

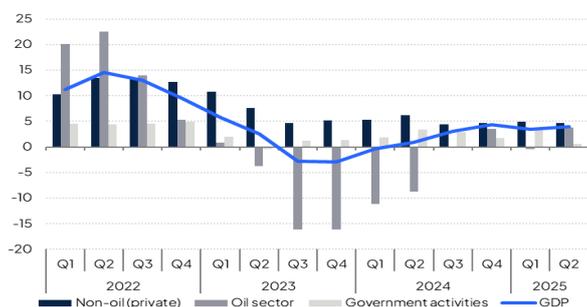
## Saudi Arabia: Growth accelerates in Q2

31 July 2025 – Economics

- The preliminary GDP results for Q2 show a strong growth rate of 3.9%, up from 3.4% in Q1, driven by a rise in oil production.
- Oil GDP grew by 3.8% y/y in Q2, reversing a 0.5% contraction in Q1, with significant increases in oil production.
- Non-oil activities saw annual growth of 4.7% y/y in Q2, contributing the bulk of the headline growth figure.

Saudi Arabia has released its preliminary GDP results for Q2, showcasing another strong quarter of growth. The headline expansion rate was 3.9%, up from 3.4% in Q1, with a robust performance across the economy. On a seasonally adjusted quarterly basis, real GDP growth almost doubled to 2.1% q/q, from 1.1% in Q1. This marked the strongest pace of quarterly growth in several years, driven in particular by a rise in oil production in the second quarter.

### Real GDP growth, % y/y



Source: Haver Analytics, Emirates NBD Research

The latest figures reaffirm our constructive view on Saudi Arabia's growth prospects this year, and the risks to our 3.7% growth forecast are now weighted to the upside. The IMF revised its own growth forecast for Saudi Arabia earlier this week, now projecting 3.6% this year – up from 3.0% previously – and 3.9% in 2026. We forecast 4.1% growth next year.

### Oil GDP

Oil GDP saw y/y growth of 3.8% in Q2, a reversal of the 0.5% contraction the previous quarter, as OPEC+, and Saudi Arabia in particular, has begun to unwind some of the additional oil production curbs that had been in place previously. The pace by which barrels have been returned to the market has

exceeded what had previously been projected by the producers' group, and while we anticipated this, the rate has exceeded even our expectations. For May and June it announced a return of 411,000 bbl to the market, around three times the previously scheduled volume, and this resulted in average Saudi oil production of 9.16mn b/d in Q2, up from 8.95mn b/d in Q1 and compared with 9.0mn b/d in Q2 2024.

Q3 will likely see even sharper oil GDP growth given that OPEC+ has stepped up the pace of returning barrels to the market even more, with an additional 548,000 b/d announced for August and the same expected to be announced for September at the upcoming meeting this weekend. With oil production averaging 8.97mn b/d in H2 2024 according to Bloomberg estimates, the oil GDP growth rate in the second half of the year will be even stronger, and we forecast a full-year pace of 3.5%.

### Saudi Arabia oil production, mn b/d



Source: Bloomberg, Emirates NBD Research

### Non-oil GDP

Non-oil activities saw annual growth of 4.7% y/y in the second quarter, a modest slowdown on the 4.9% seen in Q1 but still indicative of a solid pace of expansion. It contributed the bulk of the headline



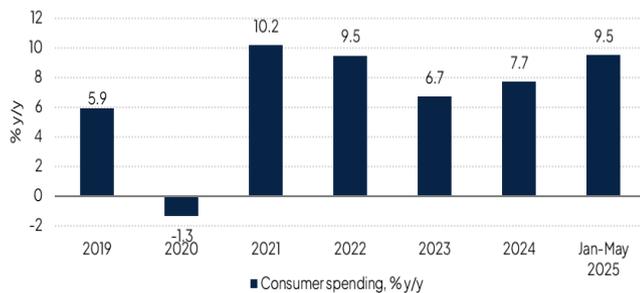
growth figure at 2.7ppts, compared with the 0.9ppts generated by oil activities. On a quarterly, seasonally adjusted basis, growth was 1.6% q/q, up from 1.0% in Q1.

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Non-oil growth over the first half has averaged 4.8%, and we are maintaining our full-year forecast of 4.5% with the expectation that base effects might see a moderately slower pace of growth in H2. If realised, this would mark the slowest pace of non-oil growth since 2020. Nevertheless, we maintain a positive outlook on Saudi Arabia's non-oil growth prospects, despite some negative reporting around the recalibration of spending on major projects being implemented by the government in a lower oil price environment.

Even if the scope and scale of some projects are being adjusted, there remains over USD 400mn worth of projects already in execution, with over USD 1.5bn in the pipeline. Respondents to the Riyadh Bank PMI survey for Saudi Arabia have continued to highlight new projects as supporting their businesses and the June PMI ticked up to 57.2 in June, from 55.8 the previous month. New orders expanded at the fastest pace in four months, which will remain supportive of economic activity throughout the rest of the year.

### Consumer spending robust



Source: Haver Analytics, Emirates NBD Research

The outlook for the Saudi consumer also remains strong. CPI inflation averaged a modest 2.2% over January to June, and housing inflation has started to moderate from recent highs. Growth in consumer spending – tracking cash withdrawals, point-of-sales transactions, and e-commerce spending – has run far higher than CPI, averaging 9.5% y/y over January to May, implying solid real growth in consumption. Unemployment fell to just 2.8% in Q1, from 3.5% in Q4 2024, and the population continues to grow, up 4.7% y/y in the middle of 2024.



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