

2021

# Monetary and Banking Developments

## First Quarter, 2021

Research and International Affairs Deputyship



## Table of Contents

Section	Page No.
Executive Summary	3
1. Monetary Policy	4
2. Monetary Developments	4
3. Developments of SAMA's Balance Sheet	5
4. Banking Developments	5
5. External Sector	8
6. Banking Technology Developments	9
7. Domestic Stock Market Developments	10
8. Investment Funds	10
9. Supervisory and Legislative Banking Developments in Q1 2021	11

## Executive Summary

In Q1 2021, the Saudi Central Bank (SAMA) decided to keep the reverse repo rate at 0.50 percent and the repo rate at 1.0 percent. The cash reserve ratio was maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits. SAMA also decided to maintain the limit of weekly subscription in treasury bills for domestic banks at SAR 10.0 billion in Q1. The average three-month Saudi interbank offered rate (SIBOR) declined to 0.8072 percent in Q1 2021.

M3 registered an increase of 1.8 percent in Q1 2021, and the monetary base rose by 0.7 percent as compared to the previous quarter. Preliminary data of SAMA's balance sheet indicates that total assets increased to SAR 1,853.4 billion in Q1 2021. SAMA's total reserve assets, however, declined to SAR 1,683.5 billion.

Total bank deposits increased by 1.9 percent to SAR 1,980.3 billion in Q1 2021. Total assets and liabilities of commercial banks stood at SAR 3,035.1 billion, increasing by 1.9 percent. Commercial banks' claims on the private and public sectors went up by 4.6 percent to SAR 2,384.7 billion.

Preliminary estimates indicate a surplus of SAR 8.7 billion in the current account balance in Q4 2020 compared to a surplus of SAR 24.2 billion in Q4 2019.

In Q1 2021, the total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions declined by 9.4 percent (SAR 1,876.8 billion) to SAR 18,073.8 billion. Total number of ATM transactions stood at 424.5 million with cash withdrawals totaling SAR 151.6 billion, including transactions through banks' network and Mada.

The Tadawul All Share Index (TASI) increased by 12.9 percent to 9,810.5 at end-Q1 2021. Total assets of investment funds managed by investment companies increased by 11.0 percent (SAR 23.1 billion) to SAR 232.8 billion.

## **1. Monetary Policy**

SAMA has been adopting a monetary policy aimed at achieving price stability, supporting various economic sectors in line with domestic and international economic developments, and assisting domestic banks to perform their financing role in the domestic economy. In light of the developments related to the Covid-19 pandemic and as a part of SAMA's role to activate monetary policy tools and promote financial stability, in Q1 2021, SAMA decided to extend the deferred payment program for an additional period of three months in order to enable the financial sector to continue supporting the MSME sector, contributing to economic recovery, and maintaining employment rates in the private sector.

### **1.1 Rate of Return and Cash Reserve**

In Q1 2021, SAMA decided to maintain the reverse repo rate at 0.50 percent and the repo rate at 1.0 percent in continuation of its efforts to maintain monetary stability.

SAMA's daily average reverse repo transactions stood at SAR 101.5 billion in Q1 2021 against SAR 113.7 billion in Q4 2020. The cash reserve ratio was maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits.

## **1.2 Interest Rates**

SAMA continued to maintain the limit of weekly subscription to treasury bills for domestic banks at SAR 10.0 billion in Q1 2021.

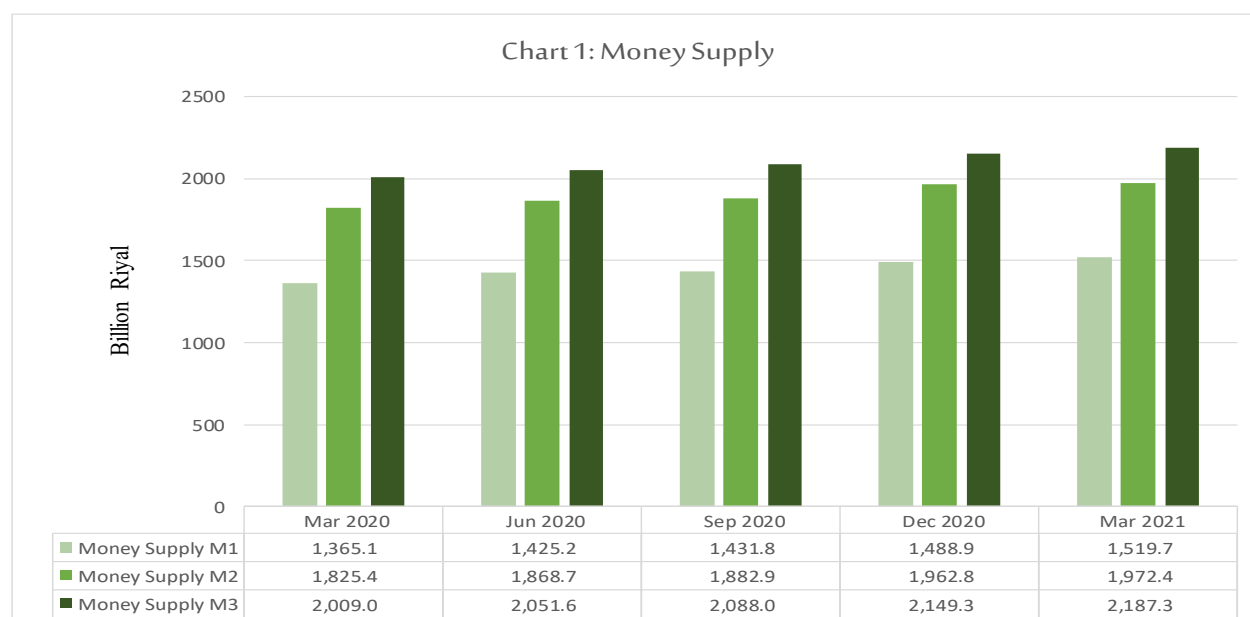
The three-month Saudi interbank offered rate (SAIBOR) went down to 0.8072 percent in Q1 2021. The three-month interest differential between the riyal (SAIBOR) and the dollar (LIBOR) deposits was 61 basis points in favor of the riyal in Q1 2021. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of SAR 3.75.

## **2. Monetary Developments**

### **2.1 Money Supply**

M3 increased by 1.8 percent (SAR 38.0 billion) to SAR 2,187.3 billion in Q1 2021, compared to an increase of 2.9 percent (SAR 61.3 billion) in the preceding quarter, recording a YoY rise of 8.9 percent (SAR 178.3 billion) (Chart 1).

A breakdown of the components of M3 indicates that narrow money supply (M1) rose by 2.1 percent (SAR 30.8 billion) to SAR 1,519.7 billion or 69.5 percent of M3, compared to a rise of 4.0 percent (SAR 57.0 billion) in the preceding





quarter, recording a YoY rise of 11.3 percent (SAR 154.6 billion). M2 also increased by 0.5 percent (SAR 9.5 billion) to SAR 1,972.4 billion or 90.2 percent of M3 in Q1 2021 against a rise of 4.2 percent (SAR 80.0 billion) in the preceding quarter, recording a YoY rise of 8.1 percent (SAR 147.0 billion).

## **2.2 Monetary Base**

Monetary base increased by 0.7 percent (SAR 2.5 billion) to SAR 355.1 billion in Q1 2021, compared to an increase of 0.3 percent (SAR 1.1 billion) in the preceding quarter, recording a YoY rise of 4.2 percent (SAR 14.4 billion). A breakdown of the components of the monetary base indicates that deposits with SAMA increased by 2.4 percent (SAR 2.9 billion) to SAR 121.9 billion in Q1 2021, compared to a rise of 3.1 percent (SAR 3.5 billion) in the preceding quarter, registering a YoY rise of 12.9 percent (SAR 13.9 billion). Cash in vault decreased by 4.1 percent (SAR 1.1 billion) to SAR 26.3 billion, compared to a decline of 6.0 percent (SAR 1.8 billion) in the preceding quarter, recording a YoY decline of 23.1 percent (SAR 7.9 billion). Currency in circulation went up by 0.3 percent (SAR 0.7 billion) to SAR 207.0 billion compared to a decrease of 0.3 percent (SAR 0.6 billion) in the preceding quarter, registering a YoY increase of 4.2 percent (SAR 8.4 billion).

## **3. Developments of SAMA's Balance Sheet**

Preliminary data of SAMA's balance sheet indicate that total assets increased to SAR 1,853.4 billion in Q1 2021. SAMA's total reserve assets decreased to SAR 1,683.5 billion in Q1 2021. A breakdown of the components of total reserve assets as compared to the preceding quarter indicates that the reserve position with the IMF declined to SAR 13.0 billion. The balance of special drawing rights also declined to

SAR 31.0 billion. Foreign exchange and deposits abroad decreased to SAR 513.6 billion. On the other hand, investments in securities abroad increased to SAR 1,124.3 billion, while gold reserve was stable at SAR 1.6 billion.

## **4. Banking Developments**

### **4.1 Bank Deposits**

Total bank deposits increased by 1.9 percent (SAR 37.4 billion) to SAR 1,980.3 billion in Q1 2021, compared to a rise of 3.3 percent (SAR 61.9 billion) in the preceding quarter, recording a YoY rise of 9.4 percent (SAR 169.8 billion).

A breakdown of deposit components by type in Q1 2021 indicates that demand deposits rose by 2.3 percent (SAR 30.1 billion) to SAR 1,312.7 billion compared to an increase of 4.7 percent (SAR 57.7 billion) in the preceding quarter, registering a YoY rise of 12.5 percent (SAR 146.1 billion). Other quasi-monetary deposits went up by 15.3 percent (SAR 28.5 billion) to SAR 214.9 billion, compared to a decline of 9.1 percent (SAR 18.7 billion) during the preceding quarter. They recorded a YoY rise of 17.0 percent (SAR 31.3 billion). However, time and savings deposits decreased by 4.5 percent (SAR 21.3 billion) to SAR 452.7 billion compared to a rise of 5.1 percent (SAR 22.9 billion) during the preceding quarter. They recorded a YoY decline of 1.6 percent (SAR 7.6 billion) (Chart 2).

### **4.2 Assets and Liabilities of Commercial Banks**

Total assets and liabilities of commercial banks stood at SAR 3,035.1 billion at end-Q1 2021, increasing by 1.9 percent (SAR 55.5 billion) compared to an increase of 3.5 percent (SAR 99.9 billion) during the previous quarter. They registered a YoY rise of 11.4 percent (SAR 311.0 billion).

### **4.3 Foreign Assets and Liabilities of Commercial Banks**

Total foreign assets of commercial banks decreased by 0.3 percent (SAR 0.8 billion) to SAR 249.3 billion in Q1 2021 as compared to a decrease of 5.5 percent (SAR 14.6 billion) during the preceding quarter. They registered a YoY decline of 3.0 percent (SAR 7.8 billion), constituting 8.2 percent of commercial banks' total assets at end-Q1 2021 as compared to 8.4 percent at end-Q4 2020. Commercial banks' total foreign liabilities went down by 4.2 percent (SAR 7.7 billion) to SAR 174.4 billion against an increase of 10.7 percent (SAR 17.6 billion) in the preceding quarter. They registered a YoY decrease of 6.0 percent (SAR 11.1 billion), or 5.7 percent of total liabilities of commercial banks against 6.1 percent. Commercial banks' net foreign assets went up by 10.1 percent (SAR 6.9 billion) to SAR 74.9 billion at end-Q1 2021, compared to a decrease of 32.1 percent (SAR 32.2 billion) during the preceding quarter. They recorded a YoY rise of 4.6 percent (SAR 3.3 billion) (Chart 3).

### **4.4 Commercial Banks' Claims on the Private and Public Sectors**

Commercial banks' claims on the private and public sectors (including government and quasi-government) went up by 4.6 percent (SAR 104.8 billion) to SAR

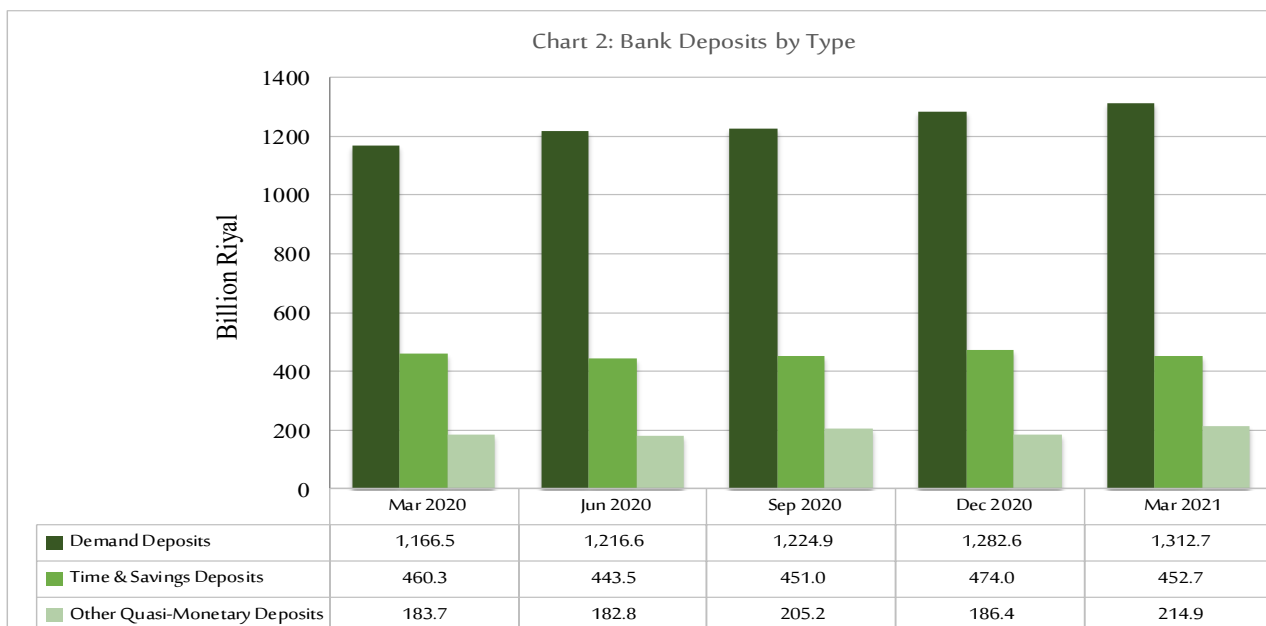
2,384.7 billion in Q1 2021, compared to an increase of 2.8 percent (SAR 61.0 billion) in the preceding quarter. They recorded a YoY rise of 13.5 percent (SAR 284.2 billion). The ratio of these claims to total bank deposits was 120.4 percent compared to 117.3 percent at the end of the preceding quarter.

#### **4.4.1 Commercial Banks' Claims on the Private Sector**

Commercial banks' claims on the private sector increased by 6.2 percent (SAR 109.1 billion) to SAR 1,871.6 billion in Q1 2021, compared to a rise of 2.2 percent (SAR 38.6 billion) in the preceding quarter. The claims on the private sector registered a YoY increase of 14.6 percent (SAR 238.5 billion). The ratio of these claims to total bank deposits rose to 94.5 percent at end-Q1 2021 compared to 90.7 percent at the end of the preceding quarter (Chart 4).

#### **4.4.2 Commercial Banks' Claims on the Public Sector**

Commercial banks' claims on the public sector declined by 0.8 percent (SAR 4.4 billion) to SAR 513.2 billion in Q1 2021, compared to a rise of 4.5 percent (SAR 22.4 billion) in the preceding quarter. These claims registered a YoY increase of 9.8 percent (SAR 45.7 billion). The ratio of commercial banks' total claims on the



public sector to total bank deposits decreased to 25.9 percent at end-Q1 2021 from 26.6 percent at the end of the preceding quarter (Chart 4).

#### **4.4.3 Bank Credit by Economic Activity**

A breakdown of bank credit extended to economic activities in Q1 2021 indicates increases in bank credit extended to manufacturing and production by 2.1 percent (SAR 3.3 billion); to finance by 17.4 percent (SAR 8.0 billion); to building and construction by 4.1 percent (3.8 billion); to services by 7.7 percent (SAR 7.3 billion); to transport and telecommunications by 11.4 percent (SAR 5.4 billion); to water, electricity, gas and health services by 5.8 percent (SAR 3.8 billion); to commerce by 3.7 percent (SAR 11.0 billion); and to other sectors by 7.2 percent (SAR 61.8 billion). In contrast, bank credit extended to government and quasi-government sector decreased by 9.5 percent (SAR 7.5 billion); to agriculture and fishing by 7.0 percent (SAR 1.1 billion); and to mining and quarrying by 0.2 percent (SAR 37.5 million).

A breakdown of bank credit by maturity indicates that long-term credit increased by 8.7 percent (SAR 71.4 billion) to SAR 895.0 billion in Q1 2021 compared to a rise of 8.9 percent (SAR 67.1 billion) in the preceding quarter. Medium-term credit

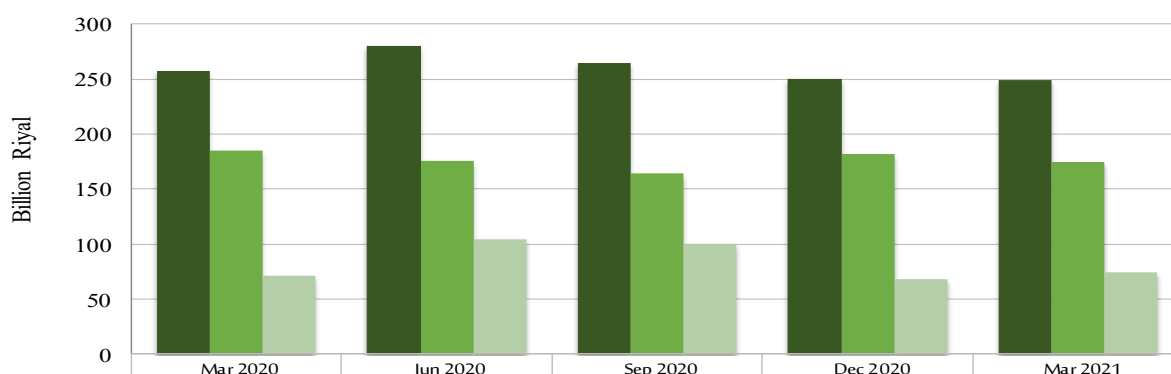
went up by 0.2 percent (SAR 0.6 billion) to SAR 261.4 billion compared to a decrease of 0.2 percent (SAR 0.5 billion) in the preceding quarter. Short-term credit also rose by 3.4 percent (SAR 23.8 billion) to SAR 721.9 billion compared to a decline of 2.1 percent (SAR 14.8 billion) in the preceding quarter.

#### **4.5 Reserves, Capital, Profits and Branches of Commercial Banks**

Capital and reserves of commercial banks increased by 8.6 percent (SAR 32.5 billion) to SAR 409.6 billion in Q1 2021, compared to a rise of 0.3 percent (SAR 1.2 billion) in the preceding quarter, recording a YoY rise of 10.4 percent (SAR 38.5 billion). Their ratio to total bank deposits rose to 20.7 percent at end-Q1 2021 from 19.4 percent in the preceding quarter. Commercial banks' profits stood at SAR 12.3 billion in Q1 2021 compared to SAR 11.1 billion in the preceding quarter, denoting a rise of 10.7 percent (SAR 1.2 billion) compared to a decrease of 14.5 percent (SAR 1.9 billion) in the previous quarter.

At end-Q1 2021, the number of commercial banks' branches operating in Saudi Arabia stood at 2,008 with a QoQ decrease of 6 branches and a YoY decrease of 63 branches.

Chart 3: Banks' Assets, Liabilities and Net Foreign Assets



Assets	257.0	279.7	264.6	250.1	249.3
Liabilities	185.5	175.6	164.5	182.1	174.4
Net Foreign Assets	71.6	104.2	100.2	68.0	74.9

## **4.6 Commercial Banks' Purchases and Sales of Foreign Exchange**

### **4.6.1 Commercial Banks' Purchases of Foreign Exchange**

Commercial banks' total purchases of foreign exchange rose by 7.7 percent (SAR 59.6 billion) to SAR 833.0 billion in Q1 2021, compared to a rise of 16.3 percent (SAR 108.3 billion) in the preceding quarter, registering a YoY decline of 6.6 percent (SAR 59.3 billion). A comparison of banks' total purchases shows that purchases from domestic banks increased by 24.3 percent (SAR 20.5 billion), from SAMA by 10.7 percent (SAR 16.5 billion), and from other sources by 22.4 percent (SAR 4.5 billion). Banks' total purchases from foreign banks increased by 6.7 percent (SAR 25.9 billion) while purchases from customers dropped by 6.2 percent (SAR 7.8 billion) (Chart 5).

### **4.6.2 Commercial Banks' Sales of Foreign Exchange**

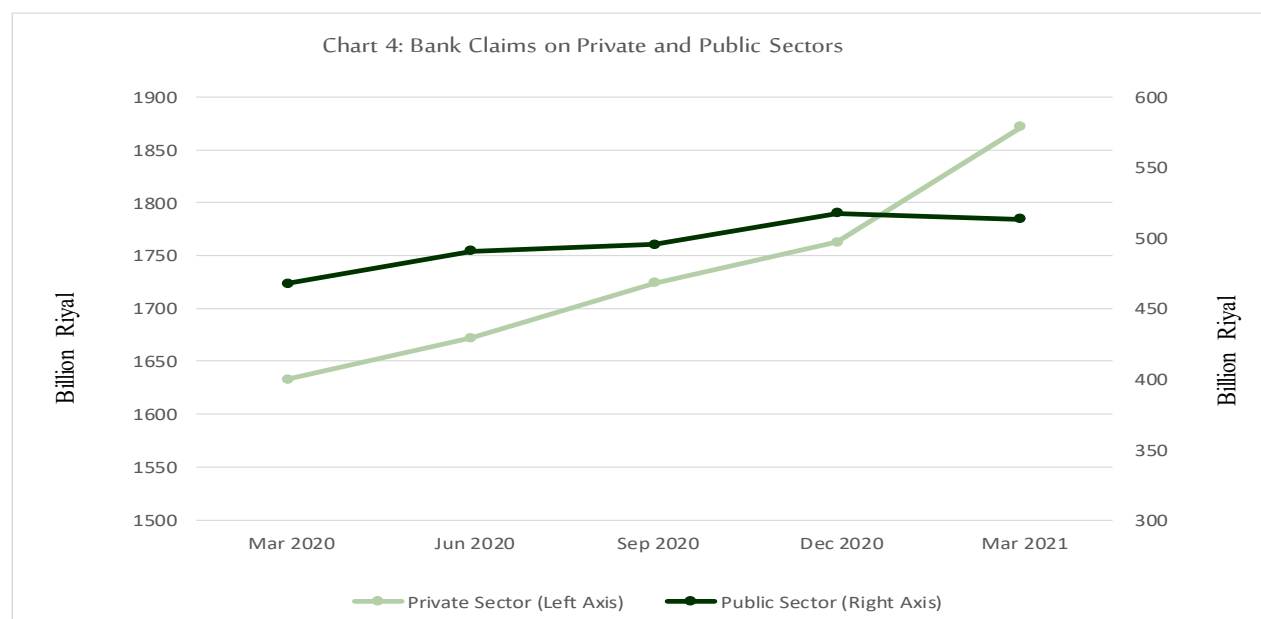
Commercial banks' total sales of foreign exchange went up by 15.7 percent (SAR 112.1 billion) to SAR 827.4 billion in Q1 2021, compared to a rise of 11.3 percent (SAR 72.5 billion) during the preceding quarter. They recorded a YoY rise of 3.2 percent (SAR 25.7 billion).

A comparison of banks' total sales of foreign exchange indicates that sales to SAMA declined by 39.2 percent (SAR 0.5 billion), and to other purposes (traveling abroad, personal transfers, foreign contractors, financing of imports, and foreign investments) by 0.1 percent (SAR 46.1 million). Sales to banks abroad rose by 10.4 percent (SAR 32.6 billion), to other customers in Saudi Arabia by 27.0 percent (SAR 56.5 billion), to ministries and municipalities by 436.5 percent (SAR 0.9 billion), to domestic banks by 22.6 percent (SAR 22.4 billion), and to government entities by 25.0 percent (SAR 0.3 billion) (Chart 5).

## **5. External Sector**

### **Foreign Trade**

In Q4 2020, total exports value went down by 26.0 percent to SAR 180.1 billion, compared to SAR 243.4 billion in Q4 2019, as the total value of oil exports declined by 34.7 percent to SAR 121.5 billion while that of other exports (including re-exports) rose by 0.5 percent to SAR 56.5 billion. On the other hand, value of imports (CIF) recorded a YoY decrease of 5.1 percent to SAR 123.9 billion in Q4 2019.





## **Balance of Payments**

### **5.1 Current Account**

Preliminary estimates indicate a surplus of SAR 8.7 billion in the current account balance in Q4 2020 compared to a surplus of SAR 24.2 billion in Q4 2019. This is attributed to a surplus of SAR 12.0 billion in the balance of goods and services against a surplus of SAR 51.6 billion in Q4 2019. The balance of goods recorded a surplus of SAR 54.9 billion despite a decrease in exported goods by 26.0 percent to SAR 180.1 billion compared to SAR 243.4 billion and a decrease in imported goods (FOB) by 5.6 percent to SAR 125.1 billion compared to SAR 132.6 billion in the corresponding quarter of the preceding year. The services deficit decreased from SAR 59.3 billion in Q4 2019 to SAR 42.9 billion in Q4 2020. The balance of net primary income recorded a surplus of SAR 35.9 billion in Q4 2020 against a surplus of SAR 6.1 billion in the corresponding quarter of the preceding year. The deficit in the secondary income balance increased by 17.0 percent to SAR 39.2 billion compared to SAR 33.5 billion.

### **5.2: Capital Account**

Capital account registered outflows of SAR 1.2 billion in Q4 2020 against SAR 1.7 billion in the corresponding quarter of the previous year.

## **5.3: Financial Account**

Net direct investments increased by SAR 4.6 billion in Q4 2020 due to the increases in both net acquisition of financial assets abroad (SAR 11.6 billion) and domestic net incurrence of liabilities (SAR 7.0 billion). Net portfolio investments went up by SAR 27.9 billion against a rise of SAR 5.1 billion in Q4 2019. Net other investments registered a decrease of SAR 43.3 billion against an increase of SAR 15.8 billion Q4 2019. Net reserve assets increased by SAR 22.7 billion in Q4 2020 against a decrease of SAR 3.8 billion in Q4 2019 as other reserve assets rose by SAR 20.4 billion (due to a decrease in the currency and deposits item by SAR 34.7 billion and an increase in the item of investment in securities by SAR 55.1 billion) against a decrease of SAR 4.9 billion in Q4 2019.

## **6. Banking Technology Developments**

### **6.1 Saudi Riyal Inter-bank Express System (SARIE)**

The total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions went down by 9.4 percent (SAR 1,876.8 billion) to SAR 18,073.8 billion in Q1 2021. The value of single payment transactions totaled SAR 17,089.9

Chart 5: Banks' Foreign Currency Purchases and Sales



billion, whereas the total value of bulk payment transactions amounted to SAR 971.4 billion. Total customer payments stood at SAR 1,991.7 billion, with a decline of 18.6 percent. The total value of inter-bank payments stood at SAR 16,069.6 billion with a decrease of 8.1 percent.

### **6.2 Mada**

The total number of ATM transactions was approximately 424.5 million, with cash withdrawals totaling SAR 151.6 billion, including transactions through banks' network and Mada. Total POS terminal transactions stood at 1,065.6 million with sales totaling SAR 109.2 billion in Q1 2021. Moreover, the number of ATMs totaled 17.3 thousand and the number of ATM cards issued by domestic banks stood at 35.3 million at end-Q1 2021. The number of POS terminals stood at 792.8 thousand at end-Q1 2021.

### **6.3 Clearing**

As for statistics on clearing, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 531.4 thousand with a total value of SAR 103.9 billion. The number of individual and corporate checks totaled 435.0 thousand with a total value of SAR 51.5 billion, and the number of interbank checks totaled 96.4 thousand with a total value of SAR 52.4 billion.

## **7. Domestic Stock Market Developments**

The Tadawul All Share Index (TASI) increased by 12.9 percent to 9,810.5 at end-Q1 2021 compared to a rise of 4.7 percent in the preceding quarter, recording a YoY increase of 50.8 percent. The number of traded shares decreased by 18.5 percent to 22.0 billion in Q1 2021 compared to an increase of 14.5 percent, recording a YoY increase of 81.4 percent. Total value of shares traded in Q1 2021 went down by 4.9 percent to SAR 697.3 billion compared to an increase of 38.6 percent in the preceding

quarter, registering a YoY rise of 155.5 percent.

At end-Q1 2021, the stock market capitalization increased by 5.8 percent to SAR 9.6 billion against a decline of 0.3 percent at the end of the preceding quarter, registering a YoY increase of 27.4 percent. Total number of transactions executed in Q1 2021 decreased by 6.6 percent to 27.6 million compared to a rise of 37.4 percent in Q4 2020, recording a YoY rise of 126.4 percent (Chart 6).

## **8. Investment Funds**

Total assets of investment funds managed by investment companies went up by 11.0 percent (SAR 23.1 billion) to SAR 232.8 billion in Q1 2021 compared to a rise of 7.0 percent (SAR 13.7 billion) in the preceding quarter. They recorded a YoY increase of 33.2 percent (SAR 58.1 billion).

A breakdown of total assets of investment funds shows that domestic assets rose by 3.2 percent (SAR 4.7 billion) to SAR 154.3 billion in Q1 2021 compared to a rise of 0.5 percent (SAR 0.8 billion) in the previous quarter. They registered a YoY rise of 19.0 percent (SAR 24.7 billion). Foreign assets rose by 30.5 percent (SAR 18.4 billion) to SAR 78.5 billion in Q1 2021 against a rise of 27.2 percent (SAR 12.9 billion) in the preceding quarter, registering a YoY increase of 74.1 percent (SAR 33.4 billion).

The number of subscribers to investment funds rose by 6.5 percent (23.4 thousand) to 382.2 thousand in Q1 2021, compared to a rise of 0.1 percent (0.3 thousand) in the preceding quarter. The number of subscribers recorded a YoY increase of 12.5 percent (42.6 thousand). The number of funds decreased by three to 251 in Q1 2021 compared to the preceding quarter.

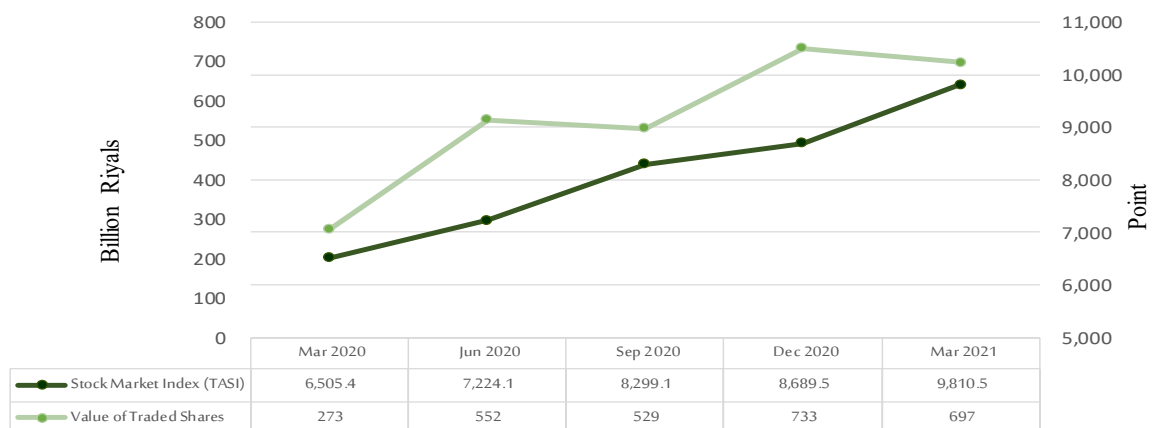
## 9. Supervisory and Legislative Banking Developments in Q1 2021

- SAMA has updated the Requirements for Registration, Disclosure and Risk Management for Derivatives Contracts not Listed in a Central Platform, which aim to reduce risks and enhance central clearing.
- SAMA issued a circular to banks operating in Saudi Arabia directing them to ensure that transfers from collection accounts of government bodies with direct revenues with banks are separated from the direct revenue account with SAMA. This came as a result of coordination between SAMA and the Ministry of Finance in order for government bodies to transfer directly from their collection accounts to other accounts.
- SAMA stressed that all banks operating in Saudi Arabia must adopt English names as specified by the service of translation of commercial registers in the Ministry of Commerce website when concluding payroll agreements with clients from commercial entities in order to avoid exploiting the similarity of names among commercial entities.
- SAMA has updated the rules for licensed companies, institutions and shops owned by foreign residents, which aim to clarify the

requirements that must be met when opening bank accounts for a company or an institution when the owner or one/all of the partners of such entity is a private society/ foundation.

- SAMA issued a circular to banks operating in Saudi Arabia regarding the activation of GCC network of POS for Oman Net to link it and take the necessary measures as of April 4, 2021.
- As part of the coordination between SAMA and the Ministry of Commerce, SAMA issued a circular to banks operating in Saudi Arabia directing them not to ask companies and institutions to restore written off commercial registers to receive financial dues.
- SAMA emphasized to banks operating in Saudi Arabia that the standard agreement forms for opening a current bank account for individuals and legal persons are valid and approved in both paper and electronic formats, with the exception of the box for attaching a copy of the identity as it is verified through “Absher” platform when opening the account electronically.
- SAMA stressed that banks operating in Saudi Arabia must not seize or use the amounts deposited by the alimony fund for beneficiaries.

Chart 6: Stock Market Index (TASI)



Source: Tadawul and Capital Market Authority.





البنك المركزي السعودي  
SAMA  
Saudi Central Bank

