Saudi Arabia Vision 2030

10 years of progress

30M
70M
International visitor arrivals

35%
40%
Female labour participation

7%
<7%
Saudi unemployment

$941Bn*
$2.67Tn
PIF AUM

66%
70%
Home ownership rate

25%*
50%
Defence localisation

23%*
35%
SME contribution to GDP

51%
65%
Private sector/GDP

67%
75%
Oil & gas local content

56%
65%
Non-oil GDP share

22%
50%
Non-oil exports/ Non-oil GDP

$35Bn
$100Bn
FDI annual inflows

Latest · 2030 Target · Ahead · On Track · Behind
(Assessment of ahead/on-track/behind determined by likelihood of achieving 2030 targets based on latest data.)

Sources: GASTAT · Vision 2030 Annual Report 2025 · International Monetary Fund (IMF) · Bloomberg Economics. * 2024 data.

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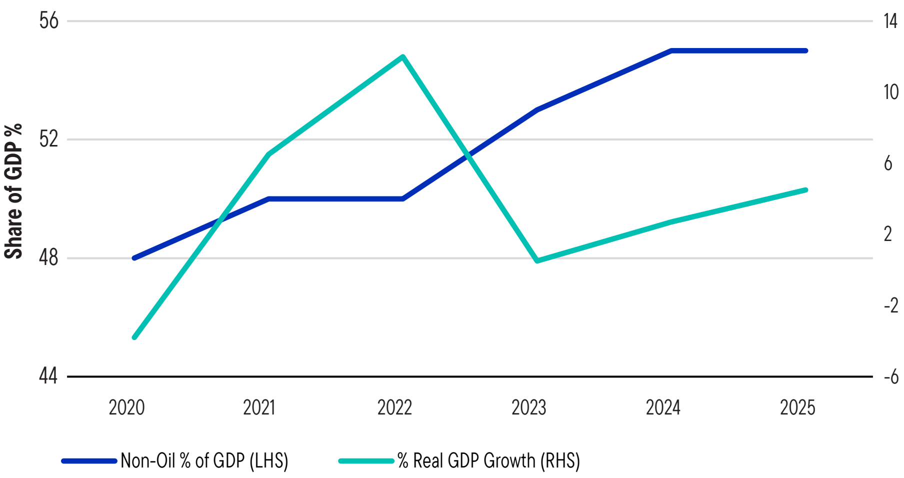
Executive summary

Ten years into Vision 2030, Saudi Arabia has moved from a narrowly defined oil story to a more diversified, though still state-led, investment case. Non-oil gross domestic product (GDP) now accounts for more than half of real output, female labour force participation has increased, and the Public Investment Fund (PIF) has grown to a near US$1-trillion sovereign wealth investor anchoring domestic transformation.

Exhibit 1: Saudi Arabia GDP Growth and Non-Oil Share



Source: Vision 2030 Annual Report 2025.

Yet the pace of Foreign Direct Investment (FDI) inflows, fiscal dynamics, and giga-project delivery has prompted a pragmatic recalibration of early ambitions. The next phase of Vision 2030 is defined less by landmark real estate and more by high-return strategic infrastructure in AI and data centres, renewable energy and mining. All underpinned by an upgraded sovereign credit profile and deeper equity and sukuk markets.

For investors, the central question is no longer whether Vision 2030 'works', but how this recalibrated opportunity set should be sized within global emerging market (EM) portfolios.

Vision 2030: passing the halfway marker

Vision 2030 has delivered measurable structural change. In 2025 non-oil GDP grew 4.9%, accounting for more than half of real GDP. FDI inflows reached USD35 billion in the same year, the highest on record, and PIF assets under management grew to US$941 billion.[1] The private sector's contribution to GDP grew to 51%, exceeding the 2025 target, female labour force participation, once a structural constraint, has increased to 36%, also exceeding the target.[2] The Kingdom's 2025 annual report confirms that 93% of Vision Realization Programs are fully or close to achieving their targets.

PIF Assets Under Management
US$ billions

Year	2024
PIF AUM	941

Source: PIF Annual Report 2025 · Vision 2030 Report

FDI Inflows
US$ billions

Year	2025
FDI	35

Source: GASTAT · Ministry of Investment

Non-oil % of GDP

Year	2025
%	56

Source: GASTAT · PIF Annual Report 2025 · Vision 2030 Report

1. Source: 2024 data.
2. Source: GASTAT. As of March 2026.

Several giga-project timelines have also been recalibrated, reflecting a more disciplined approach to capital allocation and execution. While the fiscal breakeven oil price, estimated at US$90 per barrel,[3] is currently being met, the margin of safety has narrowed following the recent US-Iran conflict and oil supply disruption.

Saudi Arabia's non-oil GDP expansion has, to-date, been catalyzed by government and PIF-directed investment rather than the private sector. Looking ahead we expect the private sector to take a bigger role.

A disciplined pivot is underway, toward artificial intelligence (AI) infrastructure, renewable energy and high return-on-investment (ROI) strategic infrastructure. The Kingdom is now entering phase three of Vision 2030, the delivery phase. This is focused on expanding opportunity across every sector and sustaining the impact beyond the original 2030 target.

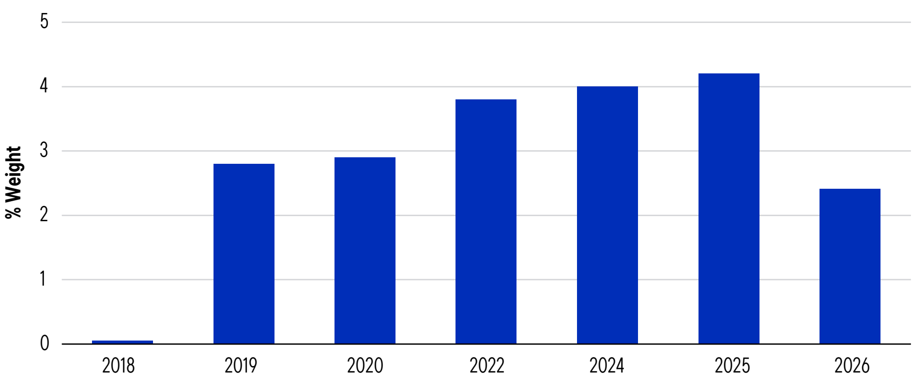
In its April 2026 World Economic Outlook, the IMF revised Saudi Arabia's 2026 real GDP growth forecast to 3.1%, down from 4.5% in the prior update, and forecast a rebound to 4.5% in 2027. The downward revision is primarily due to the US-Iran conflict. Notably, the IMF characterised Saudi Arabia as 'among the least affected economies' in the region, citing alternative export routes and the depth of reforms.

Saudi Arabia's structural story remains intact:

- The Kingdom's investment-grade rating is at the higher end of the EM spectrum: Moody's Aa3, S&P A+, Fitch A+
- Resilient growth and record-low unemployment,
- Expanding debt capital markets: the largest US-dollar issuer among emerging markets ex-China.

For investors benchmarked to MSCI Emerging Markets Index, where Saudi Arabia represents 2-3%, the question over the next four years is no longer whether Vision 2030 'works' in absolute terms. It is whether the market is beginning to offer scalable access to a structural growth story driven by a growing private sector, rising domestic consumption, tourism and logistics build-out, financial deepening, energy transition, mining and digital infrastructure.

Exhibit 2: Saudi Arabia Weight in MSCI EM Index



Source: MSCI. As of May 29, 2026.

3. Source: Bloomberg. May 1, 2026.

As Vision 2030 moves from aspirations and targets to delivery and monetisation, the opportunity set is broadening. It is moving beyond banks and petrochemicals toward companies with clearer exposure to domestic demand, infrastructure, capital markets and productivity-led growth. For EM investors, the key question is how much of this transition is already reflected in asset values, and where it still offers relative value to Saudi's next phase of growth.

1. The 10-year macro arc

Vision 2030 was launched in April 2016 with a simple premise: convert Saudi Arabia's hydrocarbon wealth, geographic position and demographic profile into a diversified, investable economy before global energy markets force the transition. A decade later, the macro data supports the thesis that diversification has moved from rhetoric to measurable progress, though unevenly.

As we approach the target date for completion of Vision 2030, there is greater focus on promoting private sector investment. Cofinancing this with foreign direct investment will be the key to fulfilling the plan's ambition. The increased emphasis on high ROI investment projects is likely to act as a catalyst to raise private and foreign investment targeting strategic infrastructure in AI and data centres, renewable energy and mining.

2. Where progress is strongest

2.1 Labour market transformation

The labour market has delivered the clearest structural wins of the decade. Total unemployment fell to 3.5% in 2025, while unemployment among Saudi nationals declined to 7% in the same period, achieving the Vision 2030 target early. Female labour force participation, arguably the single largest unlock of the Vision 2030 era, has increased to 36% in 2025, exceeding the initial target.[4]

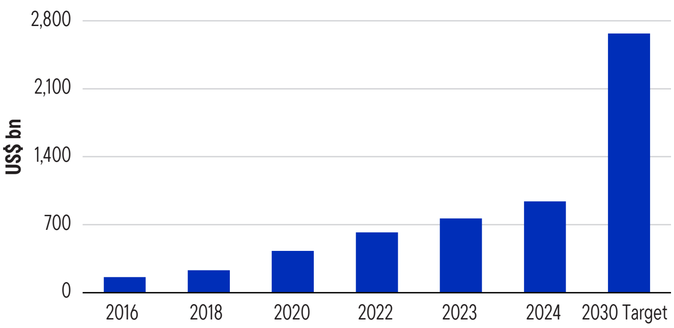
This is not a cosmetic shift. In modern economic history, labour-market broadening has often been the point at which reform programs become self-reinforcing. As more workers enter the economy, household consumption structurally rises, the private sector gains access to a larger talent pool, and productivity growth becomes less dependent on state spending.

Saudi Arabia's female participation story sits squarely in that tradition. It has been enabled by cumulative reforms to employment rules, mobility, workplace protections, anti-discrimination frameworks and private-sector hiring incentives. The result is for the labour market moving from being a binding constraint on diversification to one of the clearest channels through which Vision 2030 is becoming visible in the real economy.

2.2 Public investment fund growth

The transformation of the PIF from a passive holding vehicle into a global sovereign wealth fund of first rank is among the most striking institutional changes of the decade. Total assets climbed from USD190 billion to c. US$1 trillion in 2024. Total revenues rose 25% in 2024, supported by dividends from Aramco, performance from Saudi Telecom, SNB, Ma'aden, Savvy Games and incremental contributions from PIF-launched entities. The fund has created 1.1 million jobs through its portfolio as of 2024 and raised its 2030 AUM target to US$2.67 trillion, up from the original US$1.87 trillion.[5]

Exhibit 3: PIF AUM



Source: PIF Annual Report 2024.

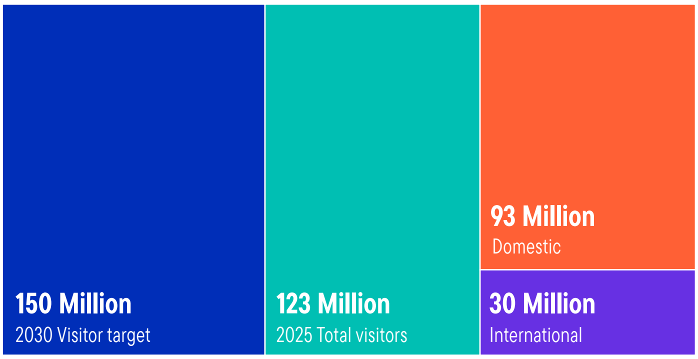
The fund's domestic strategic role is now anchored to a three-portfolio architecture: Vision, Strategic and Financial, with a more disciplined returns focus. International holdings were trimmed to 17% of the portfolio in 2024 from 20% the prior year. The pivot toward domestic industrialisation and strategic sector consolidation, is the axis of the 2026–2030 phase of Vision 2030, as discussed in section 4.

4. Source: GASTAT. March 2026.
5. Source: PIF Annual Report 2024.

2.3 Tourism and the visitor economy

Tourism has arguably outperformed every key performance indicator in the original program. Saudi Arabia welcomed 30 million international visitors in 2025, up from 18 million in 2023, with combined domestic and international visitors reaching 123 million. The Kingdom ranked first globally for international tourism receipt growth in Q1 2025 according to the UN World Tourism Organization. The original Vision 2030 target of 100 million visitors annually was cleared in 2023, seven years ahead of schedule, and has been revised upward to 150 million by 2030.[6]

Exhibit 4: Saudi Arabia Tourist Breakdown & 2030 Target



Source: Vision 2030 Annual Report 2025. Gastat.

The infrastructure pipeline underpinning this is substantial:

- Over 6,000 licensed hospitality facilities in 2025 (30% higher than the prior year).
- Red Sea Global resorts progressively opening.
- Diriyah Gate's heritage-plus-hospitality development welcoming 3.6 million visitors.

2.4 Social reform and quality-of-life indicators

Homeownership among Saudi nationals has climbed from 47% in 2016 to 66% in 2025, on track to meet the 70% target by 2030.[7] The entertainment sector, effectively non-existent in 2016, has become one of the most visible signs of Vision 2030's social and economic transmission. Saudi Arabia now supports more than 600 cinema screens and hundreds of licensed events annually. Riyadh Season has evolved from a domestic leisure initiative into a major tourism, consumption and soft-power platform. Riyadh Season 2025 surpassed 17 million visitors, with clear impact on consumer spending.[8]

Cultural investment has also expanded materially through AlUla, Diriyah and Royal Commission-led heritage initiatives. These shifts have redefined both domestic daily life and the Kingdom's international profile in ways that have proved durable through oil price cycles and regional conflicts.

2.5 Private sector share of GDP

Private-sector participation is moving in the right direction, and the progress is increasingly visible. The sector's contribution to GDP has risen to 51% in 2025, ahead of the interim target and moving toward the 65% Vision 2030 ambition. That is a meaningful step change, but a gap remains to the 2030 target.[9]

The SME story follows the same pattern: strong progress from a low base, but not yet at full maturity. SME lending has increased from just 2% of total bank loans to 11% in 2025, ahead of the interim target, while SME contribution to GDP has reached 23% versus a 35% 2030 target.[10] The next phase is therefore less about creating more private-sector activity and more about improving its quality. Helping SMEs achieve scale, access finance, integrate into supply chains and move into higher-value sectors including advanced services, industrial value chains, and exports.

Exhibit 5: Private Sector and SME 2030 Targets

	2024	2030 Target
Private sector share of GDP	51%	65%
SME contribution to GDP	23%	35%
SME loans as % of bank lending	11%	20%

Source: Vision 2030 Annual Report 2025. GASTAT.

The policy response is becoming more tangible through SME financing, guarantees, fintech and regulatory support. But the key test remains whether the private sector can evolve from being a beneficiary of state-led demand into a more independent engine of investment, employment and productivity growth. The direction of travel is encouraging, but bridging the gap by 2030 will require sustained execution.

6. Source: Saudi Ministry of Tourism. February 2026.
7. Source: Vision 2030 Annual Report 2025. GASTAT.
8. Ibid.
9. Source: PIF Annual Report 2024.
10. Ibid.

3. Works in progress

3.1 Giga-project delivery at original scale

The most visible recalibration has been within the NEOM city project, where elements of the original development plan have been reprioritised and timelines adjusted. The Line, a major component of the project, remains part of the long-term vision, but its near-term delivery path appears more phased than originally presented. Population targets, construction sequencing and capital allocation now being managed more selectively.

This should be viewed as a shift toward execution discipline rather than a retreat from the broader transformation agenda. Speaking during the rollout of PIF's 2026–2030 strategic framework, Governor Yasir Al-Rumayyan described completing The Line by 2030 as "good to have, but not a must have," noting that no project had been cancelled, rather some had been moved off the critical path. The signal is pragmatic rather than defensive: strategic ambition remains intact, capital is being redirected rather than withdrawn, and not every component needs to land on the original timetable to validate the broader Vision 2030 investment case.

Importantly, the wider giga-project ecosystem continues to progress. Red Sea Global, Diriyah, Qiddiya, and AlUla remain active and increasingly relevant to the tourism, hospitality, culture and entertainment pillars of the program. The key message for investors is therefore not that the giga-project agenda has failed, but that the Kingdom is moving from an era of expansive ambition toward phased execution, capital prioritisation and clearer return thresholds.

For bond and equity investors, this recalibration is important because it changes the shape of the opportunity set. There is less emphasis on long-dated concept risk, and more focus on projects with clearer funding visibility, delivery milestones and monetisation pathways. That reduces some of the original narrative upside but may ultimately strengthen the credibility and investability of the next phase of Vision 2030.

3.2 Fiscal arithmetic and twin deficits

The fiscal picture is the single biggest constraint on Vision 2030 execution. The 2025 budget deficit is estimated at 5.3% of GDP, versus an original projection of 2.3%, with the intention to reduce this to 3.3% in 2026.[11] This intention may need to be revised in light of the prolonged impact of the US-Iran conflict. Bloomberg Economics estimates the fiscal breakeven oil price at US$90 per barrel; including PIF domestic spending, the effective consolidated breakeven climbs to approximately US$111 per barrel. In its latest Article IV consultation, the IMF identified the monitoring of contingent liabilities linked to giga-project and PPP financing as an area of ongoing focus.

Central government debt rose to 32% of GDP in 2025 and is rising. By any sovereign comparison this is low; but the trajectory matters for the cost of capital, which feeds into every component of the plan.[12]

Exhibit 6: Saudi Arabia Fiscal Position

5.3% GDP Budget deficit Source: MoF. 2025 data.	**32%** Central govt debt/GDP Source: MoF. 2025 data.
$90 per barrel Fiscal breakeven oil Source: Bloomberg.	**A+/Aa3** S&P/Moody's rating Source: S&P/Moody's.

11. Source: Saudi Ministry of Finance. December 2025.
12. Ibid.

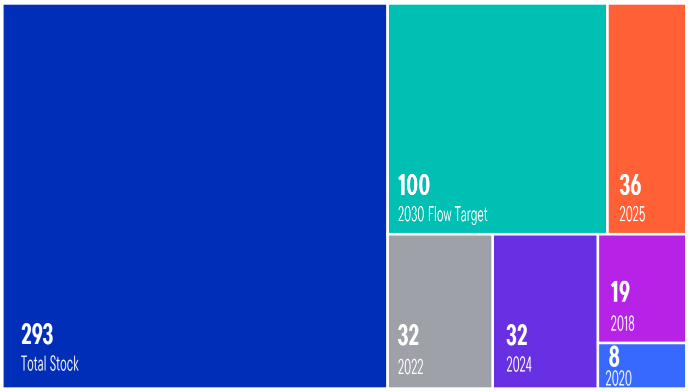
3.3 Human capital depth

Despite record-low unemployment, Saudi HR surveys point to a widening gap between the skills available and those a rapidly diversifying economy demands. In 2024, close to half of HR professionals reported that sourcing qualified talent had become more challenging, with projected shortfalls concentrated in engineering, health care, advanced manufacturing and AI. Youth unemployment, while halved from its peak, remains above the national average. The Human Capability Development Program is the policy response. Closing a gap of this nature, however, is the work of a generation of investment rather than a single budget cycle.

3.4 Foreign direct investment

FDI remains an important area of progress, but also one where further acceleration is needed. In 2025, FDI inflows rose to USD35bn, while FDI stock reached US$293 billion, nearly double the 2017 base. Yet FDI still represented only 2.8% of GDP, below the 3.4% 2025 target and less than half the 2030 ambition.[13] The direction of travel is positive, but attracting larger and more sustained foreign capital flows remains a key priority for the next phase of Vision 2030.

Exhibit 7: Saudi Arabia Foreign Direct Investment – Flow and Stock (US$ Bn)



Source: GASTAT. February 2026.

The Regional Headquarters Program has been one of the more effective initiatives, linking access to major government contracts with a Saudi-based regional presence. By the end of 2025, more than 700 international companies had established regional headquarters in the Kingdom, already exceeding the original 500-company 2030 target. This is an important signal of long-term corporate commitment, but the broader US$100 billion annual FDI target by 2030 remains ambitious. The next phase will need to convert corporate presence into deeper capital deployment, local hiring, supply-chain integration and higher-value investment across the economy.

13. Source: GASTAT. February 2026.

4. Vision 2030 enters its second decade

Saudi Arabia has explicitly recalibrated Vision 2030, a process that accelerated through 2025 and crystallised in early 2026. The refreshed strategy places greater weight on high-ROI strategic infrastructure, with specific emphasis on data centres, renewable energy and mining. This is not a departure from the original program. Rather it is a more candid version of it, shaped by a higher global cost of capital, fiscal constraints and lessons from giga-project execution.

Three shifts are visible. First, capital allocation is tilting away from real-estate-heavy giga-projects toward assets with clearer cash-flow visibility and shorter payback horizons. PIF's 2026–2030 strategy increases the domestic tilt of the portfolio and redirects capital toward AI and data-centre infrastructure. This includes the HUMAIN initiative and the US$5 billion DataVolt partnership in Oxagon, defence localisation, mining through Ma'aden's expansion, and renewable energy. The Kingdom targets 50% of power generation from solar, wind and green hydrogen by 2030.[14]

Second, the authorities are ring-fencing high-ROI, deadline-driven projects such as Expo 2030 in Riyadh and the 2034 FIFA World Cup, which together anchor more than US$50 billion of infrastructure investment over 2024–2034 and provide tangible visitor-economy multipliers.[15]

Third, PIF is evolving into a returns-focused institution. Governor Al-Rumayyan has signalled that the fund's second phase will be judged on risk-adjusted returns as much as development outcomes.

Collectively, these shifts mean the version of Vision 2030 that investors can access in 2026–2030 is meaningfully different from the one marketed in 2018–2022. It is smaller in physical ambition, more focused in sectoral terms, more reliant on capital markets, and tightly linked to identifiable cash-flow generating assets. For institutional investors, this makes it a more credible and investable program.

4.1 High-ROI strategic infrastructure

When Vision 2030 was launched a decade ago, the global backdrop was one of low interest rates and abundant liquidity, which encouraged large-scale, long-dated investment across both public and private sectors. Since then, two inflationary episodes, the COVID-19 pandemic and the Russia–Ukraine conflict, have pushed global policy rates higher and raised the cost of capital. For Saudi Arabia, that shift has forced a rigorous assessment of giga-projects and contributed to the resizing of several flagship developments in favour of projects with clearer economic returns and strategic relevance.

Three long-term 'super-cycle' trends sit at the core of this pivot: the build-out of artificial intelligence (AI) and data centre infrastructure, the acceleration of renewable energy investment, and the search for new sources of critical minerals and commodities. Investments in these areas still need to clear a higher cost of capital, but their unit economics have improved materially.

14. Source: PIF Annual Report 2024.
15. Ibid.

Data-centre development has benefitted from advances in design and server-rack efficiency, which have reduced cost per unit of computing over the past decade.[16] In solar, panel prices have fallen by 90%[17] over a similar period, lowering the levelised cost of energy and making large-scale projects more competitive.[18] At the same time, higher prices for rare earths and lithium have improved the viability of higher-cost extraction methods, including emerging technologies that recover lithium from oilfield brine.

Within this framework, the refreshed Vision 2030 strategy prioritises AI and data centres, renewable energy, and mining as the main transmission channels through which high-ROI strategic infrastructure will be delivered in the coming decade. Each offers a combination of macro diversification, strategic resilience and an identifiable investable universe in Saudi equities and debt.

Source: Vision 2030 Annual Report 2025. Note: Data refers to data centre capacity targets.

4.2 Sovereign AI and data centres

Data sovereignty has moved from a theoretical concern to a practical policy priority for governments, corporates and regulators. It is commonly defined as the capacity for digital self-determination, the ability of nations, organisations and individuals to control how and where their data is stored and processed.[19] Saudi Arabia's Personal Data Protection Law (PDPL) requires that Saudi data is processed locally, with limited and tightly regulated cross-border transfers, effectively anchoring demand for domestic data-centre capacity.

Saudi Arabia hosted 450 megawatts (MW) of installed data-centre capacity in 2025 and intends to increase this more than tenfold by 2030.[20] If all currently announced projects were to be executed, the Kingdom would likely exceed that target, positioning it as one of the largest data-centre hubs in the region. To support this build-out, PIF has launched HUMAIN, a programme to develop 1.8 gigawatts (GW) of data-centre capacity in partnership with AWS, STC and AirTrunk. Concurrently the Saudi Data and Artificial Intelligence Authority is developing Hexagon, a government-backed facility with an initial capacity of 480 MW that ranks among the largest public-sector data centres globally.[21] Announced private-sector projects collectively exceed 3 GW of planned capacity, implying a multi-year capex cycle.

Several structural advantages underpin Saudi Arabia's data-centre proposition. Business users benefit from electricity tariffs 55% below the global average,[22] providing a durable cost advantage for power-intensive workloads. A pro-business planning and permitting framework, combined with abundant land and proximity to major subsea cables, reduces development friction and improves project timelines. Rising demand for sovereign data processing in defence, energy, health care and financial services adds a strategic layer to the commercial case.

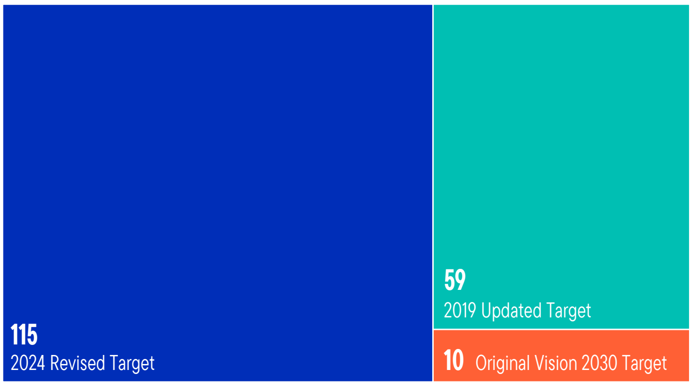
For investors, the AI and data-centre pivot is likely to be intermediated through several channels: utilities and energy companies supplying low-cost power, telecoms and tower operators, PIF-owned platforms, and potential REIT or infrastructure-vehicle structures that monetise mature assets. The capex intensity of this build-out, and its reliance on long-term contracts, also makes it a natural fit for project and sukuk financing.

16. Source: The network Installers.
17. Source: Statista.
18. Source: Our world in data. June 13, 2024.
19. Source: IBM.
20. Source: Vision 2030.
21. Source: Source: PIF Annual Report 2024.
22. Source: globalpetrolprices.com energy costs. Saudi Arabia: US$0.074/KWh, global average US$0.164/KWh. As of 1Q 2026.

4.3 Renewable energy

Renewable energy is the second pillar of the high-ROI infrastructure pivot and a critical enabler of both data-centre growth and broader non-oil diversification. Vision 2030 targets 50% of domestic power generation from renewable sources by 2030, with the majority expected to come from solar, a smaller contribution from wind, and a modest share from green hydrogen. Government-linked companies and PIF together plan US$270 billion of investments to achieve this mix. Flagship projects include the 2.6 GW Al Shuaibah solar complex, the 400 MW Dumat Al Jandal wind farm, and multiple NEOM-linked solar and hydrogen developments.[23]

Exhibit 8: Saudi Arabia Renewables Target (in GW)

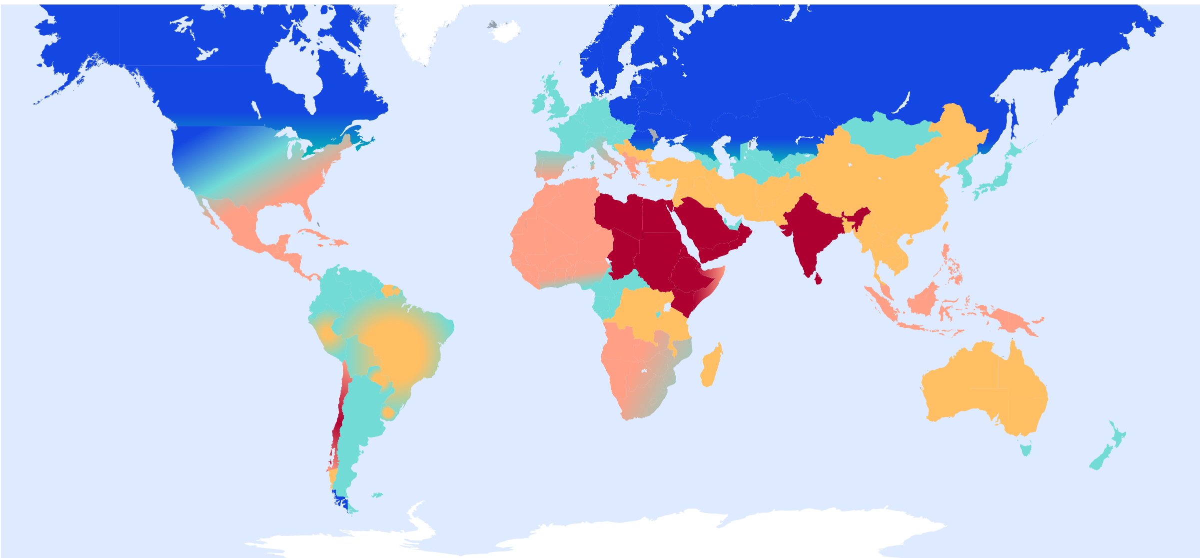


Source: Vision 2030 Annual Report 2025 and industry sources.

Two factors give Saudi Arabia an unusually competitive position in solar power. First, global panel prices have fallen by 90% over the past decade,[24] compressing capital costs for utility-scale projects. Second, the Kingdom sits in a high-irradiance belt and receives on average around 2,000 kilowatt-hours of solar irradiation per square metre annually, roughly double levels in markets such as Germany and other countries similar latitudes. Combined with a pro-business planning in framework and relatively low land and connection costs, these advantages reduce the levelised cost of solar energy in Saudi Arabia to US$10 per megawatt-hour, among the lowest globally and far below the US$48-US$64 per megawatt-hour range typically seen in Germany.[25]

As the share of renewables in the electricity generation mix rises, Saudi Arabia can support the rapid expansion of data centres while freeing more hydrocarbons for export and reducing domestic emissions. The build-out also deepens the non-oil growth base, equipment supply chains, and emerging service industries around grid integration and storage. From an investment perspective, the renewable pivot is already visible in listed names such as ACWA Power and in a growing pipeline of green and sustainability-linked sukuk, that finance generation and transmission assets.

Exhibit 9: Global Irradiance Belt



Irradiance is defined as the density of radiation (from the sun in this case) on a given surface expressed in watts per square square meter. The colours illustrate the level of irradiance, with the hottest areas marked in red, and the coldest in blue.
Source: Franklin Templeton. As of May 2026.

23. Source: PIF Annual Report 2024.
24. Source: International Renewable Energy Agency (IRENA). September 26, 2024.
25. Source: Global business Outlook. June 5, 2024.

4.4 Mining

Mining is described in Vision 2030 as the Kingdom's 'third industrial pillar' alongside energy and petrochemicals. The strategy rests on both geology and technology. The Arabian Shield geographic area, which spans western Saudi Arabia, is rich in gold, copper, bauxite, phosphate and potentially rare earth elements, while new extraction technologies have opened the possibility of recovering lithium and other minerals from oilfield brines.[26]

Exhibit 10: Saudi Arabia: Arabian Shield

Source: Franklin Templeton.

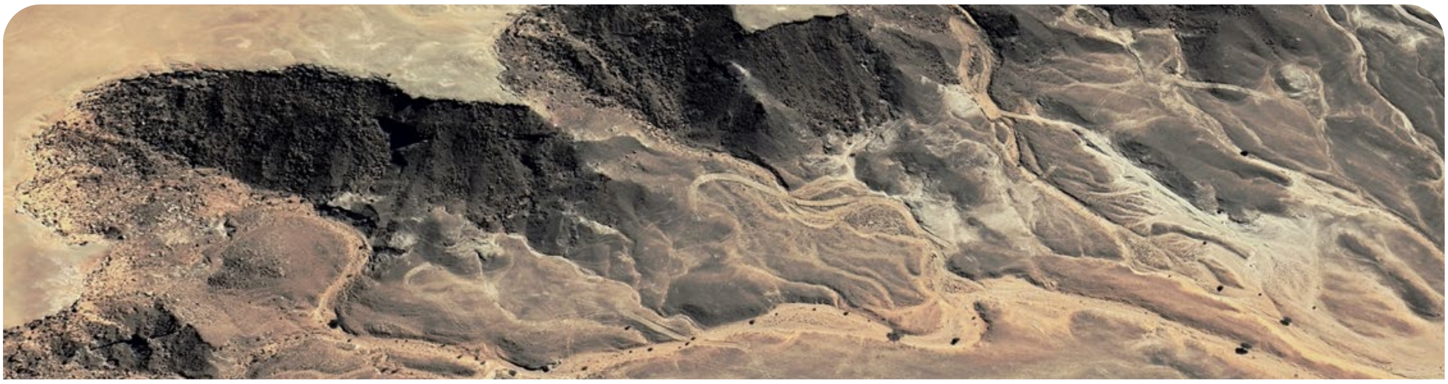
Saudi Arabia has signed joint ventures worth roughly US$27 billion with leading global mining companies to explore and develop bauxite, phosphate, gold and aluminium-smelting opportunities. Commercial-scale lithium extraction from oilfield brine is expected to begin between 2027–2028, subject to further cost reductions and long-term offtake agreements with global battery manufacturers.

Several policy reforms have materially improved the sector's attractiveness:

- 2020 Mining Investment Law reduced the effective tax rate on mining from 45% to 20%.
- The national geological database now provides open-access data on the Arabian Shield.
- The Saudi Industrial Development Fund has expanded its mandate to support mining infrastructure and value-chain projects.

Historically, mining investment was heavily concentrated in precious metals, with 72% of capital expenditure in 2005 directed to gold and 23% to copper.[27] The state-owned Saudi Arabian Mining Company, Ma'aden, is leading the effort to diversify exploration and production across a broader mineral basket and has been the principal counterparty in many of the new joint ventures in the Arabian Shield. Over time, this diversification has the potential to reposition Saudi Arabia from a marginal player in global mining to a more systemically relevant supplier of key inputs to the energy transition.

Investments in AI and data centres, renewable energy and mining collectively illustrate how the refreshed Vision 2030 focus on high-ROI strategic infrastructure will be implemented. They mark a deliberate pivot away from an over-reliance on giga-projects toward a portfolio of more modular, returns-focused assets. This better reflect the post-2020 cost-of-capital environment and create a wider, more liquid opportunity set for Saudi equity and fixed income investors.



26. Source: PIF Annual Report 2024.
27. Source: S&P Global. August 2016.

5. Current state and resilience

The Iran–US conflict provided a stress test that no peacetime scenario could. It has effectively stress-tested the three pillars discussed earlier: labour and social reform, PIF-led capital deployment, and capital-market deepening. The results have been uneven but broadly supportive.

Taken in isolation, the near-term outlook has dimmed: international distribution costs have increased, war risk insurance premium have spiked, and international tourist arrivals have dipped. FDI commitments in Q1 2026 have predictably softened, and some international contractors have paused greenfield work.

Nevertheless, this picture needs to be viewed in context.

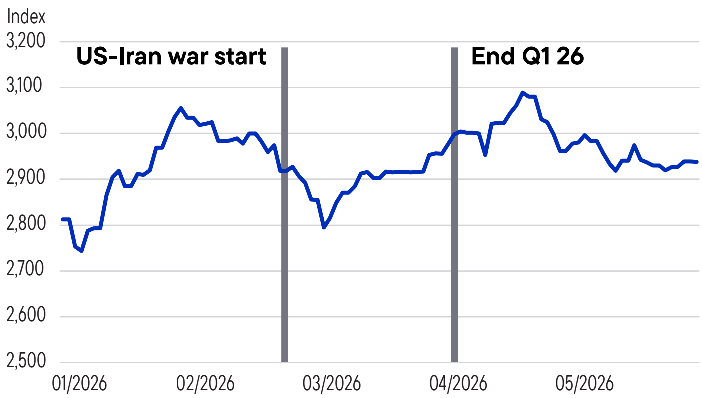
The 10-year arc is materially more resilient than the short term outlook suggests. Saudi Arabia entered the conflict with record-low unemployment, an 18-quarter run of non-oil GDP expansion, US$941 billion of PIF assets, central government debt at 32% of GDP, and buffers that the IMF characterises as 'ample'. [28]

Oil export infrastructure is partially insulated: The East-West Petroline can route up to seven million barrels per day to Red Sea ports, bypassing the Strait of Hormuz for crude oil exports. Aramco's 2026 pricing flexibility and the Kingdom's access to international debt markets have both held up.

The IMF's April 2026 WEO explicitly positions Saudi Arabia among the MENA economies least affected by the conflict, crediting the Kingdom's alternative oil export routes and the depth of Vision 2030 reforms.

The equity market's behaviour through the conflict is itself evidence of the diversification thesis. When US and Israeli strikes hit Iran on 28 February, the Tadawul did what every market does at the onset of a war: it sold off. The index shed 5% intraday on the first session, touching its lowest level since March 2023, and more than US$8 billion in net foreign capital left the exchange in the first week of March. What happened next is the more instructive part of the story. Rather than spiralling into a sustained drawdown, the Tadawul stabilised, absorbed the selling, and recovered. By the end of Q1 2026, the index had posted a 7% gain.[29]

Exhibit 11: Saudi Arabia Tadawul Index



Source: Bloomberg. May 1, 2026.

The mechanism behind that recovery matters even more than the numbers. Domestic institutional capital, pension funds, mutual funds, insurance companies, and a retail investor base stepped in to provide a bid precisely when international capital was withdrawing. This is not an accident; it is the product of a decade of deliberate market deepening, and it is a structural differentiator that smaller, more externally dependent Gulf equity markets do not possess.

Fixed-income market performance told the same tale, perhaps even more clearly. Saudi five-year credit default swap spreads spiked alongside every other Gulf sovereign at the onset of hostilities, but they were among the first to retrace, and by mid-April had fallen below pre-war levels. That is a remarkable outcome for a country whose neighbour was being bombed. For context, Qatar's CDS jumped 70% peak-to-trough, the largest move among Gulf sovereigns, reflecting that country's near-total dependence on LNG exports transiting the Strait of Hormuz.[30]

Saudi Arabia's rapid normalisation reflects the market's assessment that the Kingdom's credit quality is structurally differentiated from its neighbours: Aa3/A+ ratings, low debt-to-GDP, alternative oil export infrastructure, and a fiscal buffer deep enough to absorb a sustained period without fresh issuance.

Perhaps the least appreciated source of resilience is the

28. Source: GASTAT. 2026.
29. Source: Bloomberg. April 2026.
30. Source: Bloomberg. April 6, 2026.

Kingdom's quiet investment in localising its industrial and logistics base. Spending that was often questioned on ROI grounds before February 2026 has since been validated by events. In defence, Saudi Arabian Military Industries now operates across five divisions and opened a major land-vehicle manufacturing complex in Riyadh in early 2026, a facility whose relevance became self-evident within weeks of commissioning. Defence procurement localisation has risen from 4% in 2018 to 25%, with a 50% target by 2030 that now looks less aspirational than it did two years ago.[31]

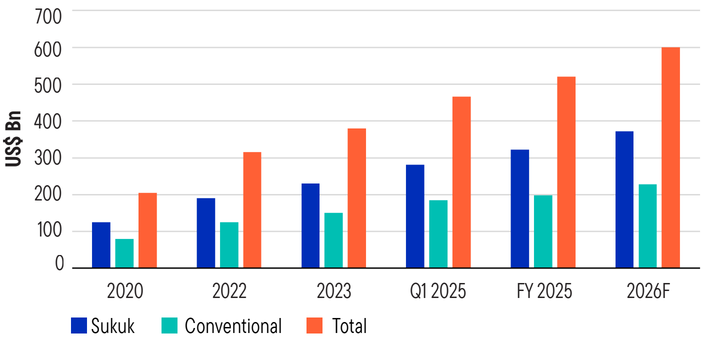
In pharmaceuticals, domestic manufacturing has doubled its share of national demand since 2016, with the ambition to reach 60% by 2030,[32] reducing the Kingdom's exposure to the kind of global supply-chain disruptions that a Gulf conflict inevitably creates. In oil logistics, Aramco's west-coast export terminals and the East-West Petroline have allowed crude to continue flowing to market without transiting the Strait of Hormuz, a capability that has transformed a contingency asset into a active competitive advantage.

The cumulative effect is risk-mitigation infrastructure that simply did not exist a decade ago: a country that can defend itself with more domestically manufactured equipment, treat its population with more locally produced medicines, and export its primary commodity through alternative routes. These capabilities will remain central to the Kingdom's strategic focus through 2030, and we expect the conflict to accelerate, not just sustain, investment in industrial localisation across defence, pharma and logistics.

The Kingdom's credit profile has been upgraded through the cycle. Moody's raised Saudi Arabia to Aa3 in November 2024, the first upgrade since its initial assessment and the Kingdom's highest rating in its history. S&P upgraded to A+ in March 2025 on the back of economic diversification. Fitch maintains A+ with a stable outlook. Saudi sovereign spreads have tightened through the recent issuance cycle despite the war, which the IMF noted as evidence of 'increased investors' confidence in the sustainability of fiscal policies.'

The debt capital market has matured into a genuine policy shock absorber. Saudi Arabia was the largest USD debt issuer among emerging markets excluding China in 2025, with outstanding debt surpassing US$520 billion by year-end, 62% of which is sukuk.[33] The Kingdom's May 2025 issuance of US$16 billion in sukuk across five tranches was paired with a near-equivalent buyback to smooth the maturity profile, a sophisticated liability-management exercise.[34] Fitch projects the Saudi debt capital market will reach US$600 billion by end-2026. This depth matters: it gives the Kingdom fiscal flexibility to continue funding Vision 2030 through oil-price softness and geopolitical stress without forcing it onto the foreign-investor spot market at distressed spreads.

Exhibit 12: Saudi Arabia Debt Issuance Trend



Source: S&P Global. March 2026.

Relative to Gulf Cooperation Council (GCC) and EM peers, the Kingdom's resilience profile is differentiated but not dominant. Within MENA, Saudi Arabia's size, PIF firepower, debt-market depth, and project pipeline remain structurally distinctive. Against broader EM peers, the combination of Aa3/A+ ratings, low public debt, fiscal buffers, and a reform track record places Saudi Arabia at the higher-quality end of the EM spectrum, even after accounting for regional geopolitical risk.

31. Source: GASTAT. 2026.
32. Ibid.
33. Source: Fitch Ratings. January 2026.
34. Ibid.

6. Equity and debt market lens

6.1 From closed to investable: the decade-long equity transformation

The recalibrated Vision 2030 architecture is now being intermediated through an equity and sukuk market that look materially different from 2016.

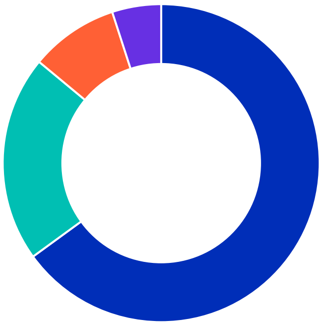
Ten years ago, non-GCC foreigners could not directly own Saudi stocks. Today the Tadawul is the largest EM in EMEA, the sixth largest exchange in EMs by market capitalisation, and fully open to all categories of international investors. The accessibility story is complete; the re-rating story is now the live question. The most significant capital-markets development of the past eighteen months has been the Saudi Capital Market Authority's (CMA) January 2026 decision to eliminate the Qualified Foreign Investor (QFI) framework entirely, opening the Tadawul to all categories of foreign investors. This was a decade's worth of liberalisation completed in a single rule change.

The ownership data reflects this trajectory. QFIs and foreign investors held effectively zero of the Saudi market in 2015. Foreign holdings in listed equities stood at US$23 billion at end-2018, grew to US$97.5 billion by Q3 2023 and reached US$157 billion by Q3 2025, a sevenfold growth since MSCI EM inclusion in 2019. Foreign investors now account for a relatively modest 5% of total market value, but a materially larger ~20% of trading value, evidence of disproportionate influence on price discovery.[35]

Saudi Arabia's progression through MSCI EM Index has been the fastest in the index's history, from Standalone Market classification in 2017 to full EM inclusion in August 2019. The initial weight of 1.4% doubled to 2.8% by 2019 and reached 4% by mid-2024; the current weight is in a range of 2%-3%.[36] Saudi Arabia is now the seventh-largest EM country by free-float-adjusted market capitalisation, up from 11th in 2019. Saudi Arabia's combination of market size, liquidity and free-float expansion has cemented it as the dominant GCC allocation for any EM manager.

The investor-base composition has shifted materially over the decade, though it remains incomplete. In 2015, Saudi individual investors (retail) dominated trading and ownership alike. Saudi retail/individual investors now now hold 9% of total market value which is meaningful, but no longer dominant. The largest ownership category is now Saudi corporates and government-related entities, at 82% of market value, reflecting the state's strategic holdings in Aramco, SABIC, STC and the banking sector.[37]

Exhibit 14: Saudi Tadawul Index Ownership Breakdown



Govt-Related Entities	65%
Saudi Institutions	21%
Saudi Retail	9%
Foreign Investors	5%

Source: Saudi Capital Market Authority. As of May 1, 2026.

The more important trend is the rise of domestic institutional capital. Saudi institutions (pension funds, insurance companies, mutual funds) tripled their market share to 21%, a significant deepening of the domestic institutional layer. Combined with the foreign institutional layer now holding c. 5% of market value,[38] the market has transitioned from a predominantly retail-driven venue to one where institutional capital increasingly sets prices. For allocators, this matters because institutional flows tend to be stickier and more fundamentals-anchored than retail, reducing the idiosyncratic volatility that historically characterised the Tadawul.

The initial public offering (IPO) pipeline compounds the structural case. Approximately 40 IPO applications were under review by the CMA at end-2025, across energy, health care, financial services, real estate, mining and technology.[39] PIF alone has up to eight portfolio companies earmarked for potential listing.

35. Source: Saudi Exchange and MSCI.
36. Source MSCI. May 29, 2026.
37. Source: Saudi Exchange. May 1, 2026.
38. Ibid.
39. Ibid.

6.2 Market reforms

Since 2022, the CMA and Saudi Exchange have overhauled the issuance framework to broaden funding channels and increase the volume and flexibility for equity and debt primary and secondary offerings. Key changes include:

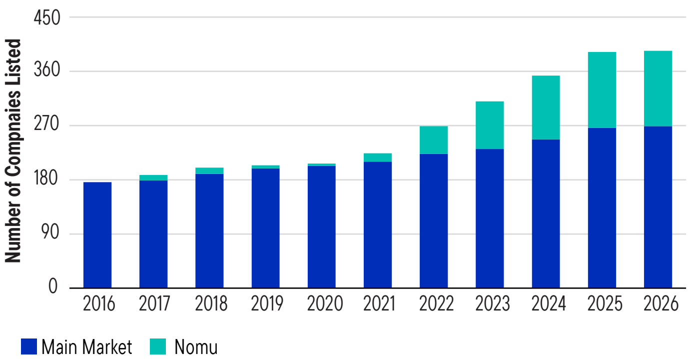
- Amendments to rules on the offer of securities and continuing obligations. Listed companies can now place up to 15 percent of their capital with preemptive rights suspended.
- Guidelines on cross and dual listing of foreign companies and a framework to facilitate the issuance of Saudi Depositary Receipts.
- Introduction of a framework for crowdfunding and public offers of exchangeable debt instruments. Updated regulations to facilitate the direct listing of privately placed debt instruments.

These policies are designed to increase the equity market's free float and bond market depth to enable better price discovery in Saudi capital markets.

From a demand perspective, reforms since late 2022 have focused on widening the investor base and improving market access. This benefits foreign buyers and participants in the Parallel Market (Nomu). The CMA has progressively relaxed foreign investment rules and abolished the Qualified Foreign Investor regime. The Saudi Exchange has proposed further easing of Nomu listing and qualified investor thresholds to draw more SMEs and active investors into the market.

Taken together these reforms are linked to Vision 2030's Financial Sector Development Program: increasing Saudi Arabia's weight in global indices, lifting foreign participation and turnover, and building a deeper, more liquid market able to absorb recurring IPOs and secondary offerings at scale.

Exhibit 15: Number of Companies Listed on Saudi Exchanges

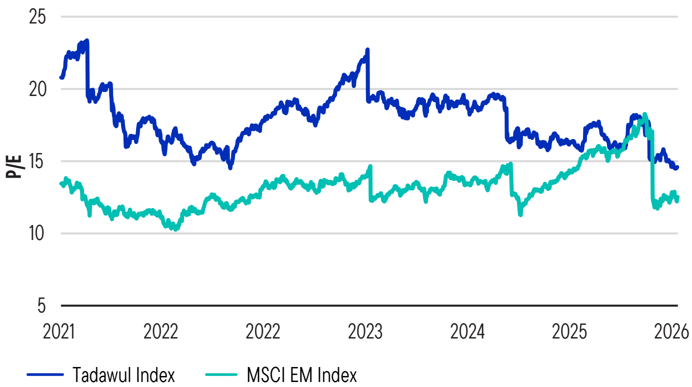


Source: Saudi Capital Markets Authority, May 2026.

6.3 Valuations: the de-rating since 2023 and earnings growth profile

Saudi equities have undergone a meaningful valuation reset. After the Tadawul index forward price-to-earnings (P/E) reached a 2024 peak of 22x, the market has since de-rated sharply. Today, Saudi equities trade closer to 14x P/E, below recent-cycle highs and close to their long-term average, while trading at a premium to EM indices.[40] That premium is not unusual: Saudi Arabia offers higher sovereign credit quality, deeper domestic liquidity, and higher reform visibility than many EM peers.

Exhibit 16: Saudi Tadawul Index & MSCI EM Index P/E



Source: Bloomberg, MSCI. As of May 1, 2026.

40. Source: Bloomberg, Saudi Exchange. May 2026.

The de-rating was driven by a combination of elevated starting valuations, weaker energy earnings, softer risk appetite and a correction in parts of the IPO market where valuations were elevated. Aramco remains important to index-level earnings, and its 2024 net income decline weighed on the headline market picture. But beneath the index, the earnings base is becoming more balanced. Banks, telecoms, health care, and selected consumer and infrastructure-linked names are increasingly carrying the diversification story, supported by credit growth, digitalisation, private health care expansion and Vision 2030-related domestic demand.

Exhibit 17: S&P Saudi Arabia Sector Weights 2016

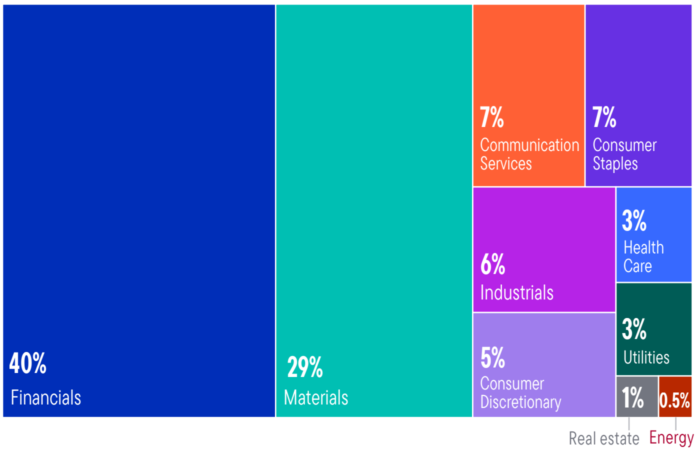
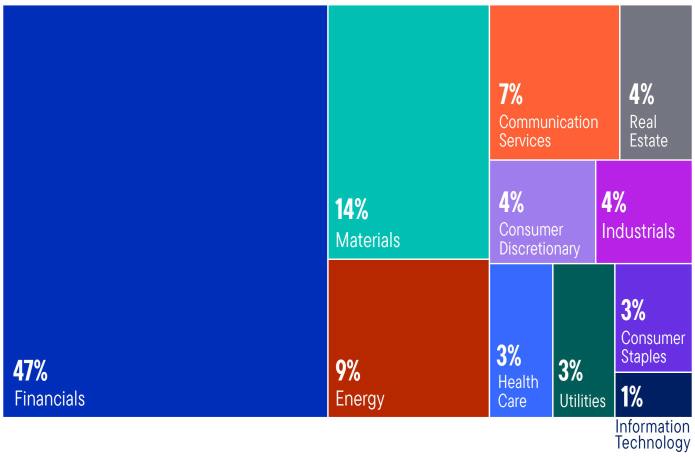


Exhibit 18: S&P Saudi Arabia Sector Weights 2026



Source: S&P Saudi Arabia Index. Exhibit 17 data as of March 31, 2016 and Exhibit 18 data as of March 31, 2026. S&P Saudi Arabia is a free-float, market-capitalisation-weighted index. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges.

Compared to history, the Tadawul All-Share Index sector weights are more balanced. Banks, telecoms, health care, and selected consumer and infrastructure-linked sectors reflect the diversification story. This trend is supported by credit growth, digitalisation, and private health care expansion, which in turn are driven by increasing domestic demand.

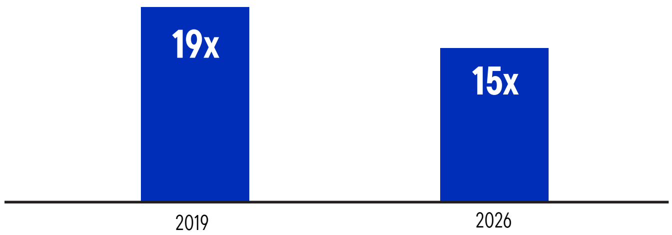
For EM allocators, the key point is that Saudi is no longer simply an expensive reform story. The market has moved from a valuation-led narrative to a more selective opportunity set. Quality large caps have maintained their valuation premium, while some recent high-multiple listings have corrected meaningfully. That creates a more investable backdrop in our view: valuation risk has moderated and earnings breadth is improving.

Exhibit 19

Percentage of Tadawul Index Held by Foreigners

Saudi Arabia Weight in MSCI EM Index

MSIC Saudi Arabia P/E Valuation



Sources: Saudi Capital Market Authority, MSCI, Bloomberg. As of May 1, 2026.

The Evolution of Saudi Arabia's Asset Management Industry

Saudi Arabia's asset-management industry is among the most tangible non-infrastructure success stories of Vision 2030. Over a decade it has shifted from a narrow domestic savings channel into a strategic pillar of capital-market development. This has not been based on rising asset prices alone, but on a deliberate sequence of reforms: market liberalisation, product development, digital onboarding and stronger regulation under the Financial Sector Development Program.

Broad AUM	Growth since 2015	AUM / GDP	Private funds
USD 344bn	**3.5x**	**26.8%**	**USD 185bn**
Q1 2026, public + private funds + DPM	Broad AUM expansion	2025 actual vs 16.9% baseline	54% of broad AUM in Q1 2026

Source: CMA annual reports, CMA Quaterly Statistical Bulletin Q1 2026, CMA 2025 strategic KPI scorecard and S&P Global estimate. Data as of April; 1, 2026.

The scale of the shift is clear. Broad industry AUM[41] rose from USD 97 billion in 2016 to USD 344 billion by Q1 2026, a 3.5x expansion. More telling than the headline is the change in composition: private funds grew from 35% of broad AUM to 54% over the same period, overtaking public funds and discretionary mandates to become the industry's centre of gravity. That migration toward private markets, real estate and institutional vehicles signals a deepening ecosystem rather than a market driven by mutual funds alone.

Penetration has deepened in step. AUM as a share of GDP climbed from a 16.9% baseline in 2019 to 26.8% in 2025, a 60% increase, while the supporting infrastructure scaled alongside it, with custody assets exceeding USD1 trillion and institutional investors accounting for the majority of market activity. The breadth is equally visible in participation: the number of private funds more than doubled since early 2023, and public-fund subscribers crossed 1.5 million.

Since 2016, privatization has become a key driver of Saudi Arabia's market-deepening agenda. This was led by Saudi Aramco's landmark IPO and followed by strategic listings and secondary sales involving Saudi Tadawul Group and others. Over USD 50 billion has been raised from these listings and sales. The transactions have broadened the markets sector representation. It has also improved liquidity and increased investors access to sectors linked to Vision 2030.

The next phase will be defined less by headline AUM growth than by its diversity: alternatives, private credit, sukuk strategies, institutional mandates and cross-border distribution. S&P Global expects Saudi asset-management AUM to exceed USD 500 billion by end-2030, an external validation consistent with the domestic trajectory. On the evidence, the industry is best read not as a by-product of capital-market reform, but as a core component of the Kingdom's financial-sector transformation.

41. Broad AUM is defined as public funds + private funds + discretionary portfolio management assets.

6.4 Sukuk and sovereign debt

Saudi Arabia's debt capital market is now the most important non-oil financial market in the Kingdom and the largest sukuk market globally. Outstanding market size exceeded US$520 billion at end-2025 with sukuk representing 62%.[42] Fitch projects the market will cross US$600 billion by end-2026. The Kingdom was the largest dollar-debt issuer in EMs excluding China in 2025 and the largest environmental, social and governance (ESG) dollar-debt issuer globally.

For fixed income allocators, Saudi Arabia offers a distinct combination: Aa3/A+ ratings at the high end of the EM complex, liquid USD issuance, a developing yield curve in SAR, and sukuk instruments that provide Shariah-compliant exposure without materially sacrificing credit quality.

Exhibit 13: Saudi Arabia Sovereign Credit Rating Trajectory

Agency	2016	2018	2020	2022	2024	2026
Moody's	A1	A1	A1	A1	Aa3	Aa3
S&P	A-	A-	A-	A	A	A+
Fitch	A	A	A	A	A+	A+ (stable)

Source: Moody's, S&P, Fitch. As of April 30, 2026.

6.5 Foreign investor participation and appetite

Foreign investor behaviour in 2024–2025 has been a story of structural accumulation interrupted by cyclical caution. The Kingdom climbed to a record 13th in Kearney's 2025 FDI Confidence Index (and third among EMs).

In the near term, discretionary greenfield investment has softened and some European and US funds have moved to a 'wait and see' posture while the regional conflict plays out. State-contract-linked investment has been materially more resilient. That distinction maps precisely onto the thesis that Vision 2030 has built a sticky institutional layer of foreign commitment: regulatory-anchored, procurement-linked, multi-year, that does not unwind on a single quarter of geopolitical stress.

For allocators building Saudi exposure, the structural case remains essentially intact. The tactical case depends on the regional outlook and the technical case, driven by CMA liberalisation, MSCI weight trajectory, IPO pipeline, is strongly supportive.

42. Source: National Debt Management Center, December 2025.

7. Outlook and next steps

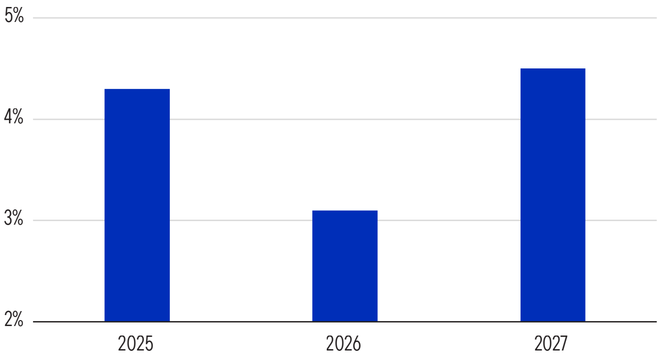
The next four years are not a test of whether Vision 2030 will succeed, but of how far it can build on what it has already secured. The structural shift through April 2026 is real and, in key respects, irreversible: a broader non-oil base, a deeper private sector, social and labour market gains that exceeded targets. What remains is the harder, more rewarding work, sustaining execution discipline, drawing in private capital and FDI, and compounding early progress into lasting resilience. The foundation is built, the next stage will embed it for generations to come.

Five themes to watch:

1. Regional conflict resolution

The pace at which the region moves into a postwar environment will determine whether 2026 GDP growth tracks the IMF's revised 3.1% reference path or slides toward the adverse scenario the Fund modelled alongside it. The IMF's 2027 rebound forecast of 4.5% implicitly assumes conflict resolution, any extension pushes the recovery into 2028. Maritime insurance pricing, tanker-transit normalisation, and FDI commitments will be the leading indicators to watch.

Exhibit 19: Saudi Arabia GDP Forecast – IMF



Source: IMF. As of April 2026.

2. The PIF 2026–2030 strategy in execution

The three-portfolio architecture and the 80/20 domestic/international capital split are now formally in place. Whether the fund delivers a measurable improvement in returns while continuing to anchor the pivot to high-ROI strategic infrastructure, including the pivot to AI data centres, will be the clearest test of the program's second decade.

3. Equity market development

The February 2026 QFI liberalisation was a critical development in the evolution of Saudi Arabia's equity capital markets, removing the access hurdle for foreign investors was another step in the market's institutionalisation. But the biggest catalyst may be the potential review of the 49% aggregate foreign ownership cap.

Access determines whether investors can enter the market; ownership limits determine whether they can scale. Raising the cap could increase Saudi Arabia's effective index weight, unlock US$9-US$10 billion[43] of passive inflows, and improve day-to-day market activity through deeper liquidity, broader institutional participation, and better price discovery. More importantly, it would move Saudi Arabia from being an accessible market to a genuinely scalable one for global EM capital.

Beyond ownership limits, two areas of reform deserve close attention.

A. IPO participation framework: Current prefunding requirements, where international investors must deposit full cash before allocation, remain a friction that discourages some institutional participation, particularly from large active funds. Easing or eliminating prefunding would bring the Saudi primary market in line with international norms and broaden the institutional bid at a time when the PIF IPO pipeline alone includes up to eight portfolio companies.

43. Source: Saudi Exchange. 24 September, 2025.

B. Development of market tools and derivatives. The Tadawul's derivatives offering is still in its infancy, single stock futures and index options exist, but volumes are thin. A deeper, more liquid derivatives ecosystem would meaningfully improve price discovery, allow institutions to hedge Saudi-specific exposures without exiting positions, and attract the kind of systematic and quantitative capital that has largely bypassed the market to date. Both reforms sit on the CMA's published roadmap and, if executed, would move the Tadawul from 'accessible' to 'efficient' in institutional terms, a distinction that matters for position sizing, not just inclusion.

4. Debt market architecture and non-bank funding channels

The sovereign and quasi-sovereign USD sukuk market is deep and well-functioning; the next frontier is the local-currency market, which remains relatively small and underdeveloped compared to the Kingdom's funding needs, despite its rapid growth to 18% of GDP. Bringing SAR-denominated issuance to the forefront as a core funding channel, rather than a supplement to dollar issuance, would deepen the domestic yield curve, reduce currency mismatch risk for Saudi corporates, and give the central bank a more effective monetary-policy transmission mechanism.

Equally important is the development of non-bank funding channels that the economy increasingly needs. Securitisation and mortgage-backed securities are nascent; scaling them could alleviate liquidity concentration in the banking sector and free up bank balance sheets for the project-finance pipeline that Vision 2030 demands.

Private credit markets are not yet scaled to meet the financing needs of a growing mid-market corporate segment at a time when demand for non-bank financing is rising across fintech, logistics, health care, and real estate. The structural opportunity here is significant: Saudi Arabia has the sovereign credit quality, a regulatory willingness, and a demographic demand profile to build a diversified funding architecture that most EMs lack. The question is execution pace, and whether the CMA and the central bank, together with the large public pensions and the PIF, can coordinate the regulatory framework and private capital ecosystem quickly enough to match the real economy's appetite for capital.

5. Oil price and production dynamics

The Kingdom's fiscal position, the trajectory of Aramco dividends to PIF, and by extension the pace of Vision 2030 execution all depend materially on oil prices and OPEC+ production paths. The IMF has emphasised this point: a US$10 increase in Brent, or a one million barrel per day rise in Saudi production, materially changes the fiscal path. The asymmetry remains.

For institutional allocators, the strategic case for Saudi Arabia remains constructive: above-EM-average sovereign credit quality, an increasingly accessible and deepening equity market, the largest sukuk market in the GCC, a labour market reform track record, and an infrastructure plan that emphasises execution. The tactical case will be conflict-dependent and data-driven. The technical case, benchmark weights, passive flows and index inclusions are supportive.

Saudi Arabia has earned a place among the core considerations for EM portfolios, not as a speculative petro-state play, but as a diversified EM economy in the middle of the second phase of reform.

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