

IMF Executive Board Concludes 2025 Article IV Consultation with Saudi Arabia

August 4, 2025

- Saudi Arabia's economy has demonstrated strong resilience to shocks, with non-oil economic activities expanding, inflation contained, and unemployment reaching record-low levels.
- Despite heightened uncertainty and declining commodity prices, the outlook remains strong with risks to the downside. External and fiscal buffers remain ample, even as current account and fiscal deficits persist over the medium term.
- Given the current heightened global uncertainty, pursuing a countercyclical fiscal stance is crucial. Addressing strong credit is important to mitigate risks to systemic financial stability. At the same time, structural reforms are essential to sustain non-oil growth and drive economic diversification, irrespective of oil price developments.

Washington, DC: On July 28, 2025 the Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Saudi Arabia.^[1]^(#_ftn1)

As its economic diversification advances, Saudi Arabia has shown strong resilience to external shocks. In 2024, non-oil real GDP grew by 4.5 percent, driven by retail, hospitality, and construction, while OPEC+ production cuts held oil output at 9 mbpd, causing a 4.4 percent decline in oil GDP and moderating overall growth to 2.0 percent. Inflation remained contained, with housing rent increases continuing to decelerate. Unemployment among Saudi nationals hit a record low, with youth and female unemployment rates halved over four years. The current account shifted to a 0.5% of GDP deficit from a 2.9 percent of GDP surplus in 2023, increasingly financed by external borrowing and reduced foreign asset accumulation. Despite these shifts, Saudi Central Bank's net foreign assets stabilized at \$415 billion, covering 187 percent of the IMF's reserve adequacy metric. The banking sector remained strong, marked by high capitalization, profitability, and nonperforming loans at their lowest since 2016.

Amid heightened uncertainty and weakened commodity prices, robust domestic demand, including government-led projects, will continue to keep non-oil growth above 3.5 percent over the medium term. This reflects the ongoing implementation of Vision 2030 projects and major international events. Overall, real GDP is projected to accelerate to 3.9 percent by 2026, supported by the continued phase-out of OPEC+ production cuts. Inflation is expected to remain contained, while the current account deficit is projected to persist over the medium term due to increased investment-linked imports and remittance outflows. Reserve buffers will remain appropriate, with the current account deficit expected to be financed through deposit drawdowns, less FX asset accumulation abroad, and higher external borrowing

The near-term outlook faces downside risks, including weaker oil demand due to global trade tensions, lower government spending, and regional security risks that could dampen investor sentiment. On the upside, higher oil production or additional investments linked to Vision 2030 initiatives would support growth, and oil prices could rise if the global recovery strengthens or in the case of disruptions to the global supply of oil.

Executive Board Assessment^[2]^(#_ftn2)

Executive Directors commended Saudi Arabia's strong economic performance despite elevated global uncertainty and external shocks, buttressed by ongoing reforms under Vision 2030 to diversify the Saudi economy. Directors welcomed the robust non-oil economic activity, low inflation, and record-low

unemployment. Despite high uncertainty and the emergence of twin deficits, the outlook remains favorable –helped by appropriate macroeconomic policies, strong buffers, and impressive reform momentum.

Directors supported a countercyclical fiscal policy in the near term, given ample fiscal buffers, to support growth and avoid magnifying the impact of large oil price fluctuations. They welcomed the authorities' contingency planning and encouraged careful consideration of trade-offs in the use of fiscal buffers. Over the medium term, Directors agreed that a gradual fiscal consolidation is needed to achieve intergenerational equity. This could be achieved through broader tax policy reforms to increase non-oil revenue, wage bill containment, energy subsidy reform alongside better targeting social safety nets, and streamlining of non-essential expenditures.

Directors also commended the authorities for progress in strengthening fiscal institutions. They encouraged continued efforts to enhance the medium-term fiscal framework, and encouraged the operationalization of an expenditure-based fiscal rule, improvements in budget execution, and operationalization of a comprehensive sovereign asset-liability management framework. Directors welcomed the significant improvement in fiscal transparency with enhanced fiscal analysis and data disclosure, ongoing risk analysis efforts, including of contingent liabilities, and encouraged further progress in these areas. They highlighted the tightening sovereign spreads following recent bond issuance, which reflects increased investors' confidence in the sustainability of fiscal policies.

Directors agreed that the currency peg to the U.S. dollar remains appropriate. They welcomed improvements in the liquidity management framework and noted that monetary operations should remain focused on smoothing short-term liquidity without fueling asset and credit growth.

Directors noted that the banking system remains well-capitalized and profitable, liquidity conditions are adequate, and systemic financial sector vulnerabilities are low. They welcomed continued progress in banking regulatory and supervisory reforms and encouraged swift adoption of the Banking Law and finalization of the crisis management framework. They commended the good progress in implementing FSAP recommendations, SAMA's vigilance in monitoring potential risks, and welcomed their proactive review of macroprudential tools to ensure continued financial stability—including through the recent introduction of a 100 basis points countercyclical capital buffer. Directors also welcomed continued progress in deepening the domestic capital market, which is important to help diversify funding sources.

Directors commended the impressive structural reforms since 2016 and stressed the importance of sustaining the reform momentum irrespective of oil price developments. They particularly welcomed improvements in the regulatory and business environment, human capital, female labor participation, and governance, and looked forward to sustained improvement in SME access to finance, regional trade integration, and climate resilience. Directors noted that industrial policies should remain complementary to structural reforms, and be targeted, temporary, transparent, and should continue prioritizing crowding in private sector investment and advancing economic diversification.

Directors commended Saudi Arabia for its stabilization role in the region, and its leadership in multilateral fora, including G20, and its role as Chair of the IMFC, and looked forward to its continued contributions to addressing global challenges.

Saudi Arabia: Selected Economic Indicators, 2024-26

Population: 35.3 million (2024)

Quota: SDR 9,992.6 million (2.10% of total)

Main products and exports: Oil and oil products (77%)

Key export markets: Asia, U.S., and Europe

		Proj.	Proj.
	2024	2025	2026

Output

Real GDP growth	2.0	3.6	3.9
Non-oil GDP growth	4.5	3.4	3.5

Prices

CPI Inflation (avg, %)	1.7	2.1	2.0
------------------------	-----	-----	-----

Central government finances

Revenue (% GDP)	27.1	24.1	24.0
Expenditure (% GDP)	29.6	28.1	27.9
Fiscal balance (% GDP)	-2.5	-4.0	-3.9
Public debt (% GDP)	26.2	29.8	32.6
Non-exported oil primary balance (% Nonoil GDP)	-24.7	-21.1	-20.3

Money and credit

Broad money (% change)	8.8	9.3	8.2
Credit to the private sector (% change)	13.4	12.4	8.9

Balance of payments

Current account (% GDP)	-0.5	-2.6	-3.0
FDI (% GDP)	1.6	1.6	1.6
Reserves (months imports) ¹	14.9	14.1	13.3
External debt (% GDP)	30.1	34.8	38.1

Exchange rate

REER (% change) ²	2.4	3.0	...
------------------------------	-----	-----	-----

Unemployment rate

Overall (% total labor force)	3.5	...	...
Nationals (% total labor force)		7.4	...

Sources: Country authorities and IMF staff estimates and projections.

¹ Imports of goods and services.

² For 2025, data is latest available.

[1](#_ftnref1) Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2](#_ftnref2) At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:
<http://www.IMF.org/external/np/sec/misc/qualifiers.htm> (<http://www.IMF.org/external/np/sec/misc/qualifiers.htm>).

IMF Communications Department

MEDIA RELATIONS

PRESS OFFICER: WAFA AMR

PHONE: +1 202 623-7100 | EMAIL: MEDIA@IMF.ORG

[X](#) [@IMFSPOKESPERSON](#) ([HTTPS://TWITTER.COM/IMFSPOKESPERSON](https://twitter.com/IMFSPOKESPERSON))

