Kingdom of Saudi Arabia

Saudi Arabian Monetary Agency

Fiftieth Annual Report

1435H (2014)

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 Fiftieth Annual Report of the Saudi Arabian Monetary Agency, which reviews the latest developments in the Saudi economy during fiscal year 1434/35H (2013). The Report covers developments in various areas of the domestic economy, including monetary developments, banking activity, capital market, prices, public finance, national accounts, foreign trade and balance of payments. It also provides an overview of the latest economic developments in the different domestic productive sectors, apart from giving a full description of SAMA's functions such as designing and conducting monetary policy and supervising commercial banks and activities of cooperative insurance and finance sectors. In addition, it includes the auditors' report on SAMA's balance sheet for the two fiscal years ended on June 30th, 2012 and June 30th, 2013.

The Report mainly relies on official data obtained from ministries, government departments and public sector enterprises, in addition to data issued by SAMA.

I would like to thank all ministries and other entities for their cooperation in providing valuable information and data that enabled SAMA to prepare this Report. I also would like to thank all SAMA's staff for their efforts preparation of this Report and performance of all functions entrusted to SAMA in general.

Fahad Abdullah Almubarak
Governor and Chairman of the Board

Sha'ban 1435H
June 2014

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For the latest quarterly and non-quarterly reports, monetary and banking statistics, balance of payments estimates and instructions issued to financial institutions supervised by SAMA, please visit SAMA's website:

http://www.sama.gov.sa

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The 50th anniversary of SAMA's annual report is an appropriate occasion to review the development witnessed by the report and SAMA during a period of more than half a century, i.e. since the debut of the report in 1380H (1961). The development in the annual report has coincided with an expansion in SAMA's functions and considerable growth in the national economy and the banking and financial sector.

SAMA's annual report has become one of the most significant official reports reviewing, on a yearly basis, latest economic developments in various sectors and activities in a way that is reliable, official and publicly available. A comparison between SAMA 1st and 50th annual reports shows a remarkable quantum leap in all aspects. The first report issued in 1380H (1961) (consisting of 22 pages in addition to a statistical appendix) included few topics addressing the currency stabilization program, fiscal developments, money and banks, as well as a statistical tables appendix encompassing the national economy's most important indicators. On the other hand, the 50th report is an inclusive report reviewing domestic and global economic developments with a great emphasis on the national economy, including developments in the monetary and banking sector, finance, insurance, capital market, external sector, commerce and industry, water and electricity, transport and communications, agriculture and animal husbandry, population and labor force, health and social services, and petroleum and mineral resources, in addition to statistics covering these areas in the form of time series updated biannually on SAMA's website. The report's current contents also indicate the new responsibilities entrusted to SAMA, such as supervision of finance and cooperative insurance companies. As for monetary, banking and balance of payments data, they are prepared according to an internationally recognized statistical methodology adopted by international organizations, such as the International Monetary Fund (IMF). The recent annual reports have also become publicly available on SAMA's website.

Since the issuance of its 1st report to the 50th, it is quite clear that SAMA has witnessed substantial development in terms of its work and functions. During its early history, SAMA's functions have been limited to issuing the currency, conducting monetary policy and supervising banks, as well as acting as the government's bank. At present, however, they include supervision of finance companies, cooperative insurance and insurance related services companies, and supervision of the Saudi Credit Bureau (SIMAH). Moreover, they extend to promotion of the growth of the financial system and ensuring its soundness, and development of training programs to further advance the competence of the banking and financial sector's employees. SAMA also represents the Kingdom through its membership in several international organizations, such the IMF, the World Bank, Bank of International Settlements and others.

The Saudi banking and financial sector has witnessed significant growth during the aforementioned period. The sector has grown enormously to cope with the considerable increase in government revenues and expenditures, the need for financing development projects, tremendous developments in the area of telecommunications and computer technology, and the society's growing demand for financial and banking services. Commercial banks' financial position has improved during the period under review. Their assets grew from SAR 921 million in 1961 to SAR 1,893.2 billion in 2013 and money supply (M3) from SAR 937.8 million in 1961 to nearly SAR 1,545.1 billion in 2013. This period has also witnessed a large increase in the number of commercial banks operating in the Kingdom, with their number in 1961 standing at 12, of which 3 were Saudi and the rest were foreign banks. The number of branches stood at 50 in that year. At the end of 2013, the number of banks operating in the Kingdom was 23, of which 13 were Saudi. The number of commercial banks' branches rose to 1,768. This progress has been coupled with the introduction of state-of-the art technology in payments and services, such as ATMs, points of sale (POS) terminals, telephone banking, e-banking, and SARIE and SADAD payment systems.

At the level of the national economy developments, the Saudi economy underwent a difficult crisis during the period preceding the issuance of the first annual report (1370H-1375H). Government expenditures increased while revenues were modest, resulting in a rise in the government debt. Hence, the balance of payments was adversely affected, the Saudi riyal exchange rate against the US dollar dropped in the free market from SAR 3.75 per dollar to SAR 6.25 per dollar. This has also resulted in an efflux of Saudi capital due to shaky confidence, and a rise in inflation. Consequently, the Kingdom sought the advice of the IMF to study the economic situation of the Kingdom and make recommendations thereon. As a result, a currency stabilization program was announced by the government of Saudi Arabia in Shawwal 1377H. In contrast, our national economy has recently gained great strength and stability, as evidenced in unprecedented figures recorded by various macroeconomic variables. For instance, the current account surplus of the Kingdom's balance of payments rose from SAR 1.0 billion in 1961 to SAR 503.7 billion in 2013. Government expenditure also went up from SAR 1.6 billion in 1961 to SAR 925 billion in 2013. Moreover, SAMA's total assets increased from SAR 1 billion in 1961 to SAR 2,738 billion at the end of 2013.

World Economic Situation

The world economy witnessed a slight decline in its growth rate to 3.0 percent during 2013 from 3.1 percent in 2012. This was due to a number of factors, including a further weakening in domestic demand, slow growth in a number of key emerging economies and continuation of recession for a longer period in the euro area. According to estimates of the IMF's World Economic Outlook (WEO), April 2014, the global growth is projected to strengthen to 3.6 percent in 2014.

Economic Growth

Advanced economies registered a growth rate of 1.3 percent against 1.4 percent in the preceding year. In the United States, the growth rate stood at 1.9 percent in 2013 compared to 2.8 percent in 2012 **(Table 1.1)**. The euro area recorded a contraction of 0.4 percent in 2013 against a contraction of 0.7 percent in 2012. Germany grew by 0.5 percent in 2013 compared to 0.9 percent in 2012. France registered a growth of 0.3 percent in 2013. Italy witnessed a contraction of 1.8 percent in 2013 against a contraction of 2.5 percent in 2012. Japan grew by 1.6 percent in 2013 against a growth rate of 1.4 percent in the previous year. In the United Kingdom, the growth rate was 1.8 percent in 2013 compared to 0.3 percent in 2012. In the emerging markets and developing countries, the growth rate dropped to 4.7 percent in 2013 from 4.9 percent in 2012. The growth rate in Asian developing countries stood at 6.5 percent in 2013, compared to 6.4 in the preceding year. The growth rate in China stood at 7.7 percent in 2013. In India, the growth rate rose to 4.4 percent in 2013 from 3.2 percent in 2012. In the Middle East and North African (MENA) countries, Afghanistan and Pakistan, the growth rate went down to 2.4 percent in 2013 from 4.1 percent in 2012. Central and Eastern Europe countries (CEECs) registered a growth rate of 2.5 percent in 2013 against 1.4 percent in 2012. Latin America and the Caribbean countries grew by 2.7 percent against 3.0 percent in the previous year. Commonwealth of Independent States (of former Soviet Union) registered a growth rate of 2.0 percent in 2013 compared to 3.4 percent in 2012.

According to WEO projections, the growth rate of the world economy is projected to strengthen to 3.6 percent in 2014. Advanced economies are projected to record a growth rate of 2.2 percent in 2014. The euro area is expected to register an improved growth of 1.1 percent in 2014. The growth rate in developing and emerging economies is expected to increase to 5.0 percent in 2014. In China, the growth rate is expected to decline to 7.5 percent in 2014 from 7.7 percent in 2013. In the United States, the growth rate is expected to rise to 2.9 percent in 2014. **Chart 1.1** shows the world real GDP growth rates in a group of countries during 2009-2014.

Inflation

Globally, the inflation rate declined to 3.8 percent in 2013 from 4.0 percent in 2012. In advanced economies, inflation rate went down to 1.4 percent in 2013 from 2.0 percent in 2012 and in the euro area to 1.4 percent from 2.5 percent. However, the inflation rate in Asian developing countries rose to 4.8 percent in 2013 from 4.5 percent in 2012. In the Commonwealth of Independent States, the rate went down slightly to 6.4 percent in 2013 from 6.5 percent in 2012 **(Table 1.2)**. **Chart 1.2** shows percentage change in consumer prices for groups of countries during 2012-2014.

Unemployment

Unemployment rates in advanced economies decreased to 7.9 percent in 2013 from 8.0 percent in 2012. In the United States, it went down to 7.4 percent in 2013 from 8.1 percent in 2012. In the euro area, it rose to 12.0 percent in 2013 from 11.3 percent in 2012. The unemployment rate in France increased to 10.8 percent from 10.2 percent. In Germany it declined to 5.3 percent from 5.5 percent, while in Italy it rose to 12.2 percent from 10.6 percent. In the United Kingdom, it dropped to 7.6 percent. The rate in Japan fell to 4.0 percent in 2013 from 4.3 percent

Table 1.1: WORLD REAL GDP GROWTH RATES

(Percent)

	2007	2008	2009	2010	2011	2012	2013	Projections 2014
World	**5.4**	**2.8**	**-0.6**	**5.2**	**4.0**	**3.1**	**3.0**	**3.6**
Advanced economies	**2.8**	**0.1**	**-3.5**	**3.0**	**1.6**	**1.4**	**1.3**	**2.2**
USA	1.9	-0.3	-3.1	2.4	1.8	2.8	1.9	2.9
Euro area	3.0	0.4	-4.4	2.0	1.4	-0.7	-0.4	1.1
Germany	3.4	0.8	-5.1	4.0	3.1	0.9	0.5	1.6
France	2.3	-0.1	-3.1	1.7	1.7	0.0	0.3	0.0
Italy	1.7	-1.2	-5.5	1.8	0.4	-2.5	-1.8	0.6
Japan	2.2	-1.0	-5.5	4.7	-0.6	1.4	1.6	1.5
U.K.	3.6	-1.0	-4.0	1.8	0.9	0.3	1.8	2.9
Canada	2.1	1.1	-2.8	3.2	2.6	1.7	1.7	2.3
Other advanced economies	4.2	0.9	-2.1	4.5	2.6	1.9	2.2	3.0
Emerging markets and developing countries	**8.7**	**6.1**	**2.7**	**7.6**	**6.4**	**4.9**	**4.7**	**5.0**
Sub - Saharan Africa	7.0	5.6	2.7	5.4	5.3	4.9	5.0	5.8
Asian developing countries	11.6	7.9	6.9	10.0	8.1	6.4	6.5	6.7
China	14.2	9.6	9.2	10.4	9.3	7.7	7.7	7.5
India	10.1	6.2	4.9	11.2	7.7	3.2	4.4	5.4
MENA, Afghanistan and Pakistan	6.3	5.0	2.9	5.3	3.9	4.1	2.4	3.4
CEECs	5.4	3.1	-3.6	4.6	5.2	1.4	2.5	2.3
Latin America and Caribbean countries	5.8	4.2	-1.5	6.1	4.6	3.0	2.7	2.8
Brazil	6.1	5.2	-0.3	7.5	2.7	1.0	2.3	2.3
Commonwealth of Independent States	**9.0**	**5.3**	**-6.5**	**4.9**	**4.8**	**3.4**	**2.0**	**2.3**
Russia	8.5	5.2	-7.8	4.5	4.3	3.4	1.3	1.3

Source: IMF, World Economic Outlook, April, 2014.

Chart 1.1: World Real GDP Growth Rates

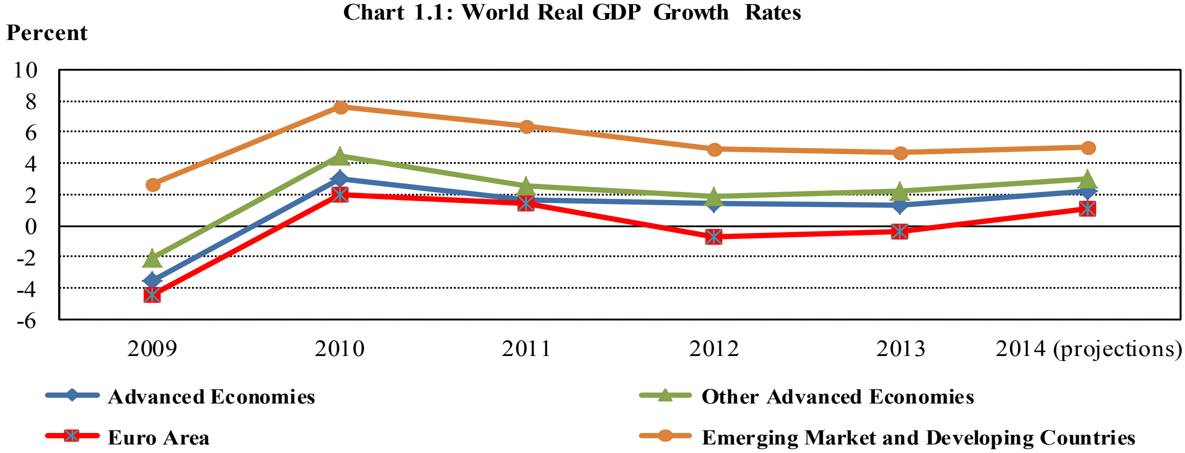


Table 1.2: INFLATION AND INTEREST RATES

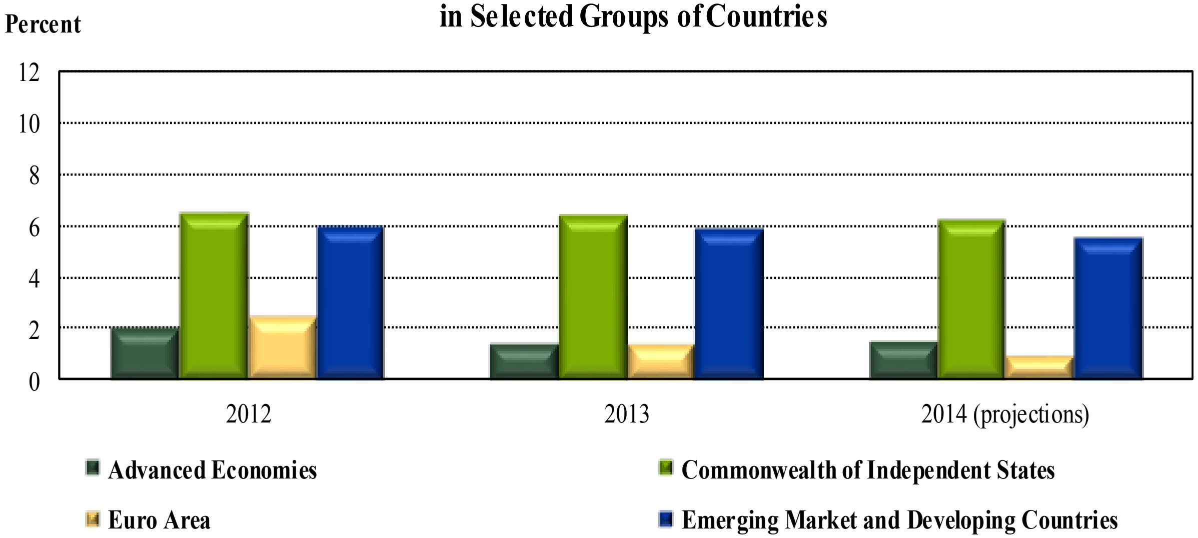
(Percent)

	2012	2013	Projections 2014
Inflation rate			
Advanced economies	2.0	1.4	1.5
Euro area	2.5	1.4	1.0
Emerging markets and developing countries	6.0	5.9	5.5
Developing asian countries	4.5	4.8	4.5
Commonwealth of independent states	6.5	6.4	6.2
LIBOR(1)			
U.S. dollar deposits	0.7	0.4	0.4
Japanese yen deposits	0.3	0.3	0.2
Euro deposits	0.6	0.2	0.3

(1) Six-month rate for each of USA and Japan and three-month rate for euro area.

Source: IMF, World Economic Outlook, April, 2014.

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



in 2012 and in Canada to 7.1 percent from 7.3 percent **(Table 1.3)**. **Chart 1.3** shows unemployment rates in groups of countries during 2010-2014. The unemployment rate in 2014 is projected to fall in advanced economies and to be stable in the euro area countries.

Fiscal Balances

Advanced economies recorded a decline in their fiscal deficit to 3.9 percent of GDP in 2013, compared to a deficit of 4.9 percent in 2012. The deficit in the United States went down to 7.3 percent in 2013 from 9.7 percent in 2012 and in the euro area to 3.1 percent from 3.7 percent. In Germany, the deficit stood at 0.1 percent in 2013. In France, it decreased to 4.2 percent in 2013 from 4.8 percent in 2012. In Italy, it rose to 3.1 percent in 2013 from 2.9 percent in 2012. The deficit went down in Japan to 8.3 percent in 2013 from 8.7 percent in 2012 and in the United Kingdom to 5.9 percent from 8.0 percent. In Canada, the deficit declined to 3.1 percent in 2013 from 3.4 percent in 2012 **(Table 1.4)**.

Table 1.3: ADVANCED ECONOMIES: UNEMPLOYMENT RATES
(Ratio to labor force)

	2011	2012	2013	Projections 2014
Advanced economies	7.9	8.0	7.9	7.6
United States	9.0	8.1	7.4	6.5
Euro area	10.2	11.3	12.0	12.0
Germany	6.0	5.5	5.3	5.3
France	9.6	10.2	10.8	11.1
Italy	8.4	10.6	12.2	12.4
Japan	4.6	4.3	4.0	4.0
U.K.	8.0	8.0	7.6	6.9
Canada	7.5	7.3	7.1	7.0
Source: IMF, World Economic Outlook, April, 2014.				

Chart 1.3: Unemployment Rates

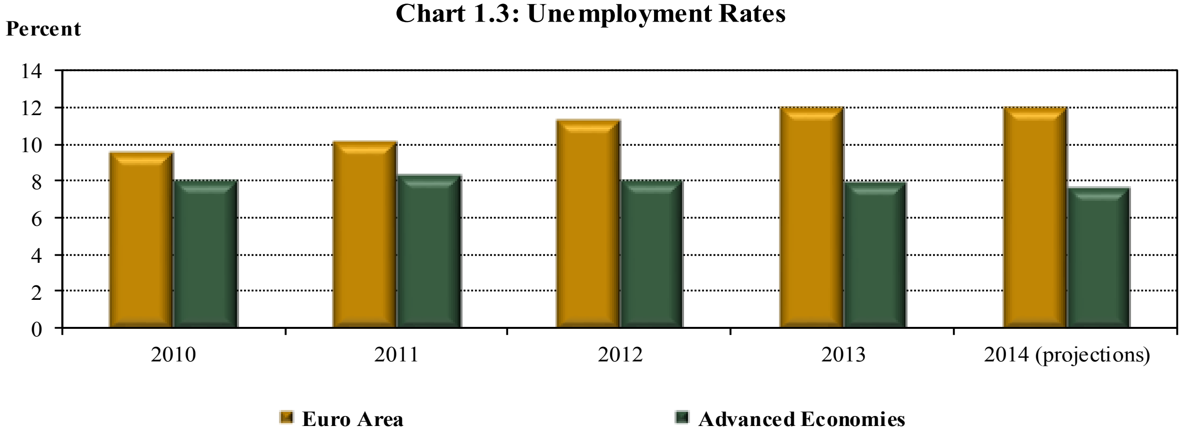


Table 1.4: TRENDS OF GOVERNMENT FISCAL BALANCES*
(Percent)

	2011	2012	2013	Projections 2014
Advanced economies	-5.6	-4.9	-3.9	-3.3
Major advanced economies	-8.2	-7.3	-5.9	-5.1
United States	-11.0	-9.7	-7.3	-6.4
Euro area	-4.2	-3.7	-3.1	-2.7
Germany	-0.8	1.0	-0.1	-0.1
France	-5.3	-4.8	-4.2	-3.7
Italy	-3.7	-2.9	-3.1	-2.7
Japan	-9.8	-8.7	-8.3	-7.1
U.K.	-7.8	-8.0	-5.9	-5.3
Canada	-3.7	-3.4	-3.1	-2.6
Other advanced economies	-1.7	-1.1	-1.3	-1.1

*Ratio of surplus/deficit to GDP.
Source: IMF, World Economic Outlook, April, 2014.

Monetary and Financial Developments

Interest Rates

The prevailing US dollar LIBOR* rate declined to 0.4 percent in 2013, and it is projected to be stable at 0.4 percent in 2014. The interest rate for euro deposits decreased to 0.2 percent in 2013 from 0.6 percent in 2012, and it is projected to increase to 0.3 percent in 2014. The interest rate for Japanese yen deposits was stable at 0.3 percent in 2013, and it is projected to decline to 0.2 percent in 2014 **(Table 1.2)**.

Exchange Rates

At the end of 2013, a number of currencies rose against the US dollar. The pound sterling rose by 2.4 percent, the South Korean won by 2.1 percent, and the euro by 1.9 percent. The US dollar rose by 5.7 percent against the Brazilian real and by 4.5 percent against the South African rand.

The Japanese yen exchange rate decreased by 6.7 percent against the US dollar at the end of 2013. This decline was attributable to investors' expectation that Bank of Japan will unleash a new quantitative easing package. The Japanese yen exchange rate reached 105.26 per US dollar at the end of 2013. The pound sterling exchange rate rose by 2.3 percent to 1.65 against the US dollar at the end of 2013.

Capital and Bond Markets

Capital Markets

The global capital markets witnessed a rise at the end of 2013 due to the improvement in the economies of most advanced countries, and the increase in corporate profits due to the Federal Reserve's reduction of its monthly purchases of US government bonds.

In the United States, Dow Jones Industrial Average Index (DJIA) increased by 9.5 percent to 16,576.6 at the end of 2013. This rise was due to the increase in American corporates' profits and the decrease in employment rate. In Japan, NIKKI index

* Average 6 months for the US and Japan, and 3 months for the euro area

went up by 12.7 percent at the end of 2013 to 15,391.5 at the beginning of 2014. The rise was attributable to the decline in the Japanese yen exchange rate against the US dollar, improvement in the global economy performance, and successful economic stimulus measures taken by the Japanese government.

In Europe, the MSCI Euro Index rose significantly at the end of 2013 to 971.4. This rise was due to the recovery in economic growth in the European group. In the United Kingdom, the FTSE-100 index rose at the end of 2013 to 6,777.7. The increase was attributable to increasing confidence in industrial corporations in the United Kingdom.

Bond Markets

Yields on most of U.S. government bonds went up during 2013. Yields on 7-year notes registered the highest increase, rising by 44.6 basis points to 2.5 percent. Yields on 10-year notes increased by 41.8 basis points to 3.0 percent and on 5 -year notes by 36.1 basis points to 1.7 percent. However, yields on short-term government bonds declined. The largest fall on one-month bonds was 0.1 basis points to 0.01 percent. In Japan, yields on long-term government bonds went up during 2013. Yields on 10-year bonds rose by 5.5 basis points to 0.7 percent and on 7-year bonds by 5.4 basis points to 0.5 percent. Yields on 3-year bonds declined by 2.3 basis points to 0.1 percent.

In the euro area, yields on most of government bonds went up during 2013. Yields on 6-year bonds registered the highest rise of 30.9 basis points to 1.2 percent. Yields on 8-year bonds rose by 27.1 basis points to 1.6 percent, and on 2-year by 4.6 basis points to 0.2 percent.

International Trade and Balances of Payments

A. International Trade

The world trade growth stood at 2.7 percent in 2013. It is projected to record a growth rate of 4.5 percent in 2014. The growth rate of exports of goods and services in major advanced economies stood at 2.0 percent in 2013. It is projected to record a growth rate of 4.3 percent in 2014. In emerging markets and developing countries, the growth rate was 3.8 percent in 2013 compared to 4.2 percent in 2012, and it is expected to rise by 5.3 percent in 2014 **(Table 1.5)**.

Imports of goods and services in major advanced economies recorded a growth rate of 1.3 percent in 2013 against a growth rate of 1.0 percent in 2012. The rate is projected to stand at 3.7 percent in 2014. In emerging markets and developing countries, the rate was 5.8 percent in 2013 compared to 5.9 percent in 2012, and it is projected to record a growth of 5.2 percent in 2014.

B. Balances of Payments

The current account of the balances of payments of advanced economies, as a ratio of GDP, recorded a surplus of 0.2 percent in 2013 against a deficit of 0.1 percent in 2012. The surplus is projected to rise to 0.4 percent in 2014. In the United States, the current account deficit went down from 2.7 percent in 2012 to 2.3 percent in 2013, and it is projected to decline to 2.1 percent in 2014. In the euro area, the current account recorded a surplus of 2.3 percent in 2013 against 1.9 percent in 2012. It is projected to be stable at 2.3 percent in 2014. In Germany, the surplus stood at 7.0 percent in 2013, and it is projected to stand at 6.6 percent in 2014. In France, the deficit went up from 2.2 percent in 2012 to 3.1 percent in 2013, and it is projected to stand at 3.1 percent in 2014. In Italy, the current account registered a surplus of 0.2 percent in 2013 compared to a deficit of 0.4 percent in 2012, and the surplus is projected to go down to 0.1 percent in 2014. In Japan, the surplus decreased to 0.7 percent in 2013 from 1.0 percent in 2012, and it is projected to rise to 1.6 percent in 2014. In the United Kingdom, the deficit went down to 3.4 percent in 2013 from 3.7 percent in 2012, and it is projected to decline to 2.6 percent in 2014 **(Table 1.5)**.

Table 1.5: WORLD TRADE AND CURRENT ACCOUNT

(Percent)

	2012	2013	Projections 2014
Growth rate of world trade (goods and services)	2.7	2.7	4.5
Exports			
Advanced economies	2.0	2.0	4.3
Emerging markets and developing countries	4.2	3.8	5.3
Imports			
Advanced economies	1.0	1.3	3.7
Emerging market and developing countries	5.9	5.8	5.2
Current Account[(1)]			
Advanced economies	-0.1	0.2	0.4
USA	-2.7	-2.3	-2.1
Euro area	1.9	2.3	2.3
Germany	7.0	7.0	6.6
France	-2.2	-3.1	-3.1
Italy	-0.4	0.2	0.1
Japan	1.0	0.7	1.6
U.K.	-3.7	-3.4	-2.6
Canada	-3.4	-3.3	-3.2

(1) Ratio of surplus/deficit to GDP.

Source: IMF, World Economic Outlook, April, 2014.

In Asian developing countries, the current account surplus, as a ratio of GDP, declined to 0.9 percent in 2013 from 1.0 percent in 2012, and it is projected to rise to 1.2 percent in 2014. In the Commonwealth of Independent States, the surplus declined from 3.2 percent to 0.8 percent, and it is projected to increase to 1.2 percent in 2014. In MENA countries, Pakistan and Afghanistan, the surplus went down from 11.5 percent in 2012 to 9.3 percent in 2013, and it is expected to decline further to 8.1 percent in 2014. The Sub-Saharan African Countries registered a deficit of 3.8 percent in 2013 against 2.8 percent in the preceding year, and they are expected to record a deficit of 4.0 percent in 2014. In Latin America and the Caribbean countries, the deficit went up from 1.7 percent in 2012 to 2.6 percent in 2013, and it is expected to stand at 2.6 percent in 2014.

Capital Flows to Emerging and Developing Markets

Net private capital flows to emerging and developing markets increased to $474.8 billion in 2013 from $247.7 billion in 2012, and they are expected to decline to $404.7 billion in 2014. Region-wise data show that net inflows in the Asian developing countries were $306.9 billion in 2013 against $116.6 billion in 2012, and they are projected to drop to $283.1 billion in 2014. Net capital inflows in Latin American and the Caribbean countries amounted to $155.7 billion against $138.7 billion in the preceding year, and they are expected to amount to $114.2 billion in 2014. Net capital outflows in MENA countries, Afghanistan and Pakistan stood at $40.4 billion in 2013 against $41.9 billion in 2012, and they are projected to stand at $13.7 billion in 2014 **(Table 1.6)**.

A breakdown of the components of the flows shows that net direct investment flows to emerging and developing markets went down from $471.4 billion in 2012 to $437.9 billion in 2013, and they are expected to decrease further to $415.1 billion in 2014. Net portfolio investment inflows stood at $194.6 billion in 2013 against $232.8 billion in the preceding year. Meanwhile, net inflows are expected to amount to $183.8 billion in 2014. Net outflows of other investments stood at $157.6 billion in 2013, compared to $456.6 billion in 2012, and they are expected to increase to $194.2 billion in 2014.

World Oil Market

Average world demand for oil increased by 1.4 percent or 1.2 million barrels per day (b/d) in 2013. Demand for oil by OECD countries went up by 0.1 million b/d, and by non-OECD countries by 1.2 million b/d during 2013.World demand for oil is projected to rise by 1.4 million b/d in 2014. The rise is due to the increased demand for oil by emerging markets.

Average world oil supply* rose by 0.6 million b/d during 2013. OPEC production declined by 0.7 million b/d. However, oil supply by non-OPEC countries, OECD countries in particular, went up by 1.3 million b/d in 2013.

Economic Developments in GCC countries

Economic growth rates (in real terms) in GCC countries, except Bahrain, went down during 2013. The growth rate declined in Saudi Arabia from 5.8 percent in 2012 to 4.0 percent in 2013, the United Arab Emirates from 4.4 percent to 4.1 percent, Qatar from 6.2 percent to 6 percent, Oman from 5.8 percent to 5.4 percent, and in Kuwait from 8.3 percent to 3.5 percent. The growth rate in Bahrain rose from 3.4 percent in 2012 to 4.6 percent in 2013 **(Table 1.7)**.

The inflation rate increased in Saudi Arabia from 2.9 percent in 2012 to 3.5 percent in 2013, Bahrain from 2.7 percent to 3.3 percent, the United Arab Emirates from 0.7 percent to 1.1 percent, and Qatar from 1.9 percent to 3.1 percent. In Kuwait, it declined from 2.9 percent in 2012 to 2.7 percent in 2013. It also went down in Oman from 2.9 percent to 1.3 percent.

With regard to their balances of payments, total exports of the GCC countries declined by 0.3 percent from $1,062.7 billion in 2012 to $1,059.2 billion in 2013. Total imports of the GCC countries rose by 8.5 percent from $455.8 billion in 2012 to $494.5 billion in 2013. The current account surplus declined in most of GCC countries during 2013, with the current account surplus in Saudi Arabia decreasing from $164.8 billion in 2012 to $132.6 billion in 2013. It also went down in Kuwait from $79.2 billion to $72.9 billion, the United Arab Emirates from $66.6 billion in 2012 to $58.1 billion in 2013, and Oman from $8.3 billion in 2012 to $7.8 billion in 2013. In Qatar, the surplus rose from $61.6 billion in 2012 to $65.8 billion in 2013. The surplus in Bahrain also went up from $2.2 billion in 2012 to $2.5 billion in 2013.

Regional and International Cooperation

1. GCC Monetary Union

Member states of the monetary union (Kingdom of Saudi Arabia, Bahrain, Qatar and Kuwait) ratified the monetary union agreement on January 27, 2010. The Charter of the GCC Monetary

* Including natural gas condensate and liquids

Table 1.6: CAPITAL FLOWS TO EMERGING AND DEVELOPING COUNTRIES

($ billion)

	2011	2012	2013	Projections 2014
Emerging & developing countries				
Net private capital flows	504.6	247.7	474.8	404.7
Net direct investments	520.5	471.4	437.9	415.1
Net portfolio investment	91.5	232.8	194.6	183.8
Net other investments	-107.5	-456.6	-157.6	-194.2
Net official flows	-12.4	4.5	-73.5	-0.8
Changes in reserves*	-723.8	-406.3	-481.6	-558.6
Sub - Saharan Africa				
Net private capital flows	-5.5	12.6	26.5	31.3
Net direct investment	32.7	32.4	35.5	38.3
Net portfolio investment	-8.3	10.1	-1.0	5.3
Net other investments	-29.9	-29.9	-8.0	-12.2
Net official flows	31.1	34.1	21.9	34.2
Changes in reserves*	-21.9	-19.2	-0.7	-8.7
Developing Asia				
Net private capital flows	370.8	116.6	306.9	283.1
Net direct investment	288.8	238.6	194.4	169.2
Net portfolio investment	56.7	109.0	72.9	97.0
Net other investments	25.2	-231.1	39.7	16.9
Net official flows	10.8	19.0	24.6	30.5
Changes in reserves*	-437.5	-131.8	-412.5	-465.3
MENA, Afghanistan and Pakistan				
Net private capital flows	-96.0	-41.9	-40.4	-13.7
Net direct investment	20.3	30.1	24.8	28.5
Net portfolio investment	-22.3	40.2	36.4	28.2
Net other investments	-94.0	-112.3	-101.5	-70.5
Net official flows	-83.6	-129.1	-139.9	-129.5
Changes in reserves*	-141.0	-171.2	-113.9	-97.9
Latin America and Caribbean countries				
Net private capital flows	202.1	138.7	155.7	114.2
Net direct investment	126.8	129.8	148.8	137.2
Net portfolio investment	58.7	31.7	39.5	22.2
Net other investments	16.6	-22.8	-32.6	-45.1
Net official flows	25.1	26.6	30.2	44.0
Changes in reserves*	-85.9	-31.5	17.7	6.0
Commonwealth of Independent States**				
Net private capital flows	-63.3	-41.0	-42.0	-61.4
Net direct investment	13.5	17.3	14.0	17.1
Net portfolio investment	-27.5	-4.9	2.9	6.0
Net other investments	-49.2	-53.4	-58.9	-84.5
Net official flows	-17.9	1.9	0.2	16.5
Changes in reserves*	-23.9	-29.8	27.7	12.1

* Minus sign (-) indicates an increase.

** Including Georgia and Mongolia.

Source: IMF, *World Economic Outlook* , April 2014.

Table 1.7: MAJOR DEVELOPMENTS IN GCC ECONOMIES

(Billion US dollar)

	UAE		Bahrain		KSA		Oman		Qatar		Kuwait	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Nominal GDP	383.8	396.1	30.4	32.5	734.0	748.4	77.5	83.5	192.4	210.9	183.2	197.2
Real GDP growth (percentage)	4.4	4.1	3.4	4.6	5.8	4.0	5.8	5.4	6.2	6.0	8.3	3.5
Inflation rate	0.7	1.1	2.7	3.3	2.9	3.5	2.9	1.3	1.9	3.1	2.9	2.7
Money Supply*	8.2	12.4	5.3	7.6	13.3	10.8	12.2	8.4	22.3	30.3	8.5	9.6
Imports	221.9	235.7	13.2	13.5	141.8	158.8	25.6	31.3	30.8	31.3	22.5	24.1
Exports	350.1	359.9	19.7	21.1	388.4	365.1	52.1	58.9	133.0	138.7	119.3	115.5
Current account	66.6	58.1	2.2	2.5	164.8	132.6	8.3	7.8	61.6	65.8	79.2	72.9
Ratio of current account to GDP**	17.3	14.7	7.3	7.7	22.4	17.8	10.7	9.4	32.0	31.2	43.2	36.9
Rational surplus, deficit in fiscal balance	7.6	5.6	-2.0	-3.7	13.6	6.4	1.8	0.8	11.8	8.7	31.5	21.2
Population (million)	8.9	9.1	1.2	1.2	29.2	30.0	2.8	2.9	1.9	2.1	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 2014; Oxford Economics Report, January 2014. Central Department of Statistics and Information, and SAMA.

Council (GMCO) became effective on March 27, 2010. GMCO held its 1st meeting on Tuesday March 30, 2010 (Rabi'II 14, 1431H) in Riyadh in the presence of governors of central banks and monetary agencies of the member states.

In accordance with Article (10) of GMCO's Charter, the Board of Directors shall hold six meetings a year as a minimum. It has held 27 meetings up to March 2014 in order to achieve its mission, which includes technical and institutional preparation to establish the Gulf Central Bank, which will determine the date of issuing the single currency.

Works of the GMCO have so far concentrated on the institutional formation through contracting with one of the international consultants for the preparation of all financial and administrative regulations and strategies necessary to complete the institutional structure of the GMCO. The GMCO's operating budgets for financial years 2011, 2012, 2013 and the fourth financial year ending December 31, 2014 were approved, and an audit office for the GMCO was appointed. The executive body of GMCO chose an experienced recruitment agency to help in attracting leadership competencies. Available jobs were announced, many interviews were held, and a group of qualified candidates was recruited. Moreover, the GMCO's logo designed by a specialized company was agreed upon.

In cooperation with the consultant, the GMCO completed many of the study outputs related to the institutional formation needed to develop an institution able to convert into a gulf central bank. The council currently works on creating and preparing the infrastructure necessary for studying technical aspects of the establishment of the monetary union, a central bank in particular, and the establishment of its analytical and operational capabilities.

2. GCC Common Market

The establishment of the GCC common market is a culmination of a series of resolutions taken by GCC states since the establishment of GCC to bring about economic citizenship. The GCC common market includes about 47 million people, GNP amounting to $1.6 trillion, and a volume of foreign of about $1.4 trillion in 2012. Statistics show an increasing number of GCC citizens benefiting from the market's resolutions. The number of citizens moving between GCC countries stood at 16 million in 2012. The number of citizens 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 36 thousand. The number of GCC citizens owning real estate in GCC countries outside their home country rose to 16,347 in 2012. In stock trading, the number of GCC citizens holding shares in joint-stock companies in GCC countries, other than their home countries, amounted to 453 thousand in 644 joint-stock companies during 2012.

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 2013, the AMF extended new loans with a total value of more than half a billion dollars. Total loans extended by the AMF to Arab countries since it commenced its lending activity in 1978 up to the end of 2013 increased to $7.8 billion. Total loan commitments stood at about $2.4 billion (about 72.6 percent of AMF's paid-up capital in convertible currencies) compared to 85.5 percent in the preceding year. Net realized income stood at $126.3 million in 2013 against $125.4 million in the preceding year, and total expenditure stood at $15.6 million in 2013 against $14.9 million in the preceding year. The AMF's paid-up capital stood at $2.8 billion at the end of 2013, in which Saudi Arabia's contribution was $424.4 million or about 15 percent of the total paid-up capital.

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

The ABEDA's capital remained unchanged at $2.8 billion at the end of 2013. Saudi Arabia's contribution stood at $685.0 million or 24.5 percent. Total funding allocations stood at $200 million in 2013, of which 22 loans with a value of $192 million were approved and $8 million allocated for technical assistance. ABEDA's total assets totaled $3.8 billion at the end of 2013 against $3.6 billion at the end of 2012. It recorded a net income of $210.8 million during 2013 against $177.6 million in the preceding year.

c. Arab Fund for Economic and Social Development

The Fund's capital stood at $8.8 billion, with Saudi Arabia's contribution amounting to $2.1 billion or 24.0 percent. During 2013, the Fund extended loans with a total value of about $1.3 billion. The cumulative value of 611 loans extended by the Arab Fund since the commencement of its operations in 1974 up to the end of 2013 reached $28.4 billion. The Fund's assets totaled $10.5 billion at the end of 2013 against $10.4 billion in the preceding year. The equities of member countries stood at $10 billion at the end of 2013. The Fund's total income stood at $309.3 million at the end of 2013. The Fund recorded a net profit of $118.9 million in 2013 against $367.9 million in the preceding year.

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

The Dhaman's paid-up capital stood at $197.2 million at the end of 2013, in which Saudi Arabia's contribution stood at $13.4 million or 6.7 percent. The total value of guarantees stood at $1.5 billion in 2013 compared to $1.7 billion in 2012. At the end of 2013, Dhaman's assets totaled $404.3 million. The shareholders' equities stood at $380.9 million in 2013. Dhaman registered a net profit of $5.2 million in 2013.

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

The AAAID's paid-up capital totaled $497.8 million at the end of 2013, in which Saudi Arabia's contribution stood at $79.8 million or 22.4 percent. The income of the AAAID totaled $55 million during 2013 against $51.4 million in the preceding year. Its total expenditure stood at $15.6 million against $14.9 million in the preceding year. AAAID registered a net profit of $34 million in 2013, compared to $31.2 million in 2012, and its total assets stood at $789 million against $754 million in the preceding year. The shareholders' equities stood at $622.5 million in 2013 against $590.4 million at the end of the preceding year.

4. Islamic Development Bank (IDB)

The IDB's total assets rose from $17.3 billion in 2012 to $20.5 billion in 2013, whereas its total liabilities went up from $6.7 billion to $9.4 billion. Total revenue stood at $529.7 million in 2013 against $468.2 million in the preceding year. The IDB's net income stood at $269.3 million in 2013 against $174.3 million in the preceding year. Total loans disbursed stood at $2.2 billion and outstanding loans $12.4 billion in 2013. Total repaid loans rose from $770.7 million in 2012 to $910.1 million in 2013.

5. The OPEC Fund for International Development (OFID)

The OFID's capital (including reserves and members' contributions) stood at $6.8 billion in 2013 against $6.1 billion in 2012. Its total assets rose to $6.9 billion from $6.1 billion in the preceding year. In 2013, the OFID extended loans with a total value of $3.8 billion, against $3.3 billion in 2012. Total repaid loans amounted to 5.5 billion against $4.8 billion in the preceding year. Total income decreased to $281.8 million in 2013 from $350.7 million in 2012, with a net profit of $216.9 million in 2013 against $305 million in 2012.

6. IMF

The International Monetary and Financial Committee (IMFC)

The IMFC held its 29th meeting in Washington, D.C. on April 12, 2014. During the meeting, issues set forth in the meeting agenda were discussed, including a review of economic conditions in advanced, emerging, developing, and low-income economies; and interrelation of economic policies between jurisdictions. The following are the most prominent issues discussed at the meeting:

a. Activity in advanced economies picked up last year, notably in the United States and the United Kingdom. Growth in the euro area as a whole has turned positive but gradually. Growth in emerging market economies that has moderated, but continues to account for the bulk of global growth, was addressed in the meeting.
b. It was noted that monetary policy in advanced economies should provide the necessary accommodation, with the eventual normalization being conditional on the outlook for price stability and economic growth. Also emerging markets and low-income countries facing inflationary pressures can use accommodative monetary policies in response to a growth slowdown.
c. Member states expressed their concerns regarding high unemployment, and rising inequality, and that they should be addressed by removing structural impediments to overall growth. Ensuring sustainable public debts, enhancing the quality of public spending shall remain priorities.

d. Member states called on the IMF to continue to provide analysis and a forum for policy dialogue, concerted action, and cooperation, which will help enhance global growth prospects and reduce policy risks. However, global financial reforms should be implemented promptly and consistently, and regulatory cooperation strengthened.
e. Member states welcomed the progress in implementing the IMF's strengthened surveillance framework, including through the Financial Surveillance Strategy, pilot External Sector Report, Spillover Report, enhanced analysis of macro-financial linkages in Article IV consultations.
f. The IMF is prepared to provide financing to support appropriate adjustments and reforms. Members look forward to the completion of the comprehensive review of some key instruments (Flexible Credit Line, Precautionary and Liquidity Line, Rapid Financing Instrument), and further consideration of the IMF's lending policy in high debt situations.
g. The implementation of 2010 reforms remains necessary to enhance the IMF's credibility, legitimacy and effectiveness. The IMFC underscored the commitment to complete the 15th General Review of Quotas by January 2014, and urged the Executive Board to agree on a new quota formula as part of the review.

7. World Bank Group (WBG)
Development Committee

The Development Committee held its meeting in Washington, DC, on April 12, 2014. Issues in the meeting agenda were discussed during the meeting, including the latest developments and the WBG's new strategies. The following are the most prominent issues discussed at the meeting:

- The committee stressed the necessity of addressing diversity and development needs in developing countries. The WBG should exert more efforts, particularly in countries and regions undergoing high poverty rates as well as challenges facing small states.
- The committee encouraged the WBG and the IMF to work jointly and with all member countries in pursuing sound and responsive economic policies, addressing underlying macroeconomic vulnerabilities, and strengthening prudential management of the financial system.
- Promoting public investment, improving the enabling environment for private investment, boosting quality investment in resilient infrastructure and improving access to finance.
- The committee welcomed the renewed WBG support to transformative regional projects, including for sustainable and affordable energy solutions. It urged the WBG and IMF to scale up their efforts in the MENA region, including support for sound economic reform and job creation.
- The committee welcomed the WTO Bali Ministerial Declaration on Trade Facilitation. It is believed the agreement will increase competitiveness for developing countries by improving border management and reducing transaction costs and the committee called on the WBG to support countries in its implementation.

8. Bank for International Settlement (BIS)

The BIS held its annual meeting in Basel, Switzerland in June 2013. The BIS's 83rd annual report indicated that the financial sector is in need of an economic reform that achieves balance and sustainable growth. Corporates also need to reform their financial statements. The report also highlights the intensified efforts aimed at ensuring sustainability of financial resources and accelerating the reforms of labor and products market.

9. Financial Stability Board (FSB)

FSB held a meeting in March 2014 to discuss many issues. The most important of which is the 2014 work plan to accomplish remaining elements of the main financial reforms approved for the post-financial crisis period, vulnerabilities currently affecting the global financial system to strengthen and support it directly, recommendations provided during the continued work to address systematically important financial institutions, and progress made in implementing over-the-counter derivatives market reforms. The FSB also approved the participation process regarding exchange of information in order to support surveillance over shadow banking institutions, other than money market funds, and regulate their work.

10. Basel Committee on Banking Supervision (BCBS)

The BCBS issued in January 2014 a report on the fundamental elements for a sound capital planning process, which determine sound practices fostering overall improvement in banks' capital planning practices. It has also issued a consultative document on the revised good practice principles for supervisory colleges, as well as guidelines for banks on inclusion of AML/CTF-related risk management in their overall risk management framework.

11. Group of Twenty (G20)

Saint Petersburg, Russia, hosted the 8th Summit of the G20 leaders during 5-6 September, 2013. The summit discussed developments in global economic conditions, and continued development of comprehensive growth strategies to achieve stronger, more sustainable and balanced growth. The leaders addressed the importance of long-term financing for investment, including investment in infrastructure and SMEs projects to boost economic growth, and support job creation and development. They also agreed that the main challenges to the global economy are weak growth and constant high unemployment level in many economies, European financial market condition, slower growth in some emerging market economies and high public debt and its sustainability.

The leaders committed that monetary policy will continue to be directed towards domestic price stability and supporting economic recovery according to the respective mandates of central banks. They agreed that completing the ongoing reforms of IMF governance is indispensable for enhancing its credibility, legitimacy and effectiveness, and they continue to support the IMF Executive Board's decision to integrate the process of reaching a final agreement on a new quota formula with the 15th General Review of Quotas. The leaders discussed the review and update of the "Core Principles of Public Debt Management", and lending practices in low-income countries.

In regard to the financial system, the leaders agreed to continue the implementation of internationally consistent financial systems reforms to avoid the major problems that resulted in the global financial crisis. They reiterated their commitment to FATF's work in fighting money laundering and terrorism financing. They welcomed the progress made by the Global Partnership for Financial Inclusion (GPFI), particularly through the establishment of the GPFI subgroup focused on financial consumer protection and raising financial awareness. They also welcomed the progress made in addressing the challenges related to access to finance faced by SMEs.

12. OPEC

The Organization of the Petroleum Exporting Countries (OPEC) held its 164th conference in December 2013 in Vienna , Austria. The conference reviewed oil related issues, particularly the oil market developments and the 2014 demand/supply estimates. The conference reviewed the estimates of global oil demand for 2014, 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), in order to maintain market balance■

The Saudi economy continued its growth in 2013 as a result of government expenditure on development projects and ongoing structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the economic base and increasing the contribution of non-oil sector to GDP. GDP at constant prices (base year 1999) grew by 4.0 percent to SAR 1274.3 billion in 2013. The growth and resilience of the Saudi economy was reflected positively on the Kingdom's sovereign credit rating by international credit rating agencies. Fitch recently raised the Kingdom's sovereign rating to (AA) from (AA-) with a stable outlook.

With regards to the oil market, data of the Organization of Petroleum Exporting Countries (OPEC) for 2013 show a slight decrease in the average price of the Arabian Light crude oil by 3.3 percent to $106.53 per barrel from $110.22 per barrel in 2012. According to the data of the Ministry of Petroleum and Mineral Resources, the Kingdom's daily average production of oil declined by 1.2 percent to 9.64 million barrels in 2013 compared to 9.76 million barrels in 2012.

The actual State public budget recorded a surplus of SAR 180.3 billion, about 6.4 percent of GDP. The current account of the balance of payments recorded a surplus of SAR 497.4 billion or 17.7 percent of GDP in 2013. Broad money (M3) increased by 10.9 percent to SAR 1,545.1 billion **(Table 2.1)**.

Economic Growth

GDP at constant prices grew by 4.0 percent to SAR 1,274.3 billion in 2013 compared to a growth of 5.8 percent in 2012. The oil sector GDP decreased by 1.0 percent to SAR 259.4 billion, while non-oil sector GDP increased by 5.4 percent to SAR 1,003.3 billion. The non-oil private sector GDP went up by 6.0 percent to SAR 750.8 billion, while that of the government sector rose by 3.7 percent to SAR 252.5 billion.

All major economic activities at current prices grew at varied rates in 2013 **(Table 2.2)**. The construction and building activity grew by 8.8 percent; the transport, storage and communications activity by 7.1 percent; the wholesale and retail trade, restaurants and hotels activity by 6.6 percent; the finance, insurance, real estate and business services activity by 6.0 percent; the community, social and personal services activity by 4.1 percent; the activity of manufacturing industries by 4.3 percent; the activity of the government services' producers by 2.9 percent; the public utilities activity (electricity, gas and water) by 1.3 percent; and the agriculture, forestry and fishing activity by 0.7 percent. The mining and quarrying activity fell by 0.9 percent from the previous year.

Saudi Economy Growth Projections for 2014

SAMA prepares annual projections for the most important economic indicators in the Kingdom, using an econometric model developed based on specific assumptions about monetary and financial policies, and exogenous variables affecting directly or indirectly the endogenous indicators of the model. In view that the Kingdom significantly depends on oil as a major source of income, Saudi crude oil production volume and barrel prices are the most important exogenous variables in the models used.

Preliminary projections of the model indicate that GDP at constant prices would rise by 3.9 percent in 2014. At the sectors levels, however, projections show that the oil sector real GDP would decrease by 0.7 percent, whereas the non-oil sector GDP would increase by 5.6 percent in 2014. It is also expected that the non-oil government sector would record a growth of 4.0 percent, and the non-oil private sector would also grow by 6.2 percent.

The current account is projected to record a surplus for the fifteenth consecutive year, estimated at of 15.1 percent of GDP. Projections also show that inflation rate in 2014 would stand at 2.8 percent (base

Table 2.1: SELECTED ECONOMIC INDICATORS

	2010	2011	2012	2013
Estimated population (in million)	27.56	28.37	29.20	29.99
GDP at current prices (billion Riyals)	1,975.5	2,510.7	2,752.3	2,806.7
GDP at constant prices (billion Riyals) (1999=100)	1,067.1	1,158.5	1,225.9	1,274.3
Non-oil GDP deflator	129.5	135.3	142.2	146.0
Inflation rate (consumer prices)	3.8	3.7	2.9	3.5
Aggregate money supply M3 (billion Riyals)	1,080.4	1,223.6	1,393.8	1,545.1
Daily Average for Saudi Oil Production (Million Barrel)	8.2	9.3	9.8	9.6
Average price of Arabian Light oil* (US$)	77.82	107.82	110.22	106.53
Riyal's real effective exchange rate (2005=100)	99.5	96.0	98.6	100.7
Ratio of currency in circulation to total money supply	8.8	9.8	9.6	9.3
Ratio of total deposits to total money supply	91.2	90.2	90.4	90.7
Net foreign assets of domestic banks (billion Riyals)	98.4	133.3	133.4	136.3
Interest Rates on Saudi Riyal Deposits (3 Months)**	0.7	0.7	0.9	1.0
Bank capital adequacy ratio (Basel II)	17.6	17.6	18.2	17.9
Actual government revenues (billion Riyals)	741.6	1,117.8	1,247.4	1,156.4
Oil revenues (billion Riyals)	670.3	1,034.4	1,144.8	1,035.0
Actual government expenditures (billion Riyals)	653.9	826.7	873.3	976.0
Budget deficit / surplus (billion Riyals)	87.7	291.1	374.1	180.3
Ratio of budget deficit / surplus to GDP	4.4	11.6	13.6	6.4
Merchandise Exports (billion Riyals)***	941.8	1,367.6	1,456.4	1,409.7
Import of goods (CIF) (billion Riyals)	400.7	493.4	583.5	630.7
Ratio of current account surplus to GDP	12.7	23.7	22.4	17.7
Current account (billion Riyals)	250.3	594.5	617.9	497.4
Share price index (1985=1000)	6,620.8	6,417.7	6,801.2	8,535.6
Debt to GDP	8.5	5.4	3.6	2.7

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

*** Including oil and non-oil exports.

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

(Million Riyals)

	2011	2012	2013*	% Change in 2013
A. Industries and other producers				
(excluding government services' producers)				
1. Agriculture, forestry & fishing	41,026	41,550	41,860	0.7
2. Mining & quarrying	229,005	242,276	240,096	-0.9
a. Crude oil & natural gas	221,949	234,929	232,565	-1.0
b. Other mining & quarrying activities	7,056	7,347	7,532	2.5
3. Manufacturing industries	157,131	164,731	171,735	4.3
a. Oil refining	21,001	21,948	21,432	-2.4
b. Other industries	136,129	142,782	150,304	5.3
4. Electricity, gas & water	27,583	29,598	29,985	1.3
5. Construction and building	83,300	87,276	94,929	8.8
6. Wholesale & retail trade, restaurants & hotels	143,184	152,307	162,410	6.6
7. Transport, storage & communication	109,768	116,378	124,623	7.1
8. Finance, insurance, real estate and business services	159,920	172,830	183,252	6.0
a. Houses ownership	75,031	84,462	91,722	8.6
b. Others	84,889	88,368	91,530	3.6
9. Community, social & personal services	37,019	38,569	40,160	4.1
10. Less calculated banking services	16,311	16,625	16,848	1.3
B. Government services' producers	**175,858**	**185,252**	**190,554**	**2.9**
Total (excluding import duties)	**1,147,483**	**1,214,141**	**1,262,757**	**4.0**
Import duties	11,063	11,750	11,557	-1.6
GDP	**1,158,546**	**1,225,891**	**1,274,314**	**4.0**

* Preliminary data.

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

year 2007). **Table 2.3** shows SAMA's projections compared to IMF's projections for 2014.

Supply and Demand

Total supply of goods and services (at current prices) recorded a rise of 7.6 percent in 2013 **(Table 2.4)**. The non-oil GDP (at current prices) increased by 8.2 percent. The government non-oil sector GDP grew by 4.0 percent, and that of the private sector by 10.0 percent. Total imports rose by 6.5 percent.

Total demand for goods and services (at current prices) recorded an increase of 7.3 percent in 2013 as compared to 2012. This rise was due to a 8.8 percent increase in consumption expenditure. The private sector's final consumption rose by 6.1 percent and government sector's final consumption by 12.7 percent. The non-oil exports went up by 7.0 percent, and gross investment expenditure by 4.6 percent **(Table 2.4)**.

Money Supply and Banking Activity

Broad money (M3) increased by 10.9 percent to SAR 1,545.1 billion in 2013 compared to an increase of 13.9 percent to SAR 1,393.7 billion in the preceding year. Currency circulated outside banks

Table 2.3: SAMA AND IMF PROJECTIONS OF THE MOST PROMINENT INDICATORS OF THE SAUDI ECONOMY FOR 2014

Selected Economic Indicators	SAMA*	IMF [1]
GDP growth (at Constant Prices)	**3.9**	4.1
Oil Sector	**-0.7**	--
Non-oil sector	**5.6**	--
Non-oil private sector	**6.2**	--
Non-oil government sector	**4.0**	--
Ratio of current account surplus to GDP	**15.1**	15.8
Inflation rate	**2.8**	3.0

* Preliminary Projections (April 2014).
(1) IMF Projections (April 2014).

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

(Million Riyals)

	2011	2012	2013*	% change in 2013
Aggregate supply**	**1,959,363**	**2,161,287**	**2,325,076**	**7.6**
Non-oil GDP	1,216,949	1,354,264	1,465,233	8.2
Government sector	371,169	413,470	430,184	4.0
Private sector	845,780	940,794	1,035,049	10.0
Total imports	742,414	807,023	859,843	6.5
Aggregate demand	**2,061,322**	**2,293,158**	**2,458,744**	**7.2**
Final consumption	1,169,823	1,336,583	1,454,665	8.8
Government consumption	488,062	551,179	621,378	12.7
Private consumption	681,761	785,404	833,287	6.1
Gross fixed capital formation	**672,400**	**724,950**	**758,306**	**4.6**
Non-oil exports	**219,099**	**231,625**	**245,774**	**6.1**
Merchandise exports	175,879	190,188	201,962	6.2
Service exports	43,221	41,437	43,811	5.7

* Preliminary data.
** The mismatch between supply and demand is because the total imports and gross fixed capital formation contain oil imports.
Source: Central Department of Statistics and Information, Ministry of Economy & Planning.

rose by 7.5 percent, and demand deposits by 13.7 percent. Time and savings deposits also went up by 6.4 percent compared to 2012. Other quasi-money deposits went up by 9.6 percent.

The banking sector continued its good performance during 2013. Commercial banks' total assets went up by 9.2 percent to SAR 1,893.3 billion compared to SAR 1,734.1 billion in the preceding year. Bank deposits grew by 11.2 percent to SAR 1,402.0 billion. Commercial banks' capital and reserves rose by 7.8 percent to SAR 225.8 billion in 2013. The average capital adequacy ratio (Basel Standard) stood at 17.9 percent at the end of 2013 compared to 18.2 percent in the preceding year.

Domestic Stock Market

Tadawul All Share Index (TASI) registered an annual rise of 25.5 percent to 8,535.6 at the end of 2013 compared to 6,801.2 at the end of the preceding year. Market capitalization of issued shares went up by 25.2 percent to SAR 1,752.9 billion at the end of 2013 from SAR 1,400.3 billion at the end of the preceding year. The number of shares traded declined by 39.2 percent to 52.3 billion with a value of SAR 1,369.7 billion.

Fiscal Developments

Preliminary figures of the actual revenues and expenditures for fiscal year 1434/1435H (2013) indicate a decrease in actual revenue by 7.3 percent to SAR 1,156.4 billion compared to SAR 1,247.4 billion in the preceding year. Actual expenditures went up by 11.8 percent to SAR 976.0 billion compared to SAR 873.3 billion in the preceding year. Current expenditures accounted for 68.0 percent of total expenditures, while capital expenditures accounted for 32 percent of the total. Actual surplus stood at SAR 180.3 billion compared to a surplus of SAR 374.1 billion in 2012. Oil revenues constituted 89.5 percent, the bulk of total revenues in 2013.

Insurance Market

The insurance penetration rate (gross written insurance premiums as a ratio to GDP) in the Kingdom increased by 13.7 percent to 0.9 percent in 2013 from 0.8 percent in the preceding year. Insurance density (gross written insurance premiums divided by the number of the population) also increased by 19.2 percent to SAR 935 per capita in 2013 compared to SAR 784 per capita in the preceding year.

Current Account of the Balance of Payments and External Trade

Preliminary estimates of the Kingdom's balance of payments indicate a decline of 19.5 percent to SAR 497.4 billion in the current account surplus in 2013, constituting 17.7 percent of GDP. This decline was due to a decrease of SAR 99.3 billion or 14.4 percent in the goods and services surplus.

Preliminary estimates of external trade indicate an increase in the Kingdom's merchandise trade to SAR 2040.4 billion in 2013 compared to SAR 2040.0 billion in the preceding year. This was due to an increase of 8.1 percent in the value of total imports to SAR 630.7 billion, despite the decrease of 3.2 percent in value of total exports to SAR 1409.7 billion.

Commerce and Industry

Commerce and industry sectors continued to record remarkable growth rates. During 2013, the Ministry of Commerce and Industry issued commercial registers for the establishment of 9,533 new different companies as compared to 8,783 companies established in 2012. Total capital of these new companies amounted to SAR 15.0 billion, averaging SAR 1.6 million. In contrast, the total capital of the new companies in 2012 stood at SAR 17.5 billion. It could be noted that there was a rise in the number of new companies by 8.5 percent in 2013 as compared with the preceding year, while their total capital went down by 14.3 percent. A legal breakdown of these companies indicates that limited liability partnership companies accounted for the highest share of 63.2 percent of the total capital of the new companies established in 2013, followed by joint -stock companies, accounting for 21.1 percent.

The number of commercial registers issued for companies up to the end of 2013 reached 88.9 thousand, spreading over the various regions of the Kingdom in varied shares. Riyadh region accounted for the largest share with 39.5 percent, followed by Makkah region with 27.6 percent, and the Eastern region with 20.9 percent of the total number of commercial registers issued for the establishment of companies up to the end of 2013.

As for industry, the Ministry of Commerce and Industry issued industrial licenses for establishing 537 new industrial units with a total finance of SAR 8.3 billion. The industrial units will create more than 26.3 thousand jobs. A breakdown of licenses for new projects by industrial activity and total finance in 2013 indicates the issuance of 190 licenses for other non-metallic manufacturing with total finance of SAR 2.5 billion, constituting 30.0 percent of total finance of industrial licenses issued for this year.

At the end of 2013, the total number of industrial units licensed by the Ministry of Commerce and Industry under the Protection and Encouragement of National Industries Law and Foreign Investment Laws rose to 6,515 producing industrial units with a total finance of SAR 939.8 billion, providing nearly 853.7 thousand jobs. A breakdown of the producing industrial units by type of industrial activity and total finance indicates that the total finance for chemical material and products manufacturing for 641 industrial units amounted to SAR 431.6 billion or 45.9 percent of the total finance of the existing units in the Kingdom, followed by the industry of coke and refined oil products for 125 units with SAR 137.8 billion or 14.7 percent of total finance.

Tourism

Data of the General Commission of Tourism and Antiquities (GCTA) indicate a rise in the tourism GDP by 6.8 percent to SAR 75.0 billion during 2013 compared to the preceding year. Its contribution to the non-oil GDP decreased slightly to 5.2 percent during 2013 from 5.3 percent in 2012.

Expenditure on domestic tourism trips (excluding international transportation costs) stood at SAR 27.9 billion in 2013 against SAR 32.6 billion in 2012, declining by 14.4 percent. Expenditure on inbound tourism decreased by 16.3 percent to SAR 47.9 billion in 2013 from SAR 57.2 billion in the preceding year.

Expenditure on outbound tourism trips (excluding international transportation costs) stood at SAR 74.2 billion during 2013 against SAR 62.9 billion in 2012, rising by 18.0 percent.

Expenditure on accommodation facilities accounted for the largest share of the total domestic tourists expenditure with SAR 7.1 billion, representing 25.2 percent of the total in 2013, compared to SAR 8.2 billion or 25.2 percent in 2012. Expenditure on shopping came second with SAR 6.0 billion or 21.4 percent of the total domestic tourists expenditure in 2013, compared to SAR 8.1 billion or 24.7 percent in 2012.

With respect to expenditure on inbound tourism trips, expenditure on accommodation facilities came first with SAR 18.9 billion or 39.5 percent of the total in 2013. Expenditure on shopping ranked second with SAR 9.5 billion or 19.8 percent of the total expenditure on inbound tourism trips in 2013.

In furtherance of GCTA's efforts to develop the hotel sector, the number of hotels of various classes operating in the Kingdom rose to 830 at the end of 2013. The number of furnished housing units stood at 1,347 at the end of 2013, spread over various cities of the Kingdom in varying shares. Riyadh region accounted for the largest share of 33.0 percent (449 units) of the total, followed by Makkah region with 21.0 percent (289 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 (excluding unpaid jobs) in tourism key sectors rose by 5.8 percent to 750 thousand in 2013, compared to the preceding year's jobs of 709 thousand that were distributed on the tourism sub-sectors **(Table 2.5)**. National labor force represented 27.1 percent during 2013, compared to 26.7 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 other economic sectors interrelated to the tourism sector, apart from the opportunities that can be created in subsequent periods as a result of the economic spending cycle in all sectors related to tourism development. The tourism sector is expected to create around 1.3 million direct and indirect jobs in 2015, 1.4 million in 2017, and 1.8 million in 2020 **(Table 2.6)**.

Water and Electricity

The government has established 27 desalination plants on the eastern and western coasts of the Kingdom. During 2013, the production of desalinated water by the Saline Water Conversion Corporation (SWCC) stood at 1,055.2 million cubic meters against 997.2 million cubic meters in the previous year, with an average daily production of 2,768 thousand cubic meters compared to 2,725 thousand cubic meters per day in the preceding year.

The Ministry of Water & Electricity's data for 2013 indicate that total consumption in the Kingdom by purposes was as follows: agricultural consumption reached 18.6 billion cubic meters, followed by residential consumption 2.7 billion cubic meters, and industrial consumption 0.9 billion cubic meters.

During 2013, residential consumption averaged 7.5 million cubic meters per day compared to 6.9 million cubic meters per day in the preceding year, rising by 8.4

Table 2.5: DIRECT JOBS IN TOURISM SECTOR

Sub-sector	2012	2013**
Accommodation	95,295	100,879
Restaurants and cafés	341,507	361,520
Travel & tourism agencies	13,568	14,363
Traveller transportation services*	185,515	196,386
Entertainment services	73,407	77,709
Total	**709,292**	**750,856**
Saudization (%)	**26.7**	**27.1**

* 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.

percent. The annual residential consumption in the Kingdom rose to 2.7 billion cubic meters compared to 2.5 billion cubic meters in the preceding year. The average consumption of water per capita in the Kingdom amounted to 249 liters per day during 2013 compared to 238 liters per day in the preceding year.

The number of dams (underground, concrete and mud) constructed throughout the Kingdom until the end of 1434/1435H (2013) increased to 449 with a total storage capacity of 2.02 billion cubic meters against 422 with a total storage capacity of 1.97 billion cubic meters in the preceding year.

As for electricity, Saudi Electricity Company (SEC)'s sales of electricity during 2013 increased by 6.8 percent over the preceding year to 256.7 million MWh. The residential consumption accounted for 49 percent (125.7 million MWh) of total consumption of electricity in the Kingdom, followed by the industrial consumption with 19.9 percent (51.1 million MWh). The Commercial consumption came third with 15.4 percent (39.3 million MWh), followed by the government consumption with 10.7 percent (27.4 million MWh).

As a result of the increase in the generation and consumption of electricity during 2013, the peak load rose to 53,864 megawatts or 3.7 percent over the preceding year. The actual capacity of electric energy generation also went up to 45,908 megawatts or 3.5 percent over the preceding year.

The number of subscribers benefiting from electricity services in the Kingdom rose to 7.1 million at the end of 2013, 6.1 percent over the preceding year. Residential consumers accounted for 79.4 percent (5.7 million) of total number of subscribers. Commercial consumers came next with 16.2 percent (1.1 million) of the total, followed by government consumers with 1.8 percent (131.3 thousand), and agricultural consumers with 1.0 percent (72.0 thousand) **(Table 2.7)**.

Agriculture and Animal Husbandry

The agriculture, forestry and fishing sector grew by 0.7 percent in 2013 against 1.3 percent during the preceding year. GDP (at current prices) of this sector stood at SAR 51.6 billion in 2013 against SAR 49.8 billion in the preceding year, accounting for 3.5 percent of the non-oil sector GDP. The agriculture and fishing sector's share in bank credit extended to economic activities rose to SAR 12.0 billion during 2013 from SAR 9.2 billion during the preceding year, representing 1.1 percent of total credit extended to all economic activities.

Agricultural Production

According to latest statistics issued by the Ministry of Agriculture for 2012, agricultural production declined by 28.0 thousand tons, or 0.3 percent, to 9,297.8 thousand tons from 9,326.0 thousand tons in the preceding year. This was due to the decline in grain production by 23.5 percent to 1,085 thousand tons at the end of 2012 compared to 1,418 thousand tons in the previous year. The cultivated area of grain also fell by 18.5 percent to 212.2 thousand hectares compared to 260.3 thousand hectares in the preceding year.

The number of palm trees in the Kingdom rose to 25.1 million at the end of 2012 compared to 21.6 million in the preceding year, increasing by 3.5 million, or 16.2 percent. These trees were grown on an area of 157 thousand hectares. Production of dates stood at 1.03 million tons during 2012, rising by 30 thousand tons or 2.3 percent over the preceding year and bringing the Kingdom to the third rank in date production globally. The Kingdom's exports of dates declined by 8.8 percent to 70.3 thousand tons during 2012 compared to 77.1 thousand tons in the preceding year.

Animal Production

Latest statistics issued by the Ministry of Agriculture indicate that the Kingdom's meat production (red meat, poultry and fish) recorded an

Chart 2.1: Electricity Sales Growth of the Saudi Electricity Company (2010-2013)

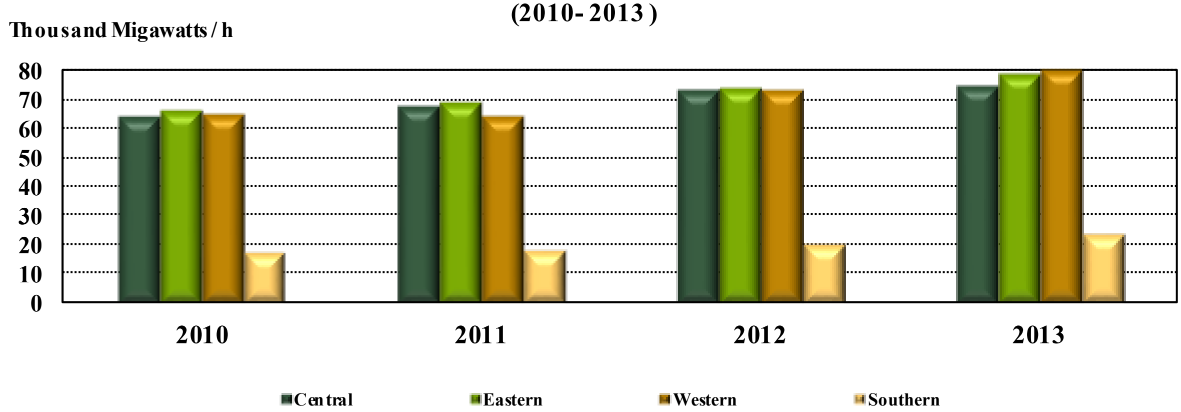


Table 2.7: ELECTRICITY GENERATION CAPACITY AND NUMBER OF SUBSCRIBERS FOR FISCAL YEAR 1434/1435H (2013)

(Megawatts)

Region	Actual Generation Capacity	Peak Load	Electricity Power Sold					No. of Subscribers
			Residential	Commercial	Governmental	Industrial	Agricultural	
Central	12,331	17,346	39,579,812	12,612,462	10,376,015	5,743,222	2,827,004	2,297,006
Eastern	14,360	16,356	23,230,420	8,216,569	6,938,438	38,139,949	742,452	1,272,524
Western	15,682	16,039	47,561,823	15,289,386	7,148,471	6,511,155	625,887	2,597,494
Southern	3,536	4,524	15,306,034	3,381,204	2,920,736	685,738	94,935	975,792
Total	**45,909**	**51,939**	**125,678,089**	**39,263,947**	**27,383,660**	**51,080,064**	**4,290,278**	**7,142,816**

Source: Saudi Electricity Company

increase of 75.0 thousand tons or 9.7 percent to 851.0 thousand tons in 2012 compared to 776.0 thousand tons in the preceding year. This was mainly attributable to an increase of 11.0 percent in poultry production over the preceding year to 588.0 thousand tons from 529.0 thousand tons.

Dairy production rose by 34.0 thousand tons or 1.8 percent to 1,872.0 thousand tons during 2012 from 1,838.0 thousand tons in the previous year. The share of specialized production projects was 1,712.4 thousand tons, constituting 91.5 percent of total dairy production in 2012.

Transport and Communications

Transport

Transport operations (including inter-city travel in the Kingdom and overseas travel by air, land and sea) recorded a rise of 5.1 percent during 2013 against a rise of 21.5 percent during the preceding year. The number of passengers rose to 77.5 million from 73.8 million in the previous year, increasing by 3.7 million. The rise was due to an increase of 8.7 percent in sea transport and 5.2 percent in air transport **(Table 2.8)**.

Total length of roads maintained by the Ministry of Transport up to the end of 1434/1435H (2013) stood at 61.4 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, 10.2 thousand km secondary roads linking major cities within regions and 36.1 thousand km feeder roads branching out of secondary roads and serving towns, villages and agricultural areas. Total length of roads constructed and opened for traffic during the year 1434/1435H (2013) stood at 3,203 km.

The actual execution of the public transport project in Riyadh (trains and buses) commenced in Jumada' II 1435H. 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 parallel network for transport by buses with the aim of providing public transport service to all classes of the population and diversifying the patterns and methods of transportation inside the city effectively and appropriately. Within this framework, a comprehensive scheme for public transportation in the cities of Al-Madinah, Jeddah, Al-Dammam, Buraydah, Jazan, and Al-Ta'if was completed. Works on the preparation of a scheme for the cities of Ha'il, Abha and Al-Hofuf are underway.

The number of airports operating in the Kingdom stood at 26, of which 4 are international, 8 regional, and 14 domestic airports. Expansion and improvement works were completed during 2013 in several airports, namely, Wadi Al-Dawasir Airport, 'Arar Airport, Al-Jouf Airport, Al-Ahsa Airport, Al-Wajh Airport and Al-Qassim Airport. The expansion of King Abdul Aziz International Airport is expected to be completed at the end of 2014, with an estimated budget of SAR 30 billion, SAR 3 billion of which was funded from direct revenues of the General Authority of Civil Aviation. The remaining amount, however, is financed through the issuance of sukuks for public subscription.

Communications and Information Technology

Data of Communications and Information Technology Commission (CITC) 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 2.8 percent of total GDP. The contribution of the sector to non-oil GDP was 8.0 percent in 2013.

The number of operating telephone land lines reached 4.7 million at the end of 2013, of which 3.3 million (70 percent of total operating lines) were residential. Penetration ratio of telephone land lines to the number of population was 15.7 percent, while the ratio of penetration to houses was 64.3 percent.

The number of subscriptions to mobile communications services stood at 51.0 million at the end of 2013. Thus, the penetration ratio went up to 169.7 percent. Prepaid subscriptions constituted the bulk of subscriptions, accounting for 86 percent. The number of subscriptions declined at the beginning of the third quarter of 2012 due to the implementation of the decision on linking prepaid lines to identity card numbers and updating their data accordingly. Therefore, companies canceled a large number of incompliant prepaid lines.

The number of broadband subscriptions through land lines (DSL, WiMax, optic fiber and other wire lines) went up to 2.92 million at the end of 2013, with penetration ratio for houses reaching 45.5 percent and a growth rate of 15 percent over the end of 2012. Total subscriptions to broadband services through

Table 2.8 : TRANSPORT OF PASSENGERS AND CARGO OPERATIONS BY TYPE

Type of Transport	2012 No. of Passengers (million)	2013 No. of Passengers (million)
Air Transport	**64.77**	**68.12**
Land Transport	**7.57**	**8.08**
Railway	1.18	1.17
Public Transport	21.76	21.32
Inter-city Transport	5.92	6.44
International Transport	0.47	0.47
Maritime Transport	**1.46**	**1.35**
Total	**73.80**	**77.55**

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

mobile lines was 14.3 million at the end of 2013. 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 through mobile lines to the population stood at 47.6 percent.

The penetration ratio of the Internet in the Kingdom grew to about 55 percent at the end of 2013 from 5 percent in 2001. This growth is attributable to the expansion in broadband services; the decline in prices of computers, telecommunication and internet services; and reliance of many government and private agencies on electronic transactions.

The telecommunication companies realized total direct revenues from their operations in the Kingdom exceeding SAR 75.0 billion during 2013, recording an annual average growth rate of more than 10 percent over the past eight years (2005-2013). Mobile lines services revenues represented 73 percent of total revenues, while revenues of land lines and data services represented 27 percent.

Saudi Post

At the end of 2013, the total number of post offices in the Kingdom was 597, and postal agencies 59. Total number of mailboxes of subscribers stood at 621.2 thousand at the end of 2013.

Post services in the Kingdom witnessed remarkable improvement, in particular the express mail service which underwent a significant transformation that began with its financial and administrative independence. also, more advanced and faster services, such as “Guaranteed”, “Same Day” and “Gulf EX” services were added.

Education, Health and Social Services

General Education

The total number of students stood at 5.3 million during academic year 1433/34H. The number of teachers at all levels of general education

Table 2.9: COMMUNICATION SERVICES BY REGIONS FOR 2013*

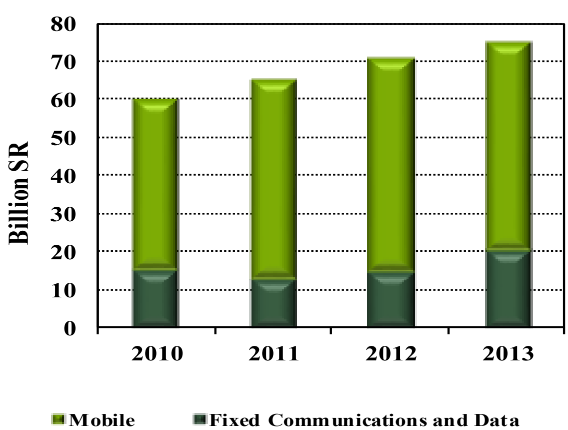
(Thousands)

Region	Fixed Communication Subscriptions		Broadband Subscriptions (Fixed)		No. of Internet Users	
	Total Subscriptions	Penetration Ratio	Total Subscription	Penetration Ratio	Total Subscription	Penetration Ratio
Riyadh	1,414	77.60	954	59.80	4,237	56.40
Qassim	184	57.60	108	37.70	643	48.10
Ha'il	73	49.70	38	30.00	335	51.20
Makkah	1,301	62.00	790	43.10	4,435	57.50
Al-Madinah	278	57.10	158	37.00	1,083	55.20
Tabuk	95	45.70	54	29.90	482	55.60
Eastern Region	831	85.10	531	62.10	2,633	58.10
Al-Jawf	53	47.90	28	28.60	275	57.00
Northern Borders	32	48.50	20	33.70	154	43.90
Asir	231	43.90	106	23.00	1,227	58.60
Al-Baha	61	51.20	31	30.40	257	57.10
Jazan	106	33.60	61	22.40	438	29.20
Najran	55	41.30	36	31.20	316	57.00
Total	**4,714**	**64.30**	**2,915**	**45.50**	**16,515**	**55.10**

*2013 estimate figures

Source: Communications and Information Technology Commission.

Chart 2.2: Telecommunication Service Sector's Revenue



Source: Communications and Information Technology Commission.

during the year totaled 525.6 thousand, whereas the number of schools stood at 34.8 thousand, 18.5 thousand of which were schools for girls, accounting for 53.2 percent of the total number of schools.

Higher Education

Total number of students registered in higher education institutions in the Kingdom in academic year 1433/1434H stood at 1.4 million. The number of newly enrolled students at the different institutions of higher education exceeded 443.2 thousand. Of these, 362.5 thousand were at the bachelor level (81.8 percent of the total number of newly enrolled students). Higher diploma, master's, and doctorate levels accounted for the remaining percentage of the total. Male students constituted 55.5 percent of total newly enrolled students, and female students accounted for 44.5 percent of the total.

Total number of graduates from all levels of higher education in the Kingdom stood at 166.7 thousand in academic year 1433/1434H. Of these, 81.9 thousand were female graduates representing 49.1 percent of the total.

Total number of the teaching staff at the institutions of higher education in the Kingdom in academic year 1433/1434H stood at 64.7 thousand. The number of universities in the Kingdom in the same academic year stood at 33, of which 25 are government universities with 581 colleges, and 8 private universities with 31 colleges.

The number of students studying abroad during the academic year under review totaled 199.3 thousand. Students who were granted government scholarships accounted for 83.2 percent, while the remaining percentage were studying at their own expense.

Technological, Vocational and Administrative Training

The number of students and trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 114.1 thousand in academic year 1433/1434H, receiving their education and training in 119 colleges and institutes. The total number of the teaching staff at TVTC stood at 7.8 thousand, and the number of trainees under national training programs supervised by TVTC was 142.1 thousand in the same academic year.

The Institute of Public Administration (IPA) continued its training programs aimed at raising the professional level of government employees in the Kingdom. In training year 1433/1434H, the IPA organized a number of general and customized training courses, applied seminars, symposia and gatherings at its head office in Riyadh, branches in Al -Dammam and Jeddah, and female branch in Riyadh. The number of participants in these activities was 82.5 thousand. The number of graduates from preparatory programs was 1,133 during the training year 1433/1434. The number of training staff totaled 701, of which 574 were Saudis, representing 81.8 percent of the total training staff.

Health Affairs

The Ministry of Health's statistics for 1434H indicated remarkable improvement 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 in the Kingdom rose to 445 in 1434H, increasing by 10 over 1433H. Of these, 268 hospitals were run by the Ministry of Health, 41 by other government sectors, and 136 by the private sector.

The number of private health centers and dispensaries totaled 4,704 in 1434H compared to 4,427 in 1433H. The number of physicians working in the Kingdom stood at 80.5 thousand (2.7 per 1,000 people), increasing by 9,304 over 1433H. Total number of beds in the Kingdom's hospitals rose to 64.4 thousand (2.1 per 1000 people), increasing by 3,350 over 1433H.

Pension and Social Insurance

The number of subscribers to the civil pension scheme (Public Pension Agency) increased by 19.4 percent to 1.14 million in 2013 compared to 955.6 thousand in the previous year. The subscriptions collected from on-the-job civil subscribers declined to SAR 18.7 billion from SAR 19.4 billion in the previous year. Total disbursements by the Public Pension Agency to beneficiaries amounted to SAR 44.5 billion, denoting a slight decrease of 0.2 percent from the preceding fiscal year. The number of living pensioners increased by 7.7 percent to 462.4 thousand. The number of deceased pensioners rose by 8.3 percent to 154 thousand, and heirs benefiting from pension payments by 2.1 percent to 383.5 thousand.

The number of private establishments subscribing to the social insurance scheme; the

General Organization for Social Insurance (GOSI); rose by 25.0 percent to 418.2 thousand. The number of government establishments also rose by 2.0 percent to 1,305. The number of subscribers covered by the social insurance scheme went up by 18.7 percent to 20.9 million in 2013 from 17.6 million in the preceding year. The number of on-the-job subscribers increased by 30.1 percent to 9.1 million from 7.0 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's population in mid-2013 rose by 2.7 percent to 30.0 million compared to 29.2 million in the preceding year. Saudis constituted 67.6 percent (20.3 million).

A breakdown of the Kingdom's population by gender based on the midyear census for 2013 indicates that the male population accounted for 57.0 percent and the female population accounted for 43.0 percent of total population. The Saudi male population represented 50.6 percent and the Saudi female population represented 49.4 percent of total Saudis, while non-Saudi male population was 70.4 percent and non-Saudi female population was 29.6 percent of total non-Saudi population of the Kingdom.

A breakdown of the Kingdom's population by administrative regions in mid-2013 indicates that Makkah Region ranked first with 7.7 million, or 25.6 percent, Riyadh Region second with 7.5 million or 25.1 percent, and the Eastern Region third with 4.5 million or 15.1 percent. The Northern Borders Region occupied the last rank with 0.35 million or 1.2 percent of Kingdom's total population.

Labor 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 1.2 million at the end of 2013, increasing by 12.4 percent over the preceding year. Saudis working in the government sector represented 94.0 percent of the total employees in the sector.

With regards to Saudi workers, the number of Saudi male workers amounted to 718.4 thousand at the end of 2013, increasing by 11.7 percent over the preceding year, while the number of Saudi female workers reached 432.4 thousand, increasing by 16.9 percent over the preceding year.

As for non-Saudi workers, the number of non-Saudi male workers at the end of 2013 reached 36.2 thousand, decreasing by 1.3 percent from the preceding year, while that of non-Saudi female workers was 37.8 thousand, declining by 5.0 percent from the preceding year.

Efforts of the Ministry of Labor for Saudization

The Ministry of Labor and relevant government bodies continued their efforts aimed at promoting the contribution of national labor force to different economic activities in the private sector. The Ministry of Labor has undertaken many measures to regulate the employment process through ongoing application of Saudization programs, namely, "Nitaqat" program that motivates private sector institutions to Saudize jobs, "Hafiz" program to support job seekers and “Hafiz: Difficulty of Obtaining a Job” program. Furthermore, Taqat program provides various employment channels that help the private sector to hire qualified Saudis from the different classes of job seekers. These efforts have led to employing a large number of job seekers in private sector institutions 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 9.7 million at the end of 2013, increasing by 14.0 percent over the preceding year. The ratio of Saudis working in the private sector to total workers in the sector was 15.1 percent.

A breakdown of workers in the private sector by gender shows that the number of Saudi male workers at the end of 2013 was 1.1 million, increasing by 16.3 percent over the preceding year, and that of Saudi female workers was 0.4 million, increasing significantly by 84.6 percent over the preceding year.

As for non-Saudi workers, the number of non-Saudi male workers at the end of 2013 stood at 8.1 million, rising by 11.1 percent over the preceding year, and that of non-Saudi female workers was 0.2 million, rising by 48.5 percent over the preceding year.

Kingdom's Efforts for Regulating Expatriate Workers

The Ministry of Interior and the Ministry of Labor have intensified inspection campaigns with the objective to ensure the legal status of expatriate workers in the Kingdom. This took place after the Kingdom granted such workers a grace period that lasted for over seven consecutive months to rectify their status in accordance with government facilities that motivate the process. According to statements by officials, these campaigns will continue and will not be contingent on specified periods to safeguard the homeland security and achievements, thus, achieving gains for the domestic economy with the completion of market reforms. It is expected that the correction campaigns will yield major benefits for the market's interest and regulation of the relationship between the worker and the employer, ensuring the rights of both parties and promoting the work environment. Tracking irregular workers was undertaken under an ambitious plan framework by the Ministry of Labor which launched a number of programs in the past few years with a view to reform the labor market and raise the ratio of Saudi workers employed at the private sector by amending the existing employment quota system in the private sector and imposing fines on companies that do not meet the prescribed Saudization rate.

The departure of illegal workers from the Kingdom will not affect the economy, because they are considered an excess of the market's need as they were undertaking works outside the framework of the formal economy, consequently, making them work under what is known as a shadow economy or informal economy. The youth category will be amongst the first beneficiaries from this corrective action, as it will create top-notch investment opportunities in the sector of small enterprises. These opportunities will be available for the youth to start their own business instead of seeking jobs. However, risks imposed by illegal workers are not limited to the economic aspect. They also endanger the national security and social fabric in general.

According to the data of the Ministry of Labor, the number of illegal workers deported in the correction process stood at 713,524 during the period 25/5/1434H - 29/12/1434H.

Unemployment

Latest data of the Central Department of Statistics and Information indicate that the unemployment rate rose to 5.6 percent of the total labor force in the Kingdom in 2013 from 5.5 percent in 2012. The unemployed Saudis accounted for 11.7 percent of the total Saudi labor force compared to 12.1 percent in the previous year. The ratio of unemployed Saudi male workers was 6.1 percent of the total Saudi male labor force, while the ratio of unemployed Saudi female workers was 33.2 percent of the total Saudi female labor force. The ratio of unemployed non-Saudis stood at 0.2 percent of 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 end of the third quarter of 2013 reached SAR 430.6 billion. Total assets of these institutions amounted to SAR

574.8 billion in the same period, rising by 4.1 percent compared to the respective period of the preceding year. Total actual disbursements of these institutions' loans during the first three quarters of 2013 amounted to SAR 34.6 billion, declining by 15.0 percent compared to the corresponding period of the preceding year. Total loan repayments amounted to SAR 16.0 billion during the first three quarters of 2013, increasing by 48.2 percent over the same period of the preceding year. At the end of the third quarter of 2013, the balance of outstanding loans went up by 7.7 percent to SAR 268.6 billion over the balance at end of the preceding year.

Saudi Industrial Development Fund (SIDF)

The actual loans disbursed by SIDF amounted to SAR 4.9 billion during 2013, declining by 6.7 percent from the preceding year. Loan repayments stood at SAR 4.4 billion, decreasing by 6.8 percent from the preceding year.

Table 2.10: SELECTED INDICATORS FOR POPULATION AND LABOR FORCE

Major Regions		2012 Male	2012 Female	2012 Total	2013 Male	2013 Female	2013 Total
Population	Saudis	9,962,397	9,876,051	19,838,448	10,255,752	10,015,306	20,271,058
	Non-Saudis	6,581,439	2,776,008	9,357,447	6,843,611	2,879,603	9,723,214
	Total	**16,543,836**	**12,652,059**	29,195,895	**17,099,363**	**12,894,909**	29,994,272
Birth	Total	311,275	296,453	607,728	311,315	296,491	607,806
Mortality	Total	62,128	42,067	104,195	63,698	42,823	106,521
Workers	Saudis	1,562,005	585,680	2,147,685	1,786,698	830,983	2,617,681
	Non-Saudis	7,280,869	148,480	7,429,349	8,087,597	199,178	8,286,775
	Total	**8,842,874**	**734,160**	9,577,034	**9,874,295**	**1,030,161**	10,904,456
Unemployment rate	Saudis	6.1	35.7	12.1	6.1	33.2	11.7
	Non-Saudis	0.1	0.1	0.1	0.1	0.6	0.2
	Total	**2.7**	**21.3**	**5.5**	**2.8**	**20.7**	**5.6**
Government Sector staff	Saudis	643,212	369,840	1,013,052	718,383	432,445	1,150,828
	Non-Saudis	36,663	39,786	76,449	36,203	37,790	73,993
	Total	**679,875**	**409,626**	**1,089,501**	**754,586**	**470,235**	**1,224,821**
Private sector staff	Saudis	918,793	215,840	1,134,633	1,068,315	398,538	1,466,853
	Non-Saudis	7,244,206	108,694	7,352,900	8,051,394	161,388	8,212,782
Job seekers in the private sector	Total	8,162,999	324,534	8,487,533	9,119,709	559,926	9,679,635
Banking sector staff	Total	39,597	5,064	44,661	43,978	7,177	51,155

Source: Ministry of Economic and Planning, Central Department of Statistics & Information, Ministry of Civil Service and Ministry of Labor.

Real Estate Development Fund (REDF)

Total outstanding loans stood at SAR 113.9 billion at the end of the third quarter of 2013, increasing by 7.7 percent over the balance at the end of the preceding year. During the first three quarters of 2013, REDF provided loans to the tune of SAR 16.6 billion, declining by 3.1 percent from the same period of the preceding year. Loan repayments stood at SAR 2.3 billion during the first three quarters of 2013, increasing by 52.4 percent from the same period of the preceding year.

Agricultural Development Fund (ADF)

Total loans disbursed by ADF increased by 4.1 percent to SAR 702.0 million during 2013 from SAR 674.0 million in 2012. Loan repayments stood at SAR 651 million, denoting a decline of 59.1 percent from the preceding year. Total outstanding loans amounted to SAR 8.5 billion at the end of 2013, increasing by 0.1 percent over the end of the preceding year.

Public Investment Fund (PIF)

Total actual disbursements of loans by PIF went down to SAR 16.0 billion in 2013; 17.5 percent from the preceding year. Loans repayments amounted to SAR 11.2 billion during 2013, rising by 150.9 percent over the preceding year. At the end of 2013, the balance of outstanding loans went up by 6.7 percent over the end of the preceding year to SAR 77.1 billion.

Saudi Credit & Savings Bank (SCSB)

SCSB's total actual loans stood at SAR 6.4 billion in 2013, decreasing by 3.75 percent from the preceding year. Loans repayments in 2013 amounted to SAR 6.5 billion, increasing by 150.2 percent over the preceding year. The balance of outstanding loans was SAR 24.8 billion at the end of 2013.

Domestic Loan and Subsidy Programs

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, dispensaries, medical treatment centers, press projects, and private educational and training projects.

Actual loans disbursed under the program during 2013 totaled SAR 572.3 million, rising by 126.8 percent over the preceding year. Loans repayments totaled SAR 194.7 million during 2013, increasing by 0.4 percent over the preceding year. During fiscal year 1434/1435H (2013), 25 loans were approved, including 7 for health projects, and 18 for private educational and training programs.

During fiscal year 1434/1435H (2013), subsidies disbursed totaled SAR 4.0 billion. Imported barley subsidy stood at SAR 1,859.1 million, fodder subsidy SAR 1,739.1 million, baby milk subsidy SAR 99.5 million, private schools subsidy SAR 15.4 million, and rice subsidy SAR 2.2 million.

Structural Reforms and Top Economic Resolutions

In continuation of the efforts exerted by the Kingdom to raise the efficiency of economic performance and reach optimum utilization of available resources, a number of resolutions aimed at the ongoing development of the Saudi economy were issued by the Council of Ministers in 2013. A number of developmental steps were also taken to reconstruct the Saudi economy. The following were the most prominent resolutions taken by the Cabinet during 2013 in this regard:

- Approval of the Unified Law of Combating Dumping and Compensatory and Preventive Measures for the Countries of the Cooperation Council for the Arab States of the Gulf (Revised).
- Approval of the establishment of the General Education Assessment Authority, to report to the Prime Minister until the Supreme Council of Education exercises its duties and powers.

- Approval of the Kingdom's accession to the Agreement on Establishment of the International Anti-Corruption Academy in its capacity as an international organization.
- Approval of establishing the Saudi Center for Disease Prevention and Control within the organizational structure of the Ministry of Health.
- Issuance of a Royal Order providing for changing the official business days to Sunday through Thursday, and weekend to Friday and Saturday.
- Approval of establishment of the Public Transport Authority with a headquarters in Riyadh.
- Approval of granting permanent residence permit (Iqama) in the Kingdom without a sponsor to non-Saudi mother of Saudi children. The State shall bear her Iqama fee. She shall be allowed to work with others in the private sector, and shall be treated as a Saudi national in terms of study in public and higher education and health care in government hospitals.
- Approving the disbursement of a financial reward of 5 percent of funds confiscated by a judicial ruling to persons, other than workers in financial institutions, non-financial important functions and non-profit organizations, who report from within the Kingdom of money laundering or terrorist financing operations if said individuals provided valid evidence on the basis of which investigation could be commenced.
- Approving the Public Transport Project in Al-Madinah.
- Approving the Penal Law for Crimes of Terrorism and Terrorist Financing; the crimes of which set forth under the Anti-Money Laundering Law.
- Approval of establishment of a holding joint-stock company for the development and investment of heritage buildings owned by the state to be utilized for lodging and heritage hospitality.
- Approval of the initiative of the Saudi Commission for Tourism and Antiquities on the improvement of service centers located on regional roads to boost national tourism.
- Approval of the arrangements for addressing delayed and faltering government developmental projects and seeking possible solutions thereof.
- Approval of the Law on Disbursement of Financial Aid, extended by the state to those afflicted by crises arising from floods, fires and the like.
- Approval of the Tourism Law, (tourism accommodation, activities service prices, and tourism professions)■

Saudi Arabian Monetary Agency (SAMA) continued in 2013 to pursue monetary policy aimed at achieving stability in the exchange rate of the Saudi riyal and domestic prices and maintaining the soundness and strength of the financial system to perform its financing role in the domestic economy. SAMA maintained repo rate at 2 percent, and the reverse repo rate at 0.25 percent. It also retained the cash reserve requirements at 4 percent for time and savings deposits and at 7 percent for demand deposits.

The overall liquidity in the banking system remained at high levels. The banks' daily average repo transactions decreased to SAR 131 billion in 2013 from SAR 188 billion in 2012. The daily average reverse repo transactions went down to SAR 71.7 billion in 2013 from SAR 85.6 billion in 2012. In light of abundant liquidity in the banking system, SAMA continued to issue treasury bills to the extent of SAR 9.0 billion on a weekly basis in 2013. Yield on treasury bills remained fixed at 80 percent of the Saudi Interbank Bid Rate (SIBID).

Money Supply Growth

The three key alternative measures of domestic money supply, namely, M1, M2 and M3, all recorded growth rates in 2013 less than that of the preceding year. M3, the broadest measure of domestic liquidity (also called broad money) in Saudi Arabia which comprises currency in circulation and aggregate bank deposits, rose by 10.9 percent (SAR 151.4 billion) to SAR 1.5 trillion in 2013 compared to 13.9 percent (SAR 170.2 billion) in 2012. Bank deposits that represented 90.7 percent of M3 (0.3 percentage point over the preceding year) remained on a high-growth trajectory, showing an expansion of 11.2 percent (SAR 141.4 billion) in 2013 compared to an expansion of 14.2 percent (SAR 157 billion) in 2012. The growth rate of currency in circulation declined to 7.5 percent (SAR 10 billion) in 2013 from 11.0 percent (SAR 13.2 billion) in 2012. This decline despite the increase in the growth of M3 was due to the expansion in the role of banking intermediation and modern technologies such as POS terminal and online transfers.

The break-up of overall bank deposits shows dominance of demand deposits over other deposits as their share in M3 rose to 55.5 percent in 2013 from 54.1 percent in 2012. Demand deposits grew by 13.7 percent (SAR 103.3 billion) in 2013 compared to growth of 17.6 percent (SAR 112.9 billion) in 2012. Time and savings deposits showed a rising trend as they grew by 6.4 percent (SAR 20.6 billion) in 2013 from 6.2 percent (SAR 19 billion) in 2012. The share of time deposits in (M3) decreased to 22.3 percent in 2013 compared to 23.3 percent in the preceding year due to the growth in demand deposits at a rate larger than that of time and savings deposits. Other quasi-monetary deposits which comprise residents' foreign currency deposits, margin deposits for LCs and guarantees, outstanding remittances, and banks' repo transactions with private sector's parties, recorded a growth of 9.6 percent (SAR 17.5 billion) in 2013 compared to a growth of 16 percent (SAR 25.1 billion) in 2012 (**Tables 3.1, 3.2 and 3.3; and Charts 3.1 and 3.2**).

The other key liquidity measures (M1 and M2) —Which include relatively more liquid deposits— continued to record good growth rates in 2013. M1, which comprises currency in circulation and demand deposits, recorded an increase of 12.8 percent in 2013 compared to an increase of 16.6 percent in 2012. The share of demand deposits in M1 rose to 85.7 percent in 2013 from 85 percent in 2012. Likewise, M2, comprising less liquid time and savings deposits, also recorded an increase of 11.1 percent in 2013 compared to an increase of 13.6 percent in 2012. Consequently, the ratio of M1 to M3 went up to 64.7 percent in 2013 from 63.6 percent in 2012 because the growth of M1 was greater than that of M3 components. The ratio of M2 to M3 slightly increased to 87.1 percent in 2013 from 86.9 percent in 2012 (**Table 3.4**). The rise in the ratio of M1 to M3 indicated the growing preference of bank depositors to keep their savings in more liquid assets.

Broad Money (M3): Causative Factors

Broad money (M3) expansion pace decelerated in 2013 after witnessing a high-growth trajectory over the

Table 3.1: MONEY SUPPLY

(Million Riyals)

End of Year	Currency in circulation	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)
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	143,169	857,280	1,000,449	345,035	1,345,485	199,664	1,545,149

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

Table 3.2: GROWTH RATES AND COMPONENTS OF MONEY SUPPLY

(Percent)

End of Year	Currency in circulation	Demand Deposits	M1	Time and Savings Deposits	M2	Other Quasi-Monetary Deposits	M3
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	7.5	13.7	12.8	6.4	11.1	9.6	10.9

Chart 3.1: Growth Rates of Money Supply (M3)

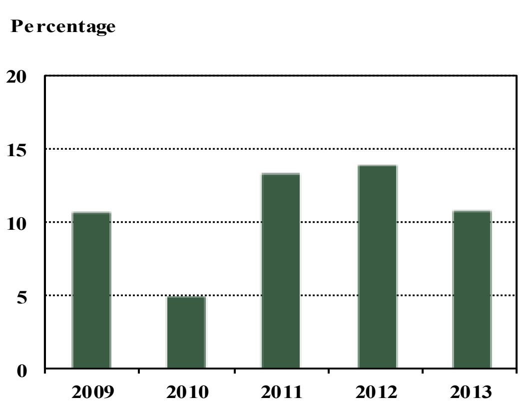


Chart 3.2: Components of Money Supply

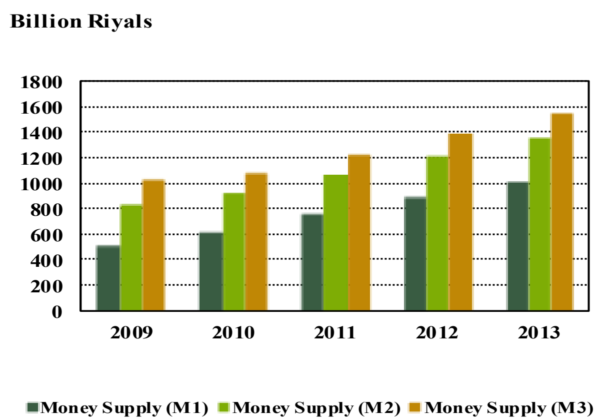


Table 3.3: COMPONENT OF MONEY SUPPLY

(% shares in M3; End of Period)

	2009	2010	2011	2012	2013
Currency in circulation	8.6	8.8	9.8	9.6	9.3
Total deposits	91.4	91.2	90.2	90.4	90.7
Demand deposits	42.1	49.1	52.4	54.1	55.5
Time & savings deposits	31.4	27.6	25.0	23.3	22.3
Other quasi-monetary deposits	17.9	14.5	12.8	13.1	12.9
Money supply (M3)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 3.4: MONETARY RATIOS

(Percent)

Year	M1/M3	M2/M3
2009	50.7	82.1
2010	57.9	85.5
2011	62.2	87.2
2012	63.6	86.9
2013	64.7	87.1

past years despite the growth of net government expenditure by 7.3 percent to SAR 758.9 billion in 2013 from SAR 706.8 billion in 2012. M3 grew by 10.9 percent (SAR 151.4 billion) in 2013 compared to an expansion of 13.9 percent (SAR 170.2 billion) in 2012. This was attributable to a decrease in the expansionary effect of bank claims on the private sector by 11.6 percent to SAR 124.5 billion in 2013 from SAR 140.8 billion in 2012 in addition to the negative expansion in net other items to SAR 82.7 billion in 2013 from SAR 43 billion in 2012. Consequently, the value of net government domestic expenditure, bank claims on the private and public sectors and net other items was SAR 887.9 billion, offsetting the private sector's balance of payments deficit of SAR 653.8 billion in 2013 (**Table 3.5 and Chart 3.3**).

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

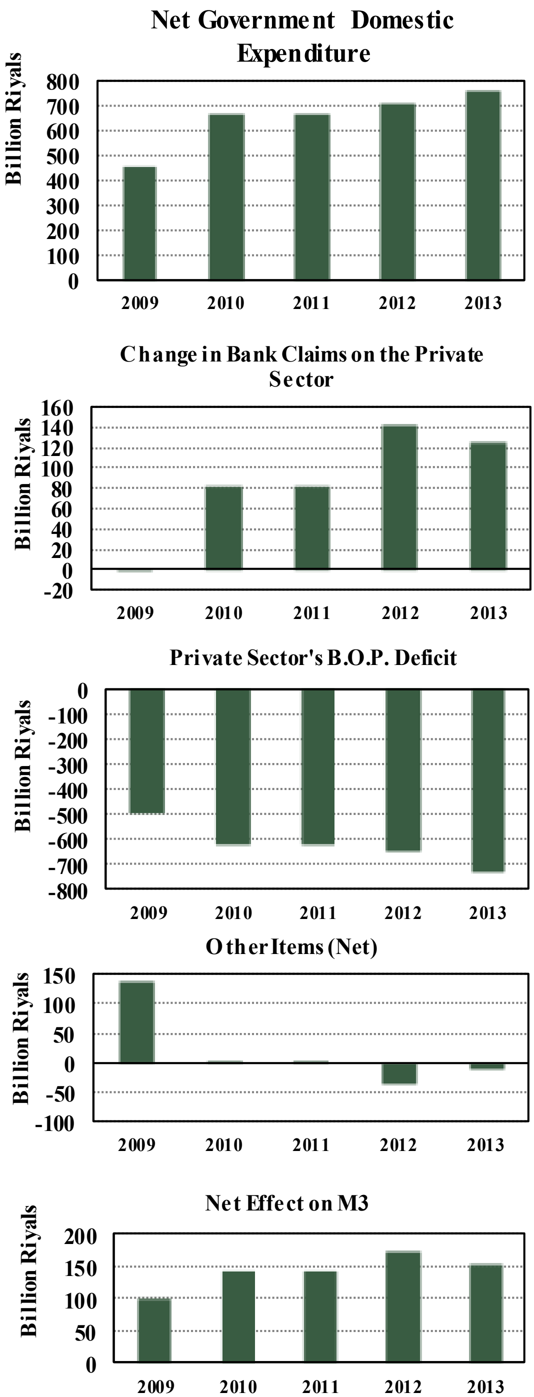
(Billion Riyals)

	2011	2012	2013
Change in M3	**143.2**	**170.2**	**151.4**
Causative Factors			
Net government domestic expenditures*	665.8	706.8	758.9
Change in bank claims on the private sector	82.6	140.8	124.5
Change in bank claims on non-financial			
Public institutions	-0.5	7.8	4.5
Private sector balance of payments deficit**	-610.5	-642.1	-722.4
Other items (net)	5.7	-43.0	-14.2
Total	**143.2**	**170.2**	**151.4**

* Government domestic expenditure less domestic reveres.

** Estimates.

Chart 3.3: Causative Factors for Change in M3



Monetary Base and Monetary Multiplier

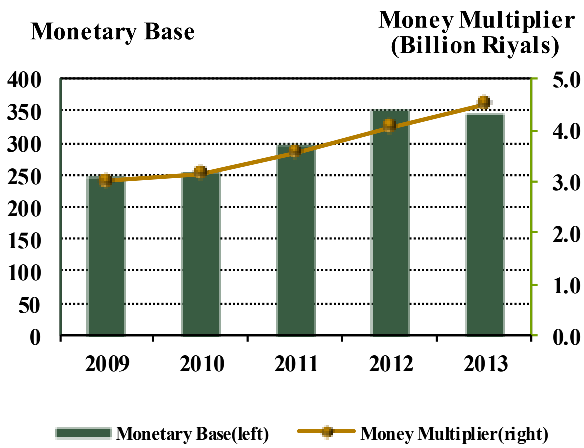
Monetary base is the narrowest measure of liquidity, consisting of two components: currency in circulation and cash in vault, and commercial banks' deposits with SAMA. The monetary base slightly decreased by 2 percent (SAR 7.1 billion) in 2013 compared to an increase of 17.2 percent (SAR 51.5 billion) in 2012. Currency in circulation grew by 7.5 percent (SAR 10 billion) in 2013 compared to 11 percent (SAR 13.2 billion) in 2012. However, its share in the monetary base went up to 41.7 percent in 2013 compared to 38 percent in the preceding year. On the other hand, commercial banks' reserves decreased by 7.9 percent (SAR 17.1 billion) in 2013 compared to an increase of 21.4 percent (SAR 38.3 billion) in the preceding year.

The financial intermediation in the Kingdom continued to accelerate greatly as commercial banks remained highly engaged in the credit activity. This was reflected positively in the money multiplier, recording a high level of 4.50 in 2013 compared to 3.96 in 2012 (**Table 3.6 and Chart 3.4**). The increase was attributable to the growth in money supply and the deceleration in the monetary base. It was also attributable to the deceleration of the ratio of currency to bank deposits to 10.2 percent in 2013 from 10.6 percent in 2012 and ratio of bank reserves to bank deposits to 14.3 percent in 2013 from 17.2

Table 3.6: MONETARY BASE AND MONEY MULTIPLIER

End of Year	Monetary Base (Million SAR)	Money Multiplier
2009	248,513	4.14
2010	254,832	4.24
2011	299,103	4.09
2012	350,600	3.98
2013	343,535	4.50

Chart 3.4: Monetary Base and Money Multiplier



percent in 2012. In sum, banks continued largely to intermediate between savers and investors owing to the considerable growth in both bank deposits with an average of 11.9 percent, and bank credit with an average of 11.4 percent during 2008-2013.

Seasonal Trends of Currency in Circulation

Two significant Islamic events including *Ramadan* and *Hajj* that fall during the last four months of the Hijri Calendar normally raise the demand for funds in Saudi Arabia. Therefore, currency in circulation tends to remain at a high trend until the end of the month of *Dhul Hijjah*. This is evident in the time series data on currency in circulation (**Table 3.7 and Chart 3.5).** The demand for currency in circulation reached its peak of SAR 146.2 billion at the end of July 2013 (Ramadan 23, 1434H), rising by SAR 8.2 billion over the level recorded in 2012. It recorded its lowest level of SAR 134 billion at the end of January 2013 (Rabi I 19, 1434H), rising by SAR 13.2 billion over the level recorded in 2012.

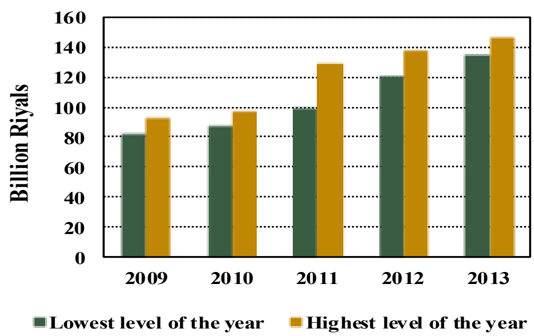
Monetary Survey

Exports earnings, FDI inflows, bank credit to the private sector and rising public expenditure continued to contribute to the build-up of net assets holdings of the Saudi banking system in recent years.

Table 3.7: SEASONAL TRENDS IN CURRENCY IN CIRCULATION

Currency in circulation Highest Level of the Year			Currency in circulation Lowest Level of the Year		
Gregorian Month-End	Corresponding Hijri Date	Amount (Million Riyals)	Gregorian Month-End	Corresponding Hijri Date	Amount (Million Riyals)
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
7/2013	23/9/1434	146,170	1/2013	19/3/1434	134,148

Chart 3.5: Seasonal Trends in Currency in circulation



Therefore, monetary survey, which is a consolidated balance sheet of the Saudi banking system, continued to show sustained expansion in assets of the entire Saudi banking system (**Table 3.8**), rising by 11.7 percent (SAR 438.7 billion) to SAR 4.2 trillion in 2013 compared to a rise of 17.9 percent (SAR 573.5 billion) in 2012.

Net foreign assets of the banking system grew by 10.2 percent (SAR 262 billion) to SAR 2.8 trillion in 2013 compared to an increase of 19.7 percent (SAR 421.6 billion) in 2012. SAMA's net

Table 3.8: MONETARY SURVEY*
(End of year)

(Million Riyals)

	2009	2010	2011	2012	2013
Assets					
Foreign assets (net)	1,631,277	1,749,943	2,140,359	2,562,004	2,824,078
SAMA	1,520,042	1,651,522	2,007,086	2,428,571	2,687,792
Commercial banks	111,235	98,421	133,273	133,433	136,286
Domestic credit	916,561	990,088	1,067,999	1,219,888	1,396,515
Bank claims on private sector	734,237	775,756	858,365	999,127	1,123,645
Bank claims on government	154,188	182,048	177,803	181,176	228,743
Bank claims on non-financial public institutions	28,136	32,285	31,831	39,585	44,127
Total	**2,547,838**	**2,740,031**	**3,208,358**	**3,781,892**	**4,220,593**
Liabilities					
Broad money M3	1,028,944	1,080,370	1,223,563	1,393,754	1,545,149
Government deposits **	923,118	992,559	1,186,997	1,515,746	1,640,543
Other items (net)	595,776	667,102	797,798	872,392	1,034,901
Total	**2,547,838**	**2,740,031**	**3,208,358**	**3,781,892**	**4,220,593**
Foreign assets (net)	-3.1	7.3	22.3	19.7	10.2
Domestic credit	-6.1	8.0	7.9	14.2	14.5
Bank claims on private sector	0.0	5.7	10.6	16.4	12.5
Bank claims on government	-26.5	18.1	-2.3	1.9	26.3
Bank claims on non-financial public institutions	-12.3	14.7	-1.4	24.4	11.5
Broad money M3	10.7	5.0	13.3	13.9	10.9
Government deposits**	-12.6	7.5	19.6	27.7	8.2
Other items (net)	-11.8	12.0	19.6	9.3	18.6

* Consolidated balance sheet of SAMA and commercial banks.

** Including letters of credit and documents for collection.

foreign assets stood at SAR 2.7 trillion at the end of 2013.

The Saudi private sector continued to account for the bulk of bank credit as bank claims on the private sector accounted for 81.9 percent and 80.1 percent of total bank credit during 2012 and 2013, respectively. Bank claims on the private sector indicate an increase of 12.5 percent (SAR 124.5 billion) to SAR 1.1 trillion in 2013 compared to 16.4 percent (SAR 140.8 billion) in 2012. Bank claims on public sector non-financial institutions also recorded a rise of 11.5 percent in 2013 compared to 24.4 percent in 2012.

The rise in world oil prices contributed to increasing government oil revenues in recent years (except for 2013 which witnessed a slight decrease in oil prices). This enabled the government to broaden its deposit base by 8.2 percent to SAR 1.6 trillion in 2013 against a rise of 27.7 percent in 2012.

Interest Rate Trends

The 3-month Saudi Inter-bank Offered Rate (SIBOR) on riyal deposits rose by 3 basis points (bps) in 2013 against an increase of 23 bps in 2012. The interest rate on 3-month USD deposits declined by 9 bps in 2013 compared to a rise of 7 bps in the preceding year. The difference between the two average rates continued its uptrend in favor of the Saudi riyal, raising to 0.69 percent in 2013 from 0.55 percent in 2012 (**Table 3.9 and Chart 3.6**).

Exchange Rate Position

The Saudi riyal exchange rate remained stable in 2013. The spot exchange rate between the Saudi riyal and the US dollar remained close to the official peg of SAR 3.75 per $1 in 2013 (**Table 3.10**).

Public Debt

The Saudi government continued to enjoy ample fiscal space on account of oil revenues. Therefore, the process of debt retirement continued, bringing the public debt down to SAR 75.1 billion at the end of 2013 from SAR 98.8 billion in 2012 and SAR 685.2 billion in 2002. The pace of annual retirement averaged at SAR 55.5 billion during 2002-2013. The continuation of public debt retirement improved the public debt to GDP ratio considerably as it decreased to 2.7 percent in 2013 from 3.7 percent in 2012, 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 2013.

SAMA's Balance Sheet

SAMA's balance sheet continued to expand as its total assets increased by 10.2 percent (SAR 253.7 billion) to SAR 2.7 trillion in 2013 compared to a rise of 20.8 percent (SAR 427.2 billion) in 2012.

SAMA's foreign assets holdings still represent the largest share of SAMA's balance sheet. They continued their rising trend resulting from oil revenue. Distribution of SAMA's foreign assets holdings remained skewed towards investment in foreign securities which rose by 16.9 percent (SAR 282.8 billion) in 2013 against a rise of 17 percent (SAR 242.2 billion) in 2012. SAMA's deposits with banks operating outside the Kingdom decreased slightly by 5.2 percent to SAR 546.6 billion in 2013 compared to an increase of 39.2 percent to SAR 576.4 billion in 2012. However, currency cover rose by 4.5 percent to SAR 194.7 billion in 2013 from SAR 186.2 billion in 2012 (**Table 3.11**).

The distribution of SAMA's liabilities also remained concentrated in government deposits which rose by 7.7 percent (SAR 107.3 billion) to SAR 1.5 trillion at the end of 2013 compared to a considerable rise of 29.3 percent (SAR 317.6 billion) at the end of 2012. Commercial banks' deposits with SAMA also rose by 15.7 percent to SAR 81.9 billion in 2013 from SAR 70.8 billion in 2012■

Table 3.9: INTEREST RATES ON RIYAL AND DOLLAR DEPOSITS*

(Average rates for 3-month deposits)

Year	SAR Deposits	USD Deposits	Difference Between riyal and dollar rates
2010	0.74	0.34	0.40
2011	0.69	0.29	0.41
2012	0.92	0.36	0.55
2013	0.95	0.27	0.69

* Inter-bank rates.

Chart 3.6: Interest Rates on Riyal and Dollar Deposits

(Average rates for 3-month deposits)

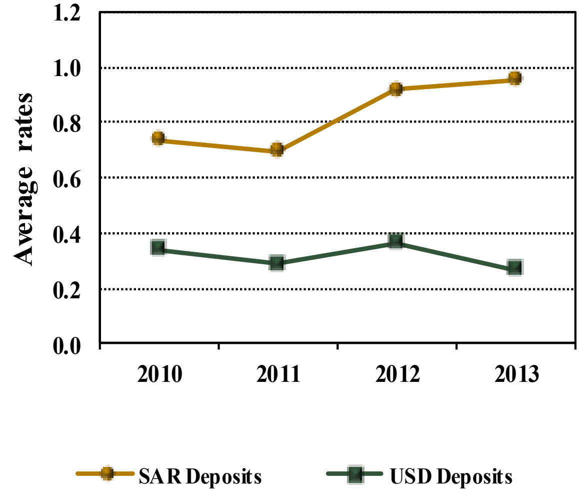


Table 3.10: EXCHANGE RATE OF THE RIYAL IN THE SPOT MARKET (Against US Dollar)

Year	Maximum Value	Minimum Value	Average (whole period)
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	3.7504	3.7500	3.7502

Source: REUTERS.

Table 3.11: SAMA's BALANCE SHEET

(End of year)

(Million Rls)

	2009	2010	2011	2012	2013
Assets					
Foreign currencies and gold	123,127	136,029	169,033	186,227	194,684
Cash in vault	23,876	25,060	29,187	33,415	28,296
Notes	23,868	25,049	29,176	33,405	28,284
Coins	8	11	11	10	12
Deposits with banks abroad	335,673	343,887	414,007	576,415	546,629
Investment in foreign securities	1,071,542	1,181,916	1,427,820	1,670,020	1,952,837
Other miscellaneous assets	16,435	18,497	17,817	18,986	16,283
Total	**1,570,653**	**1,705,389**	**2,057,864**	**2,485,063**	**2,738,728**
Liabilities					
Currency Issued	123,127	136,029	169,033	186,227	194,684
In circulation	99,251	110,969	139,846	152,812	166,388
At SAMA	23,876	25,060	29,187	33,415	28,296
Gov. Deposits and reserve	857,570	913,375	1,083,364	1,400,946	1,508,334
Government current account	149,060	106,355	302,256	364,015	180,795
Government reserve	605,677	714,241	723,802	724,166	851,429
Allocations for government projects*	102,833	92,779	57,307	312,766	476,110
Gov. institutions and funds deposits	92,223	110,209	136,844	152,544	165,720
Statutary deposits for financial institutions	50,715	54,976	63,511	70,791	81,901
Foreign Institutions' deposits in local currency	10,300	10,310	3,774	4,091	6,358
Treasury bills and repo agreements**	326,941	367,769	379,202	441,210	459,932
Other miscellaneous liabilities	109,778	112,721	222,136	229,254	321,800
Total	**1,570,653**	**1,705,389**	**2,057,864**	**2,485,063**	**2,738,728**

* Representing allocations for expenditure on government committed projects.

** Representing monetary policy instruments.

Commercial banks continued their robust performance and achieved high growth rates in 2013 in line with the overall economic climate, which was characterized by rising confidence and employment levels. That was in addition to SAMA's efforts in control and supervision over the banking system, aiming at enhancing its strength and solvency and promoting quality of banking and financial services provided to customers and different economic and commercial activities. This chapter reviews developments of commercial banks, Institute of Banking, SAMA's role of supervision and control of the banking sector and finance companies. The good performance of commercial banks during 2013 was reflected in a rise in their general activity and enhancement of their financial position. Their total assets went up by 9.2 percent, bank deposits by 11.2 percent, capital and reserves by 7.8 percent and profits by 6.5 percent.

Consolidated Financial Position of Commercial Banks

In 2013, commercial banks recorded good performance in strengthening their financial position. Their total assets rose by 9.2 percent (SAR 159.1 billion) to SAR 1,893.3 billion compared to an increase of 12.3 percent (SAR 189.7 billion) in the preceding year **(Table 4.1).**

Table 4.1: CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS

(End of period)

(Million Riyals)

	2009	**2010**	**2011**	**2012**	**2013**
Assets					
Reserves	160,118	159,313	179,174	217,455	200,366
Foreign assets	210,918	193,127	208,723	212,829	210,691
Claims on the public sector	182,324	214,333	209,634	220,761	272,869
Claims on the private sector	734,237	775,756	858,365	999,127	1,123,645
Claims on non-monetary financial institutions	1,365	1,946	1,694	2,737	2,740
Other assets	81,296	70,794	86,843	81,233	82,971
Total Assets/Liabilities	1,370,258	1,415,267	1,544,434	1,734,141	1,893,283
Liabilities					
Bank deposits	**940,548**	**984,850**	**1,103,634**	**1,260,608**	**1,401,980**
Foreign liabilities	99,683	94,706	75,450	79,396	74,405
Capital and reserves	163,642	178,025	190,140	209,494	225,855
Profits	26,830	26,120	30,919	33,508	35,692
Other liabilities	139,555	131,567	144,291	151,135	155,350

Bank Deposits

Total bank deposits increased by 11.2 percent (SAR 141.4 billion) to SAR 1,402.0 billion in 2013 compared to an increase of 14.2 percent (SAR 157.0 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 13.7 percent (SAR 103.3 billion) to SAR 857.3 billion in 2013, compared to a rise of 17.6 percent (SAR 112.9 billion) in the preceding year. Their share in total deposits went up to 61.1 percent at the end of 2013 from 59.8 percent at the end of 2012. Also, time and savings deposits increased by 6.4 percent (SAR 20.6 billion) to SAR 345.0 billion compared to an increase of 6.2 percent (SAR 19.0 billion) in the preceding year. However, their share in total deposits dropped to 24.6 percent in 2013 from 25.7 percent in the preceding year. Other quasi-monetary deposits (the bulk of which is residents' foreign currency deposits) went up by 9.6 percent (SAR 17.5 billion) to SAR 199.7 billion at the end of 2013 compared to a rise of 16.0 percent (SAR 25.1 billion) in the preceding year. Their share in total deposits decreased to 14.2 percent in 2013 from 14.5 percent in 2012 **(Chart 4.3).**

A breakdown of deposits by sector shows that deposits of the private sector increased by 10.5 percent (SAR 105.0 billion) to SAR 1,103.2 billion in 2013 compared to a rise of 12.1 percent (SAR 108.0 billion) in the preceding year. The share of the private sector's deposits in total deposits stood at 78.7 percent compared to 79.2 percent in the preceding year. Deposits of the public sector also went up by 13.9 percent (SAR 36.4 billion) to SAR 298.8 billion compared to a rise of 22.9 percent (SAR 49.0 billion) in the preceding year, increasing their

Table 4.2: BANK DEPOSITS
(End of period)

(Million Riyals)

	2009	2010	2011	2012	2013
First: By type					
Demand deposits	433,162	530,072	641,056	753,970	857,280
Time and savings deposits	323,377	298,283	305,441	324,428	345,035
Other quasi-monetary deposits	184,009	156,495	157,136	182,211	199,664
Foreign currency deposits	160,730	123,097	136,435	159,394	170,562
For L/Cs	14,770	23,650	8,365	9,849	12,812
Repo transactions	220	14	10	10	35
Outstanding remittances	8,289	9,735	12,326	12,958	16,255
Second: By sector					
Private sector	720,919	779,564	890,244	998,255	1,103,216
Public sector	219,630	205,286	213,390	262,354	298,764
Third: By currency					
Domestic currency deposits	779,819	861,753	967,199	1,101,214	1,231,418
Foreign currency deposits	160,730	123,097	136,435	159,394	170,562
Total bank deposits	**940,548**	**984,850**	**1,103,634**	**1,260,608**	**1,401,980**

Chart 4.1: Deposits By Currency

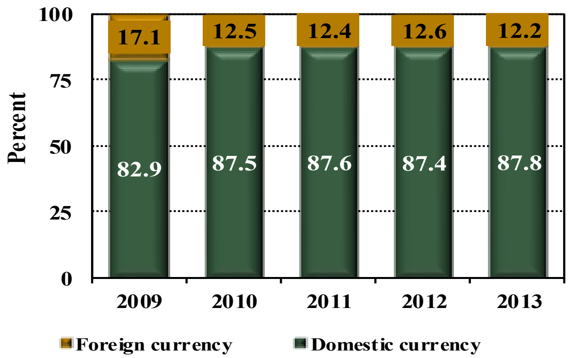


Chart 4.2: Growth Rates of Bank Deposits

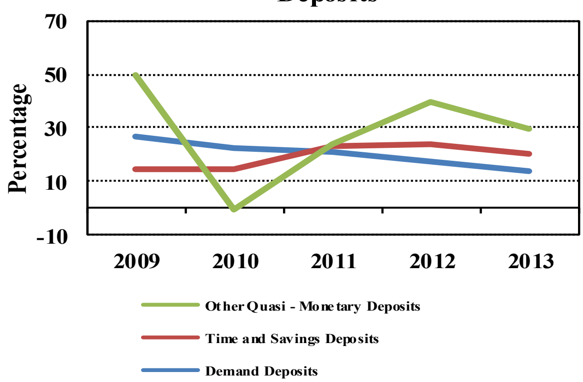
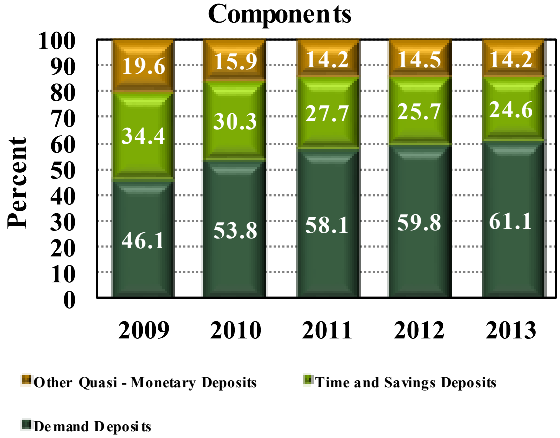


Chart 4.3: Shares of Deposit Components



share in total deposits to 21.3 percent at the end of 2013 from 20.8 percent at the end of 2012.

With respect to bank deposits by currency, domestic currency deposits increased by 11.8 percent (SAR 130.2 billion) to SAR 1,231.4 billion in 2013, compared to an increase of 13.9 percent (SAR 134.0 billion) in the preceding year. Their share in total deposits stood at 87.8 percent compared to 87.4 percent in the preceding year. Foreign currency deposits also increased by 7.0 percent (SAR 11.2 billion) to SAR 170.6 billion in 2013, compared to an increase of 16.8 percent (SAR 23.0 billion) in the preceding year. However, their share in total deposits went down to 12.2 percent at the end of 2013 from 12.6 percent in 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 14.4 percent (SAR 176.6 billion) to SAR 1,399.3 billion in 2013 compared to an increase of 14.3 percent (SAR 152.9 billion) in the preceding year. Total claims on the private and public sectors at the end of 2013 accounted for 99.8 percent of total bank deposits compared to 97.0 percent in the preceding year.

Total bank claims on the private sector increased by 12.5 percent (SAR 124.5 billion) to SAR 1,123.6 billion in 2013, compared to a rise of 16.4 percent (SAR 140.8 billion) in the preceding year, raising their share in total bank deposits to 80.1 percent at the end of 2013 from 79.3 percent in 2012.

Bank claims on the public sector (loans to public institutions and investments in government securities) increased by 23.6 percent (SAR 52.1 billion) to SAR 272.9 billion in 2013 compared to an increase of 5.3 percent (SAR 11.1 billion) in the preceding year. They constituted 19.5 percent of total bank deposits in 2013 compared to 17.5 percent at the end of the preceding year **(Table 4.3 and Charts 4.4 and 4.5).**

Bank Credit by Maturity

Short-term bank credit (less than one year) extended to the private sector and institutions of the public sector increased by 12.4 percent (SAR 66.5 billion) to SAR 603.3 billion in 2013 compared to an increase of 10.5 percent (SAR 51.1 billion) in the preceding year. Medium-term credit (1-3 years) increased by 5.8 percent (SAR 11.7 billion) to SAR 212.0 billion compared to a rise of 47.2 percent (SAR 64.2 billion) in the preceding year. Long-term credit (more than 3 years) also went up by 16.1 percent (SAR 42.2 billion) to SAR 305.2 billion compared to an increase of 12.0 percent (SAR 28.1 billion) in the preceding year.

Table 4.3: BANK CLAIMS ON THE PRIVATE AND PUBLIC SECTORS

(End of period)

(Million Riyals)

	2011		2012		2013	
	Amount	**% Share**	**Amount**	**% Share**	**Amount**	**% Share**
Claims on the private sector	**858,365**	**80.2**	**999,127**	**81.7**	**1,123,645**	**80.3**
Bank credit	824,795	77.1	960,472	78.6	1,076,393	76.9
Loans and advances	814,988	76.2	951,022	77.8	1,065,533	76.2
Bills discounted	9,807	0.9	9,450	0.8	10,860	0.8
Investments in private securities	33,570	3.1	38,655	3.2	47,252	3.4
Claims on the public sector	**209,634**	**19.6**	**220,761**	**18.1**	**272,869**	**19.5**
Bank credit to public institutions	31,831	3.0	39,585	3.2	44,127	3.2
Investments in government securities	177,803	16.6	181,176	14.8	228,743	16.3
Treasury bills	130,249	12.2	138,685	11.3	179,114	12.8
Government bonds	47,554	4.4	42,491	3.5	49,628	3.5
Claims on non-monetary financial institutions	**1,694**	**0.2**	**2,737**	**0.2**	**2,740**	**0.2**
Total	**1,069,693**	**100.0**	**1,222,625**	**100.0**	**1,399,255**	**100.0**

Chart 4.4: Bank Claims By Type

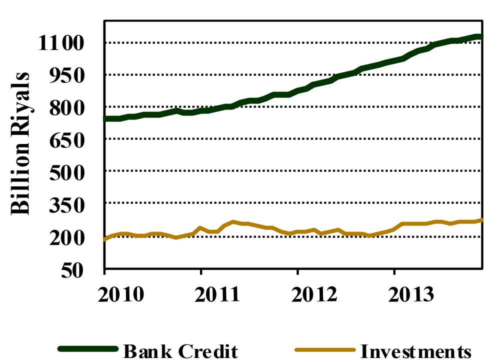
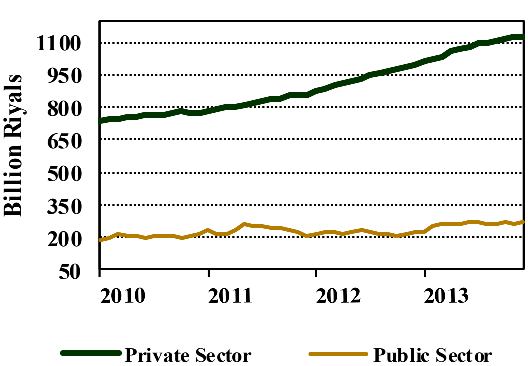


Chart 4.5: Bank Claims By Sector



Bank Credit by Economic Activity

A review of bank credit by economic activity during 2013 shows mixed trends of expansion and contraction. Bank credit extended to the mining and quarrying increased by 34.3 percent (SAR 4.2 billion) to SAR 16.3 billion compared to a rise of 59.0 percent in the preceding year, to the agriculture and fishing by 30.3 percent (SAR 2.8 billion) to SAR 12.0 billion compared to a rise of 3.9 percent in the preceding year, to the commerce by 14.0 percent (SAR 28.7 billion) to SAR 234.8 billion compared to a rise of 13.2 percent in the preceding year, to the services by 13.2 percent (SAR 7.5 billion) to SAR 64.0 billion compared to a rise of 48.2 percent in the preceding year, to the manufacturing and production by 10.7 percent (SAR 13.6 billion) to SAR 139.8 billion compared to an increase of 13.0 percent in the preceding year, and to the building and construction by 1.6 percent (SAR 1.2 billion) to SAR 76.6 billion compared to a rise of 8.0 percent in the preceding year. However, bank credit extended to the finance decreased by 8.3 percent (SAR 2.5 billion) to SAR 27.9 billion compared to a rise of 35.5 percent in the preceding year, to the transport and communications by 1.2 percent (SAR 0.5 billion) to SAR 37.9 billion compared to a decline of 1.3 percent in the preceding year, and to the electricity, water and other services by a slight decline 0.2 percent (SAR 0.07 billion) to SAR 34.3 billion compared to a rise of 33.4 percent in the preceding year **(Table 4.4 and Chart 4.6).**

Consumer and Credit Card Loans

Consumer and credit card loans registered their highest level of SAR 340.5 billion during 2013 compared to SAR 281.5 billion in the preceding year. This increase was due to the decrease in rates of return on loans, and the increased demand for loans because of recent increase in employment of Saudis in the government and private sectors. The bulk of the increase in total loans granted to individuals was in favor of consumer loans, which rose by 21.4

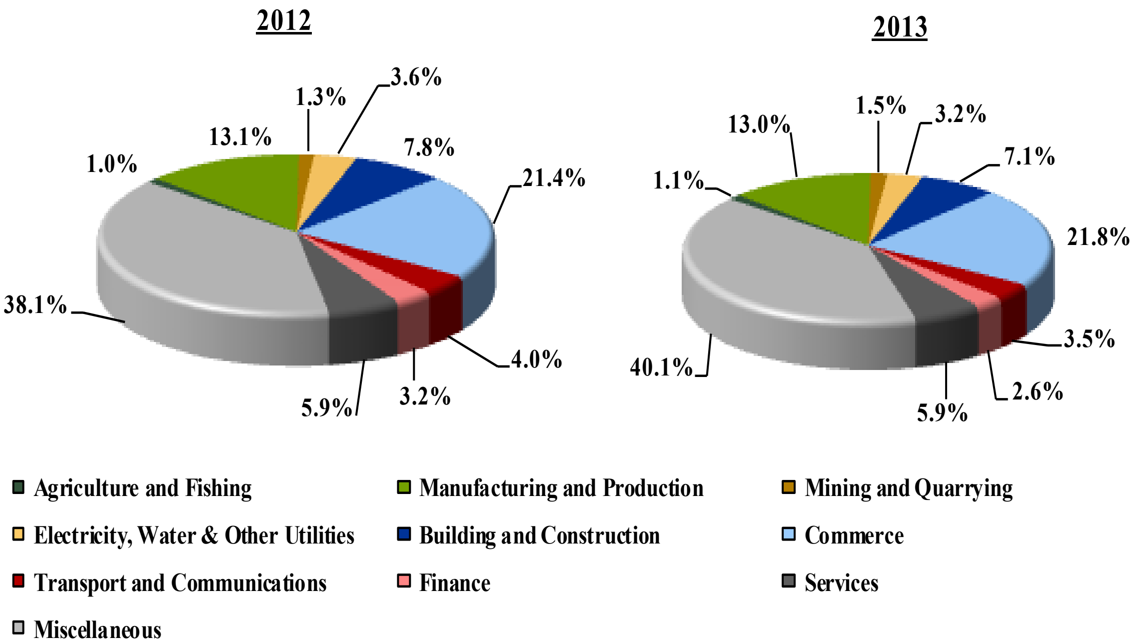
Table 4.4: BANK CREDIT TO THE PRIVATE SECTOR BY ECONOMIC ACTIVITY

(End of period)

(Million Riyals)

	2011		2012		2013	
	Amount	**% Share**	**Amount**	**% Share**	**Amount**	**% Share**
Agriculture and fishing	8,864	1.1	9,210	1.0	12,001	1.1
Manufacturing and production	111,662	13.5	126,203	13.1	139,764	13.0
Mining and quarrying	7,657	0.9	12,171	1.3	16,348	1.5
Electricity, water and other utilities	25,779	3.1	34,385	3.6	34,315	3.2
Building and construction	69,796	8.5	75,381	7.8	76,555	7.1
Commerce	182,078	22.1	206,023	21.5	234,768	21.8
Transport & Communications	38,886	4.7	38,396	4.0	37,924	3.5
Finance	22,468	2.7	30,451	3.2	27,915	2.6
Services	38,160	4.6	56,542	5.9	64,004	5.9
Other miscellaneous services	319,446	38.7	371,712	38.7	432,799	40.2
Total	**824,795**	**100.0**	**960,472**	**100.0**	**1,076,393**	**100.0**

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



percent (SAR 58.5 billion) to SAR 332.0 billion at the end of 2013 as compared to an increase of 12.9 percent (SAR 31.3 billion). A review of the components of these loans shows that loans for various purposes increased by 21.8 percent (SAR 39.7 billion) to SAR 222.1 billion, accounting for 66.9 percent of total consumer loans compared to a rise of 11.5 percent (SAR 18.9 billion) in the preceding year. Loans granted to real estate finance grew by 25.7 percent (SAR 9.2 billion) to SAR 44.9 billion, constituting 13.5 percent of total consumer loans compared to a rise of 21.9 percent (SAR 6.4 billion) in the preceding year. Loans granted to purchase of motor vehicles and equipment went up by 17.4 percent (SAR 9.6 billion) to SAR 65.1 billion, accounting for 19.6 percent of total consumer loans compared to a rise of 12.1 percent (SAR 6.0 billion) in the preceding year. Moreover, credit card loans increased by 5.3 percent (SAR 0.4 billion) to SAR 8.4 billion in 2013 compared to a rise of 2.6 percent (SAR 0.2 billion) at the end of the preceding year **(Table 4.5 and Chart 4.7).**

Syndicated Loans

Data on syndicated loans extended to residents by a syndicate of domestic and foreign banks indicate that their number increased by 26.8 percent over 2012 to 558 in 2013. Also, syndicated loans extended to non-residents went up by 28.8 percent to 134. Total value of syndicated loans extended to residents increased by 34.7 percent to SAR 211.3 billion in 2013, and those to non-residents by 40.2 percent to SAR 26.0 billion.

Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks went down by 1.0 percent (SAR 2.1 billion) to SAR 210.7 billion in 2013 compared to a rise of 2.0 percent (SAR 4.1 billion) in the preceding year.

Table 4.5: CONSUMER AND CREDIT CARD LOANS

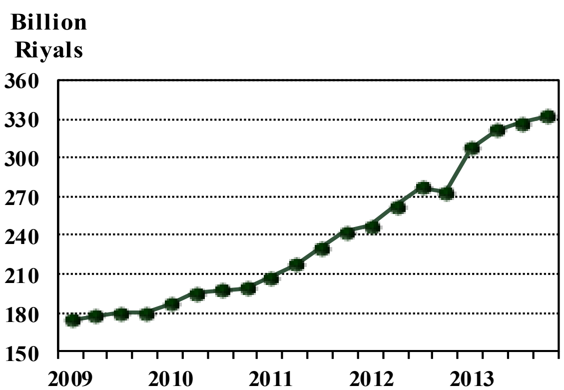
(End of Period)

(Million Riyals)

Year	Consumer Loans				Credit card Loans*
	Real estate	Motor vehicles and equipment	Others	Total	
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	35,710.7	55,422.4	182,380.6	273,513.7	7,983.3
2013	44,888.5	65,069.1	222,086.6	332,044.2	8,406.9

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

Chart 4.7: Total Consumer Loans



Foreign liabilities of commercial banks also decreased by 6.3 percent (SAR 5.0 billion) to SAR 74.4 billion in 2013 compared to a rise of 5.2 percent (SAR 3.9 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 by 2.1 percent (SAR 2.9 billion) to SAR 136.3 billion in 2013 compared to a slight increase of 0.1 percent (SAR 0.2 billion) at the end of the preceding year.

Commercial Bank Reserves

Commercial banks' reserves (cash in vault and deposits with SAMA) dropped by 7.9 percent (SAR 17.1 billion) to SAR 200.4 billion in 2013 compared to an increase of 21.4 percent (SAR 38.3 billion) at the end of the preceding year. The bulk of the decrease was due to other deposits with SAMA, which fell by 24.9 percent (SAR 31.7 billion) to SAR 95.9 billion at the end of 2013 from SAR 127.6 billion in 2012. However, statutory deposits with SAMA rose by 15.8 percent (SAR 11.1 billion) to SAR 81.1 billion, and current deposits with SAMA by 7.4 percent (SAR 12 million) to SAR 173 million in 2013 from SAR 161 million in 2012. Also, cash in bank vaults went up by SAR 3.6 billion to SAR 23.2 billion **(Table 4.7).**

Commercial Banks' Capital and Reserves

Capital and reserves of banks increased by SAR 16.4 billion or 7.8 percent to SAR 225.9 billion in 2013 compared to a rise of SAR 19.3 billion or 10.2 percent

Table 4.6: FOREIGN ASSETS AND LIABILITIES OF COMMERCIAL BANKS

(End of period)

(Million Riyals)

	Amount		Change			
			2012		2013	
	2012	2013	Amount	%	Amount	%
Foreign Assets						
Due from foreign banks	33,977	24,378	-8,968	-20.9	-9,599	-28.3
Due from branches abroad	44,689	48,473	17,987	67.4	3,784	8.5
Due from others	14,518	11,803	-1,144	-7.3	-2,715	-18.7
Investments abroad	119,644	126,037	-3,770	-3.1	6,393	5.3
Total	**212,829**	**210,691**	**4,106**	**2.0**	**-2,137**	**-1.0**
Foreign Liabilities						
Due to foreign banks	47,472	44,722	-5,556	-10.5	-2,750	-5.8
Due to branches abroad	6,777	6,495	3,270	93.3	-281	-4.2
Due to others	25,147	23,188	6,231	32.9	-1,959	-7.8
Total	**79,396**	**74,405**	**3,945**	**5.2**	**-4,990**	**-6.3**
Net Foreign Assets	**133,433**	**136,286**	**160**	**0.1**	**2,853**	**2.1**

Chart 4.8: Foreign Assets and Liabilities of Banks

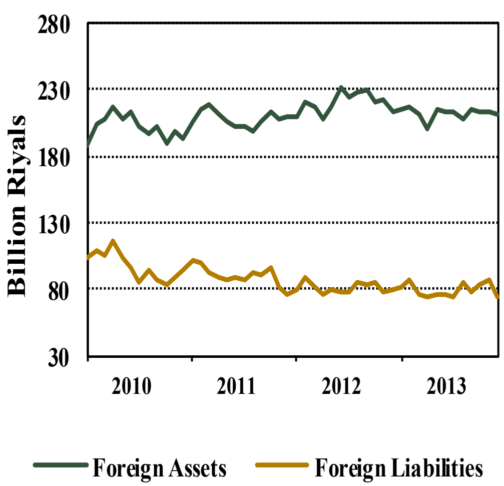


Chart 4.9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities

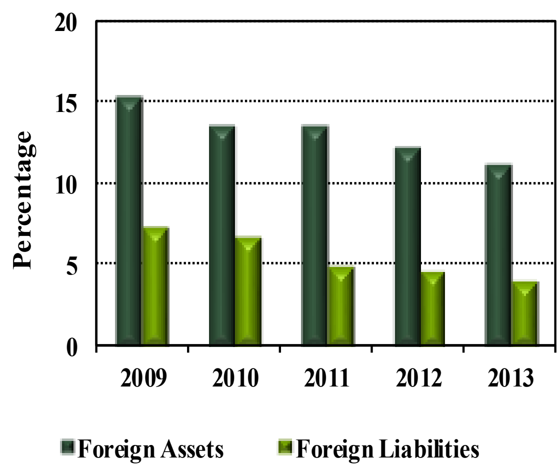


Table 4.7: COMMERCIAL BANK RESERVES
(End of period)

(Million Riyals)

	2009	2010	2011	2012	2013
Cash in vault	10,856	15,450	19,917	19,666	23,219
Deposits with SAMA:					
Current deposits	646	296	180	161	173
Statutory deposits	50,322	54,594	62,253	70,005	81,085
Other deposits	98,293	88,973	96,825	127,623	95,889
Bank reserves	**160,118**	**159,313**	**179,174**	**217,455**	**200,366**
Ratios to bank deposits					
Cash in vault	1.15	1.57	1.80	1.56	1.66
Deposits with SAMA:					
Current deposits	0.07	0.03	0.02	0.01	0.01
Statutory deposits	5.35	5.54	5.64	5.55	5.78
Other deposits	10.45	9.03	8.77	10.12	6.84
Bank reserves	**17.02**	**16.18**	**16.23**	**17.25**	**14.29**

in the preceding year. Their ratio to total deposits went down to 16.1 percent in 2013 from 16.6 percent in 2012, and to total assets to 11.9 percent in 2013 from 12.1 percent in 2012. Capital ratio to risk-weighted assets (Basel Standard) stood at 17.9 percent at the end of 2013, which is more than double the internationally prescribed standard of 8.0 percent **(Table 4.8).**

Sources and Uses of Commercial Banks' Funds During 2013

Total additional financial resources of commercial banks decreased by 5.1 percent to SAR 181.6 billion in 2013 from SAR 191.4 billion in 2012. These resources were accounted for by increases in bank deposits by SAR 141.4 billion (77.9 percent of total resources), capital base by SAR 18.5 billion (10.2 percent of total resources), cash reserves by SAR 17.1 billion (9.4 percent of total resources), net other liabilities by SAR 2.5 billion (1.4 percent of total resources), and foreign assets by SAR 2.1 billion (1.2 percent of total resources).

These additional financial resources were used by banks for increasing their claims on the private sector by SAR 124.5 billion (68.6 percent of total additional financial resources), and claims on the public sector by SAR 52.1 billion (28.7 percent) in addition to repaying SAR 5.0 billion (2.8 percent) of their foreign liabilities **(Table 4.9).**

Commercial Banks' Profits

Commercial banks' profits went up by 6.5 percent to SAR 35.7 billion at the end of 2013, compared to a rise of SAR 33.5 billion or 8.4 percent in 2012. The liquidity ratio was 28.6 percent in 2013 compared to 31.8 percent at the end of the preceding year.

Number of Banks and Branches

The number of commercial banks operating in the Kingdom stood at 23 at the end of 2013, including branches of foreign banks. The number of bank branches increased by 72 to 1,768 in 2013. The

Table 4.8: CAPITAL AND RESERVES OF COMMERCIAL BANKS

(End of period)

(Million Riyals)

	2009	2010	2011	2012	2013
Capital and reserves	163,642	178,025	190,140	209,494	225,855
Capital and reserves as a ratio of:					
Bank deposits	17.4	18.1	17.2	16.6	16.1
Total assets	11.9	12.6	12.3	12.1	11.9
capital ratio risk-weighted assets (Basel Standard)	16.9	17.6	17.6	18.2	17.9

Table 4.9: SOURCES AND USES OF COMMERCIAL BANKS' ADDITIONAL FINANCIAL RESOURCES DURING 2013

(Billion Riyals)

Sources	Amount	% Share	Uses	Amount	% Share
Bank deposits	141.4	77.9	Claims on the private sector	124.5	68.6
Capital base	18.5	10.2	Claims on the public sector	52.1	28.7
Net other liabilities	2.5	1.4	Foreign liabilities	5.0	2.8
Cash reserves	17.1	9.4			
Foreign Assets	2.1	1.2			
Total	181.6	100.0	Total	181.6	100.0

distribution of bank branches by administrative regions shows that Riyadh region accounted for 535 branches (30.3 percent of the total), Makkah region 394 branches (22.3 percent), the Eastern region 331 branches (18.7 percent), 'Asir region 111 branches (6.3 percent), Al-Qassim region 110 branches (6.2 percent), and Al-Madinah region 84 branches (4.8 percent) **(Table 4.10).**

Workers in the Banking Sector

In 2013, the number of workers in the banking sector rose by 13.5 percent to 46,178. Saudi workers represented 87.6 percent (40,440) of the total number. Saudi male workers constituted 75.5 percent of the total numbers of workers compared to 12.2 percent of non-Saudis male workers. Saudi female workers represented 12.1 percent of the total number

Table 4.10: BANK BRANCHES CLASSIFIED BY ADMINISTRATIVE REGIONS

(End of period)

	Riyadh	Makkah	Madinah	Eastern Region	Qassim	Asir	Tabouk	Hail	Northern Borders	Jawf	Jazan	Najran	Bahah	Total
2013														
Q1	518	384	80	323	104	107	41	33	13	21	39	23	25	**1,711**
Q2	525	384	82	322	104	108	41	34	13	21	40	23	25	**1,722**
Q3	531	386	82	324	105	109	41	35	13	21	40	23	25	**1,735**
Q4	535	394	84	331	110	111	42	35	13	23	41	23	26	**1,768**

of workers compared to 0.2 percent of non-Saudi female workers.

Banking Technology Developments in 2013

I. Clearing House Operations

The number of commercial and personal checks cleared through the clearing houses in the Kingdom in 2013 went down by 2.2 percent (139.5 thousand). However, their value increased by 1.2 percent to SAR 635.8 billion. Average check value went up by 3.5 percent to SAR 101,225 in 2013 from SAR 97,846 in 2012.

The number of checks cleared at the main automatic clearing houses in the Kingdom decreased in general. This may be attributable to the expansion in utilizing banking technology, such as POS terminals. The number in Riyadh clearing house fell by 2.0 percent to 2.3 million checks, Al-Dammam by 0.8 percent to 1.7 million, Jeddah by 3.6 percent to 1.4 million, Abha by 5.0 percent to 151.0 thousnad, Al-Madinah by 2.6 percent to 150.8 thousand, Buraidah by 1.3 percent to 254.6 thousand, Makkah by 3.4 percent to 133.1 thousand, and Tabuk by 10.4 percent to 50.5 thousand. However, their number increased in Jazan by 4.5 percent to 25.3 thousand, and in Al-Ta'if by 0.02 percent to 39.8 thousand (**Chart 4.10).**

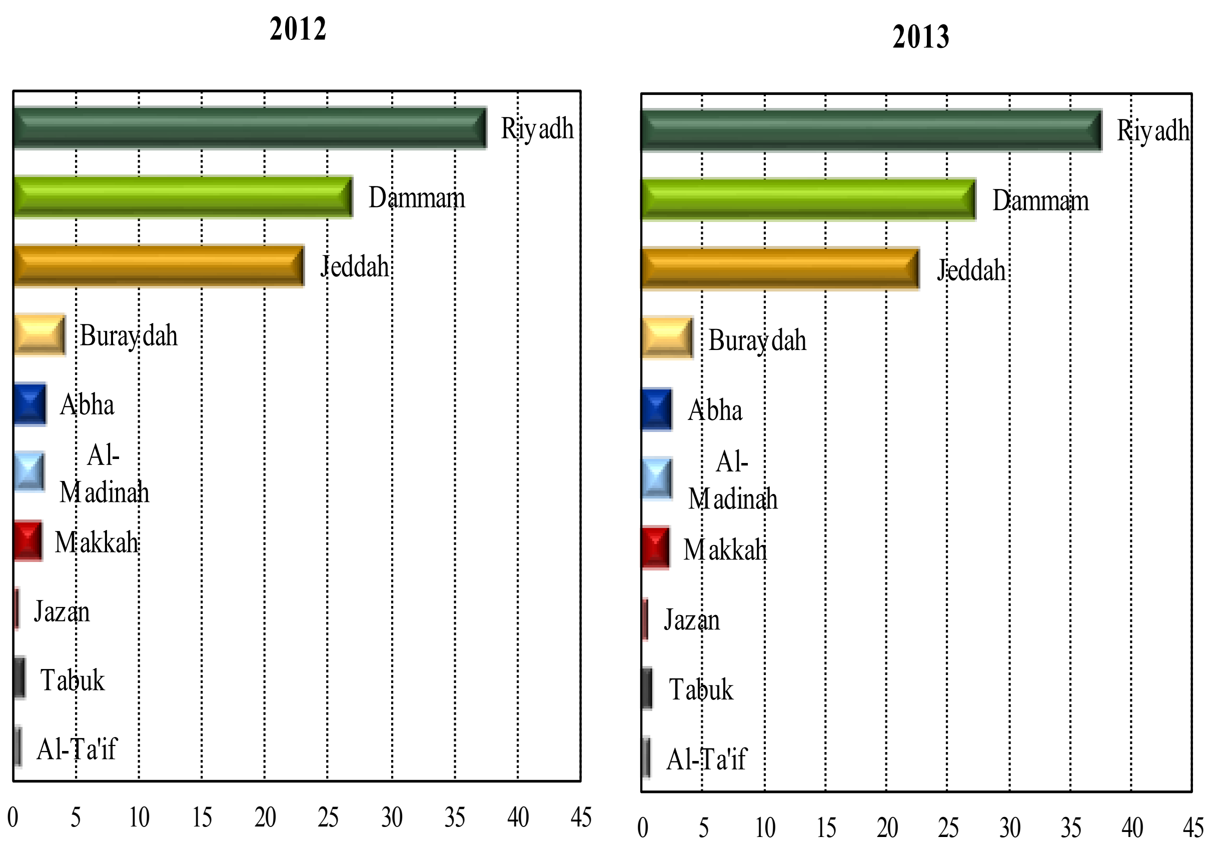
II. Saudi Payments Network (SPAN)

During 2013, SPAN continued to achieve further success in the provision of distinguished banking services, promoting the growth of transactions carried out through ATMs, POS terminals and debit cards. Work is still in progress on SPAN to provide fast, accurate, and secure banking services.

SPAN was awarded the PCI DSS 2.0 compliance certificate, which is an international standard for protecting electronic cards data, promoting information security in the banking sector in general.

All transactions of SPAN grew in 2013. The number of ATMs in the Kingdom increased by 9.2 percent to 13,883 compared to a rise of 8.0 percent in the preceding year. Also, the number of ATM cards issued went up by 8.3 percent to 17.8 million compared to an increase of 15.3 percent in the preceding year.

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



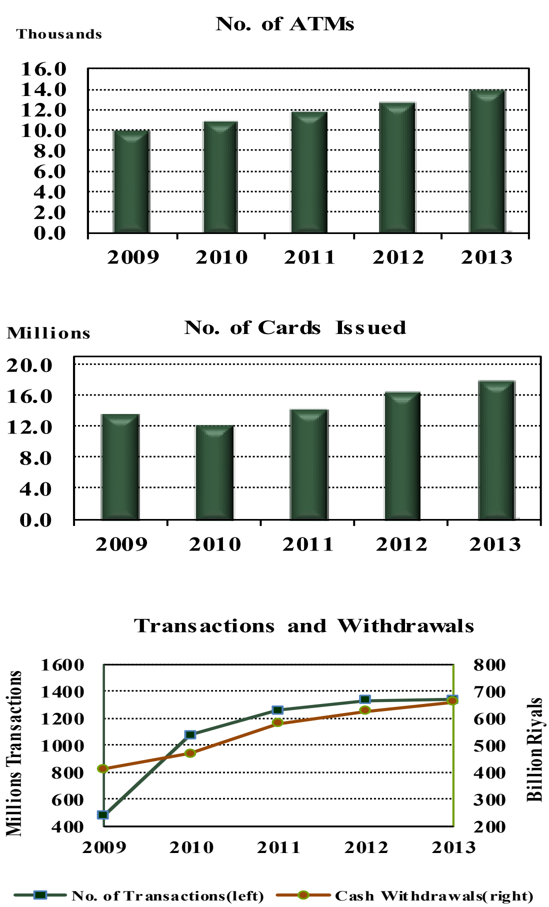
The number of transactions carried out by SPAN in 2013 rose by 4.7 percent to 558.2 million compared to a rise of 9.7 percent in the preceding year. The value of withdrawals carried out through SPAN increased by 7.7 percent to SAR 324.6 billion compared to a rise of 11.4 percent in the preceding year. The number of transactions executed through the banks' network went down by 2.8 percent to 777.3 million compared to a rise of 4.1 percent in the preceding year. The value of cash withdrawals through the banks' network rose by 2.9 percent to SAR 333.8 billion compared to a rise of 5.4 percent in the preceding year. As a result, total number of transactions carried out by ATMs rose slightly by 0.2 percent to 1,335.5 million and total cash withdrawals by 5.2 percent to SAR 658.4 billion **(Table 4.11 and Chart 4.11).**

The number of Points of Sale (POS) terminals went up by 16.5 percent to 107,763 compared to a rise of 4.2 percent in the preceding year. The number of operations executed through POS terminals went up by 23.6 percent to 294.0 million compared to a rise of 25.0 percent in the preceding year. The value of sales through POS terminals rose by 18.1 percent to SAR 144.3 billion compared to a rise of 23.6

Table 4.11: ATM 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
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	13,883	17,810,653	558,170	777,336	1,335,506	324,567	333,810	658,377

Chart 4.11: Automated Teller Machine Statistics



percent in the preceding year **(Table 4.12 and Chart 4.12),** indicating increased reliance of customers on SPAN services and their enhanced confidence in modern banking technology, and highlighting continuous achievements by SPAN.

III. Saudi Arabian Riyal Interbank Express System (SARIE)

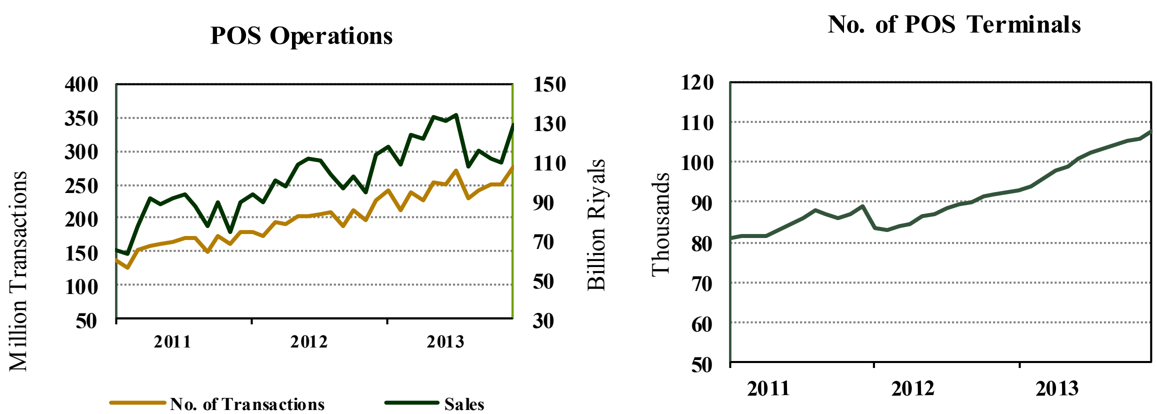
Since its launching on 8/12/1997, SARIE has made great progress in electronic banking and commercial transactions in the Kingdom as it constitutes the key infrastructure to a number of sophisticated payment and financial settlement systems. Currently, 20 banks are participating in SARIE.

Total number of transactions executed through SARIE went up by 5.6 percent to 58.0 million during 2013 against a rise of 24.6 percent in the preceding year. A breakdown of SARIE transactions by customers' gross and single transactions shows that the number of single transactions rose by 21.7 percent to 5.3 million. Their value also increased by 12.0 percent to SAR 3,040 billion. The number of gross transactions went up by 3.9 percent to 50.8 million and their value by 14.8 percent to SAR 1,530 billion. The number of other transactions went up by 19.9 percent to 1.5 million and their value by 24.2 percent to SAR 27.5

Table 4.12: POS STATISTICS

Year	Sales (Million Riyals)	No. of Operations (Thousand)	No. of POS terminals
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	144,327	294,043	107,763

Chart 4.12



billion. A breakdown of SARIE transactions by interbank payments shows that the number of single interbank transactions increased by 2.1 percent to 342 thousand in 2013. Their value, however, decreased by 18.4 percent to SAR 50,013 billion. The number of interbank gross transactions went down by 13.4 percent to 112.0 thousand and their value by 19.4 percent to SAR 49.1 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, phone banking and e-banking services). The number of billers connected to SADAD stood at 129 at the end of 2013, while the number of banks linked to it reached 14. The number of transactions executed during 2013 totaled 147.0 million with a total value of SAR 171.2 billion.

The Institute of Banking (IoB)

SAMA's Institute of Banking (IoB) continued to contribute to economic and social development through offering distinguished and cognitive solutions to the financial services sector,

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)
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	50,768	5,290	56,058	112	342	454	1,456	57,967

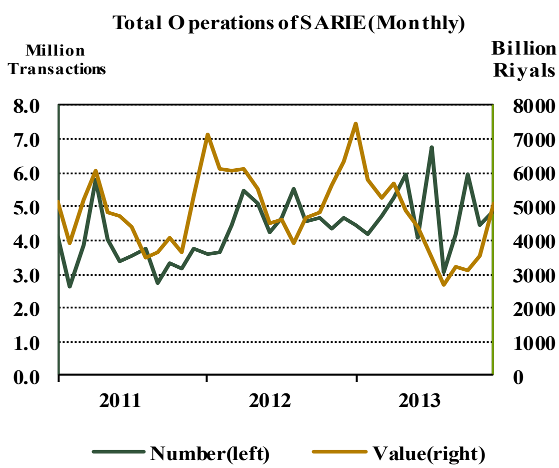
Table 4.13 B: VALUE OF SARIE TRANSACTIONS

(Billion Riyals)

Period	Customer Payments			Inter-bank Payments			Others*	Total
	Gross	Single	Total (1)	Gross	Single	Total (2)	(3)	(1+2+3)
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	1,530	3,040	4,570	49	50,013	50,062	27	54,660

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

Chart 4.13: SARIE Transactions



including banks, and insurance and investment companies.

In 2013, the IoB expanded its training products to attract new categories of beneficiaries at both levels of individuals and corporates. These products included specializations in banking, finance, investment, management, marketing, financial legislation and laws, insurance products, and technical and professional tests.

The IoB offered 1,072 activities in 2013. 17,730 participants benefited from such products, 4,186 of which joined standard tests of Tadawul, insurance basics, and accident surveyors programs;

174 joined specialized diploma programs; and 1,032 participated in symposia and workshops **(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, offered in English, also aims to introduce university graduates to various aspects of corporate banking. Moreover, the IoB organizes a range of developmental programs, including investment, administrative training, brokers basic program, managers of the future and Shariah-compliant banking finance programs.

II. Specialized Diploma Programs

Diploma programs include Financial and Banking Business Diploma. This diploma was designed in line with the needs of the financial and commercial market to develop participant's knowledge and understanding of the nature and importance of the financial and banking business. It enables its graduates to contribute effectively to their prospective financial and banking organizations in particular and other sectors in general.

Specialized diploma programs also include Insurance Business Diploma, the design of which was a result of joint efforts made by participants in the Saudi insurance industry for development of professional competence and skills. The demand for this diploma is expected to increase in the future in light of the increased number of licensed insurance companies, which will be in need for qualified staff to serve their customers. The introduction of new standard tests and preparatory courses for such tests, 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, from which 4,186 participants benefited during 2013—3,031 in insurance basics, 623 in Tadawul certificate, and 532 in accident surveyors (Najm company).

IV. Saudi Economists Training Program

This program aims at attracting and qualifying national cadres as a prerequisite for a scholarship

TABLE 4.14: IOB'S PROMINENT ACTIVITIES DURING 2013

Activity	No. of Courses	No. of Participants
Specialized diploma programs	2	174
Standard tests	3	4,186
Symposia and workshops	4	1,032

program for studying abroad to obtain master's and doctorate degrees in economics and work as economic researchers at SAMA thereafter. The number of participants in this program was 7 in 2013.

V. Conferences, Symposia and Applied Research

During 2013, the IoB organized two symposia, namely the Fifth Annual Symposium on Compliance and Anti-Money Laundering, and Classification and Credit Risk of Insurance Companies. These symposia were attended by 472 participants. In addition, the IoB organized two workshops with 560 participants, namely, Risk Management and Information Security in the Banking System.

Supervision and Control of the Banking Sector

SAMA supervises and regulates banks in order to ensure their soundness, solvency and efficient performance in the domestic economy through the application of regulations; issuance of rules, instructions and controls; and conducting supervisory visits and inspection programs. The following are the most prominent achievements in 2013:

First: Regulatory Developments and Guidance

SAMA issued supervisory circulars about different issues to improve the performance of the banking and financial system and ensure compliance with SAMA supervisory standards which are consistent with standards and principles issued by international regulatory bodies. Among the circulars for enhancement of banks' performance were those related to the partial amendment to the Rules Governing the Opening of Bank Accounts, controls related to application of mobile banking service, ceasing dealing with the system of finance option by incremental installments, updating the banking tariff for retail banking accounts and services, prudential returns on consumer loans information, instructions on banks' internal supervision controls and enhancing transparency in the Saudi derivatives market. Examples of BCBS-related circulars include management of risks associated with the settlement of foreign exchange transactions; lending ratio and disclosure requirements; points of sale disclosure in the banking sector, insurance and financial securities sectors; disclosure standards for liquidity coverage ratio; banks' external audit operations; and the supervisory framework on measurement and reduction of large exposures. Among the circulars related to FATF are those about AML Law and its Implementing Regulation and those addressing some remarks pertaining to its application.

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 SAMA's supervisory team and banks' board chairmen, senior management, and chairman of the audit committee.

Bilateral meetings address banks' strategies, operations, risk profile, risk management approach, and their internal control techniques. The meetings allow SAMA's inspection team to update its assessment of the risk profile that banks are exposed to and prepare reports thereof.

Third: SAMA's Cooperation with Internal and External Supervisory Bodies

SAMA is embarking on a project that will link the Ministry of Commerce and Industry with domestic banks to verify capital deposit certificates of companies under incorporation and have access to data of commercial registers of companies and institutions. SAMA is currently working on setting clear documented controls and procedures for the mechanism of the electronic link between banks and the Ministry of Commerce and Industry.

In the area of cooperation with supervisory authorities outside the Kingdom, SAMA cooperates and exchanges information and expertise with many central banks and supervisory authorities because of the existence of branches of foreign banks in the Kingdom and branches and subsidiaries of Saudi banks outside the Kingdom.

Fourth: Progress of the Implementation of Basel II and Basel III in the Kingdom

For decades, SAMA has been participating in the discussions and deliberations on BCBS' initiatives related to risk-based capital adequacy system. SAMA's first participation dates back to Basel I Convention in 1988. It participated in Basel II Framework in 2004. Recently, it participated in the discussions on Basel III reforms package for 2009 and 2010. In December 2012, SAMA completed the application of Basel III related to pillar 1 regarding credit risks, pillar 2 related to supervisory review process, and pillar 3 pertaining to bank data disclosure. SAMA also issued a number of BCBS-related circulars to banks, some of which are related to Basel III, for full implementation in 2013. In July 2013, SAMA directed banks to apply the Liquidity Coverage Ratio Framework according to BCBS's Final Guidance Document of January 2013.

Moreover, SAMA provided banks with a number of final consultative documents issued by BCBS and asked for their feedback thereon.

SAMA also participates in a number of committees and sub-working groups relevant to the FSB and BSBC that work on making further revisions and improvements to their initiatives on corporate governance, risk management, internal controls and others.

Fifth: Financial Derivatives Market

Financial derivative transactions in the Kingdom rose by SAR 83.9 billion or 8.9 percent to SAR 1,024.7 billion in 2013 compared to SAR 940.8 billion at the end of the preceding year. Derivatives constituted 59.6 percent of the (off-balance-sheet) contra accounts at the end of 2013 against 59.2 percent in the preceding year.

Sixth: On-Site Inspection of Banks Operating in the Kingdom

During 2013, SAMA continued to perform its supervisory functions over banks, foreign banks' branches and money changers through comprehensive on-site examination programs (covering all operations and products) and specialized examination programs (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 banks' asset quality, liquidity, profitability, risk management, internal audit in banks, and capital adequacy in addition to compliance with SAMA's regulations and instructions. A team formed by SAMA is currently, in cooperation with international audit firms, conducting comprehensive examination of all banks operating in the Kingdom.

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 AML/CTF units and compliance departments at banks operating in the Kingdom. It also performed an examination program to verify banks' compliance with limits of cash withdrawals and POS transactions, as well as their compliance with sending spontaneous notification SMS messages according to the instructions issued by SAMA.

Developments in Combating Money Laundering and Terrorist Financing

Combating money laundering and terrorist financing aims at protecting the domestic banking sector from negative consequences of these internationally and domestically prohibited transactions. This is made through preparing and updating banking AML/CTF rules, instructions, and manuals; preparing and implementing AML/CTF on-site inspection plans in domestic banks, their branches abroad, branches of foreign banks and money changers; and following up banks' compliance with the application of banking and non-banking regulations, legislation, rules, measures and instructions issued by SAMA in this regard.

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

SAMA took several supervisory and control actions related to combating money laundering and terrorist financing during 2013, the most important of which were as follows:

- The Penal Law for Crimes of Terrorism and its Financing was issued under Royal Decree No. M/16 dated 24/02/1435H (December 27, 2013).
- Periodic inspection of financial entities, subject to SAMA's supervision, for the purpose of combating money laundering and terrorist financing and ensuring their application of related instructions and regulations.
- In November 2013, the Council of Ministers issued a decision specifying a financial reward to those who report suspected money laundering or terrorist financing operations.
- The Permanent Anti-Money Laundering Committee, formed of representatives from all domestic banks, continued holding meetings to discuss compliance topics, combating financial crimes and issues of money laundering and terrorist financing.
- In continuation of its efforts to combat money laundering and terrorist financing, the Kingdom submitted the fourth follow-up report in April 2014 to MENAFATF, indicating the implementation of all notes and recommendations contained in the previous reports.
- Conferences, symposia and courses were held on combating money laundering and terrorist financing at SAMA's Institute of Banking.

Supervision and Control over Finance Companies

SAMA is responsible for overseeing and monitoring the real estate finance industry in the Kingdom. It is in charge of taking actions necessary to maintain the integrity and stability of this activity, and protecting the rights of those who work in this industry. It is also responsible for issuing licenses for practicing financing activities in accordance with the provisions of the finance laws and their regulations. The responsibility of overseeing the Real Estate Mortgage Law, mortgage transactions and mortgager's rights, lies with the Ministry of Justice.

It is hoped that the Real Estate Finance Law will help significantly in the provision of housing for a number of low and medium income citizens, especially in the presence of controls that provide the necessary guarantees for practicing activities of real estate finance to protect the rights of all parties involved in the funding transaction.

Among the most prominent achievements in supervising finance companies in 2013 were the following:

First: Regulatory Developments

- The Implementing Regulations of the Real Estate Finance Law was issued by H.E. the Minister of Finance's Resolution No. 1229 dated 10/04/1434H (20/02/2013).
- The Implementing Regulations of the Finance Companies Control Law was issued by H.E. the Minister of Finance's Resolution No.2/MCS dated 14/04/1434H (24/02/2013).
- The Implementing Regulations of the Financial Leasing Law was issued by H.E. SAMA

Governor's Resolution No.1/MCS on 14/04/1434H (24/02/2013).

SAMA issued its instructions and application forms for obtaining a license to exercise finance activities. It also issued Requirements for Appointment in Senior Positions in financial institutions supervised by SAMA and the accompanied Fit and Proper Form. All these documents are available on SAMA's website.

Second: Companies Licensed to Exercise Finance Activities in the Kingdom

SAMA has actually started to receive and consider applications for obtaining licenses for practicing finance activities. It has licensed a number of entities to exercise one or more finance activities (real estate finance, financial leasing, SMEs finance and consumer financing). Riayd Bank, Saudi British Bank, Arab National Bank, Amlak International, Dar Al-Tamleek and Nayifat company were licensed in 2013.

Banking Consumers Protection

SAMA has been working on the protection of customers' interests in the banking sector since the issuance of the Banking Control Law in 1966. This function was conducted by the Banking Inspection Department at the Banking Control Department. However, during 2013, SAMA witnessed organizational and administrative restructuring that encompassed almost all of its departments. This resulted in the establishment of the Consumer Protection Department, which aims at promoting the principles of consumer protection and service. It is responsible for receiving customer complaints and handling them in a way that protects their rights. Among the most significant achievements accomplished during 2013 were the following:

First: The Principles of Commercial Banks' Consumers' Protection were issued in their final form, circulated to all commercial banks, and posted on SAMA's website.

Second: The draft principles of insurance companies' consumers' protection and draft complaint units controls at commercial banks in its initial form were prepared.

Third: 19,491 various complaints, coming to SAMA directly or through government agencies, were considered and addressed during 2013.

Fourth: A call center was established to receive complaints in order to transfer them automatically to the concerned officer in the Department of Consumer Protection.

Fifth: A center was formed to receive the public, activate their reception mechanism and coordinate with the Consumer Protection Department's employees regarding their complaints.

Sixth: Raising the public awareness of their rights when dealing with various financial entities supervised by SAMA.

Structural and Administrative Developments at SAMA in 2013

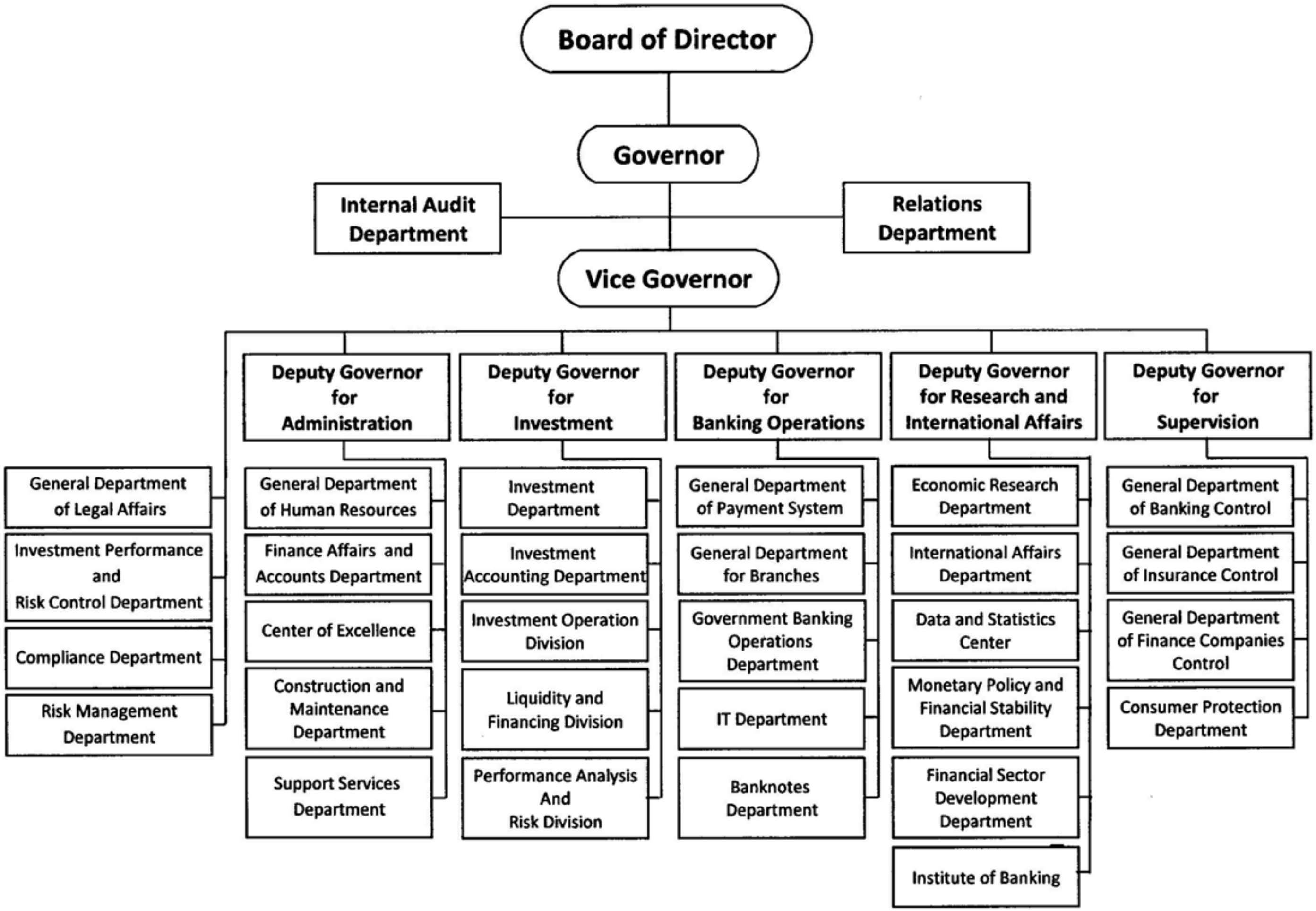
SAMA pursued its policy to cope with the requirements and challenges of accelerated economic and technological developments at all domestic and international financial and banking levels. Due to the importance of improving and promoting the level of services provided in accordance with international standards, and in view of the expansion in the functions entrusted to SAMA, such as the supervision and control of finance companies and the cooperative insurance sector, SAMA contracted, in 2012, with leading international firms specialized in the area of administrative and structural developments to assess the administrative status in SAMA in cooperation with SAMA's specialized technical working teams and to study the need for administrative and organizational restructuring of SAMA to meet the current and future requirements and challenges.

During the work on the project, the firms and internal working teams in charge of the project met with most of SAMA's departments officials and employees to study their current conditions, so that appropriate proposed change could be achieved. Having completed project studies aimed at defining the required procedures to be followed and the objectives to be achieved, it was found that there was a need for organizational and administrative restructuring of SAMA. This was expected to contribute to improving performance efficiency and productivity. The need also arose for improvement of administrative, job and financial regulations and rules in line with the aspirations and objectives of SAMA's senior management and employees. This was also expected to contribute to motivating and encouraging staff, raising their productivity efficiency, making SAMA an attractive environment for specialized cadres, and achieving a quantum leap in its performance to cope with financial and banking developments in the private and government sectors in the Kingdom. The findings of these studies were submitted to SAMA's Board of Directors for discussion and for approving what it deemed appropriate.

In 2013, the Board, chaired by H.E. the Governor, adopted a set of structural and administrative resolutions. The most prominent of which were the approval of SAMA new Organizational Structure (Figure 1) and a new Human Resources Regulation for SAMA staff, that includes some amendments to working hours, leave policy and training courses. Five deputies were formed for Banking Operations, Control, Research and International Affairs, Investment Affairs and Administrative Affairs. A number of leading officials were appointed and several new departments were formed at SAMA, including independent departments for Monetary Policy and Financial Stability, Financial Sector Development, Consumer Protection, Investment Performance and Risk Control, Compliance, Risk Management, and Center of Excellence. The structure of a new salary scale for SAMA's employees was approved. These new changes are expected to contribute positively to SAMA's performance in carrying out its various vital functions, enhancing SAMA's staff cooperation to accomplish those functions to serve the national economy■

Figure 1

Saudi Arabian Monetary Agency (SAMA)



Within the framework of SAMA's supervisory and regulatory functions over the insurance sector, many instructions and controls were issued during 1434/1435H (2013), and supervisory visits and inspection programs were carried out to enhance the growth and stability of this sector and reduce potential risks. SAMA also publishes laws, regulations and instructions related to the insurance activity in the Kingdom as well as information about the insurance market and licensed companies operating therein. In this regard, the most prominent achievements, up to the end of 2013, were as follows:

1. Supervision and Control of the Insurance Sector in Kingdom up to the End of 2013

A. Regulations

In 2013, SAMA issued Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA, including the insurance sector.

The number of regulations issued in the past years amounted to thirteen as follows:

- Investment Regulations for Insurance and Reinsurance Companies.
- Outsourcing Regulations for Insurance and Reinsurance Companies and Insurance Service Providers.
- Anti-money Laundering & Combating Terrorism Financing Rules for Insurance Companies.
- Implementing Regulations for Cooperative Insurance Companies Control Law.
- Insurance Market Code of Conduct Regulations.
- 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 for Insurance Companies.
- The Regulation of Reinsurance Activities.
- Insurance Intermediaries Regulations.
- Online Insurance Activities Regulations.
- Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA.

B. Supervisory Visits to Insurance Companies and Insurance Service Providers:

Supervision and control over cooperative insurance companies include off-site supervision and on-site examination visits to ensure the adequacy of companies' prudential procedures and their solvency. To this end, SAMA has continued to make periodical supervisory visits to licensed and prospective insurance companies. The objective of 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 02/06/1424H (31/07/2003) and its Implementing Regulation and regulatory rules issued by SAMA. They also aim at ensuring the efficiency and statutory readiness of insurance companies and adherence of their regulatory and technical requirements to 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 2013. They included a study of the companies' technical, regulatory and administrative aspects; assessment of their overall strategy, objectives and expansion plans; ensuring their fulfillment of the requirements provided under the terms of the licensing application; ensuring that their administrative structures, departments, boards and committees conduct their functions in accordance with the Insurance Law and its Implementing Regulation as well as in line with their objectives and plans. The supervisory team at SAMA reviewed the work plans and assessed them technically by reviewing insurance operations; bases of pricing and assessment the companies' products, investment processes and tools, and financial estimates and projections. In general, the team ensures, during supervisory visits, that there is an effective internal control system in place with instructions for internal control, risk management and compliance and procedures for handling customer complaints. In light of SAMA's keenness to protect policyholders and enhance credibility in the insurance market, the team also ensures that insurance companies deal with their clients in a professional and fair manner and provide them with high quality services.

As for on-site examination, SAMA carried out inspection visits to insurance companies to verify their compliance with relevant supervisory requirements, and ensure 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 during 2013:

- Compliance of insurance and reinsurance companies with product pricing rates of vehicle and medical insurance approved by SAMA under Article (16) of the Implementing Regulations of the Cooperative Insurance Control Law. During these inspection visits, the mechanisms of underwriting, pricing of vehicle and medical insurance adopted by companies were reviewed. Relevant records and documents were examined to verify that companies conduct underwriting and product pricing operations pursuant to relevant laws and instructions.
- Compliance of insurance and reinsurance companies with rules and regulations related to the marketing of insurance products. During such inspection visits, the mechanisms of marketing and sales used by companies were reviewed and the relevant records and documents were examined to ensure that they carry out marketing and sales in line with the relevant regulations and instructions.

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

2. Saudization in the Insurance Sector

A. Resolutions and Instructions on Saudization

Article 2 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that they aim at developing the insurance sector in the Kingdom, including training and Saudization of posts.

Article 4 of the Regulations provides that insurance companies' and insurance service providers' work plan shall include the expected number of employees and a plan for hiring and qualifying Saudis.

Article 50 of the Regulations emphasizes that insurance companies and insurance services providers must provide SAMA, forty-five days prior to the end of each financial year, with a list of numbers and percentage of Saudi staff at the level of the company as a whole and at the level of each branch or department and their levels. Article 79 of the Regulations stipulates the following: "The percentage of Saudi employees shall not be less than 30 percent at the end of the first year, and to be increased annually in accordance with the work plan submitted to SAMA".

B. Workers in the Insurance Sector

The total number of workers in cooperative insurance companies in the Kingdom stood at 9,257 at the end of 2013 compared to 8,519 at the end of 2012, growing by 8.7 percent. The Saudis constituted 55.5 percent of the total number, rising slightly by

0.5 percent compared to the end of 2012. The percentage of Saudis in non-managerial positions rose to 57.8 percent in 2013 from 57.0 percent in 2012. The ratio of Saudis in managerial positions also went up to 42.4 percent from 39.0 percent in 2012.

3. Training

Within 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 its rules, regulations and instructions, 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 2013**

A. Overview

- In 2013, the insurance market witnessed a growth rate in all its indicators. Its gross written premiums rose by 19.2 percent to SAR 25.2 billion compared to 14.4 percent in 2012. This increase was mainly ascribed to the growing awareness of the importance of insurance and favorable economic conditions during the year, as well as the compulsory motor insurance and cooperative health insurance.
- General insurance gross written premiums, which represented 45.6 percent of the total insurance premiums, increased by 27.8 percent to SAR 11.5 billion in 2013 compared to a growth of 14.1 percent in 2012 **(Table 5.1)**.
- Health insurance gross written premiums increased by 14.3 percent to SAR 12.9 billion in 2013 compared to a rise of 16.2 percent in 2012. Thus, health insurance continued to be the largest insurance activity in 2013. The significant growth in health insurance premiums was largely attributed to the application of the cooperative health insurance to more categories of beneficiaries.
- Protection and savings insurance gross written premiums declined by 5.0 percent to SAR 844.5 million in 2013, compared to SAR 888.5 million in 2012.

B. Insurance Market Penetration and Density

Insurance penetration is the ratio of gross written premiums to GDP. The level of insurance penetration in Saudi Arabia was 0.91 percent in 2013 compared to 0.80 percent in 2012. In addition, the ratio of gross written premiums to non-oil GDP stood at 1.72 percent in 2013 against 1.52 percent in 2012 **(Table 5.2)**.

Insurance density is defined as per capita expenditure on insurance (gross written premiums divided by the number of population). The per capita insurance density increased by 19.2 percent to SAR 935 in 2013 from SAR 784 in 2012 **(Table 5.3)**.

C. Gross Written Premiums (GWP)

Health and motor insurance constituted 76.3 percent of total GWP in 2013. Health insurance is still the most demanded type of insurance, accounting for 51.1 percent of total GWP in 2013, compared to 53.3 percent in 2012. Motor insurance ranked second in terms of demand, constituting 25.2 percent of total GWP in 2013. Protection and savings, aviation, and energy insurance accounted for 3.3 percent, 0.6 percent, and 1.8 percent respectively **(Table 5.1)**.

D. Net Written Premiums (NWP)

NWP is defined as written premiums less the share of reinsurance. Motor and health insurance accounted for 90.5 percent of total NWP in 2013. Aviation insurance registered the fastest growth rate in terms of NWP, increasing by 50 percent in 2013 **(Table 5.1)**.

Table 5.1: INSURANCE INDICATORS

Type of Insurance	2011 Gross Written Premiums (SAR)	2011 % Share	2011 Net Written Premiums	2011 Retention Ratio*	2012 Gross Written Premiums (SAR)	2012 % Share	2012 Net Written Premiums	2012 Retention Ratio*	2013 Gross Written Premiums (SAR)	2013 % Share	2013 Net Written Premiums	2013 Retention Ratio*
Accidents, liability and others	631.5	3.4	279.8	44.3	690.9	3.3	329.0	47.6	940.8	3.7	391.0	41.6
Motor	3,922.2	21.2	3,710.6	94.6	4,689.2	22.1	4,408.2	94.0	6,354.7	25.2	5,967.0	93.9
Property / Fire	1,156.7	6.3	135.5	11.7	1,348.4	6.4	203.2	15.1	1,664.5	6.6	281.6	16.9
Marine	634.1	3.4	204.9	32.3	743.1	3.5	229.5	30.9	740.3	2.9	241.5	32.6
Aviation	272.1	1.5	1.2	0.5	67.1	0.3	2.4	3.6	144.0	0.6	3.6	2.5
Energy	361.0	2.0	7.4	2.0	384.6	1.8	7.3	1.9	456.0	1.8	7.5	1.6
Engineering	912.5	4.9	131.2	14.4	1,076.6	5.1	165.9	15.4	1,199.7	4.8	180.3	15.0
Total general insurance	7,890.3	42.6	4,470.7	56.7	8,999.9	42.5	5,345.5	59.4	11,500.0	45.6	7,072.7	61.5
Total health insurance	9,708.4	52.5	8,225.1	84.7	11,285.4	53.3	9,951.3	88.2	12,895.0	51.1	11,456.0	88.8
Total protection and saving insurance	905.1	4.9	841.2	92.9	888.5	4.2	767.0	86.3	844.5	3.3	714.0	84.5
Total	**18,503.7**	**100.0**	**13,537.0**	**73.2**	**21,173.8**	**100.0**	**16,063.8**	**75.9**	**25,239.4**	**100.0**	**19,242.6**	**76.2**

* 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

(Percentage)

Type of Activity	2011		2012		2013		% Change
	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP	
Total general insurance	0.32	0.67	0.33	0.65	0.41	0.78	20.00
Total health insurance	0.39	0.77	0.41	0.80	0.46	0.88	10.00
Total protection and saving insurance	0.04	0.11	0.03	0.07	0.03	0.06	-14.29
Total	**0.74**	**1.55**	**0.80**	**1.52**	**0.91**	**1.72**	**13.16**

TABLE 5.3: INSURANCE MARKET DENSITY

(Per Capita)

Type of Activity	2009	2010	2011	2012	2013	% Change
Total general insurance	248.90	247.80	292.20	333.30	425.90	27.78
Total health insurance	287.40	320.20	359.60	418.00	477.60	14.26
Total protection and saving insurance	39.50	35.80	33.50	32.90	31.30	-4.86
Total	**575.80**	**603.90**	**685.30**	**784.20**	**934.80**	**19.20**

E. Retention Ratio

The retention ratio is a measure of risks in written premiums retained by an insurance company as there is a positive correlation 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 76.2 percent in 2013 against 75.9 percent in 2012. This ratio was largely affected by the high retention ratio for motor and health insurance which both accounted for around 76.2 percent of GWP. The lowest retention ratios of 2.5 percent and 1.6 percent were recorded by aviation insurance and energy insurance respectively in 2013 **(Table 5.1)**.

F. Commissions Paid to Insurance Brokers and Agents

The amount of commissions paid by insurance companies to brokers and agents totaled SAR 980 million in 2013 compared to SAR 857 million in 2012. Health insurance commissions constituted 38.6 and 33.7 percent of total commissions paid during 2012 and 2013 respectively **(Table 5.4)**.

G. Total Claims Paid by Line of Business

Total claims paid by line of business increased by nearly 24.8 percent to SAR 17 billion in 2013 from SAR 13.6 billion in 2012. Health and motor insurance accounted for 61 percent and 28 percent

TABLE 5.4: COMMISSIONS INCURRED BY TYPE OF ACTIVITY

Type of Activity	2011 Million SAR	2011 %	2012 Million SAR	2012 %	2013 Million SAR	2013 %	% Change 2012-2013
Accidents, Liability and Others	46.5	4.2	49.7	5.8	76.4	7.8	53.6
Motor	421.6	38.0	280.1	32.7	300.2	30.6	7.2
Property / Fire	74.4	6.7	74.7	8.7	118.5	12.1	58.6
Marine	46.8	4.2	47.4	5.5	61.4	6.3	29.4
Aviation	2.4	0.2	0.3	0.0	0.5	0.1	65.4
Energy	0.7	0.1	0.0	0.0	0.1	0.0	4447.6
Engineering	56.0	5.1	49.4	5.8	69.7	7.1	41.3
Total general insurance	648.4	58.5	501.7	58.5	626.9	64.0	25.0
Total health insurance	430.7	38.9	330.6	38.6	330.6	33.7	0.0
Total protection and savings insurance	29.6	2.7	24.8	2.9	22.5	2.3	-9.3
Total	1108.7	100.0	857.1	100.0	979.9	100.0	14.3

respectively of total claims paid in 2013. These high percentages reflected the relatively high shares of these lines of business in the total market premiums.

In 2012, the highest growth rate in total claims paid was recorded by marine insurance, rising by 45.1 percent to SAR 373.4 million compared to SAR 257.3 million in the preceding year **(Table 5.5)**.

5. Status of Insurance Companies

Up to the end of 2013, the Council of Ministers approved the establishment of 35 insurance and reinsurance companies, 34 of which were finally licensed to practice insurance and reinsurance. MetLife AIG-ANB Cooperative Insurance Company was approved by the Council of Ministers to be established with a capital of SAR 175 million, but it has not been listed yet on the Saudi stock exchange **(Tables 5.6)**.

6. Insurance on SAMA's Website

SAMA designates a link for the insurance activity on its website www.sama.gov.sa that contains laws, regulations, circulars and studies on the insurance sector. It also makes available forms of license application and fit and proper for founders and managers of insurance companies and insurance related services providers. SAMA website can be referred to for the latest update for licensed insurance companies and insurance service providers, which are updated periodically. The website also shows the performance of the insurance market in the Kingdom during the period 2008-2013.

7. Council of Cooperative Health Insurance

At the end of 2013, the total number of health-insured expatriates reached 7.3 million. The number of companies authorized to sell cooperative health insurance policies stood at 28. The number of insurance claims management companies that wish to

TABLE 5.5: GROSS CLAIMS PAID BY TYPE OF ACTIVITY

Type of Activity	2011 Million SAR	2011 %	2012 Million SAR	2012 %	2013 Million SAR	2013 %	% Change 2012-2013
Accidents, Liability and Others	92.5	0.8	105.0	0.8	117.9	1.0	12.3
Motor	2730.0	23.8	3464.8	25.5	4719.7	28.0	36.2
Property / Fire	527.4	4.6	773.7	5.7	859.7	5.0	11.1
Marine	205.8	1.8	257.3	1.9	373.4	2.0	45.1
Aviation	31.3	0.3	15.5	0.1	6.9	0.0	-55.5
Energy	82.2	0.7	58.5	0.4	2.9-	0.0	-105.0
Engineering	226.1	2.0	239.7	1.8	213.0	1.0	-11.1
Total general insurance	3895.3	33.9	4914.3	36.1	6287.6	37.0	27.9
Total health insurance	7297.4	63.5	8511.5	16.6	10405.2	61.0	22.2
Total protection and savings insurance	292.5	2.6	189.4	1.4	297.2	2.0	56.9
Total	11485.2	100.0	13615.2	100.0	16989.9	100.0	24.8

provide health services under the auspices of the cooperative health insurance stood at 8.

The number of establishments providing insurance to their employees was 565,3 thousand at the end of the 2013. In addition, Health care providers approved by the Council totaled 2,177 in the Kingdom, 2,164 of which for the private sector and 13 for the public sector **(Table 5.7)**.

As for the type of facility, polyclinic centers and optical shops occupied the first position among facilities providing health care service in the Kingdom up to the end of 2013. Dispensaries and pharmacies came next. Laboratory and analysis centers came at the last position. Riyadh came at the top of the cities providing health care services in the Kingdom. Makkah was second, followed by the Eastern region while Al-Baha region came last **(Table 5.7)**■

Table 5.6: LICENSED INSURANCE AND REINSURANCE COMPANIES UP TO THE END OF 2013

Insurer	Capital (SAR)	Approved On (DD/MM/YY)
National Company for Cooperative Insurance (NCCI)	1,000	02/12/2004
Malath Cooperative Insurance &Reinsurance Company	300	11/09/2007
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	1,000	11/09/2007
Saudi IAIC for Cooperative Insurance (SALAMA)	100	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	200	11/09/2007
Al Ahli Takaful	167	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	100	11/09/2007
Gulf Union Cooperative Insurance Company	220	11/09/2007
Sanad for Cooperative Insurance and Reinsurance (SANAD)	200	08/03/2008
Assurance Saudi Fransi (Allians)	200	08/03/2008
Trade Union Cooperative Insurance Company	275	31/03/2008
Al Sagr Company for Cooperative Insurance	250	31/03/2008
Saudi Indian Company for Cooperative Insurance	100	10/06/2008
Arabia Insurance Cooperative Company	200	18/06/2008
Saudi United Cooperative Insurance company (Wala'a)	200	02/07/2008
Saudi Re For Cooperative Reinsurance company (Saudi Re)	1,000	21/07/2008
Bupe Arabia for Cooperative Insurance	400	10/08/2008
United Cooperative Assurance (UCA)	280	30/12/2008
Al-Ahlia for Cooperative Insurance	100	09/03/2009
Allied Cooperative Insurance Group (ACIG)	200	10/05/2009
Al-Rajhi Company for Cooperative Insurance	200	17/11/2009
Ace Arabia Cooperative Insurance Company	100	08/12/2009
Al-Alamiya Co-operative Insurance Company	200	13/12/2009
AXA Cooperative Insurance Company	200	26/01/2010
Gulf General Insurance Company	200	06/03/2010
Wiqaya Takaful Insurance & Reinsurance Company	200	24/03/2010
Buruj Cooperative Insurrance	130	29/05/2010
National Insurance Company	100	16/06/2010
AMANA Cooperative Insurance	320	06/07/2010
Solidarity Saudi Takaful Company	555	20/03/2011
Saudi Enaya Cooperative Insurance	400	07/08/2011
Alinma Tokio Marine Company	200	30/09/2012
Aljazira Takaful Taawuni Company	350	18/12/2013

Table 5.7: AUTHORIZED HEALTH CARE PROVIDERS AT THE END OF 2013

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	29	73	98	84	4	3	96	0	1	1	1	390
Eastern Region	33	209	109	196	4	6	209	1	2	3	1	773
Makkah	39	76	153	142	5	6	99	2	1	1	2	526
Hail	1	14	10	13	0	0	10	0	0	0	0	48
Al-Gassim	10	31	21	31	0	1	18	0	0	0	0	112
Northern Borders Region	13	15	15	25	1	1	54	0	0	0	0	124
Jazan	1	5	1	1	0	0	2	0	0	0	0	10
Asir	3	19	11	9	0	0	16	0	0	0	0	58
Al-Jawf	1	15	3	6	1	0	13	0	0	0	0	39
Najran	2	6	4	12	0	0	8	0	0	0	0	32
Tabuk	1	13	10	6	0	0	6	0	0	0	0	36
Al-Baha	0	6	4	3	0	0	0	0	0	0	0	13
Al-Madinah	0	8	5	3	0	0	0	0	0	0	0	16
Total	133	490	444	531	15	17	531	3	4	5	4	2,177

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 (CDSI), which has been issuing it for more than 50 years.

CDSI calculated the cost of living index in 2012 by adopting the year 2007 as a base year, and 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.

CDSI adopts Laspeyres formula in calculating the cost of living index, which requires data of average prices for the periods of comparison and the weighing data.

General Cost of Living Index During 2013

The general cost of living index rose by 3.5 percent in 2013 against an increase of 3.7 percent and 2.9 percent during 2011 and 2012 respectively. The non-oil GDP deflator, which captures the average prices of all goods and services produced in the Saudi non-oil sector within a year, showed a rise of 2.7 percent in 2013 compared to an increase of 5.2 percent in 2012 **(Table 6.1)**.

Nine key groups (out of 12 groups) registered inflation rates higher than the past five-year average inflation rates. These included: the group of clothing and footwear; the group of transport; the group of health; the group of communications; the group of tobacco; the group of education; the group of home furnishing, equipment and maintenance; the group of restaurants and hotels; and the group of recreation and culture.

During 2013, the group of tobacco registered an annual increase of 8.4 percent. The group of food and beverages rose by 5.7 percent; the group of home furnishing, equipment and maintenance by 4.3 percent; the group of restaurants and hotels by 4.2 percent; the group of housing, water, electricity, gas and other fuels by 3.5 percent; the group of health by 3.2 percent; the group of transport by 2.5 percent; the group of education by 2.2 percent; the group of communications by 1.8 percent and the group of recreation and culture by 1.7 percent. In contrast, the group of miscellaneous goods and services recorded an annual decline of 0.2 percent **(Tables 6.2 and 6.3)**.

Table 6.1: ANNUAL GROWTH RATES OF SELECTED INDICATORS

(percent)

	2010	2011	2012	2013*
Non-oil GDP deflator (1999=100)	4.4	4.4	5.2	2.7
Cost of Living Index (All cities) (2007=100)	3.8	3.7	2.9	3.5
Non-oil GDP (at 1999 constant prices)	9.6	8.0	5.8	5.4
Government Expenditure	9.6	26.4	5.6	11.8
Money Supply (M3)	5.0	13.3	13.9	10.9

* Preliminary data.

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

Table 6.2 : EFFECT OF MAJOR GROUPS ON THE GENERAL COST OF LIVING INDEX (All Cities)
(2007 = 100)

Major Groups	Annual average change for period 2008-2012	2013	Impact on the general index 2013*	% Wieght s
General Index	4.7	3.5	100.0	100.0
Food and beverages	7.1	5.7	36.6	21.7
Toobacco	4.5	8.4	1.2	0.5
Clothing and Footwear	0.1	1.4	3.6	8.4
Housing , Water, Electricity, Gas, and other fuels	10.2	3.5	21.2	20.5
Furnishings, household equipment & maintenance	4.5	4.3	11.8	9.1
Health	1.1	3.2	2.5	2.6
Transport	0.5	2.5	7.7	10.4
Communication	-2.5	1.8	4.4	8.1
Recreation and Culture	2.3	1.7	1.8	3.5
Education	2.6	2.2	1.8	2.7
Restaurants and Hotels	4.2	4.2	7.1	5.7
Miscellaneous goods and services	2.8	-0.2	0.3	6.8

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

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

Table 6.3 : COST OF LIVING INDEX (All Cities)
(2007 = 100)

Major Groups	2009	2010	2011	2012	2013	% change
General Index	110.5	114.7	119.0	122.4	126.7	3.5
Food and beverages	116.4	120.8	127.1	132.9	140.5	5.7
Toobacco	107.3	119.2	126.7	141.3	153.1	8.4
Clothing and Footwear	101.6	101.1	99.7	103.3	104.8	1.4
Housing , Water, Electricity, Gas, and other fuels	120.1	129.2	143.9	148.7	153.8	3.5
Furnishings, household equipment & maintenance	105.6	107.0	115.5	117.5	122.6	4.3
Health	103.2	103.3	103.4	105.6	109.0	3.2
Transport	98.2	99.7	103.1	108.3	111.0	2.5
Communication	98.2	97.7	92.0	92.1	93.8	1.8
Recreation and Culture	99.2	97.2	104.7	104.5	106.3	1.7
Education	111.8	113.2	108.7	110.2	112.6	2.2
Restaurants and Hotels	110.0	113.8	117.0	121.7	126.8	4.2
Miscellaneous goods and services	104.9	110.1	113.9	117.8	117.6	-0.2

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

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 2013. The group of food and beverages contributed by the largest share of 36.6 percent and the group of housing, water, electricity, gas and other fuels 21.2 percent. However, the group of recreation and culture made the least impact on the index by 0.3 percent **(Chart 6.1)**.

All Cities Cost of Living Index During 2013

The all cities cost of living index (for the whole population) went up by 3.5 percent during 2013 compared to the preceding year. The rise was in all (major) cities of the Kingdom with the exception of Jazan which recorded a decline of 0.1 percent. Jeddah recorded the highest increase of 6.4 percent, Ha'il came second by 4.9 percent, al-Hufuf was third by 4.0 percent, Dammam and Najran by 3.6 percent each, Ar'ar and Buraidah by 3.4 percent each, Taif by 2.9 percent, Riyadh and Baha by 2.7 percent each, Sakaka by 2.4 percent, Makkah and Tabuk came in the ninth place by 2.3 percent, and al-Madinah and Abha by 1.7 percent each. **(Table 6.4 and Chart 6.2)**.

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 categorized into ten main divisions according to Standard International Trade Classification codes. The wholesale price index rose by 1.1 percent in 2013, compared to 2.5 percent in the preceding year. The rise was attributable to an increase in some major groups constituting the index. The group of beverages and tobacco recorded the highest rise of 12.8 percent during 2013, followed by the group of machinery

Chart 6.1: Effect of Major Groups on Cost of Living Index

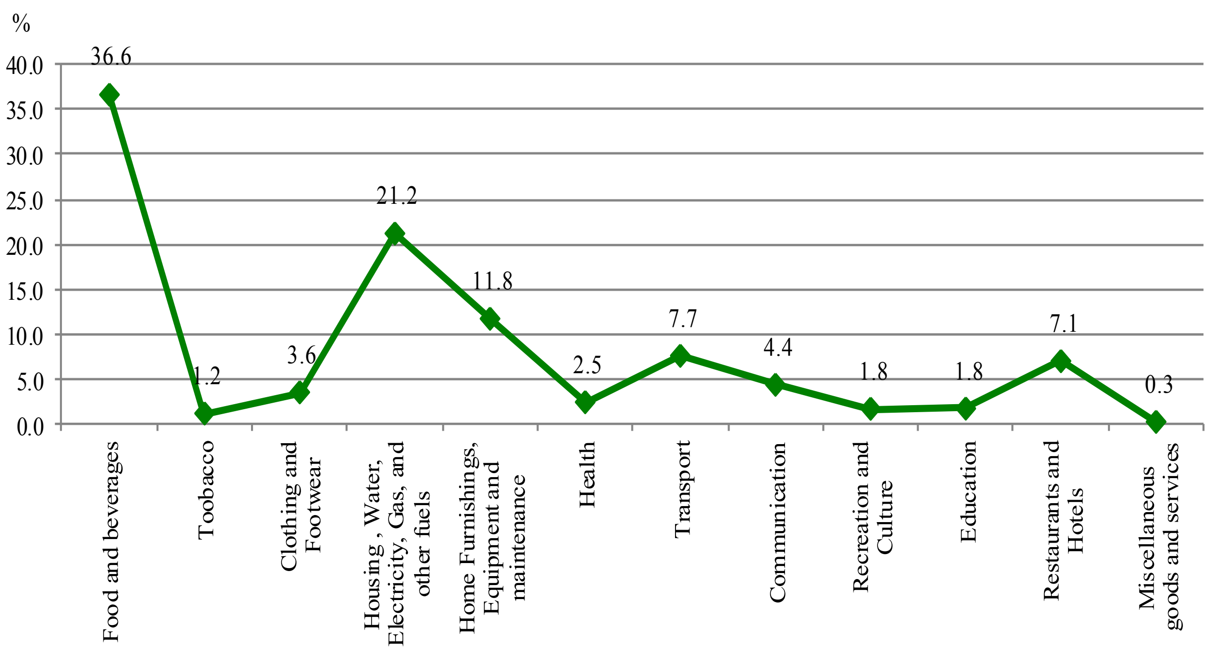
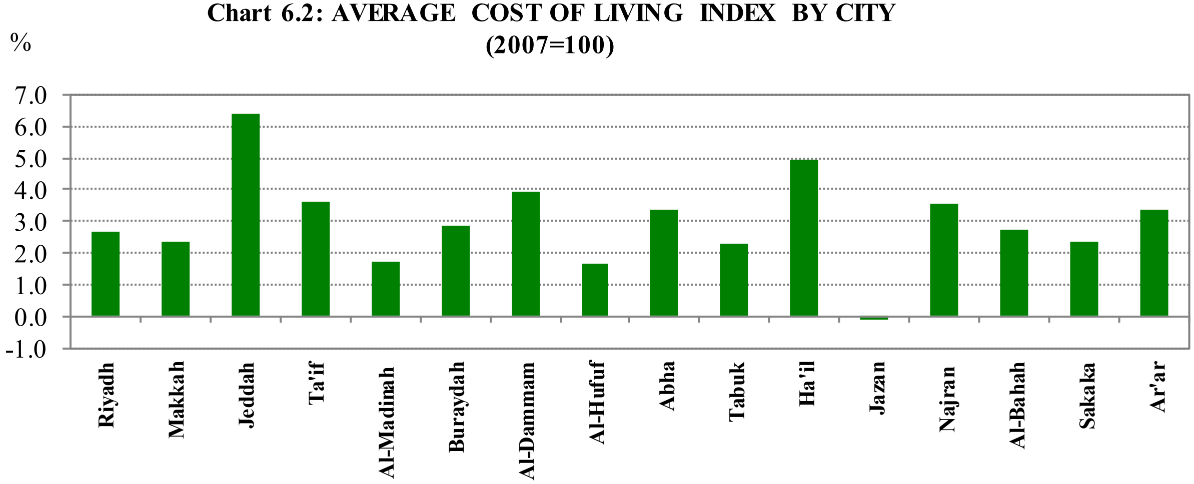


Table 6.4 : AVERAGE COST OF LIVING INDEX BY CITY
(2007=100)

General Index	2012	2013	Q2 2013	Q3 2013	Q4 2013	Inflation Rate Annual	Inflation Rate Quarterly
All Cities Index	122.4	126.7	126.2	127.1	128.1	3.5	0.8
Riyadh	119.4	122.6	122.6	122.3	124.5	2.7	1.8
Makkah	126.9	129.9	128.9	129.6	133.1	2.3	2.7
Jeddah	126.9	135.0	136.9	140.5	132.2	6.4	-5.9
Al-Dammam	121.7	126.1	125.8	126.3	126.7	3.6	0.3
Al-Madinah	121.0	123.1	123.1	122.3	125.3	1.7	2.5
Ta'if	117.3	120.6	120.2	121.6	122.6	2.9	0.9
Al-Hufuf	115.7	120.3	121.4	121.6	120.6	4.0	-0.8
Abha	120.5	122.6	122.4	122.3	125.0	1.7	2.2
Buraydah	115.6	119.5	120.3	119.6	127.6	3.4	6.7
Tabuk	119.8	122.5	120.7	123.2	124.8	2.3	1.3
Ha'il	127.9	134.1	132.7	136.3	136.7	4.9	0.3
Jazan	125.9	125.7	125.5	125.6	126.8	-0.1	1.0
Najran	122.4	126.8	126.5	128.0	129.2	3.6	0.9
Al-Bahah	121.8	125.1	123.8	125.1	127.4	2.7	1.9
Sakaka	111.9	114.5	114.6	114.4	116.8	2.4	2.2
Ar'ar	120.6	124.6	124.8	125.4	126.4	3.4	0.8

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

Chart 6.2: AVERAGE COST OF LIVING INDEX BY CITY
(2007=100)



and transport equipment with an increase of 5.2 percent. The group of food and live animals came next with an increase of 3.8 percent. The group of oils and fats came in the fourth position with a rise of 0.9 percent, followed by the group of mineral fuels and related materials with a rise of 0.8 percent. In contrast, some of the major groups recorded a decline. The group of other commodities recorded the highest rate of decrease by 11.3 percent, followed by the group of miscellaneous manufactured items by 10.5 percent, the group of chemicals and related materials by 6.4 percent, the group of raw materials (excluding fuels) by 6.1 percent, and the group of manufactured goods classified by material by 0.1 percent **(Table 6.5)**.

Developments in World Prices and their Impacts

The value of Saudi commodity exports went down by 2.9 percent from 2012 to SAR 1,413.8 billion in 2013, while commodity imports went up by 5.3 percent to SAR 614.6 billion.

Changes in world prices of goods and commodities imported from the Kingdom's trading partners affect the domestic cost of living index **(Table 6.6)**. **Table 6.7** indicates the consumer prices of the Kingdom's major trading partners during 2013, where the average consumer prices rose by 10.8 percent in India, 3.0 percent in China, 2.6 percent in the UK, 2.3 percent in South Korea, 2.2 percent in Australia, 2.0 percent in Italy, 1.8 percent in the U.S., 1.6 percent in each of Germany and France, and 0.1 percent in Japan.

In the GCC countries, the consumer prices increased during 2013 by 3.3 percent in each of Kuwait and Oman, 3.0 percent in Qatar, 2.6 percent in Bahrain and 1.5 percent in the UAE **(Table 6.8)**■

Table 6.5 : AVERAGE WHOLE SALE PRICE INDEX (WPI)

(1988=100)

					% Annual change	
	% Weights	**2011**	**2012**	**2013**	**2012**	**2013**
General Index	100.0	152.6	156.4	158.2	2.5	1.1
Food & Live Animals	31.9	174.1	178.6	185.3	2.6	3.8
Beverages & Tobacco	1.2	151.4	151.6	170.9	0.1	12.8
Raw Materials	0.3	211.5	217.4	204.1	2.8	-6.1
Mineral & Fuels	10.1	184.8	184.8	186.3	0.0	0.8
Oils & Fats	0.4	147.9	149.3	150.7	1.0	0.9
Chemicals	9.8	188.6	217.7	203.8	15.4	-6.4
Manufactured Goods	26.2	142.5	144.1	143.9	1.1	-0.1
Machinery & Transport	13.4	132.0	136.2	143.3	3.2	5.2
Misc. Manufactured	6.4	145.5	151.8	135.8	4.3	-10.5
Other Commodities	0.3	288.6	310.9	275.7	7.7	-11.3

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

Table 6.6: SELECTED INDICES

(2005=100)

	2010	2011	2012	2013	% Change 2012	% Change 2013
Consumer price indices in industrial countries	109.7	112.6	114.7	116.2	1.9	1.3
Export unit values of industrial countries (1)	116.3	129.7	127.6	126.0	-1.6	-1.3
Riyal's nominal effective exchange rate (2)	93.9	90.4	93.0	94.6	2.9	1.7
Riyal's real effective exchange rate (3)	99.5	96.0	98.6	100.7	2.6	2.2

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

(2) Represents average riyal exchange rate over the period in relation to a geometric average 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), March, 2014.

Table 6.7 : ANNUAL PERCENTAGE CHANGES IN CONSUMER PRICES IN THE MAJOR TRADING PARTNERS

Country	2009	2010	2011	2012	2013
U.S.A.	-0.3	1.6	3.1	2.1	1.8
Japan	-1.3	-0.7	-0.3	0.0	0.1
U.K.	2.1	3.3	4.5	2.8	2.6
Germany	0.2	1.2	2.5	2.1	1.6
France	0.1	1.5	2.1	2.0	1.6
Italy	0.8	1.6	2.9	3.3	2.0
China	-0.7	3.3	5.4	2.7	3.0
Australia	1.8	2.9	3.3	1.8	2.2
South Korea	2.8	2.9	4.0	2.2	2.3
India	10.9	12.0	8.9	9.3	10.8

Source: World Economic Outlook (WEO), IMF, March, 2014.

Table 6.8 : ANNUAL PERCENTAGE CHANGES IN CONSUMER PRICES IN GCC COUNTRIES

Country	2009	2010	2011	2012	2013
U.A.E.	1.6	0.9	0.9	0.7	1.5
The Kingdom of Bahrain	2.8	2.0	-0.4	1.2	2.6
Qatar	-4.9	-2.4	1.9	1.9	3.0
Kuwait	4.0	4.0	4.7	2.9	3.3
Sultanate of Oman	3.5	3.3	4.0	2.9	3.3

Source: World Economic Outlook (WEO), IMF, March, 2014.

During 2013, the Capital Market Authority (CMA) undertook a number of procedures and steps aimed at developing the capital market's regulations. To support the legislative structure of the capital market, CMA Board issued measures and instructions for listed companies with accumulated losses totaling 50 percent of their capital. CMA had already issued resolutions on amendment of listing rules and merger and acquisition regulations, glossary of defined terms used in the regulations and rules of CMA, a new mechanism for listing and trading priority equities as securities for listed companies, and draft rules of financial adequacy. 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 of corporate governance. For raising 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.

Five new companies were listed in 2013, bringing the total number of listed companies to 163 at the end of the year. Sukuks for two companies were issued. Priority rights were also issued by one company. Additionally, CMA licensed 5 new companies to operate in securities activity.

In 2013, Most prominent indicators of the Saudi Stock Exchange (Tadawul) went up. The Tadawul All Share Index (TASI) increased by 25.5 percent or 1,734.4 points over the preceding year to 8,535.6 points at the end of 2013. Total assets of investment funds went up by SAR 15.1 billion or 7.1 percent to SAR 103.2 billion at the end of 2013.

Developments of Tadawul in 2013

Tadawul All Share Index (TASI) closed at 8,535.6 at the end of 2013 compared to 6,801.2 at the end of 2012, rising by 25.5 percent. TASI registered its highest closing point of 8,561.8 on December 23, 2013. The market capitalization of issued shares increased by 25.2 percent to SAR 1,752.9 billion at the end of 2013 from SAR 1,400.3 billion at the end of the preceding year.

The number of shares traded during 2013 went down by 39.2 percent to 52.3 billion from 86.0 billion in the preceding year (not adjusted to account for corporate actions)[1]. The total value of shares traded declined by 29.0 percent to SAR 1,369.7 billion from SAR 1,929.3 billion in the preceding year. The number of transactions also went down by 31.2 percent to 29.0 million in 2013 from 42.1 million in the preceding year **(Table 7.1)**.

The daily average value of traded shares was SAR 5.52 billion in 2013 compared to SAR 7.69 billion in the preceding year, decreasing by 28.15 percent. The daily average number of traded shares decreased by 36.2 percent to 211.7 million in 2013 from 342.3 million in 2012 . The daily average number of executed transactions also went down by 30.4 percent to 116.8 thousand from 167.8 thousand in 2012.

The value of shares traded through the internet in 2013 totaled SAR 942.6 billion compared to SAR 1,381.4 billion in the preceding year, decreasing by 31.8 percent and accounting for 68.8 percent of the total value of shares traded during 2013 compared to 71.6 percent in the preceding year. Their number decreased by 41.5 percent to 36.3 billion in 2013 from 62.1 billion in 2012, accounting for 69.4

(1) Data on the number of (actual) traded shares differ from data published by Tadawul. This is because Tadawul continuously revises the number of traded shares based on corporate actions, such as distributing dividends or changing the capital. Any action made by a company would affect the number of traded shares on the market as a whole as well as all time series.

Table 7.1: SAUDI STOCK MARKET INDICATORS

Year	No. of Shares Traded (Million)	Annual % Change	Value of Shares Traded (Billion SAR)	Annual % Change	Market Capitalization of Issued Shares (Billion SAR)	Annual % Change	No. of Executed Transactions (Thousand)	Annual % Change	TASI	Annual % Change
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	86,006.4	77.2	1,929.3	75.6	1,400.3	10.2	42,105.0	64.8	6,801.2	6.0
2013	52,306.2	-39.2	1,369.7	-29.0	1,752.9	25.2	28,967.7	-31.2	8,535.6	25.5

Source: Saudi Stock Exchange (Tadawul).

percent of the total number of shares traded in 2013 against 72.2 percent in the preceding year. The number of transactions executed through the internet declined by 33.0 percent to 21.6 million in 2013 from 32.2 million in the previous year, representing 74.6 percent of the total number of transactions executed in 2013 against 76.6 percent during the preceding year **(Table 7.2)**.

At the end of 2013, the number of traders registered in Tadawul system increased by 2.7 percent (114.3 thousand) to 4,335.7 thousand from 4,221.4 thousand at the end of the previous year. The number of subscribers to Tadawul on-line trading decreased by 0.4 percent to 98.0 thousand at the end of 2013 compared to 98.4 thousand at the end of 2012 **(Table 7.3)**.

An analysis of the activity of Tadawul by sectors during 2013 indicates that the real estate development came first in terms of the number of shares traded with 11.1 billion, representing 21.1 percent of the total number of shares traded. The banks and financial services came second with 6.4 billion shares (12.3 percent of the total), followed by the insurance with 6.4 billion, constituting 12.2 percent of the total number of shares traded.

In terms of the value of shares traded, the insurance ranked first with SAR 266.8 billion, representing 19.5 percent of the total value of shares traded in 2013. The petrochemical industries came second with SAR 196.4 billion (14.3 percent of the total), followed by the real estate development with SAR 147.9 billion (10.8 percent of the total).

A review of Tadawul's performance with regards to the number of transactions executed in 2013, the insurance ranked first with 8.3 million, constituting 28.7 percent of the total number of transactions executed in 2013, followed by the retail with 2.6 million (8.8 percent of the total). The petrochemical industries came third with 2.5 million (8.5 percent of the total).

A review of the market capitalization of shares issued at the end of 2013 indicates that the petrochemical industries ranked first with SAR 554.6

Table 7.2: SHARES TRADED VIA THE INTERNET

		2012	2013	Annual % Change
	Via the internet	1,381.4	942.6	-31.8
Value of shares traded	Total*	1,929.3	1,369.7	-29.0
(Billion Riyals)	Percentage	71.6	68.8	-3.9
	Via the internet	62,081.5	36,316.3	-41.5
Number of Shares traded	Total*	86,006.4	52,306.2	-39.2
(Million shares) **	Percentage	72.2	69.4	-3.8
	Via the internet	32,236.0	21,609.5	-33.0
Number of Executed Transactions (Thousand)	Total*	42,105.0	28,967.7	-31.2
	Percentage	76.6	74.6	-2.6

* Total represents shares traded via all channels of the market (trading terminals, internet, phone banking and ATMs).

** Data not adjusted for corporate actions.

Source: Saudi Stock Exchange (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 and real-time 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
2013	4,335,739	2.7	98,044	-0.4

Source: Saudi Stock Exchange (Tadawul).

billion, accounting for 31.6 percent of the total market capitalization of issued shares. The banks and financial services came second with SAR 380.0 billion (21.7 percent of the total), followed by the telecommunication and information technology with SAR 187.6 billion, representing 10.7 percent of the total **(Table 7.4)**.

The most active three joint-stock companies in terms of the number of transactions executed in 2013 were the Northern Region Cement Company with 1,427.2 thousand, followed by Care Company with 962.3 thousand, and then SABIC with 941.8 thousand **(Table 7.5)**.

Initial Public Offerings (IPOs) in 2013

During 2013, five new companies with a total capital of SAR 3,273.5 million and 327.3 million issued shares were floated in IPOs. Total number of shares offered for public subscription was 134.3 million with a total value of SAR 2.0 billion. Total market capitalization of issued shares amounted to

Table 7.4: SAUDI STOCK MARKET ACTIVITY BY SECTORS DURING 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	6,417.1	12.3	132.8	9.7	1,407.1	4.9	380.0	21.7
Petrochemical Industries	6,017.9	11.5	196.4	14.3	2,462.3	8.5	554.6	31.6
Cement	3,190.4	6.1	85.9	6.3	2,358.2	8.1	90.9	5.2
Retail	2,016.1	3.9	98.4	7.2	2,555.7	8.8	50.1	2.9
Energy & Utilities	664.0	1.3	9.6	0.7	134.3	0.5	62.6	3.6
Agriculture & Food Industries	2,747.5	5.3	93.3	6.8	2,269.1	7.8	94.0	5.4
Telecommunication & Information Technology	5,873.5	11.2	90.0	6.6	1,430.8	4.9	187.6	10.7
Insurance	6,341.1	12.1	266.8	19.5	8,311.5	28.7	36.9	2.1
Multi-Investment	1,717.2	3.3	33.7	2.5	822.0	2.8	97.5	5.6
Industrial Investment	1,989.4	3.8	79.9	5.8	1,808.7	6.2	55.5	3.2
Building & Construction	2,217.1	4.2	54.7	4.0	1,391.1	4.8	27.6	1.6
Real Estate Development	11,054.0	21.1	147.9	10.8	2,270.4	7.8	78.6	4.5
Transport	1,250.5	2.4	33.6	2.4	672.5	2.3	15.1	0.9
Media and Publishing	285.5	0.5	13.4	1.0	378.7	1.3	4.8	0.3
Hotel & Tourism	524.7	1.0	33.4	2.4	695.4	2.4	17.1	1.0
Total	**52,306.2**	**100.0**	**1,369.7**	**100.0**	**28,967.7**	**100.0**	**1,752.9**	**100.0**

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

Table 7.5: MOST ACTIVE THREE JOINT-STOCK COMPANIES DURING 2013

No. of Executed Transactions	(Company)	Northern Region Cement Company	Care	SABIC
	(Thousand)	1,427.2	962.3	941.8
No. of Shares Traded	(Company)	Dar Al-Arkan	Alinma Bank	ZAIN KSA
	(Billion)	5.04	5.02	3.76
Value of Shares Traded	(Company)	SABIC	Alinma Bank	Dar Al-Arkan
	(Billion Riyals)	102.8	70.2	47.3

Source: The Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2013.

SAR 12.8 billion. Oversubscription averaged 8.1 times for companies subscribed in at the level of the market during 2013 **(Table 7.6)**.

The total number of subscribers for the companies offered in 2013 decreased by 9.0 percent from the preceding year to 10.2 million. Different subscription channels such as telephone banking, ATMs, and the internet have contributed to reducing errors, subscription periods, and reliance on paper subscription applications. The number of subscribers via telephone banking was 0.9 million (8.9 percent of the total subscribers), ATMs 6.2 million (61.0 percent), and the internet 2.0 million (19.4 percent). The number of subscribers via bank branches amounted to 1.1 million, accounting for 10.7 percent of the total subscribers **(Table 7.7)**.

Regulatory Developments during 2013

During 2013, shares of 3 companies were suspended from trading while shares of one company were unsuspended in Tadawul. The companies whose shares were suspended from trading were the Saudi Integrated Telecom Company as from February 2, 2013, Allied Cooperative Insurance Group (ACIG) as from February 26, 2013, and Al-Baha for Development & Investment Company as from April 6, 2013. The trading of the shares of the Allied Cooperative Insurance Group (ACIG) was unsuspended on March 5, 2013.

New Companies in Tadawul Index During 2013

The following companies were added to Tadawul Index during 2013:

1. Northern Region Cement Company;
2. National Medical Care Company;
3. Al-Jazira Takaful Ta'awuni;
4. Metlife, American International Group (AIG) and Arab Bank for Cooperative Insurance; and
5. Bawan company.

The shares of the Saudi Telecom Company and Al-Baha for Development & Investment Company were excluded from Tadawul index.

Efforts of CMA for Raising Investors' Awareness during 2013

CMA publishes news and resolutions issued by its Board on its website to ensure that information

Table 7.6: INITIAL PUBLIC OFFERINGS BY NEW COMPANIES ON THE SAUDI STOCK MARKET DURING 2013

	Company	Sector	Date of IPO	Capital (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)	Market capitalization of shares subscribed for (Million)	No. of over-subscription (Times)
1	Northern Region Cement Company	Cement	08-Jan	1,800.0	180.0	90.0	10.0	23.15	900.0	3.8	4,167.0	3.2
2	National Medical Care	Retail	04-Feb	448.5	44.8	13.5	27.0	54.50	364.5	2.6	2,441.6	8.7
3	Al-Jazira Takaful Ta'awuni	Insurance	13-May	350.0	35.0	10.5	10.0	53.50	105.0	1.6	1,872.5	9.1
4	Metlife, AIG and ANB Cooperative Insurance	Insurance	27-May	175.0	17.5	5.3	10.0	66.00	52.5	1.1	1,155.0	11.8
5	Bawan	Building & Construction	27-Nov	500.0	50.0	15.0	36.0	63.50	540.0	1.1	3,175.0	7.7
	Total	---	---	**3,273.5**	**327.3**	**134.3**	---	---	**1,962.0**	**10.2**	**12,811.1**	---

Source: CMA and the Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2013.

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

Channel of Subscription	2012 Number	2012 Percentage	2013 Number	2013 Percentage	Annual % Change
Phone Banking	1.4	12.2	0.9	8.9	-33.7
ATM	6.4	57.0	6.2	61.0	-2.7
Internet	2.5	21.9	2.0	19.4	-19.3
Bank Branches	1.1	9.8	1.1	10.7	-1.2
Total	**11.2**	**100.0**	**10.2**	**100.0**	**-8.9**

Source: Capital Market Authority (CMA).

reach all investors at the same time. Pursuant to CMA's strategy to continue with programs relevant to investors' awareness, a number of actions were taken during 2013 including publishing many press and media materials regarding news and resolutions issued by its Board, which amounted to 574 press materials in 2013, in addition to 7 awareness reports distributed to the media. Awareness reports were published in 175 paper and online newspapers, while awareness messages and interactive responses transmitted on the CMA's social networks totaled 662, besides printing and publishing over 35 thousand publications through participation in conferences and symposia and distribution in airports, train stations, schools and summer, social and charity centers. CMA also published the seventh issue of Smart Investor Magazine which addresses the importance of planning and budget topics through various walks of life. CMA continued the project of mobile exhibitions and targeted five cities in 2013 across the regions of the Kingdom. The exhibitions were attended by 2.4 million visitors. The number of awareness campaigns was 19. In addition, awareness visits were made to schools in various cities and regions of the Kingdom, where 100 school visits were carried out in five different cities and regions with a number of beneficiary students of 7,255. Moreover, 10.4 thousand copies of Smart Investor Magazine were distributed. CMA also held 3 training courses during 2013 for 78 female ambassadors within the context of Ambassador of the Smart Investor program, in which they were provided with necessary instruments to hold exhibitions. By this program, CMA was keen to spread the culture of sound financial transactions and volunteering.

Sukuks and Bonds Market during 2013

Total amount of issued sukuks and bonds since the foundation of Tadawul up to the end of 2013 has reached SAR 33.0 billion. The number of issues in 2013 was seven; two of which were offered by the Saudi Electricity Company with an issuance value of SAR 14.0 billion; and one by each of the Saudi Hollandi Bank with an issuance value of SAR 725.0 million, the Saudi SIPCHM with an issuance value of SAR 1.8 billion, SATORP with an issuance value of SAR 3.7 billion, Sadara company with an issuance value of SAR 7.5 billion and Saudi ORIX company with an issuance value of SAR 240 million. The listing of SABIC's Sukuk III was cancelled on May 15, 2013. In 2013, the value of traded sukuks and bonds amounted to SAR 227.1 million. Their nominal value was SAR 226.7 million **(Table 7.8)**.

Comparison between Tadawul and Arab Stock Exchanges in 2013

The performance of the Arab stock exchanges participating in the Arab Monetary Fund Database (AMDB) was mixed during 2013. Three stock exchanges' indices recorded a decline ranging from 0.9 percent in Lebanon Stock Exchange and 1.9 percent in Tunisia Stock Exchange to 2.8 percent in Kuwait Stock Exchange. In contrast, eleven indices recorded a rise ranging from 2.8 percent in Muscat Securities Market to 22.0 percent in Dubai Stock Exchange **(Table 7.9)**.

Total market capitalization of all Arab stock exchanges increased by 23.2 percent to $1,132.2 billion at the end of 2013 as compared to $918.7 billion at the end of the preceding year. The market capitalization of Dubai Stock Exchange recorded the largest increase of 42.7 percent, followed by the Abu Dhabi Securities Market, rising by 41.2 percent and Kuwait Stock Exchange with an increase of 36.5 percent.

A comparison of selected Arab stock exchanges' indicators for 2013 shows that the Saudi Stock Exchange recorded the highest indicators among all Arab stock exchanges. Market capitalization of the Saudi Stock Exchange stood at $467.3 billion, compared to an average of $75.4 billion for the Arab countries composing AMFI. Market capitalization of the Saudi Stock Exchange represented 41.4 percent of the total market capitalization of the Arab securities market at the end of 2013. The value of shares traded on the Saudi Stock Exchange amounted to $78.5 billion during 2013, constituting 63.4 percent of the total value of shares traded on the Arab stock exchanges participating in AMDB.

The number of companies whose shares were traded on the Saudi Stock Exchange reached 163 at the end of 2013, with an average market capitalization of $2.9 billion per company, compared to an average of 96.3 companies with an average market capitalization of $0.83 billion per company in the Arab stock exchanges participating AMDB **(Table 7.10 and Chart 7.1)**.

Developments of Investment Funds during 2013

The number of investment funds managed by investment companies in Saudi Arabia went down by 1.7 percent to 236 in 2013, while their total assets increased by 17.2 percent to SAR 103.2 billion at the end of 2013 from SAR 88.1 billion at the end of 2012. Domestic assets of investment funds went up by 17.3 percent to SAR 81.9 billion at the end of 2013 from SAR 69.8 billion at the end of 2012. The foreign assets of investment funds increased by 16.8 percent to SAR 21.3 billion at the end of 2013, constituting 20.7 percent of the total assets of the funds. The number of subscribers stood at 258.1 thousand at the end of 2013, decreasing by 6.4 percent from the preceding year **(Table 7.11 and Chart 7.2)**.

A review of the breakdown of the funds' investments inside and outside the Kingdom at the end of 2013 indicates that total investments in global stock exchanges increased by 17.5 percent to SAR 12.2 billion. Investment in domestic equities also rose by 23.2 percent to SAR 23.6 billion, accounting for 66.0 percent of the total funds' investments in equities against 65.0 percent at the end of the preceding year. Investment in domestic and global equities accounted for 34.7 percent of the total assets of investment funds at the end of 2013 against 33.5 percent at the end of 2012.

The funds' investments in international bonds went down by 4.2 percent to SAR 1.7 billion at the end of 2013 against SAR 1.8 billion in 2012. Their investments in domestic bonds, however, rose by 38.0 percent to SAR 2.9 billion at the end of 2013 from SAR 2.1 billion at the end of 2012. Investments in domestic and foreign bond markets accounted for 4.5 percent of investment funds' total assets at the end of 2013

Table 7.8: TRADABLE SUKUK AND BONDS ACTIVITY DURING 2013

Sukuks / Bonds	Issue value (Million SAR)	Par Value (Thousand SAR)	Maturity Date	Annual Return (%)	Transactions	Value Traded (Thousand SAR)	Par Value Traded (Thousand SAR)
Saudi ORIX Sukuks	240	100	26-Dec-2015	SIBOR + 1.65	1	3,900.0	3,900
SABIC III*	5,000	10	15-May-2028	SIBOR + 0.48	0	0.0	0
Sipchem Sukuks	1,800	100	06-Jul-2016	SIBOR + 1.75	1	60,772.2	60,000
Sadara Sukuks	7,500	50	15-Dec-2028	6-month SIBOR + 0.95	3	149,530.0	150,000
Saudi Electricity 2	7,000	100	06-Jul-2029	SIBOR + 1.60	1	2,814.0	2,800
Saudi Electricity 3	7,000	10	10-May-2030	SIBOR + 0.95	0	0.0	0
Satorp Sukuks	3,749	100	20-Dec-2025	6-month SIBOR + 0.95	0	0.0	0
Saudi Hollandi Bank2	725	100	31-Dec-2019	SIBOR + Margin(190 bps)	1	10,050.0	10,000
Total	**33,014**	—	—	—	**7**	**227,066.2**	**226,700**

* Listing Cancelled on 15/5/2013.

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

Table 7.9: ANNUAL CHANGE IN SOME ARAB STOCK SHARE MARKET INDICATORS (2013) (Percentages)

Market	No. of Shares Traded	Market capitalization of Shares Traded	Share Price Index
Saudi Arabia	-0.5	25.17	7.2
Kuwait	45.1	36.5	-2.8
Egypt	-8.4	-0.2	20.7
Morocco	30.4	5.2	5.1
Bahrain	261.9	18.9	4.6
Jordan	-3.2	-4.5	9.6
Oman	66.1	21.3	2.8
Tunisia	-13.6	-3.2	-1.9
Lebanon	78.0	1.2	-0.9
Abu Dhabi	329.3	41.2	11.6
Algeria	-10.5	-1.6	--
Dubai	457.4	42.7	22.0
Sudan	-78.1	2.4	6.5
Qatar	169.1	20.8	8.0
Palestine	119.2	14.3	15.2

-- Not available.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, fourth quarter 2013.

Table 7.10: MOST IMPORTANT INDICATORS OF ARAB STOCK MARKETS DURING 2013

	Index % Annual change	Market capitalization (Million $)	No. of listed companies	Average company size (Million $)	GDP at current prices (Million $)*	Market depth (%)**
Saudi Arabia	7.2	467,341.0	163.0	2,867	748.4***	62.4
Kuwait	-2.8	108,352.0	210.0	516	185.3	58.5
Egypt	20.7	61,517.0	212.0	290	271.4	22.7
Morocco	5.1	55,329.0	75.0	738	105.1	52.6
Bahrain	4.6	18,469.0	47.0	393	32.2	57.4
Jordan	9.6	25,761.0	240.0	107	33.9	76.0
Oman	2.8	36,767.0	131.0	281	80.6	45.6
Tunisia	-1.9	8,590.0	65.0	132	47.4	18.1
Lebanon	-0.9	10,545.0	28.0	377	44.3	23.8
Abu Dhabi	11.6	109,645.0	66.0	1,661	396.2	27.7
Algeria	--	125.0	2.0	63	206.1	0.1
Dubai	22.0	70,686.0	55.0	1,285	396.2	17.8
Sudan	6.5	2,244.0	59.0	38	70.1	3.2
Qatar	8.0	152,589.0	42.0	3,633	202.6	75.3
Palestine	15.2	3,242.0	49.0	66	--	--
Average	**7.7**	**75,413.5**	**96.3**	**830**	**201.4**	**38.7**

* International Monetary fund (IMF). ** Ratio of market capitalization to GDP. -- Not available.

*** Central Department of Statistics and Information, Ministry of Economy and Planning.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, fourth quarter 2013.

Chart 7.1: Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2013 by Market Capitalization

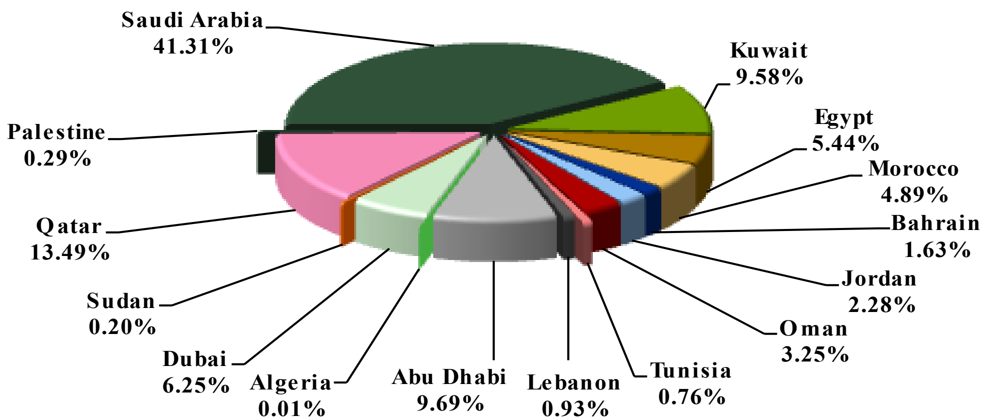
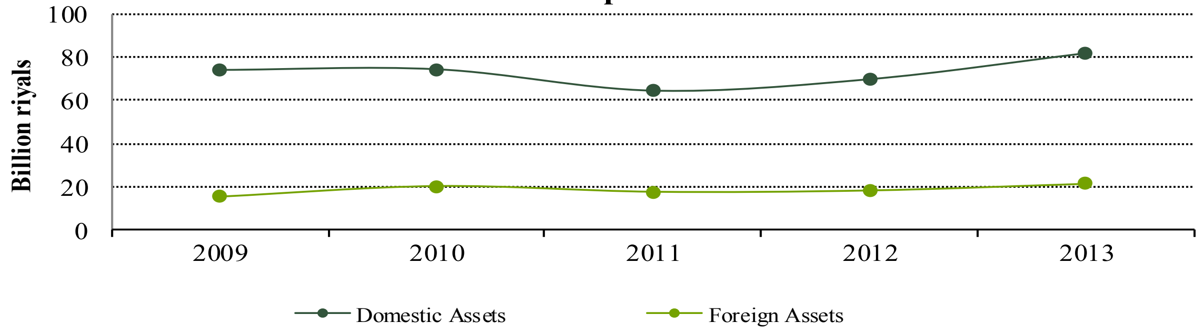


Table 7.11: MOST **IMPORTANT INDICATORS OF INVESTMENT FUNDS MANAGED BY DOMESTIC INVESTMENT COMPANIES**

Year	No. of operating funds	Annual % Change	Domestic assets investment (Billion SAR)	Annual % Change	Foreign assets investment (Billion SAR)	Annual % Change	Funds' total assets (Billion SAR)	Annual % Change	No. of subscribers (Thousand)	Annual % Change
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	236	-1.7	81.9	17.3	21.3	16.8	103.2	17.2	258.1	-6.4

Source: Capital Market Authority (CMA).

Chart 7.2: Assets of Investment Funds at Domestic Investment Companies



compared to 4.4 percent at the end of the preceding year. Investments in domestic and international money markets represented 56.0 percent of investment funds' total assets at the end of 2013 against 57.8 percent at the end of the preceding year. Investment in domestic money markets rose by 13.2 percent to SAR 50.8 billion at the end of 2013 from SAR 44.9 billion at the end of 2012, accounting for 87.9 percent of the total investments in domestic and international money markets at the end of 2013 against 88.1 percent at the end of the preceding year. Investments in international money markets also increased by 16.1 percent to SAR 7.0 billion at the end of 2013 from SAR 6.0 billion at the end of 2012. Investments in other domestic assets went down by 23.5 percent to SAR 1.4 billion at the end of 2013, accounting for 77.5 percent of the total investments in other domestic and international assets compared to 96.8 percent at the end of the preceding year. However, investments in other foreign assets went up by 581.7 percent to SAR 409 million at the end of 2013. Investment in real estate assets rose by 72.1 percent to SAR 3.1 billion at the end of 2013, representing 3.0 percent of investment funds' total assets compared to 2.0 percent at the end of the preceding year **(Table 7.12)**.

An analysis of the classification of investment companies by funds' assets shows that the NCB

Table 7.12: ASSETS OF INVESTMENT FUNDS MANAGED BY DOMESTIC INVESTMENT COMPANIES DISTRIBUTED BY TYPE OF INVESTMENT

(Million SAR)

End of Period	Domestic Equities	Foreign Equities	Domestic Bonds	Foreign Bonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real Estate Investments	Total Assets
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	23,639	12,170	2,878	1,731	50,809	7,005	1,411	409	3,127	103,179

Source: Capital Market Authority (CMA).

Capital took the lead in terms of its investment funds' volume of assets, which stood at SAR 31.9 billion, representing 31.0 percent of the total assets of investment funds. Riyadh Capital came next with SAR 16.7 billion (16.2 percent of the total). Samba Capital & Investment Management Co. came third with SAR 16.2 billion (15.7 percent of the total).

As for the number of investment funds, Riyadh Capital came first with 34 funds, one of which was close-ended. NCB Capital came next with 27 funds, all of which were open-ended. HSBC Saudi Arabia Limited came third with 21 funds, all of which were open-ended.

A breakdown of investment companies' by the number of subscribers shows that Riyad Capital ranked first with 71.9 thousand, followed by NCB Capital with 40.4 thousand and HSBC Saudi Arabia Limited with 36.6 thousand **(Table 7.13)■**

Table 7.13: CLASSIFICATION OF INVESTMENT COMPANIES BY ASSETS, NUMBER OF FUNDS AND SUBSCRIBERS IN 2013

Investment Company	No. of Funds			Assets of Funds (Million SAR)			No. of Subscribers
	Close-ended	Open-ended	Total	Domestic	Foreign	Total	
AlJazira Capital Co.	1	10	11	1,277.0	674.0	1,951.0	1,140
Bakheet Investment Group	0	3	3	228.0	8.0	236.0	418
Al Rajhi Financial Services Co.	0	11	11	10,175.0	1,318.0	11,493.0	14,659
AlBilad Investment Co.	0	6	6	1,109.0	44.0	1,153.0	30,842
Jadwa Investment Co.	0	7	7	426.0	77.0	503.0	121
HSBC Saudi Arabia Limited	0	21	21	7,680.0	881.0	8,561.0	36,610
Riyad Capital Co.	1	33	34	9,010.0	7,703.0	16,713.0	71,930
Audi Saudi Arabia Co.	0	2	2	59.0	35.0	94.0	13
Itqan Capital Co.	0	1	1	32.0	15.0	47.0	43
Samba Capital	0	17	17	12,118.0	4,081.0	16,199.0	33,633
Rana Investment Co.	0	1	1	6.0	0.0	6.0	7
FALCOM Financial Services	1	6	7	1,320.0	6.0	1,326.0	677
ANB Invest Co.	1	16	17	3,597.0	172.0	3,769.0	8,582
Saudi Fransi Capital Co.	1	11	12	3,279.0	521.0	3,800.0	13,301
Saudi Hollandi Capital Co.	0	17	17	1,393.0	32.0	1,425.0	3,039
Alistithmar Capital Co.	0	9	9	603.0	391.0	994.0	704
NCB Capital Co.	0	27	27	26,772.0	5,173.0	31,945.0	40,360
EFG-Hermes KSA	0	1	1	106.0	0.0	106.0	19
KSB Capital Group	2	3	5	450.0	0.0	450.0	1,124
Morgan Stanley Saudi Arabia Co.	0	1	1	54.0	0.0	54.0	3
Global Investment House KSA	0	2	2	546.0	0.0	546.0	13
The Investor Co. For Securities	1	2	3	171.0	0.0	171.0	150
AlAwwal For Financial Services Co.	1	4	5	739.0	15.0	754.0	341
Middile East Financial Investment Co.	1	1	2	117.0	73.0	190.0	29
Alinma Investment Co.	0	4	4	208.0	40.0	248.0	250
Arbah Capital Co.	0	1	1	126.0	0.0	126.0	56
Muscat Capital Co.	0	1	1	0.0	4.0	4.0	10
Al-Khabeer Capital Co.	0	3	3	166.0	3.0	169.0	8
Aloula Geojit Capital	0	1	1	8.0	0.0	8.0	11
Blominvest Saudi Arabia Co.	0	2	2	66.0	50.0	116.0	7
Al Nefaie Investment Group	0	1	1	1.0	0.0	1.0	6
AlKhair Capital Saudi Arabia Co.	0	1	1	21.0	0.0	21.0	4
Total	**10**	**226**	**236**	**81,863.0**	**21,316.0**	**103,179.0**	**258,110**

Source: Capital Market Authority (CMA).

Preliminary data of the Central Department of Statistics and Information (CDSI) show that the total value of the Kingdom's exports stood at SAR 1,409.7 billion in 2013 against SAR 1,456.5 billion in 2012. The ratio of total exports to GDP was 50.2 percent. The total value of imports (CIF) amounted to SAR 630.7 billion, constituting 22.5 percent of GDP. The current account of the Kingdom's balance of payments for 2013 recorded a surplus of SAR 497.4 billion, representing 17.7 percent of GDP.

Foreign Trade

According to preliminary data of CDSI , the value of the Kingdom's merchandise trade slightly increased by 0.02 percent to SAR 2,040.4 billion in 2013 from SAR 2,040.0 billion in the preceding year. As a measure of the openness of the Kingdom's economy to the world economy, the ratio of merchandise trade to the Kingdom's GDP stood at 72.7 percent in 2013 compared to 74.1 percent in the preceding year.

Exports

Preliminary figures show that the total value of the Kingdom's merchandise exports stood at SAR 1,409.7 billion during 2013 compared to SAR 1,456.5 billion during 2012, denoting a decline of 3.2 percent in 2013 compared to a rise of 6.5 percent in the preceding year **(Table 8.1)**.

Oil Exports

According to preliminary data, the Kingdom's oil exports stood at SAR 1,207.1 billion in 2013, declining by 4.6 as compared to a rise of 6.3 percent in the preceding year **(Table 8.1)**. This decline was attributable to a fall in average oil prices in the global markets where the average price of the Arabian light crude in 2013 stood at $106.53 per barrel against $110.22 per barrel in 2012. This was also due to the drop in the Kingdom's average production of crude oil to 9.64 million b/d in 2013 from 9.76 million b/d in 2012.

A breakdown of oil exports by type indicates that crude oil exports decreased by 3.7 percent to SAR 1,102.5 billion in 2013 from SAR 1,144.6 billion in 2012. Exports of refined products declined by 13.5 percent to SAR 104.6 billion from SAR 120.9 billion. **Chart 8.1** shows the trends of the Kingdom's exports of crude oil and refined products

Table 8.1: SAUDI MERCHANDISE EXPORTS

(Million Riyals)

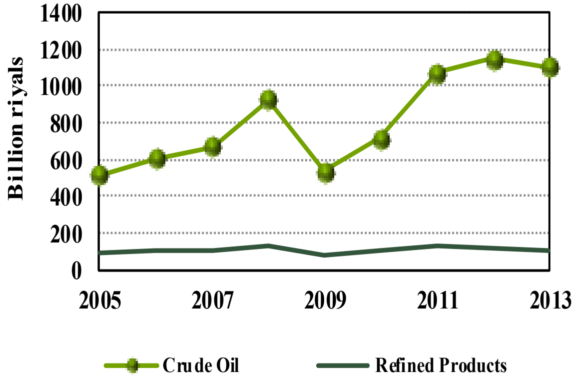
	2010	2011	2012	2013*	Annual % Change
Oil Exports	**807,176**	**1,191,051**	**1,265,550**	**1,207,080**	**-4.6**
Crude oil	710,375	1,068,658	1,144,638	1,102,478	-3.7
Refined products	96,801	122,393	120,912	104,602	-13.5
Non-oil Exports	**134,609**	**176,568**	**190,952**	**202,667**	**6.1**
Petrochemicals	82,100	114,680	124,184	131,545	5.9
Construction materials	9,058	10,332	10,536	11,755	11.6
Agricultural, animal and food products	11,074	12,605	12,853	12,628	-1.8
Other goods**	32,377	38,951	43,379	46,739	7.7
Total	**941,785**	**1,367,619**	**1,456,502**	**1,409,747**	**-3.2**

* Preliminary data. ** Including re-exports.

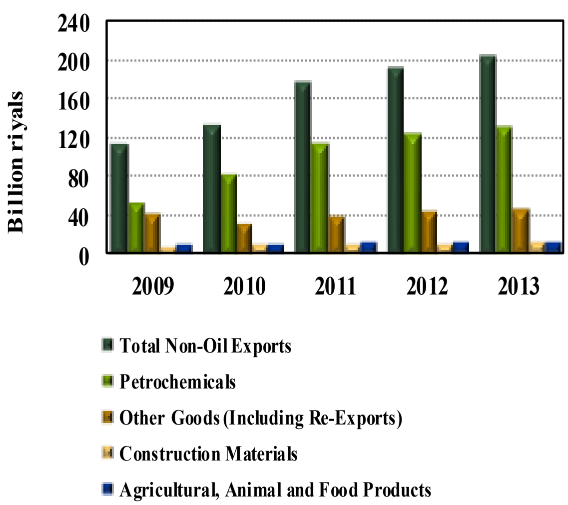
Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

Chart 8.1

Saudi Oil Exports



Components of Saudi Non-Oil Exports



during the period 2005-2013. They recorded their lowest level in 2005 and the highest level in 2012.

Non-oil Exports

According to preliminary data of CDSI, the Kingdom's non-oil exports continued to improve in 2013, registering an increase of 6.1 percent to SAR 202.7 billion against a rise of 8.1 percent in the preceding year **(Table 8.1)**. The value of exports of petrochemicals rose by 5.9 percent to SAR 131.5 billion. Exports of construction materials went up by 11.6 percent to SAR 11.8 billion. Exports of agricultural, animal and food products went down by 1.8 percent to SAR 12.6 billion due to policies aimed at water resources conservation. Exports of other goods, including re-exports, rose by 7.7 percent to SAR 46.7 billion. **Chart 8.1** shows the components and development of non-oil exports during the period 2009–2013 and indicates that they recorded continued growth, reaching their highest level in 2013.

Development of Saudi Non-oil Exports

The Saudi exports development program aims at providing necessary funding for exporters and importers of Saudi-origin goods in line with the Kingdom's continued efforts to diversify its economic base and develop non-oil exports. To this end, the Kingdom has taken a number of restructuring and institutional reforms, including the establishment of the Saudi Exports Program.

The Saudi Exports Program of the Saudi Fund for Development (SFD) plays an effective 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. The Program approved a set of various export finance and credit insurance operations, valued at SAR 4.2 billion, during 2013, denoting an increase of 5.3 percent over the preceding year **(Table 8.2)**. A breakdown of its operations during 2013 indicates that SAR 1.3 billion went to guarantee transactions and SAR 2.9 billion to finance transactions. Finance and guarantee transactions of exports of chemical and plastic products amounted to SAR 3.3 billion, with SAR 0.9 billion for guaranteeing transactions and SAR 2.4 billion for financing transactions. Finance transactions of exports of manufactured metal products, machinery, and equipment amounted to SAR 11.3 million. The Program provided credit lines of SAR 431.3 million during 2013. Guaranteeing transactions of exports of other products stood at about SAR 390.0 million.

Imports

Preliminary data show that the Kingdom's imports of goods (CIF) increased by 8.1 percent to SAR 630.7 billion in 2013 from SAR 583.5 billion in the preceding year. **(Table 8.3)**.

A breakdown of the Kingdom's imports by main components in 2013 **(Chart 8.2)** shows that imports of electric machinery, appliances and equipment (SAR 165.2 billion) came first with a share of 26.2 percent, rising by 7.2 percent over the preceding year. Imports of transport equipment (SAR 107.6 billion) ranked second, constituting 17.1 percent of total imports and increasing by 3.9 percent

Table 8.2: FINANCE AND GUARANTEE OF SAUDI EXPORTS

(Million Riyals)

	2011		2012		2013	
Goods and Products	**Finance**	**Guarantee**	**Finance**	**Guarantee**	**Finance**	**Guarantee**
Manufactured metal products, machines and equipment	0.00	14.00	18.75	0.00	11.25	0.00
Chemical and plastic products	1,266.00	2,857.00	1,387.50	1,998.00	2,418.75	917.00
Capital projects	1,005.00	0.00	0.00	13.05	0.00	6.00
Credit lines	240.00	0.00	502.50	0.00	431.25	0.00
Other	188.00	30.00	0.00	54.11	0.00	390.00
Total	**2,699.00**	**2,901.00**	**1,908.75**	**2,065.16**	**2,861.25**	**1,313.00**

Source: Saudi Fund for Development.

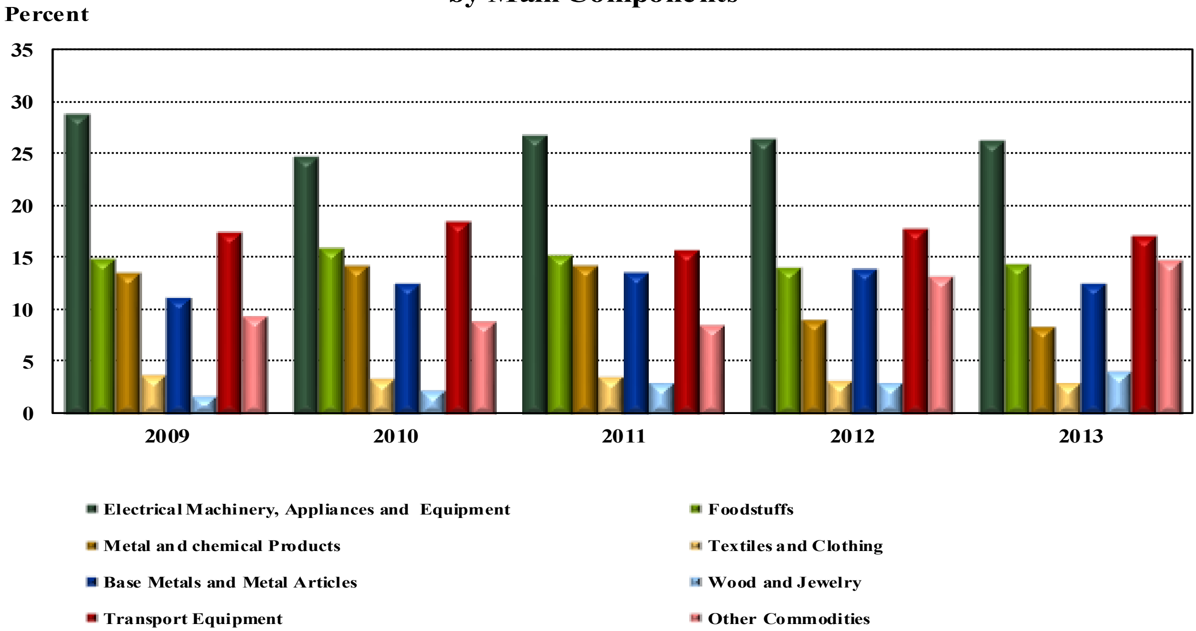
Table 8.3: THE KINGDOM'S IMPORTS (CIF) BY MAIN COMPONENTS

	Million Riyals			% Share			Annual % Change
	2011	**2012**	**2013***	**2011**	**2012**	**2013**	**2013**
Machines, appliances and electrical equipment	131,988	154,096	165,230	26.7	26.4	26.2	7.2
Foodstuffs	75,033	81,214	90,342	15.2	13.9	14.3	11.2
Chemical and metal products	69,795	52,708	53,019	14.1	9.0	8.4	0.6
Textiles and clothing	16,938	18,065	18,880	3.4	3.1	3.0	4.5
Metals and their products	66,225	80,376	78,121	13.4	13.8	12.4	-2.8
Wood and jewelry	14,331	16,936	24,909	2.9	2.9	3.9	47.1
Transport equipment	77,141	103,543	107,552	15.6	17.7	17.1	3.9
Other goods	41,998	76,535	92,624	8.5	13.1	14.7	21.0
Total	**493,449**	**583,473**	**630,677**	**100.0**	**100.0**	**100.0**	**8.1**

* 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



over the preceding year. Imports of other goods (SAR 92.6 billion) were in the third position with a share of 14.7 percent, up by 21.0 percent. Imports of foodstuffs (SAR 90.3 billion) ranked fourth, with a share of 14.3 percent, increasing by 11.2 percent. Imports of ordinary metals and their products (SAR 78.1 billion) came in the fifth position, with a share of 12.4 percent, declining by 2.8 percent from the preceding year. Imports of chemical and metal products (SAR 53.0 billion) came sixth with a share of 8.4 percent, rising by 0.6 percent from the preceding year. Imports of wood and jewelry (SAR 24.9 billion) came in the seventh position with a share of 3.9 percent, increasing by 47.1 percent over the preceding year. Imports of textiles and clothing (SAR 18.9 billion) came eighth, accounting for 3.0 percent of total imports and rising by 4.5 percent.

Imports by Origin

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

Imports from the top sixteen exporting countries to the Kingdom increased by 6.2 percent to SAR 440.0 billion during 2013 although their share in the Kingdom's total imports went down to 69.8 percent from 71.0 percent in 2012. Imports from the United States (SAR 85.4 billion) came first with a share of 13.5 percent of the Kingdom's total imports, increasing by 8.4 percent over the preceding year. Imports from China (SAR 78.5 billion) came second with a share of 12.4 percent, rising by 5.8 percent. Imports from Germany ranked third (SAR 44.8 billion) with a share of 7.1 percent, going up by 8.3 percent. Imports from South Korea (SAR 36.0 billion) came in the fourth position with a share of 5.7 percent, increasing by 1.6 percent over the

Table 8.4: THE KINGDOM'S IMPORTS BY ORIGIN

	Million Riyals			% Share			Annual % Change
	2011	2012	2013*	2011	2012	2013*	2013
USA	61,943	78,770	85,376	12.5	13.5	13.5	8.4
China	64,829	74,195	78,488	13.1	12.7	12.4	5.8
Germany	33,964	41,367	44,812	6.9	7.1	7.1	8.3
South Korea	29,076	35,467	36,018	5.9	6.1	5.7	1.6
Japan	31,065	38,989	35,153	6.3	6.7	5.6	-9.8
India	16,191	19,581	21,827	3.3	3.4	3.5	11.5
Italy	17,290	17,484	20,374	3.5	3.0	3.2	16.5
Switzerland	12,264	13,620	19,740	2.5	2.3	3.1	44.9
France	18,178	18,603	19,663	3.7	3.2	3.1	5.7
England	14,313	15,719	16,043	2.9	2.7	2.5	2.1
Thailand	10,149	12,707	13,508	2.1	2.2	2.1	6.3
Brazil	14,222	11,810	12,500	2.9	2.0	2.0	5.8
Turkey	9,192	13,422	12,283	1.9	2.3	1.9	-8.5
Australia	6,567	8,199	8,952	1.3	1.4	1.4	9.2
Spain	5,655	6,984	7,877	1.1	1.2	1.2	12.8
Indonesia	5,407	7,301	7,417	1.1	1.3	1.2	1.6
16-country group	**350,305**	**414,218**	**440,031**	**71.0**	**71.0**	**69.8**	**6.2**
GCC countries**	**32,133**	**38,809**	**48,532**	**6.5**	**6.7**	**7.7**	**25.1**
Other Arab countries	**16,452**	**17,655**	**18,741**	**3.3**	**3.0**	**3.0**	**6.2**
Rest of the world	**94,817**	**112,791**	**123,373**	**19.2**	**19.3**	**19.6**	**9.4**
Total imports (CIF)	**493,707**	**583,473**	**630,677**	**100.0**	**100.0**	**100.0**	**8.1**
Imports (FOB)	**446,270**	**527,499**	**570,084**				

* Preliminary data.

** Including re-exports.

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

preceding year. Imports from Japan (SAR 35.2 billion) ranked fifth with a share of 5.6 percent, declining by 9.8 percent from the preceding year. Imports from India (SAR 21.8 billion) ranked sixth with a share of 3.5 percent, increasing by 11.5 percent over the preceding year. Imports from Italy (SAR 20.4 billion) ranked seventh with a share of 3.2 percent, increasing by 16.5 percent over the preceding year. Imports from Switzerland (SAR 19.7 billion) came eighth with a share of 3.1 percent, increasing by 44.9 percent, followed by imports from France (SAR 19.7 billion) with a share of 3.1 percent and an increase of 5.7 percent. Imports from the England (SAR 16.0 billion) came in the tenth position with a share of 2.5 percent and a rise of 2.1 percent over the preceding year. Imports from Thailand (SAR 13.5 billion) ranked eleventh with a share of 2.1 percent and a rise of 6.3 percent. The positions from twelve to sixteen were occupied by Brazil, Turkey, Australia, Spain, and Indonesia with shares of 2.0 percent, 1.9 percent, 1.4 percent, 1.2 percent, and 1.2 percent respectively.

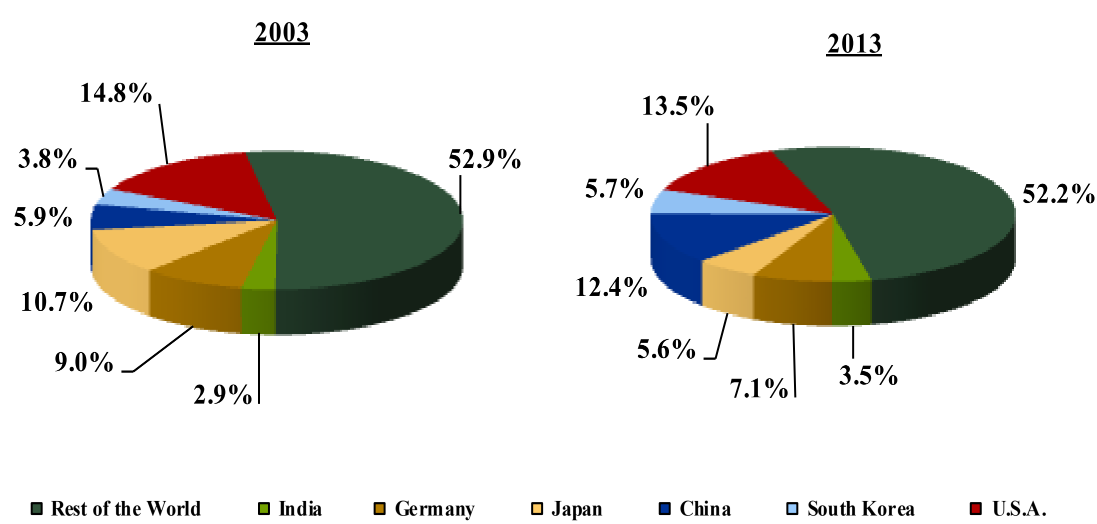
Imports from the GCC countries went up by 25.1 percent to SAR 48.5 billion during 2013, accounting for 7.7 percent of the Kingdom's total imports. Imports from other Arab countries group increased by 6.2 percent to SAR 18.7 billion, accounting for 3.0 percent of the Kingdom's total imports. The Kingdom's imports from the rest of the world rose by 9.4 percent to SAR 123.4 billion.

Chart 8.3 shows the Kingdom's imports by origin in 2013 compared to 2003, in which imports from China grew eight-fold to SAR 78.5 billion in 2013 from SAR 9.2 billion in 2003.

Private Sector's Exports Financed through Commercial Banks

Private sector's exports financed through commercial banks (settled letters of credit) increased by 1.9 percent to SAR 48.7 billion during 2013 as compared to SAR 47.8 billion in 2012. Their share in total non-oil exports went down to 24.0 percent during 2013 compared to 25.0 percent in 2012.

Chart 8.3: Saudi Imports by Origin



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 or through the Saudi Export Program, Export Finance Program of the Islamic Development Bank (IDB) and Arab Trade Finance Program of the Arab Monetary Fund (AMF), in addition to direct transfers to exporters' accounts inside or outside the Kingdom.

Detailed data of 2013 show that private sector's exports of other industrial products financed through commercial banks rose by 7.6 percent over the preceding year to SAR 39.9 billion, ranking first in terms of their share of 81.9 percent in total exports financed through commercial banks. Chemical and plastic products exports came next with SAR 5.7 billion, decreasing by 38.8 percent and constituting 11.6 percent of total. Exports of agricultural and animal products held the last position with SAR 3.1 billion, rising by 115.6 percent over the preceding year and accounting for 6.5 percent of total exports.

Private Sector's Imports Financed through Commercial Banks

The private sector's imports financed through commercial banks (settled letters of credit and bills received for collection) in 2013 show a decline of 1.3 percent to SAR 250.4 billion from SAR 253.7 billion in the preceding year. Their share in the Kingdom's total imports stood at 39.7 percent against 43.5 percent in the preceding year.

The fall in imports financed through commercial banks during 2013 was accounted for by declines of 4.6 percent in imports of other goods to SAR 113.0 billion, 30.6 percent in imports of machinery to SAR 20.6 billion, 20.5 percent in imports of construction materials to SAR 19.5 billion, 1.6 percent in imports of appliances to SAR 5.1 billion, and 13.9 percent imports of textiles and clothing to SAR 3.9 billion.

However, imports of motor vehicles rose by 19.0 percent to SAR 56.0 billion and imports of foodstuffs by 32.4 percent to SAR 32.3 billion.

As for their relative shares, imports of other goods ranked first with 45.1 percent of total imports financed through commercial banks, motor vehicle imports second with a share of 22.4 percent, and imports of foodstuffs third with 12.9 percent. Imports of machinery ranked fourth with a relative share of 8.2 percent, followed by imports of construction materials; appliances; and textiles and clothing with relative shares of 7.7 percent, 2.0 percent and 1.6 percent; respectively.

Exports Handled at the Kingdom's Ports

According to data issued by the Saudi Ports Authority, the volume of exports (excluding crude oil exports) handled at the Kingdom's ports decreased by 2.3 percent to 108.5 million tons during 2013 compared to 111.1 million tons in the preceding year.

Exports of construction materials and steel increased by 8.1 percent to 20.7 million tons in 2013 from 19.1 million tons in 2012. Exports of chemical products dropped by 3.7 percent to 24.2 million tons compared to 25.1 million tons in the previous year. Exports of refined oil products and gas went down by 3.4 percent to 53.6 million tons compared to 55.5 million tons in the preceding year. Exports of transshipment goods declined by 11.0 percent to 9.9 million tons compared to 11.1 million tons in the preceding year.

There were no major changes in the relative shares of the volume of exports handled at ports during 2013. Exports of refined oil products and gas ranked first in 2013 with a relative share of 49.4 percent compared to 50.0 percent in the preceding year. Exports of chemical products came in the second position with 22.3 percent, followed by exports of construction materials and steel with 19.1

percent. Exports of transshipment goods held the last position with a relative share of 9.1 percent.

Imports Handled at the Kingdom's Ports

Preliminary data show that the volume of imports handled at the Kingdom's ports in 2013 rose by 8.3 percent to 94.1 million tons compared to 86.9 million tons in the preceding year. This increase was due to a rise in imports of almost all items. Imports of general merchandise increased by 0.6 percent to 28.8 million tons compared to 28.6 million tons in the preceding year. Imports of foodstuffs also went up by 10.0 percent to 24.8 million tons compared to 22.6 million tons in the preceding year. Imports of construction materials rose by 10.6 percent to 21.1 million tons compared to 19.1 million tons in the preceding year. Imports of industrial materials increased by 9.6 percent to 17.9 million tons against 15.2 million tons in the preceding year. However, imports of equipment declined by 0.9 percent to 1.48 million tons against 1.50 million tons in the preceding year.

As for their relative shares, there were no changes in their ranking. Imports of general merchandise ranked first with a relative share of 30.6 percent. Imports of foodstuffs came second with 26.4 percent, and imports of construction materials third with 22.4 percent. Imports of industrial products were in the last position with a relative share of 19.0 percent of total imports.

With respect to motor vehicles and livestock imported through the Kingdom's ports in 2013, the number of motor vehicles stood at 960.8 thousand, rising by 4.2 percent, compared to 922.3 thousand in the preceding year, while that of livestock stood at 7.16 million heads compared to 7.24 million heads in the preceding year, decreasing by 1.2 percent.

Non-oil Trade with GCC Countries

The Kingdom's net non-oil trade with the GCC countries recorded a deficit of SAR 3.2 billion in 2013 against a surplus of SAR 2.5 billion in 2012 **(Table 8.5)**. The Kingdom's imports from the GCC countries (including re-exports) increased by 25.1 percent to SAR 48.5 billion in 2013 from SAR 38.8 billion in the preceding year. They represented 7.7 percent of the Kingdom's total imports. The Kingdom's exports to the GCC countries increased by 9.7 percent to SAR 45.4 billion, accounting for 22.4 percent of the Kingdom's total non-oil exports.

Detailed data indicate that the United Arab Emirates, the Sultanate of Oman and the Kingdom of Bahrain recorded surpluses of SAR 7.8 billion, SAR 2.4 billion and SAR 0.4 billion respectively in their non-oil trade with the Kingdom during 2013, while Kuwait and Qatar registered surpluses of SAR 4.2 billion and 3.3 billion respectively.

Data on the Kingdom's non-oil imports from the GCC countries for 2013 show that U.A.E. continued to occupy the first position as the largest exporter to the Kingdom, with its exports amounting to SAR 31.9 billion. Imports from the U.A.E. accounted for 65.8 percent of the Kingdom's total non-oil imports from the GCC countries. The Kingdom of Bahrain came second with SAR 6.4 billion, representing 13.2 percent of the total, followed by Oman with SAR 5.9 billion or 12.1 percent of the total, and Qatar with SAR 2.4 billion or 5.0 percent of the total. Kuwait came last with SAR 1.9 billion, accounting for 3.9 percent of the total.

As regards the Kingdom's non-oil exports to the GCC countries during 2013, the U.A.E. remained in the first position with SAR 24.1 billion or 53.2 percent of the Kingdom's total non-oil exports to the GCC countries. Kuwait came second with SAR 6.1 billion or 13.4 percent of the total, followed by Bahrain with SAR 6.0 billion or 13.2 percent and Qatar with SAR 5.7 billion or 12.6 percent of the total. Oman came last with SAR 3.4 billion or 7.6 percent of the total.

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

(Million Riyals)

Country	2011 Imports From	2011 Exports To	2011 Difference	2012** Imports From	2012** Exports To	2012** Difference	2013*** Imports From	2013*** Exports To	2013*** Difference
UAE	20,426	19,480	-946	24,495	20,931	-3,564	31,945	24,147	-7,798
Bahrain	4,780	4,835	55	4,996	5,622	626	6,389	5,968	-421
Qatar	1,797	5,280	3,483	2,268	5,394	3,126	2,433	5,707	3,274
Oman	3,392	2,948	-444	5,494	3,366	-2,128	5,883	3,446	-2,437
Kuwait	1,738	5,911	4,173	1,556	6,032	4,476	1,882	6,089	4,207
Total	**32,133**	**38,454**	**6,321**	**38,809**	**41,345**	**2,536**	**48,532**	**45,357**	**-3,175**

* Including re-exports.

** Revised figures

*** Preliminary data.

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

Non-oil Trade with Top Trading Partners of Arab 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 SAR 11.5 billion in 2013, against a surplus of SAR 11.4 billion in 2012 **(Table 8.6)**. The Kingdom's imports from Arab countries recorded an increase of 6.2 percent to SAR 18.7 billion in 2013 against SAR 17.7 billion in the preceding year, representing 3.0 percent of the Kingdom's total imports. The Kingdom's exports to Arab countries went up by 4.1 percent to SAR 30.3 billion, constituting 14.9 percent of the Kingdom's total non-oil exports.

Detailed data on the Kingdom's trade with top trading partners of non-GCC Arab countries show that all countries (excluding Egypt, Syria and Lebanon) recorded deficits in their trade with the Kingdom. The Kingdom's trade with Jordan recorded a surplus of SAR 3.8 billion in 2013, followed by a surplus of SAR 2.8 billion in its trade with Yemen. The Kingdom recorded surpluses of SAR 2.0 billion in its trade with Iraq, SAR 1.5 billion with Morocco, and SAR 87 million with Sudan. The Kingdom's trade with Egypt, Syria and Lebanon registered deficits of SAR 1.2 billion, SAR 226 million and SAR 31 million respectively.

With regard to the Kingdom's non-oil imports from its top trading partners of non-GCC Arab countries during 2013, Egypt came first with SAR 7.9 billion, accounting for 42.2 percent of the Kingdom's total non-oil imports from non-GCC Arab countries. Jordan came next with SAR 3.2 billion, constituting 17.0 percent of the total imports from this group, followed by Sudan with SAR 2.0 billion, accounting for 10.4 percent of the

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

(Million Riyals)

Country	2011			2012**			2013***		
	Imports From	Exports To	Difference	Imports From	Exports To	Difference	Imports From	Exports To	Difference
Egypt	7,021	5,920	-1101	7,520	6,527	-993	7,909	6,679	-1230
Jordan	2,466	6,451	3985	2,697	6,574	3,877	3,188	7,034	3846
Yemen	969	2,297	1328	1,008	3,133	2,125	912	3,750	2838
Lebanon	1,462	1,732	270	1,723	1,556	-167	1,689	1,658	-31
Morocco	297	1,963	1666	538	2,073	1,535	314	1,836	1522
Sudan	1,249	2,149	900	1,473	2,114	641	1,956	2,043	87
Syria	1,956	3,389	1433	1,527	1,964	437	725	499	-226
Iraq	1	1,927	1926	7	1,594	1,587	6	2,010	2004
Rest of Arab countries	1,031	2,956	1925	1,162	3,545	2,383	2,042	4,775	2733
Total	**16,452**	**28,784**	**12332**	**17,655**	**29,080**	**11,425**	**18,741**	**30,284**	**11543**

* Including re-exports.

** Revised figures *** Preliminary data.

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

total. Lebanon came fourth with SAR 1.7 billion, representing 9.0 percent of the total. Yemen (SAR 0.9 billion), Syria (SAR 0.7 billion) and Morocco (SAR 0.3 billion) came in the fifth, sixth and seventh positions respectively.

As for the Kingdom's non-oil exports to these countries during 2013, Jordan ranked first, to which the Kingdom's exports amounted to SAR 7.0 billion or 23.2 percent of the Kingdom's total exports to non -GCC Arab countries. Egypt came second with SAR 6.7 billion or 22.1 percent of the total, followed by Yemen with SAR 3.8 billion or 12.4 percent, Sudan and Iraq with SAR 2.0 billion each came fourth and fifth respectively. The Kingdom's exports to Morocco and Lebanon were SAR 1.8 billion and SAR 1.7 billion, occupying the sixth and seventh positions respectively.

Balance of Payments

First: Current Account

The balance of payments is defined as a statistical statement that summarizes, through an organized systematic method, transactions carried out between resident entities in the concerned country and non-resident entities during a specific period. The current account of the Kingdom's balance of payments for 2013 recorded a surplus of SAR 497.4 billion compared to a surplus of SAR 617.9 billion in the preceding year, decreasing by 19.5 percent. The deficit ratio to GDP was 17.7 percent in 2013 compared to 22.4 in the preceding year. This decline was due to decreases in the surplus of goods and services by 14.4 percent to SAR 591.5 billion and the item of net primary income by 2.0 percent, as well as the increase in the item of secondary income by 17.8 percent **(Table 8.7)**. **Chart 8.4** shows the development of the current account balance and its major items during the period 2010-2013. It indicates that the highest surplus in the current account was recorded in 2012, while the lowest surplus was registered in 2010. The item of goods and services and the item of net primary income recorded their highest surplus during 2012 while the item of secondary income registered the largest deficit during 2013.

A. Goods and Services

I. Goods

The surplus of merchandize account of the balance of payments went down by 9.7 percent to SAR 835.2 billion in 2013 from SAR 924.6 billion in the preceding year. Total exports (including oil and other exports) dropped by 3.2 percent to SAR 1,409.7 billion. Imports (FOB) increased by 8.1 percent to SAR 570.1 billion compared to SAR 527.5 billion in the preceding year. In 2013, non-monetary gold exports and imports went up by 6.1 percent and 8.1 percent, respectively.

II. Services

The deficit in the services account increased by 4.2 percent to SAR 243.6 billion in 2013 compared to a deficit of SAR 233.8 billion in the preceding year. The rise in the deficit of the services account was mainly attributable to an increase in net government services item by 5.8 percent to SAR 91.4 billion compared to SAR 86.4 billion in the preceding year. The deficit in net transportation services item rose by 7.3 percent to SAR 62.7 billion against 58.5 billion during the preceding year. The deficit in construction item also increased by 32.6 percent to SAR 13.6 billion as compared to SAR 10.2 billion in the preceding year. However, the deficit in net other business services dropped by 19.6 percent to SAR 20.4 billion compared to SAR 25.4 billion during the preceding year. The deficit in net financial services item decreased by 31.8 percent to SAR 2.5 billion. On the other hand, the deficit in payments for services of travel, telecommunication and insurance rose by 4.4 percent, 20.8 percent and 6.3 percent respectively.

B. Primary Income

Notwithstanding the increase in net portfolio investment income by 9.7 percent to SAR 75.4 billion as compared to 68.7 billion in the preceding year, the surplus in the primary income account declined by 2.0 percent to SAR 40.4 billion during 2013 against SAR 41.2 billion during the preceding year. This was attributable to an increase in the deficit of direct investment income by 16.2 percent to SAR 34.8 billion compared to SAR 30.0 billion in the preceding year, which had the largest impact on the decline in the primary income from the preceding year, the fall in net income of other investments by 53.1 percent to SAR 2.3 billion, compared to SAR 4.8 billion in the preceding year and the rise in the deficit in workers' compensations item by 3.2 percent to SAR 2.4 billion as compared to SAR 2.3 billion in the preceding year .

C. Secondary Income

The deficit in the secondary income account increased by 17.8 percent to SAR 134.5 billion in 2013 from a deficit of SAR 114.1 billion in the preceding year. Government transfers rose by 5.3 percent. Remittances made by expatriates also went up by 19.0 percent to SAR 127.8 billion. The remittances of expatriates to other countries constitute one of the most important items of the current account of the Kingdom's balance of

Table 8.7: BALANCE OF PAYMENTS

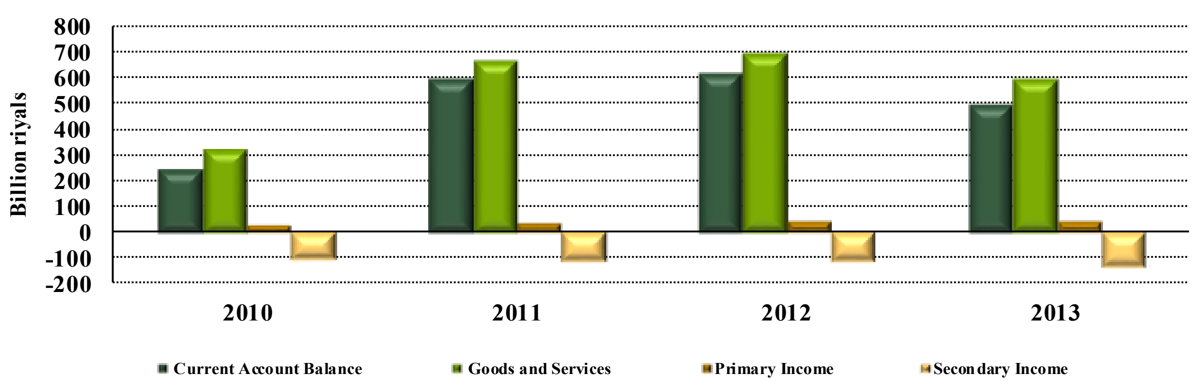
(Million Riyals)

	2010	2011	2012	2013*	Annual % Change 2013
I. Current Account Balance	**250,316**	**594,545**	**617,864**	**497,400**	**-19.5**
A. Goods and services	**328,605**	**668,426**	**690,800**	**591,536**	**-14.4**
1. Goods	576,418	917,767	924,639	835,178	-9.7
2. Services	-247,813	-249,342	-233,839	-243,642	4.2
B. Primary income	**26,415**	**36,315**	**41,207**	**40,374**	**-2.0**
C. Secondary income	**-104,703**	**-110,197**	**-114,144**	**-134,510**	**17.8**
II. Capital account	---	---	-1,017	-1,257	23.6
III. Financial account	**121,392**	**413,878**	**458,090**	**488,067**	**6.5**
1. Direct investment	**-94,972**	**-48,294**	**-29,178**	**-16,329**	**-44.0**
2. Portfolio investments	**56,828**	**60,179**	**11,941**	**35,431**	**196.7**
3. Other investments	**28,180**	**42,163**	**41,122**	**209,649**	**409.8**
4. Reserve assets	**131,356**	**359,831**	**434,205**	**259,315**	**-40.3**
4.1. Monetary gold	0	0	0	0	0.0
4.2. Special drawing rights	-1,058	-1,322	-1,626	-802	-50.7
4.3. Reserve position in the IMF	-134	10,803	2,878	-1,757	-161.0
4.4. Other reserve assets	132,548	350,350	432,953	261,874	-39.5
4.4.1. Currency and deposits	22,174	104,446	190,753	-20,668	-110.8
4.4.2. Securities	110,374	245,904	242,200	282,542	16.7
III. Errors and Omissions	**-128,924**	**-180,666**	**158,757**	**-8,077**	**-105.1**

* : Preliminary.

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

Chart 8.4: Current Account Balance



payments. **Table 8.8** illustrates the developments of the remittances of expatriates in the Kingdom and their ratio to GDP since 2005.

Second: Capital Account

The deficit in the capital account rose by 23.6 percent to SAR 1.3 billion in 2013 against transfers of SAR 1.0 billion in the preceding year.

Third: Financial Account

The net direct investment decreased by SAR 16.3 billion in 2013 from SAR 29.2 billion in the preceding year. The net portfolio investments registered an increase of SAR 35.4 billion as compared to SAR 11.9 billion in the preceding year. Net other investments recorded a significant rise of SAR 209.6 billion against an increase of SAR 41.1 billion in the preceding year. Reserve assets went up by SAR 259.3 billion against a rise of SAR 434.2 billion in the preceding year.

Kingdom's Aid to Developing Countries

The Kingdom has been steadily extending 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 1994-2013 reached SAR 187.2 billion **(Table 8.9)**. They constituted 85.5 percent (SAR 160.1 billion) of the total aid extended by the Kingdom. Total contributions to associations and organizations stood at SAR 16.4 billion or 8.7 percent of the total. Aid provided through

Table 8.8: REMITTANCES OF EXPATRIATES IN THE KINGDOM

Year	Million Riyals	Annual % Change	Private Sector GDP* (Mln. Riyals)	Remittances Ratio to Private Sector GDP
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	940,794	11.4
2013**	127,768	19.0	1,035,049	12.3

* 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 1994-2013

(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	4,198	3144	421	7,763
2013	20,843	1241	1107	23,191
Total	**160,120**	**16,357**	**10,765**	**187,242**

Source: Ministry of Finance.

multilateral aid programs amounted to SAR 10.8 billion or 5.8 percent of the total.

The Kingdom's foreign aid and loans provided through bilateral channels and multilateral institutions during 2013 stood at SAR 23.2 billion, increasing by 198.7 percent from the preceding year. Aid and loans offered in 2013 constituted the bulk of the total which stood at SAR 20.8 billion or 89.9 percent of the total, rising by 396.5 percent compared to 2012. The Kingdom's contributions to associations and organizations totaled SAR 1.2 billion or 5.3 percent of the total, declining by 60.5 percent from the preceding year. The Kingdom's aid provided through multilateral aid stood at SAR 1.1 billion or 4.8 percent of the total in 2013, rising by 162.9 percent over the preceding year.

Exchange Rate Trends

SAMA continued to maintain the official exchange rate of the Saudi riyal against the U.S. dollar at 3.75 riyals per 1 dollar during 2013. The nominal effective exchange rate (NEER) index rose by 2.9 percent to 94.58 at the end of 2013 from 92.98 in 2012. The real effective exchange rate (REER) index increased by 4.3 percent to 100.73 at the end of 2013 from 98.55 in 2012■

At its meeting held on Safar 20, 1435H (December 23, 2013), the Council of Ministers approved the State budget for fiscal year 1435/1436H (2014), estimating the total revenue and expenditure at SAR 855 billion each. Total revenue indicates a 3.1 percent increase over the previous fiscal year's estimates of SAR 829 billion, while the total expenditure shows a rise of 4.3 percent over the estimates of the preceding fiscal year, which placed total expenditure at SAR 820 billion **(Table 9.1).**

Main Features of the State Budget for Fiscal Year 1435/1436H (2014)

The state budget for fiscal year 1435/1436H (2014) has continued to focus on development projects in the sectors of education, health, security services, social and municipal services, water and sewage services, roads, electronic transactions and scientific research to boost investment environment in order to create more job opportunities for citizens and accelerate economic growth.

The budget envisages new programs and projects, and additional phases for previously approved projects with a total value of SAR 248 billion. The following is a review of the most prominent features of the budget, including appropriations for expenditure on major sectors.

Human Resources Sector

Human resources development was allocated SAR 209.3 billion, or 24.5 percent of total budgetary appropriations, rising by 3 percent over those for fiscal year 1434/35H (2013) **(Table 9.2).**

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

With respect to higher education, necessary allocations were made for completing the renovation of women's colleges in a number of universities at a cost exceeding SAR 3 billion. In addition, allocations were also made for opening 8 new colleges and implementing projects for the Ministry of Higher Education and universities at a cost exceeding SAR 9.6 billion, and completing additional phases of projects costing more than SAR 6.7 billion.

Health Care and Social Development

In the area of health services and social development, SAR 78.2 billion, or 9.1 percent of the total budgetary appropriations, was earmarked for this sector, rising by 10.2 percent over the allocations for fiscal year 1434/35H (2013).

The budget includes new health projects for the completion of construction and equipping of primary health care centers in all regions of the Kingdom. It also includes projects for establishing 11 new hospitals, 2 medical complexes and 11 medical

Table 9.1: BUDGET PROJECTIONS

(Billion Riyals)

	FY 1434/35 (2013)	FY 1435/36 (2014)	% change
Total revenue	829	855	3.1
Total expenditure	820	855	4.3
Deficit / Surplus	9	0	--

Source: Ministry of Finance.

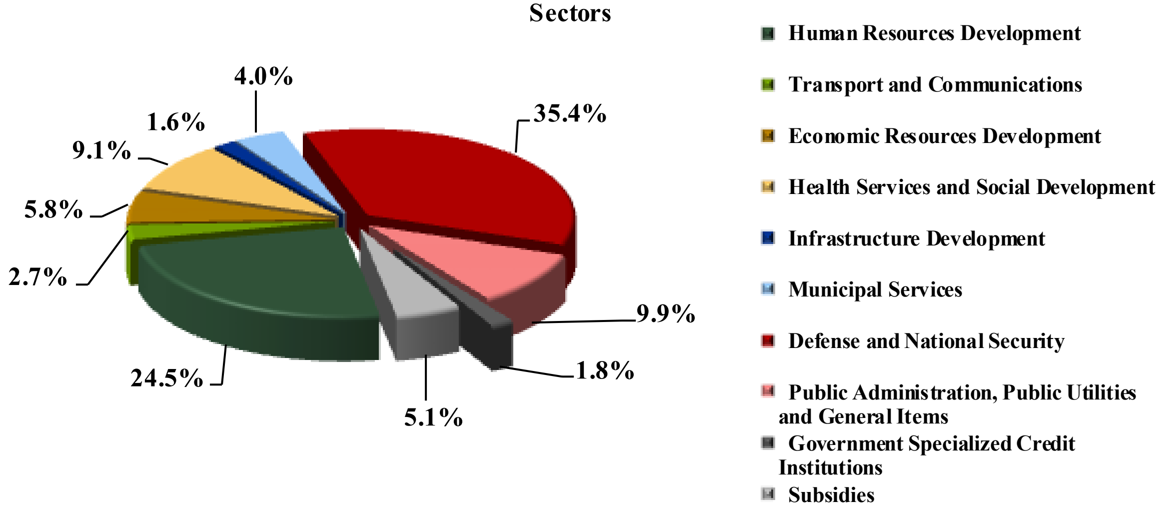
Table 9.2: SECTOR-WISE ALLOCATIONS OF THE STATE BUDGET
(by major sector)

(Million Riyals)

	FY 1434/1435 (2013)		FY 1435/1436 (2014)	
	Amount	% Share	Amount	% Share
Human Resources Development	203,147	24.8	209,296	24.5
Transport and Communications	22,063	2.7	23,506	2.7
Economic Resources Development	46,696	5.7	49,537	5.8
Health Services and Social Development	70,938	8.7	78,166	9.1
Infrastructure Development	11,702	1.4	13,540	1.6
Municipal Services	31,729	3.9	34,610	4.0
Defense and National Security	251,325	30.6	302,859	35.4
Public Administration, Public Utilities and General Items	119,948	14.6	84,558	9.9
Government Specialized Credit Institutions	14,950	1.8	15,375	1.8
Subsidies	47,502	5.8	43,553	5.1
Total	**820,000**	**100.0**	**855,000**	**100.0**

Source: Ministry of Finance

Chart 9.1: Budget Allocations for Fiscal Year 1435/1436H(2014) by Major Sectors



centers, in addition to furnishing and equipping a number of health facilities, housing units and improving existing hospitals. Currently, 132 new hospitals with a capacity of 33,750 beds and 5 medical cities with a capacity of 6,200 beds are under construction throughout the Kingdom. During fiscal year 1434/35H (2013), 16 new hospitals with a capacity of 3,700 beds throughout the Kingdom were taken over.

In regard to social services, the state budget envisages the establishment of 20 sport club facilities; social care, observation, and rehabilitation houses and social security offices. In addition, the budget includes increasing the annual allocations for orphans, persons with special needs, social security, supporting the poverty addressing programs and the National Charity Fund. Appropriations for poverty addressing programs and annual allocations for orphans and persons with special needs for fiscal year 1435/1436H (2014) stand at SAR 29 billion.

Municipal Services

The appropriations for the municipal services sector, including the Ministry for Municipal and Rural Affairs and municipalities, are placed at SAR 34.6 billion, or 4 percent of the total budgetary appropriations, rising by 9.1 percent over the previous fiscal year 2013.

Transport and Communication Sector

Allocations made for the transport and communications sector stood at SAR 23.5 billion, or 2.7 percent of total budgetary appropriations, increasing by 6.5 percent over those for fiscal year 1434/35H (2013). The budget envisages new projects and additions to previously approved projects for roads, ports, railways, airports and postal services with a projected cost of SAR 40.2 billion. The budget includes projects for construction of main, secondary and feeder roads and completion of the existing roads with a total length of 3,500 km, and projects for study works/designs for main, secondary and feeder roads with a total length of 1,360 km, raising the total roads length approved under the Ninth Development Plan to 22.7 thousand km.

Other Sectors

Economic resources development is allocated SAR 49.5 billion, or 5.8 percent of total budgetary appropriations, rising by 6.1 percent over the previous fiscal year 2013.

Infrastructure development sector is allocated SAR 13.5 billion or 1.6 percent of the total approved budgetary expenditures, increasing by 15.7 percent over the previous fiscal year.

As for public administration, public utilities and general items, SAR 84.6 billion or 9.9 percent of the total approved budgetary expenditures was appropriated, decreasing by 29.5 percent from the previous fiscal year.

Budgets of Public Institutions

A royal decree was issued estimating and approving the budgetary revenue and expenditures of public institutions with budgets connected to the state budget for fiscal year 1435/1436H (2014). Total appropriations for public institutions are projected at SAR 161.5 billion, compared to SAR 153.5 billion for the previous fiscal year, rising by SAR 8 billion, or 5.2 percent. The budgets of public institutions constitute 18.9 percent of total state budgetary expenditures for fiscal year 1435/1436H (2014). The highest annual increase of 108.3 percent was accounted for by the Saudi Standards, Metrology and Quality Organization. New appropriations of nearly SAR 100 million were made for the Public Education Evaluation Commission **(Table 9.3)**.

Actual Revenues and Expenditures for Fiscal Year (2013)

Preliminary actual revenues for fiscal year 1434/1435H (2013) denoted a decrease of 7.3 percent compared to a rise of 11.6 percent in the preceding year to SAR 1,156.4 billion, increasing by 39.5 percent over the budget projections **(Table 9.4)**. This was attributable to a decline of 9.6 percent in oil revenue.

Preliminary actual expenditures for fiscal year (2013) totaled SAR 976 billion, increasing by SAR 102.7 billion, or 11.8 percent over the preceding year, and denoting a rise of SAR 156 billion over the budget projections of fiscal year 1434/35H (2013). The budget surplus stood at SAR 180.3 billion **(Table 9.4 and Chart 9.2).**

Table 9.3: BUDGET APPROPRIATIONS FOR PUBLIC INSTITUTIONS

(Million Riyals)

	1432/33 (2011)	1433/34 (2012)	1434/35 (2013)	1435/36 (2014)	% Change (2014)
Saudi Ports Authority	1,375.6	1,710.1	1,897.2	1,752.0	-7.7
Saudi Arabian Airlines	20,924.0	20,413.0	24,690.0	26,595.0	7.7
Grain Silos and Flour Mills Organization	1,713.1	1,914.7	2,236.8	2,481.7	10.9
Saline Water Conversion Corporation	14,919.3	15,461.3	15,692.6	16,576.1	5.6
Saudi Railways Organization	1,345.5	1,765.4	2,036.3	1,876.0	-7.9
Royal Commission for Al-Jubayl and Yanbu’	7,486.1	8,099.8	9,105.3	9,021.0	-0.9
Saudi Standards, Metrology and Quality Organization	154.3	183.7	190.1	396.0	108.3
Saudi Arabian General Investment Authority	157.1	154.7	179.3	308.5	72.1
King Saud University	7,843.4	8,625.5	9,424.0	9,545.1	1.3
King Abdulaziz University	3,916.1	4,471.3	5,710.0	5,984.6	4.8
King Fahd University for Petroleum and Minerals	1,124.3	1,244.9	1,345.9	1,394.4	3.6
Imam Muhammed Ibn Saud University	2,723.3	2,850.7	3,815.8	4,112.9	7.8
Islamic University	655.7	828.4	1,005.1	1,033.7	2.8
King Faisal University	1,600.9	1,856.5	2,204.4	2,296.2	4.2
Umm Al-Qura University	1,919.7	2,189.6	2,690.6	2,823.1	4.9
King Khalid University	2,697.2	3,048.4	3,605.1	3,726.5	3.4
Taibah University	1,420.0	1,619.1	2,078.0	2,230.7	7.3
Qassim University	1,707.5	1,970.3	2,351.0	2,565.4	9.1
Taif University	1,266.2	1,554.9	2,040.4	2,064.6	1.2
Jazan University	1,082.9	1,429.0	1,771.5	1,851.2	4.5
Al Jouf University	900.0	1,022.6	1,440.5	1,453.4	0.9
University of Ha'il	882.9	1,039.3	1,330.5	1,365.0	2.6
University of Tabuk	793.1	986.6	1,287.6	1,361.2	5.7
Al-Baha University	626.8	769.6	941.3	997.7	6.0
Najran University	630.1	766.4	1,079.2	1,172.5	8.6

Contd…2

Contd…2 Table 9.3: BUDGET APPROPRIATIONS FOR PUBLIC INSTITUTIONS

(Million Riyals)

	1432/33 (2011)	1433/34 (2012)	1434/35 (2013)	1435/36 (2014)	% Change (2014)
Princess Nora bint Abdulrahman University	834.7	1,173.8	2,195.9	2,603.5	18.6
Northern Borders University	548.9	724.6	932.7	1,002.3	7.5
University of Dammam	2,008.6	2,367.5	2,907.8	3,216.2	10.6
Prince Salman Bin Abdulaziz University	624.7	812.1	1,239.7	1,311.0	5.7
AL-Majma'ah University	359.0	493.1	949.4	960.0	1.1
Shagra University	575.6	759.0	896.8	1,001.6	11.7
Technical and Vocational Training Corporation	4,605.4	4,795.3	5,318.1	5,342.4	0.5
King Abdulaziz City for Science & Technology (KACST)	1,693.6	1,797.5	2,150.4	2,289.2	6.5
Institute of Public Administration	472.1	519.3	565.1	657.6	16.4
King Faisal Specialist Hospital & Research Centre	4,462.0	4,983.0	5,713.0	6,226.3	9.0
Saudi Red Crescent Authority	1,625.3	1,704.7	1,837.3	1,968.8	7.2
Military Industries Organization	1,535.4	1,968.5	2,730.0	3,387.6	24.1
Saudi Geological Survey Authority	208.3	216.2	236.0	284.0	20.3
General Commission for Tourism & Antiquities	468.4	511.3	703.0	794.0	12.9
Communications and Information Technology Commission (C.I.T.C)	959.0	890.0	993.6	976.0	-1.8
Saudi Food and Drug Authority (SFDA)	624.7	686.1	994.1	1,066.9	7.3
Saudi Post Organization	2,135.1	2,277.4	2,524.0	2,859.0	13.3
General Authority of Civil Aviation (GACA)	7,899.7	15,456.7	16,588.7	16,038.0	-3.3
Human Rights Commission	73.6	84.2	116.3	129.7	11.5
General Survey Authority	326.5	409.3	589.4	672.6	14.1
King Abdullah City for Nuclear Energy	---	500.0	500.0	500.0	0.0
Saudi Electronic University	---	---	354.9	378.9	6.8
Saudi Credit & Savings Bank	---	---	423.4	562.2	32.8
General Authority for Guardianship of Minors and their Funds	---	---	80.0	85.0	6.3
Saudi Broadcasting Corporation	---	---	1,630.8	1,870.5	14.7
Saudi Press Agency	---	---	182.7	229.8	25.8
General Authority for Audio and Visual Media	---	---	7.0	34.5	392.9
Public Education Evaluation Commission	---	---	---	100.0	---
Total	111,905.7	129,105.4	153,508.6	161,532.0	5.2

(---) Not Available.

Source: The Ministry of Finance's statement.

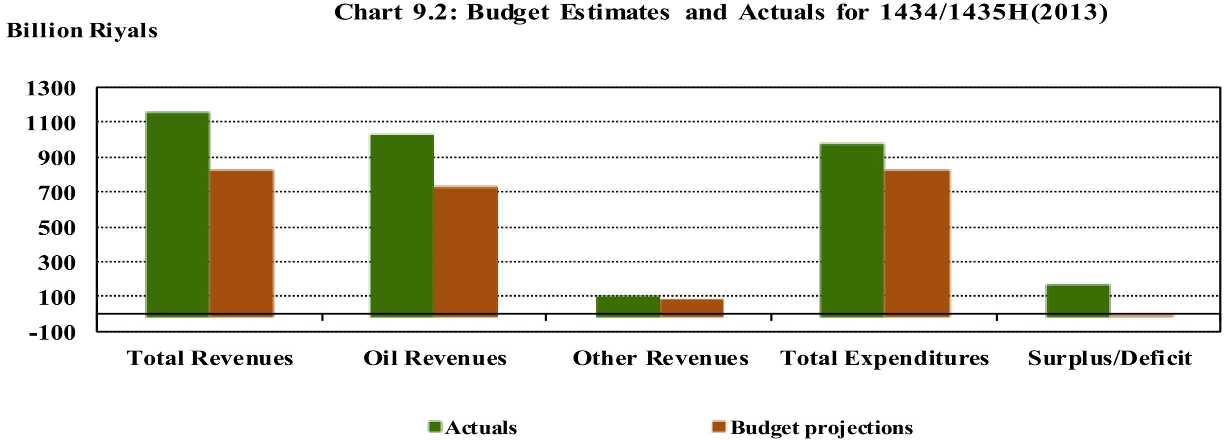
Table 9.4: ACTUAL REVENUE AND EXPENDITURE

(Million Riyals)

	1432/1433 (2011)		1433/1434 (2012)		1434/1435 (2013)	
	Amount	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**
Total revenues	**1,117,792**	**50.7**	**1,247,398**	**11.6**	**1,156,361**	**-7.3**
Oil revenues	1,034,360	54.3	1,144,818	10.7	1,035,046	-9.6
Other Revenues	83,432	16.9	102,580	23.0	121,315	18.3
Total Expenditures	**826,700**	**26.4**	**873,305**	**5.6**	**976,014**	**11.8**
Capital expenditures	276,200	38.9	261,679	-5.3	311,967	19.2
Current expenditures	550,500	21.0	611,626	11.1	664,047	8.6
Surplus/deficit	**291,092**	**231.8**	374,093	**28.5**	**180,347**	**-51.8**

Source: Ministry of Finance.

Chart 9.2: Budget Estimates and Actuals for 1434/1435H(2013)



Actual Oil and Non-oil Revenues

Actual oil revenues went down by 9.6 percent to SAR 1,035 billion in 2013, as compared to a rise of 10.7 percent in the preceding year.

Actual oil revenues accounted for 89.5 percent of actual total revenues in 2013, compared to 91.8 percent in the preceding year **(Table 9.6)**.

Actual non-oil revenues rose by 18.3 percent to SAR 121.3 billion in 2013 against a rise of 23 percent in the previous year. Non-oil revenues constituted 10.5 percent of total revenues during 2013, compared to 8.2 percent in the preceding year **(Table 9.6 and Chart 9.3)**.

Actual Current and Capital Expenditures

Actual current expenditures increased by 8.6 percent to SAR 664 billion in 2013, as compared to an increase of 11.1 percent in the preceding year. The share of current expenditures stood at 68 percent of total expenditures in 2013 compared to 70 percent in the preceding year. Actual capital expenditures rose by 19.2 percent to SAR 312 billion in 2013

Table 9.5: STATE BUDGET ACTUALS AND PROJECTIONS

(Million Riyals)

	1432/33 (2011)		1433/34 (2012)		1434/35 (2013)	
	Actuals	Projections	Actuals	Projections	Actuals	Projections
Total revenues	**1,117,792**	**540,000**	**1,247,398**	**702,000**	**1,156,361**	**829,000**
Oil revenues	1,034,360	468,000	1,144,818	621,000	1,035,046	727,000
Non-oil revenues	83,432	72,000	102,580	81,000	121,315	102,000
Total expenditures	**826,700**	**580,000**	**873,305**	**690,000**	**976,014**	**820,000**
Surplus/deficit	291,092	-40,000	374,093	12,000	180,347	9,000

Source: Ministry of Finance.

Table 9.6: ACTUAL OIL AND NON-OIL REVENUES

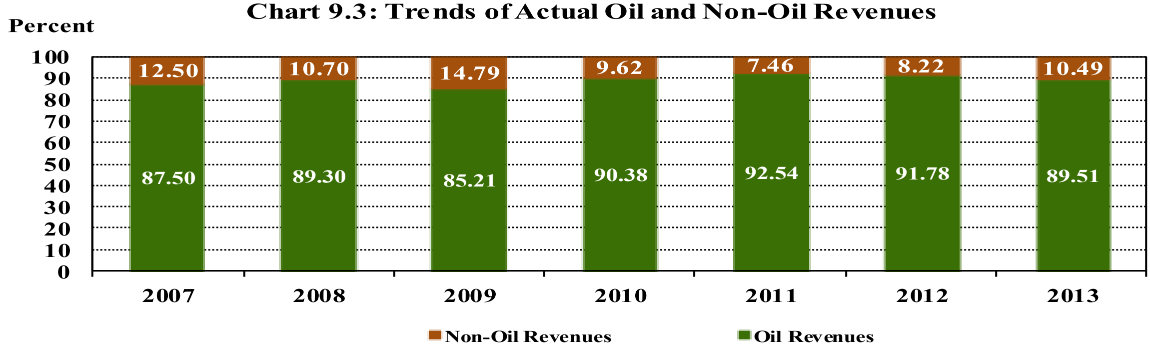
(Million Riyals)

	Oil Revenues		Non-oil Revenues		Total Revenues
Year	Amount	% Share	Amount	% Share	
2009 (1430/1431)	434,420	85.2	75,385	14.8	509,805
2010 (1431/1432)	670,265	90.4	71,351	9.6	741,616
2011 (1432/1433)	1,034,360	92.5	83,432	7.5	1,117,792
2012 (1433/1434)	1,144,818	91.8	102,580	8.2	1,247,398
2013 (1434/1435)*	1,035,046	89.5	121,315	10.5	1,156,361

* Preliminary data.

Source: Ministry of Finance

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



against a decrease of 5.3 percent in the preceding year, accounting for 32 percent of total expenditures in 2013 against 30 percent in the preceding year **(Table 9.7 and Chart 9.4)**.

Specialized Development Funds and Government Financing Programs

Loans disbursed by Real Estate Development Fund (REDF), Saudi Industrial Development Fund (SIDF), Saudi Credit and Savings Bank (SCSB), Agriculture Development Fund (ADF), Public Investment Fund (PIF) and government lending programs since their inception up to the end of fiscal year 1434/1435H (2013) have reached SAR 537.5 billion. The loans to be disbursed to beneficiaries during fiscal year 1435/1436H (2014) are expected to exceed SAR 85.3 billion. As for the Saudi Export Program implemented by the Saudi Fund for Development, the volume of operations of funding and guaranteeing national exports of goods and services since its inception up to the end of fiscal year 1434/35H (2013) reached SAR 34.5 billion.

Table 9.7: ACTUAL CURRENT AND CAPITAL EXPENDITURES

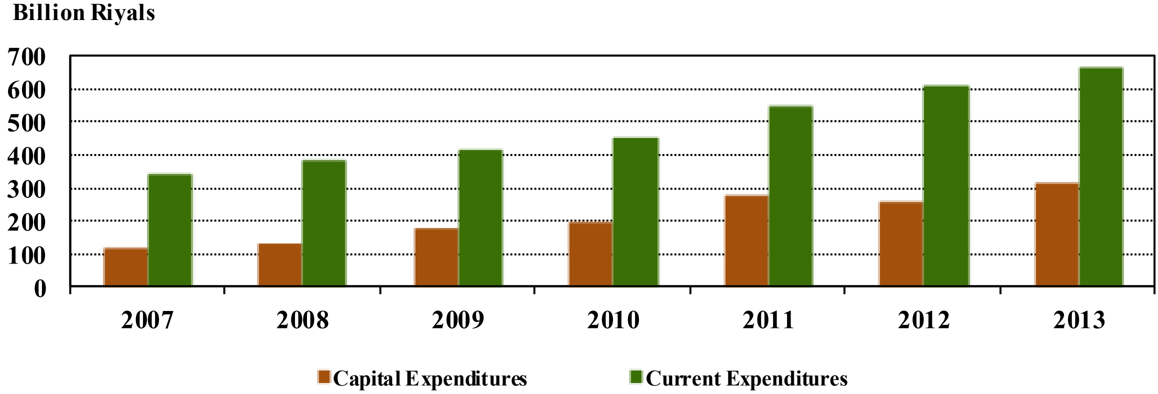
(Million Riyals)

Year	Current Expenditure		Capital Expenditure		Total Expenditure
	Amount	% Share	Amount	% Share	
2009 (1430/1431)	416,594	69.8	179,840	30.2	596,434
2010 (1431/1432)	455,043	69.6	198,842	30.4	653,885
2011 (1432/1433)	550,500	66.6	276,200	33.4	826,700
2012 (1433/1434)	611,626	70.0	261,679	30.0	873,305
2013 (1434/1435)*	664,047	68.0	311,967	32.0	976,014

* Preliminary data.

Source: Ministry of Finance.

Chart 9.4: Developments of Actual Current and Capital Expenditures



Ratio of Actual Budget Surplus to GDP

Preliminary figures for fiscal year 2013 indicate a budget surplus of SAR 180.3 billion, representing 6.4 percent of GDP, as compared to a surplus of SAR 374.1 billion or 13.6 percent of GDP in the preceding year **(Table 9.8)**.

Public Debt

The outstanding public debt recorded a decline of 24.0 percent to SAR 75.1 billion, or 2.7 percent of GDP at the end of fiscal year 1434/35H (2013), compared to 3.6 percent in the preceding fiscal year **(Table 9.9)**■

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

(Million Riyals)

Fiscal Year	Gross Domestic Product * (at current prices)	Budget surplus/Deficit	Ratio of Surplus/Deficit to GDP
2010 (1431/1432)	1,975,543	87,731	4.4
2011 (1432/1433)	2,510,650	291,092	11.6
2012 (1433/1434)	2,752,334	374,093	13.6
2013 (1434/1435)**	2,806,686	180,347	6.4

* Including import fees

** Preliminary data.

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	Borrowed	Repaid	Outstanding public debt at year end	% Change	GDP at current prices	Ratios of public debt to GDP
2009 (1430/1431)	217	10,143	225,108	-4.2	1,609,117	14.0
2010 (1431/1432)	15	58,124	166,999	-25.8	1,975,543	8.5
2011 (1432/1433)	5,422	36,922	135,499	-18.9	2,510,650	5.4
2012 (1433/1434)	15,000	51,651	98,848	-27.0	2,752,334	3.6
2013 (1434/1435)	---	23,730	75,118	-24.0	2,806,686	2.7

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

Gross Domestic Product (GDP) 2013

Domestic economy continued to record growth rates in its various sectors during 2013. Preliminary figures show that GDP at **current prices** (including import duties) went up by 2.0 percent during 2013 against an increase of 9.6 percent in the preceding year. The decline in its growth rate was mainly attributable to a decrease of 4.1 percent in the oil sector during 2013 compared to an increase of 7.8 percent in the preceding year. The non-oil sector grew by 8.2 percent compared to a growth of 11.3 percent in the preceding year. The private sector went up by 10.0 percent in 2013 against a rise of 11.2 percent in the preceding year. The government sector also increased by 4.0 percent in 2013 against a growth of 11.4 percent in the preceding year.

Preliminary data shows that GDP at **constant prices** (1999=100) (including import duties) grew by 4.0 percent during 2013 compared to an increase of 5.8 percent in the preceding year. The oil sector declined by 1.0 percent against a rise of 5.7 percent in the preceding year, owing to a decline in oil production. Also, the non-oil sector increased by 5.4 percent compared to a rise of 5.8 percent in the preceding year. The private sector rose by 6.0 percent during 2013, the same percentage as in the preceding year. In addition, the government sector went up by 3.7 percent as compared to an increase of 5.5 percent in the preceding year **(Table 10.1)**.

The contribution of the private sector to total GDP at constant prices (1999=100) during 2013 was

Table 10.1: GROSS DOMESTIC PRODUCT BY SECTOR

(Million Riyals)

	2012			2013*		
	Value	Annual % Change	% Share	Value	Annual % Change	% Share
At Current Prices:						
GDP	**2,730,840**	**9.6**	**99.2**	**2,785,481**	**2.0**	**99.2**
1. Oil sector	1,376,576	7.8	50.0	1,320,248	-4.1	47.0
2. Non-oil sector	1,354,264	11.3	49.2	1,465,233	8.2	52.2
i) Private sector	940,794	11.2	34.2	1,035,049	10.0	36.9
ii) Government sector	413,470	11.4	15.0	430,184	4.0	15.3
3. Import Duties	21,494	24.4	0.8	21,205	-1.3	0.8
Total GDP Including Import Duties	**2,752,334**	**9.6**	**100.0**	**2,806,686**	**2.0**	**100.0**
At Constant Prices (1999=100):						
GDP	**1,214,141**	**5.8**	**99.0**	**1,262,757**	**4.0**	**99.1**
1. Oil sector	262,038	5.7	21.4	259,398	-1.0	20.4
2. Non-oil sector	952,102	5.8	77.7	1,003,359	5.4	78.7
i) Private sector	708,541	6.0	57.8	750,837	6.0	58.9
ii) Government sector	243,561	5.5	19.9	252,522	3.7	19.8
3. Import Duties	11,750	6.2	1.0	11,557	-1.6	0.9
Total GDP Including Import Duties	**1,225,891**	**5.8**	**100.0**	**1,274,314**	**4.0**	**100.0**
Implicit Deflator (1999 = 100):						
GDP	**225**	**3.5**		**221**	**-1.9**	
1. Oil sector	525	2.0		509	-3.1	
2. Non-oil sector	142	5.2		146	2.7	

* Preliminary data.

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

58.9 percent compared to 57.8 percent in the preceding year, while the government sector contributed by 19.8 percent against 19.9 percent in the preceding year. The oil sector accounted for 20.4 percent in 2013 against 21.4 percent in the preceding year.

The non-oil GDP implicit deflator increased by 2.7 percent in 2013 against a rise of 5.2 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 at varied rates during 2013.

The activity of construction and building recorded the highest growth rate of 8.8 percent in 2013 against a growth of 4.8 percent in the preceding year, accounting for the great expansion in constructions and residential projects. The activity of transport, storage and telecommunications rose by 7.1 percent in 2013 compared to an increase of 6.0 percent in the preceding year. The activity of wholesale and retail trade, restaurants and hotels also went up by 6.6 percent in 2013 against a rise of 6.4 percent in the preceding year. The activity of finance, insurance, real estate and business services grew by 6.0 percent in 2013 against an increase of 8.1 percent in the preceding year. The activity of manufacturing (including oil refining) increased by 4.3 percent in 2013 against a rise of 4.8 percent in the preceding year. The activity of public utilities (electricity, gas and water) recorded an increase of 1.3 percent in 2013 against a growth of 7.3 percent in the preceding year. In contrast, the activity of agriculture, forestry and fishing recorded the lowest growth rate of 0.7 percent against 1.3 percent in the preceding year **(Table 10.2)**.

Contribution of the Private Sector to GDP

The contribution of the private sector to GDP at current prices (excluding import duties) rose to 37.2 percent during 2013 from 34.5 percent in the preceding year. Its growth rate (at current prices) was

Table 10.2: NON-OIL GDP BY MAJOR ECONOMIC ACTIVITIES

(At 1999 constant prices)

(Million Riyals)

			2012			2013*		
	2010	2011	Value	% Share	Annual % Change	Value	% Share	Annual % Change
1. Agriculture, forestry and fishing	40,156	41,026	41,550	3.4	1.3	41,860	3.3	0.7
2. Manufacturing (including oil refining)	141,478	157,131	164,731	13.6	4.8	171,735	13.6	4.3
3. Public utilities (electricity, gas and water)	26,216	27,583	29,598	2.4	7.3	29,985	2.4	1.3
4. Construction and building	75,818	83,300	87,276	7.2	4.8	94,929	7.5	8.8
5. Wholesale and retail trade, restaurants and hotels	133,658	143,184	152,307	12.5	6.4	162,410	12.9	6.6
6. Transport, storage and communications	96,460	109,768	116,378	9.6	6.0	124,623	9.9	7.1
7. Finance, insurance, real estate and business services	156,667	159,920	172,830	14.2	8.1	183,252	14.5	6.0
Total GDP**	1,056,557	1,147,483	1,214,141	100.0	5.8	1,262,757	100.0	4.0

* Preliminary data. ** Excluding imports duties.

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

10.0 percent during 2013 against 11.2 percent in the preceding year **(Table 10.3 and Chart 10.1)**.

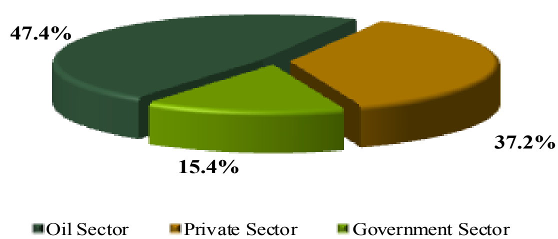
Contribution of the Government Sector to GDP

In 2013, the contribution of the government sector to GDP at current prices accounted for 15.4 percent against a rise of 15.1 percent in the preceding year, recording a growth rate of 4.0 percent in 2013 compared to a rise of 11.4 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 47.4 percent in 2013 against 50.4 percent in the preceding year, declining by 4.1 percent in 2013 against a rise of 7.8 percent in the preceding year **(Table 10.5 and Chart 10.1)**.

Chart 10.1: Contribution of Economic Sectors to GDP at current prices in 2013 (Excluding imports duties)



Contribution of the Services Activity to GDP

The contribution of the services activity (including wholesale and retail trade, restaurants, and hotels; transportation, storage, and telecommunications; finance, insurance, real estate, and business services; community, social and personal services; and providers of government services) to GDP at current prices accounted for 37.7 percent in 2013 against 35.6 percent in the preceding year. These activities grew by 8.1 percent during 2013 against an increase of 12.6 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 (including agriculture, forestry and fishing) to GDP at current prices was 1.9 percent during 2013 against 1.8 percent in the preceding year, recording a growth rate of 3.7 percent against 3.4 percent in the preceding year **(Table 10.7 and Chart 10.2)**.

Table 10.3: CONTRIBUTION OF THE PRIVATE SECTOR TO GDP

(At current prices)

Year	Total GDP* (Million SAR)	Private sector (Million SAR)	Private sector % Share	Private sector % Change
2010	1,960,874	745,532	38.0	13.8
2011	2,493,365	845,780	33.9	13.4
2012	2,730,840	940,794	34.5	11.2
2013**	2,785,481	1,035,049	37.2	10.0

* Excluding imports duties.

** Preliminary data.

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

Table 10.4: CONTRIBUTION OF THE GOVERNMENT SECTOR TO GDP

(At current prices)

Year	Total GDP* (Million SAR)	Government sector (Million SAR)	% Share	% Change
2010	1,960,874	333,522	17.0	15.8
2011	2,493,365	371,169	14.9	11.3
2012	2,730,840	413,470	15.1	11.4
2013**	2,785,481	430,184	15.4	4.0

* 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*	Oil Sector		
	(Million SAR)	(Million SAR)	% Share	% Change
2010	1,960,874	881,820	45.0	35.1
2011	2,493,365	1,276,416	51.2	44.7
2012	2,730,840	1,376,576	50.4	7.8
2013**	2,785,481	1,320,248	47.4	-4.1

* Excluding imports duties.

** Preliminary data.

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

Table 10.6: CONTRIBUTION OF SERVICES ACTIVITY TO GDP

(At current prices)

Year	Total GDP*	Services Activity		
	(Million SAR)	(Million SAR)	% Share	% Change
2010	1,960,874	776,946	39.6	13.5
2011	2,493,365	862,452	34.6	11.0
2012	2,730,840	971,479	35.6	12.6
2013**	2,785,481	1,050,226	37.7	8.1

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.

Contribution of the Industrial Activity to GDP

The contribution of the industrial activity (including oil refining) to GDP at current prices stood at 10.2 percent during 2013 against 9.9 percent in the preceding year, growing by 4.8 percent against a rise of 7.2 percent in the preceding year **(Table 10.7 and Chart 10.2)**.

Contribution of Other Major Activities to GDP

The contribution of the activity of mining and quarrying (including crude oil, natural gas and other mining and quarrying activities) to GDP at current prices stood at 45.1 percent in 2013 against 48.0 percent in the preceding year, recording a decline of 4.2 percent in 2013 against a rise of 7.9 percent in the preceding year.

The contribution of the activity of construction and building to GDP at current prices was 4.8 percent during 2013 against 4.3 percent in 2012, growing by 13.4 percent against a growth of 10.7 percent in the preceding year.

The contribution of the activity of electricity, gas and water to GDP at current prices was 1.1

Table 10.7: CONTRIBUTION OF INDUSTRIAL AND AGRICULTURAL ACTIVITIES TO GDP

(At current prices)

Year	GDP[1] (Million SAR)	Agricultural Activity[2] (Million SAR)	% Share in Total GDP	% Change	Industrial Activity[3] (Million SAR)	% Share in Total GDP	% Change
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	2,730,840	49,816	1.8	3.4	270,180	9.9	7.2
2013[4]	2,785,481	51,636	1.9	3.7	283,261	10.2	4.8

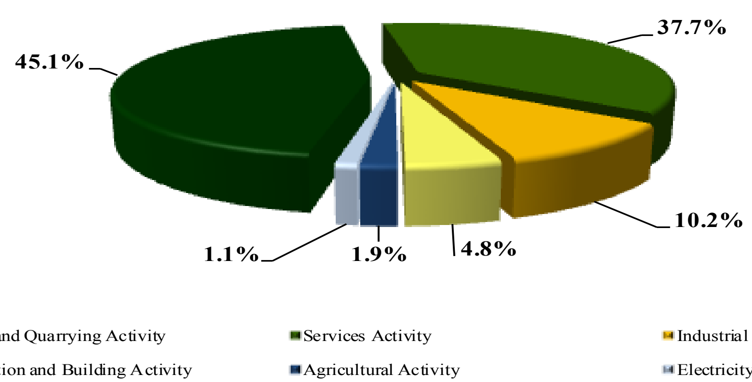
(1) Excluding imports duties.

(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

Chart 10.2: Contribution of Economic Activities to GDP at current prices in 2013 (Excluding imports duties)



percent in 2013, the same ratio as in the preceding year, recording a growth rate of 1.8 percent against 6.3 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 down by 0.7 percent to SAR 93,574 in 2013 against an increase of 2.7 percent in the preceding year **(Table 10.9)**.

Expenditure on GDP in 2013

Preliminary figures show that expenditure on GDP at purchaser's prices (at current prices) rose by 2.0 percent to SAR 2,806.7 billion (including import duties) during 2013, against an increase of 9.6 percent in the preceding year. This was attributable to the rise in final consumption of the private sector by 6.1 percent to SAR 833.3 billion in 2013 against an increase of 15.2 percent in the preceding year. Final consumption of the government sector rose by 12.7 percent to SAR 621.4 billion in 2013 against a rise of 12.9 in the preceding year.

Total gross final consumption (government and private) went up by 8.8 percent to SAR 1,454.7 billion in 2013 from SAR 1,336.6 billion in 2012. The share of final consumption in expenditure on GDP was 51.8 percent during 2013 against 48.6 percent in 2012 **(Table 10.10)**.

Total gross fixed capital formation rose by 4.6 percent to SAR 758.3 in 2013 from SAR 725.0 billion in 2012. However, net exports of goods and services went down by 14.1 percent to SAR 593.7 billion in 2013 from SAR 690.8 billion in 2012 due to the decrease in oil production **(Table 10.10)**■

Table 10.8: CONTRIBUTION OF SOME ECONOMIC ACTIVITIES TO GDP

(At current prices)

		Mining and Quarrying			Construction and Building			Electricity, Gas and Water		
Year	Total GDP* (Million SAR)	Value (Million SAR)	% Share	% Change	Value (Million SAR)	% Share	% Change	Value (Million SAR)	% Share	% Change
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	2,730,840	1,311,448	48.0	7.9	118,513	4.3	10.7	30,076	1.1	6.3
2013***	2,785,481	1,256,481	45.1	-4.2	134,445	4.8	13.4	30,623	1.1	1.8

* Excluding import duties.

** Preliminary data.

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

Table 10.9: PER CAPITA INCOME

	2009	2010	2011	2012	% Change	2013*	% Change
Gross Domestic Product (Million SAR)	1,609,117	1,975,543	2,510,650	2,752,334	9.6	2,806,686	2.0
Population (Million)	26.66	27.56	28.37	29.20	2.9	29.99	2.7
Per capita Share in GDP (Riyals)	60,357	71,674	88,497	94,274	6.5	93,574	-0.7

* Preliminary data.

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

Chart 10.3: Gross Domestic Expenditure (At current prices)

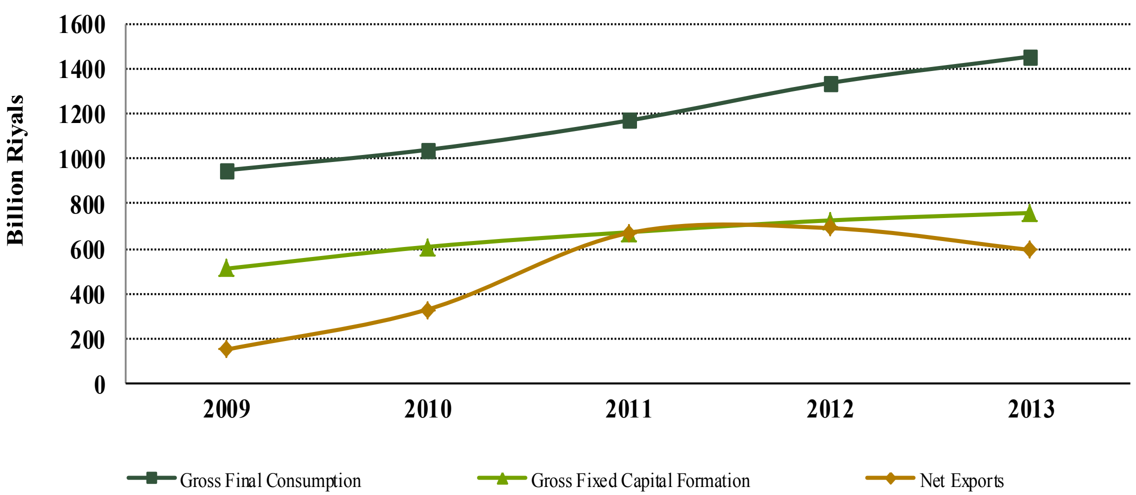


Table 10.10: GROSS DOMESTIC EXPENDITURE AT PURCHASERS' VALUE

(At current prices)

(Million Riyals)

	2010			2011			2012			2013[1]		
	Amount	% Share	% Change	Amount	% Share	% Change	Amount	% Share	% Change	Amount	% Share	% Change
Gross Final Consumption	1,039,590	52.6	9.6	1,169,823	46.6	12.5	1,336,583	48.6	14.3	1,454,665	51.8	8.8
Government	400,173	20.3	12.1	488,062	19.4	22.0	551,179	20.0	12.9	621,378	22.1	12.7
Private	639,417	32.4	8.0	681,761	27.2	6.6	785,404	28.5	15.2	833,287	29.7	6.1
Gross Fixed capital formation[2]	607,347	30.7	19.0	672,400	26.8	10.7	724,950	26.3	7.8	758,306	27.0	4.6
Net exports of goods and services[3]	328,606	16.6	119.1	668,427	26.6	103.4	690,801	25.1	3.3	593,716	21.2	-14.1
Total Gross Domestic Expenditure	1,975,543	100.0	22.8	2,510,650	100.0	27.1	2,752,334	100.0	9.6	2,806,686	100.0	2.0

(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 witnessed relative stability during 2013. According to the data of the International Energy Agency (IEA), the average world demand for oil increased by 1.4 percent to 91.34 million b/d and the average world supply went up by 0.6 percent to 91.52 million b/d. According to the Organization of Petroleum Exporting Countries (OPEC), oil prices declined during 2013, with the average price of Arab Light crude oil going down by 3.3 percent to $106.53 a barrel, from its average price of $110.22 a barrel in 2012.

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. According to the data of the IEA, OPEC members decreased their average output by 1.9 percent to 36.85 million b/d with the aim of reinforcing market stability following the rise in production of non-OPEC countries, especially the member countries of the Organization for Economic Cooperation and Development (OECD). The Kingdom's average production of crude oil went down by 1.2 percent to 9.64 million b/d in 2013.

World Oil Demand

According to the estimates of the IEA, the average world oil demand rose by 1.4 percent to 91.34 million b/d during 2013 from 90.05 million b/d in 2012 **(Table 11.1 and Chart 11.1)**. The rise was due to an increase of 1.6 percent in the average demand of North American members of the OECD to 24 million b/d compared to 23.62 million b/d in 2012. In contrast, the average demand of Western Europe countries and the Pacific member countries of the OECD declined by 0.9 percent and 2.1 percent to 13.65 million b/d and 8.40 million b/d respectively.

Also, the rise in the world oil demand was attributable to an increase in the average demand from non-OECD countries during 2013 by 2.7 percent to 45.29 million b/d, compared to 44.08 million b/d in 2012. This was due to a rise in demand from China by 2.9 percent to 10.10 million b/d, the South American

Table 11.1: AVERAGE WORLD DEMAND FOR OIL*

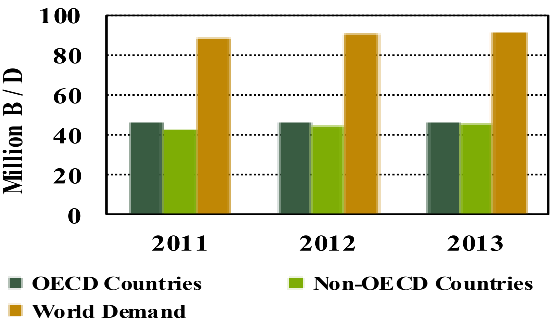
(Million barrels per day)

				2013				% change	
	2011	2012	2013	Q1	Q2	Q3	Q4	2012	2013
North America countries	23.96	23.62	24.00	23.73	23.78	24.19	24.27	-1.4	1.6
Western Europe countries	14.28	13.77	13.65	13.22	13.84	13.98	13.56	-3.6	-0.9
Pacific countries	8.23	8.58	8.40	8.94	7.90	8.09	8.68	4.3	-2.1
OECD countries	**46.47**	**45.97**	**46.05**	**45.89**	**45.52**	**46.26**	**46.51**	**-1.1**	**0.2**
Non-OECD countries									
Former USSR countries	4.39	4.49	4.63	4.31	4.51	4.85	4.84	2.3	3.1
China	9.32	9.82	10.10	10.03	10.04	10.13	10.19	5.4	2.9
Eastern Europe countries	0.61	0.67	0.68	0.64	0.68	0.68	0.70	9.8	1.5
South American countries	6.17	6.40	6.62	6.39	6.60	6.74	6.75	3.7	3.4
Other Asian countries	11.03	11.32	11.58	11.66	11.68	11.26	11.73	2.6	2.3
Middle Eastern countries	7.46	7.72	7.89	7.54	7.93	8.41	7.66	3.5	2.2
African countries	3.49	3.66	3.79	3.79	3.83	3.72	3.81	4.9	3.6
Total non-OECD	**42.47**	**44.08**	**45.29**	**44.36**	**45.27**	**45.79**	**45.68**	**3.8**	**2.7**
Total world demand	**88.94**	**90.05**	**91.34**	**90.25**	**90.79**	**92.05**	**92.19**	**1.2**	**1.4**

* Including primary stock, bunker and refining oil.

Source: International Energy Agency Review, March 2014.

Chart 11.1: World Oil Demand



countries by 3.4 percent to 6.62 million b/d, other Asian countries (excluding China, Japan and South Korea) by 2.3 percent to 11.58 million b/d, the African countries by 3.6 percent to 3.79 million b/d, the countries of the former Soviet Union by 3.1 percent to 4.63 million b/d, the Middle Eastern countries by 2.2 percent to 7.89 million b/d, and Eastern Europe countries by 1.5 percent to 0.68 million b/d.

World Oil Production

According to the estimates of the IEA, the average world oil production grew by 0.6 percent to 91.52 million b/d during 2013, compared to 90.94 million b/d in 2012 **(Table 11.2)**. This rise in the average world oil production was due to an increase in the average output of the OECD countries by 5.3 percent to 20.93 million b/d in 2013, compared to 19.88 million b/d in 2012, representing 22.8 percent of total world output compared to 21.8 percent in the previous year. The average oil production of OPEC countries decreased by 1.9 percent to 36.85 million b/d in 2013 from 37.58 million b/d in 2012, representing 40.26 percent of total world output **(Chart 11.2)**.

Among the non-OPEC producers, the average production in the United States increased during 2013 by 12.2 percent to 10.30 million b/d, Canada by 5.6 percent to 3.96 million b/d, and the former Soviet Union countries by 1.7 percent to 13.85 million b/d. The average production went down in Mexico by 1.0 percent to 2.89 million b/d, Brazil by 1.9 percent to 2.12 million b/d, Norway by 3.7 percent to 1.84 million b/d, and the United Kingdom by 8.5 percent to 0.86 million b/d.

Table 11.2: AVERAGE WORLD CRUDE OIL PRODUCTION*

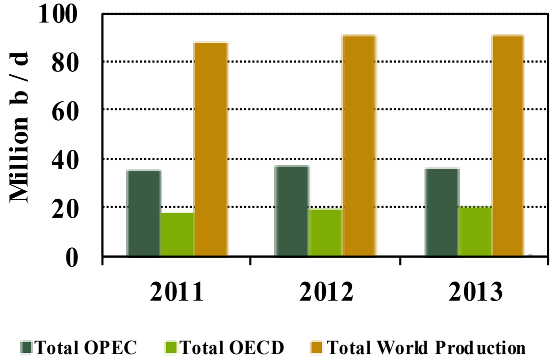
(Million barrels per day)

				2013				% change	
	2011	2012	2013	Q1	Q2	Q3	Q4	2012	2013
OPEC	35.65	37.58	36.85	36.79	37.22	37.06	36.22	5.4	-1.9
OECD	18.94	19.88	20.93	20.59	20.45	21.09	21.52	5.0	5.3
Major non-OPEC producers									
Former USSR Countries	13.57	13.62	13.85	13.84	13.79	13.78	14.02	0.4	1.7
USA	8.14	9.18	10.30	9.81	10.05	10.54	10.78	12.8	12.2
China	4.10	4.18	4.18	4.20	4.24	4.05	4.22	2.0	0.0
Canada	3.51	3.75	3.96	4.07	3.74	3.98	4.07	6.8	5.6
Mexico	2.94	2.92	2.89	2.91	2.88	2.88	2.89	-0.7	-1.0
UK	1.11	0.94	0.86	0.89	0.88	0.78	0.85	-15.3	-8.5
Norway	2.04	1.91	1.84	1.83	1.82	1.80	1.87	-6.4	-3.7
Brazil	2.19	2.16	2.12	2.07	2.10	2.12	2.17	-1.4	-1.9
Total world supply	**88.44**	**90.94**	**91.52**	**90.69**	**91.33**	**92.04**	**91.91**	**2.8**	**0.6**

* Including condensates and natural gas liquids.

Source: International Energy Agency Review, March 2014.

Chart 11.2: World Crude Oil Production



World Oil Prices

According to OPEC data, world oil prices declined in 2013, with the exception of West Texas oil. The average price of Arab Light stood at $106.53 a barrel, decreasing by $3.7 a barrel or 3.3 percent from its average price of $110.22 a barrel in 2012 **(Table 11.3)**. The average price of Dubai was $105.45 a barrel in 2013, declining by 3.3 percent, compared to $109.07 a barrel in 2012. The average price of North Sea (Brent) went down by 2.7 percent to $108.62 a barrel in 2013 from $111.62 a barrel during 2012. However, the average price of West Texas Intermediate went up by 4.1 percent to $97.96

Table 11.3: SPOT PRICES OF SELECTED TYPES OF CRUDE OIL

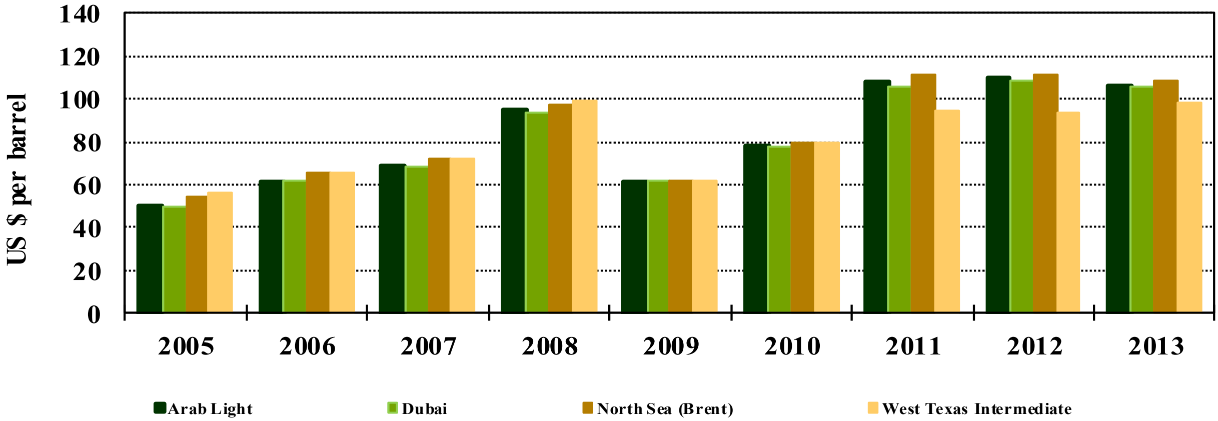
(Period Average)

(US dollars per barrel)

Year	Arab Light	Dubai	North Sea (Brent)	West Texas Intermediate
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	50.21	49.36	54.37	56.51
2006	61.10	61.54	65.14	66.04
2007	68.75	68.38	72.55	72.29
2008	95.16	93.85	97.37	100.00
2009	61.38	61.83	61.68	61.88
2010	77.82	78.10	79.60	79.42
2011	107.82	106.21	111.36	94.99
2012	110.22	109.07	111.62	94.10
2013	106.53	105.45	108.62	97.96

Source: OPEC.

Chart 11.3: Average Spot Oil Prices



a barrel in 2013, compared to $94.10 a barrel in 2012.

Real Oil Prices

Real oil prices (base year 2005) declined in 2013. The average real price of Arab Light fell by 4.4 percent to $88.95 a barrel compared to $93.06 a barrel during 2012 **(Table 11.4)**. The average real price of North Sea (Brent) went down by 3.7 percent to $90.70 a barrel during 2013 against $94.24 a barrel in the previous year. The average real price of the OPEC oil basket declined by 4.3 percent to $88.40 a barrel, compared to $92.40 a barrel in the previous year.

Notwithstanding the rise in oil prices over the past few years, the real oil prices were relatively close to the real prices of the early 1980s. For example, the average real price of North Sea crude oil stood at $90.70 a barrel during 2013, i.e. a

Table 11.4: NOMINAL AND REAL OIL PRICES

(Base Year 2005)

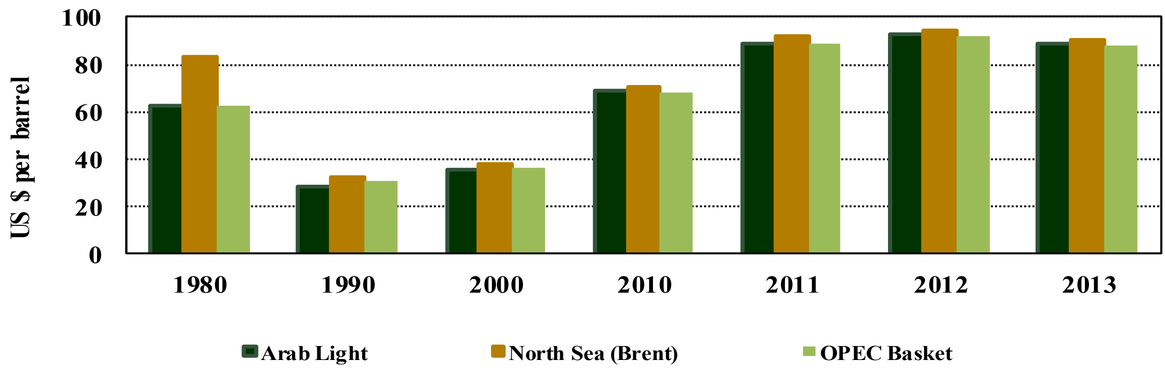
(US dollars per barrel)

	Nominal Prices			Real Prices*		
Year	Arab Light	North Sea (Brent)	OPEC Basket	Arab Light	North Sea (Brent)	OPEC Basket
1980	28.67	37.89	28.64	62.85	83.07	62.79
1990	20.82	23.99	22.26	28.40	32.73	30.36
2000	26.81	28.44	27.60	35.64	37.81	36.69
2010	77.82	79.60	77.45	68.60	70.17	68.27
2011	107.82	111.36	107.46	88.79	91.70	88.50
2012	110.22	111.62	109.45	93.06	94.24	92.40
2013	106.53	108.62	105.87	88.95	90.70	88.40

* Real prices have been calculated by using the OPEC Basket Deflator with base year 2005.

Sources: OPEC.

Chart 11.4: Real Oil Prices
Base year = 2005



difference of $7.63 a barrel over the average real price in 1980, which was $83.07 a barrel.

The Kingdom's Reserves of Oil and Natural Gas

The Kingdom's proven reserves of crude oil stood at 265.79 billion barrels at the end of 2013, declining slightly by 0.61 billion barrels from the preceding year. The Kingdom's proven reserves of natural gas rose by 1.0 percent to 293.68 trillion standard cubic feet at the end of 2013, compared to 290.77 trillion standard cubic feet at the end of 2012.

Saudi Crude Oil Production

During 2013, Saudi crude oil production decreased by 1.6 percent to 3,517.6 million barrels from 3,573.4 million barrels in 2012 **(Table 11.5)**. Thus, the Kingdom's average daily production was 9.64 million barrels in 2013.

Saudi Production and Consumption of Refined Products

The Kingdom's production of refined products went down by 4.7 percent to 672.2 million barrels in 2013 from 705.3 million barrels in 2012 **(Table 11.6)**.

Total domestic consumption of refined products of crude oil and natural gas rose by 1.1 percent to 1,423.8 million barrels in 2013 from 1,408.5 million barrels in 2012 **(Table 11.7)**.

The increase in domestic consumption during 2013 was due to a rise in public consumption by 2.1 percent to 1,284.7 million barrels. The oil industry consumption declined by 7.2 percent to 139.07 million barrels. A breakdown of relative shares shows that total public consumption of

Table 11.5: SAUDI CRUDE OIL PRODUCTION

(Million barrels)

					% change	
	2010	2011	2012	2013	2012	2013
Total production	2,980.4	3,398.5	3,573.4	3,517.6	5.1	-1.6
Daily average	8.17	9.31	9.76	9.64	4.8	-1.2

Source: Ministry of Petroleum and Mineral Resources.

Table 11.6: THE KINGDOM'S OUTPUT OF REFINED PRODUCTS*

(Million barrels)

Product	2009	2010	2011	2012	2013	% change 2012	% change 2013
Liquefied petroleum gas	12.69	12.23	11.97	11.25	13.86	-6.0	23.2
Premium gasoline	129.62	137.08	142.58	145.89	134.69	2.3	-7.7
Naphtha	65.36	71.69	62.12	64.18	58.65	3.3	-8.6
Jet fuel (kerosene)	63.50	58.11	60.74	63.80	59.46	5.0	-6.8
Diesel	227.69	231.21	229.40	234.12	219.77	2.1	-6.1
Fuel oil	181.61	162.58	152.17	168.38	166.20	10.7	-1.3
Asphalt	17.04	18.21	18.72	17.69	19.60	-5.5	10.8
Total	**697.51**	**691.11**	**677.70**	**705.31**	**672.23**	**4.1**	**-4.7**

* Including liquefied petroleum and natural gas.

Source: Ministry of Petroleum and Mineral Resources.

Table 11.7: DOMESTIC CONSUMPTION OF REFINED PRODUCTS, CRUDE OIL AND NATURAL GAS

(Million barrels)

Product	2009	2010	2011	2012	2013
A. Public consumption					
Liquefied petroleum gas	13.21	13.15	15.84	13.74	12.27
Premium gasoline	145.12	151.35	162.46	175.92	184.14
Jet fuel and Kerosene	22.24	23.25	23.90	24.76	25.56
Diesel	214.80	220.38	234.01	253.06	259.40
Fuel oil	76.09	77.50	88.26	91.50	107.47
Crude oil	159.63	192.75	190.73	193.50	176.94
Asphalt	21.68	22.77	20.54	19.96	20.94
Lubricating oil	1.83	1.89	1.76	1.60	1.59
Natural gas	380.79	405.19	437.21	484.62	496.44
Sub-total	**1,035.38**	**1,108.22**	**1,174.72**	**1,258.65**	**1,284.72**
B. Oil industry consumption					
Liquefied petroleum gas	2.64	0.28	2.45	2.62	2.99
Fuel oil	7.18	4.27	6.10	4.90	4.84
Diesel	6.01	5.51	3.62	7.10	6.92
Fuel gas	12.10	20.23	20.16	18.81	20.29
Crude oil	0.34	0.14	0.10	0.09	0.07
Natural gas	85.46	116.59	113.49	113.36	100.80
Others	2.14	3.68	0.77	3.06	3.15
Sub-total	**115.86**	**150.71**	**146.70**	**149.94**	**139.07**
Grand Total	**1,151.25**	**1,258.93**	**1,321.41**	**1,408.59**	**1,423.80**

Source: Ministry of Petroleum and Mineral Resources.

natural gas accounted for 38.6 percent, diesel 20.2 percent, gasoline 14.3 percent, fuel oil 8.4 percent and crude oil 13.8 percent. As for the oil industry consumption, natural gas accounted for 72.5 percent of total consumption, fuel gas 14.6 percent, diesel 5.0 percent and fuel oil 3.5 percent.

Saudi Crude Oil Exports

The Kingdom's crude oil exports declined by 0.7 percent to 2,763.3 million barrels during 2013 from 2,783.7 million barrels in 2012. The Kingdom's exports of refined products decreased by 8.1 percent to 289.8 million barrels from 315.5 million barrels in 2012 **(Table 11.8)**.

The bulk of the Kingdom's exports of crude oil and refined products during 2013 went to countries of Asia and the Far East region **(Chart 11.5)**. The region received 60.5 percent of the Kingdom's total crude oil exports and 63.0 percent of its total exports of refined products. North American countries came next with 19.3 percent of the Kingdom's total exports of crude oil, followed by Western Europe countries with 12.6 percent of the Kingdom's total exports of crude oil and 9.6 percent of its total exports of refined products, the Middle Eastern countries with 3.6 percent of the Kingdom's total exports of crude oil and 14.8 percent of its refined products and African countries with 2.9 percent and 11.5 percent of crude oil and refined products respectively.

The Kingdom's Petrochemicals Industry

Production of the Saudi Basic Industries Corporation (SABIC) went down by 2.8 percent to 68.5 million tons in 2013 from 70.5 million tons in the previous year. Marketed products decreased by

Table 11.8: THE KINGDOM'S EXPORTS OF CRUDE OIL AND REFINED PRODUCTS* (BY REGION)

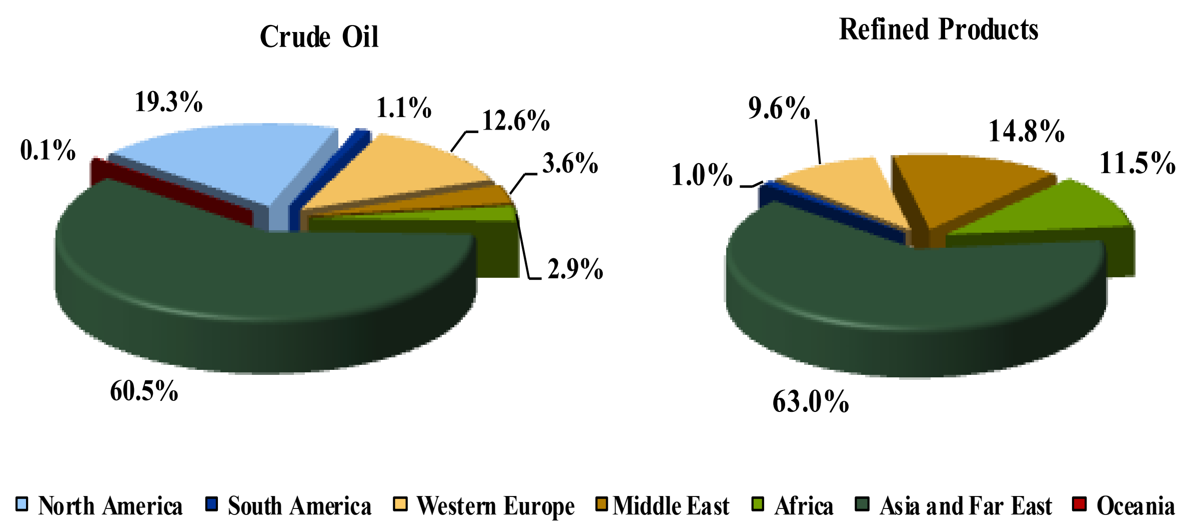
(Million barrels)

Exports to	2011 Crude Oil	2011 Refined Products	2012 Crude Oil	2012 Refined Products	2013 Crude Oil	2013 Refined Products	% share in 2013 Crude Oil	% share in 2013 Refined Products
North America	479.3	1.7	521.0	0.6	532.5	0.0	19.3	0.0
South America	27.3	9.4	25.0	4.5	29.1	3.0	1.1	1.0
Western Europe	324.8	42.7	362.6	40.6	347.4	27.9	12.6	9.6
Middle East	103.8	58.5	102.7	55.4	99.4	43.0	3.6	14.8
Africa	61.8	35.7	97.1	34.9	81.0	33.4	2.9	11.5
Asia and Far East	1,633.2	180.3	1,669.6	178.5	1,670.8	182.5	60.5	63.0
Oceania	4.4	0.9	5.8	1.1	3.2	0.0	0.1	0.0
Total	**2,634.6**	**329.3**	**2,783.8**	**315.5**	**2,763.3**	**289.8**	**100.0**	**100.0**

* Including liquefied petroleum gas and natural gas.

Source: Ministry of Petroleum and Mineral Resources.

Chart 11.5: The Kingdom's Exports of Crude Oil and Refined Products by Region in 2013



0.37 percent to 53.9 million tons from 54.1 million tons in the previous year.

SABIC continued to implement its plans and expansion projects in the framework of its vision (SABIC 2025). Among the most important of these projects are: the expansion of Ibn Sina Company (SABIC owns 50 percent of the company) for production of engineered plastics to a capacity of 50 thousand tons per year; the expansion of Ibn Rushd Company (SABIC owns 47.6 percent of the company) in order to raise its production capacity, operational testing of the project is planned to be conducted in the first half of 2014; the project of the Saudi Arabian Metha Acrylate Company (SMAC) which includes a plant for Metha Acrylate with a production capacity of 260 thousand tons and a plant for poly methyl metha acrylate with a production capacity of 40 thousand tons, expected to start operational testing in the first quarter of 2017; and the project of Saudi Carbon Fiber for production of Polyacrylonitrile with a production capacity of 27 thousand tons and 3 thousand tons of carbon fiber as a first stage, expandable by 10 thousand tons.

Mineral Resources

The Deputy Ministry for Mineral Resources at the Ministry of Petroleum and Mineral Resources supervises mining activities in the Kingdom by encouraging investments in the mining sector, providing services and consultations to support this activity, and issuing mining licenses and concessions according to the laws and regulations in force. The number of valid mining licenses amounted to 1,828 at the end of 2013, including 14 for prospecting; 432 for exploration; 76 for small-size mines; 19 for mining concessions for various metal ores such as gold, copper, zinc, iron, phosphate, accompanied metals and gems; 30 licenses for quarrying and exploiting raw materials for cement industry and other materials; 26 licenses for quarrying and exploiting ores for other industrial metals such as dolomite, shiest, clay, iron and other metals; and 1,231 licenses for building material quarries. The Deputy's revenues during fiscal year 1434/1435H (2013) stood at SAR 556 million.

With regards to the production of gold, silver and associated minerals from mining licenses' locations at the mines of Mahd Al-Dhahab, Al-Sukhaybarat, Al- Hajar, Bulghah and Al-Amar, the output of gold decreased by 3.1 percent to 4,158 kg during 2013 from 4,292 kg in 2012. Their output of silver also went down by 10.7 percent to 4,655 kg in 2013 from 5,212 kg in 2012. However, their output of copper rose by 15.5 percent to 20,380 tons in 2013 from 17,639 tons in 2012. Their output of zinc also increased by 24 percent to 26,293 tons in 2013 from 21,213 tons in 2012. This significant growth of copper and zinc production during 2012 and 2013 was due to the introduction of the Almasani' mine into the stage of commercial production of copper and zinc ores **(Table 11.9)**. The Deputy Ministry for Mineral Resources estimated the total quantities extracted from other mineral ores during 2013 at more than 420 million tons of various mineral ores such as limestone, silica sand, salt, clay, feldspar, marble for industrial purposes, iron sand, kaolin, gypsum, and blocks of marble, granite, limestone masses, crushers materials, and the ordinary sand used in building and construction **(Table 11.10)**. The Kingdom started phosphate production in 2012 by about 1,534 thousand tons, and raised it by 5.1 percent to 1,611 thousand tons during 2013.

Saudi Arabian Mining Company (Ma'aden) works on King Abdullah project for the development of Wa'd Ashamal city, where the company is working on the establishment of a phosphate industries compound, including 7 large plants with a total production capacity of 17 million tons a year. The project will have a positive economic and social impact on the Kingdom in terms of domestic production, and development of new industries. The company has awarded contracts for the establishment of most of these plants during 2013. The project is scheduled to be completed and start experimental production by the end of 2016■

Table 11.9: PRODUCTION OF SOME MINERALS IN THE KINGDOM

Year	Gold (kg)	Silver (kg)	Copper (tons)	Zinc (tons)	Lead (tons)
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	17639	21213	---
2013	4158.0	4655.0	20380*	26293*	---

* Estimated (---) Not Available.

Source: Deputy Ministry for Mineral Resources .

Table 11.10: MINERAL ORES EXTRACTED

(Thousand tons)

Types of exploited ores	2009	2010	2011	2012	2013*
Limestone	37,000	45,750	46,300	48,615	51,050
Clay	5,250	5,800	6,547	6,875	7,218
Salt	1,680	1,800	1,864	1,957	1,691
Silica sand	840	820	1,303	1,368	1,905
Crushers materials (pebbles)	260,000	277,000	272,700	286,335	300,700
Sand	23,100	26,000	25,400	26,670	28,400
Iron sands	600	550	652	685	719
Gypsum	2,415	2,100	2,239	2,351	1,785
Marble for industrial purposes	1,050	1,500	1,352	1,420	1,491
Marble masses	90	48	24	25	26
Granite masses	116	1,100	993	1,043	1,059
Limestone masses	254	256	770	809	849
Kaolin	---	62	70	74	78
Barite	---	30	30	32	34
Feldspar	58	42	160	168	176
Basalt	---	---	---	---	---
Boslan	850	915	1,010	1,061	1,114
Dolomite	480	583	616	647	679
Shiest	640	603	738	775	814
Berofilit	40	24	8	8	10
Bauxite	246	284	634	668	699
Phosphate	---	---	---	1,534	1,611

* Estimated (---) Not Available.

Source: Deputy Ministry for Mineral Resources.

ANNUAL BALANCE SHEET OF SAMA

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INDEPENDENT AUDITORS' REPORT

To: H.E. The Governor and Members of the Board of Directors
of Saudi Arabian Monetary Agency

Scope of audit

We have audited the accompanying balance sheets of the Saudi Arabian Monetary Agency (SAMA) as at June 30, 2012 and the statement of revenues and expenses for the year then ended, and the notes from 1 to 5, which form an integral part of these financial statements. These financial statements were prepared by SAMA in accordance with the accounting principles approved by the Board of Directors and submitted to us together with all the information and explanation which we required. We conducted our audit in accordance with auditing standards generally accepted in the kingdom of Saudi Arabia. An audit includes examining the accounting records and other procedures we considered necessary to obtain a reasonable degree of assurance to enable us to express opinion on the financial statements.

Basis of Preparation of the Financial Statements

As explained in note 2, these financial statements were prepared in accordance with the accounting principles approved by SAMA's Board of Directors.

Opinion

In our opinion, the financial statements mentioned above taken as a whole, present fairly the financial position of SAMA as at June 30, 2012 and its revenues and expenses for the year then ended, in accordance with the accounting principles approved by SAMA's Board of Directors as explained in note 2.

for Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

for PricewaterhouseCoopers

Mohammed A. Al Obaidi
Certified Public Accountant
Registration No. 367

SAUDI ARABIAN MONETARY AGENCY (SAMA)
BALANCE SHEET
AS AT JUNE 30, 2012
ASSETS

(Million Riyals)

	30/6/2012	30/6/2011
ISSUANCE DEPARTMENT		
CURRENCY COVER:		
Gold (Note 2-e)	1,623	1,623
Investment in securities abroad	171,809	154,866
	173,432	**156,489**
BANKING OPERATION DEPARTMENT		
Cash in Hand:		
Saudi Bank notes	27,692	23,297
Metal coins	9	9
	27,701	**23,306**
Deposits in Banks Abroad	522,597	372,497
Investment in Securities Abroad	1,525,697	1,327,989
Investment in Local Securities	8,743	8,743
Other Miscellaneous Assets	5,785	6,653
	2,090,523	**1,739,188**
CONTRA ACCOUNTS		
Documentry Credits and Other	20,648	13,577
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Deposits with Banks Abroad	18,373	6,501
Investment in Foreign Securities	318,445	302,057
Investment in Local Securities	256,467	276,331
Deposits with Banking Operations Department	7,976	5,789
	601,261	**590,678**

The accompanying notes from NO. 1 to NO. 4 form an integral part of these financial statements.

SAUDI ARABIAN MONETARY AGENCY(SAMA)
BALANCE SHEET
AS AT JUNE 30, 2012
LIABILITIES

(Million Riyals)

	30/6/2012	30/6/2011
ISSUANCE DEPARTMENT		
SAUDI BANK NOTES ISSUED		
In Circulation	145,463	132,928
In Banking Operation Department	27,692	23,297
	173,155	**156,225**
METAL COINS ISSUED		
In Circulation	267	255
In Banking Operation Department	10	9
	277	**264**
	173,432	**156,489**
BANKING OPERATION DEPARTMENT		
Government Deposits	1,254,502	919,022
Foreign Organizations Deposits	3,774	6,030
Government Agencies' and Institutions' Deposits	168,624	145,687
Banks' and Insurance Companies' Deposits	68,258	61,471
Other Miscellaneous Liabilities	595,365	606,978
	2,090,523	**1,739,188**
CONTRA ACCOUNTS		
Liabilities For Documentary Credits and Other	20,648	13,577
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Public Pension Agency	316,515	310,688
General Organization for Social Insurance	132,905	127,595
Development Funds	106,557	111,525
Other Institutions	45,284	40,870
	601,261	**590,678**

SAUDI ARABIAN MONETARY AGENCY (SAMA)

STATEMENT OF REVENUES AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2012

(Million Riyals)

	30/6/2012	30/6/2011
Revenues (Note 4)	**5,745**	**3,579**
Expenses		
General and Administration	1,181	1,181
SAMA's contribution to the Public Pension Agency (Note 5)	31	27
	1,212	**1,208**
Surplus transferred to reserve for land and construction of new premises for SAMA and its branches	4,533	2,371
	5,745	**3,579**

The accompanying notes from 1 to 5 form an integral part of these financial statements.

SAUDI ARABIAN MONETARY AGENCY(SAMA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
10 Shabaan 1433H (30 JUNE 2012)

1. Nature of Operations and Basis of Presentation of the Financial Statements

In accordance with its charter, the Saudi Arabian Monetary Agency ("SAMA") acts as the bank of the Government of the Kingdom of Saudi Arabia (the "Government") and also maintains accounts for the Government.

a. Banking Operations Department

SAMA accepts deposits from Government organizations and others, and invests such deposits on their behalf. The costs of such investment and the related income earned are recorded directly in their accounts shown in the Banking Operation Department balance sheet without recording them in SAMA's statement of revenues and expenses.

b. Independent Organizations and Institutions' Department

The balances relating to independent organizations and institutions, managed by SAMA on their behalf, and the deposits received from them, are shown in a separate balance sheet to highlight them separately.

2. Summary of Significant Accounting Policies

a. Basis of Preparation of the Financial Statements

These financial statements have been prepared in accordance with the accounting policies described below, which are consistent with those followed in the previous year. The financial statements are approved by SAMA's Board of Directors.

b. Basis of Accounting

SAMA follows the cash basis of accounting in recording its transactions. The financial statements are prepared under the historical cost convention.

c. Investments

Investments are carried at cost. In accordance with policies followed by SAMA, gains or losses are recorded in the beneficiaries' accounts when realized.

d. Foreign Currencies

SAMA records its foreign currency transactions and shows closing balances in foreign currency in Saudi Riyals using book rates fixed by management in 1406H (corresponding to 1986G) and the subsequent amendment for Euro rate that was approved by management in 1420H (corresponding to 1999G).

e. Gold held as currency cover

In accordance with Royal Decree No. 38 dated 13 Rajab 1393 H (corresponding to 12 August 1973G), gold held as currency cover is valued at a rate of one Saudi Riyal 0.20751 grams.

Gold shown in the Issuance Department's balance sheet includes SR 67,390,878 paid by SAMA as part of the Kingdom's subscription to the International Monetary Fund ("IMF"), which is denominated in Special Drawing Rights with the IMF.

f. Furniture, equipment and motor vehicles

The cost of furniture, equipment and motor vehicles is expensed on purchase, and a nominal value for motor vehicles is included in other miscellaneous assets in the Banking Operations Department's balance sheet.

g. Land and buildings

Land and building are stated at cost and included in other miscellaneous assets. The cost of buildings is depreciated at 5% annually. Cost is presented on the Banking Operation Department's balance sheet net of accumulated depreciation.

h. Revenue and expenses

In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. It also sets aside the excess of revenue over expenditure to finance the purchase of land and the construction of new premises for SAMA and its branches.

SAMA records the income arising from the investment of the balance reserved for the purchase of land and the construction of new premises for the head office and branches under other miscellaneous liabilities on the Banking Operation Department's balance sheet, and it is not shown in the statement of revenues and expenses.

3. Financial Statements Period:

These financial statements are prepared for the period from 29 Rajab 1432H to 10 Shabaan 1433H (corresponding to July 1, 2011 to June 30, 2012).

4. Non-Recurring Revenue

SAMA's revenues for the year ended 30 June 2012 include non-recurring income amounting to SR 1.3 billion arising from the sale of SAMA's share in Riyad bank .

5. Contribution to the Public Pension Agency

Contributions to the Public Pension Agency are made in accordance with Article 13 of the Civil Retirement Regulations issued by Royal Decree No. M/41 dated 29 Rajab 1393H (corresponding to August 28, 1973).

INDEPENDENT AUDITORS' REPORT

To: H.E. The Governor and Members of the Board of Directors
of Saudi Arabian Monetary Agency

Scope of audit

We have audited the accompanying balance sheets of the Saudi Arabian Monetary Agency (SAMA) as at June 30, 2013 and the statement of revenues and expenses for the year then ended, and the notes from 1 to 5, which form an integral part of these financial statements. These financial statements were prepared by SAMA in accordance with the accounting principles approved by the Board of Directors and submitted to us together with all the information and explanation which we required. We conducted our audit in accordance with auditing standards generally accepted in the kingdom of Saudi Arabia. An audit includes examining the accounting records and other procedures we considered necessary to obtain a reasonable degree of assurance to enable us to express opinion on the financial statements.

Basis of Preparation of the Financial Statements

As explained in note 2, these financial statements were prepared in accordance with the accounting principles approved by SAMA's Board of Directors.

Opinion

In our opinion, the financial statements mentioned above taken as a whole, present fairly the financial position of SAMA as at June 30, 2013 and its revenues and expenses for the year then ended, in accordance with the accounting principles approved by SAMA's Board of Directors as explained in note 2.

for Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

for PricewaterhouseCoopers

Mohammed A. Al Obaidi
Certified Public Accountant
Registration No. 367

SAUDI ARABIAN MONETARY AGENCY (SAMA)
BALANCE SHEET
AS AT JUNE 30, 2013
ASSETS

(Million Riyals)

	30/6/2013	30/6/2012
ISSUANCE DEPARTMENT		
CURRENCY COVER:		
Gold (Note 2-e)	1,623	1,623
Investment in securities abroad	195,134	171,809
	196,757	**173,432**
BANKING OPERATION DEPARTMENT		
Cash in Hand:		
Saudi Bank notes	35,378	27,692
Metal coins	13	9
	35,391	**27,701**
Deposits in Banks Abroad	466,265	522,597
Investment in Securities Abroad	1,900,928	1,525,697
Investment in Local Securities	8,743	8,743
Other Miscellaneous Assets	5,805	5,785
	2,417,132	**2,090,523**
CONTRA ACCOUNTS		
Documentry Credits and Other	17,456	20,648
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Deposits with Banks Abroad	19,457	18,373
Investment in Foreign Securities	338,141	318,445
Investment in Local Securities	251,930	256,467
Deposits with Banking Operations Department	4,787	7,976
	614,315	**601,261**

The accompanying notes from NO. 1 to NO. 4 form an integral part of these financial statements.

SAUDI ARABIAN MONETARY AGENCY(SAMA)
BALANCE SHEET
AS AT JUNE 30, 2013
LIABILITIES

(Million Riyals)

	30/6/2013	30/6/2012
ISSUANCE DEPARTMENT		
SAUDI BANK NOTES ISSUED		
In Circulation	161,085	145,464
In Banking Operation Department	35,378	27,692
	196,463	**173,156**
METAL COINS ISSUED		
In Circulation	281	267
In Banking Operation Department	13	9
	294	**276**
	196,757	**173,432**
BANKING OPERATION DEPARTMENT		
Government Deposits	1,410,842	1,254,502
Foreign Organizations Deposits	5,321	3,774
Government Agencies' and Institutions' Deposits	175,389	168,624
Banks' and Insurance Companies' Deposits	79,614	68,258
Other Miscellaneous Liabilities	745,966	595,365
	2,417,132	**2,090,523**
CONTRA ACCOUNTS		
Liabilities For Documentary Credits and Other	17,456	20,648
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Public Pension Agency	--	316,515
General Organization for Social Insurance	--	132,905
Development Funds	--	106,557
Other Institutions	614,315	45,284
	614,315	**601,261**

SAUDI ARABIAN MONETARY AGENCY (SAMA)

STATEMENT OF REVENUES AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2013

(Million Riyals)

	30/6/2013	30/6/2012
Revenues (Note 4)	**4,362**	**5,745**
Expenses		
General and Administration	1,470	1,181
SAMA's contribution to the Public Pension Agency (Note 5)	32	31
	1,502	**1,212**
Surplus transferred to reserve for land and construction of new premises for SAMA and its branches	2,860	4,533
	4,362	**5,745**

The accompanying notes from 1 to 5 form an integral part of these financial statements.

SAUDI ARABIAN MONETARY AGENCY(SAMA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
21 Shabaan 1434H (30 JUNE 2013)

1. **Nature of Operations and Basis of Presentation of the Financial Statements**
In accordance with its charter, the Saudi Arabian Monetary Agency ("SAMA") acts as the bank of the Government of the Kingdom of Saudi Arabia (the "Government") and also maintains accounts for the Government.

   a. **Issuance Department**
   The main activity mint and print national currency (Saudi Riyal) and support the stability of the currency and fixing its rate internally and externally.

   b. **Banking Operations Department**
   SAMA accepts deposits from Government organizations and others, and invests such deposits on their behalf. The costs of such investment and the related income earned are recorded directly in their accounts shown in the Banking Operation Department balance sheet without recording them in SAMA's statement of revenues and expenses.

   c. **Independent Organizations and Institutions' Department**
   The balances relating to independent organizations and institutions, managed by SAMA on their behalf, and the deposits received from them, are shown in a separate balance sheet to highlight them separately.

2. **Summary of Significant Accounting Policies:**
   a. **Basis of Preparation of the Financial Statements**
   These financial statements have been prepared in accordance with the accounting policies described below, which are consistent with those followed in the previous year. The financial statements are approved by SAMA's Board of Directors.

   b. **Basis of Accounting**
   SAMA follows the cash basis of accounting in recording its transactions. The financial statements are prepared under the historical cost convention.

   c. **Investments**
   Investments are carried at cost. In accordance with policies followed by SAMA, gains or losses are recorded in the beneficiaries' accounts when realized.

   d. **Foreign Currencies**
   SAMA records its foreign currency transactions and shows closing balances in foreign currency in Saudi Riyals using book rates fixed by management in 1406H (corresponding to 1986G) and the subsequent amendment for Euro rate that was approved by management in 1420H (corresponding to 1999G).

e. **Gold held as currency cover**

In accordance with Royal Decree No. 38 dated 13 Rajab 1393 H (corresponding to 12 August 1973G), gold held as currency cover is valued at a rate of one Saudi Riyal 0.20751 grams.

Gold shown in the Issuance Department's balance sheet includes SR 67,390,878 paid by SAMA as part of the Kingdom's subscription to the International Monetary Fund ("IMF"), which is denominated in Special Drawing Rights with the IMF.

f. **Furniture, equipment and motor vehicles**

The cost of furniture, equipment and motor vehicles is expensed on purchase, and a nominal value for motor vehicles is included in other miscellaneous assets in the Banking Operations Department's balance sheet.

g. **Land and buildings**

land and building are stated at cost and included in other miscellaneous assets. The cost of buildings is depreciated at 5% annually. Cost is presented on the Banking Operation Department's balance sheet net of accumulated depreciation.

h. **Revenue and expenses**

In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. It also sets aside the excess of revenue over expenditure to finance the purchase of land and the construction of new premises for SAMA and its branches.

SAMA records the income arising from the investment of the balance reserved for the purchase of land and the construction of new premises for the head office and branches under other miscellaneous liabilities on the Banking Operation Department's balance sheet, and it is not shown in the statement of revenues and expenses.

3. **Financial Statements Period**

These financial statements are prepared for the period from 11 Shabaan 1433H to 21 Shabaan 1434H (corresponding to July 1, 2012 to June 30, 2013).

4. **Non-Recurring Revenue**

SAMA's revenues for the year ended 30 June 2012 include non-recurring income amounting to SR 1.3 billion arising from the sale of SAMA's share in Riyad bank .

5. **Contribution to the Public Pension Agency**

Contributions to the Public Pension Agency are made in accordance with Article 13 of the Civil Retirement Regulations issued by Royal Decree No. M/41 dated 29 Rajab 1393H (corresponding to August 28, 1973).

Appendix of statistical tables is available on SAMA's website on the following link:

http://www.sama.gov.sa/sites/SAMAen/ReportsStatistics/statistics/Pages/Home.aspx