Monetary and Banking Developments

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# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>1. Monetary Policy</td>
<td>4</td>
</tr>
<tr>
<td>1.1 Rate of Return and Cash Reserve</td>
<td>4</td>
</tr>
<tr>
<td>1.2 Interest Rates</td>
<td>4</td>
</tr>
<tr>
<td>2. Monetary Developments</td>
<td>4</td>
</tr>
<tr>
<td>2.1 Money Supply</td>
<td>4</td>
</tr>
<tr>
<td>2.2 Monetary Base</td>
<td>5</td>
</tr>
<tr>
<td>3. Developments of SAMA’s Balance Sheet</td>
<td>5</td>
</tr>
<tr>
<td>3.1 Reserve Assets</td>
<td>5</td>
</tr>
<tr>
<td>4. Banking Developments</td>
<td>6</td>
</tr>
<tr>
<td>4.1 Bank Deposits</td>
<td>6</td>
</tr>
<tr>
<td>4.2 Assets and Liabilities of Commercial Banks</td>
<td>7</td>
</tr>
<tr>
<td>4.3 Commercial Banks’ Foreign Assets and Liabilities</td>
<td>7</td>
</tr>
<tr>
<td>4.4 Commercial Banks’ Claims on the Private and Public Sectors</td>
<td>7</td>
</tr>
<tr>
<td>4.5 Reserves, Capital, Profits and Branches of Commercial Banks</td>
<td>8</td>
</tr>
<tr>
<td>4.6 Commercial Banks' Purchases and Sales of Foreign Exchange</td>
<td>9</td>
</tr>
<tr>
<td>5. External Sector</td>
<td>10</td>
</tr>
<tr>
<td>6. Banking Technology and Financial Inclusion Developments</td>
<td>10</td>
</tr>
<tr>
<td>7. Domestic Stock Market Developments</td>
<td>11</td>
</tr>
<tr>
<td>8. Investment Funds</td>
<td>12</td>
</tr>
<tr>
<td>9. Supervisory and Legislative Banking Developments in Q4 2019</td>
<td>12</td>
</tr>
</tbody>
</table>
Preliminary estimates indicate a surplus of SAR 36.9 billion in the current account balance in Q3 2019 compared to a surplus of SAR 96.6 billion in Q3 2018.

The total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions went up by 22.6 percent (SAR 2,250.4 billion) to SAR 13,849.2 billion in Q4 2019. The three-month Saudi interbank offered rate (SAIBOR) declined to 2.2589 percent.

M3 increased notably by 5.2 percent and the monetary base rose by 0.8 percent in Q4 2019. Preliminary data of SAMA’s balance sheet indicates that total foreign assets fell slightly by 0.2 percent to SAR 1,864.9 billion. SAMA’s total reserve assets also recorded a decline of 0.2 percent (SAR 3.9 billion) to SAR 1,873.3 billion in Q4 2019.

Total bank deposits increased by 5.7 percent to SAR 1,796.0 billion. Total assets and liabilities of commercial banks amounted to SAR 2,631.1 billion at end-Q4 2019, increasing by 5.0 percent. Commercial banks’ claims on the private and public sectors went up by 3.4 percent to SAR 1,991.8 billion.

In Q4 2019, SAMA decided to reduce the reverse repo rate from 2.0 percent to 1.75 percent and the repo rate from 2.5 percent to 2.25 percent. The cash reserve ratio was maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits. SAMA continued to maintain the limit of weekly subscription in SAMA bills for domestic banks at SAR 3.0 billion in Q4 2019. The Tadawul All Share Index (TASI) increased by 3.7 percent to 8,389 at end-Q4 2019. Total assets of investment funds managed by investment companies in Q3 2019 increased by 8.8 percent (SAR 11.1 billion) to SAR 137.2 billion.

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1. Monetary Policy

SAMA has been adopting a monetary policy aimed at achieving price stability, supporting various economic sectors in line with domestic and international economic developments, and assisting domestic banks to perform their financing role in the domestic economy.

1.1 Rate of Return and Cash Reserve

In Q4 2019, SAMA decided to reduce the reverse repo rate from 2.0 percent to 1.75 percent and the repo rate from 2.5 percent to 2.25 percent in continuation of its efforts to maintain monetary stability.

SAMA’s daily average repo transactions stood at SAR 961 million against SAR 1.43 billion in Q3 while daily average reverse repo transactions stood at SAR 56.0 billion compared to SAR 47.3 billion.

The cash reserve ratio was maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits.

1.2 Interest Rates

To encourage domestic banks to increase lending, SAMA continued to maintain the limit of weekly subscription in SAMA bills for domestic banks at SAR 3.0 billion in Q4 2019. The three-month Saudi interbank offered rate (SAIBOR) dropped to 2.2589 percent in Q4 2019. The three-month interest differential between the riyal (SAIBOR) and the dollar (LIBOR) deposits was 33 basis points in favor of the riyal in Q4 2019, compared to 32 basis points in Q3 2019. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of SAR 3.75.

As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q4 2019.

2. Monetary Developments

2.1 Money Supply

M3 increased by 5.2 percent (SAR 97.7 billion) to SAR 1,985.2 billion in Q4 2019, compared to an increase of 0.3 percent (SAR 5.2 billion) in the preceding quarter, recording a y/y rise of 7.1 percent (SAR 131.6 billion) (Chart 1).

A breakdown of the components of M3 indicates that narrow money supply (M1) rose...
by 0.6 percent (SAR 7.2 billion) to SAR 1,288.4 billion or 64.9 percent of M3, compared to a rise of 1.4 percent (SAR 18.1 billion) in the preceding quarter, recording a y/y increase of 5.0 percent (SAR 9.1 billion).

3. Developments of SAMA’s Balance Sheet

Preliminary data of SAMA’s balance sheet indicates that total foreign assets slightly decreased by 0.2 percent (SAR 4.0 billion) to SAR 1,864.9 billion in Q4 2019, compared to a fall of 2.5 percent (SAR 48.2 billion) in the preceding quarter. They registered a y/y rise of 0.6 percent (SAR 11.8 billion). Net foreign assets went down by 0.2 percent (SAR 3.0 billion) to SAR 1,852.6 billion in Q4 2019, compared to a decline of 2.5 percent (SAR 46.9 billion) in the preceding quarter, recording a y/y rise of 0.9 percent (SAR 16.8 billion) (Chart 2).

Total deposits in domestic currency for foreign entities dropped by 7.1 percent (SAR 0.9 billion) to SAR 12.2 billion, compared to a decline of 8.4 percent (SAR 1.2 billion) in the preceding quarter, recording a y/y drop of 28.7 percent (SAR 4.9 billion).

2.2 Monetary Base

Monetary base rose by 0.8 percent (SAR 2.7 billion) to SAR 324.7 billion in Q4 2019, compared to a decline of 1.2 percent (SAR 4.0 billion) in the preceding quarter, recording a y/y rise of 4.2 percent (SAR 13.1 billion). A breakdown of the components of the monetary base indicates that deposits with SAMA increased by 2.1 percent (SAR 2.2 billion) to SAR 106.2 billion in Q4 2019, compared to a rise of 1.9 percent (SAR 2.0 billion) in the preceding quarter, recording a y/y rise of 5.4 percent (SAR 5.4 billion). Cash in vault decreased by 1.5 percent (SAR 0.5 billion) to SAR 29.3 billion, compared to a decline of 10.2 percent (SAR 3.4 billion) in the preceding quarter, recording a y/y decline of 4.8 percent (SAR 1.5 billion). Currency in circulation went up by 0.5 percent (SAR 1.0 billion) to SAR 189.2 billion compared to a decrease of 1.4 percent (SAR 2.6 billion) in the preceding quarter, registering a y/y increase of 5.0 percent (SAR 9.1 billion).

3.1 Reserve Assets

SAMA’s total reserve assets slightly decreased by 0.2 percent (SAR 3.9 billion) to SAR 1,873.3 billion in Q4 2019, compared to a decline of 2.5 percent (SAR 49.2 billion) in the preceding quarter. They recorded a y/y rise of 0.6 percent (SAR 11.1 billion).
quarter, recording a y/y rise of 7.3 percent (SAR 122.5 billion).

A breakdown of the components of total reserve assets as compared to the preceding quarter indicates that the reserve position with the IMF rose by 7.0 percent (SAR 0.6 billion) to SAR 9.4 billion. Investments in securities abroad also rose by 0.4 percent (SAR 5.2 billion) to SAR 1,193.8 billion. The balance of special drawing rights increased by 0.8 percent (SAR 0.3 billion) to SAR 31.3 billion. On the other hand, foreign exchange and deposits abroad decreased by 1.6 percent (SAR 10.1 billion) to SAR 637.2 billion. Gold reserve was stable at SAR 1.6 billion (Chart 3).

4. Banking Developments

4.1 Bank Deposits

Total bank deposits increased by 5.7 percent (SAR 96.7 billion) to SAR 1,796.0 billion in Q4 2019, compared to a rise of 0.5 percent (SAR 7.8 billion) in the preceding quarter, recording a y/y rise of 7.3 percent (SAR 122.5 billion).

A breakdown of deposit components by type in Q4 2019 indicates that demand deposits rose by 0.6 percent (SAR 6.2 billion) to SAR 1,099.1 billion compared to an increase of 1.9 percent (SAR 20.7 billion) in the preceding quarter, recording a y/y rise of 5.6 percent (SAR 58.5 billion). Time and savings deposits also increased by 16.6 percent (SAR 71.3 billion) to SAR 501.7 billion compared to a decline of 1.6 percent (SAR 6.8 billion) during the preceding quarter. They recorded a y/y rise of 13.2 percent (SAR 58.6 billion). Other quasi-monetary deposits went up by 10.9 percent (SAR 19.2 billion) to SAR 195.2 billion, compared to a decline of 3.3 percent (SAR 6.1 billion) during the preceding quarter. They recorded a y/y rise of 2.8 percent (SAR 5.3 billion) (Chart 4).
4.2 Assets and Liabilities of Commercial Banks

Total assets and liabilities of commercial banks stood at SAR 2,631.1 billion at end-Q4 2019, increasing by 5.0 percent (SAR 124.8 billion), compared to a q/q increase of 1.5 percent (SAR 36.7 billion). They registered an annual rise of 9.7 percent (SAR 233.0 billion).

4.3 Commercial Banks’ Foreign Assets and Liabilities

Total foreign assets of commercial banks increased by 2.5 percent (SAR 5.8 billion) to SAR 243.6 billion as compared to an increase of 6.8 percent (SAR 15.1 billion) during the preceding quarter. They registered a y/y increase of 5.1 percent (SAR 11.8 billion), constituting 9.3 percent of commercial banks' total assets at end-Q4 2019 as compared to 9.5 percent at end-Q3 2019. Commercial banks' total foreign liabilities went up by 4.8 percent (SAR 8.0 billion) to SAR 173.2 billion against an increase of 21.9 percent (SAR 29.7 billion) in the preceding quarter. They registered a y/y increase of 56.1 percent (SAR 62.2 billion), or 6.6 percent of total liabilities of commercial banks without any change from the preceding quarter. Commercial banks’ net foreign assets dropped by 3.0 percent (SAR 2.2 billion) to SAR 70.5 billion, compared to a q/q decline of 16.6 percent (SAR 14.5 billion). They recorded a y/y decline of 41.7 percent (SAR 50.4 billion) (Chart 5).

4.4 Commercial Banks’ Claims on the Private and Public Sectors

Commercial banks’ claims on the private and public (including government and quasi-government) sectors went up by 3.4 percent (SAR 65.9 billion) to SAR 1,991.8 billion in Q4 2019, compared to an increase of 2.2 percent (SAR 41.6 billion) in the preceding quarter. They recorded a y/y rise of 10.4 percent (SAR 187.7 billion). The ratio of these claims to total bank deposits was 110.9 percent compared to 113.3 percent at the end of the preceding quarter.

4.4.1 Commercial Banks’ Claims on the Private Sector

Commercial banks’ claims on the private sector increased by 3.2 percent (SAR 47.5 billion) to SAR 1,546.5 billion in Q4 2019, compared to a rise of 1.5 percent (SAR 21.9 billion) in the preceding quarter. The claims on the private sector registered a y/y increase of 7.0 percent (SAR 101.3 billion). The ratio of these claims to total bank deposits declined to 86.1 percent from 88.2 percent at the end of the preceding quarter (Chart 6).
4.4.2 Commercial Banks’ Claims on the Public Sector

Commercial banks’ claims on the public sector rose by 4.3 percent (SAR 18.4 billion) to SAR 445.3 billion in Q4 2019, compared to a rise of 4.8 percent (SAR 19.6 billion) in the preceding quarter. These claims registered a y/y increase of 24.1 percent (SAR 86.4 billion). The ratio of commercial banks’ total claims on the public sector to total bank deposits decreased to 24.8 percent at end-Q4 2019 from 25.1 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity indicates that long-term credit increased by 10.8 percent (SAR 62.1 billion) to SAR 634.6 billion, compared to a rise of 9.0 percent (SAR 47.0 billion) in the preceding quarter. Medium-term credit went up by 2.2 percent (SAR 5.1 billion) to SAR 234.6 billion, compared to an increase of 0.6 percent (SAR 1.4 billion) in the preceding quarter. Short-term credit dropped by 2.3 percent (SAR 15.8 billion) to SAR 683.2 billion compared to a decline of 3.4 percent (SAR 24.5 billion) in the preceding quarter (Chart 6).

4.4.3 Commercial Banks’ Claims by Economic Activity

Total bank credit extended to economic activities increased by 3.4 percent (SAR 51.5 billion) to SAR 1,552.5 billion in Q4 2019, compared to a rise of 1.6 percent (SAR 24.0 billion) in the preceding quarter, recording a y/y rise of 7.6 percent (SAR 109.8 billion).

A breakdown of bank credit extended to economic activities in Q4 2019 indicates an increase in bank credit extended to electricity, water, gas and health services by 9.0 percent (SAR 5.0 billion); to government and quasi-government by 10.3 percent (SAR 5.8 billion); to transport and telecommunications by 5.7 percent (SAR 2.8 billion); to services by 2.4 percent (SAR 1.9 billion); to mining and quarrying by 4.6 percent (SAR 0.9 billion); to finance by 11.8 percent (4.4 billion) and to other sectors by 7.5 percent (SAR 47.4 billion).

In contrast, bank credit extended to commerce decreased by 0.7 percent (SAR 1.9 billion); to building and construction by 6.0 percent (5.9 billion); to agriculture and fishing by 7.6 percent (SAR 1.2 billion); and to manufacturing and production sector by 4.7 percent (SAR 7.6 billion).

4.5 Reserves, Capital, Profits and Branches of Commercial Banks

Capital and reserves of commercial banks decreased by 0.6 percent (SAR 2.1 billion) to SAR 343.0 billion in Q4 2019, compared to a decline of 3.7 percent (SAR 13.3 billion) in the preceding quarter, recording a y/y increase of 13.0 percent.
purchases from foreign banks increased by 4.9 percent (SAR 24.8 billion) while purchases from SAMA dropped by 26.7 percent (SAR 45.0 billion) (Chart 7).

4.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange went up by 2.5 percent (SAR 21.0 billion) to SAR 863.6 billion in Q4 2019, compared to a rise of 9.8 percent (SAR 75.1 billion) during the preceding quarter. They recorded a y/y rise of 18.6 percent (SAR 135.2 billion).

A q/q comparison of banks’ total sales of foreign exchange indicates that sales to SAMA declined by 69.7 percent (SAR 4.6 billion); to banks abroad by 0.6 percent (SAR 2.2 billion); and to other customers in Saudi Arabia by 2.8 percent (SAR 8.0 billion). In contrast, sales to government entities increased by 35.9 percent (SAR 3.3 billion) awhile sales to ministries and municipalities decreased by 29.1 percent (SAR 21.6 billion). Sales to domestic banks increased by 26.8 percent (SAR 26.0 billion); for other purposes (traveling abroad, personal transfers, and foreign contractors) by 7.5 percent (SAR 6.7 billion) (Chart 7).
5. External Sector

Foreign Trade
In Q3 2019, total exports value went down by 18.2 percent to SAR 236.1 billion, compared to SAR 288.4 billion in Q3 2018, as total value of oil exports declined by 21.5 percent to SAR 181.3 billion and other exports (including re-exports) decreased by 4.7 percent to SAR 54.8 billion. On the other hand, value of imports (CIF) recorded a y/y increase of 8.0 percent to SAR 138.2 billion in Q3 2019.

Balance of Payments
5.1 Current Account
Preliminary estimates indicate a surplus of SAR 36.9 billion in the current account balance in Q3 2019 compared to a surplus of SAR 96.6 billion in Q3 2018. This is attributed to a surplus of SAR 65.5 billion in the balance of goods and services against a y/y surplus of SAR 126.3 billion. The balance of goods recorded a surplus of SAR 109.3 billion despite a decrease in exported goods by 18.2 percent to SAR 236.1 billion compared to SAR 288.4 billion in the corresponding quarter of the previous year and an increase in imported goods (FOB) by 8.0 percent to SAR 126.8 billion compared to SAR 117.4 billion in the corresponding quarter of the preceding year. The services deficit decreased from SAR 44.7 billion in Q3 2018 to SAR 43.8 billion in Q3 2019. The surplus in the balance of primary income decreased to SAR 5.4 billion in Q3 2019 against SAR 7.3 billion in the corresponding quarter of previous year. The deficit in the secondary income balance decreased by 8.2 percent to SAR 34.0 billion compared to SAR 37.0 billion in the corresponding quarter of the previous year.

5.2 Capital Account
Capital account registered outflows of SAR 2.0 billion in Q3 2019 against SAR 2.3 billion in the corresponding quarter of the previous year.

5.3 Financial Account
Net direct investments increased by SAR 8.8 billion in Q3 2019 due to the fact that net acquisition of financial assets abroad (SAR 13.1 billion) is higher than domestic net incurrence of liabilities (SAR 4.3 billion). Net portfolio investments went up by SAR 0.5 billion against a y/y rise of SAR 38.8 billion. Net other investments registered an increase of SAR 69.6 billion against a y/y increase of SAR 48.1 billion. Net reserve assets decreased by SAR 49.2 billion in Q3 2019 against a y/y increase of SAR 2.2 billion as other reserve assets dropped by SAR 49.0 billion (due to a decrease in currency and deposits item by SAR 54.0 billion, despite the increase in the item of investment in securities by SAR 5.0 billion) against a y/y increase of SAR 1.8 billion.

6. Banking Technology and Financial Inclusion Developments
6.1 Saudi Riyal Inter-bank Express System (SARIE)
The total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions jumped by 22.6 percent (SAR 2550.4 billion) to SAR 13,849.2 billion. The value of single payment transactions totaled SAR 12,964.6 billion, whereas the total value of bulk payment transactions amounted to SAR 873.5 billion. Total customer payments reached SAR 2,372.0 billion, with a q/q rise of 25.0 percent. The total value of inter-bank payment transactions was SAR 11,466.1 billion, with a q/q increase of 22.0 percent.
6.2 Mada

The total number of ATM transactions was approximately 539.4 million, with cash withdrawals totaling SAR 185.8 billion, including transactions through banks’ network and Mada. Total point of sale (POS) terminal transactions were 515.5 million with sales totaling SAR 78.9 billion. Moreover, the number of ATMs totaled 18.9 thousand and the number of ATM cards issued by domestic banks stood at 31.5 million at end-Q4 2019. The number of POS terminals stood at 438.6 thousand.

6.3 Clearing

As for statistics on clearing in Q4 2019, the number of bank checks (outgoing and incoming) cleared at the clearing houses stood at 837 thousand with a total value of SAR 100.6 billion. The number of individual and corporate checks totaled 730 thousand with a total value of SAR 65.1 billion; the number of interbank checks totaled 107 thousand with a total value of SAR 35.4 billion.

7. Domestic Stock Market Developments

The Tadawul All Share Index (TASI) increased by 3.7 percent to 8,389 at end-Q4 2019 compared to a decrease of 8.3 percent in the preceding quarter, recording a y/y increase of 7.2 percent. The number of traded shares increased by 17.3 percent to 8.9 billion compared to a q/q drop of 15.9 percent, recording a y/y decrease of 1.35 percent. Total value of shares traded jumped by 11.5 percent to SAR 232.5 billion compared to a q/q drop of 20.4 percent, recording a y/y rise of 6.6 percent.

At end-Q4 2019, the stock market capitalization increased by 372.9 percent to SAR 9.0 billion against a decline of 8.3 percent at the end of the preceding quarter, registering a y/y increase of 385.5 percent. Total number of transactions increased by 26.1 percent to 8.4 million compared to a fall of 0.7 percent in the preceding quarter, recording a y/y rise of 15.7 percent (Chart 8).
8. Investment Funds

Total assets of investment funds managed by investment companies went up by 8.8 percent (SAR 11.1 billion) to SAR 137.2 billion in Q3 2019 compared to a rise of 5.3 percent (SAR 6.3 billion) in the preceding quarter. They recorded a y/y increase of 16.4 percent (SAR 19.4 billion).

A breakdown of total assets of investment funds shows that domestic assets rose by 7.9 percent (SAR 8.3 billion) to SAR 113.3 billion in Q3 2019 compared to a rise of 26.4 percent (SAR 22.0 billion) in the previous quarter. They registered a y/y increase of 10.0 percent (SAR 10.3 billion). Foreign assets also rose by 13.4 percent (SAR 2.8 billion) to SAR 24.0 billion in Q3 2019 against a decline of 42.5 percent (SAR 15.6 billion) in the preceding quarter, registering a y/y increase of 60.8 percent (SAR 9.1 billion).

The number of subscribers to investment funds declined by 0.6 percent (two thousand) to 333.3 thousand in Q3 2019, compared to a decline of 5.9 percent (21.0 thousand) in the preceding quarter. The number of subscribers recorded a y/y increase of 2.0 percent (6.4 thousand). As regards the number of funds, it increased by one to 252 in Q3 2019 compared to the preceding quarter.

9. Supervisory and Legislative Banking Developments in Q4 2019

- SAMA issued regulations for the handling of bankcard refunds, which aim to set the period for refunds and the procedures that banks must comply with in this regard.
- SAMA issued instructions for the professional certifications of financial institutions’ employees. The instructions included an update of professional certification for some of the supervised sectors.
- SAMA issued instructions directing banks not to deduct from the cost of living allowance, based on the royal order to extend the payment of cost of living allowance to civilian and military citizens and retired personnel.
- SAMA issued instructions prohibiting seizure of agricultural subsidies as they fall under the government subsidies prohibited from being seized.
- SAMA issued instructions to extend the availability of additional work hours on Saturday to provide services related to the mortgage program "subsidized finance“.
- SAMA issued the AML/CFT guide which includes AML/CFT minimum requirements for financial institutions.