CGRBRANDS · RETAIL & CONSUMER STRATEGY PRACTICE

Saudi Arabia Retail
The growth is real.
The profit is not.

A point of view on sales, margin and EBITDA across grocery, fashion, general merchandise, e-commerce, marketplaces and quick commerce — and what the 2026 conflict did and did not change.

Position as on 31 August 2026

CGRBrands | “We Don’t Advise. We Execute.” | cgrbrands.com

01 EXECUTIVE SUMMARY

Saudi Arabia is not in a retail recession — it is in an oil-led headline contraction sitting on a margin-compressed consumer economy

–4.8%
Q2 2026 real GDP, YoY — but oil activity alone fell 24.7%

+0.6%
Non-oil activity still grew in Q2, down from +2.9% in Q1

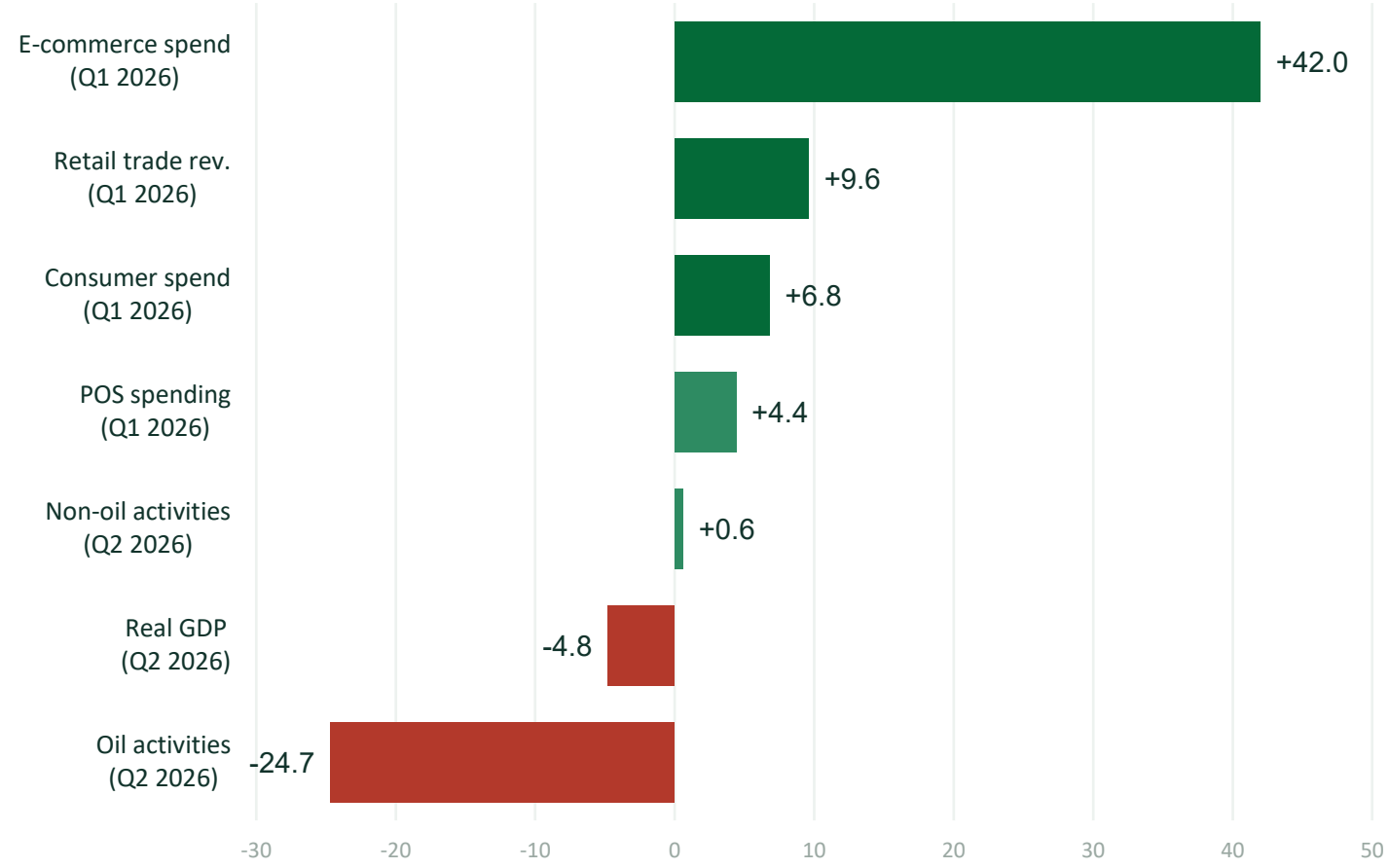
+6.8%
Consumer spending, Q1 2026 — SAR 425bn through official channels

6 of 13
Listed consumer names that grew revenue while profit fell

- **Demand is intact; the profit pool is not.** Retail trade revenue rose 9.6% and e-commerce spend 42% in Q1 2026. But Al Othaim swung to a SAR 53mn H1 loss, LuLu's Saudi revenue fell 11%, and Jahez grew GMV 40% while EBITDA fell 24%.
- **Input costs are running 320bps ahead of shelf prices.** Wholesale prices +5.0% against CPI +1.8% in July 2026. Clothing (–0.4%) and furnishings (–0.5%) are in outright deflation — the two categories with the worst reported margins.
- **The war hit volume, confidence and tourists — not consumption.** Crude output fell from 10.9 to 6.3 mb/d and inbound tourism 13%, but domestic trips rose 16% and household spending held. Remove the war and the margin problem remains.
- **Every forecaster expects non-oil growth. They disagree only on oil.** IMF +1.7% (2026) and +5.5% (2027); Fitch +0.6%; AGSI ~–1.0%. All three expect household consumption to grow. The binding constraint is profitability, not demand.

GASTAT Q2 2026 national accounts and July 2026 CPI/WPI; SAMA and Knight Frank Q1 2026 consumer spending; company disclosures to the Saudi Exchange, Q2/H1 CY2026.

The headline contraction is entirely an oil-export event — the consumer economy kept growing through it



What the two numbers mean

Use –4.8% for fiscal risk and FX-linked sourcing. It is an oil-volume number and has no demand content.

Use +0.6% non-oil for demand planning. PMI held at 53.1 in July — a fourth month of expansion, with new orders rising.

The channel shift is the real story

- E-commerce grew 42% to SAR 98.4bn — roughly 23% of the consumer wallet — while in-store card spending grew only 4.4%.
- Cash withdrawals fell 7%: de-cashing, not demand loss.
- Physical retail is ceding around two points of growth a year. Holding flat like-for-like in 2026 is, in relative terms, a win.

GASTAT quarterly national accounts and wholesale/retail trade indices; SAMA payment data via Knight Frank Saudi Arabia Retail Market Review Q1 2026; Riyad Bank / S&P Global PMI, July 2026.

03 THE CONFLICT EFFECT

The war was observable and costly — but it hit discretionary, tourist and expatriate retail, not the weekly basket

10.9 → 6.3

Crude output, mb/d, February to April 2026

+55%

Brent, 28 Feb to 27 Mar ($72 → $113)

SAR 126bn

Q1 2026 budget deficit — the largest on record

–13%

Inbound visitors, Q1 2026 (domestic trips +16%)

WHERE IT LANDED

- Malls and fashion — Cenomi Retail gross margin fell to 9.4% from 11.3%; Inditex KSA like-for-like –7.1%.
- Big-ticket general merchandise — LuLu cited electronics, appliances, cookware, fashion and footwear as the Q2 drags.
- Riyadh leisure retail — hotel occupancy fell 17.9% to 49.3%.
- Working capital — imports fell 28% in March; Al Othaim booked a SAR 143mn inventory provision.

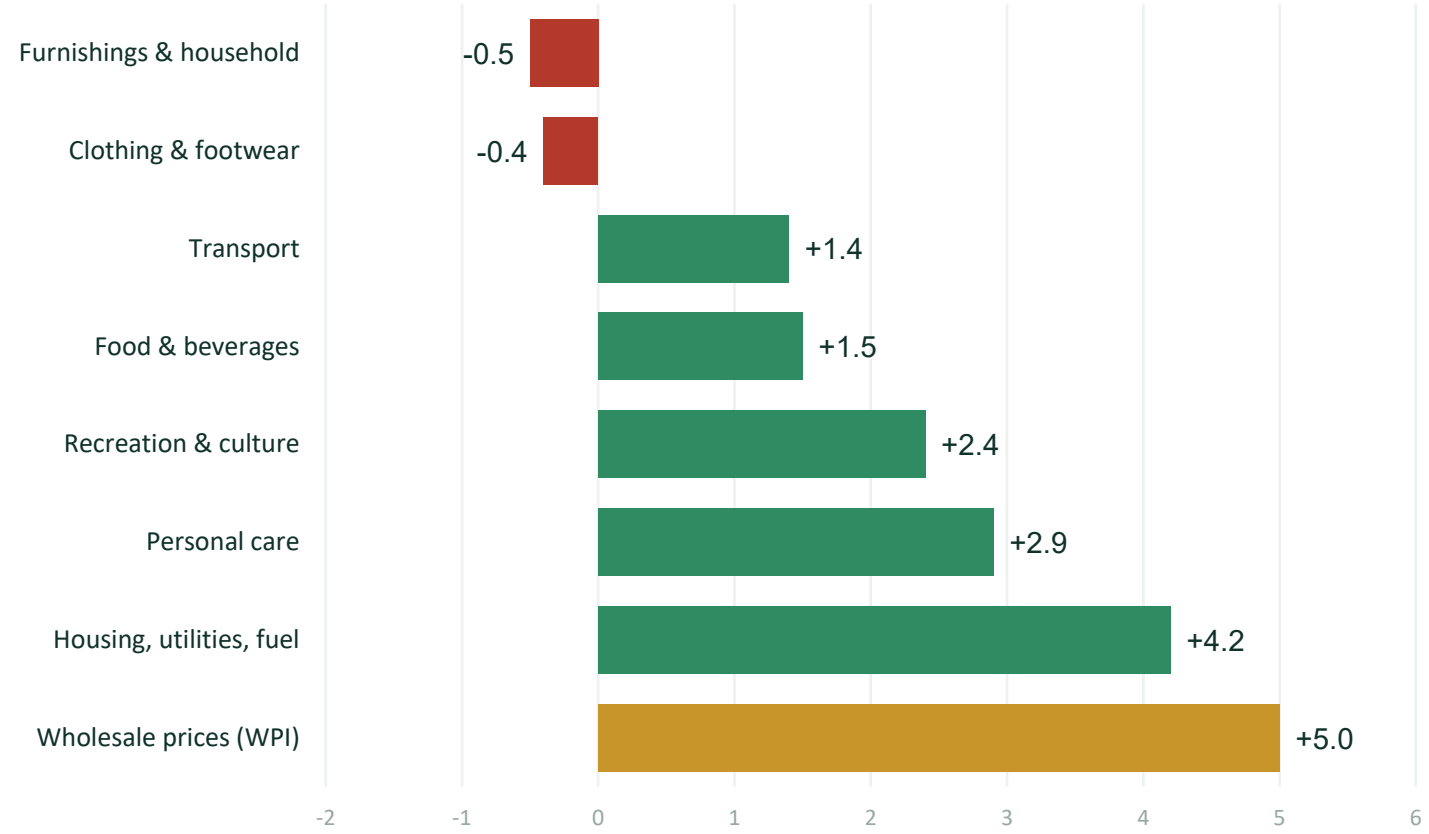
WHERE IT DID NOT

- Food retail — CBRE notes resilient F&B spending through Q2; LuLu food sales grew as non-food fell.
- Religious and domestic tourism — Hajj 2026 grew 2.2% to 1.71mn; Makkah RevPAR +4.7%.
- Delivery — Q1 2026 orders rose 49% year-on-year.
- Prices — CPI held at 1.8%, the lowest in the GCC, protected by price caps and a 170% rise in subsidies.

Our read: the conflict did not create the margin problem — it exposed and accelerated it.

AGSI and Chatham House analysis of the 2026 Iran conflict; GASTAT; Ministry of Tourism Q1 2026; company disclosures; CBRE Saudi Arabia Real Estate Market Review Q2 2026.

Retailers absorbed 5.0% input inflation and passed through 1.8% — the 320bps wedge is the arithmetic of the whole problem



Headline CPI: +1.8% (July 2026) — the lowest rate in the GCC

320bps

Gap between wholesale and consumer price inflation. Unmitigated on a 30% gross-margin base, that is roughly 200–250bps of gross margin over a full year.

WHAT IS DRIVING EBITDA DOWN

Input cost above shelf price	–150 to –250bps
Mix shift to online and aggregators	–80 to –200bps
Promotional depth (fashion, delivery)	–100 to –300bps
Saudisation payroll from Jan 2026	–40 to –100bps
Own brand and supplier income	+50 to +150bps
Embedded consumer finance	+30 to +120bps

GASTAT Consumer Price Index and Wholesale Price Index, July 2026. Margin-driver ranges are CGRBrands planning bands for a mid-size Saudi retail operator, built from the FY2026 disclosures cited in this deck.

Revenue growth has stopped predicting profit growth — six of thirteen listed consumer names grew sales and shrank earnings

Al Othaim Markets

H1 2026 revenue –3.7%; gross profit –9.3%; swung to a SAR 53.5mn net loss on a SAR 143mn inventory provision after an ERP cutover broke automated replenishment.

THE THREE PATTERNS

Winners expanded margin, not footprint.

Americana added ~300bps of EBITDA margin on 6.3% like-for-like. Savola added 70bps. Neither bought share.

Losers bought volume.

Jahez grew GMV 40% and orders 24% while KSA revenue fell 12.6% and KSA EBITDA fell 58%.

The damage sits below gross margin.

Al-Dawaa held a 34.2% gross margin but net profit fell ~37%. The pressure is payroll, rent, logistics and customer acquisition.

Company disclosures to the Saudi Exchange and investor releases, Q2/H1 CY2026. Profit metric is net profit except Jahez (adjusted EBITDA) and Cenomi Retail (gross profit, Q1 2026). Reporting periods differ by company.

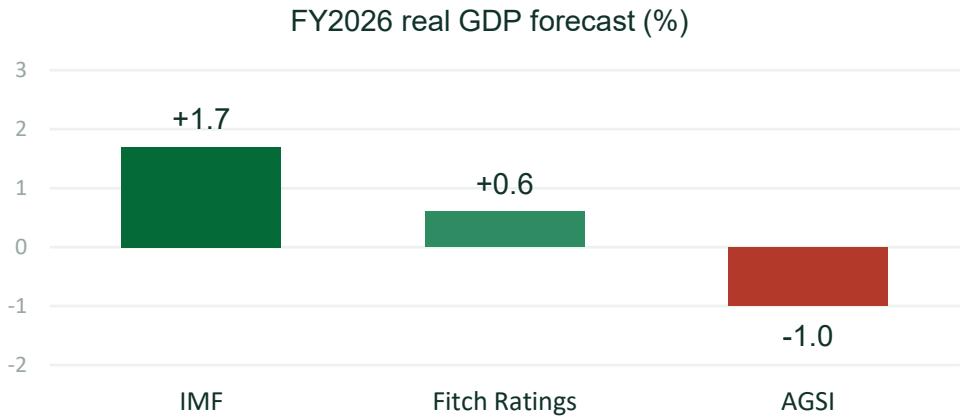
06 CATEGORY READ

Five different games are being played in one market — and only two of them currently pay

GROCERY **Volume secure, profit contested**	BinDawood +9.7% revenue and +23% operating profit against Al Othaim at –3.7% and a loss, in the same quarter and the same market. Food CPI is +1.5%: there is no price-led growth left. Panda tripled online.	***Execution, not demand, is the differentiator***
FASHION **A deflation trap**	Clothing CPI –0.4% while clothing POS value is +25.9% — all units, no price. Cenomi cut 9.8% of stores and 8.4% of GLA and lifted revenue per store 13.5%. International comps +18.4% on the same brands.	***Cut capacity before you cut price***
GENERAL MERCHANDISE **Polarised by credit**	Anything financeable is growing — eXtra retail +4.6% but consumer finance revenue +11.9% and portfolio +13.6%. Anything requiring cash outlay is deferred: furnishings CPI –0.5%.	***Embedded finance is the demand lever***
E-COMMERCE & D2C **Growing fast, earning little**	SAR 98.4bn in Q1, +42%, ~23% of the wallet. But Nice One shrank 2.1% and lost SAR 19.9mn in a quarter. Marketplace plus retail media is where the profit sits, not brand-led D2C at current CAC.	***Underwrite CAC, not GMV***
QUICK COMMERCE **A subsidy war**	Orders +49% in Q1 while the largest listed aggregator's Saudi revenue fell 12.6% and its Saudi EBITDA fell 58%. Keeta bought ~10% share on a SAR 1bn commitment; Uber–Delivery Hero closes H2 2027.	***Contribution margin per order, or nothing***

GASTAT CPI July 2026; SAMA/Knight Frank Q1 2026 consumer spending; company disclosures Q2/H1 CY2026 (BinDawood, Al Othaim, Cenomi Retail, eXtra, Nice One, Jahez); Redseer Saudi delivery share analysis.

The forecasters disagree about oil, not about the consumer — every one of them expects non-oil growth in 2026 and acceleration in 2027



WHAT TO PLAN AGAINST

	FY2026	FY2027
Non-oil GDP	**+1.5 to +2.6%**	**+3.5 to +5.0%**
Household consumption	**+3.5 to +3.8%**	**+4.0 to +5.0%**
Like-for-like, food	**0 to +2%**	**+2 to +4%**
Like-for-like, fashion	**–2 to +1%**	**0 to +3%**
EBITDA margin	**–50 to –250bps**	**0 to +150bps**

THE BULLS — IMF, Oxford Economics, AlixPartners, Riyad Bank, KSA government

An exogenous, oil-specific shock against deep buffers — $488bn net foreign assets, ~14 months of import cover, low government debt. IMF: +1.7% in 2026 and +5.5% in 2027. Household consumption +3.8%. Saudi consumers show net +4pp spending intent against –18pp globally.

THE SCEPTICS — Fitch, AGSI, and the sell-side on consumer names

Recovery is conditional on the ceasefire holding and the Strait staying open. The record quarterly deficit is being propped up by a 170% subsidy increase that cannot persist. Megaprojects are already cut, inbound tourism is down 13%, and consumer profit pools are shrinking even where revenue grows.

WHERE BOTH CAMPS AGREE

Non-oil activity grows in 2026 and accelerates in 2027, inflation stays low, and there is no consumer demand collapse. The binding constraint on Saudi retail is profitability, not demand.

IMF Press Release 26/267 (29 July 2026); Fitch sovereign affirmation A+/Stable (July 2026); AGSI 2026; Oxford Economics; AlixPartners. Planning bands are CGRBrands synthesis, not point forecasts.

08 THE ACTION AGENDA

Six moves that recover margin inside twelve months — none of them require the market to improve

01 WEEKS 1–2

Run the 320bps wedge through your own P&L

Quantify, by category, how much input inflation you absorbed in H1 2026. A two-week analysis that typically locates 60–70% of the unexplained EBITDA gap.

02 WEEKS 1–8

Renegotiate every lease maturing before mid-2027

Real rents are falling, conventional mall occupancy is 88–91%, and landlords are carrying rising finance costs. Strongest tenant position in a decade.

03 QUARTER 1

Rebuild trade terms around supplier income

Front margin is capped by deflation; back margin is not. BinDawood grew operating profit 23% on “improved supplier investments”.

04 QUARTERS 1–2

Cut capacity before you cut price

Cenomi shed 9.8% of stores and 8.4% of GLA and lifted revenue per store 13.5%. In a deflationary category, rationalisation beats promotion.

05 QUARTER 1

Move every digital KPI from GMV to contribution per order

The single largest value-destruction mechanism in Saudi retail this year was growing orders at negative contribution.

06 QUARTERS 2–4

Build own brand, retail media and embedded finance

The three structural margin offsets that are proven in-market — and the three most under-developed relative to India and the UAE.

CGRBrands analysis built on the FY2026 company disclosures and official statistics cited throughout this document.

WHERE CGRBRANDS COMES IN

We don’t advise. We execute.

Saudi retail in 2026 does not need another market sizing. It needs margin recovered from inside the P&L, with the client’s own team, on the floor.

Margin diagnostic

Category-level input-versus-shelf analysis, trade terms and supplier income reset, markdown and OTB discipline

Network and format

Store rationalisation, revenue-per-store economics, catchment re-weighting toward the Eastern Province and domestic tourism

Digital unit economics

CAC, contribution per order, dark-store fulfilment cost, retail media and marketplace-versus-D2C channel design

Lean Six Sigma delivery

DMAIC on replenishment, availability, shrinkage and fulfilment — implemented with client teams, not handed over as a report