



Saudi Arabian Monetary Agency

**Fifty First Annual Report
1436H (2015)**



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FOREWORD

It gives me pleasure to present, in the name of the Board of Directors, the Fifty First Annual Report of the Saudi Arabian Monetary Agency, which reviews the latest developments in the Saudi economy during fiscal year 1435/36H (2014). The Report covers developments in various areas of the domestic economy, including monetary developments, banking activity, capital market, prices, public finance, national accounts, foreign trade and balance of payments. It also provides an overview of the latest economic developments in the different domestic productive sectors, apart from giving a full description of SAMA's functions, such as designing and conducting monetary policy and supervising commercial banks and activities of cooperative insurance and finance sectors. In addition, it includes the auditors' report on SAMA's balance sheet for fiscal year ended on June 30th, 2014.

The Report mainly relies on official data obtained from ministries, government departments and public entities, in addition to data issued by SAMA.

I would like to thank all ministries and other entities for their cooperation in providing valuable information and data that enabled SAMA to prepare this Report. I also would like to thank all SAMA's staff for their efforts in preparation of this Report and performance of all functions entrusted to SAMA in general.

Fahad Abdullah Almubarak
Governor and Chairman of the Board

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

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Abha



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World Economic Situation

The world economy witnessed stability in its annual growth rate for the third consecutive year, standing at 3.4 percent during 2014. Advanced economies registered a rise in growth rate, while growth in emerging markets and developing countries was lower than that of the preceding year. Despite the decelerated growth in emerging markets and developing countries, it accounted for three quarters of the global growth in 2014. According to the IMF's World Economic Outlook (WEO), April 2015, the global economic growth is projected to stand at 3.5 percent in 2015.

Economic Growth

Advanced economies registered a growth rate of 1.8 percent in 2014 against 1.4 percent in the preceding year. In the United States, the growth rate stood at 2.4 percent compared to 2.2 percent in the previous year. The Euro area countries recorded a growth rate of 0.9 percent against a contraction of 0.5 percent in the preceding year. Germany recorded a growth of 1.6 percent compared to 0.2 percent in the preceding year. France registered a growth of 0.4 percent compared to 0.3 percent in the preceding year. Italy witnessed a contraction of 0.4 percent against a contraction of 1.7 percent in the preceding year. Japan also recorded a contraction of 0.1 percent against a growth of 1.6 percent in the preceding year. In the United Kingdom, the growth rate was 2.6 percent compared to 1.7 percent in the previous year. In the emerging markets and developing countries, the growth rate dropped from 5.0 percent in 2013 to 4.6 percent in 2014. The growth rate in Asian emerging markets and developing countries stood at 6.8 percent compared to 7.0 in the preceding year. The growth rate in China dropped to 7.4 percent against 7.8 percent in the preceding year. In India, the growth rate rose to 7.2 percent from 6.9 percent in the preceding year. In the Middle East and North Africa (MENA) countries, Afghanistan and Pakistan, the growth rate went up from 2.4 percent in 2013 to 2.6 percent in 2014. Developing and emerging countries of Europe registered a growth rate of 2.8 percent against 2.9

percent in the preceding year. The growth rate in Latin America and the Caribbean countries dropped from 2.9 percent in 2013 to 1.3 percent in 2014. In the Commonwealth of Independent States (of former Soviet Union), the growth rate declined to 1.0 percent compared to 2.2 percent in the preceding year.

According to the WEO report (April 2015), advanced economies are projected to record a growth rate of 2.4 percent in 2015, and the growth rate in the United States is projected to rise to 3.1 percent. The Euroarea is expected to register an improved growth of 1.5 percent. The growth rate in developing and emerging economies is expected to register a slight decline to 4.3 percent in 2015 compared to a growth of 4.6 percent in 2014. In China, the growth rate is expected to drop from 7.4 percent in 2014 to 6.8 percent in 2015 (**Table 1.1**). Chart 1.1 shows the real GDP growth rates in a group of countries during 2010-2015.

Inflation

In advanced economies, inflation rate was stable at 1.4 percent in 2014 compared to that of the previous year. In the Euroarea, it went down from 1.3 percent in 2013 to 0.4 percent in 2014. The inflation rate in Asian developing countries declined from 4.8 percent to 3.5 percent. In the Commonwealth of Independent States, the rate went up from 6.4 percent to 8.1 percent (**Table 1.2**). Chart 1.2 shows percentage change in consumer prices for groups of countries during 2013-2015.

Unemployment

Unemployment rates in advanced economies decreased from 7.9 percent in 2013 to 7.3 percent in 2014. In the United States, it went down from 7.4 percent in 2013 to 6.2 percent in 2014. In the Euroarea, it also decreased from 12.0 percent in 2013 to 11.6 percent in 2014. The unemployment rate in France dropped to 10.2 percent and in Germany to 5.0 percent, while it rose in Italy to 12.8 percent. In the United Kingdom, it dropped to 6.2 percent. The



Table 1.1: WORLD REAL GDP GROWTH RATES
(Percent)

	2008	2009	2010	2011	2012	2013	2014	Projections 2015
World	3.1	0.0	5.4	4.1	3.4	3.4	3.4	3.5
Advanced economies	0.2	-3.4	3.1	1.7	1.2	1.4	1.8	2.4
USA	-0.3	-2.8	2.5	1.6	2.3	2.2	2.4	3.1
Euro area	0.5	-4.5	2.0	1.6	-0.8	-0.5	0.9	1.5
Germany	0.8	-5.6	3.9	3.7	0.6	0.2	1.6	1.6
France	0.2	-2.9	2.0	2.1	0.3	0.3	0.4	1.2
Italy	-1.1	-5.5	1.7	0.6	-2.8	-1.7	-0.4	0.5
Japan	-1.0	-5.5	4.7	-0.5	1.8	1.6	-0.1	1.0
U.K.	-0.3	-4.3	1.9	1.6	0.7	1.7	2.6	2.7
Canada	1.2	-2.7	3.4	3.0	1.9	2.0	2.5	2.2
Other advanced economies	1.2	-2.1	4.6	2.8	1.7	2.1	2.7	2.8
Emerging markets and developing countries	5.8	3.1	7.4	6.2	5.1	5.0	4.6	4.3
Sub-Saharan Africa	6.2	4.2	6.9	5.0	4.2	5.2	5.0	4.5
Emerging and Developing Asia	7.3	7.5	9.6	7.7	6.8	7.0	6.8	6.6
China	9.6	9.2	10.4	9.3	7.8	7.8	7.4	6.8
India	3.9	8.5	10.3	6.6	5.1	6.9	7.2	7.5
MENA, Afghanistan and Pakistan	5.1	2.3	4.8	4.6	4.6	2.4	2.6	2.9
Emerging and Developing Europe	3.1	-3.0	4.8	5.4	1.3	2.9	2.8	2.8
Latin America and Caribbean countries	3.9	-1.3	6.0	4.5	2.9	2.9	1.3	0.9
Brazil	5.2	-0.3	7.5	2.7	1.0	2.7	0.1	-1.0
Commonwealth of Independent States	5.3	-6.3	4.6	4.8	3.4	2.2	1.0	-2.6
Russia	5.2	-7.8	4.5	4.3	3.4	1.3	0.6	-3.8

Source: IMF, World Economic Outlook, April, 2015.

Chart 1.1: World Real GDP Growth Rates

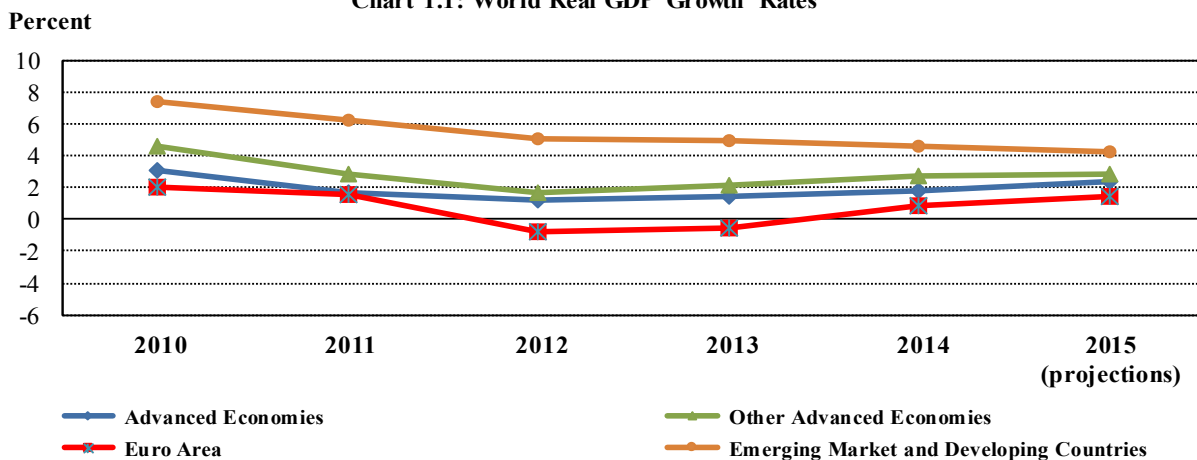




Table 1.2: INFLATION AND INTEREST RATES

(Percent)

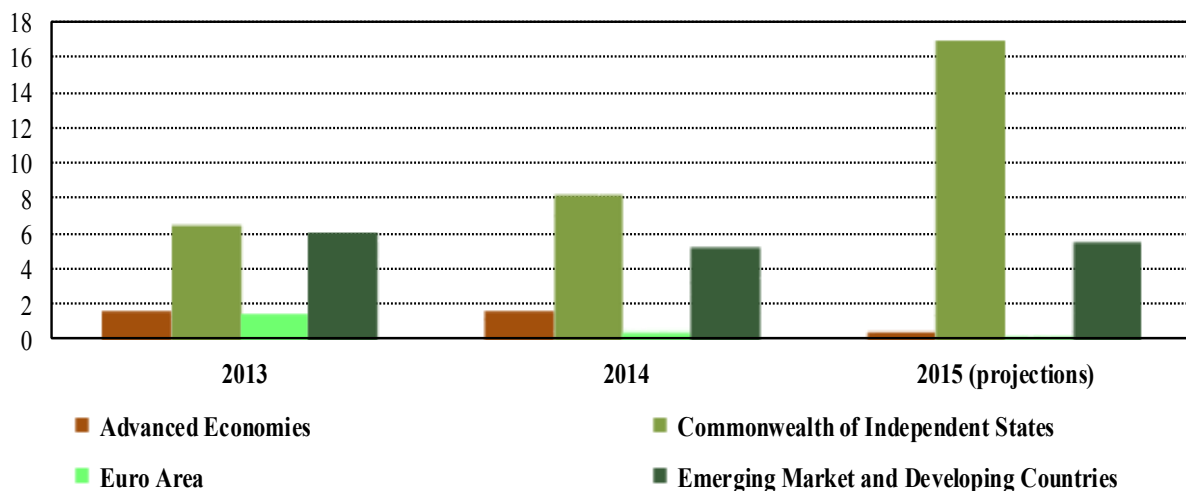
	<u>2013</u>	<u>2014</u>	<u>Projections</u> <u>2015</u>
Inflation rate			
Advanced economies	1.4	1.4	0.4
Euro area	1.3	0.4	0.1
Emerging markets and developing countries	5.9	5.1	5.4
Emerging and Developing Asia	4.8	3.5	3.0
Commonwealth of independent states	6.4	8.1	16.8
LIBOR⁽¹⁾			
U.S. dollar deposits	0.4	0.3	0.7
Japanese yen deposits	0.2	0.2	0.1
Euro deposits	0.2	0.2	0.0

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

Source: IMF, World Economic Outlook, April, 2015.

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

Percent





rate in Japan fell from 4.0 percent to 3.6 percent and in Canada from 7.1 percent in 2013 to 6.9 percent in 2014 (**Table 1.3**). Chart 1.3 shows unemployment rates in groups of countries during 2011-2015.

Fiscal Balances

Major Advanced economies recorded a decline in their fiscal deficit to 4.6 percent of GDP in 2014, compared to a deficit of 5.0 percent in 2013. The deficit

in the United States went down from 5.8 percent in 2013 to 5.3 percent in 2014 and in the Euroarea from 2.9 percent to 2.7 percent. Germany recorded a slight surplus of 0.6 percent in 2014. In France, the deficit increased from 4.1 percent to 4.2 percent. It went down in Japan from 8.5 percent to 7.7 percent, while in the United Kingdom it recorded a slight increase from 5.7 percent to 5.8 percent. In Canada, the deficit declined from 2.8 percent in 2013 to 1.8 percent in 2014 (**Table 1.4**).

Table 1.3: ADVANCED ECONOMIES: UNEMPLOYMENT RATES
(Ratio to labor force)

	2012	2013	2014	Projections 2015
Advanced economies	8.0	7.9	7.3	6.9
United States	8.1	7.4	6.2	5.5
Euro area	11.3	12.0	11.6	11.1
Germany	5.4	5.2	5.0	4.9
France	9.8	10.3	10.2	10.1
Italy	10.6	12.2	12.8	12.6
Japan	4.3	4.0	3.6	3.7
U.K.	8.0	7.6	6.2	5.4
Canada	7.3	7.1	6.9	7.0

Source: IMF, World Economic Outlook, April, 2015.

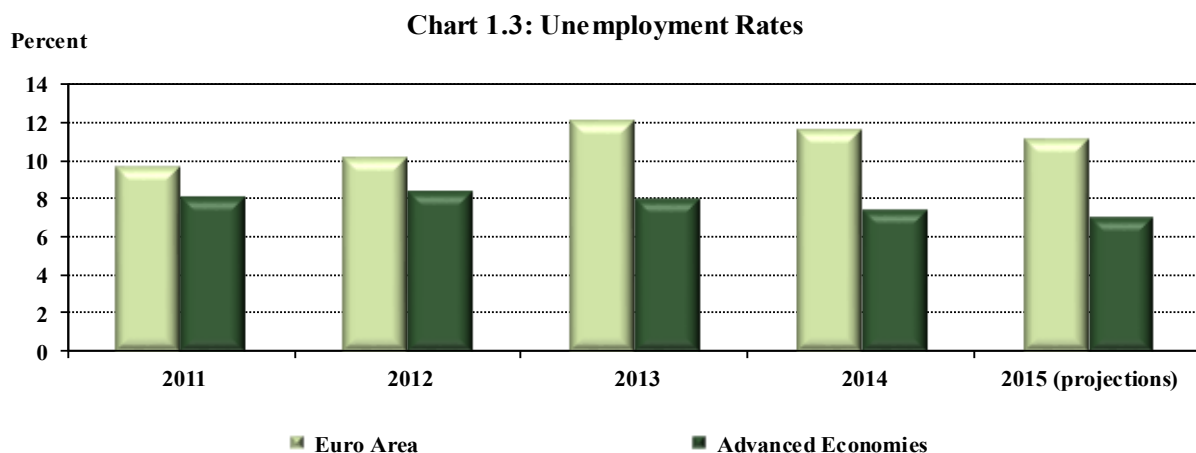




Table 1.4: TRENDS OF GOVERNMENT FISCAL BALANCES*
(Percent)

	2012	2013	2014	Projections 2015
Advanced economies	-6.7	-5.0	-4.6	-3.8
United States	-8.6	-5.8	-5.3	-4.2
Euro area	-3.6	-2.9	-2.7	-2.3
Germany	0.1	0.1	0.6	0.3
France	-4.9	-4.1	-4.2	-3.9
Italy	-2.0	-2.9	-3.0	-2.6
Japan	-8.8	-8.5	-7.7	-6.2
U.K.	-7.8	-5.7	-5.8	-4.8
Canada	-3.1	-2.8	-1.8	-1.7

*Ratio of surplus/deficit to GDP.

Source: IMF, World Economic Outlook, April, 2015.

Monetary and Financial Developments

Interest Rates

The prevailing LIBOR rate* for US dollar-denominated deposits declined to 0.3 percent in 2014, and is projected to rise to 0.7 percent in 2015. The interest rate for euro-denominated deposits was stable at 0.2 percent in 2014 compared to that of the previous year, and is projected to drop to zero interest rate in 2015. The interest rate for Japanese yen-denominated deposits was stable at 0.2 percent in 2014, and is projected to decline to 0.1 percent in 2015 (**Table 1.2**).

Exchange Rates

The exchange rate of the US dollar appreciated against most major currencies in 2014. This was due to the improved U.S. economic performance, the cessation of the U.S. Federal Reserve's quantitative easing program at the end of October 2014, and Japan and Europe central banks' enhancement of support procedures provided to the financial and economic system. The Japanese yen depreciated significantly by 13.9 percent to JPY 119.84 against the US dollar at

the end of 2014. The Euro depreciated by 12.2 percent to \$1.21 per US dollar during the same period. The pound sterling also depreciated by 6.32 percent to \$1.65 during the same period.

In addition to the negative impact of the decision to end the Federal Reserve's quantitative easing program on other currencies' exchange rate, the Japanese yen depreciated due to the substantial annual quantitative easing pursued by the Bank of Japan, especially after its increase by JPY 10-20 trillion up to JPY 80 trillion in October 2014. This was intended for stimulating the economy and raising the rate of inflation to the targeted level of 2 percent. Decelerated growth in major European countries such as France and Germany, in addition to the quantitative easing program recently approved by the European Central Bank, also contributed to the decline in the Euroexchange rate. In the United Kingdom, despite the improvement in the British economy performance, the depreciation in the pound sterling exchange rate was attributable to the effects of the slowdown in the economy of the

* Average 6 months for the US and Japan, and 3 months for the Euroarea



European Community on the United Kingdom against the backdrop of lower inflation in general.

Capital and Bond Markets

Equity Markets

During 2014, the equity markets witnessed a rise in both the U.S. and Japan, reflecting economy improvement in the U.S. and significant financial support procedures provided in Japan. The equity markets registered a slight increase in the Euroarea, while a slight decline was registered in the United Kingdom. This was due to a slowdown in the economic performance of the European Community and concerns about the consequences of lower inflation rates.

In the United States, Dow Jones Industrial Average (DJIA) index increased by 7.5 percent to 17,823.1 at the end of 2014. This rise was due to improvement in the US economic performance as a result of a decline in employment rate and recovery of industrial sectors and personal consumption. In Japan, NIKKEI index went up by 7.1 percent to 17,450.8 at the end of 2014. The rise was attributed to the depreciation in the Japanese yen exchange rate against the US dollar, improvement in the global economic performance, and the expansion of quantitative and qualitative easing programs up to JPY 80 trillion annually.

In Europe, the MSCI Euro Index rose by 2.3 percent to 1,014.6 at the end of 2014. This rise was due to the quantitative easing program adopted recently by the European Central Bank. In the United Kingdom, the FTSE-100 index fell by 2.7 percent to 6,566.1 at the end of 2014. The decrease was attributable to falling prices of energy companies' stocks after the Organization of the Petroleum Exporting Countries (OPEC) announced its intention, in November 2014, to keep the production level unchanged in addition to the slowing growth in the countries of the European Community.

Bond Markets

The general trend of yields on US government bonds of different maturity periods varied during 2014.

Yields on short and medium term government bonds (6 months to 3 years) went up, while yields on long-term government bonds (5 to 30 years) went down. Yields on 3-year bonds registered the highest rise of 30.6 basis points to 1.073 percent. However, yields on 30-year bonds registered the largest decline of 121.7 basis points to 2.753 percent at the end of 2014.

In Japan, yields on government bonds of all periods of maturity declined during 2014. Yields on short-term government bonds (less than 3 years) registered negative rates below zero. Yields on 10, 20 and 30 year bonds dropped by 41.2 basis points to 0.329 percent, by 53.6 basis points to 1.055 percent, and by 49.9 basis points to 1.239, respectively.

In the Euroarea, yields on government bonds of all periods of maturity also went down at the end of 2014. Yields on short-term bonds (less than 3 years) registered negative rates, while yields on 30-year bonds registered the highest rise of 1.389 percent.

In the UK, yields on government bonds of all maturity periods declined at the end of 2014. The lowest yield of 0.273 percent was registered by yields on 1-year bonds, declining by 9.0 basis points. In contrast, yields on 30-year bonds registered the highest yield of 2.507 percent, declining by 115.8 basis points.

International Trade and Balances of Payments

A. International Trade

The volume of world trade's growth rate dropped from 3.5 percent in 2013 to 3.4 percent in 2014. It is projected to record a growth rate of 3.7 percent in 2015. The growth rate of exports of goods and services in advanced economies stood at 3.3 percent in 2014. It is projected to continue growing at the same pace in 2015. In emerging markets and developing countries, the growth rate was 3.4 percent in 2014, and it is expected to rise to 5.3 percent in 2015 (**Table 1.5**).



Table 1.5: WORLD TRADE AND CURRENT ACCOUNT

(Percent)

	2013	2014	Projections 2015
Growth rate of world trade (goods and services)	3.5	3.2	3.6
Exports			
Advanced economies	3.0	2.8	3.3
Emerging markets and developing countries	4.6	3.4	4.8
Imports			
Advanced economies	2.1	2.8	3.6
Emerging market and developing countries	5.5	4.1	3.0
Current Account⁽¹⁾			
Advanced economies	0.4	0.3	0.5
USA	-2.4	-2.4	-2.5
Euro area	2.2	2.3	3.2
Germany	6.7	7.5	8.4
France	-1.4	-1.1	-0.1
Italy	1.0	1.8	2.6
Japan	0.7	0.5	1.9
U.K.	-4.5	-5.2	-5.1
Canada	-3.0	-2.2	-2.5
Emerging Markets and Developing Economies	0.8	0.6	0.0
Emerging and Developing Asia	1.0	1.3	2.1
Commonwealth of Independent States	0.6	1.8	0.3
MENA, Afghanistan and Pakistan	10.0	6.6	-1.5
Sub-Saharan Africa	-2.4	-3.3	-4.7
Latin America and Caribbean countries	-2.8	-2.9	-3.2
(1) Ratio of surplus/deficit to GDP.			
Source: IMF, World Economic Outlook, April, 2015.			

Imports of goods and services in advanced economies recorded a growth rate of 3.3 percent in 2014 against 2.1 percent in 2013. The rate is projected to continue growing at the same pace in 2015. In emerging markets and developing countries, the rate was 3.7 percent in 2014 compared to 5.5 percent in 2013, and it is projected to slow down to 3.5 percent in 2015.

B. Current Account of Balances of Payments

The current account of the balances of payments in advanced economies, as a ratio of GDP,

recorded a surplus of 0.4 percent in 2014 against 0.3 percent in 2013. The surplus is projected to rise to 0.6 percent in 2015. In the United States, the current account deficit stood firm at 2.4 percent in 2014, which is the same as that of 2013, and is projected to decline to 2.3 percent in 2015. In the Euroarea, the current account recorded a surplus of 2.3 percent in 2014 against a surplus of 2.2 percent in 2013. It is projected to rise by 3.3 percent in 2015. In Germany, the surplus went up to 7.5 percent in 2014, and is projected to stand at 8.4 percent in 2015. In France, the deficit went down from 1.4 percent in 2013 to 1.1



percent in 2014, and is projected to drop to 0.1 percent in 2015. In Italy, the current account registered a surplus of 1.8 percent in 2014 compared to a surplus of 1.0 percent in 2013, and the surplus is projected to go up to 2.6 percent in 2015. In Japan, the surplus decreased from 0.7 percent in 2013 to 0.5 percent in 2014, and is projected to rise to 1.9 percent in 2015. In the United Kingdom, the deficit rose from 4.5 percent in 2013 to 5.2 percent in 2014, and is projected to decline to 5.1 percent in 2015 (**Table 1.5**).

In Asian developing countries, the current account surplus, as a ratio of GDP, increased from 1.0 percent in 2013 to 1.3 percent in 2014, and is projected to rise to 2.1 percent in 2015. In the Commonwealth of Independent States (of the former Soviet Union), the surplus also went up from 0.6 percent in 2013 to 1.8 percent in 2014, and is projected to decrease to 0.3 percent in 2015. In MENA countries, Pakistan and Afghanistan, the surplus went down from 10.0 percent in 2013 to 6.6 percent in 2014, and a deficit of 1.5 percent is expected to be registered in 2015. In the Sub-Saharan African Countries, the current account deficit rose to 3.3 percent in 2014 from a deficit of 2.4 percent in the preceding year, and the deficit is expected to rise further to 4.7 percent in 2015. In Latin America and the Caribbean countries, the deficit went up from 2.8 percent in 2013 to 2.9 percent in 2014, and is expected to stand at 3.2 percent in 2015.

C. The Financial Account of the Balances of Payments

The net financial account of the balances of payments of advanced economies increased by \$473.0 billion in 2014 against a rise of \$267.7 billion in 2013. The net account is expected to increase by \$241.9 billion in 2015. In the United States, the net financial account went down by \$141.6 billion in 2014 compared to a decrease of \$370.7 billion in 2013. In the Euroarea, the net financial account went up by \$462.3 billion against an increase of \$589.4

billion. In Germany, the net account rose by \$287.5 billion compared to a rise of \$326.9 billion. In France, the net financial account decreased by \$46.0 billion against a decline of \$18.8 billion. In Japan, the net financial account increased by \$52 billion in 2014 compared to a decrease of \$16.7 billion in 2013.

As for emerging markets and developing countries, the net financial account of the balance of payments went up by \$31.9 billion in 2014 compared to a rise of \$21.2 billion in 2013. In Sub-Saharan African countries, the net account declined by \$57.1 billion against a decrease of \$54.8 billion. In Asian emerging markets and developing countries, the net account rose by \$105.9 billion compared to an increase of \$33.4 billion. In MENA countries, Afghanistan and Pakistan, the surplus of the financial account of the balances of payments went up by \$185.3 billion against a rise of \$316.6 billion in the preceding year. The net account is projected to decline by \$89.1 billion in 2015.

World Oil Market

World oil prices have been witnessing a decline since June 2014 until the end of the year. The average price of the Arabian light crude oil stood at \$97.18 at the end of 2014.

According to the data of the International Energy Agency, world oil supply* rose by 2.0 million barrels per day (b/d) in 2014 to 93.35 million b/d compared to 91.33 million b/d in 2013. The increase in oil supply is attributed to the increase in oil production in non-OPEC countries, particularly the Organization for Economic Co-operation and Development (OECD) countries, despite the slight decline of 40 thousand b/d in the oil production of OPEC countries.

In contrast, the average world demand for oil increased at a slower pace to 92.51 million b/d during 2014 compared to 91.84 million b/d in 2013. The rise was due to the increased demand for oil in

* Including natural gas condensate and liquids



Table 1.6: FINANCIAL ACCOUNT

(Percent)

	2013	2014	Projections 2015
Advanced economies	267.7	473.0	241.9
USA	-370.7	-141.6	-408.4
Euro area	598.4	462.3	-
Germany	326.9	287.5	286.8
France	-18.8	-46.0	0.1
Italy	15.9	72.0	50.3
Japan	-16.7	52.0	78.4
U.K.	-102.4	-160.9	-134.4
Canada	-54.1	-33.2	-46.7
Other advanced economies	324.5	280.2	284.9
Emerging markets and developing countries	21.2	31.9	16.3
Sub-Saharan Africa	-54.8	-57.1	-69.2
Emerging and Developing Asia	33.4	105.9	326.6
MENA, Afghanistan and Pakistan	316.6	185.3	-89.1
Emerging and Developing Europe	-61.9	-42.6	-33.0
Latin America and Caribbean countries	-206.5	-178.7	-165.7
Commonwealth of Independent States	-5.6	19.1	46.8

Source: IMF, World Economic Outlook, April, 2015.

emerging markets, as opposed to decreased average demand by OECD countries.

Economic Developments in GCC countries

Economic growth rates (in real terms) in GCC countries, except Saudi Arabia, went down during 2014. The growth rate in Saudi Arabia rose from 2.7 percent in 2013 to 3.5 percent in 2014. The growth rate in the United Arab Emirates declined from 5.2 percent to 3.6 percent, Qatar from 6.3 percent to 6.0 percent, the Sultanate of Oman from 4.8 percent to 3.4 percent, Kuwait from 1.5 percent to 1.3 percent, and in the Kingdom of Bahrain from 5.3 percent in 2013 to 4.8 percent in 2014.

The inflation rate decreased in Saudi Arabia from 3.5 percent in 2013 to 2.7 percent in 2014, the Kingdom of Bahrain from 3.3 percent to 2.5 percent, Qatar from 3.1 percent to 2.9 percent and the Sultanate of Oman from 1.2 percent to 1.0 percent. However, the inflation rate increased in the United Arab Emirates from 1.1 percent to 2.3 percent and Kuwait from 2.7 percent in 2013 to 3.1 percent in 2014.

With regard to balances of payments, total exports of the GCC countries declined by 4.2 percent from \$1,124.7 billion in 2013 to \$1,077.0 billion in 2014. Total imports of the GCC countries



also declined by 1.9 percent from \$705.6 billion to \$692.0 billion. The current account surplus declined in all GCC countries. The current account surplus in Saudi Arabia decreased from \$135.5 billion in 2013 to \$76.9 billion in 2014. It also went down in Kuwait from \$69.6 billion to \$60.9 billion, the United Arab Emirates from \$64.7 billion to \$49.1 billion, the Sultanate of Oman from \$4.7 billion to \$2.2 billion, Qatar from \$62.6 billion to \$47.9 billion and the Kingdom of Bahrain from \$2.6 billion in 2013 to \$2.2 billion in 2014 (Table 1.7).

International and Regional Cooperation

1. GCC Monetary Union

Member states of the monetary union (Saudi Arabia, Bahrain, Qatar and Kuwait) ratified the monetary union agreement on January 27, 2010. The

Charter of the Gulf Monetary Council (GMC) became effective on March 27, 2010. The GMC Board of Directors held its 1st meeting on Tuesday, March 30, 2010 (Rabi'II 14, 1431H) in Riyadh in the presence of governors of central banks and monetary agencies of the member states. Royal decree No. M/37 was issued on 4, Jumada'II 1435H approving the Headquarters Agreement between the government of Saudi Arabia and the GMC.

In accordance with Article (10) of GMC's Charter, the Board of Directors shall hold six meetings a year. Up to March 2015, it has held 33 meetings in order to achieve its functions, including technical and institutional preparation to establish the Gulf Central Bank, which in turn will determine the date of issuing the single currency.

Table 1.7: MAJOR DEVELOPMENTS IN GCC ECONOMIES

(Billion US dollar)

	UAE		Bahrain		KSA		Oman		Qatar		Kuwait	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Nominal GDP	402.3	401.4	32.8	33.9	744.3	746.2	77.0	78.2	203.2	208.7	175.8	172.4
Real GDP growth (percentage)	5.2	3.6	5.3	4.8	2.7	3.5	4.8	3.4	6.3	6.0	1.5	1.3
Inflation rate	1.1	2.3	3.3	2.5	3.5	2.7	1.2	1.0	3.1	2.9	2.7	3.1
Money Supply*	22.5	16.9	8.2	10.5	10.9	11.9	8.5	9.5	19.6	11.1	9.7	4.4
Imports	312.5	346.7	15.2	14.7	229.9	173.8	41.5	43.0	59.0	63.1	47.5	50.7
Exports	395.9	400.9	23.9	23.2	376.0	342.3	59.3	58.3	148.1	139.5	121.5	112.8
Current account	64.7	49.1	2.6	2.2	135.5	76.9	4.7	2.2	62.6	47.9	69.6	60.9
Ratio of current account to GDP**	16.1	12.2	7.8	6.6	18.2	10.3	6.1	2.9	30.8	23.0	39.6	35.3
Rational surplus, deficit in fiscal balance	8.6	6.0	-4.3	-5.4	8.7	-2.3	4.8	-1.4	14.4	9.2	34.7	21.9
Population (million)	9.0	9.3	1.2	1.2	30.0	30.8	4.1	3.6	2.0	2.2	3.9	4.0

* M2 in Oman represents broad money supply, while M3 represents broad money supply in the remaining GCC countries.

** Ratio of surplus/deficit to GDP (at current prices).

Source: IMF, World Economic Outlook, January 2015; Central Department of Statistics and Information; and SAMA.



The works of the GMCo have so far concentrated on the institutional structure through contracting with one of the international consultation firms for the preparation of all financial and administrative rules/regulations and strategies necessary to complete the institutional structure of the GMCo. The GMCo's estimated operating budgets for financial years from 2011 to 2015 were approved, and an audit office for the GMCo was appointed. GMCo has continued its efforts to promote the process contributing to building its organizational and administrative structure and boosting the cadres and human resources in the various fields necessary to accomplish the tasks entrusted to it and the goals set forth in its Charter. GMCo is also exerting vigorous efforts to build cooperative relationships with relevant financial organizations sharing the same nature of business, such as the International Monetary Fund and the European Central Bank.

2. The Common Gulf Market

The establishment of the Common Gulf Market is a culmination of a series of resolutions taken by GCC states since the establishment of GCC to bring about economic citizenship. The Common Gulf Market of GCC states includes 47.0 million people, and a GNP amounting to \$1.65 trillion according to the statistics of 2014. Intra-trade of GCC countries rose steadily from \$15.0 billion in 2002 to \$121.0 billion in 2013. Statistics show an increasing number of GCC citizens benefiting from the Gulf market's resolutions. The number of citizens who move in and out of the GCC countries stood at 17.8 million in 2013. The number of GCC citizens practicing different economic activities in GCC countries outside their home countries also rose. The cumulative number of licenses granted to GCC citizens for practicing different economic activities reached over 40.8 thousand. The number of GCC citizens benefiting from real estate's ownership resolutions rose to 20,555 in 2013. In stock trading, the number of GCC citizens holding shares in joint-stock companies in GCC countries, other than

their home countries, amounted to 290 thousand in 659 joint-stock companies during 2013.

3. Arab Financial Institutions

Arab financial institutions hold annual meetings every spring. During these meetings, the performance of each institution and the issues on their agendas are reviewed. The following is a brief review of those intuitions' activities:

A. Arab Monetary Fund (AMF)

In 2014, the AMF extended new loans totaling 56.5 million Arab Accounting Dinar (AAD), equivalent to \$246.0 million. Total loans extended by the AMF to Arab countries since the commencement of its lending activity in 1978 up to the end of 2014 increased to AAD 1.76 billion or \$7.6 billion. Total loan commitments stood at AAD 474.3 million or \$2.1 billion (62.0 percent of AMF's paid-up capital in convertible currencies) compared to 73.0 percent in the preceding year. Net realized income stood at AAD 26.1 million at the end of 2014 against AAD 28.1 million in the preceding year, and total expenditure stood at AAD 5.9 million in 2014 against AAD 5.3 million in the preceding year. The AMF's paid-up capital stood at AAD 769.5 million at the end of 2014, to which Saudi Arabia's contribution was ADD 115.6 million or about 15 percent of the total paid-up capital.

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

The ABEDA's capital stood at \$3.6 billion at the end of 2014 compared to \$2.8 billion at the end of the preceding year. Saudi Arabia's contribution amounted to \$685.0 million or 24.5 percent. Total funding allocations stood at \$200.0 million in 2014, of which 22 loans with a value of \$192.0 million were approved and \$8.0 million allocated for technical assistance. ABEDA's total assets totaled \$4.1 billion at the end of 2014 against \$3.9 billion at the end of 2013. It recorded a net income of \$189.2 million during 2014 against \$210.9 million in the preceding year.



C. Arab Fund for Economic and Social Development

The Fund's capital stood at Kuwaiti Dinar (KD) 2.6 billion, with Saudi Arabia's contribution amounting to KD 623.8 million or 24.0 percent. During 2014, the Fund extended loans with a total value of KD 412.5 million. The cumulative value of 626 loans extended by the Arab Fund since the commencement of its operations in 1974 up to the end of 2014 reached KD 8.4 billion. The Fund's total assets rose to KD 3.2 billion at the end of 2014 against KD 2.9 billion at the end of the preceding year. The equities of member countries stood at KD 3.0 billion at the end of 2014. The Fund's total income stood at KD 92.8 million during 2014. The Fund recorded a net profit of KD 84.4 million in 2014 against KD 33.5 million in the preceding year.

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

The DHAMAN's paid-up capital stood at \$256.7 million at the end of 2014, to which Saudi Arabia's contribution was \$25.2 million or 10.0 percent. The total value of guarantees amounted to \$1.1 billion in 2014 compared to \$1.5 billion in 2013. At the end of 2014, DHAMAN's assets totaled \$424.0 million. The shareholders' equities stood at \$397.7 million in 2014. DHAMAN registered a net profit of \$6.4 million in 2014 compared to \$5.2 million in the preceding year.

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

The AAAID's paid-up capital totaled \$485.7 million at the end of 2014, to which Saudi Arabia's contribution stood at \$109.0 million or 22.4 percent. The income of the AAAID totaled KD13.56 million (\$46.3 million) during 2014 against KD15.5 million (\$53.0 million) in the preceding year. Its total expenditure amounted to KD5.76 million (\$19.7 million) against KD5.95 million (\$20.3 million) in the preceding year. AAAID registered a net profit of KD7.8 million (\$26.6 million) in 2014, compared to

KD9.6 million (\$32.7 million) in 2013, and its total assets stood at KD241.0 million (\$823.2 million) at the end of 2014 against KD222.4 million (\$759.7 million) in the preceding year. The shareholders' equities amounted to KD196.9 million (\$672.6 million) at the end of 2014 against KD175.6 million (\$599.8 million) at the end of the preceding year.

4. Islamic Development Bank (IDB)

The IDB's total assets rose from \$20.6 billion at the end of 2013 to \$22.0 billion at the end of 2014, whereas its total liabilities went up from \$9.5 billion to \$10.9 billion. Total revenues declined from \$557.8 million to \$530.0 million. The IDB's net income stood at \$210.4 million in 2014 against \$261.0 million in the preceding year. Total value of loans disbursed amounted to \$1.9 billion and outstanding loans \$13.7 billion in 2014. Total repaid loans rose from \$908.6 million in 2013 to \$1,164 million in 2014.

5. The OPEC Fund for International Development (OFID)

The OFID's capital (including reserves and members' contributions) stood at \$6.9 billion at the end of 2014, recording a decline of \$20.0 million compared to 2013. Its total assets amounted to \$7.0 billion, rising by \$17.0 million over the preceding year. In 2014, the OFID extended loans with a cumulative value of \$10.4 billion, against \$9.3 billion in 2013. Total value of repaid loans amounted to \$6.2 billion in 2014 against \$5.5 billion in the preceding year. Total income stood at \$95.8 million in 2014 against \$281.8 million in 2013, with a net profit of \$40.2 million in 2014 against \$217.0 million in 2013.

6. International Monetary Fund (IMF)

The International Monetary and Financial Committee (IMFC)

The IMFC held its 31st meeting in Washington, D.C. on April 18, 2015. The IMFC's meeting discussed developments of the world economy. It noted that the process of "recovery"



continues, although growth remains moderate. Growth in advanced economies is projected to strengthen, reflecting a solid recovery in some countries and improved prospects in others. In emerging market countries, which still account for the bulk of the global growth, economic activity is softening due to lower prices of primary commodities and declined exports.

The Committee affirmed its commitment to take further measures to lift actual and potential growth as to support its goal of a more robust, balanced and job-rich global economy. The Committee noted that lower oil prices provided an opportunity to reform tax laws and support energy, while strengthening targeted social security nets. Regarding monetary policy, the Committee highlighted the importance of continuous monetary accommodation, where appropriate, consistent with central banks' mandates, mindful of financial stability risks. It also noted that structural reforms are crucial to boost business confidence, investments, and job creation, particularly for the youth, and achieve sustainable and more inclusive growth that reaches out to all segments of the population, mostly by enhancing total factor productivity. The meeting noted the importance of collective efforts to strengthen the International Monetary System (IMS) and facilitate further integration of dynamic emerging markets, and the IMF's ongoing work on the challenges facing the IMS. The meeting called on the IMF to continue to stand ready to provide financial support, on a precautionary basis, to make appropriate adjustments and reforms, help protect against risks, and ensure the adequacy of its lending tools in use. The meeting noted that it remain deeply disappointed with the delay in implementing the 2010 IMF Quota and Governance Reforms. Recognizing their importance in promoting the credibility, legitimacy, and effectiveness of the IMF, the meeting continued urging the United States to ratify the 2010 reforms. The meeting also called on the IMF Executive Board to pursue an interim

solution that will meaningfully converge quota shares as soon as possible to reach the levels agreed under the 14th Review, which will be used as a basis for work on the 15th Review of Quotas. Finally, it was decided that the next IMFC meeting will be held in Peru on October 9-10, 2015.

7. World Bank Group (WBG) Development Committee

The Development Committee held its meeting in Washington, D.C, on April 18, 2015. The Committee called upon the WBG and the IMF to continue supporting countries' efforts to spur inclusive growth and job creation and build resilience to adverse shocks. The Committee noted that diminished oil prices would result in a significant real income shift from oil exporters to oil importers, with a net positive effect on growth in developing countries. Since this would create challenges for policy makers in oil exporting countries, the Committee called for assisting countries, which suffered from lower exports and tax revenues, and for providing support on energy pricing and the use of clean energy.

The Development Committee also encouraged the WBG to strengthen countries' data compilation capacity, thereby, assisting development process and monitoring continuous progress towards the WBG's goals and Millennium Development Goals (MDGs). The Committee noted that the WBG's goals of eliminating extreme poverty and boosting shared prosperity are in line with the MDGs.

The Development Committee welcomed efforts made to deepen domestic financial markets and improve policy and legislative environments to address risks, and stimulate investment by traditional, non-traditional, public and private institutions. The Committee urged the WBG to boost its support for sustainable infrastructure development and financing, and strengthening public and private partnerships, through the recently



approved Global Infrastructure Facility (GIF). It also highlighted the importance of continuous support by the WBG for the countries affected by Ebola outbreak. The Committee considered enhancing gender equality is central to a comprehensive vision of sustainable development. The Development Committee asked the WBG to continue monitoring of the quality of its investment portfolio, promote collaboration between countries, provide effective support to small states and boost regional cooperation. The Committee emphasized the importance of the WBG and IMF in providing significant support, where appropriate, for countries in turmoil in the Middle East, North Africa and other regions.

8. Bank for International Settlements (BIS)

The BIS held its annual meeting in Basel, Switzerland, in June, 28-29 2014. Based on BIS's 84th annual report, the meeting pointed out that the causes of the Great Financial Crisis remained unresolved. This requires identifying the macroeconomic risks on the longer-term perspective, on which the financial cycle takes place. Reliance on debt as the key tool for growth should be avoided. To return to sustainable growth, countries need to adopt specific targeted policies by introducing balance sheet repair and implementing structural reforms. The report also referred to the weak growth level after the financial crisis. This was due to the fact that the possibility of restoring growth during financial cycles is weaker compared to that in normal business cycles. The report warned countries from being in a debt trap by seeking to achieve a higher growth level through low interest rates borrowing, but ultimately, the debt would become higher and countries would encounter the same problem rather than solving it. The report also noted that banks, since the financial crisis, were able to rebuild their capital through retaining profits, and many have shifted their business models towards traditional banking.

9. Financial Stability Board (FSB)

FSB held a meeting in March 2015. The FSB welcomed five new representatives of ministries of finance from emerging market countries. The Saudi Ministry of Finance obtained a second seat in the FSB beside that of SAMA. The FSB discussed the current vulnerabilities affecting the global financial system in order to strengthen and support it directly. It also discussed the recommendations provided during the ongoing work to address the systematically important financial institutions (SIFIs). The FSB has adopted a work plan to identify financial stability risks associated with market liquidity and asset management in the current conjuncture, as well as long-term structural financial stability issues. The FSB has also endorsed the initial results of the information-sharing process among jurisdictions on their implementation of the high-level policy framework for shadow banking entities. The FSB will conduct a comprehensive information-sharing process, through peer reviews in 2015. The FSB took into consideration the responses to its public consultation period on the proposals of the policy for boosting total loss absorbing capacity (TLAC) by Systematically Important Banks. A standard is to be issued at the Summit of the G20 in November 2015 in this regard.

10. Basel Committee on Banking Supervision (BCBS)

BCBS issued in October 2014 the second standard for long-term liquidity, which is the Net Stable Funding Ratio (NSFR). This standard is a significant component of the Basel III Accord. It requires banks to maintain a stable financing portfolio related to their on- and off-balance sheet activities, thereby, preventing the potential occurrence of volatilities in the banks' traditional finance sources that would affect their liquidity position and, eventually, increase the risk of their failure. The NSFR will become a minimum standard effective by 1 January 2018.



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

11. Group of Twenty (G20)

Brisbane, Australia, hosted the 9th Summit of the G20 Leaders during 15-16 November, 2014. The summit discussed developments of world economic circumstances, and ongoing work on development of comprehensive growth strategies to achieve stronger, more sustainable and balanced growth. The leaders stressed during the meeting the importance of long-term financing for investment, including investment in infrastructure and SMEs projects to boost economic growth, and support job creation and achieve development. They also agreed that the main challenges to the global economy are weak growth, continuous high unemployment rates in many economies, the European financial market condition, slow growth in some emerging market economies and importance of maintaining the public debt ratio as a part of the GDP on a sustained basis.

The leaders were committed that monetary policy will continue to be directed towards recovery and addressing downturn pressures, as appropriate, according to the respective capacities of each central bank. They agreed that advancing the ratification of the reforms of IMF quota and governance is a priority and necessity for enhancing its credibility, legitimacy and effectiveness, and continued support for the IMF Executive Board's decision of reaching a

final agreement on the formula of the 15th General Review of Quotas and urged the United States to approve it. The Leaders also discussed the importance of addressing shortfalls of investment in global infrastructure. Thus, they endorsed the Global Infrastructure Initiative, a multi-year work program to lift quality of public and private infrastructure investment, and they welcomed launching the World Bank Group's Global Infrastructure Facility.

Regarding the global financial system, the Leaders agreed to continue internationally consistent reforms for the financial systems in order to avoid the key problems that led to the global financial crisis. They also agreed on the continued support of the Financial Action Task Force (FATF) in combating money laundering and terrorism financing.

12. OPEC

The Organization of the Petroleum Exporting Countries (OPEC) held its 166th conference in November 2014 in Vienna, Austria. The conference reviewed a number of oil-related issues, particularly the oil market developments, the significant decrease in oil prices and the 2015 demand/supply projections. The conference also reviewed the projections of global oil demand for 2015. It noticed an expected increase in demand accompanied by an expected rise in oil supplies by non-OPEC states. Based on its revision, the conference decided to maintain the current production level of 30 million barrels per day as agreed in December 2011. In taking this decision, the Member Countries stressed their readiness to respond to any developments that could have an adverse impact on the maintenance of an orderly and balanced oil market■



The Saudi economy continued its growth during 2014 as a result of ongoing government expenditure on development projects and continuous structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the production base and increasing the contribution of non-oil sector. GDP at constant prices (base year 2010) grew by 3.5 percent to SAR 2,431.9 billion in 2014. The growth and strength of the Saudi economy maintained the Kingdom's sovereign credit rating by international credit rating agencies. Fitch Ratings and Standard and Poor's Ratings Services recently announced fixing the Kingdom's sovereign credit rating at (AA) with a stable outlook. The same was confirmed by Moody's Corporation following its announcement of fixing the Kingdom's sovereign credit rating at high credit score of (AA3) while maintaining a stable outlook.

The development policies continued achieving the goals outlined in the 9th Development Plan during the years 1431-1435H (2010-2014). This was clearly indicated in the rise in real GDP growth rates, particularly in the economically-efficient activities such as industrial activities (manufacturing industry and petrochemicals), services industry, and the reduction in inflation rates and unemployment. It was also reflected in the ability of the economic policy to overcome the spillovers of the financial crisis and its repercussions manifested in the slowdown of world economic growth.

Work has begun on implementing the goals of the 10th Development Plan for the period 1436-1440H (2015-2019), the most prominent of which is expanding the capacity of the national economy; enhancing its growth, stability and competitiveness; facilitating the provision of adequate housing for citizens according to various programs and options that meet demand; bolstering up the process of corporate reforms, assisting the civil community organizations, promoting efficiency and productivity of government entities and employees;

and instilling the principle of accountability, transparency, integrity protection and combating corruption.

With regards to the oil market, data of the Organization of Petroleum Exporting Countries (OPEC) for 2014 show a decrease in the average price of the Arabian Light crude oil by 8.8 percent to \$97.18 per barrel from \$106.53 per barrel in 2013. According to the data of the Ministry of Petroleum and Mineral Resources, the Kingdom's daily average production of oil rose by 0.8 percent to 9.71 million barrels in 2014 compared to 9.64 million barrels in 2013.

The actual State public budget recorded a deficit of SAR 65.5 billion, or 2.3 percent of GDP. The current account of the balance of payments recorded a surplus of SAR 288.4 billion or 10.3 percent of GDP in 2014. Broad money (M3) increased by 11.9 percent to SAR 1,729.4 billion (Table 2.1).

Economic Growth

Data on GDP at constant prices indicate that it grew by 3.5 percent to SAR 2,431.9 billion in 2014 compared to a growth of 2.7 percent in 2013. The oil sector GDP increased by 1.5 percent to SAR 1,037.6 billion, while the non-oil sector GDP rose by 5.0 percent to SAR 1,374.3 billion. The growth rate of the non-oil private sector GDP went up by 5.6 percent to SAR 959.6 billion, while that of the non-oil government sector rose by 3.7 percent to SAR 414.7 billion.

Most major economic activities at current prices grew at varied rates in 2014 (Table 2.2). The activity of the manufacturing industries grew by 7.8 percent; the construction and building activity by 6.7 percent; the transport, storage and communications activity by 6.2 percent; the wholesale and retail trade, restaurants and hotels activity by 6.0 percent; the public utilities activity (electricity, gas and water) by 5.8 percent; the community, social, and personal services activity by 5.7



Table 2.1: SELECTED ECONOMIC INDICATORS

	2011	2012	2013	2014
Estimated population (in million)	28.37	29.20	29.99	30.77
GDP at current prices (billion Riyals)	2510.65	2752.33	2791.26	2798.43
GDP at constant prices (billion Riyals) (2010=100)	2172.29	2289.25	2350.37	2431.88
Non-oil GDP deflator	104.31	110.07	113.03	116.86
Inflation rate (consumer prices)	3.72	2.87	3.52	2.68
Aggregate money supply M3 (billion Riyals)	1223.56	1393.75	1545.15	1729.36
Daily Average for Saudi Oil Production (Million Barrel)	9.31	9.76	9.64	9.71
Average price of Arabian Light oil* (US\$)	107.82	110.22	106.53	97.18
Riyal's real effective exchange rate (2010=100)	96.58	99.61	102.35	105.35
Ratio of currency in circulation to total money supply	9.80	9.55	9.27	8.89
Ratio of total deposits to total money supply	90.20	90.45	90.73	91.11
Net foreign assets of domestic banks (billion Riyals)	133.27	133.43	136.29	159.34
Interest Rates on Saudi Riyal Deposits (3 Months)**	0.69	0.92	0.95	0.94
Bank capital adequacy ratio (Basel II)	17.60	18.20	17.90	17.90
Actual government revenues (billion Riyals)	1117.79	1247.40	1156.36	1044.37
Oil revenues (billion Riyals)	1034.36	1144.82	1035.05	913.35
Actual government expenditures (billion Riyals)	826.70	873.31	976.01	1109.90
Budget deficit / surplus (billion Riyals)	291.09	374.09	180.35	-65.54
Ratio of budget deficit / surplus to GDP	11.59	13.59	6.46	-2.34
Merchandise Exports (billion Riyals)***	1367.62	1456.39	1409.52	1283.62
Import of goods (CIF) (billion Riyals)	493.45	583.47	630.58	651.88
Ratio of current account surplus to GDP	23.68	22.45	18.20	10.31
Current account (billion Riyals)	594.54	617.86	507.91	288.43
Share price index (1985=1000)	6417.73	6801.22	8535.60	8333.30
Debt to GDP	5.40	3.05	2.15	1.58

* OPEC's sources.

** Interbank offered rates .

*** Including oil and non-oil exports.



**Table 2.2: GROSS DOMESTIC PRODUCT BY ECONOMIC SECTORS
AT PRODUCERS' VALUES AT CONSTANT PRICES (2010=100)**

(Million Riyals)

	<u>2012</u>	<u>2013</u>	<u>2014*</u>	<u>% Change in 2014</u>
A. Industries and other producers				
(excluding government services' producers)				
1. Agriculture, forestry & fishing	48,694	49,623	50,502	1.8
2. Mining & quarrying	977,512	963,602	970,995	0.8
a. Crude oil & natural gas	968,739	954,551	961,677	0.7
b. Other mining & quarrying activities	8,774	9,051	9,318	2.9
3. Manufacturing industries	247,269	255,603	275,615	7.8
a. Oil refining	65,082	62,029	69,801	12.5
b. Other industries	182,187	193,574	205,813	6.3
4. Electricity, gas & water	29,357	29,836	31,557	5.8
5. Construction and building	104,499	112,617	120,211	6.7
6. Wholesale & retail trade, restaurants & hotels	199,616	212,697	225,420	6.0
7. Transport, storage & communication	120,858	128,620	136,602	6.2
8. Finance, insurance, real estate and business services	199,930	218,365	227,350	4.1
a. Houses ownership	101,159	115,307	121,040	5.0
b. Others	98,771	103,059	106,310	3.2
9. Community, social & personal services	42,589	45,340	47,908	5.7
10. Less calculated banking services	19,962	20,169	20,366	1.0
B. Government services' producers	319,349	335,057	346,099	3.3
Total (excluding import duties)	2,269,712	2,331,192	2,411,892	3.5
Import duties	19,540	19,181	19,986	4.2
GDP	2,289,252	2,350,373	2,431,877	3.5

* Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning

percent; the finance, insurance, real estate and business services activity by 4.1 percent; the activity of the government services' producers by 3.3 percent; the agriculture, forestry and fishing activity by 1.8 percent; and the mining and quarrying activity by 0.8 percent over the previous year.

Saudi Economy Growth Projections for 2015

SAMA prepares annual projections for the most important economic indicators in the

Kingdom, using a standard econometric model developed according to specific assumptions concerning monetary and financial policies and exogenous variables affecting directly or indirectly the endogenous indicators of the model. In view that the Kingdom depends largely on oil as a major source of income, the volume of the Saudi crude oil production and barrel price are the most important exogenous variables in the model used.



Preliminary projections of the model indicate that GDP at constant prices would rise by 2.8 percent in 2015. At the sectors level, projections show that the oil sector real GDP would increase by 0.8 percent, whereas the non-oil sector GDP would increase by 4.7 percent in 2015. It is also expected that the non-oil government sector would record a growth rate of 3.1 percent, and the non-oil private sector would grow by 5.3 percent.

After fifteen consecutive years of surpluses, the current account is projected to record a deficit of 1.0 percent of GDP. Projections also show that inflation rate would stand at 2.3 percent (base year 2007) in 2015. Table 2.3 shows SAMA's projections compared to IMF's projections for 2015.

Supply and Demand

Total supply of goods and services (at current prices) recorded a rise of 9.5 percent in 2014 (Table 2.4). The non-oil sector GDP (at current prices)

increased by 8.6 percent. The non-oil GDP of the government sector grew by 6.6 percent, and that of the private sector by 9.4 percent. Total imports also rose by 11.1 percent.

Total demand for goods and services (at current prices) recorded an increase of 9.9 percent in 2014 compared to 2013. This rise was due to an increase of 12.4 percent in consumption expenditure. The private sector's final consumption rose by 8.5 percent and that of the government sector by 17.6 percent. Non-oil exports went up by 6.5 percent, and gross investment expenditure (gross capital formation) by 6.2 percent (Table 2.4).

Money Supply and Banking Activity

Broad money (M3) increased by 11.9 percent to SAR 1,729.4 billion in 2014 compared to an increase of 10.9 percent to SAR 1,545.1 billion in the preceding year. Currency circulated outside banks rose by 7.4 percent, and demand deposits by 15.4

Table 2.3: SAMA AND IMF PROJECTIONS OF THE MOST PROMINENT INDICATORS OF THE SAUDI ECONOMY FOR 2015

<u>Selected Economic Indicators</u>	<u>SAMA*</u>	<u>IMF⁽¹⁾</u>
GDP growth (at Constant Prices)	2.8	3.0
Oil Sector	0.8	--
Non-oil sector	4.7	--
Non-oil private sector	5.3	--
Non-oil government sector	3.1	--
Ratio of current account surplus to GDP	-1.0	-1.0
Inflation rate	2.3	2.0

* Preliminary Projections (April 2015).

(1) IMF Projections (April 2015).



Table 2.4: DOMESTIC AGGREGATE NON-OIL SECTOR'S SUPPLY AND DEMAND
(At current prices)

(Million Riyals)

	2012	2013	2014*	% change in 2014
Aggregate supply**	2,161,286	2,341,425	2,563,622	9.5
Non-oil GDP	1,354,264	1,479,296	1,605,935	8.6
Government sector	413,470	436,977	465,745	6.6
Private sector	940,794	1,042,319	1,140,191	9.4
Total imports	807,023	862,128	957,686	11.1
Aggregate demand	2,293,157	2,445,879	2,688,660	9.9
Final consumption	1,336,583	1,467,257	1,649,013	12.4
Government consumption	551,179	628,522	739,156	17.6
Private consumption	785,404	838,735	909,857	8.5
Gross capital formation	724,950	732,466	777,575	6.2
Non-oil exports	231,625	246,157	262,072	6.5
Merchandise exports	190,188	201,739	216,257	7.2
Service exports	41,437	44,417	45,815	3.1

* Preliminary data.

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

Source: Central Department of Statistics and Information, Ministry of Economy & Planning.

percent. Time and savings deposits also went up by 15.6 percent compared to 2013. Other quasi-monetary deposits, however, went down by 6.0 percent.

The banking sector continued its good performance during 2014. Commercial banks' total assets went up by 12.6 percent to SAR 2,132.6 billion compared to SAR 1,893.3 billion in the preceding year. Bank deposits grew by 12.4 percent to SAR 1,575.6 billion. Commercial banks' capital and reserves rose by 9.9 percent to SAR 248.1 billion in 2014. Profits increased by 12.5 percent to SAR 40.2 billion in 2014. Bank credit extended to the private and public sectors also increased by 11.6 percent to SAR 1,250.6 billion compared to SAR 1,120.5

billion in the preceding year, with bank credit extended to the private sector constituting 96.3 percent of total credit extended. The average capital adequacy ratio (Basel Standard) stood at 17.9 percent at the end of 2014 compared to the preceding year.

Domestic Stock Market

Tadawul All Share Index (TASI) registered an annual decline of 2.4 percent to 8,333.3 at the end of 2014 compared to 8,535.6 at the end of the preceding year. Market capitalization of issued shares went up by 3.4 percent to SAR 1,812.9 billion at the end of 2014 from SAR 1,752.9 billion at the end of the preceding year. The number of shares traded increased by 34.1 percent to 70.1 billion with a value of SAR 2,146.5 billion.



Fiscal Developments

Preliminary figures of the actual revenues and expenditures for fiscal year 1435/1436H (2014) indicate that actual revenue fell by 9.7 percent to SAR 1,044.4 billion compared to SAR 1,156.4 billion in the preceding year. Actual expenditures went up by 13.7 percent to SAR 1,109.9 billion compared to SAR 976.0 billion in the preceding year. Current expenditure accounted for 66.6 percent of total expenditures, while capital expenditure accounted for the remaining percentage. Actual deficit stood at SAR 65.5 billion compared to a surplus of SAR 180.3 billion in 2013. Oil revenue constituted 87.5 percent of the bulk of total revenues in 2014.

Insurance Sector

The insurance penetration rate (gross written insurance premiums as a ratio to GDP) in the Kingdom increased by 20.0 percent to 1.1 percent in 2014 from 0.9 percent in the preceding year. Insurance density (gross written insurance premiums divided by the number of the population) also rose by 14.6 percent to SAR 990.7 per capita in 2014 compared to SAR 864.5 per capita in the preceding year.

Current Account of the Balance of Payments and External Trade

Preliminary estimates of the Kingdom's balance of payments indicate a fall of 43.2 percent to SAR 288.4 billion in the current account surplus in 2014, constituting 10.3 percent of GDP. This decline was attributed to a decrease of SAR 219.7 billion or 37.1 percent in the goods and services surplus.

Preliminary figures of external trade indicate a decline of 5.1 percent in the Kingdom's merchandise trade to SAR 1,935.5 billion in 2014 compared to a slight increase of 0.01 percent in the preceding year. This was due to a decline of 8.9 percent in the value of total exports to SAR 1,283.6 billion, despite the rise of 3.4 percent in the value of total imports to SAR 651.9 billion.

Commerce and Industry

The commerce and industry sectors continued to record remarkable growth rates. During 2014, the Ministry of Commerce and Industry issued commercial registers for the establishment of 11,986 new different companies, increasing by 25.7 percent from 9,533 companies established in 2013.

The number of commercial registers issued for companies up to the end of 2014 reached 103.6 thousand, spreading over the various regions of the Kingdom in varied shares. Riyadh region accounted for the largest share with 39.2 percent, followed by Makkah region with 27.2 percent, and the Eastern region with 20.7 percent of the total number of commercial registers issued for the establishment of companies up to the end of 2014.

As for industry, the Ministry of Commerce and Industry issued industrial licences in 2014 for establishing 631 new industrial units in various industrial activities with a total investment capital of SAR 12.0 billion, creating jobs for more than 37.8 thousand employees and workers. A breakdown of licences for new projects by industrial activity and total finance in 2014 indicates that 179 licences were issued for other non-metallic manufacturing with a total finance of SAR 3.7 billion, constituting 28.4 percent of total finance of industrial licences issued for this year.

At the end of 2014, the total cumulative number of industrial units existing in the Kingdom licensed by the Ministry of Commerce and Industry under the Protection and Encouragement of National Industries' Law and Foreign Investment Law rose to 6,871 producing industrial units with a total finance of SAR 993.3 billion, providing nearly 935.3 thousand jobs. A breakdown of the producing industrial units by type of industrial activity and total finance indicates that the total finance for chemical materials and products manufacturing accounted for 674 industrial units with a capital amounting to SAR



456.0 billion or 45.9 percent of the total finance of the existing units in the Kingdom, followed by the industry of coke and refined oil products for 140 industrial units with SAR 140.9 billion or 14.2 percent of total finance.

Tourism

Preliminary data of the General Commission of Tourism and Antiquities (GCTA) indicate that tourism GDP rose by 6.8 percent to SAR 80.1 billion during 2014 compared to the preceding year. According to the GCTA estimates for the period 2013-2014, its contribution to the non-oil GDP (value-added) increased slightly to 5.3 percent during 2014 from 5.2 percent in 2013.

Expenditure on domestic tourism trips (excluding international transportation costs) rose by 79.5 percent to SAR 41.7 billion in 2014 against SAR 23.2 billion in 2013. This rise was attributed to increases in the expenditure on internal transport by 100.4 percent to SAR 6.0 billion compared to SAR 3.0 billion in the preceding year, the expenditure on accommodation facilities by 90.8 percent to SAR 10.5 billion compared to SAR 5.5 billion in the preceding year, and expenditure on food and beverages by 80.3 percent to SAR 9.5 billion compared to SAR 5.3 billion in the preceding year.

Expenditure on inbound tourism trips increased by 3.1 percent to SAR 59.9 billion in 2014 from SAR 58.0 billion in the preceding year. In contrast, expenditure on outbound tourism trips rose by 4.0 percent to SAR 77.5 billion during 2014 against SAR 74.5 billion in 2013.

In continuance of GCTA's efforts to develop the hotel sector, the number of hotels of various classes operating in the Kingdom rose to 1,272 at the end of 2014. The number of furnished housing units stood at 2,983 at the end of 2014, spread over various cities of the Kingdom in varied shares. Makkah region accounted for the largest share of 29.5 percent

(881 units) of the total, followed by Riyadh region with 23.3 percent (694 units).

The tourism sector plays an important role in creating job opportunities for a large number of job seekers in the Kingdom. GCTA estimates indicate that the number of direct jobs (excluding unpaid jobs) in key tourism sectors in the Kingdom rose by 5.9 percent to 794.9 thousand in 2014, compared to the preceding year's direct jobs of 750.9 thousand that were distributed to the tourism sub-sectors (Table 2.5). National labor force (Saudization) represented 27.4 percent during 2014, compared to 27.1 percent in the preceding year.

GCTA estimates indicate that the tourism sector has the capacity to provide an increasing number of direct job opportunities in the tourism sub-sectors, and indirect job opportunities induced by the tourism activity in other economic sectors interrelated with the tourism sector, apart from job opportunities that can be introduced in subsequent periods as a result of the economic spending cycle in all sectors related to tourism development. The tourism sector is expected to create around 1.4 million direct and indirect jobs in 2017; 1.8 million in 2020; and 2.0 million in 2025 (Table 2.6).

Water and Electricity

The government has established 28 water desalination plants spread over the eastern and western coasts of the Kingdom. During 2014, the production of desalinated water by the Saline Water Conversion Corporation (SWCC) stood at 1,140.0 million cubic meters against 1,006.6 million cubic meters in the previous year, with an average daily production of 3,123.3 thousand cubic meters compared to 2,757.7 thousand cubic meters per day in the preceding year.

The Ministry of Water & Electricity's data for 2014 indicate that household consumption rate stood at 7.9 million cubic meters per day in 2014 compared



Table 2.5: DIRECT JOBS IN TOURISM SECTOR

Sub-sector	2013**	2014**
Accommodation	100,879	106,791
Restaurants and cafés	361,520	382,705
Travel & tourism agencies	14,363	15,205
Traveller transportation services*	196,386	207,894
Entertainment services	77,709	82,262
Total	750,856	794,857
Saudization (%)	27.1	27.4

* Including airlines, railways, public transport companies and car rental companies, excluding taxi drivers.

** Estimates.

Source: MAS Center, General Commission for Tourism & Antiquities.

Table 2.6: EXPECTED JOBS IN TOURISM SECTOR

(Thousand Jobs)

	2017	2025
Direct jobs	864.1	1,357.6
Indirect jobs	482.4	678.8
Total	1,346.5	2,036.4

Source: MAS Center, General Commission for Tourism & Antiquities.

to 7.5 million cubic meters per day in the preceding year, rising by 5.3 percent. The annual household consumption in the Kingdom rose to 2.9 billion cubic meters compared to 2.7 billion cubic meters in the preceding year. The average consumption of water per capita in the Kingdom amounted to 253 liters per day during 2014 compared to 249 liters per day in the preceding year.

The number of dams (underground, concrete and mud) constructed throughout the Kingdom until the end of 1435/1436H (2014) increased to 482 with a total storage capacity of 2.08 billion cubic meters against 449 with a total storage capacity of 2.02 billion cubic meters in the preceding year.

As for electricity, the Saudi Electricity Company (SEC)'s sales of electricity during 2014 increased by 6.9 percent over the preceding year to 274.5 million MWh. The residential consumption accounted for 49.5 percent (135.9 million MWh) of total consumption of electricity in the Kingdom, followed by the industrial consumption with 18.8 percent (51.5 million MWh). The commercial consumption came third with 15.5 percent (42.6 million MWh), followed by the government consumption with 10.9 percent (30.0 million MWh).

As a result of the increase in the generation and consumption of electricity during 2014, the peak load rose to 57,454 megawatts, increasing by 6.7 percent over the preceding year. The actual capacity of electric energy generation also went up to 49,025 megawatts, rising by 6.8 percent over the preceding year.

The number of subscribers benefiting from electricity services in the Kingdom rose to 7.6 million at the end of 2014, increasing by 6.4 percent over the preceding year. Residential consumers accounted for 78.1 percent (5.9 million) of the total number of subscribers. Commercial consumers came next with 17.5 percent (1.3 million) of the total, followed by



government consumers with 1.9 percent (141.7 thousand), and agricultural consumers came last with 1.0 percent (75.9 thousand) (Table 2.7 and Chart 2.1).

Agriculture and Animal Husbandry

The agriculture, forestry and fishing sector grew by 1.8 percent in 2014 against 1.9 percent during the preceding year. GDP (at current prices)

of this sector stood at SAR 53.7 billion in 2014 against SAR 51.7 billion in the preceding year, accounting for 1.9 percent of the non-oil sector GDP. The agriculture and fishing sector's share in bank credit extended to economic activities declined to SAR 11.6 billion during 2014 from SAR 12.0 billion during the preceding year, representing 1.0 percent of total credit extended to all economic activities.

**Table 2.7: ELECTRICITY GENERATION CAPACITY AND NUMBER OF SUBSCRIBERS
FOR FISCAL YEAR 1435/1436H (2014)**

(Megawatts)

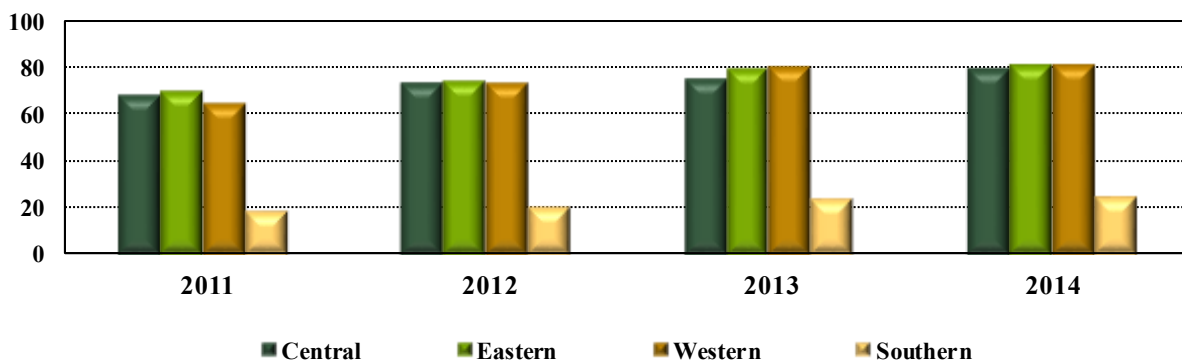
Region	Actual Generation Capacity	Peak Load	Electricity Power Sold					No. of Subscribers
			Residential	Commercial	Governmental	Industrial	Agricultural	
Central	12,259	18,094	44,155,476	14,034,672	11,765,527	5,767,831	2,953,608	2,473,073
Eastern	14,902	17,758	25,866,944	7,924,099	7,234,720	38,942,599	823,794	1,356,323
Western	18,226	16,960	49,472,305	17,068,081	7,815,233	5,856,464	679,317	2,724,479
Southern	3,638	4,874	16,413,000	3,580,745	3,195,339	931,692	120,634	1,048,404
Total	49,025	57454*	135,907,725	42,607,597	30,010,819	51,498,586	4,577,353	7,602,279

* Noncoincidental

Source: Saudi Electricity Company

**Chart 2.1: Electricity Sales Growth of the Saudi Electricity Company
(2011-2014)**

Thousand Migawatts / h





Agricultural Production

According to latest statistics issued by the Ministry of Agriculture for 2013, agricultural production declined by 16.0 thousand tons, or 0.2 percent, to 9,277.0 thousand tons from 9,293.0 thousand tons in the preceding year. This was due to the decline in grain production by 18.6 percent to 883.0 thousand tons in 2012 compared to 1,085 thousand tons in the previous year. The cultivated area of grain also fell by 21.8 percent to 166.0 thousand hectares compared to 212.2 thousand hectares in the preceding year.

The number of palm trees in the Kingdom rose by 7.6 thousand or 0.03 percent to 25.10 million at the end of 2013 compared to 25.09 million in the preceding year. These trees were grown on an area of 157 thousand hectares. Production of dates stood at 1.1 million tons during 2013, rising by 64.0 thousand tons or 6.2 percent over the preceding year and bringing the Kingdom to a high rank in date production globally. The Kingdom's exports of dates rose by 40.3 percent to 98.6 thousand tons during 2013 compared to 70.3 thousand tons in the preceding year.

Animal Production

Latest statistics issued by the Ministry of Agriculture indicate that the Kingdom's meat production (red meat, poultry and fish) recorded an increase of 17.0 thousand tons or 2.0 percent to 868.0 thousand tons in 2013 compared to 851.0 thousand tons in the preceding year. This was mainly attributable to an increase of 2.7 percent in poultry production over the preceding year to 604.0 thousand tons from 588.0 thousand tons.

Dairy production rose by 71.0 thousand tons or 3.8 percent to 1,943.0 thousand tons during 2013 from 1,872.0 thousand tons in the previous year. The share of specialized production projects was 1,783.3 thousand tons, constituting 91.8 percent of total dairy production in the year under review.

Transport and Communications

Transport

Transport operations (including inter-city travel in the Kingdom and overseas travel by air, land and sea) recorded a rise of 8.0 percent during 2014 against a rise of 5.1 percent during the preceding year. The number of passengers rose to 83.7 million from 77.6 million in the previous year, increasing by 6.2 million. The rise was due to an increase of 9.7 percent in air transport (Table 2.8).

Total length of roads network asphalted by the Ministry of Transport up to the end of 1435/1436H (2014) reached 62.7 thousand km, of which 15.1 thousand km were main roads linking major regions of the Kingdom with international borders and serving major urban areas, 10.2 thousand km secondary roads linking major cities within regions, and 37.4 thousand km feeder roads branching out of secondary roads and serving towns, villages and agricultural areas. Total length of roads currently under construction stood at 20.4 thousand km at the end of fiscal year 1435/1436H (2014).

The actual execution of the public transport project in Riyadh (trains and buses) has commenced. The High Commission for the Development of Riyadh laid down a comprehensive plan to execute the project, envisaging establishment of a network for transport by electric trains in 6 main routes, with a total length of 176 km, and 85 stations. The passenger capacity will be 1.16 million per day when the project becomes operational. In addition, a parallel network for transport by buses through 24 tracks with a length of 1,083 thousand km capable of serving 900 thousand passengers daily will be established. The project will provide public transport service to all classes of the population and diversify the patterns and methods of transportation inside the city effectively and appropriately. In this context, a comprehensive scheme for public transportation in the cities of Al-Madinah, Makkah, Jeddah, Al-Dammam, and Al-Qatif was completed.

**Table 2.8 : TRANSPORT OF PASSENGERS AND CARGO OPERATIONS BY TYPE**

Type of Transport	2013	2014
	No. of Passengers (million)	No. of Passengers (million)
Air Transport	68.12	74.70
Land Transport	8.08	7.75
Railway	1.17	1.24
Public Transport	21.32	41.49
Inter-city Transport	6.44	6.09
International Transport	0.47	0.42
Maritime Transport	1.35	1.28
Total	77.55	83.73

Sources: Ministry of Transport, General Authority of Civil Aviation, General Railway Organization, and Saudi Ports Authority.

With regard to the Haramain High-Speed Railway project connecting Jeddah province's city center, King Abdulaziz International Airport, Makkah, Al-Madinah and King Abdullah Economic City in Rabigh together. In accordance with latest data issued by the Saudi Railways Organization, the project is expected to be completed by the end of 2015. As for the completion of the first phase relating to the construction of train stations, 96 percent of King Abdullah Economic City station was completed, 93 percent of Al-Madinah station, 87 percent of Makkah station and 83 percent of Jeddah station. Regarding the completion of the second phase of the project related to the implementation of work on railway construction and the supply and operation of equipment and systems, 22 percent was completed.

The number of airports operating in the Kingdom stood at 27, of which 4 are international, 8 regional, and 15 domestic airports. Expansion and

improvement works were completed during 2014 in several airports, namely, Ha'il Airport, Jazan Airport, Al-Ta'if Airport, and Al-Ula Airport. The expansion of King Abdul Aziz International Airport is expected to be completed at the end of 2015. The project's estimated budget stood at SAR 30 billion, SAR 2.5 billion of which was funded from the direct revenues of the General Authority of Civil Aviation. The remaining amount, however, was financed through the issuance of sukuk for public subscription.

Communications and Information Technology

Data of Communications and Information Technology Commission (CITC) indicate a rise in the contribution of the communications activity to GDP due to increased investment in the sector and development of communications networks. According to CITC's estimates, the sector's contribution to GDP stood at 2.8 percent of total GDP. The contribution of the sector to non-oil GDP was 7.7 percent in 2014.



The number of operating telephone landlines reached 3.6 million at the end of 2014, of which 2.0 million (70 percent of total operating lines) were residential. Penetration ratio of telephone landlines to the number of population was 11.8 percent, while the ratio of penetration to houses was 45.9 percent.

The number of subscriptions to mobile communications services reached 53.0 million at the end of 2014. Thus, the penetration ratio went up to 171.4 percent. Prepaid subscriptions constituted the bulk of subscriptions, accounting for 87 percent.

The number of broadband subscriptions through landlines (DSL, WiMax, optical fiber and other wire lines) went up to 3.0 million at the end of 2014, with a penetration ratio for houses reaching 43.2 percent. Total subscriptions to broadband services through mobile lines was 29.1 million at the end of 2014. This was mainly attributable to significant improvement in the provision of broadband connections, widespread growth of smartphones and the significant rise in the number of users in recent years. The penetration ratio of broadband services through mobile lines to the population stood at 94.5 percent.

The penetration ratio of the Internet in the Kingdom grew to 63.7 percent at the end of 2014 from 13 percent in 2005. This growth was attributable to the expansion in broadband services, the decline in prices of computers, telecommunication and internet services, and reliance of many government and private agencies on electronic transactions.

The telecommunication companies realized total direct revenues from their operations in the Kingdom amounting to SAR 68.2 billion during 2014, recording a decrease of 3.0 percent from the previous year. Mobile lines services revenues

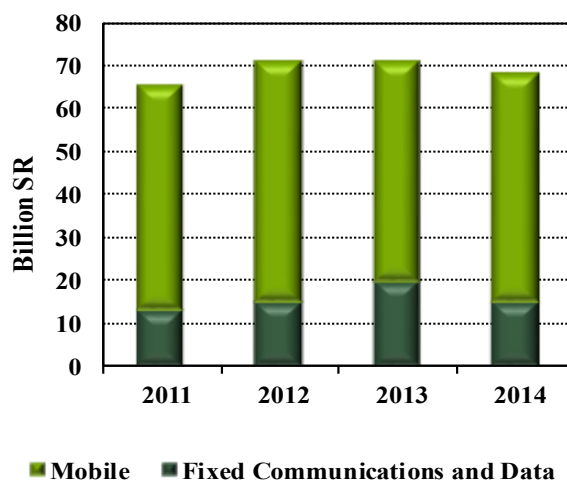
represented 77.8 percent of total revenues, while revenues of landlines and data services represented 22.2 percent (Chart 2.2).

Saudi Post

The total number of post offices in the Kingdom was 594, and postal agencies 58. Total number of mailboxes of subscribers stood at 618.8 thousand at the end of 2014. Moreover, the total number of subscribers in the mail address service at the individual level reached 172 thousand, and 552.7 thousand at the corporate level at the end of 2014.

Post services in the Kingdom witnessed remarkable improvement, in particular the express mail service, which underwent significant transformation including its financial and administrative independence in the first place, apart from the addition of more advanced and faster services, such as “Wasel Alami” and “National Address”.

Chart 2.2: Telecommunication Service Sector's Revenue



Source: Communications and Information Technology Commission



Table 2.9: COMMUNICATION SERVICES BY REGIONS FOR 2014*

(Thousands)

Region	Fixed Communication Subscriptions		Broadband Subscriptions (Fixed)	
	Total Subscriptions	Penetration Ratio	Total Subscriptions	Penetration Ratio
Riyadh	1,236.55	67.8%	688.49	9.8%
Qassim	960.45	45.6%	794.65	11.3%
Ha'il	151.15	26.1%	218.38	3.1%
Makkah	149.09	41.3%	136.49	1.9%
Al-Madinah	706.51	61.1%	436.75	6.2%
Tabuk	208.20	31.6%	248.71	3.5%
Eastern Region	41.48	14.8%	106.16	1.5%
Al-Jawf	63.96	37.9%	63.69	0.9%
Northern Borders	37.33	42.3%	33.36	0.5%
Asir	20.64	5.0%	154.68	2.2%
Al-Baha	26.28	17.2%	57.63	0.8%
Jazan	51.83	35.9%	54.59	0.8%
Najran	32.66	31.3%	39.43	0.6%
Total	3,686.11	45.9%	3,033.00	43.2%
*2014 estimate figures				
Source: Communications and Information Technology Commission.				

Education, Health and Social Services

General Education

Total number of general education male and female students amounted to 5.4 million during the academic year 1434/35H. The number of teachers (male and female) at all levels of general education (including kindergartens, elementary, intermediate and secondary schools, special education and adult education) totaled 519.3 thousand. The number of schools stood at 31 thousand, 16.6 thousand of which were schools for

girls, accounting for 53.6 percent of the total number of schools.

Higher Education

Total number of students registered in higher education institutions in the Kingdom during the academic year 1434/1435H stood at 1.5 million. The number of newly enrolled students at the different institutions of higher education totaled 448.1 thousand. Of these, 350.2 thousand were at the bachelor level (78.2 percent of the total number of



newly enrolled students). Higher diploma, master's, and doctorate levels accounted for the remaining percentage of the total. Male students constituted 54.4 percent of total newly enrolled students, while female students accounted for 45.6 percent

Total number of graduates from all levels of higher education in the Kingdom stood at 185.1 thousand in academic year 1434/1435H. Of these, 91.9 thousand were female graduates representing 49.6 percent of the total.

Total number of the teaching staff at the institutions of higher education in the Kingdom in the academic year 1434/1435H stood at 73.6 thousand. The number of universities in the Kingdom in the same year stood at 35, of these 25 are government universities with 523 colleges, and 10 private universities with 37 colleges.

The number of male and female students studying abroad during the academic year 1434/35H totaled 171.1 thousand. Students on government scholarship program accounted for 81.9 percent, while the remaining percentage were studying at their own expense.

Technological, Vocational and Administrative Training

The number of students and trainees at the Technical and Vocational Training Corporation (TVTC)'s colleges and institutes totaled 113.9 thousand in the academic year 1434/1435H, receiving their education and training in 123 colleges and institutes. The total number of the teaching staff at TVTC stood at 7.5 thousand, and the number of trainees under private training programs supervised by TVTC totaled 142.1 thousand in the same academic year.

The Institute of Public Administration (IPA) continued its training programs aimed at raising the professional level of government employees in the

Kingdom. In 1434/1435H, the IPA organized a number of general and customized training courses, applied seminars, symposia and gatherings at its head office in Riyadh, branches in Al-Dammam and Jeddah, and female branch in Riyadh. The number of participants in these activities was 79.1 thousand. The number of graduates from preparatory programs was 1348 during training year 1434/1435H. The number of training staff totaled 768, of which 606 were Saudis, representing 78.9 percent of the total training staff.

Health Affairs

Latest data by the Ministry of Health in 1435H indicated remarkable improvement in the indicators of the health sector in the Kingdom as reflected by the expansion in all health facilities and resources. The number of hospitals operating in the Kingdom rose to 453 in 1435H, increasing by 8 over 1434H. Of these, 270 hospitals were run by the Ministry of Health, 42 by other government sectors, and 141 by the private sector.

The number of private health centers and dispensaries totaled 4,693 in 1435H compared to 4,508 in 1433H. The number of physicians working in the Kingdom stood at 81.5 thousand (2.7 per 1,000 people), increasing by 1,043 over 1434H. Total number of beds in the Kingdom's hospitals rose to 68.0 thousand (2.2 per 1,000 people), rising by 3,303 over 1435H.

Social Services

The Social Charity Fund of the Ministry of Social Affairs achieved many accomplishments during 2014. The most important of which were:

- Small enterprises and productive families programs, of which 415 enterprises were granted loans of SAR 11.2 million.
- Educational and training scholarship programs. The fund offered 4.4 thousand scholarships, which covered all regions of the Kingdom and included all majors, at a cost of SAR 201.8 million.



- Training and employment programs, which benefited nearly 1,000 trainees (male and female) at a cost of SAR 18 million.

According to data by the Deputyship of Social Security of the Ministry of Social Affairs, the total social security benefits extended during fiscal year 1435/36H (2014) amounted to SAR 16.8 million, increasing by 45.1 percent over the preceding fiscal year. The number of social security beneficiaries totaled 986.7 thousand, declining by 13.2 percent from the preceding year.

Housing

The Ministry of Housing continued its efforts in facilitating citizens' ownership of homes, the quality of which is taken into account within the limits of their income sources, and increasing the rate of homeownership by citizens in the Kingdom. The number of housing units under construction totaled 13.8 thousand. In addition, 1.7 thousand developed lands were distributed in 46 locations throughout the Kingdom's regions. About 2.3 thousand housing units were taken over in 1435H. It is expected to take over 4.8 thousand units in 1436H. The Ministry will provide developed lands for constructing more than 57.6 thousand housing units distributed throughout various regions of the Kingdom.

Pension and Social Insurance

The number of subscribers to the civil pension scheme (Public Pension Agency) increased by 6.9 percent to 1.22 million in 2014 compared to 1.14 million in the previous year. The sums collected from on-the-job civil subscribers rose to SAR 19.5 billion from SAR 19.2 billion in the preceding year. Total disbursements by the Public Pension Agency to beneficiaries amounted to SAR 49.3 billion, rising by 8.8 percent over the preceding fiscal year. The number of pensioners increased by 6.8 percent to 494 thousand. The number of deceased pensioners rose by 7.8 percent to 166 thousand, and that of heirs

benefiting from pension payments by 5.3 percent to 403.6 thousand.

The number of private establishments subscribing to the social insurance scheme, the General Organization for Social Insurance (GOSI), declined by 5.2 percent to 3,965 thousand, while that of government establishments rose by 3.7 percent to 1,353. The number of subscribers covered by the social insurance scheme went up by 2.0 percent to 21.3 million in 2014 from 20.9 million in the preceding year. The number of on-the-job subscribers increased by 4.6 percent to 9.5 million from 9.1 million in the preceding year.

Population and Labor Force

Estimates of the midyear census issued by the Central Department of Statistics and Information (CDSI) indicated that the Kingdom's population in mid-2014 rose by 2.6 percent to 30.8 million compared to 30 million in the preceding year. Saudis constituted 67.3 percent of the total (20.7 million).

Mid-2014 estimates of the Kingdom's population by gender indicate that the male population accounted for 56.1 percent while the female population represented 43.9 percent of total population. The Saudi male population represented 50.2 percent while the Saudi females constituted 49.8 percent of total Saudis, while non-Saudi male population was 68.2 percent and non-Saudi female population was 31.8 percent of total non-Saudi population of the Kingdom.

A breakdown of the Kingdom's population by administrative regions in mid-2014 indicates that Makkah Region ranked first with 7.9 million, or 25.7 percent, Riyadh Region was second with 7.7 million or 25.1 percent, and the Eastern Region came third with 4.7 million or 15.1 percent. The Northern Borders Region came last with 3.6 million or 1.2 percent of Kingdom's total population.



Labor Force

Latest statistics issued by the Ministry of Civil Service indicate that the number of employees in the government sector (Saudis and non-Saudis) stood at 1.24 million at the end of 2014, increasing by 1.3 percent over the preceding year. Saudis represented 94.2 percent of the total employees in the sector.

A breakdown of the employees shows that the number of Saudi male workers amounted to 717.6 thousand at the end of 2014, declining by 0.1 percent from the preceding year, while that of Saudi female workers reached 451 thousand, increasing by 4.3 percent over the preceding year.

The number of non-Saudi male workers at the end of 2014 amounted to 36.1 thousand, decreasing by 0.2 percent from the preceding year, while that of non-Saudi female workers was 36 thousand, declining by 4.6 percent from the preceding year.

Efforts of the Ministry of Labor in Employment Supervision

The Ministry of Labor and relevant government agencies continued their efforts aimed at promoting the contribution of national labor force to different economic activities in the private sector. The Ministry of Labor has undertaken many measures to regulate the employment process through ongoing application of programs stimulating the private sector to nationalize posts, namely, "Nitaqat" program, "Hafiz" program for supporting jobs seekers, "Hafiz: Difficulty of Obtaining a Job" program, and Taqat program which provides various employment channels that help the private sector to hire qualified Saudis from the different segments of job seekers. In addition, Wages Protection System, which aims at establishing a database containing updated information on wages payment operations for private sector workers and determining the institutions' compliance level in paying wages at the time and amount agreed upon, has been introduced. These efforts have led to employing a large number

of job seekers in the private sectors' institutions in all regions of the Kingdom.

Latest figures issued by the Ministry of Labor show that the number of workers in the private sector (Saudis and non-Saudis) was 10.0 million at the end of 2014, increasing by 3.5 percent over the preceding year. The ratio of Saudis working in the private sector to total workers in the sector was 15.5 percent.

As for Saudi workers, the number of Saudi male workers at the end of 2014 was 1.1 million, rising by 6.4 percent over the preceding year, and that of Saudi female workers was 0.4 million, increasing by 3.6 percent over the preceding year.

The number of non-Saudi male workers at the end of 2014 stood at 8.3 million, increasing by 3.1 percent over the preceding year, and that of non-Saudi female workers was 0.2 million, rising by 5.2 percent over the preceding year.

Kingdom's Efforts for Regulating Expatriate Workers

The Ministry of Interior and the Ministry of Labor have continued their inspection campaigns that aim at ensuring the legal status of expatriate workers in the Kingdom. Such campaigns have been carried out after granting such workers a grace period during 1434H, extending over seven consecutive months, to rectify their status in accordance with government facilities that motivate the process. Status rectification aims at fulfilling major benefits that serve the market's interest, and regulating employer-employee relationship in a way that ensures their respective rights and improves work environment. These procedures have been within the framework of an ambitious plan laid by the Ministry of Labor which launched a number of programs in the past few years with a view to reform the labor market and raise the ratio of Saudi workers employed at the private sector by amending the existing employment quota system in the private sector and imposing fines



on companies that do not meet the prescribed Saudization rate.

The two Ministries issued the Rules of Violations and Penalties that shall be implemented on individuals or institutions that offer any means of assistance to illegal expatriate workers. The penalties also extend to include employers allowing their workers to be self-employed. According to data of the

Ministry of Labor, the number of inspection visits to the private sector institutions totaled 204,760 during 2014.

Unemployment

Latest data of the Central Department of Statistics and Information indicate that the unemployment rate rose to 6.0 percent of the total labor force in the Kingdom in 2014 from 5.8 percent in 2013. Unemployed Saudis accounted for

Table 2.10: SELECTED INDICATORS FOR POPULATION AND LABOR FORCE

Major Regions		2013			2014		
		Male	Female	Total	Male	Female	Total
Population	Saudis	10,181,018	10,090,040	20,271,058	10,398,993	10,303,543	20,702,536
	Non-Saudis	6,643,278	3,079,936	9,723,214	6,867,332	3,200,507	10,067,839
	Total	16,824,296	13,169,976	29,994,272	17,266,325	13,504,050	30,770,375
Birth	Total	311,315	296,491	607,806	311,135	296,318	607,453
Mortality	Total	63,698	42,823	106,521	64,876	42,811	107,687
Workers	Saudis	1,786,698	830,983	2,617,681	1,854,531	864,030	2,718,561
	Non-Saudis	8,087,597	199,178	8,286,775	8,337,677	205,849	8,543,526
	Total	9,874,295	1,030,161	10,904,456	10,192,208	1,069,879	11,262,087
Unemployment rate	Saudis	6.3	34.8	12.0	6.0	33.3	11.8
	Non-Saudis	0.2	1.7	0.4	0.6	2.0	0.7
	Total	2.9	22.1	5.8	3.0	22.3	6.0
Government Sector staff	Saudis	718,383	432,445	1,150,828	717,629	450,957	1,168,586
	Non-Saudis	36,203	37,790	73,993	36,125	36,037	72,162
	Total	754,586	470,235	1,224,821	753,754	486,994	1,240,748
Private sector staff	Saudis	1,068,315	398,538	1,466,853	1,136,902	413,073	1,549,975
	Non-Saudis	8,051,394	161,388	8,212,782	8,301,552	169,812	8,471,364
Job seekers in the private sector	Total	9,119,709	559,926	9,679,635	9,438,454	582,885	10,021,339
Banking sector staff	Total	40,506	5,672	46,178	41,601	5,987	47,588

Source: Ministry of Economic and Planning, Central Department of Statistics & Information, Ministry of Civil Service and Ministry of Labor.



11.8 percent of the total Saudi labor force compared to 12.0 percent in the previous year. The ratio of unemployed Saudi male workers was 6.0 percent of the total Saudi male labor force, while that of unemployed Saudi female workers was 33.3 percent of the total Saudi female labor force. The ratio of unemployed non-Saudis stood at 0.7 percent of total non-Saudi labor force in the Kingdom.

Specialized Credit Institutions

Specialized credit institutions continued to provide loans which contribute to the achievement of the development objectives in the Kingdom. Total loans disbursed since their inception up to the end of 2014 reached SAR 454.4 billion. Total assets of these institutions amounted to SAR 615.4 billion, rising by 9.1 percent over the preceding year. Total actual loans disbursements of these institutions during 2014 totaled SAR 58.1 billion, increasing by 21.3 percent over the preceding year. Total loan repayments amounted to SAR 18.5 billion during 2014, decreasing by 29.7 percent from the preceding year. The balance of outstanding loans went up by 14.6 percent to SAR 310.9 billion over that of the preceding year.

Saudi Industrial Development Fund (SIDF)

The actual loans disbursed by SIDF amounted to SAR 5.7 billion during 2014, increasing by 39.3 percent over the preceding year. Loan repayments stood at SAR 4.5 billion, rising by 3.3 percent over the preceding year. Total outstanding loans amounted to SAR 30.9 billion at the end of 2014, increasing by 4.1 percent over the preceding year.

Real Estate Development Fund (REDF)

Total outstanding loans stood at SAR 129.5 billion at the end of 2014, increasing by 11.0 percent compared to that of the preceding year. During 2014, REDF provided loans that amounted to SAR 17.3 billion, declining by 15.7 percent from the preceding year. Loan repayments stood at SAR 4.5 billion

during 2014, increasing by 29.7 percent over the preceding year.

Agricultural Development Fund (ADF)

Total loans disbursed by ADF went up by 3.8 percent to SAR 929.2 million during 2014 from SAR 895 in the preceding year. Loan repayments declined by 9.5 percent to SAR 758.2 billion. Total outstanding loans amounted to SAR 8.6 billion at the end of 2014, increasing by 2.0 percent over the preceding year.

Public Investment Fund (PIF)

Total actual disbursements of loans by PIF went down to SAR 16.0 billion in 2014, falling by 0.1 percent from the preceding year. Loans repayments amounted to SAR 2.7 billion during 2014, declining by 75.9 percent from the preceding year. The balance of outstanding loans went up by 17.3 percent over the preceding year to SAR 90.4 billion.

Saudi Credit & Savings Bank (SCSB)

SCSB's total actual loans stood at SAR 18.2 billion in 2014, increasing by 185.2 percent over the preceding year. Loans repayments in 2014 amounted to SAR 6.1 billion, declining by 6.7 percent from the preceding year. The balance of outstanding loans was SAR 36.9 billion, increasing by 46.8 percent over the preceding year.

Domestic Loan and Subsidy Programs

The government introduced, through the Ministry of Finance, a direct domestic soft loan program to assist the private sector in establishing development economic projects. The program began its activity in 1391/1392H (1971). It grants loans for establishing hotels, tourist resorts, hospitals, dispensaries, medical treatment and press centers, and private educational and training projects.

Actual loans disbursed under the program during 2014 totaled SAR 506.3 million, rising by



11.5 percent over the preceding year. Loans repayments totaled SAR 265.2 million during 2014, increasing by 36.2 percent over the preceding year. During fiscal year 1435/1436H (2014), 37 loans were approved, including 15 for health projects, and 18 for private educational and training programs.

During fiscal year 1435/1436H (2014), subsidies disbursed totaled SAR 4.5 billion. Imported barley subsidy stood at SAR 1,842.2 million, fodder subsidy SAR 2,268.4 million, baby milk subsidy SAR 139.2 million, private schools subsidy SAR 15.5 million, and rice subsidy SAR 2.4 million.

Structural Reforms and Top Economic Resolutions

In continuation of the efforts exerted by the Kingdom to raise the efficiency of economic performance and reach optimum utilization of available resources, a number of royal orders and resolutions aimed at the ongoing development of the Saudi economy were issued by the Council of Ministers in 2014 and in the first quarter of 2015. A number of developmental steps were also taken to reconstruct the Saudi economy. The following were the most prominent royal orders and resolutions taken by the Council of Ministers in this regard:

Royal Orders:

- Eliminating a number of government organs as follows:
 1. The Supreme Committee for Education Policy.
 2. The Supreme Committee for Administrative Organization.
 3. The Civil Service Council.
 4. The Supreme Commission of King Abdulaziz City for Science and Technology.
 5. The Council of Higher Education and Universities.
 6. The Supreme Council for Education.
 7. Supreme Council for Petroleum and Mineral Affairs.
 8. Supreme Economic Council.

9. National Security Council.

10. Supreme Council of King Abdullah City for Atomic and Renewable Energy.

11. Supreme Council for Islamic Affairs.

12. Supreme Council for Disabled Affairs.

- Establishing the Council of Political and Security Affairs and the Council of Economic and Development Affairs.
- Granting a bonus of two-month basic salary to all military and civil Saudi State employees.
- Granting two-month allowance to male and female public education students inside and outside the Kingdom.
- Disbursement of two-month pension to pensioners under the Public Pension Agency and the General Organization for Social Insurance.
- Amendment of the social security monthly welfare benefits scale.
- Disbursement of two-month welfare benefits to the beneficiaries of the social security.
- Disbursement of two-month benefits to disabled individuals and including those in the waiting list to the beneficiaries' list as of the date of this royal order.
- Disbursement of SAR 2 billion to societies licensed by the Ministry of Social Affairs.
- Subsidizing the Cooperative Societies Council with SAR 200 million.
- Providing licensed specialized professional associations with a subsidy of SAR 10 million each.
- Subsidizing all officially-registered sports clubs. SAR 10 million were for sports clubs in the professional league; SAR 5 million for those in the first division; and SAR 2 million for the remaining officially-registered clubs in the Kingdom.
- Allocating SAR 20 billion for executing water and electricity services in lands granted plans in all regions of the Kingdom.

Resolutions of the Council of Ministers

- Approval of the Work Disruption Insurance Law.
- Approval of Housing Support through the portal of the Ministry of Housing.



- Approval of Rules and Procedures for the Work of Insurance Disputes and Violations Settlement Committees.
- Approval of the electronic transfer system of information pertaining to individuals dealing with private institutions to the National Information Center at the Ministry of Interior (Shomoos Security System).
- Approval of the establishment of a center named, "The Saudi Center for Commercial Arbitration."
- Approval of an administrative organization for the Bureau of the Ministry of Labor; and an organizational structure for the Ministry's branches in regions and Labor Offices in governorates.
- Approval of Antiquities, Museums and Urban Heritage Law.
- Approval of the establishment of a joint-stock company named "Al Maqar Company for Advancement and Development" at Al-Madinah Secretariat.
- Approval of the Psychological Healthcare System.
- Approval of the Municipal Councils' Statute.
- Approval of entrusting Saher Project with automatic and manual monitoring and detecting violations of public transportation as well as violations related to fixed and mobile weight measuring facilities and their operation and maintenance.
- Approval of setting bases, standards and criteria for employment by all public institutions, authorities, funds with special regulations, and all government entities that place conditions for employment until the National Portal for Employment become operational.
- Approval of the draft agreement with the U.S. Government on improving international tax compliance, and enforcement of the Foreign Account Tax Compliance Act (FATCA).
- Approval of the establishment of a supreme commission for the development of the Eastern Province.
- Approval of the Public Funds Handling Posts Law.
- Approval of licensing the establishment of the Saudi Arabian Industrial Investment Company (a Saudi joint-stock company).
- Approval of the public transport project in Dammam and Qatif, and entrusting the Eastern Municipality Secretariat to establish a private company for the project.
- Approval of Trademarks Law in the GCC States.
- Approval of regulating (tourist accommodation facilities, tourist guides; and travel and tourism) societies.
- Approval of licensing the Public Investment Fund to establish companies inside or outside the Kingdom solely or jointly with other entities from the public or the private sectors, including joining any of them as a partner in existing companies.
- Approval of permitting foreign financial institutions to trade in shares listed on the Saudi Shares Market.
- Approval of the Public Transport Project in Al-Madinah.
- Approval of allowing well-known foreign companies to work in the Kingdom without having to be subject to procedures applied by the Contractors Classification Agency.
- Approval of the Tenth Development Plan.
- Approval of new tariffs for the sale of water, and benefiting from the services of sewage water for non-residential consumption.
- Approval of the regulation of Consumer Protection Association.
- Approval of reorganizing the government organs supervised by, or organizationally linked to, the Ministry of Finance, as follows:
 1. The Saudi Savings and Credit Bank shall be linked to the Ministry of Social Affairs. The Minister of Social Affairs shall chair its board of directors.
 2. The Public Pension Agency shall be linked to the Ministry of Civil Service, and the Minister of Civil Service shall chair its board of directors.



3. The Saudi Industrial Development Fund shall be linked to the Ministry of Commerce and Industry, and the Minister of Commerce and Industry shall chair its board of directors.
4. The Agricultural Development Fund shall be linked to the Ministry of Agriculture, and the Minister of Agriculture shall chair its board of directors.
5. The Public Investment Fund shall be linked to the Council of Economic and Development Affairs, and the Chairman of the Council of Economic and Development Affairs shall chair its board of directors.
6. Emphasize the transfer of any activity related to the economy from the Ministry of Finance to the Ministry of Economy and Planning.
- Approval of entrusting the Council of Economic and Development Affairs with the preparation of the organizational mechanisms and arrangements to impose fees on white lands within the urban boundaries of cities, governorates and centers■



Saudi Arabian Monetary Agency (SAMA) continued to manage and implement the Kingdom's monetary policy that aims at achieving stability in the exchange rate of the Saudi riyal and domestic prices as well as maintaining the soundness and robustness of the financial system in order to perform its role in the economy. In 2014, the liquidity in the national economy was sufficient to meet the constant funding needs in the economic activity, in light of the stability of the official exchange rate of the local currency at SAR 3.75 per one US dollar, the decline in the cost of living index to 2.7 percent compared with 3.5 percent in 2013, and the stability and robustness of the financial system in general.

Monetary Policy Tools

In 2014, there was abundant liquidity in the national economy due to the large government spending, especially on development projects. Therefore, the Kingdom's monetary policy, which is conducted by SAMA, was aimed at maintaining the repo rate unchanged at 2.0 percent and the reverse repo rate at 0.25 percent. Moreover, SAMA maintained the statutory reserve requirements on customer deposits for banks unchanged at 4.0 percent for time and savings deposits and at 7.0 percent for demand deposits. The overall liquidity in the banking system remained sufficient despite the increase in the average daily reverse repo transactions to SAR 78.5 billion in 2014, compared to nearly SAR 71.7 billion in the previous year. In addition, the average daily repo transactions increased slightly to SAR 151 million, compared to SAR 131 million in the previous year. In 2014, SAMA continued to issue bills up to the level of SAR 9.0 billion on a weekly basis. Additionally, SAMA kept the pricing of its bills unchanged at 80 percent of the Saudi Inter-bank Bid Rate (SIBID) to encourage banks to direct liquidity towards lending.

Money Supply Growth

The various measures of domestic money supply, namely, M1, M2 and M3, recorded positive growth rates at the end of 2014 compared with the

end of the previous year. M3, the broadest measure for domestic liquidity in Saudi Arabia which comprises currency in circulation and aggregate bank deposits, rose by 11.9 percent (SAR 184.2 billion) to SAR 1.7 trillion at the end of 2014 compared with 10.9 percent (SAR 151.4 billion) at the end of 2013. Bank deposits, which accounted for 91.1 percent of M3 (0.4 percentage point over the preceding year), remained on a high growth trajectory with an increase of 12.4 percent (SAR 173.6 billion) in 2014 compared with an increase of 11.2 percent (SAR 141.4 billion) at the end of 2013. The growth rate of currency in circulation slightly decline from 7.5 percent (SAR 10.0 billion) at the end of 2013 to 7.4 percent (SAR 10.6 billion) at the end of 2014. This decline, in light of M3 growth, was due to the expansion in banking intermediation and modern technologies such as POS terminals and online fund transfers.

A breakdown of bank deposits shows that demand deposits had the largest share of total M3, raising to 57.2 percent at the end of 2014 from 55.5 percent at the end of 2013. They also grew by 15.4 percent (SAR 131.9 billion) at the end of 2014 compared with 13.7 percent (SAR 103.3 billion) at the end of the previous year. Time and savings deposits manifested a rising trend as they grew by 15.6 percent (SAR 53.7 billion) at the end of 2014 compared with an increase of 6.4 percent (SAR 20.6 billion) at the end of 2013. Therefore, the share of time and savings deposits in M3 increased to 23.1 percent at the end of 2014 compared with 22.3 percent at the end of the previous year. Other quasi-monetary deposits, which constitute residents' foreign currency deposits; marginal deposits for outstanding LCs, guarantees and remittances; and banks' repo transactions with the private sector, recorded a 6.0 percent decrease (SAR 12.0 billion) in 2014 compared with an expansion of 9.6 percent (SAR 17.5 billion) in 2013 (**Tables 3.1, 3.2 and 3.3; and Charts 3.1 and 3.2**).

On the other hand, the other key liquidity measures, M1 and M2, which constitute relatively



Table 3.1: MONEY SUPPLY

(Million Riyals)

End of Year	Currency in circulation	Demand Deposits	M1 (1+2)	Time and Savings Deposits	M2 (3+4)	Other Quasi- Monetary Deposits*	M3 (5+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2010	95,520	530,072	625,592	298,283	923,874	156,495	1,080,370
2011	119,929	641,056	760,985	305,441	1,066,427	157,136	1,223,563
2012	133,146	753,970	887,115	324,428	1,211,543	182,211	1,393,754
2013	143,169	857,280	1,000,449	345,035	1,345,485	199,664	1,545,149
2014	153,777	989,174	1,142,951	398,743	1,541,694	187,661	1,729,356

* Comprise residents' foreign currency deposits, margin deposits for LCs, outstanding remittances, and banks' repo transactions with the private sector.

Table 3.2: GROWTH RATES AND COMPONENTS OF MONEY SUPPLY

(Percent)

End of Year	Currency in circulation	Demand Deposits	M1	Time and Savings Deposits	M2	Other Quasi- Monetary Deposits	M3
2010	8.1	22.4	19.9	-7.8	9.3	-15.0	5.0
2011	25.6	20.9	21.6	2.4	15.4	0.4	13.3
2012	11.0	17.6	16.6	6.2	13.6	16.0	13.9
2013	7.5	13.7	12.8	6.4	11.1	9.6	10.9
2014	7.4	15.4	14.2	15.6	14.6	-6.0	11.9

Chart 3.1: Growth Rates of Money Supply (M3)

Percentage

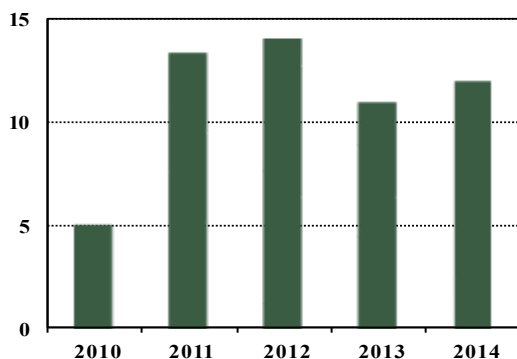


Chart 3.2: Components of Money Supply

Billion Riyals

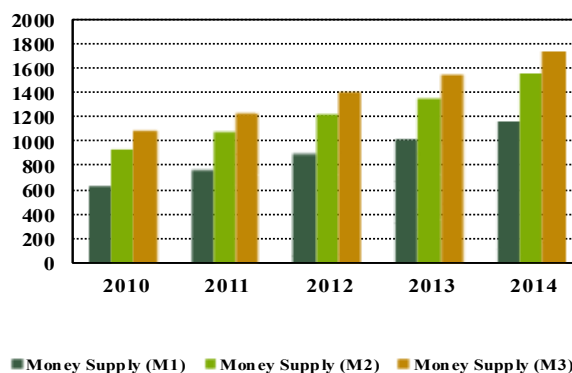




Table 3.3: COMPONENTS OF MONEY SUPPLY

(% shares in M3; End of Period)

	2010	2011	2012	2013	2014
Currency in circulation	8.8	9.8	9.6	9.3	8.9
Total deposits	91.2	90.2	90.4	90.7	91.1
Demand deposits	49.1	52.4	54.1	55.5	57.2
Time & savings deposits	27.6	25.0	23.3	22.3	23.1
Other quasi-monetary deposits	14.5	12.8	13.1	12.9	10.9
Money supply (M3)	100.0	100.0	100.0	100.0	100.0

more liquid deposits, continued to record good growth rates during 2014. M1, which consists of currency in circulation and demand deposits, recorded a 14.2 percent increase in 2014 compared with 12.8 percent in 2013. The share of demand deposits in M1 increased to 86.5 percent in 2014 compared with 85.7 percent in the previous year. Also, M2, which includes less liquid time and savings deposits, recorded an increase of 14.6 percent at the end of 2014 compared with 11.1 percent in 2013. Therefore, the ratio of M1 to M3 went up from 64.7 percent in 2013 to 66.1 percent in 2014 as M1 components grew higher. This indicates the depositors' growing preference to keep their savings in more liquid assets. The ratio of M2 to M3 went up slightly from 87.1 percent in 2013 to 89.1 percent in 2014 (Table 3.4).

Table 3.4: MONETARY RATIOS

(Percentage)

Year	M1/M3	M2/M3
2010	57.9	85.5
2011	62.2	87.2
2012	63.6	86.9
2013	64.7	87.1
2014	66.1	89.1

Table 3.5: CAUSATIVE FACTORS FOR CHANGE IN BROAD MONEY SUPPLY (M3)

(Billion Riyals)

	2012	2013	2014
Change in M3	170.2	151.4	184.2
Causative Factors			
Net government domestic expenditures in riyal*	1072.5	950.7	834.5
Change in bank claims on the private sector	140.8	124.5	132.6
Change in bank claims on non-financial public institutions	7.8	4.5	1.7
Private sector's balance of payments deficit**	-642.1	-722.4	-838.0
Other items (net)	-408.7	-206.0	53.5
Total	170.2	151.4	184.2

* Government domestic expenditures in riyal less domestic revenue in riyal.

** Estimates.

Broad Money (M3): Causative Factors

M3 growth rate increased slightly at the end of 2014 due to the lessening adverse impact of the private sector's balance of payments' deficit by 16.0 percent (SAR 115.7 billion) to SAR 838.0 billion in 2014, the increase in bank claims on the private sector by 6.5 percent (SAR 8.0 billion) to SAR 132.6 billion, and the growth in net government domestic expenditure in riyal by 10.0 percent (SAR 75.6 billion) to SAR 834.5 billion in 2014. Consequently, the value of net government domestic expenditure in riyal and bank claims on the private sector and public entities was nearly SAR 968.8 billion, offsetting the deficit of SAR 784.6 billion in both private sector's balance of payments and net other items in 2014 (**Table 3.5 and Chart 3.3**).

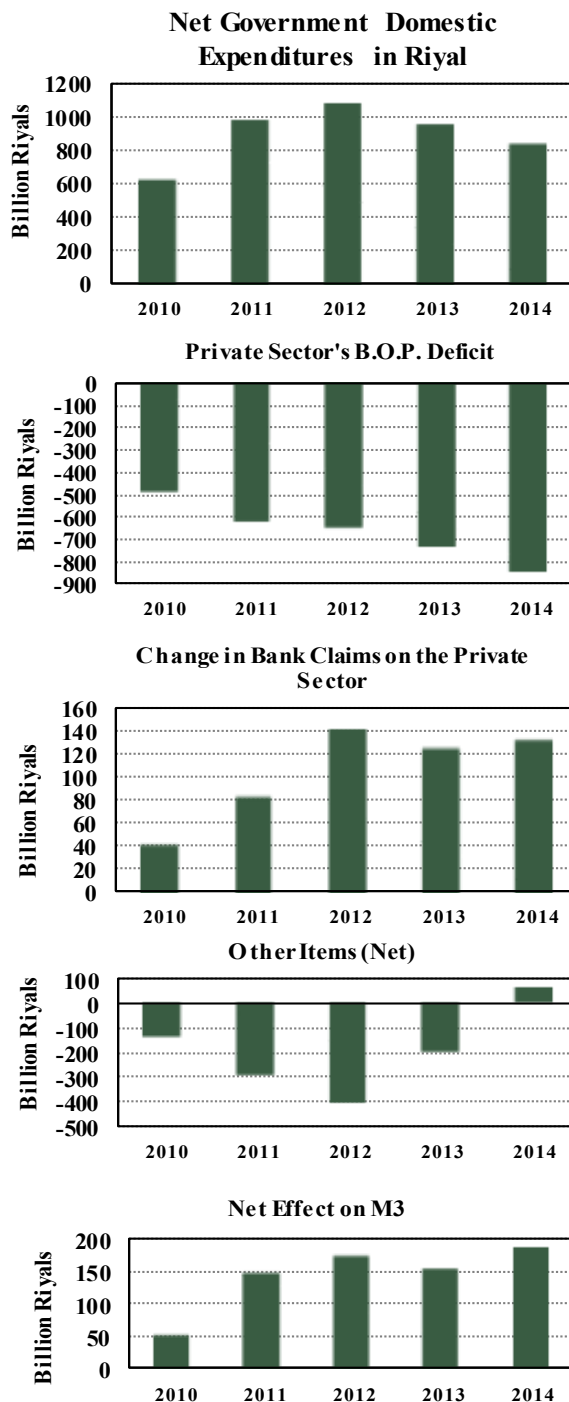
Monetary Base and Money Multiplier

Monetary base is the narrowest liquidity measure. It consists of currency in circulation, cash in bank vaults and commercial banks' deposits with SAMA. Monetary base grew by 10.5 percent (SAR 26.8 billion) at the end of 2014 compared with an increase of 8.7 percent (SAR 20.4 billion) at the end of 2013.

Currency in circulation showed a slightly slower growth from 7.5 percent (SAR 10.0 billion) in 2013 to 7.4 percent (SAR 10.6 billion) in 2014. Its share in the monetary base slightly rose from 55.9 percent in 2013 to 54.4 percent in 2014. On the other hand, bank reserves grew by 14.4 percent (SAR 16.2 billion) in 2014 compared with a growth of 10.2 percent (SAR 10.4 billion) in the previous year.

Financial intermediation in the Kingdom continued to accelerate strongly as commercial banks remained highly engaged in the credit activity, which was positively reflected on the money multiplier as it reached 6.1 fold in 2014 compared with 6.0 fold in the previous year

Chart 3.3: Causative Factors for Change in M3



(Table 3.6 and Chart 3.4). This increase was attributed to the growth rate of M3 by a higher rate than that of the monetary base, and the increase in the ratio of total statutory and additional reserves to total bank deposits to 8.2 percent at the end of 2014 from 8.1 percent at the end of 2013 at a lower level than the fall in the ratio of currency in circulation to the aggregate bank deposits from 10.2 percent in 2013 to 9.8 percent in 2014. Banks continued to largely

intermediate funds between savers and investors owing to the considerable growth in bank deposits and bank credit with averages of 12.0 percent and 11.5 percent, respectively, during 2008-2014.

Seasonal Trends of Currency in Circulation

In general, currency in circulation records its highest levels during two significant Islamic events; the month of Ramadhan and Hijj season, which coincided with the last four months of the previous few Gregorian

Table 3.6: MONETARY BASE AND MONEY MULTIPLIER

End of Year	Monetary Base (Million SAR)	Money Multiplier
2010	171,261	6.31
2011	210,856	5.80
2012	235,629	5.92
2013	256,078	6.03
2014	282,924	6.11

Chart 3.4: Monetary Base and Money Multiplier

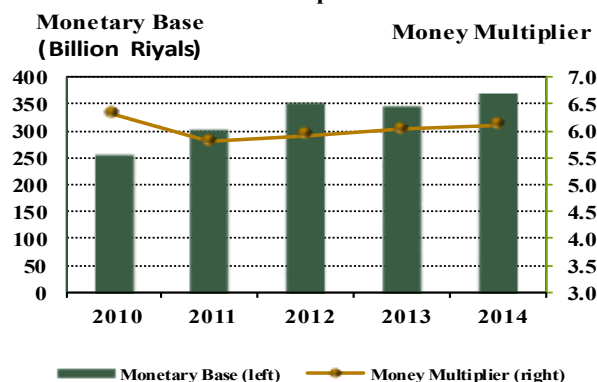
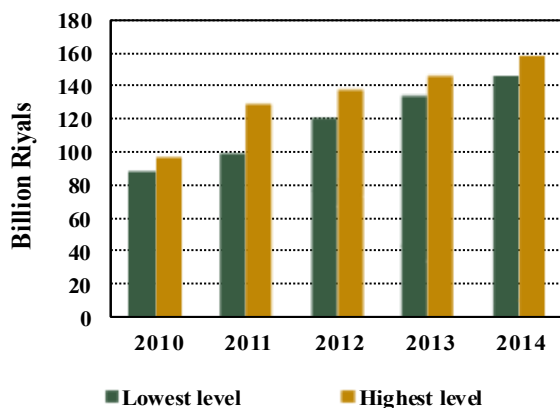


Table 3.7: SEASONAL TRENDS IN CURRENCY IN CIRCULATION

Currency in circulation Highest Level of the Year			Currency in circulation Lowest Level		
Gregorian Month-End	Corresponding Hijri Date	Amount (Million Riyals)	Gregorian Month-End	Corresponding Hijri Date	Amount (Million Riyals)
8/2010	21/9/1431	97,559	1/2010	16/2/1431	88,355
8/2011	2/10/1432	129,421	1/2011	26/2/1432	99,110
10/2012	15/12/1433	137,972	1/2012	8/3/1433	121,003
7/2013	23/9/1434	146,170	1/2013	19/3/1434	134,148
9/2014	6/12/1435	158,071	1/2014	30/3/1435	145,490

Chart 3.5: Seasonal Trends in Currency in Circulation



years. This is manifested in the time series data on currency in circulation (**Table 3.7 and Chart 3.5**). The demand for currency in circulation reached its peak of SAR 158.1 billion at the end of September 2014 (Dhu Alhijjah 6, 1435H.). On the other hand, it recorded its lowest level of SAR 145.5 billion at the end of January 2014 (Rabi I 30, 1435H). These two levels increased by 8.1 percent and 8.5 percent, respectively, over the levels recorded in the previous year.

Monetary Survey

The Saudi banking system continued to record positive growth in assets, though at a slower pace than the past few years due to fluctuated oil prices and decreased value of imports. The monetary survey (**Table 3.8**), which is the consolidated balance sheet for the Saudi banking system, indicated a growth in the assets of the banking system as a whole by 4.7 percent (SAR 189 billion) to SAR 4.2 trillion at the end of 2014 compared with an increase of 10.9 (SAR 398.3 billion) at the end of 2013.

The monetary survey indicated a decline of 1.8 percent (SAR 51.2 billion) in growth rate of net foreign assets in 2014 compared with an increase of 10.2 (SAR 262.1 billion) at the end of

the last year. Therefore, their share in the aggregate assets decreased from 69.9 percent at the end of 2013 to 68.0 percent at the end of 2014. In contrast, the share of domestic assets rose from 30.1 percent at the end of 2013 to 32.0 percent at the end of 2014. That came as a result of the increased bank claims on the private sector by 11.8 percent (SAR 132.6 billion) compared with 12.5 percent (SAR 124.5 billion) at the end of the preceding year (**Table 3.8**).

The sharp decrease in oil prices in the last quarter of 2014 and the continuous large government spending on development projects led to a decline in government deposits with SAMA by 4.9 percent (SAR 80.8 billion) at the end of 2014, compared with an increase of 8.2 percent (SAR 124.8 billion) at the end of the preceding year.

Interest Rate Trends

The 3-month Saudi Inter-bank Offered Rate (SIBOR) on SAR deposits declined by 1 basis points (bps) at the end of 2014 compared with an increase of 3 bps in 2013. In contrast, the interest rate on 3-month USD deposits declined by 4 bps in 2014 compared with a decline of 9 bps in the preceding year. The difference between the two average rates continued its uptrend in favor of the Saudi riyal, raising to 0.70 percent in 2014 from 0.69 percent in 2013 (**Table 3.9 and Chart 3.6**).

Exchange Rate Position

In 2014, the Saudi riyal remained fixed at SAR 3.75 per one US dollar in the spot market as a result of SAMA's policy that aimed at maintaining the stability of the Saudi riyal to serve the interests of the Saudi economy (**Table 3.10**).

SAMA's Balance Sheet

SAMA's balance sheet continued to grow, yet at a slower pace than before. SAMA's total assets rose by 1.9 percent (SAR 53.4 billion) to SAR 2.8 trillion at the end of 2014, compared with an increase of 10.2 percent (SAR 253.7 billion) at the end of 2013.



Table 3.8: MONETARY SURVEY*
(End of year)

(Million Riyals)

	2010	2011	2012	2013	2014
Assets					
Foreign assets (net)	1,749,943	2,140,359	2,562,004	2,824,078	2,875,326
SAMA	1,651,522	2,007,086	2,428,571	2,687,792	2,715,989
Commercial banks	98,421	133,273	133,433	136,286	159,336
Domestic credit	869,956	937,750	1,081,203	1,217,400	1,355,160
Bank claims on private sector	775,756	858,365	999,127	1,123,645	1,256,210
Bank claims on government	61,915	47,554	42,491	49,628	53,134
Bank claims on non-financial public institutions	32,285	31,831	39,585	44,127	45,816
Total	2,619,898	3,078,109	3,643,207	4,041,478	4,230,485
Liabilities					
Broad money M3	1,080,370	1,223,563	1,393,754	1,545,149	1,729,356
Government deposits **	993,542	1,187,984	1,516,744	1,641,540	1,560,706
Other items (net)	545,987	666,563	732,709	854,790	940,423
Total	2,619,899	3,078,109	3,643,207	4,041,478	4,230,485
(Percentage Change)					
Foreign assets (net)	7.3	22.3	19.7	10.2	1.8
Domestic credit	8.0	7.8	15.3	12.6	11.3
Bank claims on private sector	5.7	10.6	16.4	12.5	11.8
Bank claims on government	18.1	-23.2	-10.6	16.8	7.1
Bank claims on non-financial public institutions	14.7	-1.4	24.4	11.5	3.8
Broad money M3	5.0	13.3	13.9	10.9	11.9
Government deposits**	7.5	19.6	27.7	8.2	-4.9
Other items (net)	12.0	22.1	9.9	16.7	10.0
* Consolidated balance sheet of SAMA and commercial banks.					
** Including letters of credit and letter under collection.					

Foreign assets accounted for the bulk of SAMA's balance sheet. These assets continued to rise, though at lower rates due to the decrease in oil prices. SAMA's foreign assets remained directed towards investment in foreign securities, which rose by 2.3 percent (SAR 45.7 billion) in 2014, compared with an increase of 16.9 percent (SAR 282.8 billion) in 2013. In contrast, SAMA's deposits at banks abroad continued to decline for the second year in a row by 6.5 percent (SAR 35.7 billion) at the end of 2014, compared with a decline of 5.2 percent (SAR 29.9 billion) at the end of 2013. Backing of the

currency increased by 11.0 percent to SAR 216.1 billion at the end of 2014 (**Table 3.11**).

Government deposits and reserves accounted for 50.6 percent of the total liabilities in SAMA's balance sheet in 2014, compared with 55.1 percent at the end of the previous year. The decline was due to the decrease in the government current account by 70.7 percent (SAR 127.7 billion) to SAR 53.1 billion at the end of 2014, compared with a decrease of 50.3 percent at the end of the previous year. On the other hand, the state general reserve continued to grow by 6.2 percent



Table 3.9: INTEREST RATES ON RYAL AND DOLLAR DEPOSITS*

(Average rates for 3-month deposits)

Year	SAR Deposits	USD Deposits	Difference Between Riyal and Dollar Rates
2011	0.69	0.29	0.41
2012	0.92	0.36	0.55
2013	0.95	0.27	0.69
2014	0.94	0.23	0.70

* Interbank rates.

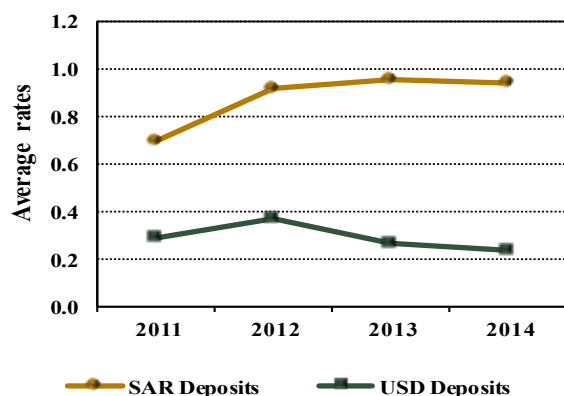
Table 3.10: EXCHANGE RATE OF THE RYAL IN THE SPOT MARKET (Against US Dollar)

Year	Maximum Value	Minimum Value	Average (Whole Period)
2010	3.7510	3.7492	3.7502
2011	3.7513	3.7485	3.7503
2012	3.7505	3.7500	3.7503
2013	3.7504	3.7500	3.7502
2014	3.7595	3.7499	3.7511

Source: REUTERS.

Chart 3.6: Interest Rates on Riyal and Dollar Deposits

(Average rates for 3-month deposits)



(SAR 53.2 billion) to SAR 904.6 billion, constituting 32.4 percent of the total liabilities, compared with an increase of 17.6 percent (SAR 127.3 billion) at the end of the previous year. Deposits of government institutions and funds also rose by 10.0 percent (SAR 16.6 billion) to (SAR 182.3 billion) at the end of 2014, compared with an increase of 8.6 percent (SAR 13.2 billion) at the end of the previous year. On the other hand, SAMA's bills declined by 7.0 percent (SAR 32.1 billion) to SAR 427.8 billion at the end of 2014, compared with an increase of 4.2 percent (SAR 18.7 billion) at the end of the previous year, accounting for 15.3 percent of the total liabilities at the end of 2014, compared with 16.8 percent at the end of the previous year (Table 3.11)■



Table 3.11: SAMA's BALANCE SHEET

(End of year)

(Million Riyals)

	2010	2011	2012	2013	2014
	_____	_____	_____	_____	_____
Assets					
Foreign currencies and gold	136,029	169,033	186,227	194,684	216,132
Cash in vault	25,060	29,187	33,415	28,296	35,240
Notes	25,049	29,176	33,405	28,284	35,228
Coins	11	11	10	12	12
Deposits with banks abroad	343,887	414,007	576,415	546,629	510,972
Investment in foreign securities	1,181,916	1,427,820	1,670,020	1,952,837	1,998,580
Other miscellaneous assets	18,497	17,817	18,986	16,283	31,185
Total	1,705,389	2,057,864	2,485,063	2,738,728	2,792,109
Liabilities					
Currency Issued	136,029	169,033	186,227	194,684	216,132
In circulation	110,969	139,846	152,812	166,388	180,892
At SAMA	25,060	29,187	33,415	28,296	35,240
Gov. Deposits and reserve	913,375	1,083,364	1,400,946	1,508,334	1,412,635
Government current account	106,355	302,256	364,015	180,795	53,051
Government reserve	714,241	723,802	724,166	851,429	904,614
Allocations for government projects*	92,779	57,307	312,766	476,110	454,970
Gov. institutions and funds deposits	110,209	136,844	152,544	165,720	182,270
Statutory deposits for financial institutions	54,976	63,511	70,791	81,901	92,558
Foreign Institutions' deposits in local currency	10,310	3,774	4,091	6,358	9,695
SAMA bills and repo agreements**	367,769	379,202	441,210	459,932	427,815
Other miscellaneous liabilities	112,721	222,136	229,254	321,800	451,004
Total	1,705,389	2,057,864	2,485,063	2,738,728	2,792,109
* Representing allocations for expenditure on government committed projects.					
** Representing monetary policy instruments.					



BANKING SECTOR

Commercial banks registered robust growth at various levels in 2014, and achieved good profit rates in line with the increase in public expenditure on economic and social development projects, surpassing the sharp decline in oil prices. SAMA also continued its efforts to control and supervise the banking system, aiming at enhancing its strength and solvency and promoting quality of banking and financial services provided to customers and different economic and commercial activities. This chapter reviews developments of commercial banks, the activities of the Institute of Banking and Finance and SAMA's role of supervision and control of the banking sector. The good performance of commercial

banks during 2014 was reflected in a rise in their general activity and enhancement of their financial position. Their total assets went up by 12.6 percent; bank deposits by 12.4 percent, capital and reserves by 9.9 percent and profits by 12.5 percent.

Consolidated Financial Position of Commercial Banks

In 2014, commercial banks achieved good performance in strengthening their financial position. Their total assets rose by 12.6 percent (SAR 239.3 billion) to SAR 2,132.6 billion compared to an increase of 9.2 percent (SAR 159.1 billion) in the preceding year (**Table 4.1**).

Table 4.1: CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS
(End of period)

(Million Riyals)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Assets					
Reserves	159,313	179,174	217,455	200,366	213,073
Foreign assets	193,127	208,723	212,829	210,691	251,613
Claims on the public sector	94,200	79,385	82,076	93,755	98,949
Claims on the private sector	775,756	858,365	999,127	1,123,645	1,256,210
Claims on non-monetary financial institutions	1,946	1,694	2,737	2,740	2,254
Other assets	70,794	86,843	81,233	82,971	84,484
Total Assets/Liabilities	1,415,267	1,544,434	1,734,141	1,893,283	2,132,577
Liabilities					
Bank deposits	984,850	1,103,634	1,260,608	1,401,980	1,575,579
Foreign liabilities	94,706	75,450	79,396	74,405	92,277
Capital and reserves	178,025	190,140	209,494	225,855	248,111
Profits	26,120	30,919	33,508	35,692	40,159
Other liabilities	131,567	144,291	151,135	155,350	176,451



Bank Deposits

Total bank deposits increased by 12.4 percent (SAR 173.6 billion) to SAR 1,575.6 billion in 2014 compared to an increase of 11.2 percent (SAR 141.4 billion) in the preceding year (**Table 4.2 and Charts 4.1 and 4.2**).

A review of developments in bank deposits by type shows that demand deposits rose by 15.4 percent (SAR 131.9 billion) to SAR 989.2 billion in 2014 compared to a rise of 13.7 percent (SAR 103.3 billion) in the preceding year. Their percentage share in total deposits went up to 62.8 percent at the end of 2014 from 61.1 percent at the end of 2013. Time and savings deposits also increased by 15.6 percent (SAR 53.7 billion) to SAR 398.7 billion compared to an increase of 6.4 percent (SAR 20.6 billion) in the preceding year. Their share in total deposits also increased to 25.3 percent at the end of 2014 compared

to 24.6 percent in the preceding year. Other quasi-monetary deposits (the bulk of which is residents' foreign currency deposits) went down by 6.0 percent (SAR 12.0 billion) to SAR 187.7 billion at the end of 2014 compared to a rise of 9.6 percent (SAR 17.5 billion) in the preceding year. Their share in total deposits declined to 11.9 percent at the end of 2014 from 14.2 percent in the previous year (**Chart 4.3**).

A breakdown of deposits by sector shows that deposits of the private sector increased by 10.8 percent (SAR 118.6 billion) to SAR 1,221.8 billion at the end of 2014 compared to a rise of 10.5 percent (SAR 105.0 billion) in the preceding year. The share of the private sector's deposits in total bank deposits stood at 77.5 percent compared to 78.7 percent in the preceding year. Deposits of the public sector went up by 18.4 percent (SAR 55.0 billion) to SAR 353.7 billion at the end of 2014 compared to a rise of 13.9

Table 4.2: BANK DEPOSITS
(End of period)

	2010	2011	2012	2013	2014
	<i>(Million Riyals)</i>				
First: By type					
Demand deposits	530,072	641,056	753,970	857,280	989,174
Time and savings deposits	298,283	305,441	324,428	345,035	398,743
Other quasi-monetary deposits	156,495	157,136	182,211	199,664	187,661
Foreign currency deposits	123,097	136,435	159,394	170,562	157,414
For L/Cs	23,650	8,365	9,849	12,812	14,028
Repo transactions	14	10	10	35	70
Outstanding remittances	9,735	12,326	12,958	16,255	16,150
Second: By sector					
Private sector	779,564	890,244	998,255	1,103,216	1,221,838
Public sector	205,286	213,390	262,354	298,764	353,740
Third: By currency					
Domestic currency deposits	861,753	967,199	1,101,214	1,231,418	1,418,165
Foreign currency deposits	123,097	136,435	159,394	170,562	157,414
Total bank deposits	984,850	1,103,634	1,260,608	1,401,980	1,575,579



Chart 4.1: Deposits By Currency

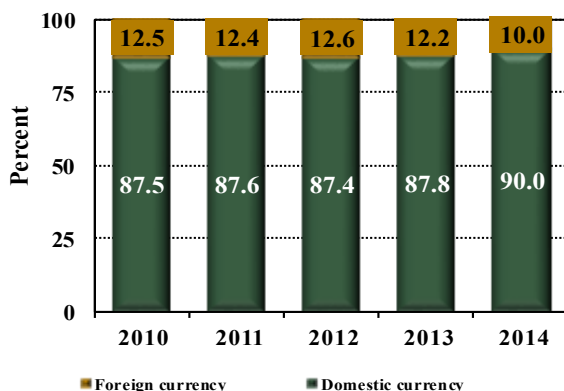


Chart 4.2: Growth Rates of Bank Deposits

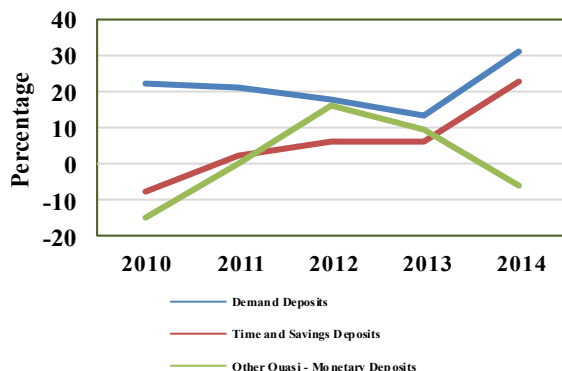
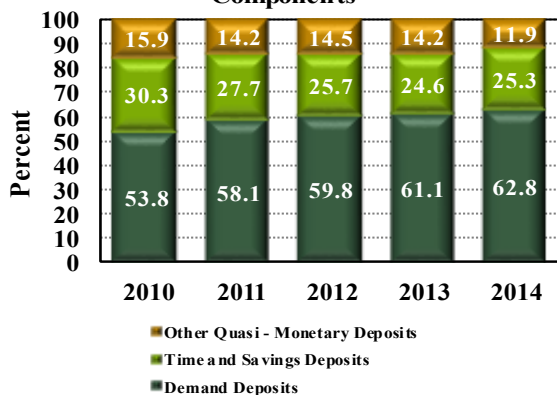


Chart 4.3: Shares of Deposit Components



percent (SAR 36.4 billion) in the preceding year, raising their share in total deposits to 22.5 percent at the end of 2014 from 21.3 percent at the end of 2013.

With respect to the developments of bank deposits by currency, domestic currency deposits increased by 15.2 percent (SAR 186.8 billion) to SAR 1,418.2 billion in 2014 compared to an increase of 11.8 percent (SAR 130.2 billion) at the end of the preceding year. Their percentage share in total deposits stood at 90.0 percent at the end of 2014 compared to 87.8 percent at the end of the preceding year. Foreign currency deposits, however, decreased by 7.7 percent (SAR 13.2 billion) to SAR 157.4 billion compared to an increase of 7.0 percent (SAR 11.2 billion) at the end of the preceding year; hence, their share in total deposits dropped to 10.0 percent at the end of 2014 from 12.2 percent at the end of 2013.

Bank Claims on the Private and Public Sectors

Total bank claims on the private and public sectors (loans and advances, bills discounted, investments) rose by 11.3 percent (SAR 137.3 billion) to SAR 1,357.4 billion in 2014 compared to an increase of 12.6 percent (SAR 136.2 billion) in the preceding year. Total claims on the private and public sectors at the end of 2014 accounted for 86.2 percent of total bank deposits compared to 87.0 percent at the end of the preceding year.

Total bank claims on the private sector increased by 11.8 percent (SAR 132.6 billion) to SAR 1,256.2 billion in 2014 compared to a rise of 12.5 percent (SAR 124.5 billion) in the preceding year, accounting for 79.7 percent of total bank deposits at the end of 2014 compared to 80.1 percent in the previous year.

However, bank claims on the public sector (loans to public institutions and investments in government securities) increased by 5.5 percent (SAR 5.2 billion) to SAR 98.9 billion in 2014 compared to an increase of 14.2 percent (SAR 11.7



billion) in the previous year. These claims constituted 6.3 percent of total bank deposits at the end of 2014 compared to 6.7 percent at the end of the preceding year (Table 4.3 and Charts 4.4 and 4.5).

Bank Credit by Maturity

Short-term bank credit (less than one year) extended to the private sector and institutions of the

public sector increased by 3.0 percent (SAR 18.0 billion) to SAR 621.3 billion in 2014 compared to an increase of 12.4 percent (SAR 66.5 billion) in the preceding year. Medium-term credit (1-3 years) rose by 12.2 percent (SAR 25.8 billion) to SAR 237.7 billion in 2014 compared to a rise of 5.8 percent (SAR 11.7 billion) in the preceding year. Long-term credit (more than 3 years) also went up by 28.3 percent (SAR 86.3

Table 4.3: BANK CLAIMS ON THE PRIVATE AND PUBLIC SECTORS

(End of period)

(Million Riyals)

	2012		2013		2014	
	Amount	% Share	Amount	% Share	Amount	% Share
Claims on the private sector	999,127	92.2	1,123,645	92.1	1,256,210	92.5
Bank credit	960,472	88.6	1,076,393	88.2	1,204,831	88.8
Loans and advances	951,022	87.7	1,065,533	87.3	1,194,520	88.0
Bills discounted	9,450	0.9	10,860	0.9	10,311	0.8
Investments in private securities	38,655	3.6	47,252	3.9	51,380	3.8
Claims on the public sector	82,076	7.6	93,755	7.7	98,949	7.3
Bank credit to public institutions	39,585	3.7	44,127	3.6	45,816	3.4
Government bonds	42,491	3.9	49,628	4.1	53,134	3.9
Claims on non-monetary financial institutions	2,737	0.3	2,740	0.2	2,254	0.2
Total	1,083,940	100.0	1,220,141	100.0	1,357,413	100.0

Chart 4.4: Bank Claims By Type

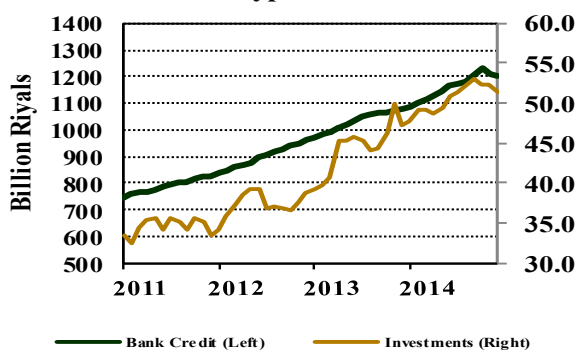
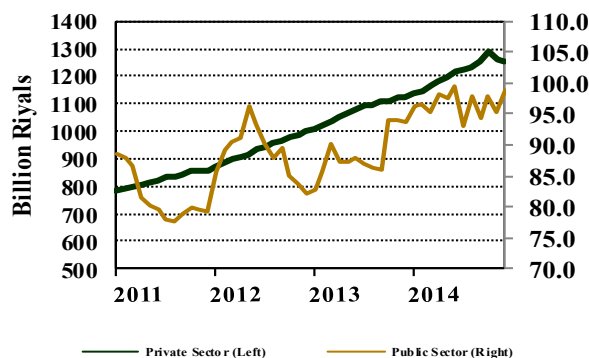


Chart 4.5: Bank Claims By Sector





billion) to SAR 391.6 billion compared to an increase of 16.1 percent (SAR 42.2 billion) in the preceding year.

Bank Credit by Economic Activity

A breakdown of bank credit by economic activity during 2014 shows mixed trends. Bank credit extended to the finance sector increased by 26.1 percent (SAR 7.3 billion) to SAR 35.2 billion compared to a decline of 8.3 percent in the preceding year; to the mining and quarrying by 24.1 percent (SAR 3.9 billion) to SAR 20.3 billion compared to a rise of 34.3 percent in the preceding year; to the transport and communications by 14.1 percent (SAR 5.3 billion) to SAR 43.3 billion compared to a decline of 1.2 percent in the preceding year; and to the manufacturing and production by 13.4 percent (SAR 18.7 billion) to SAR 158.4 billion compared to a rise of 10.7 percent in the preceding year. Moreover, bank credit to the commerce sector expanded by 8.9 percent (SAR 20.9 billion) to SAR 255.6 billion compared to an increase of 14.0 percent in the preceding year; to

the building and construction by 8.8 percent (SAR 6.7 billion) to SAR 83.3 billion compared to a rise of 1.6 percent in the preceding year; and to the electricity, water, gas and health services by 5.2 percent (SAR 1.8 billion) to SAR 36.1 billion compared to a decrease of 0.2 percent in the preceding year. However, bank credit extended to the services sector dropped by 5.7 percent (SAR 3.7 billion) to SAR 60.3 billion compared to a rise of 13.2 percent in the preceding year, and to the agriculture and fishing sector by 3.6 percent (SAR 0.4 billion) to SAR 11.6 billion compared to an increase of 30.3 percent in the preceding year (**Table 4.4 and Chart 4.6**).

Consumer and Credit Card Loans

Consumer loans extended to individuals and credit card loans by banks registered their highest level of SAR 322.8 billion at the end of 2014 compared to SAR 296.4 billion in the preceding year. This increase may be attributable to the continuous decline in return margin rates on loans,

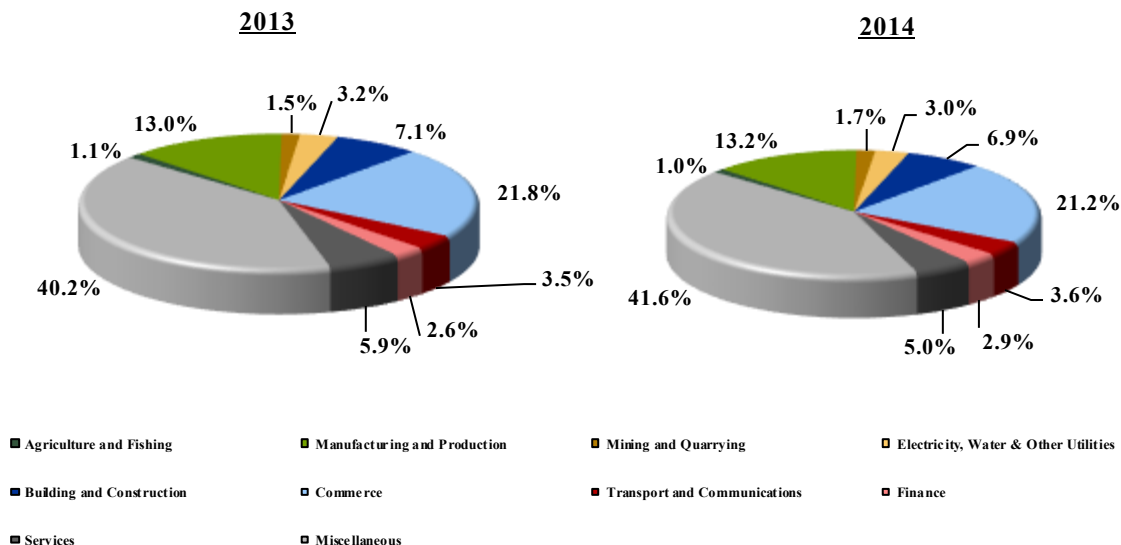
Table 4.4: BANK CREDIT TO THE PRIVATE SECTOR BY ECONOMIC ACTIVITY

(End of period)

(Million Riyals)

	2012		2013		2014	
	Amount	% Share	Amount	% Share	Amount	% Share
Agriculture and fishing	9,210	1.0	12,001	1.1	11,573	1.0
Manufacturing and production	126,203	13.1	139,764	13.0	158,441	13.2
Mining and quarrying	12,171	1.3	16,348	1.5	20,287	1.7
Electricity, water and other utilities	34,385	3.6	34,315	3.2	36,102	3.0
Building and construction	75,381	7.8	76,555	7.1	83,259	6.9
Commerce	206,023	21.5	234,768	21.8	255,645	21.2
Transport & Communications	38,396	4.0	37,924	3.5	43,263	3.6
Finance	30,451	3.2	27,915	2.6	35,196	2.9
Services	56,542	5.9	64,004	5.9	60,325	5.0
Other miscellaneous services	371,712	38.7	432,799	40.2	500,739	41.6
Total	960,472	100.0	1,076,393	100.0	1,204,831	100.0

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



and the increased demand for loans resulting from the recent increase in employment of Saudis in both the government and the private sectors. The bulk of the increase in total loans granted to individuals was in favor of consumer loans, which rose by 8.8 percent (SAR 25.2 billion) to SAR 313.1 billion at the end of 2014 compared to an increase of 9.4 percent (SAR 24.7 billion) in the preceding year. A review of the components of these loans shows that loans for other purposes increased by 5.6 percent (SAR 13.4 billion) to SAR 251.6 billion, accounting for 80.4 percent of total consumer loans compared to a rise of 7.8 percent (SAR 17.2 billion) in the preceding year. Loans granted to real estate renovation, improvement and furnishing grew by 20.2 percent (SAR 4.3 billion) to SAR 25.6 billion, constituting 8.2 percent of total consumer loans compared to a rise of 18.0 percent (SAR 3.3 billion) at the end of the preceding year. Credit granted to purchase of motor vehicles and transport equipment also went up by 26.5 percent (SAR 7.5 billion) to SAR 35.9 billion, or 11.4 percent of total consumer loans compared to a rise of 17.8 percent (SAR 4.3 billion) in the preceding year. Moreover, credit card loans increased by 13.6 percent (SAR 1.2 billion) to SAR 9.7

billion at the end of 2014 compared to a rise of 6.8 percent (SAR 0.5 billion) at the end of the preceding year (**Table 4.5A and Chart 4.7**).

Real Estate Loans

Real Estate loans extended to individuals and companies by banks continued their growth in 2014 to SAR 148.9 billion, increasing by 31.0 percent (SAR 35.2 billion) in 2014 compared to a growth of 29.2 percent (SAR 25.7 billion) in the previous year. Loans extended to individuals recorded a rise of 34.0 percent (SAR 23.9 billion) to SAR 94.2 billion compared to an increase of 31.3 percent (SAR 16.8 billion) at the end of the previous year, constituting 63.3 percent of total commercial loans at the end of 2014. Loans extended by commercial banks to companies also rose by 26.1 percent (SAR 11.3 billion) to SAR 54.7 billion during 2014 compared to a rise of 25.9 percent (SAR 8.9 billion) (**Table 4.5B**).

Syndicated Loans

Data on syndicated loans extended to residents by a syndicate of domestic and foreign banks indicate that their number decreased by 31.2 percent to 384 at



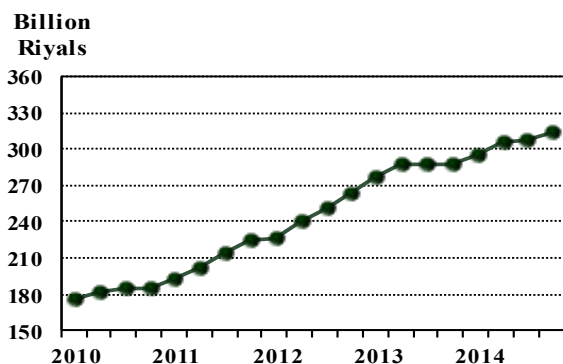
Table 4.5A: CONSUMER AND CREDIT CARD LOANS
(End of Period)

(Million Riyals)

Year	Consumer Loans				Credit card Loans *
	Home Renovation Improvement & Furnishing	Cars & Automobiles	Others	Total	
2010	12,693.8	20,081.6	152,511.1	185,286.6	8,390.5
2011	14,133.8	21,704.7	188,936.6	224,775.1	7,759.4
2012	18,050.0	24,087.8	221,054.8	263,192.5	7,964.7
2013	21,300.3	28,363.6	238,225.8	287,889.7	8,509.1
2014	25,603.9	35,879.6	251,616.1	313,099.5	9,666.7

* Include Visa, Master Card, American Express, and Others.

Chart 4.7: Total Consumer Loans



the end of 2014. Syndicated loans extended to non-residents also went down by 60.4 percent to 53. Total value of syndicated loans extended to residents fell by 38.6 percent to SAR 129.8 billion at the end of 2014, and those extended to non-residents by 68.5 percent to SAR 8.2 billion.

Banking Creditworthiness

The Saudi Credit Bureau (SIMAH) continued to provide its services to all relevant entities during 2014 by developing its services and products whether with regards with the Individuals System

Table 4.5 B: REAL ESTATE LOANS BY BANKS
(End of Period)

(Million Riyals)

Year	Retail	Corporate	Total
2010	32,978.0	26,990.0	59,968.0
2011	42,314.0	27,897.0	70,211.0
2012	53,576.0	34,448.0	88,024.0
2013	70,334.0	43,373.0	113,707.0
2014	94,241.0	54,683.0	148,924.0



Project (SIMATI), Companies System Project (SIMATINA), Small and Medium Enterprises Evaluation System Project, Ta'mini System Project (insurance sector), Shaiki Project (bounced checks registration system) and Wasm Project (Legal Entity Identifier). The importance of the aforementioned projects was acknowledged by the G-20 via the initiative of the Financial Stability Board, aiming at helping financial institutions in the systematic and effective evaluation of risks; putting systematic and operational requirements in place to ensure the stability and efficiency of the financial sector, and other products and services which constitute as a whole a robust base for the stability of the financial sector. SIMAH continued with the adoption of the concept for which it was established as an independent Saudi credit information Body at the end of the 90s in order to complete the finance system in the Kingdom and to develop the credit information sector and its various services in preparation for the expansion of the credit market in the Kingdom in consonance with economic variables and the vision of the financial and economic decision makers.

SIMAH continued to develop its work mechanism technically and systematically during 2014 in accordance with specific strategies, whereby an effective information infrastructure is in place to enhance the capability to evaluate and manage risks; provide credit information necessary to have a good picture about borrowers status to assist decision taking and enhance the ability to analyze credit risks; and evaluate creditworthiness of borrowers based on credit information.

During 2014, SIMAH endeavored to provide additional services to the banking and financial sectors, ministries, government funds, services, commerce and industry, real estate, leasing, small and medium enterprises, health, education, petrochemical and other sectors that require credit information on consumers. The role of SIMAH

focuses on providing credit information services and value-added products in accordance with best high-level parameters to achieve the highest professionalism level for the relevant sectors.

SIMAH launched smart phone application (SIMAH App) in 2014, for boarder communication with all segments of the society. The application provides individuals with access to their credit reports at any time with a minimum effort, ease and safety. It also explains all rights, obligations and credit reports' importance and impacts, apart from running diverse awareness-raising programs, aimed at promoting the level of credit culture in all segments of the society.

Commercial Banks' Foreign Assets and Liabilities

Foreign assets of commercial banks went up by 19.4 percent (SAR 40.9 billion) to SAR 251.6 billion at the end of 2014 compared to a decline of 1.0 percent (SAR 2.1 billion) at the end of the preceding year.

Foreign liabilities of commercial banks also increased by 24.0 percent (SAR 17.9 billion) to SAR 92.3 billion in 2014 compared to a decline of 6.3 percent (SAR 5.0 billion) at the end of the preceding year (**Table 4.6, and Charts 4.8 and 4.9**).

As a result, commercial banks' net foreign assets (foreign assets less foreign liabilities) increased by 16.9 percent (SAR 23.1 billion) to SAR 159.3 billion at the end of 2014 compared to an increase of 2.1 percent (SAR 2.9 billion) at the end of the preceding year.

Commercial Banks' Reserves

Commercial banks' reserves (cash in vault and deposits with SAMA) rose by 6.3 percent (SAR 12.7 billion) to SAR 213.1 billion at the end of 2014 compared to a decline of 7.9 percent (SAR 17.1 billion) at the end of the preceding year. The bulk of the increase was due to statutory deposits with



Table 4.6: FOREIGN ASSETS AND LIABILITIES OF COMMERCIAL BANKS
(End of period)

(Million Riyals)

	Amount		Change			
			2013		2014	
	2013	2014	Amount	%	Amount	%
Foreign Assets						
Due from foreign banks	24,378	37,586	-9,599	-28.3	13,208	54.2
Due from branches abroad	48,473	41,174	3,784	8.5	-7,299	-15.1
Due from others	11,803	11,622	-2,715	-18.7	-180	-1.5
Investments abroad	126,037	161,231	6,393	5.3	35,193	27.9
Total	210,691	251,613	-2,137	-1.0	40,922	19.4
Foreign Liabilities						
Due to foreign banks	44,722	52,460	-2,750	-5.8	7,738	17.3
Due to branches abroad	6,495	17,138	-281	-4.2	10,642	163.9
Due to others	23,188	22,679	-1,959	-7.8	-509	-2.2
Total	74,405	92,277	-4,990	-6.3	17,871	24.0
Net Foreign Assets	136,286	159,336	2,853	2.1	23,050	16.9

Chart 4.8: Foreign Assets and Liabilities of Banks

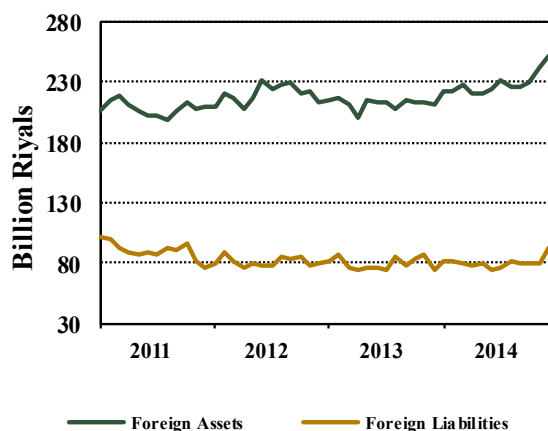
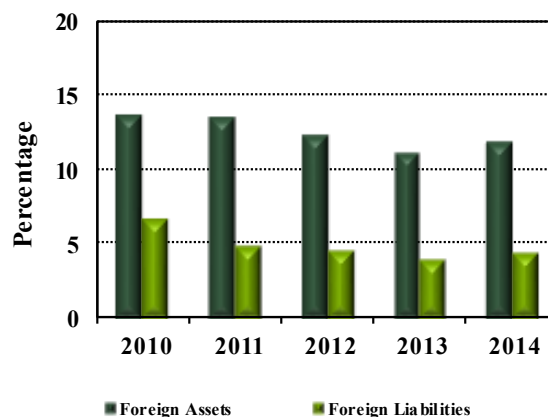


Chart 4.9: Ratio of Foreign Assets and Liabilities to Total Assets and Liabilities





SAMA that rose by 13.3 percent (SAR 10.8 billion) to SAR 91.9 billion at the end of 2014 from SAR 81.1 billion at the end of 2013, and current deposits with SAMA that increased by 172.8 percent (SAR 299.0 million) to SAR 472.0 million from SAR 173 million. However, other deposits with SAMA fell by 2.4 percent (SAR 2.3 billion) to SAR 93.6 billion. In contrast, cash in bank vaults went up by SAR 3.9 billion to SAR 27.1 billion (**Table 4.7**).

Banks' Capital and Reserves

Capital and reserves of banks increased by SAR 22.3 billion or 9.9 percent to SAR 248.1 billion at the end of 2014 compared to a rise of SAR 16.4 billion or 7.8 percent in the preceding year. Their ratio to total deposits dropped to 15.7 percent at the end of 2014 from 16.1 percent at the end of 2013, and to total assets to 11.6 percent at the end of 2014 from 11.9 percent at the end of 2013. Ratio of capital to risk-weighted assets (Basel Standard) stood at 17.9 percent at the end of 2014, which is more than

the ratio recommended by the Basel Committee (**Table 4.8**).

Sources and Uses of Commercial Banks' Financial Resources During 2014

Total added financial resources of commercial banks grew by 31.2 percent to SAR 238.3 billion at the end of 2014 from SAR 181.6 billion at the end of the previous year. These main resources were accounted for by increases in bank deposits by SAR 173.6 billion (72.9 percent of total resources); capital base by SAR 26.7 billion (11.2 percent of total resources); both of net other liabilities and foreign liabilities by SAR 19.6 billion (8.2 percent of total resources) and SAR 17.9 billion (7.5 percent of total resources), respectively; and claims on non-monetary financial institutions by SAR 0.5 billion (0.2 percent of total resources).

Most of these financial resources were used by banks during 2014 for increasing their claims on the

Table 4.7: COMMERCIAL BANK RESERVES
(End of period)

	2010	2011	2012	2013	2014
	<i>(Million Riyals)</i>				
Cash in vault	15,450	19,917	19,666	23,219	27,115
Deposits with SAMA:					
Current deposits	296	180	161	173	472
Statutory deposits	54,594	62,253	70,005	81,085	91,879
Other deposits	88,973	96,825	127,623	95,889	93,607
Bank reserves	159,313	179,174	217,455	200,366	213,073
Ratios to bank deposits					
Cash in vault	1.57	1.80	1.56	1.66	1.72
Deposits with SAMA:					
Current deposits	0.03	0.02	0.01	0.01	0.03
Statutory deposits	5.54	5.64	5.55	5.78	5.83
Other deposits	9.03	8.77	10.12	6.84	5.94
Bank reserves	16.18	16.23	17.25	14.29	13.52

**Table 4.8: CAPITAL AND RESERVES OF COMMERCIAL BANKS**

(End of period)

(Million Riyals)

	2010	2011	2012	2013	2014
Capital and reserves	178,025	190,140	209,494	225,855	248,111
Capital and reserves as a ratio of:					
Bank deposits	18.1	17.2	16.6	16.1	15.7
Total assets	12.6	12.3	12.1	11.9	11.6
Ratio of capital to risk-weighted assets (Basel Standard)	17.6	17.6	18.2	17.9	17.9

private sector by SAR 132.6 billion (55.6 percent of total additional financial resources), and claims on the public sector by SAR 52.1 billion (21.9 percent of total additional financial resources). In addition, they were used by commercial banks for increasing their foreign assets by SAR 40.9 billion (17.2 percent of total additional financial resources), and their monetary reserves by SAR 12.7 billion (5.3 percent of total additional financial resources) (Table 4.9).

Commercial Banks' Profits

Commercial banks' profits went up by 12.5 percent to SAR 40.2 billion in 2014 over last year's profits of SAR 35.7 billion against a rise of 6.5 percent over the profits in 2013.

Number of Banks and Branches

The number of commercial banks operating in the Kingdom reached 23 at the end of 2014, including branches of foreign banks. The number of commercial banks' branches increased by operating 144 new bank branches to 1,912 in various regions of the Kingdom. The distribution of bank branches by administrative regions shows that Riyadh region accounted for 586 branches (30.6 percent of total

bank branches), Makkah region 412 branches (21.5 percent of the total), the Eastern region 366 branches (19.1 percent of the total), 'Asir region 117 branches (6.1 percent of the total), Al-Qassim region 114 branches (6.0 percent of the total), and Al-Madinah region 94 branches (4.9 percent of the total) (Table 4.10).

Number of Workers in the Banking Sector

In 2014, the number of workers in the banking sector recorded an increase of 3.1 percent to 47,588. Saudi (male-female) workers represented 89.1 percent (42,380) of the total number of workers in the banking sector. Saudi male workers constituted 76.6 percent of the total number of workers compared to 10.8 percent of non-Saudi male workers. Saudi female workers represented 12.5 percent of the total number of workers compared to 0.1 percent of non-Saudi female workers.

Banking Technology Developments in 2014

I. Clearing House Operations

The number of commercial and personal checks cleared through clearing houses in the Kingdom went down by 4.1 percent (256.8 thousand)



Table 4.9: SOURCES AND USES OF COMMERCIAL BANKS' ADDITIONAL FINANCIAL RESOURCES DURING 2014

(Billion Riyals)

Sources	Amount	% Share	Uses	Amount	% Share
Bank deposits	173.6	72.9	Cash in hand & with SAMA	12.7	5.3
Foreign liabilities	17.9	7.5	Foreign assets	40.9	17.2
Capital and reserve	26.7	11.2	Claims on the private sector	132.6	55.6
Liabilities from non-monetary institutions	0.5	0.2	Claims on the public sector	52.1	21.9
Net other Liabilities	19.6	8.2			
Total	238.3	100.0	Total	238.3	100.0

Table 4.10: BANK BRANCHES CLASSIFIED BY ADMINISTRATIVE REGIONS

(End of period)

		Eastern					Northern							Total
	Riyadh	Makkah	Madinah	Region	Qassim	Asir	Tabouk	Hail	Borders	Jawf	Jazan	Najran	Bahah	
2010	481	360	70	303	96	99	40	30	13	20	34	20	25	1,591
2011	493	372	75	309	104	102	40	32	14	20	37	22	26	1,646
2012	506	384	78	320	107	106	42	32	14	21	38	23	25	1,696
2013	535	394	84	331	110	111	42	35	13	23	41	23	26	1,768
2014	586	412	94	366	114	117	47	39	15	24	47	25	26	1,912

in 2014. As for their value, it increased by 1.7 percent to SAR 646.5 billion. The average value of a check during 2014, went up by 6.0 percent to SAR 107,317 in 2014 from SAR 101,225 in 2013.

The number of commercial and personal checks cleared at the main automatic clearing houses in the Kingdom decreased in general. This may be attributable to the expansion in utilizing

banking technology, such as Point of Sale (POS) terminals. The number of checks in Riyadh clearing house fell by 2.6 percent to 2.3 million; Al-Dammam by 4.7 percent to 1.6 million; Jeddah by 5.7 percent to 1.3 million; Abha by 3.7 percent to 145.4 thousand; Al-Madinah by 4.2 percent to 144.5 thousand; Buraidah by 5.3 percent to 241.1 thousand; Makkah by 1.3 percent to 131.4 thousand; Tabuk by 8.5 percent to 46.2 thousand; and Al-Ta'if



by 6.7 percent to 37.1 thousand. However, their number increased in Jazan by 2.7 percent to 26.0 thousand (**Chart 4.10**).

II. Saudi Payments Network (SPAN)

During 2014, SPAN continued its endeavor to employ electronic technology for the provision of fast, accurate and secure electronic banking services, promoting the ongoing growth of electronic transactions carried out through ATMs, POS terminals and debit cards. The following are some of the most important projects completed and developed in 2014:

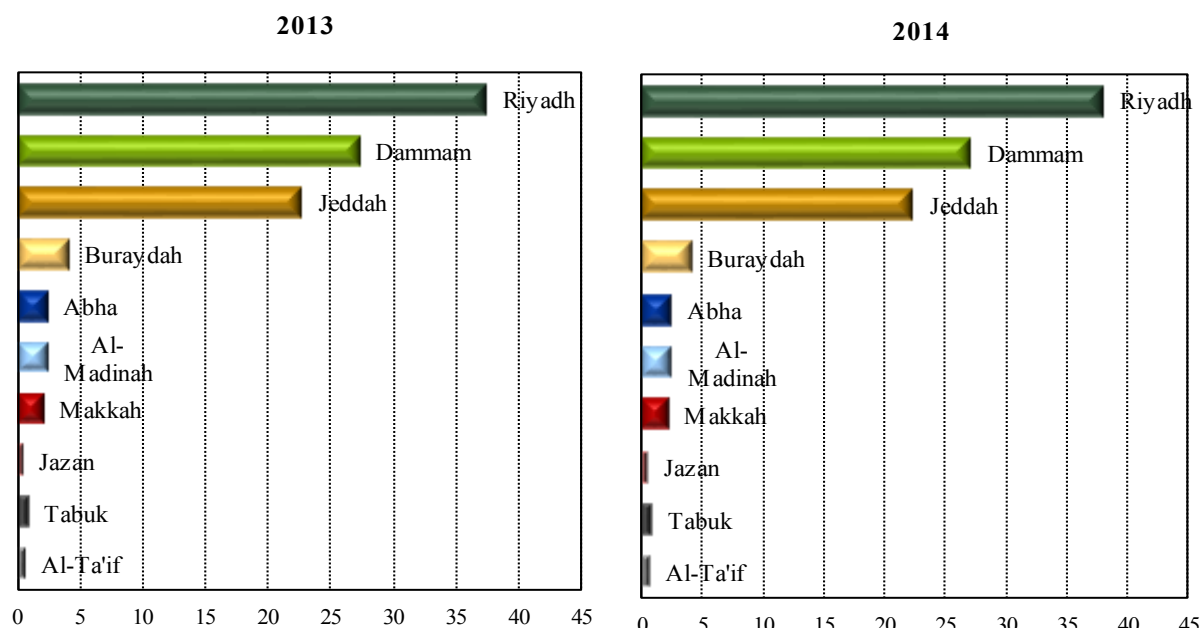
- The project for upgrading SPAN systems to ensure their uninterrupted work with a secondary system in place in case of the occurrence of a technical error in the main system.
- Completing the restructuring of tariffs for transactions carried out through SPAN to make

the environment of payment services attractive to banks and consumers, thereby reducing the public's reliance on the use of cash.

- Developing the POS service-level agreement with a view to promoting operational efficiency of POS terminals services and provision of high-quality maintenance to consumers.
- Developing the POS terminals standards document entitled: "Mada" and sharing it with all banks to be in line with best international practices, aimed at facilitating prompt purchase transactions and enhancing confidentiality and privacy of cardholders.

All transactions of SPAN achieved growth in 2014. The number of ATMs operating in the Kingdom increased by 11.8 percent to 15,516 compared to a rise of 9.2 percent in the preceding year. Also, the number of ATM cards issued went up

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





by 15.4 percent to 20.6 million compared to an increase of 8.3 percent in the preceding year.

The number of transactions carried out by SPAN rose by 12.4 percent to 627.3 million in 2014 compared to a rise of 4.7 percent in the preceding year. The value of withdrawals carried out through SPAN increased by 12.0 percent to SAR 363.7 billion compared to a rise of 7.7 percent in the previous year. The number of transactions executed through the banks' network went up by 16.3 percent to 904.3 million compared to a decline of 2.8 percent in the preceding year. The value of cash withdrawals made through the banks' network rose by 7.4 percent to SAR 358.4 billion compared to a rise of 2.9 percent in the preceding year. As a result, total number of transactions carried out by ATMs rose by 14.7 percent to 1,531.6 million, and total cash withdrawals by 9.7 percent to SAR 722.0 billion (Table 4.11 and Chart 4.11).

The number of POS terminals went up by 28.8 percent to 138,779 in 2014 compared to a rise of 16.5 percent in the preceding year. The number of sales transactions executed through POS terminals went up by 23.3 percent to 362.6 million compared to a rise of 23.6 percent in the preceding year. The value of sales through POS terminals also rose by 17.7 percent to

Chart 4.11: Automated Teller Machine Statistics

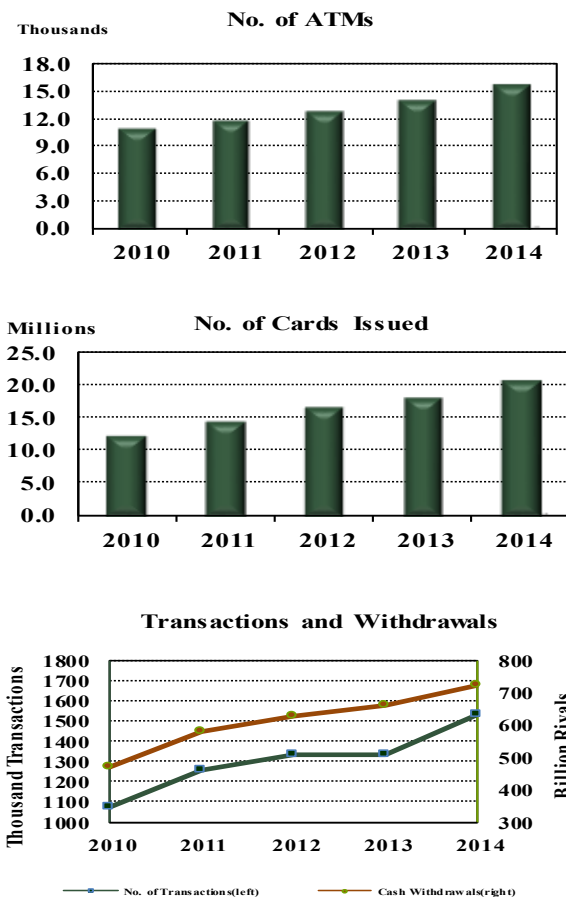


Table 4.11: ATM STATISTICS

Year	No. of ATMs	No. of issued ATM cards	No. of Operations (Thousand)			Cash withdrawals (Million Riyals)		
			(SPAN)	Banks' network	Total	SPAN	Banks' network	Total
2010	10,885	12,162,407	418,473	656,390	1,074,862	221,482	246,907	468,389
2011	11,766	14,261,993	485,985	768,776	1,254,761	270,593	307,676	578,269
2012	12,712	16,440,258	532,983	800,013	1,332,996	301,473	324,281	625,754
2013	13,883	17,810,653	558,170	777,336	1,335,506	324,567	333,810	658,377
2014	15,516	20,550,274	627,307	904,253	1,531,559	363,668	358,373	722,041



SAR 169.9 billion compared to a rise of 18.1 percent in the preceding year (**Table 4.12 and Chart 4.12**). Growth rates in the numbers of ATM cards and transactions executed through ATMs and POS terminals indicate the increased reliance of customers on SPAN services and their enhanced confidence in modern banking technology, highlighting the continuous achievements by SPAN.

III. Saudi Arabian Riyal Interbank Express System (SARIE)

Since its launching on 8/12/1997, SARIE has made progress in electronic banking and commercial transactions in the Kingdom, as it constitutes the

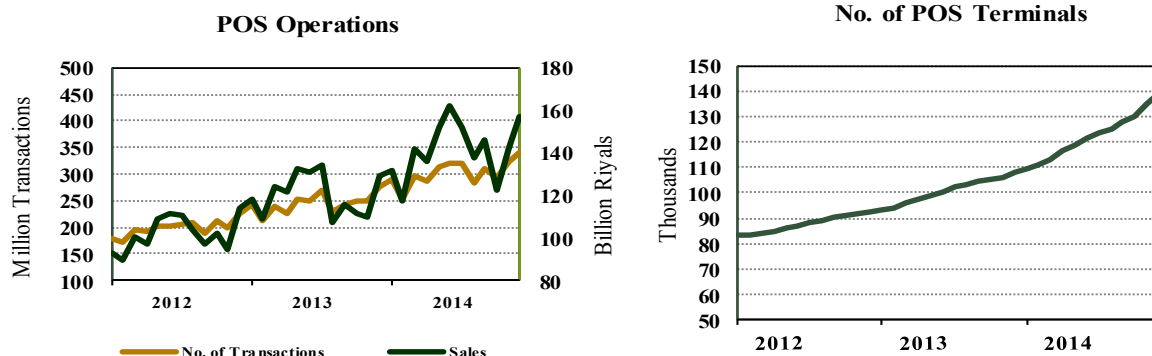
infrastructure to a number of advanced payment and financial settlement systems. Currently, 22 banks are participating in SARIE.

Total number of transactions executed through SARIE went up by 11.4 percent to 64.6 million during 2014 against a rise of 5.6 percent in the preceding year. A breakdown of SARIE transactions by customers' single and gross payment transactions shows that the number of single transactions rose by 15.0 percent to 6.1 million. Their value also increased by 13.7 percent to SAR 3,457 billion. The number of gross transactions went up by 11.0 percent to 56.4 million and their value by 12.6 percent to SAR 1,722

Table 4.12: POS STATISTICS

Year	Sales (Million Riyals)	No. of Operations (Thousand)	No. of POS terminals
2010	71,855	151,184	80,505
2011	98,905	190,301	88,793
2012	122,226	237,946	92,538
2013	144,327	294,043	107,763
2014	169,928	362,561	138,779

Chart 4.12





billion. The number of other transactions increased by 11.9 percent to 1.6 million and their value by 21.9 percent to SAR 33.5 billion. A classification of SARIE transactions by interbank payments shows that the number of single interbank transactions increased by 9.3 percent to 374 thousand during 2014. Their value, however, decreased by 1.6 percent to SAR 49,196 billion. The number of gross interbank transactions executed through SARIE went up by 5.9 percent to 118.3 thousand and their value by 3.2 percent to SAR 51.0 billion (Tables 4.13A - 4.13B and Chart 4.13).

IV. SADAD Payment System (SADAD)

SADAD is a central system for paying out bills and other payments electronically through all banking

Chart 4.13: SARIE Transactions

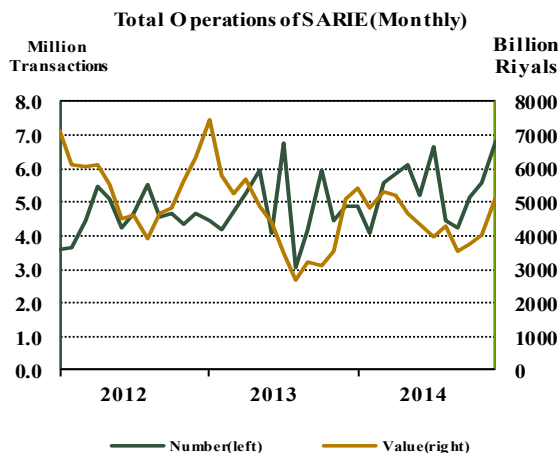


Table 4.13 A: NUMBER OF SARIE TRANSACTIONS

(Thousand transaction)

Period	Customer Payments			Inter-bank Payments			Others (3)	Total (1+2+3)
	Gross	Single	Total (1)	Gross	Single	Total (2)		
2010	30,253	3,003	33,257	75	237	312	1,542	35,110
2011	38,921	3,552	42,473	87	273	360	1,237	44,070
2012	48,882	4,349	53,231	129	335	464	1,215	54,909
2013	50,768	5,290	56,058	112	342	454	1,456	57,967
2014	56,375	6,085	62,459	118	374	492	1,628	64,580

Table 4.13 B: VALUE OF SARIE TRANSACTIONS

(Billion Riyals)

Period	Customer Payments			Inter-bank Payments			Others* (3)	Total (1+2+3)
	Gross	Single	Total (1)	Gross	Single	Total (2)		
2010	867	2,015	2,882	37	52,542	52,578	84	55,544
2011	1,159	2,304	3,464	37	50,895	50,932	58	54,454
2012	1,332	2,714	4,046	61	61,290	61,351	22	65,420
2013	1,530	3,040	4,570	49	50,013	50,062	27	54,660
2014	1,722	3,457	5,179	51	49,196	49,247	34	54,459

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



channels in the Kingdom (bank branches, ATMs, phone banking and online banking). The number of billers of the various sectors (such as electricity, water, communications, airline companies, insurance, credit cards, etc.) connected to SADAD stood at 139 at the end of 2014, while the number of banks linked to SADAD reached 16. Agreements were concluded with three other banks for connection to SADAD. The number of transactions executed during 2014 totaled 154.6 million with a total value of SAR 187.4 billion.

The Institute of Banking and Finance

SAMA's Institute of Banking and Finance (IoBF) continued its vigorous endeavors to disseminate specialized financial knowledge and develop services provided to the banking and finance sector in order to cope up with the ongoing training needs. Such needs manifest themselves in the development of the skills of the employees of the banking and financial sector by putting worthiness standards in place, granting specialized professional certificates and providing high-quality solutions to develop professional competencies.

In 2014, the IoBF adopted a new operational model, and modified its name to become "The Institute of Banking and Finance" to better reflect the scope of its services provided to the banking, insurance and finance sectors and the capital market. During the last quarter of 2014, the Institute of Banking and Finance finalized determination of some of the competencies for workers in the financial

sector related to retail banking, and small and medium enterprises banking and finance.

The IoBF conducted 747 training activities during 2014, benefitting 25,589 participants, 14,058 of whom joined standard tests of the Capital Market Authority, Tadawul, retail banking and insurance basics, and accident surveyors programs; 95 trainees participated in specialized diploma programs; and 410 participated in symposia and workshops (**Table 4.14**).

I. Preparatory and Developmental Programs (Qualification Programs)

The IoBF provides a number of preparatory and developmental programs, aimed at preparing fresh university graduates to find suitable jobs at banks. It also aims at attracting graduates and training them according to banks' requirements. The credit program, offered in English, aims to introduce university graduates to various aspects of corporate banking. Moreover, the IoBF organizes a range of developmental programs, including investment, administrative training, brokers basic program, managers of the future and Sharia-compliant banking finance programs.

II. Specialized Diploma Programs

Specialized diploma programs include Financial and Banking Business Diploma. This diploma was designed in response to the needs of the financial and commercial market to develop participant's knowledge and understanding of the nature and importance of the

TABLE 4.14: IoBF'S PROMINENT ACTIVITIES DURING 2014

Activity	No. of Courses	No. of Participants
Specialized diploma programs	2	95
Standard tests	5	14,058
Symposia and workshops	2	410



financial and banking business. It also enables its graduates to contribute effectively to the institutions of the financial and banking sector in particular and other sectors in general.

Specialized diploma programs also include Insurance Business Diploma, the design of which was a result of joint efforts made by the Saudi insurance industry for development of professional competence and skills. The demand for this diploma is expected to increase in the foreseeable future in light of the growing number of licensed insurance companies, which will be in need of qualified staff to serve their customers. The introduction of new standard tests and preparatory courses for such tests, approved by the supervisory authority of the insurance market, will lead to a significant rise in the number of courses and qualification programs specialized in preparing and graduating cadres to work as insurance brokers, advisors, surveying experts and loss adjusters.

III. Standard Tests

The IoBF continued to support supervisors' trends through holding standard tests, from which 14,058 participants benefited during 2014. The tests comprise 5 types of tests, namely, retail banking basics with 9,373 participants; insurance basics with 2,135; Capital Market Authority with 1998; Tadawul certificate with 80; and accident surveyors (Najm company) with 472.

IV. Symposia, Workshops and Applied Research

During 2014, the IoBF organized two workshops, namely, "Building Professional Competency for Achieving the Organization's Strategic Goals", and the Second Information Security Workshop for the Banking Sector. These workshops were attended by 410 participants.

Supervision and Control of the Banking Sector

SAMA supervises and regulates banks' business in order to ensure their soundness, solvency and efficient performance in the domestic economy through the implementation of laws, issuance of regulations,

instructions and controls and conducting necessary supervisory visits and inspection programs. The following are the most prominent achievements in 2014:

First: Regulatory Developments and Guidelines

SAMA issued supervisory circulars on compliance with SAMA supervisory standards issued in several fields to improve and develop the banking system to ensure their consistency with standards and principles of international regulatory organizations. Among the circulars for enhancement of banks' performance were those related to the project of electronic link between commercial banks and the Ministry of Commerce and Industry as a procedure for incorporating joint-stock companies, SAMA's approval for offering new bank products by commercial banks and the updating of the Foreign Accounts Tax Compliance Act. Other circulars include revised and amended controls and instructions regarding liquidity coverage ratio, requirements for curbing interruption attacks or blocking of electronic services and the independence of the information security management in commercial banks. Examples of BCBS-related circulars include capital requirements for banks' exposures to central counterparties, the standardized approach for bank credit risk exposures measurement, Basel III standard of internally assessed credit risk approach, disclosure standards of liquidity coverage ratio, the review of sound management principles for operational risks, and SAMA's guidance rules pertaining to revised Basel II, Basel II.5 and Basel III.

Second: Governance of Banks

SAMA issued governance principles for operating banks in line with the best-known practices issued by Basel Committee, the Financial Stability Board, and other bodies concerned with banking supervision. These principles aim at protecting depositors', shareholders' and stakeholders' rights and helping banks to handle risks, set strategies and determine their responsibilities.

Third: Credit Exposures of Banks

As for credit exposures, SAMA issued a number of regulations and rules, aiming at



diversification of the credit portfolios, containing the maximum loss emanating from large exposures to counterparties, and ensuring broader access to credit for the economic development of the Kingdom. These rules shall come into force with effect from 1st July 2015 and shall supersede SAMA rules regarding limits on credit exposures issued vide SAMA Circular of June 1994.

Fourth: SAMA's Cooperation with Foreign Supervisory Authorities in 2014

SAMA cooperates with supervisory entities outside the Kingdom by sharing information and expertise with many central banks and supervisory authorities in view of the existence of many foreign banks' branches in the Kingdom, and branches and subsidiaries of Saudi banks abroad.

Fifth: Developments of Supervisory Visits to Commercial Banks

SAMA, represented by the Banking Supervision Department, conducts periodical supervisory visits to all banks operating in the Kingdom. The visits encompass special meetings between SAMA's supervisory team and banks' senior management. The bilateral meetings address banks' strategies, operations, risk profile, risk management approach, and their internal control methods. These bilateral meetings also allow SAMA's staff of the Banking Supervision Department to update their assessment of the risk profile that banks are exposed to. During 2014, SAMA representatives carried out supervisory visits to all banks operating in the Kingdom and prepared reports on risks related thereof.

Sixth: Progress of the Implementation of Basel III in the Kingdom

In continuation of SAMA's efforts in encouraging commercial banks to comply with the implementation of BCBS standards for risk-based capital adequacy. Basel III was implemented with regards to Pillar 1 on credit risks, pillar 2 on supervisory review process and pillar 3 on disclosure

of bank data. Basel III is being implemented gradually up to 2019. With regards to the requirements of systematically important domestic and global banks, the framework of systematically important domestic banks was completed and the relevant regulation was issued for application by 2016, pursuant to SAMA's circular issued in September 2014.

SAMA issued its final guidance document regarding Basel standards for disclosure of liquidity coverage ratio in January 2014 and it sent its circular in respect thereof on 25 October 2014, coming into force in January 2015. SAMA also issued its final guidance document on Basel requirements for disclosure of lending ratio in January 2014, which is scheduled to be effective in January 2015.

Seventh: Financial Derivatives Market Activity

Financial derivative transactions in the Kingdom rose by SAR 381.7 billion or 37.2 percent to SAR 1,406.4 billion in 2014 compared to SAR 1,024.7 billion at the end of the preceding year. Financial derivatives constituted 65.8 percent of the contra accounts off-consolidated financial position at the end of 2014 against 59.6 percent in the preceding year.

Eighth: Developments of On-Site Inspection Programs of Banks Operating in the Kingdom

During 2014, SAMA continued to perform its supervisory functions over banks, foreign banks' branches and money changers through conducting comprehensive on-site inspection programs (covering all operations and activities) and specialized inspection programs (confined to some activities and operations such as examination of general principles for consumers protection and bank leadership positions, etc.). The programs were performed in accordance with the best internationally applied practices in the area of supervision and control.

Comprehensive On-Site Examination Programs

The risk-based comprehensive examination aims at assessing banks' assets quality, liquidity,



profitability, risk management, internal audit in banks, and capital adequacy in addition to compliance with regulations and instructions issued by SAMA. A specialized work team formed by SAMA are currently conducting comprehensive examination of all banks operating in the Kingdom in cooperation with international accounting and audit firms.

Specialized Examination Programs

SAMA conducted a number of specialized examination programs of banking activities and operations of banks operating in the Kingdom, including examination of bank governance, leadership positions at banks, the updated consumer finance controls, and consumer protection general principles to verify compliance with regulations and instructions issued by SAMA.

Developments in Combating Money Laundering and Terrorist Financing

Anti-money laundering and counter-terrorism financing (AML/CTF) aims at safeguarding the domestic banking sector against the negative consequences of these internationally and domestically prohibited transactions. This is made through preparing and updating banking AML/CTF rules, instructions, and manuals, preparing and implementing AML/CTF on-site inspection plans in domestic banks, their branches abroad, branches of foreign banks in the Kingdom and money changers and monitoring their compliance with the application of banking and non-banking regulations, rules, measures and instructions issued by SAMA in this regard.

SAMA's Achievements in the Area of Combating Money Laundering and Terrorist Financing

SAMA undertook several supervisory and control actions related to combating money laundering and terrorist financing during 2014. One of the most prominent developments in this regard was the issuance of Royal Decree No. A/44 dated 03/04/1435H (04/02/2014) stating for penalties against everyone participating in hostilities outside the Kingdom.

Supervisors, including SAMA, continued their efforts in conducting periodic inspection of financial institutions subject to their supervision to ensure their application of related instructions and laws, track any irregularities and take necessary measures to follow up their correction.

SAMA also participated in the work of the permanent bank committees, formed of representatives from all domestic banks, which hold meetings periodically to discuss compliance topics, combating financial crimes and issues of money laundering and terrorist financing.

In continuation of the progress made in assessing its measures and efforts in combating money laundering and terrorist financing, the Kingdom submitted the fourth follow-up report in April 2014 to the Middle East and North Africa Financial Action Task Force (MENAFATF), indicating the implementation of all remarks and recommendations contained in the previous follow-up reports. Subsequently, the MENAFATF announced the Kingdom's transition from the follow-up phase to the biannual update phase, in comparison with many advanced countries that are still in the list of countries undergoing follow-up despite the lapse of many years to reach the update stage that the Kingdom had already reached.

The Kingdom hosted at SAMA's Institute of Banking and Finance a number of conferences, symposia and courses on combating money laundering and terrorist financing for a large number of staff of supervisory agencies.

Banking and Financial Consumers Protection

SAMA has been working on the service and protection of the interests of customers of the banking sector as a strategic goal to ensure that banks are providing an advanced level of fair treatment, integrity, and financial inclusion. The most prominent achievements accomplished during 2014 were the following:



First: Issuing Principles of Insurance Companies' Consumers Protection in their final form, circulating them to all commercial banks and posting them on SAMA's website.

Second: Preparing draft principles of finance companies' consumers protection and updating draft controls on complaint units at commercial banks.

Third: 19,652 various complaints from consumers of banks, insurance companies and finance companies, lodged with SAMA directly or through government entities, were considered and resolved during 2014.

Fourth: A survey to measure the level of financial education and behavior of the society of the Kingdom was conducted.

Fifth: Updating SAMA's website and posting information thereon that enables the comparison between credit cards of Saudi banks, as well as updating frequently asked questions regarding various banking and insurance products.

Sixth: Introduction of the professional certificate in retail banking basics in cooperation with the Institute of Banking and Finance to enhance the knowledge level of retail banking staff at banks.

Seventh: Preparing the general frame for financial education strategy in the Kingdom.

Eighth: Raising the public awareness of their rights in dealing with the various financial entities supervised by SAMA through distributing awareness gifts and leaflets.

Ninth: Regarding the protection of credit card holders' rights, SAMA issued the first update of Credit Card and Debit Card Issuance and Operation Controls in April 2015. Such controls will raise the level of protection of beneficiaries' rights and enhance the principles of transparency and disclosure, enabling beneficiaries to be aware of their rights and obligations.

Domestic Banks' Corporate Social Responsibility during 2014.

Social responsibility denotes the extent of compliance with contribution to sustainable economic growth, and working with the society to enhance standards of living and quality of life therein. Corporate social responsibility is often represented in developments, that make positive changes in the field of human development and include more people in the development process, so as to simultaneously achieve balance between the interests of all parties in light of implementing best practices in the banking governance area.

To push forward the wheel of the corporate social responsibility programs of domestic banks, SAMA took the initiative to work on the project of regulating corporate social responsibility activities for domestic banks. To achieve this goal, a Group of Corporate Social Responsibility in Banks was established, with representation from SAMA, three Saudi banks, the Secretary-General of the Media and Banking Awareness Committee and social responsibility affairs advisor of domestic banks.

The Group of Corporate Social Responsibility in Banks held discussions on all aspects related to the activities of corporate social responsibility and its importance to domestic banks. The practices of banks' corporate social responsibility in different countries and the role of supervisors in this regard were discussed. A team from SAMA also met with representatives of the World Bank who enjoy expertise in the field of banks' corporate social responsibility.

In this connection, SAMA endeavored to encourage domestic banks to have in place departments specialized in the service of the community equipped with qualified national cadres, and to allocate independent budgets to such departments to adopt a series of contributions, initiatives and programs in diverse fields, including education, health, environment, support for needy segments of the society,



productive households and financing emerging businesses and small and medium enterprises.

Macroprudential Supervision Measures in the Kingdom

The global financial crisis during 2008 caused a massive damage to the international financial system, resulting in severe financial losses. This underpinned the importance of restructuring the banking system and developing and enhancing macroprudential supervision measures to manage risks as to contain the pressures it faces and absorb unforeseeable crises.

With regards to its efforts on the protection of the financial sector, SAMA adopted many macroprudential supervision mechanisms and measures to manage risks in the capital adequacy regime in accordance with new requirements of Basel's recommendations. To this end, SAMA implemented macroprudential rules. The macroprudential instruments that are currently in use include:

- Urging banks to increase capital on a countercyclical basis;
- Requiring banks to maintain aggregate provisions ratio of at least 100 percent of non-performing loans, and increase this ratio to 200 percent at the peak of the economic cycle;
- Banks' lending ratio to deposits/(capital + reserves) should not exceed 15 folds;
- Banks' required reserves should not be less than 7.0 percent with respect to demand deposits and 4.0 percent with respect to time and savings deposits;
- Bank loans to deposits ratio should not exceed 85.0 percent;
- Liquid assets to deposits ratio should be no less than 20 percent;
- Real estate finance to the value of the real estate property should not exceed 70.0 percent;
- Debt Service-to-Income (DTI) ratio, total monthly repayment of consumer loans to borrower's salary, should not exceed 33.0 percent; and
- Risk concentration should not exceed 25.0 percent of total ownership legal limit■

TABLE 4.15: SAMA'S MACRO-PRUDENTIAL TOOLKIT - BANKING

Instrument	Regulatory Requirement
Capital Adequacy Ratio	Basel requirement of a Minimum of 10.5%
Provisioning	General: 1% of total loans Specific: Minimum of 100% of NPLs
Leverage Ratio	Deposits/(capital + Reserves) ≤ 15 times
Reserve Requirement	7% for Demand Deposits 4% for Time & Saving Deposits
Loan-To-Value (LTV)	Mortgage loans ≤ 70% of home value
Debt Service - To - Income (DTI)	Monthly repayments ≤ 33% of Income
Loan-to-deposit (LTD) ratio	85%
Liquidity:	
• Statutory Liquidity Reserve (SLR)	Liquid Assets/deposits ≥ 20%
• LCR (Basel III)	100 % by 2019
• NSFR (Basel III)	100 % by 2019
Counterparty Exposure	Single exposure may not exceed 25% of capital.



Insurance Sector

Within the framework of SAMA's supervisory and regulatory functions over the insurance sector, many of instructions and controls were issued during 1435/1436H (2014). Supervisory visits and inspection programs were carried out to enhance the growth and stability of this sector and reduce any potential risks. In addition to the rules, regulations and instructions related to the insurance sector in the Kingdom, SAMA also publishes information about the insurance market and licensed companies operating therein. In this regard, the most prominent achievements, up to the end of 2014, were as follows:

1. Supervision and Control of the Insurance Sector in the Kingdom until the End of 2014

A. Regulations

In 2014, SAMA issued Surplus Distribution Policy Regulations. The number of regulations issued in the past years amounted to fourteen as follows:

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

- Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA.

B. Supervisory Visits to Insurance Companies and Insurance Service Providers:

SAMA's supervision functions over insurance companies include off-site supervision and on-site examination visits to ensure the adequacy of companies' prudential procedures and their solvency. To this end, SAMA has continued to conduct supervisory visits to cooperative insurance companies expected to be licensed and conducts periodical supervisory visits to licensed insurance companies. The objective of supervisory visits is to ensure the companies' compliance with the provisions of the Cooperative Insurance Companies Control Law, issued by Royal Decree No. M/32 dated 02/06/1424H (31/07/2003) and its Implementing Regulation and Regulations issued by SAMA. The visits also aim at ensuring the high efficiency and readiness of insurance companies and adherence of their regulatory and technical requirements to the business plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

The number of supervisory visits to insurance and reinsurance companies during 2014 stood at 35. They included studying the companies' technical, regulatory and administrative aspects; and assessing their overall strategy, objectives and expansion plans. They also involved ensuring the companies' fulfillment of the requirements committed under the terms of the licensing application; and ensuring that their administrative structures, departments, boards and committees conduct their functions in accordance with the Insurance Law and its Implementing Regulation as well as the companies' objectives and plans. The supervisory team at SAMA reviewed the business plans and assessed them technically by reviewing insurance operations; bases of pricing and assessment the companies' products, investment processes and tools, and future financial estimates



and projections. In general, the team ensure, during the supervisory visits, that an effective internal control system is in place with instructions for internal control, risk management and compliance and procedures for resolving customer complaints. In pursuance of SAMA's keenness to protect policyholders and enhance credibility in the insurance market, the team also ensure that insurance companies deal with their customers in a professional and fair manner and provide them with high quality services.

As for on-site examination, SAMA carried out inspection visits to insurance companies to verify their compliance with relevant supervisory and regulatory requirements, and ensure that they operate according to professional principles and in a way that guarantees the rights of policyholders, claimants and other related persons. In this context, SAMA examined the following during 2014:

- Compliance of insurance and reinsurance companies with product pricing rates of vehicle and medical insurance approved by SAMA under Article (16) of the Implementing Regulations of the Cooperative Insurance Control Law. During these inspection visits, the mechanisms of underwriting, pricing of vehicle and medical insurance adopted by companies were reviewed, and relevant records and documents were examined to verify that companies conduct underwriting and product pricing operations pursuant to relevant rules and instructions.
- Compliance of insurance, reinsurance companies and insurance service providers with rules and instructions related to the marketing of insurance products. During such inspection visits, regulations, procedures and relevant records and documents were reviewed to ensure that companies carry out their business in line with the relevant rules and instructions. Companies with deficiencies or violations were required to take corrective actions to ensure the non-recurrence of such violations.

SAMA continued to conduct supervisory visits to insurance service providers expected to be

licensed as per the type of their activity. Such visits aim at ensuring their compliance with the provisions of the Cooperative Insurance Control Law and its Implementing Regulation as well as Regulations issued by SAMA. They also aim at ensuring that the service providers are at a high level of efficiency and readiness, and that their regulatory and technical requirements are in line with the business plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

2. Saudization in the Insurance Sector

A. Resolutions and Instructions Issued on Saudization

Article 2 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that the key objective of the Regulation and the Insurance Law is to develop the insurance sector in the Kingdom, including training and Saudization of posts. Article 4 of the Regulations provides that insurance companies' and insurance service providers' business plan shall include the expected number of employees and a plan for hiring and qualifying Saudis.

Article 50 of the Regulations emphasizes that insurance companies and insurance services providers should provide SAMA, forty-five days prior to the end of each financial year, with a list of numbers and percentages of Saudi staff at the level of the company as a whole and at the level of each branch or department and their levels. Article 79 of the Regulations stipulates the following: **"The percentage of Saudi employees shall not be less than 30 percent at the end of the first year, and to be increased annually in accordance with the business plan submitted to SAMA".**

B. Workers in the Insurance Sector

The total number of workers in cooperative insurance companies in the Kingdom stood at 9,559 at the end of 2014 compared to 9,257 at the end of



2013, growing by 3.2 percent. Saudis constituted 56.6 percent of the total number, rising by 5.2 percent compared to the end of 2013. The percentage of Saudis in non-managerial positions rose to 58.9 percent in 2014 from 57.8 percent in 2013. The ratio of Saudis in managerial positions also went up to 43.8 percent from 42.4 percent in 2013.

3. Training

Within the context of SAMA's efforts to regulate the insurance sector and urge companies and their employees to adhere to professionalism and practice insurance activity on a scientific and methodological basis pursuant to its rules, regulations and instructions, SAMA has prescribed the Insurance Fundamentals Certificate Exam (IFCE) as a mandatory certificate that should be obtained by employees at insurance companies and insurance service providers. The IFCE covers the main principles of rules and regulations of insurance activity. It is applied over a three-year period in accordance with a timetable that determines the period during which each category of employees must pass the exam.

4. Insurance Market in the Kingdom in 2014

A. Overall Market Performance:

- In 2014, the insurance market witnessed growth in most of its indicators. Its gross written premiums rose by 20.8 percent to SAR 30.5 billion compared to 19.2 percent in 2013. This increase was mainly ascribed to the growing awareness of the importance of insurance and favorable economic conditions during the year, as well as the compulsory motor insurance and cooperative health insurance.
- General insurance gross written premiums, which represented 45.5 percent of the total insurance premiums, increased by 20.5 percent to SAR 13.9 billion in 2014 compared to a growth rate of 27.8 percent in 2013 (Table 5.1).
- Health insurance gross written premiums increased by 21.9 percent to SAR 15.7 billion in 2014 compared to a rise of 14.3 percent in 2013. Thus,

health insurance continued to be the largest insurance activity in 2014. The significant growth in health insurance premiums was largely attributed to the application of the cooperative health insurance to more categories of beneficiaries.

- Protection and savings insurance gross written premiums increased by 7.1 percent to SAR 904.4 million in 2014, compared to SAR 844.5 million in 2013.

B. Insurance Market Penetration and Density

Insurance penetration is the ratio of gross written premiums to GDP. The level of insurance penetration in Saudi Arabia was 1.1 percent in 2014 compared to 0.9 percent in 2013. In addition, the ratio of gross written premiums to non-oil GDP stood at 1.9 percent in 2014 against 1.7 percent in 2013 (Table 5.2).

Insurance density is defined as per capita expenditure on insurance (gross written premiums divided by the number of population). The per capita insurance density increased by 14.6 percent to SAR 990.7 in 2014 from SAR 864.5 in 2013 (Table 5.3).

C. Gross Written Premiums (GWP)

Health and motor insurance constituted 77.9 percent of total GWP in 2014. Health insurance is still the most demanded type of insurance, accounting for 51.6 percent of total GWP in 2014, compared to 51.1 percent in 2013. Motor insurance ranked second in terms of demand, constituting 26.3 percent of total GWP in 2014. Protection and savings, energy and aviation insurance accounted for 3.0 percent, 1.5 percent, and 0.5 percent respectively (Table 5.1).

D. Net Written Premiums (NWP)

NWP is defined as gross written premiums less the share of reinsurance. Motor and health insurance accounted for 91.5 percent of total NWP in 2014. Accident and liability and other types of insurance registered the fastest growth rate in terms of NWP, increasing by 44.4 percent in 2014 (Table 5.1).

Table 5.1: INSURANCE INDICATORS

Type of Insurance	2012				2013				2014			
	Gross Written Premiums (SAR)	% Share	Net Written Premiums	Retention Ratio*	Gross Written Premiums (SAR)	% Share	Net Written Premiums	Retention Ratio*	Gross Written Premiums (SAR)	% Share	Net Written Premiums	Retention Ratio*
Accidents, liability and others	690.9	3.3	329.0	47.6	940.8	3.7	391.0	41.6	1,079.4	3.5	564.6	52.3
Motor	4,689.2	22.1	4,408.2	94.0	6,354.7	25.2	5,967.0	93.9	8,026.2	26.3	7,601.7	94.7
Property / Fire	1,348.4	6.4	203.2	15.1	1,664.5	6.6	281.6	16.9	1,923.2	6.3	315.8	16.4
Marine	743.1	3.5	229.5	30.9	740.3	2.9	241.5	32.6	811.4	2.7	251.5	31.0
Aviation	67.1	0.3	2.4	3.6	144.0	0.6	3.6	2.5	140.4	0.5	3.5	2.5
Energy	384.6	1.8	7.3	1.9	456.0	1.8	7.5	1.6	442.7	1.5	8.7	2.0
Engineering	1,076.6	5.1	165.9	15.4	1,199.7	4.8	180.3	15.0	1,434.1	4.7	204.9	14.3
Total general insurance	8,999.9	42.5	5,345.5	59.4	11,500.0	45.6	7,072.7	61.5	13,857.4	45.5	8,950.2	64.6
Total health insurance	11,285.4	53.3	9,951.3	88.2	12,895.0	51.1	11,456.0	88.8	15,720.5	51.6	14,654.5	93.2
Total protection and saving insurance	888.5	4.2	767.0	86.3	844.5	3.3	714.0	84.5	904.4	3.0	729.6	80.7
Total	21,173.8	100.0	16,063.8	75.9	25,239.4	100.0	19,242.6	76.2	30,482.2	100.0	24,334.2	79.8
* Retention ratios for protection and savings insurance are not included in the overall retention ratio.												





TABLE 5.2: DEPTH OF INSURANCE MARKET RATIO TO GDP

(Percentage)

Type of Activity	2012		2013		2014		% Change
	GDP	Non-oil GDP	GDP	Non-oil GDP	GDP	Non-oil GDP	
Total general insurance	0.33	0.66	0.41	0.78	0.50	0.87	11.54
Total health insurance	0.41	0.83	0.46	0.87	0.56	0.98	12.64
Total protection and saving insurance	0.03	0.07	0.03	0.06	0.03	0.06	0.00
Total	0.78	1.56	0.90	1.71	1.09	1.90	11.11

TABLE 5.3: INSURANCE MARKET DENSITY

(Per Capita)

Type of Activity	2010	2011	2012	2013	2014	% Change
Total general insurance	247.8	290.8	308.3	393.9	450.4	14.3
Total health insurance	320.2	357.8	386.5	441.7	510.9	15.7
Total protection and saving insurance	35.8	33.4	30.4	28.9	29.4	1.7
Total	603.8	682.0	725.2	864.5	990.7	14.6

E. Retention Ratio

The retention ratio is a measure of risks in written premiums retained by an insurance company, as there is a correlation between the retention ratio and risks. It is measured by dividing the NWP by GWP. The overall retention ratio (except protection and savings insurance) of insurance companies in the Saudi market was 79.8 percent in 2014 against 76.2 percent in 2013. This ratio is largely affected by the high retention ratio for motor and health insurance which both accounted for around 77.9 percent of GWP. The lowest retention ratios of 2.5 percent and 2.0 percent were recorded by aviation insurance and energy insurance respectively in 2014 (Table 5.1).

F. Commissions Paid to Insurance Brokers and Agents

The amount of commissions paid by insurance companies to insurance brokers and agents totaled SAR 1.04 billion in 2014 compared to SAR 980 million in 2013. Health insurance commissions constituted 33.7 percent and 40.5 percent of total commissions paid during 2013 and 2014 respectively (Table 5.4).

G. Total Claims Paid by Type of Business

Total claims paid by type of business increased by 19.5 percent to SAR 20.3 billion in 2014 from SAR 17 billion in 2013. Health and motor



TABLE 5.4: COMMISSIONS INCURRED BY TYPE OF ACTIVITY

Type of Activity	2012		2013		2014		% Change 2012-2013
	Million SAR	%	Million SAR	%	Million SAR	%	
Accidents, Liability and Others	49.7	5.8	76.4	7.8	71.6	6.9	-6.3
Motor	280.1	32.7	300.2	30.6	331.9	31.9	10.6
Property / Fire	74.7	8.7	118.5	12.1	90.9	8.7	-23.3
Marine	47.4	5.5	61.4	6.3	51.5	5.0	-16.1
Aviation	0.3	0.0	0.5	0.1	0.8	0.1	60.0
Energy	0.0	0.0	0.1	0.0	0.0	0.0	-100.0
Engineering	49.4	5.8	69.7	7.1	49.2	4.7	-29.4
Total general insurance	501.7	58.5	626.9	64.0	595.9	57.4	-4.9
Total health insurance	330.6	38.6	330.6	33.7	420.6	40.5	27.2
Total protection and savings insurance	24.8	2.9	22.5	2.3	22.5	2.2	0.0
Total	857.1	100.0	979.9	100.0	1039.0	100.0	6.0

insurance accounted for 57 percent and 30 percent respectively of total claims paid in 2014. These high percentages reflected the relatively high shares of these types of business in the total market premiums.

In 2014, the highest growth rate in total claims paid was recorded by engineering insurance, rising by 162.6 percent to SAR 559.4 million compared to SAR 213 million in the preceding year (Table 5.5).

5. Status of Insurance Companies in the Kingdom

Up to the end of 2014, the Council of Ministers approved the establishment of 35 insurance and reinsurance companies, in addition to 199 insurance service providers to support insurance services (Tables 5.6).

6. Access to Insurance Market Information

SAMA has designated a special link for the insurance activity on its website www.sama.gov.sa that contains rules, regulations, circulars and studies on the insurance sector. It also includes forms of

license application and standards of fit and proper for founders and managers of insurance companies and insurance service providers. SAMA website can be referred to for the latest updated data on licensed insurance companies and insurance service providers, which are updated periodically. The website also shows the performance of the insurance market in the Kingdom during the period 2008-2014.

7. Council of Cooperative Health Insurance

At the end of 2014, the total number of health-insured expatriates reached 7.8 million. The number of companies authorized to sell cooperative health insurance policies stood at 28, and the number of insurance claims management companies that wish to provide health services under the auspices of the cooperative health insurance stood at 8.

The number of establishments providing insurance to their employees was 356.9 thousand at the end of the 2014. In addition, Health care providers approved by the Council totaled 2478 in



TABLE 5.5: GROSS CLAIMS PAID BY TYPE OF ACTIVITY

Type of Activity	2012		2013		2014		% Change 2012-2013
	Million SAR	%	Million SAR	%	Million SAR	%	
Accidents, Liability and Others	105.0	0.8	118.3	0.7	207.1	1.0	75.1
Motor	3464.8	25.5	4720.2	27.8	6069.0	29.9	28.6
Property / Fire	773.7	5.7	859.7	5.1	1312.0	6.5	52.6
Marine	257.3	1.9	374.1	2.2	261.2	1.3	-30.2
Aviation	15.5	0.1	6.9	0.0	7.1	0.0	2.9
Energy	58.5	0.4	1.2	0.0	1.2	0.0	0.0
Engineering	239.7	1.8	213.0	1.3	559.4	2.8	162.6
Total general insurance	4914.3	36.1	6293.1	37.0	8417.0	41.4	33.7
Total health insurance	8511.5	16.6	10405.2	61.2	11567.2	56.9	11.2
Total protection and savings insurance	189.4	1.4	297.2	1.7	329.4	1.6	10.8
Total	13615.2	100.0	16995.5	100.0	20313.6	100.0	19.5

the Kingdom, 2465 of which for the private sector and 13 for the public sector (**Table 5.7**).

As for the type of facility, pharmacies occupied the first position among facilities providing health care services in the Kingdom at the end of 2014. Optical shops came next, followed by polyclinic centers and dispensaries. Diagnostic centers and medical devices and prosthetics shops came at the last position. Riyadh came at the top of the regions providing health care services in the Kingdom. Makkah was second, followed by the Eastern province while Al-Jawf and Al-Baha came last (**Table 5.7**).

Finance Sector

SAMA undertakes the responsibility of supervising and regulating the finance sector in the Kingdom, taking necessary actions to maintain the integrity and stability of this activity, and protect workers' rights therein. SAMA is also responsible for issuing finance licenses in accordance with the provisions of Finance Laws and their Regulations. However, the Ministry of Justice is responsible for

supervising the Mortgage Law, its operations, and rights.

It is hoped that the Real Estate Finance Law would contribute significantly to the provision of housing for low- and middle-income citizens. Especially in light of the existence of controls that ensure the necessary guarantees in the activities of real estate finance and protect the rights of all parties involved in the finance operation.

The most prominent achievements regarding Finance Companies Control in 2014 were as follows:

First: Supervision and Control over the Finance Sector in the Kingdom until the End of 2014:

A. Regulatory Developments:

SAMA has worked, since the issuance of the Real Estate Finance Law, the Finance Lease Law, and the Finance Companies Control Law "Finance Laws", to develop the supervisory and regulatory frameworks of the finance companies sector in order to achieve the main objectives of the issuance of



**Table 5.6: LICENSED INSURANCE AND REINSURANCE COMPANIES
UP TO THE END OF 2013**

Insurer	Capital (SAR)	Approved On (DD/MM/YY)
National Company for Cooperative Insurance (NCCI)	1,000	02/12/2004
Malath Cooperative Insurance & Reinsurance Company	300	11/09/2007
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	1,000	11/09/2007
Saudi IAIC for Cooperative Insurance (SALAMA)	100	11/09/2007
SABB Takaful	340	11/09/2007
Arabian Shield Cooperative Insurance	200	11/09/2007
Al Ahli Takaful	167	11/09/2007
Saudi Arabian Cooperative Insurance Company (SAICO)	100	11/09/2007
Gulf Union Cooperative Insurance Company	220	11/09/2007
Sanad for Cooperative Insurance and Reinsurance (SANAD)	200	08/03/2008
Assurance Saudi Fransi (Allians)	200	08/03/2008
Trade Union Cooperative Insurance Company	275	31/03/2008
Al Sagr Company for Cooperative Insurance	250	31/03/2008
Saudi Indian Company for Cooperative Insurance	205	10/06/2008
Arabia Insurance Cooperative Company	400	18/06/2008
Saudi United Cooperative Insurance company (Wala'a)	200	02/07/2008
Saudi Re For Cooperative Reinsurance company (Saudi Re)	1,000	21/07/2008
Bupe Arabia for Cooperative Insurance	400	10/08/2008
United Cooperative Assurance (UCA)	490	30/12/2008
Al-Ahlia for Cooperative Insurance	320	09/03/2009
Allied Cooperative Insurance Group (ACIG)	200	10/05/2009
Al-Rajhi Company for Cooperative Insurance	400	17/11/2009
Ace Arabia Cooperative Insurance Company	100	08/12/2009
Al-Alamiya Co-operative Insurance Company	400	13/12/2009
AXA Cooperative Insurance Company	450	26/01/2010
Gulf General Insurance Company	200	06/03/2010
Wiqaya Takaful Insurance & Reinsurance Company	200	24/03/2010
MetLife Inc and AIG, the Arab Bank for Cooperative Insurance	175	29/03/2010
Buruj Cooperative Insurance	250	29/05/2010
National Insurance Company	100	16/06/2010
AMANA Cooperative Insurance	320	06/07/2010
Solidarity Saudi Takaful Company	555	20/03/2011
Saudi Enaya Cooperative Insurance	400	07/08/2011
Alinma Tokio Marine Company	200	30/09/2012
Aljazira Takaful Taawuni Company	350	18/12/2013



Table 5.7: AUTHORIZED HEALTH CARE PROVIDERS AT THE END OF 2014

Region/Type of Institutions	Hospital	Dispensaries	Pharmacies	Polyclinic Centres	One Physician Clinic	One day Operation Center	Opticians	Medical Laboratories	Diagnostic Centres	Physical Therapy Centres	Devices and Prosthetics Shops	Total
Eastern Region	30	63	89	98	0	3	109	1	1	1	1	396
Riyadh	36	191	195	218	2	6	273	4	2	2	1	930
Makkah	42	71	254	139	3	6	102	1	1	1	2	622
Najran	1	12	7	14	0	0	10	0	0	1	0	45
Asir	12	20	23	29	1	0	22	0	0	0	0	107
Al-Madinah	13	12	28	29	0	1	59	0	0	0	0	142
Al-Baha	1	6	1	1	0	0	2	0	0	0	0	11
Al-Qassim	4	23	17	11	0	0	22	0	0	0	0	77
Tabuk	1	15	2	7	0	0	14	0	0	0	0	39
Jazan	3	9	7	11	0	0	9	0	0	0	0	39
Hail	1	13	15	5	0	0	9	0	0	1	0	44
Northern Borders Region	0	8	2	4	0	0	1	0	0	0	0	15
Al-Jawf	0	6	3	2	0	0	0	0	0	0	0	11
Total	144	449	643	568	6	16	632	6	4	6	4	2,478

Source: Council of Cooperative Health Insurance.

Finance Laws and their Implementing Regulations. Some of the most important objectives are enhancing the stability of the finance sector and the fairness of its transactions thereby, improving the level of services and transparency, and creating a competitive environment contributing to the provision of better finance services that meet the market needs in order that it ultimately serves the beneficiary.

To complement the package of rules and regulations governing the finance sector, SAMA issued Microfinance Rules on 16/2/1436H (8/12/2014). More importantly, the Rules provide for the restriction of microfinance companies' activities to financing productive activities and assets of

proprietors of small businesses and craftsmen and the like, the determination of requirements of corporate governance that microfinance companies should comply with, internal organization, outsourcing, risk management and compliance, and internal audit. In addition, it is important that Wok Ethics Charter should be in place in microfinance companies according to the nature and size of their activities and the type of their operations.

Effective from 16/1/1436H (9/11/2014), the full compulsory implementation of Finance Companies Control Law came in force, after regularization period was over in accordance with the rules and regulations of finance stipulated by Article



(36) of Finance Companies Control Law issued by Royal Decree No. 51/M dated 13/8/1433H (3/7/2012), providing that **“Companies and establishments engaged in finance activities in the Kingdom, prior to the entry into force of this Law, shall be granted a grace period of two years to comply with the provisions of this Law”**. The number of regulations issued in the past years amounted to four as follows:

- Implementing Regulation of the Finance Companies Control Law
- Implementing Regulation of the Finance Lease Law
- Implementing Regulation of the Real Estate Finance Law
- Guidelines for Applying for a License to Practice Finance Activities

B. Supervisory Visits to Finance Companies:

SAMA continued, during Fiscal Year 1435/1436H (2014), to carry out its supervisory and regulatory role by conducting supervisory visits to licensed finance companies to ensure their compliance with rules, regulations and instructions, and ensure their efficiency and readiness. The visits also aim at ensuring that their regulatory and technical requirements are in conformity with the business plans approved earlier by SAMA as a prerequisite for granting the license to operate in the market.

The number of supervisory visits to finance companies during 2014 stood at 24. The visits included studying the companies' technical, regulatory and administrative aspects; assessing their overall strategy, business plans, governance; and evaluating their compliance with Finance Laws and their Implementing Regulations.

Second: Finance Companies Licensed to Operate in the Kingdom:

Until the end of 2014, SAMA issued licenses for 5 real estate finance companies (**Table 5.8**) and for 13 companies for carrying out finance activities other than real estate finance (**Table 5.9**). 13 companies were granted preliminary approvals for licensing various finance activities after completing the necessary requirements of the Ministry of Commerce and Industry.

Third: Access to Finance Market Information:

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

**Table 5.8: LICENSED REAL ESTATE FINANCE COMPANIES
UP TO THE END OF 2014**

Insurer	Capital (SAR)	Approved On (DD/MM/YY)
Amlak International	900	24/12/2013
Dar AlTamleek	500	31/12/2013
Saudi Home Loans	800	27/02/2014
Deutsche Gulf Finance	571	20/05/2014
Abdulatif Jameel for Real Estate Finance	200	07/12/2014



Table 5.9: COMPANIES LICENSED TO PRACTICE FINANCE ACTIVITIES OTHER THAN REAL ESTATE FINANCE UP TO THE END OF 2014

Insurer	Capital (SAR)	Approved On (DD/MM/YY)
Nayfat for Finance	400	31/12/2013
Saudi ORIX Leasing Co.	550	27/02/2014
AlYusr for Leasing & Financing Co.	500	27/02/2014
AJIL Financial Services Company	500	20/05/2014
National Installment Co.	250	25/08/2014
Morabaha Marina	120	14/09/2014
Kirnaf Company	510	12/11/2014
Matager Company	150	16/11/2014
Al Jasriah Co.	150	16/11/2014
Saudi Finance	200	20/11/2014
Abdul Latif Jameel for Finance	1,000	08/12/2014
Gulf Finance Company	100	08/12/2014
TAMWILY	100	11/12/2014



Inflation in the Kingdom is measured by the Cost of Living Index prepared by the Central Department of Statistics and Information (CDSI), which has been issuing it for more than 50 years.

Since 2012, the CDSI has been using the year 2012 as a base year for measuring the cost of living index, and it approved the updates made to the composition of the consumer basket based on the Classification of Individual Consumption by Purpose (COICOP) issued by the UN in order to classify sections, groups, chapters and items. CDSI adopts Laspeyres formula in calculating the cost of living index, which requires data of price averages for the periods of comparison and the weighing data.

General Cost of Living Index During 2014

The general cost of living index rose by 2.7 percent in 2014 against an increase of 3.5 percent and 2.9 percent during 2012 and 2013, respectively. The non-oil GDP deflator, which captures the average prices of all goods and services produced in the Saudi non-oil sector within a year, rose by 3.4 percent in 2014 compared to an increase of 2.7 percent in 2013 (Table 6.1).

Five key groups out of 12 groups registered inflation rates in 2014 higher than the past five-year average inflation rates. These included the group of recreation and culture; the group of house furnishings, household equipment and maintenance; the group of health; the group of education; the group of communication.

During 2014, ten groups registered annual increases as follows: the group of recreation and culture rose by 7.2 percent; the group of tobacco by 6.0 percent; the group of house furnishings, household equipment and maintenance by 4.5 percent; the group of housing, water, electricity, gas and other fuels by 3.4 percent; the group of food and beverages by 3.3 percent; the group of health by 3.2 percent; the group of education by 2.9 percent; the group of restaurants and hotels by 2.2 percent; the group of miscellaneous goods and services by 2.1 percent; and the group of clothing and footwear by 0.7 percent. In contrast, the group of transport and the group of communications recorded an annual declines of 0.5 percent and 0.1 percent, respectively (Tables 6.2 and 6.3).

Table 6.1: ANNUAL GROWTH RATES OF SELECTED INDICATORS

(percent)

	2011	2012	2013	2014*
Non-oil GDP deflator (2010=100)	4.3	5.5	2.7	3.4
Cost of Living Index (All cities) (2007=100)	3.7	2.9	3.5	2.7
Non-oil GDP (at 2010 constant prices)	8.1	5.5	6.4	5.0
Government Expenditure	26.4	5.6	11.8	13.7
Money Supply (M3)	13.3	13.9	10.9	11.9

* Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning and Ministry of Finance.



Table 6.2 : EFFECT OF MAJOR GROUPS ON THE GENERAL COST OF LIVING INDEX (All Cities)
(2007 = 100)

Major Groups	Annual average change for period 2009-2013	2014	Impact on the general index 2014*	% Wiegths
General Index	3.6	2.7	100.0	100.0
Food and beverages	4.3	3.3	25.0	21.7
Tobacco	7.9	6.0	1.1	0.5
Clothing and Footwear	0.7	0.7	2.7	8.4
Housing , Water, Electricity, Gas, and other fuels	7.3	3.4	25.1	20.5
Furnishings, household equipment & maintenance	3.5	4.5	14.6	9.1
Health	1.1	3.2	3.0	2.6
Transport	2.7	-0.5	4.7	10.4
Communication	-0.9	-0.1	1.4	8.1
Recreation and Culture	1.8	7.2	9.3	3.5
Education	0.4	2.9	2.7	2.7
Restaurants and Hotels	4.2	2.2	4.4	5.7
Miscellaneous goods and services	3.0	2.1	6.0	6.8
* Impact on the General Index = Annual % Change for each Group X Weight /100				
Source: Central Department of Statistics and Information, Ministry of Economy and Planning				

Table 6.3 : COST OF LIVING INDEX (All Cities)
(2007 = 100)

Major Groups	2010	2011	2012	2013	2014	% change
General Index	114.7	119.0	122.4	126.7	130.1	2.7
Food and beverages	120.8	127.1	132.9	140.5	145.1	3.3
Tobacco	119.2	126.7	141.3	153.1	162.3	6.0
Clothing and Footwear	101.1	99.7	103.3	104.8	105.5	0.6
Housing , Water, Electricity, Gas, and other fuels	129.2	143.9	148.7	153.8	159.1	3.5
Furnishings, household equipment & maintenance	107.0	115.5	117.5	122.6	128.2	4.6
Health	103.3	103.4	105.6	109.0	112.6	3.3
Transport	99.7	103.1	108.3	111.0	110.4	-0.5
Communication	97.7	92.0	92.1	93.8	93.7	-0.1
Recreation and Culture	97.2	104.7	104.5	106.3	114.0	7.2
Education	113.2	108.7	110.2	112.6	115.9	2.9
Restaurants and Hotels	113.8	117.0	121.7	126.8	129.6	2.2
Miscellaneous goods and services	110.1	113.9	117.8	117.6	120.1	2.1
Source: Central Department of Statistics and Information, Ministry of Economy and Planning.						

Impact of Key Groups on the General Cost of Living Index

Most key groups contributed by various rates to the rise in the general cost of living index during 2014. The group of housing, water, electricity, gas and other fuels contributed the most with 25.1 percent, followed by the group of food and beverages with 25.0 percent. However, the group of tobacco made the least effect on the index, contributing by 1.1 percent (**Chart 6.1**).

All Cities Cost of Living Index During 2014

All major cities of the Kingdom (except Dammam) registered a rise in the cost of living index. Tabuk recorded the highest increase of 7.8 percent. Jazan came second by 6.0 percent. Ar'ar was third by 4.9 percent, followed by Al-Baha by 4.4 percent, Riyadh by 3.9 percent, Makkah by 3.5

percent, Al-Madinah by 3.4 percent, and Ta'if by 3.3 percent. Buraidah and Ha'il recorded the lowest increase of 1.1 percent each. On the other hand, Al-Dammam registered a decline of 0.9 percent in its cost of living index (**Table 6.4 and Chart 6.2**).

Wholesale Price Index

The wholesale price index measures the average changes in the prices of goods and services sold in the domestic wholesale markets. This index represents a sample comprising 160 items categorized into ten main divisions according to the standard international trade classification. The wholesale price index rose by 0.6 percent in 2014, compared to a rise of 1.1 percent in the preceding year. The increase was accounted for by some major groups constituting the index. The group of chemicals and related materials recorded the highest

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

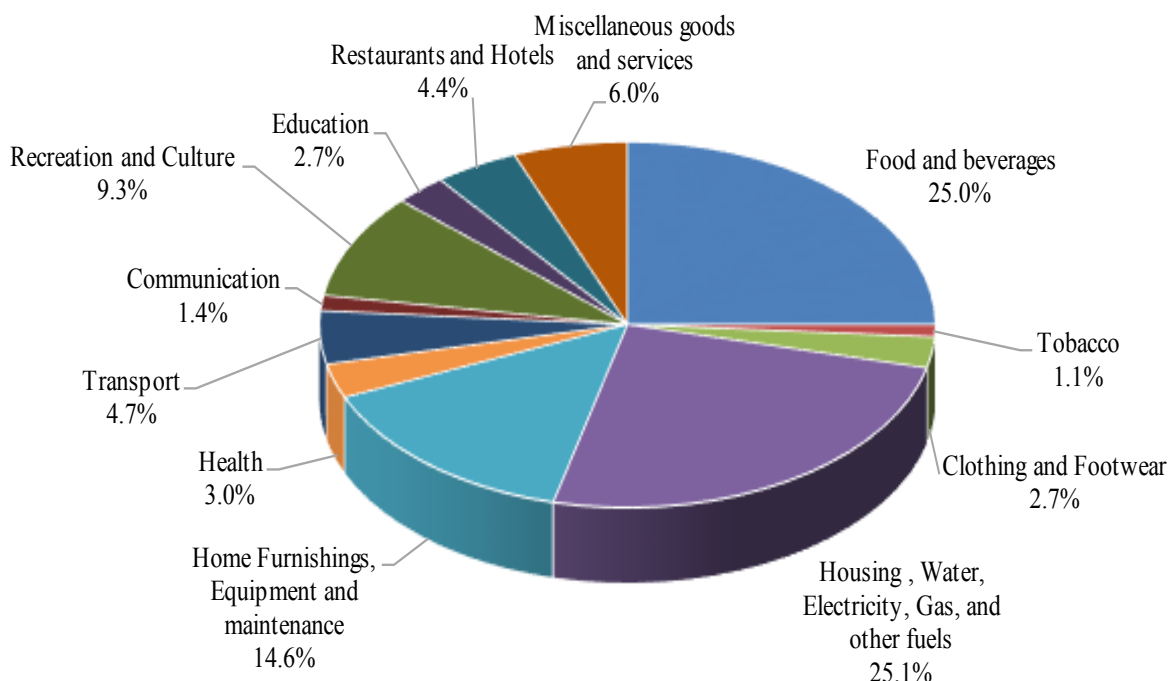


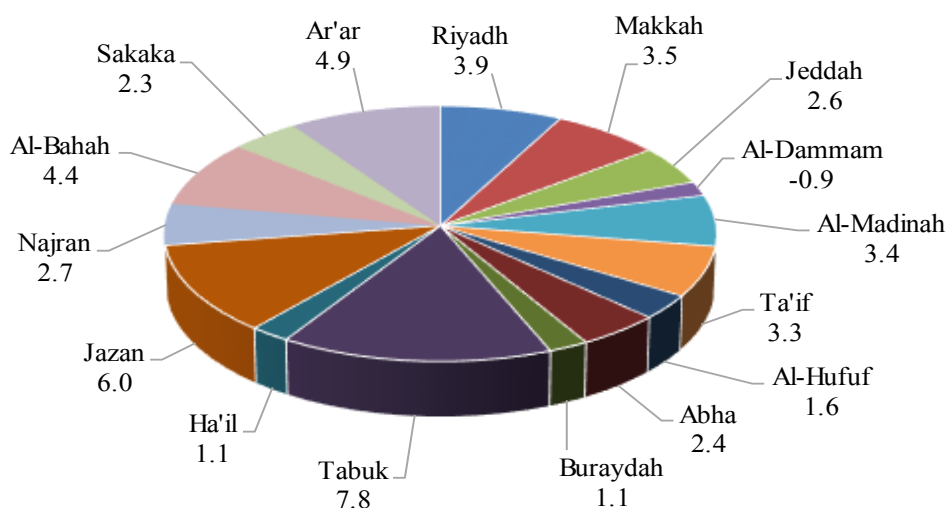


Table 6.4 : AVERAGE COST OF LIVING INDEX BY CITY
(2007=100)

General Index	Inflation Rate			
	2012	2013	2014	2013/2014
All Cities Index	122.4	126.7	130.1	2.7
Riyadh	126.9	129.9	135.0	3.9
Makkah	119.4	122.6	126.9	3.5
Jeddah	121.7	126.1	129.3	2.6
Al-Dammam	126.9	135.0	133.7	-0.9
Al-Madinah	117.3	120.6	124.7	3.4
Ta'if	121.0	123.1	127.2	3.3
Al-Hufuf	120.5	122.6	124.6	1.6
Abha	115.7	120.3	123.2	2.4
Buraydah	119.8	122.5	123.9	1.1
Tabuk	115.6	119.5	128.9	7.8
Ha'il	125.9	125.7	127.2	1.1
Jazan	127.9	134.1	142.1	6.0
Najran	121.8	125.1	128.5	2.7
Al-Bahah	121.8	125.1	130.5	4.4
Sakaka	120.6	124.6	127.5	2.3
Ar'ar	111.9	114.5	120.1	4.9

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

Chart 6.2: AVERAGE COST OF LIVING INDEX BY CITY
(2007=100)





rise of 3.9 percent in 2014, followed by the group of beverages and tobacco with an increase of 3.7 percent. The group of miscellaneous manufactured items came next with an increase of 0.9 percent, followed by the group of food and live animals with a rise of 0.8 percent and the group of machinery and transport equipment with an increase of 0.1 percent. In contrast, some major groups recorded declines as follows: the group of other commodities recorded the highest decline of 6.7 percent, followed by the group of oils and fats with a decline of 1.2 percent. The group of manufactured goods classified by material came third with a decline of 0.3 percent, followed by the group of crude materials (excluding fuels) with a decline of 0.1 percent, whereas the group of mineral fuels and related materials remained unchanged (**Table 6.5**).

Developments in World Prices and their Impacts

In 2014, the value of Saudi commodity exports went down by 8.7 percent to SAR 1,287.1

billion compared to 2013, while the value of commodity imports went up by 1.4 percent to SAR 639.6 billion.

The changes in world prices of goods and commodities imported from the Kingdom's key trading partners affect the domestic cost of living index (**Table 6.6**). **Table 6.7** indicates the consumer prices of the Kingdom's key trading partners during 2014. The average consumer prices rose by 6.0 percent in India, 2.7 percent in Japan, 2.5 percent in Australia, 2.0 percent in China, 1.6 percent in the U.S.A., 1.5 percent in the UK, 1.3 percent in South Korea, 0.8 percent in Germany, 0.6 percent in France, and 0.2 percent in Italy.

In the GCC countries, the consumer prices increased during 2014 by 3.0 percent in Qatar, 2.9 percent in Kuwait, 2.5 percent in Bahrain, 2.3 percent in the UAE, and 1.0 percent in Oman (**Table 6.8**)■

Table 6.5 : AVERAGE WHOLESALE PRICE INDEX (WPI)
(1988=100)

	% Weights	2012	2013	2014	% Annual change	
					2013	2014
General Index	100.0	156.4	158.2	159.1	1.1	0.6
Food & Live Animals	31.9	178.6	185.3	186.7	3.8	0.8
Beverages & Tobacco	1.2	151.6	170.9	177.3	12.8	3.7
Raw Materials	0.3	217.4	204.1	204.0	-6.1	-0.1
Mineral & Fuels	10.1	184.8	186.3	186.3	0.8	0.0
Oils & Fats	0.4	149.3	150.7	148.9	0.9	-1.2
Chemicals	9.8	217.7	203.8	211.8	-6.4	3.9
Manufactured Goods	26.2	144.1	143.9	143.4	-0.1	-0.3
Machinery & Transport	13.4	136.2	143.3	143.4	5.2	0.1
Misc. Manufactured	6.4	151.8	135.8	137.0	-10.5	0.9
Other Commodities	0.3	310.9	275.7	257.3	-11.3	-6.7

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.



Table 6.6: SELECTED INDICES

(2010=100)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>% Change</u>	
					<u>2013</u>	<u>2014</u>
Consumer price indices in industrial countries	102.7	104.6	106.0	107.5	1.3	1.4
Export unit values of industrial countries	110.1	107.3	107.2	105.9	-0.1	-1.2
Riyal's nominal effective exchange rate ⁽¹⁾	96.3	99.6	102.1	104.1	2.5	2.0
Riyal's real effective exchange rate ⁽²⁾	96.6	99.6	102.4	105.3	2.8	2.9

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

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

Source: International Financial Statistics (IFS), April, 2015.

**Table 6.7 : ANNUAL CHANGES IN CONSUMER PRICES IN THE KEY
TRADING PARTNERS**

<u>Country</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
U.S.A.	1.6	3.1	2.1	1.5	1.6
Japan	-0.7	-0.3	0.0	0.4	2.7
U.K.	3.3	4.5	2.8	2.6	1.5
Germany	1.2	2.5	2.1	1.6	0.8
France	1.7	2.3	2.2	1.0	0.6
Italy	1.6	2.9	3.3	1.3	0.2
China	3.3	5.4	2.6	2.6	2.0
Australia	2.9	3.3	1.8	2.4	2.5
South Korea	2.9	4.0	2.2	1.3	1.3
India	9.5	9.5	10.2	10.0	6.0

Source: World Economic Outlook (WEO), IMF, April, 2015.



**Table 6.8 : ANNUAL CHANGES IN CONSUMER PRICES
IN GCC COUNTRIES**

Country	2010	2011	2012	2013	2014
U.A.E.	0.9	0.9	0.7	1.1	2.3
The Kingdom of Bahrain	2.0	-0.4	2.8	3.3	2.5
Qatar	-2.4	1.9	1.9	3.1	3.0
Kuwait	4.5	4.9	3.2	2.7	2.9
Sultanate of Oman	3.3	4.0	2.9	1.2	1.0

Source: World Economic Outlook (WEO), IMF, April, 2015.



The Capital Market Authority (CMA) undertook a number of procedures and steps aimed at developing the capital market's laws and regulations. To support the legislative structure of the capital market, CMA Board issued measures and instructions for listed companies with accumulated losses totaling 50 percent or more of their capital. CMA had already issued resolutions on amendment of listing rules, merger and acquisition regulations, and the glossary of defined terms used in the regulations and rules of CMA. It had also issued a new mechanism for listing and trading priority equities as securities for listed companies and the draft rules of financial adequacy. CMA also required companies to establish regulations and rules for internal control and conflict of interest policy in order to apply the best standards and rules of corporate governance. For raising investment awareness, CMA continued its efforts on carrying out many financial awareness and education campaigns that included compliance, commitment and anti-money laundering and combating terrorist financing.

Six new companies were listed in 2014, bringing the total number of listed companies to 169 at the end of the year. Sukuk for four companies were issued. Besides, CMA licensed 2 new companies to operate in securities activity.

In 2014, some indicators of the Saudi Stock Exchange (Tadawul) went down. The Tadawul All Share Index (TASI) decreased by 2.4 percent or 202.3 points from that of the preceding year to 8,333.3 points at the end of 2014. Total assets of investment funds went up by SAR 7.5 billion or 7.3 percent to SAR 110.7 billion at the end of 2014.

Developments of Tadawul in 2014

TASI closed at 8,333.3 at the end of 2014 compared to 8,535.6 at the end of 2013, which represented a slight decline of 2.4 percent. TASI registered its highest closing point of 11,149.4 on September 9, 2014. The market capitalization of issued shares increased by 3.4 percent to SAR 1,812.9 billion at the end of 2014 from SAR 1,752.9 billion at the end of the preceding year.

The number of shares traded during 2014 went up by 34.1 percent to 70.1 billion from 52.3 billion in the preceding year (not adjusted to account for corporate actions)¹. The total value of shares traded increased by 56.7 percent to SAR 2,146.5 billion from SAR 1,369.7 billion in the preceding year. The number of transactions also went up by 23.5 percent to 35.8 million in 2014 from 29.0 million in the preceding year (**Table 7.1**).

The daily average value of traded shares was SAR 8.6 billion in 2014 compared to SAR 5.5 billion in the preceding year, rising by 55.5 percent. The daily average number of traded shares increased by 31.2 percent to 283.2 million in 2014 from 215.8 million in the previous year. The daily average number of executed transactions also went up by 22.5 percent to 143.0 thousand from 116.8 thousand in 2013.

The value of shares traded through the internet in 2014 totaled SAR 1,483.1 billion compared to SAR 942.6 billion in the preceding year, increasing by 57.3 percent and accounting for 69.1 percent of the total value of shares traded during 2014 compared to 68.8 percent in the preceding year. Their number rose by 35.9 percent to 49.4 billion in 2014 from 36.3

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

**Table 7.1: SAUDI STOCK MARKET INDICATORS**

Year	No. of Shares Traded (Million)	% Annual Change	Value of Shares Traded (Billion SAR)	% Annual Change	Market Capitalization of Issued Shares (Billion SAR)	% Annual Change	No. of Executed Transactions (Thousand)	% Annual Change	TASI	% Annual Change
2010	33,255.0	-41.3	759.2	-39.9	1,325.4	10.9	19,536.1	-46.4	6,620.8	8.2
2011	48,544.6	46.0	1,098.8	44.7	1,270.8	-4.1	25,546.9	30.8	6,417.7	-3.1
2012	86,006.1	77.2	1,929.3	75.6	1,400.3	10.2	42,105.0	64.8	6,801.2	6.0
2013	52,306.3	-39.2	1,369.7	-29.0	1,752.9	25.2	28,967.7	-31.2	8,535.6	25.5
2014	70,118.4	34.1	2,146.5	56.7	1,812.9	3.4	35,761.1	23.5	8,333.3	-2.4

Source: Saudi Stock Exchange (Tadawul).

billion in 2013, accounting for 69.7 percent of the total number of shares traded in 2014 against 69.4 percent in the preceding year. The number of transactions executed through the internet increased by 25.2 percent to 27.1 million in 2014 from 21.6 million in the previous year, representing 75.7 percent of the total number of transactions executed in 2014 against 74.6 percent during the preceding year (**Table 7.2**).

At the end of 2014, the number of traders registered in Tadawul system went up by 2.9 percent (126.3 thousand) to 4,462.1 thousand from 4,335.7 thousand at the end of the previous year. The number of subscribers to Tadawul on-line trading increased by 22.3 percent to 119.9 thousand at the end of 2014 compared to 98.0 thousand at the end of 2013 (**Table 7.3**).

An analysis of the activity of Tadawul by sectors during 2014 indicates that the real estate development sector came first in terms of the number of shares traded with 11.3 billion, representing 16.1 percent of the total number of shares traded. The

petrochemical industries sector came second with 10.9 billion shares (15.5 percent of the total), followed by the banks and financial services sector with 9.8 billion, constituting 14.0 percent of the total number of shares traded.

In terms of the value of shares traded, the petrochemical industries sector ranked first with SAR 332.6 billion, representing 15.5 percent of the total value of shares traded in 2014. The insurance sector came second with SAR 319.1 billion (14.9 percent of the total), followed by the banks and financial services sector with SAR 279.7 billion (13.0 percent of the total).

A review of Tadawul's performance by the number of transactions executed in 2014, the insurance sector ranked first with 8.5 million, constituting 23.8 percent of the total number of transactions executed in 2014, followed by the petrochemical industries sector with 3.5 million (9.7 percent of the total). The agriculture and food industries sector came third with 3.4 million (9.5 percent of the total).



Table 7.2: SHARES TRADED VIA THE INTERNET

		<u>2013</u>	<u>2014</u>	<u>% Annual Change</u>
Value of shares traded (Billion SAR)	Via the internet	942.6	1,483.1	57.3
	Total*	1,369.7	2,146.5	56.7
	Ratio	68.8	69.1	0.4
Number of Shares traded (Million shares) **	Via the internet	36,316.3	49,370.1	35.9
	Total*	52,306.2	70,803.3	35.4
	Ratio	69.4	69.7	0.4
Number of Executed Transactions (Thousand)	Via the internet	21,609.5	27,061.0	25.2
	Total*	28,967.7	35,761.1	23.5
	Ratio	74.6	75.7	1.4

* Total represents shares traded via all channels of the market (trading terminals, internet, phone banking and ATMs).

** Data not adjusted for corporate actions.

Source: Saudi Stock Exchange (Tadawul).

**Table 7.3: NUMBER OF CUSTOMERS REGISTERED IN TADAWUL
AND PARTICIPATING IN ON-LINE TRADING VIA THE INTERNET**

(End of period)

<u>Year</u>	<u>No. of customers registered in Tadawul</u>	<u>% Annual Change</u>	<u>No. of customers participating in on-line and real-time trading</u>	<u>% Annual Change</u>
2010	4,045,793	1.2	53,952	-49.2
2011	4,099,527	1.3	51,289	-4.9
2012	4,221,355	3.0	98,397	91.8
2013	4,335,739	2.7	98,044	-0.4
2014	4,462,067	2.9	119,937	22.3

Source: Saudi Stock Exchange (Tadawul).



A review of the market capitalization of shares issued at the end of 2014 indicates that the banks and financial services sector ranked first with SAR 513.8 billion, accounting for 28.3 percent of the total market capitalization of issued shares. The petrochemical industries sector came second with SAR 423.3 billion (23.4 percent of the total), followed by the telecommunication and information technology sector with SAR 175.7 billion, representing 9.7 percent of the total (Table 7.4).

The most active three joint-stock companies in terms of the number of transactions executed in 2014

were Alinma Bank with 1,470.2 thousand, followed by Dar Al-Arkan Company with 894.9 thousand, and then SABIC with 879.3 thousand (Table 7.5).

New Offerings in 2014

During 2014, six new companies with a total capital of SAR 22.5 billion and 2.2 billion issued shares were offered for subscription. The total number of shares offered for public subscription was 587.5 million with a total value of SAR 25.2 billion. Total market capitalization of issued shares amounted to SAR 126.1 billion. Oversubscription averaged 21.6 times for

Table 7.4: SAUDI STOCK MARKET ACTIVITY BY SECTORS DURING 2014

Sector	No. of Traded Shares		Value of Traded Shares		No. of Executed Transactions		Market Capitalization	
	(Million Shares)	Ratio to Total	(Billion SAR)	Ratio to Total	(Thousand)	Ratio to Total	(Billion SAR)	Ratio to Total
Banks & Financial Services	9,801.0	14.0	279.7	13.0	2,820.5	7.9	513.8	28.3
Petrochemical Industries	10,866.4	15.5	332.6	15.5	3,459.8	9.7	423.3	23.4
Cement	2,373.3	3.4	78.9	3.7	1,701.8	4.8	90.8	5.0
Retail	1,936.0	2.8	129.8	6.0	2,666.0	7.5	76.0	4.2
Energy & Utilities	980.3	1.4	16.3	0.8	204.4	0.6	64.5	3.6
Agriculture & Food Industries	3,867.0	5.5	171.5	8.0	3,411.9	9.5	122.7	6.8
Telecommunication & Information Technology	8,075.8	11.5	148.4	6.9	1,646.8	4.6	175.7	9.7
Insurance	8,485.8	12.1	319.1	14.9	8,513.8	23.8	39.8	2.2
Multi-Investment	2,364.3	3.4	63.0	2.9	1,194.9	3.3	73.6	4.1
Industrial Investment	3,778.3	5.4	162.8	7.6	2,690.9	7.5	57.5	3.2
Building & Construction	4,056.6	5.8	131.6	6.1	2,779.8	7.8	27.9	1.5
Real Estate Development	11,262.4	16.1	198.4	9.2	2,358.8	6.6	99.2	5.5
Transport	1,272.1	1.8	48.3	2.2	840.4	2.4	19.8	1.1
Media and Publishing	373.5	0.5	18.7	0.9	479.7	1.3	3.8	0.2
Hotel & Tourism	625.9	0.9	47.3	2.2	991.6	2.8	24.4	1.3
Total	70,118.6	100.0	2,146.5	100.0	35,761.1	100.0	1,812.8	100.0

Source: Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2013.



Table 7.5: MOST ACTIVE THREE JOINT-STOCK COMPANIES DURING 2014

No. of Executed Transactions	(Company)	Al-Inma Bank	Dar Al-Arkan	SABIC
	(Thousand Transaction)	1,470.2	894.9	879.3
No. of Shares Traded	(Company)	Dar Al-Arkan	Alinma Bank	ZAIN KSA
	(Billion Shares)	7.6	6.8	5.00
Value of Shares Traded	(Company)	Al-Inma Bank	SABIC	Dar Al-Arkan
	(Billion SAR)	136.9	119.1	93.8

Source: The Annual Report on the performance of the Saudi Stock Exchange (Tadawul), 2014.

companies subscribed in at the level of the market during 2014 (**Table 7.6**).

The total number of subscribers for the companies offered in 2014 went up by 8.8 percent from that of the preceding year to 11.2 million. Different subscription channels such as telephone banking, ATMs, and the internet have contributed to reducing errors, subscription periods, and reliance on paper subscription applications. The number of subscribers via telephone banking was 1.1 million (8.9 percent of the total subscribers), ATMs 6.5 million (61.0 percent), and the internet 2.5 million (19.4 percent). The number of subscribers via bank branches amounted to 1.0 million, accounting for 10.7 percent of the total subscribers (**Table 7.7**).

New Companies Added to TASI During 2014

Shares of the following companies were added to TASI during 2014:

1. Bawan Company;
2. Saudi Marketing Company;
3. Umm Al-Qura Cement Company;
4. Abdul Mohsen Al-Hokair Group for Tourism and Development; and
5. Al-Hammadi Company for Development and Investment.

The shares of Weqaya Takaful Insurance and Reinsurance Company and Sanad Cooperative Insurance & Reinsurance Company were excluded from TASI.

Efforts of CMA during 2014 for Raising Investors' Awareness

CMA publishes news and resolutions issued by its Board on its website to ensure that information reaches all investors at the same time. Pursuant to CMA's strategy to continue with programs relevant to investors' awareness, a number of actions were taken during 2014 including publishing many press and media materials regarding news and resolutions issued by its Board, which amounted to 200 press materials in 2014, in addition to 5 awareness reports distributed to the media. Awareness reports were published in 132 paper and online newspapers, while awareness messages and interactive responses transmitted on the CMA's social networks totaled 510, besides printing and publishing over 32 thousand publications through participation in conferences and symposia and distribution in airports, train stations, schools and summer, social and charity centers. CMA also published the eighth issue of Smart Investor Magazine which addresses the importance of planning and budget topics through various walks of life. CMA continued

Table 7.6: NEW LISTED COMPANIES ON THE SAUDI STOCK MARKET DURING 2014

Company	Sector	Date of IPO	Capital (Million)	Total Issued Shares (Million)	No. of shares offered for public subscription (Million)	Floating Price	Closing price on 31/12/2014	Value of Offering (Million)	No. of subscribers (Million)	Market capitalization of shares subscribed for (Million)	No. of over-subscription (Times)
1 Al-Ahli Bank	Banks and Financial Services	19-Oct	20,000.0	2,000.0	500.0	45.0	54.98	22,500.0	1.3	109,960.0	23.0
2 Umm Al-Gura Cement	Cement	29-Apr	550.0	55.0	27.5	10.0	36.57	275.0	3.3	2,011.4	8.5
3 Saudi Marketing Company (Farm Superstores)	Retail	22-Jan	250.0	25.0	7.5	36.0	81.86	270.0	1.4	2,046.5	25.5
4 Al-Hammadi	Retail	11-Jun	750.0	75.0	22.5	28.0	84.08	630.0	1.7	6,306.0	24.2
5 Electrical Industries Company	Building & Construction	11-Nov	450.0	45.0	13.5	54.0	55.64	729.0	1.7	2,503.8	25.0
4 Al-Hokair Group	Hotel & Tourism	28-May	550.0	55.0	16.5	50.0	59.41	825.0	1.7	3,267.6	23.4





Table 7.7: NUMBER OF SUBSCRIBERS FOR IPOs BY CHANNELS OF SUBSCRIPTION
(Million subscribers)

Channel of Subscription	2013		2014		% Annual Change
	Number	%	Number	%	
Phone Banking	0.9	8.9	1.1	8.9	21.1
ATM	6.2	61.0	6.5	61.0	4.9
Internet	2.0	19.4	2.5	19.4	24.4
Bank Branches	1.1	10.7	1.0	10.7	-5.2
Total	10.2	100.0	11.1	100.0	8.8

Source: Capital Market Authority (CMA).

the project of mobile exhibitions and targeted five cities in 2014 across the regions of the Kingdom. The exhibitions were attended by 3.7 million visitors. The number of awareness campaigns was 19. In addition, awareness visits were made to schools in various cities and regions of the Kingdom, where 215 school visits were carried out in nine different cities and regions with a number of beneficiary students of 7,000. Moreover, 9.8 thousand copies of Smart Investor Magazine were distributed. CMA also held training courses during 2014 for 31 female ambassadors in the context of Ambassador of the Smart Investor program, in which they were provided with necessary instruments to hold exhibitions. By this program, CMA was keen to spread the culture of sound financial transactions and volunteering.

Sukuk and Bonds Market during 2014

Total size of outstanding sukuk and bonds issued since the foundation of Tadawul up to the end of 2014 has reached SAR 32.5 billion. The number of issues in 2014 was eight; three of which were offered by the Saudi Electricity Company with an issuance value of SAR 18.5 billion; and one by each of the Saudi Hollandi Bank with an issuance value of SAR 725.0 million, the Saudi SIPCHM with an issuance value of SAR 1.8 billion, SATORP with an issuance value of SAR 3.7 billion, Sadara Company with an issuance

value of SAR 7.5 billion and Saudi ORIX company with an issuance value of SAR 240 million. The listing of Saudi Electricity Company's Sukuk II was cancelled on 06/07/2014. In 2014, the value of traded sukuk and bonds amounted to SAR 108.1 million. Their nominal value was SAR 107.6 million (**Table 7.8**).

Comparison between Tadawul and Arab Stock Exchanges in 2014

The performance of the Arab stock exchanges participating in the Arab Monetary Fund Database (AMDB) was mixed during 2014. Four stock exchanges' indices recorded a rise ranging from 0.1 percent in Palestine Stock Exchange to 11.1 percent in Tunisia Stock Exchange. In contrast, ten indices recorded a decline ranging from 0.3 percent in Lebanon Stock Exchange to 25.2 percent in Dubai Stock Exchange (**Table 7.9**).

Average total market capitalization of all Arab stock exchanges increased by 6.5 percent to \$80.3 billion at the end of 2014 as compared to \$75.4 billion at the end of the preceding year. The market capitalization of Dubai Stock Exchange recorded the largest increase of 24.3 percent, followed by Qatar Securities Market, rising by 21.8 percent, and Bahrain Stock Exchange with an increase of 19.6 percent.



Table 7.8: SUKUK AND BONDS ACTIVITY DURING 2014

Sukuks / Bonds	Issue value (Million SAR)	Par Value (Thousand SAR)	Maturity Date	Annual Return (%)	Transactions	Value Traded (Thousand SAR)	Par Value Traded (Thousand SAR)
Saudi ORIX Sukuks	240	100	26-Dec-2015	3-month SIBOR + 1.65%	0	0.0	0
Saudi Hollandi Bank2	725	100	31-Dec-2019	SIBOR + Margin(190 bps)	1	997.5	1,000
Sadara Sukuks	7,500	50	15-Dec-2028	6-month SIBOR + 0.95%	0	0.0	0
Sipchem Sukuks	1,800	100	06-Jul-2016	SIBOR + 1.75%	3	48,410.4	48,000
Saudi Electricity 2*	7,000	100	06-Jul-2029	SIBOR + 1.6%	0	0.0	0
Saudi Electricity 3	7,000	10	10-May-2030	SIBOR + 0.95%	3	33,530.0	33,530
Saudi Electricity 4	4,500	1,000	30-Jan-2024	3-month SIBOR + 0.7%	1	25,025.0	25,000
Satorp Sukuks	3,749	100	20-Dec-2025	6-month SIBOR + 0.95% +Margin(190 bps)	1	100.1	100
Total	32,514	—	—	—	9	108,063.0	107,630

* Listing Cancelled on 6/7/2014.

Source: The Annual Report on the performance of the Saudi Stock Exchange Company (Tadawul), 2014.

**Table 7.9: ANNUAL CHANGE IN SOME ARAB STOCK MARKETS (2014)
(Percentages)**

Market	No. of Shares Traded	Market capitalization of Shares Traded	Share Price Index
Saudi Arabia	42.2	3.40	-23.2
Kuwait	-26.9	-7.4	-14.2
Egypt	25.7	13.6	-7.1
Morocco	-4.0	-3.5	-4.6
Bahrain	-73.3	19.6	-3.4
Jordan	20.4	-1.0	2.4
Oman	-6.6	2.9	-15.2
Tunisia	1125.4	8.2	11.1
Lebanon	2.9	6.4	-0.3
Abu Dhabi	-37.5	3.7	-11.3
Algeria	-2.3	-11.2	--
Dubai	-30.4	24.2	-25.2
Sudan	4.9	-16.4	2.2
Qatar	48.8	21.8	-10.5
Palestine	-57.2	-1.6	0.1

-- Not available.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, fourth quarter 2014.



A comparison of selected Arab stock exchanges' indicators for 2014 shows that the Saudi Stock Exchange recorded the highest indicators among all Arab stock exchanges. Market capitalization of the Saudi Stock Exchange stood at \$482.3 billion, compared to an average of \$80.3 billion for the Arab countries composing AMFI. Market capitalization of the Saudi Stock Exchange represented 40.4 percent of the total market capitalization of the Arab securities markets at the end of 2014. The value of shares traded on the Saudi Stock Exchange amounted to \$130.6 billion during 2014, constituting 70.3 percent of the total value of shares traded on the Arab stock exchanges participating in AMDB.

The number of companies whose shares were traded on the Saudi Stock Exchange reached 166 at the end of 2014, with an average market capitalization of \$2.9 billion per company, compared to an average of 98.1 companies with an average market capitalization of \$0.91 billion per company in the Arab stock exchanges participating in AMDB (**Table 7.10 and Chart 7.1**).

Developments of Investment Funds during 2014

The number of investment funds managed by investment companies in Saudi Arabia went up by 6.8 percent to 252 in 2014, and their total assets increased by 7.3 percent to SAR 110.7 billion at the end of 2014 from SAR 103.2 billion at the end of 2013. Domestic assets of investment funds stood at SAR 81.9 billion at the end of 2014. The foreign assets of investment funds increased by 35.3 percent to SAR 28.8 billion at the end of 2014, constituting 26.0 percent of the total assets of the funds. The number of subscribers stood at 246.0 thousand at the end of 2014, decreasing by 4.7 percent from that of the preceding year (**Table 7.11 and Chart 7.2**).

A review of the breakdown of the funds' investments inside and outside the Kingdom at the end of 2014 indicates that the total investments on global stock exchanges decreased by 7.8 percent to

SAR 11.2 billion. Investment in domestic equities rose by 3.5 percent to SAR 24.5 billion, accounting for 68.6 percent of the total funds' investments in equities against 66.0 percent at the end of the preceding year. Investment in domestic and global equities accounted for 32.2 percent of the total assets of investment funds at the end of 2014 against 34.7 percent at the end of 2013 (**Table 7.12**).

The funds' investments in international bonds went up by 16.6 percent to SAR 2.0 billion at the end of 2014 against SAR 1.7 billion in 2013. Their investments in domestic bonds also rose by 38.0 percent to SAR 4.0 billion at the end of 2014 from SAR 2.9 billion at the end of 2013. Investments in domestic and foreign bond markets accounted for 5.4 percent of investment funds' total assets at the end of 2014 compared to 4.5 percent at the end of the preceding year. Moreover, Investments in domestic and international money markets represented 55.0 percent of investment funds' total assets at the end of 2014 against 56.0 percent at the end of the preceding year. Investment in domestic money markets declined by 10.1 percent from SAR 50.8 billion at the end of 2013 to SAR 45.7 billion at the end of 2014, accounting for 75.0 percent of the total investments in domestic and international money markets at the end of 2014 against 87.9 percent at the end of the preceding year. On the other hand, investments in international money markets increased by 116.9 percent from SAR 7.0 billion at the end of 2013 to SAR 15.2 billion at the end of 2014.

Investments in other domestic assets went up by 196.9 percent to SAR 4.2 billion at the end of 2014, accounting for 91.1 percent of the total investments in other domestic and international assets compared to 77.5 percent at the end of the preceding year. Moreover, investments in other foreign assets went up by 0.2 percent to SAR 410 million at the end of 2014. Investment in real estate assets rose by 13.8 percent to SAR 3.6 billion at the end of 2014,



Table 7.10: MOST IMPORTANT INDICATORS OF ARAB STOCK MARKETS DURING 2014

	Index % Annual change	Market capitalization (Million \$)	No. of listed companies	Average company size (Million \$)	GDP at current prices (Million \$)*	Market depth (%)**
Saudi Arabia	-23.2	482,896.0	166.0	2,909	746.2***	64.7
Kuwait	-14.2	100,334.2	216.0	465	179.3	56.0
Egypt	-7.1	69,908.0	215.0	325	284.9	24.5
Morocco	-4.6	53,369.1	75.0	712	112.6	47.4
Bahrain	-3.4	22,088.0	47.0	470	34.0	65.0
Jordan	2.4	25,493.6	236.0	108	36.6	70.0
Oman	-15.2	37,830.5	131.0	289	80.5	47.0
Tunisia	11.1	9,295.0	81.0	115	49.1	18.9
Lebanon	-0.3	11,222.0	30.0	374	47.5	23.6
Abu Dhabi	-11.3	113,740.0	65.0	1,750	416.4	27.3
Algeria	--	110.7	2.0	55	227.8	0.04
Dubai	-25.2	87,832.0	58.0	1,514	416.4	21.1
Sudan	2.2	1,876.6	58.0	32	70.0	2.7
Qatar	-10.5	185,814.0	42.0	4,424	212.0	87.6
Palestine	0.1	3,190.6	49.0	65	--	--
Average	-7.1	80,333.4	98.1	907	166.7	39.7

* International Monetary fund (IMF).

** Ratio of market capitalization to GDP.

-- Not available.

*** Central Department of Statistics and Information, Ministry of Economy and Planning.

Source: Arab Monetary Fund, Quarterly Bulletin of the Arab Capital Market Database, fourth quarter 2014.

Chart 7.1: Percentage Shares of Arab Stock Markets Composing the Arab Monetary Fund's Index at the End of 2014 by Market Capitalization

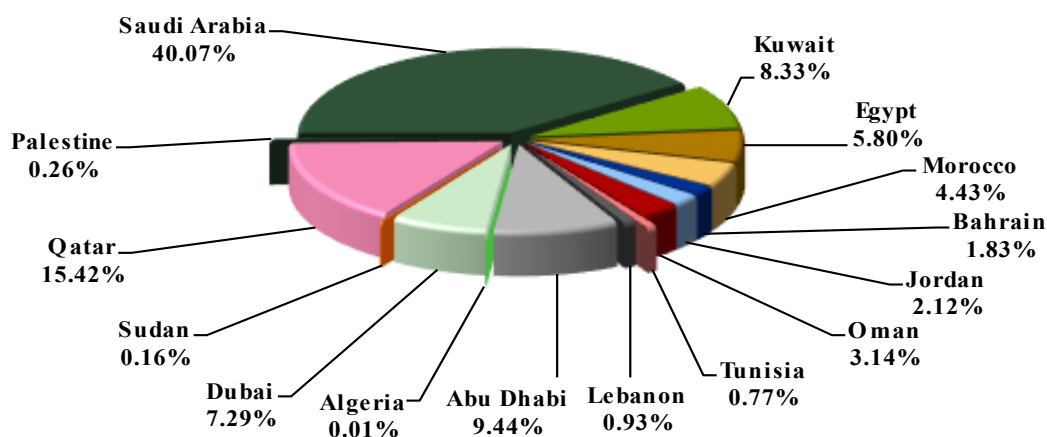


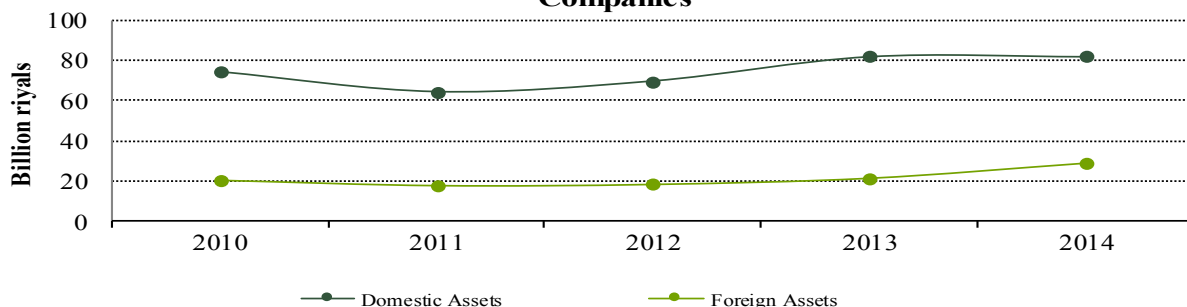
**Table 7.11: MOST IMPORTANT INDICATORS OF INVESTMENT FUNDS
MANAGED BY DOMESTIC INVESTMENT COMPANIES**

Year	No. of operating funds	% Annual Change	Domestic assets investment (Billion SAR)	% Annual Change	Foreign assets investment (Billion SAR)	% Annual Change	Funds' total assets (Billion SAR)	% Annual Change	No. of subscribers (Thousand)	% Annual Change
2010	243	-0.4	74.4	0.4	20.3	31.7	94.7	5.8	320.4	-10.1
2011	249	2.5	64.5	-13.3	17.7	-13.0	82.2	-13.2	293.9	-8.3
2012	240	-3.6	69.8	8.2	18.3	3.4	88.1	7.1	275.6	-6.2
2013	236	-1.7	81.9	17.3	21.3	16.8	103.2	17.2	258.1	-6.4
2014	252	6.8	81.9	0.0	28.8	35.3	110.7	7.3	246.0	-4.7

Source: Capital Market Authority (CMA).



Chart 7.2: Assets of Investment Funds at Domestic Investment Companies



representing 3.2 percent of investment funds' total assets compared to 3.0 percent at the end of the preceding year (Table 7.12).

An analysis of the classification of investment companies by funds' assets shows that the NCB Capital took the lead in terms of its investment funds' volume of assets, which stood at SAR 32.5 billion, representing 29.4 percent of the total assets of investment funds. Riyadh Capital came next with SAR 18.1 billion (16.3 percent of the total). Samba Capital & Investment Management Co. came third with SAR 16.0 billion (14.5 percent of the total).

For the total number of investment funds, Riyadh Capital came first with 36 funds, one of which was close-ended. NCB Capital came next with 27 funds, one of which was close-ended. HSBC Saudi Arabia Limited came third with 21 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 70.2 thousand, followed by NCB Capital with 39.1 thousand and Samba Capital & Investment Management Co. with 30.6 thousand (Table 7.13)■

Table 7.12: ASSETS OF INVESTMENT FUNDS MANAGED BY DOMESTIC INVESTMENT COMPANIES DISTRIBUTED BY TYPE OF INVESTMENT

(Million SAR)

End of Period	Domestic Equities	Foreign Equities	Domestic Bonds	Foreign Bonds	Domestic money market instruments	Foreign money market instruments	Other domestic assets	Other foreign assets	Real Estate Investments	Total Assets
2011	18,472	9,289	3,031	2,560	40,132	5,454	1,156	359	1,740	82,193
2012	19,192	10,354	2,086	1,807	44,874	6,034	1,844	60	1,817	88,068
2013	23,639	12,170	2,878	1,731	50,809	7,005	1,411	409	3,127	103,179
2014	24,477	11,215	3,973	2,019	45,674	15,194	4,189	410	3,560	110,711

Source: Capital Market Authority (CMA).



**Table 7.13: CLASSIFICATION OF INVESTMENT COMPANIES
BY ASSETS, NUMBER OF FUNDS AND SUBSCRIBERS IN 2014**

Investment Company	No. of Funds			Assets of Funds (Million SAR)			No. of Subscribers
	Close-ended	Open-ended	Total	Domestic	Foreign	Total	
NCB Capital Co.	1	26	27	28,704.6	3,819.1	32,523.7	39,059
Riyad Capital Co.	1	35	36	10,231.1	7,852.9	18,084.0	70,175
Samba Capital	0	17	17	10,530.3	5,486.8	16,017.1	30,583
Al Rajhi Financial Services Co.	0	11	11	4,039.6	7,749.8	11,789.4	13,576
HSBC Saudi Arabia Limited	0	21	21	8,044.4	858.8	8,903.2	33,460
Saudi Fransi Capital	1	12	13	3,758.0	376.8	4,134.8	12,527
ANB Invest Co.	1	16	17	3,483.7	153.3	3,637.0	8,023
Al Jazira Capital Co.	2	10	12	1,336.4	928.0	2,264.4	1,446
Saudi Hollandi Capital Co.	0	16	16	1,860.4	108.1	1,968.5	2,704
FALCOM Financial Services	0	6	6	1,926.1	7.0	1,933.1	740
Alistithmar Capital Co.	0	7	7	968.2	655.0	1,623.2	637
AlBilad Investment Co.	0	7	7	1,158.5	29.3	1,187.8	29,033
AlAwwal For Financial Services Co.	1	5	6	815.4	27.2	842.6	421
KSB Capital Group	2	4	6	714.5	0.0	714.5	1,393
Middle East Financial Investment Co.	1	2	3	389.6	253.5	643.1	99
Global Investment House KSA	0	2	2	623.9	0.0	623.9	14
Audi Capital Co.	0	2	2	476.9	105.6	582.5	84
Jadwa Investment Co.	0	7	7	486.2	77.1	563.3	149
Osool & Bakheet Investment Company	0	3	3	503.2	8.6	511.8	512
Alinma Investment Co.	0	4	4	135.0	246.6	381.6	587
Alkhabeer Capital Co.	0	3	3	282.1	11.7	293.8	45
Saudi Kuwaiti Finance House	0	2	2	286.5	0.0	286.5	230
Milkiyyah Investment Co.	0	2	2	186.9	0.0	186.9	170
Arbah Capital Co.	0	1	1	150.3	0.0	150.3	31
Gulf Investors Asset Management Company	0	2	2	142.2	0.0	142.2	85
Musharaka Capital Co.	0	1	1	125.1	0.0	125.1	67
EFG-Hermes KSA	0	1	1	117.9	0.0	117.9	24
Morgan Stanley Saudi Arabia Co.	0	1	1	99.6	0.0	99.6	8
Blominvest Saudi Arabia Co.	0	2	2	49.6	47.9	97.5	8
The Investor Co. For securities	0	2	2	81.1	0.0	81.1	11
Bait Al Mal Al Khaleeji Co.	0	2	2	70.8	0.0	70.8	33
Alkhair Capital Saudi Arabia Co.	0	3	3	60.0	9.8	69.8	22
Itqan Capital Co.	0	1	1	14.9	21.2	36.1	36
Aloula Geojit Capital Co.	0	3	3	12.6	0.0	12.6	13
Rana Investment Co.	0	1	1	4.9	0.0	4.9	6
Muscat Capital Co.	0	1	1	0.0	3.6	3.6	11
Al-Nefaie Investment Group	0	1	1	2.6	0.0	2.6	9
Total	10	242	252	81,873.1	28,837.7	110,710.8	246,031

Source: Capital Market Authority (CMA).



According to data of the Central Department of Statistics and Information (CDSI), the total value of the Kingdom's exports stood at SAR 1,283.6 billion in 2014 against SAR 1,409.5 billion in 2013, accounting for 45.9 percent of the Kingdom's GDP in 2014. The total value of imports (CIF) amounted to SAR 651.9 billion, constituting 23.3 percent of total GDP. As for overseas transactions, the current account of the Kingdom's balance of payments recorded a surplus of SAR 288.4 billion in 2014, representing 10.3 percent of total GDP.

External Trade

According to data of external trade issued by CDSI, the value of the Kingdom's merchandise trade (exports + imports) decreased by 5.1 percent to SAR 1,935.5 billion in 2014 from SAR 2,040.1 billion in the preceding year. As an indication to the Kingdom's openness to the world economy, the ratio of external merchandise trade to the Kingdom's GDP stood at 69.2 percent in 2014 compared to 72.3 percent in the preceding year.

Exports

The total value of the Kingdom's merchandise exports reached SAR 1,283.6 billion in 2014 compared to SAR 1,409.5 billion in 2013, denoting a decline of 8.9 percent compared to a decrease of 3.2 percent in the preceding year (**Table 8.1**).

Oil Exports

According to CDSI's data, the Kingdom's oil exports in 2014 amounted to SAR 1,066.6 billion, declining by 11.6 percent compared to a fall of 4.6 percent in the preceding year (**Table 8.1**). The decline was attributed to a fall in the average of oil prices in the global markets, with the average price of the Arab light crude standing at \$97.18 per barrel in 2014 compared to \$106.53 per barrel in 2013, despite the increase in the kingdom's average production of crude oil from 9.64 million bpd in 2013 to 9.71 million bpd in 2014.

Data on oil exports by type indicates that the value of crude oil exports decreased by 14.8 percent

Table 8.1: SAUDI MERCHANDISE EXPORTS

(Million Riyals)

	2011	2012	2013	2014*	% Annual Change
Oil Exports	1,191,051	1,265,550	1,207,080	1,066,590	-11.6
Crude oil	1,068,658	1,144,638	1,102,478	938,959	-14.8
Refined products	122,393	120,912	104,602	127,631	22.0
Non-oil Exports	176,568	190,952	202,443	217,030	7.2
Petrochemicals	114,680	124,184	131,509	143,647	9.2
Construction materials	10,332	10,536	11,753	13,704	16.6
Agricultural, animal and food products	12,605	12,853	12,628	13,405	6.2
Other goods**	38,951	43,379	46,553	46,274	-0.6
Total	1,367,619	1,456,502	1,409,523	1,283,620	-8.9

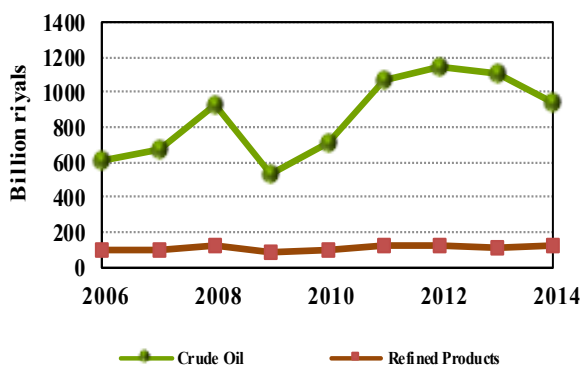
* Preliminary data. ** Including re-exports.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.



from SAR 1,102.5 billion in 2013 to SAR 939.0 billion in 2014. In contrast, the value of exports of refined products increased by 22.0 percent to SAR 127.6 billion from SAR 104.6 billion. **Chart 8.1** illustrates the developments in the Kingdom's oil and non-oil exports. It shows that the crude oil exports recorded their lowest level in 2009 and the highest level in 2012.

Chart 8.1
Saudi Oil Exports



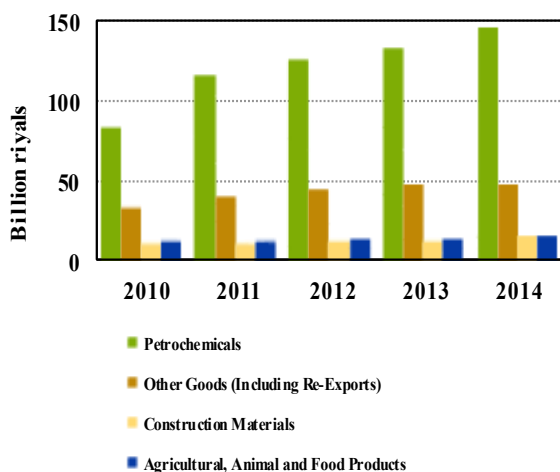
Non-oil Exports

According to CDSI's data, the Kingdom's non-oil exports continued to improve in 2014, as they increased by 7.2 percent to SAR 217.0 billion against a rise of 6.1 percent in the preceding year (**Table 8.1**). The value of petrochemical exports rose by 9.2 percent to SAR 143.6 billion. Exports of construction materials went up by 16.6 percent to SAR 13.7 billion; and that of agricultural, animal and food products by 6.2 percent to SAR 13.4 billion; On the other hand, exports of other goods, including re-exports, declined by 0.6 percent to SAR 46.3 billion. **Chart 8.1** illustrates the components and development of non-oil exports during the period 2010–2014. It indicates that they recorded a continued growth, reaching their highest levels in 2014.

Development of Saudi Non-oil Exports

In line with the Kingdom's continued efforts to expand its economic base and diversify non-oil exports, the Saudi Export Program (SEP) aims at providing necessary funding for exporters and importers of Saudi-origin goods. To this end, the Kingdom has adopted a number of structural and institutional reforms, including the establishment of the SEP.

Components of Saudi Non-Oil Exports



The SEP of the Saudi Fund for Development (SFD) plays an effective role in providing finance and credit facilities necessary for the development of national non-oil exports to diversify the sources of the national income. The number of finance operations approved by the fund since the launch of the Program in 2007 reached 134 with a total value of SAR 13.6 billion. The Program approved a diverse set of export finance and credit insurance operations with a value of SAR 2.1 billion in 2014, denoting a decline of 49.0 percent from the preceding year (**Table 8.2**). The program operations in 2014 were directed towards both insurance and finance with SAR 1.1 billion each. Insurance operations of the exports of chemical industries and plastic products totaled SAR 954.0



million., indicating the absence of finance operations thereof. Financing operations of the exports of the industry of manufactured metal products, machinery, and equipment amounted to SAR 112.5 million. The Program provided credit lines of SAR 243.8 million in 2014. Financing and guaranteeing exports of other sector products accounted to SAR 632.8 million and SAR 117.0 million, respectively.

Imports

Data shows that the value of the Kingdom's imports of goods (CIF) increased by 3.4 percent to SAR 651.9 billion in 2014 from SAR 630.6 billion in the preceding year (**Table 8.3**).

Data on the Kingdom's imports by main components for 2014 (**Chart 8.2**) shows that imports

Table 8.3: THE KINGDOM'S IMPORTS (CIF) BY MAIN COMPONENTS

	Million Riyals			% Share			% Annual Change
	2012	2013	2014*	2012	2013	2014	2014
Machines, appliances and electrical equipment	154,096	165,230	171,011	26.4	26.2	26.2	3.5
Foodstuffs	81,214	90,341	91,626	13.9	14.3	14.1	1.4
Chemical and metal products	52,708	53,009	58,295	9.0	8.4	8.9	10.0
Textiles and clothing	18,065	18,880	20,229	3.1	3.0	3.1	7.1
Metals and their products	80,376	78,102	79,759	13.8	12.4	12.2	2.1
Wood and jewelry	16,936	24,909	25,131	2.9	4.0	3.9	0.9
Transport equipment	103,543	107,552	108,610	17.7	17.1	16.7	1.0
Other goods	76,535	92,559	97,215	13.1	14.7	14.9	5.0
Total	583,473	630,582	651,876	100.0	100.0	100.0	3.4

* Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

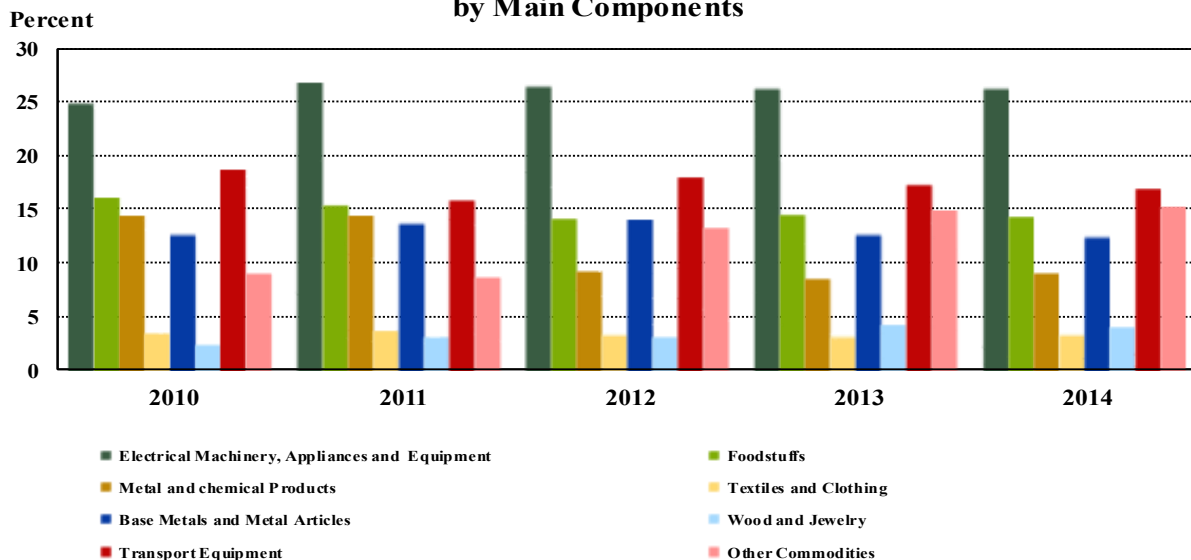
Table 8.2: FINANCE AND GUARANTEE OF SAUDI EXPORTS

(Million Riyals)

Goods and Products	2012		2013		2014	
	Finance	Guarantee	Finance	Guarantee	Finance	Guarantee
Manufactured metal products, machines and equipment	18.75	0.00	11.25	0.00	112.50	0.00
Chemical and plastic products	1,387.50	1,998.00	2,418.75	917.00	0.00	954.00
Capital projects	0.00	13.05	0.00	6.00	67.50	0.00
Credit lines	502.50	0.00	431.25	0.00	243.75	0.00
Other	0.00	54.11	0.00	390.00	632.81	117.00
Total	1,908.75	2,065.16	2,861.25	1,313.00	1,056.56	1,071.00

Source: Saudi Fund for Development.

**Chart 8.2: Shares of Saudi Imports (CIF)
by Main Components**



of electric machinery, appliances and equipment (SAR 165.4 billion) ranked first with a share of 26.2 percent of total imports, rising by 3.5 percent over the preceding year. Imports of transport equipment (SAR 108.6 billion) came second, constituting 16.7 percent of total imports and increasing by 1.0 percent over the preceding year. Imports of other goods (SAR 97.2 billion) ranked third with a share of 14.9 percent, rising by 5.0 percent. Imports of foodstuffs (SAR 91.6 billion) ranked fourth with a share of 14.1 percent, increasing by 1.4 percent. Imports of ordinary metals and their products (SAR 79.8 billion) came fifth with a share of 12.2 percent, rising by 2.1 percent. Imports of chemical and metal products (SAR 58.3 billion) ranked sixth with a share of 8.9 percent, rising by 10.0 percent over the preceding year. Imports of wood and jewelry (SAR 25.1 billion) came seventh with a share of 3.9 percent, increasing by 0.9 percent over the preceding year. Imports of textiles and clothing (SAR 20.2 billion) came eighth with a share of 3.1 percent, rising by 7.1 percent over the preceding year.

Imports by Origin

The Kingdom's imports by origin are divided into four groups. The first group includes the top non-Arab sixteen exporting countries to the Kingdom. The second group comprises the GCC countries. The third group constitutes of Arab countries excluding the GCC countries, and the fourth group includes countries of the rest of the world (**Table 8.4**).

Data indicates that imports from the top sixteen exporting countries to the Kingdom increased by 3.3 percent to SAR 454.9 billion in 2014, maintaining their share in the Kingdom's total imports at 69.8 percent. Imports from China (SAR 87.2 billion) came first with a share of 13.4 percent of the Kingdom's total imports, up by 11.0 percent over the preceding year. Imports from the United States (SAR 84.7 billion) came second with a share of 13.0 percent, decreasing by 0.8 percent from the preceding year. Imports from Germany ranked third (SAR 47.1 billion) with a share of 7.2 percent, going up by 5.1 percent over the preceding year. Imports from Japan (SAR 37.3 billion) came fourth with a



Table 8.4: THE KINGDOM'S IMPORTS BY ORIGIN

	Million Riyals			% Share			% Annual Change
	2012	2013	2014*	2012	2013	2014	2014
China	74,195	78,488	87,122	12.7	12.4	13.4	11.0
USA	78,770	85,376	84,730	13.5	13.5	13.0	-0.8
Germany	41,367	44,812	47,093	7.1	7.1	7.2	5.1
Japan	38,989	35,153	37,306	6.7	5.6	5.7	6.1
South Korea	35,467	36,018	32,336	6.1	5.7	5.0	-10.2
India	19,581	21,821	23,509	3.4	3.5	3.6	7.7
France	18,603	19,663	22,132	3.2	3.1	3.4	12.6
Italy	17,484	20,374	21,929	3.0	3.2	3.4	7.6
Switzerland	13,620	19,740	17,953	2.3	3.1	2.8	-9.1
UK	15,719	16,043	17,271	2.7	2.5	2.6	7.7
Thailand	12,707	13,508	13,907	2.2	2.1	2.1	3.0
Brazil	11,810	12,500	11,225	2.0	2.0	1.7	-10.2
Turkey	13,422	12,283	10,867	2.3	1.9	1.7	-11.5
Vietnam	4,953	8,216	9,998	0.8	1.3	1.5	21.7
Indonesia	7,301	7,417	9,126	1.3	1.2	1.4	23.0
Australia	8,199	8,952	8,694	1.4	1.4	1.3	-2.9
16-country group	412,187	440,364	455,198	70.6	69.8	69.8	3.4
GCC countries**	38,809	48,448	47,793	6.7	7.7	7.3	-1.4
Other Arab countries	17,655	18,737	19,098	3.0	3.0	2.9	1.9
Rest of the world	114,822	123,033	129,787	19.7	19.5	19.9	5.5
Total imports (CIF)	583,473	630,582	651,876	100.0	100.0	100.0	3.4
Imports (FOB)	527,499	570,448	589,482				3.3

* Preliminary data.

** Including re-exports.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.



share of 5.7 percent, increasing by 6.1 percent over the preceding year. Imports from South Korea (SAR 32.3 billion) ranked fifth with a share of 5.0 percent, declining by 10.2 percent from the preceding year. Imports from India (SAR 23.5 billion) ranked sixth with a share of 3.6 percent, increasing by 7.7 percent over the preceding year. Imports from France (SAR 22.1 billion) ranked seventh with a share of 3.4 percent, increasing by 12.6 percent over the preceding year. Imports from Italy (SAR 21.9 billion) came eighth with a share of 3.4 percent, increasing by 7.6 percent over the preceding year. Imports from Switzerland (SAR 18.0 billion) ranked ninth with a share of 2.8 percent, declining by 9.1 percent from the preceding year. Imports from the U.K. (SAR 17.3 billion) ranked tenth with a share of 2.6 percent, rising by 7.7 percent over the preceding year. Imports from Thailand (SAR 13.9 billion) ranked eleventh with a share of 2.1 percent, increasing by 3.0 percent over the preceding year. The positions from twelve to sixteen were occupied by Brazil, Turkey, Vietnam, Indonesia, and Australia, with shares of 1.7 percent, 1.7 percent, 1.5 percent, 1.4 percent, and 1.3 percent, respectively, of the Kingdom's total imports.

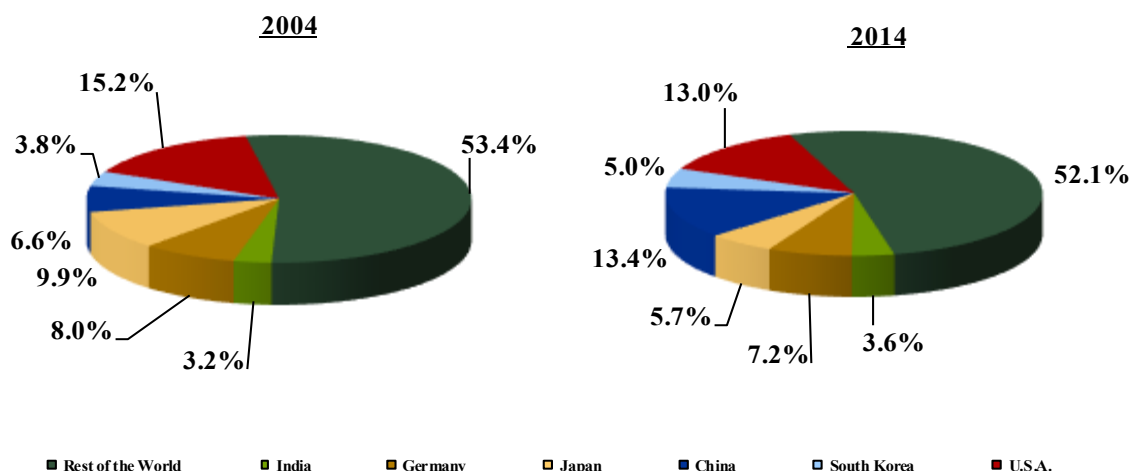
The Kingdom's imports from the GCC countries went down by 1.4 percent to SAR 47.8 billion during 2014, accounting for 7.3 percent of the Kingdom's total imports. Imports from other Arab countries increased by 1.9 percent to SAR 19.1 billion, accounting for 2.9 percent of the Kingdom's total imports. The Kingdom's imports from the rest of the world rose by 5.8 percent to SAR 130.1 billion with a share of 20.0 percent.

Chart 8.3 illustrates the Kingdom's imports by origin in 2014 as compared to 2004. It noted that imports from China grew by more than seven-fold to SAR 87.1 billion in 2014 from SAR 11.7 billion in 2004.

Private Sector's Exports Financed through Commercial Banks

Private sector's exports financed through commercial banks (settled letters of credit) declined slightly by 0.03 percent to SAR 48.68 billion in 2014 compared to SAR 48.69 billion in 2013. Their share in total non-oil exports went down to 22.4 percent in 2014 compared to 24.1 percent in 2013. However, a

Chart 8.3: Saudi Imports by Origin





substantial portion of non-oil exports is still settled through other banking payment methods used between exporters in the Kingdom and importers in other countries or through the Saudi Export Program (SEP), Export Finance Program of the Islamic Development Bank (IDB) and Arab Trade Financing Program of the Arab Monetary Fund (AMF), in addition to direct transfers to exporters' accounts inside or outside the Kingdom.

Detailed data on the private sector's exports financed through commercial banks in 2014 show that the private sector's exports of other industrial products declined by 3.4 percent to SAR 41.2 billion, ranking first with a share of 84.6 percent of the total as compared to 2013. Chemical and plastic products exports came next with SAR 7.0 billion, with an increase of 24.1 percent, and a share of 14.4 percent. Exports of agricultural and animal products held the last position with a value of SAR 483.0 million, rising by 12.9 percent over the preceding year and accounting for 1.0 percent of total exports.

Private Sector's Imports Financed through Commercial Banks

The private sector's imports financed through commercial banks (settled letters of credit and bills received for collection) declined by 6.7 percent to SAR 233.7 billion in 2014 compared to SAR 250.4 billion in the preceding year. Their ratio to the Kingdom's total imports value was 35.9 percent in 2014 against 39.7 percent in the preceding year.

The decrease in imports financed through commercial banks during 2014 was attributed to declines in financing of imports of other goods by 11.5 percent to SAR 100.0 billion, imports of motor vehicles by 14.0 percent to SAR 48.2 billion, imports of grain by 28.4 percent to SAR 12.6 billion, imports of textiles and clothing by 6.8 percent to SAR 3.7 billion, and imports of fruits and vegetables by 14.3 percent to SAR 0.5 billion.

However, financing of imports of construction materials rose by 26.4 percent to SAR 24.6 billion,; financing of imports of appliances by 32.9 percent to SAR 6.8 billion,; financing of imports of machinery by 3.5 percent to SAR 21.3 billion,; financing of imports of other foodstuffs imports of sugar, tea, and coffee beans; and financing of imports of livestock and meat by 11.8 percent, 99.9 percent and 3.4 percent respectively.

As for their percentage shares in the total imports financed through commercial banks, financing of imports of other goods ranked first with 42.8 percent, financing of motor vehicle imports came second with a share of 20.6 percent, financing of imports of foodstuffs ranked third with 12.5 percent of the total, financing of imports of construction materials ranked fourth with a share of 10.5 percent, followed by financing of imports of machinery, appliances, and textiles and clothing with shares of 9.1 percent, 2.9 percent and 1.6 percent respectively.

Exports via Ports

According to data issued by the Saudi Ports Authority, the volume of exports (excluding crude oil exports) handled at the Kingdom's ports increased by 22.2 percent to 60.4 million tons during the first half of 2014 compared to 49.4 million tons in the preceding year.

In mid-2014, exports of refined oil products and gas increased to 31.7 million tons (or 35.3 percent) as compared to 23.5 million tons in mid-2013. Exports of other goods went up by 24.5 percent to 327.1 thousand tons in mid-2014 compared to 262.7 thousand tons in the middle of the previous year. Exports of construction materials and steel rose by 15.1 percent to 10.9 million tons in the first half of 2014 compared to 9.5 million tons in the middle of the preceding year. Exports of chemical products increased by 12.2 percent to 12.5 million tons in the first half of 2014 compared to 11.1 million tons in the



middle of the preceding year. During the same period, exports of agricultural products went up by 6.9 percent to 43.4 thousand tons from 40.6 thousand tons while transshipment goods went down by 3.4 percent during the first half of 2014.

Positions of the relative shares of the volume of exports handled at ports during the first half of 2014 remained unchanged. Exports of refined oil products and gas ranked first with a share of 52.6 percent compared to 47.5 percent in the preceding year. Exports of chemical products came second with 20.7 percent of the total exports, followed by exports of construction materials and steel with 18.1 percent. Exports of transshipment goods held the fourth position with a share of 8.0 percent.

Imports via Ports

Available data for the first half of 2014 show that the volume of imports handled at the Kingdom's ports remained unchanged at 46.0 million tons as it was in the first half of the preceding year. Imports of foodstuffs increased by 2.3 percent to 12.2 million tons compared to 11.9 million tons during the corresponding period of the preceding year. Imports of general merchandise also went up by 0.6 percent to 14.7 million tons from 14.6 million tons during the same period of the preceding year. However, imports of equipment dropped by 22.2 percent to 664.0 thousand tons during the first half of 2014 against 853.4 thousand tons during the corresponding period of the preceding year. Imports of construction materials decreased by 11.4 percent to 8.6 million tons against 9.7 million tons in the preceding year.

As for their percentage shares during the first half of 2014, there were no changes in the ranking of the volume of imports via the Kingdom's ports. Imports of general goods ranked first with a share of 32.0 percent of total imports via ports. Imports of foodstuffs came second with 26.5 percent, and imports of industrial products came third with 21.5 percent. Imports of construction materials

ranked fourth with a share of 18.6 percent of total imports.

With respect to motor vehicles and livestock imported through the Kingdom's ports in the first half of 2014, the number of motor vehicles stood at 475.3 thousand, declining by 2.4 percent compared to 487.1 thousand during the first half of the preceding year, while that of livestock amounted to 3.49 million heads, increasing by 17.2 percent compared to 2.98 million heads during the corresponding period of the preceding year.

Non-oil Trade with GCC Countries

The Kingdom's net non-oil trade with the GCC countries recorded a deficit of SAR 2.8 billion in 2014 against a deficit of SAR 3.1 billion in 2013 (**Table 8.5**). The Kingdom's imports from the GCC countries (including re-exports) decreased by 1.4 percent to SAR 47.8 billion in 2014 compared to SAR 48.4 billion in the preceding year, representing 7.3 percent of the Kingdom's total imports. The Kingdom's exports to the GCC countries decreased by 0.7 percent to SAR 45.0 billion in 2014, accounting for 20.7 percent of the Kingdom's total non-oil exports.

Detailed data indicates that the Kingdom's non-oil commodity balance with the United Arab Emirates, the Sultanate of Oman and the Kingdom of Bahrain in 2014 recorded deficits of SAR 7.2 billion and SAR 2.0 billion respectively, while with Kuwait and Qatar registered surpluses of SAR 3.8 billion, and SAR 3.7 billion, respectively.

Data on the Kingdom's non-oil imports from the GCC countries in 2014 show that the U.A.E. continued to occupy the first position as the largest exporter to the Kingdom, with its exports amounting to SAR 31.0 billion. Imports from the U.A.E. accounted for 64.9 percent of the Kingdom's total non-oil imports from the GCC countries. The Kingdom of Bahrain came second with SAR 7.3



Table 8.5: SAUDI NON-OIL TRADE WITH GCC COUNTRIES*

(Million Riyals)

Country	2012			2013**			2014***		
	Imports From	Exports To	Difference	Imports From	Exports To	Difference	Imports From	Exports To	Difference
UAE	24,495	20,931	-3,564	31,940	24,147	-7,793	31,019	23,846	-7,173
Bahrain	4,996	5,622	626	6,360	5,968	-392	7,266	6,149	-1,117
Qatar	2,268	5,394	3,126	2,389	5,707	3,318	2,108	5,828	3,720
Oman	5,494	3,366	-2,128	5,883	3,410	-2,473	5,435	3,427	-2,008
Kuwait	1,556	6,032	4,476	1,876	6,089	4,213	1,965	5,745	3,780
Total	38,809	41,345	2,536	48,448	45,321	-3,127	47,793	44,995	-2,798

* Including re-exports.

** Revised figures

*** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

billion, representing 15.2 percent, followed by the Sultanate of Oman with SAR 5.4 billion or 11.4 percent, and Qatar with SAR 2.1 billion or 4.4 percent of the total. Kuwait came last with SAR 2.0 billion, accounting for 4.1 percent of the Kingdom's total non-oil imports from the GCC countries.

As regards to the Kingdom's non-oil exports to the GCC countries in 2014, the U.A.E. remained in the first position with SAR 23.8 billion or 53.0 percent of the Kingdom's total non-oil exports to the GCC countries. Bahrain came second with SAR 6.1 billion or 13.7 percent of the total, Qatar with SAR 5.8 billion or 13.0 percent, Kuwait with SAR 5.7 billion or 12.8 percent, and the Sultanate of Oman came last with SAR 3.4 billion or 7.6 percent of the total.

Non-oil Trade with Top Trading Partners of Arab Countries

Data on the Kingdom's non-oil trade with Arab countries (excluding GCC countries) indicate that the Kingdom recorded a surplus of SAR 11.8 billion in 2014, against a surplus of SAR 11.5 billion in 2013 (Table 8.6). The Kingdom's imports from Arab countries recorded an increase of 1.9 percent to

SAR 19.1 billion in 2014 against SAR 18.7 billion in the preceding year, representing 2.9 percent of the Kingdom's total imports. In contrast, the Kingdom's exports to Arab countries went up by 2.2 percent compared to the previous year to SAR 30.9 billion, constituting for 14.3 percent of the Kingdom's total non-oil exports.

Detailed data on the Kingdom's trade with top trading partners of non-GCC Arab countries show that the Kingdom recorded a surplus in its trade with all countries, excluding Egypt, Sudan and Syria. In 2014, the Kingdom recorded surpluses in its trade with Jordan (SAR 3.9 billion), Yemen (SAR 2.5 billion), Iraq (SAR 2.2 billion), Morocco (SAR 1.1 billion), and Lebanon (SAR 100 million). However, the Kingdom's trade with Egypt, Sudan and Syria in 2014 registered deficits of SAR 520 million, SAR 390 million and SAR 332 million, respectively.

With regard to the Kingdom's non-oil imports from its top trading partners of non-GCC Arab countries in 2014, Egypt came first with SAR 8.4 billion, accounting for 44.1 percent of the Kingdom's total non-oil imports from non-GCC Arab countries. Jordan came second with SAR 3.5 billion,



Table 8.6: NON-OIL TRADE WITH TOP ARAB TRADING PARTNERS*
(EXCLUDING GCC COUNTRIES)

(Million Riyals)

Country	2012			2013**			2014***		
	Imports From	Exports To	Difference	Imports From	Exports To	Difference	Imports From	Exports To	Difference
Egypt	7,520	6,527	-993	7,909	6,679	-1,230	8,414	7,894	-520
Jordan	2,697	6,574	3877	3,188	7,034	3,846	3,487	7,380	3893
Yemen	1,008	3,133	2125	912	3,750	2,838	1,009	3,545	2536
Lebanon	1,723	1,556	-167	1,689	1,658	-31	1,481	1,581	100
Morocco	538	2,073	1535	314	1,836	1,522	637	1,769	1132
Sudan	1,473	2,114	641	1,956	2,043	87	2,178	1,788	-390
Syria	1,527	1,964	437	725	499	-226	441	109	-332
Iraq	7	1,594	1587	6	2,010	2,004	5	2,170	2165
Rest of Arab countries	1,162	3,545	2383	2,038	4,775	2,737	1,446	4,702	3256
Total	17,655	29,080	11425	18,737	30,284	11,547	19,098	30,938	11840

* Including re-exports.

** Revised figures *** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

constituting 18.3 percent of the total imports from this group, followed by Sudan with SAR 2.2 billion, accounting for 11.4 percent. Lebanon came fourth with SAR 1.5 billion, representing 7.7 percent. The Kingdom's imports from Yemen (SAR 1.0 billion), Morocco (SAR 0.6 billion) and Syria (SAR 0.4 billion) came in the fifth, sixth and seventh positions respectively.

As for the Kingdom's non-oil exports to these countries in 2014, Egypt ranked first to which the Kingdom's exports amounted to SAR 7.9 billion or 25.5 percent of the Kingdom's total non-oil exports to non-GCC Arab countries. Jordan came second

with SAR 7.4 billion or 23.9 percent of the total, Yemen ranked third with SAR 3.5 billion or 11.5 percent, and Iraq ranked fourth with SAR 2.2 billion. The Kingdom's exports to Sudan and Morocco amounted to SAR 1.8 billion each, occupying the fifth and sixth positions respectively. Lebanon ranked seventh and Syria eighth with SAR 1.6 billion and SAR 0.1 billion respectively.

Balance of Payments

First: Current Account

The balance of payments is defined as a statistical statement that summarizes, through an organized systematic method, transactions carried out



between resident entities in the concerned country and non-resident entities during a specific period. Estimates of the Kingdom's balance of payments for 2014 indicate that the current account recorded a surplus of SAR 288.4 billion, compared to a surplus of SAR 507.9 billion in the preceding year, declining by 43.2 percent. The ratio of surplus to GDP was 10.3 percent against 18.2 percent in the preceding year. The decline was attributed to a decrease in the surplus of the balance of goods and services by 37.1 percent to SAR 371.8 billion and an increase in the deficit of net secondary income by 8.0 percent, despite an increase in net primary income by 21.6 percent (**Table 8.7**). **Chart 8.4** illustrates the developments in the current account balance and its major items during the period from 2011 to 2014. The chart shows that the balance of the current account recorded its highest surplus in 2012, while its lowest was registered in 2014. The item of goods and services recorded the highest surplus in 2012. The item of primary income recorded the highest surplus in 2014, while the item of net secondary income recorded the highest deficit in 2014.

A. Goods and Services

I. Goods

The surplus of the commodity balance went down by 15.6 percent to SAR 689.5 billion in 2014 from SAR 834.6 billion in the preceding year. Total exports (including oil and other exports) dropped by 8.9 percent to SAR 1,282.8 billion. Imports (FOB) increased by 3.3 percent to SAR 589.5 billion compared to SAR 570.4 billion in the preceding year. Non-monetary gold exports went up by 7.2 percent in 2014, and non-monetary gold imports by 3.5 percent.

II. Services

Deficit in the services account increased by 30.7 percent to SAR 317.6 billion in 2014 compared to a deficit of SAR 243.0 billion in the preceding year. This deficit was mainly attributable to increased deficits in net government services item by 53.1 percent to SAR 139.9 billion compared to SAR 91.4

billion in the preceding year; net travel item by 58.7 percent, to stand at SAR 59.5 billion against SAR 37.5 billion in the preceding year; and net other business services by 21.1 percent to SAR 24.7 billion compared to SAR 20.4 billion in the preceding year. Deficit also increased in net financial services item by 17.7 percent to SAR 2.9 billion compared to 2.5 billion in the preceding year, and in services payments for transportation item by 3.6 percent to SAR 64.5 billion compared to SAR 62.2 billion in the preceding year. However, deficit decreased in payments for net construction services by 14.1 percent to SAR 11.7 billion compared to SAR 13.6 billion in the preceding year, net telecommunication item by 5.3 percent to SAR 7.4 billion compared to SAR 7.8 billion in the preceding year, and net insurance item by 7.9 percent to SAR 7.1 billion compared to SAR 7.7 billion in the preceding year.

B. Primary Income

Data of the balance of payments indicates that net primary income item increased by 21.6 percent to SAR 61.8 billion in 2014 against SAR 50.9 billion in the preceding year, despite an increase in the deficit in net workers' compensations item by 1.9 percent to SAR 2.4 billion. This was attributable to an increase in net portfolio investment income by 9.0 percent to SAR 81.9 billion as compared to SAR 75.1 billion in the preceding year. This item's increase was the major contributor to the increase in the primary income over the preceding year. The decline of 21.1 percent to SAR 18.9 billion in net deficit of direct investment item (compared to SAR 24.0 billion in the preceding year) also contributed to the increase in net primary income item. The surplus in other investments income item declined by 38.3 percent to SAR 1.3 billion compared to SAR 2.2 billion in the preceding year.

C. Secondary Income

Deficit in the secondary income account increased by 8.0 percent to SAR 145.3 billion in 2014 compared to a deficit of SAR 134.5 billion in the



Table 8.7: BALANCE OF PAYMENTS

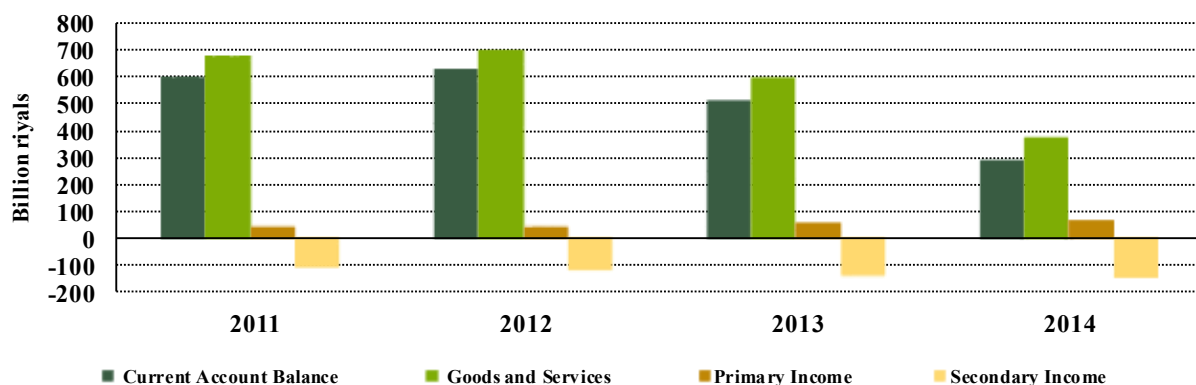
(Million Riyals)

	2011	2012	2013*	2014**	% Annual Change 2014
I. Current Account Balance	594,545	617,864	507,909	288,434	-43.2
A. Goods and services	668,426	690,800	591,564	371,844	-37.1
1. Goods	917,767	924,639	834,590	689,483	-17.4
2. Services	-249,342	-233,839	-243,027	-317,639	30.7
B. Primary income	36,315	41,207	50,855	61,844	21.6
C. Secondary income	-110,197	-114,144	-134,510	-145,254	8.0
II. Capital account	---	-1,017	-1,257	-1,233	-1.9
III. Financial account	413,878	445,983	474,498	245,589	-48.2
1. Direct investment	-48,294	-29,178	-14,705	-9,809	-33.3
2. Portfolio investments	60,179	11,941	24,773	106,225	328.8
3. Other investments	42,163	41,122	205,115	124,317	-39.4
4. Reserve assets	359,831	422,098	259,315	24,857	-90.4
4.1. Monetary gold	0	0	0	0	0.0
4.2. Special drawing rights	-1,322	-1,626	-802	-2,127	165.3
4.3. Reserve position in the IMF	10,803	2,878	-1,757	-4,651	164.7
4.4. Other reserve assets	350,350	420,846	261,874	31,635	-87.9
4.4.1. Currency and deposits	104,446	180,673	-20,668	-14,318	-30.7
4.4.2. Securities	245,904	240,173	282,542	45,953	-83.7
Errors and Omissions	-180,666	-170,864	-32,154	-41,612	29.4

* : Preliminary. ** : Estimates.

(-) = Payments in the current account items, and outflow in the capital and financial account items.

Chart 8.4: Current Account Balance





preceding year. Government transfers rose by 45.0 percent, and remittances made by expatriate workers by 5.7 percent to SAR 135.0 billion. Remittances of expatriate workers in the Kingdom to other countries constitute one of the most important items of the current account of the Kingdom's balance of payments. **Table 8.8** illustrates the developments of the remittances of expatriate workers in the Kingdom and their ratio to GDP since 2006.

Second: Capital Account

Deficit in the capital account transfers decreased by 1.9 percent to SAR 1.2 billion in 2014 against transfers of SAR 1.3 billion in the preceding year.

Third: Financial Account

Net direct investment item fell by SAR 9.8 billion in 2014 compared to a fall of SAR 14.7 billion in the preceding year. Net portfolio investments registered an increase of SAR 106.2 billion as compared to a rise of SAR 24.8 billion in the preceding year. Net other investments recorded a significant rise of SAR 124.3 billion against an increase of SAR 205.1 billion in the preceding year. Reserve assets went up by SAR 24.9 billion against a rise of SAR 259.3 billion in the preceding year.

The Kingdom's Aid to Developing Countries

The Kingdom has been extending aid and soft loans to developing countries. Total foreign aid and

**Table 8.8: REMITTANCES OF
EXPATRIATES IN THE KINGDOM**

Year	Million Riyals	% Annual Change	Private Sector GDP* (Mln. Riyals)	Remittances / Private Sector GDP
2006	57,295	11.5	463,365	12.4
2007	59,009	3.0	533,050	11.1
2008	78,546	33.1	611,976	12.8
2009	96,329	22.6	655,347	14.7
2010	98,173	1.9	745,532	13.2
2011	103,485	5.4	845,780	12.2
2012	107,335	3.7	940,794	11.4
2013	127,768	19.0	1,042,319	12.3
2014**	134,995	5.7	1,140,191	11.8

* At current prices.

** Preliminary figures.

Source: The Kingdom's balance of payments data issued by SAMA, and the private sector GDP data issued by the Central Department of Statistics and Information, Ministry of Economy and Planning.



**Table 8.9: THE KINGDOM'S FOREIGN AID
DURING 1994-2014**

(Million Riyals)

Year	Loans and Aid	Contributions to Associations and Organizations	Multilateral Aid	Total
1994	1,650	98	604	2,352
1995	1,613	270	638	2,521
1996	1,688	293	611	2,592
1997	971	266	488	1,725
1998	2,858	266	484	3,608
1999	5,089	435	371	5,895
2000	8,651	371	371	9,393
2001	8,678	255	274	9,207
2002	9,566	206	255	10,027
2003	10,106	214	191	10,511
2004	6,767	203	162	7,132
2005	3,674	282	174	4,130
2006	7,766	262	168	8,196
2007	6,104	1980	94	8,178
2008	18,964	2195	77	21,236
2009	11,676	2841	784	15,301
2010	10,816	783	2285	13,884
2011	18,442	752	1206	20,400
2012	4,198	3144	421	7,763
2013	20,843	1241	1107	23,191
2014	50,336	1626	99	52,061
Total	210,456	17,983	10,864	239,303

Source: Ministry of Finance.

loans provided through bilateral channels and multilateral institutions during the period 1994-2014 reached SAR 239.3 billion (**Table 8.9**). Aid and loans constituted 88.0 percent (SAR 210.5 billion) of the total aid offered by the Kingdom. Total contributions to associations and organizations amounted to SAR 18.0 billion or 7.5 percent of the total. Aid provided through multilateral aid programs during that period amounted to SAR 10.9 billion or 4.5 percent of the total.

The Kingdom's foreign aid and loans provided through bilateral channels and multilateral associations, organizations and institutions during 2014 reached SAR 52.1 billion, increasing by 124.5 percent over the preceding year. Aid and loans extended in 2014 constituted the bulk of the total, amounting to SAR 50.3 billion or 96.7 percent and rising by 141.5 percent over 2013. The Kingdom's contributions to associations and organizations in 2014 totaled SAR 1.6 billion or 3.1 percent of the total, rising by 31.0 percent over the preceding year. The Kingdom's total aid provided through multilateral aid valued at SAR 99.0 million or 0.2 percent of the total in 2014, declining by 91.1 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 1 U.S. dollar during 2014. The nominal effective exchange rate (NEER) index rose by 3.3 percent from 100.77 at the end of 2013 to 104.11 at the end of 2014. The real effective exchange rate (REER) index increased by 4.2 percent from 101.07 at the end of 2013 to 105.35 at the end of 2014■



At its meeting held on Rabi' al-awwal 3, 1436H (December 25, 2014), the Council of Ministers approved the State budget for fiscal year 1436/1437H (2015), which motivated expenditure to be maintained at a high level despite the significant decline in oil prices. It estimated the total expenditure at SAR 860 billion, indicating a slight increase of 0.6 percent over the previous fiscal year's estimates. Since the Kingdom seeks to constantly enhance development, the budget was directed towards the areas supporting economic growth the most, enhancing the appeal of national economy to investment, and creating more job opportunities for citizens by focusing on sectors of human resource development, health and social services.

The state budget for fiscal year 1436/1437H (2015) projected the total revenue at SAR 715 billion, decreasing by 16.4 percent from the previous fiscal year's projections of SAR 855 billion. The deficit was projected at SAR 145 billion during 2015, representing 5.2 percent of the GDP (Table 9.1).

Main Features of the State Budget for Fiscal Year 1436/1437H (2015)

The state budget for fiscal year 1436/1437H (2015) continued to focus on development projects in the sectors of education, health, security services, social and municipal services, water and sewage services, roads, electronic transactions and support of scientific research to boost investment environment in order to create more job opportunities for citizens and accelerate economic growth.

The budget included new programs and projects, and additional phases for previously approved projects with a total value of SAR 185 billion. The following is a review of the most prominent features of the budget, including appropriations for expenditure on key sectors.

Education and Human Resource Development Sectors

Education and human resource development sectors were allocated SAR 216 billion or 25.1 percent of the total budgetary appropriations for 2015, rising by 3.2 percent over those for fiscal year 1435/36H (2014) (Table 9.2).

As for the general education, work will continue on the implementation of King Abdullah Bin Abdul Aziz Project for Public Education Development (Tatweer) that is costing SAR 9.0 billion by Tatweer Education Holding Co., which is wholly owned by the Public Investment Fund.

With respect to the higher education, new projects as well as additions to some existing projects and all universities were allocated SAR 12.3 billion. Allocations with a cost exceeding SAR 5 billion were also made for completing the renovation of women's colleges in a number of universities and for opening 3 new universities (Jeddah, Bishah and Hafr Al-Batin universities). King Abdullah Foreign Scholarship Program will continue with the number of male and female students studying abroad exceeding 207 thousand and annual expenses amounting to SAR 22.5 billion.

Table 9.1: BUDGET PROJECTIONS

(Billion Riyals)

	FY 1435/36 (2014)	FY 1436/37 (2015)	% change
Total revenues	855	715	-16.4
Total expenditures	855	860	0.6
Deficit / Surplus	0	-145	--
Source: Ministry of Finance.			



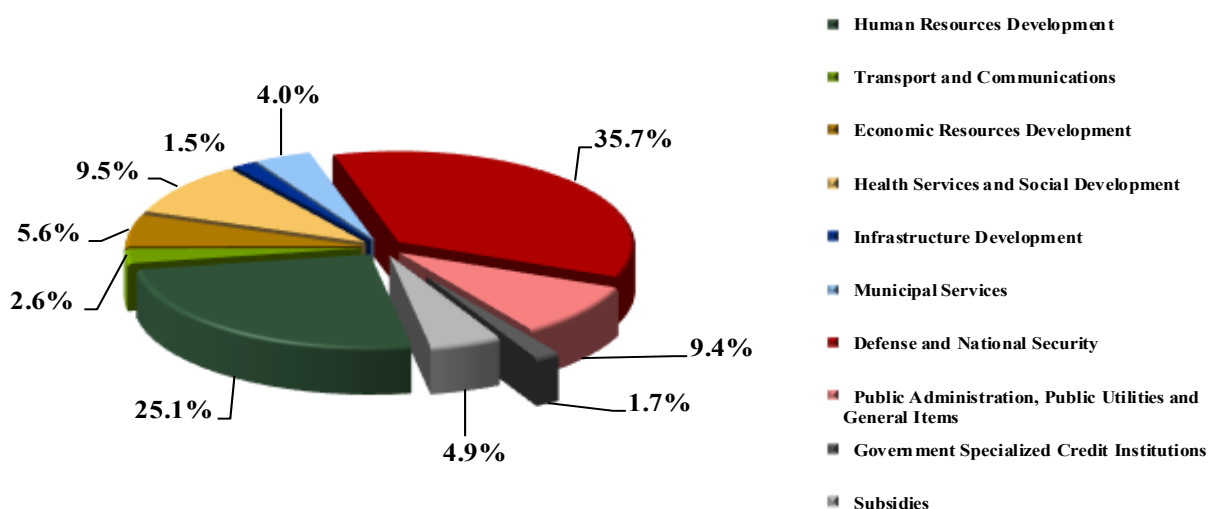
Table 9.2: SECTOR-WISE ALLOCATIONS OF THE STATE BUDGET
(by major sector)

(Million Riyals)

	FY		FY	
	1435/1436 (2014)		1436/1437 (2015)	
	Amount	% Share	Amount	% Share
Human Resources Development	209,296	24.5	216,022	25.1
Transport and Communications	23,506	2.7	22,348	2.6
Economic Resources Development	49,537	5.8	48,148	5.6
Health Services and Social Development	78,166	9.1	82,071	9.5
Infrastructure Development	13,540	1.6	12,592	1.5
Municipal Services	34,610	4.0	34,192	4.0
Defense and National Security	302,859	35.4	306,947	35.7
Public Administration, Public Utilities and General Items	84,558	9.9	80,575	9.4
Government Specialized Credit Institutions	15,375	1.8	14,978	1.7
Subsidies	43,553	5.1	42,127	4.9
Total	855,000	100.0	860,000	100.0

Source: Ministry of Finance

Chart 9.1: Budget Allocations for Fiscal Year 1436/1437H(2015) by Major Sectors





Health services and Social Development

In the area of health services and social development (military and civilian sectors), SAR 82.1 billion, or nearly 9.5 percent of the total budgetary appropriations, was earmarked for this sector, rising by 5 percent over the allocations for the previous fiscal year.

The budget included new health projects for completion of construction and equipment of primary health care centers in all regions of the Kingdom. It also included projects for establishing 3 new hospitals, 3 laboratories of blood banks, 11 medical centers and 10 comprehensive clinics, in addition to completion of equipping and furnishing a number of health facilities, housing units and improving existing hospitals.

Currently, 117 new hospitals with a capacity of 24,000 beds and 5 medical cities as well as 3 medical cities for the security and military sectors with a capacity of 14,500 beds are under construction throughout the Kingdom. During the previous fiscal year 1435/36H (2014), 26 new hospitals with a capacity of 4,500 beds throughout the Kingdom were delivered by contractors.

With regard to social services, the state budget included new projects for the establishment of 16 sport clubs; 5 sport facilities and halls for people with special needs; homes for social care, observation, and rehabilitation; and social security offices. It also included appropriations for increasing the annual allocations for orphans, people with special needs, social security, supporting poverty alleviation programs and the National Charity Fund. Appropriations for poverty alleviation programs and annual allocations for orphans, persons with special needs and for social security for fiscal year 1436/1437H (2015) stood at SAR 30 billion.

Municipal Services

The appropriations for the municipal service sector, including the Ministry for Municipal and

Rural Affairs, municipalities and rural communities, were placed at SAR 34.2 billion or 4 percent of the total budgetary appropriations, declining by 1.2 percent from those for the previous fiscal year 2014.

Transport and Communication Sector

Allocations made for the transport and communications sector stood at SAR 22.3 billion, or 2.6 percent of total budgetary appropriations, decreasing by 4.9 percent from the previous fiscal year. The budget included new projects and additions to previously approved projects for roads, ports, railways, airports and postal services with a projected cost of SAR 33.5 billion. The budget included projects for main, secondary and feeder roads and completion of the existing roads with a total length of 2,000 km, raising the total roads length approved under the Ninth Development Plan to 23 thousand km. The budget also included new projects for the implementation of 5 main pivotal roads with their infrastructures and services with a total cost of SAR 24 billion.

Other Sectors

Economic resource development sector was allocated SAR 48.1 billion, or 5.6 percent of total budgetary appropriations, decreasing by 2.8 percent from the appropriations of the previous fiscal year. New projects and additions to previously projects were approved with a cost of SAR 23 billion.

Local subsidies were allocated SAR 42.1 billion or 4.9 percent of the total appropriated budgetary expenditures, decreasing by 3.3 percent from that of the previous fiscal year.

As for public administration, public utilities and general items, an amount of SAR 80.6 billion or 9.4 percent of the total budgetary expenditures was appropriated, decreasing by 4.7 percent from the previous fiscal year.



Public Institutions with Budgets Connected to the State Budget for Fiscal Year 1436/1437H (2015)

A royal decree was issued estimating and approving the budgetary revenue and expenditure of public institutions with budgets connected to the state budget for fiscal year 1436/1437H (2015). Total appropriations for public institutions were projected at SAR 163.7 billion, compared to SAR 161.5 billion in the previous fiscal year, denoting a rise of SAR 2.2 billion, or 1.4 percent. The budgets of public institutions constituted 19 percent of total budgetary expenditures for fiscal year 1436/1437H (2015). The highest annual increase of 52.8 percent was accounted for by the General Commission for Audiovisual Media. New appropriations were made, including SAR 57 million for the Public Transport Commission, SAR 440.2 million for Jeddah University, SAR 409 million for Hafr Al-Batin University, and 366.8 million for Bishah University (**Table 9.3**).

Actual Revenues and Expenditures for Fiscal Year (2014)

Actual revenues for fiscal year 1435/1436H (2014) decreased by 9.7 percent to SAR 1,044.4 billion, or 37.3 percent of the GDP, compared to a decline of 7.3 percent in the preceding year, denoting an increase of 22.1 percent over the budget projections (**Table 9.4**). This was attributable to a decline of 11.8 percent in oil revenue.

Actual expenditures for fiscal year (2014) totaled SAR 1,110 billion, or 39.7 percent of GDP, increasing by SAR 255 billion or 29.8 percent over the budget projections for the preceding fiscal year. Actual deficit for fiscal year 1435/1436H (2014) stood at SAR 65.5 billion, representing 2.3 percent of GDP, compared to a surplus of SAR 180.3 billion or 6.5 percent of GDP in the preceding fiscal year (**Table 9.5 and Chart 9.2**).

Actual Oil and Non-oil Revenues

Actual oil revenues went down by 11.8 percent to SAR 913.3 billion in 2014, as

compared to a decline of 9.6 percent in the preceding year.

Actual oil revenues accounted for 87.5 percent of total actual revenues in 2014, compared to 89.5 percent in the preceding year (**Table 9.6**).

Actual non-oil revenues rose by 8 percent to SAR 131 billion in 2014 against a rise of 18.3 percent in the previous year. Non-oil revenues constituted 12.5 percent of total revenues during 2014, compared to 10.5 percent in the preceding year (**Table 9.6 and Chart 9.3**).

Actual Current and Capital Expenditures

Actual current expenditures increased by 11.4 percent to SAR 739.7 billion in 2014, as compared to an increase of 8.6 percent in the preceding year. The share of current expenditures in total expenditures stood at 66.6 percent in 2014 compared to 68 percent in the preceding year. Capital expenditures rose by 18.7 percent to SAR 370.2 billion in 2014 against an increase of 19.2 percent in the preceding year, accounting for 33.4 percent of total expenditures in 2014 against 32 percent in the preceding year (**Table 9.7 and Chart 9.4**).

Specialized Development Funds and Government Financing Programs

Loans disbursed by Real Estate Development Fund (REDF), Saudi Industrial Development Fund (SIDF), Saudi Credit and Savings Bank (SCSB), Agriculture Development Fund (ADF), Public Investment Fund (PIF) and government lending programs since their inception up to the end of fiscal year 1435/1436H (2014) have reached SAR 587 billion. The loans to be disbursed to beneficiaries during fiscal year 1436/1437H (2015) are expected to exceed SAR 73.7 billion. As for the Saudi Export Program implemented by the Saudi Fund for Development, the volume of funding and guaranteeing national exports of goods and services since its inception up to the end of fiscal year 1435/36H (2014) was SAR 34 billion.



Table 9.3: BUDGET APPROPRIATIONS FOR PUBLIC INSTITUTIONS

(Million Riyals)

	1433/34 (2012)	1434/35 (2013)	1435/36 (2014)	1436/37 (2015)	% Change (2015)
Saudi Ports Authority	1,710.1	1,897.2	1,752.0	1,840.8	5.1
Saudi Arabian Airlines	20,413.0	24,690.0	26,595.0	28,478.0	7.1
Grain Silos and Flour Mills Organization	1,914.7	2,236.8	2,481.7	2,916.7	17.5
Saline Water Conversion Corporation	15,461.3	15,692.6	16,576.1	15,574.8	-6.0
Saudi Railways Organization	1,765.4	2,036.3	1,876.0	1,657.1	-11.7
Royal Commission for Al-Jubayl and Yanbu'	8,099.8	9,105.3	9,021.0	8,392.9	-7.0
Saudi Standards, Metrology and Quality Organization	183.7	190.1	396.0	390.0	-1.5
Saudi Arabian General Investment Authority	154.7	179.3	308.5	341.6	10.7
King Saud University	8,625.5	9,424.0	9,545.1	8,610.0	-9.8
King Abdulaziz University	4,471.3	5,710.0	5,984.6	5,965.0	-0.3
King Fahd University for Petroleum and Minerals	1,244.9	1,345.9	1,394.4	1,357.6	-2.6
Imam Muhammed Ibn Saud Islamic University	2,850.7	3,815.8	4,112.9	4,146.9	0.8
Islamic University	828.4	1,005.1	1,033.7	1,047.0	1.3
King Faisal University	1,856.5	2,204.4	2,296.2	2,296.7	0.0
Umm Al-Qura University	2,189.6	2,690.6	2,823.1	2,902.4	2.8
King Khalid University	3,048.4	3,605.1	3,726.5	3,250.8	-12.8
Taibah University	1,619.1	2,078.0	2,230.7	2,354.7	5.6
Qassim University	1,970.3	2,351.0	2,565.4	2,604.8	1.5
Taif University	1,554.9	2,040.4	2,064.6	2,102.7	1.8
Jazan University	1,429.0	1,771.5	1,851.2	1,748.0	-5.6
Al Jouf University	1,022.6	1,440.5	1,453.4	1,464.7	0.8
University of Ha'il	1,039.3	1,330.5	1,365.0	1,389.7	1.8
University of Tabuk	986.6	1,287.6	1,361.2	1,363.1	0.1
Al-Baha University	769.6	941.3	997.7	1,017.8	2.0
Najran University	766.4	1,079.2	1,172.5	1,224.1	4.4
Princess Nora bint Abdulrahman University	1,173.8	2,195.9	2,603.5	2,685.8	3.2
Northern Borders University	724.6	932.7	1,002.3	1,030.4	2.8
University of Dammam	2,367.5	2,907.8	3,216.2	3,143.3	-2.3
Prince Sattam Bin Abdulaziz University	812.1	1,239.7	1,311.0	1,340.2	2.2

Source: The Ministry of Finance's statement.

Contd...2



Contd...2 Table 9.3: BUDGET APPROPRIATIONS FOR PUBLIC INSTITUTIONS

(Million Riyals)

	1433/34 (2012)	1434/35 (2013)	1435/36 (2014)	1436/37 (2015)	% Change (2015)
AL-Majma'ah University	493.1	949.4	960.0	1,039.0	8.2
Shagra University	759.0	896.8	1,001.6	1,112.6	11.1
Technical and Vocational Training Corporation	4,795.3	5,318.1	5,342.4	5,274.4	-1.3
King Abdulaziz City for Science & Technology (KACST)	1,797.5	2,150.4	2,289.2	2,407.5	5.2
Institute of Public Administration	519.3	565.1	657.6	664.0	1.0
King Faisal Specialist Hospital & Research Centre	4,983.0	5,713.0	6,226.3	7,027.6	12.9
Saudi Red Crescent Authority	1,704.7	1,837.3	1,968.8	2,144.1	8.9
Military Industries Organization	1,968.5	2,730.0	3,387.6	3,551.4	4.8
Saudi Geological Survey Authority	216.2	236.0	284.0	279.7	-1.5
General Commission for Tourism & Antiquities	511.3	703.0	794.0	814.3	2.6
Communications and Information Technology Commission (C.I.T.C)	890.0	993.6	976.0	926.0	-5.1
Saudi Food and Drug Authority (SFDA)	686.1	994.1	1,066.9	1,167.2	9.4
Saudi Post	2,277.4	2,524.0	2,859.0	3,156.1	10.4
General Authority of Civil Aviation (GACA)	15,456.7	16,588.7	16,038.0	15,531.6	-3.2
Human Rights Commission	84.2	116.3	129.7	141.9	9.4
General Survey Authority	409.3	589.4	672.6	663.0	-1.4
King Abdullah City for Nuclear Energy	500.0	500.0	500.0	566.2	13.2
Saudi Electronic University	---	354.9	378.9	385.9	1.9
Saudi Credit & Savings Bank	---	423.4	562.2	597.6	6.3
General Authority for Guardianship of Minors and their Funds	---	80.0	85.0	--	---
Saudi Broadcasting Corporation	---	1,630.8	1,870.5	1,976.9	5.7
Saudi Press Agency	---	182.7	229.8	263.4	14.6
General Authority for Audio and Visual Media	---	7.0	34.5	52.7	52.8
Public Education Evaluation Commission	---	---	100.0	73.4	---
Public Transport Commission	---	---	---	57.0	---
University of Jeddah	---	---	---	440.2	---
Hafr Albatin University	---	---	---	409.0	---
Bisha University	---	---	---	366.8	---
Total	129,105.4	153,508.6	161,532.2	163,727.0	1.4
(---) Not Available.					
Source: The Ministry of Finance's budget statement.					



Table 9.4: ACTUAL REVENUE AND EXPENDITURE

(Million Riyals)

	1433/1434 (2012)			1434/1435 (2013)			1435/1436 (2014)		
	Amount	% Cgange	Ratio to GDP	Amount	% Cgange	Ratio to GDP	Amount	% Cgange	Ratio to GDP
Total revenues	1,247,398	11.6	45.3	1,156,361	-7.3	41.4	1,044,366	-9.7	37.3
Oil revenues	1,144,818	10.7	41.6	1,035,046	-9.6	37.1	913,346	-11.8	32.6
Other Revenues	102,580	23.0	3.7	121,315	18.3	4.3	131,020	8.0	4.7
Total Expenditures	873,305	5.6	31.7	976,014	11.8	35.0	1,109,903	13.7	39.7
Capital expenditures	261,679	-5.3	9.5	311,967	19.2	11.2	370,245	18.7	13.2
Current expenditures	611,626	11.1	22.2	664,047	8.6	23.8	739,658	11.4	26.4
Surplus/deficit	374,093	28.5	13.6	180,347	-51.8	6.5	-65,537	-136.3	-2.3

*

Source: Ministry of Finance.

Table 9.5: STATE BUDGET ACTUALS AND PROJECTIONS

(Million Riyals)

	1433/34 (2012)		1434/35 (2013)		1435/36 (2014)	
	Actuals	Projections	Actuals	Projections	Actuals	Projections
Total revenues	1,247,398	702,000	1,156,361	829,000	1,044,366	855,000
Oil revenues	1,144,818	621,000	1,035,046	727,000	913,346	735,000
Non-oil revenues	102,580	81,000	121,315	102,000	131,020	120,000
Total expenditures	873,305	690,000	976,014	820,000	1,109,903	855,000
Surplus/deficit	374,093	12,000	180,347	9,000	-65,537	0

Source: Ministry of Finance.

Chart 9.2: Budget Estimates and Actuals for 1435/1436H(2014)

Billion Riyals

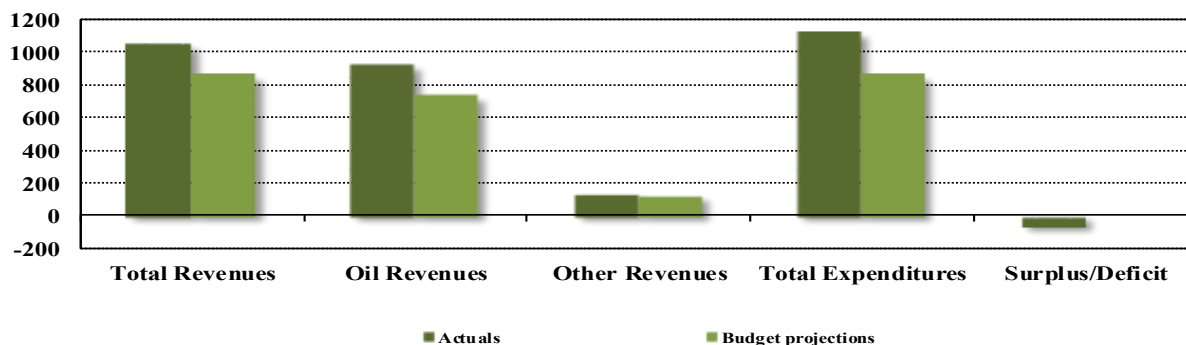




Table 9.6: ACTUAL OIL AND NON-OIL REVENUES

(Million Riyals)

Year	Oil Revenues		Non-oil Revenues		Total Revenues
	Amount	% Share	Amount	% Share	
2010 (1431/1432)	670,265	90.4	71,351	9.6	741,616
2011 (1432/1433)	1,034,360	92.5	83,432	7.5	1,117,792
2012 (1433/1434)	1,144,818	91.8	102,580	8.2	1,247,398
2013 (1434/1435)	1,035,046	89.5	121,315	10.5	1,156,361
2014 (1435/1436)*	913,346	87.5	131,020	12.5	1,044,366

* Preliminary data.

Source: Ministry of Finance

Chart 9.3: Trends of Actual Oil and Non-Oil Revenues

Percent

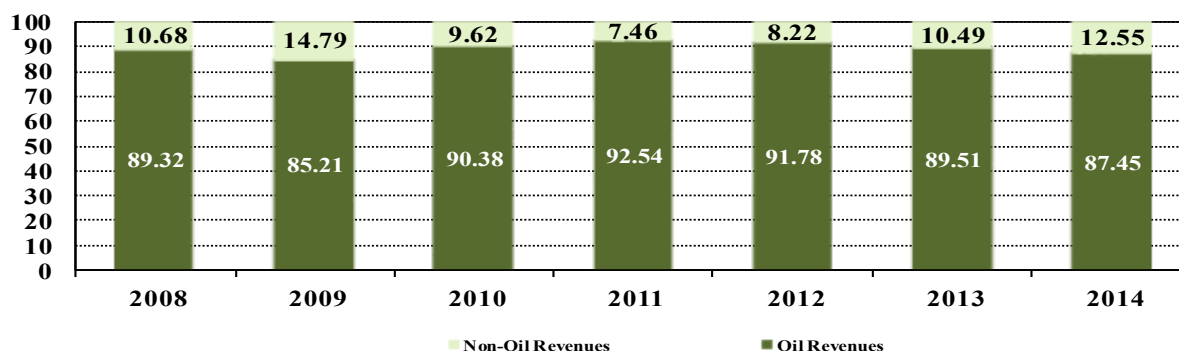


Table 9.7: ACTUAL CURRENT AND CAPITAL EXPENDITURES

(Million Riyals)

Year	Current Expenditure		Capital Expenditure		Total Expenditure
	Amount	% Share	Amount	% Share	
2010 (1431/1432)	455,043	69.6	198,842	30.4	653,885
2011 (1432/1433)	550,500	66.6	276,200	33.4	826,700
2012 (1433/1434)	611,626	70.0	261,679	30.0	873,305
2013 (1434/1435)	664,047	68.0	311,967	32.0	976,014
2014 (1435/1436)*	739,658	66.6	370,245	33.4	1,109,903

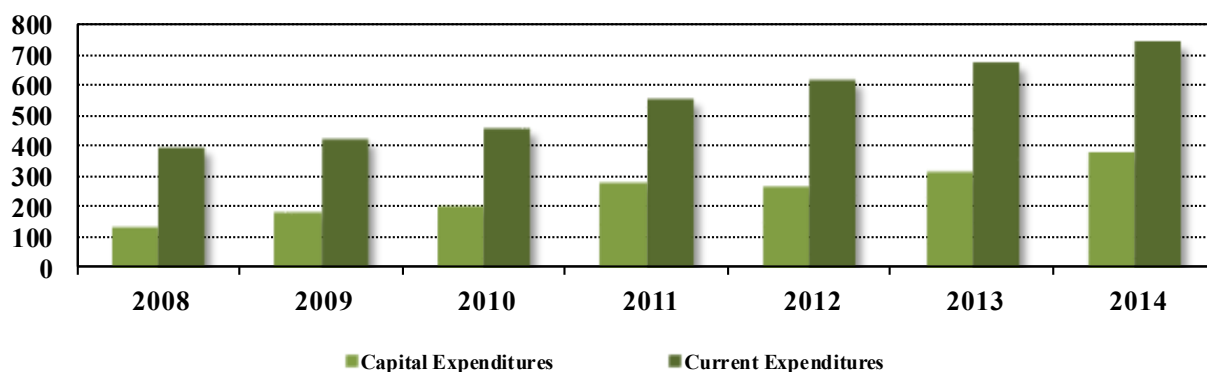
* Preliminary data.

Source: Ministry of Finance.



Chart 9.4: Developments of Actual Current and Capital Expenditures

Billion Riyals



Ratio of Actual Budget Deficit to GDP

Data on fiscal year 2014 indicates a budget deficit of SAR 65.5 billion, representing 2.3 percent of GDP, as compared to a surplus of SAR 180.3 billion or 6.5 percent of GDP in the preceding year (Table 9.8).

Public Debt

The outstanding public debt recorded a decline of 26.4 percent to SAR 44.3 billion, or 1.6 percent of GDP at the end of fiscal year 1435/36H (2014), compared to 2.2 percent in the preceding fiscal year (Table 9.9)■

Table 9.8: RATIO OF ACTUAL BUDGET SURPLUS/DEFICIT TO GDP

(Million Riyals)

Fiscal Year	Gross Domestic Product *	Budget surplus/Deficit	Ratio of
	(at current prices)		Surplus/Deficit to GDP
2011 (1432/1433)	2,510,650	291,092	11.6
2012 (1433/1434)	2,752,334	374,093	13.6
2013 (1434/1435)	2,791,259	180,347	6.5
2014 (1435/1436)**	2,798,432	-65,537	-2.3

* Including import fees

** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning, and Ministry of Finance.

**Table 9.9: PUBLIC DEBT***(Million Riyals)*

Fiscal Year	Borrowed	Repaid	Outstanding public debt at year end	% Change	GDP at current prices	Ratios of public debt to GDP
2010 (1431/1432)	15	58,124	166,999	-25.8	1,975,543	8.5
2011 (1432/1433)	5,422	36,922	135,499	-18.9	2,510,650	5.4
2012 (1433/1434)	---	51,651	83,848	-38.1	2,752,334	3.0
2013 (1434/1435)	---	23,730	60,118	-28.3	2,791,259	2.2
2014 (1435/1436)	---	15,858	44,260	-26.4	2,798,432	1.6

Source: Ministry of Finance and Central Department of Statistics and Information and Ministry of Economy and Planning.



Gross Domestic Product (GDP) For 2014

The various sectors of the domestic economy continued to grow during 2014. The Central Department of Statistics and Information (CDSI) has recently adopted the year 2010 as a base year for calculating GDP. Preliminary figures show that GDP at **current prices** (including import duties) went up by 0.3 percent during 2014 against an increase of 1.4 percent in the preceding year. The decline in its growth rate was mainly attributable to a contraction of 9.4 percent in the oil sector during 2014 compared to a contraction of 6.2 percent in the preceding year. This was due to the decline of prices in global oil markets, declines in growth rates of non-oil sector to 8.6 percent from 9.2 percent in the preceding year, and that of the private sector to 9.4 percent in 2014 from 10.8 percent in the preceding year. The

government sector's growth rates, however, increased to 6.6 percent from 5.7 percent in the preceding year.

Preliminary data indicates that GDP at **constant prices** (2010=100) (including import duties) rose by 3.5 percent during 2014 compared to a growth of 2.7 percent in the preceding year. The oil sector, owing to the rise in oil production, grew by 1.5 percent against a decline of 1.6 percent in the preceding year. In addition, the non-oil sector increased by 5.0 percent compared to a rise of 6.4 percent in the preceding year. The private sector grew by 5.6 percent during 2014, compared to a growth of 7.0 percent in the preceding year. The government sector also went up by 3.7 percent as compared to a rise of 5.1 percent in the preceding year (**Table 10.1**).

Table 10.1: GROSS DOMESTIC PRODUCT BY SECTOR

(Million Riyals)

	2013			2014*		
	Value	Annual % Change	% Share	Value	Annual % Change	% Share
GDP at Current Prices:						
1. Oil sector	1,290,789	-6.2	46.2	1,168,977	-9.4	41.8
2. Non-oil sector	1,479,296	9.2	53.0	1,605,935	8.6	57.4
i) Private sector	1,042,319	10.8	37.3	1,140,191	9.4	40.7
ii) Government sector	436,977	5.7	15.7	465,745	6.6	16.6
Total GDP	2,770,085	1.4	99.2	2,774,912	0.2	99.2
3. Import Duties	21,174	-1.5	0.8	23,520	11.1	0.8
Total GDP Including Import Duties	2,791,259	1.4	100.0	2,798,432	0.3	100.0
GDP at Constant Prices (2010=100):						
1. Oil sector	1,022,382	-1.6	43.5	1,037,615	1.5	42.7
2. Non-oil sector	1,308,810	6.4	55.7	1,374,277	5.0	56.5
i) Private sector	908,846	7.0	38.7	959,585	5.6	39.5
ii) Government sector	399,964	5.1	17.0	414,692	3.7	17.1
Total GDP	2,331,192	2.7	99.2	2,411,892	3.5	99.2
3. Import Duties	19,181	-1.8	0.8	19,986	4.2	0.8
Total GDP Including Import Duties	2,350,373	2.7	100.0	2,431,877	3.5	100.0
Implicit Deflator (2010 = 100):						
GDP	119	-1.2		115	-3.2	
1. Oil sector	126	-4.7		113	-10.8	
2. Non-oil sector	113	2.7		117	3.4	
* Preliminary data.						
Source: Central Department of Statistics and Information, Ministry of Economy and Planning.						



The contribution of the private sector to total GDP at constant prices during 2014 was 39.5 percent compared to 38.7 percent in the preceding year, whereas the government sector's contribution was 17.1 percent compared to 17.0 percent in the preceding year. The oil sector accounted for 42.7 percent in 2014 against 43.5 percent in the preceding year.

The non-oil GDP implicit deflator increased by 3.4 percent in 2014 against a rise of 2.7 percent in the preceding year (**Table 10.1**).

The distribution of GDP at constant prices by main economic activity shows that all economic activities grew at varied rates during 2014.

The manufacturing (including oil refining) recorded the highest growth rate of 7.8 percent against a growth of 3.4 percent in the preceding year. Construction and building increased by 6.7 percent compared to a rise of 7.8 percent in the preceding year due to the great expansion in constructions and

housing projects. Transport, storage and telecommunications grew by 6.2 percent in 2014 against a growth of 6.4 percent in the preceding year. Wholesale and retail trade, restaurants and hotels also went up by 6.0 percent compared to a rise of 6.6 percent in the preceding year. Public utilities (electricity, gas and water) grew by 5.8 percent against a rise of 1.6 percent in the preceding year. Finance, insurance, real estate and business services registered a growth of 4.1 percent in 2014 against an increase of 9.2 percent in the preceding year. However, mining and quarrying (including crude oil, natural gas, and other mining and quarrying activities) recorded the lowest growth rate of 0.8 percent against a decline of 1.4 percent in the preceding year (**Table 10.2**).

Contribution of the Private Sector to GDP

The contribution of the private sector to GDP at current prices stood at 41.1 percent during 2014 compared to 37.6 percent in the preceding year. Its growth rate (at current prices) was 9.4 percent

Table 10.2: NON-OIL GDP BY MAJOR ECONOMIC ACTIVITIES

(At 2010 constant prices)

(Million Riyals)

	2011	2012	2013			2014*		
			Value	% Share	Annual % Change	Value	% Share	Annual % Change
1. Mining and quarrying	929,689	977,512	963,602	41.3	-1.4	970,995	40.3	0.8
2. Manufacturing (including oil refining)	237,597	247,269	255,603	11.0	3.4	275,615	11.4	7.8
3. Public utilities (electricity, gas and water)	27,723	29,357	29,836	1.3	1.6	31,557	1.3	5.8
4. Construction and building	99,739	104,499	112,617	4.8	7.8	120,211	5.0	6.7
5. Wholesale and retail trade, restaurants and hotels	188,257	199,616	212,697	9.1	6.6	225,420	9.3	6.0
6. Transport, storage and communications	115,173	120,858	128,620	5.5	6.4	136,602	5.7	6.2
7. Finance, insurance, real estate and business services	185,914	199,930	218,365	9.4	9.2	227,350	9.4	4.1
Total GDP**	2,155,726	2,269,712	2,331,192	100.0	2.7	2,411,892	100.0	3.5
* Preliminary data. ** Excluding imports duties.								
Source: Central Department of Statistics and Information, Ministry of Economy and Planning								

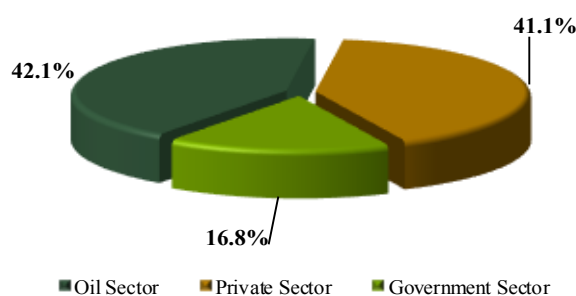


during 2014 against a growth of 10.8 percent in the preceding year (Table 10.3 and Chart 10.1).

Contribution of the Government Sector to GDP

The contribution of the government sector to GDP at current prices was 16.8 percent in 2014 against 15.8 percent in the preceding year. The government sector (at current prices) recorded a growth rate of 6.6 percent during 2014 compared to 5.7 percent in the preceding year (Table 10.3 and Chart 10.1).

Chart 10.1: Contribution of Economic Sectors to GDP at current prices in 2014 (Excluding imports duties)



Contribution of the Oil Sector to GDP

The contribution of the oil sector to GDP at current prices stood at 42.1 percent in 2014 against 46.6 percent in the preceding year, declining by 9.4 percent in 2014 against 6.2 percent in the preceding year (Table 10.4 and Chart 10.1).

Contribution of the Services to GDP

The contribution of the services activity (including wholesale and retail trade, restaurants and hotels; transportation, storage, and telecommunications; finance, insurance, real estate, and business services; collective, social and personal services; and providers of government services) to GDP at current prices stood at 41.4 percent in 2014 against 38.4 percent in the preceding year. The growth of this activity at current prices was 8.1 percent during 2014 against a growth of 9.5 percent in the preceding year (Table 10.4 and Chart 10.2).

Contribution of the Mining and Quarrying to GDP

The contribution of the mining and quarrying activity (including crude oil, natural gas, and other mining and quarrying activities) to GDP at current

Table 10.3: CONTRIBUTION OF THE GOVERNMENT AND PRIVATE SECTORS

(At current prices)

Year	GDP*	Private Sector			Government Sector		
		(Million SAR)	% Share in Total GDP	% Change	(Million SAR)	% Share in Total GDP	% Change
2011	2,493,365	845,780	33.9	13.4	371,169	14.9	11.3
2012	2,730,840	940,794	34.5	11.2	413,470	15.1	11.4
2013	2,770,085	1,042,319	37.6	10.8	436,977	15.8	5.7
2014**	2,774,912	1,140,191	41.1	9.4	465,745	16.8	6.6

* Excluding imports duties.

** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning



prices was 39.8 percent during 2014 against 44.5 percent in the preceding year, recording a decline of 10.5 percent in its growth rate against 6.0 percent in the preceding year (Table 10.5 and Chart 10.2).

Contribution of the Industrial Activity to GDP

The contribution of the industrial activity (including oil refining) to GDP at current prices registered a slight rise in 2014, standing at 10.9 percent against 10.0 percent in the preceding year. It grew by 9.3 percent during 2014 against 2.9 percent in the preceding year (Table 10.5 and Chart 10.2).

Contribution of Other Key Activities to GDP

The contribution of the agricultural activity (including agriculture, forestry and fishing) to GDP at current prices remained unchanged at 1.9 percent, recording a growth rate of 3.8 percent during 2014 against 3.9 percent in the preceding year (Table 10.6 and Chart 10.2).

The contribution of the construction and building to GDP at current prices was 5.5 percent during 2014 against 4.9 percent in 2013, growing by 13.7 percent against a growth of 13.6 percent in the preceding year.

Table 10.4: CONTRIBUTION OF THE OIL SECTOR AND SERVICES

(At current prices)

Year	GDP*	Oil Sector			Services		
		(Million SAR)	% Share in Total GDP	% Change	(Million SAR)	% Share in Total GDP	% Change
2011	2,493,365	1,276,416	51.2	44.7	862,453	34.6	11.0
2012	2,730,840	1,376,576	50.4	7.8	971,479	35.6	12.6
2013	2,770,085	1,290,789	46.6	-6.2	1,063,460	38.4	9.5
2014**	2,774,912	1,168,977	42.1	-9.4	1,149,586	41.4	8.1

* Excluding imports duties.

** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning

Table 10.5: CONTRIBUTION OF MINING AND QUARRYING INDUSTRIAL ACTIVITIES TO GDP

(At current prices)

Year	GDP ⁽¹⁾	Mining and quarrying ⁽²⁾			Industrial Activity ⁽³⁾		
		(Million SAR)	% Share in Total GDP	% Change	(Million SAR)	% Share in Total GDP	% Change
2011	2,493,365	1,215,518	48.8	48.0	252,003	10.1	15.5
2012	2,730,840	1,311,448	48.0	7.9	270,180	9.9	7.2
2013	2,770,085	1,232,823	44.5	-6.0	278,071	10.0	2.9
2014 ⁽⁴⁾	2,774,912	1,103,983	39.8	-10.5	303,823	10.9	9.3

⁽¹⁾ Excluding imports duties.

⁽²⁾ Including crude oil and natural gas.

⁽³⁾ Including oil refining.

⁽⁴⁾ Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning



The contribution of the electricity, gas and water to GDP at current prices was 1.2 percent in 2014 compared to 1.1 percent in the preceding year, recording a growth rate of 6.1 percent against 1.8 percent in the preceding year (Table 10.6 and Chart 10.2).

Per Capita Income

Preliminary figures indicate that the average per capita income in the Kingdom went down by 2.3

percent to SAR 90,946 in 2014 against a decline of 1.3 percent in the preceding year (Table 10.7).

Expenditure on GDP in 2014

Preliminary figures show that expenditure on GDP at purchaser's prices (at current prices) rose by 0.3 percent to SAR 2,798.4 billion (including import duties) during 2014, against an increase of 1.4 percent in the preceding year. This was attributable to

Table 10.6: CONTRIBUTION OF SOME ECONOMIC ACTIVITIES TO GDP

(At current prices)

Year	Total GDP* (Million SAR)	Agriculture			Construction and Building			Electricity, Gas and Water		
		Value (Million SAR)	% Share	% Change	Value (Million SAR)	% Share	% Change	Value (Million SAR)	% Share	% Change
2011	2,493,365	48,163	1.9	2.3	107,021	4.3	17.9	28,285	1.1	7.6
2012	2,730,840	49,816	1.8	3.4	118,513	4.3	10.7	30,076	1.1	6.3
2013	2,770,085	51,735	1.9	3.9	134,588	4.9	13.6	30,623	1.1	1.8
2014***	2,774,912	53,719	1.9	3.8	152,965	5.5	13.7	32,479	1.2	6.1

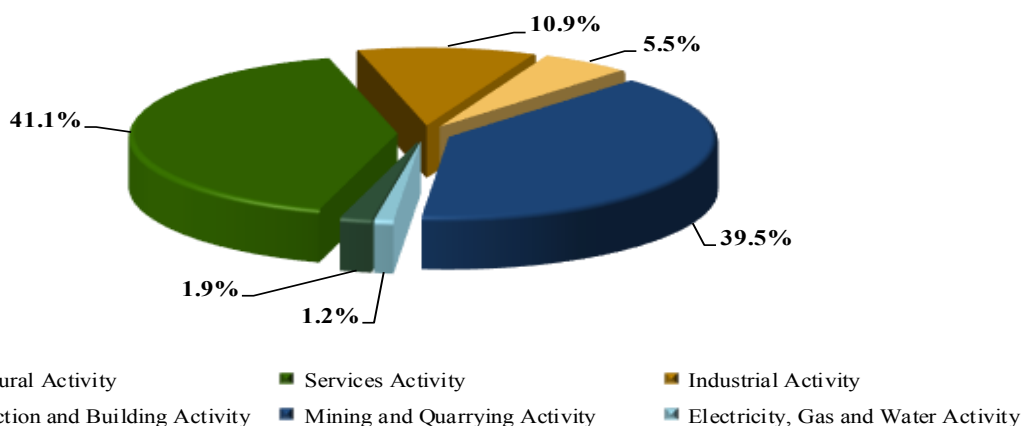
* Excluding import duties.

** Including agriculture, forestry and fishing.

*** Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

Chart 10.2: Contribution of Economic Activities to GDP at current prices in 2014 (Excluding imports duties)





a rise of 17.6 percent in final consumption of the government sector to SAR 739.1 billion in 2014 against an increase of 14.0 percent in the preceding year. Final consumption of the private sector rose by 8.5 percent to SAR 909.8 billion against a rise of 6.8 in the preceding year.

Total gross final consumption (government and private) went up by 12.4 percent to SAR 1,649.0 billion in 2014 from SAR 1,467.3 billion in 2013. The share of gross final consumption in expenditure

on GDP (at current prices) was 58.9 percent during 2014 against 52.6 percent in 2013 (**Table 10.8**).

Total gross fixed capital formation (including inventory change) rose by 6.2 percent to SAR 777.5 billion in 2014 from SAR 732.5 billion in 2013. However, net exports of goods and services went down by 37.1 percent to SAR 371.8 billion in 2014 from SAR 591.5 billion in 2013 as a result of the decline in the value of oil exports due to a decline in oil prices (**Table 10.3**)■

Table 10.7: PER CAPITA INCOME

	2011	2012	2013*	% Change	2014*	% Change
GDP (Current prices) (Million SAR)	2,510,650	2,752,334	2,791,259	1.4	2,798,432	0.3
Population (Million)	28.37	29.20	29.99	2.7	30.77	2.6
Per capita GDP (Riyals)	88,497	94,274	93,060	-1.3	90,946	-2.3

* Preliminary data.

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.

**Chart 10.3: Expenditure on GDP
(At current prices)**

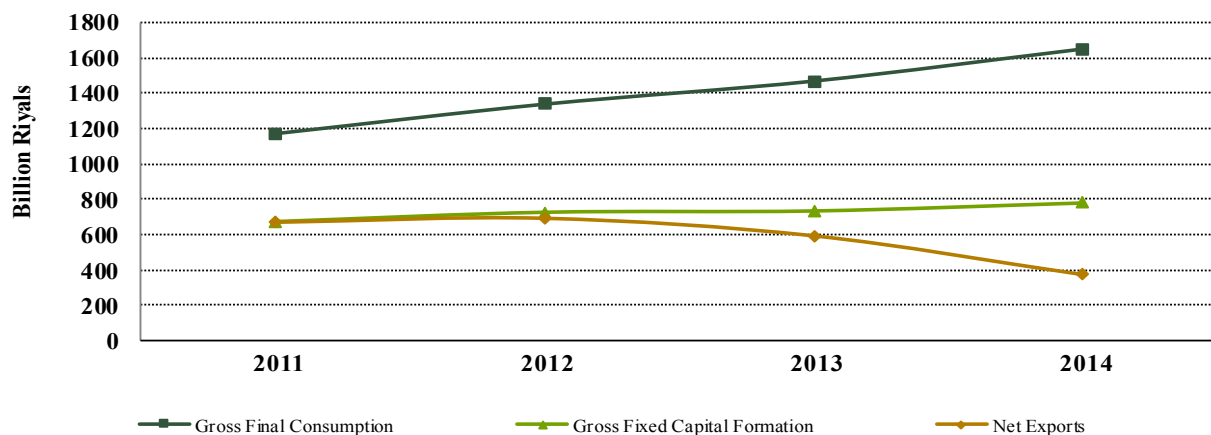


Table 10.8: GROSS DOMESTIC EXPENDITURE AT PURCHASERS' VALUE

(At current prices)

(Million Riyals)

	2011			2012			2013			2014 ⁽¹⁾		
	Amount	% Share	% Change	Amount	% Share	% Change	Amount	% Share	% Change	Amount	% Share	% Change
Gross Final Consumption	1,169,823	46.6	12.5	1,336,583	48.6	14.3	1,467,257	52.6	9.8	1,649,013	58.9	12.4
Government	488,062	19.4	22.0	551,179	20.0	12.9	628,522	22.5	14.0	739,156	26.4	17.6
Private	681,761	27.2	6.6	785,404	28.5	15.2	838,735	30.0	6.8	909,857	32.5	8.5
Gross Fixed capital formation ⁽²⁾	672,400	26.8	10.7	724,950	26.3	7.8	732,466	26.2	1.0	777,575	27.8	6.2
Net exports of goods and services ⁽³⁾	668,427	26.6	103.4	690,801	25.1	3.3	591,537	21.2	-14.4	371,844	13.3	-37.1
Total Gross Domestic Expenditure	2,510,650	100.0	27.1	2,752,333	100.0	9.6	2,791,259	100.0	1.4	2,798,432	100.0	0.3

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

Source: Central Department of Statistics and Information, Ministry of Economy and Planning





PETROLEUM AND MINERAL RESOURCES

Oil prices in the world markets have been witnessing a decline since June 2014 that has continued up to the end of the year. According to the Organization of Petroleum Exporting Countries (OPEC) data, the average price of the Arab Light crude stood at \$59.39 a barrel in December 2014. The fall in oil prices could be attributed to several reasons including the weakening growth in the world demand, the rise in oil production of non-OPEC countries, especially the rise in shale oil production of the United States of America and the increase in the exchange rate of the US dollar. In accordance with OPEC data, oil prices decreased during 2014, with the average price of the Arab Light crude falling by 8.8 percent to \$97.18 a barrel, from its average price of \$106.53 a barrel in 2013.

World Oil Demand

According to estimates of the International Energy Agency (IEA), the average world oil demand rose by 0.7 percent to 92.51 million b/d during 2014

from 91.84 million b/d in 2013 (**Table 11.1 and Chart 11.1**). The increase was attributable to a rise in the average demand of non-OECD countries by 2.5 percent to 46.88 million b/d, compared to 45.74 million b/d in 2013. In contrast, the average demand of OECD countries declined by 1.0 percent to 45.63 million b/d.

The rise in the world oil demand of non-OECD countries was due to an increase in the demand of China by 3.0 percent to 10.41 million b/d, South American countries by 2.4 percent to 6.80 million b/d, the Middle Eastern countries by 2.8 percent to 8.14 million b/d, other Asian countries (excluding China, Japan and South Korea) by 2.1 percent to 12.11 million b/d, African countries by 2.4 percent to 3.91 million b/d, the countries of the former Soviet Union by 2.3 percent to 4.85 million b/d, and Eastern Europe countries by 1.5 percent to 0.66 million b/d.

Table 11.1: AVERAGE WORLD DEMAND FOR OIL*

(Million barrels per day)

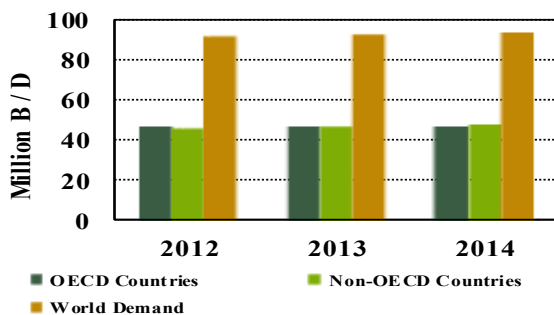
					2014				% change	
	2012	2013	2014		Q1	Q2	Q3	Q4	2013	2014
North America countries	23.60	24.09	24.05		23.86	23.63	24.21	24.47	2.1	-0.1
Western Europe countries	13.80	13.70	13.46		13.01	13.40	13.89	13.55	-0.7	-1.8
Pacific countries	8.53	8.32	8.12		8.85	7.66	7.67	8.31	-2.5	-2.4
OECD countries	45.93	46.10	45.63		45.72	44.69	45.77	46.33	0.4	-1.0
Non-OECD countries										
Former USSR countries	4.61	4.74	4.85		4.61	4.81	5.03	4.94	2.8	2.3
China	9.82	10.11	10.41		10.14	10.38	10.39	10.72	3.0	3.0
Eastern Europe countries	0.65	0.65	0.66		0.65	0.66	0.67	0.67	0.0	1.5
South American countries	6.42	6.64	6.80		6.59	6.76	6.92	6.90	3.4	2.4
Other Asian countries	11.60	11.86	12.11		12.23	12.15	11.85	12.27	2.2	2.1
Middle Eastern countries	7.75	7.92	8.14		7.81	8.19	8.57	7.97	2.2	2.8
African countries	3.78	3.82	3.91		3.93	3.95	3.84	3.93	1.1	2.4
Total non-OECD	44.63	45.74	46.88		45.96	46.90	47.27	47.40	2.5	2.5
Total world demand	90.56	91.84	92.51		91.68	91.59	93.04	93.73	1.4	0.7

* Including primary stock, bunker and refining oil.

Source: International Energy Agency Review, March 2015.



Chart 11.1: World Oil Demand



World Oil Production

According to estimates of the IEA, the average world oil production went up by 2.2 percent to 93.35 million b/d during 2014, compared to 91.33 million b/d in 2013 (**Table 11.2**). The rise in the average world oil production was owing to an increase in the average output of the OECD countries by 8.3 percent to 22.64 million b/d in 2014, compared to 20.91 million b/d in 2013, representing 24.25 percent of total world output compared to

22.89 percent in the previous year. The average oil production of OPEC countries dropped by 0.1 percent to 36.68 million b/d in 2014 from 36.72 million b/d in 2013, representing 39.29 percent of total world output (**Chart 11.2**).

Among non-OPEC producers, the average production in 2014 rose in the United States by 15.3 percent to 11.81 million b/d, Canada by 6.3 percent to 4.22 million b/d, the former Soviet Union countries by 0.1 percent to 13.90 million b/d, Brazil by 9.0 percent to 2.31 million b/d, and Norway by 2.7 percent to 1.89 million b/d. However, the average production decreased in Mexico by 3.8 percent to 2.78 million b/d, and the United Kingdom by 2.2 percent to 0.87 million b/d.

World Oil Prices

According to OPEC data, world oil prices declined in 2014. The average price of the Arab Light crude oil stood at \$97.18 a barrel, falling by \$9.35 a

Table 11.2: AVERAGE WORLD CRUDE OIL PRODUCTION*

(Million barrels per day)

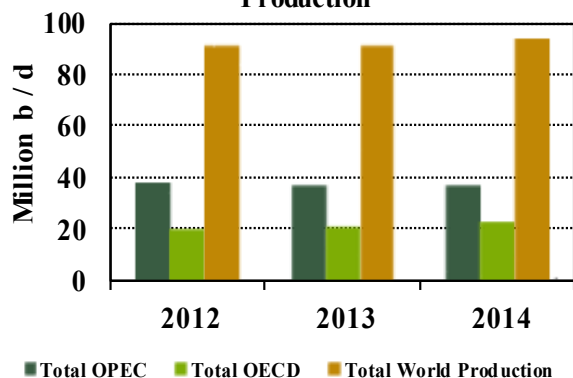
				2014				% change	
	2012	2013	2014	Q1	Q2	Q3	Q4	2013	2014
OPEC	37.58	36.72	36.68	36.29	36.44	36.98	36.99	-2.3	-0.1
OECD	19.88	20.91	22.64	22.08	22.37	22.64	23.49	5.2	8.3
Non-OPEC producers									
Former USSR Countries	13.62	13.88	13.90	14.01	13.84	13.81	13.93	1.9	0.1
USA	9.18	10.24	11.81	10.98	11.69	12.10	12.45	11.5	15.3
China	4.18	4.18	4.19	4.21	4.23	4.17	4.13	0.0	0.2
Canada	3.75	3.97	4.22	4.21	4.08	4.12	4.43	5.9	6.3
Mexico	2.92	2.89	2.78	2.86	2.85	2.76	2.66	-1.0	-3.8
UK	0.94	0.89	0.87	0.96	0.90	0.71	0.89	-5.3	-2.2
Norway	1.91	1.84	1.89	1.92	1.79	1.86	1.96	-3.7	2.7
Brazil	2.16	2.12	2.31	2.16	2.28	2.39	2.37	-1.9	9.0
Total world supply	90.94	91.33	93.35	92.06	92.83	93.89	94.60	0.4	2.2

* Including condensates and natural gas liquids.

Source: International Energy Agency Review, March 2015.



Chart 11.2: World Crude Oil Production



barrel or 8.8 percent from its average price of \$106.53 a barrel in 2013 (**Table 11.3**). The average price of Dubai oil was \$96.71 a barrel in 2014, decreasing by 8.3 percent, compared to \$105.45 a barrel in 2013. The average price of North Sea (Brent) oil dropped by 8.8 percent to \$99.08 a barrel in 2014 from \$108.62 a barrel during 2013. West Texas average price went down by 4.8 percent to \$93.26 a barrel in 2014 compared to \$97.96 a barrel in 2013.

Real Oil Prices

Real oil prices (base year 2005) went down in 2014. The average real price of Arab Light crude decreased by 9.7 percent to \$80.34 a barrel compared

Table 11.3: SPOT PRICES OF SELECTED TYPES OF CRUDE OIL
(Period Average)

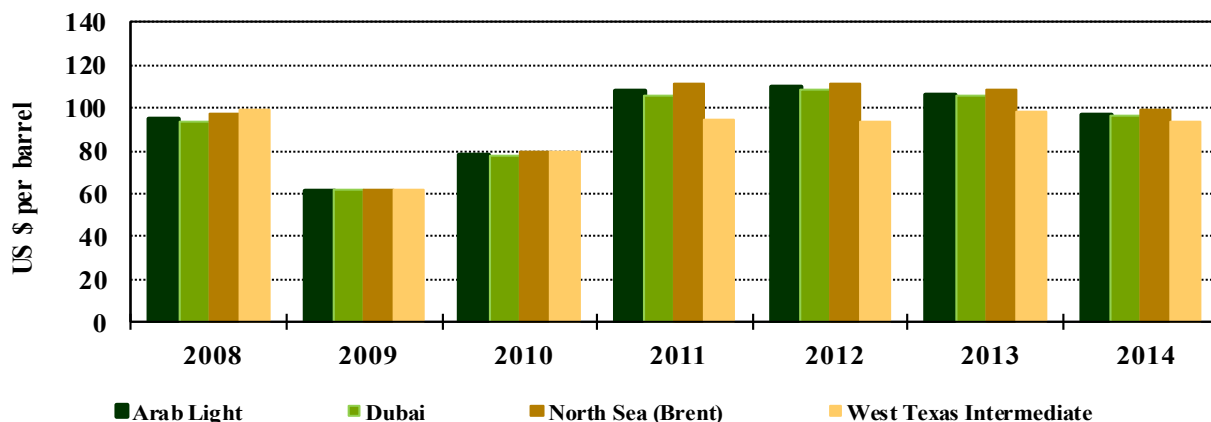
(US dollars per barrel)

Year	Arab Light	Dubai	North Sea (Brent)	West Texas Intermediate
1999	17.45	17.24	17.91	19.30
2000	26.81	26.25	28.44	30.37
2001	23.06	22.83	24.46	26.00
2002	24.32	23.83	25.03	26.13
2003	27.69	26.77	28.81	31.09
2004	34.53	33.66	38.23	41.44
2005	50.21	49.36	54.37	56.51
2006	61.10	61.54	65.14	66.04
2007	68.75	68.38	72.55	72.29
2008	95.16	93.85	97.37	100.00
2009	61.38	61.83	61.68	61.88
2010	77.82	78.10	79.60	79.42
2011	107.82	106.21	111.36	94.99
2012	110.22	109.07	111.62	94.10
2013	106.53	105.45	108.62	97.96
2014	97.18	96.71	99.08	93.26

Source: OPEC.



Chart 11.3: Average Spot Oil Prices



to \$88.95 a barrel during 2013 (**Table 11.4**). The average real price of North Sea (Brent) fell by 9.7 percent to \$81.91 a barrel during 2014 from \$90.70 a barrel in the previous year. The average real price of the OPEC oil basket went down by 10.0 percent to \$79.60 a barrel, compared to \$88.40 a barrel in the previous year.

Notwithstanding the rise in oil prices over the past few years, the real oil prices were relatively

close to those of the early 1980s. For instance, the average real price of North Sea oil stood at \$81.91 a barrel during 2014, i.e. a difference of \$1.16 a barrel over the average real price of \$83.07 a barrel in 1980.

The Kingdom's Reserves of Oil and Natural Gas

The Kingdom's proven reserves of crude oil stood at 266.58 billion barrels at the end of 2014, rising by 0.79 billion barrels over the preceding year.

Table 11.4: NOMINAL AND REAL OIL PRICES

(Base Year 2005)

(US dollars per barrel)

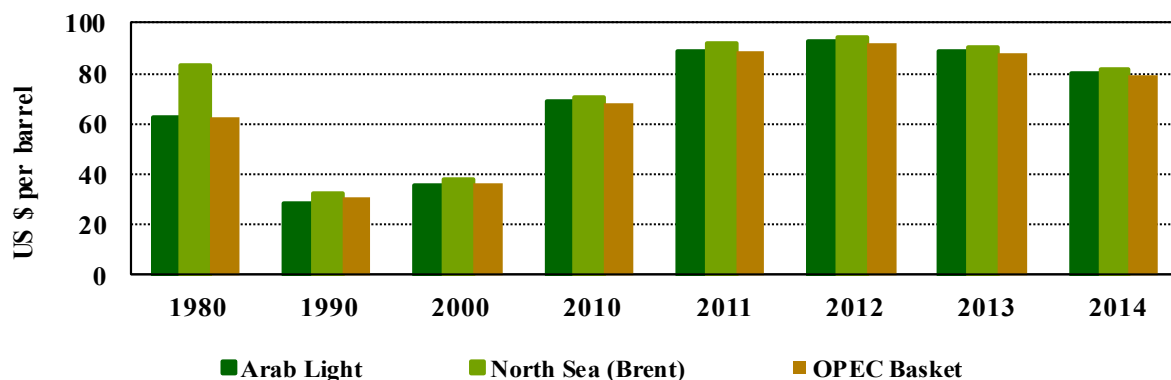
Year	Nominal Prices			Real Prices*		
	Arab Light	North Sea (Brent)	OPEC Basket	Arab Light	North Sea (Brent)	OPEC Basket
1980	28.67	37.89	28.64	62.85	83.07	62.79
1990	20.82	23.99	22.26	28.40	32.73	30.36
2000	26.81	28.44	27.60	35.64	37.81	36.69
2010	77.82	79.60	77.45	68.60	70.17	68.27
2011	107.82	111.36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

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

Sources: OPEC.



Chart 11.4: Real Oil Prices
Base year = 2005



The Kingdom's proven reserves of natural gas increased by 2.1 percent to 299.74 trillion standard cubic feet at the end of 2014, compared to 293.68 trillion standard cubic feet at the end of 2013.

Saudi Crude Oil Production

In 2014, the Kingdom's crude oil production went up by 0.8 percent to 3,545.1 million barrels from 3,517.6 million barrels in 2013 (**Table 11.5**). Thus, the Kingdom's average daily output was 9.71 million barrels in 2014.

Saudi Domestic Production and Consumption of Refined Products

The Kingdom's production of refined products rose by 19.6 percent to 803.8 million barrels in 2014

from 672.2 million barrels in 2013. Thus, the Kingdom's daily production of refined products was 2.20 million barrels a day (**Table 11.6**).

The rise in the production of refined products was due to an increase in diesel production by 25.1 percent, accounting for 34.2 percent of total production of refined products. In addition, gasoline production went up by 19.5 percent, jet fuel by 30.0 percent, liquefied petroleum gas by 16.7 percent and fuel oil by 5.7 percent.

Total domestic consumption of refined products, crude oil and natural gas increased by 6.7 percent to 1,516.8 million barrels in 2014 from 1,422.0 million barrels in 2013 (**Table 11.7**).

Table 11.5: SAUDI CRUDE OIL PRODUCTION

					<i>(Million barrels)</i>	
	2011	2012	2013	2014	% change	
					2013	2014
Total production	3,398.5	3,573.4	3,517.6	3,545.1	-1.6	0.8
Daily average	9.31	9.76	9.64	9.71	-1.2	0.7

Source: Ministry of Petroleum and Mineral Resources.



Table 11.6: THE KINGDOM'S OUTPUT OF REFINED PRODUCTS

(Million barrels)

Product	2010	2011	2012	2013	2014	% change	
						2013	2014
Liquefied petroleum gas	12.23	11.97	11.25	13.86	16.17	23.2	16.7
Premium gasoline	137.08	142.58	145.89	134.69	160.94	-7.7	19.5
Naphtha	71.69	62.12	64.18	58.65	70.27	-8.6	19.8
Jet fuel (kerosene)	58.11	60.74	63.80	59.46	77.32	-6.8	30.0
Diesel	231.21	229.40	234.12	219.77	274.84	-6.1	25.1
Fuel oil	162.58	152.17	168.38	166.20	175.68	-1.3	5.7
Asphalt	18.21	18.72	17.69	19.60	20.06	10.8	2.3
Coke	---	---	---	---	8.57	---	---
Total	691.11	677.70	705.31	672.23	803.84	-4.7	19.6

Source: Ministry of Petroleum and Mineral Resources.

Table 11.7: DOMESTIC CONSUMPTION OF REFINED PRODUCTS, CRUDE OIL AND NATURAL GAS

(Million barrels)

Product	2010	2011	2012	2013	2014
A. Public consumption					
Liquefied petroleum gas	13.15	15.84	13.74	12.27	11.48
Premium gasoline	151.35	162.46	175.92	184.14	190.71
Jet fuel and Kerosene	23.25	23.90	24.76	25.56	27.28
Diesel	220.38	234.01	253.06	259.40	261.22
Fuel oil	77.50	88.26	91.50	107.47	125.86
Crude oil	192.75	190.73	193.50	176.94	202.36
Asphalt	22.77	20.54	19.96	20.94	28.59
Lubricating oil	1.89	1.76	1.60	1.59	1.92
Natural gas	405.19	437.21	484.62	496.44	504.09
Sub-total	1,108.22	1,174.72	1,258.65	1,284.72	1,353.51
B. Oil industry consumption					
Liquefied petroleum gas	0.28	2.45	2.62	2.99	3.71
Fuel oil	4.27	6.10	4.90	4.84	12.67
Diesel	5.51	3.62	7.10	6.92	13.72
Fuel gas	20.23	20.16	18.81	20.29	20.56
Crude oil	0.14	0.10	0.09	0.07	0.10
Natural gas	116.59	113.49	113.36	98.97	110.54
Others	3.68	0.77	3.06	3.15	2.01
Sub-total	150.71	146.70	149.94	137.24	163.29
Grand Total	1,258.93	1,321.41	1,408.59	1,421.97	1,516.80

Source: Ministry of Petroleum and Mineral Resources.



The increase in domestic consumption during 2014 was owing to rises in public consumption by 5.4 percent to 1,353.5 million barrels and oil industry consumption by 19.0 percent to 163.3 million barrels. A breakdown of relative shares shows that total public consumption of natural gas accounted for 37.2 percent, diesel 19.3 percent, gasoline 14.1 percent, fuel oil 9.3 percent and crude oil 15.0 percent. As for the oil industry consumption, natural gas accounted for 67.7 percent of total consumption, fuel gas 12.6 percent, diesel 8.4 percent and fuel oil 7.8 percent.

The Kingdom's Exports of Crude Oil and Refined Products

The Kingdom's crude oil exports fell by 5.5 percent to 2,611.0 million barrels during 2014 from 2,763.3 million barrels in 2013. In contrast, the Kingdom's exports of refined products increased by 24.4 percent to 360.6 million barrels in 2014 from 289.8 million barrels in 2013 (**Table 11.8**).

The bulk of the Kingdom's exports of crude oil and refined products during 2014 was accounted

for by countries of Asia and the Far East region (**Chart 11.5**). The region received 61.7 percent of the Kingdom's total crude oil exports and 55.6 percent of its total exports of refined products. North American countries came next, importing 17.5 percent of the Kingdom's total exports of crude oil and 1.3 percent of its total exports of refined product, followed by Western Europe countries, accounting for 13.3 percent of the Kingdom's total exports of crude oil and 11.4 percent of its total exports of refined products, the Middle Eastern countries with 3.8 percent of the Kingdom's total exports of crude oil and 18.8 percent of its refined products and African countries with 2.7 percent and 11.6 percent of crude oil and refined products respectively.

The Kingdom's Petrochemicals Industry

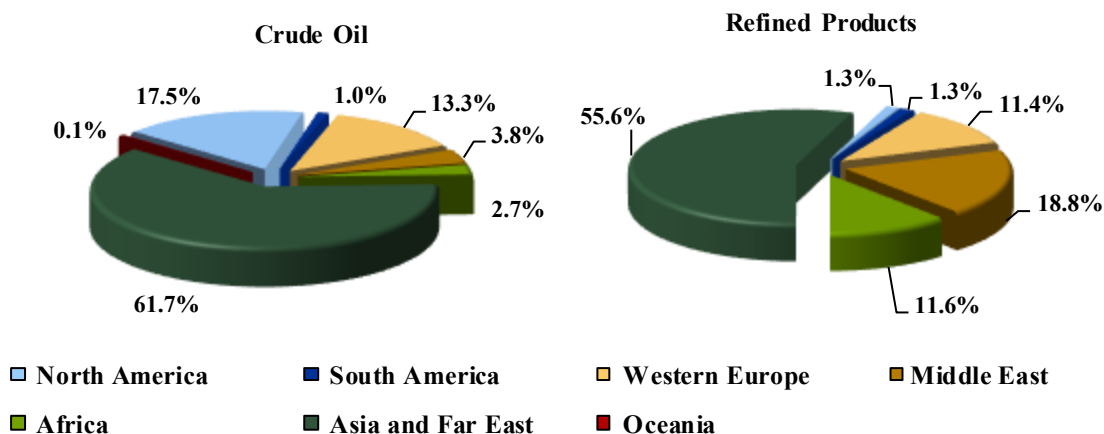
Production of the Saudi Basic Industries Corporation (SABIC) went up by 1.8 percent to 69.7 million metric tons in 2014 from 68.5 million metric tons in the previous year. The company's sold products rose by 1.7 percent to 54.8 million metric

Table 11.8: THE KINGDOM'S EXPORTS OF CRUDE OIL AND REFINED PRODUCTS (BY DESTINATION)

Exports to	2012		2013		2014		(Million barrels) % share in 2014	
	Crude Oil	Refined Products	Crude Oil	Refined Products	Crude Oil	Refined Products	Crude Oil	Refined Products
North America	521.0	0.6	532.5	-	456.7	4.7	17.5	1.3
South America	25.0	4.5	29.1	3.0	25.1	4.8	1.0	1.3
Western Europe	362.6	40.6	347.4	27.9	347.5	41.1	13.3	11.4
Middle East	102.7	55.4	99.4	43.0	99.8	67.9	3.8	18.8
Africa	97.1	34.9	81.0	33.4	69.7	41.7	2.7	11.6
Asia and Far East	1,669.6	178.5	1,670.8	182.5	1,610.0	200.3	61.7	55.6
Oceania	5.8	1.1	3.2	-	2.1	-	0.1	--
Total	2,783.8	315.5	2,763.3	289.8	2,611.0	360.6	100.0	100.0

Source: Ministry of Petroleum and Mineral Resources.

Chart 11.5: The Kingdom's Exports of Crude Oil and Refined Products by Destination in 2014



tons from 53.9 million metric tons in the previous year.

SABIC continued to implement its plans and expansion projects within the framework of its vision (SABIC 2025). The most important projects implemented during 2014 were: a project for unrolling iron wire coils at Hadeed company's compound with an estimated production capacity of 300 thousand tons per year expandable to one million tons per year, a project for National Industrial Gases Company (Gas) aimed at supplying Sadara Chemical Company with high and low pressure nitrogen gases along with oxygen, a project for the expansion of the electrical capacity of Petrokemya Company from 210 MVA to 300 MVA, for meeting the increasing demand for electricity within Petrokemya's plants and providing power to the new project of acrylonitrile butadiene styrene (ABS), and a project for natural alcohol plant (NDA) used in the production of detergent powders. The project is located in Kayan company's compound and it is at operational testing phase.

Mineral Resources

The Deputyship of the Ministry of Petroleum and Mineral Resources supervises

mining activities in the Kingdom. It encourages investments in the mining sector, provides services and consultations to support this activity, and issues mining licenses and concessions in accordance with the laws and regulations in force. The number of valid mining licenses amounted to 2,094 at the end of 2014, including 1 for prospecting; 468 for exploration; 71 for small-size mines; 19 for mining concessions for various metal ores such as gold, copper, zinc, iron, phosphate, accompanied metals and gems; 35 licenses for raw materials quarries for cement industry and other materials; 27 licenses for quarrying ores for other industrial metals such as dolomite, shiest, boslan, clay, iron and other metals; and 1,473 licenses for building material quarries. The Deputyship revenues during fiscal year 1435/1436H (2014) stood at SAR 564 million.

With regards to the production of gold, silver and associated minerals from locations at the mines of Mahd Al-Dhahab, Al- Sukhaybarat, Al- Hajar, Bulghah and Al-Amar, the output of gold increased by 5.0 percent to 4,366 kg during 2014 from 4,158 kg in 2013. Their output of silver also went up by 5.0 percent to 4,888 kg in 2014 compared to 4,655 kg in 2013. In



addition, their output of copper rose by 5.0 percent to 43,390 tons in 2014 from 41,332 tons in 2013. The output of zinc also went up by 5.0 percent to 41,804 tons in 2014 from 39,813 tons in 2013 (**Table 11.9**).

The Deputyship for Mineral Resources estimated the total quantities extracted from other mineral ores during 2014 at more than 420 million tons of various mineral ores such as limestone, silica sand, salt, clay, feldspar, marble for industrial purposes, iron sand, kaolin, gypsum, blocks of marble, granite,, crushers materials, and the ordinary sand used in building and construction (**Table 11.10**). The Kingdom started phosphate production in 2012 by about 1,534 thousand tons, and the output rose to 1,911 thousand tons during 2014.

The Saudi Arabian Mining Company (Ma'aden) works on King Abdullah project for the development of Wa'd Al-Shamal city through its affiliate Ma'aden Wa'ad Al-Shamal Phosphate (MWSPC), a joint-venture co-owned by Ma'aden (60 percent), Mosaic (25 percent) and SABIC (15 percent). The NWSPC is working on the establishment of a phosphate industries compound which includes 7 large plants with a total production capacity of 16 million tons a year. The project will have a positive economic and social impact on the Kingdom in terms of domestic product, and establishment of new industries. The company awarded contracts for the establishment of most of these plants during 2013 and 2014. It is scheduled that completion of the project and commencement of pilot production will take place at the end of 2016■

Table 11.9: PRODUCTION OF SOME MINERALS IN THE KINGDOM

Year	Gold (kg)	Silver (kg)	Copper (tons)	Zinc (tons)	Lead (tons)
2010	4477.1	7670.0	1603	4218	543
2011	4612.0	5839.0	1954	4934	396
2012	5215.0	5212.0	17639	21213	---
2013	4158.0	4655.0	41332	39813	---
2014 *	4366.0	4888.0	43390	41804	---

* Estimated (---) Not Available.

Source: Deputy Ministry for Mineral Resources .



Table 11.10: MINERAL ORES EXTRACTED

(Thousand tons)

Types of exploited ores	2010	2011	2012	2013	2014*
Limestone	45,750	46,300	48,615	56,700	59,500
Clay	5,800	6,547	8,300	6,880	7,220
Salt	1,800	1,864	1,611	1,900	1,990
Silica sand	820	1,303	1,270	1,160	1,210
Crushers materials (pebbles)	277,000	272,700	300,000	300,000	315,000
Sand	26,000	25,400	30,000	29,000	30,400
Iron sands	550	652	987	644	676
Gypsum	2,100	2,239	1,700	1,700	1,780
Marble for industrial purposes	1,500	1,352	1,300	3,000	3,150
Marble masses	48	24	25	11	12
Granite masses	1,100	993	834	1,100	1,155
Limestone masses	256	770	484	1,200	1,260
Kaolin	62	70	137	101	106
Barite	30	30	32	30	32
Feldspar	42	160	227	160	168
Basalt	---	---	---	---	---
Boslan	915	1,010	941	460	480
Dolomite	583	616	153	181	190
Shiest	603	738	683	650	680
Berofilit	24	8	8	6	7
Bauxite	284	634	835	934	980
Phosphate	---	---	---	1,044	1,096

* Estimated (---) Not Available.

Source: Deputy Ministry for Mineral Resources.



ANNUAL BALANCE SHEET OF SAMA

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INDEPENDENT AUDITORS' REPORT

**To: H.E. The Governor and Members of the Board of Directors
of Saudi Arabian Monetary Agency**

Scope of audit

We have audited the accompanying balance sheets of the Saudi Arabian Monetary Agency (SAMA) as at June 30, 2014 and the statement of revenues and expenses for the year then ended, and the notes from 1 to 5, which form an integral part of these financial statements. These financial statements were prepared by SAMA in accordance with the accounting principles approved by the Board of Directors and submitted to us together with all the information and explanation which we required. We conducted our audit in accordance with auditing standards generally accepted in the kingdom of Saudi Arabia. An audit includes examining the accounting records and other procedures we considered necessary to obtain a reasonable degree of assurance to enable us to express opinion on the financial statements.

Basis of Preparation of the Financial Statements

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

Opinion

In our opinion, the financial statements mentioned above taken as a whole, present fairly the financial position of SAMA as at June 30, 2014 and its revenues and expenses for the year then ended, in accordance with the accounting principles approved by SAMA's Board of Directors as explained in note 2 to the financial statements.

for Ernst & Young.

**Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277**

for PricewaterhouseCoopers

**Mohammed A. Al Obaidi
Certified Public Accountant
Registration No. 367**



SAUDI ARABIAN MONETARY AGENCY (SAMA)
BALANCE SHEET
AS AT JUNE 30, 2014

ASSETS

(Million Riyals)

	30/6/2014	30/6/2013
ISSUANCE DEPARTMENT		
CURRENCY COVER:		
Gold (Note 2-e)	1,624	1,624
Investment in securities abroad	203,983	195,134
	205,607	196,758
BANKING OPERATION DEPARTMENT		
Cash in Hand:		
Saudi Bank notes	27,043	35,378
Metal coins	12	13
	27,055	35,391
Deposits in Banks Abroad	468,724	466,265
Investment in Securities Abroad	2,083,223	1,900,928
Investment in Local Securities	8,743	8,743
Other Miscellaneous Assets	5,938	5,805
	2,593,683	2,417,132
CONTRA ACCOUNTS		
Documentary Credits and Other	3	2
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Deposits with Banks Abroad	50,160	19,457
Investment in Foreign Securities	347,328	338,141
Investment in Local Securities	210,032	251,930
Deposits with Banking Operations Department	12,781	4,787
Deposits with Local Banks	211	--
	620,512	614,315

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



SAUDI ARABIAN MONETARY AGENCY(SAMA)

BALANCE SHEET AS AT JUNE 30, 2014

LIABILITIES

(Million Riyals)

	30/6/2014	30/6/2013
ISSUANCE DEPARTMENT		
<u>SAUDI BANK NOTES ISSUED</u>		
In Circulation	178,248	161,086
In Banking Operation Department	27,043	35,378
	205,291	196,464
<u>METAL COINS ISSUED</u>		
In Circulation	304	281
In Banking Operation Department	12	13
	316	294
	205,607	196,758
BANKING OPERATION DEPARTMENT		
Government Deposits	985,435	958,639
Foreign Organizations Deposits	7,654	5,321
Government Agencies' and Institutions' Deposits	187,608	175,389
Banks' and Insurance Companies' Deposits	90,369	79,614
Govenment Liabilities	488,509	470,654
Other Miscellaneous Liabilities	834,108	727,515
	2,593,683	2,417,132
CONTRA ACCOUNTS		
Liabilities For Cheques under collection and Other	3	2
INDEPENDENT ORGANIZATIONS' AND INSTITUTIONS' DEPARTMENT		
Independent Organizations and Institutions	620,512	614,315
	620,512	614,315



SAUDI ARABIAN MONETARY AGENCY (SAMA)
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED 30 JUNE 2014

(Million Riyals)

	30/6/2014	30/6/2013
Revenues (Note 4)	4,805	4,362
Expenses		
General and Administration	1,886	1,470
SAMA's contribution to the Public Pension Agency (Note 5)	42	32
	1,928	1,502
Surplus transferred to reserve for land and construction of new premises for SAMA and its branches	2,876	2,860
	4,804	4,362

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



SAUDI ARABIAN MONETARY AGENCY(SAMA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
3 Ramadan 1435H (30 JUNE 2014)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS:

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

a. Issuance Department:

The main activity mint and print national currency (Saudi Riyal) and support the stability of the currency and fixing its rate internally and externally.

b. Banking Operations Department:

SAMA accepts deposits from Government organizations and others, and invests such deposits on their behalf. The costs of such investment and the related income earned are recorded directly in their accounts shown in the Banking Operation Department balance sheet without recording them in SAMA's statement of revenues and expenses.

c. Independent Organizations and Institutions' Department:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation of the Financial Statements:

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

b. Basis of Accounting:

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

c. Investments:

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

d. Foreign Currencies:

SAMA records its foreign currency transactions and shows closing balances in foreign currency in Saudi Riyals using book rates fixed by management in 1406H (corresponding to 1986G) and the subsequent amendment for Euro rate that was approved by management in 1420H (corresponding to 1999G).



e. Gold held as currency cover:

In accordance with Royal Decree No. 38 dated 13 Rajab 1393 H (corresponding to 12 August 1973G), gold held as currency cover is valued at a rate of one Saudi Riyal 0.20751 grams .

Gold shown in the Issuance Department's balance sheet as at 30 June 2014 and 2013 includes SR 67,390,878 paid by SAMA as part of the Kingdom's subscription to the International Monetary Fund ("IMF"), which is denominated in Special Drawing Rights with the IMF.

f. Furniture, equipment and motor vehicles:

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

g. Land and buildings:

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

h. Revenue and expenses:

In accordance with Article 2 of its charter, SAMA earns fees for services rendered in order to cover its expenses. It also sets aside the excess of revenue over expenditure to finance the purchase of land and the construction of new premises for SAMA and its branches.

SAMA records the income arising from the investment of the balance reserved for the purchase of land and the construction of new premises for the head office and branches under other miscellaneous liabilities on the Banking Operation Department's balance sheet, and it is not shown in the statement of revenues and expenses.

3. FINANCIAL STATEMENTS PERIOD:

These financial statements are prepared for the period from 22 Shabaan 1434H to 3 Ramadan 1435H (corresponding to July 1, 2013 to June 30, 2014).

4. COMPARATIVE FIGURES:

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

5. CONTRIBUTION TO THE PUBLIC PENSION AGENCY:

Contributions to the Public Pension Agency are made in accordance with Article 13 of the Civil Retirement Regulations issued by Royal Decree No. M/41 dated 29 Rajab 1393H (corresponding to August 28, 1973). Additional contributions, if any that may become due on adjustment of employees' salaries and related benefits are charged to other miscellaneous liabilities under Banking Operation Department during the year in which the adjustment occurs.



Appendix of statistical tables is available on SAMA's website on the following link:

<http://www.sama.gov.sa/en-US/EconomicReports/Pages/YearlyStatistics.aspx>