



**Financial Sector  
Development Program**

# Financial Sector Development Program

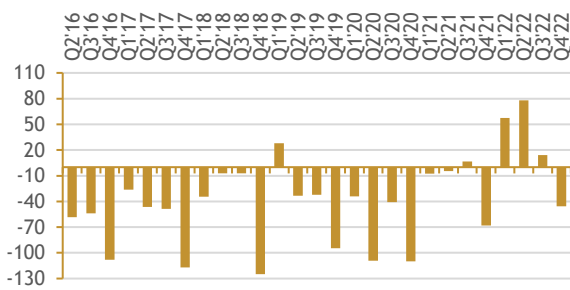
Quarterly Newsletter Q4 2022

## Key Highlights: Budget Deficit in Q4 2022, GDP rose 8.7% in Q3 2022

### Q4 2022 Budget Highlights

- Saudi Arabia recorded a budget deficit of SAR 45.6bn in Q4 2022, compared to a deficit of SAR 68.0bn in the same period last year.
- Total revenue increased 18% YoY to SAR 317.9bn in Q4 2022, from SAR 269.2bn in the same period a year ago.
- Oil revenues increased 17% YoY to SAR 194.1bn, while non-oil revenues rose 19% YoY to SAR 123.7bn in Q4 2022. Revenues from 'Taxes on Goods and Services' witnessed a 29% YoY increase to SAR 81.9bn in Q4 2022.
- Total expenditure rose by 8% YoY to SAR 363.6bn in Q4 2022, from SAR 337.3bn in the same period last year.
- Public debt increased to SAR 990.0bn by the end of Q4 2022 from SAR 938.0bn by the end of FY 2021.

Budget Deficit/Surplus (SAR bn)



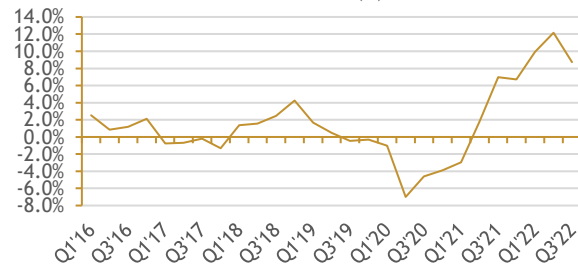
### The completion of the first dual listing in the Saudi Capital Market

As a reflection of the efforts aimed at pushing the Saudi Capital market to the regional and global leadership by being an attractive environment for investment and an open market for foreign investors and exporters alike, the Saudi capital market witnessed during the fourth quarter of the year 2022 the first dual listing of a foreign company in the Saudi market (Americana Company) through an initial public offering dual and simultaneous in the Abu Dhabi Securities Exchange. It is considered the first of its kind in the Saudi Capital market, which was restricted to Saudi companies. The company offered 30% of its capital, equivalent to 2,527 million shares.

### Q3 2022 GDP Growth (%)

- Real GDP (at 2010 constant prices) rose 8.7% YoY in Q3 2022.
- The rise was largely driven by 14.2% increase in the oil sector, while the non-oil sector increased by 6.1% during the quarter.
- The non-oil sector accounted for 56% of total GDP in Q3 2022.

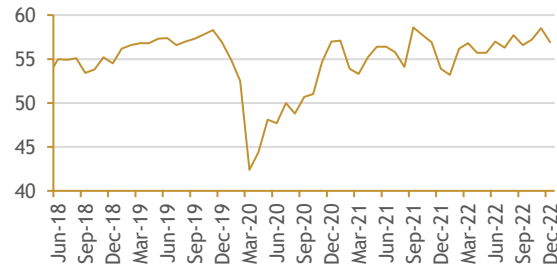
Real GDP YoY (%)



### PMI Index

The Saudi Arabia Purchasing Managers' Index (PMI) fell to 56.9 in December 2022, compared to 58.5 in November. New orders increased dramatically due to significant rise in sales from abroad.

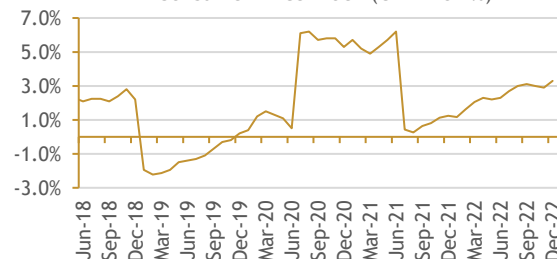
PMI



### Consumer Price Index (CPI)

The CPI increased by 3.3% YoY in December 2022. Restaurants & Hotels and Housing, Water & other fuels segment prices witnessed an increase of 6.8% and 5.9%, respectively. Food and beverage prices rose by 4.2%, while Clothing and Footwear segment prices declined the most, down by 1.4% YoY in December 2022.

Consumer Price Index (CPI - YoY %)

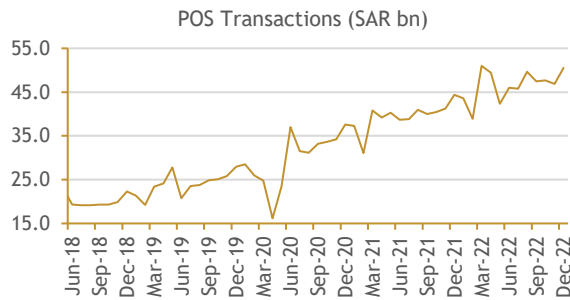


## Macroeconomic and Financial Market

### Macroeconomic Review

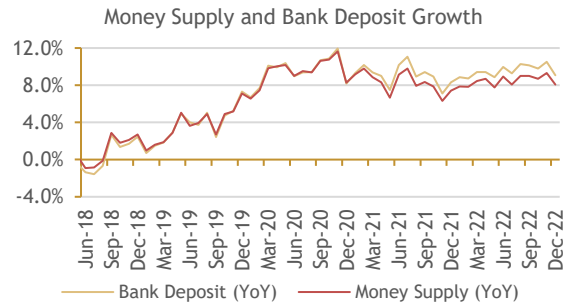
#### Points of Sale Transactions

POS transactions rose 13.8% YoY to SAR 50.5bn in December 2022 from SAR 44.4bn in December 2021. In Q4 2022, the total amount of POS transactions reached SAR 145bn (up 15% YoY and 1.5% QoQ).



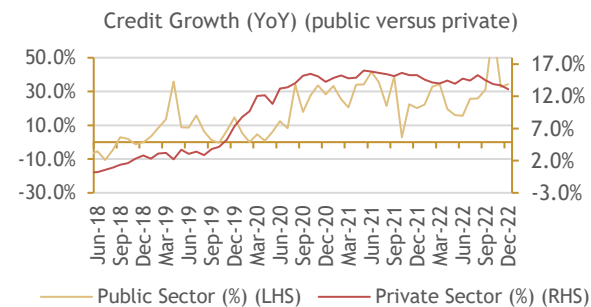
#### Money Supply (M3) and Bank Deposit Growth (%)

Money supply (M3) increased 8.1% YoY in December 2022 and was up 1.2% on QoQ basis. M1 fell 2.3% YoY, while Time and Savings deposits rose by 32.2% on YoY basis. Total bank deposits grew 9.1% YoY and 1.3% on QoQ basis in December 2022.



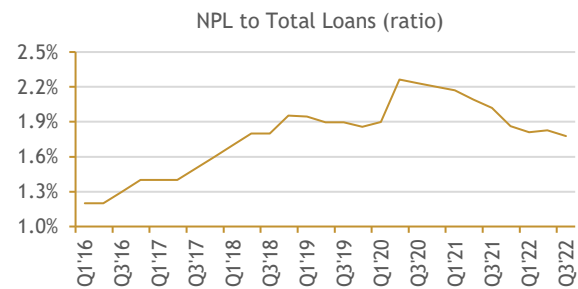
#### Credit Growth (%) \*

Bank credit (public and private) grew 14.1% YoY in December 2022 and 1.5% on QoQ basis. Public sector credit increased 34.5% YoY and 6.3% on QoQ basis. Bank credit to the private sector rose 13.1% YoY and 1.2% on QoQ basis in December 2022.



#### Non-performing Loans as portion of Total Loans

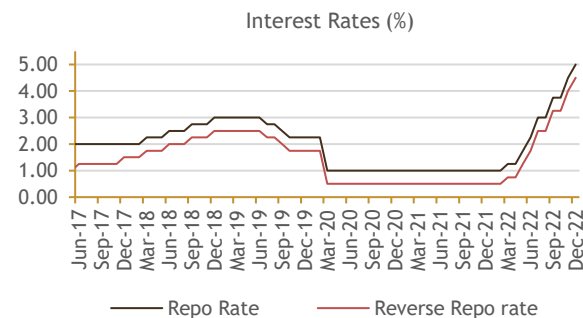
NPL ratio was unchanged at 1.8% in Q3 2022 (latest data available) from Q2 2022.



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

#### Interest Rates

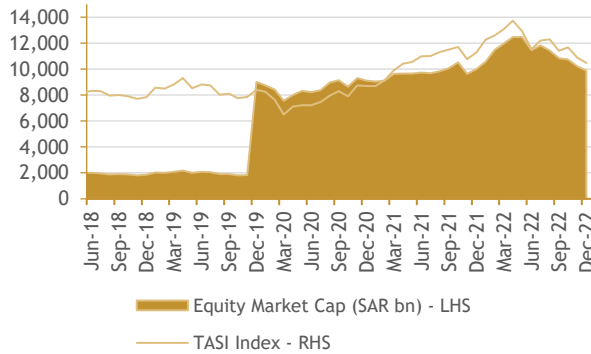
SAMA raised the rate of Repo by 50 basis points to 5%, and the rate of Reverse Repo by 50 basis points to 4.50%. This decision is in line with SAMA's objectives of maintaining and supporting monetary and financial stability.



## Financial Market Overview

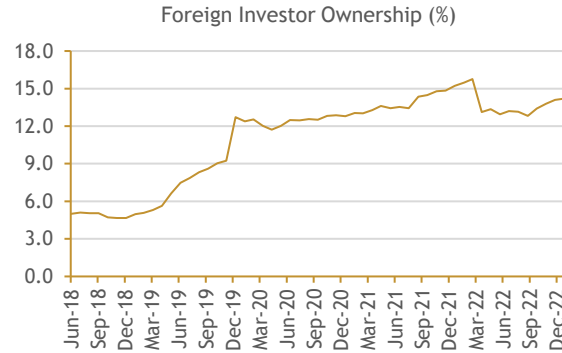
### Tadawul and Equity Market Capitalization

The Tadawul Index (TASI) lost 3.8% on a MoM basis and 14.6% on a YTD basis in December. TASI's equity market capitalization stood at SAR 9,878bn in December 2022, down 8.8% from SAR 10,833bn in September 2022.



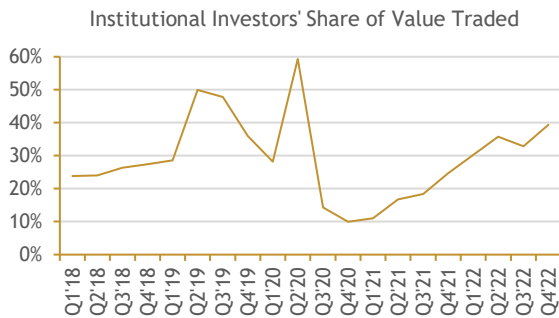
### Foreign Investor Ownership

Foreign investor ownership in Saudi stocks increased to 14.2% (free float) in December 2022 from 13.4% recorded in September 2022. On a MoM basis, foreign investors holding value reached SAR 346.5bn as of December 2022.



### Institutional Investors' Share in Value Traded

Institutional investors' share in the total value traded increased to a quarterly average of 38.8% in Q4 2022, compared to 31.8% in Q3 2022.



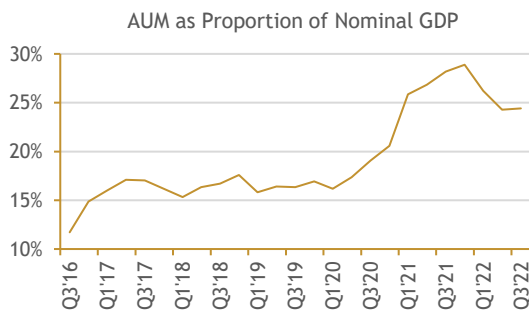
### Market Concentration of Top 10 Companies

The market capitalization of the top 10 Tadawul companies reduced to 86.9% by the end of December 2022, from 88% at the end of September 2022.



### Assets Under Management (% of GDP)

Assets under management (AUM) as a percentage of nominal GDP increased to 24.3% in Q3 2022 from 24.2% in Q2 2022. AUM holding value reached SAR 761bn as of September 2022.



## Financial Sector Development Highlights

### Total number of FinTech Companies operating in the Kingdom of Saudi Arabia & under SAMA reached 30, three of which were established in Q4-2022.

The Total number of Fintech companies licensed by SAMA is 30 companies till Q4-2022. This comes as part of SAMA's role to promote the development of the financial technology sector to ensure ultimate stability and growth of the sector, and a step to contribute to the sector growth while complying with SAMA's regulatory requirements in line with SAMA's mandate to enhance overall financial stability and support greater opportunities of the Saudi Vision 2030. The companies are as follows:

- Fintech in Payment:
  - Smart Digital Payment company (Tiqmo)
  - Tweeq
- Fintech in Crowdfunding:
  - Manafa

### Issuance of the Open Banking framework

SAMA issued the Open Banking Framework as one of the key outputs of the Open Banking Program, which includes a comprehensive set of legislation, regulatory guidelines and technical standards based on international best practices to enable banks and FinTech's to provide open banking services in the Kingdom.

This version of the open banking services focused on the Account Information Service (AIS), and the second version will focus on the Payment Initiation Service (PIS). SAMA is also tracking the development of banks and Fintech to ensure their readiness to launch open banking services.

The Open Banking Program is one of the initiatives of the Fintech Strategy, one of the pillars of the Financial Sector Development Program (FSDP) under Saudi Vision 2030. The Fintech Strategy was approved by the Council of Ministers in May 2022, and it aims to make the Kingdom a global fintech hub where technology-based innovation in financial services is the foundation to enhance the economic empowerment of individuals and society.

### Launching the qualification program for financial departments in the Insurance sector

The Saudi Central Bank has launched a two-month training program for financial departments in the insurance sector in collaboration with the Financial Academy, starting in January 2023. The program is designed with the best training and development solutions tailored to the insurance sector with the aim of providing participants with the skills and knowledge that support their access to job opportunities in the financial departments of companies operating in the insurance sector.

### Issuance of comprehensive motor Insurance rules

SAMA issued the Comprehensive Motor Insurance Rules; these rules aim to regulate the contractual relationship between the insurer and the insured by standardizing the minimum coverage limit of the non-compulsory comprehensive motor insurance and outline coverage provisions of the compulsory and optional coverage to be provided in the policy.

Most importantly, it includes the calculation of the sum insured based on an agreement between the insurer and the Insured, provisions of applying the deductible amount, determining the repair cost by the competent entity in charge of automobile damage appraisal in case of partial loss and in the technical total loss as decided by the competent entity, as well as to allow space for the insurer and the insured to agree on the percentage to consider the vehicle as an economic total loss, and compensate the insured based on the sum insured. These rules also emphasize forbidding the naming or describing of any insurance products missing the defined comprehensive motor insurance provisions as Comprehensive Motor Insurance.

### The Capital Market Authority and the Saudi Bar Association Launch the Initiative of Accreditation Standards for Lawyers Specialized in Securities Cases

The Capital Market Authority (CMA) and the Saudi Bar Association (SBA) have launched the Initiative of Accreditation Standards for Lawyers Specialized in Securities Cases (Initiative), which aims to improve the level of professional specialization for lawyers in the securities and relevant activities and raise the efficiency of pleading before Committees for the Resolution of Securities Disputes in a way best serve the development of the Saudi capital market and its participants. The initiative comes as part of the Memorandum of Understanding (MOU) entered by and between CMA and SBA to support the participation of the directory for advocacy and legal advice in securities and relevant activities and raise the level of knowledge and professional competence of lawyers and legal advisors in securities. The Initiative comprises a number of standards required to classify the lawyers specialized in securities cases filed before Committees for the Resolution of Securities Disputes and providing legal advice and services in the securities and relevant activities.

### The Capital Market Authority Approves Regulations of Market Making and Market Making Procedures

As part of CMA's continuous efforts to create potentials facilitating trading process, including increasing efficiency and volume of liquidity in the capital market, the Capital Market Authority (CMA) announced its approval on the Regulations of Market Making and Market Making Procedures proposed by the Saudi Exchange. The CMA's approval aims to regulate the activities of listed securities market making, and impacts resulted from approving the market making registration application, and description of mechanism of practicing market making activities on securities. The Regulations include the Market Maker's activities through providing continuous listed securities buy/sell orders during the market open session to provide liquidity to the relevant listed securities. Also, among the conditions of the Market Maker, it shall have a membership of the market or derivatives market and shall have the written policies and procedures to separate between the market making activities and any other activities practiced by the Maker. The Market Maker shall also have the security and technical requirements necessary for practicing the activity, or any other condition proposed by the market and approved by the CMA.

### The Ministry of Finance Signs a Number of Financing Agreements with Several Local Banks Amounting to SAR 25Bn to Execute Various Infrastructure Projects Arranged by The National Debt Management Center

The Ministry of Finance signed financing agreements with several local banks amounting to SAR 25Bn to execute various infrastructure projects scheduled to start in 2023 and 2024 to expedite the implementation of these projects.

The National Debt Management Center arranged those financings in accordance with the Ministry of Finance to enable and support strategic infrastructure projects in line with the Saudi 2030 Vision.

### Listing and Trading Government Debt Instruments in the Saudi Stock Exchange

Tadawul has approved through Q4 2022 the listing request of the debt instruments, issued by the government of the Kingdom of Saudi Arabia submitted by the Ministry of Finance from a class already listed with a total value of SAR (12,006,470,000).

### CMA Announces the Approval of the Amendments to the Instructions for Book Building Process and Allocation Method in Initial Public Offerings

The Capital Market Authority's (CMA) Board issued its resolution approving the amendments to the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs), which shall be effective as of 1/1/2023. The main amendments included stipulating the role of the financial advisor in coordination with the issuer to allocate a percentage of the offering to public funds provided that the Authority approves such percentage, and in the event there is insufficient coverage from public funds for the percentage allocated to them, they said percentage shall be reduced within the limits of what was covered by the public funds. These amendments come as part of developing the allocation percentage for individual investors, whether directly, or indirectly through individuals' ownership of units in public funds. The amendments also included giving the financial advisor the powers for determining the parties eligible for participating in the Book Building Process among the parties stipulated in the Instructions, provided that public funds are among them. This was to ensure the efficiency of the Book Building Process and the pricing of the offering, and as part of the capital market institutions' responsibilities to comply with practicing their business with skill, care, and diligence, as well as complying with appropriate conduct in the market.

### Five International Financial Institutions Join the Primary Dealers Program of the Government's Local Debt Instruments

The Ministry of Finance and the National Debt Management Center signed agreements with BNP Paribas, Citigroup, Goldman Sachs, J.P. Morgan, and Standard Chartered Bank, to appoint them as primary dealers in the government's local debt instruments. The international institutions will join the other five local institutions, namely, the Saudi National Bank, the Saudi British Bank (SABB), AlJazira Bank, Alinma Bank, and AlRajhi Bank.

His Excellency the Minister of Finance, Mr. Mohammed Al-Jadaan, noted that these agreements are a continuation of the developmental steps taken towards achieving Vision 2030 objectives under the umbrella of the Financial Sector Development Program. This is primarily achieved through cooperation between relevant entities to develop the infrastructure of the local debt market and increase the liquidity of the government's local debt instruments by attracting more capital from foreign investors. This is in addition to enabling primary dealers and market participants to play their roles in providing appropriate tools.

### Capital Market Authority Approves a New Series of Qualification Examinations

The Capital Market Authority (CMA) announced its approval of a new series of the Qualification Examinations for the registrable functions or those who want to be registered in the capital market institutions. This comes in line with the developments in the capital market regulations and in the international capital markets. To this end, it requires providing professional cadres qualified to engage in securities business and candidates who seek to develop their skills in the financial sector and build capabilities in the capital market.

- International Introduction to Securities and Investment (CME-1A)
- General Saudi Capital Market Rules and Regulations (CME-1B)
- Global Financial Compliance (CME-2A)
- Saudi Capital Market Rules and Regulations - Compliance, Anti-Money Laundering and Combating the Financing of Terrorism (CME-2B)
- Securities (CME-3A)
- Saudi Capital Market Rules and Regulations- Brokers (CME-3B)
- Saudi Capital Market Rules and Regulations -Asset Managers (CME-4B)
- Saudi Capital Market Rules and Regulations - Corporate Finance (CME-5B)

These examinations, which were developed by the CMA in cooperation with the Financial Academy and the Chartered Institute for Securities and Investment (CISI), followed the best practices applied internationally. The said step shall enable the capital market institutions to meet the investors' expectations, raise the securities business quality and develop the performance of various activities, in addition to expanding the base of professional national cadres.

### NDMC announces its arrangement of the first partial repurchase offer for the Kingdom's dollar-denominated bonds and announces a dollar denominated issuance of Sukuk and bond maturing in 2028 and 2032, respectively.

NDMC, on behalf of The Ministry of Finance, has announced its arrangement of the first international partial earlier repurchase offer exercise for Notes denominated in USD maturing in 2023, 2025, and 2026. The tender offers are being made as part of the Kingdom's effective debt management, which includes the pro-active management of its refinancing risk and debt maturities of the debt portfolio. The repurchase amounts will be announced upon completion of the offers' window which was on October 24, 2022.

In addition, the NDMC announced the completion of receiving investor requests for the first international issuance of the year 2022 of Sukuk and bonds within the Kingdom's Global Trust Certificate Issuance Programme and Global Medium term Note Issuance Programme.

The total amount of all bids received exceeded USD 27 Bn, which is oversubscribed by 5 times of the total issuance of USD 5 Bn (equivalent to SAR 18.75 Bn), divided into two tranches: USD 2.5 Bn (equivalent to SAR 9.4 Bn) for 6-year Sukuk maturing in 2028, and USD 2.5 Bn (equivalent to SAR 9.4 Bn) for a 10-year bond maturing in 2032.

### NDMC announces the completion of the first partial repurchase offer for the Kingdom's dollar-denominated bonds

In reference to the National Debt Management Center (NDMC) previous announcement on the 19th of October 2022, regarding its arrangement of the first partial repurchase offer for the Kingdom's dollar-denominated bonds and the U.S. dollar-denominated issuance of Sukuk and bonds maturing in 2028 and 2032, respectively, with a total value of USD 5 billion.

NDMC, on behalf of the Ministry of Finance, announces the completion of the first partial repurchase of the Kingdom's outstanding U.S. dollar-denominated bonds maturing in 2023, 2025, and 2026 with a total value of USD 1.268 billion (equivalent to SAR 4.755 bn).

This transaction is being made as part of the Kingdom's effective sovereign debt management, which includes the pro-active management of its refinancing risk and debt maturities of the debt portfolio.



### Saudi Arabia to Host Gulf Entrepreneurs Forum to be Organized by Monshaat

Under the patronage of the Minister of Commerce Dr. Majid Al-Qasabi, and in the presence of several ministers of commerce and industry in the member states of the Gulf Cooperation Council (GCC), Riyadh hosted the third edition of the Gulf Entrepreneurs Forum organized by the Small and Medium Enterprises General Authority (Monshaat).

The forum targets GCC entrepreneurs and business incubators and accelerators and financing institutions in GCC with the aim of enabling entrepreneurs and owners of SMEs to expand at GCC level.

The second edition also seeks to reach investment opportunities and benefit from successful entrepreneur expertise, in addition to exchanging expertise among stakeholders of developing the sector and discussing its challenges, as well as highlighting available financing opportunities and alternatives and the best solutions to face challenges and encourage innovation to enhance economic growth.

### Monshaat Supports Participation of 6 Entrepreneurs in Web Summit

Web Summit - which is the biggest gathering for technological companies in Europe that is annually attended by more than 70,000 visitors from 160 countries - has concluded in Lisbon. The event also convened the participation of entrepreneurs, innovators, decision makers and investors, in addition to global speakers and experts.

The Small and Medium Enterprises General Authority (Monshaat) participated in the conference through supporting and empowering 6 Saudi startups to participate in the event through providing areas for Saudi entrepreneurs to showcase their entrepreneur projects for investors and interested people and meet their counterparts from across the globe, in addition to benefiting from discussion panels and various events of the conference.

Monshaat was keen to select promising pilot projects to be presented to the visitors of the conference, varying between technology, data science, management and others. The event witnessed the participation of Lendo platform, which provides its services in FinTech, the Syarah platform specialized in selling new and used cars online, "Quant", which provides services in data analysis, "Karaz", which specializes in the health sector, and "Lucidya", which provides various services in data analysis and "taskeer" that is specialized in organizing and managing associations.



## Financial Sector Development Program KPI's

Program KPIs	Baseline	Status	2025 Target
Life GWP per capita, SAR***	33.16	45.9	45
Debt as % of GDP	14%	32%	24.1%
Banking sector assets, B SAR***	2,631	3,621	3,515
Total market capitalization (shares) as % of GDP*	66.52%	91%	80.8%
Share of investment accounts opened through eKYC	82%	94.42%	=>90%
Credit to private sector, Bn SAR***	1,510	2,221.4	2,053.2
Number of listings in Capital Market	6	49	26
% of micro and small enterprises at the time of listing out of total listings	33%	55%	46%
Coverage ratio of Health insurance schemes, %***	33%	33.83%	45%
Coverage ratio of Motor insurance schemes, %**	39.6%	55.9%	77%
# Of Fintech players	82	147	230
SME loans as % of bank loans***	5.7%	7.9%	11%
Share of non-cash transactions, %	36%	57%	70%
Total GWP to GDP non-oil, %***	1.9%	2.27%	2.4%
Assets under Management, as % of GDP	16.94%	24.3%	31%
Institutional investors' share of value traded %	35.96%	38.8%	44%
Foreign Investor Ownership of the equity market cap (free float), in %	13.3%	14.03%	17.5%
Value of investments in private equity and venture capital, M SAR	9,304	19,773	36,738.27

\*Excluding Aramco

\*\*As per SAMA's data

\*\*\*Q3 2022 Data

\*\*\*\* data for non-cash transactions as a percentage of total transactions for the year 2021



## Financial Sector Development Program

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### 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 achieve the objectives of Vision 2030. The role of the program is to create a diversified and effective financial sector to support the development of the national economy, diversify its sources of income and stimulate savings, finance, and investment. The program will achieve its ambition by enabling financial institutions to support private sector growth, promoting, and enabling financial planning, and ensuring the formation of an advanced capital market, without impeding the strategic objectives intended to maintain the financial services sector's stability.

Sources: Ministry of Finance, Saudi Central Bank (SAMA), Capital Market Authority (CMA), General Authority of Statistics, Tadawul, 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.

This report has been published by Financial Sector Development Program Office. For questions or comments, please contact us at [fsdp@mof.gov.sa](mailto:fsdp@mof.gov.sa) or for more information, please visit <https://www.vision2030.gov.sa/v2030/vrps/fsdp/>