

55th ANNUAL REPORT

1440H - 2019

مُؤَسَّسَةُ النِّقْدِ الْعَرَبِيَّةِ السُّعُودِيَّةِ
Saudi Arabian Monetary Authority



Saudi Arabian Monetary Authority

**55th Annual Report
1440H (2019)**

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Governor and Chairman

Ramadan, 1440H
May, 2019

It gives me pleasure to present, in the name of the Board of Directors, the 55th Annual Report of the Saudi Arabian Monetary Authority, which reviews the latest developments in the Saudi economy during fiscal year 1439/40H (2018). The Report covers developments in various areas of the domestic economy, including monetary developments, banking activity, capital market, prices, public finance, national accounts, foreign trade and balance of payments. It also provides an overview of the latest economic developments in various domestic productive sectors, apart from giving a full description of SAMA's functions, such as setting and managing monetary policy and supervising banking, insurance and finance sectors. In addition, the Report includes the auditors' report on SAMA's balance sheet for fiscal year ended on June 30th, 2018. In addition to data issued by SAMA, the Report mainly relies on official data obtained from ministries, government departments and public entities, to which I would like to extend my sincere thanks for their cooperation in providing valuable information and data that enabled SAMA to prepare this Report. I also would like to thank all SAMA's staff for their efforts in preparing this Report and in carrying out all functions entrusted to SAMA.



For correspondence and inquiries:

Postal address:

Saudi Arabian Monetary Authority
Economic Research Department
P.O. Box 2992, Riyadh 11169
Kingdom of Saudi Arabia

Telephone: (+966) 11 - 4633000

Fax: (+966) 11 - 4662439

Email: research@sama.gov.sa

For the latest reports, monetary and banking statistics, quarterly balance of payments estimates and instructions issued to financial institutions supervised by SAMA, please visit SAMA's website

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SAMA Head Office and Branches:

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Branches:

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Ta'if

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Tabuk

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01

GLOBAL ECONOMY

Global Economy

World Economic Situation

In 2018, the global economy growth registered a slight decline to 3.6 percent compared to 3.8 percent in the preceding year. According to the IMF April 2019 World Economic Outlook (WEO), the global economic growth is projected to continue its slowdown to stand at 3.3 percent in 2019.

Economic Growth

Advanced economies growth slowed down to 2.2 percent in 2018 versus 2.4 percent in the preceding year, despite the growth rate of the United States rising to 2.9 percent against a growth of 2.2 percent in the preceding year. The decline in global economic growth rate, however, was driven by slower growth rates of other regions. The euro area growth rates decreased to 1.8 percent compared to 2.4 percent in the preceding year. Both Germany and France registered slower growth rates of 1.5 percent each, compared to 2.5 percent and 2.2 percent, respectively, in the preceding year. The growth rate of Italy also decreased to 0.9 percent compared to 1.6 percent in the preceding year. Moreover, the U.K. recorded a growth rate of 1.4 percent in 2018 declining from 1.8 percent in 2017. The economic growth of Japan also slowed down to 0.8 percent, versus 1.9 percent in the preceding year. In general, the world's emerging markets and developing economies fared better, although they showed the same slowing tendency, with their overall growth rate at 4.5 percent in 2018, down from 4.8 percent in 2017. The growth rate in China declined to 6.6 percent from 6.8 percent in the preceding year. The growth rate in India decreased slightly to 7.1 percent compared to 7.2 percent in the preceding year, and also slowed in the Middle East and North Africa MENA countries to 1.4 percent in 2018 compared to 1.8 percent

in 2017. Additionally, Emerging and Developing Europe registered a growth rate of 3.6 percent in 2018 down from 6.0 percent in the preceding year. Latin America and the Caribbean countries also registered a decreased growth of 1.0 percent in 2018 versus 1.2 percent in the preceding year. In Emerging and Developing Asia, the growth rate fell to 6.4 percent in 2018 compared to 6.6 percent in the preceding year.

According to the April 2019 WEO, the global economy is expected to grow by 3.3 percent in 2019 compared to 3.6 percent in 2018, while advanced economies are expected to register a growth rate of 1.8 percent in 2019, lower than that of the preceding year. Moreover, the U.S. economy's growth rate is projected to slip to 2.3 percent. Similarly, the growth rate of the euro area is expected to dwindle to 1.3 percent. Emerging markets and developing economies' growth is also expected to slow down to 4.4 percent in 2019, with the Chinese growth lowering to 6.3 percent (Table 1.1). Chart 1.1 shows the real GDP growth rates in a group of economies during 2012-2019.

Inflation

In the advanced economies, the inflation rate rose to 2.0 percent in 2018, compared to 1.7 percent in the preceding year. In the United States, the rate increased to 2.4 percent in 2018 from 2.1 percent in 2017. In the euro area, the rate also rose to 1.8 percent in 2018 from 1.5 percent in 2017. Similarly, in the emerging markets and developing economies, the inflation rate rose from 4.3 percent in 2017 to 4.8 percent in 2018. In the MENA countries, the inflation rate also increased to 11.4 percent in 2018 from 6.7 percent in the preceding year (Table 1.2). Chart 1.2 shows the percentage change in consumer prices for various groups of countries during 2017-2019.

Unemployment

The weighted average unemployment rate in euro

advanced economies decreased from 7.9 percent in 2017 to 7.1 percent in 2018. In the United States, unemployment also went down to 3.9 percent in 2018 from 4.4 percent in 2017. In the euro area, it decreased from 9.1 percent in 2017 to 8.2

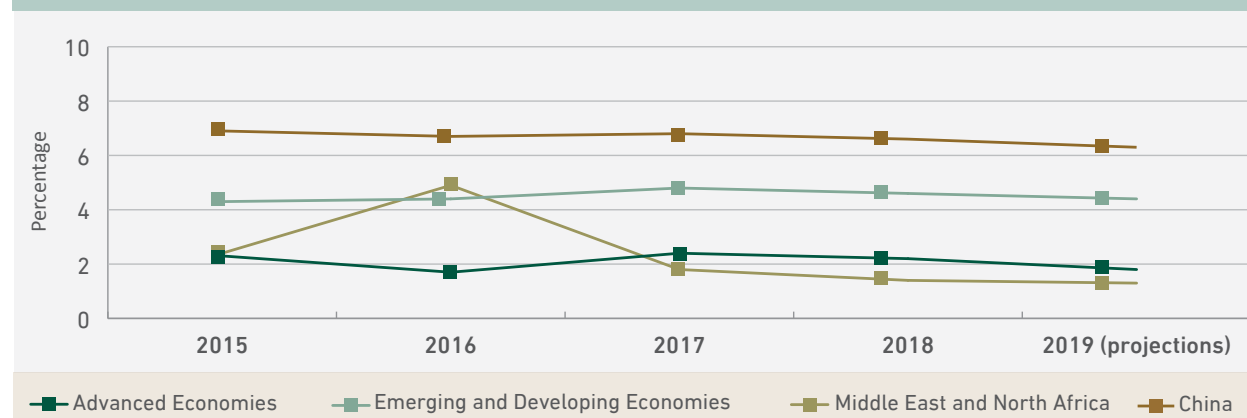
percent in 2018. Additionally, unemployment rate in Germany, France and Italy fell to 3.4 percent, 9.1 percent and 10.6 percent in 2018, respectively. Unemployment rate in the United Kingdom went down to 4.1 percent, and in Japan to 2.4 percent

Table 1.1: Real GDP Growth Rates

	(Percentage)							
	2012	2013	2014	2015	2016	2017	2018	2019 Projections
World	3.5	3.5	3.6	3.4	3.4	3.8	3.6	3.3
Advanced Economies	1.2	1.4	2.1	2.3	1.7	2.4	2.2	1.8
USA	2.2	1.8	2.5	2.9	1.6	2.2	2.9	2.3
Euro area	-0.9	-0.2	1.4	2.1	2.0	2.4	1.8	1.3
Germany	0.7	0.6	2.2	1.5	2.2	2.5	1.5	0.8
France	0.2	0.6	1.0	1.1	1.2	2.2	1.5	1.3
Italy	-2.8	-1.7	0.1	0.9	1.1	1.6	0.9	0.1
Japan	1.5	2.0	0.4	1.2	0.6	1.9	0.8	1.0
UK	1.4	2.0	2.9	2.3	1.8	1.8	1.4	1.2
Canada	1.8	2.3	2.9	0.7	1.1	3.0	1.8	1.5
Emerging and Developing Economies	5.4	5.1	4.7	4.3	4.6	4.8	4.5	4.4
Sub-Saharan Africa	4.7	5.2	5.1	3.4	1.4	2.9	3.0	3.5
Emerging and Developing Asia	7.0	6.9	6.8	6.8	6.7	6.6	6.4	6.3
China	7.9	7.8	7.3	6.9	6.7	6.8	6.6	6.3
India	5.5	6.4	7.4	8.0	8.2	7.2	7.1	7.3
Middle East and North Africa	4.9	2.4	2.7	2.4	5.3	1.8	1.4	1.3
Emerging and Developing Europe	2.6	4.9	3.9	4.8	3.3	6.0	3.6	0.8
Latin America and the Caribbean	2.9	2.9	1.3	0.3	-0.6	1.2	1.0	1.4
Brazil	1.9	3.0	0.5	-3.5	-3.3	1.1	1.1	2.1
Commonwealth of Independent States	3.6	2.5	1.0	-1.9	0.8	2.4	2.8	2.2
Russia	3.7	1.8	0.7	-2.5	0.3	1.6	2.3	1.6

Source: World Economic Outlook (WEO), IMF, April 2019.

Chart 1.1: World Real GDP Growth Rates



in 2018 (Table 1.3). Chart 1.3 shows average unemployment rates for selected groups of countries during 2016-2019.

Fiscal Balances in Advanced Economies

The overall fiscal deficit in advanced economies

rose to 2.9 percent of GDP in 2018, from 2.8 percent in 2017. The United States deficit increased from 3.8 percent in 2017 to 4.3 percent in 2018, while it remained unchanged in Japan at 3.2 percent in 2018. In contrast, the deficit in the euro area fell from 1.0 percent to 0.6 percent in 2018, with

Table 1.2: Inflation and Interest Rates

(Percentage)			
	2017	2018	2019 Projections
Global inflation			
Advanced economies	1.7	2.0	1.6
USA	2.1	2.4	2.0
Euro area	1.5	1.8	1.3
Emerging and Developing Economies	4.3	4.8	4.9
Middle East and North Africa	6.7	11.4	10.0
London interbank offered rate (LIBOR) (1)			
U.S. dollar deposits	1.5	2.5	3.2
Japanese yen deposits	0.0	0.0	0.0
Euro deposits	-0.3	-0.3	-0.3

(1) Six-month rate for USA and Japan and three-month rate for euro area.

Source: World Economic Outlook (WEO), IMF, April 2019.

Table 1.3: Advanced Economies: Unemployment Rates

(Ratio to labor force)				
	2016	2017	2018	2019 Projections
Advanced Europe	6.2	7.9	7.1	7.0
USA	4.9	4.4	3.9	3.8
Euro area	10.0	9.1	8.2	8.0
Germany	4.2	3.8	3.4	3.4
France	10.0	9.4	9.1	8.8
Italy	11.7	11.3	10.6	10.7
Japan	3.1	2.9	2.4	2.4
UK	4.9	4.4	4.1	4.2
Canada	7.0	6.3	5.8	5.9

Source: World Economic Outlook (WEO), IMF, April 2019.

Chart 1.2: Percentage Change in Consumer Prices in Selected Countries

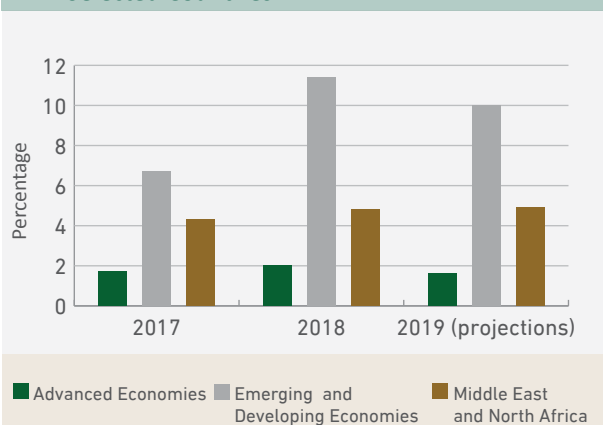
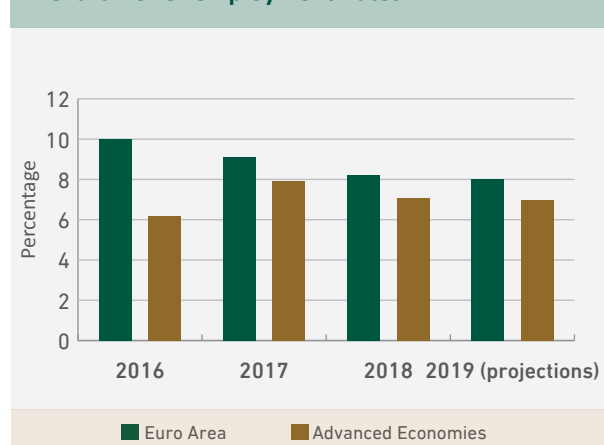


Chart 1.3: Unemployment Rates



France dropping from 2.7 percent to 2.6 percent. Germany recorded a surplus of 1.7 percent in 2018 against a surplus of 1.0 percent of GDP in 2017. In the United Kingdom, the deficit went down to 1.4 percent from 1.8 percent (Table 1.4).

Monetary and Financial Developments

Interest Rates

The six-month dollar LIBOR stood at 2.5 percent at the end of 2018 and is projected to rise to 3.2 percent in 2019. The six-month yen LIBOR remained at zero at the end of 2018 and is projected to remain unchanged in 2019. The three-month euro LIBOR stood as is at -0.3 percent at the end of 2018 and is also projected to remain unchanged in 2019 (Table 1.2).

Exchange Rates

The U.S. dollar strengthened against most major currencies by the end of 2018 due to the improved U.S. economy in general and the Fed raising rates by 25 basis points. Currencies that recorded the highest decrease against the U.S. dollar included the Norwegian krone with a decline of 5.73 percent at the end of 2018, followed by the Canadian dollar with 5.26 percent and then the Mexican peso with 4.82 percent. On the other hand, currencies that recorded the highest increase against the U.S. dollar included the Brazilian real with a rise of 4.51 percent, followed by the Japanese yen with 3.68 percent and the New Zealand dollar with 1.41 percent.

Equity and Bond Markets

Equity Markets

The U.S. Dow Jones (DJIA) index registered a decline of 11.83 percent, closing at 24,999.67 during 2018. The Japanese NIKKEI index went down by 17.02 percent to close at 20,773.49 during 2018. This was attributed to several factors, most notably the unease about trade tensions between the advanced economies.

The Morgan Stanley Capital International-Europe Index (MSCI-EURO) dropped by 12.47 percent to close at 1,080.08 during 2018 amid heightened protests in France over an increased fuel tax. In the United Kingdom, the Financial Times Stock Exchange 100 Index (FTSE 100 Index) declined by 10.41 percent to 6,968.85 in 2018 due to several factors, the most important of which were the concerns regarding the Brexit implications.

Bond Markets

Yields on U.S. treasury bonds of all maturities declined at the end of 2018, with the 5-year bond yield falling to 2.51 percent, the 2-year yield to 2.49 percent, the 7-year yield to 2.59 percent, and the 10-year yield to 2.67 percent. The decreases in yields on medium- and long-term bonds were attributed to the Fed's statements on reviewing and possibly adopting an easier monetary policy. Yields on Japanese government bonds (JGB) of all maturities, excluding 3-month bonds, declined at

Table 1.4: Trends of Fiscal Balances*

	(Percentage)			
	2016	2017	2018	2019 Projections
Advanced Economies	-3.1	-2.8	-2.9	-3.2
USA	-3.9	-3.8	-4.3	-4.6
Euro area	-1.6	-1.0	-0.6	-1.0
Germany	0.9	1.0	1.7	1.1
France	-3.4	-2.7	-2.6	-3.3
Italy	-2.5	-2.4	-2.1	-2.7
Japan	-3.7	-3.2	-3.2	-2.8
UK	-2.9	-1.8	-1.4	-1.3
Canada	-0.4	-0.3	-0.4	-0.6

* Ratio of deficit/surplus to GDP.

Source: World Economic Outlook (WEO), IMF, April 2019.

the end of 2018. The JGB 30-year yield dropped to 0.72 percent, 20-year yield to 0.49 percent, 10-year yield to 0.003 percent, and two-year yield to 0.14 percent. In contrast, the JGB three-month yield increased to 0.089 percent. This relative stability in yields was due to the decision of the Bank of Japan to keep the quantitative and qualitative easing program at the same pace and the interest rate as is.

In the euro area, all government bond yields of all maturities declined at the end of 2018, with the 10-year yield recording the highest decline to 0.24 percent, followed by the 5-year yield falling to -0.312 percent and then the 15-year yield to 0.52 percent. These decreases at the end of 2018 were attributed to the protests in France and companies' receding trust in the euro economy. Additionally, the European quantitative easing program was completed at the end of 2018, and the European Central Bank will maintain such program and reinvest matured bonds.

In the United Kingdom, government bond yields of all maturities declined at the end of 2018. The 10-year yield recorded the highest decline, reaching 1.28 percent. The 5-year yield came next at 0.90 percent, followed by 12-year yield at 1.39 percent and 2-year yield at 0.75 percent. The declined yields on all government bonds were due to the Bank of England keeping its monetary policy unchanged in an attempt to face the concerns following the Brexit and the potential challenges arising therefrom.

World Trade and Balances of Payments

A. World Trade

The growth rate of world trade volume fell from 5.4 percent in 2017 to 3.8 percent in 2018. It is expected to continue trending down to 3.4 percent in 2019. Regarding goods and services exports, advanced economies recorded a growth rate of 3.1 percent in 2018, and the rate is projected to decrease to 2.7 percent in 2019. Exports of emerging markets and developing economies recorded a growth rate of

4.3 percent in 2018, which is projected to decrease to 4.0 percent in 2019.

The growth in imports of goods and services in advanced economies slowed to 3.3 percent in 2018 and is projected to slow further to 3.0 percent in 2019. Import growth in emerging markets and developing economies also slowed to 5.6 percent in 2018 and is projected to fall to 4.6 percent in 2019 (Table 1.5).

B. Current Account Balances

The ratio of the aggregate current account balance to GDP in advanced economies recorded a decreased surplus of 0.7 percent in 2018 against a surplus of 0.9 percent in 2017, and it is projected to decrease to 0.6 percent in 2019. In the United States, the current account deficit remained stable at 2.3 percent in 2018 and is projected to increase to 2.4 percent in 2019. In the euro area, the ratio of the current account balance to GDP recorded a surplus of 3.0 percent in 2018 against a surplus of 3.2 percent in 2017 and is projected to decline to 2.9 percent in 2019. In Germany, the surplus decreased to 7.4 percent in 2018 and is projected to decline to 7.1 percent in 2019. In France, the current account deficit rose to 0.7 percent in 2018, but it is projected to decline to 0.4 percent in 2019. As for Italy, the ratio of the current account balance recorded a surplus of 2.6 percent in 2018 against a surplus of 2.8 percent in 2017, but it is projected to rise to 2.9 percent in 2019. In Japan, the surplus decreased from 4.0 percent in 2017 to 3.5 percent in 2018 and is projected to remain as is in 2019. The current account deficit in the United Kingdom rose from 3.3 percent in 2017 to 3.9 percent in 2018, and it is projected to rise to 4.2 percent in 2019.

In emerging markets and developing economies, the ratio of the aggregate current account balance to GDP recorded a deficit of 0.1 percent in 2018, and the deficit is projected to go up to 0.4 percent in 2019. In the emerging and developing Asia

economies, the current account to GDP ratio recorded a deficit of 0.1 percent in 2018 and is projected to remain unchanged in 2019. In the Commonwealth of Independent States, the current account registered a surplus of 5.0 percent in 2018 but is projected to recede to 3.8 percent in 2019. In the MENA countries, Afghanistan and Pakistan, the current account recorded a surplus of 2.3 percent in 2018 and is expected to register a deficit of 0.9 percent in 2019. The deficit in Sub-Saharan Africa rose to 2.6 percent in 2018 against a deficit of 2.1 percent in the preceding year, and it is projected to rise to 3.7 percent in 2019. In Latin America and the Caribbean countries, the deficit rose from 1.4 percent in 2017 to 1.9 percent in 2018 and is expected to remain unchanged in 2019 (Table 1.5).

C. Financial Account Balances

The surplus of the BOP financial account balance of advanced economies declined to \$355.9 billion in 2018 against a surplus of \$439.9 billion in 2017, and the surplus is expected to drop to \$311.9 billion in 2019. In the United States, the BOP financial account deficit rose to \$465.2 billion in 2018 compared to \$331.9 billion in 2017. In the euro area, the financial account showed a surplus of \$466.7 billion in 2018 against a surplus of \$473.2 billion in the preceding year. In Germany, the financial account surplus declined to \$274.7 billion in 2018 from \$316.3 billion in the preceding year. The financial account deficit in France increased to \$45.7 billion in 2018 as compared to \$36.0 billion in the preceding year. In Japan, the financial

Table 1.5: World Trade and Current Account*

	(Percentage)		
	2017	2018	2019 Projections
World Trade Growth	5.4	3.8	3.4
Exports (Goods and Services)			
Advanced Economies	4.4	3.1	2.7
Emerging and Developing Economies	7.2	4.3	4.0
Imports (Goods and Services)			
Advanced Economies	4.3	3.3	3.0
Emerging and Developing Economies	7.5	5.6	4.6
Current Account (1)			
Advanced Economies	0.9	0.7	0.6
USA	-2.3	-2.3	-2.4
Euro area	3.2	3.0	2.9
Germany	8.0	7.4	7.1
France	-0.6	-0.7	-0.4
Italy	2.8	2.6	2.9
Japan	4.0	3.5	3.5
UK	-3.3	-3.9	-4.2
Emerging and Developing Economies	0.0	-0.1	-0.4
Emerging and Developing Asia	0.9	-0.1	-0.1
Commonwealth of Independent States	1.0	5.0	3.8
Middle East, North Africa, Afghanistan, and Pakistan	-0.6	2.3	-0.9
Sub-Saharan Africa	-2.1	-2.6	-3.7
Latin America and the Caribbean	-1.4	-1.9	-1.9

(1) Ratio of deficit/surplus to GDP.

Source: World Economic Outlook (WEO), IMF, April 2019.

account surplus increased to \$183.8 billion in 2018, compared to \$158.0 billion in 2017.

As for emerging markets and developing economies, the BOP financial account deficit decreased to \$83.8 billion in 2018, compared to \$255.6 billion in 2017. In Sub-Saharan Africa, the financial account recorded a deficit of \$53.6 billion in 2018 against a deficit of \$34.2 billion in the preceding year. With regard to emerging and developing Asia, the financial account deficit increased slightly to \$95.5 billion in 2018, compared to a deficit of \$95.2 billion in the preceding year. In MENA countries, Afghanistan and Pakistan, the BOP financial account recorded a surplus of \$66.3 billion in 2018 against a deficit of \$14.6 billion in the preceding year. A deficit of \$21.9 billion is projected for 2019 (Table 1.6).

Economic Developments in GCC Countries

According to the IMF April 2019 WEO, real economic growth rates in most GCC countries rose in 2018.

The growth rate in Saudi Arabia bounced from a decline of -0.7 percent in 2017 to a growth of 2.2 percent in 2018. In the UAE, the growth rate rose from 0.8 percent in 2017 to 1.7 percent in 2018. The growth rate in Oman also went up from a decline of -0.9 percent in 2017 to a growth of 2.1 percent in 2018. Similarly, Kuwait's growth rate rose to 1.7 percent in 2018 compared to a contraction of -3.5 percent in 2017. In Bahrain, however, it fell from 3.8 percent in 2017 to 1.8 percent in 2018.

As for inflation, it increased in Saudi Arabia from -0.9 percent in 2017 to 2.5 percent in 2018 and in Bahrain from 1.4 percent in 2017 to 2.1 percent in 2018. It also increased in the UAE from 2.0 percent in 2017 to 3.1 percent in 2018. In contrast, inflation decreased in Kuwait from 1.5 percent in 2017 to 0.7 percent in 2018 and in Oman from 1.6 percent in 2017 to 0.9 percent in 2018.

Some GCC countries recorded an improvement in their current account balance (as a percentage of GDP). In 2018, Saudi Arabia recorded a surplus of

Table 1.6: Financial Account Balances

(Billion USD)			
	2017	2018	2019 Projections
Advanced Economies	439.9	355.9	311.9
USA	-331.9	-465.2	-507.1
Euro area	473.2	466.7	--
Germany	316.3	274.7	279.6
France	-36	-45.7	-7.9
Italy	58.0	40.0	60.2
Japan	158.0	183.8	177.4
UK	-115.7	-85.8	-120
Canada	-40.4	-37.8	-53.7
Emerging and Developing Economies	-255.6	-83.8	-106
Sub-Saharan Africa	-34.2	-53.6	-52.2
Emerging and Developing Asia	-95.2	-95.5	-11.3
Middle East, North Africa, Afghanistan, and Pakistan	-14.6	66.3	-21.9
Emerging and Developing Europe	-48.5	-4.5	-3.1
Latin America and the Caribbean	-85.9	-110	-102.4
Commonwealth of Independent States	22.8	113.3	84.8

Source: World Economic Outlook (WEO), IMF, April 2019.

8.3 percent, Kuwait a surplus of 12.7 percent, and the UAE a surplus of 6.6 percent. Oman and Bahrain, on the other hand, registered deficits of 5.9 percent and 5.8 percent, respectively (Table 1.7).

Regional and International Cooperation

1. Latest Developments of the Gulf Monetary Council

The year 2018 marked a number of developments connected to the Gulf Monetary Council (GMCO), encompassing projects, research studies, reports and workshops. Such developments also included completing the development of a macroeconomic model. The model aims to review the economies of GCC countries and the effect of political challenges on the future of economy. Work was also completed on the Statistics Assessment Project necessary for supporting the Gulf Monetary Union (GMU) in its purview to promote all types of statistics, such as fiscal, monetary and external sector statistics.

In addition, GMCO is working on a 'legal framework promotion for fiscal management and consolidation' project within the GMU member countries in order to assess such countries in terms of laws and regulations. The GMCO also carried out an analytical study to draw comparison between central banks

with regards to their institutional independence in order to identify and assess the performance and main objectives of such banks. It also organized a workshop on the fiscal environment and another on "Liquidity Forecasting, Analysis and Management".

2. Gulf Common Market (GCM)

GCC intra-trade transactions (exports and imports) increased steadily from \$92.7 billion in 2010 to \$123.6 billion in 2017. Statistics show that more GCC citizens are benefiting from GCM decisions, bringing the number of citizens travelling between GCC countries to 28 million in 2017. Furthermore, the number of GCC citizens practicing different economic activities in other GCC countries increased, with the total number of licenses issued thereto exceeding 112,172. The number of GCC citizens benefiting from real estate's ownership decisions went up, with 22,856 purchases made in 2017. As for stock markets, the number of GCC citizens trading in other GCC stock markets was about 429,483 shareholders in 664 joint-stock companies during 2017.

3. Arab Financial Institutions

Arab financial institutions hold their annual meetings in the spring of every year. In these

Table 1.7: Key Economic Developments in GCC Countries

	United Arab Emirates		Bahrain		Saudi Arabia		Oman		Qatar		Kuwait	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Real GDP Growth	0.80	1.70	3.80	1.80	-0.7	2.20	-0.9	2.10	1.60	2.20	-3.5	1.70
Inflation Rate	2.0	3.1	1.4	2.1	-0.9	2.5	1.6	0.9	0.4	0.2	1.5	0.7
Imports (Billion USD)*	246.3	-235.4	-16.1	-19.1	-119.3	-139.0	-24.1	-26.0	-30.8	-32.0	-29.5	-31.0
Exports (Billion USD)*	313.6	316.9	15.4	18.3	221.1	260.0	32.9	40.5	67.5	75.0	55.1	68.5
Current Account (Billion USD)*	27.5	37.8	-1.6	-2.2	15.2	32.0	-10.8	-6.7	6.4	9.8	7.1	14.6
Current Account to GDP	6.9	6.6	-4.5	-5.8	1.4	8.3	-15.2	-5.9	3.8	9.3	5.9	12.7
Ratio of surplus/deficit in fiscal balance*	7.2	8.7	-4.5	-5.6	2.2	4.2	-14.9	-8.2	3.8	5.2	5.9	10.1
Population (Million)	9.4	9.5	1.5	1.6	33.0	34.0	4.6	4.8	2.6	2.7	4.1	4.2

Source: World Economic Outlook (WEO), IMF, April 2019, Arab Economic Outlook, 2018*, World Bank 23/4/2019

meetings, they review their performance and agendas. The following is a brief of these institutions and their activities.

A. Arab Monetary Fund (AMF)

As of the end of 2018, the balance of loan commitments stood at 188.7 million Arab Accounting Dinars (AAD) (\$793 million). Total loans extended by the AMF to member countries up to the end of 2018 were AAD 2.32 billion (\$10 billion). A total of 184 loans were extended by the AMF to 14 member countries.

Loans (automatic, ordinary, compensatory and extended loans) extended by the AMF were at the top of credit facilities granted by the AMF from the beginning of its lending activities in 1978 until the end of 2018, representing 60.3 percent of total loans extended throughout this period. The structural adjustment facilities extended came next with 29.9 percent, followed by the trade reform facility with 2.8 percent and the oil facility with 1.4 percent.

B. Arab Bank for Economic Development in Africa (BADEA)

In 2018, 15 loans with a value of \$565 million were approved for development projects in Africa. Infrastructure lending attracted the largest share of total loans, amounting to 53.4 percent. Lending for both the social sector and the agriculture and rural development sector accounted for 23.2 percent, each, of total loans.

BADEA continued its policy of maintaining a sound financial position, which resulted in an increase of its net assets to \$4.9 billion at the end of 2018 compared to \$4.8 billion at the end of 2017.

Net income declined to \$39.9 million in 2018 compared to \$271.6 million in 2017 due to loss in equity investments.

C. Arab Fund for Economic and Social Development (AFESD)

During 2018, the AFESD extended 11 loans with a total of KWD 464 billion to finance projects in six Arab countries. The ratio of loans to total cost of these projects was estimated at 78.6 percent. The cumulative value of 677 loans extended by the AFESD, starting from the commencement of its operations in 1974 up to the end of 2018, reached KWD 10.3 billion.

Total revenues for 2018 stood at KWD 61.4 million compared to KWD 126.6 million in 2017. Administrative expenses were KWD 8.4 million in 2018, and net profit stood at KWD 49 million compared to KWD 112.8 million in 2017. Member country total rights stood at KWD 3.6 billion at the end of 2018, versus KWD 3.5 billion at the end of 2017.

D. Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Dhaman's assets in 2018 totaled \$150 million, 66.67 percent of which was in investments, 31.68 percent in cash and deposits and 1.65 percent in other assets. Equity stood at \$468 million at the end of 2018, compared to \$471 million in the preceding year.

Total income of Dhaman was \$17 million in 2018. Of this amount, \$12.3 million was from guarantees, banks and bonds interest income, accounts on demand and other miscellaneous income; and \$11.8 million was from investment income, dividends income, the sale of a number of investments in bonds, financial funds, investment portfolios and currency spreads. Dhaman's general and administration expenses for 2018 reached \$9.8 million.

In 2018, Dhaman incurred losses of \$3.1 million against profits of \$17.5 million in the preceding year.

E. Arab Authority for Agricultural Investment and Development (AAAID)

AAAID's contribution to the capital accounts of existing and to-be-formed companies in 2018 (contributions and loans) amounted to \$607 million, or 84 percent of its paid-up capital of \$720.7 million.

Total income of AAAID was \$36 million in 2018, versus \$73 million in the preceding year. The income was generated mainly from investment portfolios, loans and companies' profits. Net profit reached \$9.4 million, compared to \$15.5 million in the preceding year.

Total assets stood at \$979 million at the end of 2018 against \$193 million in the preceding year. AAAID's total liabilities stood at \$45.9 million in 2018 compared to \$45.6 million in the preceding year. In 2018, its net income reached \$12 million versus \$21 million in the preceding year.

4. Islamic Development Bank (IDB)

IDB's total assets rose from \$28 billion at the end of 2017 to \$30.7 billion at the end of 2018. Total liabilities also went up from \$15.9 billion at the end of 2017 to \$18.5 billion. On the other hand, total revenues fell from \$819.6 million in 2017 to \$782 million in 2018. IDB's net income stood at \$150.8 million compared to \$280.5 million in 2017. IDB's total granted loans rose from \$2.3 billion in 2017 to \$2.4 billion in 2018. Outstanding loans also went up from \$17.9 billion at the end of 2017 to \$19 billion at the end of 2018; repaid loans went up from \$1.1 billion in 2017 to \$1.5 billion in 2018.

5. OPEC Fund for International Development (OFID)

OFID's equity (including reserves and member country contributions) was \$7.2 billion at the end of 2018 against \$7.1 billion at the end of 2017. Its total assets reached \$7.4 billion at the end of 2018 compared to \$7.3 billion at the end of the preceding year. OFID's total extended loans stood

at \$1.4 billion, up from \$1.2 billion in the preceding year. Total repaid loans amounted to \$1.1 billion in 2018 against \$722.4 million in the preceding year. Total income for 2018 reached \$152.3 million compared to \$231.4 million in 2017. OFID's net income in 2018 was \$84.2 million against \$169.2 million in 2017.

6. International Monetary Fund (IMF) International Monetary and Financial Committee (IMFC)

The IMFC held its 39th meeting in Washington, D.C. on April 13, 2019. The meeting discussed the global economy, noting that a pickup in global growth was witnessed in the last period but at a slower pace than before. Growth is expected to firm up in 2020. The IMFC outlined the importance of efforts aimed at supporting and providing impetus to reforms in order to boost economic growth. It stressed out that putting in place robust economic fundamentals and monitoring and tackling financial vulnerabilities through macroprudential tools are necessary for the stability of exchange rates.

It also affirmed its commitment to monitor and tackle financial vulnerabilities and emerging risks. In addition, it pointed out that it will strive to adapt regulations to structural change, close data gaps, address challenges from demographic shifts, tackle corruption, establish a fair tax system, and combat illicit financing, such as money laundering and terrorism financing. The IMFC made reference to IMF's current operations, which include building economic resilience of its member states, strengthening transparency, promoting policies to foster gender equality, supporting relevant issues related to social spending, and buttressing financial supervision.

The IMFC also addressed the IMF's resources and governance, and reaffirmed its commitment to a strong, quota-based, and adequately resourced IMF to maintain the global financial safety net

(GFSN). Moreover, it noted the report on progress on the 15th General Review of Quotas. It stressed the importance of continuous reforms for the IMF's resources and governance. It called upon the IMF to retain a high-quality staff and supported gender diversity in the Executive Board.

7. World Bank Group (WBG) Development Committee

The WBG Development Committee held its meeting in Washington, D.C. on April 13, 2019. The meeting reviewed the status of the global economy, noting that global trade growth is expected to slow down due to increased risks affecting world economy growth, such as uncertainty regarding geopolitical developments and policies and gradual tightening of finance conditions. It also affirmed the importance of trade and investment, noting its support to the efforts of the WBG and IMF to improve the monitoring of public debt, enhance creditor coordination, and achieve sustainable growth.

In addition, the Development Committee welcomed the paper Update: The Forward Look and IBRD-IFC Capital Package Implementation, which would support the WBG's strategic direction to 2030. It supported shareholders in their work to start the subscription documentation and payment process for the IBRD capital increase. It urged that all outstanding adoptions of IFC resolutions be secured by September 18, 2019.

The Development Committee also affirmed its commitment to the goal of eliminating poverty. It affirmed the importance of the support provided by the WBG for the poorest countries through the IFC, while focusing on the creation of job opportunities. Further, it supported other themes, including: gender equality, disability, and climate change. It also encouraged the WBG to foster enabling business environments, leverage capital, mobilize investments and create jobs, drawing attention to the key role of the private sector in

providing solutions to development challenges. The Development Committee confirmed the importance of continuous efforts and close cooperation with public and private partners in order to introduce innovative methods and technologies that would help the most vulnerable individuals exposed to natural disasters and pandemics. Such risks are due to the lack of a sound infrastructure that would protect them. The Development Committee also reiterated the importance of delivering on the WBG's Climate Change Action Plan and developing a strategy on fragility, conflict and violence (FCV).

8. Bank for International Settlements (BIS)

The BIS 2018 report concluded that the global economy witnessed significantly improved growth rates. Unemployment and headline inflation rates continued to be more subdued, moving closer to central bank objectives. The report highlighted potential post-crisis medium-term risks, placing emphasis on the necessity of not relying excessively on monetary policies or overloading the financial market. This was experienced in some countries, leading to an increase in the global stock of debt and gradual formation of financial vulnerabilities. The report also shed light on non-bank intermediaries in particular. The report also applauded the post-crisis financial reforms that helped limit those risks, such as Basel III Standard and the implementation of macroprudential frameworks. In addition, the report noted the importance of policies in ensuring the expansion of the current economy. Some of the key actions taken regarding policies include the following:

1. redoubling efforts to implement structural policies;
2. further strengthening the resilience of the financial system;
3. ensuring the sustainability of public sector finances and avoiding procyclical fiscal expansions; and

4. normalizing the monetary policy in order to rebuild policy space, hence enabling informed decision-making.

The report emphasized the importance of the measures of macroprudential frameworks as they can help contain and mitigate the post-crisis financial vulnerabilities and risks. These measures can stimulate and support monetary policy. Additionally, the report summarized the most important results of these measures, noting that financial authorities have made good progress regarding the measures of macroprudential frameworks, such as: identifying financial risks before they take place and targeting a large sector of banks and financial institutions. Macroprudential measures have succeeded in strengthening the resilience of the financial system and will be most effective as part of a more holistic macro-financial stability framework.

9. Financial Stability Board (FSB)

The Financial Stability Board (FSB) Plenary met in October 2018 and discussed some downside risks that might prove detrimental to economic growth, potential vulnerabilities in the financial system, and market developments. It also discussed a number of specific items on the work program, including the following:

- The FSB Plenary reviewed the deliverables of the G20 Leaders' Summit, such as the fourth Annual Report on Implementation and Effects of G20 Financial Regulatory Reforms, which will describe the progress made in implementing post-crisis reforms and their effects. It also discussed the first such evaluation of incentives to centrally clear over-the-counter (OTC) derivatives, which aims to identify reform areas in policies or standards that merit consideration by standard-setting bodies (SSBs). In addition, the Plenary discussed the evaluation report on infrastructure finance, which aims to evaluate the effects of reforms on financial intermediation. Moreover, it reviewed the

progress report on its coordinated action plan to assess the risks from the decline in correspondent banking relationships.

- The FSB has decided to replace the term “shadow banking” with the term “non-bank financial intermediation” in order to elaborate the use of technical terms. Such change will not have any effects on policy recommendations or the agreed monitoring framework.
- Within the processes and transparency review, the FSB Plenary agreed on a set of measures to promote financial stability.

10. Basel Committee on Banking Supervision (BCBS)

In 2018, the BCBS issued various standards and guidelines, which are briefed as follows:

- Pillar 3 disclosure requirements-updated framework. These requirements, together with the updates published in January 2015 and March 2017, complete the Pillar 3 framework. Pillar 3 of the Basel framework seeks to promote market discipline through regulatory disclosure requirements.
- Stress testing principles. These principles replace the “principles for sound stress testing practices and supervision” published in May 2009. The 2009 principles were designed to address key weaknesses in stress testing practices as highlighted by the global financial crisis.
- A technical amendment on additional Pillar 3 disclosure requirements for those jurisdictions implementing an expected credit loss (ECL) accounting model as well as for those adopting transitional arrangements for the regulatory treatment of accounting provisions.
- A technical amendment related to the treatment of extraordinary monetary policy operations in the Net Stable Funding Ratio (NSFR).
- The capital treatment for simple, transparent and comparable short-term securitizations.

This standard supplements the “criteria for identifying simple, transparent and comparable short-term securitizations” issued jointly with the International Organization of Securities Commissions (IOSCO).

- The sound practices on the implications of fintech developments for banks and bank supervisors. The practices assess how technology-driven innovation in financial services, or “fintech”, may affect the banking industry and the activities of supervisors in the near to medium term.
- Frequently Asked Questions (FAQs) to provide further clarification on market risk capital requirements, Basel III standardized approach for measuring counterparty credit risk exposures, and the liquidity risk treatment of settled-to-market derivatives.
- Statement on leverage ratio window-dressing behavior. BCBS has required banks to disclose the leverage ratio on a more frequent basis with additional public disclosures on the impact of volatility in transaction volumes between reporting reference dates.

11. The Group of Twenty (G20)

The G20 Leaders’ Summit was convened in Buenos Aires, Argentina, on 30 November and 1 December 2018 under the slogan “Building Consensus for Fair and Sustainable Development”. The main agenda items focused on the future of work, infrastructure for development, and a sustainable food future. The Summit welcomed the strong global economic growth while recognizing it has been increasingly less synchronized between countries and is accompanied by some key risks, including financial vulnerabilities and geopolitical concerns. It also reaffirmed its pledge to use all policy tools to achieve strong, sustainable, balanced and inclusive growth, and safeguard against downside risks, by stepping up dialogue and actions to enhance confidence. It also noted the importance of the continued support of the monetary policy to

economic activity and ensuring price stability, consistent with central banks’ mandates. The G20 Leaders renewed their commitment to work together to improve a rules-based international order that is capable of effectively responding to a rapidly changing world.

The Summit reviewed transformative technologies and prospective economic opportunities arising therefrom, including new and better jobs, and higher living standards. The transition, however, will bring about challenges for individuals, businesses and governments. Additionally, the Summit endorsed the Menu of Policy Options for the Future of Work, considering individual country circumstances, to harness technology to strengthen growth and productivity, support people during transitions and address distributional challenges, secure sustainable tax systems, and ensure that decision-making within the Summit is informed by the best possible evidence.

The Summit affirmed its commitment to building an inclusive, fair and sustainable Future of Work by promoting decent work, vocational training and skills development. It also took note of the importance of continued efforts towards fostering cognitive, digital and entrepreneurship skills and encouraging the collection and exchange of good practices. Additionally, it will promote increasing labor force participation of underrepresented and vulnerable groups, including persons with disabilities.

The Summit touched upon the importance of maximizing the benefits of digitalization and emerging technologies for growth and productivity. It stated that it will promote measures to boost micro, small and medium enterprises and entrepreneurs; bridge the digital gender divide and further digital inclusion; support consumer protection; and improve digital government, digital infrastructure and measurement of the

digital economy. It also reiterated the importance of addressing issues of security in the use of ICTs. Moreover, it illustrated its support for the free flow of information, ideas and knowledge, while observing applicable legal frameworks and working to build consumer trust, privacy, data protection and intellectual property rights protection. It also welcomed the G20 Repository of Digital Policies to share and promote the adoption of innovative digital economy business models. The Summit recognized the importance of the interface between trade and the digital economy and confirmed continuing its work on artificial intelligence, emerging technologies and new business platforms.

In addition, the Summit discussed the infrastructure issue, as it is a key driver of economic prosperity, sustainable development and inclusive growth. It reaffirmed its commitment to attract more private capital to infrastructure investment, noting the actions taken by the Summit to achieve greater contractual standardization, address data gaps and improve risk mitigation instruments.

The Summit highlighted the G20 Food Security and Nutrition Framework. It reaffirmed its commitment to tackling the challenges of food security, which is crucial to achieving a world free of hunger and all forms of malnutrition. It will also promote dynamism in rural areas and sustainable agriculture, being conscious of the importance of sustainable soil, water and riverbanks management supported by individual countries voluntarily, taking into consideration the specific needs of family and small-holder farmers. It encouraged the voluntary use and sharing of innovative and traditional agricultural practices and technologies. In addition, the Summit highlighted the importance of collaboration among public and private stakeholders to strengthen risk management, facilitate adaptation to a changing environment, protect biodiversity and provide effective responses to reduce the impacts of

extreme weather on agriculture. Moreover, it stressed the importance of increased efforts to engage with the private sector, the scientific community and all other relevant stakeholders to enhance value addition, productivity, efficiency and sustainability; and encourage initiatives to reduce food loss and waste.

The Summit addressed gender equality, deeming it a crucial factor for economic growth and fair and sustainable development. Consequently, the Summit discussed the progress made in achieving the commitment to reducing the gender gap in labor force participation rates by 25% by 2025. Further, it mentioned that it will continue to promote initiatives aimed at ending all forms of discrimination against women. The Summit pledged to commit to promoting women's economic empowerment, including by working with the private sector, to improve labor conditions for all, such as through access to quality and affordable care infrastructure and parental leave, and reducing the gender pay gap. It also pledged to commit to promoting women's access to leadership and decision-making positions, developing women and girls' digital skills and increasing their participation in STEM (Science, Technology, Engineering and Mathematics) and high-tech sectors.

In addition, the Summit welcomed the Sustainable Finance Synthesis Report 2018, which presents voluntary options to support deployment of sustainable private capital. It also endorsed the G20 Financial Inclusion Policy Guide, which provides voluntary policy recommendations to facilitate digital financial services, taking into account country contexts and the Global Partnership for Financial Inclusion Roadmap which outlines a process to streamline its work program and structure.

The Summit applauded the activities of the World Health Organization (WHO), together with all relevant actors, in developing an action plan for implementation of health-related aspects

of Sustainable Development Goals (SDGs) by 2030. It also commended the progress made by the international community in developing and implementing National and Regional Action Plans on Anti-Microbial Resistance (AMR) based on the One-Health approach. It recognized the need for further multi-sectoral action to reduce the spread of AMR, as it is considered a global responsibility. Additionally, the Summit commended the work done by the Global AMR R&D Hub and, drawing on this, it looks forward to further examining practical market incentives and tackling malnutrition, with a special focus on childhood overweight and obesity, through national, community-based and collaborative multi-stakeholder approaches. It also reaffirmed the need for stronger health systems providing cost-effective and evidence-based intervention to achieve better access to health care and to improve its quality and affordability to move towards Universal Health Coverage (UHC). The Summit also made a commitment to ending HIV/AIDS, tuberculosis, and malaria, and looks forward to a successful 6th Replenishment of the Global Fund in 2019.

The Summit noted that the increased movements of refugees constitutes a global concern with humanitarian, political, social and economic consequences. Consequently, it emphasized the importance of shared actions to address the root causes of displacement and to respond to growing humanitarian needs.

The Summit emphasized its commitment to leading the transformation towards sustainable development and supporting the 2030 Agenda as the framework for advancing this goal and the G20 Action Plan. Moreover, it underlined its continued support to the G20 Africa Partnership, including the Compact with Africa, and other relevant initiatives. The Summit reaffirmed its commitment to addressing illicit financial flows that have a detrimental effect on domestic resources

mobilization, while ensuring that it will continue to take stock of progress.

In addition, the Summit recognized the crucial role of energy in helping shape the shared future, encouraging energy transitions towards cleaner, more flexible and transparent systems, and cooperation in energy efficiency. The Summit also recognized the opportunities for innovation, growth, and job creation through increased investment into cleaner and sustainable energy sources—including renewables, technologies and infrastructure. Furthermore, it acknowledged the role of all energy sources and technologies in the energy mix and the existence of different possible national paths to achieve cleaner energy systems under the term ‘transitions’. The Summit noted that it will promote universal energy access by eradicating energy poverty, cooperating to provide displaced people and disaster-impacted and remote areas with access to it, and through enhanced implementation of G20 regional plans.

The Summit reaffirmed its commitment to further strengthening the global financial safety net with a strong, quota-based, and adequately resourced IMF at its center. It also outlined its commitment to concluding the 15th General Review of Quotas, including a new quota formula by the Spring Meetings and no later than the Annual Meetings of 2019. Additionally, the Summit called on the IMF and World Bank to work with borrowers and creditors to improve the recording, monitoring and transparent reporting of public and private debt obligations. It expressed that it looks forward to the IMF review of program conditionality and the review of its debt limits policy.

The Summit discussed the issue of monitoring cross border capital flows and deepening the understanding of the available tools, so it can harness their benefits while also managing the risks and enhancing resilience. It also noted that it will continue to take steps to address debt

vulnerabilities in low income countries (LICs) by supporting capacity building in public debt and financial management, and strengthening domestic policy frameworks. The Summit commended the ongoing work by the IMF, WBG and Paris Club on LICs debt and the continued efforts of the Paris Club towards the broader inclusion of emerging creditors. Moreover, it welcomed the final report of the G20 Eminent Persons Group on Global Financial Governance.

The Summit affirmed its commitment to the full, timely and consistent implementation and finalization of the agreed financial reform agenda, and the evaluation of its effects. It will also continue to monitor and, if necessary, address emerging risks and vulnerabilities in the financial system, through continued regulatory and supervisory cooperation. It looks forward to continued progress on achieving resilient non-bank financial intermediation. It will step up efforts to ensure that the potential benefits of technology in the financial sector can be realized while risks are mitigated. It added that it will continue regulating crypto-assets for anti-money laundering and countering the financing of terrorism in line with FATF standards.

The Summit affirmed its commitment to preventing and fighting corruption. It agreed on the new action plan 2019-2021 and endorsed the Principles on Preventing Corruption and Ensuring Integrity in State-Owned Enterprises and on Preventing and Managing Conflicts of Interest in the Public Sector. These will foster transparency and integrity in the public and private sectors. Moreover, the Summit confirmed that it will continue practical cooperation to fight corruption including in line with G20 commitments.

12. Organization of the Petroleum Exporting Countries (OPEC)

The 175th Meeting of the OPEC Conference was held in Vienna, Austria, in December 2018. It reviewed

a number of reports, most notably the Secretary General's report, the Economic Commission Board's report, and the report and recommendations made by the Joint Ministerial Monitoring Committee (JMMC), as well as various administrative matters. The Conference also discussed a number of subjects, including oil market developments—since it last met in Vienna on 22 June 2018—and the oil market outlook for 2019. The prospects for 2019 suggest that oil supply will outgrow global demand for several reasons, such as uncertainty regarding the impacts of macroeconomic policies, global inventory levels and oil market sentiment. In spite of that, the Conference noted that oil prices are well balanced at present based on the level of oil supply and demand. Effective as of January 2019, with a view to avoiding the repercussions of such market conditions, the Conference decided to curtail oil production below its October-2018 levels for an initial period of 6 months at 0.8 mb/d, while reviewing oil production in April 2019. In their endeavors to display a positive image as reliable suppliers, and to advance their goal of having a stable and balanced oil market that would serve the interest of producers and consumers alike, Member Countries agreed with this decision. The Conference expressed its thanks to all OPEC Member Countries, as well as non-OPEC countries participating in the 'Declaration of Cooperation', for their efforts. In another regard, the People's Minister of Petroleum of the Bolivarian Republic of Venezuela was elected as President of the Conference for one year, and Algeria's Minister of Energy as Alternate President for the same period, with effect from 01 January 2019. In addition, the Conference appointed Equatorial Guinea's Governor for OPEC as Chairman of the Board of Governors for the year 2019, and Gabon's Governor for OPEC as Alternate Chairman for the same period.



02

SAUDI ECONOMY

Saudi Economy

Benefiting from the economic and financial reforms package taken by the government to achieve the aspirations of Saudi Vision 2030, the Saudi economy has accomplished positive developments in most sectors during 2018. The domestic economy showed flexibility in absorbing economic shocks resulting from oil prices volatility during recent years, which is attributed to ongoing government expenditure on development projects and the support of Saudi Vision 2030 programs that contributed to neutralizing the impacts of these shocks. In continuation of its efforts aiming at increasing domestic economy efficiency; diversifying its production base; and assessing and reviewing Saudi Vision 2030 programs, the government of Saudi Arabia adopted a myriad of resolutions during 2018 with a view to achieving developmental strides, introducing sustainable solutions to increase national workforce participation in the Saudi labor market, and bringing about a highly-enabled Saudi Economy.

Economic Growth

Data on GDP at constant prices indicates that it grew by 2.21 percent to SAR 2,625.5 billion in 2018 compared to a decline of 0.74 percent in 2017 (Table 2.1). This rise was attributed to increases in the oil sector GDP by 2.85 percent to SAR 1,134.6 billion, and in the non-oil sector GDP by 2.05 percent to SAR 1,476.4 billion. The non-oil private sector GDP recorded a growth rate of 1.74 percent to SAR 1,032.9 billion, while that of the non-oil government sector grew by 2.79 percent to SAR 443.5 billion.

Most major economic production activities at constant prices grew at varied rates in 2018 (Table 2.2). Community, social & personal services

grew by 3.44 percent; mining & quarrying by 3.23 percent; finance, insurance, real estate & business services and the activity of government services' producers both by 2.96 percent; manufacturing industries by 2.43 percent; transport, storage & telecommunication by 1.69 percent; electricity, gas & water by 1.40 percent; wholesale & retail trade and restaurants & hotels by 0.78 percent; and agriculture, forestry & fishing by 0.48 percent. On the other hand, construction & building declined by 3.06 percent.

Domestic Supply and Demand

The total supply of goods and services from the non-oil sector (at current prices) recorded an increase of 4.64 percent in 2018. Total imports also increased by 0.51 percent. The non-oil sector GDP output (at current prices) also increased by 5.78 percent, with the government sector non-oil GDP expanding by 10.1 percent and that of the private sector by 3.78 percent.

The total demand for goods and services by the non-oil sector (at current prices) recorded an increase of 5.66 percent in 2018, as the government sector's final consumption expenditures increased by 7.79 percent and the private sector's final consumption spending by 5.13 percent. Moreover, gross capital formation increased by 0.14 percent and non-oil exports by 15.96 percent—commodity exports rose by 21.70 percent compared to an increase of 8.9 percent in the preceding year (Table 2.3).

Energy, Industry and Mineral Resources

Data of the Organization of Petroleum Exporting Countries (OPEC) for 2018 shows an increase in the average price of the Arabian Light crude oil by 34.3 percent to \$70.59 per barrel from \$52.59 per barrel in 2017. According to the Ministry of Energy, Industry and Mineral Resources (MEIM) data, Saudi Arabia's average daily production of crude oil increased by 3.6 percent to 10.32 million barrels

in 2018 compared to 9.96 million barrels in 2017 (Table 2.1).

With regard to electricity, the Saudi Electricity Company (SEC)'s sales of electricity in 2018 amounted to 276.7 million megawatt-hours (MWh). By type of consumption, residential consumption accounted for 47.0 percent (130.0 million MWh) of total electricity consumption in Saudi Arabia, followed by industrial consumption with 18.5 percent (51.1 million MWh). Commercial consumption came third with 17.2 percent

(47.6 million MWh), followed by government consumption with 15.6 percent (43.1 million MWh). The peak load of electricity was 61,743 megawatts in 2018, and the actual capacity of electricity generation was 53,534 megawatts.

As for industry, MEIM issued industrial licenses in 2018 for 419 new factories in various industrial activities with a total capital of SAR 14.3 billion, creating more than 24.4 thousand job opportunities. A breakdown of licenses for new projects by industrial activity and total capital in

Table 2.1: Selected Economic Indicators

	2017	2018
Estimated population (million)	32.6	33.4
GDP at current prices (billion riyals)	2,582.2	2,934.3
GDP at constant prices (billion riyals) (2010=100)	2,568.6	2,625.5
Non-oil GDP deflator	126.1	130.7
Inflation rate (consumer prices)	-0.8	2.5
Aggregate money supply M3 (billion riyals)	1,791.1	1,841.2
Daily average of oil production (million barrels)	9.96	10.32
Average price of Arabian Light oil* (USD)	52.59	70.59
Riyal's effective exchange rate (2010=100)	118.2	116.5
Currency in circulation to total money supply ratio	9.6	9.8
Deposits to money supply ratio	90.4	90.2
Net foreign assets of domestic banks (billion riyals)	147.9	125.6
Interest rates on Saudi riyal deposits (3 months)**	1.8	2.5
Bank capital adequacy ratio (Basel II)	20.4	20.3
Actual government revenues (billion riyals)	691.5	894.7
Oil revenues (billion riyals)	435.9	607.4
Actual government expenditures (billion riyals)	930.0	1,030.4
Budget deficit (billion riyals)	-238.5	-135.7
Budget deficit to GDP ratio	-9.2	-4.6
Commodity Exports (billion riyals)***	831.9	1,103.9
Commodity imports CIF (billion riyals)	504.4	514.0
Current account surplus to GDP ratio	1.5	9.2
Current account (billion riyals)	39.2	271.3
Tadawul All Share Index (TASI) (1985 = 1,000)	7,226.3	7,826.7
Public debt to GDP ratio	17.2	19.1

* OPEC numbers.

** Interbank offered rates (SAIBOR).

*** Including oil and non-oil exports.

Source: GaStat, MoF, MEIM, CMA, SAMA.

2018 indicates that 67 licenses were issued for manufactured metals activity (excluding machinery and equipment) with a total capital of SAR 948.0 million, and 65 licenses for food manufacturing with a total capital of SAR 1.8 billion. Thus, at the end of 2018, the total cumulative number of industrial units in Saudi Arabia licensed by MEIM rose to 8,442, providing nearly 615.7 thousand jobs.

Money Supply and Banking Activity

Broad money supply (M3) increased by 2.8 percent to SAR 1,841.2 billion in 2018 compared to an increase of 0.2 percent in the preceding year. Bank deposits, which represented 90.2 percent of M3, recorded an increase of 2.6 percent to SAR 1,661.1 billion in 2018 compared to an increase of 0.2

percent in 2017. Currency in circulation grew by 4.7 percent in 2018, compared to a growth of 1.0 in the preceding year. A breakdown of the components of bank deposits to M3 in 2018 indicates that demand deposits constituted 56.4 percent; time and savings deposits 23.8 percent; and other quasi-money deposits 10.0 percent of aggregate money supply (M3). A breakdown of deposits by sector at the end of 2018 shows that deposits of the private sector (79.4 percent of total bank deposits) increased by 3.8 percent to SAR 1,318.4 billion, while the public sector's deposits fell by 1.9 percent to SAR 342.7 billion at the end of 2018, accounting for 21.6 percent of total bank deposits.

Moreover, a breakdown of bank claims on the

Table 2.2: Gross Domestic Product by Economic Sector at Producers' Values at Constant Prices (2010=100)

(Million SAR)				
	change %			
	2016	2017	2018*	2018
A. Industries and other producers (excluding government services' producers)				
1. Agriculture, forestry & fishing	60,122	60,422	60,713	0.48
2. Mining & quarrying	1,046,785	1,010,104	1,042,758	3.23
a. Crude petroleum & natural gas	1,037,257	1,000,160	1,032,549	3.24
b. Other mining & quarrying activities	9,527	9,944	10,209	2.67
3. Manufacturing	307,987	311,982	319,550	2.43
a. Petroleum refining	94,610	96,533	95,539	-1.03
b. Other industries	213,377	215,449	224,011	3.97
4. Electricity, gas & water	33,688	34,132	34,611	1.40
5. Construction	121,203	117,259	113,667	-3.06
6. Wholesale & retail trade, restaurants & hotels	228,074	229,378	231,170	0.78
7. Transport, storage & communication	148,467	151,789	154,349	1.69
8. Finance, insurance, real estate and business services	237,143	249,794	257,182	2.96
a. Home ownership	127,227	134,487	137,503	2.24
b. Others	109,917	115,307	119,680	3.79
9. Community, social & personal services	49,648	50,323	52,057	3.44
10. Less imputed bank services charge	20,709	20,963	21,217	1.21
B. Government services' producers	354,519	355,600	366,135	2.96
Total (excluding import duties)	2,566,928	2,549,820	2,610,975	2.40
Import duties	20,830	18,749	14,487	-22.73
GDP	2,587,758	2,568,569	2,625,462	2.21

* Preliminary data.

Source: GaStat.

private and public sectors in 2018 shows that total bank claims on the private sector went up by 3.0 percent to SAR 1,434.9 billion, accounting for 86.4 percent of total bank deposits compared to 86.1 percent in 2017. Total bank claims on the public sector, which accounted for 21.2 percent of total bank deposits, increased by 19.9 percent to SAR 304.9 billion. Total claims on the private and public sectors at the end of 2018 increased to 107.6 percent of total bank deposits, compared to 104.8 percent at the end of the previous year.

The consolidated financial position of commercial banks data in 2018 indicates a decline of 8.7 percent in commercial banks' reserves to SAR 218.6 billion compared to an increase of 1.1 percent in the preceding year; and a decline of 4.3 percent in capital and reserves of commercial banks to SAR 303.9 billion compared to a rise of 6.3 percent in the preceding year. Accordingly, the ratio of capital and reserves to total bank deposits declined to 18.3 percent and its ratio to total assets to 12.9 percent at the end of 2018. The ratio of capital to risk-weighted assets according to Basel standard

(Capital Adequacy Ratio) stood at 20.3 percent, well above the ratio recommended by Basel Committee. Commercial banks' profits went up by 10.7 percent to SAR 48.3 billion in 2018, compared to an increase of 8.2 percent in 2017.

Inflation

The non-oil GDP deflator rose by 3.7 percent in 2018 compared to a rise of 0.2 percent in 2017. The average consumer price index (CPI) rose by 2.5 percent during 2018 compared to a contraction of 0.9 percent in 2017. The CPI's main components recorded increases in food and beverages; tobacco; home furnishing, equipment and maintenance; health; transport; communication; recreation and culture; restaurants and hotels; education; and miscellaneous goods and services, while housing, water, electricity, gas and other fuels and clothing and footwear recorded declines. The Wholesale Price Index increased by 16.0 percent in 2018 compared to a contraction of 1.3 percent in 2017.

Insurance sector

The insurance penetration rate (gross written

Table 2.3: Total Domestic Non-Oil Sector's Supply and Demand (At Current Prices)

(Million SAR)				
	change %			
	2016	2017	2018*	2018
Total supply**	2,322,789	2,327,965	2,442,916	4.94
Non-oil GDP	1,797,153	1,823,518	1,928,923	5.78
Government	569,619	576,059	634,252	10.10
Private	1,227,534	1,247,459	1,294,671	3.78
Total imports	525,636	504,447	513,993	1.89
Total demand	2,534,318	2,583,026	2,729,337	5.66
Final consumption	1,660,089	1,694,622	1,798,350	6.12
Government	624,632	630,978	680,109	7.79
Private	1,035,457	1,063,644	1,118,241	5.13
Gross capital formation	631,838	626,932	627,789	0.14
Non-oil exports	242,391	261,473	303,198	15.96
Commodity exports	177,694	193,479	235,458	21.70
Service exports	64,697	67,994	67,740	-0.37

* Preliminary data.

** The mismatch between supply and demand is because total imports and gross capital formation include oil imports.

Source: GaStat.

premiums to GDP) in Saudi Arabia stood at 1.2 percent in 2018, down from 1.4 percent in the preceding year. Net written premiums (gross written premiums less the share of reinsurance) amounted to SAR 30.0 billion, constituting 85.8 percent of gross written premiums compared to 84.5 percent in 2017.

Domestic Stock Market

The Tadawul All Share Index (TASI) registered an annual rise of 8.3 percent to 7,826.7 at the end of 2018. The market capitalization of issued shares rose by 10.0 percent to SAR 1,859.0 billion at the end of 2018 from SAR 1,689.0 billion at the end of the preceding year. However, the number of shares traded in 2018 decreased by 14.0 percent to 37,791.5 billion with a value of SAR 870.9 billion.

Public Finance

Actual revenue and expenditure data for fiscal year 1439/1440H (2018) indicates that revenues rose by 29.4 percent to SAR 894.7 billion, compared to SAR 691.5 billion in the preceding year. Oil revenues increased by 23.5 percent to SAR 607.4 billion, while non-oil revenues decreased by 1.4 percent to SAR 287.3 billion. In contrast, actual expenditures rose by 5.4 percent to SAR 1,030.4 billion, compared to SAR 930.0 billion in 2017. The actual deficit declined by 43.1 percent to SAR 135.7 billion as compared to SAR 238.5 billion in 2017.

Current Account and External Trade

Estimates of Saudi Arabia's balance of payments indicate that the current account improved in 2018, recording a surplus of SAR 271.3 billion or 9.2 percent of GDP. Preliminary figures of external trade indicate an increase of 21.1 percent over the preceding year in the volume of Saudi Arabia's commodity trade to SAR 1,617.9 billion in 2018. This is attributed to a hike in the value of total exports by 32.7 percent to SAR 1,103.9 billion, with oil exports rising by 36.0 percent to SAR 868.4 billion and non-

oil exports by 22.0 percent to SAR 236.1 billion. On the other hand, commodity imports increased slightly by 1.9 percent to SAR 514.0 billion in 2018.

Trade and Investment

The commercial sector continued to record positive growth rates. In 2018, the Ministry of Commerce and Investment (MCI) issued commercial registrations for 15,424 various new companies, a rise of 10.3 percent from 13,987 in 2017. The number of commercial company registrations in force up to the end of 2018 amounted to 153.1 thousand. A breakdown of commercial company registrations by region at the end of 2018 shows that Riyadh region accounted for the largest share with 40.5 percent of the total, followed by Makkah region with 23.7 percent, and then the Eastern Region with 18.3 percent up to the end of 2018. As for foreign investment, the number of companies licensed by the Saudi Arabian General Investment Authority (SAGIA) reached 8,442 with total employment of 615.7 thousand employees and a total capital of SAR 681.6 billion at the end of 2018; with 5,801 licenses granted in the services sector, 2,008 in the industrial sector, and 243 in the commercial sector.

Tourism

Preliminary data of the Saudi Commission for Tourism and National Heritage (SCTH) indicates that tourism GDP rose by 2.2 percent to SAR 64.3 billion in 2018, constituting 3.3 percent of non-oil GDP (gross value-added) as estimated for 2018.

Expenditure on domestic tourism trips rose by 4.1 percent to SAR 48.0 billion in 2018 against SAR 46.1 billion in 2017. This rise was attributed to increased expenditure on business- and conference-related tourism trips by 15.6 percent; visits to relatives and friends by 13.4 percent; and other purposes by 12.1 percent, while the number of religion-related trips declined by 7.3 percent.

On the negative side, expenditure on inbound tourism trips declined by 4.4 percent to SAR 93.5 billion in 2018 against SAR 97.8 billion in 2017. This decline was attributed to decreases in the expenditure on tourism trips for other purposes by 12.8 percent; business- and conferences-related purposes by 10.3 percent; visits to relatives and friends by 7.8 percent; and for religion-related purposes by 2.9 percent, while expenditure on vacation trips and shopping increased by 14.7 percent. Expenditure on outbound tourism trips declined by 1.9 percent to SAR 76.4 billion in 2018 against SAR 78 billion in 2017.

The number of hotels of various classes operating in Saudi Arabia rose by 7.8 percent to 2,404 in 2018, with Makkah region taking the lead with a share of 65.5 percent of operating hotels. Al-Madinah region came next with 17.7 percent, then Riyadh region and the Eastern Region with 4.5 and 4.4 percent, respectively. The number of furnished housing units stood at 4,888 in all cities of Saudi Arabia at the end of 2018. Riyadh region accounted for the largest share of 25.9 percent, followed by

Makkah region with 22.6 percent, and then the Eastern Region with 11.8 percent. According to SCTH projections, the tourism sector is expected to continue its contribution, directly and indirectly, in creating many job opportunities for the national workforce (Tables 2.4 and 2.5).

Agriculture, Water and Animal Husbandry

Water

The number of water desalination plants in Saudi Arabia stood at 29 spread over the eastern and western coasts. In 2018, the production of desalinated water by the Saline Water Conversion Corporation (SWCC) was 1,803.1 million cubic meters versus 1,552.9 million cubic meters in the preceding year, with an average daily production of 4,940 thousand cubic meters compared to 4,254.6 thousand cubic meters per day in the preceding year. The amount of electric energy produced at SWCC's plants in 2018 reached 40.8 million MWh.

The Ministry of Environment, Water & Agriculture (MEWA) data for 2018 indicates that total water

Table 2.4: Direct Jobs in Tourism Sector

Sub-sector	2017	2018**
Accommodation	114,957	149,478
Restaurants and cafés	289,491	292,888
Travel & tourism agencies	25,140	21,706
Tourist transportation services*	88,275	89,235
Entertainment services	18,078	17,693
Total	535,941	571,000
Saudization (%)	28.5	28.5

* Including airlines, railways, mass transit companies and car rental companies, excluding taxis.

** Estimates.

Source: MAS Center, Saudi Commission for Tourism and National Heritage.

Table 2.5: Expected Job Opportunities in Tourism Sector

(Thousand jobs)		
	2023	2028
Direct jobs	1,418	1,906
Indirect jobs	709	953
Total	2,127	2,859

Source: MAS Center, Saudi Commission for Tourism and National Heritage.

demand in 2018 stood at 26.0 billion cubic meters, led by agricultural purposes with 82 percent, followed by municipal purposes with 13.0 percent, then industrial purposes with 5.0 percent. The volume of drinking water consumption in Saudi regions from all sources reached 3.4 billion cubic meters. Residential consumption accounted for 2.9 billion cubic meters and commercial consumption for 514.2 million cubic meters, with the daily per capita water consumption reaching 281 liters/day in 2018. As for consumption by administrative regions in Saudi Arabia, Riyadh region came first with 31.5 percent, followed by Makkah region with 22.9 percent, then the Eastern region with 19.9 percent. The Saudi resolution on the banning of fodder cultivation is expected to contribute to decreasing groundwater consumption in Saudi Arabia, especially from groundwater wells belonging to agricultural companies that ceased fodder cultivation.

The number of dams constructed across Saudi Arabia rose to 509 in 2018, with a total storage capacity of 2.25 billion cubic meters. Nine wastewater treatment plants were completed, bringing the number of those operating in Saudi Arabia to 102 at the end of 2018. Moreover, sewerage system networks construction reached 1,200 km, while the number of sewerage connections constructed amounted to 52,000. Additionally, a number of

wastewater treatment plants were tendered to the private sector.

Agricultural Production

According to latest estimates issued by the General Authority for Statistics (GaStat) for 2018, agricultural production volume stood at 14.9 million tons with a cultivated area of 995 thousand hectares. A breakdown of agricultural production shows that production of fodder reached 9.8 million tons; vegetables 2.0 million tons; grain 1.5 million tons; and fruits 1.6 million tons. The cultivation of fodder amounted to 48.9 percent of total cultivation area in Saudi Arabia, followed by that of grain with 27.0 percent; fruits with 15.4 percent; and vegetables with 8.6 percent.

According to the latest data issued by GaStat and MEWA for the agricultural census, the number of fruit-bearing palm trees in Saudi Arabia was 22.7 million at the end of 2015. Moreover, Saudi Arabia's date exports stood at 144.9 thousand tons in 2017 compared to 128.2 thousand tons in 2016.

Animal Production

According to the latest statistics issued by GaStat, Saudi Arabia's livestock total (camels, sheep, goats, cows, poultry) was estimated at 67.0 million in 2017.

Table 2.6: Transport of Passengers and Cargo Operations by Type

Type of transport	2017	2018
	No. of passengers (million)	No. of passengers (million)
Air transport	91.8	99.8
Land transport	9.8	6.8
Railway	1.5	1.7
Inter-city transport	5.4	5.1
International transport	---	---
Maritime transport	1.3	1.3
Total	103.0	107.9

Source: Ministry of Transport, General Authority of Civil Aviation, Saudi Railways Organization, Saudi Ports Authority.

Transport and Communications

The transport, storage and communications activity contributed 1.69 percent of real GDP at constant prices or SAR 154.3 billion in 2018 compared to 2.24 percent in the previous year. Its contribution to GDP at current prices stood at 3.7 percent or SAR 171.3 billion in 2018 compared to 2.86 percent in the preceding year.

Transport

Transport operations (including inter-city travel in Saudi Arabia and overseas travel by air, land and sea) recorded a rise of 4.8 percent in 2018 as the number of passengers rose to 107.9 million from 103 million in the preceding year (Table 2.6).

The Ministry of Transport (MoT) conducted many significant projects during 2018, including the construction of roads totaling 737.3 km; 54.7 km of these were highways, 12.7 km were secondary roads, 524.9 km were feeder roads, and 145 km were paved roads. A number of construction projects are underway, totaling 11,913 Km with a cost exceeding SAR 39 billion.

According to data and information issued by the High Commission for the Development of Riyadh for 2018, the completion percentage of the Riyadh Metro project reached 77 percent. Moreover, work is underway on all 6 lines of the metro network in more than 250 locations in different parts of the city, totaling 176 km with 85 stations. While deep tunnels and bridge works have been completed, the percentage of completion of lines reached 93 percent and that of railway installation for metro network lines reached 96 percent. Work is also underway to prepare and supply equipment for the Riyadh Bus Project as road construction and adjustment works are in progress, as well as building stations and bus stops in 650 locations in Riyadh city for the bus system.

Regarding railways, the latest data and information from the Commission of Public Transportation and the Public Investment Fund show that the Haramain High-Speed Railway Project—totaling 450 Km and consisting of 5 stations—has officially started operating in October 2018. Work is on track to complete the required logistics for the Land Bridge Project, the GCC Rail Network, and the Southern Railway Line Project, in addition to the North-South Railway Line Project (SAR).

According to latest data and information issued by the General Authority of Civil Aviation, the number of airports operating in Saudi Arabia stood at 27 (4 international airports, 10 regional airports, and 14 domestic airports). Seven domestic airports are witnessing expansion projects, and three airports are under construction. Furthermore, 5 national airlines are licensed to operate in Saudi Arabia, namely: The Saudia Airlines, flynas, SaudiGulf Airlines, Nesma Airlines, and flyadeal.

According to Saudi Ports Authority data, work is underway on 14 projects and 37 projects have been awarded in 2018. They involved ports infrastructure development and qualification; establishment of rain drainage systems; increasing the depth of port docks, approach channels and turning basins; and the construction of a number of docks to increase the capacity of seaports. Data also shows that the total volume of cargos handled at ports reached 267 million tons in 2018, while the number of standard containers handled stood at 6.3 million. Additionally, the number of ships docked at ports was 12,832 while the number of passengers received at ports reached 1.25 million in 2018.

Telecommunication and Information Technology

According to data of the Communications and Information Technology Commission, the number of working landline telephones in Saudi Arabia was 3.1 million at the end of 2018, with the household

penetration ratio reaching 31.8 percent. Residential subscriptions accounted for 55.3 percent, while the business sector accounted for 44.7 percent of total working landlines. The number of subscribers to mobile communication services reached 41.3 million at the end of 2018, with household penetration ratio reaching 126.9 percent. Prepaid subscriptions constituted 68.8 percent, and postpaid subscriptions constituted 31.2 percent of total subscriptions.

The number of broadband subscriptions through landlines (DSL, WiMAX, optical fiber, and other

wired lines) reached 1.9 million, with household penetration ratio reaching 33.7 percent. The total number of subscriptions to broadband services through mobile networks was 29.1 million, with a population penetration ratio of 89.5 percent. Additionally, the Internet penetration ratio in Saudi Arabia rose to 93.3 percent at the end of 2018 (Table 2.7). Telecommunication companies yielded total direct revenues of SAR 73.3 billion from their operations in Saudi Arabia in 2018, recording an increase of 3.2 percent over the previous year (Chart 2.1).

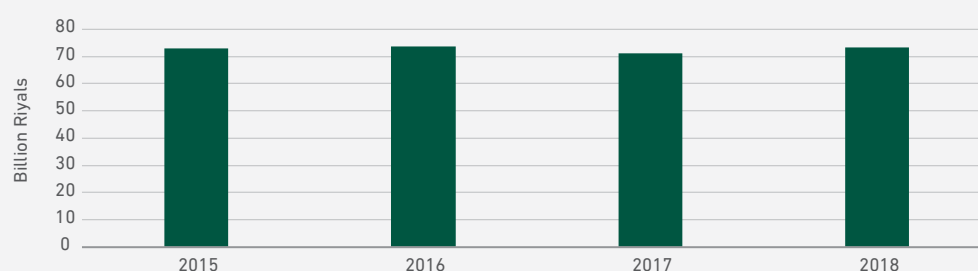
Table 2.7: 2018 Communication Services by Region*

(Thousand)		
Region	Fixed telecommunication subscriptions Total subscriptions	Fixed broadband subscriptions Total subscriptions
Riyadh	1,208	592
Makkah	737	508
Madinah	122	93
Qassim	98	68
Eastern Region	580	361
Asir	143	93
Tabuk	47	39
Hail	32	25
Northern Borders Region	19	15
Jazan	49	47
Najran	32	24
Baha	33	21
Jawf	22	16
Total	3,123	1,901

* Estimates and analysis of the Communications and Information Technology Commission for 2018.

Source: Communications and Information Technology Commission.

Chart 2.1: Telecom Services Revenue



Source: Communications and Information Technology Commission.

Saudi Post

The total number of post offices in Saudi Arabia reached 582 at the end of 2018, while the number of postal agencies reached 53, with the total number of mailboxes standing at 623.8 thousand. Moreover, the total number of subscribers to the National Address service for individuals and businesses exceeded 10 million, with the former accounting for 8.7 million of the total. The Saudi Post aims to operate on a commercial basis via the privatization of its activities, developing post regulatory frameworks, restructuring its vision and mission, and supporting the expansion of its business locally, regionally and globally through its subsidiaries, such as Naqel, Ersal Money Transfer and Etihad Jawraa Company for Communication and Information Technology. The Saudi Post has launched many new services, such as MAWTHOUQ service, the e-platform 'Makani', banking agency activities and automated parcel stations. In 2018, it has been awarded the second renewed certificate of UPU International Addressing Standard S42.

Education, Health and Social Services

Public Education

The total number of public education students (males and females) amounted to 5.9 million during the academic year 2017/2018. The number of teachers (males and females) at all levels of public education (including kindergarten, elementary, intermediate and secondary schools; adult education; and special education) totaled 500.4 thousand. The number of schools stood at 36.6 thousand, 19.9 thousand of which are schools for girls, accounting for 54.4 percent of the total.

Higher Education

The total number of students enrolled in higher education institutions in Saudi Arabia during the academic year 2018/2019 stood at 1.6 million. The number of newly-enrolled students at various institutions of higher education totaled 348.6 thousand; 60.8 percent of those were at

the bachelor level, 2.2 percent at diploma level, 3.1 percent at Master's level, and 0.5 percent at PhD level. Male freshmen students constituted 54.2 percent, while their female counterparts accounted for 45.8 percent. The number of male and female students studying abroad during the academic year 2017/2018 totaled 122.5 thousand. Students on scholarship programs provided by various government entities accounted for 81.0 percent, while those studying at their own expense accounted for 19.0 percent. In addition, the total number of graduates from all levels of higher education in Saudi Arabia stood at 254.1 thousand during the academic year 2017/2018. Of these, 53.5 percent were female graduates and 46.5 percent were male graduates. The total number of faculty staff at institutions of higher education in Saudi Arabia in the academic year 2017/2018 stood at 76.1 thousand.

Technical, Vocational and Administrative Training

The number of trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 191.6 thousand during the academic year 2017/2018, receiving their education and training in 223 colleges and institutes in various regions of Saudi Arabia. The total number of the teaching staff at TVTC stood at 11.3 thousand, and the number of trainees (males and females) under private training programs supervised by TVTC totaled 281 thousand in 897 educational units. The total number of male and female graduates stood at 36.5 thousand in the academic year 2017/2018.

The Institute of Public Administration (IPA) continued its training programs that aim at achieving administrative development and meeting customer needs. In addition to the establishment of its Business Center in the academic year 2017/2018, the IPA organized a number of general and private training courses, applied seminars, symposia, meetings and conferences at its head

office in Riyadh as well as its male and female branches. The number of trainees participating in such activities came to 78.7 thousand, 12.5 thousand of which were females. The number of graduates from executed preparatory programs totaled 1,200, of whom 978 were graduates from public preparatory programs and 222 from private preparatory programs. The total number of training staff at the IPA reached 851; 80.9 percent were Saudis.

Health Affairs

Data issued by the Ministry of Health (MoH) in 2018 indicates that the number of hospitals operating in Saudi Arabia rose to 492, increasing by 17 over the preceding year. Of these, 284 are run by MoH, 47 by other government sectors, and 161 by the private sector. In 2018, the number of healthcare centers totaled 2,390 and that of private health complexes reached 2,930, while the number of physicians (including dentists) working in Saudi Arabia stood at 102.8 thousand (3 per 1,000 capita). The number of male and female nurses totaled 184.7 thousand, and the number of assistant healthcare roles (including pharmacists and other healthcare assistants) stood at 337.1 thousand. The total number of beds in Saudi Arabia's hospitals rose to 74.8 thousand (2.24 per 1,000 capita).

Social Services

- The Social Charity Fund (SCF) of the Ministry of Labor and Social Development (MLSD) aims at solving poverty in Saudi Arabia, by providing citizens access to the job market, developing productive family programs, contributing to creating small business incubators, developing social participation, and encouraging the private sector to contribute to social development. SCF expenditures stood at SAR 88.2 million for programs and projects and SAR 8 million for programs financed as per the Zakat eligibility criteria. The following are some of the key achievements of the SCF:

- Scholarship programs, where 1,281 students have obtained bachelor's degrees with a total expenditure of SAR 44.2 million, while 883 students are in class and still receiving funding from the SCF.
- Small Enterprises and Productive Family Support Program, where the SCF follows up on outstanding loans in cooperation with a number of non-profit organizations.
- Women Qualification Program that targets vulnerable segments of society (special needs, poor families, social welfare beneficiaries, and Comprehensive Rehabilitation Centers). This program has enabled 196 women by giving them access to the job market — the cost of this project totaled SAR 1.4 million.
- Kafalah Program for auto finance, whereby a car loan is awarded to social welfare beneficiaries or their dependents via the "Masarat" program at the Social Development Bank, so they can have their own cars to work for ride-hailing apps. This program culminated in the SCF sponsoring social welfare beneficiaries and allowing them to own 200 vehicles with a cost of SAR 16 million.

Citizen Account

The Saudi government introduced the Citizen Account Program in the last quarter of 2017 with a view to redistributing subsidies and meeting the citizens' need for government benefits in a manner that ensures high efficiency, reduced effects of economic reforms, and increased efficiency of government subsidies. The Program is also aimed to encourage rationalization of consumption and putting in place a safety net for eligible households whereby support is paid in cash based on household size. The results of eligibility, which were issued by the MLSD at the end of 2018, show that the total number of beneficiaries (along with dependents) reached 14.3 million supported by a total of SAR 27.9 billion. Of these beneficiaries, 44.0 percent received a full allowance, while 31.0

percent received partial support and 9.0 percent the minimum support (SAR 300).

SME Financing Guarantee Program (Kafalah)

The Saudi Industrial Development Fund (SIDF)'s Kafalah Program has provided financial support of SAR 3.0 billion to 3,395 SMEs in 2018 as compared to SAR 1.8 billion to 3,220 SMEs in 2017. A breakdown of support by sector shows that enterprises benefiting from the Kafalah Program amounted to 1,261 with a total financing of SAR 1.7 billion in the trade sector; 1,155 (SAR 1.6 billion) in the building and construction sector; 275 (SAR 534.4 million) in the industrial sector; 211 (SAR 315.0 million) in the tourism and entertainment sector; 242 (SAR 323.0 million) in the financial and business services sector; 186 (SAR 279.2 million) in the social and personal services sector; 9 (SAR 12.7 million) in the mining and oil sector and their subgroups; 11 (SAR 12.6 million) in the agriculture and fishing sector; and 9 (SAR 6.4 million) in the electricity, gas and water sector.

Housing

In continuation of its role in achieving its strategic objectives of increasing housing units supply and enabling demand for citizens, the Ministry of Housing has launched several programs to stimulate the private and public sectors. This is made through building strategic partnerships and financing a number of companies to stimulate construction technologies in the private sector. Moreover, support is being provided to rent defaulters of citizens via "Rent Support Program.". It has also developed housing indicators and launched its e-portal for value-added tax management as well as several services to examine the quality of houses built from the ground up by individuals and ready-made buildings in the market. At the end of 2018, the number of ready-made housing units amounted to 16.0 thousand. Riyadh region accounted for the largest share with 21.6 percent, followed by the

Eastern Region with 20.4 percent, and Makkah region with 13.4 percent of the total ready-made housing units. In 2018, the total number of off-plan housing units amounted to 104.5 thousand; 80.0 thousand residential land; and 100 thousand housing units secured through subsidized housing finance, with a total value of SAR 20.0 billion.

Pension and Social Insurance

The number of subscribers to the civil pension scheme of the Public Pension Agency (PPA) increased by 1.6 percent to 1.17 million at the end of 2018 compared to 1.15 million at the end of the previous year. The funds (pension deductions and their counterpart ratios) collected from on-the-job subscribers declined to SAR 46.07 billion from SAR 46.09 billion in the previous year. Total disbursements by the PPA to beneficiaries amounted to SAR 73.7 billion, rising by 8.6 percent over the preceding fiscal year. The number of surviving pensioners increased by 6.2 percent to 645 thousand. The number of deceased pensioners also rose by 0.8 percent to 231 thousand, while that of heirs benefiting from pension payments declined by 2.4 percent to 502 thousand.

Further, the number of private establishments subscribing to the social insurance scheme, the General Organization for Social Insurance (GOSI), rose by 0.3 percent to 453.8 thousand and that of government establishments by 0.1 percent to 1,236. The number of subscribers covered by the social insurance scheme went up by 3.1 percent to 27.9 million at the end of 2018 from 27.1 million at the end of the preceding year. The number of on-the-job subscribers decreased by 10.7 percent to 8.85 million from 9.91 million at the end of the preceding year.

Population

Estimates of the GaStat indicate that the total population of Saudi Arabia in mid-2018 rose by 2.5 percent to 33.4 million compared to 32.6 million

in mid-2017. Saudis constituted 62.2 percent (20.7 million) of the total. Estimates of Saudi Arabia's population by gender indicate that the male population accounted for 57.6 percent, while the female population represented 42.4 percent of the total population. The Saudi male population represented 50.9 percent, while Saudi females constituted 49.1 percent of total Saudis. Non-Saudi male population accounted for 68.5 percent and non-Saudi female population 31.5 percent of total non-Saudi population of Saudi Arabia (Table 2.8).

A breakdown of Saudi Arabia's population by administrative regions in mid-2018 indicates that Makkah region ranked first with 8.8 million (26.3 percent), followed by Riyadh region in second place with 8.4 million (25.3 percent). The Eastern Region came third with 5.0 million (15.0 percent).

Government Labor Force

The latest statistics issued by the Ministry of Civil Service indicate that the number of employees in the government sector (Saudis and non-Saudis) stood at 1.23 million at the end of 2018. Saudis represented 96.0 percent of total employees in the government sector, with the number of Saudi male employees reaching 701.5 thousand at the end of 2018 while that of Saudi female employees standing at 477.4 thousand. The number of non-Saudi male workers in the government sector amounted to 26.6 thousand, while that of non-Saudi female workers was 23.1 thousand (Table 2.8).

Labor Market

The latest figures issued by MLSA show that the number of employees in the private sector (Saudis and non-Saudis) reached 6.0 million at the end of 2018, decreasing by 11.4 percent from the previous

Table 2.8: Selected Indicators for Population and Labor Force

Area		2017			2018		
		Male	Female	Total	Male	Female	Total
Population	Saudis	10,404,865	10,022,711	20,427,576	10,575,895	10,192,732	20,768,627
	Non-Saudis	8,341,557	3,843,713	12,185,270	8,665,061	3,979,972	12,645,033
	Total	18,746,422	13,866,424	32,612,846	19,240,956	14,172,704	33,413,660
Births	Total	254,511	233,619	488,130	---	---	---
Mortality	Total	49,441	30,090	79,531	---	---	---
Unemployment rate (%)	Saudis	7.4	33.1	12.8	6.6	32.5	12.7
	Non-Saudis	0.7	3.3	0.9	0.6	4.4	1.0
	Total	3.3	22.9	6.0	2.9	22.6	6.0
Government sector employees	Saudis	707,599	480,983	1,188,582	701,470	477,399	1,178,869
	Non-Saudis	27,147	23,838	50,985	26,577	23,146	49,723
	Total	734,746	504,821	1,239,567	728,047	500,545	1,228,592
Private sector employees	Saudis	1,211,640	562,033	1,773,673	1,161,574	542,399	1,703,973
	Non-Saudis	7,722,791	205,496	7,928,287	6,681,256	214,258	6,895,514
	Total	8,934,431	767,529	9,701,960	7,842,830	756,657	8,599,487
Banking sector employees	Total	42,312	6,808	49,120	40,143	7,013	47,156

Source: GaStat, MCS, GOSI, SAMA.

Note: 1. Number of employees is from the administrative records.

2. Unemployment rates are from the Labor Force Survey.

year, and the ratio of Saudis working in the private sector to total employees in the sector stood at 19.8 percent.

A breakdown of employees in the private sector shows that the number of Saudi male employees amounted to 1.2 million at the end of 2018, declining by 4.1 percent, while that of Saudi female employees reached 0.6 million, decreasing by 3.5 percent from the preceding year. The number of non-Saudi male employees at the end of 2018 stood at 6.7 million, decreasing by 13.5 percent, and that of non-Saudi female employees was 0.2 million, rising by 4.3 percent over the preceding year (Table 2.8).

The total number of Saudi job seekers reached 267.2 thousand at the end of 2018, of which 85.7 percent are females and 14.3 percent are males. By administrative regions, the majority of job seekers are concentrated in Riyadh region, Makkah region and the Eastern Region, accounting for 22.3 percent, 19.9 percent and 14.0 percent, respectively.

Unemployment

The latest GaStat data indicate that the overall unemployment rate in Saudi Arabia remained stable at 6.0 percent in 2018, with the number of unemployed Saudis accounting for 12.7 percent of the total Saudi labor force. Unemployed Saudi males accounted for 6.6 percent of the total Saudi male labor force; unemployed Saudi females 32.5 percent of the total Saudi female labor force; and unemployed non-Saudis 1.0 percent of the total non-Saudi labor force in Saudi Arabia.

Specialized Credit Institutions (SCIs)

SCIs continued to provide loans that contribute to the achievement of the development objectives in Saudi Arabia. Actual loans disbursed by SCIs in 2018 totaled SAR 15.2 billion, decreasing by 17.5 percent compared to SAR 18.4 billion in the preceding year. Total loan repayments amounted to SAR 20.7 billion, decreasing by 2.3 percent from the preceding year.

The balance of outstanding loans went down by 2.6 percent at the end of 2018 to SAR 230.7 billion compared to the end of the preceding year.

Saudi Industrial Development Fund (SIDF)

Loan disbursements approved by the SIDF amounted to SAR 9.4 billion in 2018, increasing by 26.5 percent over the preceding year. Loan repayments stood at SAR 4.7 billion, rising by 10.1 percent over the preceding year. Total outstanding loans amounted to SAR 42.9 billion at the end of 2018, increasing by 11.2 percent over the preceding year.

Real Estate Development Fund (REDF)

Loan disbursements approved by the REDF amounted to SAR 3.0 billion in 2018, down by 47.0 percent from the preceding year. Loan repayments stood at SAR 6.1 billion, decreasing by 1.1 percent from that of the preceding year. Total outstanding loans amounted to SAR 153.5 billion at the end of 2018, decreasing by 2.4 percent from the preceding year.

Agricultural Development Fund (ADF)

Loan disbursements approved by the ADF amounted to SAR 419 million in 2018, down by 13.5 percent from the preceding year. Total loans repayments stood at SAR 874 million, increasing by 41.3 percent over the preceding year. Outstanding loans totaled SAR 7.3 billion at the end of 2018, decreasing by 5.8 percent from the preceding year.

Social Development Bank (SDB)

The SDB's total approved loan disbursements stood at SAR 2.4 billion in 2018 decreasing by 50.8 percent against the preceding year. Loan repayments stood at SAR 9.0 billion, decreasing by 10.8 percent from that of the preceding year. Outstanding loans balance amounted to SAR 26.9 billion at the end of 2018, decreasing by 19.0 percent from the preceding year.

Sovereign Wealth Fund Public Investment Fund (PIF)

In order to achieve its objectives efficiently and maximize returns in line with Saudi Vision 2030, the PIF Program—during 2018-2020—aims at enhancing the role of the PIF in accelerating the national economic transformation, achieving a positive and sustainable change, contributing effectively to the development of the domestic economy, and expanding the PIF's portfolio of international assets via the tailoring of strategic partnerships and launching major initiatives.

One of the key achievements of the PIF during 2018 was its acquisition of 15% of Aqua Power shares, a leading company in international water and energy businesses and the owner, developer, and operator of power generation projects and plants and water desalination. PIF also established an investment arm, "Fund of Funds", which aims at supporting SMEs. It also founded the Saudi Entertainment Ventures (SEVEN), a wholly-owned subsidiary of PIF, which signed an agreement with AMC Group to manage its cinema venues. Moreover, the Saudi Real Estate Refinance Company (SRC) has obtained the first license to practice real estate refinance business in the Gulf region. PIF announced the launch of "Amala" project, a tourist destination on the Red Sea coast, and "Wadi al-Disa" development project within Prince Mohammed bin Salman Wildlife Reserve to maintain the ecological and natural components and promote ecotourism. PIF also completed the establishment of the Red Sea Development Company (specialized in the field of tourism) on the west coast of Saudi Arabia; and Al-Qiddiya Company, which specializes in the areas of tourism, culture and sports—it has signed a contract with Six Flags, one of the world's leading international amusement park companies. In addition, the PIF signed an investment agreement with Lucid Motors in the field of electric vehicles; made investments with a number of global investors in Magic Leap, a company specialized in developing

mixed-reality technologies; and acquired 55% of AccorInvest shares, a leading hotel operator.

Domestic Loan and Subsidy Programs

The latest data from the Ministry of Finance indicates that actual loans disbursed under the Domestic Loan Program totaled SAR 438 million in 2018, declining by 19.4 percent from the preceding year. Loan repayments stood at SAR 383 million, increasing by 69.0 percent over the preceding year. In 2018, ten loans were approved, five of which were earmarked for educational projects; four for healthcare projects; and one for tourism and hospitality projects.

Total subsidies dispersed in 2018 stood at SAR 3.2 billion. The fodder subsidy stood at SAR 2.3 billion; the infant formula subsidy SAR 338.7 million; the Equestrian Club subsidy SAR 135 million; the King Abdulaziz Public Library subsidy SAR 72.8 million; the International Dialogue Center (KAICIID) subsidy SAR 71.3 million; the King Abdulaziz Center for National Dialogue subsidy SAR 42.8 million; and the Financial Committee Secretariat subsidy SAR 30 million.

Economic and Fiscal Reforms and Key Resolutions

In continuation of the efforts exerted by Saudi Arabia to raise the efficiency of economic performance and achieve optimal utilization of available resources, a number of resolutions were issued in 2018 with a view to further develop the economic ecosystem in Saudi Arabia, the most notable of which were as follows:

- Approval of the National Water Strategy.
- Approval of the controls for allocating the funds of intestate deceased foundlings who have no legal heirs, to the Charitable Foundation for Orphans Care.
- The establishment of a deputyship at the Ministry of Labor and Social Development responsible for Saudi employment in the

private sector to assume the duties and responsibilities of the former Job Creation and Employment Commission.

- Approval of the National Policy for the Atomic Energy Program in Saudi Arabia.
- Approving the statute of the Saudi Energy Efficiency Center.
- Approval of a memorandum of understanding to establish a joint Arab electricity market.
- Approval of the accession of Saudi Arabia to the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention 1975).
- Approval of Food Security Strategy and its Implementation Plan.
- Approval of the National Environment Strategy.
- Approval of the Anti-Harassment Law.
- Approving the formation of the board of the National Information Center under the presidency of His Royal Highness, the Crown Prince and First Deputy Prime Minister.
- Approving the statute of the Saudi Authority for Intellectual Property.
- Approving the transformation of the Non-Oil Revenue Development Unit into a center under the name "Non-Oil Revenue Development Center" and approving its regulatory arrangements.
- Approving the transformation of the Bureau of Capital and Operational Spending Rationalization into a center under the name "Center of Spending Efficiency" and approving its regulatory arrangements.
- Approval of the transformation of the State Property Department into a public authority named "the General Authority for State Property" and approving its regulatory arrangements.
- Approving amendment to the Anti-Bribery Law.
- Approving that the State shall bear the cost of penalties due on employers if it is proved that the delay in renewing a worker's

residence permit (Iqama) was because of the State's delayed payment of said employers' entitlements, provided that such workers were working in the same project for which payment of such entitlements was delayed.

- Approving that social security beneficiaries be paid for water bills as per the rational water consumption limits on a monthly basis using the same procedure used for the electricity bill subsidy reimbursements.



03

**ENERGY,
INDUSTRY
AND MINERAL
RESOURCES**

Energy, Industry and Mineral Resources

World oil prices increased significantly in 2018. According to OPEC data, the Arab Light oil price averaged \$70.59 per barrel, reflecting a rise of 34.2 percent from its price of \$52.59 per barrel in 2017. This increase was due to an improvement in world oil demand. Saudi Arabia's production of crude oil also rose by 3.6 percent to 3,765.1 million barrels in 2018 with a daily production average of 10.32 million barrels.

World Oil Demand

According to March 2019 estimates of the International Energy Agency (IEA), the average world oil demand rose by 1.1 percent to 99.20 million barrels per day (bpd) in 2018, compared to 98.10 million bpd in 2017 (Table 3.1 and Chart 3.1). The increase was attributed to a 1.8 percent rise in the average demand of non-OECD countries to 51.50 million bpd, compared to 50.60 million bpd in 2017. OECD oil demand also grew, averaging 47.70 million bpd, an increase of 0.4 percent.

The rise in non-OECD oil demand was led by Eastern Europe with a 14.3 percent increase (to 0.8 million

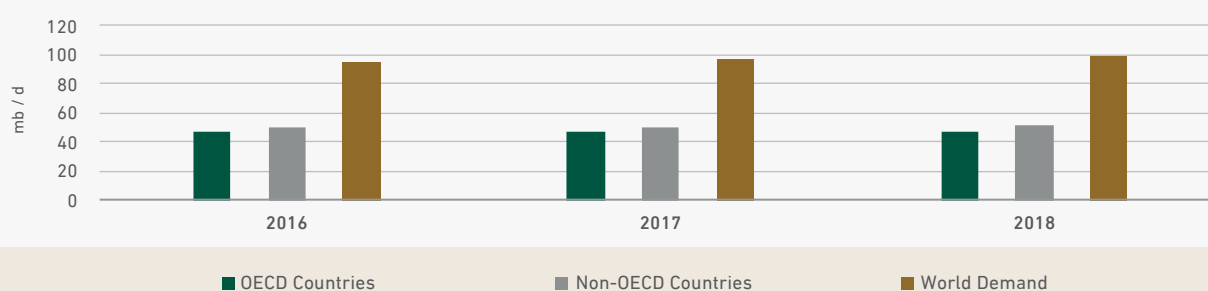
Table 3.1: Average World Oil Demand*

(mb/d)					
	2016	2017	2018	% change	
				2017	2018
North America	24.90	25.10	25.50	0.8	1.6
Western Europe	14.00	14.30	14.30	2.1	0.0
Pacific countries	8.10	8.10	7.90	0.0	-2.5
OECD	47.00	47.50	47.70	1.1	0.4
Non-OECD:					
Former Soviet Union	4.50	4.50	4.70	0.0	4.4
China	12.00	12.60	13.00	5.0	3.2
Eastern Europe	0.70	0.70	0.80	0.0	14.3
South America	6.40	6.50	6.40	1.6	-1.5
Other Asia	13.10	13.50	13.90	3.1	3.0
Middle East	8.50	8.50	8.40	0.0	-1.2
Africa	4.30	4.30	4.30	0.0	0.0
Total non-OECD demand	49.50	50.60	51.50	2.2	1.8
Total world demand	96.50	98.10	99.20	1.7	1.1

* Including primary stock, marine bunkers and refinery fuel.

Source: Oil Market Report, March 2019.

Chart 3.1: Average World Oil Demand



bpd), followed by the former Soviet Union countries with a 4.4 percent increase (to 4.70 million bpd), China with a 3.2 percent increase (to 13.0 million bpd), and Other Asian Countries with a 3.0 percent increase (to 13.90 million bpd). The demand was stable in Western Europe and Africa. In contrast, the Pacific countries oil demand decreased by 2.5 percent (to 7.90 million bpd), South America by 1.5 percent (to 6.40 million bpd), and Middle East by 1.2 percent (to 8.40 million bpd).

World Oil Production

According to IEA estimates in March 2019, world oil production in 2018 averaged 100.10 million

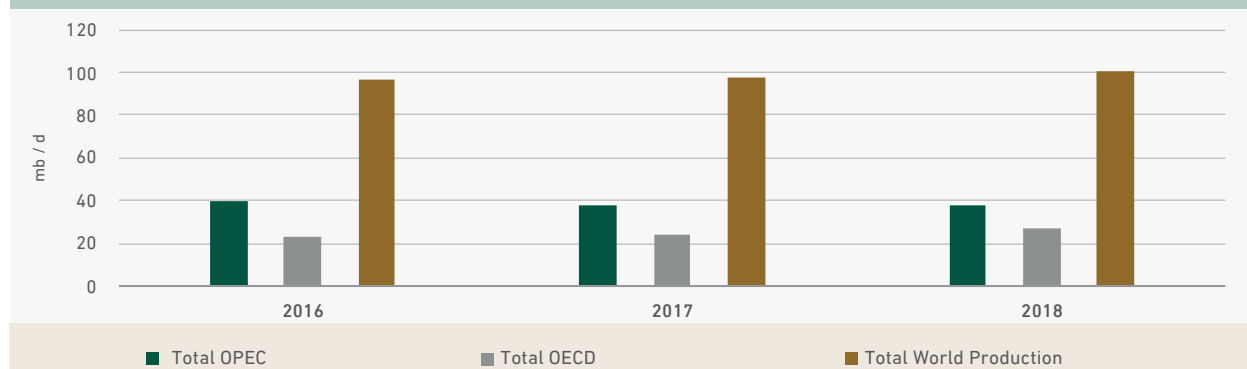
bpd, increasing by 2.8 percent as compared to 97.40 million bpd in 2017 (Table 3.2). The average US production increased by 16.7 percent in 2018 compared to a rise of 5.9 percent in 2017. The average OECD production rose by 10.1 percent compared to a rise of 3.3 percent in 2017. In addition, the UK recorded a rise of 8.9 percent compared to a decline of 1.9 percent. The average Canadian production also increased by 7.9 percent compared to an increase of 7.8 percent in 2017. In contrast, average oil production in Mexico declined by 6.7 percent in 2018 compared to a 9.7 percent decline in 2017. Moreover, the average oil production in Norway fell by 6.1 percent compared

Table 3.2: World Average Oil Production*

(mb/d)					
	2016	2017	2018	% change	
				2017	2018
OPEC	39.59	37.52	37.42	-5.2	-0.3
OECD	23.42	24.20	26.65	3.3	10.1
Non-OPEC					
Former Soviet Union	14.24	14.30	14.56	0.4	1.8
USA	12.53	13.27	15.48	5.9	16.7
China	3.98	3.87	3.84	-2.8	-0.8
Canada	4.47	4.82	5.20	7.8	7.9
Mexico	2.47	2.23	2.08	-9.7	-6.7
UK	1.03	1.01	1.10	-1.9	8.9
Norway	1.99	1.97	1.85	-1.0	-6.1
Brazil	2.61	2.74	2.74	5.0	0.0
Total world supply	96.96	97.40	100.10	0.5	2.8

* Including condensates and natural gas liquids.
Source: Oil Market Report, various issues.

Chart 3.2: Average World Crude Oil Production



to a decline of 1.0 percent in 2017, China fell by 0.8 percent compared to a 2.8 percent 2017 decline, and the OPEC average output by 0.3 percent compared to a decline of 5.2 percent in 2017 (Chart 3.2).

World Oil Prices

Average world oil prices increased in 2018. The price of the Arab Light crude oil averaged \$70.59 per barrel, a rise of 34.2 percent (\$18.00 per barrel), compared to an average price of \$52.59 per barrel in 2017 (Table 3.3). The price of OPEC basket

increased by 33.1 percent to an average of \$69.78 per barrel in 2018 compared to \$52.43 per barrel in 2017. The average price of Brent Crude rose by 31.5 percent to \$71.22 per barrel in 2018 from \$54.17 per barrel in 2017. West Texas Intermediate price averaged \$65.16 per barrel in 2018, rising by 28.2 percent, compared to \$50.82 per barrel in 2017 (Chart 3.3).

Real Oil Prices

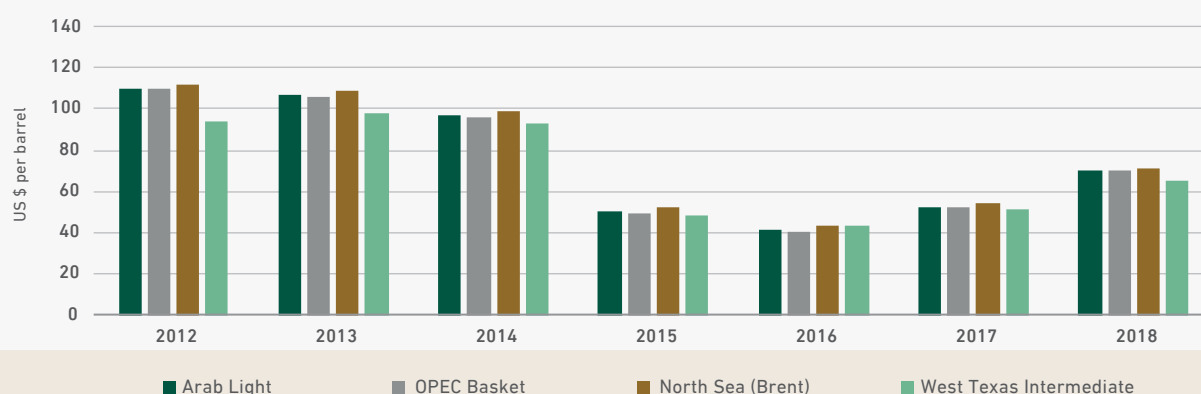
Real oil prices increased in 2018, based on calculations using the OPEC Basket Deflator

Table 3.3: Spot Prices for Selected Crude Streams (Average)

(USD per barrel)				
Year	Arab light	OPEC basket	North Sea (Brent)	West Texas Intermediate
2002	24.32	24.36	25.03	26.13
2003	27.69	28.10	28.81	31.09
2004	34.53	36.05	38.23	41.44
2005	50.21	50.64	54.37	56.51
2006	61.10	61.08	65.14	66.04
2007	68.75	69.08	72.55	72.29
2008	95.16	94.45	97.37	100.00
2009	61.38	61.06	61.68	61.88
2010	77.82	77.45	79.60	79.42
2011	107.82	107.46	111.36	94.99
2012	110.22	109.45	111.62	94.10
2013	106.53	105.87	108.62	97.96
2014	97.18	96.29	99.08	93.17
2015	49.85	49.49	52.41	48.73
2016	40.96	40.76	43.76	43.27
2017	52.59	52.43	54.17	50.82
2018	70.59	69.78	71.22	65.16

Source: OPEC.

Chart 3.3: Average Spot Oil Prices



with base year 2005. The real price of Arab Light averaged \$61.89 per barrel, rising by 27.7 percent, compared to \$48.46 per barrel in 2017 (Table 3.4). The average real price of Brent Crude also climbed by 25.1 percent to \$62.44 a barrel in 2018 from \$49.92 a barrel in the preceding year. The average real price of the OPEC basket picked up by 26.6 percent to \$61.18 a barrel, compared to \$48.31 a barrel in the preceding year (Chart 3.4).

It should be noted that 2018 real oil prices were lower than those in 1980 although 2018 nominal prices were higher than those in 1980. For instance, the average real price of Brent Crude stood at \$62.44 a barrel during 2018, lower by \$20.62 a

barrel than its real price in 1980 (\$83.10 a barrel). In contrast, its nominal price stood at \$71.22 per barrel in 2018, higher by \$33.33 a barrel than its nominal price in 1980 (\$37.89 a barrel).

Saudi Arabia's Reserves of Crude Oil and Natural Gas

Saudi Arabia's proven reserves of crude oil stood at 267.02 billion barrels at the end of 2018, rising by 0.28 percent compared to 266.26 billion barrels in the preceding year. Proven reserves of natural gas also increased by 4.21 percent to 320.45 trillion standard cubic feet at the end of 2018, compared to 307.49 trillion standard cubic feet at the end of 2017.

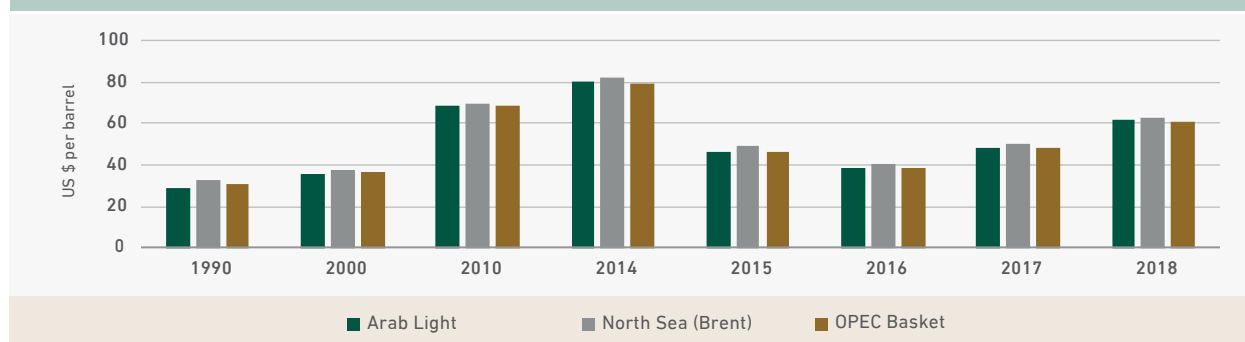
Table 3.4: Nominal and Real Oil Prices (Base year 2005)

Year	(USD per barrel)					
	Nominal Oil Prices			Real Oil Prices*		
	Arab Light	North Sea (Brent)	OPEC basket	Arab Light	North Sea (Brent)	OPEC basket
1980	28.67	37.89	28.64	62.9	83.1	62.79
1990	20.82	23.99	22.26	28.4	32.7	30.36
2000	26.81	28.44	27.6	35.6	37.8	36.69
2010	77.82	79.6	77.45	68.6	70.17	68.27
2011	107.82	111.36	107.46	88.79	91.7	88.5
2012	110.22	111.62	109.45	93.06	94.24	92.4
2013	106.53	108.62	105.87	88.95	90.7	88.4
2014	97.18	99.08	96.29	80.34	81.91	79.6
2015	49.85	52.41	49.49	46.47	48.86	46.13
2016	40.96	43.76	40.76	38.32	40.94	38.13
2017	52.59	54.17	52.43	48.46	49.92	48.31
2018	70.59	71.22	69.78	61.89	62.44	61.18

* Real prices have been calculated by using the OPEC Basket Deflator with base year 2005.

Source: OPEC.

Chart 3.4: Real Oil Prices (Base year = 2005)



Saudi Crude Oil Output

Saudi Arabia's production of crude oil rose by 3.6 percent to 3,765.1 million barrels in 2018 compared to 3,635.3 million barrels in 2017. Accordingly, Saudi Arabia's average daily output amounted to 10.32 million bpd in 2018 (Table 3.5).

Domestic Production and Consumption of Refined Products

Saudi Arabia's production of refined products decreased by 2.0 percent to 1,028.30 million barrels in 2018 compared to 1,048.89 million barrels in 2017. Thus, its daily output of refined products averaged 2.81 million bpd (Table 3.6).

The lower production of refined products was driven by decreases in diesel production by 0.6 percent, accounting for 38.1 percent of total refined products output; gasoline production by 2.2 percent, accounting for 19.4 percent of the total;

fuel oil production by 2.3 percent, accounting for 16.2 percent; naphtha production by 19.1 percent, accounting for 5.8 percent; and asphalt production by 16.3 percent, which constituted 1.4 of the total. On the other hand, jet fuel production rose by 5.8 percent (accounting for 9.3 percent of total refined products output) and liquefied petroleum gas (LPG) production by 9.7 percent (accounting for 1.7 percent of the total).

Total domestic consumption of refined products, crude oil and natural gas decreased by 2.96 percent to 1,562.28 million barrels (4.28 million bpd) in 2018 from 1,609.94 million barrels (4.41 million bpd) in 2017 (Table 3.7).

A breakdown of public consumption shows that natural gas accounted for 42.3 percent, diesel 13.3 percent, gasoline 14.1 percent, fuel oil 12.7 percent and crude oil 10.9 percent. A breakdown of oil

Table 3.5: Saudi Crude Oil Output

(Million barrels)						
	2015	2016	2017	2018	% change	
					2017	2018
Total output	3,720.3	3,828.4	3,635.3	3,765.1	-5.0	3.6
Daily average	10.19	10.46	9.96	10.32	-4.8	3.6

Source: Ministry of Energy, Industry and Mineral Resources (MEIM).

Table 3.6: Saudi Output of Refined Products

(Million barrels)							
Product	2014	2015	2016	2017	2018	% change	
						2017	2018
LPG	16.17	16.76	15.61	15.55	17.06	-0.3	9.7
Gasoline	160.94	179.90	202.35	203.56	199.05	0.6	-2.2
Naphtha	70.27	68.77	75.77	74.28	60.10	-2.0	-19.1
Jet fuel (Kerosene)	77.32	76.95	89.50	90.54	95.80	1.2	5.8
Diesel	274.84	351.47	384.62	393.93	391.55	2.4	-0.6
Fuel Oil	175.68	163.16	168.31	170.13	166.20	1.1	-2.3
Asphalt	20.06	21.60	18.25	16.81	14.07	-7.9	-16.3
Coke	8.57	26.82	79.85	84.08	84.45	5.3	0.4
Total	803.84	905.43	1,034.26	1,048.89	1,028.30	1.4	-2.0

Source: MEIM.

industry consumption indicates that natural gas accounted for 67.9 percent, fuel gas 18.1 percent, diesel 4.1 percent and fuel oil 3.7 percent.

Saudi Arabia's Exports of Crude Oil and Refined Products

Saudi Arabia's total oil exports (crude and refined) stood at 3,410.10 million barrels in 2018, averaging 9.34 million bpd. Crude oil exports rose by 5.8 percent to 2,690.61 million barrels in 2018 compared to 2,543.44 million barrels in 2017. Refined product exports also increased by 9.4 percent to 719.49 million barrels in 2018 (averaging 1.97 million bpd), compared to 657.97 million barrels in 2017 (Table 3.8).

Asia and the Far East region dominated the bulk of Saudi Arabia's exports of crude oil and refined products in 2018, accounting for 67.5 percent of total crude oil exports and 17.9 percent of total exports of refined products (Chart 3.5). North America came second, accounting for 13.8 percent of total crude oil exports and 2.3 percent of total exports of refined products, followed by Western Europe countries with 11.8 percent of total exports of crude oil and 21.0 percent of total exports of refined products. The Middle Eastern countries accounted for 3.6 percent of Saudi Arabia's

total crude oil exports and 46.8 percent of its refined product exports. Finally, African countries accounted for 2.2 percent and 11.6 percent of crude oil and refined products, respectively.

Saudi Arabia's Petrochemical Industry

Production of the Saudi Basic Industries Corporation (SABIC) in its plants in Saudi Arabia rose by 6 percent to 68 million metric tons annually in 2018 against 64 million metric tons during 2017. This is due to the improvement in performance reliability of the company's plants and the decrease in the number of regular maintenance works. Accordingly, product exports of SABIC's manufacturing and production affiliates in Saudi Arabia rose by 13 percent during 2018.

Mineral Resources

The Deputy Ministry for Mineral Resources supervises mining activities in Saudi Arabia. Its tasks include encouraging mining investments, providing services and consultations, and issuing mining licenses and concessions in accordance with the laws and regulations in force. At the end of 2018, the number of valid mining licenses stood at 2,045 including 545 for exploration, which enable their holders to conduct detailed studies on the mineral ores required under the exploration license; and 69

Chart 3.5: Saudi Arabia's Exports of Crude Oil and Refined Products by Destination in 2018

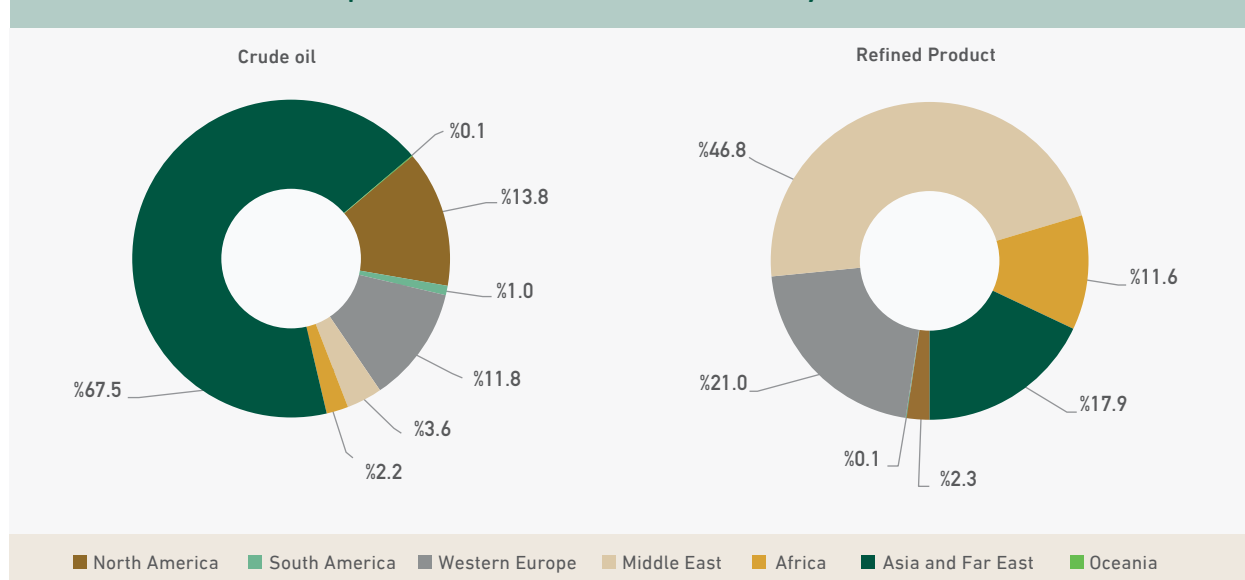


Table 3.7: Domestic Consumption of Refined Products, Crude Oil and Natural Gas

(Million barrels)					
Product	2014	2015	2016	2017	2018
A. Public consumption					
LPG	11.48	12.60	13.40	12.87	13.23
Gasoline	190.71	203.98	203.37	208.00	194.49
Jet fuel & Kerosene	27.28	31.37	32.05	36.14	37.88
Diesel	261.22	276.07	248.54	207.91	182.75
Fuel oil	125.86	140.43	166.07	180.29	173.96
Crude oil	202.36	209.42	182.41	167.37	149.74
Asphalt	28.59	29.12	19.14	20.36	20.73
Lubricating oils	1.92	1.68	1.48	1.34	1.51
Natural gas	504.09	506.07	557.44	573.78	581.36
Naphtha	---	---	1.81	11.19	8.92
Reformate	---	---	---	10.48	10.16
Subtotal	1,353.51	1,410.72	1,425.72	1,429.73	1,374.72
B. Oil industry consumption					
LPG	3.71	3.52	4.58	4.39	3.91
Fuel oil	14.67	5.20	6.12	6.61	6.98
Diesel	13.72	8.04	8.03	7.68	7.71
Fuel gas	20.56	31.80	34.33	34.40	33.98
Crude oil	0.10	0.05	0.04	0.01	0.00
Natural gas	108.89	121.28	106.02	121.48	127.31
Others	2.01	5.60	5.46	5.64	7.66
Subtotal	163.65	175.48	164.58	180.21	187.56
Total	1,517.16	1,586.20	1,590.30	1,609.94	1,562.28

Source: MEIM.

Table 3.8: Saudi Exports of Crude Oil and Refined Products (By Destination)

(Million barrels)								
Exports to	2016		2017		2018		% in 2018	
	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products
North America	430.78	0.53	366.26	2.66	372.43	16.66	13.8	2.3
South America	26.13	2.72	26.01	---	25.72	0.69	1.0	---
Western Europe	318.73	82.13	283.76	98.39	317.28	150.90	11.8	21.0
Middle East	99.88	108.57	56.60	182.57	97.40	337.02	3.6	46.8
Africa	56.05	87.36	59.78	125.29	59.80	83.70	2.2	11.6
Asia and Far East	1,792.89	268.63	1,747.99	249.06	1,815.64	129.05	67.5	17.9
Oceania	7.13	---	3.03	---	2.34	1.47	0.1	0.2
Total	2,731.59	549.95	2,543.44	657.97	2,690.61	719.49	100.0	100.0

Source: MEIM.

for small-sized mines for various minerals, such as silica sand, gypsum, salt, limestone, clay, pozzolan, industrial marble, low-concentration steel (cement industry), dolomite, feldspar, baryte, sandstone, perlite and pyrophyllite. Licenses of mining and raw material quarries stood at 94 for various metal ores (such as gold, copper, zinc, iron, phosphate, accompanied metals and gems such as peridot). Licenses of construction material quarries stood at 1,342 for various construction materials, such as sand, crusher materials, decoration stones and others.

With regard to the production of gold, silver and associated minerals from Mahd Al-Dhahab, Al-Sukhaybarat, Al-Hajar, Bulghah and Al-Amar, the output of gold stood at 12,905 kg and that of silver stood at 5,760 kg in 2018. Table 3.9 shows the output of minerals in Saudi Arabia during 2013-2018. It can be noticed from the table that Saudi Arabia's production of copper and zinc during 2018 increased by 250.9 percent and 92.6 percent, respectively.

Total quantities extracted in 2018 are estimated at more than 516 million tons of various ores, such as limestone, silica sand, salt, clay, feldspar, marble for industrial purposes, iron sand, kaolin, gypsum, marble blocks, granite blocks, crusher materials, phosphate, bauxite and sand used in building and construction. Table 3.10 shows Saudi Arabia's various extracted ores during 2014-2018.

As for industry, the Ministry of Energy, Industry and Mineral Resources (MEIM) issued industrial licenses in 2018 for 419 new factories in various industrial activities with a total capital of SAR 14.3 billion, creating more than 24.4 thousand job opportunities. A breakdown of licenses for new projects by industrial activity and total capital in 2018 indicates that 67 licenses were issued for manufactured metals activity (excluding machinery and equipment) with a total capital of SAR 948.0 million. Further, 65 licenses were issued for the manufacturing of food products with a total capital of SAR 1.8 billion.

At the end of 2018, the total cumulative number of industrial units in Saudi Arabia licensed by MEIM rose to 8,442 providing nearly 615.7 thousand jobs.

With reference to electricity, the Saudi Electricity Company (SEC)'s sales of electricity in 2018 amounted to 276.7 million megawatt-hour (MWh). Residential consumption accounted for 47.0 percent (130.0 million MWh) of total electricity consumption in Saudi Arabia, followed by industrial consumption with 18.5 percent (51.1 million MWh). Commercial consumption came third with 17.2 percent (47.6 million MWh), followed by government consumption with 15.6 percent (43.1 million MWh). The peak load of electricity was 61,743 megawatts in 2018, and the actual capacity

Table 3.9: Production of Minerals in Saudi Arabia

Year	Gold	Silver	Copper	Zinc
2013	4,158	4,655	41,332	39,813
2014	4,789	4,800	33,116	39,798
2015	5,089	4,500	46,253	39,008
2016	6,946	4,710	110,000	41,610
2017	10,333	5,069	67,097	21,787
2018*	12,905	5,760	235,420	41,951

* Estimates.

Source: MEIM, Deputy Ministry for Mineral Resources.

of electricity generation was 53.534 megawatts. The number of subscribers to the utility in Saudi Arabia amounted to 9.4 million at the end of 2018. Residential consumers accounted for 78.7 percent (7.4 million) of the total number of subscribers. Commercial consumers came next with 17.2 percent (1.6 million) of the total, followed by government consumers with 1.7 percent (155.3 thousand). Agricultural consumers came last with 1.0 percent (94.0 thousand) of the total (Table 3.11 and Chart 3.6).

Table 3.10: Mineral Ores Extracted (Thousand ton)

Type	2014	2015	2016	2017	2018*
Limestone	59,500	60,000	63,300	66,150	69,457
Clay	7,220	8,800	9,240	9,702	10,187
Salt	1,990	2,000	2,400	2,520	2,646
Silica sand	1,210	1,230	1,300	1,365	1,433
Crusher materials (pebbles)	315,000	330,000	347,000	364,000	382,200
Sand	30,400	31,800	22,155	23,000	24,000
Iron sand	676	672	706	741	778
Gypsum	1,780	2,780	3,000	3,150	3,307
Marble for industrial purposes	3,150	2,700	2,800	2,940	2,947
Marble blocks	12	22	12	13	13
Granite blocks	1,155	1,100	1,053	1,105	1,160
Limestone blocks	1,260	1,320	104	109	114
Kaolinite	106	187	196	206	216
Barite	32	43	41	---	---
Feldspar	168	179	188	197	206
Basalt	---	---	30	32	33
Pozzolan	480	480	504	529	555
Dolomite	190	203	2,131	2,237	2,348
Schist	680	576	604	634	665
Pyrophyllite	7	40	42	44	46
Low-grade bauxite	980	922	968	1,016	438
Bauxite	1,096	2,100	3,800	3,990	4,623
Diammonium phosphate	1,911	5,100	5,400	5,670	8,858

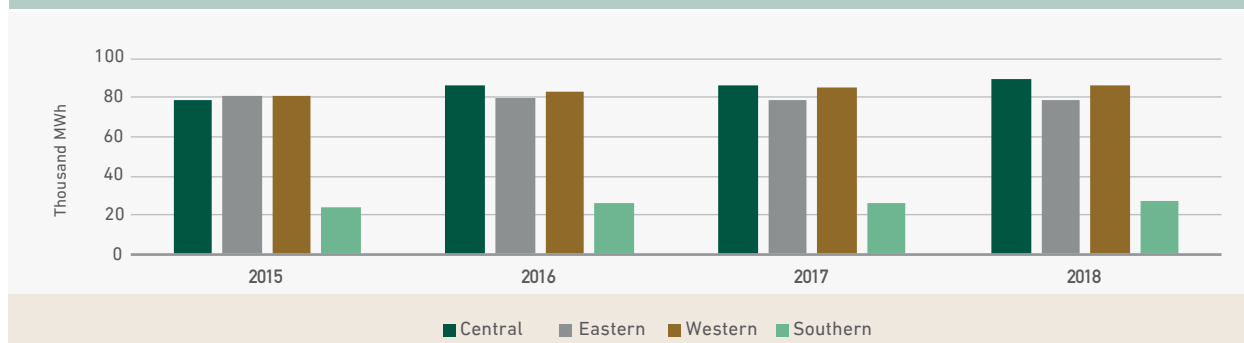
* Estimates. (---) Not Available.

Source: MEIM, Deputy Ministry for Mineral Resources.

Table 3.11: Electricity Generation Capacity and Number of Subscribers for FY 1439/1440H (2018)

								(Megawatt)
Region	Actual generation capacity	Peak load	Electricity power sold					No. of subscribers
			Residential	Commercial	Government	Industrial	Agricultural	
Central	14,197	19,874	43,044,158	16,338,451	11,258,866	6,428,151	3,080,497	3,026,781
Eastern	13,572	18,876	25,193,402	9,199,574	9,424,385	36,753,577	905,021	1,681,458
Western	20,319	17,943	45,885,556	17,127,906	17,019,778	7,246,598	908,857	3,340,310
Southern	5,446	5,760	15,918,497	4,930,516	5,347,404	696,266	11,008	1,365,938
Total	53,534	61,743	130,041,613	47,596,447	43,050,433	51,124,592	4,905,383	9,414,487

Source: Saudi Electricity Company.

Chart 3.6: Electricity Sales Growth of the Saudi Electricity Company (2015-2018)



04

MONETARY DEVELOPMENTS

Monetary Developments

The Saudi Arabian Monetary Authority (SAMA) manages and implements the monetary policy of Saudi Arabia. The policy aims to maintain the long-standing stability of the Saudi riyal exchange rate and the soundness and stability of the monetary and financial system to support economic growth. In 2018, the liquidity in the financial system was ample enough to meet funding needs to support economic activity. In addition, SAMA continued to implement a fixed exchange rate policy of the Saudi riyal against the US dollar at an official exchange rate of SAR 3.75 per US dollar, thus stabilizing and even strengthening the monetary and financial systems in general.

Monetary Policy Tools

In line with SAMA's policy to maintain monetary stability in the face of developments in global financial markets, SAMA gradually raised the repo rate and reverse repo rate four times in 2018. At the end of 2018, the repo rate was fixed at 3 percent and reverse repo rate at 2.5 percent, an increase of 100 basis points from the previous year. In support of SAMA's strengthening of monetary stability, SAMA has decided to suspend term repo facility for maturities of 7, 28 and 90 days. During 2018, the financial system had sufficient liquidity, despite a decline in the average daily reverse repo transactions to SAR 65 billion in 2018 compared to SAR 91 billion in 2017. On the other hand, the average daily repo transactions rose to SAR 246 million during 2018 from SAR 120 million in 2017. SAMA also maintained the cash reserve requirements at 4.0 percent for time and savings deposits and at 7.0 percent for demand deposits, unchanged from the preceding year. Furthermore, SAMA continued to maintain the weekly issuance ceiling for SAMA bills at SAR 3 billion.

Money Supply Growth

Broad money (M3), which includes currency in circulation and aggregate bank deposits, rose by 2.8 percent (SAR 50.1 billion) to SAR 1,841 billion in 2018, compared to an increase of 0.2 percent (SAR 3.8 billion) in 2017. Furthermore, bank deposits, which represented 90.2 percent of M3, recorded a growth rate of 2.6 percent in 2018, compared to an increase of 0.1 percent in 2017. The growth rate of currency in circulation rose by 4.7 percent (SAR 8.1 billion) in 2018 compared to 1.0 percent (SAR 1.7 billion) in 2017.

A breakdown of bank deposits shows that demand deposits made up the largest share of M3, standing at 56.4 percent at the end of 2018, compared to 55.8 percent at the end of 2017. Furthermore, they increased by 3.8 percent (SAR 37.7 billion) in 2018 compared to a rise of 2.7 percent (SAR 26.0 billion) in the preceding year. Time and savings deposits fell by 2.0 percent (SAR 8.8 billion) in 2018 compared to a decline of 8.9 percent (SAR 43.8 billion) in 2017. Their share in M3 was 23.8 percent at the end of 2018, compared to 25.0 percent at the end of the previous year. Other quasi-monetary deposits, which include residents' foreign currency deposits, deposits against outstanding letter of credits (LCs), guarantees and remittances, and banks' repo transactions with the private sector, recorded an increase of 7.7 percent (SAR 13.1 billion) in 2018 compared to an increase of 13.1 percent (SAR 19.8 billion) in 2017. The share of other quasi-monetary deposits in M3 accounted for 10.0 percent at the end of 2018 compared to 9.6 percent at the end of 2017 (Tables 4.1, 4.2 and 4.3, and Charts 4.1 and 4.2).

As for the other key monetary aggregates (M1 and M2), which include relatively more liquid deposits, M1 (which comprises currency in circulation and demand deposits) recorded an increase of 3.9 percent (SAR 45.8 billion) in 2018 compared to a rise of 2.4 percent (SAR 27.7 billion) in 2017. The

share of demand deposits in M1 slightly decreased to 85.2 percent in 2018 compared to 85.3 percent in the preceding year. On the other hand, M2 (comprising less liquid time and savings deposits than M1) grew by 2.3 percent (SAR 37.0 billion) in 2018 compared to a decline of 1.0 percent (SAR 16.0 billion) in 2017. The ratio of M1 to M3 increased to 66.1 percent at the end of 2018 from 65.4 percent at the end of 2017. The ratio of M2 to M3, however, slightly fell to 90 percent in 2018 compared to 90.4

percent in the preceding year (Table 4.4).

Broad Money (M3): Causal Factors

The M3 growth rate recorded a high increase in 2018 compared to the two preceding years due to the increase in bank claims on the private sector to SAR 41.2 billion in 2018 compared to a decline of SAR 11.8 billion in 2017. This was aided by the decline in the deficit of the private sector's balance of payments which stood at SAR 625.3

Table 4.1: Money Supply

(Million SAR)							
Year	Currency in circulation	Demand deposits	M1 (1+2)	Time and savings deposits	M2 (3+4)	Other quasi-money deposits	M3 (5+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2014	153,777	989,174	1,142,951	398,743	1,541,694	187,661	1,729,356
2015	168,529	976,231	1,144,760	434,501	1,579,261	194,036	1,773,296
2016	170,341	974,094	1,144,435	491,595	1,636,030	151,321	1,787,352
2017	172,072	1,000,105	1,172,177	447,827	1,620,004	171,130	1,791,134
2018	180,154	1,037,790	1,217,944	439,023	1,656,967	184,271	1,841,238

*Include residents' foreign currency deposits, marginal deposits for LCs, outstanding remittances, and banks' repo transactions with private parties.

Table 4.2: Money Supply Growth Rates and Components

(Percentage)							
Year	Currency in circulation	Demand deposits	M1	Time and savings deposits	M2	Other quasi-money deposits	M3
2014	7.41	15.39	14.24	15.57	14.58	-6.01	11.92
2015	9.59	-1.31	0.16	8.97	2.44	3.40	2.54
2016	1.08	-0.22	-0.03	13.14	3.59	-22.01	0.79
2017	1.02	2.67	2.42	-8.90	-0.98	13.09	0.21
2018	4.70	3.77	3.90	-1.97	2.28	7.68	2.80

Table 4.3: Money Supply Components (Percentage in M3: by end of year)

	2014	2015	2016	2017	2018
Currency in circulation	8.9	9.5	9.5	9.6	9.8
Total deposits	91.1	90.5	90.5	90.4	90.2
Demand deposits	57.2	55.1	54.5	55.8	56.4
Time and savings deposits	23.1	24.5	27.5	25.0	23.8
Other quasi-money deposits	10.9	10.9	8.5	9.6	10.0
Money supply (M3)	100.0	100.0	100.0	100.0	100.0

billion compared to a deficit of SAR 679.7 billion in the preceding year. Bank claims on the public sector's non-financial institutions also went up slightly to SAR 0.4 billion in 2018 compared to a decline of SAR 2.3 billion in the previous year. On the other hand, net domestic government riyal-denominated expenditures went down to SAR 569.1 billion in 2018 compared to SAR 580.7 billion in 2017. In addition, net other items fell to SAR 64.6 billion in 2018 against SAR 116.8 billion in the preceding year. Thus, the increase in the money supply resulting from domestic government expenditures and the rise in both the bank claims on the private sector and the bank claims on public non-financial institutions was SAR 610.7 billion in 2018. However, the deficit in the private sector's balance of payments and the decrease in net other items, which amounted to SAR 560.6 billion, offset the increase in the money supply in 2018 to SAR 50.1 billion (Table 4.5 and Chart 4.3).

financial institutions' deposits with SAMA. The monetary base rose by 3.2 percent (SAR 9.7 billion) in 2018 compared to a decline of 0.2 percent (SAR 0.5 billion) in 2017.

Currency in circulation recorded an increase of 4.7 percent (SAR 8.1 billion) in 2018 compared to a growth rate of 1.0 percent (SAR 1.7 billion) in 2017. In addition, its share in the monetary base rose to 57.8 percent at the end of 2018 from 57.0 percent in the preceding year. Moreover, banks' deposits with SAMA recorded an increase of 2.5 percent (SAR 2.4 billion) in 2018, against a decline of 0.3 percent (SAR 304 million) in the preceding year. In contrast, public financial institutions' deposits with SAMA dropped by 22.1 percent (SAR 228 million) in 2018 compared to a decline of 77.4 percent (SAR 3.5 billion) in 2017. The money multiplier remained unchanged at 5.9 in 2018, the same as in 2017 (Table 4.6 and Chart 4.4).

Monetary Base and Money Multiplier

The monetary base consists of currency in circulation, cash in vault, commercial banks' deposits and public

Table 4.4: Monetary Ratios

(Percentage)		
Year	M1/ M3	M2/ M3
2014	66.1	89.1
2015	64.6	89.1
2016	64.0	91.5
2017	65.4	90.4
2018	66.1	90.0

Chart 4.1: Growth Rates of Money Supply (M3)

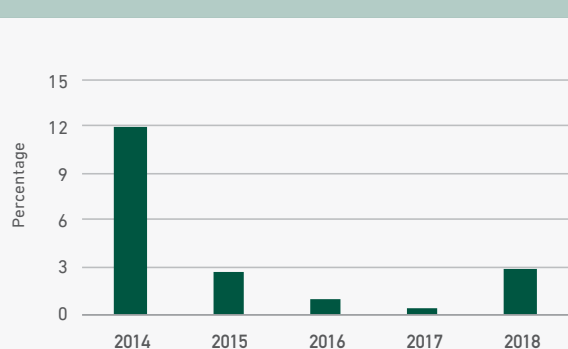


Chart 4.2: Components of Money Supply

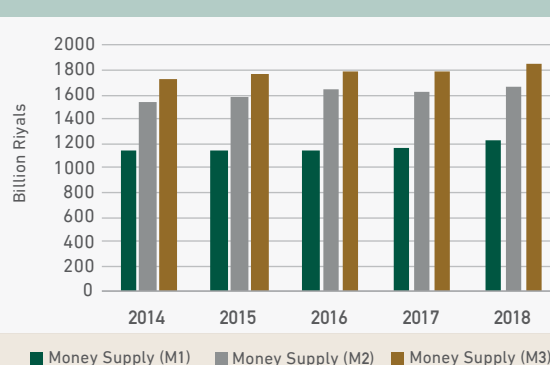


Table 4.5: Causal Factors for Change in M3

	(Billion SAR)		
	2016	2017	2018
Change in M3	14.1	3.8	50.1
Causal Factors			
Net domestic government expenditure in riyals*	523.8	580.7	569.1
Change in banks' claims on the private sector	33.5	-11.8	41.2
Change in banks' claims on public non-financial institutions	10.2	-2.3	0.4
Deficit in the private sector's balance of payments**	-643.4	-679.7	-625.3
Other items (Net)	89.9	116.8	64.6
Total	14.1	3.8	50.1

* Domestic government expenditure in riyal less local revenues in riyal.

** Estimated.

Chart 4.3: Causal Factors for Change in M3

Seasonal Trends of Currency in Circulation

Currency in circulation usually records its highest levels during two significant Islamic events: the month of Ramadhan and Hajj season, which coincided with the second and third quarters of the few previous Gregorian years. This is demonstrated in the time series data on currency in circulation (Table 4.7 and Chart 4.5).

Currency in circulation reached its peak of SAR 189.9 billion at the end of June 2018 and recorded its lowest level of SAR 175.1 billion at the end of January 2018.

Monetary Survey

The monetary survey is aimed at assessing the status of the Saudi banking system (SAMA and commercial banks) as well as arranging the items of the assets and claims of the banking system to understand changes. The monetary survey indicated an increase in the assets of the banking system as a whole by 2.0 percent (SAR 72.4 billion) to SAR 3,748 billion at the

end of 2018 compared to a decline of 2.3 percent (SAR 84.9 billion) in 2017 (Table 4.8).

Net foreign assets declined by 1.0 percent (SAR 19.7 billion) in 2018 compared to a decrease of 6.9 percent (SAR 146.8 billion) in the preceding year. As a result, their share in total assets decreased from 53.9 percent at the end of 2017 to 52.3 percent at the end of 2018. This is due to a decline in foreign assets of commercial banks by 15.0 percent (SAR 22.2 billion) against an increase of 5.4 percent (SAR 92.1 billion) in domestic credit consisting of bank claims on the private sector, the government, and the public non-financial institutions at the end of 2018 (Table 4.8).

Government deposits with SAMA declined at a slower pace, recording a decrease of 7.6 percent (SAR 56.2 billion) in 2018 compared to a decrease of 15.7 percent (SAR 137.7 billion) in 2017.

Interest Rate Trends

The average three-month Saudi interbank offered

Table 4.6: Monetary Base and Money Multiplier

	2015	2016	2017	2018
Money Multiplier	5.9	5.9	5.9	5.9
Monetary Base (Million SAR)				
Currency in circulation	168,529	170,341	172,072	180,154
Cash in vault	29,383	29,648	31,285	30,711
Deposits with SAMA: local banks' deposits	98,117	97,839	97,534	99,943
Deposits with SAMA: public financial institutions' deposits	4,668	4,576	1,035	807
Total	300,697	302,404	301,926	311,615

Chart 4.4: Monetary Base and Money Multiplier

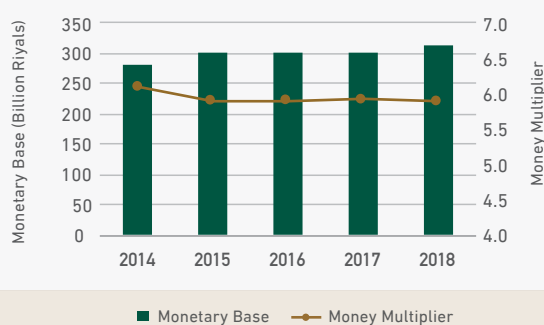


Chart 4.5: Seasonal Trends in Currency in Circulation

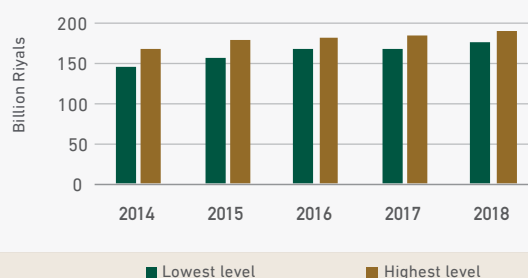


Table 4.7: Seasonal Trends of Currency in Circulation

Highest Level of Currency in Circulation During the Year			Lowest Level of Currency in Circulation During the Year		
End of Gregorian month	Corresponding Hijri date	Amount (Million SAR)	End of Gregorian month	Corresponding Hijri date	Amount (Million SAR)
7/2014	4/10/1435	166,652	1/2014	30/3/1435	145,490
7/2015	14/10/1436	179,078	1/2015	10/4/1436	156,921
6/2016	26/9/1437	181,838	1/2016	21/4/1437	167,404
6/2017	6/10/1438	184,312	10/2017	11/2/1439	167,459
6/2018	16/10/1439	189,877	1/2018	14/5/1439	175,134

Table 4.8: Monetary Survey* (End of year)

(Million SAR)						
	2014	2015	2016	2017	2018	
Assets						
Net Foreign Assets	2,875,326	2,508,920	2,128,054	1,981,215	1,961,475	
SAMA	2,715,989	2,283,382	1,982,348	1,833,355	1,835,866	
Commercial banks	159,336	225,538	145,706	147,860	125,609	
Domestic credit	1,355,160	1,496,902	1,632,902	1,694,834	1,786,953	
Banks' Claims on the Private Sector	1,256,210	1,371,925	1,405,474	1,393,699	1,434,891	
Banks' Claims on the Government	53,134	86,158	178,416	254,417	304,930	
Banks' claims on public sector non-financial institutions	45,816	38,820	49,012	46,719	47,133	
Total	4,230,485	4,005,822	3,760,956	3,676,049	3,748,428	
Liabilities						
Money supply (M3)	1,729,356	1,773,296	1,787,352	1,791,134	1,841,238	
Government deposits**	1,560,706	1,162,521	875,424	737,716	681,492	
Other items (Net)	940,423	1,070,005	1,098,180	1,147,198	1,225,698	
Total	4,230,485	4,005,822	3,760,956	3,676,049	3,748,428	
(Percent change)						
Net Foreign Assets	1.8	-12.7	-15.2	-6.9	-1.0	
Domestic credit	11.3	10.5	9.1	3.8	5.4	
Banks' Claims on the Private Sector	11.8	9.2	2.4	-0.8	3.0	
Banks' Claims on the Government	7.1	62.2	107.1	42.6	19.9	
Banks' claims on public sector non-financial institutions	3.8	-15.3	26.3	-4.7	0.9	
Money supply (M3)	11.9	2.5	0.8	0.2	2.8	
Government deposits**	-4.9	-25.5	-24.7	-15.7	-7.6	
Other items (Net)	10.0	13.8	2.6	4.5	6.8	

* The consolidated financial position of SAMA and commercial banks.

** Including letters of credit and bills for collection.

rate (SAIBOR) rose by 64 basis points to 2.45 percent in 2018 compared to 1.81 percent in 2017. The increase was a result of SAMA decision to raise repo and reverse repo rates gradually during 2018. Similarly, the average three-month interest rate on USD deposits (LIBOR) increased by 105 basis points from 1.26 percent in 2017 to 2.31 percent in 2018. The spread between the two average rates narrowed to 14 basis points in 2018 in favor of the Saudi riyal as compared to 55 basis points in 2017 (Table 4.9 and Chart 4.6).

Exchange Rate Trends

In 2018, SAMA maintained its monetary policy, which aims to stabilize the Saudi riyal exchange rate in order to serve the interests of the Saudi economy. Consequently, the Saudi riyal exchange rate remained fixed at SAR 3.75 per US dollar in the spot markets in 2018 (Table 4.10). It should also be noted that the Saudi riyal exchange rate averaged SAR 3.7506 per US dollar in 2018 compared to SAR 3.7503 in the preceding year. The highest exchange rate recorded in 2018 was SAR 3.7530 versus 3.7518 in 2017. The lowest exchange rate recorded in 2018 was 3,7498 versus 3.7499 in 2017.

Table 4.9: Interest Rates on SAR and USD Deposits* (3-Month Average Rates)

Year	SAR deposits (SAIBOR 3M)	USD deposits (LIBOR 3M)	Difference between SAR and USD interest rates
2014	0.94	0.23	0.70
2015	0.88	0.32	0.56
2016	2.07	0.73	1.34
2017	1.81	1.26	0.55
2018	2.45	2.31	0.14

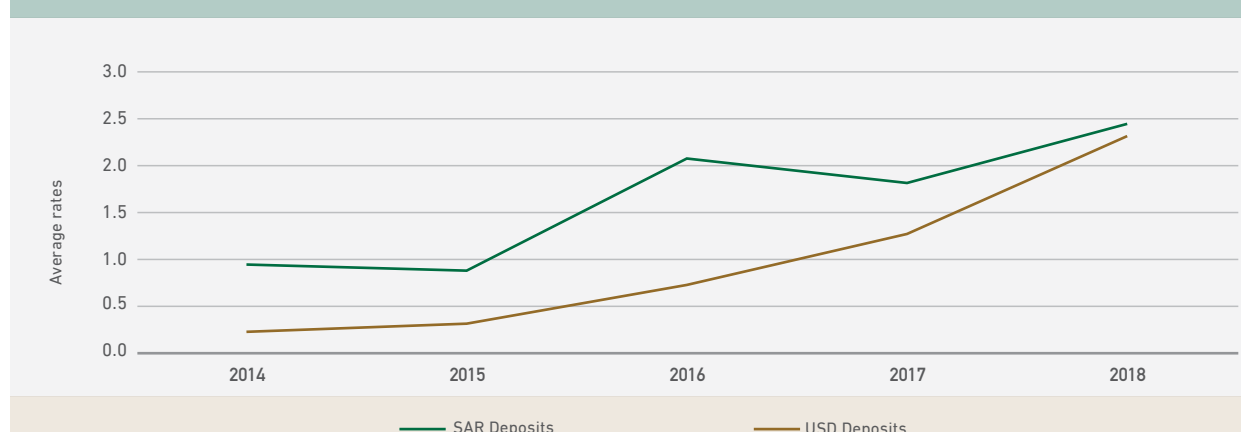
* SAIBOR.

Table 4.10: Indicators of USD/SAR Exchange Rate in the Spot Market*

Year	Highest	Lowest	Average rate
2014	3.7557	3.7495	3.7510
2015	3.7615	3.7498	3.7512
2016	3.7587	3.7489	3.7508
2017	3.7518	3.7499	3.7503
2018	3.7530	3.7498	3.7506

* Source: Bloomberg

Chart 4.6: Interest Rates on Riyal and Dollar Deposits (3-Month Average Rates)





05

BANKING SECTOR

Banking Sector

The banking sector continued its good performance during 2018 at all levels. This was attributable to SAMA's regulatory and supervisory role over the banking system with the aim of enhancing its resiliency and solvency and promoting the quality of its services. The good performance of commercial banks during 2018 was reflected in their improved general activity and enhanced financial position. Their total assets went up by 2.5 percent; bank deposits by 2.6 percent; and profits by 10.7 percent, compared to the preceding year.

Consolidated Financial Position of Commercial Banks

Commercial bank assets rose by 2.5 percent (SAR 57.6 billion) to SAR 2,363.4 billion in 2018, compared to an increase of 2.2 percent (SAR 49.4 billion) in the preceding year (Table 5.1).

Bank Deposits

Total bank deposits increased by 2.6 percent (SAR 42 billion) to SAR 1,661.1 billion in 2018 compared to an increase of 0.1 percent (SAR 2.1 billion) in the preceding year (Table 5.2 and Charts 5.1 and 5.2).

A review of developments in bank deposits by type shows that demand deposits rose by 3.8 percent (SAR 37.7 billion) to SAR 1,037.8 billion in 2018 compared to a rise of 2.7 percent (SAR 26 billion) in the preceding year, bringing up their share in total deposits to 62.5 percent at end-2018 from 61.8 percent at end-2017. On the other hand, time and savings deposits decreased by 2.0 percent (SAR 8.8 billion) to SAR 439.0 billion compared to a decline of 8.9 percent (SAR 43.8 billion) in the preceding year. Their share in total deposits also declined to 26.4 percent at end-2018 compared to 27.7 percent at the end of the preceding year. However, other quasi-monetary deposits (the majority of which is residents' foreign currency deposits) increased by 7.7 percent (SAR 13.1 billion) to SAR 184.3 billion in 2018, compared to an increase of 13.1 percent (SAR 19.8 billion) in the preceding year. Their share

Table 5.1: Consolidated Financial Position of Commercial Banks (End of year)

(Million SAR)					
	2014	2015	2016	2017	2018
Assets					
Bank reserves	213,073	146,238	236,704	239,371	218,566
Foreign Assets	251,613	316,710	225,838	242,362	221,085
Claims on the public sector	98,949	124,977	227,428	301,135	352,062
Claims on the private sector	1,256,210	1,371,925	1,405,474	1,393,699	1,434,891
Claims on non-monetary financial institutions	2,254	2,904	4,436	2,600	1,041
Other assets	310,477	246,015	156,454	126,593	135,753
Total Assets (Liabilities)	2,132,577	2,208,768	2,256,334	2,305,760	2,363,398
Liabilities					
Bank deposits	1,575,579	1,604,768	1,617,010	1,619,062	1,661,084
Foreign Liabilities	92,277	91,171	80,132	94,502	95,476
Capital and reserves	248,111	270,964	298,895	317,604	303,887
Profits	40,159	42,683	40,363	43,677	48,349
Other liabilities	176,451	199,182	219,933	230,915	254,603

in total deposits increased to 11.1 percent at end-2018 from 10.6 percent at the end of the preceding year (Chart 5.3).

A breakdown of deposits by sector shows that deposits of the private sector increased by 3.8 percent (SAR 48.7 billion) to SAR 1,318.4 billion in 2018 compared to a decrease of 2.7 percent

Table 5.2: Bank Deposits (End of year)

	(Million SAR)				
	2014	2015	2016	2017	2018
I. By type					
Demand deposits	989,174	976,231	974,094	1,000,105	1,037,790
Time and savings deposits	398,743	434,501	491,595	447,827	439,023
Other quasi-monetary deposits	187,661	194,036	151,321	171,130	184,271
Foreign currency deposits	157,414	160,989	123,019	138,979	144,451
For L/Cs	14,028	16,284	18,052	18,496	25,380
Repo transactions	70	14	81	51	0
Outstanding remittances	16,150	16,749	10,169	13,604	14,440
II. By Sector					
Private sector	1,221,838	1,256,308	1,304,465	1,269,698	1,318,420
Public sector	353,740	348,459	312,546	349,364	342,664
III. By Currency					
Domestic currency deposits	1,418,165	1,443,778	1,493,991	1,480,083	1,516,633
Foreign currency deposits	157,414	160,989	123,019	138,979	144,451
Total Bank Deposits	1,575,579	1,604,768	1,617,010	1,619,062	1,661,084

Chart 5.1: Deposits By Currency

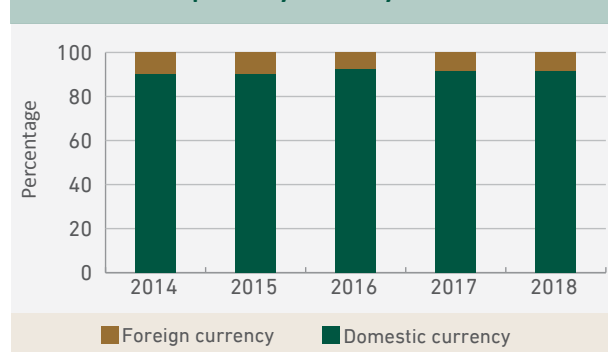


Chart 5.2: Growth Rates of Bank Deposits

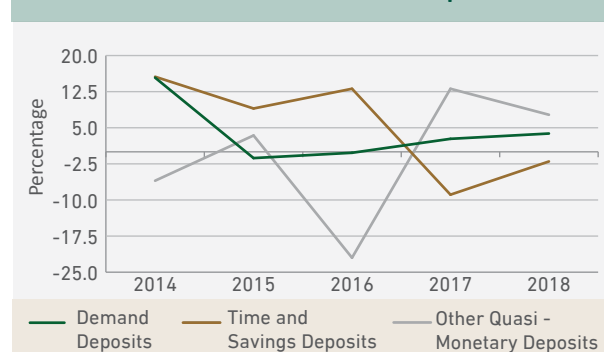
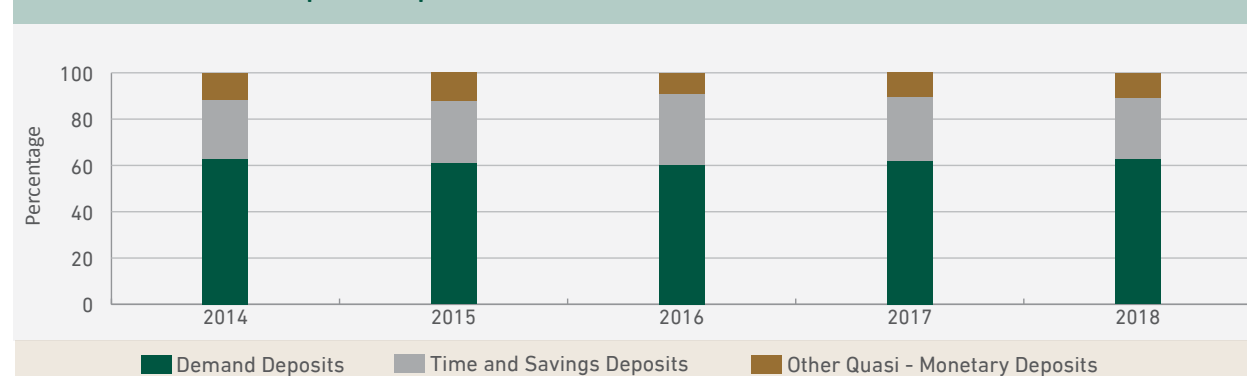


Chart 5.3: Shares of Deposit Components



(SAR 34.8 billion) in the preceding year. This, in turn, contributed to the rise of the share of the private sector deposits in total bank deposits to 79.4 percent from 78.4 percent at the end of the preceding year. Nevertheless, deposits of the public sector decreased by 1.9 percent (SAR 6.7 billion) to SAR 342.7 billion, compared to an increase of 11.8 percent (SAR 36.8 billion) in the preceding year, bringing down the share of the sector's deposits in total deposits to 20.6 percent at end-2018 from 21.6 percent at end-2017.

A review of developments in bank deposits by currency shows that domestic currency deposits increased by 2.5 percent (SAR 36.6 billion) to SAR 1,516.6 billion in 2018, compared to a decrease of 0.9 percent (SAR 13.9 billion) in the preceding year. Their share in total deposits declined slightly to 91.3 percent at end-2018 from 91.4 percent at the end of the preceding year. In addition, foreign currency deposits rose by 3.9 percent (SAR 5.5 billion) to SAR 144.5 billion in 2018, compared to a rise of 13.0 percent (SAR 16 billion) in the preceding year. The share of foreign currency deposits in total deposits stood at 8.7 percent at end-2018, up from 8.6 percent at the end of the preceding year.

Bank Claims on Private and Public Sectors

Total bank claims on the private and public sectors increased by 5.3 percent (SAR 90.6 billion) to SAR 1,788 billion in 2018 compared to an increase of 3.7 percent (SAR 60.1 billion) in the preceding year. Total claims on the private and public sectors at end-2018 accounted for 107.6 percent of total bank deposits, compared to 104.8 percent at the end of the preceding year.

Total bank claims on the private sector went up by 3.0 percent (SAR 41.2 billion) to SAR 1,434.9 billion in 2018 compared to a decline of 0.8 percent (SAR 11.8 billion) in the preceding year. These claims constituted 86.4 percent of total bank deposits at

end-2018, compared to 86.1 percent at the end of the preceding year.

Bank claims on the public sector (loans to public institutions and government bonds) increased by 16.9 percent (SAR 50.9 billion) to SAR 352.1 billion in 2018, compared to a rise of 32.4 percent (SAR 73.7 billion) in the preceding year. This increase was attributable to the rise in government bonds by 19.9 percent (SAR 50.5 billion) to SAR 304.9 billion, compared to a rise of 42.6 percent (SAR 76 billion) in the preceding year. In addition, bank credit to public institutions went up by 0.9 percent (SAR 414 million) to SAR 47.1 billion in 2018 compared to a decrease of 4.7 percent (SAR 2.3 billion) in the preceding year. In contrast, claims on non-monetary financial institutions went down by 59.9 percent (SAR 1.6 billion) at end-2018, compared to a decrease of 41.4 percent at the end of the preceding year (Table 5.3 and Charts 5.4 and 5.5).

Bank Credit by Maturity

Short-term bank credit (less than one year) extended to the private sector and institutions of the public sector increased by 2.1 percent (SAR 14.9 billion) to SAR 707.1 billion in 2018, compared to a decrease of 1.4 percent (SAR 10.1 billion) in the preceding year. Conversely, medium-term credit (1-3 years) fell by 15.4 percent (SAR 40.9 billion) to SAR 224.7 billion in 2018 compared to an increase of 0.3 percent (SAR 730 million) in the preceding year. Long-term credit (more than 3 years), however, went up by 15.3 percent (SAR 65.4 billion) to SAR 494.1 billion compared to a decrease of 1.0 percent (SAR 4.5 billion) in the preceding year (Table 5.4).

Bank Credit by Economic Activity

A breakdown of bank credit by economic activity during 2018 shows mixed trends. Bank credit extended to mining and quarrying increased by 30.3 percent (SAR 4.5 billion) to SAR 19.4 billion, compared to a decline of 23.6 percent in the preceding year. Bank credit extended to agriculture

and fishing activity also went up, increasing by 20.1 percent (SAR 2.5 billion) to SAR 14.7 billion, compared to a decrease of 4.1 percent in the preceding year. In addition, bank credit extended to the services activity rose by 8.9 percent (SAR 6.3

billion) to SAR 77.4 billion, compared to an increase of 1.6 percent in the preceding year. Moreover, bank credit extended to building and construction went up by 8.5 percent (SAR 7.6 billion) to SAR 96.5 billion, compared to a decrease of 14.9 percent

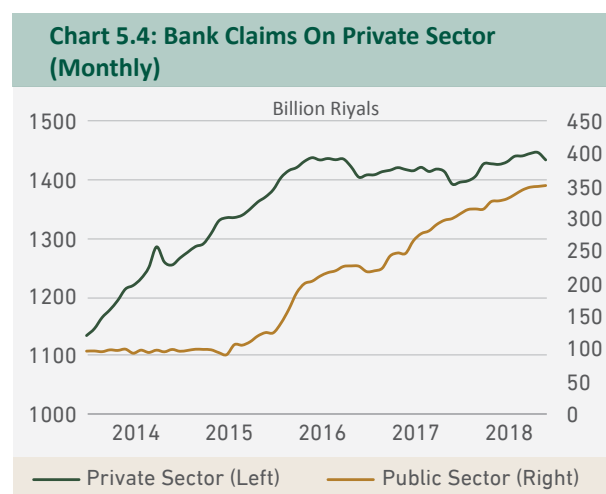
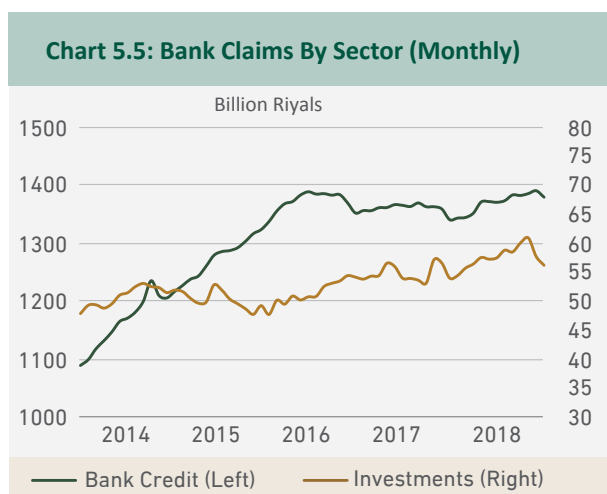
Table 5.3: Bank Claims on the Private and Public Sectors (End of year)

(Million SAR)						
	2016		2017		2018	
	Amount	% share of total	Amount	% share of total	Amount	% share of total
Claims on the Private Sector	1,405,474	85.8	1,393,699	82.1	1,434,891	80.3
Bank credit	1,351,407	82.5	1,339,812	78.9	1,378,764	77.1
Loans and advances	1,337,343	81.7	1,327,256	78.2	1,365,521	76.4
Bills discounted	14,064	0.9	12,556	0.7	13,243	0.7
Investments in private securities	54,067	3.3	53,887	3.2	56,128	3.1
Claims on the Public Sector	227,428	13.9	301,135	17.7	352,062	19.7
Bank credit to public institutions	49,012	3.0	46,719	2.8	47,133	2.6
Government bonds	178,416	10.9	254,417	15.0	304,930	17.1
Claims on non-monetary financial institutions	4,436	0.3	2,600	0.2	1,041	0.1
Total	1,637,338	100.0	1,697,434	100.0	1,787,995	100.0

Table 5.4: Bank Credit by Maturity

(Million SAR)				
End of year	Short Term	Medium Term	Long Term	Total
2014	621,308	237,744	391,594	1,250,646
2015	685,174	241,457	434,998	1,361,629
2016	702,327	264,855	433,237	1,400,419
2017	692,221	265,585	428,724	1,386,530
2018	707,104	224,653	494,140	1,425,896

Note: Short term: Less than 1 yr. Medium term: 1 - 3 yrs. Long term: More than 3 yrs.



in the preceding year. Bank credit extended to manufacturing and production rose by 5.6 percent (SAR 9.1 billion) to SAR 169.9 billion, compared to a decline of 8.8 percent in the preceding year. Bank credit extended to the finance activity increased by 5.2 percent (SAR 1.8 billion) to SAR 37.2 billion, compared to a rise of 11.4 percent in the preceding year. Bank credit extended to electricity, water, gas and health services also rose by 1.6 percent (SAR 831.2 million) to SAR 51.7 billion, compared to an increase of 23.6 percent in the preceding year.

On the other hand, bank credit extended to the commerce activity fell by 10.3 percent (SAR 32.2 billion) to SAR 280.2 billion, compared to a rise of 4.1 percent in the preceding year. Bank credit extended to transport and communications also declined by 9.8 percent (SAR 4.7 billion) to SAR 42.9 billion, compared to an increase of 17.8 percent in the preceding year (Table 5.5 and Chart 5.6).

Syndicated Loans

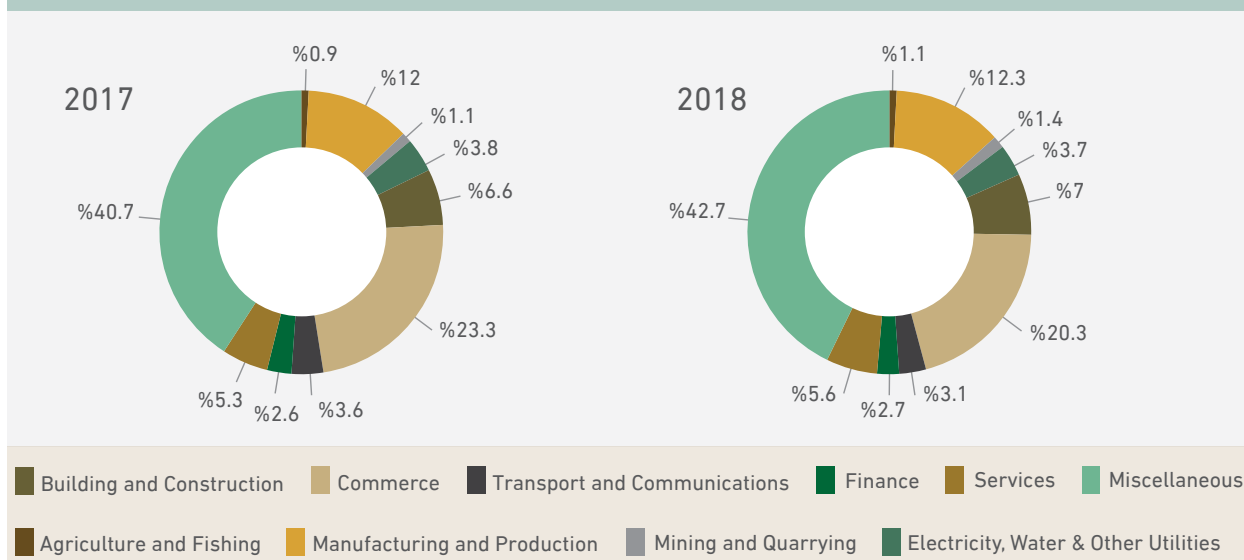
Data on loans extended to residents by syndicates

Table 5.5: Bank Credit Extended to Private Sector by Economic Activity (End of year)

	(Million SAR)					
	2016		2017		2018	
	Amount	% share of total	Amount	% share of total	Amount	% share of total
Agriculture and fishing	12,778	0.9	12,249	0.9	14,705	1.1
Manufacturing and production	176,355	13.0	160,837	12.0	169,899	12.3
Mining and quarrying	19,433	1.4	14,849	1.1	19,354	1.4
Water, electricity, gas and health services	41,108	3.0	50,826	3.8	51,657	3.7
Building and construction	104,388	7.7	88,881	6.6	96,457	7.0
Commerce	300,107	22.2	312,418	23.3	280,207	20.3
Transport and Communications	40,411	3.0	47,614	3.6	42,935	3.1
Finance	31,789	2.4	35,398	2.6	37,232	2.7
Services	69,961	5.2	71,050	5.3	77,356	5.6
Other miscellaneous services	555,077	41.1	545,688	40.7	588,962	42.7
Total	1,351,407	100.0	1,339,812	100.0	1,378,764	100.0

* Loans and advances extended to public sector institutions.

Chart 5.6: Bank Credit to the Private Sector By Economic Activity



of domestic and foreign banks indicate that their number increased by 3.5 percent to 531 in 2018.

Syndicated loans extended to non-residents also went up by 9.5 percent to 81. Total value of syndicated loans extended to residents fell by 3.7 percent to SAR 182 billion in 2018, while the value of loans extended to non-residents rose by 21.5 percent to SAR 15 billion (Table 5.6).

Consumer and Credit Card Loans

Consumer and credit card loans extended by banks went up by 2.5 percent to SAR 338.6 billion at end-2018 compared to SAR 330.4 billion at the end of the preceding year (Table 5.7A and Chart 5.7).

Real Estate Bank Credit

Retail and corporate real estate loans extended by banks continued their growth to SAR 240.2 billion,

Table 5.6: Syndicated Loans

Year	No. of Syndicated Loans			Value (Billion SAR)		
	Resident	Non-resident	Total	Resident	Non-resident	Total
2014	384	53	437	130	8	138
2015	469	65	534	134	12	146
2016	555	76	631	195	16	211
2017	513	74	587	189	12	201
2018	531	81	612	182	15	197

Table 5.7A: Consumer and Credit Card Loans*

(Million SAR)									
Year (End of year)	Consumer loans								Credit cards**
	Renovation & property improvement	Motor vehicles & personal transportation	Furniture & durable goods	Education	Health care	Tourism & travel	Other	Total	
2014***	25,603.9	20,788.2	5,455.2	414.5	246.0	102.7	245,397.7	298,008.2	9,666.7
2015	37,020.5	9,429.2	4,911.9	636.6	312.2	85.3	254,789.2	307,184.9	10,212.7
2016	29,080.2	9,327.8	4,821.8	957.6	506.5	72.1	273,499.5	318,265.5	10,957.7
2017	30,028.0	16,720.6	10,783.9	3,722.5	565.6	324.3	256,206.1	318,350.9	12,094.0
2018	28,055.1	16,789.4	12,498.7	3,522.2	703.5	483.6	261,208.1	323,260.6	15,331.9

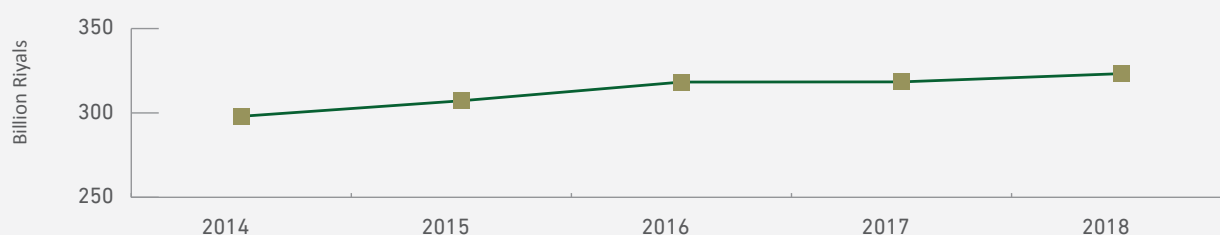
* Excluding real estate finance, leasing, and finance for stocks trading.

** Including Visa, MasterCard, American Express and others.

*** Before 2014, furniture & durable goods, education, health care, tourism & travel were included in Other.

Note: Data were updated following amendments made to some items of Consumer Loans

Chart 5.7: Total Consumer Loans



increasing by 13.6 percent (SAR 28.7 billion) in 2018, compared to a growth rate of 5.5 percent (SAR 11.1 billion) in the preceding year. Retail real estate loans recorded a rise of 16.4 percent (SAR 19.9 billion) to SAR 141.4 billion, compared to an increase of 9.9 percent (SAR 11 billion) in the preceding year, accounting for 58.8 percent of total real estate loans at end-2018. Corporate real estate loans extended by commercial banks also rose by 9.8 percent (SAR 8.8 billion) to SAR 98.9 billion in 2018, compared to a rise of 0.2 percent (SAR 139 million) in the preceding year, accounting for 41.2 percent of total real estate loans (Table 5.7B).

Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks declined by 8.8 percent (SAR 21.3 billion) to SAR 221.1 billion at end-2018, compared to an increase of 7.5 percent (SAR 16.5 billion) in the preceding year. In contrast, foreign liabilities of commercial banks rose by 1.0 percent (SAR 974 million) to SAR 95.5 billion in 2018, compared to a rise of 15.1 percent (SAR 14.4 billion) in the preceding year. As a result, commercial banks' net foreign assets (foreign assets less foreign liabilities) dropped by 15 percent (SAR 22.3 billion) to SAR 125.6 billion in 2018, compared to an increase of 1.7 percent (SAR 2.2 billion) in the preceding year (Table 5.8 and Charts 5.8 and 5.9).

Table 5.7B: Real Estate Bank Credit

(Million SAR)			
Year (End of year)	Retail	Corporate	Total
2014	94,241	64,743	158,984
2015	102,207	84,257	186,464
2016	110,484	89,918	200,402
2017	121,442	90,057	211,499
2018	141,364	98,861	240,225

Table 5.8: Commercial Banks' Foreign Assets and Liabilities (End of year)

(Million SAR)						
	Amount		Change			
	2017	2018	2017		2018	
			Amount	%	Amount	%
Foreign Assets						
Due from foreign banks	50,423	63,961	-5,524	-8.6	13,539	26.9
Due from branches abroad	54,251	32,468	26,173	80.6	-21,783	-40.2
Other assets	23,614	26,301	10,823	41.1	2,687	11.4
Investments abroad	114,075	98,355	-14,948	-15.2	-15,721	-13.8
Total	242,362	221,085	16,524	7.5	-21,277	-8.8
Foreign Liabilities						
Due to foreign banks	50,936	56,697	3,312	5.8	5,761	11.3
Due to branches abroad	26,301	20,810	16,766	80.6	-5,491	-20.9
Due from others	17,265	17,968	-5,709	-31.8	703	4.1
Total	94,502	95,476	14,370	15.1	974	1.0
Net Foreign Assets	147,860	125,609	2,154	1.7	-22,251	-15.0

Commercial Banks' Reserves

Commercial banks' reserves (cash in vault and deposits with SAMA) went down by 8.7 percent (SAR 20.8 billion) to SAR 218.6 billion at end-2018 compared to an increase of 1.1 percent (SAR 2.7 billion) in the preceding year. The decrease was due to a 19.5 percent (SAR 21.9 billion) decline in other deposits with SAMA, to stand at SAR 90.5 billion at end-2018 from SAR 112.3 billion at end-2017, and a 1.8 percent (SAR 574 million) decline in cash in bank vaults, to stand at SAR 30.7 billion from SAR 31.3 billion. In addition, current deposits with SAMA fell by 3.7 percent (SAR 7.2 million) to

SAR 189 million. In contrast, statutory deposits with SAMA increased by SAR 1.6 billion to SAR 97.2 billion (Table 5.9).

Banks' Capital and Reserves

Bank capital and reserves decreased by SAR 13.7 billion or 4.3 percent to SAR 303.9 billion in 2018, compared to a rise of SAR 18.7 billion or 6.3 percent in the preceding year. Their ratio to total deposits decreased from 19.6 percent at end-2017 to 18.3 percent at end-2018, and their ratio to total assets from 13.8 percent at end-2017 to 12.9 percent at end-2018. The capital adequacy ratio (CAR) based

Table 5.9: Commercial Banks Reserves (End of year)

(Million SAR)					
	2014	2015	2016	2017	2018
Cash in vault	27,115	29,383	29,648	31,285	30,711
Deposits with SAMA:					
Current deposits	472	317	293	196	189
Statutory deposits	91,879	97,467	96,727	95,549	97,192
Other deposits	93,607	19,071	110,036	112,340	90,474
Banks reserves	213,073	146,238	236,704	239,371	218,566
Ratios to bank deposits					
Cash in vault	1.72	1.83	1.83	1.93	1.85
Deposits with SAMA:					
Current deposits	0.03	0.02	0.02	0.01	0.01
Statutory deposits	5.83	6.07	5.98	5.90	5.85
Other deposits	5.94	1.19	6.80	6.94	5.45
Banks' reserves	13.52	9.11	14.64	14.78	13.16

Chart 5.8: Foreign Assets and Liabilities of Banks (Monthly)

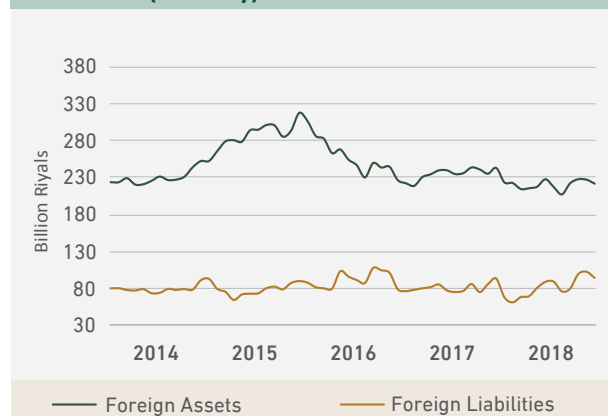
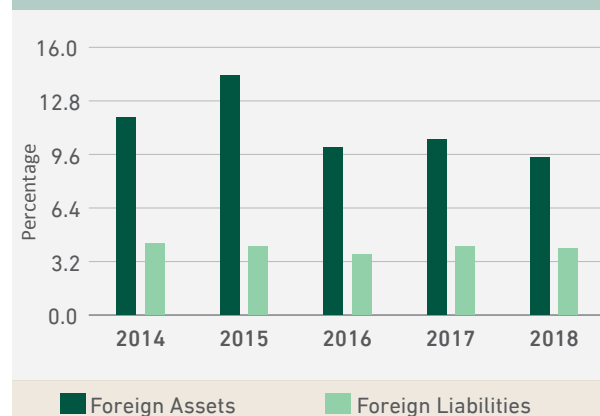


Chart 5.9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities



on Basel Standard stood at 20.3 percent at end-2018, which is higher than the ratio recommended by the Basel Committee (Table 5.10).

Sources and Uses of Financial Resources of Commercial Banks in 2018

Total added financial resources of commercial banks fell by 7.3 percent to SAR 99.6 billion in 2018 compared to SAR 107.4 billion in the preceding year. Key added financial resources were concentrated in total deposits and foreign assets, accounting for 42.2 percent (SAR 42.0 billion) and 21.4 percent (SAR 21.3 billion) of total added resources, respectively. Cash and reserves rose by 20.9 percent (SAR 20.8 billion) of total resources. Claims on non-monetary financial institutions also increased by 1.6 percent (SAR 1.6 billion) of total resources. In addition, foreign liabilities and net other sources went up by 1.0 percent and 13 percent (SAR 1 billion and SAR 12.9 billion) of total added resources, respectively. Most of these financial resources were used during

2018 (Table 5.11) for increasing claims on the public sector by SAR 49.4 billion (49.6 percent of total used resources), claims on the private sector by SAR 41.2 billion (41.4 percent of total resources), and the capital base by SAR 9 billion (9 percent of total resources).

Commercial Banks' Profits

Commercial banks' profits increased by 10.7 percent to SAR 48.3 billion in 2018 over last year's profits of SAR 43.7 billion.

Number of Banks and Branches

The number of commercial banks operating in Saudi Arabia stood at 26 (25 operating and one licensed) at end-2018, including branches of foreign banks. The number of commercial banks' branches increased to 2,083, with four new bank branches beginning operations in Saudi Arabia. The distribution of bank branches by administrative regions (Table 5.12) shows that Riyadh region

Table 5.10: Capital and Reserves of Commercial Banks (End of year)

(Million SAR)					
	2014	2015	2016	2017	2018
Capital and reserves	248,111	270,964	298,895	317,604	303,887
Capital and reserves as a ratio of:					
Bank deposits	15.7	16.9	18.5	19.6	18.3
Total assets	11.6	12.3	13.2	13.8	12.9
Capital to risk-weighted assets ratio					
(Basel Standard)	17.9	18.1	19.5	20.4	20.3

Table 5.11: Key Sources and Uses of Financial Resources of Commercial Banks in 2018

(Billion SAR)					
Uses	Amount	% share	Sources	Amount	% share
Claims on the public sector	49.4	49.6	Total deposits	42.0	42.2
Claims on the private sector	41.2	41.4	Foreign assets	21.3	21.4
Capital base	9.0	9.0	Cash and reserves	20.8	20.9
			Claims on non-monetary financial institutions	1.6	1.6
			Foreign liabilities	1.0	1.0
			Net other sources	12.9	13.0
Total	99.6	100.0	Total	99.6	100.0

accounted for 630 branches (30.2 percent of total bank branches), Makkah region 444 branches (21.3 percent), the Eastern Region 403 branches (19.4 percent), Asir region 129 branches (6.2 percent), Al-Qassim region 124 branches (6.0 percent), and Al-Madinah region 110 branches (5.3 percent).

Number of Employees in the Banking Sector

The number of employees in the banking sector fell by 4.0 percent to 47,156 in 2018. Saudi (male and female) employees represented 93.6 percent (44,148) of the total number of employees in the banking sector. Saudi male employees accounted for 78.8 percent of the total number of employees, while non-Saudi male employees accounted for 6.3 percent. Saudi female employees represented 14.8 percent, versus 0.1 percent of non-Saudi female employees.

Banking Technology Developments in 2018

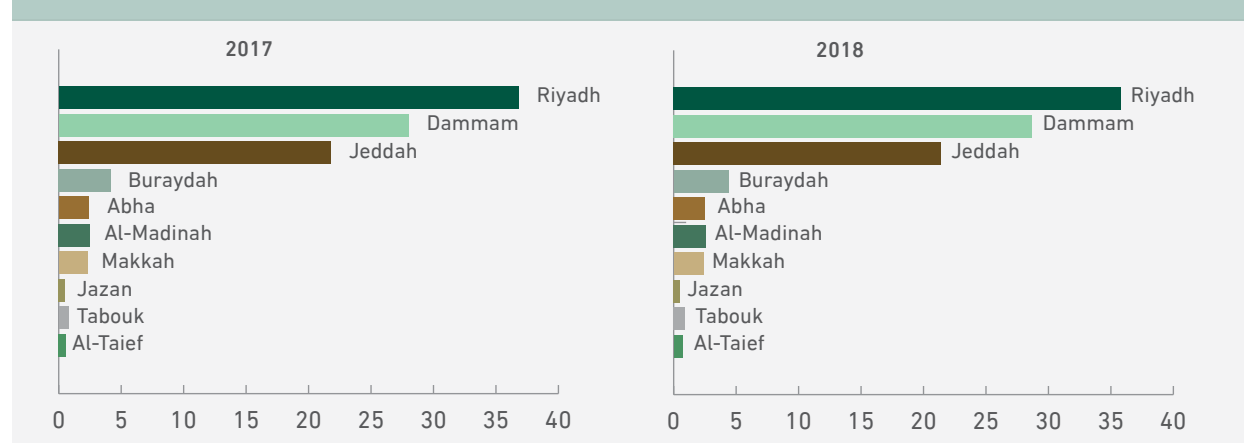
I. Clearing House Operations

The number of commercial and personal checks cleared through clearing houses in Saudi Arabia decreased by 21.0 percent (896.9 thousand checks) in 2018, dropping their value by 19.1 percent to SAR 285.1 billion. However, the average check value increased by 2.4 percent from SAR 82,639 in 2017 to SAR 84,652 in 2018. In general, the number of commercial and personal checks cleared at the main automatic clearing houses in Saudi Arabia decreased by 21.0 percent in 2018. This is attributable to the expansion in banking technology, including Point of Sale (POS) terminals. The number of checks in the Riyadh clearing house fell by 23.1 percent to 1.2 million, Dammam 19.0 percent to 966.1 thousand, Jeddah 22.6 percent to 721.5 thousand, Madinah 17.8 percent to 86.5 thousand, Buraidah 18.1 percent to 180.4 thousand,

Table 5.12: Bank Branches Classified by Administrative Region (End of year)

	Riyadh	Makkah	Madinah	Eastern Region	Qassim	Asir	Tabuk	Hail	Northern Borders	Jawf	Jazan	Najran	Baha	Total
2014	586	412	94	366	114	117	47	39	15	24	47	25	26	1,912
2015	611	429	98	384	118	120	48	40	15	25	50	25	26	1,989
2016	623	439	105	393	120	125	49	41	15	26	50	26	26	2,038
2017	631	442	111	405	123	127	50	41	16	27	53	26	27	2,079
2018	630	444	110	403	124	129	50	41	16	28	55	27	26	2,083

Chart 5.10: Percentage Shares of Commercial and Personal Checks Cleared by City



Makkah 17.9 percent to 81.6 thousand, Tabuk 6.5 percent to 31.7 thousand, Ta'if 9.2 percent to 23.7 thousand, and Abha 19.0 percent to 84.4 thousand (Chart 5.10).

II. Mada

During 2018, the Saudi Payment Network (Mada) achieved positive growth in all of its operations. The number of ATMs operating in Saudi Arabia increased by 1.9 percent to 18,685 compared to a 2.5 percent rise in the preceding year. The number of ATM cards issued also increased by 0.6 percent to 28.6 million at end-2018, compared to an increase of 7.0 percent in the preceding year.

The number of withdrawal transactions carried out through Mada rose by 9.0 percent to 949 million in 2018 compared to a rise of 5.9 percent in the preceding year. The value of withdrawals carried out through Mada increased by 2.8 percent to SAR 452.9 billion compared to a decline of 1.2 percent in the preceding year. Furthermore, the number of transactions executed through banks' networks went up by 3.1 percent to 1.2 billion compared

to a rise of 3.8 percent in the preceding year. The value of cash withdrawals made through banks' networks increased by 2.6 percent to SAR 295.4 billion compared to a decline of 6.3 percent in the preceding year. As a result, the total number of ATM transactions rose by 5.6 percent to 2.1 billion. Total cash withdrawals also went up by 2.7 percent to SAR 748.3 billion (Table 5.13 and Chart 5.11).

The number of POS terminals increased by 15.9 percent to 351,645 in 2018 compared to a rise of 13.3 percent in the preceding year. The number of sales transactions executed through POS terminals also went up by 45.7 percent to 1,032 million compared to a rise of 35 percent in the preceding year. The value of these transactions also rose by 15.9 percent to SAR 232.3 billion compared to an increase of 9.7 percent in the preceding year (Table 5.14 and Chart 5.12).

Higher growth rates in ATM cards and transactions executed through ATMs and POS terminals indicate their expansion in the retail sector, in addition to customers' increased confidence in modern banking technology.

Table 5.13: ATM Statistics

Year	No. of ATMs	No. of issued ATM cards	No. of transactions (million)			Cash withdrawals (million SAR)		
			mada	Bank networks	Total	mada	Bank networks	Total
2014	15,516	20,550,274	625	904	1,529	373,030	358,373	731,403
2015	17,223	22,459,275	727	1,069	1,796	435,177	342,023	777,200
2016	17,887	26,537,349	822	1,100	1,923	446,300	307,149	753,449
2017	18,333	28,402,914	870	1,142	2,012	440,729	287,782	728,511
2018	18,685	28,559,828	949	1,177	2,126	452,931	295,394	748,325

Table 5.14: POS Statistics

Year	Sales (Million SAR)	No. of transactions (Million)	No. of POS terminals
2014	159,970	327	138,779
2015	172,835	395	225,372
2016	182,749	525	267,827
2017	200,468	708	303,464
2018	232,306	1,032	351,645

III. Saudi Arabian Riyal Interbank Express System (SARIE)

The total number of transactions executed via SARIE went up by 31.2 percent to 135.8 million in 2018 compared to a rise of 15.9 percent in the preceding year. A breakdown of SARIE transactions

by single and bulk customer payments shows that the number of single payments rose by 3.7 percent to 10.7 million transactions and their value by 4.0 percent to SAR 3,994 billion. The number of bulk payments also went up by 36.1 percent to 122.2 million transactions and their value by 21.1 percent

Chart 5.11: Automated Teller Machine Statistics

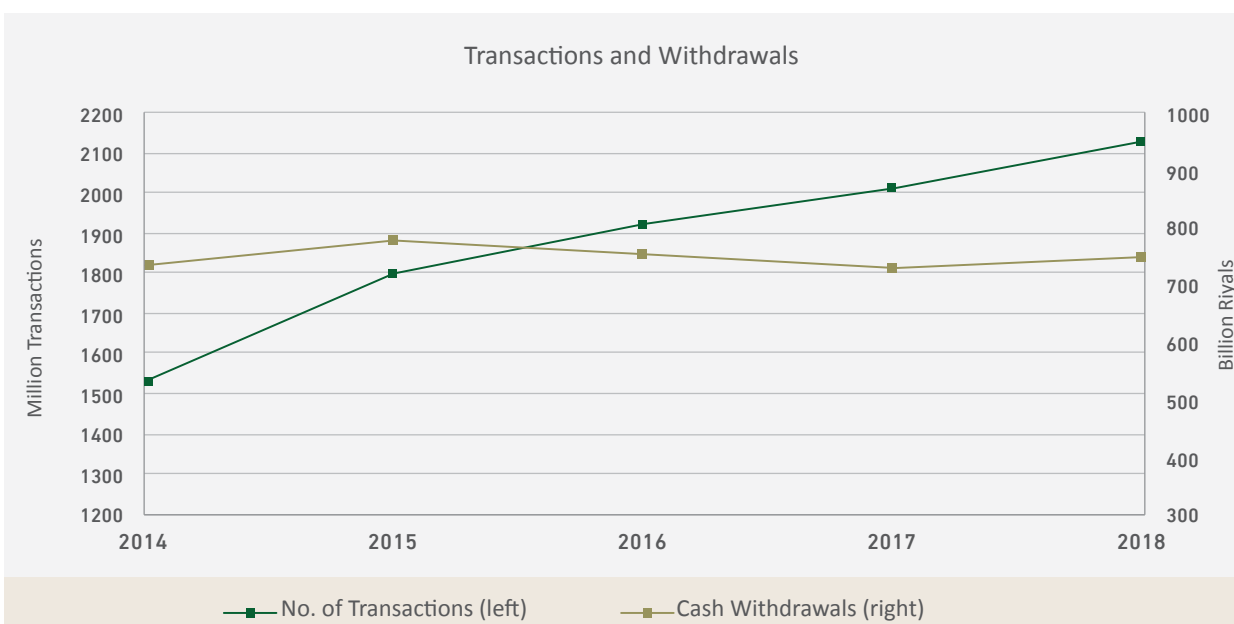
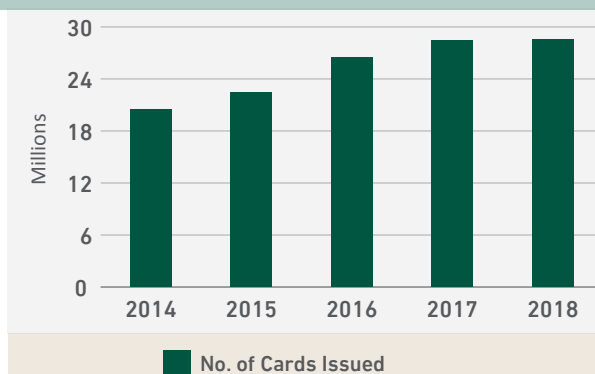
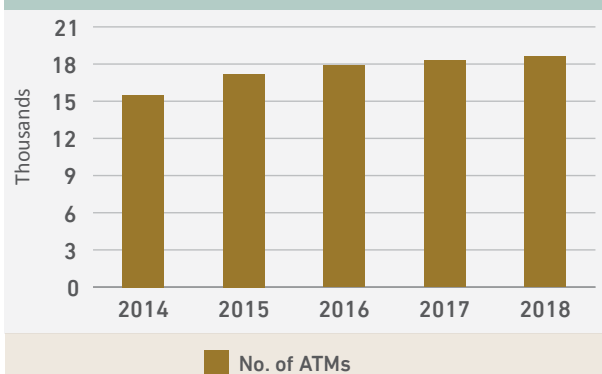
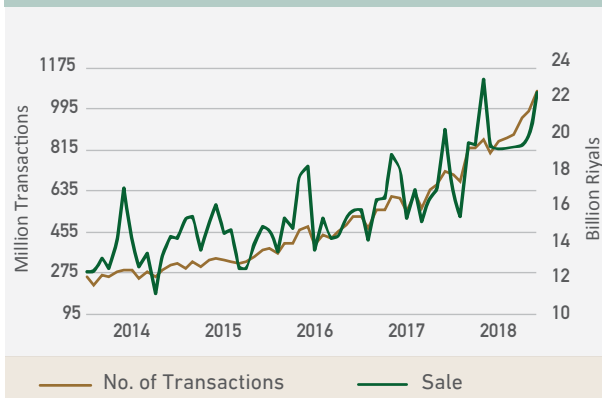
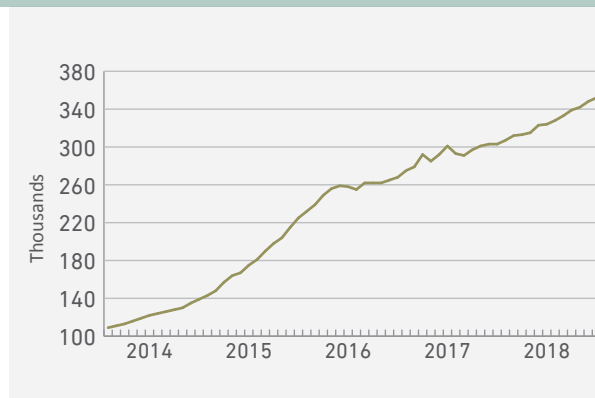


Chart 5.12: POS Operation (Monthly)



No. of POS Terminals



to SAR 2,640 billion. In contrast, the number of other transactions decreased by 18.3 percent to 2.2 million and their value by 57.8 percent to SAR 18 billion.

A classification of SARIE transactions by interbank payments shows that the number of single interbank transactions decreased by 0.2 percent to 513 thousand during 2018 and their value by 22.9 percent to SAR 43,226 billion. The number of bulk interbank transactions executed through SARIE declined by 10.8 percent to 122 thousand. Their value, however, went up by 32.1 percent to SAR 105.8 billion (Tables 5.15A and 5.15B and Chart 5.13).

IV. SADAD

The number of billers from various public and private service sectors (such as electricity, water, telecommunication, airline companies, insurance, credit cards, etc.) linked to SADAD stood at 170 at end-2018. The number of banks linked to SADAD reached 17. In addition, three new banks are in their final stages of linkage to SADAD. The number of transactions executed during 2018 totaled 235.6 million with a total value of SAR 356.5 billion compared to 218.4 million transactions with a total value of SAR 250.5 billion “in the preceding year” (Chart 5.14).

Derivative Market Activity

Derivative transactions in Saudi Arabia fell by 5.9 percent (SAR 69.6 billion) to SAR 1,106 billion in 2018, compared to SAR 1,175 billion “in the preceding year”.

Banking Creditworthiness

The Saudi Credit Bureau (SIMAH) continued to provide its services to all relevant entities during 2018 by continuously developing its services and products. These services and products include the retail system “SIMATI”, the corporate system “SIMAT”, “Shaiki” project, and SMEs evaluation system project “TAQEEM”. Through these services

and products, SIMAH aims to provide necessary credit information that contributes to enhancing risk assessments and evaluating the creditworthiness of borrowers. SIMAH continued to meet the goals for which it was established as an independent credit information body, which include the following: (1) to complement the finance ecosystem in Saudi Arabia and (2) to develop the credit information sector and its various services in preparation for the expansion of credit market in Saudi Arabia according to economic variables and Saudi Vision 2030.

Furthermore, SIMAH carried on the development of SIMAT in order to cope with the rapidly developing corporate sector in Saudi Arabia. In line with SAMA’s standards, SIMAH introduced a number of enhancements to corporate credit reporting, which included expanding the collateral list, enabling the preview of overall credit facility information, and introducing the concept of “shared limit” for facilities in order to have a calculation suite for all possible usages of credit facilities as agreed between the company and the financier. SIMAH’s members have been allowed to link their account with one or more specified projects. The linkage helps financiers review and assess the positions and creditworthiness of companies and make a sound decision regarding the finance of such companies.

During 2018, SIMAH developed credit performance comparison reports, which enables financial institutions to support private sector growth, thus achieving the objectives of the Financial Sector Development Program according to Vision 2030. These reports consider actual challenges that corporate creditors face, the most important of which include approved credit strategies, marketing plans and credit risk management. Moreover, these reports allow credit costumers to compare their credit performance with their counterparts in the same sector in the market. In 2018, SIMAH focused on utilizing its huge central database to offer more services to its customers.

Table 5.15A: Number of SARIE Transactions

Year	Customer payments			Interbank payments			Other	Total
	Bulk	Single	Total (1)	Bulk	Single	Total (2)	(3)	(1+2+3)
2014	56,375	6,085	62,459	118	374	492	1,628	64,580
2015	70,639	8,023	78,663	72	464	537	2,335	81,534
2016	76,084	9,156	85,240	79	468	547	3,497	89,285
2017	89,806	10,299	100,105	137	514	651	2,714	103,470
2018	122,236	10,676	132,912	122	513	635	2,218	135,766

Table 5.15B: Value of SARIE Transactions

Year	Customer payments			Interbank payments			Other*	Total
	Bulk	Single	Total (1)	Bulk	Single	Total (2)	(3)	(1+2+3)
2014	1,722	3,457	5,179	51	49,196	49,247	34	54,459
2015	1,984	3,349	5,333	59	43,450	43,510	23	48,865
2016	2,067	3,396	5,463	61	34,161	34,222	31	39,717
2017	2,180	3,839	6,019	80	56,048	56,128	42	62,189
2018	2,640	3,994	6,634	106	43,226	43,332	18	49,984

* Including direct debit transactions and SAMA's claims on banks.

Chart 5.13: SARIE Transactions

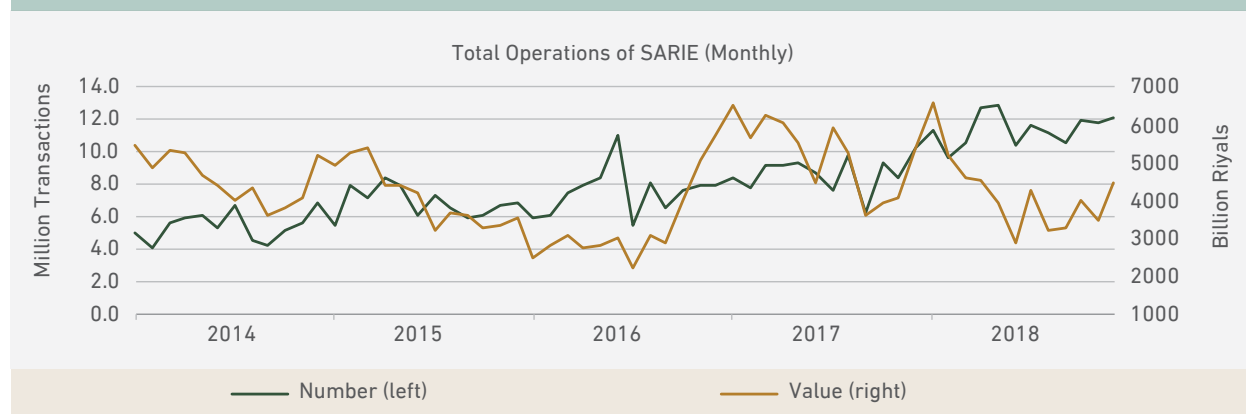
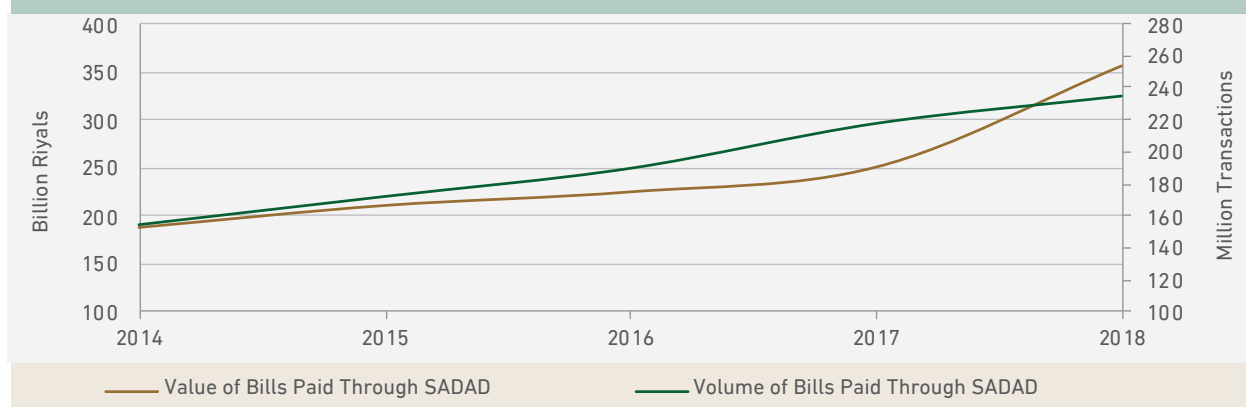


Chart 5.14: Volume and Value of Bills Paid Through SADAD



Through “SIMAH 360” service, SIMAH continued to provide analytical tools that help financing entities provide cash liquidity and generate returns in a balanced manner. The tools offer advanced credit models, including personal characteristics; moral elements (such as complete trustworthiness and integrity); analysis of capability factors; collaterals; finance term and historical, current and potential credit risks; analysis of income sources; and compliance standards, in order to ensure sound decision-making. In addition, SIMAH contributed to promoting credit awareness among all segments of society in 2018. It published the “Procedural Manual for Customer Awareness” which was approved by SAMA in 2018. The manual is aimed at raising customers’ awareness of their credit rights stipulated by the Credit Information Law and its Implementing Regulations.

Given its main role in providing accurate credit information on both the retail and corporate sectors in order to help all creditors in economic sectors reach sound credit decisions, SIMAH continued to improve the bounced checks system (Shaiki). The system tracks bounced checks and registers them in credit reports. This step came in compliance with SAMA’s guidelines on bounced

checks to be included in customer credit reports in case of insufficient or no balance. At the same time, SIMAH continued to build the statistical database for bounced checks.

Developments in Implementation of Basel III Framework in Saudi Arabia

SAMA continued its efforts in the timely implementation of Basel Committee on Banking Supervision (BCBS) standards. This included instituting the Internal Liquidity Adequacy Assessment Process (ILAAP), which came into force in January 2018 in order to meet Basel III requirements that stress the importance of measuring and monitoring liquidity risks. Considering that banks have proactively implemented these standards since the beginning of 2016, SAMA has been monitoring their compliance and detecting and addressing any gaps in the implementation process, as well as monitoring compliance with any updates to these standards. In addition, SAMA updated its “Guidance Document Concerning Basel III: The Net Stable Funding Ratio (NSFR)-Based on BCBS Document of October 2014” and “Rules on Large Exposures of Banks” to be in line with international best banking practices.



06

INSURANCE AND FINANCE

Insurance and Finance

Insurance Sector

SAMA is keen on improving and developing insurance sector in order to achieve the objectives of Saudi Vision 2030 by raising awareness of the social and economic importance of insurance. In addition to continuously updating and improving laws, regulations and instructions in accordance with the changes made to the insurance sector and to the overall economy. In this context, Licensing and Controlling Rules for Foreign Insurance and Reinsurance Companies in Saudi Arabia were issued in order to give international strategic partners the opportunity to increase their ownership in insurance companies. This will contribute to enhancing the quality of the sector by increasing competitiveness among operating companies, promoting growth and stability, and reducing potential risks, all of which will positively affect the sector beneficiaries in Saudi Arabia. Following are the key developments in 2018:

I. Regulations of Insurance Sector Supervision Issued in 2018:

In 2018, SAMA issued a number of circulars and instructions, including the following:

- Issuing Licensing and Controlling Rules for Foreign Insurance and Reinsurance Companies in Saudi Arabia to keep abreast of the international developments in the sector and encourage fair competition,
- Requiring insurers to obtain SAMA's non-objection prior to providing government and non-government entities with supervisory and statistical information and data,
- Requiring insurers to obtain sufficient information on the vehicle when pricing motor insurance policies, including vehicle manufacturer, model year and purpose of use,

- Updating the Unified Compulsory Motor Insurance Policy to cover drivers aged 18 years and above holding valid driver's license and requiring insurers to transfer the indemnity amounts to beneficiaries' bank accounts directly,
- Requiring insurers to set e-mail addresses for administrative units under Insurance Control,
- Prohibiting all insurers that provide compulsory motor insurance from refusing to provide coverage due to any restrictions related to the age of the driver, as long as he or she holds a driver's license,
- Requiring insurers to nationalize individual insurance product marketing jobs,
- Issuing a complementary circular on linking the issuance of insurance policy to the recipient's national address, and
- Issuing a circular on amending medical malpractice insurance policies.

In support of the above issuances, the number of rules and regulations issued over the past several years and published on SAMA's website were 22.

II. Saudization of the Insurance Sector:

Article 2 of the Implementing Regulations of Cooperative Insurance Companies Control Law states that a key objective of the Law and its Regulations is to develop the insurance sector in Saudi Arabia, including training and Saudization. Article 4 of the Regulations states that the business plan prepared by insurance companies and insurance service providers shall specify the expected number of employees and include a plan for recruiting and qualifying Saudis.

Article 50 of the Regulations emphasizes that insurance companies and insurance service providers must provide SAMA, 45 days prior to the end of each financial year, with a report specifying the number, percentage and positions of Saudi employees at the company level and at each

branch and/or department level. Article 79 of the Regulations stipulates that “Saudi employees shall not be less than 30 percent at the end of the first year, and to be increased annually in accordance with the business plan submitted to SAMA”.

In this context, SAMA’s efforts to nationalize executive positions during 2018 resulted in raising the Saudization rate to 75 percent in the sector and 55 percent in executive positions, compared to 69 percent and 49 percent, respectively at the end of 2017.

In addition, the total number of employees at insurance companies in Saudi Arabia increased by 5.3 percent to 11,791 at the end of 2018 compared to 11,200 at the end of 2017, with Saudi employees accounting for 75 percent of the total number.

III. Training:

- SAMA has exerted substantial effort to regulate the insurance sector and has urged companies and their employees to adhere to professionalism and practice insurance business on a scientific and methodological basis pursuant to its rules, regulations and instructions. In support of this effort, SAMA has prescribed the Insurance Fundamentals Certificate Exam (IFCE) as a mandatory requirement for the employees of insurance companies and insurance service providers. The IFCE covers the main principles of insurance rules and regulations. It also adds to the professionalism of workers in the insurance sector by giving them the basic level of knowledge and skills required for working in this sector. The key developments during 2018 were as follows:
- Exchanging practical and scientific experiences with international entities and organizations by sending supervisors for on-the-job training,
- Providing “The Lloyd’s Market Saudi Insurance Professionals Development Program” on-the-job training for 10 employees in London,
- Awarding scholarships to 12 male and female Saudis to obtain the Advanced Diploma in Insurance (ACII) provided by the Chartered Insurance Institute as part of the Insurance Leaders Preparation Program,
- Adopting the Preparatory Program for the Insurance Industry to qualify graduates to work efficiently in the sector,
- Cooperating with international organizations specialized in insurance to provide on-job training for the sector staff, and
- Providing scholarships for two and a half years to obtain the advanced diploma in insurance (ACII).

IV. Insurance Market in Saudi Arabia in 2018

a) Overall Market Performance

- The insurance market witnessed a decline of 4.6 percent in gross written premiums (GWP) to SAR 34.9 billion in 2018 compared to a decrease of 1.5 percent in 2017 (Table 6.1).
- General insurance GWP, which represented 40.2 percent of total GWP, declined by 14.2 percent to SAR 14.0 billion at the end of 2018 compared to a decrease of 5.9 percent in 2017.
- Health insurance GWP, which represented 56.9 percent of the total, increased by 4.5 percent to SAR 19.9 billion at the end of 2018 compared to a rise of 2.2 percent in 2017.
- Protection and savings insurance GWP, which represented 2.9 percent of the total, fell by 16.5 percent to SAR 1.0 billion at the end of 2018 compared to an increase of 3.5 percent in 2017.
- Motor insurance GWP, which represented 27.0 percent of the total, declined by 15.4 percent to SAR 9.4 billion at the end of 2018 compared to a fall of 9.7 percent in 2017.

b) Net Written Premiums (NWP)

NWP is defined as the gross written premiums

less the share of reinsurance. Health and motor insurance accounted for 94.1 percent of total NWP in 2018. Total health insurance NWP increased by 4.9 percent, while other insurance types recorded an annual decline as compared to NWP levels in 2017. Energy insurance registered the highest decline of 80.0 percent, followed by engineering insurance 28.7 percent, and general insurance 14.4 percent (Table 6.1).

c) Retention Ratio

The retention ratio is a measure of risks in written premiums retained by an insurance company as there is a correlation between the retention ratio and risks. The ratio is calculated by dividing NWP by GWP. The overall retention ratio of insurance companies in the Saudi market was 85.8 percent

in 2018 against 84.5 percent in 2017. This ratio is largely affected by the high retention ratio for motor and health insurance, which accounted for 94.0 percent and 97.2 percent, respectively. On the other hand, energy insurance recorded the lowest retention ratio of 0.7 percent in 2018 (Table 6.1).

d) Insurance Market Penetration and Density

Insurance penetration is measured by the ratio of gross written premiums to GDP. The level of insurance penetration in Saudi Arabia stood at 1.2 percent in 2018 compared to 1.4 percent in 2017, with GWP to Non-oil GDP ratio amounting to 1.8 percent in 2018 compared to 2.0 percent in 2017 (Table 6.2).

Table 6.1: Insurance Indicators

Insurance type	2016				2017				2018			
	GWP	Share (%)	NWP	NWP/GWP (Retention ratio)*	GWP	Share (%)	NWP	NWP/GWP (Retention ratio)*	GWP	Share (%)	NWP	NWP/GWP (Retention ratio)*
Accident, liability and others	1,075.8	2.9	524.8	48.8	1,062.7	2.9	513.3	48.3	1,001.3	2.9	470.4	47.0
Motor insurance	12,331.4	33.2	10,788.8	87.5	11,136.4	30.4	10,388.1	93.3	9,423.3	27.0	8,860.4	94.0
Property/fire insurance	1,823.1	4.9	196.9	10.8	1,722.2	4.7	323.7	18.8	1,697.9	4.9	314.0	18.5
Marine insurance	634.1	1.7	150.6	23.8	626.3	1.7	174.9	27.9	544.6	1.6	155.4	28.5
Aviation insurance	139.7	0.4	9.1	6.5	134.9	0.4	5.7	4.2	148.0	0.4	5.3	3.6
Energy insurance	457.8	1.2	12.6	2.8	739.0	2.0	17.2	2.3	511.5	1.5	3.5	0.7
Engineering insurance	914.1	2.5	195.0	21.3	932.6	2.5	168.7	18.1	701.7	2.0	120.2	17.1
Total general insurance	17,375.9	46.7	11,877.8	68.4	16,354.1	44.7	11,591.6	70.9	14,028.4	40.2	9,929.2	70.8
Total health insurance	18,630.3	50.1	18,092.7	97.1	19,035.5	52.0	18,411.6	96.7	19,883.4	56.9	19,319.4	97.2
Total protection and savings insurance	1,166.5	3.1	868.9	74.5	1,207.3	3.3	918.2	76.1	1,008.3	2.9	710.1	70.4
Total	37,172.7	100.0	30,839.4	83.0	36,597.0	100.0	30,921.4	84.5	34,920.1	100.0	29,958.8	85.8

* Retention ratios for protection and savings insurance are not included in the overall ratio.

Insurance density is defined as per capita expenditure on insurance (GWP divided by the total population). The per capita insurance density decreased by 7.0 percent to SAR 1,045.1 in 2018 from SAR 1,124.3 in 2017 (Table 6.3).

e) Commissions Paid to Insurance Brokers and Agents

The amount of commissions paid by insurance companies to insurance brokers and agents totaled SAR 1.8 billion in 2018 compared to SAR 2.0 billion in 2017. Motor insurance commissions constituted 39.3 percent and 34.3 percent of total commissions paid during 2017 and 2018, respectively, while those of health insurance accounted for 36.5 percent and 39.9 percent of total commissions in 2017 and 2018, respectively (Table 6.4).

f) Total Claims Paid by Type of Business

Total claims paid by type of business increased by 1.5 percent to SAR 27.0 billion in 2018 compared to SAR 26.6 billion in 2017. Health and motor insurance claims accounted for 65.3 percent and 25.7 percent, respectively, of total claims paid in 2018. These

high ratios reflected the high shares of these types of business in the total market premiums. Energy insurance recorded the highest growth rate of total claims paid with a rise of 1,820.0 percent in 2018, followed by aviation insurance with 585.9 percent. Engineering insurance, however, registered the highest decline of 39.0 percent (Table 6.5).

V. Status of Insurance Companies in Saudi Arabia

The number of insurance and reinsurance companies approved by the Council of Ministers, until the end of 2018, was 34. In addition, the number of those currently operating in the industry is 33 insurance and reinsurance companies, 30 insurance service providers, 88 insurance brokers, and 70 insurance agencies (Table 6.6).

VI. Council of Cooperative Health Insurance

At the end of 2018, the total number of health-insured individuals reached 11.9 million, including 8.8 million expatriates. The number of companies and establishments providing health insurance

Table 6.2: Insurance penetration to GDP

(Percentage)							
Insurance type	2016		2017		2018		Percent change 2017-2018
	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP	
Total general insurance	0.72	0.97	0.63	0.90	0.48	0.73	-0.16
Total health insurance	0.77	1.04	0.74	1.04	0.68	1.03	-0.06
Total protection and savings insurance	0.05	0.06	0.05	0.07	0.03	0.05	-0.01
Total	1.54	2.07	1.42	2.01	1.19	1.81	-0.23

Table 6.3: Insurance Market Density

Insurance type	(Riyals per capita)					
	2014	2015	2016	2017	2018	% change
Total general insurance	450.4	488.2	546.8	502.4	419.8	-16.4
Total health insurance	510.9	612.4	586.2	584.8	595.1	1.8
Total protection and savings insurance	29.4	21.9	36.7	37.1	30.2	-18.6
Total	990.7	1,122.4	1,169.7	1,124.3	1,045.1	-7.0

coverage for their staff was 346.9 thousand.

The number of insurance companies qualified to practice the activity of health insurance and companies qualified to manage health insurance claims stood at 27 and 18, respectively.

Moreover, the number of approved health care providers in Saudi Arabia reached 5.287 at the end of 2018, distributed by type of facility and region as shown in (Table 6.7).

A breakdown of approved health care providers in Saudi Arabia for 2018 indicates that pharmacies ranked first among facilities providing health care services, constituting 51.4 percent of the total. Polyclinic centers came second with 24.1 percent, followed by optical shops with 16.5 percent, and hospitals with 6.3 percent. A review of these health care providers by region indicates that Riyadh ranked first with 32.1 percent of the total, followed by Makkah with 22.8 percent, the Eastern region with 19.4 percent, and lastly Al-Baha with 0.9 percent.

Table 6.4: Commissions Paid by Type of Business

Insurance type	2016		2017		2018		Percent change 2017-2018
	Million SAR	%	Million SAR	%	Million SAR	%	
Accident, liability and others	138.4	6.2	143.5	7.0	141.7	7.8	-1.2
Motor insurance	921.8	41.4	807.5	39.3	625.7	34.3	-22.5
Property/fire insurance	168.6	7.6	169.5	8.2	173.8	9.5	2.5
Marine insurance	61.3	2.8	56.8	2.8	52.4	2.9	-7.6
Aviation insurance	1.0	0.05	1.1	0.1	1.9	0.1	73.4
Energy insurance	1.7	0.1	2.8	0.1	4.5	0.2	59.6
Engineering insurance	90.0	4.0	76.5	3.7	67.0	3.7	-12.5
Total general insurance	1,382.9	62.1	1,257.7	61.2	1,067.0	58.4	-15.2
Total health insurance	811.4	36.4	750.6	36.5	729.0	39.9	-2.9
Total protection and savings insurance	33.0	1.5	48.1	2.3	30.6	1.7	-36.4
Total	2,227.3	100.0	2,056.4	100.0	1,826.5	100.0	-11.2

Table 6.5: Total Claims Paid by Type of Business

Insurance type	2016		2017		2018		Percent change 2017-2018
	Million SAR	%	Million SAR	%	Million SAR	%	
Accident, liability and others	234.5	0.9	310.8	1.2	263.4	1.0	-15.3
Motor insurance	9,178.0	34.8	8,321.7	31.3	6,930.2	25.7	-16.7
Property/fire insurance	1,060.8	4.0	961.1	3.6	624.4	2.3	-35.0
Marine insurance	292.1	1.1	207.7	0.8	223.6	0.8	7.7
Aviation insurance	92.6	0.4	18.1	0.1	123.8	0.5	585.9
Energy insurance	52.1	0.2	18.6	0.1	356.8	1.3	1820.0
Engineering insurance	369.2	1.4	748.4	2.8	456.8	1.7	-39.0
Total general insurance	11,279.3	42.7	10,586.4	39.8	8,979.1	33.3	-15.2
Total health insurance	14,547.8	55.1	15,471.1	58.2	17,628.5	65.3	13.9
Total protection and savings insurance	568.8	2.2	538.0	2.0	390.3	1.4	-27.5
Total	26,395.9	100.0	26,595.5	100.0	26,997.8	100.0	1.5

Table 6.6: Licensed Insurance and Reinsurance Companies by the End of 2018

Company	Capital (Million SAR)	Licensed on
National Company for Cooperative Insurance (Tawuniya)	1,250	02/12/2004
Malath Cooperative Insurance & Reinsurance Company	500	11/09/2007
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	800	11/09/2007
Salama Cooperative Insurance Company	250	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	300	11/09/2007
AlAhli Takaful Company	167	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	300	11/09/2007
Gulf Union Cooperative Insurance Company	150	11/09/2007
Sanad for Cooperative Insurance and Reinsurance (SANAD)	200	08/03/2008
Assurance Saudi Fransi (Allians)	200	08/03/2008
Trade Union Cooperative Insurance Company	275	31/03/2008
Al Sagr Cooperative Insurance Company	400	31/03/2008
Saudi Indian Company for Cooperative Insurance	100	10/06/2008
Arabia Insurance Cooperative Company	265	18/06/2008
Saudi United Cooperative Insurance company (Wala'a)	440	02/07/2008
Saudi Reinsurance Company (Saudi Re)	810	21/07/2008
Bupa Arabia for Cooperative Insurance	1,200	10/08/2008
United Cooperative Assurance (UCA)	400	30/12/2008
Al Ahlia for Cooperative Insurance	160	20/03/2009
Allied Cooperative Insurance Group (ACIG)	200	10/05/2009
Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful)	400	17/11/2009
Chubb Arabia Cooperative Insurance Company	200	08/11/2009
Al Alamiya Co-operative Insurance Company	400	13/12/2009
AXA Cooperative Insurance Company	450	26/01/2010
Gulf General Cooperative Insurance Company	200	06/03/2010
Weqaya Takaful Insurance and Reinsurance Company.	200	24/03/2010
MetLife Inc. and AIG, the Arab Bank for Cooperative Insurance	180	29/03/2010
Buruj Cooperative Insurance Company	250	29/05/2010
Wataniya Insurance Company	200	16/06/2010
Amana Cooperative Insurance	140	06/07/2010
Solidarity Saudi Takaful Company	250	20/03/2011
Saudi Enaya Cooperative Insurance Company	100	07/08/2011
Alinma Tokio Marine Company	300	30/09/2012
Aljazira Takaful Taawuni Company	350	12/12/2013

Finance Sector

SAMA is entrusted with regulatory and supervisory functions over the finance sector in Saudi Arabia, taking the actions necessary to maintain its soundness and stability and protect its workers' rights. Moreover, SAMA develops regulatory and supervisory frameworks to enhance the financial stability of this sector in a way that supports sustainable economic growth and ensures fair transactions for all stakeholders.

SAMA is also responsible for issuing licenses to practice finance activities in accordance with finance laws and regulations. The following are the key developments regarding finance companies infrastructure, supervisory and control functions, and the protection of consumer rights:

I. Developments and Regulations

- One of the key developments in the market environment during 2018 was that the Saudi Real Estate Refinance Company (SRC) has started carrying out its business. The objective of SRC is to enable real estate financiers to provide adequate and sustainable funding sources, which will contribute to enhancing the attractiveness of real estate finance products and reducing their costs, increasing home ownership. SAMA granted a license to SRC in 2017, owned by the Public Investment Fund, with an initial capital of SAR 1.5 billion.
- SAMA also granted a license to the Saudi Financial Lease Registration Company, owned by all lenders (banks and finance companies licensed to engage in finance leasing activities). The Company is expected to begin its operations during 2019. The Company aims at achieving the objectives of the relevant finance laws

Table 6.7: Authorized Health care Providers in 2018

Region/Type of Institutions	Hospitals	One-day operation centers	Dispensaries	Pharmacies	Medical laboratories	Physical therapy centers	Nutrition centers	care and rehabilitation centers for persons with disabilities	Diagnostic centers	Speech and hearing centers	Psychotherapy centers	Hearing aid centers	Medical complexes	Dialysis centers	One-physician clinics	Optical stores	Devices and prosthetics stores	Total
Riyadh	76	11	0	772	3	11	2	0	3	6	1	1	465	0	1	349	2	1,703
Makkah	72	5	1	668	4	9	0	1	4	2	0	0	290	1	1	150	0	1,208
Eastern	57	3	1	556	3	8	0	0	1	0	0	0	219	1	1	174	0	1,024
Asir	25	2	1	170	0	1	0	0	0	0	0	0	59	0	1	38	0	297
Madinah	23	2	1	161	2	1	0	0	0	0	0	0	57	1	0	71	0	319
Qassim	13	0	0	56	0	1	0	0	0	0	0	0	39	0	0	24	0	133
Tabuk	11	0	0	68	0	0	0	0	0	0	0	0	23	0	0	18	0	120
Najran	10	0	0	39	0	0	0	0	0	0	0	0	32	0	0	11	0	92
Jizan	14	0	0	74	0	1	0	0	0	0	0	0	33	0	0	16	0	138
Northern Borders Region	10	0	0	32	0	0	0	0	0	0	0	0	10	0	0	3	0	55
Jawf	6	0	0	44	1	0	0	0	0	0	0	0	11	0	0	3	0	65
Hail	9	0	1	43	0	0	0	0	0	0	0	0	24	0	0	7	0	84
Baha	5	0	0	26	0	0	0	0	0	0	0	0	12	0	0	6	0	49
Total	331	23	5	2,709	13	32	2	1	8	8	1	1	1,274	3	4	870	2	5,287

Source: Council of Cooperative Health Insurance.

and regulations, which will contribute to maintaining the integrity of the sector, ensuring fair dealings between the contract parties “lessee and tenant”, and accelerating the implementation of the finance lease agreements for individuals and companies.

- Approval was issued for the public offering of two finance companies, and the Council of Ministers approval was obtained to waive the requirement to do public offerings for finance companies.
- SAMA is working on the Finance Company Vision 2023 program. The project aims at developing the finance company sector by finding innovative solutions to address existing challenges. The Vision is expected to create a more attractive and equitable environment conducive to the development of financing services. In addition, SAMA continues to work with finance companies to enhance and develop their business through the committees and meetings held annually between SAMA’s Governor and Chairmen of the boards of directors of finance companies.
- To protect the rights of consumers and ensure fair dealings, SAMA took the initiative to protect the rights of consumers by issuing Consumer Protection Principles as binding principles for financial institutions in accordance with the best international practices. SAMA has also required finance companies to establish an independent consumer care departments to promote the quality of services provided. SAMA emphasized that the department must be established in accordance with specific controls and reports to the CEO, the general manager or the direct representatives, with emphasis on not reporting to any other department in the company. In this context, SAMA is keen to ensure fair dealings with all consumers to obtain financing services at a fair and reasonable cost. In this regard,

a circular was issued on the importance of providing equal financing products and coverage to all segments of society in finance lease agreements. SAMA also issued the Procedural Requirements for Real Estate Documentation between financiers and notaries public to reduce discrepancies in procedures.

- Within the framework of joint programs with government and semi-government entities, SAMA has cooperated with the Ministry of Housing to create subsidized housing finance programs. The Vision 2030 goals aim at rising the ratio of house ownership to 60 percent by 2020 and 70 percent by 2030 through developing the housing finance sector and increasing its contribution to GDP, while enabling financiers (banks and finance companies) to offer more diversified financing solutions to a larger number of citizens. The Saudi Real Estate Refinance Company is expected to support growth and provide liquidity to enhance the performance of the real estate sector. SAMA has also cooperated with the Ministry of Justice to discuss subjects of mutual interest, which resulted in addressing issues that financiers face with courts, notaries public and judicial authorities. SAMA also cooperated with committees formed to correct the conditions of properties registered under financiers’ names. Furthermore, SAMA is currently working on several projects that contribute to achieving Vision 2030, such as supporting the finance of SMEs through initiatives and programs, including the Indirect Lending Initiative. The Initiative involved 12 finance companies from the General Authority for Small and Medium Enterprises (Monshaat) and provided the initial subsidy payment of SAR 300 million at the end of 2018. The number of companies benefiting from the subsidy is expected to grow, in addition to a number of initiatives

within the Housing Program and the Financial Sector Development Program.

As for SAMA's regulatory and supervisory role, 18 circulars were issued during 2018 on a number of matters related to finance companies' activities, the most prominent of which are: Circular on the Guidelines for Mortgage Documentation, Circular on the Handling of Adjustable-Rate Real Estate Finance Products of Retail Consumers, Circular on Instructions for Offering Real Estate Finance Products to Retail Consumers, and the Circular on Increasing the loan to value (LTV) ratio Capitalization for Real Estate Finance Extended to Citizens' First Home Ownership, in addition to other circulars that aim at protecting consumer rights, developing the sector and maintaining its stability. A number of controls and rules were also issued, including: 1) allowing the indirect contribution of Investment Funds to the sector as it is expected to help in providing a new liquidity source for companies, 2) issuing the Responsible Lending Principles for Retail Consumers that sets the limit of the consumer's total monthly credit obligations from the total monthly income, and 3) approving model forms for real estate finance contracts for retail consumers.

companies fell by 1.6 percent to SAR 37.6 billion at the end of 2018 from SAR 38.2 billion at the end of 2017, while total capital of finance companies stood at SAR 14 billion (Table 6.8).

The sector's profits increased by 8 percent to SAR 1.3 billion in 2018 over last year's profits. In this context, the total number of employees at finance companies in Saudi Arabia reached 5,364 at the end of 2018, with Saudis constituting 78 percent of the total number.

II. Finance Companies Licensed to Operate in Saudi Arabia

The number of licensed finance companies stood at 37 in 2018. Six were licensed to provide real estate finance (other than banks), one company to engage in real estate refinance, and one to provide microfinance. The number of companies licensed to engage in other types of finance was 29. During 2018, initial approvals were granted to three new finance companies (Table 6.8).

Finance portfolio for the sector totaled about SAR 48 billion at the end of 2018 as compared to SAR 50.8 billion at the end of 2017, with real estate finance accounting for 34 percent and non-real-estate finance 66 percent. Total assets of finance

Table 6.8: Companies Licensed to Practice Finance Activities up to the End of 2018

Company	Paid-up capital (Million SAR)	Licensed on
Companies Licensed to Provide Real Estate Finance other than Banks		
Amlak International	906	24/12/2013
Dar Al Tamleek	509	31/12/2013
Saudi Home Loans	1,000	27/02/2014
Deutsche Gulf Finance	575	20/05/2014
Abdul Latif Jameel Real Estate Finance	250	07/12/2014
Bidaya Home Finance	900	14/12/2015
Companies Licensed to Provide Real Estate Refinance		
Saudi Real Estate Refinance Company	1,500	25/09/2017
Companies Licensed to Provide Micro-Business Finance		
Bab Rizq Jameel	100	04/10/2017
Companies Licensed to Practice other Finance Activities		
Nayifat Finance Company	850	31/12/2013
Saudi ORIX Leasing Company	550	27/02/2014
Al Yusr Leasing and Financing	500	27/02/2014
AJIL Financial Services Company	500	20/05/2014
National Finance Company	250	25/08/2014
Morabaha Marina	229	14/09/2014
Kirnaf Finance Company	600	12/11/2014
Matager Finance Company	150	16/11/2014
AlJasriah Co. for Finance LLC.	150	16/11/2014
Saudi Finance Company	100	20/11/2014
Abdul Latif Jameel United Finance Co.	1,700	08/12/2014
Gulf Finance Saudi Arabia	100	08/12/2014
Tamwily International Co.	100	11/12/2014
AL AMTHAL Financing	213	16/03/2015
Osoul Modern Finance Company	100	22/03/2015
Dar Aletiman Al Saudi	100	05/05/2015
Tawkelat Financing Company	100	04/06/2015
Murabaha Finance	320	04/08/2015
Tayseer Arabian Company	400	30/08/2015
Ijarah Finance	100	31/08/2015
Saudi Fransi For Finance and Leasing	500	18/11/2015
Tamweel Al-Oula	250	03/12/2015
American Express Company	100	10/12/2015
Aljabr Financing Company	345	14/12/2015
AlRaedah Finance	150	10/02/2016
Raya Financing Company	100	24/03/2016
Maalem Finance Company	150	10/05/2016
Taajeer Finance Company	200	30/11/2016
Gulf Lifting Financial Leasing Company	100	06/08/2017



07

CONSUMER PRICE INDEX

Consumer Price Index

Inflation in Saudi Arabia is measured by the General Consumer Price Index (CPI) calculated by the General Authority for Statistics (GaStat). periodically, GaStat updates the weights and components of the consumer basket and adjusts the base year based on the most recent household expenditure and income survey.

At the beginning of 2018, GaStat rebased the CPI to 2013 rather than its previous 2007 base year. It also changed the weights of the sections and groups constituting the consumer basket.

General Consumer Price Index in 2018

The average CPI increased by 2.5 percent in 2018 compared to a 0.9 percent decline in 2017. The non-oil GDP deflator, which captures the average prices of all goods and services produced in Saudi Arabia's non-oil sector within a given year, rose by 3.7 percent in 2018 compared to a growth rate of 0.2 percent in 2017 (Table 7.1).

In 2018, most main components of the CPI recorded inflation rates higher than the average annual change for the past three years (2015-2017). However, clothing and footwear; housing, water, electricity, gas, and other fuels; education; and miscellaneous goods and services all recorded

lower inflation over the same three year period.

Ten sections of the CPI recorded an annual increase in 2018, namely: food and beverages with 6.4 percent; tobacco with 24.9 percent; home furnishing, equipment and maintenance with 1.5 percent; health with 3.8 percent; transport with 10.7 percent; communication with 1.3 percent; recreation and culture with 1.1 percent; and restaurants and hotels with 7.4 percent. Education and miscellaneous goods and services, likewise, recorded a slight increase of 0.4 and 0.3 percent, respectively. On the other hand, the clothing and footwear index recorded a notable decrease of 7.0 percent during 2018, as well as that of housing, water, electricity, gas and other fuels, which declined by 1.3 percent (Table 7.2).

Effect of Major Sections on Consumer Price Index

Most major sections contributed to the CPI by various rates during 2018. Food and beverages contributed the most with 30.0 percent, followed by transport with 26.2 percent; restaurants and hotels with 11.1 percent; clothing and footwear with 10.8 percent; housing, water, electricity, gas and other fuels with 7.9 percent; tobacco with 4.2 percent; home furnishing, equipment and maintenance with 3.1 percent; communication with 2.8 percent; health with 2.2 percent; recreation and culture with 1.0 percent; miscellaneous goods and services with 0.4 percent; and lastly education contributed the least with 0.3 percent (Table 7.3 and Chart 7.1).

Table 7.1: Annual Growth Rates of Selected Indicators

	(Percentage)			
	2015	2016	2017	2018
Non-oil GDP deflator (2010 = 100)*	6.0	1.4	0.2	3.7
General Consumer Price Index for All Population (2013 = 100)	1.3	2.0	-0.9	2.5
Non-oil GDP at constant prices (2010 = 100)*	3.2	0.2	1.3	2.1
Government expenditure	-12.2	-17.1	12.0	10.8
Money supply (M3)	2.5	0.8	0.2	2.8

* Preliminary Data.

Source: GaStat, MoF, SAMA.

Table 7.2: General Consumer Price Index (All Population)

(2013 = 100)							
	2014	2015	2016	2017	2018	Average annual change (2015-2017)	% Change in 2018
General Index	102.2	103.5	105.6	104.7	107.3	0.8	2.5
Food and Beverages	101.4	102.0	100.7	99.8	106.3	-0.5	6.4
Tobacco	104.6	106.2	121.3	153.7	192.0	14.2	24.9
Clothing and Footwear	100.9	102.1	103.1	100.0	93.0	-0.3	-7.0
Housing, Water, Electricity, Gas, and Other Fuels	104.9	107.4	112.6	111.8	110.4	2.2	-1.3
Home Furnishing, Equipment and Maintenance	101.7	102.6	103.1	101.2	102.7	-0.2	1.5
Health	101.7	104.0	106.2	106.2	110.3	1.5	3.9
Transport	101.4	102.4	110.1	107.8	119.3	2.1	10.7
Communication	100.6	99.9	100.1	99.1	100.4	-0.5	1.3
Recreation and Culture	99.7	100.0	98.5	95.6	96.7	-1.4	1.2
Education	105.1	106.0	109.3	109.8	110.2	1.5	0.4
Restaurants and Hotels	100.8	102.7	103.0	103.6	111.3	0.9	7.4
Miscellaneous Goods and Services	100.8	101.8	102.5	102.4	102.7	0.5	0.3

Source: GaStat.

Table 7.3: Impact of Major Sections on the General Consumer Price Index (All Population)

(2013 = 100)			
	% Change in 2018	% Weights	Impact on 2018 index*
General Index	2.5	100.0	100.0
Food and Beverages	6.4	18.9	30.0
Tobacco	24.9	0.7	4.2
Clothing and Footwear	-7.0	6.2	10.8
Housing, Water, Electricity, Gas, and Other Fuels	-1.3	25.4	7.9
Home Furnishing, Equipment and Maintenance	1.5	8.6	3.1
Health	3.9	2.4	2.2
Transport	10.7	10.0	26.2
Communication	1.3	8.5	2.8
Recreation and Culture	1.2	3.4	1.0
Education	0.4	4.2	0.3
Restaurants and Hotels	7.4	6.1	11.1
Miscellaneous Goods and Services	0.3	5.8	0.4

*Impact on CPI= percentage of annual change X Relative weight / 100.

Source: GaStat.

Wholesale Price Index in 2018

The wholesale price index (WPI) measures the average changes in local and imported commodities in wholesale markets. The WPI represents a sample of 343 items categorized into five main sections. The index increased by 16.0 percent during 2018 compared to a decline of 1.3 percent during 2017. In 2018, the WPI witnessed an increase in all main components. Other goods recorded the highest increase of 34.9 percent, followed by food products, beverages, tobacco and textiles with a rise of 7.5 percent. Ores and minerals came next with a 6.1 percent increase, and then metal products,

machinery and equipment with a 5.5 percent increase. Lastly, agriculture and fishery products witnessed the lowest increase of 0.8 percent (Table 7.4).

Developments and Impact of World Prices

In 2018, the value of merchandise imports including cost, insurance, and freight (CIF) rose by 1.9 percent to SAR 514.0 billion and the value of Saudi merchandise exports by 32.7 percent to SAR 1103.9 billion.

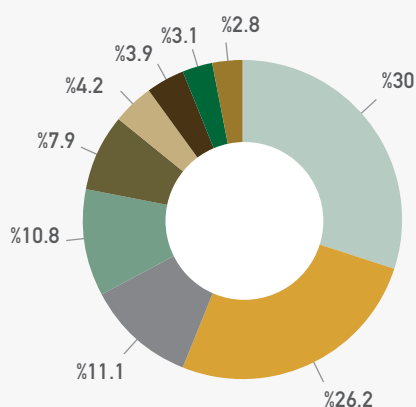
Table 7.4: Average Annual Wholesale Price Index

(2014 = 100)						
	% Weights	2016	2017	2018	% Change	
					2017	2018
General Index	100.0	102.0	100.7	116.8	-1.3	16.0
Agriculture and fishery products	8.7	104.2	101.1	101.9	-3.0	0.8
Ores and minerals	0.6	99.9	93.0	98.7	-6.9	6.1
Food products, beverages tobacco and textiles	17.3	98.4	100.6	108.1	2.2	7.5
Other goods*	33.7	109.3	106.7	143.9	-2.4	34.9
Metal products, machinery and equipment	39.7	97.3	95.8	101.1	-1.5	5.5

*Other goods include wooden products, pulp and paper, refined petroleum products, basic chemicals, other chemical products and artificial fibers, rubber and plastics products, glass and non-metallic products, furniture and other transportable goods not elsewhere classified.

Source: GaStat.

Chart 7.1: Effect of Major Sections on Consumer Price Index for 2018



■ Housing, Water, Electricity, Gas, and Other Fuels

■ Home Furnishing, Equipment and Maintenance

■ Restaurants and Hotels

■ Clothing and Footwear

■ Communication

■ Tobacco

■ Food and Beverages

■ Other sections*

■ Transport

*Other sections include health, recreation and culture, miscellaneous goods and services, and education.

The changes in world prices of goods and commodities imported from Saudi Arabia's top trading partners affect the consumer price index. Based on the Commodity Markets Outlook issued by the World Bank in April 2019, the energy index rose by 27.8 percent in 2018. Both indexes of raw materials and food also increased by 0.2 percent each. The index of precious metals, however, declined by 0.6 percent during the year under review (Table 7.5).

Table 7.6 shows the annual change in consumer prices of Saudi Arabia's top trading partners during 2018, according to the latest data of the IMF's World Economic Outlook published in April 2019.

The average consumer prices rose by 2.4 percent in the US in 2018; 2.1 percent in China ; 1.0 percent in Japan; 3.5 percent in India; 2.5 percent, 1.9 percent, 2.1 percent and 1.2 percent for the UK , Germany, France and Italy, respectively; 1.5 percent in South Korea; and 2.0 percent in Australia.

Table 7.7 shows the annual change in consumer prices of GCC Countries, according to the latest data of the AMF's Arab Economic Outlook published in April 2019. The average consumer prices rose by 3.1 percent in the UAE in 2018, 0.9 percent in Oman, 0.6 percent in Kuwait, and 2.1 percent in Bahrain.

Table 7.5: Selected Indices for Major Commodities

(2010 = 100)					
	2016	2017	2018	% Change	
				2017	2018
Saudi Commodity Exports and Imports*					
Commodity exports (Million SAR)	688,423.0	831,880.4	1,103,900.0	20.8	32.7
Commodity imports (Million SAR)	525,636.0	504,446.6	513,992.7	-4.0	1.9
Indices for Major Commodities**					
Energy products	55.1	68.1	87.0	23.6	27.8
Food products	89.6	90.2	90.4	0.7	0.2
Raw materials	80.2	81.2	81.4	1.2	0.2
Precious metals	97.5	97.8	97.2	0.3	-0.6
SAR Real and Nominal Effective Exchange Rates***					
SAR Nominal Effective Exchange Rate (1)	116.9	119.1	117.6	1.9	-1.3
SAR Real Effective Exchange Rate (2)	120.1	118.2	116.4	-1.6	-1.5

*GaStat.

** Commodity Markets Outlook, World Bank - April 2019.

***International Financial Statistics (IFS) - International Monetary Fund (IMF)

(1) Represents the average riyal exchange rate over the period in relation to a geometric average of the exchange rates of Saudi Arabia's top trading partners.

(2) Represents the nominal effective exchange rate after adjustment in accordance with changes in the general price level.

Table 7.6: Annual Changes in Consumer Prices in Top Trading Partners

	2014	2015	2016	2017	2018
Developed countries	1.4	0.3	0.8	1.7	2.0
Emerging and developing countries	4.7	4.7	4.2	4.3	4.8
Top Trading Partners					
USA	1.6	0.1	1.3	2.1	2.4
Japan	2.8	0.8	-0.1	0.5	1.0
UK	1.5	0.0	0.7	2.7	2.5
China	2.0	1.4	2.0	1.6	2.1
Germany	0.8	0.7	0.4	1.7	1.9
India	5.8	4.9	4.5	3.6	3.5
France	0.6	0.1	0.3	1.2	2.1
Italy	0.2	0.1	-0.1	1.3	1.2
Australia	2.5	1.5	1.3	2.0	2.0
South Korea	1.3	0.7	1.0	1.9	1.5

Source: International Monetary Fund (IMF), World Economic Outlook – April 2019.

Table 7.7: Annual Changes in Consumer Prices in GCC Countries

	2014	2015	2016	2017	2018
UAE	2.4	4.1	1.8	2.0	3.1
Bahrain	2.6	1.9	2.7	1.4	2.1
Qatar	3.4	1.8	2.7	0.5	0.3
Kuwait	3.1	3.7	3.5	1.6	0.6
Oman	1.0	0.1	1.1	1.6	0.9

Source: Arab Monetary Fund (AMF), Arab Economic Outlook Report (AEO) – April 2019.



08

CAPITAL MARKET

Capital Market

Introduction

The Capital Market Authority (CMA), the sole regulator and supervisor of the Saudi capital market, undertook many actions and steps in 2018 aimed at developing the Saudi capital market. It also strengthened procedures to further reduce risks related to securities transactions, protect investors from illegal practices, and ensure fairness and transparency in securities transactions. Under the Financial Leadership Program (FLP) and the Financial Sector Development Program (FSDP), the CMA has undertaken a number of initiatives seeking to solidify the position of the Saudi capital market as a main market in the Middle East and one of the world's top ten financial markets. In order to raise investment awareness, the CMA has continued to carry out many financial awareness and literacy campaigns through media and awareness activities and programs as well as communication with the public.

In 2018, the CMA approved the IPO of two companies operating in consumer services and eight Real Estate Investment Trusts (REITs), all of which were listed on the Main Market (Tadawul), bringing the total number of listed companies and REITs to 190 at the end of 2018. The CMA also approved the IPO of one company operating in capital goods and listed it on the Parallel Market (Nomu), bringing the total number of companies in Nomu to ten by the end of 2018. Compared to 2017, the Tadawul All Share Index (TASI) rose by 8.3 percent in 2018, while the number of traded shares declined by 14.0 percent. On the other hand, total

domestic assets of investment funds went up by SAR 11.8 billion, or 23.0 percent, to SAR 102.9 billion at the end of 2018.

Tadawul Developments in 2018

Following the inclusion of the Saudi Stock Exchange (Tadawul) in the Financial Times Stock Exchange (FTSE) Russell Emerging Market Index in March 2018, Morgan Stanley Capital International (MSCI) has announced the listing of Tadawul under its Emerging Markets Index. The Standard and Poor's Dow Jones Indices (S&B DJI) has also announced that Tadawul, which had been classified as a stand-alone market since 2015, has been upgraded to Emerging Market status. It should be noted that Tadawul will be included in the two aforementioned global indices in two phases during 2019¹.

TASI closed at 7,826.7 at the end of 2018, compared to 7,226.3 at the end of 2017, increasing by 8.3 percent. It registered its highest closing point of 8,490.8 on July 16, 2018. The market capitalization of issued shares rose by 10.0 percent to SAR 1,859.0 billion in 2018 from SAR 1,689.6 billion at the end of the preceding year.

The number of shares traded during 2018 dropped by 14.0 percent to 37.8 billion from 44.0 billion in the preceding year². The total value of traded shares increased by 4.1 percent to SAR 870.9 billion from SAR 836.3 billion in the preceding year. The number of transactions also rose by 14.2 percent to 25.0 million compared to 21.9 million in the preceding year (Table 8.1).

The daily average value of traded shares was SAR 3.5 billion in 2018 against SAR 3.3 billion in the preceding year, rising by 4.6 percent. The daily average number of traded shares decreased by

¹ Tadawul will be included in the MSCI Index in two phases: the first phase will take place during the Semi-Annual MSCI Index Review in May 2019, and the second phase will be executed in August 2019. Tadawul will join the S&P DJI in two phases as well, with the first taking place during the March 2019 Quarterly Review and the second during the September 2019 Annual Review.

² The data of (actual) traded shares differ from the data published by Tadawul. The reason is that Tadawul continuously adjusts the number of traded shares to account for all corporate actions, such as bonus shares or capital adjustments.

12.3 percent to 151.9 million from 173.2 million in the preceding year. In contrast, the daily average number of transactions executed went up by 14.7 percent to 100.5 thousand from 87.6 thousand in the preceding year.

As for the Parallel Market Index (Nomu), it closed at 2,520.7 at the end of 2018, compared to 3,140.0 at the end of 2017, decreasing by 19.7 percent. It registered its highest closing point of 3,256.2 on May 1, 2018. The market capitalization of issued shares increased by SAR 68.9 million to SAR 2.3 billion at the end of 2018.

The number of Nomu Index shares traded during 2018 dropped by 56.4 percent to 22.9 million from 52.5 million in the preceding year³. The total value of traded shares also decreased by 66.0 percent to SAR 412.5 million from SAR 1,211.9 million in the preceding year. In addition, the number of transactions declined by 37.0 percent to 42.2

thousand, compared to 66.9 thousand in the preceding year (Table 8.2).

The daily average value of shares traded on Nomu reached SAR 1.7 million in 2018 against SAR 8.6 million in the preceding year, falling by 80.7 percent. The daily average number of traded shares also fell by 71.3 percent to 96.7 thousand in 2018 from 336.4 thousand in the preceding year. Similarly, the daily average number of transactions executed went down by 54.9 percent to 169.3 in 2018, compared to 375.1 in the preceding year.

Both the number of investors and investment portfolios registered in Tadawul in 2018 increased by 1.4 percent and 5.0 percent to 4.7 million and 9.8 million, respectively (Table 8.3).

A sectoral review of the activity of the Main Market (Tadawul) during 2018 indicates that Materials was the most active in terms of the number of shares

Table 8.1: Saudi Stock Market Indicators

Year	No. of shares traded (Million shares)	Change (%)	Value of shares traded (Billion SAR)	Change (%)	Market capitalization of issued shares (Billion SAR)	Change (%)	No. of trades (Thousand)	Change (%)	TASI (Points)	Change (%)
2014	70,118.4	34.1	2,146.5	56.7	1,812.9	3.4	35,761.1	23.5	8,333.3	-2.4
2015	65,920.0	-6.0	1,660.6	-22.6	1,579.1	-12.9	30,444.2	-14.9	6,911.8	-17.1
2016	67,729.2	2.7	1,157.0	-30.3	1,682.0	6.5	27,273.7	-10.4	7,210.4	4.3
2017	43,968.7	-35.1	836.3	-27.7	1,689.6	0.5	21,895.3	-19.7	7,226.3	0.2
2018	37,791.5	-14.0	870.9	4.1	1,859.0	10.0	25,011.9	14.2	7,826.7	8.3

Source: Saudi Stock Exchange (Tadawul).

Table 8.2: Saudi Stock Market Indicators (Parallel Market - Nomu)

Year	No. of shares traded (Million shares)	Change (%)	Value of shares traded (Billion SAR)	Change (%)	Market capitalization of issued shares (Billion SAR)	Change (%)	No. of trades (Thousand)	Change (%)	TASI (Points)	Change (%)
2017	52,452.8	---	1,211.9	---	2.3	---	66.9	---	3,140.0	---
2018	22,888.1	-56.4	412.5	-66.0	2.3	3.1	42.2	-37.0	2,520.7	-19.7

Source: Saudi Stock Exchange (Tadawul).

³ Historical data of traded stock prices and volumes was adjusted to account for corporate actions.

traded, which amounted to 9.1 billion, representing 24.1 percent of the total volume traded. Banks came second with 8.4 billion (22.1 percent of the total), followed by Real Estate Management and Development in third place with 8.1 billion (21.4 percent of the total).

In terms of the value of shares traded, Materials ranked first with SAR 273.5 billion, representing 31.4 percent of the total value of shares traded in 2018. Banks came second with SAR 221.7 billion (25.5 percent of the total), followed by Real Estate Management and Development with SAR 98.9 billion (11.4 percent of the total).

A review of Tadawul's performance by the number of transactions executed, Materials ranked first with 5.9 million, accounting for 23.4 percent of the total number of transactions executed in 2018. Insurance came next with 3.6 million (14.6 percent of the total), followed by Banks in third place with 2.8 million (11.2 percent of the total).

A sectoral comparison of the market capitalization of shares issued by the end of 2018 shows that Banks ranked first with a value of SAR 619.4 billion, representing 33.3 percent of the total market capitalization of issued shares. Materials came second with SAR 596.3 billion (32.1 percent of the total), followed by Telecommunication Services with SAR 201.4 billion (10.8 percent of the total) (Table 8.4).

Regarding the three most active companies in terms of the number of transactions executed in 2018, Dar Al-Arkan took the lead with 1.8 million, followed by Alinma Bank with 1.2 million and then SABIC with 916.7 thousand. In terms of the value of shares traded, SABIC led the market with SAR 130.4 billion, followed by Alinma Bank with SAR 111.4 billion and Dar Al-Arkan with SAR 76.0 billion. As for the number of shares traded, Dar Al-Arkan topped the list with 7.0 billion, followed by Alinma and Saudi Kayan with a volume of 5.3 billion and 2.7 billion, respectively (Table 8.5).

An analysis of the activity of the Parallel Market (Nomu) by sectors during 2018 indicates that Retailing came first in terms of the number of shares traded with 7.8 million, representing 34.2 percent of the total number of shares traded, followed by Consumer Services with 6.3 million (27.5 percent of the total) and Software and Services with 4.2 million (18.2 percent of the total).

With regard to the value of shares traded on Nomu, Retailing ranked first with SAR 113.3 million, representing 27.5 percent of the total value of shares traded in 2018. Consumer Services came second with SAR 104.6 million (25.4 percent of the total), followed by Consumer Durables and Apparel with SAR 89.6 million (21.7 percent of the total).

A review of the trading activity of Nomu by the number of transactions executed in 2018 shows that Consumer Services accounted for the largest share

Table 8.3: Number of Investors and Portfolios Registered in Tadawul

(End of year)				
Year	No. of investors registered in Tadawul	% change	No. of portfolios registered in Tadawul	% change
2016	4,616,540	1.3	8,988,585	6.7
2017	4,675,535	1.3	9,378,957	4.3
2018	4,741,870	1.4	9,844,247	5.0

Source: Saudi Stock Exchange (Tadawul).

with 10.3 thousand, constituting 24.3 percent of the total number of transactions executed. Retailing came in second place with 10.2 thousand (24.1 percent of the total). Software and Services came third with 7.8 thousand (18.4 percent of the total).

Furthermore, a review of the market capitalization

of shares issued in Nomu at the end of 2018 indicates that Consumer Durables and Apparel ranked first with SAR 619.2 million, accounting for 26.6 percent of the total market capitalization of issued shares. Retailing came second with SAR 490.8 million (21.1 percent), followed by Consumer Services with SAR 425.4 million (18.3 percent) (Table 8.6).

Table 8.4: Saudi Stock Market Activity by Sector in 2018

Sector	No. of shares traded		Value of shares traded		No. of trades		Market capitalization	
	(Million shares)	(%)	(Billion SAR)	(%)	(thousand)	(%)	(Billion SAR)	(%)
Energy	949.8	2.5	27.0	3.1	886.3	3.5	32.3	1.7
Materials	9,111.9	24.1	273.5	31.4	5,864.0	23.4	596.3	32.1
Capital Goods	1,374.7	3.6	26.3	3.0	1,571.7	6.3	8.7	0.5
Commercial & Professional Services	234.7	0.6	6.5	0.8	282.2	1.1	7.6	0.4
Transport	462.0	1.2	10.5	1.2	460.9	1.8	11.5	0.6
Consumer Durables & Apparel	492.9	1.3	6.6	0.8	474.5	1.9	2.8	0.2
Consumer Services	668.7	1.8	16.8	1.9	759.8	3.0	14.9	0.8
Media	173.8	0.5	10.6	1.2	505.1	2.0	7.0	0.4
Retailing	504.8	1.3	16.6	1.9	730.3	2.9	30.0	1.6
Food & Staples Retailing	276.0	0.7	7.1	0.8	406.1	1.6	7.6	0.4
Food & Beverages	841.5	2.2	26.0	3.0	1,211.2	4.8	73.0	3.9
Health Care Equipment & Services	310.7	0.8	13.9	1.6	523.6	2.1	21.6	1.2
Pharma, Biotech & Life Science	30.9	0.1	1.0	0.1	44.8	0.2	3.5	0.2
Banks	8,352.3	22.1	221.7	25.5	2,791.5	11.2	619.4	33.3
Diversified Financials	312.4	0.8	4.4	0.5	304.1	1.2	31.1	1.7
Insurance	2,740.5	7.3	62.9	7.2	3,643.7	14.6	36.2	1.9
Telecommunication Services	1,799.6	4.8	26.1	3.0	933.9	3.7	201.4	10.8
Utilities	364.7	1.0	7.1	0.8	240.6	1.0	65.2	3.5
REITs	717.9	1.9	7.1	0.8	590.9	2.4	12.4	0.7
Real Estate Management & Development	8,071.6	21.4	98.9	11.4	2,786.8	11.1	76.3	4.1
Total	37,791.5	100.0	870.9	100.0	25,011.9	100.0	1,858.8	100.0

Source: Tadawul 2018 Annual Report.

Table 8.5: Three Most Active Companies in 2018

No. of trades	Company	Dar Alarkan	Alinma Bank	SABIC
	(Thousand)	1,786.6	1,234.2	916.7
No. of shares traded	Company	Dar Alarkan	Alinma Bank	Saudi Kayan
	(Billion shares)	7.0	5.3	2.7
Value of shares traded	Company	SABIC	Alinma Bank	Dar Alarkan
	(Billion SAR)	130.4	111.4	76.0

Source: Tadawul 2018 Annual Report.

New Public Offerings in the Saudi Stock Exchange in 2018

In 2018, the shares of two companies and eight REITs were floated on Tadawul, with a total capital of SAR 4.6 billion. The number of issued shares totaled 963.7 million, of which 379.9 million were offered to the public. The total market capitalization of issued shares amounted to SAR 10.2 billion. Oversubscription averaged 1.5 times for companies with subscribers at the level of individuals in the market (Table 8.7).

One company with a total capital of SAR 32.4 million and 6.0 million issued shares was floated on Nomu in 2018, with 1.2 million shares offered for public subscription. Total market capitalization of the issued shares amounted to SAR 264.0 million. The offering was subscribed one time at the level of qualified investors in the market (Table 8.8).

The total number of subscribers for companies floated in 2018 was 102.0 thousand. Different subscription channels, such as telephone/online banking and ATMs, have contributed to facilitating the subscription process and reducing its completion time. The number of subscribers via telephone banking reached 37.0 thousand (36.3 percent of the total number of subscribers), 32.0 thousand (31.4 percent) via ATMs, and 30.0 thousand (29.4 percent) via online banking. On the

other hand, the number of subscribers via bank branches amounted to 3.0 thousand, accounting for 2.9 percent of the total number of subscribers (Table 8.9).

New Companies and REITs Added to TASI in 2018

The following companies and REITs were added to TASI in 2018:

1. AlAhli REIT Fund 1;
2. Al Masha'ar REIT Fund;
3. Jadwa REIT Saudi Fund;
4. Al Rajhi REIT Fund;
5. Derayah REIT Fund;
6. SEDCO Capital REIT Fund;
7. Bonyan REIT Fund;
8. Swicorp Wabel REIT Fund;
9. Leejam Sports Company;
10. MEFIC REIT Fund; and
11. National Company for Learning and Education.

The following companies were delisted in 2018:

1. Etihad Atheeb Telecom Company; and
2. Saudi Indian Company for Cooperative Insurance.

As for Nomu, the National Building and Marketing Company was included in its Index in 2018.

Table 8.6: Saudi Stock Market Activity (Parallel Market - Nomu) by Sector During 2018

Sector	No. of shares traded		Value of shares traded		No. of trades		Market capitalization	
	(Million shares)	Ratio to total	Million SAR	Ratio to total	(Thousand)	Ratio to total	Million SAR	Ratio to total
Materials	1.0	4.2	26.7	6.5	4.8	11.4	221.5	9.5
Capital Goods	1.3	5.5	10.8	2.6	2.2	5.3	384.0	16.5
Commercial & Professional Services	1.0	4.2	26.7	6.5	4.8	11.4	60.6	2.6
Consumer Durables & Apparel	1.7	7.3	89.6	21.7	3.5	8.2	619.2	26.6
Consumer Services	6.3	27.5	104.6	25.4	10.3	24.3	425.4	18.3
Retailing	7.8	34.2	113.3	27.5	10.2	24.1	490.8	21.1
Software and Services	4.2	18.2	54.4	13.2	7.8	18.4	123.0	5.3
Total	22.9	100.0	412.5	100.0	42.2	100.0	2,324.5	100.0

Source: Tadawul 2018 Annual Report.

Table 8.7: New Public Offerings in the Saudi Stock Market (Main Market) in 2018

Company	Sector	Date of IPO	Capital (Million SAR)	Total issued shares (Million shares)	No. of shares offered for public subscription (Million shares)	Floating price	Closing price 31/12/2018	Value of offering (Million SAR)	No. of subscribers (subscribers)	Market capitalization (Million SAR)	Oversubscription Ratio (Times)
Derayah REIT Fund*	REITs	27 December	1,075	107.5	36.2	10	8.4	362	10.6	303	1.2
Al Rajhi REIT Fund	REITs	01 January	1,222	122.2	42.7	10	8.2	427	90.6	997	1.7
Jadwa REIT Saudi Fund	REITs	01 March	1,580	158.0	47.4	10	8.7	474	57.6	1,375	1.2
Sedco Capital REIT	REITs	24 January	600	60.0	60.0	10	8.0	600	73.6	481	1.0
Swicorp Wabel REIT Fund	REITs	19 March	1,180	118.0	35.4	10	8.6	354	18.6	1,010	1.0
Mefic REIT Fund	REITs	04 April	733	73.3	40.5	10	8.2	405	31.2	597	1.0
Bonyan REIT Fund	REITs	15 April	1,629	162.9	65.2	10	8.4	652	26.4	1,363	1.0
Leejam Sports Company	Consumer Services	01 August	524	52.4	15.7	52	58.8	817	40.0	3,080	2.5
National Company for Learning & Education	Consumer Services	22 October	430	43.0	13.0	19	22.6	247	62.0	973	3.3
Alkhabeer REIT Fund	REITs	11 November	664	66.4	23.8	10	---	238	25.1	-	1.0
Total	---	---	9,637	963.7	379.9	---	---	4,574	---	10,179	---

* Public Offerings started at the end of 2017 and continued until the first quarter of 2018.

Source: CMA and Tadawul 2018 Annual Report.

Table 8.8: New Public Offerings in the Saudi Stock Market (Parallel Market - Nomu) in 2018

Company	Sector	Date of IPO	Capital (Million SAR)	Total issued shares (Million shares)	No. of shares offered for public subscription (Million shares)	Floating price	Closing price 31/12/2018	Value of offering (Million SAR)	No. of subscribers (subscribers)	Market capitalization (Million SAR)	Oversubscription Ratio (Times)
National Building & Marketing Co.	Capital Goods	01 April	60.0	6.0	1.2	27.0	44.0	32.4	46.0	264.0	1.0
Total	---	---	60.0	6.0	1.2	---	---	32.4	46.0	264.0	---

Source: CMA and Tadawul 2018 Annual Report.

Table 8.9: Number of Subscribers for IPOs by Channel of Subscription

(Thousand)					
Channel of subscription	2017		2018		%change
	Number	%	Number	%	
Phone Banking	9.2	18.4	37.0	36.3	3.0
ATM	22.7	45.4	32.0	31.4	0.4
Internet	14.2	28.4	30.0	29.4	1.1
Bank Branches	3.9	7.8	3.0	2.9	-0.2
Total	50.0	100.0	102.0	100.0	1.0

Source: CMA.

CMA's Efforts in Raising Investor Awareness in 2018

The CMA publishes news and resolutions issued by its Board on its website to ensure that information is instantaneously and equally communicated to all investors. It also provides guidance for investors in securities and raises their awareness of laws, instructions and resolutions issued by its Board as well as potential risks and non-professional practices in the capital market, such as manipulation and misinformation.

In line with its strategy for monitoring its investor awareness programs and for this purpose, the CMA has established several channels through which two main categories of programs were developed: media programs and investment literacy programs. Efforts exerted under media programs included the publication of 65 press releases through various media channels, the participation of CMA's officials in 45 press conferences with local and foreign news agencies, and participating in a number of media and awareness conferences and symposia. On another note, the CMA has launched investment literacy programs such as its participation in the National Heritage and Culture Festival and the Book Fair by setting up awareness pavilions. The participation was aimed at raising investment awareness for both investors and all segments of society as well as acquainting them with the valid sources of information and instructions and with the laws and regulations related to the capital market. This would serve to promote the accessibility to fair and safe investment opportunities for investors in addition to educating them and raising their awareness thus safeguarding them against suspicious and fraudulent investments. Up to the end of 2018, the number of books and publications released by the CMA totaled 31, copies of which were distributed during the various events in which the CMA participated.

The CMA continued its efforts in raising investor awareness through awareness campaigns in 2018,

most notably: the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities campaign, the REITs campaign, the FinTech Lab campaign, the campaign on joining the FTSE Russell Emerging Markets Index, the awareness campaign on risks associated with FOREX trading, the FSDP Launch campaign, etc. In 2018, the CMA also held 11 workshops and forums, most notably: the workshop on Reading Professional Real Estate Appraisal Reports, the Forum for Economic Authors, the workshop on Special Purpose Entities, etc. Furthermore, in partnership with SAMA, the CMA organized the Financial Stability Forum, which was attended by a number of IMF, government and quasi-government specialists, bank managers and representatives from finance and investment companies.

CMA's Efforts in 2018 Towards Achieving Vision 2030

The CMA is working on several initiatives under the FLP and the FSDP with the aim of having Tadawul become the main market in the Middle East and one of the world's top ten capital markets. Table 8.10 shows the most salient achievements made during 2018 and their expected impact.

Sukuk and Bonds Market in 2018

Tadawul announced the listing of government debt instruments to be traded on the government bond market, which now has its own index, in April 2018. The *Sukuk* and Bonds Market Index closed at 988.2 points, with the traded value of corporate *Sukuk* and bonds reaching SAR 25.9 million in 2018. The traded value of government debt instruments stood at SAR 537.6 million, bringing the total traded value of the *Sukuk* and Bonds Market to SAR 563.5 million in 2018. In the same year, the number of transactions in the *Sukuk* and Bonds Market amounted to 44; government debt instruments represented 93.2 percent of these transactions and corporate *Sukuk* and bonds accounted for the remaining 6.8 percent (Table 8.11).

Table 8.10: CMA's Key Achievements in 2018 to Realize Vision 2030 and the Expected Impact

Initiative	Purpose	Achievement & Impact	Description
Facilitating Financing	1. Deepening the Capital Market and enhancing its role in capital formation	Achievement	Amendment of the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.
		Impact	Setting out the procedures, requirements and conditions for qualifying foreign investors to invest in listed securities, and to specify their obligations and the obligations of authorized persons in this regard.
		Achievement	Amendment of the Merger and Acquisition Regulations.
		Impact	Compliance with the best international practices in line with the nature of the Saudi Capital Market.
		Achievement	Amendment of the Rules on the Offer of Securities and Continuing Obligations and the Updated Instructions on Book Building and Allocation of Shares in IPOs.
		Impact	* Enhancing the stability of the Capital Market. * Lifting some of the restrictions related to determining the price range and the full coverage of the offering by the participating parties. * Amendment of the mechanism of determining the subscription price according to the forces of supply and demand. * Change of the mechanism of share allocation by allowing more flexibility to bolster the effectiveness of the market.
	2. Developing the Sukuk and debt instruments market	Achievement	Listing of debt instruments issued by the Government of Saudi Arabia.
		Impact	Developing the debt markets to meet the needs of different segments of investors and motivating them to inject liquidity to enhance the depth of the Saudi Capital Market.
	3. Promoting the role of funds in financing the national economy	Achievement	Allowing fund managers to use omnibus orders to execute client orders.
		Impact	Promoting fair and precise asset management.
Encouraging Investment	1. Supporting asset management growth and enhancing institutional investment	Achievement	Announcement of the Commencement of the Central Counterparty Clearing House (CCP).
		Impact	The introduction of new asset classes such as derivatives, etc. that will allow investors to diversify trading strategies and enable Saudi companies to hedge against risks.
	2. Enhancing the market attractiveness to foreign investors	Achievement	Inclusion of Tadawul in MSCI, FTSE Russell and S&P Dow Jones emerging market indexes.
		Impact	Enhancing the efficiency, attractiveness and importance of the Saudi Capital Market in the region and the world.
		Achievement	CMA Representation of Saudi Arabia in IOSCO and related Committees for 2020-2018.
		Impact	Promoting the role and importance of the Saudi Capital Market in the region and the world.
		Achievement	CMA Representation of Saudi Arabia in the FSB in 2019.
		Impact	Promoting financial stability, achieving CMA's strategy and promoting international convergence.
	3. Diversifying investment products and mechanisms available in the Capital Market	Achievement	Approval of the Real Estate Investment Traded Funds Instructions and the Closed-ended Investment Traded Funds Instructions.
		Impact	Supporting the principal of investor protection, enhancing the investment in such funds and setting the rules which will help mitigate the risks of investing in the Real Estate Investment Traded Funds.
Enhancing Confidence	1. Enhancing the regulatory environment of the Capital Market	Achievement	Approval of the Financial Technology Experimental Permit Instructions.
		Impact	Granting Financial Technology Experimental Permit (FinTech ExPermit) to two national companies to create Equity Crowdfunding Platform in Saudi Arabia.
		Achievement	Amendment of the Investment Accounts Instructions.
		Impact	Allowing the electronic opening of investment accounts, and facilitating the procedures for opening and operating investment accounts in accordance with the relevant regulatory and supervisory requirements, while preserving the required protection for investors.
		Achievement	Launch of the Investor Protection application.
		Impact	* Facilitating the receiving of complaints and reports. * Receiving complaints and reports in a timely and efficient manner and handling them in accordance with the with applicable procedures. * Following up complaints or reports, completing all procedures automatically and establishing electronic link between CMA and all traders in the Market.
		Achievement	Activating the process of separating the duties between CMA and Tadawul that started in 2013.
		Impact	Activating Tadawul's responsibility for supervising, and regulating certain aspects in line with the Capital Market Law (CML).
	2. Increasing transparency and disclosure in the Capital Market	Achievement	Adoption of the Rules for Registering Auditors of Entities Subject to the Authority's Supervision.
		Impact	Setting out the standards and conditions to be met by the auditors of entities subject to the Authority's supervision.

Source: CMA.

Comparison Between Tadawul and Arab Stock Exchanges in 2018

The performance of Arab stock exchanges participating in the Arab Markets Database (AMDB) varied in 2018. Indices of Arab stock exchanges declined in eight Arab markets, namely Kuwait, Egypt, Morocco, Jordan, Oman, Lebanon, Dubai, and Palestine. The stock exchanges of Dubai, Oman and Lebanon recorded the highest declines of 24.9 percent, 15.2 percent and 14.8 percent, respectively. On the other hand, the Khartoum Stock Exchange recorded the highest rise of 228.2 percent (Table 8.12).

The average total market capitalization of Arab financial markets decreased by 0.5 percent to \$75.3 billion at the end of 2018 as compared to \$75.7 billion at the end of 2017. The market capitalization of the Algiers Stock Exchange recorded the highest increase of 336.7 percent, followed by the Khartoum Stock Exchange with a rise of 91.9 percent. In contrast, the market capitalization of the Beirut Stock Exchange recorded the highest decrease of 15.7 percent at the end of 2018.

A comparison of selected Arab stock exchange indices at the end of 2018 shows that the Saudi Stock Exchange (Tadawul) recorded the highest

Table 8.11: Sukuk and Bonds Market Statistics in 2018

Sukuk and bonds	Index closed at	Value traded (Million SAR)	No. of trades
Corporates Sukuk & Bonds	986.30	25.90	3.00
Government Debt Instruments	999.50	537.60	41.00
Sukuk & Bonds Market	988.20	563.50	44.00

Source: Tadawul 2018 Annual Report.

Table 8.12: Annual Change in Selected Arab Markets (2018)

(percentage)			
Market	No. of shares traded	Market capitalization	Index
Saudi Arabia	-24.6	10.0	8.3
Kuwait	6.5	2.0	-12.0
Egypt	-37.0	-5.9	-13.2
Morocco	14.0	-9.9	-8.3
Bahrain	57.3	0.7	0.4
Jordan	34.9	-5.1	-10.2
Oman	-30.7	1.3	-15.2
Tunisia	-61.5	11.0	15.8
Lebanon	1.2	-15.7	-14.8
Abu Dhabi	-25.2	10.5	11.7
Algeria	-73.5	336.7	-
Dubai	-36.6	-12.9	-24.9
Sudan	1062.5	91.9	228.2
Qatar	-12.7	24.7	20.8
Palestine	-68.8	-4.3	-7.9
Syria	28.0	2.3	3.5

* The official domestic data of Arab countries included in the AMF report were used.

Source: Arab Monetary Fund, the Arab Capital Market Database - Arab Capital Markets, 4th Quarter Bulletin 2018.

market capitalization among all Arab stock exchanges. The market capitalization of Tadawul stood at \$496.3 billion, compared to an average of \$75.3 billion for the Arab countries composing the AMF Index. The market capitalization of the Saudi Stock Exchange represented 41.2 percent of the total market capitalization of Arab stock exchanges at the end of 2018. The value of shares traded on the Saudi Stock Exchange amounted to \$58.2 billion at the end of 2018, constituting 71.0 percent of the total value of shares traded on the markets of Arab countries participating in the AMDB.

The number of companies traded on Tadawul reached 198 at the end of 2018. The average market capitalization stood at \$2.5 billion per company, compared to an average number of 97 companies with an average market capitalization of \$0.81 billion per company for the Arab countries (Table 8.13 and Chart 8.1).

Developments of Investment Funds in 2018

The number of investment funds managed by investment companies in Saudi Arabia decreased by 8.8 percent to 249 in 2018. The total assets of these funds, however, increased by 1.5 percent to SAR 111.9 billion. In addition, domestic assets of investment funds went up by 2.7 percent to SAR 93.6 billion. However, foreign assets of investment funds fell by 4.6 percent to SAR 18.2 billion, constituting 16.3 percent of the total assets of funds. The number of subscribers stood at 333 thousand at the end of 2018, increasing by 39.5 percent over that of the preceding year (Table 8.14 and Chart 8.2).

A review of the breakdown of the funds' investments inside and outside Saudi Arabia in 2018 indicates that total investments on global stock exchanges

Table 8.13: Key Indicators of Arab Capital Markets in 2018

	Index annual change (%)	Market capitalization (Million \$)	No. of listed companies	GDP at current prices (Billion \$)*	Average company size (Million \$)	Market depth (%)**
Saudi Arabia	8.3	496,287	198	769.9	2507	64
Kuwait	-12.0	94,399	216	144.5	437	65
Egypt	-13.2	41,791	256	249.5	163	17
Morocco	-8.3	60,462	75	118.2	806	51
Bahrain	0.4	21,747	43	39.3	506	55
Jordan	-10.2	22,724	196	41.9	116	54
Oman	-15.2	47,211	130	81.7	363	58
Tunisia	15.8	9,831	81	41.7	121	24
Lebanon	-14.8	9,675	30	56.7	323	17
Abu Dhabi	11.7	137,591	70	432.6	1966	32
Algeria	--	369	2	188.3	185	0
Dubai	-24.9	93,470	67	432.6	1395	22
Sudan	228.2	2,483	66	33.2	38	7
Palestine	-7.9	3,725	48	---	78	---
Syria	3.5	1,296	24	---	54	---
Average	12.1	75,296	97	201.3	807	39

* International Monetary Fund. ** Market capitalization to GDP.

--: Not available.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database - Q4 2018.

decreased by 20.3 percent to SAR 4.3 billion. However, investment in domestic equities rose by 19.6 percent to SAR 21.5 billion, accounting for 19.2 percent of total funds' investments in equities against 16.3 percent at the end of 2017. Investment in domestic and foreign equities accounted for 23.1

percent of total assets of investment funds at the end of 2018 against 21.2 percent at the end of 2017.

Nevertheless, the funds' investments in foreign bonds went down by 32.4 percent to SAR 1.0

Table 8.14: Key Indicators of Investment Funds Managed by Domestic Investment Companies

Year	No. of funds	Change (%)	Investments in domestic assets (Billion SAR)	Change (%)	Investments in Foreign assets (Billion SAR)	Change (%)	Funds' total assets (Billion SAR)	Change (%)	No. of subscribers (Thousand)	Change (%)
2014	252	6.8	81.9	0.0	28.8	35.3	110.7	7.3	246	-4.7
2015	270	7.1	75.9	-7.27	27.0	-6.4	102.9	-7.1	237	-3.7
2016	275	1.9	70.7	-6.9	17.2	-36.3	87.8	-14.6	224	-5.3
2017	273	-0.7	91.1	29.0	19.1	11.1	110.2	25.5	238	6.3
2018	249	-8.8	93.6	2.7	18.2	-4.6	111.9	1.5	333	39.5

Source: CMA.

Chart 8.1: Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2018 (Market Capitalization)

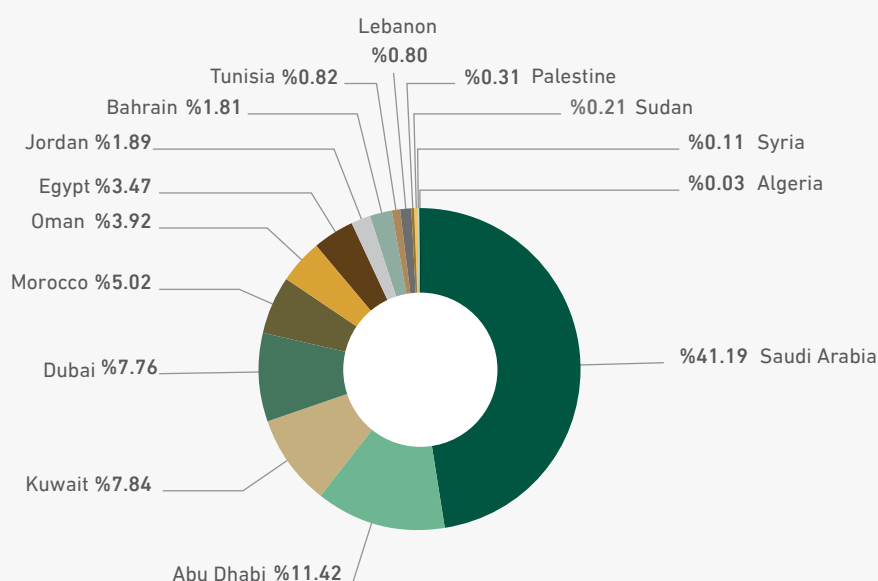
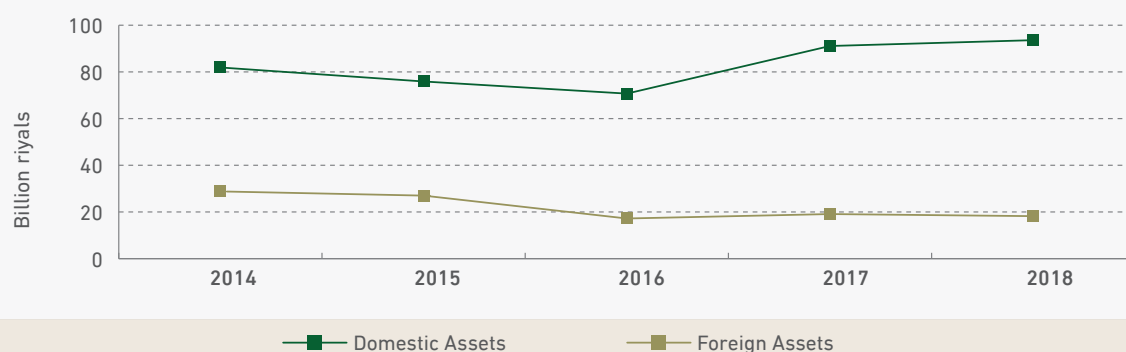


Chart 8.2: Assets of Investment Funds at Domestic Investment Companies



billion in 2018. The funds' investments in domestic *Sukuk* and bonds also declined by 10.1 percent to SAR 4.5 billion at the end of 2018 compared to SAR 5.0 billion at the end of 2017. Investments in domestic and foreign bond markets accounted for 4.9 percent of investment funds' total assets at the end of 2018 compared to 5.9 percent at the end of the preceding year.

Funds' investments in domestic and foreign money market instruments accounted for 52.0 percent of investment funds' total assets at the end of 2018 against 60.6 percent at the end of the preceding year. Investment in domestic money market instruments decreased by 17.6 percent from SAR 55.2 billion at the end of 2017 to SAR 45.4 billion at the end of 2018, accounting for 78.1 percent of total investments in money market instruments at the end of 2018 against 82.6 percent at the end of the preceding year. Conversely, investments in foreign money market instruments rose by 9.8 percent to SAR 12.7 billion at the end of 2018 compared to SAR 11.6 billion at the end of 2017.

Investments in other domestic assets declined by 70.4 percent to SAR 2.6 billion at the end of 2018, accounting for 95.5 percent of total investments in other domestic and foreign assets compared to 94.2 percent at the end of the preceding year. Moreover, investments in other foreign assets decreased by 77.2 percent to SAR 123 million in 2018.

On the other hand, investment in real estate assets increased significantly by 361.5 percent to SAR 19.6 billion in 2018, representing 17.5 percent of investment funds' total assets compared to 3.9 percent at the end of the preceding year (Table 8.15).

An analysis of the classification of investment companies by funds' assets shows that NCB Capital took the lead in terms of the assets of its investment funds, which stood at SAR 32.3 billion, representing 28.9 percent of total assets of investment funds. Samba Capital and Investment Management Company came next with assets of SAR 12.2 billion (10.9 percent of the total). Riyadh Capital came third with assets of SAR 11.6 billion (10.4 percent of the total).

As for the total number of investment funds, Riyadh Capital came first with 30 funds, one of which was close-ended. NCB Capital came next with 26 funds, three of which were close-ended. Both HSBC Saudi Arabia Limited and Samba Capital and Investment Management Company came third with 19 funds each, all of which were open-ended.

A breakdown of investment companies ranking by the number of subscribers shows that Riyadh Capital ranked first with 75.4 thousand, followed by NCB Capital with 38.0 thousand and then Al Rajhi Capital with 36.8 thousand (Table 8.16).

Table 8.15: Assets of Investment Funds Managed by Domestic Investment Companies by Type of Investment

(Million SAR)										
year	Domestic equities	Foreign equities	Domestic sukuk and bonds	Foreign bonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real estate investments	Total Assets
2014	24,477	11,215	3,973	2,019	45,674	15,194	4,189	410	3,560	110,711
2015	20,025	10,573	5,830	2,017	43,691	12,976	4,014	407	3,365	102,898
2016	16,386	4,940	5,577	1,282	40,793	10,570	4,698	388	3,200	87,836
2017	17,988	5,420	4,996	1,528	55,169	11,598	8,743	542	4,249	110,233
2018	21,512	4,321	4,494	1,032	45,447	12,736	2,588	123	19,609	111,862

Source: CMA.

Table 8.16: Classification of Investment Companies by Assets, Number of Funds and Subscribers in 2018

Company	No. of funds			Assets of funds (Million SAR)			No. of subscribers
	Close-ended	Open-ended	Total	Domestic	Foreign	Total	
NCB Capital Co.	3	23	26	25,388	6,937	32,325	38,041
Samba Capital	0	19	19	9,406	2,823	12,229	24,991
Riyad Capital Co.	1	29	30	9,984	1,608	11,592	75,447
Al Rajhi Financial Services Co.	1	13	14	6,468	3,739	10,207	36,756
Alinma Investment Co.	2	5	7	8,202	0	8,202	4,455
Saudi Fransi Capital	3	10	13	5,669	10	5,679	15,573
HSBC Saudi Arabia Limited	0	19	19	4,815	719	5,534	24,669
Al Jazira Capital Co.	3	10	13	1,195	3,428	4,623	3,679
Jadwa Investment Co.	2	5	7	3,076	128	3,203	16,707
ANB Invest Co.	1	7	8	2,800	1	2,800	6,303
Alawwal Invest Co.	0	7	7	1,634	139	1,773	1,842
Derayah Financial Co.	1	2	3	1,617	14	1,631	4,449
Middle East Financial Investment Co.	2	3	5	1,420	167	1,587	11,684
FALCOM Financial Services	0	5	5	1,294	0	1,294	693
Swicorp	0	1	1	1,180	0	1,180	6,402
AlBilad Investment Co.	0	8	8	1,022	33	1,055	23,666
Musharaka Capital Co.	1	1	2	899	0	899	3,488
Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital)	0	4	4	507	331	838	461
Mulkia Investment Co.	1	2	3	784	0	784	4,349
Osool & Bakheet Investment Company	1	4	5	731	0	731	2,787
Muscat Capital Co.	1	1	2	654	0	654	2,678
Saudi Economic and Development Securities Company (SEDCO Capital)	1	1	2	606	0	606	21,517
Global Investment House - Saudia (Global Saudi)	0	1	1	569	0	569	3
Ashmore Investment Saudi Arabia	0	2	2	151	284	435	28
KASB Capital	2	4	6	379	0	379	1,270
Alawwal Capital Co.	0	5	5	166	4	170	146
Audi Capital Co.	0	2	2	144	20	164	35
Blominvest Saudi Arabia Co.	0	5	5	138	18	156	25
Alfa Financial LLC	0	2	2	112	0	112	28
Bait Al Mal Al Khaleeji Co.	0	2	2	83	0	83	24
Saudi Kuwaiti Finance House	0	3	3	69	0	69	145
GIB Capital	0	2	2	61	0	61	16
Morgan Stanley Saudi Arabia Co.	0	1	1	0	50	50	8
EFG Hermes KSA	0	2	2	43	0	43	10
Itqan Capital Co.	0	1	1	17	25	43	36
Arbah Capital Co.	0	3	3	9	28	37	44
Wasatah Capital Co.	0	2	2	33	0	33	24
Alkhair Capital Saudi Arabia Co.	0	4	4	19	9	28	52
Al-Nefae Investment Group	0	2	2	4	0	4	35
Tharwat for Financial Securities Co.	0	1	1	2	0	2	1
Total	26	223	249	91,347	20,515	111,862	332,567

Source: CMA.



09

EXTERNAL SECTOR

External Sector

According to preliminary data of the General Authority for Statistics (GaStat), the total value of Saudi Arabia's oil exports stood at SAR 868.4 billion in 2018, accounting for 78.7 percent of Saudi Arabia's total exports, compared to SAR 638.4 billion in 2017. The ratio of 2018 oil exports to GDP reached 29.6 percent. The total value of imports (CIF) amounted to SAR 514.0 billion, constituting 17.5 percent of GDP. Estimates of Saudi Arabia's balance of payments indicated a surplus of SAR 271.3 billion in the current account in 2018, constituting 9.2 percent of GDP.

External Trade

External trade figures showed that the total value of Saudi Arabia's merchandise trade (exports + imports) increased by 21.1 percent to SAR 1,617.9 billion in 2018 compared to SAR 1,336.3 billion in the preceding year. As an indication of commercial openness to the world economy, the external merchandise trade to GDP ratio stood at 55.1

percent in 2018 compared to 51.8 percent in the preceding year.

Exports

According to GaStat data, the total value of Saudi Arabia's merchandise exports reached SAR 1,103.9 billion in 2018 compared to SAR 831.9 billion in 2017, rising by 32.7 percent compared to a rise of 20.8 percent in the preceding year (Table 9.1).

Oil Exports

Saudi Arabia's oil exports amounted to SAR 868.4 billion in 2018, increasing by 36.0 percent compared to a rise of 25.0 percent in the preceding year. They constituted 78.7 percent of the total exports (Table 9.1). This improvement was attributed to a rise in oil prices in global markets, with the average price of Arab light crude standing at \$70.33 per barrel in 2018 compared to \$52.67 per barrel in 2017, according to OPEC data, and the increase of Saudi Arabia's average production of crude oil from 9.95 million bpd in 2017 to 10.31 million bpd in 2018.

Data on oil exports by type indicate that the value of crude oil exports increased by 37.3 percent from SAR 513.2 billion in 2017 to SAR 704.5 billion in

Table 9.1: Saudi Arabia's Commodity Exports

(Million SAR)								
	2015	2016	2017	2018*	% share			% change 2018
					2016	2017	2018	
Oil exports	573,412	510,729	638,402	868,442	74.2	76.7	78.7	36.0
Crude oil	486,546	419,878	513,181	704,505	61.0	61.7	63.8	37.3
Refined products	86,866	90,851	125,222	163,938	13.2	15.1	14.9	30.9
Non-oil exports **	189,901	177,694	193,479	235,458	25.8	23.3	21.3	21.7
Petrochemicals	114,916	104,519	117,941	154,721	15.2	14.2	14.0	31.2
Construction materials	13,681	13,291	15,594	20,776	1.9	1.9	1.9	33.2
Agricultural, animal and food products	13,611	13,544	14,286	13,789	2.0	1.7	1.2	-3.5
Other goods	47,693	46,340	45,658	46,172	6.7	5.5	4.2	1.1
Total	763,313	688,423	831,881	1,103,900	100	100	100	32.7

* Preliminary data.

* Including re-exports.

Source: GaStat.

2018, constituting 63.8 percent of total exports. In addition, the value of refined products exports increased by 30.9 percent from SAR 125.2 billion to SAR 163.9 billion, representing 14.9 percent of total exports. Chart 9.1 shows the developments in Saudi Arabia's oil exports.

Non-oil Exports

According to GaStat data, Saudi Arabia's non-oil exports increased by 21.7 percent to SAR 235.5 billion in 2018 versus an increase of 8.9 percent in the preceding year, representing a share of 21.3 percent of total exports (Table 9.1). The value of petrochemical exports went up by 31.4 percent to SAR 154.7 billion with a share of 14.0 percent of total exports. Furthermore, the value of construction materials exports rose by 33.2 percent to SAR 20.8 billion, constituting a share of 1.9 percent of the total. The value of other commodities exports, including re-exports, rose by 1.1 percent to SAR 46.2 billion, representing a share of 4.2 percent of total exports. On the other hand, the value of agricultural, animal and food products exports fell by 3.5 percent to SAR 13.7 billion with a share of 1.2 percent of total exports. Chart 9.2 shows the values and developments of non-oil exports over the period 2014-2018.

Development of Saudi Non-Oil Exports

The Saudi Export Program (SEP) is considered one of the most important programs launched by the Saudi Fund for Development (SFD). The program offers credit facilities and insurance to exporters

with the aim of diversifying the national income sources through developing non-oil exports and promoting their competitiveness in line with the objectives of Saudi Vision 2030. In addition, the Saudi Export Development Authority (SEDA) plays a prominent role in developing exports by conducting studies and developing plans to overcome the challenges facing exporters. It also participates in international events and trade commissions with the goal of marketing national products, and organizes workshops to develop the capacities and expertise of Saudi exporting institutions. Moreover, SEDA sets the national strategy and development programs for non-oil exports in consultation and cooperation with relevant bodies.

The number of finance operations approved by the SFD since the launch of the SEP has reached 287, with a total value of SAR 45.9 billion. Export credit insurance policies have totaled 65 with an overall value of SAR 30.3 billion since the launch of credit insurance activities in September 2003. SEP approved a diverse set of export finance and credit insurance activities with a total value of SAR 17.4 billion in 2018 (Table 9.2). The activities of SEP in 2018 were directed towards both credit insurance and finance with SAR 2.8 billion and SAR 14.6 billion, respectively. The value of credit insurance for the exports of chemical and plastics industry totaled SAR 2.1 billion. In addition, the value of finance and credit insurance activities for the exports of manufactured metal products, machinery, and equipment amounted to SAR 12.2 billion and SAR

Chart 9.1: Saudi Oil Exports

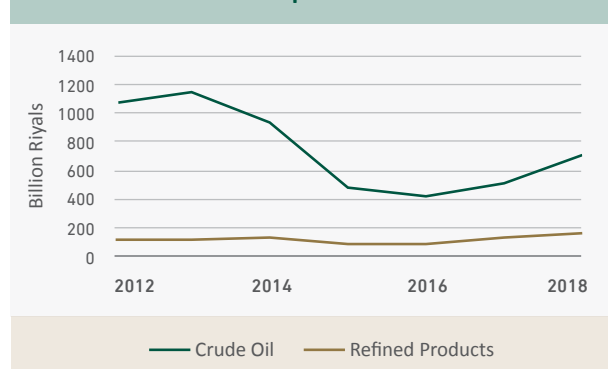
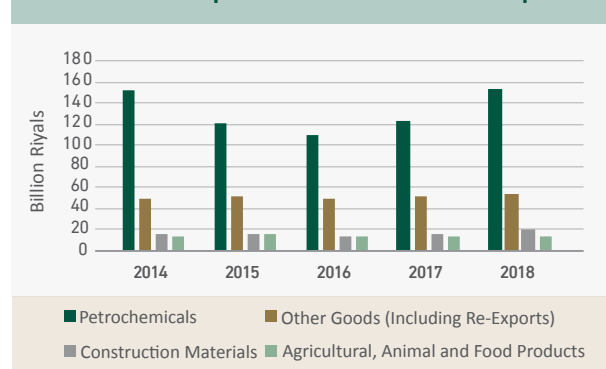


Chart 9.2: Components of Saudi Non-Oil Exports



632 million, respectively. Credit insurance of the exports of other sector products reached SAR 72 million.

Imports

GaStat data show that the value of imports of goods (CIF) increased by 1.9 percent to SAR 514.0 billion in 2018 against SAR 504.4 billion in the preceding year (Table 9.3).

Detailed data on Saudi Arabia's imports by main component for 2018 (Chart 9.3) show that imports of electric machinery, appliances and equipment (SAR 111.2 billion) ranked first with a share of 21.6 percent of total imports, dropping by 7.8 percent from the preceding year. Imports of transport equipment (SAR 84.7 billion) came second, constituting 16.5 percent and increasing by 6.6 percent over that of the preceding year, followed by

Table 9.2: Finance and Insurance of Saudi Exports

(Million SAR)						
Goods and Products	2016		2017		2018*	
	Finance	Insurance	Finance	Insurance	Finance	Insurance
Manufactured metal products, machines and equipment	0	214	150	385	12,155	632
Chemical and plastic products	5,063	1,892	375	1,165	0	2,078
Capital projects	0	0	750	0	2,452	0
Credit lines	562	0	56	0	0	0
Others	11	60	0	47	0	72
Total	5,636	2,166	1,331	1,598	14,607	2,782

*Preliminary data.

Source: The Saudi Fund for Development.

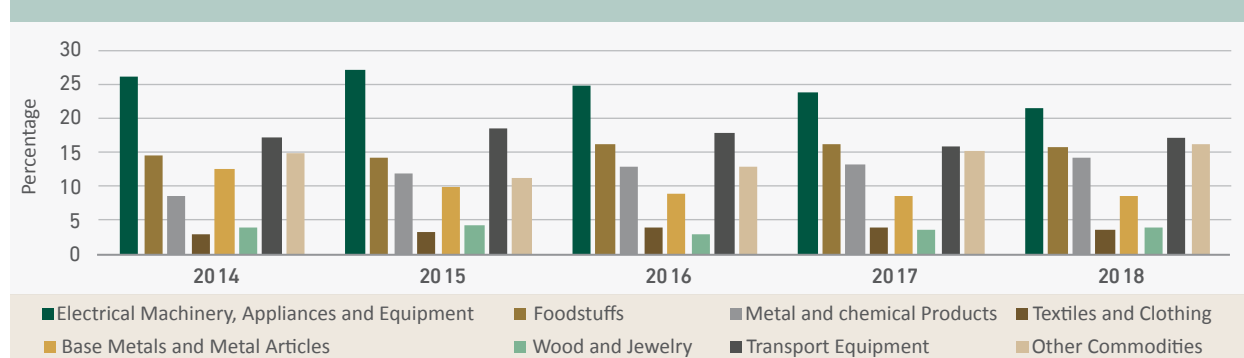
Table 9.3: Saudi Arabia's Imports (CIF) by Main Component

	Million SAR			% share			% change
	2016	2017	2018*	2016	2017	2018	2018
Machines, appliances and electrical equipment	129,334	120,522	111,167	24.6	23.9	21.6	-7.8
Foodstuffs	85,075	81,774	80,249	16.2	16.2	15.6	-1.9
Chemical and related products	66,777	66,827	72,806	12.7	13.2	14.2	8.9
Textiles and clothing	20,050	18,830	18,115	3.8	3.7	3.5	-3.8
Metals and their products	47,411	43,449	43,988	9.0	8.6	8.6	1.2
Wood and jewelry	15,763	17,501	19,997	3.0	3.5	3.9	14.3
Transport equipment	93,925	79,397	84,651	17.9	15.7	16.5	6.6
Other goods	67,301	76,146	83,020	12.8	15.1	16.2	9.0
Total	525,636	504,447	513,993	100.0	100.0	100.0	1.9

* preliminary data.

Source: Gastat.

Chart 9.3: Shares of Saudi Imports (CIF) by Main Component



imports of foodstuffs (SAR 80.2 billion) with a share of 15.6 percent, declining by 1.9 percent; Imports of chemical and related products (SAR 72.8 billion) ranked fourth with a share of 14.2 percent, rising by 8.9 percent over the preceding year, followed by imports of ordinary metals and their products (SAR 44.0 billion) in fifth place with a share of 8.6 percent. Imports of wood and jewelry (SAR 20.0 billion) came next in sixth place with a share of 3.9 percent, rising by 14.3 percent over the preceding year. Imports of textiles and clothing (SAR 18.1 billion) ranked seventh with a share of 3.5 percent, decreasing by 3.8 percent. Imports of other goods (SAR 83.0 billion) constituted 16.2 percent of total imports, increasing by 9.0 percent over that of the preceding year.

Destination of Exports and Origin of Imports

The destination of exports and origin of imports are divided into four groups. The first group includes the top five non-Arab countries. The second group comprises GCC countries, the third contains Arab countries excluding GCC countries, and the fourth includes the other world countries (Table 9.4).

Imports by Origin

Detailed data of imports indicates that imports from the top five non-Arab exporting countries to Saudi Arabia increased by 3.4 percent to SAR 222.7 billion in 2018, with a share of 43.3 percent of Saudi Arabia's total imports. Imports from China (SAR 81.8 billion) ranked first with a share of 15.9 percent of

Table 9.4: Destination of Exports and Origin of Imports**

	Million SAR		% share		% change
	2017	2018*	2017	2018	2018
Imports					
China	76,971	81,821	15.3	15.9	6.3
USA	68,086	70,642	13.5	13.7	3.8
Germany	29,497	28,306	5.8	5.5	-4.0
India	20,176	21,322	4.0	4.1	5.7
Japan	20,569	20,590	4.1	4.0	0.1
Total of the five countries	215,299	222,681	42.7	43.3	3.4
GCC countries	45,379	56,924	9.0	11.1	25.4
Other Arab countries	17,934	14,468	3.6	2.8	-19.3
Other countries	225,835	219,920	44.8	42.8	-2.6
Imports (FOB)	462,752	465,153	--	--	0.5
Total imports	504,447	513,993	100.0	100.0	1.9
Exports					
China	97,354	146,703	11.7	13.3	50.7
Japan	100,382	123,646	12.1	11.2	23.2
India	73,801	98,689	8.9	8.9	33.7
South Korea	74,027	97,592	8.9	8.8	31.8
USA	68,867	95,622	8.3	8.7	38.9
Total of the five countries	414,431	562,252	49.8	50.9	35.7
GCC countries	93,705	102,403	11.3	9.3	9.3
Other Arab countries	48,537	51,946	5.8	4.7	7.0
Other countries	275,208	387,299	33.1	35.1	40.7
Total exports	831,881	1,103,900	100.0	100.0	32.7

*Preliminary data.

** Including re-exports.

Source: GaStat.

the total imports, increasing by 6.3 percent over the preceding year, followed by imports from the United States (SAR 70.6 billion) in second place with a share of 13.7 percent, increasing by 3.8 percent. Imports from Germany (SAR 28.3 billion) ranked third with a share of 5.5 percent, decreasing by 4.0 percent; imports from India (SAR 21.3 billion) followed, ranking fourth with a share of 4.1 percent and an increase of 5.7 percent. Imports from Japan (SAR 20.6 billion) came fifth with a share of 4.0 percent of Saudi Arabia's total imports, increasing by 0.1 percent from the preceding year.

Saudi Arabia's imports from GCC countries recorded a rise of 25.4 percent to SAR 56.9 billion during 2018, accounting for 11.1 percent of its total imports. On the other hand, imports from other Arab countries dropped by 19.3 percent to SAR 14.5 billion, constituting 2.8 percent of Saudi Arabia's total imports. Imports from other world countries fell by 2.6 percent to SAR 219.9 billion, accounting for 42.8 percent of total imports. Chart 9.4A illustrates Saudi Arabia's imports by origin in 2018.

Destination of Exports

Saudi Arabia's exports to the top five non-Arab countries increased by 35.7 percent to SAR 562.3 billion in 2018, with a share of 50.9 percent of total

exports. Exports to China (SAR 146.7 billion) ranked first with a share of 13.3 percent of the total exports, increasing by 50.7 percent over the preceding year, followed by Japan (SAR 123.6 billion) with a share of 11.2 percent, rising by 23.2 percent. Exports to India (SAR 98.7 billion) came third with a share of 8.9 percent, increasing by 33.7 percent over the preceding year; exports to South Korea (SAR 97.6 billion) followed with a share of 8.8 percent, rising by 31.8 percent over the preceding year. Exports to the United States (SAR 95.6 billion) came next with a share of 8.7 percent, increasing by 38.9 percent over the preceding year.

Saudi Arabia's exports to the GCC countries rose by 9.3 percent to SAR 102.4 billion in 2018, accounting for 9.3 percent of its total exports. Exports to other Arab countries increased by 7.0 percent to SAR 51.9 billion, accounting for 4.7 percent of total exports. Further, exports to other world countries went up by 40.7 percent to SAR 387.3 billion with a share of 35.1 percent. Chart 9.4B shows the destinations of Saudi Arabia's exports for 2018.

Non-Oil Trade with GCC Countries

Saudi Arabia's net non-oil trade with the GCC countries recorded a deficit of SAR 9.6 billion in 2018 against a surplus of SAR 4.6 billion in 2017. The imports from the GCC countries increased by

Chart 9.4 A: Saudi Arabia's imports by origin

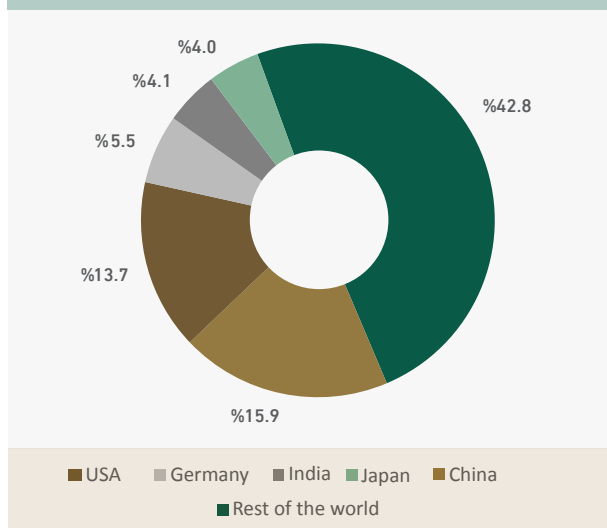
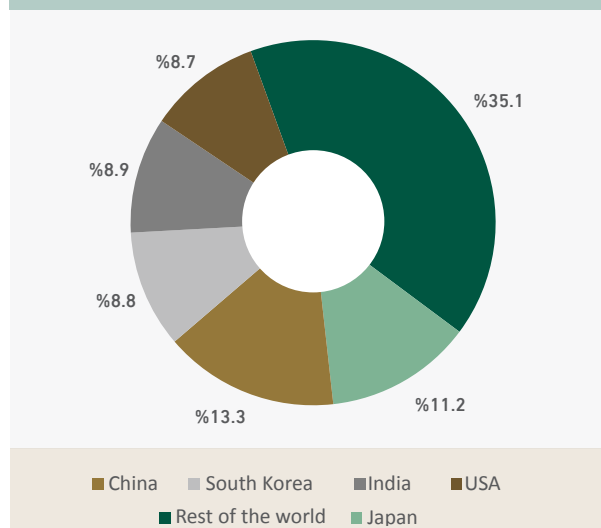


Chart 9.4 B: Saudi Arabia's exports by destination



25.4 percent to SAR 56.9 billion in 2018 compared to SAR 45.4 billion in the preceding year, and they accounted for 11.1 percent of the total imports. Saudi exports to the GCC countries, however, declined by 5.2 percent to SAR 47.4 billion in 2018, accounting for 20.1 percent of total non-oil exports (including re-exports).

Detailed data indicate that Saudi Arabia's non-oil commodity balance with Kuwait and Bahrain recorded surpluses of SAR 6.3 billion and SAR 0.1 billion, respectively, in 2018. In contrast, non-oil commodity balance with the UAE and Oman registered deficits of SAR 13.9 billion and SAR 2.0 billion, respectively.

Data on non-oil imports from the GCC countries in 2018 show that the UAE continued to occupy the first position as the largest GCC exporter to Saudi Arabia, with exports amounting to SAR 43.4 billion, constituting 76.3 percent of the total. Bahrain came second with SAR 6.1 billion (10.7 percent), followed by Oman with SAR 5.8 billion (10.2 percent), and then Kuwait with SAR 1.6 billion.

With respect to Saudi Arabia's non-oil exports to the GCC countries in 2018, the UAE remained in first place with SAR 29.6 billion or 62.4 percent of the total. Kuwait came next with SAR 7.8 billion (16.5 percent), Bahrain with SAR 6.2 billion (13.0

percent), and Oman with SAR 3.8 billion (8.1 percent) (Table 9.5).

Non-oil Trade with Top Arab Trading Partners

Saudi Arabia's non-oil trade with Arab countries (excluding GCC countries) registered a surplus of SAR 15.6 billion in 2018 against a surplus of SAR 5.7 billion in 2017. Imports from Arab countries dropped by 19.3 percent to SAR 14.5 billion in 2018 compared to SAR 17.9 billion in the preceding year, accounting for 2.8 percent of total imports. However, exports to Arab countries went up by 27.5 percent to SAR 30.1 billion, constituting 12.8 percent of total non-oil exports (including re-exports).

Detailed data on Saudi trade with top Arab trading partners show that Saudi Arabia recorded a surplus of SAR 3.1 billion in trade with Yemen, SAR 2.9 billion with Jordan, SAR 2.4 billion with Iraq, SAR 1.9 billion with Egypt, SAR 878 million with Morocco, SAR 827 million with Lebanon, and SAR 317 million with Sudan in 2018.

With regard to Saudi Arabia's non-oil imports from its top Arab trading partners in 2018, Egypt ranked first with SAR 5.6 billion (38.9 percent of the total), followed by Jordan with SAR 3.0 billion (20.9 percent), Sudan with SAR 2.1 billion (14.7 percent),

Table 9.5: Saudi Non-Oil Trade with GCC Countries**

(Million SAR)									
Country	2016			2017			2018*		
	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference
UAE	28,616	25,926	-2,690	32,831	30,276	-2,554	43,441	29,557	-13,884
Bahrain	5,353	6,074	721	5,229	6,052	823	6,099	6,170	71
Qatar	1,209	6,450	5,241	677	2,568	1,891	0	0	0
Oman	4,144	3,066	-1,078	4,994	3,618	-1,376	5,818	3,815	-2,003
Kuwait	1,710	7,074	5,364	1,648	7,462	5,814	1,567	7,833	6,266
Total	41,033	48,589	7,556	45,379	49,978	4,599	56,925	47,375	-9,550

*Preliminary data.

** Including re-exports

Source: GaStat.

and Lebanon with SAR 1.1 billion (7.5 percent). Morocco came next with SAR 750 million, followed by Yemen with SAR 573 million and Iraq with SAR 44 million.

As for non-oil exports to these countries in 2018, Egypt ranked first with SAR 7.5 billion (25.0 percent of the total), followed by Jordan in second place with SAR 5.9 billion (19.5 percent), and then Yemen in third place with SAR 3.7 billion. Iraq and Sudan occupied the fourth and fifth positions, with exports amounting to SAR 2.5 billion and SAR 2.4 billion, respectively. Lebanon ranked sixth with SAR 1.9 billion, followed by Morocco with SAR 1.6 billion (Table 9.6).

Private Sector Exports Financed by Commercial Banks

Private sector exports financed by commercial banks (settled letters of credit) rose by 9.5 percent to SAR 44.2 billion in 2018 compared to SAR 40.4 billion in 2017. Nevertheless, their ratio to total non-oil exports (including re-exports) went down to 18.8 percent in 2018 from 20.9 percent in 2017.

Data on private sector exports financed by commercial banks (settled letters of credit) in 2018 show that exports of other industrial products rose by 8.7 percent to SAR 39.9 billion, ranking first with a share of 90.2 percent of total exports as compared to 2017. Chemical and plastic products came next with SAR 4.3 billion, recording a rise of 18.5 percent and accounting for a share of 9.6 percent, followed by agricultural and animal products with a value of SAR 68 million, falling by 17.3 percent compared to the preceding year and accounting for 0.2 percent of the total.

Private Sector Imports Financed by Commercial Banks

The private sector imports financed by commercial banks (settled letters of credit and bills under collection) declined by 5.1 percent to SAR 131.1 billion in 2018 compared to SAR 138.1 billion in the preceding year. Their ratio to the total value of Saudi Arabia's imports was 25.5 percent in 2018 against 27.4 percent in the preceding year.

This decline in imports was attributable to decreases in the financing of imports of machinery

Table 9.6: Non-oil Trade with Top Arab Trading Partners (Excluding GCC countries)**

(Million SAR)									
Country	2016			2017			2018*		
	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference
Egypt	7,933	5,926	-2,007	8,492	5,323	-3,170	5,635	7,522	1,887
Jordan	4,042	4,761	719	3,176	4,681	1,504	3,019	5,872	2,853
Yemen	243	2,138	1,895	470	2,082	1,612	573	3,679	3,106
Lebanon	1,457	1,463	6	1,557	1,674	118	1,082	1,909	827
Morocco	776	1,328	552	739	1,477	738	750	1,628	878
Sudan	1,959	1,799	-160	2,383	2,389	6	2,128	2,445	317
Iraq	23	1,550	1,527	30	1,902	1,872	44	2,463	2,419
Syria	---	---	---	346	79	-267	400	5	-395
Other Arab countries	1,950	4,444	2,494	741	4,012	3,271	837	4,579	3,742
Total	18,383	23,409	5,026	17,934	23,620	5,686	14,468	30,102	15,634

*Preliminary data.

**Including re-exports.

Source: GaStat.

by 29.3 percent to SAR 5.2 billion; livestock and meat by 26.4 percent to SAR 2.5 billion; motor vehicles by 22.8 percent to SAR 19.8 billion; textiles and clothing by 20.2 percent to SAR 1.7 billion; appliances by 18.0 percent to SAR 3.3 billion; fruit and vegetables by 5.5 percent to SAR 568 million; other foodstuffs by 5.0 percent to SAR 7.7 billion; sugar, tea and coffee beans by 2.5 percent to SAR 798 million; and grain by 0.6 percent to SAR 6.2 billion. On the other hand, financing of imports of construction materials went up by 8.0 percent to SAR 14.9 billion and that of other goods by 3.7 percent to SAR 68.4 billion.

As for their share, financing of imports of other goods ranked first with a share of 52.2 percent of total imports, followed by that of motor vehicles in second place with 15.1 percent. Financing of imports of construction materials occupied the third position with 11.4 percent, followed by other foodstuffs in fourth place with a share of 5.8 percent and then machinery in fifth place with 4.0 percent.

Exports through Ports

According to data issued by the Saudi Ports Authority, the volume of exports (excluding crude oil exports) handled at Saudi ports increased by 3.2 percent to 224.9 million tons in 2018 compared to 217.9 million tons in the preceding year.

This rise was attributed to increases in the exports of construction materials and steel by 17.2 percent to 17.2 million tons, transshipment goods by 13.1 percent to 12.5 million tons, petrochemicals by 7.3 percent to 30.5 million tons, and refined oil products and gas by 1.8 percent to 134.2 million tons. However, exports of other goods decreased by 4.4 percent to 30.4 million tons in 2018 from 31.8 million tons in 2017.

As for their share in the total volume of exports handled at ports, refined oil products and gas ranked first with a share of 59.7 percent, followed

by petrochemicals with a share of 13.6 percent and then other exports in third place with a share of 13.5 percent. Construction materials and steel exports came fourth with a share of 7.7 percent, followed by transshipment goods with 5.5 percent and agricultural products with 0.1 percent.

Imports through Ports

According to data issued by the Saudi Ports Authority, the volume of imports handled at Saudi ports declined by 2.3 percent to 104.8 million tons in 2018 as a result of a decrease in the imports handled at commercial ports by 6.9 percent to 63.6 million tons. This decline was attributed to decreases in imports of equipment by 18.1 percent to 1.7 million tons, foodstuffs by 10.9 percent to 24.7 million tons, construction materials by 8.0 percent to 8.9 million tons, and general merchandise by 1.9 percent to 28.5 million tons. However, imports through industrial ports rose by 5.9 percent to 41.2 million tons.

As for their share, general merchandise ranked first with a share of 27.1 percent of total imports through ports, followed by foodstuffs with 23.5 percent, construction materials with 8.5 percent, and equipment with 1.7 percent. Imports through industrial ports accounted for 39.3 percent of the total imports (in tons).

With respect to motor vehicles and livestock imported through Saudi ports during 2018, the number of motor vehicles increased by 4.2 percent to 610.8 thousand from 594.2 thousand in 2017, while that of livestock reached 6.8 million, declining by 0.7 percent from that of the preceding year.

Imports and Exports by Use of Goods

Detailed data on Saudi Arabia's imports by use of goods for 2018 show that imports of intermediate goods stood at SAR 206.1 billion (61.6 million tons), ranking first with a share of 40.1 percent of total imports and rising by 3.5 percent over the preceding

year. Consumer goods came second with SAR 201.3 billion (11.5 million tons), constituting 39.2 percent and increasing by 1.7 percent from that of the preceding year. Capital goods came third with SAR 106.6 billion (2.1 million tons) with a share of 20.7 percent, decreasing by 0.7 percent.

With regard to exports categorized by use of goods in 2018, intermediate goods ranked first with SAR 1,041.1 billion (498.0 million tons) with a share of 94.3 percent, rising by 35.3 percent over the preceding year. Consumer goods ranked second with SAR 49.6 billion (11.3 million tons) with a share of 4.5 percent of total exports, increasing by 6.4 percent over the preceding year. Capital goods amounted to SAR 13.2 billion (0.6 million tons), ranking third with a share of 1.2 percent and down by 16.7 percent over the preceding year (Table 9.7).

Imports and Exports by Type of Goods

Data on Saudi Arabia's imports by type of goods (the stage of processing) for 2018 show that imports of manufactured (finished) goods amounting to SAR 364.0 billion (22.7 million tons) ranked first with a share of 70.8 percent of total imports, increasing by 1.7 percent over the preceding year. Partly manufactured (semi-finished) goods came second with SAR 123.6 billion (25.9 million tons), constituting 24.1 percent, a rise of 1.7 percent over that of the preceding year. Imports of raw materials stood at SAR 26.4 billion (26.7 million tons) and

came third with a share of 5.1 percent, increasing by 5.0 percent from that of the preceding year.

With regard to exports categorized by type of goods (the stage of processing) in 2018, exports of raw material goods ranked first with SAR 722.1 billion (371.8 million tons) and a share of 65.4 percent, rising by 36.7 percent over the preceding year. Exports of manufactured (finished) goods ranked second with SAR 198.7 billion (75.0 million tons) and a share of 18.0 percent, increasing by 21.3 percent over the preceding year. Partly manufactured (semi-finished) goods came third with SAR 183.1 billion (63.0 million tons) and a share of 16.6 percent, increasing by 31.1 percent over the preceding year (Table 9.8).

Balance of Payments

First: Current Account

Estimates of Saudi Arabia's balance of payments for 2018 indicate that the current account recorded a surplus of SAR 271.3 billion, compared to a surplus of SAR 39.2 billion in the preceding year. The ratio of the BOP surplus to GDP stood at 9.2 percent. This surplus was attributed to an increase of 73.2 percent in the merchandise surplus and a decline of 2.5 percent in the net secondary income deficit (Table 9.9). Chart 9.5 illustrates the developments in the current account balance and its major items over the period 2015-2018.

Table 9.7: Imports and Exports by Use of Goods

		Weight (thousand ton)/value (million SAR)					
Goods		2016		2017		2018*	
		Weight	Value	Weight	Value	Weight	Value
Imports	Consumer	13,042	210,037	12,335	197,841	11,543	201,257
	Intermediate	61,200	203,918	61,434	199,217	61,641	206,122
	Capital	2,489	111,680	2,229	107,388	2,055	106,614
Exports	Consumer	11,408	39,801	11,712	46,633	11,258	49,610
	Intermediate	488,304	631,100	471,354	769,360	497,955	1,041,058
	Capital	565	17,523	701	15,888	585	13,232

* Preliminary data.

Source: GaStat.

Table 9.8: Imports and Exports by Type of Goods

		Weight (thousand ton)/value (million SAR)					
Goods		2016		2017		2018*	
		Weight	Value	Weight	Value	Weight	Value
Imports	Raw	26,207	23,699	27,397	25,111	26,661	26,376
	Semi-finished	32,092	126,827	27,358	121,579	25,868	123,648
	Finished	18,433	375,110	21,244	357,756	22,711	363,968
Exports	Raw	381,335	433,696	361,393	528,328	371,803	722,108
	Semi-finished	52,400	126,448	49,326	139,658	63,030	183,069
	Finished	66,542	128,279	73,048	163,895	74,965	198,724

* Preliminary data.

Source: GaStat.

Table 9.9: Balance of Payments

(Million SAR)					
	2015	2016	2017*	2018*	% change 2018
I. Current Account Balance	-212,714	-89,410	39,241	271,262	591.3
A. Goods and services	-109,863	10,312	142,566	382,915	168.6
1. Goods	165,995	209,115	369,229	639,388	73.2
Exports	763,262	688,528	831,981	1,104,541	32.8
Imports	597,267	479,413	462,752	465,153	0.5
2. Services	-275,858	-198,803	-226,663	-256,473	13.2
Credit	54,277	64,697	67,994	67,740	-0.4
Debit	330,135	263,501	294,656	324,214	10.0
B. Primary income	64,800	58,975	40,117	28,209	-29.7
Credit	95,912	89,890	70,916	73,754	4.0
Debit	31,112	30,914	30,799	45,544	47.9
C. Secondary income	-167,651	-158,698	-143,442	-139,862	-2.5
Credit	0	0	0	0	---
Debit	167,651	158,698	143,442	139,862	-2.5
II. Capital Account	-3,983	-3,365	-6,931	-5,508	-20.5
III. Financial Account	-274,058	-342,584	27,985	247,527	---
1. Direct investment	-10,317	5,564	21,978	67,539	---
Net acquisition of financial assets	20,212	33,511	27,298	79,572	---
Net incurrence of liabilities	30,529	27,947	5,321	12,033	---
2. Portfolio investments	40,386	-42,798	-9,521	24,793	---
Net acquisition of financial assets	39,081	20,308	72,010	74,883	---
Net incurrence of liabilities	-1,305	63,106	81,531	50,090	---
3. Other investments	130,630	-3,021	163,180	154,575	---
Net acquisition of financial assets	145,232	30,882	179,107	199,231	---
Net incurrence of liabilities	14,602	33,903	15,927	44,656	---
4. Reserve assets	-434,758	-302,328	-147,652	621	---
Errors and omissions	-57,361	-249,808	-4,324	-18,227	---

* Estimates.

Minus sign (-) = Payments in the current account items.

A. Goods and Services:

1. Goods

The surplus of the commodity balance grew by 73.2 percent to SAR 639.4 billion in 2018 from a SAR 369.2 billion surplus in the preceding year. This was attributable to an increase of 32.8 percent to SAR 1.1 trillion in total exports (including oil and other exports), compared to SAR 832.0 billion in the preceding year, despite the rise of 0.5 percent to SAR 465.2 billion in imports (FOB) against SAR 462.8 billion in the preceding year.

2. Services

The deficit in the services account went up by 13.2 percent to SAR 256.5 billion in 2018 compared to a SAR 226.7 billion deficit in the preceding year. This rise was mainly attributed to higher deficits in the net government services item by 28.5 percent to SAR 113.6 billion from SAR 88.4 billion in the preceding year, the net financial services item to SAR 7.5 billion from SAR 3.2 billion, and the net construction services item by 14.3 percent to SAR 24.0 billion against SAR 21.0 billion in the preceding year. In addition, deficits in the net other business services item rose by 9.8 percent to SAR 38.8 billion from SAR 35.3 billion in the preceding year, the net insurance and pensions item by 6.1 percent to SAR 5.8 billion from SAR 5.5 billion in the preceding year, and the net services payments for transportation item by 1.6 percent to SAR 43.8 billion from SAR 43.1 billion in the preceding year. On the other

hand, deficits in the net travel item fell by 21.6 percent to SAR 16.2 billion from SAR 20.6 billion in the preceding year, and the net telecommunication item by 29.1 percent to SAR 6.7 billion from SAR 9.5 billion in the preceding year.

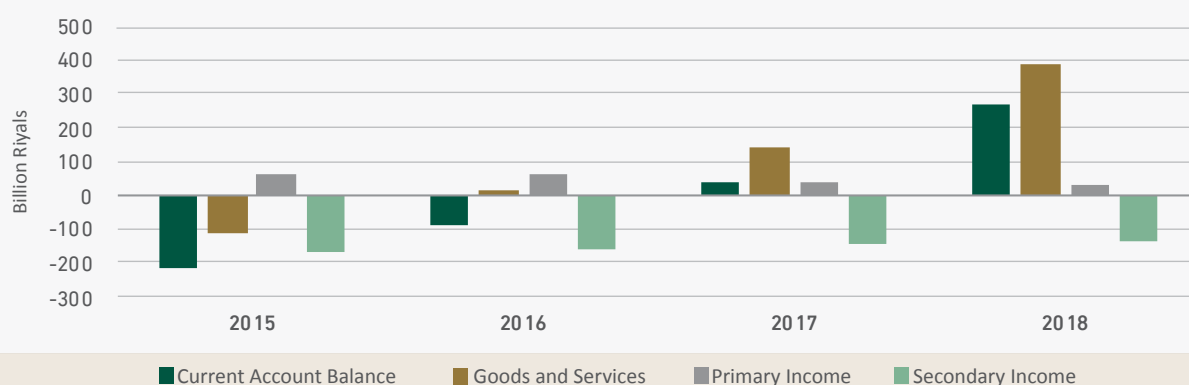
B. Primary Income

According to the estimates of the balance of payments, the surplus in the net primary income category decreased by 29.7 percent to SAR 28.2 billion in 2018 against SAR 40.1 billion in the preceding year. This decline was attributed to a decrease in net portfolio investment income to SAR 22.8 billion as compared to SAR 35.3 billion in the preceding year, a decrease in net direct investment to SAR 2.0 billion against a rise of SAR 1.3 billion in the preceding year, and a deficit increase of 17.7 percent to SAR 2.2 billion in net workers' compensations. However, the surplus in other investments item rose to SAR 9.7 billion from SAR 5.4 billion in the preceding year.

C. Secondary Income

The deficit in the secondary income account decreased by 2.5 percent to SAR 139.9 billion in 2018 compared to a deficit of SAR 143.4 billion in the preceding year. This was attributed to a decrease in expatriate remittances by 7.5 percent to SAR 122.6 billion. However, government transfers rose by 65.4 percent to SAR 15.9 billion against SAR 9.6 billion in the preceding year. Table 9.10 illustrates

Chart 9.5: Current Account Balance



the developments in expatriate remittances in Saudi Arabia and their ratio to private sector GDP since 2014.

II. Capital Account

The capital account registered an outflow of SAR 5.5 billion in 2018 against SAR 6.9 billion in the preceding year.

III. Financial Account

Net direct investments rose by SAR 67.5 billion in 2018. In addition, net portfolio investments increased by SAR 24.8 billion, net other investments by SAR 154.6 billion, and reserve assets by SAR 0.6 billion.

International Investment Position

Direct Investment

Direct investment abroad grew by 25.1 percent to SAR 396.2 billion in 2018. Direct investment in Saudi Arabia also increased by 1.4 percent to SAR 865.4 billion as compared to the preceding year.

Portfolio Investments

Portfolio investments abroad rose by 2.8 percent to SAR 839.2 billion in 2018. In addition, portfolio investments in Saudi Arabia rose by 27.5 percent to SAR 333.0 billion.

Other Investments

Other investments abroad grew by 27.9 percent to SAR 900.6 billion in 2018, and other investments

in Saudi Arabia increased by 17.8 percent to SAR 289.9 billion.

Reserve Assets

Reserve assets increased slightly by 0.03 percent to SAR 1,862.2 billion in 2018 compared to the preceding year.

Net International Investment Position

The net international investment position rose by 7.3 percent to SAR 2.5 trillion in 2018 compared to SAR 2.3 trillion in 2017 (Table 9.11).

Saudi Developmental Aid and Loans Abroad

Saudi aid, loans and contributions abroad reached SAR 168.2 billion during the period 2014-2018 (Table 9.12). Aid and loans constituted 85.8 percent (SAR 144.3 billion). The contributions to associations and organizations amounted to SAR 23.6 billion or 14.0 percent of the total. Moreover, aid provided through multilateral aid programs during the same period amounted to SAR 0.2 billion or 0.1 percent.

Saudi aid and loans provided through bilateral channels and multilateral associations, organizations and institutions in 2018 reached SAR 38.2 billion, increasing by 117.8 percent over the preceding year. Aid and loans extended in 2018 constituted the bulk of the total, amounting to SAR 37.5 billion (98.2 percent) and rising by 126.7 percent over the preceding year. Saudi

Table 9.10: Remittances of Expatriates in Saudi Arabia

(Million SAR)				
Year	Million SAR	% Annual change	Private Sector GDP*	Ratio of Remittances to Private sector GDP
2014	134,995	5.7	1,149,636	11.7
2015	141,785	5.0	1,213,542	11.7
2016	138,745	-2.1	1,227,534	11.3
2017	132,518	-4.5	1,247,459	10.6
2018**	122,629	-7.5	1,294,671	9.5

* At current prices.

**Preliminary data.

Source: Balance of payments data issued by SAMA, and the private sector GDP data issued by GaStat.

contributions to associations and organizations in 2018 amounted to SAR 680 million (1.8 percent), declining by 30.2 percent from that of 2017. Saudi multilateral aid totaled SAR 21 million (0.1 percent) in 2018, declining by 20.7 percent from the preceding year.

exchange rate (REER) index fell by 5.8 points from 122.21 at end-2017 to 116.45 at end-2018.

Exchange Rate Trends

SAMA continued to maintain the official exchange rate of the Saudi riyal against the U.S. dollar at SAR 3.75 per one U.S. dollar during 2018. The nominal effective exchange rate (NEER) index, however, decreased by 1.6 points from 119.14 at end-2017 to 117.59 at end-2018. Furthermore, the real effective

Table 9.11: International Investment Position

(Million SAR)				
	2016	2017*	2018*	% change 2018
I. Assets	3,522,875	3,699,170	3,998,202	8.1
1. Direct investment abroad	277,398	316,639	396,211	25.1
2. Portfolio investments	748,114	816,740	839,209	2.8
3. Other investments	488,123	704,203	900,573	27.9
4. Reserve assets	2,009,239	1,861,588	1,862,209	0.0
II. Liabilities	1,283,110	1,360,593	1,488,346	9.4
1. Direct investment in Saudi Arabia	868,134	853,374	865,449	1.4
2. Portfolio investments	184,986	261,071	332,988	27.5
3. Other investments	229,990	246,148	289,909	17.8
III. Net International Investment Position	2,239,765	2,338,577	2,509,857	7.3

* Preliminary data.

Source: Balance of payments data issued by SAMA, and the private sector GDP data issued by GaStat.

Table 9.12: Saudi Arabia' Aid and Contributions Abroad (2014-2018)

(Million SAR)				
Year	Aid and loans	Contributions to associations and organizations	Multilateral aid	Total
2014	50,336	1,626	99	52,061
2015	28,430	1,336	60	29,826
2016	11,494	18,999	43	30,536
2017	16,542	975	26	17,543
2018	37,500	680	21	38,201
Total	144,302	23,616	249	168,167

Source: MoF.



10

PUBLIC FINANCE

Public Finance

In its meeting held on Tuesday, Rabi' II 11, 1440H (December 18, 2018), the Council of Ministers approved the state budget for fiscal year 1440/1441H (2019), which is the largest expenditure budget in the history of Saudi Arabia. The large expenditure is necessary to continue to support the transformation already being witnessed in areas on which the Saudi Vision 2030 focuses. It funds a number of implementation programs that aim to diversify the economy beyond oil, achieve financial and economic stability, stimulate non-oil sector growth, increase the contribution of the private sector as a driver of growth, increase employment opportunities for citizens of both genders, improve the standard of living of citizens, and build a vibrant society. Total expenditures are projected to be SAR 1,106 billion, 13.1 percent higher than the estimated budget for the preceding fiscal year. It should be noted that since the beginning of 2018, a value-added tax (VAT) has been applied at the rate of 5 percent to diversify government revenues.

Total revenues are estimated at SAR 975 billion, an increase of 24.5 percent from the preceding fiscal year's projections of SAR 783 billion. The budget deficit is estimated at SAR 131 billion, dropping by 32.8 percent from the preceding fiscal year's projections (Table 10.1).

Main Features of the State Budget for FY 1440/1441H (2019)

The state budget for fiscal year 1440/1441H (2019) encompasses initiatives of the Saudi Vision Realization Programs, which are intended to lead Saudi Arabia to a set of broad and far-reaching goals so that the Kingdom can face challenges and reinforce its position in the global economy. The following is an overview of the main state budget appropriations for key sectors (Table 10.2 & Chart 10.1).

Security and Regional Administration:

Security and Regional Administration sector was allocated SAR 102.8 billion or 9.3 percent of total budgetary expenditures, increasing by 2.0 percent over the preceding fiscal year 2018.

Health and Social Development:

Health Services and Social Development sectors were allocated SAR 172.0 billion or 15.6 percent of total budgetary expenditures, rising by 17.4 percent over the preceding fiscal year.

Municipal Services:

Municipal Services sector, including the Ministry of Municipal and Rural Affairs and Municipalities, was allocated SAR 62.2 billion or 5.6 percent of the budgetary expenditures, rising by 16.5 percent from fiscal year 2018.

Military:

The Military sector was allocated SAR 191.0 billion, representing 17.3 percent of total budgetary

Table 10.1: Budget Projections

(SAR Billion)			
	FY	FY	% Change
	1439/1440H (2018)	1440/1441H (2019)	
Total revenues	783	975	24.5
Total expenditures	978	1106	13.1
Surplus/deficit	-195	-131	-32.8

Source: MoF.

expenditures and decreasing by 9.1 percent from that of the preceding fiscal year.

Education:

Education was allocated SAR 192.6 billion or 17.4 percent of total budgetary expenditures, rising by 0.1 percent over the preceding fiscal year.

Infrastructure and Transportation:

Infrastructure and Transportation sector was allocated SAR 70.2 billion or 6.4 percent of the

budgetary expenditures, rising by 29.7 percent from fiscal year 2018.

Other Sectors:

Public Administration was allocated SAR 27.5 billion or 2.5 percent of the budgetary expenditures, increasing by 5.1 percent from fiscal year 2018.

The Economic Resources sector was allocated SAR 131.3 billion or 11.9 percent of the budgetary expenditures, rising by 24.7 percent from fiscal year 2018.

Table 10.2: Sector-Wise Allocations of the State Budget (by key sector)

(Million SAR)						
	1439/1440H (2018)			1440/1441H (2019)		
	Amount	% Share	% change	Amount	% Share	% change
Public Administration	26,202	2.7	-1.9	27,542	2.5	5.1
Military	210,000	21.5	10.0	190,978	17.3	-9.1
Security and Regional Administration	100,764	10.3	4.2	102,827	9.3	2.0
Municipal Services	53,410	5.5	11.4	62,238	5.6	16.5
Education	192,361	19.7	-4.0	192,622	17.4	0.1
Health and Social Development	146,549	15.0	21.7	172,041	15.6	17.4
Economic Resources	105,309	10.8	122.8	131,340	11.9	24.7
Infrastructure and Transportation	54,166	5.5	3.8	70,243	6.4	29.7
Public Programs	89,239	9.1	-17.1	156,169	14.1	75.0
Total	978,000	100.0	9.9	1,106,000	100.0	13.1

Source: MoF.

Chart 10.1: Budget Allocations for FY 1440/1441H (2019) by Major Sector

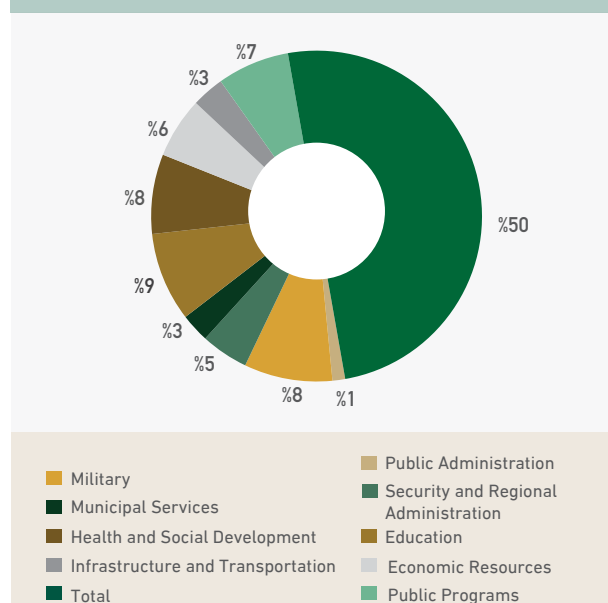
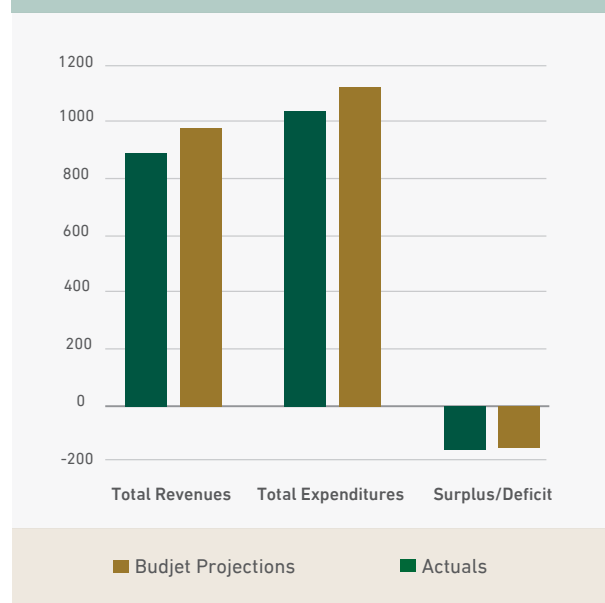


Chart 10.2: Budget Estimates and Actuals for FY 1439/1440H (2018)



The Public Programs (general items) sector was allocated SAR 156.2 billion, representing about 14.1 percent of total budgetary expenditures and increasing by 75.0 percent from that of the preceding fiscal year.

Actual Revenues and Expenditures for FY 2018

Actual revenues for fiscal year 1439/1440H (2018) registered an increase of 29.4 percent to SAR 894.7 billion or 30.5 percent of GDP, compared to a rise of 33.1 percent in the previous fiscal year, denoting an increase of 14.2 percent from the budget projections. Actual oil revenues exceeded the budgeted amount by 23.5 percent, coming in at SAR 607.4 billion. Actual non-oil revenues, however, were slightly lower than budgeted amounts, showing a shortfall of 1.4 percent, to SAR 287.3 billion in 2018.

Total actual expenditures for fiscal year 2018 stood at SAR 1,030.4 billion, or 35.1 percent of GDP, which was 5.4 percent higher than the budget projections, increasing by 10.8 percent as compared to the previous year.

Actual expenditures for interest expenses (finance costs) were 18.8 percent higher than budget, at SAR 16.6 billion. Actual expenditures for social benefits were 14.8 percent higher than the budgeted amount, at SAR 74.6 billion. Other actual expenditures also recorded a rise of 11.8 percent as compared to the budgeted amount, at SAR 106.2 billion. Actual expenditures for employees' compensation were 8.2 percent higher than budget, at SAR 473.9 billion in 2018. However, actual subsidies expenditures were 17.3 percent lower than budget, at SAR 11.6 billion. Actual expenditures for subventions (grants) were 7.7 percent lower than budgeted, at SAR 2.8 billion. Actual expenditures for goods and services were 2.4 percent lower than the budgeted amount, at SAR 139.5 billion (Tables 10.3 & 10.4).

Actual Budget Deficit Ratio to GDP

Fiscal year 2018 figures indicate a budget deficit of SAR 135.7 billion, constituting 4.6 percent of GDP compared to a deficit of SAR 238.5 billion or 9.2 percent of GDP in the preceding year (Table 10.4).

Table 10.3: State Budget Actual and Projected Revenues and Expenditures

(Million SAR)				
	1439/1440H (2018)			
	Projections	Actuals	Difference	% Difference to projection
Total revenues	783,343	894,711	111,368	14.2
Oil revenues	492,000	607,400	115,400	23.5
Non-oil revenues	291,343	287,311	-4,032	-1.4
Operational Expenditures	773,000	825,221	52,221	6.8
Compensation of employees	438,000	473,883	35,883	8.2
Goods and services	143,000	139,543	-3,457	-2.4
Interest Expenses	14,000	16,631	2,631	18.8
Subsidies	14,000	11,585	-2,415	-17.3
Grants	3,000	2,770	-230	-7.7
Social benefits	65,000	74,637	9,637	14.8
Other expenses	95,000	106,172	11,172	11.8
Net non-financial acquired assets	205,000	205,194	194	0.1
Total expenditures	978,000	1,030,415	52,415	5.4

Source: MoF.

Domestic Loans and Subsidies

I. Domestic Loans

Actual loans disbursed under the Domestic Loans program during 2018 totaled SAR 438 million, decreasing by 19.4 percent from the preceding year. Loan repayments stood at SAR 383 million, increasing by 69.0 percent compared to the preceding year. During fiscal year 1439/1440H (2018), 10 loans were approved, five of which were for educational projects, four for health projects, and one for hospitality and tourism projects (Tables 10.5 & 10.6).

II. Domestic Subsidies

During fiscal year 1439/1440H (2018), a total of SAR 3.2 billion of subsidies were disbursed as follows: The fodder subsidy stood at SAR 2.3 billion, the infant formula subsidy SAR 338.7 million, the Equestrian Club subsidy SAR 135 million, King Salman Humanitarian Aid and Relief Centre subsidy SAR 178.5 million, the Falcons Club subsidy SAR 100 million, the King Abdulaziz Public Library subsidy SAR 72.8 million, KAICIID subsidy SAR 71.3 million, the King Abdulaziz Center for National Dialogue

subsidy SAR 42.8 million, and the Secretariat of the Finance Committee subsidy SAR 30 million.

Public Debt

The public debt registered an increase of 26.3 percent at the end of fiscal year 1439/1440H (2018), reaching SAR 560 billion and representing 19.1 percent of GDP and 29.0 percent of non-oil GDP, as compared to SAR 443.3 billion or 17.2 percent of GDP at the end of the preceding fiscal year 1438/1439H (2017) (Table 10.7).

Table 10.4: Actual Revenue and Expenditure

(Million SAR)									
	(2016) 1437/1438H			(2017) 1438/1439H			(2018) 1439/1440H		
	Value	% change	Ratio to GDP*	Value	% change	Ratio to GDP*	Value	% change	Ratio to GDP*
Total revenues	519,457	-15.2	21.5	691,510	33.1	26.8	894,711	29.4	30.5
Total expenditures	830,513	-17.1	34.3	929,999	12.0	36.0	1,030,415	10.8	35.1
Surplus/deficit	-311,056	-20.0	-12.9	-238,489	-23.3	-9.2	-135,704	-43.1	-4.6

* Including import duties (at current prices).

Source: MoF.

Table 10.5: Current Balances of Domestic Loan Program

(Million SAR)			
	2017	2018	% change
Actual loans disbursed	*543.2	438	-19.4
Actual loans repaid	226	383	69.0

Source: MoF.

*Including an amount of SAR 4.6 million not received by the borrower.

Table 10.6: Loans Extended During 2017-2018 by Field

(Million SAR)

Filed*	Projects signed				Projects approved in 2018	
	2017		2018			
	Number	Value	Number	Value	Number	Value
Hospitality and tourism	2	34	3	30	1	7
Health	---	---	8	788	4	123
Education	2	22	6	136	5	270
Total	4	56	17	954	10	400

Source: MoF.

*Including an amount of SAR 4.6 million not received by the borrower.

Table 10.7: Public Debt

(Million SAR)

Fiscal Year	Borrowed		Repaid		Outstanding public debt at year-end			% change	GDP (at current prices)	Ratio of public debt to GDP
	Domestic Debt	Foreign Debt	Domestic Debt	Foreign Debt	Domestic Debt	Foreign Debt	Total debt			
1435/1436H (2014)	---	---	15,858	---	44,260	---	44,260	-26.4	2,836,314	1.6
1436/1437H (2015)	98,000	---	---	---	142,260	---	142,260	221.4	2,453,512	5.8
1437/1438H (2016)	97,020	103,125	25,825	---	213,455	103,125	316,580	122.5	2,418,508	13.1
1438/1439H (2017)	58,455	80,625	12,408.0	---	259,503	183,750	443,253	40.0	2,582,198	17.2
1439/1440H (2018)*	48,750	71,250	3,272	---	304,980	255,000	559,980	26.3	2,934,313	19.1

* Preliminary data.

Source: MoF.



11

NATIONAL ACCOUNTS AND SECTORAL DEVELOPMENT

National Accounts and Sectoral Development

Gross Domestic Product (GDP) for 2018

GASTAT preliminary data indicate that GDP at 2010 constant prices grew by 2.21 percent during 2018 compared to a contraction of 0.74 percent in the preceding year. This was attributable to an increase of 2.85 percent in the oil sector compared to a decrease of 3.09 percent in the preceding year, and a growth of 2.05 percent in the non-oil sector against 1.26 percent in the preceding year. The non-oil private sector grew by 1.74 percent

compared to a growth of 1.50 in the preceding year. Moreover, the non-oil government sector increased by 2.79 percent compared to a rise of 0.71 percent in the preceding year (Table 11.1). Furthermore, preliminary data show that GDP at current prices increased by 13.64 percent in 2018 against an increase of 6.77 percent in the preceding year. This was mainly attributable to an increase of 34.19 percent in the oil sector compared to a rise of 23.48 percent in the preceding year. The non-oil sector went up by 5.78 percent compared to 1.47 percent in the preceding year. The non-oil private sector posted a growth of 3.78 percent against 1.62 percent, and the non-oil government sector recorded a growth of 10.10 percent against 1.13 percent in 2017.

Table 11.1: Gross Domestic Product by Sector

(Million SAR)						
	2017			2018*		
	Value	% Growth rate	% Share	Value	% Growth rate	% Share
GDP (at current prices)						
1. Oil sector	735,302	23.48	28.48	986,711	34.19	33.63
2. Non-oil sector	1,823,518	1.47	70.62	1,928,923	5.78	65.74
a. Private sector	1,247,459	1.62	48.31	1,294,671	3.78	44.12
b. Government sector	576,059	1.13	22.31	634,252	10.10	21.62
GDP	2,558,820	6.95	99.09	2,915,634	13.94	99.36
3. Import duties	23,378	-9.60	0.91	18,679	-20.10	0.64
GDP (including import duties)	2,582,198	6.77	100.00	2,934,313	13.64	100.00
GDP at constant 2010 prices						
1. Oil sector	1,103,168	-3.09	42.95	1,134,604	2.85	43.22
2. Non-oil sector	1,446,653	1.26	56.32	1,476,371	2.05	56.23
a. Private sector	1,015,210	1.50	39.52	1,032,875	1.74	39.34
b. Government sector	431,442	0.71	16.80	443,496	2.79	16.89
GDP	2,549,821	-0.67	99.27	2,610,975	2.40	99.45
3. Import duties	18,749	-9.99	0.73	14,487	-22.73	0.55
GDP (including import duties)	2,568,570	-0.74	100	2,625,462	2.21	100.00
Implicit deflator (100=2010)						
Gross Domestic Product (GDP)	100.5	7.57	---	111.8	11.17	---
1. Oil sector	66.7	27.41	---	87.0	30.47	---
2. Non-oil sector	126.1	0.20	---	130.7	3.65	---

* Preliminary data.
Source: GaStat.

The non-oil private sector constituted 39.34 percent of GDP at constant prices in 2018, compared to 39.52 percent in 2017. The non-oil government sector's contribution slightly increased, accounting for 16.89 percent in 2018 against 16.80 percent in 2017. The oil sector accounted for 43.22 percent in 2018 against 42.95 percent in the preceding year. The non-oil GDP implicit deflator* posted a growth of 3.65 percent in 2018 against a rise of 0.20 percent in the preceding year (Table 11.1).

An analysis of GDP at constant 2010 prices by detailed key economic production activities shows that most activities grew in 2018, albeit with varying degrees. Mining and quarrying increased by 3.23 percent against a decline of 3.50 percent in the preceding year. Finance, insurance, real estate and business services registered a growth of 2.96 percent against a growth of 5.33 percent in the preceding year. Manufacturing industries (including oil refining) reported a growth of 2.43 percent against 1.30 percent in the preceding year. In addition, transport, storage and

telecommunications grew by 1.69 percent against 2.24 percent. Public utilities (electricity, gas and water) grew by 1.40 percent, compared to a rise of 1.32 percent in 2017. Wholesale, retail, restaurants and hotels increased by 0.78 percent against 0.57 percent. In contrast, construction and building dropped by 3.06 percent against a decline of 3.25 percent in the preceding year (Table 11.2).

Contribution of the Private Sector to GDP

The contribution of the non-oil private sector to GDP at current price in 2018 stood at 44.40 percent compared to 48.75 percent in 2017. The non-oil private sector's growth rate at current prices was 3.78 percent against a growth of 1.62 percent in the preceding year (Table 11.3 and Chart 11.1).

Contribution of the Government Sector to GDP

In 2018, the government sector contributed 21.75 percent to GDP at current prices, down from 22.51 percent a year before. The sector's growth

Table 11.2: Gross Domestic Product by Key Economic Sector (At Constant Prices for 2010)

(Million SAR)								
			2017			2018*		
	2015	2016	Value	% Share	% Growth	Value	% Share	% Growth
1. Mining and quarrying	1,018,485	1,046,785	1,010,104	39.61	-3.50	1,042,758	39.94	3.23
2. Manufacturing (including oil refining)	298,442	307,987	311,982	12.24	1.30	319,550	12.24	2.43
3. Public utilities (electricity, gas & water)	32,928	33,688	34,132	1.34	1.32	34,611	1.33	1.40
4. Construction and building	125,184	121,203	117,259	4.60	-3.25	113,667	4.35	-3.06
5. Wholesale and retail trade, and restaurants and hotels	231,744	228,074	229,378	9.00	0.57	231,170	8.85	0.78
6. Transport, storage & communications	144,519	148,467	151,789	5.95	2.24	154,349	5.91	1.69
7. Finance, insurance, real estate and business services	230,836	237,143	249,794	9.80	5.33	257,182	9.85	2.96
GDP**	2,524,111	2,566,928	2,549,820	100.00	-0.67	2,610,975	100.00	2.40

* Preliminary data.

** Excluding import duties.

Source: GaStat

* The implicit deflator for GDP is a measure of the general level of prices of all final goods in an economy in a year. Unlike the cost of living index which only measures the final consumption, GDP deflator measures inflation rate at the macroeconomic level. The GDP deflator targets all consumption, investment and government sectors based on their respective contributions to the GDP.

at current prices was 10.10 percent during 2018 compared to 1.13 percent in the preceding year (Table 11.3 and Chart 11.1).

the preceding year. The sector's growth (at current prices) was 34.19 percent compared to 23.48 percent in the preceding year (Table 11.4 and Chart 11.1).

Contribution of Oil Sector to GDP

In 2018, the oil sector contributed 33.84 percent to GDP at current prices against 28.74 percent in

Contribution of Services to GDP

The contribution of the services (including wholesale and retail trade; restaurants and hotels;

Table 11.3: Contribution of the Private and Government Sectors to GDP (At Current Prices)

Year	GDP*	Private Sector			Government Sector		
		(Million SAR)	% Share	% Change	(Million SAR)	% Share	% Change
2015	2,427,517	1,213,542	49.99	5.56	554,305	22.83	19.01
2016	2,392,646	1,227,534	51.30	1.15	569,619	23.81	2.76
2017	2,558,820	1,247,459	48.75	1.62	576,059	22.51	1.13
2018**	2,915,634	1,294,671	44.40	3.78	634,252	21.75	10.10

* Excluding import duties.

** Preliminary data.

Source: GaStat.

Table 11.4: Contribution of Oil Sector and Services Activity to GDP (At Current Prices)

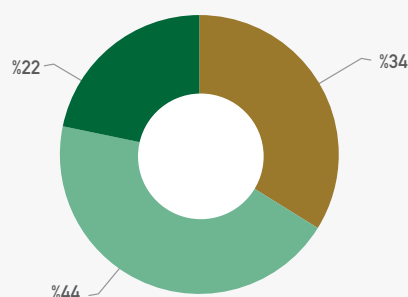
Year	GDP*	Oil Sector			Services Activity		
		(Million SAR)	% Share	% Change	(Million SAR)	% Share	% Change
2015	2,427,517	659,670	27.17	-44.91	1,274,557	52.50	10.87
2016	2,392,646	595,494	24.89	-9.73	1,306,409	54.60	2.50
2017	2,558,820	735,302	28.74	23.48	1,332,481	52.07	2.00
2018**	2,915,634	986,711	33.84	34.19	1,414,429	48.51	6.15

* Excluding import duties.

** Preliminary data.

Source: GaStat.

Chart 11.1: Contribution of Economic Sectors to GDP at current prices in 2018



Oil Sector

Private Sector

Government Sector

transport, storage, and telecommunications; finance, insurance, real estate and business services; social and personal services; and government services' producers, but excluding imputed bank service charges) to GDP at current prices was 48.51 percent in 2018 against 52.07 percent in 2017. The growth of services at current prices was 6.15 percent in 2018 against a growth of 2.00 percent in the preceding year (Table 11.4 and Chart 11.2).

Contribution of Mining and Quarrying to GDP

The contribution of mining and quarrying (including crude oil and natural gas) to GDP at current prices was 30.30 percent in 2018 versus 25.63 percent in the preceding year. This activity, at current prices, recorded a growth of 34.72 percent compared to a rise of 22.89 percent in

2017 (Table 11.5 and Chart 11.2).

Contribution of Industry to GDP

In 2018, the contribution of industry (including oil refining) to GDP at current prices slightly declined to 12.89 percent against 13.01 percent in the preceding year. Industry at current prices increased by 12.91 percent in 2018 against a rise of 6.64 percent in the preceding year (Table 11.5 and Chart 11.2).

Contribution of Other Economic Production Activities to GDP

The contribution of agriculture, forestry and fishing to GDP at current prices was 2.24 percent in 2018 compared to 2.55 percent in 2017. The growth of this activity at current prices was 0.24 percent in 2018 against a growth of 0.52 percent in the preceding year (Table 11.6 and Chart 11.2).

Table 11.5: Contribution of Mining and Quarrying Activity and Industrial Activity to GDP (At Current Prices)

Year	GDP (1)	Mining and quarrying (2)			Industrial activity (3)		
	(Million SAR)	(Million SAR)	% Share	% Change	(Million SAR)	% Share	% Change
2015	2427517	600508	24.74	-46.86	311215	12.82	1.64
2016	2,392,646	533,636	22.30	-11.14	312,160	13.05	0.30
2017	2,558,820	655,761	25.63	22.89	332,901	13.01	6.64
2018 (4)	2,915,634	883,467	30.30	34.72	375,870	12.89	12.91

(1) Excluding import duties.

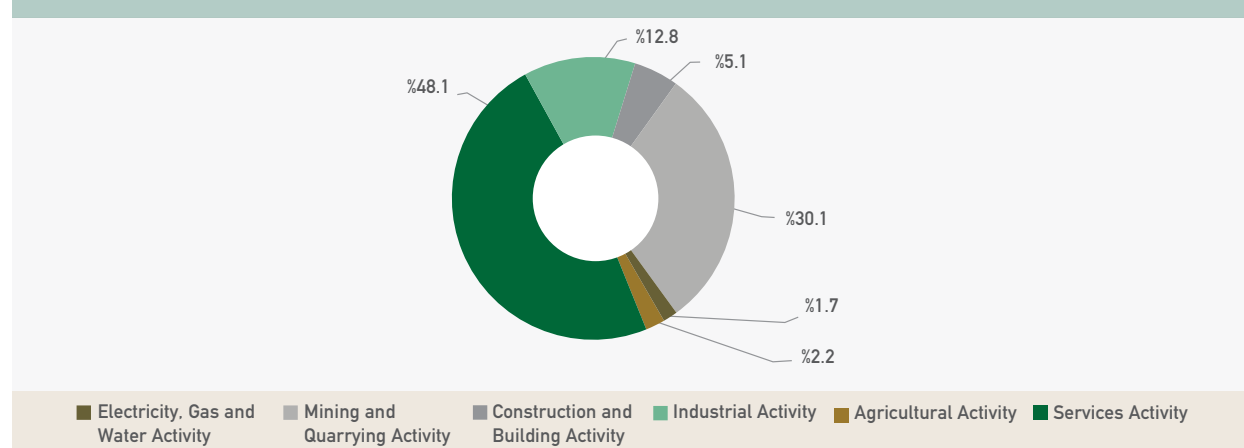
(2) Including crude oil and natural gas.

(3) Including oil refining.

(4) Preliminary data.

Source: GaStat.

Chart 11.2: Contribution of Economic Activities to GDP at current prices in 2018



The contribution of construction and building to GDP at current prices was 5.18 percent in 2018 against 6.04 percent in 2017, dropping by 2.36 percent against a decline of 3.12 percent in the preceding year.

In 2018, the contribution of electricity, gas and water to GDP at current prices stood at 1.67 percent against 1.59 percent in 2017. This activity recorded a notable growth rate of 19.88 percent during 2018 compared to 5.80 percent in the preceding year (Table 11.6 and Chart 11.2).

Per Capita Income

Preliminary figures indicate that the per capita share of GDP (at current prices) in Saudi Arabia rose by 10.91 percent to SAR 87,818 in 2018, versus an increase of 4.07 percent to SAR 79,177 in the preceding year (Table 11.7).

by 13.64 percent to SAR 2,934.3 billion against a rise of 6.77 percent in the preceding year. This was due to a surplus of SAR 376.5 billion in net exports of goods and services in 2018. Final consumption of the private sector rose by 5.13 percent to SAR 1,118.2 billion in 2018 against a rise of 2.72 percent in 2017. Gross final consumption of the government sector also rose by 7.79 percent to SAR 680.1 billion against SAR 631.0 billion in the preceding year. The share of gross final consumption in expenditure on GDP at current prices was 61.29 percent in 2018 against 65.63 percent in 2017.

Gross capital formation (including inventory change) increased by 1.90 percent to SAR 759.5 billion in 2018 from SAR 745.3 billion in 2017 (Table 11.8 and Chart 11.3).

Expenditure on GDP in 2018

Preliminary figures show that expenditure on GDP at purchasers' value (at current prices*) increased

Table 11.6: Contribution of Some Economic Activities to GDP (At Current Prices)

(Million SAR)										
Year	GDP*	Agricultural activity**	% Share	% Change	Construction and building	% Share	% Change	Electricity, gas and water	% Share	% Change
2015	2,427,517	64,267	2.65	1.75	162,975	6.71	6.54	36,067	1.49	11.05
2016	2,392,646	64,952	2.71	1.07	159,575	6.67	-2.09	38,395	1.60	6.46
2017	2,558,820	65,290	2.55	0.52	154,592	6.04	-3.12	40,621	1.59	5.80
2018***	2,915,634	65,448	2.24	0.24	150,944	5.18	-2.36	48,696	1.67	19.88

* Excluding import duties. ** Including agriculture, forestry and fishing.

*** Preliminary data.

Source: GaStat.

Table 11.7: Per Capita GDP

	2015	2016	2017	% change	2018*	% change
GDP** (Current prices) (Million SAR)	2,453,512	2,418,508	2,582,198	6.77	2,934,313	13.64
Population (Million)	30.89	31.79	32.61	2.60	33.41	2.46
Per Capita GDP (Riyals)	79,425	76,083	79,177	4.07	87,818	10.91

* Preliminary data.

** Including import duties.

Source: GaStat.

Table 11-8: Expenditure on GDP at Purchasers' Value (At Current Prices)

(Million SAR)												
	2015			2016			2017			2018 (1)		
	Value	% Share	% Change	Value	% Share	% Change	Value	% Share	% Change	Value	% Share	% Change
Gross final consumption	1,724,946	70.31	4.60	1,660,089	68.64	-3.76	1,694,622	65.63	2.08	1,798,350	61.29	6.12
Government consumption	736,139	30.00	-0.41	624,632	25.83	-15.15	630,978	24.44	1.02	680,109	23.18	7.79
Private consumption	988,807	40.30	8.68	1,035,457	42.81	4.72	1,063,644	41.19	2.72	1,118,241	38.11	5.13
Gross capital formation(2)	861,857	35.13	5.69	748,108	30.93	-13.20	745,273	28.86	-0.38	759,451	25.88	1.90
Net exports of goods and services(3)	-133,291	-5.43	---	10312	0.43	---	142,303	5.51	1279.98	376,513	12.83	164.58
Expenditure on GDP	2,453,512	100.00	-13.50	2,418,508	100.00	-1.43	2,582,198	100.00	6.77	2,934,313	100.00	13.64

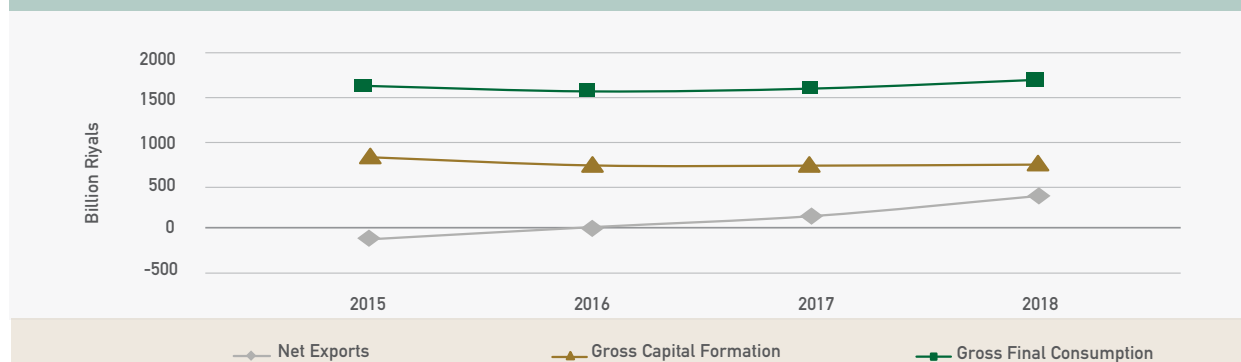
(1) Preliminary data.

(2) Including change in inventory.

(3) Net exports of goods and services = Total exports of goods and services minus total imports of goods and services.

Source: GaStat.

Chart 11.3: Expenditure on GDP (At Current Prices)





12

**SAMA,
ACHIEVEMENTS
AND
ASPIRATIONS**

SAMA, Achievements and Aspirations

The Saudi Arabian Monetary Authority (SAMA) seeks to fulfill the mandate entrusted to it in line with national economy requirements and Saudi Vision 2030, based on a clear vision of the present and future of the financial sector in Saudi Arabia and its prospective role in boosting the economy. During the fiscal year 1439/1440H (2018), the national economy witnessed many developments at the strategic and organizational levels as well as various developments in the domestic and international markets. This chapter discusses SAMA's roles and functions, salient achievements made in 1439/1440H (2018), and SAMA's role in Vision 2030. This chapter also touches upon SAMA's contributions to the community, while the last part of the chapter reviews key developments in SAMA's financial position.

SAMA, the central bank of the Kingdom of Saudi Arabia, was founded under two royal decrees issued on 25 Rajab 1371H (20 April 1952) and has been entrusted with many functions under a number of laws and resolutions. The most important of these functions are the following: (1) acting as the government's bank, (2) issuing the national currency (Saudi riyal), (3) strengthening the Saudi currency and maintaining its value internally and externally, (4) bolstering currency backing, (5) managing foreign exchange reserves, (6) managing monetary policy to maintain price and exchange rate stability, (7) encouraging the growth and ensuring the soundness and stability of the financial system, (8) supervising and overseeing commercial banks and money-changing businesses, (9) supervising cooperative insurance companies and insurance service providers, (10) supervising finance and real estate finance companies as well as credit information companies, (11) providing innovative

and secure payment systems, (12) collecting and providing financial and monetary data, and (13) conducting necessary analysis and economic and financial research.

SAMA's primary objective is to achieve monetary and financial stability which promotes economic growth and sustainability, through integration among the following key pillars: (1) an effective monetary policy that reflects the efficient role played by SAMA in currency stability and liquidity and Saudi government's reserve management; (2) successful financial institutions (banks, insurance companies, and finance companies); (3) advanced secure financial payment systems; and (4) a sound credit and financial information system that provides reliable information helpful in making right financing decisions. SAMA strives to activate these pillars in a manner that meets economic activity requirements and ensures desired monetary and financial stability, which contributes to building a promising national economy that helps achieve national visions and aspirations.

1. Saudi Vision 2030

SAMA continues to fulfill its roles in line with the development requirements and needs of the economy through its work that is oriented toward maintaining monetary and financial stability and contributing to promoting sustainable economic growth. It constantly coordinates with the authorities concerned with achieving Saudi Vision 2030 and its related programs to identify areas of cooperation and overcome the obstacles associated with SAMA's functions and responsibilities, in a manner consistent with the requirements of monetary and financial stability.

Saudi Vision 2030 has included many economic and developmental objectives on which many initiatives and projects have been based. The most prominent of such objectives include raising Saudi Arabia's economic position to be among the 15

largest economies in the world in terms of GDP by 2030. This will be achieved through increasing the private sector's contribution from 40 percent to 65 percent of GDP, raising the share of non-oil exports in total non-oil GDP from 16 percent to 50 percent, and increasing small and medium-sized enterprises' (SMEs) contribution to GDP from 20 percent to 35 percent by 2030. Another objective of the Vision is to promote social engagement in achieving the national objectives and aspirations, such as increasing household savings from 6 percent to 10 percent of total household income by 2030.

1.1: Small and Medium-Sized Enterprises

Supporting SMEs is one of the important pillars of achieving the objectives of Vision 2030. This is because such enterprises have a promising role in creating a number of job opportunities and contributing to various economic activities, in addition to their role in boosting national exports, resulting in the creation of new savings and investment channels within the economy. Therefore, SAMA seeks to increase its role in creating a number of financing solutions through multiple financing channels, taking into consideration potential risks and the magnitude of the effects on the soundness of the financial system. SAMA will conduct the necessary studies in this regard and will discuss ways of cooperating with relevant parties. In this connection, SAMA has a representative on the board of the Small and Medium Enterprises General Authority which was established on 13 Muharram 1437H (26 October 2015). The board is responsible for supporting, fostering and developing these enterprises, in accordance with the best international practices, in order to increase their productivity and contribution to the GDP and enhance the national economy's absorption capacity.

1.2: Real Estate Finance Law

Saudi Vision 2030 and the Housing Program aim to raise the percentage of Saudi households owning

residential units to 60 percent by 2020 and 70 percent by 2030. In line with this objective, SAMA has provided for the development of the regulatory environment of real estate finance in a manner that enhances the levels of protection against the risks associated with such type of finance, protects the rights of all parties involved and raises customers' confidence. Furthermore, SAMA has decided to raise the maximum loan-to-value (LTV) ratio, set forth in Article 12 of the Implementing Regulation of the Real Estate Finance Law, from 85 percent to 90 percent for citizens' first residential units and that the ratio does not exceed 70 percent for citizens' second residential units. This will support the growth of the real estate finance sector and contribute to the integration with the national housing objectives, without adversely impacting the requirements of banking soundness and financial stability.

1.3: Islamic Banking

Following the global financial crisis, there has been a significant trend toward the provision of Islamic financial services by financial institutions around the world. Based on the Islamic Financial Services Board's data for 2018, Islamic banking assets around the world reached USD 2.2 trillion. Total Islamic assets in GCC countries amounted to USD 927.1 billion, or 42.3 percent of total Islamic assets worldwide, with Islamic banking assets in Saudi Arabia accounting for 20.2 percent of the total. Accordingly, SAMA has taken a number of steps including establishing the Islamic Finance Division which is concerned with studying Islamic finance sector, identifying available opportunities, and providing ways to handle the challenges to its growth and security. In addition, SAMA will continue to provide the necessary proposals and policies and contribute to the training of human personnel in order to raise the sector's efficiency and strengthen and deepen the banking system in general. In 2017, SAMA joined the Accounting and Auditing Organization

for Islamic Financial Institutions (AAOIFI).

1.4: Financial Sector Development Program

SAMA, in partnership with the Ministry of Finance and the Capital Market Authority (CMA), has been working to implement the initiatives falling under the Financial Sector Development Program (FSDP), which was launched by the Council of Economic and Development Affairs on 21 Rajab 1438H (24 April 2017). This Program aims to develop a diversified and effective financial sector to support the development of the national economy; stimulate savings, finance and investment by developing and deepening financial sector institutions; develop an advanced capital market; and promote financial planning for all segments of society. SAMA has also contributed to the development of many initiatives related to developing the financial sector, particularly the banking sector, insurance, finance, payment systems and consumer protection. It is currently contributing to the implementation of those initiatives that will enable financial institutions to support private sector growth, develop an advanced capital market, and promote financial planning.

1.5: FinTech Saudi Initiative

Pursuant to Saudi Vision 2030, which entails the strengthening of entrepreneurship and promotion of financial services technology through the FSDP and the achievement of its objectives, SAMA has launched the FinTech Saudi Initiative. This initiative is intended to support the financial technology ecosystem by transforming Saudi Arabia into a fintech hub that harbors a flourishing and proficient ecosystem including banks, investors, companies, universities, and government agencies in a manner that would promote financial inclusion and increase financial e-transactions. It is also aimed at uplifting the SME sector, diversifying the domestic economy and creating job opportunities. Additionally, the initiative seeks to achieve a number of objectives

which can be reduced to the launch of the first version of the fintech ecosystem in Saudi Arabia, education and inspiration of individuals so as to develop their knowledge and skills in financial technologies, and support of domestic banks, international fintech companies and partners to hold diverse events in financial technology in Saudi Arabia. Despite the availability of some fintech tools, products and channels via ATMs, credit cards, and online and mobile phone banking, there is a significant growth in the use of large data and smartphones and an increasing desire among consumers to obtain financial services that are commensurate with their expectations. Moreover, new technology trends have emerged, such as Artificial Intelligence and Blockchain technology, which would lead to a substantial shift in financial services in line with Saudi Arabia's structural reforms in the economic and financial sectors. SAMA also seeks to build on the successes of the financial services sector in Saudi Arabia to increase the growth and development of fintech, become a destination for innovation, and establish a comprehensive understanding of fintech locally in addition to enabling investors inside and outside of Saudi Arabia to invest in companies specialized in this field and creating more jobs opportunities.

Fintech Saudi launched a number of awareness events in 2018, worked on improving local content on fintech, and established partnerships with more than 40 government, academic and private entities. In addition, Fintech Saudi concluded the year 2018 with the "Fintech Tour 18" which included 21 events about financial technology, taking place during two weeks in seven different cities, with the participation of 18 entities and the attendance of 1,400 participants.

1.6: Sandbox

SAMA has designed a Regulatory Sandbox for the purpose of understanding and assessing the impact of new technologies in the financial services market

and help transform that market into a technically intelligent financial center. The Sandbox allows local and international firms wishing to test new digital solutions to enter a live environment with a view to deploy these solutions in Saudi Arabia in the future. This step is aimed at achieving a number of strategic objectives emanating from Saudi Vision 2030, which include boosting economic growth, promoting investment activities, transforming into a cashless society and enhancing financial inclusion. With its Regulatory Sandbox, SAMA seeks to attract financial institutions and local and international financial technology firms that are looking to leverage existing or new technology to offer innovative products or services to local markets. Examples of these entities include Saudi and international start-ups, fintech companies, and existing financial services companies as well as professional services companies that partner with or support these companies. This initiative is expected to enhance innovation in financial services and electronic payment services and help financial institutions and fintech companies test their innovative products with relaxed controls, which can positively reflect on the financial sector by improving and facilitating financial transactions and reducing costs.

The products and services that are currently being tested in SAMA's Sandbox include e-wallet services, e-wallet to e-wallet transfers, QR Code purchases, direct international transfers through fintech companies, and combined services such as points of sale (POS), SADAD Bills, and both SADAD Account and Mada for online purchases. Moreover, 11 local and international banks were licensed to use the Sandbox to allow for opening and updating bank accounts without the need for customers to visit branches, and seven companies were licensed with the aim to provide various services in the field of electronic payments. The Sandbox develops and improves the quality of these products and services and provides the support needed to achieve their

objectives. The key characteristic of this stage in Sandbox is that such innovations and technologies are not fully in compliance with approved regulatory and financial requirements.

2. Achievements and Aspirations

In fiscal year 1439/1440H (2018), SAMA made many achievements that contributed to promoting monetary and financial stability, which has a positive impact on economic performance. It implemented a monetary policy that supports the economic developments witnessed by the national economy, in addition to its effective role in controlling the financial sector, supervising payment systems, managing currency and reserves, and providing modern and advanced banking services to the government. To this end, it was necessary to work with a team spirit, communicate effectively with stakeholders, recognize risks, adapt to changes, and continually evaluate and develop businesses.

2.1: SAMA's Strategy

In order to achieve the sought-after monetary and financial stability and support sustainable economic growth through the financial sector, SAMA has identified four strategic goals: maintaining monetary stability, protecting the stability and resilience of the financial system, expanding and deepening the financial sector, and contributing to the economic development of Saudi Arabia. This strategy goes in line with Saudi Arabia's current orientation and Vision 2030. The strategy adopted in 2014 constitutes a vital framework for the visions and objectives that SAMA aspires to achieve through its efforts. SAMA is committed to achieving these objectives by adopting best international practices, maintaining the efficiency of human capital while continuously developing its capabilities, and benefiting from the latest technologies. Within its strategy, SAMA has identified the following objectives:

- To formulate and execute a monetary policy consistent with the national economic goals.

- To provide and disseminate appropriate statistical reports and economic research.
- To implement its supervisory role effectively and efficiently over entities under its supervision.
- To protect customers of entities under its supervision and promote financial inclusion.
- To provide effective banking services to the government.
- To provide comprehensive and innovative payment systems.
- To maintain the soundness of external financial assets and maximize long-term investment income, taking into account risk appetite.

2.2: Developments of SAMA's Internal Performance

SAMA has continuously enhanced its performance by improving internal processes in order to reach a level of efficiency and effectiveness, in line with its established strategies and desired role in the economy, guided by best global practices. This is achieved through the following:

- Enriching economic analysis and economic policy recommendations.
- Improving and enhancing the supervisory framework and its management.
- Enhancing risk management and compliance in all activities.
- Attracting and retaining competent human resources.
- Developing skills, competencies and job opportunities.
- Adopting best technologies that suit SAMA's needs.
- Developing leaders through empowerment and delegation of responsibilities.
- Effective governance to ensure execution of SAMA's strategy.

2.3: Monetary Policy

SAMA plays a pivotal role in the national economy through its monetary policy that aims to stabilize the Saudi riyal internally and externally by

maintaining the stability of domestic prices and the Saudi riyal exchange rate and the resilience and soundness of the monetary and financial system, in addition to the efficient management of liquidity levels. The following is a review of the most prominent objectives of SAMA's monetary policy.

2.3.1: Domestic Price Stability

To maintain domestic price stability, SAMA has taken the necessary procedures to ensure that domestic liquidity growth is consistent with goods and services supply and that the banking system has adequate liquidity in accordance with the standards of fiscal prudence in order to meet credit needs of all sectors and segments of society. To achieve this goal, SAMA uses a package of monetary policy tools, including the repurchase (and reverse purchase) of government securities through open-market transactions, issuance of SAMA bills, adjustment of the compulsory reserve ratio for commercial banks, and other monetary tools available to SAMA.

2.3.2: Saudi Riyal Exchange Rate Stability

Monetary policy aims primarily to maintain the Saudi riyal exchange rate stability in the domestic market as well as foreign markets. It is worth mentioning that the Saudi riyal exchange rate against the U.S. dollar has remained pegged at SAR 3.75 per 1.00 U.S. dollar since 1986. The Saudi riyal is among the most stable currencies in the world, and there are no restrictions on the exchange and transfer in foreign currencies. This has helped stabilize the riyal exchange rate and has had a positive impact on the private sector's activity in terms of imports and exports as well as capital inflows and outflows. Thus, it has contributed positively to the growth of the various economic sectors in Saudi Arabia by allowing greater integration of the national economy into the world economy.

2.3.3: Monetary and Financial System Stability

SAMA plays an effective role in the banking and financial system by closely supervising all banking, finance and insurance institutions in order to achieve a number of strategic objectives, including maintaining the soundness and resilience of the banking and financial systems in addition to identifying, assessing, measuring and addressing all risks. To achieve these objectives, two internal committees were formed: the Monetary Policy Committee and the Financial Stability Committee.

2.4: National Currency Management

Tasks entrusted to SAMA include issuing the national currency (banknotes and coins), maintaining issuances and their value, holding Saudi Arabia's currency assets, and meeting the demand for currency through SAMA's ten branches in all regions of Saudi Arabia. The currency is printed and minted in accordance with the latest technical specifications available in the area of currency printing and minting, and it incorporates the latest and strongest security features that make it simple for people handling cash to judge the authenticity of a banknote. In addition, SAMA seeks to raise awareness of the national currency along with its security features through training courses offered to banking sector staff and people handling cash. SAMA also pursues all cases of currency counterfeiting and continuously coordinates with security authorities in order to combat all counterfeiting attempts, a fact that has contributed to the decline of counterfeiting rates of the Saudi currency as compared to other countries.

SAMA continued to raise awareness of the national currency and showcase the security features and technical specifications that rendered counterfeiting and tampering attempts difficult to achieve. The aim of these awareness campaigns is to reduce currency counterfeiting and, thus, protect the national economy from its potential

damage. SAMA's efforts in this context include:

- Continuing to spread awareness among the public about the national currency, its security features, and technical specifications through the distribution of guides illustrating security features visible for inspection, publishing of information on SAMA website, dissemination of several awareness messages through its accounts on social media, and the production of educational films, in addition to holding specialized workshops on banknotes.
- Conducting training courses and workshops for a number of government agencies, such as the Ministry of Interior and the multi-bank cash centers of commercial banks and retail companies to provide them with information about Saudi banknotes, their technical specifications and their security features.
- Distributing counterfeit detector pens and UV lights to elderly vendors and shop owners in bazaars and seasonal event venues for their quick and easy use and these people's need to distinguish between genuine banknotes and counterfeits so as to prevent fraud.
- Hosting meetings of the Standing Committee to study the sources of currency counterfeiting and the report of preventive measures. The Committee consists of members representing official government agencies specialized in security, foreign affairs and finance. It is concerned with studying all matters related to currency counterfeiting in Saudi Arabia; following up with relevant entities; proposing suitable policies and measures to be implemented by relevant entities; following up regional and international updates on counterfeiting operations, measures taken to combat them and other related activities; and reviewing the degree of benefit of adopting such measures and policies in Saudi Arabia.
- Participating in the National Festival of Heritage and Culture in Janadriyah.
- Creating an interactive application for smart

phones that provides information about Saudi banknotes and the security features they carry.

2.5: Foreign Reserve Management

By managing foreign exchange reserves, SAMA aims to achieve a balance between maximizing investment returns and meeting liquidity requirements. Foreign exchange reserves are managed by qualified and specialized national cadres with the highest level of scientific and professional qualification, according to international standards and regulations for managing foreign assets, and through a comprehensive investment policy which is reviewed periodically. Investment is carried out through strong diversified investment portfolios that are managed dynamically in order to optimize the distribution of assets and benefit from investment opportunities. Seeking to adopt global best practices, SAMA applies the Global Investment Performance Standards (GIPS) which were formulated by the CFA Institute. Additionally, SAMA takes moral responsibility in its investment practices by banning investment in certain activities, such as gambling and trading in alcohol, tobacco, pork, and weapons.

2.6: Supervision and Control of the Banking Sector

SAMA supervises and regulates banks' business operations in order to ensure their soundness, financial solvency and efficient performance in the national economy. This is achieved through the implementation of laws; issuance of regulations, instructions and controls; and conducting necessary supervisory visits and inspection programs. The following are the most prominent developments in 1439/1440H (2018):

2.6.1: Regulatory Developments and Guidelines

In strengthening SAMA's role in protecting and stabilizing the financial sector and supporting economic growth, instructions issued by SAMA

are periodically reviewed and, when necessary, updated in line with the advancement witnessed by Saudi Arabia and other adopted laws. Recently, SAMA has issued the Responsible Lending Principles for Retail Consumers to ensure the soundness of finance sector, fairness of dealings and consumer protection. SAMA has emphasized that banks, insurance companies, reinsurance companies and finance companies, operating in Saudi Arabia, must obtain a Legal Entity Identifier (LEI) from a Local Operating Unit (LOU) accredited by the Global Legal Entity Identifier Foundation (GLEIF), as of 1 August 2018, in order to enable regulatory entities to assess potential risks, maintain financial stability, and supervise financial market participants.

2.6.2: Developments of Supervisory Visits to Commercial Banks

In 2018, SAMA representatives conducted periodic supervisory visits to all banks operating in Saudi Arabia. During these visits, bilateral meetings were held between the supervisory team and the bank's board chairman and senior management to address the bank's strategies, operations, risk profile, method of management, and internal controls. Such meetings allow SAMA to update banks' risk profile.

2.6.3: Developments of Comprehensive and Specialized On-Site Inspection Programs

SAMA continued to perform on-site inspections by planning and implementing inspection programs for 2018. Therefore, a number of objective and specialized examination programs were implemented in addition to following up corrective plans for results of previous programs. SAMA carries out objective inspection programs using a method that is based on the assessment of risks arising from relevant subjects, and it examines banks according to the programs prepared to ensure these banks' compliance with relevant regulations and instructions as well as the soundness of these banks' management of

risks which must be consistent with international best practices. SAMA also executes specialized inspection programs by examining certain supervisory aspects in one of the banks operating in Saudi Arabia based on recommendations of the concerned departments at SAMA. Further, it follows up the corrective plans for results of previously implemented inspection programs, such as comprehensive, objective and specialized inspection programs, through on-site visits with the aim of ensuring that banks are compliant with corrective measures and that reports in this regard are provided.

2.6.4: Developments of Basel III Standards

SAMA has pursued its efforts to encourage commercial banks to comply with the Basel Committee on Banking Supervision (BCBS) standards. This included instituting the Internal Liquidity Adequacy Assessment Process (ILAAP), which came into force in January 2018. SAMA aims to meet Basel III requirements that stress the importance of measuring and monitoring liquidity risks. It is worth mentioning that banks have proactively implemented these standards since the beginning of 2016. Thus, SAMA has been monitoring their compliance to detect and address any gaps in the implementation as well as monitoring compliance with any updates to these standards. In addition, SAMA updated its “Guidance Document Concerning Basel III: The Net Stable Funding Ratio (NSFR)” and “Rules on Large Exposures of Banks” to be in line with international best practices.

2.6.5: Coordination with Other Supervisory Bodies in Saudi Arabia

SAMA, in collaboration with a number of agencies in Saudi Arabia, contributes to several programs and initiatives that are focused on realizing Saudi Vision 2030, including the continuous coordination in the FSDP initiatives. It also coordinates with concerned bodies in Saudi Arabia

in order to enable the financial institutions under its supervision to comply with any requirements or instructions issued by these bodies. With regards to cooperation with external supervisors, SAMA maintains cooperation within the supervisory framework with several central banks due to the number of foreign bank branches operating in Saudi Arabia, as with Saudi bank branches and subsidiaries abroad. It is worth noting that SAMA has membership at other supervisory entities that form the nucleus for supervisory cooperation and information and expertise exchange.

2.6.6: Developments of the Review for Compliance Units at Banks

In 2018, compliance departments in the banking sector exerted tangible efforts in response to changes and in implementation of new laws and instructions, especially changes to the type of data and information processed through modern systems. The following is the salient efforts of compliance departments.

- Compliance departments at banks have developed their mechanisms to better monitor the frameworks of various sectors and banking departments, in particular those relating to anti-money laundering, terrorist financing, and combating bribery and corruption, in a manner that would limit the susceptibility of laws and instructions to breaches.
- Compliance departments at banks have improved the quality of noncompliance risk management in line with the increase in such risks that are driven by the continuous expansion of their business. In addition, these departments have placed extra attention on some noncompliance risks determinants that are connected with professional behavior, legal trade customers of bank’s customers, and digital advances.
- Banking compliance departments streamlined the assessment method for potential and inherent risks in accordance with overarching

financial sector standards, through which compliance departments carry out analyses and research of products or services to evaluate the underlying risks in these products or services and determine supervisory controls to be followed on their respective policies or processes. Moreover, compliance departments carried on undertaking their role through the assessment, inspection and verification of the efficiency of such supervisory controls on periodic and ongoing basis.

- Compliance departments in the banking sector coped up with the advances in the technical field, adopting modern electronic systems to monitor and track any breaches to various rules and instructions, thus strengthening its ability to identify any suspicious financial transactions.
- Compliance departments at banks have buttressed their regulatory structures with the aim of coping up with the diversified aspects of the activity of compliance in the banking sector. Hence, administrative specialized functions were introduced and developed to undertake compliance tasks on all activities of banks in an efficient and inclusive manner. Their operational independence was also enhanced as to ensure that no conflict of interest would occur with other operational departments.
- Compliance departments have put in place the latest systems for their tasks, including electronic systems, as they implemented a unified electronic system for the management of compliance functions. This system, which provides a joint framework between different banking business units, introduces a far-reaching approach for the management of the multiple facets of compliance, including risk monitoring and assessment of the level of compliance with the compliance requirements.
- Compliance departments at various banks continued their efforts to instill a culture of compliance among their respective employees

of all organizational levels, with a view to achieving the sought-after goal of internalizing such culture in the daily practices of employees. This is carried out through continuous coordination and communication between compliance departments and the remaining departments at banks. In addition, compliance departments have conducted works related to the development and execution of training and literacy programs regarding compliance policies and compliance responsibility with regulatory requirements.

- Having conceived their importance in achieving compliance objectives, compliance departments continued their human resources-related efforts and were keen on attracting highly efficient and skilled cadres.
- Compliance departments carried on executing auditing processes and displayed a great deal of attention to compliance in activities and services. They also carried out on-site visits to various business sectors in respective banks in order to identify and address any irregularities that may lead to increased noncompliance risks.
- Compliance departments have worked hand in hand to promote compliance for the banking sector at large.

2.6.7: Macro-Prudential Supervisory Measures in Saudi Arabia

- SAMA has adopted many macro-prudential and supervisory measures in order to manage risks and raise capital adequacy ratio in accordance with Basel's recommendations. To this end, SAMA has put in place a number of macro-prudential policies, including the following:
- Requiring banks to adopt the interim regulatory treatment of accounting provisions and standards for transitional arrangements for the implementation of the International Financial Reporting Standard 9 "Financial Instruments" (IFRS9), which came into force on 1 January

2018. Additionally, the update and issuance the rules of regulatory provisioning are planned for implementation in 2019 in line with IFRS9.

- Banks' deposits must not exceed 15 fold of capital plus reserves.
- Reserve requirement: 7 percent for demand deposits and 4 percent for time deposits. Such requirement, as of January 2019, is to be calculated by banks according to the daily average deposit balances at the end of the month.
- Loan-to-deposit (LTD) ratio should not exceed 90 percent.
- Liquidity reserve-to-deposit ratio must be no less than 20 percent. SAMA, in a statement released in January 2019, stipulated that the statutory reserves is to be included under the definition of liquid assets when such ratio is calculated.
- In 2018, the loan-to-Value (LTV) ratio cap was raised to 90 percent for citizens' first residential units for all real estate financiers (banks and finance companies), and the same ratio must not exceed 70 percent for citizens' second residential units.
- Risk-weighted assets for residential real estate loans were lowered to 50 percent in 2018, down from 75 percent in 2017.
- Large exposures must not exceed 15 percent by 2019, and the total of those for banks must not exceed 6 times the eligible capital base.
- The countercyclical statutory capital reserve requirement: 0 percent, adjustable according to economic and financial cycles.
- Systemically important banks were identified and additional regulatory capital requirements were stipulated for them, ranging between 0.5 percent and 1.0 percent depending on the respective level of systemic importance.
- A new circular was issued on responsible lending, inclusive of all types of loans (including consumer loans); it was implemented in June 2018. The circular also prescribed the debt-to-

loan ratio according to the level of income.

2.7: Supervision and Control of Insurance Sector

2.7.1: Regulatory Developments and Guidelines

As part of its supervisory and controlling role, SAMA strives to exert all efforts necessary to promote the growth and stability of the insurance sector and safeguard it against potential risks. SAMA publishes the laws, regulations and instructions related to the sector on its website, as well as information related to the insurance market and licensed companies operating in this sector. In addition to regulations and laws issued previously, SAMA issued a number of regulations in 2018, such as the following:

- Introducing an ongoing insurance supervision mechanism by migrating from the conventional supervision method to the Risk-Based Supervisory Framework.
- Commencing the draft amendments for some articles of the Cooperative Insurance Companies Control Law.
- Commencing the draft amendments for the Implementing Regulations of the Insurance Companies Control Law.
- Issuing the Rules for Licensing and Supervision of Branches of Foreign Insurance and/or Reinsurance Companies in Saudi Arabia.
- Setting guidelines for the Comprehensive Insurance of Motor Vehicles Leased to Individuals.
- Amending the Unified Compulsory Motor Insurance Policy.
- Issuing instructions necessary to ensure the sound implementation of the migration plan to IFRS17.

In addition, SAMA has adopted a number of initiatives in 2018 with the aim of streamlining the insurance industry in Saudi Arabia. In these

initiatives, SAMA has taken account of social and economic aspects. As to initiative completion, SAMA has completed, inter alia, the following initiatives:

- Developing a standard evaluation mechanism for motor accidents that would help preserve rights and ease the hardships faced by customers;
- Issuing a circular pertaining to no-claims discount and loyalty discount for motor insurance;
- Encouraging the digitization of the insurance sector;
- Adopting the Preparatory Program for the Insurance Industry to qualify highly efficient graduates for the insurance sector;
- Nationalizing the departments concerned with motor claims settlement, customer service, and all retail product sales;
- Cooperating with international entities specialized in insurance to provide on-the-job training for insurance staff; and
- Providing a 2.5-year scholarship (advanced diploma in insurance) to obtain the ACII Professional Certificate.

2.7.2: Supervisory Visits:

SAMA has conducted 24 on-site supervisory and inspection visits to insurance companies in 2018, through which it measures the overall performance of (re)insurance companies for a determined period. This also included visits and inspection campaigns (exceeding 100 in 2018) to all operating insurance companies as part of the variable inspection programs, which encompass the Insurance Service Providers Survey Program (for insurance-related companies) that aims at ensuring that there are no illegal or unlicensed practices or suspension in the activities of such companies. In view of the foregoing, SAMA has carried out a number of legal actions against irregular and noncompliant companies so as to safeguard the insured and investors and to solidify

the stability of the insurance market. Such actions reached 153, the bulk of which was accounted for by insurance service providers with 71 percent, while the remaining 29 percent was occupied by (re)insurance companies.

SAMA has provided training to its employees on observing international supervision and control standards and has encouraged employees at supervisory positions to attend symposia and conferences so that they might keep abreast of developments in the insurance sector. In this light, SAMA has held numerous development workshops for the employees of the General Department of Insurance Control regarding the operational module of the Risk-Based Supervisory Framework and the IFRS17. SAMA has also participated in committees of the International Association of Insurance Supervision (IAIS), and SAMA employees have attended many regional and international symposia, meetings and workshops. SAMA, through its representatives in various committees, cooperates continuously with many international organizations, including the IAIS, the US National Association of Insurance Commissioners (NAIC), and the Arab Forum of Insurance Regulatory Commissions (AFRIC).

SAMA's role extends beyond supervision and oversight of insurers operating in the market to ensuring the competence of insurance staff. In this regard, the Insurance Foundation Certificate Examination (IFCE), which is considered a mandatory requisite by SAMA, covers rules and regulations of insurance, code of conduct and the basics of insurance operations. It also confirms the eligibility of employees in the insurance sector by making them possess the minimum knowledge and skills required for working in this sector. SAMA's efforts to nationalize executive and supervisory positions during 2018 resulted in an increase of Saudization to 73 percent compared to 69 percent in 2017, of which 55 percent was for executive and

supervisory positions compared to 49 percent in 2017.

2.8: Supervision and Control of the Finance Sector

SAMA seeks to develop the regulatory and supervisory frameworks of the finance companies sector in a manner that would achieve the main objectives of finance laws and their implementing regulations (Finance Companies Control Law and its Implementing Regulations, Real Estate Finance Law and its Implementing Regulations, Finance Lease Law and its Implementing Regulations) issued with a view to enhancing financial stability in the finance sector and promoting sustainable economic growth. This is achieved through setting the guidelines necessary for engaging in finance activities; ensuring fair transactions for all stakeholders; and encouraging fair competition between financiers by considering the principles of transparency and disclosure. To this end, SAMA is also responsible for issuing licenses to practice finance activities in accordance with finance laws and regulations. The following are the most prominent developments during 1439/1440H (2018).

2.8.1: Development of the Finance Sector's Infrastructure

One of the most important developments in the market environment during 2018 was the licensing of the Saudi Financial Lease Contract Registry Company (SIJIL). Moreover, the Saudi Real Estate Refinance Company (SRC) commenced its activities after obtaining the required licensing in 2017. The SRC, a wholly owned subsidiary of the Public Investment Fund, with start-up capitalization of SAR 1.5 billion, seeks to make available to real estate financiers suitable and sustainable finance sources that would augment the attractiveness and reduce the costs of real estate finance products to customers, thus contributing to raising the rate of national homeownership. SAMA also licensed the SIJIL, which is owned by all lessors (banks,

finance companies licensed to engage in finance leasing activities). The SFLRC, which is expected to commence its operations during 2019, aims to realize the objectives set for finance laws and their implementing regulations; contribute to a sound sector; and ensure fair dealings. The shares of two finance companies were approved for public offering. The Council of Ministers' approval was also obtained for revoking the mandate that obliges all finance companies to undertake the IPO process. SAMA is keen on activating all communication platforms with finance companies to enhance and develop their business, through committees and annual meetings held at the senior level, involving SAMA's Governor and board chairmen of finance companies. SAMA is making progress on the Finance Sector Vision 2023 project, which aims at promoting finance sector growth through developing the sector and introducing innovative and diversified solutions to address existing challenges. This will contribute to the creation of a more balanced and attractive environment for finance companies, which would help in developing the provided financing services. Additionally, work has commenced on the project of Risk-Based Supervision, which will be soon adopted by SAMA for the supervision and oversight of finance transactions, placing priority on directing efforts toward higher-risk activities.

2.8.2: Protection for the Rights of Clients and Fairness of Dealings

SAMA took the initiative to strengthen its role in protecting the rights of customers through several measures, including the issuance of principles binding on financial institutions entitled "Consumer Protection Principles" according to the best international practices in this area and requiring finance companies operating in Saudi Arabia to establish independent departments called "Customer Care Department". This was undertaken in order to develop the finance sector and elevate the level of services and products provided to

customers. In addition, SAMA issued a circular instructing that different segments of society are to have equal access to finance products and coverage in finance leasing contracts to ensure fairness of dealings between all segments of society in terms of obtaining reasonably-priced finance services and products in a fair and transparent manner. SAMA also placed its attention to ensure fair dealings between financiers by issuing the procedural requirements to document mortgage between financiers and notaries public, in order to minimize discrepancies in procedures between them.

2.8.3: Joint Programs and Vision 2030 Programs

In the context of joint programs with government and semi-government entities, SAMA has established cooperation with the Ministry of Housing with respect to the subsidized housing finance programs, through developing the housing sector and raising its contribution to GDP. This came as part of the efforts aiming at enabling creditors (banks and finance companies) to provide more diversified finance solutions for a larger number of citizens. The SRC is expected to contribute in supporting the growth and providing liquidity, which would, in turn, enhance the performance of the real estate sector and incentivize more investments in the housing market. SAMA has also cooperated with the Ministry of Justice in addressing challenges facing financiers with courts, notaries public and enforcement judicial courts; and with committees formed for correcting the conditions of real estates registered under the names of financiers. Furthermore, SAMA is currently supporting projects that contribute to achieving Vision 2030, such as supporting the finance of SMEs through the Indirect Lending Initiative where a number of 12 finance companies (which is expected to increase) were engaged through the General Authority for Small and Medium Enterprises (Monshaat), receiving the first payment of the

subsidy (SAR 300 Million) at the end of 2018. In addition, a number of initiatives were launched within the Housing Program and the FSDP.

2.8.4: Supervision and Control Activity

Among the most important developments during 1439/1440H (2018) concerning the activity of supervision and control of financing companies was the issuance of 18 circulars covering several subjects pertaining to the business of finance companies, most notably: A circular on procedural requirements to document mortgage; a circular on optional compliance by finance companies regarding some articles when dealing with small, medium and large enterprises; a circular on the protocol for handling adjustable-rate real estate finance products for individuals; a circular on mandatory instructions upon offering retail real estate finance products; and a circular on increasing the LTV cap for real estate finance for citizens' first homeownership, as well as other circulars that aim at protecting customer rights, developing the financing sector and maintaining its stability.

A number of guidelines, rules and instructions have been also issued, the most prominent of which were as follows:

- Allowing investment funds to contribute to the financing sector indirectly, which is expected to help provide a new liquidity source for companies;
- The issuance of the Responsible Lending Principles for Individual Consumers, which set a cap on the monthly credit obligation to the monthly total income of consumers;
- Approval of model templates for real estate finance contracts for individuals; and
- Granting initial approvals for licensing three finance companies.

2.8.5: Supervisory Visits to Finance Companies:

A total of 25 supervisory visits to finance companies took place in 2018. The visits encompassed studying the technical and regulatory aspects of these

companies, assessing their business plans and governance, and evaluating their compliance with finance laws and their implementing regulations.

2.9: Supervision of Payment and Clearing Systems

Payment systems in Saudi Arabia have witnessed major developments over the previous years, as SAMA has worked on establishing, developing and managing a modern payment infrastructure through the utilization of best practices and technologies available in the field of banking. This has stemmed from SAMA's belief in the importance of payment systems' role in the financial and banking sectors, which is manifested in payment, clearing and settlement transactions through electronic channels.

Moreover, SAMA has carried out a number of measures in connection with the regulatory and structural aspects in the payment sector, introducing legal and regulatory frameworks for payment and settlement systems and their services. SAMA has also been keen on keeping abreast of the most important developments in Payment and Financial Settlement Systems infrastructure supervision and adopting and implementing the relevant principles and recommendations. In addition, 'Governance and Oversight Board' and 'Payment Systems Oversight Division' were established at SAMA to supervise payment systems subject to SAMA's supervision and follow the key trends, activities and future aspirations.

SAMA conducted an external assessment of market infrastructure principles, and a standing working group was also formed to design, organize and implement application control assessment processes. As a result, significant progress has been made in implementing the Principles of Financial Market Infrastructure, where SAMA has obtained a rating of 4 (4 being the highest) for its Level 1 assessment. The Bank for International Settlements

(BIS) issued its 2018 updated report on the findings of jurisdictional assessments, wherein SAMA was rated "observed".

SAMA has been seeking to create effective, comprehensive and secure payment systems in Saudi Arabia that emulate the best international systems in order to facilitate banking services, as well as to promote the role and effective contribution of the banking system to the overall domestic economic ecosystem. The most prominent payment systems are as follows:

2.9.1: The Saudi Payment Network (Mada)

Mada is the new identity of the Saudi Payment Network, which has been launched to take ATM systems and points of sale (PoS) to new heights of flexibility, speed, security and acceptance through a network featuring global state-of-the-art electronic payment technologies. Mada links all ATMs and PoSs provided by domestic banks to a central system to process transactions made via bank cards. It also provides domestic, regional and global acceptance by connecting the service to the Gulf Payment Network and international card companies, thereby giving mada cardholders a wider scope of both domestic and international use. Moreover, Mada is considered the backbone of the cashless transformation process taking place in the local retail sector. Mada has several distinguishing features, including the following:

- very high transaction processing capacity equivalent to seven times the capacity of previous generation system;
- rapid transaction completion and efficient performance;
- wider scope of use;
- full global acceptance;
- instant notifications of any financial transaction (whether purchase or cash withdrawal) to cardholders;
- increased daily limit of purchases via PoSs, reaching SAR 200 thousand;

- introduction of “Naqd” service which enables the consumer to request a cash amount at a participating merchant; and
- additional safety and security standards.

Many services and products were offered and launched in 2018, with a number of achievements made as follows:

- The number of mada transactions made via PoS terminals grew by 45.7 percent to 1,032 million at the end of 2018 compared to 708 million in 2017, registering a record of over 1 billion transactions for the first time at the national level.
- The total value of PoS terminals’ transactions made via mada reached a historical high of SAR 232.3 billion in 2018.
- PoS service continued to achieve record numbers in 2018, exceeding 100 million transactions per month and 4 million transactions per day.
- Continued stimulation was provided for electronic payments by spreading the Near Field Communication (NFC) technology via its activation in mada Atheer. The number of NFC-enabled devices exceeded 310 thousand (88 percent), and the number of bank cards with Atheer support reached about 9.9 million.
- The number of NFC transactions reached 169 million by the end of 2018 compared to 8 million in 2017, accounting for 52 percent of the total growth in the number of POS transactions registered during the year.
- Mada transactions made through the online payment service (launched in April 2018) continued to grow, reaching over 1 million, with a total purchasing value exceeding SAR 1 billion. Such transactions were carried out through 412 stores representing e-commerce sectors in Saudi Arabia.
- The lower limit of the value of NFC electronic payments was increased to SAR 100 and necessary means of protection were adopted in order to prepare the electronic payments system in Saudi Arabia for other payment tools, such as mobile devices and smart bracelets.
- More than 38 thousand field visits were conducted during 2018 by the communications team responsible for inspecting the quality of ATM services and PoS terminals provided to merchants, while expanding the scope of the team’s work to include inspecting the quality of services provided to e-store sectors.
- Technical authorization was granted to all Saudi banks to provide mada ‘Pay’ service via smart devices and online payment through mada bank cards, and the establishment of three Payment Gateways was authorized.
- The technical authorization procedures were completed to expand the scope of operation of GCCNET (Kingdom of Bahrain), which allows cardholders to pay through the local payment systems of GCC countries.
- Work was completed and coordination was established with international payment companies and host banks to accept NFC credit card payments through ‘Visa payWave’ and ‘MasterCard PayPass’.
- The purchase limit for mada debit cards on PoSs was cancelled in order to support Saudi initiatives aimed at moving toward a cashless society.
- The progress of a number of technical improvements to the overall performance of e-payment systems were followed up; these improvements have reduced the completion time of e-payments to 3.4 seconds per transaction.
- A payment service via smart devices through mada ‘Pay’ was launched, enabling cardholders to tokenize their bank cards to be used on mobile phones.

It should be noted that such achievements have contributed to the rapid spread of PoS devices during 2018, which led to the increased demand of stores and shopping centers in different cities of Saudi Arabia to use such devices, bringing the total

number of PoS devices distributed to more than 350 thousand, compared to about 300 thousand at the end of the previous year.

2.9.2: Saudi Arabian Riyal Interbank Express System (SARIE)

SARIE has progressed in the area of electronic banking business and commercial transactions in Saudi Arabia since it came into force on 14 May 1997. SARIE represents the infrastructure on which several advanced payment and settlement systems operate and to which 23 banks are linked. Total number of payments via SARIE in 2018 amounted to 135.8 million with a value of SAR 49.9 trillion, including 25.2 million salary payments. SARIE also achieved 100 percent availability and operational continuity in 2018.

2.9.3: SADAD Payment System

The SADAD system has been guided by SAMA's vision aimed at building a modern, electronic platform equipped with sophisticated technologies to facilitate the flow of electronic bills and payments in Saudi Arabia. It has been aimed at creating a trusted medium between banks and non-financial entities, and it is a central system for electronic payment of bills and other fees through all banking channels (bank branches, ATMs, phone and online banking) in Saudi Arabia.

The number of billers from various public utility sectors (including electricity, water, and telecommunication service providers) and other billers (including airline companies, insurance companies, installment companies, universities, subscriptions and advertisements in Saudi newspapers, and credit card and loan repayment services for a number of domestic banks) connected to SADAD Payment system stood at 170 at the end of 2018. In addition, the number of government agencies (including ministries, departments and municipalities) and banks connected to SADAD

stood at 62 and 17, respectively, during the same period. The most prominent developments during 2018 in this regard were as follows:

- The number of transactions processed through SADAD for SADAD Bills reached 235.6 million in 2018.
- For the first time since its launch, the value of amounts processed through SADAD Bills reached SAR 356.5 billion in 2018.
- SADAD Bills market share accounted for 96.8 percent of total transactions in 2018.
- The number of transactions executed for government agencies reached 69.8 million in 2018.
- The number of transactions executed through SADAD Account soared by 654 percent to 989 thousand in 2018 as compared to the previous year.
- The value of transactions processed through SADAD Account reached SAR 459 million.
- The number of stores participating in SADAD Account service reached 299.
- The number of users registered in SADAD Account service reached 1.2 million at the end of 2018.

2.9.4: Esal E-Platform

SAMA launched "Esal", an e-invoicing business payment platform, at the end of the first quarter of 2018. Esal is aimed at facilitating the payment process between government agencies, different business sectors and suppliers who deal with such entities. In line with Saudi Vision 2030 and the objectives of the Financial Sector Development Program that aims to raise the digital financial transaction rate, Esal is expected to reduce transaction costs and promote organizational efficiency by simplifying the invoicing process between suppliers and various government agencies and business sectors and allowing electronic payment. The most prominent developments during 2018 in this regard were as follows:

- A memorandum of understanding was signed

with the General Authority of Zakat and Tax (GAZT), aimed at enhancing mutual cooperation and building long-term relationships between the two parties, particularly with regard to the tax reports issued to suppliers registered on the platform.

- Agreements were signed with more than 45 suppliers from different sectors.
- The number of invoices processed through the Esal platform has reached over 16 thousand.
- All Saudi banks have participated in the initial stage of launching the Esal platform to facilitate the process of bill payment through different banking channels.

2.9.5: Check Clearing

SAMA has sought to modernize its systems at all ten of its branches to meet the domestic need of checks and their use among banks. Over the past years, the equipment and systems of the three electronic clearing houses (in Riyadh, Jeddah and Dammam) were modernized, and 90 percent of checks were cleared through these houses. It is worth mentioning that the number of checks has been declining globally, owing to the increased shift towards new electronic payment channels such as remittances and PoS. The number of commercial and personal checks cleared through clearing houses in Saudi Arabia went down by 21.0 percent (896.9 thousand) in 2018, with their value recording a decrease of 19.1 percent to SAR 285.1 billion. Moreover, the average check value increased by 2.4 percent from SAR 82,639 in 2017 to SAR 84,652 in 2018.

2.10: Banking and Financial Consumer Protection

SAMA works towards serving and protecting the interests of customers of the banking sector and other sectors under its supervision. This is a strategic goal which SAMA is keen to achieve through ensuring high-level performance in these sectors in terms of fair and secure treatment and

through expanding the use of financial services (financial inclusion). Therefore, SAMA has created the “SAMACares” website to receive customer complaints, ensuring that they are handled fairly and transparently; and provide an official awareness platform to which individuals can refer in order to obtain credible financial information and become aware of the rights and duties stipulated by the laws and regulations issued by SAMA.

During 1439/1440 (2018), SAMA continued to receive and address complaints through the SAMACares system, which allows customers in financial sectors supervised and controlled by SAMA to submit and follow up on their complaints to SAMA within a system that ensures fast processing and clarity. In this connection, a total of 196,845 various complaints from customers of banks and insurance and finance companies, whether submitted directly to SAMA or through other government agencies, were received and processed. In addition, 582,569 calls to file complaints and make inquiries were received through the call center. SAMA has worked on several initiatives to enhance financial consumer protection, most notably: Responsible Lending Principles for Individual Consumers and Debt Collection Regulations and Procedures for Individual Customers.

2.11: Anti-Money Laundering and Counter-Terrorist Financing

SAMA continued to conduct periodic inspections of financial institutions under its supervision to ensure their adherence to instructions and regulations, detect any irregularities, and take necessary actions to follow up their correction in areas such as AML/CTF. These include the following:

- The Anti-Money Laundering Permanent Committee (AMLPC) implemented an overarching action plan set against a specific timetable, which aims to improve

the legislative environment and enhance the effectiveness of AML/CTF and anti-proliferation measures, in conformity with relevant international standards.

- Saudi Arabia has conducted a comprehensive review of the Anti-Money Laundering Law and its Implementing Regulations and the Law of Terrorism Crimes and Financing, pursuant to international standards issued by the FATF in 2012.
- The monitoring and supervisory authorities (Ministry of Justice, Ministry of Commerce and Investment [MCI], Ministry of Labor and Social Development [MLSD], Capital Market Authority [CMA], SAMA) have issued a number of manuals, rules, mechanisms and circulars related to AML/CTF to cope with international developments and requirements.
- SAMA heightened its efforts in conducting periodic inspection of financial institutions under its supervision regarding AML/CTF according to risk assessment, in order to ensure the effectiveness of AML/CTF controls and measures and ascertain the quality of information systems in place. These efforts also involved ongoing awareness and training programs that contribute to curtailing the exploitation of institutions in ML/TF; ensuring compliance with all AML/CTF requirements and circulars related thereto; and detecting any irregularities or violations, taking necessary measures and following up on their correction.
- The Permanent Committees, composed of SAMA and representatives of all financial sectors (domestic banks, branches of foreign banks, exchange companies, insurance companies and finance companies), continued to hold periodic meetings to discuss issues of compliance and combating financial crimes, including cases of money laundering, terrorism financing and proliferation.
- In order to bring awareness programs and specialized training into effect, Saudi Arabia has hosted a number of conferences, symposia and workshops, including: the 10th Annual Compliance and Anti-Money Laundering Seminar convened during 16-17 Muharram 1440H (26-27 September 2018); it is organized in cooperation and coordination between the Institute of Finance, AMLPC and Thomson Reuters.
- The periodic meetings of the AMLPC, located at SAMA Head Office, continued to be held. In addition, SAMA participated in the works of the Permanent Committee on Combating Terrorism (located at the State Security Presidency); the Permanent Committee (located at the Ministry of Foreign Affairs), which is concerned with the implementation of the UNSCRs according to Chapter VII; and the Standing Committee on Legal Assistance Requests (located at the Ministry of Interior), which is concerned with maintaining international cooperation in this regard and receiving international requests.
- Saudi Arabia continued to participate as an Observer in the FATF. Moreover, according to FATF Membership Policy, Saudi Arabia currently undergoes the Mutual Assessment Process (which is conducted by the FATF and MENAFATF) regarding its procedures for AML/CFT and proliferation of mass-destruction weapons in preparation for obtaining permanent membership. It should be noted that the FATF discussed the Kingdom's assessment report in June 2018. Therefore, The Kingdom is currently completing the membership process and requirements to become a permanent member in FATF.
- Saudi Arabia also continued to participate actively in the FATF as an Observer and in the MENAFATF as a Founding and Permanent Member.
- The AMLPC has set national strategic objectives that help reducing the risks of ML/TF in Saudi Arabia by enhancing cooperation and coordination at the domestic and international

level, improving the effectiveness of the operations of relevant entities, and ensuring an understanding and assessment of the relevant entities' risks. The Council of Ministers approved and adopted these objectives by Resolution No. 42 dated 15 Muharram 1440H.

2.12: Combating Embezzlement and Financial Fraud

SAMA constantly follows up on issues related to combating embezzlement and financial fraud as it has already taken many regulatory and supervisory measures in this regard, such as the issuance of the first update of collateral policy and SARIE procedures for financial positions coverage in 2015. Also, SAMA issued the rules for a depositor protection fund in 2015, whereby up to SAR 200,000 of each deposited amount will be covered. This project will be financed through a fund to be established by banks for this purpose.

In the same year, SAMA issued a policy for credit card verification by PIN at PoS terminals rather than the previous mechanism where verification by cardholders' signature was sufficed.

In November 2014, SAMA started the review and assessment process of the second and third phases for the implementation of the five responsibilities issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO). The second phase focuses on whether relevant authorities' activities in a jurisdiction are consistent with relevant responsibilities and whether these authorities observe such responsibilities completely and consistently. A report on the findings of the assessment covering all jurisdictions was issued in November 2015 and published on the Bank for International Settlements (BIS)'s website. SAMA was rated "observed" for having applied the five responsibilities.

2.13: Economic Research and Statistics

SAMA seeks to make the Research and International Affairs Deputyship its intellectual source and an active department that can be relied upon to conduct highly valued internal and external studies in financial and economic fields. SAMA strives to make the Deputyship a source of the latest and most accurate monetary, banking and financial data, including Saudi Arabia's Balance of Payments, so as to keep pace with national and international economic developments. Among prominent achievements of this Deputyship are the following:

- Preparing SAMA's annual report, which is an important reference for researchers and those interested in the national economy.
- Holding quarterly workshops that aim to enrich knowledge and share ideas with academics, bankers, and other interested researchers. These workshops address many topics and the latest developments in the economic and financial arenas. The Deputyship held four workshops during 1439-1440H (2018).
- Presenting monthly briefings of working papers to SAMA's officials and others concerned with financial affairs to raise the level of idea sharing between SAMA's employees and other government entities.
- Preparing and publishing monthly and quarterly reports and statistics on SAMA's website, including: the monthly Statistical Bulletins, Inflation Report and Financial Stability Report, in addition to Monetary and Banking Developments Report.
- Working toward fulfilling the requirements of the G20 Data Gaps Initiative.
- Preparing working papers specialized in economic, financial and developmental areas and publishing them on SAMA's website.
- Providing relevant authorities with specialized research papers on monetary, banking and financial areas and on SAMA's projections for the Saudi economy.
- Joining multiple work teams with members

from many other entities in order to study and develop different strategies in private sector stimulation, debt market, financial awareness and education, financial sector development, domestic savings promotion, energy price reforms, etc.

2.14: The Institute of Finance

In 1439/1440H (2018), the Institute of Finance (IOF) continued to accomplish its mission that emerged in the last quarter of 2014. The mission aims to develop the skills of the workforce in the financial sector by setting merit criteria, awarding specialized professional certificates and offering high-quality solutions to improve professional competencies. In this regard, the IOF completed the identification of competencies of personnel working in the areas of compliance, treasury fields, retail banking, SMEs banking and finance, corporate banking, insurance companies and risk management. The following points illustrate IOF's activities during 1439/1440H (2018):

2.14.1: Reviewing and Translating Competencies Within the Financial Sector and Developing Education Materials Based on Such Competencies

Workshops were held with subject matter experts to review the framework of compliance and risk management competencies at the foundation level. Additionally, the translation of competencies of the SME finance sector was completed. As for designing education materials, some of them were developed according to competencies in cooperation with specialized bodies. Additionally, all such materials were reviewed in workshops attended by experienced subject-matter experts other than those who helped in designing the materials. Such education materials included the Credit Advisors Certificate, Retail Banking Professional Foundation Certificate, Insurance Professional Foundation Exam, Tellers Certificate, and Capital Market Examination-2 of Compliance,

Anti-Money Laundering and Counter-Terrorist Financing.

2.14.2: Training

In 2018, the IOF offered a variety of training courses for retail banking; many training courses for staff working in the financial sector in the specialty fields of laws, rules and behavioral skills; and other specialized banking courses. The total number of training programs offered was 228 covering various financial sectors and English language programs, and the number of participants in such programs came to 3,307. The programs included the following:

2.14.2.1: Ordinary Programs

The IOF offered 159 general courses to 2,060 trainees and 69 private courses to 1,247 trainees.

2.14.2.2: Training by Simulation

The IOF built a simulation room to provide specialized training for treasury and investment staff. This room offers facilities and tools that simulate a real-life work environment through providing advanced databases updated continuously and displaying capital market data on monitors and information systems for each trainee, allowing trainees to carry out purchases and sales in capital markets in a manner similar to that in a real job. The IOF, in collaboration with Euromoney Learning Solutions, has provided two training courses to 26 participants held in the simulation room.

2.14.2.3: Training Programs for Media Professionals

- A program entitled "the Concept of Banking Industry and Its Role in the Economic Development" was offered by the IOF in collaboration with the Media and Banking Awareness Committee of Saudi Banks, with the aim of promoting the financial awareness of media professionals by acquainting them with

the basics of the financial sector. In 2018, an awareness program entitled “the Concept of Banking Industry and Its Role in the Economic Development” was organized and given in Riyadh, Jeddah and Dammam.

- A program entitled “the Concept of Insurance Industry for Media Professionals” was offered by the IOF in collaboration with the Media and Insurance Awareness Committee of Saudi Banks with the aim of raising the insurance awareness of media professionals by acquainting them with the basics of the Insurance sector. In 2018, the awareness program entitled “the Concept of Insurance Industry” was held in both Riyadh and Jeddah.

2.14.2.4: Training of SAMA’s Staff

The IOF participates in the training of SAMA’s staff through general and private programs. Moreover, the IOF cooperates with SAMA in the provision of the following specialized programs:

- Insurance Industry Qualification Program: This program started in 2017 and ended in the first quarter of 2018. It was offered in Riyadh, Jeddah and Dammam.
- Qualification Program for the Staff of the Central Bank of Yemen: This program started in 2017 and ended in the first quarter of 2018. It included a number of courses in banking, finance and behavioral skills and was held in Riyadh.
- Saudi Economists Program (the 16th batch): This program started in 2017 and ended in the first quarter of 2018. It was held in Riyadh.

2.14.3: Standardized (Professional) Examinations

During 2018, the IOF offered five standardized exams in various financial fields in both Arabic and English via four test centers in Saudi Arabia. The number of exam takers was 10,657.

2.14.4: Symposia and Workshops Held by the IOF in 2018

During 2018, the IOF hosted many symposia and workshops to achieve added value for the financial sector in Saudi Arabia by providing specialists with access to the latest global, regional and domestic experiences and developments, as such symposia and workshops serve as an additional means of communications with financial entities and a meeting hub to exchange views among expert speakers and other participants. In 2018, the IOF held the following symposia and workshops:

- Governance of Merger and Acquisition Processes and Their Impact on Insurance Rating.
- Awareness-raising and Introductory Event on Chartered Financial Analyst Certificate, Its Benefits and future in Saudi Arabia.
- The Future of FinTech and Cryptocurrencies.
- Challenges in the Asset Management Industry in Saudi Arabia.
- Fraud Detection and Prevention.
- The 10th Compliance and Anti-Money Laundering Seminar.
- The Three Pillars of Finance.
- An Evening with CFA Society Saudi Arabia and CFA Institute.
- A Working Breakfast with CFA Society Saudi Arabia and CFA Institute.
- Equity valuation and analysis.
- Financial Modeling.
- Basics of Analysis.
- The Nature of Investment in Startups.
- The Fourth Annual Forum for Financial Standards for Measuring Investment Performance.
- Risk Management.

In 2018, there were 16 events held in different activities targeting the employees of the financial sector in which 2,214 employees participated.

2.14.5: Committees Meeting and Coordination

The IOF undertakes the responsibility of hosting the functions of committees with competence in sectors served by the IOF. It is a point of contact between specialists and those from various relevant fields, such as banking, insurance, and finance who are interested. The IOF was also pleased to hold periodic meetings with financial authorities in 2018, reaching a total of 13 meetings held with HR and training departments in the financial sector.

2.14.6: Financial Academy (FA) Establishment Project

According to SAMA Senior Management instructions regarding the commencement of work on the Financial Academy establishment project in partnership with the CMA, the engaged consulting company has completed the set-up of a cooperation framework between SAMA and CMA, with a view to meeting the requirements for establishing the Academy in accordance with necessary legal procedures. The Academy shall be an independent not-for-profit corporation to be co-sponsored and supported by SAMA and CMA to enable it to perform its activities. SAMA's IOF will continue to provide its services and courses during the transitional period, including programs tailored to the capital market that falls under CMA's supervision. This arrangement will continue until the completion of the Academy's establishment procedures.

2.15: International and Regional Participation of SAMA

SAMA actively participates as a member in various international and regional financial organizations and attends their meetings, including: the meetings of G20; the Bank for International Settlements (BIS); International Monetary Fund (IMF); the World Bank; Financial Stability Board (FSB); World Trade Organization (WTO); Arab financial organizations; Islamic Financial Services Board (IFSB); and the

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in addition to the meetings of Central Bank Governors held in member countries of the Organization of Islamic Cooperation and the Gulf Cooperation Council (GCC); the Gulf Monetary Council (GMCO); and a number of technical committees and work teams associated with the Governors' Committee. Moreover, SAMA, in cooperation with relevant entities, contributes to the preparation for hosting the G20 Agenda (2020) in Saudi Arabia. It has recently obtained membership in the International Association of Deposit Insurers (IADI) in 2019.

3. Social Responsibility

SAMA is keen on applying ISO Social Responsibility and international best practices in this regard, as well as accomplishing the third pillar of Saudi Arabia's vision 2030 "An Ambitious Nation, Responsibly Enabled" that calls for the integration of roles performed by citizens in the public, private and non-profit sectors, so as to meet expectations and aspirations, reach achievements and maintain gains, all of which cannot be achieved unless all nationals fulfil their responsibilities. In addition, SAMA includes social responsibility under its purview and cooperates with the financial sectors under its supervision, encouraging them to contribute to social responsibility. To this end, SAMA first identifies the most pressing needs of the society and then encourages such sectors to hold activities that would serve those social needs as much as possible. The following are the social responsibility-related mandates assumed by SAMA as represented in the following topics:

3.1: Financial Stability

Recognizing the importance of its role in maintaining financial stability in the national economy, SAMA is working toward discharging tasks entrusted to it, including issuing the Financial Stability Report that reviews financial soundness indicators for banks and financial institutions in order to

promote the process of publishing indicators of the financial system as a whole. In addition, the Report provides a detailed analysis of the most impactful key risks facing financial institutions as well as prudential measures and policies. Financial stability contributes significantly to sustaining economic growth, increasing job opportunities, and improving living standards for community members. Along with maintaining monetary and financial stability in Saudi Arabia, SAMA launched several awareness campaigns highlighting those indicators for unspecialized segments of society via all available communication channels to ensure coverage to the greatest extent possible. In this regard, SAMA in partnership with CMA held the third edition of the seminar “Financial Stability 2018”.

3.2: Consumer Issues

Saudi monetary policy, managed and implemented by SAMA, aims to maintain domestic price stability through maintaining the Saudi riyal exchange rate and ensuring adequate domestic liquidity, while taking account of their effects on various economic indicators. Saudi Arabia’s inflation rate is among the lowest compared with other countries, falling at the low end of the economic norm. In the same context, and given the active role it plays regarding the sectors it supervises, SAMA has established the Consumer Protection Department with the main objective of ensuring that consumers of financial institutions supervised by SAMA receive fair treatment in a transparent, genuine and ethical manner when conducting transactions, and obtain financial services and products easily and smoothly at suitable costs and high quality. The Consumer Protection Department also is responsible for raising awareness among all targeted segments through organizing awareness campaigns illustrating how consumers can handle financial products and avoid any risks, carrying out public opinion surveys, and receiving and addressing the complaints of consumers of various financial sectors.

3.3: Transparency Principles

Having recognized the importance of transparency in its work, SAMA has developed a plan to communicate with the public by giving more room for economic and financial data in its publications, along with its news and circulars. This has been achieved by employing all communication channels, conventional or electronic, that suit all targeted groups.

3.4: Participation in the Development and Protection of Society Against Financial and Cyber Risks

SAMA has exerted great efforts within its role in raising education and awareness for its stakeholders benefitting from its services and services of institutions under its supervision. This role is represented by its domestic and international participation, including its participation in the National Festival of Heritage and Culture in Janadriyah; hosting visits for universities and schools at its headquarters, during which awareness presentations are given; and ongoing publicity and information campaigns directed toward the audience targeted for awareness-raising. In terms of social days and occasions approved internationally and locally, SAMA recognizes such days and occasions and holds programs in this regard, confirming its pivotal role in serving the society.

SAMA contributes to raising financial awareness by adopting the National Strategy for Financial Education and Guidance in Saudi Arabia. The general framework of this strategy is to promote financial literacy among citizens, public institutions, and business sector in Saudi Arabia.

Some of SAMA’s key efforts in raising financial awareness are as follows:

- A number of awareness and educational campaigns for the public have been organized, which are aimed at promoting the awareness

of the characteristics of the national currency and illustrating the security features of genuine banknotes and how to distinguish them from counterfeit ones. These campaigns targeted bazaars and seasonal event venues using cash, elderly vendors and shop owners.

- The Standing Committee for Awareness on Dealing in Unauthorized Securities Activities in the Foreign Exchange Market (Forex) has been established under the direction of His Majesty the King. This Committee is chaired by the CMA with membership of the Ministry of Interior, the Ministry of Media, the Ministry of Commerce and Investment and the Saudi Arabian Monetary Authority. In addition, the Committee coordinates with relevant government agencies to reduce and combat the marketing of investment and trading in unlicensed forex activities and cryptocurrencies.
 - SAMA has taken the initiative to terminate the operations of financial institutions that frequently commit regulatory breaches; continue to impose financial penalties and fines on banks, insurance companies, and finance companies proved to have committed irregularities; and announce the circumstances surrounding such irregularities in the local press in order to achieve transparency and raise the level of financial discipline.
 - SAMA is sponsoring a national cadre of specialists to train and qualify them in the field of financial and banking cybersecurity under the second edition of the Cybersecurity Program (SECURE 18), which aims to build a promising generation of specialists in information security able to protect the banking sector in a number of participating entities. This initiative is one of the initiatives of the Financial Sector Development Program (FSDP), a Saudi Vision 2030 program. A total of 26 students received intensive training for over six months. The training program was held through joint efforts between Saudi Arabia and the United States.
 - SAMA continues to provide many programs and training courses in order to improve the level of performance of jobs in the insurance sector of Saudi Arabia, by developing capabilities of national workers in the financial sector in general, providing them with training solutions, and boosting their appeal to the financial sector. To this end, SAMA has launched two programs in 2018 to develop national cadres in the insurance sector, namely:
 - **“The Lloyd’s Market Saudi Insurance Professionals Development Program”**, which aims at providing an in-depth knowledge of specialized insurance products, reinsurance, risks and opportunities, as well as a comprehensive understanding of the mechanism of the work and functions of Lloyd’s Market from a global perspective of reinsurance markets. In addition, this program aims at building relationships and contact points in the Lloyd’s Market for reinsurance, along with understanding Lloyd’s attitude toward corporate insurance for commercial purposes, risk management, emerging risks and development of trainees’ technical skills.
 - **The Advanced Insurance Diploma Program (ACII)** which targets employees working in the insurance sector. This program aims to raise the efficiency of Saudi employees in the technical insurance sector by offering them the opportunity to obtain professional certificates in the field of insurance in order to train and qualify the financial sector’s employees as part of the initiatives of the FSDP under Saudi vision 2030.
- SAMA continued to work jointly with media institutions and relevant entities to promote financial and economic education among all segments of society, offering a training course at the IOF in Riyadh for a number of staff at Alekhbariya Saudi News Channel. This course

addressed a number of economic topics, most notably: an introduction to economics in general and the domestic economy in particular, balance of payments, inflation, securities (bonds and sukuk), capital markets, monetary policy, financial stability, unemployment and other economic and financial topics.

3.5: Human Resources Development

SAMA has spared no effort in developing its human resources through the scholarship program, giving its employees the opportunity to obtain Master's and PhD degrees from various international institutes and universities. SAMA also offers internal and external training in addition to relevant education and training programs provided by the IOF. Moreover, university students majoring in fields relevant to SAMA's functions can join the cooperative training program to prepare for their future careers, or work at SAMA by assuming tasks relevant to their areas of study during summer vacations to receive work experience and training.

SAMA develops its Human Resources Regulations continuously by following a set of procedures, the most prominent of which are:

- Updating the Human Resources Regulations and setting general standards to attract competent employees.
- Offering various incentives to increase work productivity.
- Issuing professional codes of ethics, such as the Code of Conduct, and establishing the Tawasul Committee to receive employee's complaints and ensure the implementation of fair-treatment principle.
- Providing job opportunities in a fair and transparent manner through online job application on SAMA's website, which details all job application requirements.
- Supporting its employees by providing them with training courses inside and outside Saudi

Arabia, which has contributed to nationalizing jobs at a rapid pace.

- Attracting competent female talents from various fields to work in different SAMA departments.
- Encouraging employment of people with special needs and developing appropriate policies for them.

3.5.1: Saudi Economists Program

SAMA launched "Saudi Economists Program" in 1998 to attract gifted Saudi youth who hold Bachelor's degrees in different majors and provide them with on-job training at SAMA, as a preparation for a scholarship to study abroad for Master's and PhD degrees in economics at prestigious universities, after which they return to work at SAMA in the area of economic studies and research. A total of 208 Saudis have admitted to this program since its inception.

3.5.2: Development of Competency at the General Department of Legal Affairs

Council of Ministers Resolution No. 713, dated 30/11/1438H, stipulates that legal departments at government bodies shall be developed and supported with qualified and competent legal and Sharia law persons; and that such government bodies shall have plans put in place for appropriate development of their departments and staff to meet their objectives. In this regard, the General Department of Legal Affairs carried out a number of initiatives in 2018 to develop the competencies of its staff, including putting in place a plan for development involving a policy for employment and attraction of qualified legal persons and nominating a number of employees for direct scholarship. The efforts of the Department includes the following:

1. Attraction and Employment of Qualified Persons: In 2018, the General Department of Legal Affairs employed 8 persons who hold a Master of Laws or its equivalent and 7 persons

who hold a Bachelor of Laws.

2. A number of employees were granted a scholarship, with two pursuing their PhD studies and one aiming for a Master's degree.
3. Providing the Department's staff the opportunity to join specialized training courses and attend specialized workshops organized by central banks and international organizations.

3.6: Other Social Responsibility Activities

- SAMA, in collaboration with the Ministry of Education, launched the awareness campaign "Know Its Value" to introduce the sixth issue coins by organizing exhibitions in a number of male and female schools across Saudi Arabia with the aim of raising the awareness of students about coin values, encouraging them to use coins in their daily transactions and teaching them the importance of saving up change to promote saving culture among youth. In addition, the campaign targeted the public, as its teams held a number of shows at malls, public events and seasonal and tourism occasions in different cities of Saudi Arabia.
- SAMA participated in the National Festival of Heritage and Culture "Janadriyah 33" through an independent pavilion that showcases the development history of currency notes and coins traded in the Arabian Peninsula throughout the course of history up to the Saudi currency at present time. This pavilion also included awareness-raising activities in financial planning, savings and payments, as well as an overview of the role of the Consumer Protection Department at SAMA.
- H.E. the Governor of SAMA and H.E. the Minister of MLSD have signed an agreement for the establishment and operation of a Center of Excellence for Autism to be capitalized with SAR 286 million. In this regard, SAMA, in collaboration with MLSD, has adopted a Saudi banks' initiative to support this Center, as it will be a main specialized center for autism and a focal point of reference for all other private autism centers in Saudi Arabia. In addition to sharing its experience and knowledge with other centers, the center will help train and qualify the staff of such centers. All domestic banks have provided the necessary support for establishing this Center and finance for its operation for five years.
- SAMA, in collaboration with the Charitable Society of Autism Families, organized an awareness lecture on Autism Spectrum Disorder titled "Reaching New Heights with Them", showing how to interact with people affected by such disorder. The lecture, during which the Governor of SAMA met with a number of members of the Society, took place at SAMA headquarter in Riyadh.
- SAMA, in collaboration with the Ministry of Health, organized an awareness event at its Head Office on detection and prevention methods for diabetes. This event was held in conjunction with the World Diabetes Day, which corresponds to the 18th of November every year. In this event, four locations were offered by the Ministry of Health for early detection of diabetes, hypertension and obesity. Other two locations included two awareness exhibitions on prevention and symptoms of diabetes and how diabetics protect their bodies.
- SAMA, in collaboration and coordination with Anti-Smoking Charitable Association (Naqa), launched an exhibition at its Head Office in Riyadh to raise awareness against the dangers of the epidemic of smoking. The exhibition included awareness lectures delivered by a number of specialists of Naqa.
- SAMA launched two initiatives in Ramadan 1439H as follows:
 - Visiting patients and elderly people.
 - Providing shopping coupons and telecom recharge cards to SAMA's contracted low-income staff.
- SAMA, in collaboration with the Ministry of the

National Guard, organized a blood donation campaign at its Head Office. The campaign came as part of SAMA's efforts in promoting its role and the role of its employees toward the society and in accordance with its humanitarian role and social responsibility in extending a helping hand through replenishing hospitals' stock of blood to aid patients in need of blood. The campaign received high participation from SAMA's employees willing to donate their blood, leading SAMA to extend the period of the campaign for more than a week to fulfill its employees' wish. The donation consolidated the noble humanitarian and social goals of the campaign, as the number of blood donors exceeded 240. In addition, this activity comes as part of social responsibility activities held annually at SAMA.

compared with a decrease of 41.4 percent in the preceding year. On the other hand, the government reserves fell by 16.9 percent (SAR 99.7 billion) to SAR 489.5 billion in 2018 compared with a decrease of 8.1 percent (SAR 52.3 billion) in the preceding year. Deposits of government funds and institutions grew by 32.3 percent (SAR 28.5 billion) to SAR 116.9 billion compared with a decrease of 42.8 percent (SAR 66.2 billion) in the preceding year. With respect to SAMA bills and repos, they declined by 16.2 percent (SAR 22.5 billion) to SAR 116.3 billion compared with a decline of 15.8 percent (SAR 26 billion) in the preceding year.

4. SAMA Financial Position

SAMA's total assets registered a year-on-year decline of 0.2 percent (SAR 3.8 billion) to SAR 1.9 trillion at the end of 2018, compared to a decrease of 8.3 percent (SAR 173.2 billion) in 2017. Foreign assets accounted for the bulk of SAMA's assets, which rose slightly in 2018. These foreign assets continue to be invested primarily in foreign securities, which dropped by 3.3 percent (SAR 40.6 billion) in 2018 compared with a decrease of 8.8 percent (SAR 120.5 billion) in 2017. On the other hand, SAMA deposits with banks operating abroad increased by 7.3 percent (SAR 27.6 billion) in 2018 compared to a decrease of 5.8 percent (SAR 23.2 billion) in 2017. Currency backing increased by 6.2 percent to SAR 243.4 billion in 2018 compared with a decline of 2.3 percent (SAR 229.2 billion) in the preceding year (Table 12.1).

As for liabilities, government deposits and reserves accounted for 29.6 percent of SAMA total liabilities in 2018 compared with 33.7 percent in the preceding year. The government current account increased by 39.5 percent (SAR 20.6 billion) to SAR 72.8 billion

Table 12.1: SAMA's Financial Position (end of year)

(Million SAR)					
Type	2014	2015	2016	2017	2018
I. Assets					
Foreign currencies and gold	216,132	237,212	234,505	229,188	243,449
Cash in vault	35,240	39,300	34,516	25,831	32,584
Banknotes	35,228	39,289	34,505	25,811	32,561
Coins	12	11	11	20	22
Deposits with banks abroad	510,972	552,360	401,144	377,966	405,572
Investments in foreign securities	1,998,580	1,505,023	1,365,189	1,244,669	1,204,035
Other miscellaneous assets	31,185	39,487	41,517	26,009	14,224
Total	2,792,109	2,373,382	2,076,871	1,903,663	1,899,864
II. Liabilities					
Currency issued	216,132	237,212	234,505	229,188	243,449
In circulation	180,892	197,912	199,989	203,357	210,865
At SAMA	35,240	39,300	34,516	25,831	32,584
Government deposits and reserves	1,378,948	1,023,304	730,580	641,378	562,367
Government current account	53,051	71,005	89,134	52,192	72,832
Government reserves	1,325,897	952,299	641,446	589,185	489,535
Government institutions and funds deposits	182,270	142,074	154,514	88,346	116,852
Statutory deposits for financial institutions	92,558	98,117	97,839	97,534	99,943
Foreign institutions' deposits in local currency	9,695	11,213	18,490	18,469	17,190
SAMA bills and repo agreements	427,815	182,947	164,755	138,786	116,326
Other miscellaneous liabilities	484,692	678,515	676,187	689,962	743,738
Total	2,792,109	2,373,382	2,076,871	1,903,663	1,899,864



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SAMA BALANCE SHEET

Auditors' Report

H.E. THE GOVERNOR AND MEMBERS OF THE BOARD OF DIRECTORS OF SAUDI ARABIAN MONETARY AUTHORITY

Opinion

We have audited the financial statements of Saudi Arabian Monetary Authority "SAMA", which comprise the statements of Issuance Department balance sheet, Banking Operation Department balance sheet, Independent Organizations and Institutions Department balance sheet, and Contra Account balance sheet as at 30 June 2018, and the statement of revenues and expenses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of SAMA as at and for the year ended 30 June 2018 are prepared, in all material respects, in accordance with the basis of preparation set out in Note (2) to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing "ISA" as endorsed in the kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SAMA in accordance with professional code of conduct and ethics endorsed in the kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of a Matter-Basis of Accounting

We draw attention to Note (2) to the financial statements, Which describes the basis of accounting. The financial statements have been prepared for SAMA's financial reporting purposes as per its Board of Directors' approved accounting policies. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of preparation set out in Note (2) to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial Statements, management is responsible for assessing SAMA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SAMA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAMA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SAMA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SAMA to cease to continue as a going concern.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Certified Public Accountants
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366

PricewaterhouseCoopers
Certified Public Accountants
PO Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Bader I. Benmohareb
Certified Public Accountant
Registration No. 471

20 Jumada Thani 1440H
(25 February 2019)

SAUDI ARABIAN MONETARY AUTHORITY | Financial Statement
AS AT 30 JUNE 2018 | Assets

(Million Riyals)		
	30/6/2018	30/6/2017
ISSUANCE DEPARTMENT		
CURRENCY COVER:		
Gold (Note 2-e)	1,624	1,624
Investment in securities abroad	255,023	247,672
	256,647	249,296
BANKING OPERATION DEPARTMENT		
CASH IN HAND:		
Bank notes	30,705	25,885
Metal coins	16	17
	30,721	25,902
Deposits in Local Banks	13,250	25,250
Deposits in Banks Abroad	425,798	354,786
Investments Abroad	1,207,826	1,268,708
Other Miscellaneous Assets	2,415	2,210
	1,680,010	1,676,856
INDEPENDENT ORGANIZATIONS AND INSTITUTIONS DEPARTMENT		
Deposits with Banks Abroad	62,285	86,960
Investments Abroad	173,882	222,005
Local Investments	33,381	64,570
Deposits with Banking Operating Department	1,855	579
Deposits with Local Banks	1,200	700
	272,603	374,814
CONTRA ACCOUNTS		
Cheques under collection and Other	61.0	0.4

The accompanying notes from 1 to 4 form an integral part of these financial statements.

SAUDI ARABIAN MONETARY AUTHORITY | Financial Statement
AS AT 30 JUNE 2018 | Liabilities

(Million Riyals)		
	30/6/2018	30/6/2017
ISSUANCE DEPARTMENT		
SAUDI BANK NOTES ISSUED		
In Circulation	225,459	223,025
In Banking Operation Department	30,706	25,885
	256,165	248,910
METAL COINS ISSUED		
In Circulation	466	369
In Banking Operation Department	16	17
	482	386
	256,647	249,296
BANKING OPERATION DEPARTMENT		
Government Deposits	610,138	663,432
Foreign Organizations Deposits	18,501	18,449
Government Agencies and Institutions Deposits	106,131	110,300
Banks and Insurance Companies Deposits	98,862	98,715
Govenment Liabilities	30,871	29,734
Other Miscellaneous Liabilities And Reserves	815,507	756,226
	1,680,010	1,676,856
INDEPENDENT ORGANIZATIONS AND INSTITUTIONS DEPARTMENT		
Independent Organizations and Institutions	272,603	374,814
CONTRA ACCOUNTS		
Liabilities For Cheques under collection and Other	61.0	0.4

The accompanying notes from 1 to 4 form an integral part of these financial statements.

SAUDI ARABIAN MONETARY AUTHORITY | STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED 30 JUNE 2018

(Million Riyals)		
	30/6/2018	30/6/2017
Revenues	4,998	5,217
Expenses		
General and Administration	2,180	1,793
SAMA's contribution to the Public Pension Agency (Note 4)	39	40
	2,219	1,833
Surplus transferred to reserve for Building Of Head Office and branches	2,779	3,384
	4,998	5,217

The accompanying notes from 1 to 4 form an integral part of these financial statements.

SAUDI ARABIAN MONETARY AUTHORITY (SAMA)

NOTES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. Nature of Operation of SAMA and Basis of Presentation of the Financial Statements

In accordance with its charter, the Saudi Arabian Monetary Authority “SAMA” acts as the bank of the Government of the Kingdom of Saudi Arabia the “Government” and also maintains accounts for the Government.

The financial statements are presented for each of SAMA’s following activities:

Issuance Department:

The main activity is to mint coins and print national bank notes (Saudi Riyal) and support the stability of the currency and fixing its rate internally and externally.

Banking Operation Department:

SAMA accepts deposits from Government organizations and others, and invests such deposits on their behalf. Both the deposits and the carrying value of investment are reported in the Banking Operation Department balance sheet. Investment income is reported as part of Government accounts and not in SAMA’s statement of revenues and expenses.

Independent Organizations and Institutions Department:

SAMA accepts deposits from independent organizations and institutions and invests such deposits on their behalf. Both the deposits and the carrying value of investment are reported in the Independent Organizations and Institutions Department balance sheet. Investment income are reported as part of their accounts and not in SAMA’s statement of revenues and expenses.

2. Summary of Significant Accounting Policies

a. Basis of preparation of the financial statements:

These financial statements have been prepared in accordance with the accounting policies approved by Board of Directors “BoD” as described below, which are consistent with those followed in previous years.

b. Basis of accounting:

SAMA follows the cash basis of accounting in recording its transactions, except for depreciation of fixed assets and accrual of certain employee benefits.

The financial statements are prepared under the historical cost convention.

c. Investments are carried at cost:

At the end of the year, portfolios managed in different currencies are valued at the same functional currency as the underlying investment by SAMA at lower of cost or market value (historical basis). Differences resulting from the decline in value are recognized in the investment valuation difference and gains or losses are recorded in the beneficiaries' accounts when received/paid in accordance with the policies followed by SAMA.

d. Foreign currencies:

SAMA is translating its foreign currency balances and transactions to Saudi Riyals using fixed book rates approved by SAMA Governor on 6 July 1986 (corresponding to 29 Shawwal 1406H), and the subsequent amendment for Euro rate adopted by management on 25 April 1999 (corresponding to 9 Muharram 1420H).

e. Gold held as currency cover:

In accordance with Royal Decree No. 38 dated 13 Rajab 1393 H (corresponding to 12 August 1973), gold held as currency cover is valued at a rate of one Saudi Riyal per 0.20751 gram.

f. Furniture, equipment and motor vehicles:

Furniture, equipment and motor vehicles are stated at cost less accumulated depreciation and are included in other miscellaneous assets as part of the Banking Operation Department's balance sheet. The cost of furniture, equipment and motor vehicles are depreciated on a straight line basis over the estimated useful lives of the assets.

g. Lands and buildings:

Lands are stated at cost and buildings are stated at cost less accumulated depreciation. The cost of buildings is depreciated on a straight line basis at 5% annually. Lands and buildings are included in other miscellaneous assets in the Banking Operation Department's balance sheet.

h. Revenues and expenses:

In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. It transfers the excess of revenues over expenses to the reserve for building of head office and branches account.

3. Financial Statements Period

These financial statements are prepared for the period from 1 July 2017 to 30 June 2018 (corresponding to 7 Shawwal 1438H to 16 Shawwal 1439H).

4. Contribution to the Public Pension Agency

Contributions to the Public Pension Agency on behalf of SAMA employees are made in accordance with Article 13 of the Civil Retirement Regulations issued by Royal Decree No. M/41 dated 29 Rajab 1393H (corresponding to 28 August 1973).

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Annual Report Statistics are available on SAMA's website:

<http://www.sama.gov.sa/en-US/EconomicReports/Pages/YearlyStatistics.aspx>

Annual Report feedback survey is available on SAMA's website:

<http://www.sama.gov.sa/en-US/EconomicReports/Pages/QuestionAnswer.aspx>

