



**Financial Sector
Development Program**

Financial Sector Development Program

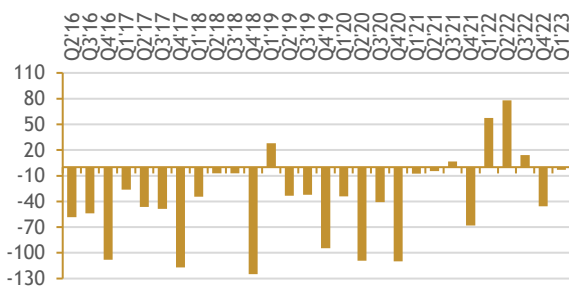
Quarterly Newsletter Q1 2023

Key Highlights: Budget Deficit in Q1 2023, GDP rose 5.5% in Q4 2022

Q1 2023 Budget Highlights

- Saudi Arabia recorded a budget deficit of SAR 2.91bn in Q1 2023, compared to a surplus of SAR 57.49bn in the same period last year.
- Total revenue increased 1% YoY to SAR 280.94bn in Q1 2023, from SAR 277.95bn in the same period a year ago.
- Oil revenues declined 3% YoY to SAR 178.60bn, while non-oil revenues rose 9% YoY to SAR 102.33bn in Q1 2023. Revenues from 'Taxes on Goods and Services' witnessed a 4% YoY increase to SAR 63.08bn in Q1 2023.
- Total expenditure rose by 29% YoY to SAR 283.85bn in Q1 2023, from SAR 220.46bn in the same period last year.
- Public debt decreased to SAR 962.25bn by the end of Q1 2023 from SAR 990.08bn by the end of FY 2022.

Budget Deficit/Surplus (SAR bn)



SAMA: E-Payments Share Exceeds FSDP'S 2022 Target

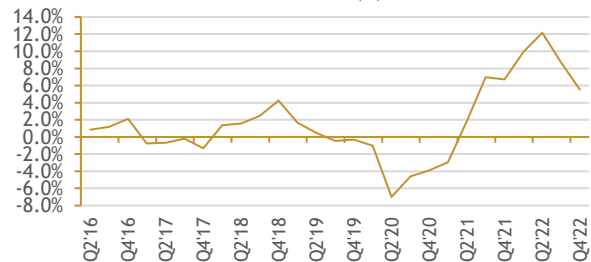
The Saudi Central Bank (SAMA) clarified that the share of electronic payments in retail sector reached 62% of total payments, including cash, in 2022, surpassing the 60% target set out by the Financial Sector Development Program (FSDP).

Statistically speaking, the number of PoS transactions executed via the Saudi Payment Network "mada" reached an unprecedented 7.2 billion transactions during 2022, recording an increase of 40% compared to 2021. Mada card online transactions grew by 76% in 2022, recording 610 million transactions. There were 1.4 million number of PoS terminals as at the end of 2022.

Q4 2022 GDP Growth (%)

- Real GDP (at 2010 constant prices) rose 5.5% YoY in Q4 2022.
- The rise was largely driven by a 6.1% increase in the oil activities, while the non-oil activities increased by 6.2% during the quarter.
- The non-oil sector accounted for 57% of total GDP in Q4 2022.

Real GDP YoY (%)



PMI Index

The Saudi Arabia Purchasing Managers' Index (PMI) fell to 58.7 in March 2023 from 59.8 in February 2023. The growth in output and new orders slowed but continue to remain solid.

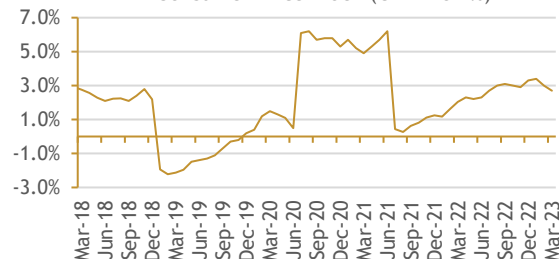
PMI



Consumer Price Index (CPI)

The CPI increased by 2.7% YoY in March 2023. Housing, Water & other fuels and Restaurants & Hotels segment prices witnessed an increase of 7.4% and 6.3%, respectively. Education prices rose by 3.1%, while Clothing and Footwear segment prices declined the most, down by 2.2% YoY in March 2023.

Consumer Price Index (CPI - YoY %)

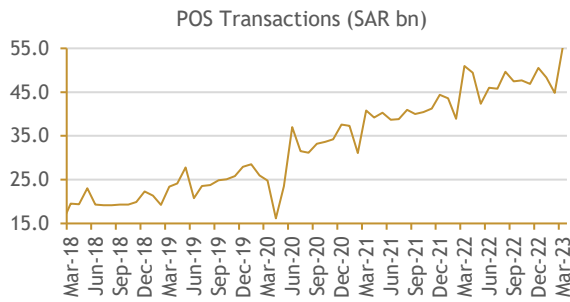


Macroeconomic and Financial Market

Macroeconomic Review

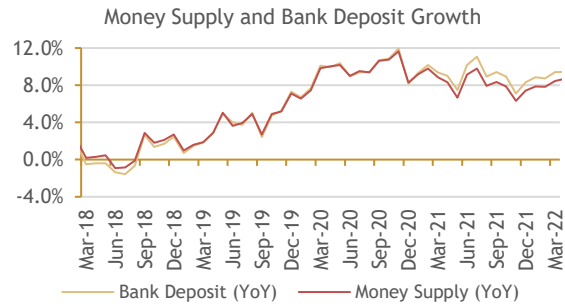
Points of Sale Transactions

POS transactions rose to all-time high by growing at 8.7% YoY to SAR 55.4bn in March 2023 from SAR 51bn in March 2022. In Q1 2023, the total amount of POS transactions reached SAR 148.5bn (up 11.3% YoY and 2.4% QoQ).



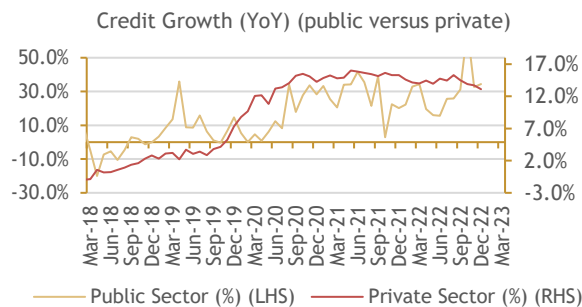
Money Supply (M3) and Bank Deposit Growth (%)

Money supply (M3) increased 10% YoY in March 2023 and was up 4.5% on QoQ basis. M1 fell 1.4% YoY, while Time and Savings deposits rose by 38.5% on YoY basis. Total bank deposits grew 10.8% YoY and 4.6% on QoQ basis in March 2023.



Credit Growth (%) *

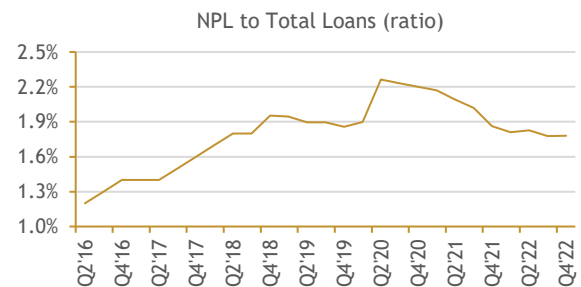
Bank credit (public and private) grew 11.8% YoY in March 2023 and 2.6% on QoQ basis. Public sector credit increased 35.1% YoY and 1.7% on QoQ basis. Bank credit to the private sector rose 10.7% YoY and 2.7% on QoQ basis in March 2023.



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

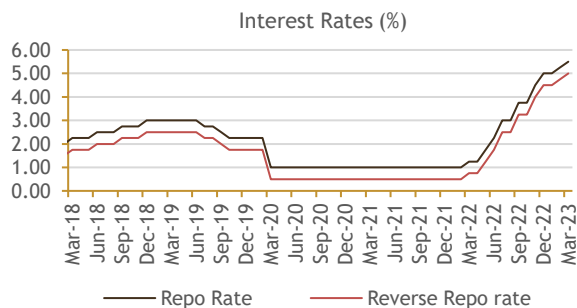
Non-performing Loans as portion of Total Loans

NPL ratio was unchanged at 1.8% in Q4 2022 (latest data available) from Q3 2022.



Interest Rates

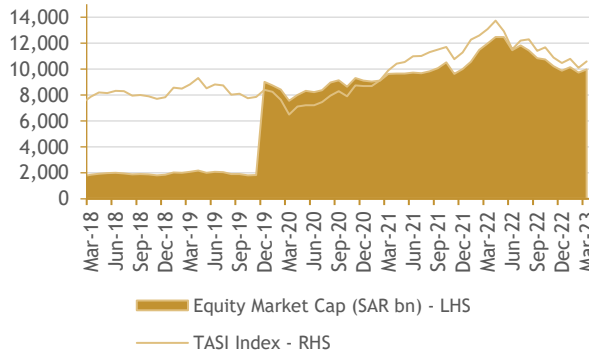
SAMA increased the repo rate and the reverse repo rate by 50 basis points during Q1 2023, and the rate of Reverse Repo by 50 basis points. Policy rate adjustments are consistent with maintaining monetary stability.



Financial Market Overview

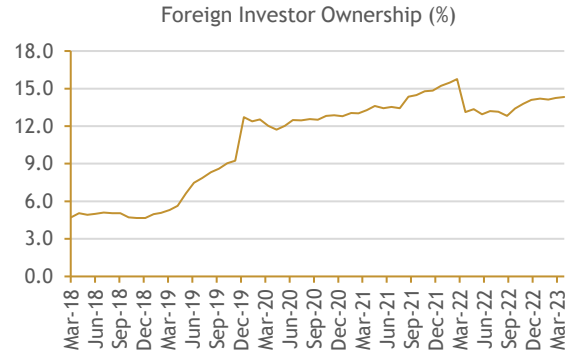
Tadawul and Equity Market Capitalization

The Tadawul Index (TASI) gained 4.8% on a MoM basis and 1.1% on a YTD basis in March. TASI's equity market capitalization stood at SAR 9,984bn in March 2023, from SAR 9,878bn in December 2022.



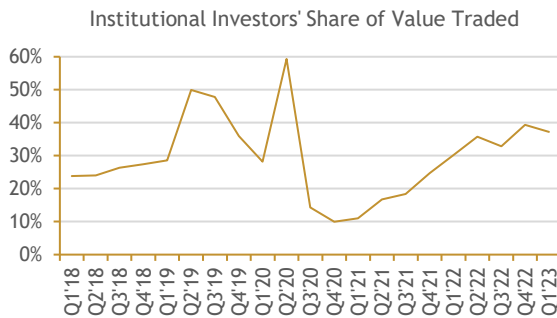
Foreign Investor Ownership

Foreign investor ownership in Saudi stocks increased to 14.3% (free float) in March 2023 from 14.2% recorded in December 2022. Foreign investors holding value reached SAR 347.4bn as of March 2023.



Institutional Investors' Share in Value Traded

Institutional investors' share in the total value traded decreased to a quarterly average of 37.2% in Q1 2023, compared to 38.8% in Q4 2022.



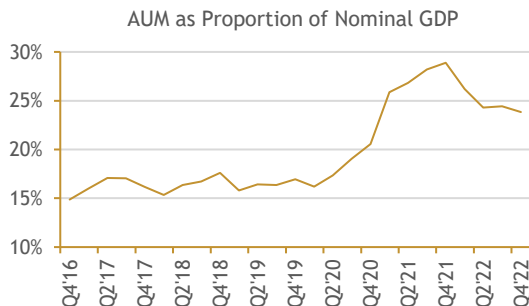
Market Concentration of Top 10 Companies

The market capitalization of the top 10 Tadawul companies reduced to 86.4% by the end of March 2023, from 86.9% at the end of December 2022.



Assets Under Management (% of GDP)

Assets under management (AUM) as a percentage of nominal GDP decreased to 23.8% in Q4 2022 from 24.3% in Q3 2022. AUM holding value reached SAR 743.4bn as of March 2023.



Financial Sector Development Highlights

The Total Number of Fintech Companies Licensed by the Saudi Central Bank (SAMA) Reached 6 Companies that were Licensed in the First Quarter of 2023.

The total number of financial technology companies licensed by the Saudi Central Bank (SAMA) in the first quarter of 2023 reached 6 companies, 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 Saudi Vision 2030, The companies as following:

- Fintech in debt-based crowdfunding:
 - Forus
 - Tameed
 - Raqamyah
- Fintech in consumer microfinance:
 - Fuel Finance Company
- Fintech in finance debt collection:
 - Mani
- Fintech in finance aggregation services:
 - Creative Future for Digital Brokerage

SAMA Permits a Buy Now, Pay Later Company

The Saudi Central Bank (SAMA) granted "MIS Forward" a permit to carry out Buy Now Pay Later (BNPL) solution pursuant to Saudi Central Bank law and Finance Companies Control law for providing finance to customers wishing to purchase products and services from merchants without incurring term financing cost.

This initiative is aimed at enticing a new segment of investors and companies that can bring added value to the sector for more efficient operation, while maintaining full adherence to the regulatory and supervisory guidelines defined by SAMA.

Saudi Central Bank Releases Update to Unified Compulsory Motor Insurance Policy

The Saudi Central Bank (SAMA) has announced updating the Unified Compulsory Motor Insurance Policy. This comes based on the authority vested in SAMA according to the Insurance Control Law as well as in line with its continuous efforts to develop the insurance sector and to protect the rights of the insureds and the beneficiaries of the insurance coverage.

These amendments also include the policy definitions and its appendixes in accordance to the on-going developments of the Insurance Industry, as well as updating the exceptions and transferring some of the right of recovery cases. The amendments also allow for an option where the third party is entitled to choose between a direct cash compensation, or to get the damaged vehicle repaired.

Saudi Central Bank Launches Open Banking Lab

The Saudi Central Bank (SAMA) announced the launch of the Open Banking Lab according to the Open Banking Framework issued by SAMA November 2022.

The Open Banking Lab aims to enable innovation and accelerate the development of open banking services in the Kingdom as it serves as one of the most important technical enablers of the open banking ecosystem in the Kingdom. The lab will provide banks and fintechs with a technical testing environment to enable them to develop, test, and certify their open banking services to ensure compatibility with the Open Banking Framework.

Open banking services is a new concept in the financial industry that aims to enable the consumers of financial institutions to securely share their financial data with a third-party provider, which in turn provide new and innovative financial services and products for consumers.

SAMA Reduces Minimum Paid-Up Capital Required for Finance Companies to Carry-on Finance Business For Small and Medium Enterprise (SMEs)

The Saudi Central bank (SAMA) announced the amendment of article (8) of the Implementing Regulation of the Finance Companies Control Law. The amendment of this article followed a public consultation announced earlier on the Public Consultation Platform.

This initiative comes as part of SAMA's continuous efforts to develop SMEs sector and attract a new segment of investors to establish finance companies specialized in financing SMEs.

SAMA clarified that a sub-article numbered (4) was added to article (8) of the Implementing Regulation of the Finance Companies Control Law stipulating that the minimum paid-up capital for a finance company exclusively specialized in providing finance for Small and Medium Enterprise shall not be less than (50,000,000) fifty million Saudi riyals.

Saudi Central Bank Announces Licensing First Foreign Insurance Company Branch in Saudi Arabia

The Saudi Central Bank (SAMA) announces the licensing of Cigna Worldwide Insurance Company; the first foreign health insurance company branch in Saudi Arabia.

The licensing of new foreign branch aims to fulfill the objectives of the "Rules for Licensing and Supervision of Branches of Foreign Insurance and/ or Reinsurance Companies in Saudi Arabia". It also comes as part of SAMA's role in supporting financial stability and contributing to the national economic growth towards achieving the objectives of Saudi Vision 2030.

SAMA stated that this falls under SAMA's initiatives to encourage foreign direct investments to increase competitiveness of the sector and utilize potentials of the Saudi economy. Additionally, enabling new international entrants will enhance the quality of provided services, increase diversification of investors and introduce unique business models to the market.

The Capital Market Authority Approves the Amended Prudential Rules

The Capital Market Authority's (CMA) Board issued its resolution approving the amendments to the Prudential Rules (Amended Rules), which shall be effective on 01/04/2023. The Amended Rules aim to enhance the stability of the capital market institutions to further boost the confidence of the capital market participants and create an attractive investment environment to support national economy growth.

Also, amending the Prudential Rules comes as part of the CMA's keenness, since its inception, on continuously regulating and developing the entities, subject to the CMA's control, which carry out any of the securities business, enhancing the control procedures and prudential level of such entities, in addition to raising the efficiency of the resources management of such institutions to provide optimum services to their customers in accordance with the best international practices.

The main elements of the Amended Rules are updating the prudential requirements for carrying out any of the securities business, including updating the requirements of credit, market, operational and concentration risks.

The main elements also include updating the methodology used to calculate the minimum limit of capital adequacy, and facilitating the prudential requirements for investment management, arrangement, and advisory activities to be based on expenses, which is in line with the nature of such activities.

The "Capital Market Authority" Approves the Implementing Regulations of the New Companies Law for Listed Joint Stock Companies

The Capital Market Authority's Board approved the Implementing Regulations of the New Companies Law for Listed Joint Stock Companies "Implementing Regulations", to be effective on 19/01/2023.

The approval of the Implementing Regulations comes in implementation of the New Companies Law (the "Law") and based on the authority the Law granted to the CMA to regulate the matters and subjects stipulated in the Law related to joint stock companies listed on the Exchange, and come as part of the CMA's objectives to regulate and develop the Capital Market and contribute to achieving the CMA's strategic objectives by enhancing confidence and raising the level of governance in the capital market, and aim to stipulate the necessary rules to implement the provisions of the Law and contribute to realizing its goals.

The CMA Board's resolution included amending six implementing regulations, which are: the Implementing Regulation of the Companies Law for Listed Joint Stock Companies; the Corporate Governance Regulations; the Merger and Acquisition Regulations; the Rules on the Offer of Securities and Continuing Obligations; the Procedures and Instructions related to Listed Companies with Accumulated Losses Reaching 20% or More of their Share Capital; and the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority; such amendments took into consideration stipulating the necessary rules to implement the provisions of the Law in addition to making the necessary amendments in line with the Law

Moody's revises Saudi Arabia's outlook to "Positive" and affirms "A1" credit rating

The international credit rating agency "Moody's" updated its credit report for Saudi Arabia affirming its "A1" rating for the Kingdom and revising the stable outlook rating to positive.

The rating affirmation is based on Moody's assessment of the government's improving track record of fiscal policy effectiveness and the comprehensive regulatory and economic reforms that will support the sustainability of the economic diversification efforts over the medium and long term. This is in addition to the reforms and investments in various non-oil sectors which will materially reduce the Kingdom's reliance on hydrocarbons over time.

The agency also indicated the important role of the government-sponsored diversification projects and initiatives, supported by private sector investment, and their positive impact on economic growth and the improving outlook rating.



The Minister of Finance Approves the 2023 Annual Borrowing Plan

His Excellency the Saudi Minister of Finance, Mohammed Aljadaan, approves the Annual Borrowing Plan for the year 2023 after the National Debt Management Center's board endorsement in its last meeting. The plan includes the sovereign debt developments, debt market initiatives for the year 2022, and the 2023 funding plan and its guidelines, in addition to the domestic Sukuk issuance calendar under the Saudi Arabian Government SAR-denominated Sukuk Program.

The 2023 plan has highlighted the estimation for financing needs at approximately SAR 45bn, after securing approximately SAR 48bn of the 2023 total financing needs in 2022 through pre-funding activities.

Despite the expectation of achieving a budget surplus during the year 2023, the Kingdom aims to continue its funding activities in the domestic and international markets with the objective of repaying debt principal that will mature during the year 2023 and during the medium-term; utilizing opportunities based on market conditions to enter into pre-funding and liability management transactions, financing strategic projects; and executing government-alternative funding transactions that will promote economic growth such as capital expenditure and infrastructure financing.

The National Debt Management Center wins the Sovereign, Supra & Agency Bond Deal of the Year 2022

The National Debt Management Center (NDMC) was awarded the "Sovereign, Supra & Agency Bond Deal of the Year 2022" at the annual Bonds, Loans & Sukuk Capital Markets & ESG Finance Saudi Arabia awards ceremony held in Riyadh, on February 8th, 2023.

The award came as a result of the NDMC's 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.

The transaction is 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. This award is expected to promote and enhance the demand for Saudi local and international Sukuk and bond issuances.

Fitch upgrades its credit rating of the Kingdom of Saudi Arabia to A+ with a Stable Outlook

Fitch Ratings has recently upgraded its Saudi Arabia's Rating to 'A+' with a Stable Outlook.

The agency indicated in its report that this rating upgrade reflects the Kingdom's strong fiscal and external balance sheets with large sovereign net foreign assets compared to 'AA' median and debt/GDP half of 'A' medians. In its press release, The Agency assumed the Kingdom will continued progress with fiscal, economic and governance reforms while pointing to the Kingdoms formidable foreign reserves with one of the highest reserve coverage ratios among Fitch -rated sovereigns.

The agency also indicated the government's strategic decision-making is being balanced between supporting Vision 2030 projects and responding to high inflation while remaining fiscally prudent.

The agency forecasts a 5% growth of in the non-oil private sector in 2023, to be followed by 4% growth during the 2024 to 2025 period, in its release.

Minister of Commerce Honors Winners of Entrepreneurship World Cup in Biban 23

The Minister of Commerce, Chairman of the Board of Directors of the Small and Medium Enterprises General Authority "Monsha'at", Dr. Majid bin Abdullah Al-Qasabi honored here yesterday the winners of the Entrepreneurship World Cup, which is sponsored by Monsha'at, within the activities of the Biban 23 Forum.

The ceremony of honoring the winners took place in the presence of a number of entrepreneurs from around the world, where the Saudi White Helmet Company won the first place, while the NDR Medical project came in the second place, and the Hera Health project won the third place.

The competition aims to encourage entrepreneurs in various stages, such as the idea stage, the initial stage, and the stage of growth and expansion. This is to help participants launch, enhance and expand their projects, as the competition is the largest tournament of its kind in the world.

21 Omani Startups Review Projects for Saudi Investors

A total of 21 Omani startups have reviewed their projects for several capital venture funds, Saudi investors and crowdfunding platforms intending to sign investment deals between the two sides and enhance the competitiveness and growth of those startups. The event was hosted by the Small and Medium Enterprises General Authority (Monshaat) with the participation of the Omani-Saudi Business Council, Omani Ministry of Transport, Communications and Information Technology, and Oman's SMEs Development Authority.

The event enhances Saudi investment opportunities in Omani startups, facilitates their access to investors in their various fields, and promotes the growth of startups based on innovation and technology.

The startup owners made a brief presentation to investors on the project and the business plan, to receive investment and persuade investors to finance the startup, which could contribute to the expansion of those enterprises' business activity in other markets.

Biban 2023 Powers the Future of Saudi Entrepreneurship With the Launch of \$13.8 Billion worth of Agreements and Initiatives

The Biban 23 Forum, organized by the General Authority for Small and Medium Enterprises "Monshaat", over a period of 5 days has brought leading entities from around the world together to sign a series of landmark agreements worth approximately \$13.8 billion in support of the startup community, while the number of visitors to the forum reached more than 145 thousand visitors. During its five days, the forum witnessed a large gathering of business leaders from different countries of the world, during which many events were held, including more than 300 dialogue sessions and workshops, in which more than 350 international and local speakers participated.

Monshaat signed cooperation agreements with the National Bank of Saudi Arabia, the Arab National Bank, SABB Bank, Alinma Bank, Bank Albilad, Al Jabr Finance Company, Al Amthal Finance Company, and Abdul Latif Jameel Finance Company. With the aim of providing financing programs and products for small and medium enterprises, while renewing its agreements with Al-Rajhi Bank, Banque Saudi Fransi and Riyad Bank, with amounts amounting to 11 billion riyals; The Small and Medium Enterprises Bank also announced during the forum the provision of financing products for enterprises at a value of 10.5 billion riyals for a period of 3 years, while the financing guarantee program for small and medium enterprises (Kafala) signed agreements amounting to 5.88 billion riyals, and the Social Development Bank announced the allocation of 24 billion riyals to finance pioneers Businesses, small and emerging enterprises, and self-employers for a period of 3 years.

Financial Sector Development Program KPI's

Program KPIs	Baseline	Status	2025 Target
Life GWP per capita, SAR***	33.16	54.93	45
Debt as % of GDP	14%	17.9%	24.1%
Banking sector assets, B SAR***	2,631	3,747	3,515
Total market capitalization (shares) as % of GDP*	66.52%	70.2%	80.8%
Share of investment accounts opened through eKYC	82%	94.42%	=>90%
Credit to private sector, Bn SAR***	1,510	2,247	2,053.2
Number of listings in Capital Market	6	9	26
% of micro and small enterprises at the time of listing out of total listings	33%	89%	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	167	230
SME loans as % of bank loans***	5.7%	7.7%	11%
Share of non-cash transactions, %	36%	62%	70%
Total GWP to GDP non-oil, %***	1.9%	2.09%	2.4%
Assets under Management, as % of GDP	16.94%	23.8%	31%
Institutional investors' share of value traded %	35.96%	37.2%	44%
Foreign Investor Ownership of the equity market cap (free float), in %	13.3%	14.27%	17.5%
Value of investments in private equity and venture capital, M SAR	9,304	20,895.8	36,738.27

* Excluding Aramco

**As per SAMA's data

***Q4 2022 Data

**** data for non-cash transactions as a percentage of total transactions for the year 2022



Financial Sector Development Program

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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 or for more information, please visit <https://vision2030.gov.sa/en/FSDP>