



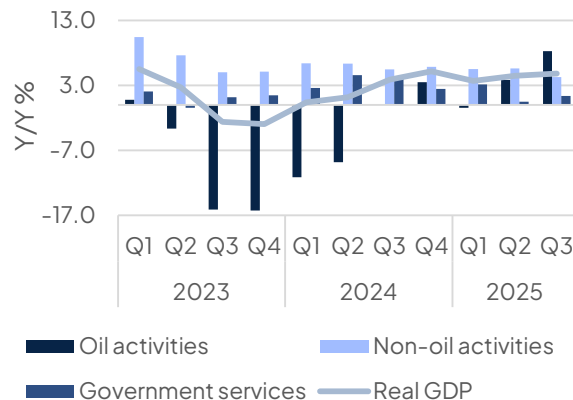
Outlook for Saudi remains positive in 2026

15 December 2025 – Economics

- Growth in Saudi Arabia is expected to accelerate to 4.8% in 2026, with continued strong non-oil activity supplemented by rising oil production following OPEC+ production increases.
- Non-oil growth is expected to be supported by real private sector consumption and project spending.
- While some investments within the Kingdom are reevaluated, the sheer scale of the pipeline means that project spending will likely continue to provide stimulus.
- We expect the fiscal deficit to hold close to levels seen in 2025, reaching 5.2% of GDP in 2026.

Following the pattern set in the latter part of 2025, the nature of growth in Saudi Arabia in 2026 is likely to be twofold: continued solid non-oil activity, supplemented by rising oil production.

Growth supported by both oil and non-oil sectors



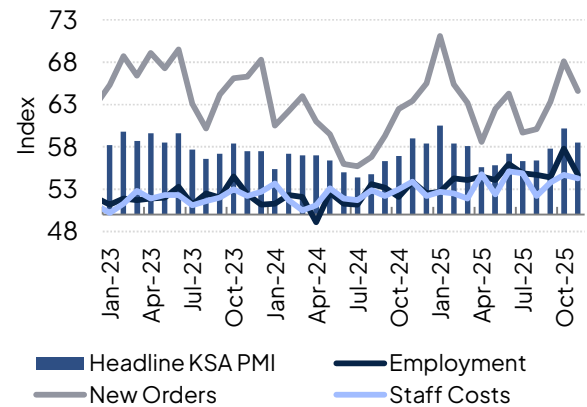
Source: Haver, Emirates NBD Research

Private sector activity to remain strong

Household consumption is expected to remain a key source of non-oil growth, supported by a young and growing population and a sharp downward trajectory in the unemployment rate post-Covid. Looking forward, high frequency measures of private sector activity, including the Purchasing Managers Index, point to strong momentum going into the beginning of 2026. The employment, staff costs and new orders sub-components of the PMI all point towards continued expansion, with readings well above the neutral-50 mark.

In addition, the outlook for both inflation and interest rates should also provide a conducive environment for private spending.

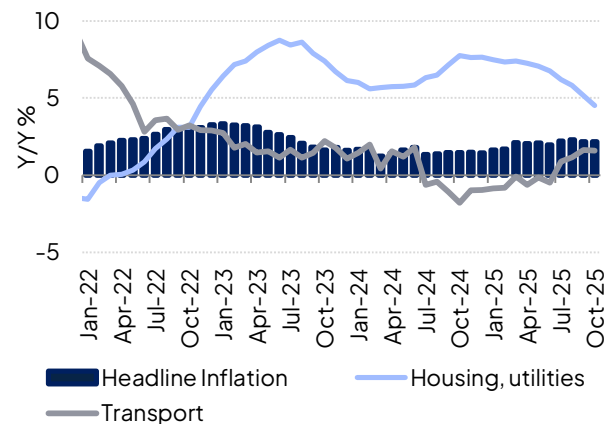
PMIs point to continued expansion



Source: Bloomberg, Emirates NBD Research

We expect the Federal Reserve to cut rates in 2026 by an additional 75bps. Parallel cuts by the Saudi Central Bank should free up income for consumption and investment, and at the margin create more demand for credit.

Inflation expected to slow



Source: Haver, Emirates NBD Research

Inflation is expected to slow to 1.6% over the course of 2026, down from an average of 2.0% y/y in 2025.

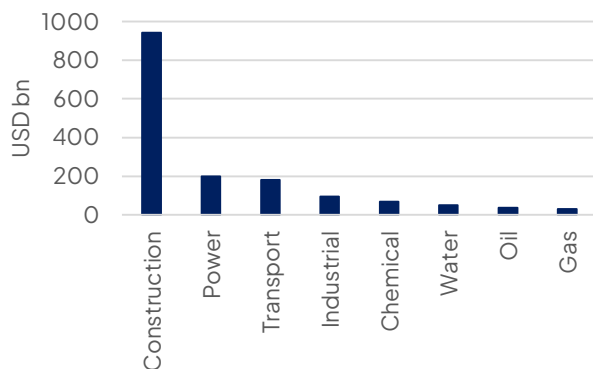


The reduction in the pace of price growth is largely expected to stem from the housing and utilities component of the basket, which has seen a marked moderation in recent months, after rising 7.5% y/y at the start of 2025. A recent government announcement of a five-year rent freeze in Riyadh should also help reduce housing price pressure in the year ahead.

Project pipeline remains sizeable

A second important source of non-oil activity remains the Kingdom's extensive programme of project spending. As of the beginning of December, data from MEED pointed towards a potential pipeline of projects worth roughly USD 1.6trn, dominated by construction sector activity. The outlook for continued spending on these projects has come into focus recently, with Finance Minister Mohammed Al Jadaan highlighting that both the government and the Public Investment Fund (PIF) have conducted reviews of projects and spending priorities, with some scaled back either in terms of spending or timelines.

Project pipeline skewed towards construction



Source: MEED, Emirates NBD Research

We expect growth in capital investment to slow from the robust pace seen in recent years, but given the sheer scale of planned spending – including on international events like the 2030 Riyadh World Expo and the 2034 FIFA World Cup – it should nonetheless continue to provide stimulus to the Saudi economy.

Our expectation is that non-oil GDP will rise by 4.9% in 2025 and 4.5% in 2026.

Rising oil production provides a boost to growth

Outside of continued strong non-oil sector activity, the sharp rise in Saudi oil production means that we

expect oil GDP to make a significant positive contribution to aggregate economic activity in 2026.

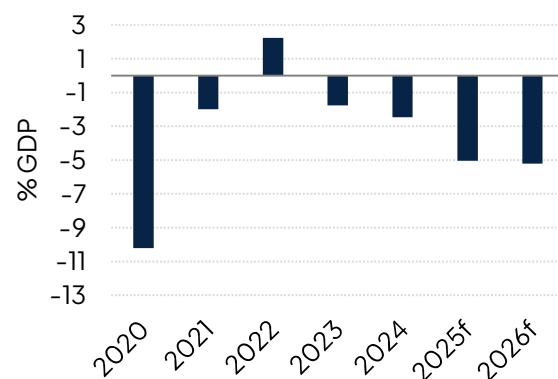
Activity in the oil sector has received a sharp boost as a result of OPEC+ unwinding production cuts at a far faster pace than had originally been planned. At the start of November OPEC+ announced a further 137k b/d rise in the group's production target, leaving Saudi oil production at 10.1m b/d for the remainder of 2025. Production is expected to then rise further in the new year, increasing to 10.4m b/d by the end of 2026, with Brent futures averaging USD 60/b over the period. This leaves our oil GDP growth forecast at 5.4% in 2025 and 8% in 2026.

Together with our outlook for non-oil activity, that leaves real GDP growth in Saudi set to rise to 4.8% in 2026, building on expected growth of 4.5% in 2025.

Budget deficit set to increase in 2026

The Saudi government's projections are for a fiscal deficit of 3.3% of GDP in 2026, a marked narrowing after a projected 5.3% deficit in 2025. Our own expectation is for the 2026 deficit-to-GDP ratio to hold broadly steady at -5.2% in 2026, with the outlook for oil revenue remaining soft. The Saudi government remains well-placed to continue issuing debt, with aggregate debt to GDP around 30%.

Budget deficits widen relative to 2024



Source: Haver, Emirates NBD Research

Outlook positive but risks remain

While our outlook for the Saudi economy remains fundamentally bullish, downside risks remain. A key concern includes the possibility that oil prices fall



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further than currently expected, with global oil supply far outstripping demand. Further significant declines in oil prices may put a larger share of the government-related project pipeline on hiatus and place additional strain on public finances.

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