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Insights

Saudi Arabia's next chapter: What the latest economic changes mean for businesses

On 25 October 2026, Saudi Arabia announced a series of changes to electricity, water, and wastewater tariffs, alongside revised wage thresholds for Saudi nationals under the Nitaqat (Saudization) program. While these measures address different areas, together they signal an important development in the Kingdom's business environment, with companies likely to face higher operating costs from 2027 onward.

The announcements come at a time when Saudi Arabia is balancing its ambitious Vision 2030 investment plans with fiscal pressures, spending adjustments, and uncertainty in global energy markets. They also align with a broader economic reform agenda that the International Monetary Fund (IMF) has long encouraged, particularly the gradual reduction of energy subsidies to improve efficiency, reduce waste, and ease pressure on public finances. Higher utility tariffs could help the government recover more of the cost of providing these services, while allowing public resources to be directed toward other priorities. For businesses and consumers, however, this means bearing a greater share of these costs.

What is changing?

Starting **1 January 2027**, electricity tariffs will increase across several sectors, with commercial rates rising by approximately 9% to 14% and standard industrial rates increasing by 15%. Water and wastewater tariffs will also be adjusted for residential, non-residential, and government customers. The impact will vary depending on the nature of each business and its consumption levels, but companies with high electricity or water usage are likely to be particularly affected.

To help ease the impact on citizens, the government has also announced additional monthly financial support of 500 Saudi riyals (SAR) for certain eligible groups, including government employees, retirees, and social security beneficiaries. However, this support does not automatically apply to Saudi nationals employed in the private sector.

This raises an important question for private-sector employers: **Will companies introduce similar support for their Saudi employees?** Some may choose to match the SAR 500 allowance to help employees manage higher living costs and remain competitive in attracting and retaining Saudi talent. Others may offer more targeted support or decide not to make immediate changes. While private companies are not required to match the government allowance, employee expectations could put additional pressure on wage costs.

Separately, the government announced changes to the Nitaqat program. The minimum monthly wage required for a Saudi employee to be fully counted toward a company's Saudization requirements will increase from **SAR 4,000 to SAR 5,000 in April 2027** and subsequently to **SAR 6,000 in April 2028**. Although this does not require all private-sector employers to raise salaries, companies seeking to maintain their Saudization levels may need to adjust compensation for employees currently earning below these thresholds.

What does this mean for companies?

The combined effect of these measures is likely to increase the cost of doing business in Saudi Arabia, although the impact will differ across sectors.

Companies will face higher utility expenses, while some may also need to account for additional employee compensation costs, whether through Nitaqat-related salary adjustments or voluntary financial support. Businesses may also experience indirect increases as suppliers pass on their own higher operating costs.

How companies respond will depend on their financial position and the markets in which they operate. Some may absorb the additional expenses through lower profit margins, while others may adjust their prices to recover part of the increase. This could create some upward pressure on inflation, particularly in sectors where higher electricity, water, and labor costs are passed on to customers.

At the same time, the changes may encourage businesses to review their energy consumption, improve efficiency, and reconsider workforce and pricing strategies.

Looking ahead

These announcements reflect the broader economic choices facing Saudi Arabia as it continues to pursue Vision 2030 while managing government spending and fiscal priorities. Higher utility tariffs could help ease pressure on public finances, while targeted financial support aims to protect selected groups of citizens from rising living costs.

For the private sector, the key message is straightforward: **businesses should prepare for a higher-cost operating environment from 2027 onward.** Understanding the combined impact of utility tariffs, Nitaqat requirements, and potential employee support measures will be important for managing costs, protecting profitability, and making informed business decisions.

Companies that assess these changes early will be better positioned to adjust their budgets, workforce plans, and pricing strategies as the new measures take effect.

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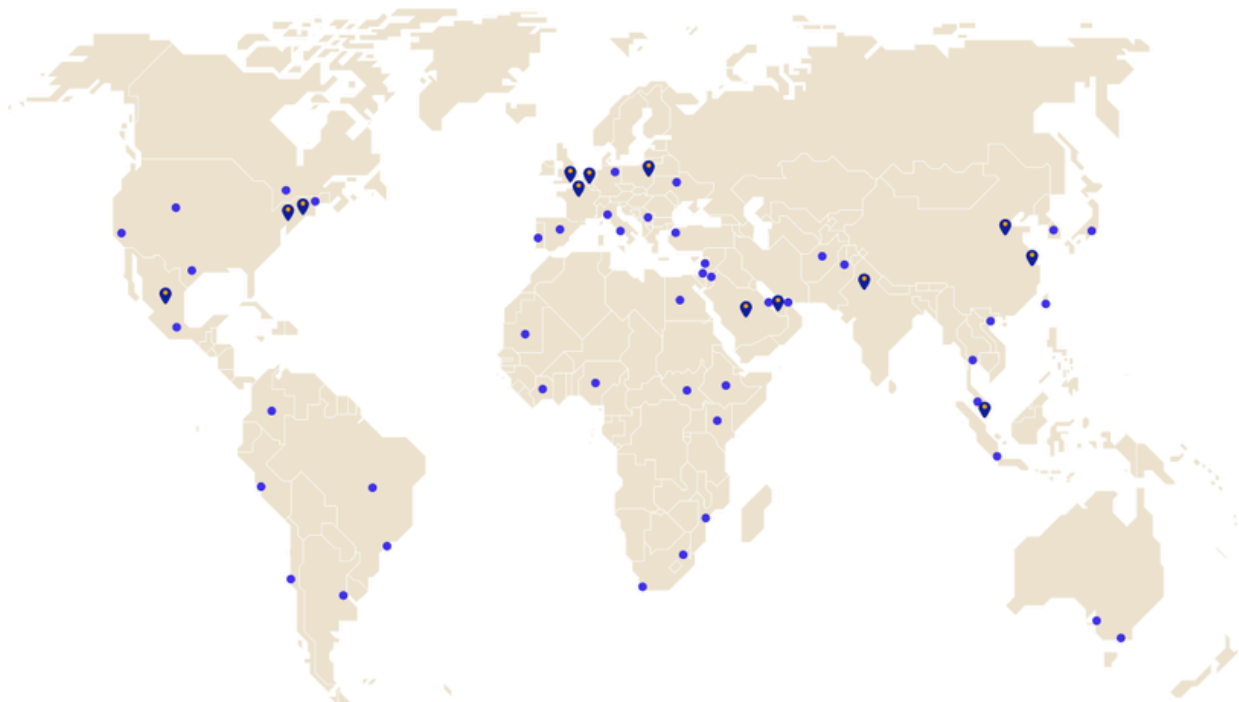
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