

2025 RECAP

ECONOMIC PULSE

OF SAUDI



FEBRUARY

2026



Message from IPA's Experts

DEAR READERS OF THE SAUDI BUSINESS COMMUNITY,

WE ARE PROUD TO PRESENT THE FOURTH EDITION OF THE ECONOMIC PULSE OF SAUDI ARABIA®, A MILESTONE THAT REFLECTS THE REPORT'S GROWING INFLUENCE AND CREDIBILITY AS A KEY REFERENCE FOR UNDERSTANDING THE KINGDOM'S ECONOMIC TRAJECTORY. BUILDING ON THE STRONG SUCCESS OF PREVIOUS EDITIONS—AND INSPIRED BY THE IMPACT OF ECONOMIC PULSE OF EGYPT® WITHIN THE EGYPTIAN BUSINESS COMMUNITY—THIS REPORT CONTINUES TO PROVIDE TIMELY, DATA-DRIVEN INSIGHTS FOR DECISION-MAKERS AND STAKEHOLDERS.

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

The year 2025 represents a pivotal "recalibration" phase for the Saudi Arabian economy. While the Kingdom has successfully expanded its non-oil sector to account for 56% of a SAR 4.7 trillion economy, the current fiscal environment highlights a lingering structural challenge: the "elasticity" of non-oil growth to oil prices. With softer oil prices in 2025 reducing projected fiscal revenues by 13.3%, the Kingdom is shifting its focus from the volume of growth to the quality and resilience of its investment portfolio.

As fiscal space tightens, Saudi Arabia is moving away from a consumption-led model—which historically traps capital in low-productivity sectors like traditional retail—toward an export-oriented growth framework. Empirical data suggests that for every 10% change in global oil prices, Saudi non-oil GDP still fluctuates by 0.5%. To break this cycle, the 2025 strategy prioritizes investment in tradable sectors where the Kingdom can build a global competitive edge.

This is evident in the rapid scaling of the domestic automotive manufacturing industry and advanced mineral processing, both of which are designed to serve international markets rather than relying solely on domestic demand.

Furthermore, the focus has shifted toward sectors with steep learning curves and significant knowledge spillovers. In aerospace and the digital economy, the state's goal is to move beyond final assembly into R&D, systems integration, and engineering. This transition is supported by a shift from "turnkey" imports to localized supply chains. Programs such as IKTVA and NUSANED ensure that small and medium enterprises participate in high-value activities, reducing import dependency.

The role of the Public Investment Fund (PIF) has also evolved; instead of substituting for private capital, the PIF acts as an "anchor investor" to de-risk pioneering sectors—such as green hydrogen and high-end tourism—eventually allowing the broader market to take the lead on commercial terms.

SYNTHESIS

The policy landscape in 2025 is defined by fiscal discipline and strategic selectivity. Policymakers are increasingly applying "Key Tests" to evaluate whether public spending provides genuine additionality or if it merely crowds out independent investment. Recognizing that domestic consumption is naturally capped by population size, policy now incentivizes sectors that generate stable foreign exchange earnings. These earnings provide a critical buffer for the economy when oil-funded reserves are pressured by global market volatility.

In tandem, smart infrastructure projects, such as the Riyadh Road Development Program and the expansion of the Oxagon port, are no longer viewed as standalone construction projects. Instead, they are regulated as multimodal logistics platforms designed to integrate the Kingdom into global supply chains.

Labor policy is also pivoting toward employment quality, with incentives tied to the creation of technical and professional roles. This redirection toward high-value, skill-intensive activity is projected to increase Total Factor Productivity (TFP) by 10% by 2035, potentially boosting non-oil GDP by an additional 5.5% beyond baseline projections.

In summary, Saudi Arabia's 2025 economic synthesis reveals an economy in a sophisticated stage of transition. While oil remains a vital fiscal engine, the next phase of Vision 2030 is defined by the disciplined allocation of capital toward activities that can endure global shocks. By prioritizing exportability and productivity, the government is building an independent engine of demand that aims to decouple non-oil prosperity from the volatility of the oil cycle..

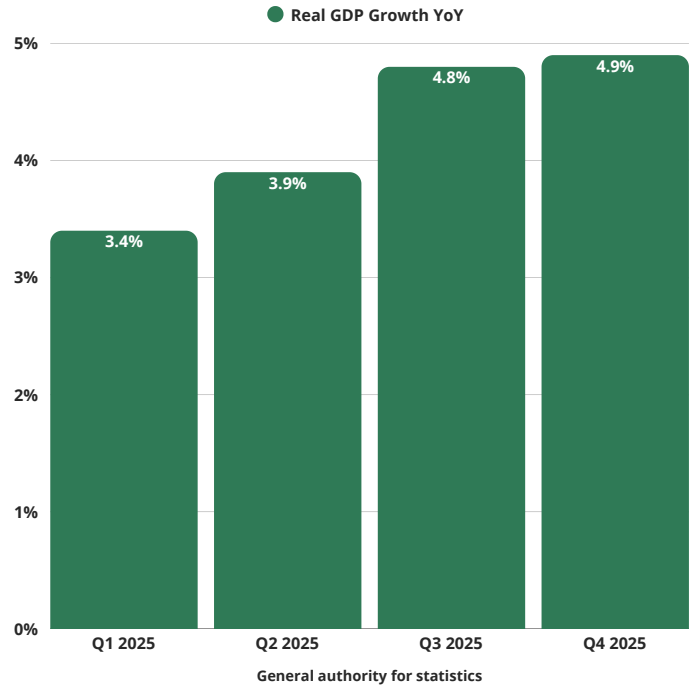


HIGHLIGHTS

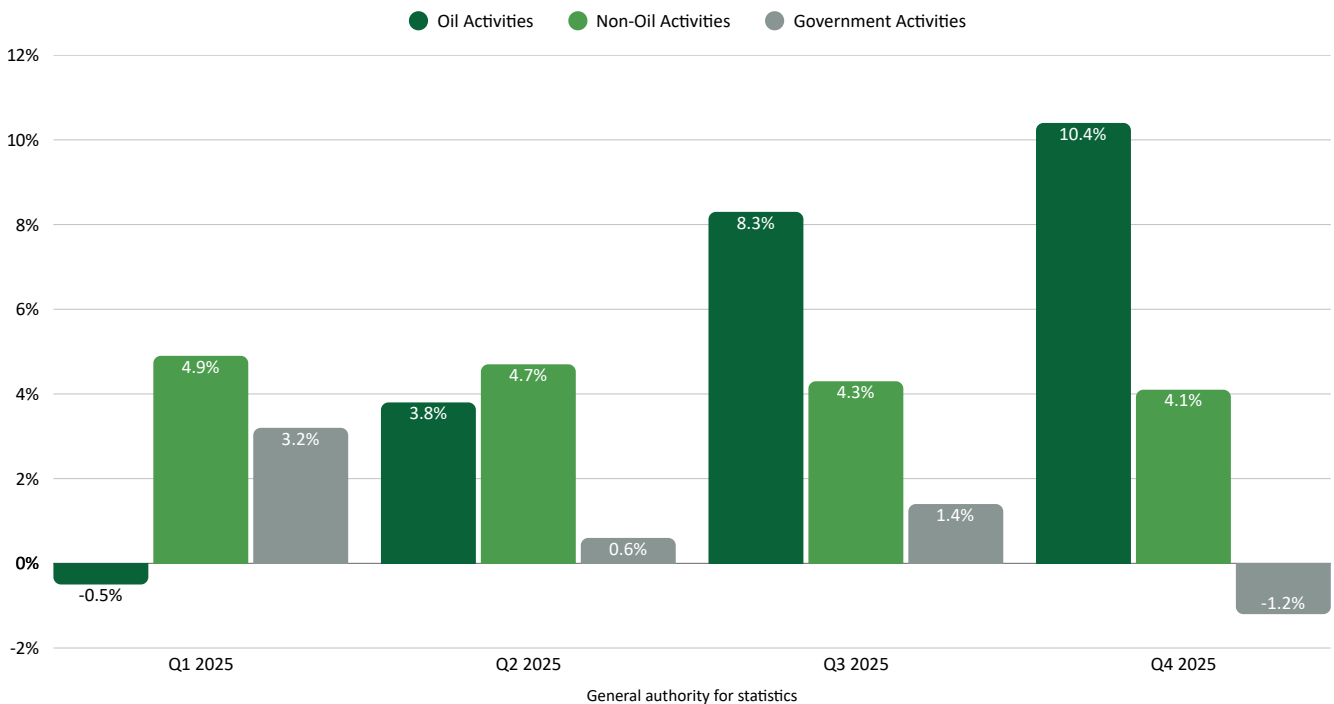
➤ GDP GROWTH

In 2025, Saudi Arabia recorded steady and accelerating economic growth throughout the year. Real GDP grew by 3.4% year-on-year in Q1, rising to 3.9% in Q2, reflecting improving economic momentum.

Growth strengthened further in the second half of the year, reaching 4.8% in Q3 and 4.9% in Q4, marking the strongest quarterly performance of the year. Overall, the figures indicate a consistent upward trajectory in economic activity across 2025.



Sectoral Contribution to GDP Growth in Saudi Arabia (2025)

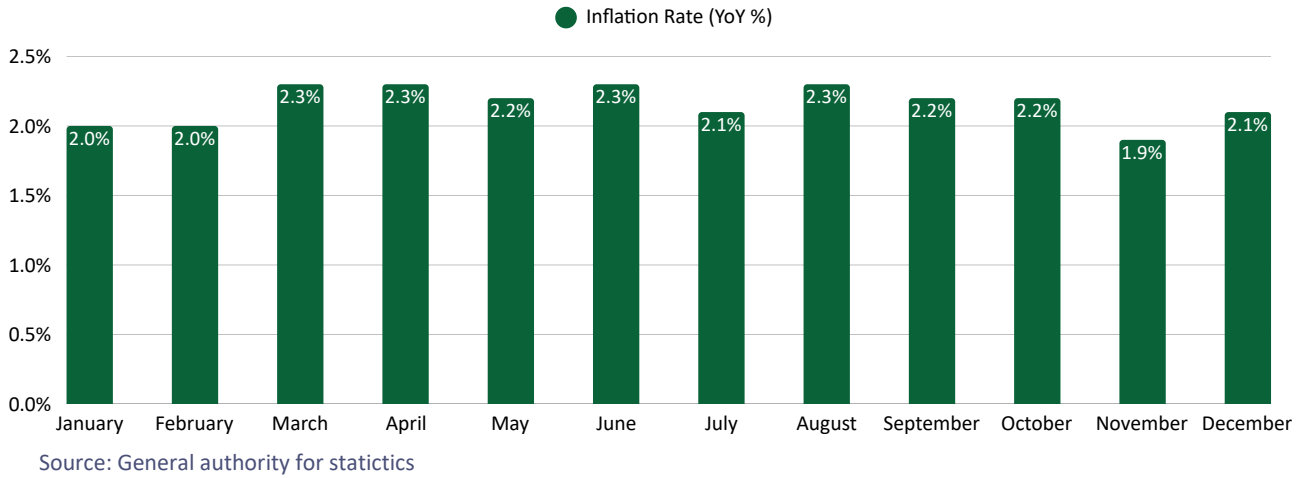


In 2025, Saudi Arabia's growth pattern shifted over the year. In Q1, oil activities declined slightly (-0.5%), while non-oil (+4.9%) and government activities (+3.2%) drove expansion. In Q2, all sectors grew, with oil rebounding (+3.8%). Growth strengthened in Q3 as oil surged (+8.3%), alongside solid non-oil performance (+4.3%). By Q4, oil became the main driver, rising sharply (+10.4%), while non-oil remained stable (+4.1%) and government activities contracted slightly (-1.2%).

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HIGHLIGHTS

➤ Inflation Rates



Inflation remained relatively stable, mostly ranging between 2.0% and 2.3%, reflecting moderate price increases across the year. The lowest annual inflation rate was recorded in November (1.9%), while the highest months, including March, April, June, and August, reached 2.3%. Overall, the data highlights a stable inflation environment, supported by consistent economic policies and a controlled price framework.

➤ FDI Net Inflows

Saudi Arabia's foreign direct investment (FDI) inflows showed strong momentum in 2025. Net inflows reached SAR 22.2 billion in Q1, rising to SAR 22.8 billion in Q2, and further increasing to SAR 24.9 billion in Q3, reflecting steady quarterly growth and improved investor confidence. The upward trend highlights continued progress in economic diversification efforts and reforms aimed at attracting foreign capital. (Q4 data was not yet available at the time of reporting.)

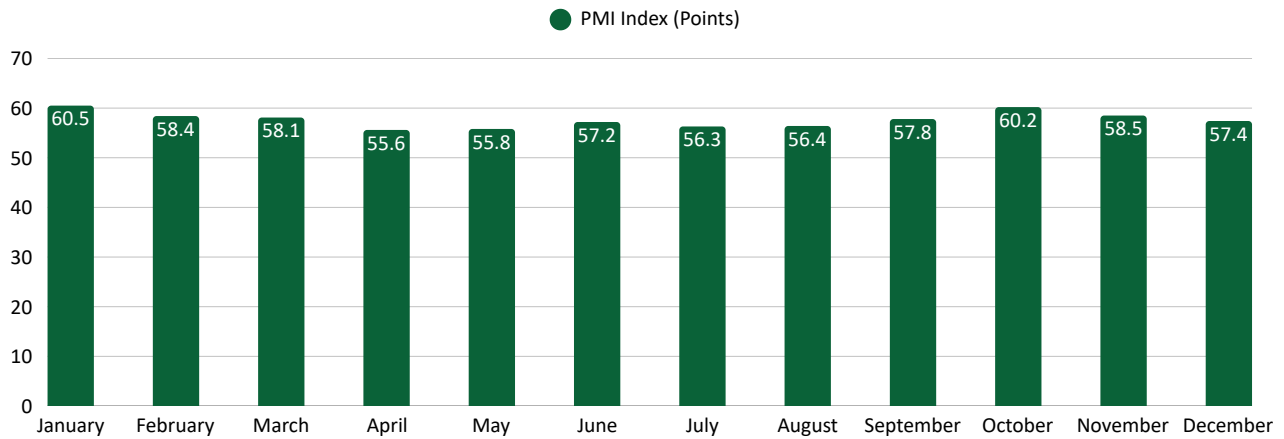
Net foreign Direct Investment (FDI) Inflow



MACROECONOMIC

HIGHLIGHTS

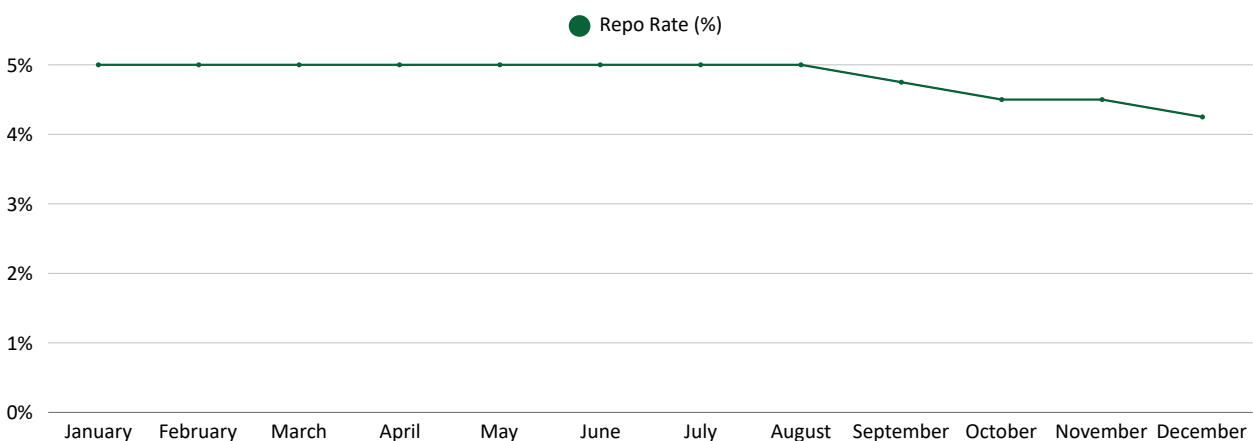
➤ S&P Global PMI



Source:S&P

Saudi Arabia’s S&P Global PMI remained above 50 throughout 2025, indicating continuous expansion in the non-oil private sector. The year started strongly at 60.5 in January, eased slightly mid-year, and rebounded to 60.2 in October before moderating toward December. Overall, the data reflects solid business activity, sustained demand, and ongoing non-oil economic growth.

➤ Repo Rate in 2025



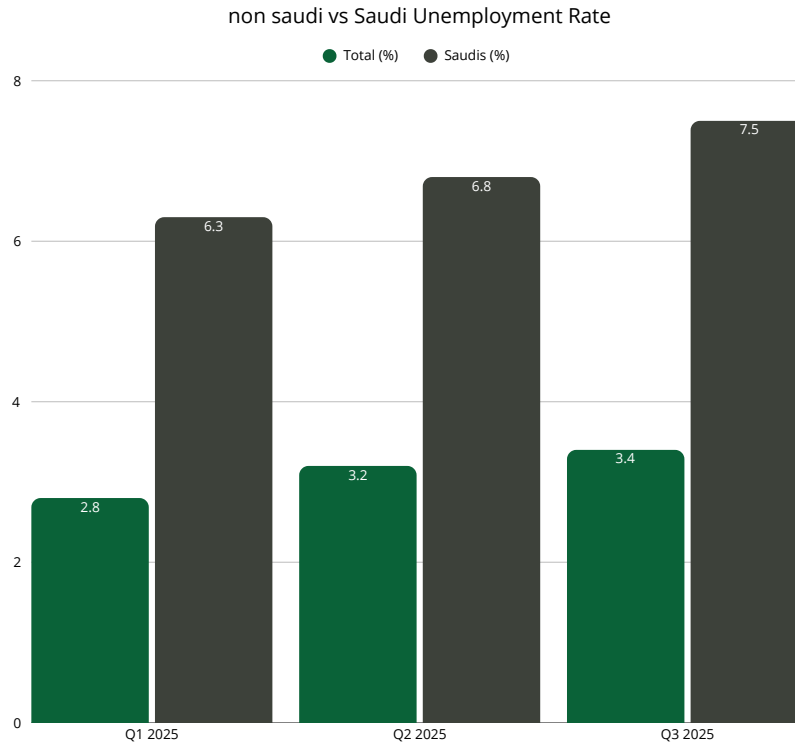
Source: saudi central bank

In 2025, Saudi Arabia’s repo rate started the year at 5.00% and remained steady until August. From September onward, the Saudi Central Bank (SAMA) gradually eased policy, cutting the repo rate to 4.75% in September, 4.50% in October, and finally 4.25% in December. This gradual reduction reflects SAMA’s efforts to support economic growth and maintain liquidity amid changing global monetary conditions.



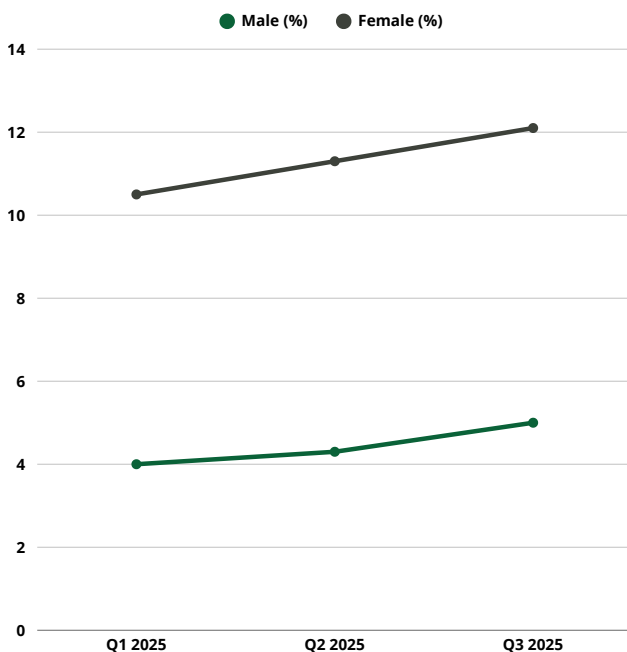
HIGHLIGHTS

➤ Unemployment Trends

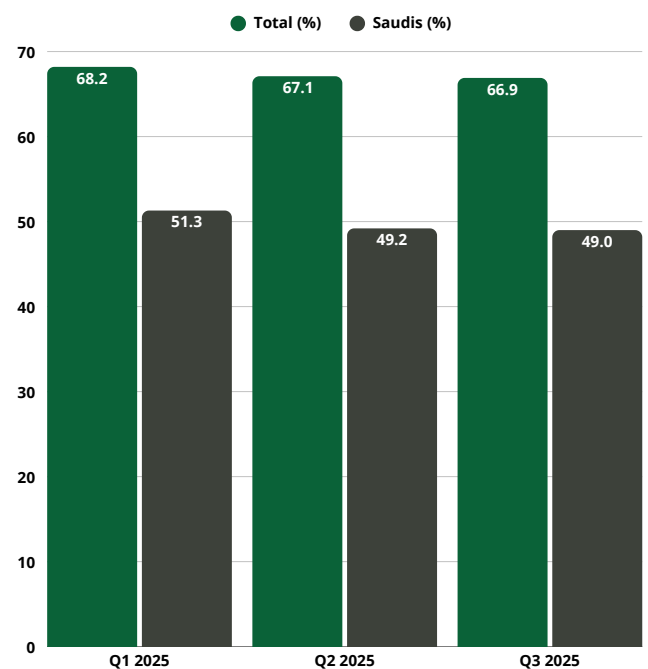


The set of graphs illustrates key labor market trends in Saudi Arabia for Q1–Q3 2025. Total and Saudi unemployment rates rose slightly, with Saudis consistently higher. Labor force participation declined modestly, while female unemployment remained above male levels. Youth employment and participation, especially for females, stayed low. Overall, the graphs highlight trends in unemployment, participation, and gender and age disparities in the labor market.

Saudi Male vs Female Unemployment Rate



Labor Force Participation Rate – non saudi vs Saudis



EXPORTS

2024

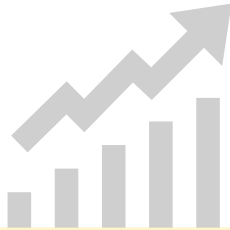
1.1

Trillion SAR

2025

1.2

Trillion SAR



IMPORTS

2024

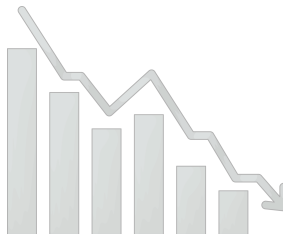
873

Billion SAR

2025

850

Billion SAR



Non-oil exports

2024

217

Billion SAR

2025

300

Billion SAR



FIGURES FOR 2025 ARE FORECASTED

INVESTMENT WATCH

Public Investment Fund (PIF) Expansion

In 2025, the PIF significantly diversified its operational reach through several key milestones. In March 2025, it launched Al Waha Duty-Free Co., the Kingdom's first national travel retailer, to capture a larger share of tourist spending. This was followed in June 2025 by the establishment of Expo 2030 Riyadh Company (ERC), a wholly owned entity tasked with delivering the \$64 billion infrastructure legacy for the World Expo. Furthermore, the PIF successfully launched its first Commercial Paper Program in late 2025, which earned an A-1 short-term credit rating from S&P, providing the Fund with new, flexible institutional financing tools.

FDI & Regional Headquarters Growth

Riyadh has firmly established itself as the primary destination for multinational companies in the Middle East, with over 616 global firms establishing regional headquarters by mid-2025. This figure continued to climb toward the 700 mark by the year's end, far exceeding the initial Vision 2030 target of 500. This momentum is anchored by a January 2024 policy requiring RHQs for government contracting, alongside a 30-year tax incentive package. These efforts have resulted in total investments doubling to SAR 1.2 trillion, reinforcing the Kingdom's role as a high-value regional hub for decision-making and capital flow.

Industrial Incentives

To accelerate the National Industrial Strategy, Saudi Arabia officially activated the SAR 10 billion Standard Incentives Program in January 2025. This program, a joint effort by the Ministries of Industry and Investment, offers financial coverage of up to 35% of initial project costs (capped at SAR 50 million per project). The incentives are strategically front-loaded, with 50% disbursed during construction and 50% during production. The first phase focused on transformative chemicals, automotive parts, and machinery, aiming to localize production and add an estimated SAR 23 billion to the annual GDP.

Smart Infrastructure & Roads

The Royal Commission for Riyadh City (RCRC) reached a major infrastructure peak in 2025 by launching Package II (February) and Package III (December) of the Riyadh Main and Ring Road Axes Development Program. With a combined budget exceeding SAR 16 billion for these two phases alone, the program includes massive upgrades to Jeddah Road (29 km) and Taif Road (15 km). These projects are coordinated through a new unified interactive digital map, which integrates over 285,000 infrastructure permits to ensure transparent monitoring and minimal disruption to urban mobility.



➤ Strategic Shift in Economic Focus (2026 Onwards)

As Saudi Arabia enters 2026, the economy is marked by a strategic transition from massive capital mobilization to operational delivery and qualitative growth. The Kingdom has successfully laid the foundations of a post-oil economy, with non-oil sectors contributing over 55% of real GDP. The focus over the next four years will be on deepening industrial complexity and ensuring fiscal resilience.

➤ Fiscal Strategy Amid Lower Oil Prices

In response to a lower oil price environment, the government has adopted a "calculated expansionary" approach, prioritizing projects with high near-term returns while adjusting or scaling back certain multi-decade giga-projects. This fiscal selectivity ensures that resources are directed toward sectors that generate sustainable foreign exchange, such as specialized manufacturing, mining, and the digital economy, rather than sectors reliant solely on domestic consumption.

➤ Flagship Projects Enter Full Operation

Following the massive construction phase, 2026 marks the "coming of age" for flagship destinations as they transition into full operational capacity, targeting a high-value global audience.

➤ Localization of Supply Chains

Simultaneously, emphasis is shifting toward the localization of supply chains in strategic sectors including automotive, defense, and renewable energy. The Kingdom is also positioning itself as a regional hub for data centers and AI deployment, capturing productivity gains from the Fourth Industrial Revolution.

➤ Employment Quality and Workforce Readiness

The road ahead prioritizes employment quality. With citizen unemployment at record lows, the focus is now on mid-career transitions and AI-enabled roles, ensuring that the workforce is fully prepared for high-tech industrial environments.

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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