

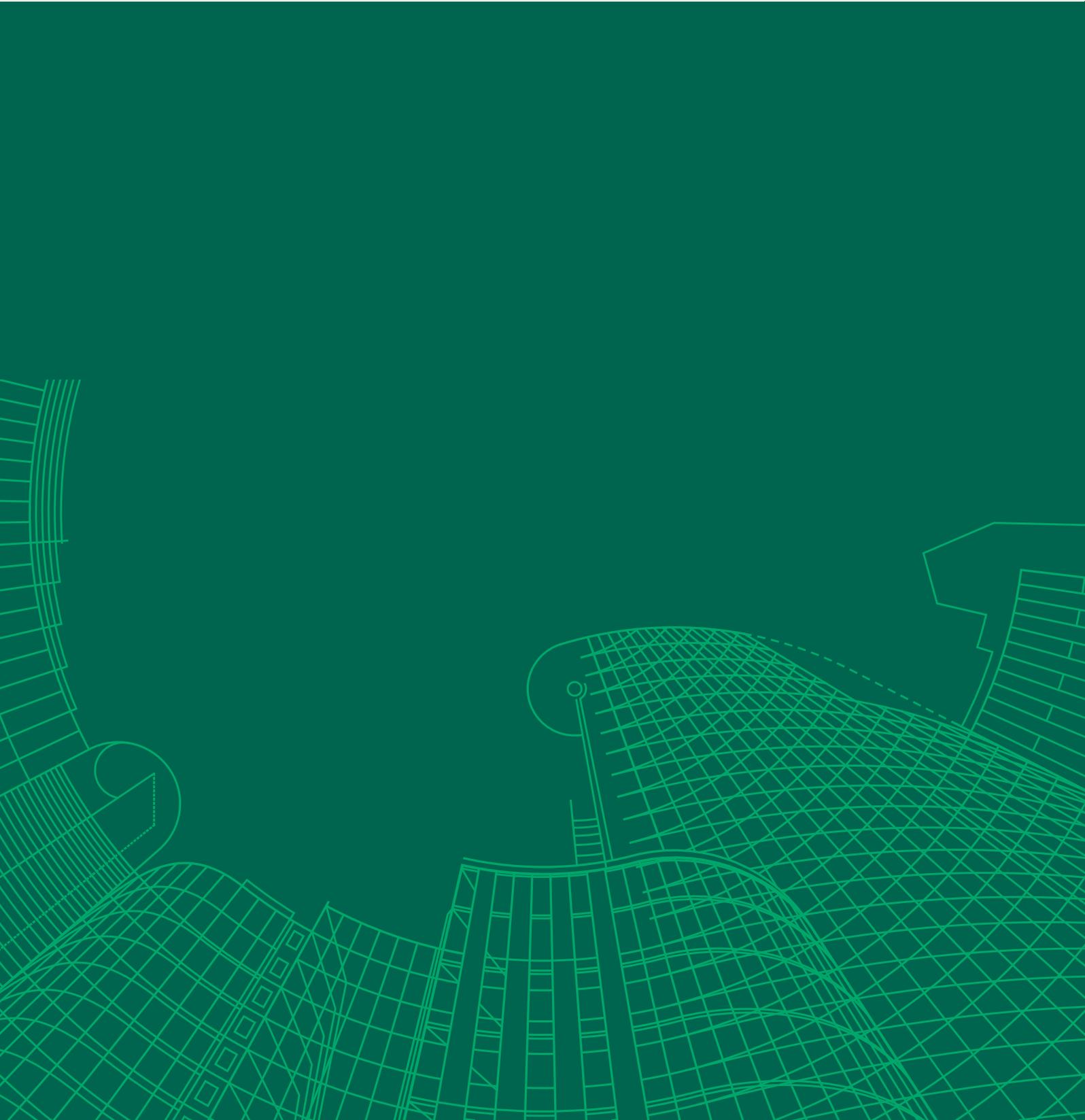
Saudi Arabia's Continuing Economic Growth Story



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Monthly property perspective series

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GROWTH OUTLOOK REMAINS STRONG, DRIVEN BY INVESTMENT

With flash estimates for the fourth quarter of 2025 recently published by the General Authority for Statistics (GASTAT), it is an ideal time to take stock of the Kingdom's recent economic performance and consider what to expect from both 2026 and the years leading up to 2030.

Early estimates for full-year 2025 point to another very strong year of growth, with GDP growing (in real terms) by 4.5% compared with 2024, and non-oil GDP growing by 4.1%. Within non-oil GDP growth, it should be noted that non-oil non-government activities grew at a very healthy 4.9% year-on-year. Saudi Arabia therefore remains a bright spot of economic growth in the world, supported by strong supply side growth, namely a growing population, and robust demand driven by Vision 2030.

At the same time, it should also be recognised that 4.1% non-oil economic growth is lower than each of the previous four years. There are a few factors at play here that have contributed to the slowing growth rate.

First, the exceptional post-COVID recovery has well and truly passed into the rear-view mirror. Growth rates of high-single digits, or even double-digit, seen in 2021 and 2022 are unlikely to be sustained in more normal times.

Secondly, the slightly tempered pace of growth represents the extent to which Saudi's economy has already been reoriented toward investment. For instance, throughout the decade from 2010 to 2019, gross capital formation (a.k.a. investment) averaged 24% of GDP, roughly equal to the global average. Commencing in 2022, this rate increased rapidly, reaching 32% in 2024, and remaining at 32% in the first three quarters of 2025. (Detailed data for the full year 2025 is yet to be published).

Saudi Arabia is now a high investment economy, matching countries like South Korea and Turkey. Maintaining these levels, rather than increasing investment levels at double-digit rates, will be a huge achievement.

The third and final factor at play in the relative tempering of growth relates to the rationalisation of investment projects we are now seeing in the Kingdom. On the one hand, this reflects the need to prioritise projects, such as Expo 2030 or the FIFA 2034 World Cup, and focus resources on projects that provide affordable housing. On the other hand, it reflects the reality of lower oil prices (and lower oil revenues).

The upshot of this is that we are witnessing less government spending, with government final consumption expenditure and government fixed capital formation falling in the first nine months of the 2025, when compared with the same period in 2024. Lower spending from the government, especially in relation to investment, is a key driver of reduced rates of non-oil GDP growth.

There are some positive takeaways to this. The first is clear: Saudi Arabia remains committed to ensuring that its budgets are managed effectively and are sustainable. Bond markets recognise this. The average yield spread of Saudi Treasuries over US Treasuries, across the yield curve, sits at about 80 basis points, near historic lows, and almost 30 basis points below the average since the start of 2019 (when CBonds started reporting this data).

The second important factor is that non-government investment activities continue to forge ahead at a very fast pace: Q1 to Q3 2025 non-oil-non-government fixed capital formation grew at 7.1% compared to the same period in 2024; broadly in line with growth seen in 2023 and 2024. Clearly, investment in the diversification of Saudi's economy continues at pace.

So what does all this mean for 2026 and the years up to 2030? In short, even with oil prices sitting between US\$ 65 and US\$ 70 per barrel, we expect to see non-oil GDP growth remain at current levels, driven, in the main, by the manufacturing, construction and logistics sectors, all key components of Vision 2030.



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