Bank Audi

SAUDI ARABIA ECONOMIC REPORT

FEBRUARY 2025

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ECONOMIC TRANSFORMATION PROGRESSING WELL AMID STRONG MODERNIZATION AND DIVERSIFICATION EFFORTS

Saudi economy doing noticeably well amid unprecedented economic transformation

KSA's unprecedented economic transformation is progressing significantly as it advanced in its noticeable modernization and diversification under Vision 2030. While oil GDP was on a contractionary trend due to lower oil production, non-oil GDP growth was boosted by strong diversification efforts, raising the overall real GDP growth to an expansion of 1.5% in 2024, against a contraction of -0.8% in 2023 as per IMF figures. Geopolitical events have not had any major impact on the Saudi economy so far. Labor market outcomes remain stable but mixed, with a decline in both the unemployment rate and the labor force participation rate.

Easing inflationary pressures accompanied with stable FX buffers

Saudi inflation eased further over the past year, in line with global trends, while the Saudi Central Bank's reverse assets remained stable at US$ 437 billion following the previous year's contractions, and key policy rates continued to move in tandem with the US Federal Reserve's policy given the currency peg to the US dollar. In details, Saudi's inflation averaged 1.7% year-on-year in 2024, despite large public spending, following a 2.3% and a 2.5% average annual increase in consumer prices in 2023 and 2022 respectively.

Wider fiscal deficit amid increased strategic transformational spending to achieve economic diversification

Saudi Arabia is estimated to have recorded a wider fiscal deficit in 2024, given the government's focus on directing spending toward projects that accelerate the achievement of economic diversification goals, while maintaining fiscal sustainability, and enhancing Saudi economic growth through the implementation of sectoral strategies, Saudi Vision 2030 realization programs, and giga projects. Total revenues are estimated to have reached about SR 1,230 billion in 2024, which represents an increase of 4.9% compared to the approved budget estimate and a rise of 1.4% compared to total revenues in 2023. Public expenditures are estimated to have reached SR 1,345 billion in 2024. This reflects an increase of 7.5% compared to the approved budget and a rise of 4.0% relative to total public expenditures in 2023. That being said, the Kingdom is expected to register a wider fiscal deficit of SR 115 billion in 2024 (representing 2.8% of GDP), compared to a fiscal deficit of SR 81 billion in 2023 (representing 2.0% of GDP).

Tight funding conditions somewhat narrowed banks' margins but profitability and capitalization remained strong amid sound activity growth

The past year has been another good year for the banking sector, with sound activity growth. Measured by the aggregation of bank assets, banking activity grew by 13.6% in 2024 to reach US$ 1,198 billion. Deposits grew by 8.9% in 2024, while loans rose by 12.9% over the year. Tight funding conditions somewhat narrowed banks' margins in 2024 but earnings remained strong on the overall, with a year-on-year profit growth of 15.1% to reach US$ 23.8 billion. Capitalization remained adequate, with shareholders' equity at US$ 133 billion at year-end 2024, the equivalent of 13.1% of assets.

Two-way flows on Saudi equity market over the past year, activity on fixed income market tilted to downside

The Saudi equity market swung between losses and gains over the year 2024, closing the year with small price increases, while the fixed income market came under downward price pressures, especially at the longer-end of the curve amid prospects of slower US Federal Reserve easing pace in 2025. The Saudi Exchange managed to close the year on a positive note, as reflected by a 0.6% rise in the Tadawul All-Share Index. Concomitantly, total trading value in the Saudi Exchange expanded by 39.7% year-on-year in 2024, reaching US$ 496.6 billion as compared to US$ 355.5 billion in 2023. Saudi Arabia returned to international debt markets early-January 2025 through the sale of a US$ 12 billion triple-tranche bond. As to the cost of insuring debt, Saudi Arabia's five-year CDS spreads, which measure the market's perception of sovereign risks, expanded by 11 basis points in 2024 to reach 65 bps at year-end, staying well below the average regional sovereign five-year CDS spreads of 162 bps.

The Kingdom's macro outlook quite favorable supported by oil production increases and diversification efforts

Growth is expected to rebound to an average of 4.9% in 2025-2026 as oil production increases. The oil production quota is expected to increase during 2025 as announced by OPEC+, which is apt to boost oil GDP growth by 6.6% and 5.1% for 2025 and 2026 respectively, reversing an estimated contraction of 4.5% in 2024. The non-oil sector is estimated to maintain steady growth in the coming years. The services sector, critical to Saudi Arabia's economic diversification agenda, is expected to grow at a stable average rate of 5.8% in 2024-2026 according to the World Bank.

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The Saudi economy has been doing noticeably well over the past year. KSA's unprecedented economic transformation is progressing significantly as it advanced in its noticeable modernization and diversification under Vision 2030. While oil GDP was on a contractionary trend due to lower oil production, non-oil GDP growth was boosted by strong diversification efforts, raising the overall real GDP growth to an expansion of 1.5% in 2024, against a contraction of -0.8% in 2023 as per IMF figures. Geopolitical events have not had any major impact on the Saudi economy so far. Labor market outcomes remain stable but mixed, with a decline in both the unemployment rate and the labor force participation rate.

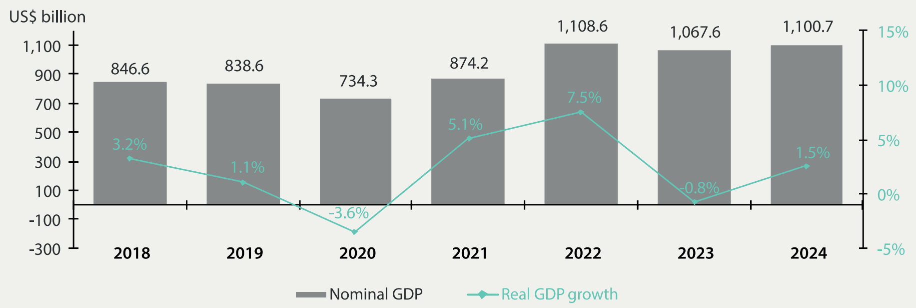
On the monetary side, CPI inflation remains contained at 1.7% on average in 2024 (down from 2.3% in 2023 and 2.5% in 2022), supported by the local currency peg to the U.S. dollar and despite large public spending. However, while overall inflation is subdued, the housing sector witnessed much higher inflation at 8.9% year-on-year in December. The food and beverage sector recorded a modest increase of 0.8%, and the transport sector experienced the largest deflation, at -2.5%.

At the fiscal level, a slight deficit growth was reported over the past year. The government deficit reported 2.8% of GDP in 2024, against 2.0% in 2023. This was the result of a decrease in general government revenues to GDP from 30.3% to 29.7% respectively, while general government expenditures slightly increased from 32.3% to 32.7% of GDP. As a result, government debt to GDP rose from 26.2% at end-2023 to 29.0% at end-2024. The budget 2025 revolves around a deficit figure of SR 101 billion, resulting from a spending figure of SR 1,285 billion and a revenue figure of SR 1,184 billion.

At the external level, the trade balance deteriorated owing to investment-driven increases in imports. While exports of goods were on a slight decline, imports of goods actually rose by a significant 7.0% in 2024 as per IMF estimate. This import surge, in addition to lower proceeds and heightened volatility in oil exports resulted in a narrower current account surplus of 0.4% of GDP in 2024, down from 3.2% of GDP in 2023.

With respect to the banking industry, the past year has been another good year for the sector, with sound activity growth across the board. Measured by the aggregation of bank assets, banking activity grew by 13.6% in 2024 to reach US$ 1,198 billion, the equivalent of 108.9% of GDP. Deposits grew by 8.9% in 2024, while loans rose by 12.9% over the year. Tight funding conditions somewhat narrowed banks' margins in 2024 but earnings remained strong on the overall, with a year-on-year profit growth of 15.1% over the year to reach US$ 23.8 billion. Capitalization remained adequate, with shareholders' equity at US$ 133 billion at year-end 2024, the equivalent of 13.1% of total assets.

NOMINAL AND REAL GDP



Sources: IMF, Bank Audi's Group Research Department

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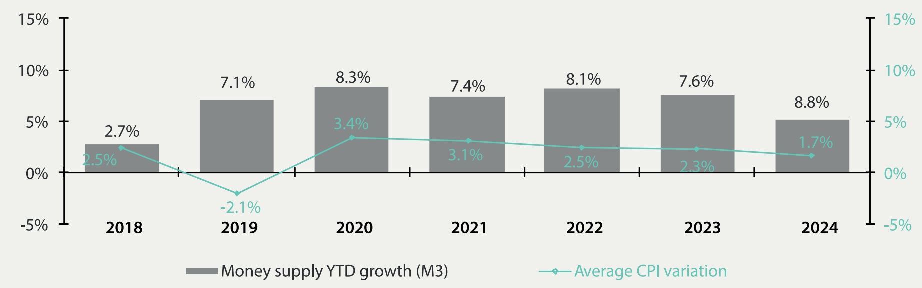
At the capital markets level, the year 2024 reported quasi-stability in both equity and fixed income markets. The share price index reported a slight rise of 0.6% in 2025, amid a more efficient and liquid market. In fact, trading value rose from US$ 356 billion in 2023 to US$ 497 billion in 2024, a growth of 39.7%. The Saudi equity market was trading at an average Price to Earnings ratio of 17.4x at end-2024 and at an average Price to Book value ratio of 3.3x as at the same date. With respect to the fixed income market, the 5-year CDS spread, which reflects the market perception of sovereign risks, rose from 54 basis points at year-end 2023 to 65 basis points at year-end 2024 thus reaching its end-2020 level again.

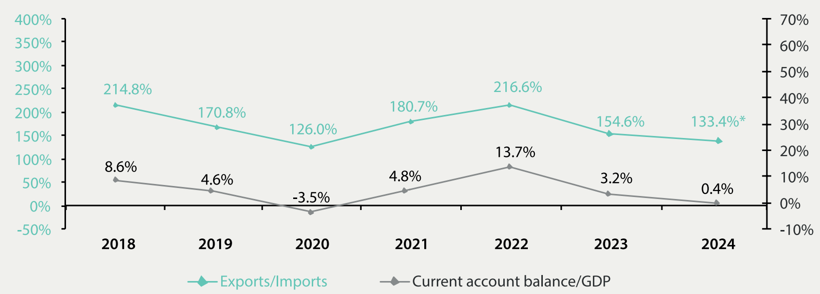
The detailed developments in the real sector, external sector, public sector and financial sector are outlined in the sections that follow while the concluding remarks address Saudi Arabia's short to medium term economic outlook looking forward.

MONEY SUPPLY AND INFLATION



Sources: Saudi Central Bank, Bank Audi's Group Research Department

FOREIGN SECTOR INDICATORS



**Figures are for 11M 2024*

Sources: General Authority for Statistics, IMF, Bank Audi's Group Research Department

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1. ECONOMIC CONDITIONS

1.1. REAL SECTOR

1.1.1. Hydrocarbon sector

Saudi's hydrocarbon sector enters into contractionary mode amid production cuts

Saudi Arabia's hydrocarbon sector entered into a contractionary mode in 2024 as oil activities declined due to the country's commitment to the voluntary oil production cuts under OPEC+ agreement to maintain the overall stability of global oil markets, coupled with the government's ongoing efforts to diversify the economy away from the oil sector under Saudi Vision 2030.

Within this context, the breakdown of GDP by type of economic activity showed that the "mining and quarrying" segment accounted for 23.5% of GDP in 9M 2024, down from 26.2% of GDP in 9M 2023, as per latest figures.

At the level of upstream oil production, Saudi Arabia's crude production remains heavily depressed under the terms of the OPEC+ production cut agreement, as per Fitch Solutions. While the market holds 12 million b/d of production capacity, its output averaged just 8.97 million b/d in December 2024.

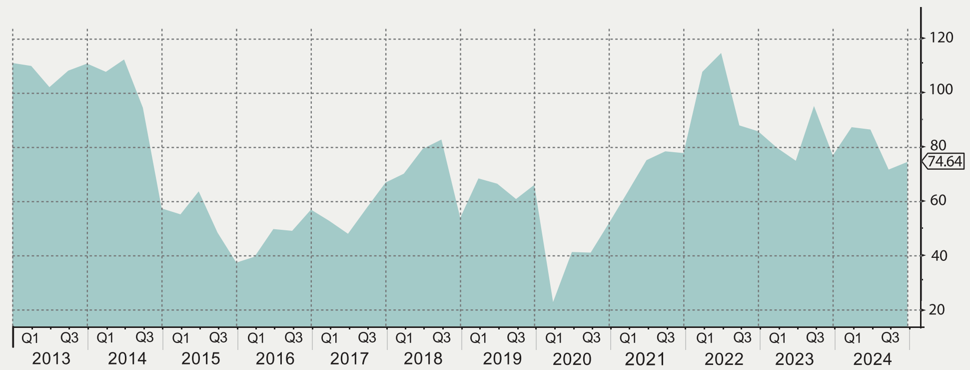
In details, OPEC+ countries, including Saudi Arabia, decided to reduce their oil production by over 1.65 million b/d as of May 2023 until the end of 2023. These production cuts were later extended to the end of 2024 and are currently extended until the end of December 2026.

Additionally, in November 2023, these producers had agreed to voluntary output cuts totaling about 2.2 million b/d for the first quarter of 2024, in order to support prices and stabilize the market. These additional production cuts were extended to the end of 2024 and are currently extended to the end of March 2025. Nonetheless, the gradual unwinding of the production cuts would begin in April 2025 and continue until September 2026.

On the other hand, Saudi Arabia continues to emphasize the role of gas in the broader energy transition and is investing strategically to ramp up its domestic production and find a foothold in global LNG markets, as per Fitch Solutions.

At the Jafurah unconventional gas field development, procurement and construction works are ongoing, with initial start-up anticipated in the third quarter of 2025. The project would ramp up production to over 20 billion cubic meters (bcm) a year of natural gas by 2030 including ethane, natural gas liquids and condensates.

CRUDE OIL PRICES



Sources: Bloomberg, Bank Audi's Group Research Department

Concurrently, works are ongoing at the Tanajib Gas Plant. The plant, which is expected to come onstream by 2025, would add around 27 bcm of gas processing capacity for the Marjan and Zuluf fields. In parallel, the Hawiyah Unayzah Gas Reservoir Storage has successfully completed the first full cycle of injections and withdrawals. The facility can provide over 20 bcm of natural gas to the Master Gas System.

Gas production growth would be mainly driven by non-associated conventional field developments. However, due to technical and financial barriers to production, the role of unconventionals would remain limited on the short run, but is set for strong growth over a multi-decade horizon.

Looking forward, as OPEC+ gradually phase out oil production cuts, Saudi Arabia's oil production is set to expand 2% year-on-year in 2025, to reach a total production of 10.9 million b/d, according to Fitch Solutions.

1.1.2. Non-Hydrocarbon Sector

Saudi Arabia's non-oil sector growth to remain strong albeit at a more stable rate

Saudi Arabia's non-oil sector, which has been the focus for investment amid the country's diversification efforts, has noted an upward trend in its performance since 2022. This growth was noted among all sub-sectors with the main benefactors being construction and tourism.

This growth in non-oil activity can be seen in the real non-oil GDP growth which registered 4.3% year-on-year in 2024. The real GDP growth for the sector outperformed both real oil GDP growth and the wider economic growth by 8.8 percentage points (pps) and 3.0 pps respectively during the year. However, when compared to 2023, a marginal slowdown in the sector's growth of 0.1 pps is noted. Additionally, in 2023, non-oil sector GDP growth outperformed both the oil sector GDP growth and the wider economic growth by 13.4 pps and 5.2 pps respectively. In turn, while the sector's growth during 2024 remains robust, its performance is relatively stabilizing leading to lower growth margins. This trend is set to continue looking forward as the base effect keeps growing with each positive growth in the sector and as the country's available financing for investment is slightly restricted by lower oil activity and hydrocarbon prices.

At the level of overall non-oil sector performance, business conditions have continuously improved since September 2020. In 2024, an average Purchasing Managers' Index (PMI) of 56.5 was recorded, showing a decrease of 1.8 pps from an average PMI of 58.3 in 2023. This entails a continued improvement in non-oil sector performance albeit at a slower pace than the year prior.

At the level of the population, as per data from FitchSolutions, the upwards trend in household (HH) spending is forecasted to stabilize in 2024 leading to a more consistent growth pattern. In details, HH spending is forecasted to note a real grow of 4.8% during 2024 reaching US$ 447.0 billion, up from US$ 426.6 billion in 2023. This comes as a deceleration in HH spending growth down from 7.4% noted between 2022 and 2023. In 2025, HH spending is forecast to increase by a further 5.7% to reach US$ 472.5 billion, showing an acceleration against the year prior.The average growth per annum in the medium term (2026-2029) is expected to rationalize slightly to stand at 5.4% per annum.

At the level of infrastructure and construction, outlook for activity in these sectors for the next 10 years remains positive due to the country's economic diversification efforts.

In details, looking at the construction industry, a real growth of 3.7% is forecasted in 2024 to reach a value of SAR 221.4 billion (US$ 59.0 billion), up from SAR 213.5 billion (US$ 56.9 billion) in 2023. On the medium term (2025-2029), a yearly real growth of 4.3% is forecasted in the industry's value, with a yearly real growth of 4.0% expected on the long term (2025-2033), as per FitchSolutions.

In parallel, the infrastructure industry is forecasted to notice a 2.8% growth year-on-year in 2024 to reach SAR 119.5 billion (US$ 31.9 billion). The growth trend is expected to pick up pace on the medium term with a yearly real growth of 3.6%, and in the long term, with a yearly real growth of 4.0%.

At the level of tourism, as per data from FitchSolutions, an upwards trend in tourism arrivals to Saudi Arabia is forecasted in the studied period (2024-2028) with a yearly average growth rate of 6.8%. In 2024, arrivals are expected to have grown by 17.6% year-on-year reaching 32.2 million. Saudi Arabia's arrivals are set to continue increasing supported by additional marketing efforts to promote the market as a leisure travel destination, investments in hotels and resorts and increasing transport links with source markets. As a result of the growth in tourism arrivals, receipts from international tourism is forecasted to also notice an upward trend. In 2024, International Tourism Receipts are forecasted to reach SAR 88.1 billion (US$ 23.5 billion) which denotes a year-on-year growth of 18.1%, up from SAR 74.6 billion (US$ 19.9 billion) in 2023. In the medium term (2025-2028), a yearly average growth rate of 8.2% is expected with receipts reaching SAR 120.8 billion (US$ 32.2 billion) in 2028.

At the level of the hospitality sector, during the first half of 2024, hotel occupancy rate in Saudi Arabia recorded 55.4% showing a year-on-year increase of 0.5 pps against the same period of the year prior. On the other hand, the Average Room Rate decreased by 4.0% year-on-year between the first half of 2023 and the first half of 2024 to reach SAR 725.5 per room.

At the level of the real estate sector, the residential and non-residential building industry value is forecasted to increase by 3.5% year-on-year between 2023 and 2024 to reach SAR 90.9 billion (US$ 24.2 billion) in the latter. On the medium term (2025-2029), the industry's value is set to increase by an average of 5.1% per annum, while on the long-term (2025-2033) the industry's value is set to increase by an average of 3.8% per annum.

In parallel, looking at the evolution of office rental rates per square meter in Riyadh and Jeddah in 2024 and 2025, prices are set to jump by 12.2% and 9.5% per annum respectively during the period. Additionally, industrial rental rates are set to increase by 3.3% per annum and 1.2% per annum in Riyadh and Jeddah respectively in 2024 and 2025. At the level of short term (2024-2025) evolution in retail rental rates, in Riyadh, prices are set to register an average increase of 1.6% per annum. On the other hand, Jeddah's retail rental rates are expected to decrease by an annual rate of 0.4% during the period.

As such, the Saudi non-oil sector is expected to continue its expansion with robust growths across all major sub-sectors. However, this growth is set to slowdown and rationalize on the long-term albeit remaining on a positive trend throughout. This comes as a result of various efforts in the country to cement its position as an investment hub in the region as well as the diversification of the economy increasing long-term sustainability and attractiveness of the country to foreign investors.

1.2. EXTERNAL SECTOR

Saudi Arabia's external sector performance amid short-term weakening

During 2024, Saudi Arabia's external sector performance was relatively weakened by various factors of which OPEC+ production cuts, diversification efforts, decreased price of hydrocarbons and increased spending on investment-related imports. The effect of these factors is set to continue weighing down the sector in the short-to-medium term. However, the drive for diversification and the focus set on investment project proliferation in the local economy is setting up Saudi Arabia's external sector for future growth through the attraction of international investment appetite in the long-term.

At the level of foreign trade, Saudi Arabia's BoT surplus showed a drop of 32.4% year-on-year reaching SAR 263.2 billion (US$ 70.2 billion) in the first 11 months (11M) of 2024, down from SAR 389.3 billion (US$ 103.8 billion) in 11M 2023. The main drivers standing behind this contraction in BoT surplus during 11M 2024 are a 4.8% contraction year-on-year in total exports and a 10.3% increase in imports year-on-year between 11M 2023 and 11M 2024, as per data from the Saudi General Authority for Statistics (GASTAT).

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In details, total exports were reported at SAR 1,050.6 billion (US$ 280.2 billion) in 11M 2024, registering a 4.8% decrease from the figures recorded in 11M 2023. The majority of exports (73.6%) were from the oil sector, with the non-oil sector accounting for 18.7% of exports. The former recorded a year-on-year drop of 9.7% while the latter recorded a year-on-year increase of 2.8% over the period, reaching SAR 772.8 billion (US$ 206.1 billion) and SAR 196.7 billion (US$ 52.5 billion) respectively in 11M 2024.

The breakdown of exports by country importing from Saudi Arabia in 11M 2024 indicates that China held the biggest share with 15.4% of total exports, followed by South Korea (9.3%), Japan (9.2%), India (8.9%), the UAE (7.5%) and the USA (4.2%), as per data from GASTAT.

On the other hand, total imports were reported at SAR 787.4 billion (US$ 210.0 billion) in 11M 2024, registering a 10.3% expansion from the figures recorded in 11M 2023.

The breakdown of imports by country exporting to Saudi Arabia during 11M 2024 indicates that China held the biggest share with 23.7% of total imports followed by the USA with 8.3%, India (5.6%), the UAE (5.5%), Germany (4.2%) and Japan (3.5%), as per data from GASTAT.

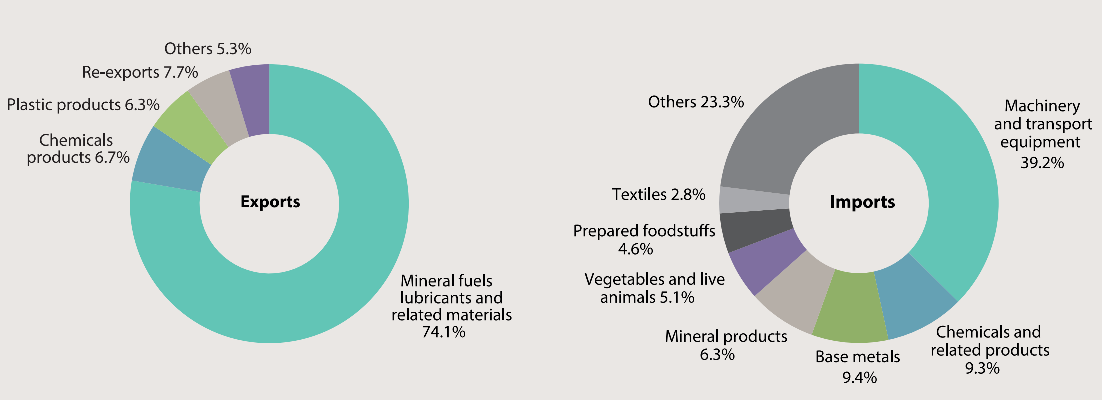
According to the International Monetary Fund (IMF), imports to Saudi Arabia are forecasted to grow by 11.5% in 2025. Between 2026 and 2029, the IMF forecasts an average growth rate of 5.1% per year in imports to Saudi Arabia. In parallel, exports from Saudi Arabia are forecasted to increase 10.4% in 2025. Between 2026 and 2029, the IMF forecasts an average growth rate of 5.7% per year in exports from Saudi Arabia. This shows that between 2026 and 2029, BoT surplus is set to pick up pace again following a downward trend between 2023 and 2024.

On the other side of the external sector, the latest available figures by Saudi Central Bank showed that the current account has recorded a 95.0% drop year-on-year to reach SAR 6.0 billion (US$ 1.6 billion) in the first nine months (9M) of 2024, down from SAR 120.3 billion (US$ 32.1 billion) in the same period of the year prior. This comes primarily as the goods and services account marked a year-on-year drop of 36.9% in 9M 2024 against figures from 9M 2023. The primary income account marked a year-on-year drop of 55.0% during the period while secondary income marked a widening deficit of 8.4% year-on-year between 9M 2023 and 9M 2024.

In parallel, the capital account has widened its deficit significantly (30.6%) between 9M 2023 and 9M 2024 to reach SAR 18.4 billion (US$ 4.9 billion) in the latter. The financial account has noted a reversal from the SAR 34.5 billion (US$ 9.2 billion) surplus in 9M 2023 to a SAR 51.4 billion (US$ 13.7 billion) deficit in 9M 2024, as per data from the Central Bank of Saudi Arabia.

On the other hand, Net Foreign Direct Investment in Saudi recorded a surplus of SAR 9.8 billion (US$ 2.6 billion) in 9M 2024, up from a deficit of SAR 11.3 billion (US$ 3.0 billion) in 9M 2023, as per data from the

BREAKDOWN OF EXPORTS AND IMPORTS BY COMMODITY 11M - 2024



Sources: General Authority for Statistics, Bank Audi's Group Research Department

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Central Bank of Saudi Arabia. Looking forward, according to the IMF, the current account in the country is expected to record a deficit of US$ 20.7 billion in 2025. This comes amid an expected further decrease in oil exports paired with an increase in investment-related imports.

As such, the short-to-medium term diversification efforts and increased spending on investment projects through imports are expected to weigh down Saudi Arabia's external sector performance. However, as the country is considered a safe haven for investment within the region as well as already being an attractive economy to international investors, these initiatives are set to pose upside risks on the future performance of the sector as well as the general local economy.

1.3. PUBLIC SECTOR

Wider fiscal deficit in 2024 amid increased strategic transformational spending to achieve economic diversification

Saudi Arabia is estimated to have recorded a wider fiscal deficit in 2024, given the government's focus on directing spending toward projects that accelerate the achievement of economic diversification goals, while maintaining fiscal sustainability, and enhancing Saudi economic growth through the implementation of sectoral strategies, Saudi Vision 2030 realization programs, and giga projects.

Total revenues are estimated by the Ministry of Finance (MoF) to have reached about SR 1,230 billion in 2024, which represents an increase of 4.9% compared to the approved budget estimate and a rise of 1.4% compared to total revenues in 2023. This is mainly supported by the increase in oil and non-oil revenues, and resulted from the improvement and growth of non-oil activities, and the Kingdom's efforts through the "OPEC+" agreement which have promoted the overall stability of the oil markets.

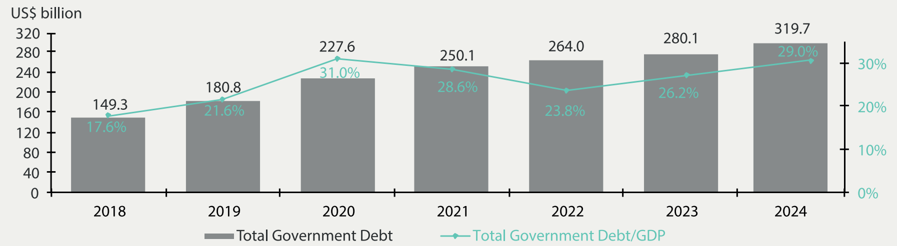
The breakdown of total revenues by taxes and other revenues shows that tax revenues for the year 2024 are estimated to have reached SR 366 billion, which marks an expansion of 2.7% relative to the year 2023. This is mainly attributed to the ongoing improvement in non-oil activities. Additionally, the government efforts and initiatives, including the continued improvement of tax administration, and the extension of the cancellation of fines and exemption of penalties for all tax payers until 31 December 2024, have contributed to this growth.

SAUDI ARABIA'S PUBLIC FINANCES

(SR billion)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025B
Total revenues	906	927	782	965	1,268	1,212	1,230	1,184
Taxes	168	220	226	317	323	357	366	379
Other revenues	737	707	555	648	945	856	863	804
Total Expenditures	1,079	1,059	1,076	1,039	1,164	1,293	1,345	1,285
Budget balance	-174	-133	-294	-73	104	-81	-115	-101
Gross public debt	560	678	854	938	990	1,050	1,199	1,300

Sources: Ministry of Finance, Bank Audi's Group Research Department

PUBLIC INDEBTEDNESS



Sources: Ministry of Finance, Bank Audi's Group Research Department

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In parallel, other revenues, including oil revenues, profits from government deposit investments, sales of goods and services, as well as penalties and fines, are estimated to have reached around SR 863 billion in 2024, compared to SR 856 billion in 2023, which marks an expansion of 0.9%. This is mainly driven by the expected increase in oil revenues due to the collection of performance-linked dividends in 2024.

On the spending front, total public expenditures are estimated by the MoF to have reached SR 1,345 billion in 2024. This reflects an increase of 7.5% compared to the approved budget and a rise of 4.0% relative to total public expenditures in 2023. The rise is mainly explained by the implementation of the transformational initiatives and strategic projects to achieve comprehensive development in all sectors across the Kingdom as well as the diversification of economic base, the enhancement of structural reforms, and the focus on supporting the economic growth. It is also due to ongoing infrastructure development, and the improvement of public services to enhance the quality of life in the Kingdom. In addition, the enhancement of the efficiency of the social support and protection system and the stimulation of the investment environment to achieve the goals have also contributed to the aforementioned estimated increase.

A closer look at total expenditures shows that operational expenditures (OPEX) are estimated by the MoF to have increased by about 3.7% over the year 2024, reaching SAR 1,148 billion. It is estimated that expenditures on compensation of employees have increased by 3.8% (around SR 20 billion) compared to the actual expenditure of 2023. This increase is primarily attributed to the impact of the annual increment and pervious entitlements to the General Organization for Social Insurance (GOSI). Expenditures on financing expenses are also expected to increase by 16.5%, approximately SR 6 billion, due to the growth in the public debt portfolio and interest rates. It is also estimated that expenditures on subsidies have increased by 63.5%, about SR 13 billion, as a result of the reclassification of the budget of certain government agencies under subsidies rather than other categories.

That being said, the Kingdom is expected to register a wider fiscal deficit of SR 115 billion in 2024 (representing 2.8% of GDP) compared to a fiscal deficit of SR 81 billion in 2023 (representing 2.0% of GDP).

In parallel, the total public debt is estimated by the MoF to have reached SR 1,199 billion (the equivalent of US$ 320 billion) in 2024, accounting for 29.0% of GDP, compared to a debt level of SR 1,050 billion (the equivalent of US$ 280 billion) in 2023 (representing 26.2% of GDP).

As for the year 2025, Saudi Arabia has approved late November 2024 the 2025 budget, with estimated total revenues of QR 1,184 billion, which marks an increase of 1.0% compared to the 2024 budget, yet down by 3.7% relative to estimated revenues for the year 2024. In parallel, total spending is estimated at SR 1,285 billion for the year 2025, up by 2.7% relative to the year 2024 budget, yet down by 4.5% relative to 2024 estimated spending. Accordingly, Saudi Arabia is expected to record a budget deficit of SR 101 billion in 2025, compared to a budgeted deficit of SR 79 billion in 2024, and an estimated deficit of SR 115 billion for the year 2024.

Looking forward, the Saudi government would continue to support economic growth to enhance non-oil revenues related to non-oil activities, with the aim of achieving a sustainable income source that is independent of oil market volatility over the medium and long-term.

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1.4. FINANCIAL SECTOR

1.4.1. Monetary Situation

Easing inflationary pressures accompanied with stable FX buffers

Saudi inflation eased further over the year 2024, in line with global trends, while the Saudi Central Bank's reverse assets remained stable following the previous year's contractions, and key policy rates continued to move in tandem with the US Federal Reserve's policy given the currency peg to the US dollar.

In details, Saudi inflation moderated further over the year 2024, averaging 1.7% year-on-year, despite large public spending, while supported by the local currency peg to the US dollar. This followed a 2.3% and a 2.5% average annual increase in consumer prices in 2023 and 2022 respectively. The breakdown of the Consumer Price Index by segment shows that the housing, water, electricity, gas, and other fuels segment, which has a weight of 25.5% in the Consumer Price Index, registered the largest yearly expansion of 8.8% in 2024, followed by the restaurants and hotels segment with +2.0%, the education segment with +1.3%, the food and beverages segment with +0.8% (with a weight of 18.8%) and the miscellaneous goods and services segment with +0.4% (with a weight of 12.6%). In contrast, the clothing and footwear segment and the furnishings & household equipment segment registered the largest yearly contraction in 2024 of 3.4% each, followed by the transportation segment with -2.4% (with a weight of 13.1%), the communication segment with -1.7%, the recreation and culture segment with -1.3%, the tobacco segment with -1.2% and the health segment with -1.1%.

Given the Saudi riyal peg to the US dollar at SR/US$ 3.75, the Saudi Central Bank's key policy rates remained anchored to the US Federal Reserve. In fact, after lifting its repo and reverse repo rates seven times in 2023 by a total of 400 bps each, the Saudi Central Bank cut them three times in 2024 by a total of 100 bps to reach 5.00% and 4.50% respectively at year-end.

In parallel, the Saudi Central Bank's reverse assets remained relatively stable in 2024, as reflected by a shy expansion of US$ 310 million over the year to reach US$ 437.2 billion at end-December, covering 62.6% of the money supply in local currency. This followed a US$ 22.9 billion contraction in 2023. The division of the Saudi Central Bank's reverse assets by category shows that "investment in foreign securities" expanded by US$ 8.1 billion in 2024, while "foreign currency and deposits abroad" contracted by US$ 6.9 billion, followed by "Reserve Position in the IMF".

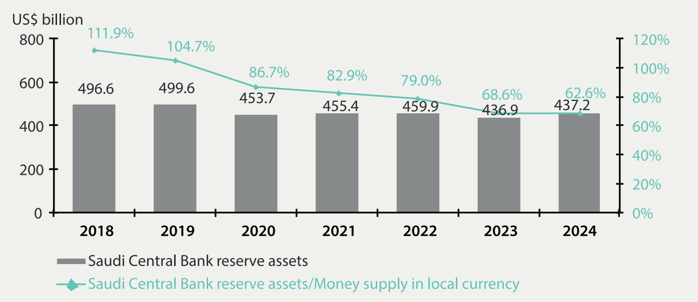
Regarding monetary aggregates, the narrow measure of money supply (M1) grew by 9.5% in 2024 (the equivalent of US$ 38.8 billion), reaching US$ 445.3 billion at end-December, mainly due to a 9.8% growth in "demand deposits" (the equivalent of US$ 34.2 billion). This followed a 0.3% contraction in (M1) in 2023. The broader money supply (M2), which grew by 9.4% in 2023, widened further by 9.7% in 2024 (the equivalent of US$ 61.6 billion) to reach US$ 698.5 billion at end-December amid a US$ 22.8 billion increase in "time and

EVOLUTION OF MONETARY SITUATION

Variations (US$ million)	2018	2019	2020	2021	2022	2023	2024
Net foreign assets	**-5,207**	**-8,977**	**-45,543**	**-21,163**	**16,838**	**-34,412**	**-23,131**
Saudi Central Bank	670	4,469	-44,882	-10,989	2,301	-23,350	-2,569
Commercial Banks	-5,877	-13,446	-661	-10,174	14,537	-11,062	-20,562
Domestic Assets	**24,158**	**50,044**	**76,835**	**87,984**	**84,755**	**74,150**	**118,543**
Claims on private sector	10,678	27,005	57,579	72,439	68,132	61,122	89,749
Claims on public sector	13,496	20,938	14,586	11,301	7,880	8,005	13,755
Claims on Nonfinancial Public sector Enterprises	-15	2,102	4,670	4,244	8,744	5,024	15,038
Broad Money (M3)	**12,926**	**35,065**	**43,767**	**42,547**	**49,747**	**50,659**	**62,968**
Money Supply (M1)	12,342	18,004	53,484	20,160	-9,693	-1,043	38,804
Quasi-Money	584	17,061	-9,716	22,388	59,440	51,702	24,164
Government Deposits	**-14,993**	**-15,613**	**-10,111**	**-12,617**	**15,034**	**-37,929**	**-7,960**
Other Items (Net)	**21,018**	**21,614**	**-2,364**	**36,891**	**36,813**	**27,009**	**40,404**

Sources: Saudi Central Bank, Bank Audi's Group Research Department

FOREIGN EXCHANGE MARKET INDICATORS



Sources: Saudi Central Bank, Bank Audi's Group Research Department

saving deposits". The money supply in its broadest sense (M3) expanded by 8.8% in 2024 (the equivalent of US$ 63.0 billion) to reach US$ 779.1 billion at end-December, within the context of a rise in quasi-money deposits of 1.7%. This followed a 7.6% expansion in (M3) in 2023. That being said, the demand deposits to broader money supply (M3) ratio reached 49.3% at end-December 2024 compared to 48.9% at end-December 2023. In parallel, the M1/M3 ratio was quoted at 57.2% at end-December 2024 compared to 56.8% at end-December 2023.

In the coming period, inflation is expected to remain stable at about 2% over the medium term, according to the IMF, supported by a credible peg to the US dollar and consistent domestic policies. Domestic subsidies and an elastic supply of expatriate labor are expected to keep inflation contained over the medium term and dampen the impact of a positive non-oil output gap, which exhibits a declining association with inflation over time.

1.4.2. Banking Activity

Tight funding conditions somewhat narrowed banks' margins but profitability and capitalization remained strong amid sound activity growth

The past year has been another good year for the banking sector, with sound activity growth across the board. Measured by the aggregation of bank assets, banking activity grew by 13.6% in 2024 to reach US$ 1,198 billion, the equivalent of 108.9% of GDP. Deposits grew by 8.9% in 2024, while loans rose by 12.9% over the year. Tight funding conditions somewhat narrowed banks' margins in 2024 but earnings remained strong on the overall, with a year-on-year profit growth of 15.1% over the year to reach US$ 23.8 billion. Capitalization remained adequate, with shareholders' equity at US$ 133 billion at year-end 2024, the equivalent of 13.1% of total assets.

The Saudi banking sector has seen mergers create dominant 'national champions'. Although this has resulted in concentration of market share and raised competitive pressure on smaller institutions, overall industry dynamics in terms of broader financial stability remain sound.
At the level of asset quality, S&P expects NPL formation to be slow given lower interest rates. It anticipates

BANKING SECTOR RATIOS

	2018	2019	2020	2021	2022	2023	2024
Banking sector dimension in economy							
Assets/GDP	75.5%	83.7%	108.2%	100.0%	87.1%	98.8%	108.9%
Deposits/GDP	52.7%	57.1%	70.6%	64.2%	55.2%	61.8%	65.2%
Loans to private sector/GDP	43.8%	47.4%	61.9%	59.9%	53.4%	60.9%	66.7%
Loans to public sector/GDP	1.7%	2.0%	2.9%	2.9%	3.1%	3.7%	4.9%
Growth rates (YTD)							
Assets	2.0%	9.7%	13.2%	10.0%	10.5%	9.3%	13.6%
Loans to the private sector	2.8%	7.3%	14.3%	15.3%	13.1%	9.7%	12.9%
Investments	8.4%	18.7%	12.7%	6.1%	8.1%	10.4%	15.1%
Deposits	2.5%	7.3%	8.2%	8.3%	9.1%	7.8%	8.9%
Capital and reserves	-4.3%	13.0%	9.9%	11.3%	4.3%	5.9%	7.9%
Profit growth (year-on-year)	9.8%	4.5%	-23.1%	39.2%	28.6%	11.7%	15.1%
Financial ratios							
Primary liquidity/Deposits	19.7%	19.5%	20.2%	15.5%	13.9%	13.1%	12.8%
Liquid assets/Deposits	49.4%	52.3%	54.4%	49.0%	47.1%	47.1%	48.8%
Loans to the private sector/Deposits	83.0%	83.0%	87.7%	93.3%	96.8%	98.5%	102.2%
Loans to the public sector/Deposits	3.2%	3.4%	4.1%	4.5%	5.6%	5.9%	7.5%
Total loans/Deposits	86.2%	86.4%	91.7%	97.9%	102.3%	104.5%	109.8%
Capitalization							
Capital accounts/Assets	14.7%	14.9%	14.0%	14.4%	14.0%	13.7%	13.1%
Profitability							
ROAA	2.03%	2.00%	1.38%	1.72%	2.01%	2.04%	2.11%
ROAE	13.5%	13.5%	9.6%	12.1%	14.1%	14.8%	15.8%

Sources: Saudi Central Bank, Bank Audi's Group Research Department

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an increase in NPLs to about 1.7% of systemwide loans by the end of 2025 from 1.3% at September 2024 as they do not foresee significant write-offs. Credit losses will likely reach 50-60 bps in the next 12-24 months enabled by banks' comfortable provisioning cushions. Nonetheless, Moody's adjusted its assessment of credit conditions in the banking sector to reflect structural weaknesses, such as high single-borrower concentration. They also adjust the credit conditions to reflect the fast credit growth in the system on the back of stronger-than-average credit demand.

At the level of profitability, credit growth will bolster banks' profitability, stabilizing RoA at 2.2%-2.1%, consistent with 2024 estimates. NIM is expected to drop by 20- 30 bps by the end of 2025 relative to 2023 as SAMA follows the Fed's rate cuts to maintain its currency peg. Largely floating corporate lending (50% of total loans) will reprice quickly leading to lower interest income, partly offset by fixed-rate and long-term mortgages (25% of the total). While lower interest rates will cut funding costs, a sharper decline could shift consumer preferences toward demand deposits, impacting overall bank funding.

With respect to capitalization, Saudi banks are well-capitalized, which will continue to support their creditworthiness. They reported a capital adequacy ratio of 19.2% at Sept. 30, 2024, well above the minimum capital adequacy requirement of 10.5%. Banks are profitable and their earnings generation is sufficient to cater for asset growth. S&P expects their dividend payout ratio will hover at an average of 50%.

Concerning banks' liquidity management, Lending growth outpaced that of deposits, pushing banks to look for alternative funding sources. In the second half of 2024, the banking system shifted to a net external debt position, close to 1% of total loans. S&P expects the external debt buildup to continue in the next couple of years, but they expect SAMA would intervene if liquidity tightens.

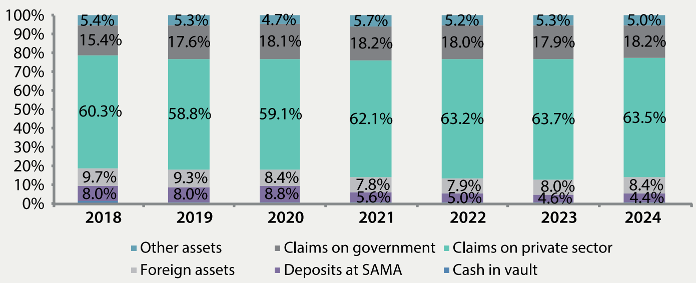
Finally, Saudi banks' reliance on external funding will continue due to Vision 2030 investment needs, though recent mortgage-backed securities initiatives may help. Saudi Real Estate Refinance Company (SRC) and Hassana's initiatives to issue residential mortgage-backed securities, and SRC's agreement with Blackrock, could help attract local and foreign capital and unlock liquidity to support Vision 2030.

1.4.3. Equity and Bond Markets

Two-way flows on Saudi equity market in 2024, activity on fixed income market tilted to downside

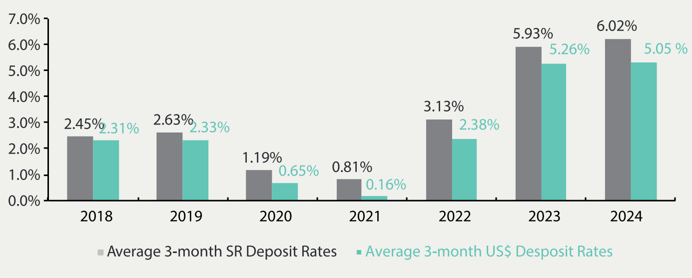
The Saudi equity market swung between losses and gains over the year 2024, closing the year with small price increases, while the fixed income market came under downward price pressures, especially at the longer-end of the curve amid prospects of slower US Federal Reserve easing pace in 2025.

ASSET COMPOSITION



Sources: Saudi Central Bank, Bank Audi's Group Research Department

BANKING SECTOR DEPOSIT RATES



Sources: Saudi Central Bank, Bank Audi's Group Research Department

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The Saudi Exchange traded between gains and losses over the year 2024, yet managed to close the year on a positive note, as reflected by a 0.6% rise in the Tadawul All-Share Index to reach 12,036.5 at end-December. In fact, the strong performance of the retail and hospitality sectors stoked by the implementation of Saudi Vision 2030, and the release of some upbeat corporate earnings, were offset by: (1) falling Brent oil prices over the second half of the year 2024 following disappointing economic data from China, and OPEC+ downward revision in December 2024 for global oil demand growth forecasts for 2024 and 2025 for the fifth time in a row; (2) geopolitical strife in the region; (3) the IMF's downward revision for its forecast for Saudi real economic growth in 2024 and 2025 from 2.6% and 6.0% respectively in its April 2024 World Economic Outlook to 1.5% and 4.6% respectively in its October 2024 WEO (further reduced to 1.4% and 3.3% for 2024 and 2025 respectively in the IMF WEO Update released in January 2025); and (4) news that Saudi Arabia has approved a budget deficit of SR 101 billion in 2025, representing 2.3% of GDP.

The breakdown of the TASI by industry groups in 2024 shows that the capital goods sector registered the highest index expansion of 52.79%, followed by the utilities sector with +38.64%, the media & entertainment sector with +30.15%, the insurance sector with + 25.38%, the real estate management and development sector with + 20.54%, the software & services sector with +19.02%, the financial services sector with +16.28%, the transportation sector with +11.50%, the consumer durables and apparel sector with +7.74%, the food & beverage sector with + 7.22%, the pharma, biotech and & life science sector with +2.06%, the telecommunication services sector with +1.91%, the household & personal products sector with +0.83% and the banks sector with +0.51%. In contrast, the energy sector reported the largest contraction in 2024 (-14.77%), followed by the consumer staples distribution & retail sector with -13.54%, the REITs sector with -13.49%, the materials sector with -12.35%, the commercial and professional services sector with -11.86%, the consumer discretionary distribution & retail sector with -11.76%, the healthcare equipment and services sector with -2.26%, and the consumer services sector with -1.88%.

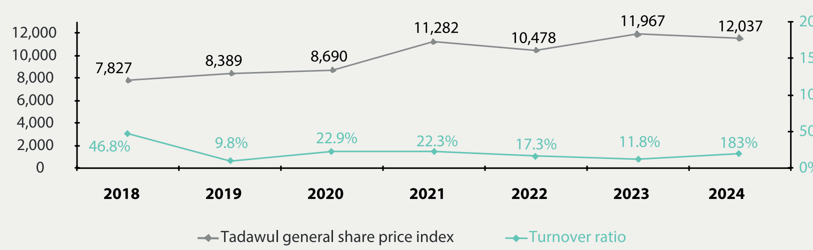
Within this context, it is worth mentioning that the Saudi Exchange launched early-January 2024 the TASI50, which is an Index that tracks the top 50 companies ranked by total market capitalization listed on the Saudi Exchange. Constituents in the index covers 90% of the free float market cap with a minimum annual traded value ratio (ATVR) of 5%, ensuring that the index is a comprehensive representation of the largest companies in the market. TASI50 contracted by 0.9% in 2024 to reach 5,151.74 at year-end.

SELECTED CAPITAL MARKETS INDICATORS

	2018	2019	2020	2021	2022	2023	2024
Market capitalization (US$ billion)	495.7	2,406.8	2,427.1	2,669.1	2,634.2	3,002.5	2,720.1
Trading value (in US$ billion)	232.2	234.7	556.7	596.2	455.5	355.5	496.6
Number of transactions (in millions)	25.0	28.4	76.7	91.9	87.9	94.0	128.6
General share price index (base 1999=100)	7,827	8,389	8,690	11,282	10,478	11,967	12,037
Number of listed companies	190	199	203	210	223	231	247
Change in share price index	8.3%	7.2%	3.6%	29.8%	-7.1%	14.2%	0.6%
Price/Earnings ratio	15.8x	19.5x	29.2x	20.6x	12.4x	17.6x	17.4x
Price/Book value ratio	1.8x	4.3x	4.4x	4.1x	3.5x	3.7x	3.3x
5-year CDS spread (bps)	105	57	65	49	61	54	65

Sources: Saudi Exchange, Bank Audi's Group Research Department

STOCK MARKET PERFORMANCE



Sources: Saudi Exchange, Bank Audi's Group Research Department

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Concomitantly, the total trading value in the Saudi Exchange expanded by 39.7% year-on-year in 2024, reaching US$ 496.6 billion as compared to US$ 355.5 billion in 2023. The division of the total turnover by industry groups in 2024 showed that seven out of 22 sectors, captured more than 60% of total activity (61.8%), namely the banks sector (14.3%), the materials sector (13.4%), the energy sector (12.1%), the insurance sector (6.4%), the telecommunication services sector (5.5%), the capital goods sector (5.1%) and the food and beverage sector (5.0%).

The total number of trades reached 128.6 million trades in 2024 compared to 94.0 million trades in 2023, which marks an expansion of 36.8%. The volume traded for the year 2024 reached 99.7 billion shares against 82.6 billion shares traded in 2023, up by 20.7%.

Concurrently, 17 new companies were listed on the Saudi Exchange over the year 2024, while only one company was delisted. Accordingly, the number of listed companies reached 247 at end-2024 against 231 at end-2023. The Saudi market capitalization contracted by 9.4% over the year 2024, moving from US$ 3,002.5 billion at end-2023 to US$ 2,720.1 billion at end-2024. Given the significant expansion in total turnover year-on-year and the contraction in market capitalization, the annualized turnover ratio surged from 11.8% on the Saudi Exchange in 2023 to 18.3% in 2024.

As to the Saudi fixed income market, activity was mostly skewed to the downside in 2024, especially at the longer-end of the curve, despite the US Federal Reserve's dovish stance since September 2024. This is mainly explained by prospects of slower US Fed easing pace over the year 2025, as US inflation remained elevated (above the 2% US Fed target) and the US economy continued to expand at a solid pace in 2024, while the wide uncertainty about the new US Administration's policies and tariffs continued to cloud the US economic outlook. In fact, traders are currently pricing in one rate cut by June 2025, with 75% odds of an additional rate cut in December 2025.

In details, Saudi sovereigns maturing in 2026 and 2027 saw price rises of 0.80 pt and 2.99 pts respectively in 2024, while sovereigns maturing in 2028, 2030, 2050 and 2060 registered price contractions ranging between 2.58 pts and 10.00 pts over the year. Aramco'25 and '26 posted price gains of 3.39 pts and 2.39 pts respectively, while prices of Aramco'30 declined by 0.43 pt. Aramco'50 traded down by 5.78 pts. STC'29 was up by 1.84 pt. SEC'28, '30 and '44 recorded price falls of 1.12 pt, 0.21 pt and 3.44 pts respectively in 2024.

As to new issues, Saudi Arabia tapped international bond markets twice over the year 2024 for a total of US$ 17 billion. In details, the Kingdom raised US$ 12 billion in January 2024 from the sale of a triple-tranche bond, in its largest borrowing abroad since 2017. Saudi Arabia issued a six-year US$ 3.25 billion bond at a coupon of 4.75%, a 10-year US$ 4 billion bond at a coupon of 5.00% and a 30-year US$ 4.75 bond at a coupon of 5.75%. The bond sale attracted more than US$ 30 billion in orders. Also, Saudi Arabia raised US$ 5 billion in May 2024 from the sale of a US dollar-denominated triple-tranche Sukuk: a three-year US$ 1.25 billion Sukuk at 60 bps over US Treasuries, a six-year US$ 1.5 billion Sukuk at 75 bps over UST, and a 10-year US$ 2.25 billion Sukuk at 85 bps over UST. The triple-tranche Sukuk sale was four times oversubscribed.

Saudi Arabia returned to international debt markets early-January 2025 through the sale of a US$ 12 billion triple-tranche bond. Saudi Arabia issued a three-year US$ 5.0 billion bond at a coupon of 5.125%, a six-year US$ 3.0 billion bond at a coupon of 5.375% and a 10-year US$ 4 billion bond at a coupon of 5.625%. The bond sale attracted around US$ 37 billion in orders. Also, Saudi Arabia's Public Investment Fund raised in January 2025 US$ 4 billion from the sale of a dual-tranche bond. The first tranche consisted of US$ 2.4 billion five-year bonds issued at 95 bps over UST against an initial price guidance in the 125 bps over UST area. The second tranche consisted of US$ 1.6 billion five-year bonds issued at 110 bps over UST against an initial price guidance in the 140 bps over UST area. The bond sale attracted over US$ 7.5 billion in orders.

With respect to the cost of insuring debt, Saudi Arabia's five-year CDS spreads, which measure the market's perception of sovereign risks, expanded by 11 basis points in 2024 to reach 65 bps at year-end, staying well below the average regional sovereign five-year CDS spreads of 162 bps.

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As to credit ratings, Moody's upgraded in November 2024 the Government of Saudi Arabia's long-term local and foreign currency issuer and senior unsecured ratings to "Aa3" from "A1". Moody's also upgraded Saudi Arabia's local and foreign currency medium-term note program ratings to "(P)Aa3" from "(P)A1". The outlook has been changed to "Stable" from "Positive". The upgrade reflects Moody's assessment that economic diversification has continued to progress and the momentum would be sustained. The "Stable" outlook indicates balanced risks to the rating at a higher level, as per the international rating agency.

Concurrently, S&P Global Ratings revised in September 2024 its outlook on Saudi Arabia to "positive" from "stable" and affirmed its "A/A-1" long-term and short-term foreign and local currency unsolicited sovereign credit ratings. The "positive" outlook reflects, as per S&P, the potential that the Saudi government's wide-ranging reforms and investments would underpin the development of the non-oil economy while upholding sustainable public finances.

Concomitantly, Fitch Ratings affirmed in February 2024 Saudi Arabia's long-term foreign currency Issuer Default Rating at "A+" with a "stable" outlook. Saudi Arabia's ratings reflect, according to Fitch, its strong fiscal and external balance sheets, with government debt/GDP and sovereign net foreign assets (SNFA) considerably stronger than both the "A" and "AA" medians, and significant fiscal buffers in the form of deposits and other public sector assets.

Looking forward, Fitch sees that the Sukuk and the bond market in Saudi Arabia would likely cross US$ 500 billion outstanding over the next couple of years, and expects substantial dollar debt issuance to continue in 2025 as oil revenues moderate.

CONCLUSION

The Kingdom's macro outlook looks quite favorable looking ahead. Growth is expected to rebound to an average of 4.9% in 2025-2026 as oil production increases. The oil production quota is expected to increase during 2025 as announced by OPEC+, which is apt to boost oil GDP growth by 6.6 and 5.1% for 2025 and 2026 respectively, reversing an estimated contraction of 4.5% in 2024. The non-oil sector is estimated to maintain steady growth in the coming years. The services sector, critical to Saudi Arabia's economic diversification agenda, is expected to grow at a stable average rate of 5.8% in 2024-2026 according to the World Bank.

With respect to the external sector, the anticipated increase in oil production is also expected to strengthen the external sector in 2025-2026. The current account surplus is projected to increase from 3.0% of GDP in 2024 to 4.8 and 6.7% of GDP in 2025 and 2026, respectively.

The fiscal sector is estimated to stay stable over the next two years, assuming no significant external shocks. The planned increase in oil production in 2025-26 is likely to keep the fiscal deficit within reasonable bounds between -1.8 and -2.2% of GDP and a low average indebtedness debt ratio over the period. Gross Debt to GDP is actually forecasted to move slightly from 28.3% in 2024 30.6% in 2025 and to 31.9%.

At the monetary level, inflation is also projected to remain relatively stable in the coming years. The IMF forecasts inflation at 1.9% and 2.0% respectively in 2025 and 2026. The exchange rate peg to the U.S. dollar continues to serve the Saudi economy well and the policy rate is likely to continue to move in line with the Fed's policy rate. Within this context, the IMF welcomed the continued use of market-based monetary policy instruments and noted the importance of completing the Emergency Liquidity Assistance Framework.

The analysis of the Kingdom's short to medium term outlook actually requires a careful examination of strengths and opportunities relative to the threats and challenges. At the level of the former, we mention the robust government balance sheet, supported by large foreign-currency buffers, the large economy, the high per-capita income and large stock of proved oil reserves and the improving government policy effectiveness.

At the level of risks constraining the outlook, we mention the high economic and fiscal vulnerability to declines in oil demand and prices, the longer-term risks stemming from global carbon transition, and the political risks stemming from longstanding regional geopolitical tensions. While risks and challenges are real, we believe strengths and opportunities far outpace threats at the foreseeable horizon.

In its recent Article IV Consultation mission report, the IMF commended Saudi Arabia for its ongoing economic transformation, underpinned by sustained efforts to diversify the economy under Vision 2030. IMF underscored the importance of maintaining fiscal prudence, safeguarding financial stability, and continuing to implement structural reforms to support sustainable and inclusive growth. IMF Directors supported the recalibration of investment spending as it helped mitigate overheating risks. Directors generally recommended additional fiscal adjustment to maintain strong buffers and meet intergenerational needs, including through additional efforts to mobilize non-oil revenue, phase out remaining fuel subsidies complemented by targeted social programs, and contain the wage bill. The Fund also emphasized the need to continue to strengthen fiscal institutions by advancing the ongoing roll-out of the Medium-Term Fiscal Framework; operationalizing the fiscal rule to help delink spending decisions from oil price fluctuations; developing an effective Sovereign Asset Liability Management Framework; and enhancing monitoring and disclosure of contingent liabilities at large.

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