

57th

ANNUAL REPORT

1442H | 2021



البنك المركزي السعودي
SAMA
Saudi Central Bank



Saudi Central Bank

**57th Annual Report
1442H (2021)**

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Ramadan 1442H
May 2021

It gives me pleasure to present, in the name of the Board of Directors, the 57th Annual Report of the Saudi Central Bank, which reviews the latest developments in the Saudi economy during fiscal year 2020 (1441/42H). 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 various domestic productive sectors, apart from giving a full description of SAMA's functions, such as setting and managing monetary policy and supervising banking, insurance and finance sectors. Furthermore, the Report includes the auditors' report on SAMA's balance sheet for fiscal year ended on June 30, 2020. In addition to data issued by SAMA, the Report mainly relies on official data obtained from ministries, government departments and public entities, to which I would like to extend my sincere gratitude and appreciation for their cooperation in providing valuable information and data that enabled SAMA to prepare this Report. I also would like to thank SAMA staff members for their efforts in preparing this Report and in carrying out all functions entrusted to SAMA.

البنك المركزي السعودي
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GLOBAL ECONOMY AND INTERNATIONAL COOPERATION



Global Economy and International Cooperation

World Economic Situation

In 2020, the global economy contracted by 3.3 percent against its growth rate of 2.8 percent in 2019, due to the COVID-19 pandemic repercussions. According to the April 2021 IMF World Economic Outlook (WEO), the global economy, however, is expected to recover and grow by 6.0 percent in 2021.

Economic Growth

Advanced economies recorded a 4.7 percent contraction in their real GDP in 2020 against a growth of 1.6 percent in 2019. The US economic growth went down by 3.5 percent in 2020 compared to a growth of 2.2 percent in the preceding year. The economies of the euro area also contracted by 6.6 percent in 2020 against a growth of 1.3 percent in the preceding year. France, Germany and Italy witnessed contraction rates of 8.2 percent, 4.9 percent and 8.9 percent, respectively, compared to growth rates of 1.5 percent, 0.6 percent and 0.3 percent in the preceding year. Moreover, in the United Kingdom, the economy shrunk by 9.9 percent in 2020 compared to a growth of 1.4 percent in 2019. The Japanese economy also recorded a contraction rate of 4.8 percent against a growth of 0.3 percent in 2019.

In addition, emerging market and developing economies contracted by 2.2 percent in 2020 against a growth rate of 3.6 percent in 2019. The growth rate in China slowed down to 2.3 percent against a growth of 5.8 percent in 2019. By contrast, India recorded a sharp contraction of 8.0 percent compared with a growth of 4.0 percent in the preceding year. The growth rate in economies of

the Middle East and North Africa (MENA) countries decreased by 2.9 percent in 2020 compared to a growth of 1.4 percent in the preceding year. Emerging and developing Europe registered a contraction rate of 2.0 percent against a growth rate of 2.4 percent in the preceding year. Moreover, Latin America and the Caribbean economies shrunk by 7.0 percent in 2020 compared to a growth of 0.2 percent in 2019. The economies of emerging and developing Asia declined by 1.0 percent in 2020 compared to a growth rate of 5.3 percent in 2019.

According to the WEO report, the global economy is expected to recover and grow by 6.0 percent in 2021 compared to a 3.3 percent contraction in 2020, and advanced economies are expected to grow by 5.1 percent in 2021. The US economy is expected to rise by 6.4 percent and that of the euro area by 4.4 percent. Emerging market and developing economies are expected to grow by 6.7 percent in 2021 as China is expected to register a growth rate of 8.4 percent in 2021 (Table 1.1). Chart 1.1 shows the real GDP growth rates in the major countries and country groups during 2017-2021.

Inflation

In advanced economies, the inflation rate declined to 0.7 percent in 2020 compared to 1.4 percent in 2019, and it is expected to rise by 1.6 percent in 2021. In the United States, the inflation went down from 1.8 percent in 2019 to 1.2 percent in 2020, and it is expected to rise to 2.3 percent in 2021. In the euro area, the inflation rate decreased from 1.2 percent in 2019 to 0.3 percent in 2020 but is expected to increase to 1.4 percent in 2021. As for the emerging market and developing economies, the inflation rate remained stable at 5.1 percent in 2020 as in the preceding year. However, it is expected to decrease to 4.9 percent in 2021. The inflation in the MENA countries rose to 10.2 percent in 2020 compared to 7.4 percent in 2019 and is expected to reach 11.2 percent in 2021 (Table 1.2). Chart 1.2 shows the percentage change

in consumer prices for various groups of countries during 2019-2021.

Unemployment

The unemployment rate in advanced economies

increased to 6.6 percent in 2020 from 4.8 percent in 2019. In the United States, it went up to 8.1 percent in 2020 from 3.7 percent in 2019. In the euro area, it increased from 7.6 percent in 2019 to 7.9 percent in 2020. However, unemployment

Chart 1.1: Real GDP Growth Rates

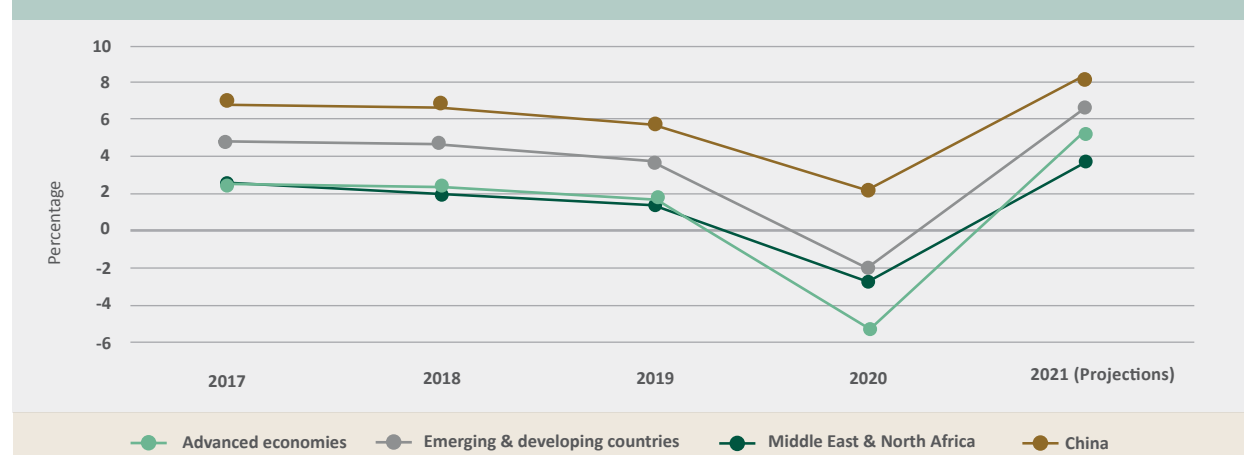


Table 1.1: Real GDP Growth Rates

	(Percentage)							
	2014	2015	2016	2017	2018	2019	2020	Projections 2021
World	3.6	3.5	3.3	3.8	3.6	2.8	-3.3	6.0
Advanced economies	2.1	2.4	1.8	2.5	2.3	1.6	-4.7	5.1
USA	2.5	3.1	1.7	2.3	3.0	2.2	-3.5	6.4
Euro area	1.4	2.0	1.9	2.6	1.9	1.3	-6.6	4.4
Germany	2.2	1.5	2.2	2.6	1.3	0.6	-4.9	3.6
France	1.0	1.1	1.1	2.3	1.9	1.5	-8.2	5.8
Italy	0.0	0.8	1.3	1.7	0.9	0.3	-8.9	4.2
Japan	0.3	1.6	0.8	1.7	0.6	0.3	-4.8	3.3
UK	2.9	2.4	1.7	1.7	1.3	1.4	-9.9	5.3
Canada	2.9	0.7	1.0	3.0	2.4	1.9	-5.4	5.0
Emerging & developing economies	4.7	4.3	4.5	4.8	4.5	3.6	-2.2	6.7
Sub-Saharan Africa	5.1	3.2	1.5	3.1	3.2	3.2	-1.9	3.4
Emerging & developing Asia	6.9	6.8	6.8	6.6	6.4	5.3	-1.0	8.6
China	7.4	7.0	6.9	6.9	6.7	5.8	2.3	8.4
India	7.4	8.0	8.3	6.8	6.5	4.0	-8.0	12.5
Middle East & North Africa	3.3	2.8	4.7	2.5	2.0	1.4	-2.9	3.7
Emerging & developing Europe	1.8	1.0	1.9	4.1	3.4	2.4	-2.0	4.4
Russia	0.7	-2.0	0.2	1.8	2.8	2.0	-3.1	3.8
Latin America & the Caribbean countries	1.3	0.4	-0.6	1.3	1.2	0.2	-7.0	4.6
Brazil	0.5	-3.5	-3.3	1.3	1.8	1.4	-4.1	3.7

Source: World Economic Outlook (WEO), IMF, April 2021.

in Italy and France slightly declined to 9.1 percent and 8.2 percent in 2020 compared to 9.9 percent and 8.5 percent in 2019, respectively. In the United Kingdom, the rate went up to 4.5 percent from 3.8 percent in 2019. Furthermore, the unemployment rate in Japan slightly increased to 2.8 percent in 2020 against 2.4 percent in the preceding year (Table 1.3). Chart 1.3 shows average unemployment rates for selected groups of countries during 2018-2020 and expected unemployment rate in 2021.

Fiscal Balances in Advanced Economies

The overall fiscal deficit in advanced economies rose to 13.2 percent of GDP in 2020 from 3.7 percent in 2019 as a result of COVID-19 repercussions on the economic activity. In the United States, the deficit increased from 5.7 percent in 2019 to 15.8

percent in 2020. The deficit in the euro area also went up from 0.6 percent to 7.6 percent in 2020, as the deficits increased in France and Italy from 3.0 percent and 1.6 percent in 2019 to 9.9 percent and 9.5 percent in 2020, respectively. Germany also recorded a deficit of 4.2 percent in 2020 compared to a surplus of 1.5 percent in 2019. Moreover, the deficit in the United Kingdom rose from 2.3 percent in 2019 to 13.4 percent in 2020. Similarly, the deficit in Japan increased from 3.1 percent in 2019 to 12.6 percent in 2020 (Table 1.4).

Monetary and Financial Developments

Interest Rates

The six-month dollar LIBOR stood at 0.7 percent in 2020 against 2.3 percent in 2019 and is projected to fall to 0.3 percent in 2021. The Japanese yen LIBOR

Chart 1.2: Change in Consumer Prices in Selected Countries

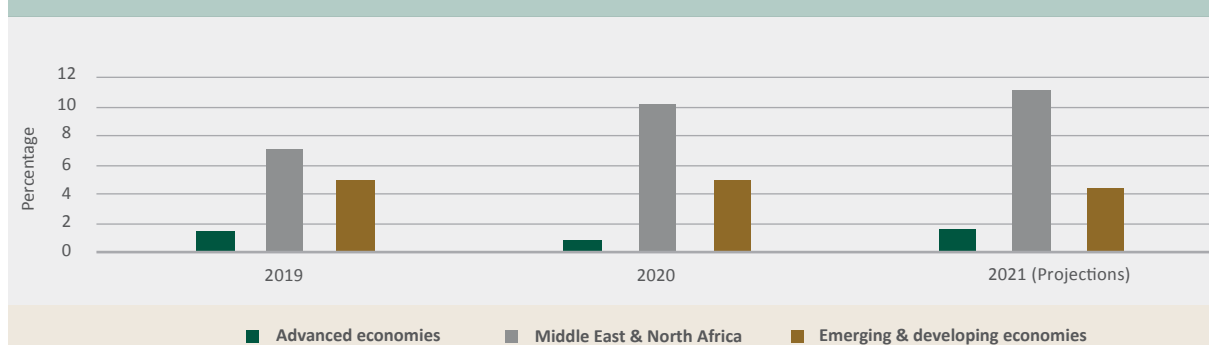


Table 1.2: Inflation and Interest Rates

	(Percentage)		
	2019	2020	Projections 2021
Global inflation			
Advanced economies	1.4	0.7	1.6
USA	1.8	1.2	2.3
Euro area	1.2	0.3	1.4
Emerging & developing economies	5.1	5.1	4.9
Middle East & North Africa	7.4	10.2	11.2
London interbank offered rate (LIBOR)*			
U.S. dollar deposits	2.3	0.7	0.3
Japanese yen deposits	0.0	0.0	-0.1
Euro deposits	-0.4	-0.4	-0.5

*Six-month rate for USA and Japan and three-month rate for Euro area.

Source: World Economic Outlook (WEO), IMF, April 2021.

remained at zero in 2020 and is projected to fall to -0.1 percent in 2021. The three-month euro LIBOR remained at -0.4 percent at the end of 2020 and is projected to decline to -0.5 percent in 2021 (Table 1.2).

Exchange Rates

Despite the rise of the U.S. dollar exchange rate due to the pandemic in March 2020, the U.S. dollar recorded relatively low bilateral exchange rates against some major currencies at the end of 2020 as compared to the end of 2019. This decline is attributable to several factors, the most important of which is the improved investors' sentiment after global pharmaceutical companies and research universities announced that they had completed clinical trials of the coronavirus (COVID-19) vaccine and obtained the necessary licenses. The European leaders' final agreement on the future relationship

between the European Union and the United Kingdom also supported the exchange rates of the euro and the sterling pound against the U.S. dollar. In 2020, the exchange rates of the euro, sterling pound, Japanese yen and Chinese yuan against the U.S. dollar rose by 8.2 percent, 2.9 percent, 5.3 percent and 6.7 percent, respectively.

Equity and Bond Markets

Equity Markets

Global equity indices showed different performance by the end of 2020 compared with their performance by the end of 2019. The U.S. Dow Jones Industrial Average (DJIA) index went up by 6.8 percent to close at 30,606.48 points at the end of the year. The Japanese Nikkei index increased by 18.4 percent to close at 27,668.15 points. The Morgan Stanley Capital International Europe Index (MSCI Euro) rose by 3.0 percent to close at 1,840.22.

Chart 1.3: Unemployment Rates

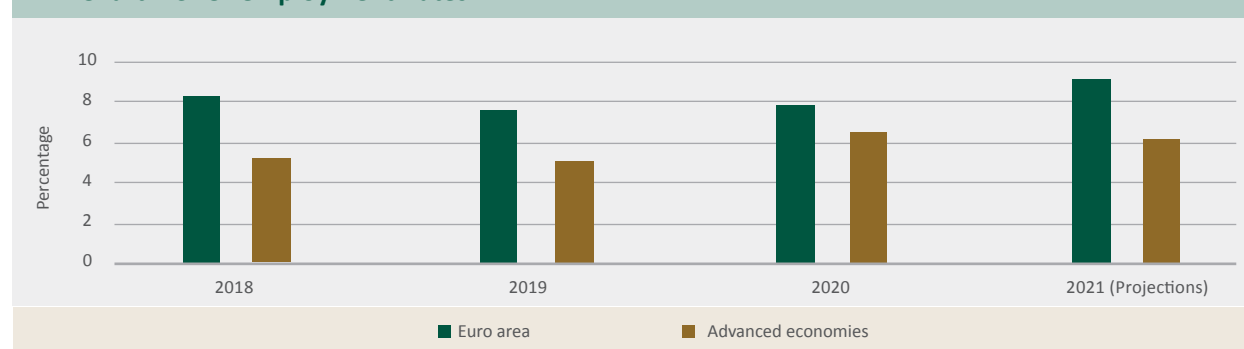


Table 1.3: Advanced Economies: Unemployment Rates

	(Ratio to labor force)			
	2018	2019	2020	Projections 2021
Advanced economies	5.1	4.8	6.6	6.2
USA	3.9	3.7	8.1	5.8
Euro area	8.2	7.6	7.9	8.7
Germany	3.4	3.2	4.2	4.4
France	9.0	8.5	8.2	9.1
Italy	10.6	9.9	9.1	10.3
Japan	2.4	2.4	2.8	2.8
UK	4.1	3.8	4.5	6.1
Canada	5.9	5.7	9.6	8.0

Source: World Economic Outlook (WEO), IMF, April 2021.

This performance was generally attributed to the economic policies taken by governments and central banks to maintain ample liquidity and credit levels in the markets. In addition, the effectiveness of vaccines developed by global pharmaceutical companies led to a decline in concerns about the slowdown in global economic growth. In the United Kingdom, the Financial Times Stock Exchange 100 Index (FTSE 100 Index) declined by 16.8 percent to 6,460.52, recovering partially from the significant losses incurred at the start of the pandemic.

Bond Markets

Yields on government bonds in the major advanced countries went down as a result of expansionary monetary policies, especially the execution of quantitative easing during the COVID-19 pandemic. Yields on U.S. treasury bonds of all maturities ranging from one month to 30 years declined, registering rates between 0.43 percent and 1.65 percent at the end of 2020 compared to rates between 1.45 percent and 2.39 percent at the end of 2019. In the United Kingdom, government bond yields of all maturities decreased, recording even negative rates ranging between -0.16 percent and -0.06 percent for maturities of one month to 6 years. The 10-year and 30-year bond yields declined to 0.19 percent and 0.75 percent, respectively, at the end of 2020.

In Japan, bond yield rates remained negative for all maturities of less than 10 years. The one-month and 9-year bond yields stood at -0.12 percent and -0.03 percent, respectively, at the end of 2020. Moreover, the euro area government bond yields of all maturities fell as Germany recorded rates of -0.83 percent, -0.57 percent and -0.16 percent for maturities of one month, 10 years and 30 years, respectively. Italy recorded rates of -0.65 percent, 0.54 percent and 1.42 percent, respectively, for the same maturities at the end of 2020.

World Trade and Balances of Payments

The world trade volume dropped by 8.5 percent in 2020 against a growth rate of 0.9 percent in the preceding year, but it is projected to rise by 8.4 percent in 2021. Exports of goods and services in advanced economies registered a decline of 9.5 percent in 2020. However, the volume of such exports is projected to rebound by 7.9 percent in 2021. Exports of emerging market and developing economies decreased by 5.7 percent in 2020, but their volume is projected to increase by 7.6 percent in 2021.

On the other hand, imports of goods and services in advanced economies dropped by 9.1 percent in 2020 but are projected to rise by 9.1 percent in

Table 1.4: Trends of Fiscal Balances*

	(Percentage)			
	2018	2019	2020	Projections 2021
Advanced economies	-3.4	-3.7	-13.2	-11.9
USA	-5.4	-5.7	-15.8	-15.0
Euro area	-0.5	-0.6	-7.6	-6.7
Germany	1.8	1.5	-4.2	-5.5
France	-2.3	-3.0	-9.9	-7.2
Italy	-2.2	-1.6	-9.5	-8.8
Japan	-2.7	-3.1	-12.6	-9.4
UK	-2.2	-2.3	-13.4	-11.8
Canada	0.3	0.5	-10.7	-7.8

*Ratio of surplus/deficit to GDP.

Source: World Economic Outlook (WEO), IMF, April 2021.

2021. Imports in emerging market and developing economies also declined by 8.6 percent in 2020. They are, however, projected to grow by 9.0 percent in 2021 (Table 1.5).

A. Current Account Balances

The ratio of the surplus in the current account balance to GDP in advanced economies decreased from 0.7 percent in 2019 to 0.3 percent in 2020. In the United States, the current account deficit went up to 3.1 percent in 2020 from 2.2 percent in 2019, and it is projected to increase to 3.9 percent in 2021. In the euro area, the current account surplus remained at 2.3 percent in 2020 and is projected to rise to 2.8 percent in 2021. In Germany, the surplus remained at 7.1 percent in 2020 and is projected to go up to 7.6 percent in 2021. Meanwhile, the current account deficit of France rose to 2.3 percent in 2020 from 0.7 percent in 2019, but it is projected to decline to 2.1 percent in 2021. In Italy, the ratio of the current account balance to GDP recorded a surplus of 3.6 percent in 2020 against a surplus of 3.0 percent in 2019, but it is projected to register a surplus of 3.5 percent in 2021. The current account deficit in the United Kingdom rose from 3.1 percent in 2019 to 3.9 percent in 2020, and it is projected to remain stable in 2021. The surplus in Japan decreased from 3.7 percent in 2019 to 3.3 percent in 2020; however, it is projected to improve to 3.6 percent in 2021.

In emerging and developing Asia, the aggregate current account balance (as a percentage of GDP) recorded a surplus of 1.7 percent in 2020 against a surplus of 0.6 percent in 2019, and it is projected to register a surplus of 1.0 percent in 2021. In the MENA countries, Afghanistan and Pakistan, the current account recorded a deficit of 3.0 percent in 2020 against a surplus of 0.5 percent in 2019 and is expected to register a surplus of 0.3 percent (as a percentage of GDP) in 2021 (Table 1.5).

B. Financial Account Balances

In advanced economies, the financial account of the balance of payments (BOP) recorded a deficit of \$2.8 billion in 2020 against a surplus of \$319.8 billion in 2019. However, it is projected to register a surplus of \$136.3 billion in 2021. In the United States, the BOP financial account deficit rose to \$766.1 billion in 2020 compared to \$395.5 billion in 2019. The financial account surplus of the euro area increased to \$337.9 billion in 2020 from \$239.4 billion in 2019. In Germany, the financial account surplus increased to \$289.9 billion in 2020 from \$230.1 billion in the preceding year. By contrast, the financial account deficit in France increased to \$71.1 billion in 2020 as compared to \$32.3 billion in the preceding year. In Japan, the financial account surplus decreased to \$168.3 billion in 2020 compared to \$227 billion in 2019.

As for emerging market and developing economies, their BOP financial account recorded a shift from a deficit of \$158.3 billion in 2019 to a surplus of \$145.6 billion in 2020. In Sub-Saharan Africa, the financial account deficit decreased to \$37.9 billion in 2020 against a deficit of \$52.5 billion in 2019. With regard to emerging and developing Asia, the financial account balance turned from a deficit of \$81.6 billion in 2019 to a surplus of \$261.8 billion in 2020. By contrast, the financial account of the MENA countries, Afghanistan and Pakistan recorded a shift from a surplus of \$19.0 billion in 2019 to a deficit of \$96.4 billion in 2020, but it is projected to register a surplus of \$29.2 billion in 2021 (Table 1.6).

Economic Developments in GCC Countries

According to the IMF April 2021 WEO report, all GCC countries were affected by the COVID-19 pandemic and the drop in oil prices in global markets. In the UAE, real GDP contracted by 5.9 percent in 2020

compared to a growth of 1.7 percent in 2019. In the same period, Kuwait recorded a contraction rate of 8.1 percent against a growth rate of 0.4 percent, while the contraction in Oman increased from 0.8 percent to 6.4 percent. Bahrain also recorded a contraction of 5.4 percent compared to a growth of 2.0 percent in 2019. The GDP in Qatar dropped by 2.6 percent compared to a growth of 0.8 percent in the preceding year. In Saudi Arabia, the GDP contracted by 4.1 percent in 2020 compared to a growth of 0.3 percent in the preceding year.

Inflation rates went down in all GCC countries, except in Saudi Arabia and Kuwait. The consumer

price index (CPI) in the UAE declined by 2.1 percent in 2020 compared to a deflation of 1.9 percent in 2019. In Bahrain, the inflation rate went down from 1.0 percent in 2019 to record a deflation of 2.3 percent in 2020, while it decreased from 0.1 percent in Oman to record a deflation of 0.9 percent in the same period. In Qatar, the CPI recorded a deflation of 2.7 percent compared to a deflation of 0.7 percent in 2019. By contrast, the inflation in Kuwait increased from 1.1 percent in 2019 to 2.1 percent in 2020. Saudi Arabia also recorded an increase in its inflation rate to reach 3.4 percent in 2020 against a deflation of 2.1 percent in the preceding year.

Table 1.5: World Trade and Current Account

	(Percentage)		
	2019	2020	Projections 2021
World trade growth	0.9	-8.5	8.4
Exports (goods & services)			
Advanced economies	1.3	-9.5	7.9
Emerging & developing economies	0.5	-5.7	7.6
Imports (goods & services)			
Advanced economies	1.7	-9.1	9.1
Emerging & developing economies	-1.0	-8.6	9.0
Current account*			
Advanced economies	0.7	0.3	0.2
USA	-2.2	-3.1	-3.9
Euro area	2.3	2.3	2.8
Germany	7.1	7.1	7.6
France	-0.7	-2.3	-2.1
Italy	3.0	3.6	3.5
Japan	3.7	3.3	3.6
UK	-3.1	-3.9	-3.9
Emerging & developing economies	0.1	0.6	0.5
Emerging & developing Asia	0.6	1.7	1.0
Middle East, North Africa, Afghanistan & Pakistan	0.5	-3.0	0.3
Sub-Saharan Africa	-3.7	-3.7	-3.7
Latin America & the Caribbean countries	-1.7	0.2	0.0

*Ratio of deficit/surplus to GDP.

Source: World Economic Outlook (WEO), IMF, April 2021.

GCC countries recorded declines in their current account balances (as a percentage of GDP). The UAE recorded a surplus of 3.1 percent in 2020 against 8.4 percent in 2019. In Kuwait, the surplus of 16.4 percent recorded in 2019 decreased to 0.8 percent in 2020. In Qatar, the current account as a percentage of GDP recorded a deficit of 3.4 percent in 2020 compared to a surplus of 2.4 percent in the preceding year. Saudi Arabia recorded a deficit of 2.1 percent in 2020 compared to a surplus of 4.8 percent in 2019. In Bahrain, the deficit in the current account increased to 9.6 percent in 2020 compared to a deficit of 2.1 percent in 2019. Similarly, the deficit in Oman increased to 10.0 percent against a deficit of 5.4 percent in 2019 (Table 1.7).

Regional and International Cooperation

Gulf Monetary Council (GMCO)

The GMCO has witnessed several developments regarding fulfilling the main objectives of its statute and the tasks assigned to it by its board of directors. From its establishment until the end

of 2020, GMCO's board held 52 meetings. The developments included carrying out a number of joint projects with the central banks of member countries, conducting research, preparing reports, continuing coordination of monetary policies and strengthening cooperation among these central banks. Moreover, GMCO has completed developing a comprehensive framework for liquidity forecasting and management by monitoring changes in liquidity sources. In addition, GMCO has developed a macroeconomic model and is working to improve it for the purpose of studying GCC economies and the impact of challenges and changes that may occur.

Gulf Common Market (GCM)

Total GCC intra-trade transactions increased steadily from \$92.7 billion in 2010 to \$140.2 billion in 2019. Statistics show that more GCC citizens are benefiting from GCM decisions, bringing the number of citizens travelling between GCC countries to 27 million in 2019. In addition, the total number of licenses granted to GCC citizens who

Table 1.6: Financial Account Balances

(Billion USD)			
	2019	2020	Projections 2021
Advanced economies	319.8	-2.8	136.3
USA	-395.5	-766.1	-877.8
Euro area	239.4	337.9	
Germany	230.1	289.9	327.0
France	-32.3	-71.1	-59.3
Italy	53.7	80.2	75.3
Japan	227.0	168.3	191.2
UK	-105.8	-109.0	-124.4
Canada	-38.6	-32.1	-11.3
Emerging & developing economies	-158.3	145.6	266.9
Sub-Saharan Africa	-52.5	-37.9	-50.9
Emerging & developing Asia	-81.6	261.8	237.4
MENA countries, Afghanistan & Pakistan	19.0	-96.4	29.2
Emerging & developing Europe	63.4	16.4	50.1
Latin America & the Caribbean countries	-106.7	1.7	1.1

Source: World Economic Outlook (WEO), IMF, April 2021.

practice economic activities in other GCC countries reached more than 60 thousand by the end of 2019. The total number of GCC citizens benefiting from real estate's ownership decisions went up as 358 thousand purchases were made in 2019. The number of GCC citizens trading in other GCC stock markets was about 431 thousand shareholders in 653 joint-stock companies with a capital of \$376 billion.

Arab Financial Institutions

Arab financial institutions hold their annual meetings in the spring of every year. In these meetings, they review their performance and agendas. The following is a brief of these institutions and their activities.

A. Arab Monetary Fund (AMF)

Total loans extended by the AMF to member countries up to the end of 2019 were 77.8 million Arab Accounting Dinars (AAD) (\$328 million), bringing the total value of loans extended by the AMF since the beginning of its lending activities in 1978 to around AAD 2.4 billion (\$10 billion). A total of 187 loans were extended by the AMF to 14 member countries. Loans (i.e. automatic, ordinary, compensatory and extended loans) extended by

the AMF were at the top of credit facilities granted by the AMF since 1978 until the end of 2019, representing 60.7 percent of total loans extended throughout this period. The structural adjustment facilities extended came next with 29.9 percent, followed by the trade reform facility with 2.7 percent and the oil facility with 1.4 percent.

B. Arab Bank for Economic Development in Africa (BADEA)

Overall financial obligations of BADEA toward countries reached \$600 million at the end of 2019, including 14 loans with a value of \$240 million for development projects in Africa. Infrastructure lending had the largest share of total loans, amounting to 44.6 percent. Lending for the social sector accounted for 32.3 percent, and lending for the agriculture and rural development sector accounted for 23.1 percent. BADEA continued its policy of maintaining a sound financial position, which resulted in an increase of its net assets to \$5.1 billion at the end of 2019 compared to \$4.8 billion at the end of the preceding year. Net income recorded a profit of \$322 million in 2019, compared to a loss of \$39.9 million in 2018, mainly due to the improvement in the market value of equity and fixed income portfolios.

Table 1.7: Key Economic Developments in GCC Countries

	UAE		Bahrain		Saudi Arabia		Oman		Qatar		Kuwait	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Real GDP growth	1.7	-5.9	2.0	-5.4	0.3	-4.1	-0.8	-6.4	0.8	-2.6	0.4	-8.1
Inflation rate	-1.9	-2.1	1.0	-2.3	-2.1	3.4	0.1	-0.9	-0.7	-2.7	1.1	2.1
Current account (billion USD)	35.4	11.0	-0.8	-3.3	38.2	-15.0	-4.1	-6.3	4.2	-5.0	22.1	0.9
Current account to GDP	8.4	3.1	-2.1	-9.6	4.8	-2.1	-5.4	-10.0	2.4	-3.4	16.4	0.8
Ratio of surplus/deficit in fiscal balance	0.6	-7.4	-9.0	-18.3	-4.5	-11.1	-6.7	-17.3	4.9	1.3	4.4	-9.4
Population (million)	10.7	11.1	1.5	1.5	34.1	34.8	4.6	4.4	2.8	2.8	4.8	4.9

Source: World Economic Outlook (WEO), IMF, April 2021.

C. Arab Fund for Economic and Social Development (AFESD)

During 2019, the AFESD extended 12 loans with a total of Kuwaiti dinar (KWD) 483.5 million to finance projects in six Arab countries. The ratio of loans to total cost of these projects was estimated at 31.4 percent. The cumulative value of 689 loans extended by the AFESD, starting from the commencement of its operations in 1974 up to the end of 2019, reached KWD 10.8 billion. Total revenues for 2019 increased to KWD 176.2 million compared to KWD 61.4 million in the preceding year. During 2019, administrative expenses stood at KWD 8.8 million, and net income (after deducting provisions) recorded a profit of KWD 160.6 million compared to KWD 49 million in 2018.

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

Dhaman's assets in 2019 totaled \$517.7 million, 43.6 percent of which was in investments, 54.5 percent in cash and deposits, and 2.0 percent in other assets. Equity stood at \$487.9 million at the end of 2019. Total income of Dhaman was \$28.7 million in 2019. Of this amount, \$19.2 million was from guarantees, banks and bonds interest income, accounts on demand and other miscellaneous income; and \$13.2 million was from investment income, dividends income, sale of a number of investments in bonds, financial funds, investment portfolios and currency spreads. Dhaman's general and administration expenses reached \$10.3 million in 2019. Additionally, Dhaman made a net profit of \$18.3 million in 2019 against a loss of \$3.1 million in the preceding year.

E. Arab Authority for Agricultural Investment and Development (AAID)

AAID's total contribution to the capital accounts of existing and to-be-formed companies in 2019 (contributions and loans) amounted to \$640 million, or 89 percent of its paid-up capital of \$721 million. Total income of AAID was \$99.7 million against

\$36.6 million in the preceding year. The income was generated mainly from investment portfolios, loans and companies' dividends. Net profit reached \$29 million, compared to \$11.9 million in the preceding year. Total assets stood at \$1.02 billion at the end of 2019 against \$985 million in the preceding year. AAID's total liabilities stood at \$50.8 million against \$46.2 million in the preceding year.

Islamic Development Bank (IsDB)

According to the draft financial statements submitted to the external auditor, total assets of the IsDB increased from \$32.6 billion at the end of 2019 to \$35.2 billion at the end of 2020. Total liabilities also increased from \$20.1 billion in 2019 to \$22.0 billion in 2020. The IsDB's capital and reserves increased by \$13.1 billion in 2020, compared to \$12.5 billion in the preceding year. Total revenues decreased from \$859.8 million in 2019 to \$852.9 million in 2020. On the other hand, total expenses increased from \$665 million to \$686 million in the same period. As a result, net income reached \$166.5 million in 2020, compared to \$194.1 million in 2019. It is worth noting that the IsDB's total granted loans decreased to \$2.7 billion in 2020, compared to \$2.8 billion in 2019. Outstanding loans increased to \$22.3 billion at the end of 2020, compared to \$20.4 billion at the end of 2019. Repaid loans also increased to \$1.87 billion in 2020, compared to \$1.86 billion in 2019.

The OPEC Fund for International Development (OFID)

According to the preliminary data of the OPEC Fund for International Development, OFID's capital (including reserves and member country contributions) decreased to \$7.3 billion at the end of 2020, compared to \$7.4 billion at the end of 2019. OFID's total assets reached \$7.6 billion at the end of 2020. In addition, OFID's total granted loans decreased to \$1.3 billion at the end of 2020 against \$1.5 billion in 2019. Total repaid loans also decreased to \$1.1 billion in 2020, compared to

\$1.2 billion in 2019. Total revenues reached \$324.7 million in 2020, compared to \$303.1 million in 2019. OFID's net income stood at \$239.3 million in 2020, compared to \$232.7 million in 2019.

International Monetary Fund (IMF)

International Monetary and Financial Committee (IMFC)

The IMFC held its 42nd meeting virtually on October 15, 2020. The meeting discussed the state of global economy, especially the repercussions of the COVID-19 pandemic. The IMFC stated in its final statement that the global economy is witnessing a temporary economic recovery, supported by exceptional responses at the level of macroeconomic policies. This recovery, however, is partial, uneven among countries and uncertain.

Moreover, the IMFC indicated that it will continue making exceptional and urgent responses related to monetary and fiscal policies as required by the crisis stages, taking into account country-specific circumstances. The IMFC also outlined its commitment to using all available policy tools to restore economic growth and safeguard jobs. Moreover, it emphasized its willingness to help vulnerable countries by meeting their financing needs and promoting international cooperation to accelerate efforts in research and development regarding the pandemic. Through accelerating these efforts, the IMFC aims to provide affordable vaccines for everybody in a fair manner, which is a key requirement to overcome this pandemic and support global economic recovery.

The IMFC also affirmed its support for countries' efforts to maintain debt sustainability and its work with all parties concerned to improve the architecture for sovereign debt resolution. The IMFC welcomed the IMF's exceptional efforts to assist its member countries in overcoming the COVID-19 crisis through monetary and fiscal policy

advice, capacity development, and rapid financial support. In addition, the IMFC welcomed the extension of debt service relief for another six months under the IMF's Catastrophe Containment and Relief Trust (CCRT) and the progress made in securing additional loan resources for the Poverty Reduction and Growth Trust (PRGT).

In addition, the IMFC supported the extension of the G20's Debt Service Suspension Initiative (DSSI) for the poorest countries for an additional six months. The IMFC also reaffirmed its commitment to a strong and quota-based IMF to maintain global financial safety. It stressed that it would keep demand for IMF resources under close review and affirmed its commitment to revisiting the adequacy of quotas. The IMFC emphasized that it will continue the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, by December 15, 2023.

World Bank Group (WBG)

Development Committee

The WBG Development Committee held its virtual meeting on October 16, 2020. The meeting discussed the WBG's response to the COVID-19 pandemic. The Development Committee Communiqué noted that the pandemic is overwhelming health systems, disrupting productivity, threatening food security and reducing job opportunities and incomes, especially for the most vulnerable. It stressed that the crisis requires a comprehensive and robust global response from the development community.

The committee called on the WBG and the IMF to continue working with member countries, the public and private sectors, development partners and international organizations. It also emphasized that the WBG should further the response while focusing on ending poverty and fostering shared prosperity in a sustainable manner. The committee stressed the importance of an effective COVID-19

vaccine; it welcomed the \$12 billion in financing recently approved for IDA and IBRD countries to support vaccine purchase and deployment.

Additionally, the committee encouraged the WBG to help with affordable and equitable access to tests, treatments and vaccines for developing countries. In order to accelerate a resilient recovery that focuses on jobs and economic transformation, the committee asked the WBG to provide knowledge, advice and financial support to help concerned countries strengthen social safety nets and facilitate the movement of capital and labor toward sectors that will be more productive and sustainable in the post-pandemic context, while providing the innovation needed to open up trade finance for SMEs.

Moreover, the committee noted the importance of an immediate response in public health, food security and education. Thus, it called on all countries to support the availability of medical and food supplies on which developing countries depend to avoid the risk of a wider health crisis and famine. The WBG is working hard to encourage the development of comprehensive debt solutions that at least include debt suspension, debt relief, debt resolution and debt transparency. The WBG welcomed the G20's initial agreement on a "Common Framework for Debt Treatments beyond the DSSI", which was also agreed to by the Paris Club. Furthermore, it encouraged the proposal of actions to address fiscal and debt stress on a case-by-case basis for middle-income countries by making additional resources available in these tough times in line with the capital package commitments.

Bank for International Settlements (BIS) and Basel Committee on Banking Supervision (BCBS)

The BIS held its 90th annual general meeting and issued its annual economic report in June 2020.

The report focused on COVID-19 containment measures and policy interventions, as health, social and economic impacts are expected to be deeper and longer-lasting than the impacts of the global financial crisis in 2008. The report applauded the role of national and international cooperation and the policy measures taken by governments and central banks. It noted that the magnitude and scope of the financial, monetary and precautionary responses to the COVID-19 pandemic are unprecedented, despite the increasing vulnerabilities in the pre-pandemic period, especially in the non-banking financial sector. Although the current banking systems enjoy better capital and more liquidity than they did in 2008, the measures of central banks aim to prevent the real crisis from developing into a financial crisis. Moreover, the report indicated that during the current digital age, central banks play a tripartite role in payment and settlement systems, which includes stimulation, operation and supervision. The report also discussed issues related to digital currencies of central banks and digital technologies.

In addition to its extended contribution to several committees of the BIS, SAMA joined the Committee on the Global Financial System (CGFS) in 2020. The CGFS monitors developments in the financial sector and analyzes the effects on financial stability and central banks' policies. SAMA also participates in one of the most vital BIS committees: the Basel Committee on Banking Supervision (BCBS), which is concerned with setting basic global standards for the prudential regulation of banks and providing a forum for regulatory cooperation on banking supervision issues since 1974. The BCBS has coordinated a set of regulatory and supervisory measures to mitigate the effects of the pandemic by allowing banks to lend and provide financial services to the real economy, while preserving their ability to mitigate losses in an orderly manner. Besides, the BCBS has worked to make operational

capacity available in member banks and supervisory authorities in response to the pandemic.

Financial Stability Board (FSB)

The FSB held its last meeting for the year 2020 in November. Members discussed its report “Holistic Review of the March Market Turmoil” and the COVID-19 developments in preparation for submitting the report to the Riyadh Summit in the G20. Additionally, members agreed to regulate the work of non-bank financial intermediation sector (NBFI), including the policy action plan for money market funds (MMFs).

The meeting also addressed the FSB work program for 2021 and the deliverables proposed by the Italian G20 Presidency that complement the work initiated by the Saudi G20 Presidency toward implementing the G20 Roadmap to Enhance Cross-Border Payments. Members also discussed the FSB high-level recommendations for regulation, supervision and oversight of “global stablecoin” (GSC) arrangements. Moreover, members exchanged views on the extent to which the FSB program is balanced between meeting the constant need to respond to the challenges arising from the COVID-19 pandemic and working on other financial stability issues. They submitted proposals to enhance setting of priorities in the work program. They also addressed the need to redouble the FSB work on the implications of climate change for financial stability and on the climate-related financial disclosures.

The Group of Twenty (G20)

The Kingdom of Saudi Arabia chaired the G20 meetings in 2020. The agenda of the meetings centered around realizing the opportunities of the 21st century for all by empowering people, safeguarding the planet and shaping new frontiers. In response to the emergence of COVID-19 crisis, the Saudi G20 Presidency called for an Extraordinary

G20 Leaders’ Summit, which was held virtually in March 2020. The Summit discussed ways to move forward in coordinating global efforts to fight the COVID-19 pandemic, reduce its impact on people, protect lives, protect the global economy, preserve financial stability, restore confidence, minimize disruptions to trade and global supply chains, provide assistance to all countries in need, and enhance global cooperation and coordination on public health and financial measures. The Summit reached a number of exceptional decisions, including the development of the G20’s Debt Service Suspension Initiative (DSSI) and the G20 Action Plan in Response to the COVID-19 Pandemic.

The G20 leaders met for the second time under the Saudi Presidency at the G20 Leaders’ Summit, which was held virtually on November 21 and 22, 2020. The G20 leaders reiterated the commitments made at the Extraordinary Summit and agreed on the need to coordinate global action, solidarity and multilateral cooperation more than ever before. This coordination is aimed at responding to the current challenges resulting from the pandemic. In addition, the G20 leaders agreed on the need to mobilize the necessary resources to meet urgent financing needs in global health to support research, development, manufacturing and deployment of safe and effective treatments and vaccines. The Summit affirmed that the global economic activity has partially recovered due to the gradual reopening of the G20 economies and the adoption of important policy measures, despite the sharp contraction in the global economy in 2020. It is worth mentioning that Saudi Arabia has donated \$500 million to support international efforts in fight against COVID-19. The financial aid has supported emergency preparedness and response; development and deployment of new diagnostics, therapeutics and vaccines; and fulfillment of unmet needs for international surveillance and coordination. This contribution came to fulfil the

commitments made at the Extraordinary G20 Leaders' Summit, which was called for and chaired by the Custodian of the Two Holy Mosques.

Moreover, the G20 leaders affirmed their determination to continue to use all available policy tools as appropriate to protect people's lives, jobs and sources of income and to support the global economic recovery. The Summit reaffirmed the exchange rate commitments made by the finance ministers and central bank governors in March 2018. The G20 leaders expressed their commitment to take immediate and exceptional measures to confront the COVID-19 pandemic by applying unprecedented fiscal, monetary and financial stability actions consistent with governments' and central banks' respective mandates. They also reiterated their commitments to continue supporting emerging, developing and low-income countries and to take the necessary actions to support recovery and achieve sustainable, balanced and inclusive growth. In addition to that, they committed to implementing the DSSI, including its extension through June 2021, allowing DSSI-eligible countries to suspend official bilateral debt service payments. The leaders also endorsed the Common Framework for Debt Treatments beyond the DSSI.

Furthermore, the G20 leaders committed to shaping a strong, sustainable, balanced and inclusive post-COVID-19 era and to taking the actions necessary to better prepare for any future crisis. The Summit focused on preparing a development plan that includes issues of health, trade and investment, transportation and travel, international financial architecture, and infrastructure investment. In addition, G20 members affirmed their commitment to the adherence to the Financial Stability Board's principles that support national and international responses to COVID-19 pandemic. The Summit discussed issues related to digital economy, international taxation and anti-corruption, and

highlighted the need to accelerate efforts to ensure an inclusive recovery that tackles inequalities by achieving sustainable development and ensuring access to opportunities. For example, the G20 leaders endorsed the G20 Menu of Policy Options to Enhance Access to Opportunities and the G20 High-level Policy Guidelines on Digital Financial Inclusion for Youth, Women and SMEs. Additionally, the leaders welcomed the 2020 G20 Financial Inclusion Action Plan, which will guide the work of the Global Partnership for Financial Inclusion (GPFI) for the next three years.

The leaders also endorsed the Circular Carbon Economy (CCE) Platform, with its 4Rs framework (Reduce, Reuse, Recycle and Remove), realizing the key importance of reducing emissions. In addition, they reiterated the importance of agriculture to ensure food security and the importance of water as being essential for human life. At the end of the Summit, the G20 leaders expressed their appreciation to Saudi Arabia for successfully hosting Riyadh Summit, indicating that they look forward to the next Summit in Italy in 2021.

Organization of the Petroleum Exporting Countries (OPEC)

The 12th OPEC and non-OPEC Ministerial Meeting was held virtually in December 2020. The meeting reaffirmed the continued commitment of the producing countries participating in the Declaration of Cooperation (DoC) to maintaining a stable oil market, the mutual interest of oil-producing countries, the efficient and secure economic supply to consumers, and a fair return on invested capital. Furthermore, the meeting recalled the decisions taken by the participating countries in the extraordinary meetings held in April and June, including the unanimous decisions to adjust cuts in overall crude oil production.

The meeting welcomed the positive performance

in overall conformity levels to the production adjustments, and the constructive response from many countries to the compensation mechanism in accommodating their underperformed volumes. The DoC participants agreed to hold monthly OPEC and non-OPEC ministerial meetings to assess market conditions and decide on further production adjustments.

Islamic Financial Services Board (IFSB)

The IFSB is an international standard-setting organization that enhances the soundness and stability of the Islamic financial services industry. The IFSB issues global prudential standards for the industry that includes banking, capital markets and Takaful insurance sectors. The IFSB regulatory standards complement and are consistent with the existing international standards for the regulation of the financial services sector. It is worth noting that Saudi Arabia has been a member of the IFSB since its establishment in 2002. At the end of 2020, the IFSB members reached 188. Moreover, SAMA will host the 15th IFSB Summit in 2021.

The IFSB has issued more than 30 prudential standards, the most important of which is the IFSB-17 “Core Principles for Islamic Finance Regulation” (CPIFR). In May 2018, the IMF approved the endorsement of the CPIFR for the banking sector and their assessment methodology for the purpose of undertaking financial sector assessments and preparing Reports on the Observance of Standards and Codes (ROSCs). The Financial Stability Board (FSB) also approved the inclusion of the CPIFR into its Compendium of Standards in December 2019.

Financial Action Task Force (FATF)

The FATF Plenary Meeting, held in October 2020, focused on the uncertain economic recovery from the COVID-19 pandemic, which resulted in an increase in the number of cases of financial fraud, such as investment fraud and adapted cyber-crime scams. The meeting also stressed that it is

important that countries and public authorities take the necessary measures, including the adoption of a risk-based approach, to prevent or mitigate the emerging risks and trends of money laundering and terrorist financing linked to the pandemic. With nearly 200 countries and jurisdictions committed to implementing the FATF Recommendations, the meeting emphasized the importance of enhancing cooperation with the FATF-Style Regional Bodies (FSRBs) in order to improve the implementation of the FATF Standards across the whole Global Network, taking into account COVID-19 impacts. The delegates also discussed the FATF’s strategic initiative, including policy responses to the COVID-19 pandemic with regard to mutual evaluation, follow-up processes and processes to monitor jurisdictions under increased monitoring. In addition, the meeting highlighted the ongoing work to develop new FATF guidance on proliferation financing risk assessment and mitigation. This guidance will provide further clarity to countries and the private sector on implementation of the new requirements to avoid unintended consequences, such as financial exclusion.



SAUDI ECONOMY



Saudi Economy

The world faced exceptional circumstances in 2020 at all levels, including the economic one, as the COVID-19 pandemic cast its shadow on the global economy. As part of the global economic system, the Saudi economy contracted by 4.1 percent in 2020. This economic contraction was mainly attributable to a decline in the oil sector as the world demand for energy products declined due to the closure of world economies and the lockdown measures.

The non-oil sector also contracted due to the precautionary measures aimed to limit the spread of COVID-19, including the closure of domestic markets and the curfew. The closure and curfew lasted for more than three months and affected most of the main economic activities in various degrees. However, the Saudi economy has shown remarkable resilience in containing the economic spillovers. Saudi Arabia has been able to mitigate the effects and consequences of the pandemic prudentially. It has also set an example to the world with the efforts exerted by its various institutions and sectors in facing the pandemic and maintaining the gains. In 2020, Saudi Arabia chaired the G20 and achieved resounding success in its Presidency and in hosting the Summit virtually despite the pandemic circumstances. Moreover, many historic initiatives and outputs were launched to support and reform the global economy and overcome the health, social and economic impacts of the COVID-19 pandemic.

Economic Growth

GaStat preliminary data indicate that GDP at constant prices (2010=100) contracted by 4.1 percent to SAR 2,531.4 billion during 2020

compared to a growth of 0.3 percent in 2019. This contraction was attributed to a decline of 6.7 percent, compared to a decline of 3.6 percent in 2019, in the oil sector due to Saudi Arabia's low oil production in response to the significant decline in world oil demand as a result of the repercussions of the COVID-19 pandemic. Similarly, the non-oil sector registered a decline of 2.3 percent in 2020 compared to a rise of 3.3 percent in the preceding year. The non-oil private sector fell by 3.1 percent in 2020 against a growth of 3.8 percent in the preceding year. Moreover, the non-oil government sector decreased by 0.5 percent in 2020 compared to a rise of 2.2 percent in 2019.

Most major economic production activities at constant prices contracted in 2020, albeit at varied rates (Table 2.2). Manufacturing industries fell by 7.7 percent; mining and quarrying by 6.0 percent; transportation, storage and communications by 6.0 percent; wholesale and retail trade, restaurants and hotels by 4.8 percent; community, social and personal services by 4.2 percent; electricity, gas and water by 2.1 percent; agriculture, forestry and fishing by 1.7 percent; and construction and building by 0.4 percent. On the other hand, finance, insurance, real estate and business services grew by 0.8 percent. In addition, producers of government services increased by 0.4 percent.

Domestic Supply and Demand

The total supply of goods and services from the non-oil sector (at current prices) recorded a decrease of 3.4 percent in 2020. The non-oil GDP (at current prices) decreased by 1.5 percent. The government sector and private sector fell by 0.7 percent and 1.9 percent, respectively. Total imports of goods and services also decreased by 9.9 percent.

The total demand for goods and services by the non-oil sector (at current prices) recorded a decline of 4.5 percent in 2020. The final consumption increased by 0.6 percent due to a 5.6 percent

increase in the consumption expenditure of the government sector despite a 2.5 percent decline in the consumption expenditure of the private sector. Gross capital formation, however, declined by 9.1 percent (Table 2.3).

Furthermore, non-oil exports witnessed a significant decline of 24.2 percent, with service exports declining sharply by 57.7 percent in 2020 as compared to an increase of 18.1 percent in 2019. Commodity exports recorded a decline of 10.8 percent in 2020 compared to a decline of 2.7 percent in the preceding year (Table 2.3).

Inflation

The average consumer price index (CPI) increased by 3.5 percent in 2020 against a 2.1 percent decline in 2019. This rise was attributable to the increase of VAT rate from 5 percent to 15 percent as of July 2020. Most of the CPI's components recorded increases, including food and beverages; tobacco; communication; home furnishing, equipment and maintenance; restaurants and hotels; miscellaneous goods and services; clothing and footwear; recreation and culture; and health. In contrast, education as well as housing, water,

Table 2.1: Selected Economic Indicators

	2019	2020
Estimated population (million)	34.2	35.0
GDP at current prices (billion SAR)	2,973.6	2,625.4
GDP at constant prices (billion SAR) (2010=100)	2,639.8	2,531.4
Non-oil GDP deflator	132.7	133.8
Inflation rate (consumer prices)	-2.1	3.4
Aggregate money supply M3 (billion SAR)	1,985.1	2,149.3
Daily average of oil production (million barrels)	9.8	9.2
Average price of Arabian Light oil* (USD)	65.0	41.9
Riyal's effective exchange rate (2010=100)	112.1	115.0
Currency in circulation to total money supply ratio	9.5	9.6
Deposits to money supply ratio	90.5	90.4
Net foreign assets of domestic banks (billion SAR)	70.5	68.0
Interest rates on Saudi riyal deposits (3 months)**	2.6	1.2
Bank capital adequacy ratio (Basel III)	19.4	20.3
Actual government revenues (billion SAR)	926.8	781.8
Oil revenues (billion SAR)	594.4	413.0
Actual government expenditures (billion SAR)	1,059.4	1,075.7
Budget deficit (billion SAR)	-132.6	-293.9
Budget deficit to GDP ratio	-4.5	-11.2
Commodity Exports (billion SAR)***	981.0	652.0
Commodity imports CIF (billion SAR)	574.4	559.9
Current account surplus to GDP ratio	4.8	-2.8
Current account (billion SAR)	143.4	-73.7
Tadawul All Share Index (TASI) (1985 = 1,000)	8,389.2	8,689.5
Public debt to GDP ratio	22.8	32.5

* OPEC numbers.

** Interbank offered rates (SAIBOR).

*** Including oil & non-oil exports.

Source: GaStat, MoF, MoE, CMA & SAMA.

electricity, gas and other fuels recorded decreases. Furthermore, the wholesale price index (WPI) increased by 3.4 percent in 2020 against a rise of 1.9 percent in 2019. The non-oil GDP deflator rose by 0.9 percent in 2020, which is the same rate of increase registered in 2019.

Energy, Industry and Mineral Resources

Data of the Organization of Petroleum Exporting Countries (OPEC) for 2020 show a decrease of 35.5 percent in the average price of the Arab Light crude oil to \$41.91 per barrel from \$64.96 per barrel in 2019. According to the Ministry of Energy (MoE) data, Saudi Arabia's crude oil production declined by 5.8 percent to 3,372.0 million barrels

in 2020. The average daily production of crude oil decreased by 6.1 percent to 9.2 million barrels in 2020 compared to 9.81 million barrels in 2019 (Table 2.1).

With regard to electricity, the Saudi Electricity Company (SEC)'s sales of electricity in 2020 amounted to 289.3 million megawatt-hours (MWh). By type of consumption, residential consumption accounted for 47.6 percent (137.7 million MWh) of total electricity consumption in Saudi Arabia, followed by industrial consumption with 20.0 percent (57.9 million MWh). Commercial consumption came third with 14.4 percent (41.6 million MWh), followed by government consumption with 12.3 percent (35.5 million

Table 2.2: Gross Domestic Product by Economic Sector at Producers' Values at Constant Prices (2010=100)

(Million SAR)				
	2018	2019	2020*	Change 2020
A. Industries and other producers (excluding government services' producers)				
1. Agriculture, forestry & fishing	60,617	61,410	60,361	-1.7
2. Mining & quarrying	1,046,918	1,008,789	948,356	-6.0
a. Crude petroleum & natural gas	1,036,740	998,125	937,605	-6.1
b. Other mining & quarrying activities	10,178	10,664	10,751	0.8
3. Manufacturing	318,529	313,553	289,323	-7.7
a. Petroleum refining	94,376	91,370	79,093	-13.4
b. Other industries	224,153	222,183	210,230	-5.4
4. Electricity, gas & water	34,776	33,398	32,690	-2.1
5. Construction	113,172	118,381	117,861	-0.4
6. Wholesale & retail trade, restaurants & hotels	231,569	246,085	234,391	-4.8
7. Transport, storage & communication	154,946	163,618	153,775	-6.0
8. Finance, insurance, real estate & business services	257,692	271,938	274,231	0.8
a. Real estate activities	137,934	142,621	143,170	0.4
b. Others	119,758	129,317	131,061	1.3
9. Community, social & personal services	52,918	56,591	54,234	-4.2
10. Less imputed bank services charge	21,232	21,966	23,444	6.7
B. Government services	366,165	371,677	373,195	0.4
Total (excluding import duties)	2,616,070	2,623,474	2,514,973	-4.1
Import duties	15,021	16,338	16,432	0.6
GDP	2,631,091	2,639,811	2,531,405	-4.1

* Preliminary data.
Source: GaStat.

MWh). The peak load of electricity was 62,000 megawatts in 2020, and the actual capacity of electricity generation was 64,001 megawatts.

As for industry and mineral resources, the latest data issued by the Ministry of Industry and Mineral Resources (MIM) show that Saudi Arabia's revenues from mining reached SAR 4.9 billion. In addition, the number of direct and indirect jobs in this sector reached 150 thousand, mostly in the intermediate and manufacturing industries. At the end of 2020, the number of valid mining licenses stood at 2,062. These include 69 licenses for small-sized mines, 70 for raw material quarries, 33 for mining, 1,334 for construction material quarries and 556 for exploration of gold and associated minerals. Moreover, MIM allocated nine mining complexes as well as 54 mineral reserve sites with an area of 4,000 square kilometers. The number of approved mining complexes and mineral reserves reached 428 with an area of over 69,000 square kilometers distributed all over Saudi Arabia. According to MIM's preliminary estimates for 2020, the output of gold stood at 13,222 kg, and that of silver stood

at 7,479 kg. The output of copper and zinc reached 92,915 tons and 54,448 tons, respectively. Based on MIM's data, more than 479 field trips were carried out in various regions of Saudi Arabia to renew licenses and monitor mineralized sites. Moreover, 1,500 visits were made to rehabilitate mineralized sites. MIM also participated in more than 188 joint government committees. These committees aimed to consider the reservation of these sites, follow up on mining investments and protect the environment. In addition, it reviewed 1,510 requests for title deeds received from Sharia courts and checked its databases to ensure that the geographical coordinates included in such requests are not located within the mining areas.

Money Supply and Banking Activity

Broad money supply (M3) increased by 8.3 percent to SAR 2,149.3 billion in 2020 compared to an increase of 7.1 percent in 2019. Bank deposits, which represented 90.4 percent of M3, recorded an increase of 8.2 percent compared to an increase of 7.3 percent in 2019. Currency in circulation also grew by 9.1 percent compared to a growth of 5.0

Table 2.3: Total Domestic Non-Oil Sector's Supply and Demand (At Current Prices)

	(Million SAR)			
	2018	2019	2020*	Change 2020
Total supply**	2,458,194	2,600,425	2,513,215	-3.4
Non-oil GDP	1,944,202	2,026,064	1,995,724	-1.5
Government	643,346	671,743	667,175	-0.7
Private	1,300,856	1,354,322	1,328,548	-1.9
Total imports	513,993	574,361	517,491	-9.9
Total demand	2,775,578	2,844,114	2,717,523	-4.4
Final consumption	1,844,341	1,866,990	1,877,824	0.6
Government	726,101	709,171	749,112	5.6
Private consumption	1,118,241	1,157,819	1,128,712	-2.5
Gross capital formation	618,793	657,030	596,918	-9.1
Non-oil exports	312,444	320,095	242,781	-24.2
Commodity exports	235,458	229,184	204,352	-10.8
Service exports	76,985	90,910	38,429	-57.7

* Preliminary data.

** The mismatch between supply and demand is because total imports and gross capital formation include oil imports.

Source: GaStat.

percent in 2019. A breakdown of the components of bank deposits to M3 in 2020 indicates that demand deposits constituted 59.7 percent, time and savings deposits 22.1 percent, and other quasi-money deposits 8.7 percent. A breakdown of deposits by sector at the end of 2020 shows that deposits of the private sector increased by 9.2 percent to SAR 1,518.3 billion, constituting 78.1 percent of total bank deposits. The public sector's deposits also increased by 4.7 percent to SAR 424.7 billion at the end of 2020, accounting for 21.9 percent of total bank deposits.

Moreover, a breakdown of bank claims on the private and public sectors at the end of 2020 shows that total bank claims on the private sector went up by 14.0 percent to SAR 1,762.4 billion, accounting for 90.7 percent of total bank deposits in 2020 against 86.1 percent in 2019. In addition, total bank claims on the public sector increased by 16.2 percent to SAR 517.5 billion, representing 26.6 percent of total bank deposits. Consequently, total claims on both sectors at the end of 2020 increased to 117.3 percent of total bank deposits against 110.9 percent at the end of the preceding year.

Data of the consolidated financial position of commercial banks at the end of 2020 indicate an increase of 20.4 percent in commercial banks' reserves to SAR 288.2 billion compared to an increase of 7.4 percent in the preceding year. Therefore, capital and reserves of commercial banks increased by 9.9 percent to SAR 377.1 billion compared to an increase of 13.0 percent in the preceding year. Accordingly, the ratio of capital and reserves to total bank deposits increased to 19.4 percent. However, the ratio of capital and reserves to total assets declined to 12.7 percent at the end of 2020. The ratio of capital to risk-weighted assets according to Basel standard (Capital Adequacy Ratio) stood at 20.3 percent, which is the ratio recommended by Basel Committee. Commercial

banks' profits decreased by 23.1 percent to SAR 38.7 billion in 2020 compared to an increase of 4.5 percent in 2019.

Insurance Sector

The insurance penetration rate (gross written premiums to non-oil GDP) in Saudi Arabia stood at 1.48 percent in 2020, up from 1.27 percent in the preceding year. Net written premiums (gross written premiums less the share of reinsurance) amounted to SAR 31.9 billion, constituting 82.5 percent of gross written premiums in 2020 against 83.6 percent in 2019.

Domestic Stock Market

The Tadawul All Share Index (TASI) registered an annual rise of 3.6 percent to 8,689.5 points at the end of 2020. The market capitalization of issued shares rose by 0.8 percent to SAR 9,101.8 billion at the end of 2020 from SAR 9,025.4 billion at the end of the preceding year. In addition, the number of shares traded in 2020 increased by 134.7 percent to 79.3 billion with a value of SAR 2,087.8 billion.

Public Finance

Actual revenue and expenditure data for fiscal year 2020 (1441/1442H) indicate that revenues declined by 15.6 percent to SAR 781.8 billion compared to SAR 926.8 billion in 2019. This decline was attributable to a decrease of 19.5 percent in oil revenues to SAR 413.1 billion. Non-oil revenues, on the other hand, increased by 15.2 percent to SAR 368.8 billion. Moreover, actual expenditures rose by 1.5 percent to SAR 1,075.7 billion compared to SAR 1,059.4 billion in 2019. The actual deficit also rose by 121.6 percent to SAR 293.9 billion in 2020 from SAR 132.6 billion in 2019.

Current Account and External Trade

Estimates of Saudi Arabia's balance of payments indicate that the current account declined in 2020, recording a deficit of SAR 73.7 billion or 2.8 percent of GDP. Preliminary figures of external

trade indicate a decrease of 24.8 percent from the preceding year in the volume of Saudi Arabia's commodity trade to SAR 1,169.4 billion in 2020. This decrease was attributed to a decline of 33.5 percent in the value of total exports to SAR 652.0 billion, with oil exports declining by 40.5 percent to SAR 447.6 billion and non-oil exports by 10.8 percent to SAR 204.4 billion. Similarly, commodity imports decreased by 9.9 percent to SAR 517.5 billion in 2020.

Trade and Investment

The Ministry of Commerce (MC) issued in 2020 commercial registers for 17,768 various new companies, a decline of 8.9 percent from 19,533 companies in 2019. The number of valid commercial registers of companies up to the end of 2020 amounted to 185.1 thousand. A breakdown of existing commercial registers by region up to the end of 2020 shows that Riyadh region accounted for the largest share with 41.5 percent of the total, followed by Makkah region with 24.9 percent and then the Eastern Region with 18.9 percent.

Tourism

According to the latest data of the Ministry of Tourism (MT), expenditure on domestic tourism trips declined by 29.2 percent to SAR 43.3 billion in 2020 compared to SAR 61.2 billion in 2019. This decline was attributed to a decrease in expenditure on tourism trips due to the precautionary measures taken to limit the spread of COVID-19. In addition, expenditure decreased by 55.8 percent on religious tourism, 29.8 percent on visits to relatives and friends, 20.5 percent on vacation trips, 4.6 percent on business-related trips, and 11.8 percent on other purposes.

On the other hand, expenditure on inbound tourism trips sharply declined by 80.6 percent to SAR 20.1 billion in 2020 against SAR 103.4 billion in 2019. This decline was attributed to a decrease in expenditure on tourism trips due to the suspension of inbound tourism as a result of the COVID-19

pandemic. Expenditure decreased by 83.7 percent on religious tourism, 83.4 percent on business-related trips, 68.2 percent on visits to relatives and friends, 61.7 percent on vacation and shopping trips, and 1.41 percent on other purposes. In addition, expenditure on outbound tourism trips also declined markedly by 67.7 percent to SAR 22.0 billion in 2020 against SAR 68.1 billion in 2019.

Agriculture, Water and Animal Husbandry

Water

The number of water desalination plants in Saudi Arabia stood at 32 spread over the eastern and western coasts, 9 of which were on the Arabian Gulf coast and 23 were on the Red Sea coast. The production of desalinated water by the Saline Water Conversion Corporation (SWCC) was 1,884 million cubic meters in 2020 versus 1,886.3 million cubic meters in 2019, with an average daily production of 5.9 million cubic meters against 5.2 million cubic meters per day in the preceding year. The amount of electric energy produced at SWCC's plants in 2020 reached 46.7 million MWh.

Data of SWCC indicate that the total capacity of its water transport systems exceeds 8.2 million cubic meters per day. The amount of water actually transported reached 2.41 billion cubic meters in 2020, with the private sector desalination plants contributing with 673.2 million cubic meters. As for the amount of desalinated water by administrative region, Makkah region constituted 34.4 percent, followed by Riyadh region with 26.4 percent and the Eastern Region with 19.4 percent. The average water consumption per person in Saudi Arabia amounted to 284 liters per day.

The number of dams constructed across Saudi Arabia in 2020 rose by 10 dams to 532 with a total storage capacity of 2.3 billion cubic meters. Moreover, 116 sewerage projects were carried out and completed in 2020. These projects included

the installation of sewerage connections and the construction of lines, main and subsidiary networks, and wastewater treatment plants to reduce the environmental impacts of wastewater and increase the sewerage service coverage across Saudi Arabia. At the end of 2020, the sewerage service coverage reached 58.1 percent. Besides, 1,500 km of sewerage system networks were constructed, and 60,694 sewerage connections were installed.

Agricultural Production

According to latest estimates issued by the General Authority for Statistics (GaStat) for 2019, agricultural production volume stood at 14.4 million tons. A breakdown of agricultural production shows that production of fodder reached 9.1 million tons, vegetables 1.9 million tons, grain 1.5 million tons, and fruit 1.9 million tons. The total cultivated area of fodder, grain and vegetables in Saudi Arabia reached 843 thousand hectares, of which fodder cultivation constituted 57.8 percent, grain 31.9 percent, and vegetables 10.3 percent.

Animal Production

Statistics issued by the Ministry of Environment, Water and Agriculture (MEWA) indicate that Saudi Arabia's livestock total (camels, sheep, goats, cows and poultry) was estimated at 35.3 million heads in 2020.

Wildlife

Since its establishment, the National Center for Wildlife (NCW) has been working to preserve wildlife, biodiversity, and ecosystems to achieve environmental sustainability and maximize social and economic benefits. The number of nature reserves in Saudi Arabia stood at 16, constituting 4.3 percent of the country's total surface area. This comes as part of the National Program for Wildlife Reintroduction and in implementation of the National Strategy of Wildlife and Environmental

Protection so as to achieve the objective of sustainable development in accordance with the Saudi Vision 2030.

Transport and Communications

The transport, storage and communications activity contributed 6.1 percent of real GDP at constant prices or SAR 153.8 billion in 2020, compared to 6.2 percent in 2019.

Transport

Transport operations (including inter-city travel in Saudi Arabia and overseas travel by air, land and sea) recorded a decline of 63.0 percent in 2020 due to the COVID-19 pandemic. The number of passengers fell to 41.3 million from 111.6 million in the preceding year (Table 2.4).

According to its latest data, the Ministry of Transport (MoT) carried out many significant projects during 2020, including the construction of roads totaling 3,928 km, of which 193 km were highways, 1,870 km were secondary roads, and 1,865 km were feeder roads. A number of construction projects are underway, totaling 9,112 km with a total cost exceeding SAR 31.2 billion.

As regards the latest railway project developments, the latest data issued by the Transport General Authority indicate the official start of the implementation of the framework agreement for the Saudi Landbridge Project connecting Saudi Arabia's ports on the Arabian Gulf coast with its ports on the Red Sea coast. The project is carried out in four main phases. The first phase was completed, and work has officially started on the second and third phases. Further, preliminary designs for the GCC Railway project have been completed. The railway connects the GCC countries with a total length of 2,117 km, of which 663 km is inside Saudi Arabia, representing 31 percent of the total length. The construction work of the 187-km railway linking Ras Al Khair, Jubail Industrial City and Dammam is underway. As for southern

roads project, the Transport General Authority is currently updating the comprehensive plan of the project.

According to the latest data and information issued by the General Authority of Civil Aviation (GACA), the number of airports operating in Saudi Arabia stood at 28 (seven international airports, eight regional airports, and 13 domestic airports). Nine domestic airports are witnessing expansion projects. In addition, some international terminals at King Khalid International Airport in Riyadh are being currently upgraded. Furthermore, the number of national airlines licensed to operate in Saudi Arabia reached 5, namely the Saudi Arabian Airlines (Saudia), flynas, SaudiGulf Airlines, Nesma Airlines, and flyadeal.

According to the data of the Saudi Ports Authority (Mawani), the actual execution of outsourcing contracts for the development of container terminals at Jeddah Islamic Port has started with the aim of raising the capacity of container terminals by 70 percent to reach more than 165 million containers annually, compared to 7.6 million containers currently. Mawani has launched four transcontinental shipping lines to enhance the link between Saudi Arabian ports and East-West ports, which can contribute to promoting Saudi exports, national industries, and trade and global supply chains between Saudi Arabia and other countries of the world. The data also indicate a

notable increase in the number of transshipment containers by 12.2 percent over 2019. In addition, the number of containers handled at Mawani's ports increased by 4.4 percent to 7.3 million in 2020. The total volume of cargos handled at ports reached 299 million tons in 2020. The number of ships docked at ports was 11,482 carrying a total of 491 thousand passengers in 2020.

Telecommunication and Information Technology

One of the most prominent achievements of the communications and information technology sector during 2020 was that Saudi Arabia became the top Digital Riser within the G20 in digital competitiveness as reported by the European Center for Digital Competitiveness, advancing with 149 points according to the evaluation mechanism used. In addition, Saudi Arabia was awarded the Government Leadership Award 2020 by the Mobile World Congress (MWC2020) for its excellence and efforts in developing the best policies and regulations that support the digital economy, stimulating investment and creativity, and contributing to achieving sustainable development goals. Saudi Arabia also ranked first globally in the average speed of the 5G Internet, which stood at 315.5 Mbps at the end of 2020.

The number of broadband subscriptions through landlines (DSL, WiMAX, optical fiber, and other wired lines) reached 2.2 million, with household

Table 2.4: Transport of Passengers

Type of transport	2019	2020
	No. of passengers (Million)	No. of passengers (Million)
Air transport	103.4	37.4
Land transport	6.9	3.4
Railway	1.8	0.9
Inter-city transport	5.1	2.5
Maritime transport	1.3	0.5
Total	111.6	41.3

Source: Ministry of Transport, General Authority of Civil Aviation, Saudi Railways Organization & Saudi Ports Authority.

penetration rate standing at 35.6 percent. Moreover, the use of mobile data increased by 34 percent as the average data consumption per user in Saudi Arabia exceeded the global average of about 200 MB and reached 920 MB per user. The Internet penetration rate in Saudi Arabia increased to 97.5 percent by the end of 2020 against a penetration rate of 95.7 percent at the end of 2019. Qassim region and the Eastern Region ranked first in terms of the Internet penetration rate among individuals with 97.4 percent, while Makkah region accounted for the largest share in terms of the Internet penetration rate among establishments with 99.2 percent. The rate of Internet access in populated areas increased to 99 percent. Therefore, Saudi Arabia topped the G20 list together with Japan and South Korea as the countries with the least digital divide of 1 percent as the average rate in the G20 countries ranges between 30 and 40 percent.

Financial statements of telecommunication companies show that they yielded total direct revenues of SAR 81.3 billion from their operations in Saudi Arabia in 2020, a 6.0 percent rise over the preceding year (Chart 2.1).

Saudi Post

In 2020, Saudi Arabia jumped 18 ranks in the Universal Postal Union's Integrated Index for Postal Development (2IPD) to become 50th globally and second in the Arab world. The Saudi Post launched a number of initiatives during the COVID-19 pandemic to help facilitate the precautionary measures taken. An example was the service of free home delivery of medicines as 100 thousand prescriptions were delivered to patients in Saudi Arabia, in addition to delivering food baskets and shipments to customers in their homes. Data of the Saudi Post indicate that the rate of compliance with delivery dates reached 92 percent, compared to 90 percent in 2019, and that more than 15 million postal items were delivered to customers

during 2020. Furthermore, the Saudi Post launched the Post Business product in partnership with Google to allow owners of small, medium and large enterprises to verify their information on Google Maps application. It also launched a number of projects to enhance its operations, with a total value of more than SAR 180 million, including the cybersecurity control management (24/7) project and the development of the platform for shipment delivery tracking.

E-Commerce

The E-Commerce Council issued the Implementing Regulations of the E-commerce Law, which include rules promoting transparency, protecting data, addressing cases of refund and cancellation, and facilitating the registration of e-stores in the commercial register. Moreover, the Ministry of Communications and Information Technology (MCIT) launched several initiatives to ensure life and business continuity during the curfew period of the pandemic, including launching 46 delivery platforms and applications approved by the Communications and Information Technology Commission until September 2020, in addition to 16 companies licensed to transport packages. This resulted in a notable increase in the rate of Saudi delivery drivers. The number of completed requests reached 26 million with a value of more than SAR 2 billion and a 250 percent growth rate in terms of the number of delivery requests across Saudi Arabia.

Education, Health and Social Services Public Education

The total number of public education students (in elementary, intermediate and secondary schools) amounted to 5.9 million during the academic year 2019/2020. The number of teachers at all levels of public education stood at 490 thousand. The number of schools stood at 27.8 thousand, 14.2 thousand of which were schools for girls (accounting for 51.1 percent of the total number

of schools). The Ministry of Education launched the “Madrasati” platform to ensure the continuity of educational processes for all levels of public education in terms of teaching lessons, doing assignments, and taking tests. The Ministry also launched 23 educational channels in conjunction with the platform, aiming to meet the needs of students and facilitate their access to knowledge.

Higher Education

The total number of students enrolled in higher education institutions in Saudi Arabia during the academic year 2019/2020 stood at 1.9 million. The number of newly-enrolled students at various institutions of higher education totaled 267 thousand; 83.1 percent of those were at the bachelor’s level, 9.9 percent at the intermediate diploma level, 5.4 percent at master’s level, 0.8 percent at PhD level, and 0.7 percent at higher diploma level. Male students constituted 44.6 percent of the total freshmen enrolled while female students accounted for 55.4 percent. In addition, the total number of graduates from all levels of higher education in Saudi Arabia stood at 233 thousand during the academic year 2019/2020. Of these, 59.0 percent were female graduates and 41.0 percent were male graduates. Moreover, the total number of faculty at institutions of higher education in Saudi Arabia in the academic year 2019/2020 stood at 76 thousand.

Technical, Vocational and Administrative Training

Trainees at the colleges and institutes of the Technical and Vocational Training Corporation (TVTC) totaled 241 thousand during the academic year 2020, receiving their education and training in 278 educational units in various regions of Saudi Arabia. The total number of the teaching staff at TVTC stood at 12 thousand, and the number of (male and female) trainees under private training programs supervised by TVTC totaled 306 thousand in 1,035 educational units. Additionally, the total

number of graduates stood at 275 thousand in the academic year 2019/2020.

On the other hand, the Institute of Public Administration (IPA) continued its training programs aimed at achieving administrative development and meeting customer needs. In the academic year 2020, the IPA organized a number of general and private training courses, applied seminars, symposia, meetings and conferences, some of which were online due to the COVID-19 pandemic and some at its head office in Riyadh as well as its male and female branches in various regions of Saudi Arabia. The number of trainees participating in such activities came to 130.3 thousand. Furthermore, the number of graduates from executed preparatory programs totaled 1,852, of whom 1,375 were graduates of the IPA’s head office in Riyadh and its female branch, while 477 graduates were from preparatory programs delivered by Jeddah and Dammam branches of the IPA. The total number of training staff at IPA reached 956 at the end of 2020, 85.4 percent of whom were Saudis.

Health Affairs

Data issued by the Ministry of Health (MoH) in 2020 indicate that the number of hospitals operating in Saudi Arabia rose to 504, an increase of six hospitals over the preceding year. Of these, 287 were run by MoH, 50 by other government sectors, and 167 by the private sector. In 2020, the number of healthcare centers totaled 2,257 and that of private health complexes reached 3,005. In addition, the number of physicians (including dentists) working in Saudi Arabia stood at 115 thousand (3.3 per 1,000 capita). The number of male and female nurses totaled 197 thousand, and the number of assistant healthcare roles (including pharmacists and other healthcare assistants) stood at 348 thousand. Moreover, the total number of beds in Saudi Arabia’s hospitals rose by 1600 to 78.6 thousand (2.24 per 1,000 capita).

Social Services

The Social Charity Fund (SCF) of the Ministry of Human Resources and Social Development (MHRSD) aims to combat poverty in Saudi Arabia by enabling citizens to access the job market, developing productive family programs, contributing to creating small business incubators, developing social participation, and encouraging the private sector to contribute to social development. Since its establishment, SCF has introduced a number of initiatives and programs aiming at social development and poverty reduction. The following is a brief summary of the most prominent achievements of SCF in 2020:

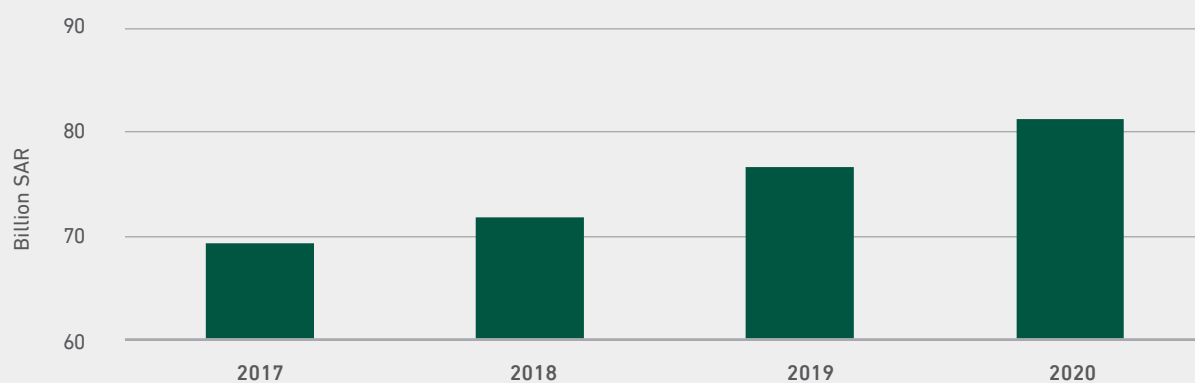
- **Educational scholarship programs:** The number of male and female graduates with bachelor's degrees in various health and administrative majors reached 151, with total expenditure of SAR 12.4 million.
- **Financing guarantee program for small businesses and productive families:** SCF follows up on outstanding loans, in cooperation with a number of non-profit organizations. The number of small businesses benefiting from the program amounted to 77, with a total finance value of SAR 17.7 million. The number of productive families benefiting from the program amounted to 39, and the total value of finance was SAR 600 thousand.

With respect to the activities of charities in Saudi Arabia, total funds disbursed in 2020 reached SAR 540.5 million, which were disbursed to more than 124.7 thousand beneficiaries, compared to SAR 462.3 million in 2019.

Citizen Account

The Saudi government introduced the Citizen Account Program in the last quarter of 2017, with a view to redistributing subsidies and meeting the citizens' need for government benefits in a manner that ensures high spending efficiency and low impact of economic reforms. The program is also aimed at encouraging rationalization of consumption and putting in place a safety net for eligible households, whereby support is paid in cash based on household size. The results of eligibility, which were issued by the MHRSD at the end of 2020, show that the total number of beneficiaries (along with dependents) decreased by 15.7 percent to 10.7 million supported by a total outlay of SAR 25.2 billion, compared to 12.7 million beneficiaries supported by a total outlay of SAR 30.7 billion in 2019. Of these beneficiaries, 62.6 percent received a full allowance, while 28.4 percent received partial support, and 9.0 percent the minimum support (SAR 300).

Chart 2.1: Revenues of Companies Listed in the Telecommunications Sector



SME Financing Guarantee Program (Kafalah)

The SME Financing Guarantee Program (Kafalah) under the General Authority for Small and Medium Enterprises (Monsha'at) supported 7,176 enterprises with total financing of SAR 15.2 billion in 2020, compared to 3,886 enterprises and SAR 7.4 billion in 2019. A breakdown of support by sector shows that enterprises benefiting from Kafalah Program amounted to 3,322 with total financing of SAR 6.1 billion in the trade sector; 1,721 (SAR 4.7 billion) in the building and construction sector; 535 (SAR 1.5 billion) in the industrial sector; 568 (SAR 710.2 million) in the tourism and entertainment sector; 336 (SAR 807.4 million) in the financial and business services sector; 498 (SAR 1.1 billion) in the social and personal services sector; 11 (SAR 36.1 million) in the mining and oil sector; 39 (SAR 113.1 million) in the agriculture and fishing sector; and 47 (SAR 144.7 million) in the electricity, gas and water sector.

Housing

In continuation of its role in achieving its strategic objectives of increasing the supply of housing units and fulfilling the needs of citizens, the Ministry of Housing launched several programs to stimulate the private and public sectors through building strategic partnerships between them. The ministry also financed a number of companies to support construction technologies in the private sector. Moreover, it worked on providing support for rent defaulters of citizens via the "Rent Support Program". Additionally, it developed housing indicators and launched several services to examine the quality of houses built from the ground up by individuals and of ready-made buildings in the market. At the end of 2020, the total number of ready-made residential products under the Developmental Housing Program stood at 424.6 thousand. Riyadh region accounted for the largest share of 26.9 percent, followed by Makkah region with 17.8 percent and the Eastern Region with

17.2 percent of the total ready-made residential products. The number of households benefiting from the housing options totaled 1.1 million, including 424 thousand households with subsidized housing loans. Moreover, 24 thousand housing units under the usufruct system were delivered to the developmental housing beneficiaries. A total of 217 residential districts with completed basic infrastructures were allocated across Saudi Arabia, providing 178.5 thousand residential land lots.

Pension and Social Insurance

The number of subscribers to the civil pension scheme of the Public Pension Agency (PPA) increased by 1.6 percent to 1.26 million at the end of 2020 compared to 1.24 million at the end of the preceding year. The funds (pension deductions and equivalent shares) collected from on-the-job subscribers increased by 4.0 percent to SAR 48.3 billion from SAR 46.4 billion in 2019. On the other hand, total disbursements by the PPA to beneficiaries amounted to SAR 83.2 billion, rising by 6.4 percent over the preceding year. The number of surviving pensioners increased by 6.1 percent to 731.1 thousand. The number of deceased pensioners also rose by 0.9 percent to 263.3 thousand, and the number of heirs benefiting from pension payments increased by 8.9 percent to 525.1 thousand.

Furthermore, the number of private and government establishments subscribing to the social insurance scheme of the General Organization for Social Insurance (GOSI) rose by 13.7 percent and 3.1 percent to 631.1 thousand and 1,329, respectively. However, the number of on-the-job subscribers decreased by 1.8 percent to 8.4 million in 2020 from 8.5 million at the end of the preceding year.

Population

GaStat estimates indicate that the total population of Saudi Arabia in 2020 rose by 2.3 percent to 35.0

million compared to 34.2 million in 2019. Saudis constituted 61.2 percent (21.4 million) of the total. Estimates of Saudi Arabia's population by gender indicate that the male population accounted for 57.8 percent while the female population represented 42.2 percent of the total population. The Saudi male population represented 50.9 percent while Saudi females constituted 49.1 percent of total Saudis. The non-Saudi male population accounted for 68.6 percent and the non-Saudi female population was 31.4 percent of total non-Saudi population of Saudi Arabia (Table 2.5).

Labor Market

Number of Employees in the Public Sector

The latest statistics issued by the MHRSD indicate that the number of employees in the government sector (Saudis and non-Saudis) stood at 1.3 million at the end of 2020. Saudis represented 96.1 percent of total employees in the government sector, with the number of Saudi male employees reaching 725.7 thousand at the end of 2020 and that of Saudi female employees standing at 502.0 thousand. On the other hand, the number of non-Saudi male workers in the government sector amounted to 26.4 thousand, while that of non-Saudi female workers was 23.2 thousand (Table 2.5).

Number of Employees in the Private Sector

The latest figures issued by the MHRSD show that the number of employees in the private sector (Saudis and non-Saudis) was 8.0 million at the end of 2020, a decline of 2.5 percent from the preceding year. The ratio of Saudis working in the private sector to total employees in the sector stood at 21.8 percent.

A breakdown of employees in the private sector shows that the number of Saudi male employees

amounted to 1.1 million at the end of 2020, increasing by 0.5 percent from the preceding year. The number of Saudi female employees reached 599.2 thousand, increasing by 7.7 percent over the preceding year. On the other hand, the number of non-Saudi male employees at the end of 2020 stood at 6.1 million, a 3.9 percent decline from the preceding year. The number of non-Saudi female employees reached 222.8 thousand, decreasing by 4.2 percent from 2019 (Table 2.5).

Unemployment

The latest GaStat data indicate that the overall unemployment rate in Saudi Arabia increased to 7.4 percent in 2020. Unemployed Saudis accounted for 12.6 percent of the total Saudi labor force. Unemployed Saudi males accounted for 7.1 percent of the total Saudi male labor force. Unemployed Saudi females accounted for 24.4 percent of the total Saudi female labor force. Moreover, unemployed non-Saudis reached 2.6 percent of the total non-Saudi labor force in Saudi Arabia (Table 2.5). It is worth noting that Saudi Arabia made great efforts to mitigate the COVID-19 pandemic effects on the labor market and maintain the levels of Saudi employment. Several initiatives and programs were launched in this regard, most notably the payment of monthly compensation to Saudi workers in the private sector through "SANID" scheme.

Specialized Credit Institutions (SCIs)

SCIs continued to provide loans that contribute to the achievement of the development objectives in Saudi Arabia. Latest statistics indicate that the actual loans disbursed by SCIs in 2020 totaled SAR 19.5 billion, decreasing by 27.9 percent, compared to SAR 27.1 billion in 2019. Total loan repayments amounted to SAR 21.6 billion, increasing by 3.1 percent from 2019. The balance of outstanding loans rose by 0.4 percent at the end of 2020 to SAR 237.4 billion compared to the end of the preceding year.

Saudi Industrial Development Fund (SIDF)

Loan disbursements approved by the SIDF amounted to SAR 4.7 billion in 2020, decreasing by 49.5 percent compared to 2019. Loan repayments stood at SAR 3.1 billion, decreasing by 38.6 percent compared to 2019. Total outstanding loans amounted to SAR 48.1 billion at the end of 2020, increasing by 1.9 percent over 2019. With the aim of mitigating the impact of the COVID-19 pandemic, the SIDF launched an initiative to support affected industrial enterprises by restructuring loan installments for small and medical enterprises in 2020 and to consider postponing and restructuring loan payments due in 2020 for medium and large enterprises affected by the precautionary measures taken.

Real Estate Development Fund (REDF)

Loan disbursements approved by the REDF amounted to SAR 5.0 billion in 2020, down by 54.5 percent from 2019. Total loan repayments stood at SAR 10.3 billion, increasing by 47.3 percent over 2019. Total outstanding loans amounted to SAR

155.0 billion at the end of 2020, a decline of 1.2 percent from 2019.

Agricultural Development Fund (ADF)

Loan disbursements approved by the ADF amounted to SAR 1.2 billion in 2020, down by 19.7 percent from 2019. Total loan repayments stood at SAR 686 million, increasing by 0.4 percent over 2019. Total outstanding loans amounted to SAR 8.5 billion at the end of 2020, increasing by 6.5 percent over 2019. With regard to mitigating the economic effects of the COVID-19 pandemic, the ADF announced an initiative to defer payable installments for a period of six months for all contracts with payments that had not been rescheduled before.

Social Development Bank (SDB)

The SDB's total approved loan disbursements stood at SAR 8.7 billion in 2020, increasing by 61.2 percent from 2019. Loan repayments stood at SAR 7.5 billion, declining by 8.8 percent from 2019. Outstanding loans balance amounted to SAR 25.8 billion at the end of 2020, an increase of 6.4 percent from 2019. With the aim of mitigating the

Table 2.5: Selected Indicators for Population and Labor Force

Area		2019			2020		
		Male	Female	Total	Male	Female	Total
Population	Saudis	10,743,666	10,359,532	21,103,198	10,907,568	10,522,560	21,430,128
	Non-Saudis	8,995,390	4,119,581	13,114,971	9,323,857	4,259,429	13,583,286
	Total	19,739,056	14,479,113	34,218,169	20,231,425	14,781,989	35,013,414
Unemployment rate*	Saudis	4.9	30.8	12.0	7.1	24.4	12.6
	Non-Saudis	0.3	1.3	0.4	1.7	9.1	2.6
	Total	2.2	21.3	5.7	4.0	20.2	7.4
Government sector employees	Saudis	730,210	502,257	1,232,467	725,723	501,975	1,227,698
	Non-Saudis	26,939	23,655	50,594	26,380	23,219	49,599
	Total	757,149	525,912	1,283,061	752,103	525,194	1,277,297
Private sector employees	Saudis	1,141,653	556,511	1,698,164	1,147,580	599,161	1,746,741
	Non-Saudis	6,303,539	232,533	6,536,072	6,057,351	222,805	6,280,156
	Total	7,445,192	789,044	8,234,236	7,204,931	821,966	8,026,897
Banking sector employees	Total	39,664	7,517	47,181	38,512	7,537	46,049

Source: GaStat, MHRSD & SAMA.

*Unemployment rates are from the Labor Force Survey.

financial and economic impact of the COVID-19 pandemic, the SDB announced providing support with a value of SAR 12 billion covering a number of qualitative tracks. This support aimed to increase the financing portfolio for low-income families and the portfolio supporting micro and small enterprises. The support also covered new and existing medical enterprises to raise their operational capacity, pace of work, and scope of services. A new portfolio of SAR 2 billion was created to provide financial support to nearly 1,000 small and medium health facilities. Moreover, the support was channeled to portfolios of financing brokers to fund small businesses, in addition to extending the grace period for all enterprises that were financed during 2019 and 2020 for an additional period of six months.

Domestic Loan and Subsidy Program

Actual loans disbursed under the Domestic Loan Program totaled SAR 661.8 million in 2020, increasing by 36.4 percent over the preceding year. Total loan repayments stood at SAR 229.3 million, recording a decrease of 43.5 percent compared to 2019. In 2020, six loans were approved, four of which were for educational projects and two for healthcare projects.

Total subsidies provided in 2020 stood at SAR 3.6 billion. Subsidies provided for imported fodder stood at SAR 1.4 billion, infant formula SAR 223.7 million, livestock and poultry farmers SAR 2,034 million, King Salman Humanitarian Aid and Relief Centre SAR 2,137.5 million, Equestrian Club SAR 281.9 million, Falcon Club SAR 100 million, Camel Club SAR 22.9 million, King Abdulaziz Public Library SAR 70.3 million, private schools SAR 7.5 million, the International Dialogue Centre (KAICIID) SAR 63.9 million, King Abdulaziz Center for National Dialogue (KACND) SAR 54.9 million, the Secretariat of the Finance Committee SAR 30 million, and Waqf libraries SAR 10 million.

Public Investment Fund (PIF)

The PIF, through its investment schemes, seeks to accelerate the national economic development, achieve sustainable growth and motivate promising sectors. In order to achieve its objectives efficiently and maximize returns in line with Saudi Vision 2030, the PIF aims to diversify its income sources by expanding its international investments, building strategic partnerships and launching major initiatives. Moreover, assets under the PIF's management amounted to SAR 1.5 trillion at the end of 2020, and these assets contributed to creating a large number of direct and indirect job opportunities. The PIF's investments were distributed throughout various asset classes to include direct and indirect investments in markets, public and private stocks, fixed income, real estate, infrastructure, etc. In addition, the PIF executed many transactions in public global markets in 2020, seizing opportunities emerging from the COVID-19 pandemic.

The PIF seeks to support economic transformation in Saudi Arabia and stimulate investment in several sectors in both the medium and long term through the development of major projects that are unique in terms of scope and value creation. In support of these goals, the PIF established eight strategic companies that contribute to accomplishing the ambitious aspirations of the Saudi Vision 2030: NEOM, the Red Sea Development Company, Qiddiya Investment Company, Roshn Real Estate Company, Amaala Company, the National Unified Procurement Company (NUPCO), the Saudi Agriculture and Livestock Investment Company (SALIC), and ACWA Power. NUPCO played a major role in addressing the COVID-19 pandemic as it provided PCR tests to detect the virus and the necessary protective equipment to limit its spread in Saudi Arabia. It also contributed to the launch of several projects to raise the level of health services in the country, including "Wasfaty" service,

“Sehhaty” application, the health practitioners application, and Virtual Clinics. Moreover, NUPCO has entered into a strategic partnership to establish one of the largest logistics centers in the region with an area of 97,000 square meters in King Abdullah Economic City (KAEC) to store and distribute medicines.

Economic and Fiscal Reforms and Key Resolutions

In continuation of the efforts exerted by Saudi Arabia to raise the efficiency of economic performance and achieve optimal utilization of available resources, the Saudi economy witnessed a number of reforms and decisions in 2020, including:

- Approval of the Saudi Central Bank Law and changing the name of the Saudi Arabian Monetary Authority to the Saudi Central Bank.
- Approval of the regulations of the Saudi Export-Import (EXIM) Bank.
- Approval of the establishment of the Saudi Tourism Authority.
- Establishment of a number of commissions to promote Saudi Arabia’s heritage and attract tourists, namely the Literature, Publishing and Translation Commission; Museums Commission, Heritage Commission; Film Commission; Libraries Commission; Architecture and Design Commission; Music Commission; Theater and Performing Arts Commission; Visual Arts Commission; Culinary Arts Commission; and Fashion Commission.
- Approval of the launch of the national program for information technology (IT) development.
- Approval of the Digital Economy Policy in Saudi Arabia.
- Formation of the Supreme Committee for Energy Mix Affairs for Electricity Production and Enabling Renewable Energy Sector to be responsible for reaching decisions on all matters related to determining the optimal energy mix for electricity production, to supervise and enable the renewable energy sector, and to be a reference in this regard.
- Approval of the Commercial Courts Law and the Chamber of Commerce and Industry Law.
- Approval of the Securing Rights on Movable Assets Law and the amendment to the Law of Commercial Lien.
- Approval of the establishment of a state-owned joint-stock company for mining services.
- Approval of the Mining Investment Law.
- Approval of the Unified Saudi Occupational Classification.
- Approval of changing the National Industrial Clusters Development Program to a center named the National Industrial Development Center, and approval of its regulations.
- Approval of the unified Saudi classification of educational levels and specializations.
- Approval of the use of an automated system to collect details on property ownership.
- Approval of the Social Security Law.
- Approval of underwriting of Saudi Arabia’s shares in the capital of the International Finance Corporation (IFC).
- Approval of the regulations of the State Properties General Authority.
- Approval of the Volunteer Work Law.

3

ENERGY, INDUSTRY AND MINERAL RESOURCES



Energy, Industry and Mineral Resources

World oil prices and production volumes witnessed a sharp decline in 2020 as a result of the repercussions of COVID-19 pandemic on the global economy. According to OPEC data, oil prices decreased by 35.5 percent in 2020, with the average price of Arab Light crude oil reaching \$41.91 per barrel in 2020 compared to \$64.96 per barrel in 2019. Saudi Arabia's production of crude oil decreased by 5.8 percent to 3,372.0 million barrels in 2020, with a daily production average of 9.21 million barrels.

World Oil Demand

According to March 2021 estimates of the International Energy Agency (IEA), the average world oil demand declined by 8.7 percent to 91.0 million barrels per day (bpd) in 2020, compared to 99.7 million bpd in 2019 (Table 3.1 and Chart 3.1).

Table 3.1: World Average Oil Demand*

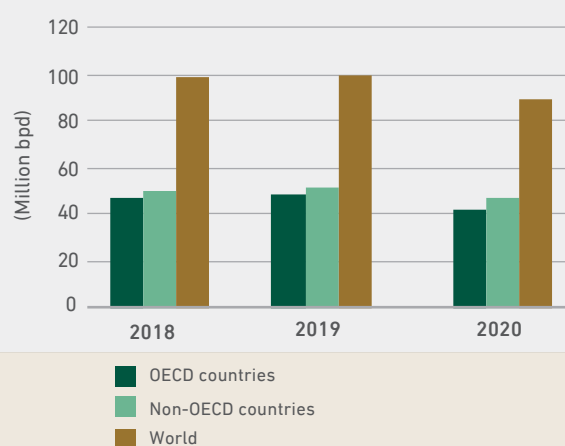
(Million bpd)					
	2018	2019	2020	Change	
				2019	2020
North America	25.5	25.7	22.6	0.8	-12.1
Western Europe	14.3	14.1	12.4	-1.4	-12.1
Pacific countries	8.1	7.8	7.1	-3.7	-9.0
OECD	47.9	47.6	42.1	-0.6	-11.6
Non-OECD					
Former Soviet Union	4.6	4.8	4.6	4.3	-4.9
China	13.0	13.7	13.9	5.4	1.7
Eastern Europe	0.8	0.8	0.7	0.0	-10.0
South America	6.3	6.2	5.6	-1.6	-9.7
Other Asia	14.1	14.0	12.6	-0.7	-9.8
Middle East	8.3	8.3	7.6	0.0	-7.8
Africa	4.2	4.3	3.8	2.4	-10.5
Total non-OECD demand	51.3	52.1	48.9	1.6	-6.1
Total world demand	99.2	99.7	91.0	0.5	-8.7

*Including primary stock, marine bunkers & refinery fuel.
Source: IEA Report, March 2021.

This decline was attributed to the general decrease in demand of most countries on the backdrop of the COVID-19 pandemic. The average demand of non-OECD countries went down by 6.1 percent to 48.9 million bpd in 2020 compared to 52.1 million bpd in 2019. The average demand of OECD countries registered a decrease of 11.6 percent to 42.1 million bpd in 2020 compared to 47.6 million bpd in 2019 (Table 3.1).

The decline in non-OECD oil demand was led by

Chart 3.1: World Average Oil Demand



Africa with a 10.5 percent decrease (to 3.8 million bpd), followed by Eastern Europe with a 10.0 percent decrease (to 0.7 million bpd), other Asian countries with a 9.8 percent decrease (to 12.6 million bpd), South America with a 9.7 percent decrease (to 5.6 million bpd), and Middle Eastern countries with a 7.8 percent decrease (to 7.6 million bpd). In contrast, the demand in China recorded an increase of 1.7 percent to 13.9 million bpd (Table 3.1).

World Oil Production

According to the IEA estimates in March 2021, world oil production in 2020 averaged 93.9 million bpd, decreasing by 6.5 percent, as compared to 100.5 million bpd in 2019 (Table 3.2). The average US production decreased by 3.4 percent compared to a rise of 10.4 percent in 2019. The average OECD production declined by 2.2 percent compared to a rise of 6.0 percent in 2019. In addition, the UK recorded a decline of 6.2 percent compared to an increase of 1.8 percent in 2019. The average Canadian production decreased by 4.2 percent compared to an increase of 2.4 percent in 2019. The OPEC average output also decreased by 11.5 percent compared to a decline of 6.6 percent in

2019. On the other hand, average oil production in Norway rose by 14.9 percent in 2020 compared to a decline of 5.9 percent in 2019. China also recorded an increase of 1.3 percent compared to a rise of 2.9 percent in the preceding year (Table 3.2 and Chart 3.2).

World Oil Prices

Average world oil prices sharply decreased in 2020. The price of the Arab Light crude oil averaged \$41.91 per barrel, a decline of 35.5 percent (\$23.0 per barrel), compared to an average price of \$64.96 per barrel in 2019 (Table 3.3). The average price of

Chart 3.2: World Average Crude Oil Production

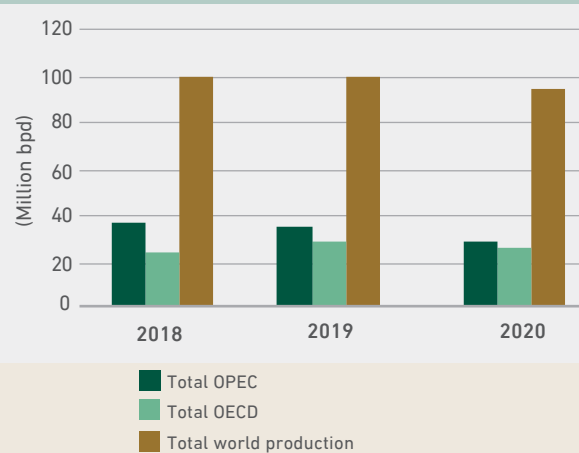


Table 3.2: World Average Oil Production*

(Million bpd)					
	2018	2019	2020	Change	
				2019	2020
OPEC	37.38	34.90	30.88	-6.6	-11.5
OECD	26.90	28.51	27.89	6.0	-2.2
Non-OPEC	62.94	65.60	63.06	4.2	-3.9
Former Soviet Union	14.56	14.64	13.50	0.5	-7.8
USA	15.54	17.16	16.57	10.4	-3.4
China	3.81	3.92	3.97	2.9	1.3
Canada	5.41	5.54	5.31	2.4	-4.2
Mexico	2.07	1.93	1.93	-6.8	0.0
UK	1.11	1.13	1.06	1.8	-6.2
Norway	1.85	1.74	2.00	-5.9	14.9
Total world supply	100.32	100.50	93.93	0.2	-6.5

*Including condensates & natural gas liquids.
Source: IEA Report, March 2021.

OPEC basket decreased by 35.2 percent to \$41.47 per barrel in 2020 compared to an average price of \$64.04 per barrel in 2019. Moreover, the average price of Brent crude declined by 35.1 percent to \$41.67 per barrel in 2020 from \$64.19 per barrel in 2019. West Texas Intermediate's price averaged \$39.49 per barrel in 2020, decreasing by 30.7 percent, compared to \$57.02 per barrel in 2019 (Table 3.3 and Chart 3.3).

Real Oil Prices

Real oil prices decreased in 2020, based on

calculations using the OPEC Basket Deflator with base year 2005. The real price of Arab Light averaged \$36.80 per barrel, decreasing by 36.8 percent, compared to \$58.19 per barrel in 2019 (Table 3.4). The average real price of Brent crude also declined by 36.4 percent to \$36.59 a barrel in 2020 from \$57.50 a barrel in the preceding year. The average real price of the OPEC basket went down by 36.5 percent to \$36.42 a barrel compared to \$57.36 a barrel in the preceding year (Table 3.4 and Chart 3.4).

Chart 3.3: Average Spot Oil Prices

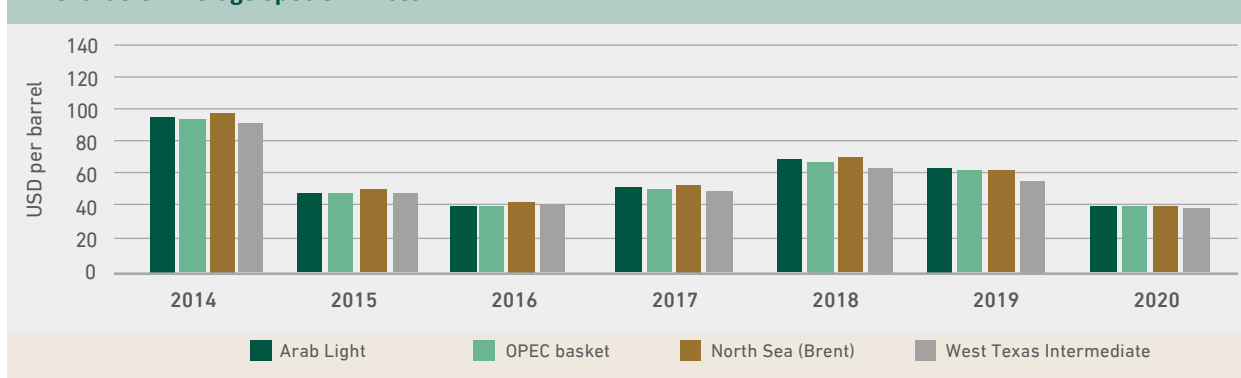


Table 3.3: Spot Prices for Selected Crude Streams (Average)

(USD per barrel)				
Year	Arab Light	OPEC basket	North Sea (Brent)	West Texas Intermediate
2004	34.53	36.05	38.23	41.44
2005	50.21	50.64	54.37	56.51
2006	61.10	61.08	65.14	66.04
2007	68.75	69.08	72.55	72.29
2008	95.16	94.45	97.37	100.00
2009	61.38	61.06	61.68	61.88
2010	77.82	77.45	79.60	79.42
2011	107.82	107.46	111.36	94.99
2012	110.22	109.45	111.62	94.10
2013	106.53	105.87	108.62	97.96
2014	97.18	96.29	99.08	93.17
2015	49.85	49.49	52.41	48.73
2016	40.96	40.76	43.76	43.27
2017	52.59	52.43	54.17	50.82
2018	70.59	69.78	71.22	65.16
2019	64.96	64.04	64.19	57.02
2020	41.91	41.47	41.67	39.49

Source: OPEC.

It should be noted that 2020 real oil prices were lower than those in 1980 although 2020 nominal prices were higher than those in 1980. For instance, the average real price of Brent crude stood at \$36.59 a barrel during 2020, lower by \$46.5 a barrel than its price in 1980 (\$83.10 a barrel). In contrast, the nominal price of Brent crude stood at \$41.67 per barrel in 2020, higher by \$3.78 a barrel than its nominal price in 1980 (\$37.89 a barrel) (Table 3.4).

Saudi Arabia's Reserves of Crude Oil and Natural Gas

Saudi Arabia's proven reserves of crude oil stood at 267.08 billion barrels at the end of 2020, slightly rising by 0.004 percent, compared to 267.07 billion

barrels in 2019. Proven reserves of natural gas also increased by 0.4 percent to 326.1 trillion standard cubic feet at the end of 2020 compared to 324.9 trillion standard cubic feet at the end of 2019.

Saudi Crude Oil Output

Saudi Arabia's production of crude oil decreased by 5.8 percent to 3,372.0 million barrels in 2020 compared to 3,580.0 million barrels in 2019. Accordingly, Saudi Arabia's average daily output amounted to 9.21 million bpd in 2020 (Table 3.5).

Domestic Production and Consumption of Refined Products

Saudi Arabia's production of refined products

Chart 3.4: Real Oil Prices (Base Year = 2005)

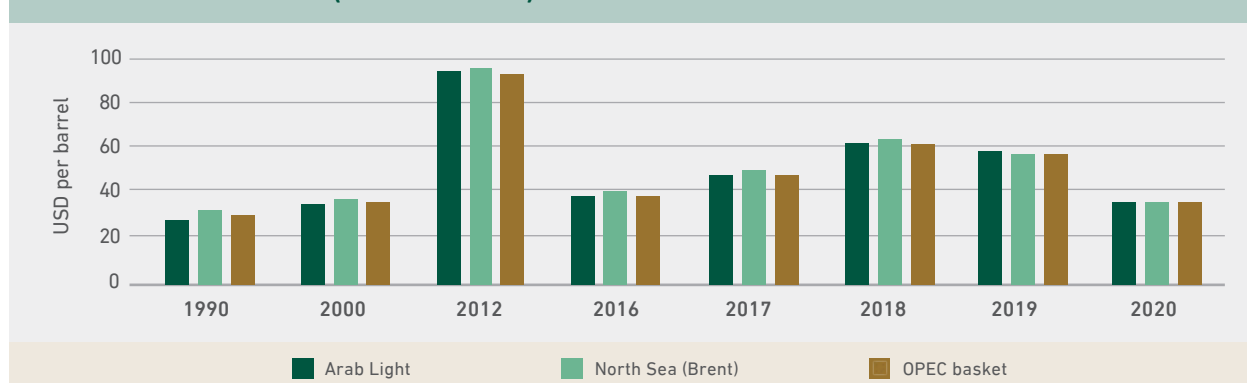


Table 3.4: Nominal and Real Oil Prices (Base Year = 2005)

Year	(USD per barrel)					
	Nominal Oil Prices			Real Oil Prices*		
	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
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
2014	97.18	99.08	96.29	80.34	81.91	79.60
2015	49.85	52.41	49.49	46.47	48.86	46.13
2016	40.96	43.76	40.76	38.32	40.94	38.13
2017	52.59	54.17	52.43	48.46	49.92	48.31
2018	70.59	71.22	69.78	61.91	62.46	61.20
2019	64.96	64.19	64.04	58.19	57.50	57.36
2020	41.91	41.67	41.47	36.80	36.59	36.42

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

decreased by 13.8 percent to 796.86 million barrels in 2020 from 924.94 million barrels in 2019. Thus, its daily output of refined products averaged 2.17 million bpd (Table 3.6).

The decline in Saudi Arabia's production of refined products was driven by decreases of 6.6 percent in diesel production to account for 45.2 percent of total refined products output, 14.1 percent in gasoline production to account for 20.9 percent of the total, 18.4 percent in fuel oil production to account for 15.8 percent of the total, 37.2 percent in jet fuel production to account for 6.7 percent of the total, 12.1 percent in naphtha production to account for 5.6 percent of the total, 22.8 percent in coke production to account for 2.6 percent of the total, 11.9 percent in liquefied petroleum gas (LPG) production to account for 1.6 percent of the total, and 11.0 percent in Asphalt production to account for 1.6 percent of the total (Table 3.6).

Total domestic consumption of refined products, crude oil and natural gas decreased by 2.45 percent to 1,527.75 million barrels (4.17 million bpd) in 2020 compared to 1,566.12 million barrels (4.29 million bpd) in 2019 (Table 3.7).

A breakdown of public consumption shows that natural gas accounted for 44.7 percent, diesel 12.9 percent, gasoline 12.0 percent, fuel oil 13.3 percent, and crude oil 11.4 percent. A breakdown of oil industry consumption indicates that natural gas accounted for 64.9 percent, fuel gas 15.1 percent, diesel 3.1 percent, and fuel oil 8.5 percent (Table 3.7).

Saudi Arabia's Exports of Crude Oil and Refined Products

Saudi Arabia's total oil exports (crude and refined) stood at 2,831.01 million barrels (7.7 million bpd) in 2020. Its crude oil exports decreased by 4.3 percent to 2,458.94 million barrels (6.72 million

Table 3.5: Saudi Crude Oil Output

(Million barrels)						
	2017	2018	2019	2020	Change	
					2019	2020
Total output	3,635.3	3,765.1	3,580.0	3,372.0	-4.9	-5.8
Daily average	9.96	10.32	9.81	9.21	-4.9	-6.1

Source: MoE.

Table 3.6: Saudi Output of Refined Products

(Million barrels)							
Product	2016	2017	2018	2019	2020	Change	
						2019	2020
LPG	15.61	15.55	17.06	14.67	12.91	-14.1	-11.9
Gasoline	202.35	203.56	199.05	193.57	166.34	-2.8	-14.1
Naphtha	75.77	74.28	60.10	50.86	44.73	-15.4	-12.1
Jet fuel (kerosene)	89.50	90.54	95.80	84.72	53.17	-11.6	-37.2
Diesel	384.62	393.93	391.55	385.75	360.36	-1.5	-6.6
Fuel oil	168.31	170.13	166.20	154.54	126.14	-7.0	-18.4
Asphalt	18.25	16.81	14.07	14.31	12.73	1.7	-11.0
Coke	79.85	84.08	84.45	26.53	20.49	-68.6	-22.8
Total	1,034.26	1,048.89	1,028.30	924.94	796.86	-10.1	-13.8

Source: MoE.

bpd) in 2020 compared to 2,568.90 million barrels (7.03 million bpd) in 2019. Refined product exports also fell by 21.6 percent to 372.07 million barrels (averaging 1.0 million bpd) in 2020 compared to 474.41 million barrels (1.3 million bpd) in 2019 (Table 3.8).

Asia and the Far East region dominated the bulk of Saudi Arabia's exports of crude oil and refined products in 2020, accounting for 73.5 percent of total crude oil exports and 30.4 percent of total exports of refined products (Chart 3.5). Western Europe countries came second, accounting for 11.3 percent of total crude oil exports and 31.5 percent of total exports of refined products, followed by

North America with 8.3 percent of total exports of crude oil and 0.8 percent of total exports of refined products. The Middle Eastern countries accounted for 3.1 percent of Saudi Arabia's total crude oil exports and 15.8 percent of its refined product exports. Finally, African countries accounted for 3.0 percent and 21.5 percent of total exports of crude oil and refined products, respectively.

Saudi Arabia's Petrochemical Industry

Production of the Saudi Basic Industries Corporation (SABIC) in its plants in Saudi Arabia rose by 2 percent to 66.9 million metric tons in 2020 against 65.9 million metric tons in 2019. The rise in production was due to the increase in feedstock supplies, the

Table 3.7: Domestic Consumption of Refined Products, Crude Oil and Natural Gas

(Million barrels)					
Product	2016	2017	2018	2019	2020
A. Public consumption					
LPG	13.40	12.87	13.23	12.59	13.26
Gasoline	203.37	208.00	194.49	194.09	162.44
Jet fuel & kerosene	32.05	36.14	37.88	36.72	15.39
Diesel	248.54	207.91	182.75	187.89	174.43
Fuel oil	166.07	180.29	173.96	168.58	179.55
Crude oil	182.41	167.37	149.74	155.16	154.48
Asphalt	19.14	20.36	20.73	20.66	19.35
Lubricating oils	1.48	1.34	1.51	27.55	24.52
Natural gas	557.44	573.78	581.36	579.74	604.88
Naphtha	1.81	11.19	8.92	0.75	0.30
Reformate	--	10.48	10.16	6.18	4.14
Subtotal	1,425.72	1,429.73	1,374.72	1,389.89	1,352.74
B. Oil industry consumption					
LPG	4.58	4.39	3.91	4.12	3.73
Fuel oil	6.12	6.61	6.98	8.37	14.90
Diesel	8.03	7.68	7.71	4.67	5.51
Fuel gas	34.33	34.40	33.98	29.63	26.50
Crude oil	0.04	0.01	0.00	0.00	0.00
Natural gas	106.02	121.48	127.31	128.52	113.57
Others	5.46	5.64	7.66	0.93	10.81
Subtotal	164.58	180.21	187.56	176.23	175.02
Total	1,590.30	1,609.94	1,562.27	1,566.12	1,527.75

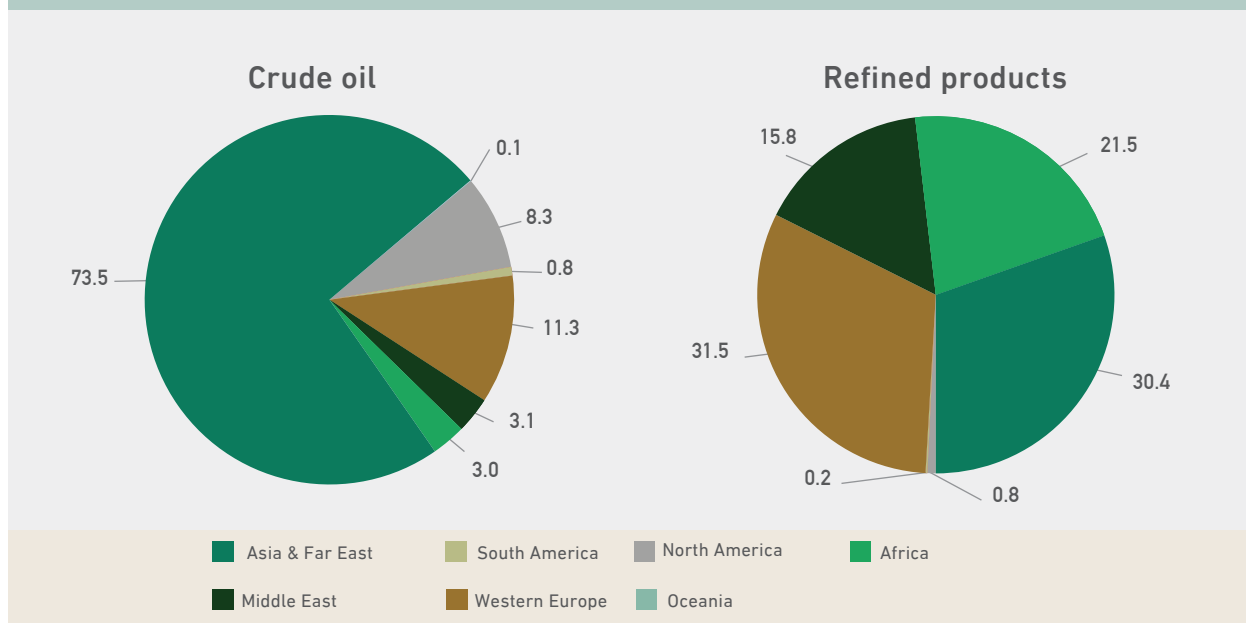
Source: MoE.

Table 3.8: Saudi Exports of Crude Oil and Refined Products (by Destination)

(Million barrels)								
Exports to	2018		2019		2020		Share 2020	
	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products
North America	372.43	16.66	204.59	10.03	202.91	2.80	8.3	0.8
South America	25.72	0.69	24.33	1.64	18.92	0.63	0.8	0.2
Western Europe	317.28	150.90	291.07	147.17	276.87	117.06	11.3	31.5
Middle East	97.40	337.02	97.09	71.57	77.43	58.64	3.1	15.8
Africa	59.80	83.70	64.61	116.64	73.82	79.81	3.0	21.5
Asia & Far East	1,815.64	129.05	1,885.73	125.89	1,807.54	113.13	73.5	30.4
Oceania	2.34	1.47	1.47	1.48	1.45	0.00	0.1	0.0
Total	2,690.61	719.49	2,568.90	474.41	2,458.94	372.07	100.0	100.0

*Including LPG & natural gas.

Source: MoE.

Chart 3.5: Saudi Exports of Crude Oil and Refined Products by Destination (Percentage)**Table 3.9: Production of Minerals in Saudi Arabia**

Year	Gold (kg)	Silver (kg)	Copper (ton)	Zinc (ton)
2015	5,089	4,500	46,253	39,008
2016	6,946	4,710	110,000	41,610
2017	10,333	5,069	67,097	21,787
2018	11,765	5,322	60,340	18,000
2019	12,593	7,123	88,491	51,856
2020*	13,222	7,479	92,915	54,448

*Estimates.

Source: Deputy Ministry for Mineral Resources, MIM.

improvement in performance reliability of the company's plants and the decrease in the number of regular maintenance works in 2020. However, exports of products from SABIC's plants in Saudi Arabia declined by 1 percent¹ in 2020 compared to the preceding year. The decline in product exports was due to the decline in demand as a result of the COVID-19 pandemic.

Mineral Resources

The Deputy Ministry for Mineral Resources at the Ministry of Industry and Mineral Resources (MIM) supervises mining activities in Saudi Arabia. Its tasks include encouraging mining investments, providing supporting services and consultations, and issuing mining licenses and concessions in accordance with the laws and regulations in force. At the end of 2020, the number of valid mining licenses stood at 2,062. These included 556 licenses for exploration, which enable their holders to conduct detailed studies on the mineral ores required under the exploration license; and 69 licenses for small-sized mines for various minerals, such as silica sand, gypsum, salt, limestone, clay, pozzolan, industrial marble, low-concentration steel (cement industry), dolomite, feldspar, baryte, sandstone, perlite and pyrophyllite. The number of licenses of mining and raw material quarries stood at 33 and 70, respectively, for various metal ores (such as gold,

copper, zinc, iron, phosphate, accompanied metals, and gems, like peridot). The number of licenses of construction material quarries reached 1,334 for various construction materials, such as sand, crusher materials and decoration stones.

With regard to the production of gold, silver and associated minerals from Mahd Al-Dhahab, Al-Sukhaybarat, Al-Hajar, Bulghah and Al-Amar, the output of gold stood at 13,222 kg and that of silver stood at 7,479 kg in 2020. Table 3.9 shows the output of minerals in Saudi Arabia during 2015-2020. It can be noticed from the table that Saudi Arabia's production of copper and zinc during 2020 increased to 92,915 tons and 54,448 tons, respectively.

Total quantities extracted in 2020 were estimated at more than 514,756 thousand tons of various ores such as limestone, silica sand, salt, clay, feldspar, industrial marble, iron sand, kaolin, gypsum, marble blocks, granite blocks, phosphate, bauxite, crusher materials and sand used in building and construction. Table 3.10 shows Saudi Arabia's various extracted ores during 2016-2020.

Industrial Licensing

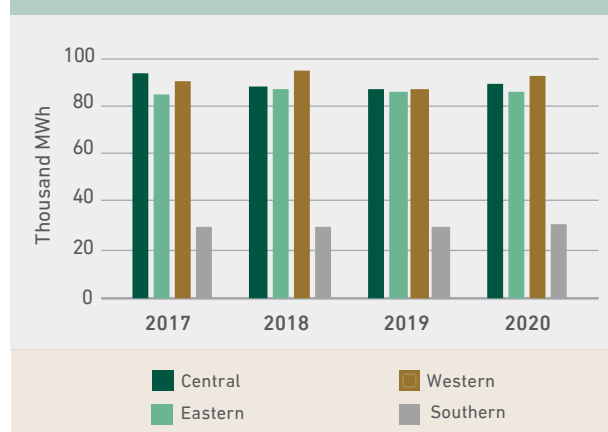
The Ministry of Industry and Mineral Resources (MIM) issued industrial licenses in 2020 for 903 new factories in various industrial activities with a total capital of SAR 23.5 billion, creating more than 39.4 thousand job opportunities.

By the end of 2020, the total cumulative number of industrial units in Saudi Arabia licensed by the MIM rose to 8,063, providing 966.3 thousand job opportunities.

Electricity Generation and Consumption

The Saudi Electricity Company (SEC)'s sales of

Chart 3.6: Growth of SEC's Electricity Sales (2017 - 2020)



¹ The above indicators represent SABIC's production and exports from its investments in subsidiaries and joint ventures and operations in Saudi Arabia.

electricity in 2020 amounted to 289.3 million megawatt-hours (MWh). Residential consumption accounted for 47.6 percent (137.6 million MWh) of total electricity consumption in Saudi

Arabia, followed by industrial consumption with 20.0 percent (57.8 million MWh). Commercial consumption came third with 14.4 percent (41.6 million MWh), followed by government

Table 3.10: Mineral Ores Extracted (Thousand Ton)

Type	2016	2017	2018	2019	2020*
Limestone	63,300	66,150	69,457	72,930	72,283
Clay	9,240	9,702	10,187	10,696	10,161
Salt	2,400	2,520	2,646	2,778	2,639
Silica sand	1,300	1,365	1,433	1,505	1,430
Crusher materials (pebbles)	347,000	364,000	382,200	401,310	381,245
Sand	22,155	23,000	24,000	25,000	23,750
Iron sand	706	741	778	817	776
Gypsum	3,000	3,150	3,307	3,472	3,298
Industrial marble	2,800	2,940	2,947	3,094	2,939
Marble blocks	12	13	13	14	13
Granite blocks	1,053	1,105	1,160	1,218	1,157
Limestone blocks	104	109	114	120	114
Kaolinite	196	206	216	227	215
Barite	41	--	--	--	--
Feldspar	188	197	206	216	205
Basalt	30	32	33	35	33
Pozzolan	504	529	555	583	553
Dolomite	2,131	2,237	2,348	2,465	2,341
Schist	604	634	665	600	570
Pyrophyllite	42	44	46	48	45
Low-grade bauxite	968	1,016	438	297	282
Bauxite	3,800	3,990	4,623	4,100	4,305
Diammonium phosphate	5,400	5,670	5,444	6,098	6,402

*Estimates.

Source: Deputy Ministry for Mineral Resources, MIM.

Table 3.11: Electricity Generation Capacity and Number of Subscribers for FY 2020 (1441/1442H)

(Megawatt)								
Region	Actual generation capacity	Peak load	Electricity power sold					No. of subscribers
			Residential	Commercial	Government	Industrial	Other	
Central	15,000	21,000	46,389,000	15,668,000	10,136,000	6,934,000	7,296,000	3,232,200
Eastern	24,001	18,001	27,033,000	8,447,000	8,157,000	36,397,000	2,968,000	1,799,700
Western	17,001	15,001	46,166,000	13,309,000	12,103,000	13,360,000	4,661,000	3,594,100
Southern	4,001	6,000	18,070,000	4,182,000	5,076,000	1,189,000	1,787,000	1,516,500
Total	64,800	62,200	137,658,000	41,606,000	35,472,000	57,880,000	16,712,000	10,142,500

Source: SEC.

Note: Data were reclassified in 2020 by the source.

consumption with 12.3 percent (35.4 million MWh). The peak load of electricity was 62,200 megawatts in 2020, and the actual capacity of electricity generation was 64,800 megawatts. The number of subscribers to the utility in Saudi Arabia amounted to 10.1 million at the end of 2020. The western region accounted for the largest share of total subscribers with 35.4 percent (3.6 million subscribers), followed by the central region with 31.9 percent (3.2 million), the eastern region with 17.7 percent (1.8 million), and the southern region with 15.0 percent (1.5 million) of the total (Table 3.11 and Chart 3.6).



NATIONAL ACCOUNTS AND SECTORAL DEVELOPMENT



National Accounts and Sectoral Development

Gross Domestic Product (GDP) for 2020

Preliminary data from the General Authority for Statistics (GaStat) indicate that GDP at constant prices (2010=100) contracted by 4.1 percent to SAR 2,531.4 billion during 2020 compared to a growth of 0.3 percent in 2019. This was attributable to a contraction of 6.7 percent in the oil sector in 2020 compared to a decline of 3.6 percent in 2019. The non-oil sector fell by 2.3 percent in 2020 against a growth of 3.3 percent in the preceding year. The non-oil private sector declined by 3.1 percent compared to a growth of 3.8 percent in the preceding year. Moreover, the non-oil government

sector decreased by 0.5 percent in 2020 compared to a rise of 2.2 percent in 2019 (Table 4.1).

Preliminary data also show that GDP at current prices contracted by 11.7 percent to SAR 2,625.4 billion in 2020 compared to an increase of 0.8 percent in 2019. This was mainly attributable to a contraction of 34.4 percent in the oil sector against a decline of 6.0 percent in the preceding year. The non-oil sector fell by 1.5 percent compared to a growth of 4.2 percent in the preceding year. The non-oil private sector posted a decline of 1.9 percent compared to a growth of 4.1 percent in the preceding year. Moreover, the non-oil government sector declined by 0.7 percent compared to a 4.4 percent rise in 2019. On the other hand, the non-oil GDP implicit deflator² increased by 0.9 percent in 2020 against the same rise in the preceding year.

Table 4.1: GDP by Sector

(Million SAR)						
	2019			2020*		
	Value	Share	Change	Value	Share	Change
At current prices						
1. Oil sector	926,338	31.2	-6.0	607,704	23.1	-34.4
2. Non-oil sector	2,026,064	68.1	4.2	1,995,724	76.0	-1.5
a. Private sector	1,354,322	45.5	4.1	1,328,548	50.6	-1.9
b. Government sector	671,743	22.6	4.4	667,175	25.4	-0.7
GDP (excluding import duties)	2,952,403	99.3	0.8	2,603,428	99.2	-11.8
3. Import duties	21,223	0.7	9.6	22,014	0.8	3.7
GDP	2,973,626	100.0	0.8	2,625,442	100.0	-11.7
At constant prices (2010 = 100)						
1. Oil sector	1,096,170	41.5	-3.6	1,023,238	40.4	-6.7
2. Non-oil sector	1,527,304	57.9	3.3	1,491,735	58.9	-2.3
a. Private sector	1,073,744	40.7	3.8	1,040,406	41.1	-3.1
b. Government sector	453,561	17.2	2.2	451,330	17.8	-0.5
GDP (excluding import duties)	2,623,474	99.4	0.3	2,514,973	99.4	-4.1
3. Import duties	16,338	0.6	8.8	16,432	0.6	0.6
GDP	2,639,811	100.0	0.3	2,531,405	100.0	-4.1
Implicit deflator (2010 = 100)						
GDP	112.6	--	0.5	103.7	--	-7.9
1. Oil sector	84.5	--	-2.5	59.4	--	-29.7
2. Non-oil sector	132.7	--	0.9	133.8	--	0.9

*Preliminary data.

Source: GaStat.

Contribution of Sectors to GDP for 2020

Contribution of Private Sector to GDP

The contribution of the private sector to GDP at constant prices (2010=100) increased to 41.4 percent in 2020, up from 40.9 percent in 2019 (Table 4.2 and Chart 4.1).

The contribution of the private sector to GDP at current prices also increased to 50.6 percent in 2020 against 45.5 percent in the preceding year (Table 4.1).

Contribution of Government Sector to GDP

The contribution of the government sector to GDP

at constant prices (2010=100) increased to 17.9 percent in 2020, up from 17.3 percent in 2019.

Moreover, the contribution of the government sector increased to 25.4 percent of the total GDP at current prices in 2020 compared to 22.6 percent in the preceding year.

Contribution of Oil Sector to GDP

The contribution of the oil sector to GDP at constant prices (2010=100) decreased to 40.7 percent in 2020, down from 41.8 percent in 2019.

The contribution of the oil sector to GDP at current prices also decreased to 23.1 percent in 2020 from 31.2 percent in the preceding year.

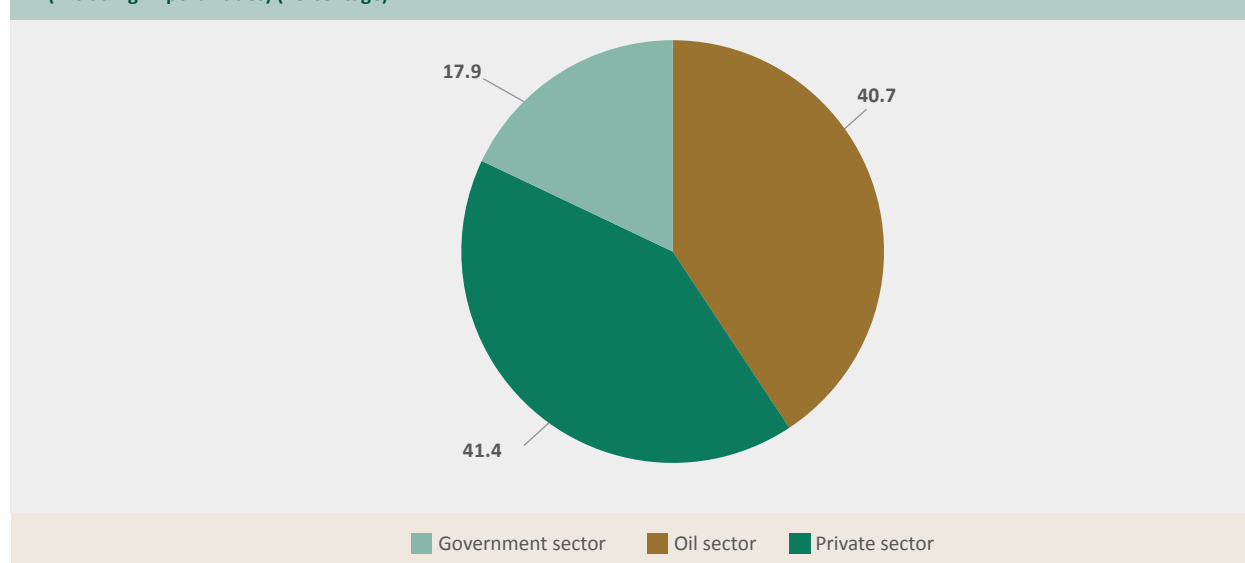
Table 4.2: Contribution of the Private and Government Sectors to GDP (at 2010 Constant Prices)

Year	GDP**	Private sector			Government sector			Oil sector		
	(Million SAR)	(Million SAR)	Share	Change	(Million SAR)	Share	Change	(Million SAR)	Share	Change
2016	2,566,928	1,000,227	39.0	0.1	428,402	16.7	0.6	1,138,299	44.3	3.6
2017	2,549,820	1,015,210	39.8	1.5	431,442	16.9	0.7	1,103,168	43.3	-3.1
2018	2,616,070	1,034,635	39.5	1.9	443,789	17.0	2.9	1,137,646	43.5	3.1
2019	2,623,474	1,073,744	40.9	3.8	453,561	17.3	2.2	1,096,170	41.8	-3.6
2020*	2,514,973	1,040,406	41.4	-3.1	451,330	17.9	-0.5	1,023,238	40.7	-6.7

*Preliminary data. **Excluding import duties.

Source: GaStat.

Chart 4.1: Contribution of Economic Sectors to GDP in 2020 at Constant Prices (Excluding Import Duties) (Percentage)



² The implicit deflator for GDP is a measure of the general level of prices of all final goods in an economy in a year. Unlike the consumer price index, which measures the final consumption only, GDP deflator measures inflation rate at the macroeconomic level. The GDP deflator targets all consumption, investment and government sectors based on their respective contributions to the GDP.

Contribution of Key Economic Activities to Real GDP

Contribution of Services to Real GDP

The contribution of the services (including wholesale and retail trade; restaurants and hotels; transport, storage and telecommunications; finance, insurance, real estate and business services; community, social and personal services; and producers of government services) to GDP at constant prices (2010=100) increased to 43.3 percent in 2020 against 42.3 percent in 2019. In contrast, the services at constant prices (2010=100) decreased by 1.8 percent in 2020 compared to a growth of 4.4 percent in the preceding year (Table 4.3 and Chart 4.2).

Contribution of Mining and Quarrying to Real GDP

The contribution of mining and quarrying (including crude oil and natural gas) to GDP at constant prices (2010=100) fell to 37.7 percent in 2020 from 38.5 percent in 2019. Mining and quarrying at constant prices (2010=100) also declined by 6.0 percent in 2020 compared to a decline of 3.6 percent in the preceding year (Table 4.3 and Chart 4.2).

Contribution of Industry to Real GDP

The contribution of industry (including oil refining) to GDP at constant prices (2010 = 100) declined to 11.5 percent in 2020, down from 12.0 percent

Table 4.3: Contribution of Mining and Quarrying Activity and Industrial Activity to GDP (at 2010 Constant Prices)

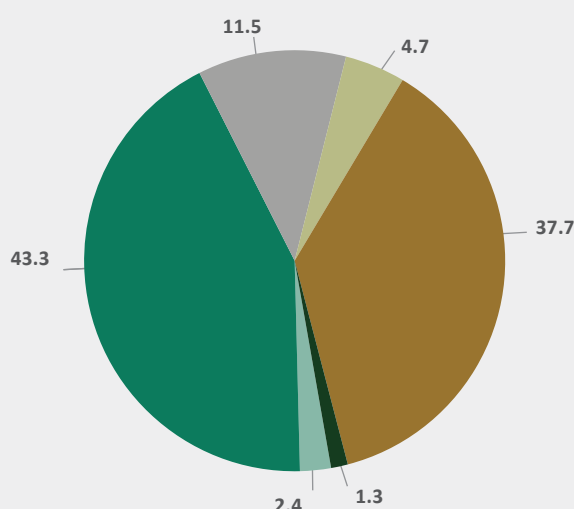
Year	GDP**	Services activity***			Mining & quarrying activity****			Industrial activity*****		
	(Million SAR)	(Million SAR)	Share	Change	(Million SAR)	Share	Change	(Million SAR)	Share	Change
2016	2,566,928	1,017,851	39.7	0.8	1,046,785	40.8	2.8	307,987	12.0	3.2
2017	2,549,820	1,036,885	40.7	1.9	1,010,104	39.6	-3.5	311,982	12.2	1.3
2018	2,616,070	1,063,290	40.6	2.5	1,046,918	40.0	3.6	318,529	12.2	2.1
2019	2,623,474	1,109,909	42.3	4.4	1,008,789	38.5	-3.6	313,553	12.0	-1.6
2020*	2,514,973	1,089,827	43.3	-1.8	948,356	37.7	-6.0	289,323	11.5	-7.7

*Preliminary data. **Excluding import duties. ****Including crude oil & natural gas. *****Including oil & oil refining.

***Including wholesale & retail trade; restaurants & hotels; transport, storage, & telecommunications; finance, insurance, real estate, & business services; community, social & personal services; & producers of government services.

Source: GaStat.

Chart 4.2: Contribution of Economic Activities to GDP in 2020 at Current Prices
(Excluding Import Duties) (Percentage)



■ Agriculture
 ■ Services
 ■ Electricity, water & gas
■ Construction & building
 ■ Mining & quarrying
 ■ Industrial

in 2019. Industry at constant prices (2010=100) decreased by 7.7 percent in 2020 compared to a decrease of 1.6 percent in the preceding year (Table 4.3 and Chart 4.2).

Contribution of Other Key Economic Activities to Real GDP

The contribution of agricultural activity (including agriculture, forestry and fishing) to GDP at constant prices (2010=100) was 2.4 percent in 2020 against 2.3 percent in 2019. The decline in this activity at constant prices (2010=100) was 1.7 percent in 2020 compared to a growth of 1.3 percent in the preceding year.

The contribution of construction and building to GDP at constant prices (2010=100) was 4.7 percent in 2020 compared to 4.5 percent in 2019. This activity decreased by 0.4 percent in 2020 against a growth of 4.6 percent in the preceding year.

The contribution of electricity, gas and water to GDP at constant prices (2010=100) was 1.3 percent in 2020 compared to the same contribution percentage in the preceding year.

This activity contracted by 2.1 percent in 2020 compared to a decrease of 4.0 percent in the preceding year (Table 4.4 and Chart 4.2).

Nominal Gross Domestic Product Developments by Key Economic Activities

An analysis of GDP at current prices by detailed key economic production activities shows that most activities contracted in 2020 at varying degrees. Mining and quarrying decreased by 35.7 percent compared to a decrease of 6.3 percent in 2019. Manufacturing industries (including oil refining) declined by 8.7 percent against a decline of 1.3 percent in the preceding year. In addition, transport, storage and telecommunications decreased by 5.4 percent against a 6.1 percent rise in the preceding year. Wholesale and retail trade, restaurants and hotels decreased by 4.5 percent against a 6.4 percent growth in 2019. Public utilities (electricity, gas and water) fell by 3.3 percent compared to a decrease of 4.2 percent in the preceding year. Furthermore, government services' producers decreased by 0.1 percent compared to a growth of 4.2 percent in the preceding year. On the other hand, construction and building grew by 3.1 percent compared to an increase of 8.0 percent in the preceding year. Agriculture, forestry and fishing increased by 1.3 percent compared to a 1.2 percent rise in 2019. Finance, insurance, real estate and business services registered an increase of 0.7 percent against an increase of 4.8 percent in the preceding year (Table 4.5).

Table 4.4: Contribution of Some Economic Activities to GDP (at 2010 Constant Prices)

(Million SAR)										
Year	GDP	Agricultural activity**	Share	Change	Construction & building	Share	Change	Electricity, gas & water	Share	Change
2016	2,566,928	60,122	2.3	0.6	121,203	4.7	-3.2	33,688	1.3	2.3
2017	2,549,820	60,422	2.4	0.5	117,259	4.6	-3.3	34,132	1.3	1.3
2018	2,616,070	60,617	2.3	0.3	113,172	4.3	-3.5	34,776	1.3	1.9
2019	2,623,474	61,410	2.3	1.3	118,381	4.5	4.6	33,398	1.3	-4.0
2020*	2,514,973	60,361	2.4	-1.7	117,861	4.7	-0.4	32,690	1.3	-2.1

*Preliminary data. **Excluding import duties. ***Including agriculture, forestry & fishing
Source: GaStat.

Per Capita Share

Preliminary figures indicate that per capita share of GDP (at current prices) in Saudi Arabia declined by 13.7 percent to SAR 74,984 in 2020 versus SAR 86,902 in 2019 (Table 4.6).

Expenditure on GDP in 2020

Preliminary figures show that expenditure on GDP at current prices decreased by 11.7 percent to SAR 2,625.4 billion in 2020 against an increase of 0.8 percent in 2019. This decrease was due to decreases in final consumption of the private sector and gross fixed capital formation. The final consumption of the private sector fell by 2.5 percent to SAR 1,128.7 billion

in 2020 against a rise of 3.5 percent in 2019. Gross capital formation (including inventory change) decreased by 19.0 percent to SAR 692.9 billion in 2020 from SAR 855.7 billion in 2019. On the contrary, gross consumption of the government sector increased by 5.6 percent to SAR 749.1 billion in 2020, up from SAR 709.2 billion in 2019. Thus, the share of gross final consumption in expenditure on GDP at current prices increased to 71.5 percent in 2020 from 62.8 percent in 2019. Net exports of goods and services registered a surplus of SAR 54.7 billion in 2020 compared to a surplus of SAR 250.9 billion in 2019, dropping by 78.2 percent (Table 4.7 and Chart 4.3).

Table 4.5: GDP by Key Economic Sectors (at Constant Prices for 2010)

(Million SAR)								
	2017	2018	2019			2020*		
			Value	Share	Growth	Value	Share	Growth
1. Agriculture, forestry & fishing	65,290	65,609	66,411	2.2	1.2	67,279	2.6	1.3
2. Mining & quarrying	655,761	882,613	826,706	28.0	-6.3	531,210	20.4	-35.7
3. Manufacturing industries	332,901	377,806	372,893	12.6	-1.3	340,403	13.1	-8.7
4. Electricity, gas & water	40,621	49,266	47,174	1.6	-4.2	45,641	1.8	-3.3
5. Construction & building	154,592	151,496	163,655	5.5	8.0	168,750	6.5	3.1
6. Wholesale & retail trade, restaurants & hotels	274,970	280,159	298,009	10.1	6.4	284,579	10.9	-4.5
7. Transport, storage & telecommunication	165,173	171,662	182,071	6.2	6.1	172,304	6.6	-5.4
8. Finance, insurance, real estate & business services	342,668	358,194	375,269	12.7	4.8	377,725	14.5	0.7
9. Government services' producers	491,077	553,843	576,953	19.5	4.2	576,089	22.1	-0.1
GDP**	2,558,820	2,930,101	2,952,403	100.0	0.8	2,603,428	100.0	-11.8

* Preliminary data. ** Excluding import duties. ***Including oil refining.

Source: GaStat.

Table 4.6: Per Capita GDP

	2017	2018	2019	Change	2020*	Change
GDP** (current prices) (million SAR)	2,582,198	2,949,457	2,973,626	0.8	2,625,442	-11.7
Population (million)	32.61	33.41	34.22	2.4	35.01	2.3
Per Capita GDP (SAR)	79177	88271	86902	-1.6	74984	-13.7

*Preliminary data. ** Including import duties.

Source: GaStat.

Chart 4.3: Expenditure on GDP (at Current Prices)

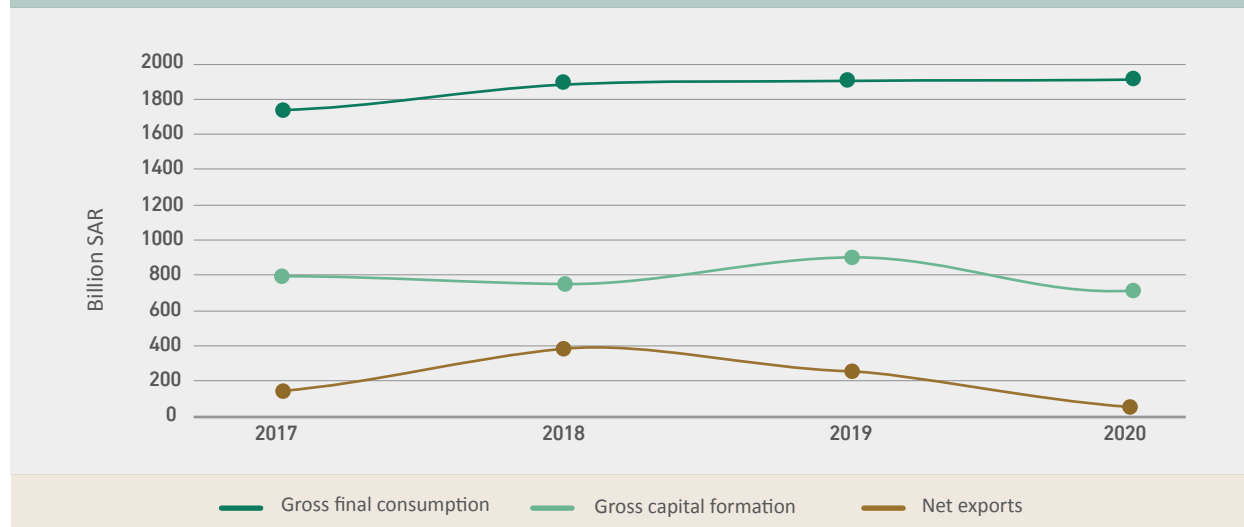


Table 4.7: Expenditure on GDP (at Current Prices)

(Million SAR)												
	2017			2018			2019			2020*		
	Value	Share	Change	Value	Share	Change	Value	Share	Change	Value	Share	Change
Gross final consumption	1,694,622	65.6	2.1	1,844,341	62.5	8.8	1,866,990	62.8	1.2	1,877,824	71.5	0.6
Government consumption	630,978	24.4	1.0	726,101	24.6	15.1	709,171	23.8	-2.3	749,112	28.5	5.6
Private consumption	1,063,644	41.2	2.7	1,118,241	37.9	5.1	1,157,819	38.9	3.5	1,128,712	43.0	-2.5
Gross capital formation **	745,272	28.9	-0.4	710,139	24.1	-4.7	855,689	28.8	20.5	692,933	26.4	-19.0
Net exports of goods & services ***	142,303	5.5	1280.0	394,977	13.4	177.6	250,947	8.4	-36.5	54,685	2.1	-78.2
Expenditure on GDP	2,582,198	100.0	6.8	2,949,458	100.0	14.2	2,973,626	100.0	0.8	2,625,442	100.0	-11.7

*Preliminary data. **Including inventory change.

***Net exports of goods & services = Total exports of goods & services - total imports of goods & services.

Source: GaStat.

5

EXTERNAL SECTOR



External Sector

According to data of the General Authority for Statistics (GaStat), the total value of Saudi Arabia's oil exports stood at SAR 447.6 billion in 2020, accounting for 68.7 percent of Saudi Arabia's total exports, compared to SAR 751.8 billion in 2019. The ratio of 2020 oil exports to GDP reached 17.0 percent. The total value of imports (CIF) amounted to SAR 517.5 billion, constituting 19.7 percent of GDP. Estimates of the Saudi Arabia's balance of payments indicate a deficit of SAR 73.7 billion in the current account in 2020, constituting 2.8 percent of GDP.

External Trade

External trade figures show that the total value of Saudi Arabia's merchandise trade (exports + imports) decreased by 25.1 percent to SAR 1,134.1 billion in 2020 compared to SAR 1,513.5 billion in 2019. The ratio of external merchandise trade to GDP was 43.2 percent in 2020 compared to 50.9 percent in the preceding year.

Exports

According to GaStat data, the total value of Saudi Arabia's merchandise exports reached SAR 652.0 billion in 2020 compared to SAR 981.0 billion in 2019, decreasing by 33.5 percent against a decrease of 11.1 percent in the preceding year (Table 5.1).

Oil Exports

Saudi Arabia's oil exports amounted to SAR 447.6 billion in 2020, dropping by 40.5 percent as compared to a decline of 13.4 percent in the preceding year. They constituted 68.7 percent of total exports (Table 5.1). This decline from 2019 was attributed to the fall in oil prices in global markets, with the average price of Arab Light crude standing at \$41.91 per barrel in 2020 compared to \$64.96 per barrel in 2019, according to OPEC data, and the decrease of Saudi Arabia's average production of crude oil from 9.8 million barrels per day (bpd) in 2019 to 9.2 million bpd in 2020.

Data on oil exports by type indicate that the value of crude oil exports dropped by 39.9 percent from SAR 625.9 billion in 2019 to SAR 376.4 billion in 2020, constituting 57.7 percent of total exports. In addition, the value of refined products exports

Table 5.1: Saudi Arabia's Commodity Exports

(Million SAR)								
	2017	2018	2019	2020	Share			Change 2020
					2018	2019	2020	
Oil exports	638,402	868,442	751,828	447,599	78.67	76.64	68.66	-40.5
Crude oil	513,181	704,505	625,863	376,434	63.82	63.80	57.74	-39.9
Refined products	125,222	163,938	125,965	71,165	14.85	12.84	10.92	-43.5
Non-oil exports	193,479	235,458	229,184	204,352	21.33	23.36	31.34	-10.8
Petrochemicals	116,609	153,233	140,748	118,953	13.88	14.35	18.25	-15.5
Construction materials	14,424	19,557	16,289	15,225	1.77	1.66	2.34	-6.5
Agricultural, animal & food products	13,279	12,950	13,038	12,753	1.17	1.33	1.96	-2.2
Other goods*	49,167	49,719	59,109	57,421	4.50	6.03	8.81	-2.9
Total	831,881	1,103,901	981,013	651,951	100.00	100.00	100.00	-33.5

*Including re-exports.
Source: GaStat.

decreased by 43.5 percent from SAR 126.0 billion to SAR 71.2 billion, representing 10.9 percent of total exports. Chart 5.1 shows the developments in Saudi Arabia's oil exports.

Non-Oil Exports

According to GaStat data, Saudi Arabia's non-oil exports declined by 10.8 percent to SAR 204.4 billion in 2020 versus a decrease of 2.7 percent in the preceding year, representing a share of 31.3 percent of total exports (Table 5.1). The value of petrochemical exports went down by 15.5 percent to SAR 119.0 billion with a share of 18.3 percent of total exports. The value of construction materials exports also fell by 6.5 percent to SAR 15.2 billion, constituting a share of 2.3 percent of the total. The value of other commodities exports, including re-exports, fell by 2.9 percent to SAR 57.4 billion, representing a share of 8.8 percent of total exports. Moreover, the value of agricultural, animal and food products exports decreased by 2.2 percent to SAR 12.8 billion with a share of 2.0 percent of total exports. Chart 5.2 shows the values and developments of non-oil exports over the period 2016-2020.

Development of Saudi Non-Oil Exports

The Saudi Export Program (SEP) is one of the key programs launched by the Saudi Fund for Development (SFD) in 1999. The program offers credit facilities and guarantees to exporters. It aims

to diversify the national income sources through developing non-oil exports and promoting their competitiveness in line with the objectives of Saudi Vision 2030.

Since the launch of the program, the number of financing transactions approved by SFD has reached 298 with a value of SAR 82.0 billion. The number of export credit guarantee policies approved by the program has amounted to 325 with a total value of SAR 37.6 billion. As per the SFD's national classification of economic activities, Saudi export finance and guarantee data show that the total value of export financing and guarantee transactions was SAR 4.1 billion in 2020 (Table 5.2).

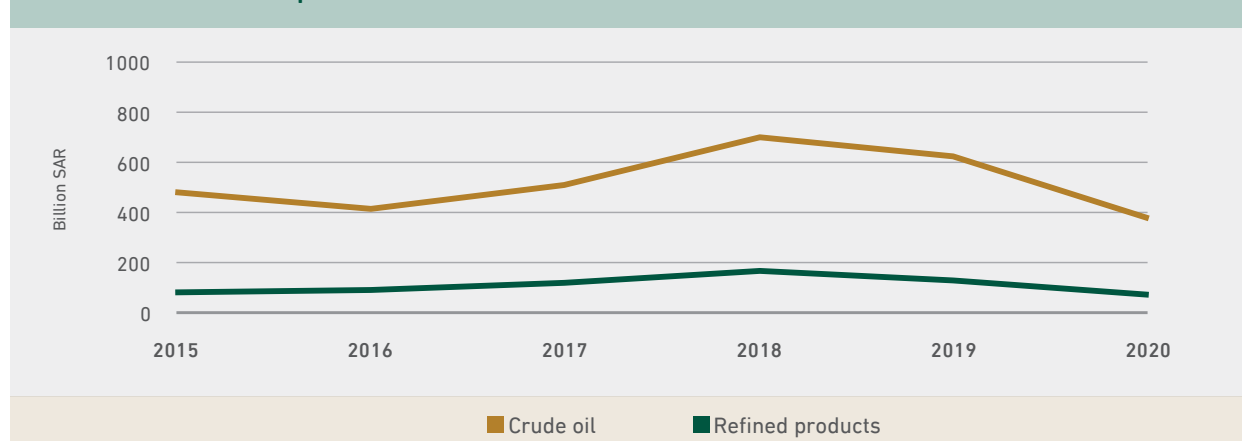
The SEP's finance and guarantee activities in 2020 were as follows: SAR 2.7 billion offered to manufacturing, SAR 995.4 million to mining and quarrying, SAR 429.4 million to financial and insurance activities, SAR 13.4 million to building and construction, and SAR 5.3 million to agriculture.

Imports

GaStat data show that the value of imports of goods (CIF) decreased by 9.9 percent to SAR 517.5 billion in 2020 from SAR 574.4 billion in 2019 (Table 5.3).

Detailed data on Saudi Arabia's imports by main component for 2020 (Chart 5.3) show that imports of electric machinery, appliances and equipment

Chart 5.1: Saudi Oil Exports



ranked first with a share of 21.1 percent (SAR 109.1 billion) of total imports, decreasing by 9.3 percent from 2019. Imports of foodstuffs and imports of other goods came second with a share of 16.6 percent each (SAR 85.7 billion each) of total imports. Imports of foodstuffs increased by 5.3 percent, while imports of other goods decreased by 7.5 percent from the preceding year. Imports of transport equipment came third with 16.0 percent (SAR 83.0 billion) of total imports, dropping by 29.8 percent from 2019. Imports of chemical and related products ranked fourth with a share of 13.9 percent (SAR 72.0 billion), rising by 0.2 percent over the preceding year. Imports of ordinary metals and their products came fifth with a share of 9.6 percent (SAR 49.6 billion), increasing by 1.4 percent. Imports of textiles and clothing came sixth with a share of 3.9 percent (SAR 20.0 billion), decreasing by 11.9 percent. Imports of wood and jewelry came

last with 2.4 percent (SAR 12.3 billion), falling by 32.4 percent from the preceding year.

Destination of Exports and Origin of Imports

The destination of exports and origin of imports are divided into four groups. The first group includes the top five non-Arab countries. The second group comprises the GCC member countries, the third contains Arab countries excluding the GCC countries, and the fourth includes other countries (Table 5.4).

Destination of Exports

Saudi Arabia's exports to the top five non-Arab countries decreased by 35.4 percent to SAR 327.9 billion in 2020, representing a share of 50.3 percent of total exports. Exports to China ranked first with a share of 18.4 percent (SAR 120.0 billion)

Chart 5.2: Components of Saudi Non-Oil Exports

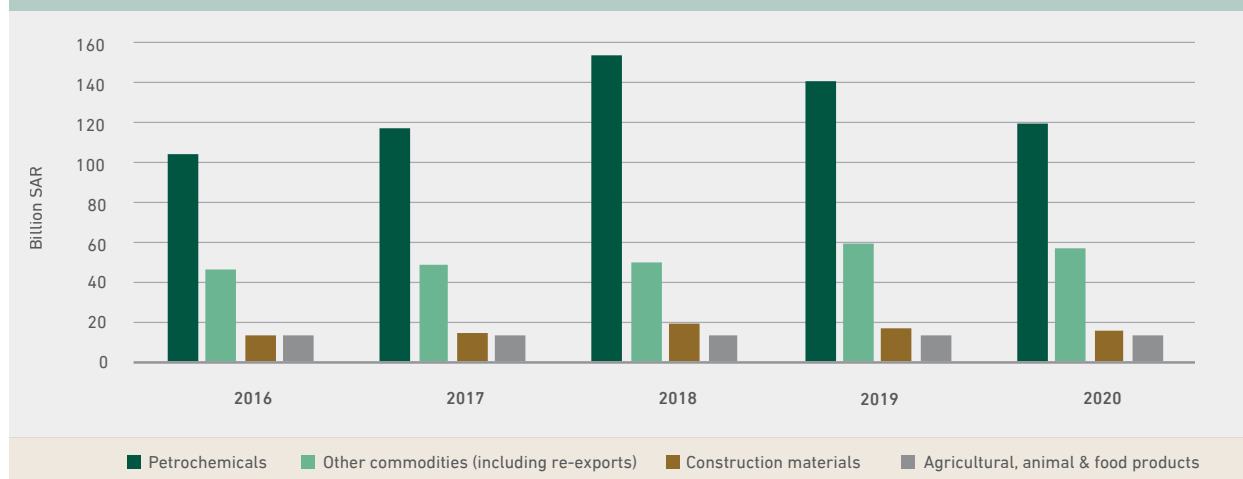


Table 5.2: Finance and Guarantee of Saudi Exports

	(Million SAR)		
	2018	2019	2020*
Manufacturing	14,229	3,560	2,670
Building & construction	--	232	13
Agriculture	--	10	5
Mining & quarrying	632	917	995
Financial & insurance activities	2,529	761	429
Total	17,390	5,481	4,114

* Preliminary data.

Source: SFD.

of total exports, decreasing by 33.2 percent from 2019. Exports to Japan came in second place with a share of 9.6 percent (SAR 62.3 billion), falling by 37.9 percent from the preceding year. Exports to India followed in third place with a share of 9.2 percent (SAR 60.2 billion), dropping by 40.2 percent. Exports to South Korea came fourth with a share of 8.3 percent (SAR 54.4 billion), falling by 30.4 percent. Exports to the United States ranked fifth with a share of 4.8 percent (SAR 31.0 billion) of total exports, declining by 36.7 percent from the preceding year. Chart 5.4A shows the destinations of Saudi Arabia's exports for 2020.

Saudi Arabia's exports to the GCC countries also declined by 19.2 percent to SAR 72.1 billion in 2020, accounting for 11.1 percent of Saudi Arabia's total exports. Exports to other Arab countries decreased by 20.9 percent to SAR 46.5 billion, accounting for

7.1 percent of total exports. Furthermore, exports to other countries dropped by 36.8 percent to SAR 205.3 billion with a share of 31.5 percent.

Origin of Imports

Detailed data of total imports indicate that Saudi Arabia's imports from the top five non-Arab exporting countries decreased by 9.7 percent to SAR 229.9 billion in 2020, constituting a share of 44.4 percent of Saudi Arabia's total imports. Imports from China ranked first with a share of 19.6 percent (SAR 101.6 billion) of Saudi Arabia's total imports, decreasing by 3.8 percent from 2019. Imports from the United States came next with a share of 10.7 percent (SAR 55.1 billion), declining by 22.4 percent from the preceding year. Imports from Germany ranked third with a share of 5.2 percent (SAR 26.9 billion), decreasing by 2.8 percent. Imports from India followed in fourth place with a

Chart 5.3: Saudi Arabia's Imports (CIF) by Main Components

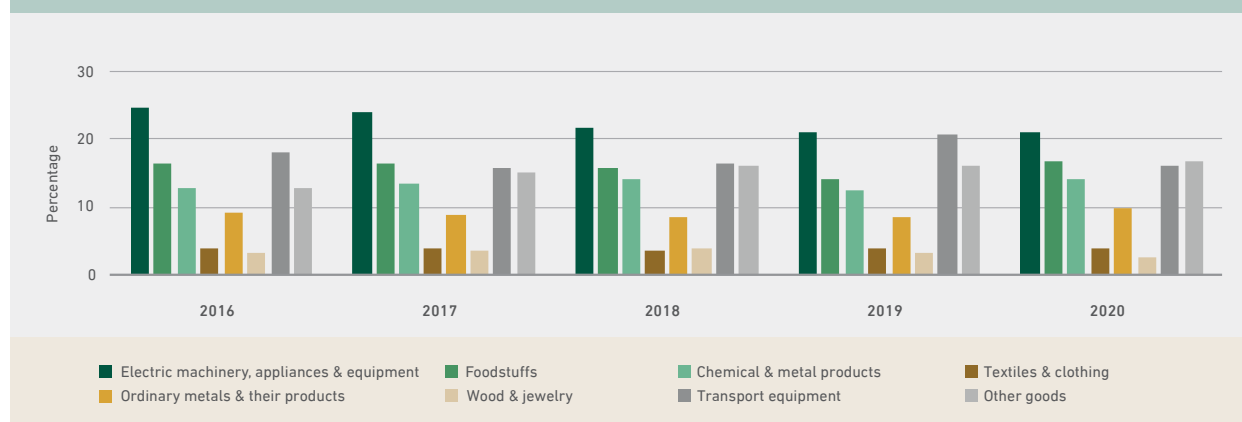


Table 5.3: Saudi Arabia's Imports (CIF) by Main Component

	Million SAR			Share			Change
	2018	2019	2020	2018	2019	2020	2020
Electric machinery, appliances & equipment	111,167	120,291	109,094	21.6	20.9	21.1	-9.3
Foodstuffs	80,249	81,369	85,716	15.6	14.2	16.6	5.3
Chemical & related products	69,202	71,876	72,017	13.5	12.5	13.9	0.2
Textiles & clothing	18,115	22,732	20,018	3.5	4.0	3.9	-11.9
Metals & their products	43,988	48,896	49,600	8.6	8.5	9.6	1.4
Wood & jewelry	19,997	18,258	12,342	3.9	3.2	2.4	-32.4
Transport equipment	84,652	118,264	83,009	16.5	20.6	16.0	-29.8
Other goods	86,623	92,675	85,695	16.9	16.1	16.6	-7.5
Total	513,993	574,361	517,491	100.0	100.0	100.0	-9.9

Source: GaStat.

share of 4.7 percent (SAR 24.5 billion), decreasing by 1.3 percent. Imports from Japan came fifth with a share of 4.2 percent (SAR 21.8 billion), decreasing by 14.2 percent from 2019.

Saudi Arabia's imports from GCC countries recorded a fall of 11.2 percent to SAR 49.2 billion in 2020, accounting for 9.5 percent of Saudi Arabia's total imports. In addition, imports from other Arab countries dropped by 12.0 percent to SAR 18.8 billion, constituting 3.6 percent of total imports. Moreover, imports from other countries declined by 9.7 percent to SAR 219.6 billion with a share of 42.4 percent. Chart 5.4B shows Saudi Arabia's imports by origin in 2020.

Non-Oil Trade with GCC Countries

Saudi Arabia's net non-oil trade with the GCC countries recorded a surplus of SAR 1.2 billion in

2020 against a deficit of SAR 4.5 billion in 2019. Imports from GCC countries decreased by 11.4 percent to SAR 49.0 billion (9.5 percent of total imports) in 2020 compared to SAR 55.4 billion in 2019. Saudi exports to the GCC countries also declined by 1.0 percent to SAR 50.3 billion in 2020, accounting for 24.6 percent of total non-oil exports (including re-exports).

Detailed data of 2020 indicate that Saudi Arabia's non-oil commodity balance with Kuwait and Bahrain recorded surpluses of SAR 4.5 billion and SAR 0.04 billion, respectively, while it recorded with the UAE and Oman deficits of SAR 0.6 billion and SAR 2.6 billion, respectively.

Data on Saudi Arabia's non-oil exports to GCC countries in 2020 show that the UAE remained in the first place with SAR 33.7 billion or 67.0 percent

Table 5.4: Destination of Exports and Origin of Imports*

	2019	2020	Share		Change
			2019	2020	2020
Exports					
China	179,669	120,016	18.3	18.4	-33.2
Japan	100,365	62,307	10.2	9.6	-37.9
India	100,703	60,208	10.3	9.2	-40.2
South Korea	78,155	54,379	8.0	8.3	-30.4
USA	49,024	31,024	5.0	4.8	-36.7
Total of the Five Countries	507,916	327,934	51.8	50.3	-35.4
GCC Countries	89,283	72,139	9.1	11.1	-19.2
Other Arab Countries	58,878	46,547	6.0	7.1	-20.9
Other Countries	324,935	205,332	33.1	31.5	-36.8
Total Exports	981,012	651,952	100.0	100.0	-33.5
Imports					
China	105,571	101,562	18.4	19.6	-3.8
USA	71,024	55,145	12.4	10.7	-22.4
Germany	27,649	26,869	4.8	5.2	-2.8
India	24,850	24,530	4.3	4.7	-1.3
Japan	25,367	21,767	4.4	4.2	-14.2
Total of the Five Countries	254,461	229,873	44.3	44.4	-9.7
GCC Countries	55,365	49,171	9.6	9.5	-11.2
Other Arab Countries	21,378	18,803	3.7	3.6	-12.0
Other Countries	243,157	219,644	42.3	42.4	-9.7
Total Imports	574,361	517,491	100.0	100.0	-9.9

* Including re-exports.
Source: GaStat.

of the total. Bahrain came next with SAR 7.0 billion (13.9 percent), Kuwait with SAR 6.0 billion (12.0 percent), and Oman with SAR 3.6 billion (7.2 percent).

With respect to Saudi Arabia's non-oil imports from GCC countries in 2020, the UAE continued to occupy the first position as the largest GCC exporter to Saudi Arabia, with exports amounting to SAR 34.3 billion (69.9 percent of the total). Bahrain came second with SAR 7.0 billion (13.9 percent), followed by Oman with SAR 6.3 billion (12.7 percent) and then Kuwait with SAR 1.7 billion (3.4 percent) (Table 5.5).

Non-Oil Trade with Top Arab Trading Partners

Saudi Arabia's non-oil trade with Arab countries (excluding GCC countries) registered a surplus of SAR 8.2 billion in 2020 against a surplus of SAR 7.0 billion in 2019. Imports from Arab countries dropped by 12.0 percent from SAR 21.4 billion in 2019 to SAR 18.8 billion in 2020, accounting for 3.6 percent of total imports. Exports to Arab countries also went down by 4.9 percent to SAR 27.0 billion, constituting 13.2 percent of total non-oil exports (including re-exports).

Detailed data on Saudi trade with top Arab trading partners in 2020 show that Saudi Arabia recorded surpluses of SAR 3.9 billion in trade with Yemen, SAR 2.6 billion with Iraq, SAR 1.6 billion with Sudan, SAR 743 million with Morocco, and SAR 516 million with Jordan. However, Saudi trade with Egypt, Syria and Lebanon recorded deficits of SAR 3.4 billion, SAR 766 million, and SAR 402 million, respectively.

As for Saudi non-oil exports to top Arab trading partners in 2020, Egypt ranked first with SAR 6.7 billion (24.9 percent of the total), followed by Jordan in second place with SAR 4.7 billion (17.4 percent) and then Yemen in third place with SAR 4.6 billion. Iraq and Sudan occupied the fourth and fifth positions, with exports amounting to SAR 2.7 billion and SAR 2.5 billion, respectively.

With regard to Saudi Arabia's non-oil imports from its top Arab trading partners in 2020, Egypt took the lead with SAR 10.1 billion (53.9 percent of the total). Jordan came next with SAR 4.2 billion (22.2 percent), followed by Lebanon in third place with SAR 948 million (5.0 percent). Sudan and Syria came in fourth and fifth places with SAR 912 million (4.9 percent) and SAR 768 million (4.1 percent), respectively (Table 5.6).

Chart 5.4A: Saudi Arabia's Exports by Destination (Percentage)

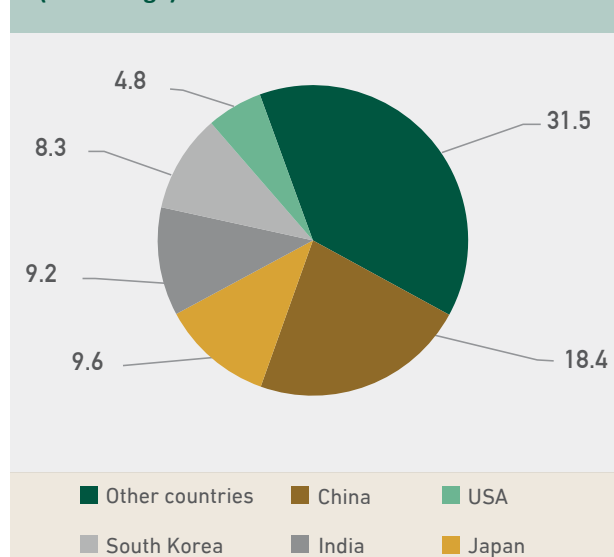
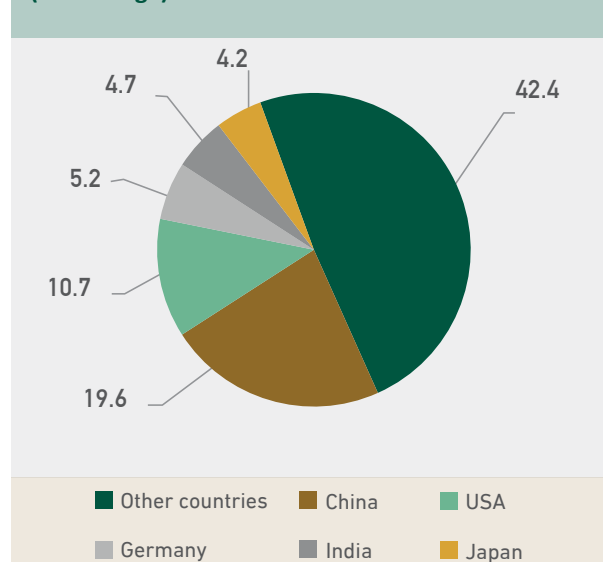


Chart 5.4B: Saudi Arabia's Imports by Origin (Percentage)



Private Sector Exports Financed by Commercial Banks

Private sector exports financed by commercial banks (settled letters of credit) fell by 7.4 percent to SAR 34.1 billion in 2020 compared to SAR 36.9 billion in 2019. Their ratio to total non-oil exports (including re-exports) rose to 16.9 percent in 2020 from 16.1 percent in 2019.

Data on private sector exports financed by commercial banks (settled letters of credit) in 2020 show that exports of other industrial products decreased by 5.6 percent to SAR 32.2 billion, ranking first with a share of 94.2 percent of total exports as compared to 2019. Chemical and plastic products came second with SAR 1.8 billion, recording a decrease of 32.7 percent and representing a share of 5.2 percent of the total. Agricultural and animal products came next with a value of SAR 228 million, increasing by 35.9 percent and accounting for 0.7 percent of the total.

Private Sector Imports Financed by Commercial Banks

Private sector imports financed by commercial banks (settled letters of credit and bills under collection) decreased by 8.8 percent to SAR 123.2 billion in 2020 compared to SAR 135.1 billion in 2019. Their share of the total value of Saudi

Arabia's imports was 25.0 percent in 2020 against 23.5 percent in 2019.

This decline in imports was attributable to decreases in the financing of imports of other goods of 6.8 percent to SAR 62.5 billion; construction materials of 17.7 percent to SAR 12.3 billion; machinery of 21.2 percent to SAR 4.8 billion; appliances of 18.6 percent to SAR 2.8 billion; textiles and clothing of 48.3 percent to SAR 1.0 billion; grain of 16.3 percent to SAR 4.2 billion; livestock and meat of 22.7 percent to SAR 1.9 billion; sugar, tea and coffee beans of 30.0 percent to SAR 529 million; and other foodstuffs of 13.3 percent to SAR 6.8 billion. On the other hand, financing of motor vehicle imports and financing of fruit and vegetable imports increased by 2.8 percent (to SAR 26.2 billion) and 29.4 percent (to SAR 343 million), respectively.

As for their share, financing of imports of other goods ranked first with a share of 50.7 percent of total imports, followed by that of motor vehicles in second place with 21.2 percent. Financing of imports of construction materials came next with 10.0 percent of total imports. Financing of imports of other foodstuffs came fourth with a share of 5.5 percent, followed by that of machinery in fifth place with 3.9 percent (Table 5.7).

Table 5.5: Saudi Non-Oil Trade with GCC Countries*

Country	(Million SAR)												
	2018			2019			2020			Change 2020		Share 2020	
	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports	Exports	Imports	Exports
UAE	43,441	29,557	-13,884	39,806	33,043	-6,763	34,287	33,714	-573	-13.9	2.0	69.9	67.0
Bahrain	6,099	6,170	71	6,426	7,164	738	6,950	6,991	41	8.2	-2.4	14.2	13.9
Qatar	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Oman	5,818	3,815	-2,003	7,167	3,627	-3,540	6,253	3,606	-2,647	-12.8	-0.6	12.7	7.2
Kuwait	1,567	7,833	6,266	1,966	6,988	5,022	1,555	6,025	4,470	-20.9	-13.8	3.2	12.0
Total	56,925	47,375	-9,550	55,365	50,822	-4,543	49,045	50,336	1,291	-11.4	-1.0	100.0	100.0

* Including re-exports
Source: GaStat.

Exports Through Ports

According to data issued by the Saudi Ports Authority (Mawani), the volume of exports (excluding crude oil exports) handled at Saudi ports increased by 2.7 percent to 217.4 million tons in 2020 from 211.6 million tons in 2019.

This rise was attributed to increases in the exports of transshipment goods of 16.5 percent to 15.4 million tons, other goods of 10.2 percent to 22.0 million tons, petrochemicals of 7.0 percent to 35.5 million tons, and refined oil products and gas of 0.02 percent to 125.4 million tons. However, exports of construction materials and steel decreased by 3.9 percent to 19.0 million tons.

As for their share in the total volume of exports handled at ports, refined oil products and gas ranked first with a share of 57.7 percent. Petrochemicals came second with a share of 16.3 percent, followed by other exports with 10.1 percent. Construction materials and steel exports came fourth with a share of 8.8 percent. Exports of transshipment goods came in fifth place with 7.1 percent, followed by exports of agricultural products with 0.1 percent.

Imports Through Ports

According to data issued by Mawani, the volume of imports handled at Saudi ports fell by 6.9 percent to 101.1 million tons in 2020. This decline was attributed to a decrease of 31.2 percent in imports through industrial ports to 28.9 million tons. Nevertheless, imports handled at commercial ports rose by 8.4 percent to 72.2 million tons as a result of increases of 9.5 percent in the imports of foodstuffs to 26.4 million tons, 20.6 percent in imports of construction materials to 13.3 million tons, and 4.2 percent in imports of general merchandise to 30.8 million tons. Imports of equipment, however, dropped by 11.8 percent to 1.7 million tons.

As for their share, general merchandise ranked first with a share of 30.4 percent of total imports through ports, followed by foodstuffs with 26.1 percent, construction materials with 13.2 percent, and equipment with 1.7 percent.

On the other hand, motor vehicles imported through Saudi ports during 2020 decreased by 4.2

Table 5.6: Non-oil Trade with Top Arab Trading Partners* (Excluding GCC Countries)

(Million SAR)													
Country	2018			2019			2020			Change 2020		Share 2020	
	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports	Exports	Imports	Exports
Egypt	5,635	7,522	1,887	10,297	7,032	-3,265	10,129	6,739	-3,390	-1.6	-4.2	53.9	24.9
Jordan	3,019	5,872	2,853	4,683	5,399	716	4,182	4,698	516	-10.7	-13.0	22.2	17.4
Yemen	573	3,679	3,106	591	4,160	3,569	673	4,562	3,889	13.9	9.7	3.6	16.9
Lebanon	1,082	1,909	827	1,185	1,167	-18	948	546	-402	-20.0	-53.2	5.0	2.0
Morocco	750	1,628	878	600	1,522	922	601	1,344	743	0.2	-11.7	3.2	5.0
Sudan	2,128	2,445	317	2,138	2,218	80	912	2,503	1,591	-57.3	12.8	4.9	9.3
Iraq	44	2,463	2,419	26	2,735	2,709	42	2,653	2,611	61.5	-3.0	0.2	9.8
Syria	400	5	-395	705	3	-702	768	2	-766	8.9	-41.1	4.1	0.0
Other Arab countries	837	4,579	3,742	1,153	4,171	3,018	548	3,981	3,433	-52.5	-4.6	2.9	14.7
Total	14,468	30,102	15,634	21,378	28,407	7,029	18,803	27,028	8,225	-12.0	-4.9	100.0	100.0

* Including re-exports

Source: GaStat.

percent to 581.1 thousand from 606.3 thousand in 2019. In addition, imports of livestock through Saudi ports reached 2.9 million, declining by 50.9 percent from the number registered in 2019. The decrease in imports of livestock may be attributed to the measures taken by Saudi Arabia in 2020 in response to Covid-19 pandemic, the significant decrease in the number of pilgrims resulting in less need for animals for sacrifice (Hady), and the suspension of social events (Table 5.8).

Imports and Exports by Use of Goods

Detailed data on Saudi Arabia's imports by use of goods for 2020 show that imports of consumer goods amounted to SAR 210.0 billion (13.2 million tons), ranking first with a share of 40.6 percent of total imports and declining by 10.6 percent from 2019. Imports of intermediate goods came second with SAR 199.4 billion (70.5 million tons), constituting a share of 38.5 percent of total imports and dropping by 4.1 percent from the preceding year. Capital goods came third with SAR 108.1

billion (2.4 million tons), representing a share of 20.9 percent and decreasing by 17.8 percent from the preceding year.

With regard to Saudi Arabia's exports by use of goods in 2020, intermediate goods ranked first with SAR 597.2 billion (458.7 million tons) and a share of 91.6 percent of total exports, dropping by 34.9 percent from 2019. Consumer goods ranked second with SAR 34.6 billion (11.2 million tons) and a share of 5.3 percent of total exports, falling by 20.7 percent from the preceding year. Capital goods followed in third place with SAR 20.2 billion (0.6 million tons), constituting a share of 3.1 percent of total exports and decreasing by 0.3 percent from the preceding year (Table 5.9).

Imports and Exports by Type of Goods

Data on Saudi Arabia's imports by type of goods (the stage of processing) for 2020 indicate that imports of finished goods amounted to SAR 371.1 billion (30.6 million tons), ranking first with a share

Table 5.7: Private Sector Exports and Imports Financed by Commercial Banks

(Million SAR)					
	2019	2020	Share		Change 2020
			2019	2020	
Exports*	36,861	34,142	100.00	100.00	-7.4
Agricultural & animal products	168	228	0.46	0.67	35.9
Chemical & plastic products	2,617	1,760	7.10	5.16	-32.7
Other industrial products	34,076	32,153	92.45	94.17	-5.6
Imports**	135,070	123,223	100.00	100.00	-8.8
Grain	5,014	4,196	3.71	3.41	-16.3
Fruit & vegetables	265	343	0.20	0.28	29.4
Sugar, tea & coffee beans	757	529	0.56	0.43	-30.0
Livestock & meat	2,436	1,883	1.80	1.53	-22.7
Foodstuffs	7,886	6,833	5.84	5.55	-13.3
Textiles & clothing	1,878	971	1.39	0.79	-48.3
Construction materials	14,930	12,286	11.05	9.97	-17.7
Motor vehicles	25,443	26,157	18.84	21.23	2.8
Machinery	6,028	4,751	4.46	3.86	-21.2
Appliances	3,408	2,775	2.52	2.25	-18.6
Other goods	67,026	62,499	49.62	50.72	-6.8

*Settled letters of credit.

**Settled letters of credit & bills under collection.

of 71.7 percent of total imports and decreasing by 13.2 percent from 2019. Semi-finished goods came second with SAR 124.2 billion (36.1 million tons), constituting 24.0 percent of total imports and declining by 2.6 percent from the preceding year. Raw material goods came third with SAR 22.2 billion (19.4 million tons), representing a share of 4.3 percent of total imports and increasing by 13.3 percent from 2019.

With regard to Saudi Arabia's exports by type of goods in 2020, exports of raw material goods ranked first with SAR 387.9 billion (342.4 million tons) and a share of 59.5 percent of total exports, declining by 39.3 percent from 2019. Exports of semi-finished goods ranked second with SAR 148.5 billion (69.5 million tons) and a share of 22.8 percent of total exports, dropping by 11.1 percent

Table 5.8: Exports and Imports Through Ports

(Million tons)					
	2019	2020*	Share		Change 2020
			2019	2020	
Exports	211.63	217.41	100.00	100.00	2.7
Petrochemicals	33.20	35.52	15.69	16.34	7.0
Refined oil products & gas	125.37	125.40	59.24	57.68	0.0
Construction materials & steel	19.83	19.05	9.37	8.76	-3.9
Transshipment goods	13.18	15.36	6.23	7.07	16.5
Agricultural products	0.14	0.14	0.06	0.06	0.4
Other goods	19.91	21.95	9.41	10.10	10.2
Imports	108.63	101.10	100.00	100.00	-6.9
Through commercial ports	66.60	72.19	61.31	71.40	8.4
Foodstuffs	24.08	26.37	22.17	26.08	9.5
Construction materials	11.04	13.31	10.16	13.17	20.6
Equipment	1.96	1.73	1.81	1.71	-11.8
General merchandise	29.53	30.77	27.18	30.44	4.2
Through industrial ports	42.02	28.91	38.69	28.60	-31.2
Livestock**	6.00	2.95	--	--	-50.9
Motor vehicles***	0.61	0.58	--	--	-4.2

*Preliminary data.

**Livestock in ton are included in foodstuffs.

***Motor vehicles in ton are included in general merchandise.

Source: Saudi Ports Authority.

Table 5.9: Imports and Exports by Use of Goods

Weight (thousand ton)/value (million SAR)									
Goods		2018		2019		2020		Change 2020	Share 2020
		Weight	Value	Weight	Value	Weight	Value		
Imports	Consumer	11,543	201,257	13,268	234,947	13,196	209,994	-10.6	40.6
	Intermediate	61,641	206,122	61,599	207,866	70,533	199,420	-4.1	38.5
	Capital	2,055	106,614	2,645	131,548	2,409	108,077	-17.8	20.9
Exports	Consumer	11,258	49,610	9,420	43,563	11,245	34,559	-20.7	5.3
	Intermediate	497,955	1,041,058	482,208	917,160	458,679	597,163	-34.9	91.6
	Capital	585	13,232	634	20,290	606	20,231	-0.3	3.1

Source: GaStat.

from the preceding year. Finished goods came third with SAR 115.6 billion (58.6 million tons) and a share of 17.7 percent, decreasing by 33.9 percent from the preceding year (Table 5.10).

Balance of Payments

I. Current Account

Preliminary estimates of the Saudi Arabia's balance of payments for 2020 indicate that the current account recorded a deficit of SAR 73.7 billion, compared to a surplus of SAR 143.4 billion in 2019. The ratio of the current account deficit to GDP stood at 2.8 percent in 2020. This deficit was attributed to a decrease of 93.6 percent in the surplus of goods and services and an increase of 7.7 percent in the deficit of net secondary income, which offset a 95.4 percent rise in the surplus of net primary income (Table 5.11). Chart 5.5 illustrates the developments in the current account balance and its major items during the period 2017-2020.

A. Goods and Services

1. Goods

The surplus of goods account went down by 60.5 percent to SAR 179.8 billion in 2020 compared to a surplus of SAR 455.0 billion in 2019. This decline was attributed to a decrease of 33.5 percent in total exports (including oil and other exports) to SAR 652.0 billion against SAR 981.1 billion in 2019. Imports (FOB) also declined by 10.2 percent to SAR 472.2 billion in 2020 from SAR 526.1 billion in 2019.

2. Services

The deficit in services account dropped by 19.8 percent to SAR 163.6 billion in 2020 from a deficit of SAR 204.1 billion in 2019. This decline was mainly attributed to a decrease of 33.7 percent in the deficit in net government goods and services (not listed elsewhere) to SAR 56.5 billion from SAR 85.2 billion in 2019, even though the SAR 4.8 billion surplus in net travel in the preceding year turned into a deficit of SAR 16.9 billion in 2020. However, the SAR 527 million deficit in net telecommunication in 2019 turned into a surplus of SAR 88 million in 2020. The deficit in net financial services decreased by 91.3 percent to SAR 411 million in 2020 from a deficit of SAR 4.7 billion in 2019. In addition, the deficit in net other business services declined by 54.6 percent to SAR 16.8 billion from SAR 37.1 billion in the preceding year. The deficit in net construction services also decreased by 8.5 percent to SAR 24.2 billion in 2020 from SAR 26.5 billion in 2019. The deficit in net insurance and pensions dropped by 12.4 percent to SAR 5.6 billion in 2020 from SAR 6.4 billion in the preceding year. Moreover, the deficit in net services payments for transportation fell by 10.8 percent to SAR 43.3 billion from SAR 48.5 billion in the preceding year.

B. Primary Income

According to the estimates of the balance of payments, the surplus in net primary income increased by 95.4 percent to SAR 57.9 billion

Table 5.10: Imports and Exports by Type of Goods

Goods		Weight (thousand ton)/value (million SAR)							
		2018		2019		2020		Change 2020	Share 2020
		Weight	Value	Weight	Value	Weight	Value		
Imports	Raw	26,661	26,376	15,299	19,603	19,426	22,211	13.3	4.3
	Semi-finished	25,868	123,648	35,094	127,428	36,109	124,171	-2.6	24.0
	Finished	22,711	363,968	27,119	427,330	30,603	371,109	-13.2	71.7
Exports	Raw	371,803	722,108	357,130	639,256	342,440	387,861	-39.3	59.5
	Semi-finished	63,030	183,069	67,896	167,011	69,502	148,533	-11.1	22.8
	Finished	74,965	198,724	67,236	174,745	58,589	115,558	-33.9	17.7

Source: GaStat.

Chart 5.5: Current Account Balance

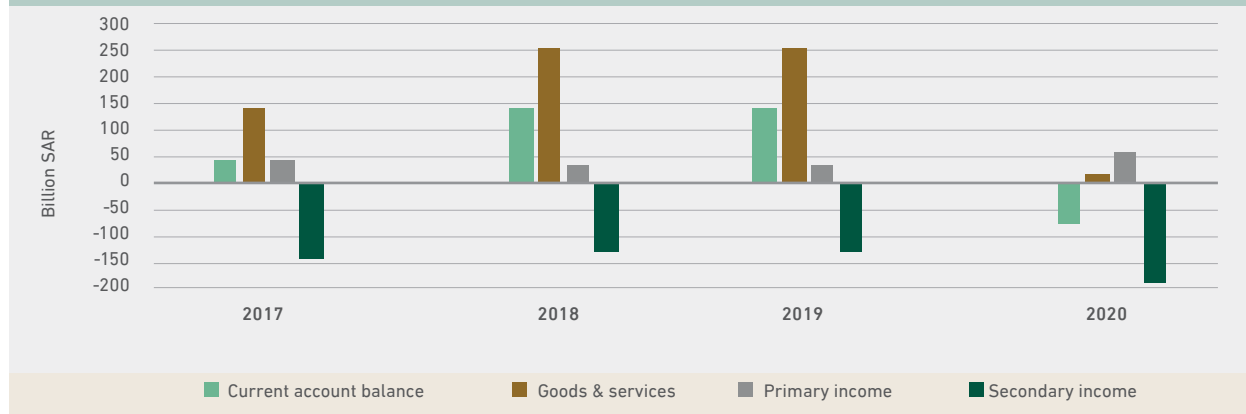


Table 5.11: Balance of Payments

	(Million SAR)				
	2017	2018*	2019*	2020**	Change 2020
I. Current account balance	39,241	269,894	143,362	-73,676	--
A. Goods & services	142,566	394,977	250,947	16,159	-93.56
1. Goods	369,229	632,811	455,010	179,791	-60.49
Exports	831,981	1,103,952	981,064	651,990	-33.54
Imports	462,752	471,141	526,054	472,199	-10.24
2. Services	-226,663	-237,834	-204,064	-163,632	-19.81
Credit	67,994	76,985	90,910	38,429	-57.73
Debit	294,656	314,819	294,974	202,062	-31.50
B. Primary income	40,117	28,916	29,623	57,876	95.37
Credit	70,916	72,993	77,328	87,779	13.51
Debit	30,799	44,078	47,705	29,903	-37.32
C. Secondary income	-143,442	-153,998	-137,208	-147,710	7.65
Credit	0	0	0	0	0.00
Debit	143,442	153,998	137,208	147,710	7.65
II. Capital account	-6,931	-8,733	-6,499	-4,789	-26.31
III. Financial account	27,985	258,025	135,612	-80,891	--
1. Direct investment	21,978	56,270	33,692	-2,370	--
Net acquisition of financial assets	27,298	72,196	50,801	18,203	-64.17
Net incurrence of liabilities	5,321	15,927	17,110	20,573	20.24
2. Portfolio investments	-9,521	45,157	43,196	77,149	--
Net acquisition of financial assets	72,010	106,932	129,637	188,811	45.65
Net incurrence of liabilities	81,531	61,775	172,833	111,662	-35.39
3. Other investments	163,180	155,977	133,915	16,532	-87.66
Net acquisition of financial assets	179,107	199,904	208,741	39,814	-80.93
Net incurrence of liabilities	15,927	43,927	74,826	23,283	-68.88
4. Reserve assets	-147,652	621	11,202	-172,202	--
Errors & omissions	-4,324	-3,136	-1,251	-2,426	93.97

*Preliminary data.

**Estimates.

in 2020 from SAR 29.6 billion in 2019. This rise was attributable to an increase in the surplus of portfolio investment income to SAR 43.6 billion from SAR 10.8 billion in 2019, which offset a deficit of SAR 5.3 billion in net direct investment income in 2020 compared to a surplus of SAR 4.2 billion in 2019. The SAR 2.2 billion deficit in net workers' compensations in 2019, however, turned into a surplus of SAR 167 million in 2020. Net other investment income rose to SAR 19.4 billion in 2020 from SAR 16.8 billion in the preceding year.

C. Secondary Income

The deficit in the secondary income account grew by 7.7 percent to SAR 147.7 billion in 2020 from SAR 137.2 billion in 2019. This increase was attributed to a rise of 13.4 percent in expatriate remittances to SAR 128.8 billion in 2020. However, government transfers fell by 20.2 percent to SAR 18.0 billion against SAR 22.6 billion in 2019. Table 5.12 illustrates the developments in expatriate remittances in Saudi Arabia and their ratio to private sector GDP since 2011.

II. Capital Account

The net capital account registered an outflow of SAR 4.8 billion in 2020 against an outflow of SAR 6.5 billion in 2019.

III. Financial Account

The net financial account registered an inflow of SAR 80.9 billion in 2020 against an outflow of SAR 135.6 billion in 2019. This was attributed to a decrease of SAR 2.4 billion in net direct investment, an increase of SAR 77.1 billion in net portfolio investments, an increase of SAR 16.5 billion in net other investments, and a decline of SAR 172.2 billion in reserve assets in 2020.

International Investment Position (IIP)

Net acquisition of foreign assets decreased by 10.3 percent to SAR 2.3 trillion in 2020 versus SAR 2.5 trillion in 2019 (Table 5.13). This change was attributed to developments in the following components:

Direct Investment

Net direct investment abroad rose by 3.9 percent to SAR 482.8 billion in 2020. Net direct investment in Saudi Arabia also increased by 2.3 percent to SAR 907.0 billion as compared to 2019.

Portfolio Investments

Net portfolio investments abroad increased by 16.5 percent to SAR 1.24 trillion in 2020. Net portfolio investments in Saudi Arabia also went up

Table 5.12: Remittances of Expatriates in Saudi Arabia

(Million SAR)				
Year	Value	Change	Private Sector GDP*	Ratio of remittances to private sector GDP Private sector GDP*
2011	103,485	5.4	852,275	12.1
2012	107,335	3.7	948,366	11.3
2013	127,768	19.0	1,050,987	12.2
2014	134,995	5.7	1,149,636	11.7
2015	141,785	5.0	1,213,542	11.7
2016	138,745	-2.1	1,227,534	11.3
2017	132,518	-4.5	1,247,459	10.6
2018**	123,637	-6.7	1,300,856	9.5
2019**	113,573	-8.1	1,354,322	8.4
2020***	128,768	13.4	1,328,548	9.7

* At current prices.

** Preliminary data.

*** Estimates.

Source: Balance of payments data issued by SAMA, and the private sector GDP data issued by GaStat.

by 20.4 percent to SAR 640.3 billion as compared to 2019.

Other Investments

Net other investments abroad fell by 5.6 percent to SAR 896.7 billion in 2020. However, net other investments in Saudi Arabia increased by 23.8 percent to SAR 513.7 billion as compared to 2019.

Reserve Assets

Reserve assets decreased by 9.2 percent to SAR 1,701.2 billion in 2020 as compared to 2019.

Foreign Debt

Saudi Arabia's total foreign debt (governmental and non-governmental) was SAR 894.5 billion in 2020, compared to SAR 696.5 billion in 2019. The ratio of government foreign debt to total foreign debt was 33.9 percent in 2020.

Saudi Developmental Aid and Loans Abroad

Saudi aid, loans and contributions abroad reached SAR 143.1 billion during the period 2016-2020 (Table 5.14). Aid and loans constituted 82.3 percent (SAR 117.8 billion) of the total. Total contributions

to associations and organizations amounted to SAR 25.2 billion or 17.6 percent of the total. In addition, aid provided through multilateral aid programs during the same period amounted to SAR 90 million or 0.1 percent of the total. Saudi aid and loans provided through bilateral channels and multilateral associations, organizations and institutions in 2020 reached SAR 2.1 billion (11.1 percent of the total), decreasing by 12.5 percent from the preceding year. Aid and loans extended in 2020 constituted the bulk of the total, amounting to SAR 17.1 billion (88.9 percent) and decreasing by 51.4 percent from 2019.

Exchange Rate Trends

SAMA continued to maintain the official exchange rate of the Saudi riyal against the U.S. dollar at SAR 3.75 per one U.S. dollar during 2020. The nominal effective exchange rate (NEER) index increased by 0.66 points from 118.09 points at the end of 2019 to 118.75 points at the end of 2020. Likewise, the real effective exchange rate (REER) index increased by 2.86 points from 112.14 points at the end of 2019 to 115.00 points at the end of 2020

Table 5.13: International Investment Position

(Million SAR)				
	2018*	2019*	2020**	Change 2020
I. Assets	3,988,910	4,349,426	4,317,878	-0.7
1. Direct investment abroad	392,299	464,641	482,845	3.9
2. Portfolio investments	928,459	1,061,798	1,237,141	16.5
3. Other investments	805,943	949,576	896,683	-5.6
4. Reserve assets	1,862,209	1,873,411	1,701,209	-9.2
II. Liabilities	1,522,813	1,833,085	2,060,929	12.4
1. Direct investment in Saudi Arabia	869,301	886,410	906,983	2.3
2. Portfolio investments	317,395	531,818	640,266	20.4
3. Other investments	336,118	414,856	513,680	23.8
III. Net international investment position	2,466,097	2,516,341	2,256,949	-10.3

*Preliminary data.

**Estimates.

Table 5.14: Saudi Arabia's Aid and Contributions Abroad (2016-2020)

(Million SAR)				
Year	Aid & loans	Contributions to associations & organizations	Multilateral aid	Total
2016	11,494	18,999	43	30,536
2017	16,542	975	26	17,543
2018	37,500	680	21	38,201
2019	35,157	2,448	--	37,605
2020	17,088	2,142	--	19,230
Total	117,781	25,245	90	143,116

Source: MoF.

6

PUBLIC FINANCE



Public Finance

In its session held on Tuesday, December 15, 2020 (Rabi' II 30, 1442H), the Council of Ministers approved the state budget for fiscal year 2021 (1442/1443H). The budget came in line with the extraordinary economic conditions that Saudi Arabia experienced as a result of the COVID-19 pandemic. It gave priority to protecting the health of citizens and residents, supporting the private sector and mitigating the financial implications of the pandemic.

This budget is aimed at stimulating economic growth, empowering the private sector, continuing efforts to reduce the effects of the pandemic on economic activities, increasing employment opportunities for citizens, enhancing social protection, developing services, and implementing housing and development programs and projects. It also focuses on achieving the objectives of the Saudi Vision 2030. It took into account increasing spending efficiency, combating corruption, and implementing its projects and programs effectively to continue promoting prosperity and development.

Total expenditures for fiscal year 2021 are projected to be SAR 990.0 billion, 2.9 percent lower than the estimated budget for the preceding fiscal year. Total 2021 revenues are estimated at SAR 849.1

billion, 1.9 percent higher than the projections for the previous fiscal year. The 2021 budget deficit is estimated at SAR 140.9 billion, decreasing by 24.6 percent from the preceding fiscal year's projections (Table 6.1).

Main Features of the State Budget for FY 2021

Saudi Arabia seeks to raise the efficiency of spending to create an environment conducive to economic growth. It also supports priority sectors by allocating the necessary financial resources to them, with a view to achieving comprehensive development and the objectives of public finance. The following are the state budget's allocations for spending on the main sectors for fiscal year 2021 (Table 6.2 and Chart 6.1).

Education

Education sector was allocated SAR 185.7 billion or 18.8 percent of total budgetary expenditures, declining by 3.9 percent from the 2020 budgeted amount.

Military

Military sector was allocated SAR 175.1 billion or 17.7 percent of total budgetary expenditures, decreasing by 3.8 percent from the 2020 budgeted amount.

Health and Social Development

Health services and social development sectors were allocated SAR 174.7 billion or 17.6 percent

Table 6.1: Budget Projections

(Billion SAR)			
	FY	FY	change
	2020 (1441/1442H)	2021 (1442/1443H)	
Total revenues	833.1	849.1	1.9
Total expenditures	1020.0	990.0	-2.9
Surplus/deficit	-186.9	-140.9	-24.6

Source: MoF.

of total budgetary expenditures, increasing by 4.6 percent over the 2020 budgeted amount.

Security and Regional Administration

Security and regional administration sector was allocated SAR 100.8 billion or 10.2 percent of total budgetary expenditures, declining by 1.5 percent from the 2020 budgeted amount.

Municipal Services

Municipal services, including the Ministry of Municipal and Rural Affairs and municipalities, were allocated SAR 50.8 billion or 5.1 percent of the budgetary expenditures, declining by 5.2 percent from the 2020 budgeted amount.

Infrastructure and Transportation

Infrastructure and transportation sector was allocated SAR 45.8 billion or 4.6 percent of total budgetary expenditures, decreasing by 17.7 percent from the 2020 budgeted amount.

Other Sectors

Public programs (general items) were allocated SAR 151.1 billion or 15.3 percent of total budgetary expenditures, increasing by 7.4 percent over the 2020 budgeted amount.

Economic resources sector was allocated SAR 72.4 billion or 7.3 percent of total budgetary expenditures, decreasing by 25.9 percent from the 2020 budgeted amount.

Public administration sector was allocated SAR 33.6 billion or 3.4 percent of total budgetary expenditures, increasing by 19.8 percent over the 2020 budgeted amount.

Actual Revenues and Expenditures for FY 2020

Data for fiscal year 2020 (1441/1442H) indicate that total actual revenues reached SAR 781.8 billion, recording a decrease of 15.6 percent compared to an increase of 2.3 percent in fiscal year 2019. The ratio of actual revenues to nominal GDP was 29.8 percent, declining by 6.1 percent from the budgeted figure. Actual 2020 oil revenues of SAR 413.1 billion were 19.5 percent lower than the budgeted amount. In contrast, actual non-oil revenues for fiscal year 2020 amounted to SAR 368.8 billion, recording an increase of 15.2 percent compared to the budgeted estimates. This rise may be attributed to several factors, the most important of which is the decision to raise the value-added tax

Table 6.2: Allocation of State Budget by Key Sector

(Million SAR)						
	2020 (1441/1442H)			2021 (1442/1443H)		
	Amount	Share	Change	Amount	Share	Change
Public administration	28,018	2.7	1.7	33,572	3.4	19.8
Military	181,923	17.8	-4.7	175,096	17.7	-3.8
Security & regional administration	102,348	10.0	-0.5	100,817	10.2	-1.5
Municipal services	53,560	5.3	-13.9	50,799	5.1	-5.2
Education	193,168	18.9	0.3	185,702	18.8	-3.9
Health & social development	166,980	16.4	-2.9	174,677	17.6	4.6
Economic resources	97,645	9.6	-25.7	72,395	7.3	-25.9
Infrastructure & transportation	55,705	5.5	-20.7	45,819	4.6	-17.7
General items	140,652	13.8	-9.9	151,123	15.3	7.4
Total	1,020,000	100.0	-7.8	990,000	100.0	-2.9

Source: MoF.

(VAT) on goods and services from 5 percent to 15 percent as of July 2020.

Actual expenditures for fiscal year 2020 stood at SAR 1,075.7 billion or 41.0 percent of GDP, denoting increases of 5.5 percent over the budgeted figure and 1.5 percent over the expenditures of the preceding year.

As compared to the budgeted amounts, actual expenditures for goods and services rose by 45.2 percent to SAR 203.2 billion. Other actual expenditures also increased by 13.6 percent to SAR 96.7 billion as compared to the budgeted amount. Actual expenditures for social benefits rose by

0.7 percent to SAR 69.3 billion, for subsidies by 61.1 percent to SAR 27.8 billion, and for grants by 274.0 percent to SAR 4.4 billion. In contrast, actual expenditures for compensation of employees decreased by 1.8 percent from the budgeted figure to reach SAR 494.7 billion. Actual expenditures for finance costs were 20.1 percent lower than the budgeted figure, at SAR 24.5 billion (Table 6.3).

Actual Budget Deficit

The 2020 state budget recorded a deficit of SAR 293.9 billion, constituting 11.2 percent of GDP, compared to a deficit of SAR 132.6 billion or 4.5 percent of GDP in the preceding fiscal year (Table 6.3 and Chart 6.2).

Chart 6.1: Budget Allocations for FY 2021 by Key Sectors (Percentage)

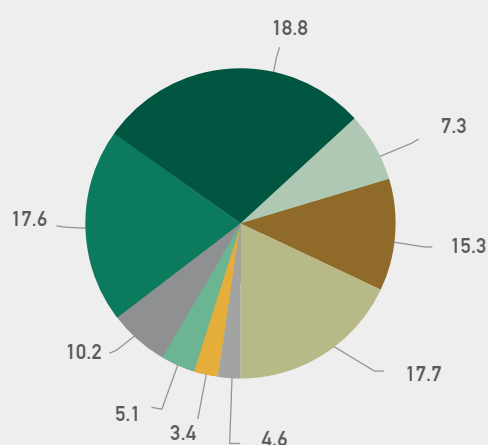


Table 6.3: Actual Revenue and Expenditure

(Million SAR)									
	2018 (1439/1440H)			2019 (1440/1441H)			2020 (1441/1442H)		
	Value	Change	Ratio to GDP*	Value	Change	Ratio to GDP*	Value	Change	Ratio to GDP*
Total revenues	905,609	31.0	30.7	926,846	2.3	31.2	781,834	-15.6	29.8
Total expenditures	1,079,467	16.1	36.6	1,059,445	-1.9	35.6	1,075,734	1.5	41.0
Surplus/deficit	-173,858.3	-27.1	-5.9	-132,599	-23.7	-4.5	-293,900	121.6	-11.2

*Including import duties (at current prices).

Source: MoF.

Domestic Loans and Subsidies

I. Domestic Loans

Actual loans disbursed during 2020 totaled SAR 661.8 million, increasing by 36.4 percent as compared to the preceding year. Total loan repayments stood at SAR 229.3 million, recording a decrease of 43.5 percent from the preceding year. Six loans were approved during fiscal year 2020 (1441/1442H), four of which were for educational projects and two for health projects (Tables 6.4 and 6.5).

II. Domestic Subsidies

During fiscal year 2020 (1441/1442H), a total of SAR 6.4 billion of subsidies were disbursed. Subsidies provided for King Salman Humanitarian Aid and Relief Centre stood at SAR 2.1 billion; livestock, poultry and fish farmers, and rural development SAR 2.0 billion; imported fodder SAR 1.4 billion; Equestrian Club SAR 281.9 million; infant formula

SAR 223.8 million; and Saudi Falcon Club SAR 100.0 million. Additionally, subsidies provided for King Abdulaziz Public Library stood at SAR 70.4 million, the International Dialogue Centre (KAICIID) SAR 63.9 million, King Abdulaziz Center for National Dialogue (KACND) SAR 54.9 million, the Secretariat of the Finance Committee SAR 30.0 million, Camel Club SAR 22.9 million, Waqf libraries SAR 10.0 million, and the private schools SAR 7.5 million.

Public Debt

Data of fiscal year 2020 indicate that total public debt registered an increase of 25.9 percent, reaching SAR 853.5 billion or 32.5 percent of GDP compared to SAR 677.9 billion or 22.8 percent of GDP at the end of fiscal year 2019. Domestic debt stood at SAR 502.7 billion or 58.9 percent of total public debt during 2020, while foreign debt stood at SAR 350.9 billion or 41.1 percent of total public debt (Table 6.6).

Chart 6.2: Budget Estimates and Actuals for FY 2020

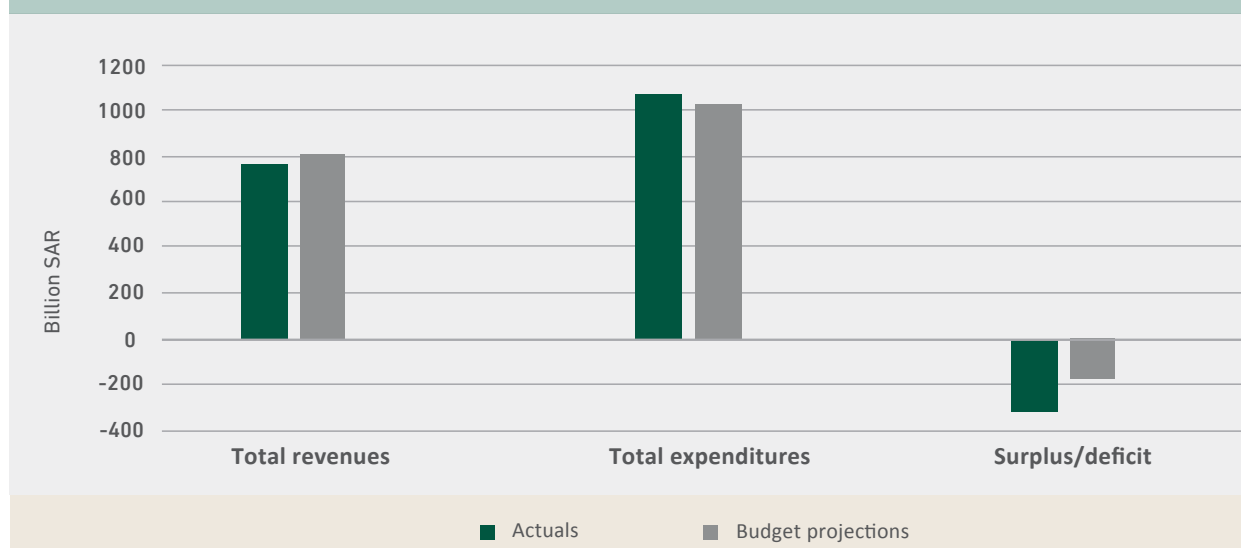


Table 6.4: Current Balances of Domestic Loan Program

	(Million SAR)		
	2019	2020	Change
Actual loans disbursed	485.3	661.8	36.4
Actual loans repaid	405.8	229.3	-43.5

Source: MoF.

Table 6.5: Loans Extended During 2019-2020 by Field

(Million SAR)

Field	Project contracts signed			
	2019		2020	
	Number	Value	Number	Value
Hospitality & tourism projects	1	7	--	--
Health projects	7	859	2	187
Educational projects	5	262	4	99
Total	13	1,128	6	286

Source: MoF.

Table 6.6: Public Debt

(Million SAR)

FY	Borrowed		Repaid		Outstanding public debt at year-end			Change	Ratio of public debt to GDP
	Debt Domestic	Debt Foreign	Debt Domestic	Debt Foreign	Debt Domestic	Debt Foreign	Total public debt		
2016 (1437/1438H)	97,020	103,125	25,825	--	213,455	103,125	316,580	122.5	13.1
2017 (1438/1439H)	58,455	80,625	12,408	--	259,502	183,750	443,252	40.0	17.2
2018 (1439/1440H)	48,750	71,250	3,272	--	304,980	255,000	559,980	26.3	19.0
2019 (1440/1441H)	69,839	50,161	2,055	--	372,764	305,161	677,925	21.1	22.8
2020 (1441/1442H)*	174,253	45,747	44,360	49.8	502,656	350,859	853,515	25.9	32.5

*Preliminary data.

Source: MoF.



CONSUMER PRICE INDEX



Consumer Price Index

Inflation in Saudi Arabia is measured by using the general consumer price index (CPI) calculated by the General Authority for Statistics (GaStat). The CPI is one of the most important economic indicators relating to daily life of individuals. It provides information on the average price change of a basket of goods and services purchased in the Saudi markets.

At the beginning of 2020, GaStat rebased the CPI to 2018 from 2013, based on the international recommendations that suggest changing the base year every five years. In this regard, GaStat updated the weights and components of the consumer basket and changed the base year based on the results of the 2018 Household Income and Expenditure Survey.

In its update, GaStat followed the latest Classification of Individual Consumption According to Purpose (COICOP) issued by the UN in order to establish divisions, groups and classes constituting the consumer basket. GaStat used the modified Laspeyres formula in calculating the CPI, which depends on the geometric mean

of proportional distribution, in line with the international recommendations in this regard.

Consumer Price Index in 2020

The general CPI rose by 3.4 percent in 2020 versus a 2.1 percent decline in 2019. This increase was mainly due to increasing the value-added tax (VAT) from 5 percent to 15 percent starting in July of the same year. The non-oil GDP deflator, which captures the average prices of all goods and services produced in the non-oil sector within a given year, rose by 0.9 percent in 2020, the same rate of increase registered in 2019 (Table 7.1).

In 2020, most major components of the general CPI recorded inflation rates higher than the average annual change for the past three years (2017-2019). However, tobacco, education, and health recorded inflation rates lower than the average annual change for the past three years (2017-2019).

Most sections of the CPI recorded annual increases in 2020, namely food and beverages with 9.0 percent; tobacco with 7.1 percent; communication with 4.8 percent; home furnishing, equipment and maintenance with 4.6 percent; restaurants and hotels with 4.3 percent; miscellaneous goods and services with 4.0 percent; transport with 3.8 percent; clothing and footwear with 2.9 percent; recreation and culture with 1.8; and health with 1.1

Table 7.1: Annual Growth Rates of Selected Indicators

	(Percentage)			
	2017	2018	2019	2020
Non-oil GDP deflator (2010 = 100)*	0.2	4.3	0.9	0.9
General CPI for all cities (2018 = 100)	-0.8	2.5	-2.1	3.4
Non-oil GDP at constant prices (2010 = 100)*	1.3	2.2	3.3	-2.3
GDP at constant prices (2010=100)*	-0.7	2.4	0.3	-4.1
GDP deflator (2010 = 100)*	7.6	11.5	0.5	-7.9
Government expenditure	12.0	16.1	-1.9	1.5
Money supply (M3)	0.3	2.7	7.1	8.3

*Preliminary data in 2020.

Sources: GaStat, MoF & SAMA.

percent. On the other hand, education decreased by 2.0 percent and housing, water, electricity, gas and other fuels by 0.6 percent (Table 7.2).

Effect of Major Sections on Consumer Price Index

Major sections contributed to the general CPI by various rates during 2020. Food and beverages contributed the most with 40.6 percent, followed by transport with 17.6 percent; miscellaneous goods and services with 11.4 percent; housing, water, electricity, gas and other fuels with 6.3 percent; home furnishing, equipment and maintenance with 6.2 percent; communication with 5.5 percent; restaurants and hotels with 4.9 percent; clothing and footwear with 2.4 percent; education with 2.3 percent; recreation and culture with 1.6 percent; tobacco with 0.7 percent; and health with 0.4 percent (Table 7.3 and Chart 7.1).

Wholesale Price Index in 2020

The wholesale price index (WPI) measures the average changes in local and imported commodities in wholesale markets over two

different periods of time. The WPI represents a sample of 343 items categorized into five main sections according to the Central Product Classification (CPC2). The WPI increased by 3.4 percent in 2020 against a rise of 1.9 percent in

Chart 7.1: Effect of Major Sections on 2020 Consumer Price Index

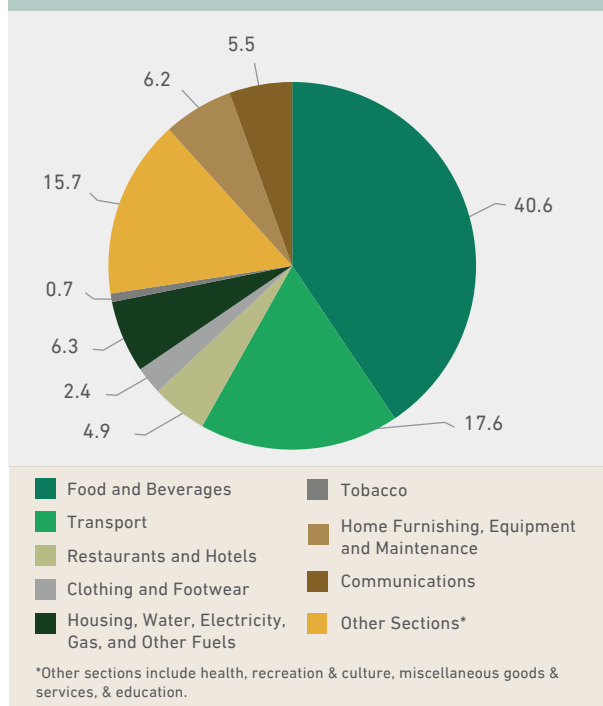


Table 7.2: General Consumer Price Index (All Cities)

	(2018 = 100)						
	2016	2017	2018	2019	2020	Average annual change (2017-2019)	Change 2020
General index	98.4	97.6	100.0	97.9	101.3	-0.2	3.4
Food & beverages	94.7	93.9	100.0	102.1	111.3	2.6	9.0
Tobacco	63.2	80.0	100.0	101.0	108.1	17.5	7.1
Clothing & footwear	110.9	107.5	100.0	98.6	101.5	-3.8	2.9
Housing, water, electricity, gas, & other fuels	102.0	101.2	100.0	91.4	90.8	-3.5	-0.6
Home furnishing, equipment & Maintenance	100.4	98.5	100.0	99.4	104.0	-0.3	4.6
Health	96.3	96.3	100.0	100.1	101.3	1.3	1.1
Transport	92.2	90.3	100.0	98.6	102.4	2.4	3.8
Communication	99.7	98.8	100.0	98.7	103.5	-0.3	4.8
Recreation & culture	101.8	98.9	100.0	98.3	100.1	-1.1	1.8
Education	99.2	99.7	100.0	102.5	100.5	1.1	-2.0
Restaurants & hotels	92.5	93.0	100.0	103.2	107.7	3.7	4.3
Miscellaneous goods & services	99.8	99.7	100.0	99.6	103.5	-0.1	4.0

Source: GaStat.

2019. More specifically, it witnessed increases in most of its main components in 2020. Agriculture and fishery products recorded the highest increase of 12.5 percent, followed by metal products, machinery and equipment with 9.0 percent; food products, beverages, tobacco and textiles with 6.8 percent; and ores and minerals with 3.2 percent. However, other goods declined by 4.2 percent (Table 7.4).

Developments and Impact of World Prices

The changes in world prices of goods and commodities imported by Saudi Arabia affect the domestic CPI. Based on the Commodity Markets Outlook issued by the World Bank in April 2021, the index of precious metals rose by 27.3 percent in 2020. The index of food products recorded an increase of 6.9 percent. The energy index, however, decreased by 31.4 percent and the index of raw materials by 0.3 percent (Table 7.5).

Table 7.3: Impact of Major Sections on the General Consumer Price Index (All Cities)

(2018 = 100)			
	Change 2020	Weights	Impact of major sections on 2020 index
General index	3.4	100.0	100.0
Food & beverages	9.0	18.8	40.6
Tobacco	7.1	0.6	0.7
Clothing & footwear	2.9	4.2	2.4
Housing, water, electricity, gas, & other fuels	-0.6	25.5	6.3
Home furnishing, equipment & Maintenance	4.6	6.7	6.2
Health	1.1	1.4	0.4
Transport	3.8	13.1	17.6
Communication	4.8	5.6	5.5
Recreation & culture	1.8	3.1	1.6
Education	-2.0	2.9	2.3
Restaurants & hotels	4.3	5.6	4.9
Miscellaneous goods & services	4.0	12.6	11.4

Source: GaStat.

Table 7.4: Average Annual Wholesale Price Index

(2014 = 100)						
	Weights	2018	2019	2020	Change	
					2019	2020
General index	100.0	116.8	119.1	123.2	1.9	3.4
Agriculture & fishery products	8.7	101.9	100.4	113.0	-1.5	12.5
Ores & minerals	0.6	98.7	97.3	100.4	-1.4	3.2
Food products, beverages, tobacco, & textiles	17.3	108.1	107.4	114.7	-0.6	6.8
Other goods*	33.7	143.9	145.6	139.5	1.2	-4.2
Metal products, machinery & equipment	39.7	101.1	106.1	115.7	4.9	9.0

*Other goods include wooden products, pulp & paper, refined petroleum products, basic chemicals, other chemical products & artificial fibers, rubber & plastics products, glass & non-metallic products, & furniture & other transportable goods not elsewhere classified.

Source: GaStat.

The CPI in Saudi Arabia is also influenced by price levels in the top countries exporting to Saudi Arabia. Table 7.6 shows the annual change in consumer prices of Saudi Arabia's top trading partners during 2020, according to the data of the IMF's World Economic Outlook published in April 2021. In 2020, the average consumer prices rose by 6.2 percent in India, 2.4 percent in China, 1.2 percent in the USA, 0.9 percent in the UK, 0.4 percent in Germany, 0.5 percent in France, and 0.5

percent in South Korea. On the other hand, the average consumer prices declined by 0.1 percent in Italy and 2.1 percent in the UAE but remained unchanged in Japan during 2020.

In GCC countries, the average consumer prices decreased in 2020 by 2.5 percent in Qatar, 2.3 percent in Bahrain, and 0.8 percent in Oman. Conversely, the average consumer prices rose in Kuwait by 2.1 percent (Table 7.7).

Table 7.5: Selected Indices for Major Commodities

	2018	2019	2020	Change	
				2019	2020
Commodity imports					
Commodity imports (million SAR)	513,992.7	574,360.7	517,491.0	11.7	-9.9
Indices for major commodities (2010=100)					
Energy products	85.5	76.4	52.4	-10.6	-31.4
Food products	88.9	87.4	93.4	-1.7	6.9
Raw materials	80.0	78.5	78.3	-1.9	-0.3
Precious metals	95.5	106.0	134.9	11.0	27.3
SAR real and nominal effective exchange rates					
SAR nominal effective exchange rate*	114.3	118.1	118.7	3.3	0.6
SAR real effective exchange rate**	113.4	112.1	115.0	-1.1	2.5

*Represents the average riyal exchange rate over the period in relation to a geometric average of the exchange rates of Saudi Arabia's top trading partners.

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

Source: GaStat; Commodity Markets Outlook, World Bank, April 2021; & International Financial Statistics (IFS), IMF.

Table 7.6: Annual Changes in Consumer Prices in the Top Trading Partners

	2016	2017	2018	2019	2020
Developed countries	0.7	1.8	2.1	1.5	0.8
Emerging & developing countries	4.3	4.4	4.9	5.1	5.1
Top Trading Partners					
USA	1.3	2.1	2.4	1.8	1.2
Japan	-0.1	0.5	1.0	0.5	0.0
UK	0.7	2.7	2.5	1.8	0.9
China	2.0	1.6	2.1	2.9	2.4
Germany	0.4	1.7	1.9	1.4	0.4
India	4.5	3.6	3.4	4.8	6.2
France	0.3	1.2	2.1	1.3	0.5
Italy	-0.1	1.3	1.2	0.6	-0.1
UAE	1.6	2.0	3.1	-1.9	-2.1
South Korea	1.0	1.9	1.5	0.4	0.5

Source: World Economic Outlook (WEO), IMF, April 2021.

Table 7.7: Annual Changes in Consumer Prices in GCC Countries

	2016	2017	2018	2019	2020*
UAE	1.8	2.5	3.1	-1.8	-2.1
Bahrain	2.7	1.4	2.1	1.0	-2.3
Qatar	2.7	0.5	0.3	-0.9	-2.5
Kuwait	3.5	1.6	0.6	1.1	2.1
Oman	1.1	1.6	0.9	0.1	-0.8

*Preliminary data.

Source: Arab Economic Outlook (AEO), Arab Monetary Fund (AMF), April 2021.



MONETARY DEVELOPMENTS



Monetary Developments

SAMA has been adopting a monetary policy aimed at achieving monetary stability, supporting various economic sectors in line with domestic and international economic developments, and ensuring that domestic banks continue performing their financing role so as to meet economic needs. SAMA has also continued to implement a fixed exchange rate policy of the Saudi riyal against the US dollar at SAR 3.75 per one US dollar. The fixed exchange rate policy has been a cornerstone of the monetary and financial stability in light of strong foreign exchange reserves and their sufficiency to meet all external obligations of Saudi Arabia. In 2020, the liquidity in the financial system was ample enough to meet the funding needs required to support the recovery of economic activities in Saudi Arabia following the impact of the COVID-19 pandemic.

Monetary Policy Tools

Stemming from SAMA's policy to maintain monetary and financial stability in the face of developments in global financial markets and to support sustainable economic growth, SAMA reduced the repo rate and reverse repo rate by 1.25 percent each in 2020. The repo rate was fixed at 1.00 percent and the reverse repo rate at 0.50 percent at end-2020. Despite the challenges arising from COVID-19 pandemic, the financial system retained abundant liquidity levels within the banking system in 2020, owing to the intervention of SAMA through the Private Sector Financing Support Program and liquidity support. The average daily reverse repo transactions rose to SAR 76.0 billion in 2020 from SAR 53.7 billion in 2019. On the other hand, the average daily repo transactions declined to SAR 292.1 million in 2020 from SAR 864.5 million in the preceding year. SAMA

also maintained the cash reserve requirements at 4.0 percent for time and savings deposits and at 7.0 percent for demand deposits, unchanged from the preceding year. Moreover, SAMA has launched open-market operations as a complementary tool to current issuances of SAMA bills in order to augment short-term liquidity management in the banking system. Furthermore, SAMA has decided to raise the weekly issuance ceiling for SAMA bills from SAR 3 billion to SAR 10 billion to promote liquidity management efficiency at banks.

Money Supply Growth

Broad money (M3) — which comprises currency in circulation and aggregate bank deposits — continued to increase in 2020, recording a growth of 8.3 percent (SAR 164.1 billion) to stand at SAR 2,149.3 billion, compared to an increase of 7.1 percent (SAR 131.5 billion) in 2019. Bank deposits, which represented 90.4 percent of M3, also increased by 8.2 percent (SAR 147.0 billion) compared to an increase of 7.3 percent (SAR 122.5 billion) in 2019. Currency in circulation rose by 9.1 percent (SAR 17.1 billion) in 2020 compared to 5.0 percent (SAR 9.0 billion) in 2019.

A breakdown of bank deposits shows that demand deposits constituted the largest share of M3, standing at 59.7 percent in 2020, compared to 55.4 percent in 2019. Furthermore, demand deposits increased by 16.7 percent (SAR 183.4 billion) in 2020 compared to 5.6 percent (SAR 58.5 billion) in the preceding year. In contrast, time and savings deposits declined by 5.5 percent (SAR 27.7 billion) in 2020 compared to a rise of 13.2 percent (SAR 58.6 billion) in 2019. The share of time and savings deposits in M3 decreased to 22.1 percent in 2020 from 25.3 percent in the preceding year. Other quasi-monetary deposits — which comprise residents' foreign currency deposits, deposits against outstanding letters of credit (LCs), guarantees and remittances, and banks' repo transactions with the private sector — recorded a

decrease of 4.5 percent (SAR 8.7 billion) in 2020 compared to an increase of 2.8 percent (SAR 5.3 billion) in 2019. The share of other quasi-monetary deposits in M3 constituted 8.7 percent in 2020 compared to 9.8 percent in 2019 (Tables 8.1, 8.2 and 8.3; Charts 8.1 and 8.2).

As for the other key monetary aggregates (M1 and M2), which include relatively more liquid deposits,

M1 (which comprises currency in circulation and demand deposits) recorded an increase of 15.6 percent (SAR 200.6 billion) in 2020 compared to a rise of 5.5 percent (SAR 67.5 billion) in 2019. The share of demand deposits in M1 increased to 86.1 percent in 2020 compared to 85.3 percent in the preceding year. Moreover, M2 (comprising M1 and time and savings deposits) grew by 9.7 percent (SAR 172.9 billion) in 2020 against an increase of

Chart 8.1: Growth Rates of Money Supply (M3)

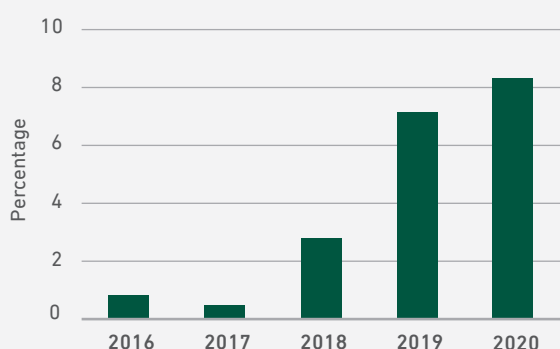


Chart 8.2: Components of Money Supply

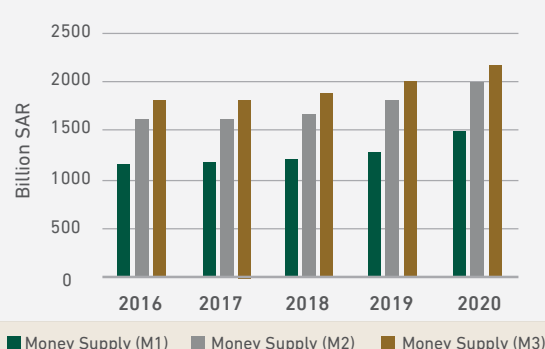


Table 8.1: Money Supply

(Million SAR)							
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)
2016	170,323	976,086	1,146,409	496,019	1,642,429	157,279	1,799,708
2017	172,046	1,002,468	1,174,514	454,152	1,628,666	176,505	1,805,171
2018	180,132	1,040,665	1,220,797	443,022	1,663,820	189,826	1,853,645
2019	189,160	1,099,151	1,288,311	501,667	1,789,978	195,161	1,985,139
2020	206,284	1,282,591	1,488,875	473,967	1,962,842	186,425	2,149,267

* Include residents' foreign currency deposits, margin deposits against LCs, outstanding remittances, and banks' repo transactions with private parties.

Table 8.2: Growth Rates of Money Supply and Components

(Percentage)							
End of year	Currency in circulation	Demand deposits	M1	Time and savings deposits	M2	Other quasi-monetary deposits*	M3
2016	1.09	-0.41	-0.19	12.89	3.43	-20.39	0.79
2017	1.01	2.70	2.45	-8.44	-0.84	12.22	0.30
2018	4.70	3.81	3.94	-2.45	2.16	7.55	2.69
2019	5.01	5.62	5.53	13.24	7.58	2.81	7.09
2020	9.05	16.69	15.57	-5.52	9.66	-4.48	8.27

7.6 percent (SAR 126.2 billion) in 2019. The ratio of M1 to M3 went up from 64.9 percent in 2019 to 69.3 percent in 2020. The ratio of M2 to M3 also rose to 91.3 percent in 2020 compared to 90.2 percent in 2019 (Table 8.4).

Broad Money (M3): Causal Factors

M3 rose by 8.3 percent in 2020 to a record high exceeding SAR 2 trillion, driven by a 14.0 percent increase (SAR 215.9 billion) in bank claims on the private sector to SAR 1,762.4 billion in 2020 compared to an increase of 7.0 percent (SAR 101.3 billion) in 2019. Specifically, this increase was attributable to a 59.1 percent YoY growth (SAR 117.1 billion) in retail real estate loans. Bank claims on public non-financial institutions also went up by 28.4 percent (SAR 17.5 billion) in 2020. In addition, net other items increased by SAR 181.5 billion to SAR 161.8 billion in 2020. On the other hand, the deficit in the private sector's balance of payments expanded to reach SAR 710.8 billion in 2020, compared to a deficit of SAR 558.0 billion in the preceding year. Net domestic government riyal-denominated expenditures went down to SAR

479.7 billion in 2020 compared to SAR 600.0 billion in the preceding year. With all these factors, the increase in money supply totaled SAR 164.1 billion in 2020 (Table 8.5 and Chart 8.3).

Monetary Base and Money Multiplier

The monetary base is the narrowest measure of liquidity, consisting of currency in circulation, cash in vault, and commercial banks' and public financial institutions' deposits with SAMA. The monetary base increased by 8.6 percent (SAR 28.0 billion) to SAR 352.7 billion in 2020 compared to a rise of 4.2 percent (SAR 13.1 billion) in 2019.

The share of currency in circulation in the monetary base stood at 58.5 percent in 2020 against 58.3 percent in the preceding year. Moreover, commercial banks' deposits with SAMA recorded a rise of 12.4 percent (SAR 13.1 billion) in 2020 against an increase of 5.5 percent (SAR 5.5 billion) in the preceding year. In contrast, public financial institutions' deposits with SAMA decreased by 38.7 percent (SAR 279.9 million) in 2020 compared to a decrease of 10.2 percent (SAR 82.6 million) in 2019.

Table 8.3: Money Supply Components

(Percentage in M3: end of period)					
	2016	2017	2018	2019	2020
Currency in circulation	9.5	9.5	9.7	9.5	9.6
Total deposits	90.5	90.5	90.3	90.5	90.4
Demand deposits	54.2	55.5	56.1	55.4	59.7
Time and savings deposits	27.6	25.2	23.9	25.3	22.1
Other quasi-monetary deposits	8.7	9.8	10.2	9.8	8.7
Money supply (M3)	100.0	100.0	100.0	100.0	100.0

Table 8.4: Monetary Ratios

(Percentage)		
Period	M1/ M3	M2/ M3
2016	63.7	91.3
2017	65.1	90.2
2018	65.9	89.8
2019	64.9	90.2
2020	69.3	91.3

Chart 8.3: Casual Factors for Change in M3



Table 8.5: Causal Factors for Change in M3

	(Billion SAR)		
	2018	2019	2020
Change in M3	48.5	131.5	164.1
Causal Factors			
Net domestic government expenditure*	569.1	600.0	479.7
Change in banks' claims on the private sector	40.0	101.3	215.9
Change in banks' claims on public non-financial institutions	-0.1	7.9	17.5
Deficit in the private sector's balance of payments**	-625.3	-558.0	-710.8
Other items (net)	64.6	-19.7	161.8
Total	48.5	131.5	164.1

* Domestic government expenditure in riyals less local revenues in riyals.

** Estimated.

The money multiplier³ recorded a slight decrease of 0.3 percent to 6.09 percent in 2020 compared to a rise of 2.8 percent in the preceding year (Table 8.6 and Chart 8.4).

Seasonal Trends of Currency in Circulation

Currency in circulation usually records its highest levels during two major Islamic events: the month of Ramadan and the Hajj season, which move through the Gregorian calendar but have coincided in the last few Gregorian years with the second and third quarters. This is demonstrated in the time series data on currency in circulation (Table 8.7 and Chart 8.5). Currency in circulation reached its peak of SAR 213.6 billion at end-May 2020 (Shawwal 8, 1441H), whereas it recorded its lowest level of SAR 191.0 billion at end-January 2020 (Jumada II 6, 1441H).

Monetary Survey

The monetary survey is aimed at assessing the status of the Saudi banking system (SAMA and commercial banks) as well as arranging the items of the assets and liabilities of the banking system to understand any changes in the system. The 2020 monetary survey indicated an increase of 3.0 percent (SAR 117.3 billion) in the assets of the banking system as a whole to SAR 4,032.3 billion in 2020 compared to an increase of 4.1 percent (SAR 154.0 billion) in 2019 (Table 8.8).

Net foreign assets dropped by 8.9 percent (SAR 170.8 billion) in 2020 compared to a decrease of 1.7 percent (SAR 33.7 billion) in the preceding year. As a result, their share in total assets decreased from 49.1 percent in 2019 to 43.5 percent in 2020. This decrease was attributable to a decline of 9.1 percent (SAR 168.3 billion) in SAMA's foreign assets.

Chart 8.4: Monetary Base and Money Multiplier

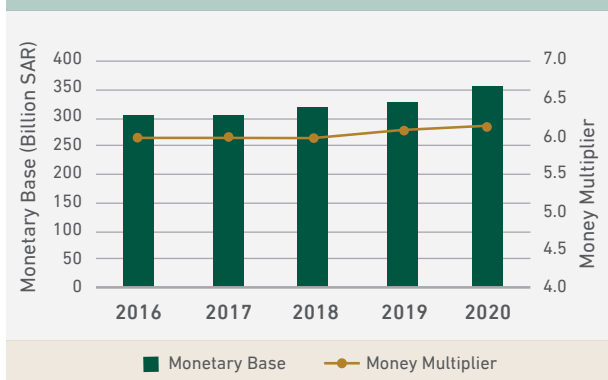


Chart 8.5: Seasonal Trends in Currency in Circulation

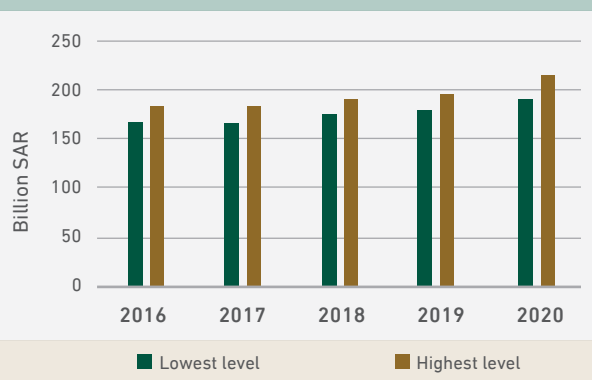


Table 8.6: Monetary Base and Money Multiplier

	2017	2018	2019	2020
Money multiplier	6.0	5.9	6.1	6.1
Monetary base (million SAR)				
Currency in circulation	172,046	180,132	189,160	206,284
Cash in vault	31,311	30,733	29,319	27,384
Deposits with SAMA: Local banks' deposits	97,534	99,943	105,470	118,539
Deposits with SAMA: Public financial institutions' deposits	1,035	807	724	444
Total	301,926	311,615	324,674	352,651

³ Money multiplier is the ratio of broad money (M3) to the monetary base.

Table 8.7: Seasonal Trends of Currency in Circulation

Highest level of currency in circulation during the year			Lowest Level of Currency in Circulation During the Year		
End of Gregorian month	Corresponding Hijri date	Quantity	End of Gregorian month	Corresponding Hijri date	Quantity
06/2016	26/09/1437	181,838	01/2016	21/04/1437	167,404
06/2017	06/10/1438	184,312	10/2017	11/02/1439	167,459
06/2018	16/10/1439	189,877	01/2018	14/05/1439	175,134
05/2019	26/09/1440	196,878	01/2019	25/05/1440	181,105
05/2020	08/10/1441	213,586	01/2020	06/06/1441	190,963

Table 8.8: Monetary Survey* (End of year)

(Million SAR)					
	2016	2017	2018	2019	2020
Assets					
Net foreign assets	2,120,078	1,976,292	1,956,765	1,923,100	1,752,315
SAMA	1,982,348	1,833,355	1,835,866	1,852,626	1,684,317
Commercial banks	137,730	142,938	120,899	70,475	67,998
Domestic credit	1,651,672	1,713,578	1,804,171	1,991,837	2,279,967
Banks' claims on the private sector	1,417,920	1,405,210	1,445,252	1,546,519	1,762,440
Banks' claims on the government	178,416	254,545	305,154	383,672	438,370
Banks' claims on public sector non-financial institutions	55,336	53,823	53,765	61,646	79,158
Total	3,771,750	3,689,871	3,760,936	3,914,938	4,032,283
Liabilities					
Money supply (M3)	1,799,708	1,805,171	1,853,645	1,985,139	2,149,267
Government deposits**	875,424	737,716	681,492	622,945	585,029
Other items (net)	1,096,619	1,146,983	1,225,799	1,306,853	1,297,987
Total	3,771,750	3,689,871	3,760,936	3,914,938	4,032,283
(Percent change)					
Net foreign assets	-15.4	-6.8	-1.0	-1.7	-8.9
Domestic credit	9.4	3.7	5.3	10.4	14.5
Banks' claims on the private sector	2.4	-0.9	2.8	7.0	14.0
Banks' claims on the government	107.1	42.7	19.9	25.7	14.3
Banks' claims on public sector non-financial institutions	41.9	-2.7	-0.1	14.7	28.4
Money supply (M3)	0.8	0.3	2.7	7.1	8.3
Government deposits**	-24.7	-15.7	-7.6	-8.6	-6.1
Other items (net)	2.7	4.6	6.9	6.6	-0.7

* The consolidated financial position of SAMA and commercial banks.

** Including LCs and bills for collection.

In contrast, bank claims on the private and public sectors and on public non-financial institutions went up by 14.5 percent (SAR 288.1 billion) at end-2020 (Table 8.8).

Government deposits with SAMA, however, fell by 6.1 percent (SAR 37.9 billion) in 2020 compared to a fall of 8.6 percent (SAR 58.5 billion) in the preceding year.

Interest Rate Trends

The average three-month Saudi interbank offered rate (SAIBOR) declined by 144 basis points to 1.19 percent in 2020 compared to 2.63 percent in 2019. The average three-month interest rate on USD deposits (LIBOR) also decreased by 168 basis points from 2.33 percent in 2019 to 0.65 percent in 2020. The interest rate spread (the differential between the two average rates) increased to 54 basis points in 2020 in favor of the Saudi riyal, compared to 30 basis points in 2019 (Table 8.9 and Chart 8.6).

Exchange Rate Trends

SAMA maintained its US dollar-pegged monetary policy, which aims to maintain the stability of the Saudi riyal exchange rate in order to serve the interests of the Saudi economy. This policy positively kept the exchange rate fixed at SAR 3.75 per US dollar in the spot markets in 2020. It is worth mentioning that the Saudi riyal exchange rate averaged SAR 3.7537 per US dollar in 2020 compared to SAR 3.7508 in 2019. The highest exchange rate recorded in 2020 was SAR 3.7694 versus 3.7535 in 2019. The lowest exchange rate recorded in 2020 was 3.7503 (Table 8.10).

Table 8.9: Interest Rates on SAR and USD Deposits*

(3-Month Average Rates)			
Year	SAR deposits (SAIBOR 3M)	USD deposits (LIBOR 3M)	Difference between SAR and USD interest rates
2016	2.07	0.73	1.34
2017	1.81	1.26	0.55
2018	2.45	2.31	0.14
2019	2.63	2.33	0.30
2020	1.19	0.65	0.54

* Interbank offered rates.

Chart 8.6: Interest Rates on SAR and USD Deposits (3-Month Average Rates)

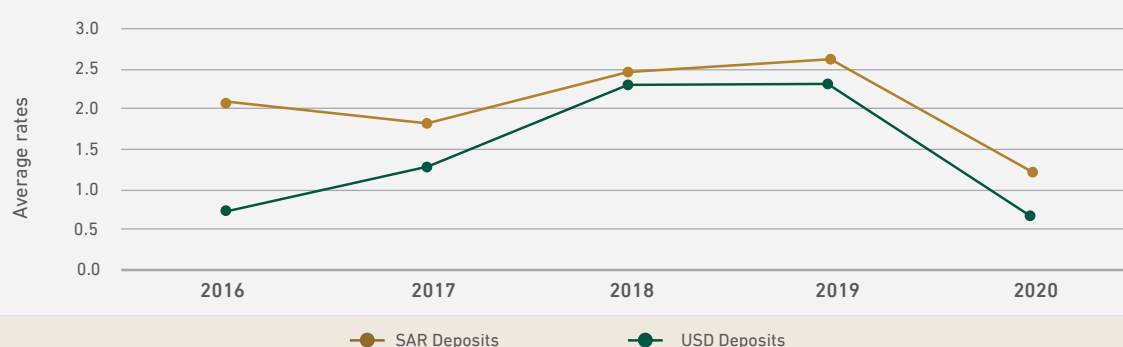


Table 8.10: Indicators of USD/SAR Exchange Rate in the Spot Market*

Year	Highest rate	Lowest rate	Average rate (for the entire period)
2015	3.7615	3.7498	3.7512
2016	3.7587	3.7489	3.7508
2017	3.7518	3.7499	3.7503
2018	3.7530	3.7498	3.7506
2019	3.7535	3.7500	3.7508
2020	3.7694	3.7503	3.7537

* Source: Bloomberg.

9

BANKING SECTOR



Banking Sector

Despite the exceptional circumstances of the COVID-19 pandemic, which significantly impacted the global economy including the Saudi economy in 2020, the Saudi banking sector has remained resilient and stable, owing to the procedures and measures taken collectively by SAMA and Saudi banks. Such efforts have played a major role in mitigating potential adverse impacts of the COVID-19 pandemic on the private sector in general and banking sector in particular. The positive results can be seen through the financial soundness indicators as capital adequacy ratio rose to 20.3 percent, exceeding international requirements of the Basel Committee on Banking Supervision (BCBS). Banks' assets and deposits also increased by 13.2 percent and 8.2 percent, respectively.

Consolidated Financial Position of Banks

Commercial banks performed well in 2020 as their total assets rose by 13.2 percent (SAR 348.5 billion) to SAR 2,979.6 billion, compared to an increase of 9.7 percent (SAR 233.0 billion) in 2019 (Table 9.1).

Bank Deposits

Total bank deposits increased by 8.2 percent (SAR 147.0 billion) to SAR 1,943.0 billion in 2020 compared to an increase of 7.3 percent (SAR 122.5 billion) in the preceding year (Table 9.2 and Charts 9.1 and 9.2).

A review of developments in bank deposits by type shows that demand deposits rose by 16.7 percent (SAR 183.4 billion) to SAR 1,282.6 billion in 2020 compared to a rise of 5.6 percent (SAR 58.5 billion) in the preceding year, bringing up their share in total deposits to 66.0 percent from 61.2 percent at the end of the preceding year. On the other hand, time and savings deposits decreased by 5.5 percent (SAR 27.7 billion) to SAR 474.0 billion in 2020 compared to a rise of 13.2 percent (SAR 58.6

Table 9.1: Consolidated Financial Position of Commercial Banks (End of period)

(Million SAR)					
	2016	2017	2018	2019	2020
Assets					
Bank reserves	239,920	243,294	222,856	239,375	288,177
Foreign assets	233,832	262,124	231,832	243,629	250,064
Claims on the public sector	233,752	308,368	358,919	445,318	517,527
Claims on the private sector	1,417,920	1,405,210	1,445,252	1,546,519	1,762,440
Claims on non-monetary financial institutions	4,442	2,600	1,041	1,398	1,419
Other assets	159,136	129,295	138,246	154,888	159,998
Total assets (liabilities)	2,289,001	2,350,891	2,398,147	2,631,128	2,979,625
Liabilities					
Bank deposits	1,629,385	1,633,125	1,673,513	1,795,979	1,942,984
Foreign liabilities	96,101	119,186	110,933	173,155	182,066
Capital and reserves	298,392	317,067	303,439	342,976	377,099
Profits	40,398	43,857	48,148	50,315	38,701
Other liabilities	224,725	237,655	262,113	268,703	438,776

billion) in the preceding year. Their share in total deposits also declined to 24.4 percent from 27.9 percent at the end of the preceding year.

Moreover, other quasi-monetary deposits (the majority of which are residents' foreign currency deposits) went down by 4.5 percent (SAR 8.7 billion) to SAR 186.4 billion in 2020, compared to an increase of 2.8 percent (SAR 5.3 billion) in the preceding year. Their share in total deposits decreased to 9.6 percent from 10.9 percent at the end of the preceding year (Chart 9.3).

A breakdown of deposits by sector shows that deposits of the private sector increased by 9.2 percent (SAR 127.8 billion) to SAR 1,518.3 billion in 2020 compared to a rise of 4.5 percent (SAR 60.1 billion) in the previous year. The share of the private sector deposits in total bank deposits rose to 78.1 percent compared to 77.4 percent at the end of the previous year.

Additionally, deposits of the public sector registered an increase of 4.7 percent (SAR 19.2 billion) to SAR 424.7 billion, compared to an increase of 18.2

Chart 9.1: Total Domestic and Foreign Deposits to Total Bank Deposits

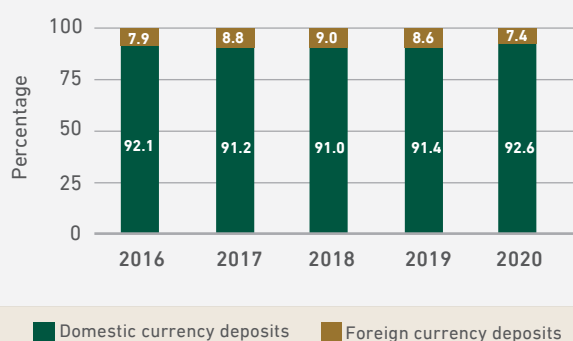


Chart 9.2: Growth Rates of Bank Deposits

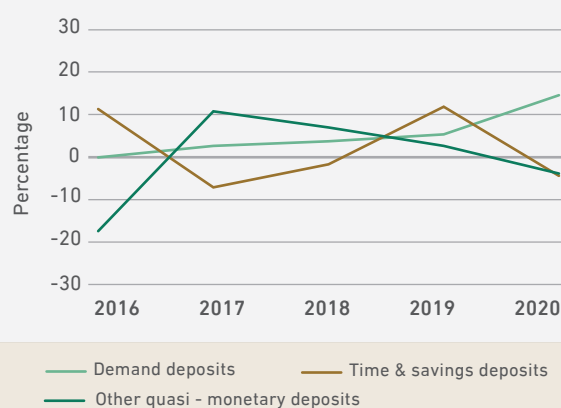


Table 9.2: Bank Deposits (End of period)

	(Million SAR)				
	2016	2017	2018	2019	2020
I. By type					
Demand deposits	976,086	1,002,468	1,040,665	1,099,151	1,282,591
Time & savings deposits	496,019	454,152	443,022	501,667	473,967
Other quasi-monetary deposits:	157,279	176,505	189,826	195,161	186,425
Foreign currency deposits	128,944	144,333	149,976	155,039	144,064
For L/Cs	18,085	18,517	25,409	24,191	25,973
Repo transactions	81	51	0	0	1
Outstanding remittances	10,169	13,604	14,440	15,931	16,387
II. By sector					
Private sector	1,316,052	1,283,622	1,330,444	1,390,494	1,518,294
Public sector	313,333	349,503	343,069	405,485	424,689
III. By currency					
Domestic currency deposits	1,500,441	1,488,792	1,523,537	1,640,940	1,798,920
Foreign currency deposits	128,944	144,333	149,976	155,039	144,064
Total bank deposits	1,629,385	1,633,125	1,673,513	1,795,979	1,942,984

percent (SAR 62.4 billion) in the preceding year, bringing down the share of the sector's deposits in total deposits to 21.9 percent at end-2020 from 22.6 percent at end-2019.

A review of developments in bank deposits by currency shows that domestic currency deposits increased by 9.6 percent (SAR 158.0 billion) to SAR 1,798.9 billion in 2020, compared to a rise of 7.7 percent (SAR 117.4 billion) in the preceding year. Their share in total deposits rose slightly to 92.6 percent at end-2020. Foreign currency deposits, however, decreased by 7.1 percent (SAR 11.0 billion) to SAR 144.1 billion, compared to an increase of 3.4 percent (SAR 5.1 billion) in the previous year. Their share in total deposits went down to 7.4 percent at end-2020.

Bank Claims on the Private and Public Sectors

Total bank claims on the private and public sectors increased by 14.5 percent (SAR 288.2 billion) to SAR 2,281.4 billion in 2020, compared to an increase of 10.4 percent (SAR 188.0 billion) in the preceding year. Total claims on the private and public sectors at end-2020 accounted for 117.4 percent of total bank deposits, compared to 111.0 percent at the end of the preceding year.

Total bank claims on the private sector went up by 14.0 percent (SAR 215.9 billion) to SAR 1,762.4 billion in 2020, compared to a rise of 7.0 percent (SAR 101.3 billion) in the preceding year. Total bank credit extended to the private and public sectors grew by 14.8 percent during 2020. Bank claims on the private sector constituted 90.7 percent of total bank deposits at end-2020, compared to 86.1 percent at end-2019.

Bank claims on the public sector (credit to public institutions and government and quasi-government bonds) increased by 16.2 percent (SAR 72.2 billion) to SAR 517.5 billion in 2020, compared to a rise of 24.1 percent (SAR 86.4 billion) in the preceding

Chart 9.3: Shares of Deposit Components

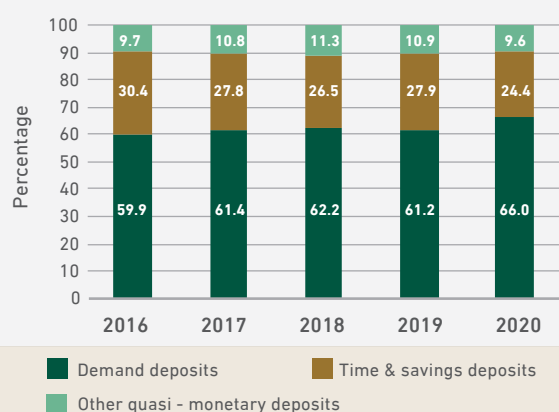


Table 9.3: Bank Claims on Private and Public Sectors (End of period)

	(Million SAR)					
	2018		2019		2020	
	Amount	Share	Amount	Share	Amount	Share
Claims on the private sector	1,445,252	80.1	1,546,519	77.6	1,762,440	77.3
Bank credit	1,388,940	76.9	1,490,833	74.8	1,703,432	74.7
Loans & advances	1,375,628	76.2	1,477,980	74.1	1,690,316	74.1
Bills discounted	13,312	0.7	12,853	0.6	13,117	0.6
Investments in private securities	56,312	3.1	55,686	2.8	59,008	2.6
Claims on the public sector	358,919	19.9	445,318	22.3	517,527	22.7
Bank credit to public institutions	53,765	3.0	61,646	3.1	79,158	3.5
Government bonds	305,154	16.9	383,672	19.2	438,370	19.2
Claims on non-monetary financial institutions	1,041	0.1	1,398	0.1	1,419	0.1
Total	1,805,213	100.0	1,993,235	100.0	2,281,386	100.0

year. This rise is attributable to 28.4 percent growth of bank credit to public institutions against 14.7 percent growth in the preceding year. Bank claims on the public sector constituted 26.6 percent of total bank deposits in 2020 compared to 24.8 percent in the previous year.

Furthermore, claims on non-monetary financial institutions went up by 1.5 percent (SAR 20.6 million) at end-2020, compared to a rise of 34.3 percent (SAR 356.8 million) at the end of the preceding year (Table 9.3 and Charts 9.4 and 9.5).

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 2.2 percent (SAR 14.9 billion) to SAR 698.1 billion in 2020, compared to a decrease of 4.4 percent (SAR 31.7 billion) in the preceding year. Likewise, medium-term credit (1-3 years) rose by 11.2 percent (SAR 26.2 billion)

to SAR 260.8 billion, compared to a modest rise of 3.0 percent (SAR 6.7 billion) in the preceding year. Long-term credit (more than 3 years) also increased by 29.8 percent (SAR 189.0 billion) to SAR 823.6 billion, compared to an increase of 27.0 percent (SAR 134.8 billion) in the preceding year (Table 9.4).

Bank Credit by Economic Activity

A breakdown of bank credit by economic activity during 2020 shows mixed trends. Bank credit extended to mining and quarrying recorded the highest growth rate compared to the rest of economic activities, rising by 26.5 percent (SAR 5.2 billion) to SAR 24.9 billion compared to a rise of 1.8 percent (SAR 353.5 million) in the preceding year. Moreover, bank credit extended to the services activity went up by 17.0 percent (SAR 13.8 billion) to SAR 95.0 billion, compared to a rise of 3.0 percent (SAR 2.4 billion) in the preceding year. Bank credit extended to the agriculture and fishing activity grew by 11.7 percent (SAR 1.7 billion) to SAR 16.4

Chart 9.4: Bank Claims on Private Sector (Monthly)

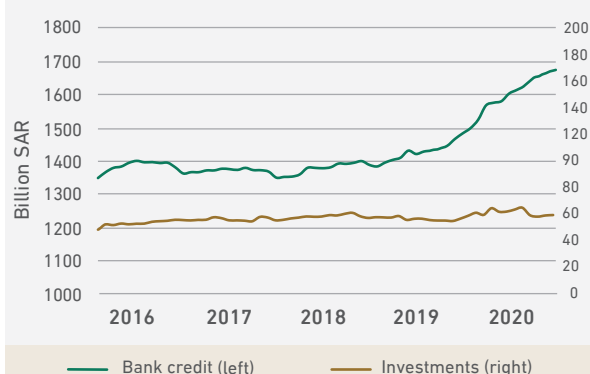


Chart 9.5: Bank Claims By Sector (Monthly)

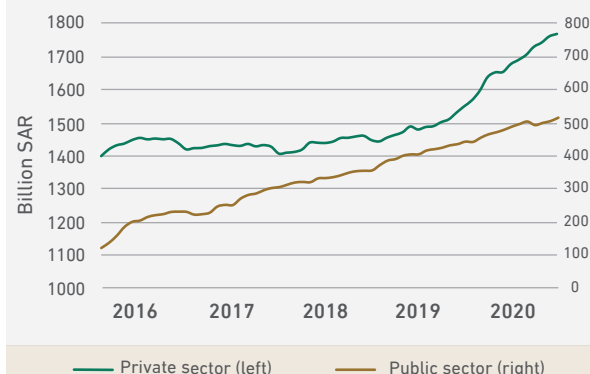


Table 9.4: Bank Credit by Maturity

(Million SAR)				
End of year	Short term	Medium term	Long term	Total
2016	711,227	266,524	441,193	1,418,945
2017	701,233	267,155	436,562	1,404,950
2018	714,927	227,911	499,867	1,442,705
2019	683,215	234,625	634,639	1,552,479
2020	698,110	260,838	823,642	1,782,590

Note: Short term: less than 1 year; Medium term: 1 - 3 years; Long term: more than 3 years.

billion compared to a decline of 0.9 percent (SAR 127.2 million) in the preceding year. Bank credit to the finance sector also went up by 11.2 percent (SAR 4.6 billion) to SAR 46.1 billion, compared to a rise of 11.1 percent (SAR 4.2 billion) in the preceding year. Bank credit extended to water, electricity, gas and health services also increased by 8.9 percent (SAR 5.4 billion) to SAR 66.5 billion, compared to a rise of 17.0 percent (SAR 8.9 billion) in the preceding year. Furthermore, bank credit extended to the commerce activity grew by 4.2 percent (SAR 12.2 billion) to SAR 300.1 billion,

compared to a rise of 2.0 percent (SAR 5.6 billion) in the preceding year. On the other hand, bank credit extended to 'manufacturing and production' and 'building and construction' declined by 0.4 percent each (SAR 644.1 million and SAR 382.5 million, respectively) to SAR 156.1 billion and SAR 92.5 billion, respectively, compared to decreases of 9.3 percent (SAR 16.1 billion) and 4.6 percent (SAR 4.5 billion), respectively, in the preceding year. Credit extended to transport and communications was significantly affected during 2020, which may be attributable to measures taken in response to

Chart 9.6: Bank Credit Extended by Economic Activity (Percentage)

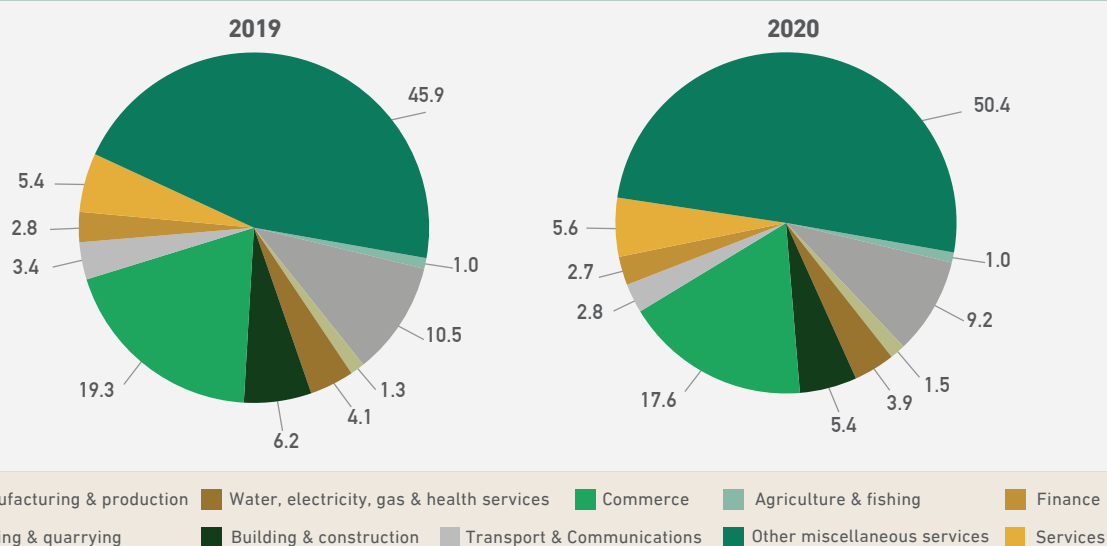


Table 9.5: Bank Credit Extended to Private Sector by Economic Activity (End of period)

(Million SAR)						
	2018		2019		2020	
	Amount	Share	Amount	Share	Amount	Share
Agriculture & fishing	14,780	1.1	14,653	1.0	16,363	1.0
Manufacturing & production	172,858	12.4	156,754	10.5	156,110	9.2
Mining & quarrying	19,354	1.4	19,707	1.3	24,932	1.5
Water, electricity, gas & health services	52,171	3.8	61,049	4.1	66,456	3.9
Building & construction	97,326	7.0	92,850	6.2	92,468	5.4
Commerce	282,344	20.3	287,923	19.3	300,141	17.6
Transport & communications	43,282	3.1	51,237	3.4	47,315	2.8
Finance	37,313	2.7	41,465	2.8	46,108	2.7
Services	78,860	5.7	81,217	5.4	94,996	5.6
Other miscellaneous services	590,652	42.5	683,977	45.9	858,544	50.4
Total	1,388,940	100.0	1,490,833	100.0	1,703,432	100.0

the COVID-19 pandemic. It fell by 7.7 percent (SAR 3.9 billion) against a growth rate of 18.4 percent (SAR 7.9 billion) in the preceding year (Table 9.5 and Chart 9.6).

Syndicated Loans

Data on syndicated loans extended to residents indicate that their number decreased by 21.7 percent to 411 in 2020. Syndicated loans extended to non-residents also went down by 15.3 percent to 83. The total value of syndicated loans extended to residents fell by 59.8 percent to SAR 179 billion in 2020, while the value of loans extended to non-

residents rose by 6.5 percent to SAR 23 billion (Table 9.6).

Chart 9.7: Total Consumer Loans

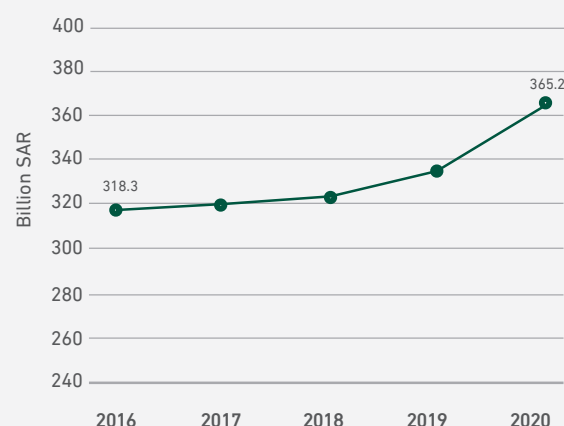


Table 9.6: Syndicated Loans

Year	No. of syndicated loans			Value of syndicated loans (billion SAR)		
	Resident	Non-resident	Total	Resident	Non-resident	Total
2016	555	76	631	195	16	211
2017	513	74	587	189	12	201
2018	571	78	649	341	14	355
2019	525	98	623	446	22	467
2020	411	83	494	179	23	202

Table 9.7A: Consumer and Credit Card Loans*

(Million SAR)									
Year (end of period)	Consumer loans								Credit cards**
	Renovation & property improvement	Motor vehicles & personal transportation	Furniture & durable goods	Education	Health care	Tourism & travel	Other	Total	
2016	29,080.2	9,327.8	4,821.8	957.6	506.5	72.1	273,499.5	318,265.5	10,957.7
2017	30,028.0	16,720.0	10,783.9	3,722.5	565.6	324.3	255,515.0	317,659.3	12,094.0
2018	28,055.1	16,789.4	12,498.7	3,522.2	703.5	483.6	259,234.4	321,286.9	15,331.9
2019	25,648.2	15,625.0	12,462.1	3,239.0	559.4	454.7	275,450.4	333,438.7	19,054.3
2020	23,872.0	14,469.3	12,012.4	4,167.5	549.5	571.5	309,605.2	365,247.5	18,373.3

* Excluding real estate finance, leasing, & finance for stocks trading.

** Including Visa, MasterCard, American Express & others.

Note: Data were updated following amendments made to some items of Consumer Loans.

Table 9.7B: Real Estate Loans from Commercial Banks

(Million SAR)			
Year (end of period)	Retail	Corporate	Total
2016	110,484	89,918	200,402
2017	121,249	89,744	210,992
2018	140,276	98,268	238,544
2019	198,100	99,272	297,372
2020	315,199	113,212	428,411

Consumer and Credit Card Loans

Consumer and credit card loans extended by commercial banks went up by 8.8 percent to SAR 383.6 billion at end-2020, compared to SAR 352.5 billion at the end of the preceding year (Table 9.7A and Chart 9.7).

Real Estate Bank Credit

Retail and corporate real estate loans extended by banks continued their growth to SAR 428.4 billion, increasing by 44.1 percent (SAR 131.0 billion) in 2020, compared to a growth rate of 24.7 percent

(SAR 58.8 billion) in the preceding year. Retail real estate loans recorded a rise of 59.1 percent (SAR 117.1 billion) to SAR 315.2 billion, compared to an increase of 41.2 percent (SAR 57.8 billion) in the preceding year, accounting for 73.6 percent of total real estate loans at end-2020. Corporate real estate loans extended by commercial banks also rose by 14.0 percent (SAR 13.9 billion) to SAR 113.2 billion in 2020, compared to a rise of 1.0 percent (SAR 1 billion) in the preceding year, accounting for 26.4 percent of total real estate loans (Table 9.7B).

Chart 9.8: Foreign Assets and Liabilities of Banks (monthly)

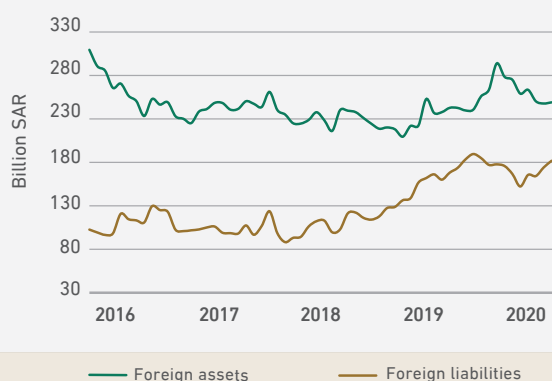


Chart 9.9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities

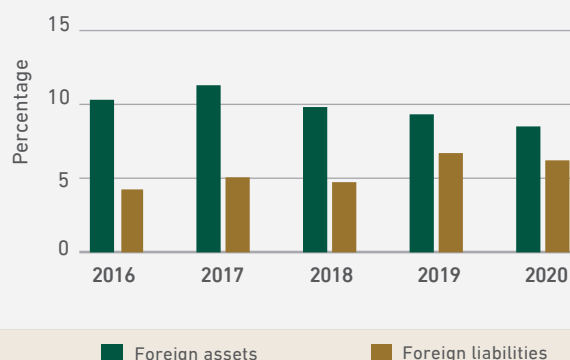


Table 9.8: Commercial Banks' Foreign Assets and Liabilities (End of period)

(Million SAR)						
	Amount		Change			
	2019	2020	2019		2020	
			Amount	Percentage	Amount	Percentage
Foreign assets						
Due from foreign banks	47,538	47,755	-18,657	-28.2	217	0.5
Due from branches abroad	63,227	56,851	23,285	58.3	-6,376	-10.1
Other assets	35,253	38,659	8,310	30.8	3,406	9.7
Investments abroad	97,612	106,800	-1,141	-1.2	9,188	9.4
Total	243,629	250,064	11,797	5.1	6,435	2.6
Foreign liabilities						
Due to foreign banks	102,350	94,709	41,569	68.4	-7,641	-7.5
Due to branches abroad	38,705	43,733	6,622	20.6	5,029	13.0
Due from others	32,100	43,624	14,031	77.6	11,524	35.9
Total	173,155	182,066	62,222	56.1	8,911	5.1
Net foreign assets	70,475	67,998	-50,424	-41.7	-2,476	-3.5

Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks went up by 2.6 percent (SAR 6.4 billion) to SAR 250.1 billion at end-2020 compared to an increase of 5.1 percent (SAR 11.8 billion) in the preceding year. Similarly, foreign liabilities of commercial banks rose by 5.1 percent (SAR 8.9 billion) to SAR 182.1 billion in 2020, compared to a rise of 56.1 percent (SAR 62.2 billion) in the preceding year. As a result, commercial banks' net foreign assets (foreign assets less foreign liabilities) dropped by 3.5 percent (SAR 2.5 billion) to SAR 68.0 billion in 2020, compared to a decrease of 41.7 percent (SAR 50.4 billion) in the preceding year (Table 9.8 and Charts 9.8 and 9.9).

Commercial Banks' Cash Reserves

Commercial banks' cash reserves (cash in vault and deposits with SAMA) went up by 20.4 percent (SAR 48.8 billion) to SAR 288.2 billion at end-2020, compared to a rise of 7.4 percent (SAR 16.5 billion) in the preceding year. The increase was due to a 36.4 percent (SAR 38.7 billion) increase in other deposits with SAMA, which reached SAR 145.3 billion at end-2020 against SAR 106.5 billion at end-2019. Statutory deposits with SAMA also increased by SAR 12.1 billion or 11.8 percent to SAR 115.1 billion. In contrast, current deposits with SAMA fell by 27.2 percent (SAR 161.5 million) to SAR 431.7 million. Cash in commercial banks' vaults declined by 6.6 percent or SAR 1.9 billion to SAR 27.4 billion at end-2020 from SAR 29.3 billion at end-2019 (Table 9.9).

Table 9.9: Commercial Banks' Reserves (End of period)

(Million SAR)					
	2016	2017	2018	2019	2020
Cash in vault	29,666	31,311	30,733	29,319	27,384
Deposits with SAMA					
Current deposits	328	268	1,401	593	432
Statutory deposits	97,267	96,282	98,060	102,918	115,067
Other deposits	112,659	115,433	92,662	106,545	145,294
Banks' reserves	239,920	243,294	222,856	239,375	288,177
Ratios to bank deposits					
Cash in vault	1.82	1.92	1.84	1.63	1.41
Deposits with SAMA					
Current deposits	0.02	0.02	0.08	0.03	0.02
Statutory deposits	5.97	5.90	5.86	5.73	5.92
Other deposits	6.91	7.07	5.54	5.93	7.48
Banks' reserves	14.72	14.90	13.32	13.33	14.83

Table 9.10: Capital and Reserves of Commercial Banks (End of period)

(Million SAR)					
	2016	2017	2018	2019	2020
Capital & reserves	298,392	317,067	303,439	342,976	377,099
Capital & reserves as a ratio of					
Bank deposits	18.3	19.4	18.1	19.1	19.4
Total assets	13.0	13.5	12.7	13.0	12.7
Capital to risk-weighted assets ratio (Basel Standard)	19.5	20.4	20.3	19.4	20.3

Banks' Capital and Reserves

Banks' capital and reserves increased by SAR 34.2 billion or 10.0 percent to SAR 377.1 billion in 2020, compared to a rise of SAR 39.5 billion or 13.0 percent in the preceding year. Their ratio to total deposits increased from 19.1 percent at end-2019 to 19.4 percent at end-2020, whereas their ratio to total assets declined from 13.0 percent at end-2019 to 12.7 percent at end-2020. The capital adequacy ratio (CAR) stood at 20.3 percent at end-2020, which is higher than the recommended ratio according to Basel III (Table 9.10).

Sources and Uses of Financial Resources of Commercial Banks in 2020

Total added financial resources of commercial banks jumped by 58.2 percent to SAR 358.3 billion in 2020 from SAR 226.5 billion in 2019. Key added financial resources were from several items; however, total deposits and SAMA claims accounted for the highest shares of 41.0 percent (SAR 147 billion) and 29.6 percent (SAR 106.2 billion), respectively, of total added financial resources. Other liabilities accounted for 18.9 percent (SAR 67.7 billion) of the total. In addition, the capital base accounted for 6.3 percent (SAR 22.5 billion), foreign liabilities for 2.5

percent (SAR 8.9 billion), and interbank claims for 1.7 percent (SAR 5.9 billion) of the total.

Most of these financial resources were used during 2020 to increase cash reserves with an amount of SAR 48.8 billion, accounting for 13.6 percent of total resources used. In addition, foreign assets increased by SAR 6.4 billion (1.8 percent of the total). SAMA bills also rose to SAR 4.1 billion (1.2 percent of the total). Claims on the private sector and on the government and public sector went up by SAR 21.6 billion and SAR 72.2 billion, respectively. Claims on the private sector accounted for 60.3 percent of the total resources used, whereas claims on the government and public sector accounted for 20.2 percent. Moreover, claims on non-monetary financial institutions rose by SAR 20.6 million, accounting for 0.01 percent of the total. Fixed assets and other assets rose by SAR 938.8 million and SAR 8.1 billion, respectively, as fixed assets accounted for 0.3 percent and other assets 2.3 percent of the total (Table 9.11).

Commercial Banks' Profits

Commercial banks' profits decreased by 23.1 percent to SAR 38.7 billion in 2020, below 2019 profits of SAR 50.3 billion.

Table 9.11: Key Sources and Uses of Financial Resources of Commercial Banks in 2020

(Million SAR)					
Uses	Amount	Share	Resources	Amount	Share
Cash reserves	48,801.9	13.6	Total deposits	147,004.3	41.0
SAMA bills	4,132.8	1.2	Foreign liabilities	8,911.2	2.5
Foreign assets	6,434.8	1.8	Capital base	22,508.4	6.3
Claims on the private sector	215,921.1	60.3	Interbank claims	5,914.9	1.7
Claims on the government and public sector	72,209.0	20.2	SAMA claims	106,190.9	29.6
Claims on non-monetary financial institutions	20.6	0.0	Other liabilities	67,741.2	18.9
Reverse repo transactions	1,690.0	0.5			
Fixed assets	938.8	0.3			
Other assets	8,122.0	2.3			
Total	358,270.9	100.0	Total	358,270.9	100.0

Number of Banks and Branches

The number of commercial banks operating in Saudi Arabia stood at 29 (12 local and 17 foreign bank branches) at end-2020. The number of their branches declined to 2,014, down by 62 compared to the preceding year. A breakdown of bank branches by administrative regions shows that Riyadh region accounted for 612 branches, Makkah region 424 branches, the Eastern Region 387 branches, Asir region 125 branches, Al-Qassim region 117 branches, and Madinah region 101 branches (Table 9.12).

Number of Employees in the Banking Sector

The number of (male and female) employees in the banking sector declined by 2.4 percent to 46,049 in 2020. Saudi (male and female) employees represented 94.8 percent (43,672) of the total number of employees in the banking sector. Saudi

male employees accounted for 78.5 percent of the total number of employees as compared to 5.1 percent of non-Saudi male employees. Saudi female employees represented 16.3 percent of the total number of employees, whereas non-Saudi female employees accounted for 0.03 percent.

Banking Technology Developments in 2020

I. Clearing House Operations

The number of commercial and personal checks cleared through clearing houses in Saudi Arabia decreased by 34.5 percent (993.4 thousand checks) in 2020, dropping their value by 29.5 percent to SAR 183.6 billion. However, the average check value increased by 7.7 percent from SAR 90,576 in 2019 to SAR 97,523 in 2020.

The number of checks in Riyadh clearing house declined by 31.8 percent to 692.5 thousand,

Chart 9.10: Share of Commercial & Personal Checks Cleared by City

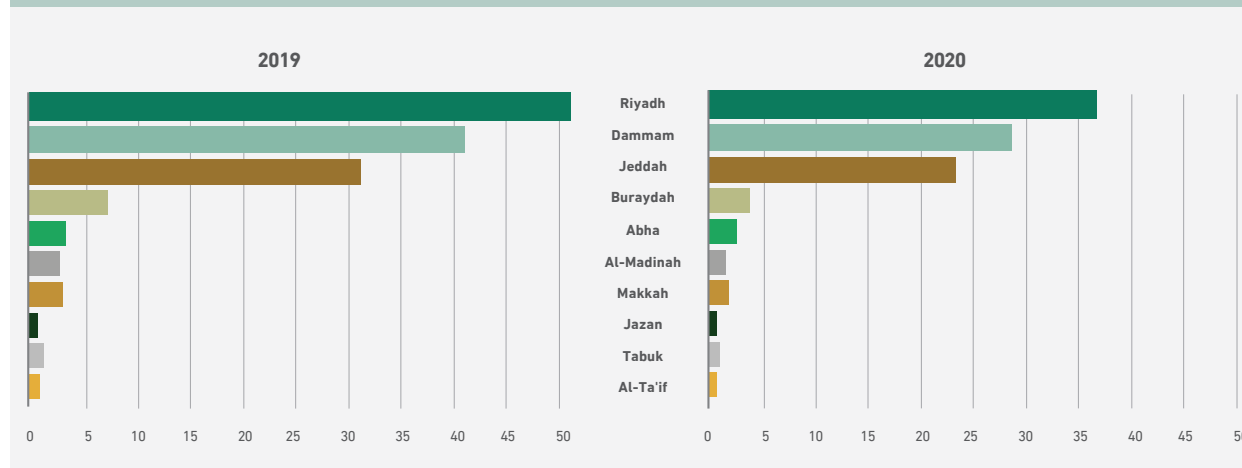


Table 9.12: Bank Branches Classified by Administrative Region (End of period)

Year	Riyadh	Makkah	Madinah	Eastern Region	Qassim	Asir	Tabuk	Ha'il	Northern Borders Region	Jawf	Jazan	Najran	Baha	Total
2016	624	433	100	393	116	124	50	42	16	27	50	27	27	2,029
2017	631	436	106	405	119	126	51	42	17	28	53	27	28	2,069
2018	629	435	105	401	120	127	50	42	17	28	55	28	27	2,064
2019	626	442	104	408	120	128	51	42	17	27	57	27	27	2,076
2020	612	424	101	387	117	125	50	43	19	28	55	27	26	2,014

Dammam 34.3 percent to 541.3 thousand, Jeddah 29.8 percent to 436.0 thousand, Madinah 58.6 percent to 26.3 thousand, Buraidah 47.9 percent to 68.7 thousand, Makkah 55.9 percent to 32.8 thousand, Tabuk 36.2 percent to 17.9 thousand, Ta'if 38.7 percent to 13 thousand, and Abha 43.3 percent to 45.4 thousand (Chart 9.10).

II. Mada

The number of automated teller machine (ATMs) operating in Saudi Arabia went down by 3.1 percent to 18,299 compared to a 1.1 percent rise

in the preceding year. The number of ATM cards issued increased by 8.9 percent to 34.3 million at-end 2020 compared to an increase of 10.4 percent in 2019. On the contrary, the number of cash withdrawal transactions carried out through Mada dropped by 22.6 percent to 761 million in 2020 as compared to a rise of 3.6 percent in the preceding year. The value of withdrawals carried out through Mada also decreased by 17.6 percent to SAR 386.5 billion, compared to a rise of 3.5 percent in 2019. The number of transactions executed through banks' networks fell by 13.7 percent to

Chart 9.11: ATM Statistics

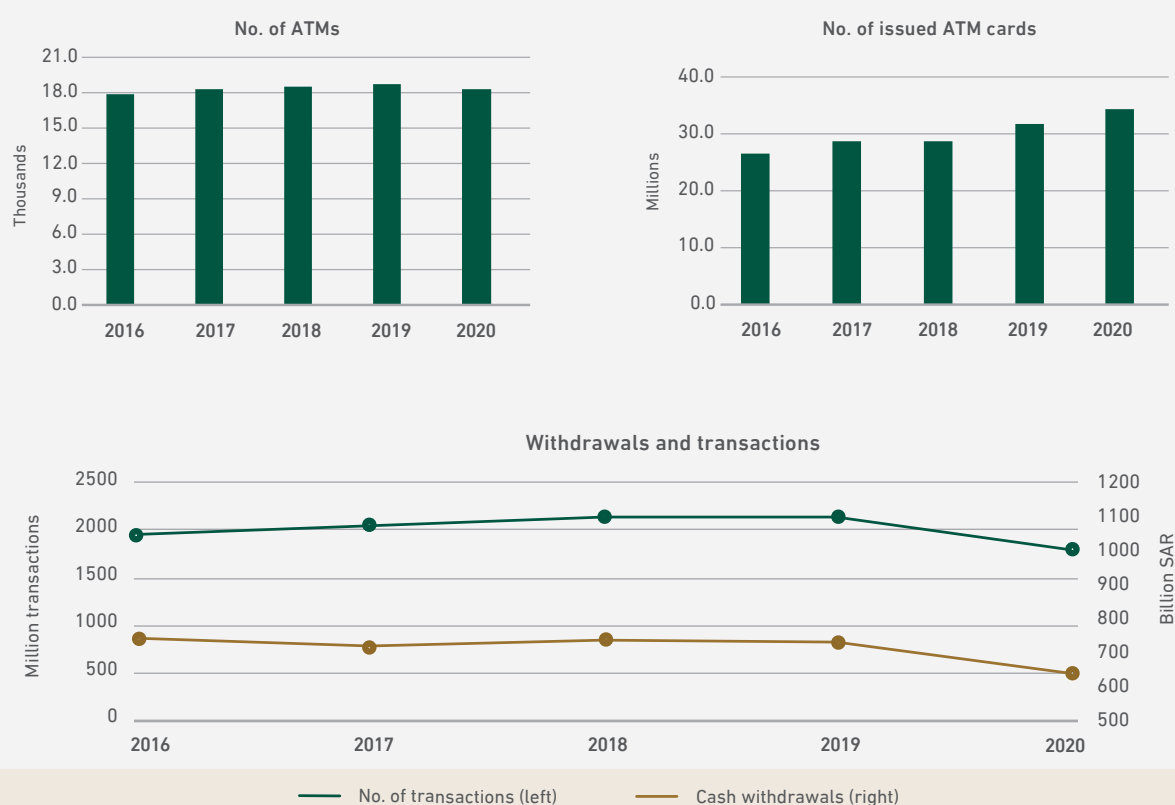


Table 9.13: ATM Statistics

Year	No. of ATMs	No. of issued ATM cards	No. of transactions (Million)			Cash withdrawals (Million SAR)		
			Mada	Bank	Total	Mada	Bank	Total
2016	17,887	26,537,349	822	1,100	1,923	446,300	307,149	753,449
2017	18,333	28,402,914	870	1,142	2,012	440,729	287,782	728,511
2018	18,685	28,559,828	949	1,177	2,126	452,931	295,394	748,325
2019	18,882	31,540,067	983	1,142	2,125	468,849	271,791	740,640
2020	18,299	34,336,693	761	986	1,747	386,490	242,401	628,891

986 million compared to a decline of 3.0 percent in the preceding year. The value of cash withdrawals through these networks went down by 10.8 percent to SAR 242.4 billion, compared to a decline of 8.0 percent in 2019. As a result, total cash withdrawals declined by 15.1 percent to SAR 628.9 billion (Table 9.13 and Chart 9.11).

The number of point of sale (POS) terminals went up by 64.4 percent to 721,060 in 2020, compared to a rise of 24.7 percent in 2019. The number of sales transactions executed through POS terminals rose by 75.8 percent to 2,853 million, compared to a rise of 57.3 percent in the preceding year. The value of these transactions also rose by 24.2 percent to SAR 357.3 billion, compared to an increase of 23.9 percent in the preceding year (Table 9.14 and Chart 9.12). Higher growth rates in ATM cards and in ATM and POS transactions indicate their expansion in the retail sector, in addition to customers' increased confidence in modern banking technology.

III. Saudi Arabian Riyal Interbank Express System (SARIE)

The total number of transactions executed via SARIE went up by 26.8 percent to 201.6 million in 2020, compared to a rise of 17.1 percent in the preceding year. A breakdown of SARIE transactions by single and bulk customer payments shows that the number of single payments rose by 35.2 percent to 17.8 million transactions as opposed to their value that decreased by 0.3 percent to SAR 4,936 billion. The number of bulk payments also went up by 26.4 percent to 181.0 million transactions and their value by 15.1 percent to SAR 3,365 billion.

A classification of SARIE transactions by interbank payments shows that the number of single interbank transactions increased by 36.2 percent to 854.2 thousand during 2020 and their value by 30.0 percent to SAR 52,199 billion. The number of bulk interbank transactions executed through SARIE rose by 35.4 percent to 211.5 thousand, and their

Chart 9.12: POS Terminals and Transactions

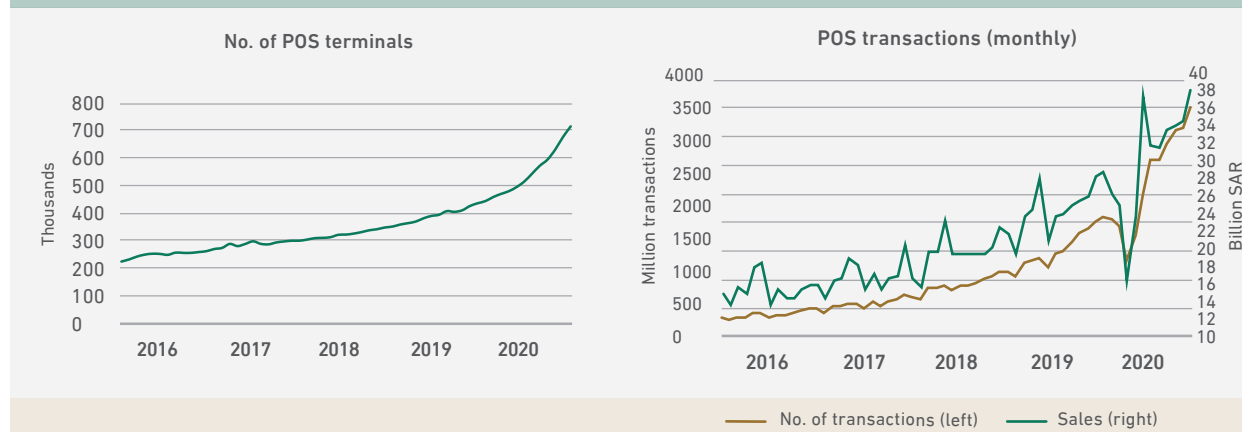


Table 9.14: POS Statistics

Year	Sales (Million SAR)	No. of transactions (Million)	No. of POS terminals
2016	182,749	525	267,827
2017	200,468	708	303,464
2018	232,306	1,032	351,645
2019	287,794	1,623	438,618
2020	357,298	2,853	721,060

value went up by 6.3 percent to SAR 148.6 billion (Tables 9.15A and 9.15B and Chart 9.13).

IV. SADAD

The total number of billers from various sectors (such as education, electricity, water, communications, airline companies, insurance and credit cards) linked to SADAD stood at 146 at end-2020.

In addition, the number of banks linked to SADAD reached 16. The number of transactions executed through SADAD during 2020 rose by 6.8 percent, totaling 267 million with a total value of SAR 450.4 billion, compared to a rise of 18.3 percent to 263.5 million transactions with a total value of SAR 421.8 billion in the preceding year (Chart 9.14).

Chart 9.13: SARIE Transactions

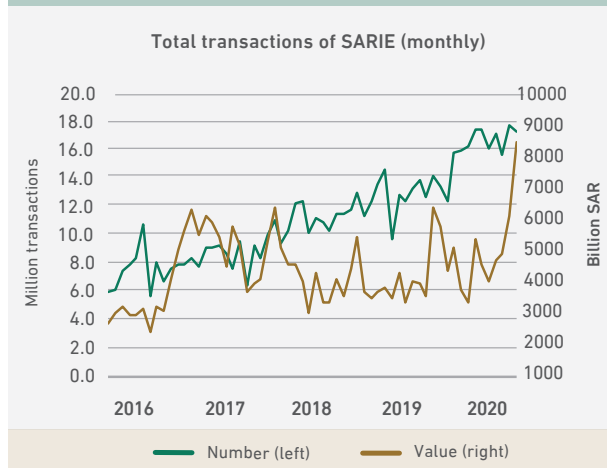


Chart 9.14: Volume and Value of Bills Paid via SADAD

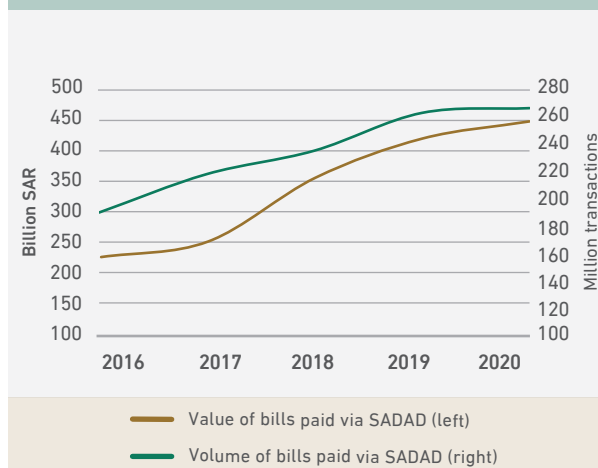


Table 9.15A: Number of SARIE Transactions

Period	(Thousand)							
	Customer payments			Interbank payments			Other	Total
	Bulk	Single	Total (1)	Bulk	Single	Total (2)	(3)	(1+2+3)
2016	76,084	9,156	85,240	79	468	547	3,497	89,285
2017	89,806	10,299	100,105	137	514	651	2,714	103,470
2018	122,236	10,676	132,912	122	513	635	2,218	135,766
2019	143,230	13,191	156,421	156	627	784	1,779	158,983
2020	181,026	17,828	198,854	212	854	1,066	1,687	201,607

Table 9.15B: Value of SARIE Transactions

Year	(Billion SAR)							
	Customer payments			Interbank payments			Other*	Total
	Bulk	Single	Total (1)	Bulk	Single	Total (2)	(3)	(1+2+3)
2016	2,067	3,396	5,463	61.4	34,161	34,222	31	39,717
2017	2,180	3,839	6,019	80.1	56,048	56,128	42	62,189
2018	2,640	3,994	6,634	105.8	43,226	43,332	18	49,984
2019	2,924	4,953	7,877	139.8	40,157	40,297	37	48,211
2020	3,365	4,936	8,301	148.6	52,199	52,348	41	60,690

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

Derivatives Market Activity

Derivatives transactions in Saudi Arabia rose by 9.9 percent (SAR 112 billion) to SAR 1,245 billion in 2020, compared to SAR 1,133 billion in the preceding year.

Banking Creditworthiness

The Saudi Credit Bureau (SIMAH) continued to improve its services and products, such as the retail system “SIMATI” and the corporate system “SIMAT”, that are provided to all relevant entities during 2020. Through these services and products, SIMAH provides necessary and accurate credit information that would contribute to enhancing risk analysis, evaluating borrowers’ creditworthiness, reducing financial risk and developing the credit information sector and its various services. With this in view, SIMAH aims to expand the credit market in Saudi Arabia in alignment with the economic environment and Saudi Vision 2030.

Total credit reports issued by SIMATI for the retail sector dropped by 36.7 percent to 12.3 million during 2020 from 19.5 million in 2019, due to the repercussions of the COVID-19 pandemic. Conversely, total credit reports issued by SIMAT for the Saudi market witnessed a notable increase of 19.8 percent to 81.0 thousand during 2020, up from 67.6 thousand during 2019. In addition, total credit accounts in SIMAT rose by 2.9 percent to 1.802 million during 2020 from 1,751 million during 2019. The total number of consumers (corporate and establishment) from the business sector in SIMAT increased by 2 percent to 798.5 thousand during 2020 from 782.6 thousand during 2019.

In terms of technological advancement in 2020, SIMAH continued to streamline and improve the electronic linkage mechanism with the Ministry of Justice (MOJ). Through this linkage, the MOJ can obtain the information sufficient for settling enforcement courts’ cases. In order to serve

the corporate sector at the GCC level, SIMAH further developed SIMAT in 2020. It completed all technical requirements for the execution of the GCC credit information linkage project to link credit information through the e-Government Program “Yesser” in preparation for the actual launch in 2021.

Developments in Implementation of the Basel III Framework in Saudi Arabia

SAMA has studied the final Basel III reforms (market, credit and operational risks as well as the leverage ratio framework). It formed working groups with the banking sector to assess the reforms’ impact and provide feedback on such reforms and on their viability for promoting resilience of the banking sector. The final standards were planned to be issued by SAMA for full implementation as of January 1, 2022. However, the BCBS’s oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), adopted a number of measures during 2020 that included the deferral of implementation of such reforms to January 1, 2023.

The purpose of deferral is to allow supervisory and regulatory authorities and banks to have additional operational capacity and greater flexibility to respond efficiently to the impacts of the COVID-19 pandemic. Thus, SAMA has decided to adopt these measures. The standards will be adopted and applied domestically according to the date set by the BCBS. It is noteworthy that such deferral will not affect the capital adequacy of the banking sector as banks continue to implement the applicable Basel III standards.

10

INSURANCE AND FINANCE



Insurance and Finance

Insurance Sector

SAMA is keen on improving and developing every aspect that contributes to the growth of insurance sector in order to achieve the objectives of Saudi Vision 2030. Some of SAMA's efforts in this respect include raising awareness of the social and economic importance of insurance and updating laws, regulations and instructions continuously to be in line with changes in the insurance sector and the economy. In this regard, SAMA has studied and followed up the developments of COVID-19 pandemic and the precautionary measures taken by Saudi Arabia for the insurance sector. It has also studied the impact of such measures on the stability of the sector. Through continuous monitoring and early stress testing of the insurance sector, SAMA has ensured that cash flows and other financial soundness indicators are not affected by the pandemic. Moreover, SAMA launched a number of initiatives to reduce the effects of the pandemic on the insurance sector, the most prominent of which was extending retail motor insurance policies for a period of two months without charging any additional costs. It also directed insurance companies to make sufficient technical provisions for health claims resulting from postponing health services to post-curfew period.

For the purpose of developing the insurance sector and bolstering its capabilities to face risks and keep up with the economic growth of Saudi Arabia, SAMA is encouraging insurance companies to increase their capital through mergers and acquisitions. Mergers contribute to enhancing the competitiveness of the insurance sector by creating large competitive insurance entities.

The sector witnessed two successful mergers of insurance companies in Saudi Arabia. To enhance quality in the insurance sector and eventually serve customers in Saudi Arabia, SAMA adopted a number of initiatives to build and improve the capabilities of Saudi human resources working in the sector through training and development. The following were the key developments of the insurance sector in 2020.

I. Regulations of Insurance Sector and Key Developments in 2020

- SAMA issued the Standard Policy for Inherent Defects Insurance as part of its efforts and the efforts of the Ministry of Municipal, Rural Affairs and Housing to safeguard the insureds' rights against any defects in construction works. The policy specifies the minimum coverage and exceptions related to inherent defects, and it covers the cost of repairing physical damage of insured buildings and damage resulting from an inherent defect for a period of ten years.
- SAMA issued the instructions for Phase 3 'Implementation Plan' for implementing IFRS 17 on Insurance Contracts in October 2020. IFRS 17 is an accounting standard that will provide more accurate, transparent and quality information to users of the financial statements of insurance companies. Phase 3 comes as part of four phases, two of which were completed: 'Gap Analysis' and 'Financial Impact Assessment.' Work will be carried out on Phase 4 'Implementation and Dry-Run' after Phase 3 is completed.
- SAMA issued the Rules Governing Insurance Aggregation Activities, which set out the minimum requirements and controls necessary for granting the license to carry out online insurance aggregation activities in Saudi Arabia, in addition to the rules concerning the relationship between insurance aggregators and insurance companies. These rules aim to facilitate insurance for policyholders by

delivering products to a larger group through affordable insurance services.

- In continuation of its efforts to enhance financial inclusion and insurance awareness among customers, SAMA issued the Rules Governing Bancassurance Activities. The rules are aimed at facilitating access for customers to all their financial services needed at one place and to savings products. These bancassurance activities ensure that insurance products reach remote regions.
- In order to regulate the contractual relationship between finance companies and their retail customers with regard to insurance of financially leased motor vehicles, SAMA issued the Rules for Comprehensive Insurance of Motor Vehicles Financially Leased to Individuals. The rules aim to protect the rights of insurance policyholders and ensure fair services. They set out the rights and obligations of insureds (the lessor and the lessee) that come as part of the finance leasing contract for individuals' vehicles. They also specify how to calculate the amount of annual premium after applying the no-claim discount that encourages individuals to adopt safer driving attitudes. This discount comes in addition to other discounts indicated in SAMA's instructions.
- SAMA issued the Actuarial Work Rules for Insurance, which support the growth of the actuarial profession, ensure effective participation of actuaries in the enhancement of financial resilience of the insurance sector, and develop and regulate actuaries' performance. Thus, the insurance industry will be positively affected and will be able to meet the market needs and keep up with economic expansions.
- SAMA issued the Rules of Insurance Products Approval, which represent a qualitative shift in terms of approval of insurance products. These rules aim to determine the regulatory

procedures and requirements necessary before marketing products or selling insurance products to customers. They also aim to enhance the efficiency of risk management related to insurance products and to ensure the quality of their design, their development, the assessment of their risks and performance, and their compliance with regulatory requirements. For the purpose of promoting innovation in insurance products, the option of "Insurance Product Filed with SAMA under File & Use Procedures" was developed.

- A number of detailed circulars were communicated, with the aim of supporting the stability and growth of the insurance sector while ensuring the soundness of its practices.

II. Saudization in the Insurance Sector

Article 2 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that a key objective of the Law and its Regulations is to develop the insurance sector in Saudi Arabia, including through training and Saudization. Furthermore, Article 4 states that the business plan prepared by insurance companies and insurance service providers must specify, among others, the expected number of employees and include a plan for recruiting and training Saudis.

In addition, Article 50 emphasizes that insurance companies and insurance service providers must provide SAMA, 45 days prior to the end of each fiscal year, with a report specifying the number, percentage and positions of Saudi employees at the company level and at each branch and/or department level. Article 79 stipulates that "Saudi employees shall not be less than 30 percent at the end of the first year, and this percentage shall increase annually according to a Saudization plan submitted to SAMA."

In this context, the total number of employees at insurance companies stood at 11,015 at the end

of 2020 compared to 11,213 at the end of 2019, with Saudi employees accounting for 75 percent of the total number of employees at end-2020 compared to 74 percent at end-2019. The total number of employees working with insurance service providers reached 6,139 at the end of 2020, compared to 5,854 at the end of 2019, as Saudi employees accounted for 74 percent of total employees at end-2020 against 71 percent at end-2019.

III. Training

SAMA adopted a number of initiatives to build and improve the capabilities of Saudi human resources working in the insurance sector. These initiatives included short and long training courses, on-job training, domestic and international workshops, and professional certification in the field of insurance. Such initiatives aimed to enhance the quality of the insurance industry, increase fair competition among companies, promote growth and stability of the sector, and reduce potential risks.

SAMA continued its effort to regulate the insurance sector and urge companies and their employees to be professional and practice insurance business on a technical and methodological basis pursuant to its rules, regulations and instructions. In support of this effort, SAMA updated the Insurance Fundamentals Certificate Exam (IFCE) to keep pace with the key regulatory developments, professional practices and products in the insurance industry in Saudi Arabia.

Moreover, SAMA launched the second version of the Advanced Diploma in Insurance (ACII), which aims to enable participants to acquire technical skills in different insurance areas through the opportunity to obtain professional certificates in the field of insurance. The program extends for two and a half years and consists of two levels: the Diploma in Insurance and the Advanced Diploma in Insurance.

IV. Insurance Market in Saudi Arabia in 2020

A. Overall Market Performance

- The insurance market witnessed an increase of 2.3 percent in gross written premiums (GWP) to SAR 38.7 billion in 2020 compared to an increase of 8.2 percent in 2019 (Table 10.1).
- Health insurance GWP, which represented 59 percent of the total GWP, increased by 1.6 percent to SAR 22.8 billion at the end of 2020 compared to a rise of 13 percent in 2019.
- Total general insurance GWP, which represented 38 percent of the total GWP, increased by 2.8 percent to SAR 14.6 billion at the end of 2020 compared to a rise of 1.8 percent in 2019. Motor insurance GWP, which represented 56.9 percent of the total general insurance GWP, dropped by 2.9 percent to SAR 8.3 billion at the end of 2020 compared to a decline of 8.7 percent in 2019.
- Protection and savings insurance GWP, which represented 3.3 percent of the total GWP, went up by 11.3 percent to SAR 1.2 billion at the end of 2020 compared to an increase of 2.9 percent in 2019.

B. Net Written Premiums (NWP)

NWP is defined as the gross written premiums less the share of reinsurance. Health and motor insurance accounted for 68.5 percent and 24.3 percent, respectively, of total NWP in 2020. Total health insurance NWP grew by 1.4 percent, while motor insurance NWP recorded a fall of 4.4 percent. Total marine insurance NWP dropped by 2.5 percent. Other insurance types recorded annual increases compared to 2019. Aviation insurance registered the highest increase of 115.6 percent, followed by engineering insurance with 64 percent and energy insurance with 32.5 percent (Table 10.1).

C. Retention Ratio

The retention ratio is a measure of risks in written

premiums retained by an insurance company. There is a positive relationship between the retention ratio and risks. The ratio is calculated by dividing NWP by GWP. The overall retention ratio of insurance companies in the Saudi insurance market was 82.5 percent in 2020, compared to 83.6 percent in 2019. This ratio is largely affected by the high retention ratio for motor and health insurance, which accounted for 93 percent and 96 percent, respectively. On the other hand, energy insurance recorded the lowest retention ratio of

1.9 percent in 2020 (Table 10.1).

D. Insurance Market Penetration and Density

Insurance penetration is measured by the ratio of gross written premiums to GDP. The level of insurance penetration in Saudi Arabia stood at 1.48 percent in 2020 against 1.27 percent in 2019, with GWP to Non-oil GDP ratio amounting to 1.92 percent in 2020 against 1.87 percent in 2019 (Table 10.2).

Table 10.1: Insurance Indicators

Insurance type	2018				2019				2020			
	GWP (Million SAR)	Share	NWP (Million SAR)	NWP/GWP (retention ratio)	GWP (Million SAR)	Share	NWP (Million SAR)	NWP/GWP (retention ratio)	GWP (Million SAR)	Share	NWP (Million SAR)	NWP/GWP (retention ratio)
Accident, liability & other insurance	1,001.3	2.9	470.4	47.0	1,121.4	3.0	486.6	43.4	1,369.9	3.5	637.2	46.5
Motor insurance	9,423.3	26.9	8,860.4	94.0	8,603.6	22.7	8,117.1	94.3	8,358.0	21.6	7,763.5	92.9
Property/ fire insurance	1,697.9	4.8	314.0	18.5	1,844.6	4.9	314.6	17.1	2,109.2	5.4	362.7	17.2
Marine insurance	544.6	1.6	155.4	28.5	653.6	1.7	181.2	27.7	690.0	1.8	176.6	25.6
Aviation insurance	148.0	0.4	5.3	3.6	158.5	0.4	4.0	2.5	178.6	0.5	8.7	4.9
Energy insurance	511.5	1.5	3.5	0.7	700.4	1.8	12.8	1.8	910.8	2.3	16.9	1.9
Engineering insurance	701.7	2.0	120.2	17.1	1,198.4	3.2	144.2	12.0	1,061.8	2.7	236.5	22.3
Total general insurance	14,028.4	40.1	9,929.2	70.8	14,280.7	37.7	9,260.6	64.8	14,678.3	37.9	9,202.2	62.7
Total health insurance	19,883.4	56.8	19,319.4	97.2	22,474.9	59.3	21,622.0	96.2	22,836.8	58.9	21,924.7	96.0
Total protection & savings insurance	1,102.7	3.1	794.8	--	1,134.9	3.0	797.2	--	1,263.6	3.3	859.4	--
Total	35,014.5	100.0	30,043.4	85.8	37,890.5	100.0	31,679.7	83.6	38,778.7	100.0	31,986.3	82.5

* Retention ratios for protection & savings insurance are not included because the savings component included in Saudi companies' contracts should be retained; therefore, retention ratios of this insurance type cannot be compared to other types of insurance.

Table 10.2: Insurance Penetration to GDP

Insurance type	(Percentage)							
	2018		2019		2020		Change	
	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP
Total general insurance	0.48	0.73	0.48	0.70	0.56	0.73	16.4	3.2
Total health insurance	0.68	1.03	0.76	1.10	0.87	1.13	15.1	3.1
Total protection & savings insurance	0.04	0.06	0.04	0.06	0.05	0.06	26.1	11.8
Total	1.19	1.82	1.27	1.87	1.48	1.92	15.9	3.8

Insurance density is defined as per capita expenditure on insurance (GWP divided by the total population). The per capita insurance density decreased by 1.1 percent from SAR 1,107.3 in 2019 to SAR 1,094.8 in 2020 (Table 10.3).

E. Commissions Paid to Insurance Brokers and Agents

The amount of commissions paid by insurance companies to insurance brokers and agents totaled SAR 2.27 billion in 2020, compared to SAR 1.76 billion in 2019. Motor insurance commissions constituted 24.7 percent of total commissions paid in 2020, compared to 29.5 percent in 2019, while those of health insurance accounted for 52 percent of total commissions paid in 2020, compared to 43.6 percent in 2019 (Table 10.4).

F. Total Claims Paid by Insurance Type

Total claims paid in 2020 decreased by 5.4 percent to SAR 26.9 billion compared to SAR 28.4 billion in 2019. Health and motor insurance claims accounted for 69.4 percent and 20.4 percent, respectively, of total claims paid in 2020. These high ratios reflected the high shares of these types of insurance in the total market premiums. Accident, liability and other insurance recorded the highest growth rate of total claims paid with a rise of 26.9 percent in 2020, followed by protection and savings insurance with 12.7 percent and health insurance with 0.7 percent. However, other types of insurance recorded annual decreases in total claims paid, with the aviation insurance registering the highest decline of 67.1 percent (Table 10.5).

Table 10.3: Insurance Market Density

(Riyals per capita)							
Insurance type	2015	2016	2017	2018	2019	2020	Change
Total general insurance	536.03	540.26	501.58	419.84	417.34	414.42	-0.7
Total health insurance	616.40	586.09	584.77	595.07	656.82	644.76	-1.8
Total protection & savings insurance	33.66	33.08	35.03	33.00	33.17	35.68	7.6
Total	1,186.08	1,159.43	1,121.37	1,047.91	1,107.33	1,094.85	-1.1

Table 10.4: Commissions Paid by Type of Business

Insurance type	2018		2019		2020		Change
	Million SAR	Percentage	Million SAR	Percentage	Million SAR	Percentage	2019-2020
Accident & Liability insurance	86.3	6.15	119.5	6.77	141.6	6.20	18.50
Motor insurance	502.6	35.83	521.1	29.55	560.2	24.70	7.50
Property/fire insurance	103.6	7.39	169.4	9.61	156.6	6.90	-7.60
Marine insurance	35.9	2.56	58.1	3.29	64.0	2.80	10.30
Aviation insurance	1.3	0.09	2.0	0.11	2.8	0.10	38.60
Energy insurance	1.2	0.08	5.5	0.31	9.5	0.40	71.70
Engineering insurance	36.6	2.61	65.5	3.72	81.9	3.60	25.00
Total general insurance	767.6	54.72	941.1	53.37	1,016.6	44.80	8.00
Total health insurance	615.8	43.90	769.7	43.64	1,180.7	52.00	53.40
Total protection & savings insurance	19.4	1.38	52.7	2.99	73.9	3.30	40.00
Total	1,402.8	100.00	1,763.5	100.00	2,271.2	100.00	28.80

V. Status of Insurance Companies in Saudi Arabia

The number of insurance and reinsurance companies approved by the Council of Ministers until the end of 2020 was 32 (Table 10.6). The Saudi insurance sector witnessed two successful mergers of insurance companies in 2020 and the signing of memoranda of understanding to consider mergers of other insurance companies. Mergers are expected to increase in the coming period. They contribute to enhancing the competitiveness of the insurance sector through the establishment of large competitive insurance entities. They would also buttress the financial position of the insurance sector to safeguard the rights of the insureds, improve the quality of services provided for customers, reduce costs, enhance efficiency and diversify products offered, in addition to other positive effects.

VI. Council of Cooperative Health Insurance

The total number of individuals with health insurance reached 10.4 million, including 6.7 million expatriates, at the end of 2020. The number

of companies and establishments providing health insurance coverage for their staff was 527,441. The number of insurance companies licensed to provide health insurance stood at 25, while the companies licensed to manage health insurance claims were six. Moreover, the number of approved health care providers in Saudi Arabia reached 5,804 at the end of 2020, classified by type of facility and administrative region as shown in (Table 10.7).

A review of approved health care providers in Saudi Arabia for 2020 indicates that pharmacies ranked first among facilities providing health care services, constituting 53.6 percent of the total. Polyclinic centers came second with 22.2 percent, followed by optical shops with 15.9 percent and hospitals with 5.7 percent. A review of health care providers by administrative region indicates that Riyadh region ranked first with 32.4 percent of the total, followed by Makkah region with 23.9 percent and the Eastern Region with 18.2 percent.

Table 10.5: Total Claims Paid by Type of Business

Insurance type	2018		2019		2020		Change
	Million SAR	Percentage	Million SAR	Percentage	Million SAR	Percentage	2019-2020
Accident & Liability insurance	263.3	0.97	265.2	0.93	336.5	1.30	26.90
Motor insurance	6,929.8	25.44	6,507.0	22.87	5,478.6	20.40	-15.80
Property/fire insurance	624.4	2.29	699.1	2.46	303.3	1.10	-56.60
Marine insurance	223.7	0.82	444.3	1.56	269.2	1.00	-39.40
Aviation insurance	123.8	0.45	84.8	0.30	27.9	0.10	-67.10
Energy insurance	356.8	1.31	1,048.5	3.69	909.9	3.40	-13.20
Engineering insurance	456.8	1.68	284.6	1.00	267.3	1.00	-6.10
Total general insurance	8,978.6	32.96	9,333.5	32.80	7,592.7	28.20	-18.70
Total health insurance	17,628.9	64.72	18,540.9	65.16	18,664.6	69.40	0.70
Total protection & savings insurance	629.3	2.31	578.8	2.03	652.2	2.40	12.70
Total	27,236.8	100.00	28,453.2	100.00	26,909.5	100.00	-5.40

Table 10.6: Licensed Insurance and Reinsurance Companies Up to the End of 2020

Name	Capital (Million SAR)	Licensed on
National Company for Cooperative Insurance (NCCI)	1,250	02/12/2004
Malath Cooperative Insurance & Reinsurance Company	500	11/09/2007
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MEDGULF)	800	11/09/2007
Salama Cooperative Insurance Company	250	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	300	11/09/2007
AlAhli Takaful Company	166	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	300	11/09/2007
Gulf Union Cooperative Insurance Company	229	11/09/2007
Sanad for Cooperative Insurance & Reinsurance (SANAD)	200	08/03/2008
Allianz Saudi Fransi	600	08/03/2008
Al-Etihad Cooperative Insurance Company (PLC)	400	31/03/2008
Al Sagr Cooperative Insurance Company	400	31/03/2008
Saudi Indian Company for Cooperative Insurance	100	10/06/2008
Arabia Insurance Cooperative Company (AICC)	265	18/06/2008
Walaa Cooperative Insurance Company	646	02/07/2008
Saudi Reinsurance Company (Saudi Re)	810	21/07/2008
Bupa Arabia for Cooperative Insurance	1,200	10/08/2008
United Cooperative Assurance (UCA)	400	30/12/2008
Allied Cooperative Insurance Group (ACIG)	141	10/05/2009
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)	400	17/11/2009
Chubb Arabia Cooperative Insurance Company	200	08/12/2009
Al-Alamiya Cooperative Insurance Company	400	13/12/2009
AXA Cooperative Insurance Company	500	26/01/2010
Gulf General Cooperative Insurance Company	200	06/03/2010
Buruj Cooperative Insurance Company	300	29/05/2010
National Insurance Company (NIC)	200	16/06/2010
AMANA Cooperative Insurance Company	240	06/07/2010
Solidarity Saudi Takaful Company	250	20/03/2011
Saudi Enaya Cooperative Insurance Company	150	07/08/2011
Alinma Tokio Marine Company	300	30/09/2012
Aljazira Takaful Company	350	18/12/2013

Table 10.7: Authorized Healthcare Providers in 2020

Region/Type of institutions	Hospitals	Polyclinic centers (one-day operation centers) + specialized polyclinic centers (one-day operation centers)	Medical complexes	One-physician clinics	X-ray centers	Physical therapy centers	Medical laboratories	Pharmacies	Optical stores	Devices & prosthetics stores	Dialysis centers	Prosthetics centers	Nutrition centers	Speech & hearing centers	Psychotherapy centers	Care & rehabilitation centers for persons with disabilities	Hearing aid centers for persons with hearing disabilities	Main centers of Saudi Red Crescent Authority	Others	Dispensaries	Total
Riyadh	77	13	414	0	2	16	4	952	387	0	3	0	1	5	0	2	4	1	0	1	1,882
Makkah	76	8	352	1	3	9	4	758	160	0	5	1	0	5	1	0	2	1	0	0	1,386
Eastern Region	60	7	221	1	1	16	2	577	164	0	4	0	0	0	0	0	0	1	0	0	1,054
Asir	27	4	62	0	0	1	0	197	43	0	0	0	0	0	0	0	0	1	0	0	335
Madinah	20	3	47	0	0	0	0	148	65	0	0	1	0	0	0	2	0	1	0	0	287
Qassim	12	2	40	0	0	2	0	89	32	0	0	0	0	0	0	0	0	1	0	0	178
Tabuk	10	0	29	0	0	0	0	87	21	0	0	0	0	0	0	0	0	1	0	0	148
Najran	9	0	29	0	0	0	0	38	11	0	0	0	0	0	0	0	0	1	0	0	88
Jazan	13	0	36	0	0	1	0	83	18	0	2	0	0	0	0	0	0	1	0	0	154
Northern Borders Region	8	0	12	0	0	0	0	40	2	0	0	0	0	0	0	0	0	1	0	0	63
Jawf	6	0	14	0	0	0	0	50	3	0	0	0	0	0	0	0	0	1	0	0	74
Ha'il	10	0	21	0	0	0	0	63	8	0	0	0	0	0	0	0	0	1	0	0	103
Baha	5	1	12	0	0	0	0	27	6	0	0	0	0	0	0	0	0	1	0	0	52
Total	333	38	1,289	2	6	45	10	3,109	920	0	14	2	1	10	1	4	6	13	0	1	5,804

Source: Council of Cooperative Health Insurance.

Finance Sector

SAMA is entrusted with regulatory and supervisory functions over the finance sector in Saudi Arabia, taking the actions necessary to maintain its soundness and stability and protect its workers and clients' rights. These actions proved their effectiveness in facing the impact of COVID-19 pandemic. They included launching a number of financing programs supporting small and medium-sized enterprises (SMEs). Moreover, SAMA performs its role in enhancing financial stability, developing regulatory and supervisory frameworks of this sector, ensuring fair transactions for all stakeholders and supporting sustainable economic growth.

SAMA is also responsible for issuing licenses to practice finance activities in accordance with finance laws and regulations. The following are the key developments regarding finance companies infrastructure, supervisory and control functions, and customer right protection.

I. Key Developments and Regulations in the Finance Sector in 2020

The key developments in SAMA's work to advance the non-banking finance sector during 2020 were as follows:

- The Risk-Based Supervision Project for Finance Companies was completed. The project is aimed at directing resources toward high-risk activities.
- Regarding SAMA's supervisory and regulatory role, a number of rules and instructions were issued in 2020. Some of them were the Rules on Credit Risk Classification and Provisioning for finance companies, the Rules for Engaging in Debt-Based Crowdfunding, the Rules for Licensing Finance Support Activities, the updated standard real estate finance contract forms for individuals (Murabaha and Ijara), the standard motor finance leasing contract for individuals, the Deposit-Taking Finance

Companies Regulations, and the regulations for finance lease contract registration specifying the data required for the register and the controls for third-party access to the contract register. The total number of finance-related rules and regulations published on SAMA's website until the end of 2020 reached 39.

- SAMA issued 28 circulars covering a number of subjects related to the business of finance companies in 2020. Some of these circulars were a circular on amending some articles in the Implementing Regulations of the Finance Lease Law, a circular regarding the digital certification of products for customers of finance companies, and a circular regarding adherence to the standard motor finance lease contract for individuals. SAMA's circulars aim to protect customers' rights, advance the finance sector and maintain its stability.
- A real estate finance company was floated on the Main Market (TASI) as the first finance company to be listed.

SAMA has been keen to activate all communication platforms with international organizations in the field of supervision and control to adopt international best practices and standards. SAMA also participated in several cooperative programs with international bodies and organizations, including the international cooperation through joint committees for developing the finance sector, the cooperation with the World Bank on Islamic finance research, and the cooperation with the IMF regarding potential changes in SAIBOR and LIBOR. In addition, SAMA participated in a report on small and medium-sized enterprises and issued rules and reports on refinance companies.

Regarding finance lease registration, SAMA encouraged creating an integrated regulatory environment for the finance business. It also supported all initiatives and projects toward the development of frameworks and regulations that

ensure the protection of customers' rights. In this regard, the number of licensed companies engaged in registration of finance lease contracts in Saudi Arabia increased to two. In addition, SAMA issued regulations for finance lease contract registration, which specify the data required for the register and the controls for third-party access to the contract register.

As a member in the Housing Program and the regulator and observer of the real estate finance sector, SAMA contributes to the Saudi Vision 2030 through developing the legislative and regulatory environment for the real estate finance. In 2020, SAMA updated the standard real estate finance contract forms (Ijara and Murabaha), licensed the first finance support company and issued instructions about self-build mortgage products for individuals. SAMA also agreed to extend the additional working hours to Saturday to serve subsidized real estate finance customers until the end of 2021. During 2020, the total number of residential real estate finance contracts concluded by banks and real estate finance companies reached 295.6 thousand, with a growth rate of 65 percent compared to 179.2 thousand contracts in 2019. The value of residential real estate finance granted by banks and real estate finance companies in 2020 exceeded SAR 140.7 billion, growing by 77 percent, compared to SAR 79.6 billion in 2019.

II. Finance Companies Licensed to Operate in Saudi Arabia

The number of licensed finance companies stood at 42 in 2020 with six real estate finance companies, one real estate refinance company, and one microfinance company. The number of licensed contract registration companies increased during the year to two companies. In addition, for the first time, one company was licensed to engage in debt collection for finance entities, and another company was licensed to engage in consumer microfinance. The number of companies offering

other types of finance stood at 30 (Table 10.8). It is worth mentioning that SAMA made one licensing visit, 42 supervisory visits, and 141 inspection visits during 2020.

The total assets of finance companies reached SAR 45.5 billion at the end of 2020, compared to SAR 38.4 billion in 2019. The finance portfolio for the sector totaled around SAR 54.1 billion at the end of 2020 as compared to SAR 49.3 billion at the end of 2019. Real estate finance accounted for 43.5 percent of the total finance portfolio. The total capital of all of the finance companies reached SAR 14.6 billion (Table 10.8).

In terms of employment and Saudization, the total number of employees at finance companies in Saudi Arabia reached 5,527 at the end of 2020, compared to 5,489 employees at the end of 2019. Saudi employees constituted 82.7 percent of the total.

Table 10.8: Companies Licensed to Practice Finance Activities Up to the End of 2020

	Name	Paid-up capital (Million SAR)	Licensed on
Companies licensed to provide real estate finance			
1	Amlak International for Real Estate Finance	906	24/12/2013
2	Dar Al Tamleek	359	31/12/2013
3	Saudi Home Loans (SHL)	1,000	27/02/2014
4	Deutsche Gulf Finance	575	20/05/2014
5	Abdul Latif Jameel for Real Estate Finance	250	07/12/2014
6	Bidaya Home Finance	900	14/12/2015
Companies licensed to provide real estate refinance			
1	Saudi Real Estate Refinance Company	1,500	25/09/2017
Companies licensed to provide micro-business finance			
1	Bab Rizq Jameel Microfinance	100	04/10/2017
Companies Licensed to Register Finance Contracts			
1	Saudi Finance Lease Registration Company (Sijil)	38	28/12/2017
2	Tawtheeq Finance Lease Registration Company	10	26/04/2020
Finance debt collection service providers			
1	National Financing Servicing Company (NFSC)	80	08/03/2020
Consumer microfinance companies			
1	Tamam Financing Company	20	30/12/2020
Companies licensed to practice finance activities other than the aforementioned activities			
1	Nayifat Finance Company	1,000	31/12/2013
2	YANAL Finance Company (formerly known as Saudi ORIX Leasing Company)	550	27/02/2014
3	Al Yusr Leasing & Financing	500	27/02/2014
4	AJIL Financial Services Company	500	20/05/2014
5	National Finance Company	250	25/05/2014
6	Morabaha Marina Company	281	14/09/2014
7	AlJasriah Co. for Finance LLC.	150	16/11/2014
8	Matager Finance Company	150	16/11/2014
9	Saudi Finance Company	100	20/11/2014
10	Abdul Latif Jameel Real Estate Finance	1,000	08/12/2014
11	Gulf Finance Saudi Arabia	100	08/12/2014
12	Alamthal Financing	313	16/03/2015
13	Osoul Modern Finance Company	100	22/03/2015
14	Dar Aletiman Al Saudi Finance Company	100	05/05/2015
15	Tawkelat Financing Company	100	04/06/2015
16	Ijarah Finance Company	200	31/08/2015
17	Tayseer Arabian Company	400	30/08/2015
18	Saudi Fransi for Finance & Leasing (SFL)	500	18/11/2015
19	Tamweel Al-Oula	250	03/12/2015
20	American Express Saudi Arabia	100	10/12/2015
21	Aljabr Financing Company	345	14/12/2015
22	AlRaedah Finance Company	150	09/02/2016
23	Raya Financing Company	150	23/03/2016
24	Quara Holding Company	300	09/05/2016
25	Taajeer Finance Company	200	29/11/2016
26	Gulf Lifting Financial Leasing Company	100	06/08/2017
27	United Company for Financial Services (Tas'heel Finance)	350	01/05/2019
28	Emkan Finance Company	500	12/04/2020
29	Tamwily International Company	--	11/12/2014
30	Own Financing Company	100	23/10/2019

11

CAPITAL MARKET



Capital Market

The Saudi capital market is regulated and supervised by the Capital Market Authority (CMA). In 2020, CMA, in cooperation with several financial bodies, including the Saudi Central Bank (SAMA), took many actions aiming at further developing the financial sector. These actions coincided with the COVID-19 pandemic, which has affected financial markets all over the world, and the Saudi financial market has been no exception. CMA also strengthened procedures to further reduce risks related to securities transactions resulting from the pandemic, protect investors from unfair practices and ensure fairness and transparency in securities transactions. In addition, CMA introduced several initiatives under the Financial Leadership Program (FLP) and the Financial Sector Development Program (FSDP) with the aim of solidifying the position of the Saudi capital market as the main market in the Middle East and one of the world's top ten capital markets. In order to raise investment awareness, CMA continued to carry out many financial awareness and literacy campaigns through media and awareness activities and programs. With a view to strengthening the position of the Saudi capital market, the Saudi Stock Exchange (Tadawul), in cooperation with CMA, launched in 2020 a new market for derivatives in Saudi Arabia. The launch of the derivatives market is one of the most important pillars of the financial market development plan under the FSDP.

In 2020, CMA approved the initial public offering of four companies operating in health care equipment and services, banks, food and staples retailing, and real estate management and development. These companies were listed on the Main Market and the Parallel Market (Nomu),

bringing the total to 203 companies on the Main Market and four companies on Nomu by the end of 2020. Moreover, CMA approved the transfer of three companies from Nomu to the Main Market.

Compared to 2019, the Tadawul All Share Index (TASI) increased by 3.6 percent in 2020 despite the economic impact of the COVID-19 pandemic. The number of traded shares also jumped by 134.7 percent. Moreover, the total domestic assets of investment funds rose by 12.1 percent (SAR 16.1 billion) to SAR 149.6 billion at the end of 2020.

Saudi Stock Market Developments Main Market Developments

In terms of the Main Market Index in 2020, TASI closed at 8,689.5 at the end of 2020, compared to 8,389.2 at the end of 2019, increasing by 3.6 percent. It registered its highest closing point of 8,760.0 on December 30. The market capitalization of issued shares increased by 0.8 percent from SAR 9,025.4 billion at the end of 2019 to SAR 9,101.8 billion at the end of 2020.

The number of shares traded during 2020 surged by 134.7 percent to 79.3 billion from 33.8 billion in the preceding year. The total value of shares traded also jumped by 137.2 percent to SAR 2,087.8 billion from SAR 880.1 billion in 2019. In addition, the number of transactions witnessed a notable increase of 170.1 percent to 76.7 million compared to 28.4 million in the preceding year (Table 11.1).

The daily average value of traded shares was SAR 8.3 billion in 2020, compared to SAR 3.5 billion in the preceding year. The daily average number of traded shares rose dramatically by 133.4 percent to 316.0 million from 135.4 million in 2019. The daily average number of transactions executed went up by 169.0 percent to 305.5 thousand from 113.6 thousand in the preceding year.

Parallel Market Developments

The Parallel Market (Nomu) Index closed at 26,245.5 at the end of 2020 against 7,179.2 at the end of 2019, increasing significantly by 265.6 percent. It registered its highest closing point of 26,245.5 on December 31, 2020. The market capitalization of issued shares increased by SAR 9.6 billion to SAR 12.2 billion at the end of 2020.

The number of Nomu Index shares traded during 2020 went up by 34.2 percent to 108.6 million from 80.9 million in the preceding year. The total value of traded shares also jumped by 212.0

percent to SAR 7.1 billion from SAR 2.3 billion in 2019. In addition, the number of transactions rose significantly by 107.6 percent to 287.5 thousand compared to 138.5 thousand in the preceding year (Table 11.2).

The daily value of shares traded on Nomu averaged SAR 28.3 million in 2020 against SAR 9.1 million in 2019, surging by 210.8 percent. The daily average number of traded shares also went up by 33.7 percent to 432.8 thousand in 2020 from 323.8 thousand in 2019. Similarly, the daily number of transactions averaged 1,145.4 in 2020 against 554.0

Table 11.1: Saudi Stock Main Market Indicators

Year	No. of shares traded* (million shares)	Change	Value of shares traded (billion SAR)	Change	Market capitalization of issued shares (billion SAR)	Change	No. of trades (thousand)	Change	TASI	Change
2015	65,995.9	-6.5	1,660.6	-22.6	1,579.1	-12.9	30,444.2	-14.9	6,911.8	-17.1
2016	67,729.2	2.6	1,157.0	-30.3	1,682.0	6.5	27,273.7	-10.4	7,210.4	4.3
2017	43,297.9	-36.1	836.3	-27.7	1,689.6	0.5	21,895.3	-19.7	7,226.3	0.2
2018	37,820.2	-12.7	870.9	4.1	1,859.0	10.0	25,011.9	14.2	7,826.7	8.3
2019	33,800.8	-10.6	880.1	1.1	9,025.4	385.5	28,395.8	13.5	8,389.2	7.2
2020	79,323.7	134.7	2,087.8	137.2	9,101.8	0.8	76,686.3	170.1	8,689.5	3.6

*Data were adjusted to account for corporate actions.

Source: Saudi Stock Exchange (Tadawul).

Table 11.2: Saudi Parallel Market (Nomu) Indicators

Year	No. of shares traded*	Change	Value of shares traded (million SAR)	Change	Market capitalization of issued shares (billion SAR)	Change	No. of trades (thousand)	Change	TASI	Change
2019	80,938,145	211.7	2,279.8	452.7	2.5	9.3	138.5	228.6	7,179.2	184.8
2020	108,641,912	34.2	7,114.0	212.0	12.2	379.2	287.5	107.6	26,245.5	265.6

*Data were adjusted to account for corporate actions.

Source: Saudi Stock Exchange (Tadawul).

Table 11.3: Number of Investors and Portfolios Registered in Tadawul

(End of year)				
Year	No. of investors registered in Tadawul	Change	No. of portfolios registered in Tadawul	Change
2017	4,675,535	1.3	9,378,957	4.3
2018	4,741,870	1.4	9,844,247	5.0
2019	5,485,716	15.7	9,891,677	0.5
2020	5,596,266	2.0	9,065,693	-8.4

Source: Saudi Stock Exchange (Tadawul).

in the preceding year, increasing by 106.8 percent. The number of investors registered in Tadawul by the end of 2020 increased by 2.0 percent to 5.6 million. On the other hand, the number of investment portfolios registered in Tadawul decreased by 8.4 percent to 9.1 million (Table 11.3).

Stock Market Developments by Most Active Sectors and Companies

A sectoral review of the activity of the Main Market during 2020 indicates that the materials sector was the most active in terms of the number of shares traded, amounting to 18.6 billion and representing 23.4 percent of the total volume traded. Banks came second with 10.09 billion (12.73 percent of the total). Real estate management and development came close behind in third place with 10.08 billion (12.72 percent of the total).

In terms of the value of shares traded, materials ranked first with SAR 612.2 billion, representing 29.3 percent of the total value of shares traded in 2020. Banks came in second with SAR 247.8 billion (11.9 percent of the total), followed by insurance with SAR 185.0 billion (8.9 percent of the total). A review of the Main Market's performance by the number of transactions executed reveals that materials ranked first with 16.1 million, accounting for 21.0 percent of the total number of transactions executed in 2020. Insurance came next with 9.3 million (12.1 percent of the total), followed by food and beverages with 6.4 million (8.4 percent of the total).

A sectoral comparison of the market capitalization of issued shares by the end of 2020 shows that energy ranked first with a value of SAR 7,033.5 billion, representing 77.3 percent of the total market capitalization of issued shares. Banks came second with SAR 633.6 billion (7.0 percent of the total), followed by materials with SAR 594.7 billion (6.5 percent of the total) (Table 11.4).

Regarding the three most active companies in terms of the number of transactions executed in 2020, Saudi Aramco took the lead with 2.1 million, followed by Dar Al-Arkan with 1.8 million and then Alinma Bank with 1.7 million. In terms of the value of shares traded, SABIC led the market with SAR 300.3 billion, followed by Al Rajhi Bank with SAR 83.5 billion and Saudi Aramco with SAR 66.4 billion. As for the number of shares traded, Dar Al-Arkan topped the list with 6.5 billion, followed by Alinma Bank and SABIC with a volume of 4.1 billion and 2.6 billion, respectively (Table 11.5).

An analysis of the activity of the Parallel Market (Nomu) by sector during 2020 indicates that real estate management and development came first in terms of the number of shares traded with 25.7 million, representing 23.7 percent of the total number of shares traded. With regard to the value of shares traded on Nomu, consumer services ranked first with SAR 2.6 billion, representing 37.1 percent of the total value of shares traded in 2020. As for the number of transactions executed on Nomu in 2020, the consumer services accounted for the largest share of transactions with 84.2 thousand, constituting 29.3 percent of the total number of transactions (Table 11.6).

New Public Offerings on Saudi Stock Exchange

In 2020, the shares of three companies were floated on the Main Market and one company on Nomu, with a total capital of SAR 5.3 billion. The number of issued shares totaled 579.9 million, of which 110.0 million were offered to the public. The total market capitalization of issued shares amounted to SAR 56.2 billion. IPO oversubscription for companies floated on the Main Market averaged 15.9 times and 66.0 times in the categories of retail and institutional investors, respectively. The IPO of Sumou Real Estate Company floated on Nomu was oversubscribed 2.4 times (Table 11.7).

Table 11.4: Saudi Stock Market Activity by Sector During 2020

Sector	No. of shares traded*		Value of shares traded		No. of trades		Market capitalization	
	(Million shares)	Ratio to total	(Billion SAR)	Ratio to total	(Thousand)	Ratio to total	(Billion SAR)	Ratio to total
Energy	3,964.4	5.0	138.2	6.6	4,572.0	6.0	7,033.5	77.3
Materials	18,558.4	23.4	612.2	29.3	16,071.3	21.0	594.7	6.5
Capital Goods	3,205.4	4.0	98.9	4.7	4,876.6	6.4	15.9	0.2
Commercial & Professional Services	616.9	0.8	24.5	1.2	1,110.9	1.4	11.2	0.1
Transport	1,437.5	1.8	35.8	1.7	1,802.3	2.4	14.7	0.2
Consumer Durables & Apparel	1,959.6	2.5	44.5	2.1	2,424.8	3.2	6.6	0.1
Consumer Services	4,228.8	5.3	99.1	4.7	4,627.0	6.0	23.8	0.3
Media	665.8	0.8	31.2	1.5	1,246.3	1.6	7.2	0.1
Retailing	2,016.8	2.5	66.5	3.2	3,217.3	4.2	37.5	0.4
Food & Staples Retailing	679.8	0.9	34.7	1.7	1,505.6	2.0	27.2	0.3
Food & Beverages	3,935.5	5.0	151.0	7.2	6,408.3	8.4	96.5	1.1
Health Care Equipment & Services	1,553.2	2.0	44.8	2.1	1,843.1	2.4	68.3	0.8
Pharma, Biotech & Life Science	163.9	0.2	5.7	0.3	241.0	0.3	4.7	0.1
Banks	10,094.1	12.7	247.8	11.9	6,066.7	7.9	633.6	7.0
Diversified Financials	1,385.9	1.7	23.4	1.1	1,362.3	1.8	33.2	0.4
Insurance	8,586.6	10.8	185.0	8.9	9,312.2	12.1	51.9	0.6
Software and Services	429.5	0.5	24.2	1.2	928.3	1.2	2.8	0.0
Communications	2,628.3	3.3	62.6	3.0	1,821.4	2.4	246.5	2.7
Utilities	1,080.1	1.4	20.6	1.0	757.6	1.0	91.0	1.0
REITs	2,046.2	2.6	19.8	0.9	1,728.9	2.3	16.0	0.2
Real Estate Management & Development	10,086.9	12.7	117.3	5.6	4,762.4	6.2	85.0	0.9
Total	79,323.7	100.0	2,087.8	100.0	76,686.3	100.0	9,101.8	100.0

*Data were adjusted to account for corporate actions.

Source: Tadawul 2020 Annual Report.

Table 11.5: Three Most Active Joint-Stock Companies in 2020

No. of transactions	Company	Saudi Aramco	Dar Al-Arkan	Alinma Bank
	(Thousand)	2,051.6	1,767.1	1,703.8
No. of shares traded	Company	Dar Al-Arkan	Alinma Bank	SABIC
	(Billion)	6.5	4.1	2.6
Value of shares traded	Company	SABIC	Al Rajhi Bank	Saudi Aramco
	(Billion SAR)	300.3	83.5	66.4

Source: Tadawul 2020 Annual Report.

The total number of subscribers for companies floated in 2020 was 815.4 thousand. Different subscription channels, such as phone banking, ATMs, electronic channels and bank branches, contributed to facilitating the subscription process and reducing its completion time. The number of

subscribers via electronic channels reached 323.0 thousand (39.6 percent of the total subscribers), 189.1 thousand (23.2 percent) via ATMs, 176.3 thousand (21.6 percent) via bank branches, and 126.9 thousand (15.6 percent) via phone banking (Table 11.8).

Table 11.6: Saudi Stock Parallel Market (Nomu) Activity by Sector During 2020

Sector	No. of shares traded*		Value of shares traded		No. of trades		Market capitalization	
	(Million shares)	Ratio to total	(Million SAR)	Ratio to total	(Thousand)	Ratio to total	(Million SAR)	Ratio to total
Materials	19.1	17.6	553.5	7.8	14.7	5.1	3,744.0	30.7
Capital Goods	22.2	20.4	1,319.7	18.6	57.5	20.0	5,488.8	45.1
Commercial & Professional Services**	9.3	8.5	829.8	11.7	44.2	15.4	--	--
Consumer Services	23.9	22.0	2,637.8	37.1	84.2	29.3	471.5	3.9
Software & Services**	8.4	7.7	202.1	2.8	14.7	5.1	--	--
Real Estate Management & Development	25.7	23.7	1,571.2	22.1	72.2	25.1	2,475.0	20.3
Total	108.6	100.0	7,114.0	100.0	287.5	100.0	12,179.3	100.0

*Data were adjusted to account for corporate actions.

**Companies under this sector were delisted/transferred from the Parallel Market (Nomu) to the Main Market.

Source: Tadawul 2020 Annual Report.

Table 11.7: New Public Offerings in the Saudi Stock Markets in 2020

Issuer	Market	Sector	Date of IPO	Capital (million SAR)	Total issued shares (million shares)	No. of shares offered for public subscription (million shares)	Floating price	Closing price 31/12/2020	Value of offering (million SAR)	No. of retail subscribers (thousand)	Market capitalization (million SAR)	No. of oversubscription (times)	
												Retail	Institutional
Dr. Sulaiman Al Habib Medical Services Group	Main Market	Health Care Equipment & Services	February 26	3,500	350.0	52.5	50.0	109.0	2,625	224	38,150.0	7.1	144.4
Amlak International for Real Estate Finance	Main Market	Banks	July 02	906	90.6	27.2	16.0	21.9	435	267	1,984.1	26.7	5.0
Bin Dawood Holding	Main Market	Food & Staples Retailing	October 08	1,143	114.3	22.9	96.0	119.0	2,195	324	13,601.7	13.9	48.7
Sumou Real Estate	Parallel Market (Nomu)	Real Estate Management & Development	February 16	250	25.0	7.5	24.0	99.0	30	33	2,475.0	2.4*	
Total	--	--	--	5,799	579.9	110.0	--	--	5,285	--	56,210.8	--	--

*The number of oversubscription by qualified retail and institutional investors in Nomu.

Source: CMA and Tadawul 2020 Annual Report.

Companies Added to/Delisted from TASI and Nomu

The following companies were added to TASI in 2020:

1. Dr. Sulaiman Al Habib Medical Services Group (public offer).
2. Amlak International for Real Estate Finance (public offer).
3. Bin Dawood Holding (public offer).
4. Arab Sea Information Systems (transferred from Nomu).
5. Al-Omran Industrial Trading (transferred from Nomu).
6. Al-Samaani Factory for Metal Industries (transferred from Nomu).

Shares of Sumou Real Estate Company were also added to Nomu Index in 2020. The following two companies were delisted from TASI:

1. MetLife AIG ANB Cooperative Insurance Company.
2. Al-Ahlia Insurance Company.

CMA's Efforts in Raising Investor Awareness in 2020

CMA publishes news and resolutions issued by its board on its website and social media accounts to ensure that information is instantaneously and equally communicated to all investors. It also provides guidance for investors in securities and raises their awareness of laws, instructions and resolutions issued by its board as well as potential

risks and non-professional practices, such as manipulation and misinformation, in the capital market.

In line with its strategy for carrying out its investor awareness programs and for this purpose, CMA has established several channels through which two main categories of programs were executed: media programs and investment literacy programs. Efforts exerted under media programs included the publication of 17 press releases through various media channels, the participation of CMA's officials in 25 interviews with local and foreign media, and the participation in a number of media and awareness conferences and symposia. With the aim of raising investment awareness among investors and young members of the society, CMA launched in 2020 the Smart Investor Award, one of the initiatives of the Smart Investor Program. More than 1,800 male and female students from different educational levels in Saudi Arabia participated in this competition. Ten winners were chosen in each track (i.e. video track, drawing track, writing track and photography track). Through its awareness programs, CMA has also introduced the valid sources of information and instructions as well as the laws and regulations related to the capital market. Such awareness efforts would serve to promote the investors' accessibility to fair and safe investment opportunities and educate and raise

Table 11.8: Number of Subscribers for IPOs by Channel of Subscription

Channel of Subscription	(Thousand)			
	2019		2020	
	No.	Percentage	No.	Percentage
Phone banking	103.7	2.0	126.9	15.6
ATM	1,859.9	36.0	189.1	23.2
E-channels	1,462.7	28.3	323.0	39.6
Bank branches	1,733.3	33.6	176.3	21.6
Total	5,159.7	100.0	815.4	100.0

Source: CMA.

awareness of investors, thus safeguarding them against suspicious and fraudulent investments. By the end of 2020, the number of educational books and publications released by CMA totaled 36. All were published on the electronic platforms of the Awareness Programs “Thameen” and “The Smart Investor”.

Realizing the importance of social media channels and their great use by various segments of the society, CMA carried out a series of awareness campaigns through electronic platforms and social media channels during 2020, especially in light of the challenges the world witnessed due to COVID-19 pandemic. Some of these campaigns were the awareness campaign against unlicensed forex activities, the Smart Investor Program’s campaigns targeting the young segment of the society, and the joint Gulf awareness campaign “Mulem” aiming at educating investors about the GCC capital markets. Moreover, a total of 29 workshops were held by CMA in 2020, during which the most important regulations and legislation of the financial market were highlighted. A group of entities supervised by CMA and a number of legislative authorities in the Saudi financial market participated in these workshops.

CMA’s Efforts in 2020 in Support of Vision 2030

CMA is working on several initiatives under the Financial Leadership Program (FLP) and the Financial Sector Development Program (FSDP) in support of the Saudi capital market’s position as the largest stock market in the Middle East and one of the world’s top ten capital markets. Table 11.9 shows the most salient achievements made during 2020 and their impact.

Since the launch of the Saudi Vision 2030 and as a result of the efforts exerted during previous years, Saudi Arabia’s ranking in global competitiveness indicators has progressed. The World

Competitiveness Yearbook (WCY) issued by the World Competitiveness Center of the International Institute for Management Development (IMD) indicates that among the most competitive 63 countries in the world, Saudi Arabia ranked 24 for the year 2020 compared to 36 in 2017. The WCY also shows that Saudi Arabia ranked second globally in the stock market capitalization index as a percentage of GDP, advancing from 29th place in 2017, despite the economic impact of COVID-19 pandemic. These results stress the depth of the reforms implemented by Saudi Arabia. They also reflect the cooperation, and integration of the efforts, of government bodies in the development of various sectors through initiatives and programs related to the Saudi Vision 2030 and aimed at increasing Saudi Arabia’s competitiveness globally.

Comparison Between Saudi Stock Exchange and Arab Stock Exchanges in 2020

The COVID-19 pandemic has caused severe repercussions for global financial markets and inflicted heavy losses on investors around the world. In fact, the pandemic prompted many investors to withdraw their investments from the market, especially in light of the uncertainty about the duration of the crisis and the ability to deal with and address it. Arab financial markets are an integral part of the global financial markets; thus, they were impacted by the COVID-19 pandemic. The performance of Arab stock exchanges participating in the Arab Markets Database (AMDB) varied in 2020. Arab stock exchange indices fell in most Arab markets, driven by the impact of the COVID-19 pandemic. However, five Arab markets recorded increases, namely Saudi Arabia, Qatar, Algeria, Sudan and Syria. The stock exchanges of Sudan and Syria registered the highest rises of 14.3 percent and 38.5 percent, respectively. On the other hand, the Egyptian Exchange recorded the highest decline, among the Arab stock exchanges, of 22.3 percent during the pandemic (Table 11.10).

Average total market capitalization of Arab stock exchanges increased by 1.8 percent to \$201.2 billion in 2020 from \$197.5 billion in 2019. The market capitalization of the Abu Dhabi Securities Exchange recorded the highest increase of 39.8 percent, followed by the Damascus Securities Exchange with a rise of 36.4 percent. In contrast, the market capitalization of the Khartoum Stock Exchange recorded the highest decrease of 57.8 percent at the end of 2020.

market capitalization of the Saudi Stock Exchange stood at \$2,426.6 billion, compared to an average of \$201.2 billion for the Arab countries composing the AMF Index. It represented 75.4 percent of the total market capitalization of Arab stock exchanges at the end of 2020. Moreover, the value of shares traded on the Saudi Stock Exchange amounted to \$195.5 billion at the end of 2020, constituting 80.4 percent of the total value of shares traded on the markets of Arab countries participating in AMDB.

A comparison of selected Arab stock exchange indices at the end of 2020 shows that the Saudi Stock Exchange recorded the highest market capitalization among all Arab stock exchanges. The

The number of companies listed on the Saudi Main Market reached 203 at the end of 2020. The average market capitalization stood at \$12.0 billion per company, compared to an average

Table 11.9: CMA's Key Achievements in 2020 to Realize Vision 2030, and their Expected Impact

Initiative	Purpose	Achievement & impact	Description
Facilitating Financing	1. Deepening the capital market and enhancing its role in capital formation	Achievement	First direct listing of shares on the parallel market (Nomu) as the Saudi capital market is the first among GCC capital markets to allow for direct listing.
		Impact	-Attracting more companies wishing to list their shares on the Saudi Stock Exchange (Tadawul). -Enhancing liquidity and increasing the number of companies listed on the Parallel Market (Nomu). -Supporting and accelerating the growth of Saudi SMEs.
		Achievement	Approving "Instructions on Issuing Depositary Receipts Out of the Kingdom".
		Impact	-Diversifying investor base in the Saudi Stock Exchange (Tadawul). -Openness of the Saudi capital market to global capital markets.
Encouraging Investment	2. Supporting asset management growth and enhancing institutional investment	Achievement	Listing units of first two exchange-traded funds (ETFs) investing in government Sukuk: Albilad Saudi Sovereign Sukuk ETF and Alinma Saudi Government Sukuk ETF.
		Impact	-Diversifying asset classes available to investors in the Saudi Stock Exchange.
		Achievement	Listing Albilad Gold ETF as the first exchange-traded fund (ETF) in the category of commodities.
		Impact	-Diversifying asset classes available to investors in the Saudi Stock Exchange. -Enabling investors in general, and retail investors in particular, to invest in commodities market through the Saudi Stock Exchange.
	3. Enhancing the market attractiveness to foreign investors	Achievement	-Allowing foreign investors to invest directly in debt instruments.
		Impact	-Promoting investment environment to attract foreign investors, hence increasing the effectiveness of the capital market and raising competitiveness regionally and internationally. -Bolstering the role of the capital market in capital formation and diversifying investment products for all segments of foreign investors.
	4. Diversifying investment products and mechanisms available in the capital market	Achievement	Launching the derivatives market in Saudi Arabia.
		Impact	-Providing varied investment opportunities in the Saudi capital market and increasing the efficiency of investment risk management.

Source: CMA.

number of 95 companies with an average market capitalization of \$1.5 billion per company for the Arab markets (Table 11.11 and Chart 11.1).

Sukuk and Bonds Market Developments

The Sukuk and Bonds Market Index closed at 1,022.7 points, bringing the total traded value of the Market to SAR 37,538.0 million in 2020. The traded value of corporate Sukuk and bonds reached SAR 68.3 million. The traded value of government debt instruments stood at SAR 37,469.8 million. The number of transactions in the Sukuk and Bonds Market amounted to 1,474 in 2020; government debt instruments constituted 99.6 percent of these transactions and corporate Sukuk and bonds accounted for the remaining 0.4 percent (Table 11.12).

Derivatives Market Developments

The derivatives market was launched on August 30, 2020. It is one of the main initiatives under the Financial Sector Development Program (FSDP), a main program adopted by Saudi Arabia to achieve Vision 2030. Launching the derivatives market represents a milestone in the development of the Saudi Stock Exchange to be an advanced financial market. Derivative instruments provide investors in the Saudi market with opportunities to diversify

their investments, in addition to being hedging tools that would increase the effectiveness of risk management in the market. From this aspect, the Saudi Stock Exchange introduced the first exchange-traded derivatives product called the MT30 Index Futures. The product is an index futures contract based on the MSCI Tadawul 30 Index (MT30). It provides a benchmark of the 30 largest and most liquid companies listed on the Saudi Stock Exchange.

As for key developments of the derivatives market during 2020, the market recorded a total of 30 deals with a total traded value of SAR 28.2 million. In order to enhance the market, the Saudi Stock Exchange is currently working on rolling out more derivative products, such as single-stock futures, single-stock options, and index options.

Developments of Investment Funds

The number of investment funds managed by investment companies in Saudi Arabia increased by 0.4 percent to 254 in 2020. The total assets of these funds also rose by 31.1 percent to SAR 209.7 billion. Domestic assets and foreign assets of investment funds increased by 12.1 percent and 126.9 percent to SAR 149.6 billion and SAR 60.2 billion, respectively. Furthermore, foreign assets constituted 28.7 percent of the total assets of

Chart 11.1: Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2020 by Market Capitalization

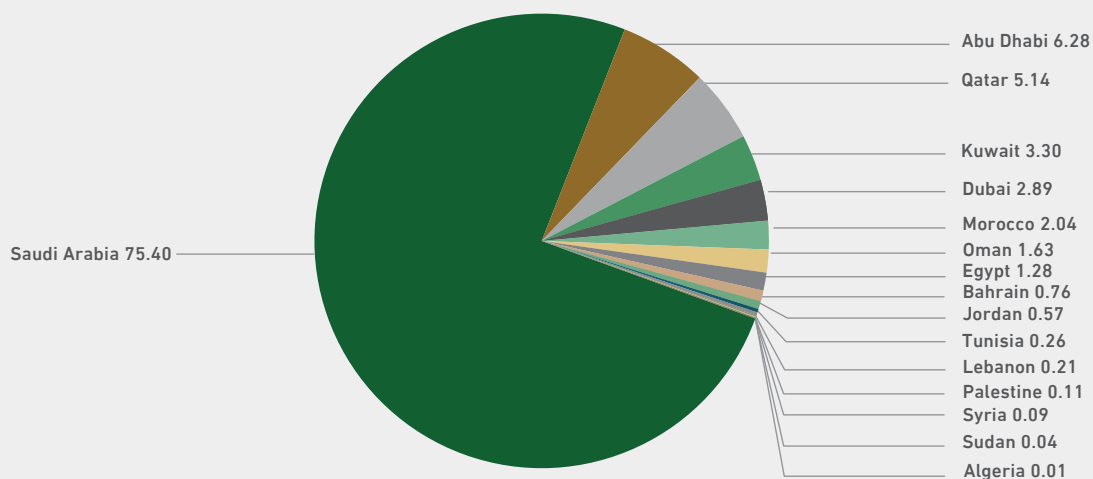


Table 11.10: Annual Change in Selected Arab Markets for 2020

(Percentage)			
Market	Number of shares traded	Market capitalization of shares	Price index of shares
Saudi Arabia	134.7	0.8	3.6
Kuwait	60.7	-9.7	-2.6
Qatar	415.8	3.3	0.1
Egypt	111.1	-2.7	-22.3
Morocco	29.6	2.4	-7.3
Bahrain	17.8	-8.5	-7.5
Jordan	12.3	-13.5	-8.7
Oman	-38.9	7.9	-8.1
Tunisia	-35.5	0.1	-0.1
Lebanon	-74.7	-13.3	-16.0
Abu Dhabi	86.1	39.8	-0.6
Algeria	-6.7	-12.1	1.1
Dubai	109.0	-8.9	-9.9
Sudan	-55.1	-57.8	14.3
Palestine	-34.7	-18.1	-10.4
Syria	-66.8	36.4	38.5

Source: Arab Monetary Fund, the Arab Capital Market Database—Arab Capital Markets, Quarter Bulletin 2020.

Table 11.11: Key Indicators of Arab Capital Markets in 2020

	Index annual change	Market capitalization (million USD)	No. of listed companies	GDP at current prices (billion USD)*	Average company size (million USD)	Market depth **
Saudi Arabia	3.6	2,426,632	203	701.5	11,954	345.9
Kuwait	-2.6	106,249	216	107.9	492	98.4
Qatar	0.1	165,371	45	146.1	3,675	113.2
Egypt	-22.3	41,195	256	361.8	161	11.4
Morocco	-7.3	65,715	75	113.5	876	57.9
Bahrain	-7.5	24,608	44	33.9	559	72.6
Jordan	-8.7	18,193	180	43.5	101	41.8
Oman	-8.1	52,576	111	63.2	474	83.2
Tunisia	-0.1	8,387	81	39.6	104	21.2
Lebanon	-16.0	6,724	28	19.1	240	35.2
Abu Dhabi	-0.6	202,218	69	354.3	2,931	57.1
Algeria	1.1	326	5.0	144.3	65	0.2
Dubai	-9.9	92,887	67	354.3	1,386	26.2
Sudan	14.3	1,313	67	34.4	20	3.8
Palestine	-10.4	3,447	48	--	72	--
Syria	38.5	2,808	24	--	117	--
Average	-2.2	201,166	95	178.3	1,452	69.9

*Data of International Monetary Fund (April 2021). **Market capitalization to GDP.

Source: Arab Monetary Fund, the Arab Capital Market Database—Arab Capital Markets, 4th Quarter Bulletin 2020.

the funds compared to 71.3 percent for domestic assets. The number of investment fund subscribers stood at around 358.9 thousand at the end of 2020, increasing by 8.8 percent from that of the preceding year (Table 11.13 and Chart 11.2).

A breakdown of the funds' investments inside and outside Saudi Arabia in 2020 indicates that total investments on global stock exchanges increased by 19.6 percent to SAR 5.0 billion. However, investment in domestic equities decreased by 15.9 percent to SAR 19.4 billion. Thus, the domestic equities accounted for 9.2 percent of the total assets of investment funds, down from 14.4 percent at the end of 2019. Investment in domestic and foreign equities decreased to 11.6 percent of total assets of investment funds at the end of 2020 against 17.0 percent at the end of the preceding year.

On the other hand, funds' investments in foreign bonds jumped by 284.0 percent to SAR 3.9 billion in 2020. Funds' investments in domestic Sukuk and bonds went up by 38.8 percent to SAR 9.6 billion from SAR 6.9 billion at the end of 2019. Investments in domestic and foreign bond markets accounted for 6.4 percent of investment funds' total assets at the end of 2020 compared to 5.0 percent at the end of the preceding year.

Funds' investments in domestic and foreign money market instruments constituted 63.1 percent of investment funds' total assets at end-2020 against 61.3 percent at end-2019. Investment in domestic money market instruments increased by 6.2 percent from SAR 76.7 billion at end-2019 to

SAR 81.5 billion at end-2020, accounting for 61.6 percent of total investments in money market instruments against 78.3 percent at the end of the preceding year. Furthermore, investments in foreign money market instruments grew by 139.1 percent to SAR 50.9 billion at end-2020 compared to SAR 21.3 billion at end-2019.

Investments in other domestic assets jumped by 356.4 percent to SAR 13.9 billion at the end of 2020, accounting for 96.9 percent of total investments in other domestic and foreign assets compared to 97.5 percent at the end of the preceding year. In addition, investments in other foreign assets increased considerably by 455.6 percent to SAR 442 million at the end of 2020.

Similarly, investments in real estate assets went up by 6.2 percent to SAR 25.2 billion in 2020, representing 12.0 percent of investment funds' total assets compared to 14.9 percent at the end of the preceding year (Table 11.14).

An analysis of the classification of investment companies by funds' assets shows that NCB Capital took the lead in terms of the assets of its investment funds, which stood at SAR 59.9 billion, representing 28.5 percent of total assets of investment funds. Riyadh Capital came next with SAR 47.1 billion (22.5 percent of the total), followed by Al Rajhi Capital with SAR 22.0 billion (10.5 percent of the total). As for the total number of investment funds, Riyadh Capital came first with 30 funds, one of which was close-ended. NCB Capital came second with 24 funds, two of which were close-ended. Samba

Table 11.12: Sukuk and Bonds Market Statistics for 2020

Sukuk and bonds	Index closed at (point)	Value traded (million SAR)	Number of trades (trade)
Corporates Sukuk & Bonds	994.2	68.3	6.0
Government Debt Instruments	1,036.3	37,469.8	1,468.0
Sukuk & Bonds Market	1,022.7	37,538.0	1,474.0

Source: Tadawul 2020 Annual Report.

Capital and Investment Management Company came third with 21 funds, all of which were open-ended.

ranked first with 78.4 thousand, followed by Al Rajhi Capital with 37.6 thousand and NCB Capital with 37.5 thousand (Table 11.15).

A breakdown of investment companies ranking by the number of subscribers shows that Riyadh Capital

Table 11.13: Key Indicators of Investment Funds Managed by Domestic Investment Companies

Year	No. Of funds	Change	Investments in domestic assets (Billion SAR)	Change	Investments in Foreign assets (Billion SAR)	Change	Funds' total assets (Billion SAR)	Change	No. Of subscribers (Thousand)	Change
2015	270	7.1	75.9	-7.3	27.0	-6.4	102.9	-7.1	237.0	-3.7
2016	275	1.9	70.7	-6.9	17.2	-36.3	87.8	-14.6	224.4	-5.3
2017	273	-0.7	91.1	29.0	19.1	11.1	110.2	25.5	238.4	6.3
2018	249	-8.8	93.6	2.7	18.2	-4.6	111.9	1.5	332.6	39.5
2019	253	1.6	133.4	42.5	26.5	45.6	160.0	43.0	329.7	-0.9
2020	254	0.4	149.6	12.1	60.2	126.9	209.7	31.1	358.9	8.8

Source: CMA.

Chart 11.2: Assets of Investment Funds at Domestic Investment Companies

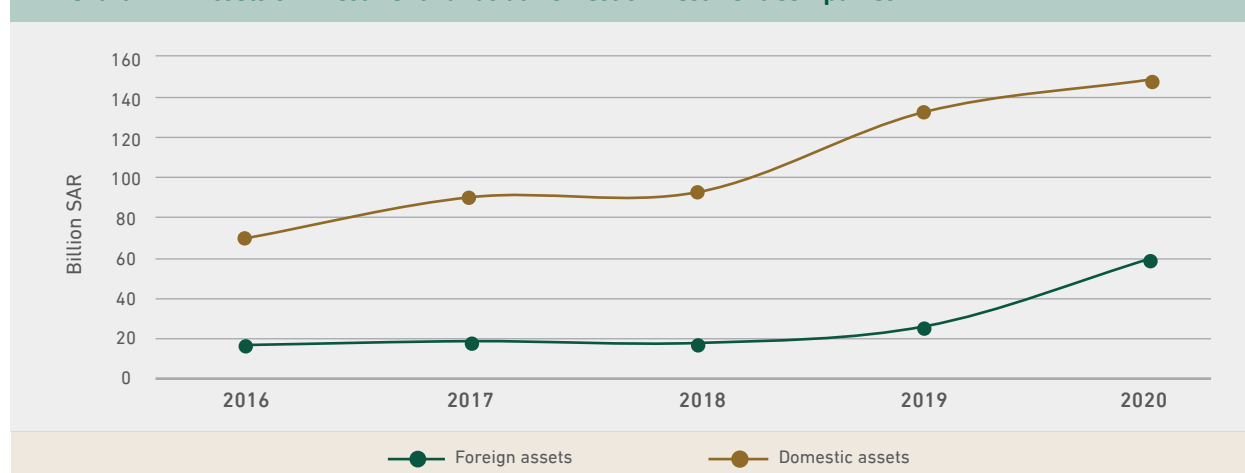


Table 11.14: Assets of Investment Funds Managed by Domestic Investment Companies by Type of Investment

(Million SAR)										
Year	Domestic equities	Foreign equities	Domestic sukuk and bonds	Foreign bonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real estate investments	Total assets
2016	16,386.4	4,940.3	5,577.0	1,282.4	40,793.4	10,569.9	4,698.5	388.4	3,199.5	87,835.7
2017	17,988.1	5,420.2	4,996.2	1,527.8	55,168.8	11,597.8	8,743.0	541.5	4,249.2	110,232.8
2018	21,512.3	4,320.9	4,493.6	1,032.4	45,446.7	12,736.0	2,588.0	123.2	19,608.6	111,861.7
2019	23,000.4	4,149.5	6,915.2	1,010.8	76,728.7	21,276.5	3,043.4	79.6	23,754.0	159,958.0
2020	19,351.6	4,964.7	9,595.2	3,881.1	81,505.8	50,874.5	13,888.8	442.2	25,220.5	209,724.3

Source: CMA.

Table 11.15: Classification of Investment Companies by Assets, Number of Funds and Number of Subscribers in 2020

Company	No. of funds		Total	Assets of funds (Million SAR)		Total	No. of subscribers
	Close-ended	Open-ended		Domestic	Foreign		
NCB Capital Co.	2	22	24	39,617.0	20,257.7	59,874.7	37,543
Riyad Capital Co.	1	29	30	22,935.6	24,209.0	47,144.6	78,426
Al Rajhi Financial Services Co.	1	13	14	14,719.8	7,289.8	22,009.6	37,589
Alinma Investment Co.	1	10	11	14,341.0	0.0	14,341.0	5,807
Samba Capital and Investment Management Co.	0	21	21	10,597.5	926.2	11,523.7	22,552
HSBC Saudi Arabia Limited	0	19	19	7,584.8	649.6	8,234.5	21,576
Saudi Fransi Capital	2	10	12	5,368.4	571.0	5,939.5	14,899
Al Jazira Capital Co.	3	12	15	4,257.7	1,406.4	5,664.1	4,849
Alfa Financial LLC	0	2	2	2,874.9	2,485.7	5,360.7	86
Jadwa Investment Co.	2	5	7	3,193.7	618.6	3,812.4	19,594
ANB Invest Co.	1	8	9	3,810.7	1.2	3,811.9	5,854
AlBilad Investment Co.	0	12	12	3,479.2	180.4	3,659.6	25,281
FALCOM Financial Services	0	6	6	1,413.3	544.3	1,957.5	1,372
Alkhabeer Capital Co.	1	1	2	1,729.0	0.0	1,729.0	8,540
Derayah Financial Co.	1	1	2	1,613.5	5.9	1,619.3	9,419
Alistithmar for Financial Securities and Brokerage Co. (Alistithmar Capital)	0	4	4	1,498.5	52.6	1,551.1	479
Middle East Financial Investment Co.	2	2	4	1,379.5	0.0	1,379.5	16,291
Alawwal Invest Co.	0	7	7	1,059.4	249.2	1,308.6	1,550
Mulkia Investment Co.	1	0	1	1,298.6	0.0	1,298.6	5,589
Musharaka Capital Co.	1	2	3	1,232.8	1.0	1,233.8	5,844
Saudi Economic and Development Company (SEDCO)	1	1	2	1,085.3	0.0	1,085.3	17,826
Swicorp	1		1	957.8	0.0	957.8	6,678
Muscat Capital Co.	1	2	3	687.0	141.8	828.8	4,525
Kamco Invest Co.	0	1	1	682.0	0.0	682.0	4
Osool & Bakheet Investment Company	1	4	5	641.4	0.0	641.4	5,152
Ashmore Investment Saudi Arabia	0	2	2	174.5	237.5	412.0	22
Alkhair Capital Saudi Arabia	0	4	4	206.2	92.5	298.7	69
KASB Capital	2	4	6	283.9	0.0	283.9	1,170
Alawwal Capital Co.	0	3	3	250.9	19.6	270.4	65
Itqan Capital Co.	0	2	2	71.3	156.6	228.0	59
Blominvest Saudi Arabia Co.	1	4	5	192.5	5.5	198.1	65
GIB Capital	0	3	3	106.1	25.0	131.1	21
Audi Capital Co.	0	3	3	60.3	27.8	88.1	29
Bait Al Mal Al Khaleeji Co.	0	3	3	63.2	0.0	63.2	23
Morgan Stanley Saudi Arabia Co.	0	1	1	49.1	0.0	49.1	6
Arbah Capital Co.	0	1	1	15.5	7.3	22.7	16
Saudi Kuwaiti Finance House (SKFH)	0	1	1	15.8	0.0	15.8	3
Wasatah Capital Co.	0	1	1	9.9	0.0	9.9	5
Al-Nefae Investment Group	0	1	1	2.3	0.0	2.3	15
Tharwat for Financial Securities Co.	0	1	1	1.9	0.0	1.9	1
Total	26	228	254	149,561.9	60,162.5	209,724.3	358,894

Source: CMA.

12

**SAMA,
ACHIEVEMENTS
AND
ASPIRATIONS**



SAMA, Achievements and Aspirations

The Saudi Central Bank (SAMA) seeks to fulfill the mandate entrusted to it in line with national economy requirements and Saudi Vision 2030. In performing its functions, SAMA follows a clear vision of the present and future of the financial sector in Saudi Arabia and the prospective role of the sector in boosting the economic growth. This chapter discusses SAMA's roles and functions, salient achievements made in 2020 (1441/1442H), key efforts exerted to curtail the impacts of the COVID-19 pandemic, and SAMA's role toward achieving Vision 2030. It also touches upon SAMA's contributions to the society. The last part of the chapter reviews key developments in SAMA's financial position.

Despite the challenges the world faced in 2020 due to the COVID-19 pandemic, SAMA realized a number of achievements at both the local and global fronts. Some of these achievements included obtaining the approval of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, for the Saudi Central Bank Law and winning the Central Banking Award, which was presented by the Central Banking Committee, for the Initiative of the Year 2020 for SAMA's Business Continuity Program. SAMA also contributed to a successful Saudi G20 Presidency as manifested in historic outcomes and initiatives, especially in the Finance and Sherpa Tracks.

Saudi Central Bank Law

The approval of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, was issued on November 24, 2020 (Rabi' II 9, 1442H) for the Saudi Central Bank Law. The new law

stipulates, inter alia, changing the name 'Saudi Arabian Monetary Authority' to 'Saudi Central Bank' with direct reporting to His Majesty the King. As per the law, SAMA maintains its financial and administrative autonomy as to be in line with international practices of central banks. The Saudi Central Bank Law also stipulates that the Saudi Central Bank (SAMA) shall replace the Saudi Arabian Monetary Authority in all of its rights and obligations.

Moreover, the Saudi Central Bank Law sets out the objectives of SAMA as follows:

1. Maintaining monetary stability.
2. Promoting the stability of, and boosting confidence in, the financial sector.
3. Supporting economic growth.

The law also affirms that the onus of developing and managing the monetary policy and choosing its instruments and procedures shall be on SAMA. In addition, the law clarifies the nature of the relationship between SAMA, on the one hand, and the government and related external international agencies, on the other hand. Furthermore, it establishes a governance framework for SAMA's functions and decision-making. According to the law, the Saudi Central Bank shall retain its acronym "SAMA" given its historical importance and its domestic and international stature. Banknotes and coins of all denominations bearing the name of the Saudi Arabian Monetary Authority will also remain in circulation and keep their status as legal tender.

Before issuing the Saudi Central Bank Law, the international best practices regarding central bank regulations as well as relevant recommendations were reviewed. Such practices were analyzed to ensure their alignment with the domestic environment and the Saudi economy. Based on the results, the Charter of the Saudi Arabian Monetary Authority was updated and became the

Saudi Central Bank Law. The new law augments SAMA's role in discharging its mandates, keeps up with the requirements of the current era and rapid economic and financial developments worldwide, and conforms with Saudi Vision 2030 that aims to make Saudi Arabia a successful and leading global exemplar on various fronts.

SAMA's Strategy

SAMA strives to support the Saudi Vision 2030 and its executive programs, such as the Financial Sector Development Program (FSDP), through maintaining monetary and financial stability and supporting balanced and sustainable economic growth. SAMA's strategy sets out four objectives: maintaining monetary stability, safeguarding the stability and resilience of the financial system, broadening and deepening the financial sector and contributing to the economic development of the nation. These strategic fundamentals have constituted the bedrock for achieving SAMA's aspirations. To that end, SAMA is committed to adopting relevant international best practices, maintaining human capital while continuously developing its capabilities, and benefiting from the latest technologies to support the roles vested in SAMA, including:

- To issue, and efficiently manage, the national currency.
- To formulate and execute a monetary policy consistent with the national economic goals.
- To provide and publish appropriate statistical reports and economic research.
- To effectively and efficiently regulate institutions under its supervision.
- To protect consumers of institutions under its supervision and promote financial inclusion.
- To provide effective banking services to the government.
- To provide comprehensive and innovative payment systems.
- To maintain the soundness of external financial assets and maximize long-term investment

income, within the constraints of appropriate risk appetite.

SAMA's Efforts in Response to COVID-19 Pandemic

SAMA introduced on March 14, 2020 a support program aimed at the private sector to be able to promote economic growth. With the aim of mitigating the impact of the COVID-19 pandemic on the society, SAMA also issued a number of instructions and directives concerning institutions under its supervision. SAMA's efforts came as part of its role in activating monetary policy tools and enhancing financial stability, including enabling the financial sector and supporting private sector growth. Such efforts have complemented the efforts made by the government in response to the COVID-19 pandemic to mitigate its financial and economic impacts on the private sector, particularly the micro, small and medium-sized enterprises (MSMEs).

SAMA's Private Sector Financing Support Program

I. Small and Medium-Sized Enterprise (SME) Financing Support

This program aims to mitigate the impacts of precautionary measures against COVID-19 on the SME sector. Specifically, it targets lessening the pressures of cash flow volatility, supporting the working capital of the sector, and enabling it to grow, contribute to economic growth and maintain the level of employment in the sector. The program includes the following:

1. Deferred Payments Program

Through this program, funds were deposited into banks and finance companies against a six-month moratorium on the repayment of dues by the SMEs. Additionally, as part of its role to activate monetary policy instruments and promote financial stability, SAMA has extended the period of the program for the second time to end-Q2

2021. Starting from the launch of the program until March 18, 2021, the number of contracts benefiting from the Deferred Payments Program was 99 thousand, with the value of payments deferred amounting to SAR 124 billion.

2. Guaranteed Financing Program

SAMA, in cooperation with the SME Financing Guarantee Program (Kafalah)⁴, has launched the Guaranteed Financing Program that guarantees 95 percent of the total finance value extended via Kafalah Program's approved mechanisms. The program aims to provide additional support to MSMEs, enhance their creditworthiness, and help overcome challenges facing financing of MSMEs. This support would reduce the impact of the decline in MSMEs' cash flows, help MSMEs to serve their customers, and enable them to pay salaries and entitlements of their employees. In continuation of such support, SAMA has extended the period of the Guaranteed Financing Program for an additional year up to March 14, 2022. More than 5 thousand contracts have benefitted from the program, with a total financing value exceeding SAR 5 billion. Moreover, the number of guarantees issued by Kafalah Program under the Guaranteed Financing Program has surpassed 4 thousand, with financing totaling over SAR 8 billion.

3. Loan Guarantee Program

An amount of SAR 6 billion was credited to financiers (banks and finance companies) to enable them to relieve small and medium-sized businesses from the finance guarantee costs of Kafalah Program. The Loan Guarantee Program aimed to reduce finance costs for entities benefitting from the guarantees up to the end of 2020, in addition to supporting finance expansion. Issued guarantees, whose fees were

borne by SAMA, exceeded 10 thousand with a total financing value of over SAR 21 billion, while the value of supported fees of those guarantees reached SAR 144 million.

II. POS and E-Commerce Service Fee Support Program

Transaction fees of all stores and private sector firms were supported for a period of three months, with a total value of over SAR 800 million. Such fees were borne by way of SAMA paying them to payment service providers participating in the national system. In addition, the program was extended by three additional months, which ended on September 14, 2020. Fee-exempted POS and e-commerce transactions reached 1.1 billion and 97 million, respectively. The value of fees supported by SAMA through the program stood at SAR 1.28 billion⁵.

III. SAMA's Treatment for Enterprises Impacted by Precautionary Measures Taken in Makkah and Madinah

SAMA coordinated with banks and finance companies to facilitate payments relating to the financing of enterprises impacted by the precautionary measures taken in Makkah and Madinah.

IV. Banking Sector Liquidity Boost of SAR 50 Billion

SAMA has injected an amount of SAR 50 billion into the banking sector to enhance banking liquidity and enable banks to continue providing credit facilities for their private sector customers. This support measure aimed to help banks revise or restructure the private sector loans with no additional charges, support plans to maintain employment in the private sector, and provide certain e-banking services for free.

⁴ Formerly known as "Funding for Lending Program".

⁵ Exclusive of VAT.

Supervisory Measures and Prudential Policies in Response to COVID-19 Pandemic

SAMA has adopted many macroprudential instruments aiming to ensure financial stability in Saudi Arabia through managing systemic risk and preventing disruption of vital financial services necessary for economic growth. In addition, the prompt intervention by SAMA and different government bodies has played a pivotal role in supporting both the real economy and the banking sector's liquidity and assets quality. Moreover, the prominent supervisory measures and macroprudential policy instruments implemented during the pandemic are as follows:

- Issuing necessary instructions for banks on accounting and regulatory treatment method for support measures taken during the crisis.
- Implementing an additional transitional treatment of the impact of provisions on banks' capitals.
- Allowing deposits placed by SAMA at banks to be included in the calculation of the requirement of credit-to-deposit ratio.
- Postponing stress-testing requirements, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), implementation of the final updates of Basel III framework (Basel 3.5), and the remaining implementation phases of the initial margin requirements for non-centrally cleared derivatives.
- Postponing the annual supervisory visits and ICAAP reviews.
- Postponing the issuance and implementation of some policies.
- Isolating and disinfecting all banknotes and coins entering Saudi Arabia.
- Raising the cap for e-wallets to SAR 20,000 in order to reduce visits to branches for cash withdrawals.
- Raising the cap on PIN-less payments made via mada atheer at POS terminals to SAR 300 to prevent virus transmission.
- Switching to online services and remote customer service.
- Imposing precautionary health measures on branches operating in the financial sector.
- Directing all banks operating in Saudi Arabia to grant banking fee exemptions for a specified period as follows:
 - Exemption of fees charged on executing transactions via electronic channels for a period of six months, in addition to fees of activating any e-banking services during that period.
 - Fees charged in case of the account balance falling below the minimum requirement, for a period of at least six months.
 - Any fees imposed on refinancing or termination of outstanding agreements (whether financing or deposit-related), for a period of at least six months.
- Issuing a directive to reevaluate interest rates and other fees charged on credit cards as customers, due to uncontrollable circumstances, have been forced to use them during the pandemic more often than before.
- Directing all banks and finance companies to charge back any foreign exchange fees charged by the bank to customers wishing to cancel, or have already cancelled, travel bookings made using credit cards, cards linked to their current accounts or prepaid cards.
- Directing all banks operating in Saudi Arabia to put in place and implement plans for their private sector customers to help maintain the level of employment in firms impacted by the COVID-19 pandemic. These plans should take into account the financing needs of the impacted firms, such as concessional interim loans for a period of at least six months, thus enabling the firms to continue paying salaries and entitlements of their respective employees.
- Directing finance companies to support and

extend financing to the private sector by reaching out to customers from all sectors impacted by the pandemic, and taking effective and proactive prudential measures that serve the interests of customers, finance companies and the economy alike whether through revising or restructuring current loans without any additional costs or fees. Such support aims to mitigate the impacts on customers and enable them to continue practicing their business activities.

- Directing all banks and finance companies operating in Saudi Arabia to provide support for all customers who have lost their jobs due to the pandemic whether directly or indirectly, with such support including deferral of payable installments for financing products free of any additional charges or fees for a period of six months.
- Directing all banks to grant a moratorium on repayment of installments for all financing products for three months without any additional costs or fees for Saudi employees supported through the unemployment insurance scheme "SANID". SAMA has also directed to extend the moratorium for financing repayments payable by beneficiaries as pursuant to the issuance of the approval for extending the support for Saudi employees through "SANID" scheme.
- Suspending the freezing of retail bank accounts in a number of cases, including expiry of individual consumers' IDs, KYC requirements not being satisfied, and the status of accounts turning into 'dormant'; and suspending, until further notice, the freezing of corporate bank accounts and the freezing of authorization granted to the authorized signatories due to ID expiry-related reasons, such as expiry of the authorized signatory's ID or expiry of the commercial register that could not be renewed due to the expiry of the related ID.
- Directing banks to streamline the renewal

procedures for ATM cards "mada" and credit cards by using all possible means.

- Electronically extending all active retail motor insurance policies for a period of two months and adding two additional months to the retail motor insurance policies that were purchased during the period from 08/05/2020 to 06/06/2020, without charging the insureds any additional costs and without the need for customers to communicate with insurers.
- Implementing all precautionary measures related to the health and safety of employees in the financial sector, such as remote working, social distancing, and sanitization of buildings, work premises and branches.
- Intensifying awareness campaigns targeting consumers to promote the use of electronic channels to complete their banking transactions without the need to visit banks and remittance centers, in order to avoid crowding.

Monetary Policy

SAMA plays a fundamental role in the domestic economy through its monetary policy that aims to maintain monetary stability, ensure abundant liquidity to meet economic needs, and support the stability of exchange rate. SAMA has maintained the exchange rate of the Saudi riyal against the U.S. dollar fixed at SAR 3.75 per one U.S. dollar since 1986. To achieve the goals of its monetary policy, SAMA uses a package of monetary policy tools, including the repo and reverse repo rates, SAMA bills, reserve ratios for commercial banks, direct deposits, open market operations and other monetary tools available to SAMA to manage liquidity levels. These tools have helped maintain the stability of the Saudi riyal exchange rate, thus supporting economic growth through imports and exports.

Financial Stability

SAMA has an effective role in the banking and

financial system. It closely supervises all banking, finance and insurance institutions in order to achieve a number of strategic objectives, such as maintaining the soundness and resilience of the banking and financial systems, in addition to identifying, assessing, measuring and addressing all related risks. To that end, SAMA monitors capital and levels of liquidity and profitability of the financial sector. It also observes stress testing of the banking sector and its indicators of financial soundness to ensure resilience of the financial economy and its ability to withstand shocks.

1. Achievements and Aspirations

1.1 National Currency Management

SAMA's functions include issuing the national currency (banknotes and coins), maintaining issuances and their value, holding Saudi Arabia's currency assets, and meeting the demand for currency through SAMA's branches in all regions of Saudi Arabia. The currency is printed and minted in accordance with the latest technical specifications available in the industry, and it incorporates the latest and strongest security features that make it simple for people handling cash to judge the authenticity of a banknote. In addition, SAMA seeks to raise awareness of the national currency along with its security features. It also pursues all cases of currency counterfeiting and continuously coordinates with security authorities in order to combat all counterfeiting attempts, a fact that has contributed to the decline of counterfeiting rates of the Saudi currency as compared to other countries. SAMA's efforts in combating currency counterfeiting include the following:

- Continuing to spread awareness about the national currency, its security features and technical specifications through guides, information published on SAMA's website and social media accounts, educational films, and specialized training courses and workshops on banknotes.
- Distributing counterfeit banknote detection

pens and UV lights to elderly vendors and shop owners in bazaars and seasonal event venues.

- Introducing an on-the-job training initiative for the staff of cash centers of commercial banks seeking training to obtain necessary expertise in the area of detecting counterfeit currency and knowledge on Saudi banknotes, their technical specifications and security features.
- Holding meetings of the Standing Committee, which is located at SAMA, to study sources of counterfeit currency and determine preventive measures.
- Organizing awareness media campaigns about the new issuance of Saudi currency denominations of the 5 riyal banknote made of polymer and the 20 riyal banknote marking the G20 Saudi presidency during the era of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud.
- Participating in shopping centers' events to provide information about Saudi banknotes and coins.
- Continuing the development of the mobile application that interactively provides information about Saudi banknotes and their security features.

1.2 Foreign Reserve Management

By managing foreign exchange reserves, SAMA aims to achieve a balance between maximizing investment returns and meeting liquidity requirements. Foreign exchange reserves are managed by a qualified and specialized national cadre with the highest level of education and professional qualification. Such management is conducted according to international standards and regulations on foreign asset management and based on a periodically reviewed comprehensive investment policy. SAMA carries out its investments through strong diversified investment portfolios that are dynamically managed in order to optimize the distribution of assets and benefit

from investment opportunities. Seeking to adopt international best practices, SAMA applies the Global Investment Performance Standards (GIPS), which were formulated by the CFA Institute. Additionally, SAMA takes moral responsibility in its investment practices by banning investment in certain activities, such as gambling and trading in alcohol, tobacco, pork, and weapons.

1.3 Supervision and Control of Banking Sector

SAMA supervises and regulates banks in order to ensure their sound operations, financial solvency and efficient performance in the national economy. It, therefore, implements laws; issues regulations, instructions and rules; makes supervisory visits; and executes necessary inspection programs. The following are the most prominent developments in 2020:

- Issuing, revising or updating, as necessary, SAMA's instructions in line with the advances witnessed in Saudi Arabia, other applicable laws and international best banking practices. In particular, SAMA updated the Rules for Bank Accounts and Rules on Disclosure of Interest Rates on Financing and Savings Products. Moreover, SAMA developed the Standard Agreement for Retail Current Account Opening and the Standard Agreement for Corporate Current Account Opening, issued the Guidelines on Digital Certification of Banking Products for Bank Customers to be applied in personal financing and credit cards issuance, and updated a number of instructions in a manner that would serve the sector and stakeholders.
- Issuing new instructions to regulate the banking sector in Saudi Arabia, such as the Additional Licensing Guidelines and Criteria for Digital-Only Banks in Saudi Arabia, Rules on Management of Problem Loans, Guidelines on Management of Problem Loans, and Compliance Principles for Banks Operating in Saudi Arabia to replace the Compliance Manual for Banks Working in Saudi Arabia (issued in 2008).
- Approving the implementation of the standards of the Islamic Financial Services Board (IFSB) in order to develop Islamic finance in line with the international recommendations and best practices. Such a step reflects SAMA's keenness to enact supervisory legislation and laws to regulate Islamic financial institutions in the banking sector. Among the adopted standards is the Shariah governance standard. In this regard, SAMA issued the Shariah Governance Framework for Local Banks Operating in Saudi Arabia, which sets out 18 articles.
- Updating the Licensing Requirements for Establishing a National Bank and the Licensing Requirements for Opening a Foreign Bank Branch in Saudi Arabia, and publishing the Bank Licensing Guidelines and Minimum Criteria on SAMA's official website.
- Making periodic supervisory visits to all domestic banks and foreign banks' branches operating in Saudi Arabia, to update and assess banks' risk profiles. Against the backdrop of the circumstances brought about by the COVID-19 pandemic, the General Department of Banking Control made virtual supervisory visits in 2020 to all domestic banks and foreign banks' branches operating in Saudi Arabia, and developed their respective risk profiles.
- Continuing to plan and perform different on-site banking inspections. A number of thematic, targeted and specialized inspection programs were implemented using a risk-based approach and the internally produced recommendations on bank risk profiles. The programs aimed to ensure banks' compliance with relevant laws and instructions and assess the soundness of their internal controls against the international best practices. Such inspection programs covered variable aspects, most prominently banks' prudential measures

during COVID-19 pandemic, credit and operational risks, and customer service and control functions at banks, such as compliance departments, internal audit departments and risk management departments. SAMA also follows up banks' compliance with corrective action plans relating to the results of these programs through on-site visits of the inspection teams.

1.3.1 Macro-Prudential Supervisory Measures in Saudi Arabia

SAMA adopts many macroprudential instruments aimed at ensuring financial stability in Saudi Arabia by managing systemic risks and preventing disruption of vital financial services necessary for economic growth. Additionally, Saudi banks had enjoyed high levels of liquidity and capital before the onset of the COVID-19 pandemic in early 2020, which have contributed to mitigating the impact of the pandemic on the banking system and its ability to continue playing its supporting role in the economy. Moreover, the prompt intervention by SAMA and different government bodies has played a pivotal role in supporting both the real economy and the banking sector's liquidity and assets quality.

As regards prudential policy instruments, given that the countercyclical capital buffer was predetermined at zero, there was no room to ease this requirement in 2020. Other capital requirements also remained unchanged during the pandemic. Macroprudential policy instruments include:

- Reducing the risk-weighted asset ratio for non-corporate SMEs to 85 percent instead of 100 percent, while continuing to implement the risk-weighted asset ratio for retail SMEs at 75 percent.
- Regulatory capital requirements in line with Basel III requirements: Common Equity Tier 1 (CET1) must be at least 4.5 percent of the risk-weighted assets. Tier 1 capital must be at least 6 percent of the risk-weighted assets. Total regulatory capital (Tier 1 capital and Tier 2 capital) must be at least 8 percent of the risk-weighted assets.
- Capital conservation buffer of 2.5 percent of risk-weighted assets. This requirement must be met with CET1 capital.
- Capital surcharges for systemically important banks (which were six in 2020). Such banks along with their respective surcharges must be identified in the relevant annual assessment process.
- Maintaining the risk-weighted asset ratio of residential real estate finance unchanged at 50 percent.
- Deposit liabilities of a bank must not exceed 15 times its reserves and invested capital.
- The minimum ratio of Tier 1 capital to total exposures must be 3 percent.
- A reserve requirement of 7 percent for demand deposits and 4 percent for time deposits, to be calculated by banks according to daily average deposit balances at the end of the month.
- A minimum liquidity reserve of 20 percent of banks' deposit liabilities. SAMA, in a statement released in January 2019, stipulated that the statutory reserves must be included under the definition of liquid assets when the ratio is calculated.
- The net stable funding ratio (NSFR) must be maintained by banks, at all times, at no less than 100 percent.
- The liquidity coverage ratio must be maintained by banks, at all times, at no less than 100 percent of projected net cash outflows over a 30-day stress period.
- Weighted loan-to-deposit (LTD) ratio must not exceed 90 percent.
- A bank's total exposure to any single non-bank counterparty or group of connected counterparties (except for individuals, sole

proprietorships, and commercial enterprises mostly owned by the government or a government-related entity) must not exceed 15 percent of Tier 1 capital at all times. Total exposure to individuals, sole proprietorships or partnerships must not exceed 5 percent of Tier 1 capital. Bank's total exposure to any other bank must not exceed 25 percent of Tier 1 capital of the lending bank. This ratio drops to 15 percent if the borrowing bank and/or the lending bank are/is systemically important, whether domestically (D-SIB) or globally (G-SIB). In addition, the total exposure of a bank to any commercial enterprise mostly owned by the government or a government-related entity must not exceed 25 percent of Tier 1 capital at all times.

- The total large exposure of a bank (i.e. to any single counterparty or group of connected counterparties, which accounts for 10 percent or more of Tier 1 capital) must not exceed six times the bank's Tier1 capital.
- The total exposure of a bank to any non-bank related counterparty that is not a company listed on the Saudi Exchange must not exceed 5 percent of the bank's Tier 1 capital. However, if such non-bank counterparty is listed on the Saudi Exchange, the total exposure must not exceed 10 percent of Tier 1 capital. The total exposure of a bank to its non-bank subsidiary in the financial sector may reach 25 percent of Tier 1 capital. Furthermore, the cumulative limit on all exposures of a bank to non-bank related counterparties must not exceed 50 percent of Tier 1 capital.
- Requiring banks to continue implementing the variation margin requirements and to comply with margin requirements for non-centrally cleared derivatives based on the approved implementation phases.
- Requirements of regulatory treatment of banks' exposures to central counterparties (CCPs), covering capital, large exposures and

leverage ratio, in addition to Pillar 2 framework of Basel standards.

1.4 Supervision and Control of Insurance Sector

As part of its supervisory and regulatory role, SAMA strives to enhance the growth and stability of the insurance sector and safeguard it against potential risks, thereby contributing to the achievement of the objectives of Saudi Vision 2030. SAMA also develops the insurance sector, bolstering its capabilities to face potential risks and keep up with the economic growth of the nation. For that reason, SAMA encourages insurers to increase their capitals through mergers and acquisitions. Mergers contribute to enhancing the competitiveness of the insurance sector through the establishment of large competitive insurance entities. They would also buttress the financial position of the insurance sector and safeguard the rights of the insureds. In addition, mergers result in improving the quality of services provided for customers, reducing costs, enhancing efficiency, diversifying products offered, and attracting and retaining competent human resources, in addition to other beneficial effects of mergers that would be reflected positively in the economy, the financial sector, customers, and beneficiaries of insurance coverages.

SAMA publishes the laws, regulations and instructions related to the sector on its website. It also publishes information related to the insurance market and licensed companies operating in this sector and information about supervisory and inspection visits made by SAMA to assess the performance of insurance and reinsurance companies. The following are the key developments of the sector in 2020:

- Successful completion of two mergers among insurers, in addition to signing memoranda of understanding for the consideration of mergers.

- Issuance and update of regulations pertinent to the insurance sector in a way that would ensure its soundness and growth and the provision of best services for policyholders and beneficiaries of insurance coverages while safeguarding their rights. This includes the issuance of a number of standard forms of compulsory insurance policies. In order to boost growth of the insurance sector and curb adverse practices, several rules, guidelines and instructions were also issued, including the Rules Governing Insurance Aggregation Activities, Rules Governing Bancassurance Activities, Rules for Comprehensive Insurance of Motor Vehicles Financially Leased to Individuals, Actuarial Work Rules for Insurance, and Rules of Insurance Products Approval. In addition, with the aim of supporting the stability and growth of the sector while ensuring the soundness of its practices, a number of detailed circulars were communicated.
- Issuance of the Standard Policy of Inherent Defects Insurance as part of SAMA's efforts and the efforts of Ministry of Municipal, Rural Affairs and Housing to safeguard the rights of the insured against any defects in construction works that weaken the strength, sturdiness and stability of buildings. Such defects might result from design flaws, building materials of low quality, or inadequate testing of soil or construction.
- Cooperation between SAMA and several international organizations competent in the areas of supervision, controls and implementation of international standards and practices. This cooperation was established through SAMA's membership in the International Association of Insurance Supervisors (IAIS), participation in its general meetings and attendance of the meetings, conferences and webinars of the executive committee and main committees. SAMA also participated in a number of working groups at the Islamic Financial Services Board (IFSB), chiefly those tasked with developing standards related to Takāful (Islamic insurance) and Retakāful (Islamic reinsurance), solvency margin of Takāful and Retakāful companies, core principles for Islamic finance regulation, and prudential Islamic financial indicators.
- Launch of the second version of the Advanced Diploma in Insurance (ACII), which aims to enable participants to acquire technical skills in different insurance areas, and update of the Insurance Foundation Certificate Exam (IFCE). These steps came in continuation of SAMA's efforts to regulate the insurance sector and urge companies and their employees to adhere to professionalism and practice insurance business based on a well-established scientific and methodological basis pursuant to rules, regulations and instructions issued by SAMA.

1.5 Supervision and Control of Finance Sector

- SAMA seeks to develop the regulatory and supervisory frameworks of the finance sector to achieve the main objectives of finance laws and their implementing regulations (Finance Companies Control Law and its Implementing Regulations, Real Estate Finance Law and its Implementing Regulations, and Finance Lease Law and its Implementing Regulations). Through these laws and regulations, SAMA seeks to enhance financial stability in the finance sector and promote sustainable economic growth. To achieve these goals, SAMA has set necessary guidelines for engaging in finance activities, sought to ensure fair transactions for all stakeholders and encouraged fair competition among financiers while taking into account the principles of transparency and disclosure. SAMA is also responsible for issuing licenses for finance activities in accordance with finance laws

and regulations. The following are the key developments during 2020:

- SAMA made 42 supervisory visits and 141 on-site visits to finance companies. The visits were aimed at studying the technical and regulatory aspects of these companies, assessing their business plans and governance, and evaluating their compliance with finance laws and implementing regulations. SAMA also made one licensing visit during 2020.
- In the context of developing the non-banking finance ecosystem in Saudi Arabia, the Risk-Based Supervision Project for Finance Companies was completed. The project aims to direct resources toward high-risk activities.
- SAMA issued some regulatory policies for finance companies, such as the rules for classification of credit risk exposures, provisions of finance companies, Rules for Engaging in Debt-Based Crowdfunding, and Rules for Licensing of Finance Support Activities. In addition, 28 circulars covering several subjects relevant to the business of finance companies were issued.

1.6 Supervision and Control of Payment Systems and Companies

The payments sector is witnessing changes in terms of the rapid growth in the quality of services provided, the introduction of new types of payment service providers and the rapid adoption of new digital technologies around the world. Accordingly, regulators seek to adapt to such changes through developing regulatory and legislative frameworks that would organize the market and enable participants to provide services within a competitive and fair environment. Through the Financial Sector Development Program (FSDP), Vision 2030 has set Saudi Arabia's path toward promoting local economy by developing and operating digital technologies in all aspects of the economy.

To achieve growth in the payments sector in a manner consistent with its soundness and efficiency, SAMA has developed supervisory and regulatory frameworks for payment and financial settlement systems and services. SAMA has also worked on developing, managing and overseeing a modern payment infrastructure in line with international best practices and technologies available in the banking industry. These efforts reflect the key and vital role of payment and settlement systems in the financial and banking sectors, manifested in payments, clearing and settlements through electronic channels. SAMA has taken into account the Principles for Financial Market Infrastructures (PFMIs) issued jointly by the Committee on Payment and Market Infrastructures (CPMI), at the Bank for International Settlements (BIS), and the International Organization of Securities Commissions (IOSCO). The PFMIs stress the responsibility of central banks to supervise and develop payment and settlement systems as one of their key functions. The following are the most prominent efforts SAMA made for the sector in 2020:

- Keeping abreast of the most important developments in the area of supervising the infrastructure of payment and financial settlement systems. In this respect, SAMA adopted, supervised and implemented the relevant principles and recommendations. In addition, SAMA established the Governance and Oversight Board and the Payment Systems and Companies Control Department to assume supervision and control of payment systems and companies subject to SAMA's supervision and governance. SAMA also issued the Payment Systems Oversight Policy and its Supervisory Framework to lay down the general framework for supervising payment systems and the powers exercised by the Central Bank.
- Beginning to issue licenses for non-banking financial actors (FinTech companies) as SAMA

announced the licensing of the first e-wallet company and the first payment services company in Saudi Arabia.

- Monitoring the performance of payment companies, supporting their commitment to regulations and instructions, and enhancing the role of governance and internal control by providing licensed companies with SAMA's key feedback. Therefore, companies were required to address any concerns raised and develop their systems to achieve a safe and effective payment environment.
- Supporting licensed companies to obtain a Legal Entity Identifier (LEI).
- Completing the licensing procedures for 11 companies to provide payment services in the sector, including four e-wallet companies and seven payment services companies to provide different services, such as POS services, bill payments via the collection account, and online payment services for merchants.
- Holding more than 40 workshops for companies that have expressed their desire to obtain the license required to engage in the payments activity. The purpose of the workshops was to clarify the requirements of the regulations and provide instructions on how to fill out the forms in accordance with the requirements and guidelines contained in the regulations.
- Holding more than 15 workshops for payment companies, after being licensed, to present periodic supervisory and prudential data and provide instructions on how to complete them properly in accordance with the requirements of the Payment Services Provider Regulations. The workshops were attended by a number of seniors who hold leadership positions in the companies, such as the CEOs, compliance managers, and finance and risk managers. Such workshops have supported companies' compliance and assisted them in providing SAMA with all documents required.

1.7 Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF)

SAMA continued to conduct periodic inspections of financial institutions under its supervision to ensure their adherence to instructions and regulations, detect any irregularities, and follow up with the necessary corrective actions in areas such as AML/CTF. SAMA's achievements in such areas include:

- Organizing the 12th Compliance and Anti-Money Laundering Forum, with the aim of enhancing the level of awareness and commitment in the field of AML during the COVID-19 pandemic. In addition to relevant topics, the forum explored major opportunities and risks associated with digital transactions and the international best practices and experiences applied to address the impact of the pandemic. The forum also aimed at boosting AML compliance and risk management in relevant entities and financial institutions to counter the growing challenges and threats and reduce potential risks.
- Continuing to organize workshops and training programs for relevant entities to enhance and develop the capabilities of staff working in the fields of AML/CTF and to provide them with technical and professional skills necessary to perform their duties as required and in accordance with the relevant standards, requirements and international best practices and experiences.
- Working on issuing the annual application report for the year 2020, which reflects the most prominent indicators, methods, patterns and trends of money laundering crimes. The report aims to understand the methods and techniques of money laundering in Saudi Arabia according to practical cases submitted by the relevant entities.
- Continuing to hold periodic and extraordinary meetings of the Anti-Money Laundering

Permanent Committee (AMLPC) virtually to discuss AML topics and issues. These virtual meetings came to stress that the spillover effects of the COVID-19 pandemic do not spread to the work ecosystem. SAMA also represented Saudi Arabia effectively in all the virtual international and regional meetings held in relation to the Financial Action Task Force (FATF), the Middle East and North Africa Financial Action Task Force (MENAFATF), and their respective task forces.

- Following up the implementation of the strategic objectives and the national action plan for anti-money laundering in coordination with the concerned entities and the other relevant national committees, in addition to providing support and technical assistance to the concerned entities.
- Preparing Saudi Arabia's second follow-up report that includes Saudi efforts and measures in the field of combating money laundering, terrorist financing and proliferation of weapons since the adoption of the Mutual Evaluation Report (MER) in mid-2018. The report also discusses the progress made by Saudi Arabia in terms of its compliance with relevant international standards and requirements. Saudi Arabia became Largely Compliant in 38, instead of 36, of the FATF's 40 Recommendations. This rating has placed Saudi Arabia among the foremost countries in complying with international standards in such field.
- Starting the process of updating the National Risk Assessment on Money Laundering (NRA). The first steps taken in the updating process included preparing a work plan and timetable and forming a technical team from the relevant entities to perform risk assessment.
- Participating in the meetings of the Joint Group for Africa and the Middle East of the FATF's International Co-operation Review Group (ICRG). The Joint Group continuously

holds meetings to review the progress of the countries of Africa and the Middle East included in the lists of countries with strategic AML/CFT deficiencies according to the assessment of the FATF.

- Working on a project for virtual assets based on six initiatives to regulate the activities of virtual assets and virtual asset service providers in Saudi Arabia. Such initiatives include communication and awareness, legal review, risk assessment for money laundering, prohibition of illegal transactions, provision of training, and issuance of relevant guidelines. The project aims to enhance Saudi Arabia's compliance with international standards and requirements related to virtual assets and virtual asset service providers.

1.8 Control of Cyber Risks

Given the importance of cybersecurity in achieving financial stability and maintaining consumer confidence in the financial sector, SAMA undertook a number of strategic steps to contain and mitigate cyber risks. It issued a comprehensive cybersecurity strategy for the financial sector based on international best practices and experiences. The strategy encompasses a number of strategic objectives and several projects that aim at strengthening the supervisory role of SAMA, developing its supervisory tools and enhancing cybersecurity practices in the sector. SAMA also introduced a number of regulatory guidelines, for example, the Cyber Security Framework, Business Continuity Management Framework, and Financial Entities Ethical Red Teaming Framework (FEER). In addition, SAMA established a cybersecurity center to have a clear forward-looking vision and detailed information on the cyberspace of the financial sector. The center is responsible for analyzing information about threats, known as threat intelligence. In particular, it monitors and analyzes global and regional cyber threats targeting the financial sector in Saudi Arabia and proactively

shares relevant information with the sector to take the necessary precautionary measures. The center also assesses the security resilience of the relevant entities by conducting red teaming, applying different scenarios to improve cyber readiness in the financial sector.

1.9 Economic Research and Statistics

SAMA seeks to make its Research and International Affairs Deputyship an active and completely reliable intellectual source referred to by others, whether from SAMA or outside. To that end, SAMA encourages the Deputyship to prepare studies and reports of high value and quality in financial and economic fields. It also aspires to make the Deputyship a source of the latest and most accurate monetary, banking and financial data to keep pace with national and international economic developments. The key achievements of the Deputyship include the following:

- Preparing SAMA's Annual Report, which is a key reference for researchers and those interested in the national economy.
- Preparing weekly, monthly, quarterly and annual reports and statistics and publishing them on SAMA's website. Such reports and statistics include the Monthly Statistical Bulletins, Inflation Report, Monetary and Banking Developments Report and the Financial Stability Report.
- Striving to meet the requirements of the G20 Data Gaps Initiative.
- Preparing working papers in various economic, financial and development fields and publishing them on SAMA's website.
- Holding quarterly workshops that aim to enrich knowledge and share ideas with academics, bankers and interested parties. Such workshops cover various economic and financial topics and developments. During the pandemic, the workshops have continued to be held virtually.
- Making monthly presentations on different economic topics to SAMA's senior management and those concerned with financial and economic affairs to support sharing ideas between the employees of SAMA and other government entities.
- Organizing, in cooperation with the Capital Market Authority (CMA), the 5th Financial Stability Forum entitled "The Impact of COVID-19 on Financial Stability". The forum was held virtually and covered a wide range of topics and issues, such as the current challenges facing financial stability and the policies and measures taken to respond to the pandemic and mitigate its financial and economic impacts on financial institutions and the private sector. The forum also focused on the new opportunities for FinTech companies and medium and small enterprises, the deepening of the financial market and the derivatives market, and the levels of liquidity and credit in the banking sector, in addition to other topics.
- Holding a number of internal Ethraa sessions and workshops to introduce key developments in Islamic finance at the local and global levels and to review international best practices in control and governance of Islamic financial institutions.
- Granting scholarships to a number of distinguished Saudi employees through the "Saudi Economists Program" to obtain master's and Ph.D. degrees in economics from prestigious universities. After finishing their studies, employees return to SAMA to work in the field of economic studies and research.
- Launching the "Joint Research Program" initiative, which supports research collaboration between SAMA's researchers, on the one hand, and other external academics, subject matter experts and specialists, on the other hand. The initiative stems from SAMA's interest in developing the economic and financial research ecosystem, and it confirms

the importance of research in achieving Saudi Vision 2030.

- Launching the “Policy Note Initiative” internally to enable and motivate SAMA’s staff to participate in the research ecosystem, and to enhance the role of researchers in discussing and proposing some economic policies.
- Providing relevant entities with specialized research papers on monetary, banking and financial topics and on SAMA’s projections for the Saudi economy.

2. Risk and Compliance

SAMA has been keen to instill the concept of compliance and risk management in order to raise awareness on a scientific and technical basis. It has developed a set of methods and mechanisms to address risks and promote risk management culture. It has also strengthened the principle of compliance with regulations and instructions to protect SAMA’s resources. In addition, SAMA has paid significant attention to providing the necessary support that would ensure the continuity of its critical functions, hence fulfilling its well-established objectives and strategies. SAMA is keen to provide a safe and healthy work environment for all its employees in accordance with the preventive measures issued by the Ministry of Health to limit the spread of COVID-19. Thus, when the outbreak first started, SAMA announced the adoption of the detailed procedures to activate the Business Continuity Plan to deal with the crisis. Such action positively affected SAMA’s performance during the pandemic. In this respect, the Central Banking Committee has awarded SAMA the Initiative Award of the Year 2020 for its Business Continuity Program, which SAMA adopted to respond to the pandemic.

3. Saudi Vision 2030

SAMA has continued to fulfill its roles in line

with development requirements and economic needs, as its work is oriented toward maintaining monetary and financial stability and supporting sustainable economic growth. It constantly coordinates with the authorities concerned with achieving Saudi Vision 2030 and its related programs to explore areas of cooperation and overcome the obstacles associated with SAMA’s functions and responsibilities, in a manner consistent with the requirements of monetary and financial stability. Saudi Vision 2030 encompasses multiple economic and development goals on which many initiatives and projects are based. One of the main goals is to advance the Saudi economy to be among the top 15 economies of the world in terms of GDP by 2030. This goal will be achieved through increasing the private sector’s contribution to GDP from 40 percent to 65 percent, raising the share of non-oil exports in total non-oil GDP from 16 percent to 50 percent and increasing SMEs’ contribution to total GDP from 20 percent to 35 percent by 2030. Another goal of the Vision is to promote social engagement in achieving the national objectives and aspirations, such as increasing household savings from 6 percent to 10 percent of total household income by 2030. SAMA also strives to support the Saudi Vision 2030 through its participation in the FSDP and the Housing Program.

3.1. Financial Sector Development Program (FSDP)

SAMA and the main partners in the FSDP Committee (the Ministry of Finance and the Capital Market Authority) are working on diversifying funding sources, raising the level of financial inclusion and enabling optimal financial planning for all segments of society. The FSDP aims to create a vibrant financial sector that contributes to supporting the development of the national economy, diversifying its sources of income, and stimulating savings, financing and investment. Furthermore, the FSDP aims to fulfil the financing

needs of a wider range of economic actors.

SAMA's key achievements under the FSDP center around developing the financial sector and raising its contribution to the development of the national economy, payment systems and modern payment methods. The achievements also include enhancing financial inclusion, developing and regulating the real estate finance sector, supporting SMEs, developing the FinTech sector, continuing to develop and regulate the insurance sector and boosting confidence in the financial system. The following is a summary of SAMA's key achievements in the FSDP during 2020:

- Completing 12 out of 16 initiatives owned by SAMA. It is worth noting that the number of initiatives of the FSDP is 41, of which 39 percent is SAMA-owned.
- Issuing nine guidelines and rules that support FinTech and digital transformation in the financial sector, such as the Online Opening of Bank Accounts and Electronic Wallets for individuals, individual institutions and resident companies, the Additional Licensing Guidelines and Criteria for Digital-Only Banks in Saudi Arabia, and the Technical Requirements for Digital Finance Intermediation Activities. The guidelines and rules issued also included Rules Regulating Consumer Microfinance Companies, Rules of Licensing Finance Support Activities, Rules for Engaging in Debt-Based Crowdfunding, Rules Governing Insurance Aggregation Activities and Rules Governing Bancassurance Activities. In addition, SAMA updated the Payment Services Provider Regulations, which cover licensing e-wallets. Moreover, it is working on issuing rules for payment system and its services in Saudi Arabia.
- Conducting two successful experiments for online opening of bank accounts and e-wallets for sole proprietorships and for resident companies within the framework of the Regulatory Sandbox that tests innovative financial products and services in Saudi Arabia. The experiments were conducted with the participation of a number of banks and FinTech companies operating in the local market.
- Instructing banks and payment service providers operating in Saudi Arabia to provide electronic payment methods for personal service activities and the retail sector. This direction comes in line with SAMA's strategy for payment systems and the FSDP, with the aim of promoting electronic payment, reducing cash transactions and activating the use of electronic channels.
- Completing the study and development of the operational rules, the design of the payment acceptance service, and provision of the payment acceptance technology in all public transport projects in Saudi Arabia under the pivotal deliverables of the "Drive Toward a Cashless Society" initiative.
- Issuing the Rules for Comprehensive Insurance of Motor Vehicles Financially Leased to Individuals, which aim at regulating the contractual relationship between the finance companies and their retail clients with regard to insurance of leased vehicles. The issuance of the rules stresses SAMA's continuing support toward developing the practices applied in the insurance sector, protect the rights of insurance policyholders and ensure fair services.
- Starting to grant licenses to practice consumer microfinance activity as the first license for a company practicing such activity in Saudi Arabia was issued.
- Launching the trial run of the Instant Payment System, which mainly aims at implementing instant money transfers among banks in Saudi Arabia during off-business hours and 24/7. In addition, the system offers other benefits and services, such as the possibility to add payment info details and using alternative

identifiers to transfer money.

- Announcing the results of Project Aber, which is a joint project between SAMA and the Central Bank of the UAE. The project was launched as an innovative initiative. It is deemed one of the first experiments of its kind in the world at the level of central banks. The final results of the project were consistent with those of similar experiments of a number of central banks in proving that the distributed records technology will contribute to providing central banks with the necessary capabilities to develop payment systems at the local and cross-border levels. The final report of the project's outcomes was published on the official website of SAMA and the Central Bank of the UAE.

3.2. Housing Program

SAMA participates as a member in the Housing Program, which is one of the Saudi Vision 2030's programs. It contributes to the achievement of the program's objectives by developing the legislative and regulatory environment in its capacity as the regulator and observer of the real estate finance sector. During the year 2020, SAMA updated the standard real estate financing contracts of Ijarah and Murabaha, which aim to increase the level of disclosure and transparency, achieve consistency between real estate financiers and protect the interests of customers. SAMA also licensed the Saudi Finance Services Company as the first company licensed to practice finance supporting activities. The company aims to provide contract management services to banks, real estate finance companies and the Saudi Real Estate Refinance Company, thus reducing contract management costs. In addition, SAMA issued instructions for self-build mortgage products, with the aim of protecting customers' rights and organizing the process of granting finance by real estate financiers in accordance with the stages of building. SAMA also agreed to extend the additional working

hours to Saturday to serve subsidized real estate finance customers until the end of 2021.

During 2020, the number of new residential real estate finance contracts submitted by banks and finance companies reached 295.6 thousand contracts, compared to 179.2 thousand contracts during 2019. The total mortgage loans amounted to SAR 140.7 billion in 2020 compared to SAR 79.6 billion in 2019, recording an increase of 76.8 percent.

4. Human Resources

4.1. Training and Development

SAMA has spared no effort in developing its human cadres through a scholarship program to study abroad, giving its employees the opportunity to earn master's and Ph.D. degrees from a number of accredited international institutes and universities. SAMA also offers internal and external training, in addition to relevant education and training programs provided by the Financial Academy. Moreover, university students specializing in majors relevant to SAMA's functions can join the Cooperative Training Program to prepare for their future careers, or can work at SAMA by assuming tasks relevant to their areas of study during their summer vacation to gain work experience and receive training.

SAMA continuously develops its human cadres through a number of programs and procedures, the most prominent of which are:

- The Investment Immersion Program (IIP), which aims at recruiting investment talent for SAMA. The IIP includes on-job training in international investment banks and companies to develop professional capabilities and personal skills. It also includes job rotation in SAMA to practice investment functions under the supervision of experts in specialized investment fields. In addition, trainees should attend an advanced technical course

at the Wharton School of the University of Pennsylvania, a pioneer in the field of business administration in Philadelphia, USA. Finally, they specialize in one of the investment fields and contribute to investment functions at SAMA. The number of employees who joined the IIP in 2020 was 16.

- The Professional Learning Partnership (PLP) for recent graduates, which aims to train the distinguished recent graduates at the General Department of Banking Control at SAMA's Supervision Deputyship. After completing the training, the trainees are employed by SAMA or the banking sector. The training comprises two parts: a practical section where trainees work and interact with SAMA employees, and a theoretical section where trainees join a number of training courses to obtain professional certificates in the field. The number of trainees who joined the PLP in 2020 was eight.
- Five diverse training programs were provided to SAMA's staff through the Financial Academy in 2020. The number of employees who joined these programs was 26.
- The Professional Certification Program, which aims to boost the employees' professional side and assist them in learning the best practices in their fields. The total number of employees who obtained professional certificates was 46.
- The number of employees on scholarships abroad was 48 in 2020, and the number of employees studying part-time or through distance learning was 51. In addition, 31 students enrolled in the Cooperative Training Program.
- To support and empower SAMA's employees during the pandemic period, various training and development solutions have been provided, namely online training platforms and interactive training programs at a number of regional and international agencies. Employees were motivated to continue their

training and learning and were provided with available solutions to ensure their continued contribution to achieving SAMA's objectives under the current circumstances.

- In its keenness to support, motivate and empower women in supervisory positions, SAMA increased the percentage of female employees to 13 percent in 2020 compared to 11 percent in 2019.
- SAMA launched the third edition of the Cybersecurity Program (SECURE19), in cooperation with Chiron Technology Services. SECURE19 aims to train and qualify a national cadre of the financial sector and SAMA's staff in the field of cybersecurity to work in the financial sector and all other sectors.
- SAMA developed a plan in 2020 for the hiring and attraction of qualified legal individuals. It nominated a number of employees for direct scholarship and for attending specialized workshops organized by central banks, the IMF, and World Bank, in addition to other training programs as per the specialized training needs of SAMA's employees. SAMA's steps in this regard were based on the Council of Ministers' Resolution No. 713, dated 30/11/1438H, stipulating that legal departments at government bodies shall be developed and supported with qualified individuals specialized in the legal domain, including Islamic law, and that such government bodies shall have plans in place for appropriate development of their departments and staff in a way that meets the objectives of their prepared plans.

5. Social Responsibility

5.1. Social Responsibility Strategy

SAMA's strategy aims to enhance social responsibility by working on four main aspects: increasing employees' awareness of social responsibility, instilling its principles in organizations' policies and procedures,

launching initiatives and events that support social responsibility toward society and the environment, and motivating the sectors supervised by SAMA to develop their social responsibility. SAMA's strategy items placed attention on all concerned parties, with a focus on the following aspects:

- **The community:** This includes communicating with the community, focusing on training, education and financial awareness programs, paying attention to unemployment, enabling persons with disabilities and supporting the third sector.
- **Employees and work environment:** This includes developing human capital, providing an attractive and ideal work environment in accordance with the best occupational health and safety standards, paying attention to employees' families, and encouraging organized volunteer work in areas needed by the society.
- **Financial sector entities supervised by SAMA:** This includes social responsibility at the sector level and enabling financial entities to develop related practices, which will be positively reflected in boosting the sector's reputation and effectiveness. Moreover, this aspect involves the continuing development of consumer protection- and awareness-related regulations and procedures, in addition to giving opportunities to local suppliers to provide their services to the sector.
- **The environment:** This includes working on conserving natural resources and reducing the harmful impact on the environment through lowering energy consumption and emissions, reducing paper use, rationalizing water use and exploring new ideas to preserve the components of natural environment.

The implementation model of the strategy consists of two phases. The first phase focuses on highlighting SAMA's social responsibility

and its initiatives as a top priority to be publicized in the society. This is followed by raising awareness among employees in the field of social responsibility while fulfilling SAMA's responsibility toward the financial sector and working purposefully to improve the environment. Upon achieving that milestone, the focus of the strategy gradually shifts to the financial sector as a top priority. The improvement in the sector's ability to assume social responsibility demonstrates the distinct role of SAMA in enabling social responsibility, in addition to its work on all aspects in a balanced way that ensures promoting social responsibility within it and the entities it supervises. SAMA pursues to attain these two phases in order to achieve sustainable development and the goals of the Saudi Vision 2030.

5.2. Consumer Protection in the Financial Sector

The Consumer Protection Department aims to allow financial sector's consumers to receive fair treatment characterized by transparency, honesty, probity and adherence to the legislated laws and regulations. It also seeks to ensure easily accessible and affordable financial services and products of high quality for consumers. Additionally, the department aims to spread awareness among all the targeted groups and continue to survey public opinion about its work and awareness campaigns. Such survey is intended to determine how successful the department is in communicating its messages and how much benefit the intended recipients receive. Furthermore, the department is responsible for handling and processing complaints of financial sector consumers.

During 2020, SAMA continued to receive and address complaints through "SAMA Cares" system. The system allows customers of the financial sector supervised and regulated by SAMA to submit their complaints and follow up on them. It

also ensures speedy and clear processing. Through the system, 390,457 complaints of various types from customers of banks, insurance companies, financing companies and FinTech companies were received and processed. Moreover, 858,638 calls to file complaints or make inquiries were received through the concerned call center. In addition, SAMA worked on several initiatives to enhance consumer protection in the financial entities under its supervision, most notably:

- Launching the SAMA Cares application for smart devices.
- Launching the instant chat service on the SAMA Cares website.
- Issuing many instructions related to customer protection, including, but not limited to, a circular directing the financial institutions (banks, insurance companies and finance companies) to make available a toll-free number to receive complaints, inquiries and reports, and a guide for the settlement of total loss in motor vehicles financially leased to individuals.

5.3. Participation in in Community Development

Through continuous awareness campaigns, SAMA contributes to educating and raising awareness of the beneficiaries of its services and the services of bodies it supervises. SAMA also engages in the most important annual social events observed globally and locally, through various programs. This engagement confirms SAMA's pivotal role in community service. In 2020, SAMA carried out several voluntary social campaigns, initiatives and activities, the most important of which were the issuance of the Instructions for Financial Institutions on Services Provided for People with Disabilities and the launch of "A Little Now for a Lot Later" campaign, "Eidiya (Eid gift) Through Bank Transfers" campaign, and "Our Currency.. Our History" competition on the occasion of the Saudi National Day. In addition, the Center of Excellence

for Autism launched "We Cooperate to Create Excellence" campaign. As a token of gratitude, SAMA organized "Thank You for Being Rare Tokens" to thank health and security heroes and volunteers for their actions during the pandemic. SAMA also presented many programs that aimed to activate its social role. Such programs were directed toward supporting and developing the local community inclusive of all its components and strengthening national capabilities. They included training programs for graduates, health programs, educational programs for employees, and programs to care for employees' children and families.

6. SAMA's International and Regional Participation

SAMA actively participates as a member in various international and regional financial organizations and attends their meetings, including the meetings of the Group of Twenty (G20), the Bank for International Settlements (BIS), International Monetary Fund (IMF), the World Bank Group, Financial Stability Board (FSB), Financial Action Task Force (FATF), World Trade Organization (WTO), Arab financial organizations, Islamic Financial Services Board (IFSB), International Association of Insurance Supervisors (IAIS), Islamic Development Bank (IsDB), and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). It also participates in and attends the meetings of Central Bank Governors held in member countries of the Organization of Islamic Cooperation and the Gulf Cooperation Council (GCC), in addition to the meetings of the Gulf Monetary Council (GMCO), International Association of Deposit Insurance (IADI), and a number of technical committees and work teams associated with the Governors' Committee.

6.1 SAMA's Efforts During Saudi G20 Presidency

The Kingdom of Saudi Arabia assumed the G20

Presidency in 2020, culminating in remarkable success and historic outputs and initiatives in the Finance and Sherpa Tracks of the G20. The achievements attained were related to the policy coordination agenda, finding solutions and developing initiatives that enabled the G20 to achieve the slogan of the Saudi G20 Presidency for 2020 “Realizing the Opportunities of the 21st Century for All”. The G20 also led international efforts during the Saudi Presidency toward the urgent collective priority of focusing on combating the COVID-19 pandemic and overcoming its intertwined health, social and economic impacts.

SAMA’s contribution to the successful Saudi Presidency was through the G20 Finance Track. SAMA worked with G20 member states and relevant international organizations to accomplish many achievements related to financial policies and legislation, finding suitable solutions and developing initiatives, in accordance with the core priorities of the G20 work represented in “Framing Supervisory and Regulatory Issues for the Digital Era”. In addition, a number of core priorities fall under this goal, most notably the agreement on the G20 Roadmap to Enhance Cross-Border Payments. This is a historic step for the G20 that aims at improving cross-border payment arrangements by facilitating faster, cheaper, more inclusive and more transparent transactions, including remittances.

In the context of highlighting technological capabilities to address challenges related to supervisory and regulatory functions in supervisory authorities and financial institutions, Saudi Arabia continued to exert vigorous efforts under the Saudi G20 Presidency in 2020. SAMA cooperated with the BIS Innovation Hub in the G20 TechSprint initiative that aims at exploring solutions to supervisory and regulatory challenges, with the involvement of global parties interested

in FinTech. The initiative supports innovation and solving problems in light of the current pandemic situation.

With regard to the G20’s efforts in the area of financial inclusion, the G20—under the Saudi G20 Presidency—has succeeded in developing a work program that focuses entirely on policies related to digital financial inclusion, specifically for three important groups of society, namely women, youth and SMEs. The Saudi G20 Presidency also worked with G20 countries and relevant international organizations to discuss the best ways to develop digital infrastructure. As a result, many reports and studies were supported, finalized, and praised in the meetings of G20 Finance Ministers and Central Bank Governors during the presidency. The most notable of such outcomes was the G20 High-Level Policy Guidelines on Digital Financial Inclusion for Youth, Women and SMEs, which provide a set of distinctive policy options that addresses financial inclusion gaps for these groups and aims at promoting digital financial services. The purpose is to utilize and share the benefits of innovations and digitalization and to create appropriate conditions in which all people can live, work and thrive, especially in light of the pandemic and its impacts.

The G20, under the Saudi G20 Presidency, managed to identify the remaining challenges facing the process of phasing out the London Interbank Offered Rate Index (LIBOR). It came up with the FSB report on supervisory issues associated with benchmark transition to facilitate the transition away from the LIBOR index to alternative reference rates.

It should be noted that the Saudi G20 Presidency played an important role in supporting the continued recovery in the global economy, boosting confidence, maintaining financial

stability, preventing prolonged economic scarring, and supporting the poorest countries in facing the impacts of the pandemic. Through its achievements, the Saudi G20 Presidency has continued the active role of the G20 as the premier forum for international economic cooperation.

7. SAMA's Financial Position

SAMA's assets declined at the end of 2020 compared to the end of 2019. Total assets decreased by 3.5 percent (SAR 66.0 billion) to SAR 1.8 trillion in 2020 compared to an increase of 0.7 percent (SAR 12.9 billion) in 2019. Foreign assets accounted for the bulk of SAMA's total assets, which witnessed a decrease this year. These foreign assets continued to be invested primarily in foreign securities, which fell by 6.6 percent (SAR 79.5 billion) in 2020 compared with a drop of 0.04 percent (SAR 0.4 billion) in 2019. Furthermore, SAMA deposits with banks operating abroad fell by 22.0 percent (SAR 88.2 billion) in 2020 compared to a decline of 1.4 percent (SAR 5.7

billion) in 2019. Currency backing decreased by 1.7 percent (SAR 4.5 billion) to SAR 256.9 billion in 2020 against a rise of 7.4 percent (SAR 18.0 billion) in the preceding year (Table 12.1).

As for liabilities, government deposits and reserves accounted for 23.6 percent of SAMA total liabilities at the end of 2020 compared with 27.7 percent at the end of the preceding year. The government current account increased by 30.6 percent (SAR 18.2 billion) to SAR 77.9 billion in 2020 against a decrease of 18.1 percent in 2019. In contrast, the government reserves fell by 23.6 percent (SAR 110.9 billion) to SAR 358.7 billion in 2020 compared with a drop of 4.1 percent (SAR 19.9 billion) in the preceding year. However, deposits of government funds and institutions grew by 41.8 percent (SAR 40.5 billion) to SAR 137.5 billion in 2020 against a decrease of 17.1 percent (SAR 19.9 billion) in the preceding year. SAMA bills and repos also increased by 52.8 percent (SAR 65.5 billion) to SAR 189.5 billion compared with an increase of 6.6 percent (SAR 7.7 billion) in 2019.

Table 12.1: SAMA's Financial Position (End of Year)

(Million SAR)					
	2016	2017	2018	2019	2020
I. Assets					
Foreign currencies & gold	234,505	229,188	243,449	261,467	256,944
Cash in vault	34,516	25,831	32,584	42,987	23,276
Banknotes	34,505	25,811	32,561	42,956	23,242
Coins	11	20	22	31	34
Deposits with banks abroad	401,144	377,966	405,572	399,832	311,671
Investments in foreign securities	1,365,189	1,244,669	1,204,035	1,203,576	1,124,051
Other miscellaneous assets	41,517	26,009	14,224	4,945	130,852
Total	2,076,871	1,903,663	1,899,864	1,912,807	1,846,795
II. Liabilities					
Currency issued	234,505	229,188	243,449	261,467	256,944
In circulation	199,989	203,357	210,865	218,480	233,668
At SAMA	34,516	25,831	32,584	42,987	23,276
Government deposits & reserves	730,580	641,378	562,367	529,249	436,566
Government current account	89,134	52,192	72,832	59,624	77,873
Government reserves	641,446	589,185	489,535	469,625	358,692
Government institutions & funds' deposits	154,514	88,346	116,852	96,921	137,452
Statutory deposits for financial institutions	97,839	97,534	99,943	105,470	118,539
Foreign institutions' deposits in local currency	18,490	18,469	17,190	12,249	8,349
SAMA bills & repos	164,755	138,786	116,326	124,007	189,541
Other miscellaneous liabilities	676,187	689,962	743,738	783,444	699,404
Total	2,076,871	1,903,663	1,899,864	1,912,807	1,846,795

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INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

TO THE MEMBERS OF THE BOARD OF DIRECTORS OF SAUDI CENTRAL BANK

Opinion

We have audited the financial statements of Saudi Central Bank - formerly (Saudi Arabian Monetary Authority) - "SAMA", which comprise the statements of Issuance Department balance sheet, Banking Operation Department balance sheet, Independent Organizations and Institutions Department balance sheet, Contra Accounts as at June 30, 2020, the statement of revenues and expenses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of SAMA as at and for the year ended June 30, 2020 are prepared, in all material respects, in accordance with the basis of preparation set out in Note (2) to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SAMA in accordance with the code of professional conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of a Matter-Basis of Preparation

We draw attention to Note (2) to the financial statements, which describes the basis of accounting. The financial statements have been prepared for SAMA's financial reporting purposes as per its Board of Directors' approved accounting policies. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of preparation set out in Note (2) to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing SAMA's ability to continue as a going concern, disclosing, as applicable, matters relating to the going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SAMA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAMA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SAMA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SAMA to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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December 10, 2020
(Rabi II, 1442H)

**SAUDI CENTRAL BANK (SAMA) | BALANCE SHEET
AS AT JUNE 30, 2020 | ASSETS**

(Million SAR)		
	30/6/2020	30/06/2019
ISSUANCE DEPARTMENT		
CURRENCY COVER:		
Gold (Note 2-e)	1,624	1,624
Investment in securities abroad	273,738	260,940
	275,362	262,564
BANKING OPERATION DEPARTMENT		
CASH IN HAND:		
Bank notes	34,502	38,661
Metal coins	28	14
	34,530	38,675
Deposits in local banks	93,442	--
Deposits in banks abroad	350,303	462,969
Investments abroad	1,046,316	1,191,477
Other miscellaneous assets	3,156	2,573
	1,527,747	1,695,694
INDEPENDENT ORGANIZATIONS AND INSTITUTIONS DEPARTMENT		
Deposits with banks abroad	34,687	72,968
Investments abroad	24,285	37,466
Local investments	21,523	32,734
Deposits with Banking Operating Department	444	854
Deposits with local banks	200	1,200
	81,139	145,222
CONTRA ACCOUNTS		
Checks under collection & Other	7.2	9.9

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

**SAUDI CENTRAL BANK (SAMA) | BALANCE SHEET
AS AT JUNE 30, 2020 | LIABILITIES**

(Million SAR)		
	30/6/2020	30/06/2019
ISSUANCE DEPARTMENT		
SAUDI BANK NOTES ISSUED		
In circulation	239,922	223,235
In Banking Operation Department	34,502	38,661
	274,424	261,896
METAL COINS ISSUED		
In Circulation	910	654
In Banking Operation Department	28	14
	938	668
	275,362	262,564
BANKING OPERATION DEPARTMENT		
Government deposits	490,176	597,521
Foreign organizations' deposits	9,648	14,385
Government agencies & institutions' deposits	114,613	119,327
Banks & insurance companies' deposits	112,974	101,213
Government liabilities	19,269	22,662
Other miscellaneous liabilities & reserves	781,067	840,586
	1,527,747	1,695,694
INDEPENDENT ORGANIZATIONS AND INSTITUTIONS DEPARTMENT		
Independent organizations & institutions	81,139	145,222
	81,139	145,222
CONTRA ACCOUNTS		
Liabilities for checks under collection & other	7.2	9.9

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

**SAUDI CENTRAL BANK (SAMA) | STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

(Million SAR)		
	30/6/2020	30/6/2019
Revenues	4,454	4,591
Expenses		
General & administration	2,343	2,569
SAMA's contribution to the Public Pension Agency (Note 4)	38	39
Total Expenses	2,381	2,608
Surplus transferred to reserve for building of Head Office & branches	2,073	1,983
	4,454	4,591

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

SAUDI CENTRAL BANK (SAMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. NATURE OF OPERATION OF SAMA AND BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

In accordance with its charter, the Saudi Central Bank (“SAMA”) acts as the bank of the Government of the Kingdom of Saudi Arabia (the “Government”) and also maintains accounts for the Government.

The financial statements are presented for each of SAMA’s following activities:

Issuance Department:

Its main activity includes minting coins, printing national banknotes (Saudi riyal) and supporting the stability of the currency and fixing its rate internally and externally.

Banking Operation Department:

Assets in the Banking Operation Department include SAMA’s deposits, investments abroad and local investments in addition to fixed assets. Investment returns are recorded in the Banking Operation Department balance sheet and not in SAMA’s statement of revenues and expenses. Liabilities include deposits of the Government, banks and other insurance companies in addition to other miscellaneous liabilities and reserves.

Independent Organizations and Institutions Department:

SAMA accepts deposits from independent organizations and institutions and invests such deposits on their behalf. Both the deposits and the value of investments are reported in the Independent Organizations and Institutions Department balance sheet. Investment income are reported as part of independent organizations and institutions account and not in SAMA’s statement of revenues and expenses.

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 approved by Board of Directors “BoD” as described below, which are consistent with those followed in previous years.

b. Basis of accounting:

SAMA follows the cash basis of accounting in recording its transactions, except for depreciation of fixed assets and accrual of certain employee benefits.

The financial statements are prepared under the historical cost convention.

c. Investments:

Investments are carried at cost. At the year end, portfolios managed in different currencies are valued at the same functional currency as the underlying investment by SAMA at the lower of cost or market value (historical basis). Decline in fair value is assessed for all managed portfolios on an aggregate basis as one unit. Differences resulting from the decline in value are recognized in the investment valuation difference

account as part of other miscellaneous liabilities and reserves.

Gains or losses are recorded when received/paid in accordance with the policies followed by SAMA.

d. Foreign Currencies:

Translation of foreign currency balances and transactions to Saudi riyals is made using SAMA's fixed book rates, which are approved by SAMA's Governor on July 7, 1986 (Shawwal 29, 1406H), and the subsequent amendments of Euro and US Dollars rates. Exchange differences are reported in the exchange differences reserve account as part of other miscellaneous liabilities and reserves.

e. Gold held as currency cover:

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

f. Furniture, equipment and motor vehicles:

Furniture, equipment and motor vehicles are stated at cost less accumulated depreciation and are included in other miscellaneous assets as part of the Banking Operation Department's balance sheet. The cost of furniture, equipment and motor vehicles are depreciated on a straight-line basis over the estimated useful lives of these assets.

g. Lands and buildings:

Lands are stated at cost and buildings are stated at cost less accumulated depreciation. The cost of buildings is depreciated on a straight-line basis at 5 percent annually. Lands and buildings are included in other miscellaneous assets in the Banking Operation Department's balance sheet.

h. Revenues and expenses:

In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. SAMA transfers the excess of revenues over expenses to the reserve for building of head office and branches account which is shown as part of other miscellaneous liabilities and reserves in the Banking Operation Department's balance sheet.

3. FINANCIAL STATEMENTS PERIOD

These financial statements are prepared for the period from July 1, 2019 to June 30, 2020 (Shawwal 28, 1440H to Dhu al-Qidah 9, 1441H)

4. CONTRIBUTION TO THE PUBLIC PENSION AGENCY

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

5. SUBSEQUENT EVENTS

Subsequent to the date of preparing the financial statements, and as per Royal Decree no. (36/M) dated November 26, 2020 (Rabi II 11, 1442H), Saudi Central Bank's Law was approved.

Under this law, "Saudi Central Bank" shall replace the name "Saudi Arabian Monetary Authority" wherever

mentioned in related laws, regulations, instructions and orders with all rights and obligations, and shall maintain the same abbreviation “SAMA”.

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Annual Report Statistics are available on SAMA's website:<http://www.sama.gov.sa/ar-sa/EconomicReports/Pages/YearlyStatistics.aspx>**Annual Report feedback survey is available on SAMA's website:**<http://www.sama.gov.sa/ar-sa/EconomicReports/Pages/QuestionAnswer.aspx>

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