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alinma capital



**Changing backdrop in global economy  
and oil market warrant fiscal prioritizing**

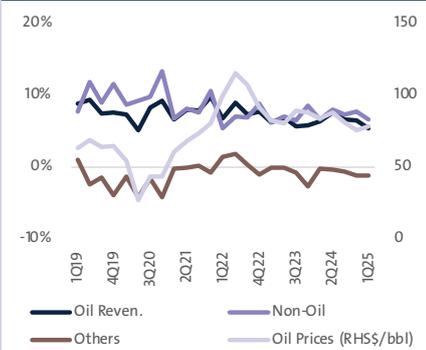
## Changing backdrop in global economy and oil market warrant fiscal prioritizing

### KSA-1Q2025 Fiscal Performance

SARbn	1Q24	1Q25	YoY	4Q24	QoQ
Revenues	293	264	-10%	303	-13%
Expend.	306	322	5%	360	-11%
Deficit	-12	-59	3.7	-57	2%
% of GDP	-.3%	-1.2%		-1.2%	
Debt	1115	1329	19%	1216	9%
% of GDP	24%	27%		26%	26%

Source: Quarterly Budget Performance Report

### Theeb Stock Price Performance VS TASI



Source: Quarterly Budget Performance Report, AC

### Pro-growth stance sustained in 1Q, new dynamics need fiscal reprioritizing

The recently released Ministry of Finance's (MoF) report on fiscal performance highlights the persistence of fiscal deficit at above-average levels in 1Q25 as the government expectedly maintained its pro-growth stance amid downside volatility in oil prices. The strong momentum in non-oil GDP growth (4.2% YoY) in 1Q2025 highlights the impact of the pro-growth stance (GDP growth of 2.7% YoY). We see clear room for fiscal adjustment ahead given the changing global macro backdrop and new oil market dynamics.

### Key trends in fiscal account

**Fiscal deficit** clocked in at 1.2% in 1Q2025 vs the full-year budgeted estimate of 2.1%. In absolute terms, the fiscal deficit has increased sequentially in 1Q2025, marking a departure from a trend of a sharp sequential drop in fiscal deficit in 1Q.

**Total revenues** have expectedly dropped by 12/17% QoQ/YoY to SAR264bn or 4.8% of GDP. Clearly lower oil receipts (performance-linked dividends from Aramco) have contributed to the sequential drop in revenues as oil prices remained stable in 1Q25.

**Total expenditure** remained downward sticky and dropped only by 11% QoQ vs an average drop of 29% in expenditure in 1Q over 4Q over the past seven years. Total expenditure came in at SAR322bn or 5.9% of GDP. Importantly, capital expenditure was reduced by 28% QoQ to SAR28bn or 0.5% of GDP vs 2025 full-year estimate of SAR184bn.

Sources of fiscal financing: Borrowing from domestic and international markets remained a primary source of funding for the fiscal deficit. Importantly, the fiscal authorities have made an excess borrowing in 1Q25 (~2x of fiscal deficit), sticking to a policy of reducing exposure to market risk and maintaining a buffer for future repayment. The debt to GDP ratio is estimated to have ticked up to 27% in 1Q25 from 26% in 4Q24, partially driven by excess borrowing. The domestic debt accounted for 60% of total borrowing, which is in line with past trends.

### New dynamics require fiscal re-prioritizing

Given the change in the global growth outlook, emerging dynamics in the oil market and significant front loading of fiscal deficit in 1Q25 vs the full-year target, we believe the fiscal authorities are likely to re-prioritize fiscal spending over the next few quarters to maintain fiscal prudence and sustain support for the key sectors crucial for the delivery of objectives under the Vision 2030. This will entail the pruning of 2025 growth targets for both oil and non-oil GDP. We make the following observations:

- It is pertinent to highlight 2025 Budget is estimated to have incorporated an average oil price of USD75/bbl vs YTD average oil prices of USD74. The consensus forecast of oil price over 2025-2027 stand at ~USD60/bbl.
- The room for trimming capital expenditure to cut fiscal spending appears to be limited given the drop in capital expenditure in 1Q. Public Admin, Health and municipality appear to be key areas which can contribute to fiscal spending cut.

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## KSA Economy: 1Q2025 Fiscal Performance

KSA-1Q2025 Fiscal Performance*					
SARbn	1Q2024	1Q2025	YoY	4Q2024	QoQ
Revenues	293	264	-10%	303	-13%
Oil	182	150	-18%	171	-12%
Non-Oil	108	109	1%	130	-16%
Others	4	5	24%	2	114%
Expenditure	306	322	5%	360	-11%
Current	271	295	9%	317	-7%
Capital	35	28	-19%	43	-35%
Fiscal Deficit	-12	-59	374%	-57	2%
% of GDP	-0.3%	-1.2%		-1.2%	
Public Debt	1,115	1,329	19%	1,216	9%
% of GDP	24%	27%		26%	

Source: Quarterly Budget Performance Report

\*The recently announced revision in 2023 GDP of SAR566bn has been reflected in the GDP numbers in 2024 and 2025. Accordingly, any comparison of fiscal element with GDP is based on adjusted estimates.

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I/We, **Muhammad Fawad Khan, CFA, Abdulrahman Yusef Alnafia**, the author/s of this report, hereby certify that that: (i) views expressed in this report reflect the Research Analyst's personal views about all of the securities and (ii) no part of any of compensation of the author/s was, is, or will be directly or indirectly related to the specific recommendations or views expressed by in this report.

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**5-15%: Stocks with total** return between 5-15% can be classified as Buy or Neutral.

**>-5%<+5% total return:** Stocks with total return between -5+5% can be classified as Neutral or Underperform

**Underperform-**Stocks which are expected to have <-5% total return

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Price data for the listed securities is based on 06-05-2025.

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