

ECONOMIC PULSE OF SAUDI



JUNE

2025



Message from IPA's Experts

DEAR READERS OF THE SAUDI BUSINESS COMMUNITY,

WE ARE DELIGHTED TO INTRODUCE OUR QUARTERLY REPORT, **ECONOMIC PULSE OF SAUDI ARABIA®**, FOLLOWING THE GREAT SUCCESS OF **ECONOMIC PULSE OF EGYPT®** IN THE EGYPTIAN BUSINESS SPHERE. THIS INAUGURAL EDITION COVERS THE FIRST HALF OF 2024, PROVIDING A COMPREHENSIVE OVERVIEW OF SAUDI ARABIA'S MACROECONOMIC DEVELOPMENTS AND POLICY SHIFTS.

IN THIS REPORT, WE EXAMINE KEY ECONOMIC INDICATORS SUCH AS GDP GROWTH, INFLATION TRENDS, AND THE BALANCE OF PAYMENTS. WE ALSO HIGHLIGHT SAUDI ARABIA'S STRATEGIC POLICY RESPONSES TO EMERGING OPPORTUNITIES AND CHALLENGES, OFFERING INSIGHTS BASED ON CREDIBLE DATA AND EXPERT ANALYSIS. OUR GOAL IS TO PROVIDE BUSINESS LEADERS WITH THE KNOWLEDGE AND FORECASTS NECESSARY FOR STRATEGIC PLANNING AND DECISION-MAKING IN THIS DYNAMIC MARKET.

FOUNDED IN 2015 AS A KEY SUBSIDIARY OF INFLUENCE GROUP—AN ESTEEMED MARKETING COMMUNICATIONS CONSULTANCY IN THE MEA REGION SINCE 2007—**IPA** HAS EMERGED AS A STRATEGIC LEADER IN SHAPING GOVERNMENT POLICIES AND DRIVING IMPACTFUL STAKEHOLDER ENGAGEMENT. OUR TEAM EXCELS IN ANALYZING THE POLITICAL, REGULATORY, AND SOCIOECONOMIC DYNAMICS OF THE MEA REGION, FOSTERING INFORMED DECISION-MAKING AND POSITIVE SOCIETAL CHANGE.

WE HOPE YOU FIND OUR INSIGHTS VALUABLE AND INFORMATIVE.

Best Regards

IPA's Team

SYNTHESIS

Saudi Arabia's financial and regulatory landscape in 2025 reflects a continued focus on infrastructure development, capital market expansion, institutional reform, and global partnerships. Amid external pressures and oil price volatility, the Kingdom is leveraging debt instruments, governance upgrades, and private sector mobilization to drive economic resilience.

Public and Private Infrastructure Investment

Major financing initiatives were secured to enhance essential infrastructure. The Saudi Water Authority finalized a USD 650 mn funding package, USD 450 mn from the AIIB and USD 200 mn from Infra, to upgrade the Jubail and Al Khobar desalination plants. The project introduces reverse osmosis technology, aimed at reducing energy consumption and extending operational lifespans by 20 years. In parallel, the Saudi Fund for Development signed a USD 38 mn loan with Tunisia to fund the Southern Oasis Hub Project, covering land reclamation, infrastructure, and rural housing development.

Capital Markets and Retail Engagement

The Kingdom's equity capital market witnessed a strong rebound in Q1 2025, with public equity offerings totaling SAR 42.6 billion across 13 transactions, up significantly from SAR 15.3 billion a year earlier. Saudi Arabia dominated regional IPO activity, with the majority of listings occurring on the Nomu (parallel) market, reflecting continued interest from emerging growth companies.

Private Debt and PIF Capital Strategy

While activity in the public debt market remained limited, private debt placements continued to serve as a key fundraising tool. The Public Investment Fund (PIF) further diversified its funding sources by launching a commercial paper program that includes foreign currency tranches through offshore special purpose vehicles. This move complements PIF's broader capital strategy, which included several major issuances earlier in the year such as USD-denominated sukuk and bond offerings, and structured financing facilities to support its medium-term investment objectives.

SYNTHESIS

Regulatory Reforms and Governance Standards

The Saudi Central Bank (SAMA) proposed draft principles for compliance and internal auditing in finance and refinance companies. The regulations aim to bolster corporate governance through the establishment of independent compliance units, audit oversight, anti-money laundering policies, and periodic performance evaluations. Separately, amendments to zakat collection rules introduced new thresholds, sector-specific treatments, and exclusions for certain industries and nonprofit entities.

Expanding Global Partnerships

The Saudi Cabinet approved a range of international agreements in 2025, including MoUs with Pakistan on energy and intelligence cooperation, and with countries such as Costa Rica, Djibouti, and Tajikistan on transport, logistics, and environmental preservation. These agreements reflect the Kingdom's growing regional and global policy footprint, particularly as it seeks diversified investment flows and strategic partnerships.

In sum, the first half of 2025 reveals a dynamic and evolving economic and financial landscape in Saudi Arabia. From robust activity in the debt and equity markets to regulatory reforms targeting transparency and fiscal discipline, the Kingdom is laying the groundwork for greater resilience. Regional cooperation, infrastructure upgrades, and institutional enhancements reflect a forward-leaning approach to economic management. These developments signal a maturing financial environment that is becoming increasingly sophisticated and aligned with long-term national goals.

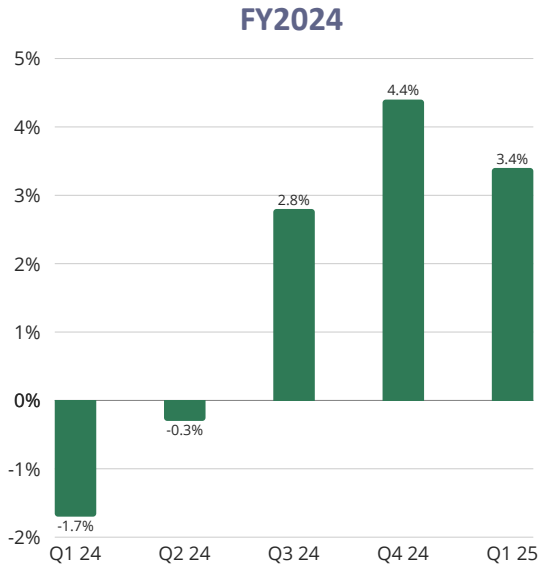
MACROECONOMIC

HIGHLIGHTS

Saudi Arabia's economic momentum continued into 2025, with Q1 2025 GDP growing by 3.4% year-on-year—its fifth consecutive quarter of improvement.

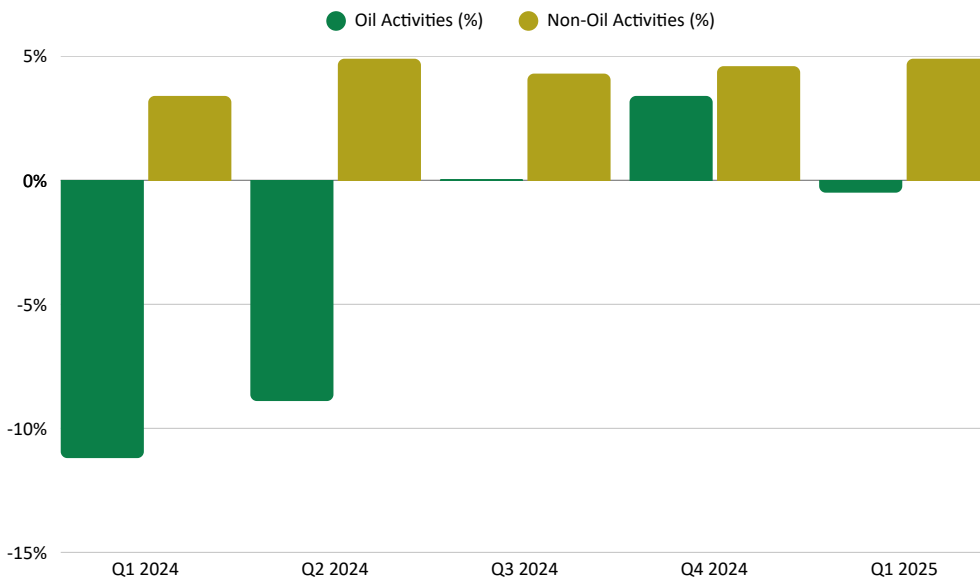
This growth was largely driven by a 4.9% expansion in non-oil activities, supported by ongoing reforms and diversification efforts under Vision 2030. Government activities also rose by 3.2%, reflecting continued public sector investment.

Meanwhile, the contraction in oil activities narrowed significantly to -0.5%, compared to double-digit declines earlier in 2024, indicating improved market conditions and a more balanced contribution from hydrocarbons.



Source: Saudi General Authority for Statistics

This steady upward trend highlights the Kingdom's shift toward a more resilient, diversified economic base, with the non-oil sector increasingly acting as the main engine of growth.



Source: Saudi General Authority for Statistics

The chart illustrates the trajectory of Saudi Arabia's economic recovery, emphasizing the dampening effect of oil volatility alongside the steady growth of non-oil sectors, bolstered by strategic reforms and sustained government spending under Vision 2030.

MACROECONOMIC

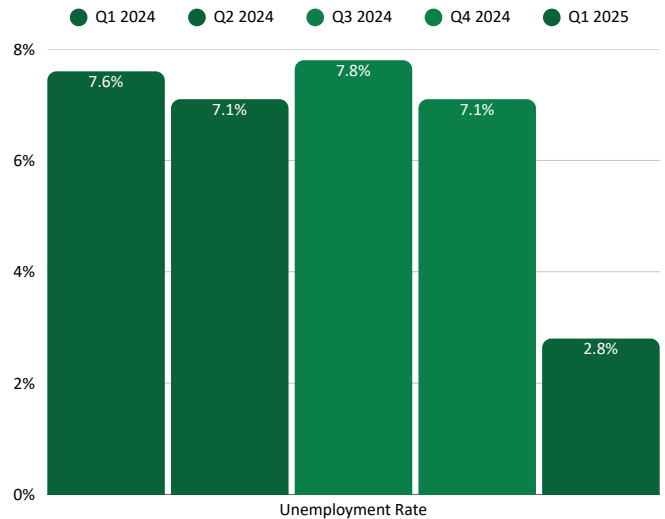
HIGHLIGHTS

Unemployment Trends

In Q1 2025, Saudi Arabia's total unemployment rate fell to 2.8%, reflecting continued labor market strength.

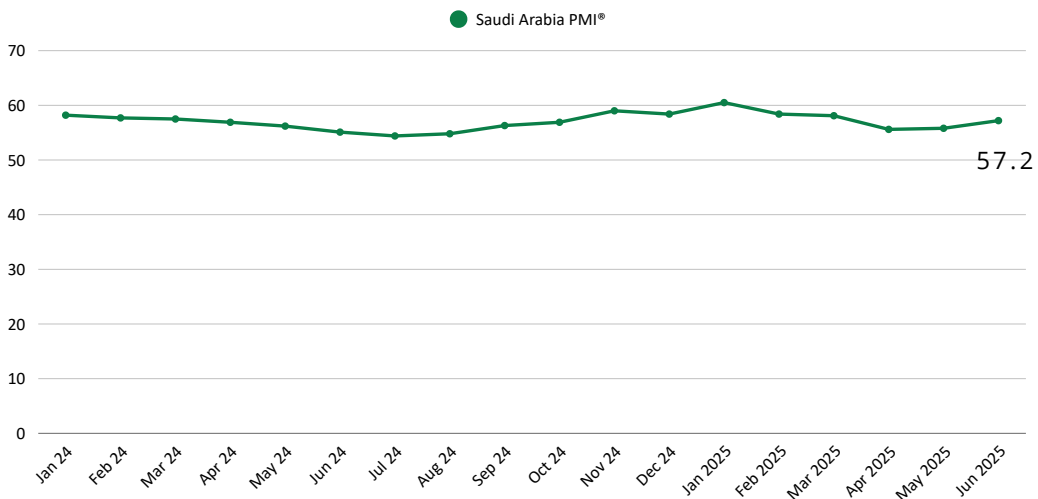
Unemployment among Saudi nationals reached a historic low of 6.3%, supported by rising participation, especially among women.

The labor force participation rate for Saudi females increased to 36.3%, while their unemployment declined to 10.5%. Youth and core working-age Saudis also saw improved employment indicators, driven by effective policy reforms and Vision 2030's focus on workforce development.



Source: Saudi General Authority for Statistics

Private Sector Performance



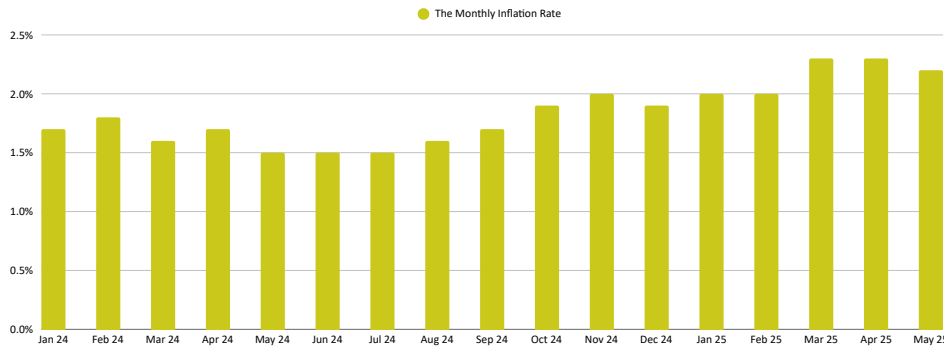
Source: S&P

Saudi Arabia's PMI in 2025 reflected strong and resilient non-oil sector growth, beginning the year with a surge to 60.5 in January, the highest in nearly 14 years. While momentum slightly eased in Q2, the index remained firmly in expansion territory, recording 58.4 in February, 58.1 in March, and a moderate dip to 55.6 in April. May saw a slight rebound to 55.8, followed by a climb to 57.2 in June. This trend underscores sustained business confidence, robust domestic demand, and the continued impact of Vision 2030 economic diversification efforts.

MACROECONOMIC

HIGHLIGHTS

➤ Inflation Rates

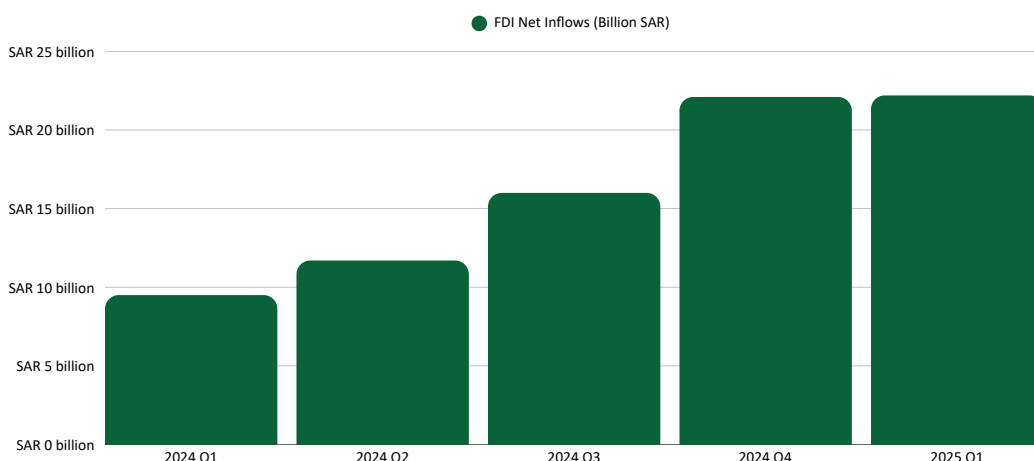


Source: GASTAT

Saudi Arabia's inflation in early 2025 remained both moderate and stable. In January and February, the annual consumer price index stood at 2.0%, among the lowest in the G20. March and April saw a slight rise to 2.3%, led by higher costs in housing, utilities, and services. In May, inflation eased marginally to 2.2%, primarily due to softer transportation and near-stable food prices.

These figures reflect continued price stability supported by sound fiscal management and controlled demand pressures.

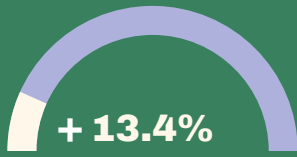
➤ FDI Net Inflows



Source: GASTAT

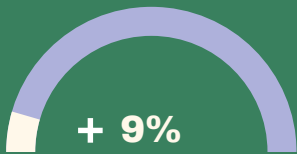
In Q1 2025, Saudi Arabia's net FDI inflows reached SAR 22.2 billion, a 44% increase year-on-year, despite a 7% dip from Q4 2024. Inward FDI totaled SAR 24.0 billion, while outward flows stood at SAR 1.8 billion. The figures reflect sustained investor confidence and robust economic momentum.

Trade



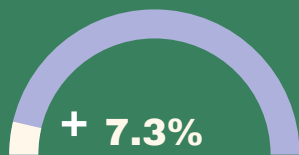
Non-oil Exports (Including Re-exports)

This increase shows that Saudi Arabia's non-oil sectors are becoming stronger and contributing more to foreign trade. It reflects the Kingdom's push to diversify away from oil.



National Non-oil Exports (Excluding Re-exports)

Locally manufactured and produced non-oil goods (excluding re-exported items) also increased significantly, indicating domestic industry growth.



Rise in Merchandise Imports

Saudi Arabia imported more goods in Q1 2025 compared to the same period last year, which could indicate increased domestic consumption or demand for industrial inputs.

Balance

36.2% Ratio of Non-oil Exports to Imports

Non-oil exports now cover 36.2% of total imports, up from 34.3% in Q1 2024. This is a positive sign that non-oil sectors are offsetting a larger share of import costs.

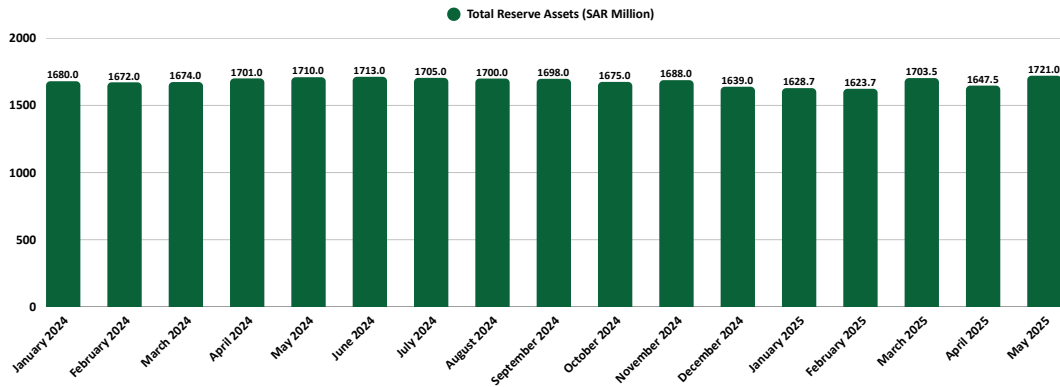
28% Decrease in Trade Surplus

Saudi Arabia's trade surplus declined by 28% in Q1 2025 compared to the same period in 2024, mainly due to an 8.4% drop in oil exports, which outweighed the 13.4% growth in non-oil exports. At the same time, merchandise imports rose by 7.3%, further narrowing the surplus and highlighting the impact of oil market shifts.



MONTAREY SCENE

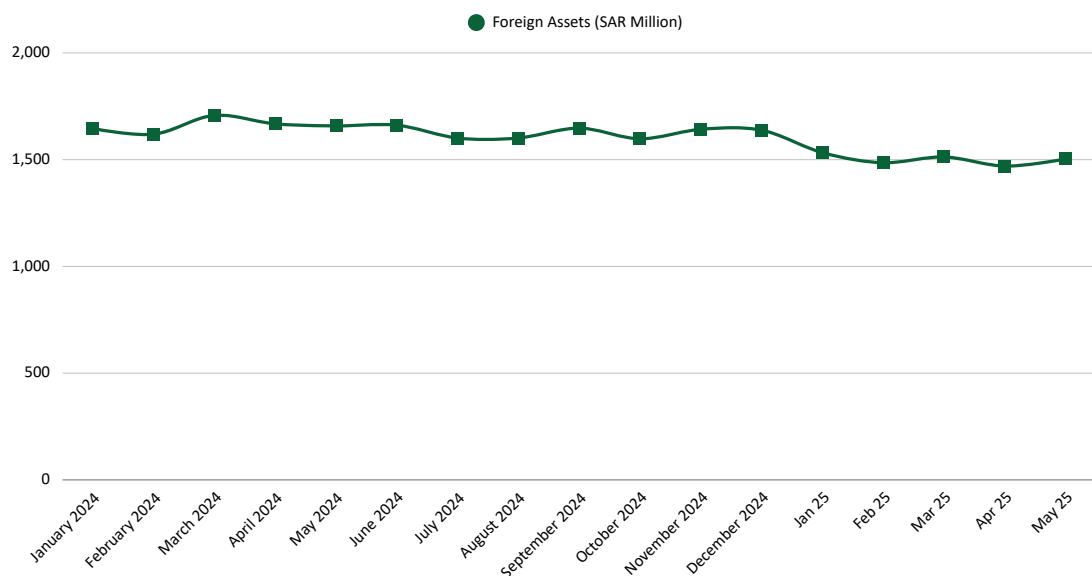
➤ Total Reserve Assets



Source: SAMA

In 2025, Saudi Arabia’s total reserve assets showed moderate fluctuations, reflecting active reserve management. Reserves began at SAR **1,628.7 billion** in January, dipped slightly in February to SAR 1,623.7 billion, then surged to SAR 1,703.5 billion in March. They declined to SAR 1,647.5 billion in April, before climbing again to SAR 1,721.0 billion in May, marking the highest level in five months. This trend indicates resilience and a healthy external position despite global uncertainties.

➤ Net Foreign Assets



Source: SAMA

This data reflects Saudi Arabia’s net foreign assets, the combined foreign holdings of SAMA, and commercial banks, indicating the Kingdom’s external financial strength. In 2025, reserves fluctuated, dropping in Feb and Apr, but recovering in March and May, ending at SAR 1,503.2 billion.

INVESTMENT WATCH

Saudi Arabia's investment landscape in mid-2025 reflects a dynamic interplay between regulatory reform, capital market expansion, and strategic infrastructure financing.

The Saudi Water Authority secured USD 650 mn in funding, USD 450 mn from AIIB and USD 200 mn from the National Infrastructure Fund, to modernize desalination plants in Jubail and Al Khobar.

These upgrades aim to improve efficiency and extend operational lifespans by shifting to reverse osmosis technology. Meanwhile, the Saudi Capital Market Authority reported a strong rebound in equity markets.

Public equity offerings surged to SAR 42.6 bn in 1Q 2025, nearly triple the previous year, while private debt placements outpaced equity issuance, reaching SAR 13.2 bn. Retail investor participation also rose, increasing their market share to 4.7%.

The Public Investment Fund launched its inaugural commercial paper program to diversify short-term funding tools, complementing earlier sukuk and bond issuances exceeding USD 12 bn.

On the regulatory front, SAMA released draft compliance and audit principles for finance companies, while fresh zakat collection amendments aim to boost fiscal clarity. In parallel, the cabinet approved MoUs with countries including Pakistan, Djibouti, and Costa Rica, signaling Saudi Arabia's intent to deepen global investment partnerships and reinforce economic diplomacy.

These developments reflect Saudi Arabia's commitment to fiscal reform, financial market sophistication, and international partnerships—positioning the Kingdom as a resilient, adaptive, and increasingly attractive investment destination in the evolving global economic landscape.

ROAD AHEAD

Saudi Arabia is entering a dynamic phase of financial sector transformation, capital market growth, and strategic international cooperation. The Kingdom is intensifying efforts to diversify its funding mix, with a strong push into both public and private debt capital markets.

Notable moves include the Saudi Water Authority securing USD 650 mn to upgrade critical desalination infrastructure, the Public Investment Fund launching its inaugural commercial paper program, and capital market institutions recording robust revenues in 1Q 2025 despite looming macroeconomic volatility.

On the regulatory front, the Saudi Central Bank (SAMA) is modernizing oversight mechanisms, with draft principles released on compliance and internal audit functions for finance and refinance firms—marking a significant step toward institutional maturity. In parallel, the Finance Minister’s recent amendments to zakat collection rules aim to streamline compliance while safeguarding taxpayer rights.

Regionally, Saudi Arabia’s role as a financial hub is growing. GCC-issued USD debt accounted for 35% of all non-China EM debt in 1Q, with Saudi corporates leading fundraising activity. Sustainability-linked financing is gaining traction, further aligning with Vision 2030 goals. Meanwhile, high-level international MoUs—spanning energy, logistics, and counterterrorism—demonstrate the Kingdom’s proactive diplomacy in securing strategic partnerships.

Looking ahead, Saudi Arabia is expected to sustain momentum through policy refinement, increased capital-raising flexibility, and broader market participation. While fiscal challenges remain amid oil market headwinds, regulatory agility and investor appetite provide strong buffers.

As the Kingdom navigates its reform journey, the convergence of regulatory modernization, market deepening, and strategic global outreach is setting the stage for more resilient and inclusive financial growth.

In 2015, IPA was established as the vital arm of Influence Group, a renowned marketing communications consultancy in MEA since 2007. With a robust portfolio boasting over 90 local and regional clients, IPA is regarded as a premier public policy and public affairs firm.

Expertise is leveraged by our seasoned professionals to shape government policies and foster meaningful stakeholder communication. Beyond conventional roles, IPA serves a distinguished think think, delving deep into MEA's political landscape, regulatory frameworks, and socioeconomic dynamics to enact positive societal change.

Dedicated to the economic and public policy landscape of the MEA region, invaluable insights and strategic guidance are provided by IPA. Our expertise is seen as a beacon of knowledge, guiding through the evolving business environment, ensuring endeavors are rooted in wisdom and poised for success



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