading the way. Non-oil private investment grew 6.3 percent year-on-year (y-o-y), matching the pace of 2023 but only a third of the 2022 expansion. Meanwhile, repeated extensions of the OPEC+ production cuts kept oil output at 9 mbpd, the lowest level since 2011, leading to a 4.4 percent decline in oil GDP and an overall real GDP growth of 2 percent. The composite PMI continues to indicate an expanding activity in Q1, particularly in new orders, with the Q1 GDP release showing a 4.9 percent y-o-y increase in non-oil activities.

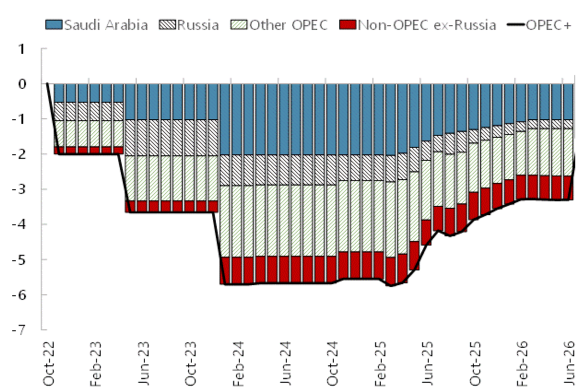
Text Figure 3. Economic Activity and Oil Production

Real Non-Oil Private Investment and Growth



Sources: IMF staff calculations and country authorities

OPEC+ Members: Contribution to Voluntary Production Cuts (In millions of barrels per day)



Sources: OPEC; and IMF staff calculations

Box 1. Saudi Arabia: New Methodology of National Account Statistics

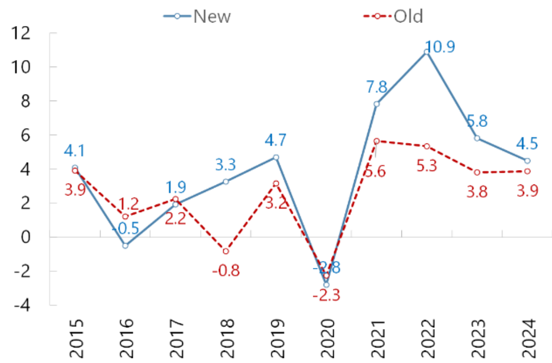
In May 2025, the General Authority for Statistics (GASTAT) released updated GDP statistics, incorporating a comprehensive methodological revision (mostly within-sector revisions) and rebase (from 2018 to 2023), which are generally consistent with international best practices. This update—which also backcasted historical series—builds on the chain-linked real GDP enhancements published in 2024 and integrates recommendations from IMF technical assistance missions on Saudi Arabia's national accounts conducted between 2019 and 2024. The new GDP rebasing implies:

- **Using a significantly enlarged supply and use table (SUT):** GASTAT has significantly increased the granularity of industry and product classification from 85x85 to around 300x300, now covering 134 economic activities, compared to 85 in its previous classification. This expansion was enabled by enhanced input data gathered through several surveys, including the comprehensive economic, household, expenditure, labor force, and agricultural surveys.

- **An updated methodology that provides a revised representation of the national economy while capturing significant structural shifts**. IMF staff found the updated methodology and base year to be generally consistent with international best practices and the 2008 UN System of National Accounts. Minor issues remain to be addressed in future revisions of the SUT table, such as shifts in intermediate consumption patterns across industries and changes in the value-added-to-output ratios. The real GDP benchmark was updated from 2018 to 2023, aligning real and nominal GDP levels for that year.

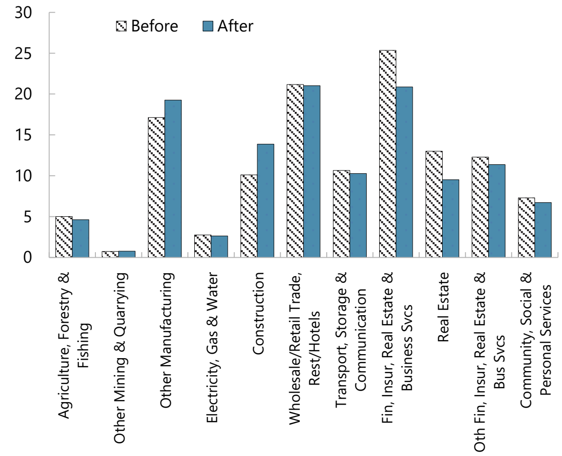
- **Higher GDP levels**: The new rebased nominal GDP level is 14 percent higher in 2024 than previously estimated, and 20 percent higher for non-oil GDP. The non-oil economy's share (including net taxes on products) rose from 72 to 76 percent, driven mostly by growth in construction, non-oil manufacturing, and wholesale and retail trade, restaurants and hotels. Vision 2030 targets are expected to be revised across various ministries, with the new series offering more informed guidance for policy formulation and decision-making.

Box 1. Figure 1. Real Non-Oil GDP Growth
(Percent)



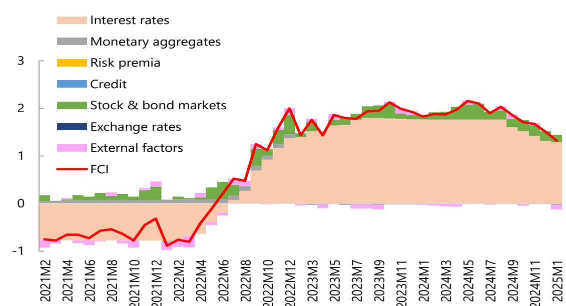
Source: GASTAT and IMF staff calculations.

Box 1. Figure 2. Comparison Contribution of Sectoral Activities to Non-oil Private Activities
(Percent, annual data of 2024 before and after revision)



4. Inflation is contained as rent inflation continues to decelerate. While reaching 2.2 percent in May 2025, inflation remains modest, helped by tight financial conditions driven by high real rates. Declining prices in transport and communication helped offset housing rent inflation, which has slowed for the seventh consecutive month to 8 percent y-o-y— the lowest annual rise since February 2023. Real wage growth has been flat overall, although wages in service industries and for highly skilled workers increased by about 6 percent in real terms.

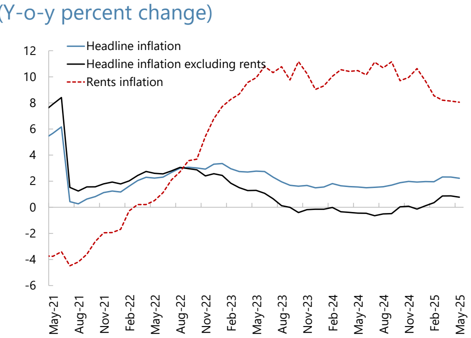
Financial Condition Index and Decomposition
(Index)



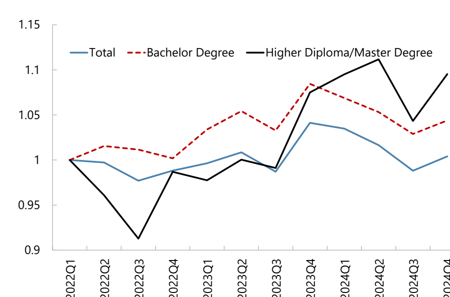
Sources: MCD RSD; IMF staff calculations

Text Figure 4. Inflation

Inflation Dynamics
(Y-o-y percent change)



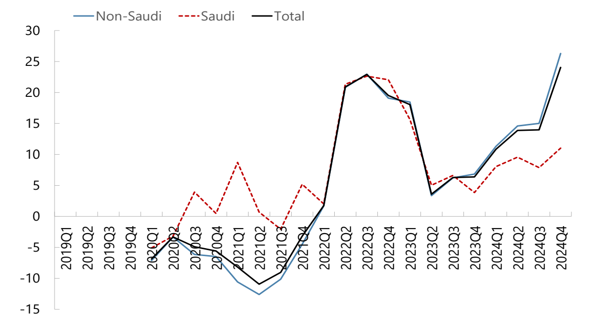
Average Real Monthly Wage Index
(2022Q1=1)



Sources: GASTAT, SAMA, and IMF staff calculations.

5. The labor market's strong momentum continues. The unemployment rate for Saudi nationals declined to a record low of 7 percent in 2024 Q4—surpassing ahead of time the original Vision 2030 target, which has now been revised to 5 percent. The improvement has been broad-based, with both youth and female unemployment halving over a four-year period. Private sector employment increased by 12 percent on average in 2024, driven mainly by higher female employment. Meanwhile, the construction sector experienced a notable 24 percent rise in its labor force, largely fueled by non-Saudi workers. Public sector hiring continued to slow, reflecting a redeployment to non-government entities and a partial hiring freeze.

Construction Sector Labor Force
(Y-o-y percent change)

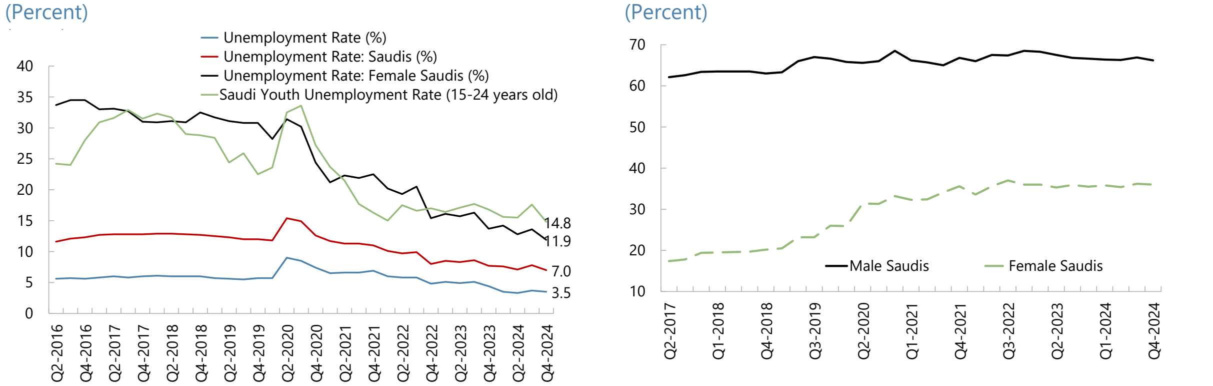


Sources: GASTAT and IMF staff calculations.

Text Figure 5. Unemployment Rates and LFPR

Unemployment Rates
(Percent)

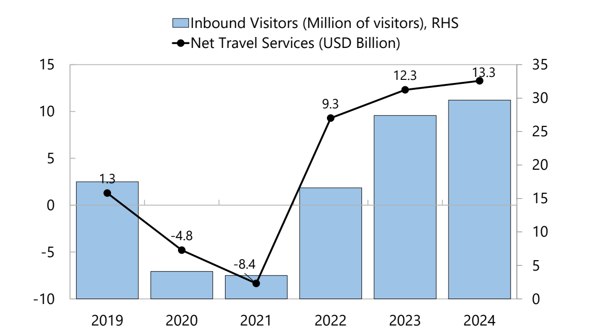
Labor Force Participation Rates
(Percent)



Sources: GASTAT and IMF staff calculations.

6. While the current account shifted to a narrow deficit, the external position in 2024 was broadly in line with medium-term fundamentals and desirable policies (Annex II). The current account registered a deficit of 0.5 percent of GDP in 2024, down from a 2.9 percent of GDP surplus in 2023. This reversal primarily reflected a decline in oil export proceeds, higher imports of machinery and equipment, and stronger remittance outflows—which alone accounted for one fifth of the deterioration—partially offset by significantly expanded tourism inflows. The current account deficit has been increasingly financed through external borrowing and less foreign exchange asset accumulation abroad. As a result, Saudi Central Bank's (SAMA)

Net Travel Services and Tourism Flows
(USD Billion and Millions of visitors)

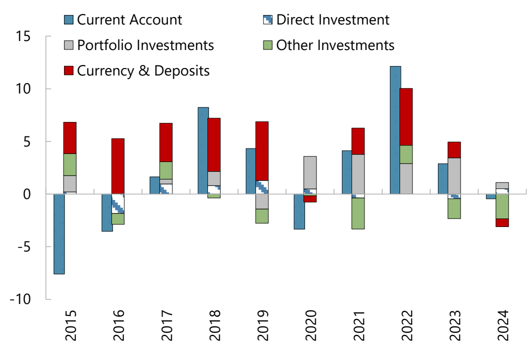


Sources: SAMA and Ministry of Tourism.

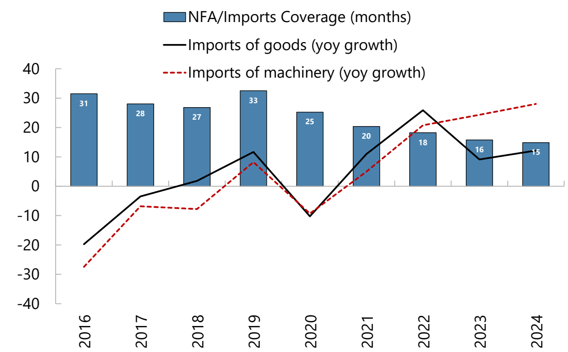
net foreign assets (NFA) stabilized at $415 billion by end-2024, though still adequate as it covers 15 months of imports and 187 percent of the IMF's reserve adequacy metric. Q1 2025 trade data suggests a continued deterioration despite a strong non-oil export growth of 13.4 percent, in line with staff's annual projections.

Text Figure 6. Current Account and External Position

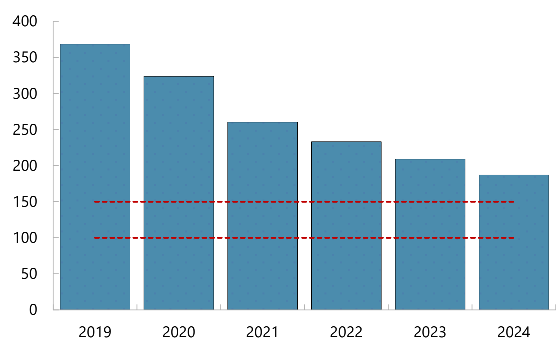
Current Account and Financial Account
(Percent of GDP)



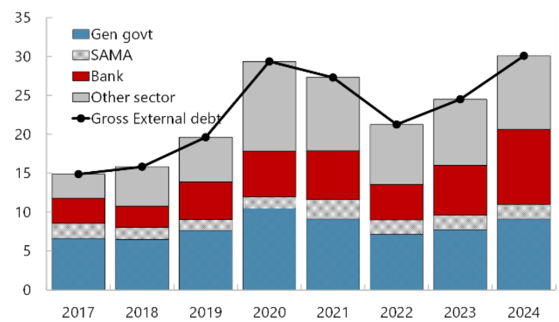
NFA Buffer and Growth of Imports
(Y-o-y growth and months)



ARA Metric for Saudi Arabia
(Suggested range [100-150])



External Debt by Sector
(Percent of GDP)



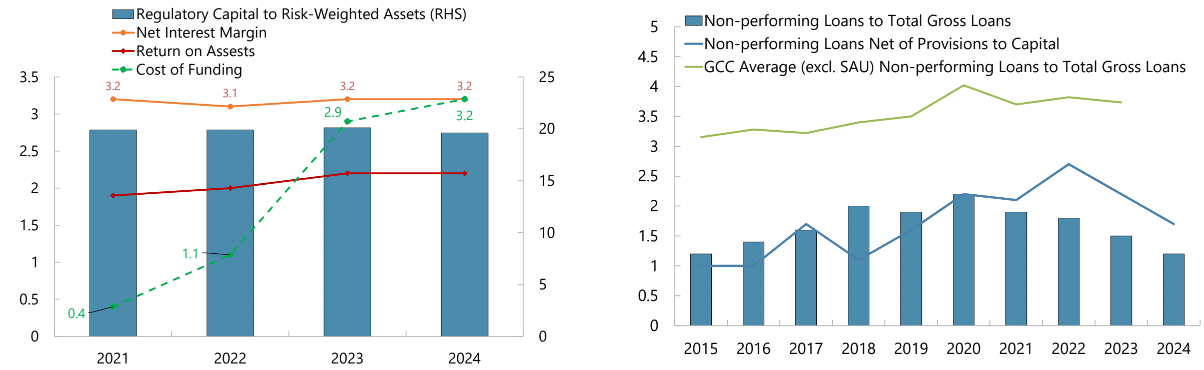
Sources: SAMA, GASTAT, Haver Analytics and IMF staff calculations.

7. The banking system displays strong capitalization and profitability despite rising funding costs. As of end 2024, the banking sector remained well-capitalized, with the aggregate regulatory capital ratio and Tier 1 capital ratio standing at 19.6 percent and 18.3 percent of risk-weighted assets, respectively. Despite rising funding costs, driven by a growing share of time and saving deposits, profitability indicators remained robust. Return on assets and return on equity were 2.2 percent and 15 percent, respectively, as banks passed higher rates to borrowers. Asset quality is strong, with nonperforming loans declining to 1.2 percent of total loans—the lowest share since 2016. Liquidity indicators are adequate, although the ratio of liquid assets to short-term liabilities has been declining.

Text Figure 7. Financial Soundness Indicators

Capital Adequacy and Profitability
(Percent)

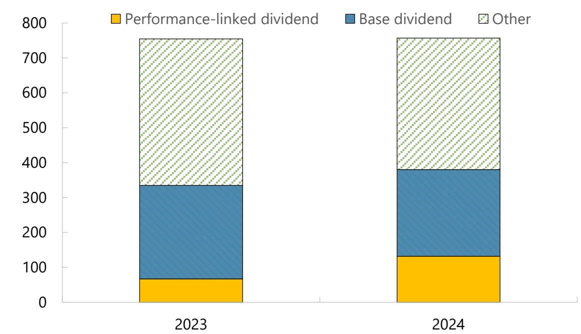
Asset Quality
(Percent)



Sources: SAMA, Bloomberg, Fitch, and IMF staff calculations.

8. **The overall fiscal deficit widened in 2024, despite stronger non-oil revenue.** It rose to 2.5 percent of GDP— 0.8 percent of GDP above the budget target (based on the revised GDP figures)—mainly due to spending overruns and some one-off expenditures related to projects. Oil revenue remained stable as lower oil production was offset by large supplementary dividends from the national oil company (Aramco). Meanwhile, the non-oil primary balance improved by close to 0.7 percentage point of non-oil GDP, helped by higher non-oil revenue. Gains reflected enhanced revenue administration efficiency—contributing 0.2 percent of non-oil GDP from fines and penalties—as well as increased sales tax receipts, supported by sustained private consumption and import growth. The debt-to-GDP ratio rose by about 3 percentage points of GDP, reaching 26.2 percent of GDP while net debt remained at around 17 percent of GDP.

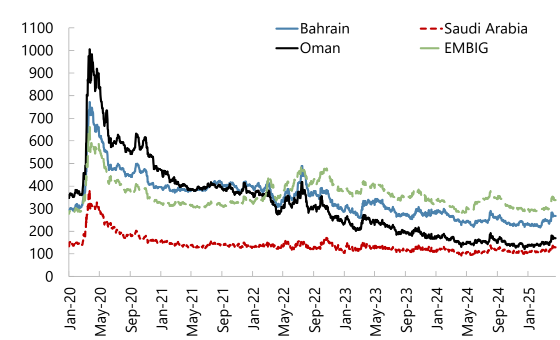
Oil Revenue
(SAR billion)



Sources: Country authorities.

9. **Market conditions for Saudi Arabia remain favorable, despite high volatility.** In 2024, Saudi Arabia became the largest dollar-denominated debt issuer in emerging markets (EMs), excluding China, and the largest dollar-denominated Sukuk issuer globally. Besides some banks and corporates, Saudi issuance was driven mostly by the central government and the sovereign wealth fund (PIF), raising respectively $17 billion and

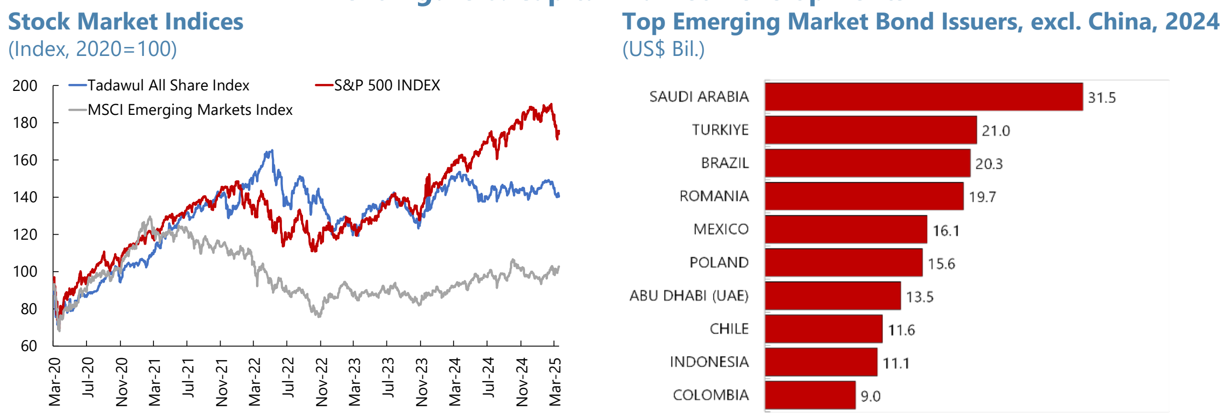
Sovereign Spreads
(Basis points)



Sources: Bloomberg

$9.8 billion in 2024, with the trend continuing strongly in Q1 2025. Saudi sovereign spreads continued to converge with those of similarly rated peers. Unlike for the broader EM spectrum, where spreads remained above 300 basis points, staff's analysis indicates that Saudi sovereign spreads tightened following bond issuances, suggesting market confidence in the sustainability of fiscal policies (Annex III). By contrast, despite a record number of new listings, equity market performance has been sluggish, as the Tadawul All Share Index has underperformed the S&P 500 since mid-2023 and has remained relatively flat over the past 12 months, reflecting subdued earnings expectations amid weaker oil prices.

Text Figure 8. Capital Market Developments



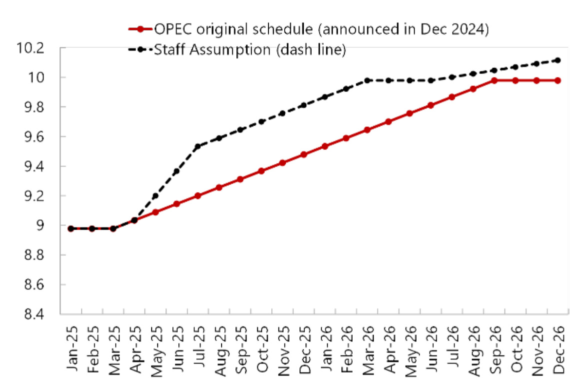
Sources: Bloomberg, Bond Radar and IMF staff calculations.

OUTLOOK, RISKS, AND SPILLOVERS

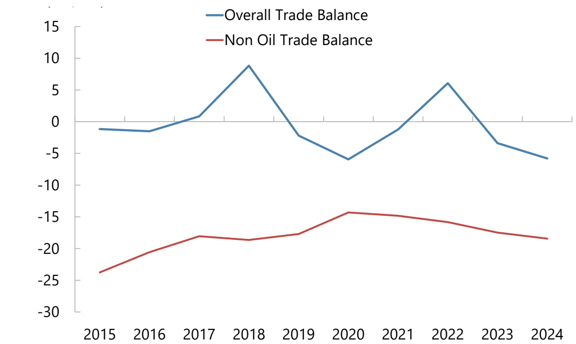
10. **Amid heightened uncertainty and weakened commodity prices, robust domestic demand—including from government-led projects—will continue to drive growth.** After a strong first quarter, non-oil real GDP growth is projected at 3.4 percent in 2025, about one percentage point below 2024. This reflects continued implementation of Vision 2030 projects, as well as strong credit growth, which would help sustain domestic demand and mitigate the impact of lower oil prices, which are projected to remain broadly aligned with the path predicted prior to the June 2025 Iran-Israel conflict. The direct impact of rising global trade tensions remains limited, as oil products—currently about 78 percent of Saudi Arabia's goods exports to the U.S—are exempt from U.S. tariffs, while non-oil exports to the U.S. only account for 3.4 percent of Saudi Arabia's total non-oil exports (Annex IV). Overall real GDP is projected to accelerate to 3.6 percent in 2025, supported by the continued phase-out of OPEC+ production cuts. As a result, oil output is expected to reach 9.5 mbpd in July—up from 9 mbpd in Q1 2025—with further monthly increases following the original OPEC+ phase out schedule from August onwards.

Text Figure 9. Oil Production, Trade Linkages with the U.S.

Oil Production Path
(mb/d)



Saudi Arabia Trade Balance with United States
(US$ Bil.)

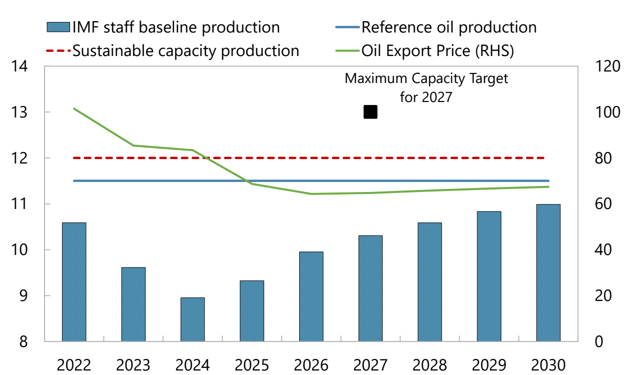


Sources: OPEC+ Press Release, GASTAT, and IMF staff calculations.
Note: Solid black lines represent actual production levels, dash black lines represent staff's assumption for August 2025 onwards based on OPEC+ production cut phase out schedule announced for July 2025.

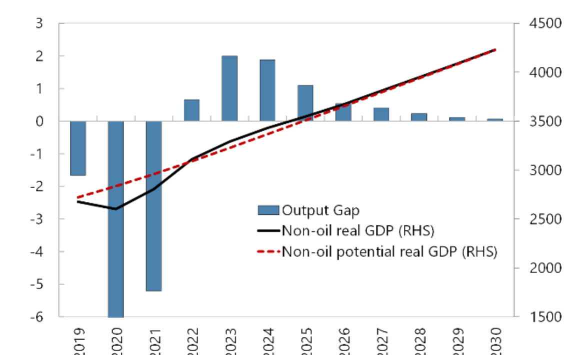
11. **Over the medium term, growth is projected to converge toward its potential.** Oil production is expected to recover gradually to 11 mb/d by 2030—still below the maximum sustainable capacity of 12.3 mb/d but in line with market expectations based on demand and supply dynamics. A modest increase in non-oil growth is anticipated in 2027, driven by accelerated investments in new infrastructure and upgrades to existing facilities in preparation for Saudi Arabia's hosting of several major international events, including the 2027 Asian Cup, 2029 Asian Winter Games, 2030 World Expo, and 2034 FIFA World Cup (Annex V). Higher foreign labor inflows, particularly in the construction sector, along with increased tourism, are expected to support growth. Non-oil growth would converge towards 3.5 percent in the medium term as non-oil private investment grows at a steady pace, including through continued contributions from the PIF of at least $40 billion annually into the domestic economy.

Text Figure 10. Medium-Term Outlook: Oil, Output Gap, and Investment

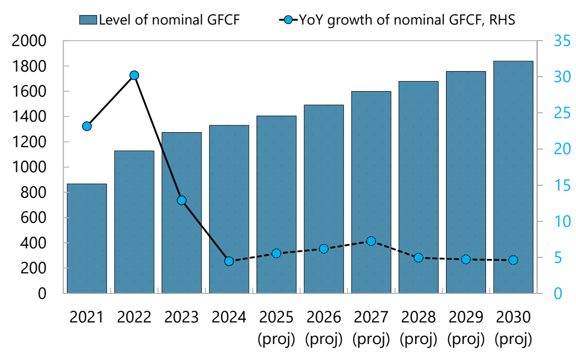
Oil Production and Export Price
(Million barrels per day and USD)

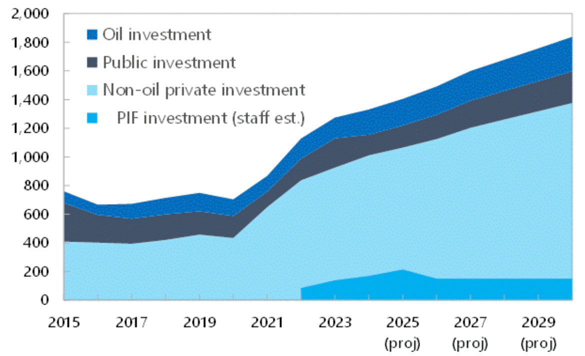


Non-Oil Output Gap
(Percent, SAR Bil.)



Text Figure 10. Medium-Term Outlook: Oil, Output Gap, and Investment (continued)





Sources: Country authorities and IMF staff calculations.

12. The external position is anticipated to weaken. Twin deficits are expected to persist over the medium term. Investment-linked imports and remittance outflows from an expanding expatriate labor force, only partially offset by rising non-oil exports and robust inbound tourism, are expected to widen the current account deficit, which will peak at about 3.4 percent of GDP by 2027 before converging to about 3.2 percent of GDP in 2030. The deficit will be increasingly financed through deposit drawdowns, less FX asset accumulation abroad, and higher external borrowing. International reserve coverage would remain adequate at about 12 months import coverage over the medium term, with foreign assets held by the PIF and other government-related entities offering strong additional buffers.

Saudi Arabia: Selected Economic Indicators

			Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	2023	2024	2025	2026	2027	2028	2029	2030
Real GDP growth (%)	0.5	2.0	3.6	3.9	3.5	3.4	3.3	3.3
Oil real GDP	-9.0	-4.4	4.0	4.9	2.8	2.8	2.7	2.8
Non-oil real GDP	5.8	4.5	3.4	3.5	3.8	3.6	3.5	3.5
CPI inflation (% average)	2.3	1.7	2.1	2.0	2.0	2.0	2.0	2.0
Current account balance (% of GDP)	2.9	-0.5	-2.6	-3.0	-3.4	-3.3	-3.2	-3.2
SAMA's NFA holding (US$ Billions)	417	415	419	422	420	422	428	437
In months of imports [1]	15.8	14.9	14.1	13.3	12.6	12.2	11.8	12.1

Sources: Country authorities and IMF staff projections.
[1] Next 12 months imports of goods and services.

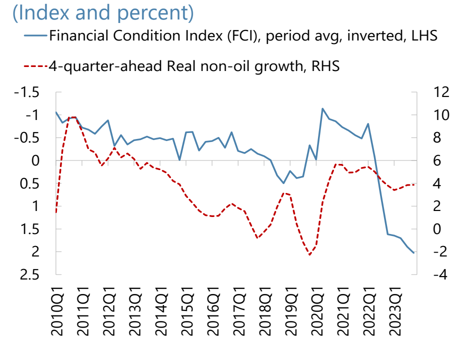
13. The near-term outlook remains subject to downside risks (Annex VI and Box 2). Weaker oil demand—driven by heightened uncertainty, an escalation of global trade tensions, financial instability and deepening geoeconomic fragmentation—could dampen oil proceeds. This, in turn, could lead to higher fiscal deficits and debt, weaker investor confidence and costlier financing, which could impact banks' ability to rollover their external debt at the current pace, combined with lower funding from government deposits. Sharply lower spending—by government-related entities—could also hinder private investment growth and slow economic diversification efforts. Regional security risks, particularly stemming from the escalation of conflicts in the Middle East, could lead to disruptions in supply chains and travel, dampen investor sentiment and affect economic diversification efforts, notably through tourism. On the upside, higher-than-expected oil production or additional investments linked to large-scale projects and broader Vision 2030 initiatives would support growth. Oil prices could also rise if the oil demand-supply balance tightens due to a stronger global recovery, increased geopolitical tensions or supply disruptions in other major oil-producing countries.

Box 2. Saudi Arabia: Assessing Downside Risks to Non-Oil Growth

Growth-at-Risk (GaR) analysis can help assess the likelihood of future slowdowns or recessions based on prevailing macroeconomic and financial conditions. Tighter financial conditions—which reflect forward-looking risk perceptions embedded in asset prices—are typically associated with near-term declines in output growth (Box 2, Figure 2). Using various scenarios, staff's GaR analysis shows that non-oil growth in 2025 is likely to remain resilient in 2025, although it may be more sensitive to shocks stemming from oil prices and China's growth. However, even so, these shocks only marginally increase the probability of a recession. For example, an oil price drop to below 30 $/b shifts the growth distribution downwards, reducing the mean value down by 0.7 percentage points, but would only increase the probability of a recession from 5.9 percent (baseline) to 6.1 percent. Similarly, a one standard deviation negative shock to China's real growth would lower Saudi's mean growth by 0.22 pp and raise the probability of recession by 0.55 percentage points. Other simulated shocks also show noticeable but minor effects, leading only to marginal adjustment in the projected distribution of non-oil growth.

Box 2. Figure 1. FCI and Real Non-Oil Growth

(Index and percent)



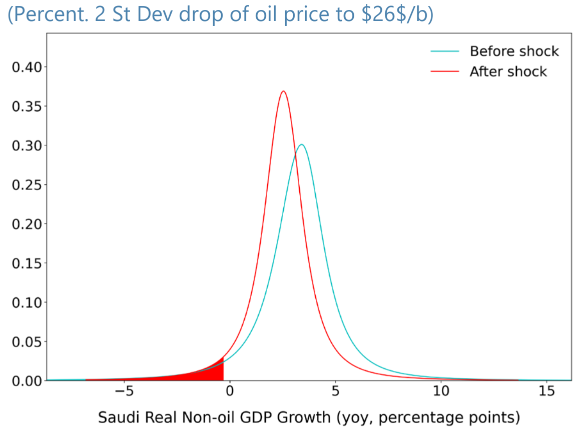
Source: FCI is estimated bv MCD RSD.

Box 2. Figure 2. GaR Results: Baseline and Scenario Tests

(Percent of real non-oil growth, 4-quarter ahead)

Box 2. Figure 3. Growth Density with Oil Price Shock

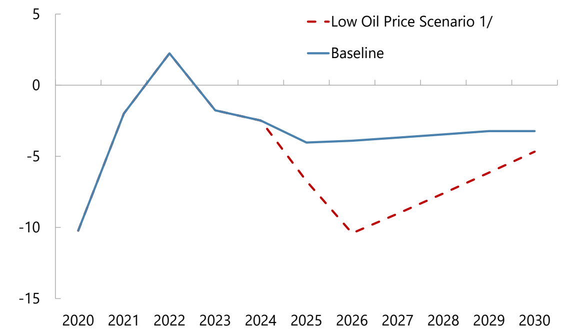
(Percent. 2 St Dev drop of oil price to 26/b)



Source: Geopolitical risk index (Caldara and Iacoviello 2022) and IMF staff calculations.

14. A downside oil price scenario highlights potential spillovers and tensions requiring contingency planning. A temporary shock leading to a drop to $40 per barrel—half the decline seen during the Great Financial Crisis—is assumed for H2 2025 and 2026 before gradually recovering (Annex VII). This sharp decline would significantly worsen the fiscal deficit, though existing buffers would help absorb some of the impact. Lower import demand would mitigate pressure on foreign reserves, keeping them stable. Meanwhile, the PIF and other development funds are expected to maintain the project pipeline aligned with their vision 2030 targets, playing a countercyclical role that helps cushion non-oil growth.

Overall Fiscal Balance
(Percent of GDP)

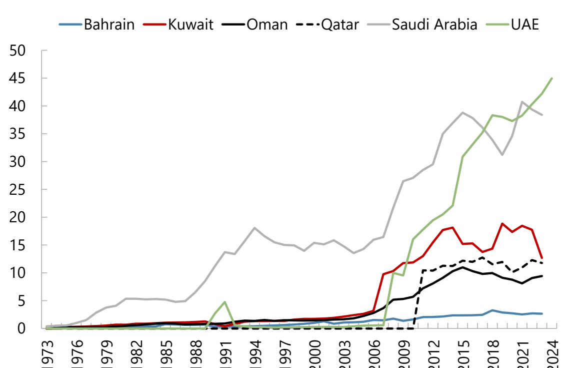


Source: IMF staff calculations (Annex VII).
Note: The oil price scenario assumes that the oil price drops to USD 40 per barrel in the second half of 2025 and 2026, before gradually returning to the baseline.

15. Saudi Arabia plays a significant regional and global economic role, with substantial spillovers due to its size and dominance in the oil market. It accounts for half of the GCC's economy, holds $1.5 trillion in international assets and has a net IIP of 59 percent of GDP. As a major creditor, it provides fiscal and balance of payments support averaging 3 percent of GDP for Egypt and Pakistan and up to 19 percent for Yemen. Saudi Arabia is also the world's second largest sender of remittances, with $45.7 billion in outflows in 2024—about 5 percent of global remittances. These flows are highly procyclical and with persistent shocks, driven mostly by Saudi GDP growth. Saudi Arabia's economic activity is also impacted by developments in China—mostly through the oil price channel (Box2).

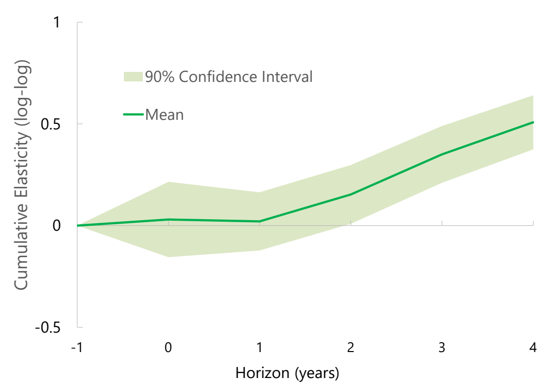
Text Figure 11. Saudi Remittances Outflows

GCC: Remittance Outflows
(US$ Billion)



Sources: IMF staff calculations (UAE data not available).

Cumulative Elasticity: Real GDP Growth Shock ➔ Net Remittances
(Percent of real Non-oil Growth)



Sources: IMF staff calculations and country authorities.

16. Authorities' Views. The authorities emphasized that Saudi Arabia's ongoing economic transformation—anchored in structural reforms, prudent policies, and the recent recalibration exercise—has significantly strengthened the economy's resilience to external shocks, placing it in a strong position to navigate heightened uncertainty. They project non-oil real GDP growth to outperform staff estimates, reaching 4–5 percent over the medium term, supported by dynamic domestic demand, robust investment, and accelerating reform momentum. The authorities viewed staff projections for the current account deficit as conservative, citing expectations of stronger non-oil exports, moderated import growth driven by local content requirements, and the existing stock of previously imported capital goods. They also highlighted that Saudi Arabia's substantial fiscal buffers and available policy space would allow the economy to absorb temporary oil price shocks. They viewed external and fiscal risks as broadly balanced.

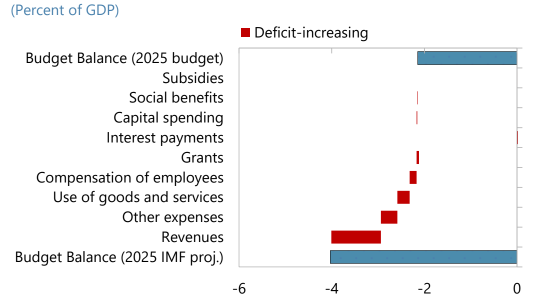
POLICIES FOR GROWTH AND STABILITY IN A WORLD ECONOMY AFFECTED BY HIGH UNCERTAINTY

17. Policy discussions focused on managing risks from high global policy uncertainty, including due to the increased volatility in international oil prices. Priorities include: (i) avoiding procyclicality in the short run but maintaining fiscal discipline over the medium term through broad-based fiscal consolidation; (ii) safeguarding financial stability; and (iii) continuing to implement structural reforms to support strong, sustainable, and inclusive growth.

A. Fiscal Policy

18. The 2025 fiscal stance—resulting in a deficit twice the budget target—remains appropriate. The budget assumes savings of about 1.3 percent of GDP arising from one-off expenditures in 2024 linked to compensation for land, project completion, and sub-contractor payments. However, given historical overruns and transformational projects under Vision 2030, staff anticipates higher current expenditures than budgeted. Combined with lower oil prices and reduced performance-linked dividends from Aramco, this will bring the overall fiscal deficit to 4 percent of GDP. Despite this, the outcome still reflects a 3.6 percentage points of non-oil GDP improvement in the non-oil primary balance—effectively frontloading part of the adjustment required by 2030 to preserve intergenerational equity under [the Permanent Income Hypothesis (PIH, see 2022 IMF Selected Issues)](). Given the upfront adjustment and strong fiscal buffers, staff considers that no additional improvement in the non-oil fiscal balance is necessary as it would make fiscal policy procyclical and amplify the drag on growth.

Difference Between 2025 Budget and IMF Projection
(Percent of GDP)

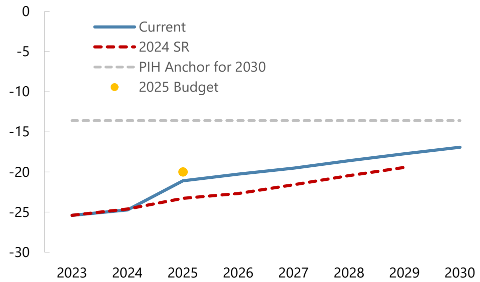


Sources: Ministry of Finance; staff estimate and calculations.
Note: For the budget balance, IMF projection for the deficit is larger than 2025 budget. For revenues and expenditures, the chart shows IMF projection minus 2025 budget.

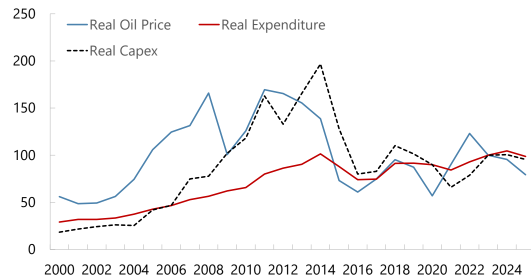
19. Over the medium term, the overall fiscal deficit is expected to narrow. After peaking at 4.0 percent of GDP in 2025, it will decline to about 3.2 percent of GDP by 2030, driven by ongoing wage bill containment and spending efficiency measures. Under this baseline scenario, the non-oil primary deficit would shrink by about 4.2 percent of non-oil GDP from 2025 to 2030. The fiscal deficit would primarily be financed through debt issuance, leading to an increase in the public debt-to-GDP ratio to 40.6 percent by 2030, which will remain consistent with a low sovereign debt risk (Annex VIII).

Text Figure 12. Fiscal Stance

Non-Oil Primary Balance
(Percent of non-oil GDP)



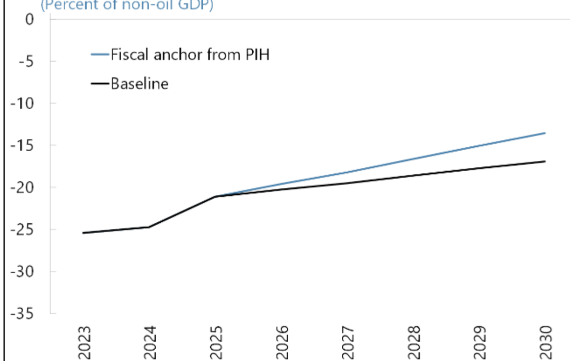
Real Oil Price and Expenditure
(Index, 2023=100)



Sources: World Economic Outlook; Ministry of Finance; and staff calculations.
Note: Oil prices and expenditures are deflated by Saudi Arabia's CPI. 2025 values are staff estimates.

20. **Gradual fiscal consolidation will be essential over the medium term to ensure intergenerational equity.** An additional adjustment of approximately 3.3 percent of non-oil GDP between 2026 and 2030 would support progress toward the PIH-based fiscal anchor, assuming a 15-year transition period to prevent disruptive changes. This adjustment would primarily rely on revenue measures and subsidy reforms and would be achieved through:

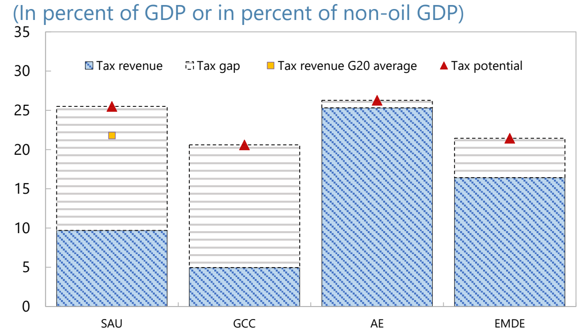
FIscal Anchor from PIH: Non-Oil Primary Balance
(Percent of non-oil GDP)



Note. PIH anchor defined as constant in real terms.
Sources: IMF staff calculations.

- **Non-oil revenue mobilization**. While tax revenues have doubled over the past five years, they have remained relatively stable over the past three years as a share of non-oil GDP. Enhancing the economy's diversification, including mitigating the impact of lower oil prices, would require moving towards closing the tax gap with the G20 average estimated at about 10 percent of GDP. This would require a two-pronged strategy aimed at:
  - **Tax Policy**. Ongoing efforts to assess the impact of international tax agreements and expand the VAT base—including unregistered e-commerce transactions—are welcome. Staff acknowledges the proposed

Tax Potential, Tax Revenue, and Tax Gap
(In percent of GDP or in percent of non-oil GDP)



Sources: 2022 MCD/FAD departmental paper "Revenue mobilizations for a resilient and inclusive recovery in the Middle East and Central Asia," country authorities, and IMF staff calculations.
Notes: For Saudi Arabia and GCC, tax revenue is defined as non-oil tax revenue in percent of non-oil GDP. For AE, EMDE, and G20 average, tax revenue is defined as total tax revenue in percent of total GDP. For Saudi Arabia and GCC, tax potential is for 2019 as reported in 2022 MCD/FAD departmental paper, and tax revenue is for 2024 (tax gap is calculated with these). For GCC, tax revenue, tax potential, and tax gap are for 2019. For AE and EMDE, tax potential, tax revenue, and tax gap are for 2020.

higher taxes on undeveloped and vacant land, aimed more at facilitating housing development than generating significant revenue. A comprehensive assessment of tax expenditures—both direct and indirect— is needed, including a detailed review of tax incentives, particularly in special economic zones. This is essential to prevent tax leakages, including those linked with implementing a global minimum tax (Pillar II), which Saudi Arabia is currently assessing, and to inform the design of a non-oil revenue mobilization strategy. Key tax priorities include removing VAT exemptions on home purchases and real estate transactions, introducing a property tax (Box 2) and a personal income tax, reforming excise duties, and reforming corporate taxation to strengthen revenue generation.

- **Revenue Administration**. Mandatory e-invoicing, risk-based auditing, and tax awareness campaigns have helped strengthen compliance and taxpayer services, including pre-filing or expedited refunds. Ongoing efforts to assess tax compliance gaps are a positive step forward. To avoid moral hazard and avoid undermining compliance, the temporary tax penalty waiver introduced repeatedly since Covid should not be renewed. The upcoming Tax Administration Diagnostic Assessment Tool (TADAT) assessment is welcome, as it would help prioritize areas for improvement as part of a comprehensive strategy for tax administration reform.

Text Table 1. Saudi Arabia: Possible Menu of Measures for Fiscal Adjustment (2026-2030)

Measures	Possible Yields
Revenue measures	
Introducing a property tax	1.0-1.4 percent of GDP
Broadening the VAT base, including by removing exemptions	0.5-1.0 percent of GDP
Amending bases for excises (introducing excises for luxury goods and environmentally harmful items)	0.1 percent of GDP
Revising existing tax incentives including in SEZs and revisiting the room for introducing corporate income tax for Saudi and GCC companies considering the existence of Zakat	0.5-1.0 percent of GDP
Amending the white land tax	0.01-0.02 percent of GDP
Further tax administration reform (improvements in e-invoicing, compliance, and efficiency)	0.5 percent of GDP
Expenditure measures	
Accelerating the energy subsidy reform	3.5 percent of GDP
Further rationalizing expenditure—delaying low priority projects and items with low long-term fiscal multipliers	0.5-1.0 percent of GDP
Total of revenue and expenditure measures	6.6-8.5 percent of GDP (8.7-11.3 percent of non-oil GDP)

Box 3. Saudi Arabia: A Recurrent Property Tax: Options for Saudi Arabia

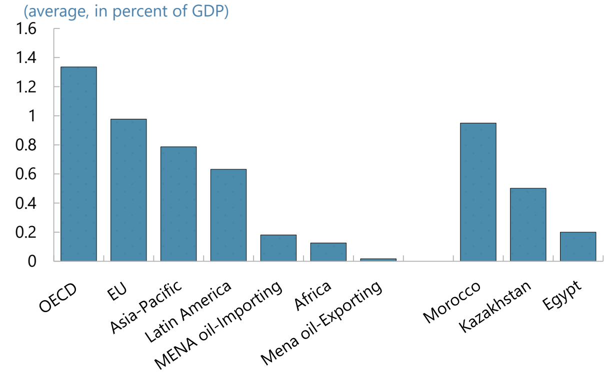
The introduction of a recurrent property tax in Saudi Arabia can play an instrumental role in the country's revenue reform strategy, pioneering such taxation in the GCC region. The revenue potential of recurrent taxes on immovable property is significant, although performance varies considerably across countries. For example, Morocco raises 0.95 percent of GDP—close to the European average—which could serve as a reasonable reference for Saudi Arabia. Revenue at around 1 percent of GDP would exceed the average for MENA but remain below the OECD average (1.4 percent).

Box 3. Saudi Arabia: A Recurrent Property Tax: Options for Saudi Arabia (concluded)

Key factors in determining the tax base include the maturity of the real property market and the quality of information on property transactions. There are two distinct approaches to assessing property values for recurrent property taxation: (i) value-based assessments, which rely on market transactions; and (ii) area-based assessments, which are based on the size of the land (in square meters or acres) and/or buildings (in terms of actual or usable floor area). Value-based assessment is the preferred option—on grounds of fairness and revenue buoyancy—in countries where property markets are efficient, and the valuation skills and capacity exist to determine credible property values at scale and on a regular basis. For a high-capacity country like Saudi Arabia, Computer-Assisted Mass Appraisal (CAMA) is a cost-effective method for valuing large numbers of residential properties. CAMA uses multivariate statistics to estimate property values by assigning weights to selected property characteristics that strongly correlate with observed market prices.

Real Property Taxes, 2022

(average, in percent of GDP)



Note: Revenues are broadly defined as taxes on property.
Sources: WoRLD Database

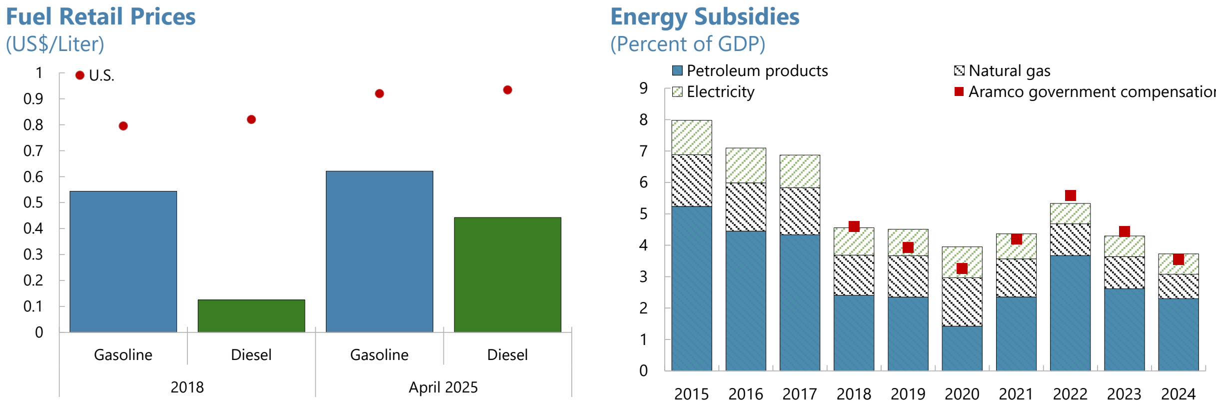
In addition to valuation, a recurrent property tax requires an up-to-date cadaster to store key information, including a description of the building, taxpayer details (owner or occupier), valuation, and physical address. Georeferenced satellite imagery can be effective for mapping all taxable properties within a jurisdiction's boundaries. Door-to-door field surveys can complement the satellite imagery by providing information on the nature, usage, construction type, and age of buildings. All available data can be incorporated into a map with geographic information system (GIS) coordinates, to which photographs of the properties may be added. In 2020, Saudi Arabia introduced a tax on vacant land. Building on this experience could facilitate the introduction of a recurrent tax on real estate linked to market values, with possible relief for lower-value houses.

- **Spending rationalization through**:
  - **Wage bill management**. Ongoing efforts through strategic workforce planning, a structured salary and allowance system, a Golden Handshake program, and attrition-based measures are positive steps. Recent bylaws standardizing promotions and salary scales, along with strict enforcement of bonus levels and timing, are expected to enhance efficiency. Additional measures, including incentives for sabbatical leaves, the introduction of a new redeployment platform, and reinforced bonus regulations, will further support workforce management.
  - **Better targeting**. The recent implementation of wealth-based eligibility criteria for the Citizen's Account social support program enhances the targeting of social benefits while the ongoing shift in focus from the Citizen's Account to the more targeted means-tested cash compensation Damaan program is expected to help contain expenditures.

- **Spending prioritization.** Focus should be on reducing current expenditures with low priority and limited long-term fiscal multiplier—such as some spending on goods and services—while preserving medium-term growth augmenting infrastructure investments. To anchor private sector expectations, it would be important to communicate clearly how changes in spending prioritization remain consistent with the authorities' Vision 2030 medium-term spending plans. Regular spending reviews would help identify additional areas of savings and efficiency gains.

- **Energy subsidy reform.** Recent domestic fuel price increases—such as the doubling of diesel prices since January 2024—alongside lower international oil prices have reduced fuel subsidies (government compensation to Aramco) from 4.4 percent in 2023 to 3.5 percent of GDP in 2024. With gasoline prices now nearing international oil prices, the price cap should be lifted, allowing regular gasoline prices to fluctuate. Price increases in other fuel products (e.g., diesel) are welcome and should be accelerated to ensure full energy subsidy removal by 2030 as envisaged in the 2030 Vision reform agenda. Clear communication of the timeline and magnitude of these adjustments will enhance predictability. Social support to cushion the impact of fuel price increases on vulnerable groups is expected to be sufficient, with a planned scale up of the well-targeted Damaan program.

Text Figure 13. Fuel Price and Energy Subsidies

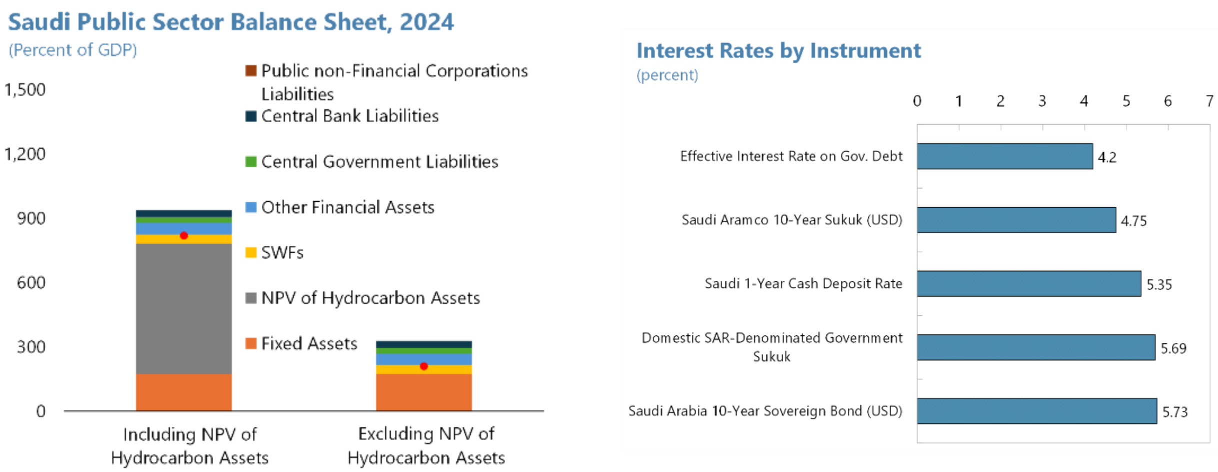


Sources: Global Petrol Prices; ARAMCO audited financial statements (since 2018); Fossil Fuel Subsidies (imf.org) and IMF staff calculations.

21. Staff welcomes the authorities' work on contingency planning to safeguard fiscal sustainability in the event of a severe oil price decline. In a scenario where oil prices decline significantly and permanently, staff would recommend a more aggressive fiscal consolidation strategy. Identifying and prioritizing projects that can be extended or cut—if further adjustments are required—represents a prudent approach to maintaining sustainability. If additional measures are needed, divestment of assets and raising the VAT rate further could be considered. In the event of a temporary oil price shock, staff recommends a partial drawdown of fiscal buffers—for example by utilizing part of the central government's deposits held at the central bank—to help smooth the transition to a steady state and mitigate the impact of short-term oil price fluctuations (Annex VII). Any drawdown of public sector deposits in commercial banks should carefully consider potential financial stability risks from the sovereign-bank nexus.

22. Prudent debt management and a proper sovereign asset liability management (SALM) framework become increasingly important in a lower oil price environment. The medium-term debt strategy could be complemented by a full cost-benefit analysis of the financing strategy, including those related to unmet financing needs for Giga projects. The mission encourages the authorities to assess the complex tradeoffs between making greater use of fiscal buffers in the form of central government deposits (about 9.3 percent of GDP in 2024) and new bond issuances, whose returns are currently lower. In that context, an optimal cash buffer policy should be prepared and regularly assessed. Staff welcomes the long-lasting efforts toward operationalizing a comprehensive SALM framework, which includes other government-related entities, and would help enhance the oversight of sovereign balance sheet exposures. Given the large exposure of the PIF to the domestic economy, the PIF should continue its regular risk assessment and stress testing to safeguard its asset values in cases of large shocks.

Text Figure 14. Public Sector Balance Sheet and Interest Rates



Sources: Bloomberg, Country authorities and IMF staff calculations.

23. Strengthening fiscal institutions and governance is essential for supporting fiscal adjustment and advancing Saudi Arabia's Vision 2030 objectives. Key priorities include:

- **Reinforcing transparency and fiscal planning.** Staff welcomes the important efforts made in disclosing budget statements, fiscal risks, and borrowing plans. Greater clarity on medium-term investment plans, their financing and the implications of the authorities' fiscal space recalibration exercise would further reduce investor uncertainty and encourage long-term commitments. The authorities' move to a five-year MTFF and the proactive approach in setting spending ceilings for all entities until 2030 are commendable. However, better integration of multiyear projections into annual budget preparations is crucial to align spending ceilings with fiscal forecasts, including commitments from multi-year contracts. Publishing the consolidated balance sheet and having a broader measure of the fiscal position—which includes public-related entities—alongside the budget statement would promote transparency and provide additional tools for fiscal policy analysis and formulation.

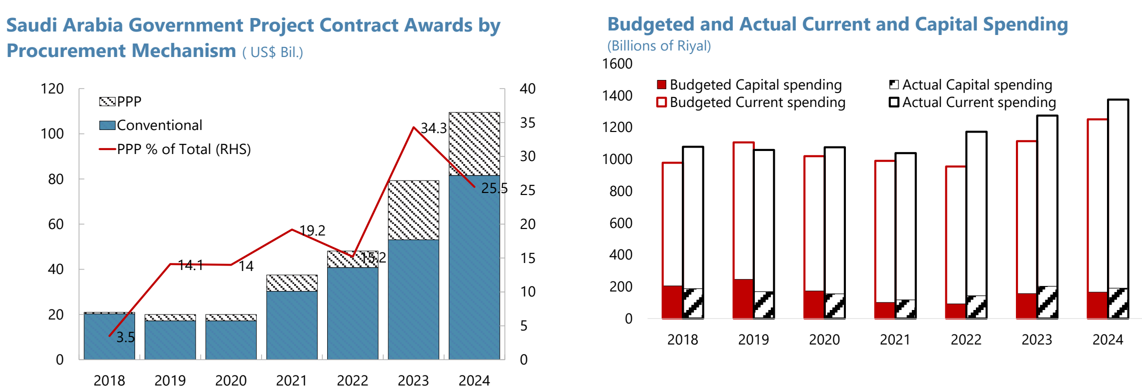
- **Operationalizing and ensuring compliance with an expenditure-based fiscal rule.** In view of the repeated spending deviations from the budget, the current structural fiscal rule, which smooths oil prices in real terms over multiple years, does not sufficiently constrain spending plans. A ceiling based on expenditure growth would help anchor fiscal policy over the medium term and prevent the need for larger adjustments. Compliance could be reinforced through the creation of an independent institutional body, such as a fiscal council.

- **Strengthening budget execution, cash management, and expenditure classification**: Enhancing budget credibility requires more realistic revenue and expenditure forecasts and close monitoring of project execution—including minimizing delays between project awards and invoicing, supported by platforms like Etimad. Mid-year supplementary budgets should be considered to ensure all spending is appropriately budgeted. Staff welcomes the progress made in rationalizing government accounts in commercial banks; however, the substantial number of public sector accounts should be further streamlined in line with Treasury Single Account reforms. In addition, the authorities' ongoing efforts to accurately classify current and capital expenditures in fiscal accounts are commendable, as this will improve the understanding of government spending and bring greater alignment between fiscal and national accounts.

- **Enhancing investment efficiency:** The detailed, regular assessment of cost pressures associated with budgeted capital projects through the Spending Efficiency Key Elements Program (SEKAP), which covers approximately 80 percent of budget entities, could usefully also be coordinated with MISA's ongoing cost-inflation exercise. To prevent cost overruns and ensure high investment returns, proper project design and appraisal, adequate resources for assessment and monitoring and timely payments to contractors (within the 40-day limit) are essential. The IMF's Public Investment Management Assessment (PIMA) could help design an action plan for further improvements.

- **Enhancing fiscal risk analysis:** The introduction of an internal fiscal risk dashboard is a positive step, serving as an early warning system. Its scope could be further broadened to cover the large state-owned sector and its significant assets. Close oversight of contingent liabilities—including financing obligations for giga projects, debt guarantees, and Public-Private Partnerships (PPPs)— is necessary to mitigate fiscal risks.

Text Figure 15. Government Spending



Sources: MEED database, Saudi authorities, IMF staff calculations.

24. The newly implemented pension reform should strengthen long-term fiscal sustainability. Adopted in July 2024, it raises the retirement age, required contribution periods, and contribution rates while tightening pension benefits. Though immediate fiscal savings are unlikely as the system is currently balanced, its medium-term impact should be fully accounted for and communicated. The upcoming voluntary pension and savings scheme, open to Saudis and foreign workers, which aims at increasing household savings and potentially reduce remittance outflows is welcome. Given GOSI's significant assets (32 percent of GDP), improving transparency through enhanced financial disclosure and allocation rules is crucial.

25. Authorities' Views. The authorities reaffirmed their commitment to fiscal discipline and transformation continuity, emphasizing the importance of avoiding procyclical policy amid oil price fluctuations. They reiterated their intention to adhere to the 2025 announced expenditure, even in the face of lower oil revenues—describing this as a deliberate and strategic decision grounded in long-term fiscal sustainability and supported by robust fiscal buffers. The authorities supported accelerating non-oil revenue mobilization and emphasized that broadening the tax base and improving tax administration would suffice in the foreseeable future. While acknowledging that public debt may rise modestly, they stressed that Saudi Arabia's debt levels remain low by international standards, fiscal sustainability is secure, and investor confidence in sovereign issuances remains strong. They highlighted that enhanced fiscal institutions, particularly improvements in medium-term fiscal frameworks (MTFFs) and transparency, would further strengthen fiscal policy. They noted that contingent liabilities are carefully tracked and fully integrated into the budget and fiscal risk management frameworks, ensuring prudent oversight.

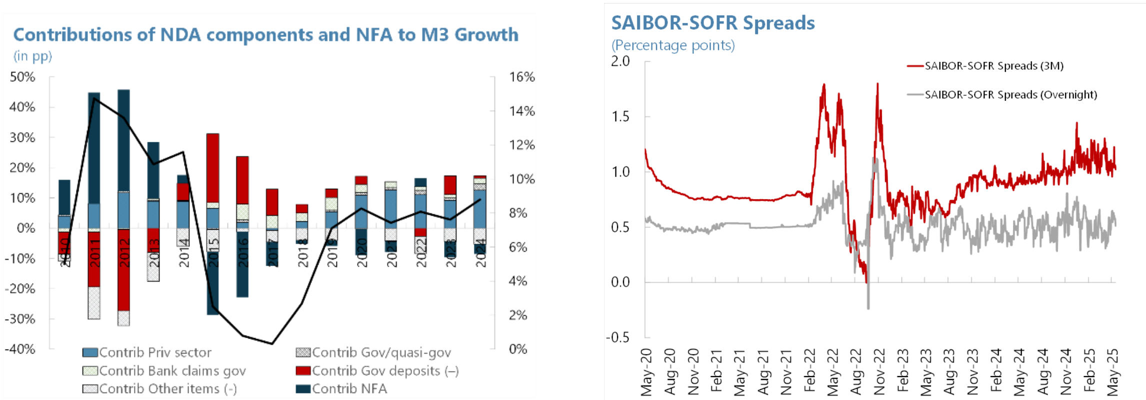
26. Authorities' views. The authorities emphasized that government deposits at the central bank should only be drawn under exceptional circumstances, reaffirming their intent to maintain government deposits at considerable levels as percent of GDP. This, they argued, is a strategic buffer that enhances market confidence, supports lower sovereign spreads, and reinforces resilience. Regular debt issuance, they noted, remains a priority for strengthening domestic capital markets and maintaining market access.

B. Monetary and Exchange Rate Policies

27. The currency peg to the U.S. dollar remains appropriate given Saudi Arabia's economic structure. The peg provides a credible anchor for monetary policy, supported by ample external buffers. With an open capital account and continued synchronization of business cycles with the U.S., it is essential that SAMA's policy rate decisions continue to align with the Federal Reserve's.

28. Liquidity conditions remain adequate despite some volatility in the interbank market over the past year. Bank funding conditions in Saudi Arabia continue to be affected by persistently strong double-digit credit growth (see below), with periodic spikes in the spread between SAIBOR and SOFR signaling episodes of liquidity pressures. Over the past twelve months, the three-month SAIBOR-SOFR spread has fluctuated from under 90 basis points to over 140 basis points, despite SAMA's liquidity injections. This reflects the sustained loan demand and trade finance activity, which continues to drive funding pressures.

Text Figure 16. M3 Growth and Liquidity Conditions



Sources: SAMA, Bloomberg and IMF staff calculations.

29. SAMA should continue refining its liquidity management framework to reduce overall liquidity volatility, including by ensuring its monetary policy operations remain focused on using market-based instruments to smooth short-term liquidity imbalances without fueling asset/credit growth. Staff welcomes recent efforts to improve liquidity forecasting, particularly the new data-sharing arrangement between the Ministry of Finance and SAMA on expected government flows, which should be implemented effectively. Liquidity management could be further improved by reforming the reserve requirement regime (such as reviewing the maintenance window) and streamlining the monetary policy toolkit by rationalizing the maturities of term repos and SAMA bills in line with past IMF TA recommendations. This would strengthen monetary policy transmission and support market development.

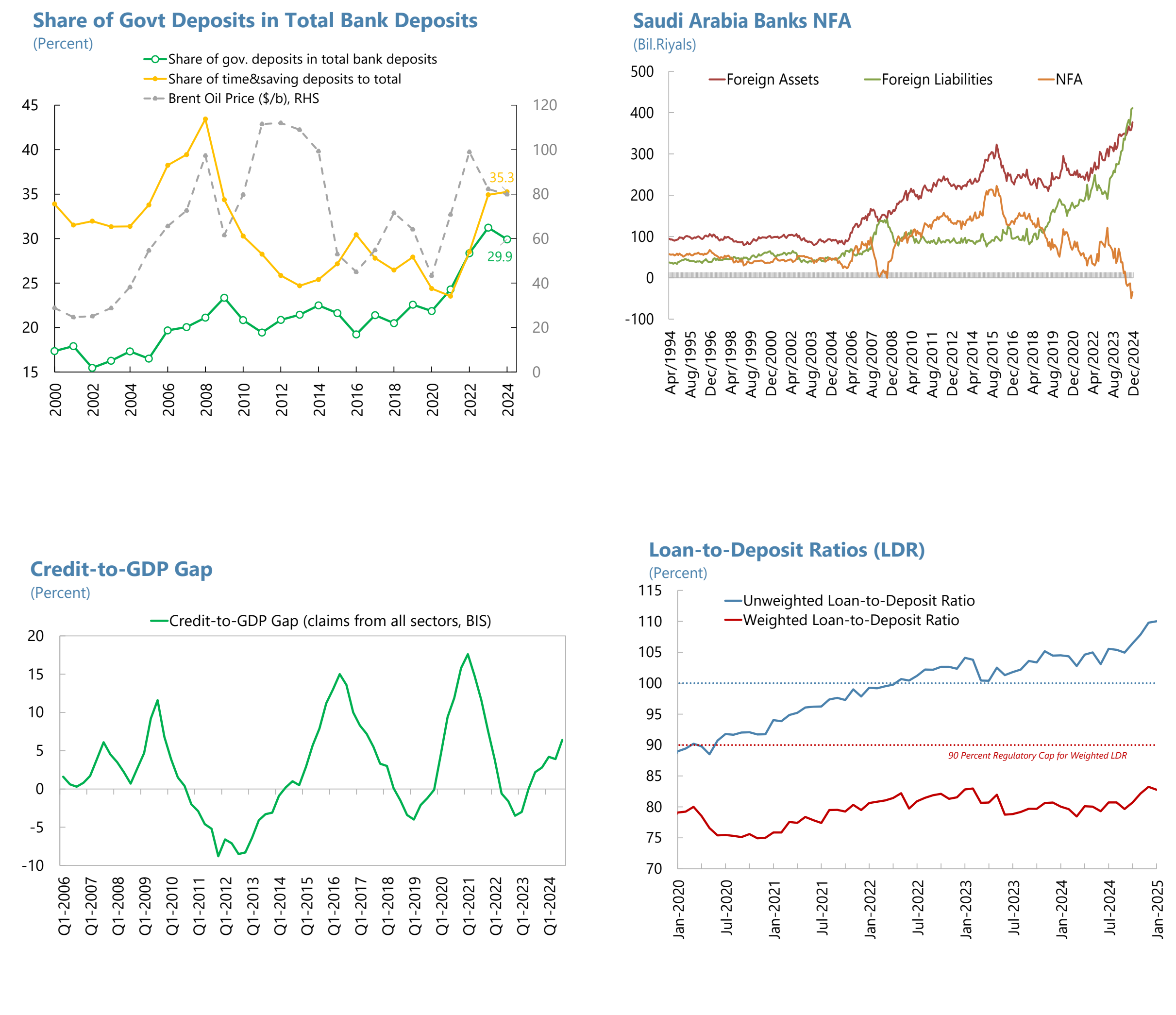
30. Authorities' Views. The authorities emphasized that monetary policy should continue to be anchored in the exchange rate peg. They stressed that overall liquidity remains adequate.

C. Financial Sector Policies

31. Systemic financial sector vulnerabilities remain low, with all banks meeting prudential requirements, although strong credit growth requires continued vigilance. Updated stress tests from SAMA confirm that Saudi banks are resilient to a low oil price scenario and economic slowdown. Despite significant real estate exposure, banks are well positioned to absorb the impact of declining housing prices. SAMA's plan to resume publishing stress test results in the upcoming Financial Stability Report is a welcome step towards enhanced communication and greater transparency. Systemic risks from nonbank financial institutions remain minimal, given their small share of total financial sector assets (less than 5 percent).

32. Strong credit growth is leading to funding pressures and reshaping the funding structure of Saudi banks. As credit expansion—primarily to corporates, including under giga projects aimed at economic diversification (Annex IX), and mortgages—outpaces deposit growth, banks are diversifying their liabilities by relying more on non-deposit forms of financing. This includes issuing subordinated debt and tapping into international markets through syndicated loans or certificates of deposit. Over the past two years, banks' external liabilities—driven by a few large institutions—have risen sharply, reaching SAR486 billion by end-April 2025 (10 percent of total bank liabilities). With external assets remaining broadly stable, banks' NFA turned negative in mid-2024 for the first time since 1993. This decline is expected to continue in the near term as several banks secure additional external funding. Meanwhile, despite plateauing at around one-third of total bank deposits over the past year, the high share of deposits from government-related entities continues to require close monitoring, following a significant increase in 2022-23.

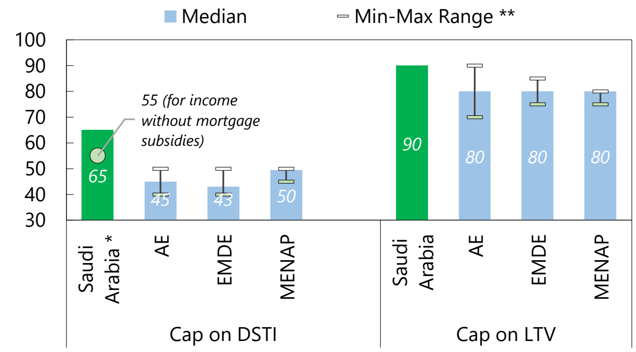
Text Figure 17. Banking Sector: Deposits, Credits, and NFA



Sources: SAMA, Bloomberg, Haver Analytics, BIS, and IMF staff calculations.

33. Addressing strong credit growth and the resulting funding pressures would help mitigate potential systemic macro-financial risks in Saudi Arabia. Staff supports SAMA's ongoing efforts to review its prudential toolkit to counter risks stemming from rapid credit expansion amid a widening credit-to-deposit gap and banks' increasing reliance on short-term external wholesale funding. Given the expectation of sustained high loan demand relative to available funding, setting prudential requirements aligned with evolving risks is essential. In this regard, the introduction in May 2025 of a 100-basis-point countercyclical capital buffer, effective within one year, is timely and welcome. Vulnerabilities—in a context of lower oil prices and tight financial conditions—would be further mitigated by:

Comparing Caps on DSTI and LTV
(Percent)



Source: IMF Macruprudential Database.
* Saudi Arabia's DSTI limits are 65 percent for income with mortgage subsidies and 55 percent for income without subsidies.
** Minimum refers to the median of the countries' range minimum, maximum refers to the median of countries range maximum.

- **Tighter borrower-based measures.** Staff welcomes the authorities' ongoing review of loan-to-value (LTV) and debt-service-to-income (DSTI) limits and calls for lowering these limits, which are high in international comparison. However, to prevent unintended disruptions in the housing market, the revised limits should be phased in gradually.

- **Measures to discourage risky non-deposit funding sources, particularly short-term external borrowing.** SAMA's proactive oversight of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) for foreign currency exposures is welcome. Setting these ratios as regulatory requirements should be considered. While banks' exposure to foreign exchange risk remains low, introducing prudential limits on net foreign exchange positions could further safeguard financial stability. Adjusting SAMA's regulatory loan-to-deposit ratio by reducing the weight of foreign currency funding could also discourage reliance on short-term external borrowing.

- **Enhanced bank supervision.** The ongoing internal review by SAMA should lead to improved risk-based supervisory methods, including upgraded internal systems, data templates, and supervisory cycle. SAMA should also continue the ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process), which help evaluate whether banks' capital and liquidity positions align with heightened global uncertainty and a lower oil price environment. SAMA's readiness to impose prudential requirements on individual banks based on the findings of these assessments is welcome.

34. Good progress is being made in strengthening Saudi Arabia's banking regulatory and supervisory framework, in line with the 2024 FSAP recommendations (Annex X). Key areas of advancements include:

- **Banking regulation:** The draft Banking Law, which addresses many concerns raised in the FSAP—particularly by enhancing the central bank's corrective and sanctioning powers—has been submitted to the legislative body. Staff urges its swift adoption to ensure that critical changes in the operational environment and supervisory practices are fully incorporated.

- **Systemic risk analysis and monitoring:** Efforts to close data gaps have progressed, including the launch of a comprehensive real estate price index in November 2024. Work is underway to develop a financial sector interconnectedness map. The introduction of a framework to monitor the financial system's exposure to large construction and other giga projects will be instrumental in assessing emerging risks.

- **Contingency framework:** The ongoing crisis management exercise is welcome while notable advancements have been made in bank resolution, including the establishment of a new department, recruitment of additional staff, and preparation of implementing regulations and rules. The regulatory framework for emergency liquidity assistance (ELA) has been drafted. It would be important to adopt the ELA regulation and operationalize it without unnecessary delays.

35. Ahead of the AML/CFT assessment by the FATF in 2026, SAMA remains committed to enhancing the effectiveness of AML/CFT supervision of the financial sector. SAMA is improving AML/CFT risk tools that enable the collection and analysis of risk-related data sourced from financial institutions. In line with these efforts, SAMA has increased thematic inspections on critical areas, such as suspicious transactions reporting, monitoring of politically exposed persons, and verification of beneficial owners. In 2025, SAMA expects to further enhance its AML/CFT supervision, particularly concerning comprehensive risk assessments of various sectors. SAMA also plans to engage with the private sector through roundtables, workshops, and training.

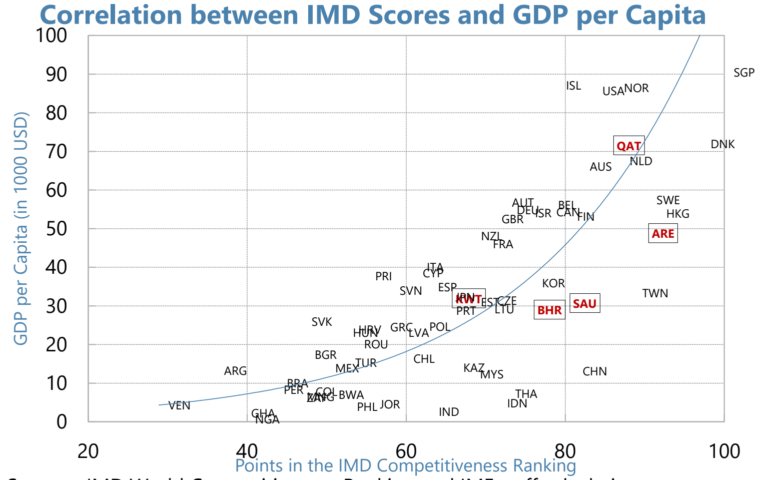
36. Expanding Saudi Arabia's capital market is essential to diversifying funding sources and reducing reliance on bank financing. The market remains dominated by large government-related issuers, with limited free float and retail-driven trading, and close ties to oil price dynamics. However, new IPOs and improved access for international investors—including revised account opening rules for GCC nationals and expanded access via local brokers—are expected to enhance liquidity. Recent reforms—such as the Updated Investment Law (February 2025) and ongoing pension and savings reforms— are set to support long-term capital market development and foster institutional investors' growth. The recently streamlined documentation requirements and the establishment of a market making regime should contribute to greater corporate debt issuance. Further easing of restrictions on qualified foreign investors and a market for qualified professional investors where private placement bonds can be freely traded would also strengthen market depth. Additionally, increasing the use of asset-backed securities, especially mortgage-backed, will introduce a new asset class, while the establishment of a local rating agency (Tasnif) should improve financial information and investment decisions.

37. Authorities' Views. The authorities highlighted the strong fundamentals and resilience of the banking sector, even under severe stress scenarios, including large oil price shocks. They noted that the immediate priority is to prevent vulnerabilities associated with rapid credit growth and related funding pressures. In addition to the recently introduced countercyclical capital buffer (CCyB), they emphasized their readiness to further tighten macroprudential ratios, including to address risks from short-term foreign exchange funding. They also noted significant progress in enhancing banking supervision and regulatory frameworks, in line with past FSAP recommendations, and underscored the prioritization of the draft new banking law—already submitted for legislative approval—alongside advancements in crisis management and AML/CFT measures. They agreed on the need to close data gaps and also noted their ongoing efforts at developing a monitoring framework of banks' exposure to giga projects**.**

D. Structural Reforms

38. The heightened uncertainty in the global economic environment reinforces the urgency of accelerating structural reform efforts. Since 2016, Saudi Arabia has undertaken significant reforms in business regulations, governance, labor, and capital markets, narrowing gaps with the emerging markets (EMs) frontier—i.e. the EMs with the highest score in each structural area (Text Figure 18)— and contributing positively to non-oil growth. However, while a record numbers of foreign investment licenses continues to be issued, FDI inflows—currently at 1.6 percent of GDP—remain below the Vision 2030 original target of 5.7 percent of GDP, constrained by legacy perception issues, regulatory bottlenecks, uncertainty, and a segmented labor force. Additionally, non-oil total factor productivity remains stagnant, while weaknesses in patenting and high-tech exports persist.

Correlation between IMD Scores and GDP per Capita



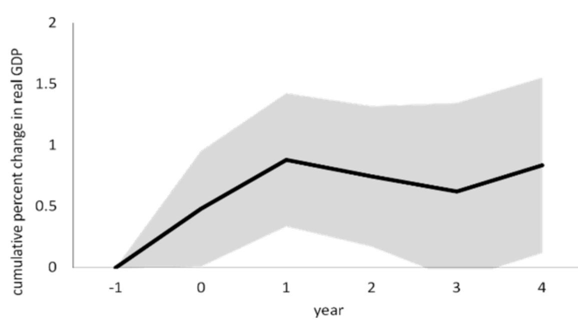
Sources: IMD World Competitiveness Ranking and IMF staff calculations
Note: The IMD scores are computed by using the perceptions of executives together with statistical data.

Text Figure 18. Structural Reforms and Economic Developments

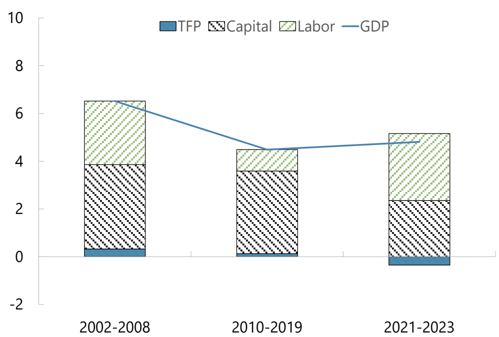
Saudi Arabia - Evolution of Structural Gaps
(Compared to Emerging Markets Frontier)

Note: Structural gap ranges from 0 to 1, with a smaller value implying Saudi Arabia is closer to the frontier).

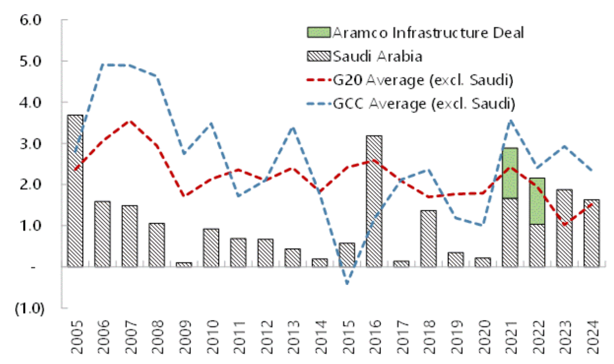
Output Dividends from Business Regulation Reforms since 2015
(cumulative percent change in real GDP)



Contribution of Components of Non-Oil GDP Growth
(Percent)



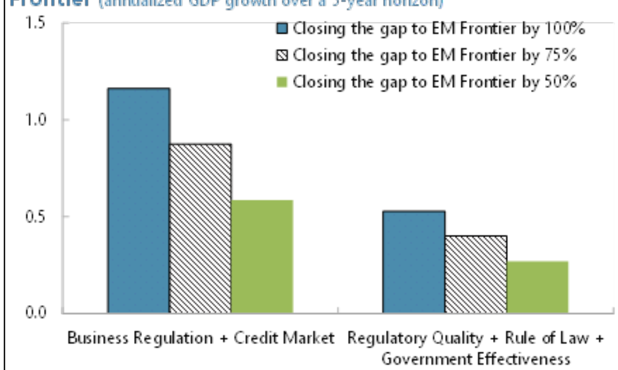
Foreign Direct Investment in the Saudi Economy
(Percent of GDP)



Sources: Daniel Kaufmann (Natural Resource Governance Institute and Brookings Institution) and Aart Kraay (World Bank), Fraser Institute; Haver Analytics; Authorities data; and IMF staff calculations.

39. Sustaining the reform momentum remains crucial, regardless of oil price fluctuations. Staff commends the authorities for enacting numerous initiatives over the past year. Several new laws effective in 2025—including the updated Investment Law, Labor Law amendments, and the new Commercial Registration Law—strengthen contractual certainty for investors and businesses while supporting productivity gains. Continuing these efforts and effectively implementing past reforms will help Saudi Arabia further narrow the gap with other emerging economies and could boost growth by an additional 1.0-1.5 percentage points per year over a five-year period. Key priorities include:

Growth Impact of Narrowing Structural Gaps with EM Frontier (annualized GDP growth over a 5-year horizon)



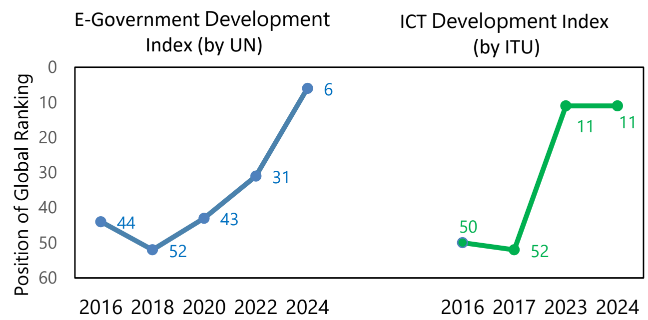
Sources: IMF staff calculations (see Selected Issues Paper on structural reforms).

Text Table 2. Saudi Arabia: Selected Structural Reform Legislation in 2024-2025

Updated Investment Law	Enacted in February 2025, it ensures equal treatment of domestic and foreign investors in terms of rights and obligations, improves access to foreign investors, provides stronger investor protection, and provides more options for dispute settlement.
New Commercial Registration Law, and New Law of Trade Names	The new Commercial Registration Law, effective May 2025, establishes a unified national registration system supported by an electronic database to simplify business registration. The accompanying Law of Trade Names enhances protection by prohibiting the use of reserved or registered business names by others.
Amendments to Labor Law	The amendments—enacted in February 2025— promote equal treatment of employees, increase contract termination flexibility, formally define outsourcing, and extend maternity leave.
New Nazaha By Laws	The new legislation—enacted in November 2024— allows for the immediate dismissal of government employees found guilty of corruption, establishes formal procedures for their prosecution, and enhances Nazaha's investigative and prosecutive powers.
New Ultimate Beneficial Ownership Rules	The new rules—enacted in April 2025-- define an ultimate beneficial owner (UBO) and clarify obligations for companies.

- **Regulatory and Business Environment**. Enforcement of the updated Investment Law would help level the playing field between domestic and foreign investors. Building on the new Law on Civil Transactions (the new civil code) and the new Saudi Center for Commercial Arbitration (SCCA) rules and the SCCA court introduced in 2023, the reforms would help provide a more predictable, transparent, and efficient contractual environment for businesses. Digital platforms should be further leveraged to streamline procedures and reduce administrative costs—including by finalizing the exercise on streamlining existing fees and levies. Implementing a regulatory impact assessment framework would help inform reform plans.

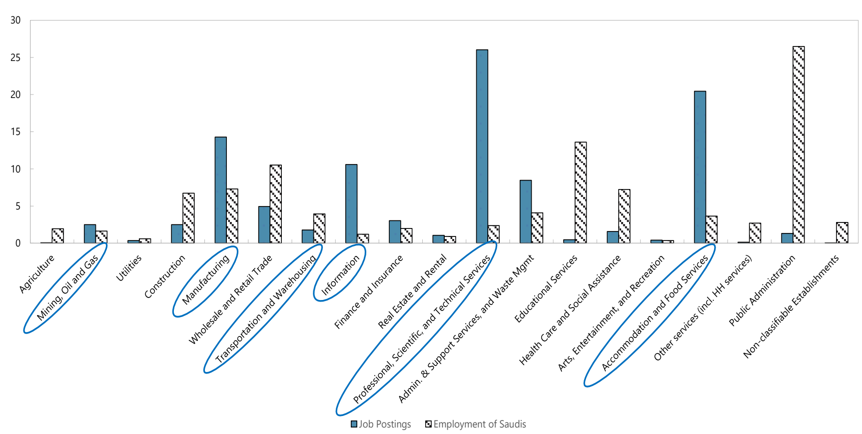
Saudi Arabia's Global Digital Ranking



Source: UN and ITU.
Note: UN index is avilable every two years. ITU index was discontinued between 2018-2022.

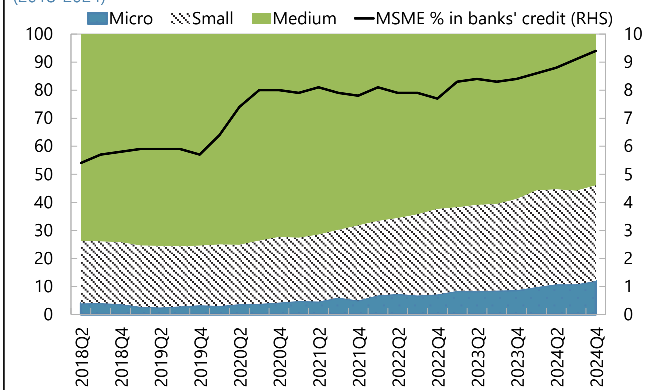
- **Labor market reforms**. Staff welcomes the February 2025 Labor Law amendments (Text table 2). These reforms, alongside expanded training programs, affordable childcare, and flexible work schedules, are expected to enhance labor productivity and female labor force participation, which remains at 36 percent after doubling over the past five years. To align education and professional training with evolving labor market needs, the Labor Market Strategy 2025–2030, including the National Skills Strategy and job-matching ecosystem reforms, will be instrumental. Ensuring equal access to skilled labor for both large companies and SMEs will foster a thriving entrepreneurial environment. Given progress in unemployment reduction and labor force participation growth, the authorities' plans advocating for shifting the Labor Market Strategy's focus from quantity to quality is a crucial step in sustaining labor market improvements.

Mismatch of Current Job Openings and Current Employment by Industry



Sources: CEIC, GASTAT, and staff calculations.

Bank Credit to SMEs by Firm Size
(2018-2024)



Sources: Haver Anlytics and IMF staff calculations.

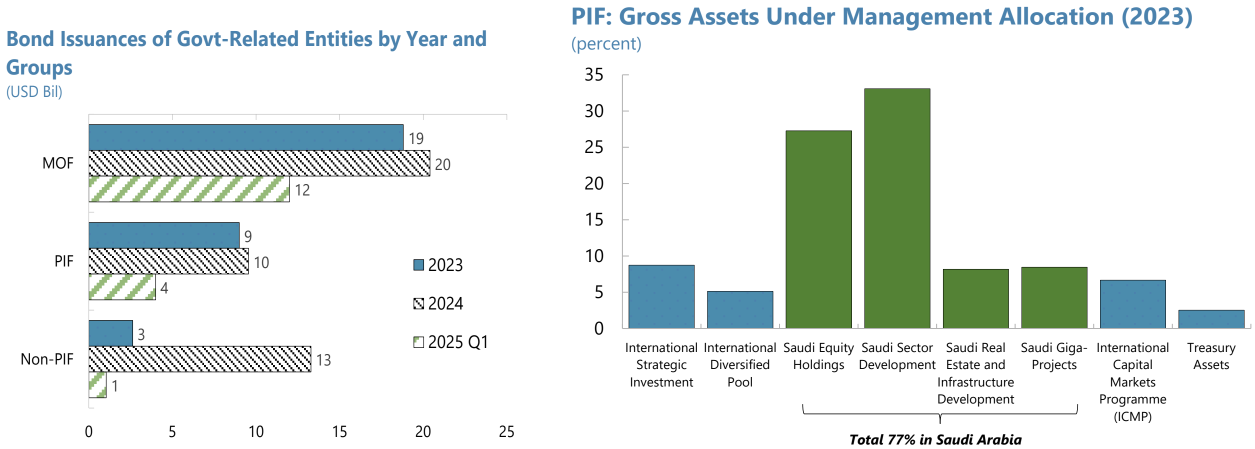
- **SME Access to finance.** SMEs account for over 60 percent of the private sector workforce, with 45 percent of leadership positions held by women. Despite this, SME lending remains stagnant, rising only from 5.8 percent in 2018 to 9.4 percent in 2024, underscoring the need for additional measures to achieve the Vision 2030 target of 20 percent. Enhancing credit infrastructure, such as collateral registries, and shifting to risk-based guarantees will be key to improving SMEs' access to financing. Additionally, broader financial deepening strategies—including securitization and fintech innovation—would enhance financing options. Complementary efforts such as the National Strategy for Saving, Financial Inclusion, and Literacy initiatives will further allow SME development and access to capital.

- **Improving governance.** The Oversight and Anti-Corruption Authority (Nazaha) has expanded its role in combating corruption through outreach and capacity-building efforts. Impressive progress has been achieved by the enactment of Nazaha by-laws, which strengthened the legal framework, introduced stricter penalties, broadened corruption definitions, and enhanced investigative powers. These by-laws also pave the way for an asset declaration framework. The introduction of new beneficial ownership rules is welcome as it would help mitigate the risk of misuse of legal persons for the purpose of laundering proceeds of corruption. The scope for a long-anticipated anti-corruption strategy has been approved and is expected within 2–4 years, incorporating corruption targets and performance indicators. Addressing transnational corruption remains a priority, and the recommendations made in the 2024 Article IV staff report remain valid.

- **Deepening regional trade integration**. Growth would also be supported by deepening GCC's intra-regional trade, which currently stands at around 10 percent of total exports—significantly below the EU's ½ or more in both goods and services, and NAFTA's nearly ½ for goods. Removing non-tariff barriers and other impediments—including rules of origin for local content and labor—would help Saudi Arabia further expand non-oil exports within the GCC region and enhance its re-export potential. However, achieving this would also require addressing bottlenecks in logistics and financing to improve trade efficiency.

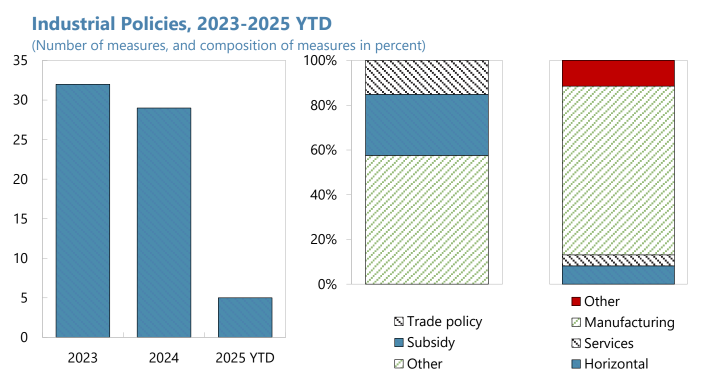
40. Targeted interventions—including by the PIF—should continue prioritizing crowding in private sector investment and advancing economic diversification. The PIF remains largely domestic, with 97 percent of its consolidated revenue tied to Saudi entities. Its countercyclical role is welcome, as it attempts to maintain its deployed capital independently of oil price fluctuations. However, both PIF and public entities should continue avoiding the crowding out of domestic and foreign investors by prioritizing sectors with limited private investment or market failures, where they can play a catalytic role in fostering private investment. PIF's recurrent recycling of capital exercises and the planned strategy to evaluate stake holdings in mature companies are positive steps that will enhance transparency for investors and create space for private investors. Additionally, staff advises the authorities to conduct a full comprehensive assessment of existing government-entities' holdings to assess whether more divestment is needed, including by conducting projects through more PPPs.

Text Figure 19. PIF Bond Issuances and Assets



Sources: Bloomberg, PIF and IMF staff calculations.

41. Industrial policies conducted by the central government and other government entities should be cost efficient and complement structural reforms. When implemented they should have exit criteria, claw-back mechanisms, and sunset clauses to prevent industrial policies from remaining after they achieved their objectives. In addition, operations within the SEZs, including incentives related to tax, local content, and Saudization requirements, should be regularly assessed with respect to relevant domestic policies (e.g., on tax expenditures or labor market policies) and global policies (e.g., global taxation and trade rules). Risks associated with such policies should be minimized, while avoiding policies that favor domestic producers over imports as they could create distortions in the allocation of resources and in trade and investment decisions.[1]



Note: Trade policy includes export and import policy, trade defense, and export incentives.
Sources: NIPO database, Evenett, Simon, et al. (2025) and staff calculations.

[1] See IMF's Staff Discussion Note [Industrial Policies: Handle with Care] (2025).

42. Saudi Arabia's data provision remains broadly adequate for surveillance (Annex XI). Staff welcomes the authorities' commitment to advancing toward SDDS+, positioning Saudi Arabia as the only MENA country pursuing this standard. This commitment builds on substantial progress, including GDP rebasing (Box 1), an expanded Household Income and Expenditure Survey—now five times larger—and the publication of new environment statistics in December 2024. Ongoing initiatives include enhancements to the CPI and WPI, expansion of sectoral data, and the development of climate statistics. Continued efforts to improve the coverage and granularity of Balance of Payments (BOP) and International Investment Position (IIP) data by SAMA are also encouraging—as these improvements are critical for bilateral and multilateral surveillance, and for Saudi Arabia's preparations to join SDDS+.

43. Authorities' Views. The authorities reiterated their unwavering commitment to structural reforms, even amid global uncertainty and oil market volatility. Their overarching objective remains to drive non-oil sector growth, enhance productivity, and accelerate economic diversification. They agreed with staff's analysis of reform priorities and emphasized the importance of strengthening human capital, aligning labor supply with market needs, and maintaining momentum in improving the business environment. They noted that rising investor confidence—driven by capital market reforms, more legal certainty and improved access for foreign investors—would help boost FDI and other foreign investment. Regarding industrial policy, they noted that targeted interventions by the PIF and public entities would continue to play a catalytic role, targeting strategic sectors where private investment remains limited.

STAFF APPRAISAL

44. Despite elevated global uncertainty and external shocks, Saudi Arabia's economy has shown strong resilience, supported by domestic demand and ongoing diversification efforts. The non-oil economy is expanding, inflation is contained, and unemployment remains at record lows. Although lower oil revenues and investment-driven imports have resulted in twin deficits that will persist over the medium term, external and fiscal buffers remain ample. Staff assesses the external position in 2024 as broadly in line with medium-term fundamentals and desirable policies. While uncertainty persists, the outlook remains strong, with risks to the downside.

45. Maintaining a less procyclical fiscal stance in 2025 remains important to support growth and avoid magnifying the impact of large oil price fluctuations. With substantial fiscal buffers and effective frontloading of fiscal consolidation—as measured by the marked improvement in the non-oil primary balance—the projected deficit for 2025 remains appropriate, despite exceeding budget targets. In this context, additional adjustment in response to lower oil revenue would be unwarranted, as it would make fiscal policy procyclical at a time when support is needed. Staff welcomes the authorities' contingency planning to safeguard fiscal sustainability in the event of a severe shock— options such as more aggressive consolidation and project reprioritization (in the case of a significant permanent decline in oil prices), partial use of fiscal buffers (in the case of a temporary shock), should be considered as part of that framework.

46. A gradual fiscal consolidation will remain necessary over the medium term to achieve intergenerational equity. Continued efforts to strengthen non-oil revenue mobilization—particularly recent progress in revenue administration—and to contain the wage bill are welcome and should be sustained. Further reforms should include broader tax policy reforms, including removing exemptions, reforming corporate taxation, introducing a property tax, and ending tax penalty waivers. Accelerating the elimination of energy subsidies—especially by removing the cap on gasoline prices—remains important, alongside the move towards better-targeted social safety nets. Ongoing spending reviews are also welcome and should be leveraged to further prioritize and streamline non-essential expenditures.

47. Sustaining ongoing efforts to strengthen fiscal institutions will be crucial to support fiscal adjustment and advance Saudi Arabia's Vision 2030 objectives. Enhancing the Medium-Term Fiscal Framework remains a priority, particularly through better integration of its multi-year projections into annual budget preparations to align spending ceilings with fiscal forecasts. Operationalizing and ensuring compliance with an expenditure-based fiscal rule would help anchor the fiscal stance over the medium term. This should be complemented by improvements in budget execution, investment efficiency, broader coverage in fiscal data and fiscal risk analysis, including of contingent liabilities. Priority should also be given to operationalizing a comprehensive sovereign asset-liability management framework to improve oversight of sovereign balance sheet exposures.

48. The currency peg to the U.S. dollar remains appropriate. It has provided a credible anchor for monetary policy and is backed by ample external buffers. With an open capital account, it is essential that SAMA's policy rate continues to align with the Fed's policy rate. SAMA's standard market-based monetary operations should continue to remain focused on smoothing short-term liquidity without fueling asset and credit growth. Improvements in the liquidity management framework are welcome and should be further enhanced to strengthen monetary policy transmission.

49. Systemic financial sector vulnerabilities remain low, with continued progress in regulatory and supervisory reforms, SAMA's latest stress tests confirm that banks are well-positioned to weather low oil prices and slower growth. The submission of the new Banking Law for legislative approval, refinement of risk-based supervision, and the launch of a monitoring system for large construction and infrastructure projects mark important advances. Operationalization of SAMA's bank resolution function is underway, and efforts to finalize a crisis management framework—including emergency liquidity assistance—should continue without delay. Further enhancements to AML/CFT supervision, such as thematic inspections, are also welcome.

50. Addressing strong credit growth and funding pressures is important to mitigate risks to systemic financial stability. Staff welcomes SAMA's ongoing review of its prudential toolkit to respond to persistent double-digit credit growth and increased resort to short-term external wholesale funding. In this context, the May 2025 introduction of a 100 basis points countercyclical capital buffer is welcome. Further risk mitigation would come by narrowing loan-to-value and debt burden ratios and tightening loan-to-deposit ratio guidelines to discourage excessive short-term foreign exchange funding. Staff commends SAMA's proactive monitoring of the LCR and NSFR in foreign currency and encourages formalizing them as regulatory requirements. Establishing limits on net foreign exchange positions could also be considered. Deepening the capital market would help diversify funding sources.

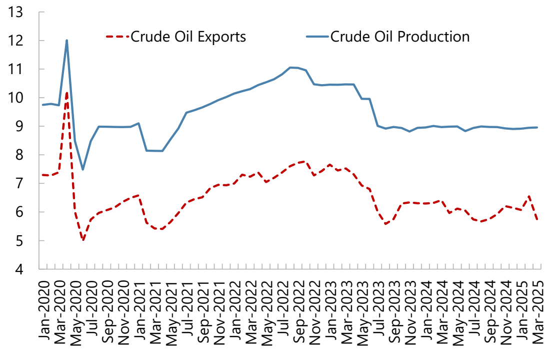
51. The structural reform momentum should continue irrespective of oil price developments. Building on the impressive structural reform momentum since 2016, recent legislative enactments—such as the updated investment law and a strengthened governance framework—will help reinforce contractual certainty, level the playing field between domestic and foreign investors, and increase transparency. Greater clarity on Vision 2030 spending objectives would further anchor investor expectations. Continued improvements in regulatory and business environment, human capital (including better alignment of labor supply with evolving market needs), female labor force participation, and expanding SME access to finance are essential. Further governance enhancements and deeper regional trade integration would also support private sector development and boost productivity. Targeted interventions through industrial policies should complement—not replace— structural reforms, must avoid crowding out private sector investment and be regularly reviewed

52. It is recommended that the next Article IV takes place on the standard 12-month cycle.

Figure 1. Saudi Arabia: Real Sector Developments

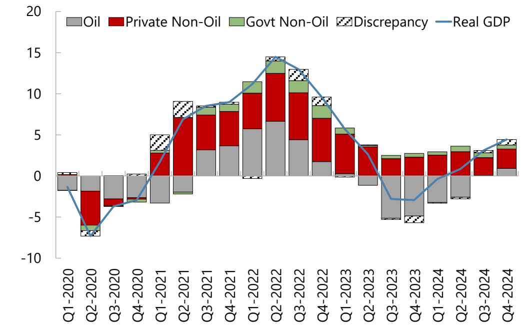
OPEC+ production cuts have reduced oil production…

Oil Production and Exports
(Million barrels per day)



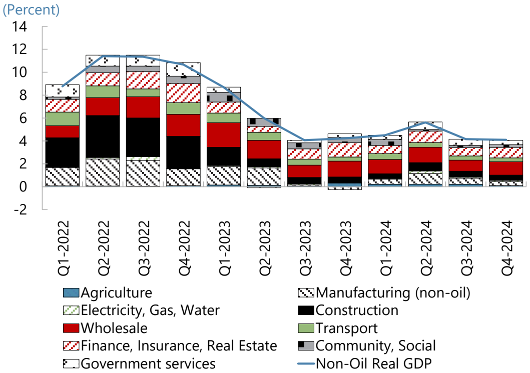
…with non-oil GDP sustaining the growth momentum…

Contribution to Real GDP Growth
(Percent)



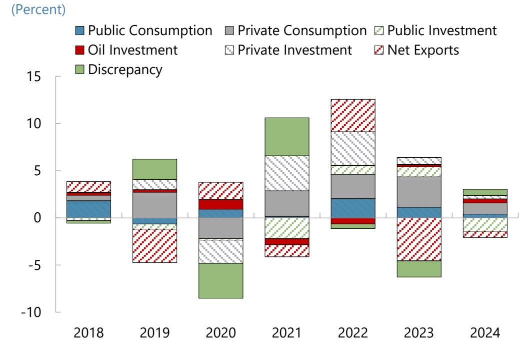
… driven by wholesale, finance, real estate, and government services…

Sectoral Contribution to Non-Oil Real GDP Growth
(Percent)



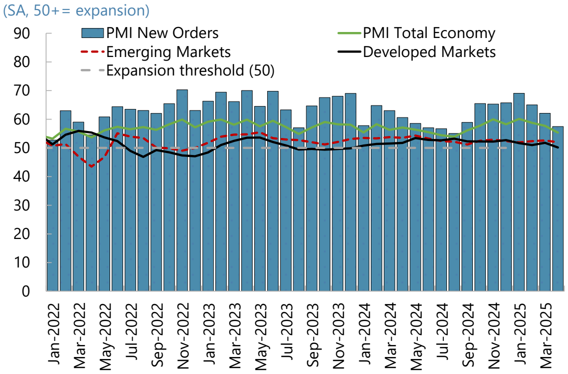
…and growth in private consumption and investment, dampened by net oil exports.

Real Overall Growth: Demand Side Decomposition
(Percent)



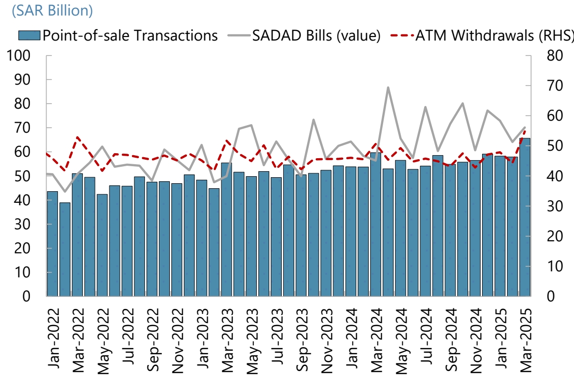
The outlook remains positive as PMI remains strong…

Purchasing Managers' Index
(SA, 50+= expansion)



…with sustained consumption, evidenced by POS transactions and ATM withdrawals.

Point-of-Sale Transactions and ATM Withdrawals
(SAR Billion)



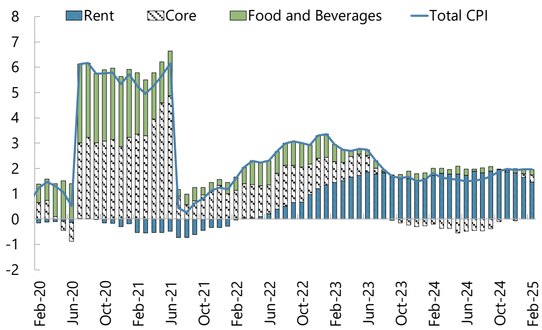
Sources: Bloomberg, country authorities, and IMF staff calculations.

Figure 2. Saudi Arabia: Inflation Developments

Headline and core inflation have reached a low level…

Contributions to Inflation

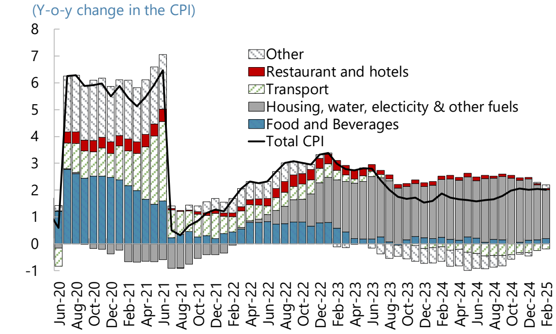
(Y-o-y change in the CPI)



…with the contribution of housing dominating.

Contributions to Inflation

(Y-o-y change in the CPI)

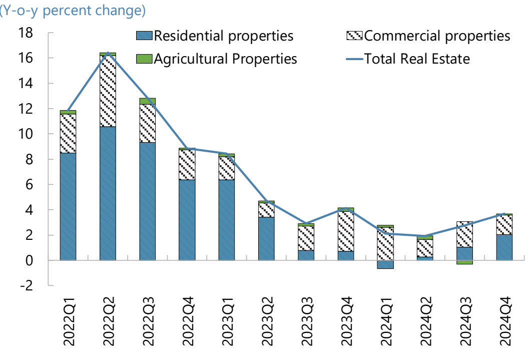


Other includes: clothing and footwear, furnishings, houshold equipment & maintenance, health, communication, recreation, culture, education, miscellaneous.

While rents have been on an overall downward trend…

Contributions to Real Estate Inflation

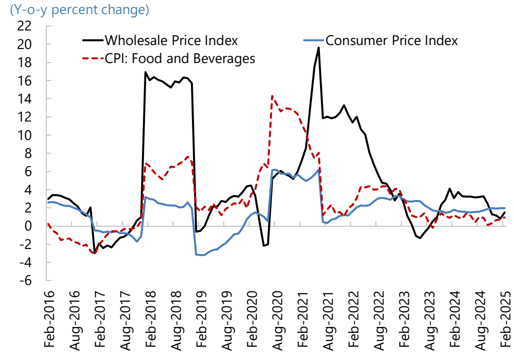
(Y-o-y percent change)



… the wholesale price index has recently edged up.

Inflation and Wholesale Price Index

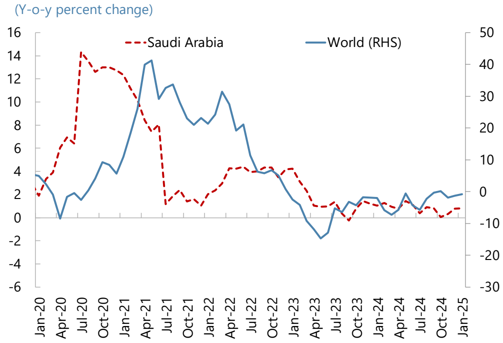
(Y-o-y percent change)



Food price inflation has converged with that of the rest of the world…

Food Price Indices

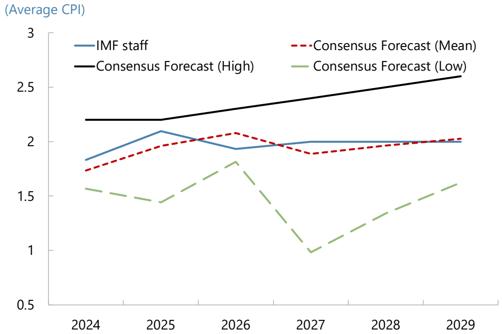
(Y-o-y percent change)



…and inflation is expected to remain contained.

Consensus Forecast May 2024

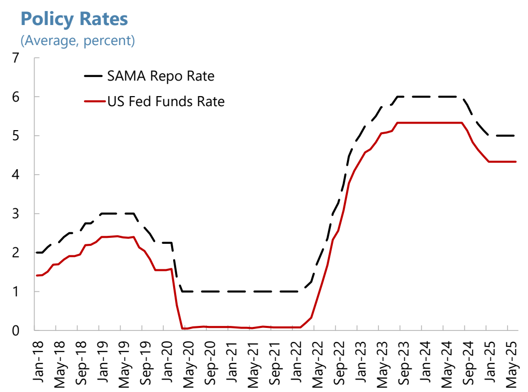
(Average CPI)



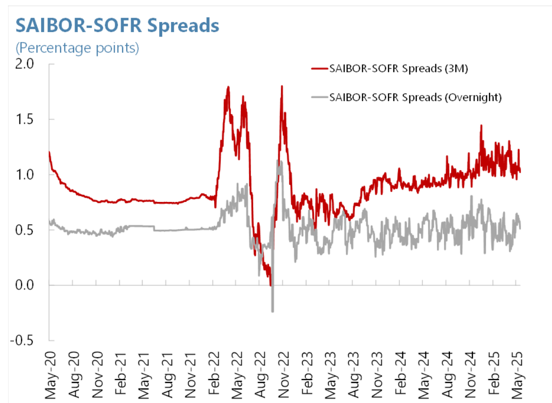
Sources: Country authorities and IMF staff calculations.

Figure 3. Saudi Arabia: Monetary and Financial Sector Developments

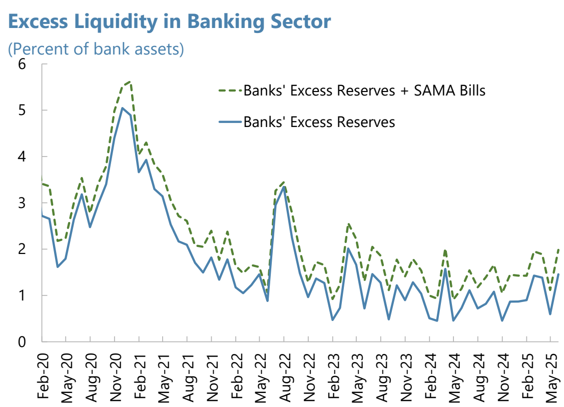
Monetary policy is in line with the U.S. rate cycle…



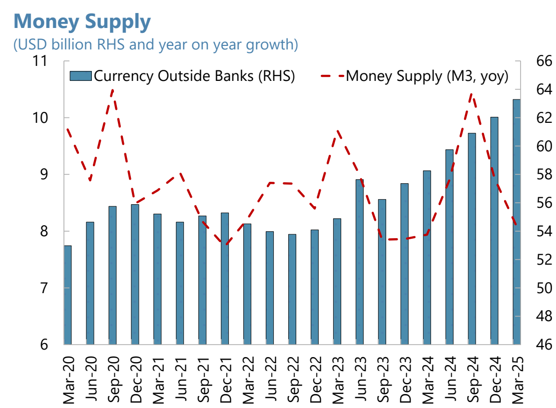
…with SAIBOR-SOFR spreads recently widening.



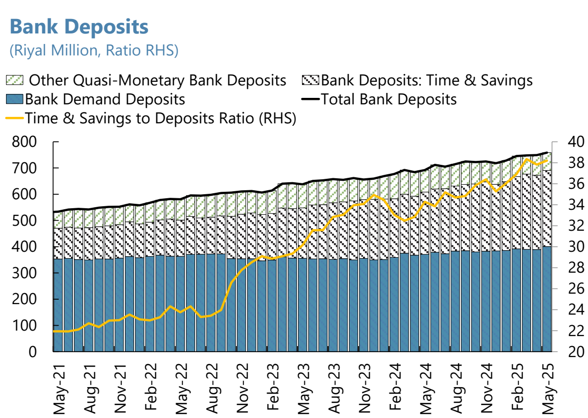
…as liquidity tightens…



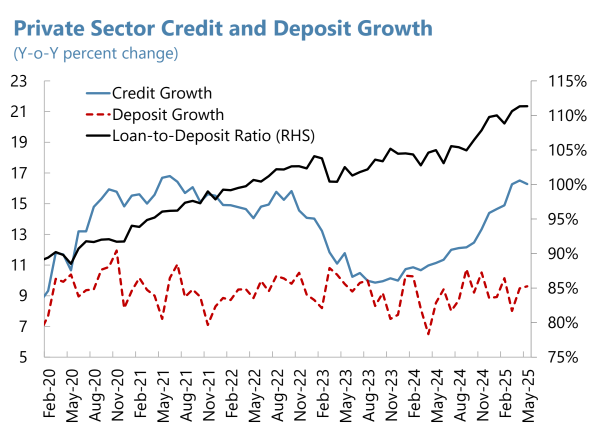
…despite robust monetary growth.



A shift to time and savings deposits has recently moderated after reaching a peak in 2024…



…which was not enough to keep pace with the rapid expansion of credit



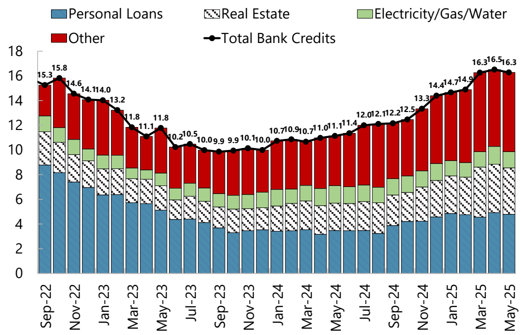
Sources: Country authorities and IMF staff calculations

Figure 4. Saudi Arabia: Banking and Financial Sector Developments

Bank credit growth has recently accelerated …

Contributions to Bank Credit Growth

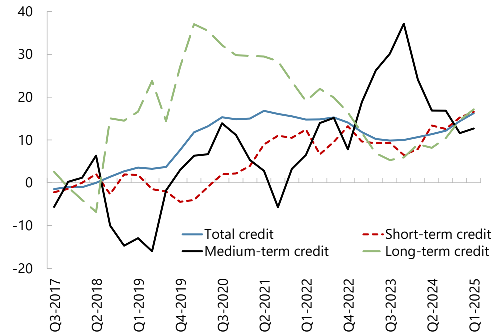
(Y-o-y percent change)



…with short and long-term credit increasingly contributing to credit expansion.

Bank Credit by Maturity

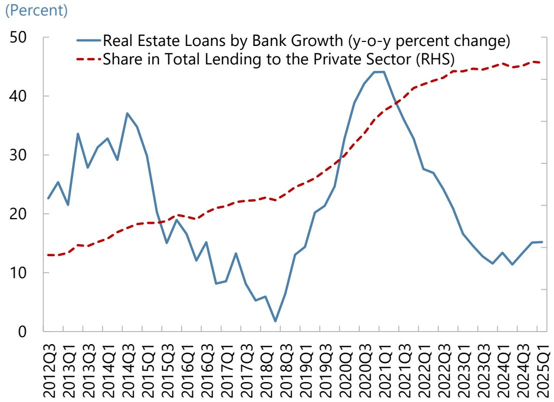
(Y-o-y percent change)



Growth in mortgages has recently decelerated…

Mortgage Loans

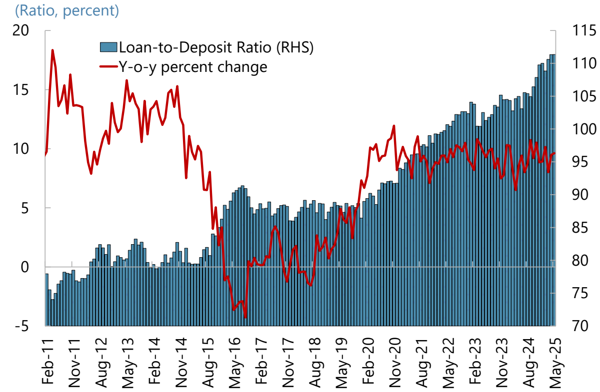
(Percent)



…in the context of a high loan-to-deposit ratio.

Commercial Bank Deposits

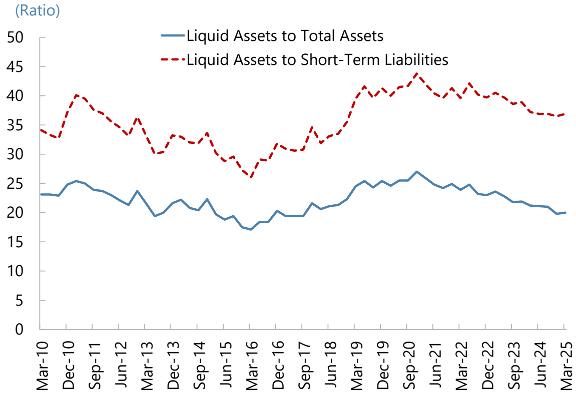
(Ratio, percent)



Liquidity ratios remain adequate…

Liquidity Ratios

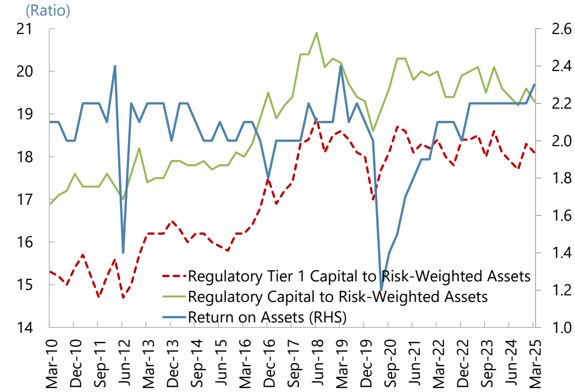
(Ratio)



…and profitability and capitalization are strong.

Capital Adequacy Ratio and Profitability

(Ratio)

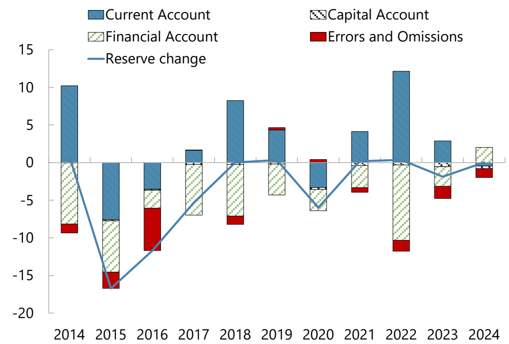


Sources: Country authorities and IMF staff calculations.

Figure 5. Saudi Arabia: External Sector Developments

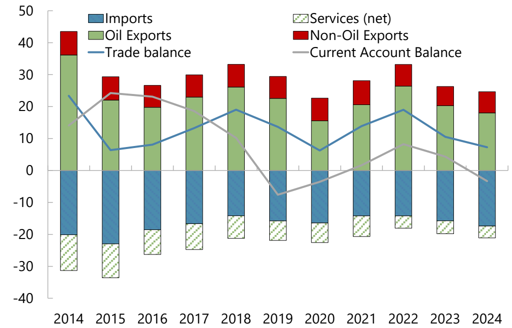
The current account shifted to a narrow deficit in 2024…

Current and Financial Account Balances
(Percent of GDP)



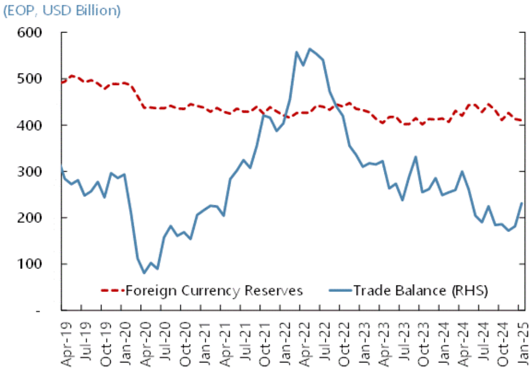
…driven by higher imports and lower oil exports.

Trade Balance
(Percent of GDP)



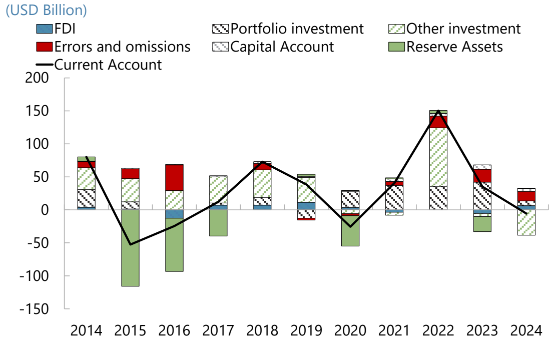
Reserve accumulation has been tepid…

Foreign Reserves and Trade Balance
(EOP, USD Billion)



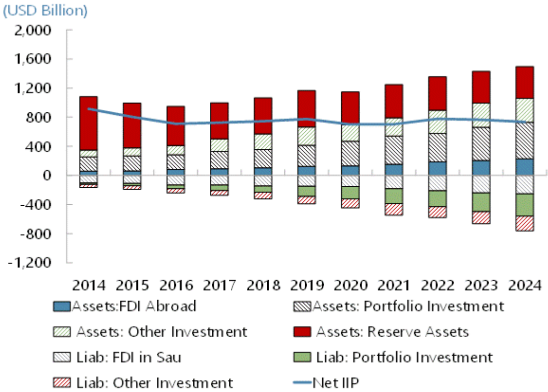
The financial account shifted to small net inflows, driven by external financing and less FX asset accumulation abroad.

Balance of Payments
(USD Billion)



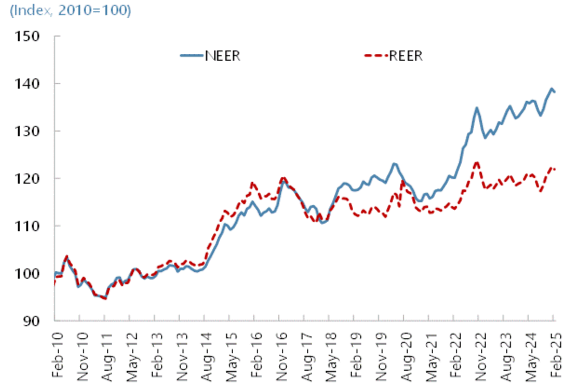
The external balance sheet remains robust, including with reserves exceeding ARA metrics.

International Investment Position
(USD Billion)



The NEER appreciation has been driven by the U.S. dollar, while the REER has remained relatively stable.

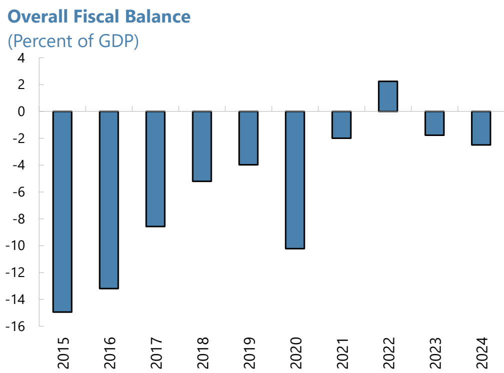
Real and Nominal Effective Exchange Rates
(Index, 2010=100)



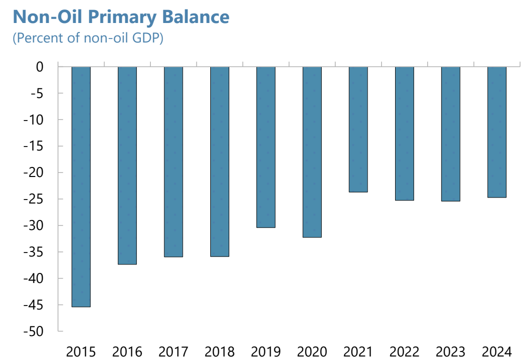
Sources: Country authorities and IMF staff calculation.

Figure 6. Saudi Arabia: Fiscal Developments

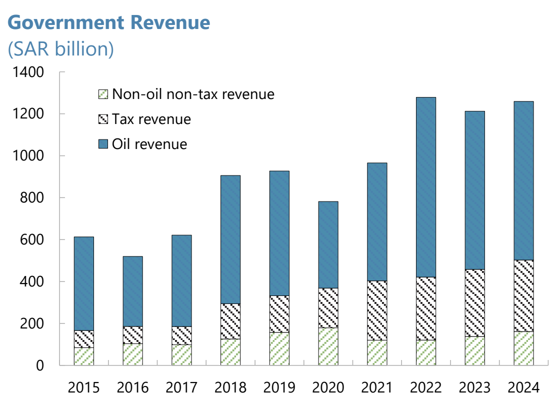
The overall fiscal deficit widened in 2024…



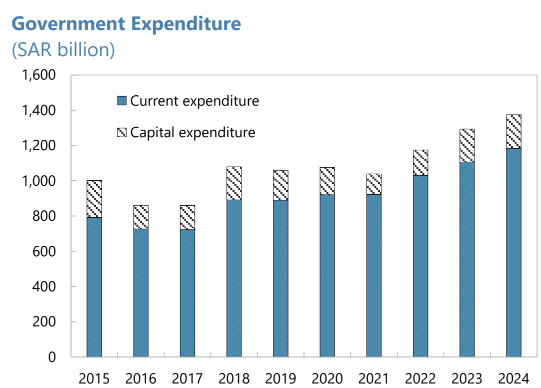
…despite an improvement in the non-oil primary balance.



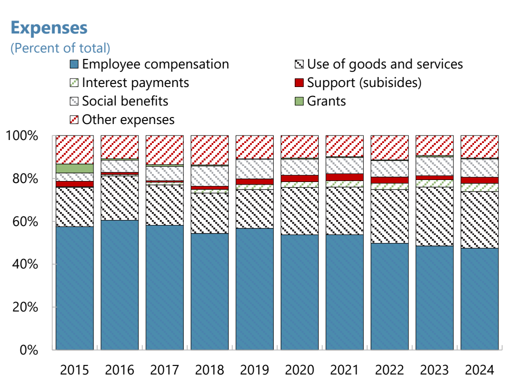
Non-oil revenue continued increasing, while oil revenue remained flat in 2024.



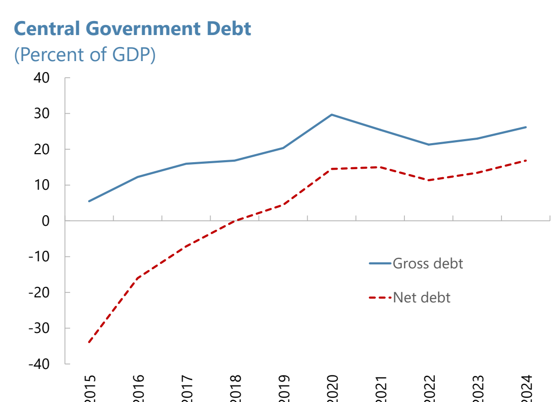
One-off spending and budget overruns pushed up government expenditure in 2024…



… while the share of the wage bill continued to decline.



Central government debt inched up in 2024.

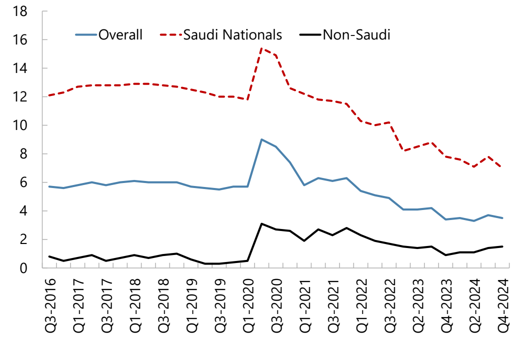


Sources: Country authorities and IMF staff calculations

Figure 7. Saudi Arabia: Labor Market Developments

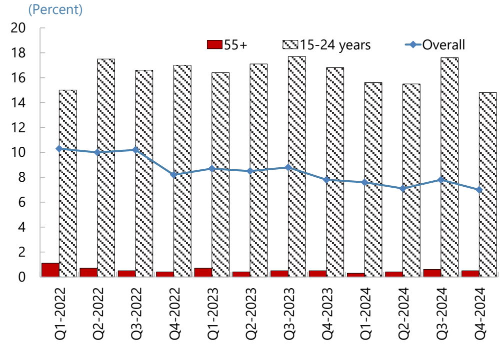
The unemployment rate has trended downward to record lows, driven by Saudi nationals and expatriates.

Unemployment Rates
(Percent)



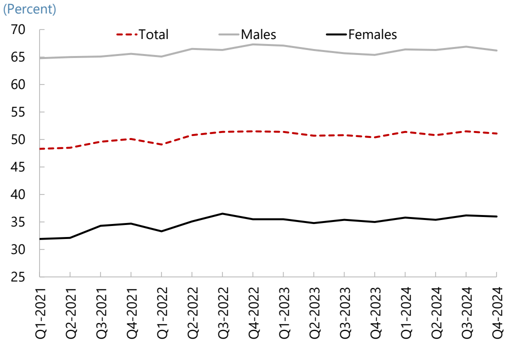
The unemployment rate for Saudi nationals and youth has continued to improve despite a seasonal peak in Q3.

Unemployment Rate for Saudi Nationals by Age
(Percent)



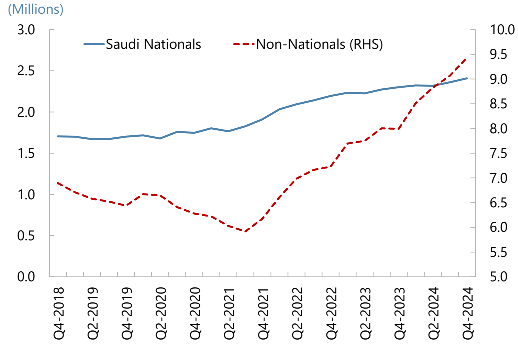
After a steady increase, the labor force participation rates have somewhat flattened…

Labor Force Participation Rates for Saudi Nationals
(Percent)



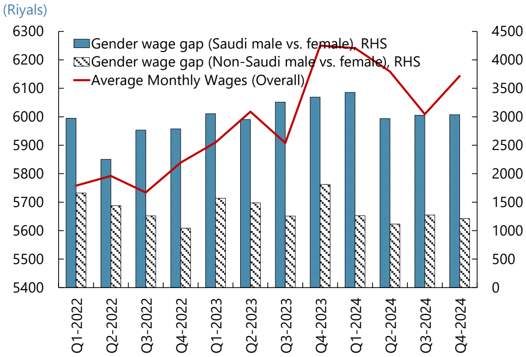
…however, private sector employment continues to rise.

Private Sector Employment
(Millions)



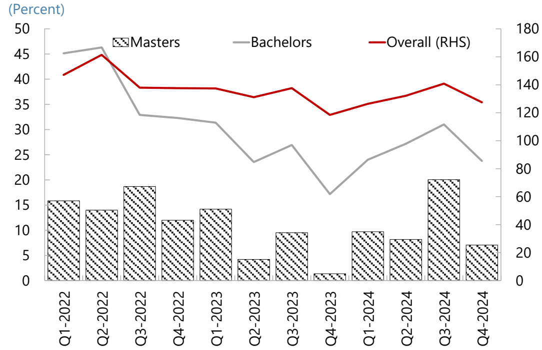
Wage growth remains contained despite some seasonal movements, while the gender wage gap remains high…

Average Monthly Wages and Gender Wage gap
(Riyals)



…and wage premiums increasing recently between Saudi and non-Saudi.

Wage Premium Over Non-Saudi
(Percent)



Sources: Country authorities and IMF staff calculations.

Table 1. Saudi Arabia: Selected Economic Indicators, 2022–30

				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	2022	2023	2024	2025	2026	2027	2028	2029	2030
	(Percent change; unless otherwise indicated)								
National income and prices									
Crude oil production (million of barrels per day)	10.6	9.6	9.0	9.4	10.0	10.3	10.6	10.8	11.0
Average oil export price (U.S. dollars per barrel)[1]	101.4	85.4	83.4	70.3	66.5	67.0	67.7	68.3	68.5
Nominal GDP (SAR billions)	4,647	4,570	4,649	4,712	4,904	5,156	5,421	5,695	5,970
Nominal GDP (US$ billions)	1,239	1,219	1,240	1,256	1,308	1,375	1,446	1,519	1,592
Nominal non-oil GDP (SAR billions)	3,002	3,290	3,511	3,714	3,914	4,130	4,356	4,592	4,833
Nominal GDP per capita (US$)	38,510	36,157	35,122	34,895	35,607	36,702	37,833	38,966	40,047
Real GDP	12.0	0.5	2.0	3.6	3.9	3.5	3.4	3.3	3.3
Oil	15.0	-9.0	-4.4	4.0	4.9	2.8	2.8	2.7	2.8
Non-oil [2]	10.9	5.8	4.5	3.4	3.5	3.8	3.6	3.5	3.5
Consumer price index (avg)	2.5	2.3	1.7	2.1	2.0	2.0	2.0	2.0	2.0
External sector									
Exports f.o.b. (goods)	48.9	-22.1	-4.6	-6.0	4.0	4.7	3.8	3.8	2.8
Oil	61.8	-24.3	-9.7	-12.5	2.1	3.7	2.5	2.6	0.9
Non-oil	13.7	-13.5	12.9	11.7	8.2	6.6	6.3	6.2	6.1
Imports f.o.b. (goods)	25.9	9.1	12.2	7.1	7.9	8.3	6.6	6.2	5.8
Current account balance (percent of GDP)	12.1	2.9	-0.5	-2.6	-3.0	-3.4	-3.3	-3.2	-3.2
Export volume (goods)	9.6	-9.5	1.8	8.2	9.0	4.7	3.8	4.0	3.5
Import volume (goods)	14.4	12.1	10.8	5.4	7.2	8.4	6.1	5.2	4.8
Terms of trade	31.3	-14.0	-6.2	-18.0	-6.1	0.3	0.0	-0.7	-1.4
Money and credit									
Net foreign assets	3.8	-7.4	-5.4	1.6	1.0	-0.1	0.8	1.6	2.3
Net domestic assets	12.6	18.8	17.1	14.1	10.5	9.6	8.0	7.5	6.8
Of which: claims on private sector	12.6	10.0	13.4	12.4	8.9	8.5	7.1	6.8	6.0
Money and quasi-money (M3)	8.1	7.6	8.8	9.3	8.2	7.1	6.2	5.7	5.6
3-month Interbank rate (percent p.a.) [3]	5.3	6.2	5.5	...	...	...	...	...	...
Central government finances	(Percent of GDP)								
Revenue	27.5	26.5	27.1	24.1	24.0	23.9	23.7	23.5	23.1
Expenditure	25.3	28.3	29.6	28.1	27.9	27.6	27.1	26.7	26.3
Expense	22.2	24.2	25.5	24.2	23.8	23.3	22.9	22.4	22.0
Net acquisition of non-financial assets	3.1	4.1	4.1	3.9	4.1	4.3	4.3	4.3	4.3
Net lending (+) / borrowing (-)	2.2	-1.8	-2.5	-4.0	-3.9	-3.7	-3.5	-3.2	-3.2
Excluding oil revenue	-16.2	-18.3	-18.8	-16.9	-16.6	-16.3	-15.7	-15.2	-14.8
Non-oil primary balance (percent of non-oil GDP)	-25.3	-25.4	-24.7	-21.1	-20.3	-19.5	-18.6	-17.7	-16.9
Central government deposits	10.0	9.5	9.3	9.2	8.8	8.6	8.5	8.5	8.4
Central government gross debt	21.3	23.0	26.2	29.8	32.6	34.9	37.0	38.8	40.6
Central government net financial assets	-11.3	-13.4	-16.8	-20.6	-23.7	-26.3	-28.5	-30.3	-32.1
Memorandum items:									
SAMA's total net foreign assets (US$ billions)	440.5	417.1	414.5	419.3	421.6	419.7	422.1	427.8	436.6
In months of imports of goods and services	18.2	15.8	14.9	14.1	13.3	12.6	12.2	11.8	12.1
Imports goods & services (percent of GDP)	20.9	23.8	25.6	26.6	27.2	27.6	27.6	27.4	27.3
Real effective exchange rate (2010=100, end of period) [3]	119.5	118.5	121.3	...	...	...	...	...	...
Average exchange rate Saudi riyal/U.S. dollar	3.75	3.75	3.75	...	...	...	...	...	...
Population (millions)	32.2	33.7	35.3	...	...	...	...	...	...
Unemployment rate (nationals)	9.7	8.5	7.4	...	...	...	...	...	...
Unemployment rate (overall)	4.9	4.0	3.5	...	...	...	...	...	...
All-Shares Price Index (TASI)	10,478	11,967	12,037	...	...	...	...	...	...

Sources: Saudi Arabian authorities; and IMF staff estimates and projections.

[1] Includes refined products.

[2] Takes the sum of non-oil activities GDP, government activities GDP, and net taxes published by the authorities.

[3] Latest observation

Table 2. Saudi Arabia: Budgetary Central Government Operations, 2022–30

	2022	2023	2024	Budget 2024	Proj. 2025	Budget 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
	(SAR billions)										
Revenue	1,278	1,212	1,259	1,172	1,134	1,184	1,177	1,234	1,284	1,336	1,378
Oil	857	755	757		608		623	648	665	683	690
Non-oil	421	458	502		526		555	587	619	653	688
Tax revenues	300	320	341		357		377	398	420	444	467
Taxes on income, profits, and capital gains	24	39	32	31	33	31	35	37	39	41	43
Taxes on goods and services (include excises, exclude expat levy)	229	225	249		259		273	289	304	321	338
Taxes on international trade and transactions	19	22	24	21	26	23	28	31	33	35	37
Other taxes	28	33	36	30	38	36	40	42	44	47	49
Non-oil non-tax revenues	121	138	162		169		178	188	199	209	221
Property income (excluding oil)	36	38	40		43		45	48	50	53	56
Sales of goods and services	36	38	45		48		50	53	56	59	62
Fines, penalties, and forfeits	13	13	21		22		23	25	26	27	29
Other revenues (include expat levy)	36	49	56		56		60	63	67	70	74
Expenditure	1,174	1,293	1,375	1,251	1,323	1,285	1,369	1,424	1,472	1,520	1,570
Expense	1,031	1,107	1,184	1,062	1,139	1,101	1,169	1,204	1,239	1,275	1,312
Employee compensation	513	537	562	544	568	561	574	580	585	591	597
Use of goods and services	258	303	313	277	277	265	283	289	295	300	306
Interest payments	30	38	45	47	57	59	66	79	92	106	120
Domestic	18	23	25		31		36	43	49	56	63
Foreign	12	15	19		26		30	36	43	50	57
Support (subsidies)	30	21	34	38	31	31	33	34	36	38	40
Social benefits 1/	79	97	101	62	98	98	100	102	105	107	109
Grants	3	7	4	4	4	2	5	5	5	6	6
Other expenses 2/	117	104	125	91	103	86	108	114	121	127	134
Net acquisition of non-financial assets	143	186	191	189	185	184	200	221	233	245	258
Net lending (+) / borrowing (-)	104	-81	-116	-79	-190	-101	-192	-190	-188	-184	-193
	(Percent of GDP)										
Revenue	27.5	26.5	27.1	25.2	24.1	25.1	24.0	23.9	23.7	23.5	23.1
Oil	18.4	16.5	16.3		12.9		12.7	12.6	12.3	12.0	11.6
Non-oil	9.1	10.0	10.8		11.2		11.3	11.4	11.4	11.5	11.5
Tax revenues	6.5	7.0	7.3		7.6		7.7	7.7	7.8	7.8	7.8
Taxes on income, profits, and capital gains	0.5	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Taxes on goods and services (include excises, exclude expat levy)	4.9	4.9	5.4		5.5		5.6	5.6	5.6	5.6	5.7
Taxes on international trade and transactions	0.4	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Other taxes	0.6	0.7	0.8	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Non-oil non-tax revenues	2.6	3.0	3.5		3.6		3.6	3.6	3.7	3.7	3.7
Property income (excluding oil)	0.8	0.8	0.9		0.9		0.9	0.9	0.9	0.9	0.9
Sales of goods and services	0.8	0.8	1.0		1.0		1.0	1.0	1.0	1.0	1.0
Fines, penalties, and forfeits	0.3	0.3	0.5		0.5		0.5	0.5	0.5	0.5	0.5
Other revenues (include expat levy)	0.8	1.1	1.2		1.2		1.2	1.2	1.2	1.2	1.2
Expenditure	25.3	28.3	29.6	26.9	28.1	27.3	27.9	27.6	27.1	26.7	26.3
Expense	22.2	24.2	25.5	22.8	24.2	23.4	23.8	23.3	22.9	22.4	22.0
Employee compensation	11.0	11.8	12.1	11.7	12.1	11.9	11.7	11.2	10.8	10.4	10.0
Use of goods and services	5.6	6.6	6.7	6.0	5.9	5.6	5.8	5.6	5.4	5.3	5.1
Interest payments	0.7	0.8	1.0	1.0	1.2	1.3	1.4	1.5	1.7	1.9	2.0
Domestic	0.4	0.5	0.6		0.7		0.7	0.8	0.9	1.0	1.1
Foreign	0.3	0.3	0.4		0.5		0.6	0.7	0.8	0.9	1.0
Support (subsidies)	0.6	0.5	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Social benefits 1/	1.7	2.1	2.2	1.3	2.1	2.1	2.0	2.0	1.9	1.9	1.8
Grants	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Other expenses 2/	2.5	2.3	2.7	2.0	2.2	1.8	2.2	2.2	2.2	2.2	2.2
Net acquisition of non-financial assets	3.1	4.1	4.1	4.1	3.9	3.9	4.1	4.3	4.3	4.3	4.3
Net lending (+) / borrowing (-)	2.2	-1.8	-2.5	-1.7	-4.0	-2.1	-3.9	-3.7	-3.5	-3.2	-3.2
	(Percent of non-oil GDP)										
Revenue	42.6	36.8	35.9	33.4	30.5	31.9	30.1	29.9	29.5	29.1	28.5
Oil	28.5	22.9	21.6		16.4		15.9	15.7	15.3	14.9	14.3
Non-oil	14.0	13.9	14.3		14.2		14.2	14.2	14.2	14.2	14.2
Tax revenues	10.0	9.7	9.7		9.6		9.6	9.6	9.7	9.7	9.7
Taxes on income, profits, and capital gains	0.8	1.2	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Taxes on goods and services (include excises, exclude expat levy)	7.6	6.9	7.1		7.0		7.0	7.0	7.0	7.0	7.0
Taxes on international trade and transactions	0.6	0.7	0.7	0.6	0.7	0.6	0.7	0.7	0.8	0.8	0.8
Other taxes	0.9	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Non-oil non-tax revenues	4.0	4.2	4.6		4.5		4.6	4.6	4.6	4.6	4.6
Property income (excluding oil)	1.2	1.2	1.2		1.2		1.2	1.2	1.2	1.2	1.2
Sales of goods and services	1.2	1.2	1.3		1.3		1.3	1.3	1.3	1.3	1.3
Fines, penalties, and forfeits	0.4	0.4	0.6		0.6		0.6	0.6	0.6	0.6	0.6
Other revenues (include expat levy)	1.2	1.5	1.6		1.5		1.5	1.5	1.5	1.5	1.5
Expenditure	39.1	39.3	39.2	35.6	35.6	34.6	35.0	34.5	33.8	33.1	32.5
Expense	34.3	33.6	33.7	30.2	30.7	29.6	29.9	29.1	28.4	27.8	27.2
Employee compensation	17.1	16.3	16.0	15.5	15.3	15.1	14.7	14.0	13.4	12.9	12.4
Use of goods and services	8.6	9.2	8.9	7.9	7.5	7.1	7.2	7.0	6.8	6.5	6.3
Interest payments	1.0	1.1	1.3	1.3	1.5	1.6	1.7	1.9	2.1	2.3	2.5
Domestic	0.6	0.7	0.8		0.8		0.9	1.0	1.1	1.2	1.3
Foreign	0.4	0.5	0.5		0.7		0.8	0.9	1.0	1.1	1.2
Support (subsidies)	1.0	0.6	1.0	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Social benefits 1/	2.6	2.9	2.9	1.8	2.7	2.6	2.6	2.5	2.4	2.3	2.3
Grants	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other expenses 2/	3.9	3.1	3.5	2.6	2.8	2.3	2.8	2.8	2.8	2.8	2.8
Net acquisition of non-financial assets	4.8	5.7	5.4	5.4	5.0	5.0	5.1	5.3	5.3	5.3	5.3
Non-oil primary balance	-25.3	-25.4	-24.7		-21.1		-20.3	-19.5	-18.6	-17.7	-16.9
Net lending (+) / borrowing (-)	3.5	-2.5	-3.3	-2.3	-5.1	-2.7	-4.9	-4.6	-4.3	-4.0	-4.0

Sources: Ministry of Finance; and IMF staff projections.

1/ Zakat charity transfers, social welfare payments, and Hafiz Job-seekers allowance.

2/ For 2022, IMF staff reclassified the central government's one-time contribution to ZATCA of SAR 10 billion in other expenses rather than as a deduction to revenues from taxes on goods and services.

Table 2. Saudi Arabia: Budgetary Central Government Operations, 2022–30 (concluded)

	2022	2023	2024	Proj. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
				(SAR billions)					
Net lending (+) / borrowing (-)	104	-81	-116	-190	-192	-190	-188	-184	-193
Financing	-26	87	212	190	192	190	188	184	193
Net acquisition of financial assets	78	-27	-46	0	0	10	20	20	20
Domestic assets	78	-27	-46	0	0	10	20	20	20
Change in central government deposits (+ = buildup)	78	-27	-3	0	0	10	20	20	20
Loans and equity	0	0	-43	0	0	0	0	0	0
Foreign assets	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities (- = repayment)	52	61	166	190	192	200	208	204	213
Gross domestic issuance	102	88	168	155	132	139	134	146	163
Gross foreign issuance	19	101	77	121	120	147	151	152	150
Amortization	-68	-129	-79	-86	-60	-86	-77	-94	-100
Domestic amortization	-50	-59	-74	-60	-36	-39	-30	-44	-56
Foreign amortization	-18	-70	-5	-26	-24	-47	-47	-50	-44
Residual / gap (+ = overfinancing) 1/	78	6	96	0	0	0	0	0	0
				(Percent of GDP)					
Net lending (+) / borrowing (-)	2.2	-1.8	-2.5	-4.0	-3.9	-3.7	-3.5	-3.2	-3.2
Financing	-0.6	1.9	4.6	4.0	3.9	3.7	3.5	3.2	3.2
Net acquisition of financial assets	1.7	-0.6	-1.0	0.0	0.0	0.2	0.4	0.4	0.3
Domestic assets	1.7	-0.6	-1.0	0.0	0.0	0.2	0.4	0.4	0.3
Change in central government deposits (+ = buildup)	1.7	-0.6	-0.1	0.0	0.0	0.2	0.4	0.4	0.3
Loans and equity	0.0	0.0	-0.9	0.0	0.0	0.0	0.0	0.0	0.0
Foreign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities (- = repayment)	1.1	1.3	3.6	4.0	3.9	3.9	3.8	3.6	3.6
Gross domestic issuance	2.2	1.9	3.6	3.3	2.7	2.7	2.5	2.6	2.7
Gross foreign issuance	0.4	2.2	1.7	2.6	2.4	2.9	2.8	2.7	2.5
Amortization	-1.5	-2.8	-1.7	-1.8	-1.2	-1.7	-1.4	-1.7	-1.7
Domestic amortization	-1.1	-1.3	-1.6	-1.3	-0.7	-0.8	-0.6	-0.8	-0.9
Foreign amortization	-0.4	-1.5	-0.1	-0.6	-0.5	-0.9	-0.9	-0.9	-0.7
Residual / gap (+ = overfinancing) 1/	1.7	0.1	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Central government gross debt / GDP	21.3	23.0	26.2	29.8	32.6	34.9	37.0	38.8	40.6
Central government deposits / GDP	10.0	9.5	9.3	9.2	8.8	8.6	8.5	8.5	8.4
Central government net financial assets / GDP	-11.3	-13.4	-16.8	-20.6	-23.7	-26.3	-28.5	-30.3	-32.1
Central government deposits (SAR billions)	463	436	433	433	433	443	463	483	503

Sources: Ministry of Finance; and IMF staff projections.

1/ Residual gap for 2024 is expected to be reduced as more comprehensive fiscal financing data becomes available, including the allocation of central government deposits in commercial banks.

Table 3. Saudi Arabia: Balance of Payments, 2022–30

($ Billion)

	2022	2023	2024	Proj. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
Current account	150.4	33.5	-5.7	-32.5	-39.0	-46.9	-47.2	-48.8	-51.5
(Percent of GDP)	12.1	2.7	-0.5	-2.6	-3.0	-3.4	-3.3	-3.2	-3.2
Trade balance	235.3	128.2	90.3	56.7	50.2	43.3	37.3	32.1	23.7
Exports	411.2	320.2	305.6	287.4	299.0	312.9	324.7	337.2	346.5
Oil exports	327.0	247.4	223.4	195.5	199.6	207.0	212.2	217.6	219.6
Other exports	84.2	72.8	82.2	91.8	99.3	105.9	112.6	119.6	126.8
Imports (f.o.b.)	-175.9	-192.0	-215.3	-230.7	-248.8	-269.5	-287.4	-305.1	-322.8
Services	-47.8	-51.1	-46.4	-44.7	-42.9	-41.5	-37.4	-33.1	-28.0
Transportation	-18.4	-19.9	-21.3	-21.4	-21.4	-21.3	-20.6	-19.9	-19.0
Travel	9.3	12.3	13.3	15.1	16.8	18.7	20.9	23.0	25.4
Other services	-38.7	-43.5	-38.3	-38.4	-38.3	-38.9	-37.7	-36.2	-34.3
Income	8.6	7.7	6.1	8.2	8.0	7.2	7.7	6.2	6.0
Of which: Investment income [1]	8.8	8.0	6.7	8.8	8.6	7.8	8.3	6.8	6.5
Current transfers	-45.8	-51.4	-55.7	-52.7	-54.2	-55.9	-54.8	-54.1	-53.2
Of which : Workers' remittances	-38.8	-38.1	-45.7	-42.7	-44.2	-45.9	-44.8	-44.0	-43.1
Capital Account	-3.9	-6.6	-4.4	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-124.1	-31.8	29.4	37.2	41.3	45.1	49.6	54.5	60.3
Direct Investment	0.2	5.5	-1.8	-0.5	1.0	2.1	3.7	5.8	7.8
Abroad	-26.5	-17.3	-22.0	-21.2	-20.4	-19.9	-19.0	-17.6	-16.4
In Saudi economy	26.7	22.8	20.3	20.7	21.4	22.0	22.6	23.4	24.2
Portfolio investments	-35.8	-41.9	-7.3	14.7	19.9	23.5	26.8	30.3	34.9
Assets	-48.2	-67.6	-51.6	-37.9	-34.6	-32.9	-31.0	-27.9	-24.0
Liabilities	12.4	25.6	44.3	52.5	54.5	56.4	57.7	58.2	58.9
Other investments	-88.5	4.6	38.5	23.1	20.5	19.5	19.2	18.4	17.6
Assets	-78.3	-11.8	3.2	3.2	3.3	3.3	3.3	3.4	3.4
Liabilities	-10.1	16.4	35.3	19.8	17.2	16.2	15.8	15.0	14.2
Net errors and omissions	-17.8	-19.6	-18.9	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	4.5	-24.6	0.3	4.7	2.3	-1.8	2.4	5.6	8.8
Financing	-4.5	24.6	-0.3	-4.7	-2.3	1.8	-2.4	-5.6	-8.8
Change in SAMA's NFA (- increase)	-2.3	23.3	2.6	-4.7	-2.3	1.8	-2.4	-5.6	-8.8
Memorandum items:									
SAMA's total net foreign assets	440.5	417.1	414.5	419.3	421.6	419.7	422.1	427.8	436.6
(In months of imports) [2]	18.1	15.8	14.9	14.1	13.3	12.6	12.2	11.8	12.1
Net International Investment Position (% GDP)	62.8	62.8	59.3	55.9	50.7	44.9	39.4	34.3	29.5
Non-oil current account (% GDP)	-14.3	-17.6	-18.5	-18.1	-18.2	-18.5	-17.9	-17.5	-17.0
External debt (% GDP)	21.3	24.5	30.1	34.8	38.1	40.6	42.6	44.3	45.7
Oil price: WEO assumption (US$/barrel)	99.0	82.3	79.9	69.3	65.5	66.0	66.7	67.3	67.5
Oil price: Average Saudi Arabian Light (US$/barrel)	101.4	85.0	81.5	…	…	…	…	…	…
Oil production (mbd)	10.6	9.6	9.0	9.4	10.0	10.3	10.6	10.8	11.0
Oil exports/total exports	79.5	77.3	73.1	68.0	66.8	66.2	65.3	64.5	63.4
Imports of goods/GDP	14.2	15.8	17.4	18.4	19.0	19.6	19.9	20.1	20.3
GDP (US$ billion)	1,239.1	1,218.6	1,239.8	1,256.5	1,307.7	1,374.9	1,445.6	1,518.7	1,592.0
Government foreign issued debt (US$ billion)	100.0	108.2	127.4	152.7	178.2	204.9	232.6	259.8	288.2
US 6-month LIBOR (Percent)	2.9	5.6	5.5	…	…	…	…	…	…

Sources: Saudi Central Bank (SAMA), and IMF staff estimates and projections.

[1] Represents the return on NFA of SAMA, AGIs, and private sector.

[2] Imports of goods and services over the next 12 months excluding imports for transit trade.

Table 4. Saudi Arabia: Monetary Survey, 2022–30

	2022	2023	2024	Proj. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
	(Billions of Saudi Arabian riyals)								
Foreign assets (net)	1,736	1,607	1,520	1,545	1,561	1,560	1,573	1,599	1,636
SAMA	1,652	1,564	1,555	1,572	1,581	1,574	1,583	1,604	1,637
Commercial banks	84	43	-34	-27	-20	-14	-10	-5	-1
Domestic credit (net)	2,290	2,721	3,186	3,635	4,015	4,401	4,752	5,109	5,456
Net claims on government	-127	55	128	223	319	409	493	575	661
Claims on government	510	540	592	687	783	883	987	1,089	1,195
Public sector deposits at SAMA	-638	-485	-464	-464	-464	-474	-494	-514	-534
Claims on state enterprises	128	147	203	203	203	203	203	203	203
Claims on private sector	2,290	2,519	2,855	3,209	3,493	3,789	4,057	4,331	4,592
Money and quasi-money (M3)	2,495	2,685	2,921	3,193	3,454	3,701	3,930	4,152	4,384
Money (M1)	1,528	1,524	1,670	1,936	2,088	2,229	2,359	2,485	2,614
Currency outside banks	200	212	229	284	306	327	346	364	384
Demand deposits	1,328	1,312	1,441	1,652	1,781	1,902	2,013	2,120	2,231
Quasi-money	967	1,161	1,252	1,257	1,367	1,472	1,570	1,668	1,769
Time and savings deposits	655	864	950	954	1,037	1,117	1,191	1,265	1,342
Other quasi-money deposits	312	297	302	303	330	355	379	402	427
Other items (net liabilities)	1,531	1,643	1,785	1,987	2,122	2,260	2,395	2,555	2,708
	(Changes in percent of beginning broad money stock)								
Foreign assets (net)	2.7	-5.2	-3.2	0.8	0.5	0.0	0.3	0.7	0.9
Domestic credit (net)	11.1	17.3	17.3	15.4	11.9	11.2	9.5	9.1	8.4
Net claims on government	-1.4	7.3	2.7	3.2	3.0	2.6	2.3	2.1	2.1
Claims on government	1.3	1.2	1.9	3.2	3.0	2.9	2.8	2.6	2.6
Public sector deposits at SAMA (increase -)	-2.7	6.1	0.8	0.0	0.0	-0.3	-0.5	-0.5	-0.5
Claims on state enterprises	1.4	0.8	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private sector	11.1	9.2	12.5	12.1	8.9	8.6	7.2	7.0	6.3
	(Percent change; unless otherwise indicated)								
Foreign assets (net)	3.8	-7.4	-5.4	1.6	1.0	-0.1	0.8	1.6	2.3
Domestic credit (net)	12.6	18.8	17.1	14.1	10.5	9.6	8.0	7.5	6.8
Of which: claims on private sector	12.6	10.0	13.4	12.4	8.9	8.5	7.1	6.8	6.0
Money and quasi-money	8.1	7.6	8.8	9.3	8.2	7.1	6.2	5.7	5.6
	(Percent; unless otherwise indicated)								
Memorandum items:									
Ratio of M3-to-GDP	53.7	58.8	62.8	67.8	70.4	71.8	72.5	72.9	73.4
Ratio of Claims on private sector-to-non-oil GDP	76.3	76.6	81.3	86.4	89.3	91.7	93.1	94.3	95.0

Sources: Saudi Central Bank (SAMA); and IMF staff estimates.

Table 5. Saudi Arabia: Financial Soundness Indicators, 2016–24

(Percent, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Banking sector									
Structure of the banking sector									
Number of licensed banks	24	25	29	25	25	26	27	28	28
Number of banks accounting for:									
25 percent of total assets	2	2	2	2	2	1	1	1	1
75 percent of total assets	6	6	6	6	6	5	5	5	5
Total assets (percent of GDP)	88.2	83.2	70.8	76.2	99.3	85.1	74.8	83.4	93.8
Of which: Foreign currency-denominated (as percent of total assets)	10.0	10.5	9.4	9.6	8.7	8.1	8.3	8.3	8.7
Total loans (percent of GDP)	57.3	52.2	45.4	49.7	63.8	57.6	51.6	57.7	65.2
Credit to private sector (percent of GDP)	52.8	48.6	41.8	44.7	59.2	53.3	47.8	53.3	59.3
Total deposits, excluding interbank (as percent of GDP)	63.0	58.8	50.3	53.9	67.5	57.1	49.4	54.1	58.0
Capital adequacy									
Regulatory capital to risk-weighted assets	19.5	20.4	20.3	19.3	20.3	19.9	19.9	20.1	19.6
Tier-1 capital to risk-weighted assets	17.5	18.3	18.5	18.0	18.7	18.2	18.4	18.6	18.3
Asset quality									
Net loans to total assets	62.8	62.2	62.6	59.2	58.7	63.8	63.8	62.7	69.5
Gross NPLs to gross loans	1.4	1.6	2.0	1.9	2.2	1.9	1.8	1.5	1.2
Total provisions to gross NPLs	177.0	151.9	157.2	148.1	134.7	147.7	124.5	129.8	134.2
Net NPLs to total capital	1.0	1.7	1.1	1.6	2.2	2.1	2.7	2.2	1.7
Total provisions for loan losses (as percent of total loans)	2.6	2.6	3.2	2.7	3.0	2.8	2.2	2.0	1.7
Loans to property and construction sector to total loans	-	-	-	-	-	12.6	13.3	14.2	14.9
Loans to domestic manufacturing sector to total loans	-	-	-	-	-	8.3	7.1	6.7	6.1
Contingent and off-balance sheet accounts to total assets	84.6	76.8	72.8	70.1	64.9	59.0	61.5	60.4	69.3
Profitability									
Profits (percent change)	-4.8	8.6	9.8	4.5	-23.6	42.6	21.3	18.7	14.4
Average pretax return on assets	1.8	2.0	2.1	2.1	1.5	1.9	2.0	2.2	2.2
Return on equity	12.6	12.9	13.8	12.1	10.3	12.9	13.7	14.7	15.0
Noninterest expenses to total income [1]	38.0	36.6	36.3	35.9	43.3	35.8	33.4	33.0	32.3
Average lending spread	3.5	3.8	3.9	3.9	3.5	3.2	3.1	3.1	2.8
Liquidity									
Liquid assets to total assets	20.3	21.6	22.3	25.4	27.0	24.9	23.0	21.9	19.8
Liquid assets to short-term liabilities [2]	31.8	34.6	35.5	41.3	43.8	41.3	39.7	38.9	36.5
Customer deposits to net loans	115.7	117.9	115.6	120.7	116.6	109.7	103.6	101.5	96.1
Demand deposits to total deposits	59.9	61.4	62.2	61.2	66.0	64.6	57.9	53.1	53.5
Sensitivity to market risk									
Foreign currency-denominated deposits to total deposits	7.9	8.8	9.0	8.6	7.4	9.5	11.2	9.8	9.1
Foreign currency-denominated loans to total loans	8.2	8.0	8.4	8.8	8.7	7.5	7.6	8.2	9.4
Foreign currency-denominated contingent and off-balance sheet accounts to total assets	28.3	27.1	27.1	27.5	28.0	27.1	28.7	28.3	36.4
Net open foreign currency position to capital	2.6	4.0	6.4	6.7	7.3	0.0	-2.3	1.2	-4.6
Stock market									
Stock market capitalization (percent of GDP)	65.1	60.8	55.9	270.8	316.1	271.6	212.6	246.4	219.8
Overall stock market price index (change in percent)	4.3	0.2	8.3	7.2	3.6	29.8	-7.1	14.2	0.6
Bank stock price index (change in percent)	-67.4	8.2	31.1	12.4	-6.4	61.0	-5.6	5.7	0.5

Source: Saudi Central Bank (SAMA).

[1] Total income includes net interest income and gross noninterest income.

[2] Short-term liabilities include demand deposits maturing in 90 days or less. Liquid assets include cash, gold, Saudi government bonds and treasury bills and interbank deposits maturing within 30 days.

Annex I. Recommendations Made During the 2024 Article IV Consultation

Recommendation	Status
Accelerate non-oil revenue mobilization through a two-pronged strategy with tax policy and tax administration reform, with the development of a full-fledged medium-term revenue strategy.	Non-oil revenue improved somewhat from 18.1 percent of non-oil GDP in 2023 to 18.6 percent in 2024 mainly due to efficiency gains in tax administration.
Rationalize spending through fuel subsidy reform, wage bill rationalization, while limiting the impact on the vulnerable population by scaling up targeted social programs. Strengthen the public investment management framework and reinforce cost controls and maximize the return on priority projects.	There were expenditure overruns in 2024 due to larger spending on transformational projects and some non-recurrent spending. While recent steps to reduce fuel subsidies, such as the 44 percent increase in diesel prices in January 2025, are welcome, the cap on gasoline prices is still in place. Higher social spending than the budget in 2024 reflected mostly increased allowances under the Citizen's Account, which are expected to moderate in 2025 as they become more targeted.
Strengthen fiscal institutions by implementing a medium-term fiscal framework (MTFF), further strengthening budget preparation and execution processes, establishing a complete picture of the fiscal position (including the PIF), deepening fiscal risk analysis and management, and enhancing cash management through the Treasury Single Account.	The authorities made progress in 2024 by moving from a 3-year to 5-year MTFF, improving the budget preparation and execution processes by including all government entities in the Etimad platform, and making progress in improving spending efficiency by conducting regular assessment of cost pressures associated with budgeted capital projects through the Spending Efficiency Key Elements Program (SEKEP) currently covering 80 percent of budget entities.
Operationalize an expenditure-based fiscal rule based on a fiscal anchor derived from the permanent income hypothesis to prevent expenditure procyclicality and achieve intergenerational equity.	While staff acknowledges the evolving spending needs for transformational projects and non-recurrent spending that is difficult to anticipate, the authorities' current approach to a fiscal rule based on a multi-year smoothing of oil prices does not appear to prevent procyclicality of fiscal policy, as the spending ceiling in the annual budget has been repeatedly revised and the link to the MTFF seems weak.
Develop an effective sovereign asset-liability management framework.	A public sector balance sheet incorporating financial assets and liabilities of key government-related entities as part of the preparation of a Sovereign Asset Liability Management Framework is being developed. Work on the second phase is underway to include non-financial assets.
Conduct monetary policy to support the exchange rate peg.	Monetary policy in 2024 was appropriate in containing inflationary pressures and supporting the peg.

Recommendation	Status
Establish an emergency liquidity assistance framework.	Not established yet but in progress. SAMA has drafted the regulation and is undergoing internal procedures.
Further strengthen banking regulatory and supervisory framework, address the existing data gaps, and strengthen AML/CFT supervision.	SAMA has launched a review of the current risk-based supervision framework, with the goal of addressing relevant FSAP recommendations. Once the review is completed, SAMA is expected to start the second phase of the project which will include updating data templates, internal system upgrade to reflect the revised framework and the updated supervisory cycle.
Use macroprudential tools to forestall risks of a lending boom and address the existing data gaps in housing prices.	A countercyclical capital buffer was introduced with effect from May 2026. A comprehensive review of the existing DSTI limit is ongoing. A new real estate price index was developed, and work is ongoing on constructing affordability indicators.
Accelerate the efforts to overhaul the business environment and eliminate regulatory barriers	Several measures were introduced in 2025 to improve the business environment, including the new Commercial Registration Law and the new Law of Trade Names that are aimed at making the commercial registration process more efficient. The Updated Investment Law of 2025 provides more options for means of dispute settlement, stronger protection for investors and intellectual property, and ensures equal treatment of domestic and foreign investors.
Continue labor market reforms.	The Labor Law was amended in 2025 to guarantee all employees equal access to professional opportunities and benefits and equal treatment by employers, enhance the leave system, and require employers to formulate training and qualification policies.
Strengthen governance.	Substantial progress has been made with the adoption of Nazaha's by laws in November 2024, which increases Nazaha's powers and paves the way for the preparation of an asset declaration framework, as well as with the implementation of new beneficial ownership rules in April 2025. The whistleblower's law has been adopted in January 2024 and implemented since then. However, the anti-corruption strategy has not been finalized, with only its scope agreed and a planned completion in two to 4 years, including as corruption indicators and targets are being developed.
Advance climate policy agenda.	The authorities have communicated to staff that Saudi Arabia's National Determined Contribution (NDC) is to be updated by early 2026. Operational capacity for renewables is at 5-6½ percent of the revised 2030 though reaching 34-40 percent of the target after accounting for tendered projects and those under construction. Achieving NDC targets would also require eliminating energy subsidies (diesel prices have been increased in January 2025 but gasoline prices have been capped since July 2021) as well as deploying Circular Carbon Economy (CCE) technologies.
Improve data adequacy for surveillance.	Data adequacy has improved, particularly on national account coverage and GFS consistency (Annex XI). Advancements in 2024 include GDP rebasing, enhanced household survey data, and the new environment statistics.

Annex II. External Sector Assessment

Overall Assessment: *The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.* The external balance sheet remains strong despite a current account that shifted to a small deficit. Reserves remain adequate according to standard IMF metrics, although saving is not sufficient from an intergenerational equity perspective. Lower oil exports revenue (mainly due to a weakened outlook on oil prices) and investment-driven imports are expected to keep the current account in deficits over the medium term. The central government's non-oil primary balance to non-oil GDP ratio is expected to be on a continuously improving trend. Given the economy's structure, any external adjustment will be driven primarily by fiscal policy. The pegged exchange rate continues to provide Saudi Arabia with a credible policy anchor.

Potential Policy Responses: Over the medium term, continued fiscal consolidation—including through enhanced revenue mobilization and energy price reforms—would help raise public saving. Meanwhile, sustained implementation of an ambitious structural reform agenda to diversify the economy is expected to support private investment and stimulate domestic consumption, thereby helping to maintain the external position broadly in line with fundamentals. Industrial policies should remain narrowly targeted to specific objectives where externalities or market failures prevent effective market solution, while avoiding policies that favor domestic producers over imports as they could create distortions in the allocation of resources and in trade and investment decisions.

Foreign Asset and Liability Position and Trajectory

Background. Saudi Arabia's NIIP decreased to 59 percent of GDP at the end of 2024, down from 62.8 percent of GDP in 2023—mainly driven by increased external financing activities that offset the rise in gross external assets. External debt increased to 30 percent of GDP in 2024 (from 24 percent in 2023)—with its share in gross liabilities increasing to 49 percent (from 45 percent in 2023). Only broad categories are available on the composition of external assets. Portfolio and other investments, reserves, and FDI currently account for 55 percent, 30 percent, and 15 percent of total external assets respectively. In the medium term, the NIIP is expected to continue to decline in line with external funding needs to support reforms.

Assessment. Despite a projected decline of NIIP, the external balance sheet remains very strong. Substantial accumulated assets represent both a protection against vulnerabilities from oil price volatility and a saving of exhaustible resource revenues for future generations.

2024 (% GDP)	NIIP: 58.9	Gross Assets: 120.7	Res. Assets: 35.3	Gross Liab.: 61.7	Debt Liab.: 24.5

Current Account

Background. The CA shifted to a small deficit of -0.46 percent of GDP in 2024 (from a surplus of 2.9 percent in 2023).[1] This shift was primarily driven by lower oil exports and strong goods imports linked to continued growth in investment and high consumption. The trend was partly mitigated by a 14 percent surge in non-oil exports and a record surplus in the travel service balance. The terms of trade deteriorated by 6 percent in 2024, while higher consumption and reduced oil windfalls continued to lower savings. Oil production projections are assumed to follow the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) agreement announced on May 31st, 2025, with the phase-out of production cut in 2025 and 2026. The CA deficit is expected to deteriorate to 3.4 percent of GDP in 2027 before gradually recovering to a 3.2 percent of GDP deficit by 2030, reflecting a weakened oil price outlook and increases in investment-driven imports. Going forward, private saving expected to moderate as consumption picks up and private investment will continue to grow to support domestic reforms.

Assessment. Staff estimates a CA gap of -0.97 percent of GDP using the EBA-Lite CA model although the overall assessment is subject to significant model uncertainty due to the idiosyncratic characteristics of the Saudi Arabian economy.[2] Saudi Arabia's reliance on oil complicates the application of standard external assessment methodologies, given the wide swings of oil prices since 2020. Given this, the EBA-lite commodity module is also applied to Saudi Arabia ESA, with the Consumption Allocation Rules suggesting a CA gap of -3.2 percent of GDP for constant real annuity rules and -5.8 percent of GDP for constant real per capita annuity allocation rules. The Investment Needs Model suggests a CA gap of -0.61 percent of GDP. The estimated CA gap of -0.97 percent of GDP has an estimated range from -3 to 1 percent of GDP.[3]

2024 (% GDP)	CA: -0.46	Cycl. Adj. CA: -0.4	EBA Norm: -	EBA Gap: -	Staff Adj.: -	Staff Gap: -0.97

Real Exchange Rate

Background. The riyal has been pegged to the U.S. dollar at a rate of 3.75 since 1986. On average, the REER appreciated by 0.6 percent in 2024 and was 6.3 percent above its 10-year average (2013-2022). The NEER appreciated by 2.7 percent in 2024, mainly driven by the appreciation of the U.S. dollar versus third currencies and with inflation less than in its trading partners. As of April 2025, the REER remains close to its 2024 average.

Assessment. Based on the EBA-Lite CA model, staff assesses the REER gap of 4.8 percent (with an estimated elasticity of 0.2 applied), within a range of -5.1 to 14.6 percent. In comparison, the EBA-Lite REER model suggests a larger overvaluation of 17.6 percent. Exchange rate movements have a limited impact on Saudi Arabia's competitiveness in the short term, as most of its exports are oil or oil-related products that are denominated in dollars. There is limited substitutability between imports and domestically produced products, which in turn have significant imported labor and intermediate-input content.

Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account shifted to net inflows of $29.4 billion in 2024 (from net outflows of $32 billion in 2023), mirroring the CA deficits, driven by a rise in external financing to support increased domestic demand, as well as a decline in gross portfolio and other investment abroad (include repatriation of foreign assets held by sovereign wealth fund (PIF) and national oil company (Aramco)). Reserve assets are expected to decline in 2025-26 before recovering over the medium term as oil exports recover.

	Assessment. A lack of detailed information on the nature of financial flows in Saudi Arabia complicates the analysis of its financial account. The strong reserve position, including the sizable assets of the PIF, limits risks and vulnerabilities to capital flows.
FX Intervention and Reserves Level	**Background.** Most of the government's foreign assets are held at the central bank within international reserves, while PIF also holds foreign assets abroad. Official net foreign assets stood at $415 billion at the end of 2024 (33 percent of GDP, 15 months of imports, and 187 percent of the ARA metric), close to its level of $417 billion in 2023 (and down from $440.5 billion in 2022). Reserves are expected to stabilize at about 12 months of imports in the medium term. **Assessment.** Reserves play a dual role: they are saving for both precautionary motives and future generations. Reserves are adequate for precautionary purposes (measured by the IMF's metrics). Significant buffers are also available through external assets held by the PIF and Aramco. Nevertheless, fiscal consolidation is needed over the medium term to strengthen the CA and increase saving for future generations.

1/ Based on authorities' May 2025 release of the new rebased GDP statistics.

2/ EBA models do not include Saudi Arabia. The IMF staff considered two approaches of the EBA-lite methodology: The EBA-lite CA model and the EBA-lite commodity module. The latter includes the special intertemporal considerations that are dominant in economies in which exports of nonrenewable resources are a very high share of output and exports.

3/ Using the EBA-lite CA model, the cyclically adjusted CA norm is estimated at 0.58 percent of GDP (lower than the CA norm of 5.9 percent of GDP in 2023), which was mainly driven by changes in desirable fiscal variable (due to weakened longer-term oil price outlook), desirable increase in social insurance policy, as well as revisions in macroeconomic fundamentals (e.g., updated UN demographic data). The Consumption Allocation Rules assume that the sustainability of the CA trajectory requires that the net present value (NPV) of all future oil and financial and investment income (wealth) be equal to the NPV of imports of goods and services net of non-oil exports. Estimated CA norms from the Consumption Allocation Rules were 2.8 percent of GDP and 5.3 percent of GDP for the constant real annuity and constant real per capita annuity allocation rules, respectively. The Investment Needs Model takes account of the possibility that it might be desirable to allocate part of the resource wealth to finance investment, which was not explicitly considered by the consumption-based model and produced a CA gap of -0.61 percent over the medium term. The reliance of the consumption and investment models on projected oil prices beyond the medium-term macro framework subjects the results to a high degree of uncertainty. The CA gap in 2024 of -0.97 percent of GDP represents the staff's overall assessment, which is anchored on the EBA-Lite CA model. The range for the gap is calculated using the standard error of Norway (2 percent), a comparable oil-rich economy in the EBA sample.

Annex III. Sovereign Spreads, Debt Issuance, and Market Confidence Amid Vision 2030[1]

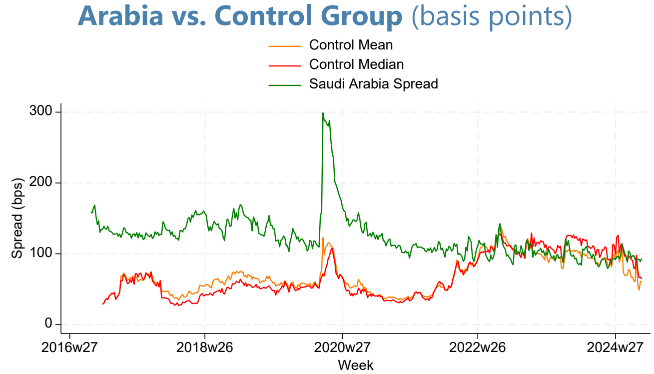
A. Introduction

1. Sovereign spreads, a key measure of a country's perceived credit risk, are critical for determining the cost of borrowing in international capital markets. For Saudi Arabia, understanding the dynamics of sovereign spreads is particularly important, given the country's ambitious fiscal goals and the increasing scale of debt issuance under Vision 2030. This annex examines Saudi Arabia's sovereign spreads through two complementary analyses: (1) a comparative assessment with a dynamic control group of peers with similar credit ratings, and (2) an event-study analysis to evaluate the impact of large sovereign bond issuances on spreads.

B. Comparing Saudi Sovereign Spreads with a Dynamic Control Group

2. To assess Saudi Arabia's relative performance, a dynamic control group was constructed using countries with comparable credit ratings (based on Fitch Ratings).[2] The analysis tracks mean, and median sovereign spread levels over time to benchmark Saudi Arabia's spreads. As shown in Figure 1, Saudi Arabia's spreads were significantly higher than those of the control group from 2016 to 2021, reflecting relatively higher perceived risk during this period. However, since 2022, Saudi spreads have converged with the mean and median spreads of the control group. This convergence indicates a marked improvement in investor confidence, supported by Saudi Arabia's fiscal and macroeconomic reforms in the aftermath of the COVID-19 pandemic.

Annex III. Figure 1. Saudi Arabia: Spread Comparison: Saudi Arabia vs. Control Group (basis points)



Source: Bloomberg, Fitch, and IMF staff calculations.
Note: The selection of sovereign bonds is based on following criteria: (1) USD or Euro-denominated, (2) Outstanding amount exceeds USD/Euro 250 million, (3) At least 1-year remaining maturity for bullet bonds, or 18-month for amortizing bonds; (4) Minimum pricing quality.

[1] Prepared by Nordine Abidi and Yuan "Monica" Gao Rollinson (both MCD)

[2] Results are robust to the inclusion of S&P and Moody's.

3. Despite heightened global volatility, such as during the 2022 Fed's tightening cycle, Saudi Arabia's spreads have remained in line with peers, pointing at the market's improved perception of the country's creditworthiness. The results seem to suggest that Saudi sovereign spreads are (so far) well-anchored relative to peers, driven by strong macroeconomic fundamentals and credible fiscal policies.

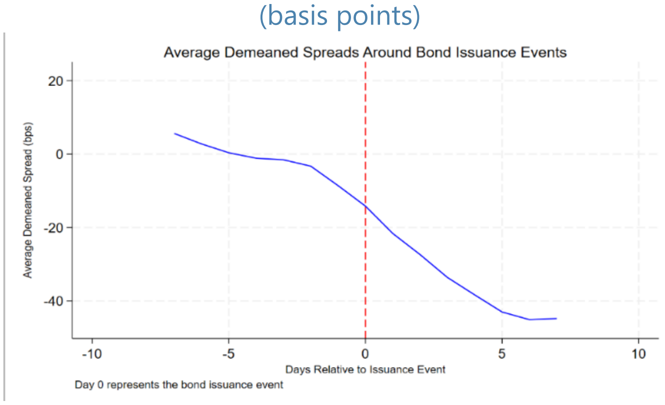
C. Impact of Bond Issuances on Sovereign Spreads

4. The second analysis evaluates the effect of "large-scale" sovereign bond issuances by the Treasury and government-related entities in Saudi Arabia on sovereign spreads, using an event-study approach (MacKinlay et al., 1997, Miller, 2023). The inclusion of bond issuances by government-related entities, which are typically not considered as "fully sovereign" (e.g., PIF), was due to the limited observations of Treasury-issued bonds available for the event study. The methodology focuses on *day 0* of bond issuance events and examines the dynamics of (demeaned) spreads before and after the issuance. Multiple issuances occurred within a seven-day window are treated as one single event. The spreads were adjusted for global shocks to isolate country-specific effects.

$$SovSpreads_t = \alpha + \beta * GlobalFactors_t + \epsilon_t$$

where: $GlobalFactors_t$ include VIX, Oil prices and a measure of global funding conditions (U.S. 10-year bond yield) and ϵ_t represent the country-specific component of sovereign spreads.
Figure 2 shows that Saudi Arabia's sovereign spreads experience a modest decline of about 20 bps in the days following bond issuance events, with stabilization occurring shortly thereafter. This behavior indicates that markets seem to respond positively to Saudi Arabia's bond issuances, viewing the Kingdom's debt as sustainable and its fiscal management as credible. Despite the substantial volumes of recent issuances, the stability in spreads underscores strong investor confidence in Saudi Arabia's macroeconomic fundamentals and debt management strategies. This result is also consistent with Saudi Arabia's recent sovereign rating upgrades by S&P and Moody's in 2025, which followed significant bond issuances in 2024 and early 2025.

Annex III. Figure 2. Saudi Arabia: Average Demeaned Spreads Around Bond Issuance Events
(basis points)



Source: Bloomberg and IMF staff calculations.

D. Conclusion

5. Saudi Arabia's sovereign spreads have undergone significant changes over the past decade. From being higher than those of its peers in earlier years, spreads have converged with the median of similarly rated countries since 2022. The event-study findings further demonstrate that Saudi Arabia's spreads are not only resilient to large debt issuance events -so far - but also exhibit declining trends leading up to such issuances. This market behavior underscores the confidence of investors in the Kingdom's ability to manage its fiscal position and liquidity effectively. As Saudi Arabia advances its Vision 2030 agenda, sustaining favorable funding conditions will require a continued focus on several strategic priorities:

- *Maintain Fiscal Credibility:* The government's adherence to fiscal discipline has been a cornerstone of its success. Continued transparent communication of fiscal targets and adherence to medium-term fiscal frameworks will be critical to reinforcing market confidence.
- *Enhance Market Liquidity:* Improving secondary market liquidity and diversifying the investor base could further reduce volatility and broaden access to international capital markets.
- *Monitor Global Shocks:* Saudi Arabia remains exposed to global factors, such as fluctuations in oil prices and U.S. monetary policy tightening (IMF, 2022). Proactive scenario analysis and risk management strategies will help safeguard favorable funding conditions.

Annex IV. The Impact of Recent U.S. Tariff Policies on Saudi Arabia[1]

Recent tariff measures introduced by the United States and the ensuing global trade responses have heightened uncertainty and raised global trade barriers. This annex assesses the potential implications for Saudi Arabia, focusing on the U.S. tariff actions post-April 2025. It is important to clarify upfront that crude oil, Saudi Arabia's main export to the U.S., was exempt from these direct tariff measures. Preliminary findings indicate that the direct impact on Saudi Arabia has been limited to date, owing to modest non-oil trade exposure and the partial exemption of oil exports. However, the overall effect remains contingent on the evolution of oil prices and broader confidence channels, with potential for more significant macroeconomic repercussions over time.

U.S.–Saudi Trade Relationship: Oil and Non-Oil Flows

1. The bilateral trade relationship between Saudi Arabia and the United States has undergone a significant transformation over the past decade, primarily influenced by dynamics in global energy markets. Saudi Arabia's traditional trade surplus with the U.S., historically driven by substantial oil exports, eroded and transitioned into a deficit by 2024 (about -0.5 percent of GDP). This shift predominantly reflects the structural decline in U.S. demand for Saudi oil exports, which decreased from $23.5 billion (about 870 kbpd) in 2018 to minimal levels by early 2025 (about 328 kbpd), coinciding with the expansion of U.S. domestic energy production. The non-oil trade deficit has stabilized at an average of 1.8 percent of GDP.

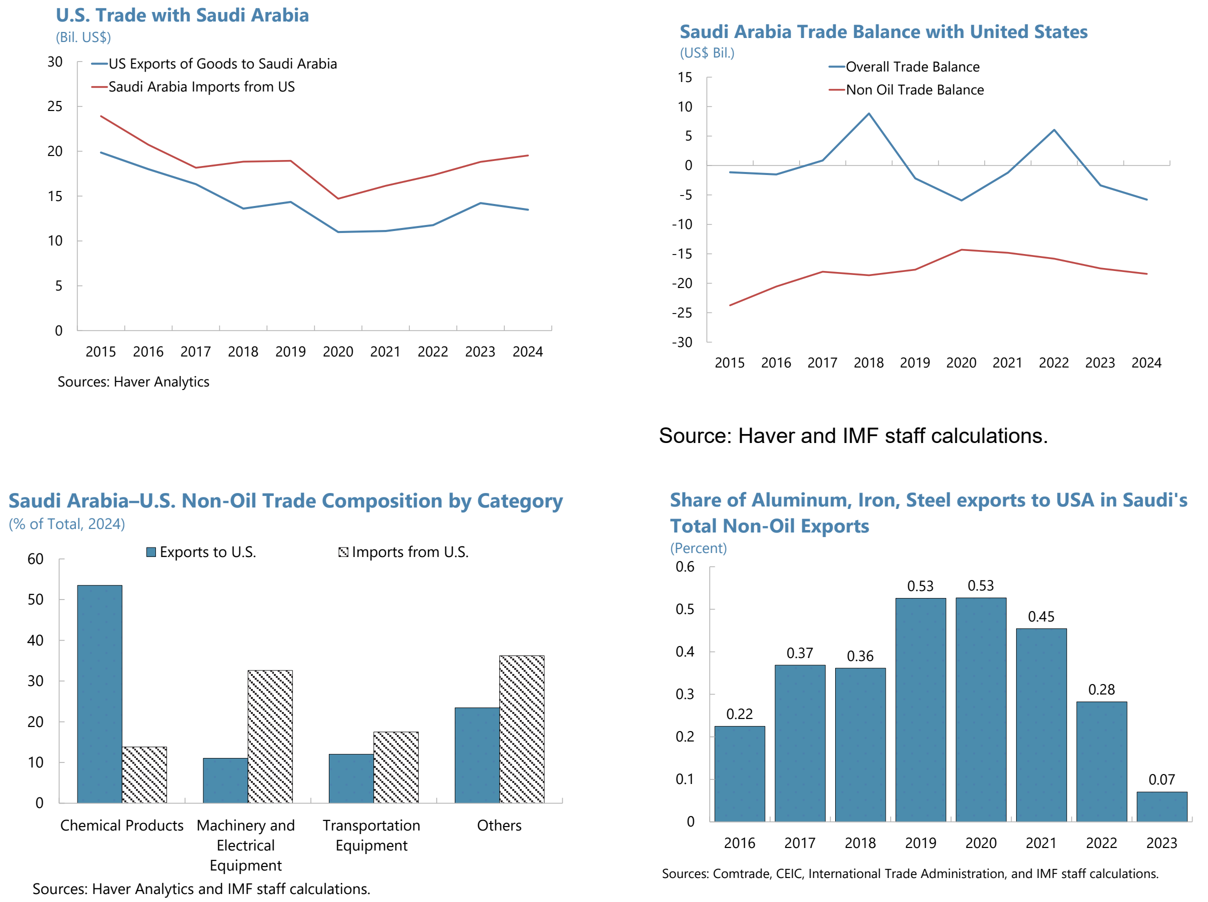
2. Saudi Arabia's non-oil exports to the U.S. remain relatively small, while the US continues to be a major source of imports for Saudi Arabia (ranking second after China). In 2024, Saudi non-oil exports to the U.S. amounted to about $2.8 billion, representing only 3.4 percent of total Saudi non-oil exports. Key non-oil export categories include chemical products (constituting over half the total), transportation equipment, and machinery and electrical equipment, with smaller contributions from plastics, rubbers, and base metals. Conversely, Saudi imports of goods from the US are valued at $19.5 billion in 2024 (about 8.4 percent of total imports)—mostly comprised of machinery and electrical equipment, transport equipment, and chemical products.

3. Regarding its own import regime, Saudi Arabia maintains relatively low tariff barriers. As a member of the GCC Customs Union, it applies a common external tariff (CET), generally set at 5 percent for most goods, although specific rates may vary for sensitive products. Reflecting global trends and GCC integration, Saudi Arabia's average applied tariff has decreased over the past two decades, standing at around 3 percent in 2019 according to MAcMap-HS6 data—slightly above the

[1] Prepared by Nordine Abidi and Jarin Nashin (both MCD).

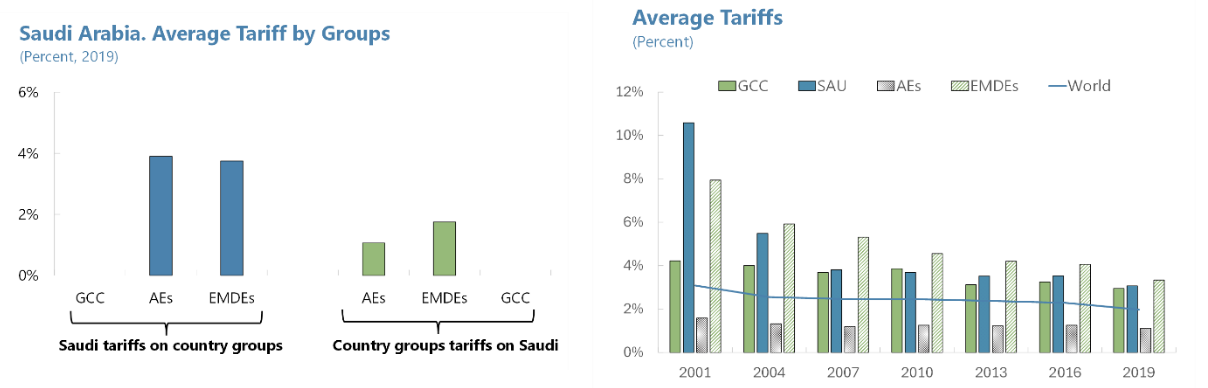
global average but significantly below historical levels. Intra-GCC trade faces virtually no tariffs due to the customs union, though some residual protection exists for specific agricultural products. [2]

Annex IV. Figure 1. Saudi Arabia: U.S Trade with Saudi Arabia



[2] For instance, Saudi Arabia imports over $1.5 billion worth of U.S. agricultural products annually, making it among the top 20 U.S. agricultural export markets. Most food products are subject to a 5 percent import duty. Selected processed food products, however, are assessed higher rates depending on the self-sufficiency level of the Kingdom aimed at protecting local food processors and production from competitively priced imports. In order to protect local food processors and production from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products. Generally, a maximum import tariff rate of 40 percent ad-valorem is applied when local production of a food or agricultural product exceeds a self-sufficiency level. Imports of rice, bulk animal feed, livestock, fresh red meat, coffee, and tea enter the country duty-free. Saudi Arabia has no tariff rate quota requirement.

Annex IV. Figure 2. Saudi Arabia: Tariffs



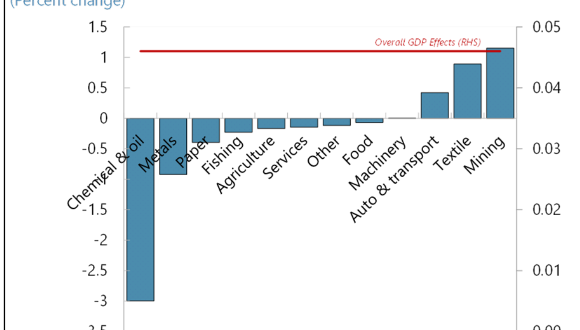
Sources: MAcMap-HS6 database (Market Access Map HS6) IMF staff calculations.

Impact of the April 2025 U.S. Tariff Escalation on Saudi Arabia—A Quantitative Assessment

4. **We present a quantitative assessment of the economic repercussions for Saudi Arabia arising specifically from the U.S. tariff measures implemented post-April 2025 and the subsequent retaliatory actions by trading partners**. Specifically, the scenario under examination involves the United States implementing a 125 percent tariff on imports from China, coupled with a 10 percent uniform tariff on goods from most other origins, including Saudi Arabia (with exemptions for Canada, Mexico, and Russia). The scenario—which was enacted before the recent pause announcement—also incorporates the symmetrical 125 percent tariffs from China on U.S. goods and targeted Canadian countermeasures against the U.S. auto sector. The quantitative estimates are derived from two distinct methodological frameworks chosen for their complementary insights (Box 1). Simulation results imply:

- **Modest macroeconomic effects**. Real GDP is projected to stay relatively flat relative to the 2023 tariff baseline. This outcome reflects the interplay of competing forces as negative terms-of-trade effects from the direct U.S. tariff are marginally outweighed by positive trade diversion effects, as Saudi exporters gain some competitiveness relative to heavily tariffed Chinese goods in the U.S. market. In particular, while textiles and mining exhibit positive growth, substantial contractions occur in high-value sectors. The chemical and oil sector's real GDP is estimated to decrease by 3.0 percent, and the metals sector by 0.9 percent. These contractions largely offset gains elsewhere, indicating that the net

GDP Effect of US tariffs and retaliation after Apr 14, 2025
(Percent change)

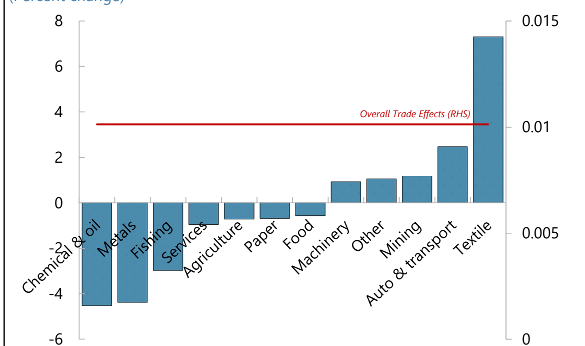


Note:"GDP effects" are percent changes in the aggregate real income (measured at the consumer price index). Changes are relative to the baseline with observed tariffs as of 2023.

positive aggregate GDP effect stems from a reallocation towards potentially less productive or lower-revenue sectors.

- **Minimal impact on exports, in line with the GDP effect.** The aggregate real export response averages +0.01 percent, indicating that Saudi Arabia's productive structure and existing comparative advantages may limit its capacity to substantially capture trade redirected from China under this specific tariff shock. Textile exports are estimated to expand by around 7 percent, likely a direct consequence of substitution by U.S. consumers away from high-cost Chinese alternatives, reflecting a high elasticity of substitution for these goods. Conversely, chemical exports are projected to contract by an estimated 4.5 percent, driven by the direct U.S. tariff reducing competitiveness and potentially amplified by indirect effects through global value chains disrupted by U.S.-China and other retaliatory tariffs. Metal exports decline similarly by 4.4 percent, and services exports fall by 1.0 percent. These divergent results highlight the sector-specific vulnerability to changes in relative international prices induced by the tariff shocks.

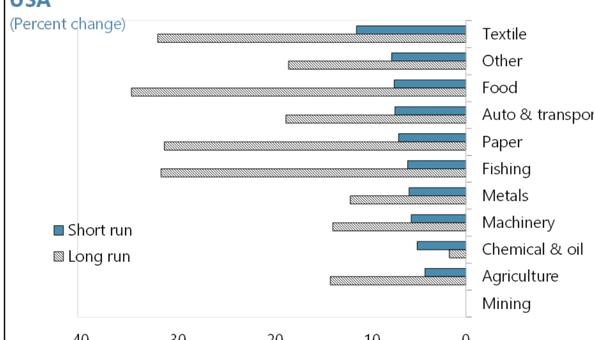
Trade Effect of US tariffs and retaliation after Apr 14, 2025
(Percent change)



Note: "Trade effects" are percent changes in aggregate real exports (measured at producer prices). Changes are relative to the baseline with observed tariffs as of 2023.

- **Steeper losses over the long run in certain exports to the US.** Simulations under the PE approach imply a modest direct decrease in Saudi exports to the U.S., average about 1.1 percent in the short run and 1.4 percent in the long run (about $ 0.14-0.18 billion, respectively). However, when assessing by sectors, results show particularly steep long-run bilateral export declines for textiles (-31.8 percent), fishing (-31.4 percent), food products (-34.5 percent), and metals (-11.9 percent), directly calculated from the respective sectoral elasticities applied to the 10 percent U.S. tariff. The chemical and oil sector also shows a long-run bilateral export loss of 1.7 percent, potentially reflecting tariffs on specific downstream products within the broader category or other second-order effects not explicitly modeled.

Partial Equilibrium Estimates of Changes in Saudi Exports to USA
(Percent change)



Note: Estimates are based on short- and long-run elasticities from Boehm, Levchenko and Pandalai-Nayar (2023).

5. **While model simulations show a limited direct impact from tariffs, the methodology may understate real-world adjustment costs.** Methodological caveats are crucial. The GE model's reliance on assumptions like perfect competition and frictionless factor mobility may understate

real-world adjustment costs, while its static nature omits dynamic investment and uncertainty effects often pervasive in trade disputes. The PE model, conversely, neglects GE feedback (e.g., income effects, exchange rate adjustments, third-market trade diversion), potentially overstating direct bilateral losses in isolation. Critically, neither framework endogenously models a tariff-induced global slowdown or heightened risk aversion, which could depress oil demand and prices, representing a substantial unquantified downside risk for Saudi Arabia beyond the direct trade channels analyzed here.

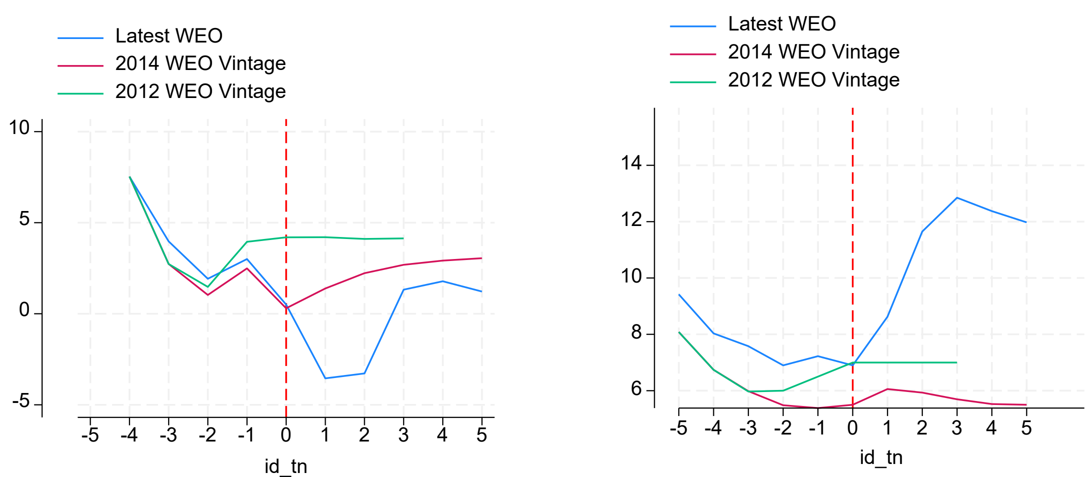
Annex V. Learning from Past Hosts: How to Align Saudi Arabia's Hosting of Large Sports Events with Expectations[1]

1. **Saudi Arabia's preparations for the 2034 FIFA World Cup reflect an ambitious investment plan that is aligned with the Vision 2030 reform agenda.** Infrastructure spending is estimated at approximately $26 billion, covering new and upgraded stadiums alongside expansions to the Riyadh metro, major airports, and hospitality capacity.[2] Private sector estimates suggest that the World Cup is expected to contribute between $9 billion and $14 billion to Saudi Arabia's GDP.[2] Authorities have underscored the importance of efficient planning and execution to maintain fiscal discipline and avoid the underutilized infrastructure ("white elephants") that have burdened some past host countries.

Annex V. Figure 1. Saudi Arabia: Macro Projection by Vintage: Example of Brazil 2014 World Cup

(t=0 represents the hosting year of 2014)

Real GDP Growth (Percent) | **Unemployment Rate** (Percent)



Source: WEO and IMF staff calculations.

2. **Frequent deviations between the expected and actual economic outcomes of hosting major events highlight the need for more effective policy planning.** Countries that host major international events, such as the FIFA World Cup and the Olympic Games, typically anticipate substantial positive economic impacts, including increased tourism, job creations, enhanced infrastructure, and greater international prestige. However, the actual outcomes frequently deviate from these expectations, with some host countries facing inefficient spending, underutilized

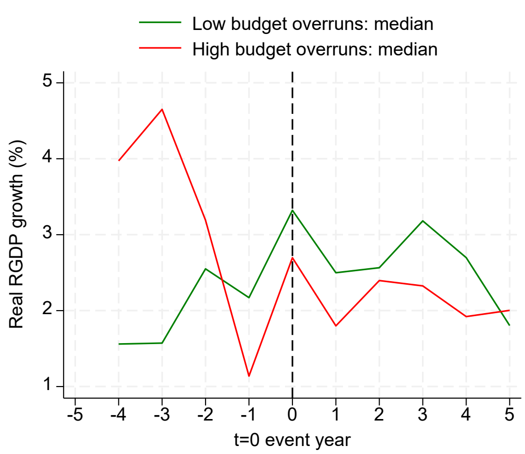
[1] Prepared by Yuan "Monica" Gao Rollinson and Jarin Tasnim Nashin (both MCD).

[2] "FIFA World Cup 2034 to Boost Saudi Arabia's Stock Market, " *Analytix*, December 2024. Part of planning, investment, and global branding associated with the World Cup hosting are already being integrated into the Vision 2030 strategy.

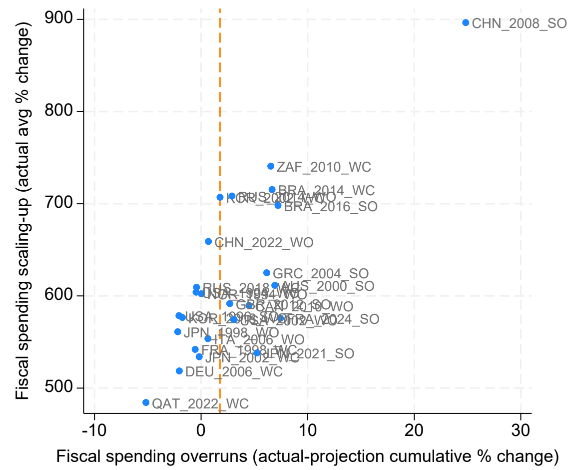
facilities, and limited long-term benefits (e.g., 2014 Brazil World Cup, Greece 2004 Summer Olympics). These discrepancies highlight the need for a deeper analysis of the drivers behind deviations from expected output growth, tourism receipts, and labor market improvement. A thorough understanding of these drivers is essential to inform the development of more effective policy planning, providing valuable lessons for Saudi Arabia's preparation of hosting World Cup in 2034.

Annex V. Figure 2. Saudi Arabia: Fiscal Spending Around Large Sport Events: Ex Ante Overruns and Actual Scaling-up

Median of Real GDP Growth by Fiscal Spending Overruns
(Percent, median of 27 events)



Ex Ante Overruns vs. Actual Scaling-up
(t-5 to t=0)



Source: WEO and IMF staff calculations.
Note: Ex ante fiscal spending overruns are measured as the cumulative percentage change between actual and projected general government spending from t-5 to t=0 (include event hosting year). Dash orange line represents its sample median. Actual fiscal spending scaling-up are measured as the cumulative percentage increase of fiscal spending from t=-5 to t=0.

3. The analysis examines the drivers of macroeconomic deviations using WEO vintage data and a panel Difference-in-Difference (DiD) analysis. The sample covers WEO projection vintages from 1990 to 2025 and covers 27 major sports events, including the FIFA Men's World Cup, Summer and Winter Olympic Games. Events are grouped into two categories with the treatment group defined by high fiscal spending overruns—measured as the cumulative percentage change between actual and projected general government spending from t-5 to t=0 (the hosting year), with a threshold set at the sample median of 1.7 percent.[3] This metric differs slightly from the actual fiscal spending scaling-up shown in Figure 2. For instance, while the 2022, China Winter Olympic Games experienced a substantial cumulative increase of 660 percent in fiscal spending, actual spending was

[3] It should be noted the fiscal spending overruns may be attributable to other factors unrelated to the hosting major sports events. However, the hosting of such events is generally associated with substantial fiscal expenditures to support their organization and infrastructure development.

below the projection made in 2017 (t-5). To adjust for data revisions and ensure cross-country comparability, both actual and projected fiscal spending were re-indexed to a common base year (t-5). The dependent variable includes both the actual macroeconomic outcomes (from the latest WEO) and their forecast errors (actual minus the t-5 projection). The analysis focuses on the following indicators:

(i) *Real GDP growth:* Measures the overall economic impact and assesses whether short-term stimulus of event-hosting turns into long-term growth.

(ii) *Service exports:* Serves as a proxy of tourism receipts and shows whether countries were able to leverage the event to sustain tourism inflows and diversify exports.

(iii) *Unemployment rate*: Reflects labor market outcomes and whether hosting the event improved employment or created a temporary boom-bust dynamic (e.g., example of Brazil in Figure 1).

4. The estimated equation is as follows:

$$Y_{it} = \beta_0 + \beta_1 DiD_{it} + \beta_2 time_t + \beta_3 treated_i + \beta_4 crisis_{it} + u_i + \varepsilon_{it}$$

where:

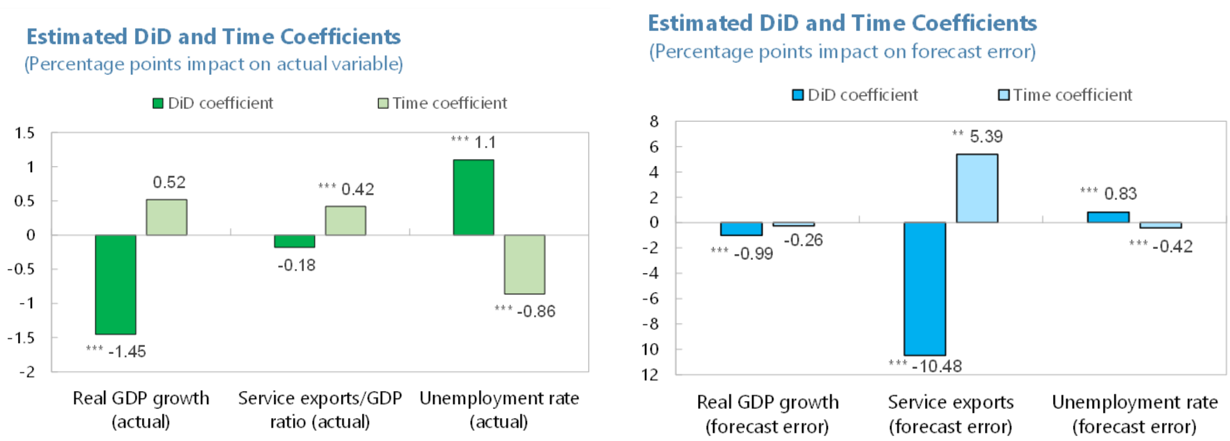
Y_{it}: denotes dependent variable in the form of actual data and forecast error
$DiD_{it} \equiv treated_i \times time_t$: captures the treatment effect
$time_t$: dummy =1 for post event years (after hosting)
$treated_i$: dummy =1 if event with high fiscal spending overruns
$crisis_{it}$: dummy =1 for global crisis years (e.g., 2008-09, 2020-21)
u_i: panel fixed effect
ε_{it}: idiosyncratic error

Therefore, β_2 measures the average change in Y_{it} after the event hosting year, for the control group (events with low fiscal spending overruns); and β_1 measures the DiD effect—the additional average change in Y_{it} for events with high fiscal spending overruns after the hosting year, relative to the control group. These two coefficients are the focus of the analysis. The parallel trend assumption has been tested and validated.

5. Results suggest countries with low ex ante fiscal spending overruns experienced higher real growth and service exports, as well as lower unemployment rate following the event. In contrast, countries with high overruns, relative to their low-overrun counterparts, showed weaker post-event economic performance—or even growth contraction in some cases. For example, the DiD coefficient of -1.45 (Figure 3) suggests that, on average, countries with high cumulative fiscal spending overruns during t-5 to 0 experienced 1.45 percentage points lower post-event real growth compared to the control group. This implies a growth contraction after hosting, relative to their pre-hosting gain—likely reflecting a reversal of the growth momentum that was initially driven by pre-event public investment and consumption scaling-up.

6. Focusing on the forecast errors, results indicate that countries with high ex ante fiscal spending overruns typically experienced lower-than-expected performance in the overall real growth, tourism receipts, and employment outcomes. This suggests that despite large-scale fiscal spending leading up to the event, these countries in general have overestimated the long-term economic benefits of hosting. The gap between forecasted and actual outcomes points to potential inefficiencies in public investment, misallocation of resources, or overoptimistic growth assumptions embedded in pre-event projections.

Annex V. Figure 3. Saudi Arabia: Selected Baseline Results
(Treatment group = high ex ante cumulative fiscal spending overruns)



Source: IMF staff calculations.
Note: (1) *** p<0.01, ** p<0.05, * p<0.1
(2) High ex ante cumulative fiscal spending overruns cutoff is 1.7 percent.
(3) Forecast errors are calculated as the actual – projection from vintage database as of year t-5.

7. A robustness check based on alternative treatment group—events with high ex ante public investment share—yields consistent results, though with smaller DiD coefficients and weaker statistical significance (Table 1). High ex-ante public investment share is measured as the average share of public investment to total fixed capital formation during t-5 to t=0 above the sample median of 20.6 percent. The reduced significance may reflect greater variation in how effectively public investment was implemented.

8. As Saudi Arabia prepares to host a series of major international events—including the 2034 FIFA World Cup—maintaining fiscal discipline, enhancing the efficiency of public investment, and promoting private sector investments will be critical for ensuring long-term economic benefits. Avoiding fiscal overruns is particularly important to preserve macroeconomic stability and avoid the crowding-out of essential spending in other sectors. Meanwhile, improving the quality and targeting of public investments—especially in legacy planning of infrastructure—will help maximize returns and align the outcome with authorities' expectations. Encouraging greater private investment, including through public-private partnerships (PPPs), can not only share the financial burden but also bring in innovation, technical expertise, and operational efficiency from the private sector. These measures will help ensure that investments in tourism, and infrastructure continue to stimulate growth in the non-oil economy, generating employment and enhancing the Kingdom's global brand after the events conclude.

Annex V. Table 1. Saudi Arabia: DiD Regression Results: Baseline and Robustness Check

(Percentage point impact on dependent variables)

Dependent variable	**Real GDP growth**		**Service exports/ GDP ratio**	**Service exports**	**Unemployment rate**	
	Actual	Forecast error	Actual	Forecast error	Actual	Forecast error
Baseline: treatment group = high cumulative fiscal spending overruns (t-5 to 0)						
DiD coefficient	-1.45***	-0.99***	-0.18	-10.48***	1.10***	0.83***
Time coefficient	0.52	-0.26	0.42***	5.39**	-0.86***	-0.42***
Robustness: treatment group = high average public investment share (t-5 to 0)						
DiD coefficient	-0.31	0.22	-0.05	-6.86**	0.04	0.1
Time coefficient	-0.07	-0.90***	0.35**	3.69*	-0.68**	-0.18

Source: IMF staff calculations.
Note: (1) *** p<0.01, ** p<0.05, * p<0.1

Annex VI. Risk Assessment Matrix[1]

Nature/Source of Main Risks	Likelihood	Expected Impact on the Economy if Risk is Realized	Policy Response
		Global Risks (Conjunctural)	
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**Medium** Geopolitical events in the Middle East have not had any direct impact on the Saudi economy, as Saudi Arabia's trade and financial linkages with current conflict-affected countries are limited. However, tensions have led to a decline in the number of ships passing the Red Sea, impacting traffic in the Jeddah port, and oil exports could be disrupted in case of an escalation of tensions in the Gulf. International shipping costs have surged as vessels sought longer routes alternative to the Red Sea. The Houthi's increased activity has remained targeted at global shipping traffic in the Red Sea rather than directly at Saudi Arabia, as in earlier episodes. Another escalation of tensions between Iran and Israel could impact oil prices and affect travel and investment flows.	While the appropriate policy response would depend on the nature of the shock, it could include fiscal policy and ensuring adequate liquidity in the banking system.
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar volatility, tighter financial conditions, and higher inflation.	**High**	**Medium** Weaker foreign demand, in particular from Saudi Arabia's largest trading partner, China, weaker FDI inflows, and higher interest rates for longer in the United States, which would be mirrored in Saudi Arabia, would have negative impact on the Saudi economy. With respect to changes in US trade policies, given Saudi Arabia's dependence on oil exports, indirect spillovers through commodity price channels and investment sentiment may prove more significant than the direct impact.	Fiscal policy should be anchored on a medium-term fiscal framework to avoid procyclicality. In the case of large shocks, fiscal and external buffers could be used to reduce the impact of the shock. Liquidity and stress in the banking system should be monitored to maintain financial stability. Structural reforms should maintain momentum and focus on greater competitiveness to develop non-oil exports and attract foreign direct investment.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium**	**High** A decrease in the global price of oil would weaken Saudi Arabia's export and fiscal revenues and worsen the fiscal and external balances, given the still high dependency of Saudi Arabia on oil exports and despite recent and successful diversification efforts. A deterioration in the fiscal balance may decrease government deposits at the banking system, negatively impacting the economy. An increase in oil price would have the opposite impact.	Fiscal policy should be anchored on a medium-term fiscal framework to avoid procyclicality. Fiscal and external buffers could be used to mitigate the impact of oil price shocks. Structural reforms to diversify the economy away from oil would help increase resilience against oil price shocks.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Nature/Source of Main Risks	Likelihood	Expected Impact on the Economy if Risk is Realized	Policy Response
Global Risks (Structural)			
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	**High**	**Medium** Given its prominent role in the Middle East and the global oil market, Saudi Arabia could be drawn into or be affected by geoeconomic fragmentation. Saudi Arabia could be negatively impacted through weaker external demand and investment and FDI in Saudi Arabia, higher input costs, supply disruptions, technological and payments systems fragmentation, and financial instability.	Fiscal and structural reforms should focus on enhancing resilience of the economy and strengthening growth potential, including through economic diversification and improving the regulatory and business environment to attract investment and FDI. Ensure that trade and industrial policies be WTO compliant, consistent with regional and global integration and complement structural reforms.
Climate change. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**Medium**	**Low** Though Saudi Arabia is subject to some extreme events made more frequent and intense by climate change, such as sandstorms and floods, the impact of these events remains manageable. With limited water resources and increasing temperatures, adaptation costs are likely to increase rapidly. And spillovers from extreme events in partner countries could also affect Saudi Arabia.	Continue strengthening resilience against climate events., including through the Saudi Green Initiative, a strategy on water resources, and other mitigation and adaptation measures.
Domestic Risks			
Weaker or stronger reform momentum. Weaker reform momentum would reduce confidence and investment in Saudi Arabia, while stronger momentum would accelerate economic diversification and lift potential growth.	**Medium**	**Medium** Weaker reform momentum could worsen medium-term growth prospects, confidence, and investment in Saudi Arabia, which could have broader implications for the economy through employment, consumption, and financing. At the same time, there are upside risks if reform momentum turns out to be stronger than expected. In such cases, non-oil growth would accelerate over the medium term, and inflation may rise by more than expected through stronger domestic demand.	Fiscal policy should consider supporting the economy while preserving fiscal and debt sustainability. Medium-term fiscal planning is important. Financial stability should be monitored.
Disorderly energy transition. A disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty could lead to supply disruptions, an increase in stranded assets, higher market volatility, and subdued investment and growth.	**Medium**	**Medium** Despite ongoing diversification from oil, Saudi Arabia remains vulnerable to lower oil prices for its exports and public finances. A persistent decline in oil prices could negatively impact Saudi Arabia through fiscal and external pressures, weaker momentum for structural reforms for diversification, stress in the financial market and the financial system including through deterioration in asset quality related to carbon-intensive activities and weaker economic activity. The Saudi authorities consider that the risk of a prolonged slump in the oil market is low, in view of what they see as global energy security imperatives, Saudi Arabia's advantage in terms of oil reserves and low extraction costs, as well as a slow transition away from fossil fuels.	Saudi Arabia is already diversifying away from fossil fuels in its power generation by building up its renewable energy capacity under Vision 2030. Saudi Arabia should accelerate the phasing out of energy subsidies, strengthen diversification efforts, and enhance medium-term fiscal planning by adopting a fiscal anchor and a fiscal rule that achieve intergenerational equity under finite resources.

Annex VII. Lower Oil Price Scenario

A negative oil price shock would weaken investor confidence and non-oil GDP growth and deteriorate fiscal and external balances. In the case of a temporary oil price shock, partial use of fiscal buffers could be considered along with accelerated non-oil revenue mobilization. In the case of a more persistent and significant shock, more aggressive revenue-based fiscal consolidation would be necessary.

1. Oil price shock: Oil prices are assumed to decrease to $40 per barrel in the second half of 2025 and 2026, before gradually returning to the baseline level of $68.5 per barrel by 2030. This shock corresponds to a decline of about 50 percent relative to the baseline, and it roughly corresponds to 50 percent of the price decline experienced at the onset of the Global Financial Crisis of 2007-09. For simplicity, the scenario keeps the oil production path the same as in the baseline scenario.

Macroeconomic impact:

- **Non-oil GDP growth** is assumed to weaken to 2.7 percent in 2025 and 1.9 percent in 2026 (against the baseline of 3.4 percent in 2025 and 3.5 percent in 2026) due to a decline in real income and weaker sentiment. The impact on non-oil GDP growth is partly mitigated by the authorities maintaining their existing spending plans.

- The **overall fiscal deficit** would increase to 6.7 percent of GDP in 2025 and 10.4 percent in 2026—compared to a baseline of 4.0 percent in 2025 and 3.9 percent in 2026—mainly reflecting a decline in government oil revenues. Weaker investor confidence is assumed to widen the sovereign spread on new external government debt issuances by approximately 150 basis points in the second half of 2025 and 2026, before gradually returning to baseline levels over the medium term as the shock dissipates. Assuming no drawdown of fiscal buffers—particularly government deposits—, the central government gross debt would increase to close to 60 percent of GDP over the medium term (against the baseline of about 41 percent in 2030).

- The **current account deficit** would worsen in the short term to 5.5 percent of GDP in 2025 and 9.5 percent in 2026, while it would gradually improve over the medium term with import compression resulting from weaker economic activity. Higher external borrowing costs would increase the rollover risk of external debt for corporates and banks and constrain their external borrowing. SAMA's net foreign assets would fall to around 10.5 months of imports by 2030 (against around 12 months of imports in the baseline).

- **Financial Sector.** The banking sector would remain resilient, with capital buffers remaining above regulatory requirements. Banking sector liquidity and credit growth, already constrained by high loan to deposit ratios, would weaken, affected by lower government and quasi government deposits (currently more than a third of the commercial banks' deposit base) that tend to be correlated with oil prices, and in line with domestic activity.

If faced with this shock, the authorities could consider:

- Partially drawing down on fiscal buffers to mitigate the impact and smooth the transition especially in the case of a temporary oil price shock, by using a part of public sector deposits, including the deposits of the central government and other public entities. Staff estimates that using central government deposits held at the central bank would effectively mitigate the impact of the temporary oil price shock a year after the shock.

- Accelerating non-oil revenue mobilization measures to reduce the impact on the fiscal deficit over the medium term.

- Delaying some non-essential projects at the central government level, while continuing to have the sovereign wealth fund and other development funds continue to play a countercyclical role by increasing the deployment of their capital into the economy.

- Divesting some assets. FX repatriation of deposits abroad or just less FX asset accumulation abroad could help stabilize net foreign reserves further.

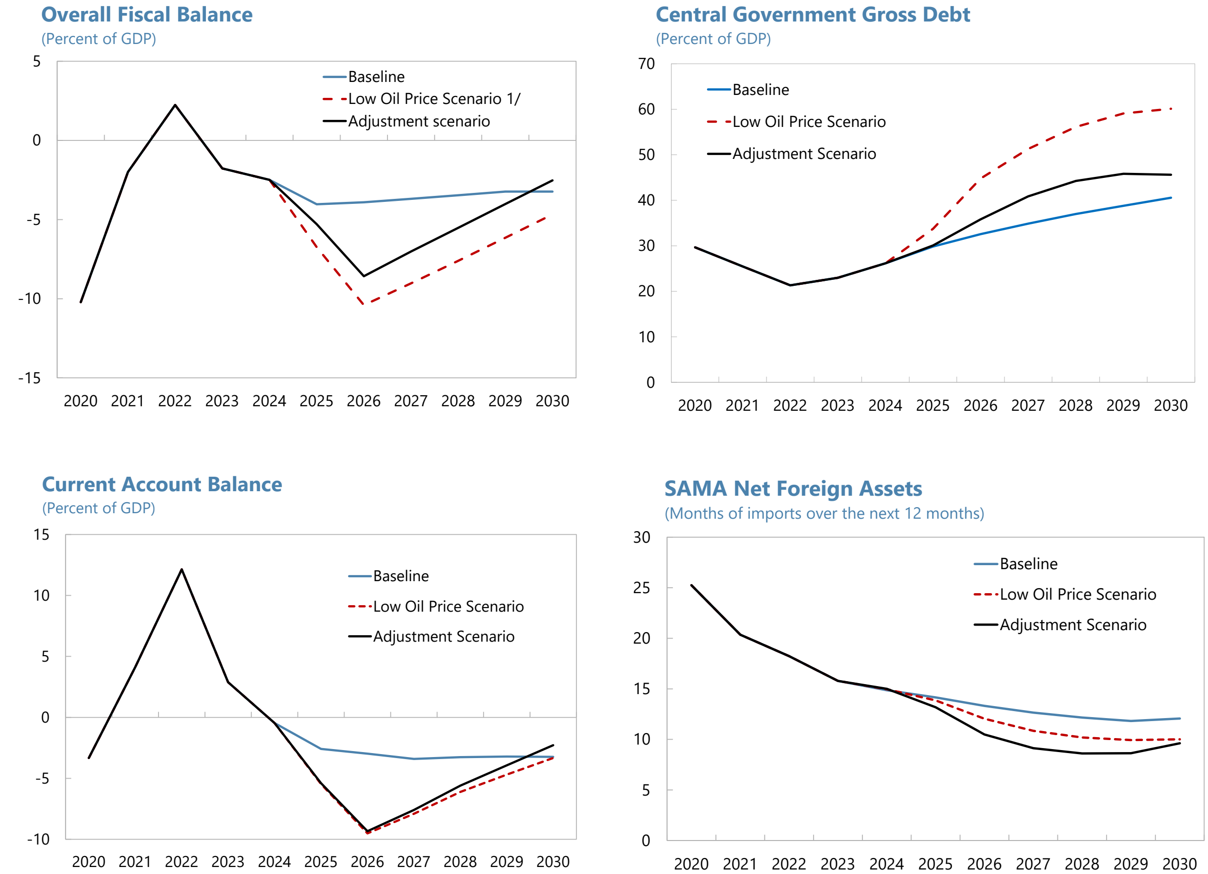
2. With a fiscal adjustment and a partial use of fiscal buffers, the impact of the temporary oil price shock on fiscal and external balances could be reduced and the baseline levels of debt and the overall fiscal balance could be recovered over the medium term. In an illustrative "adjustment scenario" (Annex VII, Figure 1), it is assumed that the central government uses half of its deposits (4.5 percent of GDP) during 2025-2026 to finance part of the fiscal deficit. In addition, the adjustment scenario assumes a fiscal consolidation based on measures with a relatively small impact on output. Specifically, on the revenue side, it includes broadening the VAT base, increasing excises, and introducing a property tax—measures that would yield about 0.7 percent of GDP in each year following full implementation). On the expenditure side, it envisages cuts in non-essential expenditures, of about 0.7 percentage points of GDP in each year. Together, the deposit drawdown and these fiscal measures help reduce debt service relative to a no-adjustment path, supporting a return to baseline debt and fiscal balance trajectories over the medium term.

3. Two caveats are in order with respect to the adjustment scenario considered above.

- First, while the scenarios above considered a temporary oil price shock, in the case of a more persistent oil price shock, a more aggressive fiscal adjustment would be needed—including by further broadening the VAT base and raising the VAT rate—to safeguard the soundness of fiscal and external accounts.

- Second, the medium-term baseline still falls short of the fiscal consolidation recommended by staff, based on inter-generational equity considerations. In this respect, while the "adjustment scenario" considered here is only an illustration of bringing back the fiscal balance towards the baseline following a shock, in an ideal policy setting, additional fiscal consolidation would still be necessary to achieve inter-generational equity.

Annex VII. Figure1. Saudi Arabia: Lower Oil Price Scenario



Source: IMF staff calculations.
1/ The scenario assumes that the oil price drops to USD 40 per barrel in the second half of 2025 and 2026, before gradually returning to the baseline level by 2030.

Annex VIII. Sovereign Risk and Debt Sustainability Framework

Annex VIII. Figure 1. Saudi Arabia: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is assessed as low, considering Saudi Arabia's large financial asset buffers.
Near term 1/			
Medium term	High	Low	Staff assesses medium-term risks as low, against a mechanical signal of high risks from the debt fanchart module and a mechanical signal of moderate risks from the GFN module, as Saudi Arabia's large financial asset buffers (with sovereign assets exceeding 75 percent of GDP), institutional strength, and the depth of the investor pool help mitigate medium-term sovereign risks.
Fanchart	High	...	
GFN	Moderate	...	
Stress test	Comm. Prices Nat. Diast.	...	
Long term	...	Low	Long-term risks are assessed as low, given Saudi Arabia's large financial asset buffers from the government and the PIF and the limited impact of aging-related health and pension expenditures to debt dynamics. In addition, due to large oil reserves, climate transition costs would have limited impact on debt dynamics.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Not applicable
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: The overall risk of sovereign stress is assessed as low and debt is assessed as sustainable, considering Saudi Arabia's large financial asset buffers, despite an increase in gross government debt. Medium-term risks are assessed as low, as the large buffers would mitigate any risks to debt levels and gross financing needs. Long-term risks are also assessed as low, given the large asset buffers of the central government and the PIF.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex VIII. Figure 2. Saudi Arabia: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					0	
2. Subsectors included in the chosen coverage in (1) above:						
Subsectors captured in the baseline					Inclusion	
1 Budgetary central government					Yes	
2 Extra budgetary funds (EBFs)					No	Not applicable
3 Social security funds (SSFs)					Yes	
4 State governments					Yes	
5 Local governments					Yes	
6 Public nonfinancial corporations					No	
7 Central bank					No	
8 Other public financial corporations					No	
3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/	
4. Accounting principles:	Basis of recording		Valuation of debt stock			
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/	
5. Debt consolidation across sectors:		Consolidated		Non-consolidated		

Subsector groupings: CG = rows 1–3; GG: expected = rows 1–5; NFPS = rows 1–6; CPS = rows 1–8.

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

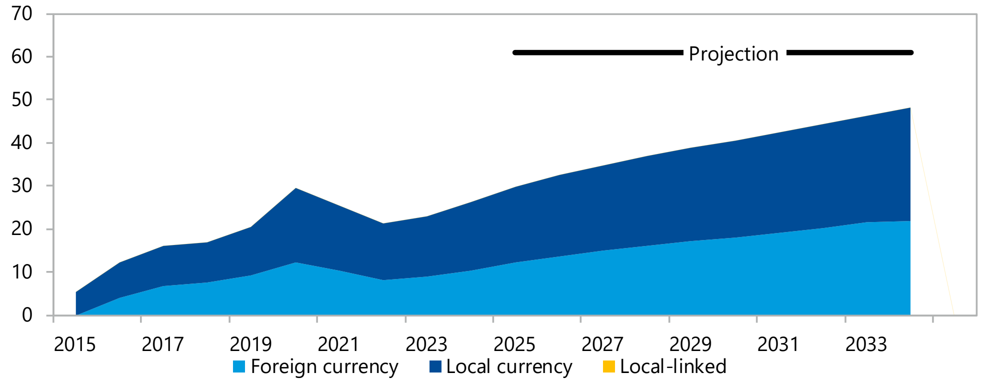
Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: State and local governments in Saudi Arabia do not have their own separate debt issuance authority, and typically operate under the umbrella of the central government, including their borrowing requirements.

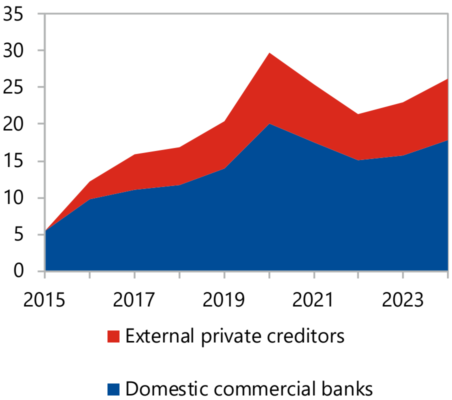
Annex VIII. Figure 3. Saudi Arabia: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



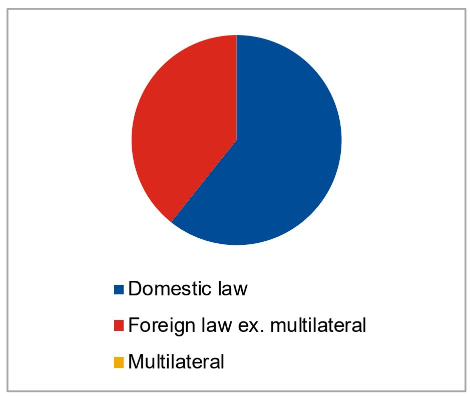
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



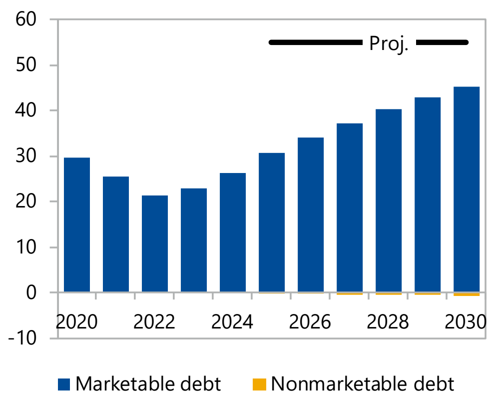
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (percent)



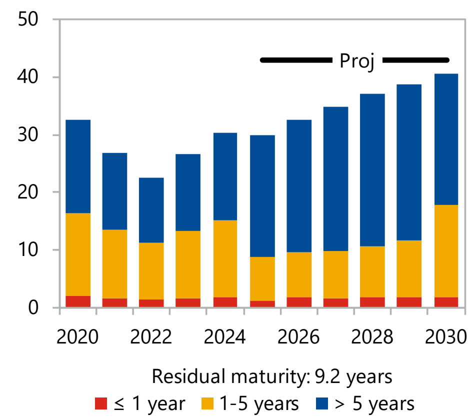
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government.

Commentary: Saudi Arabia continues to have space for external market access. The share of foreign currency debt slightly increases in the forecast horizon. Partial repurchasing of outstanding local and international debt bonds and securities maturing in the short term helped reduce future refinancing risk.

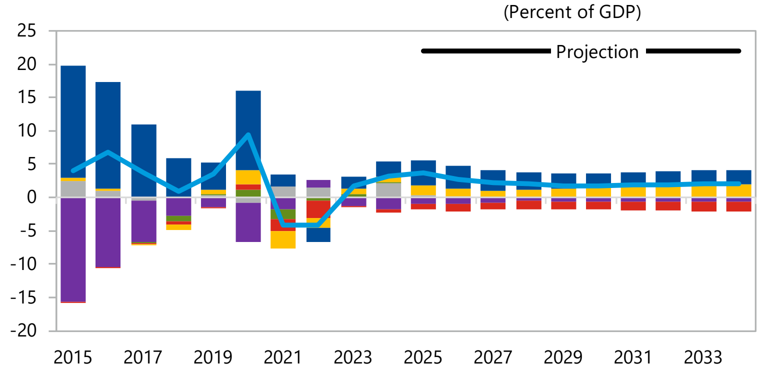
Annex VIII. Figure 4. Saudi Arabia: Baseline Scenario

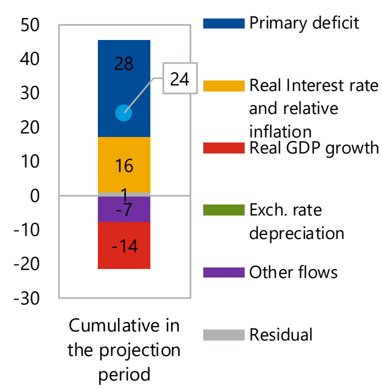
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	26.2	29.8	32.6	34.9	37.0	38.8	40.6	42.4	44.3	46.3	48.3
Change in public debt	3.2	3.7	2.7	2.3	2.1	1.8	1.8	1.8	1.9	2.0	2.0
Contribution of identified flows	1.1	3.3	2.5	2.3	2.1	1.8	1.7	1.8	1.8	1.9	1.9
Primary deficit	2.4	3.7	3.5	3.1	2.7	2.3	2.2	2.2	2.2	2.2	2.2
Noninterest revenues	26.2	23.2	23.1	23.0	22.8	22.5	22.1	22.1	22.1	22.1	22.1
Noninterest expenditures	28.6	26.9	26.6	26.1	25.4	24.8	24.3	24.3	24.3	24.3	24.3
Automatic debt dynamics	0.6	0.5	0.0	-0.1	0.0	0.1	0.2	0.2	0.3	0.4	0.4
Real interest rate and relative inflation	0.8	1.4	1.1	1.0	1.1	1.2	1.4	1.5	1.7	1.8	1.9
Real interest rate	1.0	1.8	1.3	1.1	1.1	1.3	1.5	1.6	1.7	1.9	2.0
Relative inflation	-0.2	-0.4	-0.2	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Real growth rate	-0.4	-0.9	-1.1	-1.1	-1.1	-1.2	-1.2	-1.3	-1.4	-1.4	-1.5
Real exchange rate	0.2	…	…	…	…	…	…	…	…	…	…
Other identified flows	-1.9	-0.9	-0.9	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest revenues	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Other transactions	-1.0	0.0	0.0	0.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Contribution of residual	2.1	0.4	0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Gross financing needs	4.2	5.9	5.1	5.4	4.9	4.9	4.9	5.2	5.5	5.9	8.3
of which: debt service	2.7	3.0	2.6	3.2	3.1	3.5	3.7	3.9	4.3	4.7	7.0
Local currency	2.2	1.9	1.5	1.6	1.5	1.8	2.0	2.3	2.6	3.0	4.6
Foreign currency	0.5	1.1	1.1	1.6	1.7	1.8	1.7	1.7	1.6	1.6	2.5
Memo:											
Real GDP growth (percent)	2.0	3.6	3.9	3.5	3.4	3.3	3.3	3.3	3.3	3.3	3.3
Inflation (GDP deflator; percent)	-0.3	-2.2	0.2	1.5	1.7	1.7	1.5	1.5	1.5	1.5	1.5
Nominal GDP growth (percent)	1.7	1.3	4.1	5.1	5.1	5.1	4.8	4.8	4.8	4.8	4.8
Effective interest rate (percent)	4.2	4.7	4.7	5.0	5.1	5.3	5.4	5.6	5.8	5.9	6.0

Contribution to Change in Public Debt

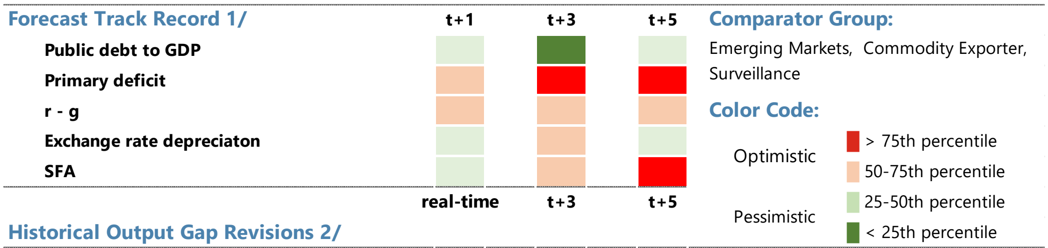
(Percent of GDP)



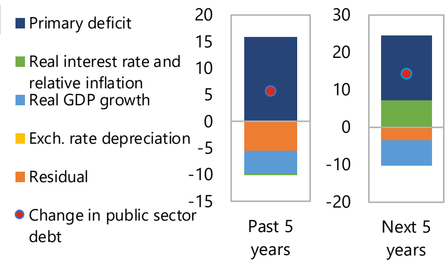


Commentary: Gross central government debt is projected to increase moderately over time. "other flows" in mid-2010s include the use of government deposits at the central bank. "Residual" in 2024 includes pre-financing.

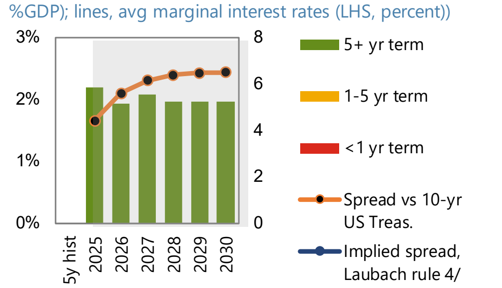
Annex VIII. Figure 5. Saudi Arabia: Realism of Baseline Assumptions



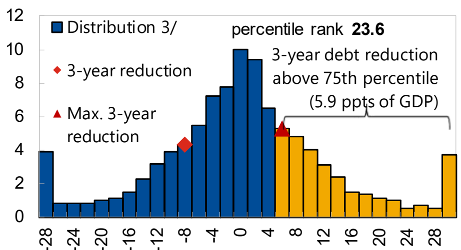
Public Debt Creating Flows
(Percent of GDP)



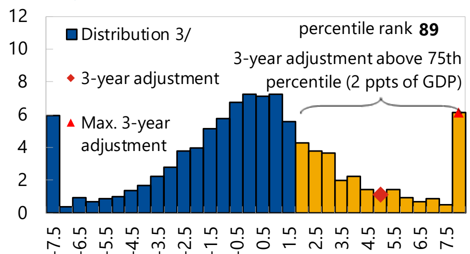
Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



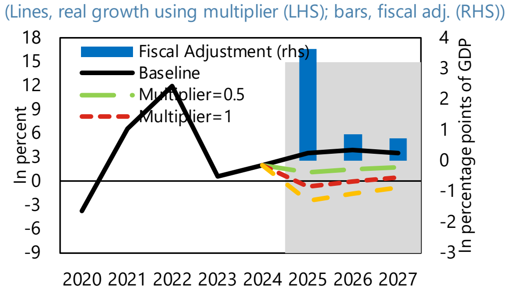
3-Year Debt Reduction
(Percent of GDP)



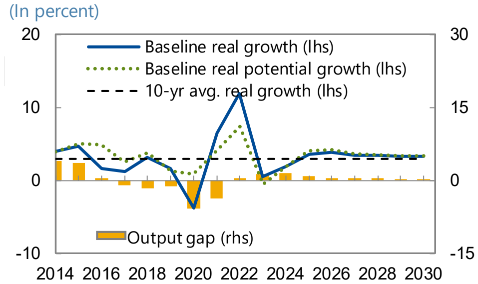
3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth
(In percent)



Commentary: The realism analysis does not point to major concerns and the projected debt reduction is well within norms. Projected fiscal adjustment reflects an improvement in the non-oil primary balance in percent of non-oil GDP, primarily due to the projected rationalization of wage bill and robust non-oil GDP growth. The impact of fiscal adjustment on growth is only imperfectly apprehended in the context of an oil exporting economy, as the assessment should be more finely focused on non-oil growth.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

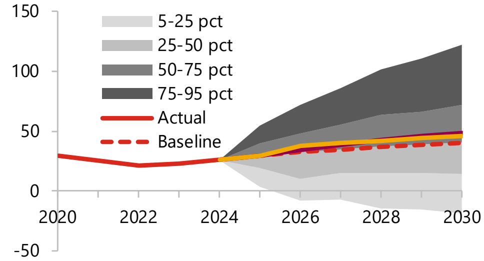
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual obervations from 1990- 2019 for MAC advanced,emerging economies. Percent of sample on vertical axis.

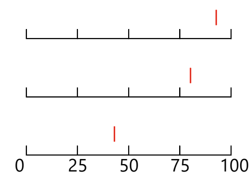
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex VIII. Figure 6. Saudi Arabia: Medium-Term Risk Assessment

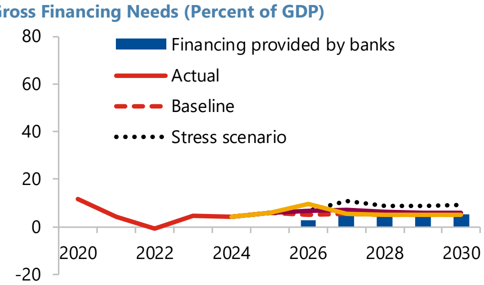
Final Fanchart (Percent of GDP)



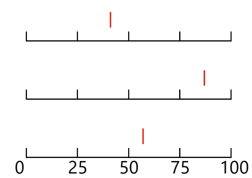
Debt fanchart module	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	140.6	2.0	
Probability of debt non-stabilizaiton *(percent)*	98.1	0.8	
Terminal debt-to-GDP x institutions index	19.7	0.4	
Debt fanchart index (DFI)		3.3	
Risk signal: 3/		**High**	



Gross Financing Needs (Percent of GDP)



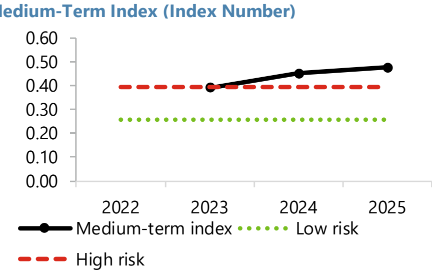
Gross financing needs (GFN) module	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	5.2	1.8	
Initial Banks' claims on the gen. govt *(pct bank assets)*	18.2	5.9	
Chg. In banks' claims in stress *(pct banks' assets)*	11.5	3.9	
GFN financeability index (GFI)		11.5	
Risk signal: 4/		**Moderate**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	3.3	0.7	0.5	0.4
GFN finaceability index	11.5	0.2	0.5	0.1
Medium-term index		0.5		
Risk signal: 5/		**High**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 54.5 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 3.4 pct.

Commentary: Staff assesses medium-term risks as low, against a mechanical signal of high risks from the debt fanchart module and a mechanical signal of moderate risks from the GFN module, as Saudi Arabia's large financial asset buffers (with sovereign assets exceeding 75 percent of GDP) help mitigate medium-term sovereign risks. A commodity price shock (lower commodity prices) would slightly increase public debt and GFNs in the medium term.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex IX. Bank Credit Growth and Liquidity Risk – Evidence from Bank Level Panel Data[1]

1. To investigate the determinants of bank credit growth and the associated implications for liquidity conditions in Saudi Arabia, we conducted an empirical analysis using annual panel data for commercial banks covering the period 2013–23. The analysis employs fixed-effects regressions with cluster-robust standard errors (see Annex Table 1 for detailed results) to assess how bank-specific fundamentals affect credit expansion, as well as short and long-term liquidity buffers measured by the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

2. The dataset draws on publicly available bank-level balance sheet and income statement data from FitchConnect, covering the largest Saudi commercial banks with consistent reporting over the period. While offering broad coverage, there are limitations—certain variables, particularly liquidity ratios, are missing for some institutions and years. As such, the findings should be viewed as indicative of general sectoral trends and used to support a risk-based assessment of recent developments.

Determinants of Bank Credit Growth

3. The regression analysis indicates that bank profitability is the most robust driver of credit growth. Across various model specifications, the return on assets (ROA) shows a consistently positive and statistically significant association with loan growth (coefficients ranging from 1.4 to 1.9, significant at the 1 percent level). This suggests that more profitable banks, potentially benefiting from stronger internal capital generation or enhanced market confidence, are better positioned to expand their lending activities.

4. Short-term funding dynamics also significantly influence loan expansion. The share of short-term funding is positively correlated with credit growth, achieving statistical significance in the full model specification. This implies that banks relying more heavily on short-term wholesale funding channels tend to exhibit more aggressive lending growth, possibly reflecting easier access to market-based finance. However, this pattern inherently exposes these banks to greater rollover risk and potential maturity mismatches.

5. Conversely, liquidity buffers show a negative association with loan growth. Banks holding a higher ratio of liquid assets to total assets tend to exhibit lower loan growth (significant at the 5 to 10 percent level). This finding suggests that banks adopting a more conservative liquidity management stance may consciously restrain credit expansion, particularly during periods perceived to have heightened funding uncertainty.

[1] Prepared by Vassili Prokopenko (MCM) and Nordine Abidi (MCD).

6. **Credit quality acts as a constraint, albeit weakly.** The non-performing loan (NPL) ratio is negatively associated with loan growth, although the statistical significance is marginal. This aligns with expectations that higher asset risk can impede a bank's capacity or willingness to lend. This pattern suggests that while higher asset risk can, in certain contexts, impede a bank's capacity or willingness to extend new credit, its direct impact might be nuanced or overshadowed when a broader set of bank fundamentals is considered.

7. **The analysis highlights a strong positive link between fiscal dynamics and bank lending.** Specifically, a one percentage point increase in government expenditure growth is associated with a 0.4 percentage point rise in loan growth, significant at the 1 percent level (Table 1, Column 8). This underscores the critical role of public spending in driving credit demand—either through direct borrowing by entities involved in government projects or indirectly via improved business sentiment and investment opportunities stemming from fiscal expansion

8. **Other structural factors did not show a statistically significant direct impact on credit growth within this framework.**

- **Government Ownership:** The variable measuring the share of bank equity held by government-related entities (which could potentially include stakes held by the Public Investment Fund (PIF), depending on the precise data definition in FitchConnect) was not significantly associated with credit growth after controlling for key bank fundamentals such as profitability and liquidity. This suggests that, over the sample period, direct government ownership was not a primary differentiating factor driving lending decisions, with core financial metrics playing a more decisive role.

- **Capital Ratio:** Similarly, the total capital ratio, a key measure of a bank's solvency and loss-absorption capacity, did not emerge as a statistically significant direct driver of credit growth in the estimated regressions (Table 1, Columns 5-8). This might imply that, for the banks in the sample during this period, capital ratios were generally maintained at levels comfortably above regulatory minimums, and thus did not act as a binding constraint on their lending expansion decisions.

Implications of Credit Growth for Bank Liquidity

9. **The analysis highlights an important asymmetry in how credit expansion impacts short-term versus long-term liquidity positions.**

- *Short-Term Liquidity (LCR):* Loan growth is positively and significantly associated with LCR growth. Specifically, a one percentage point increase in loan growth is associated with a 0.52 percentage point increase in the LCR (significant at the 1 percent level). This may reflect a temporary build-up in high-quality liquid assets (HQLA) or central bank reserves coinciding with the initial phases of credit expansion, such as the disbursement of project finance or working capital loans before funds are fully utilized by borrowers.

- *Structural Liquidity (NSFR):* In contrast, the impact of loan growth on the NSFR is negative and statistically significant (at the 10 percent level). A one percentage point increase in loan growth is associated with a 0.05 percentage point *decrease* in NSFR growth. This points towards rising structural liquidity risk, suggesting that banks' stable funding sources are not expanding at the same pace as their loan books, particularly concerning longer-term assets like mortgages or infrastructure project loans. This trend could expose banks to medium-term liquidity vulnerabilities if not managed carefully.

Role of Capital in Liquidity Resilience

10. The findings also underscore the importance of capital strength for maintaining liquidity resilience. The Tier 1 capital ratio is positively associated with growth in both the LCR and NSFR, with the effect being statistically significant for the NSFR. This highlights how strong capitalization supports long-term funding stability, a particularly crucial factor in an environment of rapid credit expansion.

Concluding Remarks

11. These empirical findings complement the broader narrative surrounding Saudi Arabia's banking sector. While strong credit growth has been instrumental in supporting economic activity and Vision 2030 initiatives —partly fueled by government expenditure— it has concurrently contributed to elevated loan-to-deposit ratios and an increased reliance on public sector and external funding sources. To preserve financial stability and liquidity resilience, continued supervisory attention is crucial to ensure that credit expansion is adequately supported by a commensurate build-up in stable funding.

Annex IX. Table 1. Saudi Arabia: Determinants of Loan Growth

VARIABLES	(1) Gov. Ownership	(2) + ROA	(3) + Liquidity	(4) + ST Funding	(5) + Capital Ratio	(6) Full Model	(7) No ROA	(8) + Gov Exp Growth	(9) Dep: LCR Growth	(10) Dep: NSFR Growth
Gov Ownership	-0.000	0.000	-0.000	0.000	0.000	0.000	0.000	0.000		
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)		
ROA		1.437***	1.931***	1.844***	1.917***	1.817***		1.817***	0.109	0.272
		(0.539)	(0.598)	(0.590)	(0.690)	(0.253)		(0.298)	(0.800)	(0.277)
Liquidity Ratio			-0.003**	-0.002*	-0.001	-0.001	0.000	-0.002		
			(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)		
Short-Term Funding				0.398	0.389	0.300*	0.350**	0.115	-0.321	-0.064
				(0.407)	(0.385)	(0.167)	(0.151)	(0.158)	(0.275)	(0.107)
Capital ratio					-0.005	-0.004	-0.003	-0.005		
					(0.004)	(0.005)	(0.005)	(0.004)		
NPL ratio						-1.172	-1.307*	-1.274*		
						(0.705)	(0.630)	(0.685)		
Gov Spending Growth								0.406***		
								(0.044)		
Loan Growth									0.518***	-0.051*
									(0.144)	(0.027)
Tier 1 ratio									0.013	0.004**
									(0.007)	(0.002)
Observations	150	150	150	150	150	150	150	150	150	150
R-squared	0.155	0.186	0.199	0.212	0.226	0.245	0.207	0.358	0.286	0.197

Annex X. Status of Key FSAP Recommendations

(as of May 2025)

Recommendations	Status
Systemic Risk Analysis and Monitoring	
• Continue efforts to close G-20 DGI-2 data gaps, including on sectoral accounts; International Investment Position; and international banking statistics (DGI-2 recommendations 8–10).	Efforts are under way to close gaps in other areas, including with the involvement of STA TA.
• Strengthen data collection and reinforce data sharing among agencies for the household and corporate sector; consider incorporating a structural "micro-to-macro approach" into the stress testing framework, particularly for credit risk modeling.	For corporate sector: SAMA has strengthened monitoring developments in non-financial corporations, via publicly listed companies. For household sector: Work is underway to incorporate greater data on households via incorporating credit bureau data in SAMA's Financial Stability surveillance activities, in addition to utilizing datapoints in DSTI data.
• Establish a monitoring framework for the financial system's exposures to large construction and infrastructure (e.g., mega/giga) projects.	The ongoing work under the NFSC would support a monitoring framework to large construction and infrastructure projects.
• Incorporate contagion/interconnectedness analysis and micro data into the stress testing and risk monitoring frameworks; publish key results in the FSR.	Work is underway to develop a financial sector interconnectedness map through the NFSC, by developing financial sector accounts based on the IMF's whom-to-whom templates.
• Improve the scope and quality of publicly available data for real estate market, and real estate prices, and publish affordability indicators (e.g., price to income, price to rent ratios).	A new real estate price index was developed, and work is ongoing on constructing the affordability indicators
• Regularly collect and monitor household debt statistics (e.g., DSTI, debt-to-disposable income, debt to GDP) and monitor household characteristics and debt distribution.	SAMA and GASTAT are actively engaged in household data collection and monitoring.
Macroprudential Policy	
• Consider establishing independent prudential supervision for NDF funds.	Under consideration

Recommendations	Status
• Implement a releasable capital buffer in the form of a positive neutral CCyB.	Done.
• Re-evaluate the DSTI and LTV limits.	A review of the DSTI limits is under way
Financial Supervision and Regulation—BCP Assessment	
• Amend the BCL and SCBL reflecting FSAP advice (e.g., SAMA independence and accountability; legal protection for SAMA staff, former staff, and agents'; SAMA's powers to conduct effective banking supervision).	This recommendation was taken into consideration while preparing the draft Banking Law by including articles in the draft law relating to SAMA independence, legal protection, and SAMA's powers to conduct effective banking supervision. The draft banking law has been submitted to the legislative body.
• Revise prudential regulations, and supervisory approach, techniques, tools, and reporting to address observed gaps, and to effectively conduct regulation and supervision at the levels of the solo bank, the consolidated bank, and each bank within groups.	SAMA is undergoing a review of the current risk-based supervision framework, which aims to enhance the supervisory practices and address relevant FSAP recommendations. SAMA has completed the first phase of this exercise which included a complete assessment of the current Risk-Based Supervision policy procedures and data templates. SAMA has commenced the second phase of the project, which will involve updating data templates, upgrading internal systems to align with the revised framework, and implementing the updated supervisory cycle.
• Establish or revise supervision policy, manuals, and procedures to make comprehensive the process of licensing and other applications from banks seeking SAMA approval, and to ensure that supervisors engage bilaterally and more actively with banks' board members, external auditors, and other relevant domestic and foreign regulators, supervisors, and resolution authorities.	SAMA is in the process of developing internal licensing guidelines in order to ensure the timely and comprehensive processing of licensing applications and to address the FSSA recommendations. Also, SAMA is undergoing a review of the current risk-based supervision framework, which aims to enhance the supervisory practices and address relevant FSAP recommendations (see above).

Recommendations	Status
Financial Regulation and Supervision—CPIFR Assessment	
• Ensure effective implementation of recently issued regulations from the perspectives of both SAMA and Islamic banks.	As mentioned above, the current review of the risk-based supervision framework takes into account how the implementation of the current rules and regulations (including the shariah-related regulation) is monitored, and also considers flexibility for future amendments to the current quantitative and qualitative indicators to reflect any regulatory changes issued by SAMA or Basel Committee.
• Implement guidance for managing liquidity risk separately for Islamic Windows.	Under assessment
• Enhance Pillar 3 disclosures by implementing IFSB-22 for Islamic banking and Islamic Windows.	No action
Financial Safety Nets and Crisis Management	
• Amend the Law on SIFIs reflecting FSAP advice (e.g., scope, triggers, resolvability); establish a bank-specific liquidation framework and a legal framework for deposit insurance.	SAMA is finalizing the draft implementing regulation of the SIFI Law in coordination with the legislative authority, which may address recommendations on the resolution framework. As a result, amendments to the SIFI Law may not be necessary. As for the bank-specific liquidation framework, SAMA is of the view that the existing Bankruptcy Law and its implementing regulations can be applied to banks. The Law grants SAMA the authority to issue supplementary regulations that may either exempt supervised entities (including banks) from specific provisions or introduce new ones. This flexibility enables SAMA to tailor the general bankruptcy framework to better suit the needs of banks and other supervised financial institutions, if necessary.

Recommendations	Status
	As it pertains to the deposit insurance framework, the framework for the DPF is based on the regulation issued in 2015. However, in the new draft banking law there is a specific chapter that governs the DPF. Following the issuance of the law, SAMA plans to issue an Implementing regulation specific to the DPF, with details aligned with IADI core principles.
• Finalize and enact implementing regulations, reflecting FSAP advice (including to allow for ex-post designation of SIFIs).	As noted, SAMA is finalizing the draft implementing regulation of the SIFI Law in coordination with the legislative authority. SAMA is analyzing the FSAP recommendations and will reflect what needs to be incorporated.
• Ensure adequate resources and independence of SAMA's resolution function.	A dedicated function within SAMA was established in 2023, and staff is being recruited. A decision was made regarding the future reporting line for the resolution function to ensure independence. The change will be made once current efforts linked with setting up and operationalizing the function are completed, which is expected during 2026.
Systemic Liquidity Management and Emergency Liquidity Assistance	
• Continue to strengthen liquidity management and forecasting framework.	Progress achieved in liquidity forecasting by concluding a data-sharing agreement between SAMA and the Ministry of Finance.
• Enhance the collateral framework by introducing maturity-based haircuts (I); gradually transitioning to market valuation (ST); considering making high-quality private debt securities eligible for OMO in crisis times (MT).	Work on reviewing the collateral framework has just started
• Adopt, and publish an ELA regulation outlining all requirements and parameters of ELA and prepare internal ELA procedures.	The ELA regulation was drafted and is expected to be adopted at a later stage

Recommendations	Status
• Operationalize the ELA framework through regular ELA simulations and collateral mobilization testing and pre-positioning and adopt an MoU between SAMA and MoF on the use of government guarantees.	The ELA framework is expected to be operationalized immediately after the adoption of the ELA regulation.
Financial Integrity	
• Conduct thematic inspections of key AML/CFT requirements and levy sanctions in case of non-compliance.	The first thematic AML/CFT inspection has taken place in H1 2025.
Role of State, Long-Term, Green and MSME Finance, Payments, and Digital Financial Services	
• NDF to expand its performance monitoring framework; ringfence funds performing quasi-government functions.	A review of performance monitoring framework is under way as part of the initiative to obtain a credit rating by 2027.
• Develop a market for qualified professional investors and allow unrestricted trading of private-placement bonds in the market.	No action
• Review the current MSME definitions; and regularly collect and publish MSME financing data using standard definitions with relevant breakdowns (e.g., firm size, funding source, women-owned enterprises).	No action
• Update and publish the Oversight Framework document for Payments and Digital Financial Services.	In progress
• Conduct a climate risk assessment to inform evidence-based supervisory approach; publish the results to raise awareness.	No action

Annex XI. Data Issues[1]

Annex XI. Table 1. Saudi Arabia: Data Adequacy for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	B	B	C		
Granularity 3/	A		A	C	B		
			A		B		
Consistency			B	A		B	
Frequency and Timeliness	A	A	B	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision to the Fund has some shortcomings but is broadly adequate for surveillance.

Notable progress has been made in several key areas such as national accounts, price index, census, and FDI statistics. The coverage of national accounts is adequate, and efforts are ongoing to enhance the communication of data revisions. While the Coordinated Direct Investment Survey (CDIS) data are not currently reported to the Fund, GASTAT publishes detailed inflows, outflows, and positions of FDI liabilities by country which support staff's analyses. Several initiatives are ongoing, including enhancing price statistics (CPI and WPI), expanding sectoral data (e.g., digital economy and tourism), and developing climate statistics. The release of the new CPI baskets and producer price index are expected later in 2025.

Areas that require enhancement include: (i) External sector statistics (ESS) granularity, as the financial account of the BOP and the IIP are highly aggregated. A more granular data breakdown by institutional sectors, along with improved data coverage for the private sector, would be beneficial for surveillance. (ii) Monetary and financial statistics (MFS) as those are currently based on a non-Special Reporting Format (non-SRF) and are limited to other depository corporations, leading to the team's assessment of "C" coverage rating when compared with its SDDS comparators. (iii) Government financial statistics (GFS) coverage that is broadly adequate but would require an expansion to general government operations and debts.

Changes since the last Article IV consultation. A new rebased GDP with significantly enlarged supply and use table was published in May 2025 (see Box 1). A new real estate price index with improved methodology, a new Household Income and Consumption Expenditure survey covering nearly five times the previous household sample size, and new environment statistics were published late 2024.

Corrective actions and capacity development priorities. The national account coverage rating has been updated to A, reflecting improvements in the coverage of oil and non-oil GFCF, data revision policy, and public communication of the new GDP (Box 1). The GFS consistency rating has been upgraded to B, as the monthly publication of government sukuk issuance data by the NDMC helped reduce the lag in fiscal financing data However, the gap remains present for certain years and publishing the allocation of central government deposits and other public entities' deposits in commercial banks would help further reduce the gap. A BOP TA delivered in February 2025 supported the authorities' efforts to improve the coverage and granularity of SAMA's external statistics. A potential TA provided by STA to SAMA, will focus on resolving the non-SRF issue of MFS.

Use of data and/or estimates different from official statistics in the Article IV consultation.

Other data gaps. Improvements are needed for the breakdowns of financial sector assets and liabilities by debtor/creditor type, residency, currency, instruments, and maturity. Additional improvements needed, as pointed out in the 2024 FSAP, include sectoral balance sheets data for conducting stress tests, and availability of credit bureau data for financial surveillance.

[1] Prepared by Yuan "Monica" Gao Rollinson (MCD).

Annex XI. Table 3. Saudi Arabia: Data Standards Initiatives

Saudi Arabia subscribes to the Special Data Dissemination Standard (SDDS) since September 2019 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Annex XI. Table 3. Saudi Arabia: Table of Common Indicators Required for Surveillance

As of June 30, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Saudi Arabia	Expected Timeliness[6,7]	Saudi Arabia
Exchange Rates	30-Jun-25	30-Jun-25	D	D	D	D	NA	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	May-25	Jun-25	M	M	M	M	1W	1W
Reserve/Base Money	May-25	Jun-25	M	M	M	M	2W	2W
Broad Money	May-25	Jun-25	M	M	M	M	1M	1M
Central Bank Balance Sheet	May-25	Jun-25	M	M	M	M	2W	1M
Consolidated Balance Sheet of the Banking System	May-25	Jun-25	M	M	M	M	1M	1M
Interest Rates[2]	30-Jun-25	30-Jun-25	D	D	D	D	NA	1D
Consumer Price Index	May-25	Jun-25	M	M	M	M	1M	1M
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Q1 2025	May-25	Q	Q	A	A	2Q	2Q
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	2024	Dec-24	A	A	M	Q	1M	45D
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Q1 2025	May-25	Q	Q	Q	Q	1Q	45D
External Current Account Balance	Q1 2025	May-25	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	Apr-25	Jun-25	M	M	M	Q	8W	8W
GDP/GNP	Q1 2025	Jun-25	Q	Q	Q	Q	1Q	1Q
Gross External Debt	Q1 2025	Mar-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	Q4 2024	May-25	Q	Q	Q	Q	1Q	1Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("I") irregular; and ("NA") not available.
[7] Recommended frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected.

INTERNATIONAL MONETARY FUND

SAUDI ARABIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 14, 2025

Prepared By

Middle East and Central Asia Department
(In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of May 31, 2025)

Membership Status: Joined August 26, 1957; Article VIII.

General Resources Account:	SDR Million	Percent Quota
Quota	9,992.60	100.00
Fund holdings of currency	7,502.85	75.08
Reserve tranche position	2,489.98	24.92
Lending to the Fund	0	

SDR Department	SDR Million	Percent Allocation
Net cumulative allocation	16,259.95	100.00
Holdings	15,781.32	97.06

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Projected Payments to the Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs)

	2025	2026	2027	2028	2029
Principal	0.00	0.00	0.00	0.00	0.00
Charges/interest	7.21	14.37	14.37	14.38	14.37
Total	7.21	14.37	14.37	14.38	14.37

Lending to the Fund and Grants:

- ***GRA New Arrangements to Borrow (NAB):*** Saudi Arabia is a participant in the NAB, whose credit arrangement under the NAB amounts to about SDR 11.31 billion. There is no outstanding amount under the credit arrangement as of May 31, 2025.

- ***PRGT loan resources****:* Saudi Arabia has provided four loans to the Poverty Reduction and Growth Trust (PRGT), totaling SDR 3.3 billion, through borrowing agreements with the Saudi Central Bank (SAMA). The first borrowing agreement (SDR 500 million) was effected in May 2011 and the other three agreements—provided in the context of the 2021 fundraising round and totaling SDR 2.8 billion—were effected in November 2022 (SDR 550 million), April 2023 (SDR 225 million), and May 2023 (SDR 2,025 million). In addition, in 1989, the Saudi Fund for Development ("SFD") provided SDR 49.5 million in concessional loans made at an interest rate of 0.5 percent per annum through an Associated Agreement with the PRGT.

- ***PRGT subsidy resources****:* As of end-April 2025, Saudi Arabia's total subsidy contributions to the PRGT, including interest earned on outstanding balance of the Trust, was estimated at

SDR 140.2 million, with the remaining balance amounting to SDR 94.4 million. These contributions include:

  - ***Implicit subsidy*** earned on the balances of the February 1989 loan above and which was estimated at SDR 14.7 million (as of end-2005).

  - ***Subsidy resources generated from deposits***. In March 2001, Saudi Arabia agreed to support the PRG-HIPC Trust with deposit contributions totaling SDR 94.4 million, of which SDR 16.71 million was contributed by the Kingdom of Saudi Arabia ("Saudi Arabia") and SDR 77.67 million by SFD. In April 2006, these deposits were repurposed and extended to end-December 2021 with an additional deposit of SDR 38.2 million from SFD, to provide SDR 40 million (end-2005 NPV terms) in subsidy resources to support the Exogenous Shocks Facility (ESF). Saudi Arabia's deposit of SDR 16.71 million matured on December 31, 2021, and the principal was transferred as grant contribution to the PRGT General Subsidy Account. SFD's aggregate deposit amount of SDR 115.87 million was made at an interest rate of 0.5 percent and after being extended several times, it was repaid on September 4, 2024.

  - ***Subsidy resources from other contributions***. In April 2005, Saudi Arabia agreed to provide a grant contribution of $4 million (equivalent to SDR 2.7 million) to subsidize Emergency Natural Disaster Assistance to low-income countries, of which SDR 0.15 million was transferred to the PRGT General Subsidy Account upon termination of the EPCA/ENDA Administered Subsidy Account in February 2014. In October 2012 and October 2013, Saudi Arabia provided subsidy resources to the PRGT through the transfer of its full share in the distributions of the general reserve attributed to windfall gold sale profits, totaling SDR 71.87 million.

- ***Other initiatives:*** In February 2018, Saudi Arabia pledged to contribute $2 million (equivalent to SDR 2.8 million) to the Financial Sector Stability Fund, supporting financial sector stability, inclusion, and deepening, focused on low- and lower-middle income countries. It also contributed $2 million to the AML/CFT Thematic Fund in 2020. In August 2024, Saudi Arabia contributed $279 million to a Saudi Arabia CD Partnership, which finances capacity development activities, in the Middle East, North Africa and Pakistan, in Sub Saharan Africa as well as global initiatives.

Exchange Rate Arrangement

The Saudi Arabian Riyal is formally pegged to the U.S. dollar and the exchange rate arrangement is classified as a conventional peg. Saudi Arabia maintains security-related exchange restrictions pursuant to UN Security Council resolutions 1267 and 1373.

Saudi Arabia has accepted the obligations of Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Last Article IV Consultation

Saudi Arabia is on the standard 12-month consultation cycle. The last Article IV consultation was held in person during May 13-27, 2024. The staff report was considered by the Executive Board on July 31, 2024 and published on September 4, 2024.

(https://www.imf.org/en/Publications/CR/Issues/2024/09/03/Saudi-Arabia-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-Informational-Annex-554530).

Resident Representative

No resident representative is stationed in Saudi Arabia.

RELATIONS WITH THE WORLD BANK GROUP

(As of June 30, 2025)

World Bank Country Page:

https://www.worldbank.org/en/country/saudiarabia