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Saudi Arabia's Ratings Affirmed with a Stable Outlook

Rating Action

Capital Intelligence Ratings (CI Ratings or CI) today announced that it has affirmed Saudi Arabia's Long-Term Foreign Currency Rating (LT FCR) and LT Local Currency Rating (LT LCR) at 'AA-'. At the same time, CI Ratings has affirmed the sovereign's Short-Term (ST) FCR and ST LCR at 'A1+'. The Outlook on the ratings remains Stable.

Rating Rationale

The ratings reflect Saudi Arabia's strengthening economic resilience and its enhanced capacity to absorb external shocks, underpinned by the country's very strong international liquidity position and a gradually declining – though still elevated – dependence on hydrocarbon production. The latter is largely driven by the implementation of structural reforms under Saudi Vision 2030. The ratings also take into consideration the availability of substantial fiscal and external buffers, which have remained intact despite extended periods of voluntary oil production cuts.

The ratings are supported by the country's sizeable oil reserves, with Saudi Arabia commanding over 16% of proven global oil reserves. Additional credit strengths include low central government debt and a sound banking sector, which benefits from good capital buffers and relatively low external funding risks.

The ratings remain primarily constrained by the limited diversification of the economy and still high reliance on potentially volatile hydrocarbon proceeds for budget revenues and export earnings. Heightened geopolitical risk, limited fiscal transparency (for an 'AA-' rating), and increasing off-budget spending are additional constraining factors. The escalation or spread of the current conflict between Israel and Iran over the latter's nuclear programme could potentially have a substantial impact on the Saudi economy, not least by disrupting oil exports. However, a prolonged high-impact event is not factored into CI's baseline scenario at present.

CI views the steady implementation of reforms as part of Saudi Vision 2030 as a positive factor which should – in the medium to long term – assist in diversifying the economy and reducing the vulnerability of the public and external finances to international oil price volatility. Reforms have so far helped to bolster economic confidence, increase female participation in the labour force, and elevate Saudi Arabia's appeal as a regional tourism hub – with tourism receipts rising by approximately 14% in 2024. Reforms are also expected to reduce the country's reliance on fossil fuels by encouraging green energy investments.

External liquidity remains very strong, although the current account shifted to a deficit of 0.5% of GDP in 2024, compared to a surplus of 2.8% in 2023. This reversal was largely attributable to sustained oil output cuts and a surge in imports, especially machinery and military equipment. Gross external debt remains low, however it is projected to rise to 32.4% of GDP (102.5% of current account receipts) in 2025, from 30.1% of GDP (93.0% of current account receipts) in 2024, in view of our expectation of higher external borrowing and sluggish exports.

The sovereign's large fiscal and external buffers continue to support the ratings. Key fiscal buffers include government deposits at the Saudi Central Bank (SCB), which stood at SAR393.0bn (8.0% of GDP) as of March 2025. The country's external debt repayment capacity benefits from the sizeable stock of foreign assets under the management of SCB, which increased to USD454.3bn in March 2025 (from USD437.2bn in December 2024), and continues to exceed the country's gross external debt stock. The economy's net external asset position – narrowly defined and excluding the sizeable foreign assets of the Public Investment Fund (PIF) – is expected to have stood at 13.3% of GDP at end-2024.

The public finances remain strong, reflecting low central government debt and the availability of large fiscal buffers. The central government budget posted a deficit of 2.5% of GDP in 2024, up from 1.8% in 2023. Meanwhile, central government debt remained low at 26.2% of GDP in 2024 (23.0% at end-2023).

CI expects the budget deficit to average 3.0% of GDP in 2025-26, assuming an average oil price of USD62.5 per barrel and provided that OPEC+ continues to reverse its previous oil cuts. CI notes that central government revenues will continue to benefit from ordinary and performance-linked dividends from Saudi Aramco (with the latter calculated on the company's free cash flow).

Despite the widening central government budget deficit, liquidity risk remains contained, with gross financing needs estimated at 5.4% of GDP in 2025. The general reserve balance stood at SAR393.0bn (8.0% of GDP) at end-March 2025. The government maintains a proactive debt management approach, with good access to capital markets. In January 2025, the government issued USD12bn (1.0% of GDP) in sukuk, which was three times oversubscribed. This was followed by the issuing of EUR2.25bn in green and conventional bonds in February 2025. Additionally, SAR60bn (USD16bn) worth of sukuk was pre-paid through new issuances, thereby improving debt maturity profiles and lowering repayment burdens through 2029. According to the Ministry of Finance's latest financing plan, the National Debt Management Office aims to issue SAR139bn (2.8% of projected GDP) in domestic and external debt in 2025 to cover the budget deficit and preserve the level of general reserve assets.

While the kingdom's fiscal and external positions remain strong, risks to the outlook persist. These include potential volatility in oil prices, geopolitical tensions, and the execution risks associated with large-scale transformation projects. Nonetheless, Saudi Arabia's substantial buffers, proactive policy stance, and ongoing reforms provide an adequate foundation for maintaining the sovereign's creditworthiness and achieving long-term economic objectives.

CI notes that off-budget spending has increased significantly since 2020, with the mega projects under Saudi Vision 2030 being financed mainly from PIF's own sources and direct borrowing. PIF has tapped international markets twice so far this year, issuing a cumulative USD5.25bn in eurobonds and sukuk. CI expects off budget spending to increase in the short to medium term ahead of Expo 2030 and the 2034 FIFA World Cup.

Economic performance remains strong, reflecting robust non-hydrocarbon sector performance as well as declining dependence on hydrocarbons. Non-hydrocarbon activities have become the primary drivers of real GDP growth, accounting for 56.0% of total GDP at current prices in 2024, up from 53.2% in 2023 and 47.2% in 2022. Real GDP grew by 1.3% in 2024, mainly due to a 4.3% increase in non-oil activities. The oil sector contracted by 4.5% due to OPEC+ production cuts. Moving forward, CI projects Saudi Arabia's economy to grow by 3.3% in 2025 and 3.7% in 2026, reflecting the anticipated gradual recovery in oil production and continued strength in non-oil sectors.

Labour market segmentation is gradually declining due to continued reform implementation and robust growth in the non-hydrocarbon sectors. According to the General Authority for Statistics, the total unemployment rate – which includes Saudi nationals and expats – declined to 3.2% in 2024, from 4.4% in 2023, while unemployment among Saudi nationals decreased to a record low 7.0% in 2024, from 7.7% in 2023. Female participation in the workforce exceeded the Saudi Vision 2030 target of 30%, reaching 33.1% in 2024.

CI views that the banking sector remains strong. The banks' resilience is supported by low NPLs, good capital buffers, strong profitability and limited reliance on foreign funding. Potential risks could, however, emanate from the sector's large concentrations, both on the asset and funding sides of the balance sheet.

Rating Outlook

The Stable Outlook indicates that the ratings are likely to remain unchanged in the next 12 months. The outlook balances our expectation that fiscal and external buffers will remain strong in the medium term against the adverse impact of lower hydrocarbon prices and high geopolitical risk factors.

Rating Dynamics: Upside Scenario

The Outlook could be revised to Positive and the ratings upgraded within 12-24 months if structural reforms are much deeper than envisaged and, as a result, the prognosis for economic and fiscal

performance over the medium term becomes much stronger than currently expected, with the reliance on hydrocarbon revenues greatly reduced.

Rating Dynamics: Downside Scenario

The Outlook could be revised to Negative or the ratings lowered if regional and global geopolitical tensions escalate, or in the event of a significant weakening in the public finances and external liquidity, possibly driven by a sharp decline in hydrocarbon prices beyond our projections. The Outlook could also be revised to Negative in the event of a significant decline in expenditure discipline or an increase in contingent liabilities as a result of larger than projected off-budget expenditures and GRE debt.

Credit Ratings

Foreign Currency		Local Currency		Outlook	
LT	ST	LT	ST	FC	LC
AA-	A1+	AA-	A1+	Stable	Stable

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About the Ratings

The credit ratings have been issued by Capital Intelligence Ratings Ltd, P.O. Box 53585, Limassol 3303, Cyprus.

The ratings, rating outlook and accompanying analysis are based on public information. This may include information obtained from one or more of the following sources: national statistical agencies, central banks, government departments or agencies, government policy documents and statements, issuer bond documentation, supranational institutions, and international financial institutions. CI considers the quality of information available on the rated entity to be satisfactory for the purposes of assigning and maintaining credit ratings, but does not audit or independently verify information published by national authorities and other official sector institutions.

The principal methodology used to determine the ratings is the Sovereign Rating Methodology dated September 2018 (see www.ciratings.com/page/rating-methodologies/sovereign-ratings). Information on rating scales and definitions, the time horizon of rating outlooks, and the definition of default can be found at www.ciratings.com/page/our-policies-procedures. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at <http://cerrep.esma.europa.eu>

This rating action follows a scheduled periodic (semi-annual) review of the rated entity. Ratings on the entity were first released in December 1996. The ratings were last updated in December 2024. The ratings and rating outlook were disclosed to the rated entity prior to publication and were not amended following that disclosure.

The ratings have been initiated by CI. The following scheme is therefore applicable in accordance with EU regulatory guidelines.

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With Rated Entity or Related Third Party Participation:	No
With Access to Internal Documents:	No
With Access to Management:	No

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