Look Forward

Charting Progress on Saudi Arabia's Vision

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Saudi Arabia is on one of the most expansive and compelling journeys of economic reform globally. At the heart of this transformation is Vision 2030, the strategic road map that guides the country's transition from a hydrocarbon-based economy to a diverse and future-ready one with increased workforce participation. As Saudi Arabia restructures its economy, it is also redefining the role of its financial markets in funding growth and attracting global capital. In the next phase of Vision 2030, the focus is increasingly shifting from the scale of investment toward productivity gains, efficient capital allocation, and a greater role for private and foreign capital.

At a time of heightened uncertainty, *S&P Global's Look Forward: Charting Progress on Saudi Arabia's Vision* examines the progress achieved to date and provides a framework to understand the economic, energy and market forces shaping the country's future.

Saudi Arabia is pursuing its ambitions in a complex environment. The conflicts in the region have created uncertainty, introducing new demands on security and resilience. These geopolitical realities could increase funding and execution pressures for some projects and influence prioritization decisions. Yet, they have not altered the strategic direction. If anything, geopolitical shifts underscore the importance of building a more resilient economy.

The articles in this report explore the sectors emerging as pillars of Saudi Arabia's next growth phase. Renewable energy is reshaping the country's power system and laying the foundation for greater participation in global clean energy value chains. Critical minerals are positioning Saudi Arabia as a key player in the fast-growing new energy sectors and advanced manufacturing supply chains. Meanwhile, the development of data centers and digital infrastructure reflects the country's aim to become a leading digital and innovation hub. These sectors illustrate Saudi Arabia's ambition to position itself at the intersection of three powerful global trends: energy expansion, supply chain reconfiguration and digitalization.

Financing this transformation requires significant investments, as well as sound institutional and market infrastructure. One of the most important dimensions of Saudi Arabia's economic evolution is the modernization of its financial system and capital markets. The country is gradually becoming a net importer of capital as it mobilizes funding to support its development agenda. Saudi authorities have undertaken a broad range of reforms to deepen the domestic debt market while corporations increasingly access international debt markets.

The country's equity landscape has also developed substantially over the past decade, with market liberalization and a growing breadth of listed companies enhancing market depth and attractiveness. These factors are helping create a more robust and diversified financial ecosystem capable of supporting long-term economic growth.

As a result, the long-term trajectory is clear. Saudi Arabia is strengthening resilience, improving economic flexibility and creating new opportunities by investing in innovation, deepening its capital markets and expanding the foundations of private sector-led growth.

The significance of Saudi Arabia's transformation extends beyond its borders. As one of the fastest-growing economies, its success in developing new industries, mobilizing capital and strengthening economic resilience amidst heightened uncertainty will have implications for regional investment flows, global supply chains and capital markets for years to come.

Dave Ernsberger
President, S&P Global Energy

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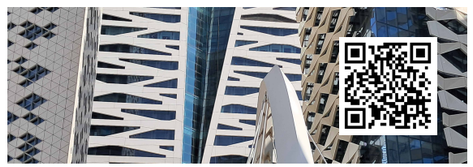
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The future of renewable energy in Saudi Arabia

Saudi Arabia is accelerating its renewables build-out to reduce reliance on oil-fired generation and position itself as a producer of clean technology and renewable hydrogen.

Josefin Berg, Associate Director, Renewables Markets, S&P Global Energy CERA
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Highlights

Saudi Arabia is accelerating the deployment of renewable energy resources to reduce reliance on oil-fired generation and under the guidance of Vision 2030.

Over the past decade, Saudi Arabia has become a leading destination for renewable energy investors and technology providers as policy-driven tenders and abundant natural resources provide strong foundations.

A focus on domestic job creation supports the country's advancement as a solar manufacturing hub.

Beyond power generation, large-scale projects such as NEOM and the Yanbu Green Hydrogen Hub support Saudi Arabia's ambition to become a major global supplier of renewable hydrogen.

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Policy-led scale drives Saudi Arabia's emergence as a renewables powerhouse

Saudi Arabia began expanding its renewable energy resources in 2019 with the completion of the 300-megawatt Sakaka solar farm. Since then, more than 10 GW of utility-scale solar PV have been connected to the grid, raising total power generation capacity to 110 GW, with current peak demand at 75 GW. While Saudi Arabia is often linked to rich oil and gas reserves, the rapid build-out of renewable resources has positioned the country as a leading destination for renewable power investors and technology providers.

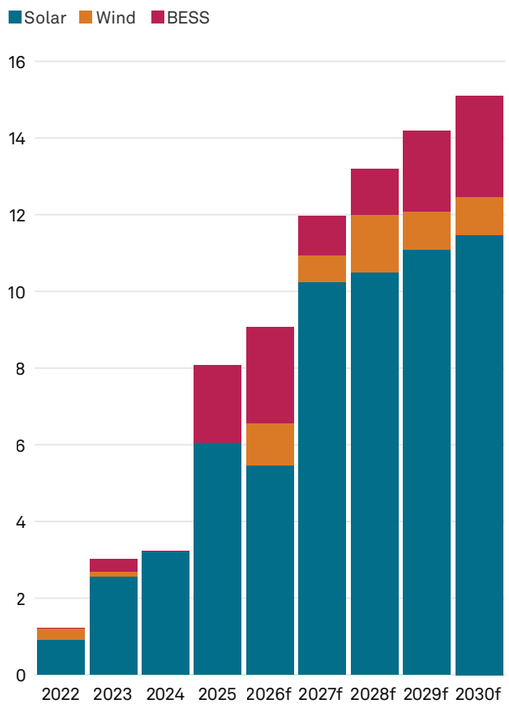
This expansion is best understood through the lens of Saudi Vision 2030, which has reshaped the country's strategy by prioritizing the reduced reliance on oil-fired generation via the fast-tracking of renewable power projects. Saudi Arabia's Renewable Energy Project Development Office has attracted international consortia to bid as developers through a series of tenders for clearly identified project sites, while the country's Public Investment Fund (PIF) has developed renewables projects with its portfolio companies: ACWA Power, Saudi Aramco and Badeel. This policy push has unlocked substantial investment, with the country's abundant flat land and high solar irradiance providing strong foundations. These projects are characterized by scale and efficiency, achieved through centralized and standardized specifications that streamline bidding and minimize permitting constraints. As a result, winning tender bids are consistently among the lowest globally — less than 2 cents per kilowatt-hour for solar and less than $80/kWh for battery energy storage systems (BESS). In other major markets, winning tender bids can be twice as high.

As of September 2026, more than 50 GW of grid-connected solar PV projects had been built or were in planning stages, along with 9 GW of wind and 11 GW of BESS.

Utility-scale solar PV projects dominate Saudi Arabia's renewable power build-out. As of September 2026, more than 50 GW of grid-connected solar PV projects had been built or were in planning stages, along with 9 GW of wind and 11 GW of BESS. Wind deployment has progressed more slowly, underlining the complexity of global wind energy supply chains. The 400-MW Dumat Al Jandal wind project was completed in 2022, and another 1.1 GW is set for completion in 2026. BESS project development started later than both solar and wind but has already resulted in more than 2 GW in operation.

The continued deployment of all three renewable technologies contributes to the Vision 2030 goal of eliminating oil-fired power from the grid and positions Saudi Arabia as a pioneer in the global renewable energy landscape as it continues to attract firms with cutting-edge technology to its tenders.

Saudi Arabia is quickly becoming one of the world's largest renewable energy markets
Annual installed capacity (GWac)



As of Aug. 1, 2026.
BESS = battery energy storage systems; f = forecast.
Source: S&P Global Energy.
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Saudi Arabia is spearheading efforts to localize solar and battery supply chains in the Middle East and position the region as a potential manufacturing hub, which could spur broader economic development and technological innovation across the Middle East.

Localizing clean technology manufacturing reshapes global supply chain

Growth in the domestic solar market and an increasingly complex geopolitical landscape have accelerated renewable energy manufacturing in Saudi Arabia, building on an already maturing and diversifying manufacturing sector.

Vision 2030 pairs the rapid domestic deployment of renewable energy resources with a strategy to localize manufacturing and build industrial depth. Alongside fulfilling local content criteria, Saudi renewables manufacturing appeals to companies seeking to diversify their global supply chains. Stricter policies on supply and energy security are prompting large renewable equipment suppliers to prioritize locations that offer long-term policy clarity and scale.

Solar tracker suppliers, which have established over 40 GW of capacity, were the first to enter Saudi Arabia to support their projects in the domestic market and to export. Plans are underway to build a solar module supply chain across multiple nodes. Joint venture projects between JinkoSolar, PIF subsidiary Renewable Energy Localization Co. and Vision Industries to build 10 GW of solar modules and 10 GW of cell capacity would enable Saudi Arabia to manufacture its own modules by importing wafers.

Saudi Arabia is spearheading efforts to localize solar and battery supply chains in the Middle East and position the region as a potential manufacturing hub, which could spur broader economic development and technological innovation across the Middle East.

Saudi Arabia's solar supply chain is gaining momentum

Product	Company	Production capacity (GW)	Status as of February 2026	Actual/expected completion date
Tracker	Arctech Solar Holding Co. Ltd.	15	Operating	2025
Tracker	Nextpower Inc.	12	Under construction	2026
Tracker	GameChange Solar Holdings Corp.	6	Operating	2025
Tracker	PV Hardware SL	12	Operating	2024
Tracker	TrinaTracker (part of Trina Solar Co. Ltd.)	3	Operating	2025
Wafer	TCL Zhonghuan Renewable Energy Technology Co. Ltd.	20	In development	2028
Cell	JinkoSolar Holding Co. Ltd.	10	In development	2026/27
Module	JinkoSolar Holding Co. Ltd.	10	In development	2026/27

Data as of Feb. 11, 2026.
Source: S&P Global Energy.
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Leveraging renewable resources to become a major renewable hydrogen and derivatives exporter

Saudi Arabia is one of more than 50 countries with a national hydrogen strategy. The renewable hydrogen production targets announced in 2020 aim for 1.2 million metric tons per year by 2030 and 4 million mt/y by 2035. Like most hydrogen targets, these ambitions face ongoing headwinds. Delays in implementing policy mechanisms among importers, including the EU, and uncertainty about demand mean that markets focused on exports are less likely to meet targets, as they will hold back investment in renewable hydrogen production unless offtake is secured.

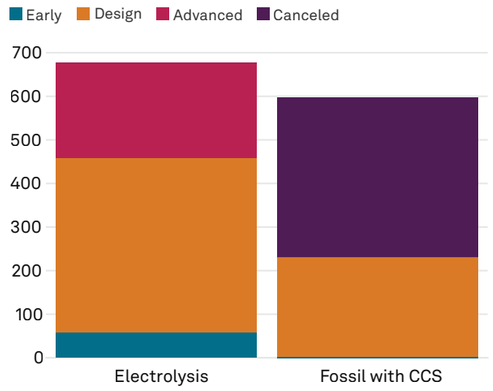
The structure of Saudi Arabia's renewable hydrogen project pipeline differs from other regions. There are fewer than 10 announced projects in Saudi Arabia, compared to over 900 in the EU. In Saudi Arabia, the focus is on constructing a few large-scale, export-focused projects instead of multiple small-scale projects seeking domestic offtake.

Two renewable hydrogen projects under development in Saudi Arabia are the NEOM Green Hydrogen Project and Yanbu Green Hydrogen Hub, with 2.2 GW and 4 GW of capacity, respectively. The NEOM advanced renewable hydrogen project completed construction in August 2026 and is the largest of its kind. The Yanbu project is in the front-end engineering phase, with Danish technology company Topsoe being awarded an ammonia licensing contract in January 2026. Commercial operations for Yanbu are expected by 2030.

Air Products and Chemicals Inc. was originally listed as the sole offtaker for NEOM, but finalized a deal with Yara International ASA in August 2026 to allow the latter to market and distribute any ammonia that Air Products cannot sell.

In February 2026, ACWA Power announced a memorandum of understanding with Germany-based VNG AG and EnBW Energie Baden-Württemberg AG to create a "green ammonia corridor" from the Yanbu project to the Port of Rostock in Germany, where VNG would convert ammonia into renewable hydrogen for the German market.

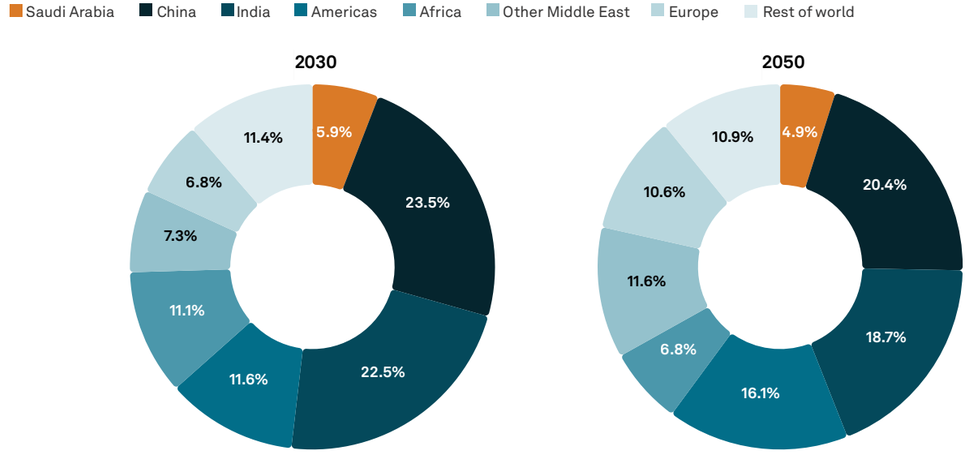
Clean hydrogen project pipeline is low in number but includes large-scale facilities
(000 mt/y H_2)



As of Sept. 7, 2026.
CCS = carbon capture and storage. Early includes projects announced and in feasibility; design includes projects in the front-end engineering and design stage; advanced includes projects that are operational or under construction; canceled includes projects on hold or canceled.
Source: S&P Global Energy Horizons.
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Projects including NEOM and Yanbu will enable Saudi Arabia to carve out an initial share of the traded market, with Saudi Arabia's position as one of the world's lowest-cost exporters expected to continue throughout the forecast.

Saudi Arabia projected to have 5%-6% share of global hydrogen, derivative exports over the long term
Hydrogen and derivative exports split by region (2030 total: 5.1 million mt/y H_2 equivalent; 2050 total: 27.6 million mt/y H_2 equivalent)



As of Sept. 7, 2026.
Source: S&P Global Energy Horizons.
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This agreement is the latest in a series aimed at developing the hydrogen supply chain between Saudi Arabia and Europe as importers seek to capitalize on Saudi Arabia's cost advantage. Optimized production cost estimates for renewable hydrogen and ammonia are $3/kilogram and $600/mt, respectively, which are about half the estimated production costs in Europe. S&P Global Energy forecasts Saudi Arabia to hold a 5%-6% share of global hydrogen exports until 2050. Projects including NEOM and Yanbu will enable Saudi Arabia to carve out an initial share of the traded market, with Saudi Arabia's position as one of the world's lowest-cost exporters expected to continue throughout the forecast.

Looking forward

Having emerged as a major solar energy market, Saudi Arabia is entering the next growth phase. Investment is set to accelerate clean technology deployment and production, supported by policies under the Vision 2030 strategy. Geopolitical and global market uncertainties may slow parts of the industrial build-out, but Saudi Arabia's goal to become a clean technology hub is clear.

The realization of this ambition will depend on factors including sustained renewables capacity additions and the country's continued effectiveness in supporting the diversification of solar supply chains. Beyond power, projects such as NEOM and Yanbu will be central to Saudi Arabia's expanding influence in the global hydrogen market. These advancements will not only shape Saudi Arabia's energy future, but its involvement in the global energy transition.



Saudi Arabia emerging as a critical minerals hub

Strategic resource development can position Saudi Arabia as a global leader in energy security, energy transition and industrial diversification.

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Highlights

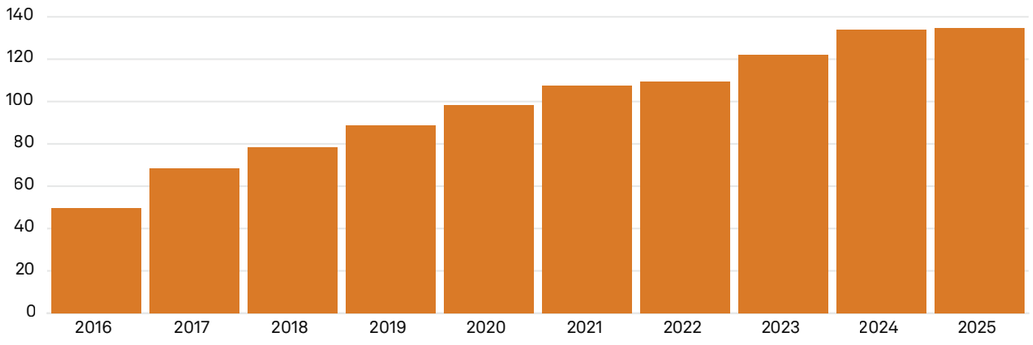
Saudi Arabia is advancing its Vision 2030 agenda by expanding its mining sector. Through increased exploration spending and regulatory reforms, the country aims to boost mining's GDP contribution to $64 billion, create 200,000 jobs and attract $27 billion of new investment by 2030.

The country intends to leverage its geography and abundant energy resources to become a global hub for smelting, refining, battery chemicals and electric vehicle manufacturing, anchoring demand through its various large-scale projects.

Despite strong infrastructure, low-cost energy and geographical advantages, the mining sector faces rising environmental and governance expectations, as well as operational challenges, that could affect its expansion.

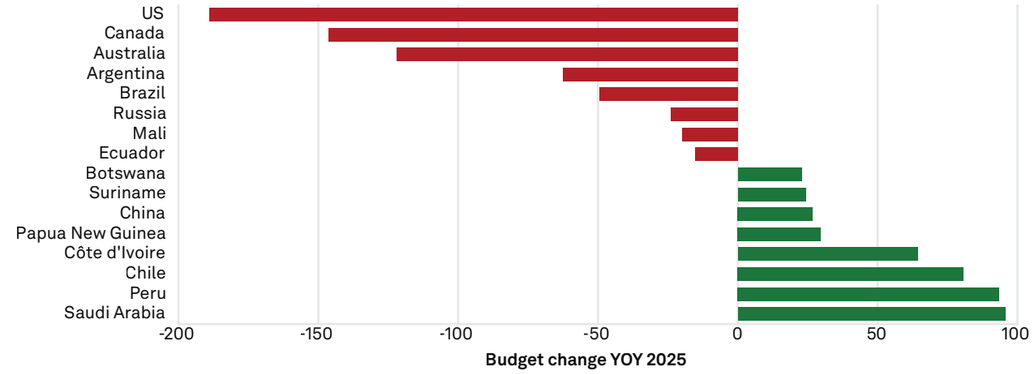
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Non-oil revenue growth has increased steadily since the launch of Vision 2030
Saudi Arabia non-oil revenue, 2016-2025 ($B)



Data compiled Sept. 22, 2026.
Source: Vision 2030; Ministry of Finance.
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Saudi Arabia's exploration budget recorded strong YOY growth ($M)



Data as of Nov. 11, 2025.
Source: S&P Global Market Intelligence.
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Saudi Arabia's economic diversification: From oil to minerals

Saudi Arabia is diversifying its economy away from oil by developing its mining sector. The country has increased exploration budgets, especially for gold and copper, and estimates its mineral wealth to be over $2.5 trillion. Vision 2030 aims to boost mining's GDP contribution to 240 billion riyals ($64 billion), create 200,000 jobs and attract $27 billion of new investment by 2030. Policy reforms, including a lower mining tax, streamlined permitting and enhanced geological surveys have, until recently, been key drivers of foreign investment and sustainable sector growth. While regional conflicts have created shipping challenges, heightened insurance costs and increased investment uncertainty, they have not materially slowed Saudi Arabia's mining ambitions.

The country has increased exploration budgets, especially for gold and copper, and estimates its mineral wealth to be over $2.5 trillion.

Saudi Arabia's mining ambitions and industrial growth agenda are complementary. Initiatives such as the Oxagon industrial city, AI data centers at Oxagon, the NEOM Green Hydrogen project, and Diriyah and Qiddiya projects could increase local demand for steel, aluminum, copper and other critical minerals. Growth in renewables deployment will also spur domestic demand for minerals. However, the scale and timing of this demand are subject to increased uncertainty as the country reprioritizes and shifts its focus toward projects with clearer business cases. Nonetheless, these projects, which benefit from funding and infrastructure investments, aim to reduce the country's import costs for metals by creating a solid domestic market.

Saudi Arabia's critical minerals potential

Saudi Arabia possesses vast, yet underdeveloped, mining and mineral resources. The Ministry of Industry and Mineral Resources values these reserves at approximately 9.375 trillion riyals ($2.51 trillion), a nearly 90% increase from an estimated 5 trillion riyals ($1.31 trillion) in 2016. This upward revision incorporates newly discovered rare earth elements and transition metals, along with increases in phosphate ore, copper, zinc and gold reserves. Saudi Arabia's western region hosts most of the country's mines, while the northern area is rich in phosphate deposits.

Saudi Arabia's commitment to expanding its mining sector is evident in the substantial increase in its exploration budget since 2022. The minesite exploration budget surged almost sevenfold in 2025, reaching $146 million from $21 million in 2022, according to S&P Global Market Intelligence data. While this growth is considerable, Saudi Arabia's exploration spending remains modest compared with established mining jurisdictions such as Australia and Canada, which typically allocate over $1 billion annually.

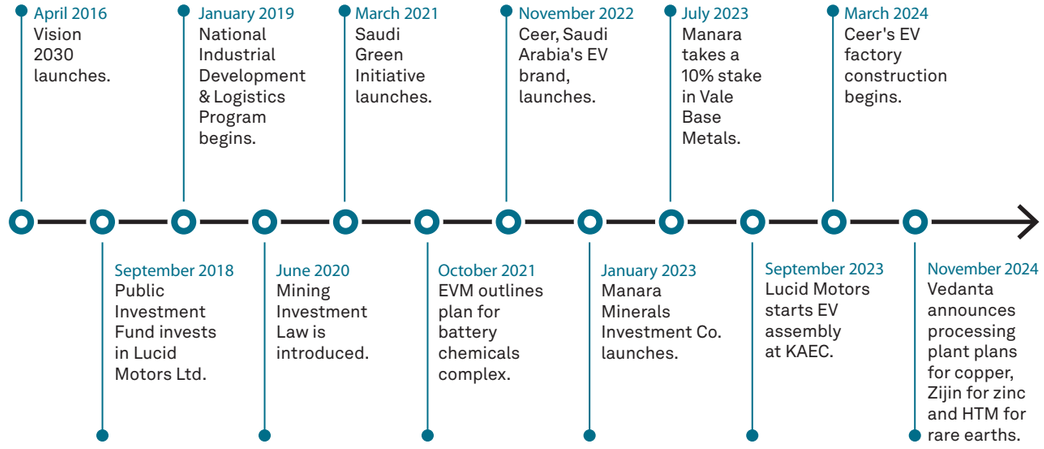
The allocation of exploration budgets by commodity has shifted significantly, reflecting Saudi Arabia's evolving priorities and market dynamics. The share of gold has risen sharply to comprise 72% of the total exploration budget in 2025 from 55.2% in 2022, underscoring the metal's importance as a driver of sector growth, foreign investment and economic diversification. Copper accounted for 23% of the 2025 budget due to its rising global demand, especially for the energy transition and infrastructure development.

Gold accounted for 72% of Saudi Arabia's total exploration budget in 2025 ($M)



Data as of Nov. 17, 2025.
Other includes lanthanides, potash and silver.
Source: S&P Global Market Intelligence.
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Activity at all stages of the supply chain has accelerated since the launch of Vision 2030



Data as of Nov. 18, 2024.
EVM = EV Metals Group PLC; KAEC = King Abdullah Economic City; HTM = Hastings Technology Metals Ltd.
Source: S&P Global Market Intelligence.
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State-owned oil company Saudi Aramco is also pursuing opportunities in the sector, aiming to extract lithium from brine in its oil fields.

State-owned entities dominate the sector

State-owned entities are at the core of Saudi Arabia's non-oil diversification strategy. Saudi Arabian Mining Co. (Maaden) remains the flagship operator and is one of the largest mining companies globally.

Manara Minerals Investment Co., established in January 2023, is a joint venture between Maaden and the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund. In contrast to Maaden, which primarily focuses on gold, phosphate and aluminum, Manara was founded to explore and develop minerals critical to defense applications and the energy transition, including lithium, cobalt, copper, nickel and rare earth elements. In July 2023, Manara acquired a 10% stake in Vale Base Metals Ltd., a move expected to be instrumental in facilitating Manara's expansion of copper and nickel production throughout its portfolio.

State-owned oil company Saudi Aramco is also pursuing opportunities in the sector, aiming to extract lithium from brine in its oil fields. In January 2025, Aramco and Maaden announced a $2 billion joint venture to extract lithium and advance direct lithium extraction technologies, with commercial production potentially starting in 2027.

Location as leverage

Saudi Arabia seeks to capitalize on its geography — with access to raw materials and proximity to end-use markets in Europe, Asia and Africa — and become a central player in the downstream supply chain, creating a hub for critical minerals processing and EV manufacturing.

The country has attracted foreign investment, with Vedanta Copper International VCI Ltd. planning a $2 billion copper smelter and refinery and Zijin Mining Group Ltd. committing up to $1.6 billion for zinc smelting, lithium extraction and copper refining facilities. Australia's Hastings Technology Metals Ltd. has partnered with the Ministry of Investment on a multiphase rare earth processing project valued at up to $1.9 billion.

Saudi Arabia has also drawn foreign investment related to battery chemicals and EV production. Ceer National Automotive Co., a joint venture between PIF and Hon Hai Technology Group (Foxconn), was launched in November 2022. Lucid Motors Ltd., in which the PIF and its affiliates have invested about $8 billion, is slated to begin full-scale EV production at its King Abdullah Economic City plant near Jeddah in 2026.

Powering prosperity – Saudi Arabia's competitive position

Saudi Arabia's metals and mining sector benefits from abundant low-cost energy resources and reliable domestic fuel supplies, giving it a cost advantage in energy-intensive processes such as extraction, smelting and refining. Ongoing investments in natural gas and renewables further strengthen this edge.

The country's strategic location between major markets, integrated infrastructure and state-backed financing make it attractive for investment in mining, metals processing and emerging areas such as battery materials. One critical policy shift — reducing the tax rate for mining companies to 20% from 45% over the past few years — has further increased the sector's appeal to foreign and domestic investors.

Saudi Arabia's metals and mining sector benefits from abundant low-cost energy resources and reliable domestic fuel supplies, giving it a cost advantage in energy-intensive processes such as extraction, smelting and refining.

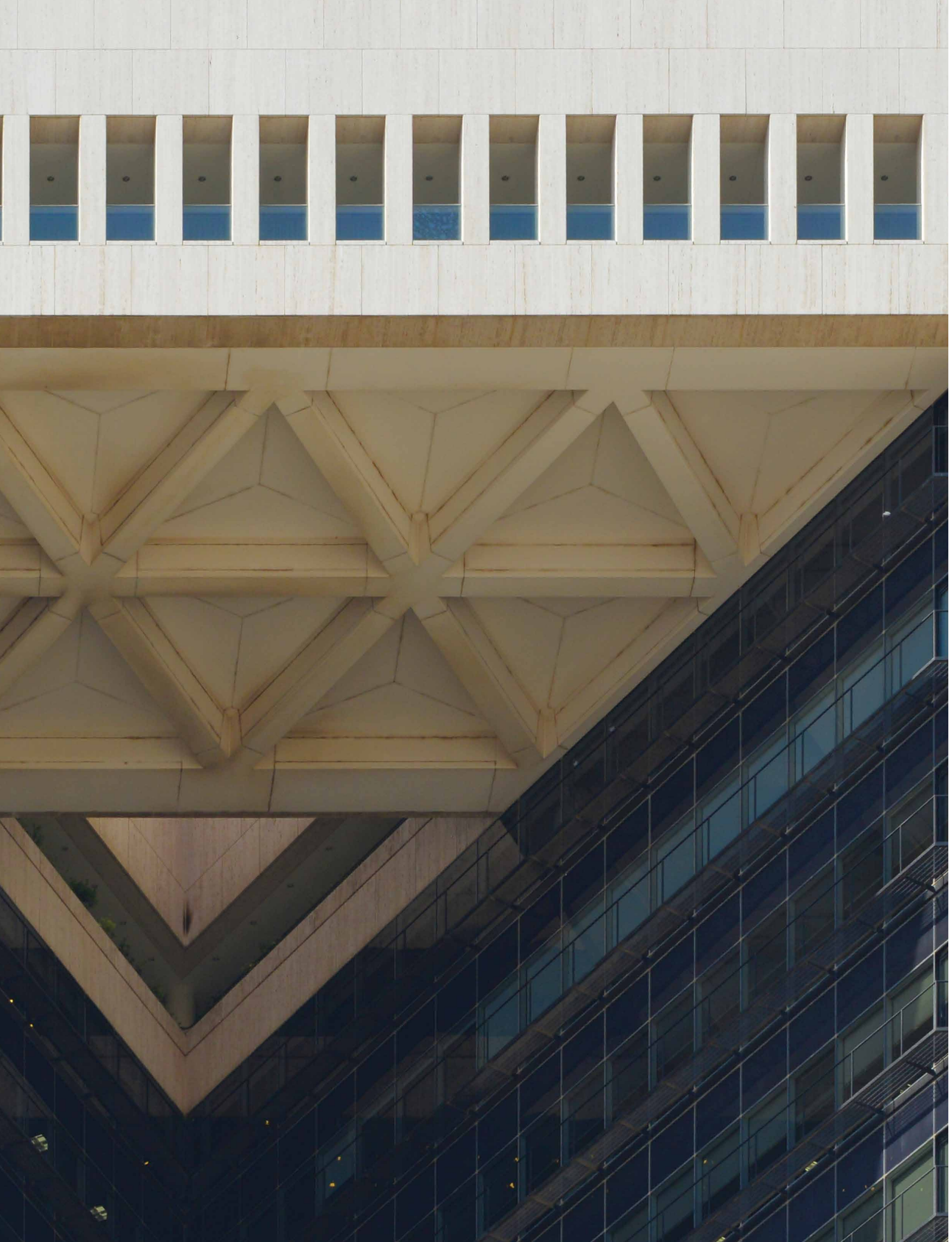
Navigating supply chain risks

While regulatory reforms have improved Saudi Arabia's global mining standing, further progress in transparency and governance is needed to meet international standards. The sector faces ongoing environmental challenges, such as water scarcity, and the underexplored Arabian Shield poses geological and technical risks as high exploration spending does not always yield discoveries. These concerns, alongside operational risks, infrastructure gaps, workforce shortages and logistical issues, could delay projects, requiring investment in solutions such as desalination and improved transport and power networks. Price volatility and financial risks are other considerations. Saudi Arabia's new metals exchange aims to manage these risks by providing greater market stability and attracting global expertise.

Looking forward

Saudi Arabia's mining sector is poised for growth as the country continues to implement reforms and attract global investment to meet the diversification goals of Vision 2030. By leveraging its strategic location, low-cost energy resources and integrated infrastructure, the country is positioning itself as a global leader in mining.

Realizing this ambition will also depend on addressing environmental (water scarcity) and geological considerations and operational challenges in the sector. Still, the upcoming launch of the metals exchange, expanded licensing and high-profile events such as the annual Future Minerals Forum represent significant progress toward establishing Saudi Arabia as a regional and global hub for mineral trading, processing and responsible supply chains.



Saudi Arabia: A maturing pillar of global equities

A decade of reform built a genuine long-horizon premium in Saudi equities. The past year tested whether that maturity holds under stress.

Darius Nass, Associate Director, Global Equities & Thematics, S&P Dow Jones Indices

Highlights

The S&P Saudi Arabia Broad Market Index (BMI) produced an annualized return of 9.4% over the past decade, outperforming the S&P Emerging BMI's 8.7%. Over shorter horizons, the market has lagged, returning 1.7% annualized over both three- and five-year periods.

Volatility has compressed relative to the market's longer-term historical average, with three-year annualized volatility of 14.5% below the 10-year level of 17.1%. The trailing 12 months countered that trend at 18.6%.

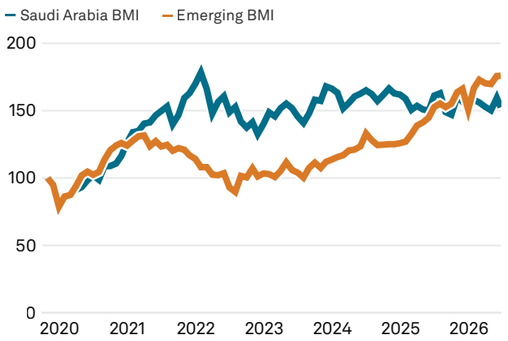
Since September 2021, the weight of the materials sector within the S&P Saudi Arabia BMI has shrunk to 16.3% from 28.0%, while the highly profitable financials sector has held steady at 37.8%, acting as a stabilizer.

Saudi Arabia remains an important engine of capital formation within the Gulf Cooperation Council, capturing 79% of the region's IPO proceeds in 2025. Since 2017, 21 high-growth firms have uplisted to the Saudi Exchange's main market, ensuring a deep and liquid universe of investable equities.

The February 2026 transition to the Foreign Investment in Securities (FIS) regime from the Qualified Foreign Investor framework lowered the barrier to entry for investors, aligning accessibility with the standards of developed markets. Foreign ownership was broadly stable through the transition.

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Saudi Arabia volatility compressed, then reset
Total return, rebased 2020 = 100



Data as of Sept. 21, 2026.
BMI = broad market index. All index data based on total return in US dollars. Chart is for illustrative purposes.
Source: S&P Dow Jones Indices.
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Structural maturation: The compression of risk

The Saudi equity market has developed from a high-beta oil proxy toward a more stable core allocation, though the trailing year interrupted that trend. Over the past decade, the S&P Saudi Arabia BMI delivered an annualized return of 9.4%, ahead of the broader S&P Emerging BMI's 8.7%. However, the Saudi benchmark had three- and five-year returns of 1.7% against the three-year return of 18.4% and five-year return of 6.7% for emerging markets.

The shortfall has a specific cause. The S&P Saudi Arabia BMI reached its cycle peak on Feb. 10, 2025, then declined for 330 consecutive days to a trough on Jan. 6, 2026, resulting in a peak-to-trough fall of 13.6% and a 9.1% year-over-year drop in 2025 in US dollar total return terms. This trough preceded the escalation of regional hostilities in late February 2026 by nearly two months and was driven by sustained weakness in petrochemical and materials earnings, not by geopolitical events. It is also what the three- and five-year return figures are measuring. Since the trough, the index has recovered about a third of the total decline, standing 8.9% below its February 2025 peak at the end of August 2026.

The long-term trend in risk remains downward, with 10-year annualized volatility of 17.1% falling to about 14.5% over the trailing three-year period. This compression reversed over the past year, with rolling 12-month volatility reaching a series low of 8.7% in August 2025, before climbing to 18.6% in August 2026.

Sector divergence: The great rotation

The reshaping of the S&P Saudi Arabia BMI highlights the interplay between Saudi Arabia's old and new economy. Cyclical global headwinds have squeezed the materials sector's index weight to 16.3% from 28.0% since the third quarter of 2021. Because the index is weighted by market capitalization, this drop masks the broader changes. Negative performance in the large, commodity-linked materials sector disproportionately pulls down the headline index, obscuring the expansion of sectors including utilities, information technology, industrials and real estate, which are driven by domestic Vision 2030 spending rather than global trade. The expansion of Saudi Arabia's digital infrastructure is an example of this diversification, with annual IT capacity expected to average 29% annual growth between 2024 and 2030, according to 451 Research by S&P Global. Collectively, the eight sectors outside materials, energy and financials grew to 36.1% of the index as of August 2026 from 26.6% at the third quarter of 2021.

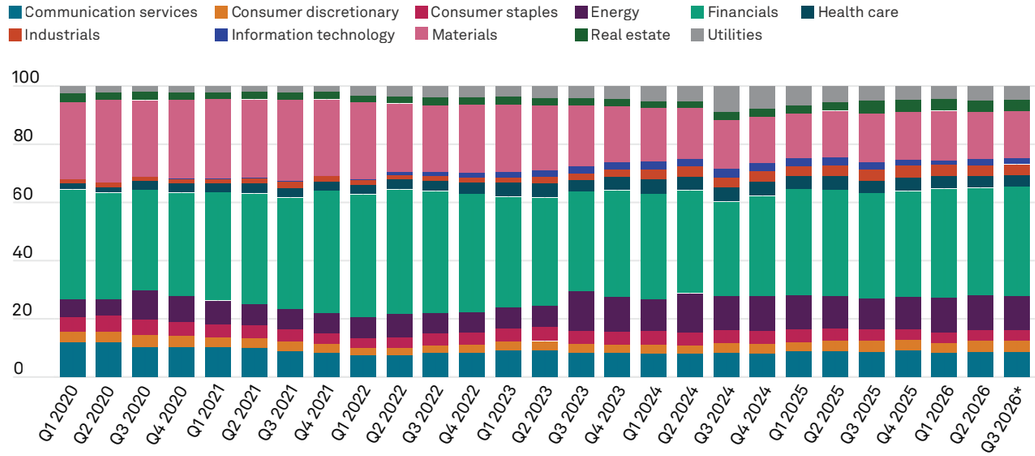
The expansion of Saudi Arabia's presence in international capital markets reflects a significant maturation of its financing landscape over the last decade. Since 2020, the financials sector has maintained its dominance and acted as a stabilizer with a third-quarter 2026 weighting of 37.8%. The 10 largest listed Saudi banks reported an aggregate net profit of 24.87 billion riyals in the second quarter of 2026, up 12.5% year over year, with net interest margins of 2.96%, according to Al Rajhi Capital.

Downward trend in risk interrupted by near-term spike in volatility
Annualized total return and volatility of the S&P Saudi Arabia BMI (%)

	1-year	3-year	5-year	10-year
Annualized return	6.4	1.7	1.7	9.4
Annualized volatility	18.6	14.5	16.4	17.1

Data as of Aug. 31, 2026.
Chart is for illustrative purposes.
Source: S&P Dow Jones Indices.
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Financials sector stabilizes as the materials sector shrinks
Sector breakdown of the S&P Saudi Arabia BMI, 2020-August 2026 (%)



Data as of Aug. 31, 2026.
* Third-quarter 2026 data is for the quarter through Aug. 31. Chart is for illustrative purposes.
Source: S&P Dow Jones Indices.
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Saudi government and government-related entities remain pivotal to banking sector liquidity, with public sector deposits rising to 33% of total system deposits as of June 2026, from nearly 20% of total deposits at the end of 2018. However, these inflows are insufficient to fund expanded loan books, necessitating the mobilization of external funding and exploration of solutions involving structured finance.

The profitability of Saudi banks is driven by systemic credit growth and wide net interest margins, and is structurally supported by the country's high concentration of sharia-compliant non-interest-bearing deposits. Notably, the representation of the financials sector remains significantly higher in Saudi sharia-compliant benchmarks compared with some regional peers.

Sharia structural integration

The maturation of the Saudi market is deeply tied to sharia principles, and nowhere is that clearer than in the composition of the investable universe. The S&P Saudi Arabia BMI Shariah, the sharia-compliant version of the S&P Saudi Arabia BMI, covers 91.9% of constituents and 81.6% of the broader S&P Saudi Arabia BMI's total market capitalization, the highest overlap of any market in the Gulf Cooperation Council. This makes sharia compliance the standard for broad market exposure rather than a screen applied to it. Additionally, Saudi Arabia is developing sharia-compliant structured finance solutions and overhauling its securitization framework. These advancements could further broaden domestic and international capital market financing solutions across various industries.

By aligning Islamic and non-Islamic capital, Saudi Arabia has created a substantial engine for capital formation. In 2025, the country accounted for 79% of regional IPO proceeds, raising $4.1 billion across 13 listings on the Saudi Exchange's main market and 23 listings on parallel market Nomu, outpacing the UAE's $544 million and Kuwait's $180 million.

The Saudi model's efficacy is supported by its uplisting pipeline, which transitions high-growth assets into institutional-grade securities. Since the 2017 inception of Nomu, 21 companies have migrated to the main market by meeting stricter governance standards. Nomu acts as a training ground that builds critical market depth. In 2025 alone, five companies including Canadian Medical Center, Gas Arabian Services and Obeikan Glass transitioned following the high-profile graduations of Jahez International and Shatirah House Restaurant in 2024. These migrations indicate that Saudi Arabia systematically replenishes its senior board with experienced issuers, expanding quality and volume.

Sharia-compliant stocks make up most of the Saudi market
Overlap between conventional, sharia-compliant indexes across Gulf Cooperation Council markets

Country	Constituents			Market cap		
	Conventional	Sharia	Overlap (%)	Conventional ($B)	Sharia ($B)	Overlap (%)
Saudi Arabia	221	203	91.9	372.92	304.21	81.6
UAE	77	50	64.9	196.23	89.97	45.8
Kuwait	49	26	53.1	94.49	53.90	57.0
Qatar	36	20	55.6	72.77	30.87	42.4
Oman	15	7	46.7	17.27	5.73	33.2
Bahrain	6	3	50.0	6.09	3.62	59.5

Data as of Aug. 31, 2026.
Data represents the constituent count and float-adjusted market capitalization S&P Global's broad market index for each country and their sharia-compliant subindex.
Source: S&P Dow Jones Indices.
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By making its equity market more accessible, Saudi Arabia set the stage for increased inflows.

Institutional liberalization and policy pivot

On Feb. 1, 2026, the Capital Market Authority abolished the Qualified Foreign Investor framework, transitioning to the FIS regime. This move prioritizes direct ownership over synthetic swaps, better aligning Saudi Arabia with developed market standards. The 49% aggregate and 10% single-investor ownership limits were retained.

By making its equity market more accessible, Saudi Arabia set the stage for increased inflows, and the reform was tested within weeks of taking effect. Foreign ownership stood at 4.74% of total market capitalization in late December 2025 and 4.63% at the end of July 2026, broadly stable across both the framework transition and the market's trough.

SPIVA MENA Year-End 2025: What the results say about Saudi Arabia

The SPIVA MENA Scorecard measures the performance of actively managed Middle East and North Africa equity funds against their respective benchmarks over various time horizons. By tracking data on outperformance rates, survivorship rates and fund performance dispersion, the scorecard provides a view of structural evolution by measuring active fund performance against benchmarks such as the S&P Saudi Arabia[1].

Data reveals that Saudi Arabia is a maturing market that is becoming more institutionally investable and increasingly difficult to outperform.

[1] Understanding the benchmarks:
S&P Saudi Arabia: Broadly appropriate as a benchmark for domestic managers, reflecting the local investable universe. The SPIVA MENA Scorecard utilizes this index to measure local active fund performance.
S&P Saudi Arabia BMI: A broad market index tailored to international managers, with constituent weightings adjusted for foreign investability limits, serving as the standard for global allocations.

Data reveals that Saudi Arabia is a maturing market that is becoming more institutionally investable and increasingly difficult to outperform.

The full-year 2025 results reverse a midyear picture that had looked considerably more favorable to active managers. Through the first half of 2025, about 39% of Saudi-focused active funds had underperformed the benchmark. Across full year 2025, 67% underperformed. The swing was driven by the second half, when the share of index constituents beating the benchmark fell to 26% from 35%. Short-horizon active results proved unstable enough to invert within six months.

As time horizons extend, the influence of the benchmark strengthens. Underperformance was 43.5% over three years, 17.6% over five years and 61.9% over 10 years, with 57.1% of funds trailing on a risk-adjusted basis over the decade.

The survivorship rate of Saudi Arabia's equity funds remains the most compelling sign of market stability. With a survivorship rate of 81.0% over a 10-year horizon, the country's equity fund ecosystem is the most durable of the region, ahead of 71% for the Gulf Cooperation Council and nearly double the 44% rate for Middle East and North Africa. This indicates a comparatively stable and professionalized domestic asset management landscape that is advancing into a sophisticated institutional environment where passive investment strategies are increasingly viable.

The survivorship rate of Saudi Arabia's equity funds remains the most compelling sign of market stability. With a survivorship rate of 81.0% over a 10-year horizon, the country's equity fund ecosystem is the most durable of the region.

Looking forward

Saudi Arabia has broadened beyond commodity-driven volatility, prioritizing diversification, depth and openness. The transition to the FIS regime widens market access, while the changing composition of the country's investable universe continues to reduce long-run risk.

The market's weight in the S&P Emerging BMI stands at 2.86%, down from a peak of 4.65% in September 2022. This decline follows directly from relative underperformance and is a reminder that index significance is earned continuously. Saudi Arabia is no longer just a regional play. It is a structurally significant component of emerging market equities whose returns remain tied to a concentrated sector base. Data on active versus passive performance indicates a broader, efficiently indexed market where indexation is the sensible default, and where rotations as sharp as those in 2025 will periodically reward selection.

Underperformance rises over longer time horizons

Horizon	Underperformance (absolute)	Underperformance (risk-adjusted)	Survivorship rate
1-year	66.7%	N/A	100%
3-year	43.5%	43.5%	100%
5-year	17.6%	17.6%	100%
10-year	61.9%	57.1%	81%

Data as of Dec. 31, 2025.
N/A = not applicable.
Table represents findings from the SPIVA Middle East Year-End 2025 Scorecard.
Source: S&P Dow Jones Indices.
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Structural transformation underway: How Saudi Arabia is developing its debt markets

Saudi Arabia continues to transform its financial and capital markets through reforms to attract international capital.

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Zeina Nasreddine, Associate Director, S&P Global Ratings

Highlights

Saudi Arabia is gradually moving from being a capital exporter to a capital importer as it continues to develop and deepen its local capital markets to finance large projects and diversify its economy.

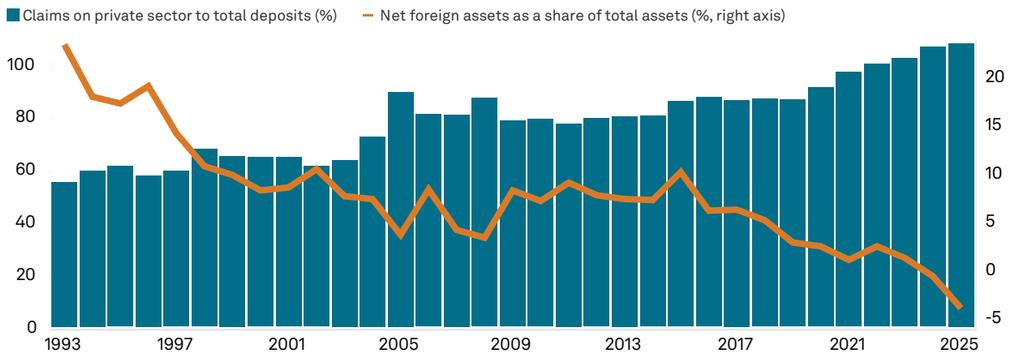
While the local-currency bond market is nascent, authorities are undertaking several initiatives to stimulate its growth.

Saudi Arabia is looking at developing its local institutional investor base, a strategy that has contributed to depth and liquidity in mature local-currency markets such as South Africa and Chile.

Bond indexes play a critical role in capital market development, providing benchmarks to enhance investor confidence and the understanding of market dynamics. They facilitate capital allocation in addition to tracking performance.

Ready to dive deeper? Scan the QR code to explore interactive data on spglobal.com and discover related stories.

Evolving funding profile of the Saudi banking system



Data as of Dec. 31, 2025.
Sources: Saudi Central Bank; S&P Global Ratings.
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Funding needs and regulatory push as key drivers

The implementation of Vision 2030 has generated significant funding requirements over the past few years. Saudi banks increased their total lending book by almost $400 billion between 2020 and 2025, averaging annual credit growth of about 13%, compared with deposit growth of 8.5%, according to the Saudi Central Bank. Consequently, banks increasingly tapped international capital markets, and the banking system moved from its traditional net external asset position to a net external liability position in 2024. This shift was accompanied by a notable increase in the ratio of private sector claims to total deposits, which stood at about 108% at year-end 2025. The net external liability position as a percentage of total assets was about 4%.

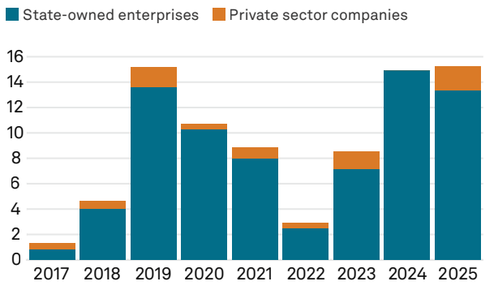
Saudi Arabia introduced its Financial Sector Development Program in 2018 to advance its financial markets. Many regulations have since been launched, including the approval of a regulatory framework allowing nonresident foreign investors to directly invest in the country's equity market starting in February 2026.

Strong momentum in the foreign-currency debt capital market

- We estimate that between 2017 and 2025, Saudi nonfinancial corporates issued about $82.3 billion in foreign-currency debt. This cumulative figure represents under 7% of the country's estimated 2025 GDP. Companies in which the Public Investment Fund (PIF) — Saudi Arabia's sovereign wealth fund — has a direct or indirect stake accounted for $74.7 billion, or almost 90% of total issuances. Saudi Aramco alone issued $47 billion. For this publication, direct issuances by the PIF were excluded from corporate issuances in these statistics because we view them as part of the general government umbrella. PIF holds stakes in some of the country's largest companies, including Aramco, Maaden, Saudi Energy (formerly Saudi Electricity Co.) and Saudi Telecom Co. In addition to its own debt issuances, the sovereign wealth fund has brought several of its portfolio companies to the equity and debt capital markets. In the coming years, we expect more companies from the PIF portfolio to enter the markets, subject to market conditions.

Cross-border issuance gains momentum

Saudi nonfinancial corporates' cross-border issuances since 2017 ($B)



Data as of Dec. 31, 2025.
Public Investment Fund issuances are excluded.
Sources: Company financials; S&P Global Ratings; Refinitiv; other sources.
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Local-currency corporate debt capital market at a nascent stage

While Saudi Arabia's local-currency corporate debt capital market, including financial institutions, is nascent, authorities aim to develop a liquid market with diverse issuers and investors.

Outstanding issuance at year-end 2025 totaled about $35.3 billion, up from $15.5 billion in the first quarter of 2020. We estimate that Saudi Arabia's domestic corporate bonds, including those of financial institutions, comprised about 2.8% of the country's estimated 2025 GDP, visibly below other key emerging markets. Saudi financial institutions are the main investors and tend to hold the securities until maturity.

A developed local-debt market enables issuers to access different pools of capital with varying terms and conditions to meet diverse financing needs.

While the Saudi debt capital market is dominated by highly rated state-owned enterprises, we expect this to gradually change. It is an important sign of maturity for a debt capital market to have ratings across the broader spectrum. The evolution of ratings, reflecting a broad distribution of credit quality, may happen more quickly in Saudi Arabia than in other markets, given economic transformation expectations and associated funding needs.

In addition to the local- and foreign-currency debt markets, Saudi Arabia is developing its residential mortgage-backed securities market. Securitization offers an alternative funding source to Saudi banks, combining liquidity mobilization, capital relief and a potential reduction in sectoral lending book concentration. Saudi Arabia's development of sharia-compliant structured finance solutions and update of its securitization framework could help drive domestic and international capital market financing solutions across sectors.

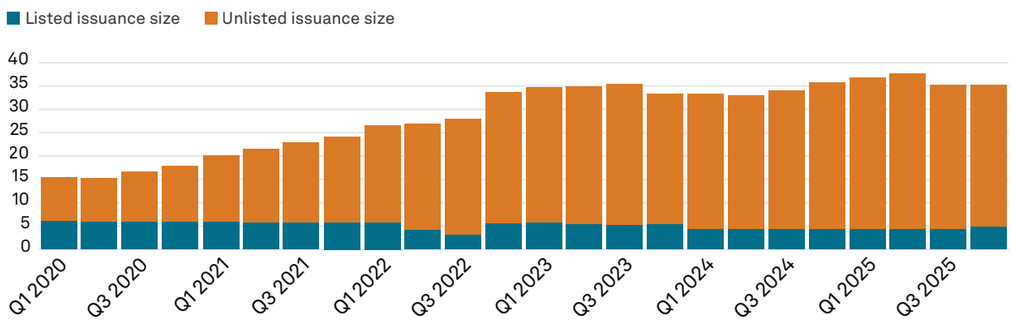
As of June 30, 2026, Saudi banks' mortgage lending exceeded $200 billion, according to Saudi Central Bank data. Despite volatility, the Saudi housing market's fundamentals remain robust due to urbanization, population growth and government policies that support home ownership. Real estate retail lending expanded 3.7% year over year in the second quarter of 2026 and is expected to grow nearly $15.6 billion annually, equating to a 7.8% compound annual growth rate from 2024.

In countries where domestic corporate debt capital markets have progressed, dedicated local institutional investors have contributed to market depth and liquidity, making them more attractive to foreign investors.

For example, in Chile, one key milestone was the adoption of a fully privatized pension system in 1981, based on defined employee contributions, which included the mandate to invest in local capital markets. As the assets under management of private pension funds increased, strong demand for local assets supported the growth of the local bond market.

Outstanding stock in the domestic corporate debt market is largely unlisted

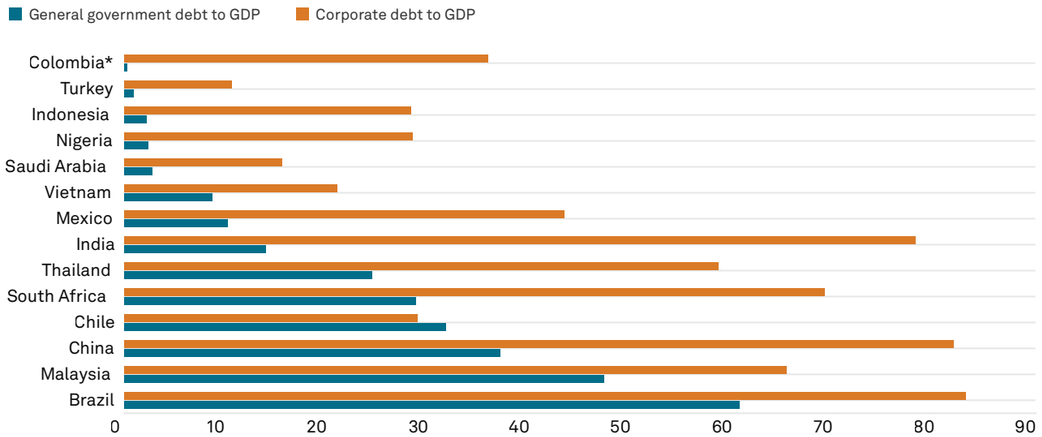
Listed vs. unlisted issuance, Q1 2020–Q4 2025 ($B)



Data as of Dec. 31, 2025.
Corporates include financial and nonfinancial companies.
Sources: Tadawul; S&P Global Ratings.
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A comparative positioning of the Saudi local-currency debt capital market

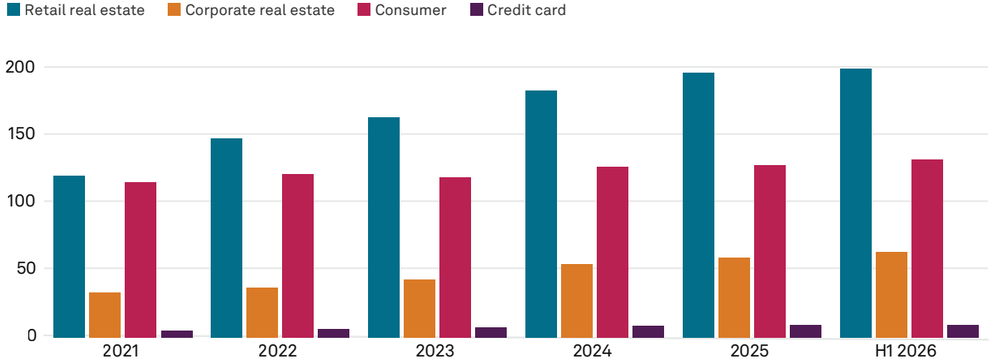
Debt-to-GDP ratios of select emerging markets (%)



Data as of Dec. 31, 2025, or for the most recent year available for each country.
* Refers to nonfinancial company corporate debt only.
Domestic debt only.
Sources: Local central banks; AsianBondsOnline for Asian countries; Bank for International Settlements; International Monetary Fund; S&P Global Ratings.
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Mortgages and consumer assets drive Saudi securitization potential

Saudi loan balances by asset class (US$B)

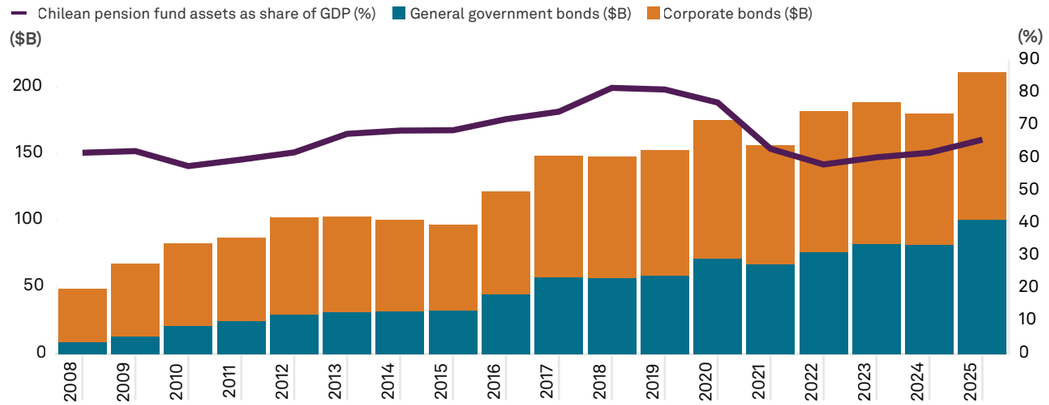


Data as of July 2026.
Source: Saudi Central Bank.
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Similarly, local institutional investors played a crucial role in developing the South African market. South Africa's financial institutions are well developed and are key investors, with domestic assets as a percentage of GDP at nearly 100%, according to S&P Global Ratings data.

Growing the institutional investor base is a key focus for Saudi Arabia. The country's asset management sector expanded by an average of about 12% annually over 2015-2024, while total assets under management reached over $330 billion by year-end 2025, according to Capital Market Authority statistics.

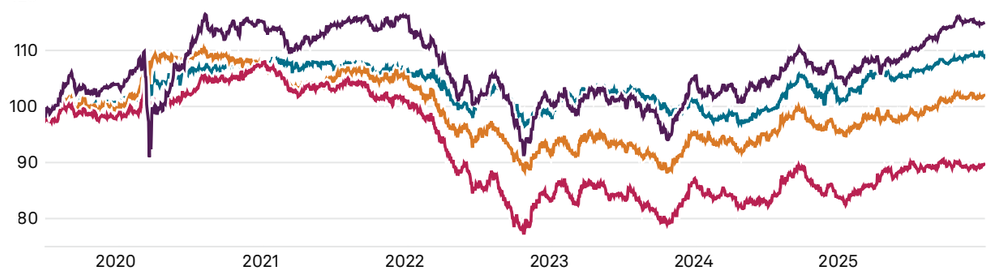
The rise of Chile's and South Africa's domestic bond markets



Data as of Dec. 31, 2025.
Debt securities issued in domestic market at all original maturities denominated in all currencies at nominal value stocks.
Corporates include financial and nonfinancial companies.
Sources: Federal Reserve Bank of St. Louis; Superintendencia de Pensiones; Banco Central de Chile; S&P Global Ratings.
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USD- and SAR-denominated Saudi sovereign debt outperform US Treasurys and global local-currency government bonds

Rebased TRI

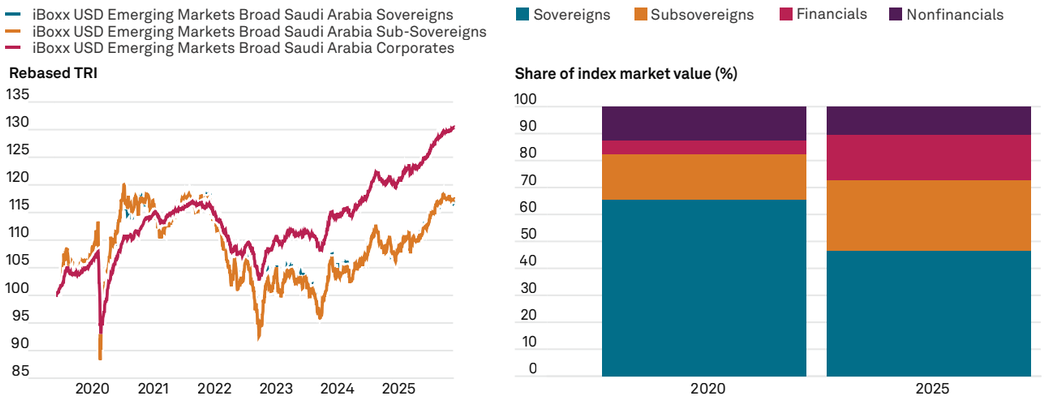


Data from June 30, 2019, to Dec. 31, 2025.
USD = US dollar; SAR = Saudi Arabian riyal; TRI = total return index level.
Index performance in US dollar terms and rebased to 100 on June 30, 2019.
The iBoxx Tadawul SAR Government Sukuk (USD Unhedged) was launched Feb. 27, 2025.
All data prior to this date is back-tested hypothetical data. Past performance is no guarantee of future results.
Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the performance disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.
Source: S&P Dow Jones Indices.
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The role of bond indexes in capital markets development

A major milestone for Saudi Arabia's debt capital markets was the establishment of a sovereign yield curve by the Ministry of Finance via the National Debt Management Center. By issuing riyal-denominated sukuk monthly, the initiative established a local-currency sovereign yield curve for nonsovereign issuers to benchmark against.

Saudi Arabia USD corporate bonds outperformed sovereigns and subsovereigns amid market diversification



Data from June 30, 2019, to Dec. 31, 2025.
USD = US dollar; TRI = total return index level.
Index performance in US dollar terms and rebased to 100 on June 30, 2019.
The iBoxx USD Emerging Markets Broad Saudi Arabia Indices were launched June 15, 2024.
All data prior to this date is back-tested hypothetical data. Past performance is no guarantee of future results.
Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the performance disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.
Source: S&P Dow Jones Indices.
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Saudi Arabia diversifies its debt portfolio between domestic and international financing, with US dollar-denominated debt as the primary source of international issuances. Dollar-denominated bonds and sukuk from Saudi Arabia are tracked by the iBoxx USD Emerging Markets Broad Saudi Arabia Sovereigns Index.

Bond indexes support capital market development by providing benchmarks that help market participants gauge performance and build confidence through established track records. They define investable universes with transparent methodologies, enabling investors to understand market dynamics while accommodating their specific constraints.

The iBoxx Tadawul SAR Government Sukuk Index was launched in 2020 in collaboration with the Saudi Stock Exchange, or Tadawul, to track the performance of riyal-denominated domestic government sukuk. It is the first dedicated riyal-denominated government debt index aimed at developing and improving transparency in the Saudi capital market while facilitating broader participation by domestic and international investors. Sukuk comprises over 99% of Saudi Arabia's riyal-denominated government debt issuances.

Over the past five years, the composition of issuers in the Saudi dollar-denominated debt market has diversified. Sovereigns continue to represent the largest segment, but their share of the overall index market value has declined to less than 50%, while the shares of financials and subsovereigns have increased. This shift reflects the growing participation of banks and government-backed entities in the debt capital market to secure funding for the Vision 2030 initiative.

Looking forward

As local funding conditions evolve, more Saudi corporates are considering capital markets to diversify their funding base, supporting foreign-currency issuance activity. Typically, markets start with highly rated public sector entities before maturing through diversification to a broader range of private sector and lower-rated entities. For Saudi Arabia, we forecast that private sector entities will follow suit and increasingly issue foreign-currency debt over the next few years, resulting in a wider distribution of credit ratings among active issuers.

In addition, Saudi authorities continue to support the development of the nascent domestic debt market. Future regulatory developments may also support growth, and the ratio of domestic corporate bonds to GDP could increase from current levels. However, current geopolitical developments could negatively affect investor sentiment for the region.

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PERFORMANCE DISCLOSURE/BACK-TESTED DATA

The iBoxx Tadawul SAR Government Sukuk (USD Unhedged) was launched Feb. 27, 2025. The iBoxx USD Emerging Markets Broad Saudi Arabia Indices were launched on June 15, 2024. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology in effect on the index launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at www.spglobal.com/spdji. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the FAQ (https://www.spglobal.com/spdji/en/education/article/faq-esg-back-testing-backward-data-assumption-overview/). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US $100,000 investment for a 12-month period (or US $10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US $1,650), the net return would be 8.35% (or US $8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US $5,375, and a cumulative net return of 27.2% (or US $27,200).

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