



**Financial Sector
Development Program**

Financial Sector Development Program

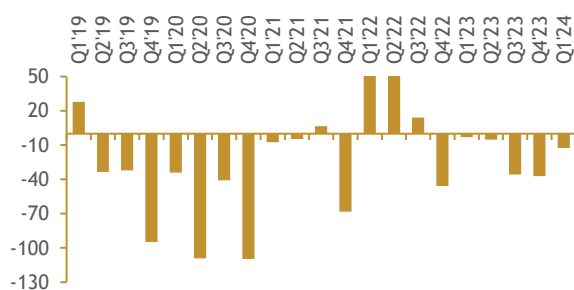
Quarterly Newsletter Q1 2024

Key Highlights: Budget Deficit in Q1 2024, GDP fell 0.8% in Q4 2023

Q1 2024 Budget Highlights

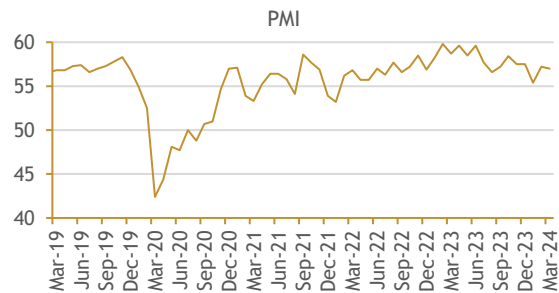
- Saudi Arabia recorded a budget deficit of SAR 12.4bn in Q1 2024, compared to a deficit of SAR 2.9bn in the same period last year.
- Total revenue rose 4.4% YoY to SAR 293.4bn in Q1 2024, from SAR 280.9bn in the same period a year ago.
- Oil revenues rose 1.9% YoY to SAR 181.9bn, while non-oil revenues rose 9.0% YoY to SAR 111.5bn in Q1 2024. Revenues from 'Taxes on Goods and Services' witnessed a 10.8% YoY rise to SAR 69.9bn in Q1 2024.
- Total expenditure rose by 7.7% YoY to SAR 305.8bn in Q1 2024, from SAR 283.9bn in the same period last year.
- Public debt increased to SAR 1115.8bn by the end of Q1 2024 from SAR 1050.3bn by the end of FY 2023.

Budget Deficit/Surplus (SAR bn)



PMI Index

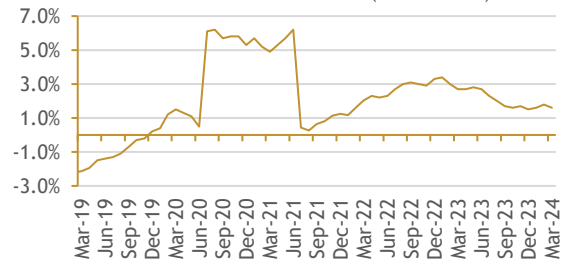
The Saudi Arabia Purchasing Managers' Index (PMI) decreased marginally, from 57.2 in February to 57 in March, indicating notable progress in the non-oil economy, driven by a significant uptick in new orders and new customers. Business activity accelerated to the fastest in six months, fueled by strong order intakes and robust demand conditions. Additionally, the number of new orders increased for the second consecutive month, with foreign order growth sustaining for the first time since mid-2023.



Consumer Price Index (CPI)

The CPI increased by 1.6% YoY in March 2024. Housing, Water & other fuels and Restaurants & Hotels sectors' prices witnessed an increase of 8.8% and 2.4%, respectively. Education prices rose by 1.2%, while Clothing and Footwear sector prices declined the most, down by 4.0% YoY in March 2024.

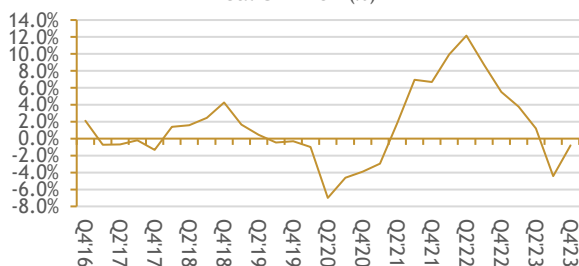
Consumer Price Index (CPI - YoY %)



Q4 2023 GDP Growth (%)

- Real GDP fell (2018 chain-linked measures) 0.8% YoY in Q4 2023.
- The decline was largely driven by a 9.0% decrease in the oil activity. The non-oil activity, however, rose by 4.4% in Q4 2023, from the same period a year ago.
- The non-oil activity accounted for 50.1% of total GDP in Q4 2023.

Real GDP YoY (%)

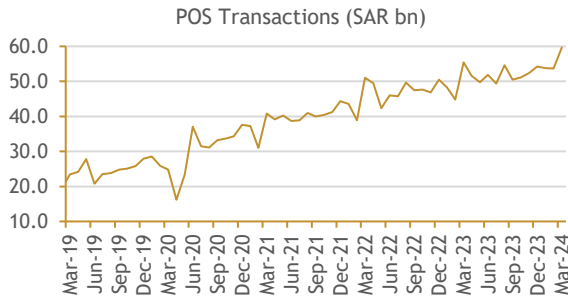


Macroeconomic and Financial Market

Macroeconomic Review

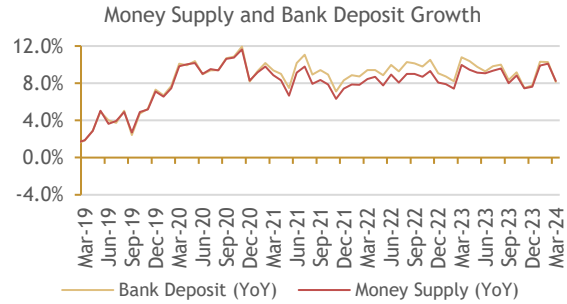
Points of Sale Transactions

POS transactions rose by 7.7% YoY to SAR 59.7bn in March 2024 from SAR 55.4bn in March 2023. In Q1 2024, the total amount of POS transactions reached SAR 167.2bn (up 12.6% YoY and 6.0% QoQ).



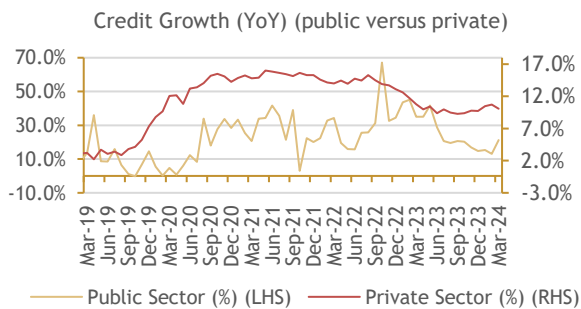
Money Supply (M3) and Bank Deposit Growth (%)

Money supply (M3) increased 8.3% YoY in March 2024 and was up 5.2% on a QoQ basis. M1 rose by 4.7% YoY, while Time and Savings deposits rose by 20.7% on a YoY basis. Total bank deposits grew 8.1% YoY and 5.0% on a QoQ basis in March 2024.



Credit Growth (%) *

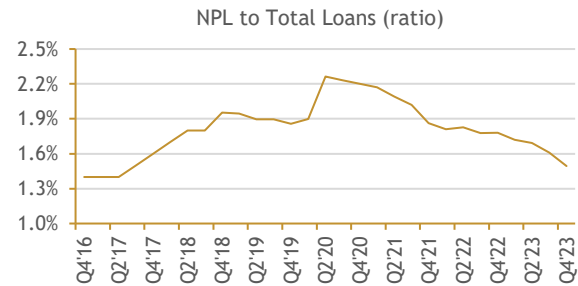
Bank credit (public and private) grew 10.7% YoY in March 2024 and 3.3% on a QoQ basis. Public sector credit increased 21.2% YoY and 7.3% on a QoQ basis. Bank credit to the private sector rose 10.1% YoY and 3.0% on a QoQ basis in March 2024.



*Credit to public sector does not include Gov't & Quasi-Gov't bonds

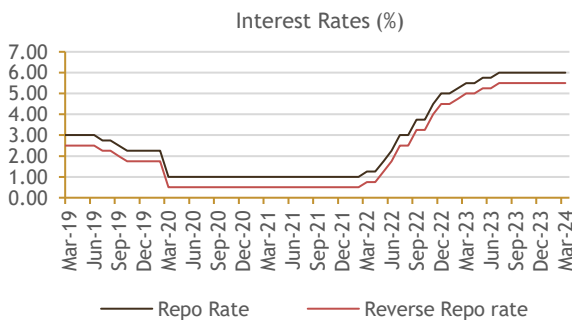
Non-performing Loans as portion of Total Loans

NPL ratio declined to 1.5% in Q4 2023 (latest data available) from 1.6% in Q3 2023.



Interest Rates

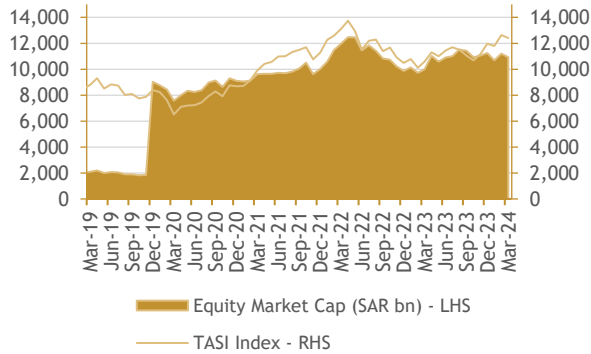
SAMA kept the repo rate and the reverse repo rate steady at 6.0% and 5.5% during Q1 2024. Policy rate adjustments are consistent with maintaining monetary stability.



Financial Market Overview

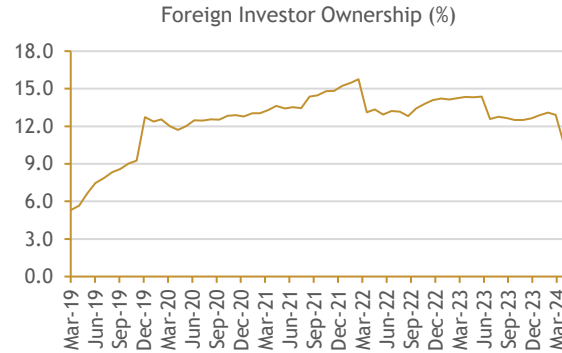
Tadawul and Equity Market Capitalization

The Tadawul Index (TASI) fell by 1.8% on a MoM basis but is up by 17.1% on a YTD basis in March 2024. TASI's equity market capitalization stood at SAR 10,939bn in March 2024, down 2.8% from SAR 11,259bn in December 2023.



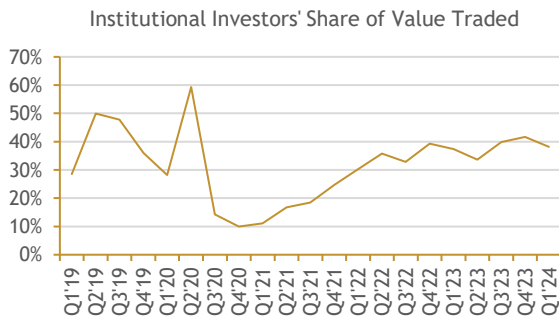
Foreign Investor Ownership

Foreign investor ownership in Saudi stocks decreased to 10.5% (free float) in March 2024, from December 2023. On a MoM basis, foreign investors holding value fell by 1.7% to SAR 418.9bn as of March 2024 from SAR 426.3bn in February 2024.



Institutional Investors' Share in Value Traded

Institutional investors' share in the total value traded declined to a quarterly average of 38.1% in Q1 2024, compared to 41.3% in Q4 2023.



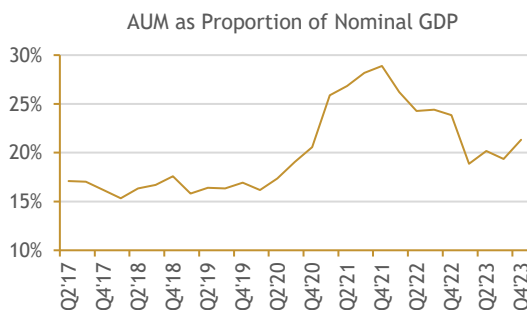
Market Concentration of Top 10 Companies

The market capitalization of the top 10 Tadawul companies declined to 83.6% by the end of March 2024, from 85.7% at the end of December 2023.



Assets Under Management (% of GDP)

Assets under management (AUM) as a percentage of nominal GDP increased to 20.9% in Q4 2023 from 19% in Q3 2023. AUM holding value was SAR 871bn as of December 2023.



Financial Sector Development Highlights

SAMA Governor: The Middle East & North Africa Region Holds Strengths that Can Be Invested in Development

The Financial Stability Board (FSB) Regional Consultative Group for the Middle East and North Africa (RCG MENA) met on Tuesday, February 6, 2024, at the headquarters of the Saudi Central Bank (SAMA) in Riyadh, to discuss financial stability issues affecting the region, including the implementation of the global regulatory framework for crypto-asset activities, and the lessons learned from the turmoil that affected the global banking sector in 2023.

The meeting was co-chaired by H.E. Ayman Alsayari, Governor of the Saudi Central Bank (SAMA), and H.E. Hassan Abdulla, Governor of the Central Bank of Egypt, and was attended by Mr. Klaas Knot, Chair of the Financial Stability Board.

The group members discussed the challenges related to the global and regional financial stability vulnerabilities, including the financial risks arising from the high-interest rate environment and non-bank financial intermediation (NBFi).

In his remarks, Governor of SAMA pointed out that the MENA region's advantages, embedded in economic diversification, rapid technological progress, and the strategic location, remain significant source for the region's development, highlighting the affirmation of the IMF in its Regional Economic Outlook that the Middle East and Central Asia region is resilient to an adverse macro financial risks scenarios. Alsayari stressed the importance of using different approaches of financial stability policies that take into consideration the region's economic and financial circumstances and the interconnectedness between its economies.

During the meeting, members received an update on the FSB's work program for 2024 and discussed the FSB's report on the initial lessons learned from the banking disturbances in 2023.

The total number of companies licensed by the Saudi Central Bank (SAMA) in the 1st quarter of 2024 was 4 companies, which are:

- Fintech in debt-based crowdfunding:
 - "Thara" to provide debt-based crowdfunding solutions.
- Fintech in Payment services:
 - 1- "Network International Arabia" to provide payment services through points-of-sale (POS).
 - 2- "Barraq" to offer e-wallet services.
- Fintech in financing activity to small and medium enterprises, finance leases, and consumer finance:
 - "Alpha Arabia Finance Company" to provide financing activity to small and medium enterprises, finance leases, and consumer finance.

SAMA Governor Meets President of The European Central Bank in Riyadh

H.E. Mr. Ayman Al-Sayari, Governor of the Saudi Central Bank (SAMA), welcomed H.E. Ms. Christine Lagarde, the President of the European Central Bank (ECB), at SAMA's headquarters in Riyadh on Thursday, February 1, 2024. The two sides discussed the recent developments in central banking, the outlook for the global economy, as well as other financial banking issues of mutual interest.

Several events were organized on the sidelines of the visit including a high-level panel discussion titled "Interconnectedness and Increasing Capital Flow" with participation from Their Excellencies Mr. Ayman Al-Sayari, Governor of SAMA and Ms. Christine Lagarde, President of ECB.

The panel discussions focused on the macro-financial vulnerabilities and risks stemming from increased interconnectedness; regulatory and supervisory efforts to address the potential for excessive systemic risk arising from the complexity of this growing interconnection; and management of trade-offs between the openness of the financial system while limiting associated risks.

In addition, a seminar on "Women's Empowerment within Central Banks" was conducted and featured speeches by SAMA's governor and the ECB's president and was moderated by Ms. Sheila Alrowaily, a member of SAMA's board of directors.

Saudi Exchange Announces the Launch of TASI50 Index

The Saudi Exchange Company announced the launch of TASI50 Index. The TASI50 is an Index that tracks the top 50 companies ranked by total market capitalization listed on the Saudi Exchange. Constituents in the index cover 90% of the free float market cap with a minimum annual traded value ratio (ATVR) of 5%, ensuring that the index is a comprehensive representation of the largest companies in the market. The index can be used as a benchmark for ETFs, Futures, Options, and other financial products.

The launch of the TASI 50 Index is a significant milestone towards the achievement of the Financial Sector Development Program of Saudi Vision 2030. The index provides a benchmark for investment products, allowing both local and foreign investors to access a wide range of investment opportunities in the dynamic and growing Saudi capital market.

"The Capital Market Authority" Approves the Instructions on the Offering of Real Estate Contributions Certificates

The Capital Market Authority's ("CMA's") Board approved the Instructions on the Offering of Real Estate Contributions Certificates, the amendment of the Rules on the Offer of Securities and Continuing Obligations and the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, to be effective from the date of their publication.

The Approval of the said Instructions comes based on the CMA's roles as stipulated by the Real Estate Contributions Law specifically in regulating the register of shareholders for real estate contribution and regulating the issuance of the real estate contribution certificate, which proves the shareholder's ownership of a share in the real estate contribution. In addition, the agreement with the Real Estate General Authority (REGA) regarding regulating the collection of funds for the purpose of offering real estate contributions, to keep pace with the great development witnessed in the real estate sector, and to open new financing and investment channels.

The Instructions aim to regulate registering and offering real estate contribution certificates, including determining the requirements to be met before the certificates offering, marketing, announcing them, or collecting funds for them, and the requirements for private and public offerings of these certificates, in addition to regulating the obligations of the capital market institution through which the offering shall take place, regulating the shareholders' register and the requirements of maintaining books and records.

The Minister of Finance Approves the 2024 Annual Borrowing Plan

The Minister of Finance, H.E. Mohammed bin Abdullah Al-Jadaan, approved the Annual Borrowing Plan for the year 2024 after the endorsement by the National Debt Management Center's board in its last meeting. The plan includes public debt developments, debt markets initiatives for the year 2023, and the 2024 funding plan and its guidelines, in addition to the calendar of domestic Sukuk issuances under the Local Saudi Sukuk Issuance Program in Saudi Riyal.

Listing and Trading Government Debt Instruments in the Saudi Stock Exchange

Tadawul has approved through Q1 2024 the listing submitted by the Ministry of Finance to list government debt instruments of a previously listed category with a total value of SAR (15,971,087,000) and the listing of government debt instruments of a new category with a total value of SAR (5,169,025,000).

Exempting Capital Market Institutions from the Requirements of Article (42) and (43) of the Capital Market Institutions Regulations

Based upon the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H, the CMA Board of Commissioners issued its resolution dated 05/06/1445H corresponding to 18/12/2023G exempting Capital Market Institutions from the requirements of Article Forty-Two and Article Forty-Three of the Capital Market Institutions Regulations in the following cases:

- (A) When conducting securities business activities with a client or for his account (ultimate beneficiary) who is a client of a capital market institution licensed to conduct management activities and takes investment decisions on behalf of its client.
- (B) When conducting securities business activities with financial technology companies permitted by CMA to experiment Robo-Advisory service, and when conducting securities business activities with a client or for his account (ultimate beneficiary) who is a client of a financial technology company permitted by CMA to experiment Robo-Advisory service.

The Ministry of Finance and the National Debt Management Center launched the 1st saving product for individuals

The Ministry of Finance and the National Debt Management Center launched the first savings product intended for individuals and supported by the government, under the name (Government Sukuk).

The Islamic Sharia-compliant savings Government Sukuk product provides lucrative returns, and will be offered through digital channels of a number of financial institutions. The subscription period for the first offer of the saving product began in February 2024.

The Ministry of Finance publishes the Kingdom of Saudi Arabia's Green Financing Framework

The Ministry of Finance publishes the Kingdom of Saudi Arabia Green Financing Framework under one of the Financial Sector Development Program initiatives to support the Kingdom's ambitions towards sustainability, reach net zero emissions through the Circular Carbon Economy approach, and to further display the Kingdom's efforts towards sustainability to investors and market participants. The framework is a major step to achieve the Saudi Vision 2030 goals, which focuses on a more sustainable future, starting from policies and investment development to planning and building infrastructures

The National Debt Management Center Announces the Completion of the 1st Offering of International Bonds in USD During the Year 2024

The National Debt Management Center (NDMC) announced the completion of receiving investors' requests for the first international issuance during the year 2024 for bonds under the Kingdom's Global Medium-Term Note Issuance Programme (GMTN). The total order book reached around USD 30bn, which equals an oversubscription of 2.5 times. The Kingdom issued a total of USD 12bn (equivalent to SAR 45bn) via a triple-tranche bond offering. The value of the first tranche is at USD 3.25bn (equivalent to SAR 12.19bn) for a 6-year bond maturing in 2030. The second tranche totaled USD 4bn (equivalent to SAR 15bn) for a 10-year bond maturing in 2034, while the third tranche totaled USD 4.75bn (equivalent to SAR 17.81bn) for a 30-year bond maturing in 2054.

Fitch Affirmed Saudi Arabia's credit rating at 'A+'; with Stable Outlook Fitch Affirmed Saudi Arabia's credit rating at 'A+'; with Stable Outlook

Fitch Ratings has affirmed Saudi Arabia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with Stable Outlook.

The agency indicated in its report that the rating reflects the Kingdom's strong fiscal position, with government debt/GDP and sovereign net foreign assets (SNFA) considerably stronger than both the 'A' and 'AA' medians, and significant fiscal buffers in the form of deposits and other public sector assets.

Financial Sector Development Program KPIs - Q1 2024

Program KPIs	Baseline	Status	2025 Target
Share of non-cash transactions, %***	36%	70%	70%
Banking sector assets, Bn SAR**	2,631	3,957	3,515
Total GWP to GDP non-oil, %**	1.9%	2.39%	2.4%
Life GWP per capita, SAR**	33	79.7	45
Coverage ratio of Health insurance schemes, %**	33%	37.1%	45%
Coverage ratio of Motor insurance schemes, %**	39.6%	69.14%	77%
Value of investments in private equity and venture capital, Mn SAR**	9,304	22,743.76	11,404
# Of Fintech players	20	224	230
SME loans as % of bank loans**	5.7%	8.4%	11%
Credit to private sector, Bn SAR**	1,510.7	2,464	2,053.2
Number of listings in Capital Market	6	9	26
Assets under Management, as % of GDP**	16.9%	20.9%	31%
Debt Market size as % of GDP	14%	19.4%	24.1%
Total market capitalization (shares) as % of GDP*	66.5%	88%	80.8%
Institutional investor trading volume as a percentage of total trading volume (%)	36%	38.1%	44%
Foreign Investor Ownership of the equity market cap (free float), in %	13.3%	10.47%	17.5%
% of micro and small enterprises at the time of listing out of total listings	40.9%	66.7%	46%
Share of investment accounts opened through Ekyc***	82%	98.38%	=>70%

*Excluding Aramco

**Q4 2023 Data

*** 2023 Data, KPI is measured annually

Financial Sector Development Program

The Financial Sector Development Program is one of the executive programs launched by the Council of Economic and Development Affairs (CEDA) to realize objectives of Vision 2030. The program aims to establish a varied and efficient financial sector that bolsters growth of the national economy, broadens revenue streams, and encourages savings, financing, and investment. It seeks to achieve these goals by empowering financial institutions to foster private sector expansion, facilitating and encouraging financial planning, and fostering development of an advanced capital market, all while aligning with strategic objectives to uphold stability of the financial services sector.

Key Abbreviations: (YoY) year-over-year / (QoQ) quarter-over-quarter / (M1) money supply

Sources: Ministry of Finance, Saudi Central Bank (SAMA), Capital Market Authority (CMA), General Authority for Statistics, Tadawul Group, Bloomberg, Reuters Eikon

*The data of foreign bank branches operating in Saudi Arabia have been amended and updated as per international best practices and the Monetary and Financial Statistics Manual in SAMA monthly bulletin.

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