



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

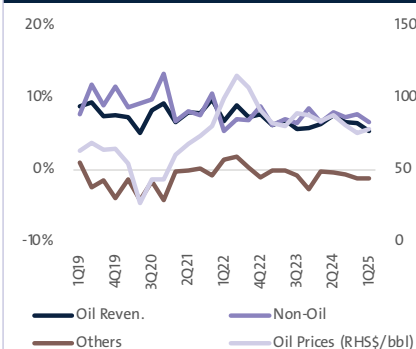
Changing backdrop in global economy and oil market warrant fiscal prioritizing

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.

Muhammad Fawad Khan, CFA
Head of Research
mfkqadri@alinmacapital.com

Abulrahman Yusef Alnafia
Research Analyst
aynafiai@alinmacapital.com

Alinma Capital Company
Al Anoud Tower 2, King Fahad Road,
Riyadh 11544, Kingdom of Saudi
Phone: 011 494 8899
Website: www.alinmacapital.com



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.

Analyst Certification:

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.

Rating Methodology

Alinma Capital Company (ACC) follow a four-tier rating system based on total return methodology as per following details

>+15% Total Return: Stocks with +15% expected total return (including dividend yield) over the next 12-months are classified as Buy.

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

Not Covered: AIC has not assigned any rating on the stock

Coverage Suspended: AIC has temporarily suspended the coverage of the stock either in compliance with local regulation or other considerations

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



Disclaimer

The published reports are for general information purposes to present a view on the company/economic sector/economics subject under research, and should not be considered a recommendation to buy/sell/hold for any security or any other assets. This report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Alinma Capital Company from sources believed to be reliable, but Alinma Capital company has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Alinma Capital Company shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some securities may be, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might

increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Alinma Capital Company, and they might be holding positions directly in any securities and mutual funds contained in this report during the time of publication of this report. This report has been produced independently and separately by the Research Division at Alinma Capital Company and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Alinma Capital Company. Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document.

Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document.

Alinma Capital, a Saudi closed joint stock company under CR No. 1010269764 and the Capital Market Authority License No.37-09134.



Changing backdrop in global economy/ oil market
warrant fiscal prioritizing