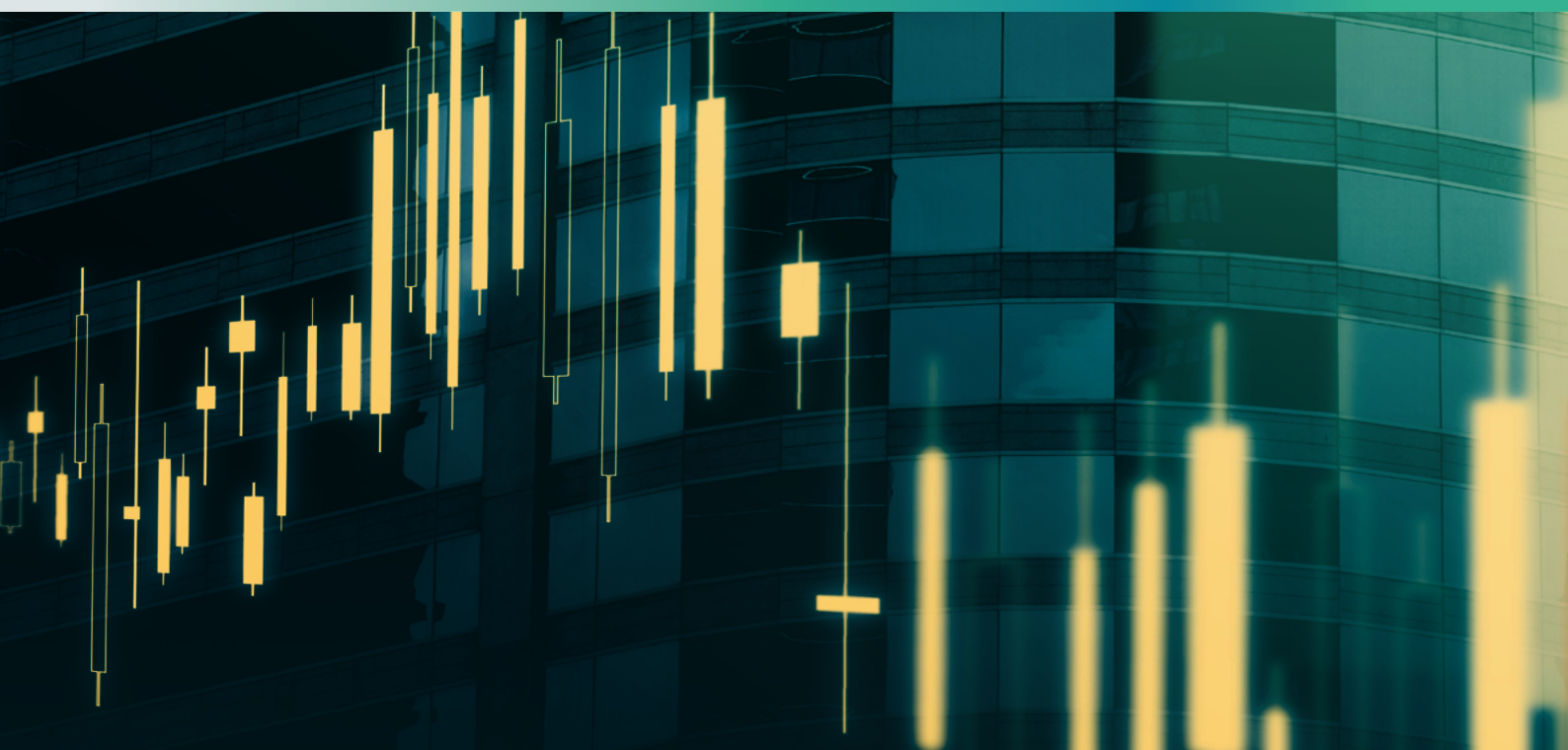


تقرير الأداء المالي والاقتصادي
النصف الأول 1446 - 1447 هـ
Mid-Year Budget Performance Report
H1 of FY 2025



The Mid-Year Economic and Fiscal Performance Report FY2025



وزارة المالية
Ministry of Finance





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List of Abbreviations

Bn	Billion
BPD	Barrel Per Day
CAPEX	Capital Expenditure
CPI	Consumer Price Index
FY	Fiscal Year
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFSM 2014	Government Finance Statistics Manual 2014
H1	First-Half of the Year
MIM	Ministry of Industry and Mineral Resources
MoF	Ministry of Finance
MSMEs	Micro-, Small, and Medium-Sized Enterprises
NDF	National Development Fund
OPEX	Operational Expenditures
PIF	Public Investment Fund
POS	Point-of-Sale
PMI	Purchasing Managers' Index
Q1	First Quarter of the Year
Q2	Second Quarter of the Year
Q4	Fourth Quarter of the Year
SAIBOR	Saudi Arabian Interbank Offered Rate
SAMA	Saudi Central Bank
﷼	Saudi Arabian Riyal
TASI	Tadawul All Share Index
Tn	Trillion
USD	United State Dollar
WPI	Wholesale Price Index

Introduction

■ The Ministry of Finance (MoF) publishes the Mid-Year Economic and Fiscal Performance Report for Fiscal Year (FY) 2025 as part of the government's policy to enhance the budget preparation process and integrate it within a comprehensive economic and fiscal framework. This supports the government's initiatives for disclosure and transparency in public finances, in accordance with the objectives of Saudi Vision 2030.

The report outlines the key developments in the Kingdom's fiscal performance and economic indicators during the first half (H1) of FY2025. It also provides an update and analysis of fiscal performance estimates through year-end as well as the key economic indicators for FY2025, taking into account current domestic and global developments. It should be noted that the estimates presented in this report are preliminary and based on the information available at the time of its preparation.



Executive Summary

■ The fiscal and economic reforms driven by Saudi Vision 2030 in recent years have contributed to strengthening positive growth in the Saudi economy. This impact is evident across several economic indicators, notably in the expansion of non-oil activities and the decline in unemployment rates, which have reached record lows. The government of the Kingdom of Saudi Arabia continues its efforts toward achieving economic growth and diversification, fiscal sustainability, and the enhancement of the quality of services provided to citizens and residents. Despite global economic challenges, escalating global trade tensions, growing uncertainty, and regional geopolitical developments, the Saudi economy sustained positive growth rates in H1 of FY2025. This was supported by expansionary efforts in strategic spending, the adoption of a counter-cyclical fiscal policy, and the growth in non-oil activities. The government also reaffirms its commitment to promoting economic growth through the enhanced implementation of programs, projects, and strategies, alongside the continued pursuit of structural reforms, which have been key priorities since the launch of Saudi Vision 2030.

The developments in public finance and economic indicators can be summarized as follows:

- **Real Gross Domestic Product (GDP)**¹ grew by 3.6% in H1 of FY2025 compared to the same period in FY2024, driven by positive growth in

¹ According to the updated GDP data with FY2023 as the base year.

the **GDP of non-oil activities** by 4.8% and a 1.7% increase in the **GDP of oil activities**.

- **Real private final consumption expenditure** grew by 3.5% in H1 of FY2025 compared to the same period last year.
- **Real private Gross Fixed Capital Formation (GFCF)** grew by 4.6% in H1 of FY2025 compared to the same period last year.
- The **Consumer Price Index (CPI)** increased by 2.2% in H1 of FY2025 compared to the same period last year.
- **The overall unemployment rate** stood at 3.2% in Q2 of FY2025. **The Saudi unemployment rate** dropped to 6.8% compared to 7.1% in Q2 of FY2024.
- Projections indicate that the positive growth in GDP indicators will continue throughout FY2025. According to preliminary estimates, **real GDP** is expected to grow by 4.4% in FY2025, driven by an anticipated growth of 5.0% in **non-oil activities**.
- **Total revenues** declined by 12.6% in H1 of FY2025 compared to the same period last year, reaching ﷲ 565 bn. It is expected that total revenues for FY2025 will reach approximately ﷲ 1,091 bn, representing a decrease of 7.8% compared to the approved budget.
- **Total expenditures declined** by 2.4% in H1 of FY2025 compared to the same period last year, reaching to ﷲ 658 bn. Operational Expenditures (OPEX) increased by 2.7%, while Capital Expenditure (CAPEX) decreased by 31.9%, resulting in a decline in total expenditures compared to the same period last year. **Total expenditures** for FY2025 are expected to

increase by 4.0% compared to the approved budget, reaching ￼ 1,336 bn, reflecting the adoption of a counter-cyclical fiscal policy.

- **The budget recorded a deficit of about ￼ 93 bn in H1 of FY2025** compared to a deficit of around ￼ 28 bn in the same period last year. It is expected that the deficit will reach around ￼ 245 bn by the end of FY2025 (approximately 5.3% of GDP).
- In H1 of FY2025, **financing needs** amounted to approximately ￼ 174 bn, for the purpose of financing the budget deficit, the repayment of debt principal, as well as the early purchase of a portion of outstanding debt instruments maturing in FY2025 and subsequent years, with a value of around ￼ 60 bn. Consequently, the public debt reached about ￼ 1,386 bn in H1 of FY2025.



Mid-Year Actual Performance and Estimates for FY2025

First: Domestic Economic Developments and Estimates

■ In recent years, the Saudi economy has achieved notable progress, driven by a comprehensive development vision that aims to build a diversified and sustainable economy through supporting productive sectors, promoting domestic and foreign investments, and ensuring fiscal sustainability. Despite ongoing global challenges, most notably the anticipated slowdown in the global economy—escalating geopolitical and trade tensions, and oil market volatility—the policies implemented by the government under Saudi Vision 2030 have strengthened the resilience of the domestic economy and driven economic and social transformation. These efforts have positively enhanced the Kingdom's international standing.

The government has advanced structural reforms aimed at diversifying income sources, empowering the private sector, and improving the business environment. These reforms have positively impacted the growth of non-oil activities, which became the main driver of economic growth, alongside efforts to promote quality investments in targeted sectors such as industry, logistic services, technology, and tourism.

In FY2024, the Saudi economy grew by 5.2% in real GDP of non-oil activities, representing 55% of total real GDP and reaching historic levels of over SAR 2.6 tn. Despite the decline in oil activities by 4.4% during the same year, the growth of non-oil activities reflects the

Kingdom's continued progress in diversifying the economy and reducing dependence on oil activities, in line with Saudi Vision 2030 objectives. Furthermore, the OPEC+ agreement reached in December 5, 2024, which calls for resuming the voluntary production of 2.2 million barrels per day (bpd) and gradually and flexibly increasing production starting from April 1, FY2025, marks an important step toward enhancing stability and balance in global oil markets.

During H1 of FY2025, **real GDP** recorded a growth rate of 3.6%², driven by the positive growth rate of non-oil activities, which reached 4.8%. This increase stemmed from higher private consumption, accelerated private investment across vital sectors, and improved export performance. This performance reflects the sustained confidence in the economy and the ability to achieve sustained growth, alongside ongoing economic reforms aimed at diversifying income resources and increasing the contribution of the non-oil sector to GDP.

Moreover, average oil production reached around 9.1 million bpd in H1 of FY2025, reflecting an annual growth rate of 1.2%. This rise is expected to enhance the value of oil exports, thereby strengthening merchandise trade balance amid volatility in global oil prices.

Real private final consumption expenditure recorded 3.5% growth in H1 of FY2025, with most private consumption indicators showing increases in H1 of FY2025. Such growth was driven by higher employment rates, which directly contributed to increasing average household income, thereby positively affecting private consumption. Additionally, **the point-of-sale (POS) and e-commerce sales indexes** showed a positive growth of 5.5% and 61.0% respectively in H1 of FY2025, compared to the same period last year.

² According to the updated GDP data with FY2023 as the base year.

Private investment indicators showed positive growth, reflecting the empowerment of the private sector and the pivotal role of the Public Investment Fund (PIF). Consequently, real private GFCF increased by 4.6% in H1 of FY2025 compared to the same period last year, driven by the reforms implemented by the government to enhance the investment environment, most notably the updated Investment Law which came into effect at the beginning of FY2025, and the new Commercial Register Law. These reforms may boost investor and business confidence in contracts. In addition, business conditions in the non-oil private sector have improved, with the **Purchasing Managers' Index (PMI)** reaching around 57.6 points in H1 of FY2025, remaining above the neutral level of 50 points. Notably, PMI recorded its highest reading since 2014 in January FY2025, at 60.5 points, indicating improvements in new orders, expanded production, improved labor market conditions, and increased employment.

In H1 of FY2025, **CPI** increased by 2.2% compared to the same period last year. This rise is due to an increase in the general level of prices in some sections. For instance, prices in the housing, water, electricity, gas, and other fuel section increased by 7.0%. Additionally, the **Wholesale Price Index (WPI)** increased by 1.7% in H1 of FY2025 compared to the same period last year.

The positive performance of the domestic economy was reflected in labor market data³, as the **Saudi unemployment rate** declined to 6.8% in Q2 of FY2025 compared to 7.1% in Q2 of FY2024. Meanwhile, the overall unemployment rate declined to 3.2% in Q2 of FY2025 compared to 3.3% in Q2 of FY2024.

³ Data published by GASTAT

Administrative records shows that **the number of Saudi employees in the private sector** increased by 6.2%, around 144.1 thousand employees by the end of Q2 of FY2025 compared to the same period last year, bringing the total to 2.5 million employees in the private sector.

In June FY2025, **bank credit to the private sector** recorded an annual increase of 14.1%, reaching a record high of **ﷲ** 2.96 tn. This significant rise highlights the expansion of the private sector across various economic activities through providing financing that stimulates both investment and consumption within the economy. Moreover, the volume of **bank credit to micro-, small, and medium-sized enterprises (MSMEs)** grew by 32.2% on an annual basis in Q1 of FY2025, amounting to **ﷲ** 365 bn. This financing is a key driver of economic expansion as it provides the essential support to enhance investment and consumption levels across various sectors.

The banking sector recorded 14.1% growth in total **assets** in June FY2025, reaching **ﷲ** 4.8 tn, compared to about **ﷲ** 4.2 tn in the same period last year. This growth shows the dynamics of the banking sector and its ability to expand, driven by higher demand for financing. Loan portfolio accounted for over 65% of total assets while bank credit to the private sector accounted for the largest share at 92.9% of total credit.

Real estate loans are a primary driver of growth in bank credit to the private sector, totaling **ﷲ** 932 bn by the end of Q2 of FY2025, and representing 32% of total bank credit to the private sector. Real estate **loans to individuals** grew by 11.3% in Q2 of FY2025 while **real estate loans** to corporates increased by 26% during the same period. This growth positively impacts individuals by increasing homeownership rates and promoting housing stability.



Source: SAMA

The following graph shows the growth rates of (assets - bank credit to the private sector - consumer loans) through Q2 of FY2025:



Source: SAMA

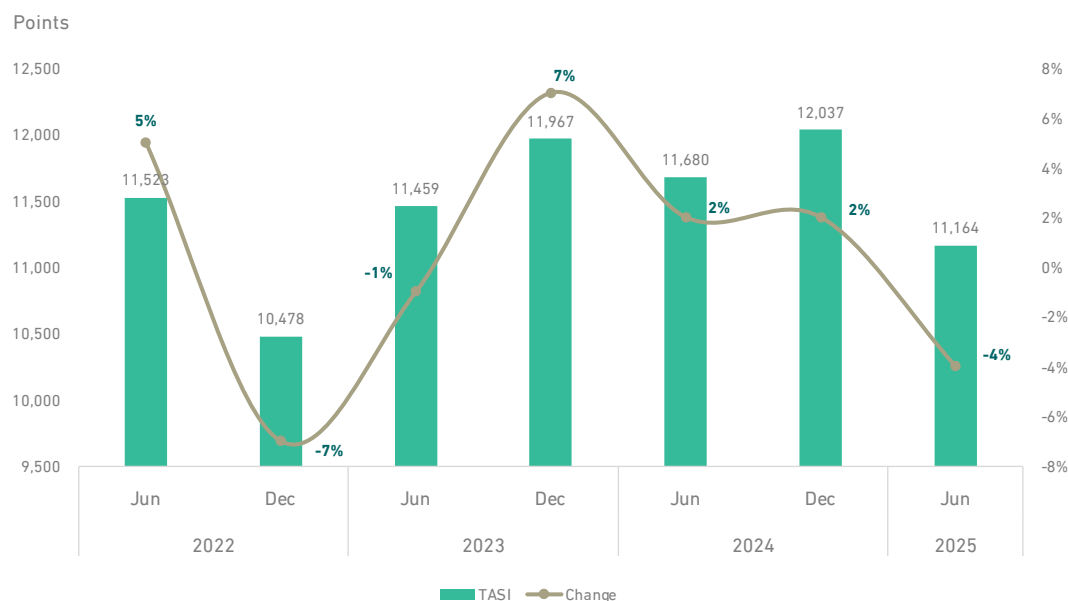
Developments in the Main Market (Tadawul All Share Index -TASI)

The **Tadawul All Share Index (TASI)** decreased by 4.4% by the end of H1 of FY2025 compared to the same period last year, closing at 11,164 points, which represents a decline of 516 points compared to the same period last year. Furthermore, since the beginning of FY2025, TASI reached its highest closing point at 12,472 on February 10 of FY2025.

In H1 of FY2025, the **number of companies listed on TASI** increased to 256 compared to 238 listed companies in the same period last year.

In terms of ownership percentages, **shares held by foreign investors in TASI** are about 11.6% of the total free-floating shares in H1 of FY2025. Meanwhile, the **ownership of Saudi investors** represented 86.9%, whereas the **ownership of GCC investors** was 1.4%. Notably, the Capital Market Authority has approved amendments to investment accounts, allowing GCC residents to maintain direct investments in the Saudi market even after returning to their home countries.

The following graph shows the performance of TASI in H1 of FY2025:



Economic Indicators Estimates for FY2025

The preliminary estimates of **real GDP** for FY2025 indicate a rise of 4.4%, which is lower than FY2025 budget projections of 4.6%, while the **GDP of non-oil activities** is expected to record an annual growth rate of around 5.0% in FY2025. This growth is driven by efforts to enhance

economic diversification, stimulate investment in promising sectors, and improve the business environment in line with Saudi Vision 2030.

- The Industrial Sector and Exports

Given the importance of developing the industrial sector and its impact on economic diversification, the government has made quality investments to develop a strong and integrated infrastructure by building industrial cities and specialized clusters. These efforts aim to enhance the added value of national industry and localize advanced manufacturing technologies. According to the latest data published by the Ministry of Industry and Mineral Resources (MIM) in July FY2025, the current number of factories in the Kingdom exceeded 12 thousand. MIM plans to expand the industrial base and increase the number of factories to 36 thousand by 2035. In addition, the industrial sector recorded an annual growth rate of 3.4% in H1 of FY2025. It is also expected that the **manufacturing sector** will maintain its positive growth, supported by the National Industrial Strategy which seeks to increase local industrial production to approximately **ﷲ** 895 bn by 2030, as well as double the value of industrial exports to **ﷲ** 557 bn in the same year.

- The Role of PIF and the National Development Fund in Promoting Growth and Empowering the Private Sector

PIF and the National Development Fund (NDF) maintained their continuous support to economic growth. PIF aims to contribute cumulatively around **ﷲ** 1.2 tn to the GDP of non-oil activities by the end of FY2025. PIF also continued implementing its strategic projects designed to enhance economic diversification and promote sustainable growth. Among PIF key initiatives are the launch of a company to manage and execute Riyadh Expo 2030 in H1 of FY2025, as well as the development

of renewable energy projects in partnership with the private sector. PIF has also supported an organization specializing digital transformation through an agreement with “Elm” company signed in January FY2025, with the aim of advancing the local telecommunications and IT ecosystem by enabling digital transformation and localizing technology. This was achieved through “Elm’s” acquisition of “Thiqah” for ﷲ 3.4 bn, reinforcing domestic innovation. In May FY2025, PIF has also invested in Humain, an organization specializing in artificial intelligence technologies, enhancing the Kingdom’s position as a globally competitive hub in the sector. Additionally, PIF expanded its investments in the sports and tourism sectors. These efforts highlight PIF’s pivotal role in driving economic development and realizing the objectives of Saudi Vision 2030.

NDF also places a strong emphasis on empowering the private sector and supporting projects with high economic and social impact, contributing to the realization of Saudi Vision 2030 objectives. In FY2025, NDF, through its specialized development funds, has achieved significant milestones by supporting priority economic and development sectors, including agriculture, industry, tourism, housing, and infrastructure.

Furthermore, the development funds affiliated to NDF have achieved notable accomplishments, including: increasing the contribution of the agricultural sector to GDP from 3.6% in FY2016 to 11% in FY2024 through the Agricultural Development Fund; approving over ﷲ 88 bn in loans to support the industrial, energy, mining, and logistic services sectors through the Saudi Industrial Development Fund; raising local content contribution in overseas projects to 81% through the Saudi Fund for Development; depositing ﷲ 6.2 bn to support the beneficiaries of the housing support program through the Real Estate Development Fund; and serving over 19.9 million beneficiaries and disbursing ﷲ 78.6 bn

for specialized programs through the Human Resources Development Fund.

- Private Consumption and Tourism Seasons as Growth Engines

Estimates for the end of FY2025 anticipated continued growth in **private consumption**. This is due to sustained improvement in employment rates and their direct impact on increasing household income. It is also driven by the ongoing Saudi seasons and their associated events which attract local residents and international tourists. In Q1 of FY2025, the Kingdom ranked third globally in international tourist growth, an increase of 102% compared to Q1 of FY2019, and second in the Middle East according to the World Tourism Barometer released in May FY2025 by the UN World Tourism Organization. Additionally, the number of tourists exceeded one hundred million for the second year in a row, reaching a total of approximately 116 million tourists in FY2024, an increase of 6% compared to FY2023. This has reinforced the Kingdom's leading position in regional and global tourism. Further, the Kingdom's top ranking in global tourism indicators highlight the effectiveness of its effort to develop the tourism sector and its steady progress toward achieving the ambitious tourism targets set in Saudi Vision 2030. The Kingdom aims to host nearly 150 million tourists in FY2030 which has supported the growth in consumer spending. Consequently, this positively impacted the travel item in the balance of payments in Q1 of FY2025, resulting in a net surplus of about ~~٢٧~~ 27 bn, a 12% increase compared to the same period last year.

Moreover, H1 of FY2025 witnessed the Hajj season, with a total of approximately 1.7 million **pilgrims** in 1446 AH. There was also an increase in the number of Umrah performers and visitors to the

Prophet's Mosque, with a total of over 16 million Umrah performers during Ramadan in FY2025. The government aims to enhance its capacity through the Pilgrims Experience Program as the role of the program is to provide as many Muslims as possible the opportunity to perform Hajj and Umrah and visit the holy sites in the best possible manner while enhancing their overall experience. The program also aims to accommodate around 30 million Umrah performers annually by FY2030.

- Housing and Real Estate Development

Saudi growth is further supported by the ongoing execution of **the Housing Program**. The program was launched under Saudi Vision 2030 and aims to ensure the ongoing development and sustainability of the real estate sector. In the next phase, the Housing Program will continue working to raise the homeownership rate among Saudi families to reach 70% by FY2030. It is worth noting that the homeownership rate among Saudi families had already made significant progress, reaching 65.4% by the end of FY2024.

In light of these developments, the **CPI** (inflation rate) is expected to show stable growth rate, averaging 2.3% in FY2025.

Estimates of Key Economic Indicators

Economic Indicators	Percentage, unless stated otherwise			
	Actual**		Budget	Estimates*
	2023	2024	2025	2025
Real GDP Growth	0.5%	2.0%	4.6%	4.4%
Growth of Non-Oil Activities	7.0%	5.2%	4.3%	5.0%
Nominal GDP (₦ bn)	4,570	4,649	4,352	4,600
Nominal GDP Growth	-1.7%	1.7%	-6.4%	-1.1%
Inflation	2.3%	1.7%	1.9%	2.3%

* Preliminary Estimates

** Source:GASTAT



Second: Fiscal Development and Estimates

■ The Saudi government continues to implement strategies aimed at economic transformation, fiscal sustainability, and achievement of comprehensive development goals that enhance economic resilience and flexibility. In recent years, the government has made efforts to enhance the fiscal performance by utilizing the available fiscal space to accelerate comprehensive development in the Kingdom. This endeavor shall ensure achieving fiscal sustainability, while maintaining considerable levels of government reserves and sustainable levels of public debt.

01

Revenue Performance and Year-End Estimates

In H1 of FY2025, **total actual revenue** reached around ₪ 565 bn, a decrease of 12.6% compared to the same period last year. This was due to a 23.6% decline in oil revenues which was driven by lower oil prices in the current year and the collection of higher performance-linked dividends in H1 of FY2024 compared to H1 of FY2025. Meanwhile, non-oil revenues increased by 4.6% during the same period, due to improvements in non-oil activities. Further, total revenues of FY2025 are expected to reach approximately ₪ 1,091 bn, a decrease of 13.3% compared to last year, and a 7.8% decline compared to the approved budget.

Main Revenue Items according to the Government Finance Statistics Manual (GFSM 2014):

Taxes

In H1 of FY2025, **tax revenues** reached about ₪ 209 bn, marking a 5.2% increase compared to the same period last year. It is anticipated that **tax revenues** for FY2025 will reach around ₪ 394 bn, a 3.9% increase compared to the budget estimate. This increase is driven by the ongoing improvement in non-oil activities, as well as government efforts and initiatives which include the sustained development of tax administration.

In H1 of FY2025, **taxes on income, profits, and capital gains** were around ₪ 20 bn, an increase of 5.3% compared to the same period last year. This growth is driven by an increase of 9.0% in corporate income tax revenues, totaling around ₪ 13.6 bn compared to about ₪ 12.5 bn in the same period last year. This outcome is driven by the improved performance in certain economic sectors. It is expected that **taxes on income, profits, and capital gains** will record around ₪ 32 bn in FY2025, marking an increase of 4.4% compared to the budget estimates.

In H1 of FY2025, **taxes on goods and services** were around ₪ 147 bn, a 4.6% increase compared to the same period last year. This increase is primarily due to the positive performance in economic activity and growth in private consumption and investment. It is estimated that total **taxes on goods and services** will amount to approximately ₪ 298 bn by the end of the year, a 2.8% increase compared to the budget estimate.

Taxes on international trade and transactions (custom duties) totaled around ₪ 12 bn in H1 of FY2025, marking a 3.4% increase compared to the same period last year. It is notable that through H1 of FY2025, the total value of merchandise imports has increased by 11.8% compared to the same period last year, according to the data published by GASTAT. This increase is driven by higher investment-related imports. It is expected that **revenues from taxes on international trade and transactions (customs duties)** will reach around ₪ 27 bn in FY2025, a 17.4% increase compared to the budget estimate. This increase is due to the continued growth in imports, which is associated with the development of economic activity, the implementation of giga projects, and the increased demand for capital goods.

In H1 of FY2025, revenues from **other taxes (including Zakat)** amounted to approximately ₹ 31 bn, marking an 8.4% increase compared to the same period last year. This is attributed to the improved performance in some economic sectors such as financial and insurance activities, as well as the collection of outstanding amounts from previous periods. It is expected that **other taxes** will record around ₹ 37 bn in FY2025, a 4.6% increase compared to the budget estimate.

Other Revenues

■ In H1 of FY2025, the total of **other revenues** reached about ₹ 356 bn, a 20.6% decrease compared to the same period last year. This is due to the decline in oil revenues, which recorded around ₹ 302 bn by the end of H1 of FY2025, a 23.6% decrease compared to the same period last year. This decrease in oil revenues is mainly due to lower oil prices in the current year and the collection of higher performance-linked dividends in H1 of FY2024 compared to H1 of FY2025. It is worth noting that the average oil price declined by around 14.3%, averaging about USD 72.0 per barrel through the end of H1 of FY2025, compared to approximately USD 83.8 per barrel for the same period last year. However, average production reached 9.1 million bpd through the end of H1 of FY2025, compared to an average of 9.0 million bpd for the same period last year. In FY2025, **other revenues** are expected to reach around ₹ 697 bn, a 13.4% decrease compared to the budget estimate.

02

Expenditure Performance and Year-End Estimates

Through H1 of FY2025, **total expenditures** reached around ₪ 658 bn, a 2.4% decrease compared to the same period last year. OPEX increased by 2.7% while CAPEX declined by 31.9%, leading to a decrease in total expenditures compared to the same period last year. Additionally, expenditures in H1 of FY2025 accounted for 51.2% of the approved budget.

Total expenditures for FY2025 are expected to increase by 4.0% compared to the approved budget, reaching ₪ 1,336 bn. This increase is attributed to the adoption of a counter-cyclical fiscal policy, along with the government's ongoing execution of transformative programs and strategic projects, aimed at driving development across all sectors, expanding economic diversification, as well as advancing the structural reforms while fostering economic growth. The government also remains committed to enhancing the social support and protection system as a core policy priority, ensuring that aid is directed to the intended beneficiaries, and delivering a sustained economic and social impact. There is also a focus on improving the quality of public services, developing infrastructure, and enhancing healthcare services in order to boost the overall quality of life for citizens and residents.

In addition, the government continues to expand the contribution of the private sector to economic growth by providing effective enablers that enhance its role as a key development partner. This also includes creating an attractive and competitive business environment that draws in high-quality investments and supports the realization of sustainable growth objectives.

Operational Expenditures (OPEX)

In H1 of FY2025, total **OPEX** amounted to approximately ₪ 591 bn, marking an increase of 2.7% compared to the same period last year. This was due to a 10.4% increase in spending on social benefits, aimed at strengthening the efficiency of the social support and protection system. Expenditures on **compensation of employees** also increased by 3.3%, due to the impact of the annual increment. Likewise, expenditures on **goods and services** increased by 1.4% as a result of higher expenses on pharmaceuticals and public utility bills. Conversely, expenditures on **subsidies** decreased by 33.4% compared to the same period last year. This decline is attributed to the nature of spending on this category which may lead to variation in timing of disbursements. Meanwhile, expenditures on **financing expenses** witnessed a 16.7% increase in H1 of FY2025 compared to the same period last year, due to an expansion in the public debt portfolio.

In light of the actual performance, **OPEX** is expected to reach about ₪ 1,149 bn in FY2025, a 4.3% increase compared to the approved budget. This growth is driven by an expected 9.5% increase on **subsidies**, reflecting support for the Sustainable Agricultural Rural Development Program and aid to livestock, poultry, and fish farmers, with the goal

of localizing and enhancing the sustainability of agriculture and animal husbandry. Expenditures on **social benefits** are anticipated to increase by 2.7%, reflecting the government's ongoing efforts to improve the efficiency of the social support and protection system. In contrast, expenditures on **goods and services** are expected to decrease by 4.6% due to reduced spending on certain OPEX.

Capital Expenditure (CAPEX)

In H1 of FY2025, total **CAPEX** reached approximately ~~ﷲ~~ 68 bn, a decrease of 31.9% compared to the same period last year. This decline was a result of the financial impact of settling compensations for property expropriation in H1 of FY2024. It is also due to the continued progress made in implementing national strategies and projects in the Kingdom in H1 of FY2025, aimed at achieving comprehensive development, diversifying the economic base, continuing support for promising sectors, and enhancing quality of life. These projects include the third Saudi expansion of the Holy Mosque, the development of the core infrastructure for the housing projects, King Salman Park, Green Riyadh, Sports Boulevard, Saudi seasons, and the development of the main ring road axes in Riyadh.

In FY2025, total **CAPEX** is anticipated to reach about ~~ﷲ~~ 187 bn, marking a 2.0% increase compared to the approved budget. This reflects the government's approach to support promising sectors and to diversify the economic base through transformative spending on strategies, giga projects, and Saudi Vision 2030 realization programs. In addition, the government continues to enhance the contribution of the private sector to economic growth, while developing an attractive investment environment

to draw in high-quality investments that promote sustainable economic growth.

Sectoral Expenditures

In terms of the actual expenditure performance at the sector levels, sectoral expenditures recorded a 2.4% decrease in H1 of FY2025 compared to the same period last year. The **health and social development sector** witnessed an increase of 12.4%, with an actual expenditure of approximately ₹ 156 bn in H1 of FY2025. This is mainly due to the ongoing funding of the social support and protection system, as well as increased spending on medical supplies and medications. Expenditures on the **economic resources sector** also increased by 12.3%, about ₹ 46 bn compared to the same period last year, driven by increased spending on various programs, particularly the Industrial Competitiveness Program. Further, expenditures on the **military sector** grew by 6.7%, with an actual expenditure reaching ₹ 111 bn until H1 of FY2025.

Expenditures on the **public administration sector** saw an increase of 5.3% until H1 of FY2025, while expenditures on the **education sector** increased to ₹ 104 bn until H1 of FY2025, marking a slight increase of 2.1% compared to the same period last year. Likewise, expenditures on the **security and regional administration sector** recorded a slight increase of 1.5%, with an actual expenditure reaching ₹ 61 bn until H1 of FY2025.

Conversely, expenditures on **the general items sector** recorded a 26.5% decrease compared to the same period last year, with an actual

expenditure of ﷲ 90 bn in H1 of FY2025. The **municipal services** sector recorded a decline of 25.1% compared to the actual expenditure of the same period last year, amounting to ﷲ 43 bn until H1 of FY2025. This is due to higher spending on property expropriation last year compared to this year for both sectors.

Expenditures on the **infrastructure and transportation sector** decreased by 14.6%, reaching around ﷲ 19 bn compared to the same period last year. This is due to expenditures on construction and development of international airports in FY2024.

Moreover, in terms of expenditure estimates for FY2025, expenditures on the **municipal services sector** are expected to reach around ﷲ 95 bn, an increase of 46.6% compared to the approved budget. This reflects non-recurring property expropriation costs for Diriyah Gate. Expenditures on **the general items sector** are also expected to increase by 31.6% compared to the approved budget, reaching ﷲ 253 bn, mainly due to continued spending on projects, including the third Saudi expansion of the Holy Mosque. Conversely, expenditures on the **military sector, infrastructure & transportation sector, economic resources sector, and security and regional administration sector** are anticipated to decline by 13.7%, 11.5%, 3.6%, and 3.1% respectively.

Sectoral Expenditures

(₹ bn, unless stated otherwise)

Sector	Approved Budget FY2025	Actual Expenditures H1 FY2025	Expenditures (as % of Budget)	Estimates FY2025	Percentage Change % (FY2025 Approved Budget - FY2025 Estimates)*	Actual Expenditures H1 FY2024	Percentage Change % (Actual Expenditure H1 FY2024 - Actual Expenditure FY2025)
Public Administration	44	30	67%	52	16.6%	28	5.3%
Military	272	111	41%	235	-13.7%	104	6.7%
Security and Regional Administration	121	61	50%	118	-3.1%	60	1.5%
Municipal Services	65	43	67%	95	46.6%	58	-25.1%
Education	201	104	52%	201	-0.3%	102	2.1%
Health and Social Development	260	156	60%	262	1.0%	139	12.4%
Economic Resources	87	46	53%	84	-3.6%	41	12.3%
Infrastructure and Transportation	42	19	44%	37	-11.5%	22	-14.6%
General Items	192	90	47%	253	31.6%	122	-26.5%
Total	1,285	658	51%	1,336	4.0%	675	-2.4%

Source: MoF

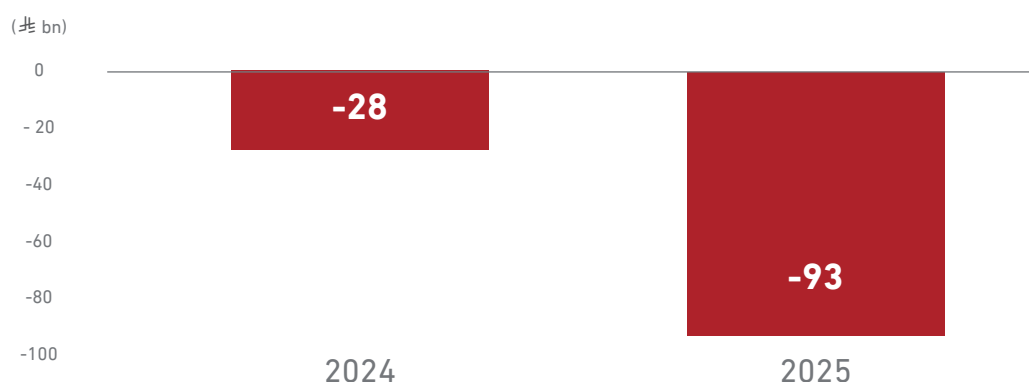
Figures are rounded to the nearest decimal point

03

Debt, Financing, and Year-End Estimates

In H1 of FY2025, the **budget** registered a **deficit** of around $\text{¥} 93$ bn, compared to a deficit of approximately $\text{¥} 28$ bn in the same period last year. This deficit is due to a decline in oil revenues, continued spending due to the adoption of a counter-cyclical fiscal policy, and the accelerated execution of projects, programs, and initiatives with economic and social returns to achieve further sustainable economic growth.

Budget Deficit in H1 of FY2025 Compared to H1 of FY2024



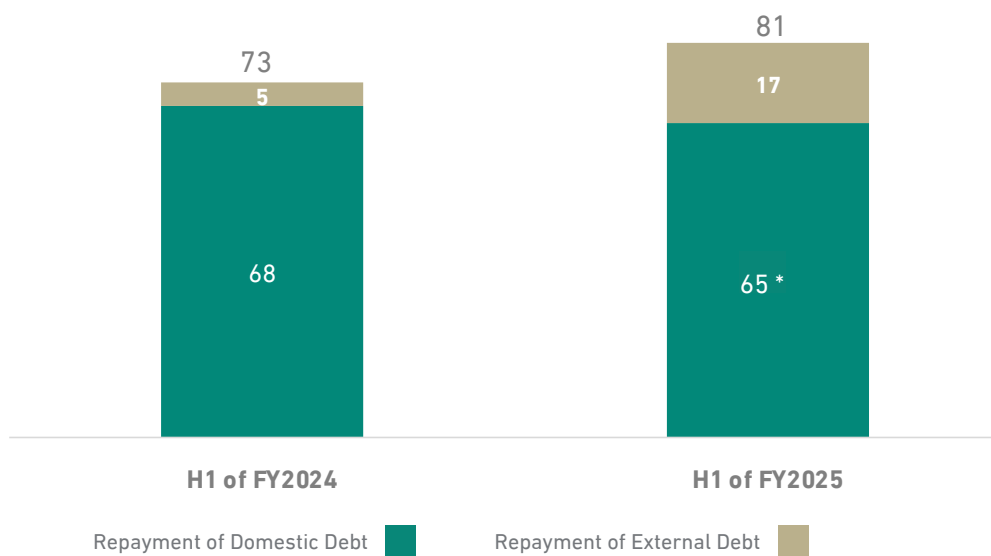
Source: MoF

Government financing activities in H1 of FY2025, including early domestic repurchases and alternative financing, totaled about $\text{¥} 252$ bn. This comprised approximately $\text{¥} 198$ bn in domestic financing activities, and about $\text{¥} 54$ bn in external issuance. During the same period, the total repayment of debt principal amounted to about $\text{¥} 81$ bn, with $\text{¥} 65$ bn allocated to domestic debt principal repayment. This included early purchases of a portion of outstanding debt instruments maturing in FY2025, and subsequent years, totaling around $\text{¥} 60$ bn.

The repayment of external debt principal was around 17 bn. By the end of H1 of FY2025, public debt reached approximately 1,386 bn compared to around 1,149 bn in same period last year.

Repayment of Debt Principal in H1 of FY2025 Compared to H1 of FY2024

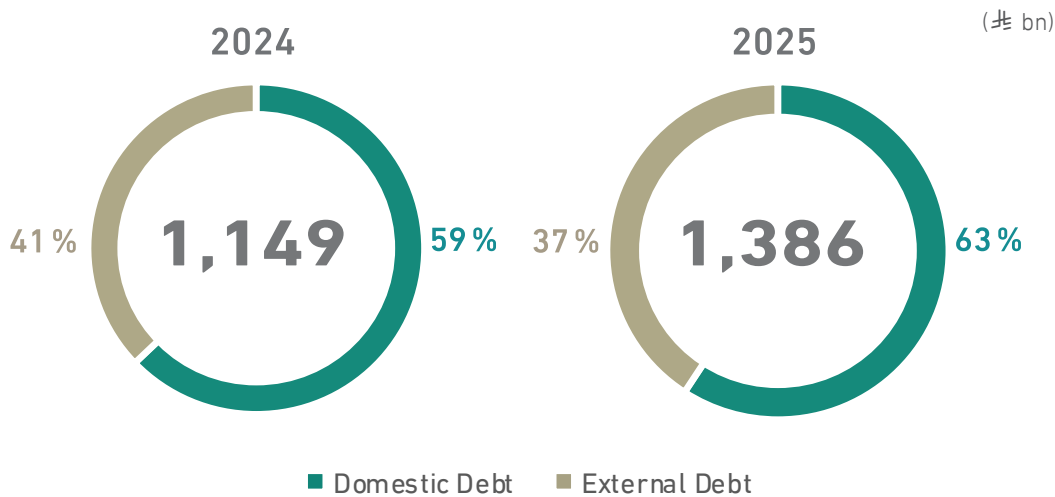
(1 bn)



Source: MoF

*Includes early purchases of some debt principal for FY2025, FY2026, FY2027, FY2028, & FY2029, totaling around 60 bn.

Public Debt by the End of H1 of FY2025 Compared to H1 of FY2024



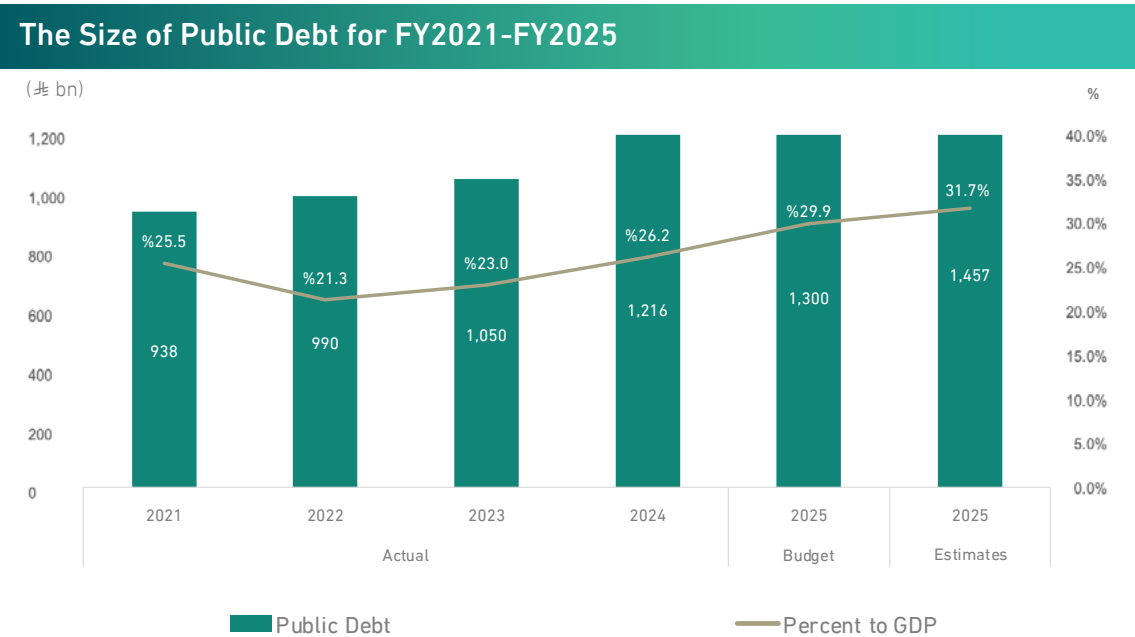
Source: MoF

The **average coupon rate** on domestic and external issuances in H1 of FY2025 was approximately 5.1%, compared to 5.2% in the same period last year. Furthermore, the Saudi Arabian Interbank Offered Rate (SAIBOR) for three months witnessed a decrease to reach around 5.4% by the end of H1 of FY2025, compared to about 6.3% for the same period last year.

Given the high resilience of the Kingdom's public finances, which allows effective response to both domestic and global financial and economic developments, thereby preserving gains and enhancing adaptability, the government has accelerated the implementation of several transformative programs and projects in recent years. These efforts aim is to diversify the economic base, stimulate investment, and accelerate the transformation in line with the objectives of Saudi Vision 2030. The government will also utilize the available fiscal space to further enhance economic diversification. Further, updated estimates for the FY2025 budget indicate a **deficit** of approximately ﷲ 245 bn (5.3% of GDP), due to lower oil prices and the acceleration of spending on development and social programs and projects. Therefore, the government has proactively undertaken additional financing activities through private funding channels and it will continue borrowing activities to meet FY2025 estimated financing needs, primarily through domestic market and private channels to support the prioritization of spending, meet financing needs, and leverage available opportunities in the markets. It is anticipated that financing plans from international markets will remain unchanged from the previously announced FY2025 borrowing plan, ensuring that net issuances from international markets remain below FY2024 levels. By the end of FY2025, the **public debt** is expected to reach about ﷲ 1,457 bn (31.7% of GDP).

By the end of H1 of FY2025, the **balance of government reserves** at the Saudi Central Bank (SAMA) amounted to approximately ~~ﷲ~~ 397 bn compared to about ~~ﷲ~~ 394 bn in same period last year. The Kingdom’s fiscal policy aims at preserving a strong fiscal position while achieving fiscal sustainability through maintaining considerable levels of government reserves. Thus, the **government reserves balance** is estimated to be approximately ~~ﷲ~~ 390 bn by the end of FY2025.

The following graph shows the actual public debt for FY2021-FY2024 and the projected public debt for FY2025 compared to the budget estimates.



Source: MoF
 Note: Nominal GDP is according to the updated actual numbers published by GASTAT. GDP of FY2025 is according to the updated budget estimates

Developments of Fiscal Performance (H1 of FY2025)

	(Bn, unless stated otherwise)		
	Jan-Jun 2024	Jan-Jun 2025	Annual Change
Revenues			
Total Revenues	647	565	-12.6%
Taxes	199	209	5.2%
Taxes on income, profits, and capital gains	19	20	5.3%
Taxes on goods and services	140	147	4.6%
Taxes on international trade and transaction	11	12	3.4%
Other taxes	28	31	8.4%
Other Revenues	448	356	-20.6%
Expenditures			
Total Expenditures	675	658	-2.4%
Expenses (OPEX)	575	591	2.7%
Compensation of employees	277	286	3.3%
Goods and services	136	138	1.4%
Financing expenses	21	24	16.7%
Subsidies	21	14	-33.4%
Grants	2	1	-59.4%
Social benefits	63	70	10.4%
Other expenditures	55	57	4.5%
Non-Financial Assets (CAPEX)	99	68	-31.9%
Budget Deficit			
Budget Deficit	-28	-93	-
Percent of GDP*	-0.6%	-2.0%	-
Debt and Assets			
Public Debt	1,149	1,386	20.6%
Percent of GDP*	24.7%	30.1%	-
Government Reserves	394	397	-
Percent of GDP *	8.5%	8.6%	-

Source:MoF

*GDP of FY2024 is according to the updated actual numbers of GDP published by GASTAT. GDP of FY2025 is according to the updated estimates

Figures are rounded to the nearest decimal point.

Summary of Fiscal Estimates for FY2025

(Bn, Unless stated otherwise)

	Actual 2024	Budget 2025	Estimates* 2025	Change (Estimates compared to Budget)
Revenues				
Total Revenues	1,259	1,184	1,091	-7.8%
Taxes	381	379	394	3.9%
Taxes on income, profits, and capital gains	32	31	32	4.4%
Taxes on goods and services	289	290	298	2.8%
Taxes on international trade and transaction	24	23	27	17.4%
Other taxes	36	36	37	4.6%
Other Revenues	879	804	697	-13.4%
Expenditures				
Total Expenditures	1,375	1,285	1,336	4.0%
Expenses (OPEX)	1,184	1,101	1,149	4.3%
Compensation of employees	562	561	561	0.03%
Goods and services	313	265	253	-4.6%
Financing expenses	45	59	58	-1.7%
Subsidies	34	31	34	9.5%
Grants	4	2	6	290.8%
Social benefits	101	98	100	2.7%
Other expenditures	125	86	136	58.6%
Non-Financial Assets (CAPEX)	191	184	187	2.0%
Budget Deficit	-116	-101	-245	—
Percent of GDP	-2.5%	-2.3%	-5.3%	
Debt and Assets*				
Public Debt	1,216	1,300	1,457	12.1%
Percent of GDP*	26.2%	29.9%	31.7%	
Government Reserves	390	395	390	—
Percent of GDP*	8.4%	9.1%	8.5%	

Source: MoF

*GDP of FY2024 is according to the updated actual numbers of GDP published by GASTAT. GDP of FY2025 is according to the updated estimates

Figures are rounded to the nearest decimal point



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