Kingdom of Saudi Arabia

# Saudi Arabian Monetary Agency

Forty Ninth
Annual Report
Latest Economic Developments
1434H (2013G)

# 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 Forty-Ninth Annual Report of the Saudi Arabian Monetary Agency, which reviews latest developments witnessed by the Saudi economy during fiscal year 1433/34H (2012) and the first quarter of fiscal year 1434/35H (2013). The Report covers various areas of the domestic economy, including monetary developments, banking activity, capital market, prices, public finance, national accounts, foreign trade and balance of payments. Apart from providing an overview of latest global economic and financial developments, the Report gives full description of SAMA's functions such as designing and conducting monetary policy and supervising commercial banks and cooperative insurance activity. The Report mainly relies on official data obtained from ministries, Government departments and public sector enterprises, in addition to a host of data issued by SAMA itself. I would like to thank all ministries and other entities for their cooperation in making available valuable information and data for the preparation of this Report.

Finally, I would like to thank all SAMA's staff for the efforts they exerted for the preparation of this Report and for performing all functions entrusted to SAMA.

**Fahad Abdullah Almubarak**
**Governor and Chairman of the Board**

**Ramadan 1434H**
**July 2013G**

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For the latest reports and quarterly and non quarterly monetary and banking statistics and balance of payments estimates published by the Saudi Arabian Monetary Agency as well as instructions issued by it to financial institutions supervised by it, please visit SAMA's website given below:

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## SAMA HEAD QUARTERS AND BRANCHES:

| | |
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### World Economic Situation

The world economy experienced a decline in its growth rate to 3.2 percent during 2012, from 4.0 percent in 2011. This was due to a number of factors, including the financial turmoil facing the economies of the Euro area represented in the problem of sovereign debt, banking sector debt and fiscal austerity. According to estimates of the World Economic Outlook (April 2012), issued by IMF, the global economy is expected to grow by 3.3 percent in 2013.

### Economic Growth

The global economy recorded a decline in its growth rate with real growth coming down to 3.2 percent in 2012 than 4.0 percent in 2011 (Table 1.1). Advanced economies registered a growth rate of 1.2 percent against 1.6 percent in the preceding year. In the USA, the growth rate stood at 2.2 percent in 2012 compared to 1.8 percent in 2011. The Euro area countries recorded a recession of 0.6 percent in 2012 against a growth rate of 1.4 percent in 2011, Germany grew by 0.9 percent in 2012 compared to 3.1 percent in 2011. France recorded no growth. Italy witnessed a recession rate of 2.4 percent in 2012 against a growth rate of 0.4 percent in 2011. Japan grew by 1.9 percent in 2012 against a recession of 0.6 percent in the previous year. In the UK, the growth rate was 0.2 percent in 2012 compared to 0.9 percent in 2011. In the new industrial Asian economies, the growth rate stood at 2.1 percent in 2012 against 4.0 percent in 2011. In the emerging market and developing countries, the growth rate dropped from 6.4 percent in 2011 to 5.1 percent in 2012. The growth rate in Asian developing countries decreased from 8.1 percent to 6.6 percent; in China from 9.3 percent in 2011 to 7.8 percent in 2012 and in India from 7.7 percent to 4.5 percent. The Middle East and North African countries, Afghanistan and Pakistan grew from 3.9 percent in 2011 to 4.7 percent in 2012. Central and Eastern Europe countries registered a growth rate of 1.6 percent in 2012 against 5.2 percent in 2011. Latin America and the Caribbean countries grew by 3.0 percent against 4.6 percent in the previous year. Commonwealth of Independent States (of former Soviet Union) registered a growth rate of 3.4 percent in 2012 compared with 4.8 percent in 2011.

According to preliminary projections, the growth rate of the world economy is expected to rise to 3.3 percent in 2013. Advanced economies are projected to record a stable growth rate of 1.2 percent in 2013 . The Euro area is expected to register a negative growth of 0.3 percent in 2013, and growth is projected to rise in the new Asian industrial economies to 3.6 percent in 2013. The growth rate in developing and emerging economies is expected to increase from 5.1 percent in 2012 to 5.3 percent in 2013. In China, the growth rate is expected to rise from 7.8 percent in 2012 to 8.0 percent in 2013. In the USA, the growth rate is expected to go down to 1.9 percent. Chart 1.1 shows the world real GDP growth rates in all these groups of countries during the period 2008-2013. They are expected to record a rise in growth rates in 2013.

### Inflation

Globally, the inflation rate declined to 3.3 percent in 2012. Inflation rates, measured by change in consumer price index, dropped in all groups of countries. In advanced economies, inflation rate went down from 2.7 percent in 2011 to 1.9 percent in 2012; in the Euro area, from 2.7 percent to 2.5 percent, and in the new Asian industrial economies, from 3.6 percent in 2011 to 2.7 percent in 2012. In Asian developing countries, the inflation rate decreased from 6.4 percent in 2011 to 4.5 percent in 2012. In the Commonwealth of Independent States (of former Soviet Union), the rate went down from 10.1 percent to 6.5 percent (Table 1.2). Chart 1.2 shows percentage change in consumer prices for groups of countries during 2011-2013. Inflation rates in most of those groups are expected to drop during 2013.

Table 1.1: WORLD REAL GDP GROWTH RATES
(Percent)

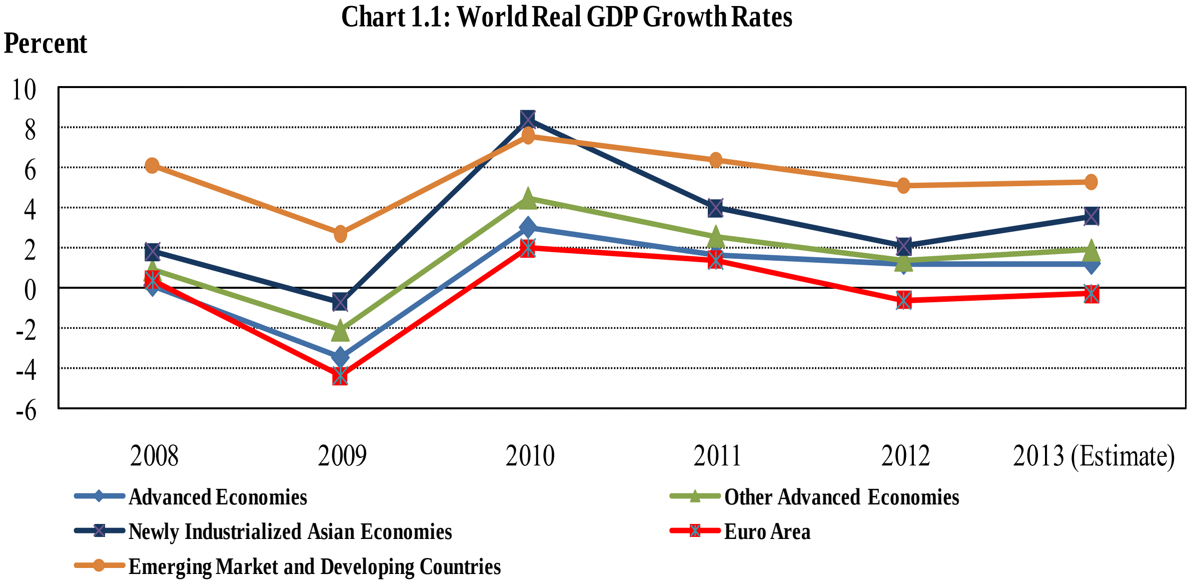
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Projection 2013 |
|---|---|---|---|---|---|---|---|---|
| **The World** | **5.3** | **5.4** | **2.8** | **-0.6** | **5.2** | **4.0** | **3.2** | **3.3** |
| **Advanced economies** | **3.0** | **2.8** | **0.1** | **-3.5** | **3.0** | **1.6** | **1.2** | **1.2** |
| **Major advanced economies** | **2.6** | **2.3** | **-0.3** | **-3.8** | **2.8** | **1.5** | **1.4** | **1.3** |
| USA | 2.7 | 1.9 | -0.3 | -3.1 | 2.4 | 1.8 | 2.2 | 1.9 |
| Euro Area | 3.2 | 3.0 | 0.4 | -4.4 | 2.0 | 1.4 | -0.6 | -0.3 |
| Germany | 3.9 | 3.4 | 0.8 | -5.1 | 4.0 | 3.1 | 0.9 | 0.6 |
| France | 2.5 | 2.3 | -0.1 | -3.1 | 1.7 | 1.7 | 0.0 | -0.1 |
| Italy | 2.2 | 1.7 | -1.2 | -5.5 | 1.8 | 0.4 | -2.4 | -1.0 |
| Japan | 1.7 | 2.2 | -1.0 | -5.5 | 4.7 | -0.6 | 1.9 | 1.5 |
| U.K. | 2.6 | 3.6 | -1.0 | -4.0 | 1.8 | 0.9 | 0.2 | 0.7 |
| Canada | 2.7 | 2.1 | 1.1 | -2.8 | 3.2 | 2.6 | 1.9 | 1.5 |
| Other advanced economies | 3.9 | 4.2 | 0.9 | -2.1 | 4.5 | 2.6 | 1.4 | 1.9 |
| **European Union** | **3.6** | **3.4** | **0.5** | **-4.2** | **2.0** | **1.6** | **-0.2** | **0.0** |
| **New industrial Asian** | **5.8** | **5.9** | **1.8** | **-0.7** | **8.4** | **4.0** | **2.1** | **3.6** |
| **Emerging markets and developing countries** | **8.3** | **8.7** | **6.1** | **2.7** | **7.6** | **6.4** | **5.1** | **5.3** |
| Sub - Saharan Africa | 6.4 | 7.0 | 5.6 | 2.7 | 5.4 | 5.3 | 4.7 | 5.5 |
| Asian developing countries | 10.4 | 11.6 | 7.9 | 6.9 | 10.0 | 8.1 | 6.6 | 7.1 |
| China | 12.7 | 14.2 | 9.6 | 9.2 | 10.4 | 9.3 | 7.8 | 8.0 |
| India | 9.4 | 10.1 | 6.2 | 4.9 | 11.2 | 7.7 | 4.5 | 5.9 |
| Middle East and North Africa | 6.7 | 6.3 | 5.0 | 2.9 | 5.3 | 3.9 | 4.7 | 3.1 |
| Middle & Eastern European Countries | 6.4 | 5.4 | 3.1 | -3.6 | 4.6 | 5.2 | 1.6 | 2.2 |
| Western Hemisphere | 5.7 | 5.8 | 4.2 | -1.5 | 6.1 | 4.6 | 3.0 | 3.4 |
| Brazil | 4.0 | 6.1 | 5.2 | -0.3 | 7.5 | 2.7 | 0.9 | 3.0 |
| **Commonwealth of Independent States** | **8.8** | **9.0** | **5.3** | **-6.5** | **4.9** | **4.8** | **3.4** | **3.4** |
| Russia | 8.2 | 8.5 | 5.2 | -7.8 | 4.5 | 4.3 | 3.4 | 3.4 |

Source: IMF, World Economic Outlook, April, 2013.

**Unemployment**

Unemployment rates in some global economies went up during 2012. In advanced economies, the unemployment rate increased from 7.9 percent in 2011 to 8.0 percent in 2012. In the USA, it went down from 9.0 percent in 2011 to 8.1 percent in 2012. In the Euro area, it rose to 11.3 percent in 2012 compared to 10.2 percent in 2011. The unemployment rate increased in France from 9.6 percent to 10.2 percent and in Germany it declined from 6.0 percent to 5.5 percent, while it rose from 8.4 percent to 10.6 percent in Italy. In the UK, it was stable at 8.0 percent. The rate in Japan fell from 4.6 percent to 4.3 percent, Canada from 7.5 percent in 2011 to 7.3 percent in 2012, and in the new Asian industrial economies from 3.6 percent to 3.5 percent (Table 1.3). Chart 1.3 shows unemployment rates in groups of countries during 2009-2013. in the New

Chart 1.1: World Real GDP Growth Rates



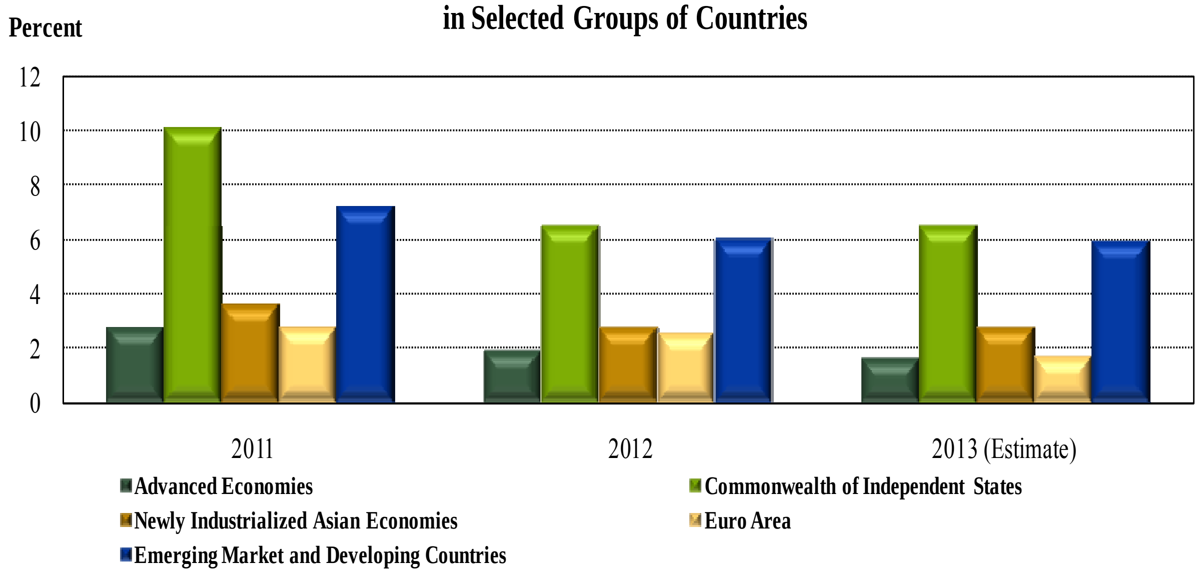

## Table 1.2: MAJOR DEVELOPMENTS IN THE WORLD ECONOMY

(Percent)

| | 2011 | 2012 | Projections 2013 |
|---|---|---|---|
| **CPI** | | | |
| Major advanced economies | 2.7 | 1.9 | 1.6 |
| Euro area | 2.7 | 2.5 | 1.7 |
| New industrial Asian economies | 3.6 | 2.7 | 2.7 |
| Emerging Markets and Developing Countries | 7.2 | 6.0 | 5.9 |
| Developing Asian countries | 6.4 | 4.5 | 4.8 |
| Commonwealth of Independent States | 10.1 | 6.5 | 6.5 |
| **LIBOR**(1) | | | |
| U.S. Dollar deposits | 0.5 | 0.7 | 0.5 |
| Japanese Yen deposits | 0.3 | 0.3 | 0.2 |
| Euro deposits | 1.4 | 0.6 | 0.3 |

(1) Six-month rate for each USA and Japan and three-month rate for Euro Zone.
Source: IMF, World Economic Outlook, April, 2013.

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



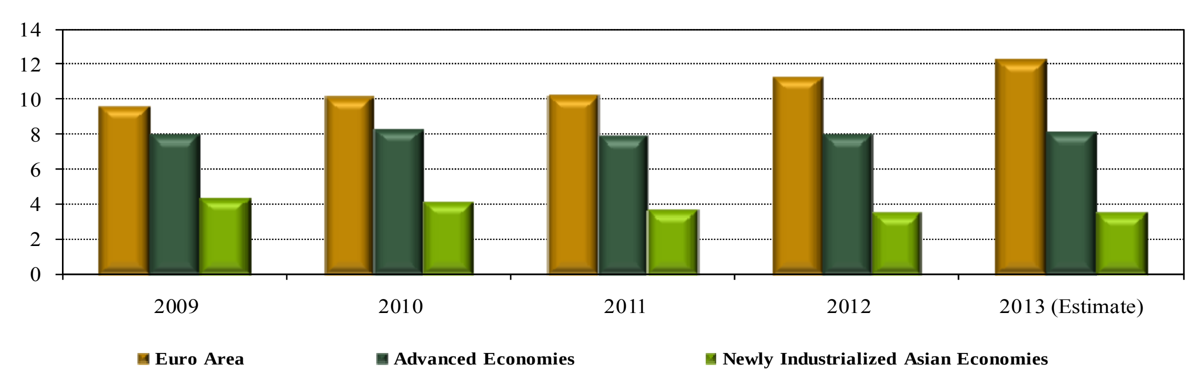

## Table 1.3: ADVANCED ECONOMIES: UNEMPLOYMENT RATES

**(Ratio to labor force)**

| | 2010 | 2011 | 2012 | Projections 2013 |
|---|---|---|---|---|
| Advanced economies | 8.3 | 7.9 | 8.0 | 8.1 |
| United States | 9.6 | 9.0 | 8.1 | 7.8 |
| Euro area | 10.1 | 10.2 | 11.3 | 12.3 |
| Germany | 7.1 | 6.0 | 5.5 | 5.7 |
| France | 9.8 | 9.6 | 10.2 | 11.2 |
| Italy | 8.4 | 8.4 | 10.6 | 12.0 |
| Japan | 5.1 | 4.6 | 4.3 | 4.2 |
| U.K. | 7.9 | 8.0 | 8.0 | 7.8 |
| Canada | 8.0 | 7.5 | 7.3 | 7.3 |
| New Industrial Asian Economies | 4.1 | 3.6 | 3.5 | 3.5 |

Source: IMF, World Economic Outlook, April, 2013.

Chart 1.3: Unemployment Rates




Asian Industrial economies, the unemployment rate is expected to be stable in 2013, while it is expected to rise in advanced economies and Euro zone countries.

### Fiscal Balances

Advanced economies recorded a decline in fiscal deficit to 5.9 percent of GDP in 2012, compared to a deficit of 6.5 percent in 2011. The deficit in the USA went down from 10.0 percent in 2011 to 8.5 percent in 2012. In the Euro area, the deficit decreased from 4.1 percent to 3.6 percent. In Germany, the deficit stood at 0.2 percent in 2012, compared to 0.8 percent in 2011. In France, it decreased from 5.2 percent to 4.6 percent and in Italy from 3.7 percent in 2011 to 2.8 percent in 2012. In Japan, the deficit went up from 9.9 percent to 10.2 percent. In the UK, it increased from 7.9 percent in 2011 to 8.3 percent in 2012. In Canada, the deficit declined from 4.0 percent in 2011 to 3.0 percent in 2012. The surplus in the new Asian industrial economies stood at 1.0 percent in 2012, against 1.5 percent in 2011 (Table 1.4).

### Monetary and Financial Developments

### Interest Rates

The prevailing LIBOR rate for US dollar denominated deposits rose to 0.7 percent in 2012, and it is expected to drop to 0.5 percent in 2013. The interest rate for euro deposits decreased from 1.4 percent to 0.6 percent in 2012; and it is expected to go down to 0.3 percent in 2013. The interest rate for Japanese yen (JPY) deposits was stable at 0.3 percent in 2012 , and it is expected to decline to 0.2 percent in 2013 (Table 1.2).

### Exchange Rates

In the fourth quarter of 2012, a number of currencies rose against the US dollar. The South Korean Won rose by 4.59 percent, the Norwegian Krone by 3.07 percent, the Swiss Franc by 2.65 percent, and the Euro by 2.49 percent. The US dollar rose by 2.21 percent against the South African Rand and by 1.13 percent against the Canadian dollar.

In Japan, the Japanese yen exchange rate decreased by 10.04 percent against the US dollar during the fourth quarter of 2012. This decline was attributable to investors' expectation that the new Japanese government will press the Japanese Central Bank to take new quantitative easing package. The Japanese yen exchange rate reached JPY 88.7 per US dollar at the beginning of 2013. In the UK, the Pound Sterling (GBP) exchange rate rose by 0.55 percent against the US dollar during the fourth quarter of 2012, as a result of Federal Reserve's new quantitative easing package, the Pound Sterling hit 1.6 per US dollar at the beginning of 2013.

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

| | 2010 | 2011 | 2012 | Projections 2013 |
|---|---|---|---|---|
| Advanced economies | -7.7 | -6.5 | -5.9 | -4.7 |
| Major advanced economies | -9.0 | -7.8 | -7.0 | -5.7 |
| United States | -11.1 | -10.0 | -8.5 | -6.6 |
| Euro area | -6.2 | -4.1 | -3.6 | -2.9 |
| Japan | -4.1 | -0.8 | -0.2 | -0.6 |
| Germany | -7.1 | -5.2 | -4.6 | -3.5 |
| France | -4.5 | -3.7 | -3.0 | -2.1 |
| Italy | -9.3 | -9.9 | -10.2 | -9.9 |
| U.K. | -10.1 | -7.9 | -8.3 | -6.3 |
| Canada | -5.3 | -4.0 | -3.0 | -2.8 |
| Other advanced economies | -0.4 | 0.1 | 0.1 | 0.8 |
| New industrial Asian economies | 1.4 | 1.5 | 1.0 | 1.7 |
| Other Emerging Markets and Developing | | | | |

*Ratio of surplus/deficit to GDP.
Source: IMF, World Economic Outlook, April, 2013.

## Capital Markets

### Equity Markets

The prices of global equities rose at the beginning of 2013 as a resolution to the European sovereign debt crisis has been reached by the European leaders, and concerns about the American fiscal cliff diminished.

In the USA, Dow Jones Index (DJIA) for American shares dropped by 2.5 percent during the last quarter of 2012 to reach 13,104.1 points at the beginning 2013. This decline was due to investors' apprehension about disagreement among American politicians about a resolution to the American fiscal cliff. In Japan NIKKI index rose by 17.2 percent during last quarter of 2012 to reach 10,709.9 points at the beginning of 2013. The rise was attributed to the new Japanese minister's promises to greatly increase government expenditure and to adopt a growth strategy aimed at stimulating private investments, in addition to pressing the Japanese Central Bank to introduce more quantitative easing measures.

In Europe, the Morgan Stanley (MSCI-EURO) index for European shares rose constantly at the end of 2012 to reach 829.5 points. This rise was because investors were optimistic that politicians would reach a solution to the problem of European sovereign debt and declining fears of withdrawal by some countries from the single currency system. In 2013, the Index stood at 855.9. In the UK, the FTSE-100 index rose at the end of 2012 to reach 6,179.2 points at the beginning of 2013. This increase was due to granting the last installment of 34.4 billion euros to Greece by the European finance ministers.

### Securities Markets

Yields went up on all U.S. government bonds of long and medium maturities during the fourth quarter of 2012. The yield on 7-year maturity bonds hit its highest point, rising by 13 basis points to 1.2 percent; that on 30-year bonds increased by 12.6 basis points to 0.3 percent; and that on 10-year bonds went up by 12.4 basis points to 1.8 percent. On the other hand, the yield on short-term government bonds declined. The largest fall on three-month maturity bonds was 5 basis points to 0.04 percent. In Japan, the yield on long-term government bonds went up during the fourth quarter of 2012, while that on medium and long-term bonds declined. The yield on 20-year bonds rose by 11.1 basis points to 1.8 percent; that on 30-year bonds went up by 8.8 basis points to 1.98 percent and that on 5-year bonds declined by 1.2 basis point to 0.19 percent.

In the Euro area, the yields on most of government medium and long term bonds dropped during the fourth quarter of 2012. The yields on 5-year maturity bonds registered the largest decline by 21.3 basis points to 0.3 percent; that on 4-year maturity bonds decreased by 15.6 basis points to 0.12 percent; and that on 50-year maturity bonds dropped by 14.1 basis points to 3.2 percent. However, the yields on 9-month maturity bonds rose by 1.2 percent to 0.04 percent.

**International Trade and Balances of Payments**

**A - International Trade**

The world trade recorded a growth of 2.5 percent in 2012 against a growth of 6.0 percent in 2011. It is expected to record a growth of 3.6 percent in 2013. The growth rate of exports of goods and services in major advanced economies stood at 1.9 percent in 2012 against a growth of 5.6 percent in 2011. It is projected to record a growth rate of 2.8 percent in 2013. In emerging markets and developing countries, the rate was 3.7 percent in 2012 compared to a growth rate of 6.4 percent in 2011, and it is expected to record a growth of 4.8 percent in 2013. In new industrial Asian countries, the rate was 1.6 percent in 2012 compared to a growth rate of 5.5 percent in 2011, and it is expected to amount to 6.6 percent in 2013 (Table 1.5).

Imports of goods and services in major advanced economies recorded a growth rate of 1.0 percent in 2012 against a growth rate of 4.7 percent in 2011. It is expected to stand at 2.2 percent in 2013. In emerging markets and developing countries, the rate stood at 5.0 percent in 2012 compared to a growth rate of 8.6 percent in 2011, and they are expected to record a growth rate of 6.2 percent in 2013. In the new industrial Asian countries, the rate was 1.8 percent in 2012 compared to a growth rate of 3.2 percent in 2011. The rate is expected to stand at 6.5 percent in 2013.

**B - Balance of Payments**

The deficit in the current account of the balance of payments of advanced economies, as a ratio of GDP, was stable at 0.3 percent in 2012. It is expected to decline to 0.1 percent in 2013. In the USA, the current account deficit went down from 3.1 percent in 2011 to 2.9 percent in 2012, and it is expected to be stable at 2.9 percent in 2013. In the Euro area, the current account recorded a surplus of 1.8 percent in 2012 against 0.6 percent in 2011. It is expected to rise to 2.3 percent in 2013. In Germany, the surplus increased from 6.2 percent in 2011 to 7.0 percent in 2012, and it is expected to stand at 6.0 percent in 2013. In France, the deficit went up from 2.0 percent in 2011 to 2.4 percent in 2012, and it is expected to go down of 1.3 percent in 2013. In Italy, the deficit declined from 3.1 percent in 2011 to 0.5 percent in 2012, and it is expected to go down to 0.3 percent in 2013. In Japan, the surplus decreased from 2.0 percent in 2011 to 1.0 percent in 2012, and it is expected to rise to 1.2 percent in 2013. In the UK, the deficit went up from 1.3 percent in 2011 to 3.5 percent in 2012, and it is projected to stand at 4.3 percent in 2013. The surplus in the new industrial Asian economies went down from 6.6 percent in 2011 to 5.6 percent in 2012, and it is expected to stand at 5.5 percent in 2013 (Table 1.5).

In Asian developing countries, the current account surplus, as a ratio of GDP, declined from 1.6 percent in 2011 to 1.0 percent in 2012, and it is expected to rise to 1.1 percent in 2013. In the Commonwealth of Independent States (of former Soviet Union) (CIS), the surplus declined from 4.5 percent to 3.2 percent, and it is expected to decrease

**Table 1.5: WORLD TRADE AND CURRENT ACCOUNT**

(Percent)

| | 2011 | 2012 | Projections 2013 |
|---|---|---|---|
| **Growth rate of world trade (goods and services )** | 6.0 | 2.5 | 3.6 |
| **Exports** | | | |
| Advanced economies | 5.6 | 1.9 | 2.8 |
| Emerging Markets and Developing countries (weighed average ) | 6.4 | 3.7 | 4.8 |
| New industrial Asian economies | 5.5 | 1.6 | 6.6 |
| **Imports** | | | |
| Advanced economies | 4.7 | 1.0 | 2.2 |
| Emerging Market and Developing countries | 8.6 | 5.0 | 6.2 |
| New industrial Asian economies | 3.2 | 1.8 | 6.5 |
| **Current Account**(1) | | | |
| Advanced economies | -0.2 | 0.3 | -0.1 |
| USA | -3.1 | -2.9 | -2.9 |
| Euro area | 0.6 | 3.0 | 2.3 |
| Germany | 6.2 | 7.0 | 6.0 |
| France | -2.0 | -2.4 | -1.3 |
| Italy | -3.1 | -0.5 | -0.3 |
| Japan | 2.0 | 1.0 | 1.2 |
| U.K. | -1.3 | -3.5 | -4.3 |
| Canada | -3.0 | -4.0 | -3.5 |
| New industrial Asian economies | 6.6 | 5.6 | 5.5 |

(1) Ratio of surplus/deficit to GDP.

Source: IMF, World Economic Outlook, April, 2013.

to 1.9 percent in 2013. In the Middle East and North African, Pakistan and Afghanistan countries (MENA), the surplus went down from 13.0 percent in 2011 to 11.5 percent in 2012, and it is expected to decline further to 10.0 percent in 2013. The Sub-Saharan African Countries registered a deficit of 2.8 percent in 2012 against 1.4 percent in the preceding year, and they are expected to record a deficit of 3.5 percent in 2013. In Latin America and the Caribbean countries, the deficit went up from 1.3 percent in 2011 to 1.7 percent in 2012, and it is expected to rise to 1.9 percent in 2013.

**Capital Flows to Emerging and Developing Markets**

Net private capital flows to emerging and developing markets decreased to $144.9 billion in 2012 from $495.3 billion in 2011, and these are expected to rise to $366.3 billion in 2013. Region-wise data show that the Asian emerging countries recorded a net capital inflow of $14.4 billion in 2012 against $311.9 billion in 2011, but inflows are expected to drop to $193.3 billion in 2013. The net private capital inflows in Latin American and the Caribbean countries amounted to $136.3 billion against $199.9 billion in the preceding year, and these are expected to stand at $125.9 billion in 2013. Net capital outflows in the Middle East and North African countries and Afghanistan and Pakistan stood at $35.1 billion in 2012 against $43.8 billion in 2011, and there would likely be net capital outflows of $10.1 billion in 2013 (Table 1.6).

A breakdown of the components of the flows shows that net direct investment flows to emerging and developing markets went up from $ 473.2 billion in 2011 to $446.3 billion in 2012, and they are expected to increase to $477.4 billion in 2013. Net investment portfolio inflows stood at $164.9 billion in 2012, against $96.7 billion in the preceding year. Meanwhile, net inflows are expected to stand at $142.3 billion in 2013. Net outflows of other investments stood at $466.4 billion in 2012, compared to $74.5 billion in 2011, and they are expected to stand at $2834 billion in 2013.

**World Oil Market**

Average world demand for oil increased by 1.0 percent to 0.9 million barrels per day (b/d) in 2012. While demand for oil by countries of the Organization for Economic Co-operation and Development (OECD) dropped by 0.6 million b/d, demand for oil by non-OECD countries rose by 1.5 million b/d during 2012.World demand for oil is projected to rise by 0.8 million b/d in 2013. This rise is due to the increased demand for oil by emerging markets.

Average world oil supply rose by 2.5 million b/d during 2012, allowing countries to store more than one million b/d. This rise was attributable to the increased production by OPEC countries. Their production rose by 1.9 million b/d, especially Libya, Iraq and Saudi Arabia. Oil supply from non-OPEC countries went up by 0.6 million b/d in 2012 due to the increased production by USA and Canada. These countries are projected to increase their production by one million b/d in 2013.

According to latest data of the IMF's "World Economic Outlook" report (April 2013), the average oil price rose by 1.0 percent in 2012, but it is expected to drop by 2.3 percent to $102.6 per barrel in 2013.

**Economic Developments in GCC countries**

Economic growth rates (in real terms) in some GCC countries went down during 2012. In Saudi Arabia, the growth rate declined from 8.6 percent in 2011 to 5.1 percent in 2012. It also went down in the UAE from 4.2 percent to 3.3 percent. The growth went up in Kuwait from 4.8 percent in 2011 to 4.9 percent in 2012. The growth rate in Qatar declined from 13 percent to 6 percent. The growth rate in Bahrain rose from 1.9 percent in 2011 to 3.9 percent in 2012. It decreased in the Sultanate of Oman from 5.5 percent to 4.9 percent (Table 1.7).

The inflation rate in Saudi Arabia decreased from 3.7 percent in 2011 to 2.9 percent in 2012. The inflation rate in the Kingdom of Bahrain rose from - 0.4 percent to 2.8 percent. The inflation rate in the UAE dropped from 0.9 percent to 0.7 percent. In Kuwait, it declined from 4.7 percent in 2011 to 3.0 percent in 2012. It also went down in the Sultanate of Oman from 4.1 percent to 3.0 percent. In Qatar, the inflation rate remained unchanged at 1.9 percent.

With regard to the balances of payments, total exports of the GCC countries rose by 11.0 percent from $931.11 billion in 2011 to $1,033.6 billion in 2012. Total imports of the GCC countries also rose by 15.6 percent from $415.71 billion in 2011 to $480.47 billion in 2012. The current account substantially improved in most GCC countries during 2012, with the current account surplus in Saudi Arabia rising from $158.5 billion in 2011 to $164.8 billion in 2012. It went up in Kuwait from $70.8 billion to $81.7 billion. In UAE, the surplus also rose from $30.7 billion in 2011 to $38.8 billion in 2012. In Qatar, the surplus rose from $52.0 billion to $57.8

**Table 1.6: CAPITAL FLOWS TO EMERGING AND DEVELOPING MARKETS**

(In billions of US dollars)

| | 2010 | 2011 | 2012 | Projections 2013 |
|---|---|---|---|---|
| **Total** | | | | |
| Net private capital flows | 599.9 | 495.3 | 144.9 | 366.3 |
| Net direct investments | 400.9 | 473.2 | 446.3 | 477.4 |
| Net portfolio investment | 224.5 | 96.7 | 164.9 | 142.3 |
| Other net investments | -25.5 | -74.5 | -466.4 | -283.4 |
| Net official flows | 68.2 | -59.5 | -41.7 | -48.8 |
| Changes in reserves* | -843.1 | -747.7 | -402.3 | -634.6 |
| **Sub - Saharan Africa** | | | | |
| Net private capital flows | -14.7 | -1.7 | 20.4 | 21.7 |
| Net direct investments | 23.2 | 37.0 | 32.8 | 37.6 |
| Net portfolio investment | -0.9 | -9.1 | 7.1 | 3.1 |
| Other net investments | -37.0 | -29.5 | -19.6 | -19.0 |
| Net official flows | 32.2 | 30.0 | 28.4 | 36.2 |
| Changes in reserves* | -1.7 | -21.4 | -20.3 | -17.1 |
| **Developing Asia** | | | | |
| Net private capital flows | 409.0 | 311.9 | 14.4 | 193.3 |
| Net direct investments | 223.4 | 222.3 | 223.4 | 222.9 |
| Net portfolio investment | 102.2 | 43.3 | 72.9 | 76.0 |
| Other net investments | 83.5 | 46.4 | -281.9 | -105.8 |
| Net official flows | 17.0 | 9.9 | 10.0 | 9.1 |
| Changes in reserves* | -567.7 | -443.1 | -126.3 | -341.8 |
| **Middle East and North Africa** | | | | |
| Net private capital flows | 18.9 | -43.8 | -35.1 | -10.1 |
| Net direct investments | 41.6 | 27.1 | 31.4 | 31.9 |
| Net portfolio investment | 29.7 | 8.1 | 27.0 | 26.2 |
| Other net investments | -52.3 | -79.1 | -93.6 | -68.2 |
| Net official flows | -65.4 | -128.5 | -148.3 | -177.9 |
| Changes in reserves* | -95.9 | -135.3 | -141.3 | -189.3 |
| **Western Hemisphere** | | | | |
| Net private capital flows | 128.9 | 199.9 | 136.3 | 125.9 |
| Net direct investments | 78.2 | 133.2 | 121.4 | 135.0 |
| Net portfolio investment | 58.0 | 49.2 | 26.9 | 3.9 |
| Other net investments | -7.4 | -17.5 | -12.0 | -12.9 |
| Net official flows | 47.7 | 23.5 | 55.1 | 40.7 |
| Changes in reserves* | -88.7 | -111.6 | -59.5 | -60.7 |
| **Common Wealth of Independent States**** | | | | |
| Net private capital flows | -25.4 | -64.9 | -57.9 | -56.7 |
| Net direct investments | 9.7 | 14.1 | 15.7 | 20.0 |
| Net portfolio investment | 8.5 | -28.6 | -14.0 | -2.6 |
| Other net investments | -43.6 | -50.4 | -59.5 | 74.1 |
| Net official flows | 1.4 | -16.9 | -3.8 | 20.6 |
| Changes in reserves* | -52.1 | -23.8 | -24.3 | -16.1 |

* Minus sign indicates an increase.

** Georgia and Mongolia are included.

Source: IMF, *World Economic Outlook*, April 2013.

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

*(Billion US dollar)*

| | UAE | | Bahrain | | KSA | | Oman | | Qatar | | Kuwait | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Nominal GDP | 338.7 | 369.2 | 25.8 | 28.7 | 669.5 | 711.1 | 72.7 | 75.4 | 173.5 | 206.5 | 168.4 | 187.3 |
| Real GDP growth (percentage) | 4.2 | 3.3 | 1.9 | 3.9 | 8.6 | 5.1 | 5.5 | 4.9 | 13.0 | 6.0 | 4.8 | 4.9 |
| Inflation rate | 0.9 | 0.7 | -0.4 | 2.8 | 3.7 | 2.9 | 4.1 | 3.0 | 1.9 | 1.9 | 4.7 | 3.0 |
| Money Supply* | 1.6 | -3.2 | 5.3 | 7.3 | 13.3 | 13.9 | 12.2 | 17.1 | 27.5 | 22.2 | 8.5 | 10.4 |
| Imports | 202.1 | 232.3 | 12.1 | 13.1 | 131.6 | 155.6 | 21.5 | 24.1 | 26.9 | 31.8 | 21.5 | 23.6 |
| Exports | 281.6 | 322.5 | 19.9 | 21.7 | 364.7 | 388.4 | 47.1 | 49.5 | 114.3 | 132.6 | 103.5 | 118.9 |
| Current account | 30.7 | 38.8 | 3.3 | 3.1 | 158.5 | 164.8 | 10.3 | 8.4 | 52.0 | 57.8 | 70.8 | 81.7 |
| Ratio of current account balance to GDP** | 9.1 | 10.5 | 12.6 | 10.8 | 27.7 | 23.2 | 14.1 | 11.1 | 30.0 | 28.0 | 42.1 | 43.6 |
| Government balance (% of GDP)** | 6.2 | 8.5 | -0.3 | -2.6 | 11.6 | 14.0 | 0.8 | 8.3 | 8.6 | 10.2 | 31.6 | 34.8 |
| Population (million) | 4.8 | 4.9 | 1.3 | 1.3 | 28.4 | 29.2 | 2.8 | 3.0 | 1.8 | 1.9 | 2.8 | 2.9 |

* M2 in Oman represents broad money supply, while M3 represents broad money supply in the remaining GCC countries.

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

Source: IMF, World Economic Outlook, April 2013; Oxford Economics Report, April2013. Central Department of Statistics and Information, and SAMA.

billion. In the Sultanate of Oman, it decreased from $10.3 billion in 2011 to $8.4 billion in 2012. The surplus in the Kingdom of Bahrain dropped from $3.3 billion in 2011 to $3.1 billion in 2012.

**Regional and International Co-operation**

**1- The GCC Monetary Union**

Member states of the Monetary Union (Kingdom of Saudi Arabia, Kingdom of Bahrain, Qatar and Kuwait) ratified the Monetary Union Agreement on 27 January 2010. The Charter of the GCC Monetary Council became effective on 27 March 2010. The GCC Monetary Council held its 1st meeting on Tuesday 30 March 2010 corresponding to 14 Rabi'II 1431H in Riyadh in the presence of Governors of central banks and monetary agencies of the member states of the Monetary Union.

In accordance with Article (10) of the Monetary Council's Charter, the Board of Directors holds six meetings a year as a minimum . It has held 21 meetings until March 2013. For accelerating the work of the Council and completing its institutional structure, the Monetary Council formed a temporary supreme preparatory committee at the level of vice-governors of the member states. A statistical Committee and legal, financial and administrative work teams stemmed from the supreme preparatory committee.

Since the commencement of its meetings, the Council's discussions were concentrated on the requirements of the next phase represented in establishing the Council's institutional structure, which would meet the basic requirements of the current phase and take into account future changes.

In this regard, the Board of Director's by-law and the GCC Monetary Council's human resources regulations, its staff payroll structure, its operating budgets for the first fiscal year ended 31 December 2011, for the second fiscal year ended 31 December 2012 and for the third fiscal year ended December 2013 were approved. An audit office for the GCC Monetary Council was appointed. The Chief Executive joined office on October 2012. Recently, a contract was concluded with one of the well-known international consulting houses for the preparation of all financial and administrative regulations and strategies necessary to complete the institutional structure of the GCC Monetary Council. The Monetary Council’s (GCC) logo designed by a specialized company was agreed upon.

In line with the Saudi Arabian government’s keenness to accelerate the establishment process of the monetary union and do all what would contribute to facilitate the work of the Monetary Council (GCC), the Council of Ministers approved, at its meeting held on Monday, February 25, 2013, authorizing the Foreign Minister - or his deputy - to discuss with the Monetary Council’s Board of Directors the draft headquarters agreement between the Saudi government and the Monetary Council.

**2- The Common Gulf Market**

The establishment of the Common Gulf Market is a culmination of a series of resolutions taken by GCC states since the establishment of GCC to bring about economic citizenship. The common Gulf market includes about forty five million people, gross national product of more than $1.4 trillion, and a volume of foreign trade exceeding $1 trillion in 2011. Statistics show an increasing number of GCC citizens benefiting from the market’s resolutions. The number of citizens who go in and out of the GCC countries stood at 14 million in 2011. The number of citizens who are practicing different economic activities in GCC countries outside their home countries also rose. The cumulative number of licenses granted to GCC citizens for practicing different economic activities reached 34 thousand. The number of GCC citizens owning real estate in GCC countries outside their home country rose to 16,107 in 2011. In stock trading, the number of GCC citizens holding shares in joint-stock companies in GCC countries, other than their home countries, amounted to 456 thousand in 661 joint-stock companies during 2011.

**3- Arab Financial Institutions**

Arab financial institutions hold annual meetings usually every Spring. During these meetings, the performance of each institution and the issues on their agendas are reviewed. The following is a brief review of those intuitions’ activities:

**a) Arab Monetary Fund (AMF)**

In 2012, the AMF extended new loans with a total value of more than half a billion dollars in 2012. Total loans extended by the AMF to Arab countries since it commenced its lending operations in 1978 up to the end of 2012 increased to $7.2 billion. Total loan commitments stood at $2.4 billion (about 86 percent of AMF’s paid-up capital (in convertible currencies) compared to 78 percent in the preceding year. Net realized income stood at $128.2 million in 2012 against $143.2 million in the preceding year, and total spending stood at $26.4 million in 2012 against $24.0 million in the preceding year. The AMF’s paid-up capital stood at $2.8 billion at the end of 2012, in which Saudi Arabia’s contribution was $424.4 million or about 14.9 percent of the total paid-up capital.

**b) Arab Bank for Economic Development in Africa (ABEDA)**

The ABEDA’s capital stood at $2.8 billion at the end of 2012, the same as at the end of 2011. Saudi Arabia’s contribution stood at $685.0 million or 24.5 percent. Total funding allocations stood at

$200 million in 2012. The ABEDA realized total revenue of $196.5 million in 2012 against $92.7 million in the preceding year. Its total expenditure stood at $18.9 million in 2012 against $17.8 million in the preceding year. Its total assets totaled $3.7 billion at the end of 2012 against $3.5 billion at the end of 2011. It recorded a net income of $177.6 million during 2012 against $74.9 million in the preceding year.

**c) Arab Fund for Economic and Social Development**

The Fund's capital stood at $7.3 billion, with Saudi Arabia's contribution amounting to $ 1.7 billion or 24.0 percent. During 2012, the Fund extended 13 loans with a total value of $1.3 billion. The cumulative value of loans extended by the Arab Fund since the commencement of its operations in 1974 up to the end of 2012 reached $26.7 billion, distributed into 593 loans. The Fund's assets totaled $10.3 billion at the end of 2012 against $10.2 billion in the preceding year. The equities of member countries stood at $9.9 billion at the end of 2012. The Fund's total income stood at $393.5 million at the end of 2012 compared to $270.9 million a year earlier. The Fund recorded a net profit of $364 million in 2011 against $244.9 million in the preceding year.

**d) Arab Investment and Export Credit Guarantee Corporation (Dhaman)**

The Dhaman's paid-in capital stood at $197.9 million at the end of 2012. Saudi Arabia's contribution to the paid-in capital stood at $13.1 million or 6.7 percent. The total value of guarantee operations rose to $1,7 billion in 2012 from $1.4 billion in 2011. At the end of 2012, Dhaman's assets totaled $346.4 million against $341.2 million at the end of 2011. The shareholders' equities stood at $322.2 million in 2012 against $371.5 million in 2011. Dhaman registered a net profit of $3.9 million against $5.8 million in the preceding year.

**e) Arab Authority for Agricultural Investment and Development (AAAID)**

The AAAID's paid-in capital totaled $358.0 million at the end of 2012, in which Saudi Arabia's contribution stood at $78.8 million or 22.4 percent. The income of the AAAID totaled $51.5 million during 2012 against $14.2 million in the preceding year. Its total expenditure stood at $20.3 million against $18.1 million in the preceding year. The AAAID registered a net profit of $31.3 million in 2012, compared to net loss of $10.3 million in 2011, and its total assets stood at $757.1 million against $721.2 million in the preceding year. The shareholders' equities stood at $592.1 million (equal to 157 percent of paid-in capital) against $562 million in the preceding year.

**4- The Islamic Development Bank (IDB)**

The IDB's total assets rose from $15.8 billion in 2011 to $17.3 billion in 2012, whereas its total liabilities went up from $5.7 billion to $6.8 billion. Total revenue stood at $468.2 million in 2012 against $393.1 million in the preceding year. The IDB's total net income stood at $174.4 million in 2012 against $166.3 million a year earlier. Total loans disbursed stood at $1.5 billion and outstanding loans $9.8 billion in 2012. Total repaid loans rose from $596.6 million in 2011 to $770.8 million in 2012.

**5- The OPEC Fund for International Development (OFID)**

The OFID's capital stood at $6.1 billion in 2012 against $5.8 billion in 2011. Its total assets rose to $6.2 billion from $5.8 billion in the preceding year. In 2012, the OFID extended loans with a total value of $3.4 billion, against $3.2 billion in 2011. Total repaid loans amounted to $4.8 billion against $4.3 billion in the preceding year. Total income increased to $350.7 million in 2012 from $43.7 million in 2011, with a net profit of $305 million in 2012 against $0.57 million in 2011.

**6- IMF**

**The International Monetary and Financial Committee**

The committee held its twenty fifth meeting in Washington, D.C. on April 20, 2013. It issued a communiqué including the following:

a. The actions taken at the policy level were successful in the elimination of most significant short-term risks. While unbalanced recovery signs are beginning to be seen, growth rates and job creation are less than what should be. New risks are arising, while there remain several old risks.

b. In Advanced economies, a slight recovery and improvement could be seen in the United States, led by the private sector, while Japan has recently stepped up its efforts to combat recession. Growth has not been achieved so far in the Euro area as a whole. However, continued progress in improving public resources is a necessary requirement in most advanced economies.

c. With the increasing activity in the emerging market and developing countries, policy standards should be restored to reconstruct preventive margins and to prevent financial risks. In the case of addressing macroeconomic risks or risks that threaten financial stability arising from large and volatile capital flows, prudential measures can be taken to support the correction of macro-economic policies.

d. In low-income countries, continued strong growth gives room for promoting protective policy buffers and for addressing urgent needs in the field of infrastructure and the social sphere, including subsidies aimed for the poor through reform of the subsidy system.

e. The committee welcomed the work of the International Monetary Fund (IMF) on jobs and growth as a basis for consultation on policies in accordance with circumstances, and in collaboration with other organizations.

f. The Committee stressed the importance of equality and effectiveness in the application of enhanced control framework to improve the integration of a multilateral views on bilateral surveillance and IMF's analysis of risks and repercussions.

g. The Committee urged members that have not completed the necessary steps to ratify the 2010 reforms to finish them without delay.

**7- World Bank Group**

**Development Committee**

The Development Committee held its meeting in Washington, DC, on 20 April 2013. It issued a communiqué stating the following:

1- Sustained economic growth in developing countries over the past decade has resulted in the achievement of the first Millennium Development Goal (MDG), to halve extreme poverty by 2015, well ahead of schedule. The committee remains strongly committed to the MDGs and it calls on the World Bank Group (WBG) to scale up its efforts to support countries in reaching the MDG targets and to participate actively in setting an ambitious post-2015 agenda.

2- Significant global challenges remain. While the outlook for developing economies is promising and downside risks have diminished in the short-run, global macroeconomic stability is not yet restored, unemployment is still high, and food prices continue to be volatile and to bear down on the poorest. Conflicts and poor governance hinder development in many regions, and climate change and natural disasters put social and economic achievements at risk. Meeting these challenges requires successful domestic policy responses, international cooperation and effective international institutions.

3- A world free of poverty remains the WBG's overarching mission. The Development Committee supports the development of a unified WBG Strategy that will relentlessly focus its activities and resources on fulfilling its mission. It, therefore, welcomes the paper, *A Common Vision for the World Bank Group*, and it looks forward to discussing the upcoming WBG Strategy at this year's Annual Meetings.

4- It equally endorses the WBG goal to promote shared prosperity, which will entail fostering income growth of the bottom 40 percent of the population in every country. It recognizes that sustained economic growth needs a reduction in inequality. Investments that create opportunities for all citizens and promote gender equality are an important end in their own right, as well as being integral to creating prosperity.

5- The goals of ending extreme poverty and promoting shared prosperity must be achieved in an environmentally, socially and fiscally sustainable manner. Climate change deserves special attention in this context. The committee welcomes the WBG's commitment to work with the international community to improve the indicators related to environmental sustainability.

6- The International Development Association (IDA) is of critical importance to the WBG's mission. The committee welcomes IDA17's overarching theme of maximizing development impact, including by further leveraging synergies with the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), as well as its focus on inclusive growth, gender equality, FCS, and climate resilience, including disaster risk management.

7- The Development Committee welcomes the contribution of the private sector to growth and job creation. Private investment flows have grown as sources of development finance and are a key factor in achieving our goals. With a proper enabling environment, adequate infrastructure, and policies that promote competition, entrepreneurship and job creation, the private sector can support shared prosperity and offer real opportunities to all citizens, especially women and young adults.

**8- Bank for International Settlement (BIS)**

The BIS held its annual meeting in Basel, Switzerland in June 2012. The BIS's 82nd annual report indicated that the global economy is still suffering form imbalances although 5 years of financial crisis passed. The report also noted that the financial sector, government sector, companies and individuals needed to reform heir financial statements.

For central banks, they strive to contain the damage resulting from the financial sector, the government sector, companies, and individuals to fund the financial sector. They have maintained a low interest rate to ease pressure on governments, companies, and individuals.

**9- Financial Stability Board**

Financial Stability Board met in January 2013 to discuss the vulnerabilities currently affecting the global financial system to strengthen it and provide direct support to it. The Board has also taken procedural steps to establish itself as a legal entity, as part of its ongoing efforts to strengthen its capacity, resources, and governance.

**10- Basel Committee**

The Basel Committee on Banking Supervision, which held a meeting in March 2013, issued a report to assess the regulations that relate to the Basel capital framework. The Committee has submitted a proposal that would strengthen capital requirements, especially when banks contribute to high-cost transactions. The Committee has also issued supervisory guidance on the external audit in consultation with the International Auditing and Security Standards Council.

**11- Group of Twenty (G20)**

Los Cabos, Mexico, hosted the seventh summit of the G20 leaders during the period 18-19 June, 2012. The summit discussed the position of the global economy, especially boosting demand and restoring confidence to support growth and enhance financial stability to create quality jobs and opportunities. The summit also discussed taking all necessary policy measures by Euro-zone members within the Group of Twenty to ensure the safety and stability of the region, improve the performance of financial markets and overcome the gaps in the feedback process between sovereigns and banks. The leaders agreed on an agenda for the implementation of structural and regulatory reforms to strengthen the prospects for growth in the medium term and build more resilient financial systems. They also reiterated the commitment to reduce imbalances by strengthening public finances of countries suffering from fiscal deficits by applying sound and sustainable policies that take into account the changes in economic situations, and in countries with a large surplus in the current account, through the boosting of domestic demand and moving towards a greater exchange rate flexibility. The leaders also agreed to monitor the developments in oil prices and stand ready to implement additional measures as needed, including the commitment by producing countries to continue ensuring an appropriate level of supply in line with demand. The leaders welcomed the readiness of Saudi Arabia to mobilize existing spare capacity when necessary. The leaders commended the progress made by countries with large surpluses in current accounts to increase domestic demand and actions taken by these countries to increase national savings.

The leaders expressed their full commitment to open trade and investment, expand markets and increase their capacity to resist all forms of protectionist policies, which are essential conditions for the sustainability of the economic recovery, employment and development. They stressed the importance of a multilateral trade that is characterized by openness, predictability, transparency and clear rules based system. The leaders welcomed the substantial progress that has been made in the implementation of the action plan and food security pillar of the Seoul's Multi-Year Action Plan on Development. The leaders also expressed their support for the report of Deputy Ministers of Agriculture, which revolves around the progress made with respect to previous commitments and key recommendations to increase agricultural productivity in a sustainable manner. It also includes ideas and information from several international organizations coordinated by the Food and Agriculture Organization of the United Nations (FAO) and the Organization for Economic Cooperation and Development. It also contains other recommendations proposed by B20 emerging from the G20 and the International Community.

**12- The group of Eight (G8)**

The G8 finance ministers and central bank governors met in the United States in May, 2012. The meeting discussed a number of topics where including the challenges facing global economic recovery, fiscal deficits, sovereign debts and their impact on financial markets. The participants reiterated their commitment to coordinate international efforts to avoid these challenges, take effective measures to maintain financial stability, restore confidence and support growth.

**13- OPEC**

The Organization of the Petroleum Exporting Countries (OPEC) held its 162nd meeting in December 2012 in Vienna , Austria. The Conference reviewed the oil market developments and the demand/supply expectations for the year 2013. The Conference saw that the rise in prices in 2012 was due to the increasing levels of speculation in the commodity markets. It reviewed expectations of global oil demand for 2012, and it noted that a slight increase was expected accompanied by an expected increase in oil supplies from non- OPEC states. Based on its revision, the Conference decided to maintain the current production levels (30 million barrels per day), including the production of Libya■

The Saudi economy continued its strong growth in 2012 as a result of significant developments and achievements made during the year. Efforts continued to introduce structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the economic bases by increasing the contribution of non-oil sectors to GDP. To realize these objectives, the government continued its increased spending on economic and social development projects in all sectors, particularly on education, training, health, social services, municipal services, roads, e-transactions projects, support of scientific research, and enhancement of investment attraction environment. This provided an impetus for accelerating economic growth and creating more job opportunities for citizens. The government also maintained its support to specialized development funds in order to extend necessary finance to different development sectors to achieve sustainable balanced growth in the various regions of the Kingdom.

Several international organizations have highlighted the strength and soundness of the Saudi economy. The International Monetary Fund (IMF)'s Report on Article 4 Consultations for 2012 commended the Kingdom's economic policies. The IMF's executive directors welcomed the efforts made by the Kingdom to maintain stability in the oil markets. According to the Group of Twenty (G-20)'s Report, the Kingdom ranked first among the Group members with regard to implementation of the G-20's commitments, which included structural reforms, fiscal consolidation, reform of financial institutions, regulation of capital markets, resistance of trade protectionism policy, and advancement made in development projects. In its report issued in March 2013, Fitch Credit Rating Agency promoted its future outlook of the Kingdom's sovereign credit rating from stable to a positive high degree (AA-), assuring the Kingdom's sound economy and its strong financial position.

Continued global economic recovery in 2012 was reflected positively on oil market situation. According to the data of the Organization of Petroleum Exporting Countries (OPEC), the average price of Arabian Light increased slightly by 2.3 percent to $110.27 per barrel from $107.8 per barrel in 2011. In addition, the Kingdom's daily average oil production rose by 5.4 percent to 9.8 million barrels in 2012 compared to 9.3 million barrels in 2011. These positive developments were reflected on the Saudi economy's major indicators (Table 2.1). GDP at current prices recorded a rise of 8.2 percent to Rls 2.7 trillion in 2012 from Rls 2.5 trillion in 2011. GDP at constant prices (base year 1999) grew by 5.1 percent to Rls 1.2 trillion from Rls 1.1 trillion in 2011.

The State budget recorded a surplus of Rls 374.1 billion, (about 14.0 percent of GDP) in 2012 against a surplus of Rls 291.1 billion, (about 11.6 percent of GDP) in the previous year. The ratio of public debt to GDP declined from 5.4 percent in 2011 to 3.7 percent in 2012.

The current account of the balance of payments recorded a surplus of Rls 617.9 billion, or 23.2 percent of GDP in 2012. Broad money (M3) increased by 13.9 percent to Rls 1,393.8 billion.

**Economic Growth**

Data on GDP at constant prices (including import duties) show that it grew by 5.1 percent to Rls 1,217.9 billion in 2012 from Rls 1,158.5 billion in 2011. Oil GDP rose by 5.5 percent to Rls 261.5 billion, whereas non-oil GDP grew by 5.0 percent to Rls 944.7 billion. The non-oil private sector GDP went up by 4.9 percent to Rls 701.2 billion while that of the government sector rose by 5.4 percent to Rls 243.5 billion.

All major economic activities grew at varied rates (Table 2.2). The agriculture, forestry, and fishing activity grew by 1.3 percent, the

**Table 2.1: SELECTED ECONOMIC INDICATORS**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Estimated population (in million) | 26.66 | 27.56 | 28.37 | 29.20 |
| GDP at current prices (billion Riyals) | 1,609.1 | 1,975.5 | 2,510.7 | 2,666.4 |
| GDP at constant prices of 1999 (billion Riyals) | 993.3 | 1067.1 | 1158.5 | 1217.9 |
| Non-oil GDP deflator | 124.1 | 129.5 | 135.3 | 140.8 |
| Inflation rate (consumer prices) | 4.1 | 3.8 | 3.7 | 2.9 |
| Aggregate money supply M3 (billion Riyals) | 1,028.9 | 1,080.4 | 1,223.6 | 1,393.8 |
| Daily Average for Saudi Oil Production (Million Barrel) | 8.2 | 8.2 | 9.3 | 9.8 |
| Average price of Arabian Light oil (US$)* | 61.38 | 77.75 | 107.80 | 110.27 |
| Riyal's real effective exchange rate (2000=100) | 105.7 | 104.8 | 102.3 | 106.8 |
| Ratio of currency in circulation to total money supply | 8.6 | 8.8 | 9.8 | 9.6 |
| Ratio of total deposits to total money supply | 91.4 | 91.2 | 90.2 | 90.4 |
| Net foreign assets of domestic banks (billion Riyals) | 111.2 | 98.4 | 133.3 | 133.4 |
| Interest Rates On Saudi Riyal Deposits % (3 Months)** | 0.9 | 0.7 | 0.7 | 0.9 |
| Banks capital adequacy ratio (Basel standard 2) | 16.5 | 17.1 | 17.4 | 18.7 |
| Actual government revenues (billion Riyals) | 509.8 | 741.6 | 1,117.8 | 1,247.4 |
| Oil revenues (billion Riyals) | 434.4 | 670.3 | 1,034.4 | 1,144.8 |
| Actual government expenditures (billion Riyals) | 596.4 | 653.9 | 826.7 | 873.3 |
| Budget deficit / surplus (2) | -86.6 | 87.7 | 291.1 | 374.1 |
| Ratio of budget deficit / surplus to GDP | -5.4 | 4.4 | 11.6 | 14.0 |
| Exports of goods*** (billion Riyals) | 697.3 | 922.1 | 1,343.2 | 1,428.7 |
| Import of goods CIF (billion Riyals) | 358.3 | 400.7 | 493.4 | 583.5 |
| Ratio of current account surplus to GDP | 4.9 | 12.7 | 23.7 | 23.2 |
| Current account (billion Riyals) | 78.6 | 250.3 | 594.5 | 617.9 |
| Share price index (1985=1000) | 6,121.8 | 6,620.8 | 6,417.7 | 6,801.2 |
| Debt to GDP | 14.0 | 8.5 | 5.4 | 3.7 |

* OPEC's sources. ** Interbank offered rates .

*** Including oil export+ other exports (of which re-export + bunker oil).

mining and quarrying activity by 5.6 percent, and the manufacturing industries, including oil refining, by 4.8 percent. The public utilities activity (electricity, gas and water) grew by 7.3 percent, and the construction activity by 4.5 percent. The wholesale and retail trade, restaurants and hotels expanded by 6.4 percent. The transport, storage and communications activity grew by 6.4 percent. The finance, insurance, real estate and business services activity grew by 3.4 percent and the community, social and personal services activity rose by 4.2 percent. The activity of the government services' producers expanded by 5.2 percent.

**Table 2.2: GROSS DOMESTIC PRODUCT BY ECONOMIC SECTORS AT PRODUCERS' VALUES AT CONSTANT PRICES (1999=100)**

*(Million Riyals)*

| | 2010 | 2011* | 2012** | % Change in 2012 |
|---|---|---|---|---|
| **A. Industries and other producers** | | | | |
| (excluding government services' producers) | | | | |
| 1. Agriculture forestry & fishing | 40,156 | 41,026 | 41,550 | 1.3 |
| 2. Mining & Quarrying | 204,166 | 229,005 | 241,847 | 5.6 |
| a. Crude oil & Natural Gas | 197,400 | 221,949 | 234,501 | 5.7 |
| b. Other mining & Quarrying Activities | 6,766 | 7,056 | 7,347 | 4.1 |
| 3. Manufacturing Industries | 141,478 | 157,131 | 164,631 | 4.8 |
| a. Oil Refining | 21,417 | 21,001 | 21,839 | 4.0 |
| b. Other Industries | 120,061 | 136,129 | 142,791 | 4.9 |
| 4. Electricity, Gas & Water | 26,216 | 27,583 | 29,598 | 7.3 |
| 5. Construction and building | 75,818 | 83,300 | 87,083 | 4.5 |
| 6. Wholesale & Retail Trade & Restaurants & Hotels | 133,658 | 143,184 | 152,307 | 6.4 |
| 7. Transport & Storage & Communication | 96,460 | 109,768 | 116,762 | 6.4 |
| 8. Finance, Insurance, Real Estate and Business services | 156,667 | 159,920 | 165,383 | 3.4 |
| a. Houses Ownership | 72,956 | 75,031 | 77,013 | 2.6 |
| b. Others | 83,711 | 84,889 | 88,369 | 4.1 |
| 9. Community & Social & Personal services | 35,114 | 37,019 | 38,569 | 4.2 |
| 10. Minus calculated banking services | 16,104 | 16,311 | 16,624 | 1.9 |
| **B. Government Services' Producers** | **162,926** | **175,858** | **185,079** | **5.2** |
| **Total (excluding import duties)** | **1,056,557** | **1,147,483** | **1,206,184** | **5.1** |
| Import duties | 10,539 | 11,063 | 11,749 | 6.2 |
| **GDP** | **1,067,097** | **1,158,546** | **1,217,933** | **5.1** |

* Revised data ** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

**Saudi Economy Growth Projections for 2013**

SAMA prepares annual projections for the most important economic indicators in the Kingdom, using an econometric model based on specified assumptions about monetary and financial policies and exogenous variables affecting directly or indirectly the endogenous indicators of the model. In view that the Kingdom depends significantly on oil as a major source of income, Saudi crude oil production and prices are the most important exogenous variables in the model. The model envisages various possibilities for oil prices and production based on the trend and fluctuations of oil prices and production during the past periods and on basis of future projections of supply and demand for oil.

The preliminarily projections of the model indicate that GDP at constant prices would rise by 3.9 percent in 2013. At the sectors levels, projections show that the real oil sector GDP would decrease by 2.0 percent, whereas the non-oil sector GDP would increase by 6.3 percent in 2013. It is expected that the non-oil government sector would record a growth of 6.0 percent, and the non-oil private sector 6.5 percent.

The current account is also expected to record a surplus for the fifteenth consecutive year estimated at 18.4 percent of total GDP. Projections also show that inflation rate in 2013 would stand at 4.0 percent (base year 2007). Table 2.3 shows SAMA's projections compared to IMF projections.

**Supply and Demand**

Total supply of goods and services (at current prices) recorded a rise of 9.1 percent in 2012 (Table 2.4). This was due to an increase of 9.3 percent in the non-oil GDP (at current prices). The government non -oil sector GDP grew by 9.9 percent, and that of the private sector rose by 9.0 percent. Total imports rose by 8.7 percent.

Total demand for goods and services (at current prices) recorded an increase of 7.1 percent in 2012, as compared to 2011. The rise was due to a 10.4 percent increase in gross consumption expenditure. The final private sector's consumption rose by 9.9 percent and government sector's final consumption by 11.2 percent. The non-oil exports went up by 5.7 percent, and gross investment expenditure by 1.7 percent (Table 2.4).

**Money Supply and Banking Activity**

Broad money (M3) increased by 13.9 percent to its highest level of about Rls 1,393.8 billion in 2012 compared to an increase of 13.0 percent to Rls 1,223.6 billion in the preceding year. Currency outside banks rose by 11.0 percent, and demand deposits by 17.6 percent. Time and savings deposits also went up by 6.2 percent compared to 2011. Other quasi-money deposits went up by 15.9 percent.

**Table 2.3: SAMA AND IMF PROJECTIONS OF THE MOST PROMINENT INDICATORS OF THE SAUDI ECONOMY FOR 2013**

| Selected Economic Indicators | SAMA* | IMF (1) |
|---|---|---|
| GDP Growth (at Constant Prices) | **3.9** | 4.4 |
| Oil Sector | **-2.0** | -- |
| Non-Oil Sector | **6.3** | -- |
| Non-Oil Private Sector | **6.5** | -- |
| Non-Oil Government Sector | **6.0** | -- |
| Ratio of Current Account Surplus/ GDP | **18.4** | 19.2 |
| Inflation Rate | **4.0** | 3.7 |

* Preliminary Projections.

(1) IMF Projections (April 2013).

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

*(Million Riyals)*

| | 2010 | 2011 | 2012* | % change in 2012 |
|---|---|---|---|---|
| **Aggregate supply**** | **1,732,315** | **1,959,363** | **2,136,825** | **9.1** |
| Non-oil GDP | 1,079,054 | 1,216,949 | 1,329,802 | 9.3 |
| Government sector | 333,522 | 371,169 | 408,095 | 9.9 |
| Private sector | 745,532 | 845,780 | 921,707 | 9.0 |
| Total imports | 653,261 | 742,414 | 807,023 | 8.7 |
| | | | | |
| **Aggregate demand** | **1,821,102** | **2,061,322** | **2,207,260** | **7.1** |
| Final consumption | 1,039,590 | 1,169,823 | 1,291,772 | 10.4 |
| Government consumption | 400,173 | 488,062 | 542,699 | 11.2 |
| Private consumption | 639,417 | 681,761 | 749,073 | 9.9 |
| **Gross fixed capital formation** | **607,347** | **672,400** | **683,863** | **1.7** |
| **Non-oil exports** | **174,165** | **219,099** | **231,625** | **5.7** |
| Merchandise exports | 134,084 | 175,879 | 190,188 | 8.1 |
| Service exports | 40,082 | 43,221 | 41,437 | -4.1 |

* Preliminary data.

** The supply– demand imbalance is because the total imports contain oil imports.

Source: Central Department of Statistics and Information, Ministry of Economy & Planning.

The banking sector continued its good performance during 2012. Commercial banks' assets went up by 12.3 percent to Rls 1,734.1 billion. Bank deposits grew by 14.2 percent to Rls 1,260.6 billion. Capital and reserves rose by 5.2 percent in 2012 to Rls 209.5 billion. The average capital adequacy ratio (Basel Standard) stood at 18.7 percent in 2012 compared to 17.4 percent in the preceding year.

**Domestic Stock Market**

The general share price index registered an annual rise of 6.0 percent to 6,801.2 at the end of 2012 compared to 6,417.7 at the end of the preceding year. Market capitalization of issued shares went up by 10.2 percent to Rls 1,400.3 billion from Rls 1,271 billion. The number of shares traded rose by 71.0 percent to Rls 82.5 billion with a value of Rls 1,929.3 billion.

**Fiscal Developments**

Preliminary data of the actual revenue and expenditure for fiscal year 1433/1434H (2012) indicate a rise of 11.6 percent in actual revenue to Rls 1,247.4 billion compared to Rls 1,117.8 billion in the preceding year. Actual expenditure went up by 5.6 percent to Rls 873.3 billion compared to Rls 826.7 billion in the preceding year. Current expenditure accounted for 70.0 percent while capital expenditure constituted 30.0 percent of total expenditure. Actual surplus stood at Rls 374.1 billion compared to a surplus of Rls 291.1 billion in 2011. Oil revenue constituted 91.8 percent, or the bulk of total revenues in 2012.

**Current Account of the Balance of Payments and External Trade**

Preliminary estimates of the Kingdom's balance of payments indicate a rise of 3.9 percent in the current account surplus to Rls 617.9 billion in 2012, constituting 23.2 percent of GDP. The rise in surplus in the current account was due to an increase of 3.3 percent in the goods and services surplus to Rls 690.8 billion in 2012 compared to Rls 668.4 billion in the preceding year.

Preliminary estimates of external trade indicate a rise in the volume of the Kingdom's merchandise of goods to Rls 2.0 trillion in 2012 compared to Rls 1.9 trillion in the preceding year. This was due to an increase in the total volume of exports by 6.4 percent to Rls 1.5 trillion, and in the total volume of imports by 18.2 percent to Rls 583.4 billion in 2012.

**Commerce and Industry**

Commerce and industry sectors continued to record remarkable growth rates. The Ministry of Commerce and Industry issued in 2012 commercial licenses for the establishment of 8,783 new different companies as compared to 7,360 in the preceding year. Total capital of these new companies amounted to Rls 17.5 billion, averaging Rls 2.0 million per company. In contrast, the total capital of the new companies in 2011 stood at Rls 26 billion. It could be noted that in 2012 there was a rise in the number of new companies by 19.3 percent, while their total capital went down by 32.7 percent as compared with the preceding year. A breakdown of these companies by legal form indicates that joint-stock companies accounted for the highest share of 66.5 percent of the total capital of the new companies in 2012, followed by limited liabilities partnership companies, accounting for 17.5 percent.

At the end of 2012, the total number of the existing companies licensed by the Ministry of Commerce and Industry stood at 76,775 with a total capital investment of Rls 2,019.5 billion. Joint-stock companies accounted for 85.2 percent of the total capital of the existing companies, limited liability partnerships 14 percent, mixed liability partnerships 0.5 percent and joint-liability partnerships 0.2 percent.

During 2012, the Ministry of Commerce and Industry issued commercial licenses for the establishment of 158,134 commercial individual proprietorship firms spread over the various regions of the Kingdom. Riyadh region accounted for the largest share (26.2 percent) of the total number of commercial individual proprietorship firms, followed by the Eastern region (18.3 percent), and Makkah region (17.1 percent). Thus, at the end of 2012, the total number of operating individual proprietorship firms reached 996.5 thousand, of which 29.5 percent was in Riyadh region, 22.6 percent in Makkah region and 17.1 percent in the Eastern region.

As for industry, the Ministry of Commerce and Industry issued licenses for setting up 659 new industrial units involving various industrial activities, with a total capital of Rls 9.3 billion. The units will provide jobs for more than 34.5 thousand employees and workers. A breakup of these units by industrial activity and total financing indicates that basic metals industries (22 licenses) accounted for Rls 2.3 billion or 25.1 percent of total financing during the year.

At the end of 2012, the total cumulative number of existing industrial units in the Kingdom licensed by the Ministry of Commerce and Industry under the Regulation for Protection and Promotion of National Industries and Foreign Capital Investment Laws rose to 5,862 with a total capital investment of Rls 856.6 billion, providing employment for 766.9 thousand employees and workers. A breakdown of the units by type of industrial activity and capital indicates that 580 units were working in chemical materials and industrial products , accounting for Rls 452.8 billion or 52.8 percent of total financing of the existing units in the Kingdom, followed by other non -metal products industry (1,090 units) with Rls 80.8 billion or 9.4 percent of total financing.

**Tourism**

Data of the General Commission of Tourism and Antiquities indicate a rise in the GDP of tourism by 6.8 percent to Rls 70.2 billion during 2012 compared to the preceding year. The share of value-added by tourism sector to the non-oil GDP increased slightly from 7.3 percent in 2011 to 7.4 percent during 2012 .

Expenditure on domestic tourism trips (excluding international transportation costs) stood at Rls 32.6 billion in 2012 against Rls 35.5 billion in 2011, declining by 8.2 percent. Expenditure on inbound tourism increased by 16.8 percent to Rls 57.2 billion in 2012 from Rls 49.0 billion in 2011.

Expenditure on outbound tourism trips (excluding international transportation costs) stood at Rls 61.6 billion during 2012 against Rls 60.6 billion in 2011, rising by 1.7 percent.

Expenditure on accommodation facilities accounted for the largest share of the total domestic tourists expenditure with Rls 8.2 billion, representing 25.2 percent in 2012, compared to Rls 9.1 billion or 25.5 percent in 2011. Expenditure on food accounted for Rls 8.1 billion or 24.9 percent of the total domestic tourists expenditure in 2012, compared to Rls 6.7 billion or 19.0 percent in 2011.

With respect to expenditure on inbound tourism trips to the Kingdom, expenditure on accommodation came first with Rls 19.7 billion or 34.5 percent of the total in 2012. Expenditure on shopping ranked second with Rls 15.5 billion or 27.0 percent of the total expenditure on inbound tourism trips to the Kingdom.

Due to GCTA’s ongoing efforts in developing the hotel sector, the number of hotels of various classes operating in the Kingdom rose to 1,098 at the end of 2012. The number of furnished housing units stood at 1,971 at the end of 2012, spread over various cities of the Kingdom. Makkah region accounted for the largest number of such units, representing 26.5 percent (522 units) of the total, followed by Riyadh region 26.3 percent (519 units).

The tourism sector plays an important role in creating job opportunities for a large number of job seekers in the Kingdom. GCTA estimates indicate that the number of direct jobs in key tourism sectors (excluding unpaid jobs) stood at 709 thousand in 2012, rising by 5.9 percent from 670 thousand in the preceding year, distributed on the tourism sub-sectors (Table 2.5). National labour force represented 26.7 percent of total labour force engaged in the tourism sector during 2012, compared to 26.4 percent in the preceding year.

GCTA estimates indicate that the tourism sector has the capacity to provide an increasing number of direct job opportunities in the tourism sub-sectors as well as indirect job opportunities induced by the tourism activity in the other economic sectors interrelated to the tourism sector, apart from work opportunities that can be created in subsequent periods as a result of the economic spending cycle in all sectors related to tourism development. It is expected that the tourism sector will provide around 1.1 million direct and indirect jobs in 2013, 1.3 million in 2015 and 1.8 million in 2020 (Table 2.6).

**Water and Electricity**

The government has established 26 desalination plants, spread on the eastern and western coasts of the Kingdom. During 2012, the production of desalinated water by the Saline Water Conversion

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

| Sub-sector | 2011** | 2012** |
|---|---|---|
| Accommodation | 90,020 | 95,295 |
| Restaurants and Cafés | 322,603 | 341,507 |
| Travel & Tourism Agencies | 69,343 | 13,568 |
| Traveller Transportation Services* | 175,245 | 185,515 |
| Entertainment Services | 12,817 | 73,407 |
| **Total** | **670,028** | **709,292** |
| **Saudization (%)** | **25.4** | **26.7** |

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

** Estimates.

Source: MAS Center, General Commission for Tourism & Antiquities.

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

(Thousand Jobs)

| | 2015 | 2020 |
|---|---|---|
| Direct Jobs | 841.4 | 1,182.4 |
| Indirect Jobs | 420.7 | 591.2 |
| **Total** | **1,262.1** | **1,773.6** |

Source: MAS Center, General Commission for Tourism & Antiquities.

Corporation (SWCC) stood at 997.2 million cubic meters against 1,054.1 million cubic meters in the previous year, an average daily production of 2,725 thousand cubic meters compared to 2,888 thousand cubic meters per day in the preceding year.

Estimates indicate that daily water consumption during 2012 averaged 6.9 million cubic meters against 6.6 million cubic meters in the preceding year, rising by 4.5 percent. The annual consumption of the Kingdom stands at 2.5 billion cubic meters, compared to 2.4 billion cubic meters in the previous year. Water per capita consumption in the Kingdom stood at 238 liters per day compared to 259 liters p/d in the preceding year.

The number of dams (underground, concrete and mud), constructed throughout the Kingdom until the end of 1433/1434H (2012), increased to 422 dams with a total storage capacity of about 1.97 billion cubic meters against 394 dams with a total storage capacity of 1.93 billion cubic meters in the preceding year.

As for electricity, Saudi Electricity Company (SEC)'s sales of electricity increased by 9.7 percent in 2012 over the preceding year to 240.3 million mg/h. The residential consumption (120,466,070 mw/h) accounted for 50.1 percent of total consumption of electricity in the Kingdom, followed by industrial consumption (41,578,629 mw/h) 17.3 percent. Commercial consumption (39,263,947 mw/h) 16.3 percent occupied the third position, followed by government consumption (30,348,753 mw/h) 12.6 percent.

As a result of the increase in the generation and consumption of electricity during 2012, the peak load rose by 7.2 percent to 51,939 megawatts compared to the preceding year. The actual power generation capacity also went up by 3.0 percent to 44,371 megawatts over the preceding year.

Chart 2.1: Growth of the Electric Energy Sales of the Saudi Electricity Company (2009- 2012)

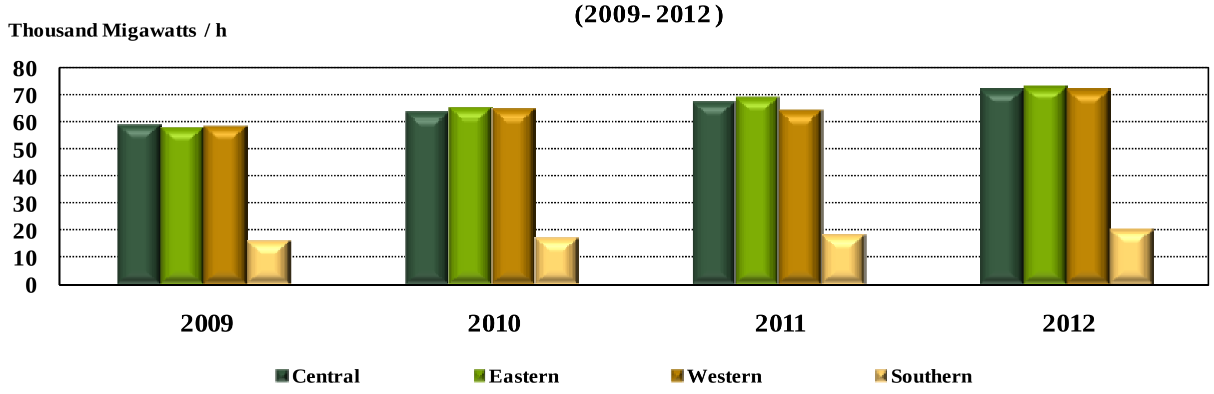



Table 2.7: ELECTRICITY GENERATION CAPACITY AND NUMBER OF SUBSCRIBERS (2012)

(Megawatts)

| Region | Generation Capacity | Peak Load | Electricity Power Sold | | | | | Number of Subscribers |
|---|---|---|---|---|---|---|---|---|
| | | | Residential | Commercial | Governmental | Industrial | Agricultural | |
| Central | 12,368 | 16,236 | 39,588,306 | 11,970,388 | 12,466,499 | 5,492,559 | 2,828,999 | 2,145,096 |
| Eastern | 13,865 | 15,766 | 23,545,584 | 10,343,015 | 6,314,119 | 30,569,772 | 766,747 | 1,190,022 |
| Western | 14,508 | 15,676 | 43,759,965 | 13,823,656 | 8,731,182 | 5,212,733 | 674,205 | 2,482,955 |
| Southern | 3,630 | 4,262 | 13,572,215 | 3,126,887 | 2,836,953 | 303,565 | 91,980 | 912,926 |
| **Total** | **44,371** | **51,939** | **120,466,070** | **39,263,947** | **30,348,753** | **41,578,629** | **4,361,931** | **6,730,999** |

Source: Saudi Electricity Company

The number of subscribers benefiting from electric power in the Kingdom rose to 6.7 million at the end of 2012, 6.8 percent over the preceding year. Residential consumers, 5.3 million, accounted for 79.4 percent of total number of subscribers, followed by commercial consumers, 1.1 million, representing 16.2 percent of the total. Government subscribers, 123.4 thousand, constituted 1.8 percent, while agricultural consumers, 67.2 thousand, accounted for 1.0 percent as in the preceding year.

### Agriculture and Animal Husbandry

The agriculture, forestry and fishing sector grew by 1.3 percent in 2012 against 2.2 percent in the preceding year. GDP (at current prices) of this sector stood at Rls 49.8 billion in 2012 against Rls 48.2 billion in the preceding year, accounting for 3.7 percent of the non-oil GDP. Bank credit to the agriculture and fishing sector rose to Rls 9.2 billion in 2012 from Rls 8.8 billion in the preceding year, representing 0.9 percent of total credit granted to all economic activities.

**Agricultural Production**

According to latest statistics of the Ministry of Agriculture for 2011, agricultural production rose by 82.0 thousand tons, or 0.8 percent, to 9,326.0 thousand tons from 9,244.0 thousand tons in the preceding year. This was due to the rise in green fodder and vegetable production which accounted for 67.5 percent of total agricultural production. Cultivated area, however, fell by 2.3 percent or 18.9 thousand hectares to 787.7 thousand hectares in 2011 from 806.7 thousand hectares in the preceding year. This was due to the cultivated area of grain which declined by 9.3 percent to 260.3 thousand hectares in 2011 from 286.9 thousand in the preceding year.

The number of palm trees in the Kingdom was 21.6 million at the end of 2011, compared to 23.4 million in the preceding year, dropping by 1.8 million trees, or 7.7 percent. The trees were grown on an area of 156 thousand hectars. Production of dates at 1.0 million in 2011 rose by 1.0 thousand tons or 1.6 percent over the preceding year, bringing the Kingdom to the third rank in date production globally. The Kingdom's exports of dates rose by 5.1 percent to 77.1 thousand tons from 73.4 thousand tons in the preceding year, increasing by 7.7 percent of its total production.

**Animal Production**

Latest statistics of the Ministry of Agriculture indicate that the Kingdom's meat production (red meat, poultry, and fish) went up by 57.0 thousand tons or 7.9 percent to 776.0 thousand tons compared to 719.0 thousand tons in the preceding year. This was mainly attributable to an increase of 18.3 percent in poultry production to 529.0 thousand tons from 447.0 thousand tons in the preceding year.

Dairy production rose by 75.0 thousand tons or 4.3 percent to 1,838.0 thousand tons during 2011 from 1,763.0 thousand tons in the previous year. The share of specialized production projects was 1,678.2 thousand tons, constituting 91.3 percent of total dairy production in the year.

**Transport and Communications**

**Transport**

Transport operations (including inter-city travel and overseas travel by air, land and sea) rose by 21.5 percent during 2012 against a growth of 12.6 percent in the preceding year. The number of passengers rose to 74.0 million from 60.9 million in the previous year, increasing by 13.1 million. The rise was due to an increase of 25.0 percent in air transport and 5.8 percent in sea transport (Table 2.8).

Total length of roads maintained by the Ministry of Transport up to the end of 1433/34H (2012) stood at 60.3 thousand km, of which 15.1 thousand km were main roads linking major regions of the Kingdom with international borders and serving major urban areas, 9.9 thousand km secondary roads linking major cities within regions and 35.3 thousand km feeder roads branching out of secondary roads and serving towns, villages and agricultural areas. Total roads constructed and opened for traffic during fiscal year 1433/34H (2012) stood at 4,379 km.

The Council of Ministers at its session held on 2 Jumada' II 1433H approved implementing the public transport project in Riyadh (trains-buses). The High Commission for the Development of Riyadh laid down a comprehensive plan to execute the project, envisaging establishment of a network for transport by electric trains and a similar network for transport by buses with the aim of providing public

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

| Type of Transport | 2011<br>Number of Passengers (In million) | 2012<br>Number of Passengers (In million) |
|---|---|---|
| **Air Transport** | **52.00** | **65.00** |
| **Land Transport** | **7.55** | **7.57** |
| Railway | 1.23 | 1.18 |
| Public Transport | 19.74 | 21.76 |
| Inter-city Transport | 5.74 | 5.92 |
| International Transport | 0.58 | 0.47 |
| **Maritime Transport** | **1.38** | **1.46** |
| **Total** | **60.93** | **74.03** |

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

transport service to all categories of the population and diversifying the patterns and methods of transportation inside the city effectively and appropriately. At its meeting, held on 29 Rabi' II 1434H, the Council of Ministers approved Jeddah Public Transportation Project with all its constituents, including railway network, bus network, sea transport lines, Corniche vehicle line and a Public Transportation Station. The project will be implemented in accordance with the initial studies. It is scheduled to be fully completed in seven years in stages that will be approved by a Higher Committee chaired by the Prince of Makkah Region. The government appropriated an amount of Rls 200 billion to be deducted from the budgetary surplus for 2012 to finance transportation projects inside the cities.

The number of airports operating in the Kingdom stood at 26, of which 4 are international, 8 regional, and 14 domestic airports. Expansion works were completed in Prince Sultan Bin Abdul Aziz Airport in Tabuk, and Najran Airport in Najran. Work is currently underway on the construction of Al -Qunfudhah Airport and the Eastern Region Economic Airport. The expansion of King Abdul Aziz International Airport is expected to be completed by the beginning of 2014, costing over Rls 28 billion. The expansion was funded by issuing bonds guaranteed by the government through the Ministry of Finance.

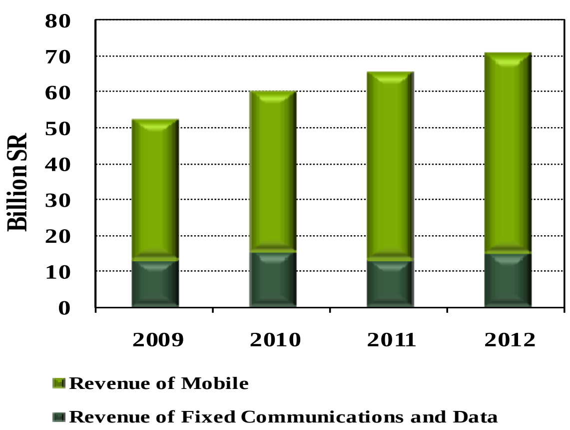
### Communications and Information Technology

Data of Communications and Information Technology Commission indicate a rise in the contribution of communications activity to GDP, due to increased investment in the sector and development of communications networks. According to CITC's estimates, the sector's contribution to GDP stood at 2.75 percent. The contribution of the sector to non-oil GDP was 7.0 percent in 2012.

The number of fixed phone lines reached 4.8 million at the end of 2012, of which 3.4 million (70 percent of total operating lines) were residential lines. The ratio of penetration of fixed phone lines to the number of population was 16.3 percent, while the ratio of penetration to houses was 67.7 percent. As a result of an expanding subscriber base and the need for additional number resources to meet the growing demand for communications services and information technology, and to keep pace with future growth, the CITC updated the National Numbering Plan so as to modify the structure of landline numbers by adding one digit before the regional geographical codes of contacts. The amendment will be implemented in two phases: the first envisages modification of geographical area code (01) to be (011) on 03/07/1434 AH, and the second phase is a modification of the rest of the five geographical areas codes (02, 03, 04, 06, 07) to be (012, 013, 014, 016, 017) on 11/10/1434 AH.

The number of subscriptions to mobile communications services stood at 53.0 million at the end of 2012, with an annual average growth of 18.3 percent. Thus, the penetration ratio went up to 179.4 percent. Prepaid subscriptions constituted the bulk of subscriptions, accounting for more than 86 percent. Number of subscriptions witnessed a decline during the third and fourth quarters of 2012 due to the implementation of the decision to link prepaid SIM cards to identity card numbers, and the process of data updating. Therefore, the companies canceled a large number of non-updated SIM cards.

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




Source: Communications and Information Technology Commission.

The number of broadband subscriptions through fixed land lines (DSL, WIMax, optic fiber and other wire lines) went up to about 2.54 million at the end of 2012, rising by 30 percent compared to the end of 2011. Total subscriptions to broadband services reached 12.3 million at the end of 2012. This was attributable mainly to significant improvement in the provision of broadband connections, widespread growth of smartphones and the significant rise in the number of users in recent years. The penetration ratio of broadband services to the population stood at 41.6 percent, and the ratio of broadband penetration to houses in the Kingdom was 40.8 percent at the end of 2012.

The number of Internet users in the Kingdom grew from about one million in 2001 to 15.8 million at the end of 2012. The penetration ratio of internet service grew to about 53.5 percent at the end of 2012, compared to 47.5 percent in the previous year. This growth is attributable to the increased awareness of the benefits of the Internet, the significant expansion in broadband services, and to the decline in prices of computers, telecommunication services and the Internet.

The communication companies realized direct revenues from their operations in the Kingdom totaling Rls 71.0 billion during 2012, recording an annual average growth rate of more than 12 percent over the past ten years (2003-2012). Mobile services revenues represented 78 percent of total revenues. In addition to revenues from services provided in the Kingdom's market, investments by some Saudi

**Table 2.9: COMMUNICATION SERVICES BY REGIONS***

*(Thousands)*

| Region | Fixed Communication Subscriptions | | Broadband Subscriptions (Fixed) | | Number of Internet Users | |
|---|---|---|---|---|---|---|
| | Total Subscriptions | Penetration Ratio | Total Subscription | Penetration Ratio | Total Subscription | Penetration Ratio |
| Riyadh | 1,439 | 81.52 | 830 | 53.74 | 4,056 | 55.49 |
| Qassim | 1,325 | 60.48 | 94 | 34.77 | 616 | 47.23 |
| Ha'il | 283 | 52.28 | 34 | 27.00 | 321 | 50.22 |
| Makkah | 187 | 65.21 | 688 | 38.72 | 4,245 | 56.81 |
| Al-Madinah | 847 | 59.96 | 137 | 33.24 | 1,037 | 54.25 |
| Tabuk | 236 | 47.97 | 48 | 26.84 | 462 | 54.57 |
| Eastern Region | 75 | 89.44 | 462 | 55.84 | 2,520 | 57.09 |
| Al-Jawf | 97 | 50.29 | 24 | 25.72 | 263 | 55.90 |
| Northern Borders | 62 | 50.99 | 17 | 30.32 | 148 | 43.08 |
| Asir | 33 | 46.16 | 93 | 20.71 | 1,175 | 57.43 |
| Al-Baha | 54 | 53.77 | 27 | 27.30 | 247 | 56.04 |
| Jazan | 108 | 35.32 | 54 | 20.09 | 419 | 28.69 |
| Najran | 57 | 43.39 | 32 | 28.04 | 303 | 55.90 |
| **Total** | **4,802** | **67.59** | **2,541** | **40.88** | **15,810** | **54.15** |

*2012 estimate figures

Source: Communications and Information Technology Commission.

telecommunication companies in other countries' markets resulted in the growth of the revenues of the sector's foreign investment, from Rls 455 million in 2007 to about Rls 18.7 billion in 2012. Total revenues of telecommunication companies sector from operations inside and outside the Kingdom reached Rls 90 billion.

### Education, Health and Social Services

#### General Education

The total number of male and female students at primary, intermediate and secondary levels stood at 6.5 million during academic year 1432/33H .

The number of teachers (male and female) at all levels of general education during academic year 1432/1433H totaled 421.2 thousand. The number of schools stood at 27.7 thousand of which 14.1 thousand were boy schools, accounting for 50.9 percent of the total number of schools.

#### Higher Education

Total number of male and female students registered in higher education institutions in the Kingdom in academic year 1432/1433H stood at 1.2 million. The number of newly enrolled male and female students at the different institutions of higher education exceeded 366.2 thousand. Of these, 288.9 thousand were at the bachelor level (78.9 percent of the total number of newly enrolled students). Higher diploma, master, and doctorate levels accounted for the remaining percentage of the total. Male students constituted 50.7 percent of total newly enrolled students, and female students accounted for 49.3 percent of the total.

Total number of graduates from all levels of higher education stood at 141.2 thousand in academic year 1432/1433H. Of these, 72.1 thousand were female graduates representing 51.1 percent of the total.

The number of the teaching staff at the institutions of higher education in academic year 1432/1433H stood at 59.4 thousand. The number of universities in the Kingdom reached 32, including 24 government universities with 487 colleges, and 8 private universities with 68 colleges.

The number of students (male and female) studying abroad during the year under review totaled 174.6 thousand. Students who were granted government scholarships accounted for 81.6 percent, and the rest were studying on their own.

**Technological, Vocational and Administrative Training**

The number of students and trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 115.9 thousand in academic year 1432/1433H, receiving their education and training in 119 colleges and institutes. The total number of the teaching staff at TVTC stood at 7.9 thousand, and the number of trainees (male and female) benefiting from the training programs supervised by TVTC was 124.8 thousand in the same year.

The Institute of Public Administration (IPA) continued its training achievements aimed at raising the professional level of government employees in the Kingdom. In 1432/1433H, the IPA organized many general and customized training courses, applied seminars, symposia and gatherings at its head office in Riyadh, as well as at its branches in Al-Dammam and Jeddah, and its female branch in Riyadh. The number of participants in these activities was 67.8 thousand. The number of training staff at the Institute totaled 642 during training year 1432/1433H, of whom 535 were Saudis, representing 83.3 percent of the total training staff.

**Health Affairs**

The Ministry of Health's statistics for 1432H indicated remarkable growth in the indicators of the health sector in the Kingdom as reflected by the increase in all health facilities and resources. The number of hospitals operating rose to 420, increasing by 5 over the preceding year. Of these, 251 hospitals were run by the Ministry of Health; 39 by other government entities; and 130 by the private sector, increasing by 2 over 1430H.

The number of private health centers and dispensaries totaled 4,096 in 1432H. The number of the Ministry of Health's health care centers increased by 15 over the preceding year to 2,109. The number of beds in the Kingdom's hospitals rose to 58.7 thousand. Of these, 34.6 thousand were in the Ministry of Health's hospitals, constituting 58.7 percent of total beds in the Kingdom's hospitals.

**Social Services**

The Social Charity Fund of the Ministry of Social Affairs (formerly Charity Fund for Addressing Poverty) has made several achievements throughout its work stages, including the following:

- Small business and productive families programs: Under this program, more than 1,424 projects in some regions of the Kingdom have been financed with an amount of Rls 16.8 million.
- Educational and training scholarships programs: The Fund has provided 22.7 thousand

scholarships, with a total cost of Rls 1.0 billion, covering different regions of the Kingdom and specializing in all majors.

- Training and employment program: Male and female trainees, who have benefited from this program, have stood at 16.6 thousand, with a total cost of Rls 236.8 million.

Data of the Social Security Agency of the Ministry of Social Affairs indicate that total aid disbursements related to social security exceeded Rls 27.4 billion to 2.6 million beneficiaries during fiscal year 1433/1434H, increasing by 29.2 percent over the preceding fiscal year.

**Pension**

According to the Public Pension Agency's statistics, the number of subscribers to the Civil Pension System increased by 2.6 percent to 955.6 thousand compared to 931.2 thousand in the previous year. The subscriptions collected from on-the-job civil servant subscribers rose to Rls 19.1 billion from Rls 15.3 billion in the previous year. Total disbursements by the Public Pension Agency to beneficiaries amounted to Rls 43.6 billion, denoting a rise of 12.8 percent from the preceding fiscal year. The number of living pensioners increased by 6.1 percent to 428.5 thousand. The number of deceased pensioners rose by 3.8 percent to 141.8 thousand, and heirs benefiting from pension payments went up by 5.2 percent to 375.2 thousand.

The number of private firms subscribing to the Social Insurance System, the General Organization for Social Insurance (GOSI), rose by 22.6 percent to 334.6 thousand, whereas the number of government firms declined by 2.3 percent to 1,128. The number of subscribers covered by the Social Insurance System went up by 15.5 percent to 17.6 million, compared to 15.2 million in the preceding year. The number of on-the-job subscribers increased by 29.5 percent to 7.0 million from 5.4 million in the preceding year.

**Population and Labor Force**

Estimates of the midyear census issued by the Central Department of Statistics and Information (CDSI) indicated that the Kingdom of Saudi Arabia's population at the end of 2012 rose by 2.8 percent to 29.2 million compared to 28,4 million in the preceding year. Of this, Saudis constituted 67.9 percent (19.8 million).

A breakdown of the Kingdom's population by gender based on the midyear census for 2012 indicates that the male population accounted for 56.7 percent and the female 43.3 percent of total population. The Saudi male population represented 34.1 percent and the female 34.0 percent of the total population, while non-Saudi male population was 22.5 percent and the female was 9.4 percent of the total population of the Kingdom.

A breakdown of the Kingdom's population by administrative regions in 2012 indicates that Makkah Region ranked first with 7.5 million, or 25.6 percent, followed by Riyadh Region with 7.3 million or 25.0 percent, and the Eastern Region with 4.4 million or 15.1 percent. The Northern Borders Region occupied the last rank with 0.3 million or 1.2 percent of the total Saudi Population.

**Manpower**

**Labour Force**

According to the latest statistics issued by the Ministry of Civil Service, the number of employees in the government sector (Saudis and non-Saudis) stood at 1.9 million at the end of 2012, increasing by 9.2 percent over the preceding year. Saudis working in the government sector represented 93.0 percent of the total employees in the same sector.

As for Saudi workers, the number of Saudi male workers amounted to 643.2 thousand at the end of 2012, increasing by 4.3 percent over the preceding year, while the number of female workers was 369.8 thousand, increasing by 22.3 percent over the preceding year.

The number of non-Saudi male workers at the end of 2012 was 37.1 thousand, decreasing by 1.18 percent from the preceding year while that of female workers was 39.8 thousand, declining by 5.0 percent from the preceding year.

The Ministry of Labour and related government bodies continued their efforts aiming at promoting the contribution of national labour force to different economic activities in the private sector. The Ministry of Labour has undertaken several measures to regulate the employment process through application of Saudization programs namely, "Nitaqat" program that stimulate private sector institutions to saudize professions and "Hafiz" program to support job seekers. Furthermore, Nitaqat program provides various employment channels that help the private sector to hire Saudi qualifications from the different classes of job seekers. These efforts have led to employing a large number of job seekers in the private sector throughout the Kingdom.

Latest figures issued by the Ministry of Labor show that the number of workers in the private sector (Saudis and non-Saudis) was 8.5 million at the end of 2012, increasing by 9.1 percent over the preceding year. The ratio of Saudis employed in the private sector to total employed workers was 13.4 percent.

The number of Saudi male workers at the end of 2012 was 0.92 million, increasing by 23.3 percent over the preceding year, and that of female workers amounted to 0.22 million, increasing significantly by 117.0 percent over the preceding year.

The number of non-Saudi male workers at the end of 2012 stood at 7.2 million, rising by 6.2 percent over the preceding year, and that of female workers was 0.1 million, declining by 4.2 percent from the preceding year.

## Unemployment

Latest data of the Central Department of Statistics and Information indicate that the unemployment rate declined from 5.8 percent in 2011 to 5.5 percent of the total labor force in the Kingdom in 2012. The number of unemployed Saudis accounted for 12.1 percent of the total Saudi labor force compared to 12.4 percent in the previous year. Of the total unemployed Saudi male labor force, the ratio of male workers was 6.1 percent, while that of female workers was 35.7 percent of the total Saudi female labor force. The ratio of unemployed non-Saudis stood at 0.08 percent of the total non-Saudi labor force working in the Kingdom.

## Specialized Credit Institutions

Specialized credit institutions continued to provide loans, contributing to the achievement of the development objectives in the Kingdom. Total loans disbursed since their inception up to the third quarter of 2012 stood at Rls 407.9 billion. Total assets of these institutions reached Rls 552.0 billion at the end of the third quarter of 2012, rising by 4.9 percent compared to end of 2011. Total actual disbursements of loans during the first three quarters of 2012 amounted to Rls 40.7 billion, rising by 32.9 percent compared to the corresponding period of the preceding year. Total loan repayments amounted to Rls 10.8 billion during the first three quarters of 2012, decreasing by 30.6 percent against the same period of the preceding year. At the end of the third quarter of 2012, outstanding loans went up by 14.1 percent to Rls 237.7 billion compared to the end of the preceding year.

## Saudi Industrial Development Fund (SIDF)

The actual loans disbursed by SIDF amounted to Rls 5.3 billion during 2012, rising by 35.6 percent from the preceding year. Loan repayments stood at Rls 4.7 billion, increasing by 83.9 percent from the preceding year. At the end of 2012, total outstanding loans stood at Rls 29.3 billion, rising by 6.9 percent over the preceding year.

**Table 2.10: SELECTED INDICATORS**

| Major Regions | | 2011 | | | 2012 | | |
|---|---|---|---|---|---|---|---|
| | | Male | Female | Total | Male | Female | Total |
| Poulation | Saudis | 9,882,698 | 9,522,987 | 19,405,685 | 9,962,431 | 9,876,017 | 19,838,448 |
| | Non-Saudis | 6,313,942 | 2,656,728 | 8,970,670 | 6,591,296 | 2,766,151 | 9,357,447 |
| | **Total** | **16,196,640** | **12,179,715** | 28,376,355 | **16,553,727** | **12,642,168** | 29,195,895 |
| Birth | Total | 310,649 | 295,856 | 606,505 | 311,275 | 296,453 | 607,728 |
| Mortality | Total | 60,705 | 41,361 | 102,066 | 62,128 | 42,067 | 104,195 |
| Workers | Saudis | 1,361,738 | 401,846 | 1,763,584 | 1,562,005 | 585,680 | 2,147,685 |
| | Non-Saudis | 6,860,682 | 155,368 | 7,016,050 | 7,280,869 | 148,480 | 7,429,349 |
| | **Total** | **8,222,420** | **557,214** | 8,779,634 | **8,842,874** | **734,160** | 9,577,034 |
| Unemployment rate | Saudis | 7.4 | 33.4 | 12.4 | 6.1 | 35.7 | 12.1 |
| | Non-Saudis | 0.3 | 1.0 | 0.4 | 0.1 | 0.1 | 0.1 |
| | **Total** | **3.3** | **19.2** | **5.8** | **2.7** | **21.3** | **5.5** |
| Government Sector staff | Saudis | 616,748 | 302,360 | 919,108 | 643,212 | 369,840 | 1,013,052 |
| | Non-Saudis | 37,128 | 41,902 | 79,030 | 36,663 | 39,786 | 76,449 |
| | **Total** | **653,876** | **344,262** | **998,138** | **679,875** | **409,626** | **1,089,501** |
| Private sector staff | Saudis | 744,990 | 99,486 | 844,476 | 918,793 | 215,840 | 1,134,633 |
| | Non-Saudis | 6,823,554 | 113,466 | 6,937,020 | 7,244,206 | 108,694 | 7,352,900 |
| Job seekers in the private sector | Total | 7,568,544 | 212,952 | 7,781,496 | 8,162,999 | 324,534 | 8,487,533 |
| Banking sector staff | Total | 37,567 | 4,506 | 42,073 | 39,597 | 5,064 | 44,661 |

**Real Estate Development Fund (REDF)**

Total outstanding loans disbursed by REDF stood at Rls 94.5 billion at the end of the third quarter of 2012, increasing by 19.8 percent over the preceding year. During the first three quarters of 2012, REDF provided loans to the tune of Rls 17.1 billion, rising by 90.9 percent compared to the same period of the preceding year. The loans were focused on financing construction of owner-occupied housing units. Loan repayments stood at Rls 1.5 billion during the first three quarters of 2012, decreasing by 32.8 percent from the same period of the preceding year.

**Agricultural Development Fund (ADF)**

Total loans disbursed by ADF increased by 23.6 percent to Rls 673.6 million in 2012 from Rls 545.0 million at the end of the preceding year. Loan repayments also went up significantly by 188.8 percent to Rls 1.6 billion at the end of 2012. Total outstanding loans amounted to Rls 8.4 billion at the end of 2012, decreasing by 9.8 percent from the preceding year.

**Public Investment Fund (PIF)**

Total loans disbursed went up by 146.9 percent to Rls 19.4 billion during 2012. Repayments amounted to Rls 4.4 billion during the same year, rising by 187.5 percent compared to the preceding year. Total outstanding loans at the end of 2012 also went up by 26.2 percent to Rls 72.2 billion compared to the preceding year.

### Saudi Credit & Saving Bank (SCSB)

SCSB provided loans to the tune of Rls 6.6 billion during 2012, decreasing by 57.0 percent from the preceding year. Loans repayments during 2012 amounted to Rls 2.6 billion, declining by 77.3 percent from the preceding year. During 2012, the amount of outstanding loans reached Rls 25.3 billion, rising by 19.6 percent over the preceding year.

### Domestic Loan Program

The government introduced, through the Ministry of Finance, a direct domestic soft loan program to assist the private sector in establishing development economic projects. Under the program, which began its activity in 1391/1392H (1971), loans are granted for establishing hotels, tourist resorts, hospitals, medical treatment centers, dispensaries, press projects, and private educational and training projects.

The number of loans offered for such activities since the inception of this program up to the end of fiscal year 1433/1434H (2012) reached 593 with a total value of Rls 8,083 million. Actual loans disbursed amounted to Rls 6,984 million, rising by 3.8 percent over the end of the preceding year. Actual repayments totaled Rls 4,681 million up to the end of 2012, increasing by 4.3 percent over the end of the preceding year. Thus, total outstanding loans amounted to Rls 2,303 million, rising by 2.9 percent over the end of the preceding year. During fiscal year 1433/1434H (2012), 14 loans were approved, including nine loans for private educational and training projects, three for establishing health projects, and two for establishing hotels and tourist resorts.

### Structural Reforms and Latest Economic Resolutions

In continuation of the efforts made by the Kingdom to raise the efficiency of economic performance and achieve optimum utilization of available resources, the Council of Ministers issued a number of resolutions in 2012 aimed at developing the Saudi economy. A number of developmental steps were taken in the field of restructuring the Saudi economy. The following were the most prominent Cabinet resolutions taken during 2012:

- An approval was issued concerning the establishment of an industrial city in the Northern Border Region by the name of (Wa'ad Al-Shamal City) for mining industries.
- Approving the Anti-Money Laundering Law.
- Approving the licenses for establishing Wadi Makkah Company for Technology (a Saudi joint-stock company) aimed at contributing to the development of knowledge economy.
- Approving the National Strategy for Developing Handcrafts and its Implementation Five-Year Plan and the establishment of a national program named "The National Program For Developing Handicrafts).
- Approving the licensing of "China Bank for Industry and Trade" to open a branch in the Kingdom.
- Approving the establishment of a joint stock-holding company for development and investment in the state-owned heritage buildings for accommodation and hospitality.
- An approval was issued for the implementation of all phases of the project of public transportation in Riyadh (trains and buses).
- An approval was issued for licensed appraisers law for setting necessary controls and standards for appraisal works of real estate, economic facilities, movable equipment and properties, etc., and the establishment of an authority to be named Saudi Licensed Appraisers Authority.
- Approval of the transfer of the General Directorate of School Health and School Health

Units of the Ministry of Education in the Kingdom's regions to the Ministry of Health.

- The Enforcement Law, Financial Leasing Law, Real Estate Mortgage Law, Real Estate Finance Law and Finance Companies Control Law were approved:
  - The Enforcement Law: It aims at eliminating procrastination in the enforcement of judgements and settlement of disputes, and strengthening the role of the enforcement Judge.
  - The Financial Leasing Law: It provides a form of financing by joint-stock companies specialized in financial leasing, and it entrusts the supervision and control function of financial leasing to the Saudi Arabian Monetary Agency.
  - The Real Estate Mortgage Law: It aims at securing necessary guarantees for practicing real estate finance; and it determines the rights and obligations of the parties of the mortgage contract. It also seeks to achieve resilience for benefitting from real estate assets.
  - The Real Estate Finance Law: It aims at establishing a real estate finance market whereby specialized joint-stock companies are founded in cooperation with real estate developers to enable beneficiaries to own real estate units under easy forms which would safeguard the rights of related parties under the supervision and control of Saudi Arabian Monetary Agency.
  - The Finance Companies Control Law: It forms a committee under the name: "The Committee for Deciding on Finance Violations and Disputes", with the competence to look into violations, disputes, common and personal rights suits arising from the application of the provisions of the Finance Companies Control Law and the Financial Leasing Law; and will decide on the complaints of stakeholders against decisions made by the Saudi Arabian Monetary Agency.

In this regard, it is worth noting that the role of SAMA is to supervise and control the finance sector, including the licensing of financing companies, and taking necessary actions to maintain the integrity of the financial sector and ensure the stability and fairness of its transactions. In addition, it encourages fair, legitimate and effective competition among financing companies. It also takes appropriate means to develop the financing sector, works on Saudizing its jobs, and raises the efficiency of its employees.

SAMA has prepared a strategy for supervision and control of financing companies. It has introduced a general department for finance companies control and provided the necessary capabilities and human resources.

It was stipulated in the Implementing Regulations of Finance Companies Control Law that companies and institutions practicing financing activity before the entry of the Law into effect shall provide SAMA -during the first nine months from the effective date of the Law- with a plan to settle their positions according to the provisions of the Finance Companies Control Law or a plan to exit the market. In November 2014, all financing companies operating in the Kingdom shall become compatible with the financing laws and regulations prescribed■

Monetary conditions in Saudi Arabia remained accommodative during 2012. *Saudi Arabian Monetary Agency* (SAMA) continued to maintain policy rates at low levels that enabled banks to extend credit at more affordable rates and contribute to steady growth of domestic economic activities. Repo rate was maintained at 2 percent, and the reverse repo rate at 0.25 percent. SAMA also left the cash reserve requirements unchanged 4 percent for time and savings deposits, and 7 percent for demand deposits.

The overall liquidity in the banking system continued to improve as banks' daily *average repo transactions* decreased to Rls 0.19 billion in 2012 from Rls 0.23 billion in 2011. However, the daily *average reverse repo transactions* rose to Rls 85.6 billion from Rls 69.7 billion. The comfortable daily liquidity position enabled banks to invest in SAMA *Treasury Bills* to the extent of Rls 9.0 billion on a weekly basis in 2012. Yield on Treasury Bills remained fixed at 80 percent of the *Saudi Interbank Deposit Rate*.

**Growth Pattern of Alternative Money Supply Measures**

Three key alternative measures of domestic money supply which include M1, M2 and M3, all recorded growth in double digits. M3 which is the broadest measure of domestic liquidity (also called broad money) in Saudi Arabia and comprises currency in circulation and aggregate bank deposits, rose by 13.9 percent (Rls 170.2 billion) to Rls 1.4 trillion in 2012 compared to 13.3 percent (Rls 143.2 billion) in 2011. Bank deposits that represented 90.4 percent of M3 (0.2 percentage point more than last year) remained on a high-growth trajectory, showing an expansion of 14.2 percent (Rls 157.0 billion) in 2012 compared to an expansion of 12.1 percent (Rls 118.8 billion) in 2011. The currency in circulation also expanded in line with increasing national income. Nevertheless, its growth decelerated to 11 percent (Rls 13.2 billion) in 2012 from 25.6 percent (Rls 24.4 billion) in 2011. It was a clear manifestation of marked improvement in the banking intermediation which corresponded to a reduction in the growth of currency in circulation despite an increase in the growth of M3.

The break-up of overall bank deposits continued to show dominance of demand deposits over other deposits as share of demand deposits rose to 59.8 percent in 2012 from 58 percent in 2011. Demand deposits grew by 17.6 percent (Rls 112.9 billion) in 2012 compared to the growth of 20.9 percent (Rls 111.0 billion) in 2011. Time and savings deposits also showed a rising trend as they expanded by 6.2 percent (Rls 19.0 billion) in 2012 from an expansion of 2.4 percent (Rls 7.2 billion) in 2011. Other quasi-monetary deposits recorded a significant growth of 16 percent (Rls 25.1 billion) in 2012 compared to a marginal growth of 0.4 percent (Rls 0.6 billion) in 2011 (**Tables 3.1 and 3.2, and Charts 3.1 and 3.2**).

Broad money (M3) continued to largely hinge on the inflow of demand deposits into the banking system. The share of demand deposits in M3 further rose to 54.1 percent in 2012 from 52.4 percent in 2011. However, the contribution of time and savings deposits to domestic liquidity kept on declining as their share in M3 further contracted to 23.3 percent in 2012 from 25 percent in 2011. The share of currency in circulation also came down to 9.6 percent in 2012 from 9.8 percent in 2011 (**Table 3.3**).

Other key liquidity measures such as M1 and M2 which include relatively more liquid deposits, also underwent significant enlargement. M1 which comprises currency in circulation and demand deposits, recorded an increase of 16.6 percent in 2012 compared with an increase of 21.6 percent in 2011. The share of demand deposits in M1 rose to 85 percent in 2012 from 84.2 percent in

## Table 3.1: MONEY SUPPLY

*(Million Riyals)*

| End of Year | Currency Outside Banks | 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) |
| 2008 | 83,006 | 342,488 | 425,494 | 367,624 | 793,118 | 136,007 | 929,125 |
| 2009 | 88,395 | 433,162 | 521,558 | 323,377 | 844,935 | 184,009 | 1,028,944 |
| 2010 | 95,520 | 530,072 | 625,592 | 298,283 | 923,874 | 156,495 | 1,080,370 |
| 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* | 135,327 | 805,621 | 940,948 | 312,087 | 1,253,035 | 174,139 | 1,427,174 |

* End of 1st Quarter.

** Comprise residents' foreign currency deposits, marginal deposits for LCs, outstanding remittances, and banks repo transactions with private parties.

## Table 3.2: GROWTH RATES OF MONEY SUPPLY AND ITS COMPONENTS

*(Percent)*

| End of Year | Currency Outside Banks | Demand Deposits | M1 | Time and Savings Deposits | M2 | Other Monetary Deposits | M3 |
|---|---|---|---|---|---|---|---|
| 2008 | 15.0 | 10.0 | 10.9 | 29.9 | 19.0 | 10.4 | 17.6 |
| 2009 | 6.5 | 26.5 | 22.6 | -12.0 | 6.5 | 35.3 | 10.7 |
| 2010 | 8.1 | 22.4 | 19.9 | -7.8 | 9.3 | -15.0 | 5.0 |
| 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* | 10.3 | 18.9 | 17.6 | 1.7 | 13.2 | 6.6 | 12.3 |

* End of 1st Quarter.

Chart 3.1: Growth Rates of Money Supply (M3)

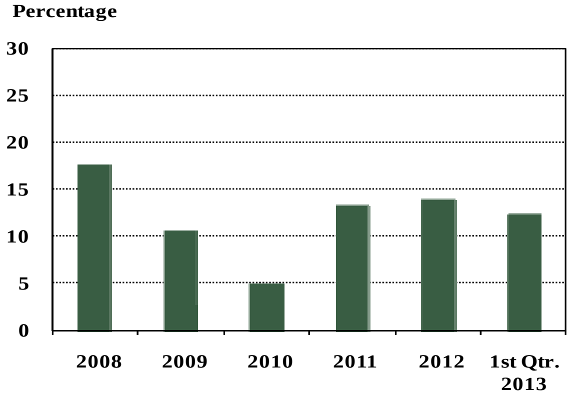



Chart 3.2: Components of Money Supply

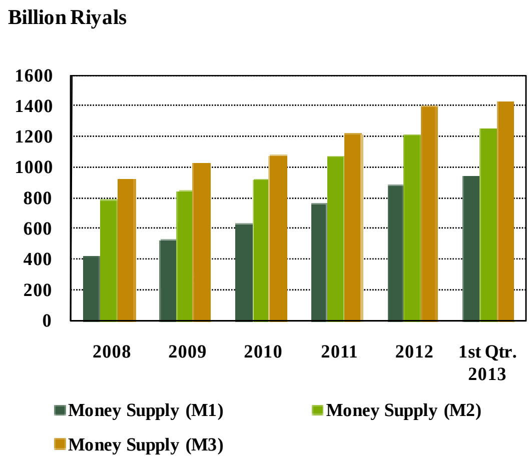



**Table 3.3: COMPOSITION OF MONEY SUPPLY**

(% shares in M3; End of Period)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013* |
|---|---|---|---|---|---|---|
| Currency outside banks | 8.9 | 8.6 | 8.8 | 9.8 | 9.6 | 9.5 |
| Bank deposits | 91.1 | 91.4 | 91.2 | 90.2 | 90.4 | 90.5 |
| Demand deposits | 36.9 | 42.1 | 49.1 | 52.4 | 54.1 | 56.4 |
| Time & savings deposits | 39.6 | 31.4 | 27.6 | 25.0 | 23.3 | 21.9 |
| Other quasi-monetary deposits | 14.6 | 17.9 | 14.5 | 12.8 | 13.1 | 12.2 |
| **Money supply (M3)** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

* End of 1st Quarter.

2011. Likewise, M2 which also includes time and savings deposits, also recorded an expansion of 13.6 percent in 2012 compared with an increase of 15.4 percent in 2011. Consequently, while the ratio of M1 to M3 climbed to 63.6 percent in 2012 from 62.2 percent in 2011, the ratio of M2 to M3 slightly decreased to 86.9 percent in 2012 from 87.2 percent in 2011 (**Table 3.4**). The rise in M1/ M3 ratio indicated the increased preference of bank depositors to keep their savings in more liquid assets.

**Broad Money: Causative Factors**

Broad money in Saudi Arabia remained on the high-growth trajectory in recent years. It showed an expansion of 13.9 percent (Rls 170.2

**Table 3.4: MONETARY RATIOS**

(Percent)

| Year | M1/M3 | M2/M3 |
|---|---|---|
| 2008 | 45.8 | 85.4 |
| 2009 | 50.7 | 82.1 |
| 2010 | 57.9 | 85.5 |
| 2011 | 62.2 | 87.2 |
| 2012 | 63.6 | 86.9 |
| 2013* | 65.9 | 87.8 |

* End of 1st. Quarter.

billion) in 2012 compared with an expansion of 13.3 percent (Rls 143.2 billion) in 2011. The expansion was attributable to expansions in two key variables: the net domestic expenditure of the government, and bank claims on the private sector. While the first variable, which is the net domestic expenditure of the government, rose by 6.2 percent to Rls 706.8 billion in 2012 from Rls 665.8 billion in 2011, the second variable, which is bank claims on the private sector, shot up by 70.5 percent to Rls 140.8 billion in 2012 from Rls 82.6 billion in 2011. Their combined expansionary value at Rls 847.6 billion was sufficient to more than offset the combined contractionary value of the private sector's balance of payments deficit and other items (net) to the tune of Rls 685.1 billion in 2012 (**Table 3.5 and Chart 3.3**).

### Monetary Base and Money Multiplier

The net assets position of SAMA continued to strengthen in recent years. Therefore, monetary base which is the narrowest measure of liquidity and which includes currency in circulation and commercial banks' reserves, expanded by 17.2 percent (Rls 51.5 billion) in 2012 compared with an expansion of 17.4 percent (Rls 44.3 billion) in 2011. Currency in circulation recorded a significant slowdown in its growth to 11 percent in 2012 (Rls 13.2 billion) from an expansion of 25.6 percent (Rls 24.4 billion) in 2011. However, its share in monetary base remained at 40 percent in 2012. On the other hand, commercial banks' reserves showed acceleration as they witnessed a higher growth of 21.4 percent (Rls 38.3 billion) in 2012 compared with the growth of 12.5 percent (Rls 19.9 billion) in 2011.

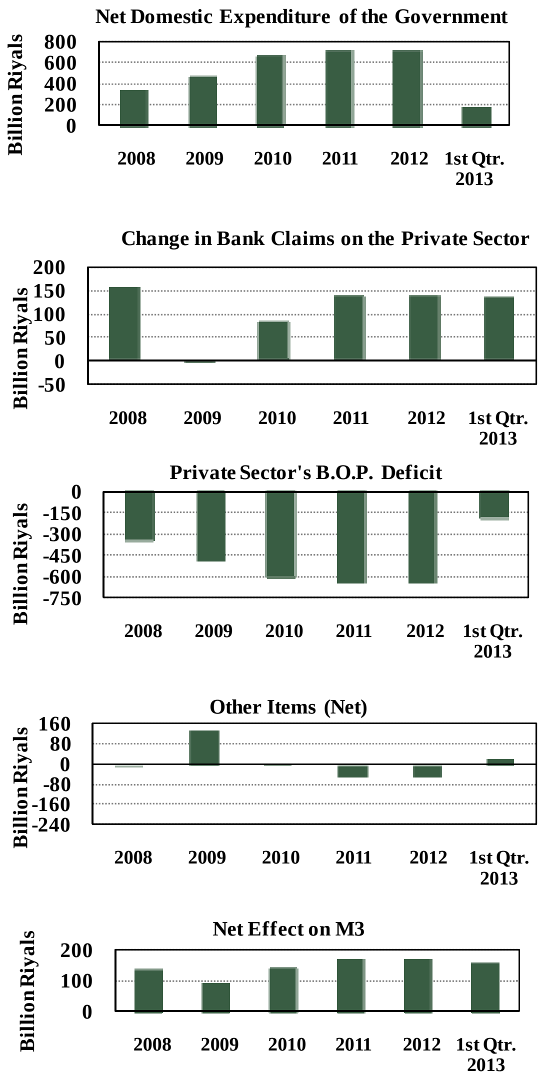
**Table 3.5: CAUSATIVE FACTORS FOR CHANGE IN BROAD MONEY SUPPLY (M3)**

*(Billion Riyals)*

| | | | First quarter | |
|---|---|---|---|---|
| | **2011** | **2012** | **2012** | **2013** |
| **Change in M3** | **143.2** | **170.2** | **121.0** | **156.6** |
| Causative Factors | | | | |
| Net domestic expenditures of the government* | 665.8 | 706.8 | 184.4 | 175.5 |
| Change in bank claims on the private sector | 82.6 | 140.8 | 100.7 | 135.5 |
| Change in bank claims on non-financial public sector enterprises | -0.5 | 7.8 | 6.9 | 9.7 |
| Private sector balance of payments deficit** | -610.5 | -642.1 | -171.8 | -185.8 |
| Other items (net) | 5.7 | -43.0 | 0.8 | 21.6 |
| **Total** | **143.2** | **170.2** | **121.0** | **156.6** |

* Domestic expenditures less domestic revenues of the government.
** Estimates.

Chart 3.3: Causative Factors for Change in M3



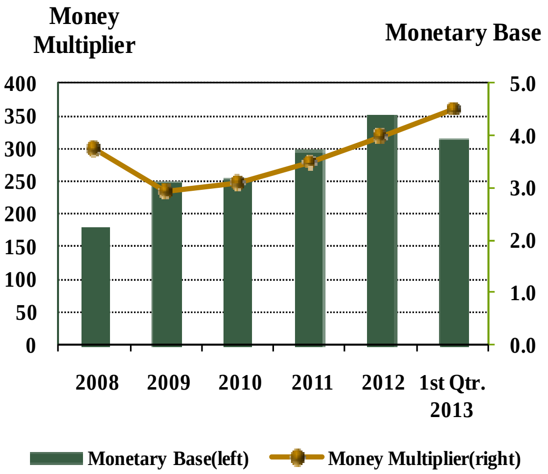

The process of financial intermediation in Saudi Arabia continued to show speed and strength as commercial banks remained engaged in credit activity to support trade and investment. Money multiplier ratio remained in 2012 at a high level of around 3.98 albeit decelerating from 4.09 in 2011 (**Table 3.6 and Chart 3.4**). The deceleration in the money multiplier ratio was solely attributable to a rise in the bank reserves to bank deposits ratio despite a decrease in the currency to bank deposits ratio. While the former ratio increased to 17.3 percent in 2012 from 16.2 percent in 2011, the latter one decreased to 10.6 percent from 10.87 percent during the same period. In sum, banks

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

| End of Year | Monetary (Million Rls) | Money Multiplier |
|---|---|---|
| 2008 | 180,177 | 5.16 |
| 2009 | 248,513 | 4.14 |
| 2010 | 254,832 | 4.24 |
| 2011 | 299,103 | 4.09 |
| 2012 | 350,600 | 3.98 |
| 2013* | 317,123 | 4.50 |

* End of 1st Quarter.

Chart 3.4: Monetary Base and Money Multiplier



continued to intermediate funds between savers and investors in a big way owing to considerable growth of both bank deposits averaging 11.9 percent, and bank credit averaging 10.9 percent during 2007-12.

**Seasonal Trends of Currency Outside Banks**

Two significant Islamic events including *Ramadan* and *Hajj* that fall during the last four months of *Islamic Calendar* normally raise the demand for funds in Saudi Arabia. Therefore, currency in circulation tends to remain in a high range until the end of the month of *Dhul Hijjah*. This is amply evident from the time series data on currency outside banks (**Table 3.7 and Chart 3.5).** The demand for currency outside banks culminated at Rls 138.0 billion at the end of October 2012 (*Dhul Hijjah* 1433H). The lowest level of currency in circulation was recorded at Rls 121.0 billion at the end of January 2012 (*Rabi I* 1433H). These currency levels were up by Rls 8.5 billion and Rls 21.9 billion, respectively from levels recorded in 2011.

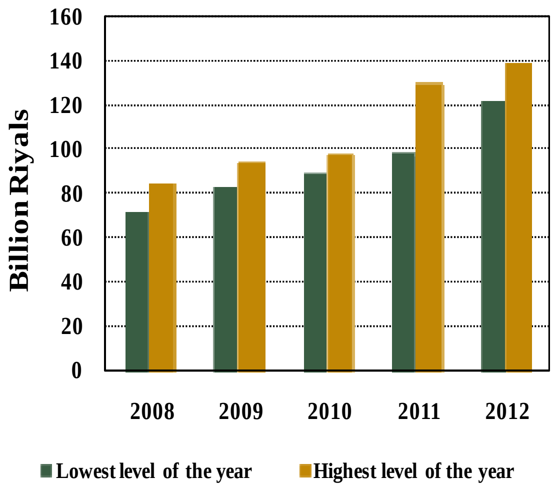
**Monetary Survey**

Trade earnings, FDI inflows, bank credit to the private sector, and rising public expenditure continued to contribute to the buildup of the net assets holdings of the Saudi banking system in recent years. Therefore, monetary survey which is a consolidated balance sheet of the entire Saudi banking system, continued to show sustained expansion in the assets of the entire Saudi banking

**Table 3.7: SEASONAL TRENDS IN CURRENCY OUTSIDE BANKS**

| Currency Outside Banks Highest Level of the Year | | | Currency Outside Banks Lowest Level of the Year | | |
|---|---|---|---|---|---|
| Gregorian Month-End | Corresponding Hijri Date | Amount (Million Riyals) | Gregorian Month-End | Corresponding Hijri Date | Amount (Million Riyals) |
| 9/2008 | 30/9/1429 | 84,326 | 2/2008 | 21/2/1429 | 70,804 |
| 11/2009 | 13/12/1430 | 93,305 | 3/2009 | 4/4/1430 | 82,860 |
| 8/2010 | 21/9/1431 | 97,559 | 1/2010 | 16/2/1431 | 88,355 |
| 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 |

### Chart 3.5: Seasonal Trends in Currency Outside Banks




system (**Table 3.8**). These assets witnessed a rise of 17.9 percent (Rls 573.5 billion) to Rls 3.8 trillion in 2012 compared to 17.1 percent (Rls 468.3 billion) in 2011.

The net foreign assets of the banking system recorded an expansion of 19.7 percent (Rls 421.6 billion) to Rls 2.6 trillion in 2012 compared with an expansion of 22.3 percent (Rls 390.4 billion) in 2011. SAMA's net foreign assets amounted to Rls 2.4 trillion or 89 percent of GDP in 2012. Its share in the net foreign assets remained within a range of 93 percent to 97 percent, averaging 95 percent during 2008-12.

The Saudi private sector continued to dominate the use of bank funding as bank claims on the private sector in terms of total bank credit remained within a range of 75 percent to 82 percent, averaging 79.2 percent during 2008-12. Bank claims on the private sector indicated an expansion of 16.4 percent (Rls 140.8 billion) to Rls 999.1 billion in 2012 compared to 10.6 percent (Rls 82.6 billion) in 2011. Bank claims on non-financial public sector enterprises also recorded an expansion of 24.4 percent in 2012 after experiencing a dip of 1.4 percent in 2011.

The persistence of world oil prices at elevated levels continued to add to government oil revenues in recent years. Hence, it enabled the government to broaden its deposit base (which includes letters of credit and documents for collection) by 27.7 percent to Rls 1.5 trillion in 2012 against 19.6 percent in 2011.

**Interest Rate Trends**

The 3-month *Saudi Inter-bank Offered Rate (SIBOR)* on Riyal deposits moved upward and rose by 23 basis points (bps) in 2012 against declines of 17 bps in 2010 and 5 bps in 2011. The interest rate on 3-month US deposits also moved upward in 2012. It showed a rise of 7 bps in 2012 in contrast to declines of 31 bps in 2010 and 5 bps in 2011. Nevertheless, the spread between the two average rates continued to uptrend and rose to 0.55 percent in 2012 from 0.41 percent in 2011 (**Table 3.9 and Chart 3.6**).

**Exchange Rate Position**

The Saudi foreign exchange market remained stable in 2012. The spot exchange rate between the Saudi Riyal and the US dollar remained close to the official peg at Rls 3.75 per US dollar in 2012 (**Table 3.10**).

**Public Debt**

The Saudi government continued to enjoy ample fiscal space on account of substantial oil revenues. Therefore, it continued to reinforce the process of debt retirement. The government brought the public debt down to Rls 98.8 billion in 2012 from Rls 685.2 billion in 2002. The pace of annual retirement averaged 17.6 percent or equivalent to Rls 58.6 billion during 2002-12. The continuation of public debt retirement improved the public debt to GDP ratio considerably as it

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

*(Million Riyals)*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013*** |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Foreign assets (net) | 1,683,832 | 1,631,277 | 1,749,943 | 2,140,359 | 2,562,004 | 2,623,394 |
| SAMA | 1,642,312 | 1,520,042 | 1,651,522 | 2,007,086 | 2,428,571 | 2,487,583 |
| Commercial banks | 41,520 | 111,235 | 98,421 | 133,273 | 133,433 | 135,811 |
| Domestic credit | 976,543 | 916,561 | 990,088 | 1,067,999 | 1,219,888 | 1,295,054 |
| Bank claims on private sector | 734,557 | 734,237 | 775,756 | 858,365 | 999,127 | 1,034,437 |
| Bank claims on government | 209,920 | 154,188 | 182,048 | 177,803 | 181,176 | 214,756 |
| Bank claims on non-financial public sector enterprises | 32,065 | 28,136 | 32,285 | 31,831 | 39,585 | 45,861 |
| **Total** | **2,660,375** | **2,547,838** | **2,740,031** | **3,208,358** | **3,781,892** | **3,918,448** |
| **Liabilities** | | | | | | |
| Broad money M3 | 929,125 | 1,028,944 | 1,080,370 | 1,223,563 | 1,393,754 | 1,427,174 |
| Government deposits ** | 1,055,958 | 923,118 | 992,559 | 1,186,997 | 1,515,746 | 1,566,303 |
| Other items (net) | 675,292 | 595,776 | 667,102 | 797,798 | 872,392 | 924,971 |
| **Total** | **2,660,375** | **2,547,838** | **2,740,031** | **3,208,358** | **3,781,892** | **3,918,448** |
| **(Percent changes)** | | | | | | |
| Foreign assets (net) | 43.8 | -3.1 | 7.3 | 22.3 | 19.7 | 2.4 |
| Domestic credit | 28.6 | -6.1 | 8.0 | 7.9 | 14.2 | 6.2 |
| Bank claims on private sector | 27.1 | 0.0 | 5.7 | 10.6 | 16.4 | 3.5 |
| Bank claims on government | 45.6 | -26.5 | 18.1 | -2.3 | 1.9 | 18.5 |
| Bank claims on non-financial public sector enterprises | -14.3 | -12.3 | 14.7 | -1.4 | 24.4 | 15.9 |
| Broad money M3 | 17.6 | 10.7 | 5.0 | 13.3 | 13.9 | 2.4 |
| Government deposits** | 104.4 | -12.6 | 7.5 | 19.6 | 27.7 | 3.3 |
| Other items (net) | 8.2 | -11.8 | 12.0 | 19.6 | 9.3 | 6.0 |

* Consolidated balance sheet of Saudi Arabian Monetary Agency and commercial banks.

** Including letters of credit and documents for collection.

*** End of 1st Quarter.

decreased to 3.71 percent in 2012 from 17.1 percent in 2007, and 96.9 percent in 2002. It is important to note that there was no need for the government to issue any debt instruments during 2012 owing to strong financial position in recent years.

**SAMA's Balance Sheet**

SAMA's balance sheet continued to expand as its stock of total assets increased by 20.8 percent (Rls 427.2 billion) to Rls 2.5 trillion in 2012 compared to an expansions of 20.7 percent (Rls 352.5 billion) in 2011.

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

(Average rates for Three-month deposits)

| Year | Saudi Riyal Deposits | Dollar Deposits | Differential Between Riyal and Dollar rate |
|---|---|---|---|
| 2009 | 0.91 | 0.65 | 0.26 |
| 2010 | 0.74 | 0.34 | 0.40 |
| 2011 | 0.69 | 0.29 | 0.41 |
| 2012 | 0.92 | 0.36 | 0.55 |
| 2013** | 0.98 | 0.29 | 0.69 |

* Inter-bank rates.

** Average of 1st Quarter.

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

(Average rates for three-month deposits)

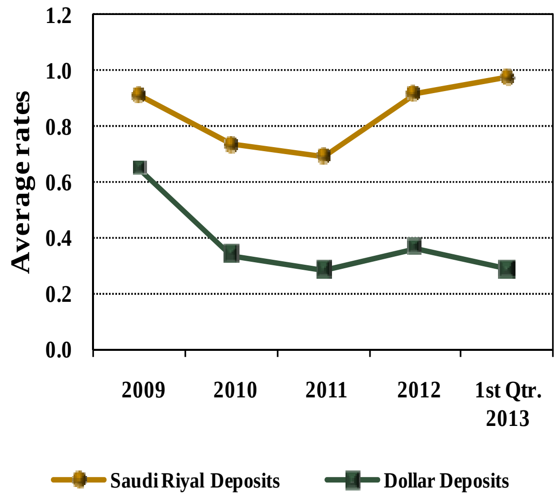



**Table 3.10: EXCHANGE RATE OF THE RIYAL IN THE SPOT MARKET ( Against US Dollar )**

| Year | Maximum Value | Minimum Value | Average (whole period) |
|---|---|---|---|
| 2008 | 3.7685 | 3.7115 | 3.7503 |
| 2009 | 3.7532 | 3.7467 | 3.7504 |
| 2010 | 3.7510 | 3.7492 | 3.7502 |
| 2011 | 3.7513 | 3.7485 | 3.7503 |
| 2012 | 3.7505 | 3.7500 | 3.7503 |
| 2013* | 3.7506 | 3.7501 | 3.7503 |

* 1st. Quarter

Source: REUTERS.

SAMA's foreign assets holdings continued to rise resulting from oil export proceeds accrued to the Saudi government in recent years. SAMA's distribution of foreign assets holdings remained skewed towards investment in foreign securities which rose by 17 percent (Rls 242.2 billion) in 2012 from 20.1 percent (Rls 245.9 billion) in 2011. SAMA's deposits with banks operating outside the Kingdom of Saudi Arabia increased by 39.2 percent to Rls 576.4 billion in 2012 from Rls 414.0 billion in 2011. Currency cover also rose by 10.2 percent to Rls 186.2 billion in 2012 from Rls 169.0 billion in 2011 (**Table 3.11**).

SAMA's distribution of liabilities also remained concentrated with government deposits. These deposits remained on a positive growth trajectory as they increased by 27.7 percent (Rls 333.3 billion) to Rls 1.5 trillion in 2012 compared with increases of 19.4 percent (Rls 195.2 billion) in 2011. Commercial banks' deposits with SAMA also rose by 11.5 percent to Rls 70.8 billion in 2012 from Rls 63.5 billion in 2011.

## Developments During the First Quarter of 2013

Overall monetary conditions in Saudi Arabia remained liquid and supportive of macroeconomic activities in the first quarter of 2013. Therefore, commercial banks did not require too significant a liquidity support from SAMA as the daily average of repurchase agreements declined to Rls 43 million in the first quarter of 2013 against Rls 85 million in the first quarter of 2012. Similarly, the daily average of reverse repurchase agreements also shrank to Rls 97.9 million against Rls101.3 billion in the first quarter of 2012.

## Movement of Key Monetary Aggregates

The ongoing monetary policy accommodation continued to contribute to sustained expansion in all monetary aggregates in the first quarter of 2013. While M3 recorded the lowest rise of 2.4 percent (Rls 33.4 billion), M1 registered the highest rise of 6.1 percent (Rls 53.8 billion) in the first quarter of 2013. The growth pace of commercial banks' deposits decelerated to 2.5 percent (Rls 31.2 billion) in the first quarter of 2013 compared to a growth of 4 percent (Rls 44.3 billion) in the corresponding quarter of 2012. However, the share of commercial banks' deposits in the broad money marginally increased to 90.5 percent in the first quarter of 2013 compared to 90.3 percent in the corresponding quarter of 2012. This resulted from a deceleration in the growth of currency outside banks to 1.6 percent (Rls 2.2 billion) in the first quarter of 2013 against the growth of 2.3 percent (Rls 2.8 billion) in the corresponding quarter of 2012.

## Interest Rate Developments

Interest rate on domestic inter-bank deposits rose by 6 bps to 0.98 percent in the first quarter of 2013 against a rise of 14 bps to 0.83 percent in the first quarter of 2012. However, the interest rate differential on three-month riyal and dollar deposits increased by a big margin of 14 bps to 0.69 percent in the first quarter of 2013 compared to a decline of 4 bps to 0.37 percent in the corresponding quarter of 2012 (**Table 3.9**). This was a clear indication of encouragement for investors to keep funds in riyal deposits.

SAMA continued to maintain the ceiling on the weekly issuance of Treasury bills at Rls 9 billion. The Treasury bills were priced at 80.0 percent of the Saudi inter-bank deposit rate to encourage domestic banks to increase lending.

## SAMA's Balance Sheet

SAMA's balance sheet continued to expand as its total assets grew by 2.1 percent (Rls 51.7 billion) in the first quarter of 2013 compared to the growth of 4.7 percent (Rls 96.2 billion) in the corresponding quarter of 2012. Foreign exchange earnings continued to play a lead role in the buildup of public finances and helped enable the government to increase their deposits with SAMA by 2.9 percent (Rls 44.4 billion) in the first quarter of 2013 against an increase of 8.0 percent (Rls 96.2 billion) in the corresponding quarter of 2012. Commercial banks' deposits with SAMA also rose by 6.3 percent (Rls 4.5 billion) in the first quarter of 2013 compared with an increase of 7.1 percent (Rls 4.5 billion) in the corresponding quarter of 2012. The quantity of notes that SAMA had issued previously continued to show contraction in the first quarter of the year as total notes issued recorded a reduction of 1.9 percent (-Rls 3.5 billion) in the first quarter of 2013 compared with a reduction of 2.4 percent (-Rls 4.1 billion) in the first quarter of 2012.

SAMA built up its holdings of foreign securities as its investment in foreign securities rose by 7.5 percent (Rls 125.2 billion) in the first quarter of 2013 against a rise of 1.3 percent (Rls 18.8 billion) in the corresponding quarter of 2012. Consequently, SAMA's deposits with banks abroad registered a decline of 10.8 percent (-Rls 62.2) in the first quarter of 2013 in contrast to an increase of 19.6 percent (Rls 81.2 billion) in the corresponding quarter of 2012 (**Table 3.11**)■

## Table 3.11: SAMA's BALANCE SHEET

(End of year)

( Million Rls)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013* |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Notes issued | 121,067 | 123,127 | 136,029 | 169,033 | 186,227 | 182,729 |
| Government deposits | 1,052,336 | 933,912 | 1,008,251 | 1,203,477 | 1,536,820 | 1,581,254 |
| Commercial banks' deposits | 44,698 | 50,715 | 54,976 | 63,511 | 70,791 | 75,254 |
| Foreign entities' Riyal deposits | 12,488 | 10,300 | 10,310 | 3,774 | 4,091 | 4,510 |
| Other liabilities | 479,406 | 452,599 | 495,823 | 618,069 | 687,134 | 692,974 |
| **Total** | **1,709,995** | **1,570,653** | **1,705,389** | **2,057,864** | **2,485,063** | **2,536,721** |
| **Assets** | | | | | | |
| Currency cover (gold) | 121,066 | 123,127 | 136,029 | 169,033 | 186,227 | 182,729 |
| Cash in vault | 27,053 | 23,876 | 25,060 | 29,187 | 33,415 | 26,408 |
| Deposits with banks abroad | 379,487 | 335,673 | 343,887 | 414,007 | 576,415 | 514,161 |
| Investments in foreign secureties | 1,154,247 | 1,071,542 | 1,181,916 | 1,427,820 | 1,670,020 | 1,795,203 |
| Other assets | 28,142 | 16,435 | 18,497 | 17,817 | 18,986 | 18,220 |
| **Total** | **1,709,995** | **1,570,653** | **1,705,389** | **2,057,864** | **2,485,063** | **2,536,721** |

* End of 1st. Quarter

Commercial banks continued achieving high growth rates and good performance in 2012 due to their soundness and solvency as a result of the SAMA supervisory role. Such a role of SAMA contributed to enhance efficiency of its performance in the national economy through application of laws and issuance of regulations and instructions. This chapter sheds light on developments of commercial banks, Institute of Banking, SAMA's role of supervision and control of the banking sector.

**Developments of Commercial Banks**

The good performance of commercial banks during 2012 was reflected in a rise in their general activity and enhancement of their financial position. Their assets went up by 12.3 percent, bank deposits by 14.2 percent, capital and reserves by 10.2 percent and profits by 8.4 percent.

**Consolidated Financial Position of Commercial Banks**

In 2012, commercial banks perform well in strengthening their financial position. Their total assets rose by 12.3 percent (Rls 189.7 billion) to Rls 1,734.1 billion compared to an increase of 9.1 percent (Rls 129.2 billion) in the preceding year. (Table 4.1).

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

*(Million Riyals)*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 1st Q 2013 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Reserves | 97,171 | 160,118 | 159,313 | 179,174 | 217,455 | 181,796 |
| Foreign assets | 153,986 | 210,918 | 193,127 | 208,723 | 212,829 | 211,680 |
| Claims on Government and non-financial | | | | | | |
| public sector enterprises | 241,986 | 182,324 | 214,333 | 209,634 | 220,761 | 260,617 |
| Claims on the private sector | 734,557 | 734,237 | 775,756 | 858,365 | 999,127 | 1,034,437 |
| Claims on non-monetary financial institutions | 911 | 1,365 | 1,946 | 1,694 | 2,737 | 2,264 |
| Other assets | 73,659 | 81,296 | 70,794 | 86,843 | 81,233 | 81,378 |
| **Total Assets/Liabilities** | **1,302,271** | **1,370,258** | **1,415,267** | **1,544,434** | **1,734,141** | **1,772,173** |
| **Liabilities** | | | | | | |
| Bank deposits | 846,118 | 940,548 | 984,850 | 1,103,634 | 1,260,608 | 1,291,847 |
| Foreign liabilities | 112,466 | 99,683 | 94,706 | 75,450 | 79,396 | 75,869 |
| Capital and reserves | 131,822 | 163,642 | 178,025 | 190,140 | 209,494 | 234,748 |
| Profits | 29,928 | 26,830 | 26,120 | 30,919 | 33,508 | 9,304 |
| Other liabilities | 181,937 | 139,555 | 131,567 | 144,291 | 151,135 | 160,405 |

**Bank Deposits**

Total bank deposits increased by 14.2 percent (Rls 157.0 billion) to Rls 1,260.6 billion in 2012 compared to an increase of 12.1 percent (Rls 118.8 billion) in the preceding year (Table 4.2 and Charts 4.1 and 4.2).

A review of bank deposits by type shows that demand deposits rose by 17.6 percent (Rls 112.9 billion) to Rls 754.0 billion in 2012, compared to a rise of 20.9 percent (Rls 111.0 billion) in the preceding year. Their share in total deposits went up from 58.1 percent at the end of 2011 to 59.8 percent at the end of 2012. Also, time and savings deposits increased by 6.2 percent (Rls 19.0 billion) to Rls 324.4 billion compared to an increase of 2.4 percent (Rls 7.2 billion) in the preceding year. However, their share in total deposits in 2012 dropped to 25.7 percent from 27.7 percent in the preceding year. Other quasi-monetary deposits (the bulk of which is residents' foreign currency deposits) went up by 16.0 percent (Rls 25.1 billion) to Rls 182.2 billion compared to a rise of 0.4 percent (Rls 641billion) in the preceding year. Their share in total deposits increased from 14.2 percent in 2011 to 14.5 percent in 2012 (Chart 4.3).

A breakdown of deposits by sector shows that deposits of the private sector increased by 12.1 percent (Rls 108.0 billion) to Rls 998.3 billion in 2012 compared to a rise of 14.2 percent (Rls 110.7 billion) in the preceding year. The share of the private sector's deposits in total deposits stood at 79.2 percent compared to 80.7 percent in the preceding year. Also, deposits of the public sector

**Table 4.2: BANK DEPOSITS**

(End of period)

*(Million Riyals)*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 1st Q 2013 |
|---|---|---|---|---|---|---|
| **First: By type** | | | | | | |
| Demand Deposits | 342,488 | 433,162 | 530,072 | 641,056 | 753,970 | 805,621 |
| Time and savings deposits | 367,624 | 323,377 | 298,283 | 305,441 | 324,428 | 312,087 |
| Other quasi-monetary deposits | 136,007 | 184,009 | 156,495 | 157,136 | 182,211 | 174,139 |
| Foreign Currency Deposits | 111,971 | 160,730 | 123,097 | 136,435 | 159,394 | 151,992 |
| For L/Cs | 15,825 | 14,770 | 23,650 | 8,365 | 9,849 | 7,166 |
| Repo Transactions | 658 | 220 | 14 | 10 | 10 | 24 |
| Outstanding Remittances | 7,553 | 8,289 | 9,735 | 12,326 | 12,958 | 14,957 |
| **Second: By sector** | | | | | | |
| Private Sector | 667,423 | 720,919 | 779,564 | 890,244 | 998,255 | 1,019,787 |
| Public Sector | 178,695 | 219,630 | 205,286 | 213,390 | 262,354 | 272,060 |
| **Third: By currency** | | | | | | |
| Domestic currency deposits | 734,148 | 779,819 | 861,753 | 967,199 | 1,101,214 | 1,139,855 |
| Foreign currency deposits | 111,971 | 160,730 | 123,097 | 136,435 | 159,394 | 151,992 |
| **Total bank deposits** | **846,118** | **940,548** | **984,850** | **1,103,634** | **1,260,608** | **1,291,847** |

Chart 4.1: Deposits By Type of Currency

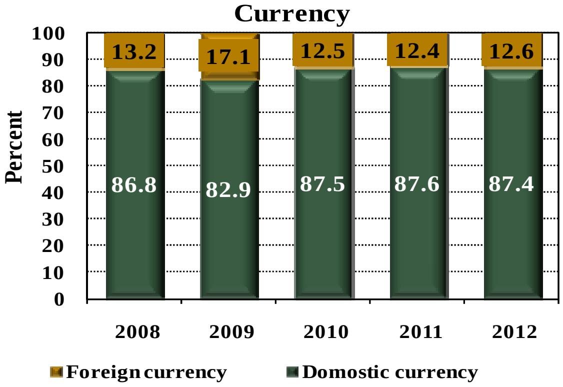



Chart 4.2: Growth Rates of Bank Deposits

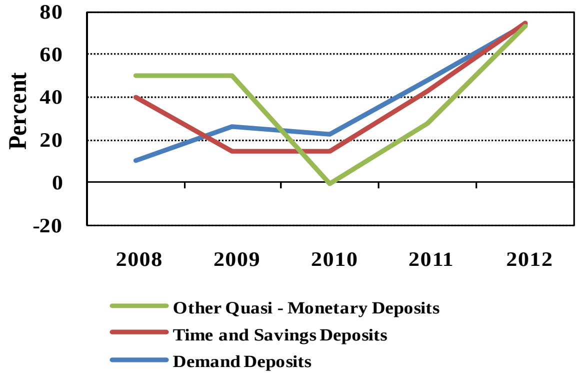
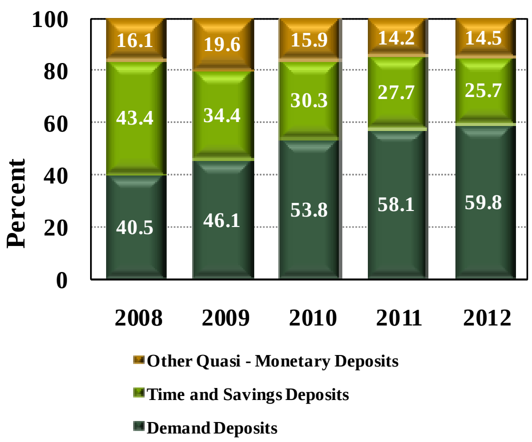



Chart 4.3: Shares of Deposit Components




went up by 22.9 percent (Rls 49.0 billion) to Rls 262.4 billion compared to a rise of 3.9 percent (Rls 8.1 billion) in the preceding year, increasing their share in total deposits from 19.3 percent in 2011 to 20.8 percent in 2012.

With respect to developments of bank deposits by currency, domestic currency deposits increased by 13.9 percent (Rls 134.0 billion) to Rls 1,101.2 billion in 2012, compared to an increase of 12.2 percent (Rls 105.4 billion) in the preceding year. Their share in total deposits stood at 87.4 percent compared to 87.6 percent in the preceding year. Foreign currency deposits also increased by 16.8 percent (Rls 23.0 billion) to Rls 159.4 billion in 2012, compared to an increase of 10.8 percent (Rls 13.3 billion) in the preceding year. Hence, their share in total deposits of 12.4 percent in 2011 went up to 12.6 percent at the end of 2012.

### Bank Claims on the Private and Public Sectors

Total bank claims on the private and public sectors (loans and advances, bills discounted and investments) rose by 14.3 percent (Rls 152.9 billion) to Rls 1,222.6 billion in 2012 compared to an increase of 7.8 percent (Rls 77.7 billion) in the preceding year. Total claims on the private and public sectors at the end of 2012 accounted for 97.0 percent of total bank deposits compared to 96.9 percent in the preceding year.

Total bank claims on the private sector increased by 16.4 percent (Rls 140.8 billion) to Rls 999.1 billion in 2012, compared to a rise of 10.6 percent (Rls 82.6 billion) in the preceding year. These claims represented 79.3 percent of total bank deposits at the end of 2012, compared to 77.8 percent in the preceding year.

Bank claims on the public sector (loans to public institutions and investments in government securities) increased by 5.3 percent (Rls 11.1 billion) to Rls 220.8 billion in 2012 compared to a decline of 2.2 percent (Rls 4.7 billion) in the preceding year. They constituted 17.5 percent of total bank deposits in 2012 compared to 19.0 percent at the end of the preceding year (Table 4.3 and Charts 4.4 and 4.5).

**Bank Credit by Maturity**

Short-term credit (less than one year) extended to the private sector and institutions of the public sector increased by 10.5 percent (Rls 51.1 billion) to Rls 536.8 billion in 2012 compared to an increase of 6.5 percent (Rls 29.5 billion) in the preceding year. Medium-term credit (1-3 years) increased by 47.2 percent (Rls 64.2 billion) to Rls 200.3 billion compared to a rise of 7.3 percent (Rls 9.2 billion) in

**Table 4.3: BANK CLAIMS ON THE PRIVATE AND PUBLIC SECTORS**

(End of period)

*(Million Riyals)*

| | 2010 | | 2011 | | 2012 | | 1st Q 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % Share | Amount | % Share | Amount | % Share | Amount | % Share |
| **Claims on the private sector** | **775,756** | **78.2** | **858,365** | **80.2** | **999,127** | **81.7** | **1,034,437** | **79.7** |
| Bank credit | 743,057 | 74.9 | 824,795 | 77.1 | 960,472 | 78.6 | 993,817 | 76.6 |
| Loans and advances | 735,010 | 74.1 | 814,988 | 76.2 | 951,022 | 77.8 | 983,657 | 75.8 |
| Bills discounted | 8,047 | 0.8 | 9,807 | 0.9 | 9,450 | 0.8 | 10,160 | 0.8 |
| Investments in private securities | 32,699 | 3.3 | 33,570 | 3.1 | 38,655 | 3.2 | 40,619 | 3.1 |
| **Claims on the public sector** | **214,333** | **21.6** | **209,634** | **19.6** | **220,761** | **18.1** | **260,617** | **20.1** |
| Bank credit to non-monetary financial public sector enterprises | 32,285 | 3.3 | 31,831 | 3.0 | 39,585 | 3.2 | 45,861 | 3.5 |
| Investments in government securities | 182,048 | 18.4 | 177,803 | 16.6 | 181,176 | 14.8 | 214,756 | 16.6 |
| Treasury bills | 120,133 | 12.1 | 130,249 | 12.2 | 138,685 | 11.3 | 170,327 | 13.1 |
| Government bonds | 61,915 | 6.2 | 47,554 | 4.4 | 42,491 | 3.5 | 44,429 | 3.4 |
| **Claims on non-monetary financial institutions** | **1,946** | **0.2** | **1,694** | **0.2** | **2,737** | **0.2** | **2,264** | **0.2** |
| **Total** | **992,034** | **100.0** | **1,069,693** | **100.0** | **1,222,625** | **100.0** | **1,297,318** | **100.0** |

**Chart 4.4: Bank Claims By Sector**

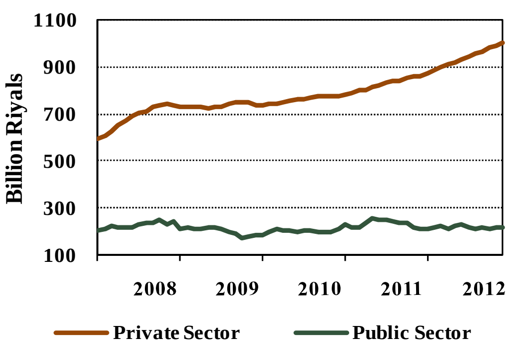
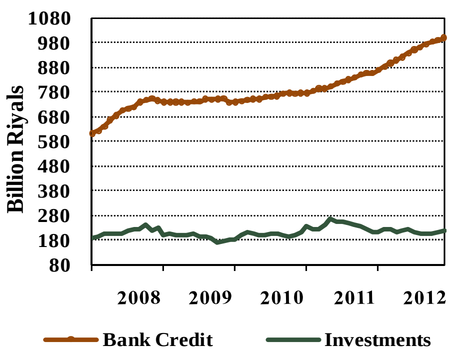



**Chart 4.5: Bank Claims By Type**



the preceding year. Long-term credit (more than 3 years) also went up by 12.0 percent (Rls 28.1 billion) to Rls 263.0 billion compared to an increase of 22.1 percent (Rls 42.5 billion) in the preceding year.

**Bank Credit by Economic Activity**

A review of bank credit by economic activity during 2012 shows mixed trends of expansion and contraction. Bank credit extended for the electricity, water and other services sector increased by 33.4 percent (Rls 8.6 billion) to Rls 34.4 billion compared to a rise of 34.0 percent in the preceding year, for the building and construction sector by 8.0 percent (Rls 5.6 billion) to Rls 75.4 billion compared to a rise of 25.4 percent in the preceding year, for the manufacturing and production sector by 13.0 percent (Rls 14.5 billion) to Rls 126.2 billion compared to an increase of 24.0 percent in the preceding year, for the mining and quarrying sector by 59.0 percent (Rls 4.5 billion) to Rls 12.2 billion compared to a rise of 31.6 percent in the preceding year, for the commerce sector by 13.2 percent to Rls 206.0 billion compared to a rise of 0.5 percent in the preceding year, for the services sector by 48.2 percent (Rls 18.4 billion) to Rls 56.5 billion compared to a rise of 7.0 percent in the preceding year, for the finance sector by 35.5 percent (Rls 8.0 billion) to Rls 30.4 billion compared to an increase of 26.5 percent in the preceding year, and for the agriculture and fishing sector by 3.9 percent (Rls 0.3 billion) to Rls 9.2 billion compared to a decline of 13.7 percent in the preceding year. However, bank credit extended for the transport and communications sector decreased by 1.3 percent (Rls 0.5 billion) to Rls 38.4 billion compared to a fall of 9.6 percent in the preceding year (Table 4.4 and Chart 4.6).

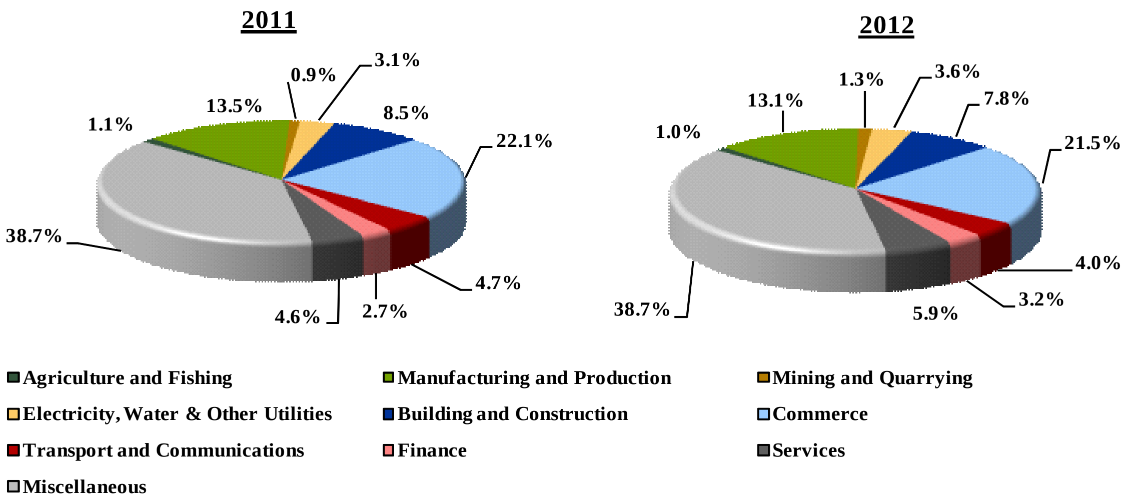
**Table 4.4: BANK CREDIT TO THE PRIVATE SECTOR BY ECONOMIC ACTIVITY**

(End of period)

*(Million Riyals)*

| | 2010 | | 2011 | | 2012 | | 1st Q 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % Share | Amount | % Share | Amount | % Share | Amount | % Share |
| Agriculture and fishing | 10,269 | 1.4 | 8,864 | 1.1 | 9,210 | 1.0 | 10,601 | 1.1 |
| Manufacturing and production | 90,082 | 12.1 | 111,662 | 13.5 | 126,203 | 13.1 | 133,593 | 13.4 |
| Mining and quarrying | 5,818 | 0.8 | 7,657 | 0.9 | 12,171 | 1.3 | 12,590 | 1.3 |
| Electricity, water and other utilities | 19,243 | 2.6 | 25,779 | 3.1 | 34,385 | 3.6 | 34,346 | 3.5 |
| Building and construction | 55,644 | 7.5 | 69,796 | 8.5 | 75,381 | 7.8 | 71,357 | 7.2 |
| Commerce | 181,132 | 24.4 | 182,078 | 22.1 | 206,023 | 21.5 | 212,484 | 21.4 |
| Transport & Communications | 42,992 | 5.8 | 38,886 | 4.7 | 38,396 | 4.0 | 36,759 | 3.7 |
| Finance | 17,756 | 2.4 | 22,468 | 2.7 | 30,451 | 3.2 | 29,587 | 3.0 |
| Services | 35,660 | 4.8 | 38,160 | 4.6 | 56,542 | 5.9 | 56,741 | 5.7 |
| Other miscellaneous services | 284,461 | 38.3 | 319,446 | 38.7 | 371,712 | 38.7 | 395,759 | 39.8 |
| **Total** | **743,057** | **100.0** | **824,795** | **100.0** | **960,472** | **100.0** | **993,817** | **100.0** |

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




### Consumer and Credit Card Loans

Consumer loans extended to individuals by banks witnessed continuous growth due to the expansion in the Saudi economy. Thus, total consumer and credit card loans rose by 20.5 percent (Rls 49.8 billion) in 2012 to Rls 292.0 billion compared to an increase of 21.8 percent (Rls 43.4 billion) in the preceding year. A review of the components of these loans shows that loans for various purposes increased by 20.3 percent (Rls 33.1 billion) to Rls 196.6 billion, accounting for 67.3 percent of total consumer loans compared to a rise of 22.4 percent (Rls 30.0 billion) in the preceding year. Loans granted for financing real estates grew by 29.5 percent (Rls 8.6 billion) to Rls 38.0 billion, constituting 13.0 percent of total consumer loans compared to a rise of 26.9 percent (Rls 6.2 billion) in the preceding year. Loans granted for purchase of motor vehicles and equipment went up by 16.1 percent (Rls 8.0 billion) to Rls 57.4 billion, accounting for 19.7 percent of total consumer loans compared to a rise of 17.1 percent (Rls 7.2 billion) in the preceding year. Moreover, credit card loans increased by 2.6 percent (Rls 0.2 billion) to Rls 8.0 billion in 2012 compared to a decline of 7.3 percent (Rls 0.6 billion) in the preceding year (Table 4.5 and Chart 4.7).

### Syndicated Loans

Preliminary data indicate that the number of syndicated loans extended to residents by a combination of domestic and foreign banks stood at 440 in 2012, increasing by 18.3 percent over the preceding year, while those extended to non-residents went down by 7.1 percent to 104. Value of the loans provided to residents totaled Rls 156.80 billion in 2012, increasing by 22.6 percent over the preceding year, and those provided to non-residents by 10.8 percent to a total of Rls 18.6 billion.

### Credit Worthiness in the Banking Sector

The Saudi Credit Bureau (SIMAH) moved towards diversifying its finance and credit information services, making it one of the pioneering credit information companies in provision of financial products and services to a larger segment of public. SIMAH continued its role in 2012, providing individuals and corporates with information required for accurate credit risk analyses.

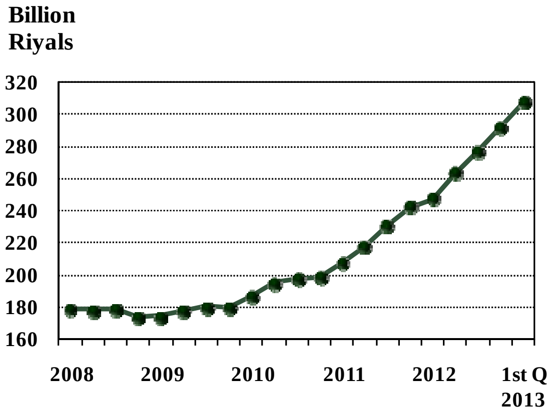
**Table 4.5: CONSUMER AND CREDIT CARD LOANS**
(End of Period)

*(Million Riyals)*

| Year | Consumer Loans | | | | Credit card Loans* |
|---|---|---|---|---|---|
| | Real estate | Motor vehicles and equipment | Others | Total | |
| 2008 | 14,906.0 | 37,261.3 | 121,817.3 | 173,984.6 | 9,451.6 |
| 2009 | 17,860.1 | 38,134.5 | 123,923.6 | 179,918.2 | 8,621.2 |
| 2010 | 23,087.7 | 42,209.0 | 133,537.9 | 198,834.6 | 8,399.7 |
| 2011 | 29,300.6 | 49,444.3 | 163,500.9 | 242,245.9 | 7,782.6 |
| 2012 | 37,951.6 | 57,422.3 | 196,640.1 | 292,014.1 | 7,983.0 |
| 2013* | 38,446.8 | 59,381.1 | 209,574.6 | 307,402.6 | 7,314.9 |

* Include Visa, Master Card, American Express, and Others.

**Chart 4.7: Total Consumer Loans**




In the context of its continuous pursuit to provide a sound investment environment, SIMAH took part with the Ministry of Commerce and Industry in launching a broad media campaign entitled "I wrote it and it handcuffed me". The campaign lasted over six months and covered all cities of the Kingdom. In 2012, SIMAH continued developing a bilingual system for automatic registration of bounced checks by banks. At the end of 2012, the number of bounced checks totaled 44,984, decreasing by 27.0 percent below to the preceding year's total number. Their value went down by 31.0 percent to Rls 3.8 billion.

In its endeavors to keep pace with electronic developments and take advantage of them in reaching out all segments of the society through the shortest and easiest ways, SIMAH launched a number of integrated and modern e-services, which aimed at quick contact with customers. It also approved the customer relationship management system, which aims at highlighting customer service level in SIMAH from all angles. This system helps in identifying customers' contact periods, and efficiency and time taken for addressing their complaints or responding to their inquiries.

**Commercial Banks' Foreign Assets and Liabilities**

Foreign assets of commercial banks went up by 2.0 percent (Rls 4.1 billion) to Rls 212.8 billion in 2012 compared to a rise of 8.1 percent (Rls 15.6 billion) in the preceding year.

Foreign liabilities of commercial banks also increased by 5.2 percent (Rls 3.9 billion) to Rls 79.4 billion in 2012 compared to a fall of 20.3 percent (Rls

19.3 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 slightly by 0.1 percent (Rls 0.2 billion) to Rls133.4 billion in 2012 compared to an increase of 35.4 percent (Rls 34.9 billion) in the preceding year.

**Commercial Bank Reserves**

Commercial banks' reserves (cash in vault and deposits with SAMA) increased by 21.4 percent (Rls 38.3 billion) to Rls 217.5 billion in 2012 compared to an increase of 12.5 percent or

**Table 4.6: FOREIGN ASSETS AND LIABILITIES OF COMMERCIAL BANKS**
(End of period)

*(Million Riyals)*

| | Amount | | | Change | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2011 | | 2012 | | 1st Q 2013 | |
| | 2011 | 2012 | 1st Q 2013 | Amount | % | Amount | % | Amount | % |
| **Foreign Assets** | | | | | | | | | |
| Due from foreign banks | 42,945 | 33,977 | 33,308 | 8,318 | 24.0 | -8,968 | -20.9 | -10,593 | -31.8 |
| Due from branches abroad | 26,702 | 44,689 | 46,044 | -1,568 | -5.5 | 17,987 | 67.4 | 18,667 | 40.5 |
| Due from others | 15,662 | 14,518 | 15,387 | -856 | -5.2 | -1,144 | -7.3 | -1,068 | -6.9 |
| Investments abroad | 123,414 | 119,644 | 116,940 | 9,703 | 8.5 | -3,770 | -3.1 | -12,957 | -11.1 |
| **Total** | **208,723** | **212,829** | **211,680** | **15,596** | **8.1** | **4,106** | **2.0** | **-5,951** | **-2.8** |
| **Foreign Liabilities** | | | | | | | | | |
| Due to foreign banks | 53,027 | 47,472 | 44,401 | -840 | -1.6 | -5,556 | -10.5 | -7,778 | -17.5 |
| Due to branches abroad | 3,507 | 6,777 | 6,830 | -6,729 | -65.7 | 3,270 | 93.3 | 1,185 | 17.3 |
| Due to others | 18,916 | 25,147 | 24,638 | -11,686 | -38.2 | 6,231 | 32.9 | 850 | 3.5 |
| **Total** | **75,450** | **79,396** | **75,869** | **-19,256** | **-20.3** | **3,945** | **5.2** | **-5,743** | **-7.6** |
| **Net Foreign Assets** | **133,273** | **133,433** | **135,811** | **34,852** | **35.4** | **160** | **0.1** | **-209** | **-0.2** |

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

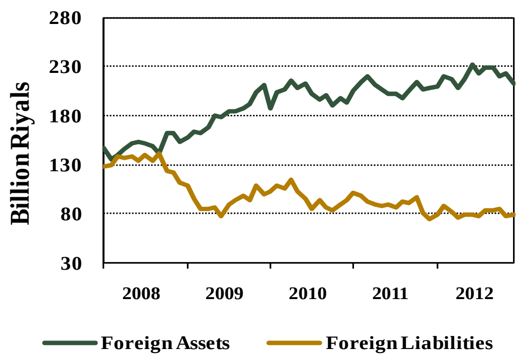
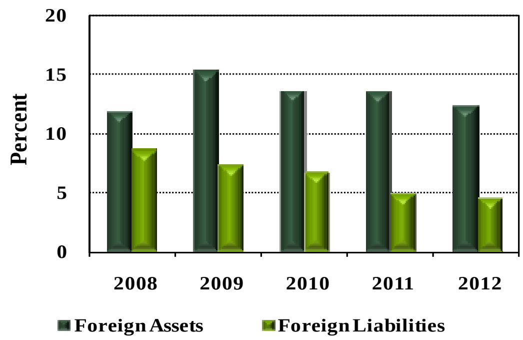



**Chart 4.9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilites**



Rls 19.9 billion in the preceding year. The increase was in statutory deposits with SAMA, which rose by 12.4 percent (Rls 7.8 billion) to Rls 70.0 billion, and in other deposits with SAMA, which rose by 31.8 percent (Rls 30.8 billion) to Rls 127.6 billion. However, cash in bank vaults went down by Rls 0.3 billion to Rls 19.7 billion (Table 4.7).

**Commercial Banks' Capital and Reserves**

Capital and reserves of banks increased by Rls 19.3 billion or 10.2 percent to Rls 209.5 billion in 2012 compared to a rise of Rls 12.1 billion or 6.8 percent in the preceding year. Their ratio to total deposits went up from 15.1 percent in 2011 to 16.6 percent in 2012, and to total assets from about 12.3 percent in 2011 to 12.1 percent in 2012. Capital ratio to risk-weighted assets (Basel Standard) stood at 18.7 percent at the end of 2012, which is more than double the internationally prescribed standard of 8.0 percent (Table 4.8).

**Sources and Uses of Commercial Banks' Funds During 2012**

Total additional financial resources of the commercial banks increased by 36.1 percent from Rls 140.6 billion in 2011 to Rls 191.4 billion in 2012, reflecting the availability of their financial resources. These resources were accounted for by bank deposits by Rls 157.0 billion (82.0 percent of total resources), capital base by Rls 22.0 billion (11.5 percent), other claims by Rls 6.8 billion (3.6 percent), and other miscellaneous assets by Rls 5.6 billion (2.9 percent).

These additional financial resources were used by banks for increasing their claims on the private sector by Rls 140.8 billion (73.6 percent of total

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

*(Million Riyals)*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 1st Q 2013 |
|---|---|---|---|---|---|---|
| Cash in vault | 11,007 | 10,856 | 15,450 | 19,917 | 19,666 | 20,994 |
| Deposits with SAMA: | | | | | | |
| Current deposits | 751 | 646 | 296 | 180 | 161 | 1,033 |
| Statutory deposits | 44,297 | 50,322 | 54,594 | 62,253 | 70,005 | 74,339 |
| Other deposits | 41,116 | 98,293 | 88,973 | 96,825 | 127,623 | 85,430 |
| **Bank reserves** | **97,171** | **160,118** | **159,313** | **179,174** | **217,455** | **181,796** |
| **Ratios (%) to bank deposits** | | | | | | |
| Cash in vault | 1.30 | 1.15 | 1.57 | 1.80 | 1.56 | 1.63 |
| Deposits with SAMA: | | | | | | |
| Current deposits | 0.09 | 0.07 | 0.03 | 0.02 | 0.01 | 0.08 |
| Statutory deposits | 5.24 | 5.35 | 5.54 | 5.64 | 5.55 | 5.75 |
| Other deposits | 4.86 | 10.45 | 9.03 | 8.77 | 10.12 | 6.61 |
| **Bank reserves** | **11.48** | **17.02** | **16.18** | **16.23** | **17.25** | **14.07** |

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

(End of period)

*(Million Riyals)*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 1st Q 2013 |
|---|---|---|---|---|---|---|
| Capital and reserves | 131,822 | 163,642 | 178,025 | 190,140 | 209,494 | 234,748 |
| Capital and reserves as a ratio of: | | | | | | |
| Bank deposits (%) | 14.0 | 16.6 | 16.1 | 15.1 | 16.6 | 18.2 |
| Total assets (%) | 10.1 | 11.9 | 12.6 | 12.3 | 12.1 | 13.2 |
| Risk-weighted capital assets ratio (Basel Standard) (%) | 16.0 | 16.5 | 17.1 | 19.6 | 18.7 | 18.1 |

additional financial resources, cash reserves by Rls 38.3 billion (20.0 percent), claims on the public sector by Rls 11.1 billion (5.8 percent), and claims on non-monetary financial institutions by Rls 1.0 billion (0.5 percent) (Table 4.9).

**Commercial Banks' Profits**

Commercial banks' net profits stood at Rls 33.5 billion at the end of 2012, denoting a rise of Rls 2.6 billion or 8.4 percent over the preceding year's profits of Rls 30.9 billion compared to rise of Rls 4.8 billion or 18.4 percent over the profits of 2010. The liquidity ratio was 31.8 percent in 2012 compared to 33.3 percent in the preceding year.

**Number of Banks and their Branches**

The number of commercial banks operating in the Kingdom stood at 23 at the end of 2012,

**Table 4.9: SOURCES AND USES OF COMMERCIAL BANK FUNDS DURING 2012**

*(Billion Riyals)*

| Sources of Funds | Amount | % Share | Uses of Funds | Amount | %Share |
|---|---|---|---|---|---|
| Bank deposits | 157.0 | 82.0 | Cash and reserves | 38.3 | 20.0 |
| Capital base | 22.0 | 11.5 | Net Foreign assets | 0.2 | 0.1 |
| Other liabilities | 6.8 | 3.6 | Claims on the private sector | 140.8 | 73.6 |
| Other miscellaneous assets | 5.6 | 2.9 | Claims on the public sector | 11.1 | 5.8 |
| | | | Claims on non-monetary financial institutions | 1.0 | 0.5 |
| Total | 191.4 | 100.0 | Total | 191.4 | 100.0 |

including branches of foreign banks. The number of bank branches increased to 1,696 in 2012. An approval was issued on 27/9/1433H (15/8/2012) licensing the Industrial and Commercial Bank of China (ICBC) to open a branch in the Kingdom. In 2012, 50 new domestic banks' branches operated all over the Kingdom. The distribution of bank branches by administrative regions shows that Riyadh region accounted for 506 branches (29.8 percent of the total), Makkah region 384 branches (22.6 percent), the Eastern region 320 branches (18.9 percent), Al-Qassim region 107 branches (6.3 percent), 'Asir region 106 (6.3 percent), and Al-Madinah region 78 branches (4.6 percent) (Table 4.10).

### Banking Technology Developments in 2012

### I. Clearing House Operations

The number of commercial and personal checks cleared through the clearing houses in the Kingdom in 2012 went up by 2.5 percent (155.1 thousand). Their value also increased by 8.3 percent to Rls 628.2 billion. Average check value went up by 5.6 percent from Rls 92,621 in 2011 to Rls 97,846 in 2012.

The number of checks cleared at the main automatic clearing houses in the Kingdom increased in general. The number in Riyadh clearing house rose by 2.3 percent to 2.4 million checks, Al-Dammam by 4.0 percent to 1.7 million, Jeddah by 1.9 percent to 1.5 million, Abha by 5.2 percent to 158.9 thousnad, and Al-Madinah by 2.0 percent to 154.8 thousand. However, the number decreased in Al-Ta'if by 6.4 percent to 39.8 thousand and Tabuk by 2.6 percent to 56.4 thousand (Chart 4.10).

### II. Saudi Payments Network (SPAN)

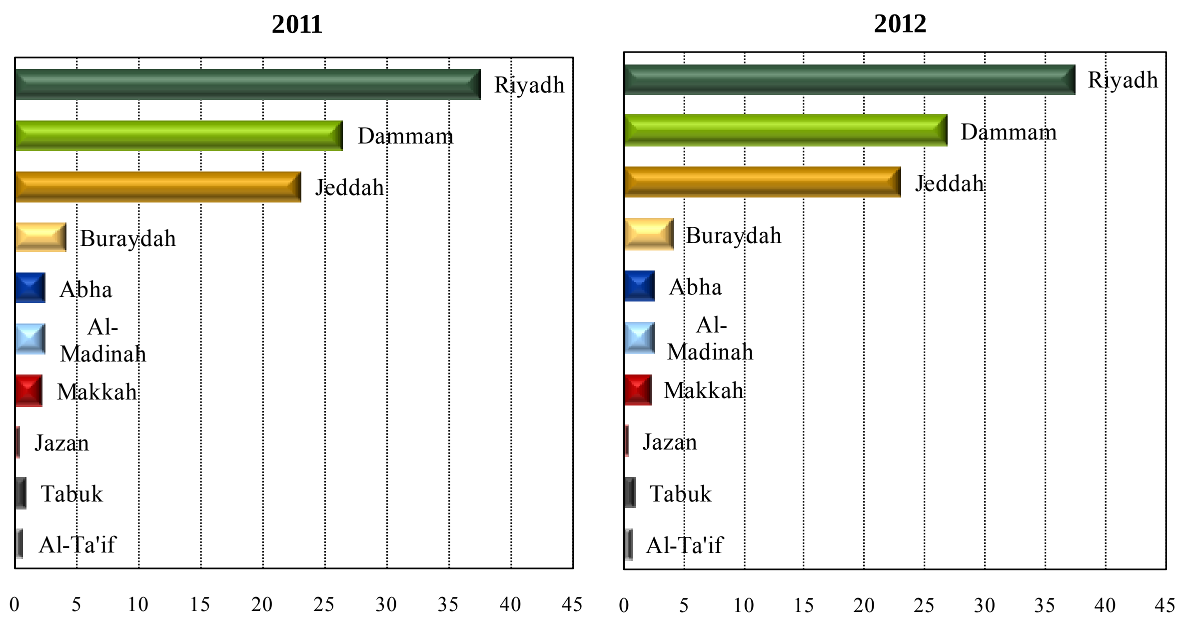
During 2012, SPAN increased and developed its service, promoting the growth of transactions

**Table 4.10: BRANCHES OF BANKS CLASSIFIED BY ADMINISTRATIVE REGIONS**

(End of period)

| | Riyadh | Makkah | Madinah | Eastern Region | Qassim | Asir | Tabouk | Hail | Northern Borders | Jawf | Jazan | Najran | Bahah | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2012 | | | | | | | | | | | | | | |
| 1st Q | 496 | 374 | 77 | 314 | 105 | 106 | 40 | 32 | 14 | 20 | 37 | 22 | 24 | **1,661** |
| 2nd Q | 495 | 377 | 77 | 317 | 105 | 106 | 41 | 32 | 14 | 20 | 37 | 23 | 25 | **1,669** |
| 3rd Q | 499 | 378 | 78 | 316 | 105 | 106 | 42 | 33 | 14 | 20 | 37 | 23 | 25 | **1,676** |
| 4th Q | 506 | 384 | 78 | 320 | 107 | 106 | 42 | 32 | 14 | 21 | 38 | 23 | 25 | **1,696** |
| 2013 | | | | | | | | | | | | | | |
| 1st Q | 518 | 384 | 80 | 323 | 104 | 107 | 41 | 33 | 13 | 21 | 39 | 23 | 25 | **1,711** |

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




carried out through ATMs, POS terminals and debit cards. Work continues on SPAN to provide fast, accurate, and secure banking services.

SPAN also was awarded the PCI DSS compliance certificate, which is an international standard for protecting electronic cards data. Thus, SPAN is the first payment system in cards processing area in the Middle East to win this certificate.

All transactions of SPAN grew in 2012. The number of ATMs in the Kingdom increased by 8.0 percent to 12,712 compared to a rise of 8.1 percent in the preceding year. Also, the number of ATM cards issued went up by 15.3 percent to 16.4 million compared to an increase of 17.3 percent in the preceding year.

The number of transactions carried out by SPAN in 2012 rose by 9.7 percent to 533.0 million compared to a rise of 16.1 percent in the preceding year. The value of SPAN withdrawals increased by 11.4 percent to Rls 301.5 billion compared to a rise of 22.1 percent in the preceding year. The number of transactions executed through the banks' network rose by 4.1 percent to 800.0 million compared to a rise of 17.1 percent in the preceding year, raising the value of cash withdrawals through the banks' network by 5.4 percent to Rls 324.3 billion compared to a rise of 24.6 percent in the preceding year. As a result, total number of transactions carried out by ATMs rose by 6.2 percent to 1,333.0 million and cash withdrawals by 8.2 percent to Rls 625.8 billion (Table 4.11 and Chart 4.11).

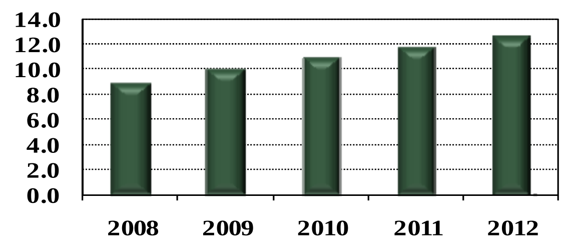
The number of Point of Sales (POS) terminals went up by 4.2 percent to 92,538 compared to a rise of 10.3 percent in the preceding year. The number of operations executed through POS terminals went up by 25.0 percent to 237.9 million compared to a rise of 25.9 percent in the preceding year. The value of sales through POS terminals rose by 23.6 percent to Rls 122.2 billion compared to a rise of 37.6 percent in the

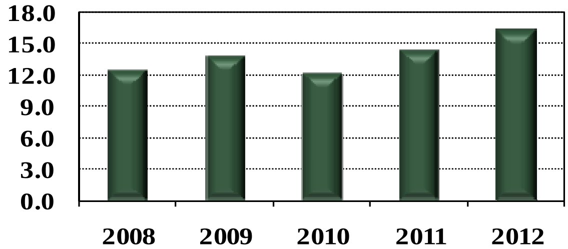
**Table 4.11: ATMs STATISTICS**

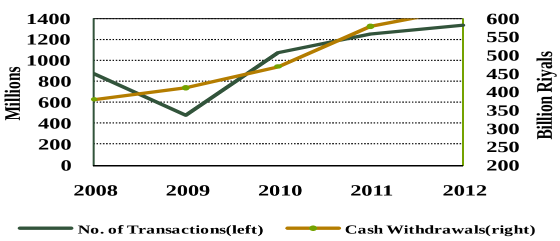
| Year | No. of ATMs | No. of Issued ATM Cards | No. of Operations (Million) | | | Cash withdrawals (Million Riyals) | | |
|---|---|---|---|---|---|---|---|---|
| | | | (SPAN) | Banks' network | Total | SPAN | Banks' network | Total |
| 2008 | 8,893 | 12,366,441 | 338,355 | 533,178 | 871,533 | 184,442 | 194,567 | 379,009 |
| 2009 | 9,950 | 13,712,905 | 372,974 | 568,727 | 941,701 | 197,769 | 213,516 | 411,285 |
| 2010 | 10,885 | 12,162,407 | 418,473 | 656,390 | 1,074,862 | 221,482 | 246,907 | 468,389 |
| 2011 | 11,766 | 14,261,993 | 485,985 | 768,776 | 1,254,761 | 270,593 | 307,676 | 578,269 |
| 2012 | 12,712 | 16,440,258 | 532,983 | 800,013 | 1,332,996 | 301,473 | 324,281 | 625,754 |
| 2013* | 13,003 | 16,520,387 | 139,283 | 201,215 | 340,497 | 80,122 | 83,101 | 163,223 |

* End of the 1st quarter.

**Chart 4.11: Automated Teller Machine Statistics**




preceding year (Table 4.12 and Chart 4.12), indicating increased reliance of customers on SPAN services and their enhanced confidence in the use of modern banking technology.

**III. Saudi Arabian Riyal Interbank Express System (SARIE)**

Since its launching on 8/12/1997, SARIE has been promoting electronic banking and commercial transactions in the Kingdom as it constitutes the infrastructure upon which a number of sophisticated payment and financial settlement systems depend. Currently, 20 banks are participating in SARIE.

Total number of transactions executed through SARIE went up by 24.6 percent to 54.9 million during 2012 against a rise of 25.5 percent in the preceding year. A breakdown of SARIE transactions by customer's gross and single transactions shows that the number of single transactions rose by 22.4 percent to 4.3 million. Their value also increased by 17.8 percent to Rls 2,714 billion. The number of gross transactions went up by 25.6 percent to 48.9 million and their value by 14.9 percent to Rls 1,332 billion. The number of other transactions declined by 1.8 percent to 1.2 million and their value by 62.1 percent to Rls 22.0 billion. A breakdown of SARIE transactions by interbank payments shows that the

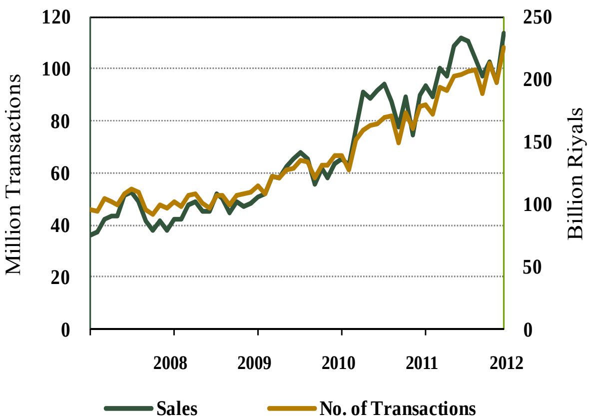
**Table 4.12: POS STATISTICS**

| Year | Sales (In Million Riyals) | No. of Operations (Thousand) | No. of POS terminals |
|---|---|---|---|
| 2008 | 51,403 | 120,684 | 72,351 |
| 2009 | 56,256 | 124,830 | 82,620 |
| 2010 | 71,855 | 151,184 | 80,505 |
| 2011 | 98,905 | 190,301 | 88,793 |
| 2012 | 122,226 | 237,946 | 92,538 |
| 2013* | 35,124 | 69,234 | 94,894 |

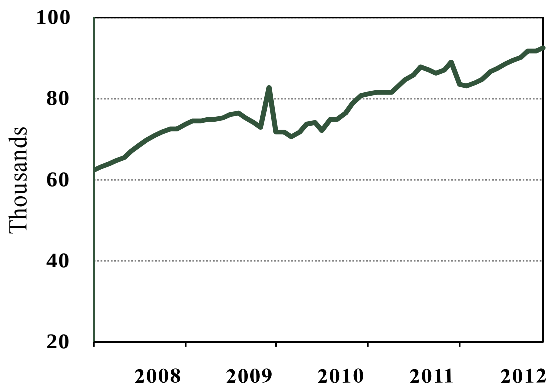
* During the 1st quarter.

**Chart 4.12**

**Points of Sale Operations**




**No. of Points of Sale Terminals**




number of single interbank transactions increased by 22.8 percent to 335 thousand in 2012. Their value also increased by 20.4 percent to Rls 61,290 billion. The number of interbank gross transactions also went up by 47.5 percent to 129.0 thousand and their value by 63.4 percent to Rls 60.9 billion (Tables 4.13A and 4.13B and Chart 4.13).

**IV. SADAD Payment System (SADAD)**

SADAD is a central system for paying out bills and other payments electronically through all banking channels in the Kingdom (bank branches, ATMs, telephone and e-banking services). The number of billers connected to SADAD stood at 119 at the end of 2012, while the number of banks linked to it reached 14. The number of transactions executed during 2012 totaled 137.3 million with a total value of Rls 132.0 billion.

**The Institute of Banking (IoB)**

SAMA's Institute of Banking (IoB) has continued offering cognitive solutions to the financial

## Table 4.13 A: NUMBER OF SARIE TRANSACTIONS

(Thousand transaction)

| Period | Customer Payments | | | Inter-bank Payments | | | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | Gross | Single | Total (1) | Gross | Single | Total (2) | (3) | (1+2+3) |
| 2008 | 27,221 | 2,332 | 29,553 | 63 | 263 | 326 | 1,757 | 31,636 |
| 2009 | 27,982 | 2,622 | 30,604 | 77 | 266 | 343 | 1,882 | 32,829 |
| 2010 | 30,253 | 3,003 | 33,257 | 75 | 237 | 312 | 1,542 | 35,110 |
| 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* | 11,642 | 1,270 | 12,912 | 24 | 84 | 108 | 339 | 13,359 |

* During the 1st Quarter.

## Table 4.13 B: VALUE OF SARIE TRANSACTIONS

*(Billion Riyals)*

| Period | Customer Payments | | | Inter-bank Payments | | | Others** | Total |
|---|---|---|---|---|---|---|---|---|
| | Gross | Single | Total (1) | Gross | Single | Total (2) | (3) | (1+2+3) |
| 2008 | 719 | 2,092 | 2,812 | 79 | 32,979 | 33,058 | 36 | 35,906 |
| 2009 | 717 | 2,176 | 2,893 | 42 | 58,281 | 58,323 | 17 | 61,234 |
| 2010 | 867 | 2,015 | 2,882 | 37 | 52,542 | 52,578 | 84 | 55,544 |
| 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* | 345 | 722 | 1,068 | 14 | 17,459 | 17,474 | 7 | 18,549 |

* During the 1st Quarter.

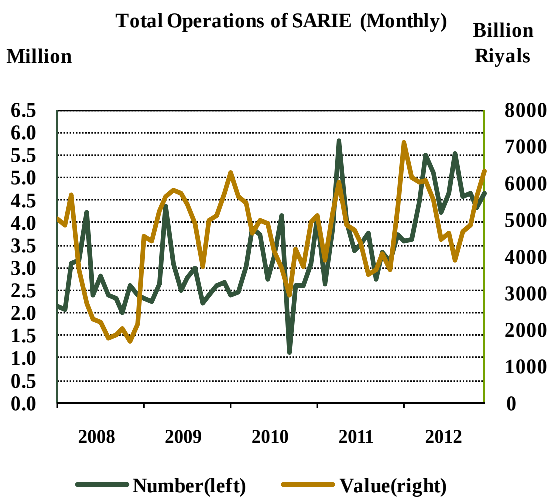
** Including direct debit transactions and SAMA's claims on banks.

services sector, including banks, and insurance and investment companies.

In 2012, the IoB presented 160 training products serving specialties of banking, finance, investment, management, marketing, financial laws and regulations, insurance products, career and professional tests and others.

In line with the government efforts aiming at regulation the financial leasing market, the IoB started activities of the Financial Leasing Studies Unit. This Unit also covers activities of financing SMEs due to their important role in the economic activity and to the growing attention paid to them by the decision makers. Experiences of international expertise houses and institutes specialized in this activity were

### Chart 4.13: SARIE Transactions




considered when the Unit was established, and agreements were signed with them to avail of their theoretical and practical background in this field.

The IoB programs included open training courses, qualification programs, symposia, and standard and international tests. In 2012, the IoB offered 921 activities from which 16,595 participants benefited; of whom 5,049 joined standard tests of Tadawul, insurance business, and accident surveyor programs. 93 joined specialized diploma programs, and 1,535 participated in conferences and symposia (Table 4.14).

### I. Preparatory and Developmental Programs (Qualification Programs)

The preparatory program aims at preparing new university graduates staff to work as bank branch managers. It also aims at attracting graduates and training them according to banks' requirements. The credit program in the English language is also offered to introduce university graduates to various aspects of corporate banking. Moreover, the IoB provides a range of development programs, including investment, administration training, brokers basic, managers of the future and Shariah-compliant banking finance programs.

### II. Diploma Programs

Diploma programs include Financial and Banking Diploma. This diploma encompasses theoretical and practical courses that have been selectively designed in line with needs of the financial and commercial market to develop the candidate's knowledge and understanding of the nature and importance of the financial and banking business. It enables its graduates to contribute effectively and positively to their prospective financial and banking organization in particular or other sectors in general.

Diploma programs also include Insurance Business Diploma. The demand for this diploma is

**Table 4.14: The IOB's Activities during 2012**

| Program | No. of Courses | No. of Participants |
|---|---|---|
| Specialized Diploma programs | 2 | 93 |
| Standard tests | 4 | 5,049 |
| Conferences and Symposia | 6 | 1,535 |

expected to increase in the future in light of the increased number of licensed insurance companies, which will be in need of qualified staff to serve their customers. The introduction of new standard tests and preparatory courses for such tests, which will be approved by the supervisory authority of the insurance market, will lead to a significant increase in the number of courses and qualifying programs specialized in preparatory and graduation of cadres to work as insurance brokers, advisors, surveyors and loss adjusters.

**III. Standard Tests**

The IoB continued to support supervisory authorities' trends through holding standard tests. The demand by applicants for the Tadawul, Insurance basic and accident surveyors (Najm company) tests continued in 2012, benefiting 5,049 participants.

**IV. Saudi Economists Training Program**

This program aims at attracting and qualifying national cadres as a prerequisite for scholarship program for studying abroad to obtain master's and doctorate degrees in economics and work as researchers at SAMA thereafter. The number of participants in this program was 9 in 2012.

**V. Conferences, Symposia and Applied Research**

During 2012, the IoB organized four symposia, namely: the First Saudi Insurance Symposium, the Fourth Annual Symposium on Compliance and Money Laundering Combating, the Financial Leasing Symposium, and the Symposium on Best Practices of Risk Management in a Changing Supervisory Environment. These symposia were attended by 1,346 participants. In addition, the IoB organized two workshops with 189 participants.

**Banking Developments in the First Quarter of 2013**

According to the commercial banks' consolidated balance sheet for the first quarter of 2013, total assets went up by 2.2 percent (Rls 38.0 billion) to Rls 1,772.2 billion compared to an increase of 3.3 percent (Rls 51.4 billion) in the corresponding period of the preceding year (Table 4.1).

Total bank deposits went up by 2.5 percent (Rls 31.2 billion) to Rls 1,291.8 billion during the first quarter of 2013 compared to an increase of 4.0 percent (Rls 44.3 billion) during the corresponding period of the preceding year (Table 4.2).

A breakdown of deposits by type indicates a rise in demand deposits by 6.9 percent (Rls 51.7 billion) compared to an increase of 5.7 percent (Rls 36.4 billion) during the first quarter of 2012. In contrast, time and savings deposits decreased by 3.8 percent (Rls 12.3 billion) compared to an increase of 0.5 percent (Rls 1.6 billion) during the corresponding quarter of the preceding year. Other quasi-monetary deposits also went down by 4.4 percent (Rls 8.1 billion) compared to a rise of 4.0 percent (Rls 6.3 billion) during the first quarter of 2012.

As for the breakdown of deposits by sectors, it shows that private sector deposits increased by 2.2 percent (Rls 21.5 billion) in the first quarter of 2013 compared to an increase of 3.4 percent (Rls 30.3 billion) during the corresponding period of the preceding year. Public sector deposits also increased by 3.7 percent (Rls 9.7 billion) compared to a rise of 6.6 percent (Rls 14.0 billion) during the first quarter of 2012.

The distribution of deposits by currency indicates that foreign currency deposits went down by 4.6 percent (Rls 7.4 billion) compared to a rise of 6.0 percent (Rls 8.2 billion) during the same period of the preceding year. Domestic currency deposits, however, went up by 3.5 percent (Rls 38.6 billion) compared to a rise of 3.7 percent (Rls 36.1 billion) during the first quarter of 2012.

With regard to bank credit and investment activity, total bank claims on the private and public sectors increased during the first quarter of 2013 by 6.1 percent (Rls 74.7 billion) to Rls 1,297.3 billion compared to a rise of 5.1 percent (Rls 54.8 billion) during the corresponding quarter of the preceding year. Consequently, total bank claims on the two sectors at the end of the first quarter of 2013 constituted 100.4 percent of total deposits compared to 98.0 percent at the end of first quarter of 2012. Sector-wise developments indicate that total bank claims on the public sector (loans to public sector institutions and investments in government securities) increased by 18.1 percent (Rls 39.9 billion) compared to a rise of 6.9 percent (Rls 14.4 billion) in the same period of the preceding year. Thus, total bank claims on the public sector at the end of the first quarter of 2013 accounted for 20.2 percent of total deposits compared to 19.5 percent at the end of the first quarter of 2012. Total bank claims on the private sector also went up by 3.5 percent (Rls 35.3 billion) compared to a rise of 4.7 percent (Rls 40.5 billion) during the same period of the preceding year. Subsequently, they constituted 80.1 percent of total deposits at the end of the first quarter of 2013 compared to 78.3 percent at the same time of first quarter of 2012 (Table 4.3).

A review of bank credit classified by maturity shows that short-term credit (less than one year) rose by 3.2 percent (Rls 17.1 billion) compared to a rise of 0.8 percent (Rls 38.7 billion) during the same period of the preceding year. Medium-term credit (1-3 years) went down by 3.1 percent (Rls 6.1 billion) compared to an increase of 12.7 percent (Rls 17.2 billion) during the corresponding period of the preceding year. Long-term credit (more than 3 years) went up by 10.9 percent (Rls 28.7 billion) compared to a fall of 6.4 percent (Rls 15.0 billion) during the corresponding period of the preceding year.

Total foreign assets of commercial banks decreased by 0.5 percent (Rls 1.1 billion) to Rls 211.7 billion in the first quarter of 2013 compared to a rise of 4.3 percent (Rls 8.9 billion) in the first quarter of 2012. Also, total foreign liabilities decreased by 4.4 percent (Rls 3.5 billion) to Rls 75.9 billion compared to a rise of 8.2 percent (Rls 6.2 billion) in the first quarter of 2012. Thus, net foreign assets of commercial banks went up by 1.8 percent (Rls 2.4 billion) to Rls 135.8 billion compared to a rise of 2.1 percent (Rls 2.7 billion) in the first quarter of 2012 (Table 4.6).

As for reserves, total cash in vault and deposits with SAMA went down in the first quarter of 2013 by 16.4 percent (Rls 35.7 billion) to Rls 181.8 billion compared to a decline of 6.3 percent (Rls 11.3 billion) in the first quarter of 2012. The ratio of total reserves to total bank deposits stood at 14.1 percent at the end of the first quarter of 2013 compared to 16.4 percent at the end of the first quarter of 2012. Item of deposits with SAMA went down by Rls 37.0 billion, while cash in vault went up by Rls 1.3 billion (Table 4.7).

During the first quarter of 2013, banks boosted their capital and reserves by Rls 25.3 billion (12.1 percent) to Rls 234.7 billion compared to a rise of Rls 26.1 billion or 13.7 percent during the corresponding period of the preceding year (Table 4.8). Banks also realized profits of Rls 9.3 billion in the first quarter of 2013, almost the same amount of profits realized in the corresponding period of the preceding year.

The number of commercial bank branches operating in the Kingdom stood at 1,711 at the end of the first quarter of 2013 compared to 1,696 at the end the preceding year. The rise was accounted for by 12 branches in Riyadh region, 3 branches in the Eastern region, 2 branches in Al-Madinah region, and 1 branch in each in Jazan, Hai'l and A'sir regions (Table 4.10).

In the area of banking technology, the number of ATMs went up by 291 over the preceding quarter, totaling 13,003 in the first quarter of 2013 compared to a rise of 107 in the same period of the preceding year. The number of ATM cards went up by 80.1 thousand to 16.5 million compared to a rise of 399 thousand in the first quarter of the preceding year. Value of cash withdrawals through ATMs stood at Rls 163.0 billion during the first quarter of 2013 compared to Rls 149.0 billion during the same period of the preceding year. Cash withdrawals made through banks' network stood at Rls 82.9 billion while those made through SPAN stood at Rls 80.1 billion. Total withdrawal transactions went up by 1.5 million to 340 million compared to a rise of 9.2 million in the first quarter of 2012 (Table 4.11).

The number of POS terminals went up by 2,356 in the first quarter of 2013 to 94.9 thousand compared to a decline of 5.0 thousand in the same period of the preceding year. The value of sales made through POS terminals stood at Rls 35.1 billion compared to Rls 28.3 billion in the same quarter of the preceding year (Table 4.12).

The value of transactions carried out through SARIE system stood at Rls 18,549 billion in the first quarter of 2013 compared to Rls 19,280 billion in the same quarter of 2012. The number of transactions stood at 13,359 thousand compared to 11,702 thousand in the same period of the preceding year (Table 4.13A and Table 4.13B)

**Supervision and Control of the Banking Sector**

SAMA supervises and regulates banks in order to ensure their soundness and solvency and their efficient performance in the domestic economy through the application of regulations and issuance of rules, instructions and controls; and conducting supervisory visits and required examination programs. The following are the most prominent achievements in 2012:

**First: Regulatory Developments and Guidance**

SAMA has issued supervisory circulars in several fields to improve and develop the banks' financial conditions and their compliance with standards issued by international regulatory bodies. Among the circulars on enhancement of banks' performance were those related to the rules governing the opening of bank accounts, requirements and information required for customers' account statements, assessment of safety and information security systems of all banks operating in the Kingdom, and credit risk management rules, circulars related to controls for appointment in bank management positions, and those concerned with principles of governance. Other circulars covered BCBS' communiqué on high cost of credit protection, market risk, final rules on banks' disclosure of the composition of capital, supervisory guidance for managing risks associated with the settlement of foreign exchange transactions and final document entitled "Principles for the Supervision of financial conglomerates. among the circulars related to fatf was the appropriate measures for limiting risks emerging from dealing with entities located in countries and regions marked with AML/ CFT deficiencies.

**Second: Risk Based Supervision and Review Visits**

SAMA conducts periodical supervisory visits to all banks operating in the Kingdom. The visits encompass bilateral meetings between the supervisory team and banks' chairmen of the boards, senior management, and chairmen of the audit committees.

The bilateral meetings address the bank's strategies, operations, risk volume, risk management approach, and its internal control techniques. The meetings allow SAMA's Inspection Department's staff to update their assessment of the risk profile that banks are exposed to.

SAMA signed a memorandum of understanding for cooperation and exchange of information with CMA, as CMA is the supervisory authority of brokerage and investment companies. SAMA also cooperates with numerous central banks and supervisory authorities due to the existence of many foreign banks' branches in the Kingdom and domestic banks' branches abroad. It is also a member of supervisory commissions, forming a useful forum for reinforcement of cooperation on supervision and exchange of information.

### Third: Progress of Implementation of Basel II and Basel III in the Kingdom

In 1992, Saudi Arabia applied Basel Rules on Capital Adequacy through instructions issued to banks by SAMA to that effect. The implementation of these international standards permitted SAMA to supervise domestic banks' capital adequacy and compare their performance with international banks. SAMA also implemented Basel II framework fully in January 2008. The main goal of the full compliance with Basel II is to implement an important international capital standard and support risk management systems in the Saudi banking system, thereby, enhancing further transparency and reinforcement of market discipline. The capital adequacy ratio was 18.7 percent in 2012 compared to 19.6 percent in 2011.

In view of the repercussions of the global financial crisis which began in 2007, and its detrimental impact on the international financial system that resulted in an erosion in the level and quality of many international banks' capital and excessive leveraging, BCBS introduced Basel 2.5 standard and Basel III standard to strengthen Basel II. Reform efforts deal with lessons learnt from the global financial crisis, which hit many countries, in the areas of inadequacy of capital quality, limited risk coverage in capital framework, and excessive on- and off-balance sheet investment borrowing.

Basel III consists of the following main enhancements, namely: strengthening regulatory capital quality, boosting risk coverage, lending ratio, setting additional capital provisions, and introduction of international liquidity standards. SAMA has already begun shifting to implementation of these standards within the period specified by BCBS, to be completed by 2019. SAMA prepared the Necessary Basel III Requirements Document up to 2019 to monitor, test, finalize and implement the reforms based on a specified time schedule.

According to Basel III Requirements, banks shall provide additional capital to ensure avoiding risk exposures as the supervisory ratios of capital adequacy have been amended. Moreover, Basel III includes the Additional Buffer Concept for maintaining additional capital and reserves for counter-cyclicality. This will have a notable impact on the capital level required from banks.

### Fourth: Financial Derivative Market Activity

Financial derivative transactions in the Kingdom rose by Rls 43.5 billion or 4.8 percent to Rls 940.8 billion in 2012 compared to Rls 897.3 billion at the end of the preceding year. Derivatives constituted 59.2 percent of the (Off-balance-sheet) contra accounts during 2012 against 60.4 percent in the preceding year.

### Fifth: Achievements and Developments of Inspection of Banks

The goal of inspection of banks is to ensure maintaining strength and soundness of the domestic banking sector in accordance with the best international standards and practices and requirements of the domestic market. It is conducted through on-site control and risk-based inspection.

### On-Site Examination Programs of Banks Operating in the Kingdom

During 2012, SAMA continued to perform its supervisory functions with respect to banks and money–changing firms through comprehensive on-site examination programs (which cover all operations and products) and specialized examination programs (which are confined to some activities and operations such as examination of vault and loan portfolio etc.). The programs are performed in accordance with the best internationally applied practices in the area of supervision and control.

**Comprehensive On-Site Examination Programs**

The risk-based comprehensive examination aims at assessing asset quality, liquidity, profitability, risk management, internal audit in banks, and capital adequacy in addition to their compliance with regulations and instructions issued by SAMA. The comprehensive examination of all banks operating in the Kingdom is conducted by a team formed by SAMA in cooperation with international audit firms.

**Specialized Examination Programs**

SAMA conducted a number of specialized examination programs of banking activities and operations of banks operating in the Kingdom, including examination of personal loans portfolio and credit cards to insure their compliance with regulations and instructions issued by SAMA in this regard.

**Developments in Combating Money Laundering and Terrorism Financing**

Combating money laundering and terrorism financing aims at protecting the domestic banking sector from transactions of money laundering and terrorism financing through banks and money-changing firms. It is conducted by preparing and updating banking AML/CTF rules, instructions, and manuals; preparation and implementation of AML/CTF plans for on-site banking inspection of domestic banks, their branches abroad, branches of foreign banks and money-changing firms; monitoring compliance of banks and money-changing firms with the application of banking and non-banking regulations, legislations, rules, measures and instructions issued by SAMA on AML/CTF; and conducting on-site visits to banks and money-changing firms regarding AML/CTF.

**SAMA's Achievements in the Area of Combating Money-Laundering and Terrorism Financing**

SAMA took several supervisory and control actions related to combating money laundering and terrorism financing during 2012, including:

- SAMA redoubled its efforts to carry out periodical AML/CTF inspection functions on the financial institutions under its supervision to insure application of instructions and regulations in force, and to detect any violations and take proper actions to monitor their correction.
- The Kingdom made tangible progress in its AML procedures in the framework of the subsequent monitoring process of the Mutual Assessment Process. The Kingdom submitted the First Follow-up Report to the MENAFATF in February 2012. The report includes the new legislation issued and the actions taken in implementation of all international standards.
- The Kingdom amended the Anti-Money Laundering Law issued by Royal Decree No. (M/31) dated 11/5/1433H to cover many international requirements and developments. The draft implementing regulations of the amended Law were also issued.
- Following up actions taken by banks and money-changing firms regarding the update of the Rules governing Anti-money Laundering and Combating Terrorism Financing.
- Coordination with the Financial Intelligence Unit of the Ministry of Interior and with the Bureau for Investigation and Public Prosecution in particular, and the organs concerned with the issues of money laundering to enhance joint work.
- Continued participation in the work of the Permanent Banking Committee, which is composed of representatives of all domestic banks to discuss

financial crimes and money-laundering issues.

- Following up the results of comprehensive examinations of all banks operating in the Kingdom, including setting programs to ensure compliance of banks with instructions and requirements related to combating money laundering and terrorism financing and submitting reports thereof.
- The Permanent Committee on Anti-Money Laundering, consisting of representatives of several government bodies, continued its meetings.
- Issuing several manuals and guidelines to the financial and commercial sectors for combating money laundering.
- Follow-up of Saudi Arabia's commitment to resolutions issued by the U.N. Security Council pertaining to combating terrorism and its financing■

SAMA continued performing its supervisory and regulatory functions in insurance sector during 1433/1434 AH (2012), through issuance of instructions and controls, carrying out supervisory visits, and inspection programs that would enhance the effectiveness of the sector's performance in the Saudi economy and reduce the risk facing it. SAMA is also providing information about laws, regulations and instructions related to the insurance activity in the Kingdom, as well as publishing information about the insurance market and licensed companies operating therein. The most prominent achievements, up to the end of 2012, are as follows:

**1. Supervision and Control of the Insurance Sector in Saudi Arabia**

**A- Regulatory Rules regarding Supervisory Activity:**

In 2012, SAMA issued the following three regulations for supervision and control over the insurance activity:

- Outsourcing Regulation for Insurance and Reinsurance Companies and Insurance Service Providers.
- Investment Regulations for Insurance and Reinsurance Companies.
- Anti-money Laundering & Combating Terrorism Financing Rules.

Nine regulations were issued before 2012, namely:

- Implementing Regulation for Cooperative Insurance Companies Control Law.
- Insurance Market Code of Conduct.
- Anti-Fraud Regulation for insurance companies and insurance service providers.
- Risk Management Regulation.
- The Unified Compulsory Motor Insurance Policy.
- Regulations for Supervision and Inspection Costs.
- The Regulation of Reinsurance Activities.
- Insurance Intermediaries Regulation.
- Online Insurance Activities Regulation.

**B- Supervisory Visits to Insurance Companies and Insurance Service Providers:**

Supervision and control process over cooperative insurance companies includes off-site supervision and on-site examination visits to ensure the companies' prudential procedures, and their sound and strong financial solvency. To this end, SAMA has continued to make periodical supervisory visits to insurance companies that are expected to be granted licenses and those that have already been licensed to practice cooperative insurance in the Kingdom.

The objective of conducting supervisory visits is to ensure the companies' compliance with the provisions of the Cooperative Insurance Companies Control Law, issued by Royal Decree No. M/32 dated 2/06/1424H (31/07/2003) and its Implementing Regulation and regulations issued by SAMA. It also aims at making sure that insurance companies are at a high level of efficiency and statutory readiness, and that the regulatory and technical requirements of insurance companies are in line with the work plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

The Supervisory Team made (33) visits to insurance and reinsurance companies during 2012. They included a study of technical, regulatory and administrative aspects of the companies. The overall strategy of each insurance company, its objectives and expansion plans were assessed to make sure that they were in conformity with the information provided to SAMA under the terms of the licensing application. The Team also ensured that the management structure of the insurance companies; their departments' functions, the board of directors and committees are conducting their functions in accordance with the Insurance Law and its Implementing Regulations as well as in line with the objectives and plans of the company. The supervisory team at SAMA looked into the set work plans and assessed them technically by reviewing insurance operations, bases of pricing and assessment of products, investment processes and tools of the company as well as its future financial estimates and projections. In general, the team makes sure, during the supervisory visits, that there exists an effective internal control system including instructions for internal control, risk management, compliance instructions and procedures for handling customer complaints. In light of SAMA's keenness to protect policyholders and deepen credibility in the insurance market, the team also ensures that insurance companies are dealing in a professional and fair manner with their clients and provide high quality services.

SAMA continued to conduct supervisory visits to insurance service providers expected to be licensed according to their type of activity. It aims to ensure the companies' compliance with the provisions of the Cooperative Insurance Control Law, its Implementing Regulation and regulations issued by SAMA. It also aims at making sure that insurance service providers are at a high level of efficiency and statutory readiness, and that the regulatory and technical requirements of these companies are in line with the work plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

As for on-site examination, SAMA carried out surprise inspection visits to insurance companies to verify their compliance with relevant oversight and supervisory regulatory requirements, and make sure that they operate according to professional standards and in a way that guarantees the rights of policyholders, claimants and other related persons. In this context, SAMA examined the following:

- Compliance of insurance and reinsurance companies with product pricing rates of vehicle insurance and medical insurance approved by SAMA under Article (16) of the Implementing Regulations of the Cooperative Insurance Control Law. During these inspection visits, the mechanism of underwriting, product pricing, and vehicle and medical insurance followed by the company were reviewed. Relevant records and documents were examined to verify that those companies implement underwriting and product pricing operations in accordance with relevant laws and instructions. Some companies that had a kind of deficiencies or excesses were compelled to take the necessary corrective steps to ensure the non-recurrence of such irregularities.

- Compliance of insurance and reinsurance companies with rules and regulations related to the marketing of insurance products. During such inspection visits, the mechanism of marketing and sales used by companies were examined along with the relevant records and documents to ensure that these companies carry out marketing and sales in line with the relevant regulations and instructions.

**2. Saudization in the Insurance Sector**

**A- Resolutions and Instructions Issued Concerning Saudization:**

Article 2 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that one of the objectives of the Law and Regulations is to develop the insurance sector in the Kingdom, including training and Saudization of posts.

Article 4 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that the work plan of insurance companies and insurance related services providers must include the expected number of staff and the recruitment and qualification plan of Saudis.

Article 50 of the Implementing Regulations of the Cooperative Insurance Companies Control Law emphasizes that insurance companies and insurance related services providers must provide SAMA, forty-five days prior to the end of each financial year, with a list of the number and ratios of Saudi staff at the level of the company as a whole, at the level of each branch or department, and at the level of management engaged by Saudis. Article 79 of the Implementing Regulations also provides that "Saudization ratio at insurance companies and insurance related services providers shall not be less than 30 percent at the end of the first year, to be increased annually in accordance with the work plan submitted to SAMA".

**B- Employment in the Insurance Sector:**

The total number of staff working in insurance companies in the Kingdom stood at 8,519 at the end of 2012 compared to 7,457 at the end of 2011. The Saudi staff constituted 55 percent of the total number, rising by 2 percent over 2011. The ratio of Saudis in non-managerial positions rose to 57 percent in 2012 from 55 percent in 2011, while the ratio of Saudis in management positions declined to 39 percent from 40 percent in 2011.

### 3. Training

Within the framework of SAMA's efforts to regulate the insurance sector and motivate companies and their employees to adhere to professionalism and practice insurance activity on a scientific and methodological basis pursuant to rules, regulations and instructions issued by it, SAMA has prescribed the Insurance Fundamentals Certificate Exam (IFCE) as a mandatory certificate that should be obtained by employees at insurance and insurance related services companies. The IFCE covers the main principles of rules and regulations of insurance activity. It is applied over a three-year period in accordance with a timetable which determines the period during which each category of employees must pass the exam.

### 4. Insurance Market Performance in 2012

**A- Overview:**

- In 2012, the insurance market witnessed a growth rate of 14.4 percent, with gross written premiums reaching Rls 21.2 billion compared to a total of Rls 12.9 billion in 2011. The increase was mainly due to the growing awareness of the importance of insurance and the favorable economic conditions during the year, as well as the compulsory motor insurance and cooperative health insurance.
- General insurance gross written premiums, which represented 42.5 percent of the insurance premiums, increased by 14.1 percent to Rls 9 billion in 2012 compared to a growth of 17.3 percent in 2011 (Table 5.1).
- Health insurance gross written premiums, which represented 53.3 percent of the insurance premiums, increased by 16.2 percent to Rls 11.3 billion in 2012 compared to a rise by 11.7 percent in 2011. Thus, health insurance continued to be the biggest insurance activity in 2012. The significant growth in health insurance premiums was largely attributed to the application of the Cooperative Health Insurance to more beneficiary categories.
- Protection and savings insurance gross written premiums declined by 1.9 percent to Rls 888.5 million in 2012, compared to Rls 905 million in 2011.

**B- Insurance Market Penetration and Density:**

Insurance penetration is defined as gross written premiums as a ratio to Gross Domestic Product (GDP). The level of insurance penetration in Saudi Arabia was 0.78 percent in 2012 compared to 0.86 percent in 2011. The slight decline in insurance market penetration was attributed to the significant growth in GDP. Gross written premiums as a ratio to (non-oil) GDP stood at 1.56 percent in 2012 against 2.02 percent in 2011 (Table 5.2).

Insurance density is defined as per capita expenditure on insurance (total written insurance premiums divided by the number of the population). The per capita insurance density increased by 6.3 percent from Rls 682 in 2011 to Rls 725 in 2012 (Table 5.3).

**Table 5-1: INSURANCE INDICATORS 2010-2012**

| | 2010 | | | | 2011 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Type of Insurance | Gross Written Premiums (Million Riyals) | Share % | Net Written Premiums | Retention Ratio* | Gross Written Premiums (Million Riyals) | Share % | Net Written Premiums | Retention Ratio* | Gross Written Premiums (Million Riyals) | Share % | Net Written Premiums | Retentio n Ratio* |
| Accidents, Liability and Others | 506.8 | 3.1 | 275.9 | 54.4 | 631.5 | 3.4 | 279.8 | 44.3 | 690.9 | 3.3 | 329.0 | 47.6 |
| Motor | 3,238.8 | 19.8 | 3,098.8 | 95.7 | 3,922.2 | 21.2 | 3,710.6 | 94.6 | 4,689.2 | 22.1 | 4,408.2 | 94.0 |
| Property / Fire | 958.7 | 5.9 | 126.5 | 13.2 | 1,156.7 | 6.3 | 135.5 | 11.7 | 1,348.4 | 6.4 | 203.2 | 15.1 |
| Marine | 518.2 | 3.2 | 175.4 | 33.8 | 634.1 | 3.4 | 204.9 | 32.3 | 743.1 | 3.5 | 229.5 | 30.9 |
| Aviation | 304.5 | 1.9 | 4.8 | 1.6 | 272.1 | 1.5 | 1.2 | 0.5 | 67.1 | 0.3 | 2.4 | 3.6 |
| Energy | 328.9 | 2.0 | 7.6 | 2.3 | 361.0 | 2.0 | 7.4 | 2.0 | 384.6 | 1.8 | 7.3 | 1.9 |
| Engineering | 869.2 | 5.3 | 113.9 | 13.1 | 912.5 | 4.9 | 131.2 | 14.4 | 1,076.6 | 5.1 | 165.9 | 15.4 |
| Total General Insurance | 6,725.1 | 41.0 | 3,802.9 | 56.5 | 7,890.3 | 42.6 | 4,470.7 | 56.7 | 8,999.9 | 42.5 | 5,345.5 | 59.4 |
| Total Health Insurance | 8,690.1 | 53.0 | 7,120.0 | 81.9 | 9,708.4 | 52.5 | 8,225.1 | 84.7 | 11,285.4 | 53.3 | 9,951.3 | 88.2 |
| Total Protection and Saving Insurance | 972.2 | 5.9 | 876.8 | --- | 905.1 | 4.9 | 841.2 | --- | 888.5 | 4.2 | 767.0 | 86.3 |
| **Total** | **16,387.0** | **100.0** | **11,799.7** | **70.9** | **18,503.7** | **100.0** | **13,537.0** | **72.1** | **21,173.8** | **100.0** | **16,063.8** | **75.9** |

( --- ) Not Available.    * : Retention Ratios for Protection and Savings Insurance are not included in the Overall Retenion Ratio.

TABLE 5-2: DEPTH OF INSURANCE MARKET RATIO TO GDP (2007-2012)

(Percentage)

| Type of Activity | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | % Change 2011-2012 |
|---|---|---|---|---|---|---|---|
| Total General Insurance | 0.37 | 0.31 | 0.46 | 0.40 | 0.36 | 0.33 | -8.34 |
| Total Health Insurance | 0.22 | 0.27 | 0.53 | 0.51 | 0.45 | 0.41 | -8.05 |
| Total Protection and Saving Insurance | 0.02 | 0.03 | 0.07 | 0.06 | 0.04 | 0.03 | -18.55 |
| **Total** | **0.73** | **0.62** | **1.06** | **0.97** | **0.86** | **0.78** | **-9.73** |

TABLE 5-3: INSURANCE MARKET DENSITY (2007-2012)

(Per Capita)

| Type of Activity | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | % Change 2011-2012 |
|---|---|---|---|---|---|---|---|
| Total General Insurance | 216.50 | 222.50 | 248.90 | 247.80 | 290.80 | 308.26 | 6.00 |
| Total Health Insurance | 127.80 | 193.70 | 287.40 | 320.20 | 357.80 | 386.54 | 8.03 |
| Total Protection and Saving Insurance | 13.60 | 23.90 | 39.50 | 35.80 | 33.40 | 30.43 | -8.89 |
| **Total** | **371.40** | **292.90** | **575.80** | **603.90** | **682.00** | **725.23** | **6.34** |

**C- Gross Written Premiums (GWP):**

Health and motor insurance constituted 75.4 percent of total GWP in 2012. Health insurance is still the most demanded type of insurance, accounting for 53.3 percent of total GWP in 2012, compared to 52.5 percent in 2011. Motor insurance ranked second in terms of demand, constituting 22.1 percent of total GWP in 2012, while protection and savings, aviation, and energy insurance accounted for 4.2 percent, 0.3 percent, and 1.8 percent, respectively (Table 5.1).

**D- Net Written Premiums (NWP):**

It is defined as gross written premiums after deducting the share of reinsurance. Motor and health insurance accounted for 89.4 percent of total NWP in 2012. Aviation insurance registered the highest growth rate, increasing by 93.5 percent in 2012 in terms of NWP (Table 5.1).

**E- Retention Ratio:**

The retention ratio is a measure of the written risks retained by the insurance company as there is a direct relationship between the retention ratio and risks. It is calculated by dividing the NWP by GWP. The overall retention ratio (except protection and savings) of insurance companies in the Saudi market was 75.9 percent in 2012 against 72.1 percent in 2011. This ratio was largely affected by the high retention ratio for motor and health insurance which accounted for around 75.4 percent of total GWP. The lowest retention ratios of 3.6 percent and 1.9 percent were recorded by aviation insurance and energy insurance respectively in 2012 (Table 5.1).

**F- Commissions Paid to Insurance Brokers and Agents:**

The amount of commissions paid by insurance companies to brokers and agents totaled Rls 857 million in 2012 compared to Rls 1.1 billion in 2011. Health insurance commissions constituted 38.9 and 38.6 percent of total commissions paid during 2011 and 2012 respectively (Table 5.4).

**G- Gross Claims Paid by Line of Business:**

Total claims paid by line of business increased by 18.6 percent from Rls 11.5 billion in 2011 to Rls 13.6 billion in 2012. Health and motor insurance accounted for 62.5 percent and 25.2 percent of all gross claims paid in 2012, respectively. These high percentages reflected the relatively high shares of these lines of business of the total market premiums. In 2012, the highest growth rate in gross claims paid was recorded by property against fire insurance, rising by 46.7 percent to Rls 773.7 million compared to Rls 527.4 million in the preceding year (Table 5.5).

**5. Status of Insurance Companies in the Kingdom:**

Up to the end of 2012, the Council of Ministers approved the establishment of 34 insurance and reinsurance companies, of which 31 were finally licensed to practice insurance and/or reinsurance. In addition, two other insurance companies were approved by the Council of Ministers to be established, but they are still not listed on the Saudi Stock Exchange. Also, one more insurance company was recommended by SAMA to be approved initially, and its license procedures reached advanced stages (Tables 5.6 and 5.7).

**TABLE 5-4: COMMISSIONS INCURRED BY TYPE OF ACTIVITY (2010-2012)**

| | 2010 | | 2011 | | 2012 | | |
|---|---|---|---|---|---|---|---|
| Type of Activity | % | Million Riyals | % | Million Riyals | % | Million Riyals | % Change 2011-2012 |
| Accidents, Liability and Others Insurance | 4.2 | 41.8 | 4.2 | 46.5 | 5.8 | 49.7 | 6.9 |
| Motor Vehicle Insurance | 34.4 | 341.4 | 38.0 | 421.6 | 32.7 | 280.1 | -33.6 |
| Property / Fire Insurance | 7.5 | 74.1 | 6.7 | 74.4 | 8.7 | 74.7 | 0.5 |
| Marine Insurance | 4.2 | 41.6 | 4.2 | 46.8 | 5.5 | 47.4 | 1.3 |
| Aviation Insurance | 0.3 | 3.2 | 0.2 | 2.4 | 0.0 | 0.3 | -86.3 |
| Energy Insurance | 0.7 | 7.0 | 0.1 | 0.7 | 0.0 | 0.0 | -99.7 |
| Engineering Insurance | 5.7 | 56.3 | 5.1 | 56.0 | 5.8 | 49.4 | -11.9 |
| Total General Insurance | 57.0 | 565.4 | 58.5 | 648.4 | 58.5 | 501.7 | -22.6 |
| Total Health Insurance | 40.9 | 405.9 | 38.9 | 430.7 | 38.6 | 330.6 | -23.2 |
| Total Protection and Saving Insurance | 2.1 | 20.9 | 2.7 | 29.6 | 2.9 | 24.8 | -16.2 |
| Total | 100.0 | 992.2 | 100.0 | 1108.7 | 100.0 | 857.1 | -22.7 |

## TABLE 5-5: GROSS CLAIMS PAID BY TYPE OF ACTIVITY (2010-2012)

| Type of Activity | 2010 % | 2010 Million Riyals | 2011 % | 2011 Million Riyals | 2012 % | 2012 Million Riyals | % Change 2011-2012 |
|---|---|---|---|---|---|---|---|
| Accidents, Liability and Others Insurance | 0.7 | 57.8 | 0.8 | 92.5 | 0.8 | 105.0 | 13.6 |
| Motor Vehicle Insurance | 22.1 | 1881.5 | 23.8 | 2730.0 | 25.5 | 3464.8 | 26.9 |
| Property / Fire Insurance | 4.7 | 397.3 | 4.6 | 527.4 | 5.7 | 773.7 | 46.7 |
| Marine Insurance | 3.3 | 276.5 | 1.8 | 205.8 | 1.9 | 257.3 | 25.0 |
| Aviation Insurance | 0.3 | 26.5 | 0.3 | 31.3 | 0.1 | 15.5 | -50.6 |
| Energy Insurance | 1.6 | 138.5 | 0.7 | 82.2 | 0.4 | 58.5 | -28.8 |
| Engineering Insurance | 1.9 | 159.2 | 2.0 | 226.1 | 1.8 | 239.7 | 6.0 |
| Total General Insurance | 34.5 | 2937.3 | 33.9 | 3895.3 | 36.1 | 4914.3 | 26.2 |
| Total Health Insurance | 63.9 | 5440.0 | 63.5 | 7297.4 | 16.6 | 8511.5 | 16.6 |
| Total Protection and Saving Insurance | 1.6 | 136.2 | 2.6 | 292.5 | 1.4 | 189.4 | -35.3 |
| Total | 100.0 | 8513.5 | 100.0 | 11485.2 | 100.0 | 13615.2 | 18.6 |

### 6. SAMA Website

SAMA designates a special link for the insurance activity on its website www.sama.gov.sa that contains laws, regulations, circulars and studies on the insurance sector as well as forms for license application and standards of solvency for founders and managers of insurance companies and insurance services related providers. SAMA website can be referred to for the latest update for licensed insurance companies and insurance service providers, updated periodically. The website also shows the performance of the insurance market in the Kingdom from 2008 to 2012.

### 7. Council of Cooperative Health Insurance

At the end of 2012, the total number of expatriates covered by health insurance reached 5,531,491. The number of companies authorized to sell cooperative health insurance policies stood at 28. The number of insurance claims management companies that wish to provide health services under the umbrella of the cooperative health insurance stood at 8.

The firms that provided insurance to their employees totaled 454,107 at the end of the 2012. Health care providers approved by the Council totaled 2,189 in the Kingdom, with the share of the private sector amounting to 2,176 and that of the public sector 13 (Table 5.8).

As for the type of facility, Polyclinic centers occupied the first place up to the end of 2012, dispensaries came second, followed by pharmacies, and optical shops. Medical devices and prosthetics shops came at the last position. Riyadh ranked at the top of the cities providing health care services in the Kingdom up to the end of 2012. Makkah was second, followed by the Eastern region while Al-Jawf region came last (Table 5.8)■

Table 5-6: LICENSED INSURANCE AND REINSURANCE COMPANIES

UP TO THE END OF 2012

| Company Name | Capital (Million Riyals) | Approved On (DD/MM/YY) |
|---|---|---|
| National Company for Cooperative Insurance (NCCI) | 750 | 02/12/04 |
| Malath Cooperative Insurance &Reinsurance Company | 300 | 11/09/07 |
| The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf) | 800 | 11/09/07 |
| Saudi IAIC for Cooperative Insurance (SALAMA) | 100 | 11/09/07 |
| SABB Takaful | 340 | 11/09/07 |
| Arabian Shield Cooperative Insurance | 200 | 11/09/07 |
| Al Ahli Takaful | 167 | 11/09/07 |
| Saudi Arabian Cooperative Insurance Company (SAICO) | 100 | 11/09/07 |
| Gulf Union Cooperative Insurance Company | 220 | 11/09/07 |
| Sanad for Cooperative Insurance and Reinsurance (SANAD) | 200 | 08/03/08 |
| Assurance Saudi Fransi (Allians) | 200 | 08/03/08 |
| Trade Union Cooperative Insurance Company | 250 | 31/03/08 |
| Al Sagr Company for Cooperative Insurance | 200 | 31/03/08 |
| Saudi Indian Company for Cooperative Insurance | 100 | 10/06/08 |
| Arabia Insurance Cooperative Company | 200 | 18/06/08 |
| Saudi United Cooperative Insurance company (Wala'a) | 200 | 02/07/08 |
| Saudi Re For Cooperative Reinsurance company (Saudi Re) | 1000 | 21/07/08 |
| Bupe Arabia for Cooperative Insurance | 400 | 10/08/08 |
| United Cooperative Assurance (UCA) | 200 | 30/12/08 |
| Al-Ahlia for Cooperative Insurance | 100 | 09/03/09 |
| Allied Cooperative Insurance Group (ACIG) | 200 | 10/05/09 |
| Al-Rajhi Company for Cooperative Insurance | 200 | 17/11/09 |
| Ace Arabia Cooperative Insurance Company | 100 | 08/12/09 |
| Al-Alamiya Co-operative Insurance Company | 200 | 13/12/09 |
| AXA Cooperative Insurance Company | 200 | 26/01/10 |
| Gulf General Insurance Company | 200 | 06/03/10 |
| Wiqaya Takaful Insurance & Reinsurance Company | 200 | 24/03/10 |
| Buruj Cooperative Insurrance | 130 | 29/05/10 |
| National Insurance Company | 100 | 16/06/10 |
| AMANA Cooperative Insurance | 320 | 06/07/10 |
| Solidarity Saudi Takaful Company | 555 | 20/03/11 |

## Table 5-7: INSURANCE APPROVED BY THE COUNCIL OF MINISTERS UP TO THE END OF 2012

| Company Name | Capital (Million Riyals) | Date of Royal Decree (DD/MM/YY) |
|---|---|---|
| American International Group and Arab National Bank | 175 | 29/03/2010 |
| Al-Jazira Takaful Ta'awuni | 350 | 13/04/2010 |

## Table 5-8: AUTHORIZED HEALTH CARE PROVIDERS AT THE END OF 2012

| Region/Type of Instituions | Hospital | Dispen -saries | Pharm -acies | Polyclinic Centres | One Physi-cian Clinic | One day Operation Center | Optici -ans | Medical Labor-atories | Diagno-stic Centres | Physical Therapy Centres | Devices and Prosthetics Shops | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Riyadh | 28 | 73 | 90 | 79 | 9 | 3 | 80 | 1 | 1 | 1 | 1 | 366 |
| Eastern Region | 30 | 211 | 135 | 199 | 4 | 6 | 180 | 1 | 2 | 2 | 0 | 770 |
| Makkah | 40 | 92 | 175 | 158 | 15 | 6 | 93 | 2 | 1 | 3 | 2 | 587 |
| Hail | 1 | 12 | 12 | 11 | 0 | 0 | 7 | 0 | 0 | 1 | 0 | 44 |
| Al-Gassim | 9 | 30 | 22 | 26 | 0 | 0 | 19 | 0 | 0 | 1 | 0 | 107 |
| Northern Borders Region | 13 | 15 | 17 | 16 | 2 | 1 | 37 | 1 | 0 | 0 | 0 | 102 |
| Jazan | 1 | 9 | 3 | 1 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 17 |
| Asir | 4 | 18 | 9 | 7 | 0 | 0 | 17 | 0 | 0 | 0 | 0 | 55 |
| Al-Jawf | 1 | 14 | 5 | 6 | 1 | 0 | 13 | 0 | 0 | 0 | 0 | 40 |
| Najran | 1 | 10 | 7 | 11 | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 36 |
| Tabuk | 1 | 12 | 10 | 6 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 35 |
| Al-Baha | 0 | 9 | 5 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 |
| Al-Madinah | 0 | 6 | 5 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 |
| Total | 129 | 511 | 495 | 525 | 31 | 16 | 462 | 5 | 4 | 8 | 3 | 2,189 |

Source: Council of Cooperative Health Insurance.

Inflation in the Kingdom is measured by the Cost of Living Index prepared by the Central Department of Statistics and Information, which has been issuing it for more than 50 years.

The Central Department of Statistics and Information currently measures the cost of living index by adopting recently the year 2007 as a base year, as it 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.

The Central Department of Statistics and Information adopts Laspeyres formula in calculating the general index, which uses weights of the base year.

Tables 6.1 and 6.2 show a comparison between the index of the previous base year 1999 and the index of the new base year 2007, where the base year 2007 has 12 main groups, compared to 8 main groups for the base year 1999. The items included in the basket became 476 for the base year 2007, compared to 406 items for the base year 1999. Data of the general cost of living index in this chapter will be analyzed according to the base year 2007.

**General Cost of Living Index During 2012**

Inflationary pressures continued to decline during 2012, as the general cost of living index rose by 2.9 percent, against an increases of 3.8 percent and 3.7 percent in 2010 and 2011 respectively.

The non-oil GDP deflator that captures the average prices of all goods and services produced in the Saudi non-oil sector within a year, showed a rise of 4.1 percent in 2012 compared to an increase of 4.4 percent in 2011 (Table 6.3).

Six key groups (out of 12 groups ) registered growth rates higher than the past five-year average growth rate. These included: the group of clothing and footwear, the group of transport, the group of health, the group of Communications, the group of tobacco, and the group of education. The group of tobacco registered an annual increase of 11.5 percent. The group of transport rose by 5 percent, the group of food and beverages by 4.6 percent, and the group of restaurants and hotels by 4.0 percent (Tables 6.4 – 6.5).

**TABLE 6.1: COMPARISON OF THE MOST SIGNIFICANT VARIABLES IN THE OLD AND NEW MEASUREMENT SYSTEMS**

| | Base Year 1999 | Base Year 2007 |
|---|---|---|
| No. of Major Groups | 8.0 | 12.0 |
| No. of Subgroups | 47.0 | 42.0 |
| No. of Divisions | --- | 100.0 |
| No. of Items (Goods and Services) | 406.0 | 476.0 |
| No. of POSs of Goods, Services and Rental Units | 12000.0 | 15000.0 |
| No. of Sample Prices | 27000.0 | 48000.0 |

( --- ) Not Available.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

### Table 6.2 : COMAPRISON OF THE INFLATION RATES IN 2012 WITH THE BASE YEARS 1999 AND 2007

| Base Year 1999 | | | Base Year 2007 | | |
|---|---|---|---|---|---|
| **Major Groups** | **CPI** | **Weight** | **Major Groups** | **CPI** | **Weight** |
| **The General Index** | **4.6** | **100** | **General Index** | **2.9** | **100.0** |
| Food & Beverages | 4.4 | 26.0 | Food & Beverages | 4.6 | 21.7 |
| | | | Toobacco | 11.5 | 0.5 |
| Fabrics Apparel & Shoes | 2.9 | 8.0 | Clothing & Footwear | 3.6 | 8.4 |
| Renovation Rent, Fuel & Water | 8.1 | 18.0 | Housing , Water, Electricity, Gas, & other fuels | 3.3 | 20.5 |
| House Furnishing | 3.5 | 11.0 | Furnishings, household equipment & maintenance | 1.7 | 9.1 |
| Medical Care | 0.1 | 2.0 | Health | 2.1 | 2.6 |
| Transport & Telecommunication | 1.8 | 16.0 | Transport | 5.0 | 10.4 |
| | | | Communication | 0.1 | 8.1 |
| | | | Recreation & Culture | -0.2 | 3.5 |
| Education & Entertainment | 3.1 | 6.0 | Education | 1.4 | 2.7 |
| | | | Restaurants & Hotels | 4.0 | 5.7 |
| Other Goods & Services | 3.7 | 13.0 | Miscellaneous goods & services | 3.4 | 6.8 |

.Source: Central Department of Statistics and Information, Ministry of Economy and Planning

### Table 6.3: ANNUAL GROWTH RATES OF SELECTED INDICATORS

(percent)

| | 2009 | 2010 | 2011 | 2012* |
|---|---|---|---|---|
| Non-oil GDP deflator (1999=100) | 3.9 | 4.4 | 4.4 | 4.1 |
| Cost of Living Index (All cities) (2007=100) | 4.1 | 3.8 | 3.7 | 2.9 |
| Non-oil GDP (at 1999 constant prices) | 5.3 | 9.6 | 8.0 | 5.0 |
| Government Expenditure | 14.7 | 9.6 | 26.4 | 5.6 |
| Money Supply (M3) | 10.7 | 5.0 | 13.3 | 13.9 |

* Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning. and Ministry of Finance.

**All Cities Cost of Living Index During the First Quarter 2013**

The all cities cost of living index went up by 3.9 percent during the first quarter of 2013 compared to the corresponding quarter of the preceding year. The group of tobacco increased by 12.8 percent, the group of transport by 8.1 percent, the group of restaurants and hotels by 7.1 percent, the group of food and beverages by 5.4 percent, the group of clothing and footwear by 4.2 percent and the group of housing, water, electricity, gas and other fuels by 2.8 percent (Table 6.4).

**Effect of Major Groups on the General Cost of Living Index**

Most of the major groups contributed by various rates to the rise in the general cost of living index during 2012. The group of food and beverages contributed 31.7 percent and the group of housing, water, electricity, gas and other fuels 24.8 percent of the volume of the impact on the general cost of living index. However, the group of recreation and culture contributed negatively by 0.2 percent to the general cost of living index (Chart 6.1).

**Wholesale Price Index**

The wholesale price index measures average changes in the prices of goods and services sold in the wholesale markets in the Kingdom. It represents a sample comprising 160 items distributed to ten main divisions according to Standard International Trade Classification codes. The wholesale price index rose by 2.5 percent

**Table 6.4 : EFFECT OF MAJOR GROUPS ON THE GENERAL COST OF LIVING INDEX (All Cities)**

**(2007 = 100)**

| Major Groups | Average of period 2007-2011 | 2012 | Q1 2013 | Impact on the general index 2012* | Impact on the general index Q1 2013* | Wieghts % |
|---|---|---|---|---|---|---|
| General Index | 4.3 | 2.9 | 3.9 | 100.0 | 100.0 | 100.0 |
| Food and beverages | 6.1 | 4.6 | 5.4 | 31.7 | 32.9 | 21.7 |
| Toobacco | 6.4 | 11.5 | 12.8 | 1.8 | 1.7 | 0.5 |
| Clothing and Footwear | 0.0 | 3.6 | 4.2 | 7.6 | 7.7 | 8.4 |
| Housing , Water, Electricity, Gas, and other fuels | 8.6 | 3.3 | 2.8 | 24.8 | 18.4 | 20.5 |
| Furnishings, household equipment & maintenance | 3.0 | 1.7 | 1.4 | 4.6 | 3.3 | 9.1 |
| Health | 0.9 | 2.1 | 1.3 | 1.4 | 0.7 | 2.6 |
| Transport | 1.9 | 5.0 | 8.1 | 13.6 | 19.1 | 10.4 |
| Communication | -1.4 | 0.1 | 1.3 | 0.2 | 2.2 | 8.1 |
| Recreation and Culture | 1.2 | -0.2 | 1.4 | -0.2 | 1.1 | 3.5 |
| Education | 1.2 | 1.4 | 1.7 | 1.0 | 1.1 | 2.7 |
| Restaurants and Hotels | 4.0 | 4.0 | 7.1 | 6.7 | 10.3 | 5.7 |
| Miscellaneous goods and services | 4.2 | 3.4 | 0.9 | 6.7 | 1.6 | 6.8 |

* Impact to the General Index = Annual % Change for each Group X Weight /100

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

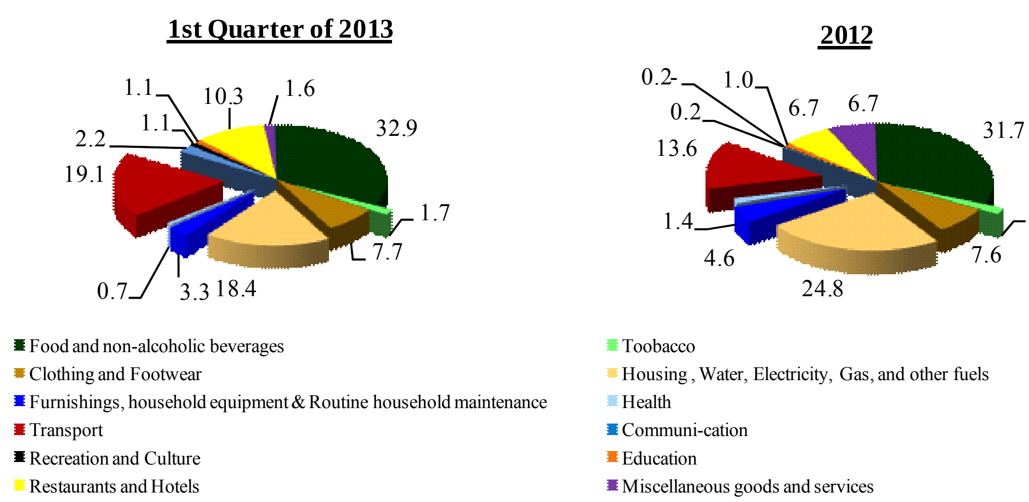
## Table 6.5 : THE COST OF LIVING INDEX (All Cities)

**(2007 = 100)**

| Major Groups | 2008 | 2009 | 2010 | 2011 | 2012 | Annual change% 2012 |
|---|---|---|---|---|---|---|
| General Index | 106.1 | 110.5 | 114.7 | 119.0 | 122.4 | 2.9 |
| Food and beverages | 113.7 | 116.4 | 120.8 | 127.1 | 132.9 | 4.6 |
| Toobacco | 105.1 | 107.3 | 119.2 | 126.7 | 141.3 | 11.5 |
| Clothing and Footwear | 101.0 | 101.6 | 101.1 | 99.7 | 103.3 | 3.6 |
| Housing , Water, Electricity, Gas, and other fuels | 108.5 | 120.1 | 129.2 | 143.9 | 148.7 | 3.3 |
| Furnishings, household equipment & maintenance | 103.2 | 105.6 | 107.0 | 115.5 | 117.5 | 1.7 |
| Health | 103.2 | 103.2 | 103.3 | 103.4 | 105.6 | 2.1 |
| Transport | 97.0 | 98.2 | 99.7 | 103.1 | 108.3 | 5.0 |
| Communi-cation | 98.1 | 98.2 | 97.7 | 92.0 | 92.1 | 0.1 |
| Recreation and Culture | 97.7 | 99.2 | 97.2 | 104.7 | 104.5 | -0.2 |
| Education | 110.3 | 111.8 | 113.2 | 108.7 | 110.2 | 1.4 |
| Restaurants and Hotels | 103.2 | 110.0 | 113.8 | 117.0 | 121.7 | 4.0 |
| Miscellaneous goods and services | 101.6 | 104.9 | 110.1 | 113.9 | 117.8 | 3.4 |

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

### Chart 6.1: The Effect of the Major Groups on the Cost of Living Index



during 2012. The rise was attributable to increase in some major groups constituting the index. The group of chemical recorded the highest rise, increasing by 15.4 percent during 2012, followed by the group of other commodities with an increase of 7.7 percent. The group of miscellaneous manufactured items came next with an increase of 4.3 percent. The group of machinery and transport came in the fourth position with a rise of 3.2 percent, followed by the group of crude materials with a rise of 2.8 percent, the group of food and live animals by 2.6 percent, the group of manufactured goods by 1.1 percent, the group of OIL and fats by 1.0 percent, the group of beverages and tobacco by 0.2 percent. However, The group of minerals and fuels had no effect on the wholesale price index (Table 6.6).

**Developments in World Prices and their Impacts**

The volume of Saudi commodity exports stood at Rls 1,456 billion during 2012, while commodity imports were estimated at Rls 583 billion. Exports and imports recorded annual increases of 6.5 percent and 18.2 percent respectively.

Changes in world prices of goods and commodities imported from the Kingdom's trading partners affect the domestic cost of living index (Table 6.7). Table 6.8 indicates the consumer prices of the Kingdom's major trading partners during 2012, where the average consumer prices rose by 9.3 percent in India, 3.3 percent in Italy, 2.8 percent in the UK, 2.7 percent in China, 2.2 percent in South Korea, 2.1 percent each in Germany and the USA, 2.0 percent in France, 1.8 percent in Australia. However, no change occurred in Japan.

In the GCC countries, the consumer prices increased in 2012 by 2.9 percent each in Kuwait and the Sultanate of Oman, by 1.9 percent in Qatar, by 1.2 percent in Bahrain and by 0.7 percent in the UAE (Table 6.9)■

**Table 6.6 : AVERAGE WHOLE SALE PRICE INDEX (WPI)**
**(1988=100)**

| | | | | | %Annual change | |
|---|---|---|---|---|---|---|
| | Weights % | 2010 | 2011 | 2012 | 2011 | 2012 |
| **General Index** | 100.0 | 146.4 | 152.6 | 156.4 | 4.3 | 2.5 |
| Food & Live Animals | 31.9 | 168.3 | 174.1 | 178.6 | 3.4 | 2.6 |
| Beverages & Tobacco | 1.2 | 150.0 | 151.4 | 151.7 | 0.9 | 0.2 |
| Crude Materials | 0.3 | 192.1 | 211.5 | 217.5 | 10.0 | 2.8 |
| Mineral & Fuels | 10.1 | 184.8 | 184.8 | 184.8 | 0.0 | 0.0 |
| Oils & Fats | 0.4 | 137.8 | 147.9 | 149.3 | 7.3 | 1.0 |
| Chemicals | 9.8 | 167.6 | 188.6 | 217.7 | 12.5 | 15.4 |
| Manufactured Goods | 26.2 | 138.2 | 142.5 | 144.1 | 3.1 | 1.1 |
| Machinery & Transport | 13.4 | 126.4 | 132.0 | 136.2 | 4.4 | 3.2 |
| Misc. Manufactured | 6.4 | 134.9 | 145.5 | 151.9 | 7.9 | 4.3 |
| Other Commodities | 0.3 | 234.6 | 288.6 | 311.0 | 23.0 | 7.7 |

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

## Table 6.7: SELECTED INDICES

(2005=100)(1)

| | 2009 | 2010 | 2011 | 2012 | % Change 2011 | % Change 2012 |
|---|---|---|---|---|---|---|
| Consumer price indices in industrial countries | 108.1 | 109.7 | 112.6 | 114.7 | 2.6 | 1.9 |
| Export unit values of industrial countries | 110.4 | 116.2 | 131.0 | 129.2 | 12.7 | -1.4 |
| Riyal's nominal effective exchange rate(2) | 95.8 | 93.8 | 90.4 | 93.0 | -3.7 | 2.9 |
| Riyal's real effective exchange rate(3) | 105.7 | 104.8 | 102.3 | 106.8 | -2.4 | 4.3 |

(1) Excluding export unit values to the Kingdom (from trading partners) 1995=100.

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

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

Source: International Financial Statistics (IFS), May 2012.

## Table 6.8 : ANNUAL PERCENT CHANGES IN CONSUMER PRICES IN THE MAJOR TRADING PARTNERS

| Country | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| U.S.A. | 3.8 | -0.3 | 1.6 | 3.1 | 2.1 |
| Japan | 1.4 | -1.3 | -0.7 | -0.3 | 0.0 |
| U.K. | 3.6 | 2.1 | 3.3 | 4.5 | 2.8 |
| Germany | 2.8 | 0.2 | 1.2 | 2.5 | 2.1 |
| France | 2.8 | 0.1 | 1.5 | 2.1 | 2.0 |
| Italy | 3.5 | 0.8 | 1.6 | 2.9 | 3.3 |
| China | 5.9 | -0.7 | 3.3 | 5.4 | 2.7 |
| Australia | 4.4 | 1.8 | 2.9 | 3.3 | 1.8 |
| South Korea | 4.7 | 2.8 | 2.9 | 4.0 | 2.2 |
| India | 8.3 | 10.9 | 12.0 | 8.9 | 9.3 |

Source: World Economic Outlook (WEO), IMF, Apr. 2013.

**Table 6.9 : ANNUAL PERCENT CHANGES IN CONSUMER PRICES IN GCC COUNTRIES**

| Country | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| U.A.E. | 12.3 | 1.6 | 0.9 | 0.9 | 0.7 |
| The Kingdom of Bahrain | 3.5 | 2.8 | 2.0 | -0.4 | 1.2 |
| Qatar | 15.0 | -4.9 | -2.4 | 1.9 | 1.9 |
| Kuwait | 10.6 | 4.0 | 4.0 | 4.7 | 2.9 |
| Sultanate of Oman | 12.6 | 3.5 | 3.3 | 4.0 | 2.9 |

Source: World Economic Outlook (WEO), IMF, Apr. 2013.

During 2012, the Capital Market Authority (CMA) undertook a number of procedures and steps aimed at developing the capital market's laws and regulations. CMA Board issued resolutions regarding the amendment of the regulation and listing rules, the list of terms used in the market's rules and regulations. Merger and take-over regulation was also amended. A new mechanism was introduced to list and trade priority equities as securities for listed companies. The draft of the financial adequacy rules was developed. CMA also required companies to establish regulations and rules for internal control and conflict of interest policy in order to apply the best standards and rules for corporate governance. To raise investment awareness, CMA continued its efforts in carrying out many financial awareness and education campaigns that included compliance, commitment and anti-money laundering and combating terrorist financing areas.

In 2012, seven new companies were listed on the market, raising the total number of listed companies to 158 at the end of the year. Bonds were issued for one company. Priority rights were also issued by 3 companies. The CMA licensed 8 mutual investment funds and 4 new companies to operate in securities activity.

In 2012, a rise was recorded in most prominent indicators of the Saudi capital market. The share price index increased by 6.0 percent over the preceding year, or by 383.5 points, to 6,801.2 points at the end of the year. Total assets of investment funds went up by Rls 5.9 billion or 7.1 percent to Rls 88.1 billion at the end of 2012.

**Developments of Saudi Stock Market in 2012**

The general share price index closed at 6,801.2 at the end of 2012 compared to 6,417.7 at the end of 2011, rising by 6.0 percent. The index registered the highest closing point of the year at 7,930.58 on 3April 2012. The market capitalization of issued shares increased by 10.2 percent to Rls 1,400.3 billion at the end of 2012 from Rls 1,270.8 billion in the preceding year.

The number of shares traded during 2012 went up by 70.0 percent to 82.5 billion from 48.5 billion in the preceding year (not adjusted to account for corporate actions)[1]. The total value of shares traded rose by 75.6 percent to Rls 1,929.3 billion from Rls 1,098.8 billion in the preceding year. The number of transactions also went up by 64.8 percent to 42.11 million during 2012 from 25.5 million in the preceding year (Table 7.1).

The daily average value of traded shares rose to Rls 7.69 billion in 2012 from Rls 4.4 billion in the preceding year, increasing by 74.8 percent. The daily average number of traded shares stood at 342.3 million compared to 195.8 million in the preceding year, increasing by 74.8 percent. The daily average number of transactions also went up by 62.8 percent to 167.8 thousand from 103.0 thousand in the preceding year.

The value of shares traded through the internet in 2012 totaled Rls 1,381.4 billion compared to Rls 693.6 billion in the preceding year, increasing by 99.1 percent and accounting for 71.6 percent of total shares traded during 2012 compared to 63.1 percent in the preceding year. Their number totaled 62.1 billion in 2012 compared to 32.2 billion in the preceding year, increasing by 92.8 percent and accounting for 75.2 percent of total number of shares traded in 2012 against 66.3 percent in the preceding year. The number of transactions executed through

(1) Data on the number of (actually) traded shares differ from data published by the Saudi Exchange Company "Tadawul". This is because "Tadawul" continuously revises the number of traded shares based on corporate actions, such as granting bonus shares or changing the capital. Any action made by a company would affect the number of traded shares on the market as a whole and all time series.

**Table 7.1: SAUDI SHARE MARKET INDICATORS**

| Year | No. of Shares Traded (Million) | Annual %Change | Value of Shares Traded (Billion Rls) | Annual %Change | Market Capitalization of Issued Shares (Billion Rls) | Annual %Change | No. of Executed Transactions (Thousand) | Annual %Change | Share price Index | Annual %Change |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 58,726.0 | 1.6 | 1,962.9 | -23.3 | 924.5 | -52.5 | 52,135.9 | -20.6 | 4,803.0 | -56.5 |
| 2009 | 56,685.0 | -3.5 | 1,264.0 | -35.6 | 1,195.5 | 29.3 | 36,458.3 | -30.1 | 6,121.8 | 27.5 |
| 2010 | 33,255.0 | -41.3 | 759.2 | -39.9 | 1,325.4 | 10.9 | 19,536.1 | -46.4 | 6,620.8 | 8.2 |
| 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 | 82,544.9 | 70.0 | 1,929.3 | 75.6 | 1,400.3 | 10.2 | 42,105.0 | 64.8 | 6,801.2 | 6.0 |
| 2013 | | | | | | | | | | |
| Q1 | 13,254.7 | -58.2 | 368.5 | -46.2 | 1,452.5 | -5.7 | 9,168.3 | -32.0 | 7,125.7 | -9.1 |

Source: Saudi Stock Exchange Company (Tadawul).

the internet during 2012 rose by 74.7 percent to 32.2 million from 18.5 million in the previous year. The number of transactions executed through the internet represented 76.6 percent of the total number of transactions executed in 2012 against 72.2 percent in the preceding year (Table 7.2).

At the end of 2012, the number of traders registered in Tadawul system increased by 3.0 percent (121.8 thousand) to 4,221.4 thousand from 4,099.5 thousand at the end of the previous year. The number of traders who subscribed to Tadawul on-line trading increased by 91.8 percent to 98.4 thousand at the end of 2012 compared to 51.3 thousand at the end of 2011 (Table 7.3).

An analysis of the activity of the share market by sectors during 2012 indicates that the real estate development sector came first in terms of the number of shares traded which stood at 17.6 billion, representing 21.3 percent of the total number of shares traded. The insurance sector came second with 11.6 billion shares (14.0 percent of the total). The petrochemical industries sector ranked third with 11.0 billion shares, constituting 13.3 percent of the total number of shares traded in 2012.

In terms of the value of shares traded, the insurance sector ranked first with Rls 451.0 billion, representing 23.4 percent of the total value of shares traded in 2012. The petrochemical industries sector ranked second with Rls 311.2 billion (16.1 percent of the total). The real estate development sector came third with Rls 211.6 billion (11.0 percent of the total).

As regards the number of executed transactions, the insurance sector ranked first with 13.0 million, constituting 31.0 percent of the total number of executed transactions in 2012, followed by the petrochemical industries sector with 4.5 million (10.7 percent of the total). The telecommunication and information technology sector came third with 3.83 million (9.1 percent of the total).

## Table 7.2: SHARES PURCHASED AND SOLD VIA THE INTERNET

| | | 2011 | 2012 | Annual %Change |
|---|---|---|---|---|
| | Via the Internet | 693.6 | 1,381.4 | 99.1 |
| Value of Shares Purchased & Sold | Total* | 1,098.8 | 1,929.3 | 75.6 |
| (Billion Riyals) | Percentage | 63.1 | 71.6 | 13.4 |
| | Via the Internet | 32,200.5 | 62,081.5 | 92.8 |
| Number of Shares Purchased and Sold | Total* | 48,544.6 | 82,544.9 | 70.0 |
| (Million shares) ** | Percentage | 66.3 | 75.2 | 13.4 |
| | Via the Internet | 18,454.0 | 32,236.0 | 74.7 |
| Number of Executed Transactions (Thousand) | Total* | 25,546.9 | 42,105.1 | 64.8 |
| | Percentage | 72.2 | 76.6 | 6.0 |

* Total represents shares sold and purchased via all channels of the market (trading terminals, Internet, Phone Banking and ATMs).

** Data were not revised to account for corporate actions.

Source: Saudi Stock Exchange Company (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 trading | Annual % Change |
|---|---|---|---|---|
| 2009 | 3,997,556 | 1.1 | 106,117 | -44.4 |
| 2010 | 4,045,793 | 1.2 | 53,952 | -49.2 |
| 2011 | 4,099,527 | 1.3 | 51,289 | -4.9 |
| 2012 | 4,221,355 | 3.0 | 98,397 | 91.8 |

Source: Saudi Stock Exchange Company (Tadawul).

A review of the market capitalization of issued shares at the end of 2012 indicates that the petrochemical industries sector ranked first with Rls 439.9 billion, accounting for 31.4 percent of the total market capitalization of issued shares. The banks and financial services sector came second with Rls 307.5 billion (22.0 percent of the total), followed by the telecommunications and information technology sector with Rls 152.8 billion (10.9 percent of the total) (Table 7.4).

As regards the most active three joint-stock companies in 2012, Zain KSA ranked first in terms of the number of executed transactions, which stood at 1,730.5 thousand, followed by Dar Al-Arkan with 1,365.8 thousand and then Alinma Bank with 1,288.2 thousand (Table 7.5).

**New Initial Public Offerings (IPOs) in 2012**

During 2012, seven new companies with a total capital of Rls 6,184 million and 618.4 million issued shares were floated in IPOs. Total number of shares offered for public subscription was 257.4 million with a total value of Rls 5.3 billion. Total value of shares subscribed for stood at Rls 25.9 billion. Oversubscription averaged 6.2 times at the level of the market in 2012 (Table 7.6).

**Table 7.4: SAUDI SHARE MARKET ACTIVITY BY SECTORS DURING 2012**

| | No. of Traded Shares | | Value of Traded Shares | | No. of Executed Transactions | | Market Capitalization | |
|---|---|---|---|---|---|---|---|---|
| Sector | (Million Shares) | Ratio to Total (%) | (Billion Riyals) | Ratio to Total (%) | (Thousand) | Ratio to Total (%) | (Billion Riyals) | Ratio to Total (%) |
| Banks & Financial Services | 9,499.9 | 11.5 | 163.0 | 8.5 | 1,960.7 | 4.7 | 307.5 | 22.0 |
| Petrochemical Industries | 11,008.8 | 13.3 | 311.2 | 16.1 | 4,484.7 | 10.7 | 439.9 | 31.4 |
| Cement | 2,885.0 | 3.5 | 70.2 | 3.6 | 2,176.4 | 5.2 | 75.2 | 5.4 |
| Retail | 1,728.1 | 2.1 | 48.7 | 2.5 | 1,393.0 | 3.3 | 30.6 | 2.2 |
| Energy & Utilities | 1,236.4 | 1.5 | 18.2 | 0.9 | 220.7 | 0.5 | 57.2 | 4.1 |
| Agriculture & Food Industries | 3,676.7 | 4.5 | 122.7 | 6.4 | 3,047.9 | 7.2 | 66.7 | 4.8 |
| Telecommunication & Information Technology | 9,766.3 | 11.8 | 194.7 | 10.1 | 3,825.8 | 9.1 | 152.8 | 10.9 |
| Insurance | 11,595.0 | 14.0 | 451.0 | 23.4 | 13,036.7 | 31.0 | 38.7 | 2.8 |
| Multi-Investment | 4,298.7 | 5.2 | 86.8 | 4.5 | 2,164.2 | 5.1 | 82.9 | 5.9 |
| Industrial Investment | 2,158.8 | 2.6 | 83.0 | 4.3 | 2,028.2 | 4.8 | 50.7 | 3.6 |
| Building & Construction | 4,027.2 | 4.9 | 90.3 | 4.7 | 2,323.6 | 5.5 | 19.3 | 1.4 |
| Real Estate Development | 17,566.2 | 21.3 | 211.6 | 11.0 | 3,546.0 | 8.4 | 54.5 | 3.9 |
| Transport | 2,344.7 | 2.8 | 45.6 | 2.4 | 924.1 | 2.2 | 10.9 | 0.8 |
| Media and Publishing | 303.6 | 0.4 | 13.4 | 0.7 | 372.0 | 0.9 | 5.4 | 0.4 |
| Hotel & Tourism | 449.6 | 0.5 | 18.8 | 1.0 | 601.3 | 1.4 | 8.1 | 0.6 |
| **Total** | **82,545.0** | **100.0** | **1,929.3** | **100.0** | **42,105.0** | **100.0** | **1,400.3** | **100.0** |

Source: The Annual Report on the performance of the Saudi Stock Exchange Company (Tadawul), 2012.

**Table 7.5: THREE MOST ACTIVE JOINT-STOCK COMPANIES DURING 2012**

| | | | | |
|---|---|---|---|---|
| No. of Executed Transactions | (Company) | Zain KSA | Dar Al-Arkan | Alinma |
| | (Thousand) | 1730.5 | 1395.8 | 1288.2 |
| No. of Shares Traded | (Company) | Dar Al-Arkan | Alinma | ZAIN KSA |
| | (Billion) | 9.4 | 8.2 | 5.5 |
| Value of Shares Traded | (Company) | SABIC | Alinma | Dar Al-Arkan |
| | (Billion Riyals) | 121.9 | 110.2 | 96.3 |

Source: The Annual Report on the performance of the Saudi Stock Exchange Company (Tadawul), 2012.

The number of subscribers for the companies offered in 2012 increased over the preceding year by 277.8 percent to 11.2 million. Different subscription channels such as Phone Banking, ATMs, and the Internet have contributed to minimizing errors, reducing the subscription period, and decreasing reliance on printed subscription applications. The number of subscribers via phone banking was 1.4 million, representing 12.2 percent of total subscribers. The number of subscribers via ATMs amounted to 6.4 million (57 percent of the total), those via the internet stood at 2.5 million (21.9 percent of the total), and subscribers via bank branches totaled 1.1 million, accounting for 9.8 percent of total subscribers (Table 7.7).

### Regulatory Developments during 2012

During 2012, shares of 4 companies were suspended and shares of other 4 companies were unsuspended in the Saudi Stock Exchange (Tadawul). Shares of Allied Cooperative Insurance Group (ACIG), Buruj Cooperative Insurance and Saudi Integrated Telecom Company were suspended from trading on the Saudi Stock Exchange (Tadawul) (all as from 1/4/2012), and Mohammad Al-Mojil Group (as from 22/7/2012). The companies whose shares were unsuspended included: Etihad Atheeb Telecom Company (on 24/3/2012), Buruj Cooperative Insurance (on 29/4/2012), Allied Cooperative Insurance Group (ACIG) (on 19/5/2012) and the Saudi Integrated Telecom Company (on 20/6/2012).

### New Companies Added to the Tadawul Index During 2012

The following companies were added to Tadawul Index in 2012:

1. The United Electronics Company
2. Takween Advanced Industries Company
3. Saudi Enaya Co-operative Insurance Company
4. Al-Tayyar Travel Group
5. Saudi Airlines Catering
6. Alinma Tokio Marine Company
7. Al Madinah Cement Company
8. Najran Cement Company

The shares of Bishah Agricultural Development Company and Mohammad Al-Mojil Group were excluded from the Saudi Stock Exchange (Tadawul) index.

### Efforts of the Capital Market Authority (CMA) for Raising Investors' Awareness during 2012

CMA publishes news and resolutions issued by its Board on its website to ensure that information reaches all investors at the same time. Pursuant to CMA's strategy for promoting investor awareness, the following actions were taken during 2012:

**Table 7.6: INITIAL PUBLIC OFFERINGS BY NEW COMPANIES ON THE SAUDI SHARE MARKET DURING 2012**

| | Company | Sector | Date of IPO | Capital Value (Million) | Total Issued Shares (Million) | No. of shares offered for public subscription (Million) | Floating Price | Closing price on 31/12/2012 | Value of Offering (Million) | No. of subscribers (Million) | Total value of shares subscribed for (Million) | No. of over-subscription (Times) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Takween Advanced Industries Company | Industrial Investment | 16-Jan | 300.0 | 30.0 | 9.0 | 26.0 | 43.80 | 234.0 | 0.7 | 1,216.8 | 5.2 |
| 2 | Alinma Tokio Marine Company | Insurance | 19-Mar | 200.0 | 20.0 | 6.0 | 10.0 | 87.80 | 60.0 | 1.5 | 966.0 | 16.1 |
| 3 | Najran Cement Company | Cement | 16-Apr | 1,700.0 | 170.0 | 85.0 | 10.0 | 18.90 | 850.0 | 2.7 | 2,635.0 | 3.1 |
| 4 | Al-Tayyar Travel Group | Tourism & Hotels | 14-May | 800.0 | 80.0 | 24.0 | 57.0 | 63.25 | 1,368.0 | 1.0 | 8,344.8 | 6.1 |
| 5 | Saudi Airlines Catering | Agriculture & Food Industry | 18-Jun | 820.0 | 82.0 | 24.6 | 54.0 | 78.00 | 1,328.4 | 0.9 | 7,439.0 | 5.6 |
| 6 | Al Madinah Cement Company | Cement | 10-Sep | 1,892.0 | 189.2 | 94.6 | 10.0 | 17.25 | 946.0 | 3.2 | 2,838.0 | 3.0 |
| 7 | Dallah Healthcare Holding Company | Retail | 19-Nov | 472.0 | 47.2 | 14.2 | 38.0 | 65.75 | 539.6 | 1.2 | 2,482.2 | 4.6 |
| | **Total** | --- | --- | **6,184.0** | **618.4** | **257.4** | --- | --- | **5,326.0** | **11.2** | **25,921.8** | --- |

* Not Traded Yet.

Source: CMA and the Annual Report on the performance of the Saudi Stock Exchange Company (Tadawul), 2012.

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

| Channels of Subscription | 2011 Number | 2011 Percent | 2012 Number | 2012 Percent | Annual %Change |
|---|---|---|---|---|---|
| Phone Banking | 0.6 | 19.6 | 1.4 | 12.2 | 135.3 |
| ATM | 1.3 | 43.7 | 6.4 | 57.0 | 392.4 |
| Internet | 0.9 | 30.6 | 2.5 | 21.9 | 170.0 |
| Branches | 0.2 | 6.0 | 1.1 | 9.8 | 514.7 |
| **Total** | **3.0** | **100.0** | **11.2** | **100.0** | **277.8** |

Source: Capital Market Authority (CMA).

1. **Media activities and programs:**
   CMA published many press and media materials regarding news and resolutions issued by its Board, and materials on their explanation and interpretation in the local, regional and international media. CMA issued two booklets during 2012, titled: "How to Understand Board of Directors" and "Examples of Some Conduct Breaches", as an addition to the other awareness and warning booklets issued by CMA over the past years, bringing the number of issued booklets to 16. CMA's awareness messages and interactive responses on the social networks totaled 1,085, besides publishing 34 weekly awareness pages in the (Investor page) on Al-Sharq newspaper. These pages aim at raising the awareness of investors, listed companies and licensed persons. CMA also carried out a number of advertising campaigns to educate dealers on the capital market about safe investment ways to avoid violating the rules and implementation regulations of the Capital Market. Furthermore, CMA's awareness campaigns targeted all segments of school students through awareness campaigns in schools and mobile exhibitions that were held in 8 different cities in the Kingdom, in which 254 thousand copies of the "Smart Investor" magazine were distributed in addition to other education pamphlets.

2. **Communication with the public:**
   During 2012, the establishment of the (iAgent) System Project for the Communication Center was completed; that would be CMA's key system for customer services. One of the system's basic features is the ability to link with the Investor Complaint System at the Investor Complaint Department. It can also issue accurate reports on the communication nature and details. CMA Communication Center received nearly 4,000 communications during 2012, of which 2,335 were phone calls, 1,401 emails and 264 fax messages.

**Saudi Share Market Activity during the First Quarter of 2013**

The general share price index recorded a decline during the first quarter of 2013 compared to the first quarter of the preceding year, closing at 7,125.7 at the end of the first quarter of 2013 compared to 7,835.2 at the end of the same quarter of the preceding year, dropping by 9.1 percent. Since the beginning of the year up to the end of the first quarter, the general share price index has recorded a rise of 324.5 (4.8 percent). On 27/03/2013, the index closed at its highest point of 7,177.6. The market capitalization of issued shares went down by 5.7 percent to Rls 1,452.5 billion at the end of the first quarter of 2013 compared to Rls 1,539.6 billion at the end of the first quarter of the preceding year. The total value of traded shares decreased by 46.2 percent to Rls 368.5 billion, from the level of the same period of the preceding year. The number of traded shares went down by 56.0 percent to 13.3 billion compared to 31.7 billion during the corresponding period of the preceding year. The number of transactions executed decreased to 9.2 million, or by 31.9 percent, during the first quarter of the year compared to the same period of the preceding year (Table 7.1).

A review of the developments of the share market by sectors during the first quarter of 2013 shows that the real estate development sector was the most active sector in terms of the number of shares traded which totaled 2,544.6 million, accounting for 19.2 percent of the total number of shares traded. The insurance sector came second with 1,781.1 million, representing 13.4 percent of the total. The cement sector ranked third with 1,460.5 million, accounting for 11.0 percent of the total.

As regards the value of shares traded by sectors at the end of the first quarter of 2013, the insurance sector ranked first with Rls 83.6 billion, accounting for 22.7 percent of the total value of shares traded. The petrochemical industries sector came second with Rls 46.4 billion, representing 12.6 percent of the total. The retail sector was third with Rls 41.9 billion (11.4 percent of the total).

In terms of the number of transactions executed by sectors, the insurance sector was the largest with 2,525.2 (27.5 percent of the total number of executed transactions), followed by the cement sector with 1,344.2 (14.7 percent of the total). The retail sector held the third position with 1,242.1 thousand (13.5 percent of the total).

As regards the market capitalization of issued shares at the end of the first quarter of 2013, the petrochemical industries sector ranked first with R1s 466.1 billion (32.1 percent of the total market capitalization of issued shares), followed by the banks and financial services sector with Rls 315.2 billion (21.7 percent of the total). The telecommunication and information technology sector came third with R1s 154.5 billion (10.6 percent of the total) (Table 7.8).

**New Initial Public Offerings (IPOs) in the First Quarter of 2013**

During the first quarter of 2013, two new companies made public offerings on the market with a total capital of Rls 2.3 billion and 103.5 million shares. The Northern Region Cement Company represented 50 percent (90 million shares and a capital of Rls 1.8 billion), and the National Medical Care Company constituted 30.1 percent (13.5 million shares and a capital of Rls 448.5 million) of these offerings.

**The Regulatory Developments During the First Quarter of 2013**

- CMA's Board issued a resolution to suspend the trading of the Saudi Integrated Telecom Company shares on the Saudi Stock Exchange (Tadawul) as of Wednesday 06/02/2013.

- CMA's Board issued a resolution to suspend the trading of the shares of the United Cooperative Assurance on the Saudi Stock Exchange (Tadawul) as of Tuesday 26/02/2013. However, the suspension was lifted on 05/03/2013.

**Table 7.8: SAUDI SHARE MARKET ACTIVITY BY SECTORS DURING THE FIRST QUARTER OF 2013**

| Sector | No. of Traded Shares (Million Shares) | No. of Traded Shares Ratio to Total (%) | Value of Traded Shares (Billion Riyals) | Value of Traded Shares Ratio to Total (%) | No. of Executed Transactions (Thousand) | No. of Executed Transactions Ratio to Total (%) | Market Capitalization (Billion Riyals) | Market Capitalization Ratio to Total (%) |
|---|---|---|---|---|---|---|---|---|
| Banks & Financial Services | 1,439.8 | 10.9 | 29.2 | 7.9 | 355.5 | 3.9 | 315.2 | 21.7 |
| Petrochemical Industries | 1,208.7 | 9.1 | 46.4 | 12.6 | 630.8 | 6.9 | 466.1 | 32.1 |
| Cement | 1,460.5 | 11.0 | 35.2 | 9.5 | 1,344.2 | 14.7 | 79.7 | 5.5 |
| Retail | 723.0 | 5.5 | 41.9 | 11.4 | 1,242.1 | 13.5 | 36.9 | 2.5 |
| Energy & Utilities | 121.9 | 0.9 | 1.7 | 0.5 | 27.1 | 0.3 | 60.5 | 4.2 |
| Agriculture & Food Industries | 803.3 | 6.1 | 24.7 | 6.7 | 647.7 | 7.1 | 70.8 | 4.9 |
| Telecommunication & Information Technology | 1,436.3 | 10.8 | 21.4 | 5.8 | 446.8 | 4.9 | 154.5 | 10.6 |
| Insurance | 1,781.1 | 13.4 | 83.6 | 22.7 | 2,525.2 | 27.5 | 36.9 | 2.5 |
| Multi-Investment | 478.6 | 3.6 | 9.2 | 2.5 | 275.1 | 3.0 | 68.0 | 4.7 |
| Industrial Investment | 423.0 | 3.2 | 18.4 | 5.0 | 460.2 | 5.0 | 53.0 | 3.6 |
| Building & Construction | 418.0 | 3.2 | 9.2 | 2.5 | 273.5 | 3.0 | 20.3 | 1.4 |
| Real Estate Development | 2,544.6 | 19.2 | 29.0 | 7.9 | 523.4 | 5.7 | 63.5 | 4.4 |
| Transport | 206.0 | 1.6 | 6.3 | 1.7 | 129.2 | 1.4 | 11.2 | 0.8 |
| Media and Publishing | 62.3 | 0.5 | 3.5 | 0.9 | 103.3 | 1.1 | 5.2 | 0.4 |
| Hotel & Tourism | 152.9 | 1.2 | 8.8 | 2.4 | 184.3 | 2.0 | 10.8 | 0.7 |
| **Total** | **13,260.1** | **100.0** | **368.5** | **100.0** | **9,168.4** | **100.0** | **1,452.6** | **100.0** |

Source: First Quarter Report on the performance of the Saudi Stock Exchange Company (Tadawul), 2013.

**New Companies Added to the Tadawul Index during the First Quarter of 2013**

The following companies' shares and Sukuks were added to Tadawul index according to their closing prices on Wednesday 27/03/2013:

1. The Northern Region Cement Company.
2. Dallah Healthcare Holding Company.
3. Saudi ORIX Sukuks.

The Saudi Integrated Telecom Company's shares were excluded from Tadawul index according to the share closing price before suspending its trading.

**Company Actions during the First Quarter of 2013**

On 12/01/2013, Etihad Etisalat Co. (Mobily) raised its capital by granting one bonus share for each ten shares, raising the number of its shares to 770 million.

On 24/03/2013, Yanbu' Cement Co. raised its capital by granting one bonus share for each two shares, increasing the number of its shares to 157.5 million.

**Sukuks and Bonds Market during 2012**

Total amount of issued Sukuks and bonds since the foundation of the Market up to the end of 2012 reached Rls 38.3 billion. The number of issuances was eight; two of which were issued by SABIC with a nominal issue value of Rls 13.0 billion, and three by the Saudi Electricity Company with a value of Rls 19.0 billion; one by the Saudi Hollandi Bank with a value of Rls 725 million; one by the Saudi International Petrochemical Co.

(SIPCHM) with a value of Rls 1.8 billion; and one by SATORP with a value of Rls 3.7 billion. The listing of two of these Sukuks (SABIC 2) and (Saudi Electricity1) was cancelled on 15/07/2012. In 2012, the value of traded Sukuks and bonds amounted to Rls 445.9 million, whereas the nominal value of these traded Sukuks and bonds was Rls 442.9 million (Table 7.9).

**Comparison between the Arab Share Markets and the Saudi Share Market in 2012**

The performance of the Arab financial markets participating in the Arab Monetary Fund Data Base (AMFDB) was mixed during 2012. Six market indices recorded a decline ranging from 0.2 percent in Lebanon Stock Exchange to 15.1 percent in Morocco Stock Exchange. In contrast, eight market indices recorded a rise ranging from 0.2 percent in Palestine Securities Market to 46.2 percent in that of Egypt Stock Exchange (Table 7.10).

Total market capitalization of all Arab Stock Exchanges increased by 5.0 percent to $ 918.6 billion at the end of 2012 as compared to 876.9 billion at the end of the preceding year. The market capitalization of Egypt Stock Exchange recorded the largest increase of 26.6 percent, followed by the Muscat Securities Market, rising by 15.6 percent. Then came Saudi Stock Exchange by 10.2 percent.

A comparison of selected Arab share market indicators for 2012 shows that the Saudi Stock Exchange recorded the highest indicators among all Arab stock markets. Market capitalization of the Saudi Stock Exchange stood at $373.4 billion, compared to an average of $ 62.4 billion for the Arab countries composing AMFI. Market capitalization of the Saudi Stock Exchange represented 40.7 percent of total market capitalization of Arab stock exchanges at the end of

**Table 7.9: TRADABLE SUKUK AND BONDS IN TADAWUL DURING 2012**

| Issue Size (Million Rls) | Par Value (Thousand Rls) | Maturity Date | Coupon (Annual Return) (%) | Transactions | Value Traded (Thousand Rls) | Nominal Value Traded (Thousand Rls) |
|---|---|---|---|---|---|---|
| 8,000 | 10 | 15-Jul-2027 | SIBOR + 0.38 | 1 | 49.0 | 50 |
| 5,000 | 10 | 15-May-2028 | SIBOR + 1.75 | 4 | 6,517.2 | 6,530 |
| 1,800 | 100 | 06-Jul-2016 | SIBOR + 1.75 | 1 | 50,805.0 | 50,000 |
| 5,000 | 500 | 15-Jul-2027 | SIBOR + 0.45 | 2 | 12,995.0 | 13,000 |
| 7,000 | 100 | 06-Jul-2029 | SIBOR + 1.60 | 4 | 23,928.3 | 23,300 |
| 7,000 | 10 | 10-May-2030 | SIBOR + 0.95 | 7 | 349,686.3 | 348,110 |
| 3,749 | 100 | 20-Dec-2025 | SIBOR over 6 months + 1.60 | 1 | 2,001.0 | 2,000 |
| 725 | 100 | 31-Dec-2019 | SIBOR + Margin(190 bps) | 0 | 0.0 | 0 |
| **38,274** | **—** | **—** | **—** | **20** | **445,981.7** | **442,990** |

7/2012.

rt on the performance of the Saudi Stock Exchange Company (Tadawul), 2012.

**Table 7.10: ANNUAL CHANGE IN SOME ARAB SHARE MARKET INDICATORS (2012)**
**(Percentages)**

| Market | No. of Shares Traded | Value of Shares Traded | Share Price Index |
|---|---|---|---|
| Saudi Arabia | 70.0 | 10.18 | 6.0 |
| Kuwait | 0.8 | -8.1 | 2.1 |
| Egypt | 207.3 | 26.6 | 46.2 |
| Morocco | 8.4 | -12.5 | -15.1 |
| Bahrain | -20.0 | -6.4 | -6.8 |
| Jordan | -12.1 | -0.9 | -2.0 |
| Oman | 106.1 | 15.6 | 3.1 |
| Tunisia | -13.5 | -8.0 | -3.0 |
| Lebanon | -16.3 | 1.3 | -0.2 |
| Abu Dhabi | 37.7 | 8.9 | 9.5 |
| Algeria | -53.1 | -10.3 | -- |
| Dubai | 93.4 | 1.0 | 19.9 |
| Sudan | 824.1 | -18.7 | 16.1 |
| Qatar | -67.1 | 0.6 | -4.8 |
| Palestine | 7.4 | 1.9 | 0.2 |

- - Not available.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, fourth quarter 2012.

2012. The value of shares traded on the Saudi Stock Exchange amounted to $515.9 billion at the end of 2012, constituting 80.4 percent of total value of shares traded on the markets of Arab countries participating in the Arab securities markets' data base.

The number of companies whose shares were traded on the Saudi Stock Exchange reached 158 at the end of 2012, with an average market capitalization of $ 2.4 billion per company, compared to an average of 95 companies and an average market capitalization of $ 0.68 billion per company in the Arab countries participating in the Arab securities markets' data base (Table 7.11 and Chart 7.1).

**Developments of Investment Funds during 2012**

The number of investment funds managed by investment companies in Saudi Arabia went down by 3.6 percent to 240 in 2012, while their total assets increased by 7.0 percent from Rls 82.2 billion at the end of 2011 to Rls 88.1 billion at the end of 2012. Domestic assets of investment funds went up from Rls 64.5 billion at the end of 2011 to Rls 69.8 billion at the end of 2012. The foreign assets of investment funds increased by 3.4 percent to Rls 18.3 billion at the end of 2012, constituting around 21.0 percent of the total assets of the funds. The number of subscribers stood at 275.6 thousand at the end of 2012, decreasing by 6.2 percent from the preceding year (Table 7.12 and Chart 7.2).

**Table 7.11: IMPORTANT INDICATORS OF ARAB SHARE MARKETS DURING 2012**

| | Annual change of share price Index % | Market capitalization (Million Dollars) | No. of listed companies | Average company size (Million Dollars) | GDP at current prices (Million Dollars)* | Market depth (%)** |
|---|---|---|---|---|---|---|
| Saudi Arabia | 6.0 | 373,365.0 | 158.0 | 2,363 | 727.3 | 51.3 |
| Kuwait | 2.1 | 97,262.0 | 219.0 | 444 | 173.4 | 56.1 |
| Egypt | 46.2 | 61,621.0 | 213.0 | 289 | 256.7 | 24.0 |
| Morocco | -15.1 | 52,605.0 | 77.0 | 683 | 97.5 | 54.0 |
| Bahrain | -6.8 | 15,532.0 | 47.0 | 330 | 25.9 | 60.0 |
| Jordan | -2.0 | 26,971.0 | 243.0 | 111 | 31.2 | 86.4 |
| Oman | 3.1 | 30,299.0 | 115.0 | 263 | 76.5 | 39.6 |
| Tunisia | -3.0 | 8,874.0 | 59.0 | 150 | 45.6 | 19.5 |
| Lebanon | -0.2 | 10,421.0 | 26.0 | 401 | 41.5 | 25.1 |
| Abu Dhabi | 9.5 | 77,647.0 | 66.0 | 1,176 | 359.0 | 21.6 |
| Algeria | -- | 127.2 | 2.0 | 64 | 207.8 | 0.1 |
| Dubai | 19.9 | 49,523.0 | 57.0 | 869 | 359.0 | 13.8 |
| Sudan | 16.1 | 2,192.4 | 57.0 | 38 | 59.9 | 3.7 |
| Qatar | -4.8 | 126,297.0 | 42.0 | 3,007 | 183.4 | 68.9 |
| Palestine | 0.2 | 2,836.0 | 48.0 | 59 | -- | -- |
| **Average** | **5.1** | **62,371.5** | **95.3** | **683** | **188.9** | **37.4** |

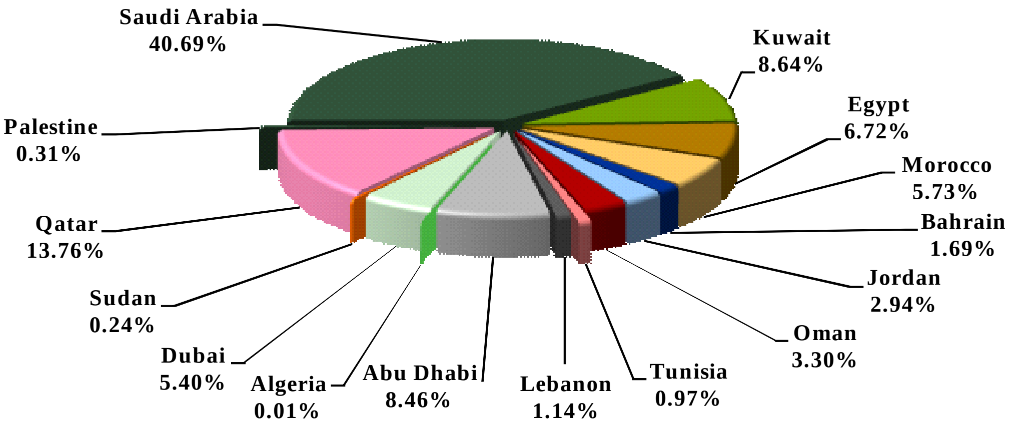
* International Monetary fund (IMF).

** Ratio of market capitalization to GDP.

- - Not available.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, Fourth Quarter 2012.

**Chart 7.1: Percent Shares of Arab Capital Markets in the Composition of the Arab Monetary Fund's Index at the End of 2012 by Market Capitalization**




A review of the breakdown of the funds' investments inside and outside the Kingdom at the end of 2012 indicates that total investments in global share markets increased by 11.5 percent to Rls 10.4 billion. Investment in domestic shares also rose by 3.9 percent to Rls 19.2 billion. Domestic shares accounted for 65.0 percent of total fund investments in shares against 66.5 percent at the end of the preceding year. Investment in domestic and global share markets accounted for 34.0 percent of total assets of investment funds at the end of 2012 against 33.8 percent at the end of 2011.

Funds' investments in international bonds went down by 29.4 percent to Rls 1.81 billion at the end of 2012 against Rls 2.6 billion in 2011. Investments in domestic bonds also decreased by 31.2 percent from Rls 3.0 million at the end of 2011 to Rls 2.1 million at the end of 2012. Investments in domestic and foreign bond markets accounted for 4.4 percent of the funds' total assets at the end of 2012 compared to 6.8 percent at the end of the preceding year. Investments in domestic and international money market instruments represented 57.8 percent of the funds' total assets at the end of 2012 against 55.5 percent at the end of the preceding year. Investment in domestic money markets rose by 11.8 percent from Rls 40.1 billion at the end of 2011 to Rls 44.9 billion at the end of 2012. Investment in domestic money markets accounted for 88.1 percent of total investments in domestic and international money markets at the end of 2012 against 88.0 percent at the end of the preceding year. Investments in international money markets also increased by 10.6 percent from Rls 5.5 billion at the end of 2011 to Rls 6.0 billion at the end of 2012. Investments in other domestic assets went up by 59.5 percent to Rls 1.8 billion at the end of 2012, accounting for 96.8 percent of total investments in other domestic and international assets compared to 76.3 percent at the end of the preceding year. However, investments in other foreign assets went down by 83.3 percent to Rls 60 million at the end of 2012. Investment in real estate assets rose by 4.4 percent at the end of 2012 to Rls 1.8 billion, representing 2.0 percent of the funds' total assets compared to 2.1 percent at the end of the preceding year (Table 7.13).

An analysis of the classification of investment companies by assets shows that the National Commercial Bank Capital Co. took the lead in terms

### Table 7.12: IMPORTANT INDICATORS OF INVESTMENT FUNDS MANAGED BY DOMESTIC INVESTMENT COMPANIES

| Year | No. of operating funds | Annual %Change | Domestic assets investment (Billion Rls) | Annual %Change | Foreign assets investment (Billion Rls) | Annual %Change | Funds' total assets (Billion Rls) | Annual %Change | No. of subscribers (Thousand) | Annual %Change |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 262 | 4.0 | 61.3 | -23.3 | 13.6 | -46.2 | 74.8 | -28.8 | 375.0 | -12.0 |
| 2009 | 244 | -6.9 | 74.1 | 21.0 | 15.4 | 13.7 | 89.5 | 19.7 | 356.3 | -5.0 |
| 2010 | 243 | -0.4 | 74.4 | 0.4 | 20.3 | 31.7 | 94.7 | 5.8 | 320.4 | -10.1 |
| 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 | | | | | | | | | | |
| First Quarter | 240 | 0.0 | 70.2 | 0.6 | 22.3 | 22.2 | 92.5 | 5.1 | 270.9 | -1.7 |

Source: Capital Market Authority (CMA).

Chart 7.2: Assets of Investment Funds at Domestic Investment Companies

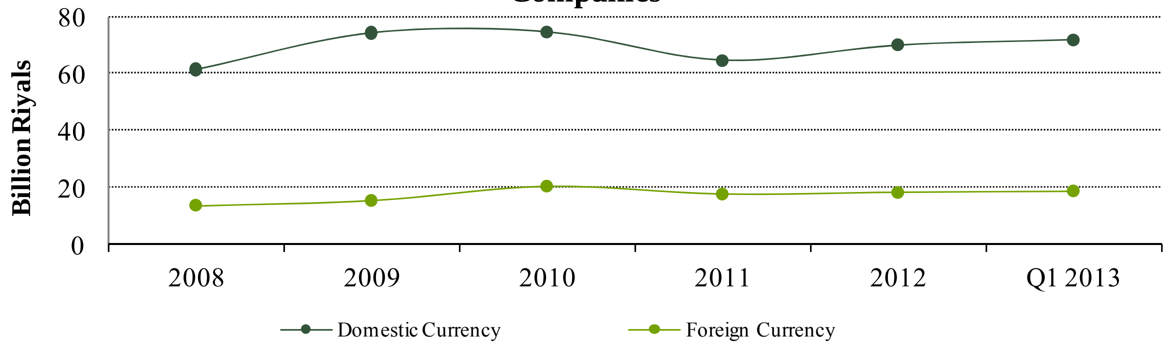



**Table 7.13: ASSETS OF INVESTMENT FUNDS MANAGED BY DOMESTIC INVESTMENT COMPANIES DISTRIBUTED BY TYPE OF INVESTMENT**

*(Million Rls)*

| End of Period | Domesti Shares | Foreign Shares | Domesti Bonds | Foreig Bonds | Domestic money market instrument | Foreign money market instruments | Other domesti assets | Other foreign assets | Real Estate Investment | Total Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 19,281 | 10,009 | 1,960 | 324 | 49,402 | 4,099 | 1,167 | 974 | 2,332 | 89,548 |
| 2010 | 20,948 | 10,933 | 2,995 | 363 | 48,330 | 8,028 | 694 | 976 | 1,473 | 94,740 |
| 2011 | 18,472 | 9,289 | 3,031 | 2,560 | 40,132 | 5,454 | 1,156 | 359 | 1,740 | 82,193 |
| 2012 | 19,192 | 10,354 | 2,086 | 1,807 | 44,874 | 6,034 | 1,844 | 60 | 1,817 | 88,068 |
| 2013 | | | | | | | | | | |
| Q1 | 20,357 | 10,339 | 2,204 | 1,932 | 44,104 | 9,665 | 1,277 | 373 | 2,274 | 92,525 |

Source: Capital Market Authority (CMA).

of the assets of its investment funds, which stood at Rls 27.4 billion, representing 31.0 percent of the total assets of investment funds, followed by Samba Capital & Investment Management Co. with assets of Rls 15.4 billion (17.4 percent of the total). The Riyadh Capital Co. came third with assets of Rls 13.7 billion (16.0 percent of the total).

As for the number of investment funds, the Riyadh Capital Co. came first with 34 funds of which one was close-ended. The National Commercial Bank Capital Co. came in the second place with 25 funds all of which were open-ended. The Saudi Hollandi Capital Co. and HSBC Saudi Arabia Limited came third both with 22 funds all of which were open-ended .

A review of the breakdown of investment companies' ranking by the number of subscribers shows that the Riyad Capital Co. ranked first with 73.8 thousand subscribers, followed by the National

Commercial Bank Capital Co. with 42.4 thousand. In the third position came HSBC Saudi Arabia Limited with 41.2 thousand (Table 7.14).

**Developments of Investment Funds during the First Quarter of 2013**

The number of investment funds remained unchanged at 240 at the end of the first quarter of 2013, compared to the end of the fourth quarter of 2012. The number of subscribers, however, fell by 1.7 percent to 270,9 thousand from the fourth quarter of the preceding year. Total assets of the investment funds rose by 5.1 percent to Rls 92.5 billion due to a rise of 22.2 percent in the funds' investments in foreign assets and 0.6 percent in the funds' investments in domestic assets. Investment in domestic assets accounted for 75,9 percent of the fund's total assets at the end of first quarter of 2013, compared to 79.4 percent at the end of first quarter of 2012. The share of investment in foreign assets to the funds' total assets went up to 24.1 percent as compared to 20.6 percent at the end of the first quarter of the preceding year.

A review of the classification of the funds' investments inside and outside the Kingdom at the end of the first quarter of 2013 indicates that investments in the domestic share market went up by 6.1 percent to Rls 20,4 billion, compared to the fourth quarter of 2012. Investments in foreign share markets also went down by 0.1 percent to Rls 10.3 billion. The funds' investments in domestic and international share markets represented 33.2 percent of the funds' total investment at the end of the first quarter of 2013. As regards investment in securities markets, the funds' investment in domestic securities at the end of the first quarter of 2013 went up by 5.7 percent to Rls 2.2 billion as compared to the end of the fourth quarter of the preceding year; and investments in foreign securities increased by 6.9 percent to Rls 1,932 billion. The funds' investments in domestic and foreign securities markets accounted for 4.5 percent of the funds' total investment at the end of the first quarter of 2013. As regards the funds' investment in domestic and foreign money instruments, investments in domestic money instruments fell by 1.7 percent to Rls 44.1 billion; and investments in foreign money instruments, however, rose by 60.2 percent to Rls 9.7 billion. The funds' investment in domestic and foreign money instruments at the end of the first quarter of 2013 represented 58.1 percent of the fund's total investments. The funds' investment in other domestic assets decreased by 30.7 percent to Rls 1.3 billion at the end of the first quarter of 2013; and funds' investment in other foreign assets, however, increased by 521.7 percent to Rls 0.4 billion. The funds' investment in other domestic and foreign assets accounted for 1.8 percent of the funds' total assets at the end of the first quarter of 2013. Funds' investment in real estate assets at the end of the first quarter of 2013 rose by 25.2 percent to Rls 2.3 billion, compared to the end of the fourth quarter of the previous year, accounting for 2.5 percent of the funds' total real estate assets at the end of the first quarter of 2013 (Table 7-13)■

**Table 7.14: CLASSIFICATION OF INVESTMENT COMPANIES BY ASSETS, NUMBER OF FUNDS AND SUBSCRIBERS IN 2012**

| Investment Company | No. of Funds | | | Assets of Funds (Million Rls) | | | No. of Subscribers |
|---|---|---|---|---|---|---|---|
| | Close-ended | Open-ended | Total | Domestic assets | Foreign assets | Total | |
| AlJazira Capital Co. | 1 | 5 | 6 | 565.0 | 507.0 | 1,072.0 | 1,146 |
| Bakheet Investment Group | 0 | 3 | 3 | 127.0 | 9.0 | 136.0 | 458 |
| Al Rajhi Financial Services Co. | 2 | 12 | 14 | 8,673.0 | 934.0 | 9,607.0 | 16,635 |
| AlBilad Investment Co. | 0 | 6 | 6 | 946.0 | 34.0 | 980.0 | 32,999 |
| Jadwa Investment Co. | 0 | 7 | 7 | 428.0 | 75.0 | 503.0 | 107 |
| HSBC Saudi Arabia Limited | 0 | 22 | 22 | 6,334.0 | 844.0 | 7,178.0 | 41,153 |
| Riyad Capital Co. | 1 | 33 | 34 | 7,443.0 | 6,233.0 | 13,676.0 | 73,772 |
| Audi Saudi Arabia Co. | 0 | 2 | 2 | 65.0 | 11.0 | 76.0 | 16 |
| Itqan Capital Co. | 0 | 1 | 1 | 15.0 | 0.0 | 15.0 | 52 |
| Sambacapital | 0 | 18 | 18 | 11,592.0 | 3,771.0 | 15,363.0 | 36,608 |
| Rana Investment Co. | 0 | 1 | 1 | 5.0 | 0.0 | 5.0 | 8 |
| FALCOM Financial Services | 1 | 8 | 9 | 526.0 | 15.0 | 541.0 | 697 |
| ANB Invest Co. | 1 | 16 | 17 | 2,896.0 | 142.0 | 3,038.0 | 9,248 |
| Saudi Fransi Capital Co. | 0 | 11 | 11 | 3,013.0 | 485.0 | 3,498.0 | 14,180 |
| Saudi Hollandi Capital Co. | 0 | 22 | 22 | 1,790.0 | 53.0 | 1,843.0 | 3,537 |
| Alistithmar Capital Co. | 0 | 10 | 10 | 763.0 | 418.0 | 1,181.0 | 815 |
| NCB Capital Co. | 0 | 25 | 25 | 22,707.0 | 4,666.0 | 27,373.0 | 42,411 |
| EFG-Hermes KSA | 0 | 1 | 1 | 73.0 | 0.0 | 73.0 | 14 |
| KSB Capital Group | 2 | 4 | 6 | 298.0 | 0.0 | 298.0 | 971 |
| Morgan Stanley Saudi Arabia Co. | 0 | 1 | 1 | 53.0 | 0.0 | 53.0 | 5 |
| Global Investment House KSA | 0 | 2 | 2 | 440.0 | 0.0 | 440.0 | 15 |
| The Investor Co. For Securities | 1 | 2 | 3 | 134.0 | 0.0 | 134.0 | 148 |
| AlAwwal For Financial Services Co. | 1 | 3 | 4 | 417.0 | 43.0 | 460.0 | 311 |
| Watan Investment & Securities Co. | 1 | 2 | 3 | 198.0 | 7.0 | 205.0 | 30 |
| Gulf Investments Co. | 0 | 2 | 2 | 179.0 | 0.0 | 179.0 | 167 |
| Middle East Financial Co. | 0 | 1 | 1 | 29.0 | 0.0 | 29.0 | 20 |
| Shia'a Capital Co. | 0 | 1 | 1 | 0.0 | 4.0 | 4.0 | 11 |
| Alinma Investment Co. | 0 | 2 | 2 | 30.0 | 2.0 | 32.0 | 3 |
| Arbah Capital Co. | 0 | 1 | 1 | 7.0 | 0.0 | 7.0 | 14 |
| Muscat Capital Co. | 0 | 1 | 1 | 61.0 | 0.0 | 61.0 | 6 |
| Al-Khabeer Capital Co. | 0 | 1 | 1 | 1.0 | 0.0 | 1.0 | 6 |
| Blominvest Saudi Arabia Co. | 0 | 3 | 3 | 3.0 | 4.0 | 7.0 | 61 |
| **Total** | **11** | **229** | **240** | **69,811.0** | **18,257.0** | **88,068.0** | **275,624** |

Source: Capital Market Authority (CMA).

The Central Department of Statistics and Information (CDSI)'s preliminary data show that the total value of the Kingdom's exports stood at Rls 1.45 trillion in 2012, accounting for 54.5 percent of the Kingdom's GDP, while the total value of imports amounted to Rls 583.5 billion, constituting 21.9 percent of GDP. The current account balance of payments for 2012 recorded a surplus of Rls 617.9 billion, representing 23.2 percent of GDP.

**Foreign Trade**

According to preliminary figures, the value of the Kingdom's merchandise trade increased to Rls 2.0 trillion in 2012 from Rls 1.9 trillion in the preceding year. In reflection of the openness of the Kingdom's economy to the world economy, the ratio of merchandise trade to the Kingdom's GDP rose to 76.4 percent in 2012 compared to 74.1 percent in the preceding year.

**Exports**

Preliminary figures of CDSI show that the total value of the Kingdom's merchandise exports stood at Rls 1.45 trillion in 2012 compared to Rls 1.37 trillion in 2011, denoting a rise of 6.4 percent (Table 8.1).

**Oil Exports**

According to preliminary data, the Kingdom's oil exports went up by 6.1 percent to Rls 1.3 trillion in 2012 compared to Rls 1.2 trillion in the preceding year (Table 8.1). The rise was attributable to an increase in the Kingdom's average production of crude oil from 9.3 million b/d in 2011 to 9.8 million b/d in 2012.

A breakdown of oil exports by type indicates that crude oil exports increased by 7.1 percent from Rls 1.06 trillion in 2011 to Rls 1.14 trillion in 2012. However, exports of refined products declined by 1.3 percent from Rls 122.4 billion to Rls 120.8 billion. Chart 8.1 shows the trends of the Kingdom's exports of crude oil and refined products during the period 2004-2012. They recorded their lowest level in 2004 whereas their highest level was reached in 2012.

**Non-oil Exports**

The Kingdom's non-oil exports registered an increase of 8.1 percent to Rls 191.0 billion in 2012

**Table 8.1: SAUDI MERCHANDISE EXPORTS**

*(Million Riyals)*

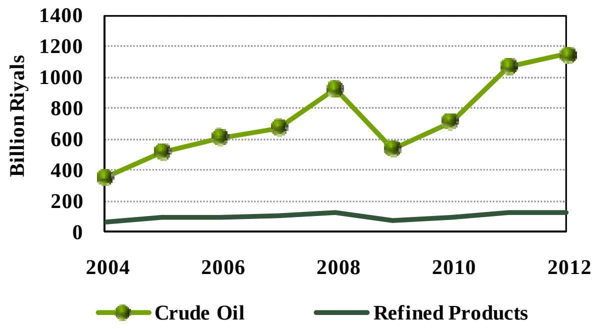
| | 2009 | 2010 | 2011 | 2012* | Annual Change% |
|---|---|---|---|---|---|
| **Oil Exports** | **611,490** | **807,176** | **1,191,051** | **1,263,555** | **6.1** |
| Crude oil | 533,177 | 710,375 | 1,068,658 | 1,144,638 | 7.1 |
| Refined products | 78,313 | 96,801 | 122,393 | 120,796 | -1.3 |
| **Non-oil Exports** | **114,684** | **134,609** | **176,568** | **190,952** | **8.1** |
| Petrochemicals | 52,967 | 82,100 | 114,680 | 124,184 | 8.3 |
| Construction materials | 8,738 | 9,058 | 10,332 | 10,536 | 2.0 |
| Agricultural, animal and food products | 10,159 | 11,074 | 12,605 | 12,853 | 2.0 |
| Other goods** | 42,820 | 32,377 | 38,951 | 43,379 | 11.4 |
| **Total** | **726,174** | **941,785** | **1,367,619** | **1,454,507** | **6.4** |

* Preliminary data. ** Including re-exports.

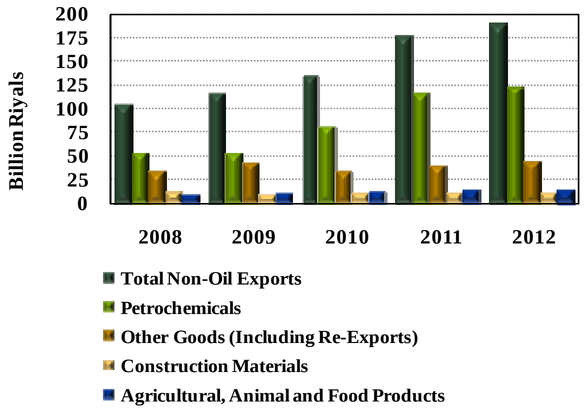
Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

**Chart 8.1**

**Saudi Oil Exports**




**Components of Saudi Non-Oil Exports**




(Table 8.1). The value of exports of petrochemicals rose by 8.3 percent to Rls 124.2 billion. Exports of "construction materials" and "agricultural, animal and food products" went up by 2.0 percent each; and other goods rose by 11.4 percent. (Chart 8.1) shows the components and development of non-oil exports during the period 2008–2012, reaching their highest level in 2012.

### Development of Non-oil Exports

The Kingdom continues its efforts to diversify the economic base and develop non-oil exports. To this end, the Kingdom has taken a number of restructuring and institutional reforms, including creation of the Saudi Exports Program.

The Saudi Exports Program of the Saudi Fund for Development (SFD) plays an efficient role in providing finance and credit facilities necessary for the development of the national non-oil exports to diversify the sources of the national income. Under the program, a range of various export finance and credit insurance operations valued at Rls 4.0 billion were executed during 2012, denoting a decrease of 29.2 percent from the preceding year. (Table 8.2). A breakdown of its operations during 2012 indicates

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

*(Million Riyals)*

| | 2010 | | 2011 | | 2012 | |
|---|---|---|---|---|---|---|
| **Goods and Products** | **Finance** | **Guarantee** | **Finance** | **Guarantee** | **Finance** | **Guarantee** |
| Manufactured metal products, machines and equipment | 313.00 | 8.00 | 0.00 | 14.00 | 18.75 | 0.00 |
| Chemical and plastic products | 506.00 | 2,285.00 | 1,266.00 | 2,857.00 | 1,387.50 | 1,988.00 |
| Capital projects | 0.00 | 0.00 | 1,005.00 | 0.00 | 0.00 | 13.05 |
| Credit lines | 396.00 | 0.00 | 240.00 | 0.00 | 502.50 | 0.00 |
| Other | 0.00 | 205.00 | 188.00 | 30.00 | 0.00 | 54.11 |
| **Total** | **1,215.00** | **2,498.00** | **2,699.00** | **2,901.00** | **1,908.75** | **2,055.16** |

Source: Saudi Fund for Development.

that Rls 2.1 billion went to guarantee transactions and Rls 1.9 billion to finance transactions. Finance and guarantee transactions of exports of chemical and plastic products amounted to approximately Rls 3.4 billion, with Rls 2.0 billion for guaranteeing transactions and Rls 1.4 billion for financing transactions. Finance and guarantee transactions of exports of manufactured metal products, machinery, and equipment amounted to approximately Rls 18.8 million. The program provided credit lines of Rls 502.5 million during 2012. Guaranteeing transactions of exports of other products stood at about Rls 54.1 million.

**Imports**

Preliminary data show that the Kingdom's imports of goods (CIF) increased by 18.2 percent to Rls 583.5 billion in 2012 from Rls 493.4 billion in the preceding year. (Table 8.3).

According to detailed data on the value of imports in 2012 (Chart 8.2), imports of electric machinery, appliances and equipment (Rls 154.1 billion) occupied the first position with a relative share of 26.4 percent and a rise of 16.7 percent from the preceding year. Imports of transport equipment (Rls 103.5 billion) ranked second, constituting 17.7 percent of total imports and a rise of 34.2 percent from the preceding year. Imports of foodstuffs occupied the third position (Rls 81.2 billion) with a relative share of 13.9 percent and an increase of 8.3 percent. Imports of ordinary metals and their products (Rls 80.4 billion) ranked fourth, with a relative share of 13.8 percent and an increase of 21.4 percent. Imports of chemical and metal products (Rls79.9 billion) came in the fifth position, with a relative share of13.6 percent, rising by 13.9 percent over the preceding year. In the sixth position were imports of other goods (Rls 49.7 billion) with a relative share of 8.5 percent and a rise of 18.5 percent. Imports of textiles and clothing (Rls 18.1 billion) came in the seventh position with a relative share of 3.1 percent and an increase of 6.7 percent. Imports of wood and jewelry (Rls 16.9 billion) held the eighth position, accounting for 2.9 percent of total imports, increasing by 18.2 percent from the

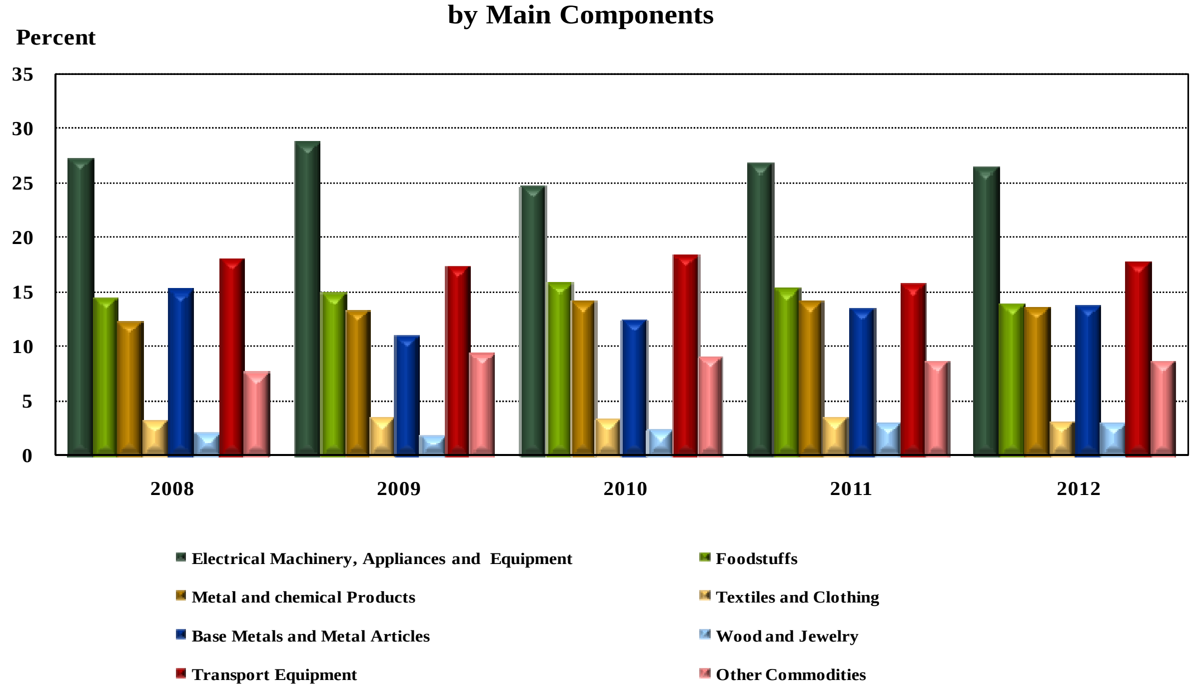
**Table 8.3: THE KINGDOM’S IMPORTS (CIF) BY MAIN COMPONENTS**

| | Million Riyals | | | % Share | | | Annual % Change |
|---|---|---|---|---|---|---|---|
| | 2010* | 2011** | 2012** | 2010 | 2011 | 2012 | 2012 |
| Machines, appliances and equipment | 99,027 | 131,988 | 154,062 | 24.7 | 26.7 | 26.4 | 16.7 |
| Foodstuffs | 63,202 | 75,033 | 81,249 | 15.8 | 15.2 | 13.9 | 8.3 |
| Chemical and metal products | 56,748 | 69,795 | 79,492 | 14.2 | 14.1 | 13.6 | 13.9 |
| Textiles and clothing | 13,387 | 16,938 | 18,065 | 3.3 | 3.4 | 3.1 | 6.7 |
| Metals and their products | 49,524 | 66,225 | 80,376 | 12.4 | 13.4 | 13.8 | 21.4 |
| Wood and jewelry | 9,363 | 14,331 | 16,936 | 2.3 | 2.9 | 2.9 | 18.2 |
| Transport equipment | 73,628 | 77,141 | 103,544 | 18.4 | 15.6 | 17.7 | 34.2 |
| Other goods | 35,857 | 41,998 | 49,749 | 8.9 | 8.5 | 8.5 | 18.5 |
| **Total** | **400,736** | **493,449** | **583,473** | **100.0** | **100.0** | **100.0** | **18.2** |

* Revised figures. ** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

**Chart 8.2: Shares of Saudi Imports (CIF) by Main Components**




preceding year.

**Imports by Origin**

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

Imports from the largest sixteen exporting countries to the Kingdom increased by 18.2 percent to Rls 413.5 billion during 2012. Their relative share in the Kingdom's total imports went up to 70.9 percent from 70.8 percent in 2011. Imports from USA came first (Rls 78.8 billion) with a relative share of 13.5 percent of the Kingdom's total imports, increasing by 27.2 percent from the preceding year. Imports from China (Rls 74.2 billion) came second with a relative share of 12.7 percent, increasing by 14.4 percent. Imports from Germany ranked third (Rls 41.4 billion) with a relative share of 7.1 percent, increasing by 21.8 percent. Imports from Japan came in the fourth position (Rls 39.0 billion) with a relative share of 6.7 percent, increasing by 25.5 percent from the preceding year. Imports from South Korea ranked fifth (Rls 35.5 billion) with a relative share of 6.1 percent, rising by 22.0 percent from the preceding year. Imports from India ranked sixth (Rls 19.6 billion) with a relative share of 3.4 percent, increasing by 20.9 percent from the preceding year. Imports from France ranked seventh (Rls 18.6 billion) with a relative share of 3.2 percent, increasing by 2.3 percent over the preceding year. Imports from Italy came eighth (Rls 17.5 billion) with a relative share of 3.0 percent, increasing by 1.1 percent, followed by imports from the United Kingdom (Rls 15.7 billion) with a relative share of 2.7 percent, increasing by 9.8 percent. Imports from

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

| | Million Riyals | | | Share % | | | Annual Change |
|---|---|---|---|---|---|---|---|
| | 2010 | 2011* | 2012** | 2010 | 2011* | 2012** | 2012 |
| USA | 52,749 | 61,943 | 78,770 | 13.2 | 12.5 | 13.5 | 27.2 |
| China | 46,851 | 64,829 | 74,195 | 11.7 | 13.1 | 12.7 | 14.4 |
| Germany | 31,032 | 33,964 | 41,367 | 7.7 | 6.9 | 7.1 | 21.8 |
| Japan | 29,957 | 31,065 | 38,989 | 7.5 | 6.3 | 6.7 | 25.5 |
| South Korea | 17,789 | 29,076 | 35,467 | 4.4 | 5.9 | 6.1 | 22.0 |
| France | 15,116 | 16,191 | 19,581 | 3.8 | 3.3 | 3.4 | 20.9 |
| Italy | 16,395 | 18,178 | 18,603 | 4.1 | 3.7 | 3.2 | 2.3 |
| India | 12,681 | 17,290 | 17,484 | 3.2 | 3.5 | 3.0 | 1.1 |
| UK | 12,909 | 14,313 | 15,719 | 3.2 | 2.9 | 2.7 | 9.8 |
| Brazil | 8,437 | 12,264 | 13,620 | 2.1 | 2.5 | 2.3 | 11.1 |
| Switzerland | 8,246 | 9,192 | 13,422 | 2.1 | 1.9 | 2.3 | 46.0 |
| Thailand | 8,753 | 10,149 | 12,707 | 2.2 | 2.1 | 2.2 | 25.2 |
| Turkey | 11,699 | 14,222 | 11,810 | 2.9 | 2.9 | 2.0 | -17.0 |
| Sweden | 6,216 | 6,567 | 8,199 | 1.6 | 1.3 | 1.4 | 24.9 |
| Australia | 5,365 | 5,655 | 6,984 | 1.3 | 1.1 | 1.2 | 23.5 |
| Malaysia | 4,439 | 4,853 | 6,622 | 1.1 | 1.0 | 1.1 | 36.5 |
| **Sixteen countries total** | **288,634** | **349,751** | **413,539** | **72.0** | **70.8** | **70.9** | **18.2** |
| **GCC countries*** ** | **52,280** | **32,133** | **38,809** | **13.0** | **6.5** | **6.7** | **20.8** |
| **Other Arab countries** | **14,261** | **16,452** | **17,655** | **3.6** | **3.3** | **3.0** | **7.3** |
| **Rest of the world** | **45,561** | **95,371** | **113,470** | **11.4** | **19.3** | **19.4** | **19.0** |
| **Total imports (CIF)** | **400,736** | **493,707** | **583,473** | **100.0** | **100.0** | **100.0** | **18.2** |
| **Imports (fob)** | **365,367** | **450,087** | | | | | |

* Revised figures.

** Preliminary data.

*** Including re-exports.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

Switzerland came in the tenth position (Rls 13.6 billion) with a relative share of 2.3 percent and a rise of 11.1 percent over the preceding year. Imports from Turkey ranked eleventh (Rls 13.4 billion) with a relative share of 2.3 percent and a rise of 46.0 percent. The positions from twelve to sixteen were occupied by Thailand, Brazil, Australia, Spain, and Taiwan with relative shares of 2.2 percent, 2.0 percent, 1.4 percent, 1.2 percent, and 1.1 percent respectively of the Kingdom's total imports. Spain and Taiwan joined the largest sixteen exporting countries to the Kingdom in 2012, replacing Sweden and Malaysia in the preceding year.

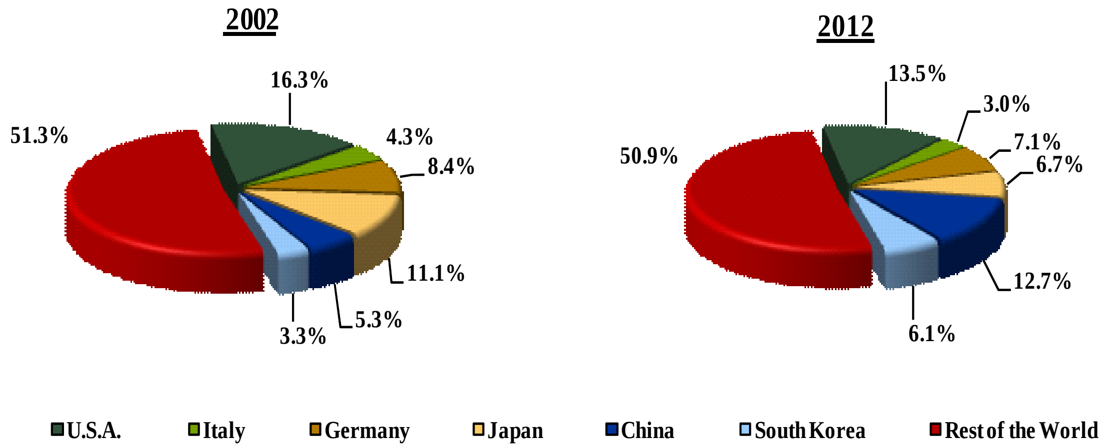
Imports from the GCC countries went up by 20.8 percent to Rls 38.8 billion during 2012, and accounted for 6.7 percent of the Kingdom's total imports. Imports from other Arab countries group increased by 7.3 percent to Rls 17.7 billion, accounting for 3.0 percent of the Kingdom's total imports. The Kingdom's imports from the rest of the world rose by 19.0 percent to Rls 113.5 billion. Chart 8.3 shows the Kingdom's imports by origin in 2012 compared to 2002. Its imports from China (Rls 74,195 million) grew eleven-fold in 2012, compared to Rls 6,441million in 2002.

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

Private sector's exports financed through commercial banks (settled letters of credit) increased by 0.7 percent to Rls 47.8 billion during 2012 as compared to Rls 47.5 billion in 2011. Their share in total non-oil exports went up to 27.1 percent during 2012 compared to 26.9 percent in 2011. However, a substantial portion of non-oil exports is still settled through other banking payment methods used between exporters in the Kingdom and importers in other countries, such as the Saudi Export Program, Export Finance Program of the Islamic Development Bank (IDB) and Arab Trade Finance Program of the Arab Monetary Fund (AMF), and direct transfers to exporters' accounts inside or outside the Kingdom.

Detailed data of 2012 show that exports of other industrial products financed through commercial banks declined to Rls 37.1 billion, by 3.2 percent compared to 2011, occupying the first position in terms of their relative share of 77.6 percent in total exports financed through commercial banks. Chemical

**Chart 8.3: Saudi Imports by Origin**



and plastic products exports came next (Rls 9.3 billion), increasing by 21.5 percent, and constituting 19.4 percent of total exports. Exports of agricultural and animal products held the last position (Rls 1.5 billion), declining by 5.0 percent from the preceding year and accounting for 3.0 percent of total exports.

During the first quarter of 2013, private sector's exports financed through commercial banks remained at the same level of Rls 12.38 billion compared to the first quarter of 2012.

Component-wise data on private sector's exports financed through commercial banks indicate that exports of agricultural and animal products amounted to Rls 238 million in the first quarter of 2013, decreasing by 40.1 percent compared to the first quarter of the preceding year. Their relative share of the total stood at 1.9 percent in the first quarter of 2013. Exports of chemical and plastic products amounted to Rls 1.4 billion, dropping by 40.7 percent from the corresponding quarter of the preceding year and a relative share of 11.5 percent of the total. Exports of other products stood at Rls 10.6 billion, increasing by 11.4 percent with a relative share of 86.6 percent of the total.

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

Data on the private sector's imports financed through commercial banks (including letters of credit settled and bills received for collection through commercial banks) in 2012 show a rise of 12.9 percent to Rls 253.7 billion from Rls 224.8 billion in the preceding year. Their relative share in the Kingdom's total imports stood at 47.0 percent against 45.5 percent in the preceding year.

The increase in imports financed through commercial banks during 2012 was accounted for by rises of 1.6 percent to Rls 118.4 billion in imports of other goods, 22.4 percent to Rls 24.5 billion in imports of construction materials, 30.5 percent to Rls 47.1 billion in imports of motor vehicles, 24.7 percent to R1s 29.6 billion in imports of machinery, 35.9 percent to R1s 24.4 billion in imports of foodstuffs. However, imports of appliances declined by 7.3 percent to Rls 5.2 billion, and imports of textiles and clothing by 5.4 percent to Rls 4.6 billion.

As for the relative shares, imports of other goods occupied the first position, accounting for 46.7 percent of total imports financed through commercial banks. Motor vehicle imports came in the second position with a relative share of 18.5 percent. Imports of machinery held the third position with a relative share of 11.7 percent. In the fourth position were imports of construction materials and imports of foodstuffs with a relative share of 9.6 percent each, followed by imports of "appliances" and "textiles and clothing" with relative shares of 2.0 percent and 1.8 percent respectively.

In the first quarter of 2013, private sector's imports financed through commercial banks recorded a rise of 0.9 percent to Rls 63.2 billion compared to Rls 62.7 billion in the first quarter of 2012. The rise was accounted for by increases in imports of motor vehicles by 25.4 percent to Rls 13.9 billion compared to Rls 11.0 billion in the corresponding quarter of the preceding year, imports of foodstuffs by 72.4 percent to Rls 8.9 billion compared to Rls 5.2 billion in the corresponding quarter of the preceding year, imports of appliances by 8.9 percent to Rls 1.1 billion compared to Rls 1.0 billion in the corresponding quarter of the preceding year. Moreover, imports of textiles and clothing increased by 4.7 percent to Rls 972 million compared to Rls 928 million in the corresponding quarter of the preceding year. However, imports of machinery fell by 22.1 percent to Rls 6.0 billion compared to Rls 7.6 billion in the corresponding quarter of the preceding year, imports of construction materials by 19.7 percent to Rls 4.9 billion and imports of other goods by 10.6 percent to Rls 27.5 billion compared to Rls 30.8 billion in the corresponding quarter of the preceding year.

With respect to the relative shares of the private sector's imports financed through commercial banks in the first quarter of 2013, imports of other goods came first, accounting for 43.6 percent of the total. Imports of motor vehicles occupied the second position with a relative share of 21.9 percent. Foodstuffs imports came in the third position with 14.1 percent. The fourth position was occupied by imports of Machinery, accounting for 9.4 percent. Imports of construction materials came fifth with 7.7 percent. In the last position came imports of "appliances" and "textiles and clothing" with relative shares of 1.8 percent and 1.5 percent respectively.

**Exports Handled at the Kingdom's Seaports**

According to data issued by the Saudi Ports Authority, the volume of exports handled at the Kingdom's seaports (excluding crude oil exports) increased by 9.2 percent to 111.1 million tons during 2012 compared to 101.7 million tons in the preceding year.

Exports of chemical products increased by 4.6 percent from 23.9 million tons in 2011 to 25.0 million tons in 2012. Exports of construction materials and steel rose by14.1 percent to 19.1 million tons compared to 16.7 million tons in the previous year. Exports of refined oil products and gas went up by 9.1 percent to 55.0 million tons compared to 50.4 million tons in the preceding year. Exports of transshipment goods rose by 22.9 percent to 11.1 million tons compared to 9.0 million tons in the preceding year.

As for their relative shares, exports of refined oil products and gas occupied the first position in 2012 with a relative share of 49.5 percent compared to 49.6 percent in the preceding year. Exports of chemical products came in the second position, with a relative share of 22.5 percent, followed by exports of construction materials and steel with a relative share of 17.2 percent. Exports of transshipment goods held the last position, with a relative share of 10.0 percent.

**Imports Handled at the Kingdom's Seaports**

Preliminary data show that the volume of imports handled at the Kingdom's seaports in 2012 rose by 18.0 percent to 86.9 million tons compared to 73.6 million tons in the preceding year. This increase was due to a rise in imports of general merchandise by 15.7 percent to 28.6 million tons compared to 24.7 million tons in the preceding year. Imports of foodstuffs also went up by 14.8 percent to 22.5 million tons compared to 19.6 million tons in the preceding year. Imports of construction materials rose by 34.1 percent to 19.1 million tons in 2012 compared to 14.3 million tons in the preceding year. Imports of equipment increased by 29.6 percent to 1.5 million tons against 1.2 million tons in the preceding year. Imports of industrial materials increased by 9.6 percent to 15.2 million tons against 13.9 million tons in the preceding year.

As for their relative shares, imports of general merchandise occupied the first position with a relative share of 32.9 percent. Imports of foodstuffs occupied the second position, with a relative share of 25.9 percent. Imports of construction materials ranked third, with a relative share of 22.0 percent. Imports of industrial products occupied the last position with a relative share of 17.5 percent of total imports.

With respect to motor vehicles and livestock imported through the Kingdom's seaports in 2012, the number of motor vehicles stood at 922.9 thousand, recording a rise of 34.2 percent, compared to 687.6 thousand in the preceding year, while that of livestock amounted to 7.2 million heads compared to 6.2 million heads in the preceding year, increasing by 17.5 percent.

**Non-oil Trade with GCC Countries**

The Kingdom's net non-oil trade with GCC countries recorded a deficit of Rls 95.4 billion in 2012 against a deficit of Rls 69.6 billion in 2011

(Table 8.5). The Kingdom's imports from GCC countries (including re-exports) increased by 19.9 percent to Rls 129.6 billion in 2012 from Rls 108.1 billion in the preceding year. They represented 24.0 percent of the Kingdom's total imports. The Kingdom's exports to GCC countries decreased by 11.0 percent to Rls 34.2 billion, accounting for 19.4 percent of the Kingdom's total non-oil exports.

Detailed data indicate that the UAE recorded the largest trade surplus of Rls 69.7 billion in its trade with the Kingdom during 2012, followed by the Kingdom of Bahrain with a trade surplus of Rls 19.2 billion, Qatar with a trade surplus of Rls 4.3 billion, and Oman with a surplus of Rls 4.0 billion. The Kingdom registered a trade surplus of Rls 1.9 billion with Kuwait during 2012.

Data on the Kingdom's non-oil imports from GCC countries during 2012 show that the UAE continued to occupy the first position as the largest exporter to the Kingdom, with its exports amounting to Rls 87.1 billion. Imports from the UAE accounted for 67.2 percent of the Kingdom's total non-oil imports from the GCC countries. The Kingdom of Bahrain held the second position (Rls 23.2 billion), representing 17.9 percent of the total, followed by Qatar (Rls 9.0 billion) with a share of 6.9 percent of the total and Oman (Rls 6.9 billion) with a share of 5.3 percent of the total. Kuwait came last (Rls 3.4 billion), accounting for 2.7 percent of the total.

As regards the Kingdom's non-oil exports to the GCC countries during 2012, the UAE remained in the first position. Its imports from the Kingdom stood at Rls17.4 billion or about 50.9 percent of the Kingdom's total non-oil exports to GCC countries. Kuwait occupied the second position (Rls 5.3 billion) or 15.5 percent of the total, followed by Oman (Rls 4.7 billion) or 13.6 percent and the Kingdom of Bahrain (Rls 3.9 billion) or 11.5 percent. The

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

*(Million Riyals)*

| | **2010** | | | **2011**** | | | **2012***** | | |
|---|---|---|---|---|---|---|---|---|---|
| **Country** | **Imports From** | **Exports To** | **The Difference** | **Imports From** | **Exports To** | **The Difference** | **Imports From** | **Exports To** | **The Difference** |
| UAE | 27,531 | 14,760 | -12,771 | 70,033 | 19,480 | -50,553 | 87,136 | 17,443 | -69,693 |
| Bahrain | 17,751 | 4,772 | -12,979 | 22,963 | 4,834 | -18,129 | 23,176 | 3,948 | -19,228 |
| Oman | 2153 | 5,422 | 3,269 | 7223 | 5,280 | -1,943 | 9007 | 4,672 | -4,335 |
| Qatar | 2,666 | 2,217 | -449 | 4390 | 2,948 | -1,442 | 6,863 | 2,885 | -3,978 |
| Kuwait | 2179 | 5152 | 2973 | 3,474 | 5,911 | 2437 | 3,436 | 5,291 | 1855 |
| **Total** | **52,280** | **32,323** | **-19,957** | **108,083** | **38,453** | **-69,630** | **129,618** | **34,239** | **-95,379** |

* Including re-exports.

** Revised figures

*** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

Sultanate of Qatar was last (Rls 2.9 billion), or 8.4 percent of the total.

**The Kingdom's Non-oil Trade with Prominent Trading Arab Partner Countries**

The data on the Kingdom's non-oil trade with Arab countries (excluding GCC countries) indicate that the Kingdom recorded a trade surplus of Rls 11.3 billion during 2012 against a surplus of Rls 12.3 billion in 2011 (Table 8.6). The Kingdom's imports from Arab countries recorded an increase of 6.4 percent to Rls 17.5 billion in 2012 against Rls 16.5 billion in the preceding year, representing 3.0 percent of the Kingdom's total imports. In contrast, the Kingdom's exports to Arab countries went up by 0.2 percent to Rls 28.8 billion, constituting 15.1 percent of the Kingdom's total non-oil exports.

Detailed data on the Kingdom's trade with prominent trading partners of non-GCC Arab countries show that all countries (excluding Egypt) recorded deficits in their trade with the Kingdom. The Kingdom's trade with Jordan recorded a surplus of R1s 3.9 billion in 2012, followed by a surplus of R1s

**Table 8.6: THE KINGDOM'S NON-OIL TRADE WITH PROMINENT TRADING PARTNERS OF ARAB COUNTRIES* (EXCLUDING GCC COUNTRIES)**

*(Million Riyals)*

| Country | 2010 | | | 2011 | | | 2012** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Imports From | Exports To | The Difference | Imports From | Exports To | The Difference | Imports From | Exports To | The Difference |
| Egypt | 6,074 | 6,149 | 75 | 7,021 | 5,920 | -1,101 | 7,438 | 6,412 | -1026 |
| Jordan | 2,342 | 5,268 | 2926 | 2,466 | 6,451 | 3,985 | 2,693 | 6,565 | 3872 |
| Yemen | 788 | 2,600 | 1812 | 969 | 2,297 | 1,328 | 1,006 | 3,189 | 2183 |
| Algeria | 0 | 1,810 | 1810 | 45 | 1,452 | 1,407 | 62 | 1,593 | 1531 |
| Morocco | 253 | 1,494 | 1241 | 297 | 1,963 | 1,666 | 536 | 1,924 | 1388 |
| Sudan | 790 | 2,189 | 1399 | 1,249 | 2,149 | 900 | 1,448 | 2,105 | 657 |
| Syria | 2,152 | 3,038 | 886 | 1,956 | 3,389 | 1,433 | 1,532 | 1,964 | 432 |
| Rest of Arab countries | 1,862 | 4,122 | 2260 | 2,449 | 5,163 | 2,714 | 2,787 | 5,087 | 2300 |
| **Total** | **14,261** | **26,670** | **12,409** | **16,452** | **28,784** | **12,332** | **17,502** | **28,839** | **11,337** |

* Including re-exports.

** Preliminary data including re-exports.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

2.2 billion in its trade with Yemen. Moreover, the surplus of Kingdom's balance of trade with Algeria was R1s 1.5 billion, with Morocco Rls 1.4 billion, and with Sudan R1s 657 million. The Kingdom's trade with Syria registered a surplus of Rls 432 million. In contrast, the Kingdom's trade with Egypt registered a deficit of Rls 1.0 billion in 2011.

With regard to the Kingdom's non-oil imports from its prominent non-GCC Arab trading partners during 2012, Egypt held the first position with exports of Rls 7.4 billion to the Kingdom. Imports from Egypt accounted for 42.5 percent of the Kingdom's total non-oil imports from non-GCC Arab countries. Jordan came next with Rls 2.7 billion, constituting 15.4 percent of the total imports from this group, followed by Syria with Rls 1.5 billion, accounting for 8.8 percent of the total. Sudan was in the fourth position (Rls 1.4 billion), representing 8.3 percent of the total. Yemen (Rls 1.0 billion), Morocco (Rls 536 million) and Algeria (Rls. 62 million) occupied the fifth, sixth and seventh positions respectively.

As for the Kingdom's non-oil exports to these countries during 2012, Jordan occupied the first position as the Kingdom's exports to it amounted to Rls 6.6 billion or about 22.8 percent of the Kingdom's total exports to non-GCC Arab countries. Egypt held the second position with Rls 6.4 billion or 22.2 percent of the total, followed by Yemen in the third position with Rls 3.2 billion or 11.1 percent, Sudan and Syria with Rls 2.1 billion and Rls 2.0 billion, occupying the fourth and fifth positions respectively. The Kingdom's exports to Morocco and Algeria were Rls 1.9 billion and Rls 1.6 billion respectively, occupying the sixth and seventh positions respectively.

## Balance of Payments

### First: Current Account

The current account of the Kingdom's balance of payments for 2012 recorded a surplus of Rls 617.9 billion or 23.2 percent of GDP compared with a surplus of Rls 594.5 billion in the preceding year, increasing by 3.9 percent. The increase was due to a rise in the merchandise surplus of goods and services by 3.3 percent to Rls 690.8 billion despite the rise in the deficit in the net of the secondary income item by 3.6 percent to Rls 114.1 billion (Table 8.7). Chart 8.4 depicts the development of the current account balance and its major items during the period 2009-2012. It shows that the highest surplus in the current account was recorded in 2012, while the lowest surplus was registered in 2009. The items "goods and services" and the "primary income" recorded the highest surplus during 2012 while the secondary income item registered the largest deficit during 2012.

### A. Goods and Services:

### I. Goods

The surplus of merchandize account of the balance of payments went up by 0.7 percent to Rls 924.6 billion in 2012 from Rls 917.9 billion in the preceding year. Total exports (including oil and other exports) rose by 6.4 percent to Rls 1.5 trillion. As regards imports (fob), they increased by 18.2 percent to Rls 531.7 billion compared to Rls 449.9 billion in the preceding year. In 2012, non-monetary gold exports went up by 10.6 percent, while its imports increased by 18.6 percent.

### II. Services

The deficit in the services account decreased by 6.3 percent to Rls 233.8 billion in 2012 compared to a deficit of Rls 249.5 billion in the preceding year. The decreased in the deficit of the services account was mainly attributable to a decrease in the net of other services payments by 49.9 percent to Rls 25.4 billion compared to Rls 50.7 billion in the preceding year. The net of services payments declined by 36.7 percent to Rls 3.6 billion. The deficit in communication services payments also went down by 26.4 percent to Rls 6.4 billion.

### B. Primary Income

## Table 8.7: BALANCE OF PAYMENTS

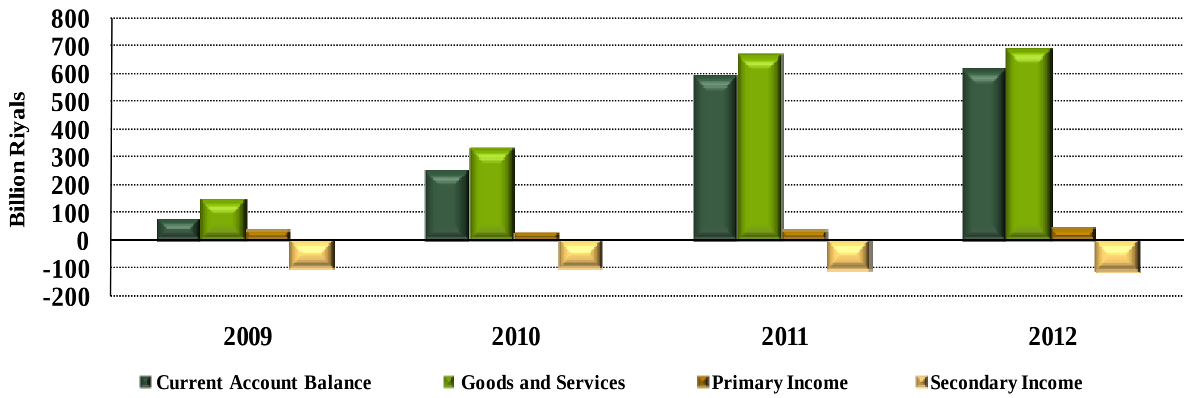
(Million Riyals)

| | 2009 | 2010* | 2011* | 2012** | Annual Change 2012 |
|---|---|---|---|---|---|
| **I : Current Account Balance** | **78,580** | **250,316** | **594,545** | **617,864** | **3.9** |
| **A . Goods and Services** | **149,953** | **328,605** | **668,426** | **690,800** | **3.3** |
| 1 . Goods | 394,611 | 576,418 | 917,767 | 924,639 | 0.7 |
| 2 . Services | -244,658 | -247,813 | -249,342 | -233,839 | -6.2 |
| **B . Primary Income** | **32,398** | **26,415** | **36,315** | **41,207** | **13.5** |
| **C . Secondary Income** | **-103,772** | **-104,703** | **-110,197** | **-114,144** | **3.6** |
| **II : Capital and Financial Account (NET)** | | | | | |
| **1 . Direct Investment** | **-128,551** | **-94,972** | **-48,294** | **-29,178** | **-39.6** |
| **2 . Portfolio Investments** | **75,520** | **56,828** | **60,179** | **11,941** | **-80.2** |
| **3 . Other Investments** | **25,867** | **28,180** | **42,163** | **41,122** | **-2.5** |
| **4 . Reserve Assets** | **-122,084** | **131,356** | **359,831** | **434,205** | **20.7** |
| 4 . 1. Monetary Gold | 0 | 0 | 0 | 0 | --- |
| 4 . 2. Special Drawing Rights | 38,224 | -1,058 | -1,322 | -1,626 | 23.0 |
| 4 . 3. Reserve Position in the Fund | 2,374 | -134 | 10,803 | 2,878 | -73.4 |
| 4 . 4. Other Reserve Assets | -162,682 | 132,548 | 350,350 | 432,953 | 23.6 |
| 4 . 4. 1. Currency and Deposits | -79,977 | 22,174 | 104,446 | 190,753 | 82.6 |
| 4 . 4. 2. Securities | -82,705 | 110,374 | 245,904 | 242,200 | -1.5 |
| **III : Errors and Omissions** | **-227,828** | **-128,924** | **-180,666** | **-159,774** | **-11.6** |

* : Revised. ** : Preliminary. ( --- ) Not Available.

(-) = Payments in the current account items, and outflow in the capital and financial account items.

### Chart 8.4: Current Account Balance



The surplus of primary income recorded an increase of 13.5 percent to Rls 41.2 billion during 2012 against Rls 36.3 billion during the preceding year. This was attributable to a rise in other investment income by 48.1 percent to Rls 4.8 billion compared to Rls 3.3 billion in the preceding year. The Net income of portfolio investments increased by 17.3 percent to Rls 68.7 billion, compared to Rls 58.6 billion in the preceding year. The deficit in direct investment income went up by 29.7 percent to Rls 30.0 billion as compared to Rls 23.1 billion in the preceding year.

**C- Secondary Income**

The deficit of secondary income increased by 3.6 percent to Rls 114.1 billion during 2012 against Rls 110.2 billion in the preceding year. This was attributable to a rise in government transfers by 8.6 percent. Remittances made by expatriate workers also went up by 3.7 percent to Rls 107.3 billion. The remittances of expatriate workers to their countries constituted one of the most important items of the current account of the Kingdom's balance of payments. (Table 8.8) illustrates the developments of the remittances of expatriate workers in the Kingdom and their ratio to GDP since 2004.

**Second: Financial Account**

The net of the direct investment item recorded a decrease of Rls 29.2 billion during 2012 against Rls 48.3 billion in the preceding year. Net Portfolio investments registered an increase of Rls 11.9 billion as compared to Rls 60.2 billion in the preceding year. Other investments recorded a rise of Rls 41.1 billion. Reserve assets went up by Rls 434.2 billion in 2012 against a rise of Rls 359.8 billion in the preceding year.

**Kingdom's Aid to Developing Countries**

The Kingdom has been steadily extending foreign aid and soft loans to developing countries over the years. Total foreign aid and loans provided through bilateral channels and multilateral institutions during the period 1994-2012 reached Rls 162.7 billion (Table 8.9). Total aid and loans stood at Rls 139.2 billion or 85.5 percent of the total aid extended by the Kingdom. Contributions to associations and organizations stood at Rls 13.0 billion or 8.0 percent of the total. Aid provided

**Table 8.8: REMITTANCES OF EXPATRIATE WORKERS IN THE KINGDOM**

| Year | Million Riyals | Annual Change % | Private Sector GDP* (Mln. Riyals) | Remittances Ratio to Private Sector GDP |
|---|---|---|---|---|
| 2004 | 50,832 | -8.3 | 321,299 | 15.8 |
| 2005 | 51,395 | 1.1 | 409,002 | 12.6 |
| 2006 | 57,295 | 11.5 | 463,365 | 12.4 |
| 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 | 921,707 | 11.6 |

* At current prices. ** Preliminary figures.

Source: The Kingdom's balance of payments data issued by SAMA, and the private sector GDP data issued by the Central Department of Statistics and Information, Ministry of Economy and Planning.

**Table 8.9: THE KINGDOM'S FOREIGN AID DURING THE PERIOD 1994-2012**

*(Million Riyals)*

| Year | Loans and Aid | Contributions to Associations and Organizations | Multilateral Aid | Total |
|---|---|---|---|---|
| 1994 | 1,650 | 98 | 604 | 2,352 |
| 1995 | 1,613 | 270 | 638 | 2,521 |
| 1996 | 1,688 | 293 | 611 | 2,592 |
| 1997 | 971 | 266 | 488 | 1,725 |
| 1998 | 2,858 | 266 | 484 | 3,608 |
| 1999 | 5,089 | 435 | 371 | 5,895 |
| 2000 | 8,651 | 371 | 371 | 9,393 |
| 2001 | 8678 | 255 | 274 | 9,207 |
| 2002 | 9,566 | 206 | 255 | 10,027 |
| 2003 | 10,106 | 214 | 191 | 10,511 |
| 2004 | 6,767 | 203 | 162 | 7,132 |
| 2005 | 3,674 | 282 | 174 | 4,130 |
| 2006 | 7,766 | 262 | 168 | 8,196 |
| 2007 | 6,104 | 1980 | 94 | 8,178 |
| 2008 | 18,964 | 2195 | 77 | 21,236 |
| 2009 | 11,676 | 2841 | 784 | 15,301 |
| 2010 | 10,816 | 783 | 2285 | 13,884 |
| 2011 | 18,442 | 752 | 1206 | 20,400 |
| 2012 | 4,104 | 1052 | 1282 | 6,438 |
| **Total** | **139,183** | **13,024** | **10,519** | **162,726** |

Source: Ministry of Finance.

through Multilateral Grants Program amounted to Rls 10.5 billion or 6.5 percent of the total.

The Kingdom's foreign aid and loans provided through bilateral channels and multilateral institutions during 2012 stood at Rls 6.4 billion, decreasing by 68.4 percent from the preceding year. Aid and loans offered in 2012 constituted the largest part of the total (Rls 4.1 billion or 63.7 percent of the total), declining by 77.7 percent compared to 2011. The Kingdom's contributions to associations and organizations totaled Rls 1.1 million (16.3 percent of the total), rising by 39.9 percent from the preceding year. The Kingdom's aid provided through multilateral aid stood at Rls 1.3 billion (19.9 percent of the total) in 2012, rising by 6.3 percent over the preceding year.

**Exchange Rate Developments**

SAMA continued to maintain the official exchange rate of the Saudi Riyal against the US dollar at 3.75 Riyals per dollar during 2012. The nominal effective exchange rate (NEER) index (2000=100) rose by 2.9 percent, from 90.35 in 2011 to 92.97 in 2012. The real effective exchange rate (REER) index registered an increase of 4.3 percent from 102.34 in 2011 to 106.77 in 2012.

**Openness of the Saudi Economy**

According to the standard of economic openness that measures foreign trade of goods and services as a ratio of GDP (Table 8.10), the Kingdom recorded an average economic openness of 77.4 percent during the period (1995-2012) compared to 26.2 percent for the United States during the same period. The average economic openness was 41.4 percent in Australia, 52.6 percent in France, 58.1 percent in Britain, 72.4 percent in Canada, 72.9 percent in Germany and 52.0 percent in Italy and 49.5 percent in China■

## Table 8.10: DEGREE OF ECONOMIC OPENNESS
## FOREIGN TRADE AS A RATIO TO GDP

| | USA | U.K. | Germany | France | Italy | Canada | Australia | Turkey | Saudi Arabia | Japan | China |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1995 | 23.2 | 56.6 | 47.4 | 44.4 | 47.7 | 71.5 | 39.0 | 44.2 | 65.4 | 16.9 | 37.3 |
| 1996 | 23.5 | 58.5 | 48.9 | 44.9 | 44.8 | 72.7 | 38.1 | 49.4 | 67.0 | 19.2 | 36.5 |
| 1997 | 24.2 | 56.7 | 53.7 | 48.5 | 46.6 | 77.0 | 39.8 | 55.0 | 65.6 | 20.6 | 37.7 |
| 1998 | 23.7 | 53.8 | 56.0 | 49.9 | 47.3 | 80.6 | 40.9 | 41.5 | 56.5 | 19.9 | 35.5 |
| 1999 | 24.2 | 53.7 | 57.9 | 50.2 | 47.1 | 81.9 | 39.7 | 38.7 | 58.1 | 19.0 | 38.0 |
| 2000 | 26.2 | 57.1 | 66.4 | 56.2 | 53.2 | 84.9 | 44.2 | 43.2 | 68.6 | 20.5 | 44.3 |
| 2001 | 24.0 | 56.5 | 67.6 | 55.1 | 52.8 | 81.3 | 43.8 | 50.8 | 64.0 | 20.5 | 43.1 |
| 2002 | 23.3 | 54.8 | 66.9 | 52.5 | 50.5 | 77.8 | 42.0 | 48.8 | 65.0 | 21.4 | 47.7 |
| 2003 | 23.5 | 53.3 | 67.3 | 50.1 | 48.6 | 71.6 | 38.3 | 47.0 | 70.2 | 22.4 | 56.9 |
| 2004 | 25.5 | 53.3 | 71.8 | 51.3 | 50.0 | 72.2 | 38.8 | 49.7 | 78.6 | 24.7 | 65.4 |
| 2005 | 26.4 | 56.2 | 77.3 | 53.3 | 51.9 | 71.8 | 39.5 | 47.2 | 88.7 | 27.3 | 67.8 |
| 2006 | 27.7 | 60.1 | 85.4 | 55.1 | 56.3 | 70.4 | 41.7 | 50.3 | 95.1 | 31.0 | 68.7 |
| 2007 | 28.8 | 56.2 | 87.5 | 55.3 | 57.9 | 67.8 | 40.6 | 49.8 | 102.5 | 33.6 | 68.0 |
| 2008 | 30.8 | 61.7 | 89.9 | 56.0 | 57.7 | 68.3 | 45.4 | 52.2 | 104.9 | 34.9 | 62.1 |
| 2009 | 25.5 | 58.6 | 78.8 | 48.5 | 47.9 | 59.1 | 40.2 | 47.7 | 96.7 | 25.0 | 48.3 |
| 2010 | 28.9 | 62.4 | 88.0 | 53.1 | 54.9 | 60.7 | 40.8 | 47.8 | 96.7 | 29.3 | 55.0 |
| 2011 | 31.5 | 66.4 | 95.0 | 56.4 | 59.1 | 63.5 | 42.2 | 30.3 | 74.1 | 34.9 | 55.2 |
| 2012 | 30.0 | 69.8 | 106.7 | 66.0 | 61.3 | 70.2 | 50.1 | 30.9 | 76.4 | 35.0 | 23.1 |
| **Average** | **26.2** | **58.1** | **72.9** | **52.6** | **52.0** | **72.4** | **41.4** | **45.8** | **77.4** | **25.3** | **49.5** |

Source: IMF Bulletin, International Financial Statistics, April, 2013.

Emphasis on development projects that enhance growth sustainability and promote long-term development has continued in the state budget for fiscal year 1434/1435H (2013). Education, health, security services, social and municipal services, water and sewage services, roads, electronic transactions and scientific research have also been focused on.

The state budget has envisaged new programs, projects, and additional phases for previously approved projects with a total value of Rls 285 billion.

The International Monetary Fund (IMF)'s Report for 2012 has commended the Kingdom's economic policies aimed at using high oil revenues to accelerate the pace of progress toward fulfilling domestic development objectives and addressing urging social issues, including employment, providing housing and financing small and medium-sized enterprises. The report has also stated that the adverse impacts of the repercussions arising from the turmoil in the region and the Eurozone crisis remained limited so far. The Fund's executive directors have welcomed the efforts exerted by the Kingdom for boosting stability in the oil markets; they also lauded the Kingdom's endeavors to reinforce financial supervision and risk management and welcomed improvements made to the Anti-money Laundering and Combating Financing Terrorism Law.

A report of the G-20 stated that the Kingdom ranked first, among G-20 members, in executing the G-20 commitments of structural reforms, financial discipline, financial institutions reforms, regulation of financial markets, combating protectionism and the progress made in carrying out development agenda.

**The Budget for Fiscal Year 1434/1435H (2013)**

The State budget for fiscal year 1434/35H (2013) was announced on Saturday 16th Safar, 1434H (29/12/2012), and a statement was issued by the Ministry of Finance reviewing the main features of the budget, developments of the national economy and the government's fiscal program for fiscal year 1434/35H (2013).

The budget places total expenditure at Rls 820 billion, 18.8 percent over that of the preceding fiscal year. The Kingdom is keen to ensure that the budget will be a continuation of the process of sustainable development by allocating resources for further reinforcing economic growth and development;

**Table 9.1: BUDGET ESTIMATES FOR FISCAL YEARS 2012 AND 2013**

*(Billion Riyals)*

| | 1433/34 (2012) | 1434/35 (2013) | % change |
|---|---|---|---|
| Total revenue | 702 | 829 | 18.1 |
| Total expenditure | 690 | 820 | 18.8 |
| Deficit / Surplus | 12 | 9 | -- |

Source: Ministry of Finance.

enhancing the national economy's attraction of investment; and providing more job opportunities for citizens by focusing on human resources development, infrastructure and social services sectors. The budget places total revenue at Rls 829 billion against Rls 702 billion in the preceding fiscal year, rising by 18.1 percent. The surplus is projected at Rls 9 billion for 2013. The following is a review of the most prominent features of the budget, including appropriations for expenditure on major sectors.

Human resources development was allocated Rls 203 billion, or 24.8 percent of total budgetary appropriations, rising by 20.9 percent over those for fiscal year 1433/34H (2012) (Table 9.2).

As for general education, work will continue on the execution of King Abdullah Bin Abdul Aziz Project for Education Development (Tatweer) with a cost of Rls 9.0 billion, by the "Education Development Holding Co.", which is wholly owned by the Public Investment Fund.

With respect to higher education, necessary amounts were appropriated for operating the electronic university, completion of the establishment of hostels in a number of universities, with an estimated cost of more than Rls 13.4 billion. An additional phase to the project of housing units for the universities' teaching staff, which is underway, with an estimated cost of Rls 14.2 billion, has been approved.

In the area of health services and social development, Rls 71 billion, or 8.7 percent of the total budgetary appropriations was earmarked for this sector, rising by 15.8 percent over the allocations for fiscal year 1433/34H (2012). The budget includes new health projects for the completion of building and equipping primary health care centers in all

**Table 9.2: SECTOR-WISE ALLOCATIONS OF THE STATE BUDGET FOR FISCAL YEARS 2012 AND 2013**

| | 1433/1434 (2012) | | 1434/1435 (2013) | |
|---|---|---|---|---|
| | Amount (Million Rls) | % Share | Amount (Million Rls) | % Share |
| Human Resources Development | 167,970 | 24.3 | 203,147 | 24.8 |
| Transport and Communications | 20,566 | 3.0 | 22,063 | 2.7 |
| Economic Resources Development | 41,152 | 6.0 | 46,696 | 5.7 |
| Health Services and Social Development | 61,284 | 8.9 | 70,938 | 8.7 |
| Infrastructure Development | 10,525 | 1.5 | 11,702 | 1.4 |
| Municipal Services | 25,460 | 3.7 | 31,729 | 3.9 |
| Defense and National Security | 211,867 | 30.7 | 251,325 | 30.6 |
| Public Administration, Public Utilities and General Items | 107,551 | 15.6 | 119,948 | 14.6 |
| Government Specialized Credit Institutions | 10,785 | 1.6 | 14,950 | 1.8 |
| Subsidies | 32,840 | 4.8 | 47,502 | 5.8 |
| **Total** | **690,000** | **100.0** | **820,000** | **100.0** |

Source: Ministry of Finance

regions of the Kingdom, and projects for establishing 19 new hospitals and medical centers, in addition to furnishing and equipping a number of health facilities, housing units and improving existing hospitals. Currently, 102 new hospitals with a capacity of 23,000 beds are under construction throughout the Kingdom. During fiscal year 1433/34H (2012), 29 new hospitals with a capacity of 5,750 beds throughout the Kingdom were taken over.

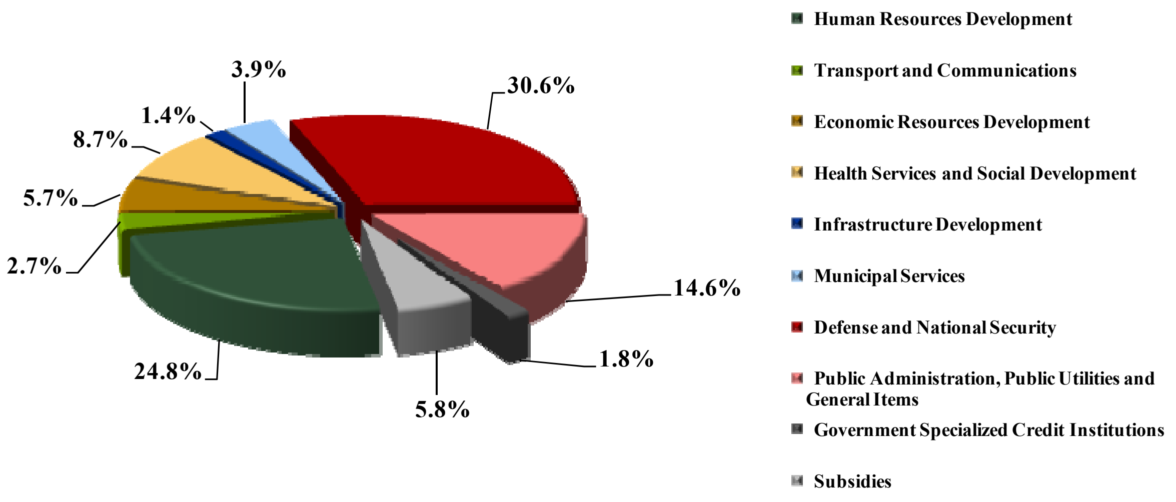
In the area of social services, appropriations made for programs addressing poverty, apart from those for orphans, people with special needs and social security, totaled Rls 29 billion for fiscal year 1434/35H (2013).

The appropriations for the municipal services sector, including the Ministry for Municipal and Rural Affairs, municipalities and rural communities, stood at Rls 31.7 billion, or 3.9 percent of the total budgetary appropriations, rising by 24.6 percent over those for fiscal year 1433/34H (2012). About more than Rls 4 billion would be financed through direct revenue of municipalities and rural communities.

Allocations made for the transport and communication sector stood at Rls 22 billion, or 2.7 percent of total budgetary appropriations, increasing by 7.3 percent over those for fiscal year 1433/34H (2012).

The budget envisages new projects and additions to previously approved projects for roads, ports, railways, air ports and postal services. The cost for executing such projects is estimated Rls 30 billion. The budget approved projects to construct main, secondary and feeder roads, continue the construction of existing roads, and projects for study works/designs for main, secondary and feeder roads. It also includes projects for renovation, modernization and development of ports' terminals, construction of berths at Ras Al-Khair port to serve Wa'ad Al-Shamal project for mining industries, the expansion and development of facilities at domestic and international airports, and projects for

**Chart 9.1: Budget Allocations for Fiscal Year 1434/1435H (2013) by Major Sectors**



mechanizing postal centers and establishment of post offices.

Appropriations made for water, industry, agriculture, and other economic sectors stood at Rls 58.4 billion, or 7.1 percent of total budgetary appropriations, increasing by 13 percent over those for fiscal year 1433/34H (2012). The budget envisages new projects and additions to existing projects with a total value of Rls 24 billion for supply of potable water, enhancement of water resources, provision of sewage services, dams construction, well drilling, detection of and solving water leakage problems, replacement of water and sewage networks, rationalization of water and electricity consumption, construction of new desalination plants; development, modernization and expansion of existing desalination plants.

**Specialized Development Funds and Government Financing Programs**

In addition to the investment programs under the budget, the government specialized development funds and government development banks will continue to extend loans to the agricultural and industrial sectors.

Loans disbursed by development banks and funds and the government lending programs since their inception up to the end of 1433/1434H (2012) have reached Rls 500 billion. The loans expected to be disbursed during 1434/1435H (2013) would exceed Rls 68.2 billion.

The financing operations under the Financing and Insurance Program of exports of national goods and services, operated by the Saudi Development Fund since its inception up to the end of fiscal year 1433/34H (2012), have reached Rls 26 billion.

**Other sectors**

a) Continued implementation of the "National Plan for Sciences and Technology".

b) Spending continued on phase II of the "National E -Government Project", which was launched in fiscal year 1427/28H to support the initiatives and projects of the Second Executive Plan of E-Government transactions. This contributed to raising the Kingdom's ranking globally in the UN e-Government Readiness Index by 41 grades since its issuance in 2003. The number of government entities working on the application of e-Government transactions stood at 169. The number of government entities linked to the secure government network reached 93.

**Budgets of public institutions connected to the state budget for fiscal year 1434/1435H (2013):**

A royal decree was issued to estimate and approve the budgetary revenues and expenditures of public institutions with budgets connected to the state budget for fiscal year 1434/1435H (2013). Total appropriations for public institutions were estimated Rls 153.5 billion, compared to Rls 129.1 billion for the previous year, rising by Rls 24.4 billion, or 18.9 percent. The budgets of public institutions constitute 18.7 percent of total state budgetary expenditures for fiscal year 1434/1435H (2013). The highest annual relative increase of 92.5 percent was allotted to Al-Majmaah University. New appropriations were made for Saudi Electronic University (Rls 354.9 million); Saudi Credit and Savings Bank (Rls 423.4 million); Broadcasting and Television Commission (Rls 1,630.8 million); the Saudi Press Agency (Rls 182.7 million); Audio-visual Media Authority (Rls 7 million); and the General Authority for Minors' Custody Funds (Rls 80 million) (Table 9.3).

**Actual Revenue and Expenditure for Fiscal Year (2012)**

Actual primary revenue for fiscal year 1433/1434H (2012) denoted a rise of 11.6 percent over the preceding year to Rls 1,247.4 billion, increasing by 77.7 percent over budgetary projections (Table 9.4). This was attributable to an increase in oil prices and exports.

**Table 9.3: BUDGET APPROPRIATIONS FOR PUBLIC INSTITUTIONS FOR FISCAL YEARS 2010-2013**

*(Million Riyals)*

| | 1431/32 (2010م) | 1432/33 (2011م) | 1433/34 (2012م) | 1434/35 (2013م) | Change (%) (2013م) |
|---|---|---|---|---|---|
| Saudi Ports Authority | 1,496.0 | 1,375.6 | 1,710.1 | 1,897.2 | 10.9 |
| Saudi Arabian Airlines | 19,622.0 | 20,924.0 | 20,413.0 | 24,690.0 | 21.0 |
| Grain Silos and Flour Mills Organization | 1,056.3 | 1,713.1 | 1,914.7 | 2,236.8 | 16.8 |
| Saline Water Conversion Corporation | 13,406.0 | 14,919.3 | 15,461.3 | 15,692.6 | 1.5 |
| Saudi Railways Organization | 1,326.1 | 1,345.5 | 1,765.4 | 2,036.3 | 15.3 |
| Royal Commission for Al-Jubayl and Yanbu’ | 7,238.3 | 7,486.1 | 8,099.8 | 9,105.3 | 12.4 |
| Saudi Standards, Metrology and Quality Organization | 151.0 | 154.3 | 183.7 | 190.1 | 3.5 |
| Saudi Arabian General Investment Authority | 157.4 | 157.1 | 154.7 | 179.3 | 15.9 |
| King Saud University | 7,338.6 | 7,843.4 | 8,625.5 | 9,424.0 | 9.3 |
| King Abdulaziz University | 3,493.8 | 3,916.1 | 4,471.3 | 5,710.0 | 27.7 |
| King Fahd University for Petroleum and Minerals | 1,038.5 | 1,124.3 | 1,244.9 | 1,345.9 | 8.1 |
| Imam Muhammed Ibn Saud University | 2,516.6 | 2,723.3 | 2,850.7 | 3,815.8 | 33.9 |
| Islamic University | 602.2 | 655.7 | 828.4 | 1,005.1 | 21.3 |
| King Faisal University | 1,534.9 | 1,600.9 | 1,856.5 | 2,204.4 | 18.7 |
| Umm Al-Qura University | 1,873.9 | 1,919.7 | 2,189.6 | 2,690.6 | 22.9 |
| King Khalid University | 2,562.9 | 2,697.2 | 3,048.4 | 3,605.1 | 18.3 |
| Taibah University | 1,301.7 | 1,420.0 | 1,619.1 | 2,078.0 | 28.3 |
| Qassim University | 1,390.7 | 1,707.5 | 1,970.3 | 2,351.0 | 19.3 |
| Taif University | 1,076.9 | 1,266.2 | 1,554.9 | 2,040.4 | 31.2 |
| Jazan University | 1,001.8 | 1,082.9 | 1,429.0 | 1,771.5 | 24.0 |
| Al Jouf University | 768.9 | 900.0 | 1,022.6 | 1,440.5 | 40.9 |
| University of Ha'il | 666.8 | 882.9 | 1,039.3 | 1,330.5 | 28.0 |
| University of Tabuk | 685.9 | 793.1 | 986.6 | 1,287.6 | 30.5 |
| Al-Baha University | 530.2 | 626.8 | 769.6 | 941.3 | 22.3 |
| Najran University | 537.0 | 630.1 | 766.4 | 1,079.2 | 40.8 |

Contd…2

**Contd…2 Table 9.3: BUDGET APPROPRIATIONS FOR PUBLIC INSTITUTIONS FOR FISCAL YEARS 2010-2013**

*(Million Riyals)*

| | 1431/32 (2010م) | 1432/33 (2011م) | 1433/34 (2012م) | 1434/35 (2013م) | Change (%) (2013م) |
|---|---|---|---|---|---|
| Princess Nora bint Abdulrahman University | 895.7 | 834.7 | 1,173.8 | 2,195.9 | 87.1 |
| Northern Borders University | 522.2 | 548.9 | 724.6 | 932.7 | 28.7 |
| University of Dammam | 1,773.0 | 2,008.6 | 2,367.5 | 2,907.8 | 22.8 |
| Prince Salman Bin Abdulaziz University | 465.4 | 624.7 | 812.1 | 1,239.7 | 52.7 |
| AL-Majma'ah University | 301.0 | 359.0 | 493.1 | 949.4 | 92.5 |
| Shagra University | 478.7 | 575.6 | 759.0 | 896.8 | 18.2 |
| Technical and Vocational Training Corporation | 4,415.8 | 4,605.4 | 4,795.3 | 5,318.1 | 10.9 |
| King Abdulaziz City for Science & Technology (KACST) | 1,254.6 | 1,693.6 | 1,797.5 | 2,150.4 | 19.6 |
| Institute of Public Administration | 448.0 | 472.1 | 519.3 | 565.1 | 8.8 |
| King Faisal Specialist Hospital & Research Centre | 4,255.8 | 4,462.0 | 4,983.0 | 5,713.0 | 14.6 |
| Saudi Red Crescent Authority | 1,489.4 | 1,625.3 | 1,704.7 | 1,837.3 | 7.8 |
| Military Industries Organization | 1,318.8 | 1,535.4 | 1,968.5 | 2,730.0 | 38.7 |
| Saudi Geological Survey Authority | 182.8 | 208.3 | 216.2 | 236.0 | 9.2 |
| General Commission for Tourism & Antiquities | 413.7 | 468.4 | 511.3 | 703.0 | 37.5 |
| Communications and Information Technology Commission (C.I.T.C) | 696.6 | 959.0 | 890.0 | 993.6 | 11.6 |
| Saudi Food and Drug Authority (SFDA) | 503.2 | 624.7 | 686.1 | 994.1 | 44.9 |
| Saudi Post Organization | 1,950.0 | 2,135.1 | 2,277.4 | 2,524.0 | 10.8 |
| General Authority of Civil Aviation (GACA) | 7,514.4 | 7,899.7 | 15,456.7 | 16,588.7 | 7.3 |
| Human Rights Commission | 63.6 | 73.6 | 84.2 | 116.3 | 38.1 |
| General Survey Authority | 253.2 | 326.5 | 409.3 | 589.4 | 44.0 |
| King Abdullah City for Nuclear Energy | --- | --- | 500.0 | 500.0 | 0.0 |
| Saudi Electronic University | --- | --- | --- | 354.9 | --- |
| Saudi Credit & Savings Bank | --- | --- | --- | 423.4 | --- |
| General Authority for Guardianship of Minors and their Funds | --- | --- | --- | 80.0 | --- |
| Saudi Broadcasting Corporation | --- | --- | --- | 1,630.8 | --- |
| Saudi Press Agency | --- | --- | --- | 182.7 | --- |
| General Authority for Audio and Visual Media | --- | --- | --- | 7.0 | --- |

( --- ) Not Available.

Source: Press release issued by the Ministry of Finance.

**Table 9.4: ACTUAL REVENUE AND EXPENDITURE FOR FISCAL YEARS 2010, 2011 AND 2012**

*(Million Riyals)*

| | 1431/1432 (2010م) | | 1432/1433 (2011م) | | 1433/1434 (2012م) | |
|---|---|---|---|---|---|---|
| | Amount | % Change | Amount | % Change | Amount | % Change |
| **Total revenues** | **741,616** | **15.4** | **1,117,792** | **50.7** | **1,247,398** | **11.6** |
| Oil revenues | 670,265 | 19.2 | 1,034,360 | 54.3 | 1,144,818 | 10.7 |
| Other Revenues | 71,351 | -11.5 | 83,432 | 16.9 | 102,580 | 23.0 |
| **Total Expenditures** | **653,885** | **40.2** | **826,700** | **26.4** | **873,305** | **5.6** |
| Capital expenditures | 198,842 | 67.0 | 276,200 | 38.9 | 261,679 | -5.3 |
| Current | 455,043 | 31.1 | 550,500 | 21.0 | 611,626 | 11.1 |
| **Surplus/deficit** | **87731*** | -- | 291,092 | -- | **374,093** | -- |

* Projects expenditures from surpluses accounts (Rls 17,075 millions) are not included. The amount of (Rls 731 million) represents deposits in government current account.

Source: Ministry of Finance.

Total actual expenditure for fiscal year (2012) stood at Rls 873.3 billion, increasing by Rls 46.6 billion, or 5.6 percent over the preceding year and a rise of Rls 183.3 billion over budgetary projections of fiscal year 1433/34H (2012). The budget surplus stood at Rls 374.1 billion (Table 9.5 and Chart 9.2).

### Actual Oil and Non-oil Revenues

Actual oil revenues went up by 10.7 percent to Rls 1,144.8 billion in 2012, as compared to the preceding year. Oil revenue accounted for 91.8 percent of total revenues in 2012, compared to 92.5 percent in the preceding year (Table 9.6).

Non-oil revenue rose by 23.0 percent to Rls 102.6 billion in 2012 against a rise of 16.9 percent in the previous year. Non-oil revenue constituted 8.2 percent of total revenues during 2012, compared to 7.5 percent in the preceding year (Table 9.6 and Chart 9.3).

### Actual Current and Capital Expenditure

Actual current expenditure registered an increase of 11.1 percent to Rls 611.6 billion in 2012, as compared to an increase of 21 percent in the preceding year. The share of current expenditure in total expenditure rose to 70 percent in 2012 from 66.6 percent in the preceding year. Actual capital expenditure declined by 5.3 percent to Rls 261.7 billion in 2012 against an increase of 38.9 percent in the preceding year, accounting for 30 percent of total expenditure in 2012 against 33.4 percent in the preceding year (Table 9.7 and Chart 9.4).

### Ratio of Actual Budget Surplus to GDP

Preliminary figures for fiscal year 2012 indicate a budget surplus of Rls 374.1 billion, representing 14.0 percent of GDP, as compared to a surplus of Rls 291.1 billion or 11.6 percent of GDP in the preceding year (Table 9.8).

### Public Debt

The outstanding public debt recorded a decline of 27.0 percent to Rls 98,8 billion, or 3.7 percent of GDP at the end of fiscal year 1433/1434H (2012), compared to a decline of 18.9 percent or 5.4 percent of GDP in the preceding fiscal year (Table 9.9) ■

### Table 9.5: STATE BUDGET ACTUALS AND PROJECTIONS

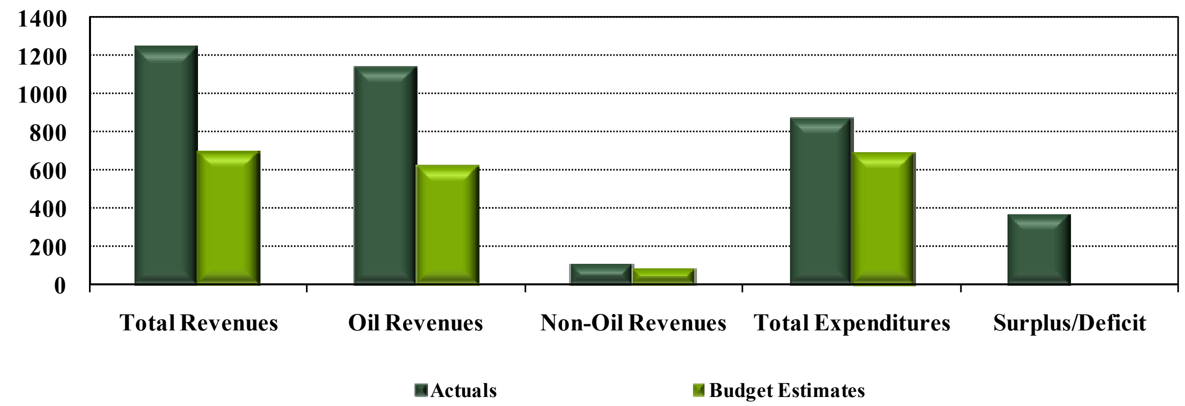
*(Million Riyals)*

| | 1430/31 (2010م) | | 1431/32 (2011م) | | 1432/33 (2012م) | |
|---|---|---|---|---|---|---|
| | Actuals | Projections | Actuals | Projections | Actuals | Projections |
| **Total revenues** | **741,616** | **470,000** | **1,117,792** | **540,000** | **1,247,398** | **702,000** |
| Oil revenues | 670,265 | 400,000 | 1,034,360 | 468,000 | 1,144,818 | 621,000 |
| Non-oil revenues | 71,351 | 70,000 | 83,432 | 72,000 | 102,580 | 81,000 |
| **Total expenditures** | **653,885** | **540,000** | **826,700** | **580,000** | **873,305** | **690,000** |
| Surplus/deficit | 87,731 | -70,000 | 291,092 | -40,000 | 374,093 | 12,000 |

Source: Ministry of Finance.

### Chart 9.2: Budget Estimates and Actuals for 1433/1434H (2012)

Billion Riyals




### Table 9.6: ACTUAL OIL AND NON-OIL REVENUES

*(Million Riyals)*

| | Oil Revenues | | Non-oil Revenues | | |
|---|---|---|---|---|---|
| Year | Amount | % Share | Amount | % Share | Total Revenues |
| 2008 | 983,369 | 89.3 | 117,624 | 10.7 | 1,100,993 |
| 2009 | 434,420 | 85.2 | 75,385 | 14.8 | 509,805 |
| 2010 | 670,265 | 90.4 | 71,351 | 9.6 | 741,616 |
| 2011 | 1,034,360 | 92.5 | 83,432 | 7.5 | 1,117,792 |
| 2012 | 1,144,818 | 91.8 | 102,580 | 8.2 | 1,247,398 |

Source: Ministry of Finance

Chart 9.3: Trends of Actual Oil and Non-Oil Revenues

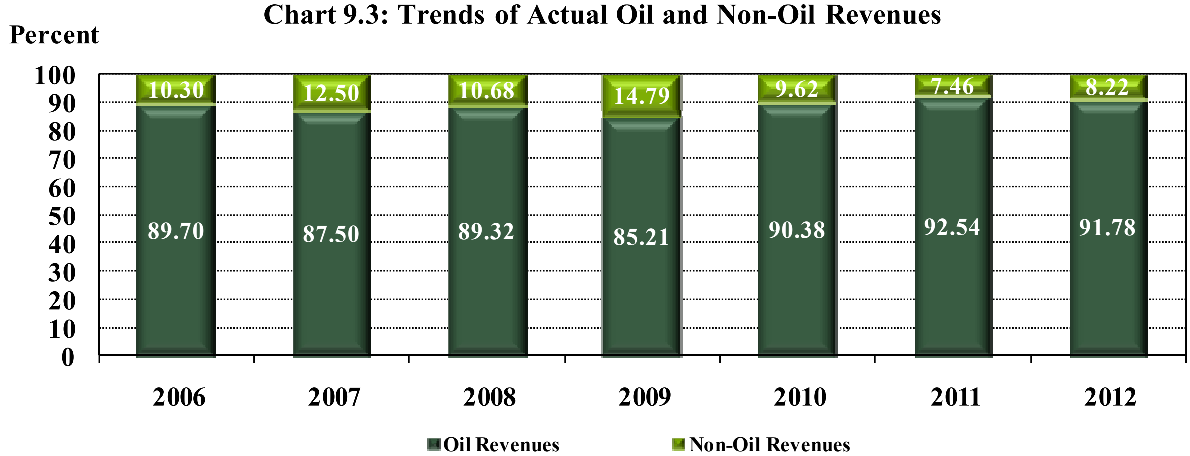


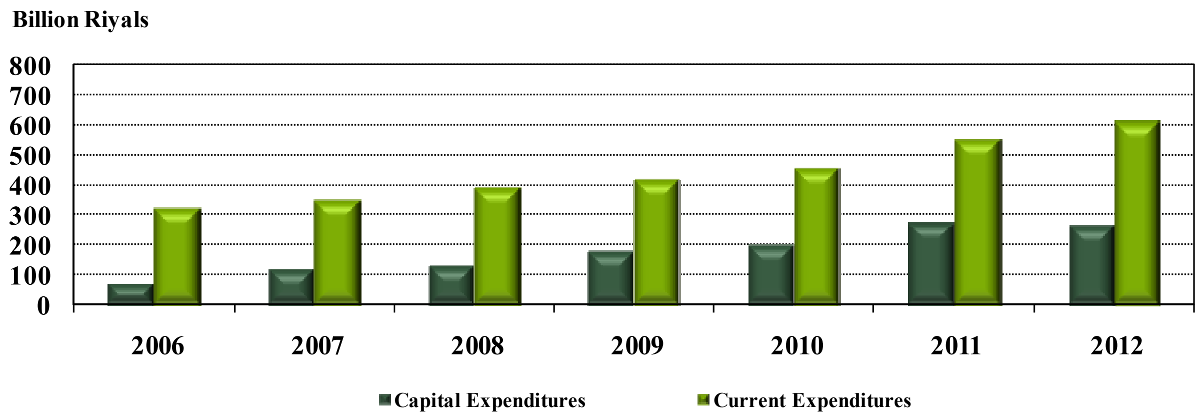

Table 9.7: ACTUAL CURRENT AND CAPITAL EXPENDITURES

*(Million Riyals)*

| | Current Expenditure | | Capital Expenditure | | |
|---|---|---|---|---|---|
| Year | Amount | % Share | Amount | % Share | Total Expenditure |
| 2008 | 388,839 | 74.8 | 131,230 | 25.2 | 520,069 |
| 2009 | 416,594 | 69.8 | 179,840 | 30.2 | 596,434 |
| 2010 | 455,043 | 69.6 | 198,842 | 30.4 | 653,885 |
| 2011 | 550,500 | 66.6 | 276,200 | 33.4 | 826,700 |
| 2012 | 611,626 | 70.0 | 261,679 | 30.0 | 873,305 |

Source: Ministry of Finance.

Chart 9.4: Developments of Actual Current and Capital Expenditures



### Table 9.8: RATIO OF ACTUAL BUDGET SURPLUS/DEFICIT TO GDP

*(Million Riyals)*

| Year | Gross Domestic Product * (at current prices) | Budget surplus/Deficit | % Ratio of Surplus/Deficit to GDP |
|---|---|---|---|
| 2009 | 1,609,117 | -86,629 | -5.38 |
| 2010 | 1,975,543 | 87,731 | 4.44 |
| 2011 | 2,510,650 | 291,092 | 11.59 |
| 2012** | 2,666,436 | 374,093 | 14.03 |

* Including import fees

** Preliminary estimates.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning, and Ministry of Finance.

### Table 9.9: PUBLIC DEBT

*(Million Riyals)*

| Fiscal Year | Amount | | Outstanding Public Debt at year end | % Change | GDP at current prices | (%) Ratios of public debt to GDP |
|---|---|---|---|---|---|---|
| | Borrowed | Repaid | | | | |
| 2008 | 298 | 32,026 | 235,034 | -11.9 | 1,949,238 | 12.1 |
| 2009 | 217 | 10,143 | 225,108 | -4.2 | 1,609,117 | 14.0 |
| 2010 | 15 | 58,124 | 166,999 | -25.8 | 1,975,543 | 8.5 |
| 2011 | 5,422 | 36,922 | 135,499 | -18.9 | 2,510,650 | 5.4 |
| 2012 | --- | --- | 98,848 | -27.0 | 2,666,436 | 3.7 |

Source: Ministry of Finance and Central Department of Statistics and Information, Ministry of Economy and Planning.

## Gross Domestic Product (GDP) 2012

Preliminary figures show that GDP at **current prices** (including import duties) went up by 6.2 percent during 2012 against an increase of 27.1 percent in the preceding year. This was mainly attributable to a growth of 3.0 percent in the oil sector during 2012 compared to 44.7 percent in the preceding year. The non-oil sector grew by 9.3 percent compared to a growth of 12.8 percent in the preceding year. The private sector was up by 9.0 percent against a growth of 13.4 percent in the preceding year and the government sector rose by 9.9 percent against 11.3 percent in 2011.

Preliminary data show that GDP at **constant prices** (1999=100) (including import duties) rose by 5.1 percent during 2012 compared to a growth of 8.6 percent in the preceding year. The oil sector went up by 5.5 percent against 11.0 percent in the preceding year. Also, the non-oil sector increased by 5.0 percent compared to 8.0 percent during the preceding year. The private sector grew by 4.9 percent during 2012 against 7.7 percent in the preceding year. The government sector grew by 5.4 percent as compared to 8.7 percent in the preceding year (Table 10.1).

### Table 10.1: GROSS DOMESTIC PRODUCT BY SECTOR

*(Million Riyals)*

| | 2011 | | | 2012* | | |
|---|---|---|---|---|---|---|
| | Value | Annual Change % | % Share | Value | Annual Change % | % Share |
| **At Current Prices:** | | | | | | |
| **GDP** | **2,493,365** | **27.2** | **99.3** | **2,644,916.0** | **6.1** | **99.2** |
| 1. Oil sector | 1,276,416 | 44.7 | 50.8 | 1,315,114.0 | 3.0 | 49.3 |
| 2. Non-oil sector | 1,216,949 | 12.8 | 48.5 | 1,329,802.0 | 9.3 | 49.9 |
| i) Private sector | 845,780 | 13.4 | 33.7 | 921,707.0 | 9.0 | 34.6 |
| ii) Government sector | 371,169 | 11.3 | 14.8 | 408,095.0 | 9.9 | 15.3 |
| 3. Import Duties | 17,285 | 17.8 | 0.7 | 21,520.0 | 24.5 | 0.8 |
| **Total GDP Including Import Duties** | **2,510,650** | **27.1** | **100.0** | **2,666,436.0** | **6.2** | **100.0** |
| **At Constant Prices (1999=100):** | | | | | | |
| **GDP** | **1,147,483** | **8.6** | **99.0** | **1,206,184.0** | **5.1** | **99.0** |
| 1. Oil sector | 247,824 | 11.0 | 21.4 | 261,501.0 | 5.5 | 21.5 |
| 2. Non-oil sector | 899,660 | 8.0 | 77.7 | 944,683.0 | 5.0 | 77.6 |
| i) Private sector | 668,730 | 7.7 | 57.7 | 701,219.0 | 4.9 | 57.6 |
| ii) Government sector | 230,929 | 8.7 | 19.9 | 243,464.0 | 5.4 | 20.0 |
| 3. Import Duties | 11,063 | 5.0 | 1.0 | 11,749.0 | 6.2 | 1.0 |
| **Total GDP Including Import Duties** | **1,158,546** | **8.6** | **100.0** | **1,217,933.0** | **5.1** | **100.0** |
| **Implicit Deflator (1999 = 100):** | | | | | | |
| GDP | **217.3** | **17.1** | | **219.3** | **0.9** | |
| 1. Oil sector | 515.0 | 30.5 | | 502.9 | -2.4 | |
| 2. Non-oil sector | 135.3 | 4.4 | | 140.8 | 4.1 | |

* Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

The contribution of the private sector to total GDP at constant prices (1999=100) during 2012 was 57.6 percent, compared to 57.7 percent in the preceding year, while the government sector contributed 20.0 percent against 19.9 percent in the preceding year. The oil sector accounted for 21.5 percent of total GDP in 2012 against 21.4 percent in the preceding year.

The non-oil GDP implicit deflator rose by 4.1 percent in 2012 against an increase of 4.4 percent in the preceding year (Table 10.1).

The distribution of GDP at constant prices (1999=100) by economic activity shows that all economic activities grew by varied rates during 2012. “Public utilities activities (electricity, gas and water)” recorded the highest growth rate of 7.3 percent against a growth rate of 5.2 percent in the preceding year, while "Agriculture, forestry and fishing” recorded the lowest growth of 1.3 percent against 2.2 percent in the preceding year. "Manufacturing (including oil refining)” grew by 4.8 percent against a growth of 13.7 percent in 2011. "Construction and building" grew by 4.5 percent in 2012 against a growth of 9.9 percent in the preceding year. "Finance, insurance, real estate and business services" increased by 3.4 percent against an increase of 2.1 percent in the preceding year. "Wholesale and retail trade, restaurants and hotels" also grew by 6.4 percent in 2012 against a growth of 7.51 percent in the preceding year, and "Transport, storage and telecommunications” went up by 13.8 percent **(**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 up to 34.8 percent during 2012 from 33.9 percent in the preceding year. Its growth rate (at current prices) was about 9.0 percent during 2012 against 13.4 percent in the preceding year **(**Table 10.3 and Chart 10.1**)**.

**Contribution of the Government Sector to GDP**

During 2012, the contribution of the government sector to GDP, at current prices, was 15.4 percent against 14.9 percent in the preceding

**Table 10.2: NON-OIL GDP BY MAJOR ECONOMIC ACTIVITIES**

(At 1999 constant prices)

*(Million Riyals)*

| | | | 2011 | | | 2012* | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | Value | % Share | Annual Change % | Value | % Share | Annual Change % |
| 1. Agriculture, forestry and fishing | 40,559 | 40,156 | 41,026 | 3.6 | 2.2 | 41,550 | 3.4 | 1.3 |
| 2. Manufacturing (including oil refining) | 128,462 | 141,478 | 157,131 | 13.7 | 11.1 | 164,631 | 13.6 | 4.8 |
| 3. Public utilities (electricity, gas and water) | 21,382 | 26,216 | 27,583 | 2.4 | 5.2 | 29,598 | 2.5 | 7.3 |
| 4. Construction and bulding | 68,474 | 75,818 | 83,300 | 7.3 | 9.9 | 87,083 | 7.2 | 4.5 |
| 5. Wholesale and retail trade, restaurants and hotels | 114,347 | 133,658 | 143,184 | 12.5 | 7.1 | 152,307 | 12.6 | 6.4 |
| 6. Transport, storage and communications | 87,247 | 96,460 | 109,768 | 9.6 | 13.8 | 116,762 | 9.7 | 6.4 |
| 7. Finance, insurance, real estate and business services | 149,597 | 156,667 | 159,920 | 13.9 | 2.1 | 165,383 | 13.7 | 3.4 |
| Total GDP** | 983,150 | 1,056,557 | 1,147,483 | 100.0 | 8.6 | 1,206,184 | 100.0 | 5.1 |

* Preliminary data. ** Excluding imports duties.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

Table 10.3: CONTRIBUTION OF THE PRIVATE SECTOR TO GDP

(At current prices)

| Year | Total GDP* (Million RIs) | Private sector (Million RIs) | % Share | % Change |
|---|---|---|---|---|
| 2009 | 1,596,222 | 655,347 | 41.1 | 7.1 |
| 2010 | 1,960,874 | 745,532 | 38.0 | 13.8 |
| 2011 | 2,493,365 | 845,780 | 33.9 | 13.4 |
| 2012** | 2,644,916 | 921,707 | 34.8 | 9.0 |

* Excluding imports duties.

** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

year. It recorded a growth rate of 9.9 percent compared to 11.3 percent in the preceding year (Table 10.4 and Chart 10.1).

**Contribution of the Oil Sector to GDP**

The contribution of the oil sector to GDP, at current prices, stood at 49.7 percent in 2012 against 51.2 percent in the preceding year. The oil sector, at current prices, increased by 3.0 percent in 2012 against a growth of 44.7 percent in the preceding year (Table 10.5 and Chart 10.1).

**Contribution of the Services Activity to GDP**

The contribution of the services activity, at current prices, (including wholesale and retail trade, restaurants, and hotels; transportation, storage, and telecommunication; finance, insurance, real estate, and business services; community, social and personal services; and providers of government services) to GDP was 35.8 percent during 2012 against 34.6 percent in the preceding year. These activities grew by 9.8 percent during 2012 against 11.0 percent in the preceding year (Table 10.6 and Chart 10.2).

**Contribution of the Agricultural Activity to GDP**

The contribution of the agricultural activity, at current prices, to GDP was 1.9 percent during 2012 as in the preceding year, recording a growth rate of 3.4 percent against 2.3 percent in the preceding year (Table 10.7 and Chart 10.2).

**Contribution of the Industrial Activity to GDP**

The contribution of the industrial activity (including oil refining), at current prices, to GDP stood at 10.2 percent during 2012 against 10.1 percent in the preceding year, growing by 6.5 percent against a rise of 15.5 percent in the preceding year (Table 10.7 and Chart 10.2).

**Contribution of Other Major Activities to GDP**

The contribution of mining and quarrying activity (including crude oil, natural gas and other mining and quarrying activities) to GDP, at current prices, stood at 47.3 percent during 2012 against 48.8 percent in the preceding year, recording a growth of 3.0 percent in 2012 against a rise of 48.0 percent in the preceding year.

The contribution of the construction and building activity to GDP, at current prices, stood at 4.5 percent during 2012 against 4.3 percent in 2011, growing by 10.4 percent against a growth of 17.9 percent in the preceding year.

**Table 10.4: CONTRIBUTION OF THE GOVERNMENT SECTOR TO GDP**

(At current prices)

| Year | Total GDP* (Million RIs) | Government sector (Million RIs) | % Share | % Change |
|---|---|---|---|---|
| 2009 | 1,596,222 | 288,112 | 18.0 | 14.9 |
| 2010 | 1,960,874 | 333,522 | 17.0 | 15.8 |
| 2011 | 2,493,365 | 371,169 | 14.9 | 11.3 |
| 2012** | 2,644,916 | 408,095 | 15.4 | 9.9 |

* Excluding imports duties.

** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

**Table 10.5 : CONTRIBUTION OF OIL SECTOR TO GDP**

(At current prices)

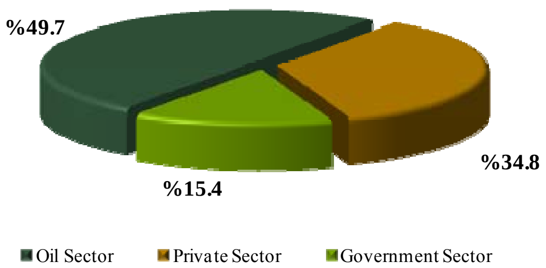
| Year | Total GDP* (Million Rls) | Oil Sector (Million Rls) | % Share | % Change |
|---|---|---|---|---|
| 2009 | 1,596,222 | 652,762 | 40.9 | -39.1 |
| 2010 | 1,960,874 | 881,820 | 45.0 | 35.1 |
| 2011 | 2,493,365 | 1,276,416 | 51.2 | 44.7 |
| 2012** | 2,644,916 | 1,315,114 | 49.7 | 3.0 |

* Excluding imports duties.

** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning

**Chart 10.1: Contribution of Economic Sectors to GDP in 2012 (At current prices)**




The contribution of electricity, gas and water activity to GDP, at current prices, remained unchanged at 1.1 percent during 2012 as in the preceding year, recording a growth rate of 6.3 percent against 7.6 percent in the preceding year (Table 10.8 and Chart 10.2).

## Per Capita Income

Preliminary figures indicate that the annual per capita income in the Kingdom went up by 3.2 percent to Rls 91,332 in 2012 against an increase of 23.5 percent in the preceding year (Table 10.9).

**Table 10.6: CONTRIBUTION OF SERVICES ACTIVITY TO GDP**

**(At current prices)**

| Year | Total GDP* (Million RIs) | Services Activity (Million RIs) | % Share | % Change |
|---|---|---|---|---|
| 2009 | 1,596,222 | 684,260 | 42.9 | 12.8 |
| 2010 | 1,960,874 | 776,946 | 39.6 | 13.5 |
| 2011 | 2,493,365 | 862,452 | 34.6 | 11.0 |
| 2012** | 2,644,916 | 947,334 | 35.8 | 9.8 |

Services Activity includes: Wholesale and retail trade, restaurants and hotels; transport, telecommunications and storage; finance, insurance, real estate and business services; community, social and personal services; and providers of government services.

* Excluding imports duties. ** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

**Table 10.7: CONTRIBUTION OF INDUSTRIAL AND AGRICULTURAL ACTIVITIES TO GDP**

(At current prices)

| | GDP[1] | Agricultural Activity[2] | | | Industrial Activity[3] | | |
|---|---|---|---|---|---|---|---|
| Year | (Million RIs) | (Million RIs) | % Share in Total GDP | % change | (Million RIs) | % Share in Total GDP | % change |
| 2009 | 1,596,222 | 45,926 | 2.9 | 1.7 | 174,600 | 10.9 | -0.3 |
| 2010 | 1,960,874 | 47,063 | 2.4 | 2.5 | 218,171 | 11.1 | 25.0 |
| 2011 | 2,493,365 | 48,163 | 1.9 | 2.3 | 252,003 | 10.1 | 15.5 |
| 2012[4] | 2,644,916 | 49,816 | 1.9 | 3.4 | 268,470 | 10.2 | 6.5 |

(1) Excluding imports duties.

(2) Including agriculture, forestry and fishing.

(3) Including oil refining. (4) Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning

**Expenditure on GDP in 2012**

According to preliminary figures, expenditure on GDP at purchase's values (at current prices) rose by 6.2 percent to Rls 2,666.4 billion (including import duties) during 2012, against Rls 2,510.7 billion in the preceding year. The rise was attributed to an increase in net exports of goods and services by 3.3percent from Rls 668.4 billion in 2011 to Rls 690.8 billion in 2012. Its share in the expenditure on GDP during 2012 rose to 25.9 percent from 26.6 percent in the previous year. Final consumption of the private sector also rose by 9.9 percent from Rls 681.8 billion in 2011 to Rls 749.1 billion in 2012. Final consumption of the government sector rose by 11.2 percent from Rls 488.1 billion in 2011 to Rls 542.7 billion in 2012.

**Table 10.8: CONTRIBUTION OF SOME ECONOMIC ACTIVITIES TO GDP**

(At current prices)

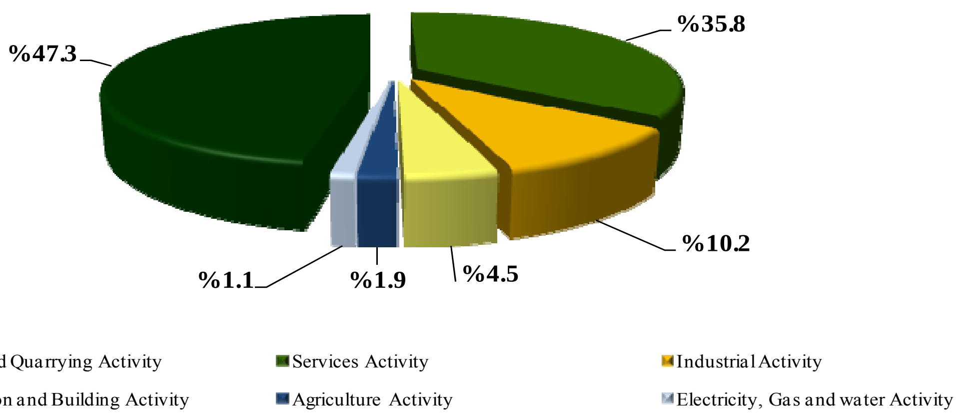
| Year | Total GDP* (Million RIs) | Mining and Quarrying | | | Construction and Building | | | Electricity, Gas and Water | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Value (Million RIs) | Share % | Change % | Value (Million RIs) | Share % | Change % | Value (Million RIs) | Share % | Change % |
| 2009 | 1,596,222 | 608,783 | 38.1 | -40.8 | 80,379 | 5.0 | 0.9 | 21,575 | 1.4 | 17.2 |
| 2010 | 1,960,874 | 821,228 | 41.9 | 34.9 | 90,780 | 4.6 | 12.9 | 26,281 | 1.3 | 21.8 |
| 2011 | 2,493,365 | 1,215,518 | 48.8 | 48.0 | 107,021 | 4.3 | 17.9 | 28,285 | 1.1 | 7.6 |
| 2012** | 2,644,916 | 1,251,700 | 47.3 | 3.0 | 118,192 | 4.5 | 10.4 | 30,076 | 1.1 | 6.3 |

* Excluding import duties.

** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

**Chart 10.2: Contribution of Economic Activities to GDP in 2012**
**(At current prices)**




Total gross final consumption (government and private) went up from Rls 1,169.8 billion in 2011 to Rls 1,291.8 billion in 2012, growing by 10.4 percent. The share of final consumption in expenditure on GDP was 48.4 percent during 2012 against 46.6 percent in 2011 **(**Table 10.10 **)**.

The share of Gross fixed capital formation in total expenditure on GDP was 25.6 percent in 2012 against 26.8 percent in the previous year **(**Table 10.10 and Chart 10.3**)**■

## Table 10.9: PER CAPITA INCOME

| | 2008 | 2009 | 2010 | 2011 | %Change | 2012* | %Change |
|---|---|---|---|---|---|---|---|
| Gross Domestic Product (Million Riyals) | 1,949,238 | 1,609,117 | 1,975,543 | 2,510,650 | 27.1 | 2,666,436 | 6.2 |
| Population (Million) | 25.79 | 26.66 | 27.56 | 28.37 | 2.9 | 29.20 | 2.9 |
| Per capita Share in GDP (Riyals) | 75,590 | 60,357 | 71,674 | 88,497 | 23.5 | 91,332 | 3.2 |

* Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

## Chart 10.3: Gross Domestic Expenditure (At current prices)

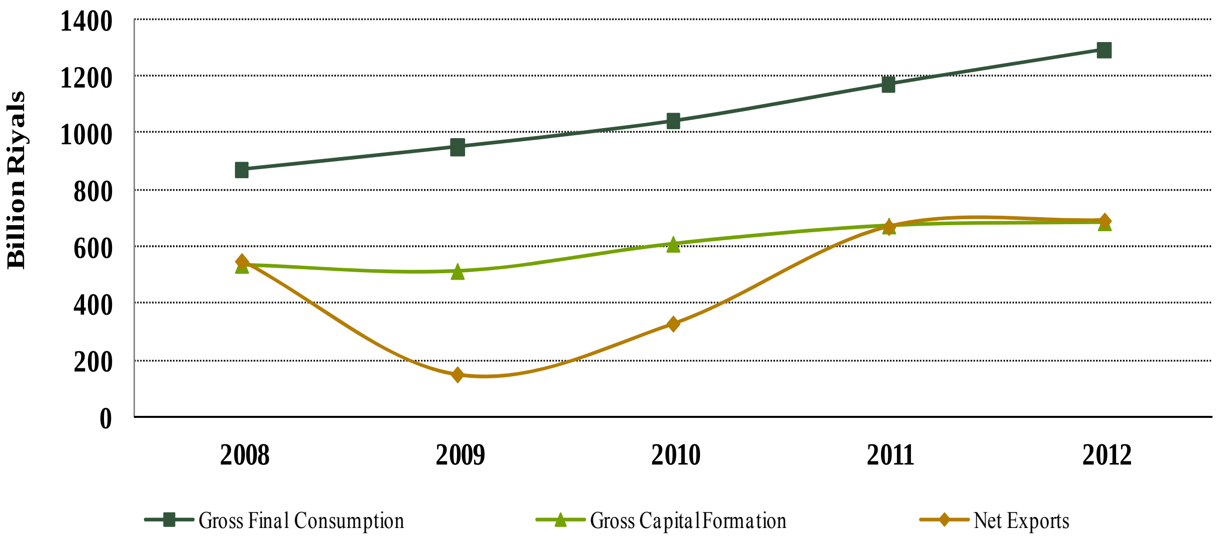


**Table 10.10: GROSS DOMESTIC EXPENDITURE AT PURCHASERS' VALUE**

(At current prices)

*(Million Riyals)*

| | 2009 | | | 2010 | | | 2011 | | | 2012[1] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | Share % | Change % | Amount | Share % | Change % | Amount | Share % | Change % | Amount | Share % | Change % |
| Gross Final Consumption | 948,829 | 59.0 | 9.2 | 1,039,590 | 52.6 | 9.6 | 1,169,823 | 46.6 | 12.5 | 1,291,772 | 48.4 | 10.4 |
| Government | 357,015 | 22.2 | 3.5 | 400,173 | 20.3 | 12.1 | 488,062 | 19.4 | 22.0 | 542,699 | 20.4 | 11.2 |
| Private | 591,814 | 36.8 | 13.0 | 639,417 | 32.4 | 8.0 | 681,761 | 27.2 | 6.6 | 749,073 | 28.1 | 9.9 |
| Gross Fixed capital formation[2] | 510,336 | 31.7 | -4.1 | 607,347 | 30.7 | 19.0 | 672,400 | 26.8 | 10.7 | 683,863 | 25.6 | 1.7 |
| Net exports of goods and services[3] | 149,952 | 9.3 | -72.6 | 328,606 | 16.6 | 119.1 | 668,427 | 26.6 | 103.4 | 690,801 | 25.9 | 3.3 |
| **Total Gross Domestic Expenditure** | 1,609,117 | 100.0 | -17.4 | 1,975,543 | 100.0 | 22.8 | 2,510,650 | 100.0 | 27.1 | 2,666,436 | 100.0 | 6.2 |

(1) Preliminary data.

(2) Includes change in inventories.

(3) Net exports of goods and services = Total exports of goods and services minus total imports of goods and services.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

The world oil market continued to improve during 2012 as a result of improved prospects of the global economy. According to the data of the International Energy Agency (IEA), the average world demand for oil increased by 0.7 percent to 89.7 million b/d and the average world supply went up by 2.8 percent to 90.9 million b/d. According to the Organization of Petroleum Exporting Countries (OPEC) oil prices rose, with the average price of Arab Light going up by 2.47 percent to $110.27 a barrel, from its average price of $107.80 a barrel in 2011.

The Kingdom of Saudi Arabia continued its efforts, within OPEC, to maintain stability in the oil market for the benefit of both producers and consumers and for the enhancement of world economic growth. In 2012, OPEC members increased their average output by 5.3 percent to 37.5 million b/d with the aim of reinforcing market stability following the rise in the average global demand, especially by other Asian countries, African countries and Pacific countries. The Kingdom's average production of crude oil went up by 5.1 percent to 9.8 million b/d in 2012.

### World Demand for Oil

According to the estimates of the IEA, the average world demand for oil rose by 0.7 percent to 89.7 million b/d during 2012 from 89.1 million b/d in 2011 (Table 11.1) (Chart 11.1). The rise was due to an increase of 7.6 percent in the average demand of the Pacific member countries of the OECD to 8.5 million b/d compared to 7.9 million b/d in 2011, in addition to a rise of 0.9 percent in the average demand of North American countries to 23.7 million

**Table 11.1: AVERAGE WORLD DEMAND FOR OIL***

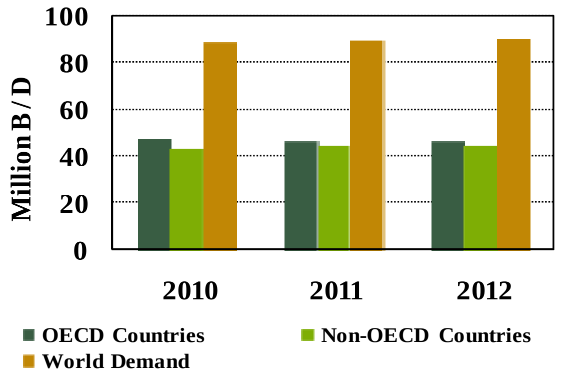
*(Million barrels per day)*

| | | | | 2012 | | | | 2013 | % change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | First quarter | Second quarter | Third quarter | Fourth quarter | First quarter | 2011 | 2012 |
| North America | 23.8 | 23.5 | 23.7 | 23.5 | 23.8 | 23.8 | 23.8 | 23.6 | -1.3 | 0.9 |
| Western Europe | 14.6 | 14.3 | 13.7 | 13.7 | 13.8 | 13.8 | 13.6 | 13.2 | -2.1 | -4.2 |
| Pacific countries | 7.8 | 7.9 | 8.5 | 9.1 | 8.0 | 8.2 | 8.7 | 9.1 | 1.3 | 7.6 |
| **OECD Countries** | **46.2** | **45.7** | **45.9** | **46.3** | **45.6** | **45.8** | **46.1** | **45.9** | **-1.1** | **0.4** |
| **Non-OECD Countries** | | | | | | | | | | |
| Former USSR | 4.5 | 4.7 | 4.6 | 4.5 | 4.5 | 4.7 | 4.7 | 4.6 | 4.4 | -2.1 |
| China | 9.2 | 9.5 | 9.6 | 9.3 | 9.4 | 9.6 | 10.1 | 9.9 | 3.3 | 1.1 |
| Eastern Europe Countries | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.0 | 0.0 |
| South American Countries | 6.4 | 6.5 | 6.5 | 6.3 | 6.5 | 6.6 | 6.7 | 6.4 | 1.6 | 0.0 |
| Other Asian Countries | 10.4 | 10.7 | 11.4 | 11.3 | 11.4 | 11.2 | 11.6 | 11.7 | 2.9 | 6.5 |
| Middle Eastern Countries | 7.7 | 8.0 | 7.6 | 7.2 | 7.8 | 8.1 | 7.5 | 7.3 | 3.9 | -5.0 |
| African Countries | 3.4 | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.5 | -2.9 | 3.0 |
| **Total Non-OECD** | **42.3** | **43.4** | **43.8** | **42.7** | **43.7** | **44.3** | **44.7** | **44.1** | **2.6** | **0.9** |
| **Total World Demand** | **88.5** | **89.1** | **89.7** | **89.0** | **89.3** | **90.1** | **90.8** | **90.0** | **0.7** | **0.7** |

* Including primary stock, bunker and refining oil.

Source: International Energy Agency Review, March 2012.

**Chart 11.1: World Demand for Oil**




b/d. The average demand of Western Europe countries, however, went down by 4.2 percent to 13.7 million b/d.

The average demand in non-OECD countries also increased by 0.9 percent from 43.4 million b/d in 2011 to 43.8 million b/d in 2012. This was mainly due to a rise in demand in China by 1.1 percent to 9.6 million b/d, in the African countries by 3.0 percent to 3.4 million b/d, and in other Asian countries (excluding China, Japan and South Korea) by 6.5 percent to 11.4 million b/d. Demand in Eastern Europe countries and South American countries remained unchanged at 0.7 million b/d 6.5 million b/d respectively as in the preceding year. However, demand in the Middle Eastern countries decreased by 5.0 percent to 7.6 million b/d, and in the countries of former Soviet Union by 2.1 percent to 4.6 million b/d.

During the first quarter of 2013, the world average demand for oil went up by 1.1 percent to 90.0 million b/d compared to 89.0 million b/d in the first quarter of 2012.

**World Crude Oil Production**

According to the estimates of the IEA, the world crude oil production during 2012 averaged 90.9 million b/d, rising by 2.8 percent compared to 88.4 million b/d in 2011 (Table 11.2).

**Table 11.2: AVERAGE WORLD CRUDE OIL PRODUCTION***

*(Million barrels per day)*

| | | | | 2012 | | | | 2013 | % change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | First quarter | Second quarter | Third quarter | Fourth quarter | First quarter | 2011 | 2012 |
| OPEC | 34.8 | 35.7 | 37.5 | 37.4 | 37.8 | 37.8 | 37.2 | 36.7 | 2.6 | 5.3 |
| OECD | 18.9 | 18.9 | 19.8 | 19.9 | 19.7 | 19.4 | 20.4 | 20.6 | 0.4 | 4.8 |
| **Major non-OPEC producers** | | | | | | | | | | |
| Former Soviet Union | 13.6 | 13.6 | 13.7 | 13.7 | 13.6 | 13.6 | 13.8 | 13.8 | 0.1 | 0.9 |
| USA | 7.8 | 8.1 | 9.2 | 8.9 | 8.9 | 9.1 | 9.7 | 9.8 | 4.8 | 12.4 |
| China | 4.1 | 4.1 | 4.2 | 4.2 | 4.1 | 3.7 | 4.0 | 4.2 | 0.0 | 2.0 |
| Canada | 3.4 | 3.5 | 3.8 | 3.8 | 3.8 | 3.7 | 4.0 | 4.0 | 4.2 | 7.4 |
| Mexico | 3.0 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | -0.7 | -0.7 |
| UK | 1.4 | 1.1 | 1.0 | 1.1 | 1.0 | 0.8 | 0.9 | 1.0 | -18.4 | -14.4 |
| Norway | 2.1 | 2.0 | 1.9 | 2.1 | 2.0 | 1.8 | 1.8 | 1.8 | -4.7 | -6.4 |
| **Total World Supply** | **87.3** | **88.4** | **90.9** | **94.0** | **93.8** | **93.3** | **95.0** | **94.8** | **1.3** | **2.8** |

* Including condensates and natural gas liquids.

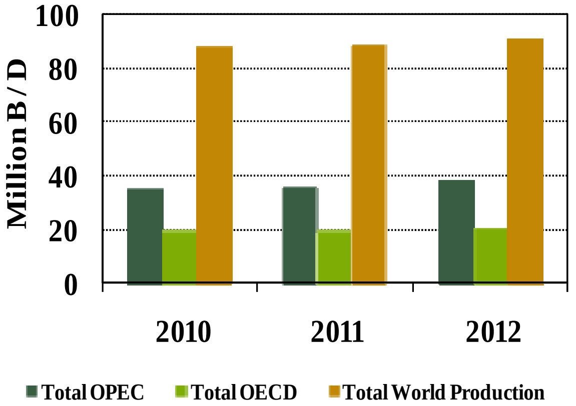
Source: International Energy Agency Review, March 2012.

The rise in the average of the world crude oil production was due to an increase in the average output of OPEC countries by 5.3 percent to 37.5 million b/d in 2012 compared to 35.7 million b/d in 2011. Production of OPEC countries represented 41.3 percent of total world oil production in 2012 compared to 40.3 percent in 2011. The average crude oil production of OECD countries rose by 4.8 percent from 18.9 million b/d in 2011 to 19.8 million b/d in 2012, representing 21.8 percent of total world output (Chart 11.2).

Among the non-OPEC producers, the average production in the former Soviet Union countries increased during 2012 by 0.9 percent to 13.7 million b/d, in China by 2.0 percent to 4.2 million b/d, in Canada by 7.4 percent to 3.8 million b/d, in the United States of America by 12.4 percent to 9.2 million b/d. The average production went down in Mexico by 0.7 percent to 2.9 million b/d, in the UK by 14.4 percent to 1.0 million b/d, and in Norway by 6.4 percent to 1.9 million b/d.

During the first quarter of 2013, the average world oil production rose by 0.9 percent to 94.8 million b/d compared to 94.0 million b/d in the first quarter of 2012.

**Chart 11.2: World Crude Oil Production**




**World Oil Prices**

According to OPEC data, most world prices of crude oil went up in 2012. The average price of Arab Light stood at $110.27 a barrel, rising by $2.47 a barrel or 2.3 percent from its average price of $107.80 a barrel in 2011 (Table 11.3). The average price of Dubai was $109.07 a barrel in 2012, increasing by 2.7 percent, compared to $106.19 a barrel in 2011. The average price of North Sea (Brent) went up by 0.3 percent from $111.33 a barrel during 2011 to $111.63 a barrel in 2012. The average price of West Texas Intermediate went down by 1.0 percent from $95.03 a barrel in 2011 to $94.10 a barrel in 2012.

During the first quarter of 2013, the average price of Arab Light crude fell by 6.2 percent to $110.73 a barrel compared to $118.09 a barrel in the first quarter of 2012 (Chart 11.3).

**Real Prices of Crude Oil**

Real prices of crude oil (nominal price adjusted by consumer price index in industrial countries with base year 2005) witnessed an increase in 2012. The average real price of Arab Light rose by 0.7 percent to $95.72 a barrel compared to $95.10 a barrel during 2011 (Table 11.4). The average real price of North Sea (Brent) went down by 1.3 percent to $96.90 a barrel from $98.21 a barrel in 2011.

The average real price of Arab Light in 2012 was equal to 316.7 percent of its price in 2000; whereas in 2011 it was 314.7 percent of its price in 2000. The real price of North Sea (Brent) in 2012 was 302.3 percent of its price in 2000. In 2011, however, it was 306.3 percent of its price in 2000.

Over the past five years (2008-2012), the real price of Arab Light hit its highest level in 2012, to stand at $95.72 a barrel. It registered its lowest level of $56.04 a barrel in 2009 (Chart 11.4).

## Table 11.3: SPOT PRICES OF SELECTED TYPES OF CRUDE OIL

(Period Average)

*(US dollars per barrel)*

| Year | Arab Light | Dubai | North Sea (Brent) | West Texas Intermediate |
|---|---|---|---|---|
| 1998 | 12.20 | 12.15 | 12.71 | 14.36 |
| 1999 | 17.45 | 17.24 | 17.91 | 19.30 |
| 2000 | 26.81 | 26.25 | 28.44 | 30.37 |
| 2001 | 23.06 | 22.83 | 24.46 | 26.00 |
| 2002 | 24.32 | 23.83 | 25.03 | 26.13 |
| 2003 | 27.69 | 26.77 | 28.81 | 31.09 |
| 2004 | 34.53 | 33.66 | 38.23 | 41.44 |
| 2005 | 50.15 | 49.32 | 54.37 | 56.47 |
| 2006 | 61.05 | 61.51 | 65.14 | 66.00 |
| 2007 | 68.75 | 68.40 | 72.56 | 72.29 |
| 2008 | 95.16 | 93.48 | 97.37 | 99.63 |
| 2009 | 61.38 | 61.65 | 61.68 | 61.66 |
| 2010 | 77.75 | 78.04 | 79.51 | 79.36 |
| 2011 | 107.80 | 106.19 | 111.33 | 95.03 |
| 2012 | 110.27 | 109.07 | 111.63 | 94.10 |
| **2013** | | | | |
| First quarter | 110.73 | 108.24 | 112.57 | 94.33 |

Source: OPEC.

**Chart 11.3: Spot Oil Prices**

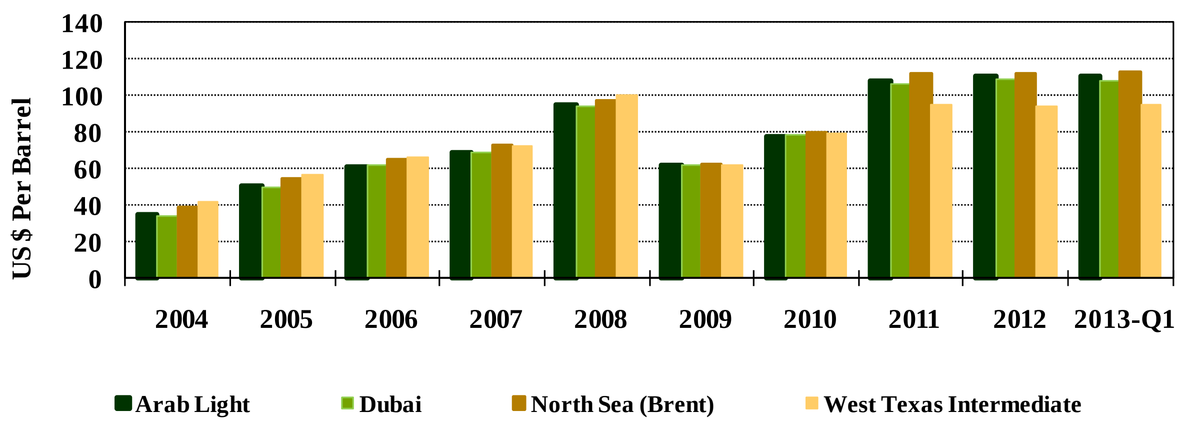


**Table 11.4: NOMINAL AND REAL PRICES OF OIL**

(Base Year 2005)

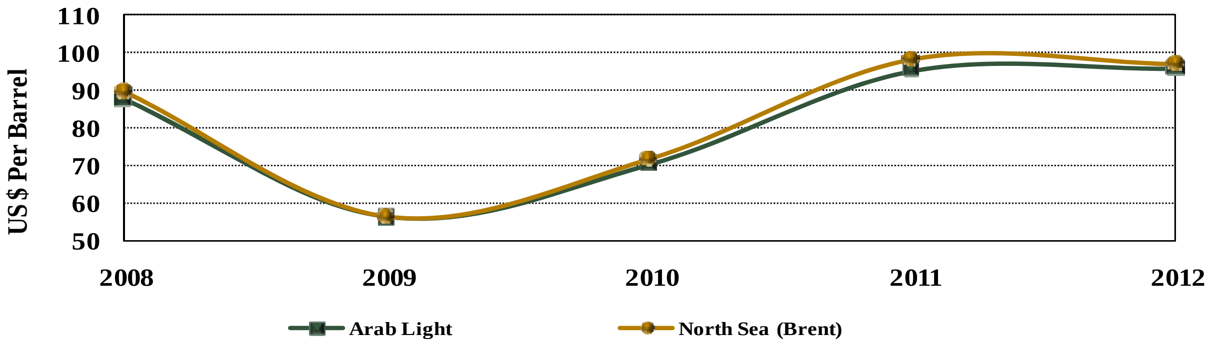
*(US dollars per barrel)*

| | Nominal Prices | | Real Prices* | |
|---|---|---|---|---|
| Year | Arab Light | North Sea (Brent) | Arab Light | North Sea (Brent) |
| 2008 | 95.16 | 97.37 | 87.64 | 89.67 |
| 2009 | 61.38 | 61.68 | 56.04 | 56.31 |
| 2010 | 77.75 | 79.51 | 70.05 | 71.64 |
| 2011 | 107.80 | 111.33 | 95.10 | 98.21 |
| 2012 | 110.27 | 111.63 | 95.72 | 96.90 |

*Real prices have been calculated by using the Consumer Price Index (CPI) in industrial countries with base year 2005.

Sources: IMF's International Financial Statistics Review (IFS), and OPEC.

**Chart 11.4: Real Oil Prices**
**Base year = 2005**




**Taxes on Oil in Industrial Countries**

Taxes on oil in industrial countries increased in 2012. The increase in taxes was accompanied by a rise in the cost of oil per barrel, before calculating taxes, (including costs of crude oil, transport, insurance, refining and marketing). This led to a significant rise in the ratio of tax to the final price in all industrial countries (Table 11.5).

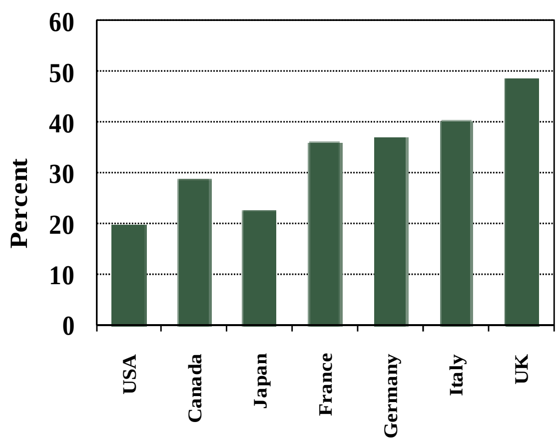
In 2012, the tax on oil in the US went up to $26.70 a barrel which constituted 19.7 percent of the final consumer price, being the lowest tax ratio in industrial countries. The tax in Canada stood at $47.4 a barrel or 28.90 percent of the final consumer price. In Japan, the tax on oil was $51.5 a barrel or 22.7 percent of the final price. It was $81.5 a barrel or 35.8 percent of the final price in France, $81.2 a barrel or 37.1 percent in Germany, and $89.20 a barrel or 40.2 percent in Italy. In the U.K., (which imposed the highest tax on oil) the tax stood at $129.6 a barrel or 48.6 percent of the final consumer price (Chart 11.5).

**Table 11.5: TAXES ON OIL IN INDUSTRIAL COUNTRIES**

| State | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| **USA** | | | | | | |
| Amount of Tax (US dollar per barrel) | 19.77 | 23.35 | 23.06 | 22.45 | 24.30 | 26.70 |
| Ratio of Tax to final price | 20.50 | 17.35 | 22.74 | 18.58 | 18.00 | 19.70 |
| **Canada** | | | | | | |
| Amount of Tax (US dollar per barrel) | 24.73 | 27.44 | 25.70 | 25.63 | 29.20 | 47.40 |
| Ratio of Tax to final price | 23.09 | 19.29 | 25.21 | 22.07 | 19.40 | 28.90 |
| **Japan** | | | | | | |
| Amount of Tax (US dollar per barrel) | 40.64 | 45.59 | 45.59 | 44.67 | 49.30 | 51.50 |
| Ratio of Tax to final price | 27.32 | 22.20 | 26.23 | 24.72 | 22.60 | 22.70 |
| **France** | | | | | | |
| Amount of Tax (US dollar per barrel) | 73.57 | 83.83 | 80.17 | 78.17 | 81.00 | 81.50 |
| Ratio of Tax to final price | 47.22 | 40.26 | 48.10 | 42.99 | 37.10 | 35.80 |
| **Germany** | | | | | | |
| Amount of Tax (US dollar per barrel) | 67.15 | 74.23 | 74.08 | 72.60 | 77.70 | 81.20 |
| Ratio of Tax to final price | 45.85 | 39.84 | 54.10 | 45.92 | 38.20 | 37.10 |
| **Italy** | | | | | | |
| Amount of Tax (US dollar per barrel) | 69.88 | 75.24 | 72.40 | 73.49 | 76.00 | 89.20 |
| Ratio of Tax to final price | 46.97 | 38.64 | 47.95 | 42.31 | 35.60 | 40.20 |
| **UK** | | | | | | |
| Amount of Tax (US dollar per barrel) | 106.04 | 118.10 | 115.77 | 112.03 | 117.40 | 129.60 |
| Ratio of Tax to final price | 53.68 | 46.11 | 55.61 | 50.19 | 45.90 | 48.60 |

Source: OPEC.

**Chart 11.5: The Ratio of Tax to Final Oil Price for Consumer in Selected Industrialized Countries in 2010**




### The Kingdom's Proven Reserves of Oil and Natural Gas

The Kingdom's proven reserves of crude oil stood at 265.9 billion barrels at the end of 2012, rising slightly by 0.2 billion barrels over the preceding year. In addition, the Kingdom's proven reserves of natural gas rose by 1.0 percent to 290.8 trillion standard cubic feet at the end of 2012 compared to 287.8 trillion standard cubic feet at the end of 2011.

### Saudi Crude Oil Production

During 2012, Saudi crude oil production rose by 5.1 percent to 3,573.4 million barrels from 3,398.5 million barrels in 2011 (Table 11.6). Thus, the Kingdom's average daily production was 9.8 million barrels in 2012.

**Table 11.6: SAUDI CRUDE OIL PRODUCTION**

*(Million barrels)*

| | 2009 | 2010 | 2011 | 2012 | % change 2011 | % change 2012 |
|---|---|---|---|---|---|---|
| **Total production** | 2,987.3 | 2,980.4 | 3,398.5 | 3,573.4 | 14.0 | 5.1 |
| **Daily average** | 8.2 | 8.2 | 9.3 | 9.8 | 14.0 | 4.8 |

Source: Ministry of Petroleum and Mineral Resources.

**Saudi Production and Consumption of Refined Products**

The Kingdom's production of refined products increased by 4.1 percent to 705.3 million barrels in 2012 from 677.7 million barrels in 2011 (Table 11.7).

Total domestic consumption of refined products of crude oil and natural gas went up by 6.6 percent to 1,408.6 million barrels in 2012 from 1,321.4 million barrels in 2011 (Table 11.8).

The increase in domestic consumption during 2012 was due to a rise in public consumption by 7.2 percent to 1,258.7 million barrels. The oil industry consumption rose by 2.2 percent to 149.9 million barrels. A breakdown of relative shares shows that total public consumption of natural gas accounted for 38.5 percent, diesel 20.1 percent, gasoline 14.0 percent, fuel oil 7.3 percent and crude oil 15.4 percent. As for the oil industry consumption, natural gas accounted for 75.7 percent of total consumption, fuel gas 12.6 percent and fuel oil 4.7 percent.

**Saudi Crude Oil Exports**

The Kingdom's crude oil exports went up during 2012 by 5.7 percent to 2,783.8 million barrels from 2,634.6 million barrels in 2011. The Kingdom's exports of refined products decreased by 4.2 percent to 315.5 million barrels from 329.3 million barrels in 2011 (Table 11.9).

The bulk of the Kingdom's exports of crude oil and refined products during 2012 went to countries of Asia and the Far East region (Chart 11.6). The region received 60.0 percent of the Kingdom's total crude oil exports and 56.6 percent of its total exports of refined products. North American countries came next with 18.7 percent of the Kingdom's total exports of crude oil and 0.2 percent of its total exports of refined products, followed by Western Europe countries with 13.0 percent of the Kingdom's total exports of crude oil and 12.9 percent of its total exports of refined products, the Middle Eastern countries with 3.7 percent of the Kingdom's total exports of crude oil and 17.6 percent of its refined products and African countries with 3.5 percent and 11.1 percent of crude oil and refined products respectively.

**The Kingdom's Petrochemicals Industry**

The Saudi Basic Industries Corporation (SABIC) achieved a record growth in terms of production and sales during 2012. SABIC's production in 2012 rose by 4.4 percent to 72 million tons from 69 million tons in the previous year. The increase in production was due to production of new producing factories and a rise in the production capacities of some plants. Marketed products in 2012 increased by 1.9 percent to 55.2 million tons, compared to 54.2 million tons in the previous year. Sales revenues decreased by 0.5 percent to Rls 189.0 billion compared to Rls 190.0 billion in the preceding

### Table 11.7: THE KINGDOM'S OUTPUT OF REFINED PRODUCTS*

*(Million barrels)*

| Product | 2008 | 2009 | 2010 | 2011 | 2012 | % change 2011 | % change 2012 |
|---|---|---|---|---|---|---|---|
| Liquefied petroleum gas | 11.30 | 12.69 | 12.23 | 11.97 | 11.25 | -2.1 | -6.0 |
| Premium gasoline | 124.01 | 129.62 | 137.08 | 142.58 | 145.89 | 4.0 | 2.3 |
| Naphtha | 76.60 | 65.36 | 71.69 | 62.12 | 64.18 | -13.3 | 3.3 |
| Jet fuel and kerosene | 69.68 | 63.50 | 58.11 | 60.74 | 63.80 | 4.5 | 5.0 |
| Diesel | 247.44 | 227.69 | 231.21 | 229.40 | 234.12 | -0.8 | 2.1 |
| Fuel oil | 174.38 | 181.61 | 162.58 | 152.17 | 168.38 | -6.4 | 10.7 |
| Asphalt | 17.96 | 17.04 | 18.21 | 18.72 | 17.69 | 2.8 | -5.5 |
| **Total** | **721.37** | **697.51** | **691.11** | **677.70** | **705.31** | **-1.9** | **4.1** |

* Including liquefied petroleum and natural gas.

Source: Ministry of Petroleum and Mineral Resources.

### Table 11.8: DOMESTIC CONSUMPTION OF REFINED PRODUCTS, CRUDE OIL AND NATURAL GAS

*(Million barrels)*

| Product | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **A. Public Consumption** | | | | | |
| Liquefied petroleum gas | 13.01 | 13.21 | 13.15 | 15.84 | 13.74 |
| Premium gasoline | 136.70 | 145.12 | 151.35 | 162.46 | 175.92 |
| Jet fuel and Kerosene | 22.63 | 22.24 | 23.25 | 23.90 | 24.76 |
| Diesel | 208.12 | 214.80 | 220.38 | 234.01 | 253.06 |
| Fuel oil | 105.93 | 76.09 | 77.50 | 88.26 | 91.50 |
| Crude oil | 80.46 | 159.63 | 192.75 | 190.73 | 193.50 |
| Asphalt | 22.77 | 21.68 | 22.77 | 20.54 | 19.96 |
| Lubricating oil | 1.85 | 1.83 | 1.89 | 1.76 | 1.60 |
| Natural gas | 381.35 | 380.79 | 405.19 | 437.21 | 484.62 |
| **Sub-total** | **972.81** | **1,035.38** | **1,108.22** | **1,174.72** | **1,258.65** |
| **B. Oil Industry Consumption** | | | | | |
| Liquefied petroleum gas | 2.57 | 2.64 | 0.28 | 2.45 | 2.62 |
| Fuel oil | 8.05 | 7.18 | 4.27 | 6.10 | 7.10 |
| Diesel | 3.35 | 6.01 | 5.51 | 3.62 | 4.90 |
| Fuel gas | 25.11 | 12.10 | 20.23 | 20.16 | 18.81 |
| Crude oil | 0.30 | 0.34 | 0.14 | 0.10 | 0.09 |
| Natural gas | 96.32 | 85.46 | 116.59 | 113.49 | 113.36 |
| Others | 2.21 | 2.14 | 3.68 | 0.77 | 3.06 |
| **Sub-total** | **137.89** | **115.86** | **150.71** | **146.70** | **149.94** |
| **Grand Total** | **1,110.70** | **1,151.25** | **1,258.93** | **1,321.41** | **1,408.59** |

Source: Ministry of Petroleum and Mineral Resources.

## Table 11.9: THE KINGDOM'S EXPORTS OF CRUDE OIL AND REFINED PRODUCTS* (BY REGION)

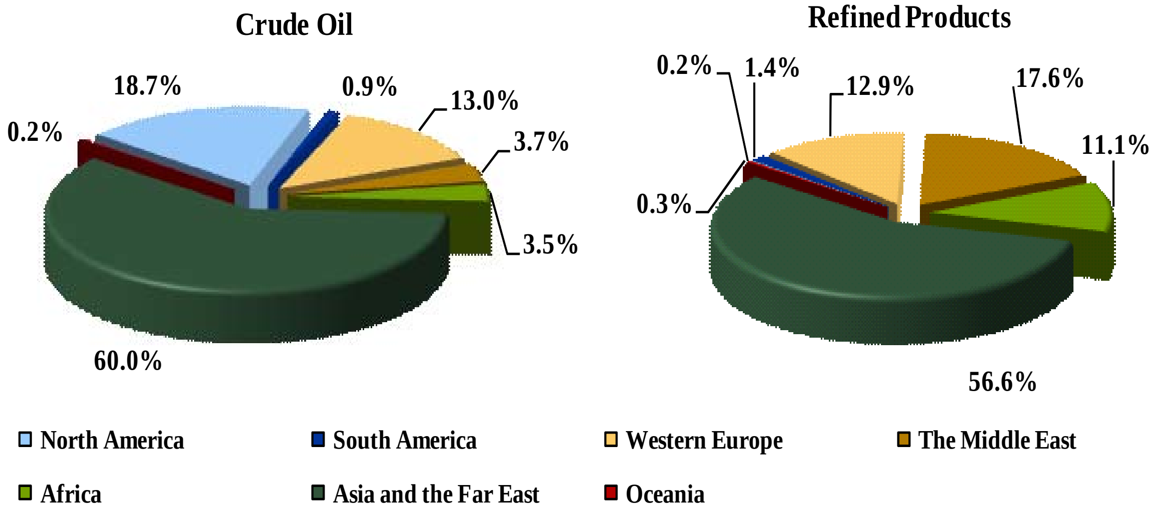
*(Million barrels)*

| Exports to | 2010 Crude oil | 2010 Refined Products | 2011 Crude oil | 2011 Refined Products | 2012 Crude oil | 2012 Refined Products | % share in 2012 Crude oil | % share in 2012 Refined Products |
|---|---|---|---|---|---|---|---|---|
| North America | 442.2 | 5.3 | 479.3 | 1.7 | 521.0 | 0.6 | 18.7 | 0.2 |
| South America | 24.4 | 5.6 | 27.3 | 9.4 | 25.0 | 4.5 | 0.9 | 1.4 |
| Western Europe | 240.2 | 26.0 | 324.8 | 42.7 | 362.6 | 40.6 | 13.0 | 12.9 |
| The Middle East | 107.3 | 74.9 | 103.8 | 58.5 | 102.7 | 55.4 | 3.7 | 17.6 |
| Africa | 54.2 | 33.9 | 61.8 | 35.7 | 97.1 | 34.9 | 3.5 | 11.1 |
| Asia and the Far East | 1,555.2 | 201.4 | 1,633.2 | 180.3 | 1,669.6 | 178.5 | 60.0 | 56.6 |
| Oceania | 1.6 | 0.0 | 4.4 | 0.9 | 5.8 | 1.1 | 0.2 | 0.3 |
| **Total** | **2,425.1** | **347.1** | **2,634.6** | **329.3** | **2,783.8** | **315.5** | **100.0** | **100.0** |

* Including liquefied petroleum gas and natural gas.

Source: Ministry of Petroleum and Mineral Resources.

### Chart 11.6: The Kingdom's Exports of Crude Oil and Refined Products by Region in 2012



year. SABIC net profits stood at Rls 24.7 billion in 2012, going down by 15.5 percent compared to Rls 29.2 billion a year earlier. The increase was ascribed to lower prices of petrochemicals as well as increased cost of sales during 2012.

**Mineral Resources**

The Agency of Petroleum and Mineral Resources supervises mining activities in the Kingdom (Table 11.10) by encouraging investments in the mining sector, providing all possible services and consultations to support this activity, and issuing mining licenses and concessions according to the rules and regulations in force. The number of valid mining licenses amounted to 1,643 at the end of 2012, including 32 for prospecting; 266 for exploration; and 75 for small-size mines; 19 for mining concessions for various metal ores such as gold, copper, zinc, phosphate, accompanied metals and gems, 32 licenses for quarrying and exploiting raw materials for cement industry and other materials, 27 licenses for quarrying and exploiting ores for other industrial metals such as dolomite, shiest, clay, iron and other metals, 1,180 licenses for building material quarries. The Agency's revenues during fiscal year 1433/1434H (2012) stood at Rls 479 million.

A review of the achievements of the Saudi Arabian Mining Company (Ma'aden), which operates five gold mines, (Mahd Al-Dhahab, Al-Sukhayeibrat, Al-Hajjar, Balghah and Al-Amar), indicates that its output of gold decreased by 6.9 percent to 4,292 kgs during 2012 compared to its toal output of 4,612 kgs in 2011. Its output of silver also went down by 10.7 percent to 5,212 kgs in 2012 compared to its total output of 5,839 kgs in 2011. Moreover, its output of zinc fell by 59.5 percent, from 4,934 tons in 2011 to 2000 tons in 2012. In contrast, its output of copper increased by 2.4 percent, from 1,954 tons in 2011 to 2,000 tons in 2012 (Table 11.11).■

**Table 11.10: MINERAL ORES EXTRACTED**

*(Thousand tons)*

| Types of exploited ores | 2008 | 2009 | 2010 | 2011 | 2012* |
|---|---|---|---|---|---|
| Limestone | 36,000 | 37,000 | 45,750 | 46,300 | 48,615 |
| Mud | 5,000 | 5,250 | 5,800 | 6,547 | 6,875 |
| Salt | 1,600 | 1,680 | 1,800 | 1,864 | 1,957 |
| Silica sand | 800 | 840 | 820 | 1,303 | 1,368 |
| Crushers materials (pebbles ) | 248,000 | 260 | 277 | 2,727 | 28,635 |
| Sand | 22,000 | 23,100 | 260 | 25 | 26,670 |
| Iron sands | 581 | 600 | 550 | 652 | 685 |
| Gypsum | 2,300 | 2,415 | 2,100 | 2,239 | 2,351 |
| Marble for industrial purposes | 1,000 | 1,050 | 1,500 | 1,352 | 1,420 |
| Marble masses | 85 | 90 | 48 | 24 | 25 |
| Granite masses | 110 | 116 | 1,100 | 993 | 1,043 |
| Limestone masses | 242 | 254 | 256 | 770 | 809 |
| Kaolin | --- | --- | 62 | 70 | 74 |
| Barite | --- | --- | 30 | 30 | 32 |
| Feldspar | 55 | 58 | 42 | 160 | 168 |
| Basalt | --- | --- | --- | --- | --- |
| Boslan | 810 | 850 | 915 | 1,010 | 1,061 |
| Dolomite | 465 | 480 | 583 | 616 | 647 |
| Shiest | 608 | 640 | 603 | 738 | 775 |
| Berofilit | 40 | 40 | 24 | 8 | 8 |
| Shiest | --- | 246 | 284 | 634 | 668 |
| | --- | --- | --- | --- | 1,534 |

* Estimated ( --- ) Not Available.

Source: Agency of Petroleum and Mineral Resources.

**Table 11.11: THE SAUDI ARABIAN MINING COMPANY (MA'ADEN'S) PRODUCTION**

| Year | Gold (thousand ounces) | Silver (thousand ounces) | Copper (tons) | Zinc (tons) | Lead (tons) |
|---|---|---|---|---|---|
| 2008 | 4527.0 | 8232.0 | 1465 | 3663 | 347 |
| 2009 | 4857.5 | 7527.0 | 1719 | 5507 | 685 |
| 2010 | 4477.1 | 7670.0 | 1603 | 4218 | 543 |
| 2011 | 4612.0 | 5839.0 | 1954 | 4934 | 396 |
| 2012 | 4292.0 | 5212.0 | 2000 | 2000 | --- |

( --- ) Not Available.

Source: The Saudi Arabian Mining Company (Ma'aden).

**Appendix of statistical tables is available on SAMA's website on the following link:**

http://www.sama.gov.sa/ReportsStatistics/statistics/Pages/Home.aspx