

# **Saudi Arabian Monetary Agency**

**Fifty Second Annual Report  
1437H (2016)**



## **SAUDI ARABIAN MONETARY AGENCY (SAMA) BOARD OF DIRECTORS**

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## FOREWORD

It gives me pleasure to present, in the name of the Board of Directors, the Fifty Second Annual Report of the Saudi Arabian Monetary Agency, which reviews the latest developments in the Saudi economy during fiscal year 1436/37H (2015). 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 the different domestic productive sectors, apart from giving a full description of SAMA's functions, such as designing and conducting monetary policy and supervising commercial banks and activities of cooperative insurance and finance sectors. In addition, it includes the auditors' report on SAMA's balance sheet for fiscal year ended on June 30<sup>th</sup>, 2015.

The Report mainly relies on official data obtained from ministries, government departments and public entities, in addition to data issued by SAMA.

I would like to thank all ministries and other entities 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 preparation of this Report and performance of all functions entrusted to SAMA in general.

**Ahmed A. Alkholifey**  
**Governor and Chairman of the Board**

**Ramadan 1437H**  
**June 2016**



For correspondence and inquiries:

Postal address:

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

Telephone: (+966) 11-4633000

Facsimile: (+966) 11-4662353

Email: [research@sama.gov.sa](mailto:research@sama.gov.sa)

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## **SAMA HEAD QUARTERS AND BRANCHES:**

### **Head Office**

Riyadh

### **Branches**

Makkah

Al-Madinah

Riyadh

Jeddah

Dammam

Ta'if

Buraydah

Jazan

Tabuk

Abha





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## World Economic Situation

The growth rate of world economy decelerated in 2015, recording a growth of 3.1 percent compared with 3.4 percent in the preceding year. Advanced economies registered a slight rise in growth rate, while growth in emerging markets and developing economies was lower than that of the preceding year. According to the IMF's World Economic Outlook (WEO), April 2016, the global economic growth is projected to stand at 3.2 percent in 2016.

## Economic Growth

Advanced economies registered a growth rate of 1.9 percent in 2015 against 1.8 percent in the preceding year. In the United States, the

growth rate stood at 2.4 percent. Euro Area recorded a growth rate of 1.6 percent against 0.9 percent in the preceding year. Germany recorded a growth of 1.5 percent compared to 1.6 percent in the preceding year. France registered a growth of 1.1 percent compared to 0.2 percent in the preceding year. Italy registered a growth of 0.8 percent against a contraction of 0.3 percent in the preceding year. Japan's economy also grew by 0.5 percent against a recession in the preceding year. In the United Kingdom, the growth rate was 2.2 percent compared with 2.9 percent in the previous year. In emerging markets and developing economies, growth rate dropped from 4.6 percent in 2014 to 4.0 percent in 2015. In emerging and developing Asia, growth rate stood at 6.6 percent compared to 6.8 percent in the

**Table 1.1: WORLD REAL GDP GROWTH RATES**  
(Percent)

	2009	2010	2011	2012	2013	2014	2015	Projections 2016
<b>World</b>	<b>0.0</b>	<b>5.4</b>	<b>4.2</b>	<b>3.5</b>	<b>3.3</b>	<b>3.4</b>	<b>3.1</b>	<b>3.2</b>
<b>Advanced economies</b>	<b>-3.4</b>	<b>3.1</b>	<b>1.7</b>	<b>1.2</b>	<b>1.2</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>
USA	-2.8	2.5	1.6	2.2	1.5	2.4	2.4	2.4
Euro area	-4.5	2.1	1.6	-0.9	-0.3	0.9	1.6	1.5
Germany	-5.6	3.9	3.7	0.6	0.4	1.6	1.5	1.5
France	-2.9	2.0	2.1	0.2	0.7	0.2	1.1	1.1
Italy	-5.5	1.7	0.6	-2.8	-1.7	-0.3	0.8	1.0
Japan	-5.5	4.7	-0.5	1.7	1.4	0.0	0.5	0.5
U.K.	-4.2	1.5	2.0	1.2	2.2	2.9	2.2	1.9
Canada	-2.9	3.1	3.1	1.7	2.2	2.5	1.2	1.5
<b>Emerging markets and developing countries</b>	<b>3.0</b>	<b>7.4</b>	<b>6.3</b>	<b>5.3</b>	<b>4.9</b>	<b>4.6</b>	<b>4.0</b>	<b>4.1</b>
Sub-Saharan Africa	4.0	6.6	5.0	4.3	5.2	5.0	3.4	3.0
Emerging and Developing Asia	7.5	9.6	7.8	6.9	6.9	6.8	6.6	6.4
China	9.2	10.6	9.5	7.7	7.7	7.3	6.9	6.5
India	8.5	10.3	6.6	5.6	6.6	7.2	7.3	7.5
MENA	1.5	5.2	4.5	5.1	2.1	2.6	2.3	2.9
Emerging and Developing Europe	-3.0	4.7	5.4	1.2	2.8	2.8	3.5	3.5
Latin America and Caribbean countries	-1.2	6.1	4.9	3.2	3.0	1.3	-0.1	-0.5
Brazil	-0.1	7.5	3.9	1.9	3.0	0.1	-3.8	-3.8
Commonwealth of Independent States	<b>-6.4</b>	<b>4.6</b>	<b>4.8</b>	<b>3.5</b>	<b>2.1</b>	<b>1.1</b>	<b>-2.8</b>	<b>-1.0</b>
Russia	-7.8	4.5	4.3	3.5	1.3	0.7	-3.7	-1.8

Source: IMF, World Economic Outlook, April, 2016.





preceding year. In China, the growth rate declined to 6.9 percent from 7.3 percent in the preceding year. On the other hand, growth in India rose to 7.3 percent compared with 7.2 percent in the preceding year. In the Middle East and North Africa (MENA) countries, growth rate decreased to 2.3 percent in 2015 from 2.6 percent in the preceding year. Emerging and Developing Europe registered a growth rate of 3.5 percent against 2.8 percent in the preceding year. The growth rate in Latin America and the Caribbean countries contracted by 0.1 percent against a rise of 1.3 percent in the preceding year.

According to the WEO report (April 2016), advanced economies growth is projected to remain stable at 1.9 percent, and United States growth is projected to remain stable at 2.4 percent. The Euro Area growth is expected to slow down to 1.5 percent. In contrast, developing and emerging economies growth is expected to register a slight rise to 4.1 percent in 2016. In China, the growth rate is expected to drop from 6.9 percent in 2015 to 6.5 percent in 2016 (Table

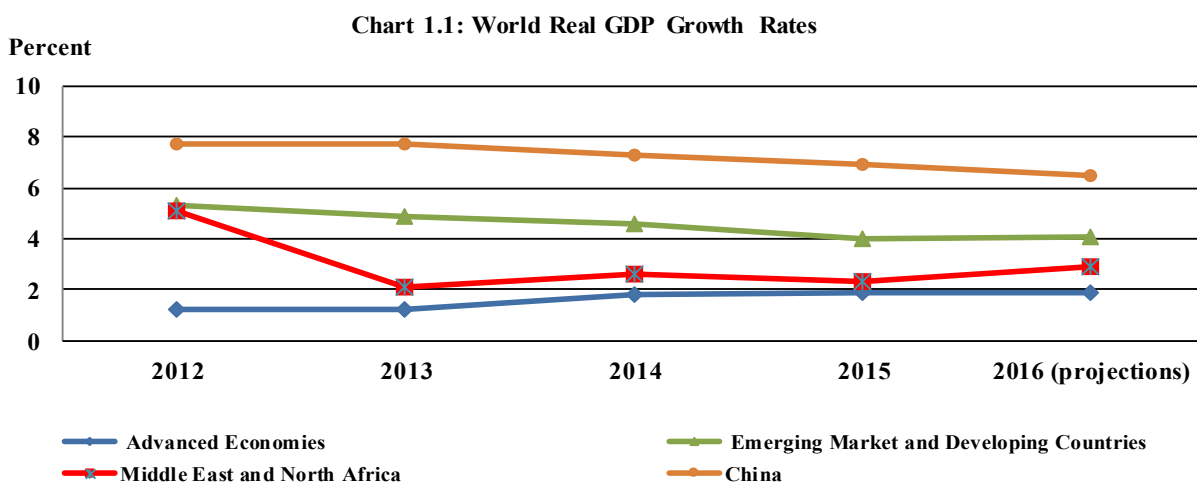
1.1). Chart 1.1 shows the real GDP growth rates in a group of economies during 2012-2016.

## Inflation

In advanced economies, inflation rate fell to 0.3 percent in 2015. In Euro Area, the rate fell from 0.4 percent in 2014 to zero in 2015. In the United States, the rate dropped from 1.6 percent in 2014 to 0.1 percent in 2015. The inflation rate in developing economies remained stable at 4.7 percent in 2015. In Middle East and North Africa, inflation rate went down to 5.9 percent in 2015 (Table 1.2). Chart 1.2 shows percentage change in consumer prices for groups of countries during 2014-2016.

## Unemployment

Unemployment rates in advanced economies decreased from 7.3 percent in 2014 to 6.7 percent in 2015. In the United States, unemployment rate went down from 6.2 percent in 2014 to 5.3 percent in 2015. In the Euro Area, it decreased from 11.6 percent in 2014 to 10.9 percent in 2015. Unemployment rate in Italy fell to





**Table 1.2: INFLATION AND INTEREST RATES**

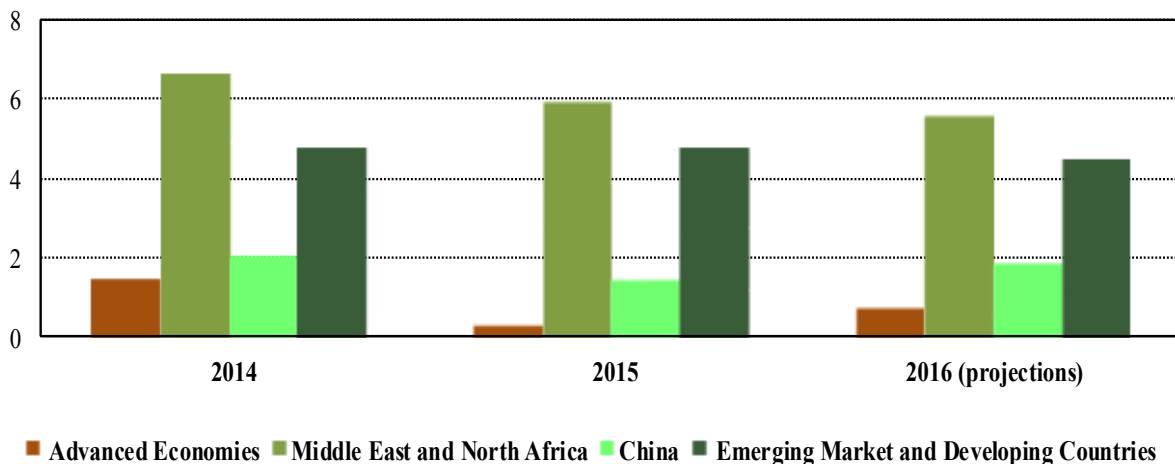
(Percent)

	<u>2014</u>	<u>2015</u>	<u>Projections</u> <u>2016</u>
<b>Inflation rate</b>			
Advanced economies	1.4	0.3	0.7
USA	1.6	0.1	0.8
Euro area	0.4	0.0	0.4
Emerging markets and developing countries	4.7	4.7	4.4
Middel east and north Africa	6.6	5.9	5.5
<b>LIBOR<sup>(1)</sup></b>			
U.S. dollar deposits	0.3	0.5	0.9
Japanese yen deposits	0.2	0.0	-0.3
Euro deposits	0.2	0.1	-0.1

<sup>(1)</sup> Six-month rate for each of USA and Japan and three-month rate for euro area.  
Source: IMF, World Economic Outlook, April, 2016.

**Chart 1.2: Percentage Change in Consumer Prices  
in Selected Groups of Countries**

Percent





11.9 percent and in Germany to 4.6 percent, while it rose in France to 10.4 percent. In the United Kingdom, the rate fell to 5.4 percent. The rate in Japan fell from 3.6 percent to 3.4 percent in 2015. In Canada, the rate was stable at 6.9 percent in 2015 (Table 1.3). Chart 1.3 shows unemployment rates in groups of countries during 2012-2016.

### Fiscal Balances

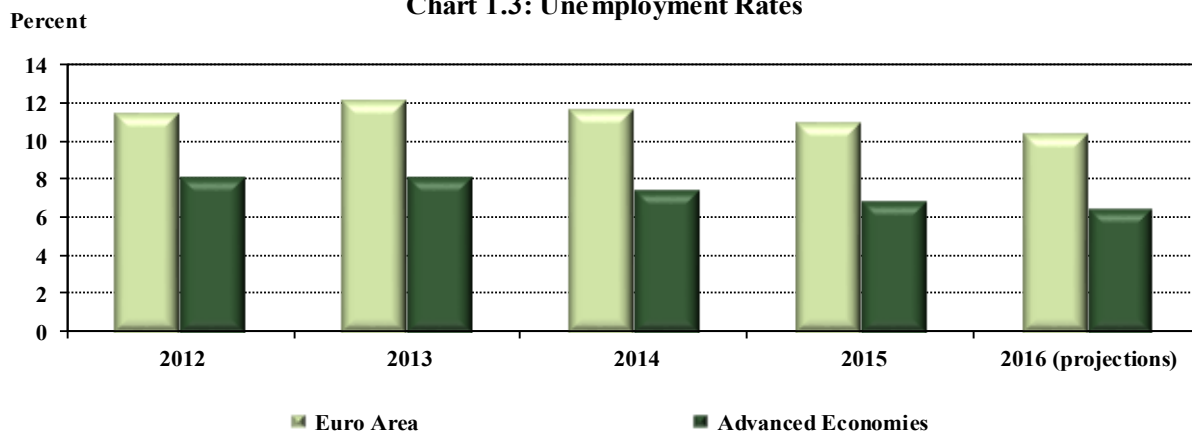
Fiscal deficit in advanced economies declined to 3.0 percent of GDP in 2015, from 3.2 percent in 2014. Deficit in the United States decreased from 4.1 percent in 2014 to 3.7 percent in 2015. Deficit in the Euro Area fell from 2.6 percent to 2.0 percent while Germany recorded a

**Table 1.3: ADVANCED ECONOMIES: UNEMPLOYMENT RATES**  
(Ratio to labor force)

	2013	2014	2015	Projections 2016
Advanced economies	7.9	7.3	6.7	6.3
United States	7.4	6.2	5.3	4.9
Euro area	12.0	11.6	10.9	10.3
Germany	5.2	5.0	4.6	4.6
France	10.3	10.3	10.4	10.1
Italy	12.1	12.6	11.9	11.4
Japan	4.0	3.6	3.4	3.3
U.K.	7.6	6.2	5.4	5.0
Canada	7.1	6.9	6.9	7.3

Source: IMF, World Economic Outlook, April, 2016.

**Chart 1.3: Unemployment Rates**





slight surplus of 0.6 percent in 2015. In France, the deficit fell from 3.9 percent to 3.6 percent. It went down in Japan from 6.2 percent to 5.2 percent. In the United Kingdom, it fell to 4.4 percent. In Canada, the deficit rose from 0.5 percent in 2014 to 1.7 percent in 2015 (Table 1.4).

## Monetary and Financial Developments

### Interest Rates

The six-month London interbank offered rate (LIBOR) on U.S. dollar deposits went up from 0.3 percent in 2014 to 0.5 percent in 2015 and is projected to rise to 0.9 percent in 2016. The six-month Japanese yen deposit rate fell from 0.2 percent in 2014 to zero in 2015 and is projected to decline to -0.3 percent in 2016. The three-month euro deposit rate went down from 0.2 percent in 2014 to 0.1 percent in 2015 and is projected to decline to -0.1 percent in 2016 (Table 1.2).

### Exchange Rates

U.S. dollar remained strong against most major currencies at the end of 2015, supported by

the Fed decision to increase interest rates by 25 basis points in December of the same year. Euro exchange rate against U.S. dollar depreciated by 10 percent at the end of 2015 owing to the quantitative easing program in the Euro Area. Japanese yen depreciated by 2.1 percent against U.S. dollar and pound sterling depreciated also by 3.2 percent against U.S. dollar by the end of 2015.

### Equity and Bond Markets

#### Equity Markets

In the United States, Dow Jones Industrial Average (DJIA) index decreased by 2.2 percent to 17,425 at the end of 2015. In Japan, NIKKEI index went up by 9.0 percent to 19,033 at the end of 2015. This was owing to the continuous support of Bank of Japan through quantitative easing and because concerns over global economy slowdown eased.

In Europe, MSCI Euro Index rose by 4.7 percent to 1,169.0 at the end of 2015. In the United Kingdom, FTSE 100 index fell by 5.1 percent to 6,242.3 at the end of 2015 as a result

**Table 1.4: TRENDS OF GOVERNMENT FISCAL BALANCES\***  
(Percent)

	2013	2014	2015	Projections 2016
Advanced economies	-3.6	-3.2	-3.0	-2.9
United States	-4.4	-4.1	-3.7	-3.8
Euro area	-3.0	-2.6	-2.0	-2.0
Germany	0.1	0.3	0.6	0.1
France	-4.1	-3.9	-3.6	-3.4
Italy	-2.9	-3.0	-2.6	-2.7
Japan	-8.5	-6.2	-5.2	-4.9
U.K.	-5.6	-5.6	-4.4	-3.2
Canada	-1.9	-0.5	-1.7	-2.4

\*Ratio of surplus/deficit to GDP.

Source: IMF, World Economic Outlook, April, 2016.



of the Bank of England decision to maintain its financial policy in light of low inflation rate.

## **Bond Markets**

U.S. Treasury bonds yields rose during 2015 as U.S. 6-month bond yield went up to 0.479 percent, U.S. 1-year bond yield also went up to 0.602 percent, U.S. 2-year bond yield increased to 1.052 percent, and U.S. 3-year bond yield increased to 1.309 percent.

Japan government bond (JGB) yields declined at the end of 2015. JGB 2-year yield recorded negative rates, falling to -0.008 percent, JGB 15-year yield fell to 0.552 percent, JGB 20-year yield fell to 1.004 percent, and JGB 30-year yield went down to 1.273 percent.

In Euro Area, all government bond yields fell at the end of 2015 except for long-maturity bonds as 20-year bond yield rose to 1.229 percent, and 15-year bond yield went up to 0.945 percent.

In the UK, most government bond yields increased at the end of 2015, as 25-year bond yield increased to 2.642 percent, and 10-year bond yield went up to 1.96 percent.

## **World Trade and Balances of Payments**

### **A. World Trade**

The growth rate of world trade volume dropped from 3.5 percent in 2014 to 2.8 percent in 2015, and it is projected to record 3.1 percent in 2016. As for goods and services exports, advanced economies recorded a growth rate of 3.4 percent in 2015 and the rate is projected to decrease to 2.5 percent in 2016. Emerging markets and

developing economies recorded a growth rate of 1.7 percent in 2015, and it is projected to rise to 3.8 percent in 2016 (Table 1.5).

As for imports volume, goods and services imports in advanced economies recorded growth rate of 4.3 percent in 2015 against 3.5 percent in 2014, and the rate is projected to fall to 3.4 percent in 2016. Imports in emerging markets and developing economies increased by 0.5 percent in 2015 compared to 3.7 percent in 2014, and the growth is projected to increase further to 3.0 percent in 2016.

### **B. Current Account Balances**

Current account balance (as a percentage of GDP) in advanced economies recorded a surplus of 0.7 percent in 2015 against a surplus of 0.5 percent in 2014 and it is projected to remain stable in 2016. In the United States, the current account registered a deficit of 2.7 percent in 2015 against a deficit of 2.2 percent in the preceding year, and it is projected to increase further to 2.9 percent in 2016. In Euro Area, the current account recorded a surplus of 3.0 percent in 2015 against a surplus of 2.4 percent in 2014, and it is projected to rise to 3.4 percent in 2016. In Germany, the surplus increased to 8.5 percent in 2015, and is projected at 8.4 percent in 2016. In France, current account deficit declined from 0.9 percent in 2014 to 0.1 percent in 2015 and it is projected to record a surplus of 0.6 percent in 2016. In Italy, the current account registered a surplus of 2.1 percent in 2015 compared to a surplus of 1.9 percent in 2014, and the surplus is projected to go up to 2.3 percent in 2016. In Japan, the surplus increased from 0.5 percent in 2014 to 3.3 percent in 2015, and is projected to



**Table 1.5: WORLD TRADE AND CURRENT ACCOUNT**  
(Percent)

	2014	2015	Projections 2016
<b>Growth rate of world trade (goods and services )</b>	3.5	2.8	3.1
<b>Exports</b>			
Advanced economies	3.5	3.4	2.5
Emerging markets and developing countries	3.1	1.7	3.8
<b>Imports</b>			
Advanced economies	3.5	4.3	3.4
Emerging market and developing countries	3.7	0.5	3.0
<b>Current Account<sup>(1)</sup></b>			
Advanced economies	0.5	0.7	0.7
USA	-2.2	-2.7	-2.9
Euro area	2.4	3.0	3.4
Germany	7.3	8.5	8.4
France	-0.9	-0.1	0.6
Italy	1.9	2.1	2.3
Japan	0.5	3.3	3.8
U.K.	-5.1	-4.3	-4.3
Emerging Markets and Developing Economies	0.5	-0.2	-0.6
Emerging and Developing Asia	1.4	1.9	1.7
Commonwealth of Independent States	2.1	2.8	2.0
MENA	6.0	-3.8	-7.5
Sub-Saharan Africa	-4.1	-6.0	-6.2
Latin America and Caribbean countries	-3.1	-3.6	-2.8
(1) Ratio of surplus/deficit to GDP.			
Source: IMF, World Economic Outlook, April, 2016.			

rise to 3.8 percent in 2016. In the United Kingdom, the deficit declined from 5.1 percent in 2014 to 4.3 percent in 2015, and is projected to remain the same in 2016 (Table 1.5).

In emerging markets and developing economies, the current account (as a percentage of GDP), recorded a deficit of 0.2 percent in 2015 against a surplus of 0.5 percent in the preceding year, and is projected to record a deficit of 0.6 percent in 2016. In emerging and

developing Asia, the surplus in current account (as a percentage of GDP) went up from 1.4 percent in 2014 to 1.9 percent in 2015, and is expected to drop to 1.7 in 2016. In Commonwealth of Independent States, the surplus went up from 2.1 percent in 2014 to 2.8 percent in 2015, and is projected to decrease to 2.0 percent in 2016. In Middle East and North Africa, current account recorded a deficit of 3.8 percent in 2015 compared with a surplus of 6.0 percent in 2014, and is expected to recorded a



deficit of 7.5 percent in 2016. In Sub-Saharan Africa, current account deficit rose to 6.0 percent in 2015 against a deficit of 4.1 percent in the preceding year, and the deficit is projected to rise to 6.2 percent in 2016. In Latin America and the Caribbean, current account deficit went up from 3.1 percent in 2014 to 3.6 percent in 2015, and is expected to decline to 2.8 percent in 2016.

### C. Financial Account Balances

The financial account balance of advanced economies recorded a surplus of \$643.2 billion in 2015 against a surplus of \$456.8 billion in 2014, and is expected to record a surplus of \$691.9 billion in 2016. In the United States, the financial account deficit fell to \$209.2 billion in 2015 compared to \$239.6 billion in 2014. In Euro Area, the financial account recorded a surplus of \$239.6 billion against a surplus of \$403.3 billion. In Germany, the financial account surplus fell to \$285.2 billion from \$323.3 billion in the preceding year. In France, the financial account deficit decreased to \$10.3 billion compared with \$14.4 billion. In Japan, the financial account surplus increased to \$174.7 billion in 2015 compared with \$51.1 billion in 2014.

As for emerging markets and developing economies, the financial account deficit increased to \$182.1 billion in 2015 compared with \$49.8 billion in 2014. In Sub-Saharan Africa, the financial account recorded a deficit of \$76.7 billion against a deficit of \$71.7 billion in the preceding year. In emerging and developing Asia, the financial account surplus rose to \$147 billion compared to \$57.2 billion. In MENA countries, Afghanistan and Pakistan, net financial account of

balances of payments recorded a deficit of \$93.3 billion against a surplus of \$196.5 billion in the preceding year. The net account deficit is projected to reach \$170.2 billion in 2016. (Table 1.6).

### Economic Developments in GCC countries

Real economic growth rates in GCC countries varied in 2015. The growth rate in Saudi Arabia declined slightly from 3.6 percent in 2014 to 3.5 percent in 2015. For UAE, it went down from 4.6 percent to 3.9 percent. For Qatar, it fell from 4.0 percent to 3.3 percent. For Bahrain, it declined from 4.5 percent to 3.2 percent. On the other hand, the growth rate in Kuwait and Oman rose to 0.9 percent and 4.1 percent respectively in 2015.

As for the inflation rate, it dropped in Saudi Arabia from 2.7 percent in 2014 to 2.2 percent in 2015. In Bahrain, it fell from 2.7 percent to 1.8 percent. In Qatar, it declined from 3.3 percent to 1.7 percent. In Oman, it dropped from 1.0 percent to 0.2 percent. However, the inflation rate increased in UAE from 2.3 percent to 4.1 percent and in Kuwait from 2.9 percent in 2014 to 3.4 percent in 2015.

With regards to balances of payments, total exports of GCC countries declined by 29.0 percent from \$1,019 billion in 2014 to \$722.6 billion in 2015. Total imports of GCC countries also fell by 0.6 percent from \$498.0 billion to \$494.8 billion. Most GCC countries recorded a deficit in their current accounts as Saudi Arabia recorded a deficit of \$40.6 billion in 2015, UAE \$8.0 billion, Bahrain \$250 million and Oman \$4.5 billion. On the other hand, the current account



**Table 1.6: FINANCIAL ACCOUNT**  
(Percent)

	2014	2015	Projections 2016
<b>Advanced economies</b>	<b>456.8</b>	<b>643.2</b>	<b>691.9</b>
USA	-239.6	-209.2	-156.9
Euro area	403.3	239.6	---
Germany	323.3	285.2	292.0
France	-14.4	-10.3	17.3
Italy	61.4	46.1	43.7
Japan	51.1	174.7	164.4
U.K.	-166.2	-124.0	-120.0
Canada	-39.1	-43.2	-51.7
<b>Emerging markets and developing countries</b>	<b>-49.8</b>	<b>-182.1</b>	<b>-98.6</b>
Sub-Saharan Africa	-71.7	-76.7	-81.7
Emerging and Developing Asia	57.2	147.0	273.8
MENA, Afghanistan and Pakistan	196.5	-93.3	-170.2
Emerging and Developing Europe	-40.2	-5.5	-24.2
Latin America and Caribbean countries	-185.6	-212.0	-147.2
Commonwealth of Independent States	-6.0	58.5	50.9

Source: IMF, World Economic Outlook, April, 2016.

surplus in Kuwait and Qatar decreased to \$11.9 billion and \$7.5 billion respectively in 2015. (Table 1.7).

## Regional and International Cooperation

### 1. GCC Monetary Union

The Charter of the Gulf Monetary Council (GMCO) entered into force on March 27, 2010. The Council members are Saudi Arabia, Bahrain, Qatar and Kuwait, and it is based in Riyadh.

GMCO has completed its institutional structure including strategy, organizational structure, administrative policies and procedures, governance and internal control

policy, human resources, information technology and legal aspects of its work.

It has also exerted vigorous efforts to build cooperative relationships with relevant international organizations, and has opened communication channels with the International Monetary Fund, the World Bank, the European Central Bank and the Arab Monetary Fund. GMCO has started cooperation with the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf ("GCC-Stat") in the field of statistics. GMCO signed a Memorandum of Understanding (MoU) with





**Table 1.7: MAJOR DEVELOPMENTS IN GCC ECONOMIES**

	UAE		Bahrain		KSA		Oman		Qatar		Kuwait	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Nominal GDP (Billion US dollar)	399.4	345.5	33.8	30.4	753.8	653.2	77.8	58.5	210.1	185.4	172.0	120.7
Real GDP growth (percentage)	4.6	3.9	4.5	3.2	3.6	3.5	2.9	4.1	4.0	3.3	0.0	0.9
Inflation rate	2.3	4.1	2.7	1.8	2.7	2.2	1.0	0.2	3.3	1.7	2.9	3.4
Imports (Billion US dollar)	239.8	260.0	13.3	9.5	158.4	141.8	27.9	26.0	31.1	30.0	27.4	27.5
Exports (Billion US dollar)	370.7	330.0	21.0	15.0	342.3	204.6	53.2	38.0	126.9	75.0	104.8	60.0
Current account (Billion US dollar)	60.0	-8.0	1.1	-0.3	77.6	-40.6	4.1	-4.5	49.6	7.5	53.9	11.9
Ratio of current account to GDP*	15.0	-2.3	3.3	-0.8	10.3	-6.2	5.3	-7.7	23.6	4.0	31.3	9.9
Rational surplus, deficit in fiscal balance*	5.0	-4.9	-5.8	-15.1	-3.4	-16.3	-1.6	-20.4	18.1	10.3	26.6	1.2
Population (million)	9.3	9.6	1.3	1.3	30.8	31.4	3.7	3.8	2.2	2.4	4.0	4.1

\* Ratio of surplus/deficit to GDP (at current prices).

Source: IMF, Regional Economic Outlook, and Arabic Economic Outlook.

the European Central Bank. The MoU provides a framework for a regular exchange of information, technical cooperation between the two institutions which may take the form of exchange of expertise and joint seminars and workshops in areas of mutual interest. Moreover, GMCO signed another memorandum of understanding with the World Bank Group. Work is underway to sign memorandums of understanding with other relevant international organizations.

## 2. Gulf Common Market

The Gulf Common Market has 52.6 million people, and a gross national product of \$1.37 trillion. Intra-trade in GCC countries increased steadily from \$80.5 billion in 2010 to \$123.7 billion in 2014. Statistics show that

more GCC citizens are benefiting from the common market's decisions as the number of citizens travelling between GCC countries reached 18.9 million in 2014. Furthermore, the number of GCC citizens practicing different economic activities in other Gulf countries increased as the total number of licenses issued to GCC citizens reached more than 47.4 thousand. The number of GCC citizens benefiting from real estate's ownership decisions went up as 23,509 purchases were made in 2014. As for stock markets, the number of GCC traders in other GCC stock markets reached 515.8 thousand, trading in 650 joint-stock companies during 2014.

## 3. Arab Financial Institutions

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



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

### **A. Arab Monetary Fund (AMF)**

As of the end of 2015, the balance of loan commitments was about AAD 528.8 million (\$2.2 billion) representing 67 percent of paid-up capital, up from AAD 474.3 million at the end of 2014 (\$2.1 billion) representing 62 percent of paid-up capital.

Total loans extended by the Fund to member countries as of the end of 2015 was AAD 1.95 billion (about \$8.2 billion). Total number of loans extended by the fund to member countries was 174 loans to 14 member countries.

Loans extended by the Fund to support balance of payments (i.e. ordinary, automatic, compensatory and extended loans) were at the top of facilities granted by the Fund since the beginning of its lending activities in 1978 through the end of 2015, representing 63 percent of total loans extended throughout this period. The structural adjustment facilities extended came second with 32 percent. The trade structural facility accounted for 3.3 percent, followed by oil structural facility with 1.7 percent.

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

In 2015, 19 loans with a value of \$200 million were approved for development projects in Africa. Infrastructure sector accounted for the largest share of total loans, amounting to 56.40

percent. The social sector accounted for 23.3 percent, and the agriculture and rural development sector accounted for 17.8 percent of the total.

With regard to the financial position of BADEA, indicators show that BADEA has continued its policy of maintaining a sound financial position, which has resulted in an increase of its net assets which reached \$4,203 million at the end of 2015 compared to \$4,086 at the end of 2014, due to increase in revenues generated from securities investments and the receipt of part of the first instalment of BADEA's capital increase while continuing to control its administrative expenses.

Net income fell to \$15.4 million in 2014 compared to \$189.2 million in 2014 due to low performance of global equity markets during 2015 compared with 2014.

### **C. Arab Fund for Economic and Social Development**

During 2015, the Fund extended 15 loans with a total of KD 426.2 million to finance projects in 8 Arab countries. The total cost of these projects is KD 1.2 billion and the ratio of loans to total cost stood is 35 percent. The cumulative value of 641 loans extended by the Arab Fund since it started operations in 1974 up to the end of 2015 reached KD 8.8 billion.

In 2015, total income reached KD 96.5 million; KD 87.3 million from loan interests, KD 8.0 million from investments, KD 0.9 million from Arab Trade Finance Program and KD 0.3 million from other operational activities. Administrative expenses reached KD 8.5 million



in 2015, on the following: Employees' salaries and allocations KD 6.8 million and other expenses KD 1.7 million. Thus, net profit totaled KD 77.5 million compared to KD 84.4 million in 2014.

#### **D. Arab Investment and Export Credit Guarantee Corporation (DHAMAN)**

DHAMAN's assets totaled \$437 million in 2015 (70.9 percent in investments, 26.7 percent in cash and deposits and 2.4 percent in other assets). Equity stood at \$412.1 million at the end of 2015, increasing by \$28.45 million.

Total income of DHAMAN was \$21.9 million in 2015; \$8.6 million from guarantees, banks and bonds interest income, accounts on demand and other miscellaneous income, \$13.3 million from investment income, dividends income, sale of a number of investments in bonds, financial funds, investment portfolios and currency differences.

General and administration expenses were \$9.8 million less than the estimates of 2015 budget.

Net profit for the year 2015 amounted to \$12.1 million compared with \$6.1 million in the preceding year.

#### **E. Arab Authority for Agricultural Investment and Development (AAID)**

AAID's total contribution in capitals of existing and to-be-formed companies in 2015 (contributions and loans) was around \$573.5 million, equivalent to 103 percent of its paid-up capital of \$566 million.

Total income of AAID was \$94.0 million in 2015 against \$44.9 million in the preceding year. Income was generated mainly from investment portfolios, loans and companies' profits. Net profit reached \$33.0 million, compared to \$26.0 million in the preceding year.

AAID's total assets stood at \$795.0 million at the end of 2015 against \$798.0 million in the preceding year. AAID's total liabilities stood at \$45.6 million at the end of 2015 against \$150 million in the preceding year.

#### **4. Islamic Development Bank (IDB)**

IDB's total assets rose from \$22.4 billion at the end of 2014 to \$22.7 billion at the end of 2015. Total liabilities also went up from \$10.9 billion to \$11.6 billion while total income declined from \$564.6 million to \$544.4 million during same period of the preceding year. IDB's net income stood at \$199.8 million in 2015 against \$245.0 million in 2014 while total loans disbursed amounted to \$2.1 billion compared to \$1.9 billion in 2014. Outstanding loans amounted to \$13.4 billion in 2015 compared to \$11.8 billion in 2014 and total repaid loans stood at \$1.1 billion in 2015 compared with \$1.2 billion in 2014.

#### **5. OPEC Fund for International Development (OFID)**

OFID's equity (including reserves and member countries contribution) was \$6.9 billion at the end of 2015, recording a fall of \$1.8 million compared to 2014. Its total assets stood at \$7.0 billion, declining by \$9.3 million against the preceding year. OFID's total extended loans until 2015 stood at \$11.3 billion against \$10.4 billion until 2014. Total repaid loans amounted to \$6.8 billion



until 2015 against \$6.2 billion in the preceding year. Total income in 2015 was \$76.3 million against \$95.8 million in 2014. The net income in 2015 was \$20.7 million against \$40.2 million in 2014.

## **6. International Monetary Fund (IMF)**

### **International Monetary and Financial Committee (IMFC)**

IMFC held its thirty-third meeting in Washington, D.C. on April 16, 2016. The meeting discussed the global economy which continues to expand modestly, and the outlook which has weakened somewhat since October. Moreover, financial market volatility has risen and the significant slowdown in global trade growth also persists. In addition, advanced economies were restrained by global weak demand.

Activity in emerging market and developing economies has cooled down, although it still accounts for the bulk of world growth as lower commodity prices have adversely affected these economies. The Committee reinforced its commitment to strong, sustainable, inclusive, job-rich, and more balanced global growth. IMFC called for reinforcing structural reforms and macroeconomic policies to stimulate actual and potential growth, enhance financial stability, and avert deflation risks. The meeting emphasized that clear and effective communication of policy stances will be key to limit excessive market volatility and negative spillovers.

Moreover, the Committee emphasized that a growth-friendly fiscal policy is needed in all countries, and fiscal strategies should aim to support the economy.

## **7. World Bank Group (WBG)**

### **Development Committee**

The Development Committee met in Washington, D.C., on April 16, 2016. The Committee called on the World Bank Group (WBG) and the International Monetary Fund (IMF) to monitor substantial downside risks to growth including weak demand, softening trade, persistently low oil and commodity prices. Also, the Committee called on them to provide policy advice and financial support for sustained and inclusive growth. The Committee welcomed Islamic Development Bank, UN and WBG efforts to develop the financing facility for the Middle East and North Africa and asked the WBG to explore options to develop a long term global crisis response platform.

The Committee supported collaboration among MDBs on developing high quality financing for sustainable and growth-oriented infrastructure investments and stressed on the private sector role in achieving development objectives.

## **8. Bank for International Settlements (BIS)**

The BIS held its annual meeting in Basel, Switzerland, on June 28, 2015. In its 58th Annual Report, the BIS called for a shift to a longer-term focus in policymaking, with the aim of restoring sustainable and balanced growth. The report pointed out that low oil prices slightly boosted global growth whereas strong U.S. dollar undermined the momentum of this growth.

The report also highlighted that further lowering interest rates played a role in global growth imbalances and had negative impacts,



particularly on some sovereign bond yields which dropped into negative territory. In addition, the report acknowledged that it is difficult to understand the reasons behind growth slowdown, including the relationship between financial developments, growth and inflation in global economy. It indicated that misallocations of resources may weaken them during financial booms, and countries with economies that do not need monetary and financial easing may be impacted by adopting recommendations and guidelines followed by countries with weaker growth.

### **9. Financial Stability Board (FSB)**

The Financial Stability Board (FSB) met in March, 2016 in Tokyo to take forward its 2016 priorities. Among these priorities is supporting the full, timely and consistent implementation of post crisis reforms, while remaining ready to address any material unintended consequences. In this regard, the Board agreed on the approach to producing its second annual report on the implementation and effects of reforms. This year's report will include a review of any significant change in market liquidity. In addition, the Board addressed vulnerabilities and potential risks that may affect the global financial system. In light of the increased importance of market-based finance, a key deliverable for the Hangzhou Summit will be the launch of public consultation on policy recommendations to address structural vulnerabilities from asset management activities. The Board is promoting robust financial infrastructure, working with the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities

Commissions (IOSCO) to assess policies on central counterparty (CCP) resilience, recovery and resolvability.

### **10. Basel Committee on Banking Supervision (BCBS)**

In January 2015, BCBS issued the final standard for the revised Pillar 3 related to disclosure requirements. The requirements will enable market participants to compare banks' disclosures of risk-weighted assets. they will come into effect by the end of 2016.

The Committee also issued the final standards for different subjects which will take effect by January 1, 2017. These subjects are as follows:

- The final capital requirements for central counterparties - state the risk-weighted assets' treatment of exposures to central counterparties (CCPs) as well as the initial and variation margins.
- Capital requirements for equity investments in funds - address the capital treatment of equity investments of all types of funds through different approaches.
- The standardised approach for measuring counterparty credit risk exposures - includes a new approach for measuring counterparty credit risk associated with OTC derivatives.
- Securitisation framework - addresses simple, transparent and comparable securitisation.
- Intraday liquidity requirements - address monitoring intraday liquidity requirements for all banks.
- Margin requirements for OTC derivatives - address developing margin requirements



(initial and variation margin) for OTC derivatives in addition to developing different types of payments for all derivatives.

## 11. The Group of Twenty (G20)

G20 leaders met in Antalya, Turkey, on 15-16 November 2015. They stressed on encouraging investment to create more jobs and contribute to robust and sustainable growth. The leaders also addressed the importance of encouraging investment among countries as a major element to boost global growth and also encouraged inclusive policies to lift collective G20 GDP by an additional 2 percent by 2018.

The leaders discussed the challenges that continue to weigh on actual and potential growth, which are; risks and uncertainties in financial markets, shortfall in global demand and structural problems. The Summit urged policy makers to adopt sound and strong economic policies to achieve target growth goals, and to solve unemployment and informal jobs which can undermine growth prospects. Moreover, private sector participation in inclusive growth was highlighted.

In addition, G20 leaders stressed that strengthening the resilience of financial institutions is crucial to sustaining growth. To that end, they have finalized legal frameworks and international standards for systematically important banks and insurers. The leader also addressed enhancing tax systems, strengthening developing economies' engagement in the

international tax agenda, and intolerance towards corruption. The leaders expressed their disappointment with the continued delay in implementing the IMF quota and governance reforms and urged the United States to ratify these reforms as soon as possible.

Finally, G20 Leaders agreed on the importance of focusing on key areas for sustainable development particularly in less developing countries such as food security and nutrition, energy access, human resource development, quality infrastructure, and financial inclusion.

## 12. OPEC

The 168th Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was held in Vienna, Austria, in December 2015. The Conference reviewed a number of topics it deemed a priority for members such as climate change, environmental protection and sustainable development. Moreover, the Conference emphasized the significance of continued dialogue with other oil-producing countries with regard to oil and energy issues. In terms of supply and demand, it was noted that non-OPEC supply is expected to contract in 2016, while global demand is anticipated to expand again by 1.3 mb/d. The Conference discussed how to ensure a long-term stable and balanced oil market for both producers and consumers.



The Saudi economy continued its growth during 2015 despite the fall in global oil prices, drawing upon the vision of the Council of Economic and Development Affairs. The council aims at establishing economic and development policies, framing them in a harmonious framework to achieve growth objectives through five-year plans and limiting the reliance on oil revenues, as GDP at constant prices (base year 2010) grew by 3.5 percent to SAR 2,520.8 billion.

The Kingdom has adopted a new growth path represented in “The 2030 Vision of the Kingdom of Saudi Arabia” which depends on three main fundamentals: A dynamic community, flourishing economy and ambitious nation. The objectives envisaged in the vision are: Promoting the national economy; reducing unemployment rate; increasing the contribution of small and medium enterprises to GDP; raising the ratio of females participation in the labor market; increasing the value of the Public Investment Fund’s assets; raising the ratio of direct foreign investments to GDP; enhancing the contribution of the private sector to GDP to 65 percent; increasing non-oil government revenues to SAR 1,000 billion a year from the current SAR 163 billion; and increasing the ratio of household savings to its total income.

To meet the expectations and aspirations of the Kingdom’s vision,

implementation of a number of programs that would contribute and pave the road to the new growth path has commenced. The programs that would help in achieving the vision include: the Government Restructuring program; Visions and Directions program; Fiscal Balance program; Project Management program; Regulations Review program; Performance Measurement program; Saudi Aramco Strategic Transformation Program; the PIF’s Restructuring Program; the Human Capital program; the National Transformation program; Strategic Partnerships program; Privatization program; and the program for Strengthening Public Sector Governance.

With regards to the oil market, data of the Organization of Petroleum Exporting Countries (OPEC) for 2015 show a decrease in the average price of the Arabian Light crude oil by 48.7 percent to \$49.85 per barrel from \$97.18 per barrel in 2014. According to the Ministry of Petroleum and Mineral Resources data, the Kingdom’s average daily production of oil rose by 4.9 percent to 10.19 million barrels in 2015 compared to 9.71 million barrels in 2014.

Moreover, the actual state budget registered a deficit of SAR 362.2 billion in 2015. The current account of balance of payments recorded a deficit of SAR 200.5 billion or 8.2 percent of GDP in 2015. Broad money (M3) increased by 2.6 percent to SAR 1,774.1 billion (Table 2.1).





**Table 2.1: SELECTED ECONOMIC INDICATORS**

	2012	2013	2014	2015
Estimated population (in million)	29.20	29.99	30.77	31.52
GDP at current prices (billion Riyals)	2752.33	2791.26	2826.87	2422.51
GDP at constant prices (billion Riyals) (2010=100)	2289.25	2350.37	2435.90	2520.80
Non-oil GDP deflator	110.07	113.03	117.03	122.36
Inflation rate (consumer prices)	2.87	3.52	2.68	2.18
Aggregate money supply M3 (billion Riyals)	1393.75	1545.15	1729.36	1774.10
Daily Average for Saudi Oil Production (Million Barrel)	9.76	9.64	9.71	10.19
Average price of Arabian Light oil* (US\$)	110.22	106.53	97.18	49.85
Riyal's real effective exchange rate (2010=100)	99.61	102.35	105.35	118.49
Ratio of currency in circulation to total money supply	9.55	9.27	8.89	9.54
Ratio of total deposits to total money supply	90.45	90.73	91.11	90.46
Net foreign assets of domestic banks (billion Riyals)	133.43	136.29	159.34	225.54
Interest Rates on Saudi Riyal Deposits (3 Months)**	0.92	0.95	0.94	0.88
Bank capital adequacy ratio (Basel II)	18.23	17.87	17.88	18.08
Actual government revenues (billion Riyals)	1247.40	1156.36	1044.37	615.91
Oil revenues (billion Riyals)	1144.82	1035.05	913.35	446.44
Actual government expenditures (billion Riyals)	873.31	976.01	1109.90	978.14
Budget deficit (billion Riyals)	374.09	180.35	-65.54	-362.23
Ratio of budget deficit to GDP	13.59	6.46	-2.32	-14.95
Merchandise Exports (billion Riyals)***	1456.39	1409.52	1284.12	763.31
Import of goods (CIF) (billion Riyals)	583.47	630.58	651.88	655.03
Ratio of current account surplus to GDP	22.45	18.20	9.78	-8.28
Current account (billion Riyals)	617.86	507.91	276.59	-200.54
Share price index (1985=1000)	6801.22	8535.60	8333.30	6911.76
Debt to GDP	3.05	2.15	1.57	5.87

\* OPEC's sources.

\*\* Interbank offered rates .

\*\*\* Including oil and non-oil exports.

Source: General Authority for Statistics, SAMA, CMA, Ministry of Finance and Petroleum and Mineral Resources.





## Economic Growth

Data on GDP at constant prices indicates that it grew by 3.5 percent to SAR 2,520.8 billion in 2015 compared to a growth of 3.6 percent in 2014. The oil sector GDP increased by 4.0 percent to SAR 1,085.1 billion, while the non-oil sector GDP rose by 3.1 percent to SAR 1,414.9 billion. The growth rate of the non-oil private sector GDP went up by 3.4 percent to SAR 989.9 billion, and that of the non-oil

government sector by 2.5 percent to SAR 424.9 billion.

Most major economic activities at current prices grew at varied rates in 2015 (Table 2.2). Manufacturing industries activity grew by 5.8 percent; the construction and building activity by 5.6 percent; electricity, gas and water activity by 5.3 percent; transport, storage and communications activity by 4.0 percent; mining

**Table 2.2: GROSS DOMESTIC PRODUCT BY ECONOMIC SECTORS  
AT PRODUCERS' VALUES AT CONSTANT PRICES (2010=100)**

(Million Riyals)

	2013	2014	2015*	% Change in 2015
<b>A. Industries and other producers</b>				
(excluding government services' producers)				
1. Agriculture, forestry & fishing	49,623	50,502	51,052	1.1
2. Mining & quarrying	963,602	972,729	1,004,215	3.2
a. Crude oil & natural gas	954,551	963,411	994,714	3.2
b. Other mining & quarrying activities	9,051	9,318	9,501	2.0
3. Manufacturing industries	255,603	279,987	296,140	5.8
a. Oil refining	62,029	74,173	84,009	13.3
b. Other industries	193,574	205,813	212,131	3.1
4. Electricity, gas & water	29,836	31,282	32,928	5.3
5. Construction and building	112,617	120,211	126,930	5.6
6. Wholesale & retail trade, restaurants & hotels	212,697	225,420	232,207	3.0
7. Transport, storage & communication	128,620	136,602	142,005	4.0
8. Finance, insurance, real estate and business services	218,365	225,533	231,984	2.9
a. Houses ownership	115,307	119,382	124,000	3.9
b. Others	103,059	106,152	107,984	1.7
9. Community, social & personal services	45,340	47,908	49,198	2.7
10. Less calculated banking services	20,169	20,333	20,514	0.9
<b>B. Government services' producers</b>	<b>335,057</b>	<b>346,099</b>	<b>353,919</b>	<b>2.3</b>
<b>Total (excluding import duties)</b>	<b>2,331,192</b>	<b>2,415,940</b>	<b>2,500,063</b>	<b>3.5</b>
Import duties	19,181	19,956	20,739	3.9
<b>GDP</b>	<b>2,350,373</b>	<b>2,435,896</b>	<b>2,520,802</b>	<b>3.5</b>

\* Preliminary data.

Source: General Authority for Statistics .



and quarrying activity by 3.2 percent; wholesale and retail trade, restaurants and hotels activity by 3.0 percent; finance, insurance, real estate and business services activity by 2.9 percent; community, social, and personal services activity by 2.7 percent; the activity of the government services' producers by 2.3 percent; and agriculture, forestry and fishing activity by 1.1 percent over the previous year.

### Saudi Economy Growth Projections for 2016

SAMA prepares annual projections for the most important economic indicators in the Kingdom, using a standard econometric model developed according to specific assumptions concerning monetary and financial policies and exogenous variables affecting directly or indirectly the endogenous indicators of the model. Crude oil production volume and oil barrel price are considered among the most

important exogenous variables affecting the used models.

Preliminary projections of the model indicate that GDP at constant prices would rise by 1.8 percent in 2016. At the sectors level, projections show that the oil sector real GDP would increase by 1.2 percent, whereas the non-oil sector GDP would increase by 2.5 percent in 2016. It is also expected that the non-oil government sector would record a growth rate of 1.8 percent, and the non-oil private sector would grow by 2.8 percent.

The current account is projected to record a deficit of 9.4 percent of GDP, and the inflation rate is expected to range between 3.8 percent and 4.3 percent (base year 2007) in 2016. Table (2.3) shows SAMA's estimates compared to IMF's projections for 2016.

**Table 2.3: SAMA AND IMF PROJECTIONS OF THE MOST PROMINENT INDICATORS OF THE SAUDI ECONOMY FOR 2016**

<u>Selected Economic Indicators</u>	<u>SAMA*</u>	<u>IMF <sup>(1)</sup></u>
GDP growth (at Constant Prices)	1.8	1.2
Oil Sector	1.2	--
Non-oil sector	2.5	--
Non-oil private sector	2.8	--
Non-oil government sector	1.8	--
Ratio of current account surplus to GDP	-9.4	-10.2
Inflation rate	3.8 - 4.3	3.8

\* Preliminary Projections (April 2016).

(1) IMF Projections (April 2016).



## Supply and Demand

Total supply of goods and services for non-oil sector at current prices recorded a rise of 4.2 percent in 2015 (Table 2.4). The non-oil sector GDP (at current prices) increased by 7.8 percent. The non-oil GDP of the government sector also grew by 14.5 percent, and that of the private sector by 5.1 percent. Total imports, however, declined by 1.9 percent.

Total demand on goods and services for non-oil sector at current prices recorded an increase of 2.4 percent in 2015 over 2014. This rise was due to an increase of 3.4 percent in consumption expenditure. The private sector's

final consumption rose by 8.7 percent despite a decrease in the government sector's final consumption by 3.1 percent. Gross investment expenditure (gross capital formation) rose by 4.1 percent, while non-oil exports went down by 9.5 percent (Table 2.4).

## Money Supply and Banking Activity

Broad money supply (M3) increased by 2.6 percent to SAR 1,774.1 billion in 2015 compared to an increase of 11.9 percent to SAR 1,729.4 billion in the preceding year. Currency circulated outside banks rose by 10.1 percent, and other quasi-monetary deposits by 3.4 percent. Time and savings

**Table 2.4: DOMESTIC AGGREGATE NON-OIL SECTOR'S SUPPLY AND DEMAND**  
(At current prices)

	2013	2014	2015*	% change in 2015
<b>Aggregate supply**</b>	<b>2,341,425</b>	<b>2,563,622</b>	<b>2,670,772</b>	<b>4.2</b>
Non-oil GDP	1,479,296	1,605,935	1,731,373	7.8
Government sector	436,977	465,745	533,143	14.5
Private sector	1,042,319	1,140,191	1,198,231	5.1
Total imports	862,128	957,686	939,398	-1.9
<b>Aggregate demand</b>	<b>2,445,879</b>	<b>2,718,215</b>	<b>2,782,613</b>	<b>2.4</b>
Final consumption	1,467,257	1,649,013	1,704,946	3.4
Government consumption	628,522	739,156	716,139	-3.1
Private consumption	838,735	909,857	988,807	8.7
<b>Gross capital formation</b>	<b>732,466</b>	<b>806,012</b>	<b>839,370</b>	<b>4.1</b>
<b>Non-oil exports</b>	<b>246,157</b>	<b>263,190</b>	<b>238,298</b>	<b>-9.5</b>
Merchandise exports	201,739	216,254	184,021	-14.9
Service exports	44,417	46,936	54,277	15.6

\* Preliminary data.

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

Source: General Authority for Statistics.



deposits also went up by 9.0 percent compared to 2014, while demand deposits decreased by 1.3 percent.

Banking sector continued its good performance during 2015. Commercial banks' total assets went up by 3.6 percent to SAR 2,208.8 billion compared to SAR 2,132.6 billion in the preceding year. Bank deposits grew by 1.9 percent to SAR 1,604.8 billion. Capital and reserves of commercial banks increased by 9.2 percent to SAR 271 billion, and profits by 6.3 percent to SAR 42.7 billion. Bank credit extended to the private and public sectors also increased by 8.9 percent to SAR 1,361.6 billion. The average capital adequacy ratio (Basel Standard) stood at 18.1 percent at the end of 2015 compared to 17.9 percent in the preceding year.

### **Insurance Sector**

The insurance penetration rate (gross written insurance premiums to GDP) in the Kingdom increased by 1.5 percent in 2015 from 1.1 percent in the preceding year. Insurance density (gross written insurance premiums divided by the number of population) also rose by 19.7 percent to SAR 1,186.1 per capita in 2015 compared to SAR 990.7 per capita in the preceding year.

### **Domestic Stock Market**

Tadawul All Share Index (TASI) registered an annual decline of 17.1 percent to 6,911.8 at the

end of 2015. Market capitalization of issued shares went down by 12.9 percent to SAR 1,579.1 billion at the end of 2015 from SAR 1,812.9 billion at the end of the preceding year. The number of shares traded increased by 6.0 percent to 65.9 billion with a value of SAR 1,660.6 billion.

### **Fiscal Developments**

Preliminary figures of the actual revenues and expenditures for fiscal year 1436/1437 (2015) indicate that actual revenues fell by 41.0 percent to SAR 615.9 billion compared to SAR 1,044.4 billion in the preceding year. Actual expenditures went down by 11.9 percent to SAR 978.1 billion. Current expenditure accounted for 73.0 percent of total expenditures, while capital expenditure accounted for the remaining percentage. Actual deficit was SAR 362.2 billion compared to a deficit of SAR 65.5 billion in 2014. Oil revenues constituted 72.5 percent of the bulk of total revenues in 2015.

### **Current Account and External Trade**

Estimates of the Kingdom's balance of payments indicate a deficit of SAR 200.5 billion in the current account in 2015, constituting 8.3 percent of GDP. This was attributed to a SAR 466.6 billion deficit in goods and services.

Preliminary figures of external trade indicate a decline of 26.7 percent in the volume of the Kingdom's merchandise trade to SAR 1,418.3 billion in 2015 compared to a decrease of 5.1 percent in the preceding year. This decline was attributed to the decreases in the



value of total exports by 40.6 percent to SAR 763.3 billion as opposed to the increase in the value of total imports by 0.5 percent to SAR 655 billion.

### **Commerce and Industry**

Latest data of the Saudi Industrial Property Authority shows that the contribution of manufacturing industries to GDP at constant prices grew by 12.2 percent to SAR 299 billion in 2015 compared to a growth of 10.8 percent in 2014. In 2015, the number of industrial contracts increased by 7.1 percent to 6,000 compared to that of the previous year.

The commerce and industry sectors continued to record remarkable growth rates. During 2015, the Ministry of Commerce and Industry (MCI) issued commercial registers for the establishment of 13,798 new different companies, increasing by 12.4 percent from 12,277 companies established in 2014.

The number of commercial registers issued for companies up to the end of 2015 reached 118.7 thousand from various regions of the Kingdom in varied shares. Riyadh region accounted for the largest share with 39.4 percent, followed by Makkah region with 26.7 percent, and the Eastern province with 20.5 percent of total commercial registers issued for the establishment of companies up to the end of 2015.

As for industry, the MCI issued industrial licenses in 2015 for establishing 576 new

factories in various industrial activities with a total capital of SAR 9.8 billion, creating jobs for more than 36.6 thousand employees and workers. A breakdown of licenses for new projects by industrial activity and total capital in 2015 indicates that 135 licenses were issued for manufactured metals activity (excluding machinery and equipment) with total capital of SAR 3.0 billion, constituting 30.5 percent of total capital of licenses. Moreover, 129 licenses for the manufacturing of other non-metallic minerals with total capital of SAR 2.3 billion, constituting 23.8 percent of total capital of industrial licenses issued in 2015.

At the end of 2015, the total cumulative number of industrial units in the Kingdom that were licensed by the MCI rose to 7,010 producing industrial units with a total capital of SAR 1,099.7 billion, providing nearly 981.6 thousand jobs. A breakdown of the producing industrial units by type of activity and total capital indicates that the total capital for chemical materials and products manufacturing activities for 660 industrial units amounted to SAR 565.5 or 51.4 percent of total capital of the existing units in the Kingdom, followed by the industry of coke and refined oil products for 143 industrial units with SAR 116.6 billion or 10.6 percent of total capital of industrial units.

With regards to foreign investment, the Saudi Arabian General Investment Authority (SAGIA) issued 41 licenses to industrial establishments with a capital of SAR 1.0 billion in 2015. Therefore, the number of foreign



establishments up to the end of 2015 reached 8,908 (industrial, service and other) with a capital of approximately SAR 673.1 billion. The number of Saudi employees working therein reached 153.6 thousand, representing 22 percent of total employees and with monthly wages averaging SAR 6,833. According to the commercial activity, the capital for industrial activity accounted for 77.8 percent (SAR 524 billion) of the total capital of licensed establishments, amounting to 2,367 with 152.5 workers.

## **Tourism**

Preliminary data of the Saudi Commission for Tourism and National Heritage (SCTH) indicates that tourism GDP rose by 6.7 percent to SAR 85.5 billion during 2015 compared to the preceding year. According to the SCTH estimates for the period 2014-2015, its contribution to the non-oil GDP (value-added) was 5.0 percent during 2015.

Expenditure on domestic tourism trips (excluding international transportation costs) rose by 9.4 percent to SAR 47.1 billion in 2015 against SAR 43.1 billion in 2014. This rise was attributed to increases in the expenditure on accommodation facilities by 35.2 percent to SAR 12.8 billion compared to SAR 9.5 billion in the preceding year, and the expenditure on internal transport by 14.6 percent to SAR 6.7 billion compared to SAR 5.9 billion in the preceding year.

Expenditure on inbound tourism trips increased by 54.3 percent to SAR 81.5 billion in

2015 from SAR 52.8 billion in the preceding year. In contrast, expenditure on outbound tourism trips declined by 0.4 percent to SAR 77.7 billion during 2015 against SAR 78 billion in 2014.

In continuation of the SCTH's efforts to develop the hotel sector, the number of hotels of various classes operating in the Kingdom rose to 1,446 at the end of 2015. The number of furnished housing units stood at 2,849 in various cities of the Kingdom in varied shares at the end of 2015. Riyadh region accounted for the largest share of 32.7 percent (933 units) of the total, followed by Makkah region with 22.9 percent (652 units).

Tourism sector plays an important role in creating job opportunities for a large number of job seekers in the Kingdom. SCTH estimates indicate that the number of direct jobs in key tourism sectors in the Kingdom rose by 6.1 percent to 882.9 thousand in 2015, compared to the preceding year's direct jobs of 832.1 thousand in various tourism sub-sectors (Table 2.5). The ratio of national labor force (Saudization) in these jobs represented 27.8 percent during 2015, compared to 27.4 percent in the preceding year.

SCTH estimates indicate that the tourism sector has the capacity to provide an increasing number of direct job opportunities in the tourism sub-sectors, indirect job opportunities induced by the tourism activity in other economic sectors interrelated with the tourism sector, as well as

**Table 2.5: DIRECT JOBS IN TOURISM SECTOR**

<b>Sub-sector</b>	<b>2014**</b>	<b>2015**</b>
Accommodation	115,085	122,107
Restaurants and caf��s	392,755	416,713
Travel & tourism agencies	36,830	39,077
Traveller transportation services*	152,849	162,173
Entertainment services	134,621	142,833
<b>Total</b>	<b>832,140</b>	<b>882,903</b>
<b>Saudization (%)</b>	<b>27.4</b>	<b>27.8</b>

\* Including airlines, railways, public transport companies and car rental companies, excluding taxi drivers.

\*\* Estimates.

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

job opportunities that can be introduced in subsequent periods as a result of the economic spending cycle in all sectors related to tourism development. The tourism sector is expected to create nearly 1.4 million direct and indirect jobs in 2016; 1.9 million in 2021; and 2.3 million in 2026 (Table 2.6).

## Water and Electricity

The government has established 28 water desalination plants spreading over the eastern and western coasts of the Kingdom. During 2015, the production of desalinated water by the Saline Water Conversion Corporation (SWCC) was 1,292.2 million cubic meters against 1,140 million cubic meters in the previous year, with an average daily production of 3,540.1 thousand cubic meters compared to 3,123.3 thousand

**Table 2.6: EXPECTED JOBS IN TOURISM SECTOR**

(Thousand Jobs)

	<b>2021</b>	<b>2026</b>
Direct jobs	1,239.0	1,537.0
Indirect jobs	620.0	768.0
<b>Total</b>	<b>1,859.0</b>	<b>2,305.0</b>

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

cubic meters per day in the preceding year. The amount of electric energy produced at SWCC's plants in the period 1436-1437H (2015) reached 37 million MWh.

The Ministry of Water & Electricity's data for 2015 indicates that the household consumption rate stood at 8.3 million cubic meters per day in 2015 compared to 7.9 million cubic meters per day in the preceding year, rising by 5.1 percent. The annual household consumption in the Kingdom rose to 3 billion cubic meters compared to 2.9 billion cubic meters in the preceding year. The average consumption of water per capita in the Kingdom amounted to 256 liters per day during 2015 compared to 253 liters per day in the preceding year.

Up to the end of 1436/1437H (2015), the number of dams (underground, concrete and mud) across the Kingdom increased to 502 with a total storage capacity of 2.17 billion cubic





meters against 482 with a total storage capacity of 2.08 billion cubic meters in the preceding year.

As for electricity, the Saudi Electricity Company (SEC)'s sales of electricity during 2015 increased by 4.2 percent over the preceding year to 286 million MWh. The residential consumption accounted for 50.4 percent (144 million MWh) of total electricity consumption in the Kingdom, followed by commercial consumption with 16.6 percent (47.4 million MWh). Industrial consumption came third with 15.8 percent (45.1 million MWh), followed by government consumption with 11.5 percent (32.8 million MWh).

As a result of the increase in the generation and consumption of electricity during 2015, the peak load rose to 63,602 megawatts, increasing by 10.7 percent over the preceding year. The actual capacity of electric energy generation also went up to 50,172 megawatts, rising by 2.3 percent over the preceding year.

The number of subscribers benefiting from electricity services in the Kingdom rose to 8.1 million at the end of 2015, increasing by 6.5 percent over the preceding year. Residential consumers accounted for 79.3 percent (6.4 million) of the total number of subscribers. Commercial consumers came next with 16.3 percent (1.3 million) of the total, followed by government consumers with 1.8 percent (142.4 thousand), and agricultural consumers came last

with 1.0 percent (82.7 thousand) (Table 2.7 and Chart 2.1).

### **Agriculture and Animal Husbandry**

According to latest statistics of the Ministry of Agriculture for 2013, the agriculture, forestry and fishing sector grew by 1.8 percent in 2014 against 1.9 percent during the preceding year. GDP (at current prices) of this sector stood at SAR 53.7 billion in 2014 against SAR 51.7 billion in the preceding year, accounting for 1.9 percent of the non-oil sector GDP. The agriculture and fishing sector's share in bank credit extended to economic activities declined to SAR 11.6 billion during 2014 from SAR 12.0 billion during the preceding year, representing 1.0 percent of total credit extended to all economic activities.

### **Agricultural Production**

According to latest statistics issued by the Ministry of Agriculture for 2013, agricultural production declined by 16.0 thousand tons, or 0.2 percent, to 9,277.0 thousand tons from 9,293.0 thousand tons in the preceding year. This was due to the decline in grain production by 18.6 percent to 883.0 thousand tons in 2012 compared to 1,085 thousand tons in the previous year. The cultivated area of grain also fell by 21.8 percent to 166.0 thousand hectares compared to 212.2 thousand hectares in the preceding year.

The number of palm trees in the Kingdom rose by 7.6 thousand or 0.03 percent to 25.10





**Table 2.7: ELECTRICITY GENERATION CAPACITY AND NUMBER OF SUBSCRIBERS  
FOR FISCAL YEAR 1436/1437H(2015)**

(Megawatts)

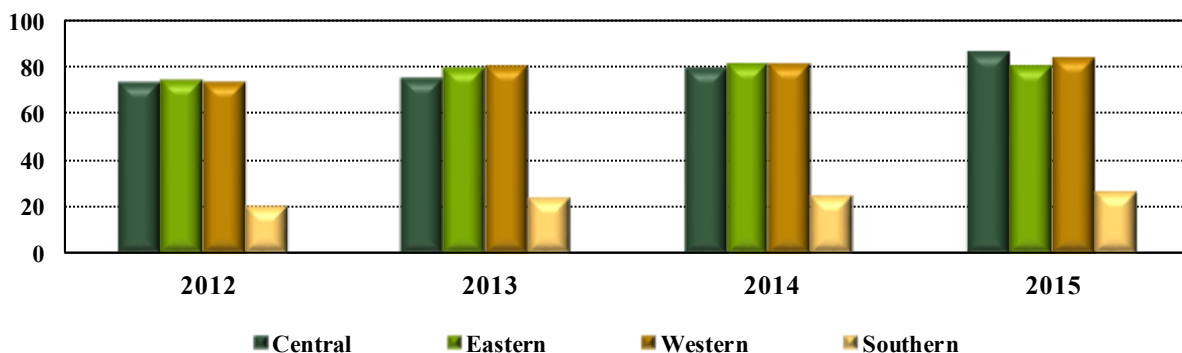
Region	Actual Generation Capacity	Peak Load	Electricity Power Sold					No. of Subscribers
			Residential	Commercial	Governmental	Industrial	Agricultural	
Central	13,558	20,329	48,496,159	16,693,781	11,298,483	6,108,794	3,284,676	2,644,736
Eastern	14,819	19,864	28,132,248	8,943,382	9,048,684	32,411,721	973,952	1,455,418
Western	18,241	18,568	50,728,854	17,502,941	8,537,751	5,815,723	784,321	2,874,875
Southern	3,554	5,343	16,683,439	4,261,477	3,910,639	797,975	124,584	1,119,219
<b>Total</b>	<b>50,172</b>	<b>63602*</b>	<b>144,040,700</b>	<b>47,401,581</b>	<b>32,795,557</b>	<b>45,134,213</b>	<b>5,167,533</b>	<b>8,094,248</b>

\* Noncoincidental

Source: Saudi Electricity Company

**Chart 2.1: Electricity Sales Growth of the Saudi Electricity Company  
(2012- 2015)**

Thousand Migawatts / h



million at the end of 2013 compared to 25.09 million in the preceding year. These trees were grown on an area of 157.0 thousand hectares. Production of dates stood at 1.1 million tons during 2013, rising by 64.0 thousand tons or 6.2 percent over the preceding year, bringing the Kingdom to a high rank in date production globally. The Kingdom's exports of dates rose

by 40.3 percent to 98.6 thousand tons during 2013 compared to 70.3 thousand tons in the preceding year.

### Animal Production

Latest statistics issued by the Ministry of Agriculture indicate that the Kingdom's meat production (red meat, poultry and fish) recorded



an increase of 17.0 thousand tons or 2.0 percent to 868.0 thousand tons in 2013 compared to 851.0 thousand tons in the preceding year. This was mainly attributable to an increase of 2.7 percent in poultry production to 604.0 thousand tons from 588.0 thousand tons in the preceding year.

Dairy production rose by 71.0 thousand tons or 3.8 percent to 1,943.0 thousand tons during 2013 from 1,872.0 thousand tons in the previous year. The share of specialized production projects was 1,783.3 thousand tons, constituting 91.8 percent of total dairy production in the year under review.

## Transport and Communications

### Transport

Transport operations (including inter-city travel in the Kingdom and overseas travel by air, land and sea) recorded a rise of 8.9 percent during 2015 against a rise of 8.0 percent during the preceding year. The number of passengers rose to 91.2 million from 83.8 million in the previous year, increasing by 7.4 million. The rise was due to an increase of 9.5 percent in air travelers (Table 2.8).

Total length of roads network asphalted by the Ministry of Transport up to the end of 1436/1437H (2015) reached 64.4 thousand km,

**Table 2.8 : TRANSPORT OF PASSENGERS AND CARGO OPERATIONS BY TYPE**

Type of Transport	2014	2015
	No. of Passengers (million)	No. of Passengers (million)
<b>Air Transport</b>	<b>74.75</b>	<b>81.86</b>
<b>Land Transport</b>	<b>7.75</b>	<b>8.01</b>
Railway	1.24	1.32
Inter-city Transport	6.09	6.32
<b>International Transport</b>	<b>0.42</b>	<b>0.37</b>
<b>Maritime Transport</b>	<b>1.28</b>	<b>1.35</b>
<b>Total</b>	<b>83.78</b>	<b>91.22</b>

Sources: Ministry of Transport, General Authority of Civil Aviation, General Railway Organization, and Saudi Ports Authority.



of which 15.1 thousand km were main roads linking major regions of the Kingdom with international borders and serving major urban areas, 10.5 thousand km linking major cities within regions, and 38.8 thousand km feeder roads branching out of secondary roads and serving towns, villages and agricultural areas. The total length of roads whose construction is underway up to the end of fiscal year 1436/1437H (2015) reached 31.5 thousand km.

According to data and information issued by the High Commission for the Development of Riyadh for 2015, the completion percentage of the Riyadh Metro project is 26 percent, which is in line with the time schedule for the execution of the project. Work is under progress for all 6 lines of the metro network in more than 180 locations in various parts of the city. Concrete works have begun in 25 stations, and digging works have also begun in 29 stations. The conversion of services has commenced as well in 13 stations. Work on establishing boarding and maintenance stations is underway in the project.

Regarding railways, latest data and information of the Public Investment Fund show that the railway line in the North-South Railway (NSR) project reached over 97 percent of completion. This railway line, with a length exceeding 1750 km, links phosphate mines in Hazm Al-Jalamaid to manufacturing sites in Ras Al-Khair located at the Arabian Gulf. As for the remaining part of the railway linking Riyadh to

Al-Qurayyat, which extends across Sudair, Qassim, Ha'il, and Al-Jawf for the purpose of providing transport services for passengers and goods, 95 percent of which has been completed and will be slated for operation in the first half of 2016. With regards to the Haramain High-Speed Railway project connecting Jeddah province's city center, King Abdulaziz International Airport, Makkah, Al-Madinah and King Abdullah Economic City in Rabigh together, in accordance with latest data issued by the Saudi Railways Organization, the project is expected to be completed by the end of 2016. As for the completion of the first phase relating to the construction of train stations, 97 percent of Jeddah station was completed, and 96 percent of Makkah station. Both King Abdullah Economic City station and Al-Madinah station were completed. The completion percentage of the second phase of the project was 55 percent, in regard with railway construction and the supply and operation of equipment and systems.

According to latest data and information issued by the General Authority of Civil Aviation (GACA), the expansion project for terminal 5 at King Khaled International Airport in Riyadh during 2015 recorded a completion percentage of 86 percent. Moreover, the development project of King Abdul Aziz International Airport in Jeddah is expected to be completed by the end of 2016. The first phase will be fully operational in 2017. GACA has recently granted licenses to three national airlines: Saudi Gulf Airlines, Al Maha Airways,



and Nesma Airlines. These companies will provide domestic and international flights from and to the Kingdom's airports.

### **Telecommunication & Information Technology**

Data of Communications and Information Technology Commission (CITC) indicates a rise in investment in the sector and development of communications networks. According to CITC's estimates, the telecommunication sector's contribution to GDP stood at 6.0 percent of GDP. The contribution of the sector to non-oil GDP was 10.0 percent in 2015.

The number of operating telephone landlines in the Kingdom reached 3.8 million at the end of 2015, 2 million of which (52 percent of total operating lines) were residential. Penetration ratio of telephone landlines to the number of population was 12 percent, while the ratio of penetration to houses was 34 percent.

The number of mobile communications subscriptions reached 52.8 million at the end of 2015. Moreover, the penetration ratio went down to 167.5 percent. Prepaid subscriptions constituted the bulk of subscriptions, accounting for 84 percent.

The number of broadband subscriptions through landlines (DSL, WiMAX, optical fiber and other wire lines) went up to 3.6 million at the end of 2015, with a penetration ratio for houses reaching 49.7 percent. Total number of

subscriptions to broadband services through mobile lines was 33.4 million at the end of 2015. This was attributable to the increased penetration of smartphones, the significant rise in the number of users recently, and the increase in the traffic of data through these devices which are supported by a wide coverage of 3G/4G networks across the Kingdom. The penetration ratio of broadband services through mobile lines to the population stood at 106 percent (Table 2.9).

The penetration ratio of Internet in the Kingdom grew significantly during the past years to 68.5 percent at the end of 2015 from 41 percent at the end of 2010. This was attributable to the expansion in broadband services, the decline in prices of computers, telecommunication and internet services, and the reliance of many government and private agencies on electronic transactions. In addition to the increase in the use of, and the engagement in, social media channels, on-demand contents and online games.

Telecommunication companies realized total direct revenues from their operations in the Kingdom amounting to SAR 72.4 billion during 2015, recording an increase of 5.8 percent over the previous year. Mobile lines services revenues represented 75 percent of total revenues, while revenues of landlines and data services represented 25 percent (Chart 2.2).

**Table 2.9 : COMMUNICATION SERVICES BY REGIONS FOR 2015***(Thousands)*

	<b>Fixed Communication Subscriptions</b>	<b>Broadband Subscriptions (Fixed)</b>
<b>Region</b>	<b>Total Subscriptions</b>	<b>Total Subscriptions</b>
Riyadh	989,040	950,238
Qassim	732,926	456,691
Ha'il	68,031	58,989
Makkah	195,166	175,317
Al-Madinah	1,130,941	1,102,009
Tabuk	55,381	35,064
Eastern Region	176,194	155,219
Al-Jawf	21,663	43,279
Northern Borders	41,797	281,502
Asir	183,410	162,118
Al-Baha	33,152	35,228
Jazan	55,290	60,267
Najran	69,140	49,450
<b>Total</b>	<b>3,752,131</b>	<b>3,565,371</b>
Source: Communications and Information Technology Commission.		

### Saudi Post

The total number of post offices in the Kingdom reached 602 and postal agencies 59 by the end of 2015. Total number of postal boxes stood at 621.2 thousand. Moreover, subscribers in the National Address totaled 5 million. The Saudi Post aims to make a transition to a business-based work through the segregation of authorities between the operator and the regulator of the post market,

establish a competitive market that would promote creativity, raise productivity, reduce costs, and contribute in the Kingdom's non-oil revenue.

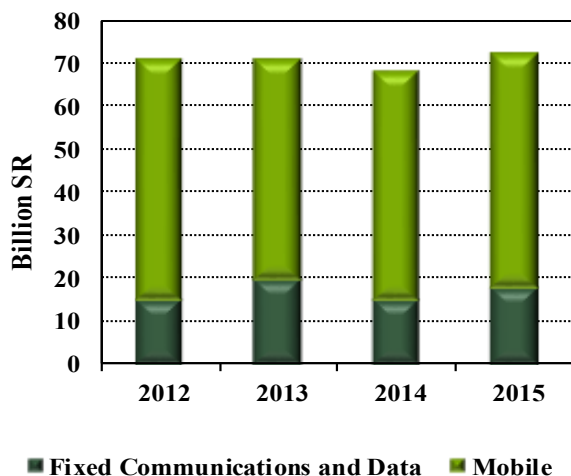
### Education, Health and Social Services

#### General Education

Total number of general education male and female students amounted to 5.5 million during academic year 1435/1436H. The number



**Chart 2.2: Telecommunication Service Sector's Revenue**



Source: Communications and Information Technology Commission.

of teachers (male and female) at all levels of general education (including kindergartens, elementary, intermediate and secondary schools, special education and adult education) totaled 527 thousand. The number of schools stood at 35.5 thousand, 18.7 thousand of which are schools for girls, accounting for 52.8 percent of the total number of schools.

### Higher Education

Total number of students registered in higher education institutions in the Kingdom during academic year 1435/1436H stood at 1.5 million. The number of newly enrolled students at the different institutions of higher education totaled 390 thousand. Of these, 294 thousand were at the bachelor level (75.4 percent of the total number of newly enrolled students). Higher

diploma, master's, and doctorate levels accounted for the remaining percentage of the total. Male students constituted 53.5 percent of total newly enrolled students, while female students accounted for 46.5 percent.

Total number of graduates from all levels of higher education in the Kingdom stood at 204 thousand in academic year 1435/1436. Of these, 105.6 thousand were female graduates, representing 51.8 percent of the total.

Total number of the teaching staff at the institutions of higher education in the Kingdom in academic year 1435/1436H stood at 77 thousand. The number of universities in the same year stood at 40, of these 28 are public universities with 528 colleges, and 12 private universities with 38 colleges.

The number of male and female students studying abroad during academic year 1435/1436H totaled 134.5 thousand. Students on government scholarship program accounted for 84.6 percent, while the remaining percentage were studying at their own expense.

### Technological, Vocational and Administrative Training

The number of students and trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 116 thousand in academic year 1435/1436H, receiving their education and training in 120



colleges and institutes. The total number of the teaching staff at TVTC stood at 7.6 thousand, and the number of trainees (male and female) under private training programs supervised by TVTC totaled 159.4 thousand in the same academic year.

The Institute of Public Administration (IPA) continued its training programs aimed at raising the professional level of government employees in the Kingdom. In 1435/1436, IPA organized a number of general and customized training courses, applied seminars, symposia and gatherings at its head office in Riyadh, branches in Al-Dammam and Jeddah, and female branch in Riyadh. The number of participants in these activities was 112.8 thousand. The number of graduates from preparatory programs was 1,292. The number of training staff at the IPA totaled 846, of whom 657 were Saudis, representing 77.7 percent of the total training staff.

## Health Affairs

Data issued by the Ministry of Health in 1436H indicated that the number of hospitals operating in the Kingdom rose to 462, increasing by 9 over the previous year. Of these, 274 hospitals were run by the Ministry of Health, 43 by other government sectors, and 145 by the private sector. The number of private health centers and dispensaries totaled 4,952 in 1436H compared to 4,693 in 1435H. The number of physicians working in the Kingdom stood at 85.9 thousand (2.7 per 1,000 people), increasing by 4,378 over

1435H. Total number of beds in the Kingdom's hospitals rose to 70.2 thousand (2.2 per 1,000 people), rising by 2,218 over 1435H.

## Social Services

According to data by the Deputyship of Social Security of the Ministry of Social Affairs, the total social security benefits extended during fiscal year 1436/1437H (2015) amounted to SAR 16.3 billion, increasing by 8.4 percent over the preceding fiscal year. The number of social security beneficiaries totaled 1.0 million, rising by 4.9 percent over the preceding year.

The Social Charity Fund of the Ministry of Social Affairs, whose objectives are solving poverty in the Kingdom and enabling social security beneficiaries to work and provide for themselves and their families, made many achievements in 2015. The most important of which were:

- Educational scholarship programs with an allocation of SAR 804.5 million, from which an amount of SAR 238.8 million was actually disbursed during the last year.
- Training and employment programs with an allocation of SAR 201.2 million, from which an amount of SAR 19.7 million was actually disbursed during 2015.
- Loans and enterprises programs with an allocation of SAR 10.8 million, from which an amount of SAR 4.4 million was actually disbursed up to the end of 2015.



## Housing

The Ministry of Housing carried out several projects totaled SAR 459 million up to the end of 1436H. The number of housing products allocated for beneficiaries reached 35 thousand. The Eastern province accounted for the largest share of 35.8 percent, Makkah region 20.8 percent, and Riyadh region 15.2 percent. The housing units completed during 1437 and 1438 are expected to reach 40 thousand.

## Pension and Social Insurance

The number of subscribers to the civil pension scheme (Public Pension Agency) increased by 2.7 percent to 1.25 million in 2015 compared to 1.22 million. The sums collected from on-the-job civil subscribers rose to SAR 20.3 billion from SAR 20.1 billion. Total disbursements by the Public Pension Agency to beneficiaries amounted to SAR 54 billion, rising by 7.7 percent over the preceding fiscal year. The number of pensioners increased by 7.7 percent to 532.1 thousand. The number of deceased pensioners rose by 6.0 percent to 178.6 thousand, and that of heirs benefiting from pension payments by 3.8 percent to 421 thousand.

The number of private establishments subscribing to the social insurance scheme, the General Organization for Social Insurance (GOSI), rose by 8.1 percent to 431.6 thousand, while that of government establishments declined by 2.0 percent to 1,341. The number of subscribers covered by the social insurance scheme went up by 7.5 percent to 24.4 million

in 2015 from 22.7 million. The number of on-the-job subscribers increased by 7.7 percent to 10.4 million from 9.6 million in the preceding year.

## Population and Labor Force

Estimates of the midyear census issued by the General Authority for Statistics (GASTAT) indicated that the Kingdom's population in mid-2015 rose by 2.4 percent to 31.5 million compared to 30.8 million in the preceding year. Saudis constituted 67 percent of the total (21.1 million).

Mid-2015 estimates of the Kingdom's population by gender indicate that the male population accounted for 56.1 percent while the female population represented 43.9 percent of total population. The Saudi male population represented 50.2 percent while the Saudi females constituted 49.8 percent of total Saudis. Non-Saudi male population was 68.1 percent and non-Saudi female population was 31.9 percent of total non-Saudi population of the Kingdom.

A breakdown of the Kingdom's population by administrative regions in mid-2015 indicates that Makkah Region ranked first with 8.1 million (25.7 percent), Riyadh Region 7.9 million (25.1 percent), and the Eastern Region 4.8 million (15.1 percent). The Northern Borders Region came last with 0.4 million or 1.2 percent of Kingdom's total population.





## **Labor force**

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 1.25 million at the end of 2015, increasing by 0.6 percent. Saudis represented 94.4 percent of total employees in the government sector.

As for Saudi workers in the government sector, the number of Saudi male workers amounted to 709.3 thousand at the end of 2015, declining by 1.2 percent, while that of Saudi female workers reached 469 thousand, increasing by 4 percent.

The number of non-Saudi male workers in the government sector amounted to 35.1 thousand at the end 2015, decreasing by 2.9 percent, while that of non-Saudi female workers was 35 thousand, declining by 3 percent.

## **Labor Market**

Latest figures issued by the Ministry of Labor show that the number of workers in the private sector (Saudis and non-Saudis) was 10.6 million at the end of 2015, increasing by 5.5 percent over the preceding year. The ratio of Saudis working in the private sector to total workers in the sector was 16.4 percent.

A breakdown of employees in the private sector shows that the number of Saudi male workers amounted to 1.2 million at the end of 2015, rising by 20.9 percent, while that of Saudi

female workers reached 0.5 million, increasing by 9 percent. The number of non-Saudi male workers at the end of 2015 stood at 8.7 million, increasing by 4.6 percent, and that of non-Saudi female workers was 0.2 million, declining by 8.4 percent over the preceding year.

The total number of job seekers (male and female citizens) reached 2.1 million at the end of 2015, with females constituting 93.1 percent. By administrative regions, the majority of job seekers are mainly in Makkah Region, Riyadh Region and the Eastern Region, accounting for 20.2 percent, 19.0 percent, and 15.8 percent, respectively.

## **Unemployment**

Latest data of the General Authority for Statistics indicate that unemployment rate declined from 5.7 percent of total labor force in 2014 to 5.6 percent in 2015. Unemployed Saudis accounted for 11.5 percent of total Saudi labor force compared to 11.7 percent in the previous year. Unemployed Saudi male workers accounted for 5.3 percent of total Saudi male labor force, unemployed Saudi female workers 33.8 percent of total Saudi female labor force, and unemployed non-Saudis 0.5 percent of total non-Saudi labor force in the Kingdom.

## **Specialized Credit Institutions (SCIs)**

SCIs continued to provide loans which contribute to the achievement of the development objectives in the Kingdom. Total loans disbursed since their inception up to the



**Table 2.10: SELECTED INDICATORS FOR POPULATION AND LABOR FORCE**

Major Regions		2014			2015		
		Male	Female	Total	Male	Female	Total
Population	Saudis	10,398,993	10,303,543	20,702,536	10,614,813	10,515,147	21,129,960
	Non-Saudis	6,867,332	3,200,507	10,067,839	7,076,815	3,314,643	10,391,458
	<b>Total</b>	<b>17,266,325</b>	<b>13,504,050</b>	<b>30,770,375</b>	<b>17,691,628</b>	<b>13,829,790</b>	<b>31,521,418</b>
Birth	Total	311,135	296,318	607,453	309,314	294,585	603,899
Mortality	Total	64,876	42,811	107,687	66,405	43,425	109,830
Workers	Saudis	1,854,531	864,030	2,718,561	1,208,846	1,708,141	2,916,987
	Non-Saudis	8,337,677	205,849	8,543,526	190,374	8,716,515	8,906,889
	<b>Total</b>	<b>10,192,208</b>	<b>1,069,879</b>	<b>11,262,087</b>	<b>1,399,220</b>	<b>10,424,656</b>	<b>11,823,876</b>
Unemployment rate (%)	Saudis	6.0	33.3	11.8	5.3	33.8	11.5
	Non-Saudis	0.6	2.0	0.7	0.3	2.0	0.5
	<b>Total</b>	<b>3.0</b>	<b>22.3</b>	<b>6.0</b>	<b>2.4</b>	<b>21.4</b>	<b>5.6</b>
Government Sector staff	Saudis	717,629	450,957	1,168,586	709,256	468,777	1,178,033
	Non-Saudis	36,125	36,037	72,162	35,064	34,961	70,025
	<b>Total</b>	<b>753,754</b>	<b>486,994</b>	<b>1,240,748</b>	<b>744,320</b>	<b>503,738</b>	<b>1,248,058</b>
Private sector staff	Saudis	1,136,902	413,073	1,549,975	1,239,364	499,590	1,738,954
	Non-Saudis	8,301,552	169,812	8,471,364	8,681,554	155,310	8,836,864
Job seekers in the private sector	Total	9,438,454	582,885	10,021,339	654,900	9,920,918	10,575,818
Banking sector staff	Total	41,601	5,987	47,588	43,307	6,256	49,563

Source: General Authority for Statistics, Ministry of Civil Service and Ministry of Labor.

end of 2015 reached SAR 476.7 billion. Total assets of SCIs amounted to SAR 635.3 billion, rising by 3.2 percent over the preceding year. Actual loan disbursements of SCIs during 2015 totaled SAR 69.6 billion, increasing by 19.8 percent over the preceding year. Total loan repayments amounted to SAR 25.6 billion during 2015, increasing by 38.3 percent. The balance of outstanding loans went up by 13.1

percent at the end of 2015 to SAR 351.5 billion over the preceding year.

### **Saudi Industrial Development Fund (SIDF)**

The actual loans disbursed by SIDF amounted to SAR 9.4 billion during 2015, increasing by 65.6 percent. Loan repayments stood at SAR 5.8 billion, rising by 29.1 percent over the preceding year. Total outstanding loans



amounted to SAR 33.4 billion at the end of 2015, increasing by 8.1 percent.

### **Real Estate Development Fund (REDF)**

Total outstanding loans stood at SAR 149 billion at the end of 2015, increasing by 15.1 percent compared to that of the preceding year. During 2015, REDF provided loans amounting to SAR 27.5 billion, rising by 58.5 percent. Loan repayments stood at SAR 5.6 billion during 2015, increasing by 25.3 percent.

### **Agricultural Development Fund (ADF)**

Total loans disbursed by ADF went down by 9.4 percent to SAR 842 million in 2015 from SAR 929 million in 2014. Loan repayments rose by 1.3 percent to SAR 768 million compared to the preceding year. Outstanding loans totaled SAR 8.7 billion at the end of 2015, increasing by 0.9 percent.

### **Public Investment Fund (PIF)**

Total actual disbursements of loans by PIF went up by 16.4 percent to SAR 18.6 billion in 2015. Loan repayments stood at SAR 5.1 billion during 2015, rising by 90.4 percent. The balance of outstanding loans amounted to SAR 103.9 billion at the end of 2015, increasing by 15.0 percent.

### **Saudi Credit & Saving Bank (SCSB)**

SCSB's total actual disbursements of loans stood at SAR 13.3 billion in 2015,

decreasing by 26.9 percent. Loan repayments stood at SAR 8.3 billion, increasing by 36.2 percent. The balance of outstanding loans amounted to SAR 41.9 billion at the end of 2015, rising by 13.5 percent.

### **Domestic Loan and Subsidy Programs**

Actual loans disbursed under the Domestic Loan program during 2015 totaled SAR 751.5 million, rising by 48.4 percent. Loan repayments stood at SAR 224.2 million, decreasing by 15.5 percent. During fiscal year 1436/1437H (2015), 32 loans were approved, including 15 for health projects, and 14 for private educational and training programs.

During fiscal year 1436/1437H (2015), subsidies disbursed totaled SAR 3.6 billion. Imported barley subsidy stood at SAR 1,376.5 million, fodder subsidy SAR 1,822.7 million, baby milk subsidy SAR 152.9 million, private schools subsidy SAR 15.8 million, and rice subsidy SAR 1.5 million.

### **Structural Reforms and Top Economic Resolutions**

In continuation of the efforts exerted by the Kingdom to raise the efficiency of economic performance and reach optimum utilization of available resources, a number of royal orders and resolutions aimed at developing the Saudi economy were issued by the Council of Ministers during 2015. A number of developmental steps were also taken to



reconstruct the Saudi economy. The following were the most prominent royal orders and resolutions:

### **Royal Orders:**

- Eliminating a number of government organs as follows:

1. Supreme Committee for Education Policy.
2. Supreme Committee for Administrative Organization.
3. Civil Service Council.
4. Supreme Commission of King Abdulaziz City for Science and Technology.
5. Council of Higher Education and Universities.
6. Supreme Council for Education.
7. Supreme Council for Petroleum and Mineral Affairs.
8. Supreme Economic Council.
9. National Security Council.
10. Supreme Council of King Abdullah City for Atomic and Renewable Energy.
11. Supreme Council for Islamic Affairs.
12. Supreme Council for Disabled Affairs.

- Establishing the Council of Political and Security Affairs and the Council of Economic and Development Affairs.
- Granting a bonus of two-month basic salary to all civil and military Saudi State employees.
- Granting two-month allowance to male and female public education students inside and outside the Kingdom.
- Disbursement of two-month pension to pensioners under the Public Pension Agency and the General Organization for Social

Insurance.

- Amendment of the social security monthly welfare benefits scale.
- Disbursement of two-month welfare benefits to the beneficiaries of the social security.
- Disbursement of two-month benefits to disabled individuals and including those in the waiting list to the beneficiaries' list as of the date of this royal order.
- Disbursement of SAR 2 billion to societies licensed by the Ministry of Social Affairs.
- Subsidizing the Cooperative Societies Council with SAR 200 million.
- Providing licensed specialized professional associations with a subsidy of SAR 10 million each.
- Subsidizing all officially-registered sports clubs with SAR 10 million for sports clubs in the professional league; SAR 5 million for those in the first division; and SAR 2 million for the remaining officially-registered clubs in the Kingdom.
- Allocating SAR 20 billion for executing electricity and water services in land grants schemes in all regions of the Kingdom.

### **Resolutions of the Council of Ministers**

- Approval of reorganizing the government organs supervised by, or organizationally linked to, the Ministry of Finance, as follows:
  1. The Saudi Credit and Saving Bank shall be linked to the Ministry of Social Affairs. The Minister of Social Affairs shall chair its Board of Directors.
  2. Public Pension Agency shall be linked to the



Ministry of Civil Service, and the Minister of Civil Service shall chair its Board of Directors.

3. Saudi Industrial Development Fund shall be linked to the Ministry of Commerce and Industry, and the Minister of Commerce and Industry shall chair its Board of Directors.
  4. Agricultural Development Fund shall be linked to the Ministry of Agriculture, and the Minister of Agriculture shall chair its Board of Directors.
  5. The Public Investment Fund shall be linked to the Council of Economic and Development Affairs, and the Chairman of the Council of Economic and Development Affairs shall chair its Board of Directors.
  6. Emphasize the transfer of any activity related to the economy from the Ministry of Finance to the Ministry of Economy and Planning.
- Approving the Ministry of Finance to lend hotels and tourism projects.
  - Approving the Public Investment Fund to assume the prerogatives of the Ordinary and Extraordinary General Assembly provided for in the Charter of the National Water Company.
  - Approving the reduction of jet fuel prices.
  - Approving the regulation of projects' contracts commitment.
  - Approving the regulation of the Saudi Commission for Lawyers.
  - Approving the regulation of the Saudi Central Board of Accreditation for Healthcare Institutions.
  - Approving the determination of remunerations

of board members at all government institutions, bodies and entities.

- Approving the rules regulating and governing the receiving of grants and donations by government entities.
- Approving the regulating of the Fund of Martyrs, Injured, Prisoners of War and Missing Persons.
- Approving the signing of the Draft Agreement for establishing the Asian Infrastructure Investment Bank.
- Approving the licensing of Qatar National Bank to establish a branch in the Kingdom.
- Approving the Grain Silos and Flour Mills Organization to purchase wheat quantities locally produced for the current agricultural season (1436/1437H) that exceed the approved quantity.
- Approving the development of a national program named (The National Program for the Support of Project Management in Public Entities).
- Approving the addition of defamation to the sanctions prescribed in the following laws and regulations: The Law of Domestic Pilgrim Services, the Law of Transporting Pilgrims to the Kingdom and Returning them to their Countries, the Law of the Services of Umrah Performers and Visitors to the Prophet's Mosque Coming from outside the Kingdom, the Implementing Regulations of Preventing Non-Saudis from Working in the Housing of Pilgrims and Visitors, and the Disciplinary Rules of Muttawifs, Agents, Guides and Providers of Zamzam Water.



- Approving the (new) Implementing Regulations of Temporary and Seasonal Work Visas.
- Approving the regulation of the Saudi Contractors Association.
- Approving the establishment of a national program for the development of the fisheries sector in the Kingdom.
- Approving the agreement of transport of goods by road between Arab countries.
- Approving the changing of energy product prices and electricity, water and sewage service tariffs for the residential, commercial and industrial sectors.
- Approving the regulation of Job Creation and Unemployment Control Authority.
- Approving the elimination of (Performance Center for Public Agencies Measurement) and establishing a national performance measurement center for public agencies named (National Center for Public Agencies Performance Measurement).
- Approving the formation of a permanent committee at the headquarters of the General Authority of Civil Aviation concerned with countering threats to civil aviation in areas of armed conflict.
- Approving the establishment of the General Authority for Small and Medium Enterprises.
- Approving converting “the Central Department of Statistics and Information” to a general authority to be called: “the General Authority for Statistics”.
- Approving the organizational arrangements for the Center for Achievement and Rapid Intervention.
- Approving a new law for companies.
- Approving the appropriation of an annual amount to be set aside in the budget of the General Authority of Civil Aviation (GACA) to support compulsory low-traffic lines determined by the GACA.
- Approving the Law of Undeveloped Lands Fees.
- Approving the Implementing Regulations of the Law of Eminent Domain and Temporary Taking of Property.
- Approving the cessation of green fodder cultivation within a period not exceeding three years
- Approving the promulgation of the Private Health Institutions Law for charity associations that desire to establish charity health foundations.
- Approving the establishment of the Charter of the General Authority for Endowments.
- Approving the amendment of the Statute of the Public Education Evaluation Commission.
- Approving a number of procedures taken with regards to airline travel for civilian employees, military personnel and the like.



The Saudi Arabian Monetary Agency (SAMA) continued to manage and implement the Kingdom's monetary policy that aims at achieving stability in the exchange rate of the Saudi riyal and maintaining the soundness and robustness of the financial system in order to perform its significant role in the economy. In 2015, the liquidity in the national economy was sufficient to meet constant funding needs in the economic activity, in light of maintaining the national currency at its official exchange rate of SAR 3.75 per one US dollar and stability and strength of the financial system in general.

### Monetary Policy Tools

In 2015, the national economy had sufficient liquidity to finance its different activities in spite of its decline following the same trend in the government spending, a decrease in bank claims on the private sector and an increase in the deficit of private sector's balance of payments. Therefore, M3 growth rate fell from 11.9 percent in 2014 to 2.6 percent in 2015. Through its monetary policy, SAMA maintained the repo rate unchanged at 2.0 percent as in the preceding year, while increasing the reverse repo rate from 0.25 percent to 0.50 percent. It also maintained the cash reserve requirements at 4 percent for time and savings deposits and at 7 percent for demand deposits. The overall liquidity in the banking system remained sufficient despite a decrease in the average daily reverse repo transactions to SAR 64.7 billion in 2015 from SAR 78.5 billion in the previous year. On the other hand, the average daily repo transactions declined to SAR 98 million from SAR 151 million in the previous year. SAMA continued

to issue treasury bills to the extent of SAR 9.0 billion on a weekly basis in 2015. Furthermore, it continued to maintain the pricing of treasury bills unchanged at 80 percent of the Saudi Inter-Bank Bid Rate (SIBID) in order to encourage domestic banks to increase lending.

### Money Supply Growth

Measures of domestic money supply, namely, M1, M2 and M3, recorded lower growth rates in 2015 than that recorded in the preceding year. M3, the broadest measure for domestic liquidity (also called broad money, which comprises currency in circulation and aggregate bank deposits) rose by 2.6 percent (SAR 44.7 billion) to SAR 1.7 trillion in 2015 compared to 11.9 percent (SAR 184.2 billion) in 2014. Bank deposits, that represented 90.5 percent of M3 (0.7 percentage point less than the preceding year) remained on a low growth trajectory, showing an expansion of 1.9 percent (SAR 29.2 billion) in 2015 compared to an expansion of 12.4 percent (SAR 173.6 billion) in 2014. The growth rate of currency in circulation rose from 7.4 percent (SAR 10.6 billion) in 2014 to 10.1 percent (SAR 15.6 billion) in 2015.

A break-down of bank deposits shows that demand deposits had the largest share of M3, standing at 55.0 percent in 2015 compared to 57.2 percent in 2014. They decreased by 1.3 percent (SAR 12.9 billion) in 2015 compared to growth of 15.4 percent (SAR 131.9 billion) in the preceding year. Time and savings deposits grew by 9.0 percent (SAR 35.8 billion) in 2015 compared to a rise of 15.6 percent (SAR 53.7 billion) in 2014. The share of time and savings





deposits in M3 increased to 24.5 percent in 2015 compared with 23.1 percent in the previous year. Other quasi-monetary deposits, which constitute residents' foreign currency deposits; deposits against outstanding LCs, guarantees and remittances; and banks' repo transactions with the private sector, recorded a 3.4 percent increase (SAR 6.4 billion) in 2015 compared with a decrease of 6.0 percent (SAR 12.0 billion) in 2014 (Tables 3.1, 3.2 and 3.3; and Charts 3.1 and 3.2).

The other key liquidity measures—M1 and M2 which include relatively more liquid deposits—recorded low growth rates in 2015. M1, which comprises currency in circulation and demand deposits, recorded a rise of 0.2 percent in 2015 compared to an increase of 14.2 percent in 2014. The share of demand deposits in (M1) decreased to 85.2 percent in 2015 compared to 86.5 percent in the preceding year. Similarly, M2, comprising less liquid time and savings deposits, recorded an increase of 2.5

**Table 3.1: MONEY SUPPLY**

(Million Riyals)

End of Year	Currency in circulation	Demand Deposits	M1 (1+2)	Time and Savings Deposits	M2 (3+4)	Other Quasi- Monetary Deposits*	M3 (5+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2011	119,929	641,056	760,985	305,441	1,066,427	157,136	1,223,563
2012	133,146	753,970	887,115	324,428	1,211,543	182,211	1,393,754
2013	143,169	857,280	1,000,449	345,035	1,345,485	199,664	1,545,149
2014	153,777	989,174	1,142,951	398,743	1,541,694	187,661	1,729,356
2015	169,328	976,231	1,145,559	434,501	1,580,060	194,036	1,774,096

\* Comprise residents' foreign currency deposits, margin deposits for LCs, outstanding remittances, and banks' repo transactions with the private sector.

**Table 3.2: GROWTH RATES AND COMPONENTS OF MONEY SUPPLY**

(Percent)

End of Year	Currency in circulation	Demand Deposits	M1	Time and Savings Deposits	M2	Other Quasi- Monetary Deposits	M3
2011	25.6	20.9	21.6	2.4	15.4	0.4	13.3
2012	11.0	17.6	16.6	6.2	13.6	16.0	13.9
2013	7.5	13.7	12.8	6.4	11.1	9.6	10.9
2014	7.4	15.4	14.2	15.6	14.6	-6.0	11.9
2015	10.1	-1.3	0.2	9.0	2.5	3.4	2.6





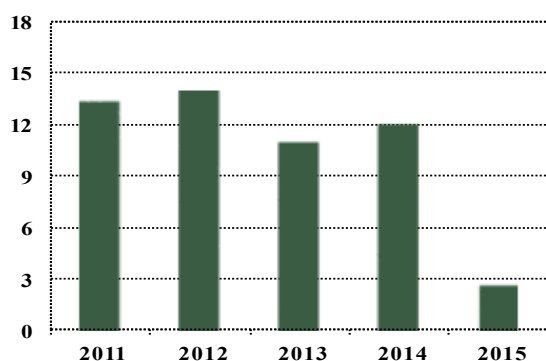
**Table 3.3: COMPONENTS OF MONEY SUPPLY**

(% shares in M3; End of Period)

	2011	2012	2013	2014	2015
Currency in circulation	9.8	9.6	9.3	8.9	9.5
Total deposits	90.2	90.4	90.7	91.1	90.5
Demand deposits	52.4	54.1	55.5	57.2	55.0
Time & savings deposits	25.0	23.3	22.3	23.1	24.5
Other quasi-monetary deposits	12.8	13.1	12.9	10.9	10.9
<b>Money supply (M3)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

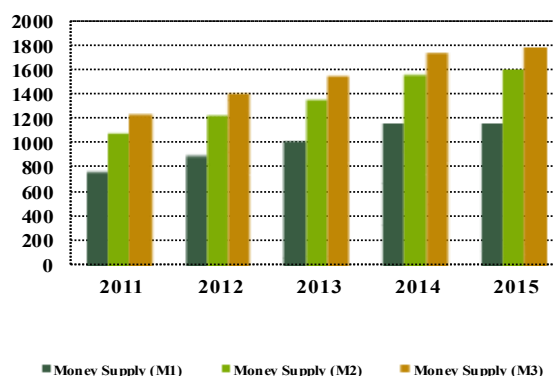
**Chart 3.1: Growth Rates of Money Supply (M3)**

Percentage



**Chart 3.2: Components of Money Supply**

Billion Riyals



percent in 2015 compared to a rise of 14.6 percent in 2014. The ratio of M1 to M3 went down to 64.6 percent in 2015 from 66.1 percent in 2014. The ratio of M2 to M3, however, remained unchanged at 89.1 percent (Table 3.4).

### Broad Money (M3): Causative Factors

M3 growth rate advanced slightly in 2015 due to the increasing adverse impact of the private sector's balance of payments' deficit by 10.4 percent (SAR 86.4 billion) to SAR 919.2

billion, the decrease in the growth of bank claims on the private sector by 12.7 percent (SAR 16.9 billion) to SAR 115.7 billion, and the decline in net government domestic expenditure in riyal by 3.4 percent (SAR 26.7 billion) to SAR 758.6 billion in 2015. Thus, the increase in money supply from net government domestic expenditure in riyal, bank claims on the private sector and public institutions and net other items was SAR 970 billion in 2015. The deficit of SAR 919.2 billion in the private



**Table 3.4: MONETARY RATIOS**

(Percentage)

Year	M1/M3	M2/M3
2011	62.2	87.2
2012	63.6	86.9
2013	64.7	87.1
2014	66.1	89.1
2015	64.6	89.1

sector's balance of payments offset the increase of money supply in 2015 to SAR 44.7 billion. (Table 3.5 and Chart 3.3).

### Monetary Base and Money Multiplier

Monetary base is the narrowest measure of liquidity, consisting of two components: currency in circulation, cash in vault, and commercial banks' deposits with SAMA.

Monetary base grew by 6.6 percent (SAR 18.6 billion) in 2015 compared with a rise of 10.5 percent (SAR 26.8 billion) in 2014.

Currency in circulation recorded an increase of 10.1 percent (SAR 15.5 billion) in 2015 compared to a growth of 7.4 percent (SAR 10.6 billion) in 2014. In addition, its share in the monetary base rose to 56.2 percent in 2015 from 54.4 percent in the preceding year. On the other hand, bank reserves declined by 31.4 percent (SAR 66.8 billion) in 2015 compared to a rise of 6.3 percent (SAR 12.7 billion) in the previous year.

The money multiplier decreased to 5.9 fold in 2015 compared with 6.1 fold in the preceding year (Table 3.6 and Chart 3.4). This decrease was attributed to a lower growth rate of bank deposits than that of monetary base owing to the decline in the government expenditure and the increase of deficit in the private sector's balance of payments in 2015.

**Table 3.5: CAUSATIVE FACTORS FOR CHANGE IN BROAD MONEY SUPPLY (M3)**

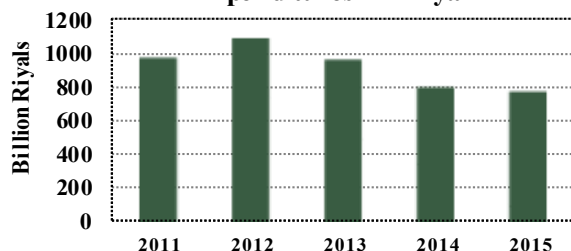
(Billion Riyals)

	2013	2014	2015
<b>Change in M3</b>	<b>151.4</b>	<b>184.2</b>	<b>44.7</b>
<b>Causative Factors</b>			
Net government domestic expenditures in riyal*	950.7	785.3	758.6
Change in bank claims on the private sector	124.5	132.6	115.7
Change in bank claims on non-financial public institutions	4.5	1.7	-7.0
Private sector's balance of payments deficit**	-722.4	-832.8	-919.2
Other items (net)	-206.0	97.5	96.6
<b>Total</b>	<b>151.4</b>	<b>184.2</b>	<b>44.7</b>

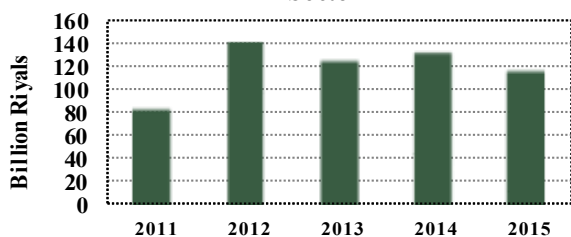
\* Government domestic expenditures in riyal less domestic revenue in riyal.

\*\* Estimates.

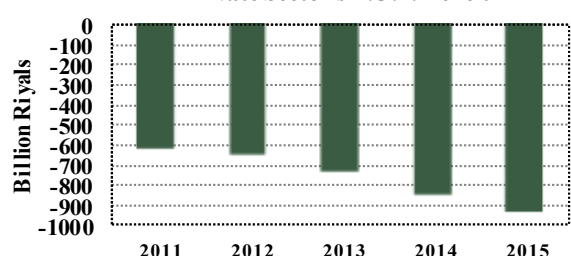
**Chart 3.3: Causative Factors for Change in M3**  
Net Government Domestic Expenditures in Riyal



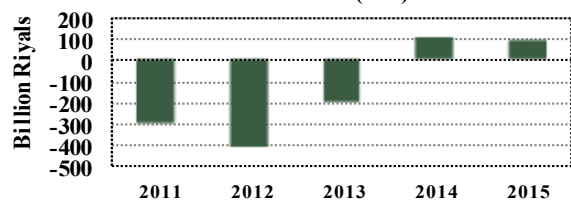
Change in Bank Claims on the Private Sector



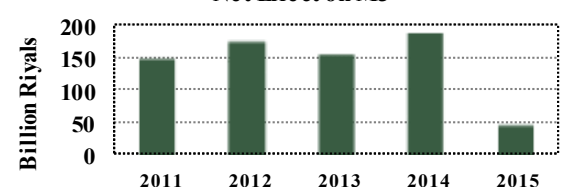
Private Sector's B.O.P. Deficit



Other Items (Net)



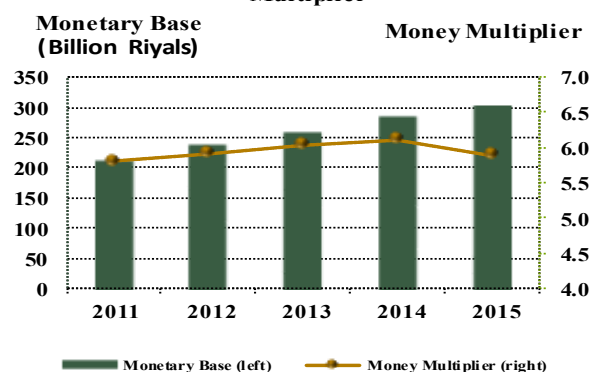
Net Effect on M3



**Table 3.6: MONETARY BASE AND MONEY MULTIPLIER**

End of Year	Monetary Base (Million SAR)	Money Multiplier
2011	210,856	5.8
2012	235,629	5.9
2013	256,078	6.0
2014	282,924	6.1
2015	301,497	5.9

**Chart 3.4: Monetary Base and Money Multiplier**



### Seasonal Trends of Currency in Circulation

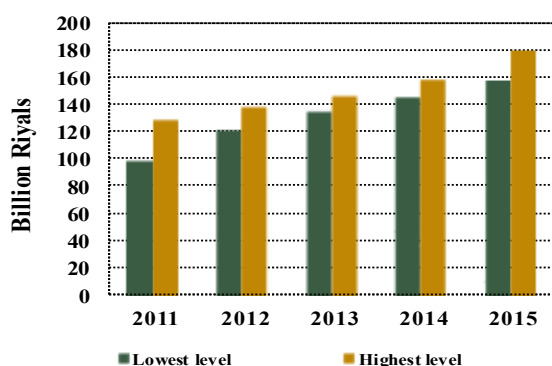
As a rule of thumb, currency in circulation in the Kingdom records its highest levels during two significant Islamic events; the month of Ramadhan and Hajj season, which coincided with the last two quarters of the previous few Gregorian years. This is manifested in the time series data on currency in circulation (Table 3.7 and Chart 3.5). The demand for currency in circulation reached its peak of SAR 179.1 billion in July 2015 (14 Shawwal 1436H.). On the other hand, it recorded its lowest level of SAR 156.9 billion



**Table 3.7: SEASONAL TRENDS IN CURRENCY IN CIRCULATION**

Currency in circulation Highest Level of the Year			Currency in circulation Lowest Level		
Gregorian Month-End	Corresponding Hijri Date	Amount (Million Riyals)	Gregorian Month-End	Corresponding Hijri Date	Amount (Million Riyals)
8/2011	2/10/1432	129,421	1/2011	26/2/1432	99,110
10/2012	15/12/1433	137,972	1/2012	8/3/1433	121,003
7/2013	23/9/1434	146,170	1/2013	19/3/1434	134,148
9/2014	6/12/1435	158,071	1/2014	30/3/1435	145,490
7/2015	14/10/1436	179,075	1/2015	10/4/1436	156,921

**Chart 3.5: Seasonal Trends in  
Currency in Circulation**



at the end of January 2015 (10 Rabi II 1436H). These two levels increased by 13.3 percent and 7.8 percent; respectively, over the levels recorded in the previous year.

### Monetary Survey

The Saudi banking system continued to be robust and strong despite the decreases in the consolidated balance sheet for the Saudi banking system. The monetary survey (Table 3.8) indicated a decrease in the assets of the

banking system as a whole by 5.3 percent (SAR 224.7 billion) to SAR 4.0 trillion in 2015 compared with an increase of 4.7 percent (SAR 189 billion) in 2014.

Net foreign assets declined by 12.7 percent (SAR 366.4 billion) in 2015 compared to a rise of 1.8 percent (SAR 51.2 billion) in the preceding year. Therefore, their share in total assets decreased from 68.0 percent in 2014 to 62.6 percent in 2015. In contrast, the share of domestic assets in total assets rose from 32.0 percent in 2014 to 37.4 percent in 2015 as a result of a decrease in net foreign assets with SAMA and an increase in bank claims on the private sector by 9.2 percent (SAR 115.7 billion) compared with a rise of 11.8 percent (SAR 132.6 billion) in the preceding year (Table 3.8).

The sharp decrease in oil prices in the last quarter of 2015 and the continuous government spending on development projects led to a decline in government deposits with



**Table 3.8: MONETARY SURVEY\***  
(End of year)

(Million Riyals)

	2011	2012	2013	2014	2015
<b>Assets</b>					
Foreign assets (net)	2,140,359	2,562,004	2,824,078	2,875,326	2,508,920
SAMA	2,007,086	2,428,571	2,687,792	2,715,989	2,283,382
Commercial banks	133,273	133,433	136,286	159,336	225,538
Domestic credit	937,750	1,081,203	1,217,400	1,355,160	1,496,902
Bank claims on private sector	858,365	999,127	1,123,645	1,256,210	1,371,925
Bank claims on government	47,554	42,491	49,628	53,134	86,158
Bank claims on non-financial public institutions	31,831	39,585	44,127	45,816	38,820
<b>Total</b>	<b>3,078,109</b>	<b>3,643,207</b>	<b>4,041,478</b>	<b>4,230,485</b>	<b>4,005,822</b>
<b>Liabilities</b>					
Broad money M3	1,223,563	1,393,754	1,545,149	1,729,356	1,774,096
Government deposits **	1,187,984	1,516,744	1,641,540	1,560,706	1,162,521
Other items (net)	666,563	732,709	854,790	940,423	1,069,205
<b>Total</b>	<b>3,078,109</b>	<b>3,643,207</b>	<b>4,041,478</b>	<b>4,230,485</b>	<b>4,005,822</b>
(Percentage Change)					
Foreign assets (net)	22.3	19.7	10.2	1.8	-12.7
Domestic credit	7.8	15.3	12.6	11.3	10.5
Bank claims on private sector	10.6	16.4	12.5	11.8	9.2
Bank claims on government	-23.2	-10.6	16.8	7.1	62.2
Bank claims on non-financial public institutions	-1.4	24.4	11.5	3.8	-15.3
Broad money M3	13.3	13.9	10.9	11.9	2.6
Government deposits**	19.6	27.7	8.2	-4.9	-25.5
Other items (net)	22.1	9.9	16.7	10.0	13.7
* Consolidated balance sheet of SAMA and commercial banks.					
** Including letters of credit and letter under collection.					

SAMA by 25.5 percent (SAR 398.2 billion) in 2015, compared with a fall of 4.9 percent (SAR 80.8 billion) in the preceding year.

### Interest Rate Trends

The 3-month Saudi Inter-bank Offered Rate (SIBOR) on riyal deposits declined by 6 basis points (bps) in 2015 compared with a decrease of 1 basis point in 2014. In contrast, the interest rate on 3-month USD deposits declined by 9 bps in 2015 compared with a decline of 4

bps in the preceding year. The difference between the two average rates continued its uptrend in favor of the Saudi riyal, recording a rise of 0.56 percent in 2015 as compared to 0.70 percent in 2014 (Table 3.9 and Chart 3.6).

### Exchange Rate Position

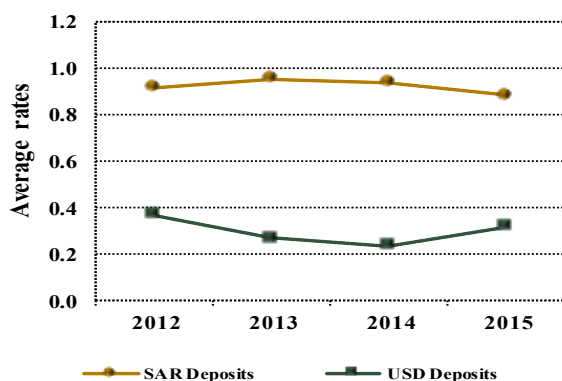
In 2015, the Saudi riyal exchange rate remained fixed at SAR 3.75 per one US dollar in the spot market as a result of SAMA's policy that aimed at maintaining the stability of the



Saudi riyal to serve the interests of the Saudi economy (Table 3.10). Some fluctuations in the riyal against the dollar forward rate were noted in a limited number of transactions due to forecasts by some speculators that the Saudi economy will be effected by low oil prices. However, sufficient foreign exchange reserves of SAR 2,311.5 billion at the end of 2015, the Saudi economy's good indicators, and the commitment by SAMA to maintain the exchange rate reduced the impact of these fluctuations and stabilized the exchange rate in the forward market.

**Chart 3.6: Interest Rates on Riyal and Dollar Deposits**

(Average rates for 3-month deposits)



**Table 3.9: INTEREST RATES ON RIYAL AND DOLLAR DEPOSITS\***

(Average rates for 3-month deposits)

Year	SAR Deposits	USD Deposits	Difference Between Riyal and Dollar Rates
2012	0.92	0.36	0.55
2013	0.95	0.27	0.69
2014	0.94	0.23	0.70
2015	0.88	0.32	0.56

\* Interbank rates.

**Table 3.10: EXCHANGE RATE OF THE RIYAL IN THE SPOT MARKET ( Against US Dollar )**

Year	Maximum Value	Minimum Value	Average (Whole Period)
2012	3.7508	3.7498	3.7502
2013	3.7512	3.7470	3.7503
2014	3.7557	3.7500	3.7509
2015	3.7610	3.7497	3.7512

Source: Bloomberg.



## BANKING SECTOR

Despite the decline in public expenditure on economic and social development projects, commercial banks continued their strong performance in 2015, at various levels, and achieved good profit rates, surpassing the sharp decline in oil prices. This is attributable to SAMA's role of controlling and supervising the banking system, aiming at enhancing its strength and solvency and promoting quality of banking and financial services provided to customers and different economic and commercial activities. The good performance of commercial banks during 2015 was reflected in a rise in their general activity and enhancement of their

financial position. Their total assets went up by 3.6 percent, bank deposits by 1.9 percent, capital and reserves by 9.2 percent and profits by 6.3 percent.

### Consolidated Financial Position of Commercial Banks

Commercial banks achieved good performance in strengthening their financial position in 2015. Their total assets rose by 3.6 percent (SAR 76.2 billion) to SAR 2,208.8 billion compared to an increase of 12.6 percent (SAR 239.3 billion) in the preceding year (Table 4.1).

**Table 4.1: CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS**  
(End of period)

(Million Riyals)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Assets</b>					
Reserves	179,174	217,455	200,366	213,073	146,238
Foreign assets	208,723	212,829	210,691	251,613	316,710
Claims on the public sector	79,385	82,076	93,755	98,949	124,977
Claims on the private sector	858,365	999,127	1,123,645	1,256,210	1,371,925
Claims on non-monetary financial institutions	1,694	2,737	2,740	2,254	2,904
Other assets	217,092	219,918	262,085	310,477	246,015
<b>Total Assets/Liabilities</b>	<b>1,544,434</b>	<b>1,734,141</b>	<b>1,893,283</b>	<b>2,132,577</b>	<b>2,208,768</b>
<b>Liabilities</b>					
Bank deposits	1,103,634	1,260,608	1,401,980	1,575,579	1,604,768
Foreign liabilities	75,450	79,396	74,405	92,277	91,171
Capital and reserves	190,140	209,494	225,855	248,111	270,964
Profits	30,919	33,508	35,692	40,159	42,683
Other liabilities	144,291	151,135	155,350	176,451	199,182



## Bank Deposits

Total bank deposits increased by 1.9 percent (SAR 29.2 billion) to SAR 1,604.8 billion in 2015 compared to an increase of 12.4 percent (SAR 173.6 billion) in the preceding year (Table 4.2 and Charts 4.1 and 4.2).

A review of developments in bank deposits by type shows that demand deposits fell by 1.3 percent (SAR 12.9 billion) to SAR 976.2 billion in 2015 compared to a rise of 15.4 percent (SAR 131.9 billion) in the preceding year. Their share in total deposits went down to

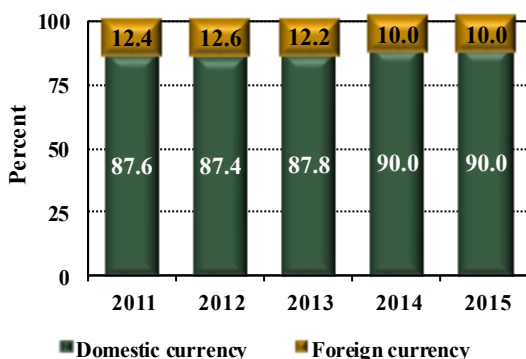
**Table 4.2: BANK DEPOSITS**

(End of period)

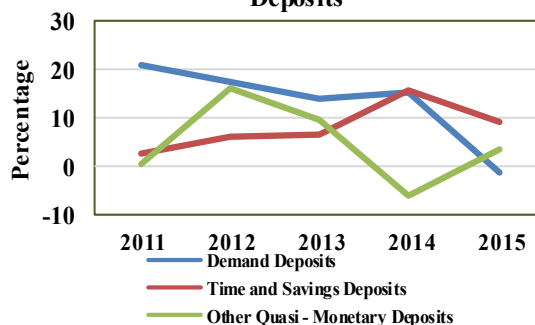
(Million Riyals)

	2011	2012	2013	2014	2015
<b>First: By type</b>					
Demand deposits	641,056	753,970	857,280	989,174	976,231
Time and savings deposits	305,441	324,428	345,035	398,743	434,501
Other quasi-monetary deposits	157,136	182,211	199,664	187,661	194,036
Foreign currency deposits	136,435	159,394	170,562	157,414	160,989
For L/Cs	8,365	9,849	12,812	14,028	16,284
Repo transactions	10	10	35	70	14
Outstanding remittances	12,326	12,958	16,255	16,150	16,749
<b>Second: By sector</b>					
Private sector	890,244	998,255	1,103,216	1,221,838	1,256,308
Public sector	213,390	262,354	298,764	353,740	348,459
<b>Third: By currency</b>					
Domestic currency deposits	967,199	1,101,214	1,231,418	1,418,165	1,443,778
Foreign currency deposits	136,435	159,394	170,562	157,414	160,989
<b>Total bank deposits</b>	<b>1,103,634</b>	<b>1,260,608</b>	<b>1,401,980</b>	<b>1,575,579</b>	<b>1,604,768</b>

**Chart 4.1: Deposits By Currency**



**Chart 4.2: Growth Rates of Bank Deposits**







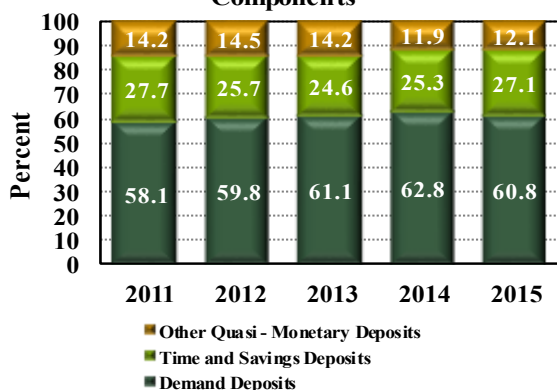
60.8 percent at the end of 2015 from 62.8 percent at the end of 2014. Time and savings deposits increased 9.0 percent (SAR 35.8 billion) to SAR 434.5 billion compared to an increase of 15.6 percent (SAR 53.7 billion) in the preceding year. Their share in total deposits also increased to 27.1 percent at the end of 2015 compared to 25.3 percent in the preceding year. Other quasi-monetary deposits (the bulk of which is residents' foreign currency deposits) went up by 3.4 percent (SAR 6.4 billion) to SAR 194.0 billion in 2015 compared to a decline of 6.0 percent (SAR 12.0 billion) in the preceding year. Their share in total deposits increased to 12.1 percent at the end of 2015 from 11.9 percent at the end of the previous year (Chart 4.3).

A breakdown of deposits by sector shows that deposits of the private sector increased 2.8 percent (SAR 34.5 billion) to SAR 1,256.3 billion in 2015 compared to a rise of 10.8 percent (SAR 118.6 billion) in the preceding year. The share of the private sector's deposits

in total bank deposits stood at 78.3 percent, compared to 77.5 percent at the end of the preceding year. Deposits of the public sector decreased 1.5 percent (SAR 5.3 billion) to SAR 348.5 billion in 2015 compared to an increase of 18.4 percent (SAR 55.0 billion) in the previous year. Therefore, the share of the public sector's deposits in total deposits fell from 22.5 percent at the end of 2014 to 21.7 percent at the end of 2015.

With respect to bank deposits by currency, domestic currency deposits increased 1.8 percent (SAR 25.6 billion) to SAR 1,443.8 billion in 2015 compared to an increase of 15.2 percent (SAR 186.8 billion) at the end of the preceding year. Their share in total deposits remained unchanged at 90.0 percent at the end of 2015. Foreign currency deposits also increased 2.3 percent (SAR 3.6 billion) to SAR 161.0 billion compared to a decreased of 7.7 percent (SAR 13.2 billion) in the preceding year. Their share in total deposits also remained unchanged at 10.0 percent at the end of 2015.

**Chart 4.3: Shares of Deposit Components**



### **Banks' Claims on the Private and Public Sectors**

Total bank claims on the private and public sectors (loans and advances, bills discounted, investments) rose 10.5 percent (SAR 142.4 billion) to SAR 1,499.8 billion in 2015 compared to an increase of 11.3 percent (SAR 137.3 billion) in the preceding year. Total claims on the private and public sectors at the end of 2015 accounted for 93.5 percent of total bank deposits, compared to 86.2 percent at the end of the preceding year.



Total bank claims on the private sector went up by 9.2 percent (SAR 115.7 billion) to SAR 1,371.9 billion in 2015 compared to an increase of 11.8 percent (SAR 132.6 billion) in the preceding year. These claims constituted 85.5 percent of total bank deposits at the end of 2015 compared to 79.7 percent at the end of the preceding year.

Bank claims on the public sector (loans to public institutions and investments in government securities) increased by 26.3 percent (SAR 26.0 billion) to SAR 125.0 billion in 2015, compared to a rise of 5.5 percent (SAR 5.2 billion) in the previous year. Investments in government securities rose by 62.2 percent (SAR 33.0 billion) to SAR 86.2 billion at the end of 2015 against 7.1 percent (SAR 3.5

billion) in the preceding year. In contrast, loans to public institutions went down by 15.3 percent (SAR 7.0 billion) to SAR 38.8 billion at the end of 2015 compared to an increase of 3.8 percent (SAR 1.6 billion) in the previous year. These claims accounted for 7.8 percent of total bank deposits at the end of 2015, compared to 6.3 percent at the end of the preceding year (Table 4.3 and Charts 4.4 and 4.5).

### Bank Credit by Maturity

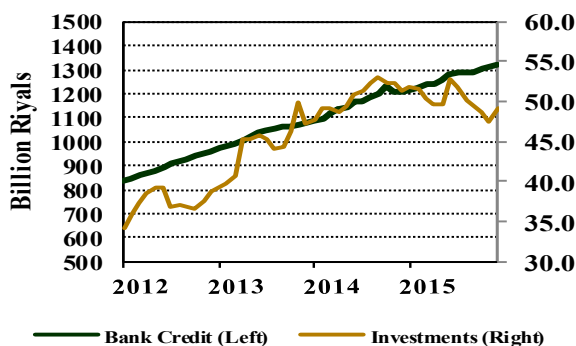
Short-term bank credit (less than one year) extended to the private sector and institutions of the public sector increased 10.3 percent (SAR 63.9 billion) to SAR 685.2 billion in 2015, compared to a rise of 3.0 percent (SAR 18.0 billion) in the preceding year. Medium-term credit (1-3 years) rose by 1.6 percent (SAR

**Table 4.3: BANK CLAIMS ON THE PRIVATE AND PUBLIC SECTORS**  
(End of period)

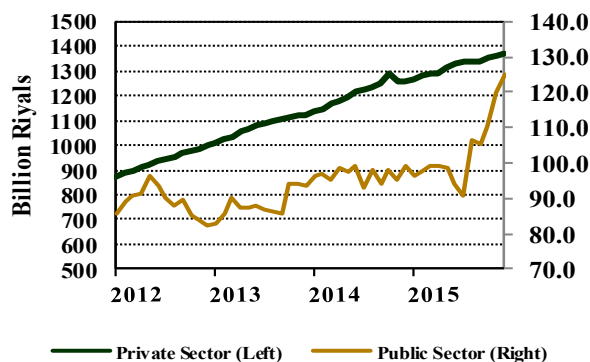
(Million Riyals)

	2013		2014		2015	
	Amount	% Share	Amount	% Share	Amount	% Share
<b>Claims on the private sector</b>	<b>1,123,645</b>	<b>92.1</b>	<b>1,256,210</b>	<b>92.5</b>	<b>1,371,925</b>	<b>91.5</b>
Bank credit	1,076,393	88.2	1,204,831	88.8	1,322,809	88.2
Loans and advances	1,065,533	87.3	1,194,520	88.0	1,308,199	87.2
Bills discounted	10,860	0.9	10,311	0.8	14,611	1.0
Investments in private securities	47,252	3.9	51,380	3.8	49,116	3.3
<b>Claims on the public sector</b>	<b>93,755</b>	<b>7.7</b>	<b>98,949</b>	<b>7.3</b>	<b>124,977</b>	<b>8.3</b>
Bank credit to public institutions	44,127	3.6	45,816	3.4	38,820	2.6
Government bonds	49,628	4.1	53,134	3.9	86,158	5.7
<b>Claims on non-monetary financial institutions</b>	<b>2,740</b>	<b>0.2</b>	<b>2,254</b>	<b>0.2</b>	<b>2,904</b>	<b>0.2</b>
<b>Total</b>	<b>1,220,141</b>	<b>100.0</b>	<b>1,357,413</b>	<b>100.0</b>	<b>1,499,806</b>	<b>100.0</b>

**Chart 4.4: Bank Claims On Private Sector**



**Chart 4.5: Bank Claims By Sector**



3.7 billion) to SAR 241.5 billion in 2015, compared to an increase of 12.2 percent (SAR 25.8 billion) in the preceding year. Long-term credit (more than three years) went up by 11.1 percent (SAR 43.4 billion) to SAR 435.0 billion, compared to an increase of 28.3 percent (SAR 86.3 billion) in the preceding year.

### Bank Credit by Economic Activity

A breakdown of bank credit by economic activity during 2015 shows mixed trends. Bank credit extended to the building and construction activity increased 27.1 percent (SAR 22.6 billion) to SAR 105.8 billion compared to a rise of 8.8 percent in the preceding year. Bank credit extended to the services activity also went up by 20.5 percent (SAR 12.4 billion) to SAR 72.7 billion compared to a fall of 5.7 percent in the previous year. Bank credit extended to the electricity, water, gas and health services also rose by 12.1 percent (SAR 4.4 billion) to SAR 40.5 billion compared to an increase of 5.2 percent in the previous year. Moreover, bank credit extended to the commerce activity expanded by 11.7 percent (SAR 29.8 billion) to SAR 285.5 billion compared to an increase of

8.9 percent in the preceding year. Bank credit extended to the manufacturing and production activity witnessed an increase of 8.9 percent (SAR 14.1 billion) to SAR 172.5 billion compared to a rise of 13.4 percent in the preceding year. Bank credit extended to the mining and quarrying activity went up by 4.5 percent (SAR 0.9 billion) to SAR 21.2 billion compared to a rise of 24.1 percent in the preceding year. On the other hand, bank credit extended to the agriculture and fishing activity fell by 4.3 percent (SAR 0.5 billion) to SAR 11.1 billion compared to a decline of 3.6 percent in the preceding year. Bank credit extended to the finance activity also declined 3.7 percent (SAR 1.3 billion) to SAR 33.9 billion compared to a rise of 26.1 percent in the preceding year. Bank credit extended to transport and telecommunications activity fell by 1.4 percent (SAR 0.6 billion) to SAR 42.7 billion compared to a rise of 14.1 percent in the preceding year (Table 4.4 and Chart 4.6).

### Consumer and Credit Card Loans

Consumer and credit card loans by banks registered their highest level of SAR 337.3

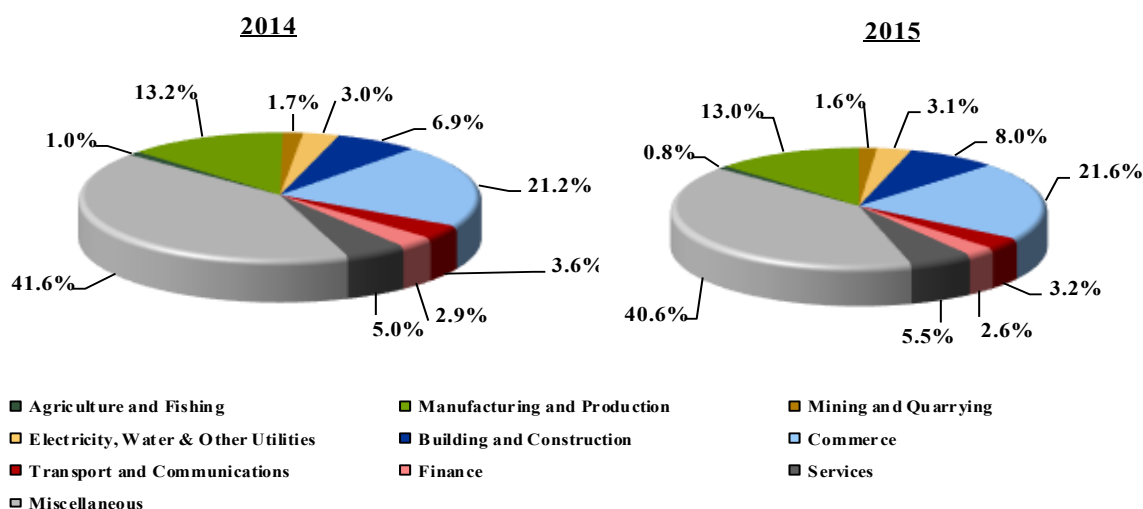


**Table 4.4: BANK CREDIT TO THE PRIVATE SECTOR BY ECONOMIC ACTIVITY**  
(End of period)

(Million Riyals)

	2013		2014		2015	
	Amount	% Share	Amount	% Share	Amount	% Share
Agriculture and fishing	12,001	1.1	11,573	1.0	11,080	0.8
Manufacturing and production	139,764	13.0	158,441	13.2	172,498	13.0
Mining and quarrying	16,348	1.5	20,287	1.7	21,205	1.6
Electricity, water and other utilities	34,315	3.2	36,102	3.0	40,485	3.1
Building and construction	76,555	7.1	83,259	6.9	105,834	8.0
Commerce	234,768	21.8	255,645	21.2	285,492	21.6
Transport & Communications	37,924	3.5	43,263	3.6	42,655	3.2
Finance	27,915	2.6	35,196	2.9	33,890	2.6
Services	64,004	5.9	60,325	5.0	72,709	5.5
Other miscellaneous services	432,799	40.2	500,739	41.6	536,961	40.6
<b>Total</b>	<b>1,076,393</b>	<b>100.0</b>	<b>1,204,831</b>	<b>100.0</b>	<b>1,322,809</b>	<b>100.0</b>

**Chart 4.6: Bank Credit to the Private Sector By Economic Activity**



billion at the end of 2015 compared to SAR 322.8 billion in the preceding year, increasing by 4.5 percent. The bulk of the increase was in consumer loans, which rose by 4.5 percent (SAR

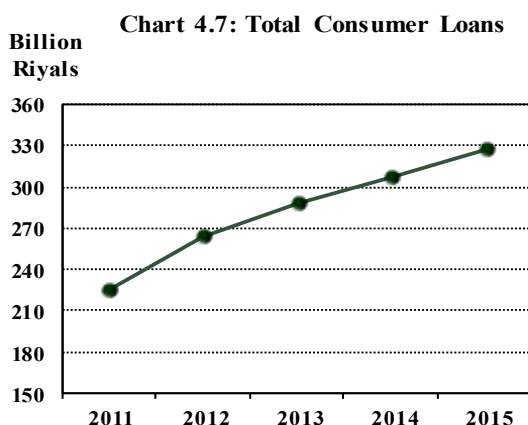
14.0 billion) to SAR 327.1 billion in 2015, compared to an increase of 8.8 percent (SAR 25.2 billion) in the previous year. A review of the components of these loans shows that loans



for other purposes increased by 3.8 percent (SAR 9.4 billion) to SAR 254.8 billion, accounting for 77.9 percent of total consumer loans, compared to a rise of 3.0 percent (SAR 7.2 billion) in the preceding year. Loans for real estate renovation, improvement and furnishing grew 44.6 percent (SAR 11.4 billion) to SAR 37.0 billion, constituting 11.3 percent of total consumer loans, compared to a rise of 20.2 percent (SAR 4.3 billion) in the preceding year. Moreover, credit card loans increased 5.6 percent (SAR 546.0 million) to SAR 10.2 billion in 2015 compared to a rise of 13.6 percent (SAR 1.2 billion) in the preceding year. Loans granted for purchases of personal transportation and motor vehicles declined by 18.3 percent (SAR 6.6 billion) to SAR 29.3 billion, constituting 9.0 percent of total consumer loans, compared to a rise of 26.5 percent (SAR 7.5 billion) in the preceding year. (Table 4.5A and Chart 4.7).

## Real Estate Loans

Real estate loans extended to individuals and corporates by banks continued their growth to SAR 186.5 billion, increasing by 17.3 percent (SAR 27.5 billion) in 2015, compared to growth of 32.8 percent (SAR 39.2 billion) in the previous year. Real estate loans extended to individuals recorded a rise of 8.5 percent (SAR 8.0 billion) to SAR 102.2



**Table 4.5A: CONSUMER AND CREDIT CARD LOANS\***  
(End of Period)

(Million Riyals)

Year	Consumer Loans							Total credit card Loans**
	Renovation & home Improvement	Vehicles & Private transport means	Furniture & Durable Goods	Education	Health care	Tourism and travel	Others	Total
2011	14,134	21,705	---	---	---	---	188,937	224,775
2012	18,050	24,088	---	---	---	---	221,055	263,193
2013	21,300	28,364	---	---	---	---	238,226	287,890
2014***	25,604	35,880	5,455	414	246	103	245,398	313,100
2015	37,021	29,320	4,912	637	312	85	254,789	327,076

\* Excluding real estate finance, leasing, marginal finance for trading in shares.

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

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



billion, compared to an increase of 34.0 percent (SAR 23.9 billion) in the previous year, constituting 54.8 percent of total real estate loans at the end of 2015. Loans extended by commercial banks to corporates also rose 30.1 percent (SAR 19.5 billion) to SAR 84.3 billion in 2015, compared to a rise of 31.0 percent (SAR 15.3 billion) in the previous year. (Table 4.5B).

### Syndicated Loans

Data on loans extended to residents by a syndicate of domestic and foreign banks indicate that their number increased by 22.1 percent to 469 in 2015. Syndicated loans extended to non-residents also went up by 22.6 percent to 65. Total value of syndicated loans extended to residents rose by 3.2 percent to SAR 134.0 billion in 2015, and those extended to non-residents by 46.3 percent to SAR 12.0 billion.

### Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks went up by 25.9 percent (SAR 65.1 billion) to SAR 316.7 billion at the end of 2015 compared to an

increase of 19.4 percent (SAR 40.9 billion) in the preceding year.

Foreign liabilities of commercial banks decreased by 1.2 percent (SAR 1.1 billion) to SAR 91.2 billion in 2015, compared to a rise of 24.0 percent (SAR 17.9 billion) in the preceding year (Table 4.6 and Charts 4.8 and 4.9).

As a result, commercial banks' net foreign assets (foreign assets less foreign liabilities) increased 41.5 percent (SAR 66.2 billion) to SAR 225.5 billion in 2015, compared to a rise of 16.9 percent (SAR 23.1 billion) in the preceding year.

### Commercial Banks' Reserves

Commercial banks' reserves (cash in vault and deposits with SAMA) went down by 31.4 percent (SAR 66.8 billion) to SAR 146.2 billion in 2015 compared to an increase of 6.3 percent (SAR 12.7 billion) in the preceding year. The bulk of the decrease was due to a 79.6 percent (SAR 74.5 billion) decrease in other deposits with SAMA to reach SAR 19.1 billion at the end of 2015 from SAR 93.6 billion at the end of

**Table 4.5 B: REAL ESTATE LOANS BY BANKS**  
(End of Period)

Year	Retail	Corporate	Total
2011	42,314	27,897	70,211
2012	53,576	34,448	88,024
2013	70,334	49,419	119,753
2014	94,241	64,743	158,984
2015	102,207	84,257	186,464



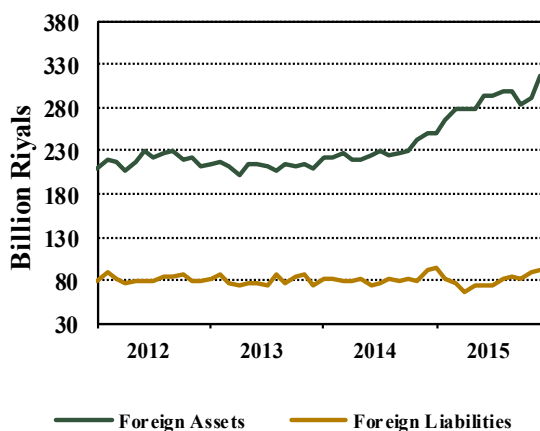
**Table 4.6: FOREIGN ASSETS AND LIABILITIES OF COMMERCIAL BANKS**

(End of period)

(Million Riyals)

	Amount		Change			
			2014		2015	
	2014	2015	Amount	%	Amount	%
<b>Foreign Assets</b>						
Due from foreign banks	37,586	83,092	13,208	54.2	45,506	121.1
Due from branches abroad	41,174	44,493	-7,299	-15.1	3,320	8.1
Due from others	11,622	13,936	-180	-1.5	2,313	19.9
Investments abroad	161,231	175,188	35,193	27.9	13,958	8.7
<b>Total</b>	<b>251,613</b>	<b>316,710</b>	<b>40,922</b>	<b>19.4</b>	<b>65,097</b>	<b>25.9</b>
<b>Foreign Liabilities</b>						
Due to foreign banks	52,460	48,743	7,738	17.3	-3,717	-7.1
Due to branches abroad	17,138	17,139	10,642	163.9	2	0.0
Due to others	22,679	25,290	-509	-2.2	2,610	11.5
<b>Total</b>	<b>92,277</b>	<b>91,171</b>	<b>17,871</b>	<b>24.0</b>	<b>-1,105</b>	<b>-1.2</b>
<b>Net Foreign Assets</b>	<b>159,336</b>	<b>225,538</b>	<b>23,050</b>	<b>16.9</b>	<b>66,202</b>	<b>41.5</b>

**Chart 4.8: Foreign Assets and Liabilities of Banks**



**Chart 4.9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities**





2014, and a 33.0 percent (SAR 156.0 million) decrease in current deposits with SAMA to reach SAR 317 million from SAR 472 million. However, statutory deposits with SAMA rose by 6.1 percent (SAR 5.6 billion) to SAR 97.5 billion. In contrast, cash in bank vaults went up by SAR 2.3 billion to SAR 29.4 billion (Table 4.7).

### Banks' Capital and Reserves

Capital and reserves of banks increased 9.2 percent (SAR 22.9 billion) to SAR 271.0 billion in 2015 compared to a rise of 9.9 percent (SAR 22.3 billion) in the preceding year. Their ratio to total deposits increased from 15.7 percent at the end of 2014 to 16.9 percent at the end of 2015, and to total assets from 11.6 percent at the end of 2014 to 12.3 percent at the end of 2015. Ratio of capital to risk-weighted assets (Basel Standard) stood at 18.1 percent at

the end of 2015, which is higher than the ratio recommended by the Basel Committee (Table 4.8).

### Sources and Uses of Financial Resources of Commercial Banks in 2015

Total added financial resources of commercial banks fell by 1.8 percent to SAR 234.1 billion in 2015 compared to SAR 238.3 billion in the previous year. These main resources were accounted for by liquidation of SAMA bills by SAR 89.7 billion (38.3 percent of total resources), withdrawal from cash and liquidity reserves with SAMA by SAR 66.8 billion (28.5 percent), increases in banking deposits and capital base by SAR 29.2 billion and SAR 25.4 billion (12.5 percent and 10.8 percent) respectively, increase in net other liabilities by SAR 16.0 billion (6.8 percent), and partial repayment of public sector credit by SAR 7.0 billion (3.0 percent).

**Table 4.7: COMMERCIAL BANK RESERVES**  
(End of period)

	2011	2012	2013	2014	2015
	<i>(Million Riyals)</i>				
Cash in vault	19,917	19,666	23,219	27,115	29,383
Deposits with SAMA:					
Current deposits	180	161	173	472	317
Statutory deposits	62,253	70,005	81,085	91,879	97,467
Other deposits	96,825	127,623	95,889	93,607	19,071
<b>Bank reserves</b>	<b>179,174</b>	<b>217,455</b>	<b>200,366</b>	<b>213,073</b>	<b>146,238</b>
<b>Ratios to bank deposits</b>					
Cash in vault	1.80	1.56	1.66	1.72	1.83
Deposits with SAMA:					
Current deposits	0.02	0.01	0.01	0.03	0.02
Statutory deposits	5.64	5.55	5.78	5.83	6.07
Other deposits	8.77	10.12	6.84	5.94	1.19
<b>Bank reserves</b>	<b>16.23</b>	<b>17.25</b>	<b>14.29</b>	<b>13.52</b>	<b>9.11</b>



**Table 4.8: CAPITAL AND RESERVES OF COMMERCIAL BANKS**

(End of period)

*(Million Riyals)*

	2011	2012	2013	2014	2015
Capital and reserves	190,140	209,494	225,855	248,111	270,964
Capital and reserves as a ratio of:					
Bank deposits	17.2	16.6	16.1	15.7	16.9
Total assets	12.3	12.1	11.9	11.6	12.3
Ratio of capital to risk-weighted assets (Basel Standard)	17.6	18.2	17.9	17.9	18.1

Most of these financial resources were used during 2015 for increasing claims on the private sector by SAR 115.7 billion (49.4 percent of total resources), and net foreign claims by SAR 66.2 billion (28.3 percent). They were also used to boost investments in government and quasi-government bonds by SAR 33.0 billion (14.1 percent), and repayment of money market instruments by SAR 19.2 billion (8.2 percent). (Table 4.9).

### Commercial Banks' Profits

Commercial banks' profits went up by 6.3 percent to SAR 42.7 billion in 2015 over last year's profits of SAR 40.2 billion, which rose by 12.5 percent over the profits in 2013.

### Number of Banks and Branches

The number of commercial banks operating in the Kingdom reached 25 (23 operating and 2 licensed) at the end of 2015, including branches of foreign banks. The number of commercial banks' branches increased by operating 77 new bank branches to

1,989 in various regions of the Kingdom. The distribution of bank branches by administrative regions shows that Riyadh region accounted for 611 branches (30.7 percent of total bank branches), Makkah region 429 branches (21.6 percent), the Eastern region 384 branches (19.3 percent), Asir region 120 branches (6.0 percent), Al-Qassim region 118 branches (5.9 percent), and Al-Madinah region 98 branches (4.9 percent) (Table 4.10).

### Number of Workers in the Banking Sector

In 2015, the number of workers in the banking sector recorded an increase of 4.2 percent to 49,563. Saudi (male-female) workers represented 90.2 percent (44,688) of the total number of workers in the banking sector. Saudi male workers constituted 77.6 percent of the total number of workers compared to 9.7 percent of non-Saudi male workers. Saudi female workers represented 12.5 percent of the total number of workers compared to 0.1 percent of non-Saudi female workers.



**Table 4.9: SOURCES AND USES OF COMMERCIAL BANKS' ADDITIONAL FINANCIAL RESOURCES DURING 2015**

(Billion Riyals)

Sources	Amount	% Share	Uses	Amount	% Share
Liquidation of SAMA bills	89.7	38.3	Claims on public sector	115.7	49.4
Cash & liquidity reserves	66.8	28.5	Net foreign claims	66.2	28.3
Bank deposits	29.2	12.5	Investments in government bonds	33.0	14.1
Monetary base	25.4	10.8	Repayment of money market instruments	19.2	8.2
Partial repayment of public sector credit	7.0	3.0			
Net other claims	16.0	6.8			
Total	234.1	100.0	Total	234.1	100.0

**Table 4.10: BANK BRANCHES CLASSIFIED BY ADMINISTRATIVE REGIONS**

(End of period)

	Eastern							Northern						
	Riyadh	Makkah	Madinah	Region	Qassim	Asir	Tabouk	Hail	Borders	Jawf	Jazan	Najran	Bahah	Total
2011	493	372	75	309	104	102	40	32	14	20	37	22	26	1,646
2012	506	384	78	320	107	106	42	32	14	21	38	23	25	1,696
2013	535	394	84	331	110	111	42	35	13	23	41	23	26	1,768
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

## Banking Technology Developments in 2015

### First: Clearing House Operations

The number of commercial and personal checks cleared through clearing houses in the Kingdom went down by 5.2 percent (312.2 thousand) in 2015. As for their value, it decreased 16.2 percent to SAR 541.7 billion. The average check value went down by 11.6 percent from SAR 107,317 in 2014 to SAR 94,825 in 2015.

The number of commercial and personal checks cleared at the main automatic clearing houses in the Kingdom decreased in general in 2015. This is likely attributable to the expansion in using banking technology, including Point of Sale (POS) terminals. The number of checks in Riyadh clearing house fell by 6.6 percent to 2.1 million, Al-Dammam 4.5 percent to 1.6 million, Jeddah 6.6 percent to 1.3 million, Al-Madinah



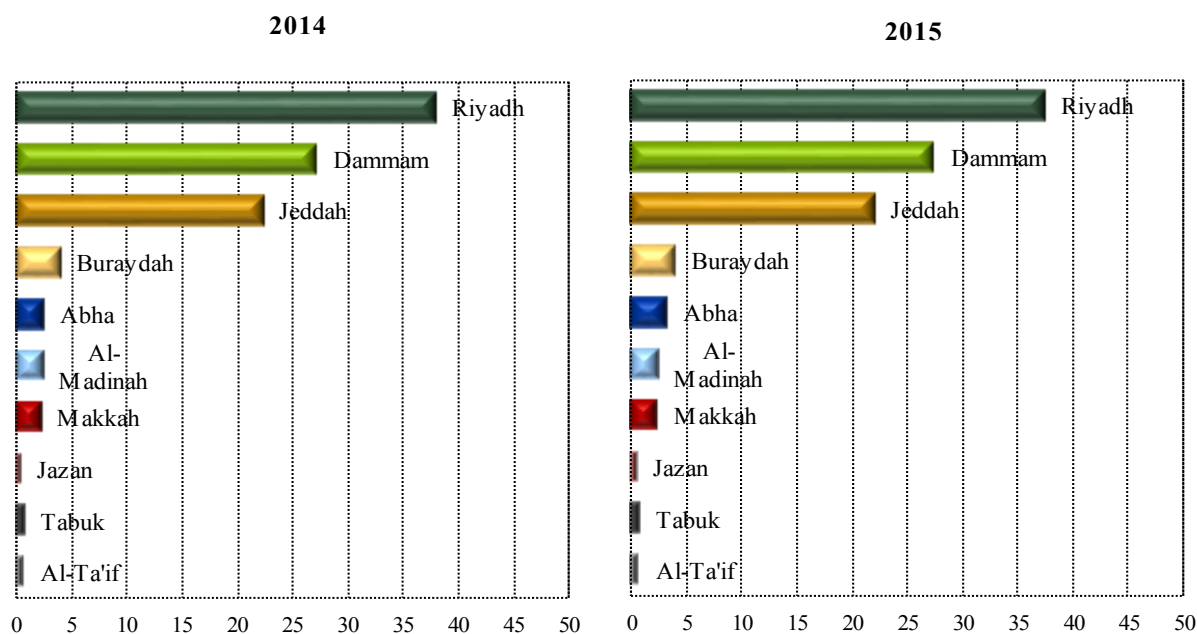
7.4 percent to 133.8 thousand, Buraidah 5.9 percent to 226.9 thousand, Makkah 0.2 percent to 131.2 thousand, Tabuk 9.7 percent to 41.8 thousand, and Al-Ta'if 5.6 percent to 35.0 thousand. In contrast, the number of commercial and personal checks cleared at Abha clearing house increased by 22.3 percent to 177.8 thousand (Chart 4.10).

### Second: MADA

During 2015, MADA achieved positive growth in all of its operations. The number of ATMs operating in the Kingdom increased by 11.0 percent to 17,223, compared to a rise of 11.8 percent in the preceding year. The number of ATM cards issued also went up by 9.3 percent to 22.5 million, compared to an increase of 15.4 percent in the preceding year.

The number of transactions carried out through MADA rose 20.3 percent to 754 million in 2015, compared to a rise of 12.4 percent in the preceding year. The value of withdrawals carried out through MADA increased 19.5 percent to SAR 434.7 billion, compared to a rise of 12.0 percent in the previous year. The number of transactions executed through the banks' networks went up by 18.2 percent to 1.1 billion, compared to a rise of 16.3 percent in the preceding year, but their value went down by 4.6 percent to SAR 342.0 billion, compared to a rise of 7.4 percent in the preceding year. As a result, total number of transactions carried out by ATMs rose by 19.0 percent to 1,823 million, and total cash withdrawals by 7.6 percent to SAR 776.7 billion (Table 4.11 and Chart 4.11).

**Chart 4.10: Percentage Shares of  
Commercial and Personal Checks Cleared by City**



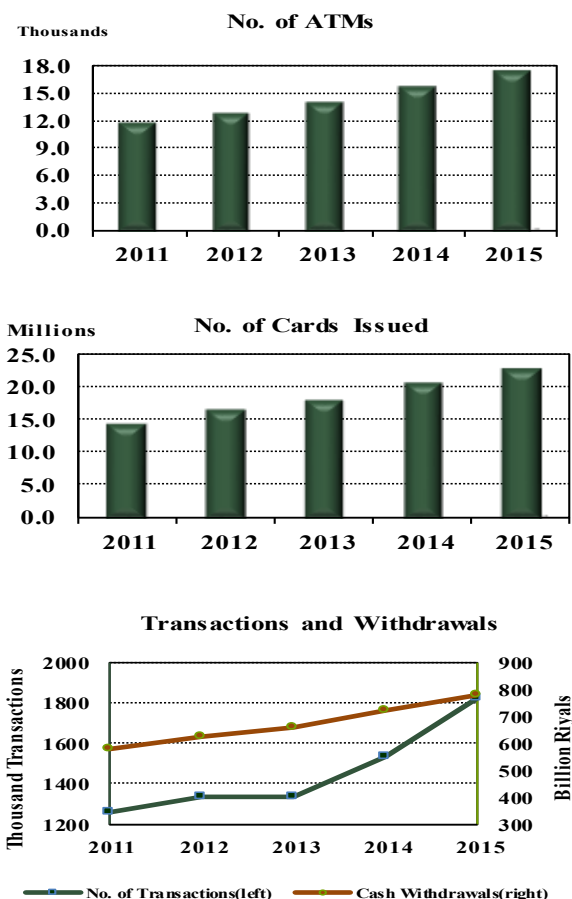


The number of POS terminals went up by 62.4 percent to 225,372 in 2015, compared to a rise of 28.8 percent in the preceding year. The number of sales transactions executed through POS terminals went up by 22.3 percent to 443 million, compared to a rise of 23.3 percent in the preceding year. The value of sales through POS terminals also rose by 12.8 percent to SAR 191.7 billion compared to an increase of 17.7 percent in the preceding year (Table 4.12 and Chart 4.12). Growth rates in the numbers of ATM cards and transactions executed through ATMs and POS terminals indicate the increased reliance of customers on MADA services and their enhanced confidence in modern banking technology, highlighting the continuous achievements by MADA.

### Third: Saudi Arabian Riyal Interbank Express System (SARIE)

Total number of transactions executed through SARIE went up by 26.3 percent to 81.5

**Chart 4.11: Automated Teller Machine Statistics**



**Table 4.11: ATM STATISTICS**

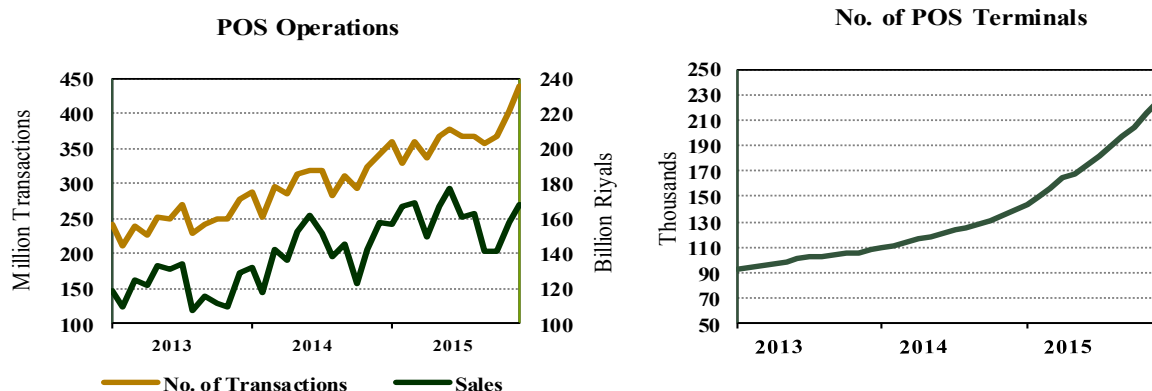
Year	No. of ATMs	No. of issued ATM cards	No. of Operations (Million)			Cash withdrawals (Million Riyals)		
			MADA	Banks' network	Total	MADA	Banks' network	Total
2011	11,766	14,261,993	486	769	1,255	270,593	307,676	578,269
2012	12,712	16,440,258	533	800	1,333	301,473	324,281	625,754
2013	13,883	17,810,653	558	777	1,336	324,567	333,810	658,377
2014	15,516	20,550,274	627	904	1,532	363,668	358,373	722,041
2015	17,223	22,459,275	754	1,069	1,823	434,694	342,023	776,716



**Table 4.12: POS STATISTICS**

<b>Year</b>	<b>Sales (Million Riyals)</b>	<b>No. of Operations (Million)</b>	<b>No. of POS terminals</b>
2011	98,905	190	88,793
2012	122,226	238	92,538
2013	144,327	294	107,763
2014	169,928	363	138,779
2015	191,666	443	225,372

**Chart 4.12**

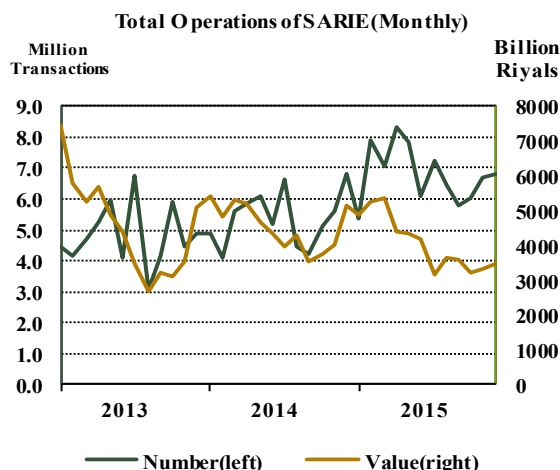


million in 2015 compared to a rise of 11.4 percent in the preceding year. A breakdown of SARIE transactions by single and bulk payment transactions shows that the number of single transactions rose by 31.9 percent to 8.0 million. However, their value decreased by 3.1 percent to SAR 3,349 billion. The number of bulk transactions went up by 25.3 percent to 70.6 million and their value by 15.2 percent to SAR 1,984 billion. The number of other transactions increased by 43.4 percent to 2.3 million and their value decreased by 32.0 percent to SAR

23.0 billion. A classification of SARIE transactions by interbank payments shows that the number of single interbank transactions increased by 24.2 percent to 464 thousand during 2015. Their value, however, went down by 11.7 percent to SAR 43,450 billion. The number of bulk interbank transactions executed through SARIE declined by 38.7 percent to 72.0 thousand, but their value went up by 17.0 percent to SAR 59.0 billion (Tables 4.13A - 4.13B and Chart 4.13).



**Chart 4.13: SARIE Transactions**



#### Fourth: SADAD Payment System

The number of billers from various sectors (such as electricity, water, communications, airline companies, insurance, credit cards, etc.) connected to SADAD stood at 145 at the end of 2015, while the number of banks linked to SADAD reached 16. Agreements were concluded with three other banks for connection to SADAD. The number of transactions executed during 2015 totaled 172.4 million with a total value of SAR 210.3 billion compared to 154.6 million with a total value of SAR 187.3 billion at the end of the preceding year (Chart 4.14).

**Table 4.13 A: NUMBER OF SARIE TRANSACTIONS**

(Thousand transaction)

Period	Customer Payments			Inter-bank Payments			Others (3)	Total (1+2+3)
	Gross	Single	Total (1)	Gross	Single	Total (2)		
2011	38,921	3,552	42,473	87	273	360	1,237	44,070
2012	48,882	4,349	53,231	129	335	464	1,215	54,909
2013	50,768	5,290	56,058	112	342	454	1,456	57,967
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

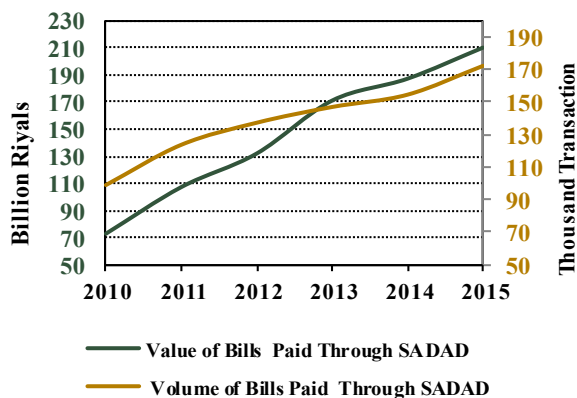
**Table 4.13 B: VALUE OF SARIE TRANSACTIONS**

(Billion Riyals)

Period	Customer Payments			Inter-bank Payments			Others* (3)	Total (1+2+3)
	Gross	Single	Total (1)	Gross	Single	Total (2)		
2011	1,159	2,304	3,464	37	50,895	50,932	58	54,454
2012	1,332	2,714	4,046	61	61,290	61,351	22	65,420
2013	1,530	3,040	4,570	49	50,013	50,062	27	54,660
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

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

**Chart 4.14: Volume and value of bill paid through SADAD**



### Financial Derivatives Market Activity

Financial derivative transactions in the Kingdom rose by 6.9 percent (SAR 97.2 billion) to SAR 1,503.6 billion in 2015, compared to SAR 1,406.4 billion at the end of the preceding year. Financial derivatives constituted 67.5 percent of the contra accounts (off-consolidated financial position) at the end of 2015 against 65.8 percent in the preceding year.

### Banking Creditworthiness

The Saudi Credit Bureau (SIMAH) continued to provide its services to all relevant entities during 2015 by developing its services and products, whether with regards with the Individuals System Project (SIMATI), Companies System Project (SIMATINA), Small and Medium Enterprises Evaluation System Project, Ta'mini System Project (insurance sector), Shaiki Project (bounced checks registration system) and (Legal Entity Identifier) Project. The importance of the aforementioned projects was acknowledged by the G-20 based on an initiative of the Financial Stability Board, aiming at helping financial institutions to

evaluate risks in a systematic and effective manner and put regulatory and operational requirements in place to ensure the stability and efficiency of the financial sector and other products and services which constitute, as a whole, a robust base for the stability of the financial sector. SIMAH continued to adopt the concept for which it was established as an independent Saudi credit information body in the late 90s to complement the finance system in the Kingdom, and to develop credit information sector and its various services in preparation for the expansion of credit market in the Kingdom in line with the economic variables and the vision of the financial and economic decision makers.

SIMAH continued to develop its business methods at the technical and regulatory levels during 2015 in accordance with specific strategies. These strategies include ensuring the provision of an effective information infrastructure to enhance the ability of assessing and managing risks. Credit information, that is necessary to have a clear understanding about borrowers, assists decision taking, and enhances the ability to analyze credit risks and evaluate creditworthiness of borrowers.

During 2015, SIMAH sought to provide services to the banking and financial sectors, ministries, government funds, service activity, commerce and industry, real estate, leasing, small and medium enterprises, health, education, petrochemical and other sectors that need to have access to credit information about consumers. The role of SIMAH focuses on providing credit information services and value-



added products in accordance with the best high-level standards to achieve the highest professionalism level for the relevant sectors.

During 2015, SIMAH established an information center developed with the highest international specifications (TIER IV) as part of its efforts to take all necessary precautions to verify that the information received or obtained have been correctly and accurately recorded, stored, authenticated, processed, and protected against loss. These precautions include adopting sufficient backup systems; developing contingent information retrieval plans; and protect information from unauthorized access, use, modification, or disclosure in accordance with the rules approved by SAMA.

SIMAH also established in 2015 a dedicated complaint handling function approved by SAMA, in accordance with the requirements of the Implementing Regulations of Credit Information Law.

Also, SIMAH published in 2015 the Procedural Manual as part of “Know Your Rights” Campaign. It was published and distributed at its customer service Center, members’ websites, and through social media

(Twitter, Facebook, YouTube) to increase credit awareness among all segments of society.

### **Progress of the Implementation of Basel III in the Kingdom**

In continuation to SAMA's efforts in encouraging commercial banks to comply with the implementation of BCBS standards for risk-based capital adequacy, Basel III was implemented with regards to Pillar 1 on credit risks, pillar 2 on supervisory review process and pillar 3 on disclosure of bank data. Basel III is being implemented gradually up to 2019. It should be noted that commercial banks proactively started to implement these standards since the beginning of 2016, which reflects the resilience and solvency of the banking sector. With regards to the requirements for D-SIBs G-SIBs, a framework for D-SIBs was completed and the relevant regulation was issued under SAMA's circular issued in September 2014 to be enforced at the beginning of 2016.

SAMA issued a framework for Countercyclical Capital Buffer (CCyB) requirements in 2015. It also started to implement and monitor the Basel III Capital Adequacy Ratio (CAR) in September 2015.





### Insurance Sector

Within the framework of SAMA's supervisory and regulatory functions over the insurance sector, several instructions and controls were issued during 1436/1437 (2015) to enhance the growth and stability of this sector and reduce any potential risks. SAMA publishes the regulations and instructions related to insurance sector in the Kingdom on its website, in addition to information on insurance market and licensed companies operating therein. The following are the most prominent developments in 2015.

#### First: Regulations of Insurance Sector Supervision Issued in 2015:

In 2015, SAMA issued Insurance Corporate Governance Regulations and Audit Committees Regulation in Insurance and/or Reinsurance Companies. The number of regulations issued in the past years amounted to fourteen as follows:

- Implementing Regulation for Cooperative Insurance Companies Control Law;
- Insurance Market Code of Conduct Regulations;
- Anti-money Laundering & Combating Terrorism Financing Rules for Insurance Companies;
- Anti-Fraud Regulation for Insurance Companies and Insurance Service Providers;
- Surplus Distribution Policy;
- Risk Management Regulation;
- Regulations for Supervision and Inspection Costs;
- Regulation of Reinsurance Activities;
- Insurance Intermediaries Regulation;
- Online Insurance Activities Regulation;
- The Unified Compulsory Motor Insurance Policy;

- Investment Regulations;
- Outsourcing Regulations for Insurance and Reinsurance Companies and Insurance Service Providers; and
- Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA.

### Second: Saudization in the Insurance Sector

#### A. Resolutions and Instructions Issued on Saudization

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 the Kingdom, including training and Saudization. Article 4 of the Regulations provides that the business plan of insurance companies and insurance service providers shall specify the expected number of employees and include a plan for the recruitment and qualification of Saudis.

Article 50 of the Regulations emphasizes that insurance companies and insurance service providers should provide SAMA, 45 days prior to the end of each fiscal year, with a list of numbers and rates of Saudi staff at the company level, each branch and/or department, in addition to their job levels. Article 79 of the Regulations stipulates the following: "The percentage of 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".

#### B. Workers in the Insurance Sector

The total number of employees at cooperative insurance companies in the

Kingdom slightly increased by 0.5 percent to 9,607 at the end of 2015 compared to 9,559 at the end of 2014. Saudis constituted 57.4 percent of the total number, rising by 0.8 percent compared to the end of 2014. The percentage of Saudis in non-managerial positions rose to 62.2 percent in 2015 from 58.9 percent in 2014. In contrast, the ratio of Saudis in managerial positions declined to 37.8 percent from 43.8 percent in 2014.

### **Third: Training**

Among the efforts exerted by SAMA to regulate the insurance sector and urge companies and their employees to adhere to professionalism and carry out insurance activities on a scientific and methodological basis pursuant to its rules, regulations and instructions, SAMA has prescribed Insurance Fundamentals Certificate Exam (IFCE) as a mandatory certificate that should be obtained by employees of insurance companies and insurance service providers. The IFCE covers the main principles of insurance rules and regulations. It is applied over a three-year period in accordance with a timetable that determines the period during which each category of employees must pass the exam.

## **Fourth: Insurance Market in the Kingdom in 2015**

### **A. Overall Market Performance:**

– Most insurance market indicators grew in 2015. The market's gross written premiums rose by 19.7 percent to SAR 36.5 billion compared to 20.8 percent in 2014. This increase was mainly attributable to the growing awareness of the importance of insurance, as well as the compulsory motor

insurance and cooperative health insurance.

- General insurance gross written premiums (GWP), which represents 45.2 percent of the total, increased by 19 percent to SAR 16.5 billion in 2015 compared to 20.5 percent in 2014 (Table 5.1).
- Health insurance gross written premiums increased by 20.7 percent to SAR 18.9 billion in 2015 compared to a rise of 21.9 percent in 2014. Thus, health insurance continued to be the largest insurance activity in 2015. The significant growth in health insurance premiums was mainly attributable to the application of the cooperative health insurance to more categories of beneficiaries.
- Protection and savings insurance GWP increased by 14.5 percent to SAR 1035.7 million in 2015, compared to SAR 904.4 million in 2014.

### **B. Insurance Market Penetration and Density**

Insurance penetration is the ratio of gross written premiums to GDP. The level of insurance penetration in the Kingdom stood at 1.5 percent in 2015 compared to 1.1 percent in 2014, with GWP to non-oil GDP amounting to 2.1 percent in 2015 compared to 1.9 percent in 2014 (Table 5.2).

Insurance density is defined as insurance spending per capita (GWP divided by the number of population). It increased by 19.7 percent to SAR 1,186.1 in 2015 compared to SAR 990.7 in 2014 (Table 5.3).

### **C. Gross Written Premiums (GWP)**

Health and motor insurance constituted 81.6 percent of total GWP in 2015. Health insurance is still the most popular type of

Table 5.1: INSURANCE INDICATORS

Type of Insurance	2013				2014				2015			
	Gross Written Premiums (Million SAR)	% Share	Net Written Premiums	Retention Ratio*	Gross Written Premiums (Million SAR)	% Share	Net Written Premiums	Retention Ratio*	Gross Written Premiums (Million SAR)	% Share	Net Written Premiums	Retention Ratio*
Accidents, liability and others	940.8	3.7	391.0	41.6	1,079.4	3.5	564.6	52.3	1,093.1	3.0	527.3	48.2
Motor	6,354.7	25.2	5,967.0	93.9	8,026.2	26.3	7,601.7	94.7	10,799.2	29.6	9,912.4	91.8
Property / Fire	1,664.5	6.6	281.6	16.9	1,923.2	6.3	315.8	16.4	1,961.9	5.4	330.3	16.8
Marine	740.3	2.9	241.5	32.6	811.4	2.7	251.5	31.0	726.2	2.0	248.9	34.3
Aviation	144.0	0.6	3.6	2.5	140.4	0.5	3.5	2.5	146.6	0.4	2.9	2.0
Energy	456.0	1.8	7.5	1.6	442.7	1.5	8.7	2.0	562.6	1.5	11.1	2.0
Engineering	1,199.7	4.8	180.3	15.0	1,434.1	4.7	204.9	14.3	1,204.0	3.3	216.5	18.0
Total general insurance	11,500.0	45.6	7,072.7	61.5	13,857.4	45.5	8,950.2	64.6	16,493.8	45.2	11,249.5	68.2
Total health insurance	12,895.0	51.1	11,456.0	88.8	15,720.5	51.6	14,654.5	93.2	18,966.8	52.0	18,189.1	95.9
Total protection and saving insurance	844.5	3.3	714.0	84.5	904.4	3.0	729.6	80.7	1,035.7	2.8	835.9	80.7
Total	25,239.4	100.0	19,242.6	76.2	30,482.2	100.0	24,334.2	79.8	36,496.3	100.0	30,274.5	83.0

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



**TABLE 5.2: DEPTH OF INSURANCE MARKET RATIO TO GDP**

(Percentage)

Type of Activity	2013		2014		2015		% Change
	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP	
Total general insurance	0.41	0.78	0.50	0.87	0.68	0.95	9.20
Total health insurance	0.46	0.87	0.56	0.98	0.78	1.10	12.24
Total protection and saving insurance	0.03	0.06	0.03	0.06	0.04	0.06	5.34
<b>Total</b>	<b>0.90</b>	<b>1.71</b>	<b>1.09</b>	<b>1.90</b>	<b>1.51</b>	<b>2.11</b>	<b>11.10</b>

**TABLE 5.3: INSURANCE MARKET DENSITY**

(Per Capita)

Type of Activity	2011	2012	2013	2014	2015	% Change
Total general insurance	290.8	308.3	393.9	450.4	536.0	19.0
Total health insurance	357.8	386.5	441.7	510.9	616.4	20.6
Total protection and saving insurance	33.4	30.4	28.9	29.4	33.7	14.5
<b>Total</b>	<b>682.0</b>	<b>725.2</b>	<b>864.5</b>	<b>990.7</b>	<b>1186.1</b>	<b>19.7</b>

insurance, accounting for 52 percent of total GWP in 2015 compared to 51.6 percent in 2014. Motor insurance ranked second in terms of demand, constituting 29.6 percent. Protection and savings, energy and marine insurance accounted for 2.8 percent, 1.5 percent, and 2.0 percent respectively (Table 5.1).

#### D. Net Written Premiums (NWP)

NWP is defined as the gross written premiums less the share of reinsurance. Health and motor insurance sectors accounted for 93

percent of NWP in 2015. Motor insurance registered the highest growth rate in terms of NWP by 30.4 percent in 2015, followed by energy insurance by 28.3 percent (Table 5.1).

#### E. Retention Ratio

Retention ratio is a risk measure of written premiums retained by an insurance company, as there is a correlation between retention ratio and risks. It is measured by dividing NWP by GWP. Excluding protection and savings insurance, the retention ratio of



insurance companies in the Saudi market was 83 percent in 2015 against 79.8 percent in 2014. This ratio is largely affected by the high retention ratio for motor and health insurance which both accounted for around 93 percent of GWP. Aviation insurance and energy insurance recorded the lowest retention ratios of 2.0 percent for each in 2015 (Table 5.1).

#### F. Commissions Paid to Insurance Brokers and Agents

The amount of commissions paid by insurance companies to insurance intermediaries and agents totaled SAR 1.35 billion in 2015 compared to SAR 1.04 billion in 2014. Health insurance commissions constituted 40.5 percent

and 40.7 percent of total commissions paid during 2014 and 2015 respectively (Table 5.4).

#### G. Total Claims Paid by Type of Business

Total claims paid went up by 20.7 percent to SAR 24.5 billion in 2015 from SAR 20.3 billion in 2014. Health and motor insurance claims accounted for 53.5 percent and 30.8 percent respectively of total claims paid in 2015. These high ratios reflected the relatively high shares of these types of business in the total market premiums.

In 2015, the highest growth rate of total claims paid was recorded by aviation insurance with a rise of 622.5 percent to SAR 51.3 million

**TABLE 5.4: COMMISSIONS INCURRED BY TYPE OF ACTIVITY**

Type of Activity	2013		2014		2015		% Change 2014-2015
	Million SAR	%	Million SAR	%	Million SAR	%	
Accidents, Liability and Others	76.4	7.8	71.6	6.9	70.9	5.2	-1.0
Motor	300.2	30.6	331.9	31.9	512.4	37.8	54.4
Property / Fire	118.5	12.1	90.9	8.7	97.4	7.2	7.2
Marine	61.4	6.3	51.5	5.0	44.2	3.3	-14.2
Aviation	0.5	0.1	0.8	0.1	1.0	0.1	25.0
Energy	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Engineering	69.7	7.1	49.2	4.7	56.7	4.2	15.2
Total general insurance	626.9	64.0	595.9	57.4	782.6	57.8	31.3
Total health insurance	330.6	33.7	420.6	40.5	551.5	40.7	31.1
Total protection and savings insurance	22.5	2.3	22.5	2.2	20.8	1.5	-7.6
Total	979.9	100.0	1039.0	100.0	1354.9	100.0	30.4



compared to SAR 7.1 million in the preceding year (Table 5.5).

### **Fifth: Status of Insurance Companies in the Kingdom**

Up to the end of 2015, the number of insurance and reinsurance companies that have already been approved by the Council of Ministers reached 35, in addition to 213 insurance service providers to support insurance services (Tables 5.6).

### **Sixth: Access to Insurance Market Information**

SAMA has designated a link for insurance business on its website [www.sama.gov.sa](http://www.sama.gov.sa). It contains rules, regulations, circulars and studies on insurance sector. It also includes license application

forms and standards of fit and proper for founders and managers of insurance companies and insurance service providers. SAMA website can be referred to for the latest updated data on licensed insurance companies and insurance service providers, which are updated periodically. The website also shows the performance of the insurance market in the Kingdom during 2008-2015.

### **Seventh: Council of Cooperative Health Insurance**

At the end of 2015, the total number of health-insured expatriates reached 7.6 million. The number of companies authorized to sell cooperative health insurance policies stood at 26, and the number of third party administrator companies that wish to provide health services in cooperative health insurance business were 7.

**TABLE 5.5: GROSS CLAIMS PAID BY TYPE OF ACTIVITY**

<u>Type of Activity</u>	<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>% Change 2014-2015</u>
	<u>Million SAR</u>	<u>%</u>	<u>Million SAR</u>	<u>%</u>	<u>Million SAR</u>	<u>%</u>	
Accidents, Liability and Others	118.3	0.7	207.1	1.0	200.2	0.8	-3.3
Motor	4720.2	27.8	6069	29.9	7554.6	30.8	24.5
Property / Fire	859.7	5.1	1312	6.5	2367.0	9.7	80.4
Marine	374.1	2.2	261.2	1.3	216.2	0.9	-17.2
Aviation	6.9	0.0	7.1	0.0	51.3	0.2	622.5
Energy	1.2	0.0	1.2	0.0	1.2	0.0	0.0
Engineering	213	1.3	559.4	2.8	631.3	2.6	12.9
Total general insurance	6293.1	37.0	8417	41.4	11021.8	45.0	30.9
Total health insurance	10405.2	61.2	11567.2	56.9	13106.1	53.5	13.3
Total protection and savings insurance	297.2	1.7	329.4	1.6	389.7	1.6	18.3
Total	16995.5	100.0	20313.6	100.0	24517.6	100.0	20.7



**Table 5.6: LICENSED INSURANCE AND REINSURANCE COMPANIES  
UP TO THE END OF 2015**

<b>Insurer</b>	<b>Capital Million (SAR)</b>	<b>Approved On (DD/MM/YY)</b>
National Company for Cooperative Insurance (NCCI)	1,000	02/12/2004
Malath Cooperative Insurance & Reinsurance Company	300	11/09/2007
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	1,000	11/09/2007
Saudi IAIC for Cooperative Insurance (SALAMA)	250	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	200	11/09/2007
Al Ahli Takaful	167	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	250	11/09/2007
Gulf Union Cooperative Insurance Company	220	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 Company for Cooperative Insurance	250	31/03/2008
Saudi Indian Company for Cooperative Insurance	205	10/06/2008
Arabia Insurance Cooperative Company	400	18/06/2008
Saudi United Cooperative Insurance company (Wala'a)	400	02/07/2008
Saudi Re For Cooperative Reinsurance company (Saudi Re)	1,000	21/07/2008
Bupe Arabia for Cooperative Insurance	800	10/08/2008
United Cooperative Assurance (UCA)	490	30/12/2008
Al-Ahlia for Cooperative Insurance	320	09/03/2009
Allied Cooperative Insurance Group (ACIG)	200	10/05/2009
Al-Rajhi Company for Cooperative Insurance	400	17/11/2009
Ace Arabia Cooperative Insurance Company	100	08/12/2009
Al-Alamiya Co-operative Insurance Company	400	13/12/2009
AXA Cooperative Insurance Company	450	26/01/2010
Gulf General Insurance Company	200	06/03/2010
Wiqaya Takaful Insurance & Reinsurance Company	200	24/03/2010
MetLife Inc and AIG, the Arab Bank for Cooperative Insurance	350	29/03/2010
Buruj Cooperative Insurance	250	29/05/2010
National Insurance Company	100	16/06/2010
AMANA Cooperative Insurance	320	06/07/2010
Solidarity Saudi Takaful Company	555	20/03/2011
Saudi Enaya Cooperative Insurance	400	07/08/2011
Alinma Tokio Marine Company	450	30/09/2012
Aljazira Takaful Taawuni Company	350	18/12/2013



The number of companies and establishments providing insurance to their employees was 420.8 thousand at the end of the 2015. In addition, health care facilities approved by the Council totaled 2,569 in the Kingdom, 2,556 of which for the private sector and 13 for the public sector (Table 5.7).

As for the type of facility, medical polyclinics ranked first among facilities providing health care services in the Kingdom at the end of 2015. Optical shops came next, followed by pharmacies and dispensaries.

Specialist clinics, and medical device and prosthetic shops came last. Riyadh came at the top of the regions providing health care services in the Kingdom. Makkah was second, followed by the Eastern province, while the Northern Borders province and Al-Baha came last respectively (Table 5.7).

## Finance Sector

SAMA is entrusted with supervising and regulating the finance sector in the Kingdom, taking necessary actions to maintain the integrity and stability of this business and protect

**Table 5.7: AUTHORIZED HEALTH CARE PROVIDERS AT THE END OF 2015**

Region/Type of Institutions	Hospital	Dispensaries	Pharmacies	Polyclinic Centres	One Physician Clinic	One day Operation Center	Opticians	Medical Laboratories	Diagnostic Centres	Physical Therapy Centres	Devices and Prosthetics Shops	Total
Eastern Region	29	41	104	138	0	3	110	1	1	1	0	428
Riyadh	36	56	182	380	1	6	286	1	2	2	2	954
Makkah	44	63	226	158	0	4	120	1	0	3	0	619
Najran	2	1	5	24	0	0	10	0	0	0	0	42
Asir	11	15	30	39	1	0	20	0	0	0	0	116
Al-Madinah	14	7	32	33	0	1	71	1	0	0	0	159
Al-Baha	1	0	3	7	0	0	5	0	0	0	0	16
Al-Gassim	4	16	13	16	0	0	21	0	0	0	0	70
Tabuk	1	9	4	14	0	0	19	0	0	0	0	47
Jazan	3	9	9	13	0	0	12	0	0	0	0	46
Hail	2	12	11	6	0	0	8	0	0	0	0	39
Northern Borders Region	0	3	3	8	0	0	1	0	0	0	0	15
Al-Jawf	0	2	5	11	0	0	0	0	0	0	0	18
<b>Total</b>	<b>147</b>	<b>234</b>	<b>627</b>	<b>847</b>	<b>2</b>	<b>14</b>	<b>683</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>2,569</b>

Source: Council of Cooperative Health Insurance.





workers' rights therein. SAMA is also responsible for issuing finance licenses in accordance with the provisions of finance laws and regulations. However, the Ministry of Justice is responsible for supervising Mortgage Law, its operations, and rights.

Real Estate Finance Law contributes to the provision of housing for low- and middle-income citizens, especially when having in place controls that ensure the necessary guarantees in practicing real estate finance business and protect the rights of all parties involved in the finance transaction. The most prominent developments regarding finance companies control in 2015 were as follows:

### **First: Regulatory Developments**

Through the General Department of Finance Companies Control, SAMA aims at fulfilling its objectives which include enhancing financial stability in order to promote sustainable economic growth. This can be achieved by ensuring fair transactions for all stakeholders. To that end, SAMA pursues excellence in its supervisory activities by improving internal procedures and utilizing all available resources.

To enhance SAMA's supervisory role, Prudential Return Guidelines for Finance Companies were approved. It is mandatory for finance companies to provide SAMA with such returns pursuant to the provisions of Finance Companies Control Law and its Implementing Regulations. Furthermore, SAMA specifies timeframes for finance companies to comply with the International Financial Reporting

Standards (IFRS) in their financial statements. SAMA has also developed "Rules Governing Disposal of Finance Assets or Their Contractual Rights" issued under SAMA Governor's decision No. M/43, dated 9-11-1436H (24-8-2015). They stipulate the rules to which finance companies must adhere when selling or disposing of finance assets, including pledging or assignment thereof, in a manner that serves SAMA's objective of maintaining the integrity of financial sector.

To protect the rights of finance service consumers, SAMA published on its website the Guidelines on Calculation of the Annual Percentage Rate (APR) in 2015, which explain how to calculate the APR. The APR is one of the standards that determines the actual cost of finance and enables beneficiaries to compare finance offers to enhance transparency and disclosure principles. SAMA has also required banks providing finance services and finance companies to use a standardized method to calculate early repayment amount of monthly payment finance contracts, such as personal finance, car finance through finance lease, and real-estate finance in order to maintain customers' rights and ensure fair transactions by all finance service providers. The number of regulations issued in the past years were six, as follows:

- Implementing Regulation of the Finance Companies Control Law
- Implementing Regulation of the Finance Lease Law
- Implementing Regulation of the Real Estate Finance Law
- Guidelines for Applying for a License to



#### Practice Finance Activities

- Rules of Engaging in Microfinance Activity; and
- Regulations for Issuance and Operations of Credit and Charge Cards.

### Second: Finance Companies Licensed to Operate in the Kingdom

Finance companies licensed to operate in the Kingdom amounted to 30 at the end of 2015 compared to 18 in the previous year. Companies licensed to provide real-estate finance were six (Table 5.8), while companies licensed to undertake other types of financing were 24 (Table 5.9). Total assets of finance companies grew by 23.2 percent to SAR 34.9 billion in 2015 compared to SAR 28.4 billion in 2014. Total finance amounts grew by 22

percent to SAR 26.2 billion at the end of 2015 compared to SAR 21.6 billion at the end 2014. Real estate finance accounted for 32.7 percent, while other types of financing were 67.3 percent.

### Third: Access to Finance Market Information

SAMA designates a link for finance business on its website [www.sama.gov.sa](http://www.sama.gov.sa) that contains rules, regulations, circulars and frequently asked questions on finance sector. It also shows license application forms and fit and proper forms for founders and managers of finance companies. SAMA website can be referred to for the latest, updated data on licensed finance companies, which are updated periodically.

**Table 5.8: LICENSED REAL ESTATE FINANCE COMPANIES  
UP TO THE END OF 2015**

<b>Insurer</b>	<b>Capital Million (SAR)</b>	<b>Approved On (DD/MM/YY)</b>
Amlak International	900	24/12/2013
Dar AlTamleek	500	31/12/2013
Saudi Home Loans	800	27/02/2014
Deutsche Gulf Finance	571	20/05/2014
Abdulatif Jameel for Real Estate Finance	200	07/12/2014
Bidaya Home Finance	900	14/12/2015



**Table 5.9: COMPANIES LICENSED TO PRACTICE FINANCE ACTIVITIES OTHER THAN REAL ESTATE FINANCE UP TO THE END OF 2015**

<b>Insurer</b>	<b>Capital Million (SAR)</b>	<b>Approved On (DD/MM/YY)</b>
Nayfat for Finance	500	31/12/2013
Saudi ORIX Leasing Co.	550	27/02/2014
AlYusr for Leasing & Financing Co.	500	27/02/2014
AJIL Financial Services Company	500	20/05/2014
National Installment Co.	250	25/08/2014
Morabaha Marina	120	14/09/2014
Kirnaf Company	540	12/11/2014
Matager Company	150	16/11/2014
Al Jasrah Co.	150	16/11/2014
Saudi Finance	100	20/11/2014
Abdul Latif Jameel for Finance	1,700	08/12/2014
Gulf Finance Company	100	08/12/2014
TAMWILY	100	11/12/2014
Alamthal for Finance	200	16/03/2015
Osoul Modern for Finance	100	22/03/2015
Dar Aletiman Alsaudi	100	05/05/2015
Tawkelat Financing Co	100	04/06/2015
Murabaha Installment & Investment Co.	320	04/08/2015
Al Tyseer Arabian Co	400	30/08/2015
Ijarah for Finance	100	31/08/2015
Saudi Franci For Finance	100	18/11/2015
First Finance Co	250	03/12/2015
American Express	100	10/12/2015
Al jabr For Finance	345	14/12/2015



Inflation in the Kingdom is measured by the general cost of living index prepared by the General Authority for Statistics (GaStat), which has been issuing it for more than 50 years.

In 2012, GaStat changed the base year to 2007 for measuring the cost of living index, and approved the updates made to the composition of the consumer basket based on the Classification of Individual Consumption by Purpose (COICOP) issued by the UN in order to classify sections, groups, chapters and items comprising the index. GaStat also adopts Laspeyres formula in calculating the cost of living index, which requires data of price averages for the periods of comparison and the weighing data.

## General Cost of Living Index During 2015

The general cost of living index rose by 2.2 percent in 2015 against an increase of 2.7 percent and 3.5 percent during 2014 and 2013, respectively. The non-oil GDP deflator, which

captures the average prices of all goods and services produced in the Saudi non-oil sector within a year, rose 4.6 percent in 2015 compared to an increase of 3.5 percent in 2014 (Table 6.1).

Five out of 12 major groups in the cost of living index registered inflation rates in 2015 higher than the past five-year average inflation rates. These included the group of recreation and culture, the group of clothing and footwear, the group of health, the group of education, and the group of communication.

During 2015, 11 groups registered annual increases as follows: the group of recreation and culture rose 4.9 percent; the group of clothing and footwear 3.7 percent; the group of housing, water, electricity, gas and other fuels 3.4 percent; the group of health and the group house furnishings, household equipment and maintenance 2.7 percent each; the group of tobacco 2.0 percent; the group of education and

**Table 6.1: ANNUAL GROWTH RATES OF SELECTED INDICATORS**

(percent)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>
Non-oil GDP deflator (2010=100)	5.5	2.7	3.5	4.6
Cost of Living Index (All cities) (2007=100)	2.9	3.5	2.7	2.2
Non-oil GDP (at 2010 constant prices)	5.5	6.4	4.8	3.1
Government Expenditure	5.6	11.8	13.7	-11.9
Money Supply (M3)	13.9	10.9	11.9	2.6

\* Preliminary data.

Source: General Authority for Statistics, Ministry of Finance, SAMA



the group of food and beverages 1.7 percent each; the group of transport 1.2 percent; and the group of miscellaneous goods and services and the group of communication 0.9 percent each. In contrast, the group of restaurants and hotels recorded an annual decrease of 1.2 percent (Table 6.2 and 6.3).

### Contribution of Key Groups in the General Cost of Living Index

Most key groups contributed by various rates to the rise in the general cost of living index during 2015. The group of housing, water, electricity, gas and other fuels contributed the most with 0.9 percent, followed by the group of food and beverages with 0.4 percent. However,

the group of restaurants and hotels had the least effect on the index, contributing by -0.1 percent in the inflation (Chart 6.1).

### Cost of Living Index by City During 2015

All major cities of the Kingdom (except Tabuk) registered an increase in the cost of living index. Jazan recorded the highest increase rate of 5.4 percent. Ar'ar came second with 5.3 percent. Riyadh placed third with 3.8 percent, followed by Sakaka with 3.4 percent; Al-Baha and Buraidah 3.0 percent each; Najran 2.7 percent; Makkah 2.2 percent; Jeddah 1.8 percent; Abha 1.5 percent; Al-Madinah 1.4 percent; and Al-Dammam 1.0 percent. Tabuk, however, registered a decline of 6.7 percent (Table 6.4 and Chart 6.2).

**Table 6.2 : EFFECT OF MAJOR GROUPS ON THE GENERAL COST OF LIVING INDEX (All Cities)**  
(2007 = 100)

Major Groups	Annual average change for period 2010-2014	2015	Contribution of Key Sections to the General Cost of Living	
			Index 2015	% Wiegths
General Index	3.3	2.2	2.2	100.0
Food and beverages	4.5	1.7	0.4	21.7
Tobacco	8.6	2.0	0.01	0.5
Clothing and Footwear	0.8	3.7	0.3	8.4
Housing , Water, Electricity, Gas, and other fuels	5.8	3.4	0.9	20.5
Furnishings, household equipment & maintenance	4.0	2.7	0.2	9.1
Health	1.8	2.7	0.1	2.6
Transport	2.4	1.2	0.1	10.4
Communication	-0.9	0.9	0.05	8.1
Recreation and Culture	2.9	4.9	0.1	3.5
Education	0.7	1.7	0.04	2.7
Restaurants and Hotels	3.3	-1.2	-0.1	5.7
Miscellaneous goods and services	2.8	0.9	0.1	6.8

Source: General Authority for Statistics.

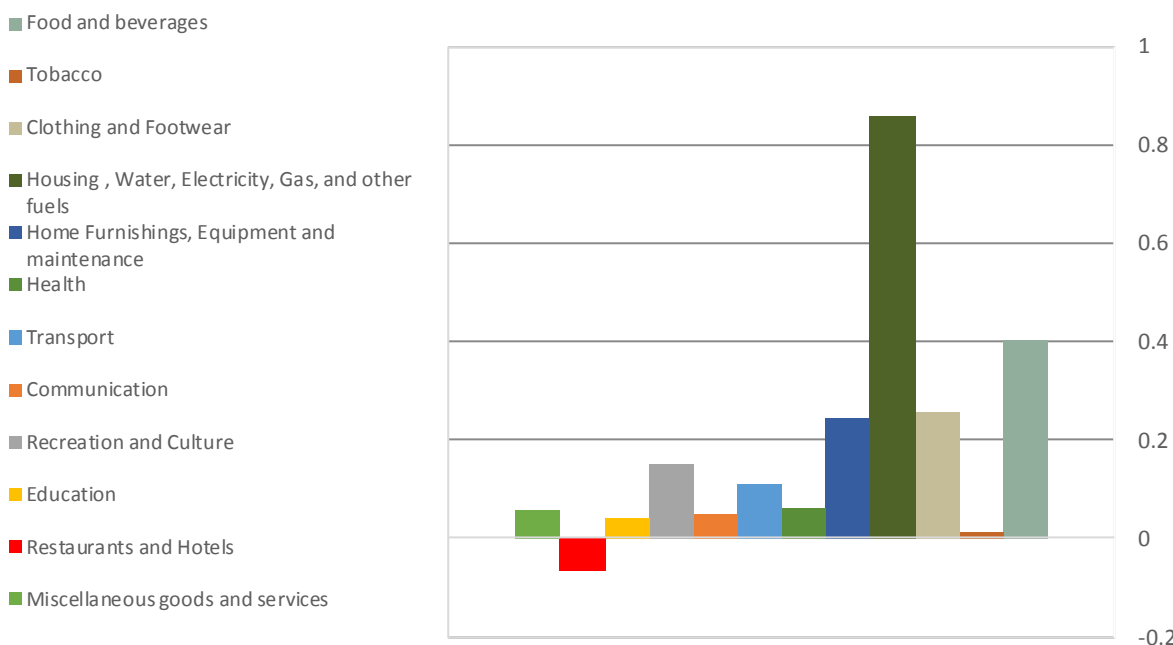


**Table 6.3 : COST OF LIVING INDEX (All Cities)**  
(2007 = 100)

Major Groups	2011	2012	2013	2014	2015	% change
General Index	119.0	122.4	126.7	130.1	132.9	2.2
Food and beverages	127.1	132.9	140.5	145.1	147.5	1.7
Tobacco	126.7	141.3	153.1	162.3	165.5	2.0
Clothing and Footwear	99.7	103.3	104.8	105.5	109.5	3.7
Housing , Water, Electricity, Gas, and other fuels	143.9	148.7	153.8	159.1	164.6	3.4
Furnishings, household equipment & maintenance	115.5	117.5	122.6	128.2	131.7	2.7
Health	103.4	105.6	109.0	112.6	115.6	2.7
Transport	103.1	108.3	111.0	110.4	111.8	1.2
Communication	92.0	92.1	93.8	93.7	94.5	0.9
Recreation and Culture	104.7	104.5	106.3	114.0	119.5	4.9
Education	108.7	110.2	112.6	115.9	117.9	1.7
Restaurants and Hotels	117.0	121.7	126.8	129.6	128.1	-1.2
Miscellaneous goods and services	113.9	117.8	117.6	120.1	121.3	0.9

Source: General Authority for Statistics.

**Chart 6.1: Effect of Major Groups on Cost of Living Index**



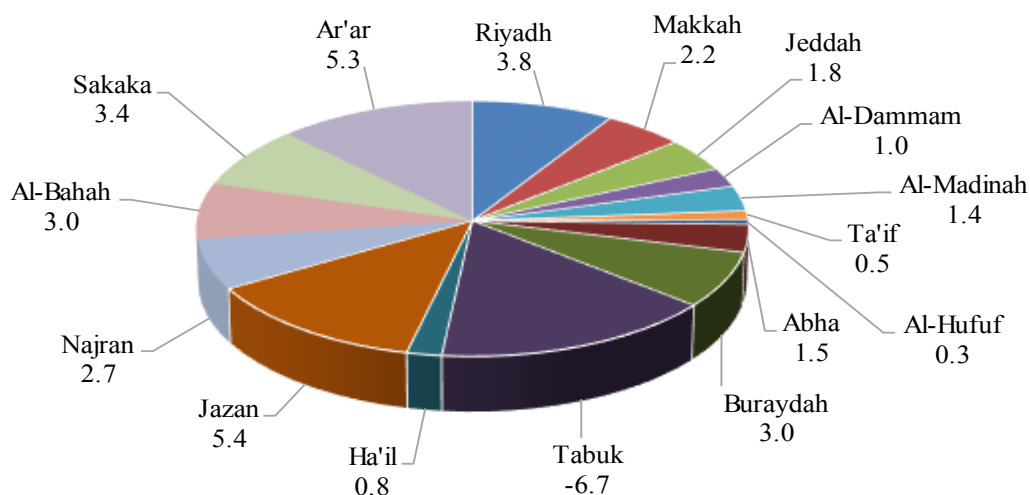


**Table 6.4 : AVERAGE COST OF LIVING INDEX BY CITY  
(2007=100)**

General Index	Inflation Rate			
	2013	2014	2015	2014/2015
<b>All Cities Index</b>	126.7	130.1	132.9	2.2
Riyadh	129.9	135.0	140.1	3.8
Makkah	122.6	126.9	129.7	2.2
Jeddah	126.1	129.3	131.7	1.8
Al-Dammam	135.0	133.7	135.1	1.0
Al-Madinah	120.6	124.7	126.4	1.4
Ta'if	123.1	127.2	127.8	0.5
Al-Hufuf	122.6	124.6	124.9	0.3
Abha	120.3	123.2	125.0	1.5
Buraydah	122.5	123.9	127.7	3.0
Tabuk	119.5	128.9	120.2	-6.7
Ha'il	125.7	127.2	128.2	0.8
Jazan	134.1	142.1	149.9	5.4
Najran	125.1	128.5	132.0	2.7
Al-Bahah	125.1	130.5	134.5	3.0
Sakaka	124.6	127.5	131.7	3.4
Ar'ar	114.5	120.1	126.5	5.3

Source: General Authority for Statistics.

**Chart 6.2: AVERAGE COST OF LIVING INDEX BY CITY  
(2007=100)**





## Wholesale Price Index

The wholesale price index measures the average changes in the prices of goods and services sold in domestic wholesale markets. This index represents a sample comprising 160 items categorized into ten main sections according to the Standard International Trade Classification. The wholesale price index declined 1.0 percent in 2015, compared to a rise of 0.6 percent in the preceding year. The increase was accounted for by some major sections constituting the index. The section of animal and vegetable oils and fats recorded the highest rise of 2.4 percent in 2015, followed by the section of food and live animals with an increase of 1.9 percent. The section of beverages

and tobacco came next with an increase of 1.3 percent, followed by the section of crude materials (except fuels) with a rise of 0.2 percent. In contrast, some major sections recorded declines as follows: the section of other commodities recorded the highest decline of 8.4 percent, followed by the section of chemicals and related products with a decline of 5.5 percent. The section of manufactured goods classified by material came third with a decline of 2.7 percent, followed by the section of machinery and transport equipment with 2.3 percent and the section of miscellaneous manufactured articles with 1.1 percent. The section of mineral fuels and related materials remained unchanged (Table 6.5).

**Table 6.5 : AVERAGE WHOLESALE PRICE INDEX (WPI)**  
(1988=100)

	% Weights	2013	2014	2015	% Annual change	
					2014	2015
<b>General Index</b>	100.0	158.2	159.1	157.5	0.6	-1.0
Food & Live Animals	31.9	185.3	186.7	190.3	0.8	1.9
Beverages & Tobacco	1.2	170.9	177.3	179.6	3.7	1.3
Raw Materials	0.3	204.1	204.0	204.5	-0.1	0.2
Mineral & Fuels	10.1	186.3	186.3	186.3	0.0	0.0
Oils & Fats	0.4	150.7	148.9	152.5	-1.2	2.4
Chemicals	9.8	203.8	211.8	200.1	3.9	-5.5
Manufactured Goods	26.2	143.9	143.4	139.5	-0.3	-2.7
Machinery & Transport	13.4	143.3	143.4	140.1	0.1	-2.3
Misc. Manufactured	6.4	135.8	137.0	135.5	0.9	-1.1
Other Commodities	0.3	275.7	257.3	235.6	-6.7	-8.4

Source: General Authority for Statistics.





## Developments in World Prices and their Impacts

In 2015, the value of Saudi commodity exports went down by 40.9 percent to SAR 758.4 billion. The value of commodity imports also declined by 2.2 percent to SAR 637.4 billion compared to 2014.

The changes in world prices of goods and commodities imported from the Kingdom's top trading partners affect the domestic cost of living index (Table 6.6). Table 6.7 shows the consumer prices of the Kingdom's top trading

partners during 2015. The average consumer prices rose 4.9 percent in India during 2015, 1.5 percent in Australia, 1.4 percent in China, 0.8 percent in Japan, 0.7 percent in South Korea, and 0.1 percent in each of the US, the UK, Germany, France and Italy.

In the GCC countries, the consumer prices increased during 2015 by 4.1 percent in the UAE, 3.4 percent in Kuwait, 1.8 percent in Bahrain, 1.7 percent in Qatar and 0.2 percent in Oman (Table 6.8).

**Table 6.6: SELECTED INDICES**

(2010=100)

	2012	2013	2014	2015	% Change	
					2014	2015
Consumer price indices in industrial countries	104.6	106.0	107.5	107.8	1.4	0.3
Export unit values of industrial countries	107.3	107.1	106.0	92.2	-1.0	-13.0
Riyal's nominal effective exchange rate <sup>(1)</sup>	99.6	102.1	104.1	114.7	2.0	10.2
Riyal's real effective exchange rate <sup>(2)</sup>	99.6	102.4	105.4	118.5	2.9	12.5

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

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

Source: International Financial Statistics (IFS), March, 2016.



**Table 6.7 : ANNUAL CHANGES IN CONSUMER PRICES IN THE KEY  
TRADING PARTNERS**

<b>Country</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
U.S.A.	3.1	2.1	1.5	1.6	0.1
Japan	-0.3	0.0	0.4	2.7	0.8
U.K.	4.5	2.8	2.6	1.5	0.1
Germany	2.5	2.1	1.6	0.8	0.1
France	2.3	2.2	1.0	0.6	0.1
Italy	2.9	3.3	1.2	0.2	0.1
China	5.4	2.6	2.6	2.0	1.4
Australia	3.3	1.7	2.5	2.5	1.5
South Korea	4.0	2.2	1.3	1.3	0.7
India	8.1	9.9	9.4	5.9	4.9

Source: World Economic Outlook (WEO), IMF, April, 2016.

**Table 6.8 : ANNUAL CHANGES IN CONSUMER PRICES  
IN GCC COUNTRIES**

<b>Country</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
U.A.E.	0.9	0.7	1.1	2.3	4.1
The Kingdom of Bahrain	-0.4	2.8	3.3	2.7	1.8
Qatar	1.9	1.9	3.1	3.3	1.7
Kuwait	4.9	3.2	2.7	2.9	3.4
Sultanate of Oman	4.0	2.9	1.2	1.0	0.2

Source: World Economic Outlook (WEO), IMF, April, 2016.



In 2015, the Capital Market Authority (CMA) undertook a number of actions and steps aimed at regulating and developing the capital market. It also developed procedures to reduce risks related to securities transactions, protect investors from unfair practices, and ensure fairness and transparency in securities transactions. To support the regulatory structure of the capital market, CMA Board issued Rules for Qualified Foreign Financial Institutions Investment in Listed Shares in 2015. The number of regulations issued in the past years amounted to 15. For raising investment awareness, CMA continued its efforts on carrying out many financial awareness and education campaigns through media and awareness activities and programs and on communicating with the public.

In 2015, four new companies were floated for public subscription, three of which were listed, bringing the total number of listed companies to 171 at the end of the year. Sukuk for two companies were issued. In addition, CMA licensed a new company to operate in securities.

In 2015, some indices of the Saudi Stock Exchange (Tadawul) went down. The Tadawul All Share Index (TASI) decreased by 17.1 percent or 1,421.5 points from that of 2014 to 6,911.8 points. Furthermore, total assets of investment funds declined by 7.1 percent or

SAR 7.8 billion to SAR 102.9 billion at the end of 2015.

### Developments of Tadawul in 2015

TASI closed at 6,911.8 at the end of 2015 compared to 8,333.3 at the end of 2014, decreasing by 17.1 percent. TASI registered its highest closing point of 9,834.5 on April 30, 2015. The market capitalization of issued shares fell by 12.9 percent to SAR 1,579.1 billion in 2015 from SAR 1,812.9 billion at the end of the preceding year.

The number of shares traded during 2015 went down by 6.0 percent to 65.9 billion from 70.1 billion in the preceding year (adjusted to account for corporate actions<sup>1</sup>). The total value of shares traded decreased by 22.6 percent to SAR 1,660.6 billion from SAR 2,146.5 billion in the preceding year. The number of transactions also declined by 14.9 percent to 30.4 million in 2015 from 35.8 million in the preceding year (Table 7.1).

The daily average value of traded shares was SAR 6.6 billion in 2015 compared to SAR 8.6 billion in the preceding year, falling by 22.9 percent. The daily average number of traded shares decreased by 6.9 percent to 262.9 million in 2015 from 282.3 million in the previous year. The daily average number of transactions also went down by 15.2 percent to 121.3 thousand from 143.0 thousand in 2014.

<sup>(1)</sup> (Actual) data regarding the number of shares traded differ from the data published by the Saudi Stock Exchange "Tadawul" since the number of shares traded is constantly edited by Tadawul according to corporate actions such as granting free shares or changing the capital. Therefore, any action taken by a company will affect the number of shares traded on the market as a whole and the entire time series.



Table 7.1: SAUDI STOCK MARKET INDICATORS

Year	No. of Shares Traded (Million)	% Annual Change	Value of Shares Traded (Billion SAR)	% Annual Change	Market Capitalization of Issued Shares (Billion SAR)	% Annual Change	No. of Executed Transactions (Thousand)	% Annual Change	TASI	% Annual Change
2011	48,544.6	46.0	1,098.8	44.7	1,270.8	-4.1	25,546.9	30.8	6,417.7	-3.1
2012	86,006.1	77.2	1,929.3	75.6	1,400.3	10.2	42,105	64.8	6,801.2	6.0
2013	52,306.3	-39.2	1,369.7	-29.0	1,752.9	25.2	28,967.7	-31.2	8,535.6	25.5
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	-6.0	1,660.6	-22.6	1,579.1	-12.9	30,444.2	-14.9	6,911.8	-17.1

Source: Saudi Stock Exchange (Tadawul).

The value of shares traded through the internet totaled SAR 1,177.2 billion in 2015 compared to SAR 1,483.1 billion in the preceding year, decreasing by 20.6 percent and accounting for 70.9 percent of the total value of shares traded during 2015 compared to 69.1 percent in the preceding year. Their number went down to 48.6 billion in 2015 from 49.4 billion in the preceding year, falling by 1.5 percent, accounting for 73.7 percent of the total number of shares traded in 2015 compared to 69.7 percent in the preceding year. The number of transactions executed through the internet decreased by 12.5 percent to 23.7 million in 2015 from 27.1 million in the previous year, representing 77.8 percent of the total number of transactions executed in 2015 against 75.7 percent during the preceding year (Table 7.2).

At the end of 2015, the number of traders registered in Tadawul system rose by 2.1 percent

(93.4 thousand) to 4.6 million from 4.5 million at the end of the previous year. The number of subscribers to Tadawul on-line trading declined by 0.6 percent to 119.2 thousand at the end of 2015 compared to 119.9 thousand at the end of 2014 (Table 7.3).

An analysis of the activity of Tadawul by sectors during 2015 indicates that real estate development came first in terms of the number of shares traded with 13.8 billion, representing 21.0 percent of the total number of shares traded. Banks and financial services came second with 12.4 billion shares (18.8 percent of the total), followed by petrochemical industries with 9.1 billion (13.9 percent of the total).

In terms of the value of shares traded, banks and financial services ranked first with SAR 295.4 billion, representing 17.8 percent of the total value of shares traded in 2015.



**Table 7.2: SHARES TRADED VIA THE INTERNET**

		2014	2015	% Annual Change
Value of shares traded (Billion SAR)	Via the internet	1,483.1	1,177.2	-20.6
	Total*	2,146.5	1,660.6	-22.6
	Ratio	69.1	70.9	2.6
Number of shares traded (Million shares) **	Via the internet	49,370.1	48,631.3	-1.5
	Total*	70,803.3	65,995.9	-6.8
	Ratio	69.7	73.7	5.7
Number of executed transactions (Thousand)	Via the internet	27,061.0	23,674.1	-12.5
	Total*	35,761.1	30,444.2	-14.9
	Ratio	75.7	77.8	2.8

\* Total represents shares traded via all channels of the market (trading terminals, internet, phone banking and ATMs).

\*\* Data adjusted for corporate actions.

Source: Saudi Stock Exchange (Tadawul).

**Table 7.3: NUMBER OF CUSTOMERS REGISTERED IN TADAWUL  
AND PARTICIPATING IN ON-LINE TRADING VIA THE INTERNET**

(End of period)

Year	No. of customers registered in Tadawul	% Annual Change	No. of customers participating in on-line and real-time trading	% Annual Change
2011	4,099,527	1.3	51,289	-4.9
2012	4,221,355	3.0	98,397	91.8
2013	4,335,739	2.7	98,044	-0.4
2014	4,462,067	2.9	119,937	22.3
2015	4,555,446	2.1	119,159	-0.6

Source: Saudi Stock Exchange (Tadawul).



Petrochemical industries came second with SAR 270.4 billion (16.3 percent of the total), followed by insurance with SAR 210.6 billion (12.7 percent of the total).

A review of Tadawul's performance by the number of transactions executed in 2015, insurance ranked first with 6.7 million, constituting 21.9 percent of the total number of transactions, followed by petrochemical industries with 3.3 million (11.0 percent of the total). Banks and financial services came third with 2.8 million (9.3 percent of the total).

A review of the market capitalization of shares issued at the end of 2015 indicates that banks and financial services ranked first with SAR 433.8 billion, accounting for 27.5 percent of the total market capitalization of issued shares. Petrochemical industries came second with SAR 342.8 billion (21.7 percent of the total), followed by telecommunication and information technology with SAR 164.4 billion (10.4 percent of the total) (Table 7.4).

The most active three joint-stock companies in terms of the number of

**Table 7.4: SAUDI STOCK MARKET ACTIVITY BY SECTORS DURING 2015**

Sector	No. of Traded Shares		Value of Traded Shares		No. of Executed Transactions		Market Capitalization	
	(Million Shares)	Ratio to Total	(Billion SAR)	Ratio to Total	(Thousand)	Ratio to Total	(Billion SAR)	Ratio to Total
Banks & Financial Services	12,404.8	18.8	295.4	17.8	2,835.7	9.3	433.8	27.5
Petrochemical Industries	9,140.9	13.9	270.4	16.3	3,346.0	11.0	342.8	21.7
Cement	1,753.4	2.7	47.0	2.8	1,015.9	3.3	60.4	3.8
Retail	1,369.7	2.1	76.5	4.6	1,774.5	5.8	63.4	4.0
Energy & Utilities	768.7	1.2	14.0	0.8	214.1	0.7	67.4	4.3
Agriculture & Food Industries	2,516.0	3.8	82.3	5.0	1,998.1	6.6	102.3	6.5
Telecommunication & Information Technology	4,902.2	7.4	87.5	5.3	1,370.4	4.5	164.4	10.4
Insurance	7,440.0	11.3	210.6	12.7	6,671.7	21.9	40.4	2.6
Multi-Investment	1,657.2	2.5	33.6	2.0	851.3	2.8	64.6	4.1
Industrial Investment	3,729.5	5.7	142.7	8.6	2,625.1	8.6	59.1	3.7
Building & Construction	3,407.7	5.2	85.1	5.1	2,321.3	7.6	19.7	1.2
Real Estate Development	13,811.8	21.0	187.6	11.3	2,685.0	8.8	100.6	6.4
Transport	1,743.2	2.6	72.3	4.4	1,438.7	4.7	32.4	2.1
Media and Publishing	820.7	1.2	25.5	1.5	727.5	2.4	6.6	0.4
Hotel & Tourism	454.4	0.7	30.2	1.8	568.8	1.9	21.2	1.3
<b>Total</b>	<b>65,920.1</b>	<b>100.0</b>	<b>1,660.6</b>	<b>100.0</b>	<b>30,444.2</b>	<b>100.0</b>	<b>1,579.1</b>	<b>100.0</b>

Source: Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2015.



transactions executed in 2015 were Alinma Bank with 1.6 million , followed by SABIC with 1.1 million , and then Dar Al-Arkan Company with 871.3 thousand. (Table 7.5).

### New IPOs in 2015

In 2015, four new companies with a total capital of SAR 4.2 billion and 332.0 million issued shares were floated for public subscription. The total number of shares offered for public subscription was 99.6 million. Total market capitalization of issued shares amounted to SAR 12.2 billion. Oversubscription averaged 7.7 times for companies subscribed in at the level of the market (Table 7.6).

The total number of subscribers for the companies offered in 2015 reached 5.3 million. Different subscription channels such as phone banking, ATMs, internet banking, and smartphone applications have contributed to reducing errors, subscription periods, and reliance on paper subscription applications.

The number of subscribers via phone banking was 0.5 million (9.2 percent of the total subscribers), ATMs 3.0 million (56.6 percent), and internet banking 1.2 million (22.1 percent). In addition, the number of subscribers via smartphone applications amounted to 0.3 million (5.3 percent) and bank branches 0.4 million (6.8 percent) (Table 7.7).

### New Companies Added to TASI During 2015

Shares of the following companies were added to TASI (Tadawul) during 2015:

1. Saudi Company for Hardware (SACO);
2. Middle East Paper Company (MEPCO).
3. Saudi Ground Services Company (SGS).

### CMA's Efforts in Raising Investors Awareness during 2015

CMA publishes news and resolutions issued by its Board on its website to ensure that information is available to all investors at the same time. It also raises awareness of investors

**Table 7.5: MOST ACTIVE THREE JOINT-STOCK COMPANIES DURING 2015**

No. of Executed Transactions	(Company)	Alinma Bank	SABIC	Dar Al-Arkan
	(Thousand Transaction)	1,610.7	1,054.8	871.27
No. of Shares Traded	(Company)	Alinma Bank	Dar Al-Arkan	Saudi Kayan
	(Billion Shares)	9.5	9.05	2.78
Value of Shares Traded	(Company)	Alinma Bank	SABIC	Dar Al-Arkan
	(Billion SAR)	182.12	135.3	77.31

Source: The Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2015.

Table 7.6: NEW LISTED COMPANIES ON THE SAUDI STOCK MARKET DURING 2015

Company	Sector	Date of IPO	Capital (Million)	Total Issued Shares (Million)	No. of shares offered for public subscription (Million)	Floating Price	Closing price on 31/12/2015	Value of Offering (Million)	No. of subscribers (Million)	Market capitalization of shares subscribed for (Million)	No. of over-subscription (Times)
1 Middle East Paper Co.	Industrial Investment	04-Aug	500.0	50.0	15.0	30.0	25.50	450.0	1.3	1,275.0	7.5
2 Saudi Company for Hardware	Retail	22-Apr	240.0	24.0	7.2	70.0	99.53	504.0	1.1	2,388.7	9.1
3 Saudi Ground Services Co.	Transport	25-Jun	1,880.0	188.0	56.4	50.0	45.27	2,820.0	1.9	8,510.8	6.2
4 Aandalus Property Co.	Real Estate Development	11-Jun	700.0	70.0	21.0	18.0	-	378.0	1.1	-	7.8
<b>Total</b>	---	---	<b>3,320.0</b>	<b>332.0</b>	<b>99.6</b>	---	---	<b>4,152.0</b>	<b>5.4</b>	<b>12,174.5</b>	---

Source: Capital Market Authority and the Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2015.





**Table 7.7: NUMBER OF SUBSCRIBERS FOR IPOs BY CHANNELS OF SUBSCRIPTION**  
(Million subscribers)

Channel of Subscription	2014		2015		% Annual Change
	Number	%	Number	%	
Phone Banking	1.1	9.9	0.5	9.2	-55.5
ATM	6.5	58.6	3.0	56.6	-53.9
Internet	2.5	22.2	1.2	22.1	-52.4
Bank Branches	1.0	9.3	0.4	6.8	-65.0
Application	0.0	0.0	0.3	5.3	0.0
<b>Total</b>	<b>11.1</b>	<b>100.0</b>	<b>5.3</b>	<b>100.0</b>	<b>-52.3</b>

Source: Capital Market Authority (CMA).

in securities on laws, instructions and resolutions issued by its Board as well as potential risks, and manipulative and misleading acts in the capital market. Pursuant to CMA's strategy to continue with investors awareness programs, a number of actions were taken during 2015 including publishing many press and media materials and awareness messages regarding news and resolutions issued by its Board, which amounted to 12 press releases published 400 times in a number of paper and electronic media. In addition, CMA distributed 14 awareness reports through media and published 476 times. It also posted 1119 awareness messages on its social media sites to raise the awareness of the current and potential investors. A press conference for local media was held with CMA's Chairman to inform the media of CMA's functions, stipulated in the Capital Market Law, and strategy for the coming years. Furthermore, CMA printed and distributed more than 64 thousand informative publications, leaflets, and brochures. It produced

4 awareness videos posted on a number of websites, and published 500 copies of the Objectives of Opening the Saudi Exchange Market for Foreign Investment. CMA also held training courses during 2015 for 31 female ambassadors in (Smart Investor Ambassador) program, in which they were provided with necessary instruments to hold exhibitions. By this program, CMA was keen to spread the culture of sound financial transactions and volunteering. In 2015, CMA organized a number of workshops and lectures, and participated in many conferences.

### **Sukuk and Bonds Market during 2015**

Total size of outstanding sukuk and bonds issued reached SAR 28.4 billion at the end of 2015. The number of issuances stood at seven; two of which were offered by the Saudi Electricity Company with an issuance value of SAR 11.5 billion; and one by each of the Saudi SIPCHM with an issuance value of SAR 1.8 billion, SATORP with an issuance value of SAR



3.5 billion, the National Shipping Company of Saudi Arabia (Bahri) with an issuance value of SAR 3.9 billion, and Sadara Company with an issuance value of SAR 7.5 billion. The listing of Saudi ORIX sukuk was cancelled on 24/12/2015. In 2015, the value of traded sukuk and bonds amounted to SAR 452.5 million. Their nominal value was SAR 448.8 million (Table 7.8).

### Comparison between Tadawul and Arab Stock Exchanges in 2015

The performance of the Arab financial markets participating in the Arab Monetary Fund Database (AMDB) varied during 2015. Indices of the Arab financial markets recorded a decline ranging from 0.8 percent in Lebanon Stock Exchange to 21.5 percent in Egypt's Stock

Exchange. On the other hand, Palestine Stock Exchange rose by 4.0 percent (Table 7.9).

Average total market capitalization of Arab financial markets increased by 1.0 percent to \$81.2 billion at the end of 2015 as compared to \$80.3 billion at the end of 2014. The market capitalization of Muscat Securities Market recorded the largest increase of 8.3 percent, followed by Palestine Stock Exchange with a rise of 4.5 percent. In contrast, the market capitalization of other Arab financial markets registered a decline at the end of 2015.

A comparison of selected Arab stock exchange indices in 2015 shows that the Saudi Stock Exchange recorded the highest indices among all Arab stock exchanges. Market

**Table 7.8: SUKUK AND BONDS ACTIVITY DURING 2015**

Sukuks / Bonds	Issue value (Million SAR)	Par value (Thousand SAR)	Maturity Date	Annual Return (%)	Transactions	Value Traded (Thousand SAR)	Par Value Traded (Thousand SAR)
Saudi Orix Sukuk*	240	100	26-Dec-2015	3 month SIBOR + 1.65%	0	0.0	0
Sadara Sukuk	7,500	50	15-Dec-2028	6 months SIBOR + 0.95 %	3	50,500.0	50,000
Sipchem Sukuk	1,800	100	06-Jul-2016	SIBOR + 1.75%	1	68,434.0	68,000
Nautical sukuk	3,900	1,000	30-Jul-2022	6 month SIBOR + 0.80%	0	0.0	0
Saudi Electricity 3	7,000	10	10-May-2030	SIBOR + 0.95%	2	263,615.0	260,750
Saudi Electricity 4	4,500	1,000	30-Jan-2024	3 Month SIBOR + 0.7 %	1	70,000.0	70,000
Satorp Sukuk	3,490	93	20-Dec-2025	6 Month SIBOR + 0.95%	0	0.0	0
<b>Total</b>	<b>28,430</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>452,549.0</b>	<b>448,750</b>

\* Listing Cancelled on 24/12/2015.

Source: The Annual Report on the performance of the Saudi Stock Exchange Company (Tadawul), 2015.



**Table 7.9: ANNUAL CHANGE IN SOME ARAB STOCK MARKETS (2015)**  
(Percentages)

<b>Market</b>	<b>No. of Shares Traded</b>	<b>Market capitalization of Shares Traded</b>	<b>Share Price Index</b>
Saudi Arabia	-2.6	-12.90	-17.1
Kuwait	-35.3	-12.5	-14.1
Egypt	30.6	-21.4	-21.5
Morocco	22.4	-13.9	-7.2
Bahrain	11.2	-13.6	-14.8
Jordan	-14.6	-0.5	-1.4
Oman	33.2	8.3	-14.8
Tunisia	-8.3	-6.0	-0.9
Lebanon	-33.5	-1.2	-0.8
Abu Dhabi	-51.2	-1.6	-4.9
Algeria	-2.9	-18.2	--
Dubai	-46.9	-4.5	-16.5
Sudan	-10.7	-12.6	-3.1
Qatar	-46.6	-18.3	-15.1
Palestine	65.3	4.5	4.0
-- Not available.			
Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, fourth quarter 2015.			

capitalization of the Saudi Stock Exchange stood at \$420.7 billion, compared to an average of \$81.2 billion for the Arab countries composing AMFI. Market capitalization of the Saudi Stock Exchange accounted for 39.4 percent of total market capitalization of Arab securities markets at the end of 2015. The value of shares traded on the Saudi Stock Exchange amounted to \$89.7 billion in 2015, constituting 75.6 percent of total value of shares traded on the markets of Arab countries participating in AMDB.

The number of companies whose shares were traded on the Saudi Stock Exchange reached 171 at the end of 2015, with an average market capitalization of \$2.5 billion per company, compared to an average of 98.3

companies with an average market capitalization of \$0.98 billion per company for the Arab countries participating in AMDB (Table 7.10 and Chart 7.1).

### **Developments of Investment Funds in 2015**

The number of investment funds managed by investment companies in Saudi Arabia went up by 7.1 percent to 270 in 2015. The total assets of these funds decreased by 7.1 percent to SAR 102.9 billion at the end of 2015 from SAR 110.7 billion at the end of 2014. In addition, domestic assets of investment funds went down by 7.3 percent to SAR 75.9 billion at the end of 2015. Foreign assets of investment funds declined by 6.4 percent to SAR 27.0 billion at the end of 2015, constituting 26.2 percent of the total assets of the funds. The number of



**Table 7.10: MOST IMPORTANT INDICATORS OF ARAB STOCK MARKETS DURING 2015**

	Index % Annual change	Market capitalization (Million \$)	No. of listed companies	Average company size (Million \$)	GDP at current prices (Million \$)*	Market depth (%)**
Saudi Arabia	-17.1	420,656	171	2,460	646***	65.1
Kuwait	-14.1	87,767	216	406	123.2	71.2
Egypt	-21.5	54,913	222	247	330.8	16.6
Morocco	-7.2	45,957	75	712	103.1	44.6
Bahrain	-14.8	19,093	46	415	30.9	61.8
Jordan	-1.4	25,366	228	111	38.2	70.0
Oman	-14.8	40,984	131	313	60.2	68.1
Tunisia	-0.9	8,736	78	112	44.3	19.7
Lebanon	-0.8	11,088	30	370	54.4	20.4
Abu Dhabi	-4.9	111,903	68	1,750	339.1	33.0
Algeria	--	91	2	45	175.1	0.04
Dubai	-16.5	83,873	59	1,422	339.1	21.1
Sudan	-3.1	151,892	58	2,619	84.3	180.2
Qatar	-15.1	151,892	42	3,616	192.1	79.1
Palestine	4.0	3,334	49	68	0.0	--
<b>Average</b>	<b>-9.2</b>	<b>81,170</b>	<b>98</b>	<b>978</b>	<b>136.8</b>	<b>53.6</b>

\* International Monetary fund (IMF).

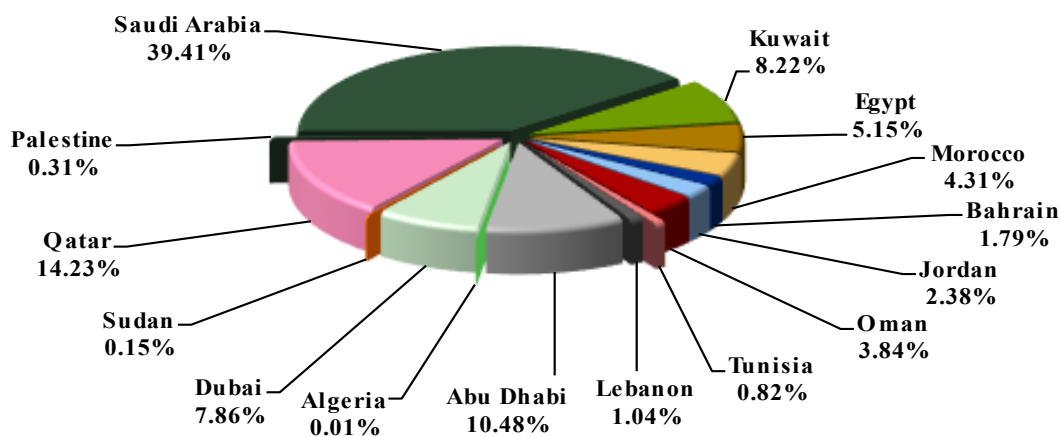
\*\* Ratio of market capitalization to GDP.

-- Not available.

\*\*\* General Authority for Statistics , Ministry of Economy and Planning

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, fourth quarter 2015.

**Chart 7.1: Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2015 by Market Capitalization**





subscribers stood at 237.0 thousand at the end of 2015, decreasing by 3.7 percent from that of the preceding year (Table 7.11 and Chart 7.2).

A review of the breakdown of the funds' investments inside and outside the Kingdom at the end of 2015 indicates that total investments on global stock exchanges decreased by 5.7 percent to SAR 10.6 billion. Moreover, investment in domestic equities fell by 18.2 percent to SAR 20.0 billion, accounting for 65.4 percent of total funds' investments in equities against 68.6 percent at the end of 2014. Investment in domestic and foreign equities accounted for 29.7 percent of total assets of investment funds at the end of 2015 against 32.2 percent at the end of 2014 (Table 7.12).

The funds' investments in international bonds went down slightly by 0.1 percent to SAR 2.0 billion at the end of 2015. However, their investments in domestic bonds rose by 46.7 percent to SAR 5.8 billion at the end of 2015 from SAR 4.0 billion at the end of 2014. Investments in domestic and foreign bond markets accounted for 7.6 percent of investment funds' total assets at the end of 2015 compared to 5.4 percent at the end of the preceding year.

Investments in domestic and international money market instruments represented 55.1 percent of investment funds' total assets at the end of 2015 against 55.0 percent at the end of the preceding year. Investment in domestic money market instruments declined by 4.3 percent from SAR 45.7 billion at the end of 2014 to SAR 43.7 billion at the end of 2015, accounting for 77.1 percent of total investments

in money market instruments at the end of 2015 against 75.0 percent at the end of the preceding year. Furthermore, investments in international money market instruments decreased by 14.6 percent from SAR 15.2 billion at the end of 2014 to SAR 13.0 billion at the end of 2015.

Investments in other domestic assets went down by 4.2 percent to SAR 4.0 billion at the end of 2015, accounting for 90.8 percent of total investments in other domestic and international assets compared to 91.1 percent at the end of the preceding year. Moreover, investments in other foreign assets decreased by 0.7 percent to SAR 407 million at the end of 2015. Investment in real estate assets fell by 5.5 percent to SAR 3.4 billion in 2015, representing 3.3 percent of investment funds' total assets compared to 3.2 percent at the end of the preceding year (Table 7.12).

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 30.6 billion, representing 29.7 percent of total assets of investment funds. Riyadh Capital came next with assets of SAR 16.4 billion (15.9 percent of the total). Samba Capital & Investment Management Co. ranked third with assets of SAR 13.6 billion (13.2 percent of the total).

As for the total number of investment funds, Riyadh Capital came first with 36 funds, one of which was close-ended. NCB Capital came next with 27 funds, one of which was close-ended. HSBC Saudi Arabia Limited came

**Table 7.11: MOST IMPORTANT INDICATORS OF INVESTMENT FUNDS  
MANAGED BY DOMESTIC INVESTMENT COMPANIES**

Year	No. of operating funds	% Annual Change	Domestic assets investment (Billion SAR)	% Annual Change	Foreign assets investment (Billion SAR)	% Annual Change	Funds' total assets (Billion SAR)	% Annual Change	No. of subscribers (Thousand)	% Annual Change
2011	249	2.5	64.5	-13.3	17.7	-13.0	82.2	-13.2	293.9	-8.3
2012	240	-3.6	69.8	8.2	18.3	3.4	88.1	7.1	275.6	-6.2
2013	236	-1.7	81.9	17.3	21.3	16.8	103.2	17.2	258.1	-6.4
2014	252	6.8	81.9	0.0	28.8	35.3	110.7	7.3	246.0	-4.7
2015	270	7.1	75.9	-7.3	27.0	-6.4	102.9	-7.1	237.0	-3.7

Source: Capital Market Authority (CMA).

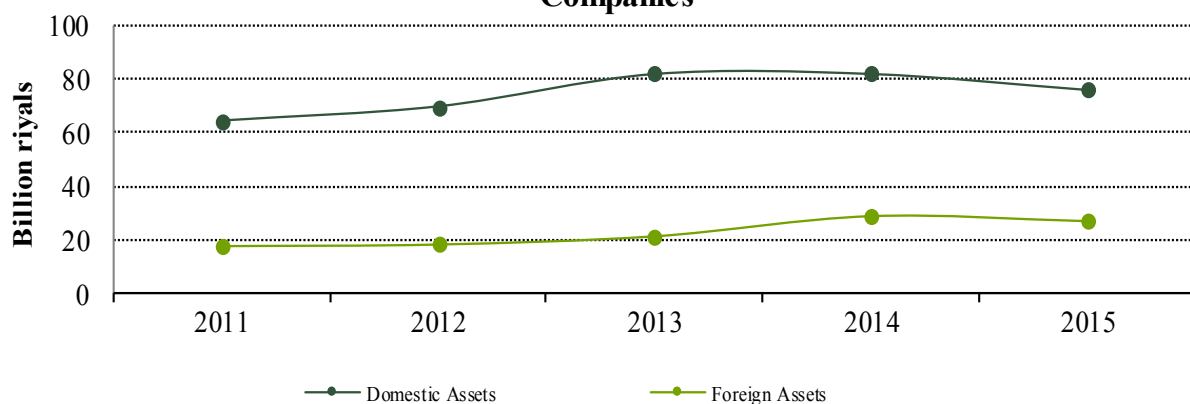


third with 20 funds, all of which were opened.

A breakdown of investment companies ranking by the number of subscribers shows that

Riyad Capital ranked first with 69.1 thousand, followed by NCB Capital with 36.8 thousand and HSBC Saudi Arabia Limited came third with 30.6 thousand (Table 7.13).

**Chart 7.2: Assets of Investment Funds at Domestic Investment Companies**



**Table 7.12: ASSETS OF INVESTMENT FUNDS MANAGED BY DOMESTIC INVESTMENT COMPANIES DISTRIBUTED BY TYPE OF INVESTMENT**

(Million SAR)

End of Period	Domestic Equities	Foreign Equities	Domestic Bonds	Foreign Bonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real Estate Investments	Total Assets
2012	19,192	10,354	2,086	1,807	44,874	6,034	1,844	60	1,817	88,068
2013	23,639	12,170	2,878	1,731	50,809	7,005	1,411	409	3,127	103,179
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

Source: Capital Market Authority (CMA).



**Table 7.13: CLASSIFICATION OF INVESTMENT COMPANIES  
BY ASSETS, NUMBER OF FUNDS AND SUBSCRIBERS IN 2015**

Investment Company	No. of Funds			Assets of Funds (Million SAR)			No. of Subscribers
	Close-ended	Open-ended	Total	Domestic	Foreign	Total	
NCB Capital Co.	1	26	27	26,899.4	3,711.9	30,611.3	36,828
Riyad Capital Co.	1	35	36	8,665.6	7,724.4	16,390.0	69,062
Samba Capital	0	18	18	11,520.0	2,062.0	13,582.0	29,405
Al Rajhi Financial Services Co.	0	12	12	1,973.1	8,109.7	10,082.8	13,083
HSBC Saudi Arabia Limited	0	20	20	5,938.8	779.1	6,717.9	30,585
Saudi Fransi Capital	1	13	14	4,991.8	182.4	5,174.2	12,320
ANB Invest Co.	1	15	16	3,039.5	116.9	3,156.4	7,575
Al Jazira Capital Co.	2	10	12	1,367.5	1,263.0	2,630.5	1,404
Saudi Hollandi Capital Co.	0	16	16	1,563.5	376.0	1,939.5	2,543
FALCOM Financial Services	0	6	6	1,200.6	5.4	1,206.0	758
Alistithmar Capital Co.	0	8	8	586.6	749.6	1,336.2	713
AlBilad Investment Co.	0	7	7	890.5	33.3	923.8	27,578
AlAwwal For Financial Services Co.	0	5	5	330.3	34.3	364.6	185
KSB Capital Group	2	5	7	537.0	0.0	537.0	1,477
Middle East Financial Investment Co.	1	3	4	353.3	418.2	771.5	132
Global Investment House KSA	0	2	2	495.3	0.0	495.3	14
Audi Capital Co.	0	3	3	417.6	57.8	475.4	99
Jadwa Investment Co.	0	7	7	1,884.8	163.5	2,048.3	233
Osool & Bakheet Investment Company	0	4	4	474.0	6.4	480.4	525
Alinma Investment Co.	0	5	5	1,486.2	30.9	1,517.1	1,025
Alkhabeer Capital Co.	0	4	4	86.2	27.0	113.2	51
Saudi Kuwaiti Finance House	0	2	2	248.4	0.0	248.4	240
Milkiyyah Investment Co.	0	2	2	93.0	0.0	93.0	132
Arbah Capital Co.	0	1	1	114.7	0.0	114.7	57
Gulf Investors Asset Management Company	0	2	2	32.6	0.0	32.6	69
Musharaka Capital Co.	0	1	1	81.8	0.0	81.8	53
EFG-Hermes KSA	0	2	2	133.6	0.0	133.6	33
Morgan Stanley Saudi Arabia Co.	0	1	1	85.2	0.0	85.2	10
Blominvest Saudi Arabia Co.	0	3	3	129.6	33.1	162.7	36
The Investor Co. For securities	0	2	2	24.5	0.0	24.5	10
Bait Al Mal Al Khaleeji Co.	0	2	2	161.2	0.0	161.2	37
Alkhair Capital Saudi Arabia Co.	0	4	4	87.3	19.0	106.3	108
Itqan Capital Co.	0	1	1	6.6	57.2	63.8	40
Aloula Geojit Capital Co.	0	4	4	19.0	0.0	19.0	16
Rana Investment Co.	0	1	1	4.0	0.0	4.0	6
Muscat Capital Co.	0	1	1	268.5	0.0	268.5	62
Al-Nefae Investment Group	0	2	2	23.3	0.0	23.3	93
Wasatah Capital	0	1	1	124.3	0.0	124.3	61
Ashmore Investment Saudi Arabia	0	3	3	275.6	11.8	287.4	55
Derayah Financial Co	0	1	1	257.0	0.0	257.0	249
NOMW Capital	0	1	1	53.6	0.0	53.6	15
<b>Total</b>	<b>9</b>	<b>261</b>	<b>270</b>	<b>76,925.4</b>	<b>25,972.9</b>	<b>102,898.3</b>	<b>236,977</b>

Source: Capital Market Authority (CMA).





## EXTERNAL SECTOR

According to data of the General Authority for Statistics (GASTAT), the total value of the Kingdom's exports stood at SAR 763.3 billion in 2015 against SAR 1,284.1 billion in 2014. Total exports to GDP ratio in the Kingdom reached 31.5 percent. The total value of imports (CIF) amounted to SAR 655.0 billion, constituting 27.0 percent of total GDP. As for overseas transactions, the current account of the Kingdom's balance of payments recorded a deficit of SAR 200.5 billion in 2015, representing 8.3 percent of total GDP.

### External Trade

According to data issued by GASTAT in 2015, the value of the Kingdom's merchandise trade (exports + imports) decreased by 26.7 percent to SAR 1,418.3 billion from SAR 1,936.0 billion in the preceding year. As an indication of the Kingdom's openness to the

world economy, the ratio of external merchandise trade to the Kingdom's GDP stood at 58.5 percent in 2015 compared to 68.5 percent in the preceding year.

### Exports

The total value of the Kingdom's merchandise exports reached SAR 763.3 billion in 2015 compared to SAR 1,284.1 billion in 2014, denoting a decline of 40.6 percent compared to a 8.9 percent decline in the preceding year. (Table 8.1).

### Oil Exports

According to GASTAT's data, the Kingdom's oil exports in 2015 amounted to SAR 573.4 billion, declining by 46.3 percent compared to a fall of 11.6 percent in the preceding year (Table 8.1). This was attributable to a fall in the average oil prices in the global markets, with the

**Table 8.1: SAUDI MERCHANDISE EXPORTS**

(Million Riyals)

	2012	2013	2014	2015*	% Annual Change
<b>Oil Exports</b>	<b>1,265,550</b>	<b>1,207,080</b>	<b>1,067,091</b>	<b>573,412</b>	<b>-46.3</b>
Crude oil	1,144,638	1,102,478	938,959	486,546	-48.2
Refined products	120,912	104,602	128,132	86,866	-32.2
<b>Non-oil Exports</b>	<b>190,952</b>	<b>202,443</b>	<b>217,031</b>	<b>189,901</b>	<b>-12.5</b>
Petrochemicals	124,184	131,509	143,647	114,916	-20.0
Construction materials	10,536	11,753	13,704	13,681	-0.2
Agricultural, animal and food products	12,853	12,628	13,405	13,611	1.5
Other goods**	43,379	46,553	46,275	47,693	3.1
<b>Total</b>	<b>1,456,502</b>	<b>1,409,523</b>	<b>1,284,122</b>	<b>763,313</b>	<b>-40.6</b>

\* Preliminary data.      \*\* Including re-exports.

Source: General Authority for Statistics.

price of the Arab light crude averaging \$49.85 per barrel in 2015 compared to \$97.18 per barrel in 2014, despite the rise in the Kingdom's average production of crude oil from 9.71 million b/d in 2014 to 10.19 million b/d in 2015.

Data on oil exports by type indicates that the value of crude oil exports decreased by 48.2 percent from SAR 939 billion in 2014 to SAR 486.5 billion in 2015. The value of exports of refined products also decreased by 32.3 percent from SAR 128.1 billion to SAR 86.9 billion. Chart (8.1) shows the developments in the Kingdom's oil exports.

### Non-oil Exports

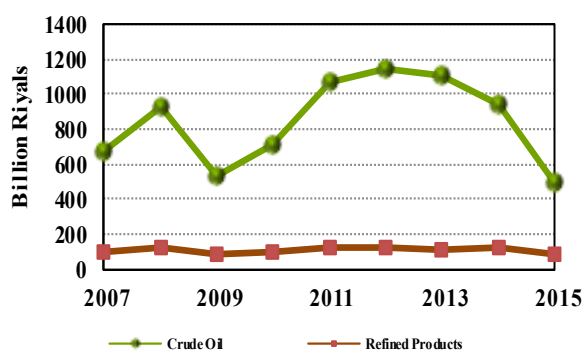
According to GASTAT's data, the Kingdom's non-oil exports declined by 12.5 percent to SAR 189.9 billion in 2015 against a rise of 7.2 percent in the preceding year (Table 8.1). The value of the Kingdom's petrochemical exports fell by 20.0 percent to SAR 114.9 billion. Exports of construction materials went down by 0.2 percent to SAR 13.7 billion, while that of agricultural, animal and food products went up by 1.5 percent to SAR 13.6 billion. In contrast, exports of other goods, including re-exports, rose by 3.1 percent to SAR 47.7 billion. Chart (8.2) illustrates the components and developments of non-oil exports during the period 2011-2015.

### Development of Saudi Non-oil Exports

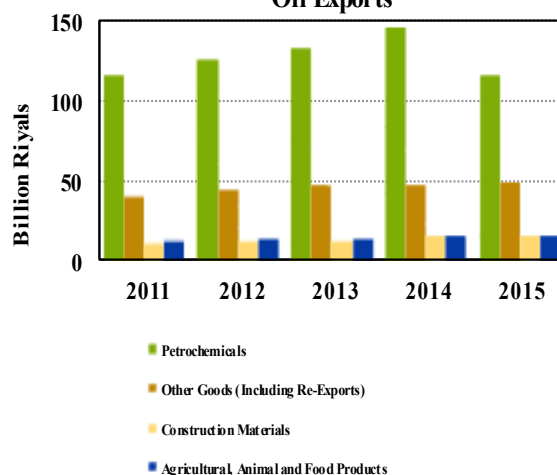
In line with the Kingdom's continued efforts to expand its production base and diversify non-oil exports, the Saudi export development programs aim at promoting non-oil exports by providing credit facilities for

exporters and importers of Saudi-origin goods. To this end, the Kingdom has adopted a number of structural and institutional reforms, including the establishment of the Saudi Export Program (SEP) and the Saudi Export Development Authority (SEDA). The role of SEDA lies in developing exports by conducting studies and putting plans in place to overcome the

**Chart 8.1: Saudi Oil Exports**



**Chart 8.2: Components of Saudi Non-oil Exports**





challenges facing exporters. SEDA also participates in international events and trade commissions with a goal of marketing national products, and organizes workshops to develop the abilities and expertise of Saudi exporting institutions. In addition, SEDA has set a national strategy for developing non-oil exports and designed development programs in consultation and cooperation with relevant bodies to improve non-oil exports.

On the other hand, the Saudi Fund for Development's SEP plays an effective role in developing national non-oil exports to diversify the sources of the national income through finance and insurance operations of exports. The number of finance operations approved by the Fund since the launch of the Program in 2001 reached 149, with a total value of SAR 21.7 billion. SEP approved a diverse set of export finance and credit insurance operations with a value of SAR 9.4 billion in 2015, denoting a rise of 339.6 percent over the preceding year (Table 8.2). Moreover, SEP's operations in 2015 were directed towards both insurance and finance

with SAR 1.2 billion and SAR 8.1 billion, respectively. Finance and insurance operations of the exports of chemical industries and plastic products totaled SAR 7.8 billion and SAR 1.2 billion, respectively. Finance operations of the exports of manufactured metal products, machinery, and equipment amounted to SAR 3.8 million. SEP also provided credit lines of SAR 142.5 million in 2015. Finance and insurance operations of the exports of other sector products amounted to SAR 219.4 million and SAR 55.9 million, respectively.

### Imports

Data shows that the value of the Kingdom's imports of goods (CIF) increased by 0.5 percent to SAR 655.0 billion in 2015 from SAR 651.9 billion in the preceding year (Table 8.3).

Categorical data on the Kingdom's imports by main components for 2015 (Chart 8.3) also shows that imports of electric machinery, appliances and equipment (SAR 178.3 billion) ranked first with a share of 27.2 percent of total imports, rising by 4.3 percent

**Table 8.2: FINANCE AND GUARANTEE OF SAUDI EXPORTS**

(Million Riyals)

Goods and Products	2013		2014		2015	
	Finance	Guarantee	Finance	Guarantee	Finance	Guarantee
Manufactured metal products, machines and equipment	11	0	113	0	4	0
Chemical and plastic products	2,419	917	0	954	7,760	1,171
Capital projects	0	6	68	0	0	0
Credit lines	431	0	244	0	143	0
Other	0	390	633	117	219	56
<b>Total</b>	<b>2,861</b>	<b>1,313</b>	<b>1,057</b>	<b>1,071</b>	<b>8,126</b>	<b>1,227</b>
Source: Saudi Fund for Development.						



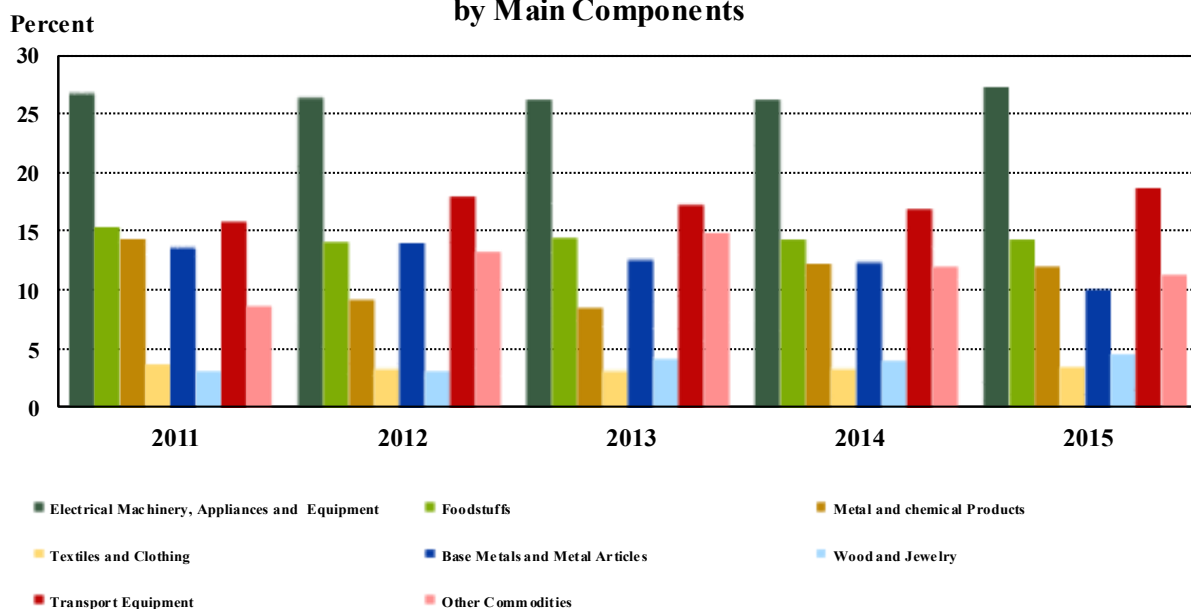
**Table 8.3: THE KINGDOM'S IMPORTS (CIF) BY MAIN COMPONENTS**

	Million Riyals			% Share			% Annual Change
	2013	2014	2015*	2013	2014	2015	2015
Machines, appliances and electrical equipment	165,230	171,011	178,321	26.2	26.2	27.2	4.3
Foodstuffs	90,341	91,626	91,928	14.3	14.1	14.0	0.3
Chemical and metal products	53,009	78,191	77,159	8.4	12.0	11.8	-1.3
Textiles and clothing	18,880	20,229	21,627	3.0	3.1	3.3	6.9
Metals and their products	78,102	79,759	64,473	12.4	12.2	9.8	-19.2
Wood and jewelry	24,909	25,131	28,199	4.0	3.9	4.3	12.2
Transport equipment	107,552	108,610	120,516	17.1	16.7	18.4	11.0
Other goods	92,559	77,317	72,810	14.7	11.9	11.1	-5.8
<b>Total</b>	<b>630,582</b>	<b>651,876</b>	<b>655,033</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.5</b>

\* Preliminary data.

Source: General Authority for Statistic.

**Chart 8.3: Shares of Saudi Imports (CIF) by Main Components**





over the preceding year. Imports of transport equipment (SAR 120.5 billion) came second, constituting 18.4 percent, increasing by 11.0 percent, imports of foodstuffs (SAR 91.9 billion) with a share of 14.0 percent, increasing by 0.3 percent, and imports of chemical and metal products (SAR 77.2 billion) with a share of 11.8 percent, declining by 1.3 percent over the preceding year. Imports of other goods (SAR 72.8 billion) came fifth with a share of 11.1 percent, decreasing by 5.8 percent, imports of ordinary metals and their products (SAR 64.5 billion) with a share of 9.8 percent, declining by 19.2 percent, imports of wood and jewelry (SAR 28.2 billion) with a share of 4.3 percent, increasing by 12.2 percent over the preceding year. Imports of textiles and clothing (SAR 21.6 billion) ranked eighth with a share of 3.3 percent, rising by 6.9 percent over the preceding year.

### Imports by Origin

The Kingdom's imports by origin are divided into four groups. The first group includes the top sixteen non-Arab exporting countries to the Kingdom. The second group comprises GCC countries, the third group constitutes of Arab countries excluding GCC countries, and the fourth group includes the other world countries (Table 8.4).

Data indicates that imports from the top sixteen exporting countries to the Kingdom increased by 3.0 percent to SAR 468.8 billion in 2015, with a share of 71.6 percent of the Kingdom's total imports. Imports from China (SAR 92.4 billion) ranked first with a share of 14.1 percent of the Kingdom's total imports, increasing by 6.1, imports from the United

States (SAR 89.7 billion) with a share of 13.7 percent, rising by 5.8 percent, and imports from Germany (SAR 46.1 billion) with a share of 7.0 percent, decreasing by 2.1 percent over the preceding year. Imports from Indonesia came last with a share of 1.5 percent of the Kingdom's total imports.

The Kingdom's imports from GCC countries recorded a rise of 1.9 percent to SAR 48.7 billion during 2015, accounting for 7.4 percent of the Kingdom's total imports. Imports from other Arab countries increased by 5.2 percent to SAR 20.1 billion, accounting for 3.1 percent of the total. The Kingdom's imports from the other world countries declined by 9.6 percent to SAR 117.5 billion with a share of 17.9 percent. Chart (8.4) illustrates the Kingdom's imports by origin in 2015 compared to 2005.

### Private Sector's Exports Financed through Commercial Banks

Private sector's exports financed by commercial banks (settled letters of credit) rose by 2.6 percent to SAR 50.0 billion in 2015 compared to SAR 48.7 billion in 2014. Their ratio to total non-oil exports (including re-exports) went up to 26.3 percent in 2015 compared to 22.4 percent in 2014.

Detailed data on the private sector's exports financed by commercial banks (settled letters of credit) in 2015 shows that the exports of other industrial products rose by 6.0 percent to SAR 43.6 billion, ranking first with a share of 87.3 percent of total exports as compared to 2014. Chemical and plastic products exports



**Table 8.4: THE KINGDOM'S IMPORTS BY ORIGIN**

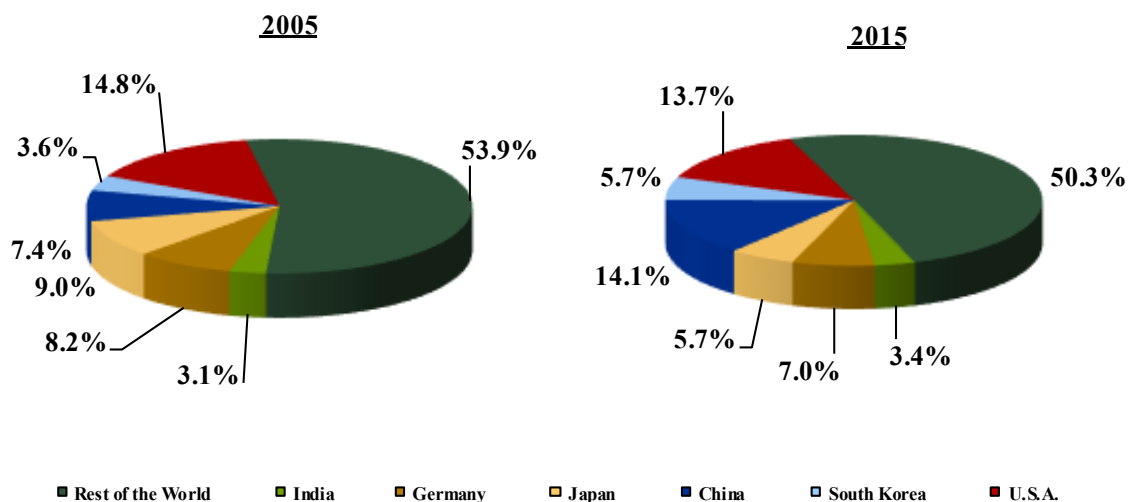
	Million Riyals			% Share			% Annual Change
	2013	2014	2015*	2013	2014	2015	2015
China	78,488	87,122	92,398	12.4	13.4	14.1	6.1
USA	85,376	84,730	89,678	13.5	13.0	13.7	5.8
Germany	44,812	47,093	46,116	7.1	7.2	7.0	-2.1
Japan	35,153	37,306	37,286	5.6	5.7	5.7	-0.1
South Korea	36,018	32,336	37,251	5.7	5.0	5.7	15.2
India	21,821	23,509	22,532	3.5	3.6	3.4	-4.2
France	19,663	22,132	20,462	3.1	3.4	3.1	-7.5
Italy	20,374	21,929	19,835	3.2	3.4	3.0	-9.5
UK	16,043	17,271	18,799	2.5	2.6	2.9	8.8
Switzerland	19,740	17,953	15,316	3.1	2.8	2.3	-14.7
Thailand	13,508	13,907	14,059	2.1	2.1	2.1	1.1
Turkey	12,283	10,867	12,745	1.9	1.7	1.9	17.3
Brazil	12,500	11,225	11,889	2.0	1.7	1.8	5.9
Vietnam	8,216	9,998	11,250	1.3	1.5	1.7	12.5
Spain	7,877	8,536	9,587	1.2	1.3	1.5	12.3
Indonesia	7,417	9,126	9,559	1.2	1.4	1.5	4.7
<b>16-country group</b>	<b>439,289</b>	<b>455,040</b>	<b>468,762</b>	<b>69.7</b>	<b>69.8</b>	<b>71.6</b>	<b>3.0</b>
<b>GCC countries**</b>	<b>48,448</b>	<b>47,793</b>	<b>48,714</b>	<b>7.7</b>	<b>7.3</b>	<b>7.4</b>	<b>1.9</b>
<b>Other Arab countries</b>	<b>18,737</b>	<b>19,098</b>	<b>20,095</b>	<b>3.0</b>	<b>2.9</b>	<b>3.1</b>	<b>5.2</b>
<b>Rest of the world</b>	<b>124,108</b>	<b>129,945</b>	<b>117,462</b>	<b>19.7</b>	<b>19.9</b>	<b>17.9</b>	<b>-9.6</b>
<b>Total imports (CIF)</b>	<b>630,582</b>	<b>651,876</b>	<b>655,033</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.5</b>
<b>Imports (FOB)</b>	<b>575,039</b>	<b>594,232</b>	<b>581,216</b>				<b>-2.2</b>

\* Preliminary data.

\*\* Including re-exports.

Source: General Authority for Statistic.

**Chart 8.4: Saudi Imports by Origin**



came next with SAR 6 billion with a decrease of 14.3 percent and a share of 12.0 percent, followed by exports of agricultural and animal products with a value of SAR 336 million, falling by 30.4 percent from the preceding year and accounting for 0.7 percent of total exports.

### Private Sector's Imports Financed through Commercial Banks

The private sector's imports financed by commercial banks (settled letters of credit and bills received for collection) declined by 1.2 percent to SAR 230.8 billion in 2015 compared to SAR 233.7 billion in the preceding year. Their ratio to the Kingdom's total imports value was 35.2 percent in 2015 against 35.9 percent in the preceding year.

The decrease in imports financed by commercial banks during 2015 was attributable to declines in financing of

imports of machinery by 25.9 percent to SAR 15.8 billion, imports of construction materials by 12.3 percent to SAR 21.6 billion, imports of appliances by 0.3 percent to SAR 6.7 billion, imports of textiles and clothing by 22.4 percent to SAR 2.9 billion, and imports of other foodstuffs, sugar; tea; and coffee beans, and livestock and meat by 9.2 percent, 9.7 percent and 9.9 percent, respectively.

Financing of imports of other goods and motor vehicles, however, increased by 2.1 percent to SAR 102.1 billion and 11.2 percent to SAR 53.6 billion, respectively. Financing of imports of fruits and vegetables also increased by 30.2 percent to SAR 672 million, and that of grain by 3.2 percent to SAR 13.1 billion.

As for their percentage shares in the total imports financed by commercial banks, financing of imports of other goods ranked first with 44.2 percent, financing of motor vehicle



imports came second with 23.2 percent, financing of imports of construction materials ranked third with 9.3 percent, and financing of imports of machinery ranked fourth with a share of 6.8 percent, followed by financing of imports of grain, foodstuffs and appliances with 5.7 percent, 4.1 percent and 2.9 percent, respectively.

### **Exports via Ports**

According to data issued by the Saudi Ports Authority, the volume of exports (excluding crude oil exports) handled at the Kingdom's ports increased by 45.3 percent to 160 million tons in 2015 compared to 110.1 million tons in the preceding year.

In 2015, exports of refined oil products and gas increased by 77.4 percent to 105.3 million tons from 59.4 million tons in 2014. Exports of other goods went up by 59.7 percent to 4.0 million tons in 2015 compared to 2.5 million tons in the previous year. Exports of chemical products rose by 5.3 percent to 24.9 million tons in 2015 compared to 23.7 million tons in 2014. In addition, exports of agricultural products increased by 58.4 percent to 86.6 thousand tons from 54.7 thousand tons, and transshipment goods by 20.9 percent to 10.3 million tons in 2015 compared to 8.5 million tons in the preceding year. Exports of construction materials and steel, however, declined by 3.7 percent to 15.4 million tons compared to 16 million tons in the preceding year.

As for the percentage shares of the volume of exports handled at ports during

2015, exports of refined oil products and gas ranked first with a share of 65.8 percent of the total, compared to 53.9 percent in the preceding year. Exports of chemical products came second with a share of 15.6 percent, followed by exports of construction materials and steel with 9.6 percent. Exports of transshipment goods held the fourth position with a share of 6.4 percent.

### **Imports through Ports**

Available data for 2015 shows that the volume of imports handled at the Kingdom's ports increased by 7.7 percent to 97.7 million tons. Imports of foodstuffs rose by 1.8 percent to 25.9 million tons in 2015 compared to 25.4 million tons in the preceding year. Imports of equipment also rose by 43.8 percent to 2.9 million tons in 2015 compared to 2.0 million tons in 2014. In contrast, imports of general merchandise went down by 2.2 percent to 28.4 million tons compared to 29 million tons in the previous year. Imports of construction materials also declined by 2.3 percent to 15.6 million tons compared to 16 million tons in 2014.

As for the percentage shares of the components of imports volume handled at the Kingdom's ports during 2015, imports of general merchandise ranked first with a share of 29.1 percent of the total, and imports of foodstuffs ranked second with 26.5 percent. Imports of industrial products ranked in third place with a share of 25.5 percent, followed by construction materials with 16.0 percent.

With respect to motor vehicles and livestock imported through the Kingdom's ports





during 2015, the number of motor vehicles increased by 29.0 percent to 1.3 million from 990.7 thousand in 2014, while that of livestock increased by 15.9 percent to 9.5 million from 8.2 million in 2014.

### Non-oil Trade with GCC Countries

The Kingdom's net non-oil trade with the GCC countries recorded a surplus of SAR 30.3 billion in 2015 against a surplus of SAR 49.6 billion in 2014 (Table 8.5). The Kingdom's imports from GCC countries (including re-exports) increased by 1.9 percent to SAR 48.7 billion in 2015 compared to SAR 47.8 billion in the preceding year, accounting for 7.4 percent of the Kingdom's total imports. In contrast, the Kingdom's exports to GCC countries went down by 18.9 percent to SAR 79 billion in 2015,

accounting for 41.6 percent of the Kingdom's total non-oil exports (including re-exports).

Detailed data indicates that the Kingdom's non-oil commodity balance with UAE, Bahrain, Qatar, Oman, and Kuwait in 2015 recorded surpluses of SAR 6.9 billion, SAR 13.3 billion, SAR 5.0 billion, SAR 529 million, and SAR 4.6 billion, respectively.

Data on the Kingdom's non-oil imports from GCC countries in 2015 shows that UAE continued to occupy the first position as the largest exporter to the Kingdom with its exports amounting to SAR 33.3 billion, constituting 68.3 percent of the Kingdom's total non-oil imports from GCC countries. Bahrain came second with SAR 7.4 billion (15.1 percent), followed by

**Table 8.5: SAUDI NON-OIL TRADE WITH GCC COUNTRIES\***

(Million Riyals)

Country	2013			2014**			2015***		
	Imports From	Exports To	Difference	Imports From	Exports To	Difference	Imports From	Exports To	Difference
UAE	31,940	24,147	-7,793	31,019	44,356	13,337	33,264	40,161	6,897
Bahrain	6,360	5,968	-392	7,266	34,559	27,293	7,359	20,652	13,293
Qatar	2,389	5,707	3,318	2,108	6,195	4,087	1,803	6,798	4,995
Oman	5,883	3,410	-2,473	5,435	6,533	1,098	4,475	5,004	529
Kuwait	1,876	6,089	4,213	1,965	5,770	3,805	1,813	6,394	4,581
<b>Total</b>	<b>48,448</b>	<b>45,321</b>	<b>-3,127</b>	<b>47,793</b>	<b>97,413</b>	<b>49,620</b>	<b>48,714</b>	<b>79,009</b>	<b>30,295</b>

\* Including re-exports.

\*\* Revised figures

\*\*\* Preliminary data.

Source: General Authority for Statistic.



Oman with SAR 4.5 billion (9.2 percent). Kuwait and Qatar came last with SAR 1.8 billion each, constituting 3.7 percent of the total.

With regards to the Kingdom's non-oil exports to GCC countries in 2015, UAE remained in the first position with SAR 40.2 billion or 50.8 percent of the total. Bahrain came second with SAR 20.7 billion (26.1 percent), Qatar with SAR 6.8 billion (8.6 percent), Kuwait with SAR 6.4 billion (8.1 percent), and Oman came last with SAR 5 billion (6.3 percent).

### Non-oil Trade with Top Trading Partners of Arab Countries

Data on the Kingdom's non-oil trade with Arab countries (excluding GCC countries)

indicates that the Kingdom recorded a surplus of SAR 24.7 billion in 2015 against SAR 42.8 billion in 2014 (Table 8.6). The Kingdom's imports from Arab countries registered an increase of 5.2 percent to SAR 20.1 billion in 2015 against SAR 19.1 billion in 2014, representing 3.1 percent of the Kingdom's total imports. In contrast, the Kingdom's exports to Arab countries went down by 27.5 percent to SAR 44.8 billion compared to the preceding year, constituting 23.6 percent of the Kingdom's total non-oil exports (including re-exports).

Detailed data on the Kingdom's trade with top trading partners of Arab countries shows that the Kingdom's trade with Egypt, Jordan, Yemen, Morocco, and Iraq in 2015 recorded

**Table 8.6: NON-OIL TRADE WITH TOP ARAB TRADING PARTNERS\*  
(EXCLUDING GCC COUNTRIES)**

*(Million Riyals)*

Country	2013			2014**			2015***		
	Imports From	Exports To	Difference	Imports From	Exports To	Difference	Imports From	Exports To	Difference
Egypt	7,909	6,679	-1230	8,414	14,344	5,930	8,719	15,181	6462
Jordan	3,188	7,034	3846	3,487	17,792	14,305	3,773	11,789	8016
Yemen	912	3,750	2838	1,009	4,710	3,701	570	2,216	1646
Lebanon	1,689	1,658	-31	1,481	1,588	107	1,613	1,445	-168
Morocco	314	1,836	1522	637	8,801	8,164	858	3,292	2434
Sudan	1,956	2,043	87	2,178	1,806	-372	2,560	1,920	-640
Syria	725	499	-226	441	109	-332	369	253	-116
Iraq	6	2,010	2004	5	3,435	3,430	10	1,841	1831
Rest of Arab countries	2,038	4,775	2737	1,446	9,289	7,843	1,623	6,899	5276
<b>Total</b>	<b>18,737</b>	<b>30,284</b>	<b>11547</b>	<b>19,098</b>	<b>61,874</b>	<b>42,776</b>	<b>20,095</b>	<b>44,836</b>	<b>24741</b>

\* Including re-exports.

\*\* Revised figures      \*\*\* Preliminary data.

Source: General Authority for Statistic.



surpluses of SAR 6.5 billion, SAR 8 billion, SAR 1.6 billion, SAR 2.4 billion, and SAR 1.8 billion, respectively. However, the Kingdom's trade with Lebanon, Sudan and Syria in 2015 registered deficits of SAR 168 million, SAR 640 million and SAR 116 million, respectively.

With regard to the Kingdom's non-oil imports from its top trading partners of Arab countries in 2015, Egypt ranked first with SAR 8.7 billion (43.4 percent) of the total, Jordan with SAR 3.8 billion (18.8 percent), Sudan with SAR 2.6 billion (12.7 percent), and Lebanon came fourth with SAR 1.6 billion (8.0 percent). The Kingdom's imports from Morocco (SAR 0.8 billion), Yemen (SAR 0.6 billion) and Syria (SAR 0.4 billion) came fifth, sixth and seventh, respectively.

As for the Kingdom's non-oil exports to these countries in 2015, Egypt ranked first with SAR 15.2 billion or 33.9 percent of the Kingdom's total non-oil exports to non-GCC Arab countries. Jordan came second with SAR 11.8 billion (26.3 percent), Morocco with SAR 3.3 billion (7.3 percent), Yemen with SAR 2.2 billion, Sudan with SAR 1.9 billion, and Iraq with SAR 1.8 billion. Lebanon ranked seventh and Syria eighth with SAR 1.4 billion and SAR 0.3 billion, respectively.

## **Balance of Payments**

### **First: Current Account**

Estimates of the Kingdom's balance of payments for 2015 indicate that the current account recorded an annual deficit, for the first time since 1998, of SAR 200.5 billion, compared to a surplus of SAR 276.6 billion in

the preceding year. The ratio of Deficit to GDP stood at 8.3 percent. This deficit was attributed to a deficit in the balance of goods and services standing at SAR 106.7 billion, an increase in the deficit of net secondary income by 5.1 percent, and a decrease in the surplus of net primary income by 5.2 percent (Table 8.7). Chart (8.5) illustrates the developments in the current account balance and its major items during the period from 2012 to 2015.

### **A. Goods and Services:**

#### **I. Goods**

The surplus of the commodity balance went down by 74.3 percent to SAR 177.3 billion in 2015 from SAR 690 billion in the preceding year. This was attributable to total exports (including oil and other exports) dropping by 40.9 percent to SAR 758.5 billion. Imports (fob) also decreased by 2.2 percent to SAR 581.2 billion compared to SAR 594.2 billion in the preceding year.

#### **II. Services**

Deficit in services account declined by 14.0 percent to SAR 284 billion in 2015 compared to a deficit of SAR 330.1 billion in the preceding year. This decline in deficit was mainly attributable to decreased deficits in net government services item by 11.5 percent to SAR 123.8 billion from SAR 139.9 billion in the preceding year; net travel item by 33.3 percent, standing at SAR 39.7 billion from SAR 59.5 billion; net other business services item by 30.9 percent to SAR 20.4 billion from SAR 29.5 billion; net financial services item by 44.8 percent to SAR 2.1 billion from SAR 3.7 billion; and services payments for transportation item by



**Table 8.7: BALANCE OF PAYMENTS**

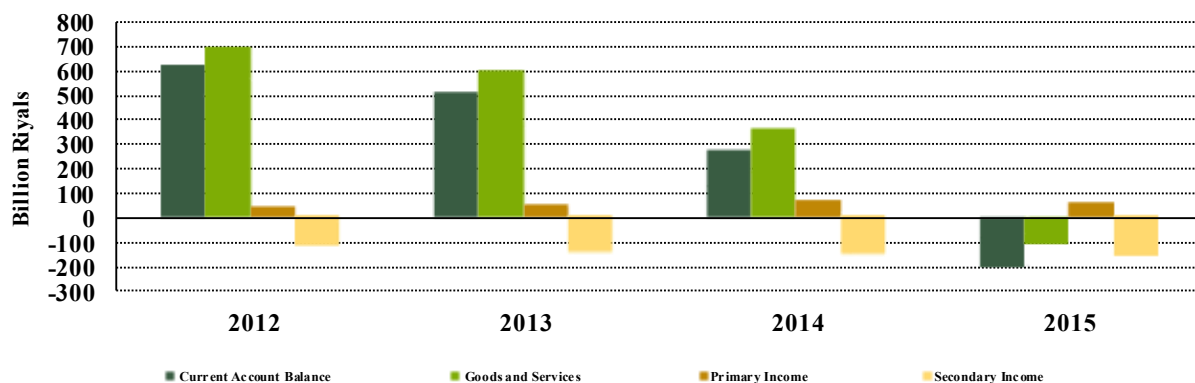
(Million Riyals)

	2012	2013	2014	2015*	% Annual Change 2015
<b>I. Current Account Balance</b>	<b>617,864</b>	<b>507,909</b>	<b>276,593</b>	<b>-200,542</b>	<b>--</b>
<b>A. Goods and services</b>	<b>690,800</b>	<b>591,564</b>	<b>359,873</b>	<b>-106,682</b>	<b>--</b>
1. Goods	924,639	834,590	689,981	177,291	-74.3
2. Services	-233,839	-243,027	-330,107	-283,973	-14.0
<b>B. Primary income</b>	<b>41,207</b>	<b>50,855</b>	<b>61,972</b>	<b>58,738</b>	<b>-5.2</b>
<b>C. Secondary income</b>	<b>-114,144</b>	<b>-134,510</b>	<b>-145,252</b>	<b>-152,598</b>	<b>5.1</b>
<b>II. Capital account</b>	<b>-1,017</b>	<b>-1,257</b>	<b>-1,233</b>	<b>-1,732</b>	<b>40.5</b>
<b>III. Financial account</b>	<b>445,983</b>	<b>474,498</b>	<b>239,947</b>	<b>-277,162</b>	<b>-215.5</b>
<b>1. Direct investment</b>	<b>-29,178</b>	<b>-14,705</b>	<b>-9,809</b>	<b>-9,828</b>	<b>0.2</b>
<b>2. Portfolio investments</b>	<b>11,941</b>	<b>24,773</b>	<b>100,426</b>	<b>37,384</b>	<b>-62.8</b>
<b>3. Other investments</b>	<b>41,122</b>	<b>205,115</b>	<b>124,474</b>	<b>130,039</b>	<b>4.5</b>
<b>4. Reserve assets</b>	<b>422,098</b>	<b>259,315</b>	<b>24,857</b>	<b>-434,758</b>	<b>-1849.0</b>
4.1. Monetary gold	0	0	0	0	0.0
4.2. Special drawing rights	-1,626	-802	-2,127	-278	-86.9
4.3. Reserve position in the IMF	2,878	-1,757	-4,651	-3,473	-25.3
4.4. Other reserve assets	420,846	261,874	31,635	-431,006	-1462.4
4.4.1. Currency and deposits	180,673	-20,668	-14,318	61,610	-530.3
4.4.2. Securities	240,173	282,542	45,953	-492,616	-1172.0
<b>Errors and Omissions</b>	<b>-170,864</b>	<b>-32,154</b>	<b>-35,413</b>	<b>-74,888</b>	<b>111.5</b>

\* : Estimates.

(-) = Payments in the current account items.

**Chart 8.5: Current Account Balance**





1.7 percent to SAR 62.8 billion from SAR 63.9 billion. Such decline in deficit was also attributable to decreased deficit in net telecommunication item by 4.3 percent to SAR 10 billion from SAR 10.4 billion in the preceding year; and in net insurance and pensions item by 5.6 percent to SAR 6.7 billion from SAR 7.1 billion. The deficit in net construction services, however, rose by 15.7 percent to SAR 18.6 billion in 2015 up from SAR 16.0 billion in the preceding year.

### **B. Primary Income**

Data of the balance of payments indicates that the surplus in net primary income item decreased by 5.2 percent to SAR 58.7 billion in 2015 compared to SAR 62 billion in the preceding year. This was attributable to a decrease of SAR 63.9 billion in net portfolio investment income; the decrease in net deficit of direct investment item, reaching SAR 4.5 billion; and the increase in deficit in net workers' compensations item by 5.0 percent to SAR 2.6 billion. The surplus in other investments income item rose by 35.0 percent to SAR 1.8 billion compared to SAR 1.3 billion in the preceding year.

### **C. Secondary Income**

Deficit in the secondary income account increased by 5.1 percent to SAR 152.6 billion in 2015 compared to a deficit of SAR 145.3 billion in the preceding year. Government transfers rose by 6.5 percent, and remittances made by expatriate workers by 5.0 percent to SAR 141.8 billion. Table (8.8) illustrates the developments in the remittances of expatriate workers in the Kingdom and their ratio to GDP since 2007.

### **Second: Capital Account**

Capital account item registered an outflow of SAR 1.7 billion compared to SAR 1.2 billion in the preceding year.

### **Third: Financial Account**

Net direct investment item fell by SAR 9.8 billion in 2015. Net portfolio investments, however, increased by SAR 37.4 billion, and net other investments by SAR 130 billion. Reserve assets went down by SAR 434.8 billion.

### **The Kingdom's Aid to Developing Countries**

The Kingdom has been extending aid and soft loans to developing countries. Total foreign aid and loans provided through bilateral channels and multilateral institutions during the period 2011-2015 reached SAR 133.8 billion (Table 8.9). Aid and loans constituted 89.6 percent (SAR 119.9 billion). Total contributions to associations and organizations amounted to SAR 11 billion or 8.2 percent of the total. Aid provided through multilateral aid programs during that period amounted to SAR 2.9 billion or 2.2 percent of the total.

The Kingdom's foreign aid and loans provided through bilateral channels, multilateral associations, organizations and institutions during 2015 reached SAR 30.4 billion, down 41.6 percent from the preceding year. Aid and loans extended in 2015 constituted the bulk of the total, amounting to SAR 26.1 billion or 85.7 percent, and decreased by 48.2 percent from 2014. The Kingdom's contributions to associations and organizations in 2015 totaled SAR 4.2 billion or 14.0 percent of the total,



**Table 8.8: REMITTANCES OF  
EXPATRIATES IN THE KINGDOM**

<b>Year</b>	<b>Million Riyals</b>	<b>% Annual Change</b>	<b>Private Sector GDP* (Mln. Riyals)</b>	<b>Remittances / Private Sector GDP</b>
2007	59,009	3.0	533,050	11.1
2008	78,546	33.1	611,976	12.8
2009	96,329	22.6	655,347	14.7
2010	98,173	1.9	745,532	13.2
2011	103,485	5.4	845,780	12.2
2012	107,335	3.7	940,794	11.4
2013	127,768	19.0	1,042,319	12.3
2014	134,995	5.7	1,140,191	11.8
2015**	141,785	5.0	1,198,231	11.8

\* At current prices.

\*\* Preliminary figures.

Source: The Kingdom's balance of payments data issued by SAMA, and the private sector GDP data issued by General Authority for Statistic.

**Table 8.9: THE KINGDOM'S FOREIGN AID  
DURING 2011-2015**

(Million Riyals)

<b>Year</b>	<b>Loans and Aid</b>	<b>Contributions to Associations and Organizations</b>	<b>Multilateral Aid</b>	<b>Total</b>
2011	18,442	752	1206	20,400
2012	4,198	3144	421	7,763
2013	20,843	1241	1107	23,191
2014	50,336	1626	99	52,061
2015	26,074	4247	97	30,418
<b>Total</b>	<b>119,893</b>	<b>11,010</b>	<b>2,930</b>	<b>133,833</b>

Source: Ministry of Finance.

rising by 161.2 percent over the preceding year. The Kingdom's total aid provided through multilateral aid valued SAR 97 million or 0.3 percent of the total in 2015, down 2.0 percent from the preceding year.

### 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 1 U.S. dollar during 2015. The nominal effective exchange rate (NEER) index rose by 10.2 percent from 104.12 at the end of 2014 to 114.70 at the end of 2015. The real effective exchange rate (REER) index increased by 12.5 percent from 105.35 at the end of 2014 to 118.49 at the end of 2015.



In its session held on Monday, Rabi’I 17, 1437H (28 December 2015), the Council of Ministers approved the state budget for fiscal year 1437/1438H (2016). In light of low oil prices and economic, regional and international challenges, the budget came out to signify rationalization and transformation towards building a robust multi-source economy. Total expenditures were estimated at SAR 840 billion, 2.3 percent lower than the estimated budget for the previous fiscal year, with the priority being placed on the completion of projects approved in previous budgets.

The state budget for fiscal year 1437/1438H (2016) projected total revenues at SAR 514 billion, decreasing by 28.1 percent from the previous fiscal year’s projections of SAR 715 billion, while non-oil revenues represent 36.8 percent of total revenues. The deficit was projected at SAR 326 billion during 2016, representing 13.5 percent of GDP (Table 9.1).

### Main Features of the State Budget for Fiscal Year 1437/1438H (2016)

The state budget for fiscal year 1437/1438H (2016) continued to focus on developmental projects in security and military sector; completion of projects approved in previous budgets; education and training; budget support provision; health services and social development; economic resources and roads; electronic transactions; and the support of scientific research to boost investment environment in order to create more job opportunities for citizens and accelerate economic growth, in addition to introducing budget support provision.

Apart from continuing work to finish developmental and service projects, the budget included an integrated and comprehensive action programs aimed at optimal placement of savings and generating more jobs. The budget also placed more emphasis on continued development of various government services, enhancing the efficiency of public

**Table 9.1: BUDGET PROJECTIONS**

*(Billion Riyals)*

	<b>FY 1436/37 (2015)</b>	<b>FY 1437/38 (2016)</b>	<b>% change</b>
Total revenues	715	514	-28.1
Total expenditures	860	840	-2.3
Deficit / Surplus	-145	-326	125.0
Source: Ministry of Finance.			



spending and revisiting government subsidies with gradual implementation to achieve maximum utilization of resources and eliminate wasteful practices. The following is an overview of the most prominent state budget appropriations for key sectors.

### Education and Human Resource Development

Education and human resource development were allocated SAR 191.6 billion or 22.8 percent of the budgetary expenditures for 2016, down by 11.3 percent from the previous fiscal year 1436/1437H (2015) (Table 9.2).

### Health Services and Social Development

Health services and social development in both civil and military sectors were allocated SAR 80 billion or 9.5 percent of the budgetary expenditures, declining by 2.6 percent from the previous fiscal year.

### Municipality Services:

Municipality Services, including the Ministry of Municipal and Rural Affairs, secretariats and municipalities, were allocated SAR 21.2 billion or 2.5 percent of the budgetary expenditures, declining by 37.9 percent from fiscal year 2015.

**Table 9.2: SECTOR-WISE ALLOCATIONS OF THE STATE BUDGET**

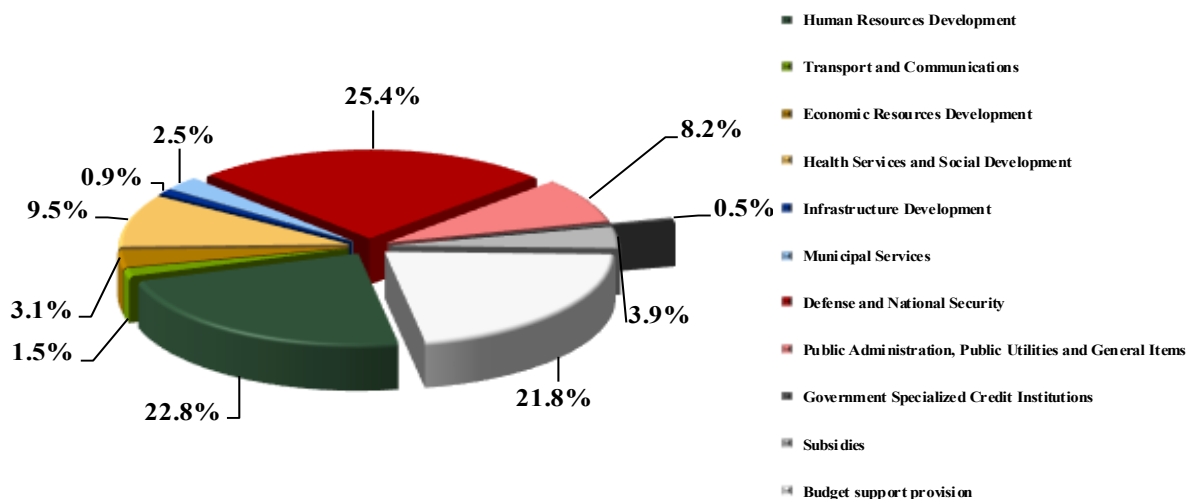
(by major sector)

(Million Riyals)

	FY		FY	
	1436/1437 (2015)		1437/1438 (2016)	
	Amount	% Share	Amount	% Share
Human Resources Development	216,022	25.1	191,572	22.8
Transport and Communications	22,348	2.6	12,301	1.5
Economic Resources Development	48,148	5.6	26,025	3.1
Health Services and Social Development	82,071	9.5	79,958	9.5
Infrastructure Development	12,592	1.5	7,708	0.9
Municipal Services	34,192	4.0	21,246	2.5
Defense and Security	306,947	35.7	213,207	25.4
Public Administration, Public Utilities and General Items	80,575	9.4	68,553	8.2
Government Specialized Credit Institutions	14,978	1.7	3,895	0.5
Subsidies	42,127	4.9	32,535	3.9
Budget support provision	---	---	183,000	21.8
<b>Total</b>	<b>860,000</b>	<b>100.0</b>	<b>840,000</b>	<b>100.0</b>
Source: Ministry of Finance				



**Chart 9.1: Budget Allocations for Fiscal Year 1437/1438H(2016) by Major Sectors**



### Infrastructure and Transportation

Transportation was allocated SAR 12.3 billion or 1.5 percent of the budgetary expenditures of 2016, declining by 45 percent from the previous fiscal year.

### Other Sectors

Economic resource development was allocated SAR 26 billion or 3.1 percent of total budgetary expenditures, decreasing by 45.9 percent from the previous fiscal year 2015.

Due to the sharp fluctuations in oil prices, Budget Support Provision of SAR 183 billion or 21.8 percent of total spending is established to address the potential shortage in revenues.

As for public administration, public utilities and general items, an amount of SAR 68.5 billion was allocated, representing 8.2 percent of the total budgetary expenditures, decreasing by 14.9 percent from the previous fiscal year.

### Public Institutions with Budgets Annexed to the State Budget for Fiscal Year 1437/1438H (2016)

A royal decree was issued for the estimation of revenues and the approval of expenditures of public institutions with budgets annexed to the state budget for fiscal year 1437/1438 (2016). Total appropriations for public institutions were projected at SAR 133.3 billion, compared to SAR 163.7 billion in the previous fiscal year, denoting a decline of SAR 30.4 billion or 18.6 percent. The budgets of those institutions constituted 15.8 percent of the budgetary expenditures for fiscal year 1437/1438H (2016).

### Actual Revenues and Expenditures for Fiscal Year (2015)

Actual revenues for fiscal year 1436/1437H (2015) registered a decline of 41 percent to SAR 615.9 billion or 25.4 percent of the GDP, compared to a decline of 9.7 percent in the preceding year, denoting a



decrease of 24.2 percent from the budget projections (Table 9.3). This was attributable to a decline of 51.1 percent in oil revenues.

Actual expenditures for fiscal year (2015) totaled SAR 978 billion or 40.4 percent of GDP, increasing by SAR 118 billion or

13.7 percent over the budget projections. Actual deficit for fiscal year 1436/1437H (2015) stood at SAR 362 billion, representing 15 percent of GDP, compared to a deficit of SAR 65.5 billion or 2.3 percent of GDP in the preceding fiscal year (Table 9.4 and Chart 9.2).

**Table 9.3: ACTUAL REVENUE AND EXPENDITURE**

(Million Riyals)

	1434/1435 (2013)			1435/1436 (2014)			1436/1437 (2015)		
	Amount	% Change	Ratio to GDP*	Amount	% Change	Ratio to GDP*	Amount	% Change	Ratio to GDP*
Total revenues	1,156,361	-7.3	41.4	1,044,366	-9.7	36.9	615,910	-41.0	25.4
Oil revenues	1,035,046	-9.6	37.1	913,346	-11.8	32.3	446,439	-51.1	18.4
Other Revenues	121,315	18.3	4.3	131,020	8.0	4.6	169,471	29.3	7.0
Total Expenditures	976,014	11.8	35.0	1,109,903	13.7	39.3	978,139	-11.9	40.4
Capital expenditures	311,967	19.2	11.2	370,245	18.7	13.1	263,726	-28.8	10.9
Current expenditures	664,047	8.6	23.8	739,658	11.4	26.2	714,413	-3.4	29.5
Surplus/deficit	180,347	-51.8	6.5	-65,537	-136.3	-2.3	-362,229	452.7	-15.0

\* Including imports duties.

Source: Ministry of Finance.

**Table 9.4: STATE BUDGET ACTUALS AND PROJECTIONS**

(Million Riyals)

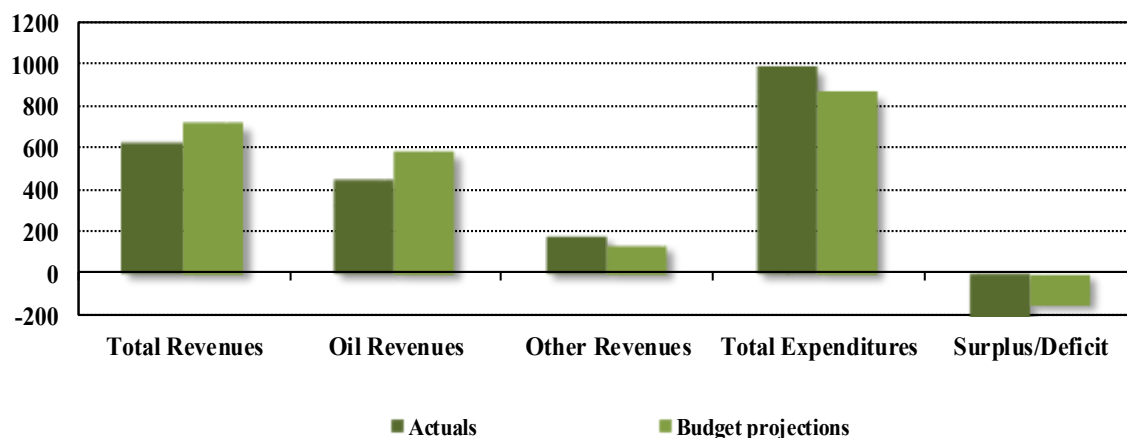
	1434/36 (2013)		1435/37 (2014)		1436/37 (2015)	
	Actuals	Projections	Actuals	Projections	Actuals	Projections
<b>Total revenues</b>	<b>1,156,361</b>	<b>829,000</b>	<b>1,044,366</b>	<b>855,000</b>	<b>615,910</b>	<b>715,000</b>
Oil revenues	1,035,046	727,000	913,346	735,000	446,439	581,300
Non-oil revenues	121,315	102,000	131,020	120,000	169,471	133,700
<b>Total expenditures</b>	<b>976,014</b>	<b>820,000</b>	<b>1,109,903</b>	<b>855,000</b>	<b>978,139</b>	<b>860,000</b>
Surplus/deficit	180,347	9,000	-65,537	0	-362,229	-145,000

Source: Ministry of Finance.



**Chart 9.2: Budget Estimates and Actuals for 1436/1437H(2015)**

Billion Riyals



### Actual Oil and Non-oil Revenues

Actual oil revenues went down by 51.1 percent to SAR 446.4 billion in 2015 as compared to a decline of 11.8 percent in the preceding year.

The share of actual oil revenues stood at 72.5 percent of total actual revenues in 2015

compared to 87.5 percent in the preceding year (Table 9.5).

Actual non-oil revenues rose by 29.3 percent to SAR 169.5 billion in 2015 against a rise of 8 percent in the previous year. The share of non-oil revenues constituted 27.5 percent of total

**Table 9.5: ACTUAL OIL AND NON-OIL REVENUES**

(Million Riyals)

Year	Oil Revenues		Non-oil Revenues		Total Revenues
	Amount	% Share	Amount	% Share	
2011 (1432/1433)	1,034,360	92.5	83,432	7.5	1,117,792
2012 (1433/1434)	1,144,818	91.8	102,580	8.2	1,247,398
2013 (1434/1435)	1,035,046	89.5	121,315	10.5	1,156,361
2014 (1435/1436)	913,346	87.5	131,020	12.5	1,044,366
2015 (1436/1437)*	446,439	72.5	169,471	27.5	615,910

\* Preliminary data.

Source: Ministry of Finance



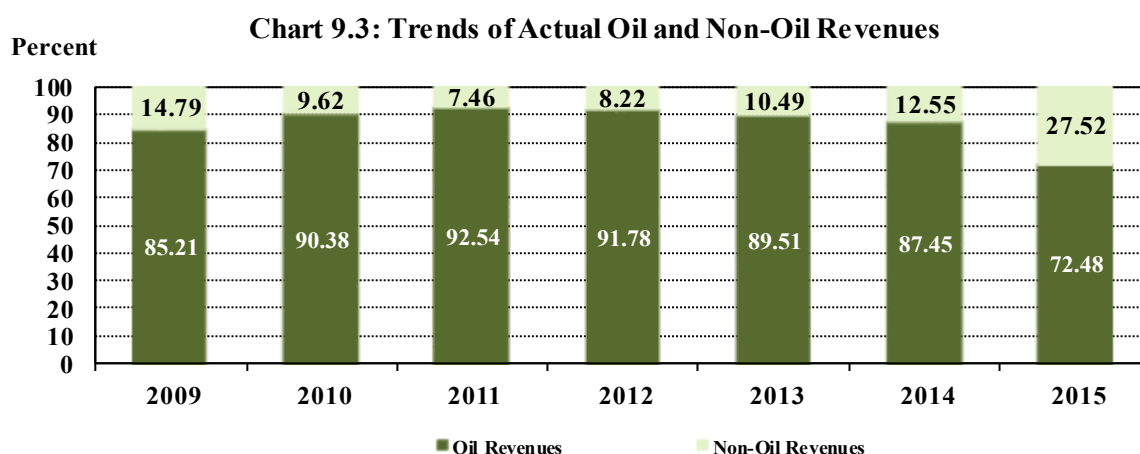
revenues in 2015 compared to 12.5 percent in the preceding year (Table 9.5 and Chart 9.3).

### Actual Current and Capital Expenditures

Actual current expenditures went down by 3.4 percent to SAR 714.4 billion in 2015 as compared to a rise of 11.4 percent in the preceding year. The share of current expenditures from total expenditures stood at 73 percent in 2015 compared to 66.6 percent

in the preceding year. Capital expenditures decreased by 28.8 percent to SAR 263.7 billion in 2015 against a rise of 18.7 percent in the preceding year. The share of capital expenditures accounted for 27 percent of total expenditures in 2015 against 33.4 percent in the preceding year (Table 9.6 and Chart 9.4).  
Ratio of Actual Budget Deficit to GDP

Fiscal year 2015 figures indicate a budget deficit of SAR 362.2 billion,



**Table 9.6: ACTUAL CURRENT AND CAPITAL EXPENDITURES**

(Million Riyals)

Year	Current Expenditure		Capital Expenditure		Total Expenditure
	Amount	% Share	Amount	% Share	
2011 (1432/1433)	550,500	66.6	276,200	33.4	826,700
2012 (1433/1434)	611,626	70.0	261,679	30.0	873,305
2013 (1434/1435)	664,047	68.0	311,967	32.0	976,014
2014 (1435/1436)	739,658	66.6	370,245	33.4	1,109,903
2015 (1436/1437)*	714,413	73.0	263,726	27.0	978,139

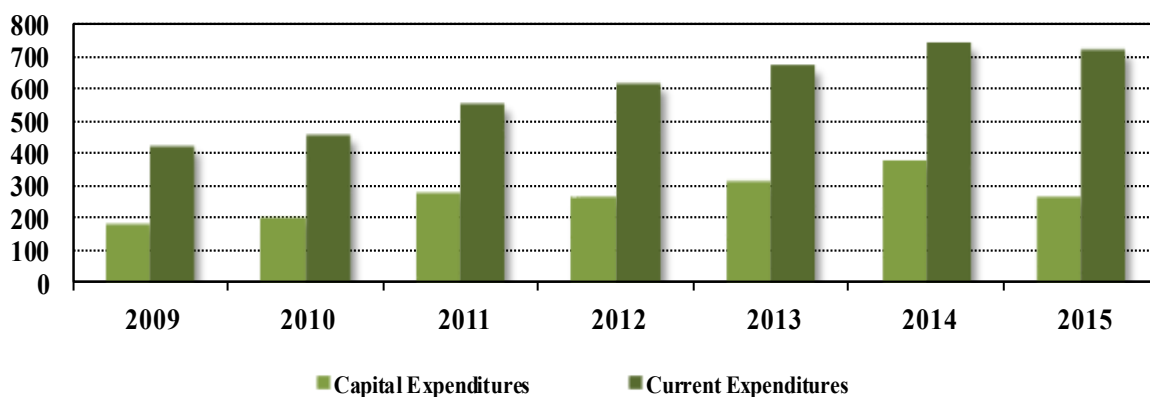
\* Preliminary data.

Source: Ministry of Finance.



**Chart 9.4: Developments of Actual Current and Capital Expenditures**

Billion Riyals



constituting 15 percent of GDP compared to a deficit of SAR 65.5 billion or 2.3 percent of GDP in the preceding year (Table 9.7). The deficit will be financed according to plans that considers the best financing options available without affecting the liquidity of the banking sector and in a way that

ensures continued finance for the private sector's activities.

#### Public Debt

The outstanding public debt went up by 221 percent at the end of fiscal year 1436/1437H (2015). Moreover, SAR 98 billion worth government development bonds were issued

**Table 9.7: RATIO OF ACTUAL BUDGET SURPLUS/DEFICIT TO GDP**

(Million Riyals)

Fiscal Year	Gross Domestic Product * (at current prices)	Budget surplus/Deficit	Ratio of Surplus/Deficit to GDP
2012 (1433/1434)	2,752,334	374,093	13.6
2013 (1434/1435)	2,791,259	180,347	6.5
2014 (1435/1436)	2,826,869	-65,537	-2.3
2015 (1436/1437)**	2,422,507	-362,229	-15.0

\* Including import fees

\*\* Preliminary data.

Source: General Authority for Statistics. Ministry of Finance.



in which domestic financial institutions invested. Public debt reached SAR 142.3 billion or 5.9 percent of GDP, as compared to

SAR 44.2 billion at the end of the previous fiscal year 1435/1436H (2014), constituting 1.6 percent of GDP (Table 9.8).

**Table 9.8: PUBLIC DEBT**

*(Million Riyals)*

<b>Fiscal Year</b>	<b>Borrowed</b>	<b>Repaid</b>	<b>Outstanding public debt at year end</b>	<b>% Change</b>	<b>GDP at current prices</b>	<b>Ratios of public debt to GDP</b>
2011 (1432/1433)	5,422	36,922	135,499	-18.9	2,510,650	5.4
2012 (1433/1434)	---	51,651	83,848	-38.1	2,752,334	3.0
2013 (1434/1435)	---	23,730	60,118	-28.3	2,791,259	2.2
2014 (1435/1436)	---	15,858	44,260	-26.4	2,826,869	1.6
2015 (1436/1437)*	98,000	0	142,260	221.4	2,422,507	5.9

Source: Ministry of Finance.

\* Preliminary data.



## Gross Domestic Product (GDP) for 2015

According to GDP at constant prices, the domestic economy continued to record mixed growth rates in its various sectors during 2015. Preliminary figures show that GDP at **current prices** (including import duties) went down by 14.3 percent in 2015 against an increase of 1.3 percent in the preceding year. The decline in its growth rate was mainly attributable to a decrease of 44.5 percent in the oil sector during

2015 compared to a decrease of 7.2 percent in the preceding year. It was also due to the decline in oil prices in global markets as well as declines in growth rates of the non-oil sector to 7.8 percent from 8.6 percent in the preceding year and the non-oil private sector to 5.1 percent from 9.4 percent in the preceding year. The non-oil government sector's growth rate, however, increased to 14.5 percent from 6.6 percent in the preceding year.

**Table 10.1: GROSS DOMESTIC PRODUCT BY SECTOR**

(Million Riyals)

	2014			2015*		
	Value	Annual % Change	% Share	Value	Annual % Change	% Share
<b>GDP at Current Prices:</b>						
1. Oil sector	1,197,414	-7.2	42.4	665,138	-44.5	27.5
2. Non-oil sector	1,605,935	8.6	56.8	1,731,373	7.8	71.5
i) Private sector	1,140,191	9.4	40.3	1,198,231	5.1	49.5
ii) Government sector	465,745	6.6	16.5	533,143	14.5	22.0
<b>Total GDP</b>	<b>2,803,349</b>	<b>1.2</b>	<b>99.2</b>	<b>2,396,512</b>	<b>-14.5</b>	<b>98.9</b>
3. Import Duties	23,520	11.1	0.8	25,995	10.5	1.1
<b>Total GDP Including Import Duties</b>	<b>2,826,869</b>	<b>1.3</b>	<b>100.0</b>	<b>2,422,507</b>	<b>-14.3</b>	<b>100.0</b>
<b>GDP at Constant Prices (2010=100):</b>						
1. Oil sector	1,043,701	2.1	42.8	1,085,118	4.0	43.0
2. Non-oil sector	1,372,239	4.8	56.3	1,414,946	3.1	56.1
i) Private sector	957,607	5.4	39.3	989,979	3.4	39.3
ii) Government sector	414,631	3.7	17.0	424,966	2.5	16.9
<b>Total GDP</b>	<b>2,415,940</b>	<b>3.6</b>	<b>99.2</b>	<b>2,500,063</b>	<b>3.5</b>	<b>99.2</b>
3. Import Duties	19,956	4.0	0.8	20,739	3.9	0.8
<b>Total GDP Including Import Duties</b>	<b>2,435,896</b>	<b>3.6</b>	<b>100.0</b>	<b>2,520,802</b>	<b>3.5</b>	<b>100.0</b>
<b>Implicit Deflator (2010 = 100):</b>						
GDP	116	-2.3		96	-17.4	
1. Oil sector	115	-9.1		61	-46.6	
2. Non-oil sector	117	3.5		122	4.6	
* Preliminary data.						
Source: General Authority for Statistics.						



Preliminary data indicate that GDP at **constant prices** (2010 = 100) (including import duties) rose by 3.5 percent in 2015 compared to a growth of 3.6 percent in the preceding year. Due to a rise in oil production, the oil sector grew by 4.0 percent against a rise of 2.1 percent in the preceding year. In addition, the non-oil sector increased by 3.1 percent compared to a rise of 4.8 percent in the preceding year. Non-oil private sector grew by 3.4 percent during 2015, compared to a growth of 5.4 in the preceding year. In addition, the non-oil government sector increased by 2.5 percent compared to a rise of 3.7 percent in the preceding year (Table 10.1).

The non-oil private sector accounted for 39.3 percent of GDP at constant prices in 2015, which is the same as that of the preceding year. Moreover, the non-oil government sector increased by 16.9 percent compared to a rise of 17 percent in the preceding year. The oil sector accounted for 43.0 percent in 2015 against 42.8 percent in the preceding year.

The non-oil GDP implicit deflator increased by 4.6 percent in 2015 against a rise of 3.5 percent in the preceding year (Table 10.1).

The distribution of GDP at constant prices by the main economic activities shows that all economic activities grew at varied rates in 2015. The activity of manufacturing (including oil refining) recorded a growth rate of 5.8 percent against a growth of 9.5 percent in the preceding year. Construction and building grew by 5.6 percent in 2015 against a growth of 6.7 percent in the preceding year. Public utilities (electricity,

gas and water) grew by 5.3 percent against a rise of 4.8 percent in the preceding year. Transport, storage and telecommunications grew by 4.0 percent in 2015 against a growth of 6.2 percent in the preceding year. Finance, insurance, real estate and business services registered a growth of 2.9 percent in 2015 against an increase of 3.3 percent in the preceding year. However, mining and quarrying (including crude oil, natural gas, and other mining and quarrying activities) recorded the lowest growth rate of 3.2 percent against a rise of 0.9 percent in the preceding year (Table 10.2).

### **Contribution of the Private Sector to GDP**

The contribution of the private sector to GDP at current prices (excluding import duties) was 50.0 percent during 2015 compared to a growth of 40.7 percent in the preceding year. Its growth rate (at current prices) was 5.1 percent during 2015 against a growth of 9.4 percent in the preceding year (Table 10.3 and Chart 10.1).

### **Contribution of the Government Sector to GDP**

In 2015, the contribution of the government sector to GDP at current prices was 22.2 percent against 16.6 percent in the preceding year. The government sector (at current prices) recorded a growth rate of 14.5 percent during 2015 compared to 6.6 percent in the preceding year (Table 10.3 and Chart 10.1).

### **Contribution of the Oil Sector to GDP**

Contribution of the oil sector to GDP at current prices was 27.8 percent in 2015 compared to 42.7 percent in the preceding year. The oil sector (at current prices) recorded a





**Table 10.2: GDP BY MAJOR ECONOMIC ACTIVITIES**

(At 2010 constant prices)

(Million Riyals)

	2012	2013	2014			2015*		
			Value	% Share	Annual % Change	Value	% Share	Annual % Change
1. Mining and quarrying	977,512	963,602	972,729	40.3	0.9	1,004,215	40.2	3.2
2. Manufacturing (including oil refining)	247,269	255,603	279,987	11.6	9.5	296,140	11.8	5.8
3. Public utilities (electricity, gas and water)	29,357	29,836	31,282	1.3	4.8	32,928	1.3	5.3
4. Construction and building	104,499	112,617	120,211	5.0	6.7	126,930	5.1	5.6
5. Wholesale and retail trade, restaurants and hotels	199,616	212,697	225,420	9.3	6.0	232,207	9.3	3.0
6. Transport, storage and communications	120,858	128,620	136,602	5.7	6.2	142,005	5.7	4.0
7. Finance, insurance, real estate and business services	199,930	218,365	225,533	9.3	3.3	231,984	9.3	2.9
Total GDP**	2,269,712	2,331,192	2,415,940	100.0	3.6	2,500,063	100.0	3.5
* Preliminary data. ** Excluding imports duties.								
Source: General Authority for Statistics.								

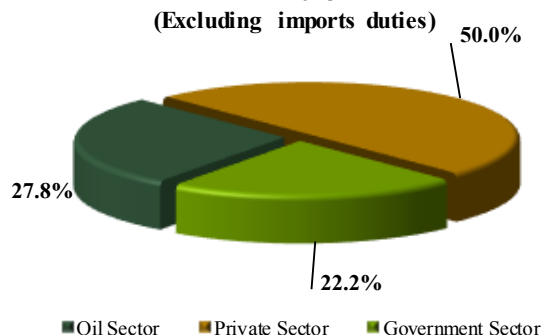
**Table 10.3: CONTRIBUTION OF THE GOVERNMENT AND PRIVATE SECTORS**

(At current prices)

Year	Private Sector				Government Sector		
	GDP* (Million SAR)	(Million SAR)	% Share in Total GDP	% Change	(Million SAR)	% Share in Total GDP	% Change
2012	2,730,840	940,794	34.5	11.2	413,470	15.1	11.4
2013	2,770,085	1,042,319	37.6	10.8	436,977	15.8	5.7
2014	2,803,349	1,140,191	40.7	9.4	465,745	16.6	6.6
2015**	2,396,512	1,198,231	50.0	5.1	533,143	22.2	14.5
* Excluding imports duties.							
** Preliminary data.							
Source: General Authority for Statistics.							



**Chart 10.1: Contribution of Economic Sectors to GDP at current prices in 2015**  
(Excluding imports duties)



decline of 44.5 percent in 2015 compared to a decline of 7.2 percent in the preceding year. This decrease was attributed to the drop in oil prices (Table 10.4 and Chart 10.1).

### Contribution of the Services Activity to GDP

The contribution of the services activity (including wholesale and retail trade, restaurants and hotels; transportation, storage, and telecommunications; finance, insurance, real estate, and business services; collective, social and personal services; and providers of

government services, but excluding imputed bank services, to GDP at current prices was 51.3 percent in 2015 against 40.2 percent in the preceding year. The growth of this activity at current prices was 9.0 percent in 2015 against a growth of 8.2 percent in the preceding year (Table 10.4 and Chart 10.2).

### Contribution of the Mining and Quarrying Activity to GDP

The contribution of the mining and quarrying activity (including crude oil, natural gas, and other mining and quarrying activities) to GDP at current prices was 25.7 percent in 2015 against 40.3 percent in the preceding year. It recorded a decline of 45.5 percent in 2015 compared to a decline of 8.3 percent in the preceding year (Table 10.5 and Chart 10.2).

### Contribution of the Industrial Activity to GDP

The contribution of the industrial activity (including oil refining and other industries) to GDP at current prices registered a rise in 2015, reaching 12.4 percent against 10.9 percent in the

**Table 10.4: CONTRIBUTION OF THE OIL SECTOR AND SERVICES**

(At current prices)

Year	GDP*		Oil Sector		Services		
	(Million SAR)	(Million SAR)	% Share in Total GDP	% Change	(Million SAR)	% Share in Total GDP	% Change
2012	2,730,840	1,376,576	50.4	7.8	950,807	34.8	72.8
2013	2,770,085	1,290,789	46.6	-6.2	1,042,244	37.6	9.6
2014	2,803,349	1,197,414	42.7	-7.2	1,127,944	40.2	8.2
2015**	2,396,512	665,138	27.8	-44.5	1,229,784	51.3	9.0

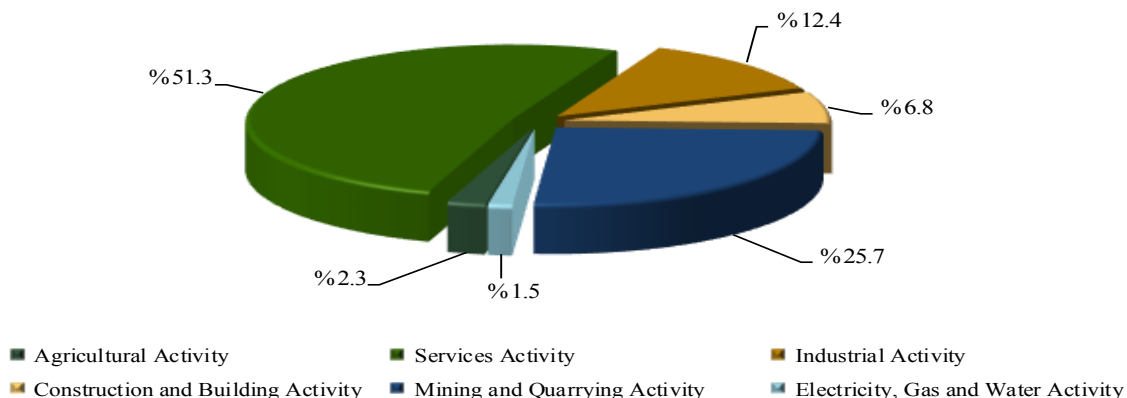
\* Excluding imports duties.

\*\* Preliminary data.

Source: General Authority for Statistics.



**Chart 10.2: Contribution of Economic Activities to GDP at current prices in 2015 (Excluding imports duties)**



**Table 10.5: CONTRIBUTION OF MINING AND QUARRYING INDUSTRIAL ACTIVITIES TO GDP (At current prices)**

Year	GDP <sup>(1)</sup> (Million SAR)	Mining and quarrying <sup>(2)</sup>			Industrial Activity <sup>(3)</sup>		
		(Million SAR)	% Share in Total GDP	% Change	(Million SAR)	% Share in Total GDP	% Change
2012	2,730,840	1,311,448	48.0	7.9	270,180	9.9	7.2
2013	2,770,085	1,232,823	44.5	-6.0	278,071	10.0	2.9
2014	2,803,349	1,130,054	40.3	-8.3	306,189	10.9	10.1
2015 <sup>(4)</sup>	2,396,512	615,893	25.7	-45.5	297,965	12.4	-2.7

<sup>(1)</sup> Excluding imports duties.

<sup>(2)</sup> Including crude oil and natural gas.

<sup>(3)</sup> Including oil refining.

<sup>(4)</sup> Preliminary data.

Source: General Authority for Statistics.

preceding year. The industrial activity decreased by 2.7 percent in 2015 compared to a growth of 10.1 percent in the preceding year (Table 10.5 and Chart 10.2).

### Contribution of Other Major Activities to GDP

The contribution of the agricultural activity (including agriculture, forestry and

fishing) to GDP at current prices was 2.3 percent in 2015 compared to 1.9 percent in the preceding year. The growth of this activity at current prices was 2.1 percent in 2015 against a growth of 3.8 percent in the preceding year (Table 10.6 and Chart 10.2).

The contribution of construction and building activity to GDP at current prices was



**Table 10.6: CONTRIBUTION OF SOME ECONOMIC ACTIVITIES TO GDP**

(At current prices)

Year	Total GDP* (Million SAR)	Agriculture			Construction and Building			Electricity, Gas and Water		
		Value	%	%	Value	%	%	Value	%	%
		(Million SAR)	Share	Change	(Million SAR)	Share	Change	(Million SAR)	Share	Change
2012	2,730,840	49,816	1.8	3.4	118,513	4.3	10.7	30,076	1.1	6.3
2013	2,770,085	51,735	1.9	3.9	134,588	4.9	13.6	30,623	1.1	1.8
2014	2,803,349	53,719	1.9	3.8	152,965	5.5	13.7	32,479	1.2	6.1
2015***	2,396,512	54,849	2.3	2.1	162,975	6.8	6.5	35,046	1.5	7.9
* Excluding import duties.		** Including agriculture, forestry and fishing.								
** Preliminary data.										
Source: General Authority for Statistics.										

6.8 percent in 2015 against 5.5 percent in the preceding year. It grew by 6.5 percent against a growth of 13.7 percent in the preceding year.

The contribution of electricity, gas and water activity to GDP at current prices was 1.5 percent in 2015 compared to 1.2 percent in the preceding year. It recorded a growth rate of 7.9 percent in 2015 against 6.1

percent in the preceding year (Table 10.6 and Chart 10.2).

### Per Capita Income

Preliminary figures indicate that the average per capita income to GDP in the Kingdom went down by 16.3 percent to SAR 76,853 in 2015 against a decline of 1.3 percent in the preceding year (Table 10.7).

**Table 10.7: PER CAPITA INCOME**

	2012	2013	2014	% Change	2015*	% Change
GDP** (Current prices) (Million SAR)	2,752,334	2,791,259	2,826,869	1.3	2,422,507	-14.3
Population (Million)	29.20	29.99	30.77	2.6	31.52	2.4
Per capita GDP (Riyals)	94,274	93,060	91,870	-1.3	76,853	-16.3
* Preliminary data.						
** Including import duties.						
Source: General Authority for Statistics.						



### Expenditure on GDP in 2015

Preliminary figures show that expenditure on GDP at purchaser's prices (at current prices) dropped by 14.3 percent to SAR 2,422.5 billion (including import duties) in 2015, against an increase of 1.3 percent in the preceding year. This was attributable to a decrease in net exports of goods and services by 132.8 percent, resulting in a deficit of SAR 121.8 billion in 2015 against a decline of 37.1 percent in the preceding year. Final consumption of the private sector rose by 8.7 percent to SAR 988.6 billion in 2015 against a rise of 8.5 percent in the preceding year.

Gross final consumption (government and private) went up by 3.4 percent to SAR 1,704.9

billion in 2015 from SAR 1,649.0 billion in 2014. The share of gross final consumption in expenditure on GDP at current prices was 70.4 percent in 2015 against 58.3 percent in 2014 (Table 10.8).

Gross fixed capital formation (including inventory change) rose by 4.1 percent to SAR 839.4 billion in 2015 from SAR 806 billion in 2014. However, net exports of goods and services went down by 132.8 percent from SAR 371.8 billion in 2014, resulting in a deficit of SAR 121.8 billion in 2015 due to the decline in the volume of oil exports caused by the decline in oil prices (Table 10.8 and Chart 10.3).

**Chart 10.3: Expenditure on GDP  
(At current prices)**

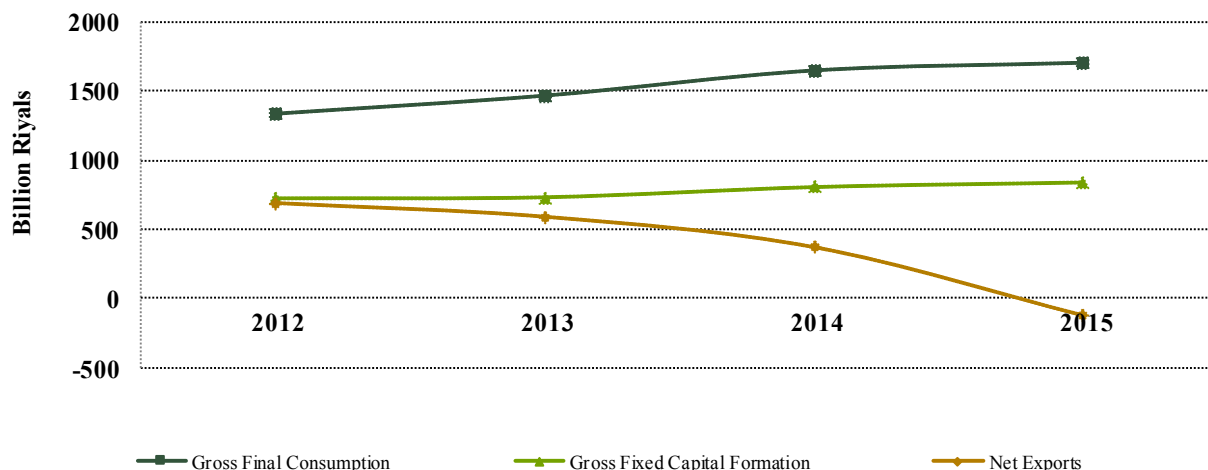


Table 10.8: GROSS DOMESTIC EXPENDITURE AT PURCHASERS' VALUE

(At current prices)

(Million Riyals)

	2012			2013			2014			2015 <sup>(1)</sup>		
	Amount	% Share	% Change	Amount	% Share	% Change	Amount	% Share	% Change	Amount	% Share	% Change
Gross Final Consumption	1,336,583	48.6	14.3	1,467,257	52.6	9.8	1,649,013	58.3	12.4	1,704,946	70.4	3.4
Government	551,179	20.0	12.9	628,522	22.5	14.0	739,156	26.1	17.6	716,139	29.6	-3.1
Private	785,404	28.5	15.2	838,735	30.0	6.8	909,857	32.2	8.5	988,807	40.8	8.7
Gross Fixed capital formation <sup>(2)</sup>	724,950	26.3	7.8	732,466	26.2	1.0	806,012	28.5	10.0	839,370	34.6	4.1
Net exports of goods and services <sup>(3)</sup>	690,801	25.1	3.3	591,537	21.2	-14.4	371,844	13.2	-37.1	-121,808	-5.0	-132.8
<b>Total Gross Domestic Expenditure</b>	<b>2,752,333</b>	<b>100.0</b>	<b>9.6</b>	<b>2,791,259</b>	<b>100.0</b>	<b>1.4</b>	<b>2,826,869</b>	<b>100.0</b>	<b>1.3</b>	<b>2,422,507</b>	<b>100.0</b>	<b>-14.3</b>

<sup>(1)</sup> Preliminary data.

<sup>(2)</sup> Includes change in inventories.

<sup>(3)</sup> Net exports of goods and services = Total exports of goods and services minus total imports of goods and services.

Source: General Authority for Statistics.



In 2015, world oil prices declined sharply. According to OPEC data, the Arab Light crude oil averaged \$49.85 per barrel, decreasing by 48.7 percent, compared to \$97.18 per barrel in 2014. The fall in oil prices could be attributed to several reasons including the weaker growth in world demand, the increase in non-OPEC production, especially in the US production of shale oil, and the expected increase in Iran's oil production.

### World Oil Demand

According to estimates of the International Energy Agency (IEA), the average world oil demand rose by 2.0 percent to 94.71 mb/d in 2015, compared to 92.87 mb/d in 2014 (Table 11.1 and Chart 11.1). This increase was attributable to a rise in the average demand of

non-OECD countries by 3.0 percent to 48.54 mb/d, compared to 47.14 mb/d in 2014. The OECD oil demand averaged 46.17 mb/d, increasing by 1.0 percent.

The rise in non-OECD oil demand was induced by China with 6.3 percent (11.31 mb/d), other Asian countries (excluding China, Japan and South Korea) with 4.3 percent (12.59 mb/d), Middle Eastern countries with 1.7 percent (8.18 mb/d), Eastern Europe countries with 4.5 percent (0.70 mb/d), and African countries with 3.2 percent (4.11 mb/d). On the other hand, demand from South American countries and post-Soviet states decreased by 0.6 percent to 6.78 mb/d and by 1.0 percent to 4.87 mb/d respectively.

**Table 11.1: AVERAGE WORLD DEMAND FOR OIL\***

(Million barrels per day)

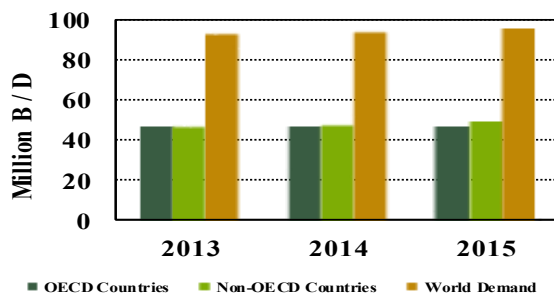
	2015							% change	
	2013	2014	2015					2014	2015
				Q1	Q2	Q3	Q4		
North America countries	24.07	24.14	24.36	24.24	24.09	24.73	24.37	0.3	0.9
Western Europe countries	13.60	13.46	13.71	13.45	13.55	14.15	13.67	-1.0	1.8
Pacific countries	8.34	8.13	8.11	8.74	7.65	7.78	8.26	-2.5	-0.3
OECD countries	46.01	45.73	46.17	46.43	45.29	46.66	46.30	-0.6	1.0
Non-OECD countries									
Former USSR countries	4.72	4.92	4.87	4.58	4.89	5.05	4.97	4.2	-1.0
China	10.26	10.64	11.31	11.09	11.35	11.38	11.43	3.7	6.3
Eastern Europe countries	0.66	0.67	0.70	0.68	0.70	0.71	0.71	1.5	4.5
South American countries	6.67	6.82	6.78	6.64	6.78	6.88	6.81	2.2	-0.6
Other Asian countries	11.80	12.07	12.59	12.39	12.64	12.39	12.93	2.3	4.3
Middle Eastern countries	7.91	8.04	8.18	7.64	8.35	8.60	8.13	1.6	1.7
African countries	3.89	3.98	4.11	4.13	4.11	4.00	4.19	2.3	3.2
Total non-OECD	45.91	47.14	48.54	47.15	48.82	49.01	49.17	2.7	3.0
Total world demand	91.92	92.87	94.71	93.58	94.11	95.67	95.47	1.0	2.0

\* Including primary stock, bunker and refining oil.

Source: International Energy Agency Review, April 2016.



**Chart 11.1: World Oil Demand**



## World Oil Production

According to estimates of the IEA, the world oil production averaged 96.40 mb/d, increasing by 2.8 percent during 2015, compared to 93.74 mb/d in 2014 (Table 11.2). The rise in the average world oil production was owing to an increase in the average output of the OECD countries by 4.1 percent to 23.85 mb/d, compared to 22.91 mb/d in 2014, representing 24.7 percent of total world output

compared to 24.4 percent in the previous year. In addition the average OPEC production increased by 3.3 percent to 38.73 mb/d in 2015 from 37.48 mb/d in 2014, accounting for 40.2 percent of total world output (Chart 11.2).

As for non-OPEC producers, the average production in the United States rose by 7.9 percent to 12.94 mb/d in 2015, Canada by 2.2 percent to 4.38 mb/d, post-Soviet states by 0.9 percent to 13.99 mb/d, Brazil by 7.7 percent to 2.53 mb/d, the United Kingdom by 10.1 percent to 0.96 mb/d, and Norway by 3.3 percent to 1.95 mb/d. In Mexico; however, the production averaged 2.60 mb/d, declining by 7.6 percent.

## World Oil Prices

According to OPEC data, world oil prices declined in 2015. The price of the Arab Light crude oil averaged \$49.85 per barrel,

**Table 11.2: AVERAGE WORLD CRUDE OIL PRODUCTION\***

(Million barrels per day)

	2013	2014	2015	2015				% change	
				Q1	Q2	Q3	Q4	2014	2015
<b>OPEC</b>	36.72	37.48	38.73	38.16	38.48	39.13	39.15	2.1	3.3
<b>OECD</b>	20.91	22.91	23.85	23.80	23.50	23.91	24.11	9.6	4.1
<b>Non-OPEC producers</b>									
Former USSR Countries	13.87	13.87	13.99	14.01	14.01	13.92	14.03	0.0	0.9
USA	10.24	11.99	12.94	12.84	12.92	13.01	12.98	17.1	7.9
China	4.18	4.25	4.33	4.30	4.36	4.34	4.33	1.7	1.9
Canada	3.97	4.28	4.38	4.53	4.07	4.44	4.46	7.8	2.2
Mexico	2.89	2.81	2.60	2.64	2.56	2.60	2.59	-2.8	-7.6
UK	0.89	0.87	0.96	0.90	1.02	0.88	1.03	-2.2	10.1
Norway	1.84	1.89	1.95	1.92	1.91	1.96	2.02	2.7	3.3
Brazil	2.12	2.35	2.53	2.52	2.50	2.56	2.54	10.8	7.7
<b>Total world supply</b>	<b>91.40</b>	<b>93.74</b>	<b>96.40</b>	<b>95.18</b>	<b>96.26</b>	<b>96.93</b>	<b>97.23</b>	<b>2.6</b>	<b>2.8</b>

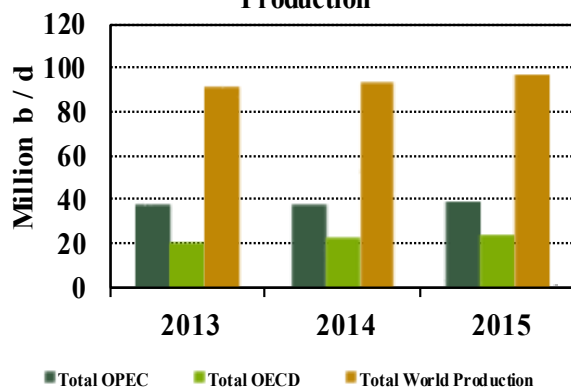
\* Including condensates and natural gas liquids.

Source: International Energy Agency Review, April 2016.





**Chart 11.2: World Crude Oil Production**



decreasing by 48.7 percent (\$47.33 per barrel), compared to an average price of \$97.18 per barrel in 2014 (Table 11.3). The price of OPEC basket averaged \$49.49 per barrel in 2015, decreasing by 48.6 percent, compared to \$96.29 per barrel in 2014. The average price of North Sea oil (Brent) dropped by 47.1 percent to \$52.41 per barrel in 2015 against \$99.08 per barrel during 2014. West Texas price averaged \$48.74 per barrel in 2015, declining by 47.7 percent, compared to \$93.17 per barrel in 2014.

**Table 11.3: SPOT PRICES OF SELECTED TYPES OF CRUDE OIL**  
(Period Average)

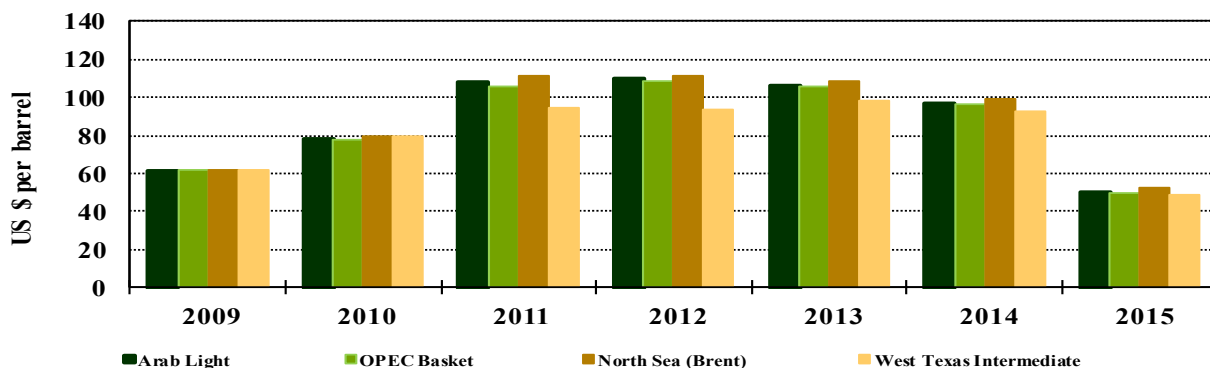
(US dollars per barrel)

Year	Arab Light	OPEC Basket	North Sea (Brent)	West Texas Intermediate
2000	26.81	27.60	28.44	30.37
2001	23.06	23.12	24.46	26.00
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	48.74

Source: OPEC.



**Chart 11.3: Average Spot Oil Prices**



### Real Oil Prices

Real oil prices (base year 2005) went down in 2015. The real price of the Arab Light crude averaged \$46.47 per barrel, falling by 42.2 percent, compared to \$80.34 per barrel during 2014 (Table 11.4). The real price of North Sea oil (Brent) averaged \$48.86 per barrel during 2015, decreasing by 40.4 percent, compared to \$81.91 per barrel in the previous year. The real price of OPEC oil basket averaged \$46.13 per

barrel, declining by 42.0 percent, compared to \$79.60 per barrel in the previous year.

It should be noted that the real oil prices in 2015 were lower than those in 1980, although the nominal prices were higher. For example, the real price of North Sea oil averaged \$48.86 a barrel during 2015, lower by \$34.2 a barrel than its price in 1980 (\$83.07 a barrel). In contrast, North Sea oil nominal price stood at \$52.41 per

**Table 11.4: NOMINAL AND REAL OIL PRICES**  
(Base Year 2005)

(US dollars per barrel)

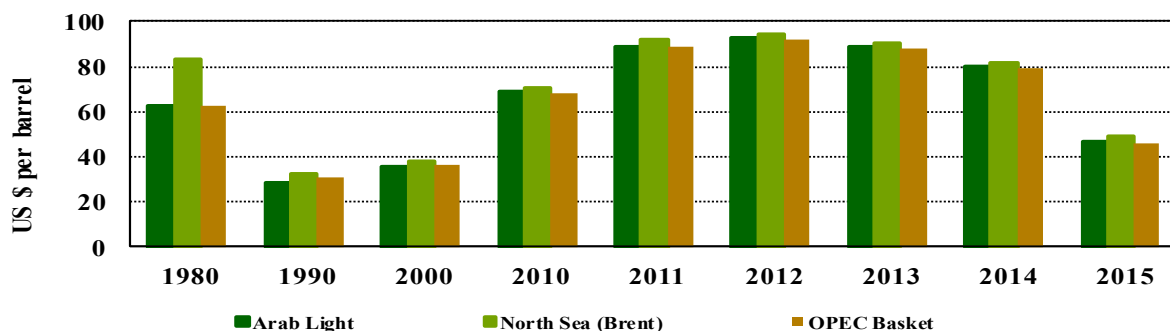
Year	Nominal Prices			Real Prices*		
	Arab Light	North Sea (Brent)	OPEC Basket	Arab Light	North Sea (Brent)	OPEC Basket
1980	28.67	37.89	28.64	62.85	83.07	62.79
1990	20.82	23.99	22.26	28.40	32.73	30.36
2000	26.81	28.44	27.60	35.64	37.81	36.69
2010	77.82	79.60	77.45	68.60	70.17	68.27
2011	107.82	111.36	107.46	88.79	91.70	88.50
2012	110.22	111.62	109.45	93.06	94.24	92.40
2013	106.53	108.62	105.87	88.95	90.70	88.40
2014	97.18	99.08	96.29	80.34	81.91	79.60
2015	49.85	52.41	49.49	46.47	48.86	46.13

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

Sources: OPEC.



**Chart 11.4: Real Oil Prices**  
Base year = 2005



barrel in 2015, higher by \$14.52 a barrel than its nominal price in 1980 (\$37.89 a barrel).

### Kingdom's Reserves of Crude Oil and Natural Gas

The Kingdom's proven reserves of crude oil stood at 266.55 billion barrels at the end of 2015, decreasing by 0.13 billion barrels from the preceding year. The Kingdom's proven reserves of natural gas increased by 1.2 percent to 303.25 trillion standard cubic feet at the end of 2015, compared to 299.74 trillion standard cubic feet at the end of 2014.

### Saudi Crude Oil Production

The Kingdom's production of crude oil rose by 4.9 percent to 3,720.3 million barrels in 2015

compared to 3,545.1 million barrels in 2014. Accordingly, the Kingdom's average daily output amounted to 10.19 mb/d in 2015 (Table 11.5).

### Domestic Production and Consumption of Refined Products

The Kingdom's output of refined products rose by 13.9 percent to 905.43 million barrels in 2015 from 795.28 million barrels in 2014. Thus, its daily output of refined products averaged 2.48 mb/d (Table 11.6).

The rise in the production of refined products was due to increases in diesel production by 27.9 percent, accounting for 38.8 percent of total refined products output, in gasoline production by 11.8 percent, in coke

**Table 11.5: SAUDI CRUDE OIL PRODUCTION**

					<i>(Million barrels)</i>	
					% change	
	2012	2013	2014	2015	2014	2015
<b>Total production</b>	3,573.4	3,517.6	3,545.1	3,720.3	0.8	4.9
<b>Daily average</b>	9.76	9.64	9.71	10.19	0.8	4.9

Source: Ministry of Petroleum and Mineral Resources.

**Table 11.6: THE KINGDOM'S OUTPUT OF REFINED PRODUCTS***(Million barrels)*

Product	2011	2012	2013	2014	2015	% change	
						2014	2015
Liquefied petroleum gas	11.97	11.25	13.86	16.17	16.76	16.7	3.6
Premium gasoline	142.58	145.89	134.69	160.94	179.90	19.5	11.8
Naphtha	62.12	64.18	58.65	70.27	68.77	19.8	-2.1
Jet fuel (kerosene)	60.74	63.80	59.46	77.32	76.95	30.0	-0.5
Diesel	229.40	234.12	219.77	274.84	351.47	25.1	27.9
Fuel oil	152.17	168.38	166.20	175.68	163.16	5.7	-7.1
Asphalt	18.72	17.69	19.60	20.06	21.60	2.3	7.7
Coke	---	---	---	8.57	26.82	---	213.1
<b>Total</b>	<b>677.70</b>	<b>705.31</b>	<b>672.23</b>	<b>795.28</b>	<b>905.43</b>	<b>18.3</b>	<b>13.9</b>

Source: Ministry of Petroleum and Mineral Resources.

production by 213.1 percent, and in liquefied petroleum gas (LPG) by 3.6 percent, despite the fall in jet fuel production by 0.5 percent. Fuel oil production; however, went down by 7.1 percent.

Total domestic consumption of refined products, crude oil and natural gas increased by 4.6 percent to 1,586.51 million barrels in 2015 from 1,516.80 million barrels in 2014 (Table 11.7).

This increase in domestic consumption was owing to rises in public consumption by 4.2 percent to 1,410.73 million barrels in 2015 and oil industry consumption by 7.5 percent to 175.8 million barrels. As a relative share of public consumption, natural gas accounted for 35.9 percent, diesel 19.6 percent, gasoline 14.5 percent, fuel oil 10.0 percent and crude oil 14.8 percent of total public consumption. As a relative share of oil industry, natural gas accounted for 69.1 percent, fuel gas 18.1

percent, diesel 3.0 percent and fuel oil 4.6 percent of total consumption.

### Kingdom's Exports of Crude Oil and Refined Products

The Kingdom's total oil exports (crude & refined) stood at 3,036.0 million barrels in 2015, averaging 8.3 mb/d. Its crude oil exports increased by 0.1 percent to 2,614.5 million barrels during 2015 from 2,611.0 million barrels in 2014. Moreover, its refined product exports increased by 16.9 percent to 421.5 million barrels during 2015, compared to 360.6 million barrels in 2014 (Table 11.8).

Asia and the Far East region dominated the bulk of the Kingdom's exports of crude oil and refined products during 2015 (Chart 11.5). They accounted for 63.9 percent of the Kingdom's total crude oil exports and 50.1 percent of its total exports of refined products. North



**Table 11.7: DOMESTIC CONSUMPTION OF REFINED PRODUCTS, CRUDE OIL AND NATURAL GAS**

(Million barrels)

Product	2011	2012	2013	2014	2015
<b>A. Public consumption</b>					
Liquefied petroleum gas	15.84	13.74	12.27	11.48	12.60
Premium gasoline	162.46	175.92	184.14	190.71	203.98
Jet fuel and Kerosene	23.90	24.76	25.56	27.28	31.37
Diesel	234.01	253.06	259.40	261.22	276.07
Fuel oil	88.26	91.50	107.47	125.86	140.43
Crude oil	190.73	193.50	176.94	202.36	209.42
Asphalt	20.54	19.96	20.94	28.59	29.12
Lubricating oil	1.76	1.60	1.59	1.92	1.68
Natural gas	437.21	484.62	496.44	504.09	506.07
<b>Sub-total</b>	<b>1,174.72</b>	<b>1,258.65</b>	<b>1,284.72</b>	<b>1,353.51</b>	<b>1,410.72</b>
<b>B. Oil industry consumption</b>					
Liquefied petroleum gas	2.45	2.62	2.99	3.71	3.53
Fuel oil	6.10	4.90	4.84	12.67	5.20
Diesel	3.62	7.10	6.92	13.72	8.04
Fuel gas	20.16	18.81	20.29	20.56	31.75
Crude oil	0.10	0.09	0.07	0.10	0.05
Natural gas	113.49	113.36	98.97	110.54	121.61
Others	0.77	3.06	3.15	2.01	5.60
<b>Sub-total</b>	<b>146.70</b>	<b>149.94</b>	<b>137.24</b>	<b>163.29</b>	<b>175.78</b>
<b>Grand Total</b>	<b>1,321.41</b>	<b>1,408.59</b>	<b>1,421.97</b>	<b>1,516.80</b>	<b>1,586.50</b>

Source: Ministry of Petroleum and Mineral Resources.

**Table 11.8: THE KINGDOM'S EXPORTS OF CRUDE OIL AND REFINED PRODUCTS (BY DESTINATION)**

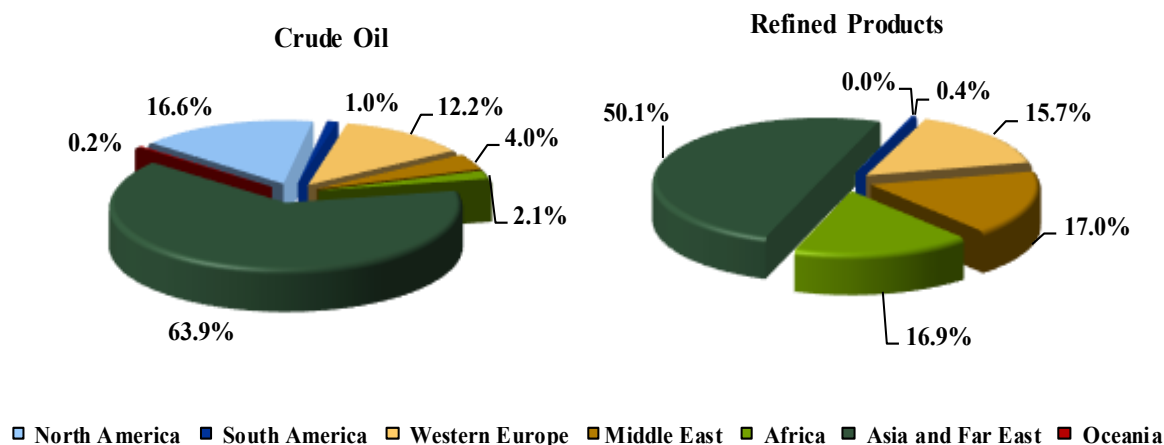
(Million barrels)

Exports to	2013		2014		2015		% share in 2015	
	Crude Oil	Refined Products	Crude Oil	Refined Products	Crude Oil	Refined Products	Crude Oil	Refined Products
North America	532.5	-	456.7	4.7	434.6	-	16.6	-
South America	29.1	3.0	25.1	4.8	25.4	1.5	1.0	0.4
Western Europe	347.4	27.9	347.5	41.1	320.2	66.0	12.2	15.7
Middle East	99.4	43.0	99.8	67.9	104.5	71.5	4.0	17.0
Africa	81.0	33.4	69.7	41.7	53.7	71.3	2.1	16.9
Asia and Far East	1,670.8	182.5	1,610.0	200.3	1,669.6	211.3	63.9	50.1
Oceania	3.2	-	2.1	-	6.5	-	0.2	--
<b>Total</b>	<b>2,763.3</b>	<b>289.8</b>	<b>2,611.0</b>	<b>360.6</b>	<b>2,614.5</b>	<b>421.5</b>	<b>100.0</b>	<b>100.0</b>

Source: Ministry of Petroleum and Mineral Resources.



**Chart 11.5: The Kingdom's Exports of Crude Oil and Refined Products by Destination in 2015**



American countries came second, accounting for 16.6 percent of the Kingdom's total exports of crude oil, followed by Western Europe countries with 12.2 percent of the Kingdom's total exports of crude oil and 15.7 percent of its total exports of refined products, the Middle Eastern countries accounted for 4.0 percent of the Kingdom's total exports of crude oil and 17.0 percent of its refined products. Finally, African countries accounted for 2.1 percent and 16.9 percent of crude oil and refined products respectively.

### **Kingdom's Petrochemicals Industry**

Production of the Saudi Basic Industries Corporation (SABIC) went up by 1.0 percent to 70.4 million metric tons in 2015 against 69.7 million metric tons in the previous year. The company's sold products rose by 2.9 percent to 56.4 million metric tons, compared to 54.8 million metric tons in the previous year.

SABIC direct contribution to GDP and private sector GDP was estimated at 1.7 percent and 3.4 percent respectively. In 2015, its local sales stood at SAR 17 billion to the industrial sector, SAR 10 billion to the construction sector, and SAR 872 million to the agricultural sector, contributing by SAR 28 billion to the productive national economic sectors.

SABIC exports reached SAR 72 billion in 2015, constituting 37.9 percent of the Kingdom's total non-oil commodity exports.

### **Mineral Resources**

The Deputyship for Mineral Resources at the Ministry of Petroleum and Mineral Resources supervises mining activities in the Kingdom. It encourages investing in the mining sector, provides services and consultations to support this activity, and issues mining licenses



and concessions in accordance with the laws and regulations in force. At the end of 2015, the number of valid mining licenses stood at 2,031, including one for prospecting; 517 for exploration; 72 for small-size mines; 20 for mining concessions for various metal ores such as gold, copper, zinc, iron, phosphate, accompanied metals and gems; 67 licenses for raw materials quarries for cement industry such as limestone and gypsum and for other industrial metals such as dolomite, shiest, pozzolan, clay, iron and other metals; and 1,355 licenses for building material quarries. The Deputyship's revenues amounted to SAR 536 million during fiscal year 1436/1437H (2015).

With regards to the production of gold, silver and associated minerals from locations at the mines of Mahd Al-Dhahab, Al-Sukhaybarat, Al-Hajar, Bulghah and Al-Amar, the output of gold increased by 6.0 percent to 5,078 kg during 2015 from 4,789 kg in 2014. Silver output; however, went down by 7.0 percent to 4,463 kg compared to 4,800 kg in 2014. The output of copper rose by 4.9 percent to 34,750 tons in 2015 from 33,116 tons in 2014. Likewise, the output of zinc went up by

4.8 percent to 41,700 tons in 2015 from 39,798 tons in 2014 (Table 11.9).

The Deputyship for Mineral Resources estimated the total quantities extracted from other mineral ores during 2015 at more than 445 million tons of various mineral ores such as limestone, silica sand, salt, clay, feldspar, marble for industrial purposes, iron sand, kaolin, gypsum, blocks of marble, granite, crusher materials, and ordinary sand used in building and construction (Table 11.10).

As for King Abdullah Project for the Development of Wa'ad Al-Shamal City on which the Saudi Arabian Mining Company (Ma'aden) is working, Ma'aden Wa'ad Al-Shamal Phosphate Company (MWSPC) was established. It is a limited liability company co-owned by Ma'aden (60 percent), Mosaic (25 percent) and SABIC (15 percent). Ma'aden is working on the establishment of a phosphate industries compound which includes 7 large plants with a total production capacity of 16 million tons a year. The Project will have a positive economic and social impact on the Kingdom's GDP and in terms of the

**Table 11.9: PRODUCTION OF SOME MINERALS IN THE KINGDOME**

Year	Gold (kg)	Silver (kg)	Copper (tons)	Zinc (tons)
2011	4612.0	5839.0	1954	4934
2012	5215.0	5212.0	17639	21213
2013	4158.0	4655.0	41332	39813
2014	4789.0	4800.0	33116	39798
2015 *	5078.0	4463.0	34750	41700

\* Estimated.

Source: Deputy Ministry for Mineral Resources .



introduction of new industries. MWSPC is the second subsidiary of Ma'aden active in phosphate production. Its under-construction plants are set to start operating in a phased manner during 2017, as their completion percentage reached 60.4 percent at the end of

2015. MWSPC plants of mines and special industries are located in Um Wa'al, near Turaif in the Northern Borders Province, while the ammonia, ammonium phosphate and fertilizer plants are being constructed in Ras Al Khair Industrial City in the Eastern Province.

**Table 11.10: MINERAL ORES EXTRACTED**

*(Thousand tons)*

Types of exploited ores	2011	2012	2013	2014	2015*
Limestone	46,300	48,615	56,700	59,500	62,300
Clay	6,547	8,300	6,880	7,220	7,690
Salt	1,864	1,611	1,900	1,990	2,080
Silica sand	1,303	1,270	1,160	1,210	1,270
Crushers materials (pebbles )	272,700	300,000	300,000	315,000	330,000
Sand	25,400	30,000	29,000	30,400	31,800
Iron sands	652	987	644	676	708
Gypsum	2,239	1,700	1,700	1,780	1,470
Marble for industrial purposes	1,352	1,300	3,000	3,150	3,300
Marble masses	24	25	11	12	12
Granite masses	993	834	1,100	1,155	1,150
Limestone masses	770	484	1,200	1,260	1,320
Kaolin	70	137	101	106	111
Barite	30	32	30	32	43
Feldspar	160	227	160	168	198
Boslan	1,010	941	460	480	500
Dolomite	616	153	181	190	199
Shiest	738	683	650	680	710
Berofilite	8	8	6	7	8
Low-Bauxite	634	835	934	980	1,026
Bauxite	---	---	1,044	1,096	1,128
Phosphate	---	1,534	1,820	1,911	2,002
* Estimated ( --- ) Not Available.					





### Introduction

The Saudi Arabian Monetary Agency (SAMA) has always achieved its objectives through its determined vision, clear mission and high values. In 1435H (2014), SAMA developed a full strategy to improve performance and raise efficiency by benefiting from latest technologies, qualification and training as well as attracting experts in order to improve, master and expedite its work and execute it to be consistent with the Kingdom's robust economic and financial position. This Chapter covers SAMA's most important accomplishments and the ambitious objectives it seeks to achieve.

### SAMA's Responsibilities

SAMA (the central bank of the Kingdom of Saudi Arabia) was founded in 1372H (1952). It has been entrusted with several responsibilities by a number of laws and resolutions. The most important responsibilities of which include acting as the government's bank, issuing the national currency (Saudi Riyal), strengthening the Saudi currency and maintaining its value externally and internally, strengthening currency backing, managing foreign exchange reserves, managing monetary policy, promoting price and exchange rate stability, ensuring the growth and soundness of the financial system, supervising and overseeing commercial banks and money-changing businesses, supervising cooperative insurance companies and insurance service providers, supervising finance and real estate finance companies, and supervising credit information companies.

### SAMA Objectives

SAMA aims to achieve financial and monetary stability through integration among the following key pivots: (1) successful financial institutions (banks, insurance companies, finance companies), (2) advanced financial payment systems, and (3) a sound credit information system that provides reliable information which helps in making right financing decisions. It strives to activate these pivots in a manner that is commensurate with economic activity requirements and which ensures financial stability through an organized work environment contributing to the creation of leading financial and economic institutions as well as a promising national economy, and the achievement of visions and goals in order to strengthen financial and monetary stability.

### Accomplishments

SAMA work has promoted monetary and financial stability supporting sustainable and balanced economic growth. SAMA responsibilities include implementation of appropriate monetary policies, effective control of financial sector, supervision of payment systems, management of currency and reserves, and provision of modern and advanced banking services to the government. These responsibilities have been carried out through ongoing assessment, teamwork, effective communication, risk understanding, change adaptation, and continued development. This chapter will discuss the most prominent achievements, which are as follows:



## 1. SAMA Strategy

SAMA two main strategic objectives are: first, achieving and maintaining monetary and financial stability. Second: supporting sustainable economic growth through financial sector. Both objectives are interrelated and inseparable. SAMA work is focused on the objectives previously mentioned. These objectives are fully consistent with the 10th Development Plan objectives and the Kingdom's general strategy. SAMA's strategy adopted in 2014 includes the goals and objectives which SAMA aspires to achieve not only through its domestic and regional role, but also through its international role to maintain financial stability. Within its strategy, SAMA has identified a number of objectives as follows:

- To adopt a monetary policy that is consistent with national economic goals.
- To prepare and publish timely statistical reports and economic researches.
- To effectively and efficiently supervise the institutions under its control.
- 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 maximize long-term investment income, taking into account risk appetite.

## 2. SAMA Internal Performance

SAMA has enhanced its performance and capabilities by improving internal processes to be highly efficient and effective and in line with its strategy through the following:

- Improving economic analysis and economic policies recommendations.
- Improving and enhancing supervision.
- Improving banking services to the Government, currency management and payment systems.
- Ensuring efficient and secure execution of investment programs.
- Improving risk management and adherence in all activities.
- Attracting and retaining talents.
- Developing skills, competencies and career opportunities.
- Using best technologies that suit SAMA needs.
- Developing leaders through empowerment and delegating responsibilities.
- Effective governance to ensure execution of SAMA strategy.

## 3. Monetary Policy

SAMA plays an important role in the growth and prosperity of the Saudi economy through its monetary policy which aims to maintain domestic prices stability in general, riyal exchange rate stability and monetary and financial system stability in particular. The following is a review of SAMA's monetary policy objectives:

### 3.1 Domestic Prices Stability

To maintain domestic price stability, SAMA has taken decisions and procedures to ensure that domestic liquidity growth is consistent with goods and service supply and that the banking system (which is one of the important pillars of national economy) has adequate liquidity level to meet credit needs of



all sectors. To achieve this, SAMA uses a set of monetary policy tools, including: repurchasing government securities, changing reserve ratio for commercial banks when necessary, and other monetary tools. The Saudi economy has enjoyed price stability in general for many years.

### **3.2 Saudi Riyal Exchange Rate Stability**

The monetary policy aims to maintain Saudi riyal exchange rate stability in the domestic market as well as foreign markets. It is worth mentioning that the riyal exchange rate against the U.S. dollar remained pegged at SAR 3.75 per 1 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 in stabilizing the riyal exchange rate, and reflected on the private sector's activity in terms of imports and exports, capital inflows and outflows. Thus, it has contributed to the growth of different economic sectors in the Kingdom.

### **3.3 Monetary and Financial System Stability**

SAMA has been granted powers to oversee and supervise all banking, finance and insurance institutions to achieve many strategic objectives, including maintaining banking and financial systems soundness; in addition to identifying, assessing, measuring and addressing all risks.

### **4. Currency Issuance and Cash Centers**

SAMA responsibilities include issuing the national currency (banknotes and coins), maintaining issuances and their value, holding the Kingdom's currency assets, and providing currency through SAMA ten branches in all

Kingdom regions. The currency is printed and minted according to the latest technical specifications available in the field, and it has the latest and strongest security features that make it easy for users to identify a valid banknote. In addition, SAMA seeks to raise awareness of security features through training courses offered to banking sector staff and people handling cash. SAMA also follows all cases of currency counterfeiting and continuously coordinates with security authorities in order to combat all counterfeiting attempts, a fact that has contributed to a decline in counterfeiting crimes as compared to other countries.

### **5. Foreign Reserves Management**

SAMA manages foreign currency reserves in order to preserve invested capital, provide liquidity, and generate returns commensurate with the risks associated. These reserves are diverse and distributed among global financial markets. There are controls for managing such reserves as they are managed according to specific global indicators to ensure coverage of anticipated cash outflows. There are also controls for investment and it is only allowed in highly rated securities. Furthermore, SAMA's investments are governed by the investment strategy. The Investment Committee in SAMA is responsible for auditing, reviewing and approving such investments. the Committee tasks include meeting periodically to review the execution of approved investment programs and investments performance, discuss financial markets and potential risks, and benefit from investment team's recommendations. In addition, SAMA consults with some



international investment companies and external portfolio managers to assess certain investment opportunities. SAMA follows investment controls that are consistent with controls of global institutions and funds. Current governance principles at SAMA are based on globally accepted standards. By managing foreign reserves for many years, SAMA was able to gain considerable experience in this field and employ national specialized professionals qualified by global investment houses. Moreover, SAMA takes moral responsibility in its investment practices by banning investment in certain activities, such as: gambling; trading in alcohol, tobacco, pork, and weapons.

## **6. Public Debt Management**

SAMA supervises the issuance of government debt instruments on behalf of the Ministry of Finance. Issuances have different types and maturity dates as maturities vary between five, seven and ten years.

## **7. Supervision and oversight over the Banking Sector**

SAMA supervises and regulates banks' business in order to ensure their soundness, solvency and efficient performance in the domestic economy. This is carried out through enforcing laws; issuing regulations, instructions and controls; and conducting necessary supervisory visits and inspection programs. The following are the most prominent achievements in 2015:

### **7.1 Regulatory Developments and Guidelines**

SAMA issued supervisory circulars on the compliance with its supervisory standards issued in several fields with the aim of improving and developing the banking system. SAMA

standards are consistent with the standards and principles of international regulatory organizations. Examples of important circulars on improving performance of banks include the circular on the Guidance on Accounting for Expected Credit Losses issued by the Basel Committee on Banking Supervision (BCBS). Also, a circular was issued regarding developments in credit risk management across sectors: applications and recommendations issued by BCBS. In addition, a circular was issued on adherence to calculating gross pay when granting consumer finance.

### **7.2 Supervisory Visits to Commercial Banks**

SAMA conducts periodical supervisory visits to all banks operating in the Kingdom. During these visits bilateral meetings are held between SAMA's supervisory team and banks. Bilateral meetings address the bank's strategies, operations, risk profile, risk management approach, and its internal controls. Such meetings allow SAMA's Banking Supervision Department to identify and assess bank risks. During 2015, SAMA representatives carried out supervisory visits to all banks operating in the Kingdom and prepared reports on the risks related thereto.

### **7.3 Full and Limited On-Site Inspection Programs**

In 2015, SAMA continued to supervise banks, foreign banks' branches and money changers through on-site full inspection programs (covering all operations and activities) and limited inspection programs (covering some activities and operations, such as: examination of bank's consumer protection principles and bank senior positions, etc.). The programs are



conducted in accordance with the best international practices in the field of supervision and control.

### **A. Full On-Site Inspection Programs**

The risk-based full on-site inspection aims at assessing banks' assets quality, liquidity, profitability, risk management, internal audit, and capital adequacy in addition to their compliance with regulations and instructions issued by SAMA. SAMA conducts full inspection on all banks operating in the Kingdom through a specialized work team composed of SAMA in cooperation with international accounting and audit firms. The team prepares reports containing remarks and recommendations and follows up on corrective procedures taken.

### **B. Limited Inspection Programs**

SAMA has a number of limited inspection programs for banking activities and operations, including inspection of bank governance, senior positions, the updated consumer finance controls, and consumer protection principles to verify the compliance with regulations and instructions issued by SAMA in this regard, in addition to the inspection of information security technology and business continuity.

### **7.4 Macroprudential Supervision**

SAMA adopted many macroprudential measures to manage capital adequacy risk in accordance with new requirements of Basel's recommendations. Macro-prudential instruments currently in use include the following:

- encourage banks to raise capital to counter cyclicity.

- Provisioning: minimum of 100% of NPL and 200% of NPL during the peak of economic cycle.
- Deposits / (capital + reserves)  $\leq$  15times.
- Reserve requirement: 7% for demand deposits and 4% for time deposits.
- Loan-to-deposit (LTD) ratio: 85%
- Liquid assets/deposits  $\geq$  20 percent.
- Mortgage loans  $\leq$  85% of home value for finance companies.
- Mortgage loans  $\leq$  70% percent of home value for commercial banks.
- Debt Service-to-Income (DTI): monthly repayment  $\leq$  33.3 percent.
- Counterparty exposure: individual exposure/ total capital  $\leq$  25%.

### **8. Supervision and Oversight over Insurance Sector**

This includes supervisory visits, off-site supervision and on-site inspection on insurance and reinsurance companies and insurance service providers, to ensure the adequacy of their capital and prudential measures. To this end, in 2015, SAMA conducted supervisory visits to insurance and reinsurance companies to be licensed in addition to periodical supervisory visits to cooperative insurance and reinsurance companies in the Kingdom. The objective of such visits is to ensure the compliance with the provisions of the Cooperative Insurance Companies Control Law, issued under Royal Decree No. M/32 dated 02/06/1424 (31/07/2003) and its Implementing Regulations as well as the regulations issued by SAMA. The visits also aim at ensuring the high efficiency and readiness of insurance and reinsurance companies and that their regulatory and



technical requirements conform with the business plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

In 2015, the supervisory visits were (33). They involved reviewing the companies' technical, regulatory and administrative aspects; and assessing their overall strategies, objectives and expansion plans. The visits also entailed ensuring the companies' fulfillment of the requirements committed under the terms of their licensing application; and ensuring that their administrative structures, departments, boards of directors and committees conduct their functions in accordance with the Insurance Law and its Implementing Regulations as well as the companies' objectives and plans. SAMA's supervisory team examined the business plans in place and assessed them in terms of technicality by reviewing their insurance operations, bases of pricing and evaluating their products, investment processes and tools, and future financial estimates and projections. During these supervisory visits, the team ensures that an effective internal control system is in place with instructions for internal control, risk management, and compliance with procedures for addressing customers' complaints. In pursuance of SAMA's keenness to protect policyholders and enhance credibility in the insurance market, the team also ensures that insurance companies deal with their customers in a professional and fair manner and provide them with high quality services.

As for on-site inspection, SAMA carried out inspection visits to insurance companies to

verify their compliance with relevant supervisory and regulatory requirements, and ensure that they operate according to professional principles and in a way that guarantees the rights of policyholders, claimants and other related people. In this context, SAMA, in 2015, inspected the following:

- Compliance of insurance and reinsurance companies with motor and health insurance approved by SAMA under Article (16) of the Implementing Regulations of Cooperative Insurance Companies Control Law. During these inspection visits, the mechanisms of motor and health insurance underwriting adopted by companies were reviewed, and relevant records and documents were examined to verify that companies conduct underwriting operations in accordance with relevant laws and instructions.
- Compliance of insurance, reinsurance companies and insurance service providers with laws and instructions related to the marketing of insurance products. During such inspection visits, work systems and procedures followed were reviewed, and samples of companies' records, documents and data were examined to ensure that companies carry out their business in accordance with relevant laws and instructions.

## **9. Oversight and Supervision over Finance Sector**

### **A. Regulatory Developments:**

SAMA has sought to build a system of rules and regulations related to finance in accordance with its objectives and strategies aiming at improving the regulatory framework





for real-estate finance business and insurance companies, in cooperation with one of the best consulting firms. Furthermore, SAMA has also reviewed the framework's components periodically in light of its practical application and international standards and practices to enhance the financial stability of finance sector in a way that supports sustainable economic growth and ensures fair transactions for all stakeholders.

### **B. Supervisory Visits to Finance Companies:**

During fiscal year 1436/1437H (2015), SAMA continued to perform its supervisory and regulatory role by conducting supervisory visits to licensed finance companies to ensure their compliance with rules, regulations and instructions, and ensure that they operate with high efficiency and readiness. The visits also aimed at ensuring that companies' regulatory and technical requirements are in conformity with the business plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

During 2015, the number of supervisory visits to finance companies was (56). The visits included examining the companies' technical and regulatory aspects; assessing their overall strategy, business plans and governance; and evaluating their compliance with finance laws and their implementing regulations.

## **10. Supervision of Payment and Clearing Systems**

SAMA seeks to create effective, comprehensive and secure payment systems in the Kingdom that emulate best international

systems in order to facilitate banking services, promote the role and effective contribution of the banking system to the overall domestic economic system. The most prominent of payment systems are:

### **10.1 The Saudi Payment Network (MADA)**

Mada system is the new identity of the Saudi Payment Network. It has been introduced to boost the resilience, speed, security and acceptance of ATM and POS systems. SAMA aims at creating effective, comprehensive and secure payment systems in the Kingdom. The objective of Mada system is to develop and operate the infrastructure of payment systems efficiently, and introduce new products in payment systems that meet the requirements of domestic market and serve individual and corporate sectors. It also aims at developing the infrastructure of payment systems, setting criteria in line with such systems, developing electronic initiatives to reduce cash transactions, designing plans and mechanisms for management of financial risks related to payment systems, and employing and training national cadres to perform all required functions.

Mada functions as a central payment network that links all ATM and POS terminals together across the Kingdom and processes cash withdrawal and purchase transactions via cards domestically, regionally and internationally. It is also complementary to other payment systems, namely, SARIE System which is the main system and central backbone for on-going gross settlement and processing of high-value payments such as: customers' payments and payrolls. One of these systems is also SADAD



Payment System which is a central system for electronic issuance and repayment of bills and payments via all banking channels in the Kingdom including ATMs, phone banking and smart devices. Mada provides several services with the following distinguishing features:

- High capacity for processing a volume of transactions equivalent to seven fold of that processed by the previous generation system.
- Unprecedented speed and efficiency in performance and transactions completion.
- Instant notifications of any financial transaction (whether purchase or cash withdrawal) to cardholders.
- Possibility of raising the daily limit of purchases via POS from SAR 20 thousand to SAR 60 thousand.
- Availability of Naqd service, i.e. purchase with cash back, to clients.
- Exclusive offers, discounts and advantages provided by issuing banks.
- Further expanding the use of cards in the Kingdom and integrating with international networks at regional and international levels.

Since its launch in 1990, the Saudi Arabian Payment Network (SPAN) has been witnessing constant development in its technical infrastructure, capacity and expansion. In end-2015, the number of ATMs exceeded 17,223 with an increase of 11 percent against that of the last year. POSs at stores and malls across the Kingdom reached more than 225,372, increasing by 62.4 percent. During 2015, SPAN continued its endeavor to utilize electronic technologies for providing fast, accurate and secure electronic banking services. Also, the growth in ATM,

POS and debit card electronic transactions has continued.

## **10.2 Saudi Arabian Riyal Interbank Express System (SARIE)**

Since its launch on 8/12/1997, SARIE has been enhancing electronic banking and commercial transactions in the Kingdom. It is the main infrastructure for many advanced payment and financial settlement systems. Currently, 23 banks are participating in SARIE. SAMA has lately reviewed SARIE pricing policy and issued its fifth version which has become operative. The policy's fifth version stipulates a new tariff limit for transactions conducted through the electronic payment service to encourage customers to use electronic transfer through SARIE.

## **10.3 SADAD Payment System**

Guided by SAMA's vision aiming at building a modern, electronic database that utilizes sophisticated technologies to facilitate the flow of electronic bills and payments in the Kingdom and creating a trusted medium between banks and different entities, SADAD system was developed. 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 the Kingdom.

## **10.4 Check Clearing**

SAMA has sought to modernize its systems at all SAMA's ten branches to meet the domestic need of checks and their use among banks. 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 over the past years. It is worth mentioning that the number of checks has been declining globally with the shift towards new electronic payment channels such as, remittance. In 2015, the number of commercial and personal checks cleared by clearing houses in the Kingdom declined by 5.2 percent to 312,2 thousand checks. Their value decreased by 16.2 percent to SAR 541,7 billion. The average check value went down by 11.6 percent from SAR 107,317 in 2014 to SAR 94,825 in 2015.

## **11. Protecting Financial and Banking Sector consumers**

SAMA works to serve and protect the interests of customers of banking and financial sectors and other entities under its supervision. This is a strategic goal which SAMA is keen to achieve through advancing the performance of banks and other supervised entities in terms of fair and secure treatment, expanding the use of banking services (financial inclusion) and undertaking of all necessary actions to ensure the following:

- Promoting disclosure and transparency principles, particularly those related to prices, fees, commissions and the mechanism through which complaints are filed.
- Eliminating customer default risk through emphasizing the financial institutions' responsibility for controlled lending.
- Studying and addressing customer complaints; and proposing corrective controls to limit their causes.
- Raising the level of guidance and awareness

by using various available channels.

- Preparing and developing policies and regulations for consumer protection.
- Enhancing financial inclusion in the domestic market.
- Cooperating with entities concerned with consumer protection (domestically and internationally).

In this regard, the most prominent achievements during 2015 were receiving 29,779 various complaints from the customers banks, insurance and finance companies, whether submitted directly to SAMA or through other government entities. Of these complaints 29,464 were considered and resolved. Also, an initiative was made for raising the public awareness through distributing leaflets containing awareness messages that explain their rights on financial entities supervised by SAMA.

## **12. Combating Money Laundering & Terrorist Financing**

SAMA continued to make efforts in conducting periodic inspection of financial institutions under its supervision to ensure their application of instructions and regulations, detect any irregularities and take necessary actions to follow up their correction. These include the following:

- Activating joint coordination and cooperation among entities concerned with combating money laundering and terrorist financing in the Kingdom, namely between entities supervising the financial sectors (SAMA and CMA) and the Financial Intelligence Unit (FIU) and the Bureau of Investigation and Public Prosecution, in addition to other



- concerned authorities in order to improve joint action, overcome the difficulties and obstacles in this process, and follow up on the recommendations of the Financial Action Task Force (FATF).
- Holding periodic meetings of the Permanent Committee for Anti-Money Laundering, located at SAMA, headed by the Governor. Also, participating in the work of the Supreme Council on Combating Terrorism, the Standing Committee on Combating Terrorism, and the Standing Committee on Legal Assistance Requests concerned with international requests, which are located at the Ministry of Interior, and Chapter 7 Committee concerned with the implementation of the UNSCRs which is located at the Ministry of Foreign Affairs.
  - Participating in the work of the permanent banking committees, formed of representatives from all domestic banks, which hold their meetings periodically to discuss compliance issues, combating financial crimes which include money laundering, terrorist financing and proliferation of weapons.
  - Enhancing awareness and specialized training as the Kingdom hosted a number of conferences, seminars and training courses related to combating money laundering and terrorist financing during 2015. A considerable number of employees of supervisory entities and entities under their supervision were trained through several accredited institutes and colleges, including SAMA's Institute of Finance (IOF), previously known as the Institute of Banking,

which holds several training courses in combating money laundering and terrorist financing.

- Participating effectively in MENAFATF work and meetings for anti-money laundering and combating terrorist financing and proliferation of weapons.

As for the developments regarding the Kingdom's membership in FATF, a high-level delegation headed by FATF's President, its executive secretary, and the heads of US, South Africa and Turkey delegations visited the Kingdom in 2015. During the visit, the delegation visited different authorities concerned with combating money laundering, terrorist financing and proliferation of weapons. FATF delegation made a detailed report about the visit and presented it in the third Plenary meeting of the 26th session that was held in Brisbane, Australia on June 2015. Based on the report, the FATF unanimously agreed to admit the Kingdom as an observer to the FATF in preparation for admitting it as a full member in accordance with FATF's policies and internal admission procedures. This decision is supported by the Kingdom's prominent role in anti-money laundering and combating terrorist financing and proliferation of weapons through a comprehensive program in which all concerned authorities, which are members of the Permanent Committee on Anti-Money Laundering, in the Kingdom participate. FATF asserted the significance of the Kingdom's membership in FATF in appreciation of its support and efforts in combating such crimes at the regional and international levels.



### 13. Combating Embezzlement and Financial Fraud

In 2015, SAMA took a number of supervisory measures related to combating embezzlement and financial fraud. The latest developments include the issuance of the first update of Collaterals Policy and SARIE procedures for financial positions coverage. In 2015, SAMA also issued Rules of the Deposits Protection Fund which will cover deposits up to SAR 200,000. This project will be funded by 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 instead of verification by signature that was followed earlier.

In November 2014, the second and third phases of assessment and review of application of the five responsibilities by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) started. the application of the five responsibilities by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) started. This phase focuses on whether relevant authorities' activities in a jurisdiction are consistent with their related responsibilities and whether the authorities observe them completely and consistently. A report on the findings of the assessment covering all jurisdictions was issued in November 2015 and published on BIS website. SAMA was rated "fully observed" for having applied the five responsibilities.

### 14. Statistics and Economic Research

SAMA seeks to be a reliable source of financial and economic studies in addition to the latest monetary, banking and financial data, including the Kingdom's balance of payments, to keep pace with national and international economic developments. SAMA accomplishment in this field are:

- Preparing SAMA annual report, which is an important reference for researchers and people interested in the national economy.
- holding quarterly workshops to share knowledge and ideas with academics, bankers and other people interested in the field and to address economic and financial topics in addition to the latest developments in economy and finance.
- Presenting monthly briefings of working papers to SAMA officials and other people concerned with financial affairs to raise idea sharing level between SAMA's employees and other government entities.
- Producing monthly and quarterly statistics and reports, including the monthly and quarterly Statistical Bulletins, Inflation Report, Stability Report in addition to Monetary and Banking Developments Report, and publishing them on SAMA's website.
- Preparing working papers on economy, finance and development and publishing them on SAMA's website.
- Providing relevant authorities with monetary, banking and financial research and SAMA's projections on Saudi economy.
- Joining work teams working with relevant entities to develop strategies in debt market, financial education and awareness, banking sector development, domestic savings and energy reforms, etc.



## 15. The Institute of Finance

In 2015, the Institute of Finance worked towards completing its new mission, that started in the last quarter of the preceding year, encompassing of improving the skills of the workforce in the financial sector by setting up merit criteria, awarding specialized professional certificates and providing high-quality solutions to improve professional competencies. The Institute finished the identification of competencies of workforce in the following sub-sectors: Retail banking, small and medium enterprises banking, small and medium enterprises finance, corporate banking, insurance companies and risk management. In addition, it has begun the identification of competencies of working professionals in compliance and treasury fields, and it is expected to be completed by the first quarter of 2016. The Institute of Finance awards new professional certificates based on competencies in retail banking. These certificates have been offered since the beginning of November 2015, and they are as follows: Tellers' Certificate, Customer Service Certificate and Credit Advisers Certificate. It also offered new courses based on the retail banking sector's competencies. The following is activities carried out by the Institute in 2015:

### 15.1 Courses, Symposia and Workshops

The Institute provided new training courses based on the retail banking sector's competencies in addition to courses for insurance sector and specialized courses in the field of regulations and laws. During 2015, various of symposia and workshops were held aiming at raising financial awareness, sharing

latest international, regional and domestic experiences and developments in addition to meeting international and local experts to share knowledge.

### 15.2 Examinations

The Institute is introducing professional certificates and training courses to improve the skills of job seekers and employees and prepare them to work in the financial sector. The Institute offers professional exams in different financial fields as follows: Banking, finance, investment, insurance in addition to specialized fields such as brokers qualification and accident surveyors for insurance companies. It also offers 11 specialized exams which are:

- Retail Banking Professional Foundation Exam.
- Insurance Foundation Certificate Examination (IFCE).
- Motor Insurance Examination.
- Health Insurance Examination.
- Protection and Savings Examination.
- General Securities Qualifications Certificate Examination:
  - CME 1 Part 1: Securities Rules and Regulations.
  - CME 1 Part 2: Securities Operations.
- CME 2 Compliance & AML/CTF Examination.
- CME 3 Broker-Dealer Qualification Certificate Examination.
- Accident Surveyors Certificate Examination.
- Tadawul Certificate Examination.

In addition, there are exams which are in preparation such as: Risk Management Examination, Corporate Banking Examination,



Specialized Insurance Examinations and Treasury Examination. The Institute is keen to create a question bank and internally write the questions in cooperation with financial sector experts. Experts trained on writing exam questions were invited and the process was conducted in accordance with high measures and standards to ensure the quality of examinations

## **16. International and Regional Participation**

SAMA participates actively as a member of various financial, international and regional organizations. SAMA takes part in the Group of Twenty (G20) meetings and other financial, international and regional organizations such as: Bank for International Settlements (BIS), International Monetary Fund (IMF), World Bank, Financial Stability Board, World Trade Organization, Arab financial institutions and organization, Islamic Financial Services Board (IFSB), Governors' meetings of the Organization of Islamic Cooperation, Gulf Cooperation Council, Gulf Monetary Council, and various technical committees and work teams associated with the Governors' Committee.

## **Social Responsibility**

SAMA is keen to apply ISO 26000 Social Responsibility issued by the International Organization for Standardization (ISO) and follow other central banks examples in this regard. SAMA's social responsibility is represented in the following:

### **1. Financial Stability**

In Recognition of financial stability importance, SAMA is working to maintain the

financial stability of Saudi economy by carrying out its mandates and issuing the Financial Stability Report which reviews financial soundness indicators of banks and financial institutions in order to promote publishing indicators of the financial system as a whole. In addition, the Report provides a detailed analysis of the systemic risks facing financial institutions as well as prudential measures and policies. Financial stability plays a significant role in economic growth, increasing job opportunities and improving living standards.

### **2. Consumer Issues**

The Kingdom's monetary policy aims to maintain price stability by using monetary policy tools to manage domestic liquidity level and its impact on Saudi economy. The Kingdom's inflation rate is among the lowest compared with other countries. In addition, SAMA has established Consumer Protection Department.

### **3. Fair Labor Practices**

SAMA has applied the fairness principle with its employees by following a set of procedures among which is the following:

- Updating Human Resources Policy and setting general standards to attract talents.
- Offering various incentives to improve work productivity.
- Issuing codes of conduct such as work ethics charter, and establishing Tawasul Committee to receive employee's complaints and ensure fairness for them.
- Providing job opportunities through online application on SAMA website which contains all job requirements.



- Training the employees inside and outside the Kingdom which contributed in nationalizing jobs at a rapid pace.
- Attracting female talents from various fields to work in different SAMA departments.
- Encouraging employment of people with special needs and developing appropriate policies for them.

#### 4. Transparency Principles

SAMA recognizes the importance of transparency in its work, therefore, it has devised a plan to communicate with the public by publishing all economic and financial information and data in addition to SAMA's news and circulars.

#### 5. Development and Protection of Society against Financial Risks

SAMA has actively contributed in the development of society and eradication of financial illiteracy by adopting the National Strategy for Financial Education and Guidance in the Kingdom. This strategy is part of a framework to promote financial literacy amongst citizens, public institutions and business sector within the Kingdom.

Some of SAMA's efforts to develop the society and protect it against financial risks are as follows:

- Establishing "Consumer Protection Department" whose responsibility is protecting the clients of institutions under SAMA's supervision.
- The Financial Inclusion Initiative, adopted and executed by SAMA through the commercial banks operating in the Kingdom, to provide

banking services for all members of society across the country in a secure way via online banking, phone banking, debit Cards, Visa Cards, MasterCard and other cards. To protect the society and the banking and financial sector against illegal activities, the Kingdom has established the Anti Money Laundering Committee, located at SAMA.

- SAMA has established the Financial Crimes Section under one of its departments to combat money laundering, terrorist financing, counterfeiting and any relevant financial crimes and requested banks to establish the same to cooperate and communicate together and coordinate in full with SAMA for it to coordinate with relevant security authorities.

To protect the society and combat money laundering and terrorist financing, SAMA has required financial institutions to maintain records and documents of transactions along with copies of customers' ID for ten years. This period may be extended as per SAMA instructions. SAMA has also updated some instructions which were issued to banks, and money changers in the field of combating financial crimes and money laundering. These instructions are related to customers' identification documentation and monitoring all transactions and SAMA has incorporated them in a number of updated regulatory rules. In addition, SAMA conducted a number of on-site inspection visits to banks, money changers and insurance companies operating in the Kingdom. Furthermore, SAMA pays a great attention to raising awareness and specialized training. SAMA also encouraged financial institutions to use electronic payment systems such as SARIE, SWIFT, and SPAN: ATMs, POS, SADAD.





SAMA has adopted many important strategic plans, one of which is: Banking Vision 2020 which includes initiatives to support and develop banking services and improve their accessibility, support small and medium enterprises through Kafalah program to encourage banks to extend loans to their projects especially the ones focusing on employing and training Saudi citizens and improving their skills. SAMA has also directed banks to provide banking services at fair costs.

## 6. Human Resources Development

SAMA has spared nothing in developing its human resources through the scholarship program which enables employees to get Master and PhD degrees from various international institutes and universities. SAMA also offers internal and external training in addition to relevant training programs provided by the Institute of Finance. Moreover, university students can join the cooperative training program in majors relevant to SAMA's work to prepare them for their future careers. Furthermore, Saudi youth specialized in majors relevant to SAMA's work are offered the opportunity to work during summer vacation.

## 7. Education and Awareness

SAMA has exerted great efforts to educate and raise the awareness of its stakeholders and those of institutions under its supervision. SAMA role is evident in its domestic and international participation.

## SAMA Financial Position

SAMA financial position declined in 2015 compared with the preceding year. SAMA total

assets fell by 15.0 percent (SAR 418.7 billion) to SAR 2.4 trillion at the end of 2015, compared with a rise of 1.9 percent (SAR 53.4 billion) in 2014. Foreign assets accounted for the bulk of total assets and recorded a decline owing to low oil prices. SAMA foreign assets remained directed towards investment in foreign securities, which went down by 24.7 percent (SAR 493.6 billion) in 2015, compared with an increase of 2.3 percent (SAR 45.7 billion) in 2014. In contrast, SAMA deposits with banks abroad rose by 8.1 percent (SAR 41.3 billion) in 2015, compared with a decline of 6.5 percent (SAR 35.7 billion) in 2014. Currency backing increased by 9.8 percent to SAR 237.2 billion in 2015 compared with a rise of 11.0 percent (SAR 21.4 billion) in the preceding year (Table 1.12).

As for liabilities, government deposits and reserves accounted for 44.2 percent of SAMA total liabilities in 2015, compared with 51.0 percent in the preceding year. The government current account increased by 33.8 percent (SAR 17.9 billion) to SAR 71.0 billion at the end of 2015, compared with a decline of 70.7 percent at the end of previous year. On the other hand, the government general reserves fell by 27.7 percent (SAR 250.7 billion) to SAR 653.8 billion at the end of 2015, compared with an increase of 6.2 percent (SAR 53.2 billion) in the preceding year. Deposits of government institutions and funds also fell by 22.1 percent (SAR 40.2 billion) to SAR 142.1 billion at the end of 2015, compared with an increase of 10.0 percent (SAR 16.5 billion) in the preceding year. SAMA bills declined by 57.2 percent (SAR 244.9 billion) to SAR 182.9 billion in 2015, compared with a decline of 7.0 percent (SAR 32.1 billion) in the preceding year.



**Table 12.1: SAMA's BALANCE SHEET**

(End of year)

( Million Riyals)

	2011	2012	2013	2014	2015
<b>Assets</b>					
Foreign currencies and gold	169,033	186,227	194,684	216,132	237,212
Cash in vault	29,187	33,415	28,296	35,240	39,300
Notes	29,176	33,405	28,284	35,228	39,289
Coins	11	10	12	12	11
Deposits with banks abroad	414,007	576,415	546,629	510,972	552,360
Investment in foreign securities	1,427,820	1,670,020	1,952,837	1,998,580	1,505,023
Other miscellaneous assets	17,817	18,986	16,283	31,185	39,487
<b>Total</b>	<b>2,057,864</b>	<b>2,485,063</b>	<b>2,738,728</b>	<b>2,792,109</b>	<b>2,373,382</b>
<b>Liabilities</b>					
Currency Issued	169,033	186,227	194,684	216,132	237,212
In circulation	139,846	152,812	166,388	180,892	197,912
At SAMA	29,187	33,415	28,296	35,240	39,300
Gov. Deposits and reserve	1,083,364	1,400,946	1,508,334	1,412,635	1,049,841
Government current account	302,256	364,015	180,795	53,051	71,005
Government reserve	723,802	724,166	851,429	904,614	653,892
Allocations for government projects*	57,307	312,766	476,110	454,970	324,943
Gov. institutions and funds deposits	136,844	152,544	165,720	182,270	142,074
Statutory deposits for financial institutions	63,511	70,791	81,901	92,558	98,117
Foreign Institutions' deposits in local currency	3,774	4,091	6,358	9,695	11,213
SAMA bills and repo agreements	379,202	441,210	459,932	427,815	182,947
Other miscellaneous liabilities	222,136	229,254	321,800	451,004	651,978
<b>Total</b>	<b>2,057,864</b>	<b>2,485,063</b>	<b>2,738,728</b>	<b>2,792,109</b>	<b>2,373,382</b>
* Representing allocations for expenditure on government committed projects.					



**ANNUAL BALANCE SHEET OF SAMA****TABLE****PAGE No.****1- Auditors' Report****162****2- Balance Sheet as at 30 June 2015****163****3- Statement of Revenues and Expenses****165****4- Notes to The Financial Statements****166**



## INDEPENDENT AUDITORS' REPORT

**To: H.E. The Governor and Members of the Board of Directors  
of Saudi Arabian Monetary Agency**

### **Scope of Audit**

We have audited the accompanying balance sheets of the Saudi Arabian Monetary Agency ( SAMA ) as at June 30, 2015 and the statement of revenues and expenses for the year then ended, and the notes from 1 to 5, which form an integral part of these financial statements. These financial statements were prepared by SAMA in accordance with the accounting principles approved by the Board of Directors and submitted to us together with all the information and explanation which we required. We conducted our audit in accordance with auditing standards generally accepted in the kingdom of Saudi Arabia. An audit includes examining the accounting records and other procedures we considered necessary to obtain a reasonable degree of assurance to enable us to express opinion on the financial statements.

### **Basis of Preparation of the Financial Statements**

As explained in note 2, these financial statements were prepared in accordance with the accounting principles approved by SAMA's Board of Directors.

### **Opinion**

In our opinion, the financial statements mentioned above taken as a whole, present fairly the financial position of SAMA as at June 30, 2015 and its revenues and expenses for the year then ended, in accordance with the accounting principles approved by SAMA's Board of Directors as explained in note 2 to the financial statements.

**for Ernst & Young.**

**Rashid S. Alrashoud  
Certified Public Accountant  
Registration No. 366**

**for PricewaterhouseCoopers**

**Mohammed A. Al Obaidi  
Certified Public Accountant  
Registration No. 367**



# SAUDI ARABIAN MONETARY AGENCY (SAMA)

## BALANCE SHEET AS AT JUNE 30, 2015

### ASSETS

( Million Riyals)

	30/6/2015	30/6/2014
<b>ISSUANCE DEPARTMENT</b>		
<b>CURRENCY COVER:</b>		
Gold (Note 2-e)	1,624	1,624
Investment in securities abroad	239,543	203,983
	<b>241,167</b>	<b>205,607</b>
<b>BANKING OPERATION DEPARTMENT</b>		
<b>Cash in Hand:</b>		
Saudi Bank notes	35,249	27,043
Metal coins	10	12
	<b>35,259</b>	<b>27,055</b>
Deposits in Banks Abroad	448,923	468,724
Investment in Securities Abroad	1,825,152	2,083,223
Investment in Local Securities	8,743	8,743
Other Miscellaneous Assets	6,040	5,938
	<b>2,324,117</b>	<b>2,593,683</b>
<b>CONTRA ACCOUNTS</b>		
Cheques under collection and Other	1	3
<b>INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT</b>		
Deposits with Banks Abroad	18,849	50,160
Investment in Foreign Securities	387,495	347,329
Investment in Local Securities	131,259	210,032
Deposits with Banking Operations Department	6,621	12,781
Deposits with Local Banks	100	211
	<b>544,324</b>	<b>620,513</b>

The accompanying notes from 1 to 5 form an integral part of these financial statements.



# SAUDI ARABIAN MONETARY AGENCY(SAMA)

## BALANCE SHEET

AS AT JUNE 30, 2015

### LIABILITIES

( Million Riyals)

	30/6/2015	30/6/2014
<b>ISSUANCE DEPARTMENT</b>		
<b><u>SAUDI BANK NOTES ISSUED</u></b>		
In Circulation	205,583	178,248
In Banking Operation Department	35,249	27,043
	<b>240,832</b>	<b>205,291</b>
<b><u>METAL COINS ISSUED</u></b>		
In Circulation	325	304
In Banking Operation Department	10	12
	<b>335</b>	<b>316</b>
	<b>241,167</b>	<b>205,607</b>
<b>BANKING OPERATION DEPARTMENT</b>		
Government Deposits	729,094	985,435
Foreign Organizations Deposits	10,644	7,654
Government Agencies' and Institutions' Deposits	181,425	187,608
Banks' and Insurance Companies' Deposits	100,819	90,369
Government Liabilities	374,950	488,509
Other Miscellaneous Liabilities	927,185	834,108
	<b>2,324,117</b>	<b>2,593,683</b>
<b>CONTRA ACCOUNTS</b>		
Liabilities For Cheques under collection and Other	1	3
<b>INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT</b>		
Independent Organizations and Institutions	544,324	620,513
	<b>544,324</b>	<b>620,513</b>



**SAUDI ARABIAN MONETARY AGENCY (SAMA)**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

( Million Riyals)

	30/6/2015	30/6/2014
<b>Revenues (Note 4)</b>	<b>4,805</b>	<b>4,805</b>
<b>Expenses</b>		
General and Administration	2,059	1,887
SAMA's contribution to the Public Pension Agency (Note 5)	42	42
	<b>2,101</b>	<b>1,929</b>
Surplus transferred to reserve for land and construction of new premises for SAMA and its branches	4,001	2,876
	<b>6,102</b>	<b>4,805</b>

**The accompanying notes from 1 to 5 form an integral part of these financial statements.**



**SAUDI ARABIAN MONETARY AGENCY(SAMA)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
13 Ramadan 1436H ( 30 JUNE 2015 )**

**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS:**

In accordance with its charter, the Saudi Arabian Monetary Agency ("SAMA") acts as the bank of the Government of the Kingdom of Saudi Arabia (the "Government") and also maintains accounts for the Government.

**a. Issuance Department:**

The main activity mint and print national currency (Saudi Riyal) and support the stability of the currency and fixing its rate internally and externally.

**b. Banking Operations Department:**

SAMA accepts deposits from Government organizations and others, and invests such deposits on their behalf. The costs of such investment and the related income earned are recorded directly in their accounts shown in the Banking Operation Department balance sheet without recording them in SAMA's statement of revenues and expenses.

**c. Independent Organizations and Institutions' Department:**

The balances relating to independent organizations and institutions, managed by SAMA on their behalf, and the deposits received from them, are shown in a separate balance sheet to highlight them separately.

**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 described below, which are consistent with those followed in the previous year. The financial statements are approved by SAMA's Board of Directors.

**b. Basis of Accounting:**

SAMA follows the cash basis of accounting in recording its transactions. The financial statements are prepared under the historical cost convention.

**c. Investments:**

Investments are carried at cost. In accordance with policies followed by SAMA, gains or losses are recorded in the beneficiaries' accounts when realized.

**d. Foreign Currencies:**

SAMA records its foreign currency transactions and shows closing balances in foreign currency in Saudi Riyals using book rates fixed by management in 1406H (corresponding to 1986) and the subsequent amendment for Euro rate that was approved by management in 1420H (corresponding to 1999).



**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 0.20751 grams .

Gold shown in the Issuance Department's balance sheet includes SR 67,390,878 as at 30 June 2015 and 2014 paid by SAMA as part of the Kingdom's subscription to the International Monetary Fund ("IMF"), which is denominated in Special Drawing Rights with the IMF.

**f. Furniture, equipment and motor vehicles:**

The cost of furniture, equipment and motor vehicles is expensed on purchase, and a nominal value for motor vehicles is included in other miscellaneous assets in the Banking Operations Department's balance sheet.

**g. Land and buildings:**

land and building are stated at cost and included in other miscellaneous assets. The cost of buildings is depreciated at 5% annually. Cost is presented on the Banking Operation Department's balance sheet net of accumulated depreciation.

**h. Revenue and expenses:**

In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. It also sets aside the excess of revenue over expenditure to finance the purchase of land and the construction of new premises for SAMA and its branches.

SAMA records the income arising from the investment of the balance reserved for the purchase of land and the construction of new premises for the head office and branches under other miscellaneous liabilities on the Banking Operation Department's balance sheet, and it is not shown in the statement of revenues and expenses.

**3. FINANCIAL STATEMENTS PERIOD:**

These financial statements are prepared for the period from 3 Ramadan 1435H to 13 Ramadan 1436H (corresponding to July 1, 2014 to June 30, 2015).

**4. COMPARATIVE FIGURES:**

Certain of prior year amounts have been reclassified to conform with the presentation in the current year.

**5. CONTRIBUTION TO THE PUBLIC PENSION AGENCY:**

Contributions to the Public Pension Agency 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 August 28, 1973). Additional contributions, if any that may become due on adjustment of employees' salaries and related benefits are charged to other miscellaneous liabilities under Banking Operation Department during the year in which the adjustment occurs.



**Appendix of statistical tables is available on SAMA's website through the following link:**

<http://www.sama.gov.sa/en-US/EconomicReports/Pages/YearlyStatistics.aspx>

**Questionnaire on SAMA's Annual Report is available on SAMA's website through the following link:**

<http://www.sama.gov.sa/en-us/economicreports/pages/questionanswer.aspx>