

Saudi Arabia's Current Account

**Why Has the Deficit Emerged,
and What Are the Policy Options?**

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Executive Summary

During the period from 2000 to 2023, Saudi Arabia's current account recorded a deficit in only three years: in 2015 and 2016 due to the sharp decline in oil prices following the Asian financial crisis, and in 2020 when oil prices were adversely affected by the repercussions of the COVID-19 pandemic. Accordingly, surplus conditions characterized the Saudi current account for most of this period, reaching a peak of USD 173.6 billion in 2012.

Since 2024, the Saudi current account has entered a state of deficit. This deficit carries serious economic implications, as its financing relies on external borrowing, which in turn contributes to rising public debt. It is therefore necessary to analyze the factors that have led to the emergence of this deficit. Undoubtedly, the recent decline in oil prices has resulted in a reduction in exports, directly affecting the trade balance and, consequently, the current account. However, similar price declines have also occurred in other Gulf countries without leading to current account deficits.

The reduction in the trade surplus is attributable to the interaction of three main factors: increased imports of equipment and materials required for the implementation of large-scale development projects, compliance with pressures from the United States, and the deterioration of the terms of trade. In addition to the contraction of the trade surplus, a significant gap persists in the services account, despite improvements in tourism revenues.

As for the primary income account, which reflects returns on capital, it recorded a surplus due to the scale and importance of Saudi investments abroad compared to foreign investments within the Kingdom. Nevertheless, this surplus remains limited and is on a declining trajectory.

The most serious challenge lies in the secondary income account, particularly workers' remittances, where the deficit reached USD 54 billion in 2024. This deficit is expected to continue increasing in the coming years.

When these components are aggregated, it becomes evident that the current account surplus declined from approximately USD 145 billion in 2022 to around USD 25 billion in 2023, before turning into a deficit of USD 16 billion in 2024, which doubled in 2025. Projections indicate that this deficit will persist and expand, reaching approximately USD 51 billion by 2030.

Addressing the current account deficit requires fundamental adjustments to Saudi Arabia's economic policy, foremost among them strengthening non-oil exports, reducing consumer imports, and implementing effective measures to curb the fiscal deficit, given the strong linkage between the budget deficit and the current account deficit.





Introduction

As of 2024, a serious development has occurred in Saudi Arabia's external finances: the current account deficit has become the dominant feature. However, the decline in oil prices is no longer the sole cause of this deficit. In other Gulf countries that, like Saudi Arabia, rely heavily on oil revenues, current accounts have not recorded deficits; on the contrary, they remain in surplus and are expected to continue doing so over the next five years.

It is therefore necessary to analyze the

causes of this deficit by examining the four components of the current account, namely the trade balance, the services account, the primary income account, and the secondary income account.

This study begins with an introductory section outlining these four components of the current account. It then discusses the methods used to finance the current account deficit. The final section is devoted to policy recommendations.

First: Background

The current account represents a country's revenues (credits) and expenditures (debits) vis-à-vis the rest of the world, such as merchandise exports and the repatriation of profits by foreign investments. It reflects financial transactions between residents and non-residents, as defined by internationally accepted standards.

The current account is closely linked to the public budget. In Saudi Arabia, budget revenues are derived from several sources, most notably oil revenues generated from oil exports recorded in the trade balance. Accordingly, budget revenues rise and fall in line with increases and decreases in these exports.

Saudi Arabia also possesses a large sovereign wealth fund—the Public Investment Fund (PIF)—whose income is recorded under capital income (primary income) within the current account. These revenues constitute one of the key non-oil sources of public revenue in the state budget. Consequently, when the Fund's income increases, the fiscal position of both the budget and the current account improves, and vice versa.

On the expenditure side, the public budget is divided into current and capital expenditures. A portion of these expenditures requires the importation of equipment from abroad, which has a direct impact on the trade balance.

The public budget has allocated approximately USD 72 billion to the military sector. This spending includes several items, among them funds earmarked for arms imports. Moreover, economic development necessitates the importation of tools, expertise, and materials. Such imports increased significantly in 2024, 2023, and 2025 to support the implementation of various projects.

Table (1) below presents the components of the current account and their evolution over time. It shows that the current account has shifted from surplus to deficit and that the size of this deficit has been increasing steadily.

Below is the table rendered in formal academic English, with clear indicators and standard economic terminology. I have preserved the figures exactly as provided.

Table: Components of Saudi Arabia's Current Account (USD Billion)

Indicator	2022	2023	2024	2025	2030
1 Merchandise Exports	411.2	320.0	305.7	287.4	346.5
2 Merchandise Imports	174.0	189.9	213.7	230.7	322.8
3 Trade Balance	237.2	130.1	92.0	56.7	23.7
4 Services Balance	-54.6	-60.6	-62.2	-44.7	-28.0
5 Primary Income	8.6	7.7	8.7	8.2	6.0
6 Secondary Income	-45.7	-51.3	-54.7	-52.7	-53.2
7 Current Account Balance	145.5	25.9	-16.2	-32.5	-51.5

The **trade balance** is defined as merchandise exports minus merchandise imports.

The **current account balance** is calculated as the sum of the trade balance, the services account, primary income, and secondary income.

The **balance of payments** consists of the current account, the financial account, the capital account, and the item "errors and omissions."

In this table and the subsequent table, all figures are expressed in **USD billions**. Negative values indicate a **deficit**.

Table (2) illustrates the status of the current account and highlights Saudi Arabia's specific position in comparison with other Gulf Cooperation Council (GCC) countries. It is evident that Saudi Arabia is the only country experiencing a current account deficit.

Table (2): Current Account Balance in GCC Countries (USD Billion)

Country	2023	2024	2025	2026	2030
United Arab Emirates	54.8	49.2	50.0	49.6	44.8
Bahrain	2.7	2.8	2.5	1.8	1.6
Saudi Arabia	25.9	-16.2	-32.5	-39.0	-51.5
Oman	2.6	2.5	1.3	0.9	2.7
Qatar	36.5	37.0	35.2	35.9	42.0
Kuwait	51.4	43.3	35.7	32.1	23.9





Second: Trade Balance

The trade balance constitutes the largest component of the current account and encompasses all exported and imported goods. It is traditionally characterized by a surplus; however, this surplus has been steadily declining on an annual basis due to falling exports and rising imports.

1. Decline in Exports

Saudi Arabia possesses the world's second-largest proven oil reserves after Venezuela and is the second-largest crude oil producer globally after the United States. Consequently, oil exports play a dominant role in shaping the trade balance, and any decline in oil prices typically leads to a reduction in export revenues.

At the end of July 2022, the OPEC basket price stood at USD 110.8 per barrel (3), generating oil export revenues of USD 327.0 billion. By July 2023, the price had fallen to USD 86.4 per barrel, causing revenues to decline to USD 247.3 billion. The downward trend continued in July 2024, when the price dropped to USD 79.4 per barrel, reducing revenues to USD 223.3 billion. In July 2025, the price declined further to USD 70.9 per barrel, with no clear indicators of improvement in 2026.

Unlike Kuwait, Saudi Arabia also relies on non-oil exports, including electrical equipment, chemical industry products, transport equipment, aluminum, gold, and weapons. It should be noted that a portion of these exports consists of re-exported imported goods. In 2024, non-oil export revenues amounted to USD 82.4 billion. Overall, total exports declined significantly

throughout the period from 2022 to 2025, a development that was directly reflected in the deterioration of the current account.

2. Rise in Imports

Saudi Arabia imports a wide range of civilian and military goods to meet its growing domestic needs. Electrical appliances rank first, accounting for more than one-quarter of total merchandise imports, followed by transport equipment—particularly automobiles—as well as chemical products, weapons, and gold.

China is Saudi Arabia's largest source of imports, followed by the United States, the United Arab Emirates, and India. Notably, China is also the largest importer of Saudi goods.

In terms of usage, intermediate goods accounted for %42.2 of total imports, followed by consumer goods at %32.0, and capital goods at (4) %25.8.

In 2023, total imports reached USD 189.9 billion and rose to USD 213.7 billion in 2024, representing an increase of %12.4. As a result of declining exports and rising imports, the trade surplus contracted, leading the current account to shift into deficit.

3. Structural Challenges in the Trade Balance

The trade balance faces three major challenges:

First: Mega Projects

Large-scale projects represent a major challenge. The Line project, one of the most ambitious investment projects worldwide,



is estimated to cost over USD 500 billion by its planned completion in 2030.

This project requires substantial imports of equipment and materials, thereby increasing imports and reducing the trade surplus. However, it is a productive investment aimed primarily at boosting tourism revenues and creating additional employment opportunities.

Second: U.S. Economic Pressures

The decline in Saudi Arabia's trade surplus in 2025, which contributed to the current account deficit, coincides with current U.S. economic policy aimed at reducing its substantial trade deficit. Washington has exerted pressure on countries worldwide to achieve this objective, and Gulf countries have largely complied. Saudi Arabia agreed to increase its investments in the United States as well as its imports from the U.S., with the total value of these investments and imports expected to reach USD 1 trillion over four years.

In return for these significant concessions, Saudi Arabia has not received any corresponding trade privileges from Washington. On the contrary, additional customs duties have been imposed on Saudi exports to the United States.

Saudi Arabia's trade balance with the United States has remained in deficit for several years. In (5) 2024, Saudi exports to the United States (goods and services) amounted to USD 15.0 billion, while U.S. exports to Saudi Arabia reached USD 24.4 billion. Without this deficit, these tariffs would have been even higher.

Third: Deterioration of the Terms of Trade

The fundamental issue affecting the trade balance of all GCC countries, particularly

Saudi Arabia, lies in the deterioration of the terms of trade—defined as the relationship between changes in export prices and changes in import prices. While export prices have been declining, import prices have been rising.

In Saudi Arabia, oil prices and the prices of oil-related exports have fallen, whereas the prices of imported goods—especially from industrialized countries—have increased. This imbalance has led to a deterioration in the terms of trade. The International Monetary Fund estimated this decline at %6 in 2024.

This implies that the rise in the value of imports is driven not only by higher quantities but also by higher prices. Consequently, purchasing power has weakened, inflationary pressures have intensified, and the current account deficit has been exacerbated.

The following section provides an overview of arms trade and non-monetary gold, given the specific characteristics of these two commodities.

4. Arms Trade

Saudi Vision 2030 aims to “localize more than %50 of military spending by (6) ”2030, with the objective of reducing expenditure allocated to the importation of weapons and ammunition. This objective is to be achieved through the development of domestic military manufacturing.

Despite the challenges associated with implementing this ambitious target, Saudi Arabia has made tangible progress in developing its defense industry. Military production is led by Saudi Arabian Military Industries (SAMI), a company wholly owned by the Public Investment Fund. From another



perspective, Saudi Arabia has also scaled back large-scale military operations in Yemen. These industrial and military developments have had a significant impact on Saudi Arabia's arms trade.

Arms imports declined from USD 3,346 million in 2021 to USD 2,329 million in 2024, while arms exports increased over the same period from USD 94 million to USD 337 million (7).

As a result, arms imports decreased while arms exports increased, leading to a reduction in the military trade deficit, which fell from USD 3,252 million to USD 1,992 million over the same period. Nevertheless, this decline does not negate the continued significance of the military trade deficit, which exerts substantial pressure on the current account. Saudi Arabia remains among the world's largest importers of weapons.



5. Non-Monetary Gold Trade

Saudi Arabia is the only Gulf country that produces gold. It extracts approximately 12 tons annually from its mines, particularly the Al-Duwaihi mine. It is important to distinguish between monetary gold and non-monetary gold (also referred to as commodity or commercial gold).

Monetary gold consists of high-purity bullion owned by public authorities and, in this sense, forms part of the central bank's official reserves. The volume of monetary gold has not increased for several years.

Non-monetary gold, which is the focus of this analysis, is owned by individuals and traded in commercial markets regardless of its level of purity.

Due to Gulf social traditions, global military developments—particularly the Russia–Ukraine war—and economic factors such as declining interest rates on major currencies like the U.S. dollar, demand for gold has risen sharply, driving prices to unprecedented levels. The price of an ounce of gold increased from USD 1,792 in mid-December 2022 to USD 4,343 in mid-December 2025. This surge has significantly affected non-monetary gold trade in Saudi Arabia and, consequently, the trade balance.

In 2022, Saudi gold export revenues amounted to USD 979 million and rose to USD 1,775 million in 2024. At the same time, gold imports increased at a much faster pace, rising from USD 5,119 million to USD 7,434 million over the same period (8). As a result, non-monetary gold trade has recorded a persistent deficit, contributing to the shift of the current account from surplus to deficit.



Third: Services Account Deficit

The services account comprises several key components, most notably tourism, transport, and construction. This account suffers from a chronic deficit exceeding USD 60 billion. The magnitude and seriousness of this deficit have reached a level whereby it absorbs more than one-quarter of oil export revenues.

1. Tourism

Historically, tourism services recorded a deficit, as the expenditures of Saudi residents abroad exceeded revenues from Hajj and Umrah. However, the situation has changed in recent years due to both an increase in the number of pilgrims and a growing emphasis on non-religious tourism.

The number of foreign tourists visiting Saudi Arabia has increased significantly in recent years, rising from 18 million in 2015 to 29 million in (9) 2024. As a result, Saudi Arabia ranks second in the Arab world, after the United Arab Emirates, in terms of the number of international tourists.

Makkah remains the most visited city by foreign Arab and Muslim visitors, attracting approximately ten million visitors, whereas Riyadh received only around three million. This highlights the continued importance of Hajj and Umrah in Saudi tourism, while also indicating the growing relevance of non-religious tourist destinations. In 2024, religious visits accounted for %41 of total foreign arrivals, while leisure tourism and visits to relatives accounted for %45.

Egyptians rank first among foreign visitors to Saudi Arabia, with 3.2 million Egyptian tourists in 2024, followed by Pakistanis. Most foreign tourists therefore originate from countries with relatively low per capita income. Consequently, Saudi Arabia has sought to attract higher-spending tourists, a goal to

which the The Line project is specifically oriented.

In 2024, tourism revenues amounted to USD 40,963 million, while the expenditures of Saudi residents abroad totaled USD 27,562 million. As a result, the travel sub-account within services recorded a surplus of USD 13,401 million.

2. Transport

In contrast to tourism, land, maritime, and air transport services suffer from a substantial deficit. In 2024, revenues from the transport sector amounted to USD 8,033 million, while expenditures reached USD 33,002 million. Thus, the transport deficit far exceeds the surplus generated by tourism.

3. Construction

This component relates to expenditures on construction services for buildings, roads, bridges, and other infrastructure. The credit side of construction services increased from USD 1,654 million in 2023 to USD 1,874 million in 2024, while the debit side declined slightly from USD 16,208 million to USD 16,097 million. Despite this marginal improvement, construction services continue to record a persistent deficit.

Overall, the services account records a chronic deficit that exerts significant pressure on the current account. In this respect, Saudi Arabia resembles Qatar, Kuwait, and Oman. This contrasts with the United Arab Emirates and Bahrain, where the services account records a surplus due to the central role of tourism in the economies of these two countries.



Fourth: Decline in the Primary Income Account Surplus

The primary income account consists of income generated by Saudi investments abroad and repatriated to the domestic economy (credits), and income generated by foreign investments within Saudi Arabia and transferred abroad (debits), whether in the form of direct investment or portfolio investment.

1. Revenue from Saudi Investments Abroad

This category includes revenues generated by Saudi institutions with overseas investments, most notably the Public Investment Fund (PIF) and Saudi Aramco.

Sovereign Wealth Fund (Public Investment Fund)

A substantial share of income from Saudi investments abroad is derived from the Public Investment Fund, although the majority of its activities are domestic. The Fund's assets amounted to USD 925 billion (10), ranking it sixth globally and third among Gulf sovereign wealth funds, after the Abu Dhabi Investment Authority and the Kuwait Investment Authority.

The Fund derives its assets from government transfers, retained earnings, and borrowing. Saudi Arabia relies heavily on the PIF to expand its revenues, exports, and non-oil economic activities. Consequently, the Fund occupies a central position within Saudi Vision 2030 and constitutes one of its flagship programs. The Vision aims to increase the Fund's assets to

more than SAR 7 trillion (11) — approximately double their current level — thereby making it, according to Vision 2030 targets, the largest sovereign wealth fund in the world.

Among the Fund's foreign investments in (12) 2024 are a 15% stake in NGP TopCo, the holding company of Heathrow Airport; an investment of approximately USD 3 billion in Lucid Motors; and an investment in the Selfridges Group. The United States represents the largest external market for the Saudi sovereign fund, and its importance is expected to increase further as a result of recently concluded agreements driven by U.S. pressures.

Saudi Aramco

This global energy giant maintains overseas investments across various regions of the world and operates approximately 17.6 thousand fuel stations, particularly in Japan, the United States, and South Korea (13). The company also holds equity stakes in several firms, especially in oil refining and petrochemicals. It owns 100% of the Port Arthur refinery in the United States, which processes Saudi crude oil; 61% of S-Oil in South Korea, a major petrochemical company; 40% of Pakistan Oil and Gas Company; and 22% of Petrorabigh in Japan, which specializes in petrochemical production (14).

These investments generate profits that are recorded on the credit side of the primary income account within the current account.



2. Revenue from Foreign Investments in Saudi Arabia

In 2025, the total stock of foreign investment assets in Saudi Arabia amounted to USD 1,087 billion, divided between foreign direct investment (FDI) valued at USD 273 billion and portfolio investment totaling USD 814 billion (15).

Foreign Direct Investment (FDI)

FDI is primarily concentrated in manufacturing industries, followed by trade, financial activities, and transport. Geographically, the Eastern Province accounts for 41% of total FDI, followed by Riyadh, then Makkah and Madinah.

These investments are regulated by the Investment Law of 2024, which stipulates (16) equal treatment of Saudi and foreign investors in administrative procedures, prohibits the expropriation of foreign-owned assets except by judicial ruling and against fair compensation, and guarantees the free and timely transfer of capital and profits abroad.

However, foreign investors' freedom to choose investment activities is subject to certain restrictions. There are sectors in which foreign participation is prohibited, including arms manufacturing, real estate in Makkah and Madinah, and Hajj and Umrah services. These restrictions are linked to religious considerations and national security concerns, although the prohibition is not absolute. Foreign investors may submit applications to the competent committee to obtain permission to operate in restricted sectors (17).

Revenue from foreign direct investments

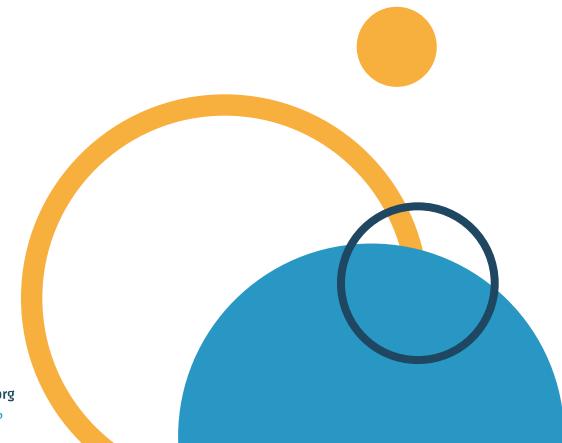
transferred abroad amounted to USD 8,362 million in 2023 and declined to USD 7,755 million in 2024.

Portfolio Investment

Profits generated by foreign portfolio investments in equities and bonds amounted to USD 9,810 million in 2023 and increased to USD 13,126 million in 2024. This indicates that profit outflows from portfolio investments are approximately twice the profits transferred abroad from foreign direct investments.

Revenue from Saudi investments abroad repatriated to the domestic economy increased from USD 25,938 million in 2022 to USD 39,567 million in 2024, reflecting the expansion of sovereign wealth fund activities. Over the same period, income from foreign investments in Saudi Arabia transferred abroad rose from USD 17,337 million to USD 30,857 million. As a result, the primary income account has remained in surplus.

According to International Monetary Fund projections, this surplus is expected to persist in the coming years; however, its size is projected to decline to approximately USD 6 billion by (18) 2030, which will exert downward pressure on the current account.





Fifth: Deficit in the Secondary Income Account

Unlike the primary income account, the secondary income account is characterized by a persistent deficit. This account includes government expenditures abroad and remittances transferred by foreign workers residing in Saudi Arabia.

- Government Expenditures Abroad

These consist of government spending outside the Kingdom, including expenditures related to diplomatic missions and financial contributions to international organizations. In 2024, government expenditures abroad amounted to USD 3,985 million.

- Magnitude of Expatriate Workers' Remittances

The total labor force in Saudi Arabia is estimated at approximately 14.2 million workers, comprising 4.1 million Saudi nationals and 10.1 million foreign workers. Expatriate workers are employed across a wide range of goods-producing and service sectors, including construction, energy, healthcare, education, and others. Saudi Arabia ranks as the second-largest country globally, after the United States, in terms of the volume of funds remitted by foreign workers to their home countries. These remittances increased from USD 38,056 million in 2023 to USD 45,682 million in 2024, representing a substantial growth rate of %20. This increase is attributable to several factors, notably improvements in expatriates' living conditions and rising demand for foreign labor driven by domestic investments in large-scale development projects.

The economic burden of these remittances on the Saudi economy is evident from the following observations:

- In 2012, approximately %9.0 of oil export revenues were required to finance expatriate workers' remittances. In practical terms, nearly one barrel out of every ten barrels exported was allocated to covering remittance outflows.
- By 2024, this ratio had risen sharply to %20.4, meaning that remittances absorbed the equivalent of one barrel out of every five exported. This increase resulted from the simultaneous interaction of two factors: the growth in remittance volumes and a decline in oil export revenues.
- Remittances transferred by expatriate workers over a period of just three months are equivalent to the annual revenues generated from Hajj and Umrah activities.

These observations highlight the substantial scale of expatriate remittances, noting that the recorded figures are limited to transfers conducted through formal banking institutions and exchange offices. An additional portion of funds is transferred through informal and personal channels that fall outside the scope of official financial institutions.

- Impact on the Current Account

Expatriate workers' remittances have had a strong and adverse impact on the current account, playing a significant role in its transition from surplus to deficit.



Sixth: Financing the Deficit

A deficit—whether in the public budget or the current account—simply indicates that the state is spending beyond its available resources and that consumption exceeds production. Under such circumstances, the issue of financing inevitably arises.

The central bank's foreign exchange reserves are generated by a surplus in the balance of payments. These reserves increase in the presence of a surplus and decline when a deficit occurs. However, such a decline does not materialize if the public authorities choose to finance the deficit through alternative sources.

In practice, Saudi Arabia's balance of payments has recorded deficits even during periods when the current account was in surplus. A fortiori, the balance of payments deficit widens when the current account itself records a deficit. Despite this, Saudi Arabia's foreign exchange reserves have not declined in all cases over the past five years; rather, they have remained broadly stable at around USD 450 billion. This stability indicates that the state prefers to rely on external borrowing rather than drawing down its foreign exchange reserves.

Why Borrow Instead of Using Foreign Exchange Reserves?

As is the case in other GCC countries, Saudi monetary policy operates under a fixed exchange rate regime, whereby the exchange rate of the riyal against the US dollar remains unchanged. This system requires continuous intervention by the central bank to defend the pegged parity, with foreign exchange reserves serving as the primary defensive instrument. When demand for the dollar increases, the central bank supplies foreign currency to

restore balance in the foreign exchange market.

Drawing down foreign exchange reserves to finance a balance of payments deficit would reduce their overall level, thereby undermining the effectiveness and sustainability of the fixed exchange rate regime.

Moreover, a rapid decline in reserves could lead to critically low levels within a short period. Such a development sends a clear, immediate, and negative signal to traders and investors regarding the state's ability to meet its financial obligations. Under these conditions, a downgrade in the sovereign credit rating becomes likely.

By resorting to external borrowing rather than reserve depletion, Saudi Arabia has managed to preserve its credit rating despite the deterioration of both the public budget and the current account. Riyadh has maintained an **A+ credit rating** from both Fitch and Standard & Poor's, a rating comparable to that of Japan, Spain, and China.

Rising External Debt

Under this strategy, foreign exchange reserves have remained stable, but external debt has increased rapidly. While excessive debt can also lead to a credit rating downgrade, international rating agencies typically take such action only when debt reaches a high proportion of GDP. Saudi Arabia has not yet reached this threshold.

However, reliance on external borrowing has placed the country's external public finances in a **vicious cycle**. A balance of payments deficit — driven primarily by the current



account—has necessitated external borrowing. These loans have increased external indebtedness, leading to higher interest obligations. Rising interest payments, in turn, increase expenditure within the balance of payments, generating new deficits that require further borrowing. As a result, debt continues to accumulate.

Why Not Use the Sovereign Wealth Fund?

A key question arises: why does the state resort to borrowing when it possesses a massive sovereign wealth fund with assets approaching USD 1 trillion?

In this respect, Saudi Arabia differs fundamentally from Kuwait. In Kuwait, the government is legally prohibited from drawing on the sovereign wealth fund to finance budget deficits, whereas no such legal restriction exists in Saudi Arabia.

Nevertheless, Riyadh refrains from drawing on the assets of its sovereign wealth fund for two principal reasons:

- 1- Such withdrawals would directly contradict **Saudi Vision 2030**, which aims to expand the fund's assets and transform it into the largest sovereign wealth fund in the world.
- 2- The rate of return on the fund's investments exceeds the interest rates paid on external borrowing.

Structural Risks and Long-Term Implications

The core issue lies in the interaction of three key indicators: the duration of the current account deficit, its underlying causes, and the scale of public debt.

Saudi Arabia's current account deficit emerged in 2024 and is expected to persist

over an extended period. This deficit differs fundamentally from the temporary shortfall recorded in 2020 as a result of the COVID-19 pandemic. According to projections, the deficit is expected to increase annually from USD 16.2 billion in 2024 to USD 51.5 billion by 2030.

This widening deficit is largely driven by rising imports that contribute little to economic development—such as automobiles, weapons, and gold—implying that a portion of external borrowing is being used to finance non-productive expenditures.

Saudi Arabia's external government debt, which was negligible prior to 2015, increased from USD 27 billion in 2016 to USD 143 billion by the end of September 2025.

The interaction of these three indicators constitutes a warning sign of a potential future financial crisis, particularly since debt financing is not confined to the balance of payments but also extends to the public budget, which has recorded persistent deficits in recent years. As a result, total public debt—both domestic and external—rose to USD 391 billion by the second quarter of 2025.

The public budget itself has entered a similar vicious cycle: deficits lead to borrowing, borrowing increases interest obligations, and higher interest payments represent an additional form of public expenditure that further exacerbates the deficit.

A Structural Shift in Fiscal Policy

Until 2015, fiscal deficits did not affect Saudi Arabia's external financial position because borrowing was entirely domestic. Until that time, the Kingdom had virtually no significant



external debt. However, the state began resorting to external borrowing in 2016, leading to a rapid rise in indebtedness. This year also marks the first year of implementation of Saudi Vision 2030.

This development indicates that Vision 2030 introduced a fundamental shift in fiscal policy. Deficits are no longer financed through

withdrawals from foreign exchange reserves but through borrowing. Consequently, both domestic and external public debt have increased, while the Fiscal Balance Program — one of the flagship initiatives of Vision 2030 — does not include explicit provisions aimed at curbing the escalation of external debt.

Seventh: What Is to Be Done?

Addressing the current account deficit without exacerbating external debt or resorting to withdrawals from foreign exchange reserves or the sovereign wealth fund requires action along two interrelated tracks: the current account and the public budget.

1. Current Account

The most effective means of closing the current account gap is to strengthen non-oil exports. In this regard, Riyadh has undertaken valuable efforts that must be sustained and further developed. Priority should be given to enhancing the competitiveness of Saudi goods vis-à-vis comparable foreign products, both in the domestic market and abroad. This objective requires reducing production costs through greater reliance on technology. In parallel, imports that are not essential to economic and social development—accounting for approximately one third of total imports—should be curtailed.

To achieve this reduction, a reassessment of the customs tariff structure is advisable. An increase in customs duties on consumer goods appears necessary, both to encourage domestic manufacturing and to generate additional public revenue. Naturally, such

increases would require approval within the framework of the GCC Customs Union.

With regard to the services account, its persistent deficit must also be addressed. The experience of the United Arab Emirates may be instructive, as it has achieved positive outcomes, with a steadily growing surplus in the services account driven by revenues from tourism and transport.

Reducing the current account deficit also necessitates increasing the revenues from the state's external investments, particularly those of the Public Investment Fund (PIF). Although the Fund's assets have expanded significantly over a short period, part of this increase has been largely notional, reflecting transfers of assets from one government-owned entity to another.

Previously, Saudi Arabia operated two separate entities managing external assets: the Saudi Central Bank and the Public Investment Fund. In 2023, the authorities decided to merge the central bank's external investments into the Fund's asset base. In a similar vein, the government transferred 8 percent of Aramco's shares to the PIF in 2024.

As a result, the Fund's assets increased



without a corresponding rise in revenues from Saudi investments abroad. On this basis, the objectives of Vision 2030 should not be confined to expanding assets alone but should also emphasize increasing investment revenues. Such an approach would strengthen the surplus in the primary income account and thereby reduce the current account deficit.

With respect to expatriate remittances, proposals have emerged in Saudi Arabia advocating their use in domestic economic development rather than their transfer abroad. While such an approach may yield positive effects, these would likely remain limited, as the primary objective of most foreign workers is to remit part of their income to meet the basic living needs of their families.

The imposition of taxes could reduce the volume of remittances and thus narrow the deficit in the secondary income account; however, such taxation may encourage transfers through non-banking channels. Moreover, the sheer size of remittance flows does not, in itself, justify such a tax, as considerations of equity and fairness argue against it — particularly given that expatriate

income, unlike Saudi income, is already subject to income tax at a relatively high proportional rate.

Accordingly, any policy addressing expatriate remittances should seek to reconcile and balance the following factors: the rising demand for labor generated by new projects, unemployment among Saudi nationals—especially youth and university graduates—and prevailing social norms related to employment.

2. Public Budget

Addressing the current account deficit also requires decisive action to reduce the public budget deficit, given the close relationship between the two, as previously demonstrated.

A reduction in public expenditure leads to lower import demand, thereby improving the trade balance. From the revenue perspective, an increase in customs duties is again warranted. Higher customs revenues would contribute to narrowing the budget deficit, while simultaneously reducing imports and increasing the surplus of the trade balance.

Conclusion

Saudi Arabia's current account is composed of four sub-accounts: two that record a declining surplus—the trade balance and primary income—and two that are characterized by a steadily widening deficit that exceeds this surplus—the services account and secondary income.

As a result, the current account shifted from surplus to deficit beginning in 2024. This transition has been rapid on the one hand and

is expected to persist for several years on the other.

Undoubtedly, the decline in oil export revenues due to market-related factors has played a significant role in this shift. However, this external factor is not the sole cause. Certain deficit accounts have no direct link to oil market conditions, and other GCC countries—despite sharing a similar reliance on oil exports—have not experienced a



comparable transition, as their current accounts remain in surplus.

The Saudi current account deficit entails serious repercussions, most notably an unprecedented rise in external debt in both absolute terms and relative to GDP, slower economic growth, stagnation—or even decline—of foreign exchange reserves, rising unemployment, widening fiscal deficits, accelerating inflation, and a potential deterioration in the country's credit rating.

It is important to note that a current account surplus does not necessarily imply a reduction in public debt. In 2022, despite a substantial current account surplus, indebtedness did not decline. By contrast, a current account deficit—through its direct and adverse impact on the balance of payments—inevitably leads to rising debt levels.

Accordingly, addressing the current account deficit requires comprehensive intervention across all its components, without undermining productive investment. In parallel, the public budget deficit must be tackled by reducing non-productive expenditure, such as certain categories of military spending, and by expanding non-oil revenues—most notably through the introduction of a progressive tax on high-income Saudi earners, rather than on low- and middle-income groups.

Such measures would place the state's internal and external finances on a sound and sustainable footing, with positive spillovers across economic and social domains, ultimately leading to an improvement in citizens' living standards.

References

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