



# **Economic Developments**

Third Quarter, 2011

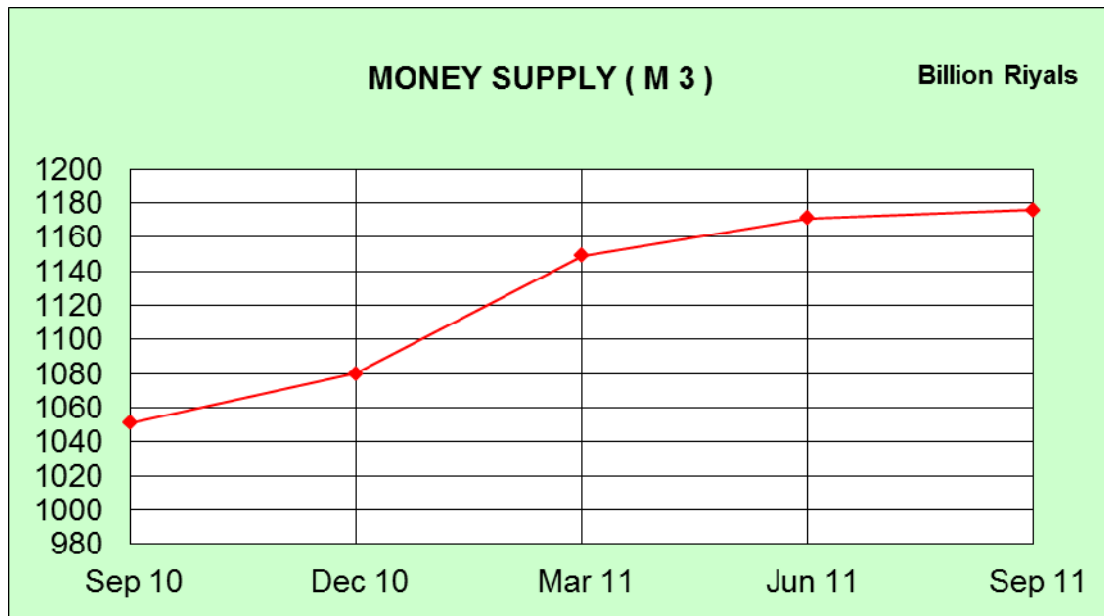
Research and Statistics Department  
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### **First: Monetary Developments**

Broad money (M3) rose by 0.4 percent (Rls 4.8 billion) to Rls 1,175.8 billion during the third quarter of 2011 compared to an increase of 1.9 percent (Rls 21.3 billion) during the preceding quarter. M3 registered an annual growth rate of 11.9 percent (Rls 124.9 billion).



An analysis of the components of money supply (M3) indicates that (M1) rose by 1.4 percent (Rls 9.8 billion) to Rls 726.5 billion, or 61.8 percent of total money supply (M3) during the third quarter of 2011 compared to a rise of 4.5 percent (Rls 30.9 billion) during the preceding quarter. Money supply (M1) registered an annual rise of 22.9 percent (Rls 135.2 billion) at the end of the third quarter of 2011. Money supply (M2) also went up by 0.1 percent (Rls 1.1 billion) to Rls 1,015.9 billion, or 86.4 percent of total money supply (M3) during the third quarter of 2011 against a rise of 3.2 percent (Rls 31.3 billion) in the preceding quarter. Money supply (M2) recorded an annual increase of 14.2 percent (Rls 126.5 billion) at the end of the third quarter of 2011.

**Second: Monetary Policy:**

During the third 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.

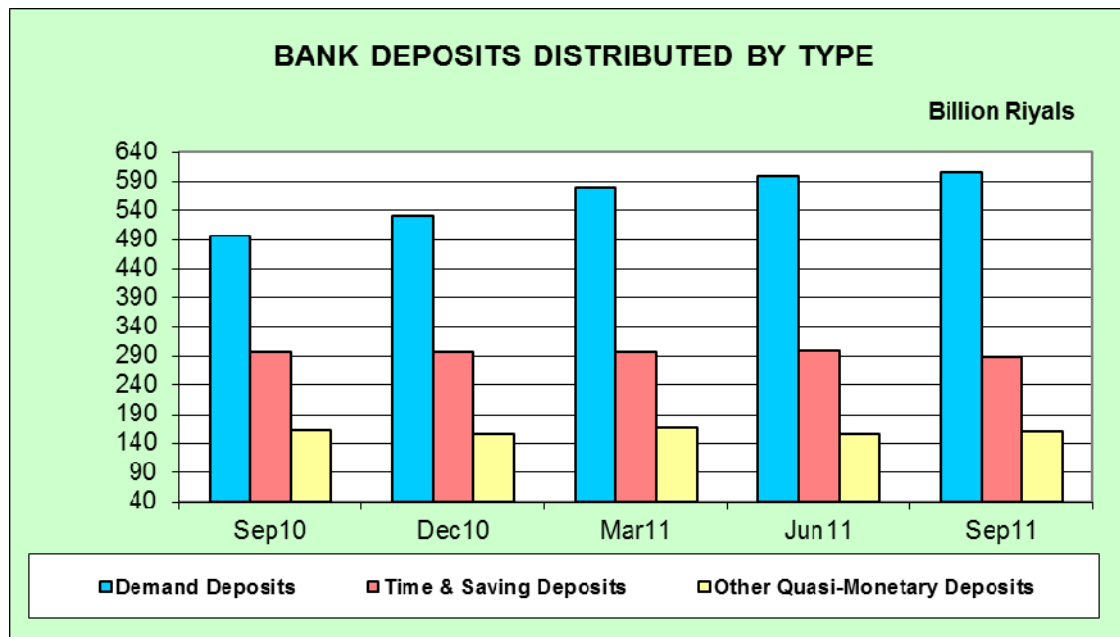
SAMA's daily average Repo transactions stood at Rls 253 million in the third quarter of 2011 against Rls 657 million in the preceding quarter. Daily average Reverse Repo transactions reached Rls 59,789 million during the same period compared to Rls 81,869 million in the preceding quarter of the same year.

Domestic inter-bank interest rates on three-month inter-bank (SIBOR) deposits declined to 0.60 percent at the end of the third quarter of 2011 compared to its stability at 0.66 percent in the preceding quarter. The differential between the Riyal and the Dollar deposits for a three-month period declined in favor of the Riyal, from 45 basis points to 23 basis points at the end of the third 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 third quarter, 2011.

**Third: Banking Developments****3.1 Bank Deposits**

Total bank deposits recorded a rise of 0.1 percent (Rls 0.97 billion) to Rls 1,055.1 billion during the third quarter of 2011 compared to a rise of 1.0 percent

(Rls 10.7 billion) during the preceding quarter, recording an annual rise of 10.4 percent (Rls 99.6 billion) at the end of the third quarter of 2011. The ratio of total bank deposits to total broad money supply (M3) at the end of the third quarter of 2011 stood at 89.7 percent compared to 90.0 percent at the end of the preceding quarter.



A review of the components of deposits by type during the third quarter of 2011 indicates that demand deposits rose by 1.0 percent (Rls 5.9 billion) to Rls 605.7 billion compared to a rise of 3.5 percent (Rls 20.2 billion) during the preceding quarter. While time and savings deposits went down by 2.9 percent (Rls 8.8 billion) to Rls 289.5 billion against a rise of 0.2 percent (Rls 0.5 billion) during the preceding quarter. Other quasi-monetary deposits rose by 2.4 percent (Rls 3.8 billion) to Rls 159.9 billion compared to a decline of 6.1 percent (Rls 9.6 billion) during the preceding quarter. Demand deposits recorded an annual rise of 22.2 percent (Rls 109.9 billion), whereas time and savings deposits recorded an annual decline of 2.9 percent (Rls 8.6 billion) and other quasi-monetary deposits recorded

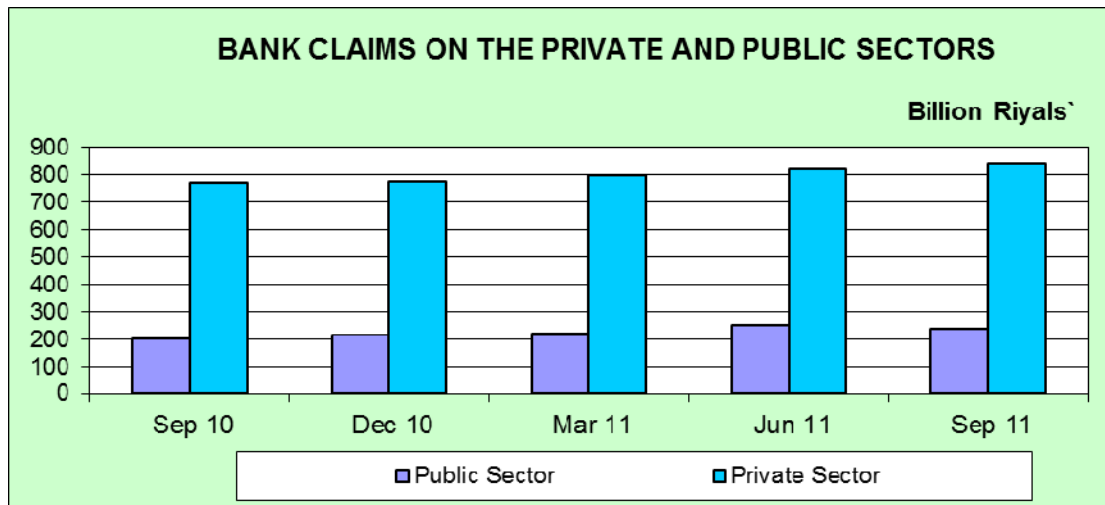
an annual decrease of 1.0 percent (Rls 1.6 billion) at the end of the third quarter of 2011.

### **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 0.8 percent (Rls 8.7 billion) to Rls 1,078.7 billion during the third quarter of 2011, compared to a rise of 5.2 percent (Rls 52.8 billion) in the preceding quarter. At the end of the third quarter of 2011, they recorded an annual growth of 10.7 percent (Rls 104.5 billion) to constitute 102.2 percent of total bank deposits, compared to 101.5 percent at the end of the preceding quarter.

Total claims of commercial banks on the private sector during the third quarter of 2011 went up by 2.6 percent (Rls 21.3 billion) to Rls 840.8 billion, compared to a rise of 2.7 percent (Rls 21.3 billion) during the preceding quarter, recording an annual rise of 8.8 percent (Rls 67.7 billion) at the end of the third quarter of 2011. The ratio of commercial banks' claims on the private sector to total bank deposits was 79.7 percent at the end of the third quarter of 2011, compared to 77.7 percent at the end of the previous quarter.

Total claims of commercial banks on the government and quasi-government sectors decreased by 5.0 percent (Rls 12.6 billion) to Rls 237.8 billion during the third quarter of 2011 compared to a rise of 14.4 percent (Rls 31.5 billion) during the preceding quarter. At the end of the third quarter of 2011, they registered an annual increase of 18.3 percent (Rls 36.9 billion). Their ratio to total bank deposits was 22.5 percent at the end of the third quarter of 2011, compared to 23.8 percent at the end of the previous quarter.



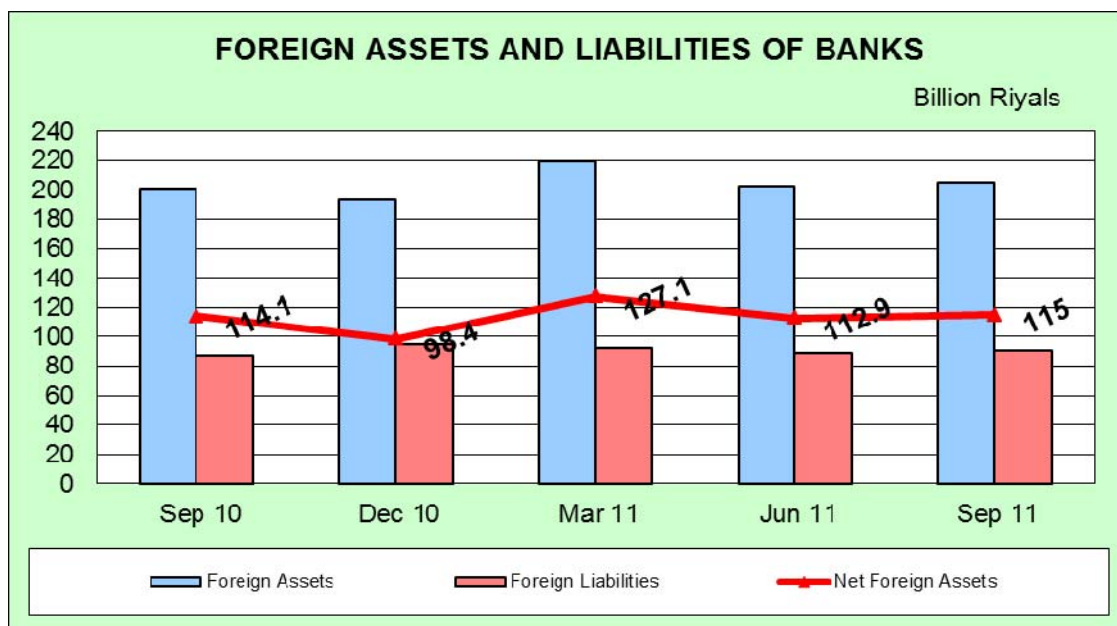
An analysis of bank credit by maturity (private and government sectors) during the third quarter of 2011 shows that short-term credit rose by 3.9 percent (Rls 18.1 billion) to Rls 484.6 billion compared to an increase of 1.8 percent (Rls 8.3 billion) during the preceding quarter. Medium-term credit increased by 0.2 percent (Rls 0.3 billion) to Rls 133.0 billion during the third quarter of 2011 compared to a rise of 1.7 percent (Rls 2.2 billion) during the preceding quarter. Long-term credit went up by 2.4 percent (Rls 5.1 billion) to Rls 219.9 billion compared to a rise of 5.1 percent (Rls 10.5 billion) during the preceding quarter.

Total bank credit extended, by economic activity, increased by 2.9 percent (Rls 23.5 billion) to Rls 837.6 billion during the third quarter of 2011, compared to a rise of 2.6 percent (Rls 20.9 billion) during the preceding quarter, recording an annual rise of 8.2 percent (Rls 63.4 billion) at the end of the third quarter of 2011. A breakdown of bank credit extended to different economic activities during the third quarter of 2011 indicates that bank credit extended to “commerce” increased by 1.7 percent (Rls 3.2 billion), to “building and construction” by 10.3 percent (Rls 5.1 billion), to “industry and production” by 3.3 percent (Rls 3.4 billion), to “mineral and mining” by 8.6 percent (Rls 0.5 billion), to “water, electricity and other services” by 7.9 percent (Rls 1.6 billion), to “government and quasi-

government sector" by 7.1 percent (Rls 2.0 billion), and to "other sectors" by 5.6 percent (Rls 16.5 billion). In contrast, bank credit extended during the third quarter of 2011 to "services" decreased by 0.3 percent (Rls 0.1 billion), to "transport and communications" by 11.3 percent (Rls 5.7 billion), and to "finance" by 17.4 percent (Rls 3.0 billion), while "agriculture and fishing" remained unchanged at (Rls 10.1 billion).

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

Total foreign assets of commercial banks during the third quarter of 2011 increased by 1.6 percent (Rls 3.2 billion) to Rls 205.4 billion compared to a decline of 7.8 percent (Rls 17.1 billion) during the preceding quarter, registering an annual rise of 2.1 percent (Rls 4.1 billion) and constituting 13.6 percent of total commercial banks' assets compared to 13.4 percent at the end of the preceding quarter.



Commercial banks' total foreign liabilities went up by 1.3 percent (Rls 1.1 billion) to Rls 90.4 billion during the third quarter of 2011 against a fall of 3.1 percent (Rls 2.9 billion) in the preceding quarter. The annual growth rate of total

foreign liabilities increased by 3.7 percent (Rls 3.2 billion), constituting 3.6 percent of commercial banks' total liabilities against 3.2 percent at the end of the preceding quarter. Net foreign assets went up by 1.8 percent (Rls 2.0 billion) to Rls 114.9 billion at the end of the third quarter of 2011 compared to a decline of Rls 14.2 billion during the preceding quarter.

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

The capital and reserves of commercial banks declined by 1.7 percent (Rls 3.3 billion) to Rls 191.1 billion compared to a decrease of 1.4 percent (Rls 194.4 billion) in the previous quarter. The ratio of commercial banks' capital and reserves to total bank deposits at the end of the third quarter of 2011 stood at 18.1 percent compared to 18.4 percent in the previous quarter. Their annual growth rate rose by 5.6 percent (Rls 10.2 billion) in the third quarter of 2011.

Commercial banks' profits stood at Rls 7.7 billion during the third quarter of 2011 compared to Rls 8.1 billion in the preceding quarter, decreasing by 5.1 percent (Rls 0.4 billion) and recording an annual growth rate of 35.0 percent (Rls 1.9 billion).

During the third quarter of 2011, the number of commercial banks' branches operating in the Kingdom increased to 1,633 compared to 1,620 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 1,507.8 billion at the end of the third quarter of 2011, increasing by 0.1 percent (Rls 1.2 billion), compared to a rise of 2.0 percent (Rls 25.7 billion) in the preceding quarter, recording an annual growth rate of 9.6 percent (Rls 131.7 billion) at the end of the third 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 third quarter of 2011 totaled Rls 1,154.6 billion (nearly \$3,077.5 billion) through 1.2 million messages involving a total of 10.0 million transactions carried out through SARIE. The value of single payment transactions totaled Rls 11,262.7 billion, whereas the total value of gross payments stood at Rls 272.3 billion\*. Customers' payments stood at Rls 814.3 billion, increasing by 20.7 percent over the corresponding quarter of the preceding year. The total value of inter-bank payments transactions stood at Rls 10,720.4 billion.

As for SPAN developments, the number of transactions executed via ATMs in the third quarter of 2011 stood at about 310.3 million, totaling Rls 148.5 billion, including bank transactions and SPAN transactions. Total transactions executed through POS terminals stood at 48.9 million with total sales of Rls 25.8 billion during the third quarter of 2011. The number of ATMs totaled 11,517 and the number of cards issued by domestic banks stood at 13.6 million at the end of the third quarter of 2011. The number of POS terminals exceeded 86.9 thousand at the end of the same quarter.

The number of bank checks (outgoing and incoming) cleared at clearing houses in the third quarter of 2011 totaled 1.6 million with a total value of Rls 173.2 billion. The number of household and business checks totaled 1.4 million with a total value of Rls 127.5 billion, while the number of banks' checks (certified) totaled 212.7 thousand with a total value of Rls 45.6 billion during the same period.

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\* Including total customers' and inter-bank payments.

**Fifth: Domestic Share Market Developments**

The general share price index went down during the third quarter of 2011 by 7.1 percent to 6,112.4 compared to a rise of 0.2 percent in the preceding quarter, recording an annual decline of 4.4 percent. During the third quarter of 2011, the number of shares traded went down by 47.5 percent to about 7.9 billion compared to a rise of 23.8 percent in the preceding quarter. However, shares traded denoted an annual growth rate of 26.9 percent. Total value of shares traded decreased by 40.2 percent to Rls 193.0 billion during the third quarter of 2011 compared to a rise of 24.1 percent in the preceding quarter, rising by an annual growth rate of 45.2 percent.

At the end of the third quarter of 2011, the market capitalization of issued shares went down by 7.1 percent to Rls 1,214 billion against a decline of 0.5 percent in the preceding quarter, recording an annual decline of 3.8 percent in its annual growth rate. Total number of transactions executed in the third quarter of 2011 recorded an increase of 36.9 percent to 4.6 million compared to a rise of 31.8 percent in the preceding quarter. The annual growth rate of the total number of executed transactions went up by 16.5 percent.

**Sixth: Investment Funds**

Total assets of investment funds managed by investment companies went down by 3.8 percent (Rls 3.4 billion) in the third quarter of 2011 to Rls 85.5 billion compared to Rls 88.9 billion in the preceding quarter, recording a decline in its annual growth rate by 13.0 percent (Rls 12.8 billion).

A breakdown of the funds' assets indicates a decline in domestic assets by 2.5 percent (Rls 1.7 billion) to Rls 67.4 billion in the third quarter of 2011, compared to a decline of 2.0 percent (Rls 1.7 billion) in the preceding quarter. Their annual growth rate declined by 14.1 percent (Rls 11.1 billion). Foreign

assets registered a decline of 8.5 percent (Rls 1.7 billion) to Rls 18.1 billion during the third quarter of 2011 against a rise of 9.0 percent (Rls 1.7 million) in the preceding quarter, recording a decline of 8.8 percent (Rls 1.7 billion) in their annual growth rate.

The number of subscribers to investment funds dropped by 1.7 percent (5,230) to 300.1 thousand in the third quarter of 2011 compared to a decline of 2.0 percent (7,393) in the preceding quarter. The number of subscribers recorded an annual decrease rate of 9.4 percent (31,247). The number of operating funds declined by 1.6 percent (4 funds) to 239 during the third quarter of 2011, compared to 243 in the preceding quarter.

#### **Seventh: Supervisory and Legislative Banking Developments:**

The following Circulars were issued during the Third Quarter of 2011:

- Circular No. 18193/BCS/38836 dated 3/7/2011 (2/8/1432H) , approving the Draft Rules on Stress Testing.
- Circular No. 19120/BCS dated 16/7/2011 (15/8/1423H) concerning BCBS Documents: Range of Methodologies for Risk and Performance Alignment of Remuneration, Pillar 3 disclosure requirements for remuneration..
- Circular No. 20727/BCS/44148 dated 2/8/2011 (2/9/1432H) regarding releases of BIS's consultation documents on measures to addressing address systemically important financial institutions.
- The State Bank of India branch commenced trial operation on Saturday 16/7/2011 (15/8/1432H).

**Eighth: Prominent Regulatory Developments in the Saudi Economy during the Third Quarter of 2011**

An approval was issued increasing the limit of an industrial loan to 75 percent in the least developed regions or cities. The SIDF's loan shall not be more than 50 percent of the finance required for the project to be initiated or developed. The term of loan repayment shall not exceed 15 years, extendable to 20 years by the SIDF in the least developed regions or cities.