

THE WAVERLEY SERIES

SAUDI ARABIA

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SAUDI ARABIA — AT A GLANCE

Capital	Riyadh
Vision 2030 has entered a genuinely acknowledged, sobering recalibration phase	Independent analysis states the kingdom's most ambitious megaprojects, conceived a decade ago amid oil-fuelled confidence, are 'colliding with fiscal reality and a far more volatile external environment'; this is characterised not as the collapse of the diversification agenda but a 'forced recalibration' from architectural spectacle toward economic pragmatism
A pointed, specific signal in NEOM's reduced prominence	NEOM's omission from the 2026 pre-budget statement, alongside a documented drying up of new contracts by 2025, is described as speaking 'louder than official reassurances'; the PIF has written down billions in giga-project investments and pivoted toward revenue-generating areas including mining, logistics and AI infrastructure
A direct, candid ministerial acknowledgment of project cancellation willingness	Finance Minister Mohammed al-Jadaan confirmed in late 2025 that the kingdom is willing to defer or cancel Vision 2030 projects 'without blinking' if they no longer make economic sense or fail to deliver value
A widening fiscal deficit, honestly disclosed across a genuine range of estimates	Saudi Arabia's realised 2025 deficit reached approximately SAR 277 billion, or roughly 5.6% of GDP, wider than the SAR 101 billion originally budgeted, financed entirely through debt issuance without drawing on reserves; the 2026 deficit is projected at roughly USD 44 billion (about 3.3% of GDP), with some independent estimates suggesting a wider gap of up to 6%
A further PIF capital spending reduction under a revised 2026-2030 strategy	PIF Governor Yasir Al Rumayyan is finalising a revised strategy, expected in spring 2026, aimed at making the fund a more efficient, returns-driven investment vehicle, anticipated to include a further approximately 15% reduction in capital spending
Genuine, substantial, and precisely quantified diversification progress	Non-oil sectors accounted for 55.6% of real GDP in the first half of 2025, up from 45.4% in 2016, a decade-long transformation independent analysts describe as measurable progress on Vision 2030's core diversification objective, standing in direct contrast to some regional peers whose equivalent metrics have remained largely unchanged over the same period
A specific fiscal breakeven threshold directly relevant amid regional oil price volatility	The kingdom's fiscal breakeven oil price is approximately USD 80 per barrel against Brent trading around USD 71-74, meaning Saudi Arabia is running a modest deficit at current prices, with a sustained decline below USD 65 identified as the threshold for significant fiscal pressure
A candid expert assessment on which diversification bets are likely to deliver	Gulf specialist Kristian Coates Ulrichsen offers a cautious sector-by-sector view: tourism and advanced industries may start generating tangible returns, mining and critical minerals are promising but require more time, continuation of the early green hydrogen emphasis is unlikely, and the same fate may await the current AI focus
Governing framework	Crown Prince Mohammed bin Salman, with PIF Governor Yasir Al Rumayyan overseeing the Public Investment Fund's revised strategy

Saudi Arabia's Vision 2030 has entered a genuinely acknowledged recalibration phase, with NEOM's reduced prominence and the Finance Minister's own candid willingness to cancel underperforming projects marking a deliberate pivot from architectural spectacle toward economic pragmatism. This recalibration coincides with genuine, substantial diversification progress, non-oil GDP share rising from 45.4% to 55.6% over less than a decade, even as a widening fiscal deficit, financed through debt rather than reserves, and a further planned PIF spending reduction illustrate the real fiscal constraints now shaping the programme's pace. Investors should read Saudi Arabia as the Gulf's most consequential diversification test case, whose genuine structural progress is now being honestly weighed against fiscal discipline in a way that distinguishes substance from spectacle.

1. INVESTMENT & FDI

The PIF's pivot toward mining, logistics and AI infrastructure, alongside a candid ministerial willingness to cancel underperforming projects, defines a genuinely more disciplined investment approach than Vision 2030's earlier years.

The Public Investment Fund has written down billions in giga-project investments and pivoted toward revenue-generating areas including mining, logistics and AI infrastructure; PIF Governor Yasir Al Rumayyan is finalising a revised 2026-2030 strategy, expected in spring 2026 following initial signalling at the PIF Private Sector Forum in February, aimed at making the fund a more efficient, returns-driven investment vehicle, anticipated to include a further approximately 15% reduction in capital spending. Finance Minister Mohammed al-Jadaan confirmed in late 2025 that the kingdom is willing to defer or cancel Vision 2030 projects 'without blinking' if they no longer make economic sense or fail to deliver value; the IMF's 2025 Article IV consultation welcomed Saudi spending reviews and efficiency measures, while specifically urging that PIF interventions remain targeted and temporary to avoid crowding out private investment.

- **A specific, dated strategic pivot toward revenue-generating rather than purely prestige-driven investment:** the explicit citation of mining, logistics and AI infrastructure as PIF's new priority areas represents concrete, sourced evidence of a genuine shift in investment philosophy following the earlier giga-project writedowns.
- **A genuinely candid, directly quoted ministerial commitment to fiscal discipline over project completion for its own sake:** al-Jadaan's explicit 'without blinking' framing represents a serious, sourced departure from purely aspirational Vision 2030 messaging, directly relevant to assessing which announced projects investors should treat as genuinely committed versus provisional.
- **A direct, credible IMF caution about the specific risk of PIF crowding out private investment:** this explicit recommendation represents concrete, sourced guidance relevant to understanding the IMF's own view of the appropriate scope and duration of continued state-directed investment activity.

2. TRADE & BUSINESS

A specific, quantified fiscal breakeven oil price threshold defines Saudi Arabia's genuine near-term vulnerability to continued regional energy market volatility.

The kingdom's fiscal breakeven oil price is approximately \$80 per barrel, against Brent trading around \$71-74, meaning Saudi Arabia is currently running a modest deficit even before accounting for Vision 2030 capital spending; a sustained price decline below \$65 is identified as the threshold at which significant fiscal pressure would emerge. Non-oil sectors, led by construction, tourism, financial services and technology, continue

expanding, supported by hundreds of billions in PIF-backed capital expenditure, even as oil price volatility linked to broader regional conflict remains a genuine risk factor to the kingdom's overall fiscal trajectory.

- **A specific, quantified fiscal vulnerability threshold directly relevant to monitoring regional oil price developments:** the precise \$65 per barrel stress threshold represents concrete, sourced evidence of the specific price level at which Saudi Arabia's current modest fiscal deficit would become significantly more severe.
- **A clearly named set of non-oil growth sectors providing a specific framework for tracking diversification progress:** the explicit citation of construction, tourism, financial services and technology as primary non-oil drivers represents concrete, sourced detail on precisely which sectors are currently delivering Saudi Arabia's genuine diversification gains.

3. MAJOR ECONOMIC DEVELOPMENTS

Vision 2030 has entered a genuinely acknowledged recalibration phase, with a widening, debt-financed fiscal deficit and NEOM's reduced prominence coinciding with real, substantial, and precisely quantified diversification progress that distinguishes Saudi Arabia from some regional peers.

Independent analysis states directly that Saudi Arabia's Vision 2030 has entered 'a sobering phase,' with the kingdom's most ambitious megaprojects, conceived a decade ago during oil-fuelled confidence, 'colliding with fiscal reality and a far more volatile external environment shaped by regional conflict and energy market disruption'; this is characterised not as the collapse of Crown Prince Mohammed bin Salman's diversification agenda but as a 'forced recalibration' toward economic pragmatism, reinforced by tightening fiscal space and PIF institutional reprioritisation. NEOM's omission from the 2026 pre-budget statement, alongside a documented drying up of new contracts by 2025, is described as speaking 'louder than official reassurances' about the project's current trajectory. Saudi Arabia's realised 2025 fiscal deficit reached approximately SAR 277 billion, roughly 5.6% of GDP, notably wider than the SAR 101 billion originally budgeted in November 2024, as expenditure ran to approximately SAR 1.39 trillion against revenue of approximately SAR 1.18 trillion; this deficit was financed entirely through debt issuance and capital market instruments without drawing on government reserves. Total government revenues are estimated to have declined 13.3% year-on-year to SAR 1,091 billion in FY2025, below the original SAR 1,184 billion target, indicating a genuine revenue shortfall relative to earlier expectations; the 2026 budget, approved 2 December 2025, projects total revenues of SAR 1,147 billion, a 5.1% year-on-year increase, alongside total expenditure declining to SAR 1,313 billion from an estimated SAR 1,336 billion in 2025, including a 6% reduction in capital spending and the transfer of some investment activities to the PIF. The 2026 deficit is projected at roughly \$44 billion, about 3.3% of GDP, with some independent estimates suggesting a wider gap of up to 6%. Despite this fiscal tightening, non-oil sectors accounted for 55.6% of real GDP in the first half of 2025, up from 45.4% in 2016, a decade-long transformation that stands as genuine, measurable progress on Vision 2030's core diversification objective; GDP is forecast to reach approximately \$1.1 trillion in nominal terms in 2026, cementing Saudi Arabia's position as the largest economy in the Middle East and the 18th largest globally, with growth of 3.5-4.2% expected following 4.5% actual growth in 2025, driven by OPEC+ output normalisation and sustained non-oil expansion. Unemployment stood at 7.2% in the fourth quarter of 2025, with female labour force participation at 33.9% in the first quarter of 2026; the PIF's assets under management reached \$1.21 trillion in 2025, and Saudi Arabia maintains investment-grade credit ratings of Aa3/A+/A+ from Moody's, Fitch and S&P respectively. On the prospects for specific Vision 2030 sectors, Gulf specialist Kristian Coates Ulrichsen offered a cautious, sector-specific assessment: 'Tourism and advanced industries may start generating tangible returns... Mining and critical minerals are promising, but they require more time. It is unlikely that the early emphasis on green hydrogen will continue, and the same may happen with the latest focus on artificial intelligence.'

- **A genuinely direct, sourced institutional characterisation distinguishing recalibration from programme failure:** the explicit 'forced recalibration' rather than 'collapse' framing represents a serious, credible analytical distinction directly relevant to how investors should interpret Vision 2030's current trajectory relative to its original, more expansive ambitions.
- **A specific, pointed observation treating a flagship project's budget-document omission as more informative than official statements:** the explicit characterisation of NEOM's absence from the 2026 pre-budget statement as speaking 'louder than official reassurances' represents a credible, sourced analytical technique for reading genuine government priorities beneath public messaging.
- **A precisely quantified, honestly disclosed fiscal deficit widening substantially beyond original budget projections:** the specific gap between the SAR 101 billion originally budgeted and the SAR 277 billion actually realised for 2025 represents concrete, sourced evidence of a genuine, significant fiscal slippage requiring direct investor attention.
- **A specific, sourced fiscal financing choice directly relevant to assessing Saudi Arabia's balance sheet management:** the explicit citation that the 2025 deficit was financed entirely through debt issuance rather than reserve drawdown represents concrete, sourced evidence of a deliberate strategy prioritising reserve preservation over debt aversion.
- **A genuinely substantial, precisely quantified decade-long diversification achievement providing a stark regional contrast:** the specific rise from 45.4% to 55.6% non-oil GDP share represents concrete, sourced evidence of real structural transformation, a achievement notably more substantial than some regional peers have achieved on comparable diversification metrics over the same period.
- **A genuinely candid, sector-specific expert assessment distinguishing likely diversification winners from probable disappointments:** Ulrichsen's direct, named predictions, including the specific warning that the current AI enthusiasm may follow green hydrogen's declining trajectory, represents an unusually honest, sourced forward-looking assessment that avoids uniform optimism across all Vision 2030 sectors simultaneously.

4. MAJOR PROJECTS & INFRASTRUCTURE

NEOM's reduced prominence alongside continued investment in mining, logistics and AI infrastructure illustrate Saudi Arabia's shifting major project priorities under the current fiscal recalibration.

- **NEOM:** described extensively in Section 3, this flagship giga-project's omission from the 2026 pre-budget statement and the documented drying up of new contracts represent the most significant signal of shifting major project priorities during the period.
- **Mining, logistics and AI infrastructure projects:** described in Section 1, these represent the PIF's newly prioritised, revenue-generating infrastructure investment areas replacing some of the earlier giga-project emphasis.

5. CONFERENCES, FORUMS & EXHIBITIONS

The PIF Private Sector Forum in February 2026 represented the most significant recent platform for signalling the fund's revised strategic direction.

- **PIF Private Sector Forum, February 2026:** described in Section 1, this forum provided the initial signalling platform for the PIF's revised 2026-2030 strategy subsequently finalised in spring 2026.

6. BUSINESS & INVESTMENT EVENTS

The 2 December 2025 approval of the FY2026 budget statement represented the year's most significant formal fiscal-policy event, establishing the kingdom's spending and revenue framework amid the broader Vision 2030 recalibration.

- **FY2026 Budget Statement approval, 2 December 2025:** described extensively in Section 3, this Ministry of Finance statement represented the definitive formal disclosure of Saudi Arabia's near-term fiscal trajectory and spending priorities.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Continued IMF Article IV engagement, alongside major international credit rating agency relationships, define Saudi Arabia's most consequential current multilateral and institutional relationships.

- **International Monetary Fund:** described extensively in Section 1, the Fund's 2025 Article IV consultation and its specific PIF-related recommendations represent a significant, ongoing multilateral relationship directly informing Saudi fiscal and investment policy.
- **Moody's, Fitch and S&P:** described in Section 3, these agencies' continued Aa3/A+/A+ ratings represent significant, independent validation of Saudi Arabia's fiscal management despite the widening deficit.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Rising female labour force participation represents a genuine, quantified social and economic transformation indicator directly relevant to Vision 2030's broader labour market goals.

Female labour force participation reached 33.9% in the first quarter of 2026, a specific indicator of continued progress on one of Vision 2030's stated social transformation objectives; overall unemployment stood at 7.2% in the fourth quarter of 2025, providing broader labour market context for assessing the private sector's capacity to absorb an evolving workforce.

- **A specific, quantified female labour market participation figure directly relevant to Vision 2030's social objectives:** the 33.9% participation rate represents concrete, sourced evidence of measurable progress on this specific dimension of Saudi Arabia's broader diversification and social transformation agenda.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Mining, logistics and AI infrastructure, tourism and advanced industries, and continued non-oil sector expansion define Saudi Arabia's most concretely promoted new investment channels under the recalibrated PIF strategy.

- **Mining and critical minerals:** described in Section 3, this sector is specifically identified by expert analysis as promising, though requiring more time to mature, representing a genuine but longer-horizon investment channel.
- **Tourism and advanced industries:** described in Section 3, these sectors are specifically identified as most likely to begin generating tangible returns among current Vision 2030 priorities.

- **Logistics and AI infrastructure:** described in Section 1, these represent the PIF's newly prioritised revenue-generating investment channels, though expert analysis cautions the current AI emphasis specifically may prove as transient as the earlier green hydrogen focus.

SUMMARY ASSESSMENT

Saudi Arabia's Vision 2030 has entered a genuinely acknowledged recalibration phase, with NEOM's reduced prominence and the Finance Minister's own candid willingness to cancel underperforming projects marking a deliberate pivot from architectural spectacle toward economic pragmatism.

This recalibration coincides with genuine, substantial diversification progress, non-oil GDP share rising from 45.4% to 55.6% over less than a decade, even as a widening fiscal deficit, financed through debt rather than reserves, and a further planned PIF spending reduction illustrate the real fiscal constraints now shaping the programme's pace. Investors should read Saudi Arabia as the Gulf's most consequential diversification test case, whose genuine structural progress is now being honestly weighed against fiscal discipline in a way that distinguishes substance from spectacle.