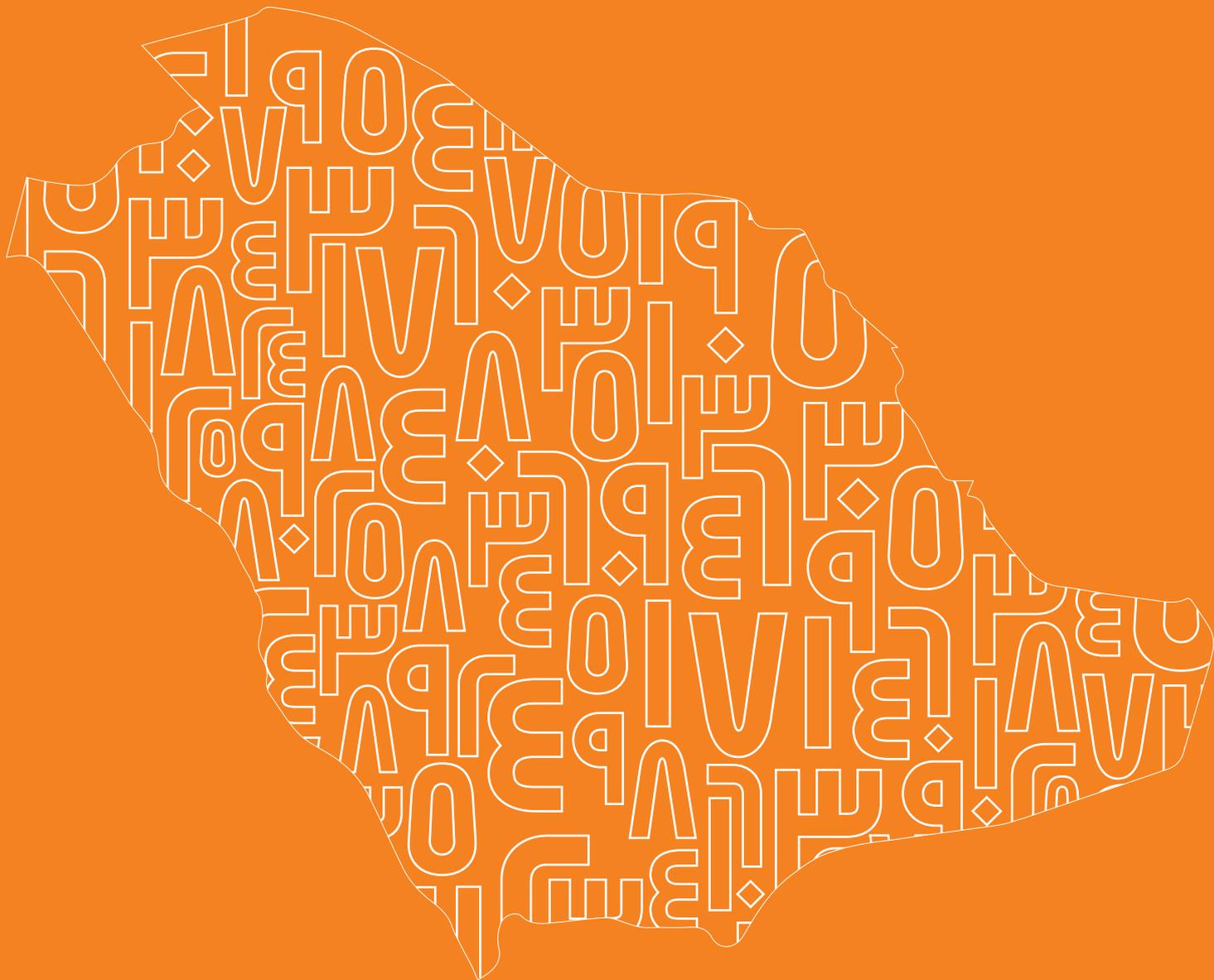


Saudi Arabia

Quarterly Economic

Report – Q2 2025

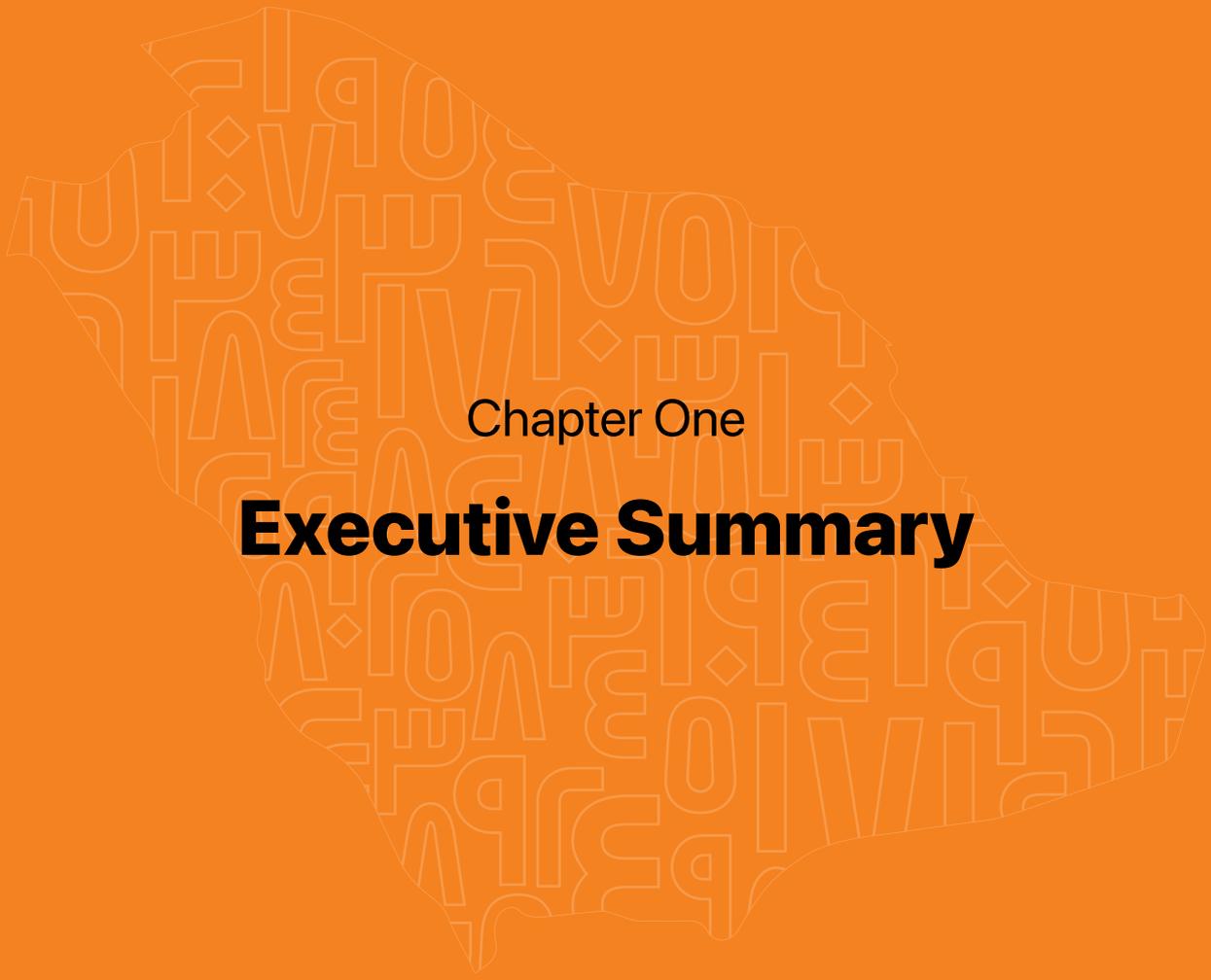
argaam³ Intelligence



Content

01

02



Chapter One

Executive Summary



Executive Summary

Saudi Arabia's economy demonstrated remarkable resilience and transformation momentum through 2025 Q2, achieving 3.9% y/y GDP growth.

The Kingdom reached a historic milestone with non-oil revenues comprising 49.7% of total government income—achieving near-parity with oil receipts for the first time in modern economic history.

This landmark achievement validates Vision 2030's diversification strategy, even as persistent oil price weakness averaging \$66.7/bbl created substantial fiscal pressures relative to the \$90.94 per barrel breakeven level (though an improvement from \$98.4 per barrel in 2024).

The quarter's results demonstrate a strategic economic adjustment rather than just faster growth.

While oil sector recovery contributed 3.8% y/y growth after Q1's contraction, the non-oil economy maintained robust 4.7% y/y expansion, demonstrating structural resilience independent of commodity cycles.

Most significantly, Saudi Arabia achieved unprecedented labour market milestones with overall unemployment (Saudis and non-Saudis) declining to a historic low of 2.8%—the lowest since records began in 1999—while female workforce participation reached 36.3%, representing a transformational 19 percentage point increase since 2016.

The real economy's Q2 performance validated Vision 2030's multi-engine growth strategy through synchronized expansion across domestic demand, industrial production, and services sectors.

Consumer spending totaled SAR 370.6 billion with 6.8% y/y growth, supported by accelerating digital commerce transformation where e-commerce now

accounts for 20% of total consumer spending. The Kingdom achieved 94% contactless payment adoption, positioning it as a global leader in cashless economy transition.

Industrial production demonstrated strategic agility despite volatility, with manufacturing rebounding to 11.1% y/y growth in June led by petrochemicals (18.7% y/y) and refined petroleum products (15.3% y/y).

Construction sector momentum continued with domestic cement dispatches rising 13% y/y (June 2025), underpinned by the SAR 1.3 trillion infrastructure budget and megaprojects.

The Purchasing Managers' Index recovery from April's eight-month low of 55.6 to June's three-month high of 57.2 reflected strengthening business sentiment, with employment growth reaching the highest level since May 2011. This exceptional hiring pace demonstrates private sector confidence in sustained demand while contributing to record-low unemployment achievements. (Anything above 50 indicates growth).

Saudi Arabia's financial sector delivered record-breaking performance while maintaining exceptional stability, with banking sector profits reaching SAR 23.0 billion in Q2 (+18% y/y).

Total bank credit expanded to SAR 3.18 trillion (+15.7% y/y), with corporate lending driving growth at 21.7% y/y compared to more measured personal lending growth of 10.0% y/y.

Asset quality remained exemplary with non-performing loans ratios at 1.24%—among the lowest globally—while capital adequacy at 19.3% provides substantial buffers for continued expansion.

The loan-to-deposit ratio exceeding 106% in 2025 Q1 highlights both credit demand strength and emerging liquidity management challenges.

This ratio means banks have lent out more money than they have in customer deposits. This shows that banks might face difficulties managing their cash flow. Because of this, banks are turning more to capital markets—like issuing bonds—to get extra funds and spread out their sources of money.

SAMA's monetary policy framework maintained strategic stability with the repo rate held at 5.00% throughout Q2, providing a stable and predictable reference point that helps guide expectations and decisions of businesses, investors, and consumers.

Money supply growth at 7.6% y/y in June 2025 supported economic expansion while SAMA total reserve assets of around SAR 1.72 trillion (approx.. \$458.7 billion) in June 2025 provide exceptional external buffers.

Capital markets demonstrated resilience with TASI maintaining above 11,000 points (end-of 2025 Q2) despite global volatility, while Qualified Foreign Investor holdings reached record levels of SAR 330.33 billion (end July 2025).

Saudi issuers led GCC debt capital markets with \$47.93 billion in H1 2025 issuances, reflecting sustained market confidence despite regional headwinds.

Inflation management remained effective with consumer prices stabilizing at 2.3% y/y in June, well within policy targets despite housing sector pressures of 6.5% y/y growth.

Fiscal pressures intensified with the 2025 Q2 deficit reaching SAR 34.5 billion (compared to SAR 15.3

billion in 2024 Q2), driven by oil revenues declining 28.7% y/y to SAR 151.7 billion in 2025 Q2, due to sustained price weakness.

The H1 2025 cumulative deficit of SAR 93.2 billion already approaches the full-year projection (2025) of SAR 101 billion, indicating pressures beyond original planning assumptions.

Total spending has declined 8.9% y/y in 2025 Q2 while maintaining critical Vision 2030 investments. Capital expenditure rebounded 43.5% q/q to SAR 39.9 billion in 2025 Q2, reflecting prioritization toward productive investments despite overall spending constraints.

Public debt trajectory remains manageable at SAR 1.39 trillion (29.9% of GDP), well below international prudential thresholds. The balanced debt mix of 62.8% domestic and 37.2% external obligations diversifies funding sources while supporting local capital market development. SAMA total reserve assets of around \$458.7 billion (June 2025) provided substantial fiscal buffers at end of 2025 Q2 and maintain policy flexibility.

The IMF's assessment that "no further spending cuts are needed" validates Saudi Arabia's calibrated approach to balancing consolidation with strategic priorities, positioning the Kingdom to sustain transformation investments during challenging commodity cycles.

Saudi Arabia's external sector demonstrated exceptional adaptability through Q2's volatile commodity environment, culminating in June's remarkable trade balance recovery to SAR 22.0 billion surplus—the largest in four months following May's compressed SAR 9.5 billion surplus. This recovery validated the Kingdom's dual strategy of maintaining oil market relevance while accelerating

economic transformation.

(The term “external sector” refers to the parts of Saudi Arabia’s economy that involve interactions with other countries, particularly related to international trade).

Non-oil export momentum reached exceptional levels with 22.1% y/y growth in June, substantially offsetting oil export decline of 2.5% y/y and demonstrating that diversification gains have achieved sufficient scale to provide meaningful resilience against commodity volatility. Oil’s share of total exports declined from 74.7% in 2024 Q2 to 67.9% in 2025 Q2 —indeed a very significant structural shift.

Sectoral export composition revealed industrial maturation, with machinery and electrical equipment (21.7% of non-oil exports) achieving 120.8% y/y growth in June 2025 and chemical products maintaining leadership at 23% of non-oil exports

in the same month. This transformation positions Saudi Arabia as an emerging industrial economy capable of competing in high-value manufacturing sectors globally.

Current account performance showed remarkable recovery from 2024Q4’s \$7.4 billion deficit to 2025 Q1’s \$1.51 billion surplus, driven by tourism services achieving unprecedented performance with international visitor spending of SAR 49.4 billion (+9.7% y/y). Saudi Arabia achieved impressive global level in tourism revenue growth at 102% expansion compared to 2019 levels.

Geographic concentration risks emerged with China representing 15.5% (in June 2025) of exports and 27.9% of imports, creating vulnerability to economic deceleration in the Kingdom’s largest trading partner.



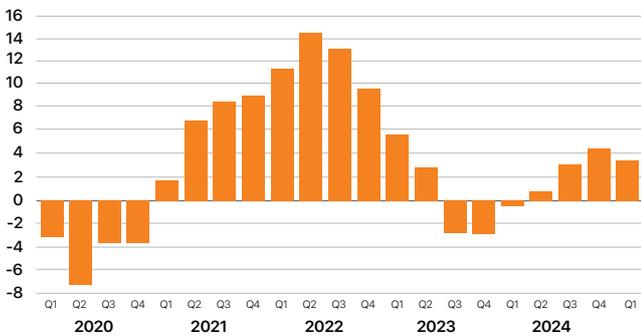
Chapter Two

The Saudi Arabian Economy

Real Sector Performance

The Real Sector refers to the part of the economy that produces goods and services, excluding financial transactions. It typically includes activities related to agriculture, manufacturing, construction, mining, utilities, trade, and services that have a tangible impact on economic output and employment.

Change in GDP Constant Prices (%)



Source: General Authority of Statistics

argaamMACRO

Saudi Arabia's economy demonstrated marked improvement in momentum in Q2 2025, with real GDP expanding by 3.9% y/y, compared to 3.4% y/y in the previous quarter. The economy's quarterly momentum also accelerated, with seasonally adjusted GDP rising by 2.1% q/q, up from Q1's 1.1% pace.

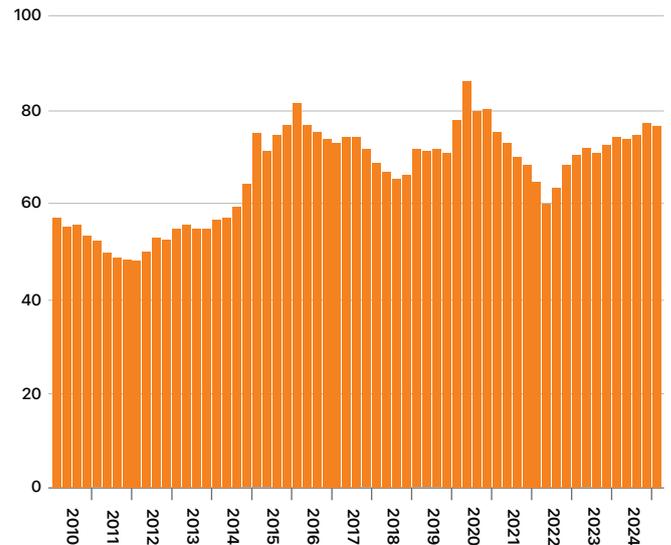
Tourism services continued expanding significantly beyond Q1 projections, with the sector now contributing approximately 6% of GDP and 14% of current account receipts in 2024, compared to negligible contributions prior to Vision 2030. This represents the most significant structural improvement in Saudi Arabia's services balance since the discovery of oil.

The improvement in GDP was primarily driven by tourism services achieving unprecedented performance, with international visitor spending

reaching SAR 49.4 billion (\$13.16 billion) in 2025 Q1 - representing a 9.7% y/y increase. The Kingdom achieved a travel surplus of SAR 26.8 billion (\$7.14 billion) - an 11.7% y/y growth - positioning Saudi Arabia as the global leader in tourism revenue growth with 102% expansion compared to 2019 levels.

Oil sector's activities contributed 1.3 percentage points to GDP quarterly growth, while non-oil activities added 0.9 percentage points on a quarterly basis.

Non-oil sector contribution to GDP



Source: General Authority of Statistics

argaamMACRO

Non-oil sector's sustained growth momentum

at 4.7% y/y in Q2, growth continues to validate Vision 2030's structural reform agenda, even as the pace has moderated from the exceptional levels seen in early 2025. The non-oil sector's contribution to GDP reached 76.75% in 2025 Q1, compared to 77.35% in Q4 2024 (and averaged 75.71% over the past year to 2025 Q1).

The strong Q2 economic performance positions Saudi Arabia favourably to achieve its revised full-year growth targets. The IMF's upgraded 3.6% GDP growth forecast for 2025 appears increasingly attainable.

Saudi Arabia's consumer sector delivered solid performance throughout 2025 Q2, with total spending reaching SAR 370.6 billion and demonstrating remarkable resilience across all digital and physical channels.

While Q2 growth of 6.8% y/y moderated from Q1's exceptional 12.0% y/y performance, the Kingdom maintained robust consumption momentum.

Q2's moderation from Q1's exceptional Ramadan-driven performance represents a normalization while maintaining solid momentum, reflecting sustained consumer confidence underpinned by broader economic diversification initiatives.

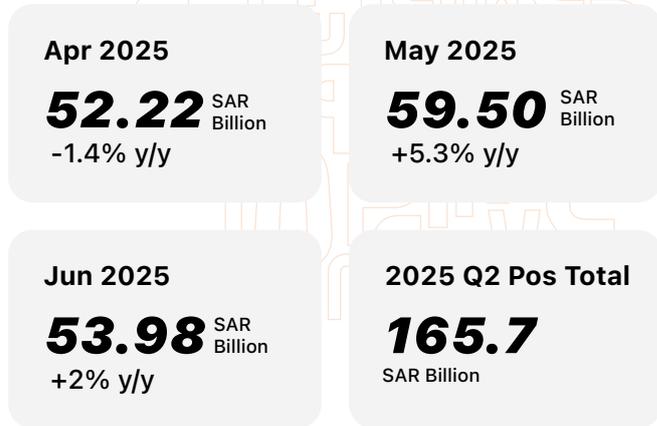
2025 Q2 Performance Metrics Consumer Spending by Month:

Apr 2025	May 2025	Jun 2025
113.9	134.1	122.62
SAR Billion	SAR Billion	SAR Billion
+1% y/y	+10% y/y	+9% y/y

Mada card e-commerce transactions totalled SAR 76.6 billion in 2025 Q2, up 49% y/y, compared with SAR 69.3 billion in 2025 Q1 (56% y/y).

E-commerce volumes reached SAR 25.97 billion in June (+72% y/y), demonstrating accelerating digital commerce adoption. May e-commerce transactions showed robust growth at +68% y/y, processed through 988.8 million transactions.

Point-of-Sale Performance:



Weekly POS volumes regularly exceeded SAR 13 billion, with peak weeks reaching SAR 15.6 billion.

The resilient POS performance showing recovery from April's decline (-1.4% y/y) to May's growth (+5.3% y/y) and June's continued expansion (+2% y/y) demonstrates robust underlying demand and suggests sustained consumption momentum through H2 2025.

Purchasing Managers' Index (PMI)

The Riyadh Bank Saudi Arabia PMI demonstrated a pronounced recovery trajectory throughout 2025 Q2, culminating in a three-month high of 57.2 in June.

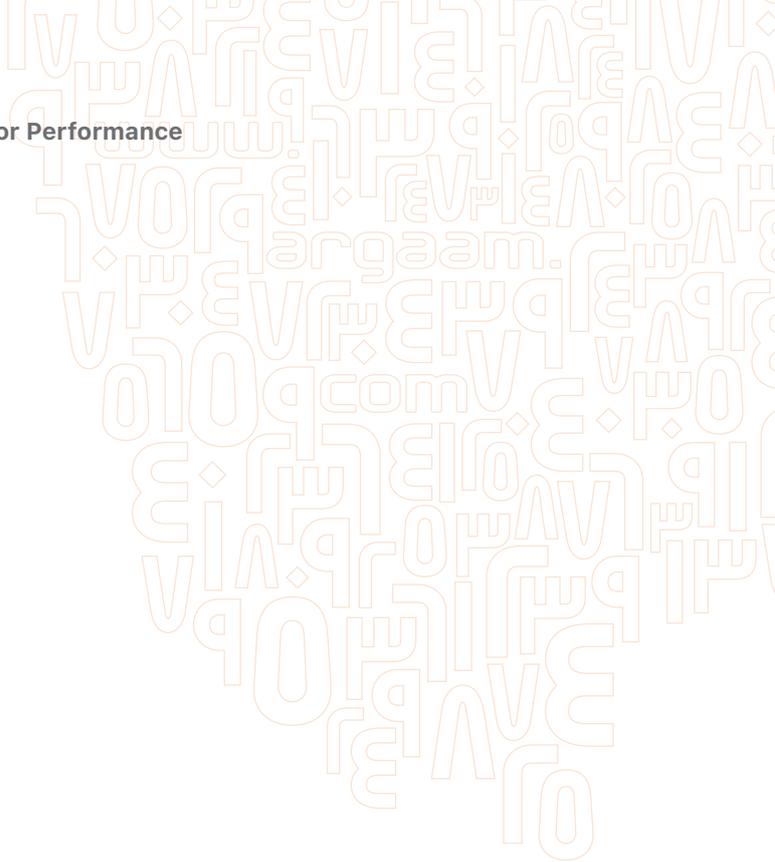
This represented a significant improvement from April's eight-month low of 55.6, which had marked the weakest non-oil private sector performance since August 2024.

The recovery pattern – from 55.6 in April to 55.8 in May, and finally to 57.2 in June – signals renewed momentum in the Kingdom's diversified economy.

The June reading of 57.2 exceeded the long-term average of 56.9 and marked the highest PMI level since March 2025, when the index reached 58.1.

The restoration of pricing power, evidenced by output prices rising at the fastest pace in June 2023 since late 2023, marks a significant evolution from the competitive pressures that characterized much of 2024.

This development suggests that demand growth is outpacing supply capacity in key sectors, creating favourable conditions for business profitability and investment.





Industrial Production and Manufacturing

The manufacturing sector saw significant swings through 2025 Q2—growth eased from 7.4% y/y in April to just 0.9% in May before rebounding to 11.1% y/y in June.

April's surge was anchored by a 22.6% expansion in coke and refined petroleum products and 9.1% y/y growth in chemicals, underscoring petrochemicals' pivotal role. May's pullback to 0.9% y/y reflected soft basic metals (-11.5% y/y) amid global steel market headwinds, even as chemicals held at 14.0% y/y and food products rose 3.2% y/y.

June's robust 11.1% y/y rebound—led by an 18.7% y/y jump in chemicals and a 15.3% y/y rise in refined petroleum production—highlights the sector's agility in capitalizing on strengthening global demand and sustained energy investment.

This volatility emphasizes the importance of flexible capacity planning and dynamic inventory management to navigate uneven demand cycles.

Within manufacturing, the dramatic oscillation reflects the petrochemical value chain's pivotal role and the sector's exposure to commodity price and demand volatility.

Continued outperformance in chemicals (up to 18.7% y/y in June) and refined petroleum (15.3% y/y) validates the downstream focus of Vision 2030, but the 11.5% y/y contraction in basic metals manufacturing in May underscores the need for further downstream diversification beyond hydrocarbons.

Meanwhile, the surge in industrial licensing in June 2025—with 83 new licenses and SAR 950 million in commitments—demonstrates private sector confidence and the ongoing expansion of local manufacturing capacity, creating over 3,000 new jobs and bolstering economic diversification.

Construction performance

Saudi Arabia's construction sector remains underpinned by the SAR 1.3 trillion 2025 infrastructure budget and key government-led projects, including 15 sewage initiatives worth SAR 2.3 billion (the Jeddah Eastern Tunnel costing SAR 774 million and airport lifting scheme worth SAR 915 million).

Private-sector construction activity remained robust, with domestic cement dispatches rising 13% y/y to 3.84 million tonnes in June and H1 dispatches up 14% y/y to 25.7 million tonnes, underscoring

strong demand across residential, commercial and infrastructure projects.

However, cement dispatches fell 18% in June, highlighting seasonal construction patterns and the need for agile supply-chain management.

Domestic demand accounted for 97% of all dispatches, increasing 23% year-on-year as contractors accelerated cement purchases ahead of Ramadan and Hajj construction slowdowns.



Real Estate market performance

Saudi Arabia's real estate market saw 3.2% y/y property price growth in 2025 Q2, down from 4.3% y/y in Q1. This moderation reflects market maturation and evolving demand across segments.

Commercial real estate outperformed all other segments, with prices up 11.7% y/y in Q2. Commercial land plots led this advance, rising 12.7% y/y. This surge highlights robust business expansion and Saudi Arabia's strengthening position as a regional commercial hub.

By contrast, residential property prices rose just 0.4% y/y in Q2, down sharply from 5.1% y/y in Q1. The slowdown in the residential market is likely driven by new supply from recently completed projects and shifting buyer preferences.

The divergence between commercial acceleration and residential moderation underscores differentiated dynamics: businesses continue to invest in commercial assets, while homebuyers adopt a more cautious stance amid expanding supply.

The residential sector's sharp deceleration to 0.4% suggests the market is achieving better supply-

demand balance, potentially easing affordability pressures for domestic buyers and enhancing long-term market stability.

Housing and utilities inflation ran at 6.5% y/y in June, driven by 7.6% rent growth. This indicates tightness in rental markets, even as purchase markets have cooled, reflecting evolving household financial conditions and preferences.

April mortgage flows rose 18% y/y to SAR 6.30 billion, May flows contracted 4% y/y to SAR 7.40 billion, and June edged up 0.2% y/y to SAR 5.31 billion. Cumulatively, banks extended SAR 19.01 billion in new residential mortgages during the quarter.

Existing real estate credit remains substantial—outstanding residential loans stood at SAR 922.2 billion (+15% y/y) at end-Q1, accounting for nearly 30% of total bank credit.

This dynamic underscores the need to balance credit growth targets with prudent risk management and to monitor retail mortgage trends as a barometer of consumer confidence.

Labour Market Dynamics

Saudi Arabia achieved unprecedented labour market milestones in 2025 Q1, with the overall unemployment rate (for Saudis and non-Saudis) falling to a historic low of 2.8% in 2025 Q1 from 3.5% in 2024Q4 (and 3.5% in 2024 Q1)– the lowest level since records began in 1999.

The Saudi national unemployment rate reached 6.3% in 2025 Q1 (compared to 7.6% y/y in 2024 Q1), representing a 0.7 percentage point decline from Q4 2024 and marking the lowest rate ever recorded for Saudi citizens.

Female workforce participation emerged as a standout success story, with Saudi women’s labour force participation rising to 36.3% in 2025 Q1, while their unemployment rate dropped dramatically to 10.5% – a 1.4 percentage point improvement from the previous quarter.

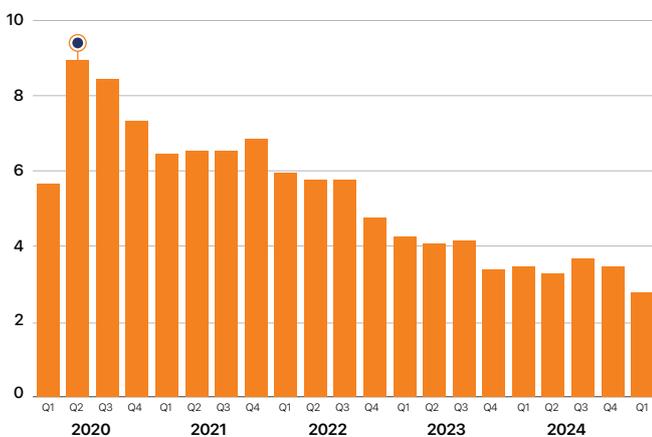
This represents a decline of over 11 percentage points in female unemployment since 2021, demonstrating the transformative impact of social and economic reforms.

Among young Saudi women aged 15-24, the employment-to-population ratio increased to 14.6%, with labour force participation reaching 18.4%.

The overall labour force participation rate advanced to 68.2%, marking a substantial 1.8 percentage point increase from 2024 Q4.

For Saudi nationals, participation reached 51.3%, while the employment-to-population ratio for Saudis improved to 48.0%. These improvements span across age cohorts, with core working-age Saudis (25-54 years) achieving a 65.9% employment-to-population ratio and 69.6% labour force participation, while unemployment for this critical demographic declined to 5.4%.

Unemployment rate (%)



Source: General Authority of Statistics

argaamMACRO

Monetary, Banking, and Financial Sector

The Saudi Central Bank (SAMA) maintained its policy (repo) rate at 5.00% throughout 2025 Q2, reflecting continued strategic alignment with U.S. Federal Reserve policy due to the Saudi riyal's fixed exchange rate regime.

This unchanged stance followed SAMA's final rate reduction in December 2024, when it cut the repo rate by 25 basis points to 5.00% in coordination with the Fed's adjustment to a 4.25-4.50% target range.

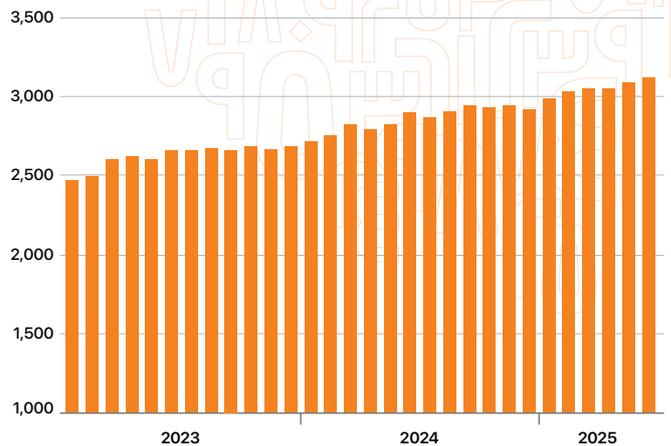
The reverse repo rate similarly remained stable at 4.50% during Q2, maintaining predictable liquidity conditions for financial institutions.

(The reverse repo rate is the interest rate at which a central bank (such as the Federal Reserve in the U.S. or the Reserve Bank of India) borrows money from commercial banks or financial institutions for a short period, typically overnight. In other words, the central bank sells securities to banks with an agreement to repurchase them at a later date at a predetermined price.)

The interbank market reflected measured stability with gradual tightening, as the 3-month SIBOR rose from 5.36% in May to 5.48% in June 2025.

This 12 basis point increase indicates modest pressure on short-term funding costs despite unchanged policy rates, suggesting strengthening credit demand and evolving liquidity dynamics within the banking system. The SIBOR trajectory remained well within normal operational ranges, indicating effective central bank liquidity management.

Money Supply (M3) (SAR billion)



Source: SAMA

argaamMACRO

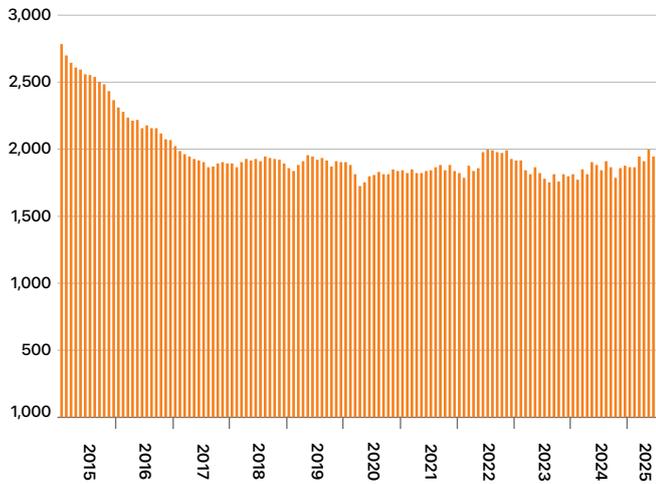
(PS: M3 covers the most comprehensive scope of liquid and near-liquid financial assets available in the economy.)

Money supply continued its robust expansion trajectory, reaching SAR 3.12 trillion in June 2025, representing a 7.6% y/y increase.

While this marked a slight deceleration from Q1's 8.2% y/y growth pace, the continued expansion supported economic activity and reflected both sustained economic momentum and ongoing depositor response to elevated interest rate environment.

The money supply growth pattern demonstrates the financial system's continued capacity to provide adequate liquidity for economic expansion while maintaining monetary stability.

SAMA Assets (SAR billion)



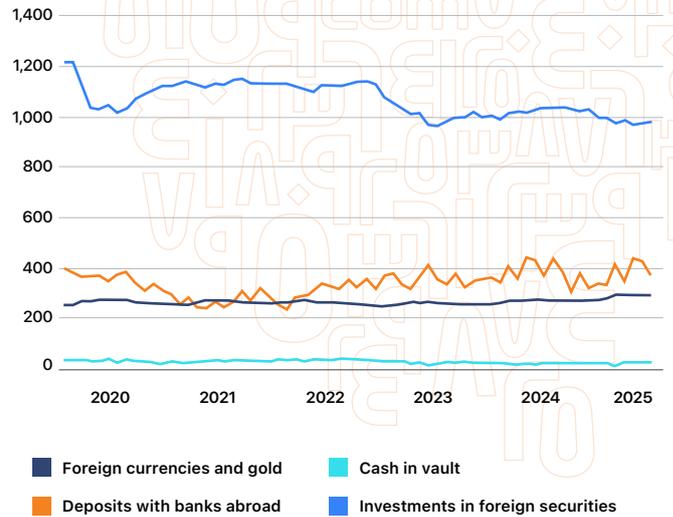
Source: SAMA

argaamMACRO

SAMA's total assets reached SAR 1.96 trillion in June 2025 (higher 3.2% y/y), though experiencing some monthly volatility with a SAR 43 billion decline from May's SAR 2.00 trillion peak.

Despite this monthly adjustment, SAMA's assets remained substantially higher than the SAR 1.89 trillion level recorded in June 2024, reflecting a SAR 70 billion annual increase. This growth trajectory reinforces the central bank's enhanced capacity to support monetary stability and manage external pressures.

Composition of SAMA Assets (SAR billion)



Source: SAMA

argaamMACRO

- **Foreign currencies and Gold:**
SAR 291.97 billion
- **Cash in Vault:**
SAR 28.18 billion
- **Deposits with Banks Abroad :**
SAR 370.47 billion
- **Investment in Foreign Securities:**
SAR 982.54 billion

As of July 1, 2025

SAMA's foreign asset portfolio between June 1, 2025 and July 1, 2025 demonstrates sophisticated liquidity management through strategic reallocation across international markets.

The central bank reduced deposits with banks abroad by SAR 54.7 billion from SAR 425.16 billion to SAR 370.47 billion, while simultaneously increasing investment in foreign securities from SAR 974.19 billion to SAR 982.54 billion—a net increase of SAR 8.35 billion.

This tactical shift reflects SAMA's pursuit of enhanced yields by moving capital from traditional bank deposits to potentially higher-return securities investments, while foreign currencies and gold holdings declined modestly from SAR 295.49 billion to SAR 291.97 billion, maintaining substantial precious metals and currency buffers for external stability operations.

The rebalancing preserves SAMA's robust external liquidity position while optimizing returns across global financial markets. With total foreign components maintaining approximately SAR 1.67 trillion in readily accessible international assets, the central bank retains ample resources for risk mitigation, contingency planning and external payment obligations.

The marginal increase in cash in vault from SAR 27.6 billion (June 1, 2025) to SAR 28.18 billion (July 1, 2025) ensures operational continuity, while the strategic securities allocation enhancement positions SAMA to capitalize on favourable global market conditions.

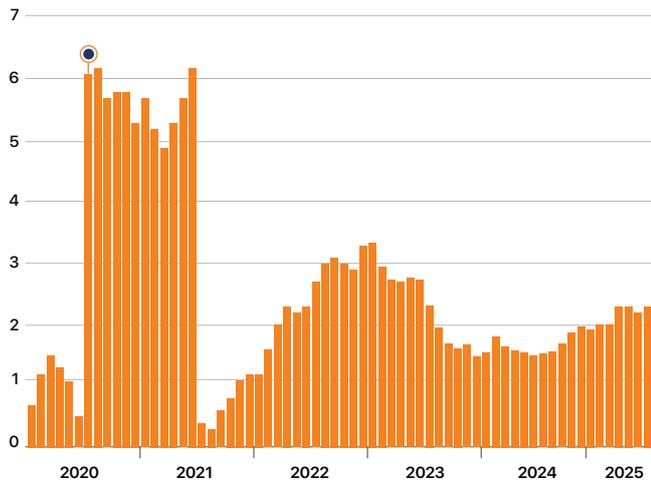
This measured approach supports Saudi Arabia's currency stability and external sector confidence while generating returns that can support the Kingdom's ongoing economic transformation and Vision 2030 initiatives.

Inflation Management and Price Stability

Saudi Arabia’s inflation trajectory remained relatively contained through 2025 Q2, with the annual rate stabilizing at 2.3% in June, representing a modest increase from 2.2% in May and 2.3% y/y in April 2025 and maintaining the elevated level first reached in March.

This performance reflects successful price stability management, despite persistent housing market pressures and evolving global economic conditions.

Inflation (%)



Source: General Authority of Statistics

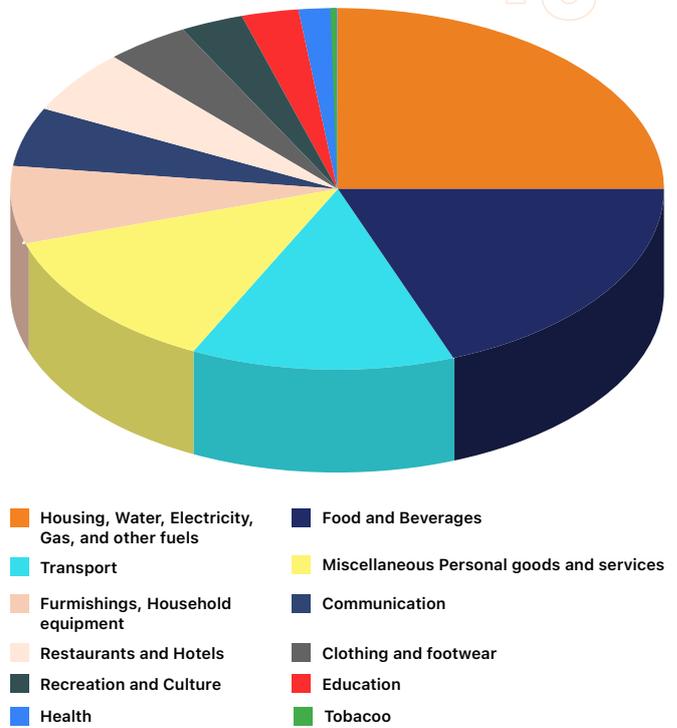
argaamMACRO

The Consumer Price Index reached 113.74 points in June 2025, marking an all-time high since records began, yet representing controlled price growth within acceptable policy parameters.

Monthly inflation dynamics showed measured progression, with consumer prices rising 0.2% in June compared to May, following a 0.1% increase the previous month.

This monthly stability suggests that the underlying inflationary pressures are being managed effectively through a combination of monetary policy discipline, targeted supply-side interventions, and the inherent stability provided by the riyal’s fixed exchange rate regime.

Relative Weight of the Index Components (%)



Source: General Authority of Statistics

argaamMACRO

The category ‘Housing, Water, Electricity, Gas, and Fuel’ accounted for 25.5% and ‘Food and Beverages’ accounted for 18.8% of the CPI index respectively in 2024.

Breakdown by Category:**Breakdown by Category (June 2025, y/y%)**Housing, Water, Electricity,
Gas, and Fuel**+6.5%** rents +7.6%

Food & Beverages

+1.5%Miscellaneous Personal
Goods & Services**+4.1%**

Restaurants & Hotels

+1.6%

Education

+1.4%

Tobacco

+0.5%

Transport

-0.7%

Clothing & Footwear

-0.6%Furnishings, Household
Equipment & Maintenance**-1.7%**

Housing costs remained the dominant driver of inflationary pressure in June, with the housing, water, electricity, gas, and fuel category rising 6.5% y/y—modestly down from 6.8% in May.

Given its 25.5% weight in the CPI basket, this sector continues to exert outsized influence on headline inflation.

The uptick was driven by residential rents climbing 7.6% y/y and villa rents up 7.1%, underscoring persistent supply–demand imbalances in major urban centres as Vision 2030 projects spur workforce growth and urbanization.

Food and beverage prices decelerated to 1.5% y/y in June (May: 1.6%), with meat and poultry costs up 2.4% y/y, reflecting enhanced supply-chain efficiencies and competitive wholesale markets that have alleviated consumer spending pressures.

At the same time in 2025 Q2, miscellaneous personal goods and services inflation accelerated to 4.1% y/y, highlighting discretionary spending pressures

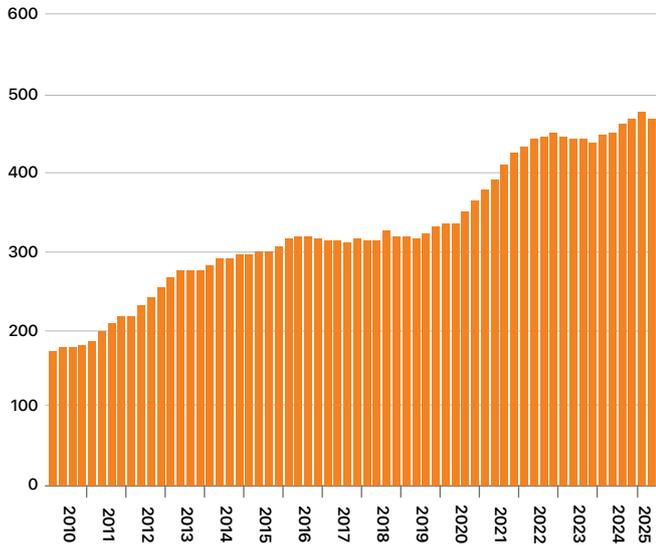
in categories such as personal care and financial services fees.

Conversely, the transport index fell 0.7% y/y—driven by lower vehicle purchase prices—providing a modest offset to overall consumer price pressures.

Saudi Arabia's banking sector delivered unprecedented performance through 2025 Q2, with total bank credit reaching SAR 3.18 trillion at end-2025 Q2 (+15.7% y/y), up from SAR 2.99 trillion at end-2025 Q1 (+16.5% y/y).

This continued robust expansion reflects the sector's critical role in supporting the Kingdom's economic transformation, with corporate lending maintaining exceptional momentum at SAR 1.75 trillion (+21.7% y/y), significantly outpacing personal lending of SAR 1.35 trillion (+10.0% y/y).

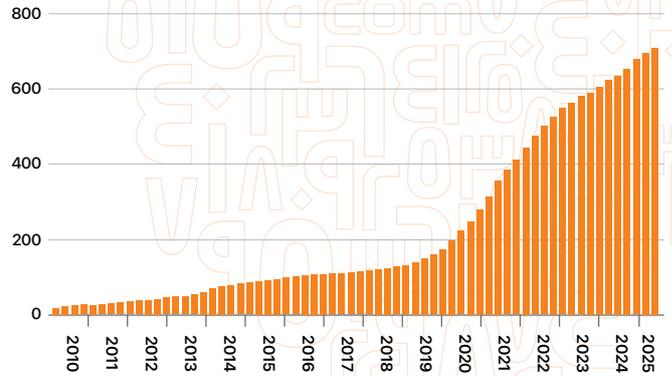
Personal Consumer Loans (SAR billion)



Source: Saudi Central Bank - SAMA



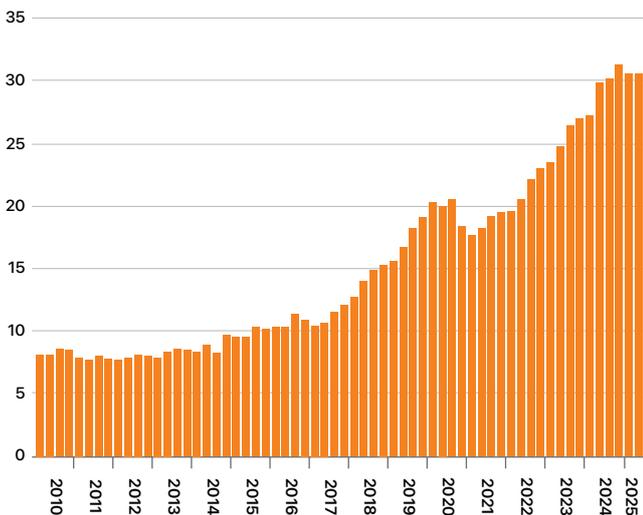
Individual Mortgage Loans (SAR billion)



Source: Saudi Central Bank - SAMA



Credit Card Loans (SAR billion)



Source: Saudi Central Bank - SAMA



Business loans now comprise 55.4% of total bank credit (up from 52.9% a year earlier), driven by Vision 2030 project financing, infrastructure development, and manufacturing expansion.

Deposit growth of 6.3% y/y lagged credit expansion, pushing the loan-to-deposit ratio above 106% in 2025 Q1—its highest level in recent quarters—and prompting banks to increasingly utilize debt capital markets and time-deposit strategies to shore up liquidity.

The banking sector maintained exemplary asset quality metrics through 2025 Q2, with the gross non-performing loan (NPL) ratio at 1.24% as of 2025 Q1—the latest available data -- and among the lowest levels globally.

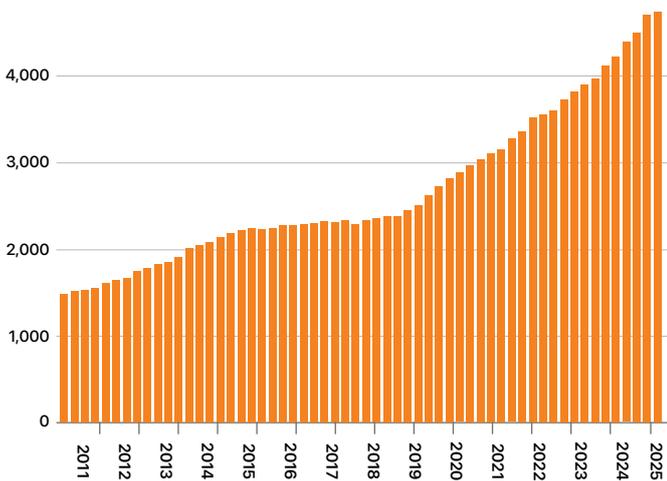
Saudi banks' median NPL ratio of 0.9% of total assets significantly outperforms regional peers, with UAE banks at 2.3% and Omani banks at 3.6%.

This exceptional asset quality reflects both prudent lending practices and the supportive economic environment fostered by Vision 2030 investments and ongoing economic diversification.

Capital adequacy remained robust at 19.3% as of 2025 Q1, well above the Basel III minimum requirement of 10.5%, providing substantial buffers for continued lending expansion.

The sector’s strong capitalization enables banks to support economic growth while maintaining financial stability, crucial for sustaining the credit expansion necessary for Vision 2030 projects and private sector development initiatives.

Bank Assets (SAR billion)



Source: General Authority of Statistics and SAMA **argaamMACRO**

Bank assets as % of GDP: stood at 98.84% of GDP at the end of 2023.

Such a high bank assets as % of GDP ratio indicates that Saudi banks play a central role in financial intermediation, supporting robust credit growth, investment financing, and economic diversification efforts-key pillars of Vision 2030.

Coverage ratios remained healthy at 126.9%, though declining from previous quarters, because the economy is getting better, so banks feel less need

to keep as much money reserved for possible loan losses.

(Coverage ratios measure how much money banks have set aside to cover potential bad loans compared to the amount of risky loans they have.)

The cost of risk decreased to 26 basis points in 2025 Q1, reflecting both the strong credit environment and effective risk management practices across the sector.

Saudi banks achieved record-breaking quarterly profits in 2025 Q2, with combined net income reaching SAR 23.0 billion, an 18% y/y increase from SAR 19.5 billion in Q2 2024.

This exceptional performance was broad-based, with all ten listed banks contributing to sector growth, though individual performance varied significantly.

First-half 2025 profits reached SAR 45.25 billion, representing 19% y/y growth compared to SAR 38.18 billion in H1 2024. This performance was supported by robust net interest income growth of 14.5% y/y and a net interest margin of 3.02% in 2025 Q2, alongside lower provisioning expenses and strong fee-based income expansion of 11% y/y across most institutions.

Return on equity improved to 15.3% in Q1 2025, while the cost-to-income ratio declined to 29.8%, reflecting enhanced operational efficiency and effective cost management.

Al Rajhi Bank led profitability with SAR 6.15 billion in quarterly earnings (+30.9% y/y), followed closely by Saudi National Bank at SAR 6.14 billion (+17.3% y/y).

Capital Markets Performance

The Tadawul All Share Index (TASI) closed Q2 (June 29, 2025) at 11,164 points, a 7.2% quarterly decline yet holding above the critical 11,000 level, reflecting robust domestic liquidity and investor confidence despite external headwinds.

Total market capitalization reached SAR 9,126.04 billion (USD 2,435 billion) at end-June, maintaining Tadawul's ranking among the world's leading equity exchanges.

Vision 2030 reforms have expanded foreign access to the Saudi market. Qualified Foreign Investor holdings rose to SAR 330.33 billion (USD 88.09 billion) by end-July 2025—the highest level recorded—underscoring sustained international demand for Saudi equities.

The National Debt Management Center (NDMC) continued its monthly SAR-denominated sukuk program in H1 2025:

**Jan 2025
issuance**

3.724

SAR Billion

**May 2025
issuance**

4.081

SAR Billion

**Jun 2025
issuance**

2.355

SAR Billion

These tranches, maturing between 2029 and 2039, establish transparent benchmark tenors and enhance market depth.

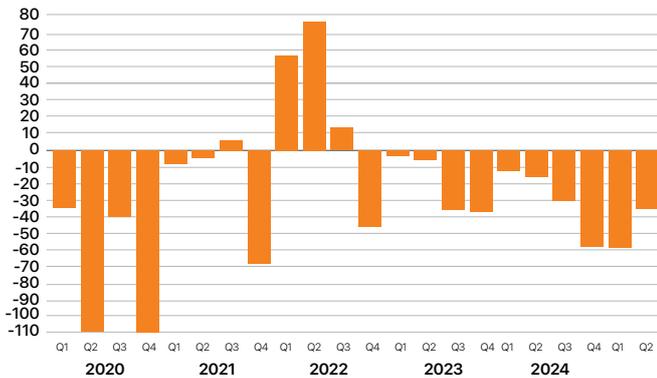
According to Kuwait Financial Centre (Markaz), Saudi issuers led GCC debt capital markets in H1 2025, raising \$47.93 billion across 71 sukuk and bond transactions—52.1% of total GCC issuance—despite a 19.8% y/y decline from H1 2024, highlighting disciplined funding and strategic market timing.

S&P Global Ratings reports that global sukuk issuance totaled USD 101.3 billion in H1 2025 (–15% y/y), driven by lower local-currency volumes, while foreign-currency sukuk issuance rose to \$ 41.4 billion.

S&P forecasts foreign-currency sukuk issuance to reach \$70–80 billion in 2025, reflecting strong investor appetite for Shariah-compliant instruments.

Fiscal Sector Performance

Actual Surplus (Deficit)(SAR billion)



Source: Ministry of Finance and SAMA

argaamMACRO

- 2025 Q2 deficit:**

SAR 34.5 billion (\$9.2 billion), a 41% improvement from Q1's SAR 58.7 billion shortfall, achieved through targeted expenditure efficiency measures including zero-based budgeting and program reprioritization. (Zero-based budgeting (ZBB) is a budgeting method where every expense must be justified and approved for each new period, starting from a zero base.)

However, the deficit remained elevated compared to SAR 15.3 billion in 2024 Q2, reflecting the impact of structural oil price challenges.

The 2025 Q2 deficit more than doubled from 2024 Q2 -. This increase primarily reflected the impact of lower oil prices rather than fiscal policy failures, as the Kingdom maintained its commitment to Vision 2030 investments while optimizing expenditure efficiency.

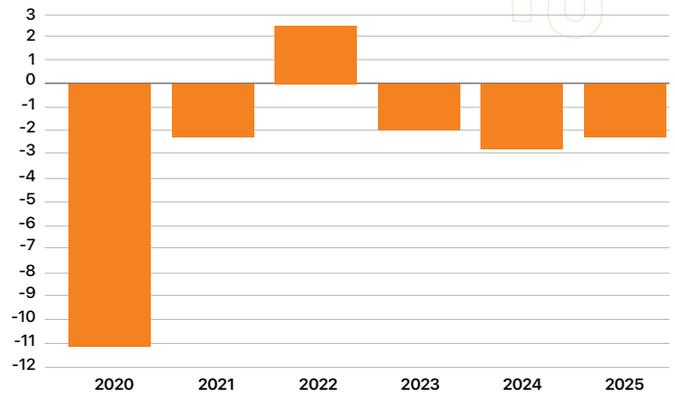
- H1 2025 cumulative deficit:**

SAR 93.2 billion (\$24.8 billion) vs. SAR 27.727 billion in H1 2024, nearing the full-year projection of SAR 101 billion, driven by prolonged oil weakness and

measured non-oil spending growth.

This indicates that fiscal pressures intensified beyond original planning assumptions, due to the sustained oil price weakness that characterized the first half of the year.

The Ratio of Deficit/Surplus to GDP (%)



Source: Ministry of Finance and SAMA

argaamMACRO

- Deficit/GDP projection:**

-2.3% in 2025 vs. -2.8% in 2024 and -2.0% in 2023.

Saudi Arabia's fiscal position at end-2025 Q2 remains robust, underpinned by moderate public debt, rising non-oil revenues, ongoing spending reforms and active debt management – though fiscal pressures intensified as H1 deficit already approaches the full-year budget projection.

Public debt totalled SAR 1.39 trillion at end-June 2025, equivalent to 29.9% of GDP, well below the 60% OECD benchmark.

Interest expenditure as a share of government revenues is not separately disclosed by the Ministry of Finance or SAMA.

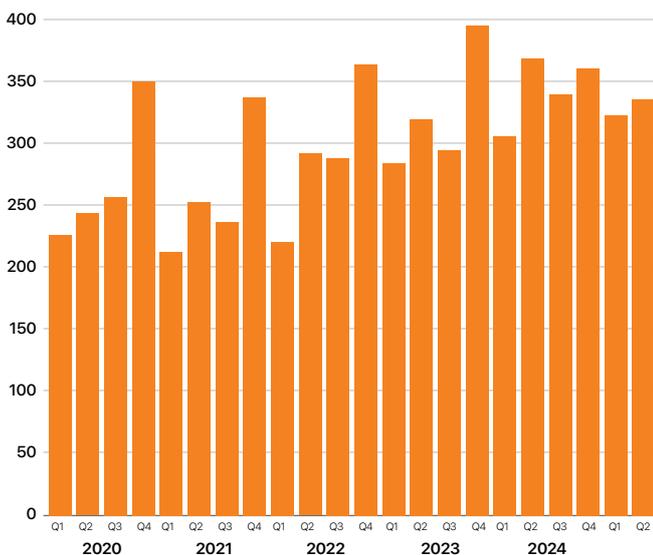
Expenditure Optimization

Government expenditures in 2025 Q2 totalled SAR 336.1 billion (USD 89.6 billion) - up 4.4% q/q from SAR 322.3 billion in Q1 2025 - and down 8.9% y/y from SAR 368.9 billion in 2024 Q2.

Importantly, this expenditure reduction was achieved while maintaining strategic investments in Vision 2030 priorities, demonstrating the Kingdom’s ability to optimize spending efficiency without compromising transformation objectives.

For H1 2025, total expenditures reached SAR 658.4 billion, a 2.4% y/y decline from SAR 674.8 billion in H1 2024 - indicating consistent efforts to rationalize spending while preserving essential development investments.

Total Actual Expenditures (SAR billion)



Source: Ministry of Finance and SAMA

argaamMACRO

The ratio of total government expenditure to GDP edged down from approximately 36.0% in 2025 Q1 to 35.5% in 2025 Q2, reflecting macro-budget controls.

Efficiency initiatives—including zero-based budgeting, digital procurement platforms and stricter project prioritization are driving incremental cost savings without curtailing Vision 2030 strategic investments.

Importantly, these cuts have been achieved without across-the-board austerity; the Kingdom has maintained its annual budget allocations for critical Vision 2030 sectors:

- **Defense:** SAR 293 billion in the 2025 annual budget, safeguarding regional security and the drive toward 50% domestic defense production by 2030.
- **Health & Social Development:** SAR 260 billion in the 2025 budget, ensuring continued support for healthcare expansion and social programs.
- **Education:** SAR 201 billion earmarked for education in 2025, underscoring human-capital development.

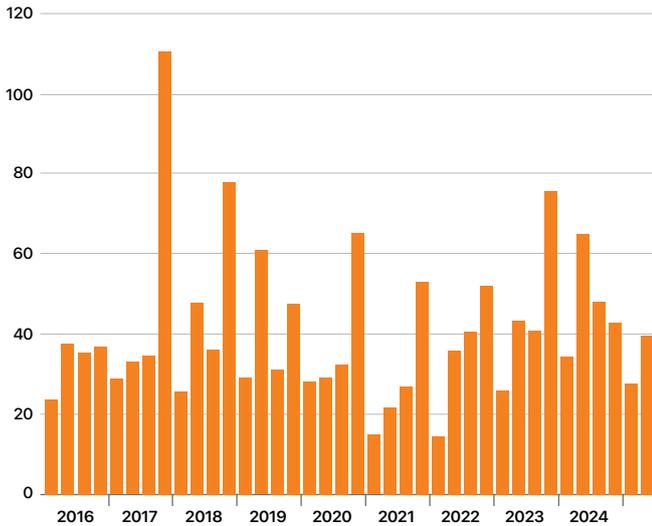
The IMF’s April 2025 Article IV Consultation Staff Report states that “no further spending cuts or fiscal adjustment are needed,” validating Saudi Arabia’s calibrated approach to balancing consolidation with strategic priorities.

This external endorsement, combined with disciplined execution of budget controls, positions the Kingdom to sustain fiscal resilience and advance its Vision 2030 agenda amid external uncertainties.



The banking and monetary sector performance

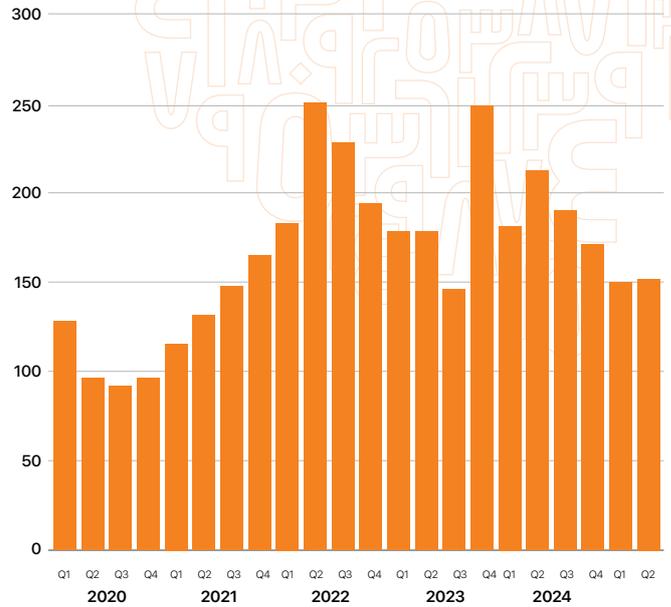
Capital Expenditures (SAR billion)



Source: Ministry of Finance and SAMA

argaamMACRO

Oil Revenues (SAR billion)



Source: Ministry of Finance and SAMA

argaamMACRO

- Capital expenditure:** SAR 39.9 billion in 2025 Q2, up from SAR 27.8 billion in 2025 Q1 and below SAR 65.0 billion in 2024 Q2.
- Current expenditure:** SAR 296.2 billion in 2025 Q2, up marginally from SAR 294.5 billion in 2025 Q1 and below SAR 304.0 billion in 2024 Q2.

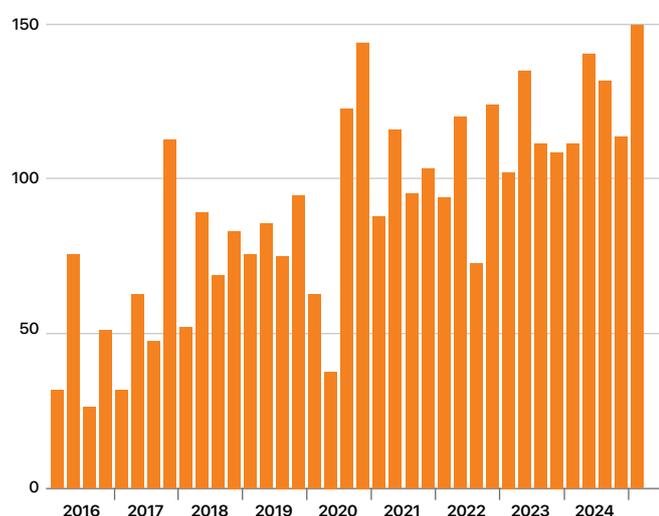
The data show a sharp rebound in capital spending, with 2025 Q2 capex jumping 43.5% q/q to SAR 39.9 billion (albeit still 38.6% below 2024's Q2's SAR 65.0 billion), while current outlays inched up just 0.6% q/q to SAR 296.2 billion but remain 2.6% below last year's SAR 304.0 billion.

In 2025 Q2, total government revenues reached SAR 301.6 billion (USD 80.4 billion), up 14.5% q/q and down 14.7% y/y.

Oil revenues edged up 1.3% q/q but fell 28.7% y/y to SAR 151.7 billion, while non-oil revenues surged 31.7% q/q and 6.6% y/y to SAR 149.9 billion, lifting their share of total revenues to a record 49.7%.

Metric	Q2 2024	Q1 2025	Q2 2025	Y-o-Y Change	Q-o-Q Change
Total Revenues (SAR bn)	353.6 (\$94.3)	26.36 (\$70.3)	301.6 (\$80.4)	-14.7%	+14.5%
Oil Revenues (SAR bn)	212.9 (\$56.8)	149.8 (\$39.9)	151.7 (\$40.5)	-28.7%	+1.3%
Non-Oil Revenues (SAR bn)	140.7 (\$37.5)	113.8 (\$30.4)	149.9 (\$39.9)	+6.6%	+31.7%
Non-Oil Share of Total Revenues	39.8%	43.2%	49.7%	+990 bps	+655 bps
Oil Share of Total Revenues	60.2%	56.8%	50.3%	-990 bps	-655 bps

Non-oil Revenues



Source: Ministry of Finance and SAMA

argaamMACRO

Non-oil collections reached SAR 149.86 billion, nearly matching oil receipts, driven by:

- **VAT & Excise:** SAR 74.95 billion (+7% y/y), bolstered by broadened VAT base in tourism and strengthened e-filing.
- **Income & Profit Taxes:** SAR 13.73 billion (7% y/y), driven by year-end corporate zakat settlements and enhanced audit recoveries.
- **Customs & Trade Taxes:** SAR 6.32 billion (+16% y/y), reflecting tariff adjustments and streamlined clearance processes.

In 2025 Q2, Saudi Arabia's oil production rose to 9.06 million barrels per day - average - (+3.4% q/q), while global oil prices remained under pressure with Brent crude averaging approximately \$67 per barrel during the quarter.

Despite lower international prices, the production increase helped government oil revenues grow by 1.3% q/q to SAR 151.7 billion (\$40.4 billion).

With oil prices averaging approx. \$67 per barrel—well below the Kingdom’s fiscal breakeven level of \$90.94 per barrel—higher production volumes provided crucial but insufficient support to government revenues.

The 28.7% y/y decline in oil revenues underscores

the significant fiscal pressure, partially mitigated by the Kingdom’s successful economic diversification, with non-oil revenues now comprising 49.7% of total government income.

Further, the substantial gap between current oil prices (\$67) and the fiscal breakeven (\$90.94) creates significant fiscal pressure, necessitating continued economic diversification efforts under Vision 2030.



Public Debt Trajectory and Strategic Financing Management

Saudi Arabia’s public debt reached SAR 1.39 trillion (USD 370.7 billion) by end-June 2025, up from SAR 1.22 trillion at end-2024 and SAR 1.33 trillion at end 2025 Q1, representing a 14.1% increase over six months.

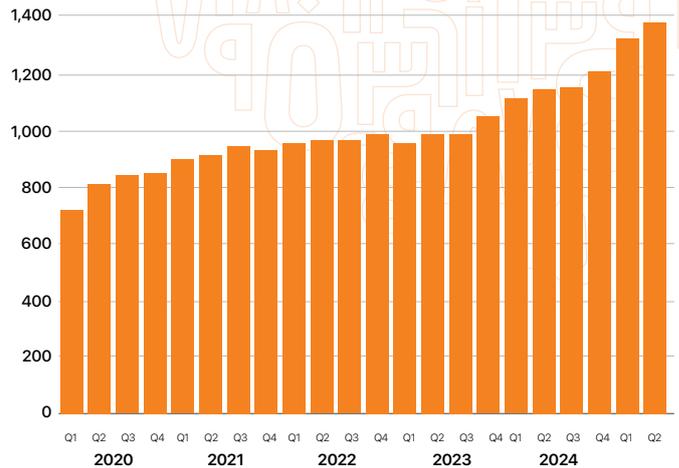
This deliberate expansion underpins the Kingdom’s decision to sustain Vision 2030 development projects and counter-cyclical fiscal support rather than implementing procyclical spending cuts amid low oil prices.

The debt structure remains well balanced, with SAR 871.3 billion (62.8%) in domestic obligations and SAR 515.1 billion (37.2%) in external borrowings, diversifying funding sources while limiting foreign-exchange exposure.

Public debt stood at 29.9% of GDP in mid-2025, comfortably below international prudential thresholds and leaving ample fiscal space given Saudi Arabia’s net external assets and robust foreign reserves.

Over the past 4½ years, public debt rose from SAR 938 billion at end-2020 to SAR 1.39 trillion by 2025 Q2, a 48% increase that reflects ambitious infrastructure and social investments underpinned by prudent liability management.

Public Debt (SAR billion)



Source: Ministry of Finance

argaamMACRO

The SAR 139 billion Annual Borrowing Plan approved in January 2025 was calibrated to finance a projected SAR 101 billion budget deficit and SAR 38 billion of maturing debt. **This plan leverages both domestic and international markets and aligns with the Financial Sector Development Program’s goal of deepening local capital markets.**

In June 2025, the National Debt Management Center issued SAR 2.355 billion of sukuk across five tranches (2027–2039), demonstrating sustained investor confidence.

The reduced issuance compared to May’s SAR 4.08 billion reflects the regular funding cycle rather than market stress, with NDMC preserving flexibility to time future issuances according to market conditions and liquidity needs.

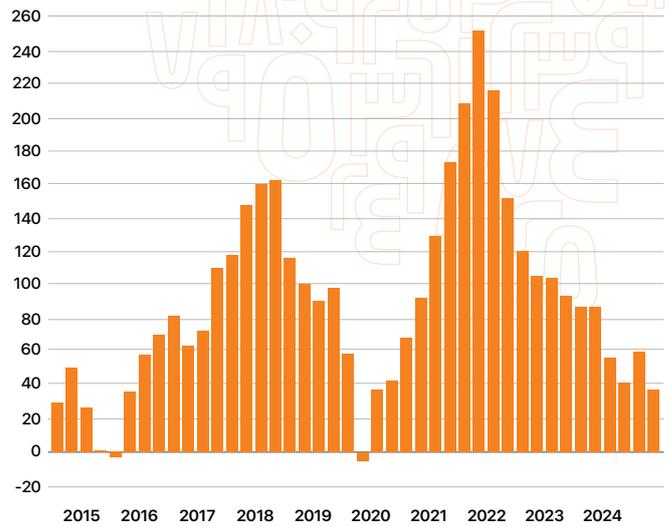
Trade Balance

Saudi Arabia's trade balance exhibited pronounced volatility before delivering a strong quarterly finish.

The progression from April's SAR 14.2 billion surplus (-61.7% y/y) through May's compressed SAR 9.5 billion—the smallest since December 2024—culminated in June's robust SAR 22.0 billion surplus, marking a 132% month-on-month expansion.

- In the second quarter of 2025 (2025 Q2), the country recorded a trade surplus, which means it exported more than it imported.
- However, this surplus dropped sharply by 56.2% compared to the same quarter the previous year.
- The first quarter of 2025 had a trade surplus of SAR 63 billion, but that was already a 28% decrease compared to SAR 88 billion in the first quarter of 2024
- The big drop in the trade surplus is mainly because of increased imports driven by Vision 2030 projects, which require a lot of imported goods and services.

Trade Balance (SAR billion)



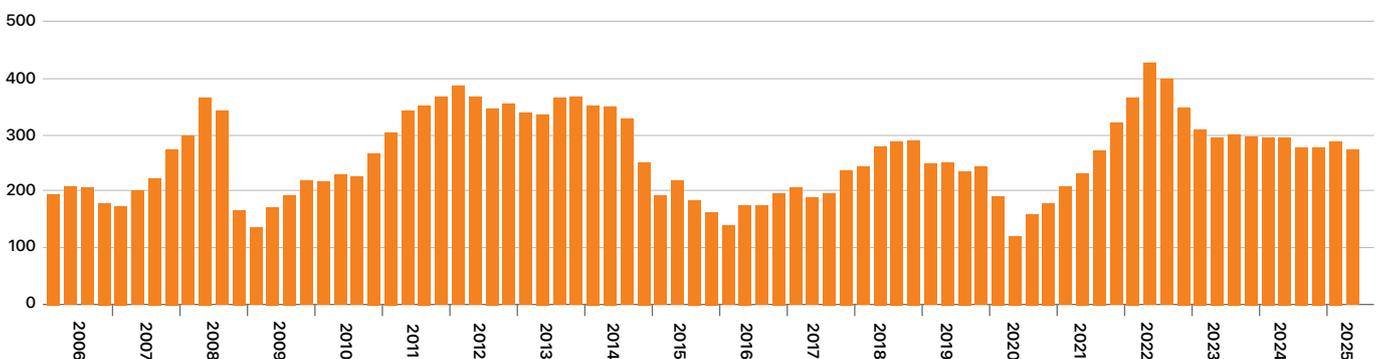
Source: General Authority for Statistics

argaamMACRO

June imports totalled SAR 70.0 billion (+1.7% y/y), with machinery and electrical equipment comprising 30.6% of the total (+29.0% y/y).

This composition reflects sustained capital formation in industrial capacity and technological infrastructure.

Total exports



Source: General Authority of Statistics

argaamMACRO

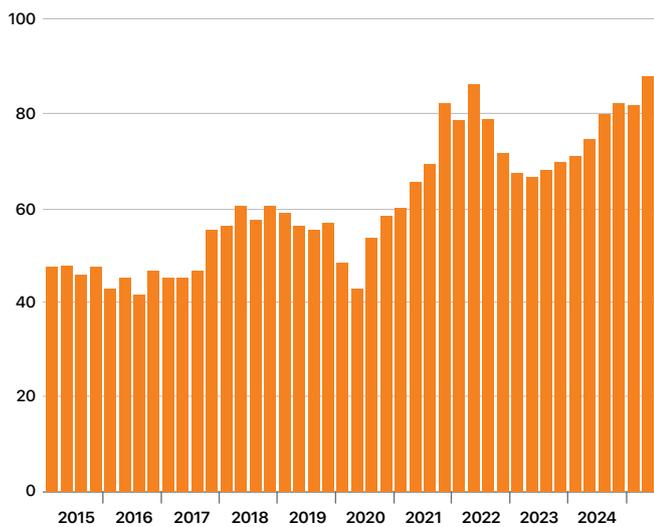
Quarterly Merchandize Export Trajectory

Apr 2025	May 2025	Jun 2025
90.3 billion	90.4 billion	92.1 billion
-10.9% y/y	-14.0% y/y	+3.7% y/y

Despite overall Q2 exports declining 7.3% y/y due to a 15.8% y/y drop in oil exports, non-oil exports surged 17.8% y/y to reach a record SAR 88 billion in 2025 Q2, with re-exports jumping 46.2% y/y and validating the Kingdom’s emergence as a regional trade hub.

Importantly, oil’s share of total exports declined from 74.7% in Q2 2024 to 67.9% in Q2 2025 - the most significant structural shift in Saudi Arabia’s export profile in decades, representing accelerating economic transformation rather than temporary commodity market fluctuations.

Total non-oil exports



Source: General Authority of Statistics

Non-Oil Exports

The Kingdom’s export profile in Q2 2025 showcased accelerating diversification success, building on Q1’s strong 13.4% y/y non-oil export growth.

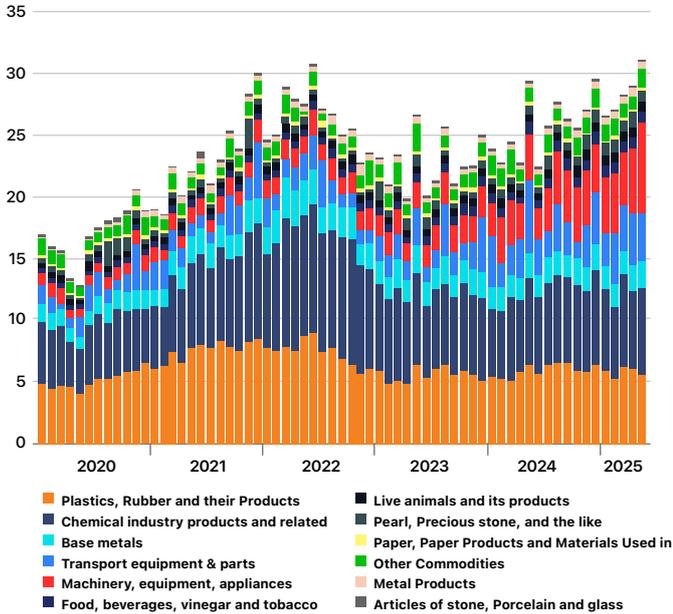
Non-oil exports (including re-exports) demonstrated robust quarterly momentum:

April	May	June
28.4 billion	31.12 billion	27.4 billion
+24.6% y/y	+6.0% y/y	+22.1% y/y

Non-oil exports now compose 29.8% of total exports (up from 25.3% in Q2 2024).

While oil exports still comprised 70.2% of total exports in June - representing a continued decline from historical levels above 75% - the robust performance of non-oil categories validated the Kingdom’s strategic investments in downstream value-added production capabilities.

Total Non-Oil Exports Distribution (SAR billion)



Source: General Authority of Statistics

argaamMACRO

June 2025 Non-Oil Export Sectoral Breakdown:

- Chemical products: 23.0% of non-oil exports (+5.8% y/y growth), maintaining leadership as Saudi Arabia's flagship diversification sector
- Machinery, electrical equipment & parts: 21.7% (+120.8% y/y growth), demonstrating the Kingdom's rapid emergence in high-value manufacturing
- Other sectors: 55.3% (mixed performance across diverse emerging categories including plastics, metals, food products, and textiles)

The very robust 120.8% expansion in machinery and electrical equipment exports represents the most significant structural shift, transforming from a negligible export category in 2019 to the second-largest non-oil export sector.

This expansion validates the effectiveness of

localization initiatives under Vision 2030 and positions Saudi Arabia as an emerging industrial economy capable of competing in high-value manufacturing sectors globally.

China maintained its dominant position as the destination for 15.5% of Saudi exports in June, while also serving as the largest import source at 27.9%, reflecting the Kingdom's pragmatic approach to engaging the world's largest energy consumer while building comprehensive economic relationships. Significantly, China's share increased from 14.0% in May to 15.5% in June, indicating strengthening commercial ties despite global trade tensions.

The UAE's consistent positioning as the second-largest export destination at 9.1% in June - down slightly from 11.2% in May - validated the Kingdom's positioning as a regional trade hub leveraging geographic advantages and infrastructure investments. The 46.2% surge in re-exports during 2025Q2 particularly benefited UAE trade relationships, with re-export flows reaching the UAE demonstrating Saudi Arabia's emerging role as a regional distribution center.

India's stable ranking as the third-largest export destination at 9.1% in June - up from 8.9% in May - demonstrated the effectiveness of Saudi Arabia's market diversification strategy and the growing competitiveness of its emerging industrial base. The bilateral trade relationship has strengthened significantly, with India importing \$2.16 billion from Saudi Arabia in June 2025, primarily in energy and petrochemical products, while Saudi Arabia imported Indian engineering goods, pharmaceuticals, and textiles worth over \$1.38 billion.

The United States emerged as the second-largest import source at 8.3% in June, reflecting continued demand for American technology, machinery, and aerospace products supporting Vision 2030 projects. This diversified import base reduces dependence on any single trading partner while optimizing access to cutting-edge technologies essential for industrial transformation.



Saudi Arabia
Quarterly Economic Report – Q2 2025

argaam³ Intelligence

argaam