



# **Economic Developments**

Fourth Quarter, 2009

Research and Statistics Department

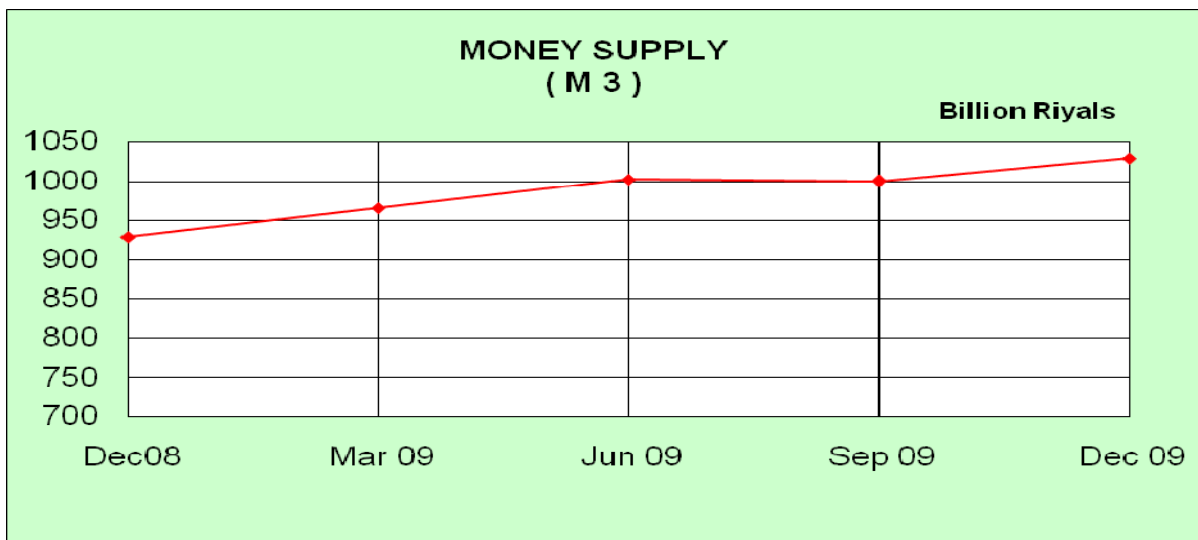
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### **First: Monetary Developments**

Broad money (M3) increased by 2.9 percent (Rls 29 billion) to Rls 1,028.9 billion during the fourth quarter of 2009 compared to a decline of 0.2 percent (Rls 2 billion) during the preceding quarter. It registered an annual growth rate of 10.7 percent (Rls 99.8 billion).



An analysis of the components of money supply (M3) indicates that (M1) increased by 5.9 percent (Rls 28.9 billion) to Rls 521.6 billion, or 50.7 percent of total money supply (M3) during the fourth quarter of 2009 compared to a rise of 3.5 percent (Rls 16.6 billion) in the preceding quarter. Money supply (M1) registered an annual rise of 22.6 percent (Rls 96.1 billion) at the end of the fourth quarter of 2009. Money supply (M2) registered an increase of 2.6 percent (Rls 21.6 billion) to Rls 844.9 billion, or 82.1 percent of total money supply (M3) during the fourth quarter of 2009, against a decline of 0.1 percent (Rls 890 million) in the preceding quarter. Money supply (M2) recorded an annual increase of 6.5 percent (Rls 51.8 billion) at the end of the fourth quarter of 2009.

### **Second: Monetary Policy:**

During the fourth quarter of 2009, SAMA continued to pursue a monetary policy aimed at achieving financial and price stability by keeping up with domestic

and international economic developments, monitoring liquidity developments and taking necessary measures. SAMA continued its efforts aimed at providing necessary liquidity to meet domestic demand for credit in order to ensure that banks continue their financing role in the development process in the Kingdom.

SAMA's daily average of Repo transactions stood at Rls 1,214 million in the fourth quarter of 2009 against Rls 892 million in the third quarter of 2009. Daily average of Reverse Repo transactions was Rls 91,776 million during the same period compared to Rls 79,924 million in the third quarter of 2009. The rise in the daily average of Reverse Repo transactions was due to a rise in liquidity with domestic banks.

Domestic inter-bank interest rates on deposits (three-month inter-bank interest rate (SIBOR)) went up to 0.77 percent at the end of the fourth quarter compared to 0.64 percent at the end of the third quarter. The differential between the Riyal and the Dollar deposits for a three-month period turned in favor of the Riyal with 52 basis points at the end of the fourth quarter, compared with 36 basis points at the end of the third quarter of 2009. Banks returned the government amounts placed with them as a prudential measure following the global financial crisis. At the end of the fourth quarter of 2009, the Saudi Riyal exchange rate against the Dollar maintained its stability at its official rate of Rls 3.75.

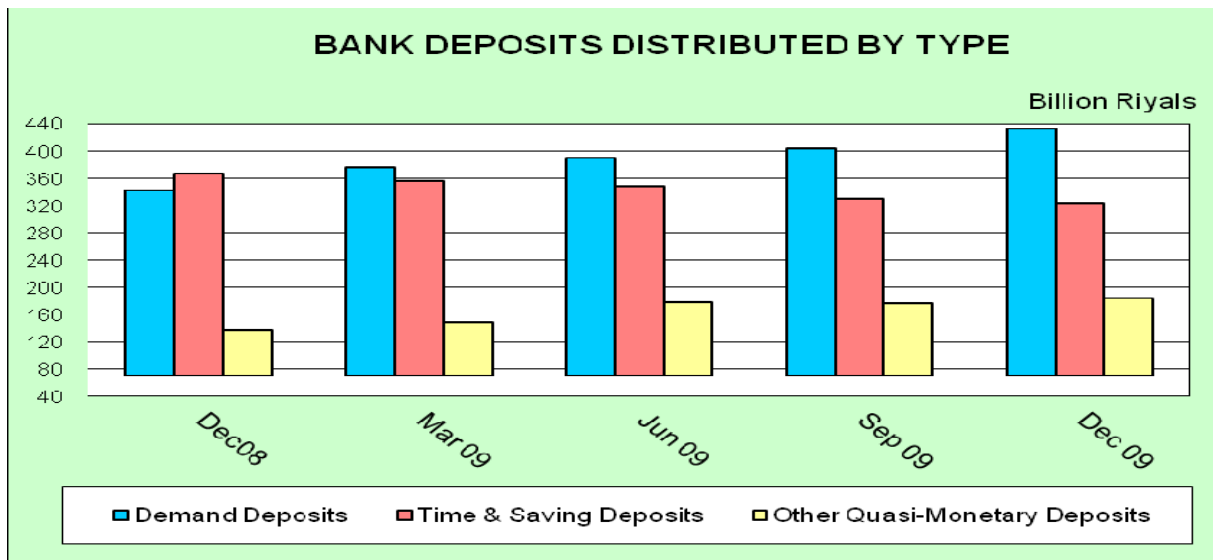
SAMA did not enter into any foreign exchange swaps with domestic banks during the fourth quarter of 2009 due to sufficient Dollar liquidity with domestic banks.

### **Third: Banking Developments**

#### **3.1 Bank Deposits**

Total bank deposits went up by 3.2 percent (Rls 29.2 billion) to Rls 940.5 billion during the fourth quarter of 2009 compared to a decline of 0.6 percent (Rls 5.1

billion) during the preceding quarter, recording an annual rise of 11.2 percent (Rls 94.4 billion) at the end of the fourth quarter of 2009. The ratio of total bank deposits to total broad money supply (M3) stood at 91.4 percent at the end of the fourth quarter of 2009 compared to 91.1 percent at the end of the preceding quarter.



A review of the components of deposits by type during the fourth quarter of 2009 indicates that demand deposits rose by 7.2 percent (Rls 29.1 billion) to Rls 433.2 billion compared to a rise of 3.5 percent (Rls 13.5 billion) during the preceding quarter. Time and savings deposits went down by 2.2 percent (Rls 7.3 billion) to Rls 323.4 billion against a decline of 5.0 percent (Rls 17.5 billion) during the preceding quarter, registering an annual decrease of 12.0 percent (Rls 44.2 billion). Other quasi-monetary deposits increased by 4.2 percent (Rls 7.4 billion) to Rls 184 billion compared to a decline of 0.6 percent (Rls 1.1 billion) during the preceding quarter. Demand deposits and other quasi-monetary deposits recorded annual rises of 26.5 percent (Rls 90.7 billion) and 35.3 percent (Rls 48 billion) respectively.

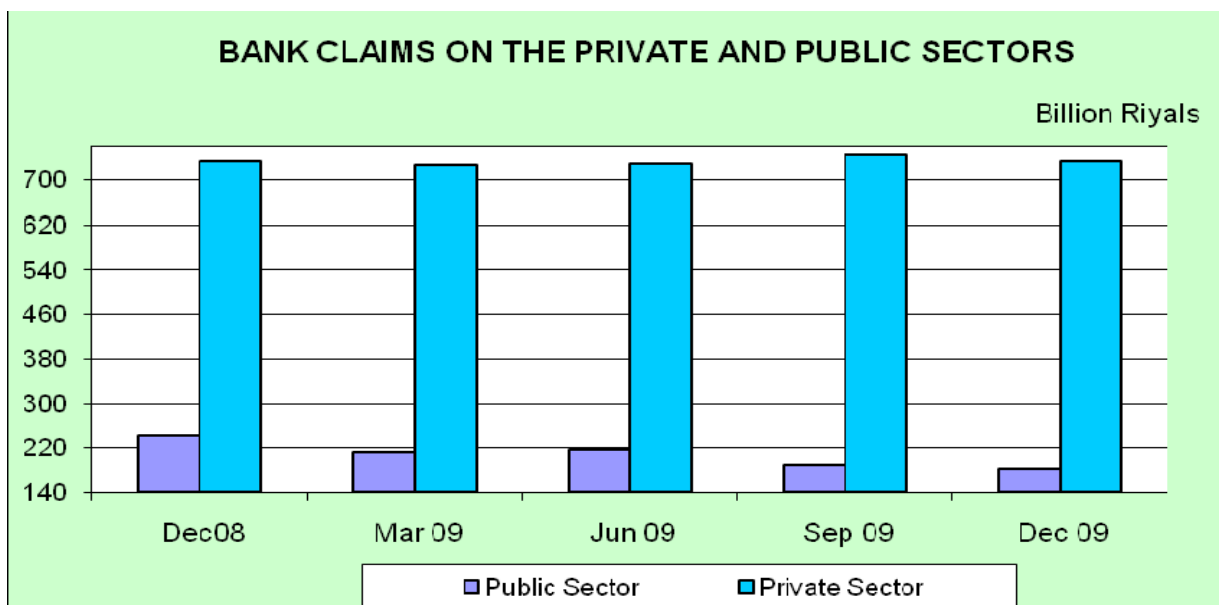
### **3.2 Credit and Investment Activity of Banks**

Total claims of commercial banks on the private and government sectors (bank credit and investments) went down by 2.1 percent (Rls 19.7 billion) to Rls 916.6 billion during the fourth quarter of 2009 compared to a decline of 1.0 percent (Rls 9.6 billion) in the preceding quarter. At the end of the fourth quarter of 2009, they

recorded an annual decline of 6.1 percent (Rls 60 billion) to constitute 97.4 percent of total bank deposits compared with 102.7 percent at the end of the preceding quarter.

Total claims of commercial banks on the private sector during the fourth quarter of 2009 went down by 1.6 percent (Rls 12.1 billion) to Rls 734.2 billion compared to a rise of 2.4 percent (Rls 17.7 billion) during the preceding quarter, recording no annual change at the end of the fourth quarter of 2009. The ratio of commercial banks' claims on the private sector to total bank deposits was 78.1 percent at the end of the fourth quarter of 2009 compared to 81.9 percent at the end of the previous quarter.

Total claims of commercial banks on the government and quasi-government sectors also decreased by 4 percent (Rls 7.6 billion) to Rls 182.3 billion during the fourth quarter of 2009 compared to a decline of 12.6 percent (Rls 27.3 billion) during the preceding quarter. At the end of the fourth quarter of 2009, they registered an annual decline of 24.7 percent (Rls 59.7 billion). Their ratio to total bank deposits amounted to 19.4 percent at the end of the fourth quarter of 2009 compared with 20.8 percent at the end of the preceding quarter.

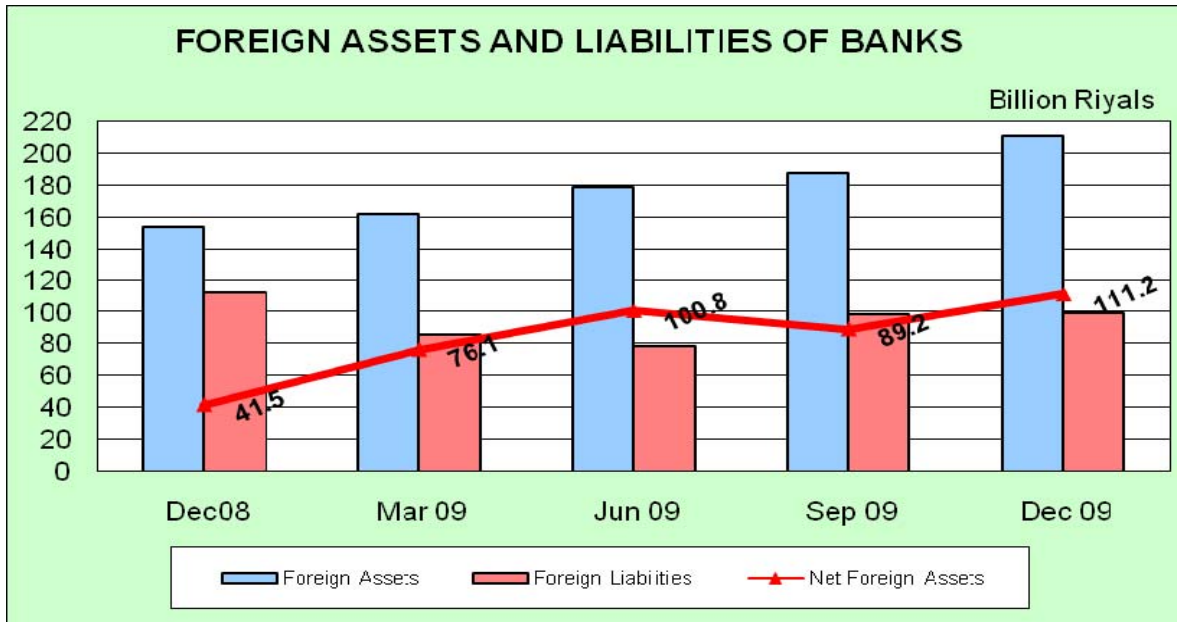


An analysis of bank credit by maturity during the fourth quarter of 2009 (private and government sectors) shows that short-term credit decreased by 2.6 percent (Rls 12.1 billion) to Rls 449.6 billion compared to a decline of 2.8 percent (Rls 13.4 billion) during the preceding quarter. Medium-term credit increased by 1.2 percent (Rls 1.4 billion) to Rls 117.2 billion during the fourth quarter of 2009 compared to a rise of 11.2 percent (Rls 11.7 billion) during the preceding quarter. Long-term credit went down by 1.6 percent (Rls 2.8 billion) to Rls 170.1 billion compared to a rise of 6.6 percent (Rls 10.6 billion) during the preceding quarter.

Total bank credit by economic activity went down by 1.8 percent (Rls 13.5 billion) to Rls 736.9 billion during the fourth quarter of 2009 compared to an increase of 1.2 percent (Rls 8.9 billion) during the preceding quarter, recording an annual decline of 1 percent (Rls 7.9 billion) at the end of the fourth quarter of 2009. A breakdown of bank credit by different economic activities during the fourth quarter of 2009 indicates that bank credit extended to "transport and communications" increased by 2.6 percent (Rls 1.0 billion), "agriculture and fishing" by 9.7 percent (Rls 0.8 billion), "other miscellaneous services" by 0.8 percent (Rls 0.4 billion), and other sectors by 0.4 percent (Rls 1.2 billion). On the other hand, bank credit extended to "government and quasi-government sector" decreased by 2.3 percent (Rls 0.7 billion), "finance" by 5.0 percent (Rls 1.1 billion), "commerce" by 4.1 percent (Rls 7.3 billion), "building and construction" by 9.1 percent (Rls 4.5 billion), "water, electricity and other services" by 5.3 percent (Rls 0.7 billion), "mineral and mining" by 18.5 percent (Rls 1.2 billion), and "industry and production" by 1.8 percent (Rls 1.3 billion).

### **3.3 Commercial Banks' Foreign Assets and Liabilities**

Total foreign assets of commercial banks increased during the fourth quarter of 2009 by 12.5 percent (Rls 23.4 billion) to Rls 210.9 billion compared to a rise of 4.8 percent (Rls 8.6 billion) during the preceding quarter, recording an annual growth rate of 37 percent (Rls 56.9 billion) and constituting 15.4 percent of total commercial banks' assets compared with 13.9 percent at the end of preceding quarter.



Banks' total foreign liabilities went up by 1.4 percent (Rls 1.4 billion) to Rls 99.7 billion during the fourth quarter of 2009 against a rise of 25.8 percent (Rls 20.1 billion) in the preceding quarter. Banks' total foreign liabilities annual growth rate decreased by 11.4 percent (Rls 12.8 billion), constituting 7.3 percent of banks' total liabilities, the same as the preceding quarter. Net foreign assets rose by Rls 22 billion to Rls 111.2 billion at the end of the fourth quarter of 2009 compared to a decline of Rls 11.6 billion during the preceding quarter.

### **3.4 Commercial Banks' Capital and Reserves, Profits and Branches**

The capital and reserves of commercial banks went up by Rls 3.7 billion during the fourth quarter of 2009. The ratio of commercial banks' capital and reserves to total bank deposits at the end of the fourth quarter of 2009 stood at 20.3 percent compared to 20.5 percent in the previous quarter. Their annual growth rate rose by 17.8 percent (Rls 28.7 billion).

Commercial banks' profits decreased by 48.8 percent (Rls 3.4 billion) to Rls 3.6 billion during the fourth of 2009 compared to Rls 7.1 billion in the preceding quarter, recording an annual decline rate of 18.1 percent (Rls 0.8 billion).

The number of commercial banks' branches increased during the fourth quarter of 2009 to 1,519 compared to 1,481 at the end of the preceding quarter, recording a growth rate of 2.6 percent (38 branches). The number of commercial banks' branches registered an annual growth rate of 7.7 percent (109 branches) at the end of the fourth quarter of 2009.

### **3.5 Commercial Banks' Assets and Liabilities**

Total assets and liabilities of commercial banks stood at Rls 1,370.3 billion at the end of the fourth quarter of 2009, rising by 1.4 percent (Rls 19.3 billion) over a rise of 1.0 percent during the preceding quarter. They recorded an increase of 5.2 percent (Rls 67.9 billion) in their annual growth rate at the end of the fourth quarter of 2009.

### **Fourth: Banking Technology Developments**

Statistics of the Saudi Riyal Inter-bank Express System (SARIE) show that the value of transactions in the fourth quarter of 2009 totaled Rls 15,809 billion (\$4,216 billion) through 926 thousand messages containing a total of 7.7 million transactions carried out through SARIE. The value of single payments transactions totaled Rls 15,617 billion (\$ 4,164 billion), whereas the total value of gross payments stood at Rls 192.2 billion (\$51.3 billion). Customers' payments amounted to Rls 729.3 billion, compared to Rls 723 billion in the corresponding quarter of 2008, rising by 0.85 percent. It is expected that the use of SARIE will continue to grow at a faster pace in the upcoming years, especially in e-commerce transactions and individuals' transfers. Using of SARIE system for payment of salaries of employees in the government and private sectors is also increasing.

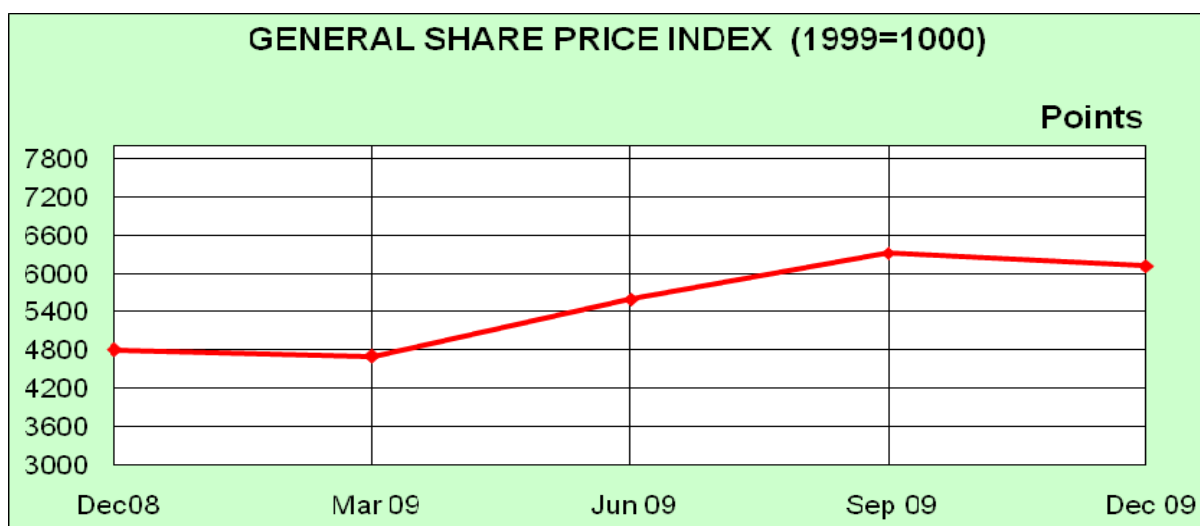
As for the developments of the Saudi Payments Network (SPAN), number of transactions executed via ATMs in the fourth quarter of 2009 amounted to 238 million, including bank transactions and SPAN transactions of Rls 103.4 billion. Total transactions executed through POS terminals stood at 32 million with a total value of Rls 14.4 billion during the fourth quarter of 2009. The number of ATMs amounted to

9,950 and the number of cards issued by domestic banks stood at 13.7 million. The number of POS terminals increased to more than 82 thousand at the end of the fourth quarter of 2009.

As for clearing houses statistics for the fourth quarter of 2009, the number of bank checks (outgoing and incoming) cleared at clearing houses totaled 1.8 million with a total value of Rls 190.3 billion. The number of household and business checks was 1.6 million with a total value of Rls 148.8 billion during the period. The number of banks' checks (certified) totaled 236.3 thousand with a total value of Rls 41.6 billion.

#### **Fifth: Domestic Share Market Developments**

The general share price index went down during the fourth quarter of 2009 by 3.2 percent to 6,121.8 compared to a rise of 13.0 percent in the preceding quarter, recording an annual rise of 27.5 percent. During the fourth quarter of 2009, the number of traded shares went up by 13.9 percent to 10 billion compared to a decline of 59.0 percent in the preceding quarter. The annual growth rate of traded shares went down by 38.4 percent. Total value of traded shares increased by 1.9 percent to Rls 244.3 billion compared to a decline of 49.6 percent in the preceding quarter, with its annual growth rate falling by 25.2 percent.



At the end of the fourth quarter of 2009, the market capitalization of issued shares went down by 2.8 percent to Rls 1,196 billion against a rise of 14.5 percent at the end of the preceding quarter, recording a rise of 29.4 percent in its annual growth rate. Total number of transactions executed in the fourth quarter of 2009 recorded a decline of 18.2 percent to 6.2 million compared to a decline of 39.6 percent in the preceding quarter. The annual growth rate of the total number of executed transactions went down by 31.5 percent.

### **Sixth: Investment Funds**

Total assets of investment funds managed by investment companies recorded a decline of 4.6 percent (Rls 4.3 billion) to Rls 89.5 billion in the fourth quarter of 2009 compared to an increase of 6.0 percent (Rls 5.3 billion) in the preceding quarter, registering an annual growth rate of 19.7 percent (Rls 14.7 billion).

A breakdown of the funds' total assets indicates a decline in domestic assets by 4.7 percent (Rls 3.7 billion) to Rls 74.1 billion in the fourth quarter of 2009, compared to a rise of 3.5 percent (Rls 2.6 billion) in the preceding quarter. Domestic assets recorded a rise in the annual growth rate by 21.0 percent (Rls 12.9 billion). Foreign assets registered a decline of 4.0 percent (Rls 637 billion) to Rls 15.4 billion during the fourth quarter of 2009 against an increase of 20.2 percent (Rls 2.7 billion) in the preceding quarter, recording an annual growth rate of 13.7 percent (Rls 1.9 billion).

The number of subscribers to investment funds dropped by 2.2 percent (8.0 thousand) to 356.3 thousand in the fourth quarter of 2009 compared to a decline of 1.3 percent (4.9 thousand) in the preceding quarter. The number of subscribers recorded a negative annual growth of 5.0 percent (18.6 thousand). The number of operating funds decreased by 6 to 244 in the fourth quarter of 2009 compared to 250 during the preceding quarter.

### **Seventh: Supervisory and Legislative Banking Developments during the Fourth Quarter of 2009:**

A number of circulars were issued during the fourth quarter of 2009 as follows:

- SAMA Circular No. MASH/1046 dated 23/11/1430H (11/11/2009) was issued concerning the amendment of the form of the provisional guarantee and the form of its validity extension request.
- SAMA Circular No. 59547/M dated 27/12/1430H (14/12/2009), based on Royal Decree No. M/49 dated 18/9/1430H, was issued concerning allowing any licensed bank in the Kingdom to establish a company by one person to be fully owned by the bank.
- SAMA Circular No. 560/BCS dated 26/12/2009G was issued concerning Basel Committee Guidance: Principles for Sound Stress Testing Practices and Supervision.
- SAMA Circular dated 5/11/1430H (24/10/2009) was issued concerning commitment to accept and cash the new issue of checks in Saudi riyal.

### **Eighth: Most Prominent Regulatory Developments in the Saudi Economy during the Fourth Quarter of 2009**

- The Council of Ministers issued a resolution on 30/10/1430H (19/10/2009) approving the delegation of the Royal Commission for Jubail and Yanbu to manage Ras Alzoor Zone for Mining Industries and provide services to mining industries and other industries as in the case of Jubail and Yanbu industrial cities.
- The Council of Ministers issued a resolution on 28/11/1430H (19/10/2009) approving the adoption of the Common Gulf Market Document and to apply what is stated in Article VI of this document relating to the possession of property after the completion of the necessary legal procedures.