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Macro Picture:

Saudi Vision 2030:

Opportunities and Risks

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Saudi Vision 2030: Opportunities and Risks

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Executive Summary

- Launched in 2016 by MBS, the plan aims to diversify Saudi Arabia's economy beyond oil through investments in technology, tourism, and renewable energy, while also driving social reforms and consolidating political authority.
- Built on a Vibrant Society, Thriving Economy, and Ambitious Nation, the initiative has boosted non-oil revenues, reduced unemployment, and expanded opportunities for women, though sustaining growth and meeting rising expectations remain key challenges.
- Vision 2030 targets reducing oil dependence, with the non-oil economy already at 52% of GDP and projected to reach 65% by 2030, supported by $5 trillion in investments across sectors like manufacturing, tourism, and logistics.
- Real GDP grew 3.9% y-o-y in Q2 2025, led by non-oil activities (+4.7%), while unemployment fell to a record 2.8% overall and 6.3% for nationals, with female participation surpassing targets at 36.3%.
- Industrial output rose 7.9% y-o-y in June 2025, driven by chemicals and non-metallic products, though productivity gains remain limited; non-oil exports grew 22.1% y-o-y but still account for just 16.7% of non-oil GDP, far below the 50% Vision 2030 goal.
- Already contributing 14% of GDP, Saudi Arabia is pushing digital innovation with initiatives like Alat, Google's AI hub, and global tech partnerships, aiming to become a leader in advanced industries.
- Vision 2030 targets 100 million annual visitors by 2030, with projects like NEOM and Jeddah's Al-Balad restoration; despite growth to 116 million visitors in 2024, most remain domestic or religious tourists.
- Nearly 600 global firms have established regional HQs under favorable tax and visa policies, making Riyadh a rising business hub despite global FDI declines, supported by giga-projects and $1.25 trillion in infrastructure.
- Massive transport upgrades, a construction boom set to make Saudi Arabia the world's largest market by 2028, and $270 billion in renewable and hydrogen investments—anchored by projects like NEOM and Sakaka—are reshaping the economy and energy mix.
- Saudi Arabia's Vision 2030 is now in its execution phase, relying on the Public Investment Fund (PIF)—with 70–80% of assets deployed domestically—and partnerships with family offices and special economic zones to drive diversification, job creation, and its ambition to become a global investment hub.
- Vision 2030 faces risks from U.S.–China rivalry. Saudi Arabia relies on Washington for security and investment while partnering with Beijing on diversification and infrastructure. Closer ties with one risk straining relations with the other, forcing Riyadh into a delicate balancing strategy.
- China has invested over $31 billion in Saudi infrastructure and renewables, while the U.S. pledged $600 billion for AI, clean tech, and giga-projects. Yet America's oil expansion threatens Saudi fiscal stability by depressing prices, complicating financing for Vision 2030's costly diversification goals.

Introduction: Vision 2030 in Context

On April 25, 2016, Saudi Arabia's then–Deputy Crown Prince Mohammed bin Salman (widely known as MBS) unveiled the ambitious Saudi Vision 2030, a landmark initiative that has since been recognized as transformative and groundbreaking. While Saudi Arabia's Vision 2030 is a bold strategy to diversify the economy beyond oil, with major investments in technology, tourism, and renewable energy, oil export revenues remain the key driver of the Kingdom's political and socioeconomic development.

The Three Pillars of Vision 2030

Since its debut as a white paper in 2016, Saudi Arabia's Vision 2030 has evolved from technocratic reforms into a sweeping social and political transformation. Vision 2030 is built on three pillars. The first, A Vibrant Society, emphasizes cultural enrichment, national identity, and quality of life, ranging from expanding recreational spending and registering heritage sites with UNESCO to promoting moderate Islam and improving healthcare. The second, A Thriving Economy, puts diversification at the center, aiming to boost SMEs' share of GDP, reduce unemployment, attract more foreign investment, and develop non-oil sectors such as tourism, logistics, entertainment, and technology. The third, An Ambitious Nation, focuses on governance and civic engagement, with initiatives to digitalize government services, strengthen transparency, empower women in the workforce, and expand volunteerism and the non-profit sector.

Initially focused on fiscal discipline, foreign investment, and partial privatization of Aramco, early steps left religious authority largely untouched. Yet the creation of new bodies like the General Entertainment Authority signaled cautious social openings. On the economic front, Vision 2030 has raised non-oil revenues through VAT, cut unemployment, and expanded jobs in newly opened sectors like food, entertainment, and services. The plan is already driving change. non-oil sectors now generate over half of GDP, women's workforce participation is rising, and industries are being reshaped by large-scale projects. The project is both a modernization drive and a vehicle for consolidating MBS's personal authority.

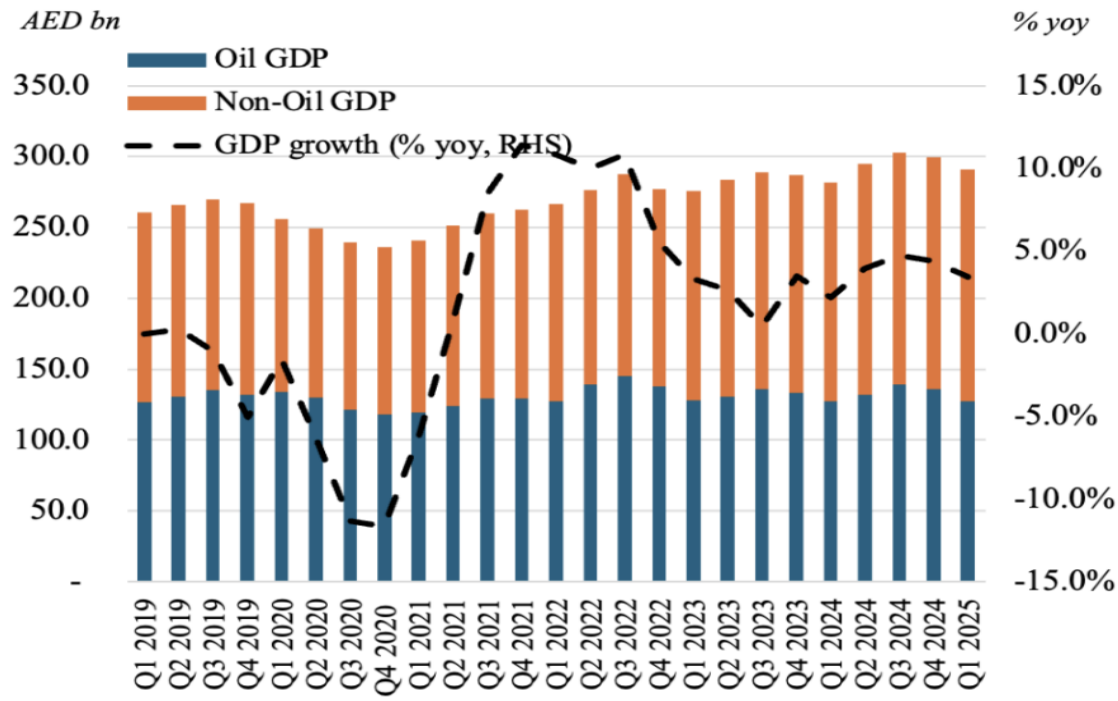
The key question is whether these investments will deliver sustainable returns. Early wins, such as lifting restrictions on women or expanding entertainment, were relatively easy. But meeting the rising expectations of citizens now entering mid-career, and sustaining economic growth, will prove harder. Centralized decision-making, once an asset, could become a liability if officials fail to adapt.

Economic Diversification and Progress So Far

At the heart of Vision 2030 is the recognition of a long-standing development challenge: the risks of dependence on primary commodities. Oil exports, while immensely profitable during boom cycles, expose the economy to global price volatility, shifting demand, and external shocks that undermine fiscal stability. The near-term outlook is weighed by risks such as softer oil demand from global trade tensions, reduced government spending, and regional security concerns that may curb investor confidence.

Confronting these vulnerabilities, the Kingdom has embarked on an ambitious effort to reinvent itself as a diversified economic hub. While continuing to export oil, especially to Asian markets and through closer ties with China, it has simultaneously reformed its domestic economy to foster growth in new sectors. The diversification drive is already reshaping global flows of capital and investment. After nine years of implementation, achievements are visible across multiple sectors, signaling a gradual but significant transformation.

Figure 1: Real GDP in Abu Dhabi

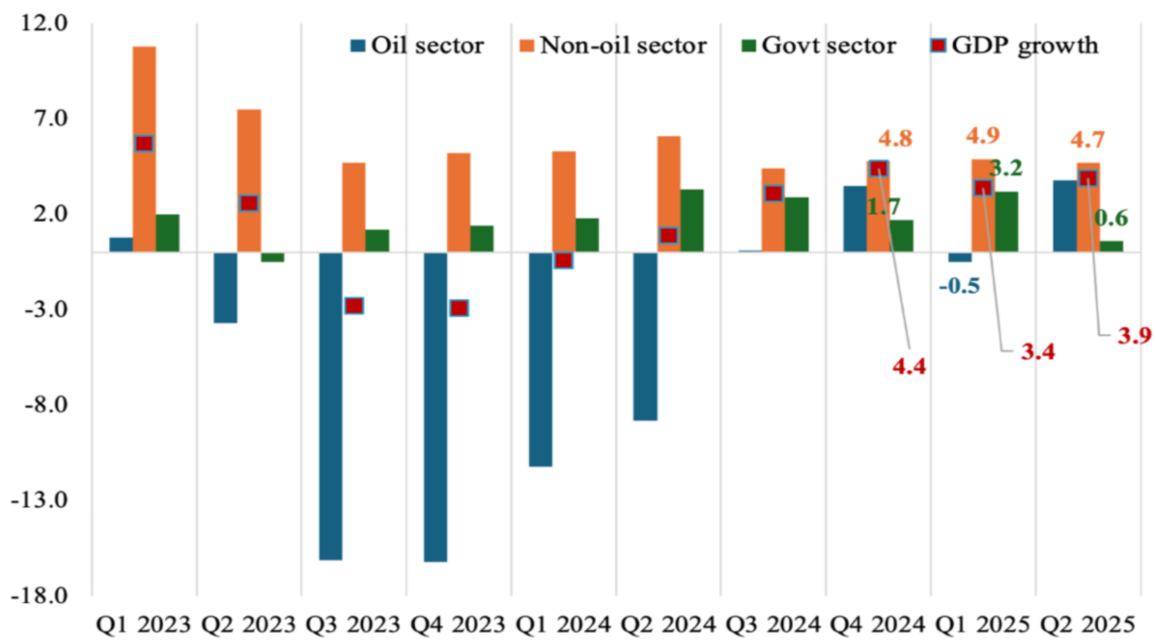


Source: Nasser Saidi & Associates

Macroeconomic Developments

Saudi Arabia's real GDP grew 3.9% y-o-y in Q2 2025, with gains across all major sectors, according to GASTAT flash estimates. Non-oil activities led with 4.7% growth, followed by oil at 3.8% and government services at 0.6%. Non-oil activities were the main driver, adding 2.7 percentage points to GDP growth, while oil contributed 0.9 points, and government services and net taxes added 0.1 and 0.2 points, respectively. seasonally adjusted real GDP grew by 2.1% q-o-q, marking the highest growth since the first quarter of 2024.

Figure 2: Saudi Arabia's Real GDP (%)



Source: Nasser Saidi & Associates

Looking ahead, S&P projects GDP growth of 3.5% over 2025–2028, with fiscal deficits averaging 4.4% of GDP due to Vision 2030 investments. Despite oil market uncertainty from U.S. trade policy and OPEC+ output, robust non-oil expansion is expected to underpin medium-term growth. The non-oil economy already makes up 52% of GDP, with a target of 65% by 2030, supported by $5 trillion in investments across manufacturing, construction, tourism, technology, and logistics.

Labour Market

Saudi Arabia's labor market beat expectations in Q1 2025. Unemployment among nationals fell to 6.3%, below the Vision 2030 target of 7%, leading authorities to revise the goal to 5%. Overall unemployment dropped to a record low of 2.8% from 3.5% in Q4 2024, with declines across both genders. Labor force participation rose to 68.2% from 66.4%, while the employment-to-population ratio increased to 66.3% from 64.0%. Female workforce participation rose to 36.3%, surpassing the 30% target and prompting an upward revision to 40%.

Industrial Production

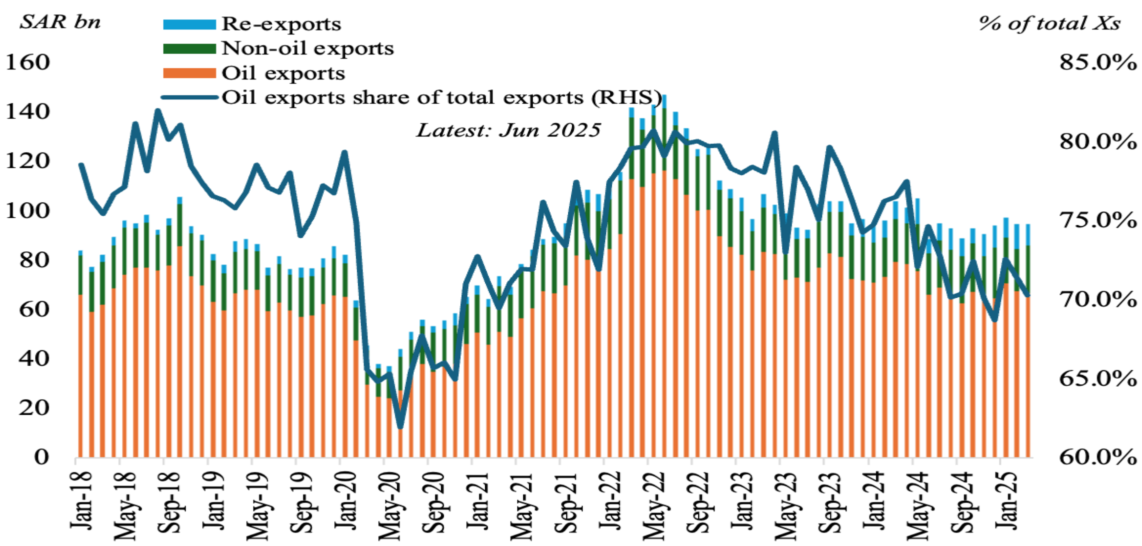
Saudi Arabia's industrial production rose 7.9% y-o-y in June, driven by a 7.7% y-o-y increase in oil activities as crude output climbed. Coke and refined petroleum products surged 15.3% y-o-y, while crude and gas extraction grew 6.0%, extending gains for a third month after sharp declines in H1 2024.

Non-oil manufacturing rose 9.1% y-o-y led by chemicals (+18.7%) and non-metallic products (+13.2%). In H1 2025, non-oil manufacturing expanded 4.5%, with chemicals up 12.5% and refined petroleum products 5.0%, while crude and gas extraction edged up 1.2%. Despite strong PMI readings and robust licensing activity, the IMF's Article IV report warns that industrial growth has not translated into lasting productivity gains, with non-oil total factor productivity stagnant.

Export diversification

Saudi Arabia's export diversification continues to lag, with non-oil exports at 16.7% of non-oil GDP in Q1, well below the 50% Vision 2030 target. Still, non-oil exports, including re-exports, rose 22.1% year-on-year to SR27.45 billion ($7.31 billion) in June (**Figure 3**). The UAE remained the top destination at SR7.85 billion, followed by India (SR2.6 billion) and China (SR2.14 billion). Chemical products led the basket, accounting for 24.5% of non-oil exports, up 8.5% from June 2024. Re-exports surged 60.2%, while overall non-oil exports jumped 17.8% in Q2, partly offsetting weaker oil sales (**Figure 3**).

Figure 3: Saudi Re-exports Hit Record High in Q2 as Non-Oil Trade Expands



Source: Nasser Saidi & Associates

Engines of Transformation

Digital transformation

Digital Transformation sits at the heart of this agenda, with initiatives to digitize services, boost e-commerce, and foster innovation. It already accounts for 14% of GDP. The launch of Alat in 2024, a tech manufacturer set to create 39,000 jobs and add $9.3 billion to GDP, reflects ambitions to become a global hub for advanced industries.

At the World Economic Forum in Riyadh (April 2024), Saudi Arabia underscored the need for economies to innovate and adapt or risk falling behind. Investing in advanced technologies like AI is central to this vision. A case in point is Google's new AI hub in the Kingdom, expected to add $71 billion to the economy through localized applications. Such global tech partnerships highlight Saudi Arabia's drive to position itself as a leader in AI and emerging digital industries.

Tourism and Culture

Tourism is another pillar, with a goal of 100 million visitors annually by 2030. Landmark projects like NEOM and the restoration of Jeddah's Al-Balad, alongside global events such as Formula One, highlight the Kingdom's strategy to attract international attention and revenue.

Tourism grew to 116 million visitors in 2024, up from 109 million the year before, keeping the sector on track for the 150 million target. However, most arrivals remain domestic or religious. Only a quarter came from abroad, and fewer than 60% of those were non-religious visitors, figures that have barely shifted in recent years, underscoring the Kingdom's difficulty in positioning itself as a leisure destination comparable to Dubai or Bahrain.

Business Hub Strategy

Saudi Arabia granted 34 new regional headquarters licenses in Q2 2025, part of its bid to establish itself as the Middle East's top business hub, the Ministry of Investment reported. Nearly 600 global companies, including Northern Trust, IHG Hotels & Resorts, and Deloitte, have set up regional bases since 2021, underscoring the success of the Riyadh Regional Headquarters Program (RHQ) launched in 2024.

The program offers one of the world's most attractive tax environments, including a 30-year exemption from corporate and withholding taxes. RHQs must employ at least 15 full-time staff, including three executives, within a year of licensing, and serve as genuine operational centers rather than nominal offices. Non-tax incentives include a 10-year Saudization exemption and unlimited visas for employees.

This strategy has gained traction despite a global downturn in FDI. While OECD data showed a 4.3% y-o-y decline in global inflows in early 2025, Saudi Arabia continued to attract investment, capturing greater market share as reforms resonate with international firms. Investor support has also expanded, with more than 125,000 services delivered through outreach centers, digital platforms, and service hubs in Q2 alone.

The RHQ push is part of Vision 2030's broader transformation agenda. Since 2016, the Kingdom has enacted over 600 economic reforms, lifted non-oil revenues by 113% from the baseline, and met its unemployment target of 7% five years ahead of schedule. The Public Investment Fund, valued at $941 billion in 2024, now targets $2.67 trillion by 2030.

Complementing the RHQ strategy, Saudi Arabia is advancing giga-projects such as NEOM, Qiddiya, and the Red Sea Project, which together are expected to add more than $100 billion annually to GDP. Construction contracts worth $250 billion and $1.25 trillion in ongoing real estate and infrastructure projects illustrate the scale of this transformation.

International recognition has followed: Saudi Arabia ranked third among emerging markets in the 2025 FDI Confidence Index and has climbed global competitiveness rankings in entrepreneurship, investment climate, and digital infrastructure.

Transport infrastructure

Saudi Arabia is investing heavily in transport infrastructure as part of Vision 2030, aiming to position itself as a global logistics and economic hub. The Kingdom is expanding its railway network to over 8,000 kilometers, led by the $7 billion Landbridge Project linking Jeddah to Dammam, while also upgrading the North–South line and joining the GCC Rail Network to boost regional connectivity.

Aviation is undergoing a similar transformation. Passenger traffic has surged, and Riyadh's King Salman International Airport, now under construction, is set to handle 120 million travelers by 2030, eventually becoming one of the world's largest. Neom's planned airports will further support advanced and sustainable aviation.

On the ground, the National Transport and Logistics Strategy is modernizing highways and expanding logistics zones, with projects like Highway 10 through the Rub' al Khali desert highlighting the scale of ambition. Public-private partnerships are central to this effort, exemplified by the $1.2 billion PPP that delivered Madinah's airport, the first of its kind in the region.

Real Estate and Construction

Vision 2030 has triggered a massive construction surge, positioning Saudi Arabia—despite a population of just 30 million—to become the world's largest construction market by 2028. Saudi Arabia's real estate market, valued at USD 72 billion in 2024, is on track to nearly double to USD 133 billion by 2033, fueled by Vision 2030's mega-projects and rapid urban growth. From NEOM to Qiddiya, large-scale developments are driving demand for both residential and commercial properties, while $1 trillion in infrastructure investment is reshaping cities.

Neom alone consumes 20% of global steel supply, while the housing program targets 70% home ownership by 2030, up from 47% in 2016 to 62–65% in 2024. Crucially, as the non-oil economy has recently outpaced oil, with the construction boom underscoring Saudi Arabia's deepening integration into global financial markets.

Artificial intelligence is emerging as a game-changer. Platforms like Quant analyze trillions of data points to guide investors, JLL's Falcon AI cuts energy use in smart buildings, and the Sakani housing program uses AI to process thousands of applications with greater speed and transparency. In Riyadh alone, AI-driven PropTech has helped generate more than $20 billion in residential deals, reflecting the sector's embrace of digital innovation.

Renewable Energy

Renewable Energy plays a central role, with plans for 50% of electricity from solar and wind by 2030, through projects like Sakaka Solar and Dumat Al Jandal Wind Farm. To achieve this, Riyadh is committing around $270 billion to renewables and green hydrogen, positioning itself as a global leader in sustainable energy.

The Saudi government has accelerated investment in large-scale projects. In 2025, ACWA Power, alongside Aramco and Badeel (PIF subsidiary), signed $8.3 billion worth of power purchase agreements to deliver 15 GW of clean energy, including five major solar plants in Mecca, Medina, Riyadh, and Aseer, and two wind projects near Riyadh.

To integrate renewables effectively, Saudi Arabia is investing heavily in storage. In 2025, BYD signed a landmark contract with Saudi Electricity Company (SEC) to deliver 12.5 GWh of new grid-scale battery storage, bringing total installations to 15.1 GWh across five sites. These systems will balance peak demand, reduce reliance on fossil fuel peaking plants, and strengthen grid resilience.

Perhaps the most transformative component is green hydrogen. NEOM's hydrogen project, developed in partnership with international firms, is set to become the world's largest, producing 650 tonnes of hydrogen per day for export. Saudi Arabia plans to export 200,000 tons of green hydrogen annually to Europe by 2030, carving a place in global supply chain

Financing Vision 2030

As 2030 nears, Vision 2030 has entered an "execution and implementation" stage focused on two challenges: generating non-oil profits and creating jobs. This phase leans heavily on state-led development, with the Public Investment Fund (PIF) acting as a vast venture capital arm, backing everything from infrastructure and startups to big bets in EVs and AI. While its global deals grab headlines, 70–80% of PIF assets remain in Saudi Arabia, spread across import-substitution, domestic tourism alternatives, enabling services like fintech, and high-risk, high-reward sectors.

A key driver of private investment is the partnership between family offices and Saudi Arabia's sovereign wealth structures. The $700+ billion Public Investment Fund (PIF) has become a central partner for regional and global investors, offering shared risk and political alignment. Meanwhile, five special economic zones launched in April 2023 provide sector-specific platforms with tailored incentives, enabling family offices to set up holding companies and investment vehicles, and reinforcing the Kingdom's Vision 2030 goal of becoming a leading global investment hub.

Challenges and Risks

the US–China rivalry affects the realization of Saudi Vision 2030, focusing on Saudi Arabia's strategic partnerships with both powers. The United States remains a key security ally and economic partner, while China has emerged as a critical collaborator for diversification. these relationships create a geopolitical dilemma: closer ties with one risk straining relations with the other, complicating Vision 2030's implementation Saudi Arabia must pursue a carefully balanced foreign policy to maximize the benefits of both partnerships while minimizing associated risks.

China and Vision 2030

Since 2016, Saudi Arabia has aligned Vision 2030 with China's Belt and Road Initiative (BRI), creating a strategic partnership centered on diversification, infrastructure, and technology. High-level meetings have yielded multibillion-dollar deals in energy, finance, and industry, with China investing over $31 billion in Saudi infrastructure and nearly $9 billion in other sectors since 2016.

Energy remains the backbone of cooperation, but renewables now play a growing role. Chinese firms have financed and built solar and wind projects, partnered with ACWA Power, and localized manufacturing of turbines and solar equipment within the Kingdom.

U.S. Oil Boom and the Risks for Saudi Diversification

In May 2025, President Trump secured a record $600 billion U.S. investment commitment in Saudi Arabia, covering AI, infrastructure, clean tech, and major Vision 2030 projects. This reflects both Riyadh's financial pressures and Washington's strategic aims: countering the Houthis in Bab el-Mandeb, deterring Iran, and limiting China's influence.

However, the US's renewed emphasis on expanding oil and gas production, positioning itself as the world's largest exporter, poses significant challenges for Saudi Arabia's Vision 2030. While Riyadh continues to pursue diversification, oil revenues remain the critical enabler of its ambitious reforms. Sustained growth in U.S. output threatens to keep global oil prices subdued, reducing fiscal space for Saudi Arabia at a time when capital-intensive mega-projects and diversification initiatives require unprecedented investment.

This dynamic undermines Riyadh's traditional leverage in global energy markets. With the U.S. increasingly shaping price trends and energy flows, Saudi Arabia's capacity to influence markets through OPEC+ becomes more constrained. For Vision 2030, this translates into greater difficulty balancing short-term fiscal stability with long-term diversification goals, particularly as the fiscal breakeven oil price for the Kingdom remains far above current market levels.

Moreover, cheap U.S. oil could slow the pace of global energy transition, extending demand for hydrocarbons but simultaneously eroding Saudi Arabia's comparative advantage. In this context, the Kingdom risks being squeezed: forced to rely on oil revenues that are less lucrative, while racing to finance diversification before revenues taper further.

Ultimately, Washington's "drill, baby, drill" strategy raises the stakes for Riyadh's reforms. Vision 2030's success may depend less on headline projects like Neom and more on the Kingdom's ability to accelerate non-oil growth, attract foreign direct investment, and insulate its fiscal trajectory from the volatility of a crowded global oil market dominated by U.S. exports.