



GLOBAL ECONOMY AND SAUDI ARABIA

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ABSTRACT

In an era of globalization prevailing today, the economic situation of a country is appreciable /known with relation to the global economic situation only. In this paper researcher has made comparison between Saudi Arabia economy to Global economy and she focused on the Saudi economy in detail. The global economy recorded a growth of 3.8% in 2017 compared with 3.2 percent in 2016. This growth is attributed to the growth of advanced economies as well as emerging market and developing economies compared to that of the preceding year. According to the IMF April World Economic Outlook (WEO), the global economic growth is projected to continue its rise to stand at 3.9% in 2018.

Keywords: Global economy, Saudi economy, growth, emerging market, preceding year.

INTRODUCTION

An economy is the system according to which the money, industry and commerce of a country or region are organized. The global economy is the world economy or the worldwide economy. In other words we can say the economy of the world or the sum of the gross domestic products of every nation. We measure the global economy separately from national economies. World-wide economic activity between various countries that are considered intertwined and thus can affect other countries negatively or positively.

Economic growth of Saudi Arabia in comparison to global economy

According to advanced economies a growth rate of 2.3 % in 2017, against 1.7 % in the preceding year. In the United States, the growth rate rose to 2.3 % versus a growth rate of 1.5% in the preceding year. The Euro area recorded a growth rate of 2.3 % compared to 1.8% in the preceding year. The German economy grew by 2.5% compared to 1.9 % a year back. France registered a growth of 1.8 % compared to 1.2% in the preceding year. The Italian economy also recorded a higher growth of 1.5% against 0.9% in the preceding year. Canada registered a growth of 3.0 % versus a growth rate of 1.4 % in the preceding year. Japanese economy also accelerated to 1.7% versus 0.9% in the preceding year. In contrast the growth rate of United Kingdom dropped from 1.9% in 2016 to 1.8% in 2017.

In the emerging markets and developing economies, the growth rate rose to 4.9% in 2017 from 4.4% in 2016. In emerging and developing Asia, the rate stood at 6.5% in 2017. China registered a growth rate of 6.9% against the growth rate of 6.7% in the preceding year. However, the Indian

economy registered a slowdown in the growth, to 6.7% from 7.1% in the preceding year. In the Middle East and North Africa (MENA) the growth rate decreased to 2.2 % in 2017 from 4.9% in 2016. On the other hand, emerging and developing Europe registered a growth rate of 5.8% as against 3.2 % in the preceding year. The growth rate of Latin America and the Casibian countries increased by 1.3% after declining by 0.6 % in the preceding year.

	2011	2012	2013	2014	2015	2016	2017	2018
World	4.3	3.5	3.5	3.6	3.5	3.2	3.8	3.9
Advanced Economies	1.7	1.2	1.3	2.1	2.3	1.7	2.3	2.5
USA	1.6	2.2	1.7	2.6	2.9	1.5	2.3	2.9
Euro Area	1.6	-0.9	-0.2	1.3	2.1	1.8	2.3	2.4
Germany	3.7	0.7	0.6	1.9	1.5	1.9	2.5	2.5
France	2.1	0.2	0.6	0.9	1.1	1.2	1.8	2.1
Italy	0.6	-2.8	-1.7	0.1	1.0	0.9	1.5	1.5
Japan	-0.1	1.5	2.0	0.4	1.4	0.9	1.7	1.2
UK	1.5	1.5	2.1	3.1	2.3	1.9	1.8	1.6
Canada	3.1	1.7	2.5	2.9	1.0	1.4	3.0	2.1
Emerging and Developing Economies	6.4	5.4	5.1	4.7	4.3	4.4	4.8	4.9
Sub-Saharan Africa	5.1	4.4	5.3	5.1	3.4	1.4	2.8	3.4
Emerging and Developing Asia	7.9	7.0	6.9	6.8	6.8	6.5	6.5	6.5
China	9.5	7.9	7.8	7.3	6.9	6.7	6.9	6.6
India	6.6	5.5	6.4	7.4	8.2	7.1	6.7	7.4
MENA Countries	4.4	5.1	2.5	2.6	2.4	4.9	2.2	3.2
Emerging and Developing Europe	6.6	2.5	4.9	3.9	4.7	3.2	5.8	4.3
Latin America and the Caribbean countries	4.6	2.9	2.9	1.3	0.3	-0.6	1.3	2.0
Brazil	4.0	1.9	3.0	0.5	-3.5	-3.5	1.0	2.3
Commonwealth of Independent States	5.3	3.7	2.5	1.0	-2.0	0.4	2.1	2.2
Russia	5.1	3.7	1.8	0.7	-2.5	-0.2	1.5	1.7

According to the April 2018 WEO, the advanced economies are expected to grow by 2.5% in 2018 with the United States growth projected to increase by 2.9%. The Euro area growth is also expected to rise slightly to 2.4%. Developing and emerging economies growth is expected to rise to 4.9% in 2018. However, the Chinese growth is expected to slow down to 6.6% in 2018 as per . Table 1 which shows the real GDP growth rates in major countries and counting groupings over 2011 to 2018 period

Table 1 Real GDP Growth rates (Percentage)

Source: World Economic Outlook, IMF, April 2018

Economic growth of Saudi Arabia: Data on gross domestic product (GDP) at constant prices. The above data indicates that the economy recorded a negative growth of 0.8% to SAR2, 565.6 billion in 2017 compared to a positive growth of 1.67% in 2016. This was the result of decline of 3.09% in the Oil sector GDP to SAR1, 103.2 billion due to curtailment of oil production in Saudi Arabia in the implementation of the joint supply reduction agreed upon by a member of oil producers. However, the non-sector GDP was 1.20 % rising to SAR 1,012.2 billion and the non-oil government sector GDP grew by 0.70% to SAR431.4 billion.

The most major economic production activities at constant prices grew at varied rates in 2017 (Table 2). Manufacturing industries grew by 1.3%; Finance, Insurance, real estate and business services by 4.08%, transport, storage and communications by 2.24%; electricity, gas and water by 1.32%; community, social and personal services by 1.36%, agriculture, forestry and fishing by 0.5% and the activity of Government services producer's by 0.31% over the preceding year. Wholesale and retail trade and restaurants and hotels also went up by 0.57%. On the other hand, both mining and quarrying and construction of building recorded negative growth rates of 3.5% and 3.25% respectively.

Table 2 Gross Domestic Product by Economic sector at producers values at constant prices (2010=100) Million SAR

(A) Industries and other producers (excluding government services producers)	2015	2016	2017	2017% change
1. Agriculture, forestry & fishing	59,744	60,122	60,422	0.50
2. Mining & quarrying	1,018,485	1,046,785	1,010,104	-3.50
a. Crude oil & natural gas	1,008,782	1,037,257	1,000,160	-3.58
b. Other mining & quarrying activities	9,701	9,527	9,944	4.37
3. Manufacturing Industries	298,442	307,987	311,982	1.30

a.Oil refining	83,547	94,610	96,533	2.03
b.Other industries	214,895	213,377	215,449	0.97
4.Electricity,gas &water	32,928	33,688	34,132	1.32
5.Construction and building	125,184	121,203	117,259	-3.25
6. Wholesale and retail trade and restaurants and hotels	231,744	228,074	229,378	0.57
7.Transport,storage and communication	144,519	148,467	151,79	2.24
8. Finance, insurance, real estate and business services	230,836	237,143	246,818	4.08
a. Home ownership	123,490	127,227	131,461	3.33
b. Others	107,346	109,917	115,357	4.95
9. Community, social & personal services	48,812	49,648	50,323	1.36
10.Less calculated banking services	20,531	20,709	20,973	1.27
(B) Government services producers	353,949	354,519	355,600	0.31
Total(excluding import duties)	2,524,111	2,566,928	2,546,834	-0.78
Import duties	21,125	20.830	18,757	-9.95
GDP	2545,236	2,587,758	2,565,591	-0.86

Preliminary data

Source: GaStat

Performance of banking sector in Saudi Arabia

From 2017, commercial banks continued to maintain their resilient financial position despite the slight slowdown in the national economy. It is noteworthy that this resilience highlights SAMA's role in supervising and controlling the banking activities to enhance both its resilience and solvency position as well as quality of banking and financial services offered to customers. During 2017, commercial banks recorded a good performance as a result of rise in their general activity and enhancement of their financial position. Their total assets by 2.2 %, bank deposits by 0.1 % and capital and reserves by 6.3%.

Consolidated Financial position of commercial banks: Total assets of commercial banks continued to grow in 2017, increasing by 2.2%(SAR49.4 billion) which is the same growth rate of the preceding year (Table 3)

Table 3 Consolidated financial position of commercial banks(end of year)Million SAR

Assets	2013	2014	2015	2016	2017
Bank reserves	200,366	213,073	146,238	236,704	239,371
Foreign assets	210,691	251,613	316,710	225,838	242,362
Claims on the public sector	93,755	98,949	124,977	227,428	301,135
Claims on the private sector	1,123,645	1,256,210	1,371,925	1,405,474	1,393,699
Claims on non-monetary financial institutions	2,740	2,254	2,904	4,436	2,600
Other assets	262,085	310,477	246,015	156,454	126,593
Total Assets(liabilities)	1,893,283	2,132,577	2,208,768	2,256,334	2,305,760
Liabilities					
Bank deposits	1,401,980	1,575,579	1,604,768	1,617,010	1,619,062
Foreign Liabilities	74,405	92,277	91,171	80,132	94,502
Capital and reserves	225,855	248,111	270,964	298,895	317,604
Profits	35,692	40,159	42,683	40,363	43,677
Other liabilities	155,350	176,451	199,182	219,933	230,915

Bank Deposits

Total bank deposits rose by 0.1% (SAR2.1billion) to (SAR12.2 billion) in the preceding year(Table 5.2 and charts5.1 and 5.2) .A breakdown of bank deposits by type shows that demand deposits rose by 2.7 % (SAR 26.01billion) in 2017 to reach SAR1000.1 billion, compared to decline of 0.2 % (SAR2.1 billion) in the preceding year. Their share in total bank deposits also rose from 60.2 % in 2016 to 61.8% in 2017. In the same context, other quasi monetary deposits (the bulk of which is residents foreign currency deposits) went up by 13.1% (SAR 19.8 billion to SAR 171. 1billion compared to a decline of 22.0% (SAR 42.7billion) in the preceding year. Their share in total bank deposits increased to 10.6% in 2017 from9.2% in 2016. In contrast, time and saving deposits decreased by 8.19% (SAR 43.8billion) compared to an increase of 13.1

% (SAR 57.1 billion) in the preceding year. Their share of total deposits also decline to 27.7 period in 2017 as compared to 30.4% in the preceding year(Chart 1).

Chart 1



A breakdown of deposits by sector shows that the deposits of private sector decreased by 2.7% (SAR34.8billion) to SAR 1269.7billion in 2017 compared to the rise of 3.85 (SAR 48.2billion) in the preceding year. The private sector’s share of total bank deposits stood at 78.4% compared to 80.7% in the preceding year. Deposits of public sector increased by 11.8% (SAR36.8billion) to SAR 349.4 billion in 2017 compared to a decline of 10.3 % (SAR35.9 billion) in the preceding year. Therefore, their share in total deposits rose from 14.3% in 2016 to 21.6% in 2017.

A review of developments in bank deposits by currency shows that domestic currency deposits fall by 0.9% (SAR13.9billion) to SAR1480.1billion in 2017 compared to a rise of 3.5% (SAR50.2billion) in 2016 bringing down their share in total deposits to 91.4% in 2017 from 92.4% in 2016. Foreign currency deposits, however, increased by 13.0% (SAR16.0billion) to (SAR139.0billion) in the preceding year. Thus their share of total deposits rose to reach 8.6% compared to 7.6 % in the preceding year.

Table 4: Bank claims on the Private and Public Sectors (End of year) Million SAR

	2015		2016		2017	
	Amount	% share of total	Amount	% share of total	Amount	% share of total
Claims on the private sector	1,371,925	91.5	1,405,474	85.8	1,393,699	82.1
Bank credit	1,322,809	88.2	1,351,407	82.5	1,339,812	78.9
Loans and advances	1,308,199	87.2	1,337,343	81.7	1,327,256	78.2
Bills discounted	14,611	1.0	14,064	0.9	12,556	0.7
Investments in private securities	49,116	3.3	54,067	3.3	53,887	3.2
Claims on the public sector	124,977	8.3	227,428	13.9	301,135	17.7
Bank credit to public institutions	38,820	2.6	49,012	3.0	46,719	2.8
Government bonds	86,158	5.7	178,416	10.9	254,417	15.0
Claims on non-monetary financial Institutions	2,904	0.2	4,436	0.3	2,600	0.2
Total	1,499,806	100.0	1,637,338	100.0	1,697,434	100.0

Bank claims on the private and public sectors

Total bank claims on the public and private sectors (loans + advances, bills discounted, investments, bank credit and government bonds) rose 3.7% (SAR61.9billion) to SAR 1694.8billion in 2017, compared to an increase of 9.1% (SAR135.9billion) in the preceding year. Total claims on the private and public sectors in 2017 accounted for 99.7% in the preceding year.

In contrast, total bank claims on the private sector went down to 0.8% (SAR11.8billion) to SAR1394billion in 2017, compared to an increase of 2.4% (SAR33.5billion) in the preceding year. As a result of these claims constituted 82.1% of total bank deposits in 2017, a decline from the 85.8% recorded to the preceding year. Bank claims on the public sector (loans to public

institutions and government bonds) increased by 32.4% (SAR73.7billion) to SAR 301.1billion in 2017 compared to a rise of 8.2%(SAR 102.5billion) in the preceding year. The increase was buoyed by a year on year basis of 42.6% (SAR76 billion)in government bonds bringing then to SAR 254.4 billion, against 107.1% (SAR 92.3billion) in the preceding year. On the other hand, loans and public institutions went down by 4.7 %(SAR 2.3 billion) to SAR 46.7billion in 2017 compared to an increase of 26.3%(SAR10.2billion)in the preceding year. These claims accounted for 17.7% of total banks deposits in 2017 compared to 13.9% in the preceding year (Table 4).

Table 5 Bank credit by maturity (Million SAR)

End of Year	Short Term	Medium Term	Long Term	Total
2013	603,313	211,958	305,249	1,120,520
2014	621,308	237,744	391,594	1,250,646
2015	685,174	241,457	434,998	1,361,629
2016	702,327	264,855	433,237	1,400,419
2017	692,221	265,585	428,724	1,386,530

Note: Short term: Less than one year
Medium term: 1-3 years
Long term: More than 3 years

Bank credit by maturity

Total bank credit declined by 1.0% (SAR13.9 billion) to SAR 1386.5billion in 2017 compared to a rise of 2.8% (SAR38.8billion) in the preceding year. A review of bank credit by maturity shows that short term (less than one year) bank credit extended to the private sector and institutions of public sector decreased by 14% (SAR 10.1 billion) to (SAR 692.2 billion) in 2017, compare to a rise of 2.5% (SAR 17.2billion) in the preceding year. Medium term credit (1 to 3 years) rose by 0.3 % (SAR 730.2 billion), from SAR 264.9billion in 2016 to SAR 265.6 billion in 2017, compared to an increase of 9.7% (SAR 265.6billion in 2017. Compared to an increase of 9.7% (SAR 73.4 billion) in 2016. Long term credit (more than three years) continued to decline by 1.0% (SAR 4.5billion) and reached SAR 428.7 billion in 2017, compared to a decline of 0.4% (SAR428.7billion in 2017, compared to a decline of 0.4% (SAR 1.8billion) in the preceding year (Table 5)

Bank credit by economic activity

A breakdown of banks credit by economic activity during 2017 shows mixed trends. Bank credit extended to commercial activity increased by 4.1% (SAR12.3 billion) to SAR 312.4billion, compared to a rise of 5.1%in the preceding year. Bank credit extended to the electricity, water, gas and health services also rose by 23.6% (SAR 9.7 billion) to SAR 50.8 billion, compared to an increase of 1.5% in the preceding year. In addition bank credit extended to transport and

communications rose by 17.8% (SAR7.2billion) to SAR47.6 billion, compared to a decrease of 5.3% in the preceding year. Bank credit extended to Finance activity also increased by 11.4% (SAR 3.6billion) to SAR35.4billion, compared to a decrease of 6.2% in the preceding year. Bank credit extended to the service activity rose by 1.6% (SAR1.1billion)to SAR 71.1billion compared to a decline of 3.8% in the preceding year. On the other hand, bank credit extended to agriculture and fishing activity fell by4.1% (SAR5.29billion) to SAR 12.2 billion, compared to a rise of 15.3% in the preceding year. Bank credit extended to manufacturing and production activity declined by 8.8% (SAR15.5 billion) to SAR160.8 billion as compared to a rise of 2.2 % in the preceding year. Bank credit extended to mining and quarrying also declined by 23.6% (SAR4.6billion) to SAR 14.8 billion against a decrease of 8.4% in the preceding year. Bank credit extended to building construction also declined by 14.9% (SAR 15.5billion) toSAR88.9billion compared to a decrease of 1.4% in 2016 (Table 6).

**Table 6: Bank credit extended to private sector by economic activity (end of year)
(Million SAR)**

	2015		2016		2017	
	Amount	% Share of total	Amount	% Share of total	Amount	% Share of total
Agriculture and Fishing	11,080	0.8	12,778	0.9	12,249	0.9
Manufacturing and Production	172,498	13.0	176,355	13.0	160,837	12.0
Mining and quarrying	21,205	1.6	19,433	1.4	14,849	1.1
Water, gas electricity, and health services	40,485	3.1	41,108	3.0	50,826	3.8
Building and construction	105,834	8.0	104,388	7.7	88,881	6.6
Commerce	285,492	21.6	300,107	22.2	312,418	23.3
Transport and communications	42,655	3.2	40,411	3.0	47,614	3.6
Finance	33,890	2.6	31,789	2.4	35,398	2.6
Services	72,709	5.5	69,961	5.2	71.050	5.3
Other miscellaneous services	536,961	40.6	555,077	41.1	545,688	40.7
Total	1,322,809	100.0	1,351,407	100.0	1,339,812	100.0

Loans and advances extended to public sector institutions

Consumer and credit card loans

Consumer and credit card loans registered their all time high of SAR 330.4 billion in 2017 compared to SAR329.2 billion in the preceding year, increasing by 0.4% .

Table 7 Real state bank credit (Million SAR)

End of year	Retail	Corporate	Total
2013	70,334	49,419	119,753
2014	94,241	64,743	158,984
2015	102,207	84,257	186,464
2016	110,582	96,289	206,871
2017	121,442	90,057	211,499

Real Estate Loans

Total real estate credit extended by banks continued its growth to SAR211.5 billion, increasing by 2.2 % (SAR 4.6 billion) compared to a growth rate of 10.9%(SAR20.4billion) in the preceding year. Retail real estate loans recorded a rise of 9.8%(SAR 10.9billion) to SAR 121.4 billion, compared to an increase of 8.2%(SAR8.4 billion) in the preceding year, constituting 57.4% of total real estate loans to 2017.However, corporate real estate loans extended by commercial banks declined 6.5%(SAR6.2billion) to SAR 90.1billion in 2017 compared to a rise of 14.3%(SAR12.0 billion) in the preceding year (Table 7).

Table 8 Syndicated Loans

Year	No. of syndicated loans			Value (billion SAR)		
	Resident	Non-resident	Total	Resident	Non-resident	Total
2013	558	134	692	211	26	237
2014	384	53	437	130	8	138
2015	469	65	534	134	12	146
2016	555	76	631	195	16	211
2017	513	74	587	189	12	201

Syndicated Loans

Data on loans extended to residents by syndicates of domestic and foreign banks indicate that their number increased by 7.6% to 513 in 2017. Syndicated loans extended to non-residents went down by 2.6% to 74. Total value of syndicated loans extended to residents fell by 3.1%to

SAR189 billion in 2017, and these extended to non-residents by 25.0% to SAR 12 billion (Table 5.7).

Table 9 Commercial banks foreign assets and liabilities (Million SAR)

	Amount		Change		Amount	
	2016	2017	2016	%	2017	%
Foreign Assets						
Due from foreign banks	55,946	50,423	-27,146	-32.7	-5,524	-9.9
Due from branches abroad	28,078	54,251	-16,416	-36.9	26,173	93.2
Other assets	12,791	23,614	-1,144	-8.2	10,823	84.6
Investments abroad	129,023	114,075	-46,165	-26.4	-14,948	-11.6
Total	225,838	242,362	-90,871	-28.7	16,524	7.3
Foreign Liabilities						
Due to foreign banks	47,624	50,936	-1,118	-2.3	3,312	7.0
Due to branches abroad	9,534	26,301	-7,605	-44.4	16,766	175.9
Due to others	22,974	17,265	-2,316	-9.2	-5,709	-24.8
Total	80,132	94,502	-11,039	-12.1	14,370	17.9
Net Foreign Assets	145,706	147,860	-79,823	-35.4	2,154	1.5

Commercial banks foreign assets and liabilities

Foreign assets of commercial banks went up by 7.3% (SAR 16.5billion) to SAR 242.4billion in 2017 compared to a fall of 28.7% (SAR 90.9billion) in the preceding year.

Foreign liabilities of commercial banks also rose by 17.9% (SAR 14.4billion) to SAR 94.5 billion, compared to a decline of 12.1% (SAR11 billion) in the preceding year (Table 9 and charts 9 and 10).

As a result, commercial banks net foreign assets (loss foreign liabilities) rose by 15% (SAR2.7 billion) to SAR147.9 billion in 2017 compared to a decline of 35.4% (SAR79.8 billion) in the preceding year.

Table 10 Commercial banks reserves (end of year) (Million SAR)

	2013	2014	2015	2016	2017
Cash in vault	23,219	27,115	29,383	29,648	31,285
Deposits with SAMA:					
Current deposits	173	472	317	293	196
Statutory deposits	81,085	91,879	97,467	96,727	95,549
Other deposits	95,889	93,607	19,071	110,036	112,340
Banks reserves	200,366	213,073	146,238	236,704	239,371
Ratios to bank deposits(%)					
Cash in vault	1.66	1.72	1.83	1.83	1.93
Deposits with SAMA					
Current deposits	0.01	0.03	0.02	0.02	0.01
Statutory deposits	5.78	5.83	6.07	5.98	5.90
Other deposits	6.84	5.94	1.19	6.80	6.94
Banks reserves	14.29	13.52	9.11	14.64	14.78

Commercial banks Reserves

Commercial banks reserves (cash in vault and deposit with SAMA) went up by 1.1% (SAR2.7 billion) to SAR 239.4 billion in 2017, compared to a rise of 61.9% (SAR 90.5billion) in the preceding year. This increase was due to 2.1% (SAR2.3 billion) rise in other deposits with SAMA to stand at SAR 112.3billion in 2017 from SAR 110 billion in 2016 and a 5.5% (SAR1.6billion) rise in cash vaults to stand at SAR 31.3 billion from SAR29.6 billion in 2016. However, current

deposits with SAMA fell by 33.0% (SAR96.6billion to SAR196 million statutory deposits with SAMA also decreased by 1.2 % (SAR1.2 billion) to SAR95.5 billion (Table 10).

Table 11 Capital and reserves of commercial banks (end of year) (Million SAR)

	2013	2014	2015	2016	2017
Capital and reserves	225,855	248,111	270,964	298,895	317,604
Capital and reserves as a ratio of:					
Bank deposits	16.1	15.7	16.9	18.5	19.6
Total assets	11.9	11.6	12.3	13.2	13.8
Capital to risk-weighted assets ratio(Basel standard)(%)	17.9	17.9	18.1	19.5	20.4

Bank's capital and Reserves

Bank capital and reserves increased by 6.3% (SAR18.7 billion) to SAR317.6 billion in 2017, compared to a rise of 10.3% (SAR27.9 billion) in the preceding year. Their ratio to total deposits increased from 18.5%in 2016to 19.6%in 2017 and the ratio to total assets grew from 13.2% in 2016 to 13.8% in 2017.The ratio of capital to risk weighted assets (Basel Standard) stood at 20.4%in 2017 which is higher than the ratio recommended by the Basel committee (Table 11).

Table 12 Sources and uses of Financial resources of commercial banks in 2017(Billion SAR)

Uses	Amount	% Share	Sources	Amount	% Share
Investment in Gov. Bonds	69.2	64.4	Reverse repo transactions	25.5	23.7
Total deposits- Withdrawal	8.7	8.1	SAMA bills	17.5	16.3
Foreign liabilities- payment	29.5	27.4	Private sector credit – recovered	17.2	16.0

			Public sector credit-recovered	4.3	4.0
			Reserves	18.9	17.6
			Liabilities to banks and non-banks – increases	9.7	9.1
			Claims on banks-decreases	6.4	6.0
			Net other liabilities	7.9	7.4
			Other miscellaneous liabilities	5.5	
			Other miscellaneous assets	-2.4	
Total	107.4	100.0	Total	107.4	100.0

Sources and uses of Financial resources of commercial banks in 2017

Total added financial resources of commercial banks fell by 55.1% to SAR107.4 billion in 2017 compared to SAR 239.0 billion in the preceding year. Key added financial were concentrated in the liquidation of repo agreements as they accounted for 23.7% (SAR25.5 billion) of total financial resources from the liquidation of SAMA treasury bills stood at SAR17.5 billion or 16.3% of total financial resources. Repayments of loans extended to public and private sectors stood at SAR 17.2 billion and SAR 4.3 billion or 16.0% and 4.0%, respectively of total resources. As for the reserves which represent a financial resource for banks, they amounted to SAR18.9 billion or 17.6% accounted for 9.1% (SAR9.7 billion) of total bank financial resources. On the other hand, claim on banks were estimates at SAR 6.4 billion or 6.0% of total financial resources. The bulk of financial was used during 2017 to enhance investment in government bonds with an amount of SAR69.2 billion or 64.4% of total financial resources. Similarly, financial resources were used to repay foreign liabilities which amounted to SAR 29.5 billion or 27.4% of total resources. Total deposits withdrawals amounted to SAR8.7 billion or 8.1% of total financial resources (Table 12).

Commercial bank's profits

Commercial banks profits went up by 8.2% to SAR 43.7 billion in 2017 over last year's profits of SAR 40.4 billion which declined by 5.4% over the profits of 2015.

Table 13 Bank branches classified by administrative regions (end of year)

	Riyadh	Makkah	Madinah	Eastern region	Qassim	Asir	Tabuk	Hail	Northern Borders	Jawf	Jazan	Najran	Baha	Total
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
2015	611	429	98	384	118	120	48	40	15	25	50	25	26	1,989
2016	623	439	105	393	120	125	49	41	15	26	50	26	26	2,038
2017	631	442	111	405	123	127	50	41	16	27	53	26	27	2,079

Number of banks and branches

The number of commercial banks operating in Saudi Arabia stood at 26 (25 operating and one licensed) in 2017, including branches of foreign banks. The number of commercial banks branches increased by operating 41 new bank branches to 2079 in various regions of Saudi Arabia. The distribution of bank branches by administrative regions shows that Riyadh region accounted for 631 branches (30.4% of total bank branches). Makkah region 442 branches (21.3%). The eastern region 405 branches (19.5%). Asir region 127 branches (6.1%). Al-Qassim region 123 branches (5.9%) and Al-Madinah region 111 branches (5.%) vide (Table 13)

Number of workers in the Banking Sector

The number of workers in the banking sector went down by 0.4% to 49120 in 2017. Saudi (male and female) workers represented 91.9% (45167) of the total number of workers in the banking sector. Saudi male workers while non-saudi male workers accounted for 8.0%. Saudi female workers represented 13.8% of the total number of workers against 0.05% of non-saudi female workers.

Derivatives Market Activity

Derivatives transactions in Saudi Arabia fell by 7.9% (SAR101.0 billion) to SAR1175 billion in 2017 compared to SAR1276 billion in 2016.

Banking Creditworthiness

The Saudi credit Bureau (SIMAH) continued its efforts to provide its services to all its relevant entities during 2017 by continuously developing its services and products, especially those related to individuals system project (SIMATINA), small and medium enterprises evolution system Project shaiki project and wasam project (legal entity verifier). The importance of aforementioned projects was acknowledged by the G-20 based on an initiative of the Financial stability board, aiming at helping financial institutions to evaluate risks in a systematic and effective manner and put regulatory and operational requirement 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. In addition, SIMAH continued to achieve the goals for which it was established as an independent Saudi credit information body

in the late 1990s. (1) To complement the financial system in the kingdom and (2) To develop credit information sector and its various services in preparation for the expansion of credit market in kingdom.

SIMAH also kept on developing its businesses at the technical and regulatory levels during 2017 in accordance with specific strategies. These strategies include insuring the provision of an effective information infrastructure to enhance risk assessment and management providing better understanding about borrowers assisting decision-making and enhancing credit risk analysis and the evaluation of credit worthiness of borrowers.

Moreover, in 2017, SIMAH worked on the development of the services introduced in the Saudi market, which include risk notification systems that enable SIMAH members to identify customer current or expected risks and procedures to reduce default rates by analyzing customer credit behavior. It also worked on developing data analysis systems, credit performance report, financial soundness systems and other services.

As regards technological advancement SIMAH is still keen to develop its information centre to keep pace with the international standards, and its main information centre occupied the fourth rank (UPTIME TIER-IV). This will enable SIMAH to take all necessary precautions to verify that the information received or obtained is correctly and accurately recorded, stored, authenticated, processed and protected against loss. These precautions include adopting sufficient backup systems developing contingent information from unauthorized access, use, modification or disclosure in accordance with the risks approved by SAMA. Furthermore, SIMAH obtained the official accreditation from the Global Legal Entity Identifier Foundation (GLIEF) in 2017 in order to launch Moarif Project for identifying all legal and commercial entities supervised by SAMA.

As regards awareness, SIMAH published a procedural manual in 2017. It was distributed at its customer service center through “know your rights” campaign, on members websites to increase credit awareness amongst all segments of society and through social media (twitter, facebook, youtube).

Developments in the implementation of the Basel III Framework in Saudi Arabia

SAMA has pursued its efforts in engineering commercial banks to comply with Basel committee on banking supervision (BCBS) standards for risk based capital adequacy. This included putting in place the internal liquidity adequacy assessment, which came into application since January 2018 to meet Basel III requirements that stress the importance of assessing and monitoring liquidity risk given that banks have proactively implemented these standards since 2016, SAMA has been monitoring their compliance to detect and handle any gap in the implementation as well as monitoring compliance with any updates to these standards. SAMA has also issued the guidelines for the management and measurement of step in risk by BCBS to strengthen the supervision and regularities of the shadow banking system and to mitigate associated potential risks.

CONCLUSION

In the era of globalization today the basic resources for the development of any country in the world is the financial resources. Other resources happen to be secondary ones for the reasons that lack of sound economic position probably all round development of the country may not be feasible. As such, there is strong and sound need for the growth of economy depending on which the citizens of a country can fulfill their genuine demand/wish of better life style of tomorrow. Accordingly from the broader point of view the economy is considered to be divided into three segments such as (1) Advanced economy (2) Emerging and developing economy (3) Least developed economy. Accordingly, the countries in the world have been categorized as developed fully (known as advanced countries), those emerging as developing and some others as least developed. Saudi Arabia has the greatest economy in the gulf. The level of economic growth taken place /taking place in that country is the key factor to determine its position in comparison with others.

Since one desires to know as to what is the degree of soundness and growth of the economy of a country happens to be very important factor for any developmental decision. With this background in view studying global as well as country's economy in relation to all others makes the position abundantly clear.

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