VISION رؤية 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

مؤسسة النقد العربي السعودي
Saudi Arabian Monetary Authority

54th Annual Report 1439H - 2018

بسم الله الرحمن الرحيم

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In the name of Allah,
the Most Gracious, the Most Merciful

It gives me pleasure to present, in the name of the Board of Directors, the 54th Annual Report of the Saudi Arabian Monetary Authority, which reviews the latest developments in the Saudi economy during fiscal year 1438/1439 (2017). The Report covers developments in various areas of the domestic economy, including monetary developments, banking activity, capital market, prices, public finance, national accounts, foreign trade and balance of payments. It also provides an overview of the latest economic developments in the different domestic productive sectors, apart from giving a full description of SAMA's functions, such as designing and conducting monetary policy and supervising banking, insurance and finance sectors. In addition, the Report includes the auditors' report on SAMA's balance sheet for fiscal year ended on June 30th, 2017. 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 thanks for their cooperation in providing valuable information and data that enabled SAMA to prepare this Report. I also would like to thank all SAMA's staff for their efforts in preparation of this Report and performance of all functions entrusted to SAMA in general.

Ahmed A. AlKholifey

Ramadan 1439 H
June 2018

مؤسسة النقد العربي السعودي
Saudi Arabian Monetary Authority

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01 Global Economy

World Economic Situation

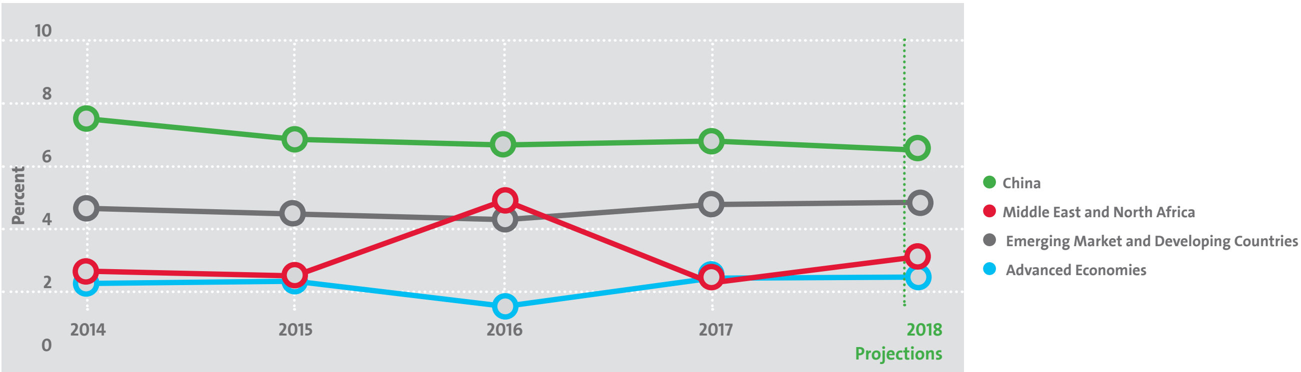
The global economy recorded a growth of 3.8 percent in 2017 compared with 3.2 percent in the preceding year. This growth is attributed to growth in advanced economies as well as emerging market and developing economies compared to that of the preceding year. According to the IMF April 2018 World Economic Outlook (WEO), the global economic growth is projected to continue its rise to stand at 3.9 percent in 2018.

Economic Growth

Advanced economies registered a growth rate of 2.3 percent in 2017, versus 1.7 percent in the preceding year. In the United States, the growth rate rose to 2.3 percent against a growth of 1.5 percent in the preceding year. The euro area recorded a growth rate of 2.3 percent compared to 1.8 percent in the preceding year. The German economy grew by 2.5 percent compared to 1.9 percent a year earlier. France registered a growth of 1.8 percent compared to 1.2 percent in the preceding year. The Italian economy also recorded a higher growth of 1.5 percent against 0.9 percent in the preceding year. Canada registered a growth of 3.0 percent versus a growth rate of 1.4 percent in the preceding year. Japanese economic growth also accelerated to 1.7 percent, versus 0.9 percent in the preceding year. In contrast, the growth rate of the United Kingdom dropped from 1.9 percent in 2016 to 1.8 percent in 2017. In the emerging markets and developing economies, the growth rate rose to 4.8 percent in 2017 from 4.4 percent in 2016. In Emerging and Developing Asia, the growth rate stood at 6.5 percent in 2017. China registered a growth of 6.9 percent against a growth rate of 6.7 percent in the preceding year. However, the Indian economy registered a slowdown in growth, to 6.7 percent from 7.1 percent in the preceding year. In the Middle East and North Africa (MENA) countries, the growth rate decreased to 2.2 percent in 2017 from 4.9 percent in 2016. On the other hand, Emerging and Developing Europe registered a growth rate of 5.8 percent against 3.2 percent in the preceding year. The growth rate in Latin America and the Caribbean countries increased by 1.3 percent after declining by 0.6 percent in the preceding year.

According to the April 2018 WEO, the advanced economies are expected to grow by 2.5 percent in 2018, with the United States' growth projected to increase to 2.9 percent. The euro area growth is also expected to rise slightly to 2.4 percent. Developing and emerging economies' growth is expected to rise to 4.9 percent in 2018. However, the Chinese growth is expected to slow down to 6.6 percent in 2018 (Table 1.1). Chart 1.1 shows the real GDP growth rates in the major countries and country groupings over the 2014-2018 period.

Chart 1.1:
World Real GDP Growth Rates



Global Economy

Table 1.1:
Real GDP Growth Rates
(Percentage)

	2011	2012	2013	2014	2015	2016	2017	Projections 2018
World	4.3	3.5	3.5	3.6	3.5	3.2	3.8	3.9
Advanced economies	1.7	1.2	1.3	2.1	2.3	1.7	2.3	2.5
USA	1.6	2.2	1.7	2.6	2.9	1.5	2.3	2.9
Euro area	1.6	-0.9	-0.2	1.3	2.1	1.8	2.3	2.4
Germany	3.7	0.7	0.6	1.9	1.5	1.9	2.5	2.5
France	2.1	0.2	0.6	0.9	1.1	1.2	1.8	2.1
Italy	0.6	-2.8	-1.7	0.1	1.0	0.9	1.5	1.5
Japan	-0.1	1.5	2.0	0.4	1.4	0.9	1.7	1.2
UK	1.5	1.5	2.1	3.1	2.3	1.9	1.8	1.6
Canada	3.1	1.7	2.5	2.9	1.0	1.4	3.0	2.1
Emerging and developing economies	6.4	5.4	5.1	4.7	4.3	4.4	4.8	4.9
Sub-Saharan Africa	5.1	4.4	5.3	5.1	3.4	1.4	2.8	3.4
Emerging and developing Asia	7.9	7.0	6.9	6.8	6.8	6.5	6.5	6.5
China	9.5	7.9	7.8	7.3	6.9	6.7	6.9	6.6
India	6.6	5.5	6.4	7.4	8.2	7.1	6.7	7.4
MENA countries	4.4	5.1	2.5	2.6	2.4	4.9	2.2	3.2
Emerging and developing Europe	6.6	2.5	4.9	3.9	4.7	3.2	5.8	4.3
Latin America and the Caribbean countries	4.6	2.9	2.9	1.3	0.3	-0.6	1.3	2.0
Brazil	4.0	1.9	3.0	0.5	-3.5	-3.5	1.0	2.3
Commonwealth of Independent States	5.3	3.7	2.5	1.0	-2.0	0.4	2.1	2.2
Russia	5.1	3.7	1.8	0.7	-2.5	-0.2	1.5	1.7

Source: World Economic Outlook, IMF, April 2018.

Inflation

In the advanced economies, the weighted average CPI inflation rate rose to 1.7 percent in 2017, compared to 0.8 percent in the preceding year. In the United States, the rate increased to 2.1 percent in 2017 from 1.3 percent in 2016. In the euro area, the rate rose to 1.5 percent in 2017 from 0.2 percent in 2016. However, in the emerging markets and developing countries, the average inflation rate declined from 4.3 percent in 2016 to 4.0 percent in 2017. In contrast, in the MENA countries, the inflation rate rose to 6.6 percent in 2017 (Table 1.2). Chart 1.2 shows the percentage change in consumer prices for various groups of countries during 2016-2018.

Unemployment

The weighted average unemployment rate in advanced economies decreased from 6.2 percent in 2016 to 6.0 percent in 2017. In the United States, unemployment went down to 4.4 percent in 2017 from 4.9 percent in 2016. In the euro area, it declined from 10.0 percent in 2016 to 9.1 percent in 2017. The unemployment rate in Germany, France and Italy also fell, to 3.8, 9.4 and 11.3 percent respectively. The rate fell in the United Kingdom to 4.4 percent, and in Japan to 2.9 percent in 2017 (Table 1.3). Chart 1.3 shows average unemployment rates for several groups of countries during 2015-2018.

Table 1.2:
Inflation and Interest Rates
(Percentage)

	2016	2017	Projections 2018
Global inflation			
Advanced economies	0.8	1.7	2.0
USA	1.3	2.1	2.5
Euro area	0.2	1.5	1.5
Emerging and developing economies	4.3	4.0	4.6
MENA countries	4.9	6.6	8.7
London interbank offered rate (LIBOR) (1)			
U.S. dollar deposits	1.1	1.5	2.4
Japanese yen deposits	0.0	0.0	0.0
Euro deposits	-0.3	-0.3	-0.3

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

Source: World Economic Outlook, IMF, April 2018.

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

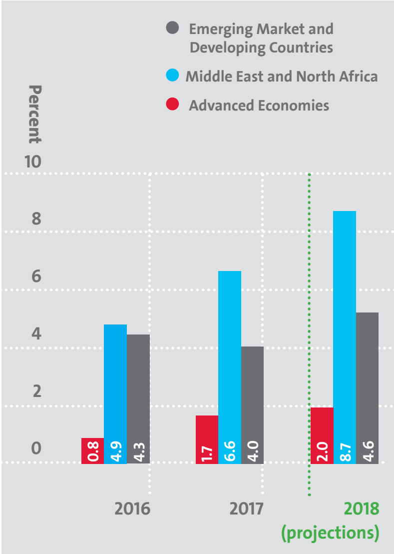


Table 1.3:
Advanced Economies: Unemployment Rates
(Ratio to labor force)

	2015	2016	2017	Projections 2018
Advanced economies	6.7	6.2	6.0	5.3
USA	5.3	4.9	4.4	3.9
Euro area	10.9	10.0	9.1	8.4
Germany	4.6	4.2	3.8	3.6
France	10.4	10.0	9.4	8.8
Italy	11.9	11.7	11.3	10.9
Japan	3.4	3.1	2.9	2.9
UK	5.4	4.9	4.4	4.4
Canada	6.9	7.0	6.3	6.2

Source: World Economic Outlook, IMF, April 2018.

Chart 1.3:
Unemployment Rates

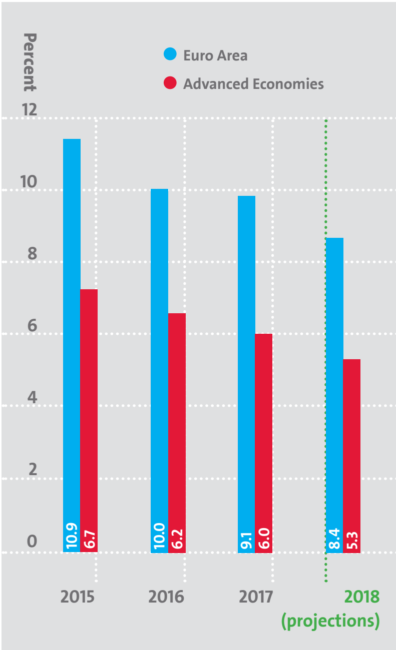


Table 1.4:
Trends of Fiscal Balances*
(Percentage)

	2015	2016	2017	Projections 2018
Advanced economies	-3.0	-3.3	-3.4	-3.5
USA	-3.5	-4.2	-4.6	-5.3
Euro area	-2.1	-1.5	-0.9	-0.6
Germany	0.6	0.8	1.1	1.5
France	-3.6	-3.4	-2.6	-2.4
Italy	-2.6	-2.5	-1.9	-1.6
Japan	-3.8	-3.7	-4.2	-3.4
UK	-4.3	-3.0	-2.3	-1.8
Canada	-0.1	-1.1	-1.0	-0.8

* Ratio of surplus/deficit to GDP.

Source: World Economic Outlook, IMF, April 2018.

Fiscal Balances in Advanced Economies

The overall fiscal deficit in advanced economies rose to 3.4 percent of GDP in 2017, from 3.3 percent in 2016. The United States deficit increased from 4.2 percent in 2016 to 4.6 percent in 2017, and in Japan from 3.7 percent to 4.2 percent. However, the deficit in the euro area fell from 1.5 percent to 0.9 percent in 2017, with France dropping from 3.4 percent to 2.6 percent. In the United Kingdom, the deficit went down to 2.3 percent. In Canada, the deficit fell to 1.0 percent in 2017 from 1.1 percent in 2016. In contrast, Germany recorded a surplus of 1.1 percent in 2017 (Table 1.4).

Monetary and Financial Developments

Interest Rates

The six-month dollar LIBOR stood at 1.5 percent in 2017 and is projected to rise to 2.4 percent in 2018. The six-month yen LIBOR remained at zero in 2017 and is projected to remain unchanged in 2018. The three-month euro LIBOR stood as is at -0.3 percent in 2017 and is also projected to remain unchanged in 2018 (Table 1.2).

Exchange Rates

The U.S. dollar recorded relatively low bilateral exchange rates against most major currencies during the first quarter of 2018 due to the improved global economic performance in general. Currencies that recorded the highest increase against the U.S. dollar were led by the Mexican peso which rose by 8.13 percent, followed by the Japanese yen, up by 6.02 percent; the Norwegian krone by 4.63 percent; and the South African rand by 4.58 percent. On the other hand, currencies that dropped against the U.S. dollar included the Canadian dollar, down by 2.55 percent, followed by the Sweden krona, by 1.79 percent, and the Australian dollar, by 1.65 percent.

Equity and Bond Markets

Equity Markets

In the United States, the DJIA index registered a decline of 2.49 percent to 24,103.11 during the first quarter of 2018. In Japan, the NIKKEI index went down by 7.05 percent to 20,356.3 during the first quarter of 2018. This weak performance is due to several factors, the most important of which are investors' expectations of rising inflationary pressures in the United States and the rise of the Japanese yen against the U.S. dollar.

The MSCI Euro Index dropped by 3.0 percent to 1,154.26 during the first quarter of 2018 amid worries about rising inflationary pressures in the United States. In the United Kingdom, the FTSE 100 index also declined, by 8.21 percent, to 7,056.61 due to several factors including the decline of global stock markets in general and the release of negative data on the British retail sector. The weak exchange rate of the U.S. dollar against the pound has negatively affected the profitability of British exporting companies.

Bond Markets

Yields on US treasury bonds of all maturities rose during the first quarter of 2018. The two-year bond yield rose to 2.27 percent. the five-year yield also increased, to 2.56 percent. Seven-year and 10-year bond yields increased to 2.69 percent and 2.74 percent respectively. These developments reflect the improved performance and outlook of the US economy amid the economic reforms and cuts to corporate and individual taxes.

Yields on Japanese government bonds of all maturities varied in their performance during the first quarter of 2018. The JGB 30-year yield dropped to 0.74 percent, the JGB 20-year yield declined to 0.53 percent, the JGB 15-year to 0.24 percent and the JGB two-year yield to 0.13 percent. In contrast, the JGB one-year yield stood at -0.13 percent. This relative stability in yields was due to the decision of the Bank of Japan to keep the quantitative and qualitative easing program at the same pace and the interest rate as is.

In the euro area, government bond yields of all maturities rose (actually, they became less negative) during the first quarter of 2018, except for long-maturity bonds. The five-year bond yield rose to -0.10 percent, the six-month bond yield to -0.57 percent and the three-year bond yield to -0.46 percent. These less negative yields on short and medium-maturity government bonds during the first quarter of 2018 are due to the improved performance of the European economy and the investors' expectations that the European Central Bank will amend its monetary policy and cancel the quantitative easing program in the future.

In the UK, most government bond yields rose during the first quarter of 2018 except for long-maturity bonds. One-year bond yield rose to 0.74 percent, five-year bond yield to 1.11 percent and three-year bond yield to 0.87 percent. In addition, the two-year bond yield increased to 0.82 percent. The increased yields on most government bonds are due to investors' expectations that the Bank of England will raise official interest rates soon because of the increased level of inflation which reached 2.7 percent in February 2018.

Table 1.5:
World Trade and Current Account
(Percentage)

	2016	2017	Projections 2018
Growth of world trade (goods and services)	2.3	4.9	5.1
Exports			
Advanced economies	1.8	4.4	4.7
Emerging and developing countries	2.6	6.4	5.1
Imports			
Advanced economies	2.3	4.7	5.4
Emerging and developing countries	2.3	7.0	6.2
Current account(1)			
Advanced economies	0.7	0.8	0.7
USA	-2.4	-2.4	-3.0
Euro area	3.4	3.5	3.2
Germany	8.5	8.0	8.2
France	-0.9	-1.4	-1.3
Italy	2.7	2.9	2.6
Japan	3.8	4.0	3.8
UK	-5.8	-4.1	-3.7
Emerging and developing economies	-0.3	-0.1	-0.1
Emerging and developing Asia	1.4	0.9	0.6
Commonwealth of Independent States	0.0	1.3	2.8
MENA countries	-4.6	-0.6	1.1
Sub-Saharan Africa	-4.1	-2.6	-2.9
Latin America and the Caribbean countries	-1.9	-1.6	-2.1

(1) Ratio of deficit/surplus to GDP.

Source: World Economic Outlook, IMF, April 2018.

World Trade and Balances of Payments

A. World Trade

The growth rate of world trade volume rose from 2.3 percent in 2016 to 4.9 percent in 2017, and the IMF expects it to rise to 5.1 percent in 2018. As for goods and services exports, advanced economies registered an increase of 4.4 percent in 2017, and they are also projected to rise to 4.7 percent in 2018. Exports of emerging markets and developing economies increased to 6.4 percent in 2017, but they are projected to decline to 5.1 percent in 2018.

As for imports of goods and services in advanced economies, they rose by 4.7 percent in 2017, and they are also projected to rise to 5.4 percent in 2018. Imports in emerging markets and developing economies grew by 7.0 percent in 2017, and the percentage is projected to decrease to 6.2 percent in 2018 (Table 1.5).

B. Current Account Balances

The ratio of the aggregate current account balance to GDP in advanced economies recorded a surplus of 0.8 percent in 2017, against a surplus of 0.7 percent in 2016, but it is projected to decrease to 0.7 percent in 2018. In the United States, the current account deficit stood at 2.4 percent in 2017, and it is projected to increase to 3.0 percent in 2018. In the euro area, the ratio of the current account balance to GDP recorded a surplus of 3.5 percent in 2017, against a surplus of 3.4 percent in 2016, but it is projected to decline to 3.2 percent in 2018. In Germany, the surplus decreased to 8.0 percent in 2017, but it is projected to rise to 8.2 percent in 2018. The deficit in France rose from 0.9 percent in 2016 to 1.4 percent in 2017, but it is expected to go down to 1.3 percent in 2018. In Italy, the ratio of the aggregate current account balance recorded a surplus of 2.9 percent in 2017, compared to a surplus of 2.7 percent in 2016, but it is projected to decrease to 2.6 percent in 2018. The surplus in Japan rose from 3.8 percent in 2016 to 4.0 percent in 2017, but it is expected to go down to 3.8 percent in 2018. The current account deficit in the United Kingdom decreased from 5.8 percent in 2016 to 4.1 percent in 2017, and it is expected to decline further to 3.7 percent in 2018.

In emerging markets and developing economies, the ratio of aggregate current

Table 1.6:
Financial Account Balances
(Billion USD)

	2016	2017	Projections 2018
Advanced economies	438.4	424.4	335.8
USA	-377.7	-349.2	-606.4
Euro area	343.3	466.6	---*
Germany	269.1	311.4	346.8
France	-31.8	-36.8	-39.1
Italy	73.7	53.4	58.3
Japan	266.7	153.1	191.1
UK	-143.4	-87.4	-112.4
Canada	-51.5	-49.3	-57.3
Emerging and developing economies	-431.5	-254.9	4.8
Sub-Saharan Africa	-66.6	-46.3	-41.9
Emerging and developing Asia	-40.0	-85.0	131.1
MENA countries, Afghanistan and Pakistan	-208.8	-55.4	5.4
Emerging and developing Europe	-14.1	-42.9	-45.9
Latin America and the Caribbean countries	-103.9	-88.5	-109.6
Commonwealth of Independent States	2.1	63.1	65.6

Source: World Economic Outlook, IMF, April 2018. *Updates were not made in the IMF report

account to GDP recorded a deficit of 0.1 percent in 2017, against a deficit of 0.3 percent in the preceding year, and this deficit ratio is projected to remain unchanged in 2018. In Emerging and Developing Asia, the current account surplus fell from 1.4 percent of GDP in 2016 to 0.9 percent in 2017 and is expected to drop further to 0.6 percent in 2018. In the Commonwealth of Independent States, the current account registered a surplus of 1.3 percent in 2017, and it is projected to record a surplus of 2.8 percent in 2018. In the MENA countries, the current account recorded a deficit of 0.6 percent in 2017, compared to a deficit of 4.6 percent in 2016, and it is expected to register a surplus of 1.1 percent in 2018. The deficit in Sub-Saharan Africa fell to 2.6 percent in 2017, against a deficit of 4.1 percent in the preceding year, but it is projected to rise to 2.9 percent in 2018. In Latin America and the Caribbean countries, the current account deficit went down from 1.9 percent in 2016 to 1.6 percent in 2017, and it is expected to rise to 2.1 percent in 2018 (Table 1.5).

C. Financial Account Balances

The BOP financial account balance of advanced economies increased by $424.4 billion in 2017, against an increase of $438.4 billion in 2016, and is expected to increase by $335.8 billion in 2018. In the United States, the financial account went down by $349.2 billion in 2017, compared to $377.7 billion in 2016. In the euro area, the net financial account showed an increase of $466.6 billion in 2017 versus $343.3 billion in the preceding year. In Germany, the financial account rose by $311.4 billion in 2017 from $269.1 billion in the preceding year. The net financial account in France decreased by $36.8 billion in 2017 as compared to $31.8 billion in the preceding year. In Japan, the financial account increased by $153.1 billion in 2017, compared to $266.7 billion in 2016.

As for emerging markets and developing economies, the financial account decreased by $254.9 billion in 2017 compared with $431.5 billion in 2016. In Sub-Saharan Africa, the financial account decreased by $46.3 billion in 2017 against $66.6 billion in the preceding year. As for emerging and developing Asia, the financial account deficit decreased by $85.0 billion in 2017 compared with $40.0 billion in the preceding year. In MENA countries, Afghanistan and Pakistan, the financial account decreased by $55.4 billion in 2017 against $208.8 billion in the preceding year. A surplus of $5.4 billion is projected to be recorded in 2018 (Table 1.6).

Table 1.7:
Key Economic Developments in GCC Countries

	UAE		Bahrain		Saudi Arabia*		Oman		Qatar		Kuwait	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Real GDP Growth Rates	3.04	0.53	3.22	3.15	1.67	-0.86	1.78	-0.27	2.23	2.14	2.19	-2.53
Inflation rate	1.6	2.0	2.8	1.4	2.1	-0.8	1.1	1.6	2.7	0.4	3.5	1.5
Imports (billion USD)	230.3	232.0	9.0	10.2	140.2	134.5	25.5	26.2	32.0	34.0	27.8	29.5
Exports (billion USD)	298.6	312.0	13.5	15.2	183.6	221.8	32.5	37.3	57.0	65.0	45.0	56.5
Current account (billion USD)	11.5	22.5	-1.4	-1.1	-23.8	15.2	-8.2	-5.2	-8.3	-6.0	0.7	6.4
Current account to GDP	1.4	4.7	-4.6	-3.9	-3.7	2.2	-18.4	-11.5	-5.5	1.3	-4.5	2.0
*Ratio of surplus/deficit in fiscal balance**	-0.3	1.8	-14.0	-10.0	-12.9	-9.3	-14.4	-11.8	-8.1	-4.5	-28.9	-20.9
Population (million)	9.3	9.4	1.4	1.5	31.8	32.6	4.4	4.6	2.5	2.6	4.0	4.1

* Competent official authorities in Saudi Arabia. **Surplus/deficit to GDP (at current prices).

Source: World Economic Outlook, IMF, April 2018; Arab Economic Outlook, 2017; and UN Population Division

Economic Developments in GCC Countries

Real economic growth rates in most GCC countries declined in 2017. The growth rate in Saudi Arabia declined from 1.67 percent in 2016 to -0.86 percent in 2017. In the UAE, it dropped from 3.04 percent to 0.53 percent, In Bahrain, it fell from 3.22 percent in 2016 to 3.15 percent in 2017. The growth rate in Oman went down from 1.78 percent in 2016 to -0.27 percent in 2017. In Kuwait, it recorded a contraction of -2.53 percent.

As for inflation, it declined in Saudi Arabia from 2.1 percent in 2016 to -0.8 percent in 2017. It also fell in Bahrain from 2.8 percent to 1.4 percent in 2017, and in Kuwait from 3.5 percent to 1.5 percent. However, in the UAE, inflation rose from 1.6 percent to 2.0 percent in 2017. In Oman, it increased from 1.1 percent to 1.6 percent.

Some GCC countries recorded an improvement in their current account balance in 2017. The current account to GDP ratio in Saudi Arabia recorded a surplus of 2.2 percent, while the UAE recorded a 2017 surplus of 4.7 percent in 2017. Kuwait also recorded a surplus of 2.0 percent. Oman and Bahrain, on the other hand, registered deficits of -11.5 percent and -3.9 percent respectively (Table 1.7).

Regional and International Cooperation

1. Latest Developments of the Gulf Monetary Council

The Gulf Monetary Council (GMCO) has signed memoranda of understanding with a number of international organizations, including the IMF, World Bank and ECB for exchange of experience and provision of technical support. The GMCO has also been coordinating with the GCC-Stat Center to draw up a joint work plan for the development of monetary statistics.

The GMCO prepares working papers and studies related to its work, including a paper with recommendations and requirements necessary to achieve the monetary union and launch the common Gulf currency. The Council has also conducted a study to define differences among member states' monetary policies and ways to narrow the gap among these policies.

2. Gulf Common Market

GCC intra-trade transactions (exports-imports) increased steadily from $62.1 billion in 2010 to $101.3 billion in 2015. Statistics show that more GCC citizens are benefiting from the common market decisions, bringing the number of citizens travelling between GCC countries to 26 million in 2015. Furthermore, the number of GCC citizens practicing different economic activities in other Gulf countries increased with the total number of licenses issued to GCC citizens exceeding 81,332. The number of GCC citizens benefiting from real estate's ownership decisions rose, with 35,854 purchases made in 2015. As for stock markets, the number of citizens trading in other GCC stock markets was about 430,045 shareholders in 694 joint-stock companies during 2015.

3. 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)

As of the end of 2017, the balance of loan commitments was about 543 million Arab Accounting Dinars (AAD) ($2.2 billion), representing 73 percent of resources available for lending, as compared to AAD 571 million ($2.4 billion) at the end of 2016 representing 82 percent of loan resources.

Total loans extended by the Fund to member countries through the end of 2017 were AAD 2.1 billion (about $9.1 billion). A total of 179 loans were extended by the Fund to 14 member countries.

Loans (i.e. traditional, automatic, compensatory and extended loans) extended by the Fund were at the top of credit facilities granted by the Fund from the beginning of its lending activities in 1978 until the end of 2017, representing 63.0 percent of total loans extended throughout this period. The structural adjustment facilities extended came second with 32.5 percent. The trade structural facility accounted for 3.0 percent and the oil structural facility 1.6 percent.

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

In 2017, 16 loans with a value of $219.8 million were approved for development projects in Africa. Infrastructure lending attracted the largest share of total loans, amounting to 55.7 percent. Social sector lending accounted for 20.0 percent, while the agriculture and rural development sector accounted for 24.3 percent of total loans.

BADEA has continued its policy of maintaining a sound financial position, which has resulted in an increase of its net assets to $4.8 billion at the end of 2017 compared to $4.4 billion at the end of 2016. Net income rose to $271.6 million in 2017 compared to $123.6 million in 2016 due to the increase in market value of equity and fixed income portfolios as a result of improved performance of global financial markets in 2017 compared to the preceding year.

C. Arab Fund for Economic and Social Development

During 2017, the Fund extended 13 loans with a total of $1.5 billion to finance projects in seven Arab countries. The ratio of loans to total cost of these projects was estimated at 49.3 percent. The cumulative value of 663 loans extended by the Fund, starting from the commencement of its operations in 1974 up to the end of 2017, reached $32 billion.

Total revenues for 2017 stood at $420.2 million compared to $272.4 million in 2016. Administrative expenses were $28.7 million in 2017. Net profit reached $374.5 million in 2017, compared to $196.3 million in 2016. Member country total rights stood at $11.6 billion at the end of 2017, versus $11 billion at the end of 2016.

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

DHAMAN's assets in 2017 totaled $503 million, 64.3 percent of which was in investments, 33.8 percent in cash and deposits and 1.96 percent in other assets. Equity stood at $471.9 million at the end of 2017, increasing by $36.3 million.

Total income of DHAMAN was $27.6 million in 2017. Of this amount, $12.3 million was from guarantees, banks and bonds interest income, accounts on demand and other miscellaneous income; $15.3 million was from investment income, dividends income, sale of a number of investments in bonds, financial funds, investment portfolios and currency spreads; and general and administration expenses for 2017 reached $9.9 million. Net profit for the year 2017 amounted to $17.6 million compared to $7 million in the preceding year.

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

AAAID's total contribution to the capital accounts of existing and to-be-formed companies in 2017 (contributions and loans) was around $598 million, or 88 percent of its paid-up capital of $674 million. Total income of AAAID was $59.2 million in 2017, versus $34.6 million in the preceding year. The income was generated mainly from investment portfolios, loans and companies' profits. Net profit reached $21.3 million, compared to $16.9 million in the preceding year. AAAID's total assets stood at $936 million at the end of 2017 against $858 million in the preceding year. AAAID's total liabilities stood at $46 million in 2017 compared to $48.5 million.

4. Islamic Development Bank (IDB)

IDB's total assets rose from $24.4 billion at the end of 2016 to $28 billion at the end of 2017. Total liabilities also went up, from $13.2 billion at the end of 2016 to $15.9 billion. On the other hand, total revenues fell from $925.1 million to $819.6 million during the same period of last year. IDB's net income for 2017 stood at $280.5 million compared to $412.9 million in 2016. IDB's total granted loans rose from $2.29 billion at the end of 2016 to $2.34 billion at the end of 2017. Outstanding loans also went up, from $15.5 billion at the end of 2016 to $17.8 billion while repaid loans went down from $1.5 billion to $1.1 billion at the end of 2017.

5. OPEC Fund for International Development (OFID)

OFID's capital (including reserves and member country contribution) was $7.1 billion at the end of 2017, increasing by $127 million from 2016. Its total assets stood at $7.3 billion at the end of 2017, rising by $150 million from the preceding year. OFID's total extended loans at the end of 2017 stood at $13.3 billion against $12.1 billion in the preceding year. Total repaid loans amounted to $8.2 billion at year-end 2017 against $7.4 billion in the preceding year. Total income in 2017 was $231 million against $230 million in 2016. Net income in 2017 was $169 million against $170 million in 2016.

6. International Monetary Fund (IMF)

International Monetary and Financial Committee (IMFC)

The IMFC held its 37th meeting in Washington, D.C. on April 21, 2018. The meeting discussed the global economy, noting that 2017 witnessed a pickup in global growth, supported by a strong rebound in investment and trade. However, rising financial vulnerabilities, increasing trade and geopolitical tensions, and historically high global debt threaten global growth prospects. The IMFC indicated that opportunities are open to advance policies and reforms that sustain the current upswing, enhance resilience and promote growth. The Fund confirmed its determination to continue using all policy tools to attain robust and sustainable growth. Moreover, it asserted that sound policies and a strong international monetary system are crucial to the stability of exchange rates, which in turn contributes to robust and sustainable growth and investment.

The IMFC welcomed efforts to conduct an accurate and transparent assessment of excessive global imbalances and exchange rates. It also looked forward to assessing capital flow management measures to promote a stable international monetary and financial system. In addition, the IMFC supported the collaboration between IMF and concerned parties to help member countries address shared challenges in the areas of FinTech, crypto assets and cybersecurity. Furthermore, it supported continued efforts to help countries address the withdrawal of correspondent banking relationships and its adverse consequences, especially on remittances, trade flows and financial inclusion.

The IMFC asked the IMF and the World Bank Group to work together on a multipronged work program to enhance debt transparency and sustainability and address debt vulnerabilities in low-income countries (LIC).

The Committee has supported work toward enhancing the global financial safety net (GFSN) and collaboration with Regional Financing Arrangements (RFAs) to strengthen the international monetary system. Moreover, it supported the IMF's contributions to the G-20 Data Gaps Initiative. Furthermore, the IMFC looked forward to the reviews of LIC facilities.

7. World Bank Group (WBG)

Development Committee

The Development Committee held its meeting in Washington, D.C. on April 21, 2018. The meeting reviewed the status of the global economy and indicated that improving the global outlook requires policies that foster inclusive and sustainable growth. The Committee also welcomed the fundamental reforms negotiated as part of the proposed capital package, which will allow the WBG to more effectively realize development results in a financially sustainable manner.

The Committee reaffirmed its commitment to eliminating poverty and enhancing shared prosperity besides its commitment to the four key priorities that the Forward Look established:

1) stay engaged with all clients.
2) lead on the Global Public Goods agenda.
3) mobilize capital and create markets.
4) continually improve effectiveness and the internal operational model.

The Committee indicated that the private sector needs to play a much bigger role in development, since it is the main driver of investment, innovation and jobs. The Committee called on the World Bank, IFC and Multilateral Investment Guarantee Agency (MIGA) to work together to address market and regulatory imperfections, boost policies and institutional capacity, and collaborate on mobilizing private investment for inclusive development and poverty reduction. The Committee emphasized the importance of the WBG's continued efforts to crowd in the resources of the private sector to contribute to stability and growth potential, quality infrastructure and human capital, through supporting health and education systems, enhancing skills and creating local job opportunities. The Committee recognized the importance of having multilateral development banks (MDBs) that can work together in a more systematic manner. It also encouraged the WBG to continue coordination with relevant international institutions to maximize the impact of finance and development. The Committee encouraged the WBG and the IMF to increase their support to governments seeking to enhance mobilization of domestic resources and combat illicit financial flows.

8. Bank for International Settlements (BIS)

The BIS held its annual meeting in Basel, Switzerland, on June 25, 2017. Its 87th Annual Report concluded that the global economy has witnessed recovery and growth during 2016. The faster growth has resulted in unemployment rates declining to pre-crisis levels and inflation rates that have come closer to central bank targets. The 87th Annual Report examines four risks that could threaten the sustainability of the expansion in the medium term: high inflation, financial stress, low levels of consumption and investment, and an increase in protectionism. Thus, the most promising policy strategy is to take advantage of the prevailing tailwinds to build greater economic resilience.

The report also pointed out that the monetary policy remained generally highly accommodative, with nominal and real interest rates kept low and central bank balance sheets remaining large or growing further. The report also indicated that the financial sector is witnessing an improvement, but it faces a challenge of adopting technological innovations, while at the same time for implementing regulatory reforms. Moreover, the report mentioned that economic globalization has contributed to raising living standards and reducing poverty over the past half-century. Together, international trade and finance have enhanced competition and spread technology, driving efficiency gains and aggregate productivity.

9. Financial Stability Board (FSB)

The Financial Stability Board (FSB) Plenary met in Berlin, Germany in February 2018. At the meeting, the FSB reviewed its working plan and the potential themes for the finance track of the Argentine G20 Presidency. The Board is still observing member jurisdictions' implementation of agreed post-crisis reforms. Reports indicated a notable progress in implementing reforms in several areas, which allows room for going further to a stage in which post-implementation evaluation of the effects of the reforms is possible. The Plenary assessed potential vulnerabilities in the financial system. It discussed a number of specific items on the work program, as described below.

– Evaluating the effects of reforms. The Plenary agreed on the need of coordination between the FSB and relevant standard-setting bodies to undertake an evaluation of the effects of reforms on financial intermediation, to be carried out as part of the FSB's framework for post-implementation evaluation of the effects of the G20 financial regulatory reforms. Stakeholders and academics will be engaged early on as part of this process.
– Global systematically important financial institutions. Members discussed the progress of the annual reviews of the lists of global systemically important banks (G-SIBs) and global systemically important insurers (G-SIIs), conducted in consultation with the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS). Members were also updated on progress in the implementation of the third phase of the G-SIBs data collection, focused on granular aggregate data on G-SIBs' exposures and funding.
– Cybersecurity. The Plenary reviewed the results of a stocktake of existing publicly available regulations and supervisory practices with respect to cybersecurity in the financial sector, as well as existing international guidance.
– Addressing misconduct risks. The Plenary discussed progress in the development of a toolkit to strengthen governance frameworks to mitigate misconduct risks. The Plenary approved for publication soon a progress report on reforms to major interest rate benchmarks from the FSB's Official Sector Steering Group set up to coordinate these reforms. The Plenary discussed developments in correspondent banking and remittances.

10. Basel Committee on Banking Supervision (BCBS)

In 2017, the BCBS issued various standards and guidelines, which are briefed as follows:

• Final standard for the revised Pillar 3 disclosure requirements. The requirements will enable market participants to compare banks' disclosures of risk-weighted assets across the industry.
• Regulatory treatment of accounting provisions under IFRS 9, "Financial Instruments" applicable as of 1 January 2018. The treatment allows amortization of the impact of this new standard over a five year period and provides clarification regarding general and collective provisions recognized in Tier 2 regulatory capital.
• Prudential treatment of problem assets. Definitions of non-performing exposures have been issued to ensure harmonization and consistency of treatment across the banking industry.
• Identification and management of step-in risk for various securitisation positions that have been compliant with Basel criteria of STC (Simple, Transparent and Comparable) securitisations.
• Basel III: Finalizing post-crisis reforms applicable from 1 January 2022. A key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets (RWAs) and help restore credibility in the calculation of RWAs. This can be achieved by enhancing the robustness and risk sensitivity of the standardized approaches for credit risk and operational risk, which will facilitate the comparability of banks' capital ratios, and by complementing the risk-weighted capital ratio with a finalized leverage ratio and a revised and robust capital floor.

11. The Group of Twenty (G20)

The G20 Leaders Summit, under the title "Shaping an Interconnected World", was held in Hamburg, Germany, on July 7-8, 2017. The Summit reviewed the importance of global economic growth and trade issues, respecting negotiation principles and differences in opinions, and ensuring trade freedom and integrity. It also reassured the importance of enhancing work on issues related to energy, trade, health, climate, women's empowerment and closer partnership with Africa. A number of leaders and heads of delegations assured participants that the global economy in 2017 is on the right track and is better than last year, calling for the adoption of more social policies that would lead to promoting growth.

They also affirmed the importance of implementing the 2030 Agenda for Sustainable Development; supporting new initiatives to further stimulate the global economy; and enhancing knowledge and cooperation in the areas of training, investment, encouraging innovations, entrepreneurship, artificial intelligence, e-commerce and reforming financial institutions. They also recognized the importance of investment in infrastructure projects, in addition to fighting corruption and tax evasion. Moreover, they noted that protectionism deters global economic growth and competitiveness. Furthermore, they called for liberalizing trade in all areas.

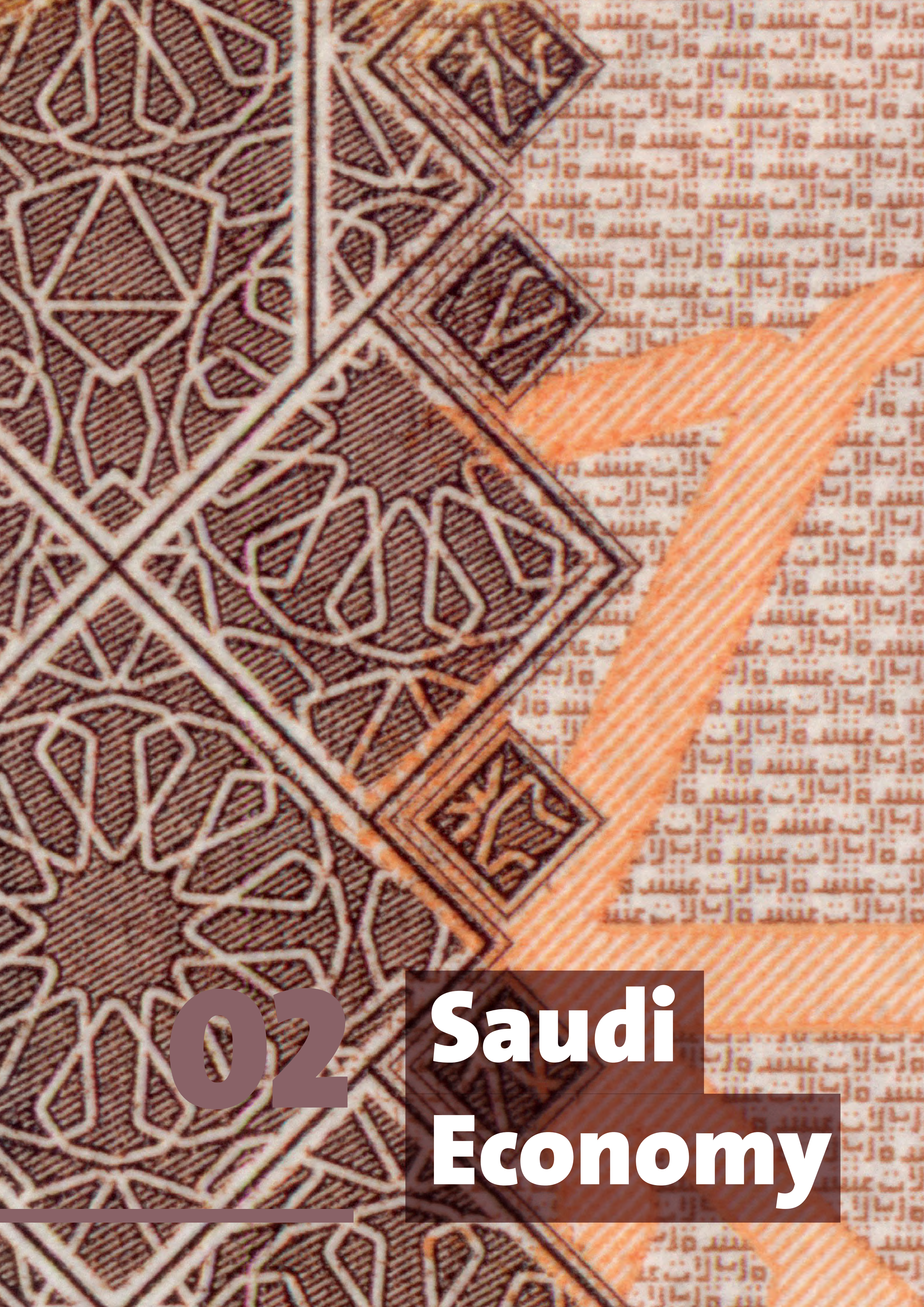
The summit also highlighted the importance of sustainable development related to energy and climate and the importance of respecting commitments relevant to climate change and environment protection. It indicated that there is no contradiction between economic growth and environment protection, taking into account tackling climate change in line with the United Nations Framework Convention on Climate Change (UNFCCC) and as per the circumstances of each country.

Moreover, leaders discussed partnership with Africa, immigration and health issues, and ways to intensify partnership with African countries to better contribute to sustainable economic growth and stability. They also reviewed G20 and regional initiatives to enhance frameworks for sustainable private investment, including investment in infrastructure and renewable energy, through cooperation with interested African countries. The Summit indicated that the African Continent is significant to humanity and should be looked at as a main partner through directing investment to it in order to ensure enhanced economic growth and welfare. Further, it mentioned that the focus, when the Continent is concerned, should not only be on migration issues. Rather, focus should also be on developmental aspects; addressing climate change risks, (including drought); and ensuring political and security stability, in order to create a suitable environment that would eliminate migration motives and the consequent human tragedies. The summit reiterated the need of Africa to build effective partnerships with other countries. It affirmed the importance of enabling African goods and products to access international markets in order to realize economic growth and prosperity. Additionally, the summit stressed the importance of implementing the 2030 Agenda for Sustainable Development.

The summit underlined the issues of digital transformation, women's empowerment and employment. It emphasized the need to exert special efforts to support women's empowerment to contribute to working forces, including by providing technical and technological training. In addition, it stressed the importance of gender equality in wages. This summit also referred to the significance of the global digital economy and the need to allow more room for digital economy via paying more attention to digital learning to develop future workers' skills. The vital role of the Internet in individual lives was emphasized. The Internet is witnessing rapid technological developments, which the G20 member countries should cope with and benefit from in order to raise living standards. Protecting telecommunications networks, promoting their security and ensuring that they are not being illegally used were issues that were also stressed.

12. Organization of the Petroleum Exporting Countries (OPEC)

The 173rd Meeting of the OPEC Conference was held in Vienna, Austria, in November 2017. It discussed a number of topics, including global oil market developments. It also reviewed the oil market outlook for 2018 and discussed production levels and ways of market rebalancing. In addition, it indicated that the market rebalancing has gathered pace since May 2017, with the OECD stock overhang falling to around 140 million barrels (mb) above the five-year average for October of the same year. Moreover, crude in floating storage has also fallen significantly over this period. In spite of this, the conference reiterated that it was vital that stock levels continue to be drawn down to normal levels. In line with the decisions taken at its 171st and 172nd Meetings, the conference decided to amend its production adjustments to take effect for the whole year of 2018 from January to December 2018, while assuring full and timely conformity. In view of the uncertainties associated mainly with supply and to some extent, demand growth, it is intended that further production adjustment will be considered later in 2018, based on prevailing market conditions and the progress achieved toward rebalancing of the oil market at that time. Member countries confirmed their continued focus on a stable and balanced oil market, in the interests of both producers and consumers. The Conference expressed its appreciation to all OPEC Member Countries, as well as non-OPEC countries participating in the 'Declaration of Cooperation', for their commitment to the voluntary production adjustments, as reflected in the unprecedented conformity levels. In addition, the conference welcomed the positive dialogue and technical interactions that have evolved among all parties to further institutionalize the 'Declaration of Cooperation'. This includes recent workshops related to COP 23 and the 2nd OPEC Technical Meeting of OPEC and non-OPEC Producing Countries on 27 November 2017.



02 Saudi Economy

In 2017, the Saudi economy began to undertake a string of economic reforms and programs that have been detailed in Saudi Vision 2030. They revolved around the diversification of income sources in order to reduce reliance on oil as a main source of income and the migration towards a well-diversified economy that drives the private sector towards optimum utilization of available resources. The most prominent of those reforms included: 1) the formation of an anti-corruption committee in Saudi Arabia, chaired by the Crown Prince, which would help boost the confidence of foreign and domestic investors in the Saudi economy; 2) the issuance of visas to foreign investors electronically within a single day so as to encourage foreign investments; and 3) the levying of "sin tax" on goods considered harmful to health and environment, which would reduce the enormous cost to the government and citizens resulting from their harmful effects. In addition, the Saudi government introduced the Citizen Account Program in order to alleviate direct and indirect burdens on Saudi households and some segments of society due to these economic reforms. It is worth noting that the World Bank has emphasized that such program ranks among the world's best approaches to directing support to those who really need it. The National Development Fund was also established with a view to increasing the efficiency of development financing, meeting the expectations of citizens and the private sector, and buttressing sustainability of funds and banks by supporting their lending role. Moreover, the National Authority for Cyber Security was formed to tighten the national security of Saudi Arabia.

In order to meet the objectives of Saudi Vision 2030, the Council of Economic and Development Affairs (CEDA) approved 12 programs in 2017 aimed at moving towards a new course of development and realizing the aspirations of citizens. The following is a list of programs that contribute to the realization of the Vision: Enriching the Hajj and Umrah Experience Program, the National Transformation Program, the Public Investment Fund Program, the National Industrial Development and Logistics Program, the Financial Sector Development Program, the Quality of Life Program, the National Companies Promotion Program, the Strategic Partnerships Program, the Housing Program, the Privatization Program, the Saudi Character Enrichment Program, and the Fiscal Balance Program.

The CEDA also approved an implementation plan for three programs at the onset of 2018 in realization of Vision 2030: 1) the Financial Sector Development Program, which aims at developing a diversified and active financial sector to support the development of the national economy, drive savings, finance and investment, and increase the efficiency of the financial sector in a manner that enhances its ability to address the challenges faced by the Saudi financial sector; 2) the Quality of Life Program, which aims at improving the lifestyle of individuals by establishing an environment that supports and introduces new options, raising the level of citizens' and residents' participation in cultural, recreational and sport activities, and encouraging other attitudes that help enhance the quality of life for individuals and households, create jobs, diversify economic activities, and raise the ranking of Saudi cities in the global ranking of cities; and 3) the Privatization Program, which endeavors to enhance the performance of the Saudi economy, improve the services provided, making them available for as many as possible, increase job opportunities for the national labor force, attract the latest technologies and innovations, and support economic development through the engagement of qualified service providers.

Saudi
Economy

Table 2.1:
Gross Domestic Product by Economic Sector at Producers' Values at Constant Prices (2010=100)
(Million SAR)

	2015	2016	2017*	% change 2017
A. Industries and other producers (excluding government services' producers)				
1. Agriculture, forestry & fishing	59,744	60,122	60,422	0.50
2. Mining & quarrying	1,018,485	1,046,785	1,010,104	-3.50
a. Crude oil & natural gas	1,008,782	1,037,257	1,000,160	-3.58
b. Other mining & quarrying activities	9,703	9,527	9,944	4.37
3. Manufacturing industries	298,442	307,987	311,982	1.30
a. Oil refining	83,547	94,610	96,533	2.03
b. Other industries	214,895	213,377	215,449	0.97
4. Electricity, gas & water	32,928	33,688	34,132	1.32
5. Construction and building	125,184	121,203	117,259	-3.25
6. Wholesale and retail trade, and restaurants and hotels	231,744	228,074	229,378	0.57
7. Transport, storage & communication	144,519	148,467	151,789	2.24
8. Finance, insurance, real estate and business services	230,836	237,143	246,818	4.08
a. Home ownership	123,490	127,227	131,461	3.33
b. Others	107,346	109,917	115,357	4.95
9. Community, social & personal services	48,812	49,648	50,323	1.36
10. Less calculated banking services	20,531	20,709	20,973	1.27
B. Government services' producers	**353,949**	**354,519**	**355,600**	**0.31**
Total (excluding import duties)	**2,524,111**	**2,566,928**	**2,546,834**	**-0.78**
Import duties	21,125	20,830	18,757	-9.95
GDP	**2,545,236**	**2,587,758**	**2,565,591**	**-0.86**

* Preliminary data.

Source: GaStat

Economic Growth

Data on gross domestic product (GDP) at constant prices indicates that the economy recorded a negative growth of 0.86 percent to SAR 2,565.6 billion in 2017 compared to a positive growth of 1.67 percent in 2016. This was the result of a decline of 3.09 percent in the oil sector GDP to SAR 1,103.2 billion due to the curtailment of oil production in Saudi Arabia in implementation of the joint supply reduction agreed upon by a number of oil producers. However, the non-oil sector GDP recorded a positive growth of 1.05 percent to SAR 1,443.7 billion. The growth rate of the non-oil private sector GDP was 1.20 percent, rising to SAR 1,012.2 billion, and the non-oil government sector GDP grew by 0.70 percent to SAR 431.4 billion.

Most major economic production activities at constant prices grew at varied rates in 2017 (Table 2.1). Manufacturing industries grew by 1.3 percent; finance, insurance, real estate & business services by 4.08 percent; transport, storage & communications by 2.24 percent; electricity, gas & water by 1.32 percent; community, social & personal services by 1.36 percent; agriculture, forestry & fishing by 0.5 percent; and the activity of government services' producers by 0.31 percent over the preceding year. Wholesale & retail trade and restaurants & hotels also went up by 0.57 percent. On the other hand, both mining & quarrying and construction & building recorded negative growth rates of 3.5 percent and 3.25 percent, respectively.

Table 2.2:
Selected Economic Indicators

	2016	2017
Estimated population (million)	31.8	32.6
GDP at current prices (billion riyals)	2,418.5	2,575.3
GDP at constant prices (billion riyals) (2010=100)	2,587.8	2,565.6
Non-oil GDP deflator	125.8	126.0
Inflation rate (consumer prices)	2.1	-0.9
Aggregate money supply M3 (billion riyals)	1,787.4	1,791.1
Daily average of oil production (million barrel)	10.46	9.95
Average price of Arabian Light oil* (US$)	40.96	52.59
Riyal's effective exchange rate (2010=100)	123.2	122.2
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 riyals)	145.7	147.9
Interest rates on Saudi riyal deposits (3 months)**	2.1	1.8
Bank capital adequacy ratio (Basel II)	19.5	20.4
Actual government revenues (billion riyals)	519.4	691.5
Oil revenues (billion riyals)	333.7	435.9
Actual government expenditures (billion riyals)	830.5	930.0
Budget deficit (billion riyals)	-311.1	-238.5
Budget deficit to GDP ratio	-12.9	-9.3
Commodity Exports (billion riyals)***	688.4	831.9
Commodity imports CIF (billion riyals)	525.6	504.4
Current account surplus to GDP ratio	-3.7	2.2
Current account (billion riyals)	-89.4	57.1
Tadawul All Share Index (TASI) (1985 = 1,000)	7,210.4	7,226.3
Public debt to GDP ratio	13.1	17.2

* OPEC numbers. ** Interbank offered rates (SAIBOR). *** Including oil and non-oil exports.

Source: GaStat; Ministry of Finance; Ministry of Energy, Industry and Mineral Resources; CMA; and SAMA.

Domestic Supply and Demand

The total supply of goods and services to the non-oil sector (at current prices) recorded an increase of 0.03 percent in 2017. The primary reason for this negligible growth was a decline in total imports by 4.03 percent. In contrast, the domestic non-oil sector GDP output (at current prices) increased by 1.21 percent. The government sector non-oil GDP grew by 1.12 percent, and that of the private sector expanded by 1.26 percent.

The demand for goods and services by the non-oil sector (at current prices) recorded an increase of 0.84 percent in 2017; the government sector's final consumption expenditures increased by 1.02 percent and the private sector's final consumption spending grew by 2.72 percent. Gross investment expenditures (gross capital formation) declined by 5.08 percent, while non-oil exports rose by 7.70 percent (Table 2.3).

Energy, Industry and Mineral Resources

Data of the Organization of Petroleum Exporting Countries (OPEC) for 2017 shows an increase in the average price of the Arabian Light crude oil by 28.4 percent to $52.59 per barrel from $40.96 per barrel in 2016. According to the Ministry of Energy, Industry and Mineral Resources (MEIM) data, Saudi Arabia's average daily production of crude oil declined by 4.9 percent to 9.95 million barrels in 2017 compared to 10.46 million barrels in 2016 (Table 2.2).

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

	2015	2016	2017*	% change in 2017
Total supply**	**2,422,880**	**2,322,789**	**2,323,430**	**0.03**
Non-oil GDP	1,767,847	1,797,153	1,818,983	1.21
Government consumption	554,305	569,619	576,013	1.12
Private consumption	1,213,542	1,227,534	1,242,970	1.26
Total imports	655,033	525,637	504,447	-4.03
Total demand	**2,700,360**	**2,532,216**	**2,553,431**	**0.84**
Final consumption	1,724,946	1,660,089	1,694,622	2.08
Government consumption	736,139	624,632	630,978	1.02
Private consumption	988,807	1,035,457	1,063,644	2.72
Gross capital formation	**732,432**	**629,736**	**597,751**	**-5.08**
Non-oil exports	**244,178**	**242,391**	**261,057**	**7.70**
Commodity exports	189,901	177,694	193,479	8.88
Service exports	54,277	64,697	67,578	4.45

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

Source: GaStat

With reference to electricity, the Saudi Electricity Company (SEC)'s sales of electricity during 2017 increased by 0.3 percent to 288.7 million MWh. Residential consumption accounted for 49.6 percent (143.1 million MWh) of total electricity consumption in Saudi Arabia, followed by commercial consumption with 16.7 percent (48.3 million MWh). Industrial consumption came third with 16.4 percent (47.2 million MWh), followed by government consumption with 13.3 percent (38.4 million MWh).

As for industry, manufacturing industries contributed 12.16 percent (SAR 312 billion) of total real GDP in 2017 compared to 11.9 percent in the preceding year. The latest data from the Saudi Industrial Property Authority (MODON) shows that the number of industrial, service and logistic contracts in 2017 increased by 1.4 percent to 6,161 over the preceding year.

In 2017, the MEIM issued industrial licenses for 593 new factories in various industrial activities with a total capital of SAR 14.5 billion, creating approximately 59 thousand new jobs. A breakdown of licenses for new projects by industrial activity and total capital in 2017 indicates that 140 licenses were issued for manufactured metals activity (excluding machinery and equipment) with a total capital of SAR 1.8 billion, constituting 12.5 percent of total capital of licenses. Moreover, 97 licenses for the manufacturing of rubber and plastic products were issued with a total capital of SAR 1.2 billion, constituting 8 percent of total capital of industrial licenses issued.

At the end of 2017, the total cumulative number of industrial units in Saudi Arabia licensed by MEIM rose to 7,930 with a total capital of SAR 1.1 trillion, providing over one million jobs. A breakdown of the producing industrial units by type of activity and total capital indicates that the total capital for chemical materials and products manufacturing activities for 771 industrial units amounted to SAR 577.7 billion or 51.2 percent of total capital of the existing units in Saudi Arabia, followed by the industry of coke and refined oil products for 153 industrial units with SAR 104.4 billion or 9.3 percent of total capital of industrial units.

Money Supply and Banking Activity

The broad money supply (M3) increased by 0.2 percent to SAR 1,791.1 billion in 2017 compared to an increase of 0.8 percent to SAR 1,787.4 billion in the preceding year. Currency in circulation rose by 1.0 percent, while time and savings deposits declined by 8.9 percent. Other quasi-monetary deposits increased by 13.1 percent, and demand deposits by 2.7 percent compared to 2016.

Commercial banks' total assets increased by 2.2 percent to SAR 2,305.8 billion at end-2017 compared to SAR 2,256.3 billion at the end of the preceding year. Bank deposits grew by 0.1 percent to SAR 1,619.1 billion. Capital and reserves of commercial banks increased by 6.3 percent to SAR 317.6 billion, and profits by 8.2 percent to SAR 43.7 billion. Bank credit extended to the private and public sectors, however, decreased by 1.0 percent to SAR 1,386.5 billion. The average capital adequacy ratio (Basel Standard) stood at 20.4 percent at the end of 2017 compared to 19.5 percent at the end of the preceding year.

Table 2.4:
Direct Jobs in Tourism Sector

Sub-sector	2016	2017**
Accommodation	129,555	137,458
Restaurants and cafés	442,132	469,103
Travel & tourism agencies	41,461	43,990
Tourist transportation services*	172,065	182,561
Entertainment services	151,545	160,790
Total	**936,758**	**993,901**
Saudization (%)	**28.1**	**28.5**

* Including airlines, railways, mass transit companies and car rental companies, excluding taxis. ** Estimates.

Source: MAS Center, Saudi Commission for Tourism and National Heritage.

Insurance Sector

The insurance penetration rate (gross written premiums to GDP) in Saudi Arabia stood at 1.4 percent in 2017, down from 1.5 percent in the preceding year. Net written premiums (gross written premiums less the share of reinsurance) amounted to SAR 30.8 billion, constituting 84.5 percent of gross written premiums compared to 83.7 percent in the preceding year.

Domestic Stock Market

The Tadawul All Share Index (TASI) registered an annual rise of 0.2 percent to 7,226.3 at end-2017. The market capitalization went up by 0.5 percent to SAR 1,689.6 billion at end-2017 from SAR 1,682 billion at the end of the preceding year. However, the number of shares traded in 2017 decreased by 35.1 percent to 44.0 billion with a value of SAR 836.3 billion.

Public Finance

In order to raise the level of financial transparency and disclosure as well as that of fiscal governance, the Ministry of Finance commenced the issuance of quarterly budget performance reports in 2017. Actual revenue and expenditure data for fiscal year 1438/1439 (2017) indicates that actual revenues rose by 33.1 percent to SAR 691.5 billion, compared to SAR 519.4 billion in the preceding year, and that actual expenditures rose by 12 percent to SAR 930.0 billion, compared to SAR 830.5 billion in the preceding year. The actual deficit declined by 23.3 percent to SAR 238.5 billion as compared to SAR 311.1 billion in 2016.

Current Account and External Trade

Estimates of Saudi Arabia's balance of payments indicate that the current account improved in 2017, recording a surplus of SAR 57.1 billion or 2.2 percent of GDP. Preliminary figures for external trade indicate a rise of 10.1 percent in the volume of Saudi Arabia's merchandise trade to SAR 1,336.3 billion in 2017 compared to the preceding year. This is attributed to a hike in the value of total exports by 20.8 percent to SAR 831.9 billion, while the value of total imports declined by 4.0 percent to SAR 504.4 billion.

Trade and Investment

The commerce sector continued to record positive growth rates. In 2017, the Ministry of Commerce and Investment (MCI) issued commercial registrations for 13,102 various new companies, a rise of 6.2 percent from 12,341 in 2016.

The number of commercial registrations in force reached 141 thousand at the end of 2017 from all regions of Saudi Arabia. Riyadh region accounted for the largest share with 40 percent of the total number, followed by Makkah region with 26 percent, and the Eastern Region with 20 percent. As for foreign investment, the number of companies licensed by the Saudi Arabian General Investment Authority (SAGIA) reached 7,911 (with total capital of SAR 668.3 billion) at the end of 2017; with 5,360 licenses granted in the services sector, 1,987 in the industrial sector, and 173 in the commercial sector.

Tourism

Preliminary data of the Saudi Commission for Tourism and National Heritage (SCTH) indicates that tourism GDP rose by 3.6 percent to SAR 97.5 billion in 2017 compared to that of the preceding year, constituting 4.9 percent of non-oil GDP (gross value-added) as estimated for 2017.

Expenditure on domestic tourism trips declined by 13.6 percent to SAR 47.9 billion in 2017 compared to SAR 55.4 billion in 2016. This is due to a decline in expenditure on shopping and vacations by 19 percent; on visits to family and friends by 14 percent; on religious activities by 7 percent; on other activities by 9.5 percent; and on business by 1 percent, as compared to the preceding year.

Expenditure on inbound tourism trips increased by 4.7 percent to SAR 97.8 billion in 2017 from SAR 93.4 billion in the preceding year. On the other hand, expenditure on outbound tourism trips decreased by 20 percent to SAR 78 billion during 2017 versus SAR 97 billion in 2016.

Moreover, the number of hotels of various classes operating in Saudi Arabia rose to 2,231 at end-2017. The number of furnished housing units stood at 4,868 in all cities of Saudi Arabia in 2017. Riyadh region accounted for the largest share of 28.3 percent (1,379 units), followed by Makkah region with 22.5 percent (1,094 units).

Table 2.5:
Expected Job Opportunities in Tourism
(Thousand)

	2023	2028
Direct jobs	1,418	1,906
Indirect jobs	709	953
Total	**2,127**	**2,859**

Source: MAS Center, Saudi Commission for Tourism and National Heritage.

The SCTH estimates indicate that the number of direct jobs in key tourism sectors in Saudi Arabia rose by 6.1 percent to 993.9 thousand in 2017, compared to 936.8 thousand in the preceding year in all tourism sub-sectors (Table 2.4). The Saudization percentage in these jobs reached 28.5 percent during 2017, compared to 28.1 percent in the preceding year.

In addition, the SCTH estimates indicate that the tourism sector is capable of providing an increasing number of direct job opportunities in its sub-sectors, indirect job opportunities induced by the tourism activity in other economic sectors interrelated with the tourism sector, and job opportunities that can be introduced in subsequent periods as a result of the economic spending cycle in all sectors related to tourism development. The tourism sector is expected to create nearly 1.6 million direct and indirect jobs in 2018, 2.1 million in 2023, and 2.9 million in 2028 (Table 2.5).

Agriculture, Water and Animal Husbandry

Water

According to the latest available data, the government has established 29 water desalination plants spread over the eastern and western coasts of Saudi Arabia. During 2016, the production of desalinated water by the Saline Water Conversion Corporation (SWCC) was 1,377.1 million cubic meters versus 1,292.2 million cubic meters in the preceding year, with an average daily production of 3,762.5 thousand cubic meters compared to 3,540.1 thousand cubic meters per day in the preceding year. The amount of electric energy produced at SWCC's plants in the year 1437/1438 (2016) reached 42 million MWh.

The Ministry of Environment, Water and Agriculture (MEWA) data indicate that the volume of drinking water consumption in Saudi regions from all sources (desalination, groundwater) reached 3 billion cubic meters in 2017. Riyadh region accounted for 34 percent, followed by Makkah region with 24 percent, and then the Eastern Region with 22 percent. At the end of 2017, the number of dams (underground, concrete, embankment) constructed across Saudi Arabia remained unchanged from that of the preceding year, standing at 508 with total storage capacity of 2.25 billion cubic meters. The number of operating wastewater treatment plants at the end of 2017 was 92, also unchanged from that of the preceding year. The length of wastewater pipe networks reached a total of 40.9 thousand kilometers. In addition, the total number of sanitary sewer connections for homes reached 1.3 million, the same as that of the preceding year.

Agricultural Production

According to latest estimates issued by the General Authority for Statistics (GaStat) for 2016, agricultural production volume stood at 15.9 million tons. A breakdown of agricultural production shows that production of fodder reached 10.8 million tons; vegetables 1.9 million tons; grain 1.8 million tons; and fruits 1.4 million tons. The cultivation area of fodder amounted to 501.2 thousand hectares (47.8 percent of total cultivation area in Saudi Arabia), followed by the cultivation area of grain with 321.2 thousand hectares (30.7 percent); fruits with 145.2 thousand hectares (13.9 percent); and vegetables with 80.1 thousand hectares (7.6 percent).

According to the latest data issued by GaStat and MEWA, the number of fruit-bearing palm trees in Saudi Arabia was 22.7 million at the end of 2015. Moreover, Saudi Arabia's date exports fell by 7.3 percent to 127.5 thousand tons in 2015 compared to 136.8 thousand tons in the preceding year.

Table 2.6:
Transport of Passengers and Cargo Operations by Type

	2016	2017
Type of transport	No. of passengers (million)	No. of passengers (million)
Air transport	85.3	91.8
Land transport	7.8	9.8
Railway	1.3	1.5
Inter-city transport	6.2	5.4
International transport	0.3	---
Maritime transport	1.2	1.3
Total	**94.4**	**103.0**

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

Animal Production

According to the latest statistics issued by GaStat, Saudi Arabia's livestock total (camels, sheep, goats, cows, poultry) was estimated at 65.6 million in 2016. The latest statistics issued by MEWA on dairy production indicate that the production by dairy companies amounted to 2,155 thousand tons in 2015.

Transport and Communications

The transport, storage and communications activity contributed 5.92 percent of real GDP or SAR 151.9 billion in 2017 compared to 5.74 percent in the preceding year. Its contribution to GDP at current prices stood at 6.4 percent or SAR 165.1 billion in 2017 compared to 6.6 percent in the preceding year.

Transport

Transport operations (including inter-city travel in Saudi Arabia and overseas travel by air, land and sea) recorded a rise of 9.1 percent during 2017 against a rise of 3.5 percent in the preceding year. The number of passengers rose to 103 million from 94.4 million in the preceding year, increasing by 8.6 million. (Table 2.6).

The Ministry of Transport (MoT) conducted many significant projects during 2017, including the construction of roads totaling 3,220 km; 176.5 km of these were highways, 815 km were two-way, 1,580.5 km were one-way, and 33.5 km were existing two-way roads in addition to 35 intersections and one tunnel. Given the importance of improving the level of services provided to road users and the significant and tangible impact operational projects have on infrastructure, the MoT has inspected and assessed 3,974 bridges, renovated 15 bridges, and constructed new dirt/gravel roads with a total length of 980 km.

According to data and information issued by the High Commission for the Development of Riyadh for 2017, the completion percentage of the Riyadh Metro Project reached 68 percent, which is in line with the project execution timeline. Work is underway on all 6 lines of the metro network in more than 250 locations in different parts of the city, totaling 176 kilometers with 85 stations.

As for railways, the latest data and information issued by the Public Investment Fund (PIF) indicate that the North-South Railway Project has commenced transporting phosphate since May 2011; Bauxite since May 2014; molten sulfur since May 2017; and phosphoric acid since June 2017. The total volume of minerals transported since 2011 through the end of 2017 reached 27 million tons. The volume transported by train wagons is equivalent to the capacity of 28 to 30 thousand trucks monthly. Moreover, the Saudi Railway Company (SAR) launched a commercial transportation service for passengers traveling through trains connecting stations in Riyadh, Al-Majma'ah, Al-Qassim and Ha'il in 2017, and the number of passengers reached 183 thousand. The length of railways owned by SAR extends to 4,975 km, 750 km of these railways belong to the North-South Railway; 733 km to the Dammam-Riyadh Railway; and 450 km to the two-way Haramain High-Speed Rail connecting Makkah with Madinah.

According to the latest data and information issued by the General Authority of Civil Aviation (GACA), the number of airports operating in Saudi Arabia is 27 (4 international airports, 10 regional airports, and 13 domestic airports). As for King Abdulaziz International Airport Expansion Project in Jeddah, it is expected to be completed with the first phase being fully operational in 2018; the completion percentage at end-2017 reached 88 percent. Furthermore, there are 5 licensed national airlines, namely: Saudi Arabian Airlines, Flynas, SaudiGulf Airlines, Nesma Airlines, and Flyadeal (licensed in 2017).

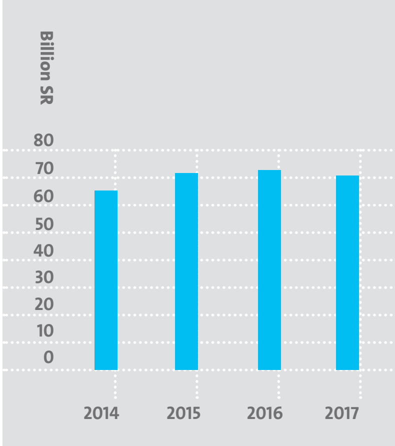
Table 2.7:
Communication Services by Regions for 2017*
(Thousand)

	Fixed telecommunication subscriptions	Broadband subscriptions (Fixed telecommunication)
Region	Total subscriptions	Total subscriptions
Riyadh	1,040	639
Makkah	970	297
Madinah	130	65
Qassim	156	36
Eastern Region	753	359
Asir	203	181
Tabuk	63	67
Hail	42	71
Northern Borders Region	19	37
Jazan	52	24
Najran	29	26
Baha	35	60
Jawf	25	25
Total	**3,517**	**1,886**

* Estimates and analysis of the Communications and Information Technology Commission for 2017.

Source: Communications and Information Technology Commission.

Chart 2.1:
Telecommunication Service Sector's Revenue



Source: Communications and Information Technology Commission.

Telecommunication & Information Technology

The preceding year marked the establishment of both the National Digitization Committee and the National Digitization Unit under the Ministry of Communications and Information Technology in order to realize Saudi Vision 2030. The most prominent achievements include: 1) developing a digital government system along with the services provided to Saudi government agencies by launching the 'Digital Government 2020' project, which conforms to international standards and supports endeavors aimed at improving Saudi Arabia's ranking in the UN E-Government Development Index; 2) improving user experience and e-service efficiency through enhancing the National Portal for e-services and making it an integrated portal for all governmental services while being complemented by sectoral platforms; and 3) launching the "FikraTech" platform, which involves the participation of the public in gathering ideas and projects in order to solve challenges through digital solutions.

The number of working landline telephones in Saudi Arabia stood at 3.5 million at the end of 2017, 1.9 million of which (52 percent) are residential, with the ratio of penetration to homes reaching 31.6 percent. The number of subscribers to mobile communication services reached 40.2 million at the end of 2017, with the penetration to population declining to 126.7 percent. Prepaid subscriptions constituted the bulk of subscriptions, accounting for over 74.8 percent.

The number of broadband subscriptions through landlines (DSL, WiMAX, optical fiber and other wire lines) reached 2.5 million at the end of 2017, with a penetration ratio for houses reaching 33.6 percent. The total number of subscriptions to broadband services through mobile networks was 29.7 million at the end of 2017, with the penetration to population standing at 93.5 percent (Table 2.7).

The penetration ratio of the Internet in Saudi Arabia grew significantly during the past years from 64 percent at the end of 2014 to 82 percent at the end of 2017. In addition, the number of Internet users in Saudi Arabia is estimated at 26 million. The recent increase in Internet and broadband penetration ratio is attributable to the increased use of and engagement in social media, on-demand contents and online games.

Telecommunication companies' direct revenues from their operations in Saudi Arabia totaled SAR 71 billion during 2017, recording a decrease of 3.7 percent from the preceding year. Expenditure on telecommunication and information technology in Saudi Arabia reached SAR 136 billion in 2017, growing by 4.6 percent over 2016 and with expenditure on telecommunication accounting for 65 percent of the total (Chart 2.1).

Saudi Post

The total number of post offices in Saudi Arabia reached 590 at the end of 2017, while the number of postal agencies reached 56, with the total number of mailboxes standing at 623.5 thousand. Moreover, the total number of subscribers to the National Address service for individuals reached 2.5 million, while that of subscribers to the National Address service for the business sector reached 1.2 million. The Saudi Post aims to make a transition to a business-based work by segregating authority between operation and regulation of the post market, establishing a competitive market that promotes creativity, boosting productivity, reducing costs, and contributing to Saudi Arabia's non-oil revenues through the establishment of the Post Commission, Post Holding Company and subsidiaries. Additionally, new products have been introduced, such as the government email service "Mawthouq" and other e-services like "Makani" service as well as post station services.

Education, Health and Social Services

Public Education

The total number of public education students (male and female) amounted to 5.85 million during the academic year 2016/2017. The number of teachers (male and female) at all levels of public education (including kindergarten, elementary, intermediate and secondary schools; adult education; and special education) totaled 512.5 thousand. The number of schools stood at 36.3 thousand, 19.6 thousand of which are schools for girls, accounting for 54 percent of the total.

Higher Education

The total number of students registered in higher education institutions in Saudi Arabia during the academic year 2016/2017 stood at 1.7 million. The number of newly-enrolled students at various institutions of higher education totaled 423.3 thousand. Of these, 309.5 thousand were at the bachelor level (73.1 percent of the total number of newly-enrolled students). Male freshmen students constituted 56.1 percent, while their female counterparts accounted for 43.9 percent. In addition, the total number of graduates from all levels of higher education in Saudi Arabia stood at 219.1 thousand in the academic year 2016/2017. Of which, 116.4 thousand were female graduates, representing 53.1 percent. The number of teaching staff at higher education institutions in Saudi Arabia during the academic year 2016/2017 totaled 83.9 thousand, while the number of universities at the end of the same academic year stood at 38 (28 public universities and 10 private universities with 571 colleges and 42 independent colleges). The number of male and female students studying abroad during the academic year 2016/2017 totaled 139.9 thousand. Students on government scholarship programs accounted for 83.2 percent, while the remaining percentage were studying at their own expense.

Technical, Vocational and Administrative Training

The number of trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 181.4 thousand during the academic year 2016/2017, receiving their education and training in 209 colleges and institutes. The total number of teaching staff at TVTC stood at 10.7 thousand, and the number of trainees (male and female) under private training programs supervised by TVTC totaled 224.9 thousand in the same academic year.

The Institute of Public Administration (IPA) continued its training programs that aim at elevating the professional level of government employees in Saudi Arabia. In 2016/2017, the IPA organized a number of general and customized training courses and established a business center. It also held applied seminars, symposia, meetings and conferences at its head office in Riyadh; its branches in Dammam, Jeddah, and Abha; and in its two female branches in Riyadh and Dammam. The number of participants and trainees in such activities came to 79.9 thousand, and the number of graduates from preparatory programs totaled 1,078. The number of training staff at the IPA totaled 884. Among whom, 715 were Saudis representing 80.9 percent of the total training staff.

Health Affairs

Data issued by the Ministry of Health (MoH) in 2017 indicates that the number of hospitals operating in Saudi Arabia rose to 475, increasing by 5 over the preceding year. Of these, 282 are run by the Ministry of Health, 44 by other government sectors, and 149 by the private sector. The number of private polyclinic centers in Saudi Arabia totaled 2,644 in 2017 compared to 2,754 in 2016. The number of physicians (including dentists) working in Saudi Arabia stood at 97.7 thousand (3 per 1,000 people). The total number of beds in Saudi Arabia's hospitals rose to 72.6 thousand (2.23 per 1,000 people).

Social Services

The Social Charity Fund of the Ministry of Labor and Social Development (MLSD), which aims to reduce poverty in Saudi Arabia and enable citizens to work productively and provide for themselves and their families, made many achievements in 2017. The most important of these include:

- Educational scholarship programs with an allocation of SAR 401.3 million, from which SAR 147.4 million was disbursed during the preceding year; and
- Training, employment and qualification programs with an allocation of SAR 95.13 million, from which SAR 41.7 million was disbursed in the preceding year.

Citizen Account

The Saudi government introduced the Citizen Account Program in the final quarter of 2017 with the aim of redistributing financial support and meeting the citizens' need for government benefits in a manner that ensures high efficiency, reduces effects of reforms, and increases efficiency of government subsidies. The program is also aimed to encourage rationalization of consumption and provide a safety net for eligible households as well as cash support based on household size. The results of eligibility for the first round which were issued by the MLSD show that the total number of beneficiaries (along with dependents) reached 10.6 million supported by a total of SAR 2 billion. Fifty percent of these beneficiaries received a full allowance, while 25 percent received partial support and 8 percent the minimum support (SAR 300).

Housing

The Ministry of Housing has developed a strategy aimed primarily at increasing the home ownership rate among citizens. The strategy is based on two pillars: supporting supply and enabling demand. The number of housing units completed during 1438 reached 23 thousand. Riyadh region accounted for the largest share of 32.6 percent, followed by Makkah with 28.9 percent and then the Eastern Region with 24 percent. The number of housing units to be completed during the period 1439-1441H is expected to reach 84 thousand.

Table 2.8:
Selected Indicators for Population and Labor Force

Area		2016 Male	2016 Female	2016 Total	2017 Male	2017 Female	2017 Total
Population	Saudis	10,231,364	9,850,218	20,081,582	10,404,865	10,022,711	20,427,576
	Non-Saudis	8,028,355	3,677,643	11,705,998	8,341,557	3,843,713	12,185,270
	Total	**18,259,719**	**13,527,861**	**31,787,580**	**18,746,422**	**13,866,424**	**32,612,846**
Births	Total	278,529	253,918	532,447	254,511	233,619	488,130
Mortality	Total	48,464	29,539	78,003	49,441	30,090	79,531
Employees	Saudis	1,965,209	1,021,930	2,987,139	1,990,195	1,082,202	3,072,397
	Non-Saudis	8,860,348	241,909	9,102,257	8,121,594	251,066	8,372,660
	Total	**10,825,557**	**1,263,839**	**12,089,396**	**10,111,789**	**1,333,268**	**11,445,057**
Unemployment rate (%)	Saudis	5.4	33.7	11.6	7.4	33.1	12.8
	Non-Saudis	0.4	2.3	0.6	0.7	3.3	0.9
	Total	**2.5**	**21.1**	**5.6**	**3.3**	**22.9**	**6.0**
Government sector employees	Saudis	703,671	474,153	1,177,824	697,123	476,347	1,173,470
	Non-Saudis	33,895	33,092	66,987	29,618	30,768	60,386
	Total	**737,566**	**507,245**	**1,244,811**	**726,741**	**507,115**	**1,233,856**
Private sector employees	Saudis	1,261,538	547,777	1,809,315	1,293,072	605,855	1,898,927
	Non-Saudis	8,826,453	208,817	9,035,270	8,091,976	220,298	8,312,274
	Total	**10,087,991**	**756,594**	**10,844,585**	**9,385,048**	**826,153**	**10,211,201**
Banking sector employees	**Total**	**42,651**	**6,684**	**49,335**	**42,312**	**6,808**	**49,120**

Source: GaStat, MCS, MLSD, SAMA.

Pension and Social Insurance

The number of subscribers to the civil pension scheme of the Public Pension Agency (PPA) decreased by 0.8 percent to 1.17 million in 2017 compared to 1.18 million in the preceding year. The funds (deductions and equivalent shares) collected from on-the-job subscribers declined to SAR 45 billion from SAR 50.2 billion in the preceding year. Total disbursements by the PPA to beneficiaries amounted to SAR 67.3 billion, rising by 2.08 percent over the preceding fiscal year. The number of surviving pensioners increased by 8.2 percent to 614.9 thousand. The number of deceased pensioners rose by 3.6 percent to 220.9 thousand and that of heirs benefiting from pension payments by 5.2 percent to 482.1 thousand.

Further, the number of private establishments subscribing to the social insurance scheme, the General Organization for Social Insurance (GOSI), declined by 0.7 percent to 452.7 thousand and that of government establishments by 5.9 percent to 1,235. The number of subscribers covered by the social insurance scheme went up by 4.3 percent to 27.1 million in 2017 from 26 million in the preceding year. The number of on-the-job subscribers decreased by 4.5 percent to 9.92 million from 10.39 million in the preceding year.

Population

Estimates of the GaStat indicate that the total population of Saudi Arabia in mid-2017 rose by 2.6 percent to 32.6 million compared to 31.8 million in mid-2016. Saudis constituted 62.6 percent (20.4 million) of the total.

Mid-2017 estimates of Saudi Arabia's population by gender indicate that the male population accounted for 57.5 percent while the female population represented 42.5 percent of total population. The Saudi male population represented 50.9 percent while Saudi females constituted 49.1 percent of total Saudis. Non-Saudi male population accounted for 68.5 percent and non-Saudi female population 31.5 percent of total non-Saudi population of Saudi Arabia (Table 2.8).

A breakdown of Saudi Arabia's population by administrative regions in mid-2017 indicates that Makkah region ranked first with 8.6 million (26.3 percent), followed by Riyadh region in the second place with 8.2 million (25.2 percent). The Eastern Region came third with 4.9 million (15.1 percent), whereas the Northern Borders Region came last with 0.4 million or 1.1 percent of Saudi Arabia's total population.

Government Labor Force

The latest statistics issued by the Ministry of Civil Service indicate that the number of government employees (Saudis and non-Saudis) stood at 1.23 million at the end of 2017, decreasing by 0.8 percent from the preceding year. Saudis represented 95.1 percent of total government employees.

As for the gender of Saudi government employees, the number of Saudi male employees stood at 697 thousand at the end of 2017, declining by 0.95 percent, while that of Saudi female employees reached 476 thousand, increasing by 0.4 percent over the preceding year.

The number of non-Saudi male government employees amounted to 29.6 thousand at the end of 2017, decreasing by 12.7 percent, while that of non-Saudi female government employees was 30.8 thousand, declining by 7.3 percent from the preceding year (Table 2.8).

Labor Market

The latest figures issued by the MLSD show that the number of employees in the private sector (Saudis and non-Saudis) totaled 10.2 million at the end of 2017, decreasing by 5.8 percent from the preceding year, and the ratio of Saudis working in the private sector to total employees in the sector stood at 18.6 percent.

A breakdown of employees in the private sector shows that the number of Saudi male employees amounted to 1.3 million at the end of 2017, rising by 2.5 percent, while that of Saudi female employees reached 0.6 million, increasing by 10.6 percent over the preceding year. The number of non-Saudi male employees at the end of 2017 stood at 8.1 million, decreasing by 8.3 percent, and that of non-Saudi female employees was 0.2 million, rising by 5.5 percent over the preceding year (Table 2.8).

The total number of Saudi job seekers reached 579.1 thousand at the end of 2017, with females constituting 84.3 percent. By administrative regions, the majority of job seekers are concentrated in Riyadh, Makkah and the Eastern Regions, accounting for 19.8 percent, 19.7 percent and 14.5 percent, respectively.

Unemployment

The latest GaStat data indicate that the unemployment rate in Saudi Arabia rose to 6 percent of total labor force in 2017 from 5.6 percent in 2016, with the number of unemployed Saudis accounting for 12.8 percent of the total Saudi labor force. Unemployed Saudi males accounted for 7.4 percent of the total Saudi male labor force, unemployed Saudi females 33.1 percent of the total Saudi female labor force, and unemployed non-Saudis 0.9 percent of the total non-Saudi labor force in Saudi Arabia.

Specialized Credit Institutions (SCIs)

SCIs continued to provide loans that contribute to the achievement of the development objectives in Saudi Arabia. Total loans disbursed by SCIs (excluding the PIF) since their inception up to the end of 2017 reached SAR 346.9 billion. Actual loan disbursements in 2017 totaled SAR 18.4 billion, decreasing by 28.7 percent compared to SAR 25.8 billion in the preceding year. Total loan repayments amounted to SAR 20 billion, decreasing by 6.7 percent over the preceding year. The balance of outstanding loans went down by 1.2 percent at the end of 2017 to SAR 237 billion compared to the end of the preceding year.

Saudi Industrial Development Fund (SIDF)

Loan disbursements approved by the SIDF amounted to SAR 10.6 billion in 2017, increasing by 68.3 percent over the preceding year. Loan repayments stood at SAR 4.3 billion, declining by 0.9 percent from the preceding year. Total outstanding loans amounted to SAR 38.6 billion at the end of 2017, increasing by 8.8 percent over the preceding year.

Real Estate Development Fund (REDF)

Total outstanding loans stood at SAR 157.3 billion at the end of 2017, decreasing by 0.3 percent compared to the end of the preceding year. Loans extended by the REDF in 2017 amounted to SAR 5.6 billion, falling by 52.2 percent from the preceding year. Loan repayments stood at SAR 5 billion, decreasing by 3.3 percent from the preceding year.

Agricultural Development Fund (ADF)

Total loans disbursed by the ADF decreased by 26.3 percent to SAR 484 million in 2017, down from SAR 657 million in the preceding year. Loan repayments fell by 57.3 percent to SAR 619 million compared to that of the preceding year. Outstanding loans totaled SAR 7.8 billion at the end of 2017, decreasing by 1.7 percent from the preceding year.

Social Development Bank (SDB)

The SDB's total actual loan disbursements stood at SAR 4.8 billion in 2017, decreasing by 31.2 percent against the preceding year. Loan repayments stood at SAR 10.1 billion, decreasing by 3.8 percent from that of the preceding year. The balance of outstanding loans amounted to SAR 33.2 billion at the end of 2017, decreasing by 13.7 percent over the preceding year.

Sovereign Wealth Fund

Public Investment Fund (PIF)

At the end of October 2017, the PIF launched its PIF Program (2018-2020), one of the Saudi Vision Realization Programs. It includes 30 initiatives within 7 packages of initiatives as follows: 1) the initiative to maximize the value of PIF's investments in Saudi companies, 2) initiatives to launch and develop new sectors, 3) initiatives to develop real estate and infrastructure projects and companies, 4) giga-project initiatives, 5) initiatives to develop international strategic partnerships, 6) international investments to diversify sources of wealth and income, and 7) PIF's institutional initiatives. These initiatives are taken so as to promote the PIF's role as a driver for economic diversity in Saudi Arabia, deepening the country's impact and role in the regional and international scene.

Moreover, the PIF is devoting and amplifying efforts and directing actions towards promoting its position to help accelerate national economic transformation and create a sustainable positive impact in Saudi Arabia. It aims to actively contribute to the development of the domestic economy and expand the PIF's portfolio of international assets through investing in international sectors and markets, forging strategic partnerships, and launching giga initiatives. In so doing, the PIF seeks to achieve its objectives with high efficiency and maximize sustainable returns on the domestic economy, in line with the ambitious objectives, so as to be one of the most important and influential sovereign wealth funds in the world.

Among the most prominent achievements of the PIF during 2017 was the growth of its investment portfolio to over SAR 840 billion as well as the launch of more than 10 new companies and projects. It also concluded several investment agreements valued at SAR 21 billion during the final quarter of 2017. In addition, the PIF entered into strategic partnerships such as the SoftBank Vision Fund (SBVF)—the largest technology investment fund, the US Infrastructure Investment Program developed by Blackstone, investment in joint Russian-Saudi projects in agreement with the Russian Direct Investment Fund, investment in a French private equity program, etc.

Domestic Loan and Subsidy Programs

The latest data from the Ministry of Finance indicates that actual loans disbursed under the Domestic Loan Program during 2017 totaled SAR 548 million, declining by 30.5 percent from the preceding year. Loan repayments stood at SAR 226 million, increasing by 16.1 percent over the preceding year. During fiscal year 2017, four loans were approved: two for hospitality and tourism projects and two for educational program projects.

During fiscal year 2017, subsidies disbursed totaled SAR 3.3 billion. The fodder subsidy stood at SAR 2.7 billion; the infant formula subsidy SAR 251 million; the Equestrian Club subsidy SAR 135 million; the King Abdulaziz Public Library subsidy SAR 73 million; the King Abdulaziz Center for National Dialogue subsidy SAR 42.8 million; and the private schools subsidy SAR 14.1 million.

Structural Reforms and Most Important Economic Resolutions

In continuation of the efforts exerted by Saudi Arabia to raise the efficiency of economic performance and achieve optimal utilization of available resources, a number of resolutions were issued in 2017 with a view to further developing the economic system in Saudi Arabia. The following are the most prominent resolutions:

- Reinstating all allowances, bonuses and financial benefits of state employees (both civil and military personnel) mentioned in Council of Ministers' Resolution No. 551 dated 25/12/1437, which were cut or cancelled.
- Changing the name of the "Bureau of Investigation and Public Prosecution" into the "Public Prosecution", with its head being the "Attorney General." The Public Prosecution reports directly to the King and acts independently as no agency has the authority to intervene in its functions.
- Establishing a support fund for "Daem" program.
- Approving the establishment of an independent center called "the National Center for e-Learning."
- Establishing the "National Development Fund" to be under the mandate of the Prime Minister.
- Changing the name of the "Council of Competition" into the "General Authority for Competition" in order to encourage fair competition, combat monopolistic practices that affect lawful competition, and maintain the competitive environment in the business sector within an atmosphere of fairness and transparency in the local market.
- Establishing the "National Authority for Cyber Security" to promote national security.
- Approving the Law of Terrorism Crimes and Financing.
- Establishing a Supreme Anti-Corruption Committee chaired by the Crown Prince.
- Approving the conditions for financial support provided for citizens through the Citizen Account Program.
- Implementing the Excise Tax Law.
- Approving that the General Sports Authority should report to the Chairman of the Council of Economic and Development Affairs.
- Approving the Statute of the General Authority of Zakat and Tax, which aims to conduct zakat and tax collection activities and raise the level of compliance among those tasked with the collection process, in line with the best practices and with high efficiency.

03 Energy, Industry and Mineral Resources

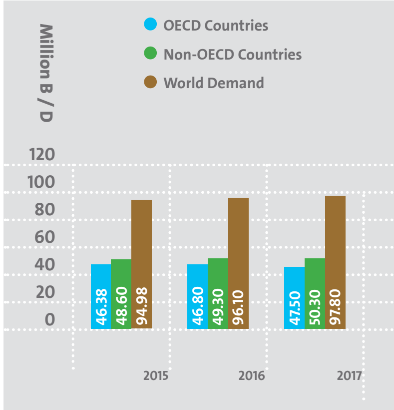
Table 3.1:
World Average Oil Demand*
(mb/d)

	2015	2016	2017	% change 2016	% change 2017
North America	24.59	24.70	24.90	0.4	0.8
Western Europe	13.75	14.00	14.40	1.8	2.9
Pacific countries	8.04	8.10	8.20	0.7	1.2
OECD	**46.38**	**46.80**	**47.50**	**0.9**	**1.5**
Non-OECD:					
Former Soviet Union	4.60	4.70	4.70	2.2	0.0
China	11.50	11.80	12.40	2.6	5.1
Eastern Europe	0.70	0.70	0.70	0.0	0.0
South America	6.80	6.60	6.60	-2.9	0.0
Other Asia	12.50	12.90	13.30	3.2	3.1
Middle East	8.40	8.30	8.30	-1.2	0.0
Africa	4.10	4.30	4.30	4.9	0.0
Total non-OECD demand	**48.60**	**49.30**	**50.30**	**1.4**	**2.0**
Total world demand	**94.98**	**96.10**	**97.80**	**1.2**	**1.8**

* Including primary stock, marine bunkers and refinery fuel.

Source: IEA Report, April 2018.

Chart 3.1:
World Average Oil Demand



Energy, Industry and Mineral Resources

World oil prices increased significantly in all markets in 2017. According to OPEC data, the Arab Light oil price averaged $52.59 per barrel, reflecting a rise of 28.4 percent from its price of $40.96 per barrel in 2016. This increase was due to an improvement in world oil demand production agreements reached by the deal between OPEC and some non-OPEC producers to reduce excess inventories.

World Oil Demand

According to April 2018 estimates of the International Energy Agency (IEA), the average world oil demand rose by 1.8 percent to 97.80 million barrels per day (bpd) in 2017, compared to 96.10 million bpd in 2016 (Table 3.1 and Chart 3.1). The increase was attributed to a 2.0 percent rise in the average demand of non-OECD countries to 50.30 million bpd, compared to 49.30 million bpd in 2016. OECD oil demand also grew, averaging 47.50 million bpd, an increase of 1.5 percent.

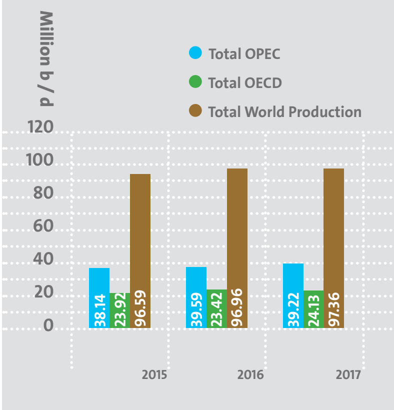
Table 3.2:
World Average Oil Production*
(mb/d)

	2015	2016	2017	% change 2016	% change 2017
OPEC	**38.14**	**39.59**	**39.22**	**3.8**	**-0.9**
OECD	**23.92**	**23.42**	**24.13**	**-2.1**	**3.0**
Non-OPEC					
Former Soviet Union	14.00	14.24	14.36	1.7	0.8
USA	12.99	12.53	13.19	-3.5	5.3
China	4.33	3.98	3.87	-8.1	-2.8
Canada	4.39	4.47	4.83	1.8	8.1
Mexico	2.60	2.47	2.23	-5.0	-9.7
UK	0.96	1.03	1.01	7.3	-1.9
Norway	1.95	1.99	1.97	2.1	-1.0
Brazil	2.53	2.61	2.74	3.2	5.0
Total world supply	**96.59**	**96.96**	**97.36**	**0.4**	**0.4**

* Including condensates and natural gas liquids.

Source: IEA Report, April 2018.

Chart 3.2:
World Average Crude Oil Production



The rise in non-OECD oil demand was mainly driven by China with a 5.1 percent increase (to 12.40 million bpd) and Other Asian Countries with a 3.1 percent increase (to 13.30 million bpd). The demand was stable in former Soviet Union countries, Eastern Europe, South America, Middle East and Africa. OECD demand increased by 2.9 percent (to 14.40 million bpd) for Western Europe and by 1.2 percent (to 8.20 million bpd) for the Pacific countries.

World Oil Production

According to IEA estimates in April 2018, world oil production in 2017 averaged 97.36 million b/d, slightly increasing by 0.4 percent as compared to 96.96 million b/d in 2016 (Table 3.2). The average Canadian production increased by 8.1 percent compared to a rise of 1.8 percent in 2016 and the US production rose by 5.3 percent compared to a decline of 3.5 percent. Brazil recorded a rise of 5.0 percent compared to a rise of 3.2 percent. The average OECD production also increased by 3.0 percent compared to a decline of 2.1 percent in 2016. In contrast, average oil production in Mexico declined by 9.7 percent compared to 5.0 percent in 2016. OPEC average output fell by 0.9 percent compared to a rise of 3.8 percent in 2016 (Chart 3.2).

World Oil Prices

According to OPEC data, world oil prices increased in 2017. The price of the Arab Light crude oil averaged $52.59 per barrel, a rise of 28.4 percent ($11.63 per barrel), compared to an average price of $40.96 per barrel in 2016 (Table 3.3). The price of OPEC basket increased by 28.6 percent to an average of $52.43 per barrel in 2017 compared to $40.76 per barrel in 2016. The average price of Brent Crude rose by 23.8 percent to $54.17 per barrel in 2017 from $43.76 per barrel in 2016. West Texas Intermediate's price averaged $50.82 per barrel in 2017, rising by 17.4 percent, compared to $43.27 per barrel in 2016 (Chart 3.3).

Real Oil Prices

Real oil prices increased in 2017, based on calculations using the OPEC Basket Deflator with base year 2005. The real price of Arab Light averaged $48.43 per barrel, rising by 26.4 percent, compared to $38.32 per barrel in 2016 (Table 3.4). The average real price of Brent Crude also climbed by 21.9 percent to $49.89 a barrel in 2017 from $40.94 a barrel in the preceding year. The average real price of the OPEC basket picked up by 26.6 percent to $48.29 a barrel, compared to $38.13 a barrel in the preceding year (Chart 3.4).

It should be noted that 2017 real oil prices were lower than those in 1980 although 2017 nominal prices were higher than those in 1980. For instance, the average real price of Brent Crude stood at $49.89 a barrel during 2017, lower by $33.18 a barrel than its price in 1980 ($83.07 a barrel). In contrast, its actual price stood at $54.17 per barrel in 2017, higher by $16.28 a barrel than its nominal price in 1980 ($37.89 a barrel).

Table 3.3:
Spot Prices for Selected Crude Streams (Average)
(USD\ per barrel)

Year	Arab Light	OPEC basket	North Sea (Brent)	West Texas Intermediate
2001	23.06	23.12	24.46	26.00
2002	24.32	24.36	25.03	26.13
2003	27.69	28.10	28.81	31.09
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

Source: OPEC.

Chart 3.3:
Average Spot Oil Prices

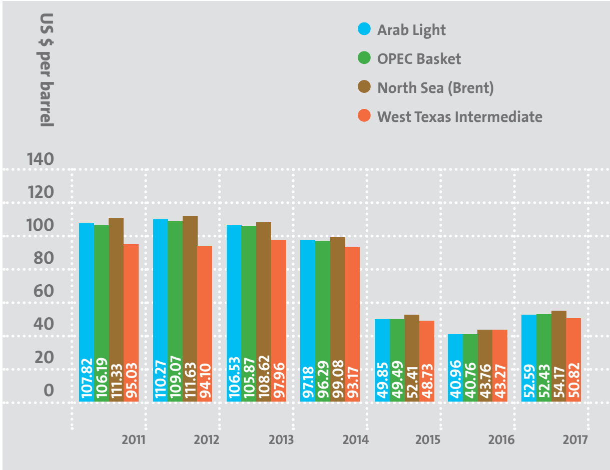


Table 3.4:
Nominal and Real Oil Prices
(Base year 2005) (USD\ per barrel)

Year	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	62.9	83.1	62.79
1990	20.82	23.99	22.26	28.4	32.7	30.36
2000	26.81	28.44	27.6	35.6	37.8	36.69
2010	77.82	79.6	77.45	68.6	70.17	68.27
2012	110.22	111.62	109.45	93.06	94.24	92.4
2013	106.53	108.62	105.87	88.95	90.7	88.4
2014	97.18	99.08	96.29	80.34	81.91	79.6
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	48.43	49.89	48.29

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

Source: OPEC.

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

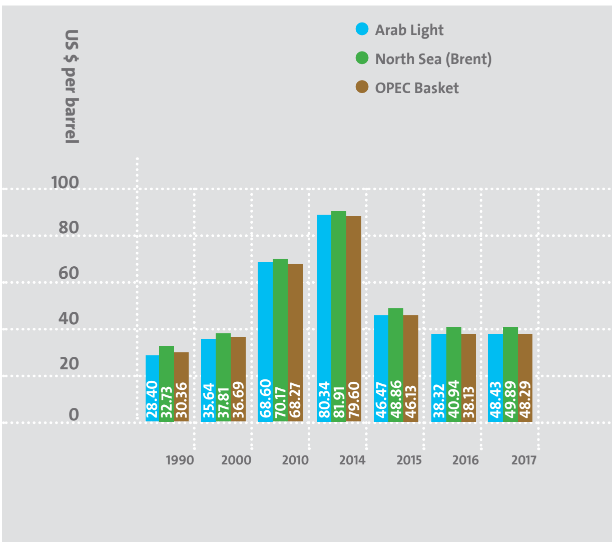


Table 3.5: Saudi Crude Oil Production
(Million barrels)

	2014	2015	2016	2017	% change 2016	% change 2017
Total production	**3,545.1**	**3,720.3**	**3,828.4**	**3,635.3**	**2.9**	**-5.0**
Daily average	9.71	10.19	10.46	9.96	2.6	-4.8

Source: Ministry of Energy, Industry and Mineral Resources.

Table 3.6:
Saudi Output of Refined Products
(Million barrels)

Product	2013	2014	2015	2016	2017	% change 2016	% change 2017
LPG	13.86	16.17	16.76	15.61	15.55	-6.9	-0.3
Premium gasoline	134.69	160.94	179.90	202.35	203.56	12.5	0.6
Naphtha	58.65	70.27	68.77	75.77	74.28	10.2	-2.0
Jet fuel (Kerosene)	59.46	77.32	76.95	89.50	90.54	16.3	1.2
Diesel	219.77	274.84	351.47	384.62	393.93	9.4	2.4
Fuel oil	166.20	175.68	163.16	168.31	170.13	3.2	1.1
Asphalt	19.60	20.06	21.60	18.25	16.81	-15.5	-7.9
Coke	---	8.57	26.82	79.85	84.08	197.7	5.3
Total	**672.23**	**803.84**	**905.43**	**1,034.26**	**1,048.89**	**14.2**	**1.4**

Source: Ministry of Energy, Industry and Mineral Resources.

Saudi Arabia's Reserves of Crude Oil and Natural Gas

Saudi Arabia's proven reserves of crude oil stood at 266.26 billion barrels by the end of 2017, compared to 266.21 billion barrels in the preceding year. Proven reserves of natural gas increased by 1.18 percent to 307.94 trillion standard cubic feet at the end of 2017, compared to 304.34 trillion standard cubic feet at the end of 2016.

Saudi Crude Oil Output

Saudi Arabia's production of crude oil decreased by 5.0 percent to 3,635.3 million barrels in 2017 compared to 3,828.4 million barrels in 2016. Accordingly, Saudi Arabia's average daily output amounted to 9.96 million bpd in 2017 (Table 3.5).

Domestic Production and Consumption of Refined Products

Saudi Arabia's output of refined products rose by 1.4 percent to 1,048.89 million barrels in 2017 from 1,034.26 million barrels in 2016. Thus, its daily output of refined products averaged 2.87 million bpd (Table 3.6).

The higher production of refined products was driven by increases in diesel production by 2.4 percent, accounting for 37.6 percent of total refined products output; gasoline production by 0.6 percent, accounting for 19.4 percent of the total; fuel oil production by 1.1 percent, accounting for 16.2 percent; and

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

(Million barrels)

Product	2013	2014	2015	2016	2017
A. Public consumption					
LPG	12.27	11.48	12.60	13.40	12.87
Gasoline	184.14	190.71	203.98	203.37	208.00
Jet fuel & Kerosene	25.56	27.28	31.37	32.05	36.14
Diesel	259.40	261.22	276.07	248.54	207.91
Fuel oil	107.47	125.86	140.43	166.07	180.29
Crude oil	176.94	202.36	209.42	182.41	167.37
Asphalt	20.94	28.59	29.12	19.14	20.36
Lubricating oils	1.59	1.92	1.68	1.48	1.34
Natural gas	496.44	504.09	506.07	557.44	573.78
Naphtha	---	---	---	1.81	11.19
Reformate	---	---	---	---	10.48
Subtotal	**1,284.72**	**1,353.51**	**1,410.72**	**1,425.72**	**1,419.25**
B. Oil industry consumption					
LPG	2.99	3.71	3.52	4.58	4.39
Fuel oil	4.84	14.67	5.20	6.12	6.61
Diesel	6.92	13.72	8.04	8.03	7.68
Fuel gas	20.29	20.56	31.80	34.33	34.40
Crude oil	0.07	0.10	0.05	0.04	0.01
Natural gas	98.97	108.89	121.28	106.02	121.48
Others	3.15	2.01	5.60	5.46	5.64
Subtotal	137.24	163.65	175.48	164.58	180.21
Total	1,421.97	1,517.16	1,586.20	1,590.30	1,599.46

Source: Ministry of Energy, Industry and Mineral Resources.

jet fuel production by 1.2 percent, which constituted 8.6 percent of the total. On the other hand, asphalt production declined by 7.9 percent (accounting for 1.6 percent of total output), naphtha production by 2.0 percent (7.1 percent of the total), and liquefied petroleum gas (LPG) production by 0.3 percent (1.5 percent of the total).

Total domestic consumption of refined products, crude oil and natural gas slightly increased by 0.6 percent to 1,599.46 million barrels (4.38 million bpd) in 2017 from 1,590.30 million barrels (4.36 million bpd) in 2016 (Table 3.7).

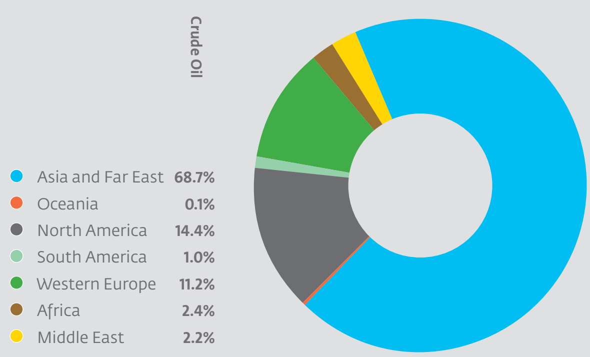
A breakdown of public consumption shows that natural gas accounted for 40.4 percent, diesel 14.6 percent, gasoline 14.7 percent, fuel oil 12.7 percent and crude oil 11.8 percent. A breakdown of oil industry consumption indicates that natural gas accounted for 67.4 percent, fuel gas 19.1 percent, diesel 4.3 percent and fuel oil 3.7 percent.

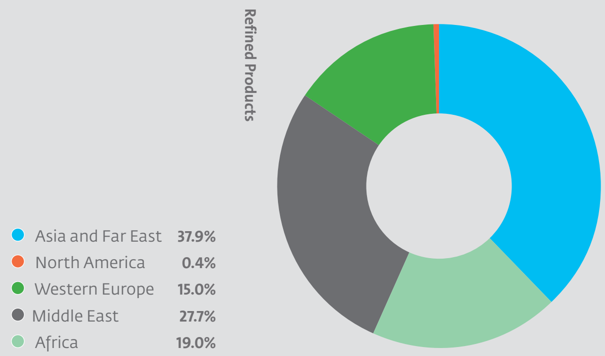
Table 3.8:
Saudi Exports of Crude Oil and Refined Products (By Destination)
(Million barrels)

	2015		2016		2017		% in 2017	
Exports to	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products
North America	434.63	---	430.78	0.53	366.26	2.66	14.4	0.4
South America	25.44	1.49	26.13	2.72	26.01	---	1.0	---
Western Europe	320.20	65.97	318.73	82.13	283.76	98.39	11.2	15.0
Middle East	104.49	71.47	99.88	108.57	56.60	182.57	2.2	27.7
Africa	53.66	71.25	56.05	87.36	59.78	125.29	2.4	19.0
Asia and Far East	1,669.64	211.30	1,792.89	268.63	1,747.99	249.06	68.7	37.9
Oceania	6.45	—	7.13	—	3.03	---	0.1	---
Total	**2,614.51**	**421.48**	**2,731.59**	**549.95**	**2,543.44**	**657.97**	**100.0**	**100.0**

Source: Ministry of Energy, Industry and Mineral Resources.

Chart 3.5:
The Kingdom's Exports of Crude Oil and Refined Products by Destination in 2017





Saudi Arabia's Exports of Crude Oil and Refined Products

Saudi Arabia's total oil exports (crude and refined) stood at 3,201.41 million barrels in 2017, averaging 8.77 million bpd. Crude oil exports fell by 6.9 percent to 2,543.44 million barrels in 2017 from 2,731.59 million barrels in 2016. In contrast, refined product exports increased by 19.6 percent to 657.97 million barrels in 2017 (averaging 1.80 million bpd), compared to 549.95 million barrels in 2016 (Table 3.8).

Asia and the Far East region dominated the bulk of Saudi Arabia's exports of crude oil and refined products in 2017, accounting for 68.7 percent of total crude oil exports and 37.9 percent of total exports of refined products (Chart 3.5). North American countries came second, accounting for 14.4 percent of total crude oil exports, followed by Western Europe countries with 11.2 percent of total exports of crude oil and 15.0 percent of total exports of refined products. The Middle Eastern countries accounted for 2.2 percent of Saudi Arabia's total crude oil exports and 27.7 percent of its refined product exports. Finally, African countries accounted for 2.4 percent and 19.0 percent of crude oil and refined products, respectively.

Saudi Arabia's Petrochemical Industry

The Saudi Basic Industries Corporation (SABIC) maintained its total production in Saudi Arabia at 64 million metric tons in 2017, unchanged from the preceding year. However, its exports declined by 5.0 percent due to shutdowns in some of the facilities in Saudi Arabia.

Saudi Arabia's global sales of chemicals, fertilizers and plastics climbed 11.3 percent over the preceding year, bringing its share of global sales to 1.3 percent, and its share of Middle East sales to 42.5 percent. Saudi Arabia accounted for 6.8 percent of global exports of chemicals, fertilizers and plastics, up by 15.7 percent, and its share of Middle East exports stood at 60.9 percent. Despite higher costs of feedstock and services in 2016, the Saudi petrochemical sector, and particularly SABIC, continued to be profitable in 2017.

Table 3.9:
Production of Minerals in Saudi Arabia

السنة	Gold (kg)	Silver (kg)	Copper (Ton)	Zinc (Ton)
2012	5,215	5,212	17,639	21,213
2013	4,158	4,655	41,332	39,813
2014	4,789	4,800	33,116	39,798
2015	5,089	4,500	46,253	39,008
2016	6,946	4,710	110,000	41,610
2017*	7,640	5,181	121,000	45,804

* Estimates.

Source: Ministry of Energy, Industry and Mineral Resources - Deputy Ministry for Mineral Resources.

Table 3.10:
Mineral Ores Extracted (Thousand tons)

Type	2013	2014	2015	2016	2017*
Limestone	56,700	59,500	62,300	63,300	66,150
Clay	6,880	6,210	7,690	9,240	9,702
Salt	1,900	2,000	2,080	2,400	2,520
Silica sand	1,160	1,230	1,270	1,300	1,365
Crusher materials (pebbles)	300,000	310,000	330,000	347,000	364,000
Sand	29,000	30,400	31,800	22,155	23,000
Iron sand	644	644	708	706	741
Gypsum	1,700	1,400	1,470	3,000	3,150
Marble for industrial purposes	3,000	3,150	3,300	2,800	2,940
Marble blocks	11	12	12	120	126
Granite blocks	1,100	1,100	1,150	1,053	1,105
Limestone blocks	1,200	1,260	1,320	104	109
Kaolinite	101	106	111	169	206
Barite	30	32	43	41	---
Feldspar	160	194	198	188	197
Basalt	---	---	---	30	32
Pozzolan	460	480	500	504	529
Dolomite	181	190	199	2,131	2,237
Schist	650	680	710	604	634
Pyrophyllite	6	7	8	42	44
Low-grade bauxite	934	967	1,026	968	1,016
Bauxite	1,044	1,096	1,128	3,800	3,990
Diammonium phosphate	1,820	1,911	2,002	5,400	5,670

* Estimates.
(---) Not Available.

Source: Ministry of Energy, Industry and Mineral Resources - Deputy Ministry for Mineral Resources.

Mineral Resources

The Deputy Ministry for Minerals supervises mining activities in Saudi Arabia. Its tasks include encouraging mining investments, providing services and consultations, and issuing mining licenses and concessions in accordance with the laws and regulations in force. At the end of 2017, the number of valid mining licenses stood at 1,994, including: 542 for exploration, which enable their holders to conduct detailed studies on the mineral ores required under the exploration license; and 70 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 valid mining licenses stood at 25 for various metal ores (such as gold, copper, zinc, iron, phosphate, accompanied metals and gems such as peridot) and 69 licenses for raw material quarries for cement industry (such as limestone and gypsum, and for other minerals, such as dolomite, schist, pozzolan, clay, iron and others.) The number of construction material quarrying stood at 1,288 licenses for various construction materials such as sand, crusher materials, decoration stones and others.

With regard to the production of gold, silver and associated minerals from locations at the mines of Mahd Al-Dhahab, Al-Sukhaybarat, Al-Hajar, Bulghah and Al-Amar, the output of gold and silver in 2017 stood at 7,640 kg and 5,181 kg, respectively. (Table 3.9) shows the output of gold and minerals in Saudi Arabia during 2012-2017. It can be noticed from the table that Saudi Arabia's production of copper and zinc has increased since Al Masane Mine started operation in 2012. Note that the production of 2017 is estimated.

Total quantities extracted in 2017 are estimated at more than 465 million tons of various ores such as limestone, silica sand, salt, clay, feldspar, marble for industrial purposes, iron sand, kaolin, gypsum, marble blocks, granite blocks, crusher materials, phosphate, bauxite and sand used in building and construction. (Table 3.10) shows Saudi Arabia's various extracted ores during 2013-2017. Note that the output of 2017 is estimated.

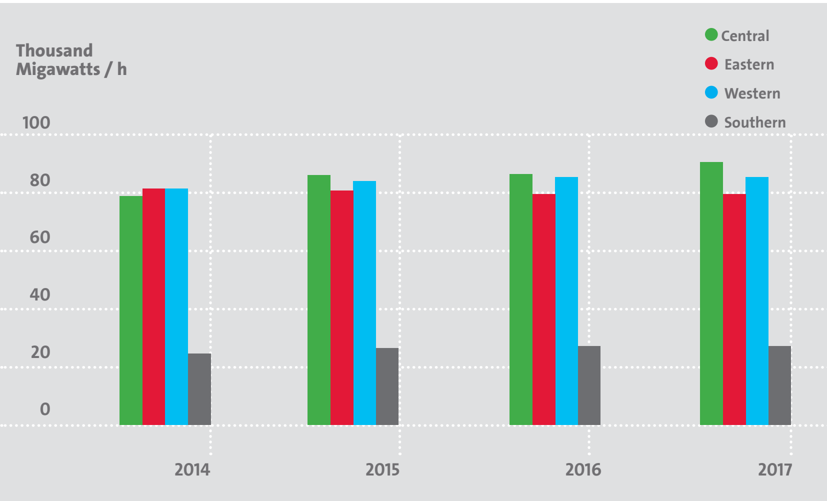
Table 3.11:
Electricity Generation Capacity and Number of Subscribers for FY 1438/1439 (2017)
(Megawatt)

Region	Actual generation capacity	Peak load	Electricity sold					No. of subscribers
			Residential	Commercial	Government	Industrial	Agricultural	
Central	15,052	20,232	48,187,136	16,702,757	15,037,673	6,413,659	3,494,427	2,918,041
Eastern	15,131	19,016	27,619,487	9,421,971	6,552,668	34,355,674	1,040,304	1,622,515
Western	20,221	17,203	49,935,414	17,682,663	11,966,276	5,885,153	968,794	3,212,644
Southern	5,957	5,824	17,312,694	4,444,418	4,863,775	576,292	149,821	1,296,512
Total	**56,361**	**62,121***	**143,054,731**	**48,251,809**	**38,420,392**	**47,230,778**	**5,653,346**	**9,049,712**

* Synchronous.

Source: Saudi Electricity Company.

Chart 3.6:
Electricity Sales Growth of the Saudi Electricity Company (2014-2017)



As for industry, the Ministry of Energy, Industry and Mineral Resources issued industrial licenses in 2017 for 593 new factories in various industrial activities with a total capital of SAR 14.5 billion, creating more than 58.9 thousand job opportunities. A breakdown of licenses for new projects by industrial activity and total capital in 2017 indicates that 140 licenses were issued for manufactured metals activity (excluding machinery and equipment) with total capital of SAR 1.8 billion, constituting 12.5 percent of total capital of licenses. In addition, 97 licenses were issued for the manufacturing of rubber and plastic products with a total capital of SAR 1.2 billion, accounting for 8.0 percent of total capital of industrial licenses issued.

At the end of 2017, the total cumulative number of industrial units in Saudi Arabia licensed by the ministry rose to 7,930 with a total capital of SAR 1,127.9 billion, providing nearly one million jobs. A breakdown of the producing industrial units by type of activity and total capital indicates that the total capital for chemical materials and products manufacturing activities for 771 industrial units amounted to SAR 577.6 billion or 51.2 percent of total capital of the existing units in Saudi Arabia, followed by the industry of coke and refined oil products for 153 industrial units with SAR 104.4 billion or 9.3 percent of total capital of industrial units.

With regard to electricity, the Saudi Electricity Company (SEC)'s sales of electricity in 2017 amounted to 282.6 million megawatt-hour (MWh). Residential consumption accounted for 50.6 percent (143.0 million MWh) of total electricity consumption in Saudi Arabia, followed by commercial consumption with 17.1 percent (48.2 million MWh). Industrial consumption came third with 16.7 percent (47.2 million MWh), followed by government consumption with 13.6 percent (38.4 million MWh). The peak load of electricity was 62,121 megawatts in 2017, and the actual capacity of electricity generation was 56,361 megawatts. The number of subscribers to the utility in Saudi Arabia amounted to 9.0 million at the end of 2017. Residential consumers accounted for 78.7 percent (7.1 million) of the total number of subscribers. Commercial consumers came next with 17.3 percent (1.6 million) of the total, followed by government consumers with 1.6 percent (153.0 thousand), and agricultural consumers came last with 1.0 percent (93.0 thousand) (Table 3.11 and Chart 3.6).

04 Monetary Developments

Monetary Developments

The Saudi Arabian Monetary Authority (SAMA) continues to manage and implement a monetary policy that aims to maintain the stability of domestic prices and the Saudi riyal exchange rate against the US dollar, encourage growth of the financial system and maintain its soundness in order to perform its significant role in the economy. As a result, the liquidity in the national economy in 2017 was ample enough to meet funding needs in the economic activity, while maintaining the Saudi riyal at its official exchange rate of SAR 3.75 per US dollar thus stabilizing and even strengthening the monetary and financial systems in general.

Monetary Policy Tools

Through its monetary policy and given the availability of liquidity that is ample enough to fund various economic activities, SAMA maintained the repo rate unchanged at 2.0 percent as compared to the preceding year, while raising the reverse repo rate three times to stand at 1.50 percent at the end of 2017. The overall liquidity in the banking system remained sufficient, resulting in an increase in the average daily reverse repo transactions to SAR 91 billion in 2017 from SAR 44 billion in the preceding year. On the other hand, the average daily repo transactions declined to SAR 120 million from SAR 924 million in the preceding year. SAMA also maintained the cash reserve requirements at 4 percent for time and savings deposits and at 7 percent for demand deposits, unchanged from the preceding year. Additionally, it maintained the weekly issuance ceiling for SAMA bills at SAR 3 billion in 2017.

Money Supply Growth

Broad money (M3), which comprises currency in circulation and aggregate bank deposits, rose by 0.2 percent (SAR 3.8 billion) to SAR 1.791 billion in 2017, compared to 0.8 percent (SAR 14.1 billion) in 2016. Bank deposits, which represented 90.4 percent of M3, recorded a lower growth rate, slightly increasing by 0.1 percent in 2017 compared to an increase of 0.8 percent in the preceding year. The growth rate of currency in circulation slightly decreased to 1.0 percent (SAR 1.7 billion) in 2017, versus 1.1 percent (SAR 1.8 billion) in 2016.

A breakdown of bank deposits shows that demand deposits made up the largest share of M3, standing at 55.8 percent in 2017, compared to 54.5 percent in 2016. They increased by 2.7 percent (SAR 26 billion) in 2017 compared to a decline of 0.2 percent (SAR 2.1 billion) in the preceding year. Time and savings deposits declined by 8.9 percent (SAR 43.8 billion) in 2017 compared to a rise of 13.1 percent (SAR 57.1 billion) in 2016. Their share in M3 decreased to 25 percent in 2017 compared to 27.5 percent in the preceding year. Other quasi-monetary deposits, which include residents' foreign currency deposits, deposits against outstanding LCs, guarantees and remittances, and banks' repo transactions with the private sector, recorded a rise of 13.1 percent (SAR 19.8 billion) in 2017 compared to a decrease of 22 percent (SAR 42.7 billion) in 2016. The share of other quasi-monetary deposits in M3 increased to 9.6 percent in 2017 compared to 8.5 percent in the preceding year (Tables 4.1, 4.2 and 4.3; and Charts 4.1 and 4.2).

Tabel 4.1:
Money Supply
(Million SAR)

End of year	Currency in circulation	Demand deposits	M1 (1+2)	Time and savings deposits	M2 (3+4)	Other quasi-money deposits*	M3 (5+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2013	143,169	857,280	1,000,449	345,035	1,345,485	199,664	1,545,149
2014	153,777	989,174	1,142,951	398,743	1,541,694	187,661	1,729,356
2015	168,529	976,231	1,144,760	434,501	1,579,261	194,036	1,773,296
2016	170,341	974,094	1,144,435	491,595	1,636,030	151,321	1,787,352
2017	172,072	1,000,105	1,172,177	447,827	1,620,004	171,130	1,791,134

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

Tabel 4.2:
Money Supply Growth Rates and Components
(Percentage)

End of year	Currency in circulation	Demand deposits	M1	Time and savings deposits	M2	Other quasi-money deposits	M3
2013	7.53	13.70	12.78	6.35	11.06	9.58	10.86
2014	7.41	15.39	14.24	15.57	14.58	-6.01	11.92
2015	9.59	-1.31	0.16	8.97	2.44	3.40	2.54
2016	1.08	-0.22	-0.03	13.14	3.59	-22.01	0.79
2017	1.02	2.67	2.42	-8.90	-0.98	13.09	0.21

Tabel 4.3:
Money Supply Components
(Percentage in M3: End of year)

	2013	2014	2015	2016	2017
Currency in circulation	9.3	8.9	9.5	9.5	9.6
Total deposits	90.7	91.1	90.5	90.5	90.4
Demand deposits	55.5	57.2	55.1	54.5	55.8
Time and savings deposits	22.3	23.1	24.5	27.5	25.0
Other quasi-money deposits	12.9	10.9	10.9	8.5	9.6
Money supply (M3)	100.0	100.0	100.0	100.0	100.0

Chart 4.1:
Growth Rates of Money Supply (M3)

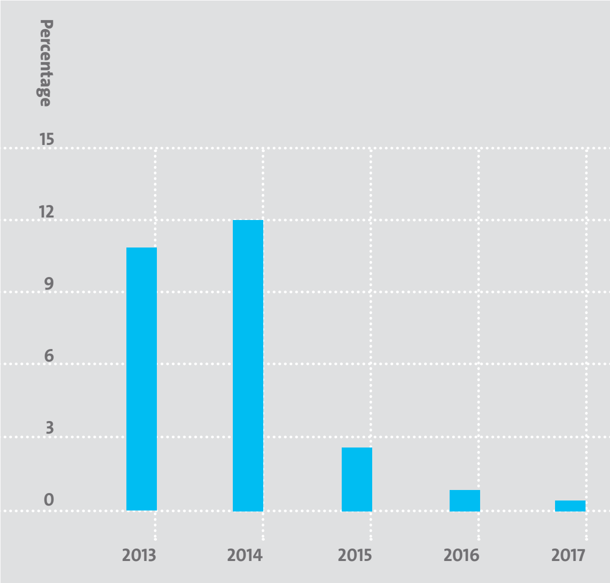


Chart 4.2:
Components of Money Supply

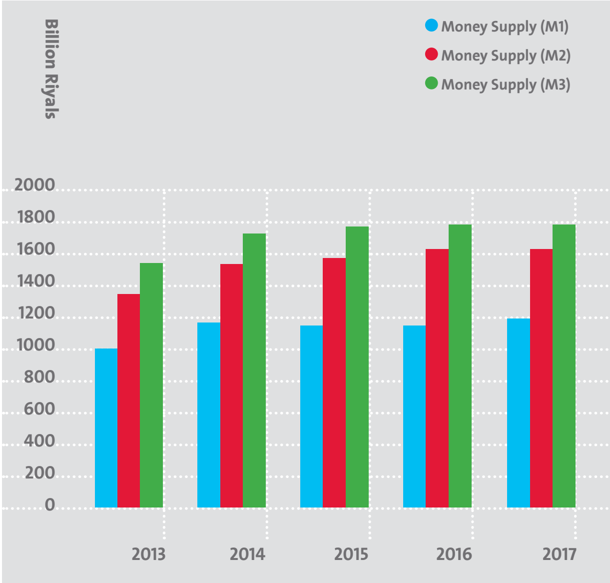


Table 4.4:
Monetary Rates
(Percentage)

Year	M1/ M3	M2/ M3
2013	64.7	87.1
2014	66.1	89.1
2015	64.6	89.1
2016	64.0	91.5
2017	65.4	90.4

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 a rise of 2.4 percent in 2017 compared to a slight decline of 0.03 percent in the preceding year. The share of demand deposits in M1 increased to 85.3 percent in 2017 compared to 85.1 percent in the preceding year. However, M2 (comprising less liquid time and savings deposits) recorded a decrease of 1.0 percent in 2017 compared to a rise of 3.6 percent in 2016. The ratio of M1 to M3 increased to 65.4 percent in 2017 from 64.0 percent in 2016. The ratio of M2 to M3, however, decreased to 90.4 percent in 2017 compared to 91.5 percent in the preceding year (Table 4.4).

Broad Money (M3): Causative Factors

M3's growth rate increased slightly in 2017, compared to the preceding two years, due to the increased deficit in the private sector's balance of payments which stood at SAR 679.7 billion compared to a deficit of SAR 643.4 billion in 2016. In addition, bank claims on the private sector recorded a decrease of SAR 11.8 billion in 2017 compared to an increase of SAR 33.5 billion in the preceding year. Bank claims on public sector's non-financial institutions also recorded a decline of SAR 2.3 billion in 2017 compared to a rise of SAR 10.2 billion in the preceding year. On the other hand, net domestic government riyal-denominated expenditures rose

Table 4.5:
Causative Factors for Change in (M3)

	2015	2016	2017
Change in M3	43.9	14.1	3.8
Causative Factors			
Net domestic government expenditure in riyal*	794.5	523.8	580.7
Change in banks' claims on the private sector	115.7	33.5	-11.8
Change in banks' claims on non-financial institutions to the public sector	-7.0	10.2	-2.3
Deficit in the private sector's balance of payments**	-919.2	-643.4	-679.7
Other items (Net)	59.9	89.9	116.8
Total	**43.9**	**14.1**	**3.8**

* Domestic government expenditure in riyal minus local revenues in riyal.
** Estimated.

Chart 4.3:
Causative Factors for Change in (M3)

to SAR 580.7 billion compared to SAR 523.8 billion in the preceding year. Net other items also increased to SAR 116.8 billion against SAR 89.9 billion in the preceding year. Thus, the increase in the money supply resulting from the increase in net domestic government riyal-denominated expenditures and net other items was SAR 697.5 billion in 2017. The deficit in the private sector's balance of payments and the decrease in both bank claims on the private sector and bank claims on public sector's non-financial institutions, which amounted to SAR 693.8 billion, offset the increase of money supply in 2017 to SAR 3.8 billion (Table 4.5 and Chart 4.3).

Table 4.6:
Monetary Base and Money Multiplier

End of Year	Monetary Base (Million SAR)	Money Multiplier
2013	256,078	6.0
2014	282,924	6.1
2015	300,697	5.9
2016	302,404	5.9
2017	301,927	5.9

Chart 4.4:
Monetary Base and Money Multiplier

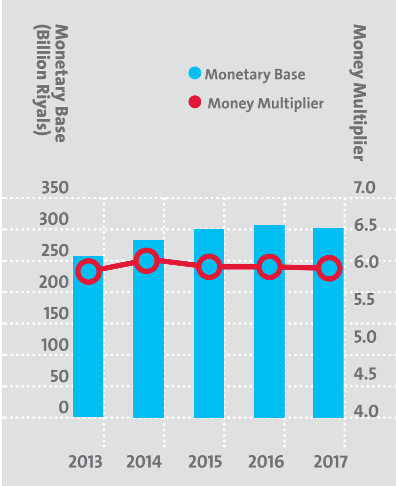


Table 4.7:
Seasonal Trends of Currency in Circulation

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	Amount (Million SAR)	End of Gregorian month	Corresponding Hijri date	Amount (Million SAR)
7/2013	23/09/1434	146,170	1/2013	19/3/1434	134,148
9/2014	26/12/1435	158,071	1/2014	30/3/1435	145,490
7/2015	14/10/1436	179,075	1/2015	10/4/1436	156,921
6/2016	26/09/1437	181,838	1/2016	21/4/1437	167,404
6/2017	06/10/1438	184,312	10/2017	11/2/1439	167,459

Chart 4.5:
Seasonal Trends in Currency in Circulation

Monetary Base and Money Multiplier

The monetary base is the narrowest measure of liquidity, consisting of currency in circulation, cash in vault, commercial banks' deposits and public financial institutions' deposits with SAMA. The monetary base declined by 0.2 percent (SAR 0.5 billion) in 2017 compared to a rise of 0.6 percent (SAR 1.7 billion) in 2016.

Currency in circulation recorded an increase of 1 percent (SAR 1.7 billion) in 2017 compared to a growth of 1.1 percent (SAR 1.8 billion) in 2016. Its share of the monetary base rose to 57 percent in 2017 from 56.3 percent in the preceding year. On the other hand, banks' deposits with SAMA recorded a decline of 0.3 percent (SAR 0.3 billion) in 2017, which is the same as that of the preceding year. Similarly, public financial institutions' deposits with SAMA dropped by 77.4 percent (SAR 3.5 billion) in 2017 compared to a decline of 2.0 percent (SAR 0.1 billion) in 2016.

The money multiplier remained unchanged at 5.9 in 2017, the same as in 2016 (Table 4.6 and Chart 4.4).

Seasonal Trends of Currency in Circulation

As a rule of thumb, currency in circulation records its highest levels during two significant Islamic events; the month of Ramadhan and Hajj season, which coincided with the second and third quarters of the preceding few Gregorian years. This is manifested in the time series data on currency in circulation (Table 4.7 and Chart 4.5). Currency in circulation reached its peak of SAR 184.3 billion at the end of June 2017 and recorded its lowest level of SAR 167.5 billion at the end of October 2017.

Table 4.8:
Monetary Survey* (End of year)
(Million SAR)

	2013	2014	2015	2016	2017
Assets					
Net Foreign Assets	2,824,078	2,875,326	2,508,920	2,128,054	1,981,215
SAMA	2,687,792	2,715,989	2,283,382	1,982,348	1,833,355
Commercial banks	136,286	159,336	225,538	145,706	147,860
Domestic credit	1,217,400	1,355,160	1,496,902	1,632,902	1,694,834
Banks' Claims on the Private Sector	1,123,645	1,256,210	1,371,925	1,405,474	1,393,699
Banks' Claims on the Government	49,628	53,134	86,158	178,416	254,417
Change in banks' claims on non-financial institutions to the public sector	44,127	45,816	38,820	49,012	46,719
Total	**4,041,478**	**4,230,485**	**4,005,822**	**3,760,956**	**3,676,049**
Liabilities					
Money supply (M3)	1,545,149	1,729,356	1,773,296	1,787,352	1,791,134
Government deposits**	1,641,540	1,560,706	1,162,521	875,424	737,716
Other items (Net)	854,790	940,423	1,070,005	1,098,180	1,147,198
Total	**4,041,478**	**4,230,485**	**4,005,822**	**3,760,956**	**3,676,049**
(Percent change)					
Net Foreign Assets	10.2	1.8	-12.7	-15.2	-6.9
Domestic credit	12.6	11.3	10.5	9.1	3.8
Banks' Claims on the Private Sector	12.5	11.8	9.2	2.4	-0.8
Banks' Claims on the Government	16.8	7.1	62.2	107.1	42.6
Change in banks' claims on non-financial institutions to the public sector	11.5	3.8	-15.3	26.3	-4.7
Money supply (M3)	10.9	11.9	2.5	0.8	0.2
Government deposits**	8.2	-4.9	-25.5	-24.7	-15.7
Other items (Net)	16.7	10.0	13.8	2.6	4.5

* The consolidated financial position of SAMA and commercial banks. ** Including letters of credit and bills for collection.

Monetary Survey

The monetary survey aims at assessing the status of the Saudi banking system (SAMA and commercial banks) as well as arranging the items of the assets and claims of the banking system to understand changes. The monetary survey (Table 4.8) indicated a decrease in the assets of the banking system as a whole by 2.3 percent (SAR 84.9 billion) to SAR 3,676 billion in 2017 compared to a decline of 6.1 percent (SAR 244.9 billion) in 2016.

Net foreign assets declined by 6.9 percent (SAR 146.8 billion) in 2017 compared to a decrease of 15.2 percent (SAR 380.9 billion) in the preceding year. As a result, their share in total assets decreased from 56.6 percent in 2016 to 53.9 percent in 2017. In contrast, the share of domestic assets in total assets rose from 43.4 percent in 2016 to 46.1 percent in 2017; this resulted from a decrease in SAMA's net foreign assets by 7.5 percent (SAR 149 billion) and an increase in bank claims on the government by 42.6 percent (SAR 76 billion) in 2017 (Table 4.8).

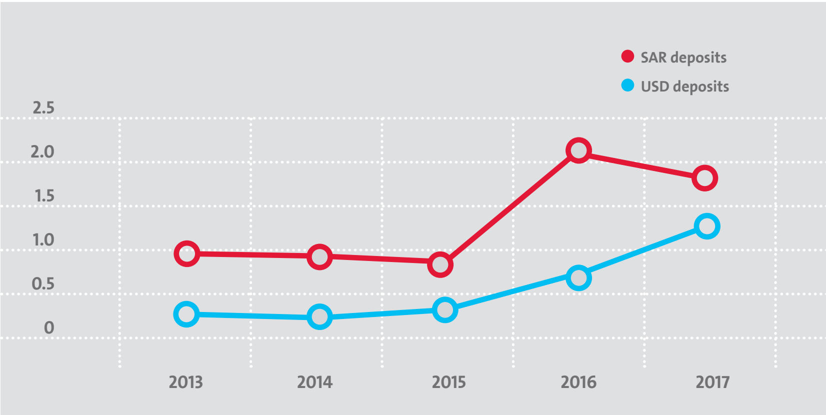
Increased oil revenues in 2017 and continuous government spending on development projects led government deposits with SAMA to decline at a slower pace, recording a decrease of 15.7 percent (SAR 137.7 billion) compared to a decrease of 24.7 percent (SAR 287.1 billion) in 2016.

Table 4.9:
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
2013	0.95	0.27	0.69
2014	0.94	0.23	0.70
2015	0.88	0.32	0.56
2016	2.07	0.73	1.34
2017	1.81	1.26	0.55

*SAIBOR.

Chart 4.6:
Interest Rates on Riyal and Dollar Deposits
(Average rates for 3-month deposits)



Interest Rate Trends

The average three-month Saudi interbank offered rate (SAIBOR) declined by 26 basis points to 1.81 percent in 2017 compared to 2.07 percent in 2016, due to the high liquidity level in the economy. In contrast, the average three-month interest rate on USD deposits (LIBOR) increased by 54 basis points from 0.73 percent in 2016 to 1.26 percent in 2017. The differential between the two average rates narrowed to 55 basis points in 2017 as compared to 134 basis points in the preceding year (Table 4.9 and Chart 4.6).

Table 4.10:
Indicators of USD/SAR Exchange Rate in the Spot Market*

Year	Highest	Lowest	Average rate (for the entire period)
2013	3.7512	3.7497	3.7503
2014	3.7557	3.7495	3.7510
2015	3.7615	3.7498	3.7512
2016	3.7587	3.7489	3.7508
2017	3.7518	3.7499	3.7503

* Source: Bloomberg.

Exchange Rate Trends

SAMA maintained its monetary policy that aims at stabilizing the Saudi riyal exchange rate in order to serve the interests of the Saudi economy (Table 4.10); as a result, the Saudi riyal exchange rate remained fixed at SAR 3.75 per one US dollar in the spot market in 2017. It should also be noted that the Saudi riyal exchange rate averaged SAR 3.7503 per US dollar in 2017 compared to SAR 3.7508 in the preceding year. The highest exchange rate recorded in 2017 was SAR 3.7518 versus 3.7587 in 2016. The lowest exchange rate recorded in 2017 was SAR 3.7499 versus 3.7489 in the preceding year.

05 Banking Sector

In 2017, commercial banks continued to maintain their resilient financial position despite the slight slowdown in the national economy. It is worthy to note that this resilience reflects SAMA's role in supervising and controlling the banking sector to enhance both its resilience and solvency position as well as the quality of banking and financial services offered to customers. During 2017, commercial banks recorded a good performance as a result of a rise in their general activity and enhancement of their financial position. Their total assets increased by 2.2 percent, bank deposits by 0.1 percent, and capital and reserves by 6.3 percent.

Consolidated Financial Position of Commercial Banks

Total assets of commercial banks continued to grow in 2017, increasing by 2.2 percent (SAR 49.4 billion), which is the same growth rate as that of the preceding year (Table 5.1).

Bank Deposits

Total bank deposits rose by 0.1 percent (SAR 2.1 billion) to SAR 1,619.1 billion in 2017, compared to a rise of 0.8 percent (SAR 12.2 billion) in the preceding year (Table 5.2 and Charts 5.1 and 5.2).

A breakdown of bank deposits by type shows that demand deposits rose by 2.7 percent (SAR 26.01 billion) in 2017 to reach SAR 1,000.1 billion, compared to a decline of 0.2 percent (SAR 2.1 billion) in the preceding year. Their share in total bank deposits also rose from 60.2 percent in 2016 to 61.8 percent in 2017. In the same context, other quasi-monetary deposits (the bulk of which is residents' foreign currency deposits) went up by 13.1 percent (SAR 19.8 billion) to SAR 171.1 billion compared to a decline of 22.0 percent (SAR 42.7 billion) in the preceding year. Their share in total bank deposits increased to 10.6 percent in 2017 from 9.4 percent in 2016. In contrast, time and savings deposits decreased by 8.9 percent (SAR 43.8 billion) compared to an increase of 13.1 percent (SAR 57.1 billion) in the preceding year. Their share of total deposits also declined to 27.7 percent in 2017 as compared to 30.4 percent in the preceding year (Chart 5.3).

A breakdown of deposits by sector shows that deposits of the private sector decreased by 2.7 percent (SAR 34.8 billion) to SAR 1,269.7 billion in 2017 compared to a rise of 3.8 percent (SAR 48.2 billion) in the preceding year. The private sector's share of total bank deposits stood at 78.4 percent compared to 80.7 percent in the preceding year. Deposits of the public sector increased by 11.8 percent (SAR 36.8 billion) to SAR 349.4 billion in 2017, compared to a decline of 10.3 percent (SAR 35.9 billion) in the preceding year. Therefore, their share in total deposits rose from 19.3 percent in 2016 to 21.6 percent in 2017.

Banking Sector

Table 5.1:
Consolidated Financial Position of Commercial Banks (End of year)
(Million SAR)

	2013	2014	2015	2016	2017
Assets					
Bank reserves	200,366	213,073	146,238	236,704	239,371
Foreign assets	210,691	251,613	316,710	225,838	242,362
Claims on the public sector	93,755	98,949	124,977	227,428	301,135
Claims on the private sector	1,123,645	1,256,210	1,371,925	1,405,474	1,393,699
Claims on non-monetary financial institutions	2,740	2,254	2,904	4,436	2,600
Other assets	262,085	310,477	246,015	156,454	126,593
Total Assets (Liabilities)	**1,893,283**	**2,132,577**	**2,208,768**	**2,256,334**	**2,305,760**
Liabilities					
Bank deposits	1,401,980	1,575,579	1,604,768	1,617,010	1,619,062
Foreign Liabilities	74,405	92,277	91,171	80,132	94,502
Capital and reserves	225,855	248,111	270,964	298,895	317,604
Profits	35,692	40,159	42,683	40,363	43,677
Other liabilities	155,350	176,451	199,182	219,933	230,915

Table 5.2:
Bank Deposits (End of year)
(Million SAR)

	2013	2014	2015	2016	2017
I. By type					
Demand deposits	857,280	989,174	976,231	974,094	1,000,105
Time and savings deposits	345,035	398,743	434,501	491,595	447,827
Other quasi-monetary deposits	199,664	187,661	194,036	151,321	171,130
Foreign currency deposits	170,562	157,414	160,989	123,019	138,979
For L/Cs	12,812	14,028	16,284	18,052	18,496
Repo transactions	35	70	14	81	51
Outstanding remittances	16,255	16,150	16,749	10,169	13,604
II. By Sector					
Private Sector	1,103,216	1,221,838	1,256,308	1,304,465	1,269,698
Public sector	298,764	353,740	348,459	312,546	349,364
III. By Currency					
Domestic currency deposits	1,231,418	1,418,165	1,443,778	1,493,991	1,480,083
Foreign currency deposits	170,562	157,414	160,989	123,019	138,979
Total Bank Deposits	**1,401,980**	**1,575,579**	**1,604,768**	**1,617,010**	**1,619,062**

Chart 5.1:
Deposits By Currency

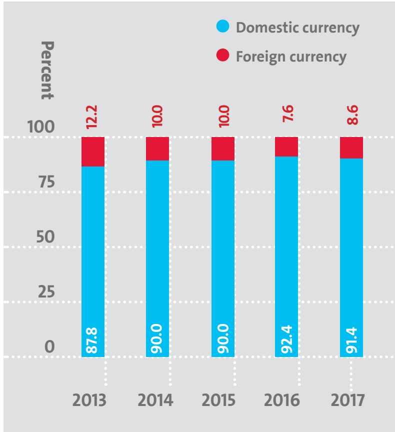


Chart 5.2:
Growth Rates of Bank Deposits

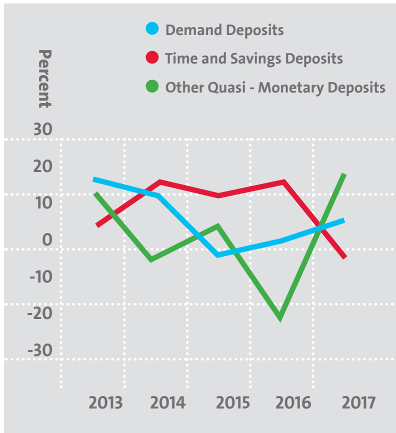


Chart 5.3:
Shares of Deposit Components

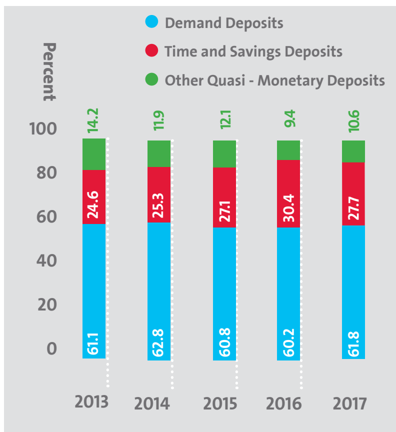


Table 5.3:
Bank Claims on the Private and Public Sectors (End of year)
(Million SAR)

	2015		2016		2017	
	Amount	% share of total	Amount	% share of total	Amount	% share of total
Claims on the Private Sector	1,371,925	91.5	1,405,474	85.8	1,393,699	82.1
Bank credit	1,322,809	88.2	1,351,407	82.5	1,339,812	78.9
Loans and advances	1,308,199	87.2	1,337,343	81.7	1,327,256	78.2
Bills discounted	14,611	1.0	14,064	0.9	12,556	0.7
Investments in private securities	49,116	3.3	54,067	3.3	53,887	3.2
Claims on the Public Sector	124,977	8.3	227,428	13.9	301,135	17.7
Bank credit to public institutions	38,820	2.6	49,012	3.0	46,719	2.8
Government bonds	86,158	5.7	178,416	10.9	254,417	15.0
Claims on non-monetary financial institutions	2,904	0.2	4,436	0.3	2,600	0.2
Total	**1,499,806**	**100.0**	**1,637,338**	**100.0**	**1,697,434**	**100.0**

Chart 5.4:
Bank Claims On Private Sector (Monthly)
(Billion Riyals)

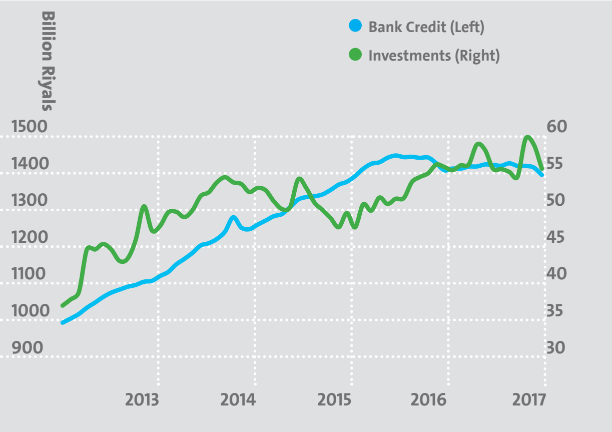
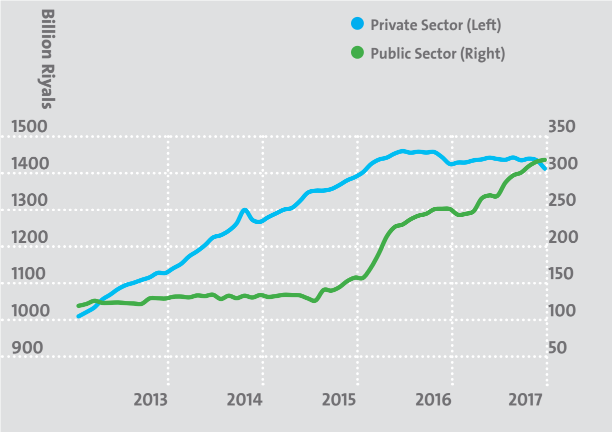


Chart 5.5:
Bank Claims By Sector (Monthly)
(Billion Riyals)



A review of developments in bank deposits by currency shows that domestic currency deposits fell by 0.9 percent (SAR 13.9 billion) to SAR 1,480.1 billion in 2017 compared to a rise of 3.5 percent (SAR 50.2 billion) in 2016, bringing down their share in total deposits to 91.4 percent in 2017 from 92.4 percent in 2016. Foreign currency deposits, however, increased by 13.0 percent (SAR 16.0 billion) to SAR 139.0 billion in 2017 compared to a decrease of 23.6 percent (SAR 38.0 billion) in the preceding year. Thus their share of total deposits rose to reach 8.6 percent compared to 7.6 percent in the preceding year.

Bank Claims on the Private and Public Sectors

Total bank claims on the private and public sectors (loans and advances, bills discounted, investments, bank credit and government bonds) rose 3.7 percent (SAR 61.9 billion) to SAR 1,694.8 billion in 2017, compared to an increase of 9.1 percent (SAR 135.9 billion) in the preceding year. Total claims on the private and public sectors in 2017 accounted for 99.8 percent of total bank deposits, compared to 99.7 percent in the preceding year.

In contrast, total bank claims on the private sector went down by 0.8 percent (SAR 11.8 billion) to SAR 1,394 billion in 2017, compared to an increase of 2.4 percent (SAR 33.5 billion) in the preceding year. As a result, these claims constituted 82.1 percent of total bank deposits in 2017, a decline from the 85.8 percent recorded in the preceding year.

Bank claims on the public sector (loans to public institutions and government bonds) increased by 32.4 percent (SAR 73.7 billion) to SAR 301.1 billion in 2017, compared to a rise of 82 percent (SAR 102.5 billion) in the preceding year. The increase was buoyed by a year-on-year surge of 42.6 percent (SAR 76 billion) in government bonds, bringing them to SAR 254.4 billion, against 107.1 percent (SAR 92.3 billion) in the preceding year. On the other hand, loans to public institutions went down by 4.7 percent (SAR 2.3 billion) to SAR 46.7 billion in 2017 compared to an increase of 26.3 percent (SAR 10.2 billion) in the preceding year. These claims accounted for 17.7 percent of total bank deposits in 2017 compared to 13.9 percent in the preceding year (Table 5.3 and Charts 5.4 and 5.5).

Table 5.4:
Bank Credit by Maturity
(Million SAR)

End of year	Short Term	Medium Term	Long Term	Total
2013	603,313	211,958	305,249	1,120,520
2014	621,308	237,744	391,594	1,250,646
2015	685,174	241,457	434,998	1,361,629
2016	702,327	264,855	433,237	1,400,419
2017	692,221	265,585	428,724	1,386,530

Note: Short term: Less than 1 year.
Medium term: 1 - 3 years.
Long term: More than 3 years.

Table 5.5:
Bank Credit Extended to Private Sector by Economic Activity (End of year)
(Million SAR)

	2015		2016		2017	
	Amount	% share of total	Amount	% share of total	Amount	% share of total
Agriculture and fishing	11,080	0.8	12,778	0.9	12,249	0.9
Manufacturing and production	172,498	13.0	176,355	13.0	160,837	12.0
Mining and quarrying	21,205	1.6	19,433	1.4	14,849	1.1
Water, electricity, gas and health services	40,485	3.1	41,108	3.0	50,826	3.8
Building and construction	105,834	8.0	104,388	7.7	88,881	6.6
Commerce	285,492	21.6	300,107	22.2	312,418	23.3
Transport and Communications	42,655	3.2	40,411	3.0	47,614	3.6
Finance	33,890	2.6	31,789	2.4	35,398	2.6
Services	72,709	5.5	69,961	5.2	71,050	5.3
Other miscellaneous services	536,961	40.6	555,077	41.1	545,688	40.7
Total	**1,322,809**	**100.0**	**1,351,407**	**100.0**	**1,339,812**	**100.0**

° Loans and advances extended to public sector institutions.

Bank Credit by Maturity

Total bank credit declined by 1.0 percent (SAR 13.9 billion) to SAR 1,386.5 billion in 2017 compared to a rise of 2.8 percent (SAR 38.8 billion) in the preceding year. A review of bank credit by maturity shows that short-term (less than one year) bank credit extended to the private sector and institutions of the public sector decreased by 1.4 percent (SAR 10.1 billion) to SAR 692.2 billion in 2017, compared to a rise of 2.5 percent (SAR 17.2 billion) in the preceding year. Medium-term credit (1-3 years) rose by 0.3 percent (SAR 730.2 million), from SAR 264.9 billion in 2016 to SAR 265.6 billion in 2017, compared to an increase of 9.7 percent (SAR 23.4 billion) in 2016. Long-term credit (more than three years) continued to decline by 1.0 percent (SAR 4.5 billion) and reached SAR 428.7 billion in 2017, compared to a decline of 0.4 percent (SAR 1.8 billion) in the preceding year (Table 5.4).

Bank Credit by Economic Activity

A breakdown of bank credit by economic activity during 2017 shows mixed trends. Bank credit extended to the commerce activity increased by 4.1 percent (SAR 12.3 billion) to SAR 312.4 billion, compared to a rise of 5.1 percent in the preceding year. Bank credit extended to the electricity, water, gas and health services also rose by 23.6 percent (SAR 9.7 billion) to SAR 50.8 billion, compared to an increase of 1.5 percent in the preceding year. In addition, bank credit extended to transport and communications rose by 17.8 percent (SAR 7.2 billion) to SAR 47.6 billion, compared to a decrease of 5.3 percent in the preceding year. Bank credit extended to the finance activity also increased by 11.4 percent (SAR 3.6 billion) to SAR 35.4 billion, compared to a decrease of 6.2 percent in the preceding year. Bank credit extended to the services activity rose by 1.6 percent (SAR 1.1 billion) to SAR 71.1 billion, compared to a decline of 3.8 percent in the preceding year. On the other hand, bank credit extended to the agriculture and fishing activity fell by 4.1 percent (SAR 529 million) to SAR 12.2 billion, compared to a rise of 15.3 percent in the preceding year. Bank credit extended to the manufacturing and production activity declined by 8.8 percent (SAR 15.5 billion) to SAR 160.8 billion as compared to a rise of 2.2 percent in the preceding year. Bank credit extended to mining and quarrying also declined by 23.6 percent (SAR 4.6 billion) to SAR 14.8 billion against a decrease of 8.4 percent in the preceding year. Bank credit extended to building and construction also declined 14.9 percent (SAR 15.5 billion) to SAR 88.9 billion, compared to a decrease of 1.4 percent in 2016 (Table 5.5 and Chart 5.6).

Chart 5.6:
Bank Credit to the Private Sector By Economic Activity

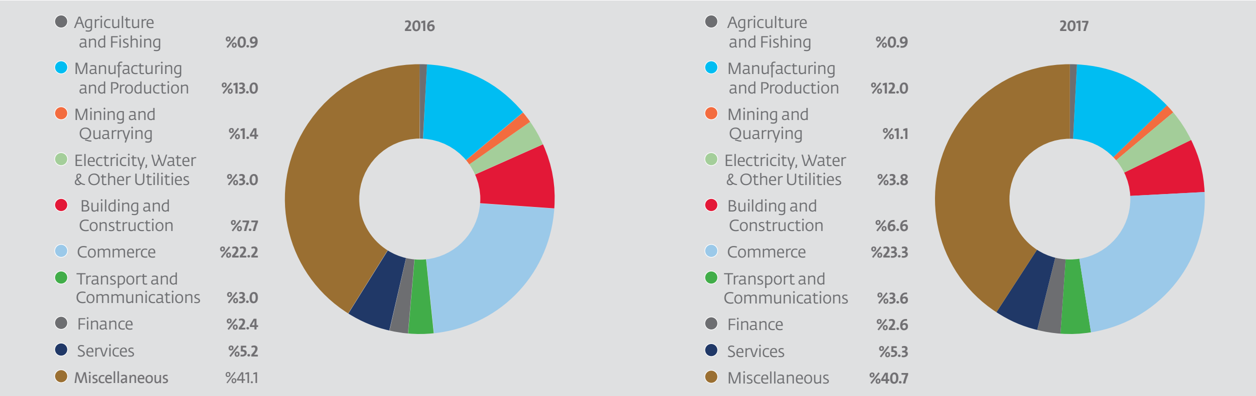


Table 5.6A:
Consumer and credit card loans*
(Million SAR)

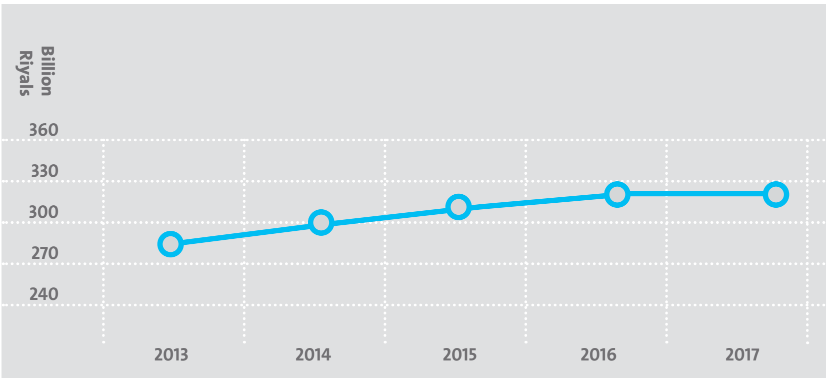
Year (End of year)	Consumer loans								Credit cards**
	Renovation & property improvement	Motor vehicles & personal transportation	Furniture & durable goods	Education	Health care	Tourism & travel	Other	Total	
2013	21,300.3	18,114.1	---	---	---	---	238,225.8	277,640.3	8,509.1
2014* **	25,603.9	20,788.2	5,455.2	414.5	246.0	102.7	245,397.7	298,008.2	9,666.7
2015	37,020.5	9,429.2	4,911.9	636.6	312.2	85.3	254,789.2	307,184.9	10,212.7
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	16,720.6	10,783.9	1,708.3	565.6	2,338.4	256,206.1	318,350.9	12,094.0

* Excluding real estate finance, leasing, and finance for stocks trading.
** Including Visa, MasterCard, American Express and others.
*** Before 2014, furniture & durable goods, education, health care, tourism & travel were included in Other.
****Note: Data were updated following amendments made to some items of Consumer Loans

Table 5.6B:
Real Estate Bank Credit
(Million SAR)

(End of year)	Retail	Corporate	Total
2013	70,334	49,419	119,753
2014	94,241	64,743	158,984
2015	102,207	84,257	186,464
2016	110,582	96,289	206,871
2017	121,442	90,057	211,499

Chart 5.7:
Total Consumer Loans



Consumer and Credit Card Loans

Consumer loans and credit card loans registered their all-time high of SAR 330.4 billion in 2017 compared to SAR 329.2 billion in the preceding year, increasing by 0.4 percent. (Table 5.6A and Chart 5.7).

Real Estate Loans

Total real estate credit extended by banks continued its growth to SAR 211.5 billion, increasing by 2.2 percent (SAR 4.6 billion), compared to a growth rate of 10.9 percent (SAR 20.4 billion) in the preceding year. Retail real estate loans recorded a rise of 9.8 percent (SAR 10.9 billion) to SAR 121.4 billion, compared to an increase of 8.2 percent (SAR 8.4 billion) in the preceding year, constituting 57.4 percent of total real estate loans in 2017. However, corporate real estate loans extended by commercial banks declined 6.5 percent (SAR 6.2 billion) to SAR 90.1 billion in 2017, compared to a rise of 14.3 percent (SAR 12.0 billion) in the preceding year (Table 5.6B).

Table 5.7:
Syndicated Loans

Year	No. of Syndicated Loans			Value (Billion SAR)		
	Resident	Non-resident	Total	Resident	Non-resident	Total
2013	558	134	692	211	26	237
2014	384	53	437	130	8	138
2015	469	65	534	134	12	146
2016	555	76	631	195	16	211
2017	513	74	587	189	12	201

Table 5.8:
Commercial Banks' Foreign Assets and Liabilities
(Million SAR)

	Amount		Change			
			2016		2017	
	2016	2017	Amount	%	Amount	%
Foreign Assets						
Due from foreign banks	55,946	50,423	-27,146	-32.7	-5,524	-9.9
Due from branches abroad	28,078	54,251	-16,416	-36.9	26,173	93.2
other assets	12,791	23,614	-1,144	-8.2	10,823	84.6
Investments abroad	129,023	114,075	-46,165	-26.4	-14,948	-11.6
Total	**225,838**	**242,362**	**-90,871**	**-28.7**	**16,524**	**7.3**
Foreign Liabilities						
Due to foreign banks	47,624	50,936	-1,118	-2.3	3,312	7.0
Due to branches abroad	9,534	26,301	-7,605	-44.4	16,766	175.9
Due to others	22,974	17,265	-2,316	-9.2	-5,709	-24.8
Total	**80,132**	**94,502**	**-11,039**	**-12.1**	**14,370**	**17.9**
Net Foreign Assets	**145,706**	**147,860**	**-79,832**	**-35.4**	**2,154**	**1.5**

Syndicated Loans

Data on loans extended to residents by syndicates of domestic and foreign banks indicate that their number decreased by 7.6 percent to 513 in 2017. Syndicated loans extended to non-residents went down by 2.6 percent to 74. Total value of syndicated loans extended to residents fell by 3.1 percent to SAR 189 billion in 2017, and those extended to non-residents by 25.0 percent to SAR 12 billion (Table 5.7).

Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks went up by 7.3 percent (SAR 16.5 billion) to SAR 242.4 billion in 2017 compared to a fall of 28.7 percent (SAR 90.9 billion) in the preceding year.

Foreign liabilities of commercial banks also rose by 17.9 percent (SAR 14.4 billion) to SAR 94.5 billion, compared to a decline of 12.1 percent (SAR 11 billion) in the preceding year (Table 5.8 and Charts 5.8 and 5.9).

As a result, commercial banks' net foreign assets (foreign assets less foreign liabilities) rose by 1.5 percent (SAR 2.2 billion) to SAR 147.9 billion in 2017, compared to a decline of 35.4 percent (SAR 79.8 billion) in the preceding year.

Commercial Banks' Reserves

Commercial banks' reserves (cash in vault and deposits with SAMA) went up by 1.1 percent (SAR 2.7 billion) to SAR 239.4 billion in 2017, compared to a rise of 61.9 percent (SAR 90.5 billion) in the preceding year. This increase was due to a 2.1 percent (SAR 2.3 billion) rise in other deposits with SAMA to stand at SAR 112.3 billion in 2017 from SAR 110 billion in 2016, and a 5.5 percent (SAR 1.6 billion) rise in cash in bank vaults to stand at SAR 31.3 billion from SAR 29.6 billion in 2016. However, current deposits with SAMA fell by 33.0 percent (SAR 96.6 million) to SAR 196 million. Statutory deposits with SAMA also decreased by 1.2 percent (SAR 1.2 billion) to SAR 95.5 billion (Table 5.9).

Chart 5.8:
Foreign Assets and Liabilities of Banks (Monthly)

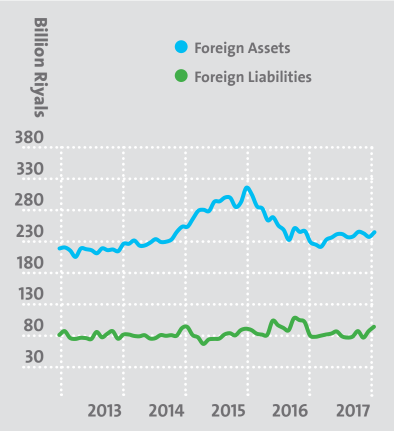


Chart 5.9:
Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities

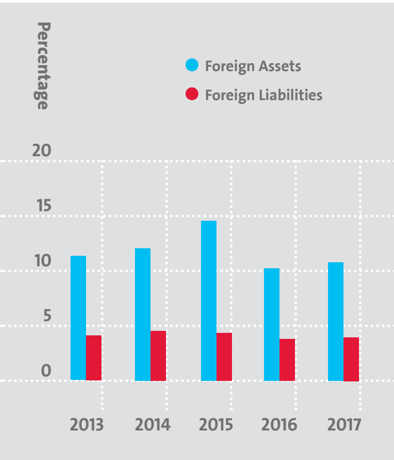


Table 5.9:
Commercial Banks' Reserves (End of year)
(Million SAR)

	2013	2014	2015	2016	2017
Cash in vault	23,219	27,115	29,383	29,648	31,285
Deposits with SAMA:					
Current deposits	173	472	317	293	196
Statutory deposits	81,085	91,879	97,467	96,727	95,549
Other deposits	95,889	93,607	19,071	110,036	112,340
Banks' reserves	**200,366**	**213,073**	**146,238**	**236,704**	**239,371**
Ratios to bank deposits (%)					
Cash in vault	1.66	1.72	1.83	1.83	1.93
Deposits with SAMA:					
Current deposits	0.01	0.03	0.02	0.02	0.01
Statutory deposits	5.78	5.83	6.07	5.98	5.90
Other deposits	6.84	5.94	1.19	6.80	6.94
Banks' reserves	**14.29**	**13.52**	**9.11**	**14.64**	**14.78**

Table 5.10:
Capital and Reserves of Commercial Banks (End of year)
(Million SAR)

	2013	2014	2015	2016	2017
Capital and reserves	225,855	248,111	270,964	298,895	317,604
Capital and reserves as a ratio of:					
Bank deposits	16.1	15.7	16.9	18.5	19.6
Total assets	11.9	11.6	12.3	13.2	13.8
Capital to risk-weighted assets ratio (Basel Standard) (%)	17.9	17.9	18.1	19.5	20.4

Banks' Capital and Reserves

Bank capital and reserves increased by 6.3 percent (SAR 18.7 billion) to SAR 317.6 billion in 2017, compared to a rise of 10.3 percent (SAR 27.9 billion) in the preceding year. Their ratio to total deposits increased from 18.5 percent in 2016 to 19.6 percent in 2017, and the ratio to total assets grew from 13.2 percent in 2016 to 13.8 percent in 2017. The ratio of capital to risk-weighted assets (Basel Standard) stood at 20.4 percent in 2017, which is higher than the ratio recommended by the Basel Committee (Table 5.10).

Sources and Uses of Financial Resources of Commercial Banks in 2017

Total added financial resources of commercial banks fell by 55.1 percent to SAR 107.4 billion in 2017 compared to SAR 239.0 billion in the preceding year. Key added financial resources were concentrated in the liquidation of repo agreements as they accounted for 23.7 percent (SAR 25.5 billion) of total financial resources. Financial resources from the liquidation of SAMA treasury bills stood at SAR 17.5 billion or 16.3 percent of total financial resources. Repayments of loans extended to public and private sectors stood at SAR 17.2 billion and SAR 4.3 billion or 16.0 percent and 4.0 percent, respectively, of total resources. As for the reserves, which represent a financial resource for banks, they amounted to SAR 18.9 billion or 17.6 percent of total financial resources. Bank and non-bank liabilities accounted for 9.1 percent (SAR 9.7 billion) of total bank financial resources. On the other hand, claims on banks were estimated at SAR 6.4 billion or 6.0 percent of total financial resources.

Table 5.11:
Sources and Uses of Financial Resources of Commercial Banks in 2017
(Billion SAR)

Uses	Amount	% share	Sources	Amount	% share
Investment in Gov. Bonds	69.2	64.4	Reverse repo transactions	25.5	23.7
Total Deposits - Withdrawal	8.7	8.1	SAMA bills	17.5	16.3
Foreign Liabilities -Payment	29.5	27.4	Private Sector Credit -Recovered	17.2	16.0
			Public Sector Credit -Recovered	4.3	4.0
			Reserves	18.9	17.6
			Liabilities to Banks and non-banks -Increases	9.7	9.1
			Claims on Banks -Decreases	6.4	6.0
			Net other liabilities	7.9	7.4
			Other miscellaneous liabilities	5.5	
			Other miscellaneous assets	-2.4	
Total	**107.4**	**100.0**	**Total**	**107.4**	**100.0**

Table 5.12:
Bank Branches Classified by Administrative Regions (End of year)

	Riyadh	Makkah	Madinah	Eastern Region	Qassim	Asir	Tabuk	Hail	Northern borders	Jawf	Jazan	Najran	Baha	Total
2013	535	394	84	331	110	111	42	35	13	23	41	23	26	1,768
2014	586	412	94	366	114	117	47	39	15	24	47	25	26	1,912
2015	611	429	98	384	118	120	48	40	15	25	50	25	26	1,989
2016	623	439	105	393	120	125	49	41	15	26	50	26	26	2,038
2017	631	442	111	405	123	127	50	41	16	27	53	26	27	2,079

The bulk of financial resources was used during 2017 to enhance investment in government bonds with an amount of SAR 69.2 billion or 64.4 percent of total financial resources. Similarly, financial resources were used to repay foreign liabilities, which amounted to SAR 29.5 billion or 27.4 percent of total resources. Total deposit withdrawals amounted to SAR 8.7 billion or 8.1 percent of total financial resources (Table 5.11).

Commercial Banks' Profits

Commercial banks' profits went up by 8.2 percent to SAR 43.7 billion in 2017 over last year's profits of SAR 40.4 billion, which declined by 5.4 percent over the profits in 2015.

Number of Banks and Branches

The number of commercial banks operating in Saudi Arabia stood at 26 (25 operating and one licensed) in 2017, including branches of foreign banks. The number of commercial banks' branches increased by operating 41 new bank branches to 2,079 in various regions of Saudi Arabia. The distribution of bank branches by administrative regions shows that Riyadh region accounted for 631 branches (30.4 percent of total bank branches), Makkah region 442 branches (21.3 percent), the Eastern region 405 branches (19.5 percent), Asir region 127 branches (6.1 percent), Al-Qassim region 123 branches (5.9 percent), and Al-Madinah region 111 branches (5.3 percent) (Table 5.12).

Number of Workers in the Banking Sector

The number of workers in the banking sector went down by 0.4 percent to 49,120 in 2017. Saudi (male and female) workers represented 91.9 percent (45,162) of the total number of workers in the banking sector. Saudi male workers accounted for 78.1 percent of the total number of workers, while non-Saudi male workers accounted for 8.0 percent. Saudi female workers represented 13.8 percent of the total number of workers, against 0.05 percent of non-Saudi female workers.

Banking Technology Developments in 2017

First: Clearing House Operations

The number of commercial and personal checks cleared through clearing houses in Saudi Arabia went down by 13.2 percent (647.2 thousand checks) in 2017, bringing down their value by 14.1 percent to SAR 352.4 billion. The average check value went down by 1.1 percent from SAR 83,567 in 2016 to SAR 82,639 in 2017.

Chart 5.10:
Percentage Shares of Commercial and Personal Checks Cleared by City

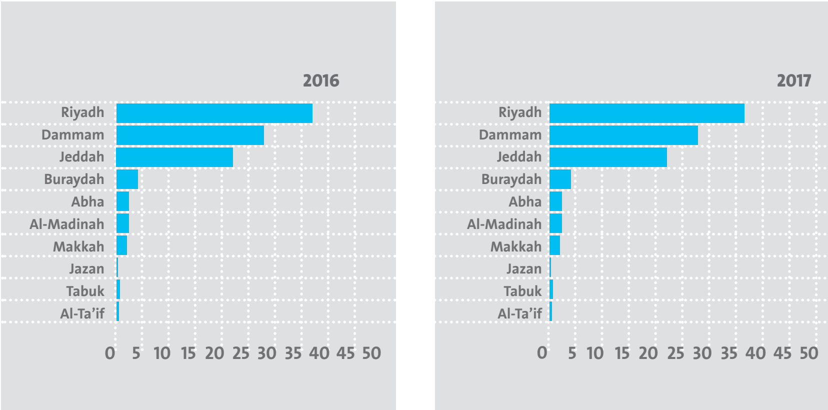


Chart 5.11:
Automated Teller Machine Statistics

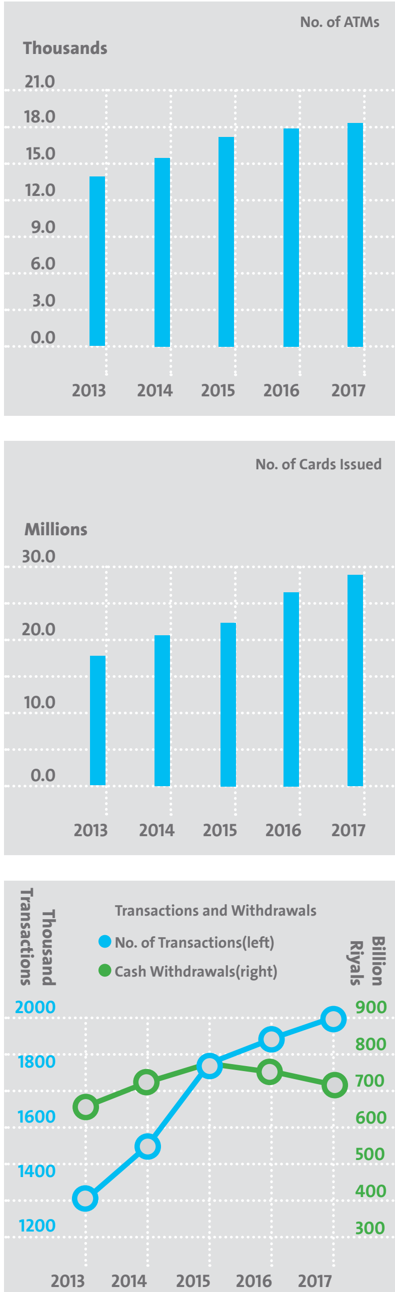


Table 5.13:
ATM Statistics

Year	No. of ATMs	No. of issued ATM cards	No. of transactions (million) mada	No. of transactions (million) Bank networks	No. of transactions (million) Total	Cash withdrawals (million SAR) mada	Cash withdrawals (million SAR) Bank networks	Cash withdrawals (million SAR) Total
2013	13,883	17,810,653	558	777	1,336	334,331	333,810	668,141
2014	15,516	20,550,274	625	904	1,529	373,030	358,373	731,403
2015	17,223	22,459,275	727	1,069	1,796	435,177	342,023	777,200
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

In general, the number of commercial and personal checks cleared at the main automatic clearing houses in the Kingdom decreased in 2017. This is likely attributable to the expansion in banking technology, including Point of Sale (POS) terminals. The number of checks in Madinah clearing house fell 15.3 percent to 105.2 thousand, Jeddah 14.3 percent to 931.6 thousand, Riyadh 13.7 percent to 1.6 million, Abha 12.9 percent to 104.1 thousand, Dammam 12.5 percent to 1.2 million, Buraidah 11.0 percent to 180.4 thousand, Ta'if 9.8 percent to 26.2 thousand, Tabuk 8.9 percent to 33.9 thousand, and Makkah 7.3 percent to 99.3 thousand (Chart 5.10).

Second: Mada

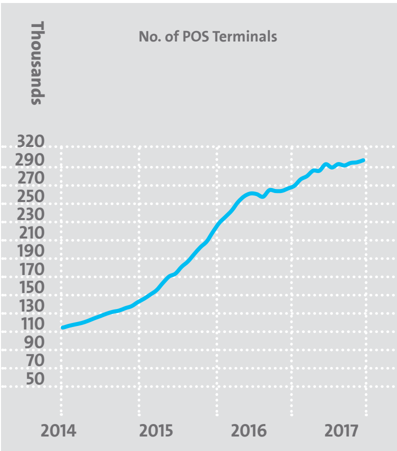
During 2017, the Saudi Payment Network (Mada) achieved positive growth in all of its operations. The number of ATMs operating in Saudi Arabia increased by 2.5 percent to 18,333 compared to a 3.9 percent rise in the preceding year. The number of ATM cards issued also went up by 7.0 percent to 28.4 million, compared to an increase of 18.2 percent in the preceding year.

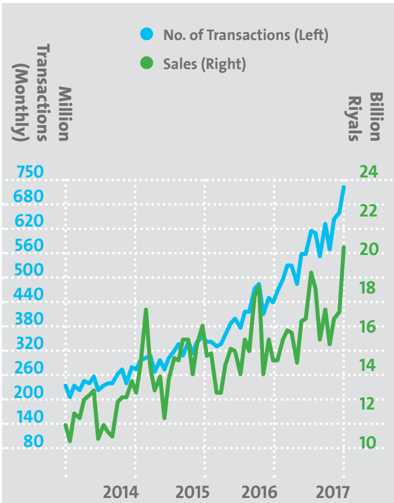
The number of transactions carried out through Mada rose by 5.9 percent to 870 million in 2017 as compared to a rise of 13.1 percent in the preceding year. The value of withdrawals carried out through Mada decreased by 1.2 percent to SAR 440.7 billion, compared to a rise of 2.6 percent in the preceding year. The number of transactions executed through banks' networks went up by 3.8 percent to 1.14 billion, compared to a rise of 3.0 percent in the preceding year, their value went down by 6.3 percent to SAR 287.8 billion, compared to a decline of 10.2 percent in the preceding year. As a result, the total number of ATM transactions rose by 4.7 percent to 2.0 billion. However, total cash withdrawals declined by 3.3 percent to SAR 728.5 billion (Table 5.13 and Chart 5.11).

Table 5.14:
POS Statistics

Year	Sales (Million SAR)	No. of transactions (Million)	No. of POS terminals
2013	134,194	265	107,763
2014	159,970	327	138,779
2015	172,835	395	225,372
2016	182,749	525	267,827
2017	200,468	708	299,942

Chart 5.12:
POS Operation (Monthly)





The number of POS terminals went up by 12.0 percent to 299,942 in 2017, compared to a rise of 18.8 percent in the preceding year. The number of sales transactions executed through POS terminals also went up by 35.0 percent to 708 million, compared to a rise of 32.8 percent in the preceding year. The value of these transactions went up by 9.7 percent to SAR 200.5 billion, compared to a rise of 5.7 percent in the preceding year (Table 5.14 and Chart 5.12). Higher growth rates in ATM cards and transactions as well as POS terminals and transactions demonstrate further reliance of customers on Mada services and confidence in modern banking technology, highlighting the continuous achievements by Mada.

Third: Saudi Arabian Riyal Interbank Express System (SARIE)

Total number of transactions executed through SARIE went up by 15.9 percent to 103.5 million in 2017, compared to a rise of 9.5 percent in the preceding year. A breakdown of SARIE transactions by single and bulk payments shows that the number of single payments rose by 12.5 percent to 10.3 million transactions and their value by 13.0 percent to SAR 3.8 trillion. The number of bulk payments also went up by 18.0 percent to 89.8 million transactions and their value by 5.5 percent to SAR 2.2 trillion. In contrast, the number of other transactions decreased by 22.4 percent to 2.7 million, but their value rose by 34.6 percent to SAR 42 billion. A classification of SARIE transactions by interbank payments shows that the number of single interbank transactions increased by 9.7 percent to 514 thousand during 2017, and their value went up by 64.1 percent to SAR 56.1 trillion. The number of bulk interbank transactions executed through SARIE rose by 74.1 percent to 137 thousand, and their value went up by 30.5 percent to SAR 80.1 billion (Tables 5.15A and 5.15B and Chart 5.13).

Fourth: SADAD

The number of billers from various public service sectors (including electricity, water, telecommunication services providers, airline companies, insurance companies, installment companies, universities, and credit card and loan payment to a number of domestic banks) connected to SADAD stood at 157 in 2017. A number of 62

Table 5.15A:
Number of SARIE Transactions
(Thousand)

	Customer payments			Interbank payments				
year	Bulk	Single	Total (1)	Bulk	Single	Total (2)	Other (3)	Total (1+2+3)
2013	50,768	5,290	56,058	112	342	454	1,456	57,967
2014	56,375	6,085	62,459	118	374	492	1,628	64,580
2015	70,639	8,023	78,663	72	464	537	2,335	81,534
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

° Q1

Chart 5.13:
SARIE Transactions

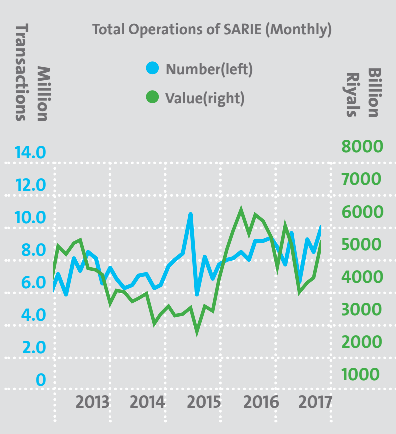
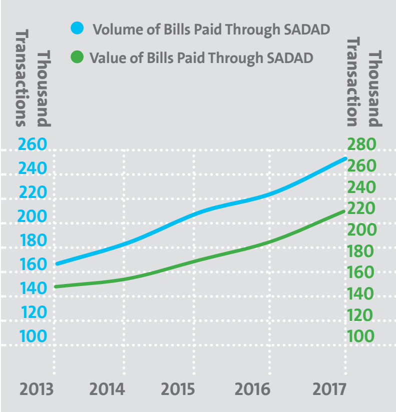


Table 5.15B:
Value of SARIE Transactions
(Billion SAR)

	Customer payments			Interbank payments				
year	Bulk	Single	Total (1)	Bulk	Single	Total (2)	Other (3)	Total (1+2+3)
2013	1,530	3,040	4,570	49	50,013	50,062	27	54,660
2014	1,722	3,457	5,179	51	49,196	49,247	34	54,459
2015	1,984	3,349	5,333	59	43,450	43,510	23	48,865
2016	2,067	3,396	5,463	61	34,161	34,222	31	39,717
2017	2,180	3,839	6,019	80	56,048	56,128	42	62,189

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

Chart 5.14:
Volume and value of bill paid through SADAD



government agencies (including ministries, bodies and municipalities) have also been connected to SADAD. The number of banks connected to SADAD stood at 17. The number of executed transactions totaled 218.4 million and their value totaled SAR 250.5 billion in 2017 as compared to 190.1 million transactions with a total value of SAR 224.6 billion in the preceding year (Chart 5.14).

Derivatives Market Activity

Derivatives transactions in Saudi Arabia fell by 7.9 percent (SAR 101.0 billion) to SAR 1,175 billion in 2017, compared to SAR 1,276 billion in 2016.

Banking Creditworthiness

The Saudi Credit Bureau (SIMAH) continued its efforts to provide its services to all relevant entities during 2017 by continuously developing its services and products, especially those related to the Individuals System Project (SIMATI), Companies System Project (SIMATINA), Small and Medium Enterprises Evaluation System Project, Shaiki Project and Wasm Project (Legal Entity Identifier). The importance of the aforementioned projects was acknowledged by the G-20 based on an initiative of the Financial Stability Board, aiming at helping financial institutions to evaluate risks in a systematic and effective manner and put regulatory and operational requirements in place to ensure the stability and efficiency of the financial sector and other products and services which constitute, as a whole, a robust base for the stability of the financial sector. In addition, SIMAH continued to achieve the goals for which it was established as an independent Saudi credit information body in the late 1990s: 1) to complement the finance system in the Kingdom, and 2) to develop credit information sector and its various services in preparation for the expansion of credit market in the Kingdom.

SIMAH also kept on developing its businesses at the technical and regulatory levels during 2017 in accordance with specific strategies. These strategies include ensuring the provision of an effective information infrastructure to enhance risk assessment and management, providing better understanding about borrowers, assisting decision-making and enhancing credit risk analysis and the evaluation of creditworthiness of borrowers.

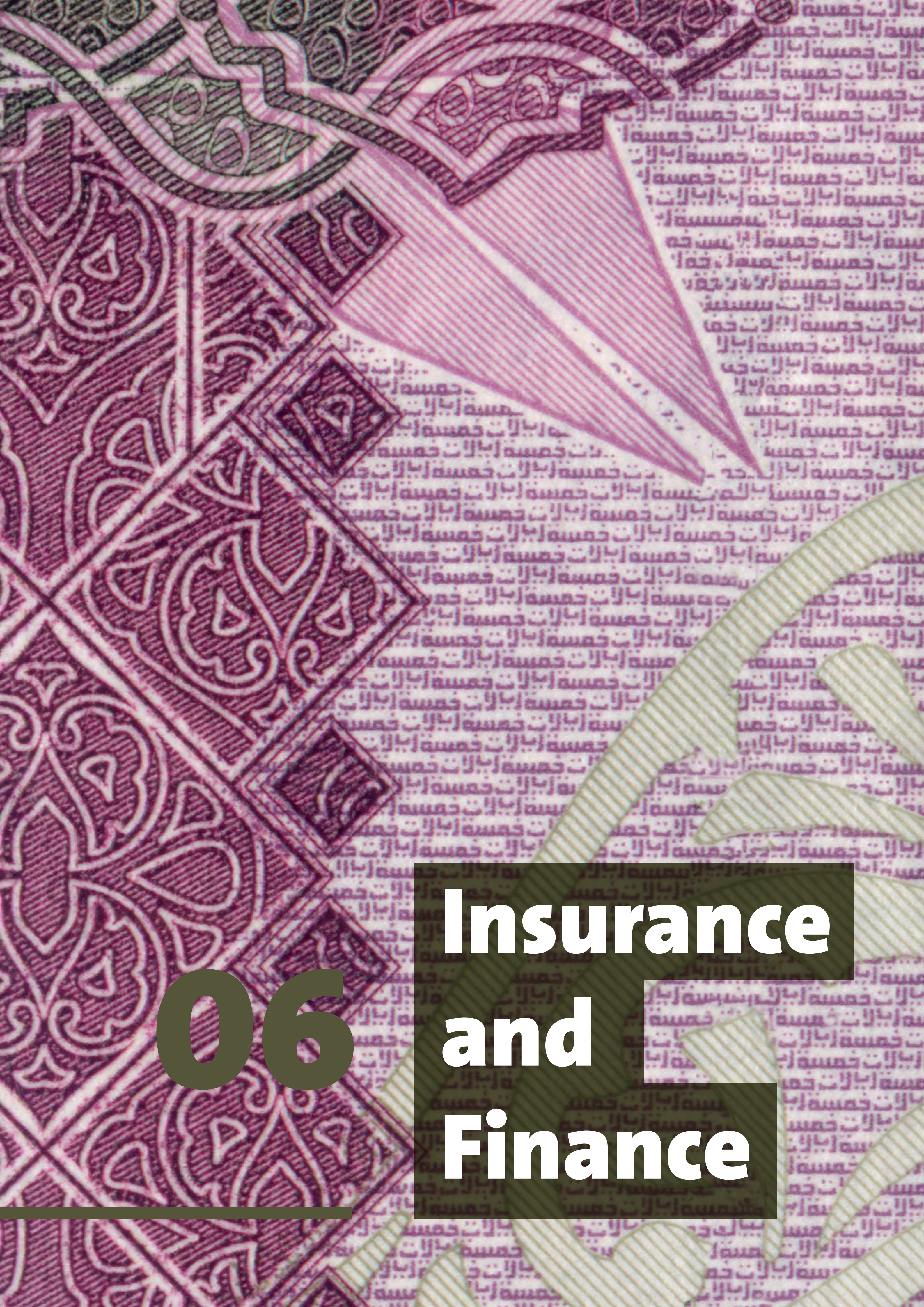
Moreover, in 2017, SIMAH worked on the development of services introduced in the Saudi market, which include risk notification systems that enable SIMAH members to identify customer current or expected risks and procedures to reduce default rates by analyzing customer credit behavior. It also worked on developing data analysis systems, credit performance report, financial soundness systems and other services.

In terms of technological advancement, SIMAH is still keen to develop its information center to keep pace with the international standards, and its main information center occupied the fourth rank (UPTIME TIER-IV). This will enable SIMAH to take all necessary precautions to verify that the information received or obtained is correctly and accurately recorded, stored, authenticated, processed, and protected against loss. These precautions include adopting sufficient backup systems; developing contingent information retrieval plans; and protecting information from unauthorized access, use, modification, or disclosure in accordance with the rules approved by SAMA. Furthermore, SIMAH obtained the official accreditation from the Global Legal Entity Identifier Foundation (GLIEF) in 2017 in order to launch "Moarif" Project for identifying all legal and commercial entities supervised by SAMA.

As regards awareness, SIMAH published a procedural manual in 2017. It was distributed at its customer service center through "Know Your Rights" campaign, on members' websites to increase credit awareness among all segments of society, and through social media (Twitter, Facebook, YouTube).

Developments in the Implementation of the Basel III Framework in Saudi Arabia

SAMA has pursued its efforts in encouraging commercial banks to comply with the Basel Committee on Banking Supervision (BCBS) standards for risk-based capital adequacy. This included putting in place the internal liquidity adequacy assessment, which came into application since January 2018 to meet Basel III requirements that stress the importance of assessing and monitoring liquidity risks. Given that banks have proactively implemented these standards since 2016, SAMA has been monitoring their compliance to detect and handle any gaps in the implementation as well as monitoring compliance with any updates to these standards. SAMA has also issued the guidelines for the management and measurement of step-in risk by BCBS to strengthen the supervision and regulation of the shadow banking system and to mitigate associated potential risks.



06 Insurance and Finance

Insurance Sector

Within the framework of SAMA's supervisory and regulatory responsibilities vis-à-vis the insurance sector, many rules and regulations were issued during 1438/1439 (2017), in order to enhance the growth and stability of this sector and reduce any potential risks. SAMA publishes these insurance-related rules and regulations in Saudi Arabia on its website, along with information on the insurance market and licensed insurance companies. The most significant developments during 2017 were as follows:

I. The Regulations on Insurance Sector Supervision Issued in 2017

In 2017, SAMA issued a number of circulars and instructions, including the following:

- Establishing customer service departments in insurance companies.
- Prohibiting insurance companies from refusing to provide coverage in compulsory motor insurance based on a driver's age, as long as the driver has a driving license.
- Prohibiting insurance companies from refusing to provide coverage in travel insurance based on an applicant's age.
- Requiring insurers to electronically link with brokers licensed by SAMA to practice electronical insurance brokerage.
- Requiring insurers to offer a No Claim Discount (10-15%) to all individual insurance seekers who had no accidents for one year prior to the date of the insurance application. However, for those applicants with new vehicles that were not previously insured or whose previous policy had lapsed for more than a month, these applicants would be excluded from the discount and from SAMA's Circular 101 on Motor Insurance.
- Amending the maximum limit of insurance commission that insurers may give to insurance brokers, agents and insurers' sales representatives for compulsory motor insurance sales.
- The Risk-Based Supervisory Framework Requirements for companies operating in the insurance sector.
- Requiring insurers to incorporate insurance coverage against natural disasters in comprehensive motor insurance policies.
- Requiring insurers to settle claims based on absolute judicial judgments in traffic cases.
- Prohibiting cash use in insurance-related financial dealings.
- Prohibiting the issuance or reissuance of a policy to any commercial store unless it has security cameras installed.
- Linking the issuance of insurance policies to a recipient's national address.
- Requiring insurers to return the paid amount of premium for the unexpired period of individual motor insurance within three days.
- Requiring insurers to carry out implementable judicial judgments against the insured.
- Requiring insurers to comply with the unified form for individual motor insurance pricing.
- Setting e-mail addresses for administrative units under the General Department of Banking Control.
- Requiring insurers to amend medical malpractice insurance policies to include disputed medical services arising from medical care provided to war casualties if the physician works under normal circumstances.

There were 19 rules and regulations issued over the past several years, which are published on SAMA's website.

II. Saudization in the Insurance Sector:

a) Resolutions and Instructions Issued on Saudization

Article 2 of the Implementing Regulations of 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 training and Saudization. Article 4 of the Regulations provides that the business plan of insurance companies and insurance service providers shall specify the expected number of employees and include a plan for the recruitment and qualification of Saudis.

Insurance and Finance

Table 6.1: Insurance Indicators

	2015				2016				2017			
Insurance type	GWP (Million SAR)	% share	NWP	NWP/GWP (Retention ratio)*	GWP (Million SAR)	% share	NWP	NWP/GWP (Retention ratio)*	GWP (Million SAR)	% share	NWP	NWP/GWP (Retention ratio)*
Accident, liability and others	1,093.1	3.0	527.4	48.2	1,049.6	2.8	525.4	50.1	1,054.2	2.9	506.3	48.0
Motor insurance	10,799.3	29.6	9,912.4	91.8	12,158.4	33.0	10,720.4	88.2	11,136.4	30.5	10,388.2	93.3
Property/fire insurance	1,961.9	5.4	330.3	16.8	1,825.8	5.0	272.7	14.9	1,708.5	4.7	322.4	18.9
Marine insurance	726.2	2.0	248.9	34.3	634.1	1.7	192.3	30.3	621.8	1.7	172.4	27.7
Aviation Insurance	146.6	0.4	2.9	2.0	139.7	0.4	9.1	6.5	134.9	0.4	5.7	4.2
Energy insurance	562.6	1.5	11.1	2.0	457.8	1.2	12.6	2.8	739.0	2.0	17.2	2.3
Engineering insurance	1,204.0	3.3	216.5	18.0	908.4	2.5	199.2	21.9	932.4	2.6	168.6	18.1
Total general insurance	16,493.8	45.2	11,249.5	68.2	17,173.7	46.6	11,931.8	69.5	16,327.4	44.7	11,580.9	70.9
Total health insurance	18,966.8	52.0	18,189.2	95.9	18,630.3	50.5	18,095.0	97.1	19,035.5	52.1	18,411.6	96.7
Total protection and savings insurance	1,035.7	2.8	835.9	80.7	1,051.4	2.9	820.6	78.1	1,140.3	3.1	846.2	74.2
Total	36,496.3	100.0	30,274.5	83.0	36,855.3	100.0	30,847.5	83.7	36,503.2	100.0	30,838.7	84.5

* Retention ratios for Protection and Savings Insurance are not included in the overall ratio.

Article 50 of the Regulations emphasizes that, 45 days prior to the end of each financial year, insurance companies and insurance service providers should provide SAMA with a list of numbers and rates of Saudi staff at the company level and at each branch and/or department level, in addition to their job levels. Article 79 of the Regulations stipulates that "Saudi employees shall not be less than 30 percent at the end of the first year, to be increased annually in accordance with the business plan submitted to SAMA".

In 2017, the following two circulars on Saudization and job nationalization were issued:

- requiring insurance companies and insurance service providers to nationalize motor insurance claim and customer service departments
- requiring insurance companies and insurance brokers and agents to nationalize individual insurance product marketing jobs

b) Workers in the Insurance Sector

The total number of employees at insurance companies in Saudi Arabia increased by 12.3 percent to 11,272 at the end of 2017 compared to 10,039 at the end of 2016. Saudis constituted 69 percent of the total number of employees in insurance companies. The rate of Saudis in non-managerial positions rose to 73 percent in 2017 from 64 percent in 2016. The rate of Saudis in managerial positions also rose to 49 percent from 36 percent at the end of 2016.

III. Training

SAMA has exerted substantial effort to regulate the insurance sector and has urged companies and their employees to adhere to professionalism and practice insurance business on a scientific and methodological basis pursuant to its rules, regulations and instructions. In support of this effort, SAMA has designated the Insurance Fundamentals Certificate Exam (IFCE) as a mandatory requirement that should be obtained by employees of insurance companies and insurance service providers. The IFCE covers the main principles of insurance rules and regulations. It also adds to the professionalism of workers in the insurance sector by giving them the basic level of knowledge and skills required for working in this sector. During 2017, through the auspices of the Institute of Finance (IOF), SAMA provided an 11-week training program on insurance to qualify and improve Saudi cadres enough to work efficiently in the insurance sector. The program targeted fresh diploma and bachelor's graduates as trainees are qualified for passing four tests to obtain four technical certificates, namely: Insurance Fundamentals, Underwriting Fundamentals, Handling Insurance Claims, and Insurance Sales Basics. There were 151 enrollees, both males and females, participating in the program and 142 graduated from the main cities of Riyadh, Jeddah and Dammam.

IV. Insurance Market in Saudi Arabia in 2017

a) Overall Market Performance

- The insurance market witnessed a slight

Table 6.2:
Insurance penetration to GDP
(Percentage)

	2015		2016		2017		
Insurance type	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP	Percent change 2016-2017
Total general insurance	0.67	0.93	0.71	0.96	0.63	0.90	-10.72
Total health insurance	0.77	1.07	0.77	1.04	0.74	1.05	-4.04
Total protection and savings insurance	0.04	0.06	0.04	0.06	0.04	0.06	1.85
Total	1.49	2.06	1.52	2.05	1.42	2.01	-6.98

Table 6.3:
Insurance Market Density
(Riyals per capita)

Insurance type	2013	2014	2015	2016	2017	change %
Total general insurance	393.9	450.4	536.0	540.3	500.7	-7.3
Total health insurance	441.7	510.9	616.4	586.1	583.7	-0.4
Total protection and savings insurance	28.9	29.4	33.7	33.1	35.0	5.7
Total	864.5	990.7	1,186.1	1,159.5	1,119.4	-3.5

decline of 1 percent in gross written premiums (GWP) to SAR 36.5 billion in 2017 compared to a rise of 1 percent in 2016 (Table 6.1).

- General insurance GWP, which represented 44.7 percent of total GWP, declined by 4.9 percent to SAR 16.3 billion in 2017 compared to an increase of 4.1 percent at the end of 2016.
- Health insurance GWP, which accounted for 52.1 percent of the total, rose by 2.2 percent to SAR 19 billion at the end of 2017 compared to a decline of 1.8 percent.
- Protection and savings insurance GWP, which represented 3.1 percent of the total, increased by 8.5 percent to SAR 1.1 billion compared to a rise of 1.5 percent at the end of 2016.
- Motor insurance GWP, accounting for 68.2 percent, declined by 8.4 percent to SAR 11.1 billion at the end of 2017 compared to an increase of 12.6 percent at the end of 2016.

b) Net Written Premiums (NWP)

NWP is defined as GWP less the share of reinsurance. Health and motor insurance accounted for 93.4 percent of total NWP in 2017. In 2017, energy insurance registered the highest growth rate in terms of NWP, increasing by 35.9 percent, followed by property/fire insurance, which grew by 18.2 percent. On the other hand, aviation insurance recorded the largest decline of 37.0 percent, followed by engineering insurance, which dropped by 15.4 percent (Table 6.1).

c) Retention Ratio

The retention ratio is a measure of risks in written premiums retained by an insurance company as there is a correlation between the retention ratio and risks. It is measured by dividing NWP by GWP. The overall retention ratio of insurance companies in the Saudi market was 84.5 percent in 2017 against 83.7 percent in 2016. This ratio is largely affected by the high retention ratio for motor and health insurance, which accounted for 93.3 percent and 96.7 percent of GWP, respectively. The lowest retention ratio of 2.3 percent was recorded by energy insurance in 2017 (Table 6.1).

d) Insurance Market Penetration and Density

Insurance penetration is the ratio of GWP to GDP. The level of insurance penetration in Saudi Arabia stood at 1.42 percent in 2017 compared to 1.52 percent in 2016, with the GWP to non-oil GDP ratio amounting to 2.01 percent in 2017 against 2.05 percent in 2016 (Table 6.2).

Insurance density is defined as per capita expenditure on insurance (GWP divided by the total population). The per capita insurance density decreased by 3.5 percent to SAR 1,119.4 in 2017 from SAR 1,159.5 in 2016 (Table 6.3).

Table 6.4:
Commissions Paid by Type of Business

	2015		2016		2017		
Insurance type	Million SAR	%	Million SAR	%	Million SAR	%	Percent change 2016-2017
Accident, liability and others	70.9	5.2	101.8	5.7	85.0	4.5	-16.6
Motor insurance	512.4	37.8	777.5	43.2	780.8	41.7	0.4
Property/fire insurance	97.4	7.2	109.2	6.1	117.4	6.3	7.5
Marine insurance	44.2	3.3	39.3	2.2	43.2	2.3	9.9
Aviation Insurance	1.0	0.1	0.8	0.0	1.1	0.1	43.0
Energy insurance	0.0	0.0	1.6	0.1	1.1	0.1	-33.4
Engineering insurance	56.7	4.2	53.9	3.0	51.5	2.7	-4.4
Total general insurance	782.6	57.8	1,084.1	60.3	1,080.0	57.7	-0.4
Total health insurance	551.5	40.7	690.6	38.4	762.8	40.7	10.5
Total protection and savings insurance	20.8	1.5	24.3	1.4	30.5	1.6	25.3
Total	1,354.9	100.0	1,799.0	100.0	1,873.3	100.0	4.1

Table 6.5:
Total Claims Paid by Type of Business

	2015		2016		2017		
Insurance type	Million SAR	%	Million SAR	%	Million SAR	%	Percent change 2016-2017
Accident, liability and others	200.2	0.8	240.7	0.9	310.8	1.2	29.1
Motor insurance	7,554.6	30.8	9,059.4	34.8	8,314.1	31.3	-8.2
Property/fire insurance	2,367.0	9.7	1,033.8	4.0	961.1	3.6	-7.0
Marine insurance	216.2	0.9	263.7	1.0	207.7	0.8	-21.2
Aviation Insurance	51.3	0.2	92.6	0.4	18.1	0.1	-80.5
Energy insurance	1.2	0.0	1.2	0.0	1.2	0.0	0.0
Engineering insurance	631.3	2.6	358.0	1.4	748.0	2.8	108.9
Total general insurance	11,021.8	45.0	11,049.4	42.5	10,560.9	39.8	-4.4
Total health insurance	13,106.1	53.5	14,547.8	55.9	15,479.2	58.3	6.4
Total protection and savings insurance	389.7	1.6	420.0	1.6	498.5	1.9	18.7
Total	24,517.6	100.0	26,017.2	100.0	26,538.6	100.0	2.0

e) Commissions Paid to Insurance Brokers and Agents

The amount of commissions paid by insurance companies to insurance brokers and agents totaled SAR 1.9 billion in 2017 compared to SAR 1.8 billion in 2016. Motor insurance commissions constituted 43.2 percent and 41.7 percent of total commissions paid during 2016 and 2017 respectively, while those of health insurance accounted for 38.4 percent and 40.7 percent of total commissions in 2016 and 2017 respectively (Table 6.4).

f) Total Claims Paid by Type of Business

Total claims paid by type of business increased by 2.0 percent to SAR 26.5 billion in 2017 compared to SAR 26 billion in 2016. Health and motor insurance claims accounted for 58.3 percent and 31.3 percent, respectively, of total claims paid in 2017. These high ratios reflected the high shares of these types of business in the total market premiums. Engineering insurance recorded the highest growth rate of total claims paid with a rise of 108.9 percent in 2017, followed by accident, liability and others with 29.1 percent. Aviation insurance, however, registered the highest decline of 80.5 percent (Table 6.5).

Table 6.6:
Licensed Insurance and Reinsurance Companies Up to the End of 2017

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)	400	11/09/2007
Salama Cooperative Insurance Company	250	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	200	11/09/2007
AlAhli Takaful Company	167	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	250	11/09/2007
Gulf Union Cooperative Insurance Company	150	11/09/2007
Sanad for Cooperative Insurance and Reinsurance (SANAD)	200	08/03/2008
Assurance Saudi Fransi (Allians)	200	08/03/2008
Trade Union Cooperative Insurance Company	275	31/03/2008
Al Sagr Cooperative Insurance Company	250	31/03/2008
Saudi Indian Company for Cooperative Insurance	122	10/06/2008
Arabia Insurance Cooperative Company	265	18/06/2008
Saudi United Cooperative Insurance company (Wala'a)	400	02/07/2008
Saudi Reinsurance Company (Saudi Re)	1,000	21/07/2008
Bupa Arabia for Cooperative Insurance	800	10/08/2008
United Cooperative Assurance (UCA)	490	30/12/2008
Al Ahlia for Cooperative Insurance	160	20/03/2009
Allied Cooperative Insurance Group (ACIG)	200	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 Co-operative Insurance Company	400	13/12/2009
AXA Cooperative Insurance Company	450	26/01/2010
Gulf General Cooperative Insurance Company	200	06/03/2010
Weqaya Takaful Insurance and Reinsurance Company.	200	10/3/2010
MetLife AIG ANB Cooperative Insurance Company	350	29/03/2010
Buruj Cooperative Insurance Company	250	29/05/2010
Wataniya Insurance Company	200	16/06/2010
Amana Cooperative Insurance	140	06/07/2010
Solidarity Saudi Takaful Company	250	20/03/2011
Saudi Enaya Cooperative Insurance Company	200	07/08/2012
Alinma Tokio Marine Company	300	30/09/2012
Aljazira Takaful Taawuni Company	350	18/12/2013

V. Status of Insurance Companies in Saudi Arabia

The number of insurance and reinsurance companies approved by the Council of Ministers, up until the end of 2017, was 35. In addition, the number of those currently operating in the industry was 33 insurance and reinsurance companies, 41 insurance service providers, 97 insurance brokers, and 82 insurance agencies (Table 6.6).

Table 6.7:
Authorized Healthcare Providers in 2017

Region/ Type of Institutions	Hospitals	One-day operation centers	Dispensaries	Pharmacies	Medical laborato-ries	Physical therapy centers	Diagnostic centers	Medical complexes	One-physician clinic	Optical stores	Devices and pros-thetics stores	Total
Riyadh	68	9	0	521	4	11	6	474	1	382	3	1,479
Makkah	70	3	4	432	2	11	4	255	0	140	0	921
Eastern Region	56	3	4	467	2	8	1	216	0	171	1	929
Asir	22	1	2	77	0	0	0	68	1	39	0	210
Madinah	20	2	2	64	1	0	0	53	0	83	0	225
Qassim	12	0	1	43	0	1	0	40	0	32	0	129
Tabuk	9	0	0	51	0	0	0	20	0	20	0	100
Najran	10	0	0	21	0	0	0	32	0	8	0	71
Jizan	11	0	0	33	0	0	0	29	0	17	0	90
Northern Borders Region	10	0	0	31	0	0	0	12	0	3	0	56
Jawf	6	0	1	35	0	0	0	13	0	4	0	59
Hail	7	0	2	27	0	1	0	20	0	6	0	63
Baha	4	0	0	8	0	0	0	8	0	6	0	26
Total	305	18	16	1,810	9	32	11	1,240	2	911	4	4,358

Source: Council of Cooperative Health Insurance

VI. Council of Cooperative Health Insurance

At the end of 2017, the total number of health-insured individuals reached 12 million, including 9.3 million expatriates. The number of companies and establishments providing health insurance coverage for their staff was 362.9 thousand.

The number of insurance companies qualified to practice the activity of health insurance and those qualified to manage health insurance claims stood at 27 and 9, respectively.

Moreover, the number of approved health care providers in Saudi Arabia reached 4,358 at the end of 2017, distributed by type of facility and region as shown in Table 6.7.

A breakdown of approved health care providers in Saudi Arabia for 2017 indicates that pharmacies ranked first among facilities providing health care services, constituting 41.5 percent of the total. Polyclinic centers came second with 28.5 percent, followed by optical shops with 20.9 percent, and hospitals with 7.0 percent. One-physician clinics occupied the last position with only two approved clinics in Riyadh and Asir. A review of these health care providers by region indicates that the Riyadh region ranked first with 33.9 percent of the total, followed by the Eastern region with 21.3 percent, Makkah with 21.1 percent, and finally Al-Baha with 0.6 percent.

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' rights. Moreover, SAMA develops regulatory and supervisory frameworks to enhance the financial stability of this sector in a way that supports sustainable economic growth and ensures fair transactions for all stakeholders.

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

I. Developments and Regulations

- One of the most important developments in the market environment during 2017 was the establishment of a Finance Lease Registration Company, which aims at realizing legislative objectives to ensure fairness of dealings, protection of customer rights and addressing of problems facing financiers when recovering their movable assets. In September 2017, SAMA granted license to the Saudi Real Estate Refinance Company (SRC), owned by the Public Investment Fund, with an initial capital of SAR 1.5 billion. This was the first step towards establishing a secondary market for real estate refinance to achieve growth and stability in real estate finance in Saudi Arabia. The SRC seeks to enable real estate financiers to offer finance solutions that contribute to raising home ownership through channeling investor liquidity into the secondary market and through investing in debt instruments supported by real estate contracts. Enhancing finance sources for real estate financiers would contribute to reducing final financing cost for citizens. It is worthy to note that communications with finance companies are ongoing to enhance and develop their business, through committees and annual meetings that are held at the level of SAMA's Governor with chairmen of boards of directors of finance companies.
- To protect customer rights and ensure fairness of dealings, work was underway during 2017 to develop standards for finance contracts and standard forms for real estate finance contracts for individuals, in the forms of Murabaha and Ijara, and motor finance leasing contracts for individuals. In addition, Anti-Fraud Rules for Finance Companies were issued with the objective of introducing general principles and setting the minimum standards to be met by finance companies to detect and prevent fraud. Joint cooperation with the Ministry of Justice also resulted in the issuance of the Procedural Manual for Real Estate Mortgage Documentation. Finally, SAMA's staff continuously participate in symposia and workshops to disseminate awareness on finance laws and their implementing regulations.
- In the context of joint programs with government and semi-government entities, cooperation have been undertaken with the Ministry of Housing and the Real Estate Development Fund in several subsidized housing finance programs. There is also cooperation with the Ministry of Justice with regards to subjects of mutual interests, which resulted in addressing a number of issues facing financiers with courts, notaries public and judicial authorities. There is also ongoing coordination with the Ministry of Commerce and Investment to review the Installment Sale Law and propose the necessary amendments in accordance with the provisions stated in the Finance Companies Control Law. SAMA is currently working on several projects that contribute to achieving Vision 2030; such as supporting the finance of SMEs through initiatives and programs, jointly with the SME Authority, as well as a number of initiatives within the Housing Program and the Financial Sector Development Program (FSDP).
- As for SAMA's regulatory and supervisory role, 14 circulars were issued during 2017 on a number of matters related to finance companies' activities. For example, a circular was issued on increasing LTV capitalization for real estate finance extended by banks to citizens' first home ownership. Another one was on implementing IFRS 9, 'Financial Instruments'. Additionally, circulars were issued on Provisioning Instructions, Cooperation Aspects between Financing Companies and Investment Funds to diversify sources of liquidity available for finance companies under the umbrella of FSDP, as well as other circulars that aim at protecting customer rights, developing the sector and maintaining its stability. The number of regulations issued in the past years amounted to seven, as follows:

- Implementing Regulation of the Finance Companies Control Law.
- Implementing Regulation of the Finance Lease Law.
- Implementing Regulation of the Real Estate Finance Law.
- Guidelines on Calculation of the Early Repayment Amount.
- Guidelines on Calculation of the Annual Percentage Rate.
- Rules of Engaging in Microfinance Activity.
- Regulations for Issuance and Operations of Credit and Charge Cards.

II. Finance Companies Licensed to Operate in Saudi Arabia

During 2017, three new finance companies were licensed in addition to the Saudi Finance Lease Registration Company. The number of licensed finance companies stood at 37 in 2017 compared to 34 in the preceding year. Six were licensed to provide real estate finance (other than banks), one company to engage in real estate refinance, and one to provide microfinance. The number of companies licensed to engage in other types of finance was 29 (Table 6.8).

Finance portfolio totaled over SAR 50 billion in 2017 as compared to SAR 53 billion in 2016, with real estate finance accounting for 29 percent and non-real-estate finance 71 percent. Total assets of finance companies fell by 0.8 percent to SAR 38.2 billion in 2017 from SAR 38.5 billion at the end of 2016, while total capital of finance companies stood at SAR 14.5 billion (Table 6.8).

Table 6.8: Companies Licensed to Practice Finance Activities Up to the End of 2017

Name	Paid-up capital (Million SAR)	Licensed on
Companies Licensed to Provide Real Estate Finance other than Banks		
Amlak International	903	24/12/2013
Dar Al Tamleek	508.7	31/12/2013
Saudi Home Loans	1,000	27/02/2014
Deutsche Gulf Finance	575	20/05/2014
Abdul Latif Jameel Real Estate Finance	200	07/12/2014
Bidaya Home Finance	900	14/12/2015
Companies Licensed to Provide Real Estate Refinance		
Saudi Real Estate Refinance Company	1,500	25/09/2017
Companies Licensed to Provide Micro-Business Finance		
Bab Rizq Jameel	100	04/10/2017
Companies Licensed to Practice Finance Activities other than the Aforementioned Activities		
Nayifat Finance Company	635	31/12/2013
Saudi ORIX Leasing Company	550	27/02/2013
Al Yusr Leasing and Financing	500	27/02/2014
AJIL Financial Services Company	500	20/05/2014
National Finance Company	250	25/08/2014
Morabaha Marina	212	14/09/2015
Kirnaf Finance Company	600	12/11/2017
Matager Finance Company	150	16/11/2017
AlJasriah Co. for Finance LLC.	150	16/11/2013
Saudi Finance Company	100	20/11/2014
Abdul Latif Jameel United Finance Co.	1,700	08/12/2014
Gulf Finance Saudi Arabia	100	08/12/2014
Tamwily International Co.	100	11/12/2014
AL AMTHAL Financing	330	16/03/2015
Osoul Modern Finance Company	100	22/03/2015
Dar Aletiman Al Saudi	100	05/05/2015
Tawkelat Financing Company	100	04/06/2015
Murabaha Finance	320	04/08/2015
Tayseer Arabian Company	400	30/08/2015
Ijarah Finance	100	31/08/2015
Saudi Fransi For Finance and Leasing	500	18/11/2015
Tamweel Al-Oula	250	03/12/2015
American Express Company	100	10/12/2015
Aljabr Financing Company	345	14/12/2015
AlRaedah Finance	150	10/02/2016
Raya Financing Company	100	24/03/2016
Maalem Finance Company	150	10/05/2016
Taajeer Finance Company	100	30/11/2016
Gulf Lifting Financial Leasing Company	100	06/08/2017

07 Consumer Price Index

Table 7.1:
Annual Growth Rates of Selected Indicators
(Percentage)

	2014	2015	2016	2017
Non-oil GDP deflator (2010=100)	3.5	6.0	1.4	0.2
General Consumer Price Index for All Cities (2013 = 100) *	2.2	1.3	2.0	-0.9
Non-oil GDP at constant prices (2010 = 100)	4.9	3.2	0.2	1.1
Government expenditure	14.7	-12.2	-17.1	12.0
Money supply (M3)	11.9	2.5	0.8	0.2

* Preliminary data.

Source: GaStat, MoF, SAMA.

Inflation in Saudi Arabia is measured by the general consumer price index calculated by the General Authority for Statistics (GaStat), which has been issuing it for more than 50 years. GaStat updates the weights and components of the consumer basket and adjusts the base year based on periodic household expenditure and income surveys.

At the beginning of 2018, GaStat changed the weights of the sections and groups constituting the consumer basket based on the household expenditure and income survey conducted in 2013. It also changed the base year to 2013 instead of 2007 for measuring the general consumer price index.

In its updates, GaStat adopts the Classification of Individual Consumption According to Purpose (COICOP) issued by the UN in order to classify sections, groups and classes constituting the consumer basket. GaStat also uses the modified Laspeyres formula in calculating the general consumer price index, which depends on the geometric mean of proportional distribution, in line with the international recommendations in this regard.

General Consumer Price Index in 2017

The average consumer price index decreased by 0.9 percent in 2017 against a 2.0 percent rise in 2016. The non-oil GDP deflator, which captures the average prices of all goods and services produced in the Saudi non-oil sector within a given year, rose by 0.2 percent in 2017 compared to an increase of 1.4 percent in 2016 (Table 7.1).

Consumer Price Index

Table 7.2:
General Consumer Price Index (All Population)
(2013 = 100)

	2013	2014	2015	2016	2017	% change
General Index	100.0	102.2	103.5	105.6	104.7	-0.9
Food and Beverages	100.0	101.4	102.0	100.7	99.9	-0.9
Tobacco	100.0	104.6	106.2	121.3	153.8	26.7
Clothing and Footwear	100.0	100.9	102.1	103.1	100.0	-3.0
Housing, Water, Electricity, Gas, and Other Fuels	100.0	104.9	107.4	112.6	111.8	-0.7
Home Furnishing, Equipment and Maintenance	100.0	101.7	102.6	103.1	101.2	-1.8
Health	100.0	101.7	104.0	106.2	106.2	0.0
Transport	100.0	101.3	102.4	110.0	107.7	-2.0
Communication	100.0	100.6	99.9	100.1	99.1	-0.9
Recreation and Culture	100.0	99.7	100.1	98.5	95.6	-2.8
Education	100.0	105.0	106.0	109.3	109.8	0.5
Restaurants and Hotels	100.0	100.8	102.6	103.0	103.6	0.6
Miscellaneous Goods and Services	100.0	100.8	101.8	102.5	102.4	-0.1

Source: GaStat

Most components of the consumer price index in 2017 recorded inflation rates lower than the average annual change for the past three years, with the exception of tobacco, which recorded an annual increase of 26.7 percent due to the introduction of a substantial excise tax.

Eight sections recorded an annual decrease in 2017, while four sectors showed no change or an increase. In the categories that declined, clothing and footwear showed the largest decrease, down by 3.0 percent. Recreation and culture had the next largest decline, by 2.8 percent, while transport dropped by 2.0 percent. Home furnishing, equipment and maintenance dropped by 1.8 percent, while food and beverages as well as communication both declined by 0.9 percent each. Housing, water, electricity, gas and other fuels dropped by 0.7 percent, while miscellaneous goods and services were down by only 0.1 percent. The categories that increased or remained the same included, tobacco which increased by 26.7 percent in 2017, while restaurants and hotels as well as education increased slightly by 0.6 percent and 0.5 percent, respectively, and health remained unchanged (Table 7.2).

Effect of Major Groups on Consumer Price Index

Most major groups contributed to the general consumer price index by various rates during 2017. Transport contributed the most with 16.1 percent followed by housing, water, electricity, gas and other fuels with 14.8 percent; food and beverages with 14.4 percent; clothing and footwear with 12.9 percent; tobacco with 10.7 percent; home furnishing, equipment and maintenance with 10.0 percent; communication with 7.0 percent; recreation and culture with 6.9 percent; restaurants and hotels with 3.4 percent; miscellaneous goods and services with 1.8 percent; education with 1.3 percent; and lastly health which contributed the least to the index by 0.8 percent (Table 7.3 and Chart 7.1).

Table 7.3:

Impact of Major Groups on the General Consumer Price Index (All Cities)

(2013 = 100)

	Average annual change (2014-2016)	2017	Impact of Major Groups on the Index 2017	% Weights
General Index	1.8	-0.9	0.0	100.0
Food and Beverages	0.2	-0.9	14.4	18.7
Tobacco	6.8	26.7	10.7	0.6
Clothing and Footwear	1.0	-3.0	12.9	6.2
Housing, Water, Electricity, Gas, and Other Fuels	4.0	-0.7	14.8	25.3
Home Furnishing, Equipment and Maintenance	1.0	-1.8	10.0	8.5
Health	2.0	0.0	0.8	2.3
Transport	3.3	-2.0	16.1	9.9
Communication	0.0	-0.9	7.0	8.4
Recreation and Culture	-0.5	-2.8	6.9	3.4
Education	3.0	0.5	1.3	4.2
Restaurants and Hotels	1.0	0.6	3.4	6.5
Miscellaneous Goods and Services	0.8	-0.1	1.8	5.7

Source: GaStat

Chart 7.1:

The Influence of the Main Groups on the Cost of Living Index in 2017

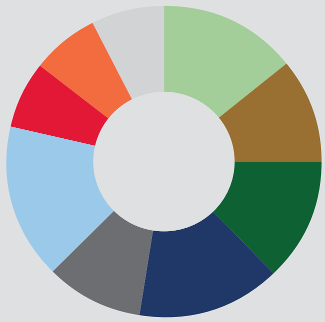


Table 7.4: Average Annual Wholesale Price Index

(2014 = 100)

	% Weights	2015	2016	2017	% change 2016	% change 2017
General Index	**100.0**	**99.4**	**102.0**	**100.7**	**2.6**	**-1.3**
Agriculture and fishery products	31.9	105.0	104.2	101.1	-0.8	-3.0
Ores and minerals	1.2	101.1	99.9	93.0	-1.2	-6.9
Food products, beverages, tobacco and textiles	0.3	99.7	98.4	100.6	-1.3	2.3
Other goods	10.1	97.4	109.3	106.7	12.2	-2.4
Metal products, machinery and equipment	0.4	99.6	97.3	95.8	-2.3	-1.6

Source: GaStat

Wholesale Price Index During 2017

The wholesale price index measures the average changes in local and imported commodities in wholesale markets over two different periods of time. This index represents a sample of 343 items categorized into five main sections according to the Central Product Classification (CPC2). The index decreased by 1.3 percent during 2017 compared to a rise of 2.6 percent during 2016. In 2017, the index witnessed a decline in most of its main components, except for food products, beverages, tobacco and textiles which rose by 2.3% during the year. Ores and minerals recorded the highest decline of 6.9 percent, followed by agriculture and fishery with 3.0 percent, other commodities with 2.4 percent, and metal products, machinery and equipment with 1.6 percent (Table 7.4).

Developments in World Prices and their Impacts

In 2017, the value of merchandise imports (CIF) declined by 4.0 percent to SAR 504.4 billion while the value of Saudi merchandise exports increased by 20.8 percent to SAR 831.9 billion.

In 2017, based on the Commodity Markets Outlook issued by the World Bank in April 2018, the index of energy products rose by

Table 7.5:
Selected Indices for Major Commodities
(2010 = 100)

	2014	2015	2016	2017	% change 2016	% change 2017
Indices for major commodities*						
Energy products	118.0	65.0	55.0	68.0	-15.4	23.6
Food products	107.0	89.0	90.0	91.0	1.1	1.1
Raw materials	92.0	83.0	80.0	81.0	-3.6	1.3
Precious metals	101.0	91.0	97.0	98.0	6.6	1.0
SAR real and nominal effective exchange rates**						
SAR nominal effective exchange rate(1)	104.1	114.7	116.9	119.1	2.0	1.9
SAR real effective exchange rate(2)	105.4	118.6	123.2	122.2	3.9	-0.8

* Commodity Markets Outlook, World Bank - April 2018.
** International Financial Statistics (IFS) - April 2018.
(1) 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.
(2) Represents the nominal effective exchange rate after adjustment in accordance with changes in the general price level.

Source: IMF World Economic Outlook – April 2018.

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

	2013	2014	2015	2016	2017
Developed countries	1.4	1.4	0.3	0.8	1.7
Emerging and developing countries	5.5	4.7	4.7	4.3	4.0
Top Trading Partners					
USA	1.5	1.6	0.1	1.3	2.1
Japan	0.3	2.8	0.8	-0.1	0.5
UK	2.6	1.5	0.0	0.7	2.7
China	2.6	2.0	1.4	2.0	1.6
Germany	1.6	0.8	0.1	0.4	1.7
India	9.4	5.8	4.9	4.5	3.6
France	1.0	0.6	0.1	0.3	1.2
Italy	1.2	0.2	0.1	-0.1	1.3
Australia	2.5	2.5	1.5	1.3	2.0
South Korea	1.3	1.3	0.7	1.0	1.9

Source: IMF World Economic Outlook – April 2018.

Table 7.7:
Annual Changes in Consumer Prices in GCC Countries

	2013	2014	2015	2016	2017
UAE	1.1	2.3	4.1	1.6	2.0
Bahrain	3.3	2.7	1.8	2.8	1.4
Qatar	3.1	3.4	1.8	2.7	0.4
Kuwait	2.7	3.1	3.7	3.5	1.5
Oman	1.2	1.0	0.1	1.1	1.6

Source: IMF World Economic Outlook – April 2018.

23.6 percent. The index of raw materials also increased by 1.3 percent, and food products recorded a rise of 1.1 percent. The index of precious metals rose by 1.0 percent during the year (Table 7.5).

Table 7.6 shows the annual change in consumer prices of Saudi Arabia's top trading partners during 2017, according to recent data from the World Economic Outlook published by the IMF in April 2018. The CPI average rose by 2.1 percent in the US in 2017; 1.6 percent in China; 0.5 percent in Japan; 3.6 percent in India; 2.7 percent, 1.7 percent and 1.2 percent for the UK, Germany and France respectively; 1.9 percent in South Korea; 1.3 percent in Italy; and 2.0 percent in Australia.

In the other GCC countries, the average 2017 consumer prices increased by 2.0 percent in the UAE, 1.6 percent in Oman, 1.5 percent in Kuwait, 1.4 percent in Bahrain (Table 7.7).

08 Capital Market

Capital Market

The Capital Market Authority (CMA), the sole regulator and supervisor of the Saudi capital market, undertook many actions and steps in 2017 aimed at regulating and developing the capital market. It also strengthened procedures to further reduce risks related to securities transactions, protect investors from unfair practices, and ensure fairness and transparency in securities transactions. To support and develop the financial market infrastructure, the CMA has launched the "Financial Leadership 2020" Program, which includes several initiatives that will deepen and develop the financial market and increase its transparency, efficiency and attractiveness to join global market indices.[1] In order to raise investment awareness, the CMA has continued to carry out many financial awareness and education campaigns including media and awareness activities and programs besides communication with the public.

A company in the Materials industry group and eight Real Estate Investment Trusts (REITs) offered parts of their shares to public through initial public offerings (IPOs) in 2017.[2] Six REITs and one company were listed in the main market bringing the total number of listed companies to 179 at the end of 2017. Shares of nine companies were offered to the public in the Parallel Market (Nomu). All of these companies have been listed, bringing the total number of companies in Nomu to nine by the end of 2017. In addition, three Islamic Sukuk were offered privately in 2017.

While the Tadawul All Share Index (TASI) went up slightly by 0.2 percent in 2017, the number of shares traded dropped by 35.1 percent. On the other hand, total domestic assets of investment funds went up by SAR 20.5 billion or, 29.0 percent, to SAR 91.1 billion at the end of 2017.

[1] Through the Financial Leadership 2020 program, the CMA is seeking to render the Saudi capital market ranked first in the Middle East, one of the world's top ten financial markets, and an advanced and attractive market for domestic and foreign investors, enabling it to play a pivotal role in developing the economy and diversifying its sources of income.
[2] Tadawul Annual Report stated that the number of REITs offered was nine, while the CMA stated that the number was eight since Derayah REIT's offering was completed on January 7, 2018 and the IPO date is the completion date.

Table 8.1:
Saudi Stock Market Indicators

Year	No. of shares traded (Million)	Annual Change (%)	Value of Shares Traded (Billion SAR)	Annual Change (%)	Market capitalization of issued shares (Billion SAR)	Annual Change (%)	No. of transactions (Thousand)	Annual Change (%)	TASI (Points)	Annual Change (%)
2013	52,306.3	-39.2	1,369.7	-29.0	1,752.9	25.2	28,967.7	-31.2	8,535.6	25.5
2014	70,118.4	34.1	2,146.5	56.7	1,812.9	3.4	35,761.1	23.5	8,333.3	-2.4
2015	65,920.0	-6.0	1,660.6	-22.6	1,579.1	-12.9	30,444.2	-14.9	6,911.8	-17.1
2016	67,729.2	2.7	1,157.0	-30.3	1,682.0	6.5	27,273.7	-10.4	7,210.4	4.3
2017	43,968.7	-35.1	836.3	-27.7	1,689.6	0.5	21,895.3	-19.7	7,226.3	0.2

Source: Saudi Stock Exchange (Tadawul).

Table 8.2 :
Number of Traders Registered in Tadawul and Traders Participating in Online Trading
(End of year)

Year	No. of traders in Tadawul	change %	No. of traders participating in online and real-time trading	change %
2015	4,555,446	---	1,853,365	---
2016	4,616,540	1.3	1,440,447	-22.3
2017	4,675,535	1.3	2,737,003	90.0

Source: Saudi Stock Exchange (Tadawul).

Tadawul Developments in 2017

TASI closed at 7,226.3 at the end of 2017, compared to 7,210.4 at the end of 2016, increasing by 0.2 percent. It registered its highest closing point of 7,493.5 on July 3, 2017. The market capitalization of issued shares rose by 0.5 percent to SAR 1,689.6 billion at the end of 2017 from SAR 1,682.0 billion at the end of the preceding year.

The number of shares traded during 2017 dropped by 35.1 percent to 44.0 billion from 67.7 billion in the preceding year (adjusted to account for corporate actions).[3] The total value of shares traded decreased by 27.7 percent to SAR 836.3 billion from SAR 1,157.0 billion in the preceding year. The number of transactions also declined, by 19.7 percent, to 21.9 million compared to 27.3 million in the preceding year (Table 8.1).

The daily average value of traded shares was SAR 3.3 billion in 2017 against SAR 4.6 billion in the preceding year, falling by 28.0 percent. The daily average number of traded shares decreased by 33.1 percent to 173.2 million from 258.9 million in the preceding year. The daily average number of transactions executed also went down by 20.0 percent to 87.6 thousand from 109.5 thousand in the preceding year.

A new market, the Parallel Market (Nomu), was launched in February, 2017. At the end of the year, Nomu index closed at 3,140.0. The index's highest close during 2017 was 6,036.8 on March 1st. The total market capitalization reached SAR 2.3 billion. The total number of shares traded reached 70.6 million with a total value of SAR 1,805.9 million through 78.8 thousand transactions executed in 2017.

The daily average number of shares traded during 2017 reached 336.4 thousand with an average value of SAR 8.6 million and an average of 375.1 transactions.

At the end of 2017, the number of traders registered in the Tadawul system rose by 59 thousand (1.3 percent) to 4.7 million from 4.6 million at the end of the preceding year. The number of subscribers to Tadawul on-line trading increased by 90 percent to 2.7 million at the end of 2017 compared to 1.4 million at the end of 2016 (Table 8.2).

[3] The data of shares traded (actual) differ from the data published by Tadawul. The reason is that Tadawul continuously adjusts the number of shares traded to account for all corporate actions, such as bonus shares or capital adjustment.

Table 8.3:
Saudi Stock Market Activity by Sector in 2017

	No. of shares traded		Value of Shares Traded		No. of transactions		Market capitalization	
Sector	(Million)	Ratio to total	billion SAR	Ratio to total	(Thousand)	Ratio to total	billion SAR	Ratio to total
Energy	941.9	2.1	19.0	2.3	518.5	2.4	28.6	1.7
Materials	7,380.5	16.8	191.3	22.9	4,155.1	19.0	550.7	32.6
Capital Goods	2,229.8	5.1	31.5	3.8	1,402.5	6.4	9.8	0.6
Commercial & Professional Svc	371.1	0.8	9.1	1.1	361.3	1.6	7.8	0.5
Transport	576.4	1.3	13.3	1.6	452.9	2.1	13.6	0.8
Consumer Durables & Apparel	767.8	1.7	10.0	1.2	474.7	2.2	3.3	0.2
Consumer Services	850.8	1.9	25.7	3.1	763.1	3.5	13.0	0.8
Media	330.9	0.8	14.1	1.7	627.6	2.9	5.1	0.3
Retailing	546.4	1.2	15.8	1.9	636.2	2.9	26.0	1.5
Food & Staples Retailing	325.1	0.7	9.0	1.1	381.2	1.7	7.2	0.4
Food & Beverages	1,435.2	3.3	36.8	4.4	1,303.8	6.0	87.4	5.2
Health Care Equipment & Services	200.0	0.5	10.6	1.3	332.3	1.5	26.9	1.6
Pharma, Biotech & Life Science	36.3	0.1	1.3	0.2	47.0	0.2	3.6	0.2
Banks	9,335.3	21.2	194.9	23.3	2,116.5	9.7	471.7	27.9
Diversified Financials	444.0	1.0	7.3	0.9	369.7	1.7	35.9	2.1
Insurance	4,761.2	10.8	99.0	11.8	4,317.9	19.7	40.2	2.4
Telecommunication Services	1,412.5	3.2	19.1	2.3	569.8	2.6	153.3	9.1
Utilities	476.6	1.1	11.4	1.4	267.5	1.2	90.0	5.3
REITs	1,864.8	4.2	27.9	3.3	978.1	4.5	3.7	0.2
Real Estate Management & Development	9,682.0	22.0	89.2	10.7	1,819.7	8.3	111.8	6.6
Total	**43,968.6**	**100.0**	**836.3**	**100.0**	**21,895.3**	**100.0**	**1,689.6**	**100.0**

Source: Tadawul 2017 Annual Report.

A key development in 2017 was the reclassification of the sectors of the Saudi Stock Exchange (Tadawul) as the Main Market, in accordance with Global Industry Classification Standard (GICS). The Main Market initially consisted of 16 sectors; however, listed companies did not accurately belong to those sectors in terms of activity nature. With the development of the economy in Saudi Arabia, there have been new developments in both the public and private sectors, which led to restructuring the sectors of companies listed in the Main Market to 20 sectors in 2017.

The sectoral analysis of the activity of Tadawul (the Main Market) during 2017 indicates that Real Estate Management and Development was the most active in terms of the number of shares traded, with 9.7 billion, representing 22.0 percent of the total volume traded, followed by Banks, with a volume of 9.3 billion, representing 21.2 percent, and Materials, with 7.4 billion or 16.8 percent of the total shares traded.

In terms of the value of shares traded, Banks led the market with SAR 194.9 billion, representing 23.3 percent of the total value traded in 2017, followed by Materials with SAR 191.3 billion (22.9 percent) and Insurance with SAR 99.0 billion (11.8 percent).

In terms of number of transactions in 2017, Insurance was the most active with 4.3 million, constituting 19.7 percent of total transactions, followed by Materials with 4.2 million representing 19.0 percent and Banks with 2.1 million accounting for 9.7 percent of the total transactions.

A review of the market capitalization of shares issued at the end of 2017 indicates that Materials ranked first with SAR 550.7 billion, accounting for 32.6 percent of the total market capitalization of issued shares. Banks came second with SAR 471.7 billion (27.9 percent), followed by Telecommunication Services, with SAR 153.3 billion (9.1 percent) (Table 8.3).

Table 8.4:
Three Most Active Joint-Stock Companies in 2017

No. of transactions	(Company)	SABIC	Dar Al-Arkan	Alinma Bank
	(Thousand)	719.3	1,033.7	1,147.5
No. of shares traded	(Company)	Saudi Kayan	Alinma Bank	Dar Al-Arkan
	(Billion)	1.8	6.7	8.8
Value of Shares Traded	(Company)	Dar Al-Arkan	SABIC	Alinma
	(Billion SAR)	66.9	89.7	106.8

Source: Tadawul 2017 Annual Report.

Table 8.5 :
Saudi Stock Market Activity (Parallel Market - Nomu) by Sector in 2017

	No. of shares traded		Value of Shares Traded		No. of executed transactions		Market capitalization	
Sector	(Million)	Ratio to total	Million SAR	Ratio to total	(Thousand)	Ratio to total	Million SAR	Ratio to total
Materials	2.3	3.3	46.1	2.6	6.0	7.6	68.8	3.1
Capital Goods	4.5	6.4	133.3	7.4	5.9	7.5	104.3	4.6
Commercial & Professional Services	0.6	0.8	49.8	2.8	4.6	5.8	73.9	3.3
Consumer Durables & Apparel	1.7	2.4	113.8	6.3	3.0	3.8	940.5	41.7
Consumer Services	12.7	18.0	445.4	24.7	16.6	21.1	463.2	20.5
Retailing	25.1	35.6	596.7	33.0	23.3	29.6	483.7	21.4
Software and Services	23.7	33.6	420.8	23.3	19.3	24.5	120.8	5.4
Total	**70.6**	**100.0**	**1,805.9**	**100.0**	**78.7**	**100.0**	**2,255.2**	**100.0**

Source: Tadawul 2017 Annual Report.

The three most active companies in terms of number of transactions in 2017 were Alinma Bank, Dar Al-Arkan, and SABIC with 1.1 million, 1.0 million, and 0.7 million respectively. In terms of the value of shares traded, Alinma Bank led the market with SAR 106.8 billion, followed by SABIC with SAR 89.7 billion and Dar Al-Arkan with SAR 66.9 billion. In terms of number of shares traded, Dar Al-Arkan topped the list with 8.8 billion shares, followed by Alinma and Saudi Kayan with a volume of 6.7 and 1.8 billion shares respectively (Table 8.4).

An analysis of the activity of the Parallel Market (Nomu) by sectors during 2017 indicates that Retailing came first in terms of the number of shares traded with 25.1 million, representing 35.6 percent of the total number of shares traded, followed by Software and Services with 23.7 million shares (33.6 percent) and Consumer Services with 12.7 million (18.0 percent).

In terms of the value of shares traded in Nomu in 2017, Retailing ranked first with SAR 596.7 million, representing 33.0 percent of the total value of shares traded. Consumer Services came second with SAR 445.4 million (24.7 percent), followed by Software and Services with SAR 420.8 million (23.3 percent).

A review of Nomu's performance by the number of transactions executed in 2017 shows that Retailing ranked first with 23.3 thousand, constituting 29.6 percent of the total number of transactions, followed by Software and Services with 19.3 thousand (24.5 percent). Consumer Services came third with 16.6 thousand (21.1 percent).

Furthermore, a review of the market capitalization of shares issued in Nomu at the end of 2017 indicates that Consumer Durables and Apparel ranked first with SAR 940.5 million, accounting for 41.7 percent of the total market capitalization of issued shares. Retailing

Table 8.6:
New Public Offerings in the Saudi Stock Market (Main Market) in 2017

	Company	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 31/12/2017	Value of offering (Million SAR)	No. of subscribers	Market capitalization (Million SAR)	No. of oversub-scription (Times)
1	AlJazira Mawten REIT Fund	REITs	22-Jan	118	11.8	11.8	10	17.6	118	512.0	207	3.0
2	Jadwa REIT Al Haramain Fund	REITs	03-Apr	660	66.0	66.0	10	10.3	660	5,825.0	678	12.6
3	Taleem REIT Fund	REITs	10-May	285	28.5	8.6	10	12.1	86	2,214.0	345	8.9
4	Al Maather REIT Fund	REITs	02-Jul	613	61.4	18.4	10	9.3	184	3,634.0	568	15.2
5	Musharaka REIT Fund	REITs	25-Jul	880	88.0	35.2	10	9.8	352	7,012.0	866	10.6
6	Zahrat Al Waha for Trading Co.	Materials	13-Aug	150	15.0	4.5	51	49.4	230	49,943.0	740	2.6
7	Mulkia Gulf Real Estate REIT Fund	REITs	11-Sep	600	60.0	19.9	10	9.2	199	27844.0	554	19.9
8	Al Masha'ar REIT	REITs	01-Nov	572	57.2	57.2	10	---	572	2,402.0	---	1.0
9	AlAhli REIT Fund 1	REITs	06-Dec	1,375	137.5	41.3	10	---	413	2,4989.0	---	1.6
	Total	---	---	**5,253**	**525.4**	**262.8**	---	---	**2,813**	**124,375.0**	**3,959**	---

Source: CMA and Tadawul 2017 Annual Report.

came second with SAR 483.7 million (21.4 percent), followed by Consumer Services with SAR 463.2 million (20.5 percent) (Table 8.5).

During 2017, a new company and eight REITs with a total capital of SAR 3.2 billion and 632.9 million issued shares were floated on the Main Market. The total number of shares offered for public subscription was 299.0 million. Total market capitalization of issued shares amounted to SAR 4.0 billion. Oversubscription averaged 8.4 times for companies with subscribers at the level of individuals in the market (Table 8.6).

Table 8.7 :
New Public Offerings in the Saudi Stock Market (Parallel Market - Nomu) in 2017

Company	Sector	Date of IPO	Capital (Million SAR)	Total issued shares (Million)	No. of shares (Million)	Offering price	Closing price 31/12/2017	Value of offering (Million SAR)	No. of subscribers	Market capitalization (Million SAR)	No. of oversubscription (Times)
1. Abdullah Saad Mohammed Abo Moati for Bookstores Co.	Retailing	31-Jan	160.0	16.0	3.2	15.0	12.7	48.0	73.0	203.2	2.9
2. Development Works Food Co.	Consumer Services	05-Feb	12.5	1.3	0.3	65.0	69.8	16.3	103.0	87.2	5.0
3. Al-Omran Industrial Trading Co.	Capital Goods	25-Jan	60.0	6.0	1.2	28.0	17.4	33.6	63.0	104.3	2.3
4. Baazeem Trading Co.	Retailing	02-Feb	101.3	10.1	3.0	39.0	27.7	118.4	177.0	280.5	4.2
5. Al-Samaani Factory For Metal Industries Co.	Commercial & Professional Services	30-Jan	11.3	1.1	0.2	78.0	65.7	17.6	56.0	73.9	1.7
6. Arab Sea Information Systems Co.	Software and Services	05-Feb	100.0	10.0	2.0	11.0	12.1	22.0	80.0	120.8	2.5
7. Raydan Co.	Consumer Services	05-Feb	225.0	22.5	6.8	32.0	16.7	216.0	221.0	376.0	4.9
8. Thob Al-Aseel Co.	Consumer Durables & Apparel	07-May	150.0	15.0	3.0	85.0	62.7	255.0	188.0	940.5	1.7
9. Al Kathiri Holding Co.	Materials	30-May	31.4	3.1	0.8	31.0	21.9	25.4	97.0	68.8	2.5
Total	---	---	**851.4**	**85.1**	**20.5**	---	---	**752.2**	**1,058.0**	**2,255.1**	---

Source: CMA and Tadawul 2017 Annual Report.

Table 8.8:
Number of Subscribers for IPOs by Channels of Subscription
(Thousand)

Channel of subscription	2016 Number	2016 %	2017 Number	2017 %	% change
Phone Banking	190.1	11.9	9.2	18.3	-95.2
ATM	926.1	57.9	22.7	45.4	-97.6
Internet	335.1	21.0	14.2	28.5	-95.8
Bank Branches	147.0	9.2	3.9	7.8	-97.4
Total	**1,598.3**	**100.0**	**49.9**	**100.0**	**-96.9**

Source: CMA.

Nine companies with a total capital of SAR 752.2 million and 85.1 million issued shares were floated on Nomu in 2017, with 20.5 million shares offered for public subscription. Total market capitalization of issued shares amounted to SAR 2.3 billion. Oversubscription averaged 3.1 times for companies with subscribers at the level of qualified investors in the market (Table 8.7).

The total number of subscribers for companies floated for public subscription in 2017 was 50.0 thousand. Different subscription channels, such as telephone banking, ATMs and the Internet, have contributed to reducing errors, subscription periods, and reliance on paper subscription applications. The number of subscribers via telephone banking was 9.2 thousand (18.3 percent of the total number of subscribers), 22.7 thousand (45.4 percent) via ATMs , and 14.2 thousand (28.5 percent) via the Internet. The number of subscribers via bank branches amounted to 3.9 thousand, accounting for 7.8 percent of the total subscribers (Table 8.8).

New Companies and REITs Added to TASI in 2017

The following companies and REITs were added to TASI in 2017:

1. AlJazira Mawten REIT Fund;
2. Jadwa REIT Al Haramain Fund;
3. Taleem REIT Fund;
4. Al Maather REIT Fund;
5. Musharaka REIT Fund;
6. Zahrat Al Waha for Trading Co.; and
7. Mulkia Gulf Real Estate REIT.

The following companies were delisted in 2017:

1. Mohammad Al Mojil Group Company;
2. Sanad Cooperative Insurance Company;
3. Bishah Agricultural Development Company; and
4. Weqaya Takaful Insurance and Reinsurance Company.

As for the Nomu, the following companies were included in Nomu Index in 2017:

1. Abdullah Saad Mohammed Abo Moati for Bookstores Co.;
2. Development Works Food Co.;
3. Al-Omran Industrial Trading Co.;
4. Baazeem Trading Co.;
5. Al-Samaani Factory For Metal Industries Co.;
6. Arab Sea Information System Co.;
7. Raydan Co.;
8. Thob Al Aseel Co.; and
9. Al Kathiri Holding Co.

CMA's Efforts in Raising Investor Awareness in 2017

The CMA publishes news and resolutions issued by its Board on its website to ensure that information is instantaneously and equally communicated to all investors. It also raises awareness and provides guidance to investors in securities on 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. Pursuant to its strategy of continuing with investor awareness programs, a number of actions were taken by the CMA during 2017. Such actions included publishing several press and media articles and awareness messages regarding news and resolutions issued by its Board. There were 65 press releases published through a number of paper and electronic media. In addition, 1,128 articles and reports related to the capital market and its regulations, published in local and global media, were detected and assessed. Moreover, the Financial Leadership 2020 Program and media and awareness campaigns for the regulations and legislation issued by the CMA Board were launched. The CMA organized awareness exhibitions related to the Smart Investor in Riyadh and Qassim with a total number of 2,000 visitors. Furthermore, it carried out five school visits in three cities, and distributed 2,083 copies of the Smart Investor magazine to students. In the past years, through 2017, the CMA has issued 22 educational booklets that were distributed during its various engagements. In 2017, it organized 23 awareness campaigns on several topics, including: corporate governance, Forex, World Savings Day, World Investor Week, mergers and acquisition, and the Parallel Market (Nomu). With regard to seminars, workshops and lectures, it organized the "Market Institutions Forum" and the "Financial Stability Seminar". It also organized five workshops on governance, mergers and acquisitions, licensing, regulation of class action suits, and financial and economic policies to enhance competitiveness. The CMA welcomed students from different Saudi universities on several occasions in 2017, and CMA employees gave 20 lectures in a number of universities and academic institutes in Saudi Arabia.

CMA's Efforts in 2017 to Achieve Vision 2030

The CMA is working on several initiatives under the Financial Leadership 2020 Program and the Financial Sector Development Program. The following table shows the main achievements made during 2017 and their expected impact (Table 8.9).

Table 8.9:
CMA's Key Achievements in 2017 to Realize Vision 2030 and the Expected Impact

	Initiative	Expected impact
1.	The change of the transaction settlement cycle of listed shares to (T+2).	Keep in line with best international practices in preparation for joining international indices, and increasing protection for traders in the Saudi Stock Exchange.
2.	Establishment of a parallel capital market.	Provide new finance channels, expand the categories targeted for listing, and increase penetration of the capital market.
3.	Approval of the introduction of securities lending and covered short-selling.	Increase investment products and keep in line with global markets' practices
4.	Adoption of International Financial Reporting Standards (IFRS) for listed companies and market's institutions.	Increase the levels of transparency in the capital market, boost confidence in financial reports and statements, and establish an entity comparable to those at global capital markets.
5.	Inclusion in MSCI index.	A more-appealing capital market for foreign investments
6.	The establishment of a regulatory entity to supervise external auditors of listed companies.	Increase the levels of transparency in the capital market, boost confidence in financial reports and statements, and establish an entity comparable to those at global capital markets.
7.	Adoption of the Updated Merger and Acquisition Regulations and Glossary Of Defined Terms.	Facilitate mergers and acquisitions, and regulate and improve capital market to enhance the stability of the capital market.
8.	Promoting asset management through reducing the licensing requirements.	"• Give skilled experts the opportunity to work in asset management. • Develop the asset management industry in Saudi Arabia, enhance the investments in the venture capital sector and private property, and give skilled experts the opportunity to work in asset management."
9.	Allowing non-resident foreign investors to invest directly in the Parallel Market (Nomu) as qualified investors.	Allow more investors in this market, thereby facilitating foreign investments.
10.	Raising Saudi Arabia's ranking in the Protecting Minority Investors Index from 63 to 10.	A more-appealing capital market for domestic and foreign investments.
11.	Converting the Depository Centre into an independent company.	Increase the efficiency of security business as one of the requirements for joining global market indices.
12.	The launch of the Investor Protection System to process complaints and reports.	Increase speed and efficiency in processing complaints and reports through an electronic channel that links the CMA with all traders in the market.
13.	The Regulation of Class Action Suits in market disputes.	Enhance indemnity mechanisms for investors and facilitate litigation procedures for traders in the market as to ensure that the affected receive their compensations in the fastest and easiest manner.
14.	Amendment of the Rules of Offering Securities and Continuing Obligations and the Listing Rules.	Facilitate the procedures of issuance, which would increase the penetration of the market in line with the CMA's Program, the Financial Leadership 2020.
15.	Adoption of the Rules for Special Purposes Entities.	Improve the capital market; regulate, monitor, and approve transactions for security issuances; regulate and monitor the business and activity of bodies supervised and monitored by the CMA.
16.	Adoption of the "FinTech Lab" initiative.	Cope with rapid developments in global markets and adopting best international standards and practices, stemming from the CMA's efforts in developing new products and supporting the FinTech industry within the capital market.
17.	Enacting the compulsory voting in companies' general assemblies.	Increase the participation ratio in general assemblies and raise the level of governance.
18.	Establishment of a specialized financial academy for the training and qualification of financial sector staff.	Raise the level of qualification for traders in the market in line with one of the main programs under Saudi Vision 2030.

Source: CMA.

Table 8.10:
Sukuk and Bonds Activity in 2017

Bonds / Sukuk	Issue value (Million SAR)	Par value (Thousand SAR)	Maturity date	Annual return (%)	Transactions	Value traded (Thousand SAR)	Par value traded (Thousand SAR)
Sadara sukuk	7,500.0	50.0	Friday, December 15, 2028	6-month SAIBOR + 0.80%	0	0.0	0.0
Bahri sukuk	3,900.0	1,000.0	Saturday, July 30, 2022	6-month SAIBOR + 0.95%	0	0.0	0.0
Saudi Electricity 3	5,731.0	10.0	Saturday, October 5, 2030	SAIBOR + 0.95%	7	19,780.0	19,780.0
Saudi Electricity 4	4,500.0	1,000.0	Tuesday, January 30, 2024	3-month SAIBOR + 0.70%	0	0.0	0.0
SATORP sukuk	3,070.0	81.9	Saturday, December 20, 2025	6-month SAIBOR + 0.95%	1	8,145.6	8,145.6
Total	**24,701.0**	—	—	—	**8**	**27,925.6**	**27,925.6**

Source: Tadawul 2017 Annual Report.

Table 8.11 :
Annual Change in Selected Arab Markets (2017)
(%)

Market	No. of shares traded	Market capitalization	Share price index
Saudi Arabia	-37.1	0.6	0.2
Kuwait	-32.5	6.1	9.8
Egypt	-20.6	28.9	21.7
Morocco	-21.5	16.5	6.4
Bahrain	136.9	12.4	9.1
Jordan	-18.6	-2.2	-2.0
Oman	12.7	3.8	-11.8
Tunisia	156.0	1.1	14.4
Lebanon	-48.5	-3.6	-4.9
Abu Dhabi	-34.2	3.0	-3.3
Algeria	-25.0	-3.9	---
Dubai	-46.6	16.7	-4.6
Sudan	-63.0	26.9	21.9
Palestine	87.0	14.9	8.4

* The official domestic data of Arab countries included in the AMF report were used.

Source: Arab Monetary Fund, the Arab Capital Market Database - Arab Capital Markets, 4th Quarter Bulletin 2017.

Sukuk and Bonds Market in 2017

The total volume of outstanding sukuk and bonds issued reached SAR 24.7 billion at the end of 2017. The number of issues stood at five; two of which were issued by the Saudi Electricity Company with an issuance value of SAR 10.2 billion and one by each of the following: Sadara Chemical Company with a value of SAR 7.5 billion, the National Shipping Company of Saudi Arabia (Bahri) with a value of SAR 3.9 billion, and the Saudi Aramco Total Refining and Petrochemical Company (SATORP) with an issuance value of SAR 3.1 billion. In 2017, the value of traded sukuk and bonds amounted to SAR 27.9 million. The nominal value traded was the same as the value traded (Table 8.10).

Comparison between Tadawul and Arab Stock Exchanges in 2017

The performance of Arab stock exchanges participating in the Arab Markets Data Base (AMDB) varied in 2017. Indices of Arab financial markets declined in six Arab markets, namely; Jordan, Oman, Lebanon, Abu Dhabi, and Dubai. Oman and Lebanon recorded the highest declines of 18.3 percent, 11.8 percent, and 4.9 percent, respectively. On the other hand, the Khartoum Stock Exchange recorded the highest rise of 21.9 percent (Table 8.11).

The average total market capitalization of Arab financial markets increased by 2.3 percent to $75.7 billion at the end of 2017, compared to $74.0 billion at the end of 2016. The market capitalization of the Egyptian Exchange recorded the highest increase of 28.9 percent, followed by the Khartoum Stock Exchange with a rise of 26.9 percent.

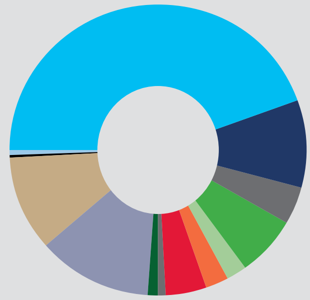
A comparison of selected Arab stock exchange indices at the end of 2017 shows that the Saudi Stock Exchange (Tadawul) recorded the highest market capitalization among all Arab stock exchanges. The market capitalization of Tadawul stood at $451.2 billion,

Table 8.12 : Key Indicators of Arab Capital Markets in 2017

	Index annual change (%)	Market capitalization (Million $)	No. of listed companies	GDP at current prices (Billion $)*	Average company size (Million $)	Market depth (%)**
Saudi Arabia	0.2	451,150	188	683.8	2,400	66
Kuwait	9.8	92,578	216	120.4	429	77
Egypt	21.7	44,433	257	237.1	173	19
Morocco	6.4	67,098	74	109.8	907	61
Bahrain	9.1	21,603	43	34.9	502	62
Jordan	-2.0	23,938	194	40.5	123	59
Oman	-11.8	46,625	131	74.3	356	63
Tunisia	15.3	8,854	81	40.3	109	22
Lebanon	-4.9	11,473	30	51.5	382	22
Abu Dhabi	-3.3	124,529	67	377.4	1,859	33
Algeria	---	85	2	178.3	42	0
Dubai	-4.6	107,289	65	377.4	1,651	28
Sudan	21.9	3,077	67	58.2	46	5
Palestine	8.4	3,891	48	---	81	---
Average	5.1	71,902	105	183	647	39.8

* International Monetary Fund. ** Market capitalization to GDP. ---: Not available.
Source: Arab Monetary Fund, the Arab Capital Market Database - Arab Capital Markets, 4th Quarter Bulletin 2017.

Chart 8.1: Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2017 by Market Capitalization



compared to an average of $75.7 billion for the Arab countries composing the AMF Index. The market capitalization of the Saudi Stock Exchange represented 39.7 percent of the total market capitalization of Arab stock exchanges at the end of 2017. The value of shares traded on the Saudi Stock Exchange amounted to $61.2 billion at the end of 2017, constituting 69.0 percent of the total value of shares traded on the markets of Arab countries participating in AMDB.

The number of companies traded on Tadawul reached 188 at the end of 2017.[4] The average market capitalization stood at $2.4 billion per company, compared to an average number of 100.3 companies with an average market capitalization of $0.81 billion per company for the Arab countries (Table 8.12 and Chart 8.1).

Developments of Investment Funds in 2017

The number of investment funds managed by investment companies in Saudi Arabia decreased by 0.7 percent to 273 in 2017. The total assets of these funds increased by 25.5 percent to SAR 110.2 billion. In addition, domestic assets of investment funds went up by 29.0 percent to SAR 91.1 billion. The foreign assets of investment funds increased by 11.1 percent to SAR 19.1 billion, constituting 17.3 percent of the total assets of the funds. The number of subscribers stood at 238 thousand at the end of 2017, increasing by 6.3 percent from that of the preceding year (Table 8.13 and Chart 8.2).

A review of the breakdown of the funds' investments inside and outside Saudi Arabia at the end of 2017 indicates that total investments on global stock exchanges increased by 9.7 percent to SAR 5.4 billion. Investments in domestic equities rose by 9.8 percent to SAR 18.0 billion, accounting for 16.3 percent of total funds' investments in equities against 18.7 percent at the end of 2016. Investment in domestic and foreign equities accounted for 21.2 percent of total assets of investment funds at the end of 2017 against 24.3 percent at the end of 2016.

Additionally, the funds' investments in foreign bonds went up by 19.1 percent to SAR 1.5 billion at the end of 2017. Their investments in domestic sukuk and bonds declined by 10.4 percent to SAR 5.0 billion at the end of 2017 from SAR 5.6 billion at the end of 2016. Investments in domestic and foreign bond markets accounted for 5.9 percent of investment funds' total assets at the end of 2017 compared to 7.8 percent at the end of the preceding year.

Funds' investments in domestic and foreign money market instruments represented 60.6 percent of investment funds' total assets at the end of 2017 against 58.5 percent at the end of the preceding year. Investment in domestic money market instruments increased by 35.2 percent from SAR 40.8 billion at the end of 2016 to SAR 55.2 billion at the end of 2017, accounting for 82.6 percent of total investments in money market instruments at the end of 2017 against 79.4 percent at the end of the preceding year. Furthermore, investments in foreign money market instruments rose by 9.7 percent to SAR 11.6 billion at the end of 2017 compared to SAR 10.6 billion at the end of 2016.

[4] The number includes 179 companies traded on TADAWUL and nine companies traded on the Parallel Market (Nomu), bringing the total to 188 companies at the end of 2017.

Chart 8.2:
Assets of Investment Funds at Domestic Investment Companies

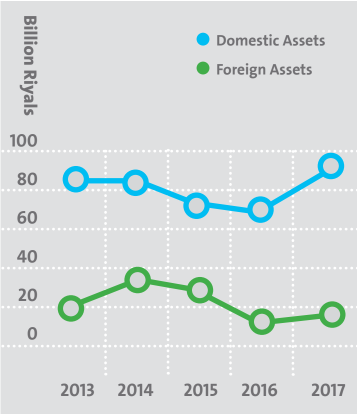


Table 8.13:
Key Indicators of Investment Funds Managed by Domestic Investment Companies

Year	No. of operating funds	Annual Change (%)	Investments in domestic assets (Billion SAR)	Annual Change (%)	Investments in Foreign assets (Billion SAR)	Annual Change (%)	Funds' total assets (Billion SAR)	Annual Change (%)	No. of subscribers (Thousand)	Annual Change (%)
2013	236	-1.7	81.9	17.3	21.3	16.8	103.2	17.2	258	-6.4
2014	252	6.8	81.9	0.01	28.8	35.3	110.7	7.3	246	-4.7
2015	270	7.1	75.9	-7.3	27.0	-6.4	102.9	-7.1	237	-3.7
2016	275	1.9	70.7	-6.9	17.2	-36.3	87.8	-14.6	224	-5.3
2017	273	-0.7	91.1	29.0	19.1	11.1	110.2	25.5	238	6.3

Source: CMA.

Table 8.14 :
Assets of Investment Funds Managed by Domestic Investment Companies by Type of Investment (Million SAR)

End of Period	Domestic equities	Foreign-equities	Domestic sukuk and bonds	Foreignbonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real estate investments	Total Assets
2013	23,639	12,170	2,878	1,731	50,809	7,005	1,411	409	3,127	103,179
2014	24,477	11,215	3,973	2,019	45,674	15,194	4,189	410	3,560	110,711
2015	20,025	10,573	5,830	2,017	43,691	12,976	4,014	407	3,365	102,898
2016	16,386	4,940	5,577	1,282	40,793	10,570	4,698	388	3,200	87,836
2017	17,988	5,420	4,996	1,528	55,169	11,598	8,743	542	4,249	110,233

Source: CMA.

Investments in other domestic assets went up by 86.1 percent to SAR 8.7 billion at the end of 2017, accounting for 94.2 percent of the total investments in other domestic and foreign assets compared to 92.4 percent at the end of the preceding year. Moreover, investments in other foreign assets increased by 39.4 percent to SAR 542 million at the end of 2017.

Investment in real estate assets increased by 32.8 percent to SAR 4.2 billion in 2017, representing 3.9 percent of investment funds' total assets compared to 3.6 percent at the end of the preceding year (Table 8.14).

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 32.4 billion, representing 29.4 percent of total assets of investment funds. Samba Capital and Investment Management Co. came second with assets of SAR 16.0 billion (14.5 percent), followed by Riyad Capital with assets of SAR 11.5 billion (10.4 percent).

For the total number of investment funds, Riyad Capital came first with 37 funds, two of which are close-ended. NCB Capital came next with 25 funds, one of which is close-ended. HSBC Saudi Arabia Limited came third with 20 funds, all of which are open-ended.

A breakdown of investment companies ranking by the number of subscribers shows that Riyad Capital ranked first with 70.7 thousand, followed by NCB Capital with 33.0 thousand and Samba Capital and Investment Management Co. with 26.6 thousand (Table 8.15).

Developments in the Saudi Stock Exchange (Tadawul)

FTSE Russell, the global index provider, announced the inclusion of the Saudi Stock Exchange (Tadawul) in the FTSE Russell's emerging market index on March 28, 2018. This decision came as a result of the efforts of the CMA and Tadawul over the past two years. It will bolster the efficiency of the capital market and foster an attractive investment climate for local and foreign investors.

Table 8.15 :
Classification of Investment Companies by Assets, Number of Funds and Subscribers in 2017

Investment Company	No. of funds			Assets of funds (Million SAR)			
	Close-ended	Open-ended	Total	Domestic	Foreign	Total	No. of subscribers
1. Riyad Capital Co.	2	35	37	9,290	2,219	11,509	70,713
2. NCB Capital Co.	1	24	25	28,882	3,552	32,435	32,980
3. Samba Capital	0	19	19	11,285	4,671	15,956	26,588
4. HSBC Saudi Arabia Limited	0	20	20	4,736	933	5,670	26,230
5. AlBilad Investment Co.	0	7	7	886	34	921	24,742
6. Al Rajhi Financial Services Co.	0	13	13	6,513	3,747	10,260	11,994
7. Saudi Fransi Capital	2	13	15	4,400	100	4,500	8,293
8. ANB Invest Co.	1	12	13	3,884	5	3,890	6,888
9. Mulkia Investment Co.	1	2	3	633	0	633	5,914
10. Alinma Investment Co.	1	5	6	7,608	0	7,608	4,307
11. Musharaka Capital Co.	1	1	2	917	0	917	4,091
12. Al Jazira Capital Co.	3	10	13	3,101	1,789	4,890	3,579
13. Jadwa Investment Co.	1	8	9	1,882	261	2,143	3,131
14. Osool & Bakheet Investment Company	1	4	5	809	0	809	3,128
15. Alawwal Capital Co.	0	15	15	1,743	309	2,052	2,239
16. KASB Capital	2	6	8	371	0	371	1,336
17. FALCOM Financial Services	0	5	5	1,118	0	1,118	650
18. Alistithmar Capital Co.	0	8	8	659	652	1,312	609
19. Saudi Kuwaiti Finance House	0	2	2	47	0	47	176
20. Alawwal Capital Co.	0	5	5	363	4	367	168
21. Derayah Financial Co.	1	2	3	86	20	106	135
22. Middle East Financial Investment Co.	0	3	3	249	458	706	94
23. Audi Capital Co.	0	4	4	122	34	156	62
24. Alkhair Capital Saudi Arabia Co.	0	4	4	27	3	31	55
25. Al-Nefaie Investment Group	0	2	2	7	0	7	51
26. Arbah Capital Co.	0	2	2	54	0	54	50
27. Wasatah Capital Co.	0	2	2	58	0	58	39
28. Muscat Capital Co.	0	2	2	234	0	234	34
29. Bait Al Mal Al Khaleeji Co.	0	2	2	124	0	124	33
30. Itqan Capital Co.	0	1	1	20	45	64	32
31. Ashmore Investment Saudi Arabia	0	3	3	183	230	413	30
32. Blominvest Saudi Arabia Co.	0	4	4	113	21	134	25
33. EFG Hermes KSA	0	2	2	54	0	54	16
34. Gulf Investors Asset Management Company	0	1	1	89	0	89	11
35. Morgan Stanley Saudi Arabia Co.	0	1	1	27	0	27	6
36. The Investor for Securities Company	0	1	1	30	0	30	5
37. Aloula Geojit Capital Co.	0	2	2	3	0	3	5
38. Global Investment House - Saudia (Global Saudi)	0	1	1	502	0	502	3
39. Tharwat for Financial Securities Co.	0	1	1	2	0	2	1
40. Saudi Economic and Development Company (SEDCO)	0	1	1	15	0	15	1
41. NOMW Capital	0	1	1	17	0	17	1
Total	17	256	273	91,145	19,088	110,234	238,445

Source: CMA.

09 External Sector

Table 9.1:
Saudi Arabia's Commodity Exports
(Million SAR)

					% share			
	2014	2015	2016	2017	2015	2016	2017	% change
Oil exports	**1,067,091**	**573,412**	**510,729**	**638,402**	**75.1**	**74.2**	**76.7**	**25.0**
Crude oil	938,959	486,546	419,878	513,181	63.7	61.0	61.7	22.2
Refined products	128,132	86,866	90,851	125,222	11.4	13.2	15.1	37.8
Non-oil exports	**217,031**	**189,901**	**177,694**	**193,479**	**24.9**	**25.8**	**23.3**	**8.9**
Petrochemicals	143,647	114,916	104,519	116,609	15.1	15.2	14.0	11.6
Construction materials	13,704	13,681	13,291	14,424	1.8	1.9	1.7	8.5
Agricultural, animal and food products	13,405	13,611	13,544	13,279	1.8	2.0	1.6	-2.0
Other goods*	46,275	47,693	46,340	49,167	6.2	6.7	5.9	6.1
Total	**1,284,122**	**763,313**	**688,423**	**831,881**	**100**	**100**	**100**	**20.8**

* Including re-exports

Source: GaStat

According to 2017 data from the General Authority for Statistics (GaStat), the total value of Saudi Arabia's merchandise exports stood at SAR 831.9 billion versus SAR 688.4 billion in 2016. The ratio of 2017 merchandise exports to GDP reached 32.3 percent. The total value of imports (CIF) amounted to SAR 504.4 billion, constituting 19.6 percent of GDP. The estimated balance of payments indicate a surplus of SAR 57.1 billion in the current account in 2017, constituting 2.2 percent of GDP.

External Trade

The total value of the merchandise trade (exports + imports) rose by 10.1 percent to SAR 1,336.3 billion in 2017 compared to SAR 1,214.1 billion in the preceding year. As an indication of openness to the world economy, the external merchandise trade to GDP ratio stood at 51.9 percent in 2017 compared to 50.2 percent in the preceding year.

Exports

The total value of 2017 merchandise exports reached SAR 831.9 billion compared to SAR 688.4 billion in 2016, a rise of 20.8 percent compared to the 9.8 percent drop in the preceding year (Table 9.1).

External Sector

Chart 9.1:
Value of Saudi Oil Exports

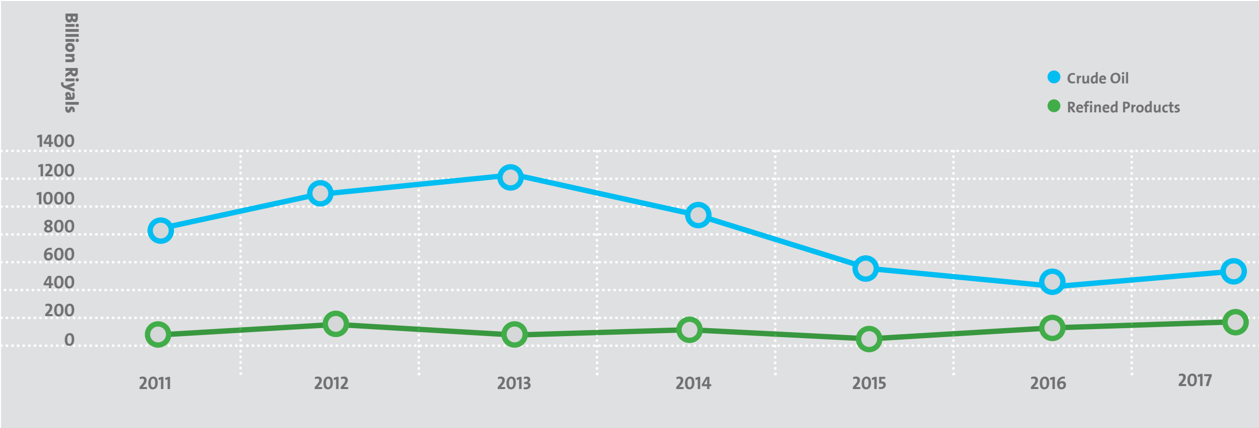
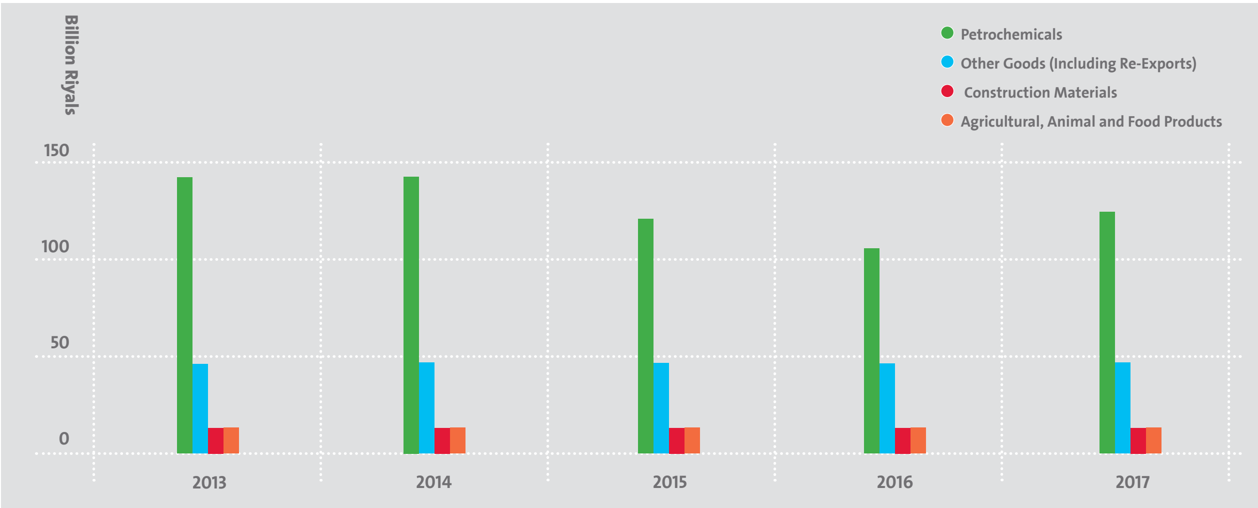


Chart 9.2:
Value of Saudi Non-Oil Exports



Oil Exports

Oil exports in 2017 amounted to SAR 638.4 billion, rising by 25.0 percent compared to the fall of 10.9 percent in the preceding year with a share of 76.7 percent of total exports (Table 9.1). The improvement was attributed to the rise in oil prices in the global markets, with the average price of Arab light crude standing at $52.59 per barrel in 2017, compared to $40.96 per barrel in 2016 according to OPEC data, despite the decline in Saudi Arabia's average production of crude oil from 10.5 million barrels per day (bpd) in 2016 to 10 million bpd in 2017.

Data on oil exports by type indicates that the value of crude oil exports increased by 22.2 percent from SAR 419.9 billion in 2016 to SAR 513.2 billion in 2017, constituting 61.7 percent of total oil exports. The value of refined products exports also increased by 37.8 percent from SAR 90.9 billion to SAR 125.2 billion, representing 15.1 percent of total oil exports. Chart 9.1 shows the developments in Saudi Arabia's oil exports.

Non-Oil Exports

According to 2017 GaStat data, Saudi Arabia's non-oil exports rose by 8.9 percent to SAR 193.5 billion versus a fall of 6.4 percent in the preceding year, representing a share of 23.3 percent of total non-oil exports (Table 9.1). The value of petrochemical exports went up by 11.6 percent to SAR 116.6 billion with a share of 14.0 percent of total non-oil exports. The value of construction materials exports rose by 8.5 percent to SAR 14.4 billion and constituted a share of 1.7 percent of the total. The value of other commodities exports, including re-exports, also increased by 6.1 percent to SAR 49.2 billion, representing a share of 5.9 percent of total exports. In contrast, the value of agricultural, animal and food products exports fell by 2.0 percent to SAR 13.3 billion with a share of 1.6 percent of total non-oil exports. (Chart 9.2) shows the values and developments of non-oil exports over the 2013-2017 period.

Table 9.2:
Finance and Insurance of Saudi Exports
(Million SAR)

	2015		2016		2017	
Goods and Products	**Finance**	**Insurance**	**Finance**	**Insurance**	**Finance**	**Insurance**
Manufactured metal products, machines and equipment	4	1	0	354	150	961
Chemical and plastic products	7,760	1,029	5,063	1,125	375	701
Capital projects	0	0	0	0	750	0
Credit lines	143	0	563	0	56	0
Others	219	27	11	40	0	9
Total	**8,126**	**1,057**	**5,636**	**1,519**	**1,331**	**1,671**

Source: The Saudi Fund for Development

Development of Saudi Non-Oil Exports

In line with Saudi Arabia's continued efforts to expand its production base and diversify non-oil exports, the Saudi export development programs aim at promoting non-oil exports by providing credit facilities for exporters and importers of Saudi-origin goods. To this end, Saudi Arabia has adopted a number of structural and institutional reforms, the most important of which is the establishment of the Saudi Export Program (SEP) and the Saudi Export Development Authority (SEDA). The role of SEDA lies in developing non-oil exports by conducting studies and putting plans in place to overcome the challenges facing exporters. SEDA also participates in international events and trade commissions with a goal of promoting national products, and organizes workshops to develop the abilities and expertise of Saudi exporting companies. In addition, SEDA has set a national strategy for developing non-oil exports and designed development programs in consultation and cooperation with relevant bodies to improve non-oil exports.

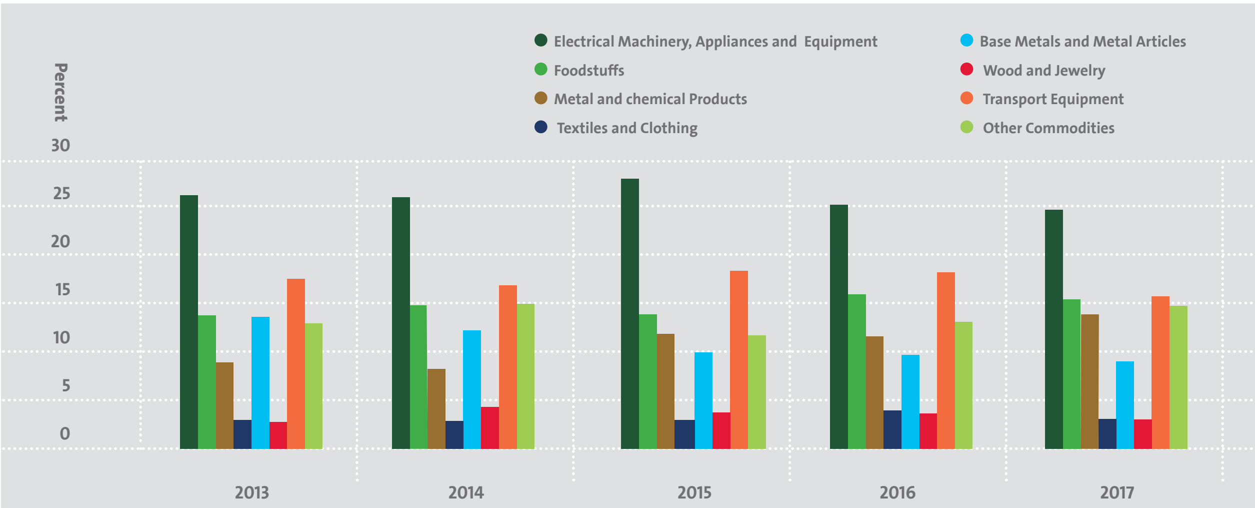
In the area of financing exports, the Saudi Fund for Development's SEP plays an important role in developing the nation's non-oil exports to diversify the sources of the national income through export finance and credit insurance, in line with the objectives of Vision 2030. The number of finance operations approved by the Fund since the launch of the Program reached 244, with a total value of SAR 31.3 billion. Export credit insurance policies totaled 64 with an overall value of SAR 27.5 billion. SEP approved a diverse set of export finance and credit insurance activities with a value of SAR 3.0 billion in 2017 (Table 9.2). Moreover, SEP's activities in 2017 were directed towards both credit insurance and finance with SAR 1.7 billion and SAR 1.3 billion respectively. Finance and credit insurance of chemical and plastic industry exports amounted to SAR 375 million and SAR 701 million respectively, while those of manufactured metal products, machinery, and equipment amounted to SAR 150 million and SAR 961 million respectively. SEP also provided credit lines of SAR 56 million in 2017. Credit insurance of other sector products amounted to SAR 9 million.

Table 9.3:
Saudi Arabia's Imports (CIF) By Main Components

	Million SAR			% share			% change
	2015	2016	2017	2015	2016	2017	2017
Machines, appliances and electrical equipment	178,321	129,334	120,522	27.2	24.6	23.9	-6.8
Foodstuffs	91,928	85,075	81,774	14.0	16.2	16.2	-3.9
Chemical and related products	77,159	66,777	67,306	11.8	12.7	13.3	0.8
Textiles and clothing	21,627	20,050	18,830	3.3	3.8	3.7	-6.1
Metals and their products	64,473	47,411	43,449	9.8	9.0	8.6	-8.4
Wood and jewelry	28,199	15,763	17,501	4.3	3.0	3.5	11.0
Transport equipment	120,516	93,925	79,397	18.4	17.9	15.7	-15.5
Other goods	72,810	67,300	75,668	11.1	12.8	15.0	12.4
Total	**655,033**	**525,636**	**504,447**	**100.0**	**100.0**	**100.0**	**-4.0**

Source: GaStat

Chart 9.3:
Shares of Saudi Imports (CIF) by Main Components



Imports

The value of imports of goods (CIF) decreased by 4.0 percent to SAR 504.4 billion in 2017, versus SAR 525.6 billion in the preceding year (Table 9.3).

Detailed data on Saudi Arabia's imports by main components for 2017 (Chart 9.3) shows that imports of electric machinery, appliances and equipment (SAR 120.5 billion) ranked first with a share of 23.9 percent of total imports, declining by 6.8 percent over the preceding year. Imports of foodstuffs (SAR 81.8 billion) came second, constituting 16.2 percent and decreasing by 3.9 percent from that of the preceding year, followed by imports of transport equipment (SAR 79.4 billion) with a share of 15.7 percent, declining by 15.5 percent; imports of chemical and related products (SAR 67.3 billion) with a share of 13.3 percent, rising by 0.8 percent; imports of ordinary metals and their products (SAR 43.4 billion) with a share of 8.6 percent, decreasing by 8.4 percent; imports of textiles and clothing (SAR 18.8 billion) with a share of 3.7 percent, falling by 6.1 percent; and imports of wood and jewelry (SAR 17.5 billion) with a share of 3.5 percent, increasing by 11.0 percent. Imports of other goods (SAR 75.7 billion) constituted 15.0 percent of total imports, increasing by 12.4 percent from that of 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 GCC countries, the third contains Arab countries excluding GCC countries, and the fourth group includes the other world countries (Table 9.4).

Table 9.4:
Destination of Exports and Origin of Imports

	Million SAR		% share		% change
	2016	2017	2016	2017	2017
Imports					
China	75,309	76,971	14.8	15.3	2.2
US	77,728	68,086	14.3	13.5	-12.4
Germany	34,331	29,497	7.2	5.8	-14.1
France	18,507	21,853	3.9	4.3	18.1
Japan	27,821	20,569	5.3	4.1	-26.1
Total	233,696	216,977	44.5	43.0	-7.2
GCC countries	41,033	45,379	7.8	9.0	10.6
Other Arab countries	16,855	17,193	3.2	3.4	2.0
Other countries	234,052	224,897	44.5	44.6	-3.9
Total imports	**525,636**	**504,447**	**100.0**	**100.0**	**-4.0**
Exports					
Japan	72,342	100,382	10.5	12.1	38.8
China	79,916	97,354	11.6	11.7	21.8
South Korea	57,432	74,027	9.3	8.9	28.9
India	63,880	73,801	8.3	8.9	15.5
USA	66,128	68,867	9.6	8.3	4.1
Total	339,698	414,431	49.3	49.8	22.0
GCC countries	80,558	93,705	11.7	11.3	16.3
Other Arab countries	32,050	41,186	4.7	5.0	28.5
Other countries	**236,116**	**282,560**	**34.3**	**34.0**	**19.7**
Total exports	**688,423**	**831,881**	**100.0**	**100.0**	**20.8**

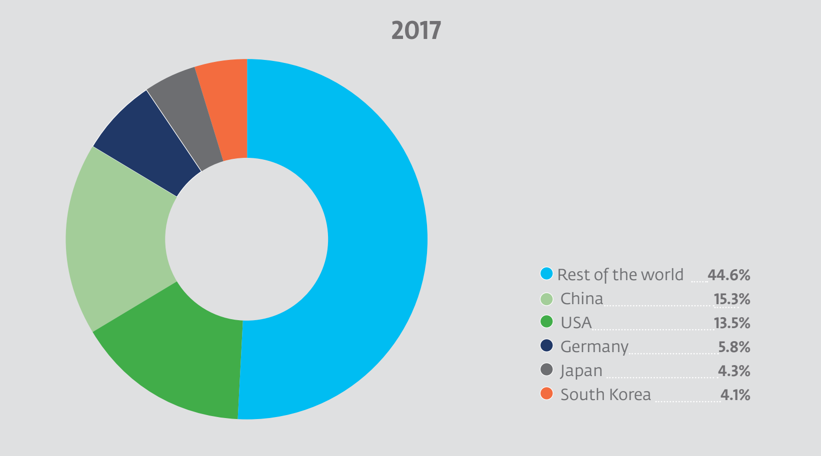
Source: GaStat

Imports by Origin

Imports from the top five non-Arab exporting countries to Saudi Arabia decreased by 7.2 percent to SAR 217.0 billion in 2017, with a share of 43.0 percent of total imports. Imports from China (SAR 77.0 billion) ranked first with a share of 15.3 percent of the total imports, increasing by 2.2, followed by imports from the United States (SAR 68.1 billion) with a share of 13.5 percent and a decline of 12.4 percent; imports from Germany (SAR 29.5 billion) with a share of 5.8 percent and a decrease of 14.1 percent; imports from France (SAR 21.9 billion) with a share of 4.3 percent; and imports from Japan (SAR 20.6 billion) with a share of 4.1 percent of total imports.

Moreover, imports from the GCC countries recorded a rise of 10.6 percent to SAR 45.4 billion during 2017, accounting for 9.0 percent of the total imports. Imports from other Arab countries increased by 2.0 percent to SAR 17.2 billion, accounting for 3.4 percent of the total. Imports from other world countries, however, declined by 3.9 percent to SAR 224.9 billion with a share of 44.6 percent. (Chart 9.4A) illustrates Saudi Arabia's imports by origin in 2017.

Chart 9.4A:
Saudi Arabia's Imports by Origion



Destination of Exports

Saudi Arabia's exports to the top five non-Arab countries increased by 22.0 percent to SAR 414.4 billion in 2017, with a share of 49.8 percent of total exports. Exports to Japan (SAR 100.4 billion) ranked first with a share of 12.1 percent of the total exports, rising by 38.8, and China (SAR 97.4 billion) came second with a share of 11.7 percent, increasing by 21.8 percent. South Korea (SAR 74.0 billion) and India (SAR 73.8 billion) came next with a share of 8.9 percent each, followed by the United States (SAR 68.7 billion) with a share of 8.3 percent of the total exports.

Exports to the GCC countries rose by 16.3 percent to SAR 93.7 billion during 2017, accounting for 11.3 percent of the total exports. Exports to other Arab countries also increased by 28.5 percent to SAR 41.2 billion, accounting for 5.0 percent, and exports to other world countries went up by 19.7 percent to SAR 282.6 billion with a share of 34.0 percent. (Chart 9.4B) shows the destination of Saudi Arabia's exports in 2017.

Private Sector Exports Financed by Commercial Banks

Private sector exports financed by commercial banks (settled letters of credit) fell by 3.4 percent to SAR 40.4 billion in 2017 compared to SAR 41.8 billion in 2016. Their ratio to total non-oil exports (including re-exports) also went down by 21.1 percent compared to 23.5 percent in 2016.

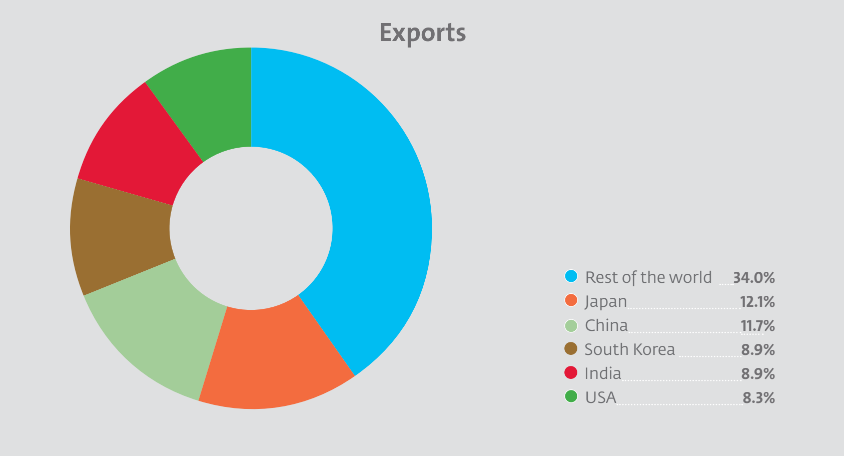
Detailed data on these private sector exports financed by commercial banks (settled letters of credit) in 2017 shows that exports of other industrial products dropped by 4.0 percent to SAR 36.7 billion, ranking first with a share of 90.9 percent of total exports. Chemical and plastic products came next with SAR 3.6 billion, recording a rise of 6.1 percent from 2016 and a share of 8.9 percent, followed by agricultural and animal products with a value of SAR 82 million, falling by 56.2 percent and accounting for 0.2 percent of total exports.

Private Sector Imports Financed by Commercial Banks

The private sector imports financed by commercial banks (settled letters of credit and bills under collection) declined by 20.7 percent to SAR 138.1 billion in 2017 compared to SAR 174.2 billion in the preceding year. Their ratio to total imports value was 28.3 percent versus 33.1 percent in the preceding year.

Most categories of import financing declined, including the financing of imports of sugar, tea and coffee beans by 65.3 percent to SAR 818 million, grain by 41.0 percent to SAR 6.2 billion, machinery by 28.5 percent to SAR 7.4 billion, fruit and vegetables by 26.6 percent to SAR 601 million, vehicles by 26.2 percent to SAR 25.6 billion, livestock and meat by 23.2 percent to SAR 3.5

Chart 9.4B:
Saudi Arabia's Exports by Destination



billion, construction materials by 20.4 percent to SAR 13.8 billion, appliances by 19.4 percent to SAR 4 billion, other goods by 14.8 percent to SAR 66 billion and other foodstuffs by 12.7 percent to SAR 8.1 billion. On the other hand, financing of imports of textiles and clothing increased by 9.5 percent to SAR 2.1 billion.

As for their share, financing of imports of other goods ranked first with a share of 47.8 percent of total imports, followed by that of vehicles with 18.6 percent. Financing of imports of construction materials came next with 10.0 percent, followed by other foodstuffs with a share of 5.8 percent, and machinery with 5.4 percent.

Exports through Ports

According to data issued by the Saudi Ports Authority, the volume of exports (excluding crude oil exports) handled at Saudi ports decreased by 10.0 percent to 220.8 million tons in 2017 compared to 245.3 million tons in the preceding year.

This was attributable to the decline in exports of refined oil products and gas by 1.4 percent to 132.7 million tons, other goods by 29.8 percent to 31.5 million tons, chemical materials by 24.8 percent to 30.4 million tons, and construction materials and steel by 3.7 percent to 15.5 million tons. However, exports of agricultural products increased by 19.7 percent from 79.5 thousand tons to 95.1 thousand tons, and transshipment goods by 14.9 percent to 10.6 million tons in 2017.

As for their share in the total volume of exports handled at ports, refined oil products and gas ranked first with a share of 60.1 percent. Other exports came second with a share of 14.3 percent, followed by chemical materials with 13.8 percent. Construction materials and steel exports came next with a share of 7.0 percent, followed by transshipment goods with 4.8 percent and exports of agricultural products with a share of 0.04 percent.

Imports through Ports

According to data issued by the Saudi Ports Authority, the volume of imports handled at Saudi ports increased by 0.9 percent to 108 million tons in 2017. This was due to a rise of 10.1 percent in imports through industrial ports to 39.5 million tons. On the other hand, imports handled at commercial ports declined by 3.8 percent to 68.5 million tons. This was due to decreases in imports of foodstuffs by 1.5 percent to 27.3 million tons, imports of equipment by 6.4 percent to 2.1 million tons, and construction materials by 28.1 percent to 9.7 million tons. In contrast, imports of general merchandise went up by 5.9 percent to 29.4 million tons.

Table 9.5:
Saudi Non-Oil Trade with GCC Countries*
(Million SAR)

	2015			2016			2017		
Country	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference
UAE	33,264	26,522	-6,742	28,616	25,926	-2,690	32,831	30,276	-2,554
Bahrain	7,359	5,819	-1,540	5,353	6,074	721	5,229	6,052	823
Qatar	1,803	6,254	4,451	1,209	6,450	5,241	677	2,568	1,891
Oman	4,474	3,509	-965	4,144	3,066	-1,078	4,994	3,618	-1,376
Kuwait	1,813	5,974	4,161	1,710	7,074	5,364	1,648	7,462	5,814
Total	**48,713**	**48,078**	**-635**	**41,033**	**48,589**	**7,556**	**45,379**	**49,977**	**4,598**

* Including re-exports.

Source: GaStat

As for their share, general merchandise ranked first with a share of 27.2 percent of total imports, followed by foodstuffs with 25.3 percent, construction materials with 9.0 percent, and equipment with 2.0 percent. Imports through industrial ports accounted for 36.6 percent of the total imports (in tons).

With respect to motor vehicles and livestock imported through Saudi ports during 2017, the number of motor vehicles decreased by 23.4 percent to 594.5 thousand from 775.6 thousand in 2016, while that of livestock went down by 17.2 percent to 6.8 million from 8.2 million in 2016.

Non-Oil Trade with GCC Countries

Saudi Arabia's net non-oil trade with the GCC countries recorded a surplus of SAR 4.6 billion in 2017 compared to a surplus of SAR 7.6 billion in 2016. Its imports from GCC countries increased by 10.6 percent to SAR 45.4 billion in 2017 compared to SAR 41.0 billion in the preceding year, and they accounted for 9.0 percent of the total imports. Saudi exports to GCC countries also went up by 2.9 percent to SAR 50.0 billion in 2017, accounting for 25.8 percent of total non-oil exports (including re-exports).

Detailed data indicates that Saudi Arabia's non-oil commodity balance with Kuwait and Bahrain in 2017 recorded surpluses of SAR 5.8 billion and SAR 823 million respectively. In contrast, non-oil commodity balance with the UAE and Oman registered deficits of SAR 2.6 billion and SAR 1.4 billion respectively.

Data on non-oil imports from the GCC countries in 2017 shows that the UAE continued to occupy the first position as the largest exporter to Saudi Arabia, with exports amounting to SAR 32.8 billion, constituting 72.3 percent of the total non-oil imports. Bahrain came second with SAR 5.2 billion (11.5 percent), followed by Oman with SAR 5.0 billion (11.0 percent) and Kuwait with SAR 1.6 billion.

In regards to non-oil exports to the GCC countries in 2017, the UAE remained in the first position with SAR 30.3 billion or 60.6 percent of the total. Kuwait came next with SAR 7.5 billion (14.9 percent), Bahrain with SAR 6.1 billion (12.1 percent), Oman with SAR 3.6 billion (7.2 percent) (Table 9.5).

Table 9.6:
Non-oil Trade with Top Arab Trading Partners (Excluding GCC countries)*
(Million SAR)

	2015			2016			2017		
Country	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference
Egypt	8,719	7,410	-1,309	7,933	5,926	-2,007	8,492	5,323	-3,170
Jordan	3,773	5,503	1,730	4,042	4,761	719	3,176	4,681	1,504
Yemen	570	2,090	1,520	243	2,138	1,895	470	2,082	1,612
Lebanon	1,613	1,443	-170	1,457	1,463	6	1,557	1,674	118
Morocco	858	1,624	766	776	1,328	552	739	1,477	738
Sudan	2,560	1,913	-647	1,959	1,799	-160	2,383	2,389	6
Iraq	10	1,778	1,768	23	1,550	1,527	30	1,902	1,872
Other Arab countries	1,991	4,681	2,690	1,950	4,444	2,494	1,087	4,090	3,003
Total	**20,094**	**26,442**	**6,348**	**18,383**	**23,409**	**5,026**	**17,934**	**23,619**	**5,685**

* Including re-exports.

Source: GaStat

Non-Oil Trade with Top Arab Trading Partners

Data on non-oil trade with Arab countries (excluding GCC countries) shows that Saudi Arabia recorded a surplus of SAR 5.7 billion in 2017 against a surplus of SAR 5.0 billion in 2016. Imports from Arab countries decreased by 2.4 percent to SAR 17.9 billion in 2017 compared to SAR 18.4 billion in the preceding year, accounting for 3.6 percent of total imports. However, exports to Arab countries went up by 0.9 percent to SAR 23.6 billion, constituting 12.2 percent of total non-oil exports (including re-exports).

Detailed data on trade with top Arab trading partners shows that Saudi Arabia recorded a surplus of SAR 1.9 billion in trade with Iraq, SAR 1.6 billion with Yemen, SAR 1.5 billion with Jordan, SAR 738 million with Morocco, SAR 118 million with Lebanon, and SAR 6 million with Sudan in 2017. On the other hand, trade with Egypt registered a deficit of SAR 3.2 billion.

With regard to Saudi Arabia's non-oil imports from its top trading partners of Arab countries in 2017, Egypt ranked first with SAR 8.5 billion (47.4 percent) of the total, followed by Jordan with SAR 3.2 billion (17.7 percent), Sudan with SAR 2.4 billion (13.3 percent), and Lebanon with SAR 1.6 billion (8.7 percent). Morocco came next with SAR 0.7 billion, followed by Yemen with SAR 0.5 billion, and Iraq with SAR 30 million.

As for non-oil exports to these countries in 2017, Egypt ranked first with SAR 5.3 billion (22.5 percent), and Jordan came second with SAR 4.7 billion (19.8 percent), followed by Sudan with SAR 2.4 billion, and Yemen with SAR 2.1 billion. Iraq ranked fifth with SAR 1.9 billion, and Lebanon came next with SAR 1.7 billion, followed by Morocco with SAR 1.5 billion (Table 9.6).

Table 9.7:
Imports and Exports by Use of Goods
Weight (thousand ton)/value (million SAR)

		2015		2016		2017	
	Goods	Weight	Value	Weight	Value	Weight	Value
Imports	Consumer	14,276	237,430	13,042	210,037	12,335	197,841
	Intermediate	66,293	255,464	61,200	203,918	61,434	199,217
	Capital	3,637	162,139	2,489	111,680	2,229	107,388
Exports	Consumer	9,464	38,410	11,408	39,801	11,712	46,633
	Intermediate	456,182	705,144	488,304	631,100	471,354	769,360
	Capital	596	19,759	565	17,523	701	15,888

Source: GaStat

Imports and Exports by Use of Items

Detailed data on Saudi Arabia's imports by use of items for 2017 shows that imports of intermediate goods stood at SAR 199.2 billion (61.4 million tons), ranking first with a share of 39.5 percent of total imports and dropping by 2.3 percent over the preceding year. Consumer goods came second with SAR 197.8 billion (12.3 million tons), constituting 39.2 percent, a decline of 5.8 percent from the preceding year. Capital goods came third with SAR 107.4 billion (2.2 million tons) with a share of 21.3 percent, declining by 3.8 percent.

With regards to exports categorized by use of items in 2017, intermediate goods ranked first with SAR 769.4 billion (471.4 million tons) and a share of 92.5 percent, rising by 21.9 percent. Consumer goods ranked second with SAR 46.6 billion (11.7 million tons) and a share of 5.6 percent, increasing by 17.2 percent. Capital goods amounted to SAR 15.9 billion (0.7 million tons) with a share of 1.9 percent, down by 9.3 percent over the preceding year (Table 9.7).

Imports and Exports by Goods Type

Detailed data on Saudi Arabia's imports by type of goods (the stage of processing) for 2017 shows that imports of manufactured (finished) goods amounting to SAR 357.8 billion (21.2 million tons) ranked first with a share of 70.9 percent of total imports, declining by 4.6 percent over the preceding year. Partly manufactured (semi-finished) goods came second with SAR 121.6 billion (27.4 million tons), constituting 24.1 percent, a fall of 4.1 percent. Imports of raw material goods stood at SAR 25.1 billion (27.4 million tons) and came third

Table 9.8:

Imports and Exports by Type of Goods

Weight (thousand ton)/value (million SAR)

		2015		2016		2017	
	Goods	Weight	Value	Weight	Value	Weight	Value
Imports	Raw	27,662	27,685	26,207	23,699	27,397	25,111
	Semi-finished	36,162	166,403	32,092	126,827	27,358	121,579
	Finished	20,382	460,946	18,433	375,110	21,244	357,756
Exports	Raw	365,006	501,799	381,335	433,696	361,393	528,328
	Semi-finished	49,743	136,719	52,400	126,448	49,326	139,658
	Finished	51,493	124,795	66,542	128,279	73,048	163,895

Source: GaStat

with a share of 5.0 percent, declining by 6.0 percent year-over-year.

With regards to exports categorized by type of goods (the stage of processing) in 2017, exports of raw material goods ranked first with SAR 528.3 billion (361.4 million tons) and a share of 63.5 percent, rising by 21.8 percent. Manufactured goods ranked second with SAR 163.9 billion (73 million tons) and a share of 19.7 percent, rising by 27.8 percent. Partly manufactured goods came third with SAR 139.7 billion (49.2 million tons) and a share of 16.8 percent, increasing by 10.4 percent (Table 9.8).

Balance of Payments

First: Current Account

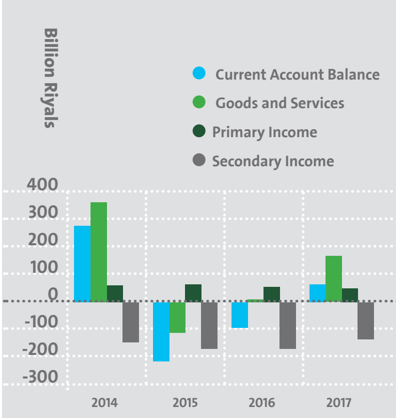
Estimates of Saudi Arabia's balance of payments for 2017 indicate that the current account surplus amounted to SAR 57.1 billion, versus a deficit of SAR 89.4 billion in the preceding year. The ratio of surplus to GDP stood at 2.2 percent. This surplus was attributed to an increase of 82.5 percent in the merchandise surplus

Table 9.9: Balance of Payments
(Million SAR)

	2014	2015	2016	2017*	% change 2017
I. Current Account Balance	276,593	-212,714	-89,410	57,109	---
A. Goods and services	359,873	-109,863	10,312	161,051	1,461.8
1. Goods	689,981	165,995	209,115	381,540	82.5
Exports	1,284,213	763,262	688,528	829,021	20.4
Imports	594,232	597,267	479,413	447,480	-6.7
2. Services	-330,107	-275,858	-198,803	-220,489	10.9
Credit	46,936	54,277	64,697	67,578	4.5
Debit	377,044	330,135	263,501	288,067	9.3
B. Primary income	61,972	64,800	58,975	44,296	-24.9
Credit	101,665	95,912	89,890	67,683	-24.7
Debit	39,693	31,112	30,914	23,386	-24.4
C. Secondary income	-145,252	-167,651	-158,698	-148,239	-6.6
Credit	---	---	---	---	---
Debit	145,252	167,651	158,698	148,239	-6.6
II. Capital Account	-1,233	-3,983	-3,365	-2,964	-11.9
III. Financial Account	239,947	-274,058	-342,584	39,113	---
1. Direct investment	-9,809	-10,317	5,564	15,762	---
Net acquisition of financial assets	20,235	20,212	33,511	21,092	---
Net incurrence of liabilities	30,044	30,529	27,947	5,330	---
2. Portfolio investments	100,426	40,386	-42,798	-38,366	---
Net acquisition of financial assets	101,185	39,081	20,308	38,257	---
Net incurrence of liabilities	759	-1,305	63,106	76,623	---
3. Other investments	124,474	130,630	-3,021	209,369	---
Net acquisition of financial assets	147,006	145,232	30,882	223,805	---
Net incurrence of liabilities	22,532	14,602	33,903	14,436	---
4. Reserve assets	24,857	-434,758	-302,328	-147,652	---
Errors and omissions	-35,413	-57,361	-249,808	-15,032	---

* Preliminary data. Minus sign (-) = Payments in the current account items.

Chart 9.5: Current Account Balance



and a decline of 6.6 percent in the net secondary income deficit (Table 9.9). Chart 9.5 illustrates the developments in the current account balance and its major items over the 2014-2017 period.

A. Goods and Services:

1. Goods

The surplus of the commodity balance grew by 82.5 percent to SAR 381.5 billion in 2017 from SAR 209.1 billion in the preceding year. This was attributed to an increase in total exports (including oil and other exports) by 20.4 percent to SAR 829.0 billion against SAR 688.5 billion in the preceding year as well as a decrease in imports (FOB) by 6.7 percent to SAR 447.5 billion compared to SAR 479.4 billion in the preceding year.

2. Services

The deficit in the services account went up by 10.9 percent to SAR 220.5 billion in 2017 compared to SAR 198.8 billion in the preceding year. This rise was mainly attributed to increased deficits in the net government services item by 16.0 percent to SAR 84.8 billion from SAR 73.2 billion in the preceding year; net other business services item by 50.3 percent to SAR 35.3

Table 9.10:
Remittances of Expatriates in Saudi Arabia

Year	Million SAR	% Annual change	*Private Sector GDP Million SAR	Ratio of Remittances to GDP Private sector
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	1,242,970	10.7

* At current prices. **Preliminary data.

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

billion from SAR 23.5 billion; net financial services item to SAR 3 billion from SAR 1.2 billion; net telecommunication item by 2.4 percent to SAR 9.5 billion from SAR 9.3 billion; and net insurance and pensions item by 4.4 percent to SAR 5.3 billion from SAR 5.1 billion. On the other hand, deficits in the net construction services item fell by 5.6 percent to SAR 20.7 billion from SAR 20.8 billion in the preceding year; net services payments for transportation item by 6.2 percent to SAR 42.1 billion from SAR 44.9 billion; and in the net travel item by 5.5 percent to SAR 19.7 billion from SAR 20.9 billion.

B. Primary Income

Data of the balance of payments indicates that the surplus in the net primary income item decreased by 24.9 percent to SAR 44.3 billion in 2017 compared to SAR 59.0 billion in the preceding year. This was attributable to declines in the net portfolio investment income to SAR 41.2 billion from SAR 51.6 billion in the preceding year, net direct investment item to SAR 386 million as compared to SAR 4.1 billion, and the surplus of other investments item which dropped to SAR 4.5 billion against SAR 5.3 billion in the preceding year. The deficit in net workers' compensation also dropped by 8.7 percent to SAR 1.8 billion.

C. Secondary Income

The deficit in the secondary income account decreased by 6.6 percent to SAR 148.2 billion in 2017 compared to SAR 158.7 billion in the preceding year. Government transfers went down by 22.5 percent, and remittances made by expatriate workers decreased by 4.5 percent to SAR 132.5 billion. Table 9.10 illustrates the developments in the remittances of expatriate workers in Saudi Arabia and their ratio to GDP since 2013.

Second: Capital Account

The capital account registered an outflow of SAR 3.0 billion in 2017 compared to an outflow of SAR 3.4 billion in the preceding year.

Third: Financial Account

Net direct investments rose by SAR 15.8 billion and net other investments by SAR 209.4 billion in 2017. Net portfolio investments, however, decreased by SAR 38.4 billion and reserve assets by SAR 147.7 billion.

International Investment Position

Direct Investment

Direct investment abroad grew by 7.6 percent to SAR 298.5 billion in 2017. Direct investment in Saudi Arabia also increased by 0.3 percent to SAR 870.9 billion as compared to the preceding year.

Portfolio Investments

Portfolio investments abroad fell by 21.3 percent to SAR 588.7 billion in 2017. Portfolio investments in Saudi Arabia, however, rose by 40.9 percent to SAR 260.7 billion.

Other Investments

Other investments abroad grew by 51.0 percent to SAR 737.1 billion in 2017, and other investments in Saudi Arabia increased by 13.8 percent to SAR 261.8 billion.

Reserve Assets

Reserve assets went down by 7.3 percent to SAR 1.9 trillion in 2017 against SAR 2.0 trillion in the preceding year.

Table 9.11:
International Investment Position
(Million SAR)

	2015	2016	2017*	% change 2017
I. Assets	**3,731,101**	**3,522,875**	**3,485,843**	**-1.1**
1. Direct investment abroad	236,702	277,398	298,491	7.6
2. Portfolio investments	765,603	748,114	588,662	-21.3
3. Other investments	417,228	488,123	737,103	51.0
4. Reserve assets	2,311,567	2,009,239	1,861,588	-7.3
II. Liabilities	**1,144,335**	**1,283,110**	**1,393,371**	**8.6**
1. Direct investment in Saudi Arabia	840,187	868,134	870,854	0.3
2. Portfolio investments	122,183	184,986	260,674	40.9
3. Other investments	181,966	229,990	261,843	13.8
III. Net International Investment Position	**2,586,766**	**2,239,765**	**2,092,472**	**-6.6**

* Preliminary data.

Table 9.12:
Saudi Arabia's Aid and Contributions Abroad (2013-2017)
(Million SAR)

Year	Aid and loans	Contributions to associations and organizations	Multilateral aid	Total
2013	20,843	1,241	1,107	23,191
2014	50,336	1,626	99	52,061
2015	28,430	1,336	60	29,826
2016	11,494	18,999	43	30,536
2017	16,542	975	26	17,543
Total	127,645	24,177	1,335	153,157

Source: Ministry of Finance

Net International Investment Position

The net international investment position declined by 6.6 percent to SAR 2.1 trillion in 2017 compared to SAR 2.2 trillion in 2016. (Table 9.11).

Saudi Developmental Aid and Loans Abroad

Saudi aid, loans and contributions abroad reached SAR 153.2 billion during the period 2013-2017 (Table 9.12). Aid and loans constituted 83.3 percent (SAR 127.6 billion). The contributions to associations and organizations amounted to SAR 24.2 billion or 15.8 percent of the total. Aid provided through multilateral aid programs during that period amounted to SAR 1.3 billion or 0.9 percent.

Saudi aid and loans provided through bilateral channels and multilateral associations, organizations and institutions in 2017 reached SAR 17.5 billion, decreasing by 42.5 percent over the preceding year. Aid and loans extended in 2017 constituted the bulk of the total, amounting to SAR 16.5 billion (94.3 percent) and rising by 43.9 percent over the preceding year. Saudi contributions to associations and organizations in 2017 amounted to SAR 975 million (5.6 percent), declining by 94.9 percent over 2016. Saudi multilateral aid totaled SAR 26 million (0.1 percent), declining by 39.5 percent from the preceding year.

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 2017. The nominal effective exchange rate (NEER) index increased by 2.2 points from 116.97 at the end of 2016 to 119.14 at the end of 2017. The real effective exchange rate (REER) index, however, decreased by 1.0 point from 123.18 at the end of 2016 to 122.21 at the end of 2017.

10 Public Finance

Table 10.1:
Budget Projections
(Billion SAR)

	FY (2017) 1438/1439	FY (2018) 1439/1440	Change %
Total revenues	692	783	13.2
Total expenditures	890	978	9.9
Surplus/deficit	-198	-195	-1.5

Source: Ministry of Finance

In its session held on Tuesday, Rabi' II 1, 1439 (19 December 2017), the Council of Ministers approved the state budget for fiscal year 1439/1440 (2018), which is the largest expenditure budget in the history of Saudi Arabia. This large expenditure is deemed necessary in order to keep pace with the transformation the Kingdom is witnessing in those areas on which the Saudi Vision 2030 focuses. It supports a number of implementation programs that aim to diversify the economy beyond oil, achieve financial and economic stability, stimulate non-oil sector growth, increase the contribution of the private sector as a driver of growth, increase employment opportunities for citizens of both genders, improve the standard of living of citizens, and build a vibrant society. Total expenditures are projected to be SAR 978 billion, 9.9 percent higher than the estimated budget for the previous fiscal year.

The state budget for fiscal year 1439/1440 (2018) projects total revenues at SAR 783 billion, an increase of 13.2 percent from the preceding fiscal year's projections of SAR 692 billion. The budget deficit was estimated at SAR 195 billion, decreasing by 1.5 percent from the preceding fiscal year's projections (Table 10.1).

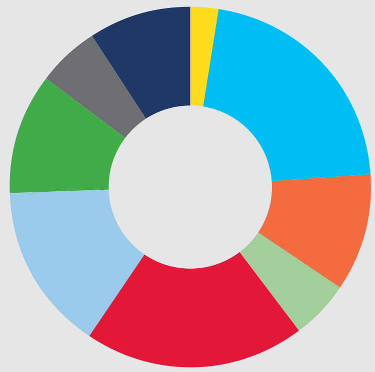
Public Finance

Table 10.2:
Sector-Wise Allocations of the State Budget (By key sector)
(Million SAR)

	(2017) 1438/1439			(2018) 1439/1440		
	Amount	% Share	%change	Amount	% Share	%change
Public Administration	26,716	3.0	-6.1	26,202	2.7	-1.9
Military	190,854	21.4	6.6	210,000	21.5	10.0
Security and Regional Administration	96,687	10.9	-5.6	100,764	10.3	4.2
Municipal Services	47,942	5.4	38.2	53,410	5.5	11.4
Education	200,329	22.5	-3.3	192,361	19.7	-4.0
Health and Social Development	120,420	13.5	-3.5	146,549	15.0	21.7
Economic Resources	47,261	5.3	28.4	105,309	10.8	122.8
Infrastructure and Transportation	52,164	5.9	69.2	54,166	5.5	3.8
Public Programs	107,627	12.1	12.4	89,239	9.1	-17.1
Total	890,000	100.0	6.0	978,000	100.0	9.9

Source: Ministry of Finance

Chart 10.1:
Budget Allocations for Fiscal Year 1439/1440 (2018)
By Key Sector



Main Features of the State Budget for Fiscal Year 1439/1440 (2018)

The State budget for fiscal year 1439/1440 (2018) encompasses initiatives of the Saudi Vision Realization Programs, which is intended to lead Saudi Arabia to a set of broad and far-reaching goals, so that the Kingdom can face challenges and reinforce its position in the global economy. The following is an overview of the most prominent state budget appropriations for key sectors (Table 10.2 & Chart 10.1).

Security and Regional Administration:

The Security and Regional Administration sector was allocated SAR 100.8 billion or 10.3 percent of total budgetary expenditures for 2018, increasing by 4.2 percent over the preceding fiscal year 1438/1439 (2017).

Health and Social Development:

Health Services and Social Development were allocated SAR 146.5 billion or 15 percent of total budgetary expenditures, rising by 21.7 percent over the preceding fiscal year.

Municipal Services:

Municipal Services, including the Ministry of Municipal and Rural Affairs and municipalities, were allocated SAR 53.4 billion or 5.5 percent of the total budgetary expenditures, rising by 11.4 percent from that of fiscal year 2017.

Military:

The Military sector was allocated SAR 210 billion or 21.5 percent of the total budgetary expenditures, increasing by 10.0 percent over the preceding fiscal year.

Education:

The Education sector was allocated SAR 192.4 billion or 19.7 percent of total budgetary expenditures of 2018, down by 4.0 percent from that of the preceding fiscal year.

Infrastructure and Transportation:

The Infrastructure and Transportation sector was allocated SAR 54.2 billion or 5.5 percent of the total budgetary expenditures, rising by 3.8 percent over the preceding fiscal year.

Other Sectors:

The Public Administration sector was allocated SAR 26.2 billion or 2.7 percent of the total budgetary expenditures, declining by 1.9 percent from that of the preceding fiscal year.

The Economic Resources sector was allocated SAR 105.3 billion or 10.8 percent of total budgetary expenditures, increasing by 122.8 percent over fiscal year 2017.

The Public Programs (general items) sector was allocated SAR 89.2 billion, representing 9.1 percent of total budgetary expenditures and decreasing by 17.1 percent from that of the preceding fiscal year.

Actual Revenues and Expenditures for Fiscal Year (2017)

Actual revenues for fiscal year 1438/1439 (2017) registered an increase of 33.1 percent to SAR 691.5 billion or 26.9 percent of GDP, versus a decline of 15.2 percent in the preceding year. Despite this increase, it represented a shortfall of 0.1 percent from the budget projections (Tables 10.3 & 10.4).

Actual oil revenues were 9.2 percent lower than budgeted amounts in 2017, coming in at SAR 435.9 billion. Actual non-oil revenues were higher than budgeted

Table 10.3:
State Budget Actual and Projected Revenues and Expenditures
(Million SAR)

	(2017) 1438/1439			
	Projections	Actuals	Absolute difference	% Difference to projection
Total revenues	692,000	691,505	-495	-0.1
Oil revenues	480,000	435,900	-44,100	-9.2
Non-oil revenues	212,000	255,605	43,605	20.6
Expenditures	716,000	722,208	6,208	0.9
Compensation of employees	412,000	420,102	8,102	2.0
goods and services	153,000	136,120	-16,880	-11.0
Interest Expenses	9,000	9,031	31	0.3
Subsidies	7,000	5,115	-1,885	-26.9
Grants	3,000	6,406	3,406	113.5
Social benefits	37,000	47,547	10,547	28.5
Other expenses	95,000	97,887	2,887	3.0
Net non-financial acquired assets	174,000	207,791	33,791	19.4
Total expenditures	890,000	929,999	39,999	4.5

Source: Ministry of Finance

Chart 10.2:
Budget Estimates and Actuals fo 1438/1439 (2015)

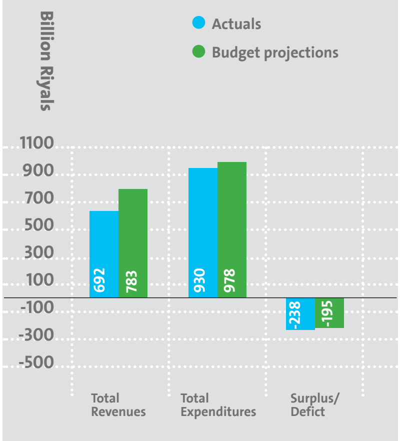


Table 10.4:
Actual Revenue and Expenditure
(Million SAR)

	(2015) 1435/1436			(2016) 1437/1438			(2017) 1438/1439		
	Value	% change	Ratio to GDP*	Value	% change	Ratio to GDP*	Value	% change	Ratio to GDP*
Total revenues	612,693	-41.1	25.0	519,448	-15.2	21.5	691,505	33.1	26.9
Total expenditures	1,001,292	-12.2	40.8	830,513	-17.1	34.3	929,999	12.0	36.1
Surplus/deficit	-388,599	286.8	-15.8	-311,065	-20.0	-12.9	-238,494	-23.3	-9.3

* Including import duties (at current prices).
Source: Ministry of Finance

amounts, showing an increase of 20.6 percent from budgeted amount, to SAR 255.6 billion in 2017.

Total actual expenditures for fiscal year 2017 stood at SAR 929.9 billion or 36.1 percent of GDP, which was SAR 40 billion (4.5 percent) higher than the budget projections. Total actual expenditures rose by 12 percent from those of the preceding year.

Actual expenditures for employees' compensation were 2.0 percent higher than budget, at SAR 420.1 billion in 2017. Actual expenditures for goods and services were 11.0 percent lower than the budgeted amount, at SAR 136.1 billion. Actual expenditures for interest expenses (finance costs) were 0.3 percent higher than budget, at SAR 9.03 billion. Actual subsidies expenditures were 26.9 percent lower than budget, at SAR 5.1 billion. However, actual expenditures for subventions (grants) were SAR 6.4 billion, or 113.5 percent higher than budgeted. Actual expenditures for social benefits were 28.5 percent higher than the budgeted amount, at SAR 47.5 billion. Actual expenditures for other expenses were 3 percent higher than the budgeted amount, at SAR 97.9 billion.

Actual Budget Deficit Ratio to GDP

Fiscal year 2017 figures indicate a budget deficit of SAR 238.5 billion, constituting 9.3 percent of GDP compared to a deficit of SAR 311.1 billion or 12.9 percent of GDP in the preceding year (Table 10.4).

Table 10.5:
Current Balances of Domestic Loan Program
(Million SAR)

	2016	2017	% change
Actual loans disbursed	787,937	547,762*	-30.5
Actual loans repaid	194,873	226,342	16.1

*including an amount of SAR 4.6 million not received by the borrower.

Source: Ministry of Finance

Table 10.6:
Loans Extended During 2016-2017 by Field
(Million SAR)

	Projects' contracts signed					
	2016		2017		Projects approved in 2017	
Loan Filed*	Number	Value	Number	Value	Number	Value
Hospitality and tourism projects	---	---	2	34,218	4	57,213
Health projects	5	416,611	---	---	5	731,902
Educational projects	13	243,713	2	21,814	1	28,813
Total	18	660,324	4	56,032	10	817,928

*including an amount of SAR 4.6 million not received by the borrower.
Source: Ministry of Finance

Table 10.7:
Public Debt
(Million SAR)

	Borrowed		Repaid		Outstanding public debt at year-end					
FY	Domestic debt	Foreign debt	Domestic debt	Foreign debt	Domestic debt	Foreign debt	Total public debt	%change	GDP (at current prices)	Ratio of public debt to GDP
(2013) 1435/1434	---	---	23,730	---	60,118	---	60,118	-28.3	2,799,927	2.1
(2014) 1435/1436	---	---	15,858.0	---	44,260	---	44,260	-26.4	2,836,314	1.6
(2015) 1436/1437	98,000	---	---	---	142,260	---	142,260	221.4	2,453,512	5.8
(2016) 1437/1438	97,020	103,125	25,825.0	---	213,455	103125	316,580	122.5	2,418,508	13.1
(2017) 1438/1439*	58,455	80,625	12,408	---	259,502	183,750	443,252	40.0	2,575,269	17.2

* Preliminary data.

Source: Ministry of Finance

Domestic Loans and Subsidies

I. Domestic Loans

Actual loans disbursed under the Domestic Loans program during 2017 totaled SAR 547.8 million, decreasing by 30.5 percent from the preceding year. Loan repayments stood at SAR 226.3 million, increasing by 16.1 percent over the preceding year. During fiscal year 1438/1439 (2017), 10 loans were approved, five of which were for health projects, four for hospitality and tourism projects, and one for educational projects (Tables 10.5 & 10.6).

II. Domestic Subsidies

During fiscal year 1438/1439 (2017), a total of SAR 3.3 billion of subsidies were disbursed as follows: The fodder subsidy stood at SAR 2.7 billion, the infant formula subsidy SAR 251 million, the King Abdulaziz Public Library subsidy SAR 73 million, the King Abdulaziz Center for National Dialogue subsidy SAR 43 million, the private schools subsidy SAR 14 million, and the Equestrian Club subsidy SAR 135 million.

Public Debt

The public debt registered an increase of 40 percent at the end of fiscal year 1438/1439 (2017), reaching SAR 443.3 billion and representing 17.2 percent of GDP, as compared to SAR 316.6 billion or 13.1 percent of GDP at the end of the preceding fiscal year 1437/1438 (2016) (Table 10.7).

11 National Accounts and Sectoral Development

Gross Domestic Product (GDP) for 2017

GDP at constant 2010 prices (including import duties) declined by 0.86 percent in 2017 compared to a rise of 1.67 percent in the preceding year. The decline was driven by the oil sector, where real output declined by 3.09 percent compared to a growth of 3.60 percent in the preceding year. The non-oil sector, however, showed a notable improvement as its real output increased by 1.05 percent compared to a rise of 0.23 percent in the preceding year. The real non-oil private sector output grew by 1.2 percent compared to a growth of 0.07 in the preceding year. In addition, the real non-oil government sector increased by 0.70 percent compared to a rise of 0.58 percent in the preceding year (Table 11.1). On the other hand, preliminary figures show that GDP growth at current prices (including import duties) accelerated to 6.48 percent in 2017, compared to a decrease of 1.43 percent in the preceding year. This was due primarily to a 23.08 percent rise in the nominal output of the oil sector, compared to a decline of 9.73 percent in the preceding year. The non-oil sector grew by 1.21 percent compared to 1.66 percent in the preceding year. The non-oil private sector posted a growth of 1.26 percent against 1.15 percent in the preceding year, and the non-oil government sector recorded a growth of 1.12 percent against 2.76 percent in the preceding year.

The non-oil private sector constituted 39.45 percent of GDP at constant prices in 2017, compared to 38.65 percent in the preceding year. The non-oil government sector's contribution increased slightly, accounting for 16.82 percent against 16.55 percent in the preceding year. The oil sector accounted for 43.00 percent in 2017 against 43.99 percent in the preceding year. The non-oil GDP implicit deflator posted a very low growth of 0.16 percent in 2017 against a rise of 1.43 percent in the preceding year (Table 11.1).

National Accounts and Sectoral Development

Table 11.1:
Gross Domestic Product by Sector
(Million SAR)

	2016			2017*		
	Value	% Growth	% share	Value	% Growth	% share
GDP (at current prices)						
1. Oil sector	595,494	-9.73	24.62	732,908	23.08	28.46
2. Non-oil sector	1,797,153	1.66	74.31	1,818,983	1.21	70.63
a. Private sector	1,227,534	1.15	50.76	1,242,970	1.26	48.27
b. Government sector	569,619	2.76	23.55	576,013	1.12	22.37
GDP	**2,392,646**	**-1.44**	**98.93**	**2,551,891**	**6.66**	**99.09**
3. Import duties	25,862	-0.51	1.07	23,378	-9.60	0.91
GDP (including import duties)	**2,418,508**	**-1.43**	**100.00**	**2,575,269**	**6.48**	**100.00**
GDP at constant prices (2010 = 100)						
1. Oil sector	1,138,299	3.60	43.99	1,103,168	-3.09	43.00
2. Non-oil sector	1,428,629	0.23	55.21	1,443,666	1.05	56.27
a. Private sector	1,000,227	0.07	38.65	1,012,249	1.20	39.45
b. Government sector	428,402	0.58	16.55	431,417	0.70	16.82
GDP	**2,566,928**	**1.70**	**99.20**	**2,546,834**	**-0.78**	**99.27**
3. Import duties	20,830	-1.40	0.80	18,757	-9.95	0.73
GDP (including import duties)	**2,587,758**	**1.67**	**100**	**2,565,591**	**-0.86**	**100**
Implicit deflator (2010=100)						
Gross Domestic Product (GDP)	93.5	-3.05		100.4	7.40	
1. Oil sector	52.3	-12.87		66.4	27.00	
2. Non-oil sector	125.8	1.43		126.0	0.16	

* Preliminary data.
Source: GaStat

An analysis of GDP at constant 2010 prices by detailed key economic production activities shows that most activities grew in 2017, albeit with varying degrees. Finance, insurance, real estate and business services posted a growth of 4.08 percent against an increase of 2.73 percent in the preceding year. Transport, storage and telecommunications grew by 2.24 percent against a growth of 2.73 percent in the preceding year. Manufacturing industries (including oil refining) reported a growth of 1.30 percent against a growth of 3.20 percent in the preceding year. Public utilities (electricity, gas and water) grew by 1.32 percent, compared to a rise of 2.31 percent in the preceding year. Wholesale, retail, restaurants and hotels increased by 0.57 percent against a decrease of 1.58 percent in the preceding year. On the other hand, mining and quarrying dropped by 3.50 percent against a growth of 2.78 percent in the preceding year. Construction and building slipped, by 3.25 percent, against a decline of 3.18 percent in the preceding year (Table 11.2).

Table 11.2:
Gross Domestic Product by Key Economic Sectors (At Constant Prices for 2010)
(Million SAR)

			2016			2017*		
	2014	2015	Value	% Share	% Growth	Value	% Share	% Growth
1. Mining and quarrying	972,729	1,018,485	1,046,785	40.78	2.78	1,010,104	39.37	-3.50
2. Manufacturing (including oil refining)	279,987	298,442	307,987	11.90	3.20	311,982	12.16	1.30
3. Public utilities (electricity, gas & water)	31,282	32,928	33,688	1.30	2.31	34,132	1.33	1.32
4. Construction and building	120,213	125,184	121,203	4.68	-3.18	117,259	4.57	-3.25
5. Wholesale and retail trade, and restaurants and hotels	225,420	231,744	228,074	8.81	-1.58	229,378	8.94	0.57
6. Transport, storage & communications	136,602	144,519	148,467	5.74	2.73	151,789	5.92	2.24
7. Finance, insurance, real estate and business services	225,598	230,836	237,143	9.16	2.73	246,818	9.62	4.08
GDP**	**2,424,873**	**2,524,111**	**2,566,928**	**100.00**	**1.70**	**2,546,834**	**100.00**	**-0.78**

* Preliminary data. ** Excluding import duties.

Source: GaStat

Table 11.3:
Contribution of the Private and Government Sectors to GDP
(At Current Prices)

		Private sector			Government sector		
Year	GDP* (Million SAR)	(Million SAR)	% Share	% Change	(Million SAR)	% Share	% Change
2014	2,812,794	1,149,636	40.53	9.39	465,745	16.42	6.58
2015	2,427,517	1,213,542	49.46	5.56	554,305	22.59	19.01
2016	2,392,646	1,227,534	50.76	1.15	569,619	23.55	2.76
2017**	2,551,891	1,242,970	48.27	1.26	576,013	22.37	1.12

* Excluding import duties ** Preliminary data.

Source: GaStat

Chart 11.1:
Contribution of Economic Sectors to GDP at Current Prices in 2017

Contribution of the Private Sector to GDP

The contribution of the non-oil private sector to GDP at current prices (excluding import duties) was nearly 48.27 percent during 2017 compared to 50.76 percent in the preceding year. Non-oil private sector's growth rate (at current prices) was 1.26 percent during 2017 against a growth of 1.15 percent in the preceding year (Table 11.3 and Chart 11.1).

Contribution of the Government Sector to GDP

In 2017, the government sector contributed 22.37 percent to GDP at current prices (excluding import duties), down from 23.55 percent a year before. The sector's growth (at current prices) was 1.12 percent during 2017 compared to 2.76 percent in the preceding year (Table 11.3 and Chart 11.1).

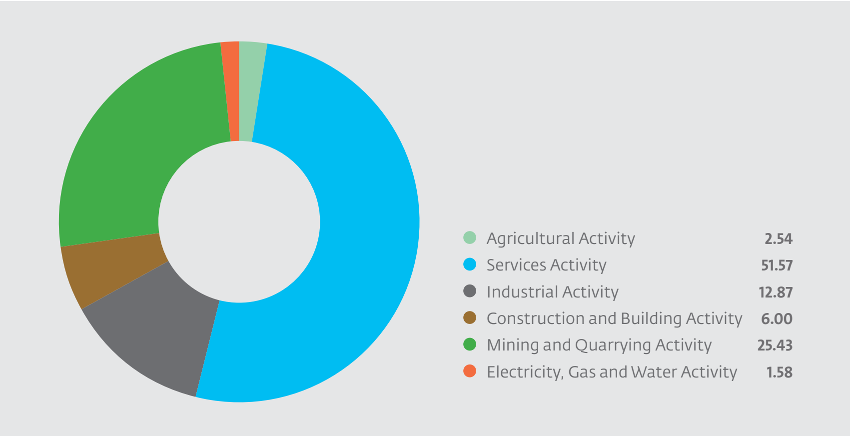
Table 11.4:
Contribution of Oil Sector and Services Activity to GDP
(At Current Prices)

Year	GDP* (Million SAR)	Oil Sector (Million SAR)	Oil Sector % Share	Oil Sector % Change	Services Activity (Million SAR)	Services Activity % Share	Services Activity % Change
2014	2,812,794	1,197,414	42.22	-7.23	1,149,586	40.87	8.10
2015	2,427,517	659,670	26.89	-44.91	1,274,557	52.50	10.87
2016	2,392,646	595,494	24.62	-9.73	1,306,409	54.60	2.50
2017 **	2,551,891	732,908	28.46	23.08	1,327,946	52.04	1.65

* Excluding import duties.
** Preliminary data.

Source: GaStat

Chart 11.2:
Contribution of Economic Activities to GDP at current prices in 2017



Contribution of the Oil Sector to GDP

In 2017, the contribution of the oil sector to GDP at current prices (excluding import duties) was 28.46 percent against 24.62 percent in the preceding year. The oil sector (at current prices) recorded a growth rate of 23.08 percent during 2017 compared to a decline of 9.73 percent in the preceding year (Table 11.4 and Chart 11.1).

Contribution of the Services Activity to GDP

The contribution of the services activity (including wholesale and retail trade; restaurants and hotels; transport, storage, and telecommunications; finance, insurance, real estate and business services; social and personal services; and government services' producers, but excluding imputed bank service charges) to GDP at current prices was 51.57 percent in 2017 against 54.02 percent in the preceding year. The growth of this activity at current prices was 1.65 percent in 2017 against a growth of 2.50 percent in the preceding year (Table 11.4 and Chart 11.2).

Contribution of the Mining and Quarrying Activity to GDP

The contribution of the mining and quarrying activity (including crude oil

Table 11.5:
Contribution of Mining and Quarrying Activity and Industrial Activity to GDP
(At Current Prices)

	GDP (1)	Mining and quarrying (2)			Industrial activity (3)		
Year	(Million SAR)	(Million SAR)	% Share	% Change	(Million SAR)	% Share	% Change
2014	2,812,794	1,130,054	39.84	-8.34	306,189	10.80	10.11
2015	2,427,517	600,508	24.48	-46.86	311,215	12.68	1.64
2016	2,392,646	533,636	22.06	-11.14	312,160	12.91	0.30
2017 (4)	2,551,891	654,892	25.43	22.72	331,376	12.87	6.16

(1) Excluding import duties.
(2) Including crude oil and natural gas.
(3) Including oil refining.
(4) Preliminary data.

Source: GaStat

Table 11.6:
Contribution of Some Economic Activities to GDP (At Current Prices)
(Million SAR)

Year	GDP*	Agricultural activity**	% Share	% Change	Construction and building	% Share	% Change	Electricity, gas and water	% Share	% Change
2014	2812794	63164	2.23	4.57	152965	5.39	13.65	32479	1.15	6.06
2015	2427517	64267	2.62	1.75	162975	6.64	6.54	36067	1.47	11.05
2016	2392646	64952	2.69	1.07	159575	6.60	-2.09	38395	1.59	6.46
2017* **	2551891	65290	2.54	0.52	154592	6.00	-3.12	40621	1.58	5.80

* Excluding import duties.
** Including agriculture, forestry and fishing.
*** Preliminary data.

Source: GaStat

and natural gas) to GDP at current prices (excluding import duties) was 25.43 percent in 2017 versus 22.06 percent in the preceding year. This activity, at current prices, recorded a growth of 22.72 percent in 2017 compared to a decline of 11.14 percent in the preceding year (Table 11.5 and Chart 11.2).

Contribution of the Industrial Activity to GDP

In 2017, the contribution of the industrial activity (including oil refining) to GDP at current prices (excluding import duties) declined slightly to 12.87 percent against 12.91 percent in the preceding year. The industrial activity, at current prices, recorded a rise of 6.16 percent in 2017 compared to a rise of 0.30 percent in the preceding year (Table 11.5 and Chart 11.2).

Contribution of Other Economic Activities to GDP

The contribution of the agricultural activity (including agriculture, forestry and fishing) to GDP at current prices (excluding import duties) was 2.54 percent in 2017 against 2.69 percent in the preceding year. The growth of this activity at current prices was 0.52 percent in 2017 against a growth of 1.07 percent in the preceding year (Table 11.6 and Chart 11.2).

In 2017, the contribution of construction and building activity to GDP at current prices (excluding import duties) was 6.0 percent against 6.60 percent in the preceding year. This activity dropped by 3.12 percent against a decline of 2.09 percent in the preceding year.

In 2017, the contribution of electricity, gas and water activity to GDP at current prices (excluding import duties) stood at 1.58 percent against 1.59 percent in the preceding year. This activity recorded a growth rate of 5.80 percent during 2017 compared to 6.46 percent in the preceding year (Table 11.6 and Chart 11.2).

Table 11.7:
Per Capita GDP

	2014	2015	2016	% Change	2017*	% Change
GDP** (Current prices) (Million SAR)	2,836,314	2,453,512	2,418,508	-1.43	2,575,269	6.48
Population (million)	30.00	30.89	31.79	2.90	32.61	2.60
Per Capita GDP (Riyals)	94,553	79,425	76,083	-4.21	78,965	3.79

* Preliminary data.
** Including import duties.

Source: GaStat

Chart 11.3:
Expenditure on GDP
(At current prices)

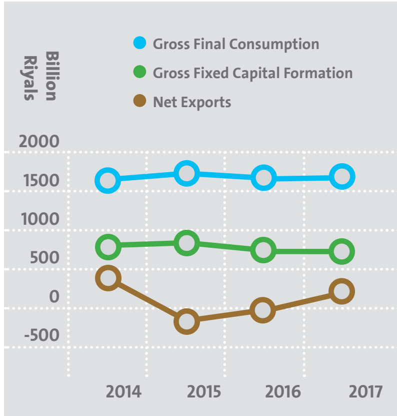


Table 11.8:
Expenditure on GDP at Purchasers' Value (At Current Prices)
(Million SAR)

	2014			2015			2016			2017 (1)		
	Value	% Share	% Change	Value	% Share	% Change	Value	% Share	% Change	Value	% Share	% Change
Gross final consumption	1,649,013	58.14	12.39	1,724,946	70.31	4.60	1,660,089	68.64	-3.76	1,694,622	65.80	2.08
Government consumption	739,156	26.06	17.60	736,139	30.00	-0.41	624,632	25.83	-15.15	630,978	24.50	1.02
Private consumption	909,857	32.08	8.48	988,807	40.30	8.68	1,035,457	42.81	4.72	1,063,644	41.30	2.72
Gross capital formation(2)	815,457	28.75	10.03	861,857	35.13	5.69	748,108	30.93	-13.20	718,928	27.92	-3.90
Net exports of goods and services(3)	371,844	13.11	-37.14	-133,291	-5.43	---	10,312	0.43	—	161,719	6.28	1,468.27
Expenditure on GDP	2,836,314	100.00	1.30	2,453,512	100.00	-13.50	2,418,508	100.00	-1.43	2,575,269	100.00	6.48

(1) Preliminary data.
(2) Including change in inventory.
(3) Net exports of goods and services = Total exports of goods and services minus total imports of goods and services.

Source: GaStat

Per Capita Income

Preliminary figures indicate that the per capita share of GDP (at current prices) in Saudi Arabia rose by 3.79 percent to SAR 78,965 in 2017, versus a drop of 4.21 percent to SAR 76,083 in the preceding year (Table 11.7).

Expenditure on GDP in 2017

Preliminary figures show that expenditure on GDP at purchasers' value (at current prices) increased by 6.48 percent to SAR 2,575.3 billion (including import duties) in 2017, against a decrease of 1.43 percent in the preceding year. This was due primarily to a surplus of SAR 161.7 billion in net exports of goods and services in 2017. Final consumption of the private sector rose by 2.72 percent to SAR 1,063.6 billion in 2017 against a rise of 4.72 percent in the preceding year. Gross final consumption of the government sector also rose by 1.02 percent to SAR 631 billion in 2017 against SAR 624.6 billion in 2016. The share of gross final consumption in expenditure on GDP at current prices was 65.80 percent in 2017 against 68.64 percent in 2016.

Gross capital formation (including inventory change) decreased by 3.90 percent to SAR 718.9 billion in 2017 from SAR 748.1 billion in 2016 (Table 11.8 and Chart 11.3).

12

SAMA Achievements and Aspirations

SAMA Achievements and Aspirations

The Saudi Arabian Monetary Authority (SAMA) is working to fulfill the mandate entrusted to it in line with national economy requirements and Saudi Vision 2030, based on a clear vision of the present and future of the financial sector in Saudi Arabia and its prospective role in boosting the economy. During fiscal year 1438/1439 (2017), the Saudi economy witnessed many developments at the strategic and organizational levels as well as various developments in the domestic and international markets. This chapter discusses SAMA's roles and functions, salient achievements made in 1438/1439 (2017), and SAMA's role in Saudi Vision 2030. This chapter also touches upon SAMA's contributions to the community, while the last part of the chapter reviews key developments in SAMA's financial position.

SAMA, the central bank of the Kingdom of Saudi Arabia, was founded in 1372 (1952) and has been entrusted with many functions under a number of laws and resolutions. The most important of these include the following: (1) acting as the government's bank, (2) issuing the national currency (Saudi riyal), (3) strengthening the Saudi currency and maintaining its value internally and externally, (4) bolstering currency backing, (5) managing foreign exchange reserves, (6) managing monetary policy to maintain price and exchange rate stability, (7) encouraging the growth and ensuring the soundness and stability of the financial system, (8) supervising and overseeing commercial banks and money-changing businesses, (9) supervising cooperative insurance companies and insurance service providers, (10) supervising finance and real estate finance companies as well as credit information companies, (11) providing innovative and secure payment systems, (12) collecting and providing financial and monetary data, and (13) conducting necessary analysis and economic research.

SAMA's primary objective is to achieve monetary and financial stability which promotes economic growth and its sustainability, through integration among the following key pillars: (1) an effective monetary policy that reflects the efficient role played by SAMA in currency stability and liquidity and Saudi government's reserve management; (2) successful financial institutions (banks, insurance companies, and finance companies); (3) advanced financial payment systems; and (4) a sound credit and financial information system that provides reliable information helpful in making right financing decisions. SAMA strives to activate these pillars in a manner that meets economic activity requirements and ensures desired monetary and financial stability which contributes to building a promising national economy that helps achieve national visions and aspirations.

1. Saudi Vision 2030

Economic policies in Saudi Arabia have recently witnessed several developments aimed mainly at strengthening the economic structure and transitioning toward a diversified and sustainable economy. The Council of Ministers approved Saudi Vision 2030 on 18 Rajab 1437, corresponding to 25 April 2016. This Vision is a broad and comprehensive set of programs that will determine the future of Saudi society. It sets forth a framework for the conversion of the Kingdom's massive oil resources into financial resources, as part of a plan for economic diversification and sustainable development, taking advantage of the religious, economic and political status of Saudi Arabia and its distinctive demographic features and strategic geographical location.

Saudi Arabia's Vision 2030 is based on three main themes: (1) building a vibrant society that enjoys a good quality of life, a healthy lifestyle environment, and an advanced infrastructure with a unique cultural and recreational climate; (2) developing a promising, sustainable and diversified economy that is able to attract quality investments, create job opportunities, and compete successfully in global markets; and (3) building an ambitious nation in which both individual citizens and the nation as a whole can give their best efforts.

SAMA continues to fulfill its roles in line with the development requirements and needs of the economy through its work that is oriented toward maintaining monetary and financial stability and contributing to promoting sustainable economic growth. It constantly coordinates with the authorities concerned with achieving Saudi Vision 2030 and its related programs to identify 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 has included many economic and developmental objectives on which many initiatives and projects have been based. The most prominent of such objectives include raising Saudi Arabia's economic position to be among the 15 largest economies in the world in terms of GDP by 2030. This will be achieved through increasing the private sector's contribution from 40 percent to 65 percent of GDP, raising the share of non-oil exports in total non-oil GDP from 16 percent to 50 percent, and increasing small and medium-sized enterprises' (SMEs) contribution to GDP from 20 percent to 35 percent by 2030. Another objective 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.

1.1 Small and Medium-Sized Enterprises

Supporting SMEs is one of the important pillars of achieving the objectives of Vision 2030. This is because such enterprises have a promising role in creating a large number of job opportunities and contributing to various economic activities, in addition to their role in boosting national exports, resulting in the creation of new savings and investment channels within the economy. Therefore, SAMA seeks to increase its role in creating a number of financing solutions for such enterprises through multiple financing channels, taking into consideration potential risks and the magnitude of the effects on the soundness of the financial system. SAMA will conduct the necessary studies in this regard and will discuss ways of cooperating with relevant parties. In this connection, SAMA has a representative on the board of the Small and Medium Enterprises General Authority which was established on 13 Muharram 1437 (26 October 2015). This board is responsible for supporting, fostering and developing these enterprises, in accordance with the best international practices, in order to increase their productivity and contribution to the GDP and enhance the Saudi economy's absorption capacity.

1.2 National Savings Committee

Encouraging household saving behavior is an important step toward guiding consumer behavior in a fashion that supports individuals' financial independence. This requires concerted efforts of many social and financial institutions. In this regard, SAMA participates with a number of authorities to overcome social and regulatory challenges as it heads a high-level committee comprising a number of relevant authorities concerned with promoting the concept of national savings. This is being accomplished through increasing savings of individuals, including middle- and lower middle-income individuals, and encouraging savings initiatives that suit all segments of society. In addition, steps are being taken to spread the culture of savings and financial planning among individuals, while incentivizing the financial sector to increase and diversify savings products provided for the public.

1.3 Real Estate Finance Law

Saudi Vision 2030 and the National Transformation Program 2020 aim to raise the percentage of Saudi households owning residential units from 47 percent to 52 percent over the next five years. In line with this objective, SAMA has provided for the development of the regulatory environment of real estate finance in a manner that enhances the levels of protection against the risks associated with such type of finance, protects the rights of all parties involved and raises customers' confidence. Furthermore, SAMA has decided to raise the maximum loan-to-value (LTV) ratio, set forth in Article 12 of the Implementing Regulation of the Real Estate Finance Law, from 70 percent to 85 percent for citizens' first residential units, with a further increase to 90 percent on 1 January 2018. This will support the growth of the real estate finance sector and contribute to the integration with the national housing objectives, without adversely impacting the requirements of banking soundness and financial stability.

1.4 Islamic Banking

Following the global financial crisis, there has been a significant trend toward the provision of Islamic financial services by financial institutions around the world. Based on the Islamic Financial Services Board's data for 2017, Islamic banking assets around the world reached USD 2.1 trillion. Total Islamic assets in GCC countries amounted to USD 861.6 billion, or 42.0 percent of total Islamic assets worldwide, with Islamic banking assets in Saudi Arabia accounting for 20.4 percent of the total. Accordingly, SAMA, within its permanent role, has taken a number of measures toward strengthening the banking system and its soundness. These steps have included establishing the Islamic Finance Section which is concerned with studying this sector, identifying the most important opportunities, and addressing the most prominent challenges facing it. In addition, SAMA will continue to provide the necessary proposals and policies and contribute to the training of human personnel in order to raise the sector's efficiency and strengthen and deepen the banking system in general. In 2017, SAMA joined the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which aims to unify Sharia, ethical and accounting standards for Islamic banks in member states.

1.5 Financial Sector Development Program

In addition to its supervisory role in the banking, insurance and financing sectors, SAMA is responsible for enhancing the growth of the domestic financial sector. This is particularly important in achieving the developmental and economic objectives, including Saudi Arabia's Vision 2030 and its related programs. In 2014, SAMA conducted a strategic review of the banking sector in Saudi Arabia with input from its customers, including individuals, companies, banks and government agencies. This review included an analysis of the performance of 20 countries in an effort to make the most of best global practices. The review resulted in a vision and a long-term plan for sustainable development of the banking sector in Saudi Arabia, named Banking Vision 2020. Since the inception of this Vision, SAMA has implemented a number of key initiatives related to customers and banking infrastructures. However, the major launch in 2017 was marked by the launch of the Financial Sector Development Program as an integral part of the Vision Realization Programs. This Program aims to develop a diversified and effective financial sector to support the development of the national economy; stimulate savings, finance and investment by developing and deepening financial sector institutions; develop an advanced capital market; and promote and enable financial planning for all segments of society. SAMA also contributed to the development of many initiatives related to developing the financial sector, in particular the banking sector, insurance and payment systems. The Program, which was approved by the Council of Economic and Development Affairs and launched on 9 May 2018, is built on three main pillars: (1) enabling financial institutions to support private sector growth; (2) developing an advanced capital market; and (3) promoting and enabling financial planning.

Through its first pillar, "Enabling financial institutions to support private sector growth", the program aims to further deepen and diversify finance services and products being offered, build an advanced financial infrastructure, develop a flourishing insurance sector for risk management, and enhance the capability of workers in the sector. SAMA will work directly on many initiatives connected to the Vision's objectives, such as licensing new proficient financial services providers, stimulating the financial sector to finance SMEs, and pushing for the transition toward cashless payments.

Through its second pillar, "Developing an advanced capital market", the program seeks to facilitate capital raising; provide an effective platform to encourage investments and diversify the base of investors; establish a secure and transparent infrastructure to maintain the stability of the capital market; and enhance and develop the capability of workers in the market.

Through its third pillar, "Promoting and enabling financial planning", the program aims to stimulate and support sustainable demand for savings schemes; drive expansion of savings products and channels available in the market; enhance and promote the savings ecosystem; and promote finance literacy.

The program will put in place a set of initiatives seeking to achieve the objectives of Saudi Vision 2030. The initiatives were designed according to an analytical study of the program's requirements, taking into account best international practices, to provide a diverse suite of products and services that would provide an inclusive, easy-to-access financial system that is highly digitized, while ensuring the soundness of the financial stability in Saudi Arabia.

1.6 FinTech Saudi Initiative

Pursuant to Saudi Vision 2030, which entails the strengthening of entrepreneurship and promotion of financial services technology, and considering that new trends in technology (such as artificial intelligence and Blockchains) are emerging worldwide, which would lead to a substantial shift in financial services, SAMA has paved the road for the FinTech Saudi initiative (which was inaugurated officially in April, 2018). This initiative is intended to support the financial technology ecosystem by transforming Saudi Arabia into a fintech hub that harbors a flourishing and proficient ecosystem including banks, investors, companies, universities, and government agencies in a manner that would promote financial inclusion and increase financial e-transactions. Through this initiative, SAMA supports efforts that would upgrade the level of fintech products and services that promote small and medium enterprises. Such efforts include encouraging local and international investment in companies specialized in this area, contributing to the creation of jobs, and supporting fintech companies in their development. The initiative will also achieve a number of objectives. The most important of these include the launching of the first version of the fintech ecosystem in Saudi Arabia, educating and inspiring individuals to develop their knowledge and skills in financial technologies, and supporting domestic banks, international fintech companies and partners to hold diverse events in financial technology in Saudi Arabia.

2. SAMA Achievements and Aspirations

In fiscal year 1438/1439 (2017), SAMA made many achievements that contributed to promoting monetary and financial stability, which has a positive impact on economic performance. This was achieved through its implementation of a monetary policy that supports the economic developments witnessed by the Saudi economy, in addition to its effective role in controlling the financial sector, supervising payment systems, managing currency and reserves, and providing modern and advanced banking services to the government. To this end, it was necessary to work with a team spirit, communicate effectively with stakeholders, recognize risks, adapt to changes, and continually evaluate and develop businesses.

2.1 SAMA's Strategy

In order to achieve the sought-after monetary and financial stability and support sustainable economic growth through the financial sector, SAMA has identified four strategic goals: maintaining monetary stability, protecting the stability and resilience of the financial system, expanding and deepening the financial sector, and contributing to the economic development of Saudi Arabia. This strategy goes in line with Saudi Arabia's current orientation and Vision 2030. The strategy adopted in 2014 constitutes a vital framework for the visions and objectives that SAMA aspires to achieve through its efforts. SAMA is committed to achieving these objectives by adopting best international practices, maintaining the efficiency of human capital while continuously developing its capabilities, and benefiting from the latest technologies. Within its strategy, SAMA has identified the following objectives:

- To formulate and execute a monetary policy consistent with the national economic goals.
- To provide and disseminate appropriate statistical reports and economic research.
- To implement its supervisory role effectively and efficiently over entities under its supervision.
- To protect customers of entities 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, taking into account risk appetite.

2.2 Developments of SAMA's Internal Performance

SAMA has continuously enhanced its performance by improving internal processes in order to reach a level of efficiency and effectiveness, in line with its established strategies and desired role in the economy, guided by best global practices. This is achieved through the following:

- Enriching economic analysis and economic policy recommendations.
- Improving and enhancing supervisory framework and its management.
- Enhancing risk management and compliance in all activities.
- Attracting and retaining competent human resources.
- Developing skills, competencies and job opportunities.
- Adopting best technologies that suit SAMA's needs.
- Developing leaders through empowerment and delegation of responsibilities.
- Effective governance to ensure execution of SAMA's strategy.

2.3 Monetary Policy

SAMA plays a pivotal role in the national economy through its monetary policy that aims to stabilize the Saudi riyal externally and internally by maintaining the stability of the riyal exchange rate and the resilience and soundness of the monetary and financial system, in addition to the efficient management of liquidity levels. The following is a review of the most prominent objectives of SAMA's monetary policy:

2.3.1 Domestic Price Stability

To maintain domestic price stability, SAMA has taken the necessary action to ensure that domestic liquidity growth is generally in line with the supply of goods and services and that the banking system (which is one of the important pillars of the national economy) has adequate liquidity to meet the growing credit demand of all sectors of the economy, in a manner that does not contravene the standards of fiscal prudence. To achieve this goal, SAMA uses a package of monetary policy tools, including repurchasing government securities through open-market transactions, adjusting the compulsory reserve ratio for commercial banks when necessary, and other monetary tools available to SAMA.

2.3.2 Saudi Riyal Exchange Rate Stability

Monetary policy aims primarily to maintain Saudi riyal exchange rate stability in the domestic market as well as foreign markets. It is worth mentioning that the riyal exchange rate against the U.S. dollar has remained pegged at SAR 3.75 per 1 U.S. dollar since 1986. The Saudi riyal is among the most stable currencies in the world, and there are no restrictions on the exchange and transfer of foreign currencies. This has helped stabilize the riyal exchange rate and has had a positive impact on the private sector's activity in terms of imports and exports, as well as capital inflows and outflows. Thus, it has contributed positively to the growth of the various economic sectors in Saudi Arabia by allowing greater integration of the Saudi economy into the world economy.

2.3.3 Monetary and Financial System Stability

SAMA plays an effective role in the banking and financial system by closely supervising all banking, finance and insurance institutions. This is to achieve one of its strategic objectives, which is to maintain the soundness of the banking and financial system; and identify, assess, measure and deal with risks in various forms.

2.4 National Currency Management

Tasks entrusted to SAMA 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 ten branches in all regions of Saudi Arabia. The currency is printed and minted in accordance with the latest technical specifications available in the area of currency printing and minting, 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 through training courses offered to banking sector staff and people handling cash. SAMA 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.

2.4.1 Sixth Issue of the Currency–Confidence and Security

During fiscal year 1437/1438 (2016), SAMA released the sixth issue of the Saudi currency in its different coin and banknote denominations, under the slogan "Confidence and Security". The new issue of banknotes and coins has been designed according to the most advanced global technologies and standards that are commensurate with the standing of the Saudi currency and the leading position of SAMA, and boost confidence in the robustness and soundness of the Saudi riyal. The sixth issue of banknotes and coins in all denominations issued in the reign of the Custodian of the Two Holy Mosques, King Salman bin Abdul-Aziz Al Saud, has continued to be supplied in SAMA's branches and commercial banks' branches during fiscal year 1438/1439 (2017).

SAMA's efforts also continued in raising awareness of the national currency and showcasing the security features and technical specifications that render counterfeiting and tampering attempts difficult to achieve. Further, SAMA has distributed guides to the public, illustrating security features visible for inspection, in addition to publishing information on its website. In this context, SAMA works continuously to raise awareness of security features and technical specifications of the national currency to curtail counterfeiting attempts and safeguard the Saudi economy from any resultant damages. It seeks to achieve this purpose through the following:

- Organizing training courses for government bodies, such as the Ministry of Interior, represented by the Forensic Science Institute, in order to acquaint participants with the currency along with its technical specifications and security features, as well as latest developments in the field of currency printing and minting. In addition, courses are organized for the women's branch at the Public Security Institute, Police of Riyadh Province and the Saudi Customs.
- Organizing an ongoing training course program, which is held all year long, for the staff of retail companies that handle cash at their locations in order to train them on how to identify genuine banknotes and tell them apart from counterfeits.
- Holding meetings of the Standing Committee (which is located at SAMA) for the study of sources of currency counterfeiting and report of preventive measures. It is composed of members representing government agencies, including the Government Printing Press Department; the Saudi Customs; the General Department of Criminal Evidence at the General Directorate of Public Security (GDPS), represented by the Forgery and Counterfeiting Research Department; and the Criminal Security Department at GDPS, represented by the Anti-Forgery and Counterfeiting Department. The Standing Committee holds its meetings to review matters related to currency counterfeiting in Saudi Arabia; propose suitable policies and measures to combat counterfeiting; follow up regional and international updates on counterfeiting operations, measures taken to combat them and other related activities; and review the degree of benefits when adopting such measures and policies in Saudi Arabia.
- Participating in the National Festival of Heritage and Culture in Janadriyah. Through its designated hall at this Festival, SAMA makes interactive presentations on the security features of Saudi banknotes, while its staff, who are specialized in the field, show how to identify genuine banknotes. Films on security features of the Saudi currency are also broadcasted in this event.
- Continuing the advertising campaign of the sixth issue through interactive advertisements on websites and social media channels, as well as broadcasting educational films about the security features.
- SAMA's role goes beyond the aforementioned aspects by attempting to incentivize the financial sector to adopt advanced standards in currency management through financial services that facilitate efficient and secure cash-in-transit.

2.5 Foreign Reserve Management

SAMA manages foreign currency reserves in order to preserve invested capital, provide liquidity, and generate returns commensurate with the associated risks. These reserves vary in terms of origin and are distributed geographically among most global financial markets. Moreover, SAMA's investments are governed by the investment policy strategy and its controls, whereby investments are distributed and diversified in highly-rated securities in accordance with certain global indicators to ensure coverage of cash outflows. Furthermore, the Investment Committee at SAMA is entrusted with the responsibility of auditing, reviewing and approving such investments annually. The Committee meets periodically to review the execution of various investment programs and investment performance, discuss the situation of financial markets and potential risks, and benefit from the investment team's recommendations. In addition, SAMA consults with several international investment companies and seeks assessment from external portfolio managers to assess favorable investment opportunities. Thus, SAMA's investments are subject to certain controls that are consistent with those followed by global institutions and funds. Current governance principles at SAMA are also based on globally accepted standards. By managing foreign reserves for many years, SAMA has been able to gain significant experience in this field and employ national specialized professionals who are qualified by global investment houses. 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.

2.6 Supervision and Control of the Banking Sector

SAMA supervises and regulates banks' business operations in order to ensure their soundness, financial solvency and efficient performance in the domestic economy. This is achieved through the implementation of laws; issuance of regulations, instructions and controls; and conducting necessary supervisory visits and inspection programs. The following are the most prominent developments in 1438/1439 (2017):

2.6.1 Regulatory Developments and Guidelines

To strengthen SAMA's role in protecting and stabilizing the financial sector and supporting economic growth, instructions issued by SAMA are periodically reviewed and, when necessary, updated in line with the advancement witnessed by Saudi Arabia and other adopted laws. This includes updating stress testing principles and putting in place transitional arrangements necessary for the regulatory treatment of accounting provisions with regard to the implementation of the International Financial Reporting Standard 9 "Financial Instruments" (IFRS 9). SAMA also coordinates, with banks operating in Saudi Arabia, the development of requirements based on best international practices and experiences. In 2017, it developed a comprehensive strategy for information security in the banking sector (cyber-security strategy of the Saudi banking sector) in order to tighten security for banking information.

2.6.2 Developments of Supervisory Visits to Commercial Banks

SAMA, represented by the General Department of Banking Control, conducts periodic supervisory visits to all banks operating in Saudi Arabia. During such visits, bilateral meetings are held between the supervisory team and the bank's board chairman and senior management to address the bank's strategies, operations, risk profile, method of management, and internal controls. Such meetings also allow the General Department of Banking Control at SAMA to update the bank's risk profile. In 2017, SAMA conducted supervisory visits to all domestic banks and foreign banks' branches operating in Saudi Arabia and created their respective risk profiles.

2.6.3 Developments of Comprehensive and Specialized On-Site Inspection Programs

In 2017, SAMA continued to perform its supervisory functions over banks, foreign banks' branches and money changers through conducting on-site inspection programs (comprehensive and specialized), including the following:

- Thematic inspection program for large exposures and relevant parties' operations.
- Thematic inspection program for annual LTV ratio.
- Thematic inspection program for the governance of institutions.
- Thematic inspection program for adjustable LTV ratio.

Additionally, follow-up programs have been carried out to ensure that issues mentioned in various inspection reports have been dealt with in the required manner.

2.6.4 Developments of Basel III Standards

SAMA has pursued its efforts to encourage commercial banks to comply with the Basel Committee on Banking Supervision (BCBS) standards. This included instituting the Internal Liquidity Adequacy Assessment Process (ILAAP), which came into force in January 2018, to meet Basel III requirements that stress the importance of measuring and monitoring liquidity risks. Given that banks have proactively implemented these standards since the beginning of 2016, SAMA has been monitoring their compliance to detect and address any gaps in the implementation as well as monitoring compliance with any updates to these standards. SAMA has also issued the guidelines for the management and measurement of step-in risk by BCBS to strengthen the supervision and regulation of the shadow banking system and mitigate associated potential regulatory risks.

2.6.5 Coordination with Other Supervisory Bodies in Saudi Arabia

SAMA, in collaboration with a number of agencies in Saudi Arabia, contributes to several programs and initiatives that are focused on realizing Saudi Vision 2030. SAMA also coordinates with concerned bodies in Saudi Arabia to enable the financial institutions it supervises to comply with any requirements or instructions issued by these bodies.

2.6.6 Developments of the Review for Compliance Monitoring Units at Banks

During 2017, many compliance monitoring developments were introduced in the banking sector in order to deal with challenges created by the increasing number of regulatory requirements imposed by domestic and foreign legislative bodies. One of the biggest challenges faced by banks in general lay in ensuring a high level of compliance culture with regard to relevant domestic and international laws, regulations, and regulatory requirements. Therefore, compliance monitoring units at banks continued their efforts in improving and promoting bank's compliance culture, given their main role in curbing non-compliance and reputation risks. In order to ensure efficient execution of instructions issued by SAMA and other bodies, the compliance monitoring units at banks carried out many tangible initiatives and reviews in 2017, leading to promising results. The most prominent of these are as follows:

- In 2017, banks worked on establishing and restructuring bank compliance units to include all departments of the bank, which would contribute to the achievement of banks' goal in elevating the concept of compliance to the level of best international practices in this regard.
- Banks exerted significant efforts in establishing the culture of compliance among bank business sectors, including through publishing periodic compliance bulletins, sending text or mail messages, and training employees on compliance with all compliance standards inside and outside their respective banks. This has culminated in instilling the concept of compliance in the staff of all banks.
- In 2017, bank compliance units pursued full compliance at all levels and areas of business departments inside banks, thereby preserving reputations and avoiding the risks of noncompliance. This was achieved to a high degree, owing to SAMA's determination and firm stance against all challenges encountered by those units, assisting them in overcoming obstacles that hinder their work.
- With regard to introducing laws, updating instructions and issuing periodic rulings, and in accordance with compliance reports received by SAMA, compliance units at banks exerted noticeable efforts in order to engrain the concepts behind these instructions and have them implemented in the manner required in all bank units and departments. Moreover, the compliance units created a clear compliance culture for the functions and staff of banks, resulting in reduced compliance risks at banks.
- In order to activate the role of compliance, bank compliance units developed a comprehensive annual plan to monitor reputation and noncompliance risks. Through this plan, main functions are distributed among compliance unit team, including the approval of new initiatives, projects, reviews, and training schemes that help raise the level of compliance. The compliance committee or auditing committee at the bank also approves the annual plan.
- Some of the most prominent achievements of banks during the previous year include compliance units carrying out periodic and ongoing review of all regulatory instructions and guidelines while ensuring their conformity with all policies and procedures of banks' departments and functions, as well as emphasizing that any regulatory violations should not be treated with leniency.
- Banks' compliance units reviewed the work of other units at their respective banks. They submitted reports of their review to concerned boards of directors and committees at the respective bank, so that they could take necessary compliance measures, or they could escalate the matter to the regulator, if required.
- One of the most important goals for which banks' compliance units were established is to curtail risks and ease the bank's burden through continuous coordination and communication between the compliance unit and all functions. For this reason, banks' compliance units addressed challenges by monitoring and reviewing the ongoing amendments and updates to domestic regulations and international laws, and adapting them so that all banks' functions would be in line with applicable laws in a sound manner.

- Compliance units displayed a great deal of attention to compliance in activities and services. They carried out on-site visits to various business sectors in respective banks in order to address and prevent any irregularities that may lead to increased noncompliance risks.
- In connection with the improvement of regulations and according to the provisions of SAMA's Compliance Manual, banks established their compliance committee and reformulated the committee's charter. The charter was then approved by the board of directors of each bank to be a reference for the respective compliance unit.
- With regard to achievements, banks' compliance units approved their respective compliance manual to include a compliance policy and a compliance program at the bank to be updated annually with any developments in the regulatory and procedural scene. The manual includes core compliance principles and responsibilities.
- One of the most important developments was the formulation of the main objectives of the compliance program by the compliance units. These objectives included developing an action plan for each department in the bank, with the aim of circulating compliance requirements among all functions to reduce and prevent noncompliance risks. The plan requires each department or function to put in place necessary processes to keep up with regulatory developments applicable to the scope of its functions.
- Developing a bank's compliance program and manual necessitates the periodic assessment of other functions' work by the compliance unit. Upon detection of any regulatory gaps that may result in noncompliance risks, such gaps must be acknowledged and addressed promptly through corrective action plans in accordance with a specific timetable. The compliance program and manual also entail searching for regulatory risks and reporting them to the senior management to take necessary measures against them.
- Programs were developed and reviews of banks' compliance units were conducted in 2017. They included comprehensive training plans for the banks' staff to educate them and enrich their knowledge. Each plan requires holding ongoing courses that would maintain a high level of compliance culture.
- Banks staffed compliance units with highly-skilled, well-trained personnel specialized in the field of compliance. Those employees were tasked with monitoring reputation and noncompliance risks.
- Banks' compliance units put extra efforts in using the latest electronic technologies available to aid them in their daily tasks and to overcome difficulties and challenges so as to rise to the required level of compliance.

2.6.7 Macro-Prudential Supervisory Measures

SAMA has adopted many macro-prudential supervisory measures to manage risks and raise capital adequacy in accordance with Basel's recommendations. To this end, SAMA has implemented a number of macro-prudential policies. Macro-prudential instruments currently in use include the following:

- Requiring banks to adopt the interim regulatory treatment of accounting provisions and standards for transitional arrangements for the implementation of the International Financial Reporting Standard 9 "Financial Instruments" (IFRS9), which came into force on 1 January 2018.
- Banks' deposits/(capital + reserves) should not exceed 15-fold.
- Reserve requirement: 7 percent for demand deposits and 4 percent for time deposits.
- Loan-to-deposit (LTD) ratio should not exceed 90 percent.
- Liquidity reserve must not be less than 20 percent of deposits.
- For finance companies and commercial banks in 2017, the LTV ratio must not exceed 85 percent for citizens' first residential units (the same ratio was raised to 90 percent as of January, 2018).
- LTV ratio must not exceed 70 percent for the second residential unit.
- Reducing the risk-weighted asset ratio of real estate finance for homeownership from 75 percent to 50 percent.
- The debt-to-income ratio (total monthly repayment of consumer loans to borrower's salary) must not exceed 33.3 percent for employees and 25.0 percent for pensioners.
- Large exposures must not exceed 15 percent by 2019, and bank's total large exposures must not exceed 6 times the eligible capital base.
- Countercyclical regulatory capital buffer requirement: zero percent changing according to the economic and financial cycle.
- Identifying systemically important

banks and stipulating additional regulatory capital requirement for them, ranging between 0.5 percent and 1.0 percent depending on the respective level of systemic importance.

2.7 Supervision and Control of Insurance Sector

2.7.1 Regulatory Developments and Guidelines

As part of its supervisory and controlling role, SAMA strives to enhance the growth and stability of the insurance sector and safeguard it against potential risks. SAMA publishes the laws, regulations and instructions related to the sector on its website, in addition to information related to the insurance market and licensed companies operating in this sector. In addition to regulations and laws issued previously, SAMA issued a number of regulations in 2017, such as the following:

- Rules on the collection and exchange of motor insurance information.
- Requiring insurance companies and insurance service providers to nationalize jobs in motor claim and customer service departments.
- Requiring insurance companies and insurance brokers and agents to nationalize individual insurance product marketing jobs.
- Establishing customer service departments in insurance companies.
- Requiring insurers to amend medical malpractice insurance policies to include medical errors arising from medical care provided to war casualties if the physician works under normal circumstances.
- Requiring insurers to comply with the unified form for individual motor insurance pricing.
- Requiring insurers to link electronically with brokers licensed by SAMA to practice insurance brokerage electronically.

A considerable part of the agendas of the Financial Sector Development Program, which was launched in May 2018, was dedicated to the insurance sector, striving toward developing a flourishing sector for risks management.

2.7.2 Supervisory Visits

Supervisory visits include off-site supervision and on-site inspection of insurance and reinsurance companies and insurance service providers, to ensure the soundness and adequacy of their solvency and prudential measures. To this end, in 2017, SAMA continued its periodical supervisory visits to cooperative insurance and reinsurance companies in Saudi Arabia. The objective of such visits is to ensure the compliance of these companies with the provisions of the Cooperative Insurance Companies Control Law, issued under Royal Decree No. M/32 dated 6 Safar 1424H (31 July 2003) and its implementing regulations as well as the regulations issued by SAMA. The visits also aim to ensure the high efficiency and readiness of insurance and reinsurance companies and that their regulatory and technical requirements conform with the business plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

In 2017, 18 supervisory visits took place. They included reviewing the companies' technical, regulatory and administrative aspects and assessing their overall strategies, objectives and expansion plans. The visits also entailed ensuring the companies' fulfillment of the requirements committed under the terms of their licensing application and ensuring that their administrative structures, departments, boards of directors and committees conduct their functions in accordance with the Insurance Law and its Implementing Regulations as well as the companies' objectives and plans. SAMA's supervisory team examined the business plans in place and assessed them in terms of technicality by reviewing the insurance operations of the companies, their bases of pricing and evaluating products, investment processes and tools, and future financial estimates and projections. During these supervisory visits, the team also ensured that an effective internal control system was in place with instructions for internal control, risk management, and compliance with procedures for addressing customers' complaints. In addition, in pursuance of SAMA's keenness to protect policyholders and enhance credibility in the insurance market, the team ensured that insurance companies dealt with their customers in a professional and fair manner and provided them with high-quality services.

To be able to carry out these duties, SAMA staff are trained by acquainting them with international supervisory standards. The supervisory framework is currently being implemented through risk-based supervision. SAMA, through its representatives of its various committees, cooperates continuously with many international organizations, including the International Association of Insurance Supervisors (IAIS) and the Islamic Financial Services Board (IFSB).

SAMA's role extends beyond supervision and oversight of insurers operating in the market to ensuring the competence of insurance staff. In this regard, the Insurance Foundation Certificate Examination (IFCE), which is considered a mandatory requisite by SAMA, covers rules and regulations of insurance, code of conduct and the basics of insurance operations. It also confirms the eligibility of employees in the insurance sector by making them possess the minimum knowledge and skills required for working in this sector.

As for on-site inspection, SAMA carried out inspection visits to insurance companies to verify their compliance with relevant supervisory and regulatory requirements and to ensure that they operate according to the code of professionalism in a way that guarantees the rights of policyholders, claimants and other relevant parties.

2.8 Supervision and Control of the Finance Sector

SAMA seeks to develop the regulatory and supervisory frameworks of the finance companies sector in a manner that would achieve the main objectives of finance laws and their implementing regulations issued with a view to enhancing financial stability in the finance sector and promoting sustainable economic growth. Consequently, fair transactions would be guaranteed for all stakeholders. To that end, SAMA strives for excellence in its operations by drawing on all possible venues. The following are the most prominent developments in 1438/1439 (2017):

2.8.1 Development of the Finance Sector's Infrastructure

One of the most important developments in the market environment during 2017 was the establishment of the Saudi Financial Lease Registration Company, which aims to realize legislative objectives, namely ensuring fairness of dealings, protecting customer rights and addressing obstacles facing financiers when recovering their movable assets. Moreover, SAMA granted a license to the Saudi Real Estate Refinance Company (SRC), owned by the Public Investment Fund, with an initial capital of SAR 1.5 billion. This was the first step toward establishing a secondary market for real estate refinance to achieve growth and stability in real estate finance in Saudi Arabia. The SRC seeks to enable real estate financiers to offer finance solutions that contribute to raising home ownership among Saudi citizens through channeling investor liquidity into the secondary mortgage market and through investing in debt instruments supported by real estate mortgage contracts. Enhancing finance sources for real estate financiers would contribute to reducing final financing cost for citizens. In addition, there have been communications with finance companies to enhance and develop their business, through committees and annual meetings held at the level of SAMA's Governor with chairmen of boards of directors of finance companies.

2.8.2 Protection for the Rights of Clients and Fairness of Dealings

Work was underway during 2017 to develop standards for finance contracts; model forms for real estate finance contracts for individuals, in the forms of Murabaha and Ijara; and motor finance leasing contracts for individuals. Moreover, anti-fraud rules for finance companies were issued with the objective of introducing general principles and setting the minimum standards to be met by finance companies to detect and prevent fraud. Mutual cooperation with the Ministry of Justice also resulted in the issuance of the Procedural Manual for Real Estate Mortgage Documentation.

2.8.3 Joint Programs and Vision 2030 Programs

In the context of joint programs with government and quasi-government agencies, cooperation is ongoing with the Ministry of Finance, the Capital Market Authority, and other bodies in order to create a roadmap for the Financial Sector Development Program and to implement any initiatives falling under this program. Cooperation has also been made with the Ministry of Housing and the Real Estate Development Fund in several subsidized housing finance programs and with the Ministry of Justice with regard to subjects of mutual interests, which resulted in addressing a number of issues facing financiers with courts, notaries public and judicial authorities. There is also ongoing coordination with the Ministry of Commerce and Investment to review the Installment Sale Law and propose necessary amendments to it in accordance with the provisions of the Finance Companies Control Law. The General Department is currently working on several projects that contribute to achieving Saudi Vision 2030, such as supporting the finance of SMEs through initiatives and programs of the Small and Medium Enterprises General Authority, as well as a number of initiatives within the Housing Program.

2.8.4 Supervisory and Controlling Activity

Among the most important developments during 1438/1439 (2017) concerning the activity of supervision and control of finance companies was the issuance of 14 circulars covering a number of matters related to finance companies' activities. For example, a circular was issued on increasing the LTV capitalization for real estate finance extended by banks to citizens' first home ownership. Another one was on implementing IFRS 9 "Financial Instruments". Additionally, circulars were issued on provisioning instructions, cooperation aspects between finance companies and investment funds for the diversification of sources of liquidity available for finance companies, as well as other matters with the aim of protecting customer rights, developing the sector and maintaining its stability.

In 1438/1439 (2017), in addition to the Saudi Financial Lease Registration Company, three new finance companies were licensed, bringing the total number of licensed finance companies to 37 (compared to 34 in the preceding year). Six of these companies provide real estate finance, one provides real estate refinance, 29 provide non-real estate finance, and one provides microfinance.

2.8.5 Supervisory Visits to Finance Companies

A total of 33 supervisory and licensing visits to finance companies took place in 2017. The visits encompassed studying the technical and regulatory aspects of these companies, assessing their business plans and governance, and evaluating their compliance with finance laws and their implementing regulations, in order to ascertain their level of compliance with laws, regulations and instructions.

2.9 Supervision of Payment and Clearing Systems

SAMA seeks to create effective, comprehensive and secure payment systems in Saudi Arabia that emulate the best international systems in order to facilitate banking services, as well as to promote the role and effective contribution of the banking system to the overall domestic economic system. The most prominent payment systems are as follows:

2.9.1 The Saudi Payment Network (MADA)

- The 'Mada' system is the new identity of the Saudi Payment Network, which has been launched to take ATM systems and points of sale (PoS) to new heights of flexibility, speed, security and acceptance through a network featuring the most advanced electronic payment technologies in the world. Mada links all ATMs and PoSs provided by domestic banks to a central system to process transactions made via bank cards. Mada also provides domestic, regional and global acceptance by connecting to the Gulf Payment Network and international card companies, thereby giving mada cardholders a wider scope for both domestic and international use. Moreover, the mada service is considered the backbone of the cashless transformation process taking place in the local retail sector, whereby cash payments are transferred into e-payments. Mada has several distinguishing features, including the following:
- Very high capacity for processing a volume of transactions equivalent to seven times the volume processed by the previous generation system.
- Speed in carrying out transactions via PoSs.
- Efficient performance and high level of service availability through infrastructure development.
- Instant notifications of any financial transaction (whether purchase or cash withdrawal) to cardholders.
- Raising the daily limit of purchases via PoSs to SAR 200,000.
- Further expanding the use of cards in Saudi Arabia and integrating with international networks at regional and international levels through connection with China UnionPay and other international networks.

The achievements came about during the course of the mada five-year plan for the period 2016-2021, which includes specific objectives and relevant programs. Programs started to take place within four main tracks:

a. Growth in PoS Terminals and Mada Cards.
b. Infrastructure and Operations.
c. Marketing and Communications.
d. Innovation and Product Development.

Many services and products were offered and launched in 2017, with a number of achievements made as follows:

- The number of mada pre-paid debit cards designated for certain segments of customers (e.g. higher education student cards, payroll cards, social welfare cards, and remittance cards) has reached over 8 million.
- The number of mada transactions

made via PoS terminals grew by 35 percent to about 708 million at the end of 2017 compared to 524 million transactions in 2016.

- The total value of PoS terminals' transactions made via mada system reached a historically high level of SAR 200 billion in 2017.
- Development commenced for the e-payment service via mada debit cards in order to support e-commerce. The service was effectively launched in the first half of 2018.
- Mada cards for domestic workers' wages were launched, in cooperation with the Ministry of Labor and Social Development, in all banks as part of the efforts aimed at protecting the rights of this segment of labor and continuing the implementation of the Wage Protection Program initiative.
- Mada cards for miscellaneous expenses of public schools were launched by a number of banks, in coordination with the Ministry of Finance and the Ministry of Education, in order to manage disbursements allocated by education departments to schools' principals.
- The number of mada PoS terminals exceeded 300 thousand, with focus placed on vital commerce sectors that rely extensively on cash transactions.
- More than 330 technical requests made by PoS terminal suppliers, merchant service providers, smart debit card manufacturers and member banks were processed by the Mada Permit Center to ensure the quality of services provided and their conformity to the quality standards of mada service.
- International payment companies were instructed on how to process credit card payments through NFC (Near-field communication) for Visa payWave, MasterCard PayPass, and Amex Pay services. The actual launch took place in the second quarter of 2018.
- Procedures for licensing and quality assurance were completed for four models of mPOS (mobile Point of Sale). These models were also introduced to the market, targeting businesses that require higher mobility in carrying out payments.
- Technical requirements to enable PoS terminals to connect to WiFi were met in order to enhance and support a service that boasts high quality and fast connection, and to reduce operational costs borne by PoS service providers.
- Focus was placed on disseminating the NFC technology for payment through the mada atheer service. The number of terminals supporting atheer service exceeded 226 thousand, accounting for 72 percent of total terminals available in the market. Moreover, the number of atheer-supported bank cards reached 6 million, through which more than 9.5 million transactions with a value exceeding SAR 313 million were executed in April 2018.
- A service was launched that allows cash withdrawals in foreign currencies via Mada debit cards in collaboration with a number of domestic banks.
- The purchase limit for mada debit cards was raised to SAR 200,000 in order to support Saudi initiatives aiming at moving toward a cashless society.
- The main items were standardized in text messages and notifications sent to customers when making bank transactions through mada e-payment services and cash withdrawals, becoming more informative by including store names, the foreign currency, type of transaction and other important details for cardholders.
- Operational rules were issued for payment facilitators to target small businesses through banking entities and supporting parties.
- A service for international money transferring via PoS terminals was launched in collaboration with a number of leading banks in this area.
- Self-checkout terminals for parking lots in a number of international and regional airports in Saudi Arabia were launched commercially.
- Technical requirements for the dissemination of PoS services in the convenience sector were met in coordination with the Small and Medium Enterprises General Authority, within the frame of the National Program for Combating Commercial Concealment.
- A number of technical improvements were made to the overall performance of the network, and the time taken to complete a PoS transaction was reduced to 3.8 seconds.
- The technology readiness phase was completed for a number of domestic banks, so that they could start using atheer- and NFC-supported payment methods, such as smart wristbands and phone stickers.
- The development of a payment method through mada e-wallet in Android phones was initiated.

In 2017, these developments helped accelerate the spread and boost the appeal of PoS terminals at stores and malls across Saudi Arabia, bringing their number to over 300,000 compared to about 276,000 in the preceding year.

2.9.2 Saudi Arabian Riyal Interbank Express System (SARIE)

The Saudi Arabian Riyal Interbank Express system, abbreviated as SARIE, has progressed in the area of electronic banking business and commercial transactions in Saudi Arabia since it came into force on 14 May 1997. SARIE is the infrastructure on which several advanced payment and settlement systems depend and to which 23 banks are linked. Total number of payments via SARIE in 2017 amounted to about 103.4 million with a value of SAR 62.1 trillion, including 24 million salary payments. SARIE also achieved 100 percent availability and operational continuity in 2017.

2.9.3 SADAD Payment System

Guided by SAMA's vision aimed at building a modern, electronic database that utilizes sophisticated technologies to facilitate the flow of electronic bills and payments in Saudi Arabia and creating a trusted medium between banks and different entities, the SADAD system has been developed. It is a central system for electronic payment of bills and other fees through all banking channels (bank branches, ATMs, phone and online banking) in Saudi Arabia.

The number of billers from various sectors (including electricity, water, telecommunication services providers, airline companies, insurance companies, installment companies, universities, subscriptions and advertisements in Saudi newspapers, and credit card and loan repayment services for a number of domestic banks) connected to SADAD stood at 157 in 2017. In addition, 62 government agencies (including ministries, departments and municipalities) and 17 banks were connected to SADAD in 2017. The most prominent developments during 2017 in this regard were as follows:

- The number of transactions processed through SADAD for SADAD Bills reached 218 million in 2017.
- The value of amounts processed through SADAD Bills reached SAR 250 billion in 2017.
- The number of transactions processed for SADAD Bills grew by 15 percent at the end of 2017 compared to 190 million in 2016.
- SADAD Bills market share accounted for 97 percent of total transactions in 2017.
- The number of transactions executed for government agencies reached 70 million in 2017.
- The number of transactions executed through SADAD Account soared by 548 percent to 335,000 in 2017 compared to 2016.
- The value of transactions processed through SADAD Account reached SAR 250 million in 2017.
- The number of stores participating in SADAD Account service reached 270.
- The number of users registered in SADAD Account service reached 811,000 at the end of 2017.
- A total of 106 prospective agents were contacted regarding the 'Business Invoicing Platform' service. Agreements were reached with 12 agents in preparation for the launch of the project.
- Work commenced on organizing the Customer Relationship Development Program.
- SAMA participated as an official sponsor and the exclusive choice of payment for the TEDx event, Oceaniat 5 E-Commerce event, and Biban event (which was organized by the Small and Medium Enterprises General Authority).
- SAMA participated as the e-payment sponsor for the ICT Forum, E-Commerce in Saudi Arabia.
- SAMA supervised the standardization process for the design and user experience of the SADAD Account service at banks.

2.9.4 Check Clearing

SAMA has sought to modernize its systems at all ten of its branches to meet the domestic need of checks and their use among banks. The equipment and systems of the three electronic clearing houses (Riyadh, Jeddah and Dammam) were modernized, and 90 percent of checks were cleared through these houses over the past years. It is worth mentioning that the number of checks has been declining globally, owing to the increased shift toward new electronic payment channels, such as remittance. In 2017, the number of commercial and personal checks cleared by clearing houses in Saudi Arabia declined by 13 percent (650,000 checks). Their value decreased by 14 percent to SAR 352 billion. The average check value went down by 1.1 percent from SAR 83.6 thousand in 2016 to SAR 82.6 thousand in 2017.

2.10 Banking and Financial Consumer Protection

SAMA works toward serving and protecting the interests of customers of the sectors under its supervision. This is a strategic goal SAMA is keen to achieve through advancing the performance of these sectors in terms of fair and secure treatment and expanding the use of financial services (financial inclusion) at all levels. Therefore, SAMA launched an advanced electronic platform for the processing of complaints it receives, using the slogan "SAMA Cares". This will be carried out by ensuring the following:

- Promoting disclosure and transparency principles, particularly those related to prices, fees, commissions, and the mechanism through which complaints are filed.
- Reducing customer default risk through placing emphasis on the responsibility of financial institutions to observe disciplined lending.
- Reviewing and addressing customer complaints, and proposing corrective controls for financial practices to limit their causes.
- Raising the level of guidance and awareness by using various available channels.
- Preparing and developing policies and regulations for consumer protection.
- Enhancing financial inclusion in the domestic market.
- Cooperating with entities concerned with consumer protection (domestically and internationally).

The most prominent achievement in this regard during 1438/1439 (2017) was the launch of the SAMA Cares initiative. It allows customers in financial sectors supervised and controlled by SAMA to submit and follow up on their complaints to SAMA within a system that ensures fast processing and clarity. In this connection, a total of 106,994 various complaints from customers of banks and insurance and finance companies, whether submitted directly to SAMA or through other government entities, were received and processed. In addition, the initiative seeks to raise public awareness through distributing leaflets containing awareness messages that explain their rights as customers of financial entities supervised by SAMA.

2.11 Anti-Money Laundering and Counter-Terrorist Financing

SAMA continued its efforts in conducting periodic inspections of financial institutions under its supervision to ensure their adherence to instructions and regulations, detect any irregularities, and take necessary actions to follow up their correction in areas such as AML/CTF. These include the following:

- The Anti-Money Laundering Permanent Committee (AMLPC) implemented an overarching action plan set against a specific timetable, which aims to improve the legislative environment and enhance the effectiveness of AML, CTF, and anti-proliferation measures taken, in conformity with international standards. The plan also aimed to make proactive preparations for the mutual evaluation process, in coordination and cooperation with other permanent committees in Saudi Arabia (Permanent Committee on Combating Terrorism and Its Financing (PCCT), Standing Committee on Legal Assistance Requests, and the permanent committee concerned with the implementation of United Nations Security Council Resolutions [UNSCRs] according to Chapter VII) and all relevant parties during 2015-2017. A national strategy for AML/CTF and non-proliferation of weapons was also developed. Additionally, preparations for the National Risk Assessment were completed; objectives and the strategic action plan are to be achieved during the upcoming period.
- According to the abovementioned action plan, the concerned Saudi authorities have conducted a comprehensive review of the Anti-Money Laundering Law and the Law of Terrorism Crimes and Financing, pursuant to international standards issued by the FATF in 2012. This has resulted in the issuance of Royal Decree No. M/20 dated 5 Safar 1439H, stipulating the issuance of the amended Anti-Money Laundering Law that encompasses many international requirements and developments. Its Implementing Regulations, which were also amended, were issued on 19 Safar 1439H. Royal Decree No. M/21 was issued on 12 Safar 1439H, stipulating the issuance of the Law of Combating the Crimes of Terrorism and Its Financing that shall supersede the preceding Law (Law of Terrorism Crimes and Financing, issued by Royal Decree No. M/16 dated 24 Safar 1435). The new law covers many international requirements and developments.
- The monitoring and supervisory authorities (Ministry of Justice, Ministry of Commerce and Investment [MCI], Ministry of Labor and Social Development [MLSD], Capital Market Authority [CMA], and SAMA) have issued a number of manuals, rules, mechanisms and circulars related to AML/CTF in order to cope with international developments and requirements.
- Coordination and cooperation between AML/CTF departments has been promoted at entities supervising the financial sector in Saudi Arabia (SAMA and CMA) and entities supervising the sector of designated non-financial businesses

and professions (MCI, Ministry of Justice, MLSD, and Ministry of Islamic Affairs, Dawah and Guidance), on one hand, and the Saudi Arabian Financial Intelligence Unit (SAFIU) at the State Security Presidency and the Public Prosecution, in particular, and the rest of relevant competent bodies in general, on the other hand. The goal of such coordination and cooperation is to enhance joint work, overcome obstacles encountered by aforementioned bodies, and follow up on FATF Recommendations.

- SAMA heightened its efforts in conducting periodic inspections based on risk assessment regarding AML/CTF to financial institutions under its supervision in order to ensure the effectiveness of AML/CTF controls and measures and ascertain the quality of information systems in place. These efforts also involved checking ongoing awareness programs that contribute to preventing and curtailing the exploitation of institutions in ML/TF, ensuring compliance with all AML/CTF requirements and related circulars, and detecting any irregularities or observations, taking necessary measures to follow up on their correction.
- The Standing Banking Committee, comprising representatives from all domestic banks, continued to convene its meetings on a periodic basis to address compliance issues and combating financial crimes, such as cases of money laundering, terrorist financing, and proliferation of weapons.
- During the first half of 2017, SAMA established two committees for AML/CTF and financial crimes, which are concerned with both the financial and insurance sectors. Monthly meetings were held with representatives of companies and SAMA representatives to discuss all relevant matters and exchange information and expertise. In the spirit of cooperation with other government agencies, SAFIU has attended and participated actively in the committees' meetings.
- In order to activate awareness programs and specialized training, Saudi Arabia has hosted a number of conferences, symposia and workshops. They included the following:

  – The 9th Annual Compliance and Anti-Money Laundering Seminar, convened during 19-20 Sha'ban 1438 (15-16 May 2017). The seminar was organized in collaboration and coordination between the Institute of Finance, AMLPC, and Thomson Reuters.
  – A workshop entitled "Strategic Analysis", organized by SAFIU in collaboration with MENAFATF and Egmont Group. The workshop was held in Riyadh during 22-26 Shawwal 1438 (16-20 July 2017).
  – A workshop to prepare entities concerned with the Mutual Evaluation process, organized by the AMLPC in collaboration with MENAFATF. The workshop was held in Riyadh during 17-18 Jumada al-Awwal 1438 (14-15 February 2017).
  – A workshop for authorities supervising financial institutions to explore modern and advanced supervisory instruments, organized by the AMLPC in Riyadh during 26 Jumada al-Thani-1 Rajab 1438 (25-29 March 2017).
- Periodic meetings of the AMLPC, which is located at SAMA and chaired by the Governor, continued to be held. In addition, SAMA continued to participate in the functions of the Supreme Council on Combating Terrorism; the PCCT at the State Security Presidency; the Permanent Committee (located at the Ministry of Foreign Affairs), which is concerned with the implementation of the UNSCRs according to Chapter VII; and the Standing Committee on Legal Assistance Requests (located at the Ministry of Interior), which is concerned with maintaining international cooperation in this regard and receiving international requests.
- Saudi Arabia participates as an Observer in FATF. According to FATF Membership Policy, Saudi Arabia currently undergoes the Mutual Assessment Process regarding its procedures for AML/CFT and proliferation of weapons of mass destruction, conducted by the FATF and MENAFATF for eligibility for permanent membership. The Mutual Assessment Report was discussed by the FATF-MENAFATF Joint Plenary Meeting in June 2018.
- Saudi Arabia continued to participate actively both in the work of FATF, as an observer, and in the MENAFATF, as a permanent founding member.

2.12 Combating Embezzlement and Financial Fraud

SAMA constantly follows up on issues related to combating embezzlement and financial fraud. In this regard, it has already taken many regulatory and supervisory measures, such as the issuance of the first update of collateral policy and SARIE procedures for financial positions coverage in 2015. Also, SAMA issued the rules for a depositor protection fund in 2015, whereby up to SAR 200,000 of each deposited amount will be covered. This project will be financed through a fund to be established by banks for this purpose.

In the same year, SAMA issued a policy for credit card verification by PIN at PoS terminals rather than verification by signature that had been applicable earlier.

In November 2014, SAMA started the review and assessment process of the second and third phases for the implementation of the five responsibilities issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO). This phase focuses on whether relevant authorities' activities in a jurisdiction are consistent with relevant responsibilities and whether these authorities observe such responsibilities completely and consistently. A report on the findings of the assessment covering all jurisdictions was issued in November 2015 and published on the Bank for International Settlements (BIS)'s website. SAMA was rated "observed" for having applied the five responsibilities.

2.13 Economic Research and Statistics

SAMA seeks to make the Research and International Affairs Deputyship its intellectual source and an active department that can be relied upon to conduct highly valued internal and external studies in financial and economic fields. SAMA strives to make the Deputyship a source of the latest and most accurate monetary, banking and financial data, including Saudi Arabia's Balance of Payments, so as to keep pace with national and international economic developments. Among prominent achievements of this Deputyship are the following:

- Preparing SAMA's annual report, which is an important reference for researchers and those interested in the national economy.
- Holding quarterly workshops that aim to enrich knowledge and share ideas with academics, bankers, and other interested researchers. These workshops address many topics and the latest developments in the economic and financial arenas. The Deputyship held four workshops during 1438-1439 (2017).
- Presenting monthly briefings of working papers to SAMA's officials and others concerned with financial affairs to raise idea sharing level between SAMA's employees and other government entities.
- Producing monthly and quarterly statistics and reports, including the Monthly Statistical Bulletin, the Quarterly Statistical Bulletin, the Inflation Report, the Financial Stability Report, and the Monetary and Banking Developments Report. All of these reports are published by the Deputyship on SAMA's website.
- Working toward fulfilling the requirements of the G20 Data Gaps Initiative.
- Preparing working papers specialized in economic, financial and developmental areas and publishing them on SAMA's website.
- Providing relevant authorities with specialized research papers on monetary, banking and financial areas and on SAMA's projections for the Saudi economy.
- Joining multiple work teams with members from many other entities in order to study and develop different strategies in debt market, financial awareness and education, financial sector development, domestic savings promotion, energy price reforms, etc.

2.14 The Institute of Finance

In 1438/1439 (2017), the Institute of Finance (IOF) continued to accomplish its mission that emerged in the last quarter of 2014. The mission aims to develop the skills of the workforce in the financial sector by setting merit criteria, awarding specialized professional certificates and offering high-quality solutions to improve professional competencies. In this regard, the IOF completed the identification of competencies of personnel working in areas of compliance, treasury fields, retail banking, SME banking and finance, corporate banking, insurance companies, and risk management. The following points illustrate IOF's activities during 1438/1439 (2017).

2.14.1 Reviewing and Translating Competencies within the Financial Sector and Developing Education Materials Based on Such Competencies

Workshops were held with subject matter experts to review the framework of compliance and risk management competencies at the foundation level. Additionally, the translation of competencies of the SME finance sector was completed. As for designing education materials, some of them were developed according to competencies. Such education materials included insurance, compliance and risk management materials.

2.14.2 Training

In 2017, the IOF offered a variety of training courses for retail banking; many training courses for staff working in the financial sector in the specialty fields of laws, rules and behavioral skills; and specialized banking courses. In addition to 21 training programs, there were 225 courses offered that were scheduled to accommodate different sectors. The number of participants in training courses and training programs reached 3,091 and 453, respectively. These various training activities included the following:

2.14.2.1 Ordinary Programs

The IOF held 198 general program courses with the total number of participants reaching 2,793. In addition, 27 English courses were provided with total participation of 298, as well as preparatory and specialized programs with total participation of 453.

2.14.2.2 Training by Simulation

The IOF built a simulation room to provide specialized training for staff working in treasury and investment areas. This room offers facilities and tools to simulate a real-life work environment, including providing advanced databases updated continuously and displaying capital market data on monitors and information systems for each trainee, allowing trainees to carry out purchases and sales in capital markets in a manner similar to that in a real job.

For the purpose of providing this specialized training, a partnership was entered into with Fitch Learning and Euromoney. This resulted in five simulation-backed programs, in cooperation with both corporations, held for a total of 61 participants.

2.14.2.3 E-Training

In addition to e-training programs provided in cooperation with the partner 'Intuition', the IOF provides interactive e-programs, in cooperation with Takamol Holding, for beneficiaries free of charge. Development has commenced for e-programs through the launch of Underwriting 101 course on the Doroob platform of Takamol Holding. Work on both the programs of Insurance 101 and Retail Banking 101 is underway.

2.14.2.4 Programs of the Saudi Stock Exchange (TADAWUL)

Tadawul programs included both preparatory programs for the Tadawul exam and for the disclosure law exam.

2.14.2.5 Training of SAMA's Staff

The IOF participates in the training of SAMA's staff through special "closed" programs, benefitting 219 employees. Moreover, the IOF cooperates with SAMA in the provision of the following specialized programs:

- Insurance Industry Qualification Program: A total of 7 packages of training programs encompassing 63 training courses distributed among Riyadh, Jeddah, and Dammam were executed, with total participation of 170.
- Qualification Program for the Staff of the Central Bank of Yemen: The program contained a number of courses in the areas of banking, finance and behavioral skills. 15 participants engaged in this program.

2.14.3 Standardized Tests

The IOF, during 2017, offered five standardized exams in various financial fields in both Arabic and English via four test centers in Saudi Arabia. The number of exam takers was 15,328.

2.14.4 Symposia and Workshops Held by IOF in 2017

During 2017, the IOF hosted many symposia and workshops to give added value through serving the financial sector in Saudi Arabia by providing specialists with access to the latest global, regional and domestic experiences and developments. These symposia and workshops also act as an additional venue for communication with financial entities and as a gathering hub for subject matter experts and participants to exchange points of views. In 2017, the IOF held the following symposia and workshops:

- Electronic Payment Workshop.
- Workshop on Risk Management in Islamic Financial Institutions.
- Workforce Planning Workshop.
- Workshop on Islamic Finance, Governance and Outlook in Saudi Arabia.
- Reception of the candidates for the 12th stage of the Custodian of the Two Holy Mosques Scholarship Program "Your Job, Your Scholarship".
- The 9th Compliance and Anti-Money Laundering Seminar.
- Sovereign Credit Rating Symposium.
- Cyber Risks Workshop.
- Workshop on the National Assessment of ML/TF Risks.
- Workshop on the Implementation of the Automatic Exchange of Information Agreement Between Taxation Authorities.
- The 3rd Underwriting and Risk Engineering Seminar.
- The ceremony for the 1st batch of graduates from the Insurance Industry Preparatory Program.

The total number of attendees in all 15 various events of 2017, which targeted employees in the financial sector, was 2,913.

2.14.5 Committees Meeting and Coordination

The IOF takes the responsibility of hosting the functions of committees with competence in sectors served by the IOF. It is a point of contact between specialists and those interested participants who come from various relevant fields, such as banking, insurance, and finance. The IOF was also interested in holding monthly and quarterly meetings with financial authorities in 2017, and eight meetings were convened with training managers in banks, while two were held with recruitment managers.

2.14.6 Financial Academy Establishment Project

Given the ongoing cooperation between SAMA and the CMA and according to the Financial Sector Development Program, which is one of the key programs under Saudi Vision 2030, a memorandum of cooperation was signed between both aforementioned parties to establish a specialized Financial Academy for the training and qualification of staff in the financial sector.

The aim of the Financial Academy is to elevate the performance level of financial service jobs in Saudi Arabia through developing the capabilities and skills of financial sector workers and providing them with training solutions. It also seeks to raise the professional standards of training and qualification in accordance with the best respective international academic practices, developing and holding specialized professional tests, granting professional certificates, conducting studies and research, and convening specialized symposia and conferences. The Financial Academy will also play an important role in promoting financial awareness and raising financial literacy in Saudi Arabia.

2.15 International and Regional Participation of SAMA

SAMA actively participates as a member in various international and regional financial organizations. It takes part in the G20 meetings and other international and regional financial organizations, such as: the Bank for International Settlements (BIS), International Monetary Fund (IMF), World Bank, Financial Stability Board, World Trade Organization, Arab financial organizations and institutions, Islamic Financial Services Board, Central Bank Governors' meetings held in member countries of the Organization of Islamic Cooperation and the Gulf Cooperation Council (GCC), the Gulf Monetary Council, and a number of technical committees and work teams associated with the Governors' Committee. In 2017, SAMA joined AAOIFI. Moreover, SAMA, in cooperation with relevant entities, contributes to the preparation for hosting the G20 Agenda (2020) in Saudi Arabia.

3. Social Responsibility

SAMA is keen to apply ISO 26000 Social Responsibility issued by the International Organization for Standardization (ISO) and follow other central banks' examples in this regard. SAMA seeks to include social responsibility activities in its main functions. It also promotes the role of social responsibility in financial entities under its supervision through cooperating continuously with them, identifying the most pressing needs of the society, and encouraging such entities to hold activities that would serve those social needs. SAMA's social responsibility activities are represented in the following topics:

3.1 Financial Stability

Recognizing the importance of its role in maintaining financial stability in the Saudi economy, SAMA is working toward fulfilling this role by carrying out the functions entrusted to it. It issues the Financial Stability Report that reviews financial soundness indicators for banks and financial institutions in order to promote publishing indicators of the financial system as a whole. In addition, the Report provides a detailed analysis of the key risks facing financial institutions as well as prudential measures and policies. Financial stability contributes significantly to sustaining economic growth, increasing job opportunities, and improving living standards for community members. Therefore, SAMA launches awareness campaigns highlighting those indicators for unspecialized segments of society. Further, it uses the available communication channels for these campaigns to ensure wide coverage.

3.2 Consumer Issues

Saudi monetary policy, managed and implemented by SAMA, aims to maintain domestic price stability through maintaining the Saudi riyal exchange rate and ensuring adequate domestic liquidity, while taking account of their effects on various economic indicators. Saudi Arabia's inflation rate is among the lowest compared with other countries, falling at the low end of the economic norm. In the same context, and given the active role it plays regarding the sectors it supervises, SAMA established the Consumer Protection Department. Its main objective is to ensure that consumers of financial institutions supervised by SAMA receive honest, transparent, genuine, and fair treatment when conducting transactions, and can obtain financial services and products easily and smoothly at suitable costs and high quality. The Department also aims to raise the awareness of all segments targeted through organizing awareness campaigns illustrating how to handle financial products and avoid any risks. Additionally, in such campaigns, it carries out public opinion surveys.

3.3 Transparency Principles

SAMA has recognized the importance of transparency in its work. Consequently, it has developed a plan to communicate with the public by giving more room for economic and financial data in its publications, along with its news and circulars. This has been achieved by employing all communication channels, traditional or electronic, that suit all groups targeted.

3.4 Development and Protection of Society Against Financial and Cyber Risks

SAMA has exerted great efforts within its role in raising education and awareness for its stakeholders benefitting from its services and services of institutions under its supervision. This role is represented by its domestic and international participation, including its participation in the National Festival of Heritage and Culture in Janadriyah as part of SAMA's efforts in raising financial awareness and protecting consumers. In addition, SAMA headquarters receives regular visits from universities and schools, during which awareness presentations are given. Furthermore, SAMA launches ongoing publicity and information campaigns directed toward the target audience.

SAMA contributes to raising financial awareness by adopting the National Strategy for Financial Education and Guidance in Saudi Arabia. This strategy is part of a general framework to promote financial literacy among citizens, public institutions, and business sector in Saudi Arabia.

Some of SAMA's key efforts in raising financial awareness are as follows:

- Establishing the Consumer Protection Department, whose tasks include promoting the general principles of protection for customers of financial institutions supervised by SAMA, as well as launching the SAMA Cares Initiative to address consumers' issues through an advanced e-platform.
- The Financial Inclusion Initiative, as adopted and executed by SAMA through the commercial banks operating in Saudi Arabia, provides banking services to all members of society across the country in a secure way via online banking, phone banking, debit cards, and credit cards. To protect the banking and financial sector, and the society at large, against illegal financial activities, Saudi Arabia established the AMLPC, located at SAMA.
- SAMA set up the Financial Crimes Section within one of its specialized departments to combat money laundering, terrorist financing, financial forgery, and everything related to other financial crimes. SAMA has also required that banks shall establish similar units to cooperate and communicate with each other and coordinate in full with SAMA so as to coordinate with relevant security authorities.
- SAMA has launched awareness campaigns against easy-money scams, including investing in unlicensed forex activities and trading in cryptocurrencies like the Bitcoin. This is done through individual efforts or in coordination with other government agencies, such as MCI, Ministry of Interior, Ministry of Media, and CMA.
- SAMA has taken the initiative to terminate the operations of financial institutions that frequently commit regulatory breaches; continuing to impose financial penalties and fines on banks, insurance companies, and finance companies proven to have committed irregularities; and announcing the circumstances surrounding such irregularities in the local press in order to achieve transparency and raise the level of financial discipline.
- SAMA is sponsoring a national cadre of specialists to train them in the field of financial and banking cybersecurity under SECURE 17 program, which aims to build a promising generation of specialists in information security able to protect the banking sector in a number of participating entities. A total of 19 students received intensive training for over six months. The training program was held through joint efforts between Saudi Arabia, the U.K. and the U.S. The program focuses on three core aspects: information security governance and structure, criminal investigation and incidents response, and advanced penetration tests. It is worth mentioning that SAMA, the Ministry of Finance, General Authority of Zakat and Tax, General Authority for Statistics, the Saudi Customs, and banking entities attracted the first batch of graduates of the program (2018). This program comes as part of the Banking Cybersecurity Strategy aimed at the continuous development and

the review of all previous regulations related to cybersecurity according to the best international practices and standards. This is to ensure the full readiness of the financial and banking sector to confront security threats and cyberattacks, which have increased rapidly in the last years. Therefore, SAMA intends to continue providing the training and development program in cybersecurity for national cadres over the coming years due to the importance of developing human resources who are qualified in this area. SAMA has been keen to take various measures and steps to invest in these human resources, sharpen their skills, and provide them with new experience through its continuous efforts aimed at training and encouraging many employees to get a master's degree in cybersecurity from the best international universities.

- SAMA continues to provide many programs and training courses in order to improve the level of performance in financial service jobs in Saudi Arabia, by developing capabilities of workers in the financial sector in general, providing them with training solutions, and encouraging the financial sector to hire them. In this regard, SAMA has sponsored the 11-week insurance industry preparatory program provided in Riyadh, Jeddah, and Dammam for fresh graduates meeting the requirements of the training program. More than 140 males and females were qualified to work in the insurance sector. The program materials included a unit on fundamentals of insurance as well as scientific units on medical insurance, motor insurance, property insurance, customer service, and self-management. The program also encompassed a practical unit, as trainees had 10-day practical work experience in an insurance company. In addition, the program concluded with technical units in which training on the fundamentals of insurance underwriting, sales, and claims were covered. It is worth mentioning that over 100 graduates of this program (comprising over 70 percent of those who passed the training program) have found official jobs in 28 insurance companies in record time. SAMA seeks to have all graduates of this program hired by the insurance sector, aiming to nationalize the jobs of this important sector with fully qualified Saudi citizens. SAMA has supervised the recruitment process, with the goal of ensuring the employment of all graduates of this program in insurance sector shortly.

To protect the society and combat money-laundering and terrorist-financing activities, SAMA has required that financial institutions maintain records and documents of transactions along with copies of customer documents for ten years, subject to change at SAMA's directive. SAMA has also updated many instructions issued to banks and money changers in the field of combating financial crimes and money laundering, that are related to customers' identification and monitoring of all transactions. SAMA has incorporated these instructions in a number of updated principal regulatory manuals. In addition, SAMA has conducted a number of on-site inspection visits to banks, money changers, and insurance companies operating in Saudi Arabia. Furthermore, it has paid great attention to specialized education and training. Moreover, SAMA has encouraged financial institutions to use electronic payment systems, such as SARIE, SWIFT, and SPAN, as well as ATMs, PoSs, and SADAD.

3.5 Human Resources Development

SAMA has spared no effort in developing its human resources through a highly regarded scholarship program, giving its employees the opportunity to earn Master's and PhD degrees in relevant fields from various accredited international institutes and universities. SAMA also offers internal and external training in addition to relevant education and training programs provided by the IOF. Moreover, university students specialized in majors relevant to SAMA's functions can join the cooperative training program to prepare for their future careers, or work at SAMA by assuming tasks relevant to their areas of study during summer vacations to receive work experience and training.

SAMA has applied the fairness principle for its employees by following a set of procedures, the most prominent of which are the following:

- Updating the Human Resources Regulations and setting general standards to attract competent employees.
- Offering various incentives to increase work productivity.
- Issuing codes of conduct, such as the Professional Charter, and establishing the Tawasul Committee to receive employee's complaints and ensure that they are treated fairly.
- Providing job opportunities in a fair and transparent manner through online

job application on SAMA's website, which details all requirements.

- Supporting its employees by providing them with training courses inside and outside Saudi Arabia, which has contributed to nationalizing jobs at a rapid pace.
- Attracting competent female job seekers from various fields to work in different SAMA departments.
- Encouraging employment of people with special needs and developing appropriate policies for them.

3.6 Other Social Responsibility Activities

- SAMA works with the Ministry of Education to promote insurance culture and savings among students in all educational levels. Work is currently in process to develop a course syllabus on types of savings and insurance as well as their advantages. Information will be then extracted from this syllabus and shared with the Ministry in accordance with the educational level of students targeted.
- SAMA and entities under its supervision continue to support the social issues for which other bodies wish to find a sponsor. Such issues are willingly adopted and financed by these entities, under SAMA's supervision, achieving a convergence of views and enhancing their participation in social responsibility activities. Recently, a partnership agreement has been signed between Riyad Bank and the Center for Autism Research (CFAR) at King Faisal Specialist Hospital and Research Center (KFSH&RC), aiming to support the work of CFAR and finance its research for three years. This support is considered the largest in Saudi Arabia regarding autism. This constructive step reflects the national and ethical awareness toward the society, which has resulted from SAMA's efforts in increasing the participation of banks in social responsibility activities. SAMA has paid attention to autism because it is a very important issue for the society and because people with autism can be productive if diagnosis and intervention are made at an early stage.
- SAMA, in collaboration with the Ministry of Labor and Social Development (MLSD), has adopted an initiative to encourage Saudi banks to support a center of excellence for autism. The center will be the main specialized center for autism and a reference for all other private autism centers. Its experience and knowledge will be shared with other centers. The center will also help other centers by training and qualifying their workers. It aims to attract experts, adopt excellent international practices, support individuals with autism, and provide necessary support to their families to deal with autistics and support their development. Moreover, it seeks to provide vocational training for autistics, integrate them into the labor market, and develop them socially to be integrated into the society. Furthermore, the center aims to develop national competent individuals who are qualified in the area of autism. It pursues the provision of international licensing programs to deal with autism families; establish a national database; support local and international research and studies on autism; educate and raise awareness of the society about autism and autistics' rights; provide housing solutions to change the concept of accommodation; and promote integration into the society and independence. SAMA has invited all banks to consider the proposal of the MLSD regarding the center of excellence for autism. It is currently communicating with those banks to provide the adequate support for this vital, urgent project.
- SAMA announced its intent to organize voluntary work in the month of Ramadan under the slogan "Charitable Engagement in the Month of Generosity". It conducted a

poll for its employees, asking those who are interested in the voluntary participation to register. A large number of volunteers expressed their desire to participate in the event. Consequently, the executive committee responsible for SAMA's social responsibility work formed several groups of volunteers and contacted a number of hospitals to arrange for visits. The selected hospitals were visited in three days by the voluntary groups, composed of 93 employees. The visits covered the following hospitals:

- King Salman bin Abdulaziz Hospital;
- King Saud Medical City (KSMC);
- Convalescent Hospital; and
- Al-Iman General Hospital

SAMA seeks to expand the range of this social responsibility activity to include other regions of Saudi Arabia in the coming years.

- SAMA, in collaboration with the Ministry of the National Guard, organized a blood donation campaign at its headquarters. The campaign came as part of SAMA's efforts in promoting its role and the role of its employees toward the society and in accordance with its humanitarian role and social responsibility in helping patients and hospitals in need of a lot of units of blood. The campaign received a large number of SAMA's employees willing to donate their blood, leading SAMA to extend the period of its campaign for more than a week to fulfill this desire. The donation consolidated the noble humanitarian and social goals of the campaign, as blood donated exceeded 120,000 ml from more than 240 donors. The campaign is one of SAMA's social responsibility activities and is held annually.

4. SAMA Financial Position

SAMA's financial position declined in 2017 compared with the preceding year. SAMA's total assets fell by 8.3 percent (SAR 173.2 billion) to SAR 1.9 trillion, a slower rate of decline when compared with the 12.5 percent (SAR 296.5 billion) decline in 2016. Foreign assets accounted for the bulk of the decline in SAMA's financial position. These foreign assets continue to be invested primarily in foreign securities, which dropped by 8.8 percent (SAR 120.5 billion) in 2017 compared with a decrease of 9.3 percent (SAR 139.8 billion) in 2016. SAMA's deposits with banks operating abroad decreased by 5.8 percent (SAR 23.2 billion) in 2017 compared to a decrease of 27.4 percent (SAR 151.2 billion) in 2016. Currency backing decreased by 2.3 percent to SAR 229.2 billion in 2017 compared with a decline of 1.1 percent (SAR 234.5 billion) in the preceding year (Table 12.1).

As for liabilities, government deposits and reserves accounted for 38.3 percent of SAMA total liabilities in 2017 compared with 42.6 percent in the preceding year. The government current account decreased by 41.4 percent (SAR 36.9 billion) to SAR 52.2 billion compared with a rise of 25.5 percent in the preceding year. On the other hand, the government reserves fell by 8.1 percent (SAR 52.3 billion) to SAR 589.2 billion in 2017 compared with a decrease of 32.6 percent (SAR 310.9 billion) in the preceding year. Deposits of government agencies and funds fell by 42.8 percent (SAR 66.2 billion) to SAR 88.3 billion compared with an increase of 8.8 percent (SAR 12.4 billion) in the preceding year. SAMA bills and repos also declined by 15.8 percent (SAR 26 billion) to SAR 138.8 billion compared with a decline of 9.9 percent (SAR 18.2 billion) in the preceding year.

Table (12-1):
SAMA Financial Position (End of year)
(Million SAR)

	2013	2014	2015	2016	2017
I. Assets					
Foreign currencies and gold	194,684	216,132	237,212	234,505	229,188
Cash in vault	28,296	35,240	39,300	34,516	25,831
Notes	28,284	35,228	39,289	34,505	25,811
Coins	12	12	11	11	20
Deposits with banks abroad	546,629	510,972	552,360	401,144	377,966
Investments in foreign securities	1,952,837	1,998,580	1,505,023	1,365,189	1,244,669
Other miscellaneous assets	16,283	31,185	39,487	41,517	26,009
Total	**2,738,728**	**2,792,109**	**2,373,382**	**2,076,871**	**1,903,663**
II. Liabilities					
Currency issued	194,684	216,132	237,212	234,505	229,188
In circulation	166,388	180,892	197,912	199,989	203,357
At SAMA	28,296	35,240	39,300	34,516	25,831
Gov. deposits and reserves	1,484,426	1,378,948	1,023,304	885,094	729,723
Government current account	180,795	53,051	71,005	89,134	52,192
Government reserves	1,303,632	1,325,897	952,299	641,446	589,185
Gov. institutions and funds deposits	165,720	182,270	142,074	154,514	88,346
Statutory deposits for financial institutions	81,901	92,558	98,117	97,839	97,534
Foreign institutions' deposits in local currency	6,358	9,695	11,213	18,490	18,469
SAMA bills and repo agreements	459,932	427,815	182,947	164,755	138,786
Other miscellaneous liabilities	345,707	484,692	678,515	676,187	689,962
Total	**2,738,728**	**2,792,109**	**2,373,382**	**2,076,871**	**1,903,663**

13 Annual Balance Sheet of SAMA

Auditors' Report

H.E. The Governor and Members of the Board of Directors of Saudi Arabian Monetary Authority

Scope of audit

We have audited the financial statements of 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, and Contra Account balance sheet as at 30 June 2017, and the statement of revenues and expenses for the year thens 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 30 June 2017 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 are independent of SAMA in accordance with professional code of 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. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter-Basis of Accounting

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 statement, 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

Annual Balance Sheet of SAMA

Statements, management is responsible for assessing SAMA's ability to continue as a going concern, disclosing, as applicable, matters relating to 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 risks of not detecting a metrical 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 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.

for Ernst & Young.
Rashid S. AlRashoud
Certified Public Accountant
Registration No. (366)

for PricewaterhouseCoopers
Bader I. Benmohareb
Certified Public Accountant
Registration No. (471)

Saudi Arabian Monetary Authority
Balance Sheet
As at 30 June 2017

Assets
(Million SAR)

	30/6/2017	30/6/2016
ISSUANCE DEPARTMENT		
CURRENCY COVER:		
Gold (Note 2-e)	1,624	1,624
Investment in securities abroad	247,672	244,367
	249,296	**245,991**
BANKING OPERATION DEPARTMENT		
Cash in hand:		
Banknotes	25,885	21,444
Coins	17	8
	25,902	**21,452**
Deposits with local banks	25,250	12,550
Deposits with banks abroad	354,787	498,340
Investments abroad	1,268,708	1,384,254
Other miscellaneous assets	2,210	3,079
	1,676,857	**1,919,675**
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Deposits with banks abroad	86,960	20,236
Investments abroad	222,005	361,454
Local investments	64,570	103,138
Deposits with Banking Operations Department	579	1,246
Deposits with local banks	700	1,000
	374,814	**487,074**
CONTRA ACCOUNTS		
Cheques under collection and other	0.4	1.3

The accompanying notes from 1 to 4 form an integral part of these financial statements.

Saudi Arabian Monetary Authority
Balance Sheet
As at 30 June 2017

Liabilities
(Million SAR)

	30/6/2017	30/6/2016
ISSUANCE DEPARTMENT		
SAUDI BANKNOTES ISSUED		
In circulation	223,025	224,194
In Banking Operation Department	25,885	21,445
	248,910	**245,639**
METAL COINS ISSUED		
In circulation	369	344
In Banking Operation Department	17	8
	386	**352**
	249,296	**245,991**
BANKING OPERATION DEPARTMENT		
Government deposits	663,432	686,005
Foreign organizations' deposits	18,449	18,496
Government agencies' and institutions' deposits	110,300	130,753
Banks' and insurance companies' deposits	98,715	95,732
Government liabilities	29,734	292,177
Other miscellaneous liabilities and reserves	756,226	696,512
	1,676,856	**1,919,675**
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Independent organizations and institutions	374,814	487,074
	374,814	**487,074**
CONTRA ACCOUNTS		
Liabilities for cheques under collection and other	0.4	1.3

The accompanying notes from 1 to 4 form an integral part of these financial statements.

Saudi Arabian Monetary Authority
Statement of Revenues and Expenses
For the Year Ended 30 June 2017

(Million SAR)

	30/6/2017	30/6/2016
Revenues	**5,217**	**5,272**
Expenses		
General and administration	1,793	1,715
SAMA's contribution to the Public Pension Agency (Note 4)	40	44
	1,833	**1,759**
Surplus transferred to reserve for the building of head office and branches	3,384	3,513
	5,217	**5,272**

The accompanying notes from 1 to 4 form an integral part of these financial statements.

Saudi Arabian Monetary Authority
Notes on the Financial Statements
For the Year Ended 30 June 2017

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

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

SAMA's financial statements are presented for the 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 Operations Department:
SAMA accepts deposits from government agencies and others, and invests such deposits on their behalf. The deposits and book value of such investments are recorded in the balance sheet of the Banking Operation Department. Investment income is recorded as part of the Government accounts and not in SAMA's Statement of Revenues and Expenses.

Independent Organizations and Institutions' Department:
SAMA accepts deposits from independent organizations and institutions, and invests such deposits on their behalf. The deposits and book value of such investments are recorded in the balance sheet of the Independent organizations' and institutions' Department. Investment income is recorded as part of their accounts 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 of convention.

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

d. Foreign Currencies:
SAMA is translating its foreign currency balances and transactions to Saudi Riyals using fixed book rate approved by SAMA Governor on 7 July 1986 (corresponding to 29 Shawwal 1406), and the subsequent amendment for Euro rate adopted by management on 25 April 1999 (corresponding to 9 Muharram 1420).

e. Gold held as currency cover:
In accordance with Royal Decree No. 38 dated 13 Rajab 1393 H (corresponding to 12 August 1973), gold held as 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 the 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% annually. Lands and buildings are included in other miscellaneous assets in the Banking Operation Department's balance sheet.

h. Revenue and expenses:
In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. It transfers the excess of revenue over expenditures to reserve for the building of head office and branches account.

3. FINANCIAL STATEMENTS PERIOD:

These financial statements are prepared for the period from 1 July 2016 to 30 June 2017 (corresponding to 26 Ramadan 1437 to 6 Shawal 1438).

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 29 Rajab 1393H (corresponding to August 28, 1973).

ISSN: 1845 - 1319

Appendix of statistical tables is available on SAMA's website through the following link: http://www.sama.gov.sa/ar-sa/EconomicReports/Pages/YearlyStatistics.aspx

Questionnaire on SAMA's Annual Report is available on SAMA's website through the following link: http://www.sama.gov.sa/ar-sa/EconomicReports/Pages/QuestionAnswer.aspx

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