



56th

ANNUAL REPORT

1441H-2020



Saudi Arabian Monetary Authority

**56th Annual Report
1441H (2020)**

BOARD OF DIRECTORS

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Ramadan 1441H
May 2020

It gives me pleasure to present, in the name of the Board of Directors, the 56th Annual Report of the Saudi Arabian Monetary Authority, which reviews the latest developments in the Saudi economy during fiscal year 1440/41H (2019). The Report covers developments in various areas of the domestic economy, including monetary developments, banking activity, capital market, prices, public finance, national accounts, foreign trade and balance of payments. It also provides an overview of the latest economic developments in various domestic productive sectors, apart from giving a full description of SAMA's functions, such as setting and managing monetary policy and supervising banking, insurance and finance sectors. In addition, the Report includes the auditors' report on SAMA's balance sheet for fiscal year ended on June 30th, 2019. 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 preparing this Report and in carrying out all functions entrusted to SAMA.

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

Email: research@sama.gov.sa

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

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SAMA Head Office and Branches:

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Tabuk

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GLOBAL ECONOMY



Global Economy

World Economic Situation

In 2019, the global economy registered a growth rate of 2.9 percent compared to 3.6 percent in 2018. According to the April 2020 IMF World Economic Outlook (WEO), the global economy is projected to contract by 3.0 percent in 2020¹.

Economic Growth

Growth in the advanced economies slowed to 1.7 percent in 2019 versus 2.2 percent in 2018. The slowdown stemmed primarily from the growth rate declines in the United States and the euro area. US growth slowed to 2.3 percent in 2019, as compared to a growth of 2.9 percent in the preceding year. The euro area growth rate decreased to 1.2 percent in 2019 against 1.9 percent in the preceding year. France, Germany and Italy recorded decreased growth rates of 1.3 percent, 0.6 percent and 0.3 percent, respectively, in 2019 compared to 1.7 percent, 1.5 percent and 0.8 percent, respectively, in the preceding year. In emerging market and developing economies, the overall growth rate declined from 4.5 percent in 2018 to 3.7 percent in 2019. The growth rate in China decreased to 6.1 percent in 2019 from 6.7 percent in 2018 and in India to 4.2 percent from 6.1 percent in 2018. Furthermore, the growth rate in the MENA countries declined from 1.0 percent in 2018 to 0.3 percent in 2019. Emerging and developing Europe registered a decreased growth rate of 2.1 percent in 2019 compared to 3.2 percent in the preceding year. Latin America and the Caribbean

countries also registered a decreased growth of 0.1 percent in 2019 versus 1.1 percent in 2018. The overall growth rate in emerging and developing Asia declined to 5.5 percent in 2019 compared to 6.3 percent in 2018. In contrast, the growth rate of the U.K. slightly increased from 1.3 percent in 2018 to 1.4 percent in 2019. Japan also recorded an increased growth rate of 0.7 percent against 0.3 percent in 2018.

According to the April 2020 WEO, the global economy is projected to contract by 3.0 percent in 2020, triggered by the COVID-19 pandemic, as compared to a growth rate of 2.9 percent in 2019. The advanced economies are expected to contract by 6.1 percent in 2020. The US economy is expected to contract by 5.9 percent, the euro-area economy by 7.5 percent, and emerging market and developing economies by 1.0 percent in 2020. China's growth is expected to drop to 1.2 percent in 2020 (Table 1-1). Chart 1-1 shows the real GDP growth rates in the major countries and country groups over the 2016-2020 period.

Inflation

In the advanced economies, average inflation dropped to 1.4 percent in 2019 from 2.0 percent in 2018. In the United States, the inflation rate decreased to 1.8 percent in 2019 from 2.4 percent in 2018. In the euro area, the rate decreased to 1.2 percent in 2019 from 1.8 percent in 2018. In the MENA countries, the rate also decreased to 9.0 percent in 2019 compared to 11.0 percent in the preceding year. However, in the emerging market and developing countries, the inflation rate rose from 4.8 percent in 2018 to 5.0 percent in 2019 (Table 1-2). Chart 1-2 shows the percentage change in consumer prices for various country groups during 2018-2020.

¹ According to the June 2020 IMF World Economic Outlook (WEO) Update, global growth is projected at -4.9 percent in 2020, 1.9 percentage points below the April 2020 WEO forecast. The IMF updated projections stemmed from that the COVID-19 pandemic has had a more negative impact on activity than anticipated and that the recovery is projected to be gradual than previously forecast. The slower recovery in the updated forecast reflects persistent social distancing and greater damage to global supply chains.

Unemployment

The weighted average unemployment rate in advanced economies decreased from 7.1 percent in 2018 to 6.6 percent in 2019. In the United States, unemployment also went down to 3.7 percent in 2019 from 3.9 percent in 2018. In the euro area, it decreased from 8.2 percent in 2018 to 7.6 percent in 2019. Additionally, the unemployment rate in Italy, France and Germany declined slightly to 10.0 percent, 8.5 percent and 3.2 percent, respectively, in 2019 compared to 10.6 percent, 9.0 percent and 3.4 percent, respectively, in 2018. Moreover, the unemployment rate in the United Kingdom fell to 3.8 percent versus 4.1 percent in 2018. On the other hand, unemployment rate in Japan remained unchanged at 2.4 percent (Table 1-3).

Chart 1-3 shows average unemployment rates for selected groups of countries during 2017-2020.

Fiscal Balances in Advanced Economies

The overall fiscal deficit in advanced economies rose to 3.0 percent of GDP in 2019, from 2.6 percent in 2018. The United States deficit increased from 5.7 percent in 2018 to 5.8 percent in 2019. The deficit in the euro area increased from 0.5 percent in 2018 to 0.7 percent in 2019. In France, it increased from 2.3 percent to 3.0 percent. The fiscal deficit in Japan also rose from 2.4 percent to 2.8 percent in 2019. On the other hand, the surplus in Germany decreased from 1.9 percent in 2018 to 1.4 percent in 2019. In Italy, the deficit declined from 2.2 percent to 1.6 percent. In the United Kingdom, the deficit went down from 2.2 percent to 2.1 percent in 2019 (Table 1-4).

Table 1-1: Real GDP Growth Rates

	(Percentage)							
	2013	2014	2015	2016	2017	2018	2019	Projections 2020
World	3.5	3.6	3.5	3.4	3.9	3.6	2.9	-3.0
Advanced Economies	1.4	2.1	2.3	1.7	2.5	2.2	1.7	-6.1
USA	1.8	2.5	2.9	1.6	2.4	2.9	2.3	-5.9
Euro area	-0.2	1.4	2.1	1.9	2.5	1.9	1.2	-7.5
Germany	0.4	2.2	1.7	2.2	2.5	1.5	0.6	-7.0
France	0.6	1.0	1.1	1.1	2.3	1.7	1.3	-7.2
Italy	-1.8	-0.01	0.8	1.3	1.7	0.8	0.3	-9.1
Japan	2.0	0.4	1.2	0.5	2.2	0.3	0.7	-5.2
UK	2.1	2.6	2.4	1.9	1.9	1.3	1.4	-6.5
Canada	2.3	2.9	0.7	1.0	3.2	2.0	1.6	-6.2
Emerging and Developing Economies	5.1	4.7	4.3	4.6	4.8	4.5	3.7	-1.0
Sub-Saharan Africa	5.2	5.1	3.2	1.4	3.0	3.3	3.1	-1.6
Emerging and Developing Asia	6.9	6.8	6.8	6.8	6.7	6.3	5.5	1.0
China	7.8	7.3	6.9	6.8	6.9	6.7	6.1	1.2
India	6.4	7.4	8.0	8.3	7.0	6.1	4.2	1.9
Middle East and North Africa	2.5	2.7	2.4	5.5	1.7	1.0	0.3	-3.3
Emerging and Developing Europe	3.1	1.9	0.9	1.8	4.0	3.2	2.1	-5.2
Latin America and the Caribbean	2.9	1.3	0.3	-0.6	1.3	1.1	0.1	-5.2
Brazil	3.0	0.5	-3.6	-3.3	1.3	1.3	1.1	-5.3
Commonwealth of Independent States	3.7	2.5	1.0	-1.9	0.8	2.4	--	--
Russia	1.8	0.7	-2.0	0.3	1.8	2.5	1.3	-5.5

Source: World Economic Outlook (WEO), IMF, April 2020.

Monetary and Financial Developments

Interest Rates

The six-month dollar LIBOR stood at 2.3 percent in 2019 against 2.5 percent in 2018 and is projected to fall to 0.7 percent in 2020. The three-month euro LIBOR declined to -0.4 percent at the end of 2019 compared to -0.3 percent in 2018, and it is projected to remain unchanged in 2020. The yen LIBOR remained at zero in 2019 and is projected to drop to -0.1 in 2020 (Table 1-2).

Exchange Rates

The U.S. dollar recorded relatively weak bilateral exchange rates against some major currencies at the end of 2019 due to the weakened U.S. economy in general and the Fed decreasing rates by 25 basis points. However, the currencies that recorded the highest declines against the U.S. dollar included the Brazilian real with a drop of 3.43 percent at the end of 2019, followed by the euro with 2.20 percent and the Norwegian krone with 1.57 percent. On

the other hand, the currencies that recorded the largest increases in value against the U.S. dollar included the Canadian dollar with a rise of 5.03 percent, followed by the Mexican peso with 3.80 percent, the Japanese yen with 1.01 percent and the New Zealand dollar with 0.31 percent.

Equity and Bond Markets

Equity Markets

The U.S. Dow Jones Industrial Average (DJIA) index registered an increase of 5.29 percent, closing at 26,379.50 during 2019. The Japanese NIKKEI index went up by 18.20 percent to close at 21,697.23 during 2019. This strong performance was attributed to several factors, most notably the easing of trade tensions between advanced economies.

Similarly, the Morgan Stanley Capital International-Europe Index (MSCI Euro) rose by 20.20 percent to close at 1,784.1 during 2019. However, in

Chart 1-1: World Real GDP Growth Rates

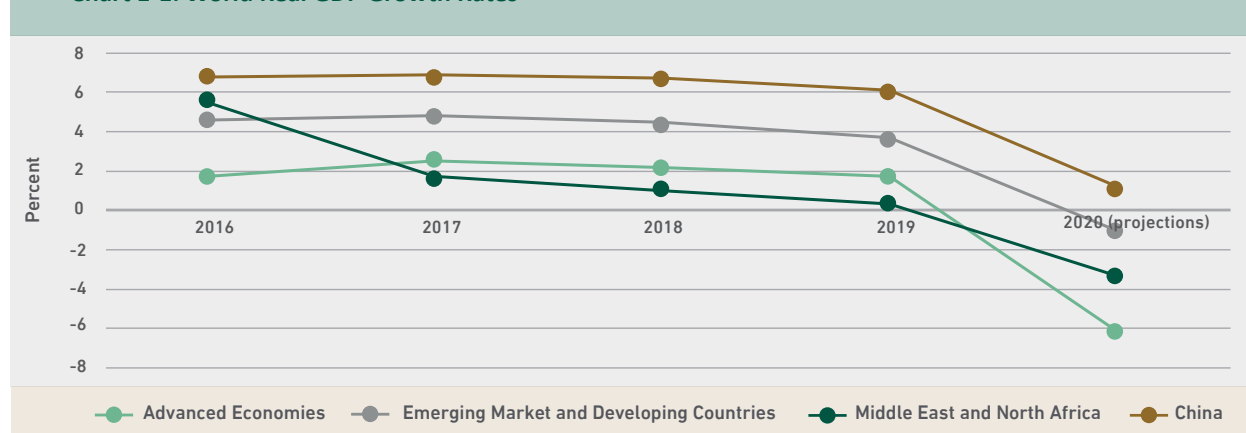
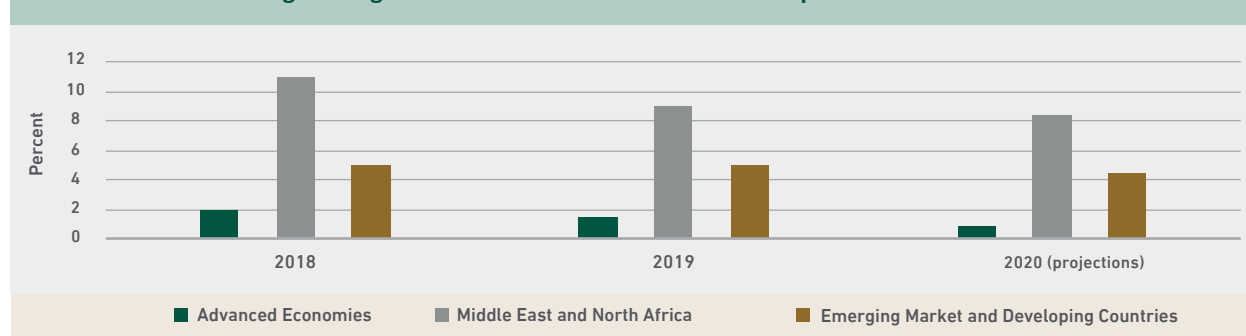


Chart 1-2: Percentage Change in Consumer Prices in Selected Groups of Countries



the United Kingdom, the Financial Times Stock Exchange 100 Index (FTSE 100 Index) declined by 1.17 percent to 7,276.48.

Bond Markets

Yields on U.S. treasury bonds of all maturities declined at the end of 2019, with the 2-year bond yield falling to 1.56 percent, the 5-year yield to 1.68 percent, the 7-year yield to 1.82 percent, and the 10-year yield to 1.92 percent. The decreases in yields on medium- and long-term bonds were attributed to the supply and demand for bonds in conjunction with the slowdown of the global economy and the preference of a large percentage of investors for safe investments.

Yields on Japanese government bonds (JGB) of all maturities also declined at the end of 2019. The

JGB 30-year yield dropped to 0.41 percent, 20-year yield to 0.27 percent, 10-year yield to -0.022 percent, 7-year yield to 0.109 percent, 5-year yield to 0.128 percent, two-year yield to 1.27 percent, and 3-month yield to -0.100 percent.

In the euro area, all government bond yields of all maturities declined at the end of 2019, with the 5-year yield recording the highest decline to -0.463 percent, followed by the 10-year yield falling to -0.187 percent and then the 15-year yield to -0.039 percent. These decreases at the end of 2019 were attributed to the protests in France and companies' declining trust in the euro economy.

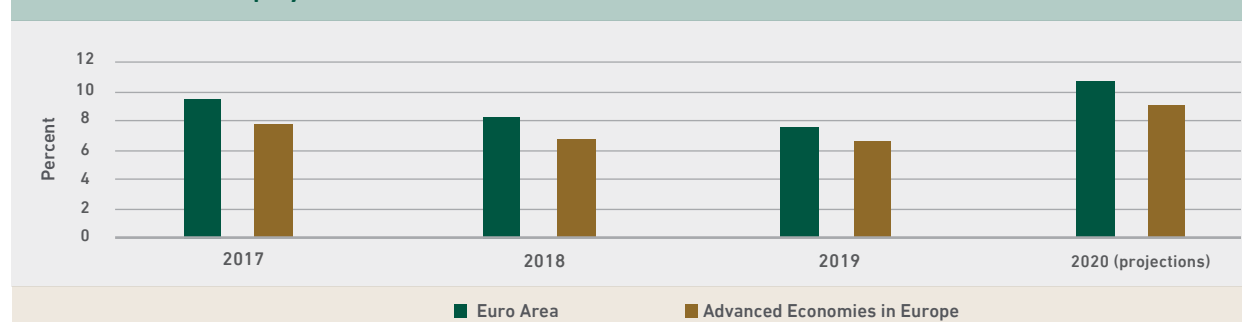
In the United Kingdom, government bond yields of all maturities declined at the end of 2019. The 10-year yield recorded the highest decline, reaching

Table 1-2: Inflation and Interest Rates

	2018	2019	(Percentage) Projections 2020
Global inflation			
Advanced economies	2.0	1.4	0.5
USA	2.4	1.8	0.6
Euro area	1.8	1.2	0.2
Emerging and Developing Economies	4.8	5.0	4.6
Middle East and North Africa	11.0	9.0	8.2
London interbank offered rate (LIBOR)*			
U.S. dollar deposits	2.5	2.3	0.7
Japanese yen deposits	0.0	0.0	-0.1
Euro deposits	-0.3	-0.4	-0.4

* Six-month rate for USA and Japan and three-month rate for Euro area.
Source: World Economic Outlook, IMF, April 2020.

Chart 1-3: Unemployment Rates



0.825 percent. The 12-year yield came next at 0.97 percent, followed by 5-year yield at 0.61 percent and 2-year yield at 0.54 percent. The declining yields on all government bonds were mainly due to the rising concerns following the Brexit.

World Trade and Balances of Payments

A. World Trade

The growth rate of world trade volume fell from 3.8 percent in 2018 to 0.9 percent in 2019. Total world trade is expected to record a negative growth rate of 11.0 percent in 2020. As for goods and services exports, advanced economies registered a slow growth rate of 1.2 percent in 2019. The volume of such exports is projected to decrease by 12.8 percent in 2020. Exports of emerging market and developing economies recorded a growth rate of 0.8 percent in 2019. However, they are projected to decrease by 9.6 percent in 2020.

The growth in imports of goods and services in advanced economies slowed to 1.5 percent in 2019 and is projected to decrease by 11.5 percent in 2020. Imports in emerging market and developing economies declined to 0.8 percent in 2019, and they are projected to contract by 8.2 percent in 2020 (Table 1-5).

B. Current Account Balances

The surplus recorded by the ratio of the current

account balance to GDP in advanced economies remained stable at 0.7 percent in 2019, unchanged from that registered in 2018. In the United States, the current account deficit declined to 2.3 percent in 2019 from 2.4 percent in 2018. However, the deficit is projected to increase to 2.6 percent in 2020. In the euro area, the current account surplus stood at 2.7 percent in 2019, against a surplus of 3.1 percent in 2018, and it is expected to decrease to 2.6 percent in 2020. In Germany, the surplus decreased to 7.1 percent in 2019 compared to 7.4 percent in 2018; it is projected to decline to 6.6 percent in 2020. In France, the current account deficit rose to 0.8 percent in 2019 from 0.6 percent in 2018, but it is projected to decline to 0.7 percent in 2020. As for Italy, the ratio of the current account balance to GDP recorded a surplus of 3.0 percent in 2019 against a surplus of 2.5 percent in 2018; the surplus is projected to rise to 3.1 percent in 2020. The current account deficit in the United Kingdom declined to 3.8 percent in 2019 from 3.9 percent in 2018, but it is projected to rise to 4.4 percent in 2020. The surplus in Japan rose from 3.5 percent in 2018 to 3.6 percent in 2019; however, it is expected to shrink to 1.7 percent in 2020.

In emerging and developing Asia, the aggregate current account (as a percentage of GDP) recorded a

Table 1-3: Advanced Economies: Unemployment Rates

	(Ratio to labor force)			
	2017	2018	2019	Projections 2020
Advanced Economies	7.9	7.1	6.6	9.1
USA	4.3	3.9	3.7	10.4
Euro area	9.1	8.2	7.6	10.4
Germany	3.8	3.4	3.2	3.9
France	9.4	9.0	8.5	10.4
Italy	11.3	10.6	10.0	12.7
Japan	2.8	2.4	2.4	3.0
UK	4.4	4.1	3.8	4.8
Canada	6.3	5.8	5.7	7.5

Source: World Economic Outlook (WEO), IMF, April 2020.

surplus of 0.6 percent in 2019 against a deficit of 0.1 percent in the preceding year, and it is projected to record a surplus of 0.1 percent in 2020. In the total for MENA countries, Afghanistan and Pakistan, the current account recorded a surplus of 0.4 percent against 2.5 percent in 2018, but it is expected to register a deficit of 5.7 percent in 2020 (Table 1-5).

C. Financial Account Balances

According to the latest IMF data, the surplus of the BOP financial account balance for the advanced economies declined to \$355.9 billion in 2018 against a surplus of \$439.9 billion in 2017; the surplus is estimated to drop to \$311.9 billion in 2019. In the United States, the BOP financial account deficit rose to \$465.2 billion in 2018 compared to \$331.9 billion in 2017. In the euro area, the financial account showed a surplus of \$466.7 billion in 2018 against a surplus of \$473.2 billion in the preceding year. In Germany, the financial account surplus declined to \$274.7 billion in 2018 from \$316.3 billion in the preceding year. The financial account deficit in France increased to \$45.7 billion in 2018 as compared to \$36.0 billion in the preceding year. In Japan, the financial account surplus increased to \$183.8 billion in 2018, compared to \$158.0 billion in 2017.

As for emerging market and developing economies, the overall BOP financial account deficit decreased to \$83.8 billion in 2018, compared to \$255.6 billion in 2017. In Sub-Saharan Africa, the financial account recorded a deficit of \$53.6 billion in 2018 against a deficit of \$34.2 billion in the preceding year. With regard to emerging and developing Asia, the financial account deficit increased slightly to \$95.5 billion in 2018, compared to a deficit of \$95.2 billion in the preceding year. In the total for MENA countries, Afghanistan and Pakistan, the BOP financial account recorded a surplus of \$66.3 billion in 2018 against a deficit of \$14.6 billion in the preceding year. A deficit of \$21.9 billion is projected for 2019 (Table 1-6).

Economic Developments in GCC Countries

According to the IMF April 2020 WEO, real economic growth rates in all GCC countries, except Bahrain, declined in 2019. The growth rate in the UAE declined from 1.7 percent in 2018 to 1.3 percent in 2019. The growth rate in Kuwait decreased from 1.2 percent to 0.7 percent, and in Oman from 1.8 percent to 0.5 percent. In contrast, the growth rate in Bahrain increased from 1.8 percent in 2018 to 2.0 percent in 2019.

Table 1-4: Trends of Fiscal Balances*

	(Percentage)			
	2017	2018	2019	Projections 2020
Advanced economies	-2.3	-2.6	-3.0	-10.6
USA	-4.5	-5.7	-5.8	-15.4
Euro area	-0.9	-0.5	-0.7	-7.5
Germany	1.2	1.9	1.4	-5.5
France	-2.8	-2.3	-3.0	-9.2
Italy	-2.4	-2.2	-1.6	-8.3
Japan	-3.1	-2.4	-2.8	-7.1
UK	-2.5	-2.2	-2.1	-8.3
Canada	-0.1	-0.4	-0.4	-11.8

* Ratio of deficit(-)/surplus(+) to GDP.

Source: World Economic Outlook (WEO), IMF, April 2020.

As for inflation, rates went down in all GCC countries, except Kuwait. In Bahrain, inflation rate declined from 2.1 percent in 2018 to 1.0 percent in 2019. The UAE recorded a negative inflation of 1.9 percent in 2019 compared to 3.1 percent in 2018. In Oman, the inflation rate decreased from 0.9 percent in 2018 to 0.1 percent in 2019. However, inflation rose in Kuwait from 0.6 percent to 1.1 percent.

GCC countries recorded different current account balances (as a percentage of GDP). The current account surplus in the UAE declined to 7.4 percent in 2019 from 10.0 percent in 2018. The deficit in Bahrain declined from 5.9 percent in 2018 to 2.9 percent in 2019, and in Oman from 5.5 percent to 5.2 percent. Kuwait also recorded a decrease in the

current account surplus to 8.9 percent compared to 14.5 percent in the preceding year (Table 1-7).

Regional and International Cooperation

1. Latest Developments of the Gulf Monetary Council

In 2019, the Gulf Monetary Council (GMCO) continued developing its work in line with the objectives set out in its statute and the tasks it undertakes. The new developments included carrying out several projects, conducting research, and preparing reports with the central banks of member countries. GMCO continued its efforts to develop and improve the macroeconomic model that is aimed at studying GCC economies and the impact of political challenges and unforeseen

Table 1-5: World Trade and Current Account

	(Percentage)		
	2018	2019	Projections 2020
World Trade Growth	3.8	0.9	-11
Exports (Goods and Services)			
Advanced economies	3.3	1.2	-12.8
Emerging and Developing Economies	4.1	0.8	-9.6
Imports (Goods and Services)			
Advanced economies	3.3	1.5	-11.5
Emerging and Developing Economies	5.1	-0.8	-8.2
Current account *			
Advanced economies	0.7	0.7	0.1
USA	-2.4	-2.3	-2.6
Euro area	3.1	2.7	2.6
Germany	7.4	7.1	6.6
France	-0.6	-0.8	-0.7
Italy	2.5	3.0	3.1
Japan	3.5	3.6	1.7
UK	-3.9	-3.8	-4.4
Emerging and Developing Economies	-0.1	0.1	-0.9
Emerging and Developing Asia	-0.1	0.6	0.1
Commonwealth of Independent States	--	--	--
Middle East, North Africa, Afghanistan, and Pakistan	2.5	0.4	-5.7
Sub-Saharan Africa	-2.5	-4.0	-4.7
Latin America and the Caribbean	-2.4	-1.7	-1.5

* Ratio of deficit(-)/surplus(+) to GDP.

Source: World Economic Outlook (WEO), IMF, April 2020.

changes on the future of the economy. In addition, GMCO contributed to building technical capabilities in terms of setting standard models in member countries, exchanging relevant technical opinions, and seeking technical comments and advice on such models from official authorities. Moreover, GMCO worked with the national central banks to develop a comprehensive framework for managing banking liquidity forecasts with the aim of enhancing the efficiency of monetary policy management. GMCO also prepared a report to assess member compliance with the Special Data Dissemination Standard (SDDS) for publication of statistics, given the relative difference among the statistical data publication systems used in the GCC countries in terms of the availability of data, frequency of publication, and compatibility with international statistical standards. GMCO is working on preparing a model for financial programming and macroeconomic policies. The model is a comprehensive framework for analyzing the current economic state in member countries, forecasting the economic trends,

and identifying the economic policies affecting the regional economy. Furthermore, GMCO participated in many workshops. It also organized a “Liquidity Forecasting and Management” workshop with the participation of international financial institutions, monetary agencies, and central banks in the GCC countries. Holding the workshop reflected the increasing importance of banking liquidity management and the GMCO’s keenness to implement the recommendations contained in Article IV Consultations issued by the IMF for all member countries. During the workshop, participants had technical discussions and shared practical experiences. In addition, GCC monetary agencies and central banks provided technical comments and advice.

2. Gulf Common Market (GCM)

GCC intra-trade transactions (exports and imports) increased steadily from \$92.7 billion in 2010 to \$145.5 billion in 2018. Statistics show that more GCC citizens are benefiting from the GCM decisions,

Table 1-6: Financial Account Balances

	(Billion USD)		
	2017	2018	Projections 2019
Advanced Economies	439.9	355.9	311.9
USA	-331.9	-465.2	-507.1
Euro area	473.2	466.7	--
Germany	316.3	274.7	279.6
France	-36	-45.7	-7.9
Italy	58.0	40.0	60.2
Japan	158.0	183.8	177.4
UK	-115.7	-85.8	-120
Canada	-40.4	-37.8	-53.7
Emerging and Developing Economies	-255.6	-83.8	-106
Sub-Saharan Africa	-34.2	-53.6	-52.2
Emerging and Developing Asia	-95.2	-95.5	-11.3
MENA countries, Afghanistan and Pakistan	-14.6	66.3	-21.9
Emerging and Developing Europe	-48.5	-4.5	-3.1
Latin America and the Caribbean	-85.9	-110	-102.4
Commonwealth of Independent States	22.8	113.3	84.8

Source: World Economic Outlook (WEO), IMF, April 2019.

bringing the number of citizens travelling between GCC countries to 28 million in 2018. Furthermore, the number of licenses granted to GCC citizens practicing different economic activities in other GCC countries increased, pushing the total number of such licenses to more than 47,827. The number of GCC citizens benefiting from real estate's ownership decisions rose, with 45,893 purchases made in 2018. As for stock markets, the number of citizens trading in other GCC stock markets was about 428,089 shareholders in 644 joint-stock companies during 2018.

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 2018, the balance of loan commitments stood at 188.7 million Arab Accounting Dinars (AAD) (\$793 million). Total loans extended by the AMF to member countries up to the end of 2018 were AAD 2.32 billion (\$10 billion). A total of 184 loans were extended by the AMF to 14 member countries.

Loans (automatic, ordinary, compensatory and extended loans) extended by the AMF were at the top of credit facilities granted by the AMF from the beginning of its lending activities in 1978 until the end of 2018, representing 60.3 percent of total loans extended throughout this period. The structural adjustment facilities extended came next with 29.9 percent, followed by the trade reform facility with 2.8 percent and the oil facility with 1.4 percent.

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

In 2018, 15 loans with a value of \$565 million were approved for development projects in Africa. Infrastructure lending had the largest share of total loans, amounting to 53.4 percent. Lending for both the social sector and the agriculture and rural development sector accounted for 23.3 percent, each, of total loans.

BADEA continued its policy of maintaining a sound financial position, which resulted in an increase of its net assets to \$4.9 billion at the end of 2018 compared to \$ 4.8 billion at the end of 2017. Net income declined to \$39.9 million in 2018 compared to \$271.6 million in 2017 due to loss in equity investments.

Table 1-7: Key Economic Developments in GCC Countries

	United Arab Emirates		Bahrain		Kingdom of Saudi Arabia		Oman		Qatar		Kuwait	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Real GDP Growth	1.70	1.30	1.80	2.00	2.40	0.30	1.80	0.50	1.50	0.10	1.20	0.70
Inflation Rate	3.1	-1.9	2.1	1.0	2.5	-1.2	0.9	0.1	0.2	-0.6	0.6	1.1
Imports (billion USD)	-235.4	--	-19.1	--	-139.0	--	-26.0	--	-32.0	--	-31.0	--
Exports (billion USD)	316.9	--	18.3	--	260.0	--	40.5	--	75.0	--	68.5	--
Current account (billion USD)	37.8	--	-2.2	--	32.0	--	-6.7	--	9.8	--	14.6	--
Current Account to GDP	10.0	7.4	-5.9	-2.9	9.0	6.3	-5.5	-5.2	8.7	2.4	14.5	8.9
Ratio of surplus/deficit in fiscal balance	2.0	-0.8	-11.9	-10.6	-5.9	-4.5	-7.9	-7.0	5.2	4.1	9.0	4.8
Population (million)*	9.6	9.7	1.6	1.7	33.7	34.2	4.8	5.0	2.8	2.8	4.1	4.2

Source: World Economic Outlook (WEO), IMF, April 2020 & Arab Economic Outlook, 2020. *World Bank 05/04/2020.

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

During 2018, the AFESD extended 11 loans with a total of Kuwaiti dinar (KWD) 464 billion to finance projects in six Arab countries. The ratio of loans to total cost of these projects was estimated at 78.6 percent. The cumulative value of 677 loans extended by the AFESD, starting from the commencement of its operations in 1974 up to the end of 2018, reached KWD 10.3 billion.

Total revenues for 2018 stood at KWD 61.4 million compared to KWD 126.6 million in 2017. Administrative expenses were KWD 8.4 million in 2018, and net profit stood at KWD 49 million compared to KWD 112.8 million in 2017. Member country total rights stood at KWD 3.6 billion at the end of 2018, versus KWD 3.5 billion at the end of 2017.

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

Dhaman's assets in 2018 totaled \$150 million, 66.67 percent of which was in investments, 31.68 percent in cash and deposits and 1.65 percent in other assets. Equity stood at \$468 million at the end of 2018, compared to \$471 million in the preceding year.

Total income of Dhaman was \$17 million in 2018. Of this amount, \$12.3 million was from guarantees, banks and bonds interest income, accounts on demand and other miscellaneous income; and \$11.8 million was from investment income, dividends income, the sale of a number of investments in bonds, financial funds, investment portfolios and currency spreads. Dhaman's general and administration expenses for 2018 reached \$9.8 million.

In 2018, Dhaman incurred losses of \$3.1 million against profits of \$17.5 million in the preceding year.

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

AAAID's contribution to the capital accounts of existing and to-be-formed companies in 2018 (contributions and loans) amounted to \$607 million, or 84 percent of its paid-up capital of \$720.7 million.

Total income of AAAID was \$36 million in 2018, versus \$73 million in the preceding year. The income was generated mainly from investment portfolios, loans and companies' profits. Net profit reached \$9.4 million, compared to \$15.5 million in the preceding year.

Total assets stood at \$979 million at the end of 2018 against \$193 million in the preceding year. AAAID's total liabilities stood at \$45.9 million in 2018 compared to \$45.6 million in the preceding year. In 2018, its net income reached \$12 million versus \$21 million in the preceding year.

4. Islamic Development Bank (IsDB)

IsDB's total assets rose from \$30.6 billion at the end of 2018 to \$32.6 billion at the end of 2019. Total liabilities also grew from \$18.5 billion to \$20.1 billion. In addition, total revenues increased from \$747.8 million to \$896 million, and net income almost doubled, rising from \$116.7 million to \$230.3 million. IsDB's total granted loans rose from \$2.4 billion to \$2.8 billion in 2019. Outstanding loans also went up from \$18.9 billion at the end of 2018 to \$20.3 billion at the end of 2019, and repaid loans from \$18.9 billion to \$20.3 billion. On the other hand, total expenditure declined from \$223 million in 2018 to \$216.3 million in 2019.

5. OPEC Fund for International Development (OFID)

OFID's equity (including reserves and member country contributions) increased to \$7.4 billion at the end of 2019 against \$7.2 billion at the end of 2018. OFID's total assets rose to \$7.6 billion at the

end of 2019 compared to \$7.4 billion at the end of the preceding year. OFID's total extended loans increased to \$1.5 billion in 2019 against \$1.4 billion in 2018. Total repaid loans increased to \$1.2 billion against \$1.1 billion in 2018. Total income for 2019 reached \$303.1 million compared to \$160.6 million in 2018. OFID's net income in 2019 was \$232.7 million against \$92.5 million in 2018.

6. International Monetary Fund (IMF) International Monetary and Financial Committee (IMFC)

The IMFC held its 41st virtual meeting on April 16, 2020. The meeting discussed the global economy, noting that it will witness a sharp contraction in 2020 due to the COVID-19 pandemic. The meeting indicated that such economic contraction reflects the necessary health measures taken by countries to contain the virus, disruptions in economic supply and demand, and tightening financial conditions.

The IMFC also discussed the high uncertainty surrounding the global economy. It expected a recovery in the economic growth with the continuous employment of all available monetary and financial policy tools to overcome the pandemic, protect jobs, and restore economic growth. In addition, it welcomed the actions of central banks and financial authorities to alleviate stressed global financial conditions and maintain financial stability. It also confirmed that it will take further financial stability measures to facilitate a speedy return of the global economy to strong and sustainable growth.

Moreover, the IMFC welcomed the pledges to the Catastrophe Containment and Relief Trust (CCRT) and the Poverty Reduction and Growth Trust (PRGT) received so far and called for additional contributions to ensure that the IMF can support its poorest and most vulnerable members. It also welcomed the coordinated approach agreed by the G20 and the Paris Club, supported by the IMF and World Bank, toward a time-bound suspension by

bilateral official creditors of debt service payments for the poorest countries that request forbearance. It called on private creditors to participate in the initiative on comparable terms.

The IMFC reaffirmed its commitment to a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. It stressed that it will keep demands on the IMF's resources under close review. The IMFC meeting noted that the IMF's lending capacity of US\$1 trillion is critical to maintain confidence that the IMF can fulfill its mandate by helping its members overcome the crisis. Furthermore, the IMFC affirmed its commitment to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, by December 15, 2023.

7. World Bank Group (WBG) Development Committee

The WBG Development Committee held its virtual meeting on April 17, 2020. The meeting reviewed the difficult challenges due to the COVID-19 pandemic. Moreover, it noted that the COVID-19 pandemic underscores that the development community increasingly faces global challenges requiring decisive, collective action and innovation. It emphasized that multilateral cooperation is needed to contain the pandemic and mitigate its health, social, and economic consequences.

The Development Committee also encouraged the WBG and the International Monetary Fund (IMF), within their respective mandates, to continue helping all clients, in partnership with the World Health Organization, other UN agencies, international financial institutions, and bilateral partners. It asked them to collaborate in addressing the pandemic and supporting economic recovery.

Further, the Development Committee pointed out that the global economy is experiencing an exceptional negative shock as a result of COVID-19. The attendant sharp decline in global investor confidence has severely tightened external financing conditions for countries across the income spectrum. The pandemic is disrupting trade, supply chains and investment flows. The Development Committee stressed that special attention should be paid to the provision of affordable medical supplies. It also asked that all countries ensure the flow of vital medical supplies, critical agricultural products, and other goods and services across borders, and that they work to resolve disruptions to the global supply chains, to support the recovery.

The Development Committee welcomed the WBG's estimated financial support of up to US\$150-160 billion over the next 15 months, with a focus on the poorest and vulnerable in all client countries. It also welcomed the IMF's stepping up of financial support for developing countries through both its regular facilities and emergency funding.

The Development Committee emphasized that the WBG has the financial firepower to provide a meaningful long-term response to this crisis thanks to the capital increases for the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), as well as the successful replenishment of the International Development Association's resources (IDA19 Replenishment). It encouraged all shareholders to accelerate the subscription processes and front-load their contributions to the greatest extent possible.

The Development Committee noted that the WBG must not only address immediate economic needs, but also support long-term development priorities, ensure affordable energy access, and build energy security and resilience to

economic and environmental vulnerabilities and climate change. In addition, the Development Committee urged the WBG and the IMF to ensure effectiveness on the ground and help countries create the conditions for inclusive and sustainable long-term growth.

8. Bank for International Settlements (BIS)

The BIS 2019 Annual Economic Report concluded that the global economy witnessed significant improvement in the first half of 2018, but the slowdown in the second half of 2018 negatively affected the stability of the financial markets. The main factors behind this slowdown were that global trade came to a halt, manufacturing decelerated and investment lost pace.

The report addressed short- and medium-term projections, which are as follows:

- Political factors, especially those related to trade policies and trade tensions between countries, will cast a long if unpredictable shadow over the world economy.
- The global production growth will slow down, affected by the finance factor and inflation rate.

The report also referred to the competitive threat posed by large technology firms ("big techs") to commercial banks. Big techs have made significant progress in providing innovative financial services to their large network of customers. Building on their e-commerce platforms, some big techs have ventured into lending to consumers and have acted as a distribution channel for third-party providers, e.g. by offering wealth management or insurance products. Consequently, the market capitalization of big techs has exceeded that of some commercial banks.

9. Financial Stability Board (FSB)

The Financial Stability Board (FSB) Plenary discussed in its last meeting in 2019 the vulnerabilities in the global financial system,

FinTech developments, and impact of interest rate change on the financial stability. The Plenary also reviewed developments in crypto-asset markets. FSB members endorsed an augmented framework for monitoring potential financial stability risks in those markets to take account of the development of so-called 'global stablecoin' systems, recognizing that these are developing rapidly. In addition, members discussed the potential financial stability implications from the entry of BigTech firms into finance and from third-party dependencies in cloud services. The FSB approved publishing initial reports on these key topics. Moreover, the Plenary discussed key elements of the International Association of Insurance Supervisors (IAIS) holistic framework for the assessment and mitigation of systemic risk in the insurance sector.

Members discussed the FSB's work program for 2020, including deliverables to Saudi Arabia's Presidency of the G20. Main priorities for the FSB work program are as follows:

1. Addressing new and emerging vulnerabilities in the financial system,
2. Finalizing and operationalizing post-crisis reforms, and
3. Monitoring the implementation and evaluating the effects of the reforms.

10. Basel Committee on Banking Supervision (BCBS)

In 2019, the BCBS issued various standards, guidelines, and reports, which are briefed as follows:

- The minimum capital requirements for market risk: The standard has been revised to address issues that the Basel Committee identified in the course of monitoring the implementation and impact of the framework.
- Revisions to leverage ratio disclosure requirements: The publication sets out additional requirements for banks to disclose their leverage ratios based on quarter-end

and on daily average values of securities financing transactions.

- Revisions to margin requirements for non-centrally cleared derivatives: The 2015 framework for margin requirements for non-centrally cleared derivatives was revised. The revisions extend by one year the final implementation of the margin requirements. With this extension, the final implementation phase will take place on 1 September 2021.
- Basel III Monitoring Report: This report presents the results of the Basel Committee's latest Basel III monitoring exercise, based on data as of 30 June 2018. Through a rigorous reporting process, the Committee regularly reviews the implications of the Basel III standards for banks.
- Standardised approach—implementing the mapping process: This document sets out guidelines for supervisors in the process of assigning the credit risk assessments of an eligible external credit assessment institution (ECAI) to the risk weights available under the standardised approach to credit risk.
- Regulatory Consistency Assessment Program (RCAP): Assessment of the Basel Committee's large exposures framework and assessment of the Basel Committee's Net Stable Funding Ratio (NSFR) standard. The Basel Committee monitors the timely adoption of regulations by its members and assesses the regulations' consistency with the Basel framework.
- A report on proportionality in bank regulation and supervision.
- Overview of Pillar 2 supervisory review practices and approaches: The report describes key concepts of Pillar 2 and supervisory review practices in use across Basel Committee member jurisdictions.
- Frequently asked questions (FAQs) on the Basel III standardised approach for operational risk: The BCBS finalized the new standardised approach for operational risk

- capital, as published in the Basel III: Finalizing Post-Crisis Reforms in December 2017.
- Consultative document on the revised market risk disclosure requirements: The document includes the introduction of a “traffic light” approach for capital requirements as a consequence of the outcome of the profit and loss attribution test for banks using the internal models approach.
- Report on open banking and application programming interfaces (APIs): The report discusses the challenges facing banks as a result of sharing and leveraging of customer-permissioned data from banks with third party developers and firms to build applications and services to provide more efficient and transparent options in banking.
- Guiding principles for the operationalization of a sectoral countercyclical buffer: Basel III standard includes a countercyclical capital buffer (CCyB) regime. National authorities can implement a CCyB requirement to ensure that the banking system has an additional buffer of capital to protect against potential future losses related to downturns in the credit cycle.
- Consultative document on credit valuation adjustment risk-targeted revisions: Improvements to the capital framework to better capture credit valuation adjustment (CVA) risk is one of the key elements of the Basel Committee’s overall efforts to reform global regulatory standards in response to the global financial crisis.
- Launch of the consolidated Basel Framework: The framework comprises 14 “standards”, setting out requirements on specific topics, each of which is further divided into “chapters”. This modular format will make it easier to maintain the standards over time.
- Consultative document on voluntary disclosure of sovereign exposures: The Committee is seeking views on three Pillar

3 templates for the disclosure of banks’ sovereign exposures. The implementation of these templates is voluntary—that is they are mandatory for banks only when required by national supervisors at a jurisdictional level.

11. The Group of Twenty (G20)

The G20 Leaders’ Summit was convened in Osaka, Japan on 28-29 June 2019 to make united efforts to address global economic challenges. The G20 Leaders announced their commitment to lead the efforts to foster development and address global challenges to achieve strong, sustainable, balanced and inclusive growth, as envisioned in the 2030 Agenda for Sustainable Development. The Summit focused on challenges to the global economy, fostering robust global economic growth, technological innovation, quality infrastructure investment, anti-corruption, future of work, and women’s empowerment. The Summit indicated that the global growth appears to be stabilizing and is generally projected to pick up moderately till 2020. This recovery is supported by the stimulus measures taking effect in some countries.

The G20 Leaders also reaffirmed their commitment to use all policy tools to achieve strong, sustainable, balanced and inclusive growth, and safeguard against downside risks, by stepping up dialogue and actions to enhance confidence. In addition, the Summit stressed the importance of rebuilding buffers where needed and ensuring debt as a share of GDP is on a sustainable path. It indicated that monetary policy will continue to support economic activity and ensure price stability. Moreover, it reaffirmed the exchange rate commitments made by the finance ministers and central bank governors in March 2018.

The Summit touched upon demographic changes, including population aging. It noted that these changes will require policy actions that span fiscal, monetary, financial, labor market and other structural policies. The Summit endorsed the G20

Fukuoka Policy Priorities on Aging and Financial Inclusion.

The Summit welcomed the G20 Ministerial Statement on Trade and Digital Economy. It emphasized that member countries strive to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep markets open. It also confirmed that international trade and investment are important engines of growth, productivity, innovation, job creation and development. It reaffirmed its support for the necessary reform of the World Trade Organization (WTO) to improve its functions. Further, it pledged to work constructively with other WTO members.

The Summit discussed digitalization and indicated that the cross-border flow of data, information, ideas and knowledge generates higher productivity, greater innovation, and improved sustainable development. Besides, the Summit explored how to continue addressing challenges related to privacy, data protection, intellectual property rights, and security.

In addition, the G20 Leaders discussed the infrastructure, as a driver of economic growth and prosperity. They endorsed the G20 Principles for Quality Infrastructure Investment, emphasizing that quality infrastructure is an essential part to achieve sustainable growth and development.

12. Organization of the Petroleum Exporting Countries (OPEC)

The 177th Meeting of the OPEC Conference reviewed a number of reports, most notably the Secretary General's report, the report and recommendations of the Joint Ministerial Monitoring Committee (JMMC), whose work continues to be supported by the Joint Technical Committee (JTC) and the OPEC Secretariat, the report of the Economic Commission Board, as well as various administrative matters. The

Conference also discussed a number of topics, including global oil market developments. The Conference commended all OPEC Member Countries, as well as non-OPEC countries participating in the 'Declaration of Cooperation' (DoC), for their continued commitment to achieving and sustaining balance and stability in the oil market. The Conference deliberated on the key developments of negotiations at the COP-25 United Nations Framework Climate Change Conference in Madrid, Spain, and underscored that all OPEC Member Countries are actively engaged and supportive of the Paris Agreement. In another regard, the Conference elected HE Mohamed Arkab, Minister of Energy of Algeria, as President of the Conference for one year, with effect from 1 January 2020, and HE Dr. Diamantino Pedro Azevedo, Angola's Minister of Mineral Resources and Petroleum, as Alternate President for the same period. In addition, the Conference appointed Mr. Etienne Lepoukou, Gabon's Governor for OPEC, as Chairman of the Board of Governors for the year 2020, and Mr. Hossein Kazempour Ardebili, IR Iran's Governor for OPEC, as Alternate Chairman for the same period.

SAUDI ECONOMY

2

A vertical photograph on the right side of the page. It shows a modern building with a large, arched window. The building's facade is a mix of light-colored panels and a textured, golden-brown section. In the foreground, there is a well-maintained green lawn with a low hedge and a paved walkway leading towards the building.

Saudi Economy

The Saudi economy grew in 2019 due to the support of the non-oil sector, which registered a strong performance. This economic growth occurred despite the substantial decline in oil sector output, driven by Saudi Arabia's commitment to the OPEC+ deal aiming to achieve stability in the oil market. The Saudi economy benefited from the economic and financial reforms package taken by the government during recent years to achieve the aspirations of the Saudi Vision 2030. The domestic economy showed the resilience and ability to absorb economic shocks resulting from oil price volatility. This resilience can be attributed to ongoing government expenditure on development projects and the support of Saudi Vision 2030 programs that contributed to neutralizing the impacts of these shocks. In continuation of its efforts aimed at increasing domestic economic efficiency, diversifying its production base by activating the role of the private sector as a major partner in the Saudi Vision initiative, and periodically assessing and reviewing the Vision 2030 programs, the government of Saudi Arabia adopted a myriad of resolutions during 2019. With these resolutions, Saudi Arabia aims to make developmental leaps, introduce sustainable solutions to increase national workforce participation in the Saudi labor market, and support the private sector to achieve sustainable growth of the domestic economy.

Economic Growth

Preliminary data on GDP at constant prices indicate that the GDP grew by 0.33 percent to SAR 2,639.8 billion in 2019 compared to an increase of

2.43 percent in 2018 (Table 2-1). This slowdown in growth was attributed to a 3.65 percent decrease in the oil sector GDP to SAR 1,096.2 billion. In contrast, the non-oil sector GDP recorded a significant growth of 3.31 percent to SAR 1,527.3 billion. The non-oil private sector GDP recorded a growth rate of 3.78 percent to SAR 1,073.7 billion, and the non-oil government sector GDP grew by 2.20 percent to SAR 453.6 billion.

Most major economic production activities at constant prices grew in 2019, albeit at varied rates (Table 2-2). Community, social and personal services activity grew by 6.94 percent; wholesale and retail trade, restaurants and hotels by 6.27 percent; transportation, storage and communications by 5.60 percent; finance, insurance, real estate and business services by 5.53 percent; construction and building by 4.60 percent; imputed bank services by 3.46 percent; producers of government services by 1.51 percent; and agriculture, forestry and fishing by 1.31 percent. On the other hand, mining and quarrying; manufacturing industries; and electricity, gas and water declined by 3.64 percent, 1.56 percent, and 3.96 percent, respectively.

Domestic Supply and Demand

The total supply of goods and services from the non-oil sector (at current prices) recorded an increase of 4.44 percent in 2019. The non-oil GDP (at current prices) increased by 4.21 percent, with a contribution of 4.41 percent and 4.11 percent from the government sector and private sector, respectively. Total imports of goods and services also rose by 5.30 percent.

The total demand for goods and services by the non-oil sector (at current prices) recorded an increase of 2.32 percent in 2019. The final consumption of the private sector increased by 1.23 percent due to a 3.5 percent increase in the consumption expenditure of the private sector

despite a 2.3 percent decline in the consumption expenditure of the government sector. In addition, gross capital formation went up by 6.18 percent (Table 2-3).

Moreover, non-oil exports increased by 1.08 percent, with service exports rising by 23.05 percent, compared to an increase of 8.39 percent in the preceding year. However, commodity exports recorded a decline of 5.80 percent compared to an increase of 21.69 percent in the preceding year (Table 2-3).

Inflation

The non-oil GDP deflator rose by 0.9 percent in 2019 compared to a rise of 4.3 percent in 2018. In contrast, the average consumer price index (CPI) contracted by 2.1 percent during 2019 compared to a rise of 2.5 percent in 2018. The CPI's main components recorded decreases in housing, water, electricity, gas and other fuels; recreation and culture; clothing and footwear; transport; communication; home furnishing, equipment and maintenance; and miscellaneous goods and services. In contrast, restaurants and hotels, food

Table 2-1: Selected Economic Indicators

	2018	2019
Estimated population (million)	33.4	34.2
GDP at current prices (billion riyals)	2,949.5	2,973.6
GDP at constant prices (billion riyals) (2010=100)	2,631.1	2,639.8
Non-oil GDP deflator	131.5	132.7
Inflation rate (consumer prices) (2018=100)	2.5	-2.1
Aggregate money supply M3 (billion riyals)	1,853.6	1,985.1
Daily average of oil production (million barrels)	10.32	9.81
Average price of Arabian Light oil* (USD)	70.59	64.96
Riyal's effective exchange rate (2010=100)	113.4	113.2
Currency in circulation to total money supply ratio	9.7	9.5
Deposits to money supply ratio	90.3	90.5
Net foreign assets of domestic banks (billion riyals)	120.9	70.5
Interest rates on Saudi riyal deposits (3 months)**	2.5	2.6
Bank capital adequacy ratio (Basel III)	20.3	19.3
Actual government revenues (billion riyals)	905.6	926.8
Oil revenues (billion riyals)	611.2	594.4
Actual government expenditures (billion riyals)	1,079.5	1,059.4
Budget deficit (billion riyals)	-173.9	-132.6
Budget deficit to GDP ratio	-5.9	-4.5
Commodity Exports (billion riyals)***	1,103.9	980.7
Commodity imports CIF (billion riyals)	514.0	541.3
Current account surplus to GDP ratio	9.0	6.3
Current account (billion riyals)	264.8	186.9
Tadawul All Share Index (TASI) (1985 = 1000)	7,826.7	8,389.2
Public debt to GDP ratio	19.0	22.8

* OPEC numbers.

** Interbank offered rates (SAIBOR).

*** Including oil and non-oil exports.

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

and beverages, education, tobacco, and health recorded increases. Furthermore, the wholesale price index (WPI) increased by 2.0 percent in 2019 against a rise of 16.0 percent in 2018.

Energy, Industry and Mineral Resources

Data of the Organization of Petroleum Exporting Countries (OPEC) for 2019 show a decrease of 8.0 percent in the average price of the Arabian Light crude oil to \$64.96 per barrel from \$70.59 per barrel in 2018. According to the Ministry of Energy (MOE) data, Saudi Arabia's average daily production of crude oil decreased by 4.9 percent to 9.81 million barrels in 2019 compared to 10.32 million barrels in 2018 (Table 2-1).

With regard to electricity, the Saudi Electricity Company (SEC)'s sales of electricity in 2019 amounted to 279.7 million megawatt-hours (MWh). By type of consumption, residential consumption accounted for 45.8 percent (128.1 million MWh) of total electricity consumption in Saudi Arabia, followed by industrial consumption with 17.7 percent (49.4 million MWh). Commercial consumption came third with 16.7 percent (46.8 million MWh), followed by government consumption with 13.5 percent (37.8 million MWh). The peak load of electricity was 62,076 megawatts in 2019, and the actual capacity of electricity generation was 53,104 megawatts.

As for industry and mineral resources, the latest data issued by the Ministry of Industry and

Table 2-2: Gross Domestic Product by Economic Sector at Producers' Values at Constant Prices (2010=100)

	(Million SAR)			
	2017	2018	2019*	Change% 2019
A. Industries and other producers (excluding government services' producers)				
1. Agriculture, forestry & fishing	60,422	60,617	61,410	1.31
2. Mining & quarrying	1,010,104	1,046,918	1,008,789	-3.64
a. Crude petroleum & natural gas	1,000,160	1,036,740	998,125	-3.72
b. Other mining & quarrying activities	9,944	10,178	10,664	4.77
3. Manufacturing	311,982	318,529	313,553	-1.56
a. Petroleum refining	96,533	94,376	91,370	-3.18
b. Other industries	215,449	224,153	222,183	-0.88
4. Electricity, gas & water	34,132	34,776	33,398	-3.96
5. Construction & building	117,259	113,172	118,381	4.60
6. Wholesale & retail trade, restaurants & hotels	229,378	231,569	246,085	6.27
7. Transport, storage & communication	151,789	154,946	163,618	5.60
8. Finance, insurance, real estate and business services	249,794	257,692	271,938	5.53
a. Real estate activities	134,487	137,934	142,621	3.40
b. Others	115,307	119,758	129,317	7.98
9. Community, social & personal services	50,323	52,918	56,591	6.94
10. Less imputed bank services charge	20,963	21,232	21,966	3.46
B. Government services' producers	355,600	366,165	371,677	1.51
Total (excluding import duties)	2,549,820	2,616,070	2,623,474	0.28
Import duties	18,749	15,021	16,338	8.77
GDP	2,568,569	2,631,091	2,639,811	0.33

* Preliminary data.

Source: GaStat

Mineral Resources (MIM) show that the mining and mineral industries sector contributed with SAR 63.8 billion in 2019. Saudi Arabia's revenues from the mining and mineral industries sector reached SAR 4.9 billion.

In addition, the sector's total exports stood at SAR 26.3 billion. Besides, the number of employees in the sector reached 250 thousand. In 2019, MIM issued 163 building material quarrying licenses, bringing the total number of licenses in this field to 1,399. MIM also renewed 497 mining licenses, including 168 licenses for exploration of gold, other precious minerals and base metals, bringing the total number of licenses in this field to 536. At the end of 2019, the number of valid mining licenses stood at 2,095 compared to 2,045 at the end of the preceding year. Moreover, as a result of MIM's prospecting for metals, more than 3000 metal deposits were identified in the Arabian Shield. MIM reserved five sites rich in precious metal resources, bringing the total number of mining complexes to 375 sites with an area of more than 65,000 square kilometers

spread over Saudi Arabia. Currently, Saudi Arabia has 6 gold mines and 2 copper and zinc mines. In 2019, the production from these mines exceeded 12 tons of gold, 63,000 tons of copper, and 19,000 tons of zinc.

Money Supply and Banking Activity

Broad money supply (M3) increased by 7.1 percent to SAR 1,985 billion in 2019 compared to an increase of 2.7 percent in 2018. Bank deposits, which represented 90.5 percent of M3, recorded an increase of 7.3 percent to SAR 1,796.0 billion in 2019 compared to an increase of 2.5 percent in 2018. Currency in circulation also grew by 5.0 percent compared to a growth of 4.7 percent in 2018. A breakdown of the components of bank deposits to M3 in 2019 indicates that demand deposits constituted 55.4 percent, time and savings deposits 25.3 percent, and other quasi-money deposits 9.8 percent of aggregate money supply (M3). A breakdown of deposits by sector at the end of 2019 shows that deposits of the private sector increased by 4.5 percent to SAR 1,390.5 billion (constituting 77.4 percent of total

Table 2-3: Total Domestic Non-Oil Sector's Supply and Demand (At Current Prices)

	(Million SAR)			
	2017	2018	2019*	Change% 2019
Total supply**	2,327,965	2,458,194	2,567,320	4.44
Non-oil GDP	1,823,518	1,944,202	2,026,064	4.21
Government	576,059	643,346	671,743	4.41
Private	1,247,459	1,300,856	1,354,322	4.11
Total imports	504,447	513,993	541,256	5.30
Total demand**	2,588,327	2,772,273	2,836,499	2.32
Final consumption	1,694,622	1,844,341	1,866,990	1.23
Government	630,978	726,101	709,171	-2.33
Private consumption	1,063,644	1,118,241	1,157,819	3.54
Gross capital formation	632,232	618,793	657,030	6.18
Non-oil exports	261,473	309,138	312,480	1.08
Commodity exports	193,479	235,443	221,798	-5.80
Service exports	67,994	73,696	90,682	23.05

* Preliminary data.

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

Source: GaStat

bank deposits). The public sector's deposits also increased by 18.2 percent to SAR 405.5 billion at the end of 2019, accounting for 22.6 percent of total bank deposits.

Moreover, a breakdown of bank claims on the private and public sectors at the end of 2019 shows that total bank claims on the private sector went up by 7.0 percent to SAR 1,546.5 billion, accounting for 86.1 percent of total bank deposits compared to 86.4 percent in 2018. In addition, total bank claims on the public sector increased by 24.1 percent to SAR 445.3 billion, representing 24.8 percent of total bank deposits. Consequently, total claims on both sectors at the end of 2019 increased to 110.9 percent of total bank deposits compared to 107.8 percent at the end of the previous year.

The consolidated financial position of commercial banks data in 2019 indicate an increase of 7.4 percent in commercial banks' reserves to SAR 239.4 billion compared to a decrease of 8.4 percent in the preceding year. Consequently, capital and reserves of commercial banks increased by 13.0 percent to SAR 343.0 billion compared to a decline of 4.3 percent in the preceding year. Accordingly, the ratio of capital and reserves to total bank deposits increased to 19.1 percent. Similarly, the ratio of capital and reserves to total assets rose to 13.0 percent at the end of 2019. The ratio of capital to risk-weighted assets according to Basel standard (Capital Adequacy Ratio) stood at 19.4 percent, well above the ratio recommended by Basel Committee. Commercial banks' profits went up by 4.5 percent to SAR 50.3 billion in 2019 compared to an increase of 9.8 percent in 2018.

Insurance Sector

The insurance penetration rate (gross written premiums to non-oil GDP) in Saudi Arabia stood at 1.9 percent in 2019, up from 1.8 percent in the preceding year. Net written premiums (gross

written premiums less the share of reinsurance) amounted to SAR 31.7 billion, constituting 83.6 percent of gross written premiums compared to 85.8 percent in 2018.

Domestic Stock Market

The Tadawul All Share Index (TASI) registered an annual rise of 7.2 percent to 8,389.2 at the end of 2019. The market capitalization of issued shares rose by 385.5 percent to SAR 9,025.4 billion at the end of 2019 from SAR 1,859.0 billion at the end of the preceding year. However, the number of shares traded in 2019 decreased by 13.1 percent to 33.1 billion with a value of SAR 880.1 billion.

Public Finance

Actual revenue and expenditure data for fiscal year 1440/1441H (2019) indicate that revenues rose by 2.3 percent to SAR 926.8 billion, compared to SAR 905.6 billion in 2018. Oil revenues declined by 2.8 percent to SAR 594.4 billion while non-oil revenues increased by 12.9 percent to SAR 332.4 billion. In contrast, actual expenditures went down by 1.9 percent to SAR 1,059.4 billion compared to SAR 1,079.5 billion in 2018. The actual deficit also declined by 23.7 percent to SAR 132.6 billion as compared to SAR 173.9 billion in 2018.

Current Account and External Trade

Estimates of Saudi Arabia's balance of payments indicate that the current account declined in 2019, recording a surplus of SAR 186.9 billion or 6.3 percent of GDP. Preliminary figures of external trade indicate a decrease of 5.9 percent from the preceding year in the volume of Saudi Arabia's commodity trade to SAR 1,521.9 billion in 2019. This decrease is attributed to a decline of 11.2 percent in the value of total exports to SAR 980.7 billion, with oil exports declining by 12.6 percent to SAR 758.9 billion and non-oil exports by 5.8 percent to SAR 221.8 billion. On the other hand, commodity imports increased by 5.3 percent to SAR 541.3 billion in 2019.

Trade and Investment

The commercial sector continued to record positive growth rates. In 2019, the Ministry of Commerce (MC) issued commercial registers for 9,889 various new companies, a rise of 27.8 percent from 7,735 companies in 2018. The number of valid commercial registers of companies up to the end of 2019 amounted to 115.5 thousand. A breakdown of commercial registers by region up to the end of 2019 shows that Riyadh region accounted for the largest share with 44.3 percent of the total, followed by Makkah region with 24.1 percent and then the Eastern Region with 16.7 percent. As for foreign investment, the number of companies licensed by the Ministry of Investment of Saudi Arabia (MISA) reached 6,703 at the end of 2019, with the total number of employees reaching 524.3 thousand and a total capital of SAR 643.3 billion. The number of licenses reached 4,660 granted in the services sector, 1,582 in the industrial sector, and 311 in the commercial sector.

Tourism

Latest data of the Ministry of Tourism (MT) indicate that tourism GDP rose by 2.2 percent to SAR 64.3 billion in 2018, constituting 3.3 percent of non-oil GDP (gross value-added) as estimated for 2018.

Expenditure on domestic tourism trips rose by 9.6 percent to SAR 52.7 billion in 2019 from SAR 48.1 billion in 2018. This rise was attributed to expenditure increases of 40.7 percent for religion-related trips, 12.5 percent for vacation trips, and 4.0 percent for business-related trips. Nonetheless, expenditure on visits to relatives and friends declined by 10.9 percent and on other purposes by 14.1 percent.

On the other hand, expenditure on inbound tourism trips went up by 7.8 percent to SAR 100.8 billion in 2019 against SAR 93.5 billion in 2018. This increase was attributed to expenditure increases of 13.0 percent for tourism trips for

other purposes, 11.3 percent for business-related purposes, 9.8 percent for visits to relatives and friends, and 7.0 percent for religion-related purposes. However, expenditure on vacation and shopping trips decreased by 1.0 percent. Expenditure on outbound tourism trips also declined, by 7.0 percent to SAR 70.0 billion in 2019, against SAR 75.2 billion in 2018.

According to latest data issued by the Ministry of Tourism and the Tourism Information and Research Centre (MAS Centre), the number of hotels of various classes operating in Saudi Arabia rose by 9.0 percent to 2,621 in 2019. As for the share distribution, the Makkah region took the lead with a share of 65.8 percent of operating hotels. Al-Madinah region came next with 17.2 percent, followed by the Eastern Region and Riyadh region with 4.6 percent each. Moreover, the number of furnished housing units stood at 5,660 in all cities of Saudi Arabia at the end of 2019. The Riyadh region accounted for the largest share of 27.8 percent, followed by the Makkah region with 22.4 percent and then the Eastern Region with 11.4 percent. According to latest projections of the Ministry of Tourism, the tourism sector is expected to continue its contribution, directly and indirectly, to creating many job opportunities for the national workforce (Tables 2-4 and 2-5).

Agriculture, Water and Animal Husbandry

Water

The number of water desalination plants in Saudi Arabia stood at 33 spread over the eastern and western coasts, 8 of which were on the Arabian Gulf coast and 25 were on the Red Sea coast. In 2019, the production of desalinated water by the Saline Water Conversion Corporation (SWCC) was 1,883.6 million cubic meters versus 1,803.1 million cubic meters in the preceding year, with an average daily production of 5.2 million cubic meters compared to 5.0 million cubic meters per

day in the preceding year. The amount of electric energy produced at SWCC's plants in 2019 reached 39.9 million MWh.

In addition, data of the Ministry of Environment, Water and Agriculture (MEWA) indicate that the average monthly water consumption bill declined during 2019 because of the new tariff, installation of new smart meters, and the ongoing water rationalization awareness campaigns. The volume of drinking water consumption in Saudi regions from all sources reached 3.5 billion cubic meters in 2019. Residential water consumption accounted for 2.9 billion cubic meters while commercial consumption accounted for 595.4 million cubic meters. As for consumption by administrative regions in Saudi Arabia, Riyadh region came first with 31.2 percent, followed by Makkah region with 23.7 percent and then the Eastern Region with 18.9 percent.

The number of dams constructed across Saudi Arabia rose to 521 in 2019, with a total storage capacity of 2.30 billion cubic meters. 105 sewerage

projects with a value of more than SAR 4.5 billion were carried out and completed in 2019. These projects included the installation of sewerage connections and the construction of lines, main and subsidiary networks, and wastewater treatment plants to reduce the environmental impacts of wastewater and increase the sewerage service coverage across Saudi Arabia. At the end of 2019, the sewerage service coverage reached 56.65 percent. Besides, 1,628 km of sewerage system networks were constructed, and 81,441 sewerage connections were installed during 2019.

Agricultural Production

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

Table 2-4: Direct Jobs in Tourism Sector

Sub-sector	2017	2018*
Accommodation	114,957	118,941
Restaurants and cafés	289,491	298,487
Travel & tourism agencies	25,140	25,560
Tourist transportation services**	88,275	90,939
Entertainment services	12,966	13,359
Total	530,829	547,286
Saudization (%)	28.5	28.5

* Estimates.

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

Source: MAS Centre, Ministry of Tourism.

Table 2-5: Expected Job Opportunities in Tourism Sector

	(Thousand jobs)	
	2023	2028
Direct jobs	1,418	1,906
Indirect jobs	709	953
Total	2,127	2,859

Source: MAS Centre, Ministry of Tourism.

57.8 percent, grain 31.9 percent, and vegetables 10.3 percent. At the end of 2018, the total number of fruit-bearing palm trees in Saudi Arabia reached 31.2 million; the number of permanent fruit-bearing trees (excluding palm trees) was 20.6 million.

Animal Production

According to the latest statistics issued by GaStat, Saudi Arabia's livestock total (camels, sheep, goats, cows and poultry) was estimated at 20.0 million in 2018, increasing by 1.1 percent over the preceding year.

Transport and Communications

The transport, storage and communications activity contributed 6.24 percent of real GDP at constant prices or SAR 163.6 billion in 2019 compared to 5.92 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 2.9 percent in 2019. The number of passengers rose to 111.0 million from 107.9 million in the preceding year (Table 2-6).

According to its latest data, the Ministry of Transport (MoT) carried out many significant projects during 2018, including the construction of roads totaling 737.3 km, of which 54.7 km were highways, 12.7 km were secondary roads, 524.9 km were feeder roads, and 145 km were paved roads. A number of construction projects are underway, totaling 11,913 km with a cost exceeding SAR 39 billion.

According to data and information issued by the Royal Commission for Riyadh City regarding King Abdul Aziz Project for Public Transport in Riyadh, Riyadh Metro project consists of 85 stations with 6 lines of metro network of 176 km. The design of all its elements is in accordance with high-quality

technical specifications, the most prominent of which is the use of automated (driverless) rail systems. The tracks of the train network are distributed among 3 levels: underground lines (31 percent of the network), ground-level lines (19 percent), and elevated lines (50 percent). In addition, Riyadh Metro has four major stations, namely King Abdullah Financial District (KAFD) Station, STC Station, Qasr Al Hokm Metro Station, and the Western Station. The stations are located in highly populated areas and at the intersection of train and bus tracks. They also offer various services supporting the public transport system. The project includes 25 car parking sites with different capacities, ranging from 200 to 1000 vehicles. Riyadh Metro project also has 7 housing and maintenance centers (depots) as well as a center for control and operation of the public transport system in Riyadh. Moreover, the Riyadh Bus project is being currently carried out to achieve optimal integration between the metro and bus networks and facilitate their use instead of using private transportation to move within the city. This project includes 650 sites across Riyadh for the construction of the bus network. A total of 80 bus routes, spread over 1,900 km, will cover all districts of Riyadh.

As regards the latest railway project developments, the latest data issued by the Transport General Authority indicate the start of the study phase of the Saudi Landbridge Project connecting Saudi Arabia's ports on the Arabian Gulf coast with its ports on the Red Sea coast. Further, the GCC Railway project is being currently carried out. As part of the project, the construction work of the 187km railway linking Ras Al Khair, Jubail Industrial City and Dammam has started. As for southern roads project, the Transport General Authority is currently updating the comprehensive plan of the project. It also works, in cooperation with the National Center for Privatization and PPP (NCP), on setting

a regulatory framework and an implementation mechanism for public transport projects, which would engage the private sector as a strategic partner to deliver projects and services. In 2019, 30 companies were qualified to provide truck weight measurement and monitoring service.

According to the latest data and information issued by the General Authority of Civil Aviation (GACA), the number of airports operating in Saudi Arabia stood at 28 (7 international airports, 8 regional airports, and 13 domestic airports). Three domestic airports are witnessing expansion projects. In addition, some international terminals at King Khalid International Airport are being currently upgraded. Moreover, 93 percent of the development project of Terminal 1 at King Abdul Aziz International Airport was completed, and Terminal 1 is expected to return to full operation by the end of 2020. Furthermore, the number of national airlines licensed to operate in Saudi Arabia reached 5, namely the Saudi Arabian Airlines (Saudia), flynas, SaudiGulf Airlines, Nesma Airlines, and flyadeal.

According to the data of the Saudi Ports Authority (MAWANI), 31 projects have been carried out since the beginning of 2019. They involved development and upgrade of ports' infrastructure, establishment of storm drainage systems, construction of power

plants, development of electrical network systems, increasing the depth of port docks and filling security gaps, and development of fire protection and alarm systems to raise the level of fire preparedness at seaports. Data also show that the total volume of cargos handled at ports reached 262 million tons in 2019. The number of ships docked at ports was 12,731 carrying a total of 1.3 million passengers in 2019.

Telecommunication and Information Technology

One of the most prominent achievements of the communications and information technology sector during 2019 was its contribution to the significant progress Saudi Arabia made in terms of the adoption of information and communications technology (ICT) as indicated by the Global Competitiveness Index 2019. The latest data of the Ministry of Communications and Information Technology (MCIT) show that Saudi Arabia has jumped 16 places on the ICT pillar of the index owing to the rapid deployment of broadband technology and a significant increase in internet users. The internet use increased by 18.4 percent, pushing Saudi Arabia to rank 13th globally. MCIT also prepared and approved a five-year sectoral strategy that aims to raise the cumulative GDP for the sector by SAR 50 billion and create 25,000 new jobs in the sector.

Table 2-6: Transport of Passengers

Type of transport	2018	2019
	No. of passengers (Million)	No. of passengers (Million)
Air transport	99.8	102.9
Land transport	6.8	6.8
Railways	1.7	1.8
Inter-city transport	5.1	5.1
International transport	--	--
Maritime transport	1.3	1.3
Total	107.9	111.0

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

According to data of the Communications and Information Technology Commission (CITC), the number of working landline telephones in Saudi Arabia was 3.1 million at the end of 2018, with the household penetration rate reaching 31.8 percent. Residential subscriptions accounted for 55.3 percent while the business sector accounted for 44.7 percent of total working landlines. The number of subscriptions to mobile phone services reached 41.3 million at the end of 2018, with household penetration rate reaching 126.9 percent. Prepaid subscriptions constituted 68.8 percent, and postpaid subscriptions constituted 31.2 percent of total subscriptions.

In addition, the number of broadband subscriptions through landlines (DSL, WiMAX, optical fiber, and other wired lines) reached 1.9 million, with household penetration rate standing at 33.7 percent. The total number of subscriptions to broadband services through mobile networks was 29.1 million, with a population penetration rate of 89.5 percent (Table 2-7). Moreover, the Internet penetration rate in Saudi Arabia grew to 95.7 percent at the end of 2019 as per the latest date of the Ministry of Communications and Information Technology. Financial statements of telecommunication companies show that they yielded total direct revenues of SAR 76.6 billion from their operations in Saudi Arabia in 2019, a 6.7 percent rise over the previous year (Chart 2-1).

Saudi Post

As part of the legislative and regulatory reforms of the post sector, the Council of Ministers issued a resolution giving the Ministry of Communications and Information Technology the task of supervising the post sector. MCIT is also tasked with setting the sector's general policies and development plans, proposing its draft laws and any amendments to them, coordinating with relevant authorities regarding services provided for government entities, and

representing Saudi Arabia in domestic, regional and international bodies concerned with the post sector. Additionally, the resolution stipulated that the Communications and Information Technology Commission has the regulatory and supervisory powers over this sector. CITC is responsible for the governance of the post sector and establishment of the rules, principles and conditions for the universal access and universal service. During 2019, the regulatory responsibilities were separated from the operating ones in the post sector. Besides, CITC registered 40 companies providing delivery services through apps. It also completed the preparation of the "Rules for Protecting the Rights of Postal Service Beneficiaries", in addition to launching the Postal Call Center. It is expected that these efforts will raise the contribution of the post sector to the total GDP and will support e-commerce growth.

E-Commerce

According to the latest data issued by the Ministry of Communications and Information Technology, Saudi Arabia occupied an advanced position among the top 10 fastest growing e-commerce markets. The e-commerce market size in Saudi Arabia exceeded SAR 20 billion in 2019, registering a growth of 17.7 percent over the previous year. It constituted 4.3 percent of total commercial transactions in the retail sector, and it is expected to reach 6.5 percent by 2023. The value of e-commerce transactions via "mada" and "atheer" services grew by 100 percent and 600 percent, respectively, in 2019.

Education, Health and Social Services

Public Education

The total number of public education students (males and females) amounted to 5.8 million during the academic year 2018/2019. The number of teachers (males and females) at all levels of public education (including kindergarten, elementary, intermediate and secondary schools;

adult education; and special education) totaled 493.2 thousand. In addition, the number of schools stood at 23.1 thousand, 12.6 thousand (54.5 percent) of which were girls' schools.

Higher Education

The total number of students (males and females) enrolled in higher education institutions in Saudi Arabia during the academic year 2018/2019 stood at 1.65 million. The number of newly-enrolled students at various institutions of higher education totaled 381.8 thousand; 63.0 percent of those were at the bachelor's level, 32.7 percent at the

intermediate diploma level, 3.2 percent at Master's level, 0.6 percent at PhD level, and 0.5 percent at higher diploma level. Male students constituted 54.9 percent of the total freshmen enrolled while female students accounted for 45.1 percent. Male and female students studying abroad during the academic year 2018/2019 totaled 100.6 thousand. Students on scholarship programs provided by various government entities accounted for 85.5 percent, while those studying at their own expense accounted for 14.5 percent. In addition, the total number of graduates from all levels of higher education in Saudi Arabia stood at 236.7

Chart 2-1: Telecommunication Service Sector's Revenue

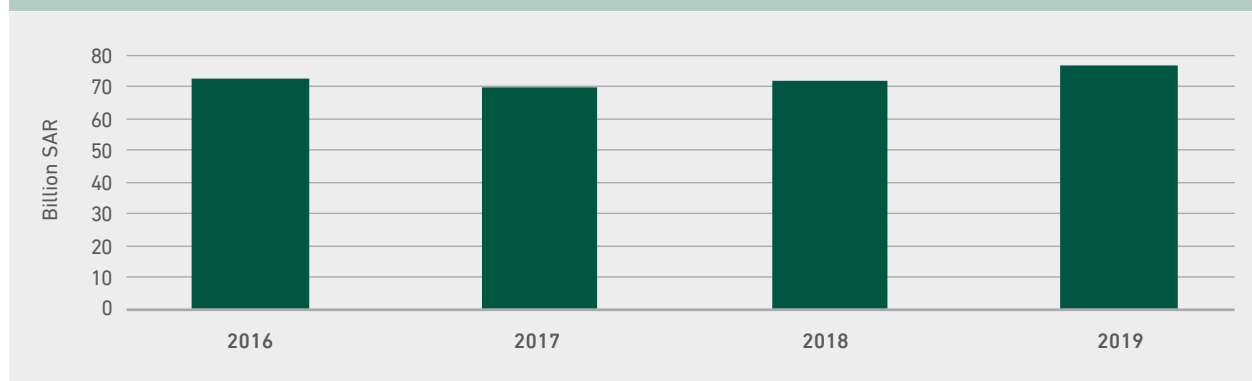


Table 2-7: 2018 Communication Services by Region

Region	(Thousand)	
	Fixed telecommunication subscriptions (Total subscriptions)	Fixed broadband subscriptions (Total subscriptions)
Riyadh	1,208	592
Makkah	737	508
Madinah	122	93
Qassim	98	68
Eastern Region	580	361
Asir	143	93
Tabuk	47	39
Hail	32	25
Northern Borders Region	19	15
Jazan	49	47
Najran	32	24
Baha	33	21
Jawf	22	16
Total	3,123	1,901

Source: Communications and Information Technology Commission.

thousand during the academic year 2018/2019. Of these, 55.6 percent were female graduates and 44.4 percent were male graduates. Moreover, the total number of faculty at institutions of higher education in Saudi Arabia in the academic year 2018/2019 stood at 84.5 thousand.

Technical, Vocational and Administrative Training

Trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 178.5 thousand during the academic year 2018/2019, receiving their education and training in 133 educational units in various regions of Saudi Arabia. The total number of the teaching staff at TVTC stood at 9.7 thousand, and the number of trainees (males and females) under private training programs supervised by TVTC totaled 411 thousand in 958 educational units. Additionally, the total number of male and female graduates stood at 29.6 thousand in the academic year 2018/2019.

On the other hand, the Institute of Public Administration (IPA) continued its training programs aimed at achieving administrative development and meeting customer needs. In the academic year 2018/2019, the IPA organized a number of general and private training courses, applied seminars, symposia, meetings and conferences at its head office in Riyadh as well as its male and female branches. The number of trainees participating in such activities came to 69.3 thousand, 9.8 thousand of which were females. Furthermore, the number of graduates from executed preparatory programs totaled 1,556, of whom 1,182 were graduates of the IPA's head office in Riyadh while 374 graduated from preparatory programs delivered by Jeddah and Dammam branches of the IPA. The total number of training staff at IPA reached 955 at the end of 2019, 85.0 percent of whom were Saudis.

Health Affairs

Data issued by the Ministry of Health (MoH)

in 2019 indicate that the number of hospitals operating in Saudi Arabia rose to 498, an increase of six hospitals over the preceding year. Of these, 286 were run by MoH, 48 by other government sectors, and 164 by the private sector. In 2019, the number of healthcare centers totaled 2,261 and that of private health complexes reached 2,980. In addition, the number of physicians (including dentists) working in Saudi Arabia stood at 113.1 thousand (3.3 per 1,000 capita). The number of male and female nurses totaled 199.0 thousand, and the number of assistant healthcare roles (including pharmacists and other healthcare assistants) stood at 354.5 thousand. Moreover, the total number of beds in Saudi Arabia's hospitals rose to 77.0 thousand (2.25 per 1,000 capita).

Social Services

The Social Charity Fund (SCF) of the Ministry of Human Resources and Social Development (MHRSD) aims to combat poverty in Saudi Arabia by enabling citizens to access job market, developing productive family programs, contributing to creating small business incubators, developing social participation, and encouraging the private sector to contribute to social development. Since its establishment, SCF has introduced a number of initiatives and programs aiming at social development and poverty reduction. The following is a brief summary of the most prominent programs and achievements of SCF in 2019.

- Scholarship programs: 708 students obtained their bachelor's degrees, with a total expenditure of SAR 49.4 million. In addition, 175 students are still studying, funded by SCF.
- Small Businesses and Productive Family Support Program: SCF follows up on outstanding loans in cooperation with a number of non-profit organizations.
- Micro-enterprise guarantee portfolio: In 2019, SCF opened a SAR 90 million portfolio to guarantee and sponsor the targeted group's enterprises by helping such group obtain

the required funding to establish its own businesses.

Citizen Account

The Saudi government introduced the Citizen Account Program in the last quarter of 2017 with a view to redistributing subsidies and meeting the citizens' need for government benefits in a manner that ensures high efficiency, reduces the impact of economic reforms, and increases the efficiency of government subsidies. The program is also aimed at encouraging rationalization of consumption and putting in place a safety net for eligible households whereby support is paid in cash based on household size. The results of eligibility, which were issued by the Ministry of Human Resources and Social Development at the end of 2019, show that the total number of beneficiaries (along with dependents) reached 12.7 million supported by a total outlay of SAR 30.7 billion. Of these beneficiaries, 47.8 percent received a full allowance, while 44.9 percent received partial support and 7.3 percent the minimum support (SAR 300).

SME Financing Guarantee Program (Kafalah)

The SME Financing Guarantee Program (Kafalah) under the General Authority for Small and Medium Enterprises (Monsha'at) supported 3,886 enterprises with total financing of SAR 7.4 billion in 2019, compared to SAR 4.9 billion and 3,395 enterprises in 2018. A breakdown of support by sector shows that enterprises benefiting from Kafalah Program amounted to 1,634 with total financing of SAR 2.9 billion in the trade sector; 1,143 (SAR 2.2 billion) in the building and construction sector; 322 (SAR 701.8 million) in the industrial sector; 286 (SAR 551.4 million) in the tourism and entertainment sector; 217 (SAR 304.4 million) in the financial and business services sector; 200 (SAR 462.5 million) in the social and personal services sector; 2 (SAR 1.5 million) in the

mining and oil sector and its subgroups; 12 (SAR 27.5 million) in the agriculture and fishing sector; and 6 (SAR 4.2 million) in the electricity, gas and water sector.

Housing

In continuation of its role in achieving its strategic objectives of increasing the supply of housing units and fulfilling the needs of citizens, the Ministry of Housing launched several programs to stimulate the private and public sectors through building strategic partnerships between them. The Ministry also financed a number of companies to support construction technologies in the private sector. Moreover, the Ministry worked on providing support for rent defaulters of citizens via the "Rent Support Program". Additionally, it developed housing indicators and launched its e-portal for value-added tax management. Also, it launched several services to examine the quality of houses built from the ground up by individuals and of ready-made buildings in the market. At the end of 2019, the number of ready-made housing units under the Developmental Housing Program amounted to 5,341. The Riyadh region accounted for the largest share of 40.3 percent, followed by Al-Jawf region with 10.7 percent and the Asir region with 10.3 percent of the total ready-made housing units. The total number of ready-made housing units under real-estate development projects amounted to 106.0 thousand with a total value of SAR 62.6 billion. In addition, the total number of developed residential land lots reached 64.6 thousand.

Pension and Social Insurance

The number of subscribers to the civil pension scheme of the Public Pension Agency (PPA) increased by 6.2 percent to 1.24 million at the end of 2019 compared to 1.17 million at the end of the previous year. The funds (pension deductions and equivalent shares) collected from on-the-job subscribers increased to SAR 45.77 billion

from SAR 45.16 billion in the previous year. Total disbursements by PPA to beneficiaries amounted to SAR 78.50 billion, a 1.9 percent decrease from the preceding year. The number of surviving pensioners increased by 5.9 percent to 697 thousand. The number of deceased pensioners also rose by 0.8 percent to 248 thousand. In addition, the number of heirs benefiting from pension payments increased by 6.2 percent to 520 thousand.

Furthermore, the number of private and government establishments subscribing to the social insurance scheme of the General Organization for Social Insurance (GOSI) rose by 14.6 percent and 3.9 percent, respectively, to 554.90 thousand and 1,289, respectively. The number of subscribers covered by the social insurance scheme went up by 3.7 percent to 28.97 million at the end of 2019 from 27.94 million at the end of the preceding year. However, the number of on-the-job subscribers decreased by 3.6 percent to 8.53 million from 8.86 million at the end of the preceding year.

Population

GaStat estimates indicate that the total population of Saudi Arabia in 2019 rose by 2.4 percent to 34.2 million compared to 33.4 million in 2018. Saudis constituted 61.7 percent (21.1 million) of the total. Estimates of Saudi Arabia's population by gender indicate that the male population accounted for 57.7 percent while the female population represented 42.3 percent of the total population. The Saudi male population represented 50.9 percent while Saudi females constituted 49.1 percent of total Saudis. The non-Saudi male population accounted for 68.6 percent and the non-Saudi female population was 31.4 percent of total non-Saudi population of Saudi Arabia (Table 2-8).

Labor Market

Number of Employees in the Public Sector

The latest statistics issued by the Ministry of Human Resources and Social Development (MHRSD) indicate that the number of employees

Table 2-8: Selected Indicators for Population and Labor Force

Area		2018			2019		
		Male	Female	Total	Male	Female	Total
Population	Saudis	10,575,895	10,192,732	20,768,627	10,743,666	10,359,532	21,103,198
	Non-Saudis	8,665,061	3,979,972	12,645,033	8,995,390	4,119,581	13,114,971
	Total	19,240,956	14,172,704	33,413,660	19,739,056	14,479,113	34,218,169
Unemployment rate	Saudis	6.6	32.5	12.7	4.9	30.8	12.0
	Non-Saudis	0.6	4.4	1.0	0.3	1.3	0.4
	Total	2.9	22.6	6.0	2.2	21.3	5.7
Government sector employees	Saudis	726,749	496,674	1,223,423	728,299	498,401	1,226,700
	Non-Saudis	24,928	22,429	47,357	24,767	22,295	47,062
	Total	751,677	519,103	1,270,780	753,066	520,696	1,273,762
Private sector employees	Saudis	1,159,462	541,177	1,700,639	1,141,653	556,511	1,698,164
	Non-Saudis	6,682,499	214,295	6,896,794	6,303,539	232,530	6,536,069
	Total	7,841,961	755,472	8,597,433	7,445,192	789,041	8,234,233
Banking sector employees	Total	40,143	7,013	47,156	39,664	7,517	47,181

*Unemployment rates are from the Labor Force Survey.
Source: GaStat, MHRSD & SAMA.

in the government sector (Saudis and non-Saudis) stood at 1.27 million at the end of 2019. Saudis represented 96.3 percent of total employees in the government sector, with the number of Saudi male employees reaching 728.3 thousand at the end of 2019 while that of Saudi female employees standing at 498.4 thousand. On the other hand, the number of non-Saudi male workers in the government sector amounted to 24.8 thousand, while that of non-Saudi female workers was 22.3 thousand (Table 2-8).

Number of Employees in the Private Sector

The latest figures issued by MHRSD show that the number of employees in the private sector (Saudis and non-Saudis) was 8.2 million at the end of 2019, a decline of 4.2 percent from the preceding year. The ratio of Saudis working in the private sector to total employees in the sector stood at 20.6 percent.

A breakdown of employees in the private sector shows that the number of Saudi male employees amounted to 1.1 million at the end of 2019, declining by 1.5 percent from the preceding year. However, the number of Saudi female employees reached 0.6 million, increasing by 2.8 percent over the preceding year. On the other hand, the number of non-Saudi male employees at the end of 2019 stood at 6.3 million, a 5.7 percent decline from the previous year. The number of non-Saudi female employees, however, reached 0.2 million, rising by 8.5 percent over the preceding year (Table 2-8).

The total number of Saudi job seekers reached 945.4 thousand at the end of 2019, of which 82.6 percent were females and 17.4 percent were males. By administrative regions, the majority of job seekers were concentrated in Makkah region, Riyadh region and the Eastern Region, accounting for 20.6 percent, 20.4 percent and 12.7 percent, respectively.

Unemployment

The latest GaStat data indicate that the overall unemployment rate in Saudi Arabia declined to 5.7 percent in 2019. Unemployed Saudis accounted for 12.0 percent of the total Saudi labor force. Unemployed Saudi males accounted for 4.9 percent of the total Saudi male labor force. Unemployed Saudi females accounted for 30.8 percent of the total Saudi female labor force. Moreover, unemployed non-Saudis reached 0.4 percent of the total non-Saudi labor force in Saudi Arabia.

Specialized Credit Institutions (SCIs)

SCIs continued to provide loans that contribute to the achievement of the development objectives in Saudi Arabia. Latest statistics indicate that the actual loans disbursed by SCIs in 2018 totaled SAR 15.2 billion, decreasing by 17.5 percent, compared to SAR 18.4 billion in 2017. Total loan repayments amounted to SAR 20.7 billion, decreasing by 2.3 percent from 2017. The balance of outstanding loans went down by 2.6 percent at the end of 2018 to SAR 230.7 billion compared to the end of the preceding year.

Saudi Industrial Development Fund (SIDF)

Loan disbursements approved by SIDF amounted to SAR 9.4 billion in 2018, increasing by 26.5 percent over 2017. Loan repayments stood at SAR 4.7 billion, rising by 10.1 percent over 2017. Total outstanding loans amounted to SAR 42.9 billion at the end of 2018, increasing by 11.2 percent over 2017.

Real Estate Development Fund (REDF)

Loan disbursements approved by REDF amounted to SAR 3.0 billion in 2018, down by 47.0 percent from 2017. Loan repayments stood at SAR 6.1 billion, decreasing by 1.1 percent from 2017. Total outstanding loans amounted to SAR 153.5 billion

at the end of 2018, a decline of 2.4 percent from 2017.

Agricultural Development Fund (ADF)

Loan disbursements approved by ADF amounted to SAR 419 million in 2018, down by 13.5 percent from 2017. Total loans repayments stood at SAR 874 million, increasing by 41.3 percent over 2017. Outstanding loans totaled SAR 7.3 billion at the end of 2018, decreasing by 5.8 percent from 2017.

Social Development Bank (SDB)

The SDB's total approved loan disbursements stood at SAR 2.4 billion in 2018, decreasing by 50.8 percent from 2017. Loan repayments stood at SAR 9.0 billion, declining by 10.8 percent from 2017. Outstanding loans balance amounted to SAR 26.9 billion at the end of 2018, a decline of 19.0 percent from 2017.

Public Investment Fund (PIF)

The PIF seeks to enhance its role in accelerating the national economic transformation, achieving a positive and sustainable change, and contributing effectively to the development of the domestic economy by launching and developing new promising sectors. In order to achieve its objectives efficiently and maximize returns in line with Saudi Vision 2030, the PIF also aims to diversify its income sources by expanding its international investments, building strategic partnerships, and launching major initiatives.

Among the most prominent achievements of the PIF during 2019 was the growth of its investment portfolio, pushing the total value of its assets under management to over SAR 1.2 trillion. In addition, the PIF signed a memorandum of understanding (MoU) with OYO Hotels & Homes, an Indian hospitality company, to develop tourism and hospitality industries in Saudi Arabia, create new job opportunities, and launch new and promising national sectors. OYO Hotels & Homes

is a leading international company operating in the field of hospitality and hotel technologies. Thus, the employment of these technologies in Saudi Arabia would support the expansion in the localization of technology.

Moreover, the PIF signed an MoU with the National Energy Administration in the People's Republic of China to cooperate in the renewable energy sector. The MoU aims to strengthen cooperation between the two entities in the renewable energy sector and utilize Saudi Arabia's position as a hub for development of renewable energy projects. This MoU will contribute to enhancing PIF's efforts in building strategic partnerships in order to develop infrastructures in Saudi Arabia, create job opportunities, and encourage the private sector to enter into investment partnerships in the field of renewable energy. Accordingly, the MoU will support Saudi Arabia's efforts to transfer and localize advanced knowledge and skills in the field of renewable energy.

Furthermore, the PIF announced the launch of the Helicopter Company, the first national commercial helicopter operator in Saudi Arabia. The Helicopter Company was established with an initial capital of SAR 565 million to meet the growing demand in Saudi Arabia for luxury tourism and air transportation services. It will effectively provide helicopter transportation services within major cities in Saudi Arabia and strengthen and expand the aviation sector in Saudi Arabia. It will also provide access to remote tourism destinations in Saudi Arabia and offer a high-end experience on a par with other global high quality services.

Additionally, the PIF made a private transaction, selling its majority stake of 70 percent in the Saudi Basic Industries Corporation (SABIC) for a total price of SAR 259.1 billion. The transaction, which is considered the largest ever in the Saudi market, will allow the PIF to direct its investments

toward different areas domestically and globally. The PIF also signed a SAR 37.5 billion syndicated bridge loan. The proceeds of this loan will be used for general corporate purposes and will enable the PIF to accelerate the implementation of its investment program.

Domestic Loan and Subsidy Program

Actual loans disbursed under the Domestic Loan Program totaled SAR 485 million in 2019, increasing by 10.8 percent over the preceding year. Loan repayments stood at SAR 406 million, increasing by 6.1 percent over 2018. In 2019, 11 loans were approved, five of which were for educational projects, five for healthcare projects, and one for hospitality and tourism projects.

Total subsidies provided in 2019 stood at SAR 3.9 billion. The fodder subsidy stood at SAR 2.5 billion, infant formula subsidy SAR 362.9 million, livestock and poultry farmers' subsidies SAR 400 million, King Salman Humanitarian Aid and Relief Centre subsidy SAR 168.8 million, Equestrian Club subsidy SAR 135 million, Falcons Club subsidy SAR 100 million, King Abdulaziz Public Library subsidy SAR 72.8 million, the International Dialogue Centre (KAICIID) subsidy SAR 72.3 million, King Abdulaziz Center for National Dialogue (KACND) subsidy SAR 42.8 million, the Secretariat of the Finance Committee subsidy SAR 30 million, and Waqf libraries subsidy SAR 10 million.

Economic and Fiscal Reforms and Key Resolutions

In continuation of the efforts exerted by Saudi Arabia to raise the efficiency of economic performance and achieve optimal utilization of available resources, the Saudi economy witnessed a number of resolutions in 2019 with a view to further developing the economic ecosystem in Saudi Arabia. The most notable resolutions were as follows:

- Resolution of the Board of the Capital Market Authority, approving the Saudi Arabian Oil Company (Saudi Aramco) application for registration and IPO of part of its shares.
- Approval of SAMA's request to be authorized to establish the Saudi Payments Company, a Saudi joint-stock company wholly owned by SAMA. The Saudi Payments Company owns all national payment systems and is responsible for their operations and development as well as the development of their infrastructure and operational environment. The company will enable all government and commercial entities to benefit from services provided by its payment systems.
- Approval of the draft of the customs cooperation agreement between the Saudi Customs Authority and competent customs authorities in other countries for the mutual recognition of the Authorized Economic Operator (AEO) programs.
- Approval to grant a license to Standard Chartered Bank and Credit Suisse Group to establish branches in Saudi Arabia. In carrying out their banking business in Saudi Arabia, the banks shall adhere to the laws, regulations and instructions applicable in Saudi Arabia. In addition, SAMA shall coordinate with the banks to complete the necessary legal procedures.
- Approval of the establishment of a general authority for foreign trade with a corporate personality under the name of "General Authority of Foreign Trade".
- Approval of the Implementing Regulations of the Law of Terrorism Crimes and Financing.
- Approval of the statute of the General Entertainment Authority.
- Approval of the Competition Law.
- Approval of the organizational arrangements for the Local Content and Government Procurement Authority.
- Approval of waiving, for a period of five years

starting from 01/10/2019, expat levies for licensed industrial establishments holding industrial licenses.

- Approval of the new Professional Companies Law.
- Approval of the General Strategy of the National Tourism Development Project.
- Approval of the statute of the National Center for Educational Professional Development.

ENERGY, INDUSTRY & MINERAL RESOURCES

3

A vertical photograph on the right side of the page. It shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In the foreground, there is a well-maintained green lawn and a low, dark green hedge. The sky is not visible, suggesting the photo is cropped vertically.

Energy, Industry and Mineral Resources

In 2019, world oil prices recorded a decline of 8.0 percent. According to OPEC data, the Arab Light oil price averaged \$64.96 per barrel, compared to \$70.59 per barrel in 2018. Saudi Arabia's production of crude oil decreased by 4.9 percent to 3,580.0 million barrels in 2019, or an average of 9.81 million barrels per day.

World Oil Demand

According to March 2020 estimates of the International Energy Agency (IEA), the average world oil demand rose by 0.9 percent to 100.10 million barrels per day (bpd) in 2019, compared to 99.20 million bpd in 2018 (Table 3-1 and Chart 3-1). The increase was due to a 2.3 percent rise in the average demand of non-OECD countries to 52.50 million bpd, compared to 51.30 million bpd in 2018. The average demand of OECD countries registered

a decrease of 0.6 percent to 47.60 million bpd, compared to 47.90 million bpd in 2018.

The rise in non-OECD oil demand was led by China with a 5.4 percent increase (to 13.70 million bpd), followed by Africa with a 2.4 percent increase (to 4.30 million bpd), Former Soviet Union Countries with a 2.2 percent increase (to 4.70 million bpd), Other Asian Countries with a 1.4 percent increase (to 14.30 million bpd) and Middle Eastern countries with a 1.2 percent increase (to 8.40 million bpd).

Chart 3-1: World Oil Demand

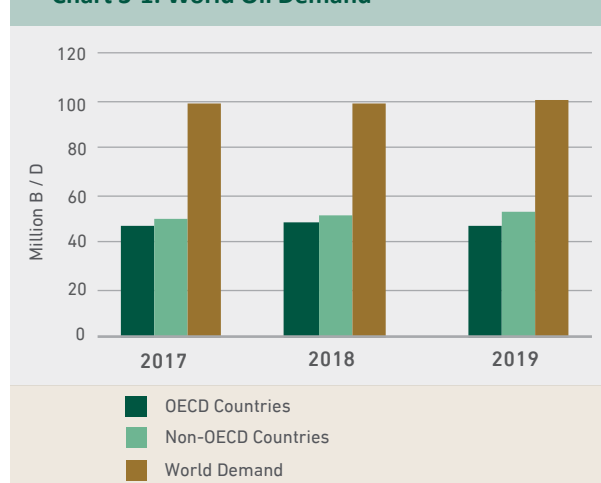


Table 3-1: World Average Oil Demand*

	(Million bpd)				
	2017	2018	2019	Change %	
				2018	2019
North America	25.10	25.50	25.60	1.6	0.4
Western Europe	14.40	14.30	14.10	-0.7	-1.4
Pacific countries	8.20	8.10	7.90	-1.2	-2.5
OECD	47.70	47.90	47.60	0.4	-0.6
Non-OECD:					
Former Soviet Union	4.50	4.60	4.70	2.2	2.2
China	12.60	13.00	13.70	3.2	5.4
Eastern Europe	0.80	0.80	0.80	0.0	0.0
South America	6.30	6.30	6.30	0.0	0.0
Other Asia	13.80	14.10	14.30	2.2	1.4
Middle East	8.40	8.30	8.40	-1.2	1.2
Africa	4.30	4.20	4.30	-2.3	2.4
Total Non-OECD demand	50.70	51.30	52.50	1.2	2.3
Total world demand	98.40	99.20	100.10	0.8	0.9

* Including primary stock, marine bunkers and refinery fuel.
Source: IEA Report, March 2020.

The demand was stable in Eastern Europe and South America. In contrast, the Pacific countries oil demand decreased by 2.5 percent (to 7.90 million bpd) and Western Europe by 1.4 percent (to 14.10 million bpd).

World Oil Production

According to IEA estimates in March 2020, world oil production in 2019 averaged 100.50 million bpd, increasing by 0.2 percent as compared to 100.32 million bpd in 2018 (Table 3-2). The average US production increased by 10.7 percent compared to a rise of 17.1 percent in 2018. The average OECD production rose by 6.1 percent compared to a rise of 11.2 percent in 2018. In addition, the UK recorded a rise of 2.7 percent compared to an increase of 9.9 percent in 2018. The average Canadian production increased by 2.6 percent compared to an increase of 12.2 percent in 2018. China also recorded an increase of 1.8 percent compared to a decline of 1.6 percent in the preceding year. In contrast, average oil production in Mexico declined by 6.8 percent compared to a 7.2 percent decline in 2018. Moreover, the average oil production in Norway fell by 5.9 percent compared to a decline of 6.1

percent in the preceding year. The OPEC average output declined by 5.0 percent compared to a decline of 0.4 percent in 2018 (Chart 3-2).

World Oil Prices

Average world oil prices declined in 2019. The price of the Arab Light crude oil averaged \$64.96 per barrel, a decline of 8.0 percent (\$5.63 per barrel), compared to an average price of \$70.59 per barrel in 2018 (Table 3-3). The average price of the OPEC basket decreased by 8.2 percent to \$64.04 per barrel in 2019 compared to an average

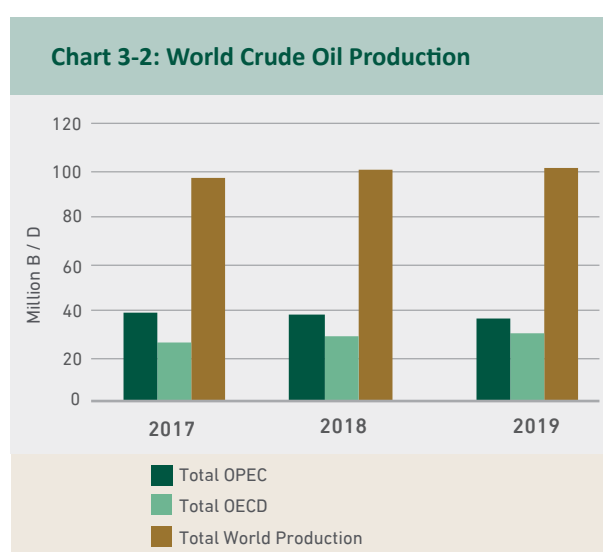


Table 3-2: World Average Oil Production*

	(Million bpd)				
	2017	2018	2019	Change %	
				2018	2019
OPEC	37.52	37.38	35.51	-0.4	-5.0
OECD	24.20	26.90	28.53	11.2	6.1
Non-OPEC	59.88	62.94	64.99	5.1	3.3
Former Soviet Union	14.30	14.56	14.63	1.8	0.5
USA	13.27	15.54	17.21	17.1	10.7
China	3.87	3.81	3.88	-1.6	1.8
Canada	4.82	5.41	5.55	12.2	2.6
Mexico	2.23	2.07	1.93	-7.2	-6.8
UK	1.01	1.11	1.14	9.9	2.7
Norway	1.97	1.85	1.74	-6.1	-5.9
Brazil	2.74	2.74	--	0.0	--
Total world supply	97.40	100.32	100.50	3.0	0.2

* Including condensates and natural gas liquids.
Source: IEA Report, March 2020.

price of \$69.78 per barrel in 2018. Moreover, the average price of Brent Crude dropped by 9.9 percent to \$64.19 per barrel in 2019 from \$71.22 per barrel in 2018. West Texas Intermediate's price averaged \$57.02 per barrel in 2019, decreasing by 12.5 percent, compared to \$65.16 per barrel in 2018 (Chart 3-3).

Real Oil Prices

Real oil prices decreased in 2019, based on calculations using the OPEC Basket Deflator

with base year 2005. The real price of Arab Light averaged \$58.19 per barrel, decreasing by 6.0 percent, compared to \$61.91 per barrel in 2018 (Table 3-4). The average real price of Brent Crude also declined by 7.9 percent to \$57.50 a barrel in 2019 from \$62.46 a barrel in the preceding year. The average real price of the OPEC basket went down by 6.3 percent to \$57.36 a barrel, compared to \$61.20 a barrel in the preceding year (Chart 3-4).

Chart 3-3: Average Spot Oil Prices

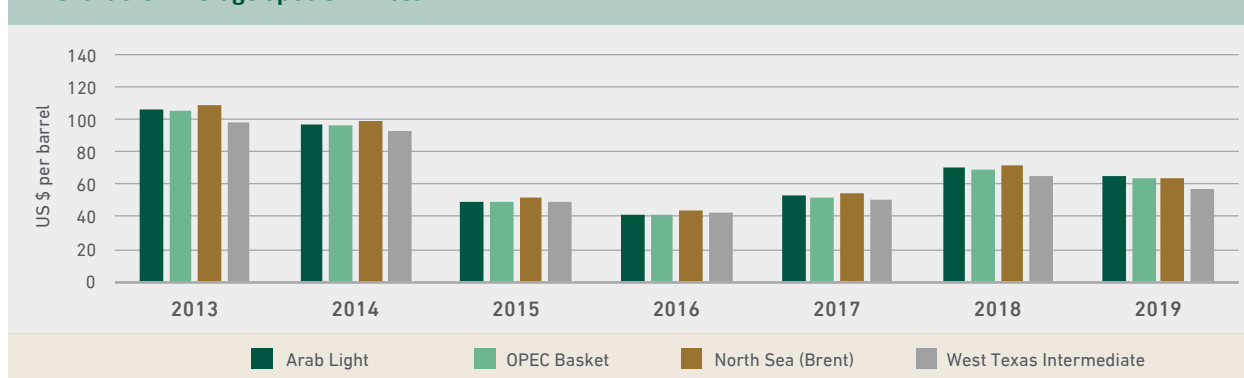


Table 3-3: Spot Prices for Selected Crude Streams (Average)

(USD per barrel)				
Year	Arab light	OPEC basket	North Sea (Brent)	West Texas Intermediate
2003	27.69	28.10	28.81	31.09
2004	34.53	36.05	38.23	41.44
2005	50.21	50.64	54.37	56.51
2006	61.10	61.08	65.14	66.04
2007	68.75	69.08	72.55	72.29
2008	95.16	94.45	97.37	100.00
2009	61.38	61.06	61.68	61.88
2010	77.82	77.45	79.60	79.42
2011	107.82	107.46	111.36	94.99
2012	110.22	109.45	111.62	94.10
2013	106.53	105.87	108.62	97.96
2014	97.18	96.29	99.08	93.17
2015	49.85	49.49	52.41	48.73
2016	40.96	40.76	43.76	43.27
2017	52.59	52.43	54.17	50.82
2018	70.59	69.78	71.22	65.16
2019	64.96	64.04	64.19	57.02

Source: OPEC.

It should be noted that 2019 real oil prices were lower than those in 1980 although 2019 nominal prices were higher than those in 1980. For instance, the average real price of Brent Crude stood at \$57.50 a barrel during 2019, lower by \$25.57 a barrel than its price in 1980 (\$83.10 a barrel). In contrast, its nominal price stood at \$64.19 per barrel in 2019, higher by \$26.30 a barrel than its nominal price in 1980 (\$37.89 a barrel) (Table 4-3).

Saudi Arabia's Reserves of Crude Oil and Natural Gas

Saudi Arabia's proven reserves of crude oil stood at 267.07 billion barrels at the end of 2019, rising

slightly by 0.02 percent compared to 267.02 billion barrels in the preceding year. Proven reserves of natural gas also increased by 1.4 percent to 324.9 trillion standard cubic feet at the end of 2019, compared to 320.45 trillion standard cubic feet at the end of 2018.

Saudi Crude Oil Output

Saudi Arabia's production of crude oil decreased by 4.9 percent to 3,580.0 million barrels in 2019 compared to 3,765.1 million barrels in 2018. Accordingly, Saudi Arabia's average daily output amounted to 9.81 million bpd in 2019 (Table 3-5).

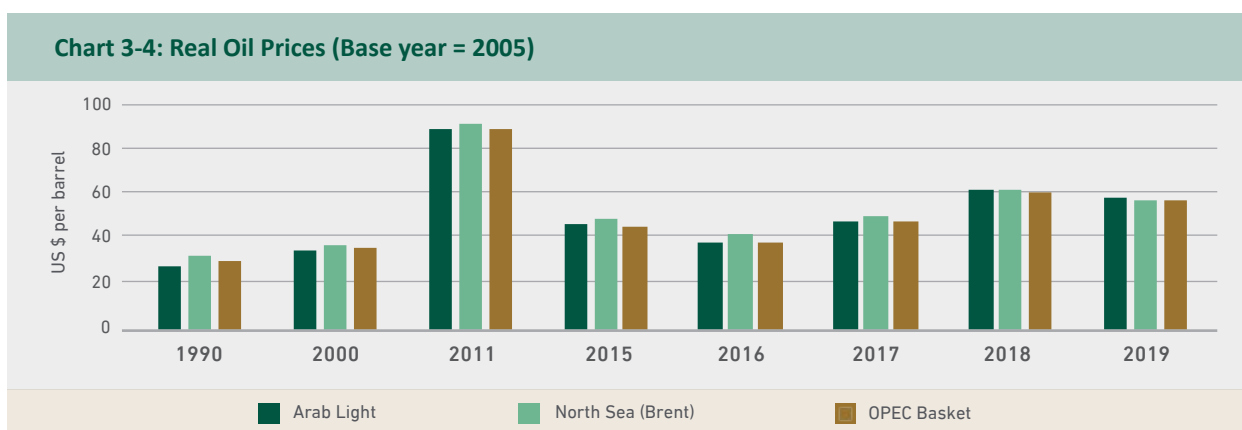


Table 3-4: Nominal and Real Oil Prices (Base year 2005)

Year	Nominal Oil Prices			Real Oil Prices*		
	Arab Light	North Sea (Brent)	OPEC basket	Arab Light	North Sea (Brent)	OPEC basket
1980	28.67	37.89	28.64	62.85	83.07	62.79
1990	20.82	23.99	22.26	28.40	32.72	30.36
2000	26.81	28.44	27.60	35.64	37.81	36.69
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	38.32	40.94	38.13
2017	52.59	54.17	52.43	48.46	49.92	48.31
2018	70.59	71.22	69.78	61.91	62.46	61.20
2019	64.96	64.19	64.04	58.19	57.50	57.36

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

Domestic Production and Consumption of Refined Products

Saudi Arabia's production of refined products decreased by 10.1 percent to 924.94 million barrels in 2019 compared to 1,028.30 million barrels in 2018. Thus, its daily output of refined products averaged 2.53 million bpd (Table 3-6).

The decline in Saudi Arabia's production of refined products was wide-spread throughout most of the product line, with decreases in: (1) diesel production by 1.5 percent, accounting for 41.7 percent of total refined products output; (2) gasoline production by 2.8 percent, accounting for 20.9 percent of the total; (3) fuel oil production by 7.0 percent, accounting for 16.7 percent of the total; (4) jet fuel production by 11.6 percent, accounting for 9.2 percent of the total; (5) naphtha production by 15.4 percent, accounting for 5.5 percent of the total; (6) coke production by 68.6

percent, accounting for 2.9 percent of the total; and (7) liquefied petroleum gas (LPG) production by 14.1 percent, which constituted 1.6 percent of the total. On the other hand, asphalt production increased by 1.7 percent, accounting for 1.5 percent of total refined products output (Table 3-6).

Total domestic consumption of refined products, crude oil and natural gas increased by 0.25 percent to 1,566.12 million barrels (4.29 million bpd) in 2019, compared to 1,562.27 million barrels (4.28 million bpd) in 2018 (Table 3-7).

A breakdown of public consumption shows that natural gas accounted for 41.7 percent, diesel 13.5 percent, gasoline 14.0 percent, fuel oil 12.1 percent and crude oil 11.2 percent. A breakdown of oil industry consumption indicates that natural gas accounted for 72.9 percent, fuel gas 16.8 percent, diesel 2.7 percent and fuel oil 4.8 percent.

Table 3-5: Saudi Crude Oil Output

(Million barrels)						
	2016	2017	2018	2019	Change %	
					2018	2019
Total output	3,828.43	3,635.29	3,765.13	3,579.96	3.6	-4.9
Daily average	10.46	9.96	10.32	9.81	3.6	-4.9

Source: Ministry of Energy.

Table 3-6: Saudi Output of Refined Products

(Million barrels)							
Product	2015	2016	2017	2018	2019	Change %	
						2018	2019
LPG	16.76	15.61	15.55	17.06	14.67	9.7	-14.1
Gasoline	179.90	202.35	203.56	199.05	193.57	-2.2	-2.8
Naphtha	68.77	75.77	74.28	60.10	50.86	-19.1	-15.4
Jet fuel (Kerosene)	76.95	89.50	90.54	95.80	84.72	5.8	-11.6
Diesel	351.47	384.62	393.93	391.55	385.75	-0.6	-1.5
Fuel Oil	163.16	168.31	170.13	166.20	154.54	-2.3	-7.0
Asphalt	21.60	18.25	16.81	14.07	14.31	-16.3	1.7
Coke	26.82	79.85	84.08	84.45	26.53	0.4	-68.6
Total	905.43	1,034.26	1,048.89	1,028.30	924.94	-2.0	-10.1

Source: Ministry of Energy.

Saudi Arabia's Exports of Crude Oil and Refined Products

Saudi Arabia's total oil exports (crude and refined) stood at 3,043.30 million barrels in 2019, averaging 8.33 million bpd. Crude oil exports fell by 4.5 percent to 2,568.90 million barrels in 2019, compared to 2,690.61 million barrels in 2018. Refined product exports also decreased by 34.1 percent to 474.41 million barrels in 2019 (averaging 1.3 million bpd), compared to 719.49 million barrels in 2018 (Table 3-8).

Asia and the Far East region dominated the bulk of Saudi Arabia's exports of crude oil and refined products in 2019, accounting for 73.4 percent of

total crude oil exports and 26.5 percent of total exports of refined products (Chart 3-5). Western Europe countries came second, accounting for 11.3 percent of total crude oil exports and 31.0 percent of total exports of refined products, followed by North America with 8.0 percent of total exports of crude oil and 2.1 percent of total exports of refined products. The Middle Eastern countries accounted for 3.8 percent of Saudi Arabia's total crude oil exports and 15.1 percent of its refined product exports. Finally, African countries accounted for 2.5 percent and 24.6 percent of total exports of crude oil and refined products, respectively.

Table 3-7: Domestic Consumption of Refined Products, Crude Oil and Natural Gas

	(Million barrels)				
Product	2015	2016	2017	2018	2019
A. Public consumption					
LPG	12.60	13.40	12.87	13.23	12.59
Gasoline	203.98	203.37	208.00	194.49	194.09
Jet fuel & Kerosene	31.37	32.05	36.14	37.88	36.72
Diesel	276.07	248.54	207.91	182.75	187.89
Fuel oil	140.43	166.07	180.29	173.96	168.58
Crude oil	209.42	182.41	167.37	149.74	155.16
Asphalt	29.12	19.14	20.36	20.73	20.66
Lubricating oils	1.68	1.48	1.34	1.51	27.55
Natural gas	506.07	557.44	573.78	581.36	579.74
Naphtha	--	1.81	11.19	8.92	0.75
Reformate	--	--	10.48	10.16	6.18
Subtotal	1,410.72	1,425.72	1,429.73	1,374.72	1,389.89
B. Oil industry consumption					
LPG	3.52	4.58	4.39	3.91	4.12
Fuel oil	5.20	6.12	6.61	6.98	8.37
Diesel	8.04	8.03	7.68	7.71	4.67
Fuel gas	31.80	34.33	34.40	33.98	29.63
Crude oil	0.05	0.04	0.01	0.00	0.00
Natural gas	121.28	106.02	121.48	127.31	128.52
Others	5.60	5.46	5.64	7.66	0.93
Subtotal	175.48	164.58	180.21	187.56	176.23
Total	1,586.20	1,590.30	1,609.94	1,562.27	1,566.12

Source: Ministry of Energy.

Saudi Arabia's Petrochemical Industry

Production of the Saudi Basic Industries Corporation (SABIC) in its plants in Saudi Arabia declined by 3 percent to 65.9 million metric tons annually in 2019 against 67.8 million metric tons

during 2018. This was due to lower feedstock supplies as a result of the recent attack on the Abqaiq and Khurais facilities in addition to the increase in maintenance works.

Table 3-8: Saudi Exports of Crude Oil and Refined Products (By Destination)

(Million barrels)								
Exports to	2017		2018		2019		% in 2019	
	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products	Crude oil	Refined products
North America	366.26	2.66	372.43	16.66	204.59	10.03	8.0	2.1
South America	26.01	--	25.72	0.69	24.33	1.64	0.9	0.3
Western Europe	283.76	98.39	317.28	150.90	291.07	147.17	11.3	31.0
Middle East	56.60	182.57	97.40	337.02	97.09	71.57	3.8	15.1
Africa	59.78	125.29	59.80	83.70	64.61	116.64	2.5	24.6
Asia and Far East	1,747.99	249.06	1,815.64	129.05	1,885.73	125.89	73.4	26.5
Oceania	3.03	--	2.34	1.47	1.47	1.48	0.1	0.3
Total	2,543.44	657.97	2,690.61	719.49	2,568.90	474.41	100.0	100.0

* Including liquefied petroleum gas (LPG) and natural gas.

Source: Ministry of Energy.

Chart 3-5: Saudi Exports of Crude Oil and Refined Products by Destination in 2019

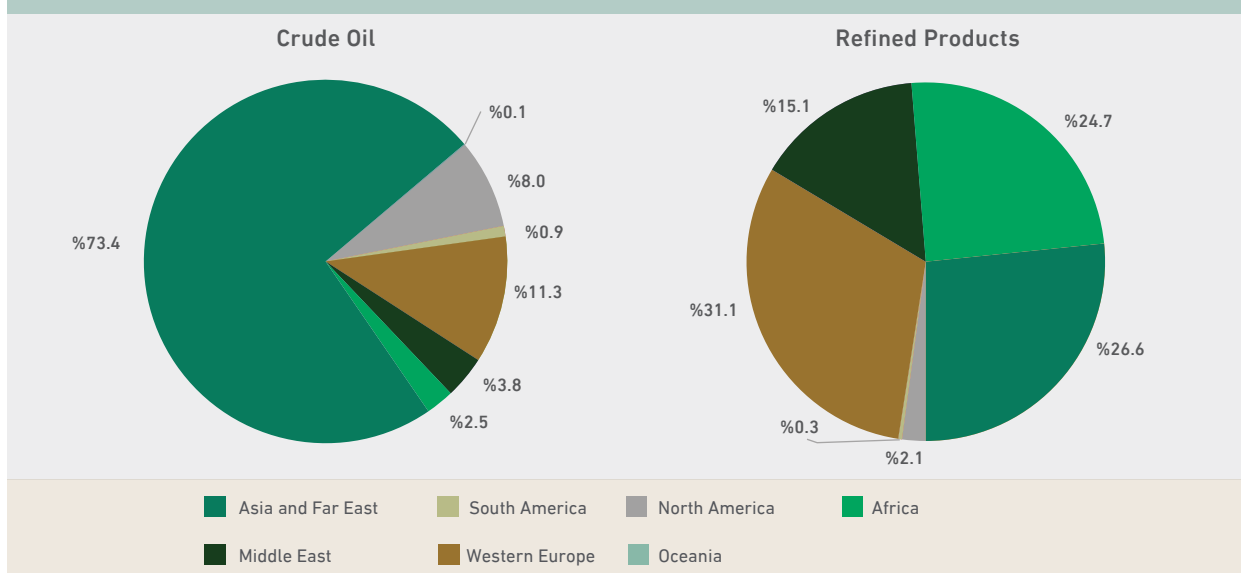


Table 3-9: Production of Minerals in Saudi Arabia

Year	Gold (kg)	Silver (kg)	Copper (Ton)	Zinc (Ton)
2014	4,789	4,800	33,116	39,798
2015	5,089	4,500	46,253	39,008
2016	6,946	4,710	110,000	41,610
2017	10,333	5,069	67,097	21,787
2018	11,765	5,322	60,340	18,000
2019*	12,353	5,588	63,357	18,900

* Estimates.

Source: Deputy Ministry for Mineral Resources.

Mineral Resources

The Deputy Ministry for Mineral Resources supervises mining activities in Saudi Arabia. Its tasks include encouraging mining investments, providing services and consultations, and issuing mining licenses and concessions in accordance with the laws and regulations in force. At the end of 2019, the number of valid mining licenses stood at 2,095, including 536 for exploration, which enable their holders to conduct detailed studies on the mineral ores required under the exploration license; and 68 for small-sized mines for various minerals, such as silica sand, gypsum, salt, limestone, clay, pozzolan, industrial marble, low-concentration steel (cement industry), dolomite, feldspar, baryte, sandstone, perlite and pyrophyllite. Licenses of mining and raw material quarries stood at 92 for various metal ores (such as gold, copper, zinc, iron, phosphate, accompanied metals and gems such as peridot). Licenses of construction material quarries stood at 1,399 for various construction materials, such as sand, crusher materials, decoration stones and others.

With regard to the production of gold, silver and associated minerals from Mahd Al-Dhahab, Al-Sukhaybarat, Al-Hajar, Bulghah and Al-Amar, the output of gold stood at 12,353 kg and that of

silver stood at 5,588 kg in 2019. Table 3-9 shows the output of minerals in Saudi Arabia during 2014-2019. Note that Saudi Arabia's production of copper and zinc during 2019 increased to 63,357 tons and 18,900 tons, respectively.

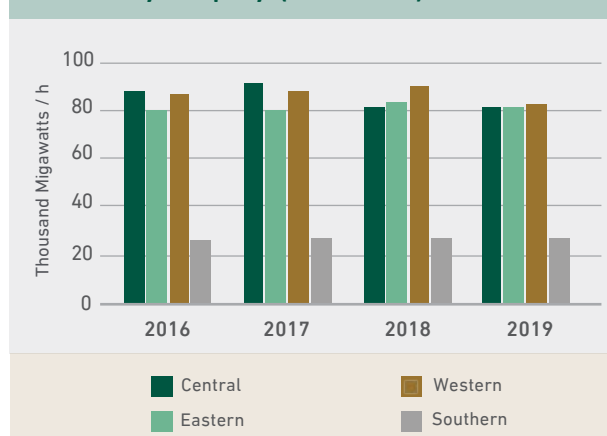
More than 537 million tons of various ores were extracted in 2019, including limestone, silica sand, salt, clay, feldspar, marble for industrial purposes, iron sand, kaolin, gypsum, marble blocks, granite blocks, crusher materials, phosphate, bauxite and sand used in building and construction. Table 3-10 shows Saudi Arabia's various extracted ores during 2015-2019.

As for industry, the Ministry of Industry and Mineral Resources issued industrial licenses in 2019 for 515 new factories in various industrial activities with a total capital of SAR 9.7 billion, creating more than 26.7 thousand job opportunities.

At the end of 2019, the total cumulative number of industrial units in Saudi Arabia licensed by the Ministry of Industry and Mineral Resources rose to 7,625, providing 981.7 thousand job opportunities.

With regard to electricity, the Saudi Electricity Company (SEC)'s sales of electricity in 2019 amounted to 267.1 million megawatt-hours (MWh). Residential consumption accounted for 47.9 percent (128.1 million MWh) of total electricity consumption in Saudi Arabia, followed by industrial consumption with 18.5 percent (49.4 million MWh). Commercial consumption came third with 17.5 percent (46.8 million MWh), followed by government consumption with 14.1 percent (37.7 million MWh). The peak load of electricity was 63,007 megawatts in 2019, and the actual capacity of electricity generation was 53,105 megawatts. The number of subscribers to the utility in

Chart 3-6: Electricity Sales Growth of the Saudi Electricity Company (2016 - 2019)



Saudi Arabia amounted to 9.7 million at the end of 2019. The western region accounted for the largest share of total subscribers with 35.5 percent (3.4 million subscribers), followed by the

central region with 17.8 percent (3.1 million), the eastern region with 17.8 percent (1.7 million), and the southern region with 14.7 percent (1.4 million) of the total (Table 3-11 and Chart 3-6).

Table 3-10: Mineral Ores Extracted (Thousand ton)

Type	2015	2016	2017	2018	2019*
Limestone	60,000	63,300	66,150	69,457	72,930
Clay	8,800	9,240	9,702	10,187	10,696
Salt	2,000	2,400	2,520	2,646	2,778
Silica sand	1,230	1,300	1,365	1,433	1,505
Crusher materials (pebbles)	330,000	347,000	364,000	382,200	401,310
Sand	31,800	22,155	23,000	24,000	25,000
Iron sand	672	706	741	778	817
Gypsum	2,780	3,000	3,150	3,307	3,472
Marble for industrial purposes	2,700	2,800	2,940	2,947	3,094
Marble blocks	22	12	13	13	14
Granite blocks	1,100	1,053	1,105	1,160	1,218
Limestone blocks	1,320	104	109	114	120
Kaolinite	187	196	206	216	227
Barite	43	41	--	--	--
Feldspar	179	188	197	206	216
Basalt	--	30	32	33	35
Pozzolan	480	504	529	555	583
Dolomite	203	2,131	2,237	2,348	2,465
Schist	576	604	634	665	600
Pyrophyllite	40	42	44	46	48
Low-grade bauxite	922	968	1,016	438	297
Bauxite	2,100	3,800	3,990	4,623	4,830
Diammonium phosphate	5,100	5,400	5,670	5,444	5,716

* Estimates.

Source: Deputy Ministry for Mineral Resources.

Table 3-11: Electricity Generation Capacity and Number of Subscribers for FY 1440/1441H (2019)

Region	Actual generation capacity	Peak load	Electricity power sold					No. of subscribers
			Residential	Commercial	Government	Industrial	Agricultural	
			(Megawatt)					
Central	13,782	20,186	42,064,993	16,333,361	10,998,733	6,938,622	3,130,364	3,122,954
Eastern	20,080	19,202	25,019,012	9,156,218	9,713,434	35,331,676	867,271	1,733,854
Western	13,926	17,695	44,575,740	16,614,079	11,919,416	6,607,871	874,460	3,463,863
Southern	5,317	5,924	16,480,978	4,716,819	5,121,860	557,493	112,707	1,438,077
Total	53,105	63,007	128,140,724	46,820,477	37,753,442	49,435,662	4,984,802	9,758,748

Source: Saudi Electricity Company.

MONETARY DEVELOPMENTS

4

A vertical photograph on the right side of the page shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In front of the building is a well-manicured green lawn with a low hedge. The image is partially obscured by a dark green vertical bar on the left.

Monetary Developments

The Saudi Arabian Monetary Authority (SAMA) manages and implements the monetary policy of Saudi Arabia. The policy aims to maintain the stability of the national currency exchange rate and domestic prices as well as the soundness and stability of the financial system to support economic growth. Furthermore, SAMA continued to implement a fixed exchange rate policy of the Saudi riyal against the US dollar at an official exchange rate of SAR 3.75 per US dollar, thus stabilizing and strengthening the monetary and financial systems in general. In 2019, the liquidity in the financial system was ample enough to meet all of the funding needs required to support the Kingdom's economic activity.

Monetary Policy Tools

In line with SAMA's policy to maintain monetary stability in the face of developments in global financial markets, SAMA gradually reduced the repo rate and reverse repo rate three times in 2019. At the end of the year, the repo rate was fixed at 2.25 percent and the reverse repo rate at 1.75 percent, a drop of 75 basis points from the preceding year. During 2019, the financial system had abundant liquidity, despite a decline in the average daily reverse repo transaction total to SAR 53.7 billion, versus a SAR 65 billion average in 2018. On the other hand, the average daily repo transactions rose to SAR 864 million in 2019 from SAR 246 million in the preceding year. SAMA also maintained the cash reserve requirements at 4.0 percent for time and savings deposits and at 7.0 percent for demand deposits, unchanged from the preceding year. Furthermore, SAMA continued to maintain the weekly issuance ceiling for SAMA bills at SAR 3 billion.

Money Supply Growth

Broad money (M3), which comprises currency in circulation and aggregate bank deposits, rose by 7.1 percent (SAR 131.5 billion) to SAR 1,985 billion in 2019, compared to a 2.7 percent increase (SAR 48.5 billion) in 2018. Bank deposits, which represented 90.5 percent of M3, increased by 7.3 percent (SAR 122.5 billion) compared to an increase of 2.5 percent (SAR 40.4 billion) in 2018. Currency in circulation rose by 5.0 percent (SAR 9.0 billion) in 2019 compared to 4.7 percent (SAR 8.1 billion) in 2018.

A breakdown of bank deposits shows that demand deposits made up constituted the largest share of M3, standing at 55.4 percent in 2019, compared to 56.1 percent in 2018. Furthermore, demand deposits increased by 5.6 percent (SAR 58.5 billion) in 2019 compared to a rise of 3.8 percent (SAR 38.2 billion) in the preceding year. Time and savings deposits increased by 13.2 percent (SAR 58.6 billion) in 2019 compared to a drop of 2.5 percent (SAR 11.1 billion) in 2018. The share of time and savings deposits in M3 increased to 25.3 percent in 2019 compared to 23.9 percent in the preceding year. Other quasi-monetary deposits, which include residents' foreign currency deposits, deposits against outstanding letter of credits (LCs), guarantees and remittances, and banks' repo transactions with the private sector, recorded an increase of 2.8 percent (SAR 5.3 billion) in 2019 compared to an increase of 7.5 percent (SAR 13.3 billion) in 2018. The share of other quasi-monetary deposits in M3 fell to 9.8 percent in 2019 compared to 10.2 percent in 2018 (Tables 4-1, 4-2 and 4-3; and Charts 4-1 and 4-2).

As for the other key monetary aggregates (M1 and M2), which include relatively more liquid deposits, M1 (which comprises currency in circulation and demand deposits) recorded an increase of 5.5 percent (SAR 67.5 billion) in 2019 compared to a rise of 3.9 percent (SAR 46.3 billion) in the preceding

year. The share of demand deposits in M1 slightly increased to 85.3 percent in 2019 compared to 85.2 percent in the preceding year. Moreover, the less liquid M2 (comprising M1 plus time and savings deposits) grew by 7.6 percent (SAR 126.2 billion) in 2019 compared to an increase of 2.2 percent (SAR 35.2 billion) in 2018. The ratio of M1 to M3 fell from 65.9 percent in 2018 to 64.9 percent in 2019. The ratio of M2 to M3 slightly

rose to 90.2 percent in 2019, compared to 89.8 percent in 2018 (Table 4-4).

Broad Money (M3): Causal Factors

The M3 growth rate recorded a substantial increase of 7.1 percent in 2019 compared to the two preceding years, due to higher net domestic government expenditure, which amounted to SAR 600 billion compared to SAR 569.1 billion in the

Chart 4-1: Growth Rates of Money Supply (M3)

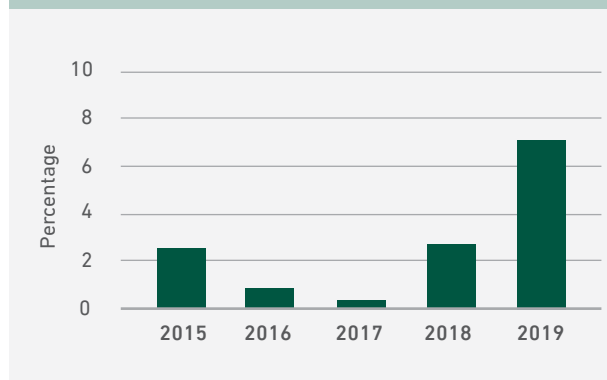


Chart 4-2: Components of Money Supply

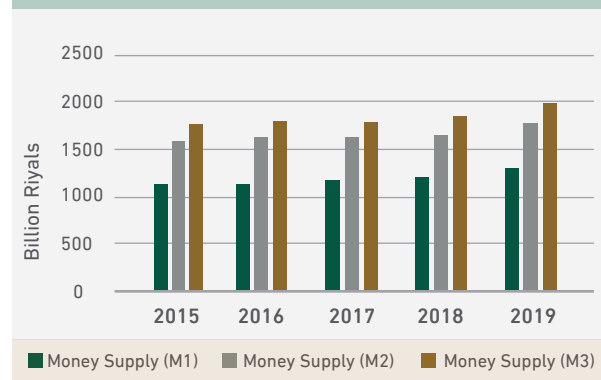


Table 4-1: Money Supply and Components

(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)
2015	168,492	980,151	1,148,642	439,377	1,588,020	197,562	1,785,582
2016	170,323	976,086	1,146,409	496,019	1,642,429	157,279	1,799,708
2017	172,046	1,002,468	1,174,514	454,152	1,628,666	176,505	1,805,171
2018	180,132	1,040,665	1,220,797	443,022	1,663,820	189,826	1,853,645
2019	189,160	1,099,151	1,288,311	501,667	1,789,978	195,161	1,985,139

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

Table 4-2: Growth Rates of Money Supply and Components

(Percentage)							
End of year	Currency in circulation	Demand deposits	M1	Time and savings deposits	M2	Other quasi-money deposits	M3
2015	9.59	-1.13	0.31	8.91	2.55	2.19	2.51
2016	1.09	-0.41	-0.19	12.89	3.43	-20.39	0.79
2017	1.01	2.70	2.45	-8.44	-0.84	12.22	0.30
2018	4.70	3.81	3.94	-2.45	2.16	7.55	2.69
2019	5.01	5.62	5.53	13.24	7.58	2.81	7.09

preceding year. In addition, bank claims on the private sector increased by SAR 101.3 billion in 2019 compared to SAR 40 billion in 2018. This was aided by the decline in the deficit of the private sector's balance of payments which stood at SAR 558.0 billion compared to a deficit of SAR 625.3 billion in the preceding year. Moreover, bank claims on the public sector's non-financial institutions picked up by SAR 7.9 billion in 2019 compared to a slight fall of SAR 0.1 billion in the preceding year. In addition, the net other items category fell by SAR 19.7 billion in 2019 compared to an increase of SAR 64.6 billion in 2018. With all these factors, the increase in money supply totaled SAR 131.5 billion (Table 4-5 and Chart 4-3).

Monetary Base and Money Multiplier

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

2019 compared to a rise of 3.2 percent (SAR 9.7 billion) in 2018.

The share of currency in circulation in the monetary base stood at 58.3 percent in 2019 compared with 57.8 percent in the preceding year. Moreover, banks' deposits with SAMA recorded an increase of 5.5 percent (SAR 5.5 billion) in 2019, against an increase of 2.5 percent (SAR 2.4 billion) in the preceding year. In contrast, public financial institutions' deposits with SAMA dropped by 10.2 percent (SAR 83 million) in 2019 compared to a decline of 22.1 percent (SAR 228 million) in 2018. As for the money multiplier², it recorded an increase of 2.8 percent to 6.1 percent in 2019 compared to a fall of 0.5 percent in the preceding year (Table 4-6 and Chart 4-4).

Seasonal Trends of Currency in Circulation

Currency in circulation usually records its highest levels during the two major Islamic events: the

Table 4-3: Money Supply Components

	(Percentage of M3: end of year)				
	2015	2016	2017	2018	2019
Currency in circulation	9.4	9.5	9.5	9.7	9.5
Total deposits	90.6	90.5	90.5	90.3	90.5
Demand deposits	54.9	54.2	55.5	56.1	55.4
Time and savings deposits	24.6	27.6	25.2	23.9	25.3
Other quasi-money deposits	11.1	8.7	9.8	10.2	9.8
Money supply (M3)	100.0	100.0	100.0	100.0	100.0

Table 4-4: Monetary Ratios

	(Percentage)	
Period	M1/ M3	M2/ M3
2015	64.3	88.9
2016	63.7	91.3
2017	65.1	90.2
2018	65.9	89.8
2019	64.9	90.2

² Money multiplier: the ratio of broad money (M3) to the monetary base.

Chart 4-3: Causative Factors for Change in M3



Table 4-5: Causal Factors for Change in M3

	(Billion SAR)		
	2017	2018	2019
Change in M3	5.5	48.5	131.5
Causal Factors			
Net domestic government expenditure*	580.7	569.1	600.0
Change in banks' claims on the private sector	-12.7	40.0	101.3
Change in banks' claims on public non-financial institutions	-1.5	-0.1	7.9
Deficit in the private sector's balance of payments**	-679.7	-625.3	-558.0
Other items (net)	118.6	64.6	-19.7
Total	5.5	48.5	131.5

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

** Estimates.

month of Ramadan and the Hajj season, which move through the Gregorian calendar but have coincided with the second and third quarters of the last few years. This is demonstrated in the time series data on currency in circulation (Table 4-7 and Chart 4-5). Currency in circulation reached its peak of SAR 196.9 billion at the end of May 2019 (26 Ramadan 1440H) and recorded its lowest level of SAR 181.1 billion at the end of January 2019 (25 Jumada I 1440H).

Monetary Survey

The monetary survey is aimed at assessing the status of the Saudi banking system (SAMA and commercial banks) as well as arranging the items of the assets and claims of the banking system to understand changes. The 2019 monetary survey indicated an increase in the assets of the banking system as a whole by 4.1 percent (SAR 154 billion) to SAR 3,915 billion at the end of 2019 compared to an increase of 1.9 percent (SAR 71.1 billion) in 2018 (Table 4-8).

Net foreign assets fell by 1.7 percent (SAR 33.7 billion) in 2019 compared to a drop of 1.0 percent (SAR 19.5 billion) in the preceding year. As a result, their share in total assets decreased from 52.0 percent at the end of 2018 to 49.1 percent at the end of 2019. This is due to a decline in foreign assets of commercial banks by 41.7 percent (SAR 50.4 billion) against an increase of 10.4 percent (SAR 187.7 billion) in domestic credit consisting of bank claims on the private sector, the government, and the public non-financial institutions at the end of 2019 (Table 4-8).

Government deposits with SAMA also fell, recording a drop of 8.6 percent (SAR 58.5 billion) in 2019 compared to a fall of 7.6 percent (SAR 56.2 billion) in the preceding year.

Interest Rate Trends

The average three-month Saudi interbank offered rate (SAIBOR) rose by 18 basis points to 2.63 percent in 2019 compared to 2.45 percent in 2018. The average three-month interest rate on USD

Chart 4-4: Monetary Base and Money Multiplier

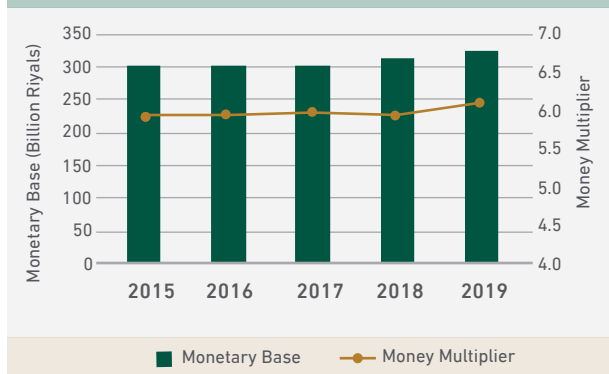


Chart 4-5: Seasonal Trends in Currency in Circulation

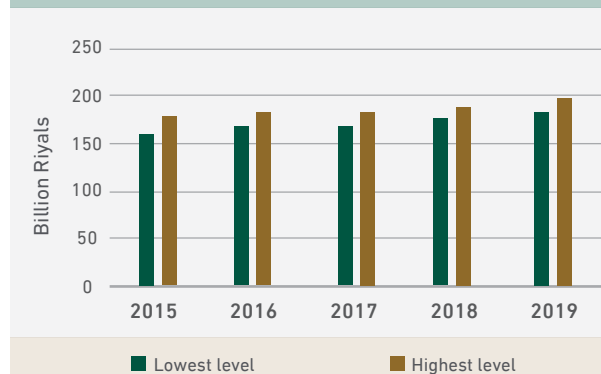


Table 4-6: Monetary Base and Money Multiplier

	2016	2017	2018	2019
Money multiplier	6.0	6.0	5.9	6.1
Monetary base (million SAR)				
Currency in circulation	170,323	172,046	180,132	189,160
Cash in vault	29,666	31,311	30,733	29,319
Deposits with SAMA: local banks' deposits	97,839	97,534	99,943	105,470
Deposits with SAMA: public financial institutions' deposits	4,576	1,035	807	724
Total	302,404	301,926	311,615	324,674

Table 4-7: Seasonal Trends of Currency in Circulation

Highest Level of Currency in Circulation During the Year			Lowest Level of Currency in Circulation During the Year		
End of Gregorian month	Corresponding Hijri date	Quantity	End of Gregorian month	Corresponding Hijri date	Quantity
07/2015	14/10/1436	179,078	01/2015	10/04/1436	156,921
06/2016	26/09/1437	181,838	01/2016	21/04/1437	167,404
06/2017	06/10/1438	184,312	10/2017	11/02/1439	167,459
06/2018	16/10/1439	189,877	01/2018	14/05/1439	175,134
05/2019	26/09/1440	196,878	01/2019	25/05/1440	181,105

Table 4-8: Monetary Survey* (End of year)

	(Million SAR)				
	2015	2016	2017	2018	2019
Assets					
Net foreign assets	2,506,009	2,120,078	1,976,292	1,956,765	1,923,100
SAMA	2,283,382	1,982,348	1,833,355	1,835,866	1,852,626
Commercial banks	222,627	137,730	142,938	120,899	70,475
Domestic credit	1,510,002	1,651,672	1,713,578	1,804,171	1,991,837
Banks' claims on the private sector	1,384,858	1,417,920	1,405,210	1,445,252	1,546,519
Banks' claims on the government	86,158	178,416	254,545	305,154	383,672
Banks' claims on public sector non-financial institutions	38,986	55,336	53,823	53,765	61,646
Total	4,016,011	3,771,750	3,689,871	3,760,936	3,914,938
Liabilities					
Money supply (M3)	1,785,582	1,799,708	1,805,171	1,853,645	1,985,139
Government deposits**	1,162,521	875,424	737,716	681,492	622,945
Other items (net)	1,067,908	1,096,619	1,146,983	1,225,799	1,306,853
Total	4,016,011	3,771,750	3,689,871	3,760,936	3,914,938
(Percent change)					
Net foreign assets	-12.6	-15.4	-6.8	-1.0	-1.7
Domestic credit	10.2	9.4	3.7	5.3	10.4
Banks' claims on the private sector	9.0	2.4	-0.9	2.8	7.0
Banks' claims on the government	61.8	107.1	42.7	19.9	25.7
Banks' claims on public sector non-financial institutions	-15.4	41.9	-2.7	-0.1	14.7
Money supply (M3)	2.5	0.8	0.3	2.7	7.1
Government deposits**	-25.5	-24.7	-15.7	-7.6	-8.6
Other items (net)	14.1	2.7	4.6	6.9	6.6

* The consolidated financial position of SAMA and commercial banks.

** Including letters of credit and bills for collection.

deposits (LIBOR) slightly increased by 2.0 basis points from 2.31 percent in 2018 to 2.33 percent in 2019. The interest rate spread (the differential between the two average rates) increased slightly to 30 basis points in 2019 in favor of the Saudi riyal compared to 14 basis points in the preceding year (Table 4-9 and Chart 4-6).

Exchange Rate Trends

SAMA maintained its US dollar-pegged monetary policy, which aims to maintain the stability of the Saudi riyal exchange rate in order to serve

the interests of the Saudi economy. This policy positively reflected on the exchange rate which remained fixed at SAR 3.75 per US dollar in the spot markets in 2019 (Table 4-10). It is worth mentioning that the Saudi riyal exchange rate averaged SAR 3.7508 per US dollar in 2019, compared to SAR 3.7506 in the preceding year. The highest exchange rate recorded in 2019 was SAR 3.7535 versus 3.7530 in 2018. The lowest exchange rate recorded in 2019 was 3.7500 versus 3.7498 in the preceding year.

Chart 4-6: Interest Rates on Riyal and Dollar Deposits (Average rates for 3-month deposits)

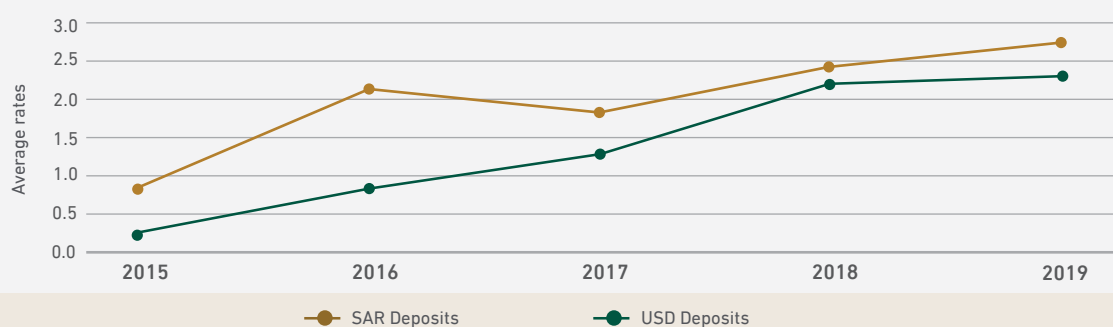


Table 4-9: Interest Rates on SAR and USD Deposits*

Year	(3-Month Average Rates)		
	SAR deposits (SAIBOR 3M)	USD deposits (LIBOR 3M)	Difference between SAR and USD interest rates
2015	0.88	0.32	0.56
2016	2.07	0.73	1.34
2017	1.81	1.26	0.55
2018	2.45	2.31	0.14
2019	2.63	2.33	0.30

* SAIBOR.

Table 4-10: Indicators of USD/SAR Exchange Rate in the Spot Market*

Year	Weakest SAR	Strongest SAR	Average rate (for the entire period)
2015	3.7615	3.7498	3.7512
2016	3.7587	3.7489	3.7508
2017	3.7518	3.7499	3.7503
2018	3.7530	3.7498	3.7506
2019	3.7535	3.7500	3.7508

* Source: Bloomberg.

BANKING SECTOR

5

A vertical photograph of a modern building with a large, arched, golden entrance and a green lawn in the foreground. The building has a textured, golden facade and a large, arched window. The lawn is green and well-maintained. The image is partially obscured by a dark green vertical bar on the right side of the page.

Banking Sector

The banking sector continued to register good growth rates in line with the positive economic developments witnessed by the Saudi economy at all levels during 2019. These good rates were attributable to SAMA's regulatory and supervisory role over the banking system with the aim of enhancing its resilience and solvency and promoting the quality of its services. Consequently, the good performance of commercial banks during 2019 was reflected in their improved general activities and enhanced financial position. Total assets of banks went up by 9.7 percent, bank deposits by 7.3 percent, and profits by 4.5 percent, compared to the preceding year.

Consolidated Financial Position of Commercial Banks

Commercial banks performed well in 2019 as their assets rose by 9.7 percent (SAR 233 billion) to SAR

2,631.1 billion, compared to an increase of 2 percent (SAR 47.3 billion) in the preceding year (Table 5-1).

Bank Deposits

Total bank deposits increased by 7.3 percent (SAR 122.5 billion) to SAR 1,796 billion in 2019 compared to an increase of 2.5 percent (SAR 40.4 billion) in the preceding year (Table 5-2 and Charts 5-1 and 5-2).

A review of developments in bank deposits by type shows that demand deposits rose by 5.6 percent (SAR 58.5 billion) to SAR 1,099.2 billion in 2019 compared to a rise of 3.8 percent (SAR 38.2 billion) in the preceding year. However, their share in total deposits dropped to 61.2 percent from 62.2 percent at end-2018. On the other hand, time and savings deposits increased by 13.2 percent (SAR 58.6 billion) to SAR 501.7 billion compared to a decline of 2.5 percent (SAR 11.1 billion) in the preceding year. Their share in total deposits also rose to 27.9 percent from 26.5 percent at the end of the preceding year. Moreover, other quasi-monetary deposits (the majority of which is residents' foreign currency deposits) increased by 2.8 percent (SAR 5.3 billion) to SAR 195.2 billion in 2019, compared

Table 5-1: Consolidated Financial Position of Commercial Banks (End of year)

	(Million SAR)				
	2015	2016	2017	2018	2019
Assets					
Bank reserves	147,973	239,920	243,294	222,856	239,375
Foreign Assets	322,614	233,832	262,124	231,832	243,629
Claims on the public sector	125,144	233,752	308,368	358,919	445,318
Claims on the private sector	1,384,858	1,417,920	1,405,210	1,445,252	1,546,519
Claims on non-monetary financial institutions	2,904	4,442	2,600	1,041	1,398
Other assets	249,761	159,136	129,295	138,246	154,888
Total Assets (Liabilities)	2,233,254	2,289,001	2,350,891	2,398,147	2,631,128
Liabilities					
Bank deposits	1,617,090	1,629,385	1,633,125	1,673,513	1,795,979
Foreign Liabilities	99,987	96,101	119,186	110,933	173,155
Capital and reserves	270,418	298,392	317,067	303,439	342,976
Profits	42,420	40,398	43,857	48,148	50,315
Other liabilities	203,339	224,725	237,655	262,113	268,703

to an increase of 7.5 percent (SAR 13.3 billion) in the preceding year. Nevertheless, their share in total deposits decreased to 10.9 percent from 11.3 percent at end-2018 (Chart 5-3).

A breakdown of deposits by sector shows that deposits of the private sector increased by 4.5 percent (SAR 60.1 billion) to SAR 1,390.5 billion in 2019 compared to a rise of 3.6 percent (SAR 46.8 billion) in the preceding year. However, the share of the private sector deposits in total bank deposits declined to 77.4 percent in 2019 from

79.5 percent at the end of the preceding year. In contrast, deposits of the public sector went up by 18.2 percent (SAR 62.4 billion) to SAR 405.5 billion, compared to a decline of 1.8 percent (SAR 6.4 billion) in the preceding year, increasing the share of the sector's deposits in total deposits to 22.6 percent at end-2019 from 20.5 percent at end-2018.

A review of developments in bank deposits by currency shows that domestic currency deposits increased by 7.7 percent (SAR 117.4 billion) to SAR 1,640.9 billion in 2019, compared to a rise of 2.3

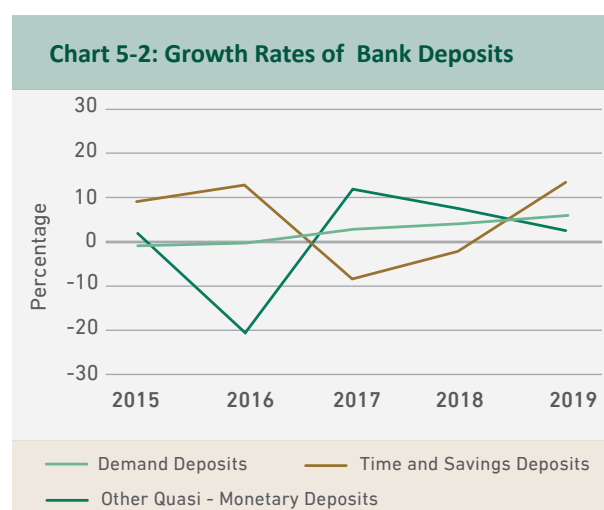
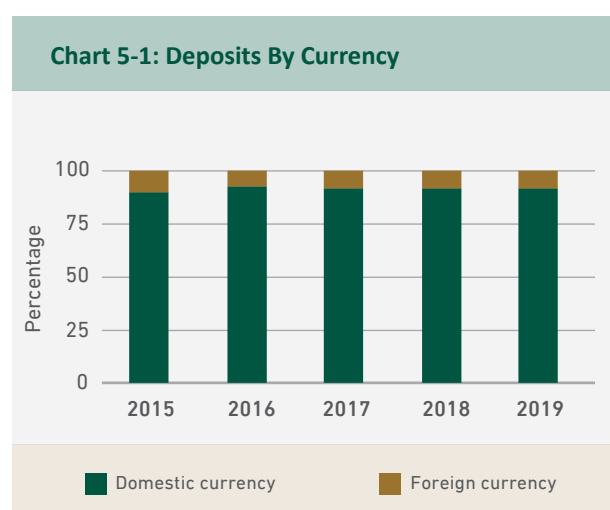


Table 5-2: Bank Deposits (End of year)

	(Million SAR)				
	2015	2016	2017	2018	2019
I. By type					
Demand deposits	980,151	976,086	1,002,468	1,040,665	1,099,151
Time and savings deposits	439,377	496,019	454,152	443,022	501,667
Other quasi-monetary deposits	197,562	157,279	176,505	189,826	195,161
Foreign currency deposits	164,481	128,944	144,333	149,976	155,039
For L/Cs	16,317	18,085	18,517	25,409	24,191
Repo transactions	14	81	51	0	0
Outstanding remittances	16,750	10,169	13,604	14,440	15,931
II. By Sector					
Private sector	1,267,251	1,316,052	1,283,622	1,330,444	1,390,494
Public sector	349,840	313,333	349,503	343,069	405,485
III. By Currency					
Domestic currency deposits	1,452,609	1,500,441	1,488,792	1,523,537	1,640,940
Foreign currency deposits	164,481	128,944	144,333	149,976	155,039
Total Bank Deposits	1,617,090	1,629,385	1,633,125	1,673,513	1,795,979

percent (SAR 34.7 billion) in the preceding year. Their share in total deposits rose slightly to 91.4 percent at end-2019. In addition, foreign currency deposits went up by 3.4 percent (SAR 5.1 billion) to SAR 155.0 billion, compared to a rise of 3.9 percent (SAR 5.6 billion) in the preceding year. The share of foreign currency deposits in total deposits, however, declined to 8.6 percent at end-2019.

Bank Claims on Private and Public Sectors

Total bank claims on the private and public sectors increased by 10.4 percent (SAR 188 billion) to SAR 1,993.2 billion in 2019 against an increase of 5.2 percent (SAR 89 billion) in 2018. Total claims on the private and public sectors at end-2019 accounted for 111 percent of total bank deposits, compared to 107.9 percent at the end of the preceding year. Total bank claims on the private sector went up by 7.0 percent (SAR 101.3 billion) to SAR 1,546.5 billion in 2019 compared to a rise of 2.8 percent (SAR 40 billion) in the preceding year. These claims constituted 86.1 percent of total bank deposits at end-2019, compared to 86.4 percent at end-2018.

Moreover, bank claims on the public sector (loans to public institutions and government and quasi-government bonds) increased by 24.1 percent

(SAR 86.4 billion) to SAR 445.3 billion in 2019, compared to a rise of 16.4 percent (SAR 50.6 billion) in the preceding year. This increase was attributable to a 25.7 percent (SAR 78.5 billion) rise in government and quasi-government bonds to SAR 383.7 billion, compared to a rise of 19.9 percent (SAR 50.6 billion) in the preceding year. In addition, bank credit to public institutions went up by 14.7 percent (SAR 7.9 billion) to SAR 61.6 billion in 2019 compared to a decrease of 0.1 percent (SAR 57 million) in the preceding year. Furthermore, claims on non-monetary financial institutions went up by 34.3 percent (SAR 357 million) at end-2019, compared to a decrease of 59.9 percent (SAR 1.6 billion) at the end of the preceding year (Table 5-3 and Charts 5-4 and 5-5).

Chart 5-3: Shares of Deposit Components

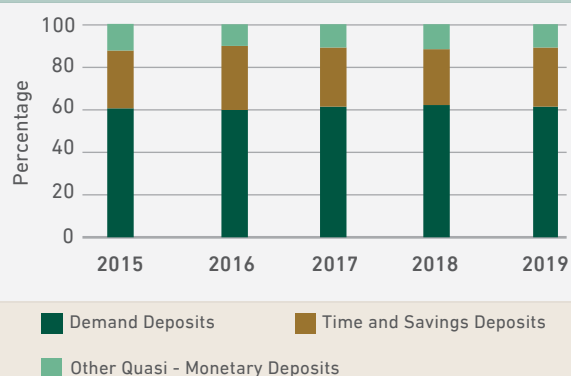


Table 5-3: Bank Claims on the Private and Public Sectors (End of year)

	(Million SAR)					
	2017		2018		2019	
	Amount	Share	Amount	Share	Amount	Share
Claims on the private sector	1,405,210	81.9	1,445,252	80.1	1,546,519	77.6
Bank credit	1,351,127	78.7	1,388,940	76.9	1,490,833	74.8
Loans and advances	1,338,555	78.0	1,375,628	76.2	1,477,980	74.1
Bills discounted	12,572	0.7	13,312	0.7	12,853	0.6
Investments in private securities	54,083	3.2	56,312	3.1	55,686	2.8
Claims on the public sector	308,368	18.0	358,919	19.9	445,318	22.3
Bank credit to public institutions	53,823	3.1	53,765	3.0	61,646	3.1
Government and quasi-government bonds	254,545	14.8	305,154	16.9	383,672	19.2
Claims on non-monetary financial institutions	2,600	0.2	1,041	0.1	1,398	0.1
Total	1,716,179	100.0	1,805,213	100.0	1,993,235	100.0

Bank Credit by Maturity

Short-term bank credit (less than one year) extended to the private sector and institutions of the public sector decreased by 4.4 percent (SAR 31.7 billion) to SAR 683.2 billion in 2019, compared to an increase of 2.0 percent (SAR 13.7 billion) in 2018. In contrast, medium-term credit (1-3 years) rose by 2.9 percent (SAR 6.7 billion) to SAR 234.6 billion, compared to a decrease of 14.7 percent (SAR 39.2 billion) in the preceding year. Long-term credit (more than 3 years) also increased at a considerably faster pace, by 27 percent (SAR 134.8 billion) to SAR 634.6 billion compared to an increase of 14.5 percent (SAR 63.3 billion) in the preceding year (Table 5-4).

Bank Credit by Economic Activity

A breakdown of bank credit by economic activity during 2019 shows mixed trends. Bank credit extended to transport and communications recorded the highest increase rate of 18.4 percent (SAR 8.0 billion) to SAR 51.2 billion, compared to

a decline of 10.6 percent (SAR 5.1 billion) in 2018. Bank credit extended to water, electricity, gas and health services also increased by 17.0 percent (SAR 8.9 billion) to SAR 61 billion, compared to a rise of 0.6 percent (SAR 335.2 million) in the preceding year. In addition, bank credit extended to the finance activity rose by 11.1 percent (SAR 4.2 billion) to SAR 41.5 billion, compared to an increase of 4.8 percent (SAR 1.7 billion) in the preceding year. Moreover, bank credit extended to the services activity went up by 3.0 percent (SAR 2.4 billion) to SAR 81.2 billion, compared to a rise of 8.4 percent (SAR 6.1 billion) in the preceding year. Bank credit extended to the commerce activity grew by 2 percent (SAR 5.6 billion) to SAR 287.9 billion, compared to a decline of 10.4 percent (SAR 32.8 billion) in the preceding year. Bank credit extended to mining and quarrying slowly increased by 1.8 percent (SAR 354 million) to SAR 19.7 billion, compared to a rise of 30.3 percent (SAR 4.5 billion) in the preceding year. On the other hand, bank credit extended to manufacturing

Chart 5-4: Bank Claims On Private Sector (Monthly)

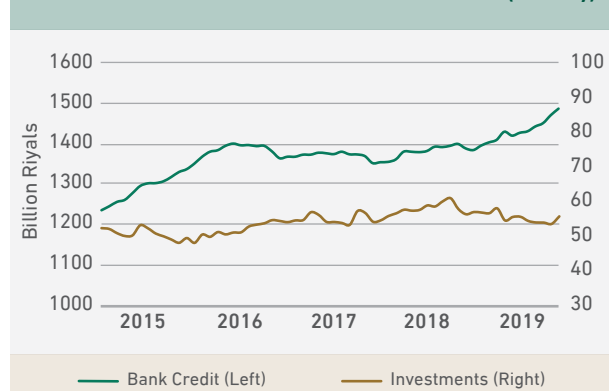


Chart 5-5: Bank Claims By Sector (Monthly)

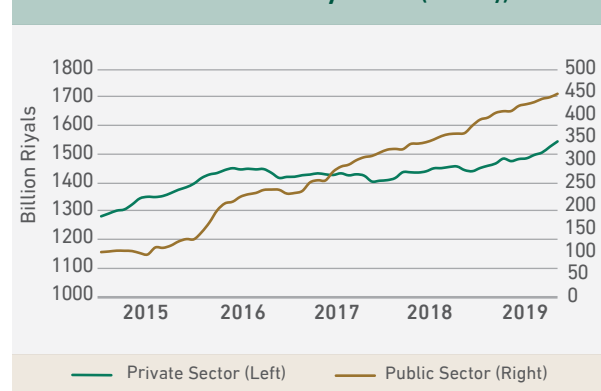


Table 5-4: Bank Credit by Maturity

(Million SAR)				
End of year	Short term	Medium term	Long term	Total
2015	694,241	242,438	437,919	1,374,598
2016	711,227	266,524	441,193	1,418,945
2017	701,233	267,155	436,562	1,404,950
2018	714,927	227,911	499,867	1,442,705
2019	683,215	234,625	634,639	1,552,479

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

and production declined by 9.3 percent (SAR 16.1 billion) to SAR 156.7 billion, compared to an increase of 6.1 percent (SAR 9.9 billion) in the preceding year. Bank credit extended to building and construction also fell by 4.6 percent (SAR 4.5 billion) to SAR 92.9 billion, compared to a rise of 8.6 percent (SAR 7.7 billion) in the preceding year. Bank credit extended to agriculture and fishing activity declined by 0.9 percent (SAR 127 million) to SAR 14.7 billion, compared to an increase of 20.7 percent (SAR 2.5 billion) in the preceding year (Table 5-5 and Chart 5-6).

Syndicated Loans

Data on loans extended to residents by syndicates of domestic and foreign banks indicate that the number of loans decreased by 8.1 percent to 525 in 2019 while those extended to non-residents went up by 25.6 percent to 98. Total value of syndicated loans extended to residents rose by 30.7 percent to SAR 446 billion in 2019, and those to non-residents also rose by 52.4 percent to SAR 21.6 billion (Table 5-6).

Chart 5-6: Bank Credit to the Private Sector By Economic Activity

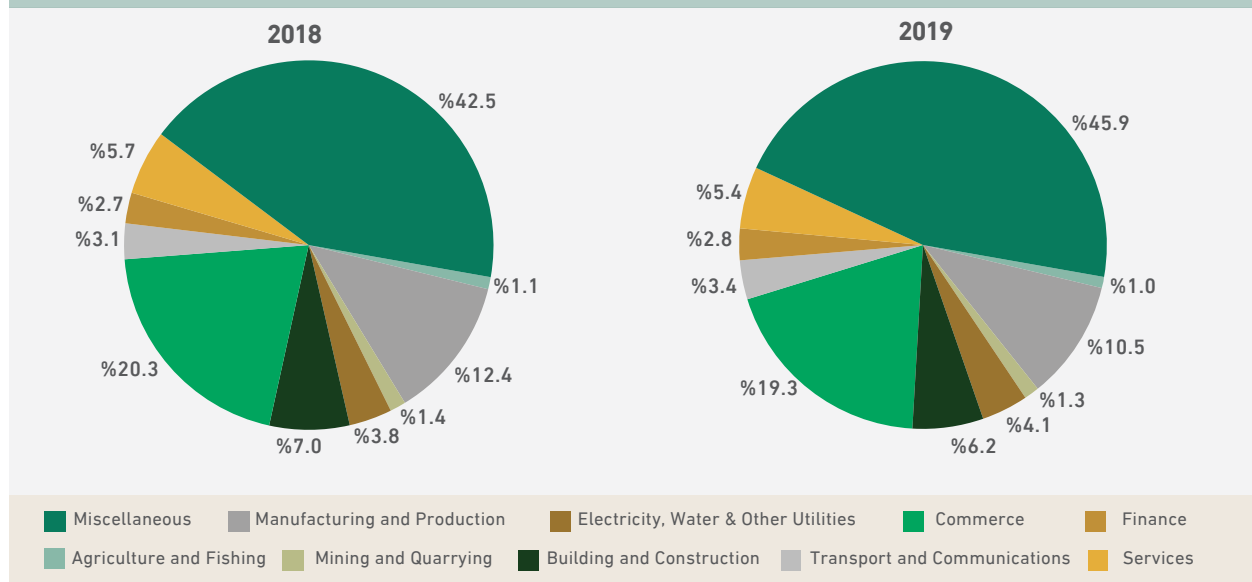


Table 5-5: Bank Credit Extended to Private Sector by Economic Activity (End of year)

	(Million SAR)					
	2017		2018		2019	
	Amount	Share	Amount	Share	Amount	Share
Agriculture and fishing	12,249	0.9	14,780	1.1	14,653	1.0
Manufacturing and production	162,939	12.1	172,858	12.4	156,754	10.5
Mining and quarrying	14,849	1.1	19,354	1.4	19,707	1.3
Water, electricity, gas and health services	51,836	3.8	52,171	3.8	61,049	4.1
Building and construction	89,642	6.6	97,326	7.0	92,850	6.2
Commerce	315,138	23.3	282,344	20.3	287,923	19.3
Transport and Communications	48,388	3.6	43,282	3.1	51,237	3.4
Finance	35,608	2.6	37,313	2.7	41,465	2.8
Services	72,737	5.4	78,860	5.7	81,217	5.4
Other miscellaneous services	547,741	40.5	590,652	42.5	683,977	45.9
Total	1,351,127	100.0	1,388,940	100.0	1,490,833	100.0

Consumer and Credit Card Loans

Consumer and credit card loans extended by banks went up by 4.7 percent to SAR 352.5 billion at end-2019 compared to SAR 336.6 billion at end-2018 (Table 5-7A and Chart 5-7B).

Real Estate Bank Credit

Retail and corporate real estate loans extended by banks continued their growth to SAR 297.4 billion, increasing by 24.7 percent (SAR 58.8 billion) in 2019, compared to a 2018 growth rate of 13.1 percent (SAR 27.6 billion). Retail real estate loans

Chart 5-7: Total Consumer Loans

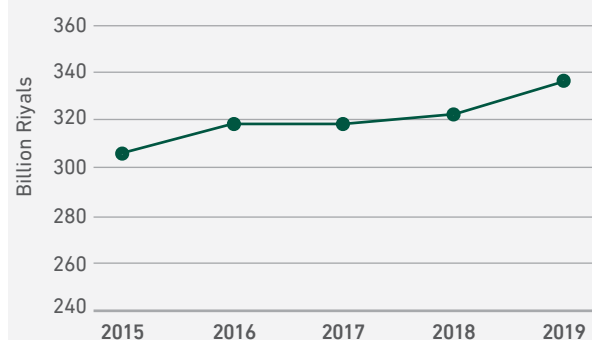


Table 5-6: Syndicated Loans

Period	No. of Syndicated loans			Value of Syndicated loans (Billion SAR)		
	Resident	Non-resident	Total	Resident	Non-resident	Total
2015	469	65	534	134	12	146
2016	555	76	631	195	16	211
2017	513	74	587	189	12	201
2018	571	78	649	341	14	355
2019	525	98	623	446	22	467

Table 5-7A: Consumer and credit card loans*

Year (End of year)	Consumer loans							Total	Credit cards**
	Renovation & property improvement	Motor vehicles & personal transportation	Furniture & durable goods	Education	Health care	Tourism & travel	Other		
2015	37,020.5	9,429.2	4,911.9	636.6	312.2	85.3	254,789.2	307,184.9	10,212.7
2016	29,080.2	9,327.8	4,821.8	957.6	506.5	72.1	273,499.5	318,265.5	10,957.7
2017	30,028.0	16,720.0	10,783.9	3,722.5	565.6	324.3	255,515.0	317,659.3	12,094.0
2018	28,055.1	16,789.4	12,498.7	3,522.2	703.5	483.6	259,234.4	321,286.9	15,331.9
2019	25,648.2	15,625.0	12,462.1	3,239.0	559.4	454.7	275,450.4	333,438.7	19,054.3

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

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

Table 5-7B: Real Estate Bank Credit

(End of year)	Retail	Corporate	Total
2015	102,503	82,799	185,302
2016	110,484	89,918	200,402
2017	121,249	89,744	210,992
2018	140,276	98,268	238,544
2019	198,100	99,272	297,372

recorded a rise of 41.2 percent (SAR 57.8 billion) to SAR 198.1 billion, compared to an increase of 15.7 percent (SAR 19 billion) in the preceding year, accounting for 66.6 percent of total real estate loans at end-2019. Corporate real estate loans extended by commercial banks also rose by 1.0 percent (SAR 1 billion) to SAR 99.3 billion in 2019, compared to a 2018 growth of 9.5 percent (SAR 8.5 billion), accounting for 33.4 percent of total real estate loans (Table 5-7B).

Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks rose by 5.1 percent (SAR 11.8 billion) to SAR 243.6 billion at end-2019, compared to a decrease of 11.6 percent (SAR 30.3 billion) in the preceding year. In addition, foreign liabilities of commercial banks jumped by 56.1 percent (SAR 62.2 billion) to SAR 173.2 billion in 2019, compared to a 2018 decline of 6.9 percent (SAR 8.3 billion). As a result, commercial banks' net foreign assets (foreign assets less foreign liabilities)

Chart 5-8: Foreign Assets and Liabilities of Banks

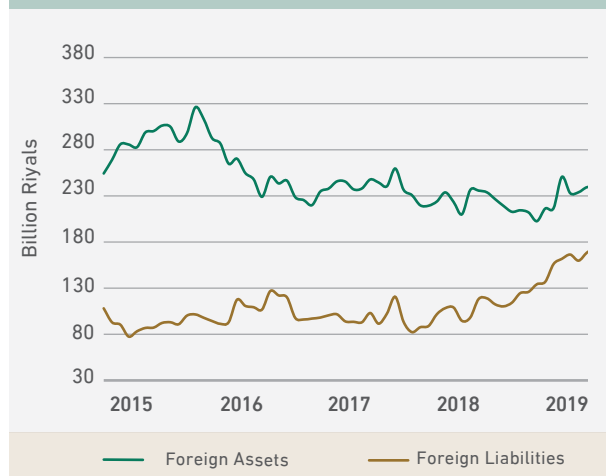


Chart 5-9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities

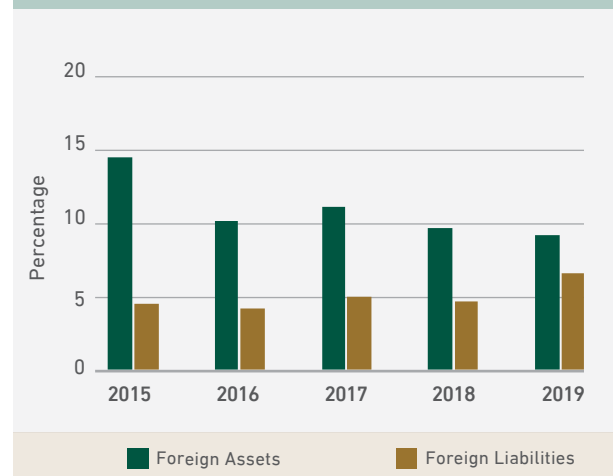


Table 5-8: Commercial Banks' Foreign Assets and Liabilities (End of year)

	(Million SAR)					
	Amount		Change			
	2018	2019	2018		2019	
			Amount	%	Amount	%
Foreign Assets						
Due from foreign banks	66,195	47,538	12,829	24.0	-18,657	-28.2
Due from branches abroad	39,942	63,227	-30,427	-43.2	23,285	58.3
Other assets	26,943	35,253	3,042	12.7	8,310	30.8
Investments abroad	98,753	97,612	-15,736	-13.7	-1,141	-1.2
Total	231,832	243,629	-30,292	-11.6	11,797	5.1
Foreign Liabilities						
Due to foreign banks	60,781	102,350	3,064	5.3	41,569	68.4
Due to branches abroad	32,082	38,705	-12,040	-27.3	6,622	20.6
Due from others	18,070	32,100	723	4.2	14,031	77.6
Total	110,933	173,155	-8,253	-6.9	62,222	56.1
Net Foreign Assets	120,899	70,475	-22,039	-15.4	-50,424	-41.7

dropped by 41.7 percent (SAR 50.4 billion) to SAR 70.5 billion in 2019, compared to a decrease of 15.4 percent (SAR 22 billion) in the preceding year (Table 5-8 and Charts 5-8 and 5-9).

Commercial Banks' Reserves

Commercial banks' reserves (cash in vault and deposits with SAMA) went up by 7.4 percent (SAR 16.5 billion) to SAR 239.4 billion at end-2019, compared to a decrease of 8.4 percent (SAR 20.4 billion) in the preceding year. The increase was due to a 15 percent (SAR 13.9 billion) increase in other deposits with SAMA, to stand at SAR 106.5 billion at end-2019 from SAR 92.7 billion at end-2018. Statutory deposits with SAMA also increased by SAR 4.9 billion or 5.0 percent to SAR 102.9 billion.

In contrast, current deposits with SAMA fell by 57.7 percent (SAR 807.8 million) to SAR 593.2 million. Cash in bank vaults declined by 4.6 percent or SAR 1.4 billion to SAR 29.3 billion in 2019 from SAR 30.7 billion at end-2018 (Table 5-9).

Banks' Capital and Reserves

Bank capital and reserves increased by SAR 39.5 billion or 13.0 percent to SAR 343 billion in 2019, compared to a decline of SAR 13.6 billion or 4.3 percent in the preceding year. Their ratio to total deposits increased from 18.1 percent at end-2018 to 19.1 percent at end-2019, and their ratio to total assets rose from 12.7 percent at end-2018 to 13.0 percent at end-2019. The capital adequacy ratio (CAR) based on the Basel Standard stood at 19.4

Table 5-9: Commercial Banks' Reserves (End of year)

	(Million SAR)				
	2015	2016	2017	2018	2019
Cash in vault	29,420	29,666	31,311	30,733	29,319
Deposits with SAMA					
Current deposits	358	328	268	1,401	593
Statutory deposits	97,974	97,267	96,282	98,060	102,918
Other deposits	20,221	112,659	115,433	92,662	106,545
Banks' reserves	147,973	239,920	243,294	222,856	239,375
Ratios to bank deposits (%)					
Cash in vault	1.82	1.82	1.92	1.84	1.63
Deposits with SAMA					
Current deposits	0.02	0.02	0.02	0.08	0.03
Statutory deposits	6.06	5.97	5.90	5.86	5.73
Other deposits	1.25	6.91	7.07	5.54	5.93
Banks' reserves	9.15	14.72	14.90	13.32	13.33

Table 5-10: Capital and Reserves of Commercial Banks (End of year)

	(Million SAR)				
	2015	2016	2017	2018	2019
Capital and reserves	270,418	298,392	317,067	303,439	342,976
Capital and reserves as a ratio of					
Bank deposits	16.7	18.3	19.4	18.1	19.1
Total assets	12.1	13.0	13.5	12.7	13.0
Capital to risk-weighted assets ratio (%)					
(Basel Standard)	18.1	19.5	20.4	20.3	19.4

percent at end-2019, which is higher than the ratio recommended by the Basel Committee (Table 5-10).

Sources and Uses of Financial Resources of Commercial Banks in 2019

Total added financial resources of commercial banks jumped by 127.4 percent to SAR 226.5 billion in 2019, compared to SAR 99.6 billion in the preceding year. Key added financial resources were concentrated in total deposits and foreign liabilities, accounting for 54.1 percent (SAR 122.5 billion) and 27.5 percent (SAR 62.2 billion) of total added resources, respectively. The capital base also went up by SAR 41.8 billion (accounting for 18.5 percent of the total). Most of these financial resources were used during 2019 to increase cash and reserves with an amount of SAR 16.5 billion (accounting for 7.3 percent of total resources used). In addition, foreign assets increased by SAR 11.8 billion (5.2 percent of the total). Claims on the private and public sectors went up by SAR 101.3 billion and SAR 7.9 billion, respectively. Claims on the private sector accounted for 44.7 percent of total resources used, whereas claims on the public sector accounted for 3.5 percent. In addition, claims on the central government rose by SAR 86.3 billion, accounting for 38.1 percent of total financial resources used (Table 5-11).

Commercial Banks' Profits

Commercial banks' 2019 profits increased by 4.5 percent to SAR 50.3 billion over the previous year's profits of SAR 48.1 billion.

Number of Banks and Branches

The number of commercial banks operating in Saudi Arabia at end-2019 stood at 29 (including branches of foreign banks) as two new banks were licensed to engage in banking activities in the country. Moreover, two other foreign banks were licensed to open more branches (21 branches) in Saudi Arabia. The number of commercial banks' branches increased to 2,076, with 12 new bank branches beginning operations in Saudi Arabia. The distribution of bank branches by administrative regions shows that the Riyadh region accounted for 626 branches (30.2 percent of total bank branches), Makkah region 442 branches (21.3 percent), the Eastern Region 408 branches (19.7 percent), the Asir region 128 branches (6.2 percent), Al-Qassim region 120 branches (5.8 percent), and Al-Madinah region 104 branches (5.0 percent) (Table 5-12).

Number of Employees in Banking Sector

The number of employees in the banking sector grew by 0.1 percent to 47,181 in 2019. Saudi employees (both male and female) represented

Table 5-11: Key Sources and Uses of Financial Resources of Commercial Banks in 2019

(Billion SAR)					
Uses	Amount	Share	Resources	Amount	Share
Cash and reserves	16.5	7.3	Total deposits	122.5	54.1
Foreign assets	11.8	5.2	Foreign liabilities	62.2	27.5
Claims on the private sector	101.3	44.7	Capital base	41.8	18.5
Claims on non-monetary financial institutions	0.4	0.2			
Claims on the public sector	7.9	3.5			
Claims on the central government	86.3	38.1			
Net other liabilities	2.5	1.1			
Total	226.5	100.0	Total	226.5	100.0

94.3 percent (44,482) of the total number of employees in the banking sector. Saudi male employees accounted for 78.4 percent of the total number of employees as compared to 5.7 percent of non-Saudi male employees. Saudi female employees represented 15.9 percent of the total number of employees, and non-Saudi female employees accounted for 0.04 percent.

Banking Technology Developments in 2019

I. Clearing House Operations

The number of commercial and personal checks cleared through clearing houses in Saudi Arabia decreased by 14.6 percent (491.9 thousand checks) in 2019, bringing down their value by 8.6 percent to SAR 260.5 billion. However, the average check value increased by 7 percent from SAR 84,652 in

2018 to SAR 90,576 in 2019.

In general, the decrease in the number of commercial and personal checks was due to the expansion in using banking technology, including POS terminals. The number of checks in the Riyadh clearing house fell by 15.8 percent to one million, Dammam 14.7 percent to 823.9 thousand, Jeddah 13.9 percent to 621 thousand, Madinah 26.6 percent to 63.5 thousand, Buraidah 10.7 percent to 131 thousand, Makkah 8.8 percent to 74.4 thousand, Tabuk 11.4 percent to 28 thousand, Ta'if 10.3 percent to 21 thousand, and Abha 5.2 percent to 79.9 thousand (Chart 5-10).

II. Mada

During 2019, the Saudi Payment Network (Mada) achieved a positive growth in all of its operations. The number of ATMs operating in Saudi Arabia

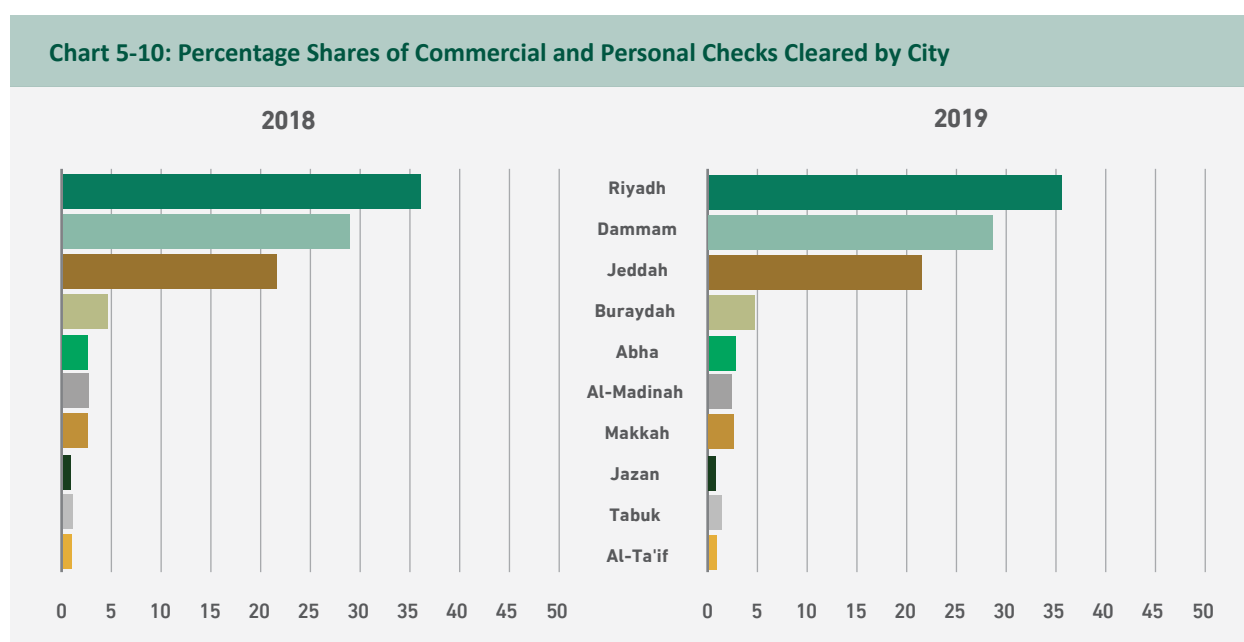


Table 5-12: Bank Branches Classified by Administrative Region (End of year)

	Riyadh	Makkah	Madinah	Eastern Region	Qassim	Asir	Tabuk	Hail	Northern Borders Region	Jawf	Jazan	Najran	Baha	Total
2015	613	423	92	386	114	119	49	40	15	25	49	25	26	1,976
2016	624	433	100	393	116	124	50	42	16	27	50	27	27	2,029
2017	631	436	106	405	119	126	51	42	17	28	53	27	28	2,069
2018	629	435	105	401	120	127	50	42	17	28	55	28	27	2,064
2019	626	442	104	408	120	128	51	42	17	27	57	27	27	2,076

went up by 1.1 percent to 18,882 compared to a 1.9 percent rise in the preceding year. The number of ATM cards issued also increased by 10.4 percent to 31.5 million at-end 2019 compared to an increase of 0.6 percent in 2018.

The number of withdrawal transactions carried out through Mada increased by 3.6 percent to 983 million in 2019 compared to a rise of 9 percent in the preceding year. The value of withdrawals carried out through Mada rose by 3.5 percent to SAR 468.8 billion compared to a rise of 2.8 percent

in the preceding year. Nonetheless, the number of transactions executed through banks' networks fell by 3.0 percent to 1.1 billion compared to a rise of 3.1 percent in 2018. The value of cash withdrawals made through banks' networks also declined by 8.0 percent to SAR 271.8 billion, compared to a 2018 rise of 2.6 percent. As a result, total cash withdrawals declined by 1.0 percent to SAR 740.6 billion (Table 5-13 and Chart 5-11).

On the other hand, the number of POS terminals went up by 24.7 percent to 438,618 in 2019

Table 5-13: ATM Statistics

Year	No. of ATMs	No. of issued ATM cards	No. of transactions (Million)			Cash withdrawals (Million SAR)		
			Mada	Bank networks	Total	Mada	Bank networks	Total
2015	17,223	22,459,275	727	1,069	1,796	435,177	342,023	777,200
2016	17,887	26,537,349	822	1,100	1,923	446,300	307,149	753,449
2017	18,333	28,402,914	870	1,142	2,012	440,729	287,782	728,511
2018	18,685	28,559,828	949	1,177	2,126	452,931	295,394	748,325
2019	18,882	31,540,067	983	1,142	2,125	468,849	271,791	740,640

Chart 5-11: Automated Teller Machine Statistics



compared to a rise of 15.9 percent in 2018. The number of sales transactions executed through POS terminals rose by 56.5 percent to 1,614 million compared to a rise of 45.7 percent in the preceding year. The value of these transactions also rose by 22.8 percent to SAR 285.3 billion compared to an increase of 15.9 percent in the preceding year (Table 5-14 and Chart 5-12). Higher growth rates in ATM cards and transactions executed through ATMs and POS terminals indicate their expansion in the retail sector in addition to customers' increased confidence in modern banking technology.

III. Saudi Arabian Riyal Interbank Express System (SARIE)

The total number of transactions executed via SARIE increased by 17.1 percent to 159 million in 2019 compared to a rise of 31.2 percent in 2018. A breakdown of SARIE transactions by single and bulk customer payments shows that the number of single payments rose by 23.6 percent to 13.2

million transactions and their value by 24 percent to SAR 4,953.1 billion. The number of bulk payments also increased by 17.2 percent to 143.2 million, and their value went up by 10.8 percent to SAR 2,924 billion.

A classification of SARIE transactions by interbank payments shows that the number of single interbank transactions increased by 22.3 percent to 627.3 thousand during 2019; however, their value fell by 7.1 percent to SAR 40,156.9 billion. In addition, the number of bulk interbank transactions executed through SARIE increased by 27.6 percent to 156.2 thousand and their value by 32.1 percent to SAR 139.8 billion (Tables 5-15A and 5-15B and Chart 5-13).

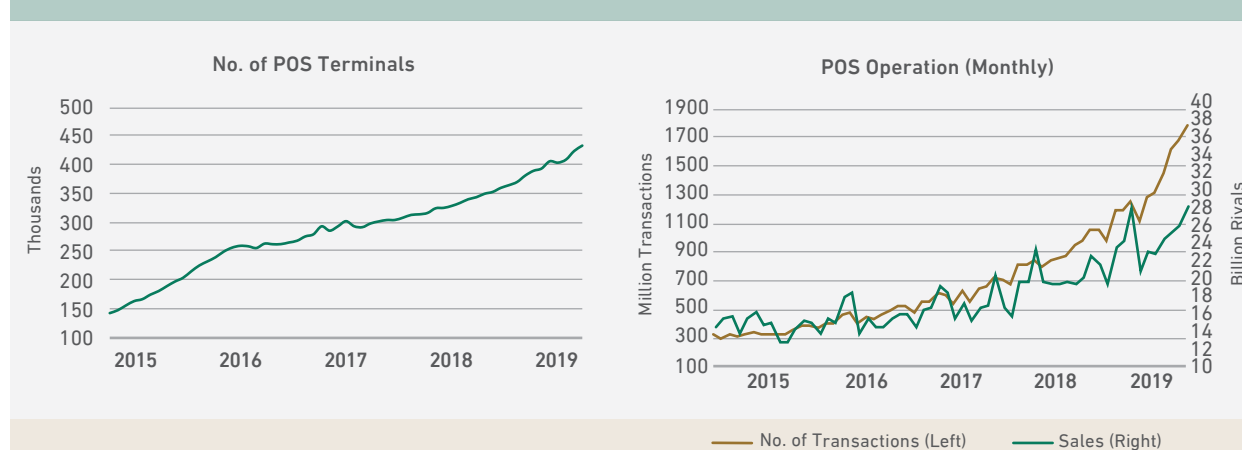
IV. SADAD

The total number of billers from various sectors (such as electricity, water, communications, airline companies, insurance and credit cards) linked to SADAD stood at 211 at the end of 2019. The

Table 5-14: POS Statistics

Year	Sales (Million SAR)	No. of transactions (Million)	No. of POS terminals
2015	172,835	395	225,372
2016	182,749	525	267,827
2017	200,468	708	303,464
2018	232,306	1,032	351,645
2019	285,319	1,614	438,618

Chart 5-12: OPERATIONS OF P.O.S.



number of active billers reached 186. In addition, the number of banks linked to SADAD reached 17. Two new banks are in their final stages of linkage to SADAD. The number of transactions executed during 2019 totaled 263.5 million with a total value of SAR 421.8 billion compared to 235.6 million transactions with a total value of SAR 356.5 billion in 2018 (Chart 5-14).

Derivative Market Activity

Derivative transactions in Saudi Arabia increased by 2.4 percent (SAR 27 billion) to SAR 1,133 billion in 2019, compared to SAR 1,106 billion in the preceding year.

Banking Creditworthiness

The Saudi Credit Bureau (SIMAH) continued to

Chart 5-13: SARIE Transactions

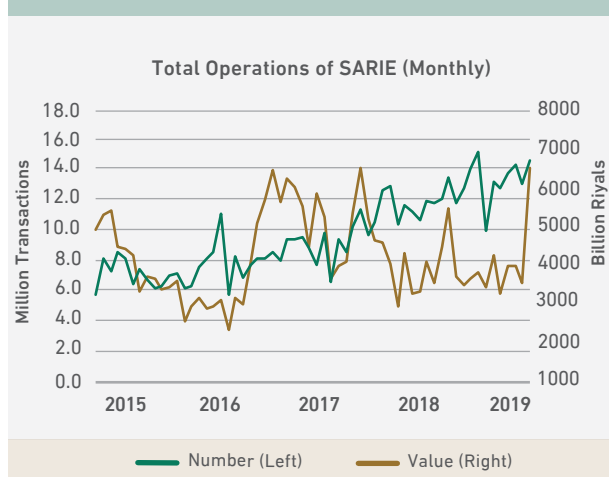


Chart 5-14: Volume and value of bill paid through SADAD

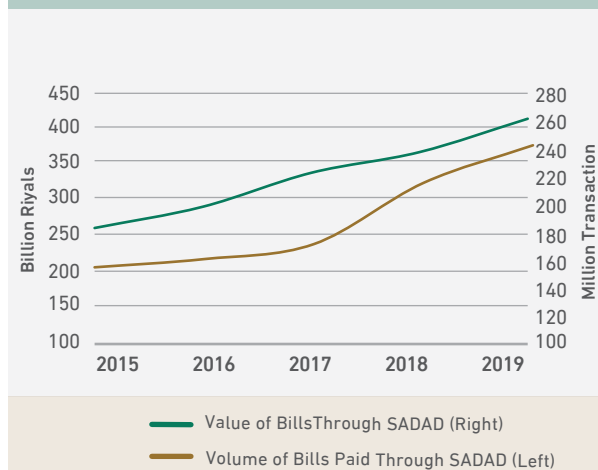


Table 5-15A: Number Of SARIE Transactions

Year	(Thousand)							
	Customer payments			Interbank payments			Other	Total
	Bulk	Single	Total (1)	Bulk	Single	Total (2)	(3)	(1+2+3)
2015	70,639	8,023	78,663	72	464	537	2,335	81,534
2016	76,084	9,156	85,240	79	468	547	3,497	89,285
2017	89,806	10,299	100,105	137	514	651	2,714	103,470
2018	122,236	10,676	132,912	122	513	635	2,218	135,766
2019	143,230	13,191	156,421	156	627	784	1,779	158,983

Table 5-15B: Value of SARIE Transactions

Year	(Billion SAR)							
	Customer payments			Interbank payments			Other*	Total
	Bulk	Single	Total (1)	Bulk	Single	Total (2)	(3)	(1+2+3)
2015	1,984	3,349	5,333	59.2	43,450	43,510	23	48,865
2016	2,067	3,396	5,463	61.4	34,161	34,222	31	39,717
2017	2,180	3,839	6,019	80.1	56,048	56,128	42	62,189
2018	2,640	3,994	6,634	105.8	43,226	43,332	18	49,984
2019	2,924	4,953	7,877	139.8	40,157	40,297	37	48,211

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

improve its services and products provided to all relevant entities during 2019, particularly the retail system “SIMATI”, the corporate system “SIMAT”, the “Shaiki” project, and SMEs evaluation system project “TAQEEM”. Through these services and products, SIMAH aims to provide the necessary and accurate credit information that contributes to enhancing risk assessments, evaluating the creditworthiness of borrowers, and reducing financial risks. SIMAH continued to meet the goals for which it was established as an independent credit information body. Such goals include the following: (1) to complement the finance ecosystem in Saudi Arabia and (2) to develop the credit information sector and its various services in preparation for the expansion of the credit market in Saudi Arabia according to the economic environment and Saudi Vision 2030.

During 2019, SIMAH continued to find the necessary means to develop SIMAT and improve its services. In line with SAMA’s standards, SIMAH introduced a number of enhancements to corporate credit reporting, which included expanding the collateral list, enabling the preview of overall credit facility information, and introducing the “shared limit” concept for facilities in order to have a calculation suite for all possible uses of credit facilities as agreed between the financier and the borrower. Furthermore, SIMAH allowed its members to link their account with one or more specified projects. The linkage helps financiers review and assess the positions and creditworthiness of companies and make a sound decision regarding the financial soundness and credit worthiness of such companies. In addition, SIMAH made enhancements to the way in which credit information is presented in credit reports and increased quality standards to reduce potential errors.

In order to serve the corporate sector at the GCC level, SIMAH further developed SIMAT by initiating

the GCC credit information linkage project. It completed all the technical requirements for linkage through the e-government program “YESSER” in 2019 in preparation for the program’s actual launch in 2020.

In 2019, SIMAH carried on providing credit performance comparison reports, which enable financial institutions to support private sector growth, thus achieving the objectives of the Financial Sector Development Program (FSDP) according to Vision 2030. The reports consider actual challenges that creditors face, the most important of which are the approved credit strategies, marketing plans and credit risk management. These reports also enable creditors to compare their credit performance with their counterparts in the same sector in the market.

In terms of technological advancement, SIMAH is still working on developing electronic linkage systems, including improving the electronic linkage with the Ministry of Justice (MOJ). Through this linkage, the MOJ can obtain the information sufficient for settling enforcement courts’ cases. In addition, SIMAH launched in 2019 the registration in SIMAH services through the National Single Sign-On (SSO) service, with the aim of simplifying procedures that come before obtaining a report and to facilitate access to credit reports and to all other services and products for individuals.

As regards credit education, SIMAH contributed to promoting credit awareness among all segments of society in 2019. It continued to print and distribute copies of the “Procedural Manual for Customer Awareness” that was approved by SAMA in 2018, in addition to publishing it on SIMAH’s website. The manual is aimed at raising customers’ awareness of their credit rights stipulated by the Credit Information Law and its Implementing Regulations.

Developments in Implementation of the Basel III Framework in Saudi Arabia

SAMA continued its efforts toward the timely implementation of Basel Committee on Banking Supervision (BCBS) standards. This included instituting the Internal Liquidity Adequacy Assessment Process (ILAAP), which came into force in January 2018 in order to meet Basel III requirements that stress the importance of measuring and monitoring liquidity risks. Considering that banks have proactively implemented these standards since the beginning of 2016, SAMA has been monitoring their compliance and detecting and addressing any gaps in the implementation process as well as monitoring compliance with any updates to these standards.

Regarding Basel III standards, BCBS has recently issued revisions to the capital requirements relating to credit, market and operational risks as well as the leverage ratio disclosure requirements in order to improve the supervisory framework and lay a foundation for the banking sector's resilience. SAMA has been studying the revisions issued by BCBS to update relevant instructions in a way that enhances resilience of the banking sector in Saudi Arabia. SAMA has also been updating a number of instructions

to align them with the standards issued by BCBS, in addition to updating the "Rules on Large Exposures of Banks" that set limits on bank exposures for the purpose of managing concentration risk and enhancing supervision of such exposures. Moreover, SAMA issued rules for relevant parties aimed at regulating exposures of banks to related parties so as to avoid conflict of interest.

To support the Saudi economy stability as well as distressed companies, SAMA issued a number of instructions in line with the standards issued by BCBS and international best practices and standards. One of these instructions is the Rules on Management of Problem Loans. The rules set a framework for managing problem loans provided by banks for legal entities. The rules also regulate restructuring processes, thus supporting bank customers including large, medium, small and micro-enterprises. Additionally, SAMA issued rules for disclosing prices of finance and savings products. The rules set the minimum information to be disclosed by finance companies and banks through their marketing channels. The issuance of these rules reflects SAMA's efforts to improve disclosure and transparency in the financial sector and to provide tools that help consumers choose products that suit their needs.

INSURANCE AND FINANCE

6

A vertical photograph on the right side of the page. It shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In front of the building is a well-manicured green lawn with a low hedge. The image is partially obscured by a vertical gold bar on the left side of the page.

Insurance and Finance

Insurance Sector

SAMA is keen on improving and developing every aspect that contributes to the growth of insurance sector in order to achieve the objectives of Saudi Vision 2030. This will be accomplished by raising awareness of the social and economic importance of insurance, in addition to continuously updating and improving laws, regulations and instructions in line with changes in the insurance sector and the economy. In this context, SAMA issued Rules for Licensing and Supervision of Branches of Foreign Insurance and Reinsurance Companies in Saudi Arabia. In addition, SAMA adopted several initiatives aimed at improving customer satisfaction, including the following: no claim discounts, encouraging digitization of insurance companies, and requiring companies to establish customer care departments. SAMA also monitors the mechanisms of underwriting and pricing, especially for motor insurance, to ensure that they are based on fair technical foundations. SAMA adopted a number of initiatives to improve Saudi human resources working in the sector through training courses, on-job training, professional certification, and participation in many regional and international workshops. All these measures and initiatives are expected to enhance the quality of the insurance industry, increase competitiveness among companies, promote growth and stability, and reduce potential risks. Consequently, the industry customers in Saudi Arabia will be positively affected. The following were the key developments in 2019.

I. Regulations of Insurance Sector and Key Developments in 2019

- SAMA issued the Sound Implementation of the Transition Plan to IFRS17 to assist in its monitoring of insurance and reinsurance companies' four-phase transition plan to the standard.
- SAMA issued the Rules for Licensing and Supervision of Branches of Foreign Insurance and/or Reinsurance Companies in Saudi Arabia.
- SAMA issued the draft Rules Governing Insurance Aggregators Activities to keep abreast of the latest technological developments in the financial services sector.
- SAMA updated the Unified Compulsory Motor Insurance Policy to set a maximum limit of one year for insurance companies to use their right of recourse to the insured and claim compensation for what was paid. The update also gives the right for insurance companies to report the insured to a credit information company only if the insured fails to pay the insurance premium and not the outstanding claims based on the right of recourse.
- SAMA updated The Actuarial Work Regulation for Insurance and/or Reinsurance Companies to enhance and regulate actuaries' performance, which will positively reflect on the insurance industry in Saudi Arabia.
- SAMA banned brokers from combining insurance brokerage activities and reinsurance brokerage activities. This action was taken in order to develop the business environment of brokers and strengthen professional communication with insurance and reinsurance companies, in addition to reducing wrongful practices in their contractual relationships. This will increase retention ratios in local insurance

- companies and support the development of national talents and human resources in the insurance sector. SAMA set a one-year grace period to comply with this decision.
- SAMA launched a traffic safety awareness campaign in cooperation with Najm Company for Insurance Services and the General Department of Traffic in line with the Saudi Vision 2030 mandate to improve the quality of life and building a vibrant society and safe roads.
 - SAMA encouraged health insurance companies to develop and provide voluntary health insurance for Saudi families, and hold workshops for the companies to further explain this initiative, address challenges and provide solutions and suggestions in this regard.
 - The General Secretariat of the Committees for Resolution of Insurance Disputes and Violations established the Conciliation Center at the Secretariat. The Center is tasked with settling claims filed by individuals against insurance companies in disputes arising from motor insurance contracts for individuals, in which the claim amount does not exceed SAR 50,000 in accordance with the rules specified in the Procedures Governing Insurance Dispute Conciliation starting from 19/08/1440H (24/04/2019).
 - After coordination with SAMA and the Council of Cooperative Health Insurance, the Ministry of Hajj and Umrah launched the insurance of expatriate Umrah visitors program that provides health and other insurance services. The Program is dedicated to serving Umrah pilgrims from the moment they arrive until they leave.
 - SAMA approved the building warranty insurance product, which is the first of its kind in Saudi Arabia. This will contribute to the diversification and expansion of

insurance products.

The number of insurance-related rules and regulations until the end of 2019 reached 21, which were published on SAMA's website.

II. Saudization in the Insurance Sector

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

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

In this context, the total number of employees at insurance companies stood at 11,213 at the end of 2019 compared to 11,726 at the end of 2018, with Saudi employees accounting for 74 percent of total number of employees compared to 72 percent in 2018.

III. Training

SAMA has exerted substantial efforts to regulate the insurance sector and has urged companies and their employees to be professional and practice insurance business on a technical and methodological basis pursuant to its laws, regulations and instructions. In support of this effort, SAMA has designated the Insurance Fundamentals Certificate Exam (IFCE) as a

mandatory requirement that should be obtained by employees of insurance companies and insurance service providers. The IFCE covers the main principles of insurance rules and regulations and allows workers in the insurance sector to obtain qualification by giving them the basic knowledge and skills. The key achievements in 2019 were as follows:

- Several development workshops on the Risk-Based Supervisory Framework and the IFRS17 were held.
- SAMA launched the second version of the Advanced Diploma in Insurance (ACII) provided by the Chartered Insurance Institute for 15 participants working in the sector under SAMA's full support and supervision.

IV. Insurance Market in Saudi Arabia in 2019

a) Overall Market Performance

- The insurance market witnessed an increase of 8.2 percent in gross written premiums (GWP) to SAR 37.9 billion in 2019 compared to a decrease of 4.1 percent in 2018 (Table 6-1).
- Health insurance GWP, which represented 59.3 percent of the total GWP, increased by 13 percent to SAR 22.5 billion at the end of 2019 compared to a rise of 4.5 percent in 2018.
- General insurance GWP, which represented 37.7 percent of the total GWP, increased by 1.8 percent to SAR 14.3 billion at the end of 2019 compared to a decline of 14.1 percent in 2018. Motor insurance GWP, which

Table 6-1: Insurance Indicators

Insurance type	2017				2018				2019			
	GWP (Million SAR)	Share	NWP (Million SAR)	NWP/GWP (retention ratio)*	GWP (Million SAR)	Share	NWP (Million SAR)	NWP/GWP (Retention ratio)*	GWP (Million SAR)	Share	NWP (Million SAR)	NWP/GWP (retention ratio)*
Accident, liability and others	1,054.2	2.9	506.3	48.0	1,001.3	2.9	470.4	47.0	1,121.4	3.0	486.6	43.4
Motor insurance	11,136.4	30.5	10,388.2	93.3	9,423.3	26.9	8,860.4	94.0	8,603.6	22.7	8,117.1	94.3
Property/ fire insurance	1,708.5	4.7	322.4	18.9	1,697.9	4.8	314.0	18.5	1,844.6	4.9	314.6	17.1
Marine insurance	621.8	1.7	172.4	27.7	544.6	1.6	155.4	28.5	653.6	1.7	181.2	27.7
Aviation insurance	134.9	0.4	5.7	4.2	148.0	0.4	5.3	3.6	158.5	0.4	4.0	2.5
Energy insurance	739.0	2.0	17.2	2.3	511.5	1.5	3.5	0.7	700.4	1.8	12.8	1.8
Engineering insurance	932.4	2.6	168.6	18.1	701.7	2.0	120.2	17.1	1,198.4	3.2	144.2	12.0
Total general insurance	16,327.4	44.7	11,580.9	70.9	14,028.4	40.1	9,929.2	70.8	14,280.7	37.7	9,260.6	64.8
Total health insurance	19,035.5	52.1	18,411.6	96.7	19,883.4	56.8	19,319.4	97.2	22,474.9	59.3	21,622.0	96.2
Total protection and savings insurance	1,140.3	3.1	846.2	--	1,102.7	3.1	794.8	--	1,134.9	3.0	797.2	--
Total	36,503.2	100.0	30,838.7	84.5	35,014.5	100.0	30,043.4	85.8	37,890.5	100.0	31,679.7	83.6

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

represented 60.2 percent of the total general insurance GWP, dropped by 8.7 percent to SAR 8.6 billion at the end of 2019 compared to a decline of 15.4 percent in 2018.

- Protection and savings insurance GWP, which represented 3 percent of the total GWP, went up by 2.9 percent to SAR 1.1 billion at the end of 2019 compared to a decrease of 3.3 percent in 2018.

b) Net Written Premiums (NWP)

NWP is defined as the gross written premiums less the share of reinsurance. Health and motor insurance accounted for 68.3 percent and 25.6 percent respectively of total NWP in 2019. Total health insurance NWP grew by 11.9 percent, while motor insurance NWP recorded a fall of 8.4 percent. Total aviation insurance NWP dropped by 23.7 percent. Other insurance types recorded an annual increase compared to 2018 as energy insurance registered the highest increase of 265.9 percent, followed by engineering insurance with 20 percent and Marine insurance with 16.6 percent (Table 6-1).

c) Retention Ratio

The retention ratio is a measure of risks in written premiums retained by an insurance company as there is a direct relationship between the retention ratio and risks. The ratio is calculated by dividing the NWP by GWP. The overall retention ratio of insurance companies in the Saudi insurance market was 83.6 percent in 2019 compared to 85.8 percent

in 2018. This ratio was largely affected by the high retention ratios for motor and health insurance, which were estimated at 94.3 percent and 96.2 percent, respectively. On the other hand, energy insurance recorded the lowest retention ratio of 1.8 percent in 2019 (Table 6-1).

d) Insurance Market Penetration and Density

Insurance penetration is measured by the ratio of gross written premiums to GDP. The level of insurance penetration in Saudi Arabia stood at 1.27 percent in 2019 compared to 1.19 percent in 2018, with GWP to Non-oil GDP ratio amounting to 1.87 percent in 2019 compared to 1.82 percent in 2018 (Table 6-2).

Insurance density is defined as per capita expenditure on insurance (GWP divided by the total population). The per capita insurance density increased by 5.7 percent to SAR 1,107.3 in 2019 from SAR 1,047.9 in 2018 (Table 6-3).

e) Commissions Paid to Insurance Brokers and Agents

The amount of commissions paid by insurance companies to insurance brokers and agents totaled SAR 1.76 billion in 2019 compared to SAR 1.4 billion in 2018. Motor insurance commissions constituted 29.5 percent of total commissions paid in 2019 compared to 35.8 percent in 2018, while those of health insurance accounted for 43.6 percent of total commissions paid in 2019 compared to 43.9 percent in 2018 (Table 6-4).

Table 6-2: Insurance Penetration to GDP (At Current Prices)

Insurance type	(Percentage)							
	2017		2018		2019		Change%	
	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP
Total general insurance	0.64	0.89	0.48	0.73	0.48	0.70	0.45	-3.1
Total health insurance	0.74	1.04	0.68	1.03	0.76	1.11	11.54	7.6
Total protection and savings insurance	0.04	0.06	0.04	0.06	0.04	0.06	1.56	-2.0
Total	1.42	1.99	1.19	1.82	1.27	1.87	6.78	3.0

f) Total Claims Paid by Type of Insurance

Total claims paid increased by 4.5 percent to SAR 28.4 billion in 2019 compared to SAR 27.2 billion in 2018. Health and motor insurance claims accounted for 65.2 percent and 22.9 percent, respectively, of total claims paid in 2019. These high ratios reflected the high shares of these types of insurance in the total market premiums. Energy insurance recorded the highest growth rate of total claims paid with a hike of 193.9 percent in 2019, followed by marine insurance with 98.7 percent. However, engineering insurance registered the highest decline of 37.7 percent (Table 6-5).

V. Status of Insurance Companies in Saudi Arabia

The number of insurance and reinsurance companies approved by the Council of Ministers until the end of 2019 was 34, of which 33 are

already operating in the industry (Table 6-6). The Saudi insurance sector witnessed several mergers in 2019, supported by SAMA's desire to strengthen insurance companies and increase their ability to compete in the market to avoid the outflow of insurance investments. Furthermore, SAMA received merger applications from local insurance companies operating in the sector. Two insurance companies announced receiving SAMA's no objection letters on their merger, and other companies signed non-binding bilateral memorandums of understanding to assess the feasibility of merger.

VI. Council of Cooperative Health Insurance

At the end of 2019, the total number of individuals with health insurance reached 11.1 million, including 7.6 million expatriates. The number of

Table 6-3: Insurance Market Density

(Riyals per capita)						
Insurance type	2015	2016	2017	2018	2019	Change%
Total general insurance	536.0	540.3	501.6	419.8	417.3	-0.6
Total health insurance	616.4	586.1	584.8	595.1	656.8	10.4
Total protection and savings insurance	33.7	33.1	35.0	33.0	33.2	0.5
Total	1,186.1	1,159.4	1,121.4	1,047.9	1,107.3	5.7

Table 6-4: Commissions Paid by Type of Business

Insurance type	2017		2018		2019		Change% 2018-2019
	Million SAR	Share	Million SAR	Share	Million SAR	Share	
Accident, liability and others	85.0	4.54	86.3	6.15	119.5	6.77	38.44
Motor insurance	780.8	41.68	502.6	35.83	521.1	29.55	3.69
Property/fire insurance	117.4	6.27	103.6	7.39	169.4	9.61	63.54
Marine insurance	43.2	2.31	35.9	2.56	58.1	3.29	61.58
Aviation insurance	1.1	0.06	1.3	0.09	2.0	0.11	50.24
Energy insurance	1.1	0.06	1.2	0.08	5.5	0.31	378.39
Engineering insurance	51.5	2.75	36.6	2.61	65.5	3.72	78.95
Total general insurance	1,080.0	57.65	767.6	54.72	941.1	53.37	22.62
Total health insurance	762.8	40.72	615.8	43.90	769.7	43.64	24.99
Total protection and savings insurance	30.5	1.63	19.4	1.38	52.7	2.99	171.83
Total	1,873.3	100.00	1,402.8	100.00	1,763.5	100.00	25.72

companies and establishments providing health insurance coverage for their staff was 499.5 thousand.

The number of insurance companies licensed to provide health insurance and companies licensed to manage health insurance claims stood at 26 and 7, respectively. Moreover, the number of approved health care providers in Saudi Arabia reached 4,829 at the end of 2019, classified by type of facility and administrative region as shown in (Table 6-7).

A breakdown of approved health care providers in Saudi Arabia for 2019 indicates that pharmacies

ranked first among facilities providing health care services, constituting 49.4 percent of the total. Polyclinic centers came second with 24.1 percent, followed by optical shops with 17.7 percent and hospitals with 6.6 percent. A review of health care providers by administrative region indicates that the Riyadh region ranked first with 31.5 percent of the total, followed by Makkah with 21.8 percent, the Eastern Region with 19.9 percent, and lastly Hail with 1.1 percent.

Table 6-5: Total Claims Paid by Type of Business

Insurance type	2017		2018		2019		Change% 2018-2019
	Million SAR	Share	Million SAR	Share	Million SAR	Share	
Accident, liability and others	310.8	1.17	263.3	0.97	265.2	0.93	0.71
Motor insurance	8,314.1	31.31	6,929.8	25.44	6,507.0	22.87	-6.10
Property/fire insurance	961.1	3.62	624.4	2.29	699.1	2.46	11.96
Marine insurance	207.7	0.78	223.7	0.82	444.3	1.56	98.65
Aviation insurance	18.1	0.07	123.8	0.45	84.8	0.30	-31.54
Energy insurance	18.6	0.07	356.8	1.31	1,048.5	3.69	193.89
Engineering insurance	748.0	2.82	456.8	1.68	284.6	1.00	-37.70
Total general insurance	10,578.3	40.72	8,978.6	32.96	9,333.5	43.64	3.95
Total health insurance	15,479.2	58.29	17,628.9	64.72	18,540.9	65.16	5.17
Total protection and savings insurance	498.5	1.88	629.3	2.31	578.8	2.03	-8.02
Total	26,556.0	100.00	27,236.8	100.00	28,453.2	100.00	4.47

Table 6-6: Licensed Insurance and Reinsurance Companies Up to the End of 2019

Name	Paid-up capital (Million SAR)	Licensed on
National Company for Cooperative Insurance (NCCI)	1,250	02/12/2004
Malath Cooperative Insurance & Reinsurance Company	500	11/09/2007
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	800	11/09/2007
Salama Cooperative Insurance Company	250	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	300	11/09/2007
AlAhli Takaful Company	167	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	300	11/09/2007
Gulf Union Cooperative Insurance Company	150	11/09/2007
Sanad for Cooperative Insurance and Reinsurance (SANAD)	200	08/03/2008
Assurance Saudi Fransi (Allians)	200	08/03/2008
Trade Union Cooperative Insurance Company	400	31/03/2008
Al Sagr Cooperative Insurance Company	400	31/03/2008
Saudi Indian Company for Cooperative Insurance	100	10/06/2008
Arabia Insurance Cooperative Company	265	18/06/2008
Saudi United Cooperative Insurance company (Wala'a)	528	02/07/2008
Saudi Reinsurance Company (Saudi Re)	810	21/07/2008
Bupa Arabia for Cooperative Insurance	1,200	10/08/2008
United Cooperative Assurance (UCA)	400	30/12/2008
Al Ahlia for Cooperative Insurance	123	20/03/2009
Allied Cooperative Insurance Group (ACIG)	200	10/05/2009
Al-Rajhi Company for Cooperative Insurance	400	17/11/2009
Chubb Arabia Cooperative Insurance Company	200	08/12/2009
Al-Alamiya Co-operative Insurance Company	400	13/12/2009
AXA Cooperative Insurance Company	500	26/01/2010
Gulf General Cooperative Insurance Company	200	03/06/2010
MetLife Inc. and AIG, the Arab Bank for Cooperative Insurance	180	29/03/2010
Buruj Cooperative Insurance Company	300	29/05/2010
National Insurance Company	200	16/06/2010
AMANA Cooperative Insurance	240	06/07/2010
Solidarity Saudi Takaful Company	250	20/03/2011
Saudi Enaya Cooperative Insurance Company	300	07/08/2012
Alinma Tokio Marine Company	300	30/09/2012
Aljazira Takaful Taawuni Company	350	18/12/2013

Table 6-7: Authorized Healthcare Providers in 2019

Region/Type of Institutions	Hospitals	General medical complexes (One-day operation centers) + specialized medical complexes (One-day operation centers)	Medical complexes	One-physician clinics	X-ray centers	Physical therapy centers	Medical laboratories	Pharmacies	Optical stores	Devices and prosthetics stores	Dialysis centers	Prosthetics centers	Nutrition centers	Speech and hearing centers	Psychotherapy centers	Care and rehabilitation centers for persons with disabilities	Hearing aid centers	Main centers of Saudi Red Crescent Authority	Others	Dispensaries	Total
Riyadh	72	12	405	1	1	12	3	649	357	0	0	0	1	5	0	1	3	1	0	0	1,523
Makkah	71	6	267	1	2	9	2	536	149	0	1	0	0	5	1	0	2	1	0	0	1,053
Madinah	22	3	52	0	0	0	0	135	59	0	0	1	0	0	0	0	0	1	0	0	273
Qassim	12	1	41	0	0	1	0	59	34	0	0	0	0	0	0	0	0	0	0	0	148
Eastern Region	57	6	201	0	1	10	1	529	154	0	1	0	0	0	0	0	0	1	0	0	961
Asir	25	4	57	0	0	2	0	148	39	0	0	0	0	0	0	0	0	0	0	0	275
Tabuk	11	0	24	0	0	0	0	76	21	0	0	0	0	0	0	0	0	0	0	0	132
Hail	8	0	19	0	0	0	0	51	5	0	0	0	0	0	0	0	0	0	0	0	83
Northern Borders Region	8	0	12	0	0	0	0	41	2	0	0	0	0	0	0	0	0	0	0	0	63
Jazan	13	0	30	0	0	2	0	63	16	0	0	0	0	0	0	0	0	0	0	0	124
Najran	9	0	23	0	0	0	0	32	12	0	0	0	0	0	0	0	0	0	0	0	76
Baha	5	1	21	0	0	0	0	20	5	0	0	0	0	0	0	0	0	0	0	0	52
Jawf	6	0	12	0	0	0	0	45	3	0	0	0	0	0	0	0	0	0	0	0	66
Total	319	33	1,164	2	4	36	6	2,384	856	0	2	1	1	10	1	1	5	4	0	0	4,829

Source: Council of Cooperative Health Insurance.

Finance Sector

SAMA is entrusted with regulatory and supervisory functions over the finance sector in Saudi Arabia, taking the actions necessary to maintain its soundness and stability and protect its workers and clients' rights. Moreover, SAMA develops regulatory and supervisory frameworks to enhance the financial stability of this sector, ensure fair transactions for all stakeholders, and support sustainable economic growth.

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

I. Developments and Regulations

The key developments in SAMA's work to advance the non-banking finance sector during 2019 were as follows:

- Working on the Risk-Based Supervision Project for Finance Companies, which is aimed at directing resources towards high-risk activities.
- Issuing a number of regulations for the finance companies sector, including Rules Regulating Consumer Microfinance Companies, the Updated Rules of Engaging in Microfinance Activity, cancelling compulsory IPOs of finance companies, amending some articles of the Implementing Regulations of the Finance Companies Control Law and the Rules Governing Disposal of Finance Assets or Their Contractual Rights, Rules for Lessor's Recovery of Movable Assets in Finance Lease Contracts, and Requirements of Mortgage Registration and Documentation.
- SAMA is working on a number of initiatives aimed at training finance companies' employees and improving awareness of

rules and regulations within the finance companies sector.

With regard to SAMA's supervisory role, 23 circulars were issued during 2019 on a number of topics related to finance companies' activities, including (1) a circular regarding rules on ownership of properties within Makkah and Madinah's borders for banks and real estate finance companies, (2) a circular on amendment of some articles of the Implementing Regulations of the Finance Companies Control Law and Rules Governing Disposal of Finance Assets, and (3) a circular on the updated Microfinance Rules. The circulars were issued with the aim of protecting clients' rights and advancing and maintaining the stability of the sector.

A number of controls and rules were also issued in 2019, including (1) the Rules on Outsourcing for Finance Companies, (2) the second update of the Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA, (3) the Controls for the Settlement of Total Loss in Motor Finance Lease Contracts, and (4) Rules for Lessor's Recovery of Movable Assets in Finance Lease Contracts. The total number of finance-related rules and regulations published on SAMA's website until the end of 2019 reached 22.

II. Finance Companies Licensed to Operate in Saudi Arabia

The number of licensed finance companies stood at 38 in 2019 with six real estate finance companies, one real estate refinance company, one microfinance company, one contract registration company, and 29 companies offering other types of finance (Table 6-8). It is worth mentioning that in 2019, initial approvals were granted to three new finance companies. There were three licensing visits, 20 finance company visits, and 128 inspection visits during the year.

The finance portfolio for the sector totaled around SAR 50.2 billion at the end of 2019, as compared to SAR 47.6 billion at the end of 2018. Real estate finance accounted for 39.6 percent of the total finance portfolio. The total capital of all of the finance companies exceeded SAR 14 billion (Table 6-8).

In terms of employment and Saudization, the total number of employees at finance companies in Saudi Arabia reached 5,498 at the end of 2019, with Saudis constituting 80 percent of the total number.

Table 6-8: Companies Licensed to Practice Finance Activities Up to the End of 2019

	Name	Paid-up capital (Million SAR)	Licensed on
Companies Licensed to Provide Real Estate Finance			
1	Amlak International	906	24/12/2013
2	Dar Al Tamleek	359	31/12/2013
3	Saudi Home Loans	1,000	27/02/2014
4	Deutsche Gulf Finance	575	20/05/2014
5	Abdul Latif Jameel Real Estate Finance	250	07/12/2014
6	Bidaya Home Finance	900	14/12/2015
Companies Licensed to Provide Real Estate Refinance			
1	Saudi Real Estate Refinance Company	1,500	25/09/2017
Companies Licensed to Provide Micro-Business Finance			
1	Bab Rizq Jameel	100	04/10/2017
Companies Licensed to Register Finance Contracts			
1	Saudi Finance Lease Registration Company (Sijil).	38,393	24/09/2017
Companies Licensed to Practice Finance Activities Other Than the Aforementioned Activities			
1	Nayifat Finance Company	1,000	31/12/2013
2	Saudi ORIX Leasing Company	550	27/02/2014
3	Al Yusr Leasing and Financing	500	27/02/2014
4	AJIL Financial Services Company	500	20/05/2014
5	National Finance Company	250	25/08/2014
6	Morabaha Marina	225	14/09/2014
7	Own Financing Company	100	12/11/2014
8	Al Jasriah Company	150	16/11/2014
9	Matager Finance Company	150	16/11/2014
10	Saudi Finance Company	100	20/11/2014
11	Gulf Finance Saudi Arabia	100	08/12/2014
12	Abdul Latif Jameel United Finance Co.	1,700	08/12/2014
13	Tamwily International Co.	100	11/12/2014
14	AL AMTHAL Financing	313	16/03/2015
15	Osoul Modern Finance Company	100	22/03/2015
16	Dar Aletiman Al Saudi	100	05/05/2015
17	Ijarah Finance	100	04/06/2015
18	Tayseer Arabian Company	400	04/08/2015
19	Saudi Fransi For Finance and Leasing	500	30/08/2015
20	Tawkelat Financing Company	100	31/08/2015
21	American Express Company	100	18/11/2015
22	Aljabr Financing Company	345	03/12/2015
23	Tamweel Al-Oula	250	10/12/2015
24	AlRaedah Finance	150	14/12/2015
25	Raya Financing Company	150	10/02/2016
26	Maalem Finance Company	150	24/03/2016
27	Taajeer Finance Company	200	10/05/2016
28	Gulf Lifting Financial Leasing Company	100	30/11/2016
29	United Company for Financial Services	150	06/08/2017

CONSUMER PRICE INDEX

7

A vertical photograph on the right side of the page shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In the foreground, there is a well-maintained green lawn with a low hedge. The image is partially obscured by a dark green vertical bar on the left.

Consumer Price Index

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

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

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

Consumer Price Index in 2019

The general CPI declined by 2.1 percent in 2019 versus a 2.5 percent rise in 2018. The non-oil GDP deflator, which captures the average prices of all goods and services produced in the non-oil sector within a given year, rose by 0.9 percent in 2019 compared to an increase of 4.3 percent in 2018 (Table 7-1).

In 2019, most major components of the general CPI recorded inflation rates lower than the average annual change for the past three years (2016-2018). However, food and beverages, education, clothing and footwear, and restaurants and hotels registered inflation rates higher than the average annual change for the past three years (2016-2018).

Seven sections of the CPI recorded an annual decrease in 2019, namely housing, water, electricity, gas and other fuels with 8.6 percent; recreation and culture with 1.7 percent; transport as well as clothing and footwear with 1.4 percent each; communication with 1.3 percent; home furnishing, equipment and maintenance with 0.6 percent; and miscellaneous goods and services with 0.4 percent. On the other hand, restaurants and hotels increased by 3.2 percent, education by 2.5 percent, food and beverages by 2.1 percent, tobacco by 1.0 percent, and health by 0.1 percent (Table 7-2).

Table 7-1: Annual Growth Rates of Selected Indicators

	(Percentage)			
	2016	2017	2018	2019
Non-oil GDP deflator (2010 = 100)*	1.4	0.2	4.3	0.9
General Consumer Price Index for All Cities (2018 = 100)	2.1	-0.8	2.5	-2.1
Non-oil GDP at constant prices (2010 = 100)*	0.2	1.3	2.2	3.3
Government expenditure	-17.1	12.0	16.1	-1.9
Money supply (M3)	0.8	0.3	2.7	7.1

* Preliminary data in 2019
Sources: GaStat, MoF & SAMA.

Effect of Major Sections on Consumer Price Index

Most major sections contributed to the CPI by various rates during 2019. Housing, water, electricity, gas and other fuels contributed the most with 63.3 percent, followed by food and beverages with 12.1 percent; transport with 7.3 percent; restaurants and hotels with 5.5 percent; miscellaneous goods and services with 2.6 percent; education as well as communication with 2.2 percent each; home furnishing, equipment and maintenance with 1.7 percent; clothing and footwear with 1.5 percent; recreation and culture with 1.4 percent; and lastly tobacco and health with 0.2 percent and 0.1 percent respectively (Table 7-3 and Chart 7-1).

Wholesale Price Index in 2019

The wholesale price index (WPI) measures the average changes in local and imported commodities in wholesale markets over two different periods of time. The WPI represents a sample of 343 items categorized into five

main sections according to the Central Product Classification (CPC2). The index increased by 2.0 percent in 2019 against a rise of 16.0 percent in 2018. In 2019, the WPI witnessed an increase in

Chart 7-1: Effect of Major Sections on 2019 Consumer Price Index

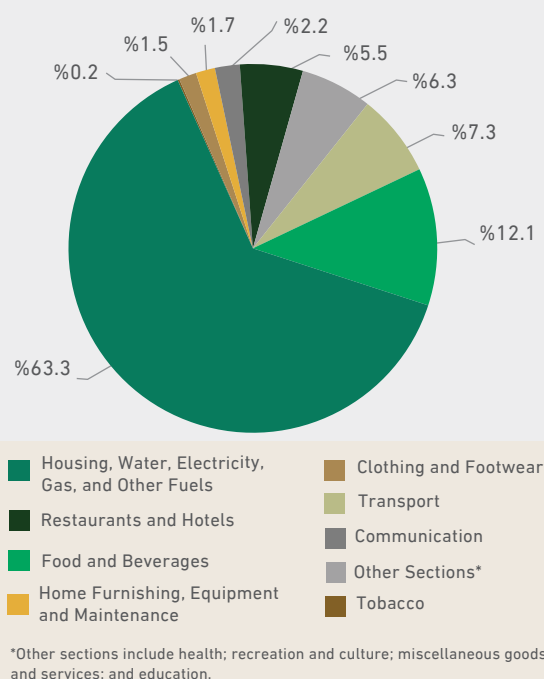


Table 7-2: General Consumer Price Index (All Population)

	(2018 = 100)						
	2015	2016	2017	2018	2019	Average annual change (2016-2018)	Change% 2019
General Index	96.4	98.4	97.6	100.0	97.9	1.2	-2.1
Food and Beverages	96.0	94.7	93.9	100.0	102.1	1.4	2.1
Tobacco	55.3	63.2	80.0	100.0	101.0	22.0	1.0
Clothing and Footwear	109.8	110.9	107.5	100.0	98.6	-3.0	-1.4
Housing, Water, Electricity, Gas, and Other Fuels	97.3	102.0	101.2	100.0	91.4	1.0	-8.6
Home Furnishing, Equipment and Maintenance	99.9	100.4	98.5	100.0	99.4	0.0	-0.6
Health	94.3	96.3	96.3	100.0	100.1	2.0	0.1
Transport	85.8	92.2	90.3	100.0	98.6	5.4	-1.4
Communication	99.5	99.7	98.8	100.0	98.7	0.2	-1.3
Recreation and Culture	103.4	101.8	98.9	100.0	98.3	-1.1	-1.7
Education	96.2	99.2	99.7	100.0	102.5	1.3	2.5
Restaurants and Hotels	92.2	92.5	93.0	100.0	103.2	2.8	3.2
Miscellaneous Goods and Services	99.1	99.8	99.7	100.0	99.6	0.3	-0.4

Source: GaStat.

some of its main components. Metal products, machinery and equipment recorded the highest increase of 4.9 percent, followed by other goods with 1.2 percent. In contrast, agriculture and fishery products declined by 1.5 percent; ores and minerals by 1.4 percent; and food products, beverages, tobacco and textiles by 0.6 percent (Table 7-4).

Developments and Impact of World Prices

In 2019, the value of merchandise imports including cost, insurance, and freight (CIF) rose by 5.3 percent

to SAR 541.3 billion. The changes in world prices of goods and commodities imported by Saudi Arabia affect the domestic CPI. Based on the Commodity Markets Outlook issued by the World Bank in April 2020, the index of precious metals rose by 8.4 percent in 2019. However, the energy index decreased by 12.6 percent. The indexes of raw materials and food also declined by 4.2 percent and 3.8 percent respectively (Table 7-5).

The CPI in Saudi Arabia is also influenced by price levels in the top countries exporting to Saudi Arabia.

Table 7-3: Impact of Major sections on the General Consumer Price Index (All Cities)

(2018 = 100)			
	Change% 2019	Weights%	Impact of Major sections on 2019 index
General Index	-2.1	100.00	100.00
Food and Beverages	2.1	18.78	12.06
Tobacco	1.0	0.60	0.16
Clothing and Footwear	-1.4	4.20	1.54
Housing, Water, Electricity, Gas, and Other Fuels	-8.6	25.50	63.33
Home Furnishing, Equipment and Maintenance	-0.6	6.74	1.68
Health	0.1	1.43	0.12
Transport	-1.4	13.05	7.26
Communication	-1.3	5.62	2.18
Recreation and Culture	-1.7	3.06	1.42
Education	2.5	2.87	2.21
Restaurants and Hotels	3.2	5.60	5.52
Miscellaneous Goods and Services	-0.4	12.57	2.57

Source: GaStat.

Table 7-4: Average Annual Wholesale Price Index

(2014 = 100)						
	Weights%	2017	2018	2019	Change%	
					2018	2019
General Index	100.0	100.7	116.8	119.1	16.0	2.0
Agriculture and fishery products	8.7	101.1	101.9	100.4	0.8	-1.5
Ores and minerals	0.6	93.0	98.7	97.3	6.1	-1.4
Food products, beverages, tobacco and textiles	17.3	100.6	108.1	107.4	7.5	-0.6
*Other goods	33.7	106.7	143.9	145.6	34.9	1.2
Metal products, machinery and equipment	39.7	95.8	101.1	106.1	5.5	4.9

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

Source: GaStat.

Table 7-6 shows the annual change in consumer prices of Saudi Arabia's top trading partners during 2019, according to the data of the IMF's World Economic Outlook published in April 2020. In 2019, the average consumer prices rose by 4.5 percent in India, 2.9 percent in China, 1.8 percent in the USA, 1.8 percent in the UK, 1.3 percent in Germany, 1.3 percent in France, 0.6 percent in Italy, 0.5 percent in Japan, and 0.4 percent in South Korea.

In GCC countries, the average consumer prices increased in 2019 by 1.1 percent in Kuwait, 1.0 percent in Bahrain, and 0.1 percent in Oman. Conversely, the average consumer prices declined in the UAE by 1.9 percent (Table 7-7).

Table 7-5: Selected Indices for Major Commodities

	2017	2018	2019	Change%	
				2018	2019
Commodity imports					
Commodity imports (Million SAR)	504,447	513,993	541,255	1.9	5.3
Indices for major commodities (2010=100)					
Energy products	68.1	87.0	76.0	27.8	-12.6
Food products	90.2	90.4	87.0	0.3	-3.8
Raw materials	81.2	81.4	78.0	0.2	-4.2
Precious metals	97.8	97.2	105.4	-0.6	8.4
SAR real and nominal effective exchange rates					
SAR nominal effective exchange rate*	115.1	114.3	118.1	-0.6	3.3
SAR real effective exchange rate**	114.4	113.4	113.2	-0.8	-0.2

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

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

Sources: GaStat, Commodity Markets Outlook, World Bank-April 2020, & International Financial Statistics (IFS)-IMF.

Table 7-6: Annual Changes in Consumer Prices in the Top Trading Partners

	2015	2016	2017	2018	2019
Developed countries	0.3	0.8	1.7	2.0	1.4
Emerging and developing countries	4.7	4.3	4.3	4.8	5.0
Top Trading Partners					
USA	0.1	1.3	2.1	2.4	1.8
Japan	0.8	-0.1	0.5	1.0	0.5
UK	0.04	0.7	2.7	2.5	1.8
China	1.4	2.0	1.6	2.1	2.9
Germany	0.7	0.4	1.7	2.0	1.3
India	4.9	4.5	3.6	3.4	4.5
France	0.1	0.3	1.2	2.1	1.3
Italy	0.1	-0.1	1.3	1.2	0.6
UAE	4.1	1.8	2.0	3.1	-1.9
South Korea	0.7	1.0	1.9	1.5	0.4

Source: IMF World Economic Outlook – April 2020.

Table 7-7: Annual Changes in Consumer Prices in GCC Countries

	2015	2016	2017	2018	2019
UAE	4.1	1.8	2.0	3.1	-1.9
Bahrain	1.9	2.7	1.4	2.1	1.0
Qatar	1.8	2.7	0.5	0.3	-0.7
Kuwait	3.7	3.5	1.6	0.6	1.1
Oman	0.1	1.1	1.6	0.9	0.1

Source: AMF World Economic Outlook – April 2020.

CAPITAL MARKET

8

A vertical photograph on the right side of the page. It shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In the foreground, there is a well-maintained green lawn with a low hedge. The image is partially obscured by a thick, vertical gold bar on the left side of the page.

Capital Market

The Capital Market Authority (CMA), the regulator and supervisor of the Saudi capital market, took many actions in 2019 aimed at the further development of the financial sector. CMA also strengthened procedures to further reduce risks related to securities transactions, protect investors from unfair practices, and ensure fairness and transparency in securities transactions. In addition, CMA introduced several initiatives under the Financial Leadership Program (FLP) and the Financial Sector Development Program (FSDP) with the aim of solidifying the position of the Saudi capital market as the main market in the Middle East and one of the world's top ten capital markets. In order to raise investment awareness, CMA continued to carry out many financial awareness and literacy campaigns through media and awareness activities and programs as well as communication with the public.

In 2019, CMA approved the initial public offering of five companies operating in software and services, commercial and professional services, real estate management and development, consumer services, and energy, in addition to one real estate investment trust (REIT). All these companies were listed on the Main Market (Tadawul), bringing the total number of listed companies and REITs to 199 at the end of 2019. Compared to 2018, the Tadawul All Share Index (TASI) went up by 7.2 percent in 2019 although the number of shares traded dropped by 13.1 percent. The total domestic assets of investment funds increased by 42.5 percent (SAR 39.8 billion) to SAR 133.4 billion at the end of 2019.

Tadawul Developments in 2019

CMA approved the IPO of the Saudi Arabian Oil Company (Saudi Aramco), which became the world's biggest-ever IPO, with the company's listing on the Main Market. The Saudi capital market was further expanded through the listing of new companies and the increase of trading activity and values. CMA also made a number of fundamental changes to the Parallel Market (Nomu). The most notable changes included allowing companies to be directly listed on Nomu without an initial public offering, setting procedures for the transfer of companies from Nomu to the Main Market, and introducing Nomu Capped Index (NomuC)³. In addition, CMA amended the Merger and Acquisition Regulations, through which the merger of the SABB and Alawal Bank was completed; this was the first merger between listed companies in the history of Tadawul. As part of its efforts to develop the Sukuk and traditional debt instruments market and support the initiatives introduced by the Financial Sector Development Program to deepen the debt instruments market in Saudi Arabia, CMA approved the listing and trading of government debt instruments with a total value exceeding SAR 69 billion in 2019. In addition, in cooperation with the Saudi Stock Exchange (Tadawul) and the National Debt Management Center, CMA made several improvements to the Sukuk and debt instruments market. To enhance the market attractiveness to foreign investors, Tadawul achieved its full inclusion in the Morgan Stanley Capital International (MSCI), Financial Times Stock Exchange (FTSE) Russell, and Standard and Poor's Dow Jones (S&P DJI) emerging markets indices. In addition, the MSCI Tadawul 30 (MT30) Index was launched. The Index represents the performance of the largest

³ NomuC will follow the same calculation methodology used for the main market indices, with the application of a capping threshold of 20% to limit the weight of any company in the Index, which will be reviewed on a quarterly basis.

and most liquid securities listed on Tadawul for investors.

In addition, Saudi REITs were included in the FTSE EPRA/Nareit Global Real Estate Index. The inclusion is aimed at increasing the level of disclosure and transparency, broadening the investor base, and enhancing accessibility to the capital market by foreign investors.

As for the developments of the Tadawul indices during 2019, TASI closed at 8,389.2 at the end of 2019, compared to 7,826.7 at the end of 2018, increasing by 7.2 percent. TASI registered its highest closing point of 9,362.0 on May 1, 2019. The market capitalization of issued shares dramatically increased by 385.5 percent to SAR 9,025.4 billion at the end of 2019 from SAR 1,859.0 billion at the end of 2018, due to Saudi Aramco's IPO.

The number of shares traded during 2019 dropped by 13.1 percent to 33.1 billion from 38.1 billion in the preceding year. However, the total value of shares traded increased by 1.1 percent to SAR 880.1 billion from SAR 870.9 billion in 2018. The number of transactions also rose by 13.5 percent to 28.4 million compared to 25.0 million in the preceding year (Table 8-1).

The daily average value of traded shares was SAR 3.5 billion in 2019. The daily average number of traded shares decreased by 13.5 percent to 132.2 million from 152.8 million in the preceding year. However, the daily average number of transactions executed went up by 13.1 percent to 113.6 thousand from 100.4 thousand.

On the other hand, Nomu closed at 7,439.9 at the end of 2019 against 2,520.7 at the end of 2018, increasing significantly by 195.1 percent. It registered its highest closing point of 7,664.3 on December 3, 2019. The market capitalization of issued shares increased by SAR 217.1 million to SAR 2.5 billion at the end of 2019.

The number of Nomu Index shares traded during 2019 went up by 207.9 percent to 80.0 million from 26.0 million in the preceding year. The total value of traded shares also jumped by 452.7 percent to SAR 2.3 billion from SAR 412.5 million in the preceding year. In addition, the number of transactions rose by 228.6 percent to 138.5 thousand compared to 42.2 thousand in the preceding year (Table 8-2).

The daily value of shares traded on Nomu averaged SAR 9.1 million against SAR 1.7 million in the preceding year, rising by 435.3 percent. The daily average number of traded shares also went

Table 8-1: Saudi Stock Market Indicators

Year	No. of shares traded	Change%	Value of shares traded (Billion SAR)	Change%	Market capitalization of issued shares (Billion SAR)	Change%	No. of trades (Thousand)	Change%	TASI	Change%
2014	67,134,345,824	30.2	2,146.5	56.7	1,812.9	560.4	35,761.1	23.5	8,333.3	-2.4
2015	64,374,649,643	-4.1	1,660.6	-22.6	1,579.1	-12.9	30,444.2	-14.9	6,911.8	-17.1
2016	65,005,407,626	1.0	1,157.0	-30.3	1,682.0	6.5	27,273.7	-10.4	7,210.4	4.3
2017	43,763,049,609	-32.7	836.3	-27.7	1,689.6	0.5	21,895.3	-19.7	7,226.3	0.2
2018	38,050,788,298	-13.1	870.9	4.1	1,859.0	10.0	25,011.9	14.2	7,826.7	8.3
2019	33,055,251,386	-13.1	880.1	1.1	9,025.4	385.5	28,395.8	13.5	8,389.2	7.2

Source: Saudi Stock Exchange (Tadawul).

up by 229.9 percent to 319.0 thousand in 2019 from 96.7 thousand in 2018. Similarly, the daily number of transactions averaged 553.9 against 169.3 in the preceding year, increasing by 227.2 percent.

The number of investors and investment portfolios registered in Tadawul in 2019 increased by 15.7 percent and 0.5 percent to 5.5 million and 9.9 million, respectively (Table 8-3).

A sectoral review of the activity of the Main Market (Tadawul) during 2019 indicates that the banks sector was the most active in terms of the number of shares traded, amounting to 7.9 billion and representing 24.0 percent of the total volume traded. Materials came second with 7.6 billion (23.0 percent of the total), followed by real estate management and development in third place with 3.6 billion (11.0 percent of the total).

In terms of the value of shares traded, banks ranked first with SAR 280.0 billion, representing 31.8 percent of the total value of shares traded in 2019. Materials came in second with SAR

214.3 billion (24.4 percent of the total), followed by energy with SAR 63.1 billion (7.2 percent of the total).

A review of Tadawul's performance by the number of transactions executed reveals that materials ranked first with 6.6 million, accounting for 23.4 percent of the total number of transactions executed in 2019. Banks came next with 4.4 million (15.6 percent of the total), followed by insurance with 3.3 million (11.8 percent of the total).

A sectoral comparison of the market capitalization of issued shares by the end of 2019 shows that energy ranked first with a value of SAR 7,089.1 billion, representing 78.5 percent of the total market capitalization of issued shares. Banks came second with SAR 690.3 million (7.6 percent of the total), followed by materials with SAR 541.9 million (6.0 percent of the total) (Table 8-4).

Regarding the three most active companies in terms of the number of transactions executed in 2019, Al Rajhi Bank took the lead with 1.2 million,

Table 8-2: Saudi Stock Market Indicators (Parallel Market - Nomu)

Year	No. of shares traded	Change%	Value of shares traded (Million SAR)	Change%	Market capitalization of issued shares (Billion SAR)	Change%	No. of trades (Thousand)	Change%	TASI	Change%
2018	25,968,243	-64.4	412.5	393.4	2.3	-99.2	42.2	-93.0	2,520.7	3.7
2019	79,957,689	207.9	2,279.8	452.7	2.5	9.3	138.5	228.6	7,439.9	195.1

Source: Saudi Stock Exchange (Tadawul).

Table 8-3: Number of Investors and Portfolios Registered in Tadawul

(End of year)				
Year	No. of investors registered in Tadawul	Change%	No. of portfolios registered in Tadawul	Change%
2016	4,616,540	1.3	8,988,585	6.7
2017	4,675,535	1.3	9,378,957	4.3
2018	4,741,870	1.4	9,844,247	5.0
2019	5,485,716	15.7	9,891,677	0.5

Source: Saudi Stock Exchange (Tadawul).

followed by Alinma Bank with 1.1 million and then SABIC with 813.3 thousand. In terms of the value of shares traded, Al Rajhi Bank led the market with SAR 108.9 billion, followed by SABIC with SAR 80 billion and Alinma Bank with SAR 57.8 billion. As for the number of shares traded, Alinma Bank topped the list with 2.4 billion, followed by Dar Al-Arkan and Al Rajhi Bank with 2.2 billion and 1.7 billion, respectively (Table 8-5).

An analysis of the activity of the Parallel Market (Nomu) by sectors during 2019 indicates that retailing came first in terms of the number of shares traded with 28.5 million, representing 35.5 percent of the total number of shares traded. Materials came second with 20.2 million (25.2 percent of the total), followed by capital goods with 12.8 million (16.0 percent of the total).

With regard to the value of shares traded on Nomu, retailing ranked first with SAR 785.4 million, representing 34.4 percent of the total value of shares traded in 2019. Capital goods came second with SAR 629.8 million (27.6 percent of the total), followed by materials with SAR 425.9 million (18.7 percent of the total).

A review of the trading activity of Nomu by the number of transactions executed in 2019 shows that retailing accounted for the largest share with 53.0 thousand, constituting 38.3 percent of the total number of transactions executed. Capital goods came in second place with 30.8 thousand (22.2 percent of the total). Materials came third with 20.4 thousand (14.7 percent of the total) (Table 8-6).

New Public Offerings in Tadawul

In 2019, the shares of five companies and one REIT were floated on Tadawul, with a total capital of SAR 114.5 billion. The number of issued shares totaled 200.6 billion, of which 3.2 billion were offered

to the public. The total market capitalization of issued shares amounted to SAR 7.1 trillion. Oversubscription averaged 2.0 times for companies with subscribers at the level of individuals in the market (Table 8-7).

The total number of subscribers for companies floated in 2019 was 5.2 million. Different subscription channels, such as telephone/online banking, ATMs and bank branches, contributed to facilitating the subscription process and reducing its completion time. The number of subscribers via telephone banking reached 103.7 thousand (2.0 percent of the total number of subscribers), 1.9 million (36 percent) via ATMs, and 1.5 million (28.3 percent) via online banking. Moreover, the number of subscribers via bank branches amounted to 1.7 million, accounting for 33.6 percent of the total number of subscribers (Table 8-8).

New Companies and REITs Added to TASI

The following companies and REIT were added to TASI in 2019:

1. Al Moammar Information Systems Company.
2. Alkhabeer REIT Fund.
3. Maharah Human Resources Company.
4. Arabian Centers Company.
5. Ataa Educational Company.
6. Saudi Arabian Oil Company (Saudi Aramco).

The following companies were delisted in 2019:

1. Sahara Petrochemical Company.
2. Alawwal Bank.

CMA's Efforts in Raising Investor Awareness in 2019

CMA publishes news and resolutions issued by its Board on its website to ensure that information is instantaneously and equally communicated to all investors. It also provides guidance for investors in securities and raises their awareness

Table 8-4: Saudi Stock Market Activity by Sector During 2019

Sector	No. Of shares traded		Value of shares traded		No. Of trades		Market capitalization	
	(Million shares)	(%) Ratio to total	(Billion SAR)	(%) Ratio to total	(Thousand)	(%) Ratio to total	(Million SAR)	(%) Ratio to total
Energy	1,858.5	5.6	63.1	7.2	1,500.7	5.3	7,089,144	78.5
Materials	7,605.5	23.0	214.3	24.4	6,610.3	23.3	541,863	6.0
Capital Goods	1,255.6	3.8	25.2	2.9	1,696.7	6.0	9,617	0.1
Commercial & Professional Services	138.9	0.4	7.3	0.8	324.9	1.1	12,437	0.1
Transport	603.3	1.8	13.0	1.5	652.2	2.3	13,918	0.2
Consumer Durables & Apparel	338.2	1.0	6.8	0.8	511.8	1.8	4,183	0.1
Consumer Services	857.6	2.6	19.1	2.2	980.2	3.5	21,164	0.2
Media	111.1	0.3	6.4	0.7	336.0	1.2	6,485	0.1
Retailing	591.6	1.8	22.7	2.6	942.8	3.3	34,139	0.4
Food & Staples Retailing	296.8	0.9	6.0	0.7	439.4	1.6	8,475	0.1
Food & Beverages	986.8	3.0	30.4	3.5	1,530.1	5.4	79,104	0.9
Health Care Equipment & Services	344.4	1.0	13.1	1.5	572.5	2.0	21,770	0.2
Pharma, Biotech & Life Science	29.1	0.1	0.8	0.1	46.5	0.2	3,270	0.01
Banks	7,945.7	24.0	280.0	31.8	4,428.3	15.6	690,297	7.6
Diversified Financials	343.4	1.0	4.3	0.5	339.9	1.2	30,120	0.3
Insurance	2,726.6	8.3	48.8	5.6	3,336.0	11.8	39,204	0.4
Software and Services	49.2	0.2	2.5	0.3	101.1	0.4	710	0.0
Communications	1,889.1	5.7	50.4	5.7	1,205.8	4.3	229,955	2.5
Utilities	526.2	1.6	10.0	1.1	330.0	1.2	86,566	1.0
REITs	955.0	2.9	8.5	1.0	738.6	2.6	15,102	0.2
Real Estate Management & Development	3,602.5	11.0	47.5	5.4	1,771.8	6.3	87,914	1.0
Total	33,055	100.0	880.138	100.0	28,396	100.0	9,025,435	100.0

Source: Tadawul 2019 Annual Report.

Table 8-5: Three Most Active Joint-Stock Companies in 2019

No. Of Transactions	Company	Al Rajhi Bank	Alinma Bank	SABIC
	(Thousand)	1,195.7	1,119.0	813.3
No. Of Shares Traded	Company	Alinma Bank	Dar Al-Arkan	Al Rajhi Bank
	(Billion)	2.4	2.2	1.7
Value of Shares Traded	Company	Al Rajhi Bank	SABIC	Alinma Bank
	(Billion SAR)	108.9	80.0	57.8

Source: Tadawul 2019 Annual Report.

Table 8-6: Saudi Stock Market Activity (Parallel Market - Nomu) by Sector During 2019

Sector	No. Of shares traded		Value of shares traded		No. Of trades		Market capitalization	
	(Million shares)	(%) Ratio to total	(Million SAR)	(%) Ratio to total	(Thousand)	(%) Ratio to total	(Million SAR)	(%) Ratio to total
Materials	20.2	25.2	425.9	18.7	20.4	14.7	--	--
Capital Goods	12.8	16.0	629.8	27.6	30.8	22.2	1,922.4	75.6
Commercial & Professional Services	0.3	0.4	5.1	0.2	1.9	1.4	202.2	8.0
Consumer Durables & Apparel	8.1	10.1	101.3	4.4	8.2	5.9	--	--
Consumer Services	9.5	11.8	292.4	12.8	20.1	14.5	197.3	7.8
Retailing	28.5	35.5	785.4	34.4	53.0	38.3	--	--
Software and Services	0.9	1.1	40.0	1.8	4.0	2.9	219.8	8.6
Total	80.2	100.0	2,279.8	100.0	138.47	100.0	2,542	100.0

Source: Tadawul 2019 Annual Report.

Table 8-7: New Public Offerings in the Saudi Stock Market (Main Market) in 2019

Company	Sector	Date of IPO	Capital (Million SAR)	Total issued shares (Million shares)	No. Of shares offered for public subscription (Million shares)	Floating price	Closing price 31/12/2019	Value of offering (Million SAR)	No. Of subscribers (Thousand)	Market capitalization (Million SAR)	No. Of over-subscription (Times)
Al Moammar Information Systems Company	Software and Services	17 March	160	16	5	45	44	216	8	710	1.5
Shuaa REIT Fund	REITs	25 March	592	59	31	10	--	305	--	--	--
Maharah Human Resources Company	Commercial & Professional Services	08 May	375	38	11	69	86	776	31	3,229	2.3
Arabian Centers Company	Real Estate Management & Development	09 May	4,750	475	95	26	29	2,476	26	13,846	0.6
Ataa Educational Company	Consumer Services	14 July	400	40	12	29	30	348	39	1,182	4.3
Saudi Arabian Oil Company (Saudi Aramco)	Energy	17 November	60,000	200,000	3,000	32	35	110,400	5,056	7,050,000	1.5
Total	--	--	66,277	200,628	3,153.6	--	--	114,521	--	7,068,967	--

Source: CMA and Tadawul 2019 Annual Report.

of laws, instructions and resolutions issued by its Board as well as potential risks and non-professional practices in the capital market, such as manipulation and misinformation.

In line with its strategy for monitoring its investor awareness programs and for this purpose, CMA has established several channels through which two main categories of programs were developed: media programs and investment literacy programs. Efforts exerted under media programs included the publication of 16 press releases through various media channels, the participation of CMA's officials in five press conferences with local and foreign news agencies, and the participation in a number of media and awareness conferences and symposia. On another note, CMA participated in a number of events, most notably the Riyadh International Book Fair, Biban Forum in the Eastern Province, Financial Sector Conference, Zakat and Tax Conference, the Smart Investor Program, and Jeddah International Book Fair. The participation was aimed at raising investment awareness for both investors and all segments of society in general as well as acquainting them with the valid sources of information and instructions and with the laws and regulations related to the capital market. This serves to promote the accessibility to fair and safe investment opportunities for investors

in addition to educating them and raising their awareness, thus safeguarding them against suspicious and fraudulent investments. Up to the end of 2019, the number of books and publications released by CMA totaled 32, copies of which were distributed at the various events in which CMA participated.

CMA continued its efforts to raise investor awareness through awareness campaigns in 2019, in particular the forex campaign, equity crowdfunding campaign, institutional investment campaign, fundamentals of investment campaign, capital market offering campaign, and planning and investment campaign. In 2019, CMA also held 29 workshops and forums on a number of topics, most notably the workshop on accounting firm registration conditions and procedures, an introductory workshop on special-purpose entities, a workshop on general assemblies for listed companies, and a conformity and compliance staff forum. Furthermore, in partnership with SAMA, CMA organized the Financial Stability Forum, which was attended by a number of specialists from government and quasi-government entities, banks, and finance and investment companies as well as academic specialists in this field.

Table 8-8: Number of Subscribers for IPOs by Channel of Subscription

(Thousand)					
Channel of Subscription	2018		2019		Change%
	Number	% Percentage	Number	% Percentage	
Phone Banking	37	36.3	103.7	2.0	180.3
ATM	32	31.4	1,859.8	36.0	5,711.9
Internet	30	29.4	1,462.7	28.3	4,775.7
Bank Branches	3	2.9	1,733.3	33.6	57,676.7
Total	102.0	100.0	5,159.5	100.0	4,958.3

Source: CMA.

CMA's Efforts in 2019 in Support of Achieving Vision 2030

CMA is working on several initiatives under the Financial Leadership Program (FLP) and the Financial Sector Development Program (FSDP) in support of Tadawul's position as the largest stock market in the Middle East and one of the world's top ten capital markets. Table 8-9 shows the most salient achievements made during 2019 and their impact.

Sukuk and Bonds Market in 2019

The Sukuk and Bonds Market Index closed at 1,007.3 points, bringing the total traded value of the Market to SAR 5,056.3 million in 2019. The traded value of corporate Sukuk and bonds reached SAR 140.7 million in 2019. The traded value of government debt instruments stood at SAR 4,915.6 million. In the same year, the number of transactions in the Sukuk and Bonds Market amounted to 185; government debt instruments constituted 96 percent of these transactions and corporate Sukuk and bonds accounted for the remaining 4 percent (Table 8-10).

Comparison Between Tadawul and Arab Stock Exchanges in 2019

The performance of Arab stock exchanges participating in the Arab Markets Database (AMDB) varied in 2019. Arab stock exchange indices declined in six Arab markets, namely Jordan, Oman, Tunisia, Lebanon, Palestine, and Syria. The stock exchanges of Lebanon, Oman, and Syria recorded the highest declines of 19.5 percent, 7.9 percent and 5.7 percent, respectively. On the other hand, the Khartoum Stock Exchange recorded the highest rise of 27.9 percent (Table 8-11).

The average total market capitalization of Arab financial markets increased by 187.7 percent to \$200.0 billion at the end of 2019 as compared to \$69.5 billion at the end of 2018. The market capitalization of the Saudi Stock Exchange

(Tadawul) recorded the highest increase of 385 percent, followed by the Damascus Securities Exchange with a rise of 58.9 percent. In contrast, the market capitalization of the Beirut Stock Exchange recorded the highest decrease of 19.8 percent at the end of 2019.

A comparison of selected Arab stock exchange indices at the end of 2019 shows that the Saudi Stock Exchange recorded the highest market capitalization among all Arab stock exchanges. The market capitalization of Tadawul stood at \$2,407.0 billion, compared to an average of \$200.0 billion for the Arab countries composing the AMF Index. The market capitalization of the Saudi Stock Exchange represented 80.2 percent of the total market capitalization of Arab stock exchanges at the end of 2019. Moreover, the value of shares traded on the Saudi Stock Exchange amounted to \$62.5 billion at the end of 2019, constituting 68.2 percent of the total value of shares traded on the markets of Arab countries participating in AMDB.

The number of companies traded on Tadawul reached 199 at the end of 2019. The average market capitalization stood at \$2,407 billion per company, compared to an average number of 99 companies with an average market capitalization of \$200.0 billion per company for the Arab countries (Table 8-12 and Chart 8-1).

Developments of Investment Funds

The number of investment funds managed by investment companies in Saudi Arabia increased by 1.6 percent to 253 in 2019. The total assets of these funds also rose, by 43 percent, to SAR 160.0 billion. Domestic assets and foreign assets of investment funds increased by 42.5 percent and 45.6 percent to SAR 133.4 billion and SAR 26.5 billion, respectively. Moreover, foreign assets constituted 16.6 percent of the total assets of the funds compared to 83.4 percent for domestic

assets. The number of investment fund subscribers stood at around 330 thousand at the end of 2019, decreasing by 0.9 percent from that of the preceding year (Table 8-13 and Chart 8-2).

A review of the breakdown of funds' investments inside and outside Saudi Arabia in 2019 indicates that total investments on global stock exchanges decreased by 4.0 percent to SAR 4.1 billion. However, investment in domestic equities rose by 6.9 percent to SAR 23.0 billion, accounting for 14.4 percent of total funds' investments in equities versus 19.2 percent at the end of 2018. Investment in domestic and foreign equities accounted for 17.0 percent of total assets of investment funds at the end of 2019 against 23.1 percent at the end of 2018.

Funds' investments in foreign bonds declined by 2.1 percent to SAR 1.0 billion in 2019. Funds' investments in domestic Sukuk and bonds, however, went up by 53.9 percent to SAR 6.9 billion compared to SAR 4.5 billion at the end of 2018. Investments in domestic and foreign bond markets accounted for 5.0 percent of investment funds' total assets at the end of 2019 compared to 4.9 percent at the end of the preceding year.

Funds' investments in domestic and foreign money market instruments accounted for 61.3 percent of investment funds' total assets at the end of 2019 against 52.0 percent at the end of the preceding year. Investment in domestic money market instruments increased by 68.8 percent from SAR 45.4 billion at the end of 2018 to SAR 76.7 billion at the end of 2019, accounting for 78.3 percent of total investments in money market instruments against 78.1 percent at the end of 2018. Furthermore, investments in foreign money market instruments rose by 67.1 percent to SAR 21.3 billion at the end of 2019 compared to SAR 12.7 billion at the end of 2018.

Investments in other domestic assets went up by 17.6 percent to SAR 3.04 billion at the end of 2019, accounting for 97.5 percent of total investments in other domestic and foreign assets compared to 95.5 percent at the end of the preceding year. Nevertheless, investments in other foreign assets declined by 35.4 percent to SAR 80 million at the end of 2019.

On the other hand, investments in real estate assets increased by 21.1 percent to SAR 23.8 billion in 2019, representing 14.9 percent of investment funds' total assets compared to 17.5 percent at the end of the preceding year (Table 8-14).

An analysis of the classification of investment companies by funds' assets shows that NCB Capital took the lead in terms of the assets of its investment funds, which stood at SAR 47.8 billion, representing 29.9 percent of total assets of investment funds. Riyadh Capital came next with SAR 30.4 billion (19.0 percent of the total), followed by Al Rajhi Capital with SAR 14.1 billion (8.8 percent of the total).

As for the total number of investment funds, Riyadh Capital came first with 30 funds, one of which was close-ended. NCB Capital came second with 26 funds, two of which were close-ended. Samba Capital and Investment Management Company came third with 20 funds, all of which were open-ended.

A breakdown of investment companies ranking by the number of subscribers shows that Riyadh Capital ranked first with 75.6 thousand, followed by NCB Capital with 37.3 thousand and Al Rajhi Capital with 35.7 thousand (Table 8-15).

Table 8-9: CMA's Key Achievements in 2019 to Realize Vision 2030 and the Expected Impact

Initiative	Purpose	Achievement & Impact	Description
Facilitating Financing	1) Deepening the Capital Market and enhancing its role in capital formation	Achievement	Amendment of the Rules on the Offer of Securities and Updated Continuing Obligations. Approval of the amended Listing Rules.
		Impact	The investment restrictions imposed under the Capital Market Law and its Implementing Regulations do not apply to the foreign investors' investments (whether residents or non-residents) in the shares of a foreign issuer whose shares are listed on the Main Market pursuant to the Listing Rules. *Allowing all categories of foreigners to directly invest in the shares of a foreign issuer whose shares are listed on the Main Market pursuant to the Listing Rules. *Allowing companies to be directly listed on the Parallel Market (Nomu) without an initial public offering. *Setting procedures for the transfer of companies from the Parallel Market to the Main Market. *Expanding the scope of exempt offer to include individual investors in one of the exempt offers (under certain conditions).
		Achievement	IPO and listing of the Saudi Arabian Oil Company (Saudi Aramco).
		Impact	Deepening the Saudi Capital Market through the listing of new companies and the increase of trading activity and values.
		Achievement	A number of fundamental changes were made to the Parallel Market (Nomu), most notably the following: -Allowing companies to be directly listed on Nomu without an initial public offering. -Setting procedures for the transfer of companies from the Parallel Market to the Main Market. -Changing the frequency of financial reporting from quarterly to semi-annual. -Introducing Nomu Capped Index (NomuC).
		Impact	-Developing the Parallel Market and increasing the number of its listed companies. -Higher market performance and increasing numbers of investors. -Higher trading activity and values in the Parallel Market.
		Achievement	-Announcement of several incentives for listed companies, in cooperation with various government entities, as follows: -Raising financing limits for publicly listed companies (Saudi Industrial Development Fund). -Providing a fast-track service and a relationship manager to help settle any disputes related to zakat or tax (General Authority of Zakat and Tax). -Facilitating the approval process for listed companies to register foreign partners (Saudi Arabian General Investment Authority).
		Impact	Supporting publicly-listed national companies and encouraging qualified companies to list on the stock market.
		Achievement	Amendment of the Merger and Acquisition Regulations.
		Impact	Successful completion of the merger of SABB and Alawwal Bank as the first merger between listed companies in the history of Tadawul.
	2) Developing the Sukuk and debt instruments market	Achievement	Announcement of a series of enhancements to the <i>Sukuk</i> and debt instruments market by the CMA, Tadawul and the Debt Management Office, including the following: -Reducing the par values of government issued <i>Sukuk</i> from SAR 1 million to SAR 1,000. -Reducing Edaa's IPO file upload fees. -Reducing Edaa's annual registry fees. -Reducing the minimum annual listing fees for first and subsequent issuances. -Introducing caps for annual listing fees for first and subsequent issuances. -Reducing the trading commission for <i>Sukuk</i> and bonds.
		Impact	Stimulating the listing and trading of <i>Sukuk</i> and debt instruments by restructuring the fees, thus increasing the number of transactions.
		Achievement	Listing and trading of government debt instruments on the Saudi Stock Exchange, with a total value exceeding SAR 69 billion in 2019.
		Impact	Continued government coordination to deepen the debt instruments market in Saudi Arabia, as one of the main initiatives of the Financial Sector Development Program.

Encouraging Investment	3) Enhancing the market attractiveness to foreign investors	Achievement	Allowing online opening of investment accounts.
		Impact	Enabling investors to open investment accounts online.
		Achievement	Issuance of the "Instructions for the Foreign Strategic Investors' Ownership in Listed Companies".
		Impact	Setting out the provisions, requirements and conditions necessary for the Foreign Strategic Investors' ownership of Strategic Shareholdings in listed companies. - There is no maximum limit on the percentage of foreign strategic investors' ownership in listed companies.
		Achievement	Inclusion in the emerging markets indices: MSCI, FTSE Russel, and S&P Dow Jones.
		Impact	Higher numbers of qualified foreign investors. Higher foreign investor ownership. Higher net foreign investment in the financial market.
		Achievement	Inclusion of Saudi REITs in the FTSE EPRA/Nareit Global Real Estate Index.
		Impact	Increasing the level of disclosure and transparency in REITs market, keeping pace with international best practices, and broadening the investor base by enhancing the visibility of the Saudi REITs market for foreign investors.
		Achievement	Launching the MSCI Tadawul 30 Index (MT30), which represents the performance of the largest securities listed on the Saudi equity market.
		Impact	The MT30 Index will provide investors with a useful benchmark of the 30 largest and most liquid securities listed on the Saudi equity market and will serve as the basis for the development of an index futures contract listed on Tadawul. It can be used as a base for financial products including derivatives and exchange-traded funds (ETFs).
		Achievement	Higher ranking of Saudi Arabia in international indicators.
		Impact	Enhancing the market attractiveness to foreign investors, as: -Saudi Arabia ranked 36, compared to 39 in 2018, as indicated in the Global Competitiveness Report 2019 issued by the World Economic Forum. -Saudi Arabia ranked 62, compared to 92 last year, advancing 30 places according to Doing Business 2020 report issued by WBG. According to the report, Saudi Arabia is among the economies with the most notable improvement in Doing Business. -Saudi Arabia's ranking rose in 13 indicators, related to the CMA's work, in the IMD's World Competitiveness Yearbook.
	Achievement	The joining of CMA to the membership of the International Forum of Independent Audit Regulators (IFIAR).	
	Impact	Enhancing cooperation and consistency in regulatory activity and providing a platform for dialogue with other international organizations that have an interest in audit quality. The platform enables members to exchange information about the evolving audit environment and practical experience of the audit independent regulatory activity.	
	4) Diversifying investment products and mechanisms available in the capital market	Achievement	Adding a trade-at-last session to trade at the closing price.
		Impact	Aligning the market with the international best practices by setting a flexible mechanism that allows investors to trade after the closing auction at the closing price.
		Achievement	Establishment of "Fintech Saudi Hub" in cooperation with SAMA.
		Impact	Supporting fintech entrepreneurs and SMEs by providing spaces for the joint work and design of innovative models for innovative solutions and a business accelerator program.

Source: CMA.

Table 8-10: Sukuk and Bonds Market Statistics in 2019

Sukuk and bonds	Index closed at (Point)	Value traded (Million SAR)	Number of trades (Trade)
Corporates Sukuk & Bonds	994.2	140.7	7
Government Debt Instruments	1,019.7	4,915.6	178
Sukuk & Bonds Market	1,007.3	5,056.3	185

Source: Tadawul 2019 Annual Report.

Table 8-11: Annual Change in Selected Arab Markets (2019)

Market	(Percentage)		
	Number of shares traded	Market capitalization of shares	Price index of shares
Saudi Arabia	-0.6	385.0	7.2
Kuwait	69.1	25.1	11.8
Egypt	-11.7	1.4	7.1
Morocco	-4.3	6.2	7.1
Bahrain	-39.2	23.6	20.4
Jordan	-17.1	-7.5	-4.9
Oman	29.9	3.2	-7.9
Tunisia	-17.7	-14.8	-5.2
Lebanon	-71.4	-19.8	-19.5
Abu Dhabi	2.5	5.1	3.3
Algeria	121.7	0.8	8.0
Dubai	-0.4	9.1	9.3
Sudan	-78.3	25.4	27.9
Palestine	1.9	13.0	-0.6
Syria	59.3	58.9	-5.7

Source: Arab Monetary Fund, the Arab Capital Market Database - Arab Capital Markets, 4th Quarter Bulletin 2019.

Chart 8-1: Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2019 by Market Capitalization

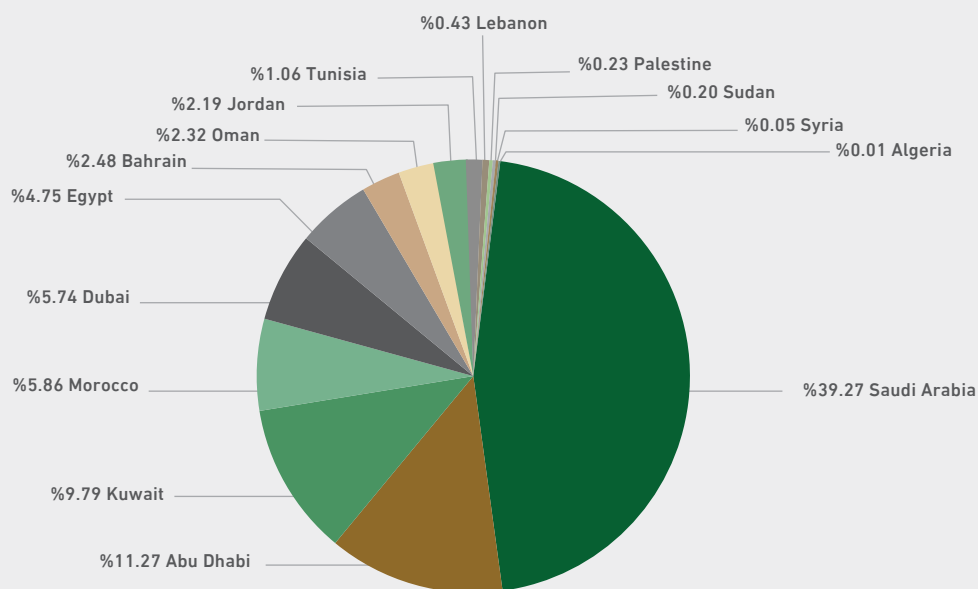


Table 8-12: Key Indicators of Arab Capital Markets in 2019

	Index annual change (%)	Market capitalization (Million \$)	No. of listed companies	GDP at current prices (Billion \$)*	Average company size (Million \$)	Market depth (%)**
Saudi Arabia	7.2	2,406,948	199	1,901	12,095	126.6
Kuwait	12	118,067	216	309	547	38.2
Egypt	7	42,358	248	1,391	171	3.0
Morocco	7	64,204	75	327	856	19.6
Bahrain	20	26,882	44	77	611	34.9
Jordan	-5	21,022	191	96	110	21.8
Oman	-8	48,744	130	205	375	23.8
Tunisia	-5	8,377	81	149	103	5.6
Lebanon	-19	7,759	28	84	277	9.2
Abu Dhabi	3	144,607	69	744	2,096	19.4
Algeria	8	372	2	669	186	0.1
Dubai	9	101,970	67	744	1,522	13.7
Sudan	28	3,114	67	175	46	1.8
Palestine	-1	4,210	48	--	88	--
Syria	-6	2,059	24	--	86	--
Average	3.9	200,046	99	529	1,278	24

* International Monetary Fund. ** Market capitalization to GDP.

Source: Arab Monetary Fund, the Arab Capital Market Database - Arab Capital Markets, 4th Quarter Bulletin 2019.

Chart 8-2: Assets of Investment Funds at Domestic Investment Companies

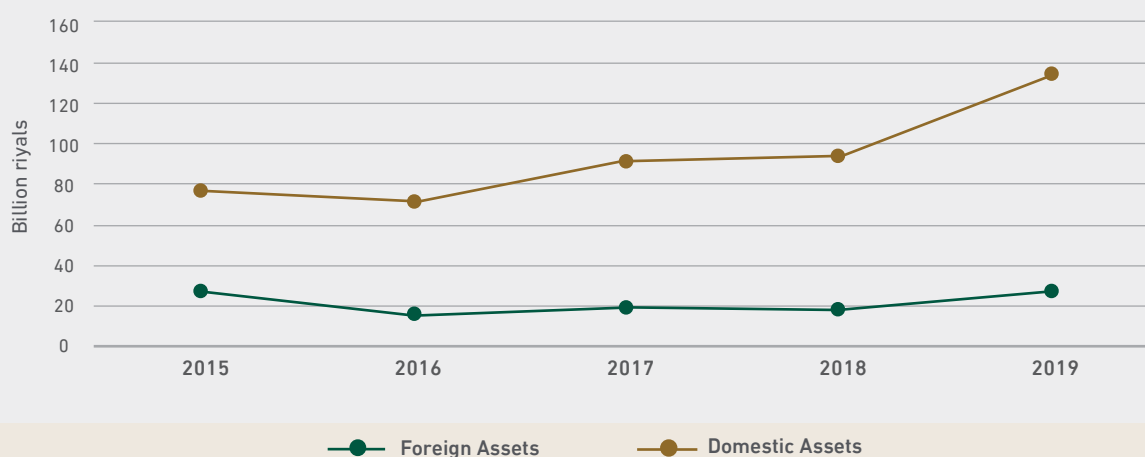


Table 8-13: Key Indicators of Investment Funds Managed by Domestic Investment Companies

Year	No. Of funds	Change %	Investments in domestic assets (Billion SAR)	Change %	Investments in Foreign assets (Billion SAR)	Change %	Funds' total assets (Billion SAR)	Change %	No. Of subscribers (Thousand)	Change %
2014	252	6.8	81.9	0.0	28.8	35.3	110.7	7.3	246.0	-4.7
2015	270	7.1	75.9	-7.3	27.0	-6.4	102.9	-7.1	237.0	-3.7
2016	275	1.9	70.7	-6.9	17.2	-36.3	87.8	-14.6	224.4	-5.3
2017	273	-0.7	91.1	29.0	19.1	11.1	110.2	25.5	238.4	6.3
2018	249	-8.8	93.6	2.7	18.2	-4.6	111.9	1.5	332.6	39.5
2019	253	1.6	133.4	42.5	26.5	45.6	160.0	43.0	329.7	-0.9

Source: CMA.

Table 8-14: Assets of Investment Funds Managed by Domestic Investment Companies by Type of Investment

(Million SAR)										
End of period	Domestic equities	Foreign equities	Domestic sukuk and bonds	Foreign bonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real estate investments	Total assets
2015	20,025	10,573	5,830	2,017	43,691	12,976	4,014	407	3,365	102,898
2016	16,386	4,940	5,577	1,282	40,793	10,570	4,698	388	3,200	87,836
2017	17,988	5,420	4,996	1,528	55,169	11,598	8,743	542	4,249	110,233
2018	21,512	4,321	4,494	1,032	45,447	12,736	2,588	123	19,609	111,862
2019	23,000	4,150	6,915	1,011	76,729	21,276	3,043	80	23,754	159,958

Source: CMA.

Table 8-15: Classification of Investment Companies by Assets, Number of Funds and Subscribers in 2019

Company	No. of funds		Total	Assets of funds (Million SAR)		Total	No. of subscribers
	Close-ended	Open-ended		Domestic	Foreign		
Saudi Economic and Development Company (SEDCO)	1	1	2	1,204.6	0.0	1,204.6	19,069
HSBC Saudi Arabia Limited	0	19	19	7,745.8	581.7	8,327.5	22,932
Itqan Capital Co.	0	2	2	54.2	38.1	92.3	46
Arbah Capital Co.	0	2	2	25.5	10.4	35.9	27
Ashmore Investment Saudi Arabia	0	2	2	407.4	375.7	783.1	32
Osool & Bakheet Investment Company	1	4	5	728.8	0.0	728.8	3,133
Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital)	0	4	4	746.6	187.0	933.6	457
Alinma Investment Co.	1	8	9	8,927.5	0.0	8,927.5	4,884
NCB Capital Co.	2	24	26	37,474.1	10,383.6	47,857.7	37,274
Alawwal Capital Co.	0	3	3	297.4	3.8	301.2	65
Alawwal Invest Co.	0	7	7	1,735.4	85.3	1,820.7	1,663
AlBilad Investment Co.	0	10	10	1,989.0	31.1	2,020.1	22,557
Al Jazira Capital Co.	3	11	14	2,895.9	2,690.1	5,586.0	4,189
Alkhabeer Capital Co.	1	0	1	1,041.6	0.0	1,041.6	6,696
Alkhabeer Capital Saudi Arabia Co.	0	4	4	26.7	22.3	48.9	43
Al Rajhi Financial Services Co.	1	13	14	8,136.0	5,997.7	14,133.7	35,706
Riyad Capital Co.	1	29	30	29,466.7	951.3	30,418.0	75,602
Saudi Fransi Capital	2	10	12	4,802.5	578.1	5,380.6	13,384
Middle East Financial Investment Co.	2	3	5	1,378.0	0.0	1,378.0	11,577
ANB Invest Co.	1	7	8	3,284.6	1.0	3,285.6	6,027
Alfa Financial LLC	0	2	2	524.8	278.9	803.7	48
Wasatah Capital Co.	0	1	1	9.7	0.0	9.7	7
Blominvest Saudi Arabia Co.	0	4	4	127.4	15.0	142.4	14
Global Investment House - Saudia (Global Saudi)	0	1	1	625.7	0.0	625.7	3
Saudi Kuwaiti Finance House	0	3	3	50.1	5.2	55.3	119
Bait Al Mal Al Khaleeji Co.	0	3	3	75.7	0.0	75.7	28
Tharwat for Financial Securities Co.	0	1	1	1.9	0.0	1.9	1
Jadwa Investment Co.	2	5	7	2,841.5	268.2	3,109.7	16,154
GIB Capital	0	3	3	106.0	11.9	117.9	19
Derayah Financial Co.	1	2	3	1,562.6	3.7	1,566.3	5,111
Samba Capital	0	20	20	9,660.1	3,766.8	13,426.9	23,854
Swicorp	1	0	1	1,116.3	0.0	1,116.3	5,532
Audi Capital Co.	0	3	3	83.8	51.6	135.4	33
FALCOM Financial Services	0	5	5	1,117.8	0.0	1,117.8	731
KASB Capital	2	4	6	338.1	0.0	338.1	1,220
Muscat Capital Co.	1	2	3	760.3	177.9	938.2	3,423
Musharaka Capital Co.	1	1	2	1,085.5	0.0	1,085.5	3,613
Mulkia Investment Co.	1	2	3	910.0	0.0	910.0	4,434
Morgan Stanley Saudi Arabia Co.	0	1	1	64.8	0.0	64.8	7
Al-Nefae Investment Group	0	2	2	11.2	0.0	11.2	25
Total	25	228	253	133,441.6	26,516.4	159,958.1	329,739

Source: CMA.

EXTERNAL SECTOR

9



External Sector

According to preliminary data of the General Authority for Statistics (GaStat), the total value of Saudi Arabia's oil exports stood at SAR 758.9 billion in 2019, accounting for 77.4 percent of Saudi Arabia's total exports, compared to SAR 868.4 billion in 2018. The ratio of 2019 oil exports to GDP reached 25.5 percent. The total value of imports (CIF) amounted to SAR 541.3 billion, constituting 18.2 percent of GDP. Estimates of Saudi Arabia's balance of payments indicated a surplus of SAR 186.9 billion in the current account in 2019, constituting 6.3 percent of GDP.

External Trade

External trade figures showed that the total value of Saudi Arabia's merchandise trade (exports + imports) decreased by 5.9 percent to SAR 1,521.9 billion in 2019 compared to SAR 1,617.9 billion in the preceding year. As an indication of commercial openness to the world economy, the external merchandise trade to GDP ratio stood at 51.2

percent in 2019 compared to 54.9 percent in the preceding year.

Exports

According to GaStat data, the total value of Saudi Arabia's merchandise exports recorded SAR 980.7 billion in 2019 compared to SAR 1,103.9 billion in 2018, dropping by 11.2 percent compared to a rise of 32.7 percent in the preceding year (Table 9-1).

Oil Exports

Saudi Arabia's oil exports amounted to SAR 758.9 billion, dropping by 12.6 percent compared to a rise of 36.0 percent in the preceding year. They constituted 77.4 percent of total exports (Table 9-1). This decline from 2018 was attributed to the decrease in oil prices in global markets, with the average price of Arab light crude standing at \$64.96 per barrel in 2019 compared to \$70.59 per barrel in 2018, according to OPEC data, and the fall of Saudi Arabia's average production of crude oil from 10.32 million bpd in 2018 to 9.81 million bpd in 2019.

Data on oil exports by type indicate that the value of crude oil exports dropped by 11.1 percent from

Table 9-1: Saudi Arabia's Commodity Exports

(Million SAR)											
	2015	2016	2017	2018	2019*	Share				Change% 2018	Change% 2019
						2016	2017	2018	2019		
Oil exports	573,412	510,729	638,402	868,442	758,887	74.2	76.7	78.7	77.4	36.0	-12.6
Crude Oil	486,546	419,878	513,181	704,505	626,508	61.0	61.7	63.8	63.9	37.3	-11.1
Refined Products	86,866	90,851	125,222	163,938	132,379	13.2	15.1	14.9	13.5	30.9	-19.3
Non-Oil Exports	189,901	177,694	193,479	235,443	221,794	25.8	23.3	21.3	22.6	21.7	-5.8
Petrochemicals	114,916	104,519	116,609	154,721	140,613	15.2	14.0	14.0	14.3	32.7	-9.1
Construction Materials	13,681	13,291	14,424	20,776	17,632	1.9	1.7	1.9	1.8	44.0	-15.1
Agricultural, Animal and Food Products	13,611	13,544	13,279	13,789	13,771	2.0	1.6	1.2	1.4	3.8	-0.1
**Other Goods	47,693	46,340	49,167	46,157	49,778	6.7	5.9	4.2	5.1	-6.1	7.8
Total	763,313	688,423	831,881	1,103,900	980,681	100.0	100.0	100.0	100.0	32.7	-11.2

* Preliminary data.

** Including re-exports.

Source: GaStat.

SAR 704.5 billion in 2018 to SAR 626.5 billion in 2019, constituting 63.9 percent of total exports. The value of refined products exports fell by 19.3 percent from SAR 163.9 billion to SAR 132.4 billion, representing 13.5 percent of total exports. Chart 9-1 shows the developments in Saudi Arabia's oil exports.

Non-oil Exports

According to non-oil exports data, Saudi Arabia's non-oil exports declined by 5.8 percent to SAR 221.8 billion in 2019 versus an increase of 21.7 percent in the preceding year, representing a share of 22.6 percent of total exports (Table 9-1). The value of petrochemical exports went down by 9.1 percent to SAR 140.6 billion with a share of 14.3 percent of total exports. The value of construction materials exports fell by 15.1 percent to SAR

17.6 billion, constituting a share of 1.8 percent of the total. On the other hand, the value of other commodities exports, including re-exports, increased by 7.8 percent to SAR 49.8 billion, representing a share of 5.1 percent of the total. The value of agricultural, animal and food products exports remained at SAR 13.8 billion with a share of 1.4 percent of total exports. Chart 9-2 shows the values and developments of non-oil exports over the period 2015-2019.

Development of Saudi Non-Oil Exports

The Saudi Export Program (SEP) is one of the key programs launched by the Saudi Fund for Development (SFD). The program offers credit facilities and insurance to exporters with the aim of diversifying the national income sources through developing non-oil exports and promoting

Chart 9-1: Saudi Oil Exports

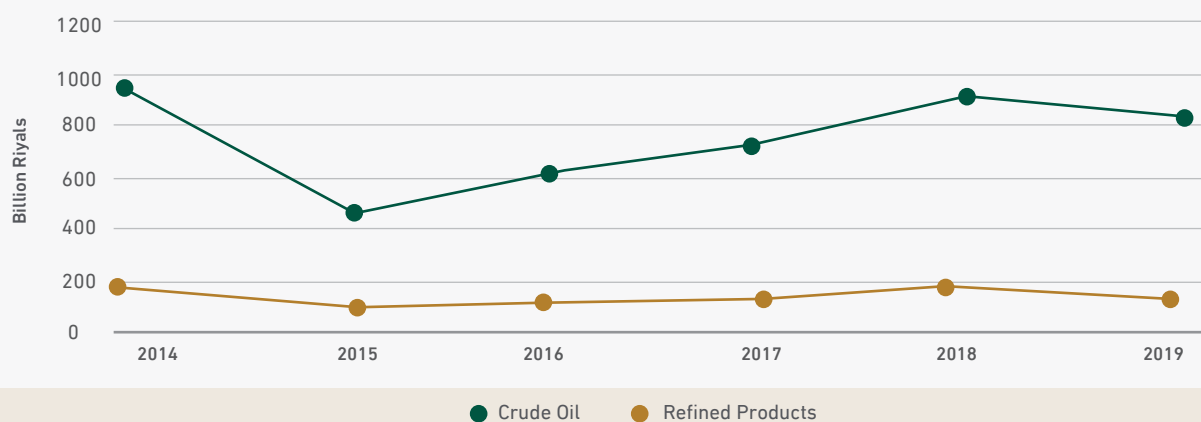
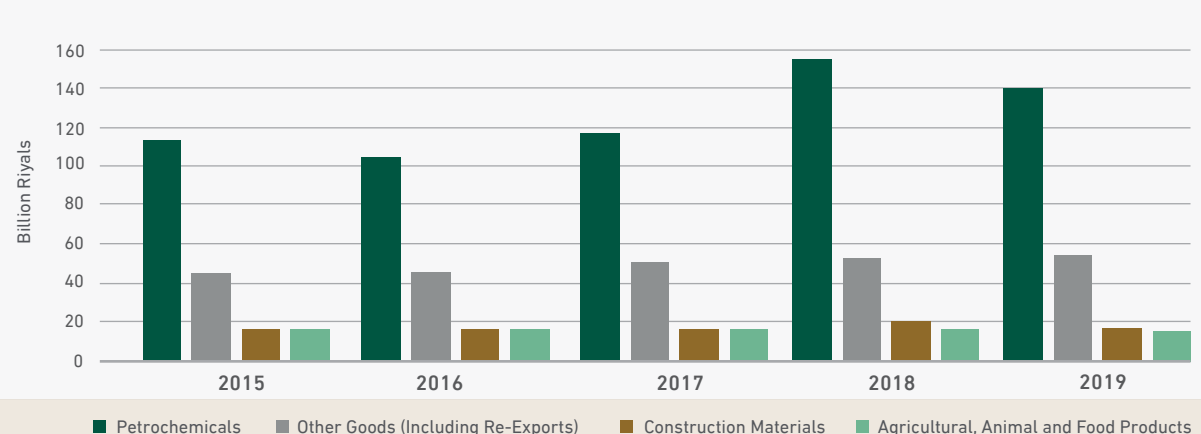


Chart 9-2: Components of Saudi Non-Oil Exports



their competitiveness in line with the objectives of Saudi Vision 2030. In addition, the Saudi Export Development Authority (SEDA) plays a prominent role in developing exports by conducting studies and developing plans to overcome the challenges facing exporters. It also participates in international events and trade commissions with the goal of marketing national products, and organizes workshops to develop the capacities and expertise of Saudi exporting institutions. Moreover, SEDA sets the national strategy and development programs for non-oil exports in consultation and cooperation with relevant bodies.

The value of finance operations approved by the SFD since the launch of the SEP has reached a total of SAR 47.7 billion. SEP approved a diverse set of export finance operations with a total value of SAR 1.8 billion in 2019 (Table 9-2). SEP finance operations in 2019 were as follows: SAR 1.6 billion to manufacturing, SAR 225 million to construction, and SAR 11 million to financial activities.

Imports

Data show that the value of imports of goods (CIF) increased by 5.3 percent to SAR 541.3 billion in 2019 against SAR 514.0 billion in the preceding year (Table 9-3).

Detailed data on Saudi Arabia's imports by main component for 2019 (Chart 9-3) show that imports

of electric machinery, appliances and equipment (SAR 117.2 billion) ranked first with a share of 21.6 percent of total imports, an increase of 5.4 percent over the preceding year. Imports of transport equipment (SAR 105.9 billion) came second, constituting 19.6 percent and increasing by 25.1 percent. Imports of other goods (SAR 82.6 billion) came third and constituted 15.3 percent of total imports, decreasing by 4.6 percent, followed by imports of foodstuffs (SAR 75.5 billion) with a share of 14.0 percent, a decline of 5.9 percent. Imports of chemical and related products (SAR 72.7 billion) ranked fifth with a share of 13.4 percent, rising by 5.1 percent; imports of ordinary metals and their products (SAR 47.2 billion) with a share of 8.7 percent, increasing by 7.3 percent; and imports of textiles and clothing (SAR 22.1 billion) with a share of 4.1 percent, increasing by 22.0 percent. The final category, imports of wood and jewelry (SAR 18.0 billion), had a share of 3.3 percent, falling by 9.9 percent from the preceding year.

Destination of Exports and Origin of Imports

The destination of exports and origin of imports are divided into four groups. The first group includes the top five non-Arab countries. The second group comprises the GCC member countries, the third contains Arab countries excluding the GCC, and the fourth includes other countries (Table 9-4).

Table 9-2: Finance and Insurance of Saudi Exports

Sector	(Million SAR)							
	2016		2017		2018		2019*	
	Finance	Insurance	Finance	Insurance	Finance	Insurance	Finance	Insurance
Manufactured Metal Products, Machines and Equipment	0	214	150	385	12,155	632	1,605	--
Chemical and Plastic Products	5,063	1,892	375	1,165	0	2,078	0	--
Capital Projects	0	0	750	0	2,452	0	225	--
Credit Lines	563	0	56	0	0	0	11	--
Others	11	60	0	47	0	72	0	--
Total	5,636	2,166	1,331	1,598	14,607	2,782	1,841	--

* Preliminary data.

Source: The Saudi Fund for Development.

Imports by Origin

Detailed data of total imports indicate that imports from the top five non-Arab exporting countries to Saudi Arabia increased by 8.1 percent to SAR 240.6 billion in 2019, with a share of 43.0 percent of Saudi Arabia's total imports. Imports from China (SAR 101.5 billion) ranked first with a share of 18.1 percent of the total imports, increasing by 24.1 percent over the preceding year, followed by imports from the United States (SAR 64.0 billion) with a share of 11.4 percent, down by 9.4 percent. Imports from Germany (SAR 26.3 billion) ranked third with a share of 4.7 percent, dropping by 7.2 percent; imports from Japan (SAR 24.5 billion) came fourth with a share of 4.4 percent, increasing by 19.2 percent; and imports from India (SAR 24.3 billion) followed with a share of 4.3 percent and an increase of 14.1 percent.

Saudi Arabia's imports from GCC countries fell by 4.6 percent to SAR 54.3 billion during 2019, accounting for 10.0 percent of total imports. However, imports from other Arab countries rose by 27.3 percent to SAR 18.4 billion, constituting 3.4 percent of the total. Imports from other countries also rose by 3.6 percent to SAR 227.9 billion, accounting for 42.1 percent of the total. Chart 9-4A illustrates Saudi Arabia's imports by origin in 2019.

Destination of Exports

Saudi Arabia's exports to the top five non-Arab countries decreased by 9.2 percent to SAR 510.4 billion in 2019, with a share of 52.0 percent of total exports. Exports to China (SAR 179.7 billion) ranked first with a share of 18.3 percent of total exports, increasing by 22.5 percent. Exports to

Chart 9-3: Shares of Saudi Imports (CIF) by Main Components

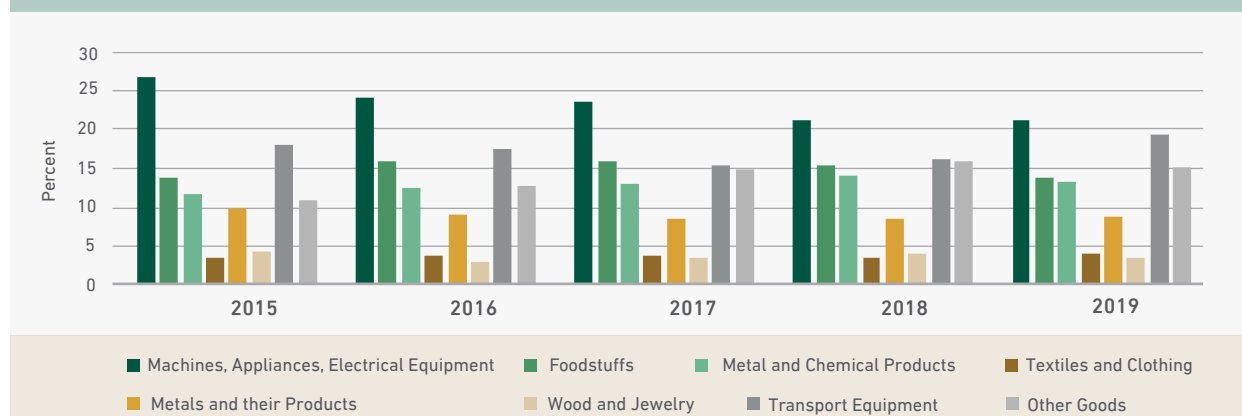


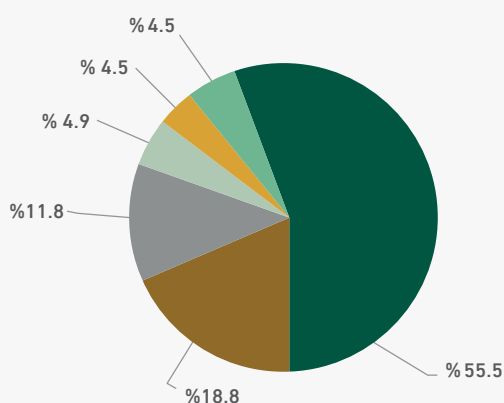
Table 9-3: Saudi Arabia's Imports (CIF) by Main Component

	Million SAR				Share				Change%	
	2016	2017	2018	2019*	2016	2017	2018	2019	2018	2019
Machines, appliances and electrical equipment	129,334	120,522	111,167	117,179	24.6	23.9	21.6	21.6	-7.8	5.4
Foodstuffs	85,075	81,774	80,249	75,532	16.2	16.2	15.6	14.0	-1.9	-5.9
Chemical and related products	66,777	66,827	69,202	72,742	12.7	13.2	13.5	13.4	3.6	5.1
Textiles and clothing	20,050	18,830	18,115	22,093	3.8	3.7	3.5	4.1	-3.8	22.0
Metals and their products	47,411	43,449	43,988	47,199	9.0	8.6	8.6	8.7	1.2	7.3
Wood and jewelry	15,763	17,501	19,997	18,019	3.0	3.5	3.9	3.3	14.3	-9.9
Transport equipment	93,925	79,397	84,652	105,870	17.9	15.7	16.5	19.6	6.6	25.1
Other goods	67,301	76,146	86,623	82,622	12.8	15.1	16.9	15.3	13.8	-4.6
Total	525,636	504,446	513,993	541,256	100.0	100.0	100.0	100.0	1.9	5.3

* Preliminary data.

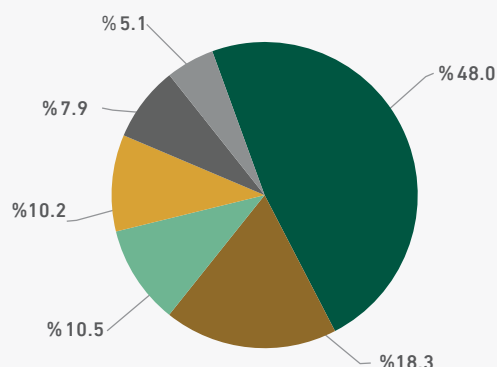
Source: GaStat.

Chart 9-4A: Saudi Arabia's Imports by Origin



China Japan USA
Germany India Other Countries

Chart 9-4B: Saudi Arabia's Exports by Destination



China Japan South Korea
India USA Other Countries

Table 9-4: Destination of Exports and Origin of Imports**

	Million SAR			Share			Change%	
	2017	2018	2019*	2017	2018	2019	2018	2019
Imports								
China	76,971	81,821	101,500	15.3	15.9	18.8	6.3	24.1
USA	68,086	70,642	63,984	13.5	13.7	11.8	3.8	-9.4
Germany	29,497	28,306	26,264	5.8	5.5	4.9	-4.0	-7.2
Japan	20,569	20,590	24,547	4.1	4.0	4.5	0.1	19.2
India	20,176	21,322	24,334	4.0	4.1	4.5	5.7	14.1
Total of the Five Countries	215,300	222,681	240,629	42.7	43.3	44.5	3.4	8.1
GCC Countries	45,379	56,924	54,296	9.0	11.1	10.0	25.4	-4.6
Other Arab Countries	17,934	14,468	18,417	3.6	2.8	3.4	-19.3	27.3
Other Countries	225,834	219,920	227,913	44.8	42.8	42.1	-2.6	3.6
Imports (FOB)	462,752	467,733	492,542	--	--	--	--	--
Total Imports	504,447	513,993	541,255	100.0	100.0	100.0	1.9	5.3
Exports								
China	97,354	146,703	179,653	11.7	13.3	18.3	50.7	22.5
India	73,801	98,689	102,582	8.9	8.9	10.5	33.7	3.9
Japan	100,382	123,646	100,102	12.1	11.2	10.2	23.2	-19.0
South Korea	74,027	97,592	77,901	8.9	8.8	7.9	31.8	-20.2
USA	68,867	95,622	50,189	8.3	8.7	5.1	38.9	-47.5
Total of the Five Countries	414,431	562,252	510,428	49.8	50.9	52.0	35.7	-9.2
GCC Countries	93,705	102,403	86,412	11.3	9.3	8.8	9.3	-15.6
Other Arab Countries	48,537	51,292	57,342	5.8	4.6	5.8	5.7	11.8
Other Countries	275,208	387,953	326,503	33.1	35.1	33.3	41.0	-15.8
Total Exports	831,880	1,103,900	980,685	100.0	100.0	100.0	32.7	-11.2

*Preliminary data.

** Including re-exports.

Source: GaStat.

India (SAR 102.6 billion) came second with a share of 10.5 percent, increasing by 3.9 percent; Japan followed (SAR 100.1 billion) with a share of 10.2 percent, decreasing by 19.0 percent; South Korea (SAR 77.9 billion) with a share of 7.9 percent, falling by 20.2 percent from the preceding year; and Exports to the United States (SAR 50.2 billion) ranked fifth with a share of 5.1 percent, declining by 47.5 percent over the preceding year.

Saudi Arabia's exports to GCC countries fell by 15.6 percent to SAR 86.4 billion in 2019, accounting for 8.8 percent of its total exports. Exports to other Arab countries increased by 11.8 percent to SAR 57.3 billion, accounting for 5.8 percent of total exports. However, exports to other world countries dropped by 15.8 percent to SAR 326.5 billion with a share of 33.3 percent. Chart 9-4B shows the destinations of Saudi Arabia's exports for 2019.

Non-Oil Trade with GCC Countries

Saudi Arabia's net non-oil trade with the GCC countries recorded a deficit of SAR 7.9 billion in 2019 against a deficit of SAR 9.6 billion in 2018. Imports from GCC countries decreased by 4.6 percent to SAR 54.3 billion in 2019 compared to SAR 56.9 billion in the preceding year, accounting for 10.0 percent of total imports. Saudi exports to GCC countries also fell by 1.9 percent to SAR 46.5 billion, accounting for 20.9 percent of total non-oil

exports (including re-exports).

Detailed data indicate that Saudi Arabia's non-oil commodity balance with Kuwait recorded a surplus of SAR 5.0 billion, while it recorded with UAE, Oman, and Bahrain deficits of SAR 9.2 billion, SAR 3.4 billion, and SAR 0.2 billion, respectively.

Data on non-oil imports from GCC countries in 2019 show that the UAE continued to occupy the first position as the largest GCC exporter to Saudi Arabia, with exports amounting to SAR 38.9 billion, constituting 71.5 percent of the total. Oman came second with SAR 7.1 billion (13.0 percent), followed by Bahrain with SAR 6.4 billion (11.8 percent), and Kuwait with SAR 2.0 billion (3.6 percent).

With respect to Saudi Arabia's non-oil exports to GCC countries in 2019, the UAE remained in first place with SAR 29.6 billion or 63.8 percent of the total. Kuwait came next with SAR 7.0 billion (15.0 percent), Bahrain with SAR 6.2 billion (13.4 percent), and Oman with SAR 3.6 billion (7.8 percent) (Table 9-5).

Non-oil Trade with Top Arab Trading Partners

Saudi Arabia's non-oil trade with Arab countries (excluding GCC countries) registered a surplus of SAR 9.3 billion in 2019 against a surplus of SAR

Table 9-5: Saudi Non-Oil Trade with GCC Countries**

(Million SAR)																
Country	2016			2017			2018			2019*			Change% 2019		Share 2019	
	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports	Exports	Imports	Exports
UAE	28,616	25,926	-2,690	32,831	30,276	-2,554	43,441	29,557	-13,884	38,867	29,637	-9,230	-10.5	0.3	71.5	63.8
Bahrain	5,353	6,074	721	5,229	6,052	823	6,099	6,170	71	6,419	6,232	-187	5.2	1.0	11.8	13.4
Qatar	1,209	6,450	5,241	677	2,568	1,891	0	0	0	0	0	0	0	0	0.0	0.0
Oman	4,144	3,066	-1,078	4,994	3,618	-1,376	5,818	3,815	-2,003	7,065	3,623	-3,442	21.4	-5.0	13.0	7.8
Kuwait	1,710	7,074	5,364	1,648	7,462	5,814	1,567	7,833	6,266	1,975	6,973	4,998	26.0	-11.0	3.6	15.0
Total	41,033	48,589	7,556	45,379	49,978	4,598	56,925	47,375	-9,550	54,326	46,465	-7,861	-4.6	-1.9	100.0	100.0

*Preliminary data.

** Including re-exports

Source: GaStat.

15.6 billion in 2018. Imports from Arab countries increased by 27.3 percent to SAR 18.4 billion compared to SAR 14.5 billion, accounting for 3.4 percent of total imports. Exports to Arab countries declined by 7.9 percent to SAR 27.7 billion, constituting 12.5 percent of total non-oil exports (including re-exports).

Detailed data on Saudi trade with top Arab trading partners show that Saudi Arabia recorded a surplus of SAR 3.3 billion in trade with Yemen, SAR 1.9 billion with Jordan, SAR 2.7 billion with Iraq, SAR 813 million with Morocco, SAR 20 million with Lebanon, and SAR 106 million with Sudan. However, trade with Egypt and Syria recorded deficits of SAR 2.2 billion and SAR 559 million, respectively.

With regard to Saudi Arabia's non-oil imports from its top Arab trading partners in 2019, Egypt ranked first with SAR 9.0 billion (48.8 percent of the total), Jordan with SAR 3.5 billion (18.9 percent), Sudan with SAR 2.1 billion (11.4 percent), and Lebanon with SAR 1.1 billion (5.9 percent). Morocco came next with SAR 592 million, followed by Yemen with

SAR 569 million, Syria with SAR 562 million, and Iraq with SAR 20 million.

As for non-oil exports to top Arab trading partners, Egypt also ranked first with SAR 6.8 billion (24.6 percent of the total), followed by Jordan with SAR 5.4 billion (19.4 percent), and Yemen with SAR 3.9 billion. Iraq and Sudan occupied the fourth and fifth positions, with exports amounting to SAR 2.7 billion and SAR 2.2 billion, respectively. Morocco came next with SAR 1.4 billion, Lebanon with SAR 1.1 billion, and Syria with SAR 3 million. (Table 9-6).

Private Sector Exports Financed by Commercial Banks

Private sector exports financed by commercial banks (settled letters of credit) fell by 17.1 percent to SAR 36.9 billion in 2019 compared to SAR 44.5 billion in 2018. Their ratio to total non-oil exports (including re-exports) went down to 16.6 percent from 18.8 percent in 2018.

Data on private sector exports financed by commercial banks (settled letters of credit) in 2019 show that exports of other industrial products

Table 9-6: Non-oil Trade with Top Arab Trading Partners (Excluding GCC countries)**

Country	2016			2017			2018			2019*		
	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference	Imports from	Exports to	Difference
Egypt	7,933	5,926	-2,007	8,492	5,323	-3,170	5,635	7,522	1,887	8,986	6,822	-2,164
Jordan	4,042	4,761	719	3,176	4,681	1,504	3,019	5,872	2,853	3,488	5,387	1,899
Yemen	243	2,138	1,895	470	2,082	1,612	573	3,679	3,106	569	3,907	3,338
Lebanon	1,457	1,463	6	1,557	1,674	118	1,082	1,909	827	1,083	1,103	20
Morocco	776	1,328	552	739	1,477	738	750	1,628	878	592	1,405	813
Sudan	1,959	1,799	-160	2,383	2,389	6	2,128	2,445	317	2,105	2,211	106
Iraq	23	1,550	1,527	30	1,902	1,872	44	2,463	2,419	20	2,734	2,715
Syria	--	--	--	346	79	-267	400	5	-395	562	3	-559
Other Arab countries	1,950	4,444	2,494	741	4,012	3,271	837	4,579	3,742	1,013	4,154	3,141
Total	18,383	23,409	5,026	17,934	23,620	5,686	14,468	30,102	15,634	18,417	27,726	9,309

*Preliminary data.

**Including re-exports.

Source: GaStat.

rose by 15.1 percent to SAR 34.1 billion, ranking first with a share of 92.4 percent of total exports as compared to 2018. Chemical and plastic products came next with SAR 2.6 billion, recording a decline of 38.6 percent and accounting for a share of 7.0 percent, followed by agricultural and animal products with SAR 168 million, increasing by 80.6 percent and accounting for 0.5 percent of the total.

Private Sector Imports Financed by Commercial Banks

Private sector imports financed by commercial banks (settled letters of credit and bills under collection) increased by 2.0 percent to SAR 135.7 billion in 2019 compared to SAR 132.5 billion in the preceding year. Their share of the total value of Saudi Arabia's imports was 25.0 percent against 25.5 percent in 2018.

The decline in this ratio was attributable to the decreases in the financing of imports of other goods by 2.8 percent to SAR 67.0 billion; construction materials by 3.4 percent to SAR 14.9 billion; grain by 18.6 percent to SAR 5.0 billion; livestock and meat by 4.2 percent to SAR 2.4 billion; sugar, tea and coffee beans by 9.8 percent to SAR 757 million; and fruit and vegetables by 56.3 percent to SAR 265 million. On the other hand, financing of imports of textiles and clothing went up by 9.6 percent to SAR 1.9 billion, appliances by 1.0 percent to SAR 3.4 billion, machinery by 12.8 percent to SAR 6.0 billion, other foodstuffs by 2.6 percent to SAR 7.9 billion, and vehicles by 28.7 percent to SAR 25.4 billion.

As for their share, financing of imports of other goods ranked first with a share of 49.6 percent of total imports, followed by that of motor vehicles in second place with 18.8 percent. Financing of imports of construction materials occupied third place with 11.0 percent, other foodstuffs with a share of 5.8 percent, and machinery with 4.5 percent.

Exports Through Ports

According to data issued by the Saudi Ports Authority, the volume of exports (excluding crude oil exports) handled at Saudi ports decreased by 5.5 percent to 212.5 million tons in 2019 compared to 224.9 million tons in the preceding year.

This was attributable to the decline in exports of refined oil products and gas by 5.4 percent to 126.6 million tons, and in exports of other goods by 32.5 percent to 20.6 million tons from 30.5 million tons. The exports of construction materials and steel recorded an increase by 8.0 percent to 18.8 million tons, transshipment goods by 4.0 percent to 13.0 million tons, and petrochemicals by 8.5 percent to 33.3 million tons.

As for their share in the total volume of exports handled at ports, refined oil products and gas ranked first with a share of 59.6 percent, followed by petrochemicals with 15.7 percent, and other exports with 9.7 percent. Construction materials and steel exports came fourth with a share of 8.8 percent, followed by transshipment goods with 6.1 percent, and agricultural products with 0.1 percent.

Imports Through Ports

According to data issued by the Saudi Ports Authority, the volume of imports handled at Saudi ports fell by 0.3 percent to 105.5 million tons in 2019 due to a drop in the imports handled at commercial ports by 0.9 percent to 64.1 million tons. The fall was mainly attributed to a drop in imports of foodstuffs by 12.0 percent to 22.7 million tons, while equipment rose by 5.9 percent to 1.8 million tons, construction materials jumped by 21.8 percent to 10.6 million tons, and general merchandise increased by 1.4 percent to 28.9 million tons. However, imports through industrial ports rose by 0.7 percent to 41.4 million tons.

As for their share, general merchandise ranked first with a share of 27.4 percent of total imports through ports, followed by foodstuffs with 21.5

percent, construction materials with 10.0 percent, and equipment with 1.7 percent. The volume of imports through industrial ports accounted for 39.2 percent of the total imports (in tons).

With respect to motor vehicles and livestock imported through Saudi ports during 2019, the number of motor vehicles increased by 22.4 percent to 632.7 thousand from 517.0 thousand in 2018, while that of livestock reached 6.0 million, declining by 11.8 percent from that of the preceding year.

Imports and Exports by Use of Goods

Detailed data on Saudi Arabia's imports by use of goods for 2019 show that imports of consumer goods amounted to SAR 216.9 billion (12.4 million tons), ranking first with a share of 40.1 percent of total imports and rising by 7.8 percent over the preceding year, followed by imports of intermediate goods with SAR 197.4 billion (55.6 million tons), constituting a share of 36.5 percent of total imports dropping by 4.2 percent over the preceding year. Capital goods came third with SAR 127 billion (2.5 million tons) with a share of 23.5 percent, rising by 19.1 percent.

With regard to Saudi Arabia's exports by use of goods in 2019, intermediate goods ranked first with SAR 920.6 billion (481.1 million tons) and a share of 93.9 percent, dropping by 11.6 percent over the preceding year. Consumer goods ranked second with SAR 43.5 billion (9.4 million tons) with a

share of 4.4 percent of total exports, falling by 12.3 percent. Capital goods amounted to SAR 16.6 billion (0.6 million tons), ranking third with a share of 1.7 percent and increasing by 25.6 percent (Table 9-7).

Imports and Exports by Type of Goods

Data on Saudi Arabia's imports by type of goods (the stage of processing) for 2019 show that imports of manufactured (finished) goods amounted to SAR 401.6 billion (25.2 million tons), ranking first with a share of 74.2 percent of total imports, increasing by 10.3 percent over the preceding year. Partly manufactured (semi-finished) goods came second with SAR 123.3 billion (33.6 million tons), constituting 22.8 percent, a decline of 0.3 percent, and imports of raw material goods with SAR 16.4 billion (11.8 million tons) and a share of 3.0 percent, declining by 38.0 percent.

With regard to Saudi Arabia's exports by type of goods (the stage of processing) in 2019, exports of raw material goods ranked first with SAR 640.0 billion (357.7 million tons) and a share of 65.3 percent, a decline of 11.4 percent from the preceding year. Exports of manufactured (finished) goods ranked second with SAR 175.3 billion (67 million tons) and a share of 17.9 percent, dropping by 11.8 percent, and partly manufactured (semi-finished) goods with SAR 165.4 billion (66.3 million tons) and a share of 16.9 percent, decreasing by 9.7 percent (Table 9-8).

Table 9-7: Imports and Exports by Use of Goods

Goods		Weight (Thousand Ton)/Value (Million SAR)									
		2016		2017		2018		2019*		Change% 2019	Share 2019
		Weight	Value	Weight	Value	Weight	Value	Weight	Value		
Imports	Consumer	13,042	210,037	12,335	197,841	11,543	201,257	12,424	216,898	7.8	40.1
	Intermediate	61,200	203,918	61,434	199,217	61,641	206,122	55,611	197,364	-4.2	36.5
	Capital	2,489	111,680	2,229	107,388	2,055	106,614	2,544	126,993	19.1	23.5
Exports	Consumer	11,408	39,801	11,712	46,633	11,258	49,610	9,372	43,498	-12.3	4.4
	Intermediate	488,304	631,100	471,354	769,360	497,955	1,041,058	481,096	920,571	-11.6	93.9
	Capital	565	17,523	701	15,888	585	13,232	574	16,616	25.6	1.7

* Preliminary data.
Source: GaStat.

Balance of Payments

I. Current Account

Estimates of Saudi Arabia's balance of payments for 2019 indicate that the current account recorded a surplus of SAR 186.9 billion, compared to a surplus of SAR 264.8 billion in the preceding year. The ratio of the BOP surplus to GDP stood at 6.3 percent. This fall in the surplus was attributed to a decline of -24.9 percent in the goods and services surplus, which offset a fall of 10.8 percent in the net secondary income deficit (Table 9-9). Chart 9-5 illustrates the developments in the current account balance and its major items over the period 2016-2019.

A. Goods and Services:

1. Goods

The surplus of the merchandise balance declined by 23.9 percent to SAR 481.6 billion in 2019 from a SAR 632.8 billion surplus in the preceding year. This was attributable to a decrease of 11.4 percent to SAR 977.6 billion in total exports (including oil and other exports) against SAR 1.1 trillion in the preceding year, and the rise of 5.3 percent to SAR 495.9 billion in imports (FOB) against SAR 471.1 billion in the preceding year.

2. Services

The deficit in the services account went down by 20.9 percent to SAR 190.5 billion in 2019 compared

to a SAR 240.7 billion deficit in the preceding year. Such decline in deficit was attributable to a surplus of SAR 4.7 billion in net travel compared to a deficit of SAR 10.7 billion in 2018. Moreover, deficit in net telecommunication dropped by 90.2 percent to SAR 527 million from SAR 5.4 billion, net government services by 19.3 percent to SAR 85.1 billion from SAR 105.5 billion, net financial services to SAR 3.5 billion from SAR 8.2 billion, and net other business services by 24.4 percent to SAR 29.5 billion from SAR 39.0 billion. On the other hand, deficit in net construction services went up by 5.0 percent to SAR 25.2 billion from SAR 24.0 billion, net insurance and pensions by 3.0 percent to SAR 6.0 billion from SAR 5.9 billion, and net services payments for transportation by 7.8 percent to SAR 45.3 billion from SAR 42.0 billion in the preceding year.

B. Primary Income

According to the estimates of the balance of payments, the surplus in net primary income increased by 12.1 percent to SAR 29.9 billion in 2019 against SAR 26.7 billion in 2018. This rise was attributed to the increased surplus in other investment income to SAR 16.8 billion from SAR 9.7 billion and the increase in net direct investment income to SAR 5.1 billion against a decline of SAR 4.3 billion, with the deficit remaining at SAR 2.2 billion in net workers' compensations. However,

Table 9-8: Imports and Exports by Type of Goods

Goods		Weight (Thousand Ton)/Value (Million SAR)									
		2016		2017		2018		2019*		Change% 2019	Share 2019
		Weight	Value	Weight	Value	Weight	Value	Weight	Value		
Imports	Raw	26,207	23,699	27,397	25,111	26,661	26,376	11,842	16,354	-38.0	3.0
	Semi-Finished	32,092	126,827	27,358	121,579	25,868	123,648	33,562	123,283	-0.3	22.8
	Finished	18,433	375,110	21,244	357,756	22,711	363,968	25,176	401,618	10.3	74.2
Exports	Raw	381,335	433,696	361,393	528,328	371,803	722,108	357,717	639,989	-11.4	65.3
	Semi-Finished	52,400	126,448	49,326	139,658	63,030	183,069	66,341	165,382	-9.7	16.9
	Finished	66,542	128,279	73,048	163,895	74,965	198,724	66,984	175,314	-11.8	17.9

* Preliminary data.
Source: GaStat.

net portfolio investment income decreased to SAR 10.2 billion as compared to SAR 23.4 billion.

C. Secondary Income

The deficit in the secondary income account fell by 10.8 percent to SAR 137.3 billion in 2019 compared to a deficit of SAR 154.0 billion in the preceding year. This was attributed to a drop in expatriate remittances by 8.1 percent to SAR 113.6 billion, and a decline in government transfers by 23.1 percent to SAR 22.6 billion against SAR 29.4 billion in 2018. Table 9-10 illustrates the developments in expatriate remittances in Saudi Arabia and their ratio to private sector GDP since 2010.

II. Capital Account

The capital account registered an outflow of SAR 6.5 billion in 2019 against SAR 8.7 billion in 2018.

III. Financial Account

Net direct investments rose by SAR 32.3 billion in 2019. Net portfolio investments, however, decreased by SAR 53.3 billion. Net other investments rose by SAR 183.2 billion and reserve assets by SAR 11.2 billion.

International Investment Position (IIP)

Direct Investment

Direct investment abroad grew by 17.1 percent to SAR 461.4 billion in 2019. Direct investment in Saudi Arabia also increased by 2.0 percent to SAR 885.5 billion as compared to the preceding year.

Portfolio Investments

Portfolio investments abroad rose by 28.5 percent to SAR 1.06 trillion in 2019 while portfolio investments in Saudi Arabia rose by 34.5 percent to SAR 477.3 billion.

Other Investments

Other investments abroad grew by 11.5 percent to SAR 947.3 billion and other investments in Saudi

Arabia rose by 24.0 percent to SAR 416.8 billion in 2019.

Reserve Assets

Reserve assets increased by 0.6 percent in 2019 to SAR 1,873.4 billion.

Net International Investment Position

Net international investment position rose by 8.1 percent to SAR 2.6 trillion in 2019 compared to SAR 2.4 trillion in 2018 (Table 9-11).

Saudi Developmental Aid and Loans Abroad

Saudi aid, loans, and contributions abroad reached SAR 153.7 billion during the period 2015-2019 (Table 9-12). Aid and loans constituted 84.0 percent (SAR 129.1 billion). The contributions to associations and organizations amounted to SAR 24.4 billion or 15.9 percent of the total. Aid provided through multilateral aid programs amounted to SAR 150 million or 0.1 percent of the total.

Saudi aid and loans provided through bilateral channels and multilateral associations, organizations and institutions in 2019 reached SAR 2.4 billion, jumping by 259.8 percent from the preceding year and constituting 6.5 percent of the total. Aid and loans extended in 2019 constituted the bulk of the total, amounting to SAR 35.2 billion (93.5 percent), a decline of 6.2 percent from the preceding year.

Exchange Rate Trends

SAMA continued to maintain the official exchange rate of the Saudi riyal against the U.S. dollar at SAR 3.75 per one U.S. dollar during 2019. The nominal effective exchange rate (NEER) index decreased by 9.41 points from 117.59 at end-2018 to 108.18 at end-2019. Furthermore, the real effective exchange rate (REER) index for Saudi Arabia fell by 12.93 points, from 116.45 at end-2018 to 103.52 at end-2019.

Chart 9-5: Current Account Balance

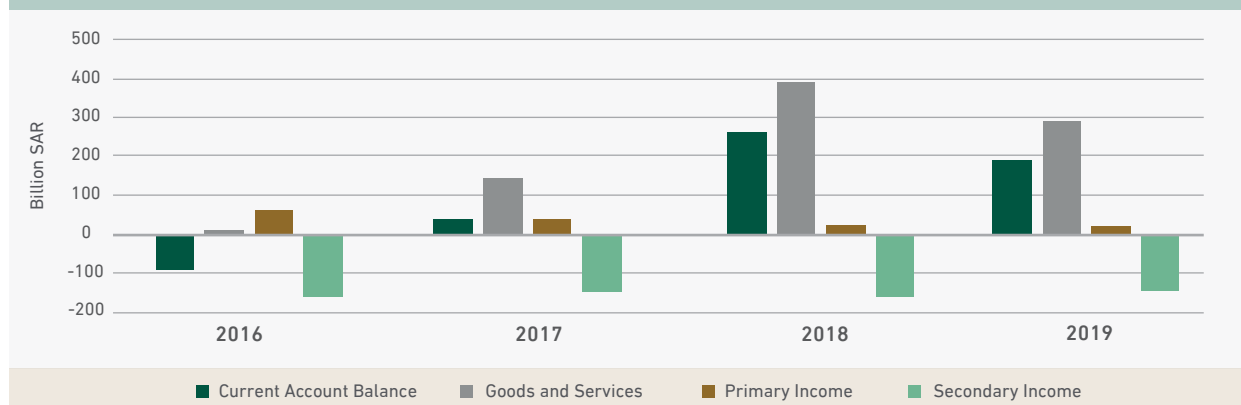


Table 9-9: Balance of Payments

	(Million SAR)					
	2015	2016	2017	2018	2019*	Change% 2019
I. Current Account Balance	-212,714	-89,410	39,241	264,774	186,908	-29.4
A. Goods and services	-109,863	10,312	142,566	392,097	294,343	-24.9
1. Goods	165,995	209,115	369,229	632,811	481,616	-23.9
Exports	763,262	688,528	831,981	1,103,952	977,565	-11.4
Imports	597,267	479,413	462,752	471,141	495,949	5.3
2. Services	-275,858	-198,803	-226,663	-240,714	-190,467	-20.9
Credit	54,277	64,697	67,994	73,696	90,682	23.0
Debit	330,135	263,501	294,656	314,409	281,148	-10.6
B. Primary income	64,800	58,975	40,117	26,675	29,891	12.1
Credit	95,912	89,890	70,916	71,901	78,391	9.0
Debit	31,112	30,914	30,799	45,226	48,500	7.2
C. Secondary income	-167,651	-158,698	-143,442	-153,998	-137,324	-10.8
Credit	0	0	0	0	0	0.0
Debit	167,651	158,698	143,442	153,998	22,579	-85.3
II. Capital Account	-3,983	-3,365	-6,931	-8,733	-6,499	-25.6
III. Financial Account	-274,058	-342,584	27,985	252,691	173,486	-31.3
1. Direct Investment	-10,317	5,564	21,978	70,276	32,335	-54.0
Net Acquisition of Financial Assets	20,212	33,511	27,298	86,203	49,443	-42.6
Net Incurrence of Liabilities	30,529	27,947	5,321	15,927	17,107	7.4
2. Portfolio Investments	40,386	-42,798	-9,521	14,294	-53,295	-472.9
Net Acquisition of Financial Assets	39,081	20,308	72,010	79,821	119,937	50.3
Net Incurrence of Liabilities	-1,305	63,106	81,531	65,527	173,232	164.4
3. Other Investments	130,630	-3,021	163,180	167,500	183,245	9.4
Net Acquisition of Financial Assets	145,232	30,882	179,107	211,427	258,990	22.5
Net Incurrence of Liabilities	14,602	33,903	15,927	43,927	75,746	72.4
4. Reserve Assets	-434,758	-302,328	-147,652	621	11,202	1,702.9
Errors and Omissions	-57,361	-249,808	-4,324	-3,350	-4,813	43.7

* Estimates.

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

Table 9-10: Remittances of Expatriates in Saudi Arabia

(Million SAR)				
Year	Value	Change%	Private Sector GDP*	Ratio of Remittances to Private sector GDP
2010	98,173	1.9	750,766	13.1
2011	103,485	5.4	852,275	12.1
2012	107,335	3.7	948,366	11.3
2013	127,768	19.0	1,050,987	12.2
2014	134,995	5.7	1,149,636	11.7
2015	141,785	5.0	1,213,542	11.7
2016	138,745	-2.1	1,227,534	11.3
2017	132,518	-4.5	1,247,459	10.6
2018	123,637	-6.7	1,294,671	9.5
2019**	113,573	-8.1	1,354,322	8.4

* At current prices.

**Preliminary data.

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

Table 9-11: International Investment Position

(Million SAR)					
	2016	2017	2018	2019*	Change% 2019
I. Assets	3,522,875	3,699,170	3,928,856	4,340,156	10.5
1. Direct Investment Abroad	277,398	316,639	393,987	461,437	17.1
2. Portfolio Investments	748,114	816,740	823,329	1,058,027	28.5
3. Other Investments	488,123	704,203	849,330	947,281	11.5
4. Reserve Assets	2,009,239	1,861,588	1,862,209	1,873,411	0.6
II. Liabilities	1,283,110	1,360,593	1,559,658	1,779,640	14.1
1. Direct Investment in Saudi Arabia	868,134	853,374	868,513	885,493	2.0
2. Portfolio Investments	184,986	261,071	355,028	477,345	34.5
3. Other Investments	229,990	246,148	336,118	416,802	24.0
III. Net International Investment Position	2,239,765	2,338,577	2,369,197	2,560,516	8.1

* Estimates.

Table 9-12: Saudi Arabia's Aid and Contributions Abroad (2015-2019)

(Million SAR)				
Year	Aid and loans	Contributions to associations and organizations	Multilateral aid	Total
2015	28,430	1,336	60	29,826
2016	11,494	18,999	43	30,536
2017	16,542	975	26	17,543
2018	37,500	680	21	38,201
2019	35,157	2,448*	--	37,605
Total	129,123	24,438	150	153,711

Including multilateral aid.

Source: MoF.

PUBLIC FINANCE

10

A vertical photograph on the right side of the page. It shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In the foreground, there is a well-maintained green lawn with a low hedge. The image is partially obscured by a thick, vertical gold bar on the left side of the page.

Public Finance

In its meeting held on Monday, Rabi' II 12, 1441H (December 9, 2019), the Council of Ministers approved the state budget for fiscal year 1441/1442H (2020). The budget aims to advance economic development and achieve fiscal sustainability and economic growth.

The approved budget is a continuation of the government's policy to achieve Vision 2030 by implementing economic reforms, diversifying income sources, making optimum use of available resources, supporting the private sector, enhancing the efficiency of expenditure, developing facilities and services for citizens and residents, supporting social protection programs, improving government services and quality of life, and supporting housing programs.

Total expenditures are projected to be SAR 1,020 billion, 7.8 percent lower than the 2019 budget's figure. Total 2020 revenues are budgeted at SAR 833 billion, 14.6 percent lower than the preceding year's budgeted amount. The 2020 budget's fiscal deficit is estimated at SAR 187 billion, increasing by 43.0 percent over the preceding fiscal year's projections (Table 10-1).

Main Features of the State Budget for FY 1441/1442H (2020)

Government spending policy focuses on achieving

economic growth and inclusive development by supporting social development, achieving fiscal targets, improving fiscal planning, and enhancing the efficiency of expenditure. The following is an overview of the main state budget appropriations for key sectors (Table 10-2 and Chart 10-1).

Security and Regional Administration

Security and Regional Administration sector was allocated SAR 102.3 billion or 10.0 percent of total budgetary expenditures, declining by 0.5 percent from the 2019 budgeted amount.

Health and Social Development

Health Services and Social Development sectors were allocated SAR 167.0 billion, representing 16.4 percent of total budgetary expenditures, and decreasing by 2.9 percent from the 2019 budgeted amount.

Municipal Services

Municipal Services, including the Ministry of Municipal and Rural Affairs, secretariats and municipalities, were allocated SAR 53.6 billion or 5.3 percent of the budgetary expenditures, declining by 13.9 percent from the 2019 budgeted amount.

Military

Military sector was allocated SAR 181.9 billion, representing 17.8 percent of total budgetary expenditures, and decreasing by 4.7 percent from the 2019 budgeted amount.

Table 10-1: Budget Projections

	(Billion SAR)		
	FY 1440/1441 (2019)	FY 1441/1442 (2020)	Change %
Total revenues	975	833	-14.6
Total expenditures	1,106	1,020	-7.8
Surplus/deficit	-131	-187	43.0

Source: MoF.

Education

Education was allocated SAR 193.2 billion or 18.9 percent of total budgetary expenditures, rising by 0.3 percent over the 2019 budgeted amount.

Infrastructure and Transportation

Infrastructure and Transportation sector was allocated SAR 55.7 billion or 5.5 percent of total budgetary expenditures, decreasing by 20.7 percent from the 2019 budgeted amount.

Other Sectors

Public Administration was allocated SAR 28 billion or 2.7 percent of the budgetary expenditures, increasing by 1.7 percent over the 2019 budgeted amount.

The Economic Resources sector was allocated SAR 97.6 billion or 9.6 percent of total budgetary expenditures, decreasing by 25.7 percent from the 2019 budgeted amount.

The Public Programs (general items) sector was allocated SAR 140.7 billion, representing 13.8 percent of total budgetary expenditures, and decreasing by 9.9 percent from the 2019 budgeted amount.

Actual Revenues and Expenditures for FY 2019

Actual revenues for fiscal year 1440/1441H (2019) grew by 2.3 percent to SAR 926.8 billion against a rise of 31.0 percent in the previous fiscal year. The ratio of actual revenues to nominal GDP was 31.2 percent, declining by 5 percent from the budgeted figure. Actual 2019 oil revenues of SAR 594.4 billion were 10.2 percent lower than the

Chart 10-1: Budget Allocations for Fiscal Year 1441/1442H (2020) by Key Sectors

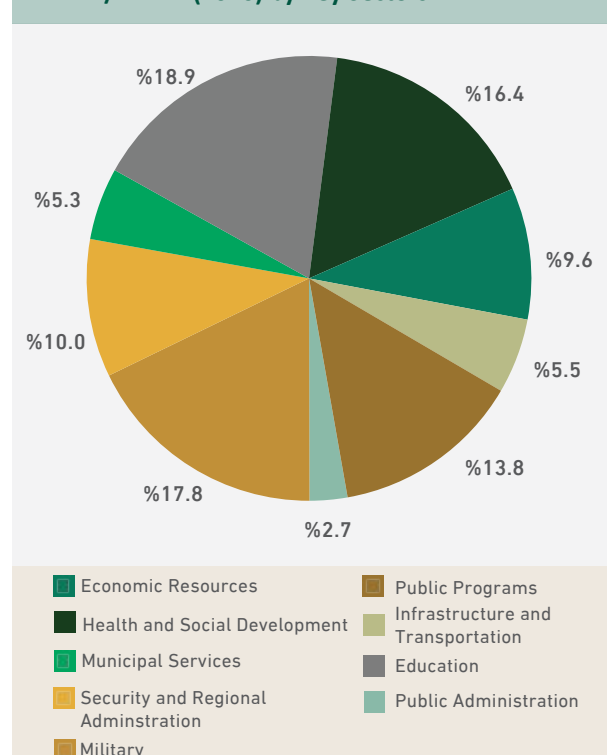


Table 10-2: Allocation of the State Budget by Key Sector

	(Million SAR)					
	1440/1441H (2019)			1441/1442H (2020)		
	Amount	Share	Change %	Amount	Share	Change %
Public Administration	27,542	2.5	5.1	28,018	2.7	1.7
Military	190,978	17.3	-9.1	181,923	17.8	-4.7
Security and Regional Administration	102,827	9.3	2.0	102,348	10.0	-0.5
Municipal Services	62,238	5.6	16.5	53,560	5.3	-13.9
Education	192,622	17.4	0.1	193,168	18.9	0.3
Health and Social Development	172,041	15.6	17.4	166,980	16.4	-2.9
Economic Resources	131,340	11.9	24.7	97,645	9.6	-25.7
Infrastructure and Transportation	70,243	6.4	29.7	55,705	5.5	-20.7
Public Programs	156,169	14.1	75.0	140,652	13.8	-9.9
Total	1,106,000	100.0	13.1	1,020,000	100.0	-7.8

Source: MoF.

budgeted amount. However, actual 2019 non-oil revenues were 6.1 percent higher than the budgeted amount, at SAR 332.4 billion.

As part of the implementation of the Unified GCC Excise Tax Agreement, a 50 percent excise tax on Sugar-Sweetened Beverages (SSBs) came into effect as of December 2019.

Actual expenditures for fiscal year 2019 totaled SAR 1,059.4 billion or 35.6 percent of GDP, declining by 4.2 percent from the budgeted figure. In addition, the 2019 actual expenditures were 1.9 percent lower than the 2018 actual expenditures. Actual expenditures of 2019 rose for social benefits by 11.8 percent to SAR 82.1 billion, for compensation of employees by 10.8 percent to SAR 505 billion,

and for finance costs by 0.6 percent to SAR 21.1 billion. However, actual expenditures for grants dropped by 63.9 percent to SAR 1 billion, and actual expenditures for subsidies fell by 26.9 percent to SAR 23.2 billion. Actual expenditures for goods and services also went down by 8.1 percent to SAR 161.0 billion and other actual expenditures by 3.5 percent to SAR 96.5 billion (Tables 10-3 and 10-4).

Actual Budget Deficit to GDP Ratio

Fiscal year 2019 figures indicate a budget deficit of SAR 132.6 billion, constituting 4.5 percent of GDP, compared with a deficit of SAR 173.9 billion or 5.9 percent of GDP in the preceding year (Table 10-4 and Chart 10-2).

Table 10-3: State Budget Actual and Projected Revenues and Expenditures

(Million SAR)				
	1440/1441H (2019)			
	Projection	Actual	Difference	Difference to Projection %
Total revenues	975,283	926,846	-48,437	-5.0
Oil revenues	661,875	594,424	-67,451	-10.2
Non-oil revenues	313,408	332,422	19,014	6.1
Operational Expenditures	859,959	889,995	30,036	3.5
Compensation of employees	455,842	505,030	49,188	10.8
Goods and services	175,135	160,964	-14,171	-8.1
Finance costs	21,016	21,132	116	0.6
Subsidies	31,739	23,207	-8,532	-26.9
Grants	2,795	1,008	-1,787	-63.9
Social benefits	73,439	82,128	8,689	11.8
Other expenses	99,993	96,526	-3,467	-3.5
Net non-financial acquired assets	246,040	169,449	-76,591	-31.1
Total expenditures	1,105,999	1,059,444	-46,555	-4.2

Source: MoF.

Table 10-4: Actual Revenue and Expenditure

(Million SAR)									
	1438/1439H (2017)			1439/1440H (2018)			1440/1441H (2019)		
	Value	Change %	Ratio to GDP*	Value	Change %	Ratio to GDP*	Value	Change %	Ratio to GDP*
Total revenues	691,510	33.1	26.8	905,609	31.0	30.7	926,846	2.3	31.2
Total expenditures	929,999	12.0	36.0	1,079,467	16.1	36.6	1,059,445	-1.9	35.6
Surplus/deficit	-238,489	-23.3	-9.2	-173,858	-27.1	-5.9	-132,599	-23.7	-4.5

* Including import duties (at current prices).

Source: MoF.

Domestic Loans and Subsidies

I. Domestic Loans

Actual loans disbursed under the Domestic Loans program during 2019 totaled SAR 485 million, increasing by 10.8 percent from 2018. Loan repayments stood at SAR 406 million, rising by 6.1 percent. During fiscal year 1440/1441H (2019), 11 loans were approved, five of which were for educational projects, five for health projects, and one for hospitality and tourism projects (Tables 10-5 and 10-6).

II. Domestic Subsidies

During fiscal year 1440/1441H (2019), a total of SAR 3.9 billion of subsidies were disbursed as

follows: Fodder subsidy stood at SAR 2.5 billion, infant formula subsidy SAR 362.9 million, King Salman Humanitarian Aid and Relief Centre subsidy SAR 168.7 million, Equestrian Club subsidy SAR 135 million, Falcons Club subsidy SAR 100 million, King Abdulaziz Public Library subsidy SAR 72.7 million, KAICIID subsidy SAR 72.2 million, King Abdulaziz Center for National Dialogue subsidy SAR 42.7 million, and the Secretariat of the Finance Committee subsidy SAR 30 million.

Public Debt

The public debt registered an increase of 21.1 percent at the end of fiscal year 1440/1441H (2019), reaching SAR 677.9 billion or 22.8 percent

Chart 10-2: Budget Estimates and Actuals for 1440/1441H (2019)

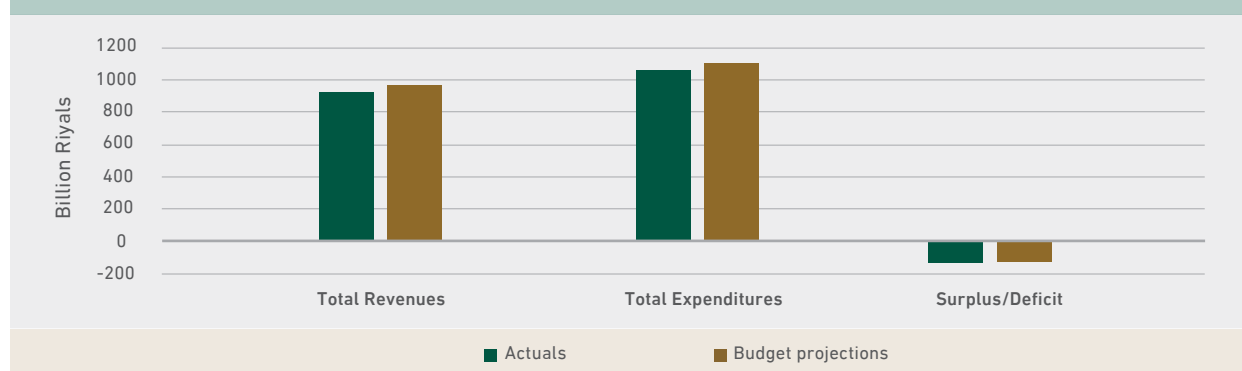


Table 10-5: Current Balances of Domestic Loan Program

	(Million SAR)		
	2018	2019	Change %
Actual loans disbursed	438	485	10.8
Actual loans repaid	382	406	6.1

Source: MoF.

Table 10-6: Loans Extended During 2018-2019 by Field

Field	(Million SAR)			
	Project contracts signed			
	2018		2019	
	Number	Value	Number	Value
Hospitality and tourism projects	3	29.8	1	7.3
Health projects	8	787.9	5	363.7
Educational projects	6	136.3	5	261.6
Total	17	954.0	11	632.6

Source: MoF.

of GDP and 33.5 percent of non-oil GDP, compared with SAR 560.0 billion or 19.0 percent of GDP in the previous year. Domestic debt stood at SAR 372.8 billion or 55.0 percent of total public debt, and foreign debt stood at SAR 305.2 billion or 45.0 percent of total public debt (Table 10-7).

Table 10-7: Public Debt

(Million SAR)										
FY	Borrowed		Repaid		Outstanding public debt at year-end			Change %	GDP (at current prices)	Ratio of public debt to GDP
	Domestic debt	Foreign debt	Domestic debt	Foreign debt	Domestic debt	Foreign debt	Total public debt			
1436/1437H (2015)	98,000	--	--	--	142,260	--	142,260	221.4	2,453,512	5.8
1437/1438H (2016)	97,020	103,125	25,825	--	213,455	103,125	316,580	122.5	2,418,508	13.1
1438/1439H (2017)	58,455	80,625	12,408	--	259,502	183,750	443,252	40.0	2,582,198	17.2
1439/1440H (2018)	48,750	71,250	3,272	--	304,980	255,000	559,980	26.3	2,949,457	19.0
1440/1441H (2019)*	69,839	50,161	2,055	--	372,764	305,161	677,925	21.1	2,973,626	22.8

* Preliminary data.

Source: MoF.

NATIONAL ACCOUNTS AND SECTORAL DEVELOPMENT

11

A vertical photograph on the right side of the page shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In the foreground, there is a well-maintained green lawn and a low, dark green hedge. The image is partially obscured by a vertical gold bar on the left side of the page.

National Accounts and Sectoral Development

Gross Domestic Product (GDP) for 2019

Preliminary data from the General Authority for Statistics (GaStat) indicate that GDP at constant prices (2010=100) grew by 0.33 percent to SAR 2,639.8 billion during 2019 compared to a growth of 2.43 percent in the preceding year. The decline in growth was driven by a 3.65 percent contraction in the oil sector in 2019 against a growth of 3.13 percent in 2018. The non-oil sector, however, registered a growth of 3.31 percent in 2019

compared to a rise of 2.20 percent in the preceding year. The non-oil private sector grew by 3.78 percent against a growth of 1.91 in the preceding year. Moreover, the non-oil government sector increased by 2.20 percent in 2019 compared to a rise of 2.86 percent in 2018 (Table 11-1).

Preliminary data show that GDP at current prices went up by 0.82 percent to SAR 2,973.6 billion in 2019 compared to an increase of 14.22 percent in 2018. This was mainly attributable to a contraction of 6.04 percent in the oil sector against a rise of 34.08 percent in the preceding year. On the other hand, the non-oil sector registered a growth of 4.21 percent in 2019 compared to a rise of 6.62 percent in 2018. The non-oil private sector increased by 4.11 percent against a 4.28 percent growth in the

Table 11-1: Gross Domestic Product by Sector

(Million SAR)						
	2018			2019*		
	Value	Growth rate %	Share	Value	Growth rate %	Share
GDP at Current Prices						
1. Oil sector	985,900	34.08	33.43	926,338	-6.04	31.15
2. Non-oil sector	1,944,202	6.62	65.92	2,026,064	4.21	68.13
a. Private sector	1,300,856	4.28	44.10	1,354,322	4.11	45.54
b. Government sector	643,346	11.68	21.81	671,743	4.41	22.59
GDP (excluding import duties)	2,930,101	14.51	99.34	2,952,403	0.76	99.29
3. Import duties	19,355	-17.21	0.66	21,223	9.65	0.71
GDP	2,949,457	14.22	100.00	2,973,626	0.82	100.00
GDP at constant 2010 prices						
1. Oil sector	1,137,646	3.13	43.24	1,096,170	-3.65	41.52
2. Non-oil sector	1,478,425	2.20	56.19	1,527,304	3.31	57.86
a. Private sector	1,034,635	1.91	39.32	1,073,744	3.78	40.68
b. Government sector	443,789	2.86	16.87	453,561	2.20	17.18
GDP (excluding import duties)	2,616,070	2.60	99.43	2,623,474	0.28	99.38
3. Import duties	15,021	-19.89	0.57	16,338	8.77	0.62
GDP	2,631,091	2.43	100.00	2,639,811	0.33	100.00
Implicit deflator (2010=100)						
Gross Domestic Product (GDP)	112.10	11.51	--	112.65	0.49	--
1. Oil sector	86.66	30.02	--	84.51	-2.49	--
2. Non-oil sector	131.50	4.33	--	132.66	0.88	--

* Preliminary data.
Source: GaStat.

preceding year. Moreover, the non-oil government sector rose by 4.41 percent compared to a 11.68 percent rise in 2018. The non-oil GDP implicit deflator⁴ increased by 0.88 percent in 2019 against a rise of 4.33 percent in 2018.

The non-oil private sector constituted 40.68 percent of GDP at constant prices in 2019, compared to 39.32 percent in 2018. The non-oil government sector's contribution increased from 16.87 percent in 2018 to 17.18 percent in 2019. The oil sector's contribution decreased to 41.52 percent in 2019 from 43.24 percent in 2018 (Table 11-1).

An analysis of GDP at constant 2010 prices by detailed key economic production activities shows that most activities grew in 2019, albeit in varying degrees. Wholesale and retail trade, restaurants and hotels increased by 6.27 percent against 0.95 percent in 2018. In addition, transport, storage and telecommunications grew by 5.60 percent against a 2.08 percent rise in the preceding year. Finance, insurance, real estate and business services registered an increase of 5.53 percent against an

increase of 3.16 percent in the preceding year. Construction and building also increased by 4.60 percent against a decline of 3.49 percent in 2018. On the other hand, public utilities (electricity, gas and water) decreased by 3.96 percent compared to a rise of 1.89 percent in 2018. Mining and quarrying (which includes crude oil and natural gas extraction) also dropped by 3.64 percent against a growth of 3.64 percent in the preceding year. Manufacturing industries (including oil refining) declined by 1.56 percent against a 2.10 percent growth in 2018 (Table 11-2).

Contribution of Private Sector to GDP

The contribution of the private sector to GDP at current prices increased to 45.87 percent in 2019 from 44.40 percent in 2018. The private sector's growth at current prices stood at 4.11 percent in 2019 compared to a growth of 4.28 percent in the preceding year (Table 11-3 and Chart 11-1).

Contribution of Government Sector to GDP

In 2019, the government sector's contribution to GDP at current prices was 22.75 percent, rising

Table 11-2: Gross Domestic Product by Key Economic Sectors (At Constant Prices for 2010)

	(Million SAR)							
	2016	2017	2018			2019*		
			Value	Share	Growth %	Value	Share	Growth %
1. Mining and quarrying	1,046,785	1,010,104	1,046,918	40.02	3.64	1,008,789	38.45	-3.64
2. Manufacturing (including oil refining)	307,987	311,982	318,529	12.18	2.10	313,553	11.95	-1.56
3. Public utilities (electricity, gas and water)	33,688	34,132	34,776	1.33	1.89	33,398	1.27	-3.96
4. Construction and building	121,203	117,259	113,172	4.33	-3.49	118,381	4.51	4.60
5. Wholesale and retail trade, and restaurants and hotels	228,074	229,378	231,569	8.85	0.95	246,085	9.38	6.27
6. Transport, storage and communications	148,467	151,789	154,946	5.92	2.08	163,618	6.24	5.60
7. Finance, insurance, real estate and business services	237,143	249,794	257,692	9.85	3.16	271,938	10.37	5.53
GDP**	2,566,928	2,549,820	2,616,070	100.00	2.60	2,623,474	100.00	0.28

* Preliminary data.
Source: GaStat.

** Excluding import duties.

⁴ The implicit deflator for GDP is a measure of the general level of prices of all final goods in an economy in a year. Unlike the cost of living index which measures the final consumption only, GDP deflator measures inflation rate at the macroeconomic level. The GDP deflator targets all consumption, investment and government sectors based on their respective contributions to the GDP.

from 21.96 percent in 2018. The sector's growth at current prices declined to 4.41 percent in 2019 from 11.68 percent in the preceding year (Table 11-3 and Chart 11-1).

Contribution of Oil Sector to GDP

In 2019, the oil sector's contribution to GDP at current prices decreased to 31.38 percent from 33.65 percent in 2018. The sector contracted by 6.04 percent against a 34.08 percent growth in the preceding year (Table 11-4 and Chart 11-1).

Contribution of Service Activities to GDP

The contribution of the service activities (including wholesale and retail trade; restaurants and hotels; transport, storage, and telecommunications;

finance, insurance, real estate, and business services; community, social and personal services; and producers of government services) to GDP at current prices stood at 50.80 percent in 2019 versus 48.69 percent in 2018. The growth of services at current prices was 5.15 percent in 2019 against a growth of 7.06 percent in the preceding year (Table 11-4 and Chart 11-2).

Contribution of Mining and Quarrying to GDP

The contribution of the mining and quarrying activities (which includes crude oil and natural gas extraction) to GDP at current prices was 28.00 percent in 2019 against 30.12 percent in 2018. The activity recorded a contraction of 6.33 percent in 2019 compared to a growth of 34.59 percent in the preceding year (Table 11-5 and Chart 11-2).

Contribution of Industrial Activity to GDP

The contribution of industrial activity (which includes oil refining) to GDP at current prices declined to 12.63 percent in 2019, down from 12.89 percent in 2018. Industry at current prices contracted by 1.30 percent in 2019, against a growth of 13.49 percent in the preceding year (Table 11-5 and Chart 11-2).

Contribution of Other Economic Production Activities to GDP

The contribution of agricultural activity (including

Chart 11-1: Contribution of Economic Sectors to GDP in 2019 at Current Prices (Excluding import duties)

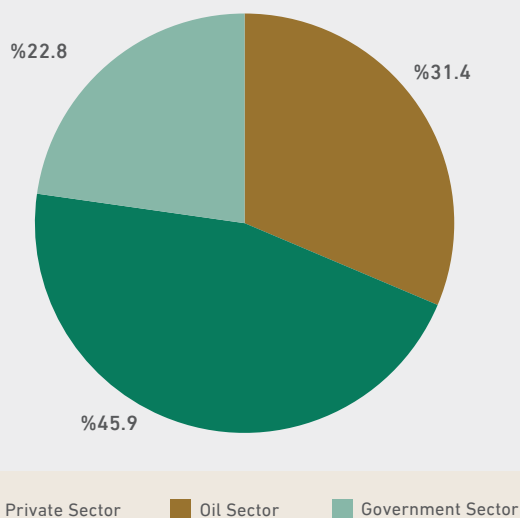


Table 11-3: Contribution of the Private and Government Sectors to GDP (At Current Prices)

Year	GDP** (Million SAR)	Private Sector			Government Sector		
		(Million SAR)	Share	Change %	(Million SAR)	Share	Change %
2015	2,427,517	1,213,542	49.99	5.56	554,305	22.83	19.01
2016	2,392,646	1,227,534	51.30	1.15	569,619	23.81	2.76
2017	2,558,820	1,247,459	48.75	1.62	576,059	22.51	1.13
2018	2,930,101	1,300,856	44.40	4.28	643,346	21.96	11.68
2019*	2,952,403	1,354,322	45.87	4.11	671,743	22.75	4.41

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

agriculture, forestry and fishing) to GDP at current prices was 2.25 percent in 2019 against 2.24 percent in 2018. The growth of this activity at current prices was 1.22 percent in 2019 against a growth of 0.49 percent in the preceding year.

The contribution of construction and building to GDP at current prices stood at 5.54 percent in 2019 compared to 5.17 percent in the preceding year. This activity recorded a significant growth of 8.03 percent in 2019 against a decline of 2.00 percent in 2018.

In 2019, the contribution of electricity, gas and water to GDP at current prices stood at 1.60 percent versus 1.68 percent in the previous year. This activity recorded a contraction of 4.25 percent during 2019 compared to a 21.28 percent growth in 2018 (Table 11-6 and Chart 11-2).

Per Capita Income

Preliminary figures indicate that per capita share

of GDP at current prices in Saudi Arabia declined by 1.55 percent to SAR 86,902 in 2019, versus SAR 88,271 in 2018 (Table 11-7).

Chart 11-2: Contribution of Economic Activities to GDP in 2019 at Current Prices (Excluding import duties)

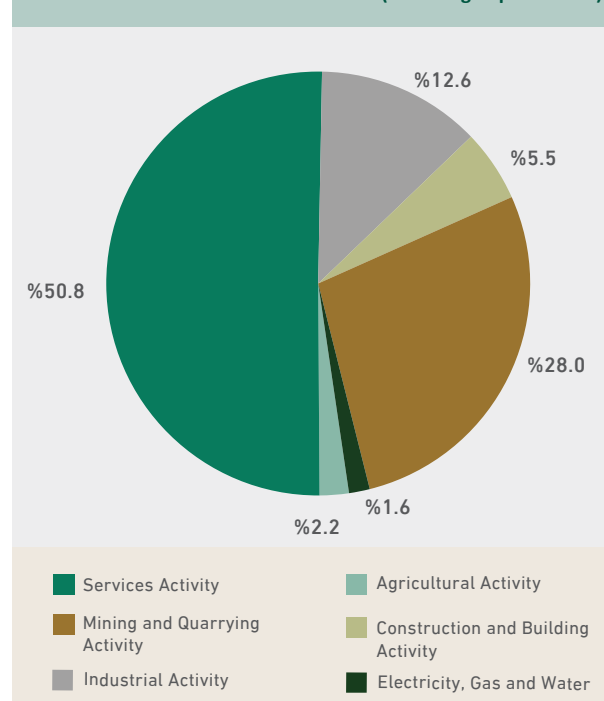


Table 11-4: Contribution of Oil Sector and Services Activity to GDP (At Current Prices)

Year	GDP** (Million SAR)	Oil Sector			Services Activity		
		(Million SAR)	Share	Change %	(Million SAR)	Share	Change %
2015	2,427,517	659,670	27.17	-44.91	1,274,557	52.50	10.87
2016	2,392,646	595,494	24.89	-9.73	1,306,409	54.60	2.50
2017	2,558,820	735,302	28.74	23.48	1,332,481	52.07	2.00
2018	2,930,101	985,900	33.65	34.08	1,426,531	48.69	7.06
2019*	2,952,403	926,338	31.38	-6.04	1,499,928	50.80	5.15

* Preliminary data. ** Excluding import duties.

Source: GaStat.

Table 11-5: Contribution of Mining and Quarrying Activity and Industrial Activity to GDP (At Current Prices)

Year	GDP** (Million SAR)	Mining and Quarrying***			Industrial Activity****		
		(Million SAR)	Share	Change %	(Million SAR)	Share	Change %
2015	2,427,517	600,508	24.74	-46.86	311,215	12.82	1.64
2016	2,392,646	533,636	22.30	-11.14	312,160	13.05	0.30
2017	2,558,820	655,761	25.63	22.89	332,901	13.01	6.64
2018	2,930,101	882,613	30.12	34.59	377,806	12.89	13.49
2019*	2,952,403	826,706	28.00	-6.33	372,893	12.63	-1.30

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

Source: GaStat.

Expenditure on GDP in 2019

Preliminary figures show that expenditure on GDP at current prices went up by 0.82 percent to SAR 2,973.6 billion in 2019 against an increase of 14.22 percent in the preceding year. This was due to the growth in the final consumption of the private sector and the gross fixed capital formation. Final consumption of the private sector rose by 3.54 percent to SAR 1,157.8 billion in 2019 against a rise of 5.13 percent in 2018. Gross capital formation (including inventory change) increased by 13.66

percent to SAR 812.3 billion in 2019 from SAR 714.7 billion in 2018. In contrast, final consumption of the government sector declined by 2.33 percent to SAR 709.2 billion in 2019 from SAR 726.1 billion in 2018. The share of gross final consumption in expenditure on GDP at current prices increased slightly to 62.78 percent in 2019 from 62.53 percent in 2018. Net exports of goods and services registered a surplus of SAR 294.3 billion in 2019 compared to a surplus of SAR 390.5 billion in 2018, a 24.62 percent drop (Table 11-8 and Chart 11-3).

Chart 11-3: Contribution of Some Economic Activities to GDP (At Current Prices)

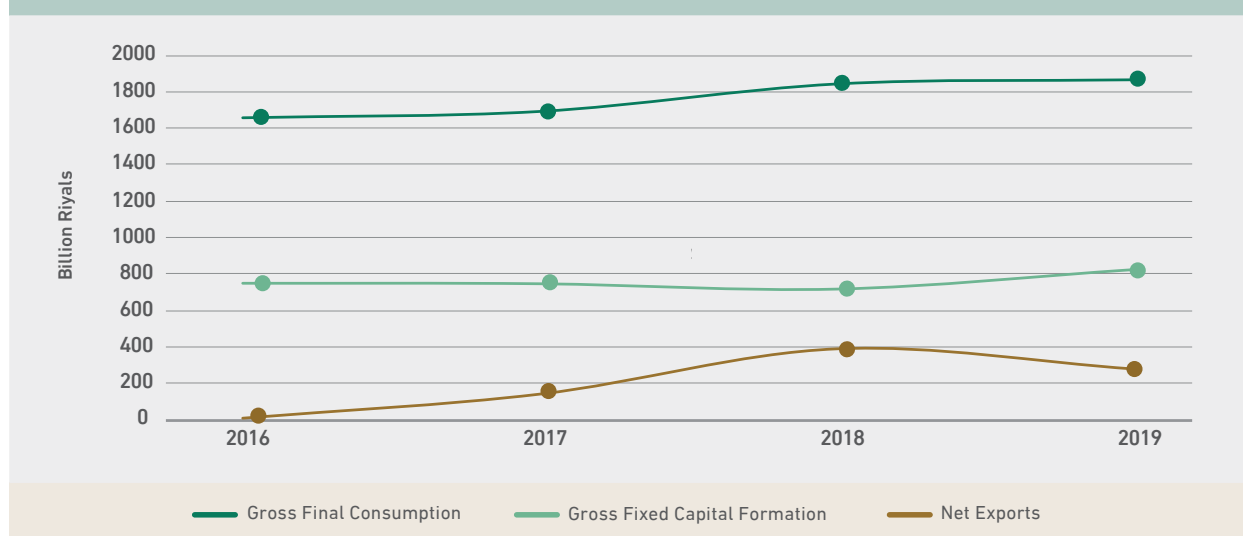


Table 11-6: Contribution of Some Economic Activities to GDP (At Current Prices)

(Million SAR)										
Year	GDP**	Agricultural activity***	Share	Change %	Construction and building	Share	Change%	Electricity, gas and water	Share	Change %
2015	2,427,517	64,267	2.65	1.75	162,975	6.71	6.54	36,067	1.49	11.05
2016	2,392,646	64,952	2.71	1.07	159,575	6.67	-2.09	38,395	1.60	6.46
2017	2,558,820	65,290	2.55	0.52	154,592	6.04	-3.12	40,621	1.59	5.80
2018	2,930,101	65,609	2.24	0.49	151,496	5.17	-2.00	49,266	1.68	21.28
2019*	2,952,403	66,411	2.25	1.22	163,655	5.54	8.03	47,174	1.60	-4.25

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

Table 11-7: Per Capita GDP

	2016	2017	2018	Change %	2019*	Change %
GDP** (Current prices) (Million SAR)	2,418,508	2,582,198	2,949,457	14.22	2,973,626	0.82
Population (million)	31.79	32.61	33.41	2.46	34.22	2.41
Per Capita GDP (Riyals)	76,083	79,177	88,271	11.49	86,902	-1.55

* Preliminary data.

** Including import duties.

Source: GaStat.

Table 11-8: Expenditure on GDP at Purchasers' Value (At Current Prices)

(Million SAR)												
	2016			2017			2018			2019*		
	Value	Share	Change %	Value	Share	Change %	Value	Share	Change %	Value	Share	Change %
Gross final consumption	1,660,089	68.64	-3.76	1,694,622	65.63	2.08	1,844,341	62.53	8.83	1,866,990	62.78	1.23
Government consumption	624,632	25.83	-15.15	630,978	24.44	1.02	726,101	24.62	15.08	709,171	23.85	-2.33
Private consumption	1,035,457	42.81	4.72	1,063,644	41.19	2.72	1,118,241	37.91	5.13	1,157,819	38.94	3.54
Gross capital formation**	748,108	30.93	-13.20	745,272	28.86	-0.38	714,662	24.23	-4.11	812,293	27.32	13.66
Net exports of goods and services***	10,312	0.43	--	142,303	5.51	1,279.98	390,454	13.24	174.38	294,343	9.90	-24.62
Expenditure on GDP	2,418,508	100.00	-1.43	2,582,198	100.00	6.77	2,949,457	100.00	14.22	2,973,626	100.00	0.82

* Preliminary data.

** Including change in inventory.

*** Net exports of goods and services = Total exports of goods and services minus total imports of goods and services.

Source: GaStat.

SAMA, ACHIEVEMENTS AND ASPIRATIONS

12

A vertical photograph on the right side of the page. It shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In the foreground, there is a well-maintained green lawn with a low hedge. The image is partially obscured by a vertical gold bar on the left side of the page.

SAMA, Achievements and Aspirations

The Saudi Arabian Monetary Authority (SAMA) seeks to fulfill the mandate entrusted to it in line with national economy requirements and Saudi Vision 2030, based on a clear vision of the present and future of the financial sector in Saudi Arabia and its prospective role in boosting the economy. During the fiscal year 1440/1441H (2019), the national economy witnessed many strategic and regulatory developments as well as various developments in the domestic and international markets. This chapter discusses SAMA's roles and functions, salient achievements made in 1440/1441H (2019), and SAMA's role in Vision 2030. It also touches upon SAMA's contributions to the society, while the last part of the chapter reviews key developments in SAMA's financial position.

SAMA, the central bank of the Kingdom of Saudi Arabia, was founded under two royal decrees issued on 25 Rajab 1371H (20 April 1952) and has been entrusted with many functions under a number of laws and resolutions. The most important of which are the following: (1) acting as the government's bank, (2) issuing the national currency (Saudi riyal), (3) strengthening the Saudi currency and maintaining its value internally and externally, (4) bolstering currency backing, (5) managing foreign exchange reserves, (6) managing monetary policy to maintain price and exchange rate stability, (7) encouraging the growth and ensuring the soundness and stability of the financial system, (8) supervising and overseeing commercial banks and money-changing businesses, (9) supervising cooperative insurance companies and insurance service

providers, (10) supervising finance and real estate finance companies as well as credit information companies, (11) providing innovative and secure payment systems, (12) collecting and providing financial and monetary data, and (13) conducting necessary analysis and economic and financial research.

During 1440/1441H (2019), SAMA made a number of achievements locally and internationally, including Saudi Arabia being granted full membership of the Financial Action Task Force (FATF). It is the first Arab country to obtain this membership. SAMA also won the Best Risk Manager Award at the level of central banks worldwide for 2019. As a result of SAMA's efforts in supporting digitization, the e-invoice payment platform for businesses, "Esal", one of SAMA's initiatives in the Financial Sector Development Program, won the Best Technological Innovation Award for Invoices of Digital Business Payments in the Middle East for 2019.

SAMA's Strategy

In order to achieve the sought-after monetary and financial stability and support sustainable economic growth through the financial sector, SAMA has identified four strategic goals: maintaining monetary stability, protecting the stability and resilience of the financial system, expanding and deepening the financial sector, and contributing to the economic development of Saudi Arabia. This strategy goes in line with Saudi Arabia's current orientation and Vision 2030. The strategy adopted in 2014 constitutes a vital framework for the visions and objectives that SAMA aspires to achieve through its role. SAMA is committed to achieving these objectives by adopting the best international practices, maintaining the efficiency of human capital and 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 effectively and efficiently implement its supervisory role 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; and
- to maintain the soundness of external financial assets and maximize long-term investment income, taking into account risk appetite.

Central banks usually review their strategies periodically as their functions might undergo changes, or according to significant changes in the economic cycle and the financial system. SAMA has studied all current and expected future challenges and opportunities in the financial system through strategic visualization groups of experts from all fields of work. Accordingly, SAMA focused on updating and developing its strategy for the years 2020-2023 by identifying strategic priorities for its functions and translating them into clear goals and plans to be implemented in the coming years.

Monetary Policy

SAMA plays a pivotal role in the national economy through its monetary policy, which aims to maintain monetary and financial stability and ensure credit availability to meet economic needs. The following is a review of the key objectives of SAMA's monetary policy.

Monetary Stability

One of the main goals of monetary policy is to maintain Saudi riyal exchange rate stability in the

domestic and international markets. Therefore, SAMA has maintained the Saudi riyal exchange rate against the U.S. dollar pegged at SAR 3.75 per U.S. dollar since 1986. To achieve this goal, SAMA uses a package of monetary policy tools, including repo (repurchase agreements) and reverse repo rates, SAMA bills, reserve ratios for commercial banks, swaps, direct deposits, and other monetary tools available to manage liquidity levels. These tools have helped in maintaining the stability of the Saudi riyal exchange rate, which supports economic growth through imports and exports and the freedom of capital flows.

Financial Stability

SAMA plays an effective role in the banking and financial system by closely supervising all banking, finance and insurance institutions in order to achieve a number of strategic objectives, including maintaining the soundness and resilience of banking and financial systems, in addition to identifying, assessing, measuring and addressing all risks. This is achieved by monitoring capital, levels of liquidity and profitability of the financial sector, and stress-testing the banking sector, as well as monitoring indicators of financial integrity in order to ensure resilience of the financial economy and its ability to withstand shocks.

1. Achievements and Aspirations

1.1. National Currency Management

SAMA's functions include issuing the national currency (banknotes and coins), maintaining issuances and their value, holding Saudi Arabia's currency assets, and meeting the demand for currency through SAMA's ten branches in all regions of Saudi Arabia. The currency is printed and minted in accordance with the latest technical specifications available in the industry, and it incorporates the latest and strongest security features that make it simple for people handling cash to judge the authenticity of a banknote. In addition, SAMA seeks to raise awareness of the

national currency along with its security features.

It also pursues all cases of currency counterfeiting and continuously coordinates with security authorities in order to combat all counterfeiting attempts, a fact that has contributed to the decline of counterfeiting rates of the Saudi currency as compared to other countries. SAMA's efforts in combating currency counterfeiting include the following:

- Continuing to spread awareness about the national currency, its security features, and technical specifications through the distribution of guides, publishing of information on SAMA's website and social media accounts, and the production of educational films, in addition to holding specialized training courses and workshops on banknotes.
- Distributing counterfeit detector pens and UV lights to elderly vendors and shop owners in bazaars and seasonal event venues.
- Holding meetings of the Standing Committee (which is located at SAMA) for the study of sources of counterfeit currency and determining preventive measures.
- Participating in shopping centers' events to provide information about Saudi banknotes and coins.
- Following up the development of the smart phone application that interactively provides information about Saudi banknotes and their security features.

1.2. Foreign Reserve Management

By managing foreign exchange reserves, SAMA aims to achieve a balance between maximizing investment returns and meeting liquidity requirements. Foreign exchange reserves are managed by qualified and specialized national cadres with the highest level of education and professional qualification, according to international foreign asset management standards and

regulations, and through a periodically reviewed comprehensive investment policy. Investment is made through strong diversified investment portfolios that are dynamically managed in order to optimize the distribution of assets and benefit from investment opportunities. Seeking to adopt global best practices, SAMA applies the Global Investment Performance Standards (GIPS), which were formulated by the CFA Institute. Additionally, SAMA takes moral responsibility in its investment practices by banning investment in certain activities, such as gambling and trading in alcohol, tobacco, pork, and weapons.

1.3. Supervision and Control of the Banking Sector

SAMA supervises and regulates banks' business operations in order to ensure their soundness, financial solvency and efficient performance in the national 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 key developments in 1440/1441H (2019):

- SAMA updated several instructions, including the Rules of Opening Bank Accounts, Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA, and the Rules on Outsourcing.
- SAMA issued instructions for the professional certification of employees of supervised financial institutions.
- SAMA issued new instructions, including the Regulation of Agent Banking in Saudi Arabia, Code of Conduct and Work Ethics in Financial Institutions, the Whistle Blowing Policy for Financial Institutions, and the Requirements for Registration, Disclosure and Risk Management for Derivatives Contracts not Listed in a Central Platform (OTC Derivatives).
- SAMA conducted periodic supervisory visits to all domestic banks and foreign banks'

branches operating in Saudi Arabia, to update and assess banks' risk profile, and created their respective risk registers.

- SAMA continued to perform inspections by planning and implementing different on-site inspection programs. Moreover, a number of thematic, targeted and specialized inspection programs were implemented using a risk-based approach. SAMA also follows up banks' compliance with corrective action plans relating to the results of these programs through on-site visits.
- SAMA prepared and signed memorandums of understanding (MOUs) with a number of external supervisory bodies, including a cooperation MOU between SAMA and Dubai Financial Services Authority (DFSA) in the UAE in the field of financial services, and a trilateral MOU between SAMA, the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS), both in South Korea, for mutual collaboration in the area of financial institutions supervision.
- SAMA updated the Licensing Requirements for Establishing a National Bank and the Licensing Requirements for Opening a Foreign Bank Branch in Saudi Arabia. The Banking Licensing Guidelines and Minimum Criteria were published on SAMA's website.

1.3.1 Macro-Prudential Supervisory Measures in Saudi Arabia

SAMA adopts many macroprudential instruments aimed to ensure financial stability in Saudi Arabia by managing systemic risk and preventing disruption of vital financial services necessary for economic growth. The macroprudential instruments used in 2019 include the following:

- Regulatory capital requirements in line with Basel III requirements: Common Equity Tier 1 (CET1) must be at least 4.5 percent of the risk-weighted assets. Tier 1 capital must be at least 6 percent of the risk-weighted assets.
- Total regulatory capital (Tier 1 capital and Tier 2 capital) must be at least 8 percent of the risk-weighted assets.
- Capital conservation buffer must be 2.5 percent of risk-weighted assets. This requirement must be met with CET1 capital. This ratio increased from 1.88 percent in 2018 to 2.5 percent in 2019, in line with Basel III requirements.
- Countercyclical capital buffer remained at zero percent in 2019.
- Capital surcharges for systemically important banks (which were six in 2019) were stipulated, varying from 0.5 percent to 1.5 percent depending on the systemic importance.
- Reducing the risk-weighted asset ratio of residential real estate finance from 75 percent in 2017 to 50 percent as of 2018.
- A bank's deposit liabilities should not exceed 15 times its reserves and invested capital.
- Tier 1 capital to total exposures ratio should equal a minimum of 3 percent.
- A reserve requirement at 7 percent for demand deposits and 4 percent for time deposits. As of January 2019, this requirement must be calculated by banks according to daily average deposit balances at the end of the month.
- Banks are required to maintain a minimum liquidity reserve equal to 20 percent of their deposit liabilities. SAMA, in a statement released in January 2019, stipulated that the statutory reserves must be included under the definition of liquid assets when the ratio is calculated.
- Banks are required to maintain the net stable funding ratio (NSFR) at no less than 100 percent on an ongoing basis.
- Banks are required to maintain, at a minimum and on an ongoing basis, liquidity coverage ratio equal to 100 percent of projected net cash outflows over a 30-day stress period. This ratio was raised from 90 percent in 2018

to 100 percent in 2019, in line with Basel III requirements.

- Weighted loan-to-deposit (LTD) ratio should not exceed 90 percent.
- The maximum debt-to-income (DTI) ratio will vary depending on the customer's income and total monthly obligations (including basic expenses), according to the Responsible Lending Principles for Retail Consumers issued in 2018.
- Loan-to-value (LTV) ratio must not exceed 90 percent for citizens' first mortgage loan for all real estate financiers (banks and finance companies), and the ratio must not exceed 70 percent for citizens' other mortgage loans.
- Banks are required to register finance lease contracts with the Saudi Finance Lease Registration Company (Sijil).
- Written approval must be obtained from SAMA before granting certain types of loans, such as loans provided to a non-resident entity, syndicated loan in a foreign currency to non-residents, syndicated loan in local currency outside Saudi Arabia (whether to residents or non-residents), any syndicated loan in local currency in which foreign banks are invited to participate, or owning or subscribing to securities in local currency abroad.
- A bank's total exposure to any non-bank entity or group of interconnected entities (except for individuals, individual enterprises, and commercial enterprises mostly owned by the government or a government-related entity) should not exceed 15 percent of Tier 1 capital. Total exposure to individuals or to individual or partnership enterprises should not exceed 5 percent of Tier 1 capital. As for a bank's total exposure to any other bank, it must not exceed 25 percent of Tier 1 capital of the lending bank. (This ratio drops to 15 percent if the borrowing bank and/or the lending bank is systemically important, whether domestically or globally). In addition, a bank's total

exposure to any commercial enterprise mostly owned by the government or a government-related entity must not exceed 25 percent of Tier 1 capital.

- A bank's total large exposure (i.e. to any single entity or group of interconnected entities that account for 10 percent or more of Tier 1 capital) must not exceed six times the bank's Tier 1 capital.
- Banks are required to adopt the interim regulatory treatment of accounting provisions and standards for transitional arrangements to implement the International Financial Reporting Standard 9 "Financial Instruments" (IFRS9), which came into force on 1 January 2018. Banks are required to hold general provisions of at least 1 percent of total loans and specific provisions of at least 100 percent of non-performing loans. Additionally, there is a planned update of the Rules of Regulatory Provisioning in line with IFRS9.

1.4. Supervision and Control of the Insurance Sector

As part of its supervisory role, SAMA strives to exert all efforts necessary to promote the growth and stability of the insurance sector and avoid any potential risks. SAMA publishes the laws, regulations and instructions related to the sector on its website. It also publishes information related to the insurance market and licensed companies operating in this sector as well as information about supervisory and inspection visits made by SAMA to assess the performance of insurance and reinsurance companies. The following are the key developments in 1440/1441H (2019):

- SAMA continued to work on developing a supervisory approach for all companies operating in the Saudi insurance sector. As a result, an approach was introduced in 2018 by migrating from conventional supervision to the Risk-Based Supervisory Framework.

In doing so, SAMA aims to keep abreast of the best international professional practices in its supervisory and regulatory activities by collecting all quantitative and qualitative data related to insurers, reinsurers and insurance service providers and reflecting such data in an advanced electronic system for the purpose of analyzing and assessing corporate risks as well as taking appropriate regulatory and prudential measures before the materialization of any risk.

- SAMA made eight supervisory and inspection visits to companies operating in the insurance sector during 2019. Through such visits, SAMA assesses the overall performance of companies for a specific period. In addition, SAMA conducted over 135 inspection visits and campaigns in 2019 to all insurance companies as part of various inspection programs. These programs include the Insurance Service Providers Control Program that aims to assess the compliance of service providers with the laws, regulations and instructions issued by SAMA, prevent and limit current negative behaviors in the market, and produce recommendations to develop the market based on the outputs.
- The Council of Ministers issued a resolution approving the authorization of the Governor or his designee to have discussions with the UAE Insurance Authority to sign a memorandum of understanding with SAMA in order to deepen and sustain the Saudi-Emirati Coordination Council's initiatives and plans aimed at strengthening the integrated economic system between the two countries, including the insurance industry.
- SAMA participated in a number of working groups of the International Association of Insurance Supervisors (IAIS) whose objectives include developing and adopting international supervision standards for insurance market behavior, effective governance, liquidity risk management, and overall supervision of companies in addition to keeping abreast of relevant developments in accounting and auditing. SAMA also participated in Takaful insurance/reinsurance standards development committees of the Islamic Financial Services Board (IFSB) with the aim of developing the basic principles of Islamic financial regulation.
- With regard to foreign representation and participation in international committees, SAMA is represented by nine key members in nine international committees. The representatives participated in the development of international standards related to governance, accounting and auditing, market conduct, financial inclusion, macroprudential supervision, Takaful and Islamic finance and attended around 32 committees' meetings in 2019.
- After coordination with SAMA and the Council of Cooperative Health Insurance, the Ministry of Hajj and Umrah launched the insurance of expat Umrah visitors' program, which provides health and other insurance services. The Program is dedicated to serving Umrah visitors from the moment they arrive until they leave. The insurance has a coverage of SAR 100,000 per insured individual for urgent healthcare, and SAR 380 million per accident in the 30-day insurance period.
- Due to the important role of the actuary to the activities of insurance and reinsurance companies, SAMA updated the Actuarial Work Regulation for Insurance and/or Reinsurance Companies to enhance and regulate actuaries' performance, which will positively reflect on the insurance industry in Saudi Arabia.

1.5. Supervision and Control of the Finance Sector

SAMA seeks to develop the regulatory and supervisory frameworks of the finance companies

sector to achieve the main objectives of finance laws and their implementing regulations (Finance Companies Control Law and its Implementing Regulations, Real Estate Finance Law and its Implementing Regulations, and Finance Lease Law and its Implementing Regulations) issued to enhance financial stability in the finance sector and promote sustainable economic growth. This is achieved through setting the guidelines for engaging in finance activities, ensuring fair transactions for all stakeholders, and encouraging fair competition between financiers while taking into account the principles of transparency and disclosure. SAMA is also responsible for issuing licenses for finance activities in accordance with finance laws and regulations. The following are the key developments during 1440/1441H (2019):

- Three licensing visits were carried out and three initial approvals for licenses were given in 2019.
- A total of 20 supervisory visits and 128 on-site visits to finance companies took place in 2019. The visits aimed at studying the technical and regulatory aspects of these companies, assessing their business plans and governance, and evaluating their compliance with finance laws and their implementing regulations.
- SAMA is keen on the training and development of its human resources by providing a number of programs and courses aimed to raise the quality of work and follow the international regulatory and supervisory standards. In support of this desire, SAMA provided several courses, including FSI Connect, which is a web-based information resource and learning tool developed by the Financial Stability Institute (FSI) for supervisory authorities around the world.
- The key developments in the supervision and control of finance companies include the issuance of 23 circulars covering several subjects relevant to the business of finance companies. The circulars include rules on

ownership of properties within Makkah and Madinah's borders for banks and real estate finance companies, rules on outsourcing for finance companies, and the sharing of commercial businesses' credit information with the Bayan Credit Bureau.

1.6. Supervision and Control of Payment Systems and Companies

The payments sector is witnessing global changes in terms of the rapid growth in the quality of services provided as well as the introduction of new types of payment service providers, and the rapid adoption of new digital technologies around the world. Through the FSDP program, Vision 2030 has set Saudi Arabia's orientation to promote local economy by developing and operating digital technologies in all aspects of the economy. To achieve growth in the payments sector in a manner consistent with its soundness and efficiency, SAMA has developed supervisory and regulatory frameworks for payment and financial settlement systems and their services. SAMA has worked on developing, managing and overseeing a modern payment infrastructure in line with international best practices and technologies available in the banking industry. This comes with the realization of the key role of payment and settlement systems in the financial and banking sectors (including their use for payments, clearing and settlements through electronic channels), taking into account the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee on Payment and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO). The PFMIs stress the responsibility of central banks to supervise and develop payment and settlement systems as one of their key functions. The following are the key developments in 1440/1441H (2019):

- SAMA issued the Payment Services Provider Regulations in Saudi Arabia, after publishing the draft regulations for public consultation.

By doing so, SAMA aims to regulate a competitive sector that encourages creativity in the payments sector. The Regulations pave the way for payment companies that operate within SAMA's Regulatory Sandbox to obtain licenses. The Regulations also included instructions to regulate and protect clients' funds (e-money) with e-wallet companies to comply with international regulatory standards.

- SAMA developed a tiered licensing framework for different types of payment service providers that is commensurate with the size of the services and activities provided, taking into account their risk profiles. There will be separate licensing categories for e-wallet companies (Electronic Money Institutions) and payment companies (Payment Institutions). Licensing categories are divided into micro and macro companies based on their size to boost creativity and the development of new businesses.
- SAMA adopted a risk-based supervisory approach that requires the preparation of different reports based on the entity type, in addition to ongoing assessment and follow-up by SAMA to ensure compliance with the relevant laws and instructions.
- The Payment Systems and Companies Control Department in cooperation with several departments in SAMA conducted supervisory visits to fintech companies to ensure their compliance with regulations and instructions issued by SAMA, in addition to ensuring their readiness to exit the regulatory sandbox and obtain licenses.

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

SAMA continued to conduct periodic inspections of financial institutions under its supervision to ensure their adherence to instructions and

regulations, detect any irregularities, and follow up with the necessary corrective actions in areas such as AML/CTF. SAMA's efforts in this regard are as follows:

- The Financial Action Task Force (FATF) granted full membership to Saudi Arabia. The membership was granted at the FATF's Plenary held in Orlando, USA in June 2019. Saudi Arabia is the first Arab country to be granted this membership and the approval of such granting came after an AML\CTF mutual evaluation was conducted by FATF and MENAFATF.
- The AML/CTF Manual was issued in November 2019 to financial institutions supervised by SAMA, in order to assist them in the development and adoption of a risk-based approach in conducting their businesses to meet the requirements of the Anti-Money Laundering Law issued by Royal Decree No. M/20 dated 02/02/1439H and its Implementing Regulations issued by Presidency of State Security Decision No. 14525 dated 19/02/1439H, and the requirements of Terrorist Crimes and their Financing Law issued by Royal Decree No. M/21 Dated 21/02/1439H and its Implementing Regulations issued under the Council of Ministers Resolution No. 228 dated 02/05/1440H. The Manual shall replace the Rules Governing Anti-Money Laundering and Combating Terrorist Financing updated in February 2012.
- The Permanent Financial Committees for sectors supervised by SAMA (domestic banks, branches of foreign banks, exchange companies and finance companies) continued to hold regular meetings to discuss issues of compliance and combating financial crimes. Their work includes:
 - continuously promoting effective implementation of the requirements of combating financial crimes, money

- laundering, terrorist financing and combating proliferation of weapons;
- enhancing cooperation among banks with regard to freezing, banning and imposition of international financial and economic sanctions;
- implementing strategic objectives, roles and requirements received from the Anti-Money Laundering Permanent Committee;
- raising society awareness of the risks of money laundering, terrorist financing and fraud through lectures, participating in seminars, media through the Media Committee and raising awareness of financial institutions' clients;
- promoting initiatives that reduce dependence on cash and the use of informal methods to execute financial transactions; and
- promoting the use of advanced technology in combating financial crimes, money laundering and terrorism financing.
- SAMA promoted national and international cooperation and coordination in the field of AML/CTF through focusing on bilateral meetings with AML/CTF and proliferation entities.
- Work has been done to develop the ability of discovering money laundering, terrorist financing and proliferation crimes by taking measures to encourage financial institutions to strengthen their detection systems and ensure reporting of suspicious transactions. The first stage of the E-Reporting project has been launched in cooperation with the Financial Intelligence Unit at the Presidency of State Security and the National Information Center. Through e-reporting, financial institutions can urgently and confidentially report suspicious transactions to the Financial Intelligence Unit.
- A number of mechanisms and guidelines have been updated, including "Guidance to

the Implementation Mechanisms of United Nations Security Council Resolutions to Counter the Financing and Proliferation of Weapons of Mass Destruction".

- In order to bring awareness programs and specialized training into effect, Saudi Arabia hosted a number of conferences, symposia and workshops, including the 11th Annual Compliance and Anti-Money Laundering Seminar held in November 2019. The event was organized in cooperation and coordination between the Anti-Money Laundering Permanent Committee and Thomson Reuters.
- The Anti-Money Laundering Permanent Committee and SAMA worked on achieving the National Strategic Objectives, which were approved by the Council of Ministers in the Ministerial Decision No. 42 dated 15/01/1440H. The Objectives help in reducing ML/TF risks in Saudi Arabia by enhancing national and international cooperation and coordination, improving the effectiveness of relevant entities' work, and ensuring relevant entities' understanding and assessment of risks.
- SAMA launched the AML/CTF National Awareness Campaign in coordination with the Presidency of State Security in November 2019. The Campaign aimed at raising community AML/CTF awareness based on the Anti-Money Laundering Law and its Implementing Regulations and the Law of Terrorism Crimes and Financing and its Implementing Regulations.

1.8. Economic Research and Statistics

SAMA seeks to make the Research and International Affairs Deputyship its intellectual source and an active and dependable department by conducting highly valued internal and external studies in financial and economic fields. SAMA strives to make the Deputyship a source of the latest and most accurate monetary, banking and financial

data, to keep pace with national and international economic developments. The key achievements of the Deputyship include the following:

- Preparing SAMA's Annual Report, which is a key reference for researchers and those interested in the national economy.
- Holding quarterly workshops that aim to enrich knowledge and share ideas with academics, bankers, and other interested researchers. These workshops address various topics and developments in the economic and financial fields. The Deputyship held four workshops during 1440-1441H (2019).
- Making monthly presentation on working papers to SAMA's senior management and other officials concerned with financial and economic affairs to raise the level of idea sharing between the employees of SAMA and other government entities.
- Preparing and publishing monthly, quarterly and annual reports and statistics on SAMA's website, including the Monthly Statistical Bulletins, Inflation Report, Monetary and Banking Developments Report, in addition to the Financial Stability Report.
- Working on meeting the requirements of the G20 Data Gaps Initiative.
- Contributing to Saudi Arabia's subscription to the IMF's Special Data Dissemination Standard (SDDS), in cooperation with The Ministry of Finance and the General Authority for Statistics.
- Preparing working papers in various economic, financial and development fields and publishing them on SAMA's website.
- Providing relevant authorities with specialized research papers on monetary, banking and financial topics and on SAMA's projections for the Saudi economy.

2. Risk and Compliance

As part of SAMA's efforts to instill the concept of

compliance and risk management in order to raise awareness, SAMA developed a set of methods and mechanisms to address risks, promote risk management culture, increase compliance with regulations and instructions to protect SAMA's resources, and provide the necessary support to ensure the continuity of its critical functions to fulfil its objectives and strategies. SAMA has fulfilled all requirements in the implementation of best international standards and practices. As a result of its efforts, the Central Banking Awards Committee awarded SAMA the Best Risk Manager Award at the level of central banks worldwide for 2019. After confirming the implementation of all standards and requirements for the award, the Committee found that SAMA was the best among all central banks to be classified as the Best Risk Manager in the world.

3. Saudi Vision 2030

SAMA is fulfilling its roles in line with the development requirements and needs of the economy through its work on maintaining monetary and financial stability and promoting sustainable economic growth. SAMA constantly coordinates with the authorities responsible for realizing Saudi Vision 2030 and its programs to identify areas of cooperation and overcome the obstacles associated with SAMA's functions and responsibilities, in a manner consistent with the requirements of monetary and financial stability. Saudi Vision 2030 has several economic and development goals on which many initiatives and projects are based. Some of the main goals include advancing Saudi Arabia from its current position into the top 15 economies in the world in terms of GDP by 2030. This will be achieved through increasing the private sector's contribution from 40 percent to 65 percent of GDP, raising the share of non-oil exports in non-oil GDP from 16 percent to 50 percent, and increasing small and medium-sized enterprises' (SMEs) contribution to GDP from 20 percent to 35 percent by 2030. Another goal

of the Vision is to promote social engagement in achieving the national objectives and aspirations, such as increasing household savings from 6 percent to 10 percent of total household income by 2030.

3.1. Financial Sector Development Program (FSDP)

SAMA, in partnership with the Ministry of Finance and the Capital Market Authority (CMA), has been working to support the implementation of the initiatives falling under the Financial Sector Development Program (FSDP), which was launched by the Council of Economic and Development Affairs on 21 Rajab 1438H (24 April 2017). The FSDP aims to develop a diversified and effective financial sector to support the development of the national economy; stimulate savings, finance and investment by developing and deepening financial sector institutions; develop an advanced capital market; and promote financial planning for all segments of society. SAMA also contributed to the planning of many initiatives related to developing the financial sector, in particular the banking, insurance, and finance sectors, payment systems and consumer protection. SAMA is currently working on the implementation of these initiatives that will enable financial institutions to support private sector growth, develop an advanced capital market, and promote financial planning. SAMA's key achievements in the Financial Sector Development Program in 1440/1441H (2019) are as follows:

- The announcement was made of the independent legal entity of the Saudi Payments Company after the Council of Ministers issued Resolution No. 195 dated 08/03/1441H authorizing SAMA to establish a Saudi joint-stock company owned by SAMA to operate payment and financial settlement systems and services. This is one of the achievements of the initiative to open financial services to new types of players.
- In a drive towards the cashless society initiative, SAMA made several achievements, including linking smart phone payments with the Apple operating system (Apple Pay), and implementing the "Elevation Program" to incentivize merchants and cardholders to increase cashless payments. In this context, the share of non-cash transactions of total transactions for the retail sector (individuals) recorded 36 percent in July 2019 surpassing the FSDP target for the year 2020. Moreover, the e-invoice payment platform for businesses "Esal", won the Best Technological Innovation Award for Invoices of Digital Business Payments in the Middle East for 2019.
- The strategy for the Financial Literacy Entity has been finalized to promote and enable financial planning as one of the program pillars.
- A regulatory sandbox was designed to enhance innovation in financial services and e-payment services and help financial institutions and fintech companies test their innovative products with relaxed controls, which can positively reflect on the financial sector. Moreover, 11 domestic and international banks were allowed to use the sandbox to open and update bank accounts without the customer visiting the bank branch, and seven companies were licensed to provide various digital payment services.
- The online opening of bank accounts and e-wallets for individual institutions was implemented, as was the online opening of bank accounts and e-wallets for resident companies' experiments in the sandbox for testing innovative financial products and services in Saudi Arabia.
- The regulation of the practice of crowdfunding was implemented. This initiative allows individuals, in their personal capacity, to finance SMEs' projects to provide an additional and creative source of income in line with the financial literacy initiatives, and create a new funding source for SMEs.

- SAMA finished the development of an online factoring platform, which is aimed at developing quick, flexible and fully digitized factoring solutions to businesses, especially SMEs. This is one of the accomplishments under the initiative of building a national online factoring platform.
- The Saudi insurance market witnessed the start of three mergers of six insurance companies. This comes as a result of SAMA's efforts aiming at maintaining the stability and resilience of the financial system by encouraging insurance companies' mergers.
- SAMA, in cooperation with the General Authority for Small and Medium Enterprises (Monsha'at), launched the "Tamweel Portal" through the Monsha'at website. Due to SAMA's efforts to incentivize the financial sector to finance SMEs, the portal surpassed the 2020 target for SME loans as a percentage of bank loans registering 5.7 percent in 2019.
- SAMA approved the Updated Rules of Engaging in Microfinance Activity to regulate the business of licensed microfinance companies in Saudi Arabia.
- Development of the regulatory aspects of payments was advanced by working on "The Payment Systems and Services in Saudi Arabia". This project aims to develop a regulatory framework for the payments infrastructure to keep pace with payments industry developments, raise the efficiency and mobility of financial transactions, and promote innovation in financial services in line with international standards.
- The Financial Academy was established as one of the FSDP's initiatives to offer various training and development solutions, in order to provide knowledge and necessary skills to all employees of different job levels in the financial sector (banks and finance, insurance, and securities companies) and to improve their

performance and enhance their capabilities. In 2019, the Financial Academy offered 242 training programs covering different financial sectors. The programs were attended by 4,088 trainees.

3.2. Housing Program

In line with Saudi Vision 2030 and the Housing Program, which aim to raise the percentage of home ownership among Saudi citizens to 60 percent by 2020 and 70 percent by 2030, the number of new residential mortgage contracts from banks and finance companies was 179.2 thousand in 2019, compared to 50.5 thousand in 2018. The total mortgage loans amounted to SAR 79.1 billion in 2019 compared to SAR 29.5 billion in 2018, recording an increase of 169.2 percent.

3.3. Doyof Al Rahman Program

SAMA is dedicated to its role in providing comprehensive and innovative payment systems and seeks to reduce cash transactions and spread the culture of electronic payment. Therefore, in 2019, SAMA facilitated payments for Doyof of Al-Rahman (Hajj and Umrah visitors) with the participation of entities supervised by SAMA. The Saudi Payments Company allowed a bank to issue a bank card (a plastic card and digital cards for smart devices) during the first quarter of 2019 and the bank printed and distributed a million bank cards (Hajj and Umrah cards) in cooperation with several international banks. In addition, the bank provided a multi-lingual toll-free number for banking service for cardholders, which offers all transactions that the customer may need. Upon the end of the Hajj and Umrah season, the remaining balance in the card will be returned automatically through the same correspondent bank, without the need to use the card outside Saudi Arabia. The validity of the card has also been linked to the validity of the Hajj and Umrah visas, so that the card is not used illegally if its holder does not exit the Kingdom.

4. Human Resources

4.1. Training and Development

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

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

- The Leadership Development Program, which aims to develop and retain SAMA's leadership and competencies through leadership programs with the best leading international institutions and universities. The total number of employees joining the program in 2019 was 166.
- The Professional Certification Program, which aims to boost the employees' professional side and assist them in learning the best practices in their fields. The total number of employees joining the program was 129.
- The English Language Program, which aims to enhance the English level of SAMA's employees. The total number of employees joining the program was 132.
- The number of employees on scholarship abroad was 68, and the number of employees studying part-time or through distance learning was 51. In addition, 39 students joined the Cooperative Training Program.

- As for general courses, the number of training courses during 2019 was 1,917 and the number of employees enrolled in the training programs was 1,215.
- In order to train and qualify national talents in the field of financial and banking cybersecurity, SAMA launched the third edition of the Cybersecurity Program (SECURE 19).
- Based on the Council of Ministers Resolution No. 713, dated 30/11/1438H, stipulating that legal departments at government bodies shall be developed and supported with qualified and competent legal and Sharia law persons; and that such government bodies shall have plans put in place for appropriate development of their departments and staff to meet their objectives, SAMA developed a plan in 2019 for the hiring and attraction of qualified legal competencies, and nominated a number of employees for direct scholarship and for attending specialized workshops organized by central banks, the International Monetary Fund, and World Bank, in addition to other training programs as per the training needs of SAMA's employees.

4.2. Women's Empowerment

SAMA is keen to empower women and increase their participation in various fields. This is in line with Vision 2030, which aims to increase women's participation in the workforce to 30 percent by 2030. Moreover, SAMA aims to empower women in leadership skills in order to appoint them to supervisory positions. During 2019, SAMA worked on a number of women's empowerment programs, including hosting a number of inspiring women leaders, introducing a leadership development program for highly qualified women, in addition to offering a women's empowerment program (Springboard) that aims at the professional and personal development of women by setting clear and practical steps and working to develop the needed skills and confidence to take such steps.

5. Social Responsibility

SAMA seeks to exercise social responsibility in a recognized and exemplary way to positively affect all concerned parties, and to play a unique role in economic and financial maturity with continuous development of its capabilities to contribute to sustainable development. SAMA also set a strategic goal that enhances its role and stems from its responsibility toward the society, which is enhancing social responsibility. SAMA built its Social Responsibility Strategy in order to achieve this goal by working on four main aspects, which are: increasing employees' awareness of social responsibility, instilling the principles of social responsibility in SAMA's policies and procedures, launching initiatives and events that support social responsibility, and motivating the sectors supervised by SAMA to take on social responsibility.

For the ideal application of social responsibility, the strategy gives attention to all parties whose work is related to SAMA's work, as well as all stakeholders, while focusing on specific categories due to their importance in highlighting SAMA's social role. These parties include:

- **The Community:** This includes communicating with the community, focusing on training, education and financial awareness programs, paying attention to unemployment, enabling persons with disabilities, and supporting the third sector.
- **Employees and Work Environment:** This includes developing human capital, providing an attractive and ideal work environment in accordance with the best occupational health and safety standards, paying attention to employees' families, and encouraging organized volunteer work in areas needed by the society.
- **Financial Sector Entities:** This includes social responsibility at the sector level and enabling financial entities to develop these practices,

which will positively reflect on the sector's reputation and effectiveness, while continuing to develop consumer protection and awareness systems and procedures in addition to giving opportunities to local suppliers to provide their services to the sector.

- **The Environment:** This includes working on conserving natural resources and reducing the harmful impact on the environment through lowering energy consumption and emissions, reducing paper use, rationalizing water use, and thinking of new ideas to preserve the components of natural environment.

5.1. Financial Stability

SAMA is committed to supporting financial stability as one of its key roles. Therefore, it issues the Financial Stability Report (FSR) that reviews financial soundness indicators for banks and financial institutions in order to promote publishing indicators of the financial system as a whole. In addition, the FSR provides a detailed analysis of the key 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 in addition to its role in maintaining monetary and financial stability in Saudi Arabia. SAMA also issues the Monthly Statistical Bulletin that contains the latest detailed data related to monetary and financial statistics, the activity of insurance and financing companies, exchange rates, interest rates, payment systems, the quarterly balance of payments data, and the status of international investment and external debt. This is to inform all society segments to improve their decision-making by providing transparent information from a reliable source.

5.2. Consumer Issues

SAMA has established the Consumer Protection Department whose one of main objectives is to

ensure that consumers dealing with financial institutions receive transparent, honest and fair treatment in line with the laws and regulations and receive financial services and products easily and smoothly at affordable costs and high quality. The Consumer Protection Department also aims at raising awareness among all targeted segments, surveying public opinion of efforts and awareness campaigns to measure their success and benefit, and receiving and addressing the complaints of consumers of various financial sectors.

During 1440/1441H (2019), SAMA continued to receive and address complaints through the SAMACares system, which allows customers in financial sectors supervised and controlled by SAMA to submit and follow up on their complaints to SAMA within a system that ensures clarity and fast processing. In this regard, 268,383 various complaints from customers of banks and insurance and finance companies, whether submitted directly to SAMA or through other government agencies, were received and processed. In addition, 721,174 calls were received through the call center to file complaints or make inquiries. Furthermore, SAMA has worked on several initiatives to enhance financial consumer protection and raise the level of professionalism and efficiency of financial sector employees. These initiatives include:

- Retail Banking Foundations Professional Exam.
- Credit Adviser Professional Exam for employees of financial institutions dealing with customers.
- Foreign Exchange Professional Exam.

5.3. Transparency Principles

In recognition of the importance of transparency in its work, SAMA is giving more room for economic and financial data in its publications and is publishing its news and circulars on all traditional and electronic communication channels to reach all targeted groups. SAMA is also keen to participate in forums and conferences, respond

to all inquiries through “SAMA Cares” and answer any questions from media channels.

5.4. Development and Protection of Society against Financial and Cyber Risks

SAMA serves an educational and awareness role to those benefiting from its services and the services of the institutions it supervises through ongoing awareness campaigns. SAMA also celebrates local and global social events annually through various programs to highlight its pivotal role in community service. In 2019, SAMA carried out several campaigns, initiatives, and voluntary activities, some of which were:

- The national currency campaign illustrating the security features of genuine banknotes.
- Warning from unauthorized activities in the foreign exchange market (Forex).
- Sponsoring a national cadre of specialists to train them and advance their knowledge and skills in the field of cybersecurity (SECURE 19).
- Celebrating the World Humanitarian Day on August 19, 2019 with a visit from a group of SAMA’s employees to the Social Care Home for Elderly in Riyadh, with a full-day social program with the residents prepared. The program included many heritage activities and poetry as well as lunch for everyone in attendance.
- Celebrating the World First Aid Day on September 16, 2019 with an awareness lecture in Riyadh presented by a trainer from the Saudi Red Crescent Authority. The lecture included a practical training for some of the attendance on how to give first aid to an injured or unconscious person. 60 employees attended the lecture.
- Organizing blood donation campaigns, in cooperation with the blood bank in local medical authorities (King Faisal Specialist Hospital and King Fahad Medical City). In realization of their social responsibility, the employees participated in the campaign to

support patients and soldiers injured in the southern border. The number of blood donors was 222.

- As part of efforts to recycle damaged and used materials to support environment preservation efforts, SAMA donated used furniture pieces to a group of charities from SAMA's Environment Renovation project. More than 2,000 pieces of old office furniture were donated to six charities for usage in their work sites.
- SAMA established a medical clinic at its head office to provide health care services to the employees at their workplace in order to maintain their health condition, provide emergency health services as quickly as possible, in addition to providing both education and medicine for normal cases. The number of employees who benefited from the clinic services in 2019 was 2,632.
- SAMA held a Health Day event for employees named (Health Zone) at SAMA's head office to provide health care services for the employees at their work place, in order to maintain their health condition and provide both education and medicine for normal cases.
- SAMA organized a seasonal flu vaccination campaign for employees at its head office.
- SAMA held an awareness event on the World Savings Day, which falls on October 28 of each year. During the event, SAMA's savings program for its employees was highlighted. The program is an optional program aimed at encouraging savings culture and assisting enrollers in planning their future financial needs and goals. The event was well received by SAMA's employees and was attended by 100 employees.

6. SAMA's International and Regional Participation

SAMA actively participates as a member in various international and regional financial

organizations and attends their meetings, including the meetings of the Group of Twenty (G20), the Bank for International Settlements (BIS), International Monetary Fund (IMF), the World Bank, Financial Stability Board (FSB), World Trade Organization (WTO), Arab financial organizations, Islamic Financial Services Board (IFSB), the Bank of International Settlements (BIS), International Association of Insurance Supervisors (IAIS), Islamic Development Bank (IDB), and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in addition to the meetings of Central Bank Governors held in member countries of the Organization of Islamic Cooperation and the Gulf Cooperation Council (GCC), the Gulf Monetary Council (GMCO), International Association of Deposit Insurance (IADI), and a number of technical committees and work teams associated with the Governors' Committee. Moreover, Saudi Arabia was granted full membership of the Financial Action Task Force (FATF) in 2019.

SAMA significantly contributed to the outcomes of the G20 under the presidency of Japan in 2019 through its active participation in the financial track meetings. SAMA also worked with the Ministry of Finance in a single working group to prepare for Saudi Arabia's G20 2020 presidency, including setting the agenda and priorities of the financial track, in addition to coordinating with member states and international organizations to boost the efforts aimed at supporting world economic growth and achieving financial stability.

7. SAMA's Financial Position

SAMA's assets improved at the end of 2019 compared to the end of the preceding year as total assets registered an increase of 0.7 percent (SAR 12.9 billion) to SAR 1.9 trillion compared to a fall of 0.2 percent (SAR 3.8 billion) in 2018. Foreign assets accounted for the bulk of SAMA's total assets, which witnessed an increase in 2019. These foreign assets continue to be invested

primarily in foreign securities, which fell by 0.04 percent (SAR 0.5 billion) in 2019, compared with a drop of 3.3 percent (SAR 40.6 billion) in 2018. Furthermore, SAMA deposits with banks operating abroad fell by 1.4 percent (SAR 5.7 billion) in 2019 compared to an increase of 7.3 percent (SAR 27.6 billion) in 2018. Currency backing increased by 7.4 percent (SAR 18.0 billion) to SAR 261.5 billion in 2019, compared with a rise of 6.2 percent (SAR 14.3 billion) in the preceding year (Table 12-1).

As for liabilities, government deposits and reserves accounted for 27.7 percent of SAMA total liabilities in 2019, compared with 29.6 percent in the

preceding year. The government current account dropped by 18.1 percent (SAR 13.2 billion) to SAR 59.6 billion, compared with a rise of 39.5 percent in the preceding year. In addition, the government reserves fell by 4.1 percent (SAR 19.9 billion) to SAR 469.6 billion in 2019, compared with a drop of 16.9 percent (SAR 99.7 billion) in the preceding year. Deposits of government agencies and funds fell by 17.1 percent (SAR 19.9 billion) to SAR 96.9 billion, compared with an increase of 32.3 percent (SAR 28.5 billion) in the preceding year. With respect to SAMA bills and repos, they increased by 6.6 percent (SAR 7.6 billion) to SAR 124.0 billion, compared with a decline of 16.2 percent (SAR 22.5 billion) in the preceding year.

Table 12-1: SAMA's Financial Position (End of year)

	(Million SAR)				
	2015	2016	2017	2018	2019
I. Assets					
Foreign currencies and gold	237,212	234,505	229,188	243,449	261,467
Cash in vault	39,300	34,516	25,831	32,584	42,987
Banknotes	39,289	34,505	25,811	32,561	42,956
Coins	11	11	20	22	31
Deposits with banks abroad	552,360	401,144	377,966	405,572	399,832
Investments in foreign securities	1,505,023	1,365,189	1,244,669	1,204,035	1,203,576
Other miscellaneous assets	39,487	41,517	26,009	14,224	4,945
Total	2,373,382	2,076,871	1,903,663	1,899,864	1,912,807
II. Liabilities					
Currency issued	237,212	234,505	229,188	243,449	261,467
In circulation	197,912	199,989	203,357	210,865	218,480
At SAMA	39,300	34,516	25,831	32,584	42,987
Government deposits and reserves	1,023,304	730,580	641,378	562,367	529,249
Government current account	71,005	89,134	52,192	72,832	59,624
Government reserves	952,299	641,446	589,185	489,535	469,625
Government institutions and funds deposits	142,074	154,514	88,346	116,852	96,921
Statutory deposits for financial institutions	98,117	97,839	97,534	99,943	105,470
Foreign institutions' deposits in local currency	11,213	18,490	18,469	17,190	12,249
SAMA bills and repo agreements	182,947	164,755	138,786	116,326	124,007
Other miscellaneous liabilities	678,515	676,187	689,962	743,738	783,444
Total	2,373,382	2,076,871	1,903,663	1,899,864	1,912,807

**SAUDI
ARABIAN
MONETARY
AUTHORITY
BALANCE
SHEET**

13

A vertical photograph on the right side of the page. It shows a modern building with a large, arched window. The building has a textured, golden-brown facade. In the foreground, there is a well-maintained green lawn with a low hedge. The image is partially obscured by a vertical gold bar on the left side of the page.

Independent Auditor's Report

To H.E. THE GOVERNOR AND MEMBERS OF THE BOARD OF DIRECTORS OF SAUDI ARABIAN MONETARY AUTHORITY

Opinion

We have audited the financial statements of Saudi Arabian Monetary Authority ("SAMA"), which comprise the statements of Issuance Department balance sheet, Banking Operation Department balance sheet, Independent Organizations and Institutions Department balance sheet, and Contra Accounts balance sheet as at 30 June 2019, and the statement of revenues and expenses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of SAMA as at and for the year ended 30 June 2019 are prepared, in all material respects, in accordance with the basis of preparation set out in Note (2) to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SAMA in accordance with the code of professional conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of a Matter-Basis of Accounting

We draw attention to Note (2) to the financial statements, which describes the basis of accounting. The financial statements have been prepared for SAMA's financial reporting purposes as per its Board of Directors' approved accounting policies. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of preparation set out in Note (2) to the financial statement, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing SAMA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SAMA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAMA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SAMA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SAMA to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Certified Public Accountants
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

PricewaterhouseCoopers

Certified Public Accountants
P.O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Rashid S. AlRashoud

Certified Public Accountants
Registration No. 366

Bader I. Benmohareb

Certified Public Accountants
Registration No. 471

**21 Rabie Alawal 1441H
(18 November 2019)**

SAUDI ARABIAN MONETARY AUTHORITY (SAMA) | BALANCE SHEET
AS AT 30 JUNE 2019 | ASSETS

(Million SAR)		
	30/06/2019	30/06/2018
Issuance Department		
Currency Cover		
Gold (Note 2-e)	1,624	1,624
Investment in securities abroad	260,940	255,023
	262,564	256,647
Banking Operation Department		
Cash in Hand		
Bank notes	38,661	30,706
Metal coins	14	16
	38,675	30,722
Deposits in local banks	--	13,250
Deposits in banks abroad	462,969	425,798
Investments abroad	1,191,477	1,207,826
Other miscellaneous assets	2,573	2,415
	1,695,694	1,680,011
Independent Organizations And Institutions Department		
Deposits with banks abroad	72,968	62,285
Investments abroad	37,466	173,882
Local investments	32,734	33,381
Deposits with Banking Operating Department	854	1,855
Deposits with local banks	1,200	1,200
	145,222	272,603
Contra Accounts		
Cheques under collection and others	9.9	61.0

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

**SAUDI ARABIAN MONETARY AUTHORITY (SAMA) | BALANCE SHEET
AS AT 30 JUNE 2019 | LIABILITIES**

(Million SAR)		
	30/06/2019	30/06/2018
Issuance Department		
Saudi Bank Notes Issued		
In circulation	223,235	225,459
In Banking Operation Department	38,661	30,706
	261,896	256,165
Metal Coins Issued		
In circulation	654	466
In Banking Operation Department	14	16
	668	482
	262,564	256,647
Banking Operation Department		
Government deposits	597,521	610,138
Foreign organizations deposits	14,385	18,502
Government agencies and institutions deposits	119,327	106,131
Banks and insurance companies deposits	101,213	98,862
Government liabilities	22,662	30,871
Other miscellaneous liabilities and reserves	840,586	815,507
	1,695,694	1,680,011
Independent Organizations And Institutions Department		
Independent organizations and institutions	145,222	272,603
	145,222	272,603
Contra Accounts		
Liabilities for cheques under collection and others	9.9	61.0

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

**SAUDI ARABIAN MONETARY AUTHORITY (SAMA) | STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED 30 JUNE 2019**

(Million SAR)		
	30/06/2019	30/06/2018
Revenues	4,591	4,998
Expenses		
General and Administration	2,569	2,180
SAMA's contribution to the Public Pension Agency (Note 4)	39	39
	2,608	2,219
Surplus transferred to reserve for Building Of Head Office and branches	1,983	2,779
	4,591	4,998

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

SAUDI ARABIAN MONETARY AGENCY (SAMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. NATURE OF OPERATION 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.

The financial statements are presented for each of SAMA's following activities:

Issuance Department:

The main activity is to mint coins and print national bank notes (Saudi Riyal) and support the stability of the currency and fixing its rate internally and externally.

Banking Operation Department:

SAMA accepts deposits from Government organizations and others, and invests such deposits on their behalf. Both the deposit and the carrying value of investments are reported in the Banking Operation Department balance sheet. Investment income is reported as part of Government agencies and institutions deposits and not in SAMA's statement of revenues and expenses.

Independent Organizations and Institutions Department:

SAMA accepts deposits from independent organizations and institutions and invests such deposits on their behalf. Both the deposits and the carrying value of investments are reported in the Independent Organizations and Institutions Department balance sheet. Investment income are reported as part of of independent organizations and institutions department account and not in SAMA's statement of revenues and expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Financial Statements:

These financial statements have been prepared in accordance with the accounting policies approved by Board of Directors ("BoD") as described below, which are consistent with those followed in previous years.

b. Basis of Accounting:

SAMA follows the cash basis of accounting in recording its transactions, Except for depreciation of fixed assets and accrual of certain employee benefits.

The financial statements are prepared under the historical cost convention.

c. Investments:

Investments are carried at cost. At the end of the year, portfolios managed in different currencies are valued at the same functional currency as the underlying investment by SAMA at lower of cost or market value (historical basis). Differences resulting from the decline in value are recognized in the investment

valuation difference account. Gains or losses are recorded in the beneficiaries' accounts when received/paid in accordance with the policies followed by SAMA.

d. Foreign Currencies:

Translation of foreign currency balances and transactions to Saudi Riyals is made using fixed book rates approved by SAMA Governor on 7 July 1986 (corresponding to 29 Shawwal 1406H), and the subsequent amendment for Euro rate adopted by management on 25 April 1999 (corresponding to 9 Al Muharram 1420H).

e. Gold held as currency cover:

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

f. Furniture, equipment and motor vehicles:

Furniture, equipment and motor vehicles are stated at cost less accumulated depreciation and are included in other miscellaneous assets as part of the Banking Operation Department's balance sheet. The cost of furniture, equipment and motor vehicles are depreciated on a straight line basis over the estimated useful lives of these assets.

g. Lands and buildings:

Lands are stated at cost and buildings are stated at cost less accumulated depreciation. The cost of buildings is depreciated on a straight line basis at 5% annually. Lands and buildings are included in other miscellaneous assets in the Banking Operation Department's balance sheet.

h. Revenues and expenses:

In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. SAMA transfers the excess of revenues over expenses to the reserve for the building of head office and branches account which is shown under other miscellaneous liabilities and reserves in the Banking Operation Department's balance sheet.

3. FINANCIAL STATEMENTS PERIOD

These financial statements are prepared for the period from 1 July 2018 to 30 June 2019 (corresponding to 17 Shawal 1439H to 27 Shawal 1440H).

4. CONTRIBUTION TO THE PUBLIC PENSION AGENCY

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

Classification Number

ISSN: 1319 - 1845

Annual Report Statistics are available on SAMA's website:

<http://www.sama.gov.sa/ar-sa/EconomicReports/Pages/YearlyStatistics.aspx>

Annual Report feedback survey is available on SAMA's website:

<http://www.sama.gov.sa/ar-sa/EconomicReports/Pages/QuestionAnswer.aspx>

WWW.SAMA.GOV.SA