



Economic Developments

Second Quarter, 2011

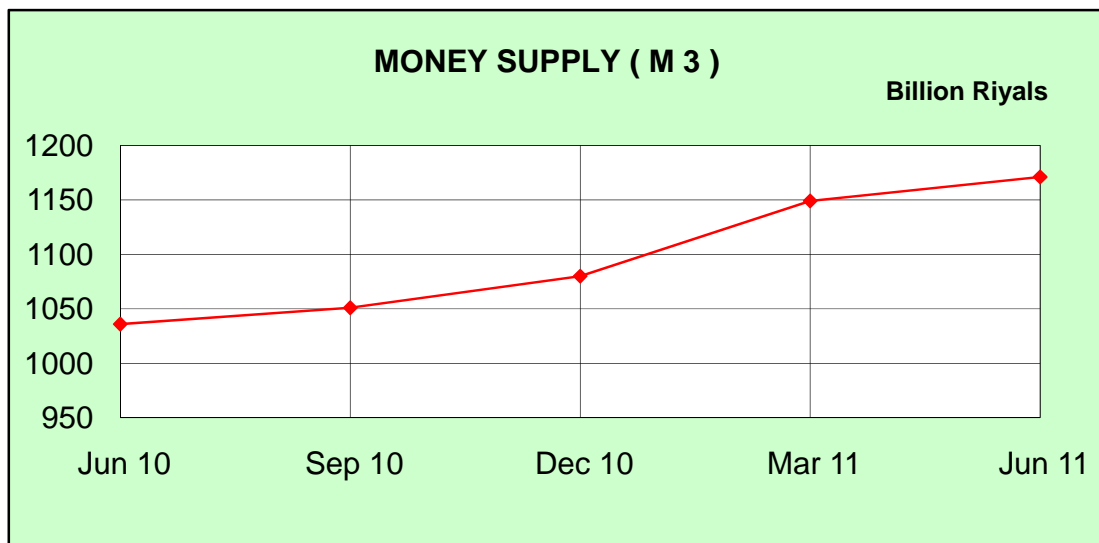
Research and Statistics Department
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First: Monetary Developments

Broad money (M3) rose by 1.9 percent (Rls 21.3 billion) to Rls 1,171.0 billion during the second quarter of 2011 compared to an increase of 6.0 percent (Rls 69.3 billion) during the preceding quarter. M3 registered an annual growth rate of 13.1 percent (Rls 135.4 billion).



An analysis of the components of money supply (M3) indicates that (M1) rose by 4.5 percent (Rls 30.9 billion) to Rls 716.6 billion, or 61.2 percent of total money supply (M3) during the second quarter of 2011 compared to a rise of 9.6 percent (Rls 60.2 billion) during the preceding quarter. Money supply (M1) registered an annual rise of 24.2 percent (Rls 139.7 billion) at the end of the second quarter of 2011. Money supply (M2) also went up by 3.2 percent (Rls 31.3 billion) to Rls 1,014.9 billion, or 86.7 percent of total money supply (M3) during the second quarter of 2011 against a rise of 6.5 percent (Rls 59.7 billion) in the preceding quarter. Money supply (M2) recorded an annual increase of 15.2 percent (Rls 133.9 billion) at the end of the second quarter of 2011.

Second: Monetary Policy:

During the second quarter of 2011, SAMA continued to pursue monetary policy aimed at achieving financial and price stability by monitoring domestic and international economic developments, liquidity developments and taking necessary measures towards them. 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 Kingdom.

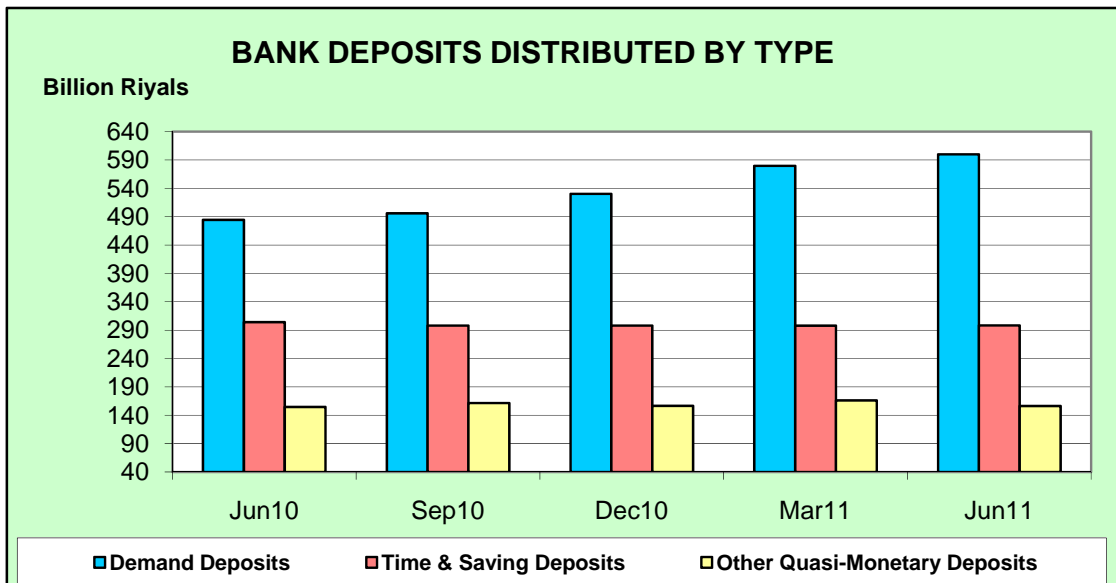
SAMA's daily average Repo transactions stood at Rls 657 million in the second quarter of 2011 against Rls 78 million in the preceding quarter. Daily average Reverse Repo transactions reached Rls 81,869 million during the same period compared to Rls 71,136 million in the preceding quarter of the same year.

Domestic inter-bank interest rates on deposits (three-month inter-bank interest rate (SIBOR) declined to 0.66 percent at the end of the second quarter of 2011 compared to its stability at 0.75 percent in the preceding quarter. The differential between the Riyal and the Dollar deposits for a three-month period continued to be in favor of the Riyal, standing at 45 basis points at the end of the second quarter of 2011. The Saudi Riyal exchange rate against the Dollar maintained its stability at its official rate of Rls 3.75 at the end of the second quarter, 2011.

Third: Banking Developments**3.1 Bank Deposits**

Total bank deposits recorded a rise of 1.0 percent (Rls 10.7 billion) to Rls 1,054.1 billion during the second quarter of 2011 compared to a rise of 5.9 percent (Rls 58.5 billion) during the preceding quarter, recording an annual rise of 11.8

percent (Rls 110.9 billion) at the end of the second quarter of 2011. The ratio of total bank deposits to total broad money supply (M3) at the end of the second quarter of 2011 stood at 90.0 percent compared to 90.8 percent as at the end of the preceding quarter.



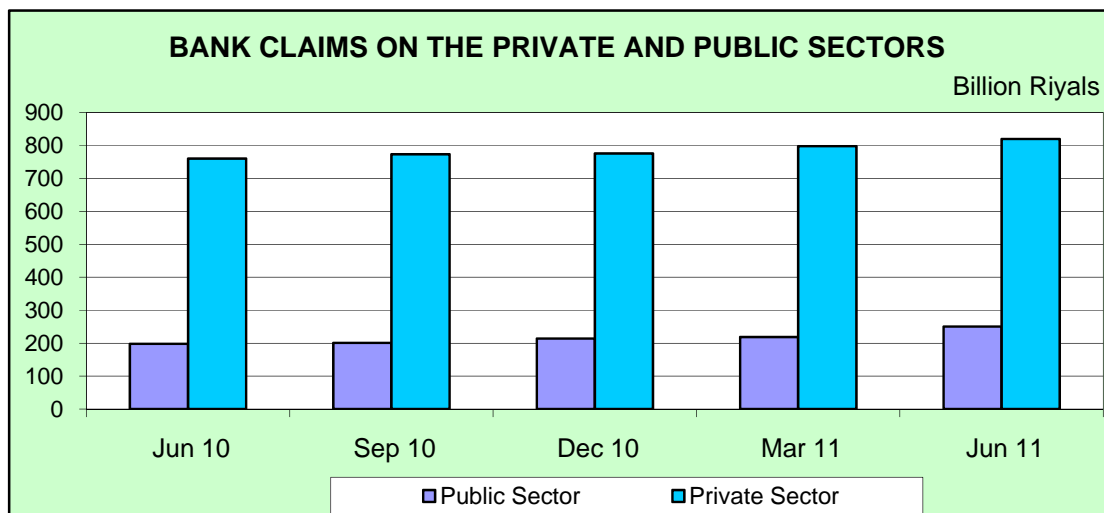
A review of the components of deposits by type during the second quarter of 2011 indicates that demand deposits rose by 3.5 percent (Rls 20.2 billion) to Rls 599.8 billion compared to a rise of 9.3 percent (Rls 49.4 billion) during the preceding quarter. Time and savings deposits went up by 0.2 percent (Rls 0.5 billion) to Rls 298.3 billion against a decline of 0.2 percent (Rls 0.5 billion) during the preceding quarter. Other quasi-monetary deposits dropped by 6.0 percent (Rls 10.0 billion) to Rls 156.1 billion compared to a rise of 6.1 percent (Rls 9.6 billion) during the preceding quarter. Demand deposits recorded an annual rise of 23.8 percent (Rls 115.3 billion), time and savings deposits recorded an annual decline of 1.9 percent (Rls 5.7 billion) and other quasi-monetary deposits recorded an annual decrease of 0.9 percent (Rls 1.5 billion) at the end of the second quarter of 2011.

3.2 Credit and Investment Activity of Commercial Banks

Total claims of commercial banks on the private and government sectors (bank credit and investments) went up by 5.2 percent (Rls 52.8 billion) to Rls 1,070.0 billion during the second quarter of 2011, compared to a rise of 2.7 percent (Rls 27.1 billion) in the preceding quarter. At the end of the second quarter of 2011, they recorded an annual growth of 11.6 percent (Rls 111.6 billion) to constitute 101.5 percent of total bank deposits, compared to 97.5 percent at the end of the preceding quarter.

Total claims of commercial banks on the private sector during the second quarter of 2011 went up by 2.7 percent (Rls 21.3 billion) to Rls 819.5 billion, compared to a rise of 2.9 percent (Rls 22.5 billion) during the preceding quarter, recording an annual rise of 7.8 percent (Rls 59.2 billion) at the end of the second quarter of 2011. The ratio of commercial banks' claims on the private sector to total bank deposits was 77.7 percent at the end of the second quarter of 2011, compared to 76.5 percent at the end of the previous quarter.

Total claims of commercial banks on the government and quasi-government sectors increased by 14.0 percent (Rls 31.5 billion) to Rls 250.5 billion during the second quarter of 2011 compared to a rise of 2.0 percent (Rls 4.6 billion) during the preceding quarter. At the end of the second quarter of 2011, they registered an annual increase of 26.5 percent (Rls 52.4 billion). Their ratio to total bank deposits was 23.8 percent at the end of the second quarter of 2011, compared to 21.0 percent at the end of the previous quarter.



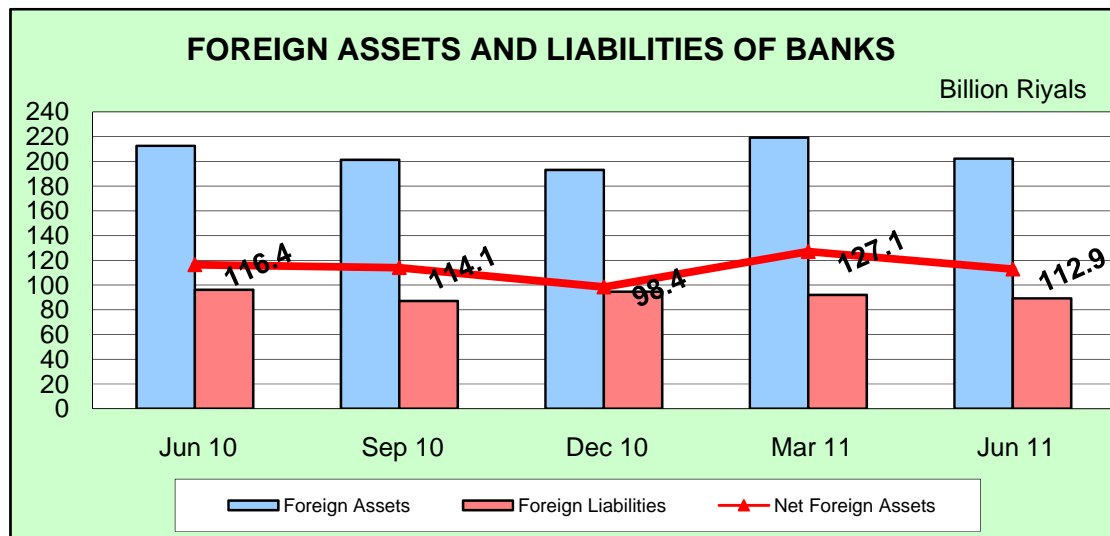
An analysis of bank credit by maturity (private and government sectors) during the second quarter of 2011 shows that short-term credit rose by 1.8 percent (Rls 8.3 billion) to Rls 466.5 billion compared to an increase of 0.5 percent (Rls 2.1 billion) during the preceding quarter. Medium-term credit increased by 1.7 percent (Rls 2.2 billion) to Rls 132.8 billion during the second quarter of 2011 compared to a rise of 2.9 percent (Rls 3.7 billion) during the preceding quarter. Long-term credit went up by 5.1 percent (Rls 10.5 billion) to Rls 214.9 billion compared to a rise of 6.3 percent (Rls 12.0 billion) during the preceding quarter.

Total bank credit extended, by economic activity, increased by 2.6 percent (Rls 20.9 billion) to Rls 814.2 billion during the second quarter of 2011, compared to a rise of 2.3 percent (Rls 17.9 billion) during the preceding quarter, recording an annual rise of 7.2 percent (Rls 54.6 billion) at the end of the second quarter of 2011. A breakdown of bank credit extended to different economic activities during the second quarter of 2011 indicates that bank credit extended to “commerce” increased by 2.8 percent (Rls 5.3 billion), to “industry and production” by 7.4 percent (Rls 6.9 billion), to “other miscellaneous services” by 3.3 percent (Rls 1.2 billion), to “mineral and mining” by 2.5 percent (Rls 0.2 billion), to “transport and communications” by 5.6 percent (Rls 2.7 billion), to “finance” by 32.0 percent (Rls 4.2 billion), to “water, electricity and other services” by 5.1 percent (Rls 1.0

billion), and to "other sectors" by 2.4 percent (Rls 6.8 billion). In contrast, bank credit extended during the second quarter of 2011 to "agriculture and fishing" decreased by 0.4 percent (Rls 0.04 billion), to "government and quasi-government sector" by 1.5 (Rls 0.4 billion), and to "building and construction" by 12.3 percent (Rls 6.9 billion).

3.3 Commercial Banks' Foreign Assets and Liabilities

Total foreign assets of commercial banks during the second quarter of 2011 decreased by 7.8 percent (Rls 17.1 billion) to Rls 202.2 billion compared to a rise of 13.5 percent (Rls 26.1 billion) during the preceding quarter, registering an annual decline of 4.9 percent (Rls 10.5 billion) and constituting 13.4 percent of total commercial banks' assets compared to 13.6 percent at the end of the preceding quarter.



Commercial banks' total foreign liabilities went down by 3.1 percent (Rls 2.9 billion) to Rls 89.3 billion during the second quarter of 2011 against a fall of 2.7 percent (Rls 2.6 billion) in the preceding quarter. The annual growth rate of total foreign liabilities decreased by 7.2 percent (Rls 6.9 billion), constituting 5.9 percent of commercial banks' total liabilities against 6.7 percent at the end of the

preceding quarter. Net foreign assets declined by 11.2 percent (Rls 14.2 billion) to Rls 112.9 billion at the end of the second quarter of 2011 compared to a rise of Rls 29.1 billion during the preceding quarter.

3.4 Commercial Banks' Capital and Reserves, Profits and Branches

The capital and reserves of commercial banks declined by 1.4 percent (Rls 2.8 billion) to Rls 194.4 billion due to a decrease in the undistributed profit during the second quarter of 2011 compared to an increase of 10.8 percent (Rls 197.2 billion) in the previous quarter. The ratio of commercial banks' capital and reserves to total bank deposits at the end of the second quarter of 2011 stood at 18.4 percent compared to 18.9 percent in the previous quarter. Their annual growth rate rose by 6.4 percent (Rls 11.7 billion).

Commercial banks' profits stood at Rls 8.1 billion during the second quarter of 2011 compared to Rls 7.6 billion in the preceding quarter, increasing by 6.9 percent (Rls 0.5 billion) and recording an annual growth rate of 16.8 percent (Rls 1.2 billion).

During the second quarter of 2011, the number of commercial banks' branches operating in the Kingdom increased to 1,620 compared to 1,607 at the end of the preceding quarter, recording a growth rate of 0.8 percent (13 branches).

3.5 Commercial Banks' Assets and Liabilities

Total assets and liabilities of commercial banks stood at Rls 1,506.6 billion at the end of the second quarter of 2011, increasing by 2.0 percent (Rls 25.7 billion), compared to a rise of 5.0 percent (Rls 65.6 billion) in the preceding quarter, recording an annual growth rate of 9.0 percent (Rls 124.9 billion) at the end of the second quarter of 2011.

Fourth: Banking Technology Developments

Statistics of the Saudi Riyal Inter-bank Express System (SARIE) show that the value of transactions in the second quarter of 2011 totaled Rls 15,620.0 billion (nearly \$4,165.3 billion) through 1.3 million messages involving a total of 13.2 million transactions carried out through SARIE. The value of single payment transactions totaled Rls 15,275.6 billion, whereas the total value of gross payments stood at Rls 338.3 billion*. Customers' payments stood at Rls 919.3 billion, increasing by 24.3 percent over the corresponding quarter of the preceding year. The total value of inter-bank payments transactions stood at Rls 14,694.6 billion.

As for SPAN developments, the number of transactions executed via ATMs in the second quarter of 2011 stood at about 328.9 million totaling Rls 156.5 billion, including bank transactions and SPAN transactions. Total transactions executed through POS terminals stood at 48.5 million with a total value of Rls 27.1 billion during the second quarter of 2011. The number of ATMs totaled 11,300 and the number of cards issued by domestic banks stood at about 13.3 million at the end of the second quarter of 2011. The number of POS terminals exceeded 84.3 thousand at the end of the same quarter.

The number of bank checks (outgoing and incoming) cleared at clearing houses in the second quarter of 2011 totaled 1.9 million with a total value of Rls 213.4 billion. The number of household and business checks totaled 1.7 million with a total value of Rls 150.9 billion, while the number of banks' checks

* Including total customers' and inter-bank payments.

(certified) totaled 229.3 thousand with a total value of Rls 62.5 billion during the same period.

Fifth: Domestic Share Market Developments

The general share price index went up during the second quarter of 2011 by 0.2 percent to 6,576.0 compared to a rise of 0.9 percent in the preceding quarter, while it recorded an annual rise of 7.9 percent. During the second quarter of 2011, the number of shares traded went up by 23.8 percent to about 15.1 billion compared to a rise of 70.6 percent in the preceding quarter. However, shares traded denoted an annual growth rate of 32.4 percent. Total value of shares traded increased by 24.1 percent to Rls 323.0 billion during the second quarter of 2011 compared to a rise of 52.7 percent in the preceding quarter, with its annual growth rate rising by 21.6 percent.

At the end of the second quarter of 2011, the market capitalization of issued shares went down by 0.9 percent to Rls 1,307 billion against a decline of 0.5 percent in the preceding quarter, recording an annual rise of 9.1 percent in its annual growth rate. Total number of transactions executed in the second quarter of 2011 recorded an increase of 31.8 percent to 7.4 million compared to a rise of 43.7 percent in the preceding quarter. The annual growth rate of the total number of executed transactions went up by 16.6 percent.

Sixth: Investment Funds

Total assets of investment funds managed by investment companies stood at Rls 88.9 billion in the second quarter of 2011 compared to a decline of 6.2 percent (Rls 5.8 billion) in the preceding quarter. However, its annual growth rate went down by 10.2 percent (Rls 10.1 billion).

A breakdown of the funds' assets indicates a decline in domestic assets by 2.0 percent (Rls 1.7 billion) to Rls 69.1 billion in the second quarter of 2011, compared to a decline of 4.9 percent (Rls 3.7 billion) in the preceding quarter, and its annual growth rate went down by 13.1 percent (Rls 10.4 billion). Foreign assets registered an increase of 9.0 percent (Rls 1.7 billion) to Rls 19.8 billion during the second quarter of 2011 against a decline of 10.7 percent (Rls 2.2 million) in the preceding quarter, recording an annual increase rate of 1.9 percent (Rls 0.4 billion).

The number of subscribers to investment funds dropped by 2.0 percent (7,393) to 305.3 thousand in the second quarter of 2011 compared to a decline of 2.4 percent (7,754) in the preceding quarter. The number of subscribers recorded an annual decrease rate of 10.4 percent (35,247). The number of operating funds remained stable at 243 during the second quarter of 2011, the same in the preceding quarter.

Seventh: Supervisory and Legislative Banking Developments during the second Quarter of 2011:

Pakistan National Bank officially commenced its activities on Wednesday, 6/7/1432H (8/6/2011).

Eighth: Prominent Economic Developments during the Second Quarter of 2011

The following Resolutions were issued by the Council of Ministers during the second quarter of 2011.

- The Council of Ministers issued a resolution on 11/7/1432H (13/6/2011) approving lending the Saudi Electricity Company an

interest-free loan for the amount of Rls 51.1 billion for a term of 25 years.

- The Council of Ministers issued a resolution on 18/7/1432H (20/6/2011) approving the establishment of The Saudi Company for Technological Development and Investment "Taqneyah".
- The Council of Ministers issued a resolution on 25/7/1432H (27/6/2011) approving the licensing of a joint stock company named "Saudi Enayah Company for Cooperative Insurance".