

Ayman M Al-Sayari: Implications of global uncertainty for the international monetary and financial systems

Speech by His Excellency Mr Ayman Al-Sayari, Governor of the Saudi Central Bank, at the "Implications of global uncertainty for the international monetary and financial systems" Session, held at the AIUla Conference for Emerging Market Economies (ACEME), AIUla, 8 February 2026.

* * *

I am honored to be on this panel with distinguished speakers, Pablo Hernandez of the BIS and Jameel Ahmed of the State Bank of Pakistan.

I would echo H.E. Al-Jadaan in welcoming you to this stunning city of AIUla and the Kingdom of Saudi Arabia. As a prelude to the subject of our discussion, it bears noting emerging markets' resilience versus more fragile ones, and the global uncertainty altering the way we operate. I will cite four reasons for that.

First, geopolitical fragmentation. Second, the rapid technological change, especially in AI-related technological advancement. Third, which is perhaps more pronounced, commodity prices for both exporting and importing economies. Lastly, the growth of non-bank financial intermediation (NBFIs), which has now eclipsed the banking system in terms of size, and as data cited by the international community show that it has already surpassed 51%. This means that market sensitivity to policy signals has started to weaken.

Against the backdrop of macroeconomic uncertainty, there have been episodes of equity stress over the past few years. This is also propagating through market mechanisms, such as margin calls, collateral haircuts, and synchronized deleveraging. Shocks to the global financial systems are increasingly multidimensional in nature being exogenous as well as endogenous with higher frequency.

Emerging markets inherently have both structural and institutional vulnerabilities, largely attributable to their limited ability to absorb shocks and mitigate volatility. Geopolitical tensions, trade fragmentation, and elevated debt levels, as well as costs, are therefore the most consequential challenges that emerging market policymakers face today.

The persistent trade tensions could lead to an increase or acceleration in inflationary pressures, dampen export revenues, weaken future growth prospects, which in turn weigh down on investor sentiment, and create volatility in capital flows, thereby complicating the policy environment.

As regards resilient versus less resilient or fragile economies, I would cite two key differentiating characteristics. First, the presence of coherent domestic monetary, fiscal, and financial policy frameworks supports counter-cyclical responses that mitigate capital flow volatility without amplifying domestic financial cycles. Second, the creation of effective shock observers through an adequate level of foreign exchange reserves, and greater financial market depth. These are the differentiating factors for resilient vs. non-resilient or fragile economies.

As for the Kingdom of Saudi Arabia, we have adequate reserve buffers to preserve financial and monetary stability. We have also demonstrated the criticality of counter-cyclical policies to smooth the economic cycle in a predominantly resource based economy. Our exchange rate stability through the pegged exchange rate has served us well over the past four decades, helped preserve price stability in Saudi Arabia. For instance, year on year inflation over the last five years has been below the 3% level. For an emerging economy, this is probably quite modest, and it has been a key contributor to continued financial stability.

Economic stability is obviously a shared goal for both developed and emerging economies, and to achieve it, strengthening international cooperation is required to help us move forward. We would always face new emerging areas of vulnerability, but being proactive and addressing them is highly important. In this context, I'm a proponent of shared learning among policymakers to help them adopt a better-informed, more vigilant, and responsive regulatory stance across emerging markets in particular for contributing to global stability. In this regard, the policy toolkit has continued to evolve during global crises such as the GFC, the COVID-19 pandemic and recently trade fragmentation and supply chain disruption.

My take on de-dollarization is that it is a gradual reconfiguration and routine diversification within a resilient monetary system, rather than the dollar losing its status. The dollar, in fact, continues to dominate invoicing, payments, intermediation, and reserve holdings. The dollar constitutes 57% of global foreign exchange reserves today. When we talk about FX transactions, according to data as of late 2025, 89% is in the U.S. dollar. The dollar has had its ups and downs over different business cycles, right from the gold standard in the early 1970s to the present-day monetary system. Despite its enduring structural advantages, liquidity, and robust legal foundation, there may be hiccups along the way. Although the dollar had depreciated in recent weeks, it was still above its 50-year average. Nevertheless, I believe the dollar will likely remain the central point of the international monetary system for the foreseeable future because of its strong market liquidity and robust legal framework.

In conclusion, with regard to international collaboration, there are three vital points. First, the rapid growth in payments, innovation, and non-bank financial intermediation spills across traditional jurisdictional parameters. We need to redouble our cross-border data enhancement efforts to enable effective surveillance and vulnerability assessment. Second, we need to strive for greater harmonization and interoperability in a prudent adoption and oversight of emerging technologies. This is to ensure sustainable innovation without jeopardizing financial stability. Third, in an interconnected global financial ecosystem, our collective resilience is only as strong as our weakest link.