IPA
Influence Public Affairs

ECONOMIC PULSE

OF SAUDI

H1

2026

DEAR READERS OF THE SAUDI BUSINESS COMMUNITY,

WE ARE DELIGHTED TO INTRODUCE OUR REPORT, ECONOMIC PULSE OF SAUDI ARABIA®, FOLLOWING THE GREAT SUCCESS OF ECONOMIC PULSE OF EGYPT® IN THE EGYPTIAN BUSINESS SPHERE. THIS EDITION COVERS THE FIRST HALF OF 2026, 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, UNEMPLOYMENT TRENDS, TRADE PERFORMANCE. 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 COMMUNICATIONS GROUP—AN ESTEEMED MARKETING COMMUNICATIONS CONSULTANCY IN EGYPT SINCE 2007—INFLUENCE PUBLIC AFFAIRS (IPA) HAS EMERGED AS A STRATEGIC LEADER IN SHAPING GOVERNMENT POLICIES AND DRIVING IMPACTFUL STAKEHOLDER ENGAGEMENT. WITH OFFICES IN CAIRO, DUBAI, AND RIYADH, AND A DIVERSE PORTFOLIO OF OVER 90 LOCAL AND INTERNATIONAL CLIENTS, IPA PROVIDES STRATEGIC ADVICE AND FOSTERS MUTUALLY BENEFICIAL ENGAGEMENTS BETWEEN THE PRIVATE AND PUBLIC SECTORS. OUR TEAM EXCELS IN GOVERNMENT AFFAIRS, PUBLIC POLICY, AND INVESTMENT MATTERS, ANALYZING THE POLITICAL, REGULATORY, AND SOCIOECONOMIC DYNAMICS OF THE MEA REGION TO FOSTER INFORMED DECISION-MAKING, SHAPE PUBLIC OPINION, AND DRIVE POSITIVE AND IMPACTFUL OUTCOMES.

WE HOPE YOU FIND OUR INSIGHTS VALUABLE AND INFORMATIVE.

Best Regards

IPA's Team

SYNTHESIS

Saudi Arabia’s economic momentum weakened significantly in H1 2026, with real GDP growth slowing **from 3.0% in Q1 2026 to -4.8% in Q2 2026,** largely reflecting a sharp deterioration in oil activity. The oil sector shifted **from 2.9% growth in Q1 2026 to -24.7% in Q2 2026,** highlighting the extent to which geopolitical disruptions and oil-market pressures affected overall economic performance. Nevertheless, the impact remained concentrated in the hydrocarbon sector, as non-oil activities continued to expand by **0.6% in Q2 2026,** supported by government and domestic economic activity. This divergence underscores the growing role of the non-oil economy as a buffer against external oil-sector shocks.

Despite the sharp swing in headline GDP, domestic price stability remained intact. Inflation averaged approximately **1.8% during H1 2026**, remaining within a narrow **1.7%–1.8% range** throughout the first six months. By June, inflation stood at **1.8%**, with housing, water, electricity, gas and other fuels recording a **3.5% annual increase** and remaining the largest contributor to overall price pressures. The contained inflation environment suggests that the slowdown in economic activity and external disruptions did not translate into broad-based inflationary pressures, although housing costs remained a key source of pressure.

At the same time, activity indicators pointed to greater resilience in the non-oil private sector than the headline GDP figures suggest. The PMI temporarily fell below the 50-point threshold in March amid geopolitical and supply-chain disruptions, signaling a contraction in private-sector activity. However, conditions improved during Q2 2026, with the PMI reaching **53.3 in June 2026**, reflecting stronger output and domestic demand. The recovery above the expansion threshold indicates that the non-oil private sector was able to absorb the initial shock and regain momentum as H1 progressed.

SYNTHESIS

Labor-market developments showed mixed but broadly supportive signals during H1 2026. While the Saudi share of the labor force declined to **6.4% in Q1 2026**, the Human Resources Development Fund (HRDF) reported that its programs contributed to the employment of **329,000 Saudi nationals during H1 2026, representing a 23% increase year-on-year.**

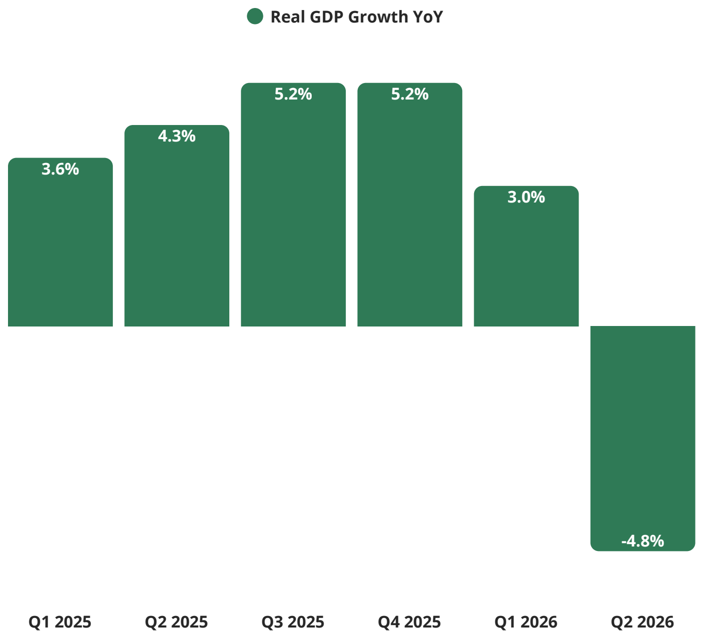
Importantly, external trade provided another positive signal. Despite the contraction in overall GDP and disruptions to regional trade routes, Saudi exports increased from **SAR 470 billion in January–May 2025 to SAR 513 billion in January–May 2026**, representing an increase of approximately **9.1% YoY.** At the same time, imports declined **from SAR 389 billion to SAR 371 billion, a reduction of approximately 4.6%.** As a result, the trade surplus widened substantially **from SAR 81 billion to SAR 142 billion, an increase of approximately 75%.**

The expansion of the trade surplus is particularly significant in the context of H1's economic shock. Higher exports combined with lower imports strengthened Saudi Arabia's external trade position, providing an additional source of resilience while oil-sector activity weakened. Taken together, the H1 indicators point to an economy experiencing a sharp but concentrated oil-sector shock rather than a broad-based deterioration: GDP contracted sharply in Q2 2026, but inflation remained contained, non-oil private-sector activity recovered, domestic economic participation continued to strengthen, and the trade balance improved markedly.

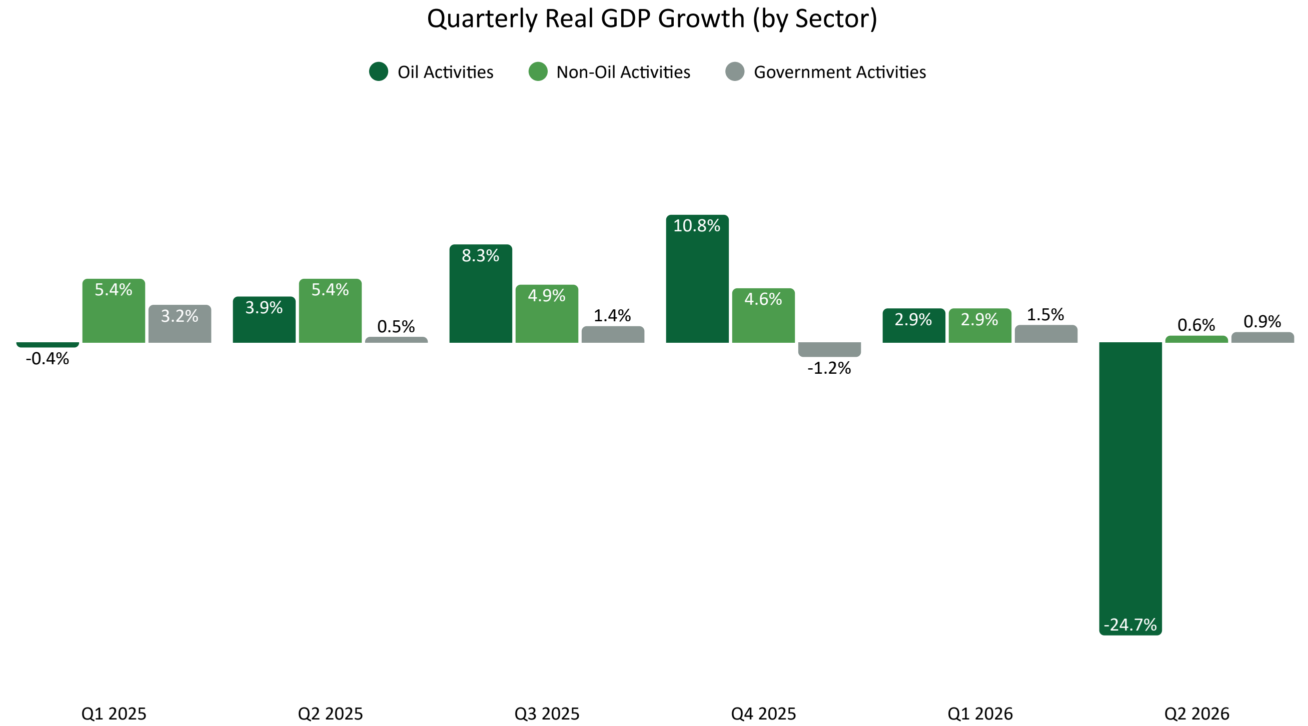
MACROECONOMIC HIGHLIGHTS

GDP GROWTH

Saudi Arabia's economic momentum weakened sharply in H1 2026, as real GDP growth slowed from **3.0% in Q1 2026 to -4.8% in Q2 2026**, primarily reflecting a sharp decline in oil activity. However, continued growth in non-oil activities provided resilience and supported the Kingdom's economic diversification efforts.



Source: Ministry of Economy & Planning

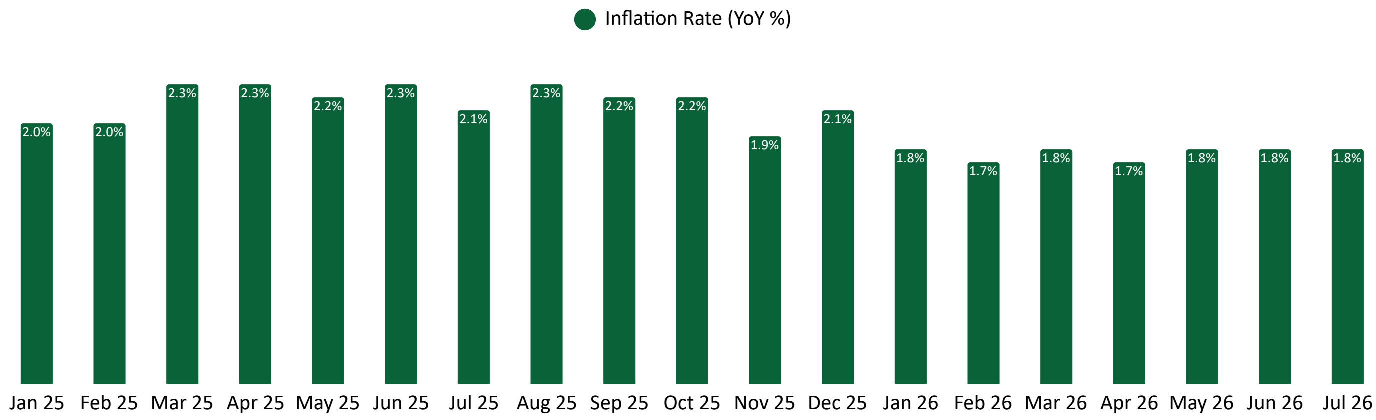


Source: General authority for statistics

H1 2026 saw a sharp divergence between Saudi Arabia's oil and non-oil economies. While oil activities shifted **from 2.9% growth in Q1 2026 to -24.7% in Q2 2026**, non-oil activities remained resilient, expanding by **0.6%**. Continued growth in non-oil and government activities helped cushion the impact of the sharp oil-sector downturn.

MACROECONOMIC HIGHLIGHTS

Inflation Rates



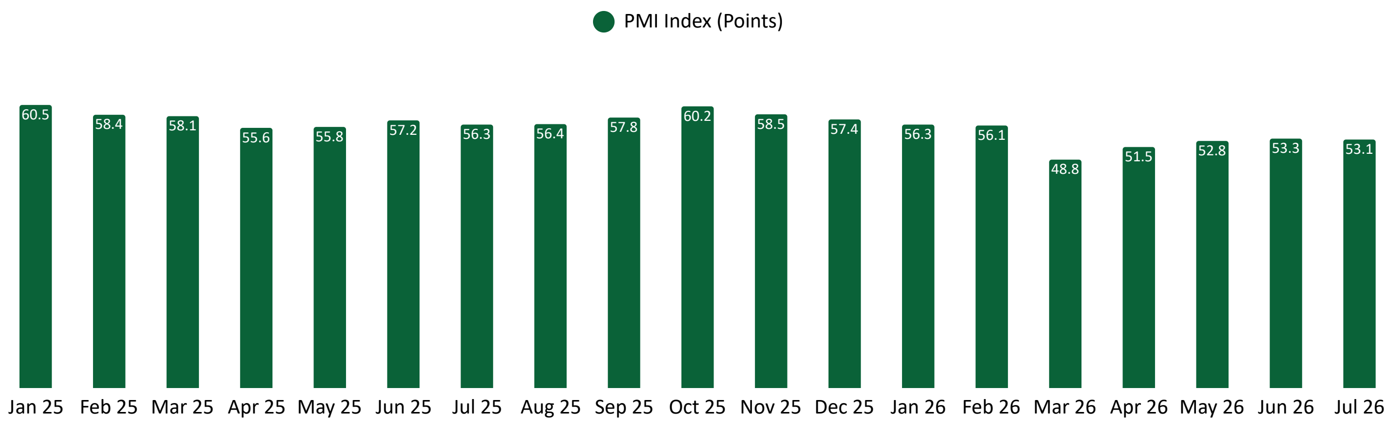
Source: General authority for statistics

Saudi Arabia maintained a relatively stable inflation environment in H1 2026, with annual inflation averaging **around 1.8% and remaining within a narrow range of 1.7%–1.8%** throughout the first six months.

Inflation was primarily driven by housing-related costs, particularly rising rents, while price pressures from other major categories remained comparatively contained. The stability of inflation despite fluctuations in economic activity indicates that consumer price pressures remained broadly manageable during the first half of the year.

By June 2026, inflation remained at **1.8%, with housing, water, electricity, gas and other fuels recording a 3.5% annual increase and remaining the largest contributor to overall inflation.**

S&P PMI

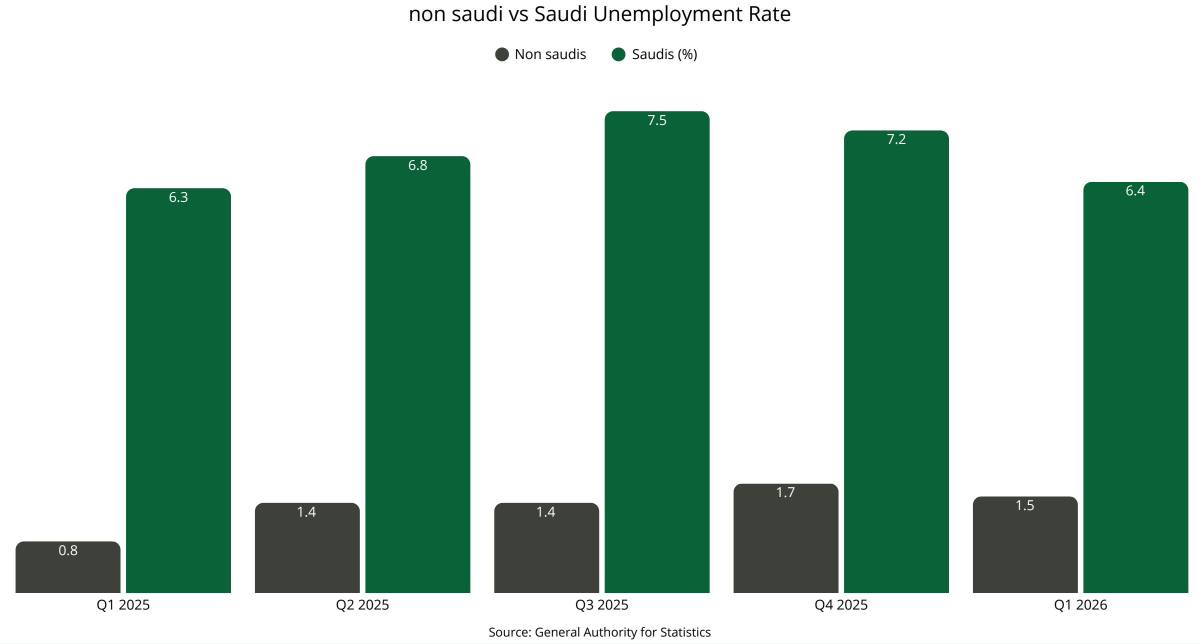


Source: S&P

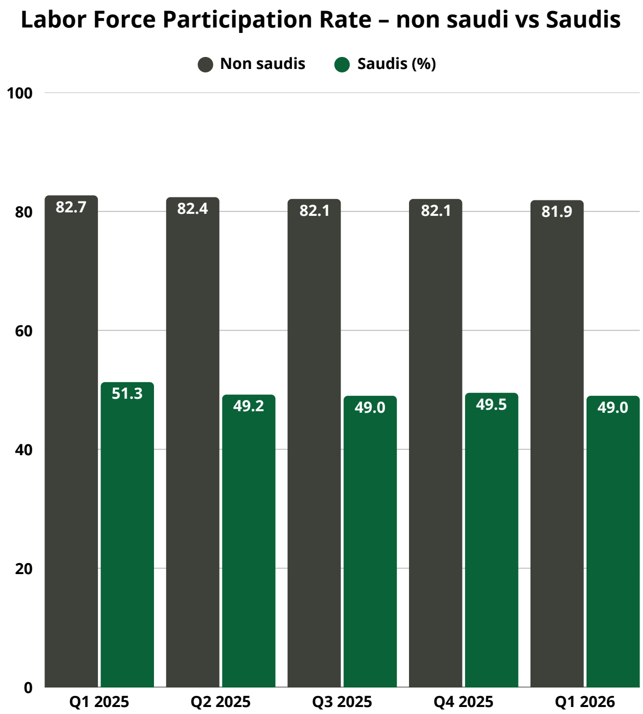
Saudi Arabia's non-oil private sector experienced a temporary slowdown in **H1 2026**, with the PMI falling below the 50-point threshold in March amid geopolitical and supply-chain disruptions. However, activity recovered steadily in Q2 2026, **reaching 53.3 in June 2026**, supported by stronger domestic demand and output, underscoring the resilience of the non-oil economy.

MACROECONOMIC HIGHLIGHTS

Unemployment Trends



The percentage of Saudis in the labor force declined to **6.4% in Q1 2026, down from 7.2% in Q4 2025,** reversing the increase recorded during the previous quarter. Meanwhile, the non-Saudi segment **decreased slightly to 1.5%, compared with 1.7% in Q4 2025**. The decline across both groups suggests a moderation in labor-market participation at the beginning of 2026, while the sharper decline among Saudis indicates that the previous quarter's improvement was not sustained.



EXPORTS

Jan-May 2025

470

BIILION SAR

Jan-May 2026

513

BILLION SAR

IMPORTS

Jan-May 2025

389

Billion SAR

Jan-May 2026

371

Billion SAR

Trade Balance Jan-May 2025

81

Billion SAR (Surplus)

Trade Balance Jan-May 2026

142

Billion SAR (Surplus)

Source: saudi central bank

MIDDLE EAST CONFLICT ECONOMIC IMPACT

Macroeconomic Resilience Under External Shock

H1 2026 highlights the resilience of the Saudi economy's monetary and financial foundations, while also demonstrating the real-economy impact of prolonged external disruptions. The economy entered 2026 with strong momentum, recording **3.0% year-on-year real GDP growth in Q1 2026, before contracting 4.8% YoY in Q2 2026** as the regional conflict disrupted oil exports and maritime trade. The Q2 contraction was driven primarily by **a 24.7%** decline in oil activity, while non-oil activity continued to expand by **0.6%**, providing an important buffer against the oil-sector shock.

Oil Export Disruptions Were Material

Saudi crude exports fell to a record-low **3.43 million barrels per day (bpd) in May 2026, down from 3.99 million bpd in April 2026**, representing a decline of approximately **14%** month-on-month. May marked the third consecutive monthly decline in crude exports. However, exports recovered sharply in June, reaching approximately **4.52 million bpd, an increase of around 768,000 bpd from May 2026**, as Saudi Arabia increased loadings from Ras Tanura and redirected some shipments through alternative routes.

Saudi Arabia's ability to redirect crude through its East-West pipeline toward Yanbu and the Red Sea was an important mitigating factor. The OECD noted that Saudi oil exports had fallen by approximately **one-third** because of Gulf shipping constraints, but that the pipeline to the Red Sea provided an alternative export route.

The conflict generated a sharp increase in oil-price volatility as disruptions to Middle Eastern production and shipping tightened global supply. The IEA reported that oil prices "gyrated wildly" during March as the conflict disrupted energy markets and lowered its 2026 global oil-demand growth forecast to **640,000 bpd, down by 210,000 bpd** from its previous forecast.

The Conflict Significantly Lowered the Growth Outlook

The shock also resulted in substantial downward revisions to Saudi Arabia's growth outlook. In June, the OECD projected **3.2% real GDP growth for 2026, down from 4.5% in 2025,** explicitly citing the evolving Middle East conflict and the decline in oil exports.

ROADAHEAD

LEAP 2026

Saudi Arabia is set to host the fifth edition of LEAP, the Kingdom's flagship global technology event, **from 31 August to 3 September 2026** at the Riyadh Exhibition & Convention Centre in Malham. The event will bring together government and technology leaders, global tech companies, startups, investors, researchers, and policymakers, with **more than 1,000 speakers, 1,800 technology brands, 600 startups, and 1,900 investors** expected to participate. Under the 2026 theme "Into New Worlds," LEAP will explore AI, cybersecurity, fintech, smart cities, digital commerce, energy, space, gaming, and other emerging technologies shaping the future..

Saudi Industry Forum

Saudi Arabia is set to host the upcoming edition of the Saudi Industry Forum **from 14–16 September 2026** at the Jeddah Superdome, a key national platform dedicated to advancing the Kingdom's industrial sector, in Riyadh during 2026. The event brings together government officials, industry leaders, investors, and manufacturers to discuss strategic priorities and opportunities shaping the future of industrial development under Vision 2030.

Saudi Industrial Expo 2026

Saudi Arabia is set to host the Saudi Industrial Expo 2026, one of the Kingdom's leading industrial exhibitions, from **September 8 to 10, 2026** in Riyadh. The event will bring together industrial companies, manufacturers, technology providers, and investors to showcase the latest developments across the industrial sector.

Future Investment Initiative

Saudi Arabia is set to host the **10th edition** of the Future Investment Initiative Institute (FII), one of the world's leading investment platforms, from **October 26 to 29, 2026** in Riyadh.

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 and offices in Cairo, Dubai, and Riyadh, 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 tank, 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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