

Country brief

Saudi Arabia

An economy in which the state holds the oil revenue and paces how fast it is turned into activity.

Capital-Anchored System

Revised September 2026

Scope

This brief describes the economic system of Saudi Arabia: where its financial stability comes from, how money becomes activity and employment, how capital moves through the economy and across its borders, and what limits the system. It is revised as of September 2026. It is a standing reference, revised rather than superseded. The analysis is the work of BTI Reports and was not commissioned by any party appearing in it.

The System

Saudi Arabia is an economy built around oil revenue that the state receives and then allocates. The revenue arrives at the centre, through the national oil company, and the centre decides how much of it becomes public wages, public spending and capital projects, and when. Most of the rest of the economy, including private investment, household spending and bank lending, forms around those decisions.

Because oil revenue is held and allocated at the centre, activity elsewhere in the economy originates in state spending and in the projects the state and its fund start; therefore the pace at which the economy can absorb that allocation without overheating becomes decisive.

The consequence is that the system has two separate limits. The oil price sets how much the centre has to allocate. The economy's capacity to take that allocation without inflation and without spending leaking abroad through imports sets how fast the centre can allocate it.

What Holds the System Up

The financial stability of the Saudi system originates in oil revenue that is owned and held by the state.

Oil reaches the state through the national oil company, Saudi Aramco, in three separate payments. Aramco pays the government a production royalty and income tax, both government obligations payable monthly. Royalties rise with the oil price. Aramco also pays dividends to its shareholders, in two parts: a base dividend and a performance-linked dividend, the second of which was cut sharply in 2025 as oil prices fell. The government holds just over four fifths of

Aramco's shares directly, and entities of the Public Investment Fund hold a further sixteen per cent, so the dividend reaches the state through two routes: the budget and the fund.

The result is that oil provides more than half of the government's fiscal revenue. Taxes on goods and services also reach the budget.

The state then holds this revenue in three places. The first is the Saudi Central Bank, which holds the country's net foreign assets. The second is the government's own deposits. The third is the Public Investment Fund, the sovereign fund, which is funded by capital injections from the government, transfers of government assets including Aramco shares, earnings retained from its investments, and borrowing.

When the state spends more than it receives, the deficit is financed first by borrowing. The National Debt Management Center sets an annual borrowing plan sized to cover the budgeted deficit and maturing debt, raised through bonds, sukuk and loans in domestic and international markets, and through project financing and export credit agencies. When additional financing is needed, it is raised first through private channels and the local market. Government deposits at the central bank are held back as a strategic buffer. For a larger shock, the IMF sets out a drawdown of deposits alongside further borrowing.

The currency is pegged to the US dollar, and monetary policy is conducted to support the peg.

At each step the state holds the revenue and decides its use. Private capital enters as a lender: it buys the bonds that the government, the fund and Aramco issue.

How Demand Is Created

Money becomes activity in Saudi Arabia mainly through state spending and through what state spending sets in motion.

Government spending and the capital programme are the first origin of demand. Private investment and household consumption are the second. The IMF records that non-oil activity in 2025 was carried by private investment and consumption, and that domestic demand rests on stable employment, government spending and the execution of capital projects. The second origin depends on the first.

Visitors are a third origin. Tourism earns foreign currency that is spent inside the country. Close to half of inbound tourism is religious, tied to Hajj and Umrah.

Part of the labour this demand calls on is supplied by foreign workers, and part of the income it generates leaves the country as remittances. Services and construction activity support those outflows.

Five sectors carry most of this.

Oil and gas. The source of the state's revenue and of most exports. It depends on the oil price, on export volume, and on the routes by which crude reaches its buyers.

Construction. The sector through which the capital programme becomes employment. It depends on the pace at which projects are awarded and on bank credit tied to large projects and housing.

Wholesale and retail trade. With construction, it accounts for around two fifths of total employment. It depends on household spending.

Petrochemicals and fertilizers. The main non-oil exports. They depend on shipping routes through the Gulf.

Tourism. A source of external demand spent onshore. It depends on pilgrimage, and its spending reaches trade, transport and related services.

How Money Moves

Capital inside Saudi Arabia is allocated through five channels, each held by a different part of the state or the financial system.

The budget, held by the Ministry of Finance, allocates wages, purchases and public capital spending.

The Public Investment Fund allocates capital to domestic ecosystems and to international holdings. Its 2026 to 2030 strategy shifts toward more focused capital allocation, project sequencing across priority areas, and a greater role for private investment alongside the fund.

The National Development Fund and its three development banks, the SME Bank, the Social Development Bank and Saudi Exim Bank, lend to targeted sectors. The development banks sit outside the banking regulation and supervision that apply to commercial banks.

The commercial banks lend to companies, to real estate and to households. Their lending in 2025 was driven by corporate, real estate and mortgage credit linked to large infrastructure projects and housing. Credit grew faster than deposits, and banks turned to international markets to fund the difference. The IMF records that banks' business models are tied closely to government policy, and that

the long-term funding large projects require exceeds what public-sector deposits in the banks can supply.

The capital markets carry borrowing by the largest issuers. More than half of Saudi bond issuance in 2025 was by the government, the Public Investment Fund and Aramco.

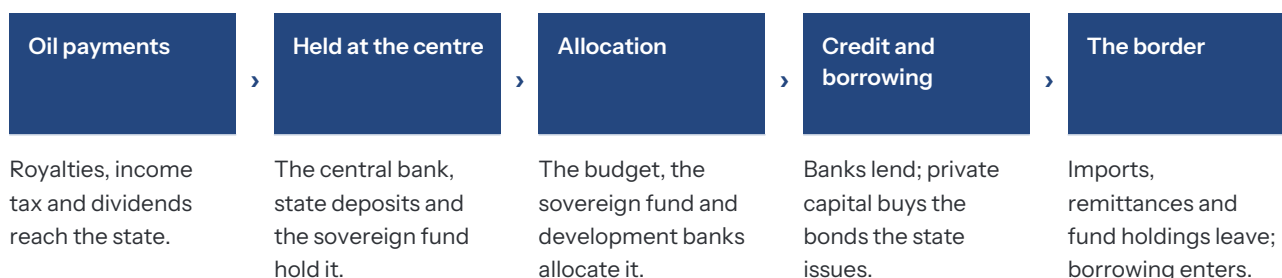
The system connects to the outside world through trade dominated by oil. Oil accounts for about three fifths of exports; the main non-oil exports are petrochemicals, fertilizers and re-exports. Imports are machinery, construction materials and essential goods, and imports of capital goods rise with investment. The current account moves with domestic demand and with oil exports.

Capital leaves through workers' remittances and through the fund's foreign holdings. Capital enters mainly as borrowing: bonds issued by the state, the fund and Aramco, and external funding raised by the banks. Foreign direct investment also enters, but it is not the main route. What sustains these flows is continued access to international capital markets and the reserves held by the central bank.

A change in the oil price moves exports and state revenue in the same direction, and reaches the reserve position through the central bank's net foreign assets.

Exhibit 1

Oil revenue arrives at the centre, and the centre decides its use



Read left to right in the order money moves, from the oil payments that reach the state to the flows that cross the border.

Source: Sources, Sections 3 and 5.

What Binds

This model works until allocation outruns what the economy can absorb.

The binding constraint is absorption. The centre decides how much capital to allocate and when. How fast that allocation becomes delivered activity is set by how much spending the economy can take

before prices rise and before demand leaks abroad through imports. The centre paces its allocation against that capacity.

The reasons are stated by those who set the pace. In January 2026 the Economy Minister said the government was adjusting project timelines, and handing some project scopes to the private sector, to avoid overheating, inflation and value leaking out through imports. He said projects had been shifted, delayed or re-scoped. In the same month the Finance Minister cautioned against overheating and said there was no shame in slowing certain sectors or projects so that the economy can grow with them. The IMF's 2024 consultation gave two reasons together for recalibrating the investment programme: to reduce the risk of overheating, and to reduce pressure on the fiscal and external accounts.

The constraint is structural, not cyclical. The same reason, overheating, was given by the IMF in 2024 and by ministers in 2026, on either side of a year in which oil revenue fell.

The record of 2025 shows what the two limits do. Oil revenue fell by about 20 per cent. Total government spending did not fall: it exceeded the budget, with the overrun in current spending, and the gap was borrowed. Capital spending fell. It came to SAR 169 billion against SAR 184 billion budgeted, down from SAR 191 billion in 2024. The IMF records this moderation of capital spending and does not state its reason.

Price governs how much is available to allocate. Absorption governs how fast it can be turned into delivered activity. In 2025 the amount available did not limit total spending, which exceeded the budget on borrowed money. The part of spending that was slowed was capital allocation, the part the centre paces.

What binds second: price. The oil price and export volume act on state revenue together, through royalties that rise with price, through Aramco's income tax, and through dividends. Oil provides more than half of fiscal revenue and around three fifths of exports. Borrowing and deposits cushion a fall in revenue, but they do not remove it: the IMF finds that the current fiscal rule, which smooths oil prices over several years, has not contained deviations in spending, and that spending moves with oil prices. Price therefore reaches allocation through the size of what is available. It sets how much the centre has; it does not set how fast the economy can take it.

What binds third: the depth of private capital. The centre is handing parts of the programme to private investors and to private delivery, and the fund's strategy seeks greater private investment alongside it. The IMF records that impediments to private investment remain, in low productivity, gaps in human capital and access to finance, and that banks already face long-term project funding needs larger than public

deposits can meet. How much of the programme can move off the state's balance sheet depends on how much private capital and bank funding can take it up.

Exhibit 2

Absorption binds first; price and the depth of private capital bind after it

Absorption	How much spending the economy can take before prices rise and demand leaks abroad through imports sets how fast allocation becomes activity.
Price	The oil price and export volume set how much the centre has to allocate, through royalties, income tax and dividends.
Depth of private capital	How much private capital and bank funding can take up sets how much of the programme can move off the state's balance sheet.

Read from the top down in binding order, the first constraint at the top and each row stating how it binds.

Source: Sources, Section 6.

Extensions

Where the model breaks

The centre can pace allocation against absorption only while borrowing and deposits keep the oil price away from the allocation programme. The IMF finds that under the current fiscal rule spending already moves with oil prices. If a fall in revenue can no longer be financed without cutting allocation, the price sets the pace as well as the amount. At that point absorption is no longer the constraint that binds first.

The model breaks when the oil price, rather than the economy's capacity, sets the pace of allocation.

The trade-off the system carries

The system carries a trade-off between control of pace and depth of private capital. Because allocation is held at the centre, the centre can slow, sequence and re-scope the programme to match what the economy can absorb. It carries this trade-off because the revenue arrives at the state and the fund, not in private hands. The cost is that private activity forms around the state's decisions rather than independently of them: banks' business models are tied to government policy, private investment faces standing impediments, and the fund's strategy now seeks to bring private investment in alongside it. The more the centre controls the pace, the more the rest of the system waits on the centre.

Same model, different context

Saudi Arabia is often read as one of a single group of oil economies. The taxonomy separates that group by where the system binds. In an Oil-Rent Transmission Model, rent enters the system and diffuses unevenly through fragmented, politically mediated channels. In a Hydrocarbon-Funded Allocation Model, the state allocates oil revenue to capital projects and binds first on the oil price. Saudi Arabia is a Capital-Anchored System: revenue is held centrally as capital, allocation is paced from the centre, and the system binds first on absorption and only second on price.

The Saudi context amplifies the model in three ways. Oil provides more than half of fiscal revenue and around three fifths of exports, so the amount the centre has to allocate moves with a single price. Saudi Arabia is the world's largest oil exporter and central to the market that sets that price. And the currency is pegged to the dollar, with monetary policy conducted to support the peg, so the centre manages pace through allocation rather than through interest rates.

Where the Structure Is Recorded

Central bank reserve assets. The reserve assets and foreign assets of the Saudi Central Bank, which record the pool that stands between the oil price and the allocation programme. This tests what holds the system up. Published by the Saudi Central Bank in its Monthly Statistical Bulletin, monthly.

Point-of-sale transactions. The value of card payments at points of sale across the country, which records household and business spending as it happens. This tests how demand is created. Published by the Saudi Central Bank, weekly, every Tuesday.

Bank claims on the private sector and on public enterprises. The lending of commercial banks to private borrowers and to state-owned enterprises, which records whether credit follows state-originated projects. This tests how money moves. Published by the Saudi Central Bank in its Monthly Statistical Bulletin, monthly.

Consumer prices and merchandise imports. The consumer price index and the value of goods imported, which record the two signs of allocation outrunning absorption: rising prices and demand leaking abroad. This tests what binds. Published by the General Authority for Statistics, monthly: the consumer price index in its monthly inflation release, and imports in its monthly International Trade in Goods publication.

Close

Saudi Arabia's oil revenue arrives at the state and is allocated from the centre, and the rest of the economy forms around that allocation. The oil price sets how much the centre has. The economy's capacity to absorb spending without inflation and without leaking demand abroad sets how fast the centre can use it. The system holds while borrowing and deposits keep the oil price from setting the pace.

Read the system. Not the headlines.

About the research

The framework

This brief applies the BTI Reports framework to one economy. The framework reads a structure in four stages, always in the same order: anchor, demand, circulation and constraints. The anchor is what gives the structure its financial stability. Demand is the spending that turns money into activity. Circulation is how capital moves through the structure and where it pools. The constraint is the structural limit on how far the structure can extend. The Integrity Signals, recorded under Where the Structure Is Recorded, are four observable conditions, one for each stage, that test whether the structure still operates as described.

Participation

Country briefs carry no participants. No company approached for any BTI Reports edition is quoted in this brief.

Sources

Every specific claim in this brief traces to a logged retrieval recording the query, the source, the date and the supporting text, and a claim that cannot be traced is not published. Sources are listed at the end of the brief by the section they support, and the structural reading that connects them is the work of BTI Reports.

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