VISION رؤية
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

مؤسسة النقد العربي السعودي
Saudi Arabian Monetary Authority

53rd Annual Report

2017
1438H

بسم الله الرحمن الرحيم

BOARD OF DIRECTORS
SAMA

1. H.E. the Governor, Dr. Ahmed A. Alkholifey
   Chairman
2. H.E. the Vice Governor, Mr. Abdulaziz S. Al-Furaih
   Vice Chairman
3. H.E. Mr. Hamad S. Al-Sayari
4. H.E. Mr. Abdulaziz M. Al-Athel
5. H.E. Mr. Khaled A. Al-Juffali

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 53rd Annual Report of the Saudi Arabian Monetary Authority, which reviews the latest developments in the Saudi economy during fiscal year 1437 / 38H (2016). 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, 2016. 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 1438H
June 2017

مؤسسة النقد العربي السعودي
Saudi Arabian Monetary Authority

For correspondence and inquiries:

Postal address:
Saudi Arabian Monetary Authority
Economic Research Department
P.O. Box 2992, Riyadh 11169
Kingdom of Saudi Arabia

Telephone: (+966) 11 - 4633000
Facsimile: (+966) 11 - 4662353
Email: **research@sama.gov.sa**

For the latest periodical reports, monetary and banking statistics, balance of payments estimates and instructions issued to financial institutions supervised by SAMA, please visit SAMA's website: **http://www.sama.gov.sa**

SAMA Head Office and Branches:

Head Office
Riyadh

Branches
Makkah
Madinah
Riyadh
Jeddah
Dammam
Ta'if
Buraydah
Jazan
Tabuk
Abha

«SAMA shall establish a research department to collect and analyze data needed to support the government and SAMA in formulating and carrying out financial and economic policies»

Article 5 of the Charter of the Saudi Arabian Monetary Authority issued under Royal Decree 23 dated December 12, 1957 (Jumada al-Awwal 23, 1377H).

VISION رؤية

2030

المملكة العربية السعودية

KINGDOM OF SAUDI ARABIA

The Housing Program

Enriching the Hajj and Umrah Experrience

Lifestyle Improvement Program

Saudi Character Enrichment Program

National Companies Promotion Program

National Industrial Development and Logistics Program

- Public Investment Fund Program
- Strategic Partnerships Program
- Financial Sector Development Program
- Privatization Program
- National Transformation Program
- Fiscal Balance Program

Contents

01

GLOBAL ECONOMY

World Economic Situation

The global economy continued to slow in 2016, recording a growth of 3.1 percent compared with 3.4 percent in the previous year. The growth rate slowed down in advanced economies as well as emerging markets and developing economies compared to that of the previous year. According to the IMF April 2017 World Economic Outlook (WEO), the global economic growth is projected to rise to 3.5 percent in 2017.

Economic Growth

Advanced economies registered a growth rate of 1.7 percent in 2016, versus 2.1 percent in the previous year. In the United States, the growth rate dropped to 1.6 percent. The euro area recorded a growth rate of 1.7 percent against 2.0 percent in the previous year. France recorded a growth of 1.2 percent compared to 1.3 percent in 2015. The growth rates in Germany and Italy registered a rise to 1.8 and 0.9 percent respectively in 2016. Japanese economic growth also slowed to 1.0 percent, versus 1.2 percent in the previous year. In the United Kingdom, the growth rate was 1.8 percent compared with 2.2 percent in the previous year. In the emerging markets and developing economies, the growth rate slowed slightly, but not nearly as much as in the developed nations, dropping from 4.2 percent in 2015 to 4.1 percent in 2016. In Emerging and Developing Asia, the growth rate stood at 6.4 percent compared to 6.7 percent in the previous year. In China, the growth rate declined to 6.7 percent from 6.9 percent in the previous year. The growth in India also declined to 6.8 percent compared to 7.9 percent in 2015. On the other hand, in the Middle East and North Africa (MENA) countries, the growth rate increased to 3.8 percent in 2016 from 2.6 percent in the previous year, due in part to increased oil production. Emerging and Developing Europe registered a growth rate of 3.0 percent against 4.7 percent in the previous year. The growth rate in Latin America and the Caribbean countries contracted by 1.0 percent against a rise of 0.1 percent in the previous year.

According to the April 2017 WEO, the advanced economies are expected to grow by 2.0 percent in 2017, with the United States' growth projected to increase to 2.3 percent. The euro area growth, however, is expected to remain at 1.7 percent. Developing and emerging economies' growth is expected to rise to 4.5 percent in 2017. In China, the growth rate is expected to drop from 6.7 percent in 2016 to 6.6 percent in 2017 (Table 1.1). Chart 1.1shows the real GDP growth rates in the major countries and country groupings over the 2013-2017 period.

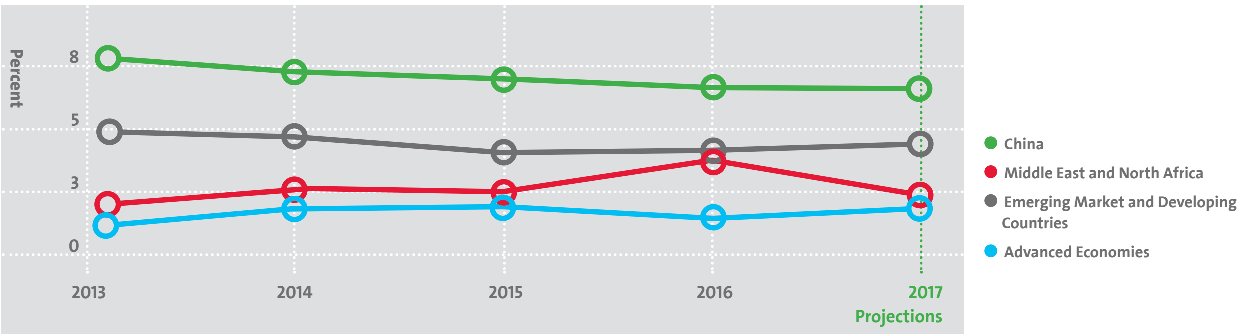
GLOBAL ECONOMY

Table 1.1:
Real GDP Growth Rates
(Percentage)

	2010	2011	2012	2013	2014	2015	2016	Projections 2017
World	5.4	4.2	3.5	3.4	3.5	3.4	3.1	3.5
Advanced economies	3.1	1.7	1.2	1.3	2.0	2.1	1.7	2.0
USA	2.5	1.6	2.2	1.7	2.4	2.6	1.6	2.3
Euro area	2.1	1.5	-0.9	-0.3	1.2	2.0	1.7	1.7
Germany	4.0	3.7	0.7	0.6	0.6	1.5	1.8	1.6
France	2.0	2.1	0.2	0.6	0.6	1.3	1.2	1.4
Italy	1.7	0.6	-2.8	-1.7	0.1	0.8	0.9	0.8
Japan	4.2	-0.1	1.5	2.0	0.3	1.2	1.0	1.2
UK	1.9	1.5	1.3	1.9	3.1	2.2	1.8	2.0
Canada	3.1	3.1	1.7	2.5	2.6	0.9	1.4	1.9
Emerging markets and developing countries	7.4	6.3	5.4	5.1	4.7	4.2	4.1	4.5
Sub-Saharan Africa	7.0	5.0	4.3	5.3	5.1	3.4	1.4	2.6
Emerging and Developing Asia	9.6	7.9	7.0	6.9	6.8	6.7	6.4	6.4
China	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.6
India	10.3	6.6	5.5	6.5	7.2	7.9	6.8	7.2
MENA	5.2	4.4	5.5	2.1	2.7	2.6	3.8	2.3
Emerging and developing Europe	4.6	6.5	2.4	4.9	3.9	4.7	3.0	3.0
Latin America and the Caribbean countries	6.1	4.7	3.0	2.9	1.2	0.1	-1.0	1.1
Brazil	7.5	4.0	1.9	3.0	0.5	-3.8	-3.6	0.2
Common wealth of Independent States	4.7	4.6	3.5	2.1	1.1	-2.2	0.3	1.7
Russia	4.5	4.0	3.5	1.3	0.7	-2.8	-0.2	1.4

Source: World Economic Outlook, IMF, April 2017.

Chart 1.1:
World Real GDP Growth Rates



Source: World Economic Outlook, IMF, April 2017.

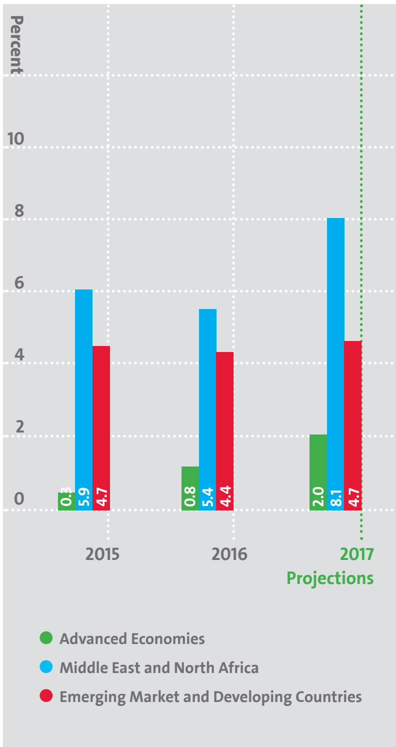
Table 1.2:
Inflation and Interest Rates
(Percentage)

	2015	2016	Projections 2017
Global inflation			
Advanced economies	0.3	0.8	2.0
USA	0.1	1.3	2.7
Euro area	0.0	0.2	1.7
Emerging and developing economies	4.7	4.4	4.7
MENA	5.9	5.4	8.1
London interbank offered rate (LIBOR) [1]			
U.S. dollar deposits	0.5	1.1	1.7
Japanese yen deposits	0.0	0.0	0.0
Euro deposits	0.1	-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 2017.

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



Source: World Economic Outlook, IMF, April 2017.

Inflation

In the advanced economies, inflation rate rose to 0.8 percent in 2016, compared to 0.3 percent in the previous year. In the euro area, the rate rose to 0.2 percent in 2016. In the United States, the rate increased from 0.1 percent in 2015 to 1.3 percent in 2016. In the emerging markets and developing countries, however, the inflation decreased from 4.7 percent in 2015 to 4.4 percent in 2016. In the MENA countries, the inflation rate declined to 5.4 percent in 2016 (Table 1.2). Chart 1.2 shows percentage change in consumer prices for groups of countries during 2015 - 2017.

Unemployment

The unemployment rate in advanced economies decreased from 6.7 percent in 2015 to 6.2 percent in 2016, with most countries showing a decline. In the United States, unemployment dropped from 5.3 percent in 2015 to 4.9 percent in 2016. In the euro area, it declined from 10.9 percent in 2015 to 10.0 percent in 2016. The unemployment rate in Germany, France and Italy also fell, to 4.2, 10.0 and 11.7 percent respectively. Unemployment fell in the United Kingdom to 4.9 percent, and in Japan from 3.4 percent to 3.1 percent in 2016. (Table 1.3). Chart 1.3 shows unemployment rates for the euro area countries and developed nations during 2014 - 2017. Arguably, unemployment in the euro area countries remains at a stubbornly high level overall.

Fiscal Balances

The aggregate overall fiscal deficit in advanced economies increased to 3.5 percent of GDP in 2016, with the United States deficit rising from 3.5 percent in 2015 to 4.4 percent in 2016. In contrast, deficit in the euro area fell from 2.1 percent to 1.7 percent, with Germany recording a slight surplus of 0.8 percent in 2016. In France, the deficit fell from 3.5 percent to 3.3 percent. However, in Japan, the fiscal deficit rose from 3.5 percent to 4.2 percent. However, in the United Kingdom, it fell to 3.1 percent. In Canada, the deficit rose to 1.9 percent in 2016 from 1.1 percent in the previous year. (Table1.4).

Table 1.3:
Advanced economies: Unemployment rates
(Ratio to labor force)

	2014	2015	2016	Projections 2017
Advanced economies	7.3	6.7	6.2	6.0
USA	6.2	5.3	4.9	4.7
Euro area	11.6	10.9	10.0	9.4
Germany	5.0	4.6	4.2	4.2
France	10.3	10.4	10.0	9.6
Italy	12.6	11.9	11.7	11.4
Japan	3.6	3.4	3.1	3.1
UK	6.2	5.4	4.9	4.9
Canada	6.9	6.9	7.0	6.9

Source: World Economic Outlook, IMF, April 2017.

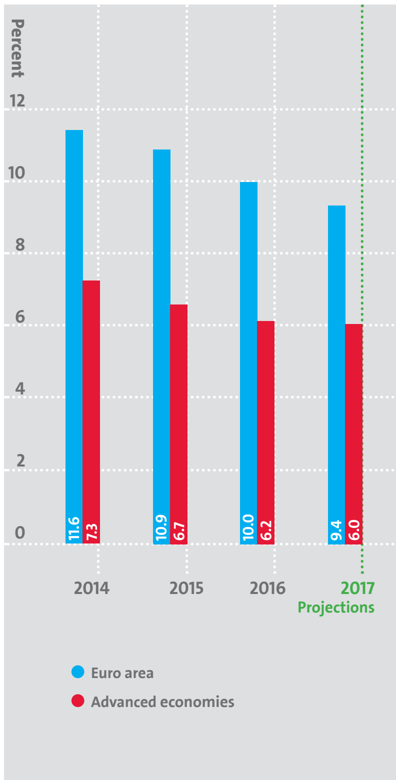
Table 1.4:
Trends of Fiscal Balances*
(Percent of GDP)

	2014	2015	2016	Projections 2017
Advanced economies	-3.2	-3.0	-3.5	-3.3
USA	-4.1	-3.5	-4.4	-4.0
Euro area	-2.6	-2.1	-1.7	-1.5
Germany	0.3	0.7	0.8	0.6
France	-3.9	-3.5	-3.3	-3.2
Italy	-3.0	-2.7	-2.4	-2.4
Japan	-6.2	-3.5	-4.2	-4.0
UK	-5.6	-4.4	-3.1	-2.8
Canada	-0.5	-1.1	-1.9	-2.4

* Ratio of surplus/deficit to GDP.

Source: World Economic Outlook, IMF, April 2017.

Chart 1.3:
Unemployment Rates



Source: World Economic Outlook, IMF, April 2017.

Monetary and Financial Developments

Interest Rates

The six-month dollar LIBOR stood at 1.1 percent in 2016 and is projected to rise to 1.7 percent in 2017. The six-month yen LIBOR remained at zero in 2016 and is projected to remain unchanged in 2017. The three-month euro LIBOR stood at -0.3 percent in 2016 and is also projected to remain unchanged in 2017. (Table 1.2).

Exchange Rates

The U.S. dollar remained strong against most major currencies at the end of 2016, supported by the Fed's decision to raise rates by 25 basis points to 0.75 percent on 14 December 2016. Currencies that recorded the highest depreciation against the U.S. dollar included the Japanese yen which fell by 13.35 percent, followed by the South Korean won, down by 8.82 percent; the Norwegian krone, with a decline of 7.59 percent; the Mexican peso by 6.47 percent; and the euro by 6.39 percent. On the other hand, the Brazilian real exchange rate against the U.S. dollar recorded a slight rise of 0.35 percent.

Equity and Bond Markets

Equity Markets

In the United States, the DJIA index registered a rise of 7.94 percent to 20,093.8 points during the fourth quarter of 2016. In Japan, the NIKKEI index rose by 16.20 percent to 19,467.4 during the fourth quarter of 2016, driven by investors' optimism that the US economy might accelerate and that Japanese exports to the US might rise significantly as a result of the sharp depreciation of the yen against the U.S. dollar.

The MSCI Euro Index rose by 8.45 percent to 1,104.4 during the fourth quarter of 2016, in light of the European economy's improvement in general. In the United Kingdom, the FTSE 100 index also rose, but by a lower 3.53 percent to 7,184.5 as a result of the resilience of the British economy and a decline in unemployment, according to published economic data.

Bond Markets

Yields on US treasury bonds of all maturities rose at the end of 2016. Two-year bond yield rose to 1.2 percent. Five-year bond yield also increased to 1.9 percent. Seven-year and 10-year bond yields increased to 2.2 percent and 2.4 percent respectively. These developments reflected several factors, including investors' inflationary expectations, the end of the Fed's quantitative easing and its boost of the Fed Funds rate, and faster economic growth.

Yields on Japanese government bonds of all maturities rose at the end of 2016. JGB two-year yield stood at 0.18 percent. JGB 15-year yield went up to 0.24 percent and JGB 20-year to 0.58 percent. JGB 30-year yield went up to 0.72 percent.

In the euro area, all maturities of government bond yields rose at the end of 2016 except for short-maturity bonds. Thirty-year bond yield rose to 0.94 percent, and 20-year bond yield to 0.69 percent. Fifteen-year bond yield also increased to 0.45 percent. On the other hand, three-month bond yield fell to 0.83 percent, followed by six-month bond yield which decreased to 0.77 percent. The decline in short- and medium-maturity bonds was buoyed by the ECB's continued quantitative easing program through which an amount of €80 billion was injected in October and November 2016 and €60 billion in December 2016.

In the UK, most government bond yields increased at the end of 2016, with 10-year bond yield increasing to 1.2 percent, and 15-year bond yield to 1.63 percent. The twenty-year bond yield increased to 1.78 percent. However, the six-month bond yield fell to 0.26 percent and the one-year yield to 0.12 percent. The two-year bond yield also decreased to 0.08 percent. This increase in long- and medium-maturity bonds reflected the improved British economy following the growth of several key sectors. The Bank of England maintained the interest rate at 0.25 percent in the fourth quarter of 2016.

Table 1.5:
World Trade and Current Account
(Percent of GDP)

	2015	2016	Projections 2017
Growth of world trade (goods and services)	2.7	2.2	3.8
Exports			
Advanced economies	3.7	2.1	3.5
Emerging and developing countries	1.4	2.5	3.6
Imports			
Advanced economies	4.4	2.4	4.0
Emerging and developing countries	-0.8	1.9	4.5
Current account(1)			
Advanced economies	0.7	0.8	0.7
USA	-2.6	-2.6	-2.7
Euro area	3.0	3.4	3.0
Germany	8.3	8.5	8.2
France	-0.2	-1.1	-0.9
Italy	1.6	2.7	2.0
Japan	3.1	3.9	4.2
UK	-4.3	-4.4	-3.3
Emerging and developing countries	-0.2	-0.3	-0.3
Emerging and Developing Asia	2.0	1.3	0.8
Commonwealth of Independent States	2.8	-0.2	1.6
MENA	-4.4	-3.7	-1.0
Sub-Saharan Africa	-6.0	-4.0	-3.8
Latin America and the Caribbean countries	-3.5	-2.1	-2.1

(1) Ratio of deficit/surplus to GDP.

Source: World Economic Outlook, IMF, April 2017.

World Trade and Balances of Payments

A. World Trade

The growth rate of world trade volume dropped from 2.7 percent in 2015 to 2.2 percent in 2016, but it is projected to rise to 3.8 percent in 2017. As for goods and services exports, advanced economies recorded a decline of 2.1 percent in 2016, but they are projected to rise by 3.5 percent in 2017. Exports of emerging markets and developing economies increased by 2.5 percent in 2016, and they are projected to rise by 3.6 percent in 2017.

Imports of goods and services in advanced economies declined by 2.4 percent in 2016, but with a projection to rise by 4.0 percent in 2017. Imports in emerging markets and developing economies increased by 1.9 percent in 2016, and they are projected to increase further to 4.5 percent in 2017 (Table 1.5).

B. Current Account Balances

The ration of the aggregate current account balance to GDP in advanced economies recorded a surplus of 0.8 percent in 2016, against a surplus of 0.7 percent in 2015, but it is projected to decrease in 2017. In the United States, the current account deficit stood at 2.6 percent in 2016, and it is projected to increase to 2.7 percent in 2017. In the euro area, the current account recorded a surplus of 3.4 percent in 2016, against a surplus of 3.0 percent in 2015, and it is expected to fall to 3.0 percent in 2017. In Germany, the surplus increased slightly to 8.5 percent in 2016, but it is projected to decline to 8.2 percent in 2017. The deficit in France rose from 0.2 percent in 2015 to 1.1 percent in 2016, and it is expected to amount to 0.9 percent in 2017. In Italy, the current account registered a surplus of 2.7 percent in 2016, compared to a surplus of 1.6 percent in 2015, butthe surplus is projected to decline to 2.0 percent in 2017. In Japan, the surplus increased from 3.1 percent in 2015 to 3.9 percent in 2016 and is projected to rise to 4.2 percent in 2017. The current account deficit in the United Kingdom rose from 4.3 percent in 2015 to 4.4 percent in 2016, and it is projected to fall to 3.3 percent in 2017 (Table 1.5).

In emerging markets and developing economies, the aggregate current account to GDP ratio recorded a deficit of 0.3 percent in 2016, against a deficit of 0.2 percent in the previous year, and this deficit ratio is projected to remain unchanged in 2017. In Emerging and Developing Asia, the surplus in the current account to GDP fell from 2.0 percent in 2015 to 1.3 percent in 2016 and is expected to drop further to 0.8 in 2017. In the Commonwealth of Independent States, the current account registered a deficit of 0.2 percent in 2016, compared to a surplus of 2.8 percent in 2015, and it is projected to record a surplus of 1.6 percent in 2017. In the MENA countries, the current account recorded a deficit of 3.7 percent in 2016, compared to a deficit of 4.4 percent in 2015, and the deficit is expected to decline to 1.0 percent in 2017. The deficit in Sub-Saharan Africa fell to 4.0 percent in 2016, against a deficit of 6.0 percent in the previous year, and it is projected to decline to 3.8 percent in 2017. In Latin America and the Caribbean countries, the deficit dropped from 3.5 percent in 2015 to 2.1 percent in 2016 and is expected to remain unchanged in 2017.

C. Financial Account Balances

The surplus of the BOP financial account balance of advanced economies declined to $459.7 billion in 2016, against a surplus of $582.1 billion in 2015, and the surplus is expected to decline further to $335.7 billion in 2017. In the United States, the financial account deficit went up to $406.5 billion in 2016, compared to $195.2 billion in 2015. In the euro area, net financial account showed a surplus of $433.7 billion in 2016 against a surplus of $329.5 billion. In Germany, financial account surplus rose to $294.3 billion in 2016 from $249.7 billion in the previous year. The financial account deficit in France increased to $24.6 billion in 2016 as compared to $7.8 billion in the previous year. In Japan, the financial account surplus increased to $268.5 billion in 2016, compared to $174.8 billion in 2015.

As for emerging markets and developing economies, the financial account deficit increased to $347.1 billion in 2016 compared with $283.4 billion in 2015. In Sub-Saharan Africa, the financial account deficit decreased to $62.4 billion against a deficit of $78.9 billion in the previous year. In Emerging and Developing Asia, the financial account surplus fell to $20.9 billion compared to $85.9 billion. In MENA countries, Afghanistan and Pakistan, the financial account recorded a deficit of $147.7 billion against a deficit of $133.0 billion in the previous year. The deficit is projected to decline to $53.2 billion in 2017 (Table 1.6).

Table 1.6:
C. BOP Financial Account Balances
(Billion USD)

	2015	2016	Projections 2017
Advanced economies	582.1	459.7	335.7
USA	-195.2	-406.5	-522.9
Euro area	329.5	433.7	---
Germany	249.7	294.3	280.5
France	-7.8	-24.6	-20.7
Italy	-28.4	62.5	38.8
Japan	174.8	268.5	199.1
UK	-102.7	-147.3	-82.8
Canada	-53.4	-49.1	-46.8
Emerging and developing countries	-283.4	-347.1	-49.7
Sub-Saharan Africa	-78.9	-62.4	-49.8
Emerging and Developing Asia	85.9	-20.9	146.5
MENA, Afghanistan and Pakistan	-133.0	-147.7	-53.2
Emerging and developing Europe	-8.2	-13.3	-38.0
Latin America and the Caribbean countries	-209.4	-111.9	-108.2
Commonwealth of Independent States	60.2	9.1	53.0

Source: World Economic Outlook, IMF, April 2017.

Economic Developments in GCC countries

Real economic growth rates in most GCC countries declined in 2016. The growth rate in Saudi Arabia declined from 4.1 percent in 2015 to 1.4 percent in 2016. In the UAE, it dropped from 3.8 percent to 2.7 percent, and in Qatar, it fell from 3.6 percent to 2.7 percent. In Bahrain, it remained unchanged at 2.9 percent in 2016. The growth rate in Oman fell from 4.2 percent to 3.1 percent in 2016. On the other hand, the growth rate in Kuwait rose to 2.5 percent.

As for inflation, it increased in Saudi Arabia from 2.2 percent in 2015 to 3.5 percent in 2016. It also increased in Bahrain from 1.8 percent to 2.8 percent, in Qatar from 1.8 percent to 2.7 percent, and in Oman from 0.1 percent to 1.1 percent. However, in the UAE, inflation dropped from 4.1 percent to 1.8 percent in 2016. In Kuwait, year-over-year inflation was flat at 3.2 percent in 2016.

Some GCC countries recorded a deficit in their current accounts. The current account to GDP in Saudi Arabia recorded a deficit of 3.9 percent, while Oman and Qatar recorded a deficit of 15.5 percent and 2.2 percent respectively. The UAE and Kuwait, on the other hand, recorded in 2016 surpluses of 2.4 percent and 2.7 percent respectively (Table 1.7).

Table 1.7:
Key Economic Developments in GCC Countries
(Billion USD)

	UAE		Bahrain		Kingdom of Saudi Arabia		Oman		Qatar		Kuwait	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Real GDP Growth Rates	3.8	2.7	2.9	2.9	4.1	1.4	4.2	3.1	3.6	2.7	2.1	2.5
Inflation rate	4.1	1.8	1.8	2.8	2.2	3.5	0.1	1.1	1.8	2.7	3.2	3.2
Imports (billion USD)	223.9	230.3	15.7	9.0	154.9	150.0	25.0	25.5	28.5	32.0	27.3	27.8
Exports (billion USD)	300.0	298.6	16.5	13.5	202.2	178.0	39.2	32.5	77.3	60.0	55.3	45.0
Current account (billion USD)	12.3	8.8	-0.8	-1.5	-56.7	-24.9	-10.8	-9.8	13.8	-3.5	6.0	3.0
*Current account to GDP	3.3	2.4	-2.4	-4.7	-8.7	-3.9	-15.5	-15.5	8.4	-2.2	5.2	2.7
*Ratio of surplus/deficit in fiscal balance	-6.6	-0.3	-12.7	-14.0	-15.1	-12.4	-27.7	-14.4	-0.6	-8.1	-18.3	-28.9
Population (in millions)	9.3	9.9	1.3	1.3	31.0	31.7	3.8	4.0	2.4	2.6	4.1	4.2

*Surplus/deficit to GDP (at current prices).

Source: World Economic Outlook, IMF, April 2017 and Arab Economic Outlook.

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 (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 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 were 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 2016, the balance of loan commitments was about 571 million Arab Accounting Dinars (AAD) ($2.4 billion) representing 82 percent of resources available for lending, as compared to AAD 529 million ($2.2 billion) at the end of 2015 representing 67 percent of loan resources.

Total loans extended by the Fund to member countries up to the end of 2016 was AAD 2.1 billion (about $8.8 billion). A total of 177 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 since the beginning of its lending activities in 1978 through the end of 2016, representing 64.8 percent of total loans extended throughout this period. The structural adjustment facilities extended came second with 30.4 percent. The trade structural facility accounted for 3.2 percent, followed by the oil structural facility with 1.6 percent.

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

In 2016, 16 loans with a value of $210 million were approved for development projects in Africa. The infrastructure attracted the largest share of total loans, amounting to 46.9 percent. The social sector accounted for 25 percent, and the agriculture and rural development sector accounted for 28.1 percent of total loans.

With regard to the financial position of BADEA, indicators show that BADEA has continued its policy of maintaining a sound financial position, which has resulted in an increase of its net assets to $4.4 billion at the end of 2016 compared to $4.2 billion at the end of 2015.

Net income rose to $123.6 million in 2016 compared to $15.4 million in 2015 due to the increase in market value of equity and fixed income portfolios as a result of improved performance of global financial markets in 2016 compared to the previous year.

C. Arab Fund for Economic and Social Development

During 2016, the Fund extended 9 loans with a total of 445 million Kuwaiti dinars (KWD) to finance projects in six Arab countries. The ratio of loans to total cost of these projects was estimated at 23.5 percent. The cumulative value of 650 loans extended by the Fund since the commencement of its operations in 1974 up to the end of 2016 reached KWD 9.3 billion.

Total revenues for 2016 stood at KWD 82.1 million compared to KWD 96.5 million in 2015. Administrative expenses was KWD 8.52 million in 2016, and net profit stood at KWD 59.2 million compared to KWD 77.5 million in 2015. Member country total rights stood at KWD 3.3 billion at the end of 2016, versus KWD 3.2 billion at the end of 2015.

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

DHAMAN's assets in 2016 totaled $457 million, 75.6 percent of which was in investments, 22.7 percent in cash and deposits and 1.7 percent in other assets. Equity stood at $431.2 million at the end of 2016, increasing by $22.2 million.

Total income of DHAMAN was $16.7 million in 2016. Of which, $10.1 million was from guarantees, banks and bonds interest income, accounts on demand and other miscellaneous income, and $6.6 million was from investment income, dividends income, sale of a number of investments in bonds, financial funds, investment portfolios and currency spreads.

General and administration expenses for 2016 reached $9.7 million, less than the estimates of 2016 budget.

Net profit for the year 2016 amounted to $7 million compared to $12.1 million in the previous year.

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

AAAID's total contribution in capitals of existing and to-be-formed companies in 2016 (contributions and loans) was around $571 million, or 94 percent of its paid-up capital of $606 million.

Total income of AAAID was $43.1 million in 2016, versus $92.8 million in the previous year. The income was generated mainly from investment portfolios, loans and companies' profits. Net profit reached $16.7 million, compared to $32.4 million in the previous year.

AAAID's total assets stood at $849.2 million at the end of 2016 against $788.1 million in the previous year. AAAID's total liabilities stood at $48 million in 2016 compared to $45.1 million.

4. Islamic Development Bank (IDB)

IDB's total assets rose from $22.7 billion at the end of 2015 to $24.4 billion at the end of 2016. Total liabilities also went up, from $11.6 billion at the end of 2015 to $13.2 billion, and total revenues rose from $544.4 million to $923.2 million at the end of 2016. IDB's net income stood at $411 million in 2016 against $199.9 million in 2015, while total loans disbursed decreased to $1.9 billion compared to $2.1 billion in 2015. Outstanding loans declined to $11.7 billion in 2016 compared to $13.4 billion in 2015, and total repaid loans increased to $1.5 billion in 2016 compared with $1.1 billion in 2015.

5. OPEC Fund for International Development (OFID)

OFID's capital (including reserves and member country contribution) was $6.9 billion at the end of 2015, falling by $1.8 million from 2014. Its total assets stood at $7 billion, declining by $9.3 million from the previous year. OFID's total extended loans at the end of 2015 stood at $11.3 billion against $10.4 billion in the previous year. Total repaid loans amounted to $6.8 billion until 2015 against $6.2 billion in the previous year. Total income in 2015 was $76.3 million against $95.8 million in 2014. Net income in 2015 was $20.7 million against $40.2 million in 2014.

6. International Monetary Fund (IMF)

International Monetary and Financial Committee (IMFC)

The IMFC held its 35th meeting in Washington, D.C. on April 22, 2017. The meeting discussed the global economy which continues to expand modestly, noting that high debt levels and weak productivity growth create the two key challenges for advanced economies.

The IMFC noted that economies with inflation below target and negative output gaps will have to maintain an accommodative monetary policy stance in line with central bank powers, taking into account the risks surrounding financial stability.

It welcomed the country-specific advice provided by the IMF on the policy mix required to sustain the ongoing recovery and address global imbalances. The Committee supported the work on fiscal rules and medium-term frameworks as well as the application of fiscal space framework in bilateral surveillance. It also supported the efforts made to review the Public Investment Management Assessment framework, expand the Infrastructure Policy Support Initiative, and explore reforms toward growth-friendly, sustainable, and equitable fiscal policies.

In addition, the IMFC welcomed the recent work on the reasons behind weak productivity growth and the new toolkit to identify structural policy gaps, and it looks forward to the IMF's further work and recommendations for high-priority structural reforms to boost productivity, investment, and resilience to economic shocks.

It also supported the IMF's efforts to provide a rigorous and candid assessment of global imbalances and their causes, and of exchange rates in both Article Four consultations and the "External Sector Report". It reiterated the importance of ensuring effective and consistent implementation of the Institutional View on capital flows, paying greater attention to capital flow management measures.

It also welcomed the IMF's continued support, in cooperation with other relevant international organizations, of the 2030 sustainable development goals, including the Financing for Development agenda, by helping fragile states and supporting low-income countries and small states to strengthen domestic revenue mobilization and public financial management systems and to deepen financial markets.

7. World Bank Group (WBG)

Development Committee

The Development Committee held its meeting in Washington, D.C. on April 22, 2017. The meeting reviewed the status of the global economy and indicated that improving the global outlook requires policies that foster inclusive and sustainable growth, address financial vulnerabilities, and create jobs and economic opportunities. Actions to tackle the adverse impact of the decline in correspondent banking relations are an important priority for many countries.

The Committee welcomed the implementation update on the WBG Forward Look, "A Vision for the WBG," endorsed for a better, stronger, and more agile WBG. It also encouraged the progress and continuing efforts, in coordination with development partners, to implement and report on the Forward Look commitments and associated policies in order to prioritize private sector solutions when deploying scarce public resources, including for infrastructure; strengthen domestic resource mobilization; and assist all WBG client segments.

The Committee also welcomed the WBG's scaled-up activities in the area of crisis preparedness, prevention, and response, through investments to address the root causes and drivers of fragility by helping countries build institutional and social resilience. It also encouraged further efforts to mobilize and rapidly disburse support for countries, communities, and refugees affected by famine or forced displacement, in close coordination with the UN and other partners. The Committee acknowledged the various initiatives by the WBG to strengthen the Humanitarian-Development-Peace nexus.

8. Bank for International Settlements (BIS)

The BIS held its annual meeting in Basel, Switzerland, on June 26, 2016. Its 86th Annual Report concluded that there is an urgent need to rebalance policy in order to shift to a more robust and sustainable global expansion and address accumulated vulnerabilities, calling for prudential, fiscal and structural policies to play a greater role.

The BIS noted that the economy still conveys a sense of uneven and unfinished adjustment despite continued global expansion. Expectations have not been met, confidence has not been restored, and huge swings in exchange rates and commodity prices in the past year hint at the need for a fundamental realignment.

The BIS also noted that financial markets have been experiencing alternating phases of calm and turbulence. As in prior years, prices in core asset markets were keenly sensitive to monetary policy developments, and weaknesses in the main emerging market economies (EMEs), especially China, were again watched closely. Relative to a year earlier, by end-May 2016 equity prices were lower; credit spreads higher; the dollar had depreciated against most currencies; and bond yields were reaching new lows.

9. Financial Stability Board (FSB)

The FSB held a two-day meeting in Cape Town, South Africa, on February 28, 2017. At the meeting, the FSB reviewed progress on both the implementation of post-crisis reforms and the evaluation of their effects and effectiveness. It also discussed the review of progress in over-the-counter (OTC) derivatives reforms and their effects to date as well as the progress on its development of a consistent comprehensive framework for evaluating the post-implementation effects of the reforms. This framework underscores the importance of effective evaluation and impact assessment to the FSB's policy review process. The FSB also discussed the work progress on financial technology, financial sector misconduct and climate-related financial disclosures.

Moreover, the FSB held its third annual Emerging Market and Developing Economies (EMDEs) Forum to discuss the regulatory reform agenda and its effects for EMDE members of the FSB and its regional consultative groups, as well as financial stability issues of particular relevance to them. The meeting discussed actions taken in response to issues raised at last year's EMDEs Forum, including aspects of Basel III and the reforms to OTC derivatives markets.

It also considered other developments affecting EMDE financial systems, including international work to address the pullback from correspondent banking and the potential of FinTech in expanding financial inclusion.

The Plenary discussed current and emerging financial system vulnerabilities and noted that high and rising levels of domestic and foreign currency debt in many countries, potential increases in long-term interest rates and exchange-rate developments are leading to tightened financial conditions for some sovereign and corporate borrowers. It also noted that commercial and residential real estate valuations are elevated in some jurisdictions, raising concerns over real estate asset quality in a rising rate or slowing growth environment.

The FSB discussed an interim report that seeks to quantify interdependencies between central counterparties (CCPs), major clearing members and financial service providers and the resulting systemic implications. This analysis will inform the work on CCP resilience, recovery planning and resolvability. The Plenary agreed to continue to monitor the interdependencies in central clearing and conduct another analysis in due course.

The plenary discussed the design of a framework to guide post-implementation evaluations of the effects of G20 reforms. The framework is being developed in close collaboration with the standard-setting bodies and with input from FSB members and other stakeholders. It will be used over time to analyze whether the G20 reforms are achieving their intended outcomes, and help identify material unintended consequences that may have to be addressed without compromising on the objectives of the reforms.

The FSB welcomed the International Association of Insurance Supervisors' (IAIS) work plan to advance its systemic risk assessment. It acknowledged the postponement of the implementation of the Higher Loss Absorbency standard so that it can be based on the Insurance Capital Standard (ICS) and it underscored the importance of evaluating the benefits of an activities-based approach while continuing to develop the ICS.

The Plenary reviewed a summary by the Task Force on Climate-related Financial Disclosures (TCFD) of responses to its public consultation which ended earlier this month. The TCFD's final report will provide a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders, and insurance underwriters about their climate-related financial risks.

10. Basel Committee on Banking Supervision (BCBS)

In January 2015, the BCBS issued the final standard for the revised Pillar 3 regulations related to disclosure requirements. The requirements will enable market participants to compare banks' disclosures of risk-weighted assets as this standard came into effect at the end of 2016.

The Committee also issued the final standards for different subjects which will take effect by January 1, 2017. These subjects are as follows:

- The final capital requirements for central counterparties - state the risk-weighted assets' treatment of exposures to central counterparties (CCPs) as well as the initial and variation margins.
- Capital requirements for equity investments in funds - address the capital treatment of equity investments of all types of funds through different approaches.
- The standardized approach for measuring counterparty credit risk exposures - includes a new approach for measuring counterparty credit risk associated with OTC derivatives.
- Securitization framework - addresses simple, transparent and comparable securitization.
- Intraday liquidity requirements - address monitoring intraday liquidity requirements for all banks.
- Margin requirements for OTC derivatives - address developing margin requirements (initial and variation margin) for OTC derivatives in addition to developing different types of payments for all derivatives.

11. The Group of Twenty (G20)

The G20 Leaders Summit was held in Hangzhou, China, on 45- September 2016. At its first session on "Strengthening Policy Coordination and Breaking a New Path for Growth,» the Summit exchanged views on how to strengthen policy coordination among member countries and explored options that may be undertaken by countries collectively in relation to structural reforms to promote long-term global economic growth. The Summit discussed the main topic of working towards an innovative, invigorated, interconnected and inclusive world economy in addition to promoting inclusive growth through concrete collective action to reduce inequality and excessive imbalances. With regard to adopting a new path for growth that is based on innovation, the new industrial revolution and the digital economy, the leaders welcomed the G20 Blueprint on Innovative Growth. A number of them stressed the importance of transferring technology and ensuring that all segments of society benefit from technology and are protected from e-security risks.

The second session on "More Effective and Efficient Global Economic and Financial Governance" discussed the global economic and financial architecture and how to strengthen its governance to cover vulnerabilities caused by the global financial crisis. Due to the importance of continuing to enhance the financial system resilience and stability, the International Financial Architecture Working Group was re-established under the Chinese Presidency to discuss issues such as reform and governance of quotas and votes in international financial institutions, ways to control capital flows, sovereign debt restructuring, and strengthening of the role of Special Drawing Rights as well as the Global Financial Safety Net (GFSN). The Green Finance Study Group was launched under the Chinese Presidency to discuss the challenges faced by financial institutions and markets in obtaining green financing and to develop options that enhance the ability of the financial system to mobilize private capital for green investment. The leaders agreed that G20 efforts and reforms in enhancing financial legislation and strengthening the GFSN, in addition to the agreed initiatives aimed at strengthening the international tax system and exchange of information, contributed to making the global financial system more efficient. They stressed the importance of continuing efforts and fulfilling commitments in this area to avoid financial crises and ensure integrity of the global economy. Leaders welcomed the continued work by G20 International Financial Architecture Working Group under the German Presidency.

The third session reviewed the "Robust International Trade and Investment" including the importance of trade and investment in boosting global growth. Leaders agreed on the need to stimulate global trade and reduce the cost of trade as well as the importance of e-commerce, strengthening the multilateral trading system, ensuring that it is complemented with regional trade agreements, ensuring coordination in investment, and adopting more open and transparent policies.

As for the fourth session on "Inclusive and Interconnected Development," leaders discussed many issues included in the G20 agenda under the Chinese Presidency, aiming at promoting inclusive and interconnected development, particularly the implementation of the 2030 Agenda for Sustainable Development, supporting industrialization in Africa and least developed countries, encouraging employment and promoting food security. Moreover, the leaders expressed their commitment to contribute to the implementation of the 2030 Agenda for Sustainable Development and stressed that national and collective actions are required, taking into account country-specific circumstances. They welcomed the G20 Initiative on Supporting Industrialization in Africa and LDCs to strengthen their inclusive growth and development potential. Leaders also reaffirmed their commitment to promote investment with focus on infrastructure in terms of quantity and quality, and they endorsed the Global Infrastructure Connectivity Alliance to enhance the cooperation among various infrastructure connectivity programs in a holistic way. Regarding employment, leaders stressed the importance of taking effective actions to address changes in skill needs in the labor market and support entrepreneurship and employability, especially for youth and women. Additionally, leaders endorsed the G20 continued work on food security, nutrition, sustainable agricultural growth and rural development, emphasizing the significance of facilitating sustainable agricultural development and food value chains through technological, institutional and social innovation, trade and responsible investment, as a means of food security, rural development and poverty alleviation.

At the fifth session on "Further Significant Global Challenges Affecting the World Economy," leaders discussed global challenges such as terrorism and its financing, refugees, climate change and public health. They agreed on the importance of international cooperation in combating terrorism and terrorist financing. As for climate change, a number of leaders urged early completion of the required procedures to join the Paris Agreement in order to enable the Agreement to enter into force.

12. Organization of the Petroleum Exporting Countries (OPEC)

The 171st Meeting of the OPEC Conference was held in Vienna, Austria, in November 2016. It discussed a number of topics, including global oil market developments. It also reviewed the oil market outlook for 2017 and discussed production levels and ways of market rebalancing. The Conference noted that the market rebalancing is underway, stressing that OECD and non-OECD inventories still stand well above the five-year average. In addition, the Conference recorded the deep appreciation of the Agreement among member countries at the meeting in Algiers on reducing production to 32.5 mb/d, in order to accelerate the ongoing drawdown of the oil stock overhang and bring the market rebalancing forward. The Conference also decided to establish a high-level committee consisting of representatives from member countries, supported by the OPEC Secretariat, to monitor the implementation of the Agreement. It agreed to develop a framework of high-level consultations between OPEC and non-OPEC oil producers that would ensure a balanced market with sustainable growth. The Conference welcomed the early enforcement of Paris Agreement on climate change, stressing that OPEC will continue to support this Agreement by considering the particular situation and needs of developing countries.

02

SAUDI ECONOMY

In realization of its new growth path depicted in "Vision 2030", Saudi Arabia has continued to progress through a number of programs, such as the National Transformation Program, the Fiscal Balance Program, and the Government Restructuring Program. In 2016, the Saudi economy encountered financial and economic challenges due to the drop in oil prices to under $30/barrel, particularly in the first quarter of 2016. Facing these challenges has helped Saudi policy makers buttress the resilience and robustness of Saudi Arabia's economic and financial structure, and the Saudi economy continued growing at a positive rate.

Economic Growth

Data on GDP at constant prices indicates that the economy grew by 1.7 percent to SAR 2,589.6 billion in 2016 compared to 4.1 percent in 2015. Oil sector GDP increased by 3.8 percent to SAR 1,140 billion, while the non-oil sector GDP rose by 0.2 percent to SAR 1,428.7 billion. The growth rate of the non-oil private sector GDP was 0.1 percent, rising to SAR 1,000.3 billion, and the non-oil government sector grew by 0.6 percent to SAR 428.4 billion.

Most major economic activities at constant prices grew at varied rates in 2016 (Table 2.1). Manufacturing industries (including oil refining) grew by 3.9 percent; finance, insurance, real estate and business services and transport, storage and communications by 2.8 percent each; mining and quarrying (including oil production) by 2.7 percent; electricity, gas and water by 2.3 percent; community, social and personal services by 1.8 percent; agriculture, forestry and fishing by 0.6 percent; and the activity of the government services' producers by 0.2 percent over the preceding year. On the other hand, construction and building activity declined by 3.3 percent, while wholesale and retail trade, restaurants and hotels recorded a decline of 1.6 percent from the preceding year.

SAUDI ECONOMY

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

	2014	2015	2016*	% Change in 2016
A. Industries and other producers (excluding government services' producers)				
1. Agriculture, forestry & fishing	59,382	59,744	60,122	0.6
2. Mining & quarrying	972,729	1,018,485	1,046,490	2.7
a. Crude oil & natural gas	963,411	1,008,782	1,036,963	2.8
b. Other mining & quarrying activities	9,318	9,703	9,527	-1.8
3. Manufacturing industries	279,987	298,442	309,981	3.9
a. Oil refining	74,173	83,547	96,604	15.6
b. Other industries	205,813	214,895	213,377	-0.7
4. Electricity, gas & water	31,282	32,928	33,688	2.3
5. Construction and building	120,213	125,184	121,079	-3.3
6. Wholesale, retail, restaurants & hotels	225,420	231,744	228,005	-1.6
7. Transport, storage & communication	136,602	144,519	148,509	2.8
8. Finance, insurance, real estate and business services	225,598	230,836	237,380	2.8
a. Houses ownership	119,382	123,490	127,440	3.2
b. Others	106,217	107,346	109,940	2.4
9. Community, social & personal services	47,908	48,812	49,669	1.8
10. Less calculated banking services	20,347	20,531	20,714	0.9
B. Government services' producers	**346,099**	**353,949**	**354,519**	**0.2**
Total (excluding import duties)	**2,424,873**	**2,524,111**	**2,568,728**	**1.8**
Import duties	19,968	21,125	20,834	-1.4
GDP	**2,444,841**	**2,545,236**	**2,589,562**	**1.7**

* Preliminary data. Source: GaSTAT.

Domestic Supply and Demand

The total supply of goods and services for the non-oil sector at current prices recorded a decline of 7.0 percent in 2016 (Table 2.3). The non-oil sector GDP (at current prices) increased by 1.7 percent. The non-oil GDP of the government sector also grew by 2.8 percent, and that of the private sector by 1.2 percent. Total imports, however, declined by 23.1 percent.

Total demand on goods and services for non-oil sector at current prices recorded a decrease of 6.6 percent in 2016 from 2015. This decline was due to a decrease of 3.8 percent in consumption expenditure. The government sector's final consumption declined by 15.1 percent despite an increase in the private sector's final consumption by 4.7 percent. Gross investment expenditure (gross capital formation) went down by 12.7 percent, and non-oil exports by 5.3 percent (Table 2.3).

Oil Market

Data of the Organization of Petroleum Exporting Countries (OPEC) for 2016 show a decrease in the average price of the Arabian Light crude oil by 17.8 percent to $40.96 per barrel from $49.85 per barrel in 2015. According to the Ministry of Energy, Industry and Mineral Resources data, Saudi Arabia's average daily production of oil rose by 2.9 percent to 10.46 million barrels in 2016 compared to 10.19 million barrels in 2015 (Table 2.2).

Table 2.2:
Selected Economic Indicators

	2015	2016
Estimated population (million)	30.9	31.8
GDP at current prices (billion riyals)	2,453.5	2,424.1
GDP at constant prices (billion riyals) (2010=100)	2,545.2	2,589.6
Non-oil GDP deflator	124.0	125.8
Inflation rate (consumer prices)	2.2	3.5
Aggregate money supply M3 (billion riyals)	1,773.3	1,787.4
Daily Average of Oil Production (million barrel)	10.2	10.5
Average price of Arabian Light oil* (US$)	49.9	41.0
Riyal's effective exchange rate (2010=100)	118.5	123.2
Currency in circulation to total money supply ratio	9.5	9.5
Deposits to money supply ratio	90.5	90.5
Net foreign assets of domestic banks (billion riyals)	225.5	145.7
Interest rates on Saudi riyal deposits (3 months)**	0.9	2.1
Bank capital adequacy ratio (Basel II)	18.1	19.5
Actual government revenues (billion riyals)	615.9	519.4
Oil revenues (billion riyals)	446.4	333.7
Actual government expenditures (billion riyals)	978.1	830.5
Budget deficit (billion riyals)	-362.2	-311.1
Budget deficit to GDP ratio	-14.8	-12.8
Commodity Exports (billion riyals)***	763.3	688.4
Commodity imports CIF (billion riyals)	655.0	525.6
Current account surplus to GDP ratio	-8.7	-4.3
Current account (billion riyals)	-212.7	-103.3
Tadawul All Share Index (TASI) (1985 = 1,000)	6,911.8	7,210.4
Public debt to GDP ratio	5.8	13.1

* 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, SAMA.

Money Supply and Banking Activity

Broad money supply (M3) increased by 0.8 percent to SAR 1,787.4 billion in 2016 compared to an increase of 2.5 percent to SAR 1,773.3 billion in the preceding year. Currency in circulation rose by 1.1 percent, and time and savings deposits by 13.1 percent. Other quasi-monetary deposits, however, dropped by 22.0 percent, and demand deposits by 0.2 percent compared to 2015.

The banking sector continued its good performance during 2016 as commercial banks' total assets went up by 2.2 percent to SAR 2,256.3 billion compared to SAR 2,208.8 billion in the preceding year. Bank deposits grew by 0.8 percent to SAR 1,617 billion. Commercial banks' capital and reserves increased by 10.3 percent to SAR 299 billion, while profits fell by 5.4 percent to SAR 40.4 billion. Bank credit extended to the private and public sectors increased by 2.8 percent to SAR 1,400.4 billion. The average capital adequacy ratio (Basel Standard) stood at 19.5 percent at the end of 2016 compared to 18.1 percent at the end of the preceding year.

Insurance Sector

The insurance penetration rate (gross written insurance premiums to GDP) in Saudi Arabia increased to 1.52 percent in 2016 up from 1.49 percent in the preceding year. However, insurance density (gross written insurance premiums divided by the number of population) declined by 2.2 percent to SAR 1,159.5 per capita compared to SAR 1186.1 per capita in the preceding year.

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

	2014	2015	*2016	% Change in 2016
Total supply**	**2,573,067**	**2,718,677**	**2,528,808**	**-7.0**
Non-oil GDP	1,615,380	1,767,847	1,797,153	1.7
Government sector	465,745	554,305	569,619	2.8
Private sector	1,149,636	1,213,542	1,227,534	1.2
Total imports	957,686	950,830	731,655	-23.1
Total demand	**2,727,660**	**2,829,785**	**2,642,259**	**-6.6**
Final consumption	1,649,013	1,724,946	1,660,089	-3.8
Government consumption	739,156	736,139	624,632	-15.1
Private consumption	909,857	988,807	1,035,457	4.7
Gross capital formation	**815,457**	**861,857**	**752,121**	**-12.7**
Non-oil exports	**263,190**	**242,982**	**230,049**	**-5.3**
Commodity exports	216,254	188,705	170,206	-9.8
Service exports	46,936	54,277	59,843	10.3

* Preliminary data.

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

Source: GaSTAT.

Domestic Stock Market

The Tadawul All Share Index (TASI) registered an annual rise of 4.3 percent to 7,210.4 at the end of 2016. The market capitalization increased by 6.5 percent to SAR 1,682 billion at the end of 2016, from SAR 1,579 billion at the end of the preceding year. The share volume increased by 2.7 percent to 67.7 billion with a value of SAR 1,157 billion.

Public Finance

Actual revenue and expenditure data for fiscal year 1437 / 1438H (2016) indicate that actual revenues fell by 15.7 percent to SAR 519.4 billion compared to SAR 615.9 billion in the preceding year. Actual expenditures also dropped by 15.1 percent to SAR 830.5 billion. Actual deficit was SAR 311.1 billion compared to SAR 362.2 billion in 2015.

Current Account and External Trade

Estimates of Saudi Arabia's balance of payments indicate that the current account deficit has decreased to SAR 103.3 billion in 2016, accounting for 4.3 percent of GDP. This improvement is attributed to a 26.0 percent increase in commodity surplus, 24.3 percent decrease in net service deficit and 3.0 percent decrease in net secondary income deficit.

Preliminary figures of external trade indicate a decline of 14.4 percent in the volume of Saudi Arabia's commodity trade to SAR 1,214.1 billion in 2016, versus a decline of 26.7 percent in the preceding year. This decline is attributed to the drop in the value of total exports by 9.8 percent to SAR 688.4 billion and the value of total imports by 19.8 percent to SAR 525.6 billion.

Commerce and Industry

Manufacturing industries contributed to GDP at constant prices by 12.0 percent or SAR 310 billion in 2016 compared to 11.7 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 2016 increased by 1.2 percent to 6,074 compared to the preceding year. The number of working factories also increased by 6.3 percent to 3,054.

The commerce sector continued to record positive growth rates. In 2016, the Ministry of Commerce and Investment (MCI) issued commercial registerations for 12,341 new different companies; however, this was a decline of 10.4 percent from 13,773 in 2015.

The number of commercial company registrations in force in 2016 reached 129.9 thousand from all regions of Saudi Arabia. Riyadh region accounted for the largest share with 39.6 percent, followed by Makkah region with 26.1 percent, and the Eastern province with 20.5 percent.

As for industry, the Ministry of Energy, Industry and Mineral Resources issued industrial licenses in 2016 for 578 new factories in various industrial activities with a total capital of SAR 9.6 billion, creating more than 40 thousand job opportunities. A breakdown of licenses for new projects by industrial activity and total capital in 2016 indicates that 153 licenses were issued for manufactured metals activity (excluding machinery and equipment) with total capital of SAR 1.1 billion, constituting 11.8 percent of total capital of licenses. Moreover, 111 licenses for the manufacturing of rubber and plastic products were issued with a total capital of SAR 0.9 billion, constituting 9.9 percent of total capital of industrial licenses issued.

At the end of 2016, the total cumulative number of industrial units in Saudi Arabia licensed by the Ministry of Energy, Industry and Mineral Resources rose to 7,746 with a total capital of SAR 1,113.6 billion, providing nearly one million jobs. A breakdown of working factories by type of activity and total capital indicates that total capital for chemical materials and products industry for 732 factories amounted to SAR 544.3 billion or 48.9 percent of total capital of the existing factories in Saudi Arabia, followed by the industry of coke and refined oil products for 152 factories with SAR 133 billion or 11.9 percent.

With regards to foreign investment, the General Investment Authority (SAGIA) issued 1,999 licenses for foreign establishments in 2016 (industrial, service and other) with a capital of approximately SAR 500 billion. The number of Saudi employees reached 162.4 thousand, representing 21.3 percent of total employees with an average salary of SAR 5,265. In terms of commercial activity, foreign investment in energy accounted for 17.6 percent of all foreign investment activities in 2016.

Tourism

Preliminary data of the Saudi Commission for Tourism and National Heritage (SCTH) indicates that tourism GDP rose by 6.8 percent to SAR 91.3 billion in 2016 compared to the preceding year and estimates that tourism constituted 4.9 percent of non-oil GDP (value-added) in 2016.

Expenditure on domestic tourism trips (excluding international transportation costs) declined by 6.4 percent to SAR 44.9 billion in 2016 versus SAR 48 billion in 2015. This is due to a decline in expenditure on shopping of 37.2 percent to SAR 7.5 billion compared to SAR 11.9 billion in the preceding year. On the other hand, expenditure on recreation decreased by 11.7 percent to SAR 4.4 billion compared to SAR 4.9 billion in the preceding year.

Expenditure on inbound tourism trips increased by 11.8 percent to SAR 92.3 billion in 2016 from SAR 82.5 billion in the preceding year. Expenditure on outbound tourism trips also increased by 17.4 percent to SAR 99 billion during 2016 versus SAR 84.1 billion in 2015.

In addition, the number of hotels operating in Saudi Arabia rose to 1,810 in 2016. The number of furnished housing units stood at 4,073 in all cities of Saudi Arabia in 2016. Riyadh region accounted for the largest share of 29.6 percent (1,205 units), followed by Makkah region with 21.3 percent (867 units).

SCTH estimates indicate that the

Table 2.4:
Direct Jobs in Tourism Sector

Sub-sector	2015	2016**
Accommodation	122,107	129,555
Restaurants and cafés	416,713	442,132
Travel & tourism agencies	39,077	41,461
Tourist transportation services*	162,173	172,065
Entertainment services	142,833	151,545
Total	**882,903**	**936,759**
Saudization (%)	**27.8**	**28.1**

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

** Estimates.

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

Table 2.5:
Expected Job Opportunities in Tourism Sector (Thousand Jobs)

	2022	2027
Direct jobs	1,336	1,795
Indirect jobs	668	898
Total	**2,004**	**2,693**

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

number of direct jobs in key tourism sectors in Saudi Arabia rose by 6.1 percent to 936.8 thousand in 2016, compared to 882.9 thousand in the preceding year in all tourism sub-sectors (Table 2.4). The Saudization percentage in these jobs reached 28.1 percent during 2016, compared to 27.8 percent in the preceding year.

The SCTH has estimated that the tourism sector is capable of providing an increasing number of direct job opportunities in its sub-sectors, in addition to indirect job opportunities in other economic sectors related with it, as well as job opportunities that can be created later as a result of the economic spending cycle in all sectors related to tourism development. The tourism sector is expected to create nearly 1.5 million direct and indirect jobs in 2017, 2 million in 2022, and 2.7 million in 2027 (Table 2.5).

Water and Electricity

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

Table 2.6:
Electricity Generation Capacity and Number of Subscribers for Fiscal Year 1437 /1438H (2016)
(Megawatts)

Region	Actual generation capacity	Peak load	Electricity power sold					No. of subscribers
			Residential	Commercial	Government	Industrial	Agricultural	
Central	15,046	20,116	47,451,818	17,296,606	11,488,891	6,331,590	3,470,114	2,795,226
Eastern	15,286	19,249	26,926,414	9,154,764	8,649,552	33,276,929	919,708	1,543,995
Western	20,705	17,765	51,567,975	17,998,435	8,606,441	6,134,085	870,031	3,045,577
Southern	3,596	6,091	17,266,718	4,343,047	3,974,516	756,774	120,756	1,203,944
Total	**54,632**	***60,828**	**143,212,925**	**48,792,852**	**32,719,400**	**46,499,378**	**5,380,609**	**8,588,742**

* Coincidental.

Source: Saudi Electricity Company.

3,540.1 thousand cubic meters per day in the previous year. The amount of electric energy produced at SWCC's plants in the period 1437 / 1438H (2016) reached 42 million MWh.

The Ministry of Environment, Water & Agriculture (MEWA) data for 2016 indicates that the household consumption rate stood at 8.6 million cubic meters per day compared to 8.3 million cubic meters per day in the previous year, rising by 3.6 percent. The annual household consumption in Saudi Arabia reached 3.1 billion cubic meters compared to 3 billion cubic meters in the previous year. The average water consumption per person in Saudi Arabia amounted to 257.8 liters per day (the global average is 150.2 liters per day) compared to 256 liters per day in the previous year.

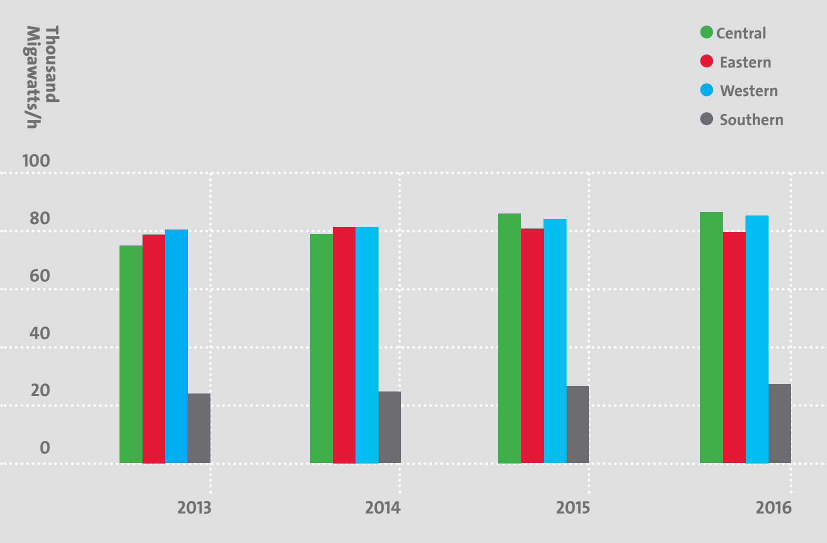
In 1437 / 1438H (2016), the number of dams (underground, concrete, and embankment) across Saudi Arabia increased to 508 with a total storage capacity of 2.25 billion cubic meters compared to 502 with a total storage capacity of 2.17 billion cubic meters in the previous year. The number of operating wastewater treatment plants reached 92 in 2016 with operation capacity totaling 4.1 million cubic meters per day. The total length of wastewater pipe networks reached 39 thousand kilometers. In addition, the total number of sanitary sewer connections for homes reached 1.3 million, 5 percent increase over the previous year.

With reference to electricity, the Saudi Electricity Company (SEC)'s sales of electricity during 2016 increased by 0.6 percent over the previous year to 287.7 million MWh. The residential consumption accounted for 46.8 percent (143.2 million MWh) of total electricity consumption in Saudi Arabia, followed by commercial consumption with 17.0 percent (48.8 million MWh), then industrial consumption with 16.2 percent (46.5 million MWh), and lastly government consumption with 11.4 percent (32.7 million MWh).

In 2016, the electricity peak load declined by 4.4 percent from the previous year to 60,828 megawatts. The actual capacity of electricity generation went up to 54,632 megawatts, rising by 8.9 percent over the previous year.

The number of subscribers benefiting from electricity services in Saudi Arabia rose to 8.6 million in 2016, increasing by 6.1 percent over the previous year. Residential consumers accounted for 78.6 percent (6.7 million) of the total number of subscribers. Commercial consumers came next with 17.1 percent (1.5 million), followed by government consumers with 1.8 percent (150.4 thousand), while agricultural consumers came last with 1.0 percent (88.1 thousand) (Table 2.6and Chart 2.1).

Chart 2.1:
Electricity Sales Growth of the Saudi Electricity Company (2013 - 2016)



Agriculture and Animal Husbandry

According to the latest statistics of the General Authority for Statistics (GaStat) for 2016, the agriculture, forestry and fishing sector grew by 1.0 percent in 2016 versus 1.8 percent during the preceding year. Nominal (current price) GDP of this sector stood at SAR 64.9 billion in 2016 against SAR 64.3 billion in the preceding year, accounting for 3.6 percent of the non-oil sector GDP. The agriculture and fishing sector's share of bank credit extended to economic activities rose to SAR 12.8 billion during 2016 from SAR 11.1 billion during the previous year, representing 0.9 percent of total credit to economic activities.

Agricultural Production

According to latest statistics issued by GaSTAT for 2016, agricultural production stood at 15.9 million tons. A breakdown of agricultural production also 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 grains by 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 palm trees in Saudi Arabia was 22.7 million in 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 previous year.

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 of dairy companies amounted to 2,155 thousand tons in 2015.

Table 2.7:
Transport of Passengers and Cargo Operations by Type

Type of transport	2015 No. of passengers (million)	2016 No. of passengers (million)
Air transport	81.9	85.3
Land transport	8.0	7.8
Railway	1.3	1.3
Inter-city transport	6.3	6.2
International transport	0.4	0.3
Maritime transport	1.3	1.2
Total	**91.2**	**94.4**

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

Transport and Communications

The transport, storage and communications activity contributed 5.73 percent of real GDP or SAR 148.5 billion in 2016 compared to 5.68 percent in the previous year. Its contribution to GDP at current prices stood at 6.62 percent or SAR 160.6 billion in 2016 compared to 6.33 percent in the previous year.

Transport

Transport operations (including inter-city travel in Saudi Arabia and overseas travel by air, land and sea) recorded a rise of 3.5 percent during 2016 against a rise of 8.9 percent in the previous year. The number of passengers rose to 94.4 million from 91.2 million in the previous year, increasing by 3.2 million. The rise was due to an increase of 4.2 percent in airline passengers (Table 2.7).

According to the Ministry of Transport, the total length of paved roads at the end of 1437 / 1438H (2016) reached 64.6 thousand km, of which 12.9 thousand km were main roads linking major regions of Saudi Arabia with international borders and serving major urban areas; 9.1 thousand km were secondary roads linking major cities within regions; and 42.7 thousand km feeder roads branching out of secondary roads and serving towns, villages and agricultural areas. The total length of roads under construction at the end of fiscal year 1437 / 1438H (2016) reached 13.3 thousand km.

According to data and information issued by the High Commission for the Development of Riyadh for 2016, the completion percentage of the Riyadh Metro Project reached 48 percent, which is in line with the project execution timeline. Work is under progress on all 6 lines of the metro network in more than 225 locations in different parts of the city, most notably, Qasr Al Hokm Station, the Western Station, the Railway Station and terminal 5 Station at King Khalid International Airport.

Regarding railways, the latest data and information from the Public Investment Fund show that the completion percentage of the railway line in the North-South Railway (NSR) project reached 100 percent. This railway line, with a length exceeding 1,750 km, links phosphate mines in Hazm Al-Jalamaid to manufacturing sites in Ras Al-Khair located at the Arabian Gulf, with the volume of phosphate and bauxite transported since it began operation amounting to over 19 million tons. As for the remaining part of the railway linking Riyadh to Al-Qurayyat, which passes through Sudair, Qassim, Ha'il, and Al-Jawf and is designated to provide transport services for passengers and cargo, its completion rate is 100%. With regards to the Haramain High-Speed Railway Project connecting Jeddah province's city center, King Abdulaziz International Airport, Makkah, Al-Madinah and King Abdullah Economic City in Rabigh together, the latest data issued by the Saudi Railways Organization indicated that the project is expected to be completed by the end of 2017 with the completion percentage standing at 95 percent.

According to latest data and information issued by the General Authority of Civil Aviation, the number of airports operating in Saudi Arabia is 27 (14 international airports, 10 regional airports and 13 domestic airports). As for King AbdulAziz International Airport Project in Jeddah, the Project is expected to be completed, with the first phase being fully operational in 2018.

Table 2.8:
Communication Services by Regions for 2016
(Thousands)

	Fixed subscriptions	Broadband subscriptions (Fixed)
Region	**Total subscriptions**	**Total subscriptions**
Riyadh	1,072,533	988,581
Makkah	1,000,957	611,553
Al-Madinah	134,283	60,768
Qassim	160,672	113,714
Eastern Region	783,075	730,960
Asir	211,221	263,314
Tabuk	65,478	116,382
Ha'il	43,722	115,053
Northern Borders Region	19,512	68,548
Jazan	53,280	60,839
Najran	30,441	41,901
Baha	36,711	73,523
Al-Jawf	25,557	42,529
Total	**3,637,442**	**3,287,665**

Source: Communications and Information Technology Commission.

Telecommunication & Information Technology

The Data of Communications and Information Technology Commission (CITC) shows increasing investment in the sector and in the development of communications networks. According to CITC's estimates, the telecommunication sector's contribution to GDP stood at 6.0 percent. The contribution of the sector to non-oil GDP was 10.0 percent in 2016.

The number of working landline telephones in Saudi Arabia reached 3.7 million at the end of 2016, 1.9 million of which (52 percent) are residential. The penetration ratio of landline phones to population is 11.5 percent, while the ratio of penetration to houses is 32.3 percent. The decrease in the number of subscribers in landline services is due to the intense competition in mobile services.

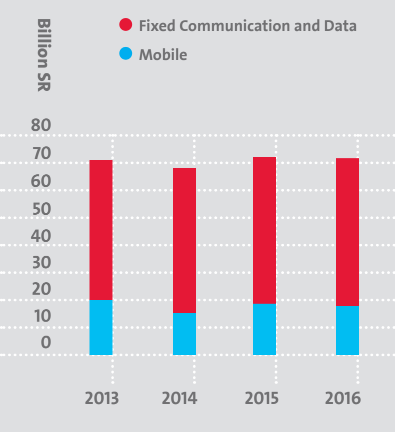
The number of subscribers to mobile communication services reached 47.9 million in 2016 and the penetration ratio declined to 151 percent. Prepaid subscriptions constituted the bulk of subscriptions, accounting for over 82 percent.

The number of broadband subscriptions through landlines (DSL, WiMAX, optical fiber and other wire lines) reached 3.3 million at the end of 2016, with a penetration ratio for houses reaching 46.8 percent. Total number of subscriptions to broadband services through mobile networks was 23.9 million in 2016, with the penetration ratio of these services to the population standing at 75.2 percent (Table 2.8).

The penetration ratio of the Internet in Saudi Arabia grew significantly during the past years to 74.9 percent at the end of 2016 from 47 percent at the end of 2011. In addition, the number of Internet users in Saudi Arabia is estimated at 24 million. The recent increase in Internet and broadband penetration ratio is attributable to the increasing use of social media and on-demand contents (YouTube, Snapchat), in addition to online games.

Telecommunication companies' total direct revenues from their operations in Saudi Arabia amounted to SAR 72 billion during 2016, recording a decrease of 1.1 percent from the previous year. Mobile communication services revenues represented 75 percent of total revenues, while revenues of landlines and data services represented 25 percent (Chart 2.2).

Chart 2.2: Telecommunication Service Sector's Revenue



Source: Communications and Information Technology Commission.

Saudi Post

The total number of post offices in Saudi Arabia reached 570 in 2016, and postal agencies reached 58. The total number of mailboxes of subscribers stood at 624.6 thousand and the total number of subscribers in the National Address service reached 2.8 million. The Saudi Post aims to make a transition to a business-based work through the separation of authority between the operation and regulation of the post market, establish a competitive market that would promote creativity, raise productivity, reduce costs, and contribute in the Kingdom's non-oil revenue through the establishment of the Post Commission, Post Holding Company and subsidiaries. New products have also 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 (males and females) amounted to 5.2 million during the academic year 1436 / 1437H (2015). The number of teachers (male and female) at all levels of public education (including elementary, intermediate and secondary schools) totaled 490.7 thousand. The number of schools stood at 28.2 thousand, 13.9 thousand of which are schools for girls, accounting for 49.4 percent.

Higher Education

The total number of students enrolled in higher education institutions in the Kingdom during the academic year 1436 / 1437H (2015) stood at 1.6 million. The number of newly enrolled students at various institutions of higher education totaled 393.1 thousand. Of these, 316.3 thousand were at the bachelor level (80.5 percent of the total number of newly enrolled students). Higher diploma, master's, and doctorate levels accounted for the remaining percentage of the total. Male freshmen students constituted 53.7 percent, while their female counterparts accounted for 46.3 percent.

The total number of graduates from all levels of higher education in Saudi Arabia stood at 219.1 thousand in the academic year 1436 / 1437H, of which, 116.4 thousand were female graduates, representing 53.1 percent.

The total number of faculty staff at institutions of higher education in Saudi Arabia in academic year 1436 / 1437H (2015) stood at 79.8 thousand. The number of universities in Saudi Arabia at the end of the academic year under reviewwere 38, of which 28 are public universities with 527 colleges, and 10 private universities with 44 colleges.

The number of male and female students studying abroad during the academic year 1436 / 1437H (2015) totaled 174.3 thousand. Students on the government scholarship program accounted for 83.1 percent, while the remaining percentage were studying at their own expense.

Technical, Vocational and Administrative Training

The number of students and trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 123.4 thousand in the academic year 1436 / 1437H (2015), receiving their education and training in 119 colleges and institutes. The total number of the faculty staff at TVTC stood at 7.5 thousand, and the number of trainees (male and female) in private training programs supervised by the TVTC totaled 183.7 thousand in the same academic year.

The Institute of Public Administration (IPA) continued its training programs aimed at raising the professional level of government employees in Saudi Arabia. In 1436 / 1437H (2015), IPA organized a number of general and customized training courses, applied seminars, symposia and meetings at its head office in Riyadh, branches in Al-Dammam and Jeddah, and female branch in Riyadh. The number of participants in such activities came to 103.5 thousand. The number of graduates from preparatory programs totaled 1,132. During the training year, the number of training staff at the IPA totaled 841, of whom 665 were Saudis, representing 79.1 percent of the total training staff.

Health Affairs

Data issued by the Ministry of Health in 1437H indicated that the number of hospitals operating in Saudi Arabia rose to 470, increasing by 8 over the previous year. Of these, 274 are run by the Ministry of Health, 44 by other government sectors, and 152 by the private sector. The number of private medical centers in Saudi Arabia totaled 2,754 in 1437H compared to 2,670 in 1436H. The number of physicians working in Saudi Arabia stood at 89.8 thousand (2.8 per 1,000 people), increasing by 3,936 over 1436H. The total number of beds in Saudi Arabia's hospitals rose to 70.8 thousand (2.2 per 1,000 people), an increase of 635 over the preceding year.

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 social security beneficiaries to work productively and provide for themselves and their families, made many achievements in 2016. The most important of these were:

- educational scholarship Programs with an allocation of SAR 524.3 million, from which SAR 140.8 million was disbursed during the last year,
- training, employment and qualification programs with an allocation of SAR 114.4 million, from which SAR 19.3 million was disbursed in 2016, and
- Mustaqbali programs with an allocation of SAR 18.1 million, from which SAR 78.5 thousand was disbursed in 2016.

Housing

The Ministry of Housing have devised a strategy that aims to increasing the home ownership rate. The strategy is based on two cornerstones: supporting supply and enabling demand. The number of housing units completed during 1437H was 7,212 units. Riyadh region accounted for the largest share of 38.1 percent, followed by the Eastern Region with 22.2 percent and then Hail Region with 14.7 percent. The number of housing units expected to be completed during the period 1438-1440H is 47.5 thousand.

Pension and Social Insurance

The number of subscribers to the civil pension scheme (Public Pension Agency) increased by 0.4 percent to 1.18 million in 2016 compared to 1.17 million in the previous year. The funds collected from on-the-job civil

Table 2.9:
Selected Indicators for Population and Labor Force

Major regions		2015 Male	2015 Female	2015 Total	2016 Male	2016 Female	2016 Total
Population	Saudis	10,034,561	9,658,078	19,692,639	10,231,364	9,850,218	20,081,582
	Non-Saudis	7,696,791	3,501,306	11,198,097	8,028,355	3,677,643	11,705,998
	Total	**17,731,352**	**13,159,384**	**30,890,736**	**18,259,719**	**13,527,861**	**31,787,580**
Births	Total	309,314	294,585	603,899	278,529	253,918	532,447
Mortality	Total	66,405	43,425	109,830	48,464	29,539	78,003
Employees	Saudis	1,948,620	968,367	2,916,987	1,964,671	1,024,804	2,989,475
	Non-Saudis	8,716,618	190,271	8,906,889	8,803,517	219,136	9,022,653
	Total	**10,665,238**	**1,158,638**	**11,823,876**	**10,768,188**	**1,243,940**	**12,012,128**
Unemployment rate (%)	Saudis	5.3	33.8	11.5	5.9	34.5	12.3
	Non-Saudis	0.3	2.0	0.5	0.4	1.6	0.5
	Total	**2.4**	**21.4**	**5.6**	**2.6**	**21.3**	**5.6**
Government sector employees	Saudis	709,256	468,777	1,178,033	703,671	474,153	1,177,824
	Non-Saudis	35,064	34,961	70,025	33,895	33,092	66,987
	Total	**744,320**	**503,738**	**1,248,058**	**737,566**	**507,245**	**1,244,811**
Private sector employees	Saudis	1,239,364	499,590	1,738,954	1,261,000	550,651	1,811,651
	Non-Saudis	8,681,554	155,310	8,836,864	8,769,622	186,044	8,955,666
	Total	**9,920,918**	**654,900**	**10,575,818**	**10,030,622**	**736,695**	**10,767,317**
Banking sector employees	**Total**	**43,307**	**6,256**	**49,563**	**42,651**	**6,684**	**49,335**

Source: GaSTAT, MCS, MLSD, SAMA.

subscribers rose to SAR 22.2 billion from SAR 20.8 billion in the previous year. Total disbursements by the Public Pension Agency to beneficiaries amounted to SAR 64.4 billion, rising by 17.3 percent over the previous fiscal year. The number of living pensioners increased by 7.2 percent to 570.3 thousand. The number of deceased pensioners rose by 12.2 percent to 200.4 thousand, and that of heirs benefiting from pension payments grew by 8.1 percent to 455.1 thousand.

The number of private establishments subscribing to the social insurance scheme, the General Organization for Social Insurance (GOSI), rose by 5.5 percent to 455.6 thousand, while that of government establishments declined by 2.3 percent to 1,310. The number of subscribers covered by the social insurance scheme went up by 6.5 percent to 26 million in 2016 from 24.4 million in the previous year. The number of on-the-job subscribers increased by 0.4 percent to 10.39 million from 10.36 million in the previous year.

Population

Estimates of the midyear census issued by the General Authority for Statistics (GaStat) indicated that Saudi Arabia's population in mid-2016 rose by 2.9 percent to 31.8 million compared to 30.9 million in the previous year. Saudis constituted 63.2 percent of the total (20.1 million).

Mid-2016 estimates of Saudi Arabia's population by gender indicate that the male population accounted for 57.4 percent, while the female population represented 42.6 percent. The Saudi male population represented 50.9 percent, while Saudi females constituted 49.1 percent of total Saudis. Non-Saudi male population was 68.6 percent and non-Saudi female population was 31.4 percent of total non-Saudi population of Saudi Arabia (Table 2.9).

A breakdown of Saudi Arabia's population by administrative regions in mid-2016 indicates that Makkah Region ranked first with 8.3 million (26.2 percent), followed by Riyadh Region with 8 million (25.2 percent). Asir Region came third with 4.9 million (15.1 percent) and Al-Baha Region was the smallest with 0.4 million or 1.1 percent.

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 1.24 million in 2016, decreasing by 0.3 percent from the previous year. Saudis represented 94.6 percent of total government employees.

As for the gender of Saudi government employees, the number of Saudi male employees stood at 703.7 thousand in 2016, declining by 0.8 percent, while that of Saudi female employees reached 474.2 thousand, increasing by 1.1 percent over the previous year.

The number of non-Saudi male government employees amounted to 33.9 thousand in 2016, decreasing by 3.3 percent, while that of non-Saudi female employees was 33.1 thousand, declining by 5.3 percent from the previous year (Table 2.9).

Labor Market

The latest figures issued by MLSD show that the number of employees in the private sector (Saudis and non-Saudis) reached 10.8 million in 2016, increasing by 1.8 percent over the previous year. The ratio of Saudis in the private sector to total workers was 16.8 percent.

A breakdown of employees in the private sector shows that the number of Saudi male employees amounted to 1.3 million in 2016, rising by 1.7 percent, while that of Saudi female workers reached 0.6 million, increasing by 10.2 percent over the previous year. The number of non-Saudi male employees stood at 8.8 million in 2016, increasing by 1.0 percent, and that of non-Saudi female employees was 0.2 million, rising by 19.8 percent over the previous year (Table 2.9).

The total number of Saudi job seekers reached 561.8 thousand in 2016, of which 80.8 percent are females, according to the recent work indicator introduced by the MLSD. By administrative regions, the majority of job seekers are mainly in Makkah Region, Riyadh Region and the Eastern Region, accounting for 11.7 percent, 11.7 percent and 8.7 percent, respectively.

Unemployment

The latest GaStat data indicate that the overall unemployment rate remained stable at 5.6 percent in 2016. The number of unemployed Saudis accounted for 12.3 percent of the total Saudi labor force compared to 11.5 percent in the previous year. Unemployed Saudi males accounted for 5.9 percent of total Saudi male labor force, unemployed Saudi females 34.5 percent of the total Saudi female labor force, and unemployed non-Saudis 0.5 percent of total non-Saudi labor force in Saudi Arabia.

Specialized Credit Institutions (SCIs)

SCIs continued to provide loans which contribute to the achievement of the development objectives in Saudi Arabia. Total loans disbursed by SCIs since their inception up to the end of 2016 reached SAR 475.7 billion. Their assets amounted to SAR 863.1 billion, rising by 35.7 percent over the previous year. Actual loan disbursements of SCIs in 2016 totaled SAR 32.8 billion, decreasing by 52.9 percent from the previous year. Total loan repayments amounted to SAR 28 billion in 2016, increasing by 9.3 percent over the previous year. The balance of outstanding loans went up by 0.2 percent in 2016 to SAR 302.4 billion over the previous year.

Saudi Industrial Development Fund (SIDF)

Actual loans disbursed by SIDF amounted to SAR 6.3 billion in 2016, decreasing by 33.1 percent from the previous year. Loan repayments stood at SAR 4.3 billion, declining by 25.4 percent from the previous year. Total outstanding loans amounted to SAR 35.5 billion in 2016, increasing by 6.1 percent over the previous year.

Real Estate Development Fund (REDF)

Total outstanding loans stood at SAR 157.7 billion in 2016, increasing by 5.7 percent compared to the previous year. In 2016, loans extended by the

REDF amounted to SAR 11.8 billion, with a decline of 57.0 percent. Loan repayments stood at SAR 5.2 billion in 2016, decreasing by 7.2 percent from the previous year.

Agricultural Development Fund (ADF)

Total loans disbursed by the ADF dropped by 21.9 percent to SAR 657 million in 2016 compared to SAR 842 million in the previous year. Loan repayments rose by 88.8 percent to SAR 1,450 million compared to the previous year. Outstanding loans totaled SAR 7.9 billion in 2016, decreasing by 9.1 percent from the previous year.

Public Investment Fund (PIF)

Total actual loan disbursements by PIF declined by 62.5 percent to SAR 7 billion in 2016 compared to the previous year. Loan repayments stood at SAR 6.5 billion in 2016, rising by 26.2 percent over the previous year. The balance of outstanding loans stood at SAR 48.2 billion in 2016, decreasing by 10.5 percent from the previous year.

Social Development Bank (SDB)

The SDB's total actual loan disbursements stood at SAR 7 billion in 2016, decreasing by 47.1 percent against the previous year. Loan repayments stood at SAR 10.5 billion, increasing by 27.2 percent over the previous year. The balance of outstanding loans amounted to SAR 38.5 billion in 2016, decreasing by 8.1 percent from the previous year.

Domestic Loan and Subsidy Programs

The latest data from the Ministry of Finance indicates that actual loans disbursed under the Domestic Loan Program during 2016 totaled SAR 787.9 million, rising by 4.9 percent over the previous year. Loan repayments stood at SAR 194.9 million, decreasing by 13.1 percent from the previous year. During fiscal year 1437 / 1438H (2016), 18 loans were approved (5 for health projects and 13 for private educational and training programs).

During fiscal year 1437 / 1438H (2016), subsidies disbursed totaled SAR 3.2 billion. The fodder subsidy stood at SAR 1,800.1 million; the imported barley subsidy SAR 1,045.1 million; the infant formula subsidy SAR 158.7 million; the King Abdulaziz Public Library subsidy SAR 63.8 million; the King Abdulaziz Center for National Dialogue subsidy SAR 28.8 million; and the private schools subsidy SAR 15.8 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 reach the optimal utilization of available resources, a number of resolutions were issued in 2016 with a view to further developing the economic system in Saudi Arabia. The following are the most prominent resolutions:

- changing the name of the Ministry of Agriculture to the Ministry of Environment, Water and Agriculture.
- changing the name of the Ministry of Commerce and Industry to the Ministry of Commerce and Investment.
- changing the name of the Ministry of Petroleum and Mineral Resources to the Ministry of Energy, Industry and Mineral Resources.
- changing the name of the Ministry of Islamic Affairs, Endowments, Da'wah, and Guidance to the Ministry of Islamic Affairs, Dawah, and Guidance.
- changing the name of the Ministry of Hajj to the Ministry of Hajj and Umrah.
- merging the Ministry of Labor and the Ministry of Social Affairs into one Ministry named the Ministry of Labor and Social Development.
- dissolving the Ministry of Water and Electricity.
- changing the Department of Zakat and Income Tax to the General Authority of Zakat and Tax.
- establishing the General Entertainment Authority and the General Authority for Culture.
- approving the incorporation agreement of the Asian

Infrastructure Investment Bank.

- approving Saudi Arabia's subscription totaling 19,483 shares to increase the capital of the Islamic Corporation for the Development of the Private Sector with an amount of $194.8 million.
- approving the statute of the Saudi Grains Organization.
- approving the statute of the National Center for Performance Measurement.
- approving the National Transformation Program, which is one of the programs of Saudi Arabia's Vision 2030.
- approving the statute of the Center for Strategic Development.
- approving the Implementing Regulations of the Law of Undeveloped Land Fees.
- approving the establishment of the Family Affairs Council chaired by the Minister of Labor and Social Development.
- approving the establishment of a holding fund under the name "Fund of Funds" with a capital of SAR 4 billion.
- approving amendments to traffic laws.
- approving amendments to some articles of the Regulatory Rules of Advertisement and Publicity Boards.
- approving the suspension of the annual increment for 1438H, and the cancellation and modification of some allowances, bonuses and financial perks.
- approving the Guidelines for the Sale and Rent of Off-Plan Real estate Units.
- approving the implementation of GCC Supreme Council's decision to establish a high-level commission, the Commission of Economic and Development Affairs, comprising GCC member countries.
- approving the establishment of the Administrative Leadership Development Center at the Institute of Public Administration.
- approving the allocation of 10 percent of Human Resources Fund's revenues, without prejudice to its obligations and pursuant to its charter, for the General Authority for Small and Medium Enterprises on a quarterly basis.
- approving the implementation of a real estate finance program called "Affordable Mortgage Scheme" by the Ministry of Housing, in coordination with the Ministry of Finance and the Saudi Arabian Monetary Authority, to be dedicated to the beneficiaries of the Ministry of Housing schemes.
- approving changing the name of the Saudi Credit and Savings Bank to the Social Development Bank.
- approving the establishment of labor offices in Saudi embassies in the following countries: Egypt, India, Philippines, Pakistan, Bangladesh, Indonesia, and Sri Lanka.
- approving the establishment of a supervisory committee for King Abdullah bin AbdulAziz Zamzam Water Project.
- approving the establishment of the National Committee for Transport and Trade Facilitation in the ESCWA region.
- approving the privatization of football clubs playing in the Saudi Professional League, and
- approving the grant of a license to the Bank of Tokyo-Mitsubishi to open a branch in Saudi Arabia.

03

MONETARY DEVELOPMENTS

The Saudi Arabian Monetary Authority (SAMA) continues to manage and implement a Saudi monetary policy that aims to continue the long-standing stability of the Saudi riyal exchange rate and maintain the soundness and robustness of the financial system, in order to perform its significant role in the economy. In 2016, the liquidity in the national economy was ample enough to meet the ongoing funding needs in the economic activity, while maintaining the national currency at its official exchange rate of SAR 3.75 per one US dollar and stabilizing and even strengthening the financial system in general.

Monetary Policy Tools

In 2016, the national economy had sufficient liquidity to finance its different activities, despite the decline in government spending, a decrease in bank claims on the private sector and a shrinking in the deficit of the private sector balance of payments. This decline in the demand for money was reflected in the M3 money supply, which grew by only 0.8 percent in 2016 compared with an increase of 2.5 percent in 2015. Through its monetary policy, SAMA maintained the repo rate unchanged at 2.0 percent as compared to the previous year, while increasing the reverse repo rate from 0.50 percent to 0.75 percent in December 2016. It also maintained the cash reserve requirements at 4 percent for time and savings deposits and at 7 percent for demand deposits, unchanged from the previous year. The overall liquidity in the banking system remained sufficient despite a decrease in the average daily reverse repo transactions to SAR 44 billion in 2016 from SAR 65 billion in the previous year. On the other hand, the average daily repo transactions rose to SAR 924 million from SAR 98 million in the previous year. In 2016, SAMA reduced the weekly issuance ceiling for treasury bills from SAR 9 billion to SAR 3 billion starting from October 2016, and continued to maintain the pricing of treasury bills unchanged at 80 percent of the Saudi Arabia Inter-Bank Bid Rate (SAIBID) in order to encourage domestic banks to increase lending.

MONETARY DEVELOPMENTS

Table 3.1:
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
2012	133,146	753,970	887,115	324,428	1,211,543	182,211	1,393,754
2013	143,169	857,280	1,000,449	345,035	1,345,485	199,664	1,545,149
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

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

Table 3.2:
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
2012	11.0	17.6	16.6	6.2	13.6	16.0	13.9
2013	7.5	13.7	12.8	6.4	11.1	9.6	10.9
2014	7.4	15.4	14.2	15.6	14.6	-6.0	11.9
2015	9.6	-1.3	0.2	9.0	2.4	3.4	2.5
2016	1.1	-0.2	0.0	13.1	3.6	-22.0	0.8

Table 3.3:
Money Supply Components
(Percentage in M3: at the end of the period)

	2012	2013	2014	2015	2016
Currency in circulation	9.6	9.3	8.9	9.5	9.5
Total deposits	90.4	90.7	91.1	90.5	90.5
Demand deposits	54.1	55.5	57.2	55.1	54.5
Time and savings deposits	23.3	22.3	23.1	24.5	27.5
Other quasi-money deposits	13.1	12.9	10.9	10.9	8.5
Money Supply (M3)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Chart 3.1:
Growth Rates of Money Supply (M3)

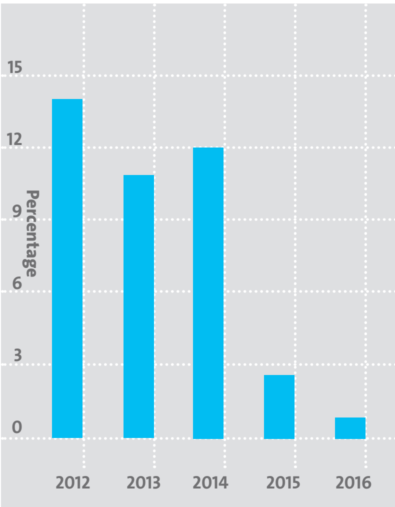


Table 3.4:
Monetary Rates
(Percent)

Year	M1 / M3	M2 / M3
2012	63.6	86.9
2013	64.7	87.1
2014	66.1	89.1
2015	64.6	89.1
2016	64.0	91.5

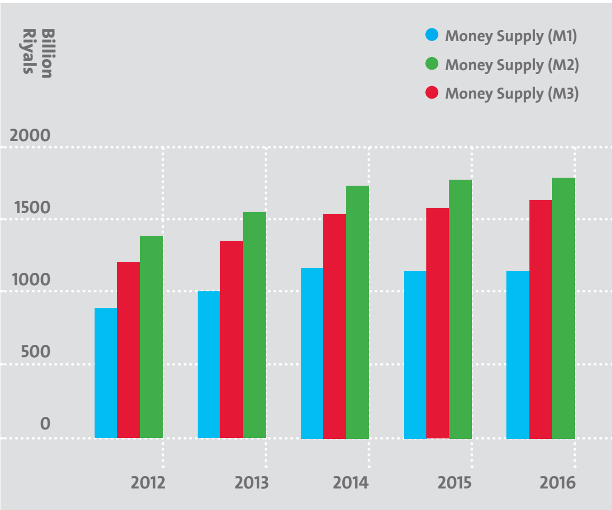
Table 3.5:
Causative Factors for Change in M3
(SAR billion)

	2014	2015	2016
Change in M3	184.2	43.9	14.1
Causative Factors			
Net domestic government expenditure in riyals*	935.3	758.6	523.8
Change in banks' claims on the private sector	132.6	115.7	33.5
Change in banks' claims on non-financial institutions to the public sector	1.7	-7.0	10.2
Deficit in the private sector's balance of payments**	-838.0	-919.2	-643.4
Other items (net)	-47.3	95.8	89.9
Total	**184.2**	**43.9**	**14.1**

* Domestic government expenditure in riyal less local revenues in riyal

** Estimated

Chart 3.2:
Components of Money Supply



Money Supply Growth

The M2 and M3 measures of domestic money supply grew at very different rates in 2016, a change from their similar growth recorded in the previous year. M3, the broadest measure of domestic liquidity (also called broad money, which comprises currency in circulation and aggregate bank deposits) rose by 0.8 percent (SAR 14.1 billion) to SAR 1.79 trillion in 2016 compared to 2.5 percent (SAR 43.9 billion) in 2015. Bank deposits, which constituted 90.5 percent of M3, maintained their growth rates as compared to the previous year. The growth rate of currency in circulation dropped to 1.1 percent (SAR 1.8 billion) in 2016, versus 9.6 percent (SAR 14.7 billion) in 2015.

A breakdown of bank deposits shows that demand deposits made up the largest share of M3, standing at 54.5 percent in 2016 compared to 55.1 percent in 2015. They decreased by 0.2 percent (SAR 2.1 billion) in 2016 compared to a decline of 1.3 percent (SAR 12.9 billion) in the previous year. Time and savings deposits grew by 13.1 percent (SAR 57.1 billion) in 2016 compared to a rise of 9.0 percent (SAR 35.8 billion) in 2015. The share of time and savings deposits in M3 increased to 27.5 percent in 2016 compared to 24.5 percent in the previous 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 decrease of 22 percent (SAR 42.7 billion) in 2016 compared to an increase of 3.4 percent (SAR 6.4 billion) in 2015 (Tables 3.1,3.2 and3.3; and Charts3.1 and3.2).

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

Chart 3.3:
Causative Factors for Change in M3

M1 (which comprises currency in circulation and demand deposits) recorded a slight decline of less than 0.1 percent in 2016 compared to an increase of 0.2 percent in 2015. The share of demand deposits in M1 decreased to 85.1 percent in 2016 compared to 85.2 percent in the previous year. M2, comprising less liquid time and savings deposits, recorded an increase of 3.6 percent in 2016 compared to a rise of 2.4 percent in 2015. The ratio of M1 to M3 decreased slightly, to 64.0 percent in 2016 from 64.6 percent in 2015. The ratio of M2 to M3 rose to 91.5 percent in 2016, compared to 89.1 percent in the previous year (Table 3.4).

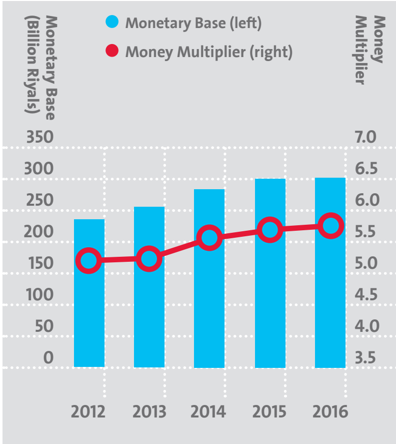
Broad Money (M3): Causative Factors

The M3 growth rate advanced slightly in 2016 due to a decrease in the adverse impact of the private sector's balance of payments deficit (shrinking to SAR 643.3 billion in 2016 compared to a SAR 919.2 billion deficit in 2015) and the decline in the growth of banks' claims on the private sector, to SAR 33.6 billion compared to SAR 115.7 billion in the previous year. On the other hand, the growth of banks' claims on public sector non-financial institutions went up to SAR 10.2 billion in 2016 compared to a decline of SAR 7.0 billion in the previous year. Net domestic government expenditure in riyals fell by 30.9 percent (SAR 234.8 billion) to SAR 523.8 billion in 2016. Thus, the increase in the money supply from net domestic government riyal-denominated expenditure, banks' claims on the private sector, and public institutions and net other items was SAR 656.6 billion in 2016. The deficit of SAR 643.4 billion in the private sector's balance of payments offset the increase of money supply in 2016 to SAR 13.3 billion. (Table 3.5 and Chart 3.3).

Table 3.6: Monetary Base and Money Multiplier

End Year	Monetary Base Million) (SAR	Money Multiplier
2012	235,629	5.9
2013	256,078	6.0
2014	282,924	6.1
2015	300,697	5.9
2016	302,404	5.9

Chart 3.4: Monetary Base and Money Multiplier



Monetary Base and Money Multiplier

The monetary base is the narrowest measure of liquidity. It consists of currency in circulation, cash in vault, commercial banks' deposits and public financial institutions' deposits with SAMA. The monetary base grew by 0.6 percent (SAR 1.7 billion) in 2016 compared with a rise of 6.3 percent (SAR 17.7 billion) in 2015. Currency in circulation recorded an increase of 1.1 percent (SAR 1.8 billion) in 2016 compared to a growth of 9.6 percent (SAR 14.7 billion) in 2015. In addition, its share in the monetary base rose to 56.3 percent in 2016 from 56.0 percent in the previous year. On the other hand, banks' deposits with SAMA declined by 0.3 percent (SAR 0.3 billion) in 2016 compared with a rise of 6.0 percent (SAR 5.6 billion) in 2015. Similarly, public financial institutions' deposits with SAMA went down by 2.0 percent (SAR 0.9 billion) in 2016 compared with a decline of 50.7 percent (SAR 4.8 billion) in 2015.

The money multiplier remained unchanged at 5.9 fold in 2016, the same as in 2015 (Table 3.6 and Chart 3.4). This plateau was attributed to a lower growth rate of bank deposits than that of the monetary base, owing to the expansion in banks' claims on the government sector in 2016.

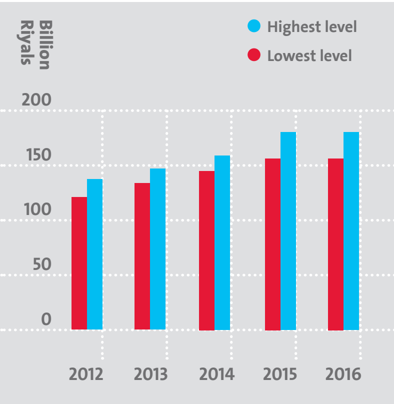
Seasonal Trends of Currency in Circulation

As a rule of thumb, currency in circulation records its highest levels during the two significant Islamic events; the month of Ramadan and the Hajj season, which coincided mostly with the third quarter of the previous few Gregorian years. This is manifested in the time series data on currency in circulation (Table 3.7and Chart 3.5). Currency in circulation reached its peak of SAR 181.8 billion in at the end of June 2016, and recorded its lowest level of SAR 167.4 billion in at the end of January 2016. These two levels increased by 1.5 percent and 6.7 percent respectively, over the levels recorded in the previous year.

Table 3.7:
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	End of Gregorian month	Corresponding Hijri date	Amount
2012 /10	1433/12/15	137,972	2012 /1	1433/3/8	121,003
2013 /7	1434/9/23	146,170	2013 /1	1434/3/19	134,148
2014 /9	1435/12/6	158,071	2014 /1	1435/3/30	145,490
2015 /7	1436/10/14	179,075	2015 /1	1436/4/10	156,921
2016 /6	1437/9/26	181,838	2016 /1	1437/4/21	167,404

Chart 3.5:
Seasonal Trends in Currency in Circulation



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 3.8) indicated a decrease in the assets of the banking system as a whole by 6.1 percent (SAR 244.8 billion) to SAR 3.8 trillion in 2016 compared with a decline of 5.3 percent (SAR 224.7 billion) in 2015.

Net foreign assets declined by 15.2 percent (SAR 380.9 billion) in 2016 compared to a decrease of 12.7 percent (SAR 366.4 billion) in the previous year. As a result, their share in total assets decreased from 62.6 percent in 2015 to 56.6 percent in 2016. In contrast, the share of domestic assets in total assets rose from 37.4 percent in 2015 to 43.4 percent in 2016 as a result of a decrease in net foreign assets with SAMA and an increase in banks' claims on the government by 107.1 percent (SAR 92.3 billion) and in banks' claims on the private sector by 2.4 percent (SAR 33.6 billion) compared with a rise of 9.2 percent (SAR 115.7 billion) in the previous year (Table 3.8).

The decrease in oil prices in 2016 and the continuous government spending on development projects led to a decline in government deposits with SAMA by 24.7 percent (SAR 287.1 billion) compared with a fall of 25.5 percent (SAR 398.2 billion) in 2015.

Table 3.8:
Monetary Survey* (End of year)
(Million SAR)

	2012	2013	2014	2015	2016
Assets					
Net Foreign Assets	2,562,004	2,824,078	2,875,326	2,508,920	2,128,054
SAMA	2,428,571	2,687,792	2,715,989	2,283,382	1,982,348
Commercial banks	133,433	136,286	159,336	225,538	145,706
Domestic credit	1,081,203	1,217,400	1,355,160	1,496,902	1,632,902
Bank Claims on private Sector	999,127	1,123,645	1,256,210	1,371,925	1,405,474
Bank claims on government	42,491	49,628	53,134	86,158	178,416
Change in banks' claims on non-financial institutions to the public sector	39,585	44,127	45,816	38,820	49,012
Total	**3,643,207**	**4,041,478**	**4,230,485**	**4,005,822**	**3,760,956**
Liabilities					
M3	1,393,754	1,545,149	1,729,356	1,773,296	1,787,352
Government deposits**	1,516,744	1,641,540	1,560,706	1,162,521	875,424
Other Items (Net)	732,709	854,790	940,423	1,069,205	1,098,210
Total	**3,643,207**	**4,041,478**	**4,230,485**	**4,005,023**	**3,760,986**
(Percent change)					
Net Foreign Assets	22.3	10.2	1.8	-12.7	-15.2
Domestic credit	7.8	12.6	11.3	10.5	9.1
Banks' Claims on the Private Sector	10.6	12.5	11.8	9.2	2.4
Banks' Claims on the Government	-23.2	16.8	7.1	62.2	107.1
Change in banks' claims on non-financial institutions to the public sector	-1.4	11.5	3.8	-15.3	26.3
M3	13.3	10.9	11.9	2.5	0.8
Government deposits**	19.6	8.2	-4.9	-25.5	-24.7
Other items (Net)	22.1	16.7	10.0	13.7	2.7

* The consolidated financial position of SAMA and commercial banks.

** Including letters of credit and bills for collection.

Interest Rate Trends

The 3.month Saudi interbank offered rate (SAIBOR) increased to 2.07 percent at end of 2016 compared to 0.88 percent at the end of 2015 due to the high interest rate on USD deposits as well as the low liquidity level before it stabilized at the end of the year. The interest rate on 3-month USD deposits increased from 0.35 percent in 2015 to 0.73 percent at the end of 2016. In addition, the spread between the two average rates widened, recording a rise of 1.34 percent in 2016 as compared to 0.56 percent in 2015 (Table 3.9 and Chart 3.6).

Exchange Rate Trends

SAMA maintained its monetary policy, which is aimed at stabilizing the Saudi riyal exchange rate in order to serve the interests of the Saudi economy (Table 3.10). As a result of this policy, the Saudi riyal exchange rate remained fixed at SAR 3.75 per US dollar in the spot market in 2016. It should also be noted that some fluctuations in the riyal against the dollar forward rate were observed in a limited number of transactions due to inaccurate forecasts by some speculators that the Saudi economy will be affected by low oil prices. However, the ample foreign exchange reserves of SAR 2,009.2 billion at the end of 2016, the strong Saudi economic indicators, and the commitment by SAMA to maintain the exchange rate reduced the impact of these fluctuations and stabilized the exchange rate in the forward market.

Table 3.9:
Interest Rates on SAR and USD Deposits*
(Average Rates on 3-Month Deposits)

Year	SAR deposits	USD deposits	Difference between SAR and USD interest rates
2012	0.92	0.36	0.55
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

*SIBOR

Chart 3.6:
Interest Rates on Riyal and Dollar Deposits
(Average rates for 3-month deposits)

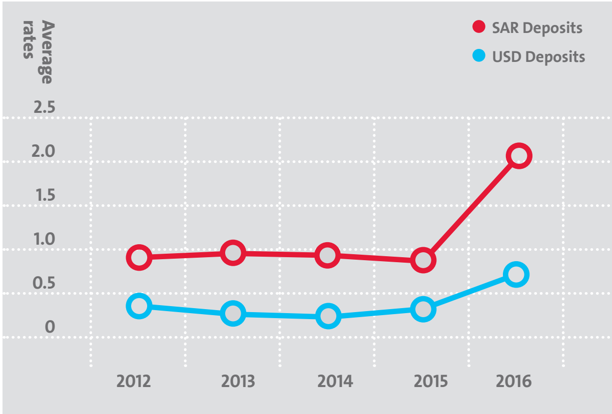


Table 3.10:
Indicators of USD/SAR Exchange Rate in the Spot Market*

Year	Highest rate	Lowest rate	Average rate (for the entire (period
2012	3.7508	3.7498	3.7502
2013	3.7512	3.7470	3.7503
2014	3.7557	3.7500	3.7509
2015	3.7610	3.7497	3.7512
2016	3.7603	3.7496	3.7507

* Source: Bloomberg.

04

BANKING SECTOR

Despite the effect of lower oil prices on government spending, commercial banks continued their strong performance in 2016. This is attributable to SAMA's role of controlling and supervising the banking system, aiming at enhancing its robustness and solvency and promoting quality of banking and financial services provided to customers and different economic and commercial activities. The good performance of commercial banks during 2016 was reflected in a rise in their general activity and enhancement of their financial position. Their total assets went up by 2.2 percent, bank deposits by 0.8 percent, and capital and reserves by 10.3 percent.

Consolidated Financial Position of Commercial Banks

Commercial banks achieved good performance in strengthening their financial position in 2016. Their total assets rose by 2.2 percent (SAR 47.6 billion) to SAR 2,256.3 billion compared to an increase of 3.6 percent (SAR 76.2 billion) in the previous year (Table 4.1).

Bank Deposits

Total bank deposits increased by 0.8 percent (SAR 12.2 billion) to SAR 1,617.0 billion in 2015 compared to an increase of 1.9 percent (SAR 29.2 billion) in the previous year (Table 4.2and Charts 4.1and 4.2).

A review of developments in bank deposits by type shows that demand deposits fell by 0.2 percent (SAR 2.1 billion) to SAR 974.1 billion in 2016 compared to a decline of 1.3 percent (SAR 12.9 billion) in the previous year, bringing down their share in total deposits to 60.2 percent at the end of 2016 from 60.8 percent at the end of 2015. Time and savings deposits increased 13.1 percent (SAR 57.1 billion) to SAR 491.6 billion compared to an increase of 9.0 percent (SAR 35.8 billion) in the previous year. Their share in total deposits also increased to 30.4 percent at the end of 2016 compared to 27.1 percent in the previous year. Other quasi-monetary deposits (the bulk of which is residents' foreign currency deposits) went down by 22.0 percent (SAR 42.7 billion) to SAR 151.3 billion in 2016 compared to a rise of 3.4 percent (SAR 6.4 billion) in the previous year. Their share in total deposits went down to 9.4 percent at the end of 2016 from 12.1 percent at the end of the previous year (Chart 4.3).

A breakdown of deposits by sector shows that deposits of the private sector increased 3.8 percent (SAR 48.2 billion) to SAR 1,304.5 billion in 2016 compared to a rise of 2.8 percent (SAR 34.5 billion) in the previous year. The share of the private sector deposits in total bank deposits stood at 80.7 percent compared to 78.3 percent at the end of the previous year. Deposits of the public sector decreased 10.3 percent (SAR 35.9 billion) to SAR 312.5 billion compared to a decline of 1.5 percent (SAR 5.3 billion) in the previous year, bringing down the share of the sector's deposits in total deposits to 19.3 percent at the end of 2016 from 21.7 percent at the end of 2015.

BANKING SECTOR

Table 4.1:
Consolidated Financial Position of Commercial Banks (End of period)
(Million SAR)

	2012	2013	2014	2015	2016
Assets					
Bank reserves	217,455	200,366	213,073	146,238	236,704
Foreign assets	212,829	210,691	251,613	316,710	225,838
Claims on the public sector	82,076	93,755	98,949	124,977	227,428
Claims on the private sector	999,127	1,123,645	1,256,210	1,371,925	1,405,474
Claims on non-monetary financial institutions	2,737	2,740	2,254	2,904	4,436
Other assets	219,918	262,085	310,477	246,015	156,454
Total Assets (Liabilities)	1,734,141	1,893,283	2,132,577	2,208,768	2,256,334
Liabilities					
Bank deposits	1,260,608	1,401,980	1,575,579	1,604,768	1,617,010
Foreign liabilities	79,396	74,405	92,277	91,171	80,132
Capital and reserves	209,494	225,855	248,111	270,964	298,895
Profits	33,508	35,692	40,159	42,683	40,363
Other liabilities	151,135	155,350	176,451	199,182	219,933

Chart 4.1:
Deposits By Currency

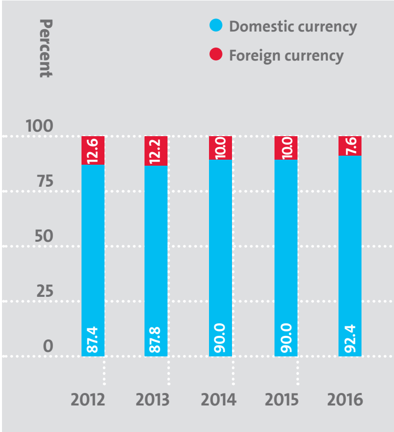


Table 4.2:
Bank Deposits (End of period)
(Million SAR)

	2012	2013	2014	2015	2016
I: By type					
Demand deposits	753,970	857,280	989,174	976,231	974,094
Time and savings deposits	324,428	345,035	398,743	434,501	491,595
Other quasi-money deposits	182,211	199,664	187,661	194,036	151,321
Foreign currency deposits	159,394	170,562	157,414	160,989	123,019
For L/Cs	9,849	12,812	14,028	16,284	18,052
Repo transactions	10	35	70	14	81
Outstanding remittances	12,958	16,255	16,150	16,749	10,169
II: By sector					
Private sector	998,255	1,103,216	1,221,838	1,256,308	1,304,465
Public sector	262,354	298,764	353,740	348,459	312,546
III: By currency					
Domestic currency deposits	1,101,214	1,231,418	1,418,165	1,443,778	1,493,991
Foreign currency deposits	159,394	170,562	157,414	160,989	123,019
Total bank deposits	**1,260,608**	**1,401,980**	**1,575,579**	**1,604,768**	**1,617,010**

Chart 4.2:
Growth Rates of Bank Deposits

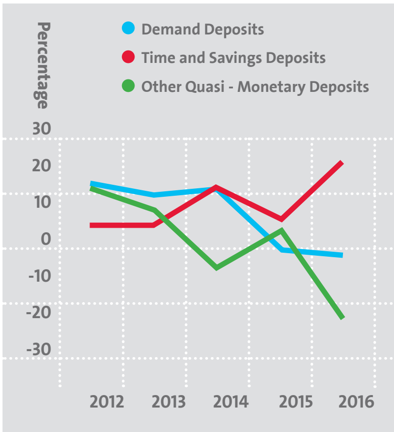
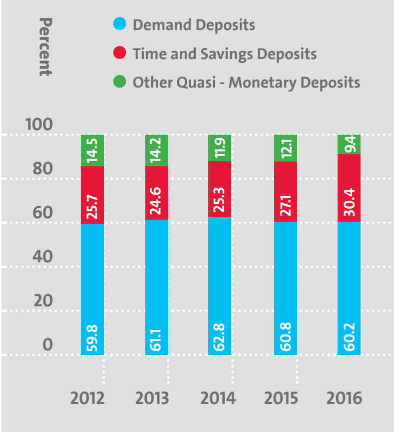


Table 4.3: Bank Claims on the Private and Public Sectors (End of period)
(Million SAR)

	2014		2015		2016	
	Amount	% share for total	Amount	% share for total	Amount	% share for total
Claims on the private sector	1,256,210	92.5	1,371,925	91.5	1,405,474	85.8
Bank credit	1,204,831	88.8	1,322,809	88.2	1,351,407	82.5
Loans and advances	1,194,520	88.0	1,308,199	87.2	1,337,343	81.7
Bills discounted	10,311	0.8	14,611	1.0	14,064	0.9
Investments in private securities	51,380	3.8	49,116	3.3	54,067	3.3
Claims on the public sector	98,949	7.3	124,977	8.3	227,428	13.9
Bank credit to public institutions	45,816	3.4	38,820	2.6	49,012	3.0
Government bonds	53,134	3.9	86,158	5.7	178,416	10.9
Claims on non-monetary financial institutions	2,254	0.2	2,904	0.2	4,436	0.3
Total	**1,357,413**	**100.0**	**1,499,806**	**100.0**	**1,637,338**	**100.0**

Chart 4.3: Shares of Deposit Components



With respect to bank deposits by currency, domestic currency deposits increased 3.5 percent (SAR 50.2 billion) to SAR 1,494.0 billion compared to an increase of 1.8 percent (SAR 25.6 billion) in the previous year. Their share in total deposits went up 92.4 percent compared to 90.0 percent at the end of 2015. Foreign currency deposits decreased 23.6 percent (SAR 38.0 billion) to SAR 123 billion compared to an increase of 2.3 percent (SAR 3.6 billion) in the previous year. Their share in total deposits decreased to 7.6 percent compared to 10.0 percent at the end of the previous year.

Bank Claims on the Private and Public Sectors

Total bank claims on the private and public sectors (loans and advances, bills discounted and investments) rose 9.2 percent (SAR 137.5 billion) to SAR 1,637.3 billion in 2016 compared to an increase of 10.5 percent (SAR 142.4 billion) in the previous year. Total claims on the private and public sectors at the end of 2016 accounted for 101.3 percent of total bank deposits, compared to 93.5 percent at the end of the previous year.

Total bank claims on the private sector went up by 2.4 percent (SAR 33.6 billion) to SAR 1,405.5 billion in 2016 compared to an increase of 9.2 percent (SAR 115.7 billion) in the previous year. These claims constituted 86.9 percent of total bank deposits at the end of 2016 compared to 85.5 percent at the end of the previous year.

Bank claims on the public sector (loans to public institutions and government bonds) increased by 82.0 percent (SAR 102.5 billion) to SAR 227.4 billion in 2016, compared to a rise of 26.3 percent (SAR 26.0 billion) in the previous year. The increase was buoyed by a year-on-year surge of 107.1 percent (SAR 92.3 billion) in government bonds, bringing them to SAR 178.4 billion, against 62.2 percent (SAR 33 billion) in the previous year. In addition, loans to public institutions went up by 26.3 percent (SAR 10.2 billion) to SAR 49.0 billion compared to a decrease of 15.3 percent (SAR 7 billion) in the previous year. Claims on the public sector accounted for 14.1 percent of total bank deposits at the end of 2016, compared to 7.8 percent at the end of the previous year (Table 4.3and Charts 4.4and 4.5).

Chart 4.4:
Bank Claims On Private Sector

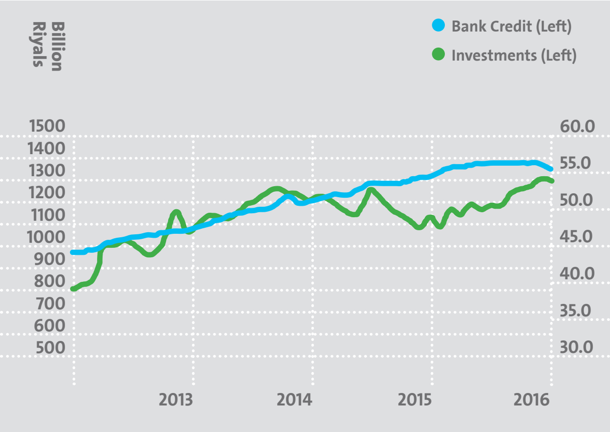


Chart 4.5:
Bank Claims By Sector

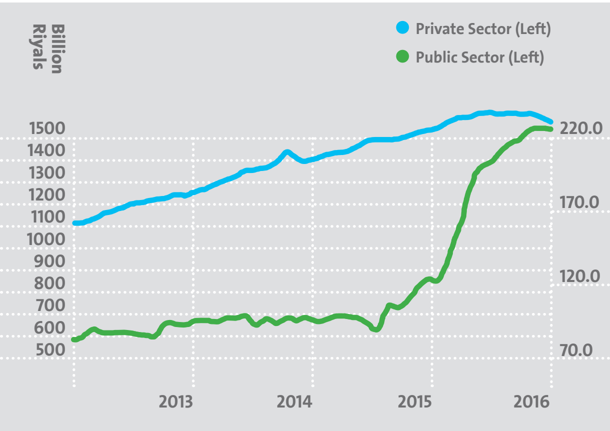
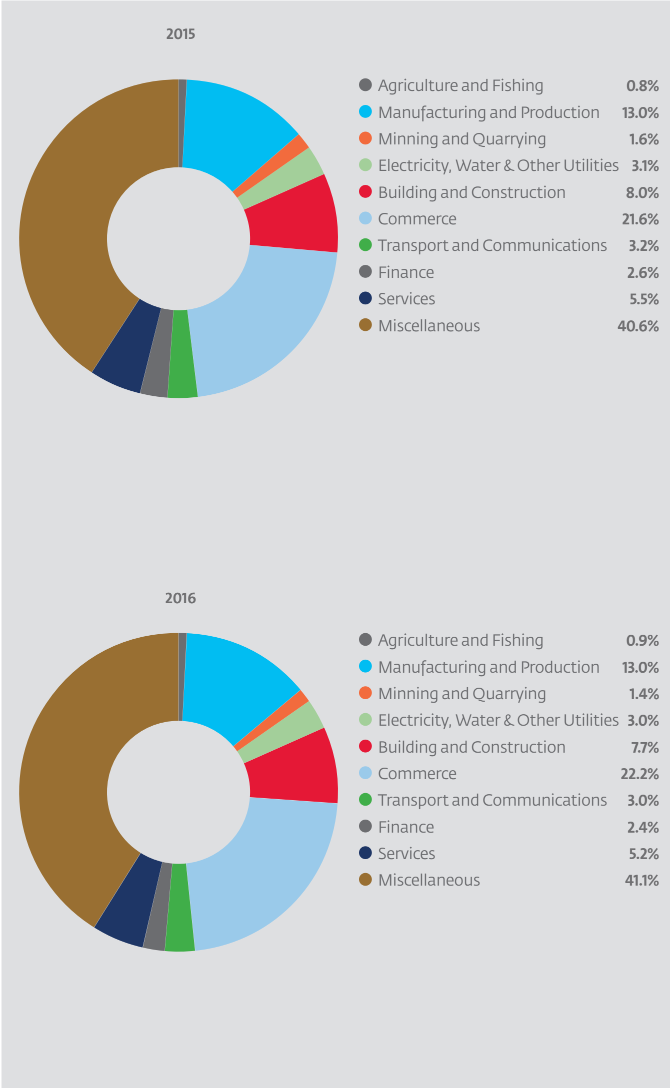


Chart 4.6:
Bank Credit to the Private Sector by Economic Activity



Bank Credit by Maturity

Short-term bank credit (less than one year) extended to the private sector and institutions of the public sector increased 2.6 percent (SAR 17.7 billion) to SAR 702.3 billion in 2016, compared to a rise of 10.3 percent (SAR 63.9 billion) in the previous year. Medium-term credit (13- years) rose by 9.7 percent (SAR 23.4 billion) to SAR 264.9 billion, compared to an increase of 1.6 percent (SAR 3.7 billion) in the previous year. Long-term credit (more than three years), however, went down by 0.5 percent (SAR 2.3 billion) to SAR 433.2 billion, compared to an increase of 11.1 percent (SAR 43.4 billion) in the previous year.

Bank Credit by Economic Activity

A breakdown of bank credit by economic activity during 2016 shows mixed trends. Bank credit extended to agriculture and fishing increased 15.3 percent (SAR 1.7 billion) to SAR 12.8 billion compared to a decline of 4.3 percent in the previous year. Moreover, bank credit extended to the commerce activity expanded by 5.1 percent (SAR 14.6 billion) to SAR 300.1 billion compared to an increase of 11.7 percent in the previous year. Bank credit extended to manufacturing and production also rose by 2.2 percent (SAR 3.9 billion) to SAR 176.4 billion compared to an increase of 8.9 percent in the previous year. Bank credit extended to electricity, water, gas and health services also rose by 1.5 percent (SAR 623 million) to SAR 41.1 billion compared to an increase of 12.1 percent in the previous year. On the other hand, bank credit extended to mining and quarrying fell by 8.4 percent (SAR 1.8 billion) to SAR 19.4 billion compared to a rise of 4.5 percent in the previous year. Bank credit extended to the finance activity also declined 6.2 percent (SAR 2.1 billion) to SAR 31.8 billion compared to a rise of 3.7 percent in the previous year. Bank credit extended to transport and communications also declined 5.3 percent (SAR 2.2 billion) to SAR 40.4 billion compared to a decrease of 1.4 percent in the

Table 4.4:
Bank Credit Extended to Private Sector by Economic Activity (End of period)
(Million SAR)

	2014		2015		2016	
	Amount	% share for total	Amount	% share for total	Amount	% share for total
Agriculture and fishing	11,573	1.0	11,080	0.8	12,778	0.9
Manufacturing and production	158,441	13.2	172,498	13.0	176,355	13.0
Mining and quarrying	20,287	1.7	21,205	1.6	19,433	1.4
Electricity, water, gas and health services	36,102	3.0	40,485	3.1	41,108	3.0
Building and construction	83,259	6.9	105,834	8.0	104,388	7.7
Commerce	255,645	21.2	285,492	21.6	300,107	22.2
Transport & communications	43,263	3.6	42,655	3.2	40,411	3.0
Finance	35,196	2.9	33,890	2.6	31,789	2.4
Services	60,325	5.0	72,709	5.5	69,961	5.2
Other miscellaneous services	500,739	41.6	536,961	40.6	555,077	41.1
Total	**1,204,831**	**100.0**	**1,322,809**	**100.0**	**1,351,407**	**100.0**

Chart 4.7:
Total Consumer Loans

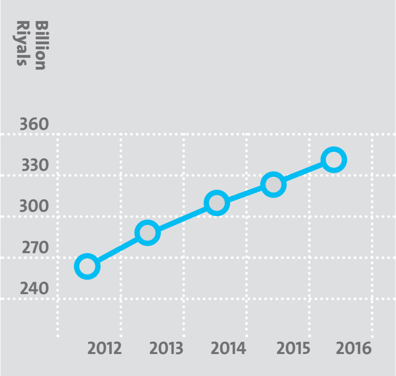


Table 4.5A:
Consumer and Credit Card Loans*
(Million SAR)

Year (End of period)	Consumer loans								Credit cards**
	Renovation & property improvement	Personal transportation & motor vehicles	Furniture & durable goods	Education	Health care	Tourism & travel	Others	Total	
2012	18,050.0	24,087.8	---	---	---	---	221,054.8	263,192.5	7,964.7
2013	21,300.3	28,363.6	---	---	---	---	238,225.8	287,889.7	8,509.1
2014***	25,603.9	35,879.6	5455.2	414.5	246.0	102.7	245,397.7	313,009.5	9,666.7
2015	37,020.5	29,319.9	4911.9	636.6	312.2	85.3	254,789.2	327,075.6	10,212.7
2016	29,080.2	32,893.2	4821.8	957.6	506.5	72.1	273,499.5	341,830.9	10,957.7

* 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 Others.

previous year. Bank credit extended to the services witnessed a decrease of 3.8 percent (SAR 2.7 billion) to SAR 70 billion compared to a rise of 20.5 percent in the previous year. Bank credit extended to building and construction fell by 1.3 percent (SAR 1.4 billion) to SAR 104.4 billion compared to a rise of 27.1 percent in the previous year (Table 4.4and Chart 4.6).

Consumer and Credit Card Loans

Consumer and credit card loans extended by banks went up by 4.6 percent to register their highest level of SAR 352.8 billion at the end of 2016 compared to SAR 337.3 billion in the previous year. The bulk of the increase was driven by consumer loans, which rose by 4.5 percent (SAR 14.8 billion) to SAR 341.8 billion in 2016, compared to an increase of 4.5 percent (SAR 14 billion) in the previous year. A review of the components of these loans shows that loans for other purposes increased by 7.3 percent (SAR 18.7 billion) to SAR 273.5 billion, accounting for 80.0 percent of total consumer loans, compared to a rise of 3.8 percent (SAR 9.4 billion) in the previous year. Loans granted for purchases of personal transportation and motor vehicles increased by 12.2 percent (SAR 3.6 billion) to SAR 32.9 billion, constituting 9.6 percent of total consumer loans, compared to a fall of 18.3 percent (SAR 6.6 billion) in the previous year. Moreover, credit card loans increased 7.3 percent (SAR 745 million) to SAR 11 billion in 2016 compared to a rise of 5.6 percent (SAR 546 billion) in the previous year. Loans granted for renovation and property improvement declined by 21.4 percent (SAR 7.9 billion) to SAR 29.1 billion, constituting 8.5 percent of total consumer loans, compared to a rise of 44.6 percent (SAR 11.4 billion) in the previous year. (Table 4.5A and Chart 4.7).

Table 4.5 B:
Real Estate Bank Credit
(Million SAR)

Year (End of period)	Retail	Corporate	Total
2012	53,576	34,448	88,024
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

Table 4.6:
Commercial Banks' Foreign Assets and Liabilities (End of period)
(Million SAR)

	Amount		Change			
			2015		2016	
	2015	2016	Amount	%	Amount	%
Foreign Assets						
Due from foreign banks	83,092	55,946	45,506	121.1	-27,146	-32.7
Due from branches abroad	44,493	28,078	3,319	8.1	-16,416	-36.9
Due from others	13,936	12,791	2,314	19.9	-1,144	-8.2
Investments abroad	175,188	129,023	13,957	8.7	-46,165	-26.4
Total	**316,710**	**225,838**	**65,097**	**25.9**	**-90,871**	**-28.7**
Foreign Liabilities						
Due to foreign banks	48,743	47,624	-3,717	-7.1	-1,118	-2.3
Due to branches abroad	17,139	9,534	1	0.0	-7,605	-44.4
Due from others	25,290	22,974	2,611	11.5	-2,316	-9.2
Total	**91,171**	**80,132**	**-1,106**	**-1.2**	**-11,039**	**-12.1**
Net Foreign Assets	**225,538**	**145,706**	**66,202**	**41.5**	**-79,832**	**-35.4**

Real Estate Loans

Total real estate credit extended by banks continued their growth to SAR 206.9 billion, increasing by 10.9 percent (SAR 20.4 billion) compared to growth of 17.3 percent (SAR 27.5 billion) in the previous year. Retail real estate loans recorded a rise of 8.2 percent (SAR 8.4 billion) to SAR 110.6 billion, compared to an increase of 8.5 percent (SAR 8 billion) in the previous year, constituting 53.5 percent of total real estate loans at the end of 2016. Corporate real estate credit also rose 14.3 percent (SAR 12 billion) to SAR 96.3 billion in 2016, compared to a rise of 30.1 percent (SAR 19.5 billion) in the previous year. (Table 4.5B).

Syndicated Loans

Data on loans extended to residents by a syndicate of domestic and foreign banks indicate that their number increased by 18.3 percent to 555 in 2016. Syndicated loans extended to non-residents also went up by 16.9 percent to 76. Total value of syndicated loans extended to residents rose by 45.5 percent to SAR 195 billion in 2016, and those extended to non-residents by 33.3 percent to SAR 16 billion.

Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks went down by 28.7 percent (SAR 90.9 billion) to SAR 225.8 billion at the end of 2016 compared to an increase of 25.9 percent (SAR 65.1 billion) in the previous year.

Foreign liabilities of commercial banks decreased by 12.1 percent (SAR 11 billion) to SAR 80.1 billion in 2016, compared to a decline of 1.2 percent (SAR 1.1 billion) in the previous year (Table 4.6and Charts 4.8and 4.9).

As a result, commercial banks' net foreign assets (foreign assets less foreign liabilities) dropped 35.4 percent (SAR 79.8 billion) to SAR

Chart 4.8: Foreign Assets and Liabilities of Banks

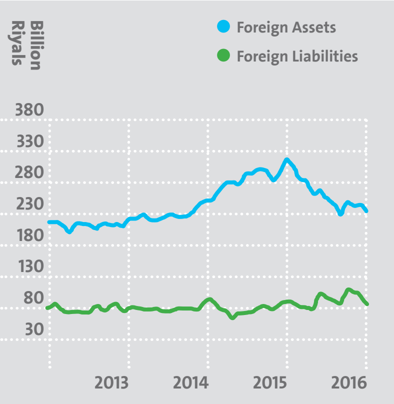


Chart 4.9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities

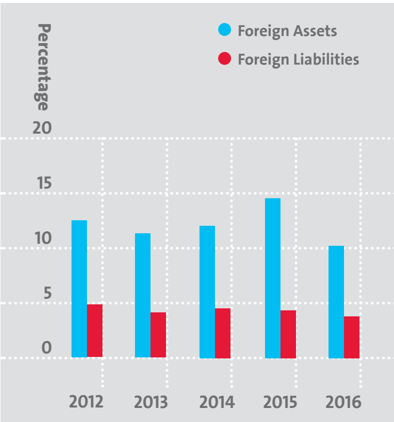


Table 4.7: Commercial Banks' Reserves (End of period)

(Million SAR)

	2012	2013	2014	2015	2016
Cash in vault	**19,666**	**23,219**	**27,115**	**29,383**	**29,648**
Deposits with SAMA:					
Current deposits	161	173	472	317	293
Statutory deposits	70,005	81,085	91,879	97,467	96,727
Other deposits	127,623	95,889	93,607	19,071	110,036
Banks' reserves	**217,455**	**200,366**	**213,073**	**146,238**	**236,704**
Ratios to bank deposits					
Cash in vault	**1.56**	**1.66**	**1.72**	**1.83**	**1.83**
Deposits with SAMA:					
Current deposits	0.01	0.01	0.03	0.02	0.02
Statutory deposits	5.55	5.78	5.83	6.07	5.98
Other deposits	10.12	6.84	5.94	1.19	6.80
Banks' reserves	**17.25**	**14.29**	**13.52**	**9.11**	**14.64**

Table 4.8: Capital and Reserves of Commercial Banks (End of period)

(Million SAR)

	2012	2013	2014	2015	2016
Capital and reserves	209,494	225,855	248,111	270,964	298,895
Capital and reserves as a ratio of:					
Bank deposits	16.6	16.1	15.7	16.9	18.5
Total assets	12.1	11.9	11.6	12.3	13.2
Capital to risk-weighted assets ratio					
(Basel Standard)	18.2	17.9	17.9	18.1	19.5

145.7 billion in 2016, compared to a rise of 41.5 percent (SAR 66.2 billion) in the previous year.

Commercial Banks' Reserves

Commercial banks' reserves (cash in vault and deposits with SAMA) went up by 61.9 percent (SAR 90.5 billion) to SAR 236.7 billion in 2016 compared to a fall of 31.4 percent (SAR 66.8 billion) in the previous year. The bulk of the increase was due to a 477.0 percent (SAR 91 billion) rise in other deposits with SAMA to stand at SAR 110 billion at the end of 2016 from SAR 19.1 billion at the end of 2015, and a 0.9 percent (SAR 265 million) rise in cash in bank vaults to stand at SAR 29.6 million from SAR 29.4 million. However, current deposits with SAMA fell by 7.5 percent (SAR 23.8 billion) to SAR 293 billion. Statutory deposits with SAMA also declined by SAR 740 million to SAR 96.7 billion (Table 4.7).

Banks' Capital and Reserves

Bank Capital and reserves increased 10.3 percent (SAR 27.9 billion) to SAR 298.9 billion in 2016 compared to a rise of 9.2 percent (SAR 22.9 billion) in the previous year. Their ratio to total deposits increased from 16.9 percent at the end of 2015 to 18.5 percent at the end of 2016, and to total assets from 12.3 percent to 13.2 percent at the end of 2016. Capital to risk-weighted assets ratio (CRAR) stood at 19.5 percent at the end of 2016, which is higher than the ratio recommended by Basel Committee (Table 4.8).

Table 4.9:
Sources and Uses of Financial Resources of Commercial Banks in 2016
(Billion SAR)

Resources	Amount	% Share	Uses	Amount	% Share
SAMA bills	101.4	42.4	Government bonds	92.3	38.6
Foreign assets	90.9	38.0	Reverse repo transactions	89.6	37.5
Capital base	25.6	10.7	Claims on private sector (loans and investments)	33.6	14.0
Bank deposits	12.2	5.1	Foreign liabilities	11.1	4.6
Net other liabilities	8.9	3.7	Claims on public institutions	10.1	4.3
			Claims on non-bank financial institutions	1.5	0.6
			Liquidity reserves (cash and statutory deposits with SAMA)	0.8	0.3
Total	**239.0**	**100.0**	**Total**	**239.0**	**100.0**

Sources and Uses of Financial Resources of Commercial Banks in 2016

Total added financial resources of commercial banks went up by 2.1 percent to SAR 239.0 billion in 2016 compared to SAR 234.1 billion in the previous year. These main resources were accounted for by SAMA bills by SAR 101.4 billion (42.4 percent of total resources) and foreign assets by SAR 90.9 billion (38.0 percent). Capital base and banking deposits also rose by SAR 25.6 billion and SAR 12.2 billion (10.7 percent and 5.1 percent of total resources) respectively and net other liabilities by SAR 8.9 billion (3.7 percent).

Most of these financial resources were used during 2016 for increasing investments in government and quasi-government bonds by SAR 92.3 billion (38.6 percent of total resources), reverse repo transactions by SAR 89.6 billion (37.5 percent) and claims on the private sector by SAR 33.6 billion (14.0 percent). They were also used for the repayment of SAR 11.1 billion (4.6 percent) of bank foreign liabilities and for increasing claims on public institutions by SAR 10.2 billion (4.3 percent of total). (Table 4.9).

Commercial Banks' Profits

Commercial banks' profits dropped by 5.4 percent to SAR 40.4 billion in 2016 from last year's profits of SAR 42.7 billion, which rose by 6.3 percent over the profits in 2014.

Table 4.10:
Bank Branches Classified by Administrative Regions
(End of period)

	Riyadh	Makkah	Madinah	Eastern Region	Qassim	Asir	Tabuk	Ha'il	Northern Borders	Jawf	Jazan	Najran	Baha	Total
2012	506	384	78	320	107	106	42	32	14	21	38	23	25	1,696
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	1,412
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

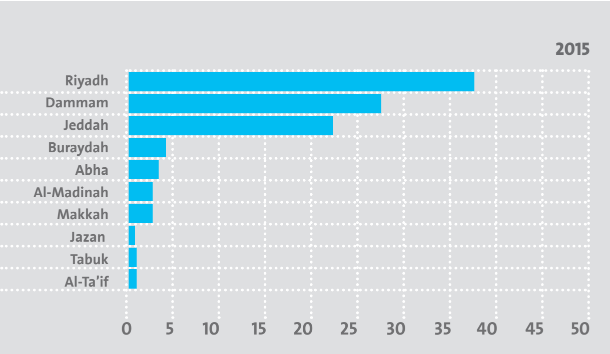
Number of Banks and Branches

The number of commercial banks operating in Saudi Arabia stood at 26 (25 operating and 1 licensed) at the end of 2016, including branches of foreign banks. The number of commercial banks' branches increased by 49 to 2,038 in various regions of Saudi Arabia. The distribution of bank branches by administrative regions shows that Riyadh accounted for 623 branches (30.6 percent of total bank branches), Makkah 439 (21.5 percent), the Eastern Region 393 (19.3 percent), Asir 125 (6.1 percent), Qassim 120 (5.9 percent), and Medina 105 (5.2 percent) (Table 4.10).

Number of Workers in the Banking Sector

The number of workers in the banking sector went down 0.5 percent to 49,335 in 2016. Saudi (male-female) workers represented 90.9 percent (44,852) of the total number of workers in the banking sector. Saudi male workers accounted for 77.5 percent of the total number of workers, while non-Saudi male workers accounted for 9.0 percent. Saudi female workers represented 13.4 percent of the total number of workers, against 0.1 percent of non-Saudi female workers.

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



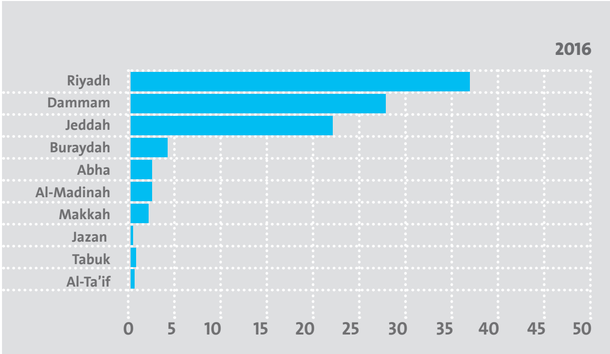
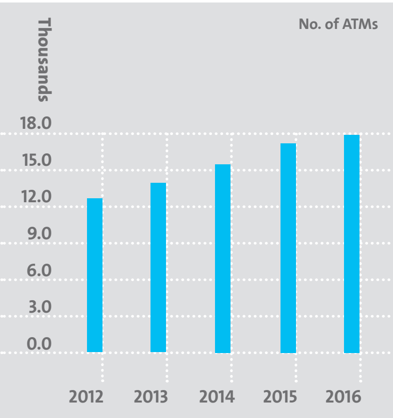
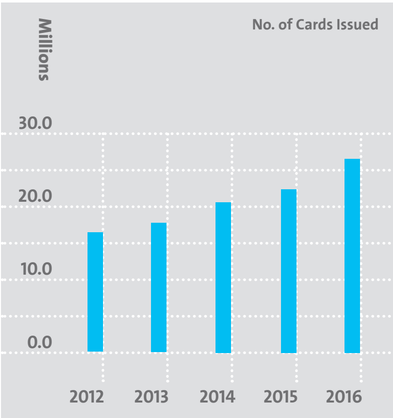
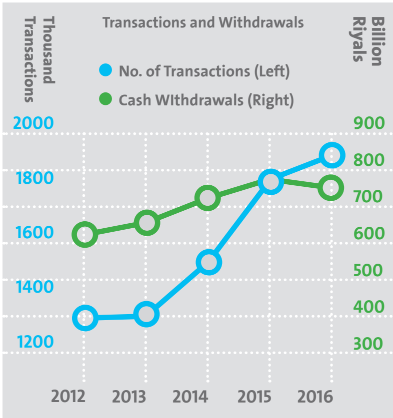


Chart 4.11:
Automated Teller Machine Statistics







Banking Technology Developments in 2016

1. Clearing House Operations

The number of commercial and personal checks cleared through clearing houses in Saudi Arabia went down by 14.0 percent (800.5 thousand checks) in 2016, bringing down their value by 24.2 percent to SAR 410.5 billion. The average check value went down by 11.9 percent from SAR 94,825 in 2015 to SAR 83,568 in 2016.

In general, the number of commercial and personal checks cleared at the main automatic clearing houses in the Kingdom decreased in 2016. This is likely attributable to the expansion in banking technology, including Point of Sale (POS) terminals. The number of checks in Riyadh clearing house fell by 14.9 percent to 1.8 million, Dammam 12.1 percent to 1.4 million, Jeddah 13.2 percent to 1.1 million, Madinah 7.2 percent to 124.2 thousand, Buraidah 10.6 percent to 202.7 thousand, Makkah 18.3 percent to 107.1 thousand, Tabuk 10.9 percent to 37.2 thousand, Ta'if 17.2 percent to 29 thousand, and Abha 32.7 percent to 119.6 thousand (Chart 4.10).

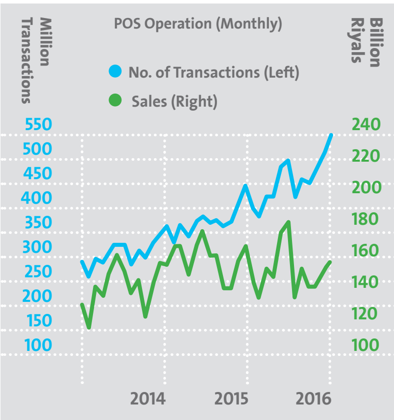
Table 4.11:
ATM Statistics

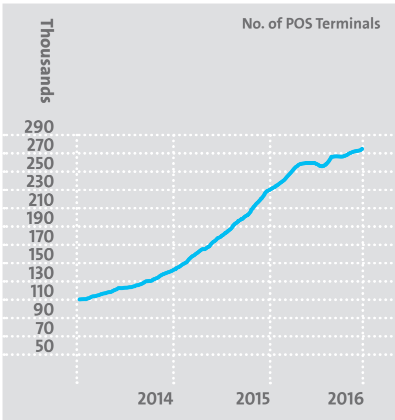
Year	No. of ATMs	No. of issued ATM cards	No. of transactions (millions) mada	Bank networks	Total	Cash withdrawals (million SAR) mada	Bank networks	Total
2012	12,712	16,440,258	533	800	1,333	301,473	324,281	625,754
2013	13,883	17,810,653	558	777	1,336	334,331	333,810	668,141
2014	15,516	20,550,274	625	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

Table 4.12:
POS Statistics

Year	Sales (Million SAR)	No. of transactions (Million)	No. of POS terminals
2012	122,226	238	92,538
2013	134,194	265	107,763
2014	159,970	327	138,779
2015	172,835	395	225,372
2016	182,749	525	276,167

Table 4.12:





2. mada

During 2016, the Saudi Payment Network (mada) achieved positive growth in all of its operations. The number of ATMs operating in Saudi Arabia increased by 3.9 percent to 17,887, compared to a rise of 11.0 percent in the previous year. The number of ATM cards issued increased by 18.2 percent to 26.5 million in 2016, compared to an increase of 9.3 percent in the previous year.

The number of transactions carried out through mada rose 13.1 percent to 822 million in 2016, compared to a rise of 16.3 percent in the previous year. The value of withdrawals carried out through mada increased 2.6 percent to SAR 446.3 billion, compared to a rise of 16.7 percent in the previous year. The number of transactions executed through banks' networks went up by 3.0 percent to 1.1 billion, compared to a rise of 18.2 percent in the previous year, but their value went down by 10.2 percent to SAR 307 billion, compared to a decline of 4.6 percent in the previous year. As a result, total number of ATM transactions rose by 7.1 percent to 1,923 million. However, total cash withdrawals declined by 3.1 percent to SAR 753.4 billion (Table 4.11and Chart 4.11).

The number of POS terminals went up by 22.5 percent to 276,167 in 2016, compared to a rise of 62.4 percent in the previous year. The number of POS transactions went up by 32.8 percent to 524.6 million, compared to a rise of 20.8 percent in the previous year. The value of POS transactions rose by 5.7 percent to SAR 182.7 billion compared to an increase of 8.0 percent in the previous year (Table 4.12and Chart 4.12). 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.

Table 4.13A: Number Of SARIE Transactions
(Thousands)

	Customer payments			Interbank payments				
Period	Bulk	Single	Total (1)	Bulk	Single	Total (2)	Others (3)	Total (13+2+)
2012	48,882	4,349	53,231	129	335	464	1,215	54,909
2013	50,768	5,290	56,058	112	342	454	1,456	57,967
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

Chart 4.13: SARIE Transactions

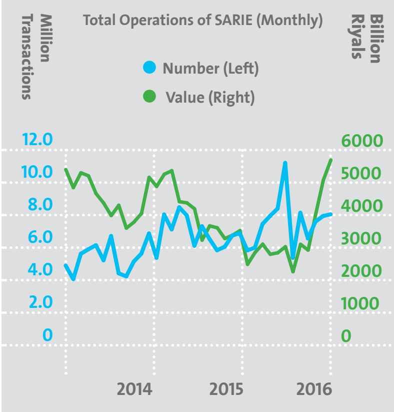


Table 4.13B: Value Of SARIE Transactions
(Billion SAR)

	Customer payments			Interbank payments				
Period	Bulk	Single	Total (1)	Bulk	Single	Total (2)	Other* (3)	Total (13+2+)
2012	1,332	2,714	4,046	61	61,290	61,351	22	65,420
2013	1,530	3,040	4,570	49	50,013	50,062	27	54,660
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

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

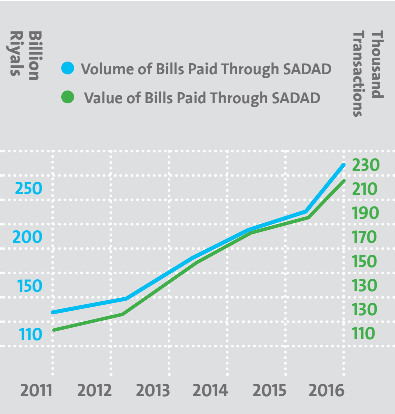
3. Saudi Arabian Riyal Interbank Express System (SARIE)

Total number of transactions executed through SARIE went up by 9.5 percent to 89.3 million in 2016 compared to a rise of 26.3 percent in the previous year. A breakdown of SARIE transactions by single and bulk payments shows that the number of single payments rose by 14.1 percent to 9.2 million transactions and their value by 1.4 percent to SAR 3,396 billion. The number of bulk payments also went up by 7.7 percent to 76.1 million transactions and their value by 4.2 percent to SAR 2,067 billion. The number of other transactions increased by 49.8 percent to 3.5 million and their value by 37.4 percent to SAR 31 billion. A classification of SARIE transactions by interbank payments shows that the number of single interbank transactions increased by 0.9 percent to 468 thousand during 2016. Their value, however, went down by 21.4 percent to SAR 34,161 billion. The number of bulk interbank transactions executed through SARIE grew by 8.8 percent to 79 thousand and their value by 3.7 percent to SAR 61 billion (Tables 4.13A - 4.13B and Chart 4.13).

4. SADAD

The number of billers from various sectors (such as electricity, water, communications, airline companies, insurance, credit cards, etc.) connected to SADAD stood at 148 at the end of 2016, while the number of banks linked to SADAD reached 17. Agreements were concluded with three other banks for connection to SADAD. The number of transactions executed during 2016 totaled 190.1 million with a total value of SAR 224.6 billion compared to 172.4 million with a total value of SAR 210.3 billion at the end of the previous year (Chart 4.14).

Chart 4.14:
Volume and value of bill paid through SADAD



Derivative Market Activity

Derivative transactions in Saudi Arabia fell by 15.2 percent (SAR 228.0 billion) to SAR 1,276.5 billion in 2016, compared to SAR 1,503.6 billion at the end of the previous year. Derivatives constituted 67.2 percent of the contra accounts (off-consolidated financial position) at the end of 2016 against 67.5 percent in the previous year.

Banking Creditworthiness

The Saudi Credit Bureau (SIMAH) continued to provide its services to all relevant entities during 2016 by developing its services and products. These services and products include the retail system project (SIMATI), corporate system project (SIMATONA), SMEs evaluation (TAQEEM), Ta'mini (insurance sector) and Shaiki (bounced checks registration system). They also include MOA'RIF service, which is a legal entity identifier, the importance of which was acknowledged by the G20 based on an FSB initiative aiming at helping financial institutions to assess risks in a systematic and effective manner and putting regulatory and operational requirements in place to ensure the stability and efficiency of the financial sector. SIMAH's services constitute a solid base for this stability. SIMAH continued to achieve the goals for which it was established as an independent Saudi credit information body in the late 90s: 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 continued to develop its businesses at the technical and regulatory levels during 2016 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.

In 2016, SIMAH introduced a number of services in the Saudi market, the most prominent of which are 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. The additional services also included data analysis systems, credit performance report, financial soundness systems and other services.

During 2016, SIMAH sought to provide services to the banking and financial sectors, ministries, government funds, utility sector, commerce and industry, real estate, leasing, SMEs, health, education, petrochemical and other sectors that need to have access to credit information about consumers. The role of SIMAH was focused on providing credit information services and value-added products in accordance with the best standards to achieve the highest professionalism for the relevant sectors.

During 2016, SIMAH established an information center in accordance with the highest international specifications (TIER IV) as part of its efforts 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.

Also, SIMAH published in 2016 a procedural manual as part of "Know Your Rights" campaign. It was published and distributed at its customer service center, members' websites, and through social media (Twitter, Facebook and YouTube) to increase credit awareness among all segments of society.

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

SAMA's efforts have been instrumental in encouraging commercial banks to comply with the Basel Committee on Banking Supervision (BCBS) standards for risk-based capital adequacy. SAMA has already commenced the implementation of Basel III in regards to Pillar I capital requirements (credit risk, market risk and operational risk), Pillar II requirements on supervisory review process and Pillar III requirements on disclosure of bank data, with full implementation gradually up to 2019. It should be noted that commercial banks proactively started to implement these standards since the beginning of 2016, which reflects the resilience, solvency and technical expertise of the banking sector. With regards to the requirements for D-SIBs G-SIBs, a framework for D-SIBs was completed and the relevant regulation was issued under SAMA's circular issued in September 2014 to be enforced at the beginning of 2016.

SAMA issued a framework for Countercyclical Capital Buffer (CCyB) requirements in 2016. It also adopted many macroprudential supervisory measures on risk management and capital adequacy.

05

INSURANCE AND FINANCE

Insurance Sector

Within the framework of SAMA's supervisory and regulatory functions over the insurance sector, several instructions and controls were issued during 14372016) 1438/) to enhance the growth and stability of this sector and reduce any potential risks. SAMA publishes the regulations and instructions related to insurance sector in the Kingdom on its website, in addition to information on insurance market and licensed companies. The following are the most prominent developments in 2016:

1. Regulations of Insurance Sector Supervision Issued in 2016.

In 2016, SAMA issued 1) the Actuarial Work Regulation for Insurance and/or Reinsurance Companies, 2) the Regulations for Branches and Points of Sale Annual Expansion for Insurance and/or Reinsurance, Brokerage and Agency Companies, and 3) the Unified Compulsory Government Motor Insurance Policy. The number of regulations issued in the past years amounted to fifteen as follows:

- Implementing Regulation for Cooperative Insurance Companies Control Law.
- Insurance Market Code of Conduct Regulations.
- Anti-money Laundering & Combating Terrorism Financing Rules for Insurance Companies.
- Anti-Fraud Regulation for Insurance Companies and Insurance Service Providers.
- Surplus Distribution Policy.
- Risk Management Regulation.
- Regulations for Supervision and Inspection Costs for Insurance Companies.
- The Regulation of Reinsurance Activities.
- Insurance Brokers and Agents Regulations.
- Online Insurance Activities Regulations.
- The Unified Compulsory Motor Insurance Policy.
- Investment Regulations.
- Outsourcing Regulations for Insurance and Reinsurance Companies and Insurance Service Providers.
- Insurance Corporate Governance Regulations.
- Audit Committees Regulation in Insurance and/or Reinsurance Companies.

2. 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 the Kingdom, 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.

Article 50 of the Regulations emphasizes that insurance companies and insurance service providers should provide SAMA, 45 days prior to the end of each financial year, with a list of numbers and rates of Saudi staff at the company level and at each branch and/or department, in addition to their job levels.

Article 79 of the Regulations stipulates the following: «The percentage of Saudi employees shall not be less than 30 percent at the end of the first year, and to be increased annually in accordance with the business plan submitted to SAMA».

INSURANCE AND FINANCE

Table 5.1: Insurance Indicators

Insurance type	2014 GWP (SAR Million)	2014 % share	2014 NWP	2014 NWP\ GWP (Retention ratio)*	2015 GWP (SAR Million)	2015 % share	2015 NWP	2015 NWP\ GWP (Retention ratio)*	2016 GWP (SAR Million)	2016 % share	2016 NWP	2016 NWP\ GWP (Retention ratio)*
Accident, liability and others	1,079.4	3.5	564.6	52.3	1,093.1	3.0	527.3	48.2	1,049.5	2.8	525.4	50.1
Motor Insurance	8,026.2	26.3	7,601.7	94.7	10,799.2	29.6	9,912.4	91.8	12,158.4	33.0	10,720.4	88.2
Property/fire insurance	1,923.2	6.3	315.8	16.4	1,961.9	5.4	330.3	16.8	1,825.8	5.0	272.7	14.9
Maritime insurance	811.4	2.7	251.5	31.0	726.2	2.0	248.9	34.3	634.1	1.7	192.3	30.3
Aviation insurance	140.4	0.5	3.5	2.5	146.6	0.4	2.9	2.0	139.7	0.4	9.1	6.5
Energy insurance	442.7	1.5	8.7	2.0	562.6	1.5	11.1	2.0	457.8	1.2	-1.7	-0.4
Engineering insurance	1,434.1	4.7	204.9	14.3	1,204.0	3.3	216.5	18.0	908.4	2.5	213.5	23.5
Total general insurance	13,857.4	45.5	8,950.2	64.6	16,493.8	45.2	11,249.5	68.2	17,173.7	46.6	11,931.8	69.5
Total health insurance	15,720.5	51.6	14,654.5	93.2	18,966.8	52.0	18,189.1	95.9	18,630.3	50.5	18,095.0	97.1
Total protection and savings insurance	904.4	3.0	729.6	80.7	1,035.7	2.8	835.9	80.7	1,051.4	2.9	820.6	78.0
Total	30,482.2	100.0	24,334.2	79.8	36,496.3	100.0	30,274.5	83.0	36,855.3	100.0	30,847.5	83.7

* Retention ratios for protection and savings insurance are not included in the overall ratio.

B. Workers in the Insurance Sector

The total number of employees at cooperative insurance companies in Saudi Arabia increased by 3.7 percent to 10,039 at the end of 2016 compared to 9,682 at the end of 2015. Saudis constituted 58 percent of the total number. The percentage of Saudis in non-managerial positions rose to 64 percent in 2016 from 62 percent in 2015. In contrast, the ratio of Saudis in managerial positions declined to 36 percent from 43 percent in 2015.

3. 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 prescribed 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.

4. Insurance Market in Saudi Arabia in 2016

A. Overall Market Performance:

- Most insurance market indicators grew slightly in 2016. The market's gross written premiums rose by one percent to SAR 36.9 billion compared to 19.7 percent in 2015. (Table 5.1).
- General insurance gross written premiums (GWP), which represents 46.6 percent of the total, increased by four percent to SAR 17.2 billion in 2016 compared to 19 percent in 2015.

Table 5.2:
Insurance penetration to GDP
(Percentage)

Insurance type	2014 GDP	2014 Non-oil GDP	2015 GDP	2015 Non-oil GDP	2016 GDP	2016 Non-oil GDP	% change
Total general insurance	0.49	0.86	0.67	0.93	0.71	0.96	2.42
Total health insurance	0.55	0.97	0.77	1.07	0.77	1.04	-3.38
Total protection and savings insurance	0.03	0.06	0.04	0.06	0.04	0.06	-0.14
Total	1.07	1.89	1.49	2.06	1.52	2.05	-0.66

Table 5.3:
Insurance Market Density
(riyals per capita)

Insurance type	2012	2013	2014	2015	2016	% change
Total general insurance	308.3	393.9	450.4	536.0	540.3	0.8
Total health insurance	386.5	441.7	510.9	616.4	586.1	-4.9
Total protection and savings insurance	30.4	28.9	29.4	33.7	33.1	-1.8
Total	725.2	864.5	990.7	1,186.1	1,159.5	-2.2

- Health insurance GWP increased by 1.8 percent to SAR 18.6 billion in 2016 compared to 20.7 percent in 2015. Thus, health insurance continued to be the largest insurance activity in 2016, constituting 50.5 percent of total GWP.
- Motor insurance GWP increased by 12.6 percent to SAR 12.2 billion in 2016 compared to SAR 10.8 million in 2015.

B. Insurance Market Penetration and Density:

Insurance penetration is the ratio of gross written premiums to GDP. The level of insurance penetration in Saudi Arabia stood at 1.52 percent in 2016 compared to 1.49 percent in 2015, with GWP to non-oil GDP amounting to 2.05 percent in 2016 (Table 5.2).

Insurance density is defined as per capita expenditure on insurance (gross written premiums divided by the total population). The per capita insurance density decreased by 2.2 percent to SAR 1,159.5 in 2016 from SAR 1,186.1 in 2015 (Table 5.3).

C. Net Written Premiums (NWP)

NWP is defined as the gross written premiums less the share of reinsurance. Motor and health insurance accounted for 93.4 percent of total NWP in 2016. Aviation insurance registered the highest growth rate in terms of NWP, increasing by 214 percent in 2016, followed by motor insurance by 8.2 percent (Table 5.1).

D. Retention Ratio

Retention ratio is a risk measure of written premiums retained by an insurance company, as there is a correlation between retention

Table 5.4:
Commissions Paid by Type of Business

	2014		2015		2016		
Insurance type	Million SAR	%	Million SAR	%	Million SAR	%	Change % 2015 - 2016
Accident, liability and others	71.6	6.9	70.9	5.2	101.8	5.7	43.6
Motor	331.9	31.9	512.4	37.8	777.5	43.2	51.7
Property/ fire	90.9	8.7	97.4	7.2	109.2	6.1	12.1
Marine	51.5	5.0	44.2	3.3	39.3	2.2	-11.1
Aviation	0.8	0.1	1.0	0.1	0.8	0.0	-20.0
Energy	0.0	0.0	0.0	0.0	1.6	0.1	-
Engineering	49.2	4.7	56.7	4.2	53.9	3.0	-4.9
Total general insurance	595.9	57.4	782.6	57.8	1,084.1	60.3	38.5
Total health insurance	420.6	40.5	551.5	40.7	690.6	38.4	25.2
Total protection and savings insurance	22.5	2.2	20.8	1.5	24.3	1.4	16.8
Total	1,039.0	100.0	1,354.9	100.0	1,799.0	100.0	32.8

Table 5.5:
Total Claims Paid by Type of Business

	2014		2015		2016		
Insurance type	Million SAR	%	Million SAR	%	Million SAR	%	Change % 2015 - 2016
Accident, liability and others	207.1	1.0	200.2	0.8	240.7	0.9	20.2
Motor	6,069.0	29.9	7,555	30.8	9,059.4	34.8	19.9
Property/ fire	1,312.0	6.5	2,367	9.7	1,034	4.0	-56.3
Marine	261.2	1.3	216.2	0.9	263.7	1.0	22.0
Aviation	7.1	0.0	51.3	0.2	92.6	0.4	80.5
Energy	1.2	0.0	1.2	0.0	1.2	0.0	0.0
Engineering	559	2.8	631.3	2.6	358.0	1.4	-43.3
Total general insurance	8,417.0	41.4	11,022	45.0	11,049.4	42.5	0.3
Total health insurance	11,567.2	56.9	13,106.1	53.5	14,547.8	55.9	11.0
Total protection and savings insurance	329.4	1.6	389.7	1.6	420.0	1.6	7.8
Total	20,313.6	100.0	24,517.6	100.0	26,017.2	100.0	6.1

ratio and risks. It is measured by dividing NWP by GWP. Excluding protection and savings insurance, the overall retention ratio of insurance companies in the Saudi market was 84 percent in 2016 against 83 percent in 2015. This ratio is largely affected by the high retention ratio for motor and health insurance, which accounted for 88.2 percent and 97.1 of GWP respectively. The lowest retention ratio of 0.4 percent was recorded by energy insurance in 2016 (Table 5.1).

E. Commissions Paid to Insurance Brokers and Agents:

The amount of commissions paid by insurance companies to insurance brokers and agents totaled SAR 1.8 billion in 2016 compared to SAR 1.35 billion in 2015. Motor insurance

Table 5.6: Licensed Insurance and Reinsurance Companies in 2016

Company name	Capital (Million SAR)	Licensed on
National Company for Cooperative Insurance (NCCI)	1,000	02/12/2004
Malath Cooperative Insurance &Reinsurance Company	300	11/09/2007
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	1,000	11/09/2007
Saudi IAIC for Cooperative Insurance (SALAMA)	250	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	200	11/09/2007
Al Ahli Takaful	167	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	250	11/09/2007
Gulf Union Cooperative Insurance Company	220	11/09/2007
Sanad for Cooperative Insurance and Reinsurance (SANAD)	200	08/03/2008
Assurance Saudi Fransi (Allians)	200	08/03/2008
Trade Union Cooperative Insurance Company	275	31/03/2008
Al Sagr Company for Cooperative Insurance	250	31/03/2008
Saudi Indian Company for Cooperative Insurance	205	10/06/2008
Arabia Insurance Cooperative Company	400	18/06/2008
Saudi United Cooperative Insurance Company (Wala'a)	400	02/07/2008
Saudi Re For Cooperative 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	320	09/03/2009
Allied Cooperative Insurance Group (ACIG)	200	10/05/2009
Al-Rajhi Company for Cooperative Insurance	400	17/11/2009
Ace Arabia Cooperative Insurance Company	100	08/12/2009
Al-Alamiya Co-operative Insurance Company	400	13/12/2009
AXA Cooperative Insurance Company	450	26/01/2010
Gulf General Insurance Company	200	06/03/2010
MetLife Inc. and AIG, the Arab Bank for Cooperative Insurance	350	29/03/2010
Buruj Cooperative Insurance	250	29/05/2010
National Insurance Company	100	16/06/2010
AMANA Cooperative Insurance	320	06/07/2010
Solidarity Saudi Takaful Company	555	20/03/2011
Saudi Enaya Cooperative Insurance	400	07/08/2012
Alinma Tokio Marine Company	450	30/09/2012
Aljazira Takaful Taawuni Company	350	18/12/2013

commissions constituted 37.8 percent and 43.2 percent of total commissions paid during 2015 and 2016 respectively (Table 5.4).

F. Total Claims Paid by Type of Business

Total claims paid by type of business went up by 6.1 percent to SAR 26 billion in 2016 from SAR 24.5 billion in 2015. Health and motor insurance claims accounted for 55.9 percent and 34.8 percent, respectively, of total claims paid in 2016. These high ratios reflected the relatively high shares of these types of business in the total market premiums.

In 2016, the highest growth rate of total claims paid was recorded by aviation insurance with a rise of 80.5 percent to SAR 92.6 million compared to SAR 51.3 million in the previous year (Table 5.5).

Table 5.7:
Authorized Health Care Providers in 2016

Region/ Type of Institutions	Hospitals	Dispensaries	Pharmacies	Polyclinic Centers	One Physician Clinic	One day Operation Center	Optical Shops	Medical Laboratories	Diagnostic Centers	Physical Therapy Centers	Devices and Prosthetics Shops	Total
Eastern Region	46	17	517	175	0	3	143	3	1	4	1	910
Riyadh	51	0	713	459	1	7	345	2	2	5	3	1,588
Makkah	58	43	444	189	0	3	124	2	1	5	0	869
Najran	8	0	22	24	0	0	10	0	0	0	0	64
Asir	19	6	101	47	1	0	29	0	0	0	0	203
Madinah	20	2	107	37	0	2	76	1	0	1	0	246
Al-Baha	5	0	8	9	0	0	8	0	0	0	0	30
Al-Qassim	10	4	40	39	0	0	40	0	0	1	0	134
Tabuk	6	0	48	23	0	0	22	0	0	0	0	99
Jazan	10	6	40	17	0	0	14	0	0	0	0	87
Ha'il	7	6	27	17	0	0	10	0	0	0	0	67
Northern Borders	7	0	25	9	0	0	4	0	0	0	0	45
Al-Jawf	6	1	38	10	0	0	2	0	0	0	0	57
Total	253	85	2,130	1,055	2	15	827	8	4	16	4	4,399

Source: Council of Cooperative Health Insurance

5. Status of Insurance Companies in Saudi Arabia

In 2016, the Council of Ministers approved the establishment of 34 insurance and reinsurance companies, in addition to 228 insurance service providers to support insurance services (Tables 5.6).

6. Access to Insurance Market Information

SAMA has designated a link for insurance business on its website at (www.sama.gov.sa). It contains rules, regulations, circulars and studies on the insurance sector. It also includes license application forms and fit and proper standards for founders and managers of insurance companies and insurance service providers. SAMA website can be consulted for the latest updated data on licensed insurance companies and insurance service providers, which are updated periodically. The website also shows the performance of the insurance market in Saudi Arabia during 2007-2016.

7. Council of Cooperative Health Insurance

At the end of 2016, the total number of health-insured expatriates reached 9.4 million. The number of companies authorized to sell cooperative health insurance policies was 27. The number of insurance claims management companies that wish to provide health services under the auspices of the cooperative health insurance stood at 9.

The number of establishments providing insurance to their employees was 387.2 thousand in 2016. In addition, health care facilities approved by the Council totaled 4,399 in Saudi Arabia, 4,386 of which for the private sector and 13 for the public sector. (Table 5.7).

As for the type of facility, pharmacies ranked first among facilities providing health care services in Saudi Arabia in 2016. Polyclinic centers came next, followed by optical shops and hospitals. One physician clinic came last. Riyadh came at the top of the regions providing health care services. the Eastern province was second, followed by Makkah, while Al-Baha came last (Table 5.7).

Finance Sector

SAMA is entrusted with supervising and regulating the finance sector in Saudi Arabia, taking the actions necessary to maintain the integrity and stability of this business and protect workers' rights therein. SAMA is also responsible for issuing finance licenses in accordance with the provisions of finance laws and their regulations. However, the Ministry of Justice is responsible for supervising Mortgage Law, its operations and rights therein.

Real Estate Finance Law contributes to the provision of housing for citizens, by providing controls that ensure the necessary guarantees in practicing the real estate finance business and protect the rights of all parties involved in the financing transaction. The most prominent developments regarding the control of finance companies in 2016 were as follows:

1. Developments and Regulations

Through the General Department of Finance Companies Control, SAMA aims at fulfilling its objectives which include enhancing financial stability in order to promote sustainable economic growth. This can be achieved by ensuring fair transactions for all stakeholders. To that end, SAMA pursues excellence in its supervisory activities by improving internal procedures and utilizing all available resources.

The most prominent developments regarding finance companies' control include establishing committees for finance companies in accordance with the terms of references issued under SAMA Governor's Decision No. M/65, dated 9 Thul-Qi'dah 1437H. They will create a platform through which representatives of finance companies can discuss initiatives and challenges and make suggestions on the growth and stability of the sector. The developments also include holding workshops on various topics, for instance, loan rescheduling, and participating in seminars and meetings to raise awareness on finance laws and their implementing regulations. In addition, these committees will cooperate with the Ministry of Housing and Real Estate Development Fund in different programs including the Affordable Mortgage Scheme and Accelerated Finance Program, and arranging meetings between the representatives of finance companies and relevant government agencies to discuss major challenges such as the Ministry of Housing on undeveloped land fees and the General Authority for Small and Medium Enterprises.

In order to protect the rights of the finance companies' consumers, SAMA published a circular, on its website, requiring all finance companies to comply with Paragraph (3) of Article 3 of Finance Consumer Protection Principles. Finance companies are required to provide consumers with free paper copies of these principles at the beginning of the dealing or upon obtaining a new product or service. In addition, they should be posted on companies' websites.

As part of its supervisory and regulatory role on finance sector, SAMA has decided to raise the maximum loan-to-value ratio, set forth in Article 12 of the Implementing Regulation of Real Estate Finance Law, from 70% to 85% and only for real estate finance companies not banks. 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.

2. Finance Companies Licensed to Operate in Saudi Arabia

Finance companies licensed to operate in Saudi Arabia amounted to 34 in 2016 compared to 30 in the previous year. There were six

Table 5.8: Companies Licensed to Provide Real Estate Finance other than Banks

Company name	Paid-up Capital (Million SAR)	Approved on
Amlak International	900	24/12/2013
Dar Al Tamleek	500	31/12/2013
Saudi Home Loans	800	27/02/2014
Deutsche Gulf Finance	571	20/05/2014
Abdul Latif Jameel for Real Estate Finance	200	07/12/2014
Bidaya Home Finance	900	14/12/2015

Table 5.9: Companies Licensed to Practice Finance Activities other than Real Estate Finance

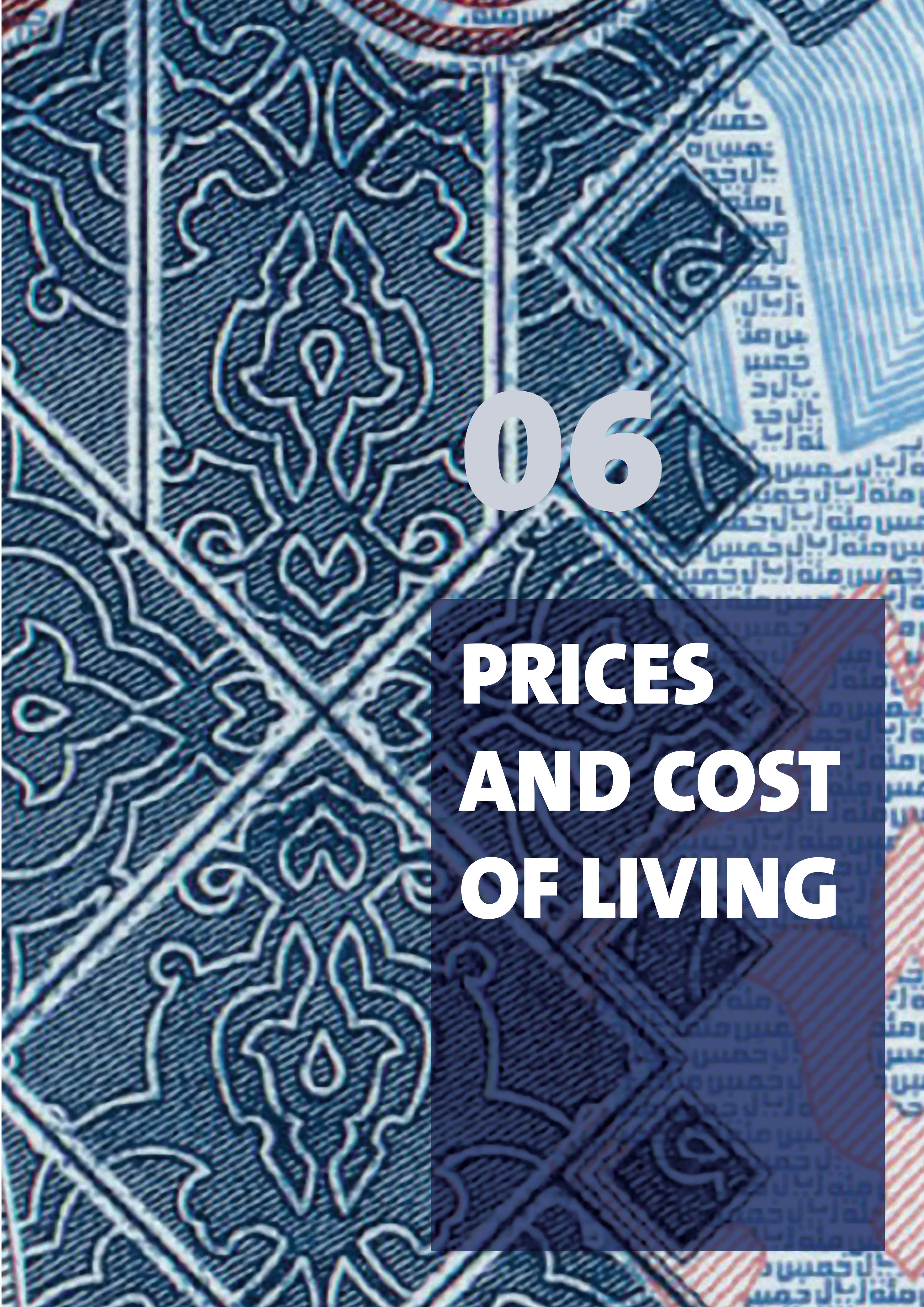
Company name	Paid-up Capital (Million SAR)	Approved on
Nayfat for Finance	600	31/12/2013
Saudi ORIX Leasing Co.	550	27/02/2014
Al Yusr for Leasing & Financing Co.	500	27/02/2014
AJIL Financial Services Company	500	20/05/2014
National Installment Company	250	25/08/2014
Morabaha Marina	200	14/09/2014
Kirnaf Company	600	12/11/2014
Matager Company	150	16/11/2014
Al Jasriah Company	150	16/11/2014
Saudi Finance	100	20/11/2014
Abdul Latif Jameel for Finance	1,700	08/12/2014
Gulf Finance Company	100	08/12/2014
Tamwily	100	11/12/2014
Al-Amthal for Finance	200	16/03/2015
Osoul Modern Finance Company	100	22/03/2015
Dar Aletiman Al saudi	100	05/05/2015
Tawkelat Financing Co.	100	04/06/2015
Murabaha Installment & Investment Co.	320	04/08/2015
Al Tyseer Arabian Co.	400	30/08/2015
Ijarah Finance	100	31/08/2015
Saudi Fransi for Finance	500	18/11/2015
First Finance Company	250	03/12/2015
American Express	100	10/12/2015
Al-Jabr Financing Corporation	345	14/12/2015
Al Raedah Finance	150	10/02/2016
Raya Financing	100	24/03/2016
Maalem Financing Company	100	10/05/2016
Taageer Finance Company	100	30/11/2016

companies licensed to provide real-estate finance other than banks (Table 5.8), while companies licensed to undertake other types of financing were 28 (Table 5.9). In addition, there were three license applications currently under study. Total assets of finance companies grew by 4.8 percent to SAR 38.9 billion in 2016 compared to SAR 37.1 billion in 2015. Total finance amounts grew by 5.6 percent to SAR 56.1 billion in 2016 compared to SAR 53.1 billion in 2015. Real estate finance accounted for 22.8 percent, while other types of financing were 77.2 percent.

There were 62 supervisory and licensing visits to finance companies. The visits included studying the companies' technical and regulatory aspects; assessing their business plans and governance; and evaluating their compliance with finance laws and their implementing regulations. Visits were made to assess the companies' compliance with laws, regulations and instructions and as part of SAMA's supervisory and regulatory role on finance sector.

3. Access to Finance Market Information

SAMA designates a link for the finance business on its website at (www.sama.gov.sa), which contains rules, regulations, circulars and frequently asked questions on the finance sector. It also shows forms of license application and fit and proper forms for founders and managers of finance companies. SAMA's website can be referred to for the latest updated data on licensed finance companies, which are updated periodically.



06

PRICES AND COST OF LIVING

Table 6.1:
Annual Growth Rates of Selected Indicators
(Percent)

	2013	2014	2015	2016
Non-oil GDP deflator (2010=100)	2.7	3.5	6.0	1.1*
Cost of living index (all cities) (2007=100)	3.5	2.7	2.2	3.5
Non-oil GDP at constant prices (2010 = 100)	6.4	4.9	3.2	0.2*
Government expenditure	11.8	13.7	-11.9	-15.1
Money supply (M3)	10.9	11.9	2.5	0.8

* Preliminary data. Source: GaStat, MoF, SAMA.

Inflation in Saudi Arabia is measured by the cost of living index prepared by the General Authority for Statistics (GaStat), which has been issuing it for more than 50 years.

In 2012, GaStat changed the base year to 2007 for measuring the cost of living index, and approved the updates made to the composition of the consumer basket based on the Classification of Individual Consumption According to Purpose (COICOP) issued by the UN in order to classify divisions, groups and classes. GaStat also adopts Laspeyres formula in calculating the cost of living index, which requires data of price averages for the periods of comparison and the weighing data.

General Cost of Living Index During 2016

Average general cost of living index recorded an increase of 3.5 percent in 2016 against 2.2 percent and 2.7 percent in 2015 and 2014, respectively. The non-oil GDP deflator, which captures the average prices of all goods and services produced in the Saudi non-oil sector within a year, rose by 1.1 percent in 2016 compared to 6.0 percent in 2015 (Table 6.1).

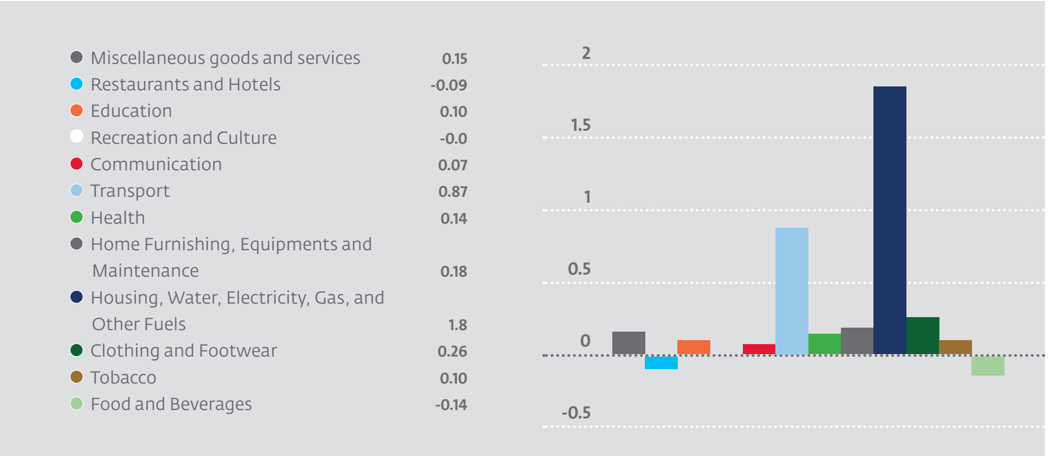
PRICES AND COST OF LIVING

Table 6.2:
Influence of Major Sections on the General Cost of Living Index (All Cities)
(2007 = 100)

	Annual Average Change (2011 - 2015)	2016	Contribution of Major Sections in the General Cost of Living Index 2016	% Weights
General Index	3.0	3.5	3.5	100.0
Food and beverages	4.1	-0.6	-0.1	21.7
Tobacco	6.8	17.3	0.11	0.5
Clothing and footwear	1.6	3.8	0.3	8.4
Housing, water, electricity, gas, and other fuels	5.0	7.3	1.9	20.5
Home furnishings, equipment and maintenance	4.3	2.0	0.2	9.1
Health	2.3	6.2	0.1	2.6
Transport	2.3	10.0	0.9	10.4
Communication	-0.6	1.4	0.08	8.1
Recreation and culture	4.3	-0.3	0.0	3.5
Education	0.8	4.5	0.11	2.7
Restaurants and hotels	2.4	-1.8	-0.1	5.7
Miscellaneous goods and services	2.0	2.5	0.2	6.8

Source: GaStat.

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



Eight out of 12 major groups in the index registered inflation rates in 2016 higher than the past five-year average inflation rates. These included the following groups: tobacco; clothing and footwear; housing, water, electricity, gas, and other fuels; health; transport; communication; education; and miscellaneous goods and services.

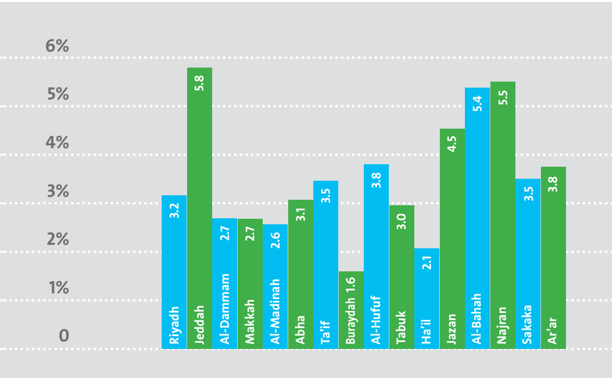
During 2016, 9 groups registered annual increases as follows: tobacco by 17.3 percent; transport 10.0 percent; housing, water, electricity, gas and other fuels 7.3 percent; health 6.2 percent; education 4.5 percent; clothing and footwear 3.8 percent; miscellaneous goods and services 2.5 percent; home furnishings, equipment and maintenance 2.0 percent; and communication 1.4 percent. In contrast, 3 groups; namely, the group of restaurants and hotels, the group of food and beverages, and the group of recreation and culture, registered annual decreases of 1.8 percent, 0.6 percent and 0.3 percent, respectively (Table 6.2 and 6.3).

Table 6.3:
General Cost of Living Index (All Cities)
(2007 = 100)

	2012	2013	2014	2015	2016	% change
General Index	122.4	126.7	130.1	132.9	137.6	3.5
Food and beverages	132.7	140.5	145.1	147.5	146.6	-0.6
Tobacco	141.3	153.1	162.3	165.5	194.2	17.3
Clothing and footwear	103.3	104.8	105.5	109.5	113.6	3.8
Housing, water, electricity, gas, and other fuels	148.7	153.8	159.1	164.6	176.6	7.3
Home furnishings, equipment and maintenance	117.5	122.6	128.2	131.7	134.3	2.0
Health	105.6	109.0	112.6	115.6	122.8	6.2
Transport	108.3	111.0	110.4	111.8	122.9	10.0
Communication	92.1	93.8	93.7	94.5	95.8	1.4
Recreation and culture	104.4	106.3	114.0	119.5	119.2	-0.3
Education	110.2	112.6	115.9	117.9	123.2	4.5
Restaurants and hotels	121.7	126.8	129.6	128.1	125.8	-1.8
Miscellaneous goods and services	117.8	117.6	120.1	121.3	124.4	2.5

Source: GaStat.

Chart 6.2:
Average Cost of Living Index by City
(2007 = 100)



Contribution of Major Sections in the General Cost of Living Index

Most major sections contributed by various rates to the rise in the general cost of living index during 2016. Housing, water, electricity, gas and other fuels contributed the most with 1.9 percent, followed by transport with 0.9 percent. However, both restaurants and hotels and food and beverages contributed the least to the index, with each decreasing to 0.1 percent (Table 6.2 and Chart 6.1).

Cost of Living Index by City During 2016

All major cities of Saudi Arabia registered a rise in the cost of living index. Jeddah recorded the highest increase rate of 5.8 percent. Najran came second with 5.5 percent. Al-Baha placed third with 5.4 percent, followed by Jazan with 4.5 percent; Ar'ar and Hofuf 3.8 percent each; Taif and Sakaka 3.5 percent each; Riyadh 3.2 percent; Abha 3.1 percent; Tabuk 3.0 percent; Makkah and Dammam 2.7 percent each; Madinah 2.6 percent; Hail 2.1 percent; and Buraidah 1.6 percent (Table 6.4and Chart 6.2).

Table 6.4:
Average Cost of Living Index by City
(2007 = 100)

General Index	2014	2015	2016	% change 2016 / 2015
All cities index	130.1	132.9	137.6	3.5
Riyadh	135.0	140.1	144.5	3.2
Jeddah	129.3	131.7	139.3	5.8
Dammam	133.7	135.1	138.7	2.7
Makkah	126.9	129.7	133.1	2.7
Madinah	124.7	126.4	129.7	2.6
Abha	123.2	125.0	128.9	3.1
Taif	127.2	127.8	132.1	3.5
Buraidah	123.9	127.7	129.7	1.6
Hofuf	124.6	124.9	129.0	3.8
Tabuk	128.9	120.2	123.8	3.0
Hail	127.2	128.2	130.8	2.1
Jazan	142.1	149.9	156.7	4.5
Al-Baha	130.5	134.5	141.7	5.4
Najran	128.5	132.0	137.2	5.5
Sakaka	127.5	131.7	136.4	3.5
Ar'ar	120.1	126.5	131.2	3.8

Source: GaStat.

Wholesale Price Index During 2016

The wholesale price index measures the average changes in the prices of goods and services sold in the domestic wholesale markets. This index represents a sample of 160 items categorized into 10 main sections according to the Standard International Trade Classification (SITC). This index rose by 3.1 percent in 2016, compared to a decline of 1.0 percent in the previous year. The increase was accounted for by some major sections constituting the index. Mineral fuels, lubricants and related materials recorded the highest rise of 32.6 percent, followed by commodities and transactions not classified with an increase of 6.3 percent. Beverages and tobacco came next with an increase of 3.9 percent, followed by animal and vegetable oils, fats and waxes with a rise of 1.5 percent and then manufactured goods classified chiefly by material with an increase of 0.6 percent. Chemicals and related products and miscellaneous manufactured articles came last with a rise of 0.3 percent each. In contrast, three major sections recorded declines as follows: machinery and transport equipment recorded the highest decline of 2.5 percent, followed by food and live animals with 1.2 percent. Crude materials, except fuels, came next with a decline of 0.9 percent (Table 6.5).

Table 6.5:
Average Annual Wholesale Price Index
(1988 = 100)

					% Change	
	% Weights	2014	2015	2016	2015	2016
General Index	**100.0**	**159.1**	**157.5**	**162.4**	**-1.0**	**3.1**
Food and live animals	31.9	186.7	190.3	188.0	1.9	-1.2
Beverages and tobacco	1.2	177.3	179.6	186.6	1.3	3.9
Crude materials, except fuels	0.3	204.0	204.5	202.6	0.2	-0.9
Mineral fuels, lubricants and related materials	10.1	186.3	186.3	247.1	0.0	32.7
Animal and vegetable oils, fats and waxes	0.4	148.9	152.5	154.8	2.4	1.5
Chemicals and related products	9.8	211.8	200.1	200.7	-5.5	0.3
Manufactured goods classified chiefly by material	26.2	143.4	139.5	140.4	-2.7	0.6
Machinery and transport equipment	13.4	143.4	140.1	136.6	-2.3	-2.5
Miscellaneous manufactured articles	6.4	137.0	135.5	135.9	-1.1	0.3
Commodities and transactions not classified	0.3	257.3	235.6	250.5	-8.4	6.3

Source: GaStat.

Table 6.6:
Selected Indicators
(2010 = 100)

					% Change	
	2013	2014	2015	2016	2015	2016
Consumer prices in industrial countries	106.0	107.5	107.8	108.5	0.3	0.6
Export unit values of industrial countries	107.1	105.9	92.3	90.2	-12.9	-2.5
SAR nominal effective exchange rate(1)	102.1	104.1	114.7	116.9	10.2	1.9
SAR real effective exchange rate(2)	102.4	105.4	118.6	123.2	12.6	3.9

(1) Represents average riyal exchange rate over the period in relation to a geometric average exchange rates of the Kingdom's top trading partners.

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

Source: International Financial Statistics (IFS), April 2017.

Developments in World Prices and their Impacts

In 2016, the value of Saudi commodity exports decreased by 9.8 percent to SAR 688.4 billion. The value of commodity imports (CIF) also declined by 19.8 percent to SAR 525.6 billion.

The changes in world prices of goods and commodities imported from the Kingdom's top trading partners affect the domestic cost of living index (Table 6.6). Table (6.7) shows the consumer prices of the Kingdom's top trading partners during 2016. The average consumer prices rose 4.9 percent in India; 2.0 percent in China; 1.3 percent in Australia; 1.2 percent in the US; 1.0 percent in South Korea; and 0.6 percent, 0.4 percent and 0.3 percent in the UK, Germany and France, respectively. On the other hand, average consumer prices in Japan and Italy declined by 0.1 percent each.

In GCC countries, the consumer prices increased during 2016 by 3.2 percent in Kuwait, 2.8 percent in Bahrain, 2.7 percent in Qatar, 1.8 percent in UAE, and 1.1 percent in Oman (Table 6.8).

Table 6.7:
Annual Changes in Consumer Prices in the Top Trading Partners

	2012	2013	2014	2015	2016
US	2.1	1.5	1.6	0.1	1.3
Japan	-0.1	0.3	2.8	0.8	-0.1
UK	2.8	2.6	1.5	0.1	0.6
Germany	2.1	1.6	0.8	0.1	0.4
France	2.2	1.0	0.6	0.1	0.3
Italy	3.3	1.2	0.2	0.1	-0.1
China	2.6	2.6	2.0	1.4	2.0
Australia	1.7	2.5	2.5	1.5	1.3
South Korea	2.2	1.3	1.3	0.7	1.0
India	9.9	9.4	5.9	4.9	4.9

Source: IMF World Economic Outlook – April 2017.

Table 6.8:
Annual Changes in Consumer Prices in GCC Countries

	2012	2013	2014	2015	2016
UAE	0.7	1.1	2.3	4.1	1.8
Bahrain	2.8	3.3	2.7	1.8	2.8
Qatar	1.9	3.1	3.4	1.8	2.7
Kuwait	3.2	2.7	2.9	3.2	3.2
Oman	2.9	1.2	1.0	0.1	1.1

Source: IMF World Economic Outlook – April 2017.

07

CAPITAL MARKET

The performance of the Saudi Stock Exchange (Tadawul) was varied in 2016, as it recovered from the adverse effects of the oil price plunge on the national economy, as well as those caused by the global economy's sluggish recovery, the UK's pending withdrawal from the EU, and higher interest rates. The Capital Market Authority (CMA), the sole regulator and supervisor of the Saudi capital market, undertook many actions and steps in 2016 aimed at regulating and developing the capital market. It also developed procedures to further reduce risks related to securities transactions, safeguard investors from unfair practices, and ensure fairness and transparency in securities transactions. To support the regulatory structure of the capital market, the CMA Board issued the Investment Accounts Instructions in 2016. The number of regulations issued during the past several years has amounted to 24. In order to raise investment awareness, the CMA has continued to carry out many financial awareness and education campaigns designed to communicate with the public through media and awareness activities and programs.

In 2016, three new companies were floated for public subscription, all of which were listed, bringing the total number of listed companies to 176 at the end of the year. Sukuk for two companies were issued. In addition, the CMA licensed a new company, a credit rating agency which will engage in credit rating activities for securities.

Some of the Tadawul component indices rose in 2016, as did the overall Tadawul All Share Index (TASI), which increased by 4.3 percent. The number of shares traded increased by 2.7 percent. In contrast, total domestic assets of investment funds declined by 6.9 percent (SAR 5.3 billion) to SAR 70.8 billion at the end of 2016.

CAPITAL MARKET

Table 7.1: Saudi Stock Market Indicators

Year	No. of shares traded (Million)	Annual Change %	Value of shares traded (Billion SAR)	Annual Change %	Market capitalization of issued shares (Billion SAR)	Annual Change %	No. of executed transactions (Thousand)	Annual Change %	TASI (Points)	Annual Change %
2012	86,006.1	77.2	1,929.3	75.6	1,400.3	10.2	42,105.0	64.8	6,801.2	6.0
2013	52,306.3	-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	67,718	2.7	1,157.0	-30.3	1,682.0	6.5	27,273.7	-10.4	7,210.4	4.3

Source: Saudi Stock Exchange (Tadawul).

Table 7.2: Number of Customers Registered in Tadawul and Participating in On-Line Trading Via the Internet
(End of period)

Year	No. of customers registered in Tadawul	% Annual Change	No. of customers participating in on-line and real-time trading	% Annual Change
2012	4,221,355	3.0	98,397	91.8
2013	4,335,739	2.7	98,044	-0.4
2014	4,462,067	2.9	119,937	22.3
2015	4,555,446	2.1	1,853,365	1,445.3
2016	4,616,540	1.3	1,440,447	-22.3

Source: Saudi Stock Exchange (Tadawul).

Tadawul 2016 Developments

The TASI closed at 7,210.4 at the end of 2016 compared to 6,911.8 at the end of 2015, an increase of 4.3 percent. It registered its highest closing point of 7,257.2 on December 27, 2016. The market capitalization of issued shares rose by 6.5 percent to SAR 1,682.0 billion at the end of 2016 from SAR 1,579.1 billion at the end of the previous year.

The number of shares traded during 2016 increased by 2.7 percent to 67.7 billion from 65.9 billion in the previous year (adjusted to account for corporate actions[1]). The total value of shares traded, however, decreased by 30.3 percent to SAR 1,157.0 billion from SAR 1,660.6 billion in the previous year. The number of transactions also declined by 10.4 percent to 27.3 million in 2016 compared to 30.4 million in the previous year (Table 7.1).

The daily average value of traded shares was SAR 4.6 billion in 2016 against SAR 6.6 billion in the previous year, a decline of 29.7 percent. In contrast, the daily average number of traded shares increased by 3.0 percent to 272.0 million in 2016 from 264.1 million in the previous year. However, the daily average number of transactions went down by 9.7 percent to 109.5 thousand from 121.2 thousand in the previous year.

The value of shares traded through the Internet accounted for 70.7 percent of the total value of shares traded during 2016, with their number accounting for 74.4 percent of the total number of shares traded. The number of transactions carried out through the internet represented 78.3 percent of the total number of executed transactions in 2016.

At the end of 2016, the number of traders registered in Tadawul system rose by 1.3 percent (61.1 thousand) to 4.6 million from 4.5 million at the end of the previous year. The number of subscribers to Tadawul on-line trading declined by 22.3 percent to 1.4 million at the end of 2016 compared to 1.8 million at the end of 2015 (Table 7.2).

[1] (Actual) data regarding the number of shares traded differ from the data published by the Saudi Stock Exchange «Tadawul» since the number of shares traded is constantly edited by Tadawul according to corporate actions such as granting free shares or changing the capital. Therefore, any action taken by a company will affect the number of shares traded on the market as a whole and the entire time series.

Table 7.3:
Saudi Stock Market Activity by Sectors During 2016

	No. of shares traded		Value of shares traded		No. of executed transactions		Market capitalization	
Sector	(Million shares)	Ratio to total	(Billion SAR)	Ratio to total	(Thousand)	Ratio to total	(Billion SAR)	Ratio to total
Banks & financial services	14,153	20.9	219	19.0	2,295	8.4	429	25.6
Petrochemical industries	10,210	15.1	214	18.5	2,823	10.4	416	24.7
Cement	1,782	2.6	33	2.8	915	3.4	59	3.5
Retail	1,915	2.8	64	5.6	2,020	7.4	60	3.6
Energy & utilities	607	0.9	12	1.0	242	0.9	97	5.7
Agriculture & food industries	2,977	4.4	67	5.8	2,003	7.3	101	6.0
Telecommunication & information technology	2,600	3.8	32	2.7	706	2.6	169	10.0
Insurance	9,764	14.4	159	13.8	6,335	23.2	43	2.6
Multi-investment	1,042	1.5	16	1.4	603	2.2	50	3.0
Industrial investment	3,211	4.7	67	5.8	2,197	8.1	62	3.7
Building & construction	3,492	5.2	51	4.4	2,015	7.4	19	1.1
Real estate development	12,241	18.1	109	9.4	2,116	7.8	125	7.5
Transport	1,452	2.1	43	3.7	893	3.3	34	2.0
Media and publishing	1,228	1.8	35	3.0	1,204	4.4	4	0.2
Hotel & tourism	1,007	1.5	36	3.1	888	3.3	12	0.7
REITs	37	0.1	0	0.0	19	0.1	1	0.0
Total	67,718	100.0	1,157	100.0	27,274	100.0	1,680	100.0

Source: Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2016.

An analysis of the activity of Tadawul by sectors during 2016 indicates that banks and financial services came first in terms of the number of shares traded with 14.1 billion, representing 20.9 percent of the total number of shares traded. Real estate development came second with 12.2 billion shares (18.1 percent of the total), followed by petrochemical industries with 10.2 billion shares (15.1 percent of the total).

In terms of the value of shares traded during 2016, banks and financial services ranked first with SAR 219 billion, representing 19 percent of the total value of shares traded. Petrochemical industries came second with SAR 214 billion (18.5 percent of the total), followed by insurance with SAR 159 billion (13.8 percent of the total).

A review of Tadawul's activity by the number of transactions executed in 2016 shows that insurance ranked first with 6.3 million, constituting 23.2 percent of the total number of transactions, followed by petrochemical industries with 2.8 million (10.4 percent of the total). Banks and financial services came third with 2.3 million (8.4 percent of the total).

A review of the market capitalization of shares issued at the end of 2016 indicates that banks and financial services ranked first with SAR 429 billion, accounting for 25.6 percent of the total market capitalization of issued shares. Petrochemical industries came second with SAR 416 billion (24.7 percent of the total), followed by telecommunication and information technology with SAR 169 billion (10.0 percent of the total) (Table 7.3).

The three most active joint-stock companies in terms of the number of transactions executed in 2016 were Alinma Bank in the lead with 1.3 million, followed by SABIC with 989.2 thousand, and then Dar Al-Arkan with 741.1 thousand. In terms of the value of shares traded, Alinma Bank came first with SAR 149.4 billion, followed by SABIC with SAR 130.1 billion, and Dar Al-Arkan with SAR 54.1 billion. As for the number of shares traded, Alinma Bank also took the lead with 11.2 billion shares, followed by Dar Al-Arkan with 9.5 billion, and then Saudi Kayan with 4.3 billion (Table 7.4).

Table 7.4:
Three Most Active Joint-Stock Companies During 2016

No. of executed transactions	(Company)	Alinam Bank	SABIC	Dar Al-Arkan
	(Thousand transactions)	1,296.1	989.2	741.1
No. of shares traded	(Company)	Alinam Bank	Dar Al-Arkan	Saudi Kayan
	(Billion shares)	11.2	9.5	4.3
Value of Shares Traded	(Company)	Alinam Bank	SABIC	Dar Al-Arkan
	(Billion SAR)	149.4	130.1	54.1

Source: Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2016.

Table 7.5:
New Companies Listed on the Saudi Stock Market During 2016

Company	Sector	Date of IPO	Capital (Million)	Total issued shares (Million)	No. of shares offered for public subscription (Million)	Floating price	Closing price 201631/12/	Value of offering (Million)	No. of subscribers (Million)	Market capitalization (Million)	No. of over-subscription (Times)
1. MEAHCO	Retail	03-Mar	920	92	28	64	73.4	1,767	0.4	6,752	2.7
2. Al Yamamah Steel Industries	Building & construction	27-Apr	508	51	15	36	29.1	549	0.8	1,478	4.8
3. L'azurde Company for Jewelry	Retail	25-Jun	430	43	13	37	21.6	477	0.4	931	2.9
Total	---	---	1,858	186	56	---	---	2,793	1.6	9,161	---

Source: CMA and the Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2016.

New Initial Public Offerings in 2016

In 2016, three new companies with a total capital of SAR 2.8 billion and 186.0 million issued shares were floated for public subscription. The total number of shares offered for public subscription was 56.0 million. Total market capitalization of issued shares amounted to SAR 9.2 billion. Oversubscription averaged 3.5 times for companies with subscribers at the level of individuals in the market (Table 7.5).

The total number of subscribers for companies floated for public subscription in 2016 was 1.6 million. Different subscription channels, such as telephone banking, ATMs and the Internet, have contributed to reducing errors, subscription periods, and reliance on paper subscription applications. The number of subscribers via telephone banking was 0.2 million (12.1 percent of the total number of subscribers); via ATMs 0.9 million (60.6 percent of the total); and via the Internet 0.3 million (18.2 percent of the total). The number of subscribers via bank branches amounted to 0.2 million, accounting for 9.1 percent of the total subscribers (Table 7.6).

New Companies Added to TASI During 2016

Shares of the following companies were added to TASI during 2016:

1. Alandalus Property Company;
2. Middle East Healthcare Company (MEAHCO);
3. Al-Yamamah Steel Industries Company;
4. L'azurde Company for Jewelry; and
5. Riyad REIT.

Table 7.6:
Number of Subscribers for IPOs by Channels of Subscription
(Million subscribers)

Channel of subscription	2015 Number	2015 %	2016 Number	2016 %	Annual % change
Phone Banking	0.5	9.2	0.2	12.1	-60.0
ATM	3.0	56.6	0.9	60.6	-66.7
Internet	1.2	22.1	0.3	18.2	-75.0
Bank Branches	0.4	6.8	0.2	9.1	-62.5
Mobile application	0.3	5.3	0.0	0.0	-100.0
Total	**5.4**	**100.0**	**1.6**	**100.0**	**-69.4**

Source: CMA.

CMA's Efforts in Raising Awareness of Investors during 2016

The CMA publishes news and resolutions issued by its Board on its website to ensure that information is communicated to all investors at the same time. 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 manipulative and misleading acts encountered in the capital market. Pursuant to its strategy to continue with investors awareness programs, a number of actions were taken by the CMA during 2016, including publishing many press and media articles and awareness messages regarding news, notices and resolutions issued by its Board, which amounted to 83 press releases published through a number of paper and electronic media. In addition, 681 articles and reports related to the CMA and capital market regulations were analyzed and publicized through local and global media. 16,000 awareness materials, pamphlets and bulletins were also published and posted on its social media accounts to raise the awareness of current and prospective investors in the market, including the "Smart Investor" magazine for which 31 female ambassadors were assigned under the context of its "Smart Investor" program, in which they were provided with the necessary instruments to hold exhibitions. Under this program, the CMA was keen to spread the culture of sound financial transactions, volunteering and training during 2016. In connection with symposia, conferences and forums, the CMA, in cooperation with SAMA, held a symposium on "Financial Stability" and organized a periodic conference in partnership with the World Bank on Sukuk entitled "Sukuk Markets – Challenges and Opportunities". It also convened a forum for Authorized Persons, which discussed a number of issues that concern corporate players in the market, as well as delivering many introductory lectures for students at Saudi public and private universities. Moreover, the CMA participated in and sponsored a number of awareness pavilions at a host of events, including the Global Money Week which included 20 awareness activities, the Riyadh International Book Fair, a "Launch Your Project 3" initiative organized by King Abdulaziz City for Science and Technology (KACST), and the Euromoney Conference.

Sukuk and Bonds Market during 2016

The total volume of outstanding sukuk and bonds issued reached SAR 28.2 billion at the end of 2016. The number of issuances stood at six; two of which were offered by the Saudi Electricity Company with an issuance value of SAR 11.5 billion; and one by each of the following: the Saudi International Petrochemical Company (SIPCHEM) with an issuance value of SAR 1.8 billion, the Saudi Aramco Total Refining and Petrochemical Company (SATORP) with an issuance value of SAR 3.5 billion, the National Shipping Company of Saudi Arabia (Bahri) with an issuance value of SAR 3.9 billion, and Sadara Chemical Company with an issuance value of SAR 7.5 billion. In 2016, the value of traded sukuk and bonds amounted to SAR 449.9 million. Their nominal value was SAR 451.0 million (Table 7.7).

Table 7.7:
Sukuk and Bonds Activity During 2016

Bonds / Sukuk	Issue value (Million SAR)	Par value (Thousand SAR)	Maturity date	Annual return %	Transactions executed	Value traded (Thousand SAR)	Par value traded (Thousand SAR)
Sadara sukuk	7,500	50	28-Dec-2015	6-month SAIBOR + 0.95%	2	398,850.0	400,000
Sipchem sukuk	1,800	100	06-Jul-2016	SAIBOR + 1.75%	0	0.0	0
Bahri sukuk	3,900	1,000	30-Jul-2022	6-month SAIBOR + 0.80%	0	0.0	0
Saudi Electricity 3	7,000	10	10-May-2030	SAIBOR + 0.95%	1	5,940.0	6,000
Saudi Electricity 4	4,500	1,000	30-Jan-2024	3-month SAIBOR + 0.7%	1	45,160.6	45,000
SATORP sukuk	3,490	93	20-Dec-2025	6-month SAIBOR + 0.95%	0	0.0	0
Total	28,190	—	—	—	4	449,950.6	451,000

Source: Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2016.

Table 7.8:
Annual Change in Some Arab Stock Markets (2016)
(Percentages)

Market	No. of shares traded	Market capitalization of shares traded	Share price index
Saudi Arabia	20.2	6.6	2.6
Kuwait	-0.7	-0.5	2.6
Egypt	58.3	-37.2	-2.9
Morocco	17.0	25.4	27.0
Bahrain	-16.1	0.7	3.4
Jordan	-30.3	-3.5	5.6
Oman	-55.1	9.6	35.9
Tunisia	-12.5	0.3	3.4
Lebanon	237.1	7.4	9.1
Abu Dhabi	51.0	8.1	5.0
Algeria	18,333.0	-2.9	-2.9
Dubai	118.6	9.6	11.2
Sudan	170.6	47.7	13.0
Qatar	5.7	1.9	-20.1
Palestine	-99.1	1.6	3.2

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database - fourth quarter 2016.

Comparison between Tadawul and Arab Stock Exchanges in 2016

The performance of the Arab stock exchanges participating in the Arab Markets Data Base (AMDB) was mixed during 2016. Indices of three Arab financial markets, namely, Qatar, Egypt and Algeria, recorded declines of 20.1 percent, 2.9 percent and 2.9 percent, respectively. On the other hand, the Oman Securities Market recorded the highest increase of 35.9 percent (Table 7.8).

The average total market capitalization of Arab financial markets decreased by 8.9 percent to $74.0 billion at the end of 2016 as compared to $81.2 billion at the end of 2015. The market capitalization of the Khartoum Stock Exchange recorded the largest increase of 47.7 percent, followed by the Morocco Stock Exchange (Bourse de Casablanca) with a rise of 25.35 percent. In contrast, the Egyptian Exchange registered the sharpest decline of 37.2 percent at the end of 2016.

Table 7.9:
Most Important Indicators of Arab Stock Markets During 2016

	Index % annual change %	Market capitalization (Million $)	No. of listed companies	Average company size (Million $)	GDP at current prices (Million $)*	Market depth (%)**
Saudi Arabia	4.3	448,305	176	2,547	639.6	72.5
Kuwait	5.4	87,289	216	404	109.9	82.2
Egypt	76.2	34,463	222	155	332.3	10.4
Morocco	30.5	57,608	75	768	103.6	53.3
Bahrain	5.9	19,222	44	437	31.9	63.9
Jordan	1.9	24,487	224	109	38.7	61.5
Oman	7.0	44,904	131	343	63.2	86.9
Tunisia	8.9	8,762	79	111	41.9	19.9
Lebanon	6.0	11,903	30	397	52.0	22.5
Abu Dhabi	5.6	120,947	68	1,779	371.4	37.2
Algeria	--	88	2	44	160.8	0.05
Dubai	12.1	91,928	61	1,507	371.4	28.3
Sudan	16.0	2,424	67	36	94.4	2.6
Qatar	0.1	154,739	42	3,684	156.7	90.6
Palestine	-0.3	3,387	48	71	--	--
Average	**12.8**	**74,030**	**99.0**	**826**	**183.4**	**45.1**

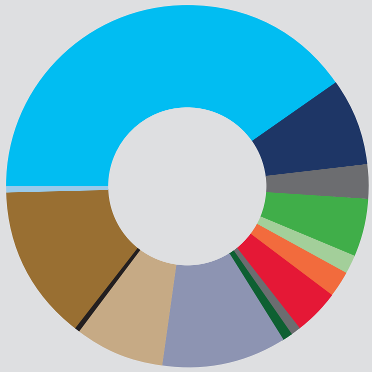
* International Monetary fund (IMF).

** Ratio of market capitalization to GDP.

--: Not available.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database - fourth quarter 2016.

Chart 7.1:
Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2016
by Market Capitalization



A comparison of selected Arab stock exchange size and market penetration indicators at the end of 2016 shows that the Saudi Stock Exchange (Tadawul) recorded the largest indicators among all Arab stock exchanges. Market capitalization of Tadawul stood at $448.3 billion, compared to an average of $74.0 billion for the Arab countries composing the AMF Index. The market capitalization of Tadawul accounted for 40.4 percent of total market capitalization of Arab securities markets at the end of 2016. The value of shares traded on Tadawul amounted to $79.9 billion at the end of 2016, constituting 70.7 percent of the total value of shares traded on the markets of Arab countries participating in AMDB.

The number of companies whose shares were traded on Tadawul reached 176 at the end of 2016, with an average market capitalization of $2.5 billion per company, compared to an average of 99 companies with an average market capitalization of $0.82 billion per company for the Arab countries participating in AMDB (Table 7.9and Chart 7.1).

Developments of Investment Funds during 2016

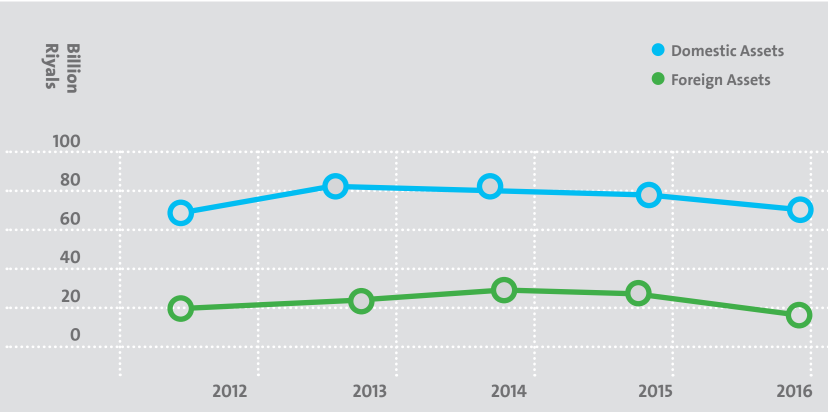
The number of investment funds managed by investment companies in Saudi Arabia went up by 1.9 percent to 275 in 2016. Total assets of these funds decreased by 14.6 percent to SAR 87.8 billion at the end of 2016 from SAR 102.9 billion at the end of 2015. In addition, domestic assets of investment funds declined by 6.9 percent to SAR 71.0 billion at the end of 2016. Foreign assets of investment funds also declined by 36.3 percent to SAR 17 billion at the end of 2016, constituting 19.6 percent of the total assets of the funds. The number of investment fund holders stood at 224 thousand at the end of 2016, decreasing by 5.3 percent from that of the previous year (Table 7.10and Chart 7.2).

Table 7.10:
Most Important Indicators of Investment Funds Managed by Domestic Investment Companies

Year	No. of operating funds	Annual Change %	Domestic assets investment (Billion SAR)	Annual Change %	Foreign assets investment (Billion SAR)	Annual Change %	Funds' total assets (Billion SAR)	Annual Change %	No. of subscribers (ألف مشترك)	Annual Change %
2012	240	-3.6	69.8	8.2	18.3	3.4	88.1	7.1	276	-6.2
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	0.0	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

Source: CMA.

Chart 7.2:
Assets of Investment Funds at Domestic Investment Companies



A review of the breakdown of the funds' investments inside and outside Saudi Arabia at the end of 2016 indicates that total investments on global stock exchanges decreased by 53.3 percent to SAR 4.9 billion. Moreover, investment in domestic equities fell by 18.2 percent to SAR 16.4 billion, accounting for 76.8 percent of total funds' investments in equities against 65.4 percent at the end of 2015. Investment in domestic and foreign equities accounted for 24.3 percent of total assets of investment funds at the end of 2016 against 29.7 percent at the end of 2015 (Table 7.11).

The funds' investments in foreign bonds went down by 36.4 percent to SAR 1.3 billion at the end of 2016. Their investments in domestic sukuk and bonds also declined by 4.3 percent to SAR 5.6 billion at the end of 2016 from SAR 5.8 billion at the end of 2015. Investments in domestic and foreign bond markets accounted for 7.8 percent of investment funds' total assets at the end of 2016 compared to 7.6 percent at the end of the previous year.

Investments in domestic and foreign money market instruments represented 58.5 percent of investment funds' total assets at the end of 2016 against 55.1 percent at the end of the previous year. Investment in domestic money market instruments declined by 6.6 percent from SAR 43.7 billion at the end of 2015 to SAR 40.8 billion at the end of 2016, accounting for 79.4 percent of total investments in money market instruments at the end of 2016 against 77.1 percent at the end of the previous year. Furthermore, investments in foreign money market instruments decreased by 18.5 percent from SAR 13 billion at the end of 2015 to SAR 10.6 billion at the end of 2016.

Investments in other domestic assets went up by 17.1 percent to SAR 4.7 billion at the end of 2016, accounting for 92.4 percent of total investments in other domestic and foreign assets compared to 90.8 percent at the end of the previous year. Moreover, investments in other foreign assets decreased by 4.6 percent to SAR 388 million at the end of 2016.

Table 7.11:
Assets of Investment Funds Managed by Domestic Investment Companies Distributed by Type of Investment
(Million SAR)

End of period	Domestic equities	Foreign equities	Domestic bonds	Foreign bonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real estate investments	Total assets
2012	19,192	10,354	2,086	1,807	44,874	6,034	1,844	60	1,817	88,068
2013	23,639	12,170	2,878	1,731	50,809	7,005	1,411	409	3,127	103,179
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

Source: CMA.

المصدر: هيئة السوق المالية.

Investment in real estate assets fell by 4.9 percent to SAR 3.2 billion in 2016, representing 3.6 percent of investment funds' total assets compared to 3.3 percent at the end of the previous year (Table 7.12).

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 28.5 billion, representing 32.5 percent of total assets of investment funds. Samba Capital & Investment Management Co. came second with assets of SAR 13.7 billion (15.6 percent of the total), followed by Riyad Capital with assets of SAR 9.2 billion (10.4 percent of the total).

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

A breakdown of investment companies ranking by the number of subscribers shows that Riyad Capital ranked first with 69.7 thousand, followed by NCB Capital with 34.2 thousand and HSBC Saudi Arabia Limited came third with 28.4 thousand (Table 7.12).

Developments in the Saudi Stock Exchange (Tadawul)

Stemming from its keenness to keep up with international markets and safeguard investors, the CMA has adopted:

1. T+2 Settlement Cycle

This refers to the period of time between the transaction execution and the registration of securities ownership transfer and actual payment of the transaction value, which is two business days. This new settlement cycle is applied to all security transactions listed in the market and has been applicable since the beginning of the 2nd quarter of 2017. The market had previously adopted real-time settlement (T+0), whereby transactions are on a same-day basis

The amendment to the settlement cycle for security transactions to two business days was made with a view to:

- Increasing the level of asset safety for investors by providing enough time to verify transactions and deal with errors, if present.
- Harmonizing the Saudi Stock Exchange (Tadawul) with international standards implemented in other markets with regards to settlement procedures, thereby increasing the chances for Tadawul to be listed among global stock indices.
- Developing the investment environment to entice corporate investors, taking into account necessary requirements to adapt to future variables.

2. Nomu - Parallel Market

This is a parallel equity market with fewer listing requirements serving as an alternate platform for companies to go public. Investment in this market is restricted to Qualified Investors, and transition to the main market is possible after a new filing process with the CMA. The new market was launched in February, 2017.

The main objectives for establishing the Nomu - Parallel Market include:

- Providing an additional source of funding for companies and raising capital.
- Increasing diversification of investment instruments and deepening the capital market.

Table 7.12:
Classification of Investment Companies by Assets, Number of Funds and Subscribers in 2016

	No. of funds			Assets of funds (Million SAR)			
Investment company	Close-ended	Open-ended	Total	Domestic	Foreign	Total	No. of subscribers
NCB Capital Co.	1	24	25	25,541	2,984	28,525	34,196
Riyad Capital Co.	2	35	37	6,513	2,647	9,160	69,695
Samba Capital	0	18	18	9,026	4,644	13,670	28,030
Al Rajhi Financial Services Co.	0	13	13	4,006	3,587	7,594	12,781
HSBC Saudi Arabia Limited	0	20	20	5,068	762	5,829	28,445
Saudi Fransi Capital	1	13	14	3,921	95	4,016	7,541
ANB Invest Co.	1	13	14	3,801	62	3,863	7,503
Al Jazira Capital Co.	2	10	12	2,428	1,244	3,671	1,512
Saudi Hollandi Capital Co.	0	16	16	1,865	205	2,071	2,412
FALCOM Financial Services	0	6	6	1,074	3	1,077	753
Alistithmar Capital Co.	0	8	8	477	304	782	621
AlBilad Investment Co.	0	7	7	896	36	932	26,417
Alawwal Capital Co.	0	6	6	365	7	372	214
KSB Capital Group	2	6	8	427	0	427	1,422
Middle East Financial Investment Co.	1	3	4	282	207	489	103
Global Investment House - Saudia (Global Saudi)	0	2	2	477	0	477	13
Audi Capital Co.	0	4	4	286	36	321	103
Jadwa Investment Co.	0	8	8	1,706	198	1,904	230
Osool & Bakheet Investment Company	0	3	3	297	0	297	386
Alinma Investment Co.	0	5	5	756	0	756	834
Adeem Capital Co.	0	1	1	5	0	5	1
Saudi Kuwaiti Finance House	0	2	2	82	0	82	215
Mulkia Investment Co.	1	2	3	99	0	99	127
Arbah Capital Co.	0	1	1	84	0	84	51
Gulf Investors Asset Management Company	0	2	2	179	0	179	102
Musharaka Capital Co.	1	1	2	91	0	91	95
EFG-Hermes KSA	0	2	2	69	0	69	22
Morgan Stanley Saudi Arabia Co.	0	1	1	36	0	36	8
Blominvest Saudi Arabia Co.	0	3	3	81	29	110	23
The Investor for Securities Company	0	2	2	31	0	31	9
Bait Al Mal Al Khaleeji Co.	0	2	2	64	0	64	32
Alkhair Capital Saudi Arabia Co.	0	4	4	54	4	57	82
Itqan Capital Co.	0	1	1	21	16	37	37
Aloula Geojit Capital Co.	0	3	3	10	0	10	11
Rana Investment Co.	0	1	1	2	0	2	6
Muscat Capital Co.	0	2	2	100	75	175	39
Al-Nefaie Investment Group	0	2	2	14	0	14	70
Wasatah Capital Co.	0	2	2	70	0	70	55
Ashmore Investment Saudi Arabia	0	4	4	130	27	157	36
Derayah Financial Co.	0	2	2	158	9	166	173
NOMW Capital	0	1	1	20	0	20	3
Saudi Economic and Development Company (SEDCO)	0	1	1	33	0	33	1
Tharwat for Financial Securities Co.	0	1	1	11	0	11	2
Total	12	263	275	70,655	17,181	87,836	224,411

Source: CMA.

08

EXTERNAL SECTOR

Table 8.1: Saudi Arabia's Merchandise Exports
(Million SAR)

	2013	2014	2015	2016	% share 2014	% share 2015	% share 2016	% change
Oil exports	**1,207,080**	**1,067,091**	**573,412**	**510,729**	**83.1**	**75.1**	**74.2**	**-10.9**
Crude oil	1,102,478	938,959	486,546	419,878	73.1	63.7	61.0	-13.7
Refined products	104,602	128,132	86,866	90,851	10.0	11.4	13.2	4.6
Non-oil exports	**202,443**	**217,031**	**189,901**	**177,694**	**16.9**	**24.9**	**25.8**	**-6.4**
Petrochemicals	131,509	143,647	114,916	104,519	11.2	15.1	15.2	-9.0
Construction materials	11,753	13,704	13,681	13,291	1.1	1.8	1.9	-2.8
Agricultural, animal and food products	12,628	13,405	13,611	13,544	1.0	1.8	2.0	-0.5
*Other goods	46,553	46,275	47,693	46,340	3.6	6.2	6.7	-2.8
Total	**1,409,523**	**1,284,122**	**763,313**	**688,423**	**100**	**100**	**100**	**-9.8**

*Including reexports. Source: GaStat

According to data from the General Authority for Statistics (GaStat), the total value of Saudi Arabia's merchandise exports stood at SAR 688.4 billion in 2016 versus SAR 763.3 billion in 2015. The ratio of 2016 merchandise exports to GDP reached 28.4 percent. The total value of imports (CIF) amounted to SAR 525.6 billion, constituting 21.7 percent of GDP. As for total overseas transactions, the current account of the balance of payments recorded a deficit of SAR 103.3 billion in 2016, representing 4.3 percent of GDP.

External Trade

According to 2016 GaStat data, the total value of the merchandise trade (exports + imports) decreased by 14.4 percent to SAR 1,214.1 billion from SAR 1418.3 billion in the preceding year. As an indication of openness to the world economy, the external merchandise trade to GDP ratio stood at 50.1 percent in 2016 compared to 58.0 percent in the preceding year.

Exports

According to GaStat data, the total value of the 2016 merchandise exports reached SAR 688.4 billion in 2016 compared to SAR 763.3 billion in 2015, a decline of 9.8 percent compared to the 40.6 percent drop in the preceding year (Table 8.1).

EXTERNAL SECTOR

Chart 8.1:
Saudi Oil Exports

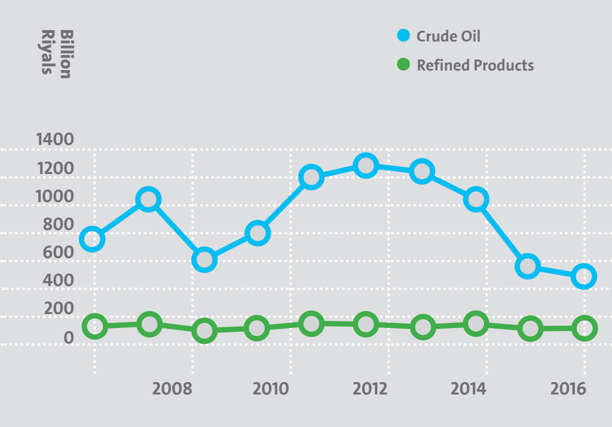
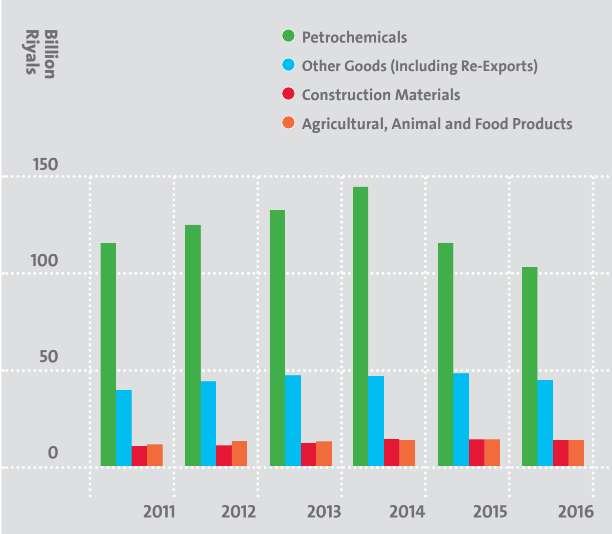


Chart 8.2:
Components of Saudi Non-Oil Exports



Oil Exports

Oil exports in 2016 amounted to SAR 510.7 billion, declining by 10.9 percent compared to a fall of 46.3 percent in the preceding year with a share of 74.2 percent of total exports (Table 8.1). The decline was attributed to a fall in oil prices in the global markets, with the average price of Arab light crude standing at $40.96 per barrel in 2016 compared to $49.85 per barrel in 2015 according to OPEC data, despite the increase in Saudi Arabia's average production of crude oil from 10.19 million bpd in 2015 to 10.46 million bpd in 2016.

Data on oil exports by type indicates that the value of crude oil exports decreased by 13.7 percent from SAR 486.5 billion in 2015 to SAR 419.9 billion in 2016, amounting to 61.0 percent of total merchandise exports. However, the value of refined products exports increased by 4.6 percent from SAR 86.9 billion to SAR 90.8 billion, representing 13.2 percent of total merchandise exports. Chart (8.1) shows the developments in Saudi Arabia's oil exports.

Non-oil Exports

According to GaStat data, Saudi Arabia's non-oil exports declined by 6.4 percent to SAR 177.7 billion in 2016 against a fall of 12.5 percent in the preceding year, representing a share of 25.8 percent of total exports (Table 8.1). The value of petrochemical exports fell by 9.0 percent to SAR 104.5 billion with a share of 15.2 percent of total exports. The value of construction materials exports fell by 2.8 percent to SAR 13.3 billion and constituted a share of 1.9 percent of total exports. The value of agricultural, animal and food products exports fell by 0.5 percent to SAR 13.5 billion with a share of 2.0 percent of total exports. The value of other commodities exports, including re-exports, fell by 2.8 percent to SAR 46.3 billion, representing a share of 6.7 percent of total exports. Chart (8.2) illustrates the value of the non-oil export components over the 2011 - 2016period.

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

Table 8.2:
Finance and Insurance of Saudi Exports
(Million SAR)

	2014		2015		2016	
Goods and Products	**Finance**	**Insurance**	**Finance**	**Insurance**	**Finance**	**Insurance**
Manufactured metal products, machines and equipment	113	4	4	1	0	354
Chemical and plastic products	0	1,325	7,760	1,029	5,063	1,125
Capital projects	68	0	0	0	0	0
Credit lines	244	0	143	0	563	0
Others	633	33	219	27	11	40
Total	**1,057**	**1,363**	**8,126**	**1,057**	**5,636**	**1,519**

Source: The Saudi Fund for Development

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, including 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 marketing national products, and organizes workshops to develop the abilities and expertise of Saudi exporting institutions. 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.

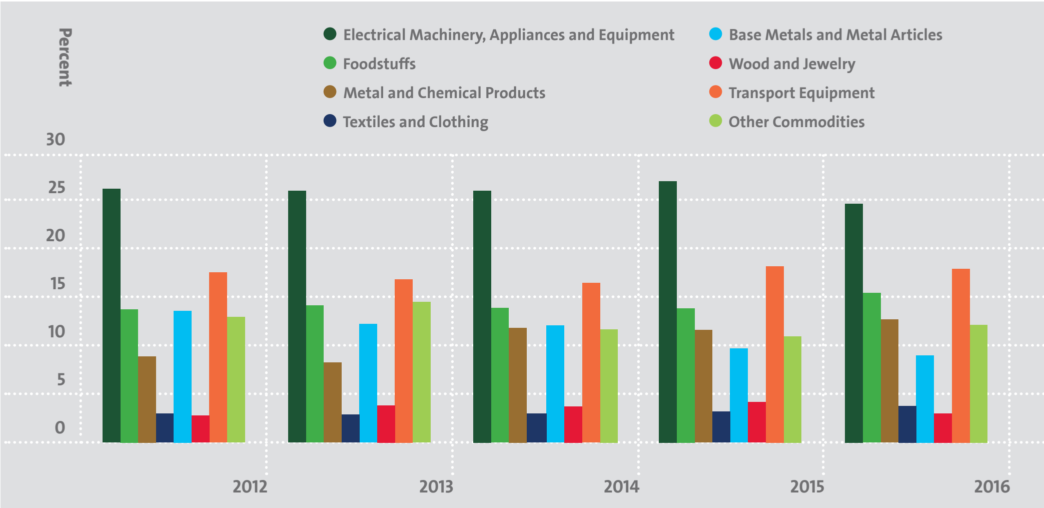
In the area of financing exports, the Saudi Fund for Development's SEP plays an important role in developing national non-oil exports to diversify the sources of the national income through export finance and credit insurance in line with the objectives of Vision 2030. The number of finance operations approved by the Fund since the launch of the Program reached 162, with a total value of SAR 27.4 billion. Export credit insurance policies totaled 63 with an overall value of SAR 25.9 billion. SEP approved a diverse set of export finance and credit insurance activities with a value of SAR 7.2 billion in 2016, denoting an increase of 21.7 percent over the preceding year (Table 8.2). Moreover, SEP's activities in 2016 were directed towards both credit insurance and finance with SAR 1.5 billion and SAR 5.6 billion respectively. Finance and credit insurance of chemical industries and plastic products totaled SAR 5.1 billion and SAR 1.1 billion respectively. Credit insurance of manufactured metal products, machinery, and equipment amounted to SAR 354 million. SEP also provided credit lines of SAR 563 million in 2016. Finance and credit insurance of other sector products amounted to SAR 11 million and SAR 40 million respectively.

Table 8.3:
Saudi Arabia's Imports (CIF) by Main Components
(Million SAR)

	Million SAR			% share			% change
	2014	2015	2016	2014	2015	*2016	2016
Machines, appliances and electrical equipment	171,011	178,321	129,334	26.2	27.2	24.6	-27.5
Foodstuffs	91,626	91,928	85,075	14.1	14.0	16.2	-7.5
Chemical and metal products	78,191	77,159	66,778	12.0	11.8	12.7	-13.5
Textiles and clothing	20,229	21,627	20,050	3.1	3.3	3.8	-7.3
Metals and their products	79,759	64,473	47,411	12.2	9.8	9.0	-26.5
Wood and jewelry	25,131	28,199	15,764	3.9	4.3	3.0	-44.1
Transport equipment	108,610	120,516	93,925	16.7	18.4	17.9	-22.1
Other goods	77,317	72,810	67,300	11.9	11.1	12.8	-7.6
Total	**651,876**	**655,033**	**525,636**	**100.0**	**100.0**	**100.0**	**-19.8**

Source: Ga Stat.

Chart 8.3:
Shares of Saudi Imports (CIF) by Main Components



Imports

GaStat data shows that the value of imports of goods (CIF) decreased by 19.8 percent to SAR 525.6 billion in 2016, versus SAR 655.0 billion in the preceding year (Table 8.3).

Detailed data on Saudi Arabia's imports by main components for 2016 (Chart 8.3) shows that imports of electric machinery, appliances and equipment (SAR 129.3 billion) ranked first with a share of 24.6 percent of total imports, rising by 27.5 percent over the preceding year. Imports of transport equipment (SAR 93.9 billion) came second, constituting 17.9 percent, decreasing by 22.1 percent, imports of foodstuffs (SAR 85.1 billion) with a share of 16.2 percent, declining by 7.5 percent, and imports of other goods (SAR 67.3 billion) with a share of 12.8 percent, declining by 7.6 percent over the preceding year. Imports of chemical and metal products (SAR 66.8 billion) came fifth with a share of 12.7 percent, decreasing by 13.5 percent, and imports of ordinary metals and their products (SAR 47.4 billion) with a share of 9.0 percent, declining by 26.5 percent. Imports of textiles and clothing (SAR 20.1 billion) ranked seventh with a share of 3.8 percent, decreasing by 7.3 percent, and imports of wood and jewelry (SAR 15.8 billion) with a share of 3.0 percent, falling by 44.1 percent over the preceding year.

Table 8.4:
Destination of Exports and Origin of Imports

	Million SAR		% share		
	2015	2016	2015	2016	% change 2016
Imports					
USA	89,678	77,728	14.1	14.8	-13.3
China	92,398	75,309	13.7	14.3	-18.5
Germany	46,116	34,331	7.0	6.5	-25.6
Japan	37,286	27,821	5.7	5.3	-25.4
South Korea	37,251	23,328	5.7	4.4	-37.4
Total of the five countries	302,729	238,516	46.2	45.4	-21.2
GCC countries	48,714	41,033	7.4	7.8	-15.8
Other Arab countries	19,818	18,147	3.0	3.5	-8.4
Other world countries	283,773	227,941	43.3	43.4	-19.7
Total imports from all countries	**655,033**	**525,636**	**100.0**	**100.0**	**-19.8**
Exports					
China	92,069	79,916	12.1	11.6	-13.2
Japan	80,683	72,342	10.6	10.5	-10.3
USA	80,525	66,128	9.4	9.6	-17.9
India	72,052	63,880	10.5	9.3	-11.3
South Korea	66,099	57,432	8.7	8.3	-13.1
Total of the five countries	391,428	339,699	51.3	49.3	-13.2
GCC countries	79,009	80,558	10.4	11.7	2.0
Other Arab countries	43,252	36,968	5.7	5.4	-14.5
Other world countries	249,624	231,198	32.7	33.6	-7.4
Total exports to all countries	**763,313**	**688,423**	**100.0**	**100.0**	**-9.8**

Source: GaStat

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 group contains Arab countries excluding GCC countries, and the fourth group includes the other world countries (Table 8.4).

Imports by Origin

Imports from the top five non-Arab exporting countries to Saudi Arabia decreased by 21.2 percent to SAR 238.5 billion in 2016, with a share of 45.4 percent of total imports. Imports from the USA (SAR 77.7 billion) ranked first with a share of 14.8 percent of total imports, declining by 13.3 percent, imports from China (SAR 75.3 billion) with a share of 14.3 percent, decreasing by 18.5 percent over the preceding year, and imports from Germany (SAR 34.3 billion) with a share of 6.5 percent, decreasing by 25.6 percent. Imports from Japan (SAR 27.8 billion) came fourth with a share of 5.3 percent and imports from South Korea with a share of 4.4 percent of total imports.

Saudi Arabia's imports from the GCC countries recorded a decrease of 15.8 percent to SAR 41.0 billion during 2016, accounting for 7.8 percent of total imports. Imports from other Arab countries dropped by 8.4 percent to SAR 18.1 billion, accounting for 3.5 percent and imports from the other world countries declined by 19.7 percent to SAR 227.9 billion with a share of 43.4 percent. Chart (8.4B) illustrates Saudi Arabia's imports by origin in 2016.

Chart 8.4A:
The Destination of The Kingdom's Exports

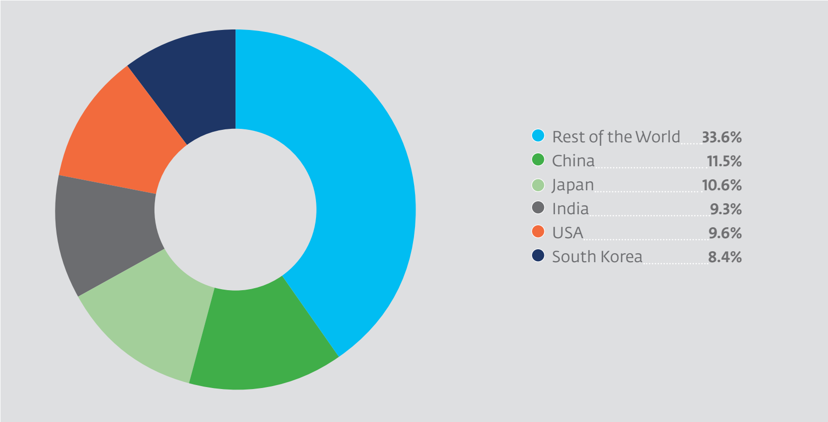
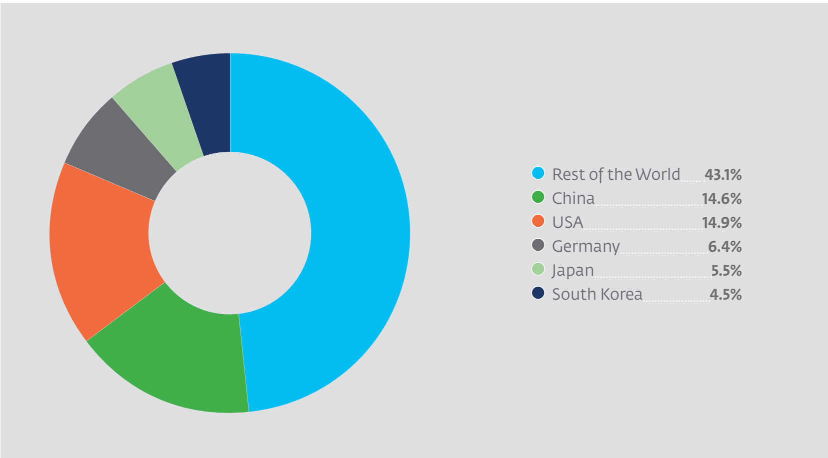


Chart 8.4B:
The Kingdom's Imports by Origin



Destination of Exports

Data indicates that Saudi Arabia's exports to the top five non-Arab exporting countries decreased by 13.2 percent to SAR 339.7 billion in 2016, with a share of 49.3 percent of total exports. Exports to China (SAR 79.9 billion) ranked first with a share of 11.6 percent, decreasing by 13.2 percent, followed by Japan (SAR 72.3 billion) with a share of 10.5 percent, down by 10.3 percent. Exports to the USA (SAR 66.1 billion) came third with a share of 9.6 percent, decreasing by 17.9 percent, exports to India (SAR 63.9 billion) with a share of 9.3 percent, and exports to South Korea with a share of 8.3 percent of total exports.

Saudi Arabia's exports to the GCC countries recorded a rise of 2.0 percent to SAR 80.6 billion during 2016, accounting for 11.7 percent of total exports. Exports to other Arab countries decreased by 14.5 percent to SAR 37.0 billion, accounting for 5.4 percent. Exports to the other world countries declined by 7.4 percent to SAR 231.2 billion with a share of 33.6 percent. Chart (8.4A) shows the destination of Saudi Arabia's exports in 2016.

Private Sector Exports Financed through Commercial Banks

Private sector exports financed by commercial banks (settled letters of credit) fell by 16.3 percent to SAR 41.8 billion in 2016 compared to SAR 50 billion in 2015. Their ratio to total non-oil exports (including re-exports) went down by 24.2 percent compared to 26.3 percent in 2015.

Detailed data on these private sector exports financed by commercial banks (settled letters of credit) in 2016 shows that the exports of other industrial products dropped by 12.3 percent to SAR 38.3 billion, ranking first with a share of 91.5 percent of total exports. Chemical and plastic products came next with SAR 3.4 billion with a decrease of 43.5 percent and a share of 8.1 percent, followed by agricultural and animal products with a value of SAR 188 million, falling by 44.0 percent and accounting for 0.4 percent.

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 24.5 percent to SAR 174.2 billion in 2016 compared to SAR 230.8 billion in the preceding year. Their ratio to total imports value was 34.2 percent in 2016 versus 35.2 percent in the preceding year.

The decline in imports financed by commercial banks during 2016 was attributed to declines in financing of imports of vehicles by 35.2 percent to SAR 34.7 billion, machinery by 34.5 percent to SAR 10.3 billion, textiles and clothing by 31.3 percent to SAR 2 billion, appliances by 25.5 percent to SAR 5 billion, other goods by 24.2 percent to SAR 77.4 billion, construction materials and grain by 19.6 percent for each and other foodstuffs by 1.4 percent.

In contrast, financing of imports of sugar, tea, and coffee beans; fruits and vegetables; and livestock and meat rose by 81.6 percent, 22.0 percent and 17.7 percent respectively.

As for their percentage shares in the total imports financed by commercial banks, financing of imports of other goods ranked first with 44.4 percent, financing of motor vehicle imports with 19.9 percent, financing of imports of construction materials with 9.9 percent, and financing of imports of machinery ranked fourth with a share of 5.9 percent, followed by financing of imports of grain, foodstuffs and appliances with 6.0 percent, 5.3 percent and 2.9 percent respectively.

Exports through Ports

According to data issued by the Saudi Ports Authority, the volume of exports (excluding crude oil exports) handled at the Saudi ports increased by 17.6 percent to 317.7 million tons in 2016 compared to 270.1 million tons in the preceding year.

In 2016, exports of refined oil products and gas increased by 12.0 percent to 133.9 million tons, other goods by 11.4 percent to 113.2 million tons, and chemical materials by 88.4 percent to 46.7 million tons. However, exports of agricultural products decreased by 7.2 percent to 78.1 thousand tons from 84.2 thousand tons, transshipment goods by 1.8 percent to 8.5 million tons and construction materials and steel by 1.1 percent to 15.4 million tons.

As for the percentage shares of the volume of exports handled at ports during 2016, refined oil products and gas ranked first with a share of 42.1 percent of the total. Chemical products came second with a share of 14.7 percent, followed by construction materials and steel with 4.8 percent. Transshipment goods held the fourth position with a share of 2.7 percent.

Imports through Ports

Available data for 2016 shows that the volume of imports handled at the Saudi ports increased by 6.7 percent to 108.9 million tons. Imports of foodstuffs rose by 5.6 percent to 28.7 million tons. However, imports of equipment fell by 19.0 percent to 2.3 million tons, general merchandise by 6.6 percent to 27.7 million tons, and construction materials by 13.3 percent to 13.6 million tons.

As for the percentage shares of imports volume handled at the Saudi ports during 2016, foodstuffs ranked first with a share of 26.3 percent, general merchandise with 25.4 percent, construction materials with 12.5 percent, and equipment with 2.1 percent. Imports through industrial ports accounted for 33.7 percent of the total.

With respect to motor vehicles and livestock imported through Saudi ports during 2016, the number of motor vehicles decreased by 40.8 percent to 769.2 thousand from 1.3 million in 2015, and livestock by 20.9 percent to 8 million from 10.1 million in 2015.

Non-Oil Trade with GCC Countries

Saudi Arabia's net non-oil trade with the GCC countries recorded a surplus of SAR 7.6 billion in 2016 against a deficit of SAR 635 million in 2015 (Table 8.5). The Saudi imports from GCC countries (including re-exports) decreased by 15.8 percent to SAR 41 billion in 2016 compared to SAR 48.7 billion in the preceding year, accounting for 7.8 percent of total imports. In contrast, the Saudi exports to GCC countries went up by 1.1 percent to SAR 48.6 billion in 2016, accounting for 27.3 percent of total non-oil exports (including re-exports).

Detailed data indicates that Saudi Arabia's non-oil commodity balance with Bahrain, Qatar and Kuwait in 2016 recorded surpluses of SAR 722 million, SAR 5.2 billion and SAR 5.4 billion respectively. In contrast, UAE and Oman registered deficits of SAR 2.7 billion and SAR 1.1 billion respectively.

Data on non-oil imports from GCC countries in 2016 shows that the UAE continued to occupy the first position as the largest exporter to Saudi Arabia, with exports amounting to SAR 28.6 billion, constituting 69.7 percent of the total. Bahrain came second with SAR 5.4 billion (13.0 percent), followed by Oman with SAR 4.1 billion (10.1 percent) and Kuwait with SAR 1.7 billion. Qatar came last with SAR 1.2 billion.

Table 8.5:
Saudi Non-Oil Trade with GCC Countries*
(Million SAR)

Country	2014 Imports from	2014 Exports to	2014 Difference	2015 Imports from	2015 Exports to	2015 Difference	2016 Imports from	2016 Exports to	2016 Difference
UAE	31,019	44,356	-7,793	33,264	26,522	-6,742	28,616	25,926	-2691
Bahrain	7,266	34,559	-392	7,359	5,819	-1,540	5,353	6,074	722
Qatar	2,108	6,195	3,318	1,803	6,254	4,451	1,209	6,450	5,241
Oman	5,435	6,533	-2,473	4,474	3,509	-965	4,144	3,066	-1079
Kuwait	1,965	5,770	4,213	1,813	5,974	4,161	1,710	7,074	5,364
Total	**47,793**	**97,413**	**49,620**	**48,713**	**48,078**	**-635**	**41,033**	**48,589**	**7,557**

* Includes re-exports. Source: GaStat

In regards to non-oil exports to GCC countries in 2016, UAE remained in the first position with SAR 25.9 billion or 53.4 percent of the total. Kuwait came second with SAR 7.1 billion (14.6 percent), Qatar with SAR 6.5 billion (13.3 percent), Bahrain with SAR 6.1 billion (12.5 percent) and Oman came last with SAR 3.1 billion (6.3 percent).

Non-oil Trade with Top Arab Trading Partners

Data on non-oil trade with Arab countries (excluding GCC countries) indicates that Saudi Arabia recorded a surplus of SAR 5.0 billion in 2016 against SAR 6.3 billion in 2015 (Table 8.6). Imports from Arab countries decreased by 8.5 percent to SAR 18.4 billion in 2016 compared to SAR 20.1 billion in the preceding year, accounting for 3.5 percent of total imports. Exports to Arab countries went down by 11.5 percent to SAR 23.4 billion, constituting 13.2 percent of total non-oil exports (including re-exports).

Detailed data on trade with top Arab trading partners shows that trade with Yemen, Iraq, Jordan, Morocco and Lebanon in 2016 recorded surpluses of SAR 1.9 billion, SAR 1.5 billion, SAR 720 million, SAR 552 million and SAR 6 million respectively. On the other hand, trade with Egypt and Sudan registered deficits of SAR 2.0 billion and SAR 160 million.

With regard to non-oil imports from top Arab trading partners in 2016, Egypt ranked first with SAR 7.9 billion (43.2 percent), Jordan with SAR 4.0 billion (22.0 percent), Sudan with SAR 2 billion (10.7 percent), and Lebanon with SAR 1.5 billion (7.9 percent). Morocco came fifth with SAR 0.8 billion, Yemen with SAR 0.2 billion, and Iraq with SAR 23 million.

As for non-oil exports to these countries in 2016, Egypt ranked first with SAR 5.9 billion (25.3 percent), Jordan with SAR 4.8 billion (20.3 percent), Yemen with SAR 2.1 billion, and Sudan with SAR 1.8 billion. Iraq ranked fifth with SAR 1.6 billion, Lebanon with SAR 1.5 billion, and Morocco with SAR 1.3 billion.

Table 8.6:
Non-oil Trade with Top Arab Trading Partners*
(Excluding GCC Countries)
(Million SAR)

Country	2014 Imports from	2014 Exports to	2014 Difference	2015 Imports from	2015 Exports to	2015 Difference	2016 Imports from	2016 Exports to	2016 Difference
Egypt	8,414	14,344	5,930	8,719	7,410	-1,309	7,933	5,926	-2,007
Jordan	3,487	17,792	14,305	3,773	5,503	1,730	4,042	4,761	720
Yemen	1,009	4,710	3,701	570	2,090	1,520	243	2,138	1,895
Lebanon	1,481	1,588	107	1,613	1,443	-170	1,457	1,463	6
Morocco	637	8,801	8,164	858	1,624	766	776	1,328	552
Sudan	2,178	1,806	-372	2,560	1,913	-647	1,959	1,799	-160
Iraq	5	3,435	3,430	10	1,778	1,768	23	1,550	1,526
Other Arab countries	1,887	9,398	7,511	1,991	4,681	2,690	1,951	4,445	2,494
Total	**19,098**	**61,874**	**42,776**	**20,094**	**26,442**	**6,348**	**18,383**	**23,409**	**5,026**

* Includes re-exports. Source: GaStat

Table 8.7:
Imports and Exports by Use of Items
Weight (Thousand Ton) / Value (Million SAR)

	Goods	2014 Weight	2014 Value	2015 Weight	2015 Value	2016 Weight	2016 Value
Imports	Final consumption	12,833	219,665	14,276	237,430	13,042	210,037
	Intermediate	66,314	274,055	66,293	255,464	61,200	203,918
	Capital	3,388	158,155	3,637	162,139	2,489	111,680
Exports	Final consumption	9,348	44,006	9,464	38,410	11,408	39,801
	Intermediate	446,979	1,221,571	456,182	705,144	488,304	631,100
	Capital	635	18,544	596	19,759	565	17,523

Source: GaStat

Imports and Exports by Use of Items

Detailed data on imports by use of items in 2016 shows that imports of consumer goods amounting to SAR 210.0 billion (13 million tons) ranked first with a share of 40.0 percent of total imports, dropping by 11.5 percent over the preceding year. Intermediate goods came second with SAR 203.9 billion (61.2 million tons), constituting 38.8 percent, an increase of 20.2 percent. Capital goods came third with SAR 111.7 billion (2.5 million tons) with a share of 21.2 percent, declining by 31.1 percent.

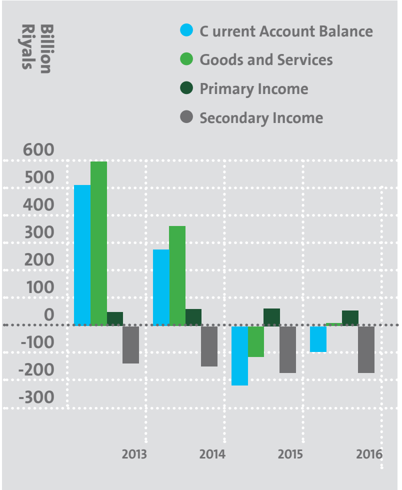
With regards to exports categorized by use of items in 2016, intermediate goods ranked first with SAR 631.1 billion (488.3 million tons) and a share of 91.7 percent, dropping by 10.5 percent. Consumer goods ranked second with SAR 39.8 billion (11.4 million tons) and a share of 5.8 percent, falling by 1.0 percent. Capital goods amounted to SAR 17.5 billion (0.6 million tons) with a share of 2.5 percent, down by 11.3 percent over the preceding year (Table 8.7.)

Table 8.8: Balance of Payments
(Million SAR)

	2013	2014	2015	2016*	% change 2016
I: Current account balance	507,909	276,593	-212,714	-103,317	-51.4
A. Goods and services	591,564	359,873	-109,863	310	--
1. Goods	834,590	689,981	165,995	209,115	26.0
2. Services	-243,027	-330,107	-275,858	-208,805	-24.3
B. Primary income	50,855	61,972	64,800	58,976	-9.0
C. Secondary income	-134,510	-145,252	-167,651	-162,603	-3.0
II: Capital account	-1,257	-1,233	-3,983	-3,365	-15.5
III: Financial account	474,498	239,947	-274,058	-325,887	--
1. Direct investment:	-14,705	-9,809	-10,317	4,314	--
2. Portfolio investments	24,773	100,426	40,386	-30,782	--
3. Other investments	205,115	124,474	130,630	2,910	--
4. Reserve assets	259,315	24,857	-434,758	-302,328	--
4. 1. Monetary gold	0	0	0	0	--
4. 2. Special drawing rights	-802	-2,127	-278	-6,166	--
4. 3. Reserve position in the IMF	-1,757	-4,651	-3,473	-3,953	--
4. 4. Other reserve assets	261,874	31,635	-431,006	-292,209	--
4. 4. 1. Currency and deposits	-20,668	-14,318	61,610	-150,138	--
4. 4. 2 securities	282,542	45,953	-492,616	-142,071	--
Errors and omissions	-32,154	-35,413	-57,361	-219,204	--

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

Chart 8.5: Current Account Balance



Balance of Payments

1. Current Account

Estimates of Saudi Arabia's balance of payments for 2016 indicate that the deficit of the current account decreased to SAR 103.3 billion, versus SAR 212.7 billion in the preceding year. The ratio of deficit to GDP stood at 4.3 percent. This decrease was attributed to a 26.0 percent increase in the merchandise surplus, a 24.3 percent decline in the net service deficit, and a 3.0 percent decline in the net secondary income deficit. (Table 8.8). Chart (8.5) illustrates the developments in the current account balance and its major items during the period 2013 - 2016.

A. Goods and Services:

1. Goods

The surplus in the commodity balance went up by 26.0 percent to SAR 209.1 billion in 2016 from SAR 166 billion in the preceding year. This was attributed to imports (FOB) dropping by 19.7 percent to SAR 479.4 billion against SAR 597.3 billion, despite the decline in total exports (including oil and other exports) by 9.8 percent to SAR 688.5 billion against SAR 763.3 billion in the previous year.

2. Services

The deficit in the services account declined by 24.3 percent to SAR 208.8 billion in 2016 compared to SAR 275.9 billion in the preceding year. This decline was mainly attributed to decreased deficits in net government services by 38.4 percent to SAR 73.1 billion from SAR 118.8 billion; net transportation by 27.0 percent to SAR 47.2 billion from SAR 64.7 billion; net travel by 17.3 percent to SAR 28.6 billion from SAR 34.6 billion; net financial services by 39.6 percent to SAR 1.2 billion from SAR 2.1 billion; net telecommunication by 6.7 percent

Table 8.9:
Remittances of Expatriates in Saudi Arabia

Year	Million SAR	% Annual change	*Private Sector GDP Million SAR	Ratio of Remittances to GDP Private sector
2012	107,335	3.7	948,366	11.3
2013	127,768	19.0	1,050,987	12.2
2014	134,995	5.7	1,149,636	11.7
2015	141,785	5.0	1,213,542	11.7
2016**	142,651	0.6	1,227,534	11.6

* At current prices.

**Preliminary data.

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

to SAR 9.3 billion from SAR 10 billion; and net insurance and pensions by 26.1 percent to SAR 5.1 billion from SAR 6.9 billion. However, the deficit in net construction services rose by 12.0 percent to SAR 20.8 billion, up from SAR 18.6 billion, and net other business services by 15.3 percent to SAR 23.5 billion, compared to SAR 20.4 billion in the preceding year.

B. Primary Income

According to the balance of payments data, the surplus in net primary income decreased by 9.0 percent to SAR 59 billion in 2016 compared to SAR 64.8 billion. This was attributed to a decrease of SAR 51.6 billion in net portfolio investment income as compared to SAR 69.2 billion in the preceding year. Net direct investment and other investments income registered surpluses of SAR 4.1 billion and SAR 5.3 billion against SAR 3.8 billion and SAR 2 billion respectively. The deficit in net workers' compensation dropped by 21.3 percent to SAR 2 billion.

C. Secondary Income

Deficit in the secondary income account declined by 3.0 percent to SAR 162.6 billion in 2016 compared to SAR 167.7 billion in the preceding year. Government transfers went down by 25.5 percent while remittances made by expatriate workers slightly rose by 0.6 percent to SAR 142.7 billion. Table (8.9) illustrates the developments in the remittances of expatriate workers and their ratio to GDP since 2012.

Table 8.10:
Saudi Aid Abroad During 2012 - 2016
(Million SAR)

Year	Aid and Loans	Contributions to Associations and Organizations	Multilateral Aid	Total
2012	4,198	3,144	421	7,763
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	18,998	43	30,535
Total	115,301	26,345	1,730	143,376

Source: Ministry of Finance.

2. Capital Account

The capital account registered an outflow of SAR 3.4 billion compared to SAR 4 billion in the preceding year.

3. Financial Account

Net direct investment rose by SAR 4.3 billion and net other investments increased by SAR 2.9 billion. Net portfolio investments, however, decreased by SAR 30.8 billion and reserve assets by SAR 302.3 billion.

Saudi Developmental Aid and Loans Abroad

Saudi aid and loans abroad reached SAR 143.4 billion during the period 20122016- (Table 8.10). Aid and loans constituted 80.4 percent (SAR 115.3 billion). Total contributions to associations and organizations amounted to SAR 26.3 billion or 18.4 percent of the total. Aid provided through multilateral aid programs during that period amounted to SAR 1.7 billion or 1.2 percent.

Saudi aid and loans provided through bilateral channels, multilateral associations, organizations and institutions during 2016 reached SAR 30.5 billion, increasing by 2.4 percent over the preceding year. Saudi contributions to associations and organizations in 2016 totaled SAR 19 billion (62.2 percent), rising by 1,322.0 percent over the preceding year. Aid and loans extended in 2016 amounted to SAR 11.5 billion (37.6 percent), decreasing by 59.6 percent. Saudi multilateral aid totaled SAR 43 million (0.1 percent), declining by 28.3 percent from the preceding year.

Table 8.11:
International Investment Position
(Million SAR)

	2014	2015	2016*	% change 2016
I: Assets	**4,009,845**	**3,731,101**	**3,489,127**	**-6.5**
1. Direct investment abroad	167,620	236,702	302,506	27.8
2. Portfolio investments	746,214	765,603	689,259	-1.5
3. Other investments	349,685	417,228	488,123	17.0
4. Reserve assets	2,746,325	2,311,567	2,009,239	-13.1
4. 1. Other reserve assets	2,695,953	2,264,947	1,972,738	-12.9
II: Liabilities	**1,041,430**	**1,144,335**	**1,283,110**	**12.1**
1. Direct investment in Saudi Arabia	809,658	840,187	868,134	3.3
2. Portfolio investments	62,694	122,183	184,986	51.4
3. Other investments	169,079	181,966	229,990	26.4
III: Net international investment position	**2,968,414**	**2,586,766**	**2,206,018**	**-12.2**

* Preliminary data.

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 1 U.S. dollar during 2016. The nominal effective exchange rate (NEER) index increased by 2.3 percent from 114.71 at the end of 2015 to 116.97 at the end of 2016. The real effective exchange rate (REER) index rose by 4.7 percent from 118.52 at the end of 2015 to 123.18 at the end of 2016.

International Investment Position

Direct Investment

Direct investment abroad grew by 27.8 percent to SAR 302.5 billion in 2016. Direct investment in Saudi Arabia also increased by 3.3 percent to SAR 868.1 billion as compared to the previous year.

Portfolio Investments

Portfolio investments abroad fell by 1.5 percent to SAR 754.3 billion in 2016. Portfolio investments in Saudi Arabia, however, rose by 51.4 percent to SAR 185 billion.

Other Investments

Other investments abroad went up by 17.0 percent to SAR 488.1 billion, and other investments in Saudi Arabia increased by 26.4 percent to SAR 230 billion.

Reserve Assets

Reserve assets went down by 13.1 percent to SAR 2 trillion in 2016.

Net International Investment Position

The net international investment position declined by 12.2 percent to SAR 2.3 trillion in 2016 compared to SAR 2.6 trillion in 2015 (Table 8.11.)

09

PUBLIC FINANCE

Table 9.1:
Budget Projections
(Billion SAR)

	FY 1437 / 1438H (2016)	FY 1438 / 1439H (2017)	change %
Total revenues	514	692	34.7
Total expenditures	840	890	6.0
Surplus/deficit	-326	-198	-39.3

Source: Ministry of Finance.

In its extraordinary session held on Thursday, 23 Rabi' al-Awwal 1438H (22 December 2016), the Council of Ministers approved the state budget for fiscal year 1438 / 1439H (2017). In light of slow global economic growth and low oil prices, the budget was set to enhance the efficiency of government capital and operational spending and strengthen public finances and its sustainability. The budget has prioritized developmental and utility projects that directly benefit citizens. It also has focused on those issues that further contribute to activating the private sector' role, raising its contribution to GDP, stepping up coordination between all government agencies. Moreover, it concentrated on continued budget fixation and enhancing transparency and integrity. Total expenditures were estimated at SAR 890 billion, 6.0 percent higher than the estimated budget for the previous fiscal year.

The state budget for fiscal year 1438 / 1439H (2017) projected total revenues at SAR 692 billion, increasing by 34.7 percent from the previous fiscal year's projections of SAR 514 billion. The budget deficit was estimated at SAR 198 billion, decreasing by 39.3 percent from the previous fiscal year's projections (Table 9.1).

PUBLIC FINANCE

Main Features of the State Budget for Fiscal Year 1438 / 1439H (2017)

State budget for fiscal year 1438 / 1439H (2017) encompasses integrated action programs in light of a comprehensive vision for reforms that may lead Saudi Arabia to broader and far-reaching horizons so as to be able to 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:

Human Resources Development Sector

Human resources development sector (public education, higher education and training of labor force) was allocated SAR 200 billion or 22.5 percent of the budgetary expenditures for 2017, up by 4.5 percent from the previous fiscal year 1437/ 1438H (2016) (Table 9.2).

Health Services and Social Development

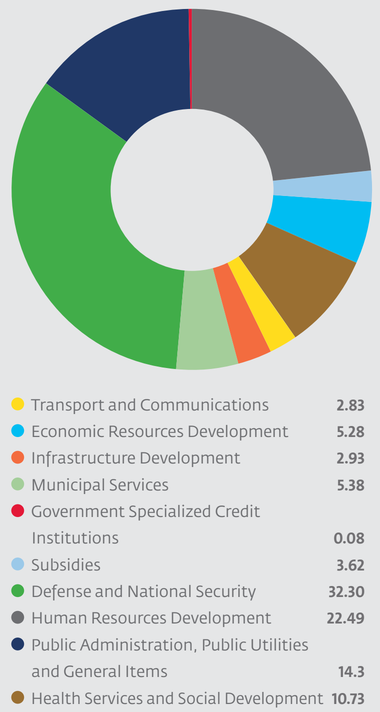
Health services and social development were allocated SAR 95.5 billion, rising by 19.4 percent over the previous year and constituting 10.7 percent of the budgetary expenditures.

Table 9.2:
Sector-Wise Allocations of the State Budget (By major sector)
(Million SAR)

	1437 / 1438H (2016)		1438 / 1439H (2017)	
	Amount	% Share	Amount	% Share
Human resources development	191,572	22.8	200,242	22.5
Transport and Communications	12,301	1.5	25,258	2.8
Economic resources development	26,025	3.1	47,051	5.3
Health services and social development	79,958	9.5	95,502	10.7
Infrastructure development	7,708	0.9	26,147	2.9
Municipal services	21,246	2.5	47,941	5.4
Defense and security	213,207	25.4	287,541	32.3
Public administration, public utilities and general items	68,553	8.2	127,339	14.3
Government specialized credit institutions	3,895	0.5	759	0.1
Subsidies	32,535	3.9	32,220	3.6
Budget support provision	183,000	21.8	---	---
Total	840,000	100.0	890,000	100.0

Source: Ministry of Finance.

Chart 9.1:
Budget Allocations for Fiscal Year 1438 / 1439H (2017)
by Major Sectors



Municipality Services

Municipality Services, including the Ministry of Municipal and Rural Affairs, secretariats and municipalities, were allocated SAR 47.9 billion or 5.3 percent of the budgetary expenditures, raising by 125.6 percent from fiscal year 2016.

Infrastructure Development Sector

Infrastructure sector was allocated SAR 26.1 billion or 2.9 percent of the budgetary expenditures of 2017, up by 239.2 percent from the previous fiscal year.

Transportation and Communications Sector

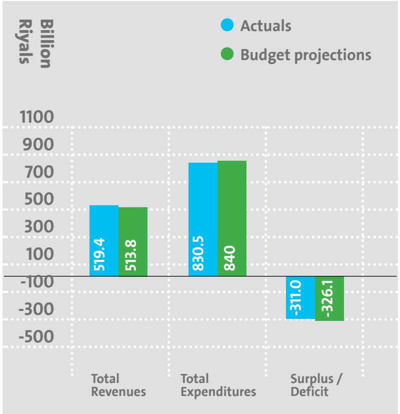
Transportation and communications sector was allocated SAR 25.3 billion or 2.8 percent of the total budgetary expenditures, rising by 105.3 percent over the previous fiscal year.

Table 9.3:
State Budget Actual and Projected Revenues and Expenditures
(Million SAR)

	1437 / 1438H (2016)			
	Projections	Actuals	Absolute difference	% Difference to projection
Total revenues	513,803	519,448	5,645.0	1.1
Taxes	83,174	81,987	-1,187	-1.4
Other revenues	430,629	437,461	6,832	1.6
Expenditures	764,201	726,358	-37,843.0	-5.0
Workers' compensation	379,014	439,463	60,449	15.9
Goods and Services	100,493	150,096	49,603	49.4
Interests (finance costs)	6,480	4,947	-1,533	-23.7
Subsidies	7,395	7,131	-264	-3.6
Subventions	7,016	4,935	-2,081	-29.7
Social benefits	34,362	41,376	7,014	20.4
Other costs	229,441	78,410	-151,031	-65.8
Net non-financial acquired assets	75,799	104,155	28,356	37.4
Total expenditures	840,000	830,513	-9,487.0	-1.1

Source: Ministry of Finance.

Chart 9.2:
Budget Estimates and Actuals for 1437 / 1438H (2016)



Other Sectors

Public administration, public utilities and general items were allocated an amount of SAR 127.3 billion, representing 14.3 percent of the total budgetary expenditures, up by 85.8 percent over the previous fiscal year.

Economic resources development was allocated SAR 47.1 billion or 5.3 percent of total budgetary expenditures, increasing by 80.8 percent over the previous fiscal year 2016.

As for subsidies, an amount of SAR 32.2 billion was allocated, representing 3.6 percent of total budgetary expenditures and decreasing by 0.9 percent from the previous fiscal year.

Actual Revenues and Expenditures for Fiscal Year 1437 / 1438H (2016)

Actual revenues for fiscal year 1437 / 1438H (2016) registered a decline of 15.7 percent to SAR 519.4 billion or 21.2 percent of the GDP, compared to a decline of 41 percent in the previous year, denoting a rise of 1.1 percent from the budget projections (Table 9.3).

Actual revenues of taxes declined by 1.4 percent as compared to estimates to SAR 82 billion in 2016 (Table 9.3).

Actual other revenues rose by 1.6 percent as compared to estimates to SAR 437.5 billion in the previous year.

Total actual expenditures for fiscal year 2016 stood at SAR 830.5 billion or 33.8 percent of the GDP, denoting a decrease of 1.1 percent to SAR 9.5 billion from the budget projections. Total actual expenditures decreased by 15.1 percent from that of the previous year (Table 9.3 and Chart 9.2).

Actual expenditures for workers' compensation compared to estimates rose by 15.9 percent to SAR 439.5 billion in 2016 (Table 9.3). Actual expenditures for goods and services rose by 49.4 percent as compared to estimates to SAR 150.1 billion. Actual expenditures for payment of interests (finance costs) dropped by 23.7 percent as compared to estimates to SAR 4.9 billion. Actual

Table 9.4:
Actual Revenue and Expenditure
(Million SAR)

	1435 / 1436H (2014)			1436 / 1437H (2015)			1437 / 1438H (2016)		
	Amount	% Change	Ratio to GDP*	Amount	% Change	Ratio to GDP*	Amount	% Change	Ratio to GDP*
Total revenues	1,044,366	-9.7	36.8	615,910	-41.0	25.1	519,448	-15.7	21.2
Total expenditures	1,109,903	13.7	39.1	978,139	-11.9	39.9	830,513	-15.1	33.8
Surplus/deficit	-65,537	-136.3	-2.3	-362,229	452.7	-14.8	-311,065	-14.1	-12.8

* Including import duties (at current prices).

Source: Ministry of Finance.

Table 9.5:
Public Debt
(Million SAR)

	Borrowed		Repaid		Outstanding public debt at year end					
FY	Debt Domestic	Debt Foreign	Debt Domestic	Debt Foreign	Debt Domestic	Debt Foreign	Total debt Year	% Change	GDP (at current prices)	Ratio of public debt to GDP
1433 / 1434 (2012)	---	---	51,651	---	83,848	---	83,848	-38.1	2,759,906	3.0
1434 / 1435 (2013)	---	---	23,730	---	60,118	---	60,118	-28.3	2,799,927	2.1
1435 / 1436 (2014)	---	---	15,858	---	44,260	---	44,260	-26.4	2,836,314	1.6
1436 / 1437 (2015)	98,000	---	---	---	142,260	---	142,260	221.4	2,453,512	5.8
1437 / 1438 (2016)*	97,020	103,125	25,825	---	213,455	103,125	316,580	122.5	2,424,144	13.1

* Preliminary data.

Source: Ministry of Finance.

subsidies expenditures declined by 3.6 percent as compared to estimates to SAR 7.1 billion. Actual expenditures for subventions dropped by 29.7 percent as compared to estimates to SAR 4.9 billion. Actual expenditures for social benefits went up by 20.4 percent as compared to estimates to SAR 41.4 billion. Actual expenditures for other costs decreased by 65.8 percent as compared to estimates to SAR 78.4 billion.

Ratio of Actual Budget Deficit to GDP

Fiscal year 2016 figures indicate a state budget deficit of SAR 311.1 billion, constituting 12.8 percent of GDP compared to a deficit of SAR 362 billion or 14.8 percent of GDP in the previous year (Table 9.4).

Public Debt

The outstanding public debt went up by 122.5 percent at the end of fiscal year 1437 / 1438H (2016). Public debt reached SAR 316.6 billion or 13.1 percent of GDP, as compared to SAR 142.3 billion at the end of the previous fiscal year 1436 / 1437H (2015), constituting 5.8 percent of GDP (Table 9.5).

10

NATIONAL ACCOUNTS AND SECTORAL DEVELOPMENT

Gross Domestic Product (GDP) for 2016

According to GDP at constant prices, the domestic economy recorded slower growth in its various sectors during 2016. Preliminary figures also show that GDP at current prices (including import duties) went down by 1.2 percent in 2016, following a decrease of 13.5 percent in the previous year. This was due to an 8.9 percent decline in nominal oil sector GDP, following a much larger contraction of 44.9 percent in the previous year. The nominal non-oil sector grew by 1.7 percent compared to 9.4 percent in the previous year. The non-oil private sector recorded a growth rate of 1.2 percent against 5.6 percent in the previous year while that of the non-oil government sector increased by 2.8 percent against 19.0 percent in the previous year.

Preliminary data indicate that GDP at constant prices (2010 = 100) (including import duties) rose by 1.7 percent in 2016 compared to a growth of 4.1 percent in the previous year. The oil sector increased by 3.8 percent compared to a rise of 5.3 percent in the previous year, and the non-oil sector increased by 0.2 percent compared to a rise of 3.2 percent. The non-oil private sector grew by 0.1 percent compared to a growth of 3.4 in the previous year. In addition, the non-oil government sector increased by 0.6 percent compared to a rise of 2.7 percent in 2015 (Table 10.1).

The non-oil private sector accounted for 38.6 percent of GDP at constant prices in 2016, which is slightly lower than that of the previous year. Similarly, the non-oil government sector's share also declined slightly, accounting for 16.5 percent against 16.7 percent in the previous year.

The oil sector accounted for 44.0 percent in 2016 against 43.2 percent in the previous year. The non-oil GDP implicit deflator increased by 1.4 percent in 2016 against a rise of 6.0 percent in the previous year (Table 10.1).

The distribution of GDP at constant prices by the main economic activities shows that most economic activities grew at widely varying rates in 2016. The activity of manufacturing (including oil refining) recorded a growth rate of 3.9 percent against a growth of 6.6 percent in 2015. "Finance, insurance, real estate and business services" registered a growth of 2.8 percent against an increase of 2.3 percent in the preceding year. "Transport, storage and telecommunications" grew by 2.8 percent against a growth of 5.8 percent in the previous year. Mining and quarrying (including crude oil, natural gas and other mining and quarrying activities) recorded a growth rate of 2.7 percent against a rise of 4.7 percent in the prior year. Public utilities (electricity, gas and water) grew by 2.3 percent against a rise of 5.3 percent in 2015. On the other hand, construction and building went down by 3.3 percent against a growth of 4.1 percent in the preceding year. Wholesale, retail, restaurants and hotels decreased by 1.6 percent against a growth of 2.8 percent in the previous year (Table 10.2).

NATIONAL ACCOUNTS AND SECTORAL DEVELOPMENT

Table 10.1:
Gross Domestic Product by Sector
(Million SAR)

	2015			2016*		
	Value	% Growth rate	% Share	Value	% Growth rate	% Share
GDP (at current prices)						
1. Oil sector	659,670	-44.9	26.9	601,129	-8.9	24.8
2. Non-oil sector	1,767,847	9.4	72.1	1,797,153	1.7	74.1
A. Private sector	1,213,542	5.6	49.5	1,227,534	1.2	50.6
B. Government sector:	554,305	19.0	22.6	569,619	2.8	23.5
GDP	**2,427,517**	**-13.7**	**98.9**	**2,398,282**	**-1.2**	**98.9**
3. Import duties	25,995	10.5	1.1	25,862	-0.5	1.1
GDP (including import duties)	**2,453,512**	**-13.5**	**100.0**	**2,424,144**	**-1.2**	**100.0**
GDP at constant prices (2010 = 100)						
1. Oil sector	1,098,712	5.3	43.2	1,139,997	3.8	44.0
2. Non-oil sector	1,425,400	3.2	56.0	1,428,732	0.2	55.2
A. Private sector	999,488	3.4	39.3	1,000,309	0.1	38.6
B. Government sector:	425,912	2.7	16.7	428,423	0.6	16.5
GDP	**2,524,111**	**4.1**	**99.2**	**2,568,728**	**1.8**	**99.2**
3. Import duties	21,125	5.8	0.8	20,834	-1.4	0.8
GDP (including import duties)	**2,545,236**	**4.1**	**100.0**	**2,589,562**	**1.7**	**100.0**
Implicit deflator (2010=100)						
GDP	96	-16.9		93	-2.9	
1. Oil sector	60	-47.7		53	-12.2	
2. Non-oil sector	124	6.0		126	1.4	

* Preliminary data. Source: GaStat

Contribution of Private Sector to GDP

The contribution of the non-oil private sector to GDP at current prices (excluding import duties) was 51.2 percent during 2016 compared to 50.0 percent in the previous year. Its growth rate (at current prices) was 1.2 percent during 2016 against a growth of 5.6 percent in 2015 (Table 10.3 and Chart 10.1).

Contribution of Government Sector to GDP

In 2016, the contribution of the government sector to GDP at current prices (excluding import duties) was 23.8 percent against 22.8 percent in the preceding year. The government sector (at current prices) recorded a growth rate of 2.8 percent in 2016 compared to 19.0 percent in the previous year (Table 10.3 and Chart 10.1).

Contribution of Oil Sector to GDP

In 2016, contribution of the oil sector to GDP at current prices (excluding import duties) was 25.1 percent, versus 27.2 percent in the previous year. The oil sector (at current prices) recorded a decline of 8.9 percent compared to a decline of 44.9 percent in the prior year (Table 10.4 and Chart 10.1).

Table 10.2:
Gross Domestic Product by Main Economic Sectors (At Constant Prices for 2010)
(Million SAR)

	2013	2014	2015 Value	2015 % Share	2015 % Growth rate	2016* Value	2016* % Share	2016* % Growth rate
1. Mining and quarrying	963,602	972,729	1,018,485	40.4	4.7	1,046,490	40.7	2.7
2. Manufacturing (including oil refining)	255,603	279,987	298,442	11.8	6.6	309,981	12.1	3.9
3. Public utilities (electricity, gas & water)	29,837	31,282	32,928	1.3	5.3	33,688	1.3	2.3
4. Construction and building	112,617	120,213	125,184	5.0	4.1	121,079	4.7	-3.3
5. Wholesale & retail trade, restaurants & hotels	212,698	225,420	231,744	9.2	2.8	228,005	8.9	-1.6
6. Transport, storage and communication	128,620	136,602	144,519	5.7	5.8	148,509	5.8	2.8
7. Finance, insurance, real estate and business services	218,369	225,598	230,836	9.1	2.3	237,380	9.2	2.8
GDP**	**2,339,509**	**2,424,873**	**2,524,111**	**100.0**	**4.1**	**2,568,728**	**100.0**	**1.8**

* Preliminary data. ** Excluding import duties. Source: GaStat

Table 10.3:
Contribution of Private and Government Sectors to GDP
(At Current Prices)

	GDP*	Private sector			Government sector		
Year	(Million SAR)	(Million SAR)	% Share	Change %	(Million SAR)	% Share	Change %
2013	2,778,753	1,050,987	37.8	10.8	436,977	15.7	5.7
2014	2,812,794	1,149,636	40.9	9.4	465,745	16.6	6.6
2015	2,427,517	1,213,542	50.0	5.6	554,305	22.8	19.0
2016**	2,398,282	1,227,534	51.2	1.2	569,619	23.8	2.8

* Excluding import duties. ** Preliminary data. Source: GaStat

Chart 10.1:
Contribution of Economic Sectors to GDP at current prices in 2016
(Excluding imports duties)

Contribution of Services Activity to GDP

The contribution of the total services activity (including wholesale and retail trade, restaurants and hotels; transportation, storage, and telecommunications; finance, insurance, real estate, and business services; social and personal services; and providers of government services, but excluding imputed bank service charges) to GDP at current prices was 54.5 percent in 2016 against 52.5 percent in the previous year. The services activity (at current prices) recorded a growth rate of 2.5 percent in 2016 compared to 10.9 percent in 2015 (Table 10.4 and Chart 10.2).

Contribution of Mining and Quarrying Activity to GDP

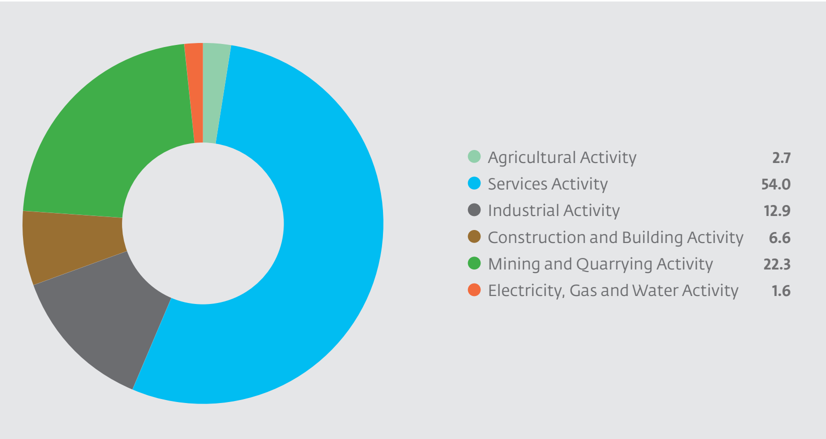
The contribution of the mining and quarrying activity (including crude oil, natural gas and other mining and quarrying activities) to GDP at current prices (excluding import duties) was 22.5 percent in 2016 against 24.7 percent in the previous year. The activity (at current prices) recorded

Table 10.4:
Contribution of Oil Sector and Services Activity to GDP
(At Current Prices)

	GDP*	Oil sector			Services Activity		
Year	(Million SAR)	(Million SAR)	% Share	Change %	(Million SAR)	% Share	Change %
2013	2,778,753	1,290,789	46.5	-6.2	1,063,460	38.3	71.0
2014	2,812,794	1,197,414	42.6	-7.2	1,149,586	40.9	8.1
2015	2,427,517	659,670	27.2	-44.9	1,274,557	52.5	10.9
2016**	2,398,282	601,129	25.1	-8.9	1,306,409	54.5	2.5

* Excluding import duties. ** Preliminary data. Source: GaStat

Chart 10.2:
Contribution of Economic Activities to GDP at current prices in 2016 (Excluding imports duties)



a decline of 10.2 percent in 2016 compared to a decline of 46.9 percent in the preceding year (Table 10.5 and Chart 10.2).

Contribution of Industrial Activity to GDP

In 2016, contribution of the industrial activity (including oil refining) to GDP at current prices (excluding import duties) rose slightly to 13.0 percent against 12.8 percent in the previous year. The industrial activity (at current prices) recorded a slight rise of 0.2 percent compared to 1.6 percent in 2015 (Table 10.5 and Chart 10.2).

Contribution of Other Major Activities to GDP

The contribution of the agricultural activity (including agriculture, forestry and fishing) to GDP at current prices (excluding import duties) for 2016 was 2.7 percent against 2.6 percent in the previous year. The growth of this activity at current prices was 1.1 percent in 2016 against a growth of 1.7 percent in the preceding year (Table 10.6 and Chart 10.2).

Table 10.5:
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 %
2013	2,778,753	1,232,823	44.4	-6.0	278,071	10.0	2.9
2014	2,812,794	1,130,054	40.2	-8.3	306,189	10.9	10.1
2015	2,427,517	600,508	24.7	-46.9	311,215	12.8	1.6
2016**	2,398,282	539,473	22.5	-10.2	311,959	13.0	0.2

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

Table 10.6:
Contribution of Some Economic Activities to GDP (At Current Prices)
(Million SAR)

Year	GDP*	Agricultrual activity**	% Share	Change %	Construction and building	% Share	Change %	Electricity, gas and water	% Share	Change %
2013	2,778,753	60,403	2.2	5.3	134,588	4.8	13.6	30,623	1.1	1.8
2014	2,812,794	63,164	2.2	4.6	152,965	5.4	13.7	32,479	1.2	6.1
2015	2,427,517	64,267	2.6	1.7	162,975	6.7	6.5	36,067	1.5	11.0
2016***	2,398,282	64,952	2.7	1.1	159,575	6.7	-2.1	38,395	1.6	6.5

* Excluding import duties.
** Including agriculture, forestry and finishing.
*** Preliminary data.
Source: GaStat

In 2016, the contribution of construction and building activity to GDP at current prices (excluding import duties) was 6.7 percent, which is the same as that of the previous year. This activity recorded a decrease of 2.1 percent against a growth of 6.5 percent in the previous year.

The contribution of electricity, gas and water activity to GDP at current prices (excluding import duties) was 1.6 percent in 2016 compared to 1.5 percent in 2015. It recorded a growth rate of 6.5 percent against 11.0 percent in the preceding year (Table 10.6 and Chart 10.2).

Per Capita GDP

Preliminary figures indicate that per capita GDP (at current prices) in Saudi Arabia declined by 4.0 percent to SAR 76,261 in 2016, versus a drop of 16.0 percent in the previous year (Table 10.7).

Table 10.7:
Per Capita GDP

	2013	2014	2015	% change	2016*	% change
GDP** (Current prices) (Million SAR)	2,799,927	2,836,314	2,453,512	-13.5	2,424,144	-1.2
Population (Million)	29.38	30.00	30.89	3.0	31.79	2.9
Per Capita GDP (Riyals)	95,300	94,553	79,425	-16.0	76,261	-4.0

* Preliminary data. ** Including import duties. Source: GaStat

Chart 10.3:
Expenditure on GDP
(At current prices)

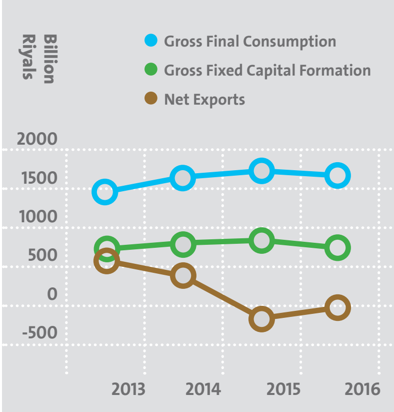


Table 10.8:
Expenditure on GDP at Purchasers' Value (At Current Prices)
(Million SAR)

	2013			2014			2015			2016 (1)		
	Value	Share %	Change %	Value	Share %	Change %	Value	Share %	Change %	Value	Share %	Change %
Gross final consumption	1,467,257	52.4	9.8	1,649,013	58.1	12.4	1,724,946	70.3	4.6	1,660,089	68.5	-3.8
Government consumption	628,522	22.4	14.0	739,156	26.1	17.6	736,139	30.0	-0.4	624,632	25.8	-15.1
Private consumption	838,735	30.0	6.8	909,857	32.1	8.5	988,807	40.3	8.7	1,035,457	42.7	4.7
Gross capital formation(2)	741,133	26.5	1.2	815,457	28.8	10.0	861,857	35.1	5.7	752,121	31.0	-12.7
Net exports of goods and services(3)	591,537	21.1	-14.4	371,844	13.1	-37.1	-133,291	-5.4	-135.8	11,934	0.5	109.0
Expenditure on GDP	**2,799,927**	**100.0**	**1.5**	**2,836,314**	**100.0**	**1.3**	**2,453,512**	**100.0**	**-13.5**	**2,424,144**	**100.0**	**-1.2**

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

Expenditure on GDP in 2016

Preliminary figures show that expenditure on GDP at purchasers' value (at current prices) dropped by 1.2 percent to SAR 242.4 billion (including import duties) in 2016, against a decrease of 13.5 percent in the previous year. This was due to a surplus of SAR 119.3 billion in net exports of goods and services in 2016. Final consumption of the privet sector rose by 4.7 percent to SAR 103.5 billion in 2016 against a rise of 8.7 percent in the previous year (Table 10.8 and Chart 10.3).

Gross final consumption (government and private) went down by 3.8 percent from SAR 172.5 billion in 2015 to SAR 166 billion in 2016. It accounted for 68.5 percent of expenditure on GDP (at current prices) in 2016 compared to 70.3 percent in 2015 (Table 10.8 and Chart 10.3).

Gross capital formation (including inventory change) decreased by 12.7 percent to SAR 752 billion in 2016 from SAR 862 billion in 2015. On the other hand, net exports of goods and services went up by 109 percent to SAR 119.3 billion as compared to a decline of 135.8 percent in 2015 (Table 10.8 and Chart 10.3).

11

PETROLEUM AND MINERAL RESOURCES

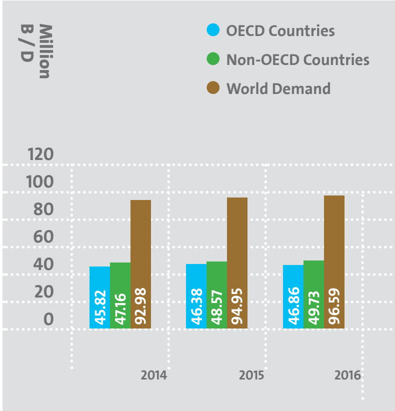
Table 11.1:
Global Average Oil Demand*
(Million barrels per day)

	2014	2015	2016	change % 2015	change % 2016
North America	24.20	24.59	24.68	1.6	0.4
Western Europe	13.51	13.75	14.10	1.8	2.5
Pacific countries	8.11	8.04	8.08	-0.9	0.5
OECD	**45.82**	**46.38**	**46.86**	**1.2**	**1.0**
Non-OECD:					
FSU	4.66	4.62	4.78	-0.9	3.5
China	10.80	11.54	11.92	6.9	3.3
Eastern Europe	0.65	0.68	0.70	4.6	2.9
South America	6.83	6.76	6.64	-1.0	-1.8
Other Asia	12.02	12.48	13.10	3.8	5.0
Middle East	8.37	8.43	8.43	0.7	0.0
Africa	3.83	4.06	4.16	6.0	2.5
Total non-OECD demand	**47.16**	**48.57**	**49.73**	**3.0**	**2.4**
Total world demand	**92.98**	**94.95**	**96.59**	**2.1**	**1.7**

*Including primary stock, marine bunkers and refinery fuel.

Source: IEA Report, April 2017.

Chart 11.1:
World Average Oil Demand



In 2016, world oil prices plunged. According to OPEC data, the Arab Light oil price averaged $40.96 per barrel, a decline of 17.8 percent from its price of $49.85 per barrel in 2015.

World Oil Demand

According to estimates of the International Energy Agency (IEA), the average world oil demand rose by 1.7 percent to 96.59 million barrels/day (b/d) in 2016, compared to 94.95 million b/d in 2015 (Table 11.1 and Chart 11.1). The increase was attributed to a 2.4 percent rise in the average demand of non-OECD countries to 49.73 million b/d, compared to 48.57 million b/d in 2015. OECD oil demand averaged 46.86 million b/d, an increase of 1.0 percent.

PETROLEUM AND MINERAL RESOURCES

Table 11.2: World Average Oil Production*

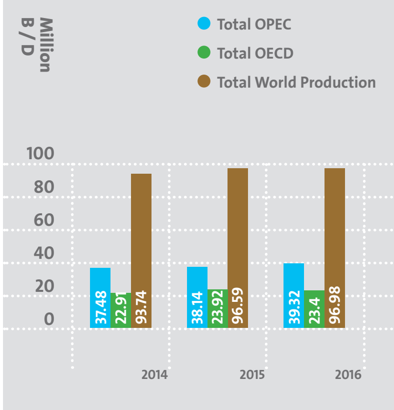
(Million barrels per day)

	2014	2015	2016	change % 2015	change % 2016
OPEC	**37.48**	**38.14**	**39.32**	**1.8**	**3.1**
OECD	**22.91**	**23.92**	**23.40**	**4.4**	**-2.2**
Non-OPEC					
FSU	13.87	14.03	14.21	1.2	1.3
USA	11.99	12.99	12.52	8.3	-3.6
China	4.25	4.33	4.03	1.9	-6.9
Canada	4.28	4.39	4.47	2.6	1.8
Mexico	2.81	2.60	2.46	-7.5	-5.4
UK	0.87	0.97	1.03	11.5	6.2
Norway	1.89	1.95	1.99	3.2	2.1
Brazil	2.35	2.53	2.61	7.7	3.2
Total world supply	**93.74**	**96.59**	**96.98**	**3.0**	**0.4**

*Including condensates and natural gas liquids.

Source: IEA Report, April 2017.

Chart 11.2: World Crude Oil Production



The rise in non-OECD oil demand was led by China with a 3.3 percent increase (to 11.92 million b/d), Eastern Europe with a 2.9 percent increase (0.70 million b/d), Africa with 2.5 percent (4.16 million b/d) and FSU with 3.5 percent (4.78 million b/d). On the other hand, demand from South America decreased by 1.8 percent to 6.64 million b/d.

World Oil Production

According to IEA estimates, 2016 world oil production averaged 96.98 million b/d, an increase of 0.4 percent from 2015's output of 96.59 million b/d (Table 11.2). This relative stability was the product of two quite different trends in OPEC and OECD production. OPEC's oil output rose by 3.1 percent to 39.32 million b/d in 2016 from 38.14 million b/d in 2015; this represented 40.5 percent of total world output. In contrast, OECD average output decreased by 2.2 percent to 23.40 million b/d, compared to 23.92 million b/d in 2015, representing 24.13 percent of total world output compared to 24.7 percent in the previous year. (Chart 11.2).

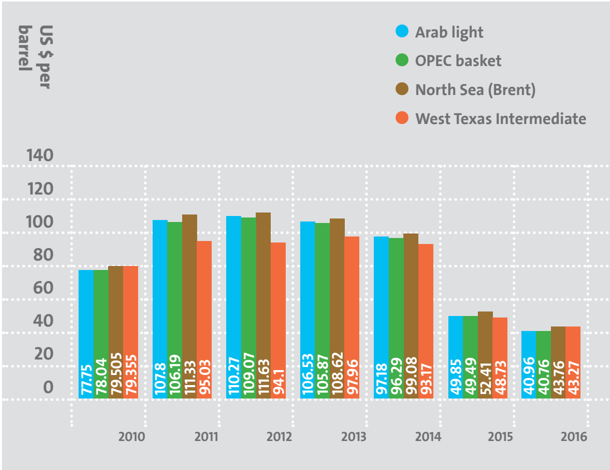
As for non-OPEC production, the Canadian production rose by 1.8 percent to 4.47 mb/d, FSU output increased by 1.2 percent to 14.20 mb/d, Brazil was up by 3.2 percent to 2.61 mb/d, the UK rose by 6.2 percent to 1.03 mb/d and Norway grew by 2.1 percent to 1.99 mb/d. In the USA; however, production averaged 12.52 mb/d, declining by 3.6 percent and Mexico 2.46 mb/d, a decline of 5.4 percent.

Table 11.3:
Spot Prices for Selected Crude streams
(USD per barrel)

Year	Arab light	OPEC basket	North Sea (Brent)	West Texas Intermediate
2000	26.81	27.60	28.44	30.37
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	48.74
2016	40.96	40.76	43.76	43.27

Source: OPEC.

Chart 11.3:
Average Spot Oil Prices



World Oil Prices

According to OPEC data, world oil prices declined in 2016. The price of the Arab Light crude oil averaged $40.96 per barrel, decreasing by 17.8 percent ($8.89 per barrel), compared to an average price of $49.85 per barrel in 2015 (Table 11.3). The price of OPEC basket averaged $40.76 per barrel in 2016, decreasing by 17.6 percent, compared to $49.49 per barrel in 2015. The average price of North Sea (Brent) dropped by 16.5 percent to $43.76 per barrel in 2016 against $52.41 per barrel during 2015. West Texas average price went down by 11.2 percent to $43.27 a barrel in 2016 compared to $48.74 a barrel in 2015.

Real Oil Prices

Real oil prices (base year 2005) went down in 2016. The real price of Arab Light averaged $38.29 per barrel, falling by 17.6 percent, compared to $46.47 per barrel during 2015 (Table 11.4). The average real price of North Sea Brent fell by 16.3 percent to $40.90 a barrel during 2016 from $48.86 a barrel in the previous year. The average real price of the OPEC basket went down by 17.4 percent to $38.10 a barrel, compared to $46.13 a barrel in the previous year.

It should be noted that real oil prices in 2016 were lower than those in 1980, although the nominal prices were higher. For instance, the average real price of North Sea stood at $40.90 a barrel during 2016, lower by $42.17 a barrel than its price in 1980 ($83.07 a barrel). In contrast, North Sea nominal price stood at $43.76 per barrel in 2016, higher by $5.87 a barrel than its nominal price in 1980 ($37.89 a barrel).

Table 11.4: Nominal and Real Oil Prices (Base Year 2005)

(USD per barrel)

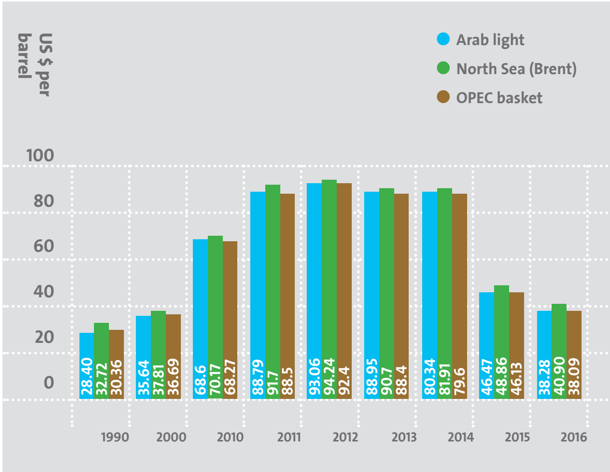
	Nominal Oil Prices			Real Prices*		
Year	Arab Light	North Sea (Brent)	OPEC basket	Arab Light	North Sea (Brent)	OPEC basket
1980	28.67	37.89	28.64	62.85	83.07	62.79
1990	20.82	23.99	22.26	28.40	32.73	30.36
2000	26.81	28.44	27.60	35.64	37.81	36.69
2010	77.82	79.60	77.45	68.60	70.17	68.27
2011	107.82	111.36	107.46	88.79	91.70	88.50
2012	110.22	111.62	109.45	93.06	94.24	92.40
2013	106.53	108.62	105.87	88.95	90.70	88.40
2014	97.18	99.08	96.29	80.34	81.91	79.60
2015	49.85	52.41	49.49	46.47	48.86	46.13
2016	40.96	43.76	40.76	38.29	40.90	38.10

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

Source: OPEC.

Chart 11.4: Real Oil Prices

Base year = 2005



Saudi Arabia's Reserves of Oil and Natural Gas

Saudi Arabia's proven reserves of crude oil stood at 266.21 billion barrels at the end of 2016, decreasing by 0.25 billion barrels from the previous year. Proven reserves of natural gas increased by 0.36 percent to 304.34 trillion standard cubic feet at the end of 2016, compared to 303.25 trillion standard cubic feet at the end of 2015.

Saudi Crude Oil Production

Saudi Arabia's production of crude oil rose by 2.9 percent to 3,828.4 million barrels in 2016 compared to 3,720.3 million barrels in 2015. Accordingly, Saudi Arabia's average daily output amounted to 10.46 m b/d in 2016 (Table 11.5).

Saudi Domestic Production and Consumption of Refined Products

Saudi Arabia's output of refined products rose by 14.2 percent to 1,034.26 million barrels in 2016 from 905.43 million barrels in 2015. Thus, its daily output of refined products averaged 2.83 mb/d (Table 11.6).

Table 11.5:
Saudi Crude Oil Production
(Million barrel)

	2013	2014	2015	2016	change % 2015	change % 2016
Total production	**3,517.6**	**3,545.1**	**3,720.3**	**3,828.4**	**4.9**	**2.9**
Daily average	9.64	9.71	10.19	10.46	**4.9**	**2.6**

Source: Ministry of Energy, Industry and Mineral Resources.

Table 11.6:
Saudi Output of Refined Products
(Million barrel)

Product	2012	2013	2014	2015	2016	change % 2015	change % 2016
LPG	11.25	13.86	16.17	16.76	15.61	3.6	-6.9
Motor Gasoline	145.89	134.69	160.94	179.90	202.35	11.8	12.5
Naphtha	64.18	58.65	70.27	68.77	75.77	-2.1	10.2
Jet fuel (Kerosene)	63.80	59.46	77.32	76.95	89.50	-0.5	16.3
Diesel	234.12	219.77	274.84	351.47	384.62	27.9	9.4
Fuel Oil	168.38	166.20	175.68	163.16	168.31	-7.1	3.2
Asphalt	17.69	19.60	20.06	21.60	18.25	7.7	-15.5
Coke	---	---	8.57	26.82	79.85	213.1	197.7
Total	**705.31**	**672.23**	**795.28**	**905.43**	**1,034.26**	**13.9**	**14.2**

Source: Ministry of Energy, Industry and Mineral Resources.

The rise in the production of refined products was due to increases in diesel production by 9.4 percent, accounting for 37.2 percent of total refined products output, in gasoline production by 12.5 percent, in coke production by 197.7 percent, and in jet fuel by 16.3 percent; however, LPG production fell by 6.9 percent.

Total domestic consumption of refined products, crude oil and natural gas increased by 0.2 percent to 1,590.30 million barrels (4.4 mb/d) in 2016 from 1,586.50 million barrels in 2015 (4.3 mb/d) (Table 11.7).

The slight increase in domestic consumption during 2016 resulted from a rise in public consumption by 1.1 percent to 1,425.72 million barrels, offset by a decline in oil industry consumption of 6.4 percent to 164.58 million barrels. A breakdown of public consumption shows that natural gas accounted for 39.10 percent, diesel 17.4 percent, gasoline 14.3 percent, fuel oil 11.7 percent and crude oil 12.8 percent. A breakdown of oil industry consumption shows that natural gas accounted for 64.4 percent, fuel gas 20.9 percent, diesel 4.9 percent and fuel oil 3.7 percent.

Table 11.7:
Domestic Consumption of Refined Products, Crude Oil and Natural Gas

(Million barrels)

Product	2012	2013	2014	2015	2016
A. Public consumption					
LPG	13.74	12.27	11.48	12.60	13.40
Motor Gasoline	175.92	184.14	190.71	203.98	203.37
Jet fuel & Kerosene	24.76	25.56	27.28	31.37	32.05
Diesel	253.06	259.40	261.22	276.07	248.54
Fuel Oil	91.50	107.47	125.86	140.43	166.07
Crude oil	193.50	176.94	202.36	209.42	182.41
Asphalt	19.96	20.94	28.59	29.12	19.14
Lubricating oils	1.60	1.59	1.92	1.68	1.48
Natural gas	484.62	496.44	504.09	506.07	557.44
Naphtha	--	--	--	--	1.81
Subtotal	**1,258.65**	**1,284.72**	**1,353.51**	**1,410.72**	**1,425.72**
B. Oil industry consumption					
LPG	2.62	2.99	3.71	3.53	4.58
Fuel Oil	4.90	4.84	12.67	5.20	6.12
Diesel	7.10	6.92	13.72	8.04	8.03
Fuel gas	18.81	20.29	20.56	31.75	34.33
Crude oil	0.09	0.07	0.10	0.05	0.04
Natural gas	113.36	98.97	110.54	121.61	106.02
Other products	3.06	3.15	2.01	5.60	5.46
Subtotal	**149.94**	**137.24**	**163.29**	**175.78**	**164.58**
Total	**1,408.59**	**1,421.97**	**1,516.80**	**1,586.50**	**1,590.30**

Source: Ministry of Energy, Industry and Mineral Resources.

Saudi Exports of Crude Oil and Refined Products

Saudi Arabia's total oil exports (crude & refined) stood at 3,344.54 million barrels in 2016 (9.16 mb/d) as crude oil exports increased by 6.9 percent to 2,794.59 million barrels during 2016 from 2,614.51 million barrels in 2015. Moreover, refined product exports increased by 30.5 percent to 549.95 million barrels during 2016, compared to 421.48 million barrels in 2015 (Table 11.8).

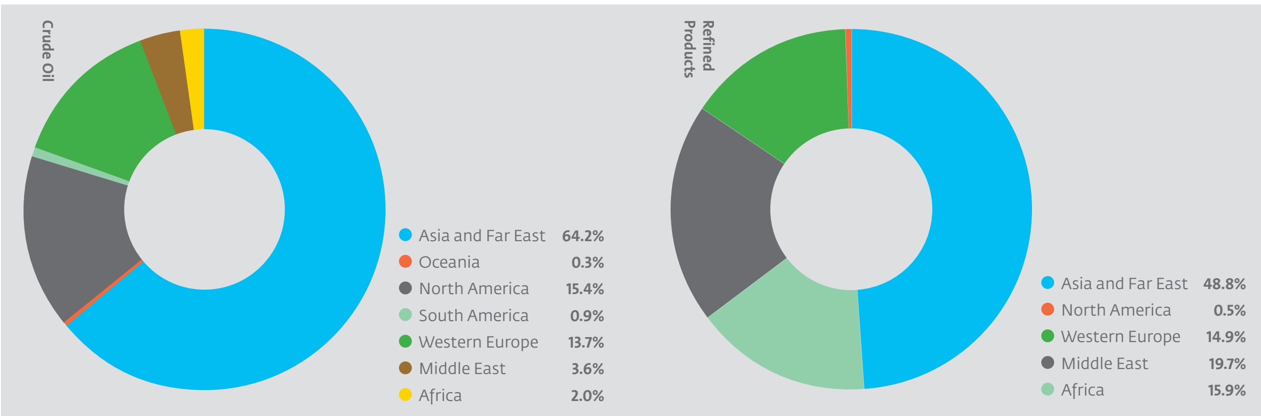
Asia and the Far East dominated the bulk of Saudi exports of crude oil and refined products during 2016 (Chart 11.5). They accounted for 64.2 percent of crude oil and 48.8 percent of refined products. North America came in second, accounting for 15.4 percent of crude oil, followed by Western Europe with 13.7 percent of crude oil and 14.9 percent of refined products. The Middle East accounted for 3.6 percent of crude oil and 19.7 percent of refined products, and Africa accounted for 2.0 percent of crude oil and 15.7 percent of refined products.

Table 11.8:
Saudi Exports of Crude Oil and Refined Products (By Destination)
(Million barrels)

	2014		2015		2016		% in 2016	
Exports to	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products
North America	456.74	4.71	434.63	-	430.78	0.53	15.4	0.1
South America	25.15	4.75	25.44	1.49	26.13	2.72	0.9	0.5
Western Europe	347.53	41.13	320.20	65.97	381.73	82.13	13.7	14.9
Middle East	99.78	67.94	104.49	71.47	99.88	108.57	3.6	19.7
Africa	69.73	41.73	53.66	71.25	56.05	87.36	2.0	15.9
Asia and Far East	1,609.96	200.29	1,669.64	211.30	1,792.89	268.63	64.2	48.8
Oceania	2.12	-	6.45	-	7.13	-	0.3	--
Total	**2,611.01**	**360.56**	**2,614.51**	**421.48**	**2,794.59**	**549.95**	**100.0**	**100.0**

Source: Ministry of Energy, Industry and Mineral Resources.

Chart 11.5:
The Kingdom's Exports of Crude Oil and Refined Products by Destination in 2015



Petrochemicals Industry

Production of the Saudi Basic Industries Corporation (SABIC) rose by 3.3 percent to 72.7 million metric tons in 2016 against 70.4 million metric tons in the previous year. The company's products sold abroad rose by 1.8 percent to 54.9 million metric tons, compared to 53.9 million metric tons in the previous year.

SABIC direct contribution to GDP and private sector GDP was estimated at 1.9 percent and 3.7 percent respectively. In 2016, local sales stood at SAR 12.6 billion to the industrial sector, SAR 7 billion to the construction sector, and SAR 672 million to the agricultural sector, a total contribution of over SAR 20 billion to the productive national economic sectors.

SABIC exports reached SAR 50 billion in 2016, constituting 28.9 percent of Saudi total non-oil exports.

Mineral Resources

The Deputy Ministry for Mineral Resources supervises mining activities in Saudi Arabia. It encourages investing in the mining sector, provides services and consultations, and issues mining licenses and concessions in accordance with the laws and regulations in force. At the end of 2016, the number of valid mining licenses stood at 1,921, including 546 for exploration, which enables their holders to conduct

Table 11.9: Production of Minerals in Saudi Arabia

Year	Gold (kg)	Silver (kg)	Copper (ton)	Zinc (ton)
2011	4,612	5,839	1,954	4,934
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	5,078	4,463	34,750	41,700
2016*	5,300	4,700	48,500	40,950

* Estimates

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

Table 11.10: Mineral Ores Extracted
(Thousand tons)

Type of Extracted Ores	2012	2013	2014	2015	2016*
Limestone	48,615	56,700	59,500	62,300	59,900
Clay	8,300	6,880	6,210	7,690	7,400
Salt	1,611	1,900	2,000	2,080	2,000
Silica sand	1,270	1,160	1,230	1,270	1,220
Crusher materials (pebbles)	300,000	300,000	310,000	330,000	317,000
Sand	30,000	29,000	30,400	31,800	30,500
Iron sand	987	644	644	708	680
Gypsum	1,700	1,700	1,400	1,470	1,400
Marble for industrial purposes	1,300	3,000	3,150	3,300	3,100
Marble blocks	25	11	12	12	-
Granite blocks	834	1,100	1,100	1,150	1,100
Limestone blocks	484	1,200	1,260	1,320	1,270
Kaolinite	137	101	106	111	107
Barite	32	30	32	43	41
Feldspar	227	160	194	198	190
Pozzolan	941	460	480	500	480
Dolomite	153	181	190	199	191
Schist	683	650	680	710	685
Pyrophyllite	8	6	7	8	8
Low-grade bauxite	835	934	967	1,026	1,067
Bauxite	---	1,044	1,096	1,128	1,170
Diammonium phosphate	1,534	1,820	1,911	2,002	2,082

* Estimates (---) Not Available.

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

detailed studies on the mineral ores required under the exploration license; 70 for small-size 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; 69 licenses for raw materials 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 1,211 licenses for various construction materials such as sand, crusher materials, decoration stones and others.

With regards to the production of gold, silver and associated minerals from Mahd Al-Dhahab, Al-Sukhaybarat, Al-Hajar, Bulghah and Al-Amar, the output of gold stood at 5,300 kg and that of Silver stood at 4,700 kg during 2016. Table (11.9) shows the output of gold and minerals in Saudi Arabia during 2011 - 2016. It can be noticed from the table that Saudi Arabia's production of copper and zinc have increased since Al masane Mine started operation in 2012. It should be noted that the production of 2016 is estimated.

Total quantities extracted during 2016 are estimated at more than 435 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 (11.10) shows Saudi Arabia's various extracted ores during 2012 - 2016. It should be noted that the output of 2016 is estimated.

12

SAMA ACHIEVEMENTS AND ASPIRATIONS

The Saudi Arabian Monetary Authority (SAMA) is working to fulfill its mandate entrusted to it in line with requirements of the national economy and Vision 2030, based on a clear vision of the present and future situation of the financial sector in Saudi Arabia and its prospective role in boosting the economy. During fiscal year 1437 / 1438H (2016), the Saudi economy witnessed many developments at the strategic and organizational levels as well as related developments in the domestic and international markets. This chapter discusses SAMA's roles and functions, including its role in Vision 2030, and salient achievements made in 1437 / 1438H (2016) in addition to SAMA's contributions to serving the community. The last part of the chapter reviews the most prominent developments in SAMA's financial position.

SAMA (the Central Bank of the Kingdom of Saudi Arabia) was founded in 1372H (1952). It has been entrusted with several functions under a number of laws and resolutions. The most important of these functions include acting as the government's bank, issuing the national currency (Saudi riyal), strengthening the Saudi currency and maintaining its value internally and externally, strengthening the currency backing, managing foreign exchange reserves, managing monetary policy to maintain price and exchange rate stability, ensuring growth and soundness of the financial system, supervising and overseeing commercial banks and money-changing business firms, supervising cooperative insurance companies and insurance service providers, supervising finance and real estate finance companies as well as credit information companies, providing secure and innovative payment systems, collecting and providing financial and monetary data, and conducting necessary analysis and economic research.

SAMA's primary objective is to achieve financial and monetary stability, which enhances economic growth and its sustainability, through integration among the following key pillars: 1) an effective monetary policy that reflects the capable role played by SAMA in currency stability and liquidity and 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 in order to make right financing decisions. SAMA strives to activate these pillars in a manner that meets economic activity requirements and ensures desired financial and monetary stability, which contributes to building a promising national economy that helps to achieve national visions and aspirations.

SAMA

ACHIEVEMENTS AND ASPIRATIONS

1. Saudi Vision 2030

Economic policies in Saudi Arabia have recently been focused primarily at strengthening the economic structure with the objective of achieving a more diversified and sustainable economy. The Council of Ministers approved Saudi Vision 2030 on 18 Rajab 1437H, 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, which is oriented towards maintaining monetary and financial stability. It constantly coordinates with those authorities who are charged with achieving Saudi Arabia's Vision 2030 and its related programs to cooperate and overcome the obstacles associated with SAMA's functions and responsibilities, in a manner consistent with the requirements of monetary and financial stability.

Saudi Arabia's Vision 2030 has included many economic and developmental objectives on which many initiatives and projects have been based. The most prominent of such objectives is 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 by 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, 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 small and medium enterprises 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 cooperation with relevant parties. In this connection, SAMA has a representative on the board of the General Authority for Small and Medium Enterprises which was recently established on 13 Muharram 1438H (26 October 2016). 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 towards guiding consumer behavior in a fashion that supports individuals' financial independence. This requires the concerted efforts of many social and financial institutions. In this regard, SAMA participates with a number of authorities to face social and regulatory challenges; it heads a high-level committee comprising a number of relevant authorities concerned with promoting the concept of national savings through increasing savings of individuals, including middle and lower middle income individuals, and encourage savings initiatives that suit all segments of society, in addition to spreading the culture of savings and financial planning among individuals.

1.3: Real Estate Finance Law

In line with Saudi Arabia's Vision 2030, the National Transformation Program 2020 aims to raise the percentage of Saudi households owning residential units from 47 percent to 52 percent over the next five years. SAMA actions have ensured 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 raise the confidence of customers. Given these developments, SAMA has decided to raise the maximum loan-to-value 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. 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 sector soundness and financial stability.

1.4: Islamic Banking

Following the global financial crisis, there has been a significant trend towards the provision of Islamic financial services by financial institutions around the world. Based on the Islamic Financial Services Board's data, Islamic banking assets around the world reached USD 1.5 trillion in 2015. Total Islamic assets in GCC countries amounted to USD 600 billion, or 40 percent of total Islamic assets worldwide, with Islamic banking assets in Saudi Arabia accounted for 19 percent of the total. Sharia-compliant assets in Saudi Arabia were valued at 52 percent of total Saudi banking assets at the end of 2016. Accordingly, SAMA, within its permanent role, has taken a number of measures towards strengthening the banking system and its soundness. These steps have included establishing the Islamic Finance Section, which is concerned with studying the sector, finding the most important opportunities, and addressing the most important challenges facing it. In addition, SAMA will continue to provide the necessary proposals and policies that contribute to the qualifications and training of human personnel, in order to raise the sector's efficiency and strengthen and deepen the banking system in general.

1.5: Banking Vision 2020

In addition to its supervisory role, enhancing the growth of the domestic banking sector is one of the most important responsibilities of SAMA, as it is important for 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, and some initiatives are still in progress.

2. SAMA, Achievements and Aspirations

In 1437 / 1438H (2016), 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 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 in a team spirit, communicate effectively with stakeholders, recognize risks, adapt to changes, and continually evaluate and assist businesses.

2.1: SAMA's Strategy

In order to achieve financial and monetary 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 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, 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 external financial assets and maximize long-term investment income, taking into account the appetite for risk.

2.2: Developments of SAMA's Internal Performance

SAMA has continuously enhanced its performance by improving internal processes 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.
- Using best technologies that suit SAMA's needs.
- Developing leaders through empowerment and delegation of responsibilities.
- Effective governance to ensure execution of SAMA's strategy.

2.2.1: Initiative of the Year Award for Risk Management and Compliance

SAMA has undertaken several initiatives in the design and development of a framework for managing risks, policies and systems, as part of the broader governance framework. These initiatives have been designed based on best global practices in the area of risk management and compliance. As a result, SAMA has won Initiative of the Year in the 2017 Central Banking Awards organized by the Central Banking Awards Committee for its establishment of an institution-wide risk management framework. The Committee has applauded Saudi Arabia's adoption of Vision 2030 and the substantial reforms taken by the Council of Economic and Development Affairs.

2.2.2: Changing the English Name of SAMA

In 1437 / 1438H (2016) and as part of improving internal processes and raising performance efficiency, SAMA's English name has been changed from the Saudi Arabian Monetary Agency to the Saudi Arabian Monetary Authority. This change was made under Royal approval on the basis of the Council of Ministers' view that the suggested translation would be a more appropriate expression of SAMA's name in English. It is worth mentioning that the acronym SAMA will continue to be used in reference to the Saudi Arabian Monetary Authority institution.

2.3: Monetary Policy

SAMA plays an important role in the Saudi economy through its monetary policy which aims to maintain domestic price stability in general and the stability of riyal exchange rate and monetary and financial system in particular. 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 necessary procedures to ensure that domestic liquidity growth is substantially consistent with the supply of goods and services and that the banking system (which is an important pillar of the national economy) has adequate liquidity to meet the credit needs of all sectors. To achieve this goal, SAMA uses a set of monetary policy tools, including: repurchasing government securities, changing the reserve ratio for commercial banks when necessary, and other monetary tools.

2.3.2: Saudi Riyal Exchange Rate Stability

The monetary policy aims 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 mid-1986. The Saudi riyal is among the most stable currencies in the world, and there are no restrictions on the exchange and transfer in foreign currencies. This has helped in stabilizing the riyal exchange rate and has had a positive impact on the private sector's activity in terms of imports and exports and capital inflows and outflows. Thus, it has contributed to the growth of the various economic sectors in the Kingdom.

2.3.3: Monetary and Financial System Stability

SAMA has been granted the power to oversee and supervise all banking, finance and insurance institutions to achieve a number of strategic objectives, including maintaining the soundness of banking and financial systems; in addition to identifying, assessing, measuring and addressing all risks.

2.4: National Currency Management

Tasks entrusted to SAMA include issuing the national currency (banknotes and coins), maintaining issuances and their value, holding the Kingdom's currency assets, and providing currency through SAMA's ten branches in all the Kingdom's regions. The currency is printed and minted according to 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 easy for users to judge the authenticity of a banknote. In addition, SAMA seeks to raise awareness of the national currency's security features through training courses offered to banking sector staff and people handling cash. SAMA also pursue all cases of currency counterfeiting and continuously coordinates with security authorities in order to combat all counterfeiting attempts, a fact that has contributed to a decline in counterfeiting crimes as compared to other countries.

2.4.1: Sixth Issue of the Currency - Confidence and Security

During 1437 / 1438H (2016), SAMA released the sixth issue of the Saudi currency in its different banknotes and coins denominations, under the slogan "Confidence and Security". The new issue of banknotes and coins have been designed according to the most globally advanced technologies and standards that are commensurate with the standing of the kingdom's currency and the leading position of SAMA, and boost confidence in the durability and soundness of the Saudi riyal.

SAMA was keen to incorporate within the currency the best security features and technical specifications that make it difficult to be counterfeited. It informs the public of such features through announcements in local newspapers, SAMA's website, and social media, in addition to distributing leaflets identifying the security features for ascertainment.

SAMA has also conducted training courses for government authorities to help identify genuine banknotes and differentiate between genuine and counterfeit banknotes, including the Ministry of the Interior, the General Customs Department, companies and commercial firms handling cash, and major shopping malls.

SAMA chairs the Standing Committee to Study Sources of Currency Counterfeiting and Report of Preventive Measures, which consists of members representing government official bodies, including: the Government Printing Press Department, General Customs Department, Ministry of Foreign Affairs, Ministry of Interior represented by the Communications Department of Saudi Interpol, General Department of Criminal Evidence, Anti-Counterfeiting Department at the Public Security, General Directorate of Investigation, Bureau of Investigation and Public Prosecution and the General Intelligence Directorate. The Committee meets to discuss all issues related to currency counterfeiting in Saudi Arabia with the concerned authorities, recommends appropriate policies, procedures and technologies to combat counterfeiting to be applied by the relevant authorities; and follows all regional and international developments in currency counterfeiting and related activities and how to benefit from these developments.

SAMA participates in national and cultural events, including the National Festival of Heritage and Culture in Janadriyah. Through its designated hall at this Festival, SAMA makes interactive presentation on the security features of Saudi banknotes, and how to verify genuine banknotes delivered by professional employees. It also distributes awareness publications and broadcasting films on security features inside and outside the hall.

With the release of the sixth issue, a media campaign was launched that included announcing the features of the issue before its release, advertising in the local and Gulf newspapers about the features and the release date, announcing the security features after the release, announcing on SAMA's website and social media, distributing leaflets introducing the new issue and the historical and security features, distributing advertising posters to commercial banks about the security features, and preparing a special film about the new issue. As part of SAMA's primary role in introducing the new currency and its technical specifications, raising awareness of all individuals of the society in general and in particular among workers specialized in cash handling at the government organs, the campaign included holding specialized workshops on banknotes and their security features in Riyadh, Jeddah, and Dammam. The aim is to introduce the new currency, its technical specifications and security features, and the latest developments in currency printing. These workshops were conducted with the participation of experts in security printing working in one of printing firms with which SAMA works.

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 are diverse in terms of origin and distributed geographically among most global financial markets. There are controls for managing such reserves, as they are managed in accordance with certain global indicators to ensure coverage of anticipated cash outflows. There are also controls for the investment of such reserves, which stipulate that only highly rated securities are allowed for investment. Furthermore, SAMA's investments are governed by the investment strategy with the Investment Committee in SAMA, which is entrusted with the responsibility of auditing, reviewing and approving such investments annually. The Committee tasks also include meeting periodically to review the execution of approved investment programs and investments performance, discuss the situation of financial markets and potential risks, and benefit from investment team's recommendations. In addition, SAMA consults with several international investment companies and 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 considerable experience in this field and employ national specialized professionals who are qualified by global investment houses. Moreover, 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: Public Debt Management

SAMA supervises the issuance of government debt instruments on behalf of the Ministry of Finance. Such issuances have different types and maturity dates varying between five, seven and ten years.

2.7: Supervision and Control of the Banking Sector

SAMA supervises and regulates banks' business 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 1437 / 1438H (2016):

2.7.1: Regulatory Developments and Guidelines

SAMA issued supervisory circulars on the compliance with its supervisory standards issued in several fields with the aim of improving and developing the banking system so as to be consistent with the standards and principles of international regulatory organizations. Examples of important circulars on improving performance of banks include the circulars on the countercyclical capital buffer policy, reserves for Domestic Systemically Important Banks (DSIBs) in Saudi Arabia and the control framework for daily liquidity management. In addition, a circular was issued on the capital requirements for bank exposures to central counterparties, and another circular on the standardized approach for measuring counterparty credit risk exposures, as well as a circular on reporting requirements for foreign branches.

2.7.2: Developments of Supervisory Visits to Commercial Banks

SAMA conducts periodic supervisory visits to all banks operating in Saudi Arabia. During such visits, bilateral meetings are held between SAMA's supervisory team and the bank's board chairman and senior management to address the bank's strategies, operations, risk profile, risk management, and internal controls. Such meetings allow SAMA's

Banking Supervision Department to update the bank's risk profile. During 1437 / 1438H (2016), the General Department of Banking Control carried out supervisory visits to all banks operating in the Kingdom and prepared reports on their risks.

2.7.3: Full and Specialized On-Site Inspection Programs

SAMA continued to perform its supervisory functions over domestic banks, foreign banks' branches and money changers, through conducting full on-site inspection programs (covering all operations and banking products) and specialized inspection programs (confined to some activities and operations such as information technology and business continuity, the updated regulation for consumer financing and capital adequacy). The programs were performed in accordance with the best internationally applied practices in the area of supervision and control.

Full On-Site Inspection Programs

The risk-based full on-site inspections aims at assessing banks' asset quality, liquidity, profitability, risk management, internal audit, and capital adequacy ratio, in addition to their compliance with regulations and instructions issued by SAMA. SAMA also conducts a full inspection of credit information companies to verify their compliance with the relevant laws and instructions. At the end of 2016, SAMA completed a full inspection of all banks operating in the Kingdom through a specialized work team composed of SAMA personnel, in conjunction with international accounting and audit firms. The team prepared reports containing remarks and recommendations and follow-ups on corrective procedures taken.

Specialized Inspection Programs

SAMA has conducted a number of specialized inspection programs for banking activities and operations, including inspection of information security and business continuity (ISBCA), and compliance with the Implementing Regulations of the Real Estate Finance Law, the updated regulations for consumer financing, capital adequacy, treasury, and credit concentrations. In addition SAMA has followed up with banks regarding the end of support for some systems related to ATMs and reproduction of cards, updating the Directory of Standing Committees among Banks, and providing banking dispute committees with technical reports on cases brought before them.

2.7.4: Macro-Prudential Supervisory Measures

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

- Encouraging banks to raise countercyclical capital.
- Requiring banks to maintain high levels of provisioning for non-performing loans, which consist of the following: 1) General provision: at least one percent of total bank loans. 2) Special provision: at least 100 percent of non-performing loans.
- Banks' deposits/ (capital + reserves) should not exceed 15-fold.
- Reserve requirement: 7 percent for demand deposits and 4 percent for time deposits.
- Raising Loan-to-Deposit (LTD) ratio from 85 percent to 90 percent.
- Requiring that liquid assets to deposits ratio must not be less than 20 percent;
- Requiring that real estate finance must not exceed 85 percent of the property price for finance companies and commercial banks.
- Requiring that Debt-to-Income (DTI) ratio, total monthly repayment of consumer loans to borrower's salary, must not exceed 33.3 percent for employees and 25 percent for pensioners.
- Requiring that risk concentration must not exceed 25 percent of total ownership legal limit and gradually decreasing to 15 percent by 2019.
- Countercyclical capital buffer requirement: zero percent changing

as per the economic and financial cycle.
- Determining DSIBs and stipulating additional regulatory capital requirement for DSIBs ranging between 0.5 percent and one percent depending on systemic importance.

2.8: Supervision and Control of Insurance Sector

2.8.1: Regulatory Developments and Guidelines

As part of its controlling and supervisory role, SAMA strives to enhance the growth and stability of the insurance sector and safeguard it against potential risks. SAMA publishes on its website the laws, regulations and instructions related to the sector, in addition to information related to the insurance market and the licensed companies. In this connection, SAMA issued in 2016 the following: 1) the Actuarial Work Regulations for Insurance and Reinsurance Companies; 2) the Regulations for Branches and Points of Sale Annual Expansion for Insurance and Reinsurance, Brokerage and Agency Companies; and 3) the Unified Compulsory Government Motor Insurance Policy.

2.8.2: Supervisory Visits:

Supervisory visits include off-site supervision and on-site inspection of insurance and reinsurance companies and insurance service providers, in order to ensure the adequacy of their capital and prudential measures. To this end, in 2016, 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 to the business plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

In 2016, there were 34 supervisory visits, which 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 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 their insurance operations, bases of pricing and evaluating their 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 pursuance of SAMA's keenness to protect policyholders and enhance credibility in the insurance market, the team also ensured that insurance companies deal with their customers in a professional and fair manner and provide them with high quality services.

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 professional principles in a way that guarantees the rights of policyholders, claimants and other relevant parties. In this context, SAMA inspected the following in 2016:
- Companies' compliance with medical and motor insurance product prices.
- Companies' commitment to settling

insurance claims in accordance with laws and regulations.

- Insurance Service Providers' compliance with regulations governing their activity.
- Companies' compliance with the laws, regulations and instructions related to internal audit and compliance functions and governance.
- Assessment of the efficiency of corporate electronic systems.

2.9: Supervision and Control of the Finance Sector

2.9.1: Regulatory Developments and Guidelines

SAMA continuously seeks to build a system of rules and regulations related to finance in accordance with its objectives and strategies aimed at developing regulatory and supervisory frameworks to enhance the financial stability of finance sector in a way that supports sustainable economic growth and ensures fair transactions for all stakeholders.

The most prominent developments in finance companies' supervision and control during 1437 / 1438H (2016) include establishing committees for finance companies sector in accordance with the terms of references issued under SAMA Governor's Decision No. M/56, dated 9 Thul-Qi'dah 1437H. These committees aim to create a platform through which representatives of finance companies can discuss initiatives and challenges and make suggestions on the growth and stability of the sector. The committees also hold workshops on various topics, such as loan rescheduling, and participating in seminars and meetings to raise awareness on finance laws and their implementing regulations. In addition, they cooperate with the Ministry of Housing and Real Estate Development Fund in different programs, including the Affordable Mortgage Scheme and Accelerated Finance Program, and arrange meetings between the representatives of finance companies and relevant government authorities to discuss major challenges they may face. Examples of these authorities are the Ministry of Housing (discussion on undeveloped land fees), the General Authority for Small and Medium Enterprises, etc.

In 1437 / 1438H (2016), four new finance companies were licensed, increasing the total number of finance companies to 34; six of which provide real estate finance and 28 providing non-real estate finance, in addition to initial approval for two finance companies to provide micro finance. These two companies have completed the regulatory procedures with the Ministry of Trade and Investment and are in the process of verifying their compliance with all regulatory provisions and requirements stipulated under the financing laws and their implementing regulations.

SAMA also followed up the establishment of the Saudi Real Estate Refinancing Company by the Public Investment Fund (PIF). PIF submitted a licensing application for the Saudi Real Estate Refinancing Company on 1 Safar 1438H. Technical study is currently underway to ensure that all regulatory provisions and requirements stipulated under the finance laws and their implementing regulations are being complied with.

2.9.2: Supervisory Visits to Finance Companies

There were 62 supervisory and licensing visits to finance companies in 2016. The visits included studying the companies' technical and regulatory aspects, assessing their business plans and governance, and evaluating their compliance with the finance law and its implementing regulations. Visits were made to assess the companies' compliance with laws, regulations and instructions, as part of SAMA's supervisory and regulatory role over the financial sector.

2.10: Supervision of Payment and Clearing Systems

SAMA seeks to create effective, comprehensive and secure payment systems in the Kingdom that equal 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:

2.10.1: The Saudi Payment Network (MADA)

'Mada' system is the new identity of the Saudi Payment Network, which has been launched to further equip ATM systems and points of sale (PoS) with more flexibility, speed, security and acceptance through a network equipped with the most globally used high-tech electronic payment technologies. Mada links all ATMs and PoSs provided by domestic banks to a central system to process transactions made by bank cards. Mada also provides domestic, regional and global acceptance by connecting to the Gulf Payment Network and international card companies, thereby giving cardholders a wider scope for both domestic and external use. Moreover, Mada service is considered the backbone of cashless transformation process taking place in the domestic retail sector where 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 amount 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.
- Possibility of raising the daily limit of purchases via POS from SAR 20,000 to SAR 60,000.
- Further expanding the use of cards in Saudi Arabia and integrating with international networks at regional and international levels through connection with the Chinese payment company (UnionPay) as well as other global networks.

Regarding the achievements, the documentation of a Mada five-year plan for the 2016 - 2021 period, which includes specific objectives and relevant programs, was completed. Programs were begun to take place within four main tracks:

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

Many services and products were offered and launched in 2016, including:

- Providing "Mada Cash" service that allows a customer to get cash when buying from the stores participating in this service to reduce reliance on ATMs and provide cash through other channels. It also reduces the risks and costs related to cash management at the participating stores. Furthermore, banks are currently working with the stores to activate this feature in the domestic market.
- Launching "Mada Atheer" service for remote payment through Near Field Communication (NFC) which allows cardholders to make their payments by waving the card in front of the PoS terminal. The service is available for low-value transactions (SAR 100 or less) with total cumulative amount of SAR 300 without entering the PIN. The service executes low-value transactions in a fast, easy and instant manner with the card being in the hand of its holder. Mada Atheer provides a competitive marketing advantage to merchants by expanding payment options and benefits and reducing the amount of cash at stores.
- Developing regulations and rules for using Mada services in stores, including temporary and seasonal fairs such as the Book Fair, as well as in government agencies as a safe alternative to cash.
- Updating the Regulatory Rules for Prepaid Payment Services in terms of Know Your Customer (KYC) principles so that debiting a transaction is made to the main account owner only, not the cardholder. This aims to enhance financial inclusion and support the

efforts of banks and the private sector to expand the introduction of such products and meet the requirements of the business sector without prejudice to the regulatory and supervisory requirements.

- One of the most important achievements is expanding the use of the service to include new service providers in the domestic market, such as fuel stations, transfer centers, and fast food restaurants. The number of prepaid cards, such as payroll cards and student cards, are also increasing. The total number of prepaid cards amounted to around 5.9 million available to be used for PoS services to promote cashless transactions.

These developments increased the number of POS terminals at stores and malls across Saudi Arabia to more than 276,000, rising by 23.4 percent compared to the previous year. The number of ATMs at the end of 2016 amounted to a total of 17,887 with an increase of 4 percent. On the other hand, POS electronic transactions continued to grow by 33 percent and their value by 6 percent compared to the preceding year.

During 2016, SPAN continued its endeavor to employ electronic technology for the provision of fast, accurate and secure electronic banking services. Mada services have reduced the duration of transactions carried out through POS terminals by 33 percent to reach 4.3 seconds compared to the previous year.

2.10.2: Saudi Arabian Riyal Interbank Express System (SARIE)

The Saudi Arabian Riyal Interbank Express system (SARIE), has progressed in the area of electronic banking business and commercial transactions in the Kingdom since its inception on 14 May 1997. This system is the infrastructure on which several advanced payment and settlement systems depend, and 23 banks are linked to SARIE. Total payments of 2016 amounted to 89 million with a value of SAR 39.7 trillion, including 20 million salary payments. The system also achieved a 100 percent availability and continuity in operation during 2016.

2.10.3: SADAD

Guided by SAMA's vision aiming 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 the Kingdom.

The number of billers from various sectors (including electricity, water, and telecommunication services providers, airline companies, insurance companies, installment companies, universities, subscriptions and advertisements in Saudi newspapers, and credit card and loan payment to a number of domestic banks) connected to SADAD stood at 148 in 2016. A number of 57 government agencies (including ministries, departments and municipalities) have also been connected to SADAD. The number of banks connected to SADAD reached 17.

- The total number of transactions processed by SADAD since its inception until the end of 2016 was 1,176 million with a value of SAR 1,191 billion. During 2016, the total number of transactions conducted though SADAD was 190 million, with a value of SAR 225 billion.
- SADAD Account was officially launched in April 2016 in a media conference with the presence of a number of journalists and social media celebrities in honor of the Governor and Vice-Governor of SAMA.
- Nine banks were linked to SADAD Account with more than 100 stores offering the service as a payment option for customers.
- A pilot version of the "SADAD E-Wallet" application was launched on smartphones for users to make

instant payments. Preparation is underway to launch the official version of the application in 2017.

- ISO 9001 certification was re-certified in the Quality Management System (QMS) which is a system that provides for a number of requirements to help SADAD meet customer satisfaction through the services provided, as well as requirements for continuous development of QMS.
- The security level was improved and upgraded to protect payment systems against hacking.
- The security control of payment systems was improved to be round-the-clock (24 / 7).
- Raising security awareness among employees responsible for payment systems.
- Specialized systems were installed and developed in mid-2016 to monitor SADAD operations at banks.

2.10.4: Check Clearing

SAMA has sought to modernize its systems at all of SAMA's ten 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 with the shift towards new electronic payment channels such as remittance. In 2016, the number of commercial and personal checks cleared by clearing houses in Saudi Arabia declined by 14 percent (800 thousand checks). Their value decreased by 24.2 percent to SAR 410 billion. The average check value went down by 11.9 percent from SAR 94.8 in 2015 to SAR 83.6 in 2016.

2.11: Banking and Financial Consumers Protection

SAMA works towards serving and protecting the interests of customers of the banking sector and other sectors under its supervision. This is a strategic goal which 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) by ensuring the following:

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

In this regard, some of the most prominent achievements made during 1437 / 1438H (2016) were receiving and resolving 101,994 various complaints received from customers of banks, insurance and finance companies, including those submitted directly to SAMA and others which were submitted through other government entities, in addition to raising the public awareness through distributing leaflets containing awareness messages that explain their rights in dealing with financial entities supervised by SAMA.

2.12: Anti-Money Laundering and Counter-Terrorist Financing

SAMA continued to make efforts in conducting periodic inspection of financial institutions under its supervision to ensure their application of 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:

- Activating joint coordination and cooperation among entities concerned with combating money laundering and terrorist financing in Saudi Arabia, namely between entities supervising the financial sectors (SAMA and CMA) and the Financial Intelligence Unit (FIU) and the Bureau of Investigation and Public Prosecution, in addition to other concerned authorities, in order to improve joint action, overcome the difficulties and obstacles in this process, and follow up on the recommendations of the Financial Action Task Force (FATF).
- Continuing to hold periodic meetings of the Permanent Committee for Anti-Money Laundering, located at SAMA, headed by the Governor. Also, participating in the work of the Supreme Council on Combating Terrorism, the Standing Committee on Combating Terrorism, and the Standing Committee on Legal Assistance Requests concerned with international requests, which are located at the Ministry of Interior, and the Chapter 7 Committee concerned with the implementation of the UNSCRs which is located at the Ministry of Foreign Affairs.
- Continuing to participate in the work of the permanent banking committees, composed of the representatives from all domestic banks, which hold their meetings periodically to discuss compliance issues and combating financial crimes including money laundering, terrorist financing and proliferation of weapons.
- Activating specialized awareness and training programs as Saudi Arabia has hosted a number of conferences and seminars, the most recent of which was a workshop on Typologies and Capacity Building, on ML/TF risks, methods and trends, organized by the Permanent Committee on Combating Money Laundering in cooperation with the MENAFATF and the APG in Jeddah during the period 28 Safar 1438H - 2 Rabi' al-Awwal 1438H (28 November 2016 - 1 December 2016). That workshop is one of the largest and most important workshops held in the region in recent years with more than 315 participants from 55 countries and 15 international and regional areas. Saudi Arabia hosted the workshop to confirm its support for the AML/CTF measures and efforts of the international community. As for AML/CTF training courses, a considerable number of employees of supervisory entities and entities under their supervision were trained in 2016 through several accredited institutes and colleges, including SAMA's Institute of Finance (IOF).
- Continuing to participate effectively in the FATF and MENAFATF work and meetings for anti-money laundering and combating terrorist financing and proliferation of weapons.
- Following the membership in the FATF as an observer, Saudi Arabia is actively seeking to complete the requirements of permanent membership in FATF by preparing for the upcoming mutual evaluation in June 2018. All concerned authorities took many important steps in order to improve the legislative environment in a manner supporting the effective measures taken to combat money laundering and terrorism financing. They have proactively introduced many measures, both at laws and regulations level and at the level of procedures and measures, in order to be in conformity with the requirements of the international community, international treaties, Security Council resolutions and the Forty Recommendations issued by FATF. In preparation for the upcoming evaluation, Saudi Arabia has also developed national AML/CTF strategies taking into account countries' experience in this regard and the best practices for the application of international standards and requirements and latest approaches for effective implementation of AML/CTF legal and regulatory measures. Furthermore, Saudi Arabia has made great strides in preparing the national risk assessment, and all regulators are striving to ensure the compliance of financial institutions, designated non-

financial Businesses and Professions and non-profit organizations with legal and operational requirements by using various methods and tools. Regulators are also promoting the supervisory approach by conducting risk assessment on all sectors. The results of the risk assessment are important for establishing regulatory policies and allocating human and financial resources more effectively to serve the national objective. All supervisory entities have conducted specialized programs to raise awareness in a number of seminars and workshops held for sectors under their supervision.

2.13: 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 supervisory measures. The latest developments include the issuance of the first update of Collaterals Policy and SARIE procedures for financial positions coverage. In 2015, SAMA also issued the rules for a depositors' protection fund 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, the second and third phases of assessment and review of application of the five responsibilities issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) started. This phase focuses on whether relevant authorities' activities in a jurisdiction are consistent with their related responsibilities and whether the authorities observe them completely and consistently. A report on the findings of the assessment covering all jurisdictions was issued in November 2015 and published on the BIS's website. SAMA was rated "fully observed" for having applied the five responsibilities.

2.14: Statistics and Economic Research

SAMA seeks to make the Research and International Affairs Deputyship a reliable source of financial and economic studies through preparation of highly valued quality studies in financial and economic fields and to make it a producer of latest monetary, banking and financial data, including the Kingdom'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 people interested in the national economy.
- Holding quarterly workshops which aim to enrich knowledge and share ideas with academics, bankers and other interested researchers. These workshops address many economic and financial topics and latest developments in the economic and financial arenas. The deputyship held four workshops which discuss more than six different economic topics in 1437 / 1438H (2016).
- 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 and quarterly Statistical Bulletins, the Inflation Report, the Stability Report, in addition to the Monetary and Banking Developments Report, and publishing them on SAMA's website.
- Working towards fulfilling the requirements of the G20 initiative for the data gap.
- Preparing specialized working papers on economic, finance and development areas and publishing them on SAMA's website. The number of the published working papers totaled 16 in 2016.

- Providing relevant authorities with specialized research papers on monetary, banking and financial areas and on SAMA's projections of the Saudi economy.
- Joining work teams working with many entities to study and develop different strategies in debt market, financial education and awareness, banking sector development, domestic savings and energy reforms, etc.

2.15: Institute of Finance

In 1437 / 1438H (2016), the Institute of Finance (IOF) continued to fulfill its mission which was launched in the last quarter of 2014. The mission aims at developing 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. The IOF has already finished the identification of competencies of personnel working in areas of compliance, treasury fields, retail banking, small and medium enterprises banking, small and medium enterprises finance, corporate banking, insurance companies and risk management. The following are some of the activities carried out by the Institute in 1437 / 1438H (2016).

2.15.1: Training Courses Held

The IOF offered a variety of training courses in 2016 for retail banking, in addition to several training courses for staff working in the financial sector. These courses were in the following specialties: laws and regulations, behavioral skills, and specialized banking courses. The total number of training courses were 388 benefitting 3077 trainees.

2.15.2: Training Programs

In 2016, the IOF introduced the Certified Compliance Officer Program (CCO). The CCO includes three specialized courses in compliance, AML and corporate governance, benefiting 151 male and female trainees through eight programs. The IOF also introduced the Teller Training Program, which aims at qualifying newly graduated students to work in the banking sector in cooperation with the Human Resources Development Fund (HADAF), benefiting 40 trainees from two programs.

2.15.3: Symposia and Workshops Held by the IOF in 2016

During 2016, the IOF hosted several seminars and workshops to serve the financial sector in Saudi Arabia by providing specialists with access to the latest global, regional and domestic experiences and developments. The IOF has also implemented a new policy governing registration and participation in activities. It has allocated cost-covered seats to national cadres working in the financial sector of both genders. The IOF held the following seminars and workshops:

- The Workshop on Corporate Governance in the Insurance Sector.
- The Workshop on Corporate Governance in the Financial Sector.
- Intellectual Leaders' workshop.
- The 8th Compliance and Anti-money Laundering Seminar.
- Career Day of the Insurance Sector.
- Electronic Payment Methods Workshop.
- Islamic Banking Products Development Workshop.
- Risk Management and Engineering Workshop.
- The Concept of Banking Industry for Media Professionals in Various Cities in Saudi Arabia.

The total number of attendees was 776 in 13 different activities targeting the employees of the financial sector, in addition to about 2,000 attendees in the career day of the insurance sector.

2.15.4: Professional Exams

The IOF offered 10 professional exams in various financial fields in both Arabic and English through four centers in Saudi Arabia during 2016. The number of exam takers was 14,698. It is worth mentioning that the IOF has developed and offered the Insurance Foundation Certificate Exam (IFCE) based on competencies. It has also developed three specialized insurance exams:

Underwriting Assistant, Insurance Claims Processing and Handling, Insurance Claims Settlement and Adjustment. It continues to introduce many professional certificates in various financial fields, including corporate banking and compliance. Such certificates will improve the skills of job seekers and on-the-job employees and qualify them to occupy higher level jobs through appropriate training and qualification that ensure that they pass professional exams and receive certified professional certificates. An exam center was opened in Abha in 2016.

2.16: International and Regional Participation

SAMA participates actively as a member of various financial, international and regional organizations. SAMA takes part in the Group of Twenty (G20) meetings and other financial, international and regional organizations, such as: 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 (IFSB), 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.

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's social responsibility activities are represented in the following five topics:

3.1: Financial Stability

Recognizing the importance of its role in maintaining financial stability in the Saudi economy, SAMA is working towards achieving this goal by carrying out the functions entrusted to it. It issues the Financial Stability Report which reviews financial soundness indicators at 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 systemic 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.

3.2: Consumer Issues

The Saudi monetary policy, managed and implemented by SAMA, aims to maintain price stability by using monetary policy tools to manage domestic liquidity level and its impact on Saudi economy. The Kingdom's inflation rates are among the lowest compared with other countries. In the same context, SAMA has established the Consumer Protection Department. Its main objective is to ensure that consumers of financial institutions receive fair treatment transparently and honestly, and obtain financial services and products easily and smoothly at suitable costs and high quality.

3.3: Transparency Principles

SAMA recognizes the importance of transparency in its work. Therefore, it has devised a plan to communicate with the public by publishing all economic and financial information and data in addition to SAMA's news and circulars.

3.4: Development and Protection of Society against Financial 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 subject to its supervision. This role is represented by its domestic and international participation, including, for instance, the National Festival of Heritage and Culture in Janadriyah as part of SAMA's efforts in raising financial awareness and consumer protection.

SAMA contributes in raising financial awareness by adopting the National

Strategy for Financial Education and Guidance in the Kingdom. This strategy is part of a general framework to promote financial literacy amongst citizens, public institutions and business sector within the Kingdom.

Some of SAMA's efforts to raise financial awareness are as follows:

- Establishing "The Consumer Protection Department" whose responsibility is protecting the customers of institutions under SAMA's supervision.
- The Financial Inclusion Initiative, adopted and executed by SAMA through the commercial banks operating in Saudi Arabia, to provide 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 society and the banking and financial sector against illegal activities, the Kingdom has established the Anti Money Laundering Committee, located at SAMA.
- SAMA has established the Financial Crimes Section under one of its specialized departments to combat money laundering, terrorist financing, counterfeiting and all other relevant financial crimes. SAMA has 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.

To protect the society and combat money laundering and terrorist financing, SAMA has required that financial institutions must maintain records and documents of transactions along with copies of customers' IDs for ten years. This period may be increased as instructed by SAMA. SAMA has also updated some 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. It has incorporated these instructions in a number of updated regulatory directives. 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 pays a great attention to specialized education and training. SAMA has also encouraged financial institutions to use electronic payment systems such as SARIE, SWIFT, SPAN, ATMs, POS, and SADAD.

3.5: Human Resources Development

SAMA has spared no effort in developing its human resources through the scholarship program which enables its employees to earn Masters and PhD degrees from various international institutes and universities. SAMA also offers internal and external training in addition to relevant training programs provided by the Institute of Finance. Moreover, university students can join the cooperative training program in majors relevant to SAMA's work to prepare them for their future careers. Furthermore, Saudi students specialized in majors relevant to SAMA's work are offered the opportunity to work during summer vacation.

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

- Updating Human Resources Regulations and setting general standards to attract competent employees.
- Offering various incentives to raise the level of work productivity.
- Issuing codes of conduct such as work ethics charter, and establishing Tawasul Committee to receive employee's complaints and ensure them fairness.
- Providing job opportunities in a transparent and fair manner through an online application on SAMA's website which contains all requested requirements.
- Supporting its employees by providing them with training

courses inside and outside Saudi Arabia which has contributed to nationalize 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.

4. SAMA Financial Position

SAMA's financial position declined in 2016 compared with the preceding year. SAMA's total assets fell by 12.5 percent (SAR 296.5 billion) to SAR 2.1 trillion compared with a decline of 15 percent (SAR 418.7 billion) in 2015. Foreign assets accounted for the bulk of SAMA's financial position. These assets recorded a decline owing to a decrease in oil prices. SAMA's foreign assets continue to be invested primarily in foreign securities, which went down by 9.3 percent (SAR 139.8 billion) compared with a fall of 24.7 percent (SAR 493.5 billion) in 2015. SAMA's deposits with banks operating outside Saudi Arabia decreased by 27.4 percent (SAR 151.2 billion) compared to an increase of 8.1 percent (SAR 41.4 billion) in 2015. Currency backing fell by 1.1 percent to SAR 234.5 billion in 2016 compared with a rise of 9.8 percent (SAR 21.1 billion) in the preceding year (Table 12.1).

As for liabilities, government deposits and reserves accounted for 35.2 percent of SAMA total liabilities in 2016 compared with 43.1 percent in the preceding year. The government current account increased by 25.5 percent (SAR 18.1 billion) to SAR 89.1 billion compared with a rise of 33.8 percent in the previous year. On the other hand, the government reserves fell by 32.6 percent (SAR 310.8 billion) to SAR 641.4 billion compared with a decrease of 28.2 percent (SAR 373.6 billion) in the preceding year. Deposits of government institutions and funds grew by 8.8 percent (SAR 12.4 billion) to SAR 154.5 billion compared with a decrease of 22.1 percent (SAR 40.2 billion) in 2015. SAMA bills and repo agreements declined by 9.9 percent (SAR 18.2 billion) to SAR 164.7 billion compared with a decline of 57.2 percent (SAR 244.9 billion) in the preceding year.

Table 12.1:
SAMA Financial Position (End of year)
(Million SAR)

	2012	2013	2014	2015	2016
First: Assets					
Foreign currencies and gold	186,227	194,684	216,132	237,212	234,505
Cash in vault	33,415	28,296	35,240	39,300	34,516
Notes	33,405	28,284	35,228	39,289	34,505
Coins	10	12	12	11	11
Deposits with banks abroad	576,415	546,629	510,972	552,360	401,144
Investments in foreign securities	1,670,020	1,952,837	1,998,580	1,505,023	1,365,189
Other miscellaneous assets	18,987	16,283	31,185	39,487	41,517
Total	**2,485,064**	**2,738,728**	**2,792,109**	**2,373,382**	**2,076,871**
Second: Liabilities					
Currency issued	186,227	194,684	216,132	237,212	234,505
In circulation	152,812	166,388	180,892	197,912	199,989
At SAMA	33,415	28,296	35,240	39,300	34,516
Gov. deposits and reserves	1,384,277	1,484,426	1,378,948	1,023,304	730,580
Government current account	364,015	180,795	53,051	71,005	89,134
Government reserves	1,020,262	1,303,632	1,325,897	952,299	641,446
Gov. institutions and funds deposits	152,544	165,720	182,270	142,074	154,514
Statutory deposits for financial institutions	70,791	81,901	92,558	98,117	97,839
Foreign institutions' deposits in local currency	4,091	6,358	9,695	11,213	18,490
SAMA bills and repo agreements	441,210	459,932	427,815	182,947	164,755
Other miscellaneous liabilities	245,925	345,707	484,692	678,515	676,187
Total	**2,485,064**	**2,738,728**	**2,792,109**	**2,373,382**	**2,076,871**

13

ANNUAL BALANCE SHEET OF SAMA

Auditors' Report

To: H.E. The Governor and Members of the Board of Directors

Scope of audit

We have audited the accompanying balance sheets of the Saudi Arabian Monetary Authority (SAMA) as at 30 June 2016, the statement of revenues and expenses for the year then ended and the notes from 1 to 5 which form an integral part of these financial statements. These financial statements were prepared by SAMA in accordance with the accounting principles approved by the Board of Directors and submitted to us together with all the information and explanation which we required. We have conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, including examining the accounting records and other procedures we deemed necessary to obtain a reasonable degree of assurance to enable us to express opinion on the financial statements.

Basis of Preparation of the Financial Statements

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

Opinion

In our opinion, the financial statements mentioned above taken as a whole, present fairly, in all material aspects, the financial position of SAMA as at 30 June 2016 and its revenues and expenses for the year then ended, in accordance with the accounting principles approved by SAMA's Board of Directors as explained in note 2 on the financial statements.

for Ernst & Young.
Rashid S. Alrashoud
Certified Public Accountant
Registration No. 366

for Price Waterhouse Coopers
Mohammed A. Al Obaidi
Certified Public Accountant
Registration No. 367

ANNUAL BALANCE SHEET OF SAMA

Saudi Arabian Monetary Authority (SAMA)
Balance Sheet
As At 30 June 2016

Assets
(Million SAR)

	30 / 6 / 2016	30 / 6 / 2015
ISSUANCE DEPARTMENT		
CURRENCY COVER:		
Gold (Note 2-e)	1,624	1,624
Investment in securities abroad	244,367	239,543
	245,991	**241,167**
BANKING OPERATION DEPARTMENT		
Cash in hand:		
Banknotes	21,444	35,249
Metal coins	8	10
	21,452	**35,259**
Deposits with local banks	12,550	0
Deposits with banks abroad	498,340	448,922
Investments abroad	1,384,254	1,838,608
Other miscellaneous assets	3,079	1,328
	1,919,675	**2,324,117**
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Deposits with banks abroad	20,236	18,849
Investments abroad	361,454	387,495
Local investments	103,138	131,259
Deposits with banking operations department	1,246	6,621
Deposits with local banks	1,000	100
	487,074	**544,324**
CONTRA ACCOUNTS		
Cheques under collection and other	1.3	1

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

Saudi Arabian Monetary Authority (SAMA)
Balance Sheet
As At 30 June 2016

Liabilities
(Million SAR)

	30 / 6 / 2016	30 / 6 / 2015
ISSUANCE DEPARTMENT		
SAUDI BANKNOTES ISSUED		
In circulation	224,194	205,583
In banking operation department	21,445	35,249
	245,639	**240,832**
METAL COINS ISSUED		
In circulation	344	325
In banking operation department	8	10
	352	**335**
	245,991	**241,167**
BANKING OPERATION DEPARTMENT		
Government deposits	686,005	729,094
Foreign organizations' deposits	18,496	10,644
Government agencies' and institutions' deposits	130,753	181,425
Banks' and insurance companies' deposits	95,732	100,819
Government liabilities	292,177	374,950
Other miscellaneous liabilities and reserves	696,512	927,185
	1,919,675	**2,324,117**
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Independent organizations and institutions	487,074	544,324
	487,074	**544,324**
CONTRA ACCOUNTS		
Liabilities for cheques under collection and other	1.3	1

Saudi Arabian Monetary Authority
Statement of Revenues and Expenses
For the Year Ended 30 June 2016
(Million SAR)

	30 / 6 / 2016	30 / 6 / 2015
Revenues	**5,272**	**6,102**
Expenses		
General and administration	1,715	2,059
SAMA's contribution to the Public Pension Agency (Note 5)	44	42
	1,759	**2,101**
Surplus transferred to reserve for the building of head office and branches	3,513	4,001
	5,272	**6,102**

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

Saudi Arabian Monetary Authority
Notes on the Financial Statements
For the Year Ended 30 June 2016 (25 Ramadan 1437H)

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.

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 organizations and others, and invests such deposits on their behalf. The costs of and returns on such investments are recorded directly in the banking operation department of the balance sheet, without recording them in SAMA's statement of revenues and expenses.

Independent Organizations and Institutions' Department:

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

2. Summary of Significant Accounting Policies:

a. Basis of Preparation of the Financial Statements

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

b. Basis of Accounting:

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

c. Investments

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

d. Foreign Currencies:

SAMA records its foreign currency transactions and shows foreign currency-denominated closing balances in Saudi riyals using book rates fixed by the management in 1986 (1406H) and the subsequent change to the euro rate that was approved by the management in 1999 (1420H).

e. Gold held as currency cover:

In accordance with Royal Decree No. 38 dated 12 August 1973 (13 Rajab 1393H), gold held as currency cover is valued at a rate of one Saudi riyal for 0.20751 grams. Gold shown in the Issuance Department's balance sheet includes SAR 67,390,878 as at 30 June 2016 and 2015 paid by SAMA as part of the Kingdom's subscription to the International Monetary Fund (IMF), which is denominated in Special Drawing Rights with the IMF.

f. Furniture, equipment and motor vehicles:

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

g. Lands and buildings:

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

h. Revenue and expenses:

In accordance with Article 2 of its charter, SAMA may collect fees for services rendered in order to cover its expenses. SAMA sets aside the excess of revenue over expenditure to the reserve for the building of head office and branches.

SAMA records the income arising from the investment of the balance of head office and branches in the reserve for the building of head office and branches account under other miscellaneous liabilities in the Banking Operation Department's balance sheet, and it is not shown in the statement of revenues and expenses.

3. Financial Statement Period:

These financial statements were prepared for the period from 1 July 2015 to 30 June 2016 (14 Ramadan 1436H to 25 Ramadan 1437H).

4. Comparative Figures:

Certain amounts in the previous year have been reclassified to conform with the presentation in the current year.

5. Contribution to the Public Pension Agency:

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

ISSN : 1319 - 1845

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

SAMA_GOV