

SAUDI ARABIA BUDGET REPORT

2026



Strategic Gears
Management Consultancy

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The Key Takeaways

Vision 2030 enters the home stretch with the release of Saudi Arabia's 2026 budget. The past decade saw the Kingdom reshape its growth model, expand non-oil sectors, and modernize public institutions. Now, the budget advances the country's diversification agenda to its third and last phase, one centered on narrowed precision, disciplined implementation, and sustainable impact. This report presents Strategic Gears' annual analysis of KSA's budget statement, including a view on past performance, incoming changes, and outlook that informs the development trajectory. **Here are the key takeaways**



Saudi Arabia enters Vision 2030's "home stretch" with solid macro fundamentals.

GDP growth in 2025 is estimated at 4%, underpinned by non-oil activity growing around 5% y-o-y and inflation contained at 2%. This places Saudi Arabia among the fastest-growing G20 and GCC economies, even as global growth remains subdued and oil prices softer than in recent years.



With fiscal space and the right buffers in place, Saudi projects a continued climb in public spending and a moderate deficit in the coming fiscal year. The 2026 budget projects SAR 1.3 trillion in spending and around SAR 1.15 trillion in revenues, yielding a fiscal deficit of 3.3% of GDP. While expenditure is only 2% lower than actual spending in 2025, it remains high and increasing by historical standards, supported by viable macro-fiscal fundamentals.



Non-oil revenues in 2025 are more than twice the size of when Vision 2030 started.

One major testament of the Kingdom's diversifying economy is its budget share of non-oil revenues, which is estimated at a record-high of 46% in 2025 or SAR 501 billion.



Fiscal policy in 2025 maintained a countercyclical approach.

Lower-than-expected oil revenues—driven by the decoupling of oil from geopolitics in 2025—and continued public spending pushed the deficit to about 5% of GDP compared to the 2% originally budgeted. This pattern is consistent with earlier episodes (2017, 2018, 2020), when fiscal policy also leaned against the cycle during oil downturns.



Social sectors remain the core of the budget in 2026, while operations and “central obligations” are gaining more weight. Health, education, and municipal services together account for about 41% of planned spending in 2026, showing continued emphasis on human capital and service delivery. At the same time, allocations on administrative capacity and “general items”, including budget lines for social insurance, reserves, and debt servicing saw the biggest scale-ups, rising by 30% and 23% respectively.



The tax revenue base is becoming more sizable and credible. Tax revenues are projected to reach a record SAR 412 billion in 2026, or 37% of total revenue, the largest share recorded. And recent years have shown steadily improving tax-revenue outturns, symptomatic of a stronger macro-fiscal forecasting and maturing tax administration. By contrast, non-tax and oil revenues remain inherently harder to predict in a global economy in flux, underscoring the importance of Saudi’s scenario planning, diversifying income sources, and robust buffers.



Public debt remains low and sustainable by international standards, giving Saudi Arabia room to manage a medium-term deficit. With debt near 32% of GDP in 2025 and projected to edge up slightly in 2026, the Kingdom retains substantial fiscal space to operate. Around one-third of debt is external, indicating a moderately diversified investor base with limited exposure, and foreign reserves are at 13-15 months. Together, with strong credit ratings, Saudi’s debt management plans to run moderate deficits in the medium term are reassured by favorable outlook on borrowing costs.



The next four years will be defined by decisive implementation capacity. As Vision 2030 enters its final phase, sequencing projects in line with domestic absorptive capacity, prioritizing investments with demonstrable economic returns, and continuing to strengthen fiscal institutions top the priority list. Calibrating this at the right “fiscal pace” will be central to ensuring that development remains sustainable and that momentum reverberates beyond 2030.

Introduction

Context

The release of Saudi Arabia's 2026 budget, the tenth under Vision 2030, comes at a moment of flux in the global economy and recalibration within the Kingdom's own development trajectory. World output is on track to place the 2020s as the slowest decade for global growth since the 1990s,¹ with projections at a modest 3% in 2025 and 2026. Although inflation has been softening, down three percentage points since 2023, lingering geopolitical tensions and shadow of protectionism in the trade landscape have kept uncertainty elevated and stubborn, reaching record highs in Q3 of 2025. Despite this, and against historical patterns, oil prices have decreased 13% year-on-year and are currently subdued at an average of \$68 per barrel (as of November 2025), hinting the start of a decoupled relationship between oil markets and geopolitical events.

It is at this inflection point that Saudi Arabia's 2026 budget ushers the third and final phase of Vision 2030, with a focus that is shifting from broad-based acceleration toward strategic investment prioritization, spending efficiency, and execution.²

With major structural reforms now deeply embedded and non-oil sectors driving medium-term growth, up 5% year-on-year in 2025, the budget reflects deliberate choices that take Vision 2030 to the home stretch while safeguarding fiscal sustainability.

Aim and scope

On December 2, 2025, Saudi Arabia approved its 2026 national budget, or what is also expected to be the launchpad of the third and last phase of Vision 2030. As the Kingdom sharpens the implementation of its diversification agenda, it is important to understand the fiscal stance and economic conditions underpinning this transition. To this end, and as part of Strategic Gears' research on public finance and economic development, this report provides our annual assessment of Saudi's fiscal statement.

The scope of this analysis covers three themes. First, the report reviews Saudi's fiscal and economic outcomes in 2025 to establish the baseline from which the budget emerges. Second, it unpacks the forecasts and the revenue and expenditure figures shaping the 2026 fiscal year. And third, it presents a synthesis of strengths and challenges characterizing Saudi's macro-fiscal horizon.

Entering the Home Stretch: The 2026 budget ushers in Vision 2030's third and final phase

KEY INDICATORS	BASELINE 2016	LATEST VALUE (2024, unless otherwise stated)	2030 TARGET
Nominal GDP (\$ billion)	812.73	1227 (2025 estimate)	1,732.90
Non-oil GDP (\$ billion)	534.27	680.9	1,325
Share of non-oil exports in non-oil GDP	18%	25.20%	50%
Private Sector share of GDP	40%	52%	65%
FDI share of GDP	1.1% (in 2020)	2.4% (as of 2023)	5.7%
SME share of GDP	21.20%	21.9% (as of 2023)	35%
Number of SME employees (millions)	4.77	7.86	10.23
Share of local content in oil and gas sector	37%	65.5% (as of 2023)	75%
Exports from oil and gas industries (\$ billion)	34.36	191.62 (as of 2023)	563.59
Military industry localization	770%	19.35%	50%
PIF assets under management (\$ trillion)	0.19	0.94	2.67
Saudi unemployment rate	12.30%	6.8% (Q2-2025)	7%
Women labor force participation rate	22.80%	34.5% (Q2025-2)	40%
Human Development Index	0.846	0.9 (as of 2023)	0.94
Life expectancy (years)	77.06	79.7 (2025 estimate)	80
Non-profit sector contribution to GDP	0.20%	3.3% (2025 estimate)	5%
Share of employment in non-profit sector	0.13%	0.64% (as of 2023)	1.10%

Source: Vision 2030 Progress Report; KSA Ministry of Finance; Saudi Press Agency

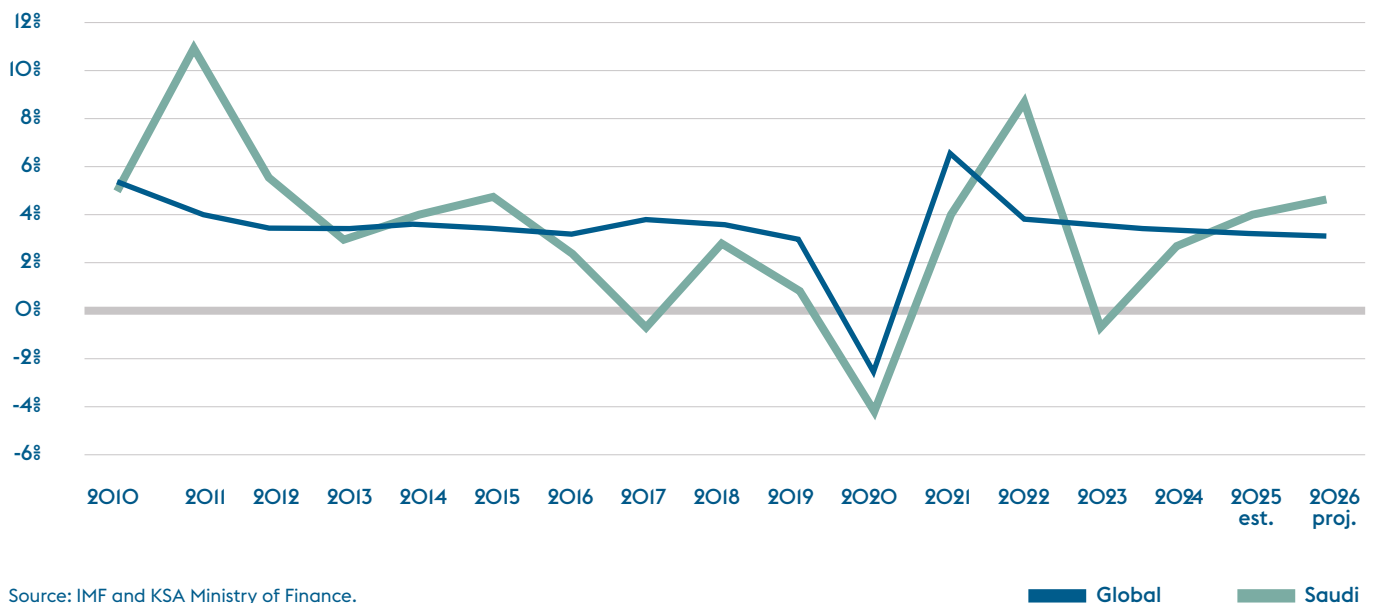
Summary Review of 2025

Economic performance

Growth estimates for Saudi Arabia in 2025 stand at 4%, on par with the Ministry of Finance's projection last year and enough to outpace the global economy (Figure 1).

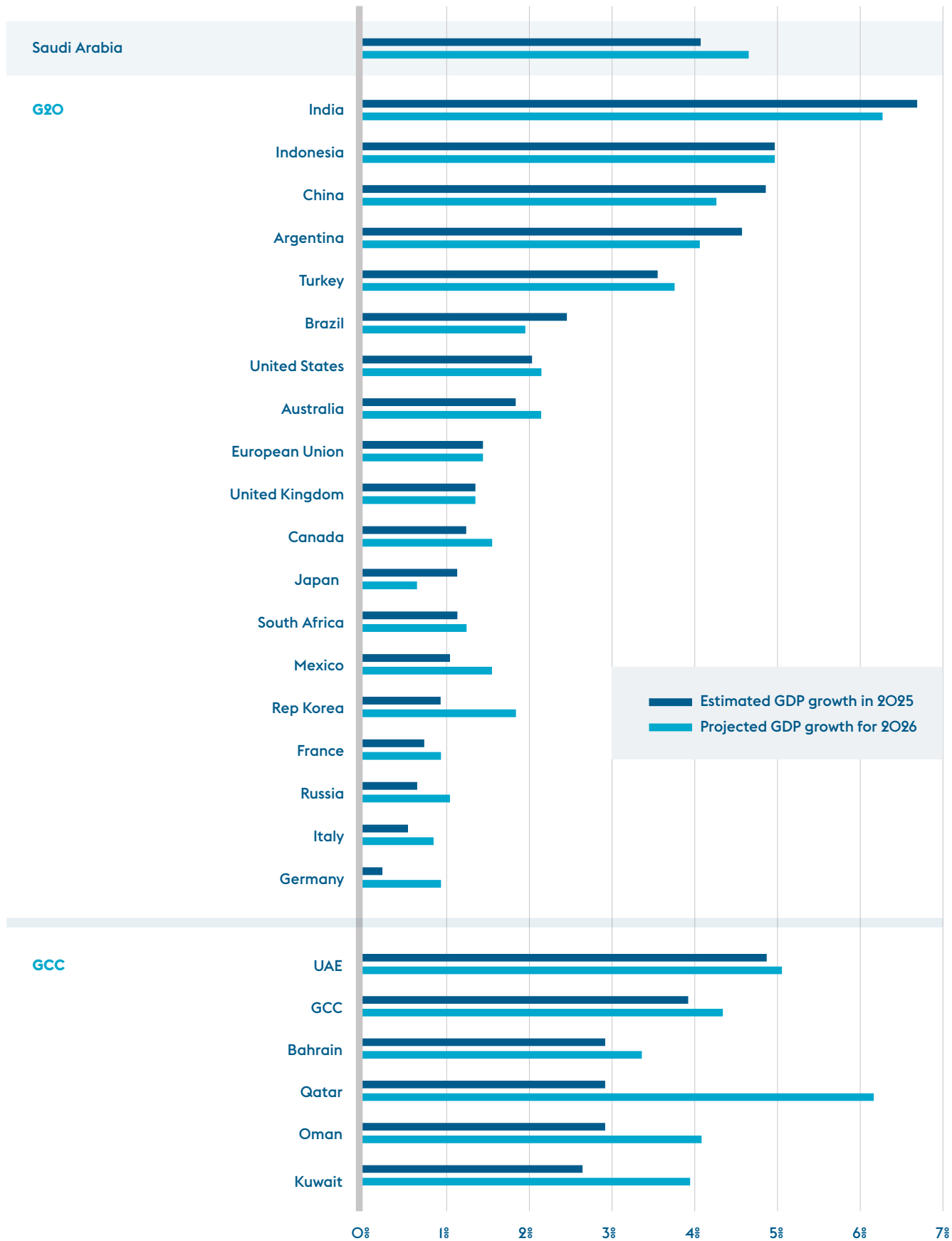
Strong and continued uptick in non-oil activities, evidenced by a year-on-year growth rate of 5%, was a main driver of this trend, supported by a 3.9% rebound in oil activities, as OPEC+ member countries eased voluntary production cuts.³

Figure 1: Saudi's economic growth outpaces global average



Saudi's year-on-year economic output in 2025 was second to the UAE among the GCC and in line with emerging markets, who had a larger growth margin (4.2%) than advanced economies (1.6%).⁴ Among the G20, it sits in the top 5 fast growing economies in 2025 and ranks 3rd in projections for 2026 (Figures 2).

Figure 2: Saudi Arabia's GDP growth among the highest in G20 and GCC



Source: IMF and KSA Ministry of Finance.

Inflation

Prices in the Kingdom were generally stable in 2025 as inflation remains contained at 2%-2.3% (Table I). As of Q3-2025, and compared to the same period last year, housing, water, and electricity and personal goods and services registered 5.7% and 5.1% increases respectively.⁵

Table I: Inflation level by country and region

Country / region	2024	2025 est.	2026 proj.
United States	3.0%	2.7%	2.4%
UK	2.5%	3.4%	2.5%
China	0.2%	0.0%	0.7%
India	4.6%	2.8%	4.0%
Saudi Arabia	1.70%	2.30%	2.0%
Emerging & Developing Europe	16.9%	13.5%	9.3%
Latin America & Caribbean	16.6%	7.6%	5.0%
Middle East & Central Asia	14.0%	10.9%	9.5%
Sub-Saharan Africa	21.8%	13.9%	11.5%

Source: IMF and KSA Ministry of Finance.

Fiscal Performance in 2025

Saudi Arabia's fiscal performance in 2025 mirrors a countercyclical policy: the government sustained a high-level of public spending, despite the lower revenue outturn caused by the drop in oil prices, to maintain Vision 2030 policy delivery and buffer external shocks.



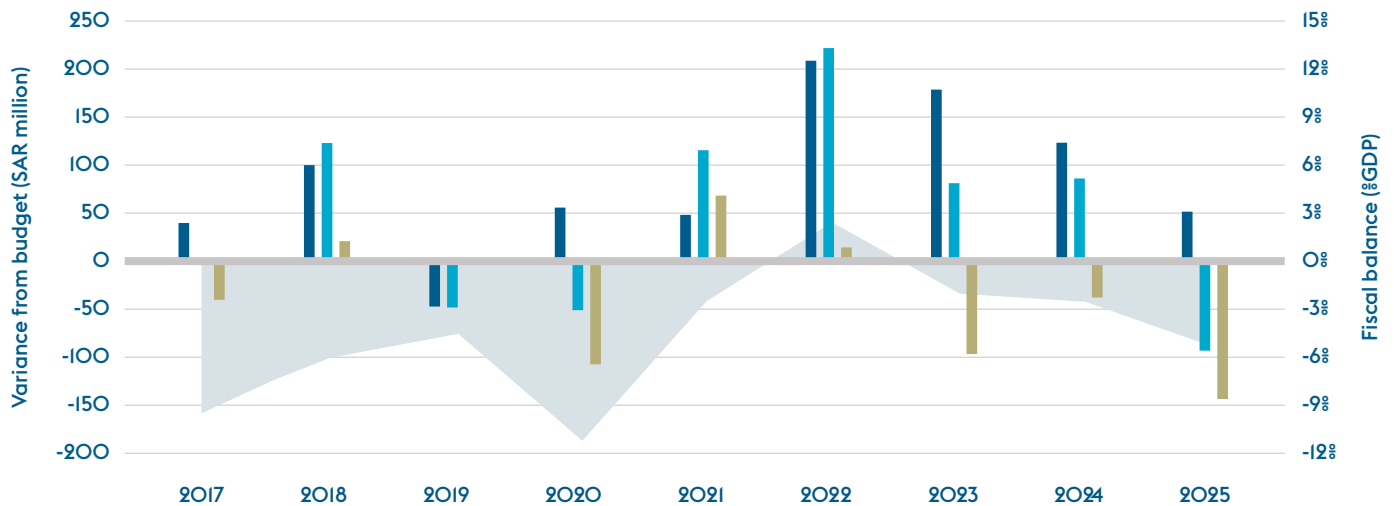
Deficit By Choice

A main highlight of KSA’s fiscal performance in 2025 is its deeper-than-budgeted deficit (2% vs 5% of GDP).

As pass-through from the decline in oil prices that was triggered by the series of global tariff disruptions, revenues fell below budget expectations, while expenditure maintained projected levels, **a testament to the Kingdom’s countercyclical fiscal approach to buffer external shocks.**

Historical patterns contextualize the 2025 outcome. Saudi Arabia has experienced deeper-than-expected deficits in earlier episodes of global stress, namely in 2017, 2018, and 2020, when oil markets weakened and fiscal resources were deployed as buffers (Figure 3). The 2025 deficit therefore fits within a recurrent countercyclical pattern: during oil price downturns, the Kingdom has tended to preserve expenditure commitments to shield non-oil activity and maintain Vision 2030 spending that carry a high return on investment.

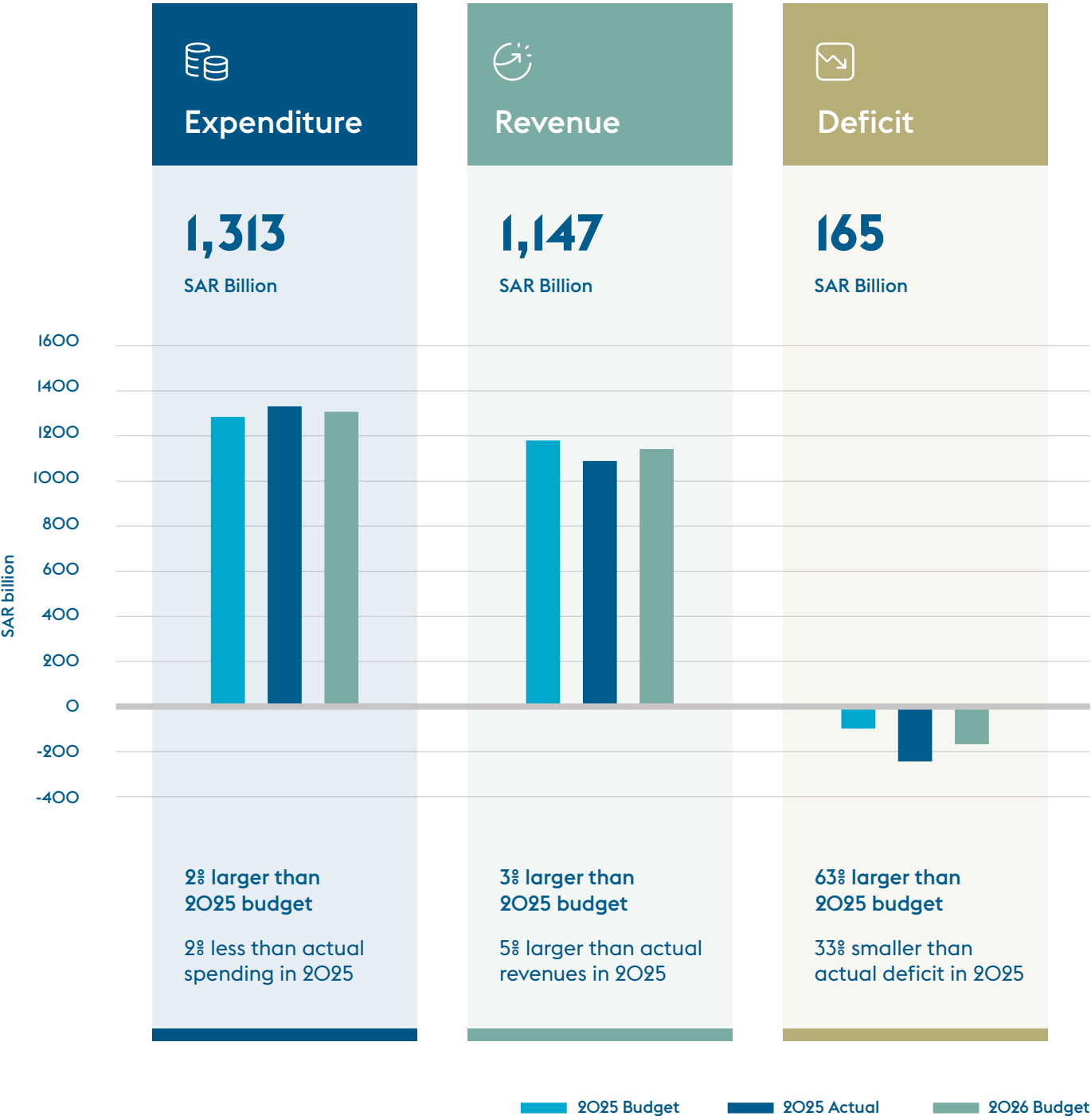
Figure 3: KSA budget execution variance, between 2017 and 2025



Source: Calculation based on KSA Ministry of Finance.

■ Expenditure variance ■ Revenue variance
■ Fiscal balance variance Fiscal balance %GDP

Budget 2026 In Focus



Macroeconomic forecasts

GDP Growth

The Ministry of Finance projects the economy to grow by 4.6% in 2026, supported by non-oil activities and increased domestic demand, investments, and a larger private sector. The International Monetary Fund (IMF) projects growth at 0.6 percentage points less.⁶

Inflation

Both the IMF and Ministry of Finance project a 2% inflation level for the Kingdom, in line with advanced economies and lower than in 2025 and the average for emerging and developing economies.

Oil Price and Production

Whereas oil price per barrel is at around \$68 for 2025, **Saudi Arabia's breakeven oil price** according to the IMF is estimated at:

\$86.6
per barrel in 2026



\$92.3
per barrel in 2025

The IMF also estimates **Saudi Arabia's oil production to average:**

9.8 million barrels
per day in 2026

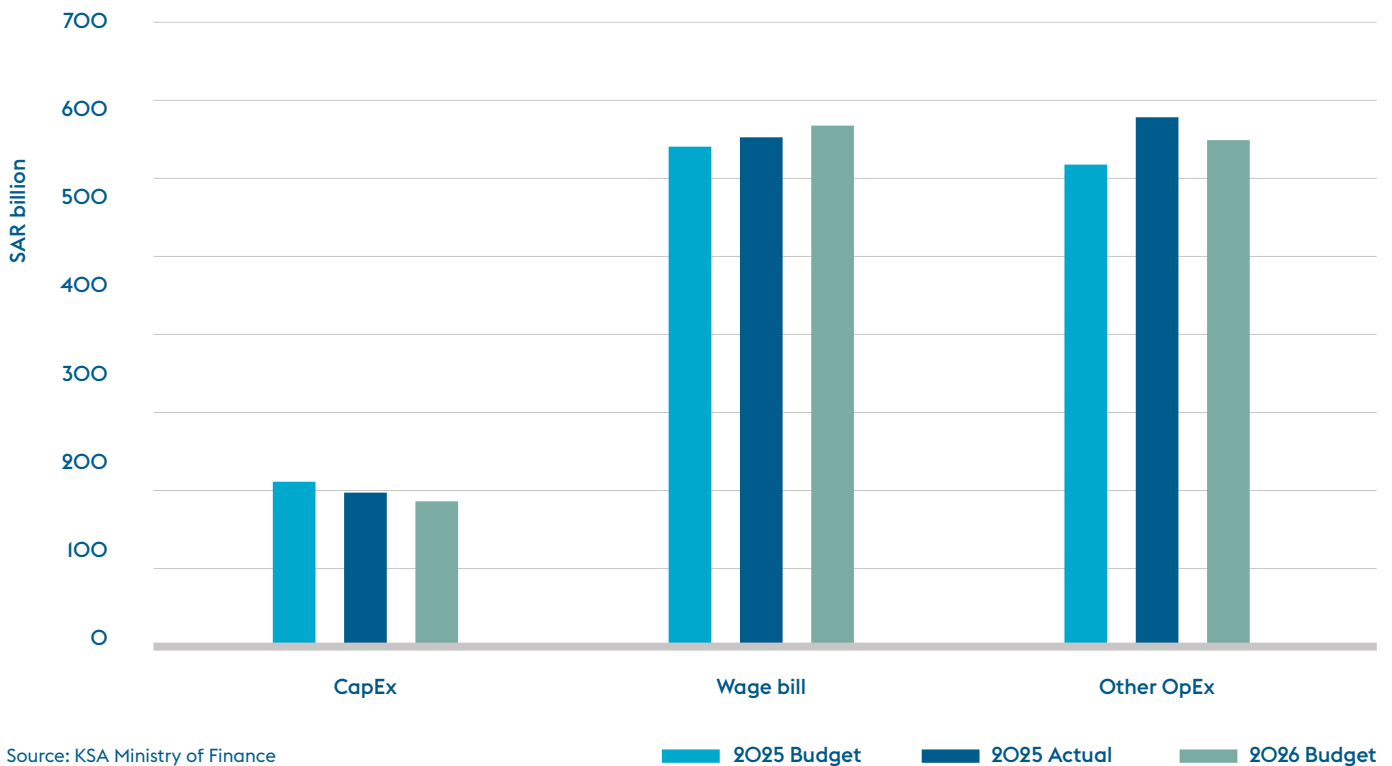


9.2 million barrels
per day in 2025

Expenditure structure

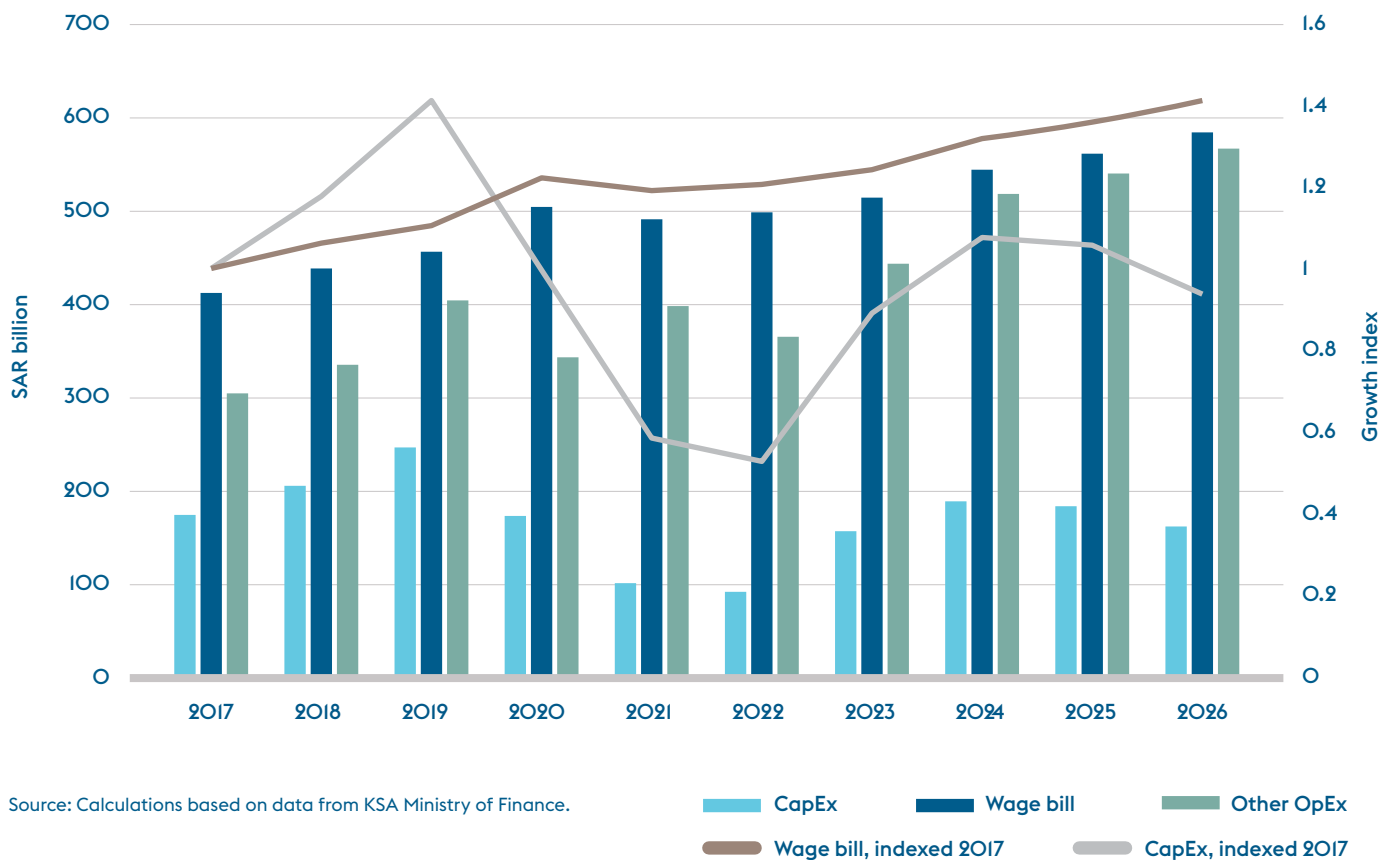
- In 2026, budget expenditure is projected at SAR 1.3 trillion, which is 2% larger than the 2025 budget but 2% lower than actual spending during the fiscal year.
- The wage bill, which represents between 40% to 50% of the budget every year, is projected at SAR 584 billion (4% year-on-year increase). Other operational, day-to-day expenditure of the government are projected at SAR 567 billion (5% increase).
- Capital investments run by the government from its budget are at SAR 162 billion, 12% less than in the 2025 budget.
- Significant capital expenditure, part of Vision 2030, is financed outside the budget by the Public Investment Fund (PIF), which is a principal private sector investor. In 2024, Saudi's gross-fixed capital formation reached almost 32% of GDP, third largest among the G20.⁷

Figure 4: KSA operational and capital spending splits



The move of capital investment into outside central budget spending is more evident with a full time-horizon of Vision 2030 (Figure 5). When indexed to 2017, capital spending in 2026 is projected marginally below its baseline nine years earlier, masking much of the Kingdom's capital formation since 2020 outside the budget, such as PIF-led projects. On the wage bill side, the index has risen to nearly 1.45 times the baseline at a steady inflation-beating growth.

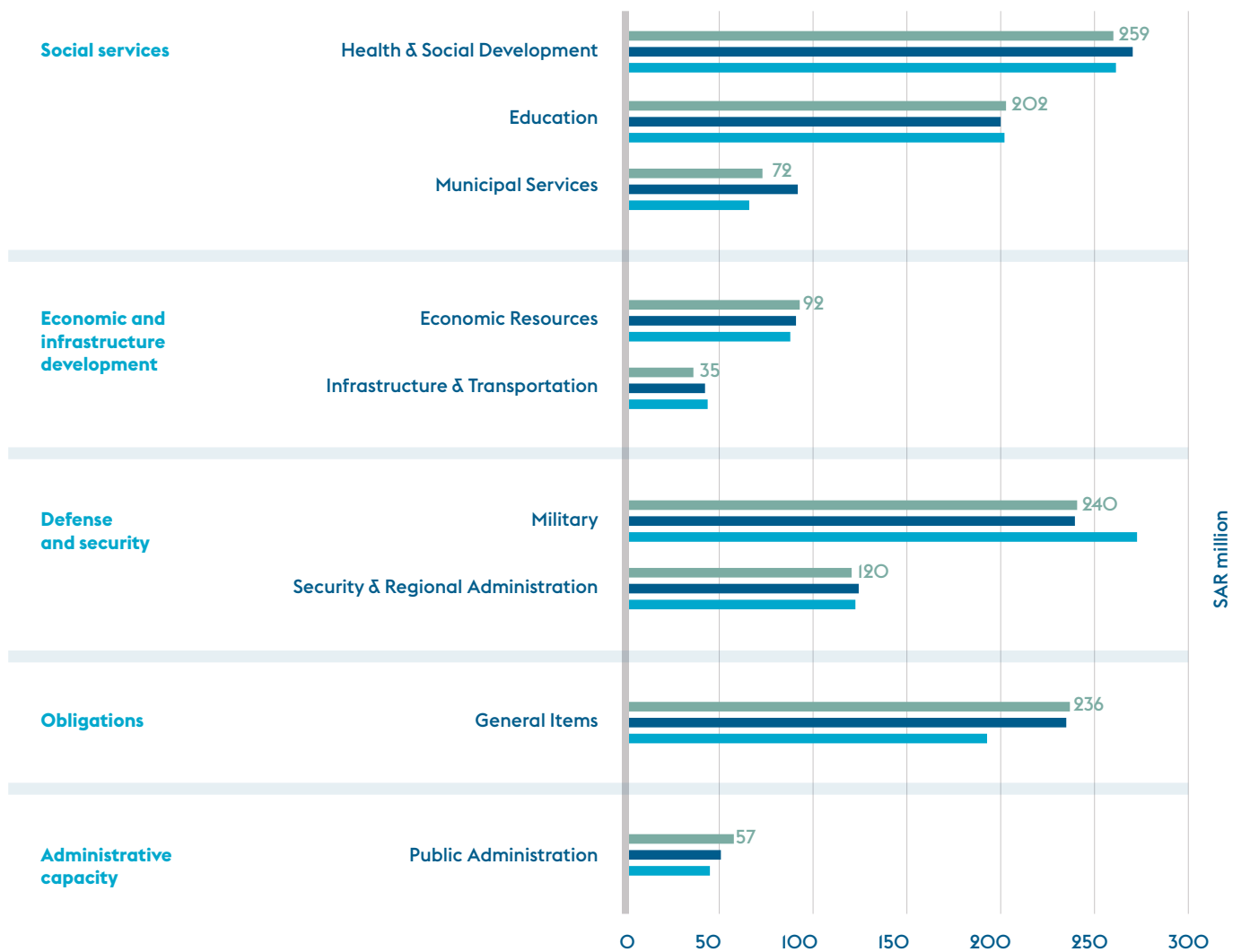
Figure 5: KSA evolution of CapEx and OpEx dynamics, budget projections



Sectoral allocations

- Sectors related to the provision of social services, including health, education, and municipal services, receive the largest budget allocation and represent 41% of the 2026 budget, or SAR 533 billion.
- In terms of biggest scale-ups since the 2025 budget, spending on public administration increased by 30% or SAR 13 billion. This relates to improving the government’s administrative capacity in the management of day-to-day operations.
- The second largest scale up is spending related to “general items”, which increased by 23% to reach SAR 236 billion and make it the third largest budget line after health and military. This budget line includes spending on government obligations like social insurance, emergency reserves, and debt servicing.

Figure 6: Distribution of KSA public spending, by sector



Source: Calculations based on data from KSA Ministry of Finance

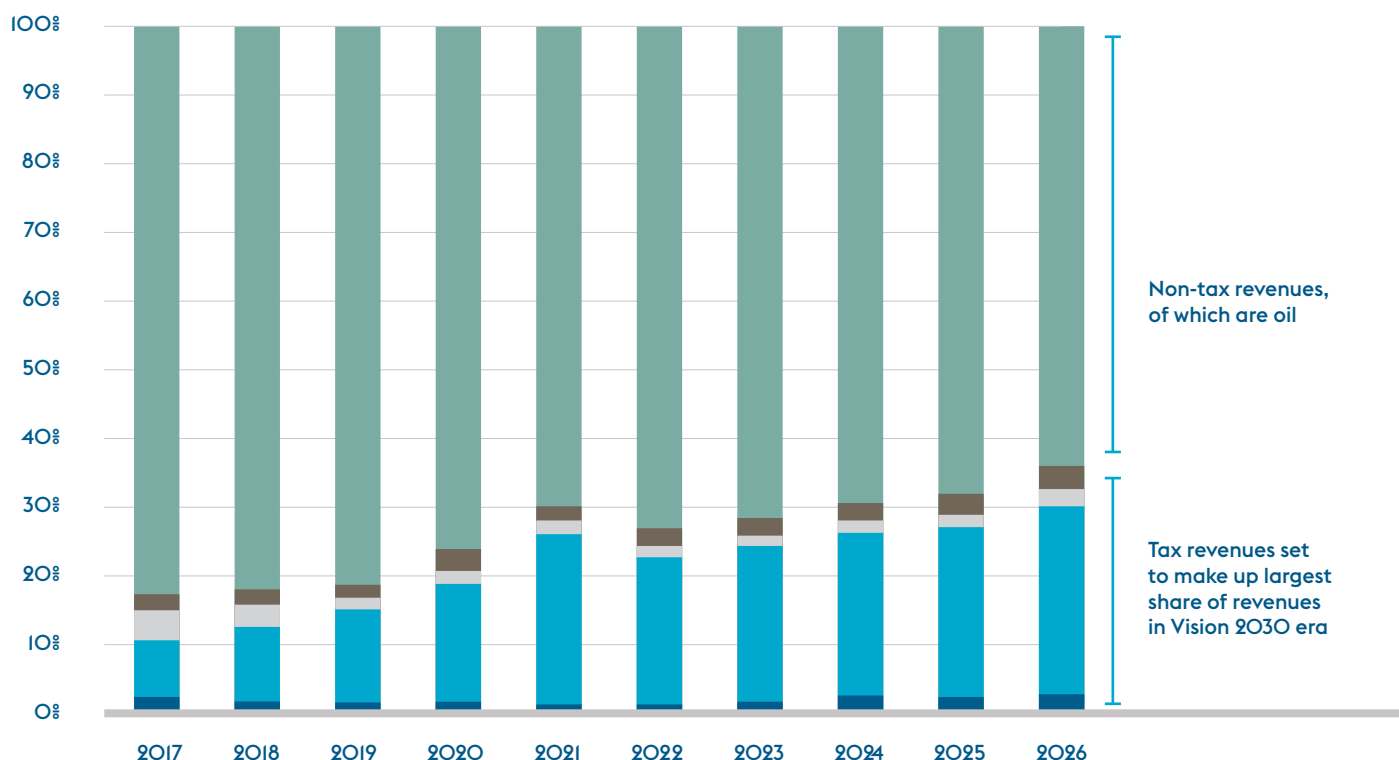
2025 Budget 2025 Actual 2026 Budget

Revenue structure

Tax structure

- Total revenues in 2026 are projected at SAR 1.147 trillion, 3% larger than the 2025 budget and 5% larger than actual revenues collected during the fiscal year.
- Tax revenues are projected to grow by 9% compared last year's budget. In nominal terms, tax revenues are set to reach their largest size for the Kingdom (SAR 412 billion) and the largest share of the budget over the 2017-2026 period (37%).
- Taxes on goods and services (VAT) are projected at SAR 314 billion, representing 76% of tax revenue and 27% of total revenue.

Figure 7: KSA's revenue structure, budget projections



Source: KSA Ministry of Finance



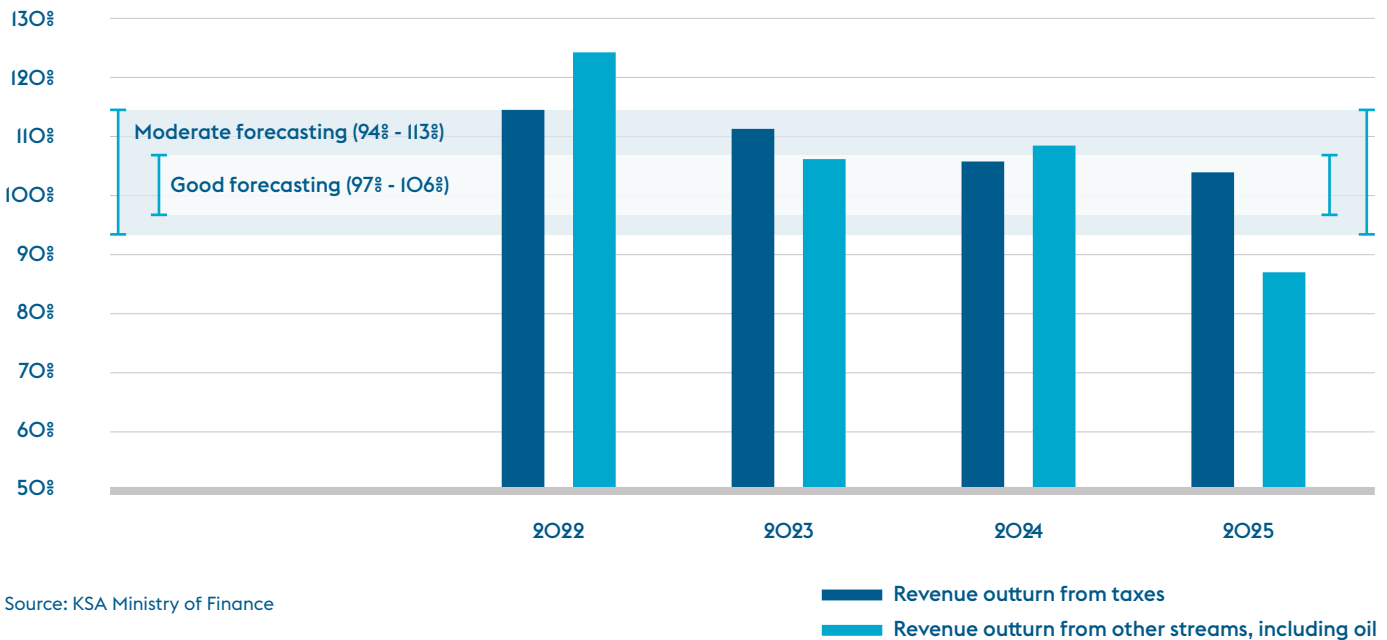
Building a credible revenue base

Measuring the deviation between a budget's projected revenues ahead of the fiscal year and the actual collected revenues is an important precursor of well-functioning public finance institutions.

For Saudi Arabia, the findings show a pattern of improved forecasting capabilities within the macro-fiscal unit and maturing tax administration, evidenced by increasingly credible tax revenue outturns (Figure 8). Such a trend echoes the foundation of reliable processes and institutions that underpin the budget cycle.

On the non-tax revenue side, particularly from oil, recurring geopolitical shocks have hindered the forecasting of what is an inherently more volatile revenue stream. As a result, oil outturns remain exposed to larger uncertainty, which reinforces the importance of the Kingdom's scenario assumptions, strong buffers, and ongoing diversification of the revenue base.

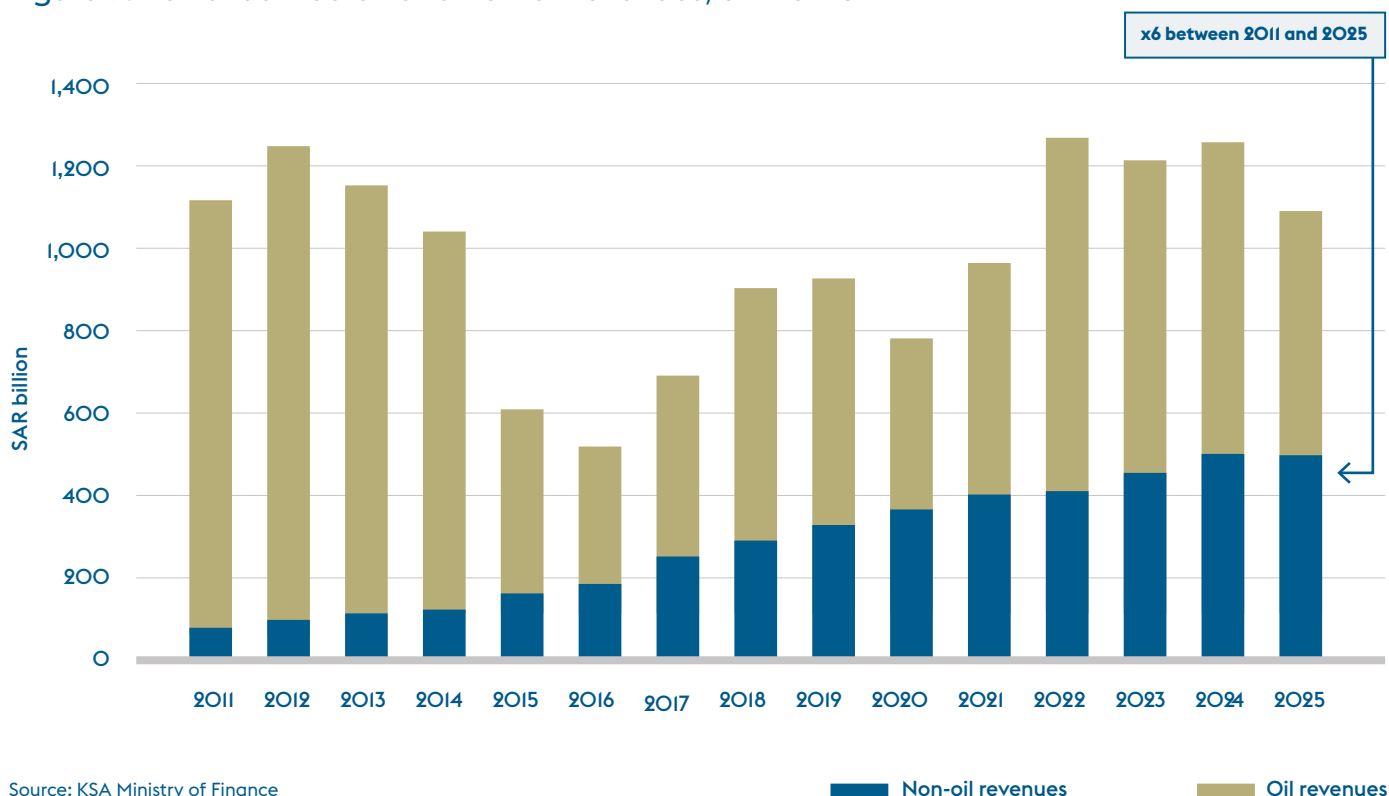
Figure 8: KSA revenue outturn, tax vs non-tax



Oil and non-oil revenue

The budget statement does not include breakdown of oil revenue projections. But according to actualized figures, non-oil revenues are estimated to make up 46% of total public revenues in 2025 (Figure 9). Aside from 2020, when the pandemic aggressively plummeted oil prices, this is the largest non-oil share recorded. In the Vision 2030 era so far, Saudi's non-oil budget revenues have doubled since 2017, estimated at around SAR 501 billion this year. Other important sources of non-oil income for the Kingdom, recorded in the Balance of Payment are unpacked in page 22.

Figure 9: KSA's realized oil and non-oil revenues, SAR billion



Debt

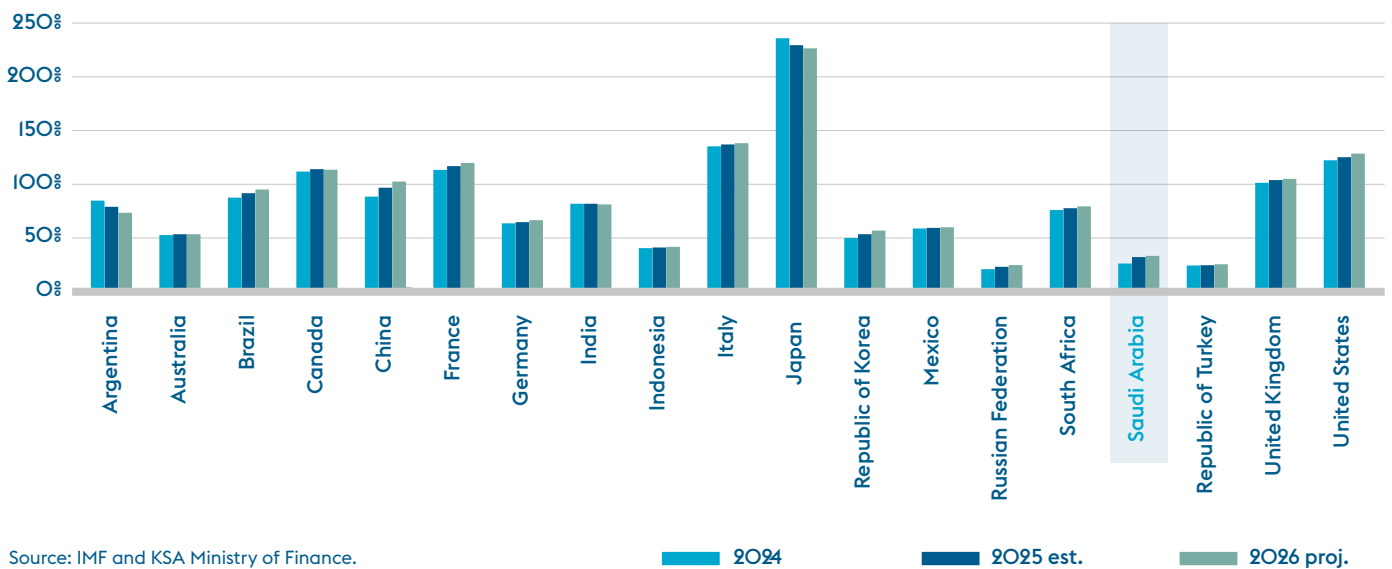
Saudi projects its fiscal deficit for 2026 at SAR 165 billion (3.3% of GDP), lower than the actual deficit registered in 2025 (33% smaller).

Noteworthy, the SAR 165 billion deficit is a baseline scenario estimate. The Ministry of Finance also included a higher-than-expected revenue scenario, where the deficit shrinks to SAR 107 billion (2% of GDP), and a lower-than-expected revenue scenario, where the deficit inflates to levels seen in 2025 (5% of GDP).

Public debt is estimated at 31.7% of GDP in 2025 and projected to remain stable, growing by a modest one percentage point in 2026.

Compared to peers, Saudi has one of the lowest debt-to-GDP ratios among G20 economies and inspires continued creditworthiness (Figure 10). More so, public debt structure by end of Q3-2025 shows that 37% of outstanding debt was external, echoing mildly diversified funding sources with limited external exposure. Overall, the Kingdom's sizable foreign reserves, existing fiscal buffers, strong credit ratings, and low public debt-to-GDP reassures debt management plans and offers a favorable outlook on borrowing costs.

Figure 10: Debt-to-GDP ratios in the G20



Source: IMF and KSA Ministry of Finance.

LOOKING AHEAD

As Saudi Arabia enters the final phase of Vision 2030, the policy landscape is defined by two parallel realities. On one hand, the Kingdom has built strong macroeconomic foundations characterized by active non-oil sectors, record-low unemployment, strong domestic demand, contained inflation, and ample reserves. But on the other hand, the scale and ambition of investment plans, the precarious equation of oil markets, and the disruptive global environment create a complex macro-fiscal horizon that requires conscious sequencing, disciplined execution, and strong institutions to achieve the desired development outcomes, during and post-Vision 2030.

In this transformational state, the national budget is increasingly seen as the core fiscal instrument through which the government is steering the economy closer to national priorities.

As Saudi Arabia enters the home stretch of Vision 2030, the quality and direction of budgeting will increasingly determine how the Kingdom can translate its fiscal choices into desired, productivity-enhancing outcomes.

But the budget does not stand in isolation. Saudi's macro-fiscal position and development trajectory are also a function of major flows in the external sector, observed through the current and financial accounts of the balance of payment. Since 2016, the volume and direction of flows in the recordings of goods trade, service trade, and direct investment dimensions have undergone categorical changes, with some even moving from deficit positions to surpluses. Once discerned, the patterns echo characteristics of an economy undergoing transformation across two dimensions: a larger size, and a diversified composition.

Goods trade

- Saudi's balance of goods trade has recorded a surplus every year in the Vision 2030 era, reaching around \$76 billion in 2024 and averaging a net \$105 billion per year during this period.⁸
- As of Q3-2025, net merchandise trade is at \$43 billion, 30% lower year-on-year, with the decrease largely pulled from an increase in the import bill (+10%) rather than decrease in export values.
- At the same time, our recent research on Saudi's product export capabilities reveals an untapped potential, estimated at roughly \$30 billion, in 234 products the Kingdom has high relative competitiveness in compared to the rest of the world.⁹

Service trade

- Since 2016, the pace of Saudi's service exports has outpaced most benchmarks, including the average for global economies, advanced economies, and the GCC.
- While the balance of service trade is still in negative territory, the margin shrank by 13% between 2016 and 2024 as service exports more than tripled during the period.
- Tourism receipts recorded a positive net inflow consistently as of 2022, marking the biggest shift in service trade portfolio. The balance of travel and tourism service trade recorded a yearly net outflow of ~\$4 billion between 2016 and 2018, compared to a net inflow of \$13 billion in 2024. Anchored by the Kingdom's tourism strategy, the main drivers of this trend were both domestic and international tourism footprint, growing by 80% and 76% respectively since 2019.¹⁰

Foreign direct investment

- While Saudi has ambitious FDI targets reaching 5.7% of GDP by 2030, the global financial landscape has investments subdued, with worldwide FDI at historical lows.
- Moving against the grain, Saudi's FDI flows have met or exceeded annual targets as of 2021, hovering \$30 billion annually in inflows.¹¹ Similarly for 2025, the first half of the year recorded the highest level of FDI since 2021, reaching \$12.4 billion.
- Moving forward, the domestic outlook remains supportive of investment, but foreign investor behavior may continue to be affected by global financial conditions, in line with the uneven global FDI recovery.¹²

Rapid budget 2026 SWOT analysis

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Strength

- Large fiscal space and sustainable public debt permit countercyclical spending.
- Accurate tax revenue outturns echo an active tax base and maturing budgetary institutions.

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Weaknesses

- Unpredictability of oil prices requires multi-scenario planning.
- Trade-offs in investment projects with cost overruns and delays.
- Medium-term deficits mean growing debt financing needs.

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Opportunities

- Prioritization of Vision 2030 spending based on high-performing or high-return outcomes.
- Expansion of non-oil economic activity widens the future tax base.
- Growing domestic debt market and diversified external investor interest support stable financing.

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Threats

- Prolonged global uncertainty and decoupling from geopolitics increase unpredictability of oil prices, even as demand and supply dynamics settle.
- Protectionist trade policies may weaken exports growth, custom receipts, and FDI.

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