The Saudi Reset: Diversification Intact Despite Fiscal Headwinds, Weekly Insights 31 Oct 2025

Saudi GDP, monetary data, fiscal deficit, foreign trade.

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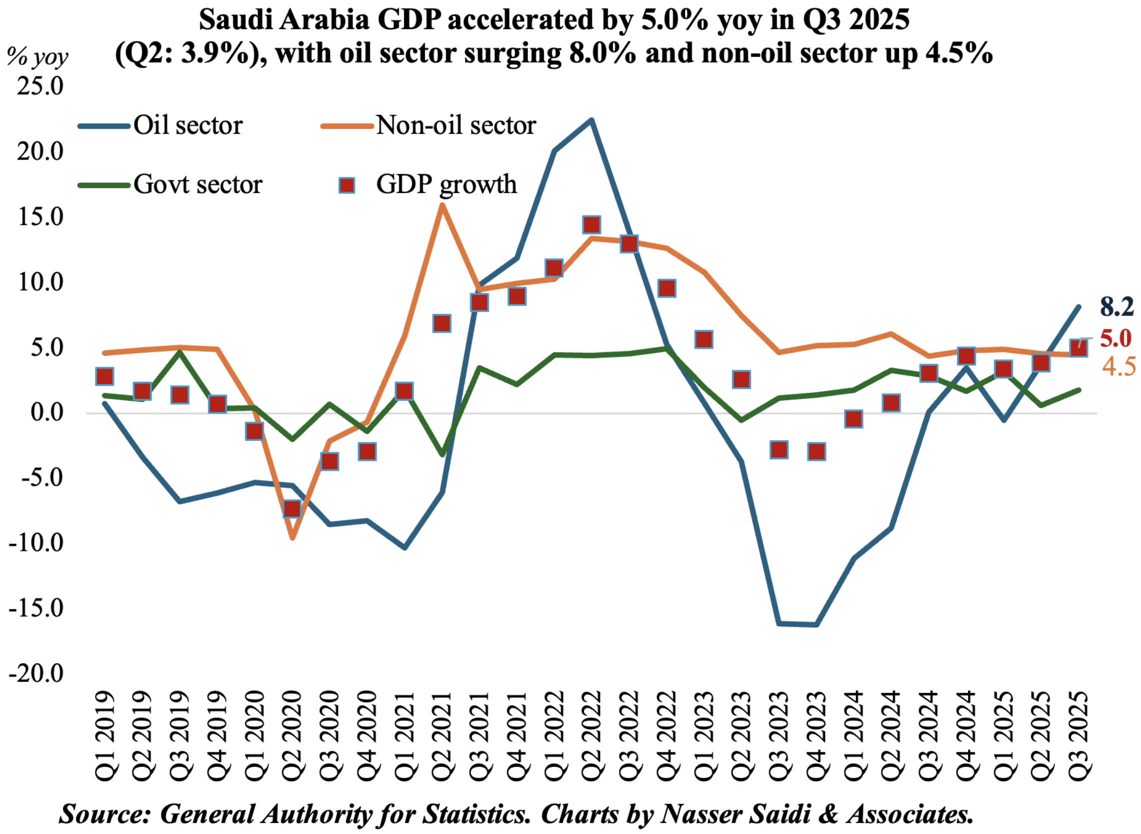
1. Saudi Arabia GDP accelerated by 5.0% yoy in Q3, driven by oil sector recovery

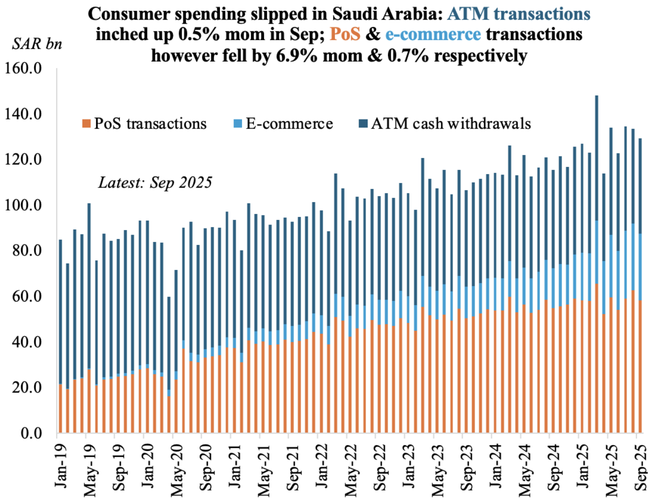


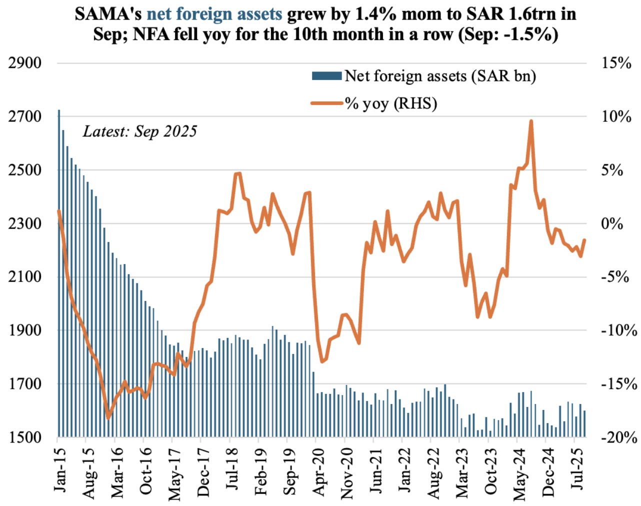
- **Saudi Arabia's preliminary GDP estimates showed an acceleration in Q3, up by 5.0%** (Q2: 3.9%).
- This was driven by the **8.2% yoy surge in oil sector activity** (Q2: 3.8%) and supported by a **strong 4.5% increase in non-oil sector activity** (Q2: 4.6%).

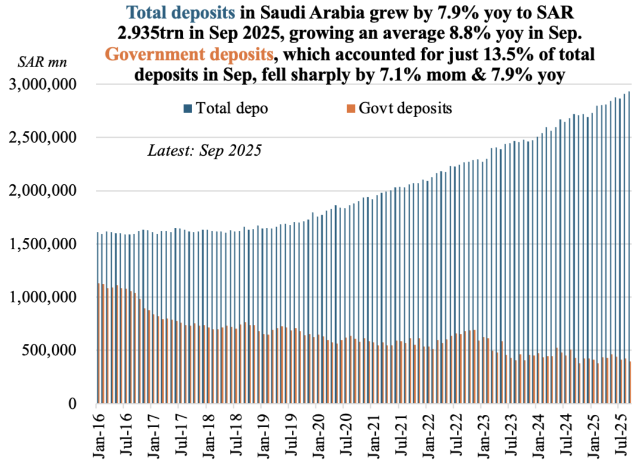
Accelerated unwinding of oil production cuts will support oil sector activity during the rest of the year.

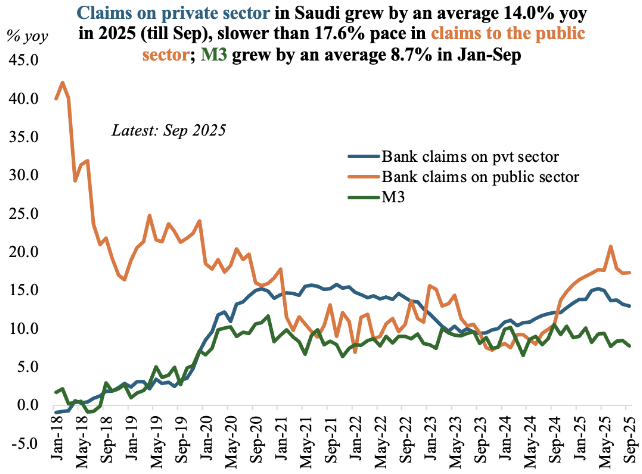
- The **government sector also grew at a faster pace of 1.8% in Q3** (vs Q2: 0.6%). Government consumption will stay supportive, reflecting ongoing national development priorities. Funding is already being directed into various infrastructure projects – related to events being hosted in Saudi (e.g. 2027 AFC Asian Cup, 2029 Asian Winter Games, 2034 World Cup). In addition, **bids are also being prepared for the 2030 Expo.**
- The **recent FII underscored that the Saudi story is still one of increased diversification**. The Minister of Investment disclosed that about 40% percent of the state's budget and expenditures were now financed by non-oil revenues; and that about 90% of all FDI flowing into KSA were directed toward non-oil sectors.
- **We expect the robust expansion of the non-oil sector to continue, supported by strong domestic demand and projects pipeline.** Notwithstanding the news about the PIF taking a step back to evaluate project feasibilities and potential returns, there continues to be **a healthy pipeline of power & water, energy projects** (both from Aramco & renewables space) **and transport infrastructure** – in line with greater demand due to increased tourist and labour inflows in recent years.
- Looking ahead, non-oil sectors (manufacturing, tourism, hospitality, trade) are expected to grow further in line with diversification efforts and supportive policy. The Investment Minister's **call for greater participation from the private sector** and for the PIF to take a step back from domestic investment could also see increased FDI inflow into key non-oil sectors. We believe this a **signal of reset rather than retreat of government spending.**

2. Consumer spending inched lower for the second consecutive month in Sep, as PoS transactions fell by a sharp 6.9% month-on-month. In yoy terms, NFA fell for 10th month running. Deposit growth in Saudi Arabia averaged 8.8% in Jan-Sep; credit growth outpaced deposit growth for the 20th straight month in Sep.





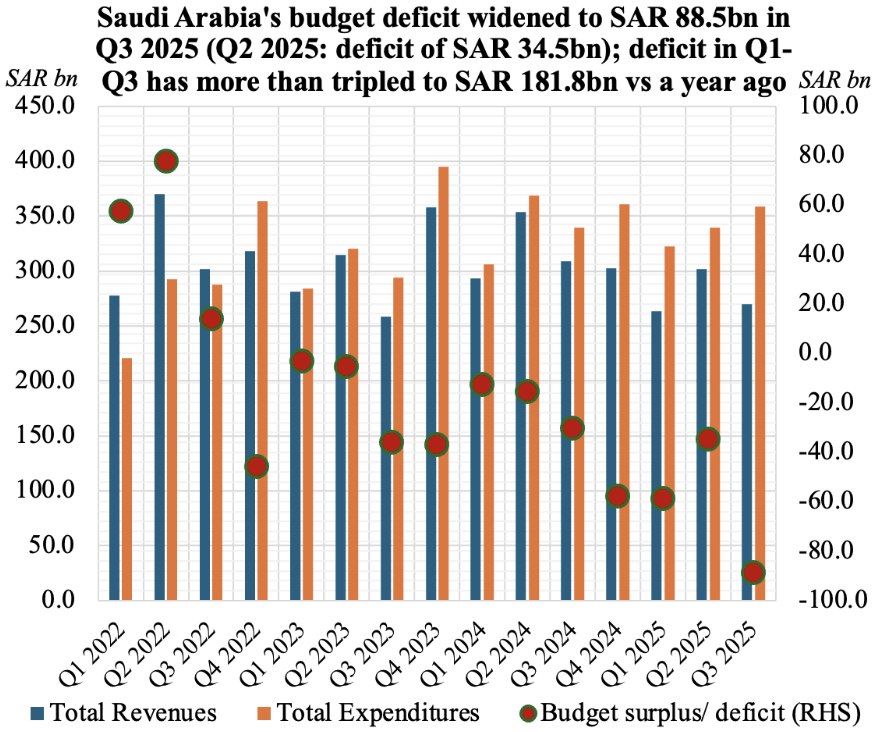




Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

3. Saudi budget deficit widened in Q3 2025 as oil revenues plunged; fiscal deficit more than tripled to SAR 181.8bn in

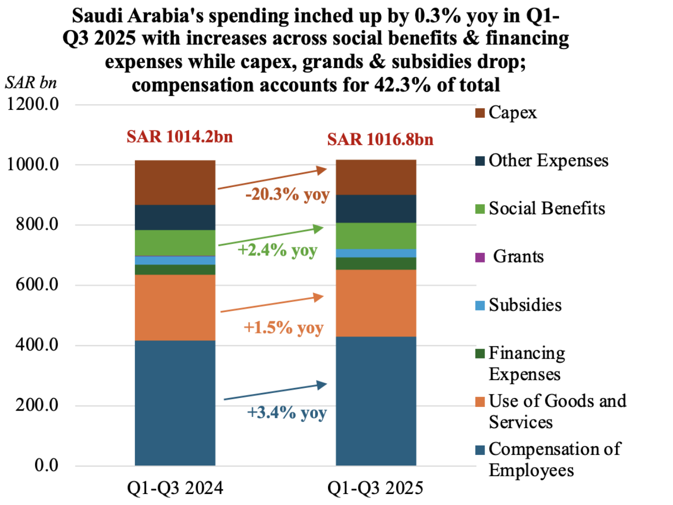
Q1-Q3 2025 from a y

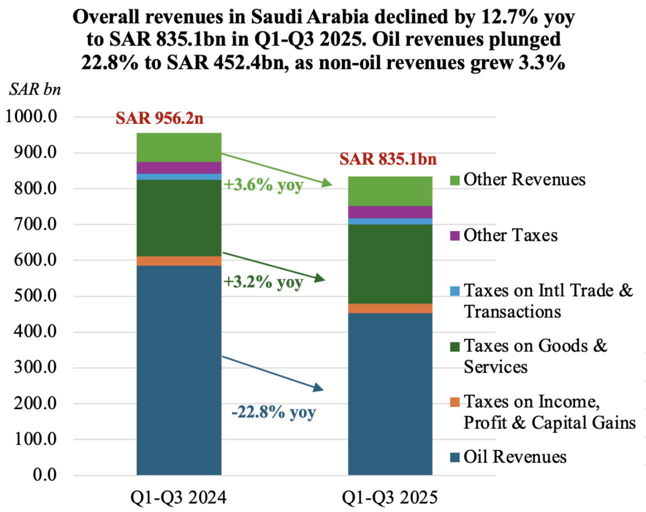


- **Saudi fiscal deficit widened to SAR 88.5bn in Q3 2025** (Q3 2024: SAR 30.2bn), bringing the total deficit this year to SAR 181.8bn from SAR 58.0bn in Q1-Q3 2024.
- **Overall revenues fell** by 12.7% yoy to SAR 269.9bn in Q3, with oil revenues down by 21.0% (to SAR 150.8bn) given subdued oil prices. **Oil revenues accounted for 55.9% of total income in Q3. Non-oil revenues grew by 0.6%** in Q3, with taxes accounting for 75.4% of non-oil revenues. **Broadening of tax base** via the recent White Land Tax hike (to 10% from 2.5% of property value) and VAT amendments will raise tax revenues.
- Overall **expenditures rose** by 5.6% yoy **to SAR 358.4bn in Q3,** with capex up by 3.7% yoy and 25.1% qoq to SAR 49.9bn. Compensation of employees, which accounted for 45.3% of total spending gained 3.6% yoy and 2.3% qoq to SAR 143.6bn.
- **For the period Q1-Q3**, **oil revenues fell by 22.8%** leading to a 12.7% drop in total revenues; **non-oil revenues** grew by 3.3% to SAR 382.7bn (**46% of total revenues**). **Expenditure ticked up** by 0.3% to SAR 1.017trn in Q1-Q3, with compensation the largest component (42.3% of total)

and capex down by 20.3% to SAR 117.6bn.

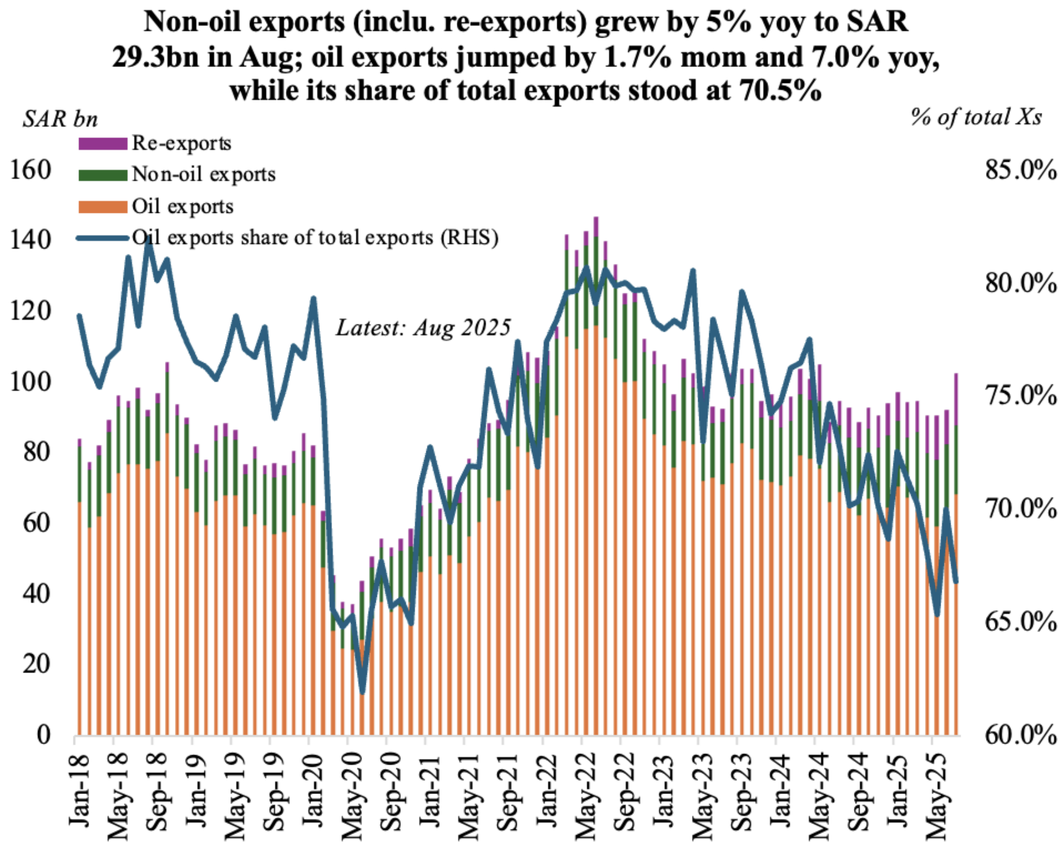
- **Public debt** jumped to SAR 1.467trn till Q3 of which **63.4% was domestic debt.**





Source: Saudi Arabia's Ministry of Finance. Charts by Nasser Saidi & Associates

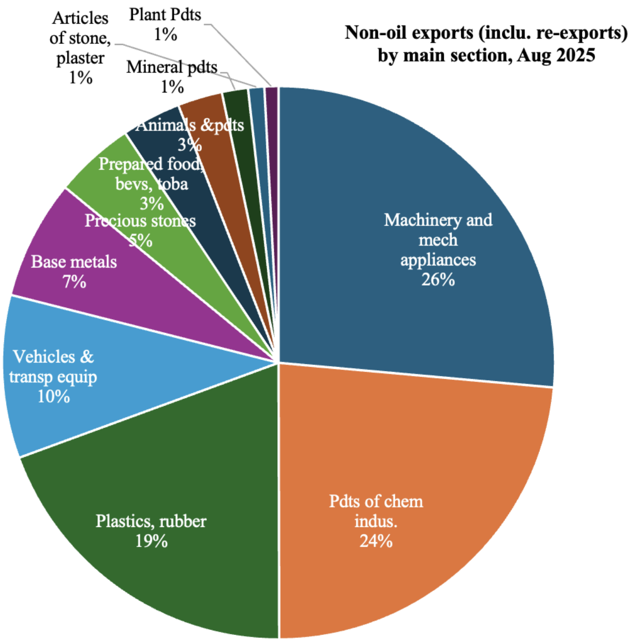
4. Resurgent Saudi oil exports failed to provide the push for exports in Aug; trade deficit widened

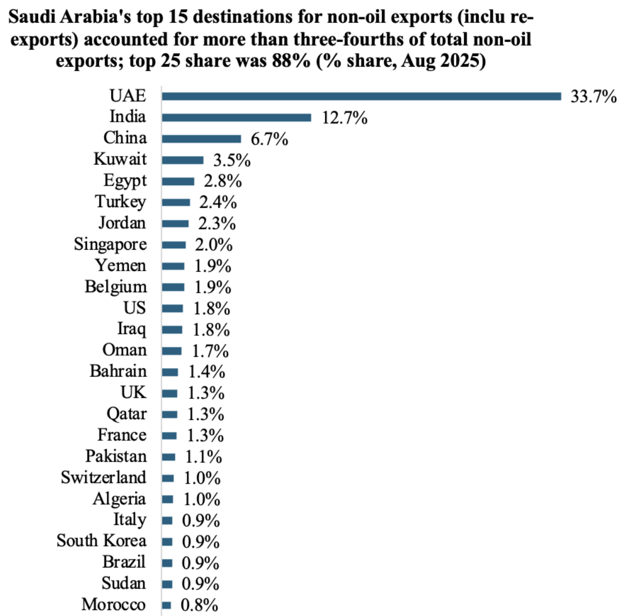


- **Saudi Arabia's overall exports fell by 3.5% mom** to SAR 99.1bn despite the increase in oil exports (1.7% mom and 7.0% yoy to SAR 69.8bn). **Share of oil exports to overall**

exports rose to 70.5% (Aug: 66.8%).

- **Non-oil exports (including re-exports) grew by 5% yoy** to SAR 29.3bn in Aug. A breakdown shows that re-exports and domestic non-oil exports (i.e. excluding re-exports) fell by 22.5% mom and 7.5% mom to SAR 11.4bn and SAR 17.9bn respectively.
- **Imports fell** by 9.1% mom to SAR 74.9bn in Aug 2025 (but was up 7.4% yoy). This resulted in a **wider trade surplus – SAR 24.2bn** vs Jul's SAR 20.4bn and Aug 2024's SAR 23.3bn.
- **Machinery was the largest segment of non-oil exports** (26%), followed closely by chemicals & its products (24%) and plastics, rubber and their articles (19%). UAE accounted for one-third of non-oil exports; share of non-oil exports to GCC was 41.6%.
- **Eastern Asia was the largest destination region for exports** from Saudi Arabia (33.5%).
- **China was the largest trade partner for KSA in Apr**: it received 16.2% of Saudi **exports** and was source nation for 26.4% of KSA **imports**.
- **From West Asia region, UAE was the top trade partner**: received 11.1% of Saudi's total exports and the source for 5.4% of Saudi imports.





Source: GaStat. Charts by Nasser Saidi & Associates

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