

## Saudi Borrowing Plan: What It Reveals About the Cost of “Vision 2030”





Saudi Arabia is preparing to finance its 2026 budget through unprecedented levels of borrowing, raising critical questions about the true cost of realizing its ambitious economic blueprint, Vision 2030. Finance Minister Mohammed Al-Jadaan has approved a borrowing plan for 2026 with an expected funding volume of 217 billion Saudi riyals (approximately \$57.9 billion) to meet the Kingdom’s fiscal needs.

The move comes amid a projected budget deficit of 165 billion riyals (\$44 billion) for 2026, in addition to outstanding debt obligations of nearly 52 billion riyals due that same year.

This trajectory highlights Saudi Arabia’s growing reliance on debt to maintain spending on large-scale development projects, even as oil revenues decline and the country’s economic transformation enters a pivotal phase.

#### Rising Financing Needs and Deficit Figures

Saudi Arabia’s 2026 budget figures point to a sharp increase in financing requirements due to a combination of falling oil revenues and increased spending. Following a surge in oil prices in 2022–2023, the Kingdom experienced a downturn in 2024–2025, marked by price declines and voluntary production cuts under OPEC+ agreements. These dynamics have squeezed oil income and widened the deficit gap.

As a result, the budget shortfall has grown significantly:

The 2025 deficit more than doubled expectations, reaching around 245 billion riyals compared to a target of 101 billion about 5.3% of GDP.

For 2026, the deficit is projected at 165 billion riyals (3.3% of GDP) lower than 2025 but still substantial.

This trend is not accidental but rather part of a deliberate policy. Minister Al-Jadaan has stated that the deficit is “intentional,” and that the government plans to maintain annual deficits through 2028 to support economic priorities. Public debt is expected to rise to around 1.5 trillion riyals by the end of 2025 (roughly 31.7% of GDP), up from 1.2 trillion in 2024.

Although the debt-to-GDP ratio remains moderate compared to other nations, experts caution that it increases the Kingdom’s fiscal sensitivity to further oil price shocks.

Nevertheless, low debt levels and substantial foreign reserves currently provide Saudi Arabia with room to maneuver, offering a cushion to continue borrowing in the near term.

### Borrowing to Fund Economic Transformation

The planned deficits are driven by the Kingdom’s determination to finance Vision 2030 transformation projects despite oil market volatility. Now at the midpoint of a roadmap launched in 2016, Saudi Arabia requires hundreds of billions of dollars in public investment to diversify its economy away from oil.

With the 2026 budget, the Kingdom enters the “third phase” of Vision 2030. Accordingly, the government is maintaining expansionary spending on key sectors to sustain non-oil growth momentum even if it means covering the deficit through debt.

The annual borrowing plan indicates that funding will come from a mix of sources:

20–30% from domestic debt markets

25–30% from international markets

50% through private sector partnerships

This approach reflects the leadership’s conviction that aggressive public spending today even at the cost of a deficit will yield a profound economic transformation by 2030.

### Project Delays and Shifting Priorities

However, despite the Kingdom’s commitment to financing its bold vision, recent

developments indicate a shift in spending and implementation priorities following challenges in some mega-projects that have proven either unfeasible or economically unsound.

Several flagship projects have faced delays and cost overruns—most notably the futuristic NEOM city and the luxury Sindalah Island resort, along with other high-end real estate ventures.

Notably, the 2026 budget makes no specific mention of these futuristic cities and islands, signaling a possible shift in strategy after mounting reports of implementation setbacks.

According to Reuters, the government and the \$925 billion Public Investment Fund (PIF) are pivoting away from the real estate-centric investment focus of the past decade.

Instead, the emphasis is now shifting to strategic sectors such as logistics, mining, artificial intelligence, and religious tourism areas expected to deliver faster and more sustainable returns.

Minister Al-Jadaan confirmed that projects are being re-evaluated to ensure they generate the desired returns within realistic timeframes. Some initiatives previously described as overly ambitious are being scaled back to more achievable goals.

### Deficit Pressures and Potential Measures

The widening deficit and increased borrowing raise questions about whether fiscal measures might be needed to curb debt growth or boost non-oil revenues.

In recent years, Saudi Arabia has made tough choices to bolster its treasury, including:

Tripling the value-added tax (VAT) from 5% to 15% in 2020 during the peak of the COVID-19 crisis and the oil price collapse a rate that has not been reversed.

Broadening its revenue base through indirect taxes and fees, such as excise taxes and levies on expatriates and state-owned enterprises.

Enhancing public spending efficiency, championed through institutions like the Expenditure and Projects Efficiency Authority (EXPRO) and the official narrative of “spending quality” in the 2026 budget statement.

However, in practice, fiscal discipline remains limited, as long as policy continues to emphasize spending on mega-events, entertainment, and large-scale projects.

### Vision’s Price Tag: Investment or Risk?

Ultimately, Saudi Arabia’s plan to finance the 2026 deficit through borrowing

underscores the steep cost of realizing Vision 2030 and its sweeping economic ambitions. The Kingdom is betting that today’s “intentional” deficits are strategic investments in a prosperous, diversified future hoping that the payoff in non-oil growth will materialize in the coming years.

Yet this equation carries calculated risks. The sustainability of this approach depends on rigorous fiscal management and effective project execution within a defined timeline.

Economists acknowledge Saudi Arabia’s current strengths a relatively low public debt burden and vast foreign assets as key buffers against short-term financial shocks. Still, they emphasize the importance of locking in multi-year spending commitments to ensure long-term sustainability.

The Kingdom will need to strike a careful balance between generously investing to realize Vision 2030 and avoiding a debt burden that could strain the economy in the future. Given the volatility and unpredictability of oil markets, success on this path will hinge on the adaptability and prudence of Saudi Arabia’s fiscal policies.