

Why Saudi Arabia Just Slammed the Brakes on McKinsey — and What a Missile War Has to Do With It

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

When Iran launched drones and missiles at Saudi Arabia's Arab neighbors earlier this year — retaliation for US and Israeli strikes on Iranian territory — most observers braced for a military response from Riyadh. What few expected was a financial one. According to executives who spoke to the Financial Times, Saudi Arabia has quietly stopped awarding new contracts to Western consultancies and delayed payment on some existing invoices, as Crown Prince Mohammed bin Salman's government scrambles to manage the economic fallout of the conflict.

The freeze targets the world's biggest names in strategy advice: McKinsey, Boston Consulting Group, and the 'Big Four' accounting and consulting firms. For nearly a decade, these companies have reined in enormous fees from Vision 2030, the crown prince's ambitious plan to diversify the Saudi economy away from oil through giant infrastructure projects. The spending boom was, in the words of one executive quoted by the FT, a 'veritable gold mine' for the sector. Now that mine is closing — at least temporarily. 'They haven't put it out formally, but everyone knows and everyone is operating on this basis,' one executive said. 'They are saying we are not paying you any time soon, until July.' Ministers and government buyers, the executive added, have been told that no new awards will be approved by the Ministry of Finance without special preapproval.

A second executive said decisions on both new contracts and payments had been postponed until the end of the second quarter, framing the move as 'a symbolic gesture' meant to demonstrate prudence in difficult circumstances. The Saudi finance ministry pushed back hard against this characterization. It said it had 'always looked to ensure all investments, including consultancy services, provide clear returns in line with the strategic objectives of Vision 2030,' and disputed that payments were being delayed at all — insisting that 99.5 percent of invoices had been paid within contractual timeframes.

But here's the catch: the freeze did not arrive out of nowhere. Over the past two years, Riyadh has been steadily reprioritizing spending and trying to contain a widening fiscal deficit. Megaprojects have been delayed, downsized, or quietly shelved — including core elements of Neom, the futuristic development that once promised a 170-kilometer-long linear city in the desert. The Iran war, in other words, did not create Saudi Arabia's spending problem. It simply gave the kingdom a reason to confront one it had been postponing.

That is the most revealing detail in the story. One executive in the region told the FT that Saudi authorities were using the conflict as 'a convenient way' to scale back projects 'that were overblown and costing too much.' Translated: a war the government cannot control has become useful political cover for choices the government already wanted to make. For Western consultancies that hired aggressively in Riyadh on the bet that Vision 2030 contracts would never stop coming, the lesson is sobering. When a single client — a country, a company, a sector — dominates your growth story, your fortunes rise and fall with theirs. And when geopolitical shocks meet stretched budgets, the first invoices to be 'delayed' are usually the ones written by outsiders.

2. Explanation

When Iranian drones started hitting Saudi neighbors, Riyadh didn't just call its generals — it called its accountants, and quietly froze billions in payments to McKinsey, BCG, and the Big Four.

What's Going On?

Saudi Arabia has stopped issuing new contracts to Western consultancies and delayed paying some existing invoices, according to executives who spoke to the Financial Times. The trigger: Iran's recent missile and drone strikes on Arab neighbors, retaliation for US-Israeli attacks on Iran. With oil revenues looking shakier and the deficit widening, the kingdom is suddenly counting every riyal.

Two executives told the FT that no new consulting awards are being approved without special preapproval from the Ministry of Finance, and that payments and decisions are postponed until the end of the second quarter — roughly July. The Saudi finance ministry pushed back, saying 99.5% of invoices were paid within contractual timeframes and that it has always demanded clear returns from consultancy spending.

How To Think About It

This isn't really a story about consulting fees. It's a story about what happens when a country built its national strategy around one volatile commodity — and a war suddenly threatens it.

- Think of a family that took out a giant mortgage assuming both parents' bonuses would keep coming. When one paycheck wobbles, the first things cut aren't groceries — they're the landscaper, the personal trainer, the interior designer. Consultancies are Saudi Arabia's landscapers: visible, expensive, and easiest to pause without anyone going hungry.
- Or think of a startup that raised a huge round and hired armies of contractors during the boom. When the market turns, the CEO uses the downturn as cover to cancel projects that were always too ambitious — the war becomes a 'convenient way' (one executive's exact phrase) to kill zombie megaprojects nobody wanted to defend.

Key Things To Know

- Vision 2030 is Crown Prince Mohammed bin Salman's decade-old plan to wean Saudi Arabia off oil by building megaprojects — most famously Neom, once pitched as a 170km-long linear city.
- Saudi spending under Vision 2030 became a 'veritable gold mine' for McKinsey, Boston Consulting Group, and the Big Four accounting firms, who staffed entire planning teams for state projects.
- The proximate cause is the US-Israeli war on Iran and Tehran's retaliatory strikes on Arab Gulf states — a security shock that makes oil exports and investor confidence look fragile.
- Riyadh's first-quarter deficit was its biggest since 2018 (per Semafor), even though oil revenues hit a three-year high in March (per Middle East Eye) — spending is just rising faster than income.
- What most people miss: the consultancy freeze isn't really about saving money on consultants. It's political cover for downsizing megaprojects that, in one executive's words, 'were overblown and costing too much.'

Why It Matters

If you're considering a career in consulting, finance, or international business, this is a live case study in how geopolitics rearranges the job market overnight. Big law firms and consultancies hired aggressively in Riyadh on the assumption that Vision 2030 would print contracts for a decade. That bet is now being repriced in real time – and the same dynamic plays out anywhere a single client, country, or sector dominates an industry's growth story.

The Bigger Picture

Saudi Arabia has been quietly scaling back Neom and other 'giga-projects' for over a year. The Iran war just gives Riyadh permission to do publicly what it wanted to do privately: admit some Vision 2030 promises were unrealistic. Watch for two second-order effects – Western law and consulting firms shrinking their Gulf offices, and Saudi pivoting spending toward less photogenic but more defensible bets like logistics corridors, mining, and AI infrastructure.

3. Key Terms Glossary

Vision 2030

Crown Prince Mohammed bin Salman's economic plan, launched in 2016, to diversify Saudi Arabia's economy away from oil through tourism, technology, and giant infrastructure projects.

Neom

A flagship Saudi megaproject in the northwest desert, originally pitched to include 'The Line' — a 170km-long mirrored city — plus a ski resort with artificial snow.

Consultancy

A firm hired to advise governments or companies on strategy, operations, or finance. Major players include McKinsey, BCG, and Bain (strategy), plus the 'Big Four' (Deloitte, PwC, EY, KPMG).

Big Four

The four largest professional services firms — Deloitte, PwC, EY, and KPMG — which dominate global auditing and also sell consulting work.

Fiscal deficit

The gap when a government spends more money than it collects in revenue, usually filled by borrowing.

Second quarter (Q2)

The April–June portion of a calendar or fiscal year; in this article, the deadline by which Saudi Arabia says delayed decisions will be revisited.

Megaproject

An infrastructure or development project costing billions of dollars, typically taking many years and involving multiple governments or large corporations.

Preapproval

Permission granted in advance by a higher authority — here, the Ministry of Finance — before a lower-level official can commit funds.

4. Reading Comprehension Quiz

Circle the best answer for each question.

- Q1.** The passage primarily argues that Saudi Arabia's freeze on consultancy contracts is best understood as:
- A) A short-term cost cut driven only by the Iran war
 - B) A pretext to scale back megaprojects Riyadh already doubted
 - C) A formal policy publicly announced by the finance ministry
 - D) A response to McKinsey's underperformance on Vision 2030
- Q2.** Which choice best states the central idea of the passage?
- A) Iran's missile strikes have crippled Saudi oil exports entirely
 - B) Western consultancies are being formally banned from Saudi Arabia
 - C) Geopolitical shock is accelerating a fiscal rethink already underway
 - D) Vision 2030 has been officially cancelled by the Saudi government
- Q3.** According to the passage, the Saudi finance ministry's official response to reports of delayed payments was to:
- A) Confirm that all consultancy payments had been suspended
 - B) Dispute the claim and cite a 99.5% on-time payment rate
 - C) Blame McKinsey and BCG for inflating their invoices
 - D) Announce a complete restructuring of Vision 2030 spending
- Q4.** As used in the passage, the word 'reined' most nearly means:
- A) Reigned over
 - B) Curtailed
 - C) Abolished
 - D) Disguised
- Q5.** As used in the passage, the phrase 'gold mine' most nearly means:
- A) An actual mineral deposit
 - B) A risky speculative investment
 - C) A highly profitable opportunity
 - D) A government-protected monopoly
- Q6.** Which statement about Neom can most reasonably be inferred from the passage?
- A) It will be completed on its original timeline
 - B) Its original scope has been scaled back
 - C) It is being funded entirely by foreign investors
 - D) It has been replaced by a different megaproject
- Q7.** The passage suggests that the executives quoted spoke to the FT primarily because:
- A) They were authorized by Saudi officials to publicize the policy
 - B) The freeze was informal and never officially announced
 - C) They wanted to retaliate against the finance ministry
 - D) They expected the freeze to be reversed within days

Q8. The author's tone in describing the finance ministry's denial is best characterized as:

- A) Openly mocking and dismissive
- B) Neutral but quietly skeptical
- C) Enthusiastically supportive
- D) Confused and uncertain

Q9. It can most reasonably be inferred that Saudi Arabia's leadership views the Iran war as:

- A) An obstacle preventing necessary fiscal reforms
- B) A useful justification for unpopular spending cuts
- C) An existential threat to the kingdom's survival
- D) A temporary disruption with no lasting effects

Q10. Which choice provides the best evidence for the answer to the previous question?

- A) 'Saudi Arabia has stopped issuing contracts for western consultancies'
- B) 'They haven't put it out formally, but everyone knows'
- C) 'using the conflict as a convenient way to downsize projects'
- D) '99.5 per cent of invoices had been paid within the contractual timeframe'

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage primarily argues that Saudi Arabia's freeze on consultancy contracts is best understood as:

Answer: B

The passage closes by quoting a regional executive who calls the war a 'convenient way' to downsize projects 'that were overblown and costing too much,' framing the freeze as cover for pre-existing doubts. A is wrong – Trap A (right scope, wrong direction): the war is a trigger, not the whole story. SAT Tip: When a question asks for the 'primary' argument, weight the passage's final paragraphs heavily – authors often place their real thesis near the end after laying out facts.

Q2. Which choice best states the central idea of the passage?

Answer: C

The passage describes the Iran war as the immediate cause but emphasizes that spending was already being reprioritized over two years and that megaprojects like Neom were being downsized. B is wrong – Trap B (passage vocabulary, wrong combination): there's no formal ban, only an informal freeze. SAT Tip: Central-idea questions reward the option that captures both the trigger AND the deeper trend; single-cause answers are usually traps.

Q3. According to the passage, the Saudi finance ministry's official response to reports of delayed payments was to:

Answer: B

The passage states directly that the ministry disputed delays and said 99.5% of invoices were paid within contractual timeframes. A is wrong – Trap A (right scope, wrong direction): the ministry denied, not confirmed. SAT Tip: For 'according to the passage' questions, find the exact line and don't import outside knowledge – the test rewards literal reading.

Q4. As used in the passage, the word 'reined' most nearly means:

Answer: B

'Reined in spending' means tightened or restrained – payments slowed but didn't stop entirely, so 'curtailed' fits. A is wrong – Trap B (homophone confusion): 'reigned' (ruled) sounds identical but means something different. SAT Tip: On vocab-in-context, substitute each option into the original sentence – the right answer keeps the sentence's meaning intact, while homophones often change it entirely.

Q5. As used in the passage, the phrase 'gold mine' most nearly means:

Answer: C

The passage describes Saudi spending as a 'gold mine' for consultancies who reaped large fees from Vision 2030 projects – a metaphor for lucrative business. A is wrong – Trap B (literal vs. figurative): the passage uses the term figuratively, not geologically. SAT Tip: Idiomatic phrases in SAT passages are almost always figurative; the literal option is the trap.

Q6. Which statement about Neom can most reasonably be inferred from the passage?

Answer: B

The passage says Riyadh has 'delay[ed] or downsiz[ed]' projects including 'core elements of Neom, the development that once promised a 170km-long city' – the word 'once' implies that promise no longer holds. C is wrong – Trap C (real-world plausible, not in passage): foreign investment in Neom is a real topic but the passage says nothing about it. SAT Tip: Inference questions reward small textual signals – a single word like 'once' or 'formerly' often

does the whole job.

Q7. The passage suggests that the executives quoted spoke to the FT primarily because:

Answer: B

One executive explicitly says 'They haven't put it out formally, but everyone knows and everyone is operating on this basis' – explaining why insiders, not officials, are the source. A is wrong – Trap A (opposite direction): the executives speak precisely because there is no official announcement. SAT Tip: When a quote begins with 'they haven't...but...', the contrast is doing the analytical work – focus on what's being contrasted, not the surface topic.

Q8. The author's tone in describing the finance ministry's denial is best characterized as:

Answer: B

The author reports the ministry's '99.5%' claim in quotation marks and juxtaposes it directly against unnamed executives' contradicting accounts – a classic neutral-but-skeptical journalistic move. A is wrong – Trap A (right direction, wrong intensity): the tone is restrained, not openly mocking. SAT Tip: For tone questions, look at the author's structural choices – placing a denial next to contradicting evidence signals skepticism without ever saying the word.

Q9. It can most reasonably be inferred that Saudi Arabia's leadership views the Iran war as:

Answer: B

The closing paragraph quotes an executive saying Saudi Arabia is using the conflict as 'a convenient way' to downsize overblown projects – implying leadership welcomes the political cover. C is wrong – Trap C (plausible real-world claim, unsupported): the passage never frames the war as existential, only as fiscally inconvenient. SAT Tip: When 'inference' questions offer a dramatic option (existential threat) and a subtle one (useful justification), the subtle answer wins unless the passage explicitly escalates.

Q10. Which choice provides the best evidence for the answer to the previous question?

Answer: C

The phrase 'convenient way to downsize' directly supports the inference that leadership treats the war as useful cover for cuts. B is wrong – Trap B (passage vocabulary, wrong combination): it shows the freeze is informal but doesn't speak to leadership's view of the war itself. SAT Tip: On evidence-pairing questions, identify the EXACT word in your previous answer ('justification' 'convenient way') and pick the option that maps onto it directly – don't pick generally relevant quotes.