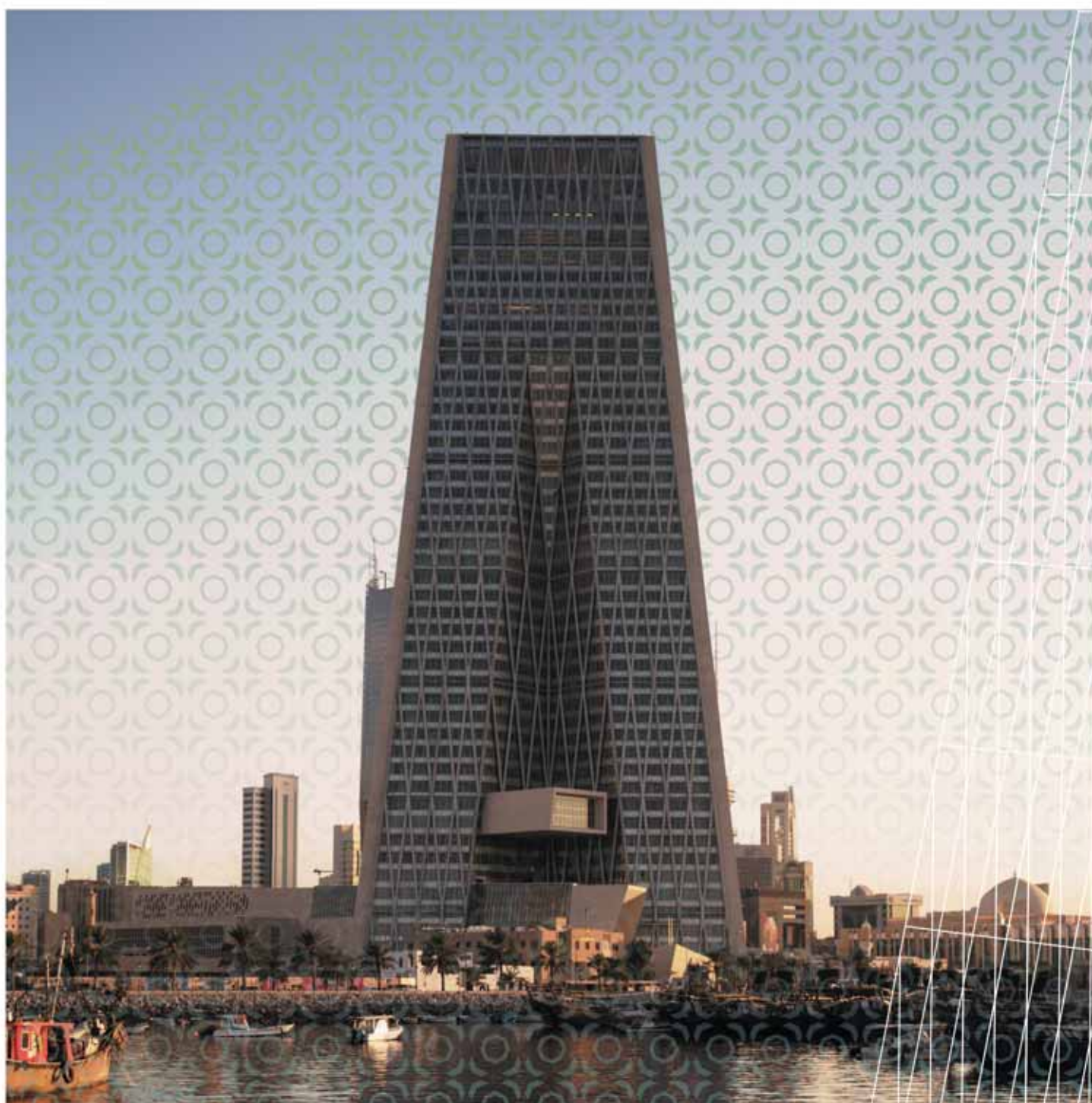


# The 47<sup>th</sup> Economic Report For The Year 2018

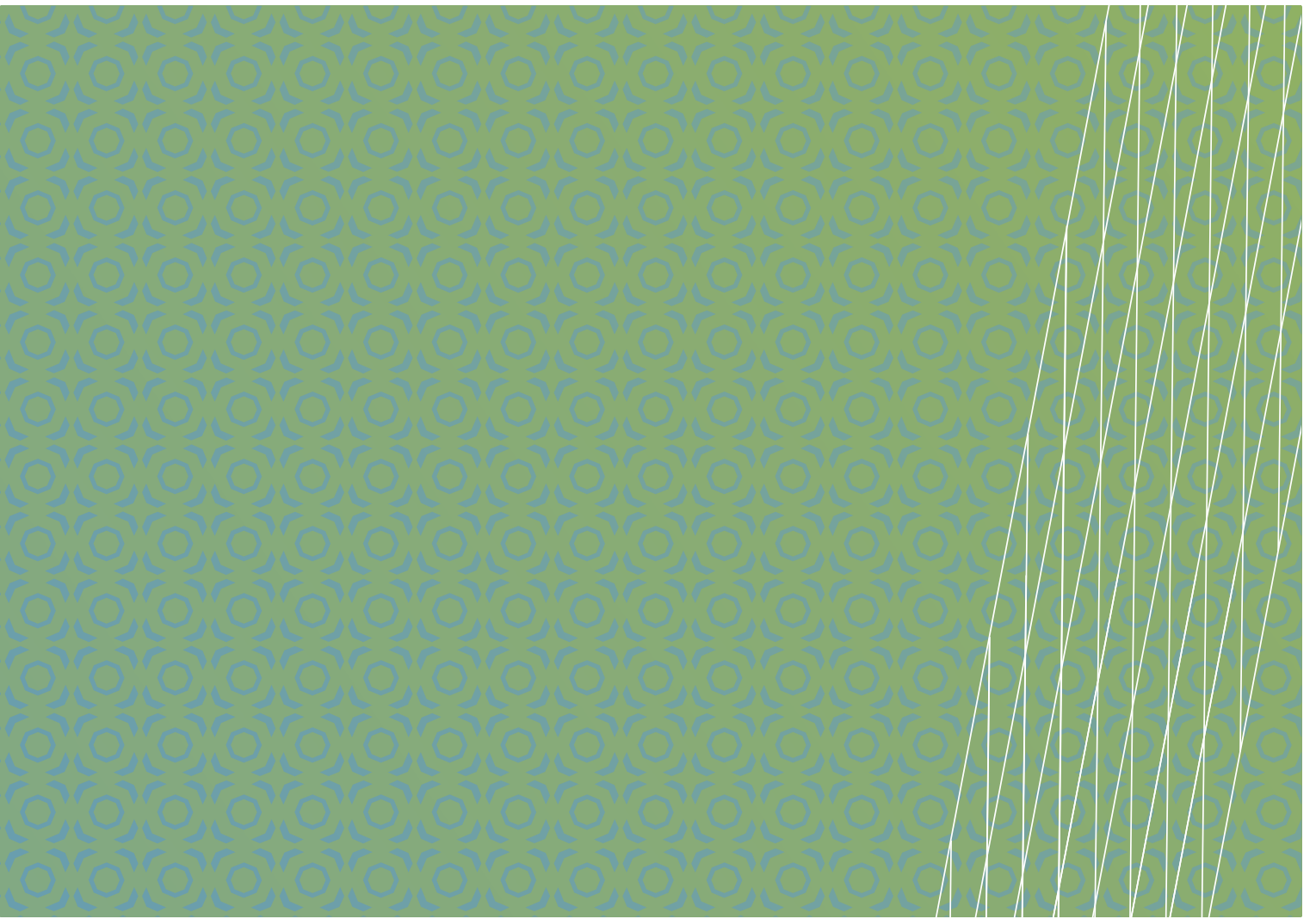


بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



**H. H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah**

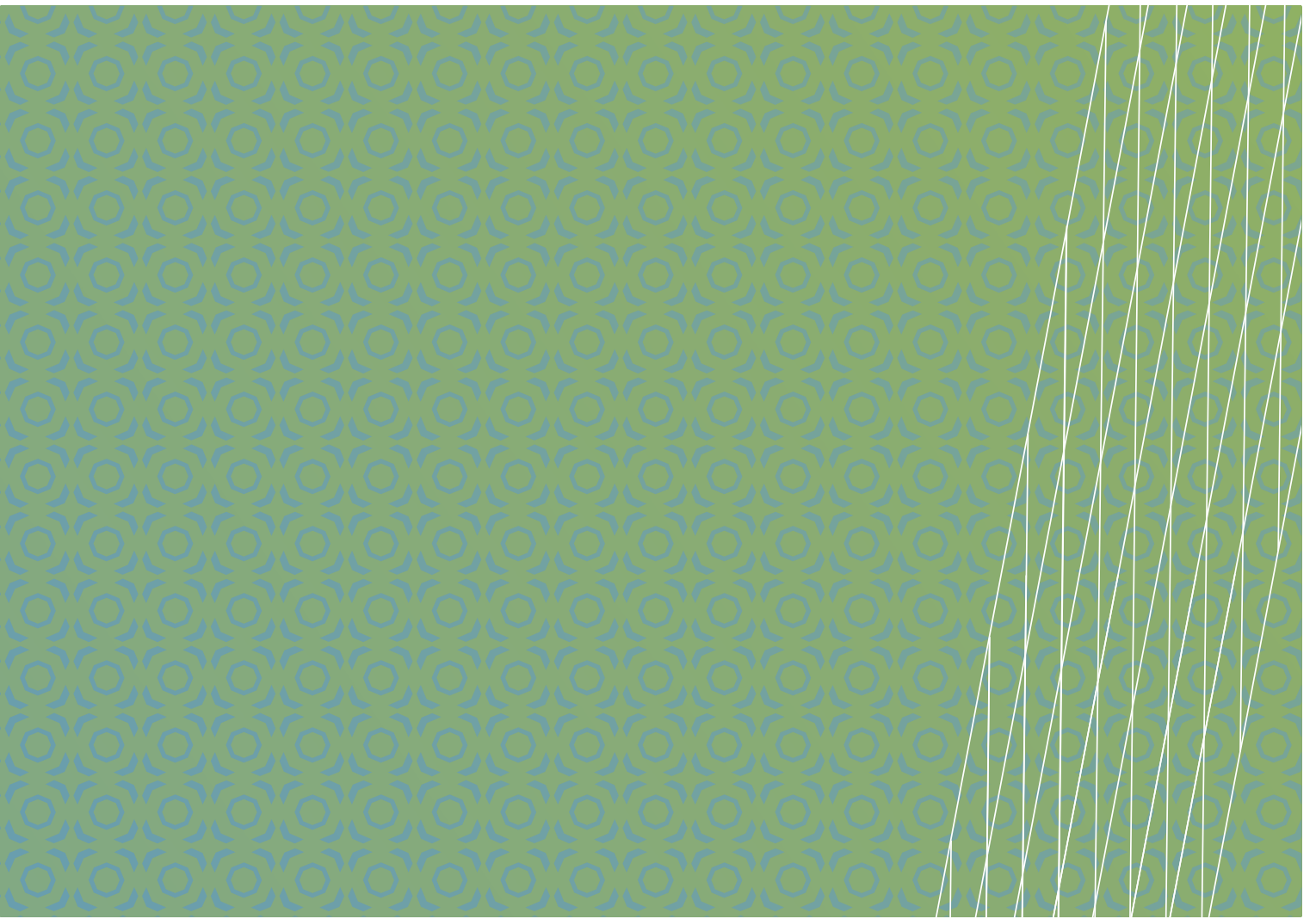
The Amir Of The State Of Kuwait





**H. H. Sheikh Nawwaf Al-Ahmad Al-Jaber Al-Sabah**

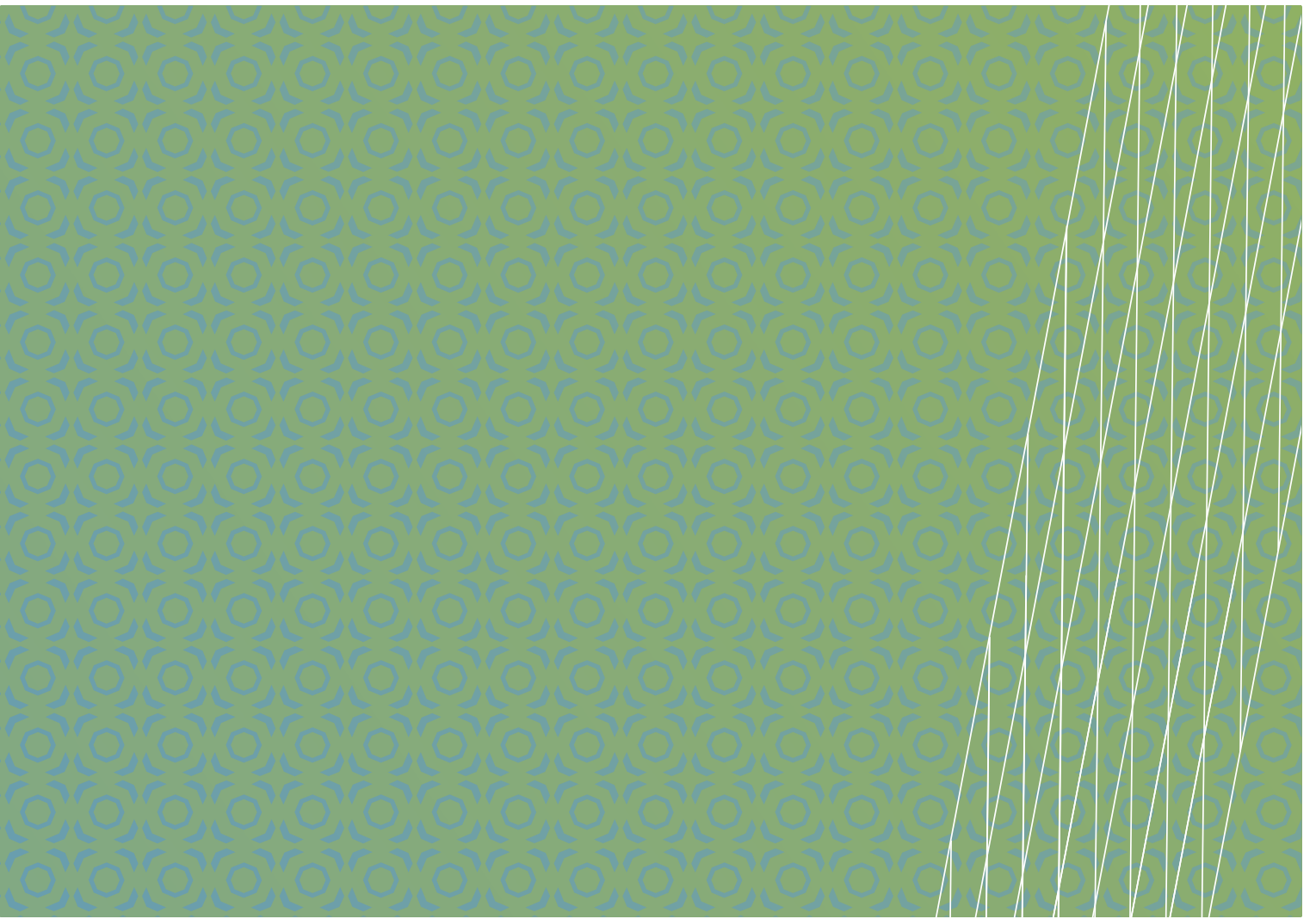
The Crown Prince Of The State Of Kuwait





**H. H. Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah**

The Prime Minister Of The State Of Kuwait



**BOARD OF DIRECTORS OF  
THE CENTRAL BANK OF KUWAIT  
FOR THE YEAR 2018**



**Dr. Mohammad Y. Al-Hashel**

Governor  
Chairman



**Mr. Yousef J. Alobaid**

Deputy Governor  
Member

" The management of the Central Bank of Kuwait shall be entrusted to a Board of Directors composed of the Governor, who shall be the Chairman of the Board, the Deputy Governor, a representative of the Ministry of Finance, a representative of the Ministry of Commerce & Industry, and four other members having the required extensive experience in economic affairs and financial and banking fields, to be appointed by virtue of an Amiri Decree for a renewable 3-year period."

Article (26) of law No. 32 of 1968



**Mr. Saleh A. Al-Sarawi**  
Undersecretary  
Ministry of Finance  
Member



**Mr. Ahmad M. Al-Faris**  
Assistant Undersecretary  
Ministry of Commerce & Industry  
Member



**Mr. Nasser Abdullah Alroudan**  
Member



**Mr. Mustafa J. Al-Shamali**  
Member



**Mr. Osamah Mohammad Al-Nisf**  
Member



**Mr. Ahmed Y. Al-Sager**  
Member

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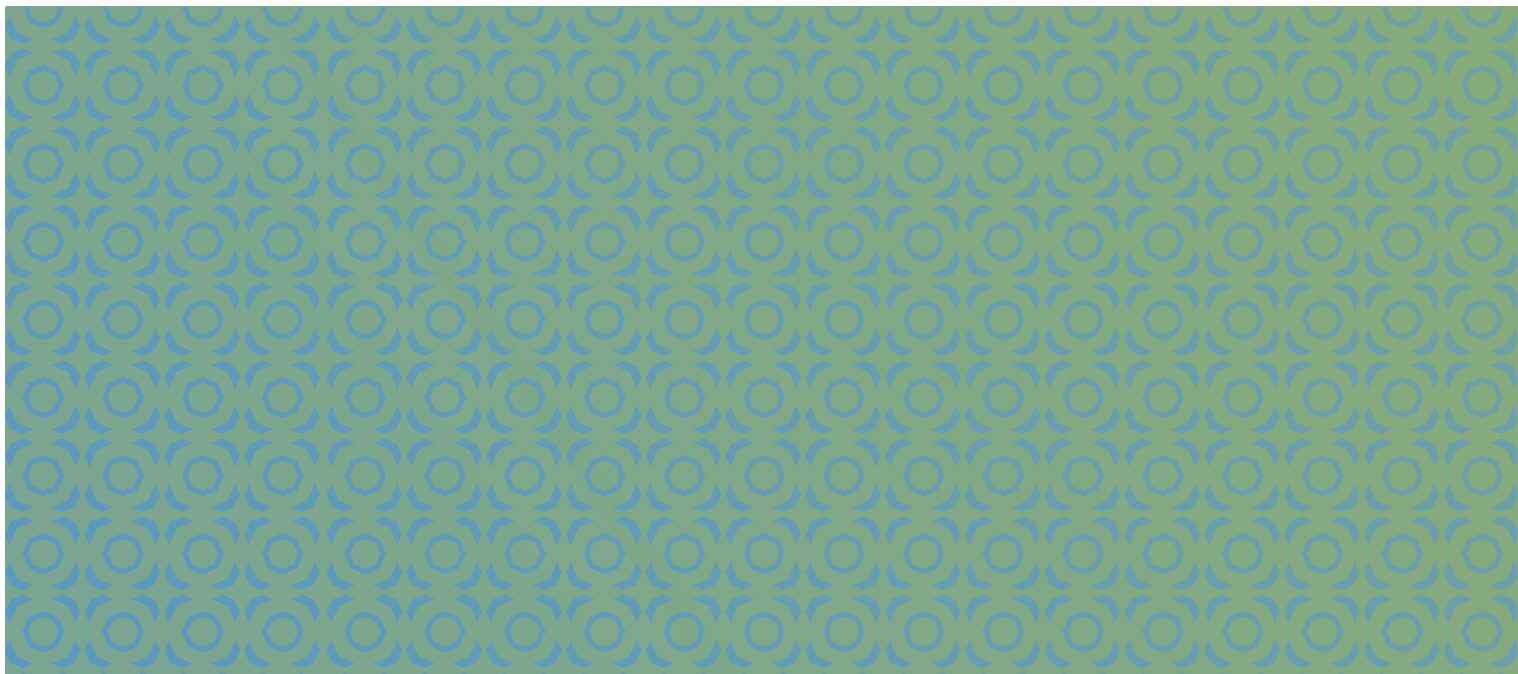


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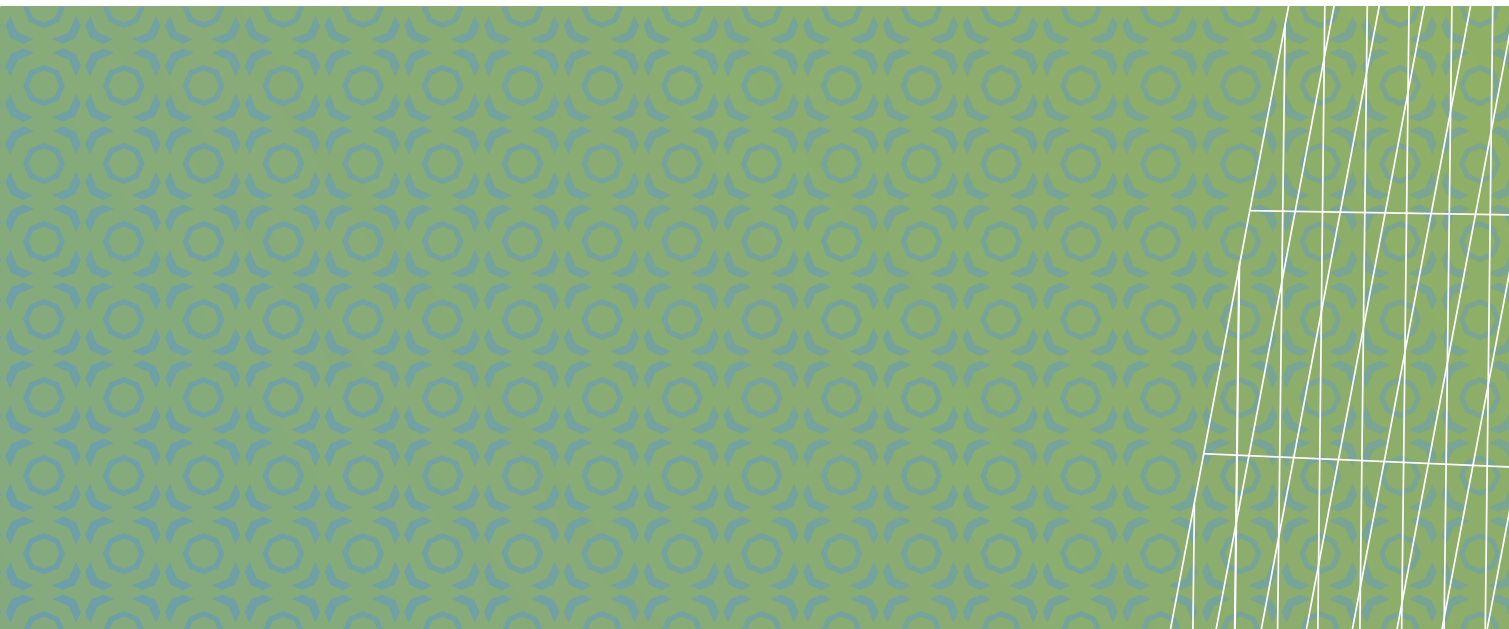
# PREFACE



I am pleased to introduce the Economic Report 2018 to all those interested in the economic affairs of the State of Kuwait. This forty-seventh issue of the Economic Report, published annually by the Central Bank of Kuwait (CBK), covers key economic developments, including the most recent data and statistics available on various aspects of economic performance in the State of Kuwait during the year under review. The Report addresses these developments in six parts with each part covering a major topic in appropriate detail.

The first part of the report addresses the key trends in Kuwaiti economic performance in 2018 as reflected in data and statistics available for state accounts, domestic prices, population, and workforce. In this context, available statistics indicate growth in value added at constant prices in non-oil sectors by KD 247.5 million or 1.1% during 2018, to reach KD 23,428.9 million, against KD 23,181.4 million in 2017. Moreover, value added at constant prices in oil sectors increased by KD 270.7 or 1.3% to reach KD 21,736.9 million during 2018, against 21,466.2 million in 2017. In light of these developments, the value of the Gross Domestic Product (GDP) at constant prices increased to KD 39,767.6 million in 2018, against KD 39,280.5 million during the previous year, representing a growth of KD 487.1 million or 1.2%. Meanwhile, non-oil sectors GDP at current prices increased by 5.6%, while oil sectors GDP recorded a growth of 33.8%. Consequently, GDP at current prices reached KD 42,786.7 million during 2018, with a rise of 18.0%, compared to the year 2017. Within this context, it is worth mentioning that oil sectors GDP was affected by the rise in world oil prices. Data from Organization of Petroleum Exporting Countries (OPEC) indicate a rise in the OPEC basket average spot price to reach USD 69.78 p/b during 2018, compared to USD 52.43 p/b in 2017, i.e. an increase of USD 17.35 p/b or 33.1%. In parallel, the average price of Kuwait's export crude oil per barrel (p/b) recorded an increase to USD 68.72 p/b during 2018, compared to USD 51.6 p/b during the previous year, i.e. a rise of USD 17.1 p/b or 33.2%.

“ Oil sectors GDP was affected by the rise in world oil prices ”



The second part discusses the main monetary and banking developments. CBK's activities in areas of monetary policy and banking supervision are highlighted through major developments observed in the key monetary aggregates and indicators, as well as significant developments in the area of banking oversight and supervision during 2018. In this regard, available data indicate a sustained relative stability in the KD exchange rate against major currencies during 2018, in line with CBK's exchange rate policy of pegging the KD to a weighted basket of currencies of countries that share significant trade and financial relations with the State of Kuwait. Data indicate movements within a relatively narrow margin in the exchange rate of the USD against the KD during 2018, compared to the changes in the exchange rate of the USD against other key currencies. The difference between the highest and the lowest exchange rate of the USD against the KD during 2018 was 1.67%.

**“ A sustained relative stability in the KD exchange rate against major currencies during 2018 ”**

On another front, growth in Money Supply in its Broad Definition (M2) increased to 4.0%, and private sector (resident) deposits with local banks to 4.1% at the end of 2018 compared to the previous year. Growth rate in credit facilities extended by local banks to various domestic economic sectors accelerated to 4.2% at the end of the mentioned year. During 2018, CBK had raised its discount rate by 0.25 percentage points to reach 3.0% in March 2018 in light of local economic, monetary, and banking developments and the changes in interest rates of major foreign currencies. CBK intensified its oversight and supervision measures over local banking and financial to strengthen their financial position, reinforce financial stability and enhance the financial sector's ability to effectively fulfill its role in the national economy.

**“ Intensifying oversight and supervision measures over local banking and financial units aimed at enhancing the sector's ability to effectively fulfill its role in the national economy ”**

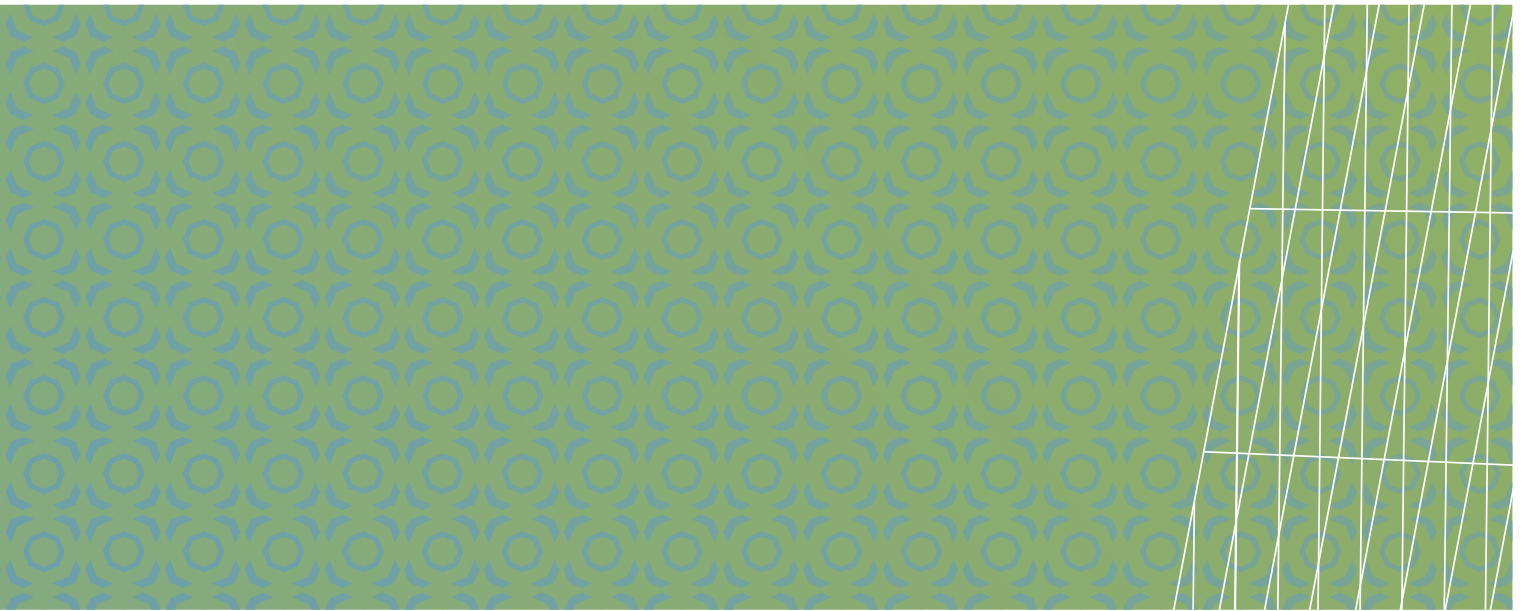


The third part of the report highlights developments in financial indicators of the banking and financial system. The aggregate financial statements of various banking and financial system units, including local banks, investment companies and exchange companies are analyzed in order to identify growth aspects, performance levels and trends, as well as the effect on the financial position of these units. In this context, the aggregate balance sheet of local banks realized a growth of 4.9% at the end of 2018 compared to the level recorded in 2017. Also, the aggregate balance sheet of local exchange companies supervised by the CBK increased by 1.2%, while the aggregate balance sheet of local investment companies registered with CBK decreased by 11.1% at the end of 2018 compared to its previous year level.

The fourth part of the report highlights the developments in the State's public finances within two key sections, namely the Closing Account for 2017/18, and the general budget for ministries and government departments for 2018/19. The Closing Account of the general budget for 2017/18 recorded an actual deficit of KD 3,247.8 million compared to an actual deficit of KD 4,608.4 million during the previous year, before deduction of allocations for the Reserve Fund for Future Generations (RFFG).

The fifth part of the report addresses the developments in the trade and financial relations of the State of Kuwait with other economies, as reflected in the statistics on foreign trade and the Balance of Payments (BOP) of the State of Kuwait during 2018, where the surplus realized in the balance on goods witnessed an increase of KD 4,569.0 million or 58.6%. This rise is mainly due to increase in value of oil exports after the significant rise in world oil prices. Consequently, the current account recorded a surplus of KD 6,158.3 million, against a surplus of KD 2,913.4 million during the previous year. The overall position of the BOP of the State of Kuwait during 2018 recorded a total surplus of KD 1,139.8 million.

The sixth and last part of the Economic Report covers the developments in the performance of Bursa Kuwait during 2018, as reflected in the key trading indicators, price movements, and factors affecting the Bursa performance. In this context, the main trading indicators (traded shares by value and volume) recorded a significant decline of 27.67% and 57.47% respectively compared to the previous fiscal year. The All-share Index closed with a rise of 1.59% at the end of 2018 compared to main price index. Meanwhile, the Premier Market (PM) Index recorded a significant rise



of KD 5.35% at the end of 2018 compared to main price index, while the Main Market (MM) Index recorded a drop of KD 5.23% compared to main price index. Market capitalization of listed companies recorded a significant increase of 5.95% at the end of 2018 compared to the previous year.

In conclusion, we pray to Allah the Almighty that our efforts are rewarded with success for the welfare of our beloved country, under the patronage of His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmad Al-Jaber Al-Sabah; and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah, may Allah bless and guard them.

**Dr. Mohammad Y. Al-Hashel**

Governor, Central Bank of Kuwait



Summary of the Economic  
Report

## Summary of the Economic Report

The Economic Report for the year 2018 addresses key economic, financial, monetary and banking developments witnessed in the Kuwaiti economy during the mentioned year which are presented in six parts, the most significant of which are briefly highlighted as follows:

### First: Performance of Domestic Economy

Preliminary estimates on the national accounts statistics of the State of Kuwait for the year 2018 indicate that the value added at constant prices in non-oil sectors grew by KD 247.5 million or 1.1%, to reach KD 23,428.9 million compared to KD 23,181.4 million during 2017, after realizing a growth of KD 403.8 million or 1.8% in 2017 compared to 2016. The relative share of value added of GDP at constant prices in total non-oil sectors reached 58.9%. On the other hand, the value added at constant prices in oil sectors increased by KD 270.7 million or 1.3%, to reach KD 21,736.9 million during 2018, compared to KD 21,466.2 million during the previous year. As a result, GDP at constant prices increased by KD 39,767.6 million during 2018, against KD 39,280.5 million during the previous year, i.e. a rise of KD 487.1 million or 1.2%, compared to a decline of KD 1,416.9 million or 3.5% during the previous year. On another front, value added at current prices in total non-oil sectors increased to KD 26,836.3 million during 2018, against KD 25,423.6 million during 2017, i.e. an increase of KD 1,412.7 million or 5.6% after realizing a growth of KD 785.4 million or 3.2% during the previous year. Value added at current prices in total oil sectors recorded a growth of KD 5,192.7 million or 33.8% to reach KD 20,556.9 million during 2018, compared to KD 15,364.2 million during the previous year. Consequently, GDP at current prices increased by KD 42,786.7 million during 2018, against KD 36,260.7 million during the previous year.

For the second year in a row, inflation in the State of Kuwait, measured by the relative change in General Consumer Price Index (CPI) (base year 2013=100), decelerated to 0.6% during 2018, against 1.5% during 2017. The said deceleration in the annual inflation rate recorded in 2018 is a result of the changes in increase rate in the average prices of the main groups constituting the CPI compared to its levels during 2017. The rate of increase in the average price of Furniture Equipment & Household Maintenance (weight 11.4%) decelerated to 2.0% during 2018 compared to 3.3% during 2017, Transport (weight 7.5%) to 1.4% during 2018, compared to 10.2% during 2017, Education (weight 4.2%) to 1.4% during 2018, compared to 2.8% during 2017 and Restaurants and Hotels (weight 3.4%) to 1.7% during 2018, compared to 3.1% during 2017. Meanwhile, the rate of increase in the average price of Health (weight 1.5%) increased to 1.9% during 2018, compared to 0.2% during 2017, Communications (weight 4.0%) to 3.7% during 2018, compared to a decline of 0.6% during 2017 and Recreation & Culture (weight 3.8%) to 4.1% during 2018, compared to 3.2% during 2017. The rate of increase in the average price of Housing Services (weight 33.2%) decreased to 1.1% during 2018, after a decline of 0.4% during 2017, and Clothing & Footwear (weight 8.0%) to 0.5% during 2018, against an increase of 1.4% during 2017. The rate of increase in the average price of Food & Beverage (weight 16.7%) remained unchanged at 0.1% during 2018 and 2017.

Regarding developments in population and labor force in the State of Kuwait, available statistics indicate that the growth rate of total population reached 2.7% at the end of 2018 compared to 2.0% at the end of 2017. This was an outcome of increase in non-Kuwaiti population by 2.8% at the end of 2018, compared to 1.9% for 2017, alongside an increase in the Kuwaiti population by 2.4% at the end of 2018 and 2017. This was coupled with a rise by 4.4% in total labor force during 2018, compared to a slight decline by 0.02% during 2017. This was due to the acceleration in the rate of increase in non-Kuwaiti labor force by 4.3% during 2018, against 1.8% during 2017, and the rise in the Kuwaiti labor force by 4.7% for 2018 compared to the decline of 9.2% in 2017.

## Second: Monetary Developments and CBK Activities

Developments in the KD exchange rate during 2018 reflect CBK's implementation of the exchange rate policy applied since 20 May 2007 of pegging the KD to a special weighted basket of currencies of countries that have significant trade and financial relations with the State of Kuwait. In this respect, data indicate that the movements in the exchange rate of the US dollar against the KD were within relatively narrow margins during 2018 compared to the average of changes in the exchange rate of the US dollar against other key currencies. Daily data show that the difference between the highest and the lowest exchange rate of the US dollar against the KD was 1.67% as at the end of 2018. On the other hand, data indicate more visible fluctuations in the exchange rate of the US dollar against other key currencies, where the difference between the highest and the lowest exchange rate of the US dollar was 14.68% against the Pound Sterling, 10.85% against the Euro, 9.19% against the Japanese Yen, and 9.01% against the Swiss Franc.

Data on main monetary and banking aggregates of the State of Kuwait reveal a quicker pace of growth in terms of Money Supply in its Broad Definition (M2) of 4.0% at the end of 2018. Furthermore, developments in residents' private sector deposits with local banks indicate a growth of 4.1% at the end of 2018 compared to its levels at the end of 2017. With respect to bank credit developments, data indicate that the growth rate of the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors increased by 4.2% at the end of 2018.

In light of constant CBK follow-up of local economic, monetary, and banking developments and the changes in interest rates of world major currencies during 2018, CBK raised its Discount Rate by 0.25 percentage points on 22 March 2018, which is the only increase made since March 2017, raising it from 2.75% to 3.0%.

Developments on the side of banking oversight and supervision during 2018 reflect CBK's continued efforts in the area of oversight and supervision of local banking and financial units. These endeavors aim at strengthening the units' financial position and reinforcing financial stability through intensifying the oversight and supervision measures applied to the local financial sector for enhancing the sector's ability to effectively fulfill its role in the national economy.

## Third: Financial Indicators of the Banking and Monetary System

The aggregate balance sheet of local banks (23 banks including 5 Kuwaiti conventional banks, 5 Islamic banks, one specialized bank and 12 foreign bank branches of which one is an Islamic bank branch) amounted to KD 66,545.0 million at end of 2018 against KD 63,410.7 million at the end of the previous year, realizing a growth of KD 3,134.3 million or 4.9% during 2018, compared to a similar growth of KD 2,966.2 million or 4.9% during 2017.

The number of local investment companies registered with the CBK decreased to 66 (37 of which are Islamic investment companies) at the end of 2018 compared to 68 (39 of which are Islamic investment companies) at the end of the previous year. Total assets of local investment companies (conventional and Islamic) amounted to KD 6,653.0 million at the end of 2018 compared to KD 7,486.2 million at the end of 2017, i.e. a decrease of KD 833.3 million or 11.1%.

The aggregate balance sheet of 41 local exchange companies registered with, and supervised by, the CBK was KD 201 million at the end of 2018, increasing by KD 2.5 million or 1.2% from KD 198.6 million at the end of the previous year.

#### Fourth: Public Finance

Data on the Closing Account of ministries and government departments for FY2017/18 indicate that the total actual budgetary revenues collected for the mentioned fiscal year amounted to KD 15,999.6 million, recording an increase of KD 2,900.1 million or 22.1% compared to the previous fiscal year. This rise mainly reflects the increase in actual oil revenues collected of KD 2,593.4 million or 22.2% to KD 14,282.2 million for FY2017/18. Data on the Closing Account for FY2017/18 indicate an increase in actual public expenditures of KD 1,539.5 million or 8.7% to KD 19,247.4 million during the mentioned fiscal year. As a result, the Closing Account for FY2017/18 recorded an actual deficit of KD 3,247.8 million against an actual deficit of KD 4,608.4 million during the previous fiscal year, before deduction of allocations for the Reserve Fund For Future Generations (RFFG).

Furthermore, data on the General Budget for FY2018/19 indicate an increase in the total estimated public revenues for the mentioned fiscal year by KD 1,744.7 million or 13.1% to KD 15,089.0 million, compared to KD 13,344.3 million for the total estimated public revenues for FY2017/18. The rise in total public revenue within the General budget of FY2018/19 mainly reflects the increase in estimated oil revenue by KD 1,606.7 million or 13.7% to reach KD 13,317.4 million compared to KD 11,710.7 million for the approved estimate of the FY2017/18. Allocations for public expenditures for FY2018/19 increased by KD 1,600.0 million or 8% to KD 21,500.0 million, against KD 19,900.0 million for the previous fiscal year. These developments in estimated public revenues and expenditures for FY2018/19 resulted in an estimated deficit of KD 6,411.0 million, against a deficit of KD 6,555.7 million for FY2017/18, before deduction of allocations for the RFFG.

#### Fifth: Foreign Trade and Balance of Payments

Preliminary estimates on the Balance of Payments (BOP) of the State of Kuwait for 2018 indicate that the current account recorded a surplus of KD 6,158.3 million during 2018, against a surplus of KD 2,913.4 million during 2017.

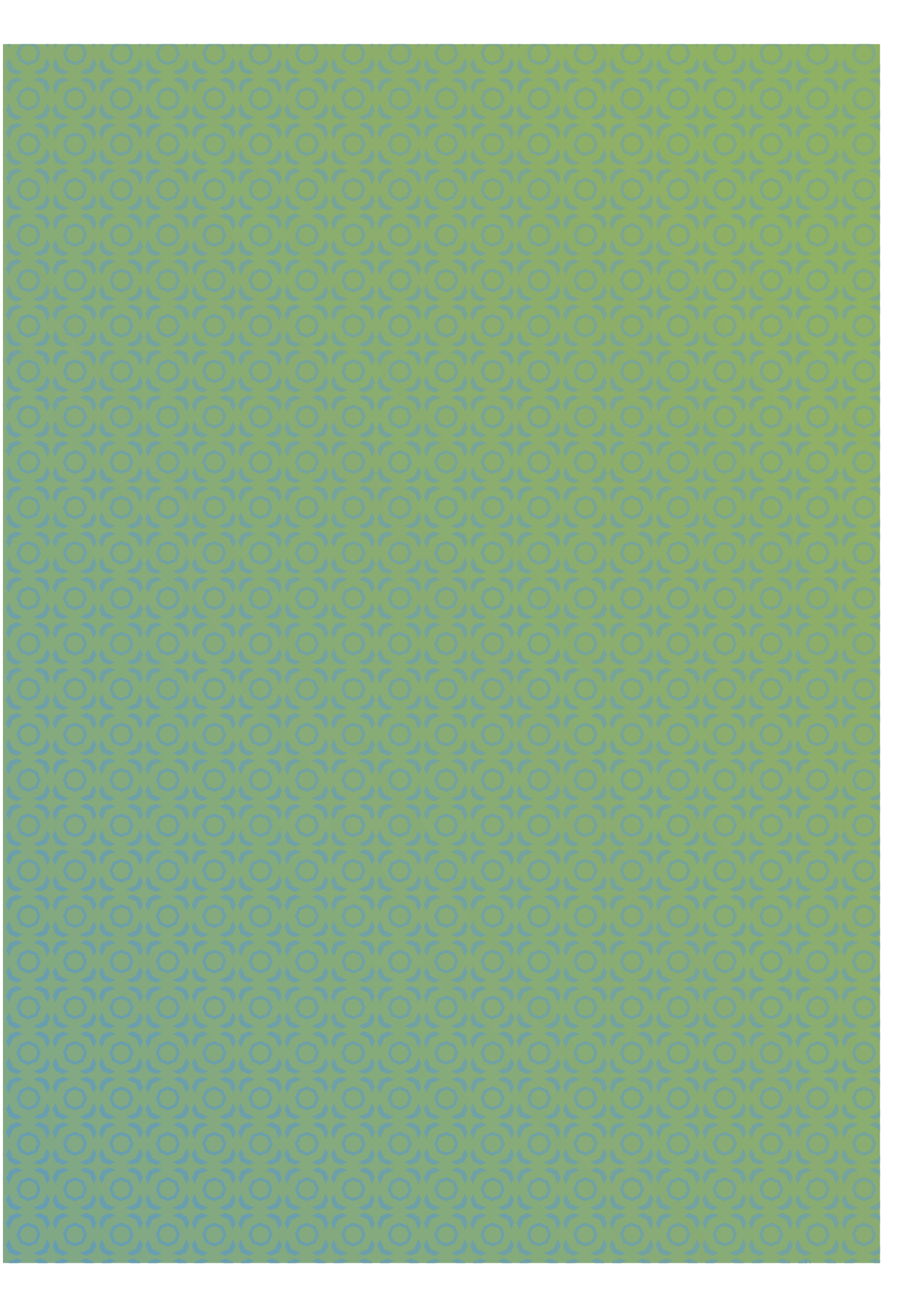
Basically, surplus or deficit in the current account of the BOP is related to the surplus or deficit recorded in the balance on goods. Estimates indicate a rise in the surplus realized in the balance on goods to KD 12,363.2 million during 2018 compared to KD 7,794.2 million during the previous year, i.e. an increase of KD 4,569.0 million or 58.6%. Developments in both sides of the balance on goods show that total (FOB basis) exports of goods of the State of Kuwait amounted to KD 21,825.6 million during 2018 compared to KD 16,744.5 million during the previous year, i.e. a rise of KD 5,081.1 million or 30.3%. On the other hand, total (CIF basis) imports of goods of the State of Kuwait reached KD 10,767.1 million during the mentioned year against KD 10,183.0 million during the previous year, i.e. an increase of KD 584.1 million or 5.7%.

The Services Account recorded a deficit of KD 7,341.3 million during 2018 against a deficit of KD 6,127.5 million during the previous year, i.e. a rise of KD 1,213.8 million or 19.8%. As for the capital account, preliminary statistics indicate a deficit (net capital outflows) of KD 64.3 million during 2018 against a deficit of KD 130.4 million during the previous year, i.e. a decline of KD 66.1 million or 50.7% compared to the previous year. Statistics also indicate that the financial account of the BOP of the State of Kuwait recorded net capital outflows (an increase in net external investments by residents in the national economy) of KD 7,325.5 million during 2018 against net capital outflows of KD 5,287.9 million during the previous year.

As a result of the above-mentioned developments, the overall position of the BOP of the State of Kuwait recorded a total surplus of KD 1,139.8 million during 2018 compared to a total surplus of KD 597.2 million during the previous year. The surplus reflects the increase recorded in CBK's reserve assets of the same value. The overall position of the BOP of the State of Kuwait, from a broader perspective to include both the change in net external investments of some government bodies/institutions and the above-mentioned change in CBK's reserve assets, shows an estimated surplus of KD 7,713.7 million during 2018 compared to a surplus of KD 3,428.9 million during the previous year.

## Sixth: Developments at Bursa Kuwait

The performance of the key trading indicators and price movements in Bursa Kuwait varied at the end of 2018, where main indices (value and volume of traded shares) realized a significant decrease of 27.67% and 57.47% respectively compared to their levels recorded at the end of 2017. The All-share Index closed with a rise of 1.59% at the end of 2018 compared to main price index (1 April 2019=5000). Meanwhile the Premier Market (PM) Index recorded a significant rise of KD 5.35% at the end of 2018 compared to main price index, while the Main Market (MM) Index recorded a drop of KD 5.23% compared to main price index. Market capitalization of listed companies recorded a significant increase reaching KD 29,105.22 million at the end of 2018, i.e. an increase of KD 1,634.34 million or 5.95% compared to the end of 2017. The most notable achievements during 2018 were: Bursa Kuwait entering a new era as of the beginning of April 2018 through segmenting the market into 3 markets and upgrading Bursa Kuwait to an “Emerging Market” by Standard and Poor’s and Dow Jones, after adopting FTSE Russell’s standard during 2018, as of September 2019.





# Performance of Domestic Economy

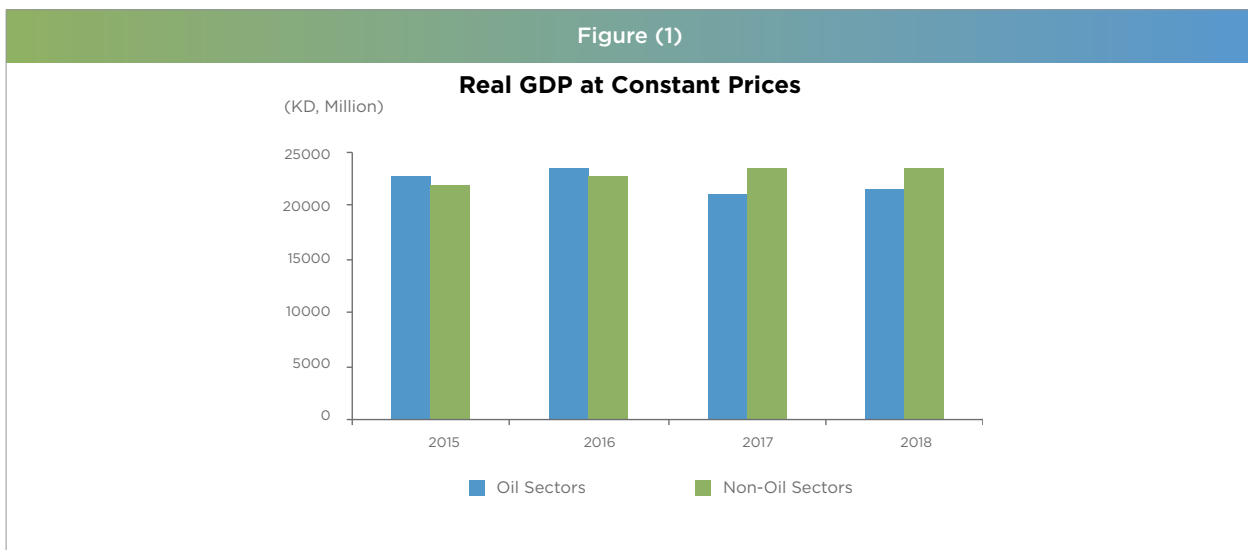


## Performance of Domestic Economy

### First: Gross Domestic Product and Economic Growth<sup>1</sup>:

Preliminary estimates on the national accounts statistics of the State of Kuwait for 2018 indicate a growth in value added at constant prices from the total non-oil sectors of KD 247.5 million or 1.1%, to reach KD 23,428.9 million against KD 23,181.4 million during 2017, which in turn registered a growth of KD 403.8 million or 1.8% from 2016. The relative share of the value added from these sectors in Gross Domestic Product (GDP) at constant prices for 2018 remained at 58.9%.

On the other hand, the value added at constant prices in total oil sectors increased by KD 270.7 million or 1.3%, to reach KD 21,736.9 million during 2018 against KD 21,466.2 million during the previous year. Consequently, GDP at constant prices rose to KD 39,767.6 million during 2018 against KD 39,280.5 million for the previous year, i.e. a rise of KD 487.1 million or 1.2% compared to a decline of KD 1,416.9 million or 3.5% during the previous year. Table (1) shows developments in GDP at constant prices for both oil sectors and non-oil sectors during 2015-2018.



<sup>1</sup> This section was prepared in accordance with the new methodology adopted by the Central Statistical Bureau to transfer the manufacture of coke, refined petroleum products and nuclear fuel from the oil and petroleum products sector to non-oil sectors.

Table (1)  
**GDP at Constant Prices by Sectors (Oil and Non-oil)**  
 KD Million

Items	2015	2016	2017*	2018**
<b>1. Crude Oil &amp; Natural Gas Production</b>	<b>22,579.3</b>	<b>23,032.2</b>	<b>21,359.4</b>	<b>21,633.7</b>
Change (%)	-0.8	2.0	-7.3	1.3
To GDP (%)***	57.1	56.6	54.4	54.4
<b>2. Activities of Services related to Extraction of Crude Oil and Gas Excluding Survey Services</b>	<b>101.1</b>	<b>111.4</b>	<b>106.8</b>	<b>103.2</b>
Change (%)	6.8	10.2	-4.1	-3.4
To GDP (%)	0.3	0.3	0.3	0.3
<b>3. Total Oil Sectors (2 + 1)</b>	<b>22,680.4</b>	<b>23,143.6</b>	<b>21,466.2</b>	<b>21,736.9</b>
Change (%)	-0.7	2.0	-7.2	1.3
To GDP (%)	57.4	56.9	54.6	54.7
<b>4. Non-oil Sectors</b>	<b>21,977.1</b>	<b>22,777.6</b>	<b>23,181.4</b>	<b>23,428.9</b>
Change (%)	-0.7	3.6	1.8	1.1
To GDP (%)	55.6	56.0	59.0	58.9
<b>Subtotal (4 + 3)</b>	<b>44,657.5</b>	<b>45,921.2</b>	<b>44,647.6</b>	<b>45,165.8</b>
Change (%)	-0.7	2.8	-2.8	1.2
<b>Imputed Banking and Insurance Services</b>	<b>-1,900.5</b>	<b>-1,902.2</b>	<b>-1,900.0</b>	<b>1868.0,-</b>
Change (%)	3.3	0.1	-0.1	-1.7
<b>Taxes minus Subsidies (Net Taxes)</b>	<b>-3,216.6</b>	<b>-3,321.7</b>	<b>-3,467.1</b>	<b>-3,530.2</b>
Change (%)	-16.2	3.3	4.4	1.8
<b>GDP at Purchaser's Value</b>	<b>39,540.4</b>	<b>40,697.4</b>	<b>39,280.5</b>	<b>39,767.6</b>
Change (%)	0.6	2.9	-3.5	1.2

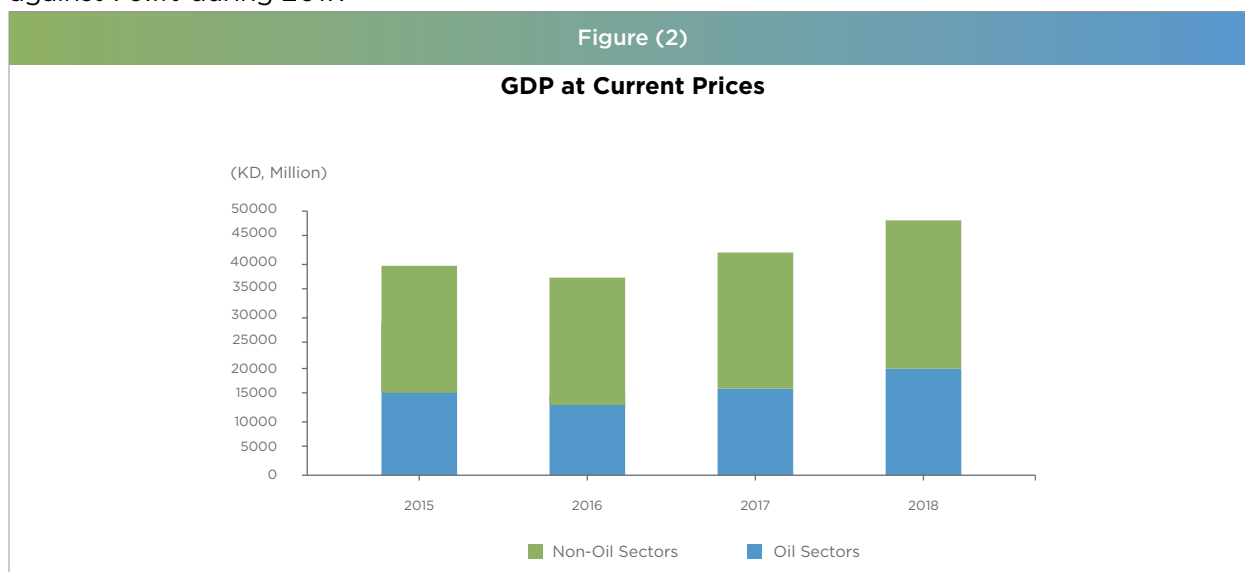
\* Revised data.

\*\* Provisional data.

\*\*\* Represents the relative share of GDP at Purchaser's Value.

Source: Central Statistical Bureau.

On another front, value added at current prices from total non-oil sectors increased to KD 26,836.3 million during 2018 against KD 25,423.6 million during 2017, i.e. an increase of KD 1,412.7 million or 5.6%, after realizing a growth of KD 785.4 million or 3.2% during the previous year. The relative share of the value added from these sectors in GDP at current prices was 62.7% during 2018 against 70.1% during 2017.



On the other hand, value added at current prices in total oil sectors increased by KD 5,192.7 million or 33.8%, reaching KD 20,556.9 million during 2018 against KD 15,364.2 million during the

previous year. Consequently, GDP at current prices increased to KD 42,786.7 million during 2018, against KD 36,260.7 million for the previous year, i.e. a growth of KD 6,526.1 million or 18% compared to a growth of KD 3,204.9 million or 9.7% during the previous year. Table (2) and Figure (2) reveal the developments in GDP at current prices for both oil and non-oil sectors during 2015-2018.

Table (2)  
**GDP at Current Prices by Sectors (Oil and Non-Oil)**  
 KD Million

Items	2015	2016	2017*	2018**
<b>1. Crude Oil &amp; Natural Gas Production</b>	<b>14,775.0</b>	<b>1,2715.8</b>	<b>15,240.2</b>	<b>20,428.5</b>
Change (%)	-47.3	-13.9	19.9	34.0
To GDP (%)***	42.9	38.5	42.0	47.7
<b>2. Activities of Services related to Extraction of Crude Oil and Gas Excluding Survey Services</b>	<b>108.6</b>	<b>119.2</b>	<b>124.0</b>	<b>128.4</b>
Change (%)	10.7	9.8	4.0	3.5
To GDP (%)	0.3	0.4	0.3	0.3
<b>3. Total Oil Sectors (1 + 2)</b>	<b>14,883.6</b>	<b>12,835.0</b>	<b>15,364.2</b>	<b>20,556.9</b>
Change (%)	-47.1	-13.8	19.7	33.8
To GDP (%)	43.2	38.8	42.4	48.0
<b>4. Non-oil Sectors</b>	<b>24,730.4</b>	<b>24,638.2</b>	<b>25,423.8</b>	<b>26,836.3</b>
Change (%)	2.1	-0.4	3.2	5.6
To GDP (%)	71.7	74.5	70.1	62.7
<b>Subtotal (3 + 4)</b>	<b>39,613.9</b>	<b>37,473.3</b>	<b>40,787.8</b>	<b>47,393.2</b>
Change (%)	-24.4	-5.4	8.8	16.2
<b>Imputed Banking and Insurance Services</b>	<b>-2,245.7</b>	<b>-2,319.7</b>	<b>-2,372.4</b>	<b>-2,431.5</b>
Change (%)	11.7	3.3	2.3	2.5
<b>Taxes minus Subsidies (Net Taxes)</b>	<b>-2,895.0</b>	<b>-2,097.9</b>	<b>-2,154.8</b>	<b>-2,175.0</b>
Change (%)	-29.1	-27.5	2.7	0.9
<b>GDP at Purchaser's Value</b>	<b>34,473.3</b>	<b>33,055.8</b>	<b>36,260.7</b>	<b>42,786.7</b>
Change (%)	-25.5	4.1	9.7	18.0

\* Revised data.

\*\* Provisional data.

\*\*\* Represents the proportionate share of GDP at Purchaser's Value.

Source: Central Statistical Bureau.

The developments in the economic performance in the main oil and non-oil sectors during 2018 compared to the previous year are addressed in some detail as follows:

## A. Oil Sectors

Value added in the total oil sectors (crude oil and natural gas production, activities of services related to extraction of crude oil and gas excluding survey services) at current prices witnessed a rise of KD 5,192.7 million or 33.8% during 2018 to reach KD 20,556.9 million, after an increase of KD 2,529.2 million or 19.7% during 2017. This hike is an outcome of an increase in the value added of crude oil and natural gas production sector to reach KD 20,428.5 million during 2018 against

KD 15,240.2 million during the previous year, i.e. a growth of KD 5,188.3 million or 34% on the one hand, and the rise in the value added of the activities of services related to extraction of crude oil and gas excluding survey services sector of KD 4.4 million or 3.5% to reach KD 128.4 million during 2018 against KD 124 million during the previous year on the other hand.

Data provided by the Organization of Petroleum Exporting Countries (OPEC) indicate a hike in the average spot price of the OPEC Reference Basket (ORB) to reach USD 69.78 per barrel during 2018 compared to USD 52.43 per barrel during 2017, i.e. an increase of USD 17.35 or 33.1%. In parallel, the average price of the Kuwaiti export crude oil barrel recorded an increase to USD 68.72 per barrel during 2018 compared to USD 51.6 per barrel on average during the previous year, i.e. a rise of USD 17.1 or 33.2%. Furthermore, prices of refined petroleum products witnessed an increase wherein the weighted average of the export price of a barrel equivalent of refined petroleum products grew from USD 57.41 per barrel during 2017 to USD 63.85 per barrel on average during 2018, i.e. a rise of USD 6.44 or 11.22%. The weighted average of the export price of a barrel equivalent of liquefied natural gas (Propane and Butane) recorded a growth of USD 4.92 or 11.9% to reach USD 46.31 during 2018 compared to USD 41.39 during the previous year.

Meanwhile, the production of Kuwaiti crude oil recorded a rise from 2.704 million barrels per day on average during 2017 to 2.736 million barrels per day on average for 2018, i.e. an increase of 32 thousand barrels per day or 1.2%. Furthermore, the production of refined petroleum products decreased from 678.60 thousand barrels per day during 2017 to 672.75 thousand barrels per day during 2018, i.e. a drop of 5.85 thousand barrels per day or 0.9%. Meanwhile, the production of liquefied natural gas decreased from 205.50 thousand of equivalent barrel per day on average during 2017 to 175.19 thousand equivalent barrel per day on average during 2018, i.e. a decline of 30.3 thousand barrels per day or 14.7%. Regarding exported Kuwaiti oil, available data indicate an increase in total quantity from 2,025.7 million barrels per day on average during 2017 to 2,050.8 million barrels per day during 2018, i.e. a rise of 25.14 thousand barrels per day or 1.2%.

## B. Non-Oil Sectors

As previously mentioned, value added by non-oil sectors at constant prices witnessed a growth of KD 247.5 million or 1.1% to KD 23,428.9 million during 2018, compared to an increase of KD 403.8 million or 1.8% during 2017. Table (3) sets out the developments of GDP at constant prices by divisions of economic activity over the last four years (2015-2018).

Data also indicate that value added at constant prices by “Real Estate, Renting and Business Activities” (accounting for 12.8% of non-oil GDP) recorded a growth of KD 187.4 million or 6.6% to reach KD 3,006.4 million during 2018, against a growth of KD 67.6 million or 2.5% during 2017. “Wholesale and Retail Trade” (accounting for 5.9% of non-oil GDP) recorded an increase in its value added of KD 21.3 million or 1.6% to reach KD 1,388.8 million during 2018 compared to KD 1,367.5 million during 2017. Meanwhile “Electricity and Water” (accounting for 5.8% of non-oil GDP) recorded a growth of KD 20.9 million or 1.6% to reach KD 1,367.8 million during 2018, against KD 1,346.9 million during 2017. The value added by “Hotels and Restaurants” (accounting for 1.7% of non-oil GDP) at constant prices also recorded an increase of KD 34.6 million or 9.5% to reach KD 400.9 million during 2018, against a growth of KD 37.0 million or 11.2% during 2017.

On the other hand, “Community, Social and Personal Services” (accounting for 34.3% of non-oil GDP) maintained its lead among activities constituting non-oil sectors with the highest relative contribution to the non-oil GDP, realizing a growth in its value added of KD 162.0 million or 2.1% to reach KD 8,028.5 million during 2018, against KD 7,866.5 million during 2017.

Meanwhile, “Financial Intermediation and Insurance” (accounting for 13.6% of non-oil GDP) recorded a drop in its value added of KD 4.2 million or 0.1% to reach KD 3,193.5 million during 2018, compared to a growth of KD 100.2 million or 3.2% during 2017. The value added by “Manufacturing Industries” (accounting for 11.4% of non-oil GDP) also recorded a decline of KD 7.0 million or 0.3% to KD 2,680.0 million during 2018, against a decline of KD 7.1 million or 0.3% during 2017.

Furthermore, the value added at constant prices by “Transportation, Storage and Communication” (accounting for 11.1% of non-oil GDP) recorded a decline in its value added of KD 176.3 million or 6.3% to reach KD 2,600.1 million during 2018 compared to KD 2,776.4 million during 2017. The value added by “Construction” (accounting for 2.5% of non-oil GDP) recorded a drop of KD 5.0 million or 0.9% to reach KD 574.4 million during 2018, against a decline of KD 80.4 million or 12.2% during 2017.

Table (3)  
**Non-Oil GDP at Constant Prices by Divisions of Economic Activity**  
 KD Million

Items	2015	2016	2017*	2018**
Agriculture and Fishing	167.9	168.8	174.6	188.5
Manufacturing Industries	2,247.3	2,694.1	2,687.0	2,680.0
Electricity, Gas and Water	1,186.6	1,295.4	1,346.9	1,367.8
Construction	740.9	659.8	579.4	574.4
Wholesale & Retail Trade	1,349.2	1,341.6	1,367.5	1,388.8
Hotels & Restaurants	339.4	329.3	366.3	400.9
Transport, Storage and Communications	2,587.1	2,643.3	2,776.4	2,600.1
Financial Intermediation and Insurance	3,247.1	3,097.5	3,197.7	3,193.5
Real Estate, Renting and Business Activities	2,827.4	2,751.4	2,819.0	3,006.4
Community, Social & Personal Services	7,284.0	7,796.4	7,866.5	8,028.5
<b>Total Non-Oil Sectors</b>	<b>21,977.1</b>	<b>22,777.6</b>	<b>23,181.3</b>	<b>23,428.9</b>

\* Revised data.

\*\* Provisional data.

Source: Central Statistical Bureau.

On another front, value added by non-oil sectors at current prices witnessed a growth of KD 1,412.7 million or 5.6% to KD 26,836.3 million during 2018, compared to a growth of KD 785.4 million or 3.2% during 2017. Table (4) sets out the developments of GDP at current prices by divisions of economic activity over the last four years (2015-2018).

The table's data show that “Community, Social and Personal Services” (accounting for 34% of non-oil GDP) recorded a growth in its value added of KD 194.4 million or 2.2% to KD 9,124.9 million during 2018, after a growth of KD 224.0 million or 2.6% during 2017 (Table 4). The “Financial Intermediation and Insurance” came second (accounting for 13.9% of non-oil GDP) with a growth of KD 105.1 million or 2.9% in its value added which reached KD 3,721.0 million during 2018, compared to a growth of KD 133.9 million or 3.8% during 2017. The value added by “Real Estate, Renting and Business Activities” (accounting for 13.7% of non-oil GDP) reached KD 3,664.0 million during 2018, against KD 3,579.3 million during 2017, i.e. a growth of KD 84.7 million or 2.4%. The value added by “Manufacturing Industries” (accounting for 12.6% of non-oil GDP) recorded a growth of KD 834.5 million or 32.9% to KD 3,371.6 million during 2018, against KD 2,537.1 million during the previous year. Furthermore, value added by “Transport, Storage and Communications” (accounting for 9.7% of non-oil GDP) reached KD 2,595.2 million during 2018, against KD 2,554.5 million during 2017, i.e. a growth of KD 40.7 million or 1.6% compared to a growth of KD 157.9 million or 6.6% during the previous year.

Table (4)  
**Non-Oil GDP at Current Prices by Divisions of Economic Activity**  
 KD Million

Items	2015	2016	2017*	2018**
Agriculture and Fishing	185.4	171.4	185.0	206.4
Manufacturing Industries***	2,405.4	2,380.7	2,537.1	3,371.6
Electricity, Gas and Water	1,010.0	1,030.8	1,040.7	1,083.3
Construction	984.0	987.0	917.9	930.7
Wholesale & Retail Trade	1,589.0	1,627.0	1,644.3	1,677.3
Hotels & Restaurants	370.4	376.2	418.6	461.9
Transport, Storage and Communications	2,517.6	2,396.6	2,554.5	2,595.2
Financial Intermediation and Insurance	3,614.9	3,482.0	3,615.9	3,721.0
Real Estate, Renting and Business Activities	3,333.8	3,480.0	3,579.3	3,664.0
Community, Social & Personal Services	8,719.9	8,706.5	8,930.5	9,124.9
<b>Total Non-Oil Sectors</b>	<b>24,730.4</b>	<b>24,638.2</b>	<b>25,423.8</b>	<b>26,836.3</b>

\* Revised data.

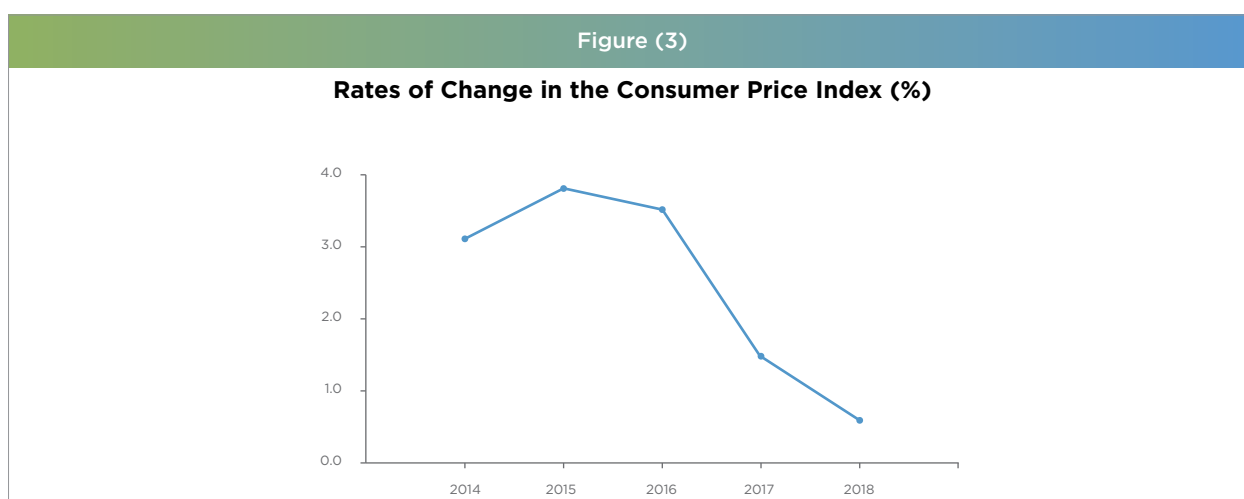
\*\* Provisional data.

Source: Central Statistical Bureau.

The value added by “Wholesale and Retail Trade” (accounting for 6.3% of non-oil GDP) recorded an increase of KD 33.0 million or 2% to reach KD 1,677.3 million during 2018 compared to a growth of KD 17.3 million or 1.1% during 2017. Furthermore, value added by “Electricity, Gas and Water” (accounting for 4.0% of non-oil GDP) witnessed a growth of KD 42.6 million or 4.1% during 2018 to reach KD 1,083.3 million compared to a growth of KD 9.9 million or 1.0% during the previous year. Data also indicate that value added by “Construction” (accounting for 3.5% of non-oil GDP) witnessed an increase in its value added of KD 12.8 million or 1.4% to KD 930.7 million during 2018, compared to a decrease of KD 69.1 million or 7.0% during 2017. Moreover, value added by “Hotels and Restaurants” (accounting for 1.7% of non-oil GDP) recorded an increase of KD 43.3 million or 10.3% to reach KD 461.9 million during 2018, compared to a growth of KD 42.4 million or 11.3% during 2017.

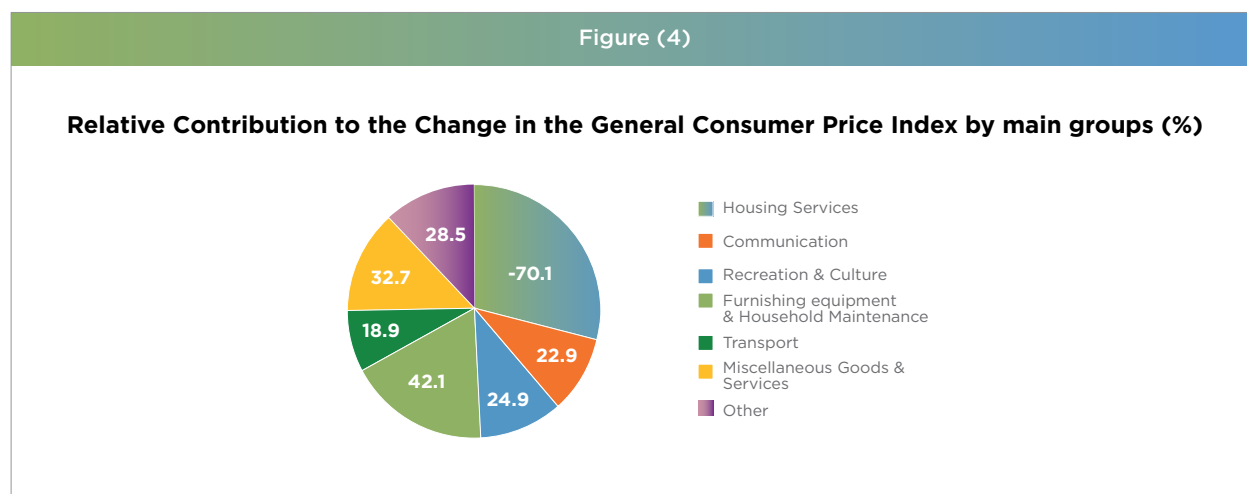
## Second: General Level of Domestic Prices

### (1) General Index of Consumer Prices



Source: Central Statistical Bureau.

For the second year in a row, inflation rate in the State of Kuwait, measured by the relative change in General Consumer Price Index (CPI) (base year 2013=100), by main groups of consumption expenditure, decelerated to reach 0.6% during 2018 after reaching 1.5% during 2017 and 3.5% during 2016 (Table 5, Figure 3).



Source: Central Statistical Bureau.

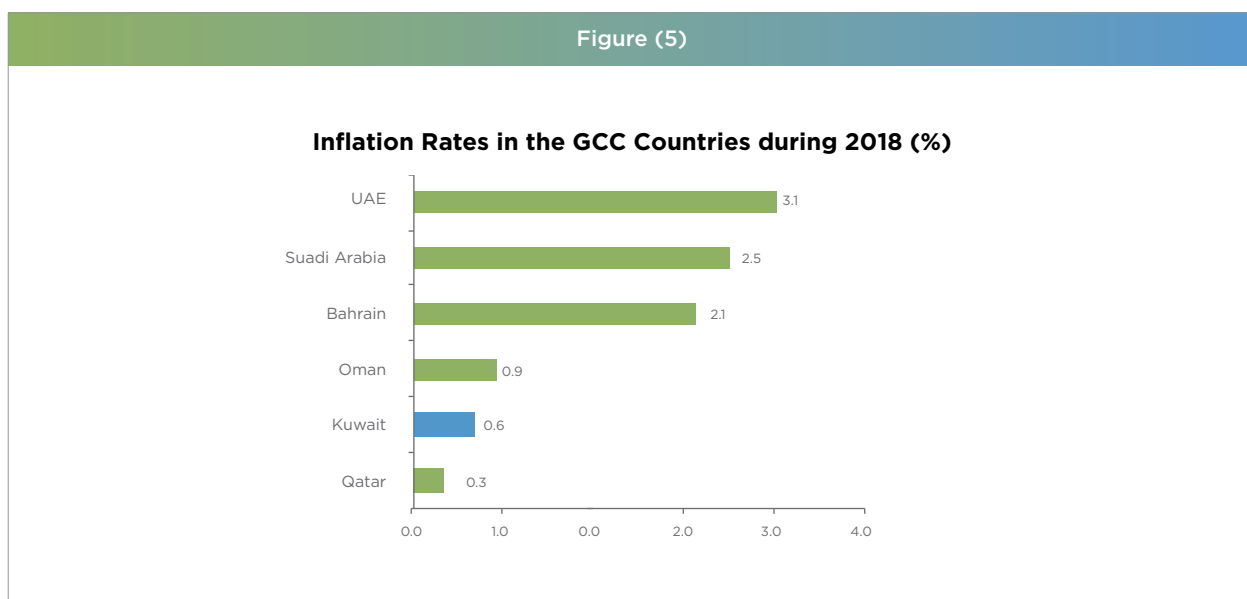
The above-mentioned deceleration in the annual inflation rate recorded during 2018 resulted from developments in the growth rate in average prices of the main components of CPI compared to 2017. A deceleration was recorded in the growth rate in average prices of “Furnishing equipment and Household Maintenance” (relative weight 11.4%) to 2.0% during 2018 against 3.3% during 2017, “Transport” (relative weight 7.5%) to 1.4% during 2018 against 10.2% during 2017, “Education” (relative weight 4.2%) to 1.4% during 2018 against 2.8% during 2017 and “Restaurants & Hotels” (relative weight 3.4%) to 1.7% during 2018 against 3.1% during 2017. An increase was recorded in average prices of “Tobacco and Narcotics” (relative weight 0.3%) to 11.5% during 2018 against 1.2% during 2017, “Health” (relative weight 1.5%) to 1.9% during 2018 against 0.2% during 2017, “Communications” (relative weight 4.0%) to 3.7% during 2018 against a drop of 0.6% during 2017, and “Recreation & Culture” (relative weight 3.8%) to 4.1% during 2018 against 3.2% during 2017. Meanwhile, a decrease was recorded in the average prices of “Housing Services” (relative weight 33.2%) by 1.1% during 2018 against a decrease of 0.4% during 2017, and “Clothing & Footwear” (relative weight 8.0%) by 0.5% during 2018 against a rise of 1.4% during 2017. Inflation rate of “Food & Beverage” (relative weight 16.7%) remained unchanged at 0.1% during 2017 and 2018.

Table (5)  
**Developments in the General Consumer Price Index**  
(Base Year 2013=100)

Items	Relative Weights	Average Period (2016-2018)	2017	2018	Change (%)		Relative Contribution to Price Index Change (%)	
					2017	2018	2017	2018
<b>Consumer Price Index:</b>	<b>100.0</b>	<b>112.0</b>	<b>112.3</b>	<b>113.0</b>	<b>1.5</b>	<b>0.6</b>	<b>100.0</b>	<b>100.0</b>
<b>1. By Items of Expenditure</b>								
- Food & Beverage	16.7	107.5	107.6	107.6	0.1	0.1	1.5	1.8
- Tobacco & Narcotics	0.3	117.1	113.2	126.2	1.2	11.5	0.3	6.8
- Clothing & Footwear	8.0	105.3	106.0	105.5	1.4	-0.5	6.9	-6.2
- Housing Services	33.2	117.2	117.5	116.2	-0.4	-1.1	-9.6	-70.1
- Furnishing equipment & Household Maintenance	11.4	114.2	114.7	117.0	3.3	2.0	25.0	42.1

- Health	1.5	104.2	103.6	105.6	0.2	1.9	0.2	4.5
- Transport	7.5	114.8	117.9	119.5	10.2	1.4	48.9	18.9
- Communication	4.0	101.6	100.2	103.8	-0.6	3.7	-1.5	22.9
- Recreation & Culture	3.8	101.3	100.9	105.1	3.2	4.1	7.1	24.9
- Education	4.2	116.8	117.3	118.9	2.8	1.4	8.0	10.6
- Restaurants & Hotels	3.4	118.5	119.0	121.0	3.1	1.7	7.3	11.0
- Miscellaneous Goods & Services	5.8	104.5	103.9	107.5	1.7	3.4	5.9	32.7

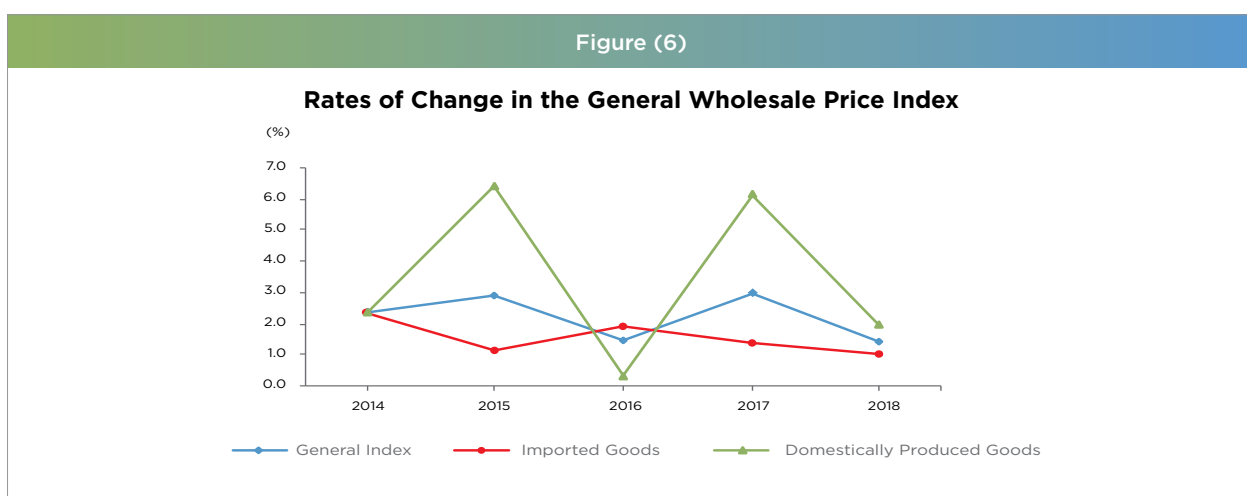
Source: Central Statistical Bureau



Source: Official National Authorities.

Available statistics on CPI in the GCC countries indicate varied annual inflation rates during 2018 compared to the previous year. During 2018, the inflation rate in the United Arab Emirates was 3.1% (2.0% during 2017), Kingdom of Saudi Arabia 2.5% (-0.8% during 2017), Kingdom of Bahrain 2.1% (1.3% during 2017), Oman 0.9% (1.6% during 2017), State of Kuwait 0.6% (1.5% during 2017), and Qatar 0.3% (0.4% during 2017).

## (2) General Wholesale Price Index



Source: Central Statistical Bureau.

Table (6) shows developments in the General Wholesale Price Index (WPI) (base year 2007=100) by main groups during the period 2016-2018 in the State of Kuwait. Data indicate a deceleration in the rate of change in WPI reaching 1.3% during 2018 from 3.1% during 2017.

The decline in the General Wholesale Price Index (WPI) during 2018 resulted from a deceleration in the growth rate in average prices of “Manufacturing Industries” (relative weight 90.0%) to 1.4% during 2018 from 3.2% during 2017, “Agriculture, Livestock, and Fishing” (relative weight 4.5%) to 0.5% during 2018 from 2.4% during 2017, and of “Quarrying” (relative weight 0.3%) to 1.2% during 2018 from 6.4% during 2017.

The developments witnessed in wholesale prices indicate a deceleration in the rate of change in WPI of “Domestically Produced Goods” (relative weight 35.6%) to 2.0% during 2018 from 6.2% during 2017, and a deceleration in the rate of change in WPI of “Imported Goods” (relative weight 64.4%) to 0.9% during 2018 from 1.4% during 2017.

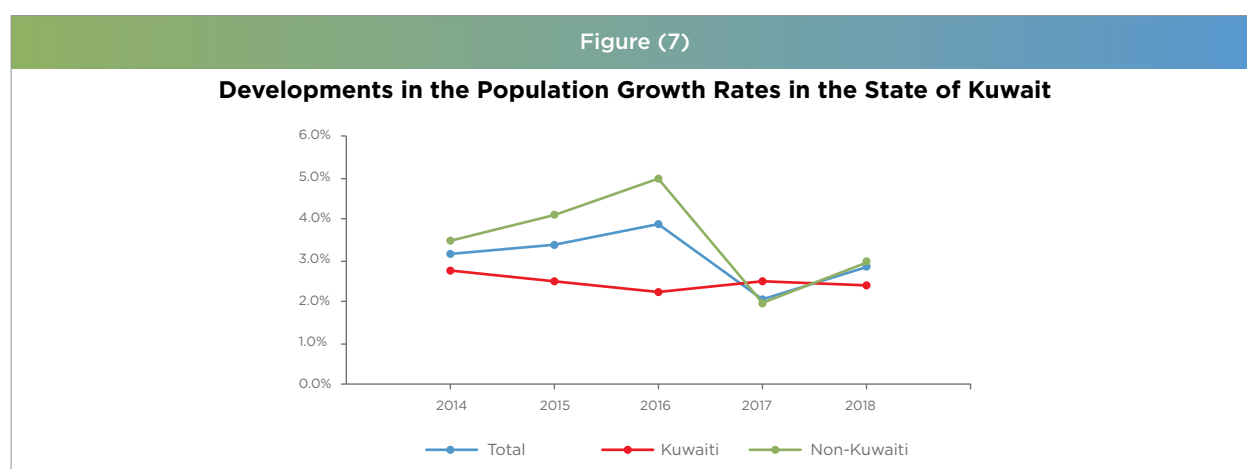
Table (6)  
**Developments in the General Wholesale Price Index**  
 (Base Year 2007=100)

Item	Relative Weights	2016	2017	2018	Change (%)	
					2017	2018
<b>General Wholesale Price Index</b>	<b>100.0</b>	<b>130.5</b>	<b>134.6</b>	<b>136.3</b>	<b>3.1</b>	<b>1.3</b>
- By Main Groups:						
* Agriculture, Forestry and Fishing	4.5	151.0	154.6	155.3	2.4	0.5
* Quarrying	0.3	115.1	122.5	124.0	6.4	1.2
* Manufacturing Industries	90.0	131.3	135.6	137.5	3.2	1.4
* Electricity and Water	5.2	100.0	100.0	100.0	0.0	0.0
- Wholesale Price Index of Imported Goods	64.4	130.5	132.3	133.5	1.4	0.9
- Wholesale Price Index of Domestically Produced Goods	35.6	130.6	138.7	141.4	6.2	2.0

Source: Central Statistical Bureau.

### Third: Population and Labor Force

Table (7) and Figure (7) indicate that the growth rate of total population in the State of Kuwait reached 2.7% at the end of 2018 compared to 2.0% at the end of 2017, bringing the total population to 4.622 million at the end of 2018 against 4.500 million at the end of 2017.



Source: Public Authority for Civil Information.

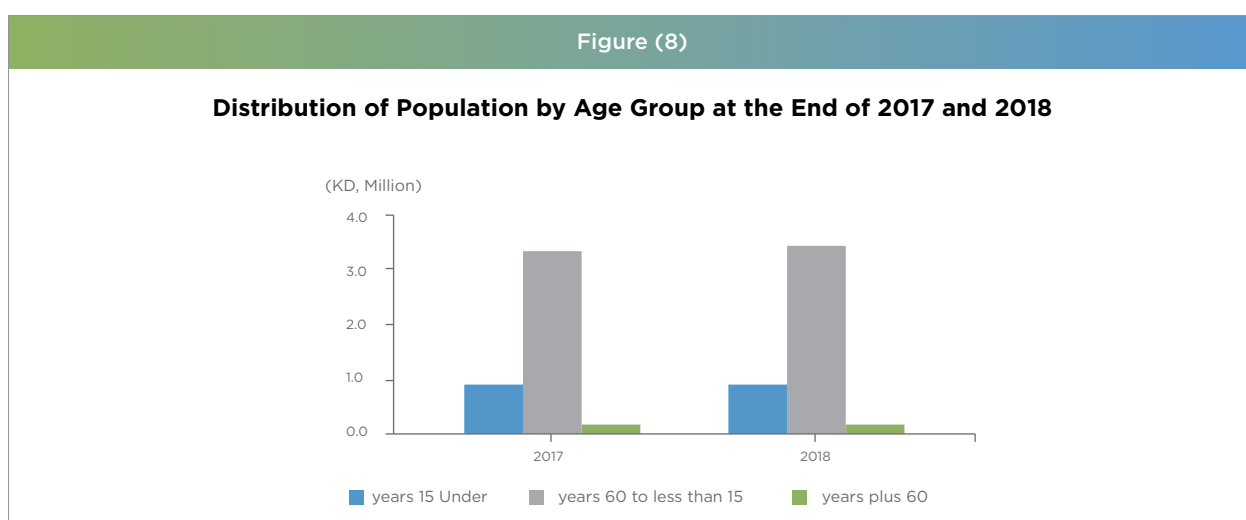
The largest portion (72.7%) of this growth was driven by the 2.8% rise in non-Kuwaiti population reaching 3.219 million at the end of 2018, against a 1.9% rise to 3.130 million at the end of 2017. Meanwhile, the growth rate of Kuwaiti population remained unchanged at 2.4% during 2018 (same previous level of 2017), bringing the total Kuwaiti population to 1.403 million at the end

of 2018 against 1.370 million at the end of 2017. As a result of these developments, the ratio of Kuwaiti population to total population remained unchanged at 30.4% at the end of 2018 (same previous level of 2017) and also, the ratio of non Kuwaiti population to total population remained unchanged at 69.6% at the end of both mentioned years.

Table (7)  
**Developments in the Main Indicators of Population in the State of Kuwait**  
 (End of Period)

Item	2016	2017	2018
<b>Population:</b>			
<b>1- Kuwaitis:</b>	<b>1,337,693</b>	<b>1,370,013</b>	<b>1,403,113</b>
Change (%)	2.3	2.4	2.4
To total (%)	30.3	30.4	30.4
<b>2- Non-Kuwaitis:</b>	<b>3,073,431</b>	<b>3,130,463</b>	<b>3,218,525</b>
Change (%)	4.8	1.9	2.8
To total (%)	69.7	69.6	69.6
<b>3- Total Population (1+2)</b>	<b>4,411,124</b>	<b>4,500,476</b>	<b>4,621,638</b>
Change (%)	4.1	2.0	2.7
Under 15 years (%)	20.1	19.7	19.2
15 to less than 60 years (%)	75.9	76.1	76.5
60 years plus (%)	4.0	4.2	4.3

Source: Public Authority for Civil Information.



Source: Public Authority for Civil Information.

Regarding developments in population age structure and their implications on the participation rates in economic activity as well as on the related dependency ratios, the number of economically active individuals - i.e. those aged between 15 and 60 - in total population increased to 76.5% at the end of 2018 against 76.1% at the end of 2017. Accordingly, dependency ratio (the ratio of population not in the labor force to total labor force) decreased to an average of 637 persons per one thousand persons in the labor force at the end of 2018, compared to 663 persons per one thousand persons in the labor force at the end of 2017 (Table 8).

Table (8)  
**Developments in the Dependency Indicators in the State of Kuwait**  
 (End of Period)

Item	2016	2017	2018
<b>Dependency rates (per 1000 persons in labor force):</b>			
1. Kuwaitis	1,992	2,373	2,299
2. Non-Kuwaitis	360	361	342
<b>3. Total Population</b>	<b>630</b>	<b>663</b>	<b>637</b>

Source: Public Authority for Civil Information.

Dependency ratio of Kuwaiti population decreased to 2,299 persons per one thousand persons at the end of 2018, against 2,373 persons per one thousand persons at the end of 2017. This drop was driven by the increase in Kuwaiti labor force (4.7%) against the increase in Kuwaiti population not in labor force (1.5%) at the end of 2018 compared to the previous year. In the same direction, dependency ratio of non-Kuwaiti population decreased from 361 persons per one thousand persons in non-Kuwaiti labor force at the end of 2017 to 342 persons per one thousand persons at the end of 2018. This was the result of the increase in non-Kuwaiti labor force (4.3%) against the decrease in non-Kuwaiti population not in the labor force (1.3%) at the end of 2018 compared to the end of the previous year.

Regarding developments in labor force indicators at the end of 2018, data in Table (9) indicate a growth rate of 4.4% in total labor force compared to a drop of 0.02% during 2017, bringing the total labor force to 2.823 million at the end of 2018 compared to 2.705 million at the end of the previous year. This rise was caused by the increase in the growth rate of non-Kuwaiti labor force of 4.3% during 2018 against 1.8% during 2017, thus reaching 2.398 million at the end of 2018 compared to 2.299 million at the end of the previous year. Also, the growth rate of Kuwaiti labor force increased by 4.7% during 2018, against a drop of 9.2% during 2017, bringing the number to 425 thousand at the end of 2018 (218 thousand males (51.3%) and 207 thousand females (48.7%)) compared to 406 thousand at the end of the previous year.

Table (9)  
**Developments in the Labor Force Main Indicators in the State of Kuwait**  
 (End of Period)

Item	2016	2017	2018
<b>Labor Force:</b>			
<b>1- Kuwaitis:</b>	<b>447,120</b>	<b>406,201</b>	<b>425,324</b>
Change (%)	2.6	-9.2	4.7
Relative share to total (%)	16.5	15.0	15.1
<b>2- Non-Kuwaitis:</b>	<b>2,259,100</b>	<b>2,299,412</b>	<b>2,398,063</b>
Change (%)	5.7	1.8	4.3
Relative share to total (%)	83.5	85.0	84.9
<b>3- Total Labor Force (1 + 2):</b>	<b>2,706,220</b>	<b>2,705,613</b>	<b>2,823,387</b>
Change (%)	5.1	-0.02	4.4

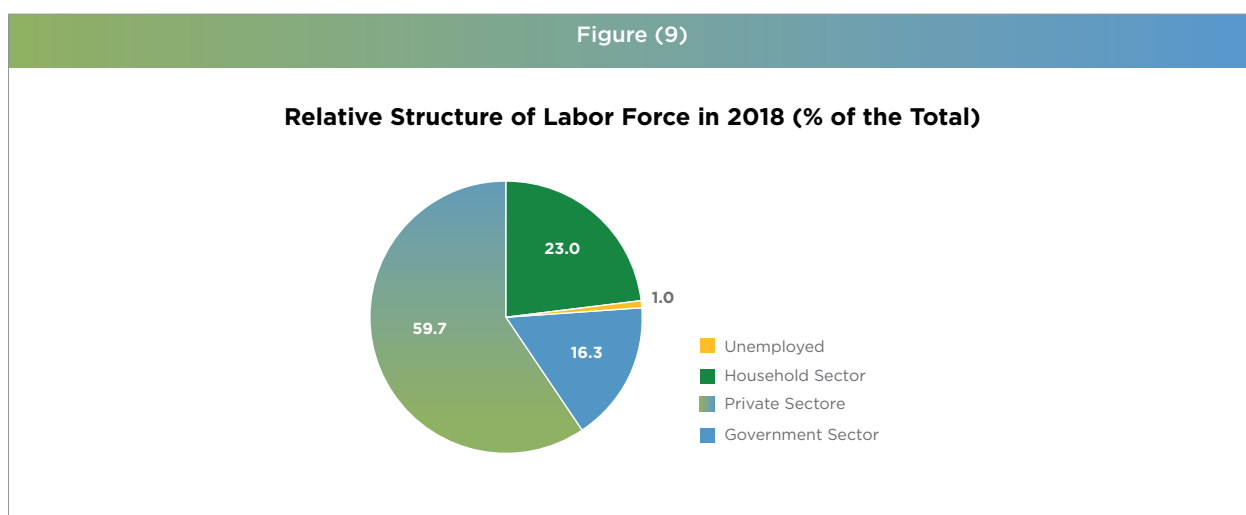
Source: Public Authority for Civil Information.

With regards to the distribution of labor force by divisions of economic activity at the end of 2018 (Table 10), “Community, Social and Personal Services, and International Organizations” accounted for 45.4% of total labor force against 46.6% at the end of 2017, followed by “Trade, Restaurants and Hotels” for 18.9% against 18.6% at the end of 2017, and “Construction” for 15.7% against 15.0% at the end of 2017. Meanwhile, data on the relative distribution of Kuwaiti labor force by divisions of economic activity at the end of 2018 indicate that Kuwaiti labor force was also concentrated in activities associated with “Community, Social and Personal Services, and International Organizations” by 81.0%, followed by “Finance, Insurance, Real Estate and Business Services” by 7.2% and “Construction” by 4.1%.

Table (10)  
**Distribution of Labor Force by Divisions of Economic Activity (%)**  
 (End of Period)

Divisions of Economic Activity	2016			2017			2018		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
Agriculture & Fishing	0.2	2.7	2.3	0.1	2.5	2.1	0.1	2.5	2.1
Mining & Quarrying	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Manufacturing Industries	1.2	6.4	5.6	1.1	6.4	5.6	1.1	6.2	5.4
Electricity, Gas & Water	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	4.7	16.5	14.6	4.2	17.0	15.0	4.1	17.7	15.7
& Trade, Restaurants Hotels	4.8	20.9	18.3	4.0	21.2	18.6	3.8	21.5	18.9
& Transport, Storage Communications	0.9	2.9	2.6	0.7	2.9	2.5	0.6	2.9	2.5
Finance, Insurance, Real Estate & Business Services	5.7	6.9	6.7	5.3	7.0	6.8	7.2	7.3	7.3
Community, Social & Personal Services, and International Organizations	77.8	40.2	46.4	82.5	40.3	46.6	81.0	39.0	45.4
Unspecified	4.6	3.4	3.6	2.1	2.7	2.6	2.0	2.8	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Public Authority for Civil Information.



Source: Public Authority for Civil Information.

With respect to the distribution of labor force by sectors government, private, household and unemployed, data in Table (11) and Figure (9) indicate that labor force in the private sector increased by 4.9% during 2018, resulting in a rise in its relative share to total labor force (96.2% for non Kuwaitis and 3.8% for Kuwaitis) from 59.3% at the end of 2017 to 59.7% at the end of 2018.

Growth rate of labor force in the government sector increased reaching 2.5% at the end of 2018 compared to the previous year, while its relative share to total labor force (73.0% for Kuwaitis and 27.0% for non-Kuwaitis) decrease from 16.6% at the end of 2017 to 16.3% at the end of 2018. Furthermore, unemployed population rose by 16.9% at the end of 2018 compared to the end of the previous year, causing a slight rise of 1.1% in its relative share to total labor force (84.9% for non-Kuwaitis and 15.1% for unemployed Kuwaitis) at the end of 2018 compared to 1.0% at the end of the previous year.

Table (11)  
**Relative Distribution of Labor Force by Nationality and Sector (%)**  
 (End of Period)

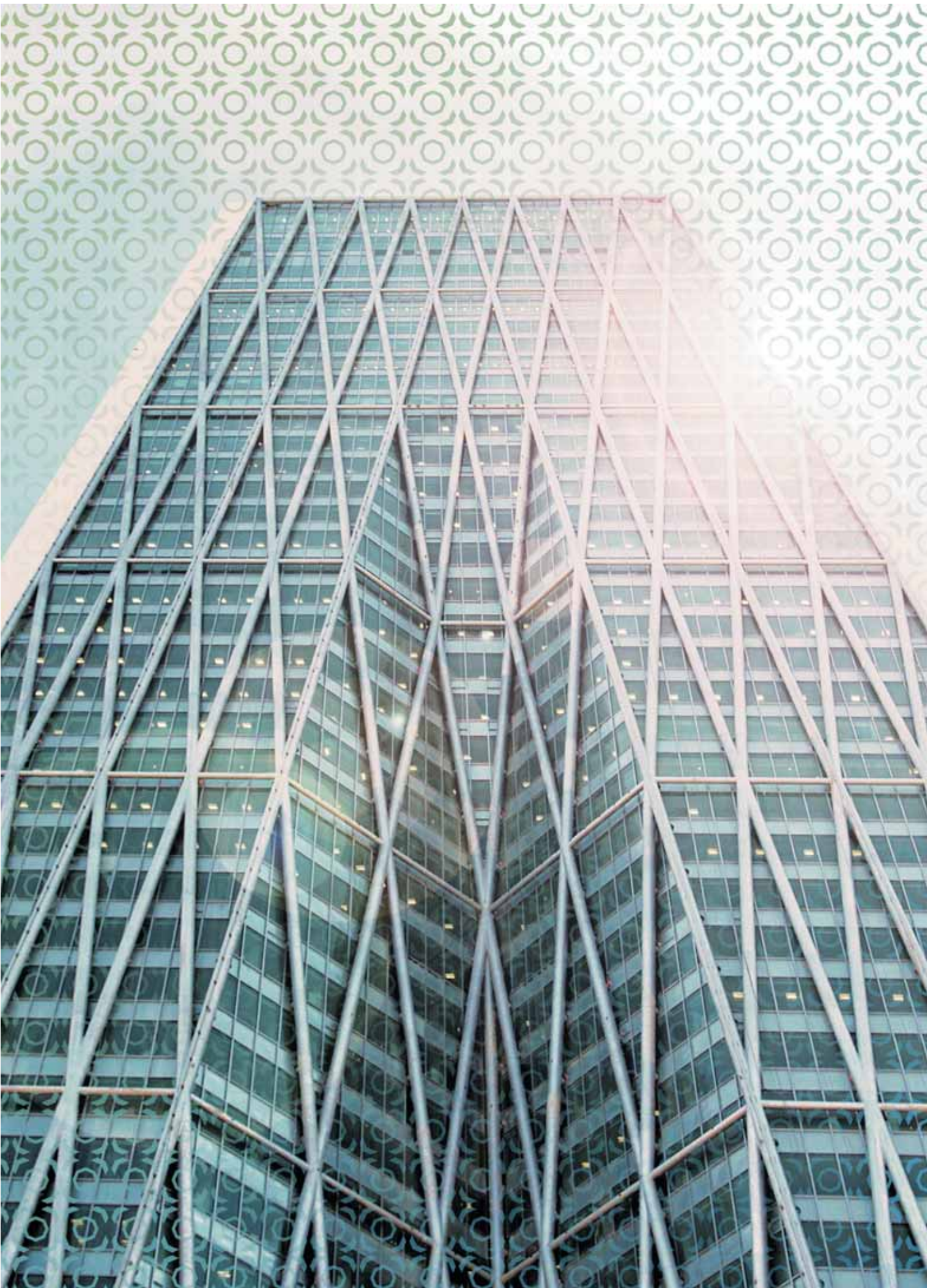
Sector	2016	2017	2018
<b>Government Sector</b>	<b>18.4</b>	<b>16.6</b>	<b>16.3</b>
Kuwaiti	12.7	11.9	11.9
Non-Kuwaiti	5.7	4.6	4.4
<b>Private Sector</b>	<b>57.7</b>	<b>59.3</b>	<b>59.7</b>
Kuwaiti	3.2	2.3	2.3
Non-Kuwaiti	54.5	57.0	57.4
<b>Household Sector</b>	<b>22.7</b>	<b>23.1</b>	<b>23.0</b>
Kuwaiti	0.0	0.0	0.0
Non-Kuwaiti	22.7	23.1	23.0
<b>Unemployed</b>	<b>1.2</b>	<b>1.0</b>	<b>1.1</b>
Kuwaiti	0.5	0.8	0.9
Non-Kuwaiti	0.7	0.2	0.2
<b>Total Labor Force</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Kuwaiti	16.5	15.0	15.1
Non-Kuwaiti	83.5	85.0	84.9

Source: Public Authority for Civil Information.





**Monetary Developments & Central  
Bank of Kuwait Activity**



## Monetary Developments and Central Bank of Kuwait Activity

During 2018, CBK continued its efforts in the area of monetary policy, banking supervision and oversight programs in line with local economic developments on the one hand, and global market developments on the other. CBK's efforts aimed at strengthening monetary and financial stability to promote the supportive atmosphere of confidence in the national economy and stimulate economic growth.

In addition, CBK reiterated its keenness to reinforce the competitiveness and attractiveness of the national currency, which is considered a store of domestic savings and forms the main source of finance extended by local banking and financial sector units to various sectors of the national economy. To this end, CBK increased its policy rate by 25 basis points once in 2018 on 22 March, pushing the discount rate to 3.0% with the aim to provide a favorable climate for the sustainable economic growth.

Developments on KD exchange rate during 2018 reflect CBK's efforts towards maintaining relative stability of KD exchange rate against the other major currencies according to the KD's Peg, as determined by Decree No. 147 of the year 2007 promulgated on 20 May 2007. This said policy is to keep the KD exchange rate pegged to an undisclosed weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. These developments indicate that the difference between the highest and lowest USD exchange rate against KD during 2018 was 1.67%, while USD exchange rate against the other major currencies fluctuated within broader margins. The difference between the highest and the lowest rates of USD was 14.68% against the Pound Sterling, 10.85% against the Euro, 9.19% against the Japanese Yen, and 9.01% against the Swiss Franc.

Data on main monetary and banking aggregates of the State of Kuwait reveal a quicker pace of growth in terms of Money Supply in its Broad Definition (M2) of 4.0% at the end of 2018, and resident private sector deposits with local banks of 4.1% at the end of 2018 compared to 2017. Furthermore, cash credit facilities extended by local banks to various economic sectors indicate a growth by 4.2% at the end of 2018.

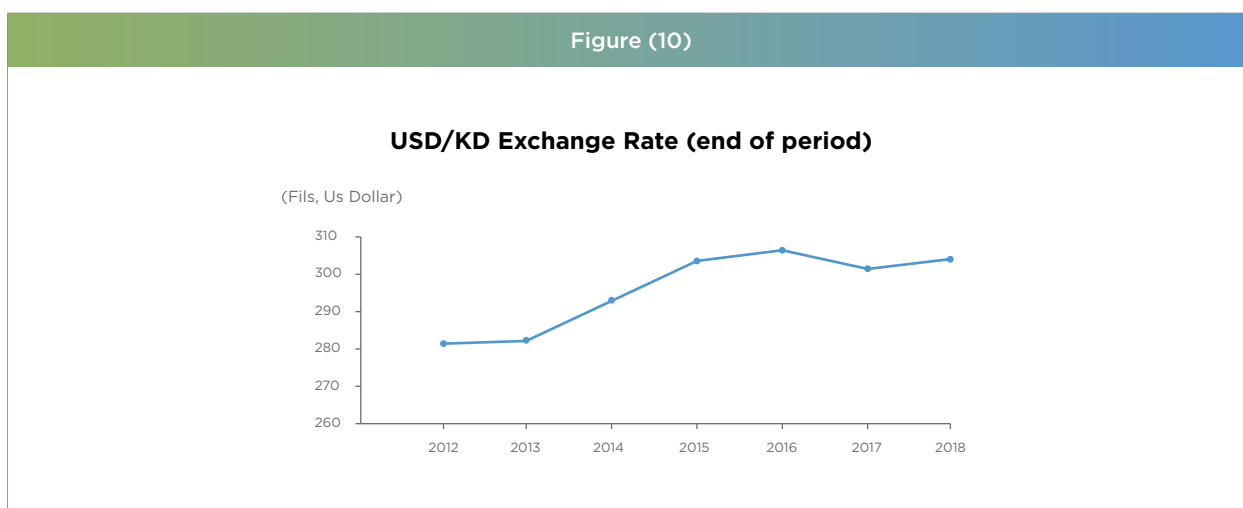
This part of the Economic Report highlights the most notable developments in main monetary aggregates and indicators and in the area of banking oversight and supervision during 2018, as follows:

### 1- Developments in the KD Exchange Rate

During 2018, CBK continued its KD exchange rate policy adopted since 20 May 2007 pegging the KD exchange rate to an undisclosed special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. This policy helps maintain relative stability of the KD exchange rate against the other currencies and, hence, strengthen CBK's ability to lay down and implement a monetary policy that aims to reduce imported inflationary pressures, particularly those resulting from fluctuations in the exchange rates of major world currencies, on one hand and provide a supportive atmosphere to promote sustainable economic growth on the other.

As for the changes in the USD exchange rate against KD and some other major currencies at the end of 2018 compared to the end of the previous year (Table 12), USD noticeably increased against KD by 1.65 fils or 0.55%. The USD exchange rate during the same period recorded an appreciation of 5.97% against the Pound Sterling, 4.64% against the Euro and 0.72% against the Swiss Franc, and a depreciation of 1.94% against the Japanese Yen.

Figure (10)



Source: Central Bank of Kuwait.

Table (12)

**USD Exchange Rate against KD and Some Major Currencies at the End of 2018 Compared to the Previous Year**

End of Period	KD <sup>(1)</sup>	Euro	Japanese Yen	Swiss Franc	Pound Sterling
2017	301.90	0.84	113.08	0.99	0.75
2018	303.55	0.88	110.89	0.99	0.79
Change	1.65	0.04	-2.19	0.01	0.04
(%) Change	0.55	4.64	-1.94	0.72	5.97

(1) In fils.

Source: Central Bank of Kuwait.

Data indicate that the daily USD exchange rate against KD during 2018 were within relatively narrow margins, as the difference between the highest and lowest exchange rate of USD against the KD was 1.67%. Meanwhile, the same data reveal more noticeable fluctuations against the other major currencies at 14.68% against the Pound Sterling, 10.85% against the Euro, 9.19% against the Japanese Yen and 9.01% against the Swiss Franc (Table 13).

Table (13)

**USD Exchange Rate against KD and some major currencies based on daily data during 2018**

Currency	High	Low	Difference	Change (%)
KD (fils)	304.200	299.200	5.000	1.67
Pound Sterling	0.7994	0.6971	0.102	14.68
Euro	0.8891	0.8021	0.087	10.85
Swiss Franc	1.0101	0.9266	0.084	9.01
Japanese Yen	114.390	104.760	9.630	9.19

Source: Central Bank of Kuwait.

## 2- Money Supply Developments

Available data (Table 14 and Figure 11) indicate an accelerated pace of growth in domestic liquidity levels during 2018, Money Supply in its Broad Definition (M2) grew to KD 38,606.4 million at the end of 2018, i.e. an increase of KD 1,474.4 million or 4.0% following an increase of KD 1,374.8 million or 3.8% at the end of 2017 compared to the end of 2016.

Table (14)  
**Developments in Money Supply Aggregates**  
(KD Million)

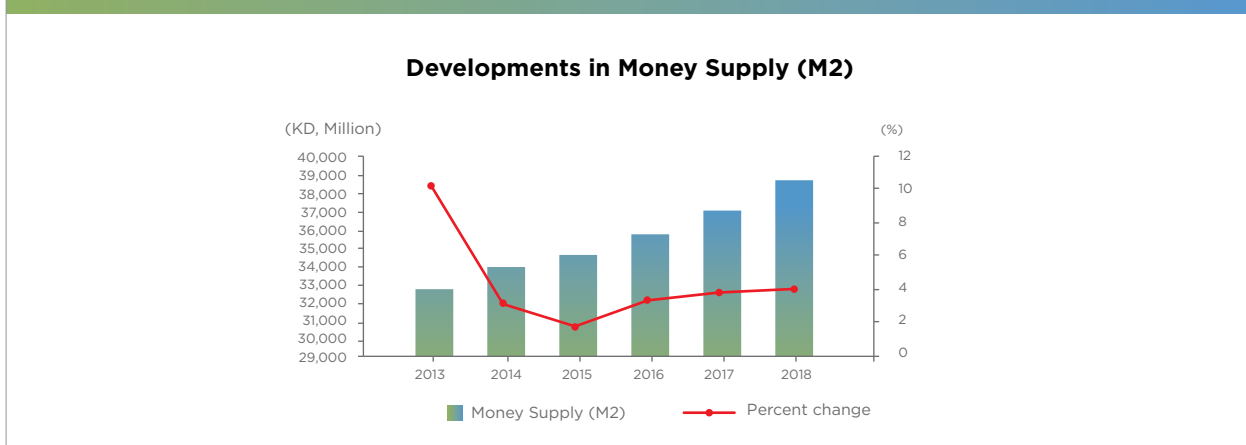
Item	2017	2018	End of 2018 change against the previous year	
			Value	Change (%)
<b>Money (M1)</b>	<b>10163.6</b>	<b>10378.8</b>	<b>215.2</b>	<b>2.1</b>
Of which Currency in Circulation	1746.8	1755.2	8.4	0.5
<b>Quasi-Money</b>	<b>26968.5</b>	<b>28227.6</b>	<b>1259.1</b>	<b>4.7</b>
KD Deposits (excluding sight deposits)	24234.9	25610.9	1375.9	5.7
Foreign Currency Deposits	2733.5	2616.7	-116.8	-4.3
<b>Money Supply (M2)</b>	<b>37132.0</b>	<b>38606.4</b>	<b>1474.4</b>	<b>4.0</b>
Deposits with Investment Companies <sup>(1)</sup>	-	-	-	-
<b>Money Supply (M3)</b>	<b>37132.0</b>	<b>38606.4</b>	<b>1474.4</b>	<b>4.0</b>

<sup>(1)</sup> Private sector's deposits with the companies that accept deposits by virtue of their articles of association.

Source: Central Bank of Kuwait.

The growth mentioned in Money Supply in its Broad Definition (M2) during 2018 was an outcome of the increase in Quasi Money of KD 1,259.1 million or 4.7% and Money in its Narrow Definition (M1) of KD 215.2 million or 2.1%.

Figure (11)



Source: Central Bank of Kuwait.

The increase in Quasi Money during 2018 resulted from the hike in resident private sector KD deposits (other than sight deposits) with local banks by KD 1,375.9 million or 5.7%, and the decline in resident private sector foreign currency deposits with local banks by KD 116.8 million or 4.3% (Table 15).

Table (15)

**Private sector's deposits with local banks at the end of 2018**  
(KD Million, end of period)

Item	2017	2018	End of 2018 change against the end of the previous year	
			Value	(%)
KD Deposits	32,651.8	34,234.5	1,582.7	4.8
Sight	8,416.8	8,623.6	206.8	2.5
Savings	4,855.8	4,990.7	134.8	2.8
Time	19,379.1	20,620.2	1,241.1	6.4
CDs	-	-	-	-
Foreign Currency Deposits	2,733.5	2,616.7	-116.8	-4.3
<b>Total</b>	<b>35,385.3</b>	<b>36,851.2</b>	<b>1,465.9</b>	<b>4.1</b>

Source: Central Bank of Kuwait.

Within the aggregate monetary position of CBK and local banks during 2018, data related to the factors affecting the changes in Money Supply –changes in the elements of net domestic assets and net foreign assets of the mentioned entities (Tables 16 and 17) – indicate that the mentioned increase in Money Supply (M2) during 2018 reflected the rise in net foreign assets of those entities of KD 1,648.4 million i.e. 10.0% on the one hand, and the decrease in net domestic assets thereof of KD 174.0 million i.e. 0.8% on the other.

The above mentioned decrease in net domestic assets of CBK and local banks is attributed to the rise in local banks' claims on the government, which posted an increase by KD 903.8 million or 26.2% (which causes a contractionary effect on Money Supply (M2)) at the end of 2018 on the one hand, and the increase in net domestic assets under the "Other" item, which posted an increase by KD 741.1 million or 5.7%(which causes a contractionary effect on Money Supply (M2)) and local banks' claims on the private sector by KD 1,470.8 million or 4.0% at the end of 2018, compared to the previous year(which causes an expansionary effect on Money Supply (M2)) on the other.

Table (16)

**Factors affecting changes in Money Supply (M2)**  
(KD Million)

Particulars	2017	2018	Change	
			Value	(%)
<b>Money Supply (M2)</b>	<b>37132.0</b>	<b>38606.4</b>	<b>1474.4</b>	<b>4.0</b>
<b>Net Domestic Assets:</b>	<b>20659.8</b>	<b>20485.8</b>	<b>-174.0</b>	<b>-0.8</b>
Claims on the Government(*)	-3451.5	-4355.2	-903.8	-26.2
Claims on the Private Sector	37198.7	38669.6	1470.8	4.0
Other Items (net)	-13087.5	-13828.5	-741.1	-5.7
<b>Net Foreign Assets:</b>	<b>16472.2</b>	<b>18120.6</b>	<b>1648.4</b>	<b>10.0</b>
CBK	9329.5	10408.2	1078.6	11.6
Local Banks	7142.6	7712.4	569.8	8.0

(\*) Public debt Tawarruq operations were initiated in April 2016. Public debt Tawarruq of local banks does not include the returns thereon nor the government Tawarruq of more than a year acquired by Islamic banks.

Source: Central Bank of Kuwait.

The mentioned rise in CBK's and local banks' net foreign assets (Table 17) resulted from the increase in CBK's net foreign assets by the equivalent of KD 1,078.6 million or 11.6%, and the rise in local banks net foreign assets by the equivalent of KD 569.8 million or 8.0%.

The mentioned rise in CBK's net foreign assets was an outcome of the increase in total foreign assets (by the equivalent of KD 1,066.6 million or 11.2%) on the one hand, and the decline in total foreign liabilities (by the equivalent of KD 11.9 million or 6.7%) on the other. The rise in net foreign assets of local banks was a result of the increase in their total foreign assets (by the equivalent of KD 1,064.9 million or 8.4%), and total foreign liabilities (by the equivalent of KD 495.1 million or 8.8%).

Table (17)  
**Net foreign assets of CBK and local banks**  
(KD Million)

Particulars	End of 2017			End of 2018			Change	
	Foreign Assets	Foreign Liabilities	Net	Foreign Assets	Foreign Liabilities	Net	Value	(%)
CBK	9,507.9	178.3	9,329.5	10,574.5	166.4	10,408.2	1,078.7	11.6
Local Banks	12,738.5	5,595.9	7,142.6	13,803.5	6,091.0	7,712.6	570.0	8.0
<b>Total</b>	<b>22,246.4</b>	<b>5,774.2</b>	<b>16,472.2</b>	<b>24,360.5</b>	<b>6,239.8</b>	<b>18,120.7</b>	<b>1,648.5</b>	<b>10.0</b>

Source: Central Bank of Kuwait.

### 3- Developments in Banking Credit

Data (Table 18) indicate an increase in the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors of KD 1,489.2 million or 4.2% to KD 36,861.0 million at the end of 2018 against KD 35,371.8 million at the end of 2017, after recording a rise of KD 1,064.4 million or 3.1% compared to the end of 2016.

The utilized cash portion of personal credit facilities accounted for 42.9% of total credit facilities. The increase in personal credit facilities amounted to KD 761.8 million or 5.1% which accounted for 51.2% of the increase in total credit facilities at the end of 2018. Data on personal credit facilities indicate a rise in installment loans of KD 750.7 million or 6.8%, purchase of securities of KD 20.3 million or 0.8% and 'Other' item of KD 19.2 million or 5.6% on one hand, and a decline in consumer loans of KD 28.3 million or 2.6% on the other.

The remaining increase in credit facilities resulted from the rise in credit extended to the Crude Oil and Gas sector of KD 367.1 million or 27.8%, Real Estate sector of KD 284.9 million or 3.6%, Construction sector of KD 127.5 million or 6.6%, "Other" item of KD 114.3 million or 4.6%, Industry sector of KD 108.9 million or 5.8% and Agriculture & Fisheries sector of KD 2.1 million or 14.1%, and the decrease in credit extended to Non-Bank Financial Institutions sector of KD 252.2 million or 19.1%, Trade sector of KD 24.8 million or 0.7% and Public Services sector of KD 0.5 million or 0.4%.

Table (18)  
**Developments of Balances of utilized domestic Cash Credit Facilities**  
(KD Million)

Sector	Year-End Balance		Change in 2018 from 2017	
	2017	2018	Value	Change (%)
Trade	3,356.2	3,331.4	-24.8	-0.7
Industry	1,875.7	1,984.6	108.9	5.8
Construction	1,936.3	2,063.8	127.5	6.6
Agriculture & Fisheries	15.2	17.3	2.1	14.1
Non-Bank Financial Institutions	1,318.5	1,066.3	-252.2	-19.1
Personal Facilities:	15,059.1	15,820.9	761.8	5.1
- Consumer Loans	1,091.5	1,063.3	-28.3	-2.6
- Installment Loans	10,972.6	11,723.3	750.7	6.8
- Purchase of Securities	2,655.5	2,675.7	20.3	0.8
- Others	339.4	358.6	19.2	5.6
Real Estate	7,875.7	8,160.6	284.9	3.6
Crude Oil & Gas	1,322.8	1,689.9	367.1	27.8
Public Services	114.7	114.2	-0.5	-0.4
Other	2,497.7	2,611.9	114.3	4.6
<b>Total</b>	<b>35,371.8</b>	<b>36,861.0</b>	<b>1,489.2</b>	<b>4.2</b>

Source: Central Bank of Kuwait.

On another front, available data (Table 19) on new KD credit facility agreements with residents during 2018 indicate the level of bank credit demand during the mentioned year. These facilities encompass the limits of credit facilities extended to new clients, as well as the renewal and/or change in the limits of credit facilities extended to existing clients. Available data indicate that the value of these agreements increased by KD 1,097.5 million or 3.8% to reach KD 30,357.8 million at the end of 2018 compared to KD 29,260.3 million at the end of 2017.

This rise was due to the increase in the value of credit facility agreements with the Personal Facilities sector of KD 1,389.4 million (20.7%), Real Estate sector of KD 933.0 million (10.2%), Construction sector of KD 440.4 million (25.9%), Industry sector of KD 268.2 million (18.8%), Trade sector of KD 178.1 million (5.0%), and Agriculture and Fisheries sector of KD 12.0 million (55.9%) on the one hand, and the decrease in the value of Non Bank Financial Institutions sector of KD 1,017.2 million (43.0%), Crude Oil and Gas sector of KD 662.0 million (43.9%), Public Services sector of KD 253.0 million (64.4%), and "Others" sector of KD 191.4 million (7.9%), on the other.

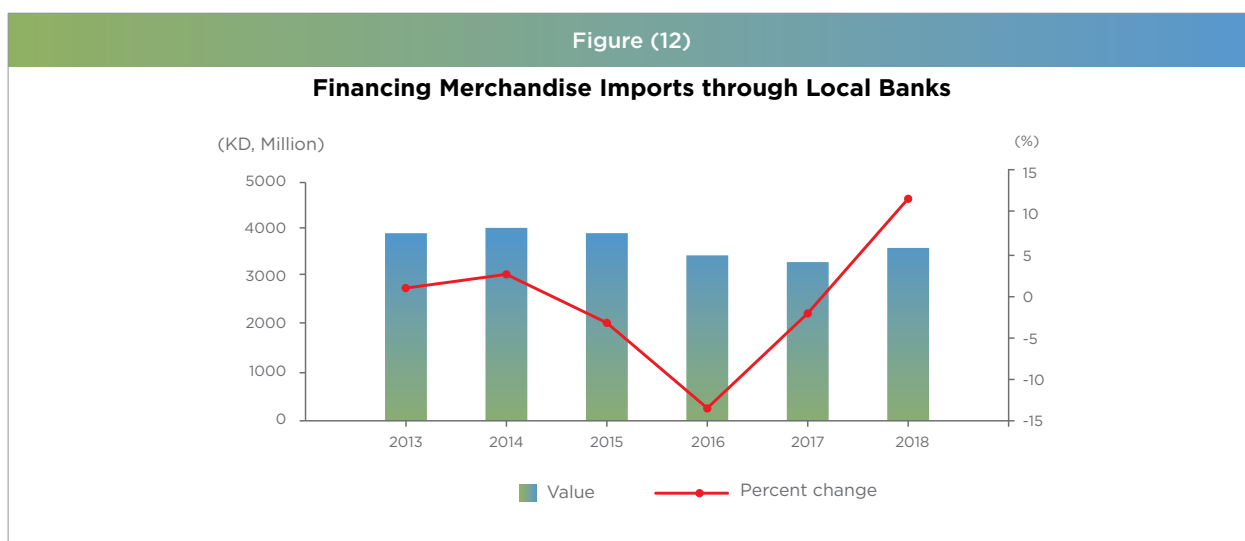
Table (19)  
**Developments of new KD Credit Facility Agreements with Residents**  
(KD Million)

Sector	Year-End Balance		Change in 2018 from 2017	
	2017	2018	Value	Change (%)
Trade	3,566.7	3,744.9	178.1	5.0
Industry	1,423.2	1,691.4	268.2	18.8
Construction	1,701.8	2,142.1	440.4	25.9

Agriculture & Fisheries	21.6	33.6	12.0	55.9
Non-Bank Financial Institutions	2,366.0	1,348.8	-1,017.2	-43.0
Personal Facilities:	6,723.9	8,113.3	1,389.4	20.7
- Consumer Loans	567.2	604.8	37.6	6.6
- Others	6,156.7	7,508.5	1,351.8	22.0
Real Estate	9,139.6	10,072.6	933.0	10.2
Crude Oil & Gas	1,506.9	844.9	-662.0	-43.9
Public Services	392.6	139.7	-253.0	-64.4
Other	2,418.0	2,226.6	-191.4	-7.9
<b>Total</b>	<b>29,260.3</b>	<b>30,357.8</b>	<b>1,097.5</b>	<b>3.8</b>

Source: Central Bank of Kuwait.

Data on financing merchandise imports of Kuwaiti private sector (Figure 12) indicate that the total payments made through local banks for financing these imports increased by KD 353.4 million or 10.8% to reach KD 3,629.8 million during 2018 against KD 3,276.4 million during 2017.



Source: Central Bank of Kuwait.

The mentioned increase in the value of financing imports between the years 2017 and 2018 was an outcome of the rise in the value of imports financed in USD from KD 1,731.9 million to KD 2,187.7 million, Euro from KD 292.7 million to KD 366.3 million, and Swiss Franc from KD 4.5 million to KD 7.1 million on the one hand, and the decline in the value of imports financed in “Other” currencies from KD 1,149.7 million to KD 1,005.3 million, Japanese Yen from KD 71.2 million to KD 42.4 million, and Pound Sterling from KD 26.3 million to KD 21.0 million on the other hand during the same period.

Consequently, the relative share of payments increased in USD from 52.9% to 60.3%, Euro from 8.9% to 10.1%, and Swiss Franc from 0.1% to 0.2%. Meanwhile, the relative share of payments decreased in “other” currencies from 35.1% to 27.7%, Japanese Yen from 2.2% to 1.2%, and Pound Sterling from 0.8% to 0.6%.

#### 4- Developments in Domestic Interest Rates

Within CBK’s continuous follow-up on developments in local economic, monetary and banking situations and trends in interest rates on major international currencies, and in line with CBK’s efforts to strengthen the pillars of local economic growth while maintaining the attractiveness and competitiveness of the national currency as a source of domestic savings, which is one of

the main sources of finance provided by the banking, financial and local sectors to various national economy sectors, thereby establishing an enabling environment for sustainable economic growth, CBK raised the discount rate by 0.25 percentage points on 22 March 2018 to 3.0% from its previous level of 2.75%, which was CBK's first raise since March 2017.

CBK continued, during 2018, to apply the structure of the local interest rates in KD adopted since March 30, 2008 stipulating that the maximum limit of interest rates on KD consumer loans and installment loans (residential) should not exceed three percentage points on CBK's Discount Rate. Installment loans (residential) are granted at fixed interest rates provided that the loan contract contains a clause stating that the lender shall review the applied interest rate every five years during the term of the loan, to insure that the applied interest rate at the time of revision is in line with CBK's announced interest rate for this type of loans. The change in the interest rate should not exceed two percentage points above or below the interest rate applied by virtue of the loan contract before the change was made. As for other types of loans, the maximum annual interest rate on all types of commercial and other KD lending transactions up to one year should not exceed two and a half percentage points above the Discount Rate. The maximum limit of annual interest rate on all types of KD-lending transactions over one year should not exceed four percentage points above the Discount Rate.

Table (20)  
**Developments of the local KD interest Rates Structure**  
**(Percent per Annum)**

End of Period	Maximum Contractual Interest Rates on all forms of KD Lending Transactions			
	Discount Rate	Up to One Year	Over One Year	Consumer Loans
	Rate	Rate	Rate	
2014	2.00	4.5	6.00	5.00
2015	2.25	4.75	6.25	5.25
2016	2.50	5.0	6.5	5.5
2017	2.75	5.25	6.75	5.75
2018	3.0	5.5	7.0	6.0

Source: Central Bank of Kuwait.

Data on the average interest rates on KD-denominated customer time deposits with local banks during 2018, compared with 2017, reveal a rise in the average rate of 0.804 percentage point for 1-month deposits from 1.345% to 2.149%, and 0.771 percentage point for 3 month deposits from 1.514% to 2.285%. On another front, average interest rates on USD time deposits with local banks increased by 0.687 percentage point for 1 month deposits from 0.642% to 1.329%, and by 0.743 percentage point for 3-month deposits from 0.799% to 1.542%, between 2017 and 2018. Margins between the average interest rates on KD and USD customer deposits with local banks continued to be in favor of the KD (Table 21). The margin reached 0.820 percentage point against 0.703 percentage point during the previous year for 1-month deposits, and 0.743 percentage point against 0.715 percentage point for 3-month deposits during the mentioned period. Moreover, average interest rates on local interbank KD deposits witnessed an increase for all terms during 2018 compared with their levels during 2017.

Table (21)

**Interest rates on customer KD and USD deposits with local banks**

Period	Average interest rates on customer 1-month deposits (%)		Margin in favor of KD	Average interest rates on customer 3-month deposits (%)		Margin in favor of KD
	KD	USD		KD	USD	
2014	0.594	0.155	0.439	0.781	0.275	0.506
2015	0.619	0.154	0.464	0.789	0.269	0.519
2016	0.868	0.278	0.591	1.070	0.409	0.661
2017	1.345	0.642	0.703	1.514	0.799	0.715
2018	2.149	1.329	0.820	2.285	1.542	0.743

Source: Central Bank of Kuwait.

As for the interest rates (revenue) on Public Debt Instruments (Kuwaiti Treasury Bills, Treasury Bonds and related Tawarruq) issued by CBK on behalf of the Ministry of Finance, the interest rate (revenue) on 1-year Treasury Bonds increased to 3.25% during 2018 against 2.25% during 2017. Furthermore, the average interest rate (revenue) on 2-year Treasury Bonds increased to 3.375% during 2018 against 2.5% during 2017. Likewise, the interest rates (revenue) on 3-, 5-, and 7-year Treasury Bonds increased to 3.375%, 3.5%, and 3.625% during 2018 against 2.625%, 3.0%, and 3.375% during 2017 respectively. Meanwhile, 10-year Treasury Bonds remained stable at its level of 3.875% during 2018.

Regarding the average interest rates on CBK Bonds and related Tawarruq, the interest rate on 3 month maturity bonds increased to 2.458% during 2018 against 1.625% during 2017. Furthermore, the interest rate on 6 month maturity bonds and related Tawarruq increased to 2.583% during 2018 against 1.750% during the previous year.

## 5- Issuance of Public Debt Instruments and CBK Bonds

### A. Issuance of Public Debt Instruments

CBK manages the issuance of public debt instruments<sup>2</sup> (Kuwaiti Treasury Bills, Treasury Bonds and related Tawarruq) on behalf of the Ministry of Finance. In light of the expiration of Decree Law No. (3) of 2009, authorizing the government to hold a general loan on 4/11/2017 without issuing a law for general borrowing, CBK did not issue any issuance during 2018. During the same period, 14 previous issues matured with a total nominal value of KD 1,225.0 million (8 issues of 1 year maturity with a total nominal value of KD 750 million, 4 issues of 2-year maturity with a total nominal value of KD 400 million, 1 issue of 3-year maturity with a nominal value of KD 50 million, and 1 issue of 5-year maturity with a nominal value of KD 25 million). Accordingly, the outstanding balance of Treasury Bonds decreased to KD 3,542.3 million at the end of 2018.

Regarding the distribution of the outstanding balances of public debt instruments held by different institutions at the end of 2018, data indicate that the decrease witnessed in the total outstanding balances of public debt instruments is reflected in the drop in the balance of local banks' holdings of KD 1,225 million or 25.7% from KD 4,767.3 million at the end of 2017 to KD 3,542.3 million at the end of 2018.

<sup>2</sup> Public debt Tawarruq operations were initiated in April 2016.

Table (22)  
**Developments of public debt instruments**  
(KD Million)

Particulars	2016 <sup>(1)</sup>	2017	2018
<b>Issues:</b>	<b>2,950</b>	<b>3,100</b>	<b>-</b>
Treasury Bonds and Related Tawarruq	2,950	3,100	-
<b>Maturities:</b>	<b>1,270</b>	<b>1,600</b>	<b>1,225</b>
Treasury Bonds and Related Tawarruq	1,270	1,600	1,225
<b>Balances at End of Period:</b>	<b>3,267.3</b>	<b>4,767.3</b>	<b>3,542.3</b>
Treasury Bonds and Related Tawarruq	3,267.3	4,767.3	3,542.3

<sup>(1)</sup> Public debt Tawarruq operations were initiated in April 2016.  
Source: Central Bank of Kuwait.

### B. Issuance of CBK Bonds and Related Tawarruq

Within the framework of its efforts to manage domestic liquidity levels, CBK issues “CBK Bonds” with 3 month and 6 month maturities for purchase only by local banks and investment companies subject to its supervision. In this context, CBK offered 42 issues of bonds and related tawarruq during 2018 with a total nominal value of KD 9,140 million (30 issues of 3-month maturity with a total nominal value of KD 6,160 million, and 12 issues of 6-month maturity with a total nominal value of KD 2,980 million) (Table 23).

Table (23)  
**Developments of CBK bonds and related Tawarruq**  
(KD Million)

Particulars	2016	2017	2018
<b>Issues:</b>	<b>8,405</b>	<b>7,825</b>	<b>9,140</b>
3 Months	5,795	4,505.0	6,160
6 Months	2,610.0	3,320.0	2,980
No. of Issues:	40	38	42
3 Months	28	24	30
6 Months	12	14	12
<b>Maturities:</b>	<b>8,715</b>	<b>7,740</b>	<b>8,980</b>
3 Months	5,875.0	4,740.0	5,920
6 Months	2,840.0	3,000.0	3,060
<b>No. of Maturities</b>	<b>40</b>	<b>38</b>	<b>42</b>
3 Months	28	25	29
6 Months	12	13	13
<b>Balances at End of Period:</b>	<b>3,033</b>	<b>2,883</b>	<b>2,988</b>
3 Months	1,435.0	1,200.0	1,440
6 Months	1,250.0	1,570.0	1,490
Tawarruq with CBK (1 year and above)	348	113	58

Source: Central Bank of Kuwait.

At the same time, 42 previous issues matured during 2018 with a total nominal value of KD 8,980 million (of which 29 issues of 3-month maturity with a total nominal value of KD 5,920 million, and 13 issues of 6-month maturity with a total nominal value of KD 3,060 million). As a result, the outstanding balance of CBK Bonds increased to KD 2,988 million at the end of 2018 compared to KD 2,883 million at the end of the previous year.

## 6- Activity of the Local Interbank Deposit Market

Activity in the local interbank KD-deposit market declined during 2018. The value of market transactions reached KD 80,741.6 million against KD 92,692.5 million during 2017, i.e. a decrease of KD 11,950.8 million or 12.9% (Table 24). Data indicate an increase in the relative share of “overnight” transactions to 45.9% during 2018 against 44.7% during 2017. Data also indicate a decrease in the relative share of “over one night to one week” transactions to 39.3% against 42.7% during 2017, while that of “over one month to three months” transactions increased to 1.3% against 1.2% during 2017. Meanwhile, the relative share of “over one week to one month” transactions increased to 12.5% against 10.9% during 2017.

Table (24)

**Distribution of transaction values of the interbank deposit market of local banks\* according to maturity periods**  
(KD Million)

Maturity Period	2017		2018	
	Value	% of Total	Value	% of Total
Overnight	41,474.9	44.7	37,045.7	45.9
Over one night to one week	39,583.6	42.7	31,726.6	39.3
Over one week to one month	10,089.8	10.9	10,079.1	12.5
Over one month to three months	1,142.3	1.2	1,019.8	1.3
Over three months to six months	199.9	0.2	339.9	0.4
Over six months	201.9	0.2	530.5	0.7
<b>Total</b>	<b>92,692.5</b>	<b>100.0</b>	<b>80,741.6</b>	<b>100.0</b>

\* Excluding CBK operations.

Source: Central Bank of Kuwait.

## 7- The Balances of Local Bank Accounts with CBK

The balances of accounts of CBK and local banks highlight the net result of their interoperations. These operations result in CBK’s claims on local banks on one front, and local banks’ claims on CBK on the other, reflecting either a net KD liquidity supply by CBK to local banks if it is positive, or a net absorption by CBK of the KD liquidity surplus with local banks if it is negative (Table 25), all within CBK’s efforts to manage local liquidity levels.

The available data indicate that the balance of local banks’ claims on CBK increased by KD 1,241.0 million or 27.0% at the end of 2018 to reach KD 5,842.5 million at the end of the year against KD 4,601.5 million at the end of 2017. This increase was the outcome of the rise in the balances of local banks’ on demand deposits CBK of KD 612.7 million or 90.9%, local banks’ time deposits and related Tawarruq with CBK of KD 520.0 million or 50.2% and local banks’ holdings of CBK Bonds and related Tawarruq with CBK of KD 108.3 million or 3.7%. No CBK claims on local banks were recorded at the end of 2018.

Table (25)  
**Trends in development of KD balances of CBK with local banks**  
(KD Million)

End of Period	Local Banks Claims on CBK				CBK Claims on Local Banks				Net balance
	On demand deposits	CBK bonds and Tawarruq	Time deposits with CBK and Tawarruq	Total	Currency swaps	Discount and Re-discount	Deposits and current accounts with local banks	Total	
2016	943.5	3,041.8	701.0	4,686.2	-	-	-	-	-4,686.2
2017	673.8	2,892.5	1,035.2	4,601.5	-	-	-	-	-4,601.5
2018	1,286.5	3,000.8	1,555.2	5,842.5	-	-	-	-	-5,842.5

Source: Central Bank of Kuwait.

## 8- Activity of CBK Clearing Room

Presented data (Table 26) indicate that the number of clearing transactions of cheques drawn on the accounts of local banks' customers, through the clearing room at CBK, increased by 144.1 thousand transactions or 5.2% to a total of 2,913.5 thousand transactions during 2018 amounting to KD 17,014.9 million against 2,769.4 thousand transactions amounting to KD 15,163.6 million during 2017. The total value of clearing transactions during 2018 increased by KD 1,851.3 million or 12.2% from its level during 2017. Consequently, the average value per transaction (average value of cheque) increased by KD 364.5 or 6.7% to KD 5,840 during 2018 against KD 5,475.5 during 2017.

Data also indicate that the value of local interbank settlement transactions, by means of credit and debit advices through Kuwait's Automated Settlement System for Inter Participant Payments (KASSIP), declined by KD 28.9 billion or 10% to KD 261.1 billion during 2018 against KD 290.0 billion during 2017.

Table (26)  
**Clearing Transactions and Settlements among local Banks**

Period	Cheques			Local Interbank Settlement Transactions (KD million)
	Total Value (KD million)	No. of Transactions ('000)	Average Transaction Value (KD)	
2015	13,251.1	2,504.5	5,290.9	301,795.8
2016	14,087.0	2,624.8	5,366.9	299,961.8
2017	15,163.6	2,769.4	5,475.5	289,959.5
2018	17,014.9	2,913.5	5,840.0	261,097.3

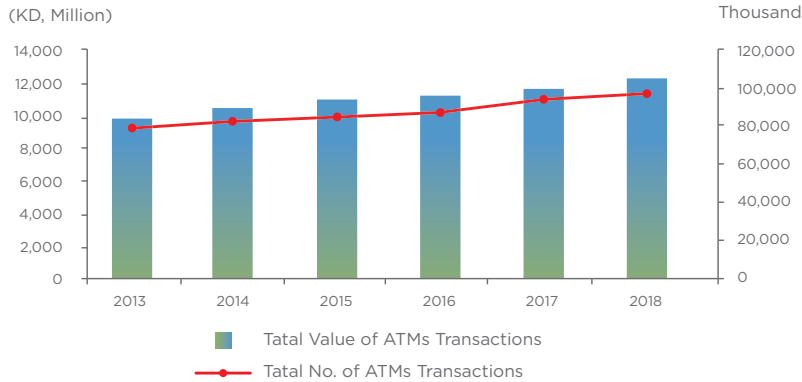
Source: Central Bank of Kuwait.

## 9- Transactions Using Plastic Cards

Available data on plastic card transactions (including credit and debit cards issued by local banks and foreign banks that are being used locally) indicate an increase in the total value of Automatic Teller Machine (ATM) transactions in the State of Kuwait and abroad by 2.6% to reach KD 12,378.5 million (on 96,981.4 thousand transactions) during 2018 against KD 12,068.2 million (on 94,992.1 thousand transactions) during 2017.

Figure (13)

**Total Value & Number of Transactions using ATM Machines**



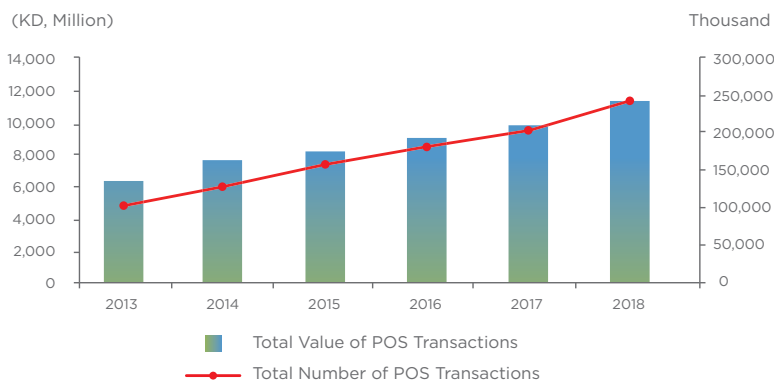
Source: Central Bank of Kuwait.

Total value of ATM transactions in the State of Kuwait amounted to KD 12,012.4 million (93,544.7 thousand transactions) during 2018 against KD 11,705.5 million (91,579.3 thousand transactions) during the previous year, i.e. a rise of 2.6%.

Furthermore, total value of Points of Sale (POSs) transactions in the State of Kuwait and abroad increased by KD 1,437.5 million or 14.3% reaching KD 11,478.1 million (distributed over 245,166.7 thousand transactions) during 2018 against KD 10,040.6 million (distributed over 203,630.3 thousand transactions) during the previous year. Moreover, total value of POS transactions in the State of Kuwait amounted to KD 10,431.4 million (distributed over 222,338.7 thousand transactions) during 2018 against KD 9,122.5 million (distributed over 186,136.3 thousand transactions) during the previous year, i.e. a rise of 14.3%.

Figure (14)

**Total Value & Number of Transactions using Points of Sale (POSs)**



Source: Central Bank of Kuwait.

Data on the number of payment devices used in the State of Kuwait, which include POS machines and ATMs, indicate an increase in the number of POS machines to reach 59,547 at the end of 2018 against 51,072 at the end of 2017, i.e. a rise of 16.6%. Data also indicate an increase in the number of ATMs of 13.1% to reach 2,378 at the end of 2018 against 2,103 at the end of the previous year.

## 10- Developments in Banking Oversight and Supervision

CBK continued its efforts in 2018 for supervision and oversight over the banking and financial units in order to maintain soundness of the financial conditions thereof, reinforce the banking sector's fortification, and consolidate the foundations of financial stability in the country. CBK's most significant efforts in this field include:

- Monitoring banks' implementation of the Basel III reform package, which is a set of standards issued in 2014 and 2015, namely the Capital Adequacy Standard, the Financial Leverage Standard, the Liquidity Coverage Standard and the Net Fixed Financing Standard, all of which aim to improve capital quality and reduce the financial leverage in the sector. In addition, such standards enhance the banks' ability to face liquidity risks in the short term and maintain more stable sources of funding.
- Following up conduct of stress tests under various scenarios according to CBK's instructions in addition to other internal tests, results thereof revealed banks' high resilience to shocks.
- Monitoring implementation of the Consumer Protection Guide's instructions, and the banking services instructions issued for people with special needs, effective as of 1/7/2017.
- Carrying on inspection on banks with a focus on risks using advanced approaches and methodologies based on quantitative and qualitative assessment of the banks' conditions and activities according to CAMEL-BCOM models and mechanisms.
- On 22/2/2018, CBK issued a circular to all investment companies regarding the assignment of an audit office to conduct an examination of all loans/consumer and discount financing granted by investment companies on a quarterly basis.
- On 6/3/2018, CBK issued a circular to all local banks regarding licensing procedures at the Ministry of Commerce & Industry for banks to award prizes to customers by withdrawing on their accounts to ensure transparency and refute any potential suspicion.
- On 1/8/2018, CBK issued a circular to all local banks regarding notifying CBK of the cases of embezzlement, fraud and forgery against the bank and banking institutions, especially with the increasing volume of electronic financial services provided to customers, which may negatively affect the reputation of these institutions and destabilize the state's financial stability.
- On 15/8/2018, CBK issued instructions to all Kuwaiti banks and branches of foreign banks operating in the State of Kuwait to provide free SMS service to all its individual customers for all transactions processed on their accounts, including bank card transactions of various types and other electronic transactions. Except in cases where the customer requests to be contacted by other means, such as e-mail or notices sent via smart phone applications. To this end, banks must provide the necessary electronic systems. Such services should be fully implemented starting from 16/9/2018.
- On 23/9/2018, CBK issued instructions to electronic payment and settlement providers for regulation of electronic payment of funds under Law No. 20 of 2014 concerning electronic transactions, authorizing CBK to supervise and control the electronic payment of funds, and issue the binding instructions in this regard.
- On 11/11/2018, CBK issued instructions concerning the rules and principles of granting loans and personal financing operations for consumer and housing purposes and issuance of credit cards. Under the said instructions, significant amendments were incorporated to increase the amount of consumer loan granted to a customer up to 25 times the net monthly salary and maximum of KD 25,000. The maximum limit does not fall within the maximum housing loan limit of KD 70,000. The said instructions ensure transparency in granting these

loans, as the lender is required to provide the necessary information to the borrower before signing the contract, and obtain all the requisite information in order to make the proper credit decision. Such information includes clear statistical statements to inform the client of the value and number of installments, and the accrued interest, which will be collected throughout the contract term. The same instructions underline the lender must study the customer's creditworthiness, the purpose of the loan, customer's need for the loan. The lender should advise customers, whether upon granting the loan and throughout the contract term, identify the nature of their obligations, assess the risks of increasing obligations, especially in the case of change in their financial conditions due to change in employment or retirement.

- Within CBK's continued efforts in providing appropriate supervisory policies and instructions to support the developments of products, services and business models in the field of modern financial technologies, regulatory sandbox framework was issued on 26/11/2018 to support and regulate innovative initiatives to serve the national economy. The main objective of the regulatory sandbox framework is to enhance CBK's role in fostering and encouraging innovation by temporarily exempting the participant in the regulatory sandbox framework from certain requirements regarding implementation of regulatory instructions or obtaining the required licenses by providing a suitable environment for testing proposed products and services based on or associated with electronic payment business.
- On 3/12/2018, CBK issued a circular to all local banks and financing companies regarding the amendment of the rules and regulations related to the required expertise of the persons for the positions of Chief Executive Officer of a bank/financing company, and Deputy or Assistant Chief Executive Officer. In addition, information technology was added to the qualifications that such positions may hold.
- Within its keenness to maintain financial stability and resilience of the banking sector, CBK issued a circular on 25/12/2018 on implementation of the International Financial Reporting Standard (IFRS 9) in line with the best international practices. Banks are required to prepare the financial statements as of 31/12/2018 in accordance with IFRS 9. For the credit/financing portfolio, the expected credit losses should be calculated in accordance with IFRS 9 requirements in conformity with CBK's directives in this regard, or CBK's instructions regarding rules and principles of credit facilities' classification and calculation of their provisions, whichever is greater.

#### (11) Other Work and Activities:

- A workshop was organized in January 2018 on the implementation of IFRS 9 in collaboration with Ernst & Young (EY).
- A Memorandum of Understanding (MOU) was signed on 17/1/2018 between CBK and Capital Markets Authority (CMA) for defining the terms of reference in the field of supervision and oversight over some aspects of the activities undertaken by the CBK-regulated units, in addition to the financial instruments and issuance and circulation thereof subject CMA regulation. The MOU is a revised version of the MOU signed on 11/9/2011 to cover regulatory changes since the said date, chief among them the amended provisions of CMA Law and its implementing regulations, as well as the other new issues that require coordination.
- Within the framework of CBK's social responsibility to enhance financial stability and develop the capabilities of national cadres in the financial and economic fields, CBK held a workshop 10/10/2018 in coordination with the International Islamic Financial Market. The workshop addressed the standards issued by the International Islamic Financial Market including Islamic hedging standards, liquidity-based mortgage standards and unrestricted Wakala standards, all of which aimed to address the liquidity issues with Islamic banks in an attempt to find new investment alternatives.

- Further to the above, CBK held a workshop on 30-31/10/2018 regarding the methodology of sovereign credit rating of banks in coordination with Standard & Poor's.
- On 2/5/2018, CBK hosted a conference entitled "Islamic Finance: A Universal Value Proposition" to address the major macroeconomic issues in the Islamic financial sector in cooperation with the Islamic Financial Services Board. More than 20 speakers, including governors and deputy governors of central banks participated in the conference, as well as CEOs of Islamic banks. Among the participants were officials from international institutions viz. World Bank, Basel Committee on Banking Supervision, Islamic Financial Services Board, International Islamic Liquidity Management Corporation, etc., and Islamic Sharia scholars, representatives of financial technology (FinTech) companies, rating agencies and other related institutions. The conference aimed to shed light on the key issues facing the Islamic financial industry and ways to address their challenges including how governments can benefit from Islamic finance to build a diversified and sustainable economy, and to face economic, financial and social challenges. The conference also highlighted Islamic finance and its role in providing added value to global governments, businesses and individuals in both developed and emerging markets, as well as Muslims and non Muslims alike. The conference discussed the importance of building a robust regulatory system for Islamic finance, strengthening the regulatory and supervisory frameworks of regulators, the challenges of financial technology and effects thereof on the Islamic finance industry, in addition to the role of regulators in verifying the ability of financial sectors to fulfill challenging cyber security requirements.



# Financial Indicators of the Banking and Financial System



## Financial Indicators of the Banking and Financial System

This part of the Economic Report 2018 reviews key aggregate financial indicators of the banking and financial sector comprising local banks (conventional, Islamic and specialized banks including Kuwaiti banks and foreign bank branches in the State of Kuwait), local investment companies (conventional/Islamic) and exchange companies, in order to identify developments in these indicators as well as their implications on the financial position of the sector's units.

Table (27)  
**Developments in the Banking System Structure**

End of period	Local Banks				
	No. of Local Banks	No. of local Bank Branches	No. of External Branches	No. of Representative Offices	Total Branches/ Representative offices
2016	23	409	16	4	429
2017	23	408	15	3	426
2018	23	413	16	3	432

Source: Central Bank of Kuwait.

The institutional structure of the local banking and financial system supervised by CBK comprised of 130 registered units at the end of 2018, encompassing 23 local banks of which are 5 conventional banks, 5 Islamic banks, one specialized bank and 12 foreign bank branches, one of which is an Islamic bank branch. It also includes 66 investment companies, 37 of which are companies operating in accordance with the provisions of the Islamic Sharia, under the dual supervision of CBK and Capital Markets Authority (CMA), and two financing companies (one is supervised by CBK operating in accordance with the provisions of the Islamic Sharia). CBK is responsible only for the finance activity practiced by these companies plus 41 exchange companies. The supervisory responsibilities over investment funds and investment companies, excluding the finance activity, were transferred to the CMA in accordance with Law No. 7/2010 on the "Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities", effective 13 September 2011.

The total number of local banks' onshore branches reached 413 at the end of 2018 against 408 at the end of the previous year. Meanwhile, the number of local banks' overseas branches increased by 1 branch during 2018 reaching 16 branches. The number of overseas representative offices remained unchanged at 3 offices.

### Aggregate Balance Sheet of Local Banks

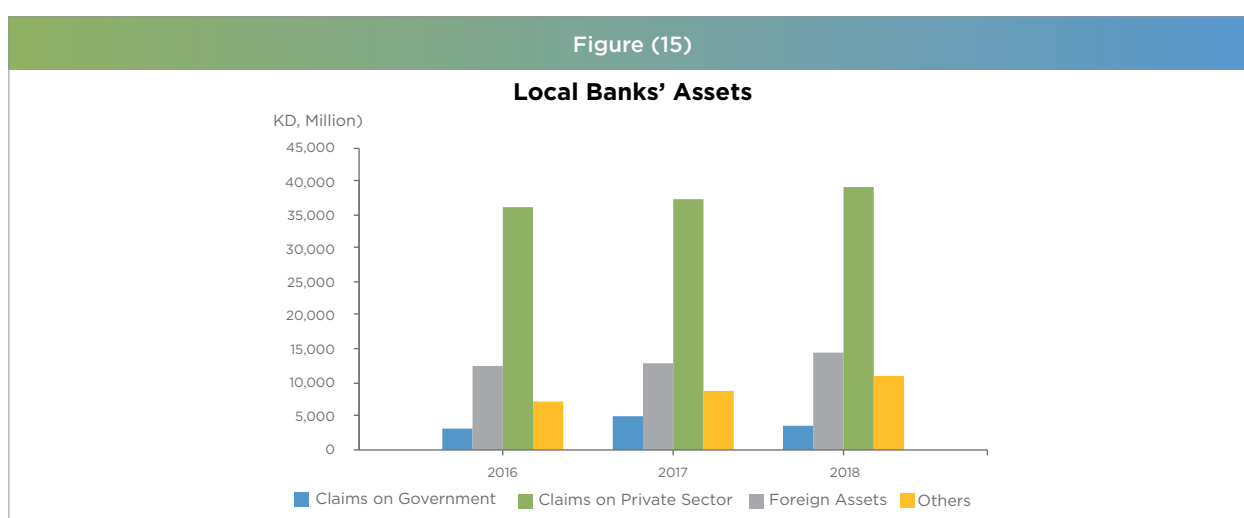
The aggregate balance sheet of local banks (excluding overseas branches and subsidiaries of Kuwaiti banks) amounted to KD 66,545.0 million at the end of 2018 against KD 63,410.7 million at the end of the previous year, realizing a growth of KD 3,134.3 million or 4.9% during 2018, compared with a growth of KD 2,966.2 million or 4.9% during 2017.

In order to identify the most significant changes in the main elements of the aggregate balance sheet of local banks as at the end of 2018 - as shown in Tables (28, 28-A & 28-B) - compared with the previous year, the noteworthy factors and developments in terms of some key elements of the balance sheet as at the end of 2017 and 2018, are indicated as follows:

## First: Domestic Assets

The assets side in the aggregate balance sheet of banks represents “uses of funds” which are basically concentrated in the area of lending as well as financial/non-financial investments, local and international. Following are the major developments in the aggregate balance sheet of local banks:

**1. Claims on the Private Sector:** Local banks’ claims on the private sector grew by KD 1,470.9 million or 4.0% reaching KD 38,720.4 million at the end of 2018 compared to KD 38,669.6 million at the end of the previous year. This increase was an outcome of the growth in the utilized cash portion of credit facilities extended to residents of KD 1,489.2 million or 4.2% on the one hand, and the decline in other domestic investments of KD 18.3 million or 1.0% on the other hand.



Source: Central Bank of Kuwait.

**2. Claims on the Government:** These claims are banks’ share of public debt instruments. The outstanding balance of local banks’ claims on the government witnessed a notable decline reaching KD 3,861.9 million at the end of 2018 against KD 5,059.1 million at the end of the previous year, recording a drop of KD 1,197.2 million or 23.7%. This decrease resulted when CBK stopped issuing public debt instruments on behalf of the Ministry of Finance, in light of the expiry of Decree Law No. (3) of the year 2009 regarding authorizing the government to contract a general loan on 4/10/2017, by repaying of the due instruments without renewal. This excess liquidity was reflected in banks’ increased demands on the CBK which, in turn, rose from KD 4,648.8 million in December 2017 to KD 5,826.9 million in December 2018, i.e. an increase of KD 1,178.1 million or 25.3%.

**3. Claims on CBK:** These claims consist of cash and cash balances, sight deposits with CBK, time deposits with CBK and holdings of CBK Bonds & Related Tawarruq. The outstanding balance of these claims increased by KD 1,160.9 million or 23.1% during 2018, from KD 5,019.8 million at the end of 2017 to KD 6,180.7 million at the end of 2018.

Table (28)

### Aggregate Balance Sheet of Local Banks (Assets)\*

Items	Balances at year end (KD, Million)		Change	
	2017	2018	Value	(%)
<b>Claims on CBK, of which:</b>	<b>5,019.8</b>	<b>6,180.7</b>	<b>1,160.9</b>	<b>23.1</b>
Time Deposits with CBK & Related Tawarruq	1,035.2	1,555.2	520.0	50.2
Sight Deposits	721.1	1,270.9	549.8	76.2

CBK Bonds & Related Tawarruq	2,892.5	3,000.8	108.3	3.7
<b>Local Interbank Deposits</b>	<b>1,255.0</b>	<b>1,838.9</b>	<b>583.9</b>	<b>46.5</b>
<b>Claims on the Government:</b>	<b>5,059.1</b>	<b>3,861.9</b>	<b>-1,197.2</b>	<b>-23.7</b>
Treasury Bonds & Related Tawarruq	5,059.1	3,861.9	-1,197.2	-23.7
Treasury Bills	0.0	0.0	0.0	0.0
<b>Claims on the Private Sector:</b>	<b>37,198.7</b>	<b>38,669.6</b>	<b>1,470.9</b>	<b>4.0</b>
Credit Facilities to Residents	35,371.8	36,861.0	1,489.2	4.2
Other Local Investments	1,826.9	1,808.6	-18.3	-1.0
<b>Foreign Assets, of which:</b>	<b>12,738.5</b>	<b>13,803.4</b>	<b>1,064.9</b>	<b>8.4</b>
Deposits with Foreign Banks	5,888.3	6,102.3	214.0	3.6
Foreign Investments	3,941.4	4,392.8	451.4	11.5
KD Credit Facilities to Non-Residents	188.2	170.0	-18.3	-9.7
Foreign Currency Facilities to Non-Residents	1,968.8	2,083.8	115.0	5.8
Other Assets	2,139.5	2,190.5	51.0	2.4
<b>Assets</b>	<b>63,410.7</b>	<b>66,545.0</b>	<b>3,134.3</b>	<b>4.9</b>
<b>Number of Banks</b>	<b>23</b>	<b>23</b>		

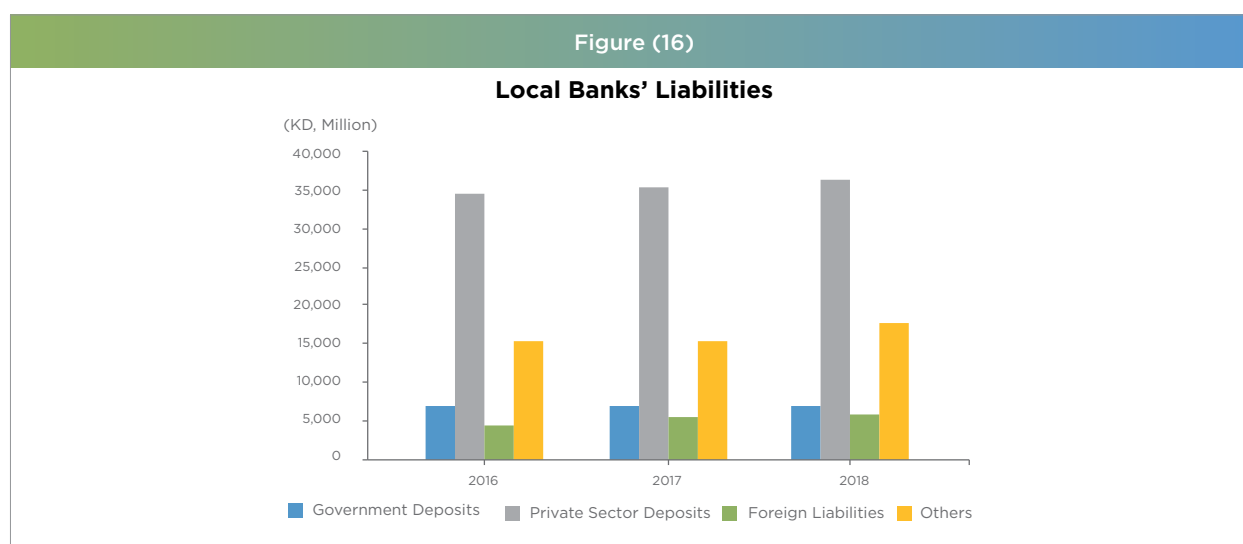
\* Data on overseas branches and subsidiaries not included.

Source: Central Bank of Kuwait.

## Second: Domestic Liabilities

Liabilities in the aggregate balance sheet of local banks contain primary sources of finance through which money resources for banks are generated. Private sector (resident) deposits are the main source of local banks' funds and thus a dominating factor in the structure of banks' liabilities. Following is an analysis of developments in the elements of liabilities within local banks' aggregate balance sheet during the years 2017 and 2018:

- 1. Private Sector (Resident) Deposits:** Private sector resident deposits with local banks increased to KD 36,851.2 million at the end of 2018 against KD 35,385.3 million at the end of the previous year, i.e. a growth of KD 1,465.9 million or 4.1%. This growth was the outcome of the increase in the KD deposits of KD 1,582.7 million or 4.8% on the one hand, and the decrease in the foreign currency deposits by the equivalent of KD 116.8 million or 4.3% on the other hand.
- 2. Government Deposits:** Government deposits (ministries, government departments, public authorities and institutions with attached budgets and Kuwait Credit Bank) with local banks decreased to KD 6,633.1 million at the end of 2018 compared to KD 6,755.4 million at the end of the previous year, i.e. a drop of KD 122.3 million or 1.8%.



Source: Central Bank of Kuwait.

Table (28.A)  
**Aggregate Balance Sheet of Local Banks (Liabilities)\***

Items	Balances at year end (KD, Million)		Change	
	2017	2018	Value	(%)
<b>Private Sector Deposits:</b>	<b>35,385.3</b>	<b>36,851.2</b>	1,465.9	4.1
KD Deposits	32,651.8	34,234.5	1,582.7	4.8
Foreign Currency Deposits	2,733.5	2,616.7	-116.8	-4.3
<b>Government Deposits</b>	<b>6,755.4</b>	<b>6,633.1</b>	<b>-122.3</b>	<b>-1.8</b>
<b>Local Interbank Deposits</b>	<b>1,229.2</b>	<b>1,616.5</b>	<b>387.3</b>	<b>31.5</b>
<b>Shareholders' Equity</b>	<b>8,620.0</b>	<b>8,936.6</b>	<b>316.6</b>	<b>3.7</b>
<b>Foreign Liabilities: of which:</b>	<b>5,595.9</b>	<b>6,091.0</b>	<b>495.1</b>	<b>8.8</b>
Foreign Bank Deposits	2,147.2	2,410.3	263.1	12.3
Foreign Non-Bank Deposits	2,347.7	2,384.7	37.0	1.6
<b>Other Liabilities</b>	<b>5,824.8</b>	<b>6,416.6</b>	591.8	10.2
<b>Liabilities</b>	<b>63,410.7</b>	<b>66,545.0</b>	<b>3,134.3</b>	<b>4.9</b>
<b>Number of Banks</b>	<b>23</b>	<b>23</b>		

\* Data on overseas branches and subsidiaries not included.  
Source: Central Bank of Kuwait.

**3. Shareholders' Equity:** Shareholders' equity in local banks, including paid-up capital, increased by KD 316.6 million or 3.7% from KD 8,620.0 million at the end of 2017 to KD 8,936.6 million at the end of 2018.

### Third: Net Foreign Assets

Local banks carry out financial transactions with banking and financial units abroad as well as with other non-resident units and individuals, including all operations conducted in the area of money uses abroad (foreign investments and credits to non-residents), in addition to external finance operations (financial resources) represented in non-resident private sector's deposits. Notable developments in this regard can be highlighted as follows:

- 1. Foreign Assets:** Total foreign assets of local banks grew by KD 1,064.9 million or 8.4% during 2018 to reach KD 13,803.4 million at the end of that year compared to KD 12,738.5 million at the end of 2017. The foreign assets account for 20.7% of total assets at the end of 2018 compared to 20.1% at the end of the previous year.
- 2. Foreign Liabilities:** Total foreign liabilities of local banks increased to KD 6,091.0 million at the end of 2018 against KD 5,595.9 million at the end of 2017, i.e. a growth of KD 495.0 million or 8.8%. Foreign liabilities account for 9.2% of total liabilities at the end of 2018 compared to 8.8% at the end of the previous year.
- 3. Net Foreign Assets:** As a result of the aforementioned developments in the total foreign assets and total foreign liabilities, net foreign assets of local banks rose by KD 569.8 million or 8.0% at the end of 2018 compared with the end of the previous year.

### Fourth: Contra Accounts

Contra accounts are off-balance-sheet items (sometimes referred to as opposite accounts) on both assets and liabilities sides. On the assets side, they form contingent assets, i.e. assets that are unrealized in banks' or customers' accounts on the balance sheet date. These contingent assets

may become realized assets at a later date, if the relevant conditions are met. These accounts are offset on the liabilities side by banks' contingent liabilities to third parties which may, in turn, become realized liabilities once the relevant conditions are met.

Contra accounts are mainly non-cash payment facilities extended by local banks to clients. Various types of such facilities are grouped, off-balance-sheet, into three basic items: documentary credits (letters of credit), bank guarantees (letters of guarantee), and bank acceptances. According to Table (28-B) total contra accounts with local banks amounted to KD 13,723.0 million at the end of 2018 against KD 13,881.5 million at the end of the previous year, i.e. a decrease of KD 158.5 million or 1.1%, accounting for 20.6% of the aggregate balance sheet of local banks at the end of 2018 against 21.9% at the end of 2017.

Table (28.B)  
**Aggregate Balance Sheet of Local Banks (Contra Accounts)\***

Items	Balances at year end (KD, Million)		Change	
	2017	2018	Value	(%)
<b>Contra Accounts</b>	<u>13,881.5</u>	<u>13,723.0</u>	<u>-158.5</u>	<u>-1.1</u>
Bank Guarantees	12,365.6	12,071.9	-293.7	-2.4
Documentary Credits	1,164.3	1,198.1	33.8	2.9
Bank Acceptances	351.5	453.0	101.5	28.9
<b>Number of Banks</b>	<b>23</b>	<b>23</b>		

\* Data on overseas branches and subsidiaries not included.  
Source: Central Bank of Kuwait.

## Fifth: Financial Flows

The purpose of monitoring developments in the trend and value of financial flows, resulting from the movement of funds in local banks -whether in the context of domestic market operations or external transactions as shown in Table (29) - is to identify their effects on the financial position of local banks at the end of 2018, and explain the interaction between the movement of funds in local banks' domestic operations as well as external transactions. Following are the most notable developments:

### 1- Sources of Funds from Domestic Operations

Sources of funds from domestic operations are represented in the increase in the elements of liabilities and/or decrease in the elements of assets. The value of these sources of funds is calculated by the amount of change in the balances of liabilities and assets at the end of the two comparable years, thus summing up the financial flows during the period elapsed between the two mentioned dates. Total financial resources generated by local banks from domestic market operations amounted to KD 3,958.7 million during 2018 compared to KD 2,140.1 million during the previous year.

The major portion of domestic financial resources realized during 2018 of KD 2,761.5 million or 69.8% of total domestic financial resources, resulted from increasing some elements of local liabilities. Meanwhile, the remaining financial resources of KD 1,197.2 million or 30.2% resulted from decreasing some local assets.

## 2- Uses of Funds in Domestic Market Operations

Uses of funds are expressed in any decrease in the elements of domestic liabilities and/or any increase in the elements of domestic assets between the ends of two consecutive periods, thus summing up the domestic financial flows during the period elapsed between the two mentioned dates. Financial resources realized by local banks from domestic market operations during 2018 were used in increasing some elements of domestic assets by KD 3,266.6 million (96.4% of total domestic uses), and decreasing some domestic liabilities by KD 122.3 million (3.6% of total domestic uses).

Table (29)  
**Summary of Financial Flows in Local Banks during 2017 and 2018**  
 (KD Million)

Items	2017		2018	
	Flows Value	to Total (%)	Flows Value	to Total (%)
<b>First- Domestic Operations:</b>				
<b>1- Total Sources of Funds:</b>	<b>2,140.1</b>	<b>100.0</b>	<b>3,958.7</b>	<b>100.0</b>
<b>* From Increase in Liabilities:</b>	<b>1,939.0</b>	<b>90.6</b>	<b>2,761.5</b>	<b>69.8</b>
Private Sector Deposits	1,273.6	59.5	1,465.9	37.0
Government Deposits	54.5	2.5	-	-
Shareholders' Equity	483.7	22.6	316.6	8.0
Local Bank Deposits	-	-	387.3	-
Other Domestic Liabilities	127.2	5.9	591.8	14.9
<b>* From Decrease in Assets:</b>	<b>201.0</b>	<b>9.4</b>	<b>1,197.2</b>	<b>30.2</b>
Deposits with Local Banks	201.0	9.4	-	-
Claims on Government	-	-	1197.2	30.2
<b>2- Total Uses of Funds:</b>	<b>3,303.3</b>	<b>100.0</b>	<b>3,388.9</b>	<b>100.0</b>
<b>* In Decreasing Liabilities:</b>	<b>192.3</b>	<b>5.8</b>	<b>122.3</b>	<b>3.6</b>
Local Banks' Deposits	192.3	5.8	-	-
Government Deposits	-	-	122.3	3.6
<b>* In Increasing Assets:</b>	<b>3,111.0</b>	<b>94.2</b>	<b>3,266.6</b>	<b>96.4</b>
Claims on the Private Sector	997.6	30.2	1,470.9	43.4
Claims on CBK	9.1	-	1,160.9	34.3
Claims on Government	1,772.2	53.6	-	-
Local Banks' Deposits	-	-	583.9	17.2
Other Domestic Assets	332.2	10.1	51.0	1.5
<b>Surplus (+) or Deficit (-) of Resources against Uses</b>	<b>-1,163.2</b>	<b>-</b>	<b>569.8</b>	<b>-</b>

Source: Central Bank of Kuwait.

Table (29)  
**Summary of Financial Flows in Local Banks during 2017 and 2018**  
(KD Million)

Items	2017		2018	
	Flows Value	to Total (%)	Flows Value	to Total (%)
<b>Second- Foreign Operations:</b>				
<b>1- Total Sources of Funds:</b>	<b>1,798.7</b>	<b>100.0</b>	<b>513.3</b>	<b>100</b>
<b>* From Increase in Liabilities:</b>	<b>1239.8</b>	<b>68.9</b>	<b>495.0</b>	<b>96.4</b>
Non-Resident (Bank) Deposits	-	-	263.1	-
Non-Resident (Non-Bank) Deposits	915.5	50.9	37.0	7.2
Other Foreign Liabilities (including bonds)	324.3	18.0	194.9	38.0
<b>* From Decrease in Assets:</b>	<b>558.9</b>	<b>31.1</b>	<b>18.3</b>	<b>3.6</b>
Local Bank Deposits with Foreign Banks	554.6	30.8	-	-
Foreign Currency Credit Facilities to Non-Residents	4.3	0.2	18.3	3.6
<b>2- Total Uses of Funds:</b>	<b>635.6</b>	<b>100.0</b>	<b>1,083.1</b>	<b>100.0</b>
<b>* In Decreasing Liabilities:</b>	<b>20.4</b>	<b>3.2</b>	<b>0.0</b>	<b>0.0</b>
Non-Resident (Non-Bank) Deposits	-	-	-	-
Non-Resident (Bank) Deposits	20.4	3.2	-	-
Other Foreign Liabilities (including bonds)	-	-	-	-
<b>* In Increasing Assets:</b>	<b>615.2</b>	<b>96.8</b>	<b>1,083.1</b>	<b>100.0</b>
Foreign Investments	47.8	7.5	451.4	41.7
Local Bank Deposits with Foreign Banks	-	-	214.0	-
Foreign Currency Credit Facilities to Non-Residents	473.7	74.5	115.0	10.6
Other Foreign Assets	93.7	14.7	302.7	27.9
<b>Surplus (+) or Deficit (-) of Resources against Uses</b>	<b>1,163.1</b>	<b>-</b>	<b>-569.8</b>	<b>-</b>

Source: Central Bank of Kuwait.

### 3- The Surplus in Resources from Domestic Market Operations

The movements of funds in local banks' domestic operations during 2018 resulted in a net surplus of KD 569.8 million in local financial resources, totaling KD 3,958.7 million after covering the uses of funds in domestic market operations totaling KD 3,388.9 million. The surplus was covered using the gap in the financial resources resulting from foreign operations, indicating a net financial outflow of KD 569.8 million.

### 4- Financial Flows from Foreign Operations

Total financial resources generated by local banks from foreign operations amounted to the equivalent of KD 513.3 million during 2018, resulting from increasing some elements of foreign liabilities of KD 495.0 million or 96.4% of total foreign financial resources. Meanwhile, the remainder of these resources resulted from decreasing some elements of foreign assets of KD 18.3 million or 3.6% of total foreign resources. Total uses of funds in local banks' foreign operations amounted to

the equivalent of KD 1,083.1 million during 2018, all used in increasing some elements of foreign assets by the equivalent of KD 1,083.1 million or 100% of total foreign uses of funds. This resulted in a net deficit equivalent to KD 569.8 million in the financial resources from foreign sources. The deficit was covered using the surplus in the financial resources resulting from domestic market operations of the earlier mentioned value of KD 569.8 million.

## Sixth: Indicators and Financial Ratios

This part shows some indicators of local banks' financial position at the end of 2018 and the developments in their performance over the mentioned year, using some indicators and financial ratios obtained from the analysis of aggregate data on local banks at the end of 2017 and 2018 shown in Table (30) as follows<sup>3</sup> :

### 1- Liquidity Standards

This group of financial standards encompasses the cash standard used to measure the adequacy of local banks' cash assets (cash, balances with the CBK, CBK Bond holdings, deposits with local banks, deposits with foreign banks and Certificates of Deposit) in the payment of liabilities from resident/non-resident deposits and local/foreign bank deposits; and the liquidity standard used to measure the portion covered by liquid assets (cash assets, local banks' holdings of public debt instruments, as well as local banks' investments in local/foreign securities) of the mentioned deposits.

Available data indicate a decline in the cash standard reaching 31.8% at the end of 2018 compared to 30.0% at the end of 2017, and the liquidity standard was stable at 38.8% at the end of 2017 and 2018. Therefore, the average of both standards for the years 2017 and 2018 reached 30.9% for the cash standard and 38.8% for the liquidity standard.

### 2- Uses of Funds Standards

The analysis indicates that the ratios of fund uses had remained at relatively high levels. The first ratio, indicating the extent to which private sector deposits were used in the credit facilities extended to the sector's activities, was stable at 100.0% at the end of 2018 and at the end of 2017, with an annual average of 100.0% for both years. The second ratio which shows, among others, the extent to which domestic private sector deposits were used in funding the domestic private sector, slightly decreased to reach 104.9% at the end of 2018 compared to 105.1% at the end of 2017, with an annual average of 105.0% for the years 2017 and 2018. The third ratio, which indicates the share of resident deposits and shareholders' equity in local funding, slightly increased to 96.2% at the end of 2018 compared to 96.0% at the end of 2017, with an annual average of 96.1% for the years 2017 and 2018.

### 3- Profitability Standards

Table (30) shows developments in the net profit ratio to average assets, average shareholders' equity, and paid-up capital at the end of 2018 compared with the end of the previous year. Kuwaiti banks' realized net profits totaled KD 997.0 million during 2018 compared to KD 847.6 million during 2017, i.e. an increase of KD 144.7 million or 17%, and KD 739.2 million during 2016. The ratio of the realized net profit to average assets, average shareholders' equity and paid-up capital was 1.3%, 10.7% and 0.03%, respectively, in 2018 against 1.2%, 9.5% and 0.03% respectively in 2017.

### 4- Adequacy Standards of Shareholders' Equity

The ratio of shareholders' equity to total assets, total uses of funds, and total non-cash assets was 13.4%, 15.8% and 19.7%, respectively, at the end of 2018 compared to 13.6%, 15.9% and 19.9% at the end of 2017. Accordingly, the average of the above-mentioned adequacy ratios of shareholders' equity during 2017 and 2018 was 13.5% to total assets, 15.9% to total uses of funds and 19.8% to total non-cash assets, encompassing credit facilities to residents/non residents, as well as some local/foreign financial and non-cash investments.

<sup>3</sup> Indicators and financial ratios are according to local banks' aggregated, not consolidated, data.

Table (30)  
Some Financial Indicators and Ratios of Kuwaiti Banks (%)

Items	2017	2018	Average
<b>First- Liquidity Standards:</b>			
1- Cash Standard	30.0	31.8	<b>30.9</b>
2- Liquidity Standard	38.8	38.8	<b>38.8</b>
<b>Second- Uses Standards:</b>			
1- Credit Facilities to Private Sector Deposits	100.0	100.0	<b>100.0</b>
2- Claims on Private Sector to Private Sector Deposits	105.1	104.9	<b>105.0</b>
3- Local Uses to Resident Deposits & Shareholders' Equity	96.0	96.2	<b>96.1</b>
<b>Third- Profitability Standards:</b>			
1- Net Profit to Average Assets	1.2	1.3	<b>1.3</b>
2- Net Profit to Average Shareholders' Equity	9.5	10.7	<b>10.1</b>
3- Net Profit to Paid-up Capital	0.03	0.03	<b>0.0</b>
<b>Fourth- Adequacy Standards of Shareholders' Equity:</b>			
1- Shareholders' Equity to Total Assets	13.6	13.4	<b>13.5</b>
2- Shareholders' Equity to Total Uses	15.9	15.8	<b>15.9</b>
3- Shareholders' Equity to Non-Cash Assets	19.9	19.7	<b>19.8</b>
<b>Fifth- Capital Adequacy Standard:</b>			
1- Capital Adequacy Standard (Local Banks)(*)	18.4	18.3	<b>18.4</b>

(\*) Capital Adequacy Standard for 2017 and 2018 according to Basel III.  
Source: Central Bank of Kuwait.

## 5- Capital Adequacy Standard “Solvency”

Available aggregate data on Kuwaiti banks indicate that the capital adequacy ratio for each bank was noticeably higher than the minimum ratio required according to CBK's regulations, which is higher than the minimum limit required by the international standards. In the context of CBK's implementation of Basel III set of reforms, CBK's Board of Directors has decided that the application of Basel III capital adequacy standard by targeting the minimum ratio of 13% shall be carried out as follows:

- 12% at the beginning of 2014.
- 12.5% at the beginning of 2015.
- 13% at the beginning of 2016.

Capital adequacy ratio in Kuwaiti banks according to Basel III was 18.3% at the end of December 2018 against 18.4% at the end of December 2017.

## The Aggregate Balance Sheet of Local Investment Companies

The number of registered local investment companies supervised by the CBK decreased to 66 at the end of 2018 compared to 68 at the end of the previous year. Local investment companies sector at the end of 2018 encompassed 29 conventional investment companies and 37 Islamic investment companies.

Table (31)  
**Developments in the Financial System Structure**

Period	No. of Investment Companies			No. of Exchange Companies
	Conventional	Islamic	Total	
2014	40	49	89	39
2015	38	47	85	40
2016	34	44	78	41
2017	29	39	68	42
2018	29	37	66	41

Source: Central Bank of Kuwait.

In accordance with Law No. 7/2010 issued on 21 February 2010 on the “Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities”, and the Ministerial Resolution No.38/2011 for the regulation of CBK’s supervision of financing companies, the supervision of investment companies and investment funds was transferred from the CBK to the CMA as of 13 September 2011, limiting CBK’s supervisory role to the finance activities of the investment companies. Total assets of local conventional and Islamic investment companies amounted to KD 6,653.0 million at the end of 2018 compared to KD 7,486.2 million at the end of 2017, i.e. a decline of KD 833.3 million or 11.1% (Table 32).

Table (32)  
**Aggregate Balance Sheet of Local Investment Companies\***  
(KD Million)

Items	Balances at year end		Change	
	2017	2018	Value	(%)
<b>Assets:</b>				
Cash & Balances with local Banks & Investment companies	417.4	423.9	6.5	1.6
Financing to Customers	668.6	644.5	-24.2	-3.6
Loans and Advances to Residents (conventional Companies)	346.3	335.2	-11.2	-3.2
Financing to Customers	322.3	309.3	-13.0	-4.0
<b>Domestic Investments</b>	<b>2,226.5</b>	<b>2,195.5</b>	<b>-31.0</b>	<b>-1.4</b>
Financial Investments	1,702.9	1,718.2	15.3	0.9
Non-Financial Investments	523.7	477.3	-46.4	-8.9
<b>Foreign Assets</b>	<b>2,710.0</b>	<b>2,276.2</b>	<b>-433.8</b>	<b>-16.0</b>
<b>Other Assets</b>	<b>1,463.7</b>	<b>1,112.9</b>	<b>-350.8</b>	<b>-24.0</b>
<b>Assets = Liabilities</b>	<b>7,486.2</b>	<b>6,653.0</b>	<b>-833.3</b>	<b>-11.1</b>
Liabilities:				
Capital and reserve	3,144.3	3,016.3	-128.0	-4.1
Financing from Residents	2,032.1	1540.6	-491.4	-24.2
Bonds & Financing Instruments	29.2	67.3	38.1	130.6
Foreign Liabilities	1,005.9	799.9	-206.0	-20.5
Other Liabilities	1,274.9	1228.9	-46.0	-3.6
<b>Number of Companies</b>	<b>68</b>	<b>66</b>	<b>-2</b>	

\*Including data on subsidiaries.  
Source: Central Bank of Kuwait.

In order to identify key features in the performance of local investment companies, following is a separate review of conventional investment companies and Islamic investment companies during 2017 and 2018:

### First: Conventional Investment Companies

Available financial data (Table 33) on the 29 conventional investment companies indicate a total aggregate balance sheet of KD 2,996.6 million at the end of 2018, recording a decrease of KD 246.5 million or 7.6% from its level of KD 3,243.2 million at the end of the previous year. This decline reflects the outcome of developments in the elements of assets and liabilities of these companies. On the assets side, noteworthy developments at the end of 2018 compared with the end of 2017 can be addressed as follows:

1. Foreign assets decreased by the equivalent of KD 223.0 million or 15.4% at the end of 2018 compared with the end of the previous year. This decrease resulted from the decline in foreign investments by the equivalent of KD 194.6 million or 17.2%, other foreign assets by the equivalent of KD 13.7 million or 6.6%, and cash and balances with foreign banks by the equivalent of KD 16.1 million or 17.6% on the one hand, and the rise in the loans and advances to non-residents by the equivalent of KD 1.5 million or 8.3% on the other.
2. Domestic investments increased by KD 11.1 million or 1.1% from KD 987.2 million at the end of 2017 to KD 998.2 million at the end of 2018. This growth resulted from the increase in financial investments of KD 51.7 million or 6.4% on the one hand, and the decrease in non-financial investments of KD 40.6 million or 22.5% on the other hand.
3. Loans and advances to residents declined by KD 11.2 million or 3.2% to reach KD 335.2 million at the end of 2018 against KD 346.3 million at the end of the previous year.

On the liabilities side, notable developments at the end of 2017 compared with the end of 2017 can be highlighted as follows:

1. Capital and reserve decreased by KD 27.9 million or 1.8% from KD 1,588.4 million at the end of 2017 to KD 1,560.5 million at the end of 2018.
2. Foreign liabilities declined by the equivalent of KD 36.2 million or 10.2% from KD 353.8 million at the end of 2017, to the equivalent of KD 317.6 million at the end of 2018.
3. Financing from residents decreased by KD 195.1 million or 24.7% at the end of 2018 compared with the end of the previous year, i.e. from KD 791.4 million to KD 596.3 million.

Table (33)  
**Aggregate Balance Sheet of Conventional Investment Companies\***  
(KD Million)

Items	Balances at year end		Change	
	2017	2018	Value	(%)
<b>Assets:</b>				
Cash & Balances with local Banks and Investment Companies	225.7	216.1	-9.5	-4.2
Loans and Advances to Residents (Conventional Companies)	346.3	335.2	-11.2	-3.2
<b>Domestic Investments:</b>	<b>987.2</b>	<b>998.2</b>	<b>11.1</b>	<b>1.1</b>
Financial Investments	806.6	858.3	51.7	6.4
Non-Financial Investments	180.5	139.9	-40.6	-22.5
<b>Foreign Assets</b>	<b>1,448.8</b>	<b>1,225.8</b>	<b>-223.0</b>	<b>-15.4</b>
<b>Other Assets</b>	<b>235.2</b>	<b>221.3</b>	<b>-13.9</b>	<b>-5.9</b>
Assets = Liabilities	<b>3,243.2</b>	<b>2,996.6</b>	<b>-246.5</b>	<b>-7.6</b>

<b>Liabilities:</b>				
Capital and reserve	1,588.4	1,560.5	-27.9	-1.8
Financing from Residents	791.4	596.3	-195.1	-24.7
Bonds, Financing Instruments & Subordinated Loans	27.6	27.6	0.0	0.0
Foreign Liabilities	353.8	317.6	-36.2	-10.2
Other Liabilities	482.0	455.0	-26.9	-5.6
<b>Number of Companies</b>	<b>29</b>	<b>29</b>	<b>0</b>	

\*Including data on subsidiaries.

Source: Central Bank of Kuwait.

## Second: Investment Companies Operating in Accordance with the Provisions of the Islamic Sharia

The review in this part is built on comparable data on the aggregate financial position of 37 Islamic investment companies for 2017 and 2018. Those are the companies registered with the CBK at the end of 2018.

Available financial data (Table 34) indicate a drop in the total aggregate balance sheet of KD 586.7 million or 13.8% at the end of 2018 compared with the previous year reaching KD 3,656.4 million, against KD 4,243.1 million at the end of the previous year. Following are key developments witnessed in the mentioned aggregate balance sheet on the **assets side**:

1. Domestic investments dropped by KD 42.1 million or 3.4% to reach KD 1,197.3 million at the end of 2018 compared to KD 1,239.4 million at the end of 2017.
2. Financing to customers declined by KD 13 million or 4.0% to KD 309.3 million at the end of 2018 against KD 322.3 million at the end of 2017.
3. Foreign assets, which are foreign financial/non-financial assets, declined by the equivalent of KD 210.8 million or 16.7%, from the equivalent of KD 1,261.1 million at the end of 2017 to the equivalent of KD 1,050.4 million at the end of 2018.

On the **liabilities side**, main developments witnessed at the end of 2018 compared with the end of 2017 can be indicated as follows:

1. Foreign liabilities decreased by the equivalent of KD 169.8 million or 26.0% to the equivalent of KD 482.4 million at the end of 2018 against the equivalent of KD 652.1 million at the end of 2017.
2. Funding operations made through local banking and financial sector decreased by KD 296.4 million or 23.9% to KD 944.3 million at the end of 2018 against KD 1,240.7 million at the end of 2017.
3. Shareholders' equity declined by KD 100.1 million or 6.4% to reach KD 1,455.8 million at the end of 2018 compared to KD 1,555.9 million at the end of 2017.

Table (34)

**Aggregate Balance Sheet of Investment Companies Operating in Accordance with the Provisions of the Islamic Sharia\***  
(KD Million)

Items	Balances at year end		Change	
	2017	2018	Value	(%)
<b>Assets:</b>				
Cash & Balances with local Banks and Investment companies	191.8	207.8	16.0	8.4
Financing to Customers	322.3	309.3	-13.0	-4.0
<b>Domestic Investments: including:</b>	<b>1,239.4</b>	<b>1,197.3</b>	<b>-42.1</b>	<b>-3.4</b>
Financial Investments	896.2	859.9	-36.4	-4.1
Non-Financial Investments	343.1	337.4	-5.7	-1.7
<b>Foreign Assets</b>	<b>1,261.1</b>	<b>1,050.4</b>	<b>-210.8</b>	<b>-16.7</b>
<b>Other Assets</b>	<b>1,228.5</b>	<b>891.7</b>	<b>-336.9</b>	<b>-27.4</b>
<b>Assets = Liabilities</b>	<b>4,243.1</b>	<b>3,656.4</b>	<b>-586.7</b>	<b>-13.8</b>
<b>Liabilities:</b>				
Capital and reserve	1,555.9	1,455.8	-100.1	-6.4
Financing from Residents	1,240.7	944.3	-296.4	-23.9
Foreign Liabilities	652.1	482.4	-169.8	-26.0
Subordinated Loans	1.5	-	-1.5	-100.0
Other Liabilities	792.9	773.9	-19.0	-2.4
<b>Number of Companies</b>	<b>39</b>	<b>37</b>	<b>-2</b>	

\*Including data on subsidiaries.

Source: Central Bank of Kuwait.

### Third: Contra Accounts of Local Investment Companies

Contra accounts (off-balance-sheet items) reflect a significant side of local investment companies' activities in the domain of financial services extended to resident/non-resident clients (Table 35). Contra accounts for the 66 local investment companies registered with CBK (29 conventional and 37 Islamic) as at the end of 2018 amounted to KD 20,627.1 million, of which KD 17,998.7 million or 87.3% for conventional investment companies, and KD 2,628.5 million or 12.7% for Islamic investment companies, recording a growth of KD 935.9 million or 4.8% from its level of KD 19,691.2 million for 68 registered companies at the end of 2017, of which KD 16,797.0 million or 85.3% for 29 conventional investment companies, and KD 2,894.2 million or 14.7% for 39 Islamic investment companies.

Table (35)

**Contra Accounts of Local Investment Companies\***  
(KD Million)

Items	Balances at year end		Change	
	2017	2018	Value	(%)
<b>Contra Accounts:</b>	<b>19691.2</b>	<b>20627.1</b>	<b>935.9</b>	<b>4.8</b>
Conventional Investment Companies	16797.0	17998.7	1201.6	7.2
Islamic Investment Companies	2894.2	2628.5	-265.7	-9.2

Investment Portfolios	15973.3	16913.8	940.5	5.9
Investment Funds	1707.1	1778.5	71.4	4.2
Foreign Funds	1614.6	1495.2	-119.4	-7.4
Custody Assets	376.7	425.3	48.6	12.9
Commitments/Collaterals/ Guarantees	19.5	14.3	-5.3	-26.9
<b>Number of Investment Companies</b>	<b>68</b>	<b>66</b>	<b>-2</b>	
**Conventional Investment Companies	29	29	0	
**Islamic Investment Companies	39	37	-2	

\* Including data on subsidiaries.

\*\*Two Financing Companies, one Conventional and one Islamic, are supervised by CBK.

Source: Central Bank of Kuwait.

## The Aggregate Balance Sheet of Local Exchange Companies

Available data on local exchange companies (41) registered with, and supervised by, the CBK indicate that at the end of 2018 the aggregate balance sheet (Table 36) of these companies amounted to KD 201.0 million at the end of the year increasing by KD 2.5 million or 1.2% from its level of KD 198.6 million at the end of the previous year. This increase reflected the following developments on both assets and liabilities sides:

### First: Assets

1. Foreign assets of exchange companies increased by the equivalent of KD 5.5 million or 10.6% to reach the equivalent of KD 57.8 million at the end of 2018 compared with the equivalent of KD 52.3 million at the end of 2017.
2. Financial and real estate investments of exchange companies inched up by KD 137.2 thousand to reach KD 1.6 million.
3. Claims of exchange companies on financial institutions increased by KD 5.6 million or 8.8% to KD 69.0 million at the end of 2018 against KD 63.4 million at the end of the previous year.
4. Liquid assets in the form of cash and cash assets declined by KD 7.4 million or 19.1%, from KD 38.7 million at the end of 2017 to KD 31.3 million at the end of 2018.

### Second: Liabilities

1. Claims of financial institutions on local exchange companies slightly decreased by KD 1.4 million or 11.3%, from KD 12.6 million at the end of 2017 to KD 11.2 million at the end of 2018.
2. Partners' equity, covering results of the period, decreased by KD 5.8 million or 4.2%, from KD 138.2 million at the end of 2017 to KD 132.4 million at the end of 2018.
3. Other liabilities grew by KD 14.6 million or 35.8%, from KD 40.8 million in 2017 to KD 55.4 million at the end of 2018.
4. Foreign liabilities dropped by KD 3.8 million or 90.4%, from KD 4.2 million in 2017 and KD 0.4 million at the end of 2018.

Table (36)  
**Aggregate Balance Sheet of Local Exchange Companies**  
(KD Million)

Items	Balances at year end		Change	
	2017	2018	Value	(%)
<b>Assets:</b>				
Cash & Cash Assets	38,697.6	31,320.2	-7,377.4	-19.1
Claims on Financial Institutions	63,449.1	69,060.1	5,611.0	8.8
Total Receivables	5,799.1	3,926.9	-1,872.2	-32.3
Financial & Real estate Investments	1,442.4	1,579.6	137.2	9.5
Fixed Assets	20,506.9	21,154.7	647.8	3.2
Foreign Assets	52,289.5	57,829.8	5,540.3	10.6
Other Assets	16,389.1	16,168.0	-221.1	-1.3
<b>Assets = Liabilities</b>	<b>198,573.7</b>	<b>201,039.3</b>	<b>2,465.6</b>	<b>1.2</b>
<b>Liabilities:</b>				
Partners' Equity & Results of the Period	138,168.2	132,363.5	-5,804.7	-4.2
Claims of Financial Institutions	12,622.0	11,196.9	-1,425.1	-11.3
Total Payables	2,759.1	1,684.1	-1,075.0	-39.0
Foreign Liabilities	4,221.7	404.0	-3,817.7	-90.4
Other Liabilities	40,802.7	55,390.8	14,588.1	35.8
<b>Contra Accounts</b>	<b>2,470.7</b>	<b>2,177.3</b>	<b>-293.4</b>	<b>-11.9</b>
Results of the Period (Net Profit)	15,394.9	18,379.2	2,984.3	19.4
<b>Number of Companies</b>	<b>42</b>	<b>41</b>	<b>-1</b>	

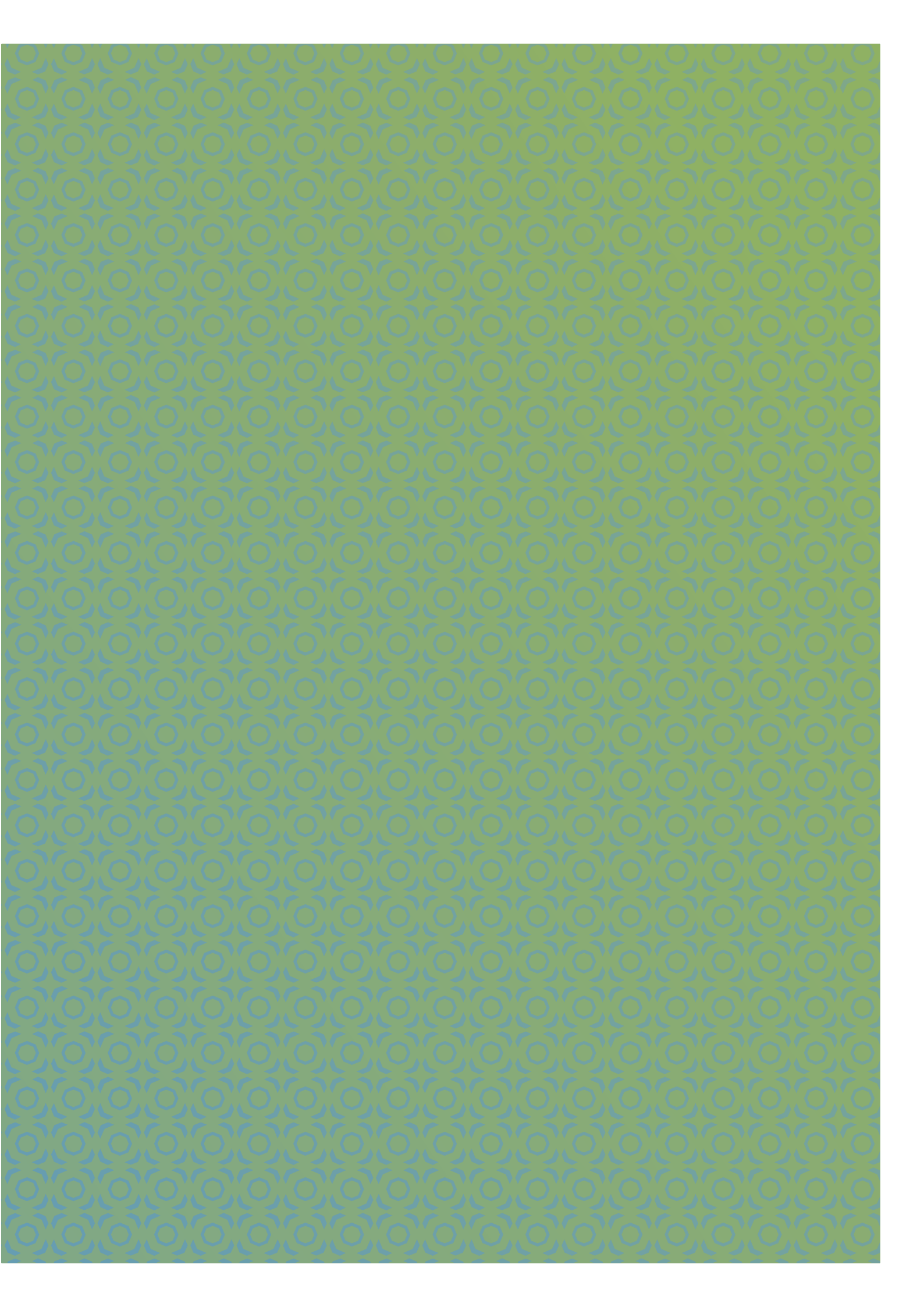
Source: Central Bank of Kuwait.

### Third: Liquidity, Profitability and Solvency Ratios

Available data on net credit position of local exchange companies with local banks and financial institutions indicate a growth from KD 50.8 million at the end of 2017 to KD 57.9 million at the end of 2018, recording an increase of 13.8% and remaining in favor of local exchange companies.

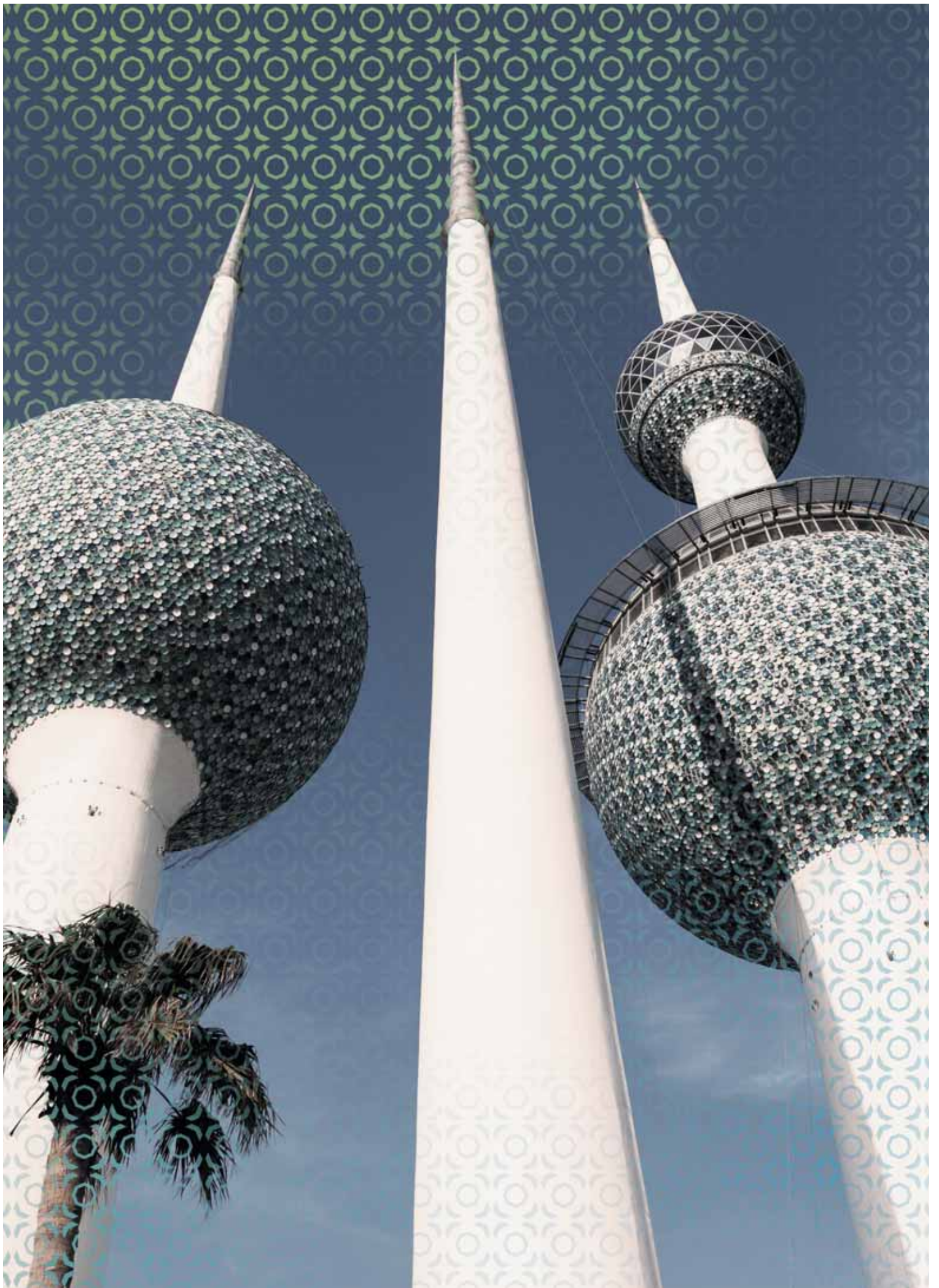
Liquidity available to local exchange companies at the end of 2018 amounted to KD 146.6 million of which KD 31.3 million or 21.4% in the form of cash and cash assets, and KD 115.3 million or 78.6% in the form of net claims of local exchange companies on local/foreign banks and financial institutions. All profitability ratios of local exchange companies witnessed an increase due to the rise in net profit of KD 3 million or 19.4% to reach KD 18.4 million in 2018 against KD 15.4 million in 2017. Net profit to partners' equity ratio grew to 13.9% in 2018 against 11.1% in 2017. Likewise, the return on assets to total assets ratio increased to 9.1% in 2018 against 7.8% in 2017.

On the other side, ratio of partners' equity to total assets declined from 69.6% at the end of 2017 to 65.8% at the end of 2018. Ratio of partners' equity to total assets and contingent liabilities represented in contra accounts also decreased from 68.7% at the end of 2017 to 65.1% at the end 2018.





# Public Finance



## Public Finance

This part of the report covers developments in the public finance of the State of Kuwait by presenting developments published in the Closing Account of ministries and government bodies for fiscal year (FY) 2017/18, along with the budgetary revenue and allocations of expenditures for ministries and government departments for FY2018/19.

### First: Closing Account for FY2017/18

#### 1- Public Revenues

Data of the Closing Account for FY2017/18 indicate that total actual revenues collected for said fiscal year stood at KD 15,999.6 million compared to KD 13,099.5 million in the previous fiscal year, an increase of 22.1% valued at KD 2,900.1 million. The gain mainly resulted from a 22.2% hike in actual oil revenues collected, valued at KD 2,593.4 million, which brought the total to KD 14,282.2 million for FY2017/18. This compares to a total of KD 11,688.8 million in the previous year. Also factoring in was an increase of 21.7% worth KD 306.7 million in non-oil revenues collected (Table 37).

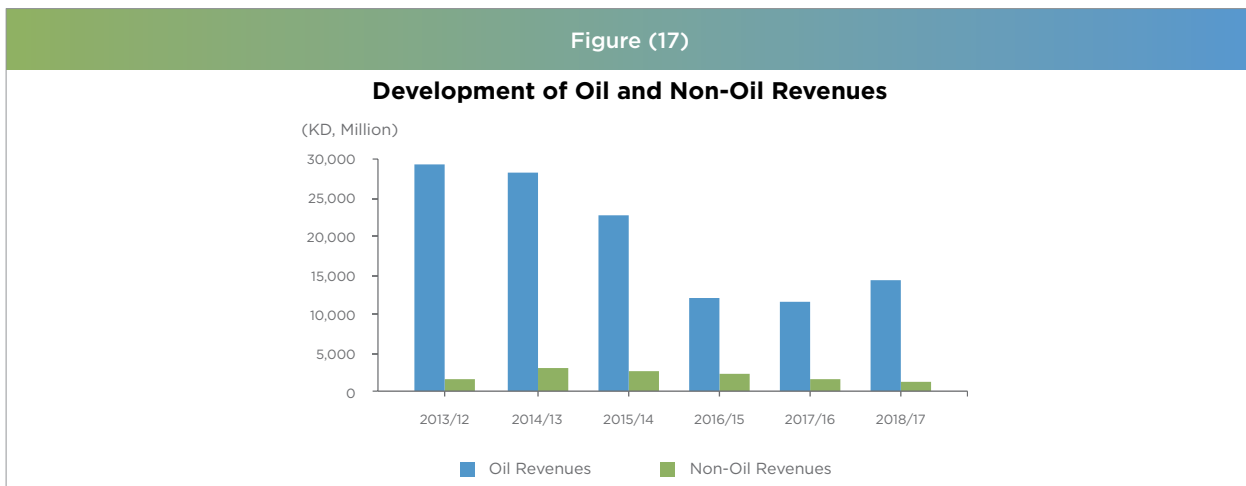
The increase in oil revenues reflected improved average price of Kuwait's export crude oil per barrel (pb) in FY2017/18, going up 19.8% and the equivalent of USD 8.96 pb to reach USD 54.15 pb compared to previous fiscal year's average price of USD 45.19 pb. Average production of Kuwait export crude oil for FY2017/18 meanwhile came to 2.703 million barrels per day compared to previous fiscal year's 2.880 million barrels per day, which is a decline of 177,000 barrel per day.

Table (37)  
**Actual Revenues in the General Budget**  
(KD Million)

Items	Closing Account				Change	
	16/2017		17/2018		Value	%
	Value	% to Total	Value	% to Total		
<b>Total Budgetary Revenues:</b>	<b>13099.5</b>	<b>100</b>	<b>15999.6</b>	<b>100</b>	<b>2900.1</b>	<b>22.1</b>
Oil Revenues	11688.8	89.2	14282.2	89.3	2593.4	22.2
Non-Oil Revenues	1410.7	10.8	1717.4	10.7	306.7	21.7

Source: Ministry of Finance.

As for actual non-oil revenues collected in FY2017/18, the sum came to KD 1,717.4 million compared to previous year's KD 1,410.7 million, which is an increase of 21.7% worth KD 306.7 million.



Source: Ministry of Finance.

This increase in total non-oil revenues collected during FY2017/18 reflects increases in gross actual revenues collected under the Third Chapter (Social Contributions) by 19.7% and KD 15.6 million, of 40.3% and KD 309.7 million under the Fifth Chapter (Other Revenues), and of 704.2% and KD 33.7 million under the Sixth Chapter (Revenues on Disposal of Assets and other Non-Operating Income). Also factored in within this gross total was a drop of 9.4% and KD 52.4 million in revenue collected under the Second Chapter (Taxes and Fees) (Table 38).

Table (38)  
**Actual Budgetary Non-Oil Revenues**  
(KD Million)

Items	Closing Account				Change	
	16/2017		17/2018		Change	
	Value	% to Total	Value	% to Total	Value	%
<b>Non-Oil Revenues:</b>	<b>1410.7</b>	<b>100</b>	<b>1717.4</b>	<b>100</b>	<b>306.7</b>	<b>21.7</b>
<b>Taxes and Charges</b>	<b>558.8</b>	<b>39.6</b>	<b>506.3</b>	<b>29.5</b>	<b>-52.5</b>	<b>-9.4</b>
-Tax on Income and Capital Gains	215.4	15.3	162.1	9.4	-53.3	-24.7
-Property Tax	14.7	1.0	13.8	0.8	-0.9	-6.1
- Taxes on International Trade & Transactions	328.7	23.3	330.4	19.2	1.7	0.5
<b>Social Contributions</b>	<b>79.0</b>	<b>5.6</b>	<b>94.6</b>	<b>5.5</b>	<b>15.6</b>	<b>19.7</b>
<b>Other Revenues</b>	<b>768.1</b>	<b>54.4</b>	<b>1077.8</b>	<b>62.8</b>	<b>309.7</b>	<b>40.3</b>
- Property Income	40.9	2.9	69.3	4.0	28.4	69.4
- Sales of Goods and Services	409.0	29.0	456.7	26.6	47.7	11.7
- Miscellaneous Revenues not classified elsewhere	195.4	13.9	430.1	25.0	234.7	120.2
<b>Revenues on Disposal of Assets and Other Non-operating Income</b>	<b>4.8</b>	<b>0.3</b>	<b>38.6</b>	<b>2.2</b>	<b>33.8</b>	<b>704.2</b>

Source: Ministry of Finance.

## 2- Public Expenditures

The Closing Account for FY2017/18 showed an increase in actual public expenditure by 8.7% and KD 1,539.5 million to hit KD 19,247.4 million compared to the previous year's KD 17,707.9 million. Worth noting here is that actual public expenditure for FY2017/18 constituted 96.7% of said year's Public Expenditure Allocations, which came to KD 19,900.0 million.

Table (39)  
**Actual Budgetary Expenditures**  
(KD Million)

Items	Closing Account				Change	
	16/2017		17/2018		Change	
	Value	(%)	Value	(%)	Value	(%)
<b>Public Expenditures:</b>	<b>17,707.9</b>	<b>100</b>	<b>19,247.4</b>	<b>100</b>	<b>1,539.5</b>	<b>8.7</b>
-Compensation of Employees	6,353.7	35.9	6,747.4	35.1	393.7	6.2

-Goods and Services	2,281.8	12.9	2,810.8	14.6	529.0	23.2
-Subsidies	364.6	2.1	328.2	1.7	-36.4	-10.0
-Grants	4,548.8	25.7	4,682.6	24.3	133.8	2.9
-Social Benefits	1,018.1	5.7	1,065.1	5.5	47.0	4.6
-Expenses and Other Transfers	925.2	5.2	1,108.2	5.8	183.0	19.8
-Purchase of Non-Current Assets	2,215.6	12.5	2,505.1	13.0	289.5	13.1

Source: Ministry of Finance.

This increase in actual public expenditure in the FY2017/18 general budget reflects an increase in actual expenditure under the First Chapter (Compensation of Employees) which went up 6.2% and KD 393.6 to reach KD 6,747.4 million in FY2017/18 compared to the previous year's KD 6,353.7 million. There was also an increase of 23.2% and KD 529 million to KD 2,810.8 million in expenditure under the Second Chapter (Goods & Services) against the previous year's KD 2,281.7 million, and an increase of 2.9% and KD 133.8 million to 4,682.6 million in expenditure under the Sixth Chapter (Grants) against the previous year's KD 4,548.8 million. Expenditure was also higher by 4.6% and KD 47 million under the Seventh Chapter (Social Benefits) which came to KD 1,065.1 million compared to the previous year's KD 1,018.1 million and higher by 19.8% and KD 183 million under the Eighth Chapter (Expenses and other Transfers) up to KD 1,108.2 million compared to the previous fiscal year's KD 925.2 million. Meanwhile, expenditure under the (Purchase of Non-Current Assets) Chapter was reported higher by 13.1% and KD 289.5 million reaching KD 2,505.1 million compared to the previous year's KD 2,215.6 million (Table 39). Notable here is that the First Chapter (Compensation of Employees) accounts for highest percentage of 35.1% of total public expenditure for FY2017/18, whereas the least contribution of 1.7% came under the Fifth Chapter (Subsidies).

The increase in actual expenditures under the First Chapter was the result of increase in the expenditures of the Salaries and Wages Group, an up of 6.2% worth KD 366.4 million (from KD 5,912.9 million to KD 6,279.3 million). This group makes up 93% of the First Chapter. The rise in actual expenditure under the Second Chapter was meanwhile result of increase in the Goods Group, and specifically in the Fuel, Fuel Oil, and Power category which was up 24.3% and KD 254.3 million (from KD 1,046 million to KD 1,300.3 million) with this category accounting for 67% of the Goods Group gross figures and 46.3% of the Second Chapter gross figures.

As for economic classification of public expenditures, closing account data for FY2017/18 indicate an increase of 8.1% and KD 1,250 million in Current Expenditures, which went up to KD 16,742.3 million from the previous fiscal year's KD 15,492.3 million (Table 40). Current Expenditures accounted for 87% of gross Actual Expenditure, and for 98.4% of Current Expenditure Allocations for FY2017/18 recorded at KD 17,015.4 million.

Table (40)  
**Economic Classification of Actual Public Expenditures**  
(KD Million)

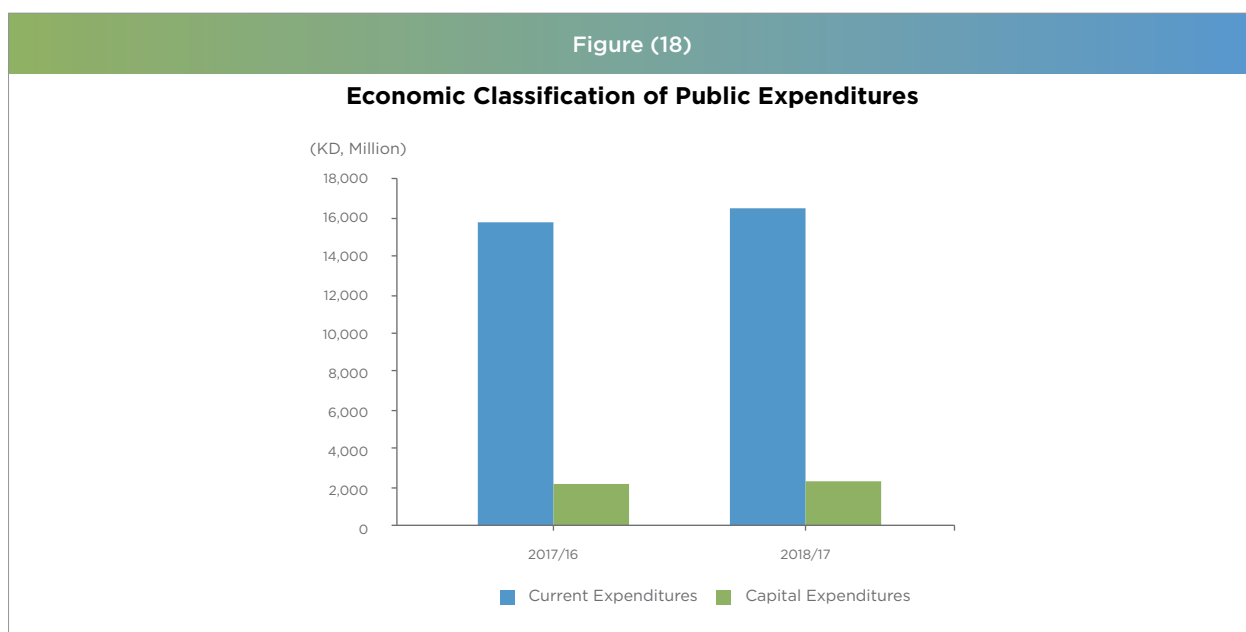
Items	Closing Account				Change	
	16/2017		17/2018		Value	(%)
	Value	(%)	Value	(%)		
<b>Current Expenditures:</b>	<b>15,492.3</b>	<b>87.5</b>	<b>16,742.3</b>	<b>87.0</b>	<b>1,250.0</b>	<b>8.1</b>
- Compensation of Employees, of which:	6,353.7	35.9	6,747.4	35.1	393.6	6.2
• Salaries & Wages	5,912.9	33.4	6,279.3	32.6	366.4	6.2

• Social Contributions	420.8	2.4	445.3	2.3	24.4	5.8
- Goods & Services	2,281.8	12.9	2,810.8	14.6	529.0	23.2
- Subsidies	364.6	2.0	328.2	1.7	-36.4	-10.0
- Grants, of which:	4,548.8	25.7	4,682.6	24.3	133.8	2.9
• To Foreign Governments	480.0	2.7	356.1	1.9	-123.9	-25.8
• To other Government Units	4,068.7	23.0	4,321.3	22.5	252.6	6.2
- Social Benefits	1,018.2	5.7	1,065.2	5.5	47.0	4.6
- Expenses and other Transfers	925.2	5.2	1,108.2	5.8	183.0	19.8
<b>Capital Expenditures:</b>	<b>2,215.6</b>	<b>12.5</b>	<b>2,505.1</b>	<b>13.0</b>	<b>289.5</b>	<b>13.1</b>
- Purchase of Non-Current Assets, of which:	2,215.6	12.5	2,505.1	13.0	289.5	13.1
• Purchase of Tangible Non-Financial Non-Current Assets	729.3	4.1	660.8	3.4	-68.5	-9.4
• Construction & Maintenance Projects	1,486.2	8.4	1,844.2	9.6	358.0	24.1
<b>Total</b>	<b>17,707.9</b>	<b>100</b>	<b>19,247.4</b>	<b>100</b>	<b>1,539.5</b>	<b>8.7</b>

Source: Ministry of Finance.

Moving on to Actual Capital Expenditure, the figure went up 13.1%, rising by KD 289.5 million to reach KD 2,505.1 compared to the previous year's KD 2,215.6 million. This brought the percentage of these expenditures to total Actual Public Expenditure up to 13% compared to 12.5% in FY2016/17. Furthermore, Capital Expenditure for FY2017/18 accounted for 86.8% of the year's total Capital Expenditure Allocations, worth KD 2,884.5 million.

This increase in Actual Capital Expenditure in the 2017/18 General Budget reflects the increase in the Construction and Maintenance Projects Group (under Purchase of Non-Current Assets) which went up 24.1% and KD 358 million (from KD 1,486.2 million to KD 1,844.2 million) with the group accounting for 73.6% of overall Capital Expenditure.



Source: Ministry of Finance.

The abovementioned developments in both Actual Revenues and Expenditures in the closing account resulted in Actual Deficit in the General Budget for FY2017/18 that amounted to KD 3,247.8 million compared to the previous year's actual deficit of KD 4,608 million, which is a drop of 29.5% and KD 1,360.6 million, before deduction of allocations for the Reserve Fund for Future Generations (RFFG) (Table 41).

Table (41)  
**Summary of the General Budget Closing Account**  
(KD Million)

Item	2017/16	2018/17
<b>Actual Public Revenues, of which:</b>	<b>13099.5</b>	<b>15999.6</b>
Actual Oil Revenues	11688.8	14282.2
Actual Public Expenditures	17707.9	19247.4
<b>Surplus or (Deficit)(1)</b>	<b>-4608.4</b>	<b>-3247.8</b>
<b>Surplus or (Deficit) (2)</b>	<b>-5918.3</b>	<b>-4847.8</b>

(1) Before deducting the allocations for the RFFG.

(2) After deducting the allocations for the RFFG.

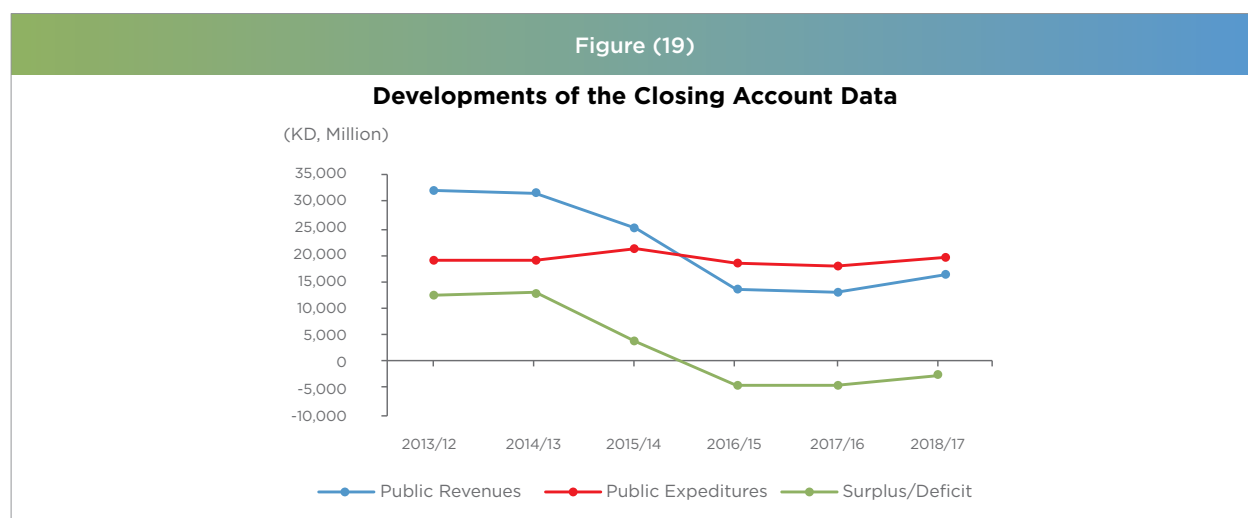
Source: Ministry of Finance.

## Second: Fiscal Year 2018/19

### 1- General Budget for Fiscal Year 2018/19

On 16 July 2018, the Decree Law No. 106 of 2018 was promulgated for the budget appropriation of ministries and government departments for FY2018/19. The envisaged general budget indicates an increase of 13.1% and KD 1,744.7 million in overall Public Revenue Estimates, up to KD 15,089 million from KD 13,344.3 million in FY2017/18. This increase is mainly the result of gross increase in Oil Revenue estimates, which went up 13.7% and KD 1,606.7 million to reach KD 13,317.4 million compared to the previous fiscal year's KD 11,710.7 million. It is also the result of an increase of 8.4% and KD 138 million in Non-Oil Revenue Estimates which are expected to reach KD 1,771.5 million compared to the previous year's KD 1,633.5 million (Table 42).

The increase in Oil Revenue Estimates for FY2018/19 is mainly attributed to the higher Reference Oil Price used when drawing up the estimates for the year's general budget. The price used was USD 50 pb, which is an increase of 11.1% and USD 5 pb from Reference Oil Price of USD 45 pb used in preparing estimates for the previous fiscal year's budget. Oil production figures used to calculate Oil Revenue Estimates for the year were the same used for the previous budget, where output was stated as 2.8 million barrels per day.



Source: Ministry of Finance - Closing Accounts

Table (42)  
**Estimates of Revenue in the General Budget**  
(KD Million)

Item	Approved Budget				Change	
	17/2018		18/2019		Value	(%)
	Value	(%)	Value	(%)		
<b>Public Revenues:</b>	<b>13,344.3</b>	<b>100</b>	<b>15,089.0</b>	<b>100</b>	<b>1,744.7</b>	<b>13.1</b>
<b>Oil Revenues</b>	<b>11,710.7</b>	<b>87.8</b>	<b>13,317.4</b>	<b>88.3</b>	<b>1,606.7</b>	<b>13.7</b>
<b>Non-Oil Revenues, of which:</b>	<b>1,633.5</b>	<b>12.2</b>	<b>1,771.5</b>	<b>11.7</b>	<b>138.0</b>	<b>8.4</b>
- Taxes & Fees	494.8	3.7	551.0	3.7	56.2	11.4
- Social Contributions	111.2	0.8	113.2	0.8	1.9	1.8
- Other Revenues	950.0	7.1	1,098.8	7.3	148.8	15.7
-Revenues from Disposal of Assets, and Other Non-Operating Revenues	77.4	0.6	8.5	0.1	-68.9	-89.0

Source: Ministry of Finance.

Moving on to General Budget Allocations, the data for FY2018/19 reveal a hike of 8% and KD 1,600 million in allocations which came to KD 21,500 million against KD 19,900 million the year before.

Table (43)  
**Allocations for Expenditures in the General Budget**  
(KD Million)

Item	Period		change	
	2017/18	2018/19	Value	%
<b>Current Expenditures of which:</b>	<b>19,900.0</b>	<b>21,500.0</b>	<b>1,600.0</b>	<b>8.0</b>
- Compensation of Employees	6,795.3	7,233.6	438.3	6.4
- Goods & Services	2,952.1	3,061.8	109.7	3.7
- Subsidies	354.9	531.5	176.6	49.8
- Grants	4,682.6	5,243.0	560.4	12.0
- Social Benefits	1,108.2	784.9	-323.2	-29.2
- Other Expenditures & Transfers	1,122.2	1,366.7	244.5	21.8
- Purchase of Non-Current Assets	2,884.5	3,278.3	393.8	13.7

Source: Ministry of Finance.

This increase in allocations is attributed to increases in allocations for the First Chapter (Compensation of Employees) by 6.4% and KD 438.3 million from KD 6,795.3 million to KD 7,233.6 million, and for the Second Chapter (Goods and Services) by 3.7% and KD 109.7 million from KD 2,952.1 million to KD 3,061.8 million, as well as for the Fifth Chapter (Subsidies) by 49.8% and KD 176.6 million from KD 354.9 million to KD 531.5 million. There were also increases in allocations for the Sixth Chapter (Grants) by 12% and KD 560.4 million from KD 4,682.6 million to KD 5,243 million, and for Purchase of Non-Current Assets Chapter (within Capital Expenditures) by 13.7% and KD 393.8 million from KD 2,884.5 million to KD 3,278.3 million. Allocations meanwhile decreased by 29.2% and KD 323.2 million under the Seventh Chapter (Social Benefits) going down from KD 1,108.2 million to KD 784.9 million (Table 43).

It is notable that the Salaries and Wages Group accounts for 89.3% of the total of the First Chapter (Compensation of Employees) in FY2018/19, and the group has gone up 2.2% and KD 137.6 million (from KD 6,321.3 million to KD 6,458.9 million), while the Complementary Allocations Group came to KD 304.1 million against the previous fiscal year's KD 648 million within the same chapter. There was also increase in allocations under the Sixth Chapter (Grants) because of increase in the Grants to Other Public Government Units Group which saw allocations rise 15.7% and KD 678.2 million (from KD 4,321.3 million to KD 4,999.5 million) with the group accounting for 95.4% of the Sixth Chapter's total.

Looking at the economic classification of the FY2018/19 General Budget Expenditure Allocations, data indicate a 7.1% and KD 1,206.1 million rise in allocations reaching KD 18,821.6 million against the previous fiscal year's KD 17,015.5 million (Table 44). Current Expenditure was calculated at 84.8% of overall Actual Public Expenditure.

Table (44)

**Economic classification of Allocations for Expenditures in the General Budget**

Item	Approved Budget				Change	
	17/2018		18/2019		Value	(%)
	Value	(%)	Value	(%)		
<b>Current Expenditures:</b>	<b>17,015.5</b>	<b>85.5</b>	<b>18,221.6</b>	<b>84.8</b>	<b>1,206.1</b>	<b>7.1</b>
- Compensation of Employees, of which:	6,795.3	34.1	7,233.6	33.6	438.2	6.4
* Salaries and Wages	6,321.3	31.8	6,458.9	30.0	137.6	2.2
* Social Contributions	451.2	2.3	449.5	2.1	-1.6	-0.4
* Goods & Services	2,952.1	14.8	3,061.7	14.2	109.6	3.7
* Subsidies	354.9	1.8	531.5	2.5	176.6	49.8
- Grants, of which:	4,682.6	23.5	5,243.0	24.4	560.4	12.0
* Grants to Foreign Governments	351.1	1.8	208.4	1.0	-147.7	-41.5
* Grants to other Government Units	4,321.3	21.7	4,999.5	23.3	678.2	15.7
* Social Benefits	1,108.2	5.6	784.9	3.7	-323.2	-29.2
* Other Expenditures & Transfers	1,122.2	5.6	1,366.7	6.4	244.4	21.8
<b>Capital Expenditures:</b>	<b>2,884.5</b>	<b>14.5</b>	<b>3,278.3</b>	<b>15.2</b>	<b>393.8</b>	<b>13.7</b>
- Purchase of Non-Current Assets, of which:	2,884.5	14.5	3,278.3	15.2	393.8	13.7
* Purchase of Tangible Non-Financial Non-Current Assets	780.6	3.9	851.9	4.0	71.3	9.1
* Construction & Maintenance Projects	2,103.9	10.6	2,426.4	11.3	322.5	15.3
<b>Total</b>	<b>19,900.0</b>	<b>100</b>	<b>21,500.0</b>	<b>100</b>	<b>1,600.0</b>	<b>8.0</b>

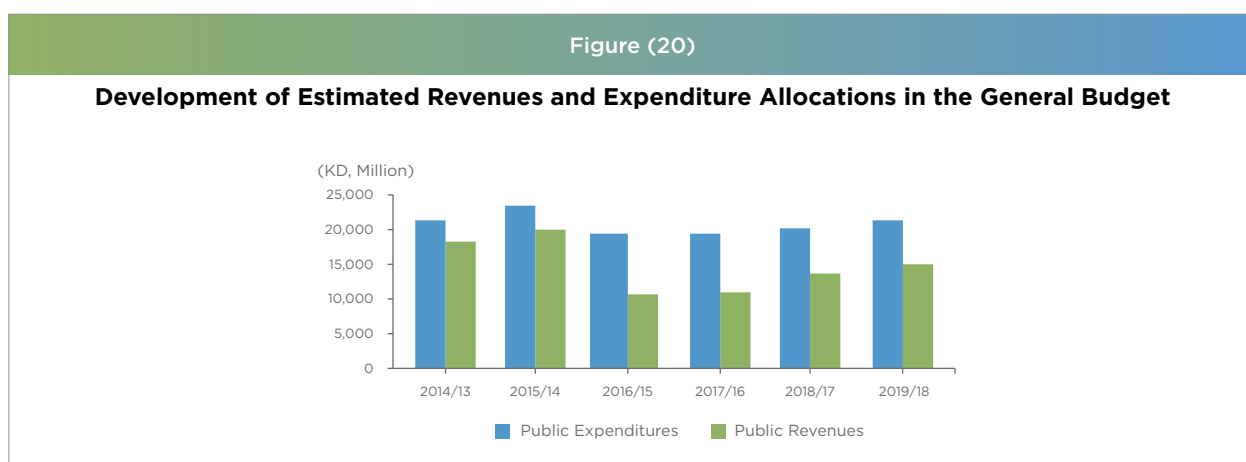
Source: Ministry of Finance.

Moving on to Capital Expenditure Allocations for FY2018/19, data indicate a hike of 13.7% and KD 393.8 million to reach KD 3,278.3 million against the previous fiscal year's KD 2,884.5 million. This in turn caused an increase in the percentage of these allocations to overall Public Expenditure Allocations from 14.5% to 15.2%.

This increase in Capital Expenditure Allocations reflects a 15.3% and KD 322.5 million rise in allocations for the Construction and Maintenance Group (within Purchase of non-Current Assets) which came to KD 2,426.4 million from the previous value of KD 2,103.9 million as the group accounted for 74% of total Capital Expenditure Allocations.

Resulting from abovementioned developments in revenue and in expenditure allocations for

FY2018/19, the General Budget for said year recorded an estimated deficit of KD 6,411 million against an estimated deficit of KD 6,555.7 million in FY2017/18, before deduction of allocations for the Reserve Fund for Future Generations (RFFG) (Table 45).



Source: Ministry of Finance

Table (45)  
**Summary of Surplus or Deficit**  
(KD Million)

Item	2017/18	2018/19
<b>Public Revenue Estimates, of which:</b>	<b>13,344.2</b>	<b>15,089.0</b>
Oil Revenues	11,710.7	13,317.4
<b>Allocations for Public Expenditures</b>	<b>19,900.0</b>	<b>21,500.0</b>
Surplus or Deficit(1)	-6,555.7	-6,411.0
Surplus or Deficit(2)	-7,890.2	-7,919.9

(1) Before deducting the allocations for the RFFG.

(2) After deducting the allocations for the RFFG.

Source: Ministry of Finance.

## 2- Government Fiscal Operations during the First Nine Months (April-December) of FY2018/19

Available data in the monthly follow-up statements on revenues and expenditures of the general budget for FY2018/19 (Table 46) indicate a surge of 40.7% and KD 4,536.7 million in total Actual Public Revenue collected in the first nine months (April-December 2018) of FY2018/19 to reach KD 15,686.5 million against last year's KD 11,149.8 million for the same period. This increase is attributable to a surge of 44.4% and KD 4,508 million in Actual Oil Revenues collected in said period which went up from KD 10,151.5 million to KD 14,659.5 million. Collected total Non-Oil Revenues were also up 2.9% and KD 28.7 million for the specified period reaching KD 1,027 million against the previous fiscal year's KD 998.3 million. The hike in total Oil Revenues collected for this period resulted from the significant increase in average price of Kuwait's export crude which went up 36.5% and USD 18.84 pb, from USD 51.63 pb to USD 70.47 pb.

Based on developments in actual oil and non-oil revenues collected in the first nine months of FY2018/19 (April-December 2018), total Actual Public Revenue Collected for the same period came to 104% of the overall estimate endorsed for the whole fiscal year, a sum of KD 15,089 million.

Table (46)  
**Public Revenues**  
(KD Million)

Item	Period		Change	
	April-Dec 2017	April-Dec 2018	Value	%
<b>Total Public Revenues:</b>	<b>11,149.8</b>	<b>15,686.5</b>	<b>4,536.7</b>	<b>40.7</b>
Oil Revenues	10,151.5	14,659.5	4,508.0	44.4
Non-Oil Revenues	998.3	1,027.0	28.7	2.9
- Taxes & Fees	346.0	393.8	47.8	13.8
- Social Contributions	32.3	38.1	5.8	17.9
- Other Revenues	586.6	590.9	4.3	0.7
- Revenues on Disposal of Assets and Non-Operating Revenues	33.4	4.2	-29.2	-87.4

Source: Ministry of Finance.

As for Actual Public Expenditures for said period, data indicate a drop of 10.8% and KD 1,198.9 million to reach KD 9,912.9 million against last year's KD 11,111.7 million. Actual Expenditures budgeted over the first nine months of FY2018/19 accounted for 46.1% of Public Expenditure Allocations for the whole fiscal year, at KD 21,500 million.

Table (47)  
**Public Expenditure**  
(KD Million)

Item	Period		Change	
	April-Dec 2017	April-Dec 2018	Value	%
<b>Current Expenditure</b>	<b>10048.6</b>	<b>8973.9</b>	<b>-1074.7</b>	<b>-10.7</b>
- Compensation of Employees	4206.7	2419.4	-1787.3	-42.5
- Goods & Services	1286.3	1732.3	446.0	34.7
- Subsidies	182.7	249.3	66.6	36.4
- Grants	3117.5	3397.6	280.1	9.0
- Social Benefits	677.5	367.1	-310.4	-45.8
- Expenses and Other Transfers	577.9	808.2	230.3	39.9
<b>Total Capital Expenditure</b>	<b>1063.1</b>	<b>939.0</b>	<b>-124.1</b>	<b>-11.7</b>
- Purchase of Non-Current Assets	1063.1	939.0	-124.1	-11.7
<b>Total Current Expenditure</b>	<b>11111.7</b>	<b>9912.9</b>	<b>-1198.9</b>	<b>-10.8</b>

Source: Ministry of Finance.

The aforementioned decline in total Actual Expenditure for the period (April-December 2018) compared to the same period of the previous fiscal year is attributed to the decline in actual expenditure by 42.5% and KD 1,787.3 million under the First Chapter (Compensation of Employees) which dropped from KD 4,206.7 million to KD 2,419.4 million, along with a drop of 45.8% and KD 310.4 million under the Seventh Chapter (Social Benefits) which went down from KD 677.5 million to KD 367.1 million, in addition to a drop of 11.7% and KD 124.1 million under the (Purchase of

Non-Current Assets) item within Capital Expenditure from KD. Also factoring in this decline in the total was the increase of 34.7% and KD 446 million in Actual Expenditure under the Second Chapter (Goods and Services), a hike of 36.4% and KD 66.6 million under the Fifth Chapter (Subsidies), an up of 9% and KD 280.1 million under the Sixth Chapter (Grants), and the increase of 39.9% and KD 230.3 million under the Eighth Chapter (Expenses and other Transfers).

Regarding the economic classification of Public Expenditures, monthly follow-up data for FY2018/19 indicate a drop of 10.7% and KD 1,074.7 million in Current Expenditure for the first nine months of the year (April-December 2018), from KD 10,048.6 million to KD 8,973.9 million. Current Expenditure for the same period accounted for 50% of Current Expenditure Allocations for the whole of said year, which are totaled at KD 17,917.5 million. Capital Expenditure also dropped 11.7% and KD 124.1 million over the same period, from last fiscal year's KD 1,063.1 million to KD 939 million.

Table (48)  
**Summary of Surplus or Deficit**  
 (KD Million)

Item	Period	
	April-Dec 2017	April-Dec 2018
Actual Public Revenue	11,149.8	15,686.5
Actual Public Expenditures	12,512.3	12,108.9
<b>Surplus or Deficit(1)</b>	<b>-1,362.5</b>	<b>3,577.6</b>
<b>Surplus or Deficit(2)</b>	<b>-2,477.5</b>	<b>2,008.9</b>

(1) Before deducting the allocations for the RFFG.

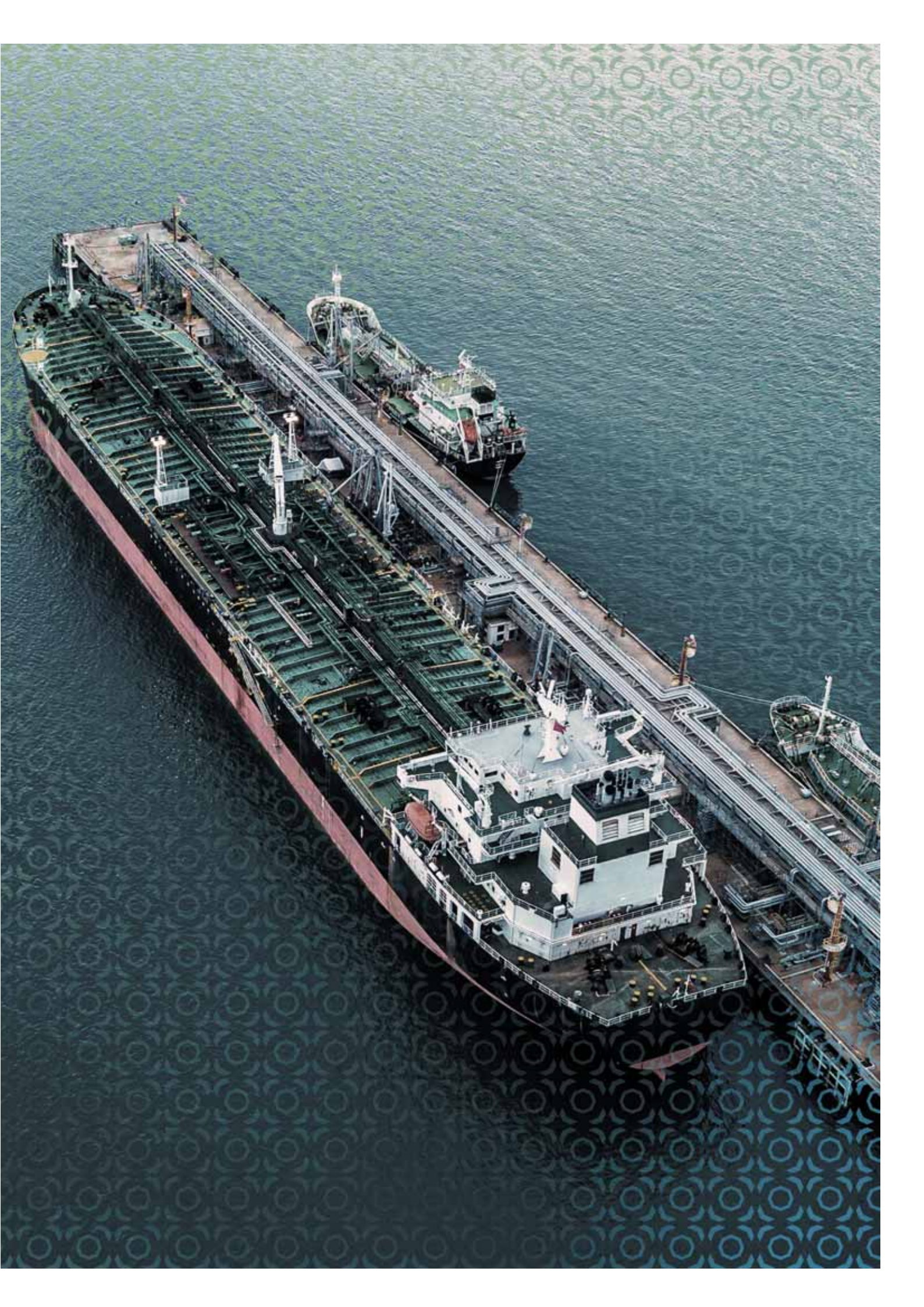
(2) After deducting the allocations for the RFFG.

Source: Ministry of Finance.

The outcome of developments in Actual Public Revenues and Expenditures over the nine first months of FY2018/19 (April-December 2018) was an Actual General Budget Surplus of 3,577.6 million against an Actual Deficit of KD 1,362.5 million last year, before deduction of allocations for the Reserve Fund for Future Generations (RFFG).



# Foreign Trade and Balance of Payments

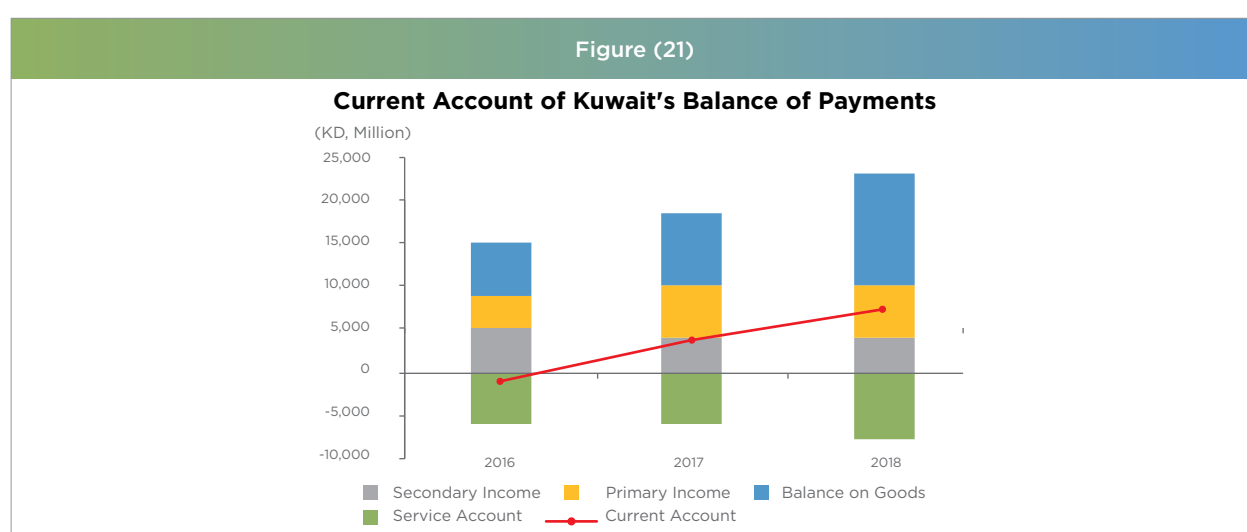


## Foreign Trade and Balance of Payments

This part of the report reviews developments in the statistics on the State of Kuwait's balance of payments (BoP) and foreign trade in 2018 as compared to 2017. The comparison is mainly in terms of developments in the state's Current Account and its main components, namely the Balance on Goods, Services Account, Primary Income (investment income), and Secondary Income (current transfers), as well as the developments related to the Capital Account and Financial Account. The review indicated the following:

### First: Current Account

The current account reflects the flows of goods, services, and primary and secondary income between residents and non-residents. The "balance" of such accounts is defined as the Current Account Balance, which is the difference between the total exports and receivable income and the total imports and payable income. (Exports and imports refer to both goods and services, while income refers to both primary and secondary income.)



Source: Central Bank of Kuwait.

Preliminary estimates of Kuwait's BoP statistics indicate a Current Account surplus of KD 6,158.3 million in 2018, compared to a surplus of KD 2,913.4 million in 2017, which is a jump of 111.4% and KD 3,244.9 million the year before.

Table (49)  
**Current Account**  
(KD Million)

Item	2017	2018	Change	
	Revised	Provisional	Value	(%)
<b>First: Current Account (1+2+3+4):</b>	<b>2,913.4</b>	<b>6,158.3</b>	<b>3,244.9</b>	<b>111.4</b>
<b>1. Balance on Goods:</b>	<b>7,794.2</b>	<b>12,363.2</b>	<b>4,569.0</b>	<b>58.6</b>
* Merchandise Exports (FOB), of which:	16,744.5	21,825.6	5,081.1	30.3
Oil Exports	15,033.6	19,744.5	4,710.9	31.3
* Minus Merchandise Imports (FOB)	8,950.3	9,462.4	512.1	5.7
<b>1. Services, of which:</b>	<b>-6,127.5</b>	<b>-7,341.3</b>	<b>-1,213.8</b>	<b>-19.8</b>

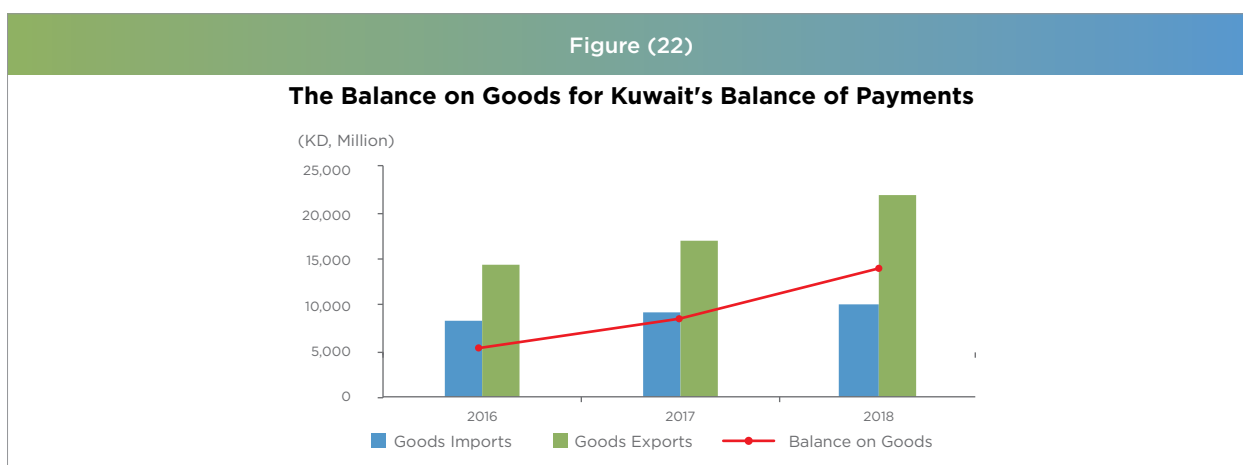
* Transportation	-1,270.8	-1,021.5	249.3	19.6
* Travel	-3,002.5	-3,648.7	-646.2	-21.5
* Telecom	617.2	893.5	276.3	44.8
* Government Services and Goods	-141.8	-264.6	-122.8	-86.6
<b>3. Primary Income, of which:</b>	<b>5,695.9</b>	<b>5,619.9</b>	<b>-75.9</b>	<b>-1.3</b>
* Compensations of Employees	34.6	29.8	-4.8	-13.9
* Investment Income	5,730.5	5,649.7	-80.8	-1.4
<b>4. Secondary Income:</b>	<b>-4,449.2</b>	<b>-4,484.9</b>	<b>-35.7</b>	<b>-0.8</b>
* Government Bodies	-266.6	-132.2	134.4	50.4
* Other Sectors, of which:	-4,182.6	-4,351.3	-168.7	-4.0
Workers' Transfers	-4,142.3	-4,306.3	-164.0	-4.0

Source: Central Bank of Kuwait.

This increase resulted from the following developments in the main components of the Current Account:

### 1- Balance on Goods <sup>4</sup>

Available preliminary data and estimates indicate an increase in total value of the State of Kuwait's foreign merchandise trade (both import and export on FOB basis) from the previous fiscal year; the sum grew 21.8% and KD 5,593.3 million from KD 25,694.7 million to KD 31,288 million. Realized surplus in the Balance on Goods (which is the difference between value of merchandise exports and imports on FOB basis) came to KD 12,363.2 million from KD 7,794.2 million last year, which is a surge of 58.6% and KD 4,569 million. The following is a review of developments in the State of Kuwait's foreign merchandise trade in more detail, as compared to the year before:



Source: Central Bank of Kuwait.

### A. Merchandise Exports

The total value of Kuwait's merchandise exports for 2018 (on FOB basis) registered an increase of 30.3% and KD 5,081.1 million, from KD 16,744.5 million to KD 21,825.6 million. This mainly reflects increase in value of oil exports for the year which went up 31.3% and KD 4,710.9 million, from KD 15,033.6 to KD 19,744.5 million.

The rise in value of oil exports in turn resulted mainly from increase in average price of Kuwaiti export crude per barrel (pb) from USD 51.6 pb in 2017 to USD 68.7 pb in 2018, which is an increase of 33.1% and USD 17.1 pb. Average daily quantity of exported oil meanwhile increased by 1.2%

<sup>4</sup> The balance on goods concept within the balance of payments prepared by the CBK is different than that found in the Central Statistical Bureau's external trade statistics because of difference in scope of comprehensiveness of data for export and import of goods upon which the two balances are drawn, as would be mentioned later upon review of developments in value of export and import of goods within this report.

(from 2.025 million barrels per day in 2017 to 2.050 million barrels per day). The total value of the state's non-oil exports (on FOB basis) also gained 21.6% and KD 370.2 million from last year, from KD 1,710.9 million to KD 2,081.1 million.

Table (50)

**Geographic Distribution of Value of Non-Oil Exports of the State of Kuwait to the Top Ten Countries**  
(Value in KD Million and Relative Share in Percentage)

Country	2017		2018	
	Value	%	Value	%
India	231.0	13.5	343.9	16.5
China (PRC)	151.3	8.8	287.7	13.8
UAE	178.8	10.4	240.4	11.6
Iraq	209.2	12.2	188.3	9.0
Kingdom of Saudi Arabia	199.5	11.7	165.7	8.0
Qatar	108.3	6.3	129.4	6.2
Pakistan	45.5	2.7	87.4	4.2
Sultanate of Oman	59.1	3.5	60.6	2.9
Turkey	29.7	1.7	47.2	2.3
Jordan	24.4	1.4	29.3	1.4
<b>Total</b>	<b>1,236.8</b>	<b>72.3</b>	<b>1,579.9</b>	<b>75.9</b>
<b>Total value of non-oil exports</b>	<b>1,710.9</b>	<b>100.0</b>	<b>2,081.1</b>	<b>100.0</b>

Source: Central Statistical Bureau.

In terms of value of non-oil exports by trade partner, the data indicate that total non-oil exports to the state's top ten trade partners came to KD 1,579.9 million and stood at 75.9% of the state's overall non-oil exports for the year. This compares to a value of KD 1,236.8 million accounting for 72.3% last year (Table 50).

## B. Merchandise Imports

The total value of Kuwait's merchandise imports (on CIF basis<sup>5</sup>) for 2018<sup>5</sup> showed an increase of 5.7% and KD 584.1 million, from KD 10,183 million to KD 10,767.1 million. As for the relative distribution of the total value of merchandise imports by main trade partner, the relevant data reveal that total imports from the state's top ten trade partners came to KD 7,285.6 million and stood at 67.7% of the state's total merchandise imports for the year. This compares to a value of KD 7,023 million which accounted for 69% last year (Table 51).

<sup>5</sup> The value of the State of Kuwait's imports in this item as in table (49) on FOB (Free on Board) basis is different than that listed in table (51), which is calculated on CIF (Cost, Insurance, and Freight) basis.

Table (51)

**Geographic Distribution of Kuwait Merchandise Imports Value (on CIF basis) From the Top Ten Countries**

(Value in KD Million and Relative Share in Percentage)

Country	2017		2018	
	Value	%	Value	%
China (PRC)	1,669.5	16.4	1,805.8	16.8
USA	1,044.3	10.3	937.1	8.7
UAE	888.5	8.7	936.2	8.7
Japan	521.9	5.1	635.3	5.9
Germany	604.5	5.9	617.3	5.7
Kingdom of Saudi Arabia	556.8	5.5	616.6	5.7
India	533.4	5.2	561.7	5.2
Italy	460.3	4.5	478.6	4.4
South Korea	471.5	4.6	425.0	3.9
United Kingdom	272.3	2.7	271.9	2.5
<b>Total</b>	<b>7,023.0</b>	<b>69.0</b>	<b>7,285.6</b>	<b>67.7</b>
<b>Total Imports</b>	<b>10,183.0</b>	<b>100.0</b>	<b>10,767.1</b>	<b>100.0</b>

Source: Central Statistical Bureau.

The data show that China was the state's top exporter market with imports valued at KD 1,805.8 million accounting for 16.8% of the value of the state's total merchandise imports for the year. The second exporter market for 2018 was meanwhile the United States of America (USA) with imports valued at KD 937.1 million accounting for 8.7% of the value of the state's total imports for the year. In third place was the United Arab Emirates (UAE) with imports valued at KD 836.2 million accounting for 8.7% of the value of the state's total imports for the year.

### C. Kuwait Trade with GCC countries:

Available preliminary statistics on non-oil trade between Kuwait and other member states of the Gulf Cooperation Council (GCC) indicate an increase in value of trade by 13.9% and KD 305 million, going up from KD 2,193.8 million in 2017 to KD 2,498.8 million in 2018. Within this context, the value of Kuwait's non-oil exports to GCC countries went up 8.3% and KD 47.3 million in 2018, reaching KD 619.1 million.

There was also a hike of 15.9% and KD 257.7 million in the value of Kuwait's GCC merchandise imports, which went up from KD 1,622 million in 2017 to KD 1,879.7 million in 2018. The value of these GCC imports accounted for 17.5% of the state's total merchandise imports in 2018. Imports from the UAE and the Kingdom of Saudi Arabia (KSA) accounted for 82.6% of the total value of Kuwait's GCC imports. Consequently, Kuwait's balance of merchandise trade with GCC countries saw a deficit of KD 1,260.6 million in 2018 against a deficit of KD 1,050.2 million in the previous fiscal year.

Table (52)  
**Kuwait Trade with GCC Countries\***  
(KD Million)

Item	2017			2018		
	Exports	Imports	Balance of Trade	Exports	Imports	Balance of Trade
UAE	178.8	888.5	-709.8	240.4	936.2	-695.8
Saudi Arabia	199.5	556.8	-357.3	165.7	616.6	-451.0
Bahrain	26.1	92.1	-65.9	22.9	232.5	-209.6
Qatar	108.3	15.8	92.6	129.4	15.3	114.1
Oman	59.1	68.8	-9.8	60.6	79.0	-18.4
<b>Total</b>	<b>571.8</b>	<b>1,622.0</b>	<b>-1,050.2</b>	<b>619.1</b>	<b>1,879.7</b>	<b>-1,260.6</b>

\* Only non-oil exports are included.

Source: Central Statistical Bureau.

## 2- Services Account (Net):

The Services Account (Net) reflects the value of services transactions between residents and non-residents, the most important of which are transportation, travel, communications, construction, and other services, as well as government services and goods. The Services Account (Net) saw the deficit increase by 19.8% and KD 1,213.8 million to reach KD 7,341.3 million in 2018 against a deficit of KD 6,127.5 million in 2017. The main contribution to this deficit is an 90.8% and KD 1,157.4 million increase in construction services payments, which reached KD 2,446.6 million against KD 1,289.2 million the year before.

The total value of payments on Services (listed on the debit side of the Services Account) reached KD 9,607.4 million in 2018 against KD 8,126.3 million the year before, which is an increase of 18.2% and KD 1,481.2 million. Notably, the value of payments under the item Travel accounted for 41.9% of the overall value of payments on the debit side of the Services Account for 2018, which compares to 42.1% in 2017. The value of payments under the item Construction meanwhile came second at 25.5% of the overall value of payments on the debit side of the Services Account for 2018, against 15.9% the previous year.

Conversely, the total value of receipts (listed on the credit side of the Services Account) for 2018 was KD 2,266.1 million against last year's KD 1,998.8 million at an increase of 13.4% and KD 267.3 million. This increase is attributed to increase in value of receipts from Communication Services, which put on 37.3% and KD 273.4 million to go from KD 732.5 million to KD 1,005.9 million, as well as from Other Services, which grew by 34.1% and KD 97.1 million to go from KD 284.8 to 381.9 million.

## 3- Primary Income:

The Primary Income includes the net value of Compensation of Employees and the net value of income from investments abroad. The Primary Income Account realized a surplus of KD 5,619.9 million in 2018 against a surplus of KD 5,695.9 million the year before, which is a decrease of 1.3% and KD 75.9 million. Statistics indicate that the total value of receipts from investments abroad by different sectors of the national economy for the year had reached KD 6,435.3 million against KD 6,397.2 million the year before, which is a slight increase of 0.6% and KD 38.1 million.

## 4- Secondary Income:

The Secondary Income Account in the Current Account on the debit side of the BOP reflects the current outward transfers from residents, including expatriate workers' remittances, and the cash and in-kind subsidies and donations extended by the government of the State of Kuwait

to non-residents. Provisional statistics indicate a deficit of KD 4,484.9 million in the Secondary Income Account in 2018. This compares to a deficit of KD 4,449.2 million last year, meaning an increase 0.8% and KD 35.7 million in deficit in 2018. The main factor behind this change is an increase in the value of expatriate workers' remittances that went up 4% and KD 164 million to reach KD 4,306.3 million against KD 4,142.3 million the year before.

## Second: Capital Account

The Capital Account saw decrease in deficit value (net capital transfer outflows) by 50.7% and KD 66.1 million in 2018, going from KD 130.4 million down to KD 64.3 million. The decrease is mainly the result of residents' collection/receipt of UN compensations (a key component within Capital Transfers) to the value of KD 82 million in 2018, payment of which had previously been deferred.

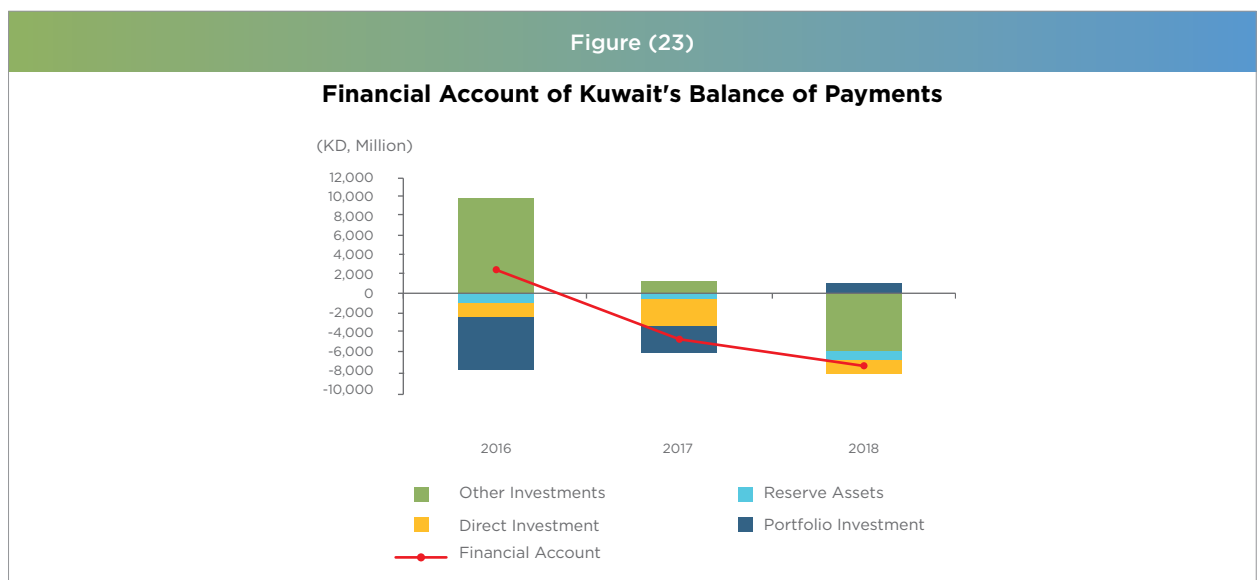
Table (53)  
**Capital Account**  
(KD Million)

Item	2017	2018	Change	
	Revised	Provisional	Value	%
<b>Second: Capital Account:</b>	<b>-130.4</b>	<b>-64.3</b>	<b>66.1</b>	<b>50.7</b>
<b>* Capital Transfers:</b>	<b>-130.4</b>	<b>-44.9</b>	<b>85.4</b>	<b>65.5</b>
General Government	-53.5	-49.4	4.1	7.6
Other Sectors	-76.9	4.5	81.4	105.8
<b>Third: Current and Capital Account</b>	<b>2,783.0</b>	<b>6,094.0</b>	<b>3,311.0</b>	<b>119.0</b>

Source: Central Bank of Kuwait.

## Third: Financial Account

The Financial Account records transactions that involve financial assets and liabilities that take place between residents and non-residents. The Financial Account indicates job categories, sectors, instruments, and maturities used in net international finance transactions. Provisional statistics for 2018 indicate that the Financial Account of the State of Kuwait's Balance of Payments (BOP) has recorded a net outflow of funds (growth in the net value of external investments by residents in the domestic economy) valued at KD 7,325.5 million against last year's KD 5,287.9 million. Chief cause for this change was change in the total of other investments, as well as the change in total of CBK's Reserve Assets.



Source: Central Bank of Kuwait.

Table (54)  
**Financial Account\***  
(KD Million)

Item	2017	2018	Change	
	Revised	Provisional	Value	%
<b>Third- Financial Account:</b>	<b>-5287.9</b>	<b>-7325.6</b>	<b>-2037.5</b>	<b>-38.5</b>
<b>1. Direct Investment (Net):</b>	<b>-2628.6</b>	<b>-1028.3</b>	<b>1600.3</b>	<b>60.9</b>
- Direct Investments Abroad	-2734.2	-1132.6	1601.6	58.6
- Foreign Direct Investments in Kuwait	105.6	104.3	-1.3	-1.2
<b>2. Portfolio Investment (Net):</b>	<b>-3136.8</b>	<b>725.8</b>	<b>3862.7</b>	<b>123.1</b>
- Assets	-5705.9	505.0	6210.9	108.9
- Liabilities	2569.1	220.9	-2348.2	-91.4
<b>3. Financial Derivatives:</b>	<b>-10.0</b>	<b>2.2</b>	<b>12.2</b>	<b>122.0</b>
- Assets	-101.2	158.3	259.5	256.4
- Liabilities	91.2	-156.1	-247.3	-271.1
<b>4. Other Investments (Net):</b>	<b>1084.7</b>	<b>-5885.4</b>	<b>-6970.1</b>	<b>-642.6</b>
- Assets	27.3	-8090.5	-8117.8	-29779.8
- Liabilities	1057.5	2205.2	1147.7	108.5
<b>5. CBK's Total Reserve Assets (Change)</b>	<b>-597.2</b>	<b>-1139.8</b>	<b>-542.7</b>	<b>-90.9</b>

\*Negative numbers in the Financial Account statements reflect capital outflows, indicating an increase in external assets or a decrease in foreign liabilities. Positive numbers indicate the opposite.

Source: Central Bank of Kuwait

#### Fourth: Errors and Omissions (Net)

Available data and estimates indicate that the net flows that are not listed under any BOP item are estimated at KD 1,231.4 million on the credit side for 2018, representing net inflows for the year, which compares to KD 2,504.9 million on the credit side the year before.

#### Fifth: Overall Balance

The overall position of the State of Kuwait BOP, which summarizes the transactions recorded under various BOP items, indicates a total surplus of KD 1,139.8 million against a surplus of KD 597.2 million the year before. The total surplus in the BOP reflects a realized increase, of equal amount, in total value of CBK reserve assets. Considering the state's BOP from a broader perspective to take into consideration the change in net value of external investments by some government bodies and institutions, and most specifically those by Kuwait Investment Authority and Kuwait Petroleum Corporation, as well as the aforementioned change in gross value of CBK reserve assets, the figures show a surplus estimated at KD 7,713.7 million in 2018 against a surplus of KD 3,428.9 million the year before.

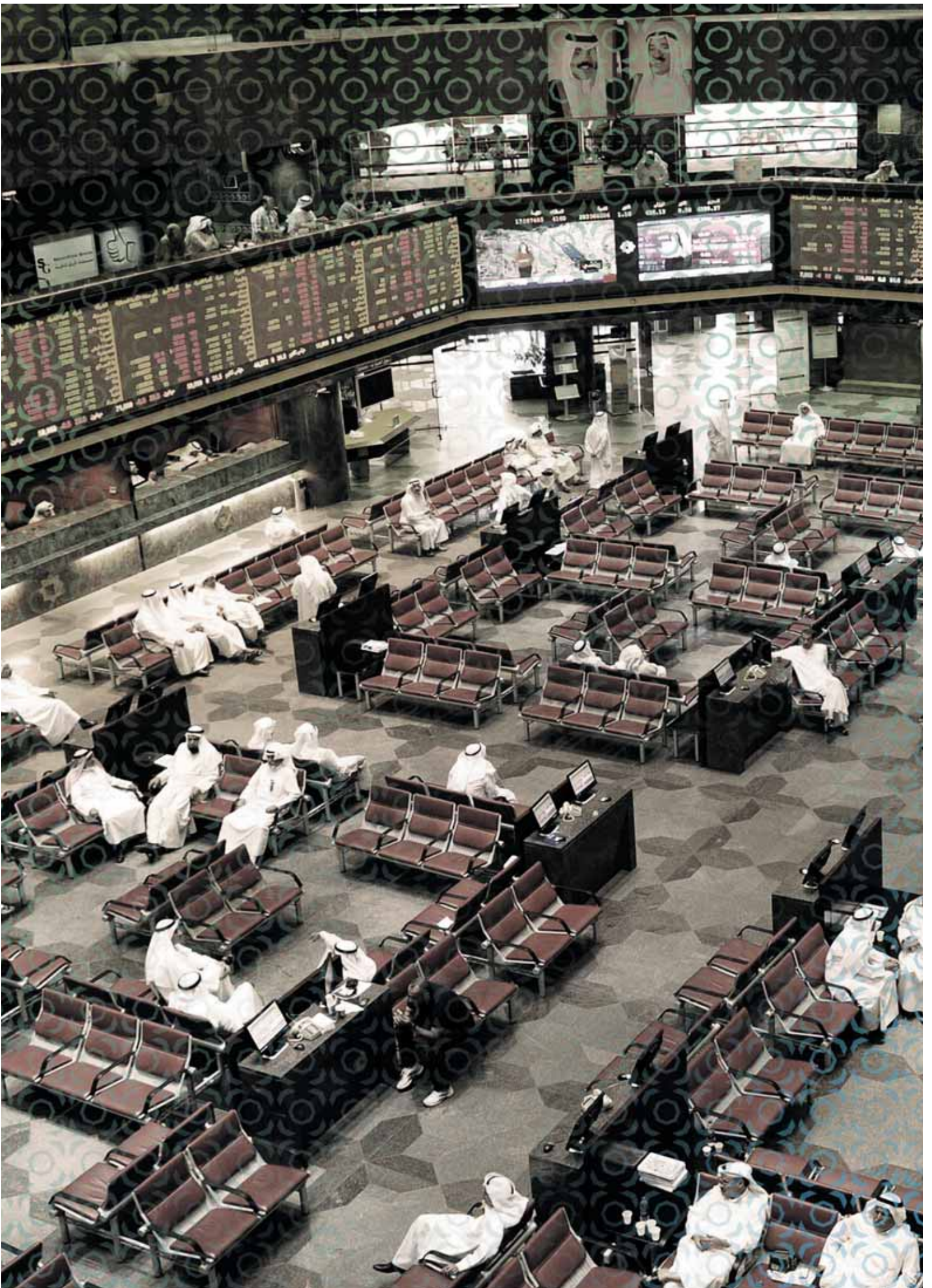
Table (55)  
**The State of Kuwait BOP**  
 (KD Million)

Item	2017	2018	Change	
	Revised	Provisional	Value	%
Current Account	2913.4	6158.3	3244.9	111.4
Capital Account	-130.4	-64.3	66.1	50.7
Current and Capital Account	2783.0	6094.0	3311.0	119.0
Financial Account	-5287.9	-7325.5	-2037.6	-38.5
Errors and Omissions	2504.9	1231.4	-1273.5	-50.8
Overall Balance (Surplus/Deficit)	597.2	1139.8	542.7	90.9
Reserve Assets of CBK (Change)	-597.2	-1139.8	-542.7	-90.9

Source: Central Bank of Kuwait



# Boursa Kuwait



## Boursa Kuwait

The main trading and price indices at Boursa Kuwait showed variation in their performance for the year 2018, with the main indicators (value and volume of traded shares) slipping considerably by 27.67% and 57.47%, respectively, from their 2017 figures. The All Share market index ended the year on a gain of 1.59%, and the Premier Market Index gained 5.35%, while the Main Market Index slipped 5.23%. Market capitalization of listed companies gained a notable 5.95% to reach KD 29,105.22 million, compared to a gain of 4.67% the year before.

As for the most prominent developments at Boursa Kuwait, the market had throughout 2018 and in the development phase made several initiatives and implemented new technologies in line with international standards and criteria, which provided opportunities for foreign investment companies to flourish in a booming financial market. In April 2018, Boursa Kuwait embarked on a new phase of its development with the division of the market into three segments; Premier Market, Main Market, and Auction market, alongside adherence to the latest best practices aimed at increasing transparency in a manner that boosts confidence among all parties involved. This is achieved through a strategy focused on enhancing the market's overall situation and addressing all parties' needs through providing investment instruments, restructuring the market to enhance its competitiveness, liquidity, and attracting local and international investors. Also during 2018, Standard & Poor's (S&P) rating agency and Dow Jones Indexes both upgraded the bourse to Emerging Market status as of 23rd September 2019, citing its active role in stimulating the Kuwaiti money market and its adoption of the latest international standards. This promotion followed Boursa Kuwait's implementation of the FTSE Russell classification system and its adoption of a set of measures, in cooperation with the Capital Markets Authority (CMA) and Kuwait Clearing Company (KCC), related to clearing and settlements. Morgan & Stanley Capital International (MSCI) also included Boursa Kuwait into its annual review list for 2019 classification, following which it also nudged the market up to an Emerging Market. In November 2018, the bourse launched a system for trading in non-listed company shares, known as the Over the Counter (OTC) system to facilitate trading in non-listed shares and curb red tape through complete automation. Boursa Kuwait managed other significant feats during the year, namely securing full membership with the World Federation of Exchanges (WFE), a big step towards fuller integration with international exchanges, and joining the Federation of Euro-Asian Stock Exchanges (FEAS), towards integration with international exchanges and money market.

This section of the report addresses key developments in Boursa Kuwait activity in 2018, as follows:

### First: Main Trading Indices

Boursa Kuwait's main trading indices showed a considerable drop from 2017 (Table 56, Figure 24), with a total value of traded shares at KD 4.13 billion (daily average of KD 16.86 million)<sup>6</sup> against KD 5.71 billion (daily average of 22.93 million), which is a drop of 27.7% and KD 1.58 billion (26.5% in the daily average). Trading volume also dropped to 21.36 billion shares (daily average of 87.18 million shares) against 50.22 billion shares (daily average 201.69 million), which is a decline of 28.86 billion shares and 57.5% (56.8% in the daily average).

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<sup>6</sup> The daily average of traded value and volume in Boursa Kuwait in 2018 was calculated for 245 trading days against 249 trading days in 2017.

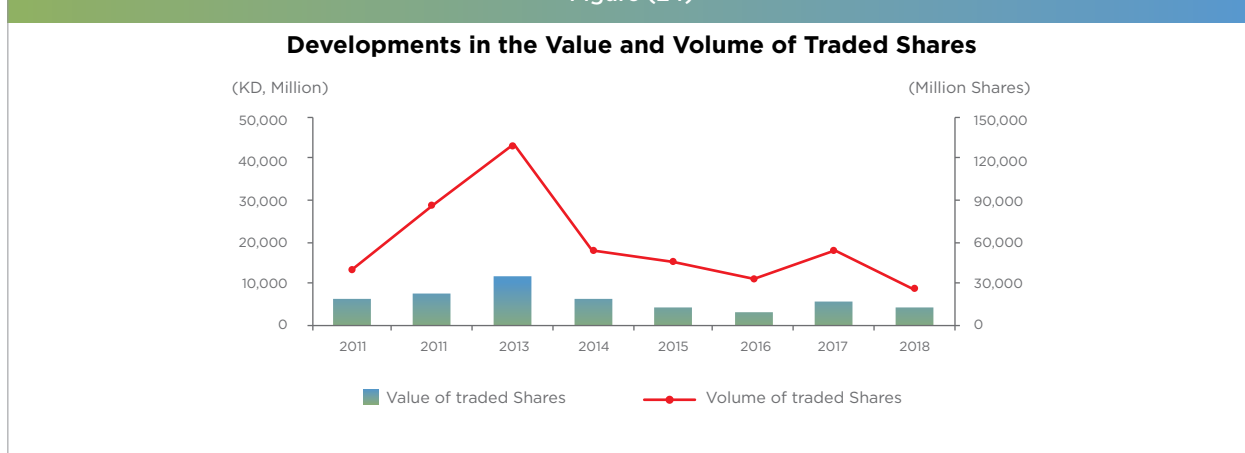
Table (56)

**Main Share Trading Indicators of Boursa-Listed Companies**

Item	Value (KD Million)	Quantity (Million Shares)	No. of Transactions (Thousand)
2016	2872.7	30318.1	712.8
2017	5707.3	50221.1	1193.8
2018	4127.8	21356.8	924.7
Q1	757.5	5086.0	203.2
Q2	687.6	3561.9	165.8
Q3	1513.6	6795.8	303.1
Q4	1169.1	5913.1	252.6
(%) 2017 from 2018 Annual Change in	-27.67	-57.47	-22.54

Source: Boursa Kuwait.

Figure (24)



Source: Boursa Kuwait.

In terms of sectorial distribution of the total value of traded shares (table 57), shares of the banks sector (which includes shares of 12 banks making up 7.36% of all listed entities and 55.39% of market capitalization by end of 2018) saw the highest trading value. It is notable that trading value of the banks sector in 2018 reached KD 2,187.99 million at 53.01% of total value of traded shares for said year. Also, among the top five sectors in terms of relative weight, Industry was second at 14.54%, followed by Financial Services at 9.9%, Communications at 9.65%, and Real Estate at 5.82%.

Table (57)

**Developments in the Value of Traded Shares by Boursa Kuwait Sectors during 2018 (Value in KD Million) and the Relative Share of the Total (%)**

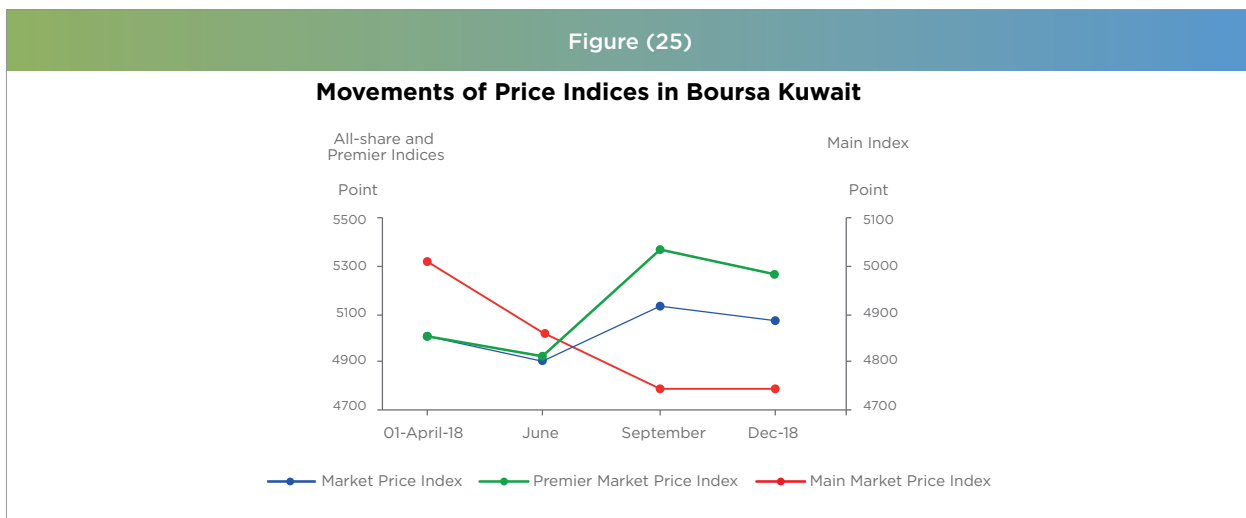
Sector	Number of Companies	2018	
		Value	%
Oil & Gas	6	21.04	0.51
Basic Materials	4	140.31	3.40
Industrials	29	600.10	14.54
Consumer Commodities	3	40.64	0.98
Healthcare	3	1.58	0.04

Consumer Services	11	80.64	1.95
Telecommunications	4	398.42	9.65
Utilities	-	-	-
Banks	12	2,187.99	53.01
Insurance	7	6.74	0.16
Real-Estate	37	240.31	5.82
Financial Services	45	408.73	9.90
Technology	2	1.30	0.03
<b>Total</b>	<b>163</b>	<b>4,127.80</b>	<b>100</b>

Source: Boursa Kuwait.

## Second: Price Movements

Boursa Kuwait's All Share Index (1/4/2018=5,000 points) posted a notable gain by end of year closing at 5,079.56 points against 5,000 points (main price index), which is an up of 79.56 points and 1.59%.



Source: Boursa Kuwait.

The All Share Index daily average peaked on 8 August 2018, hitting the 5,287.15 points mark, and was at its lowest of 4,731.35 points on 24 May 2018. The difference between highest and lowest mark is thus 555.8 points, which comes to 11.75%.

The Premier Market Index meanwhile made bigger gains, closing the year at 5,267.36 points against 5,000 points (main price index), which is an increase of 267.36 points and 5.35%. The Main Market Index<sup>7</sup> (1.4.2018=5,000 points), however, slipped to 4,738.56 points against 5,000 points (main price index), which is a decline of 261.44 points and 5.23%.

It is notable that the main indices had posted remarkable gains in the third quarter, with the All Share Index and the Premier Market Index going up 4.86% and 8.95%, respectively, compared to second quarter closing. The Main Market Index meanwhile inched up 0.06% by end of year compared to the third quarter.

<sup>7</sup> Trading indices classification at Boursa Kuwait was changed in the second quarter of the year 2018 and the change was effected as of Sunday, 1st April, 2018. The new classification includes the All Share Index, Premier Market Index, and the Main Market Index (1.4.2018=5,000 points). Among the changes effected by boursa management, also, was the cancelling of the Financial Instruments Sector, as well as the inclusion of seven companies previously classified under the parallel market into the Main Market's list of companies, bringing up the number to a total of 163 listed companies till the end of the second quarter of the year, where

<sup>89</sup> ten of which are non-Kuwaiti.

Table (58)

**Major Price Indicators at the end of the Quarters of 2018 (Point)**

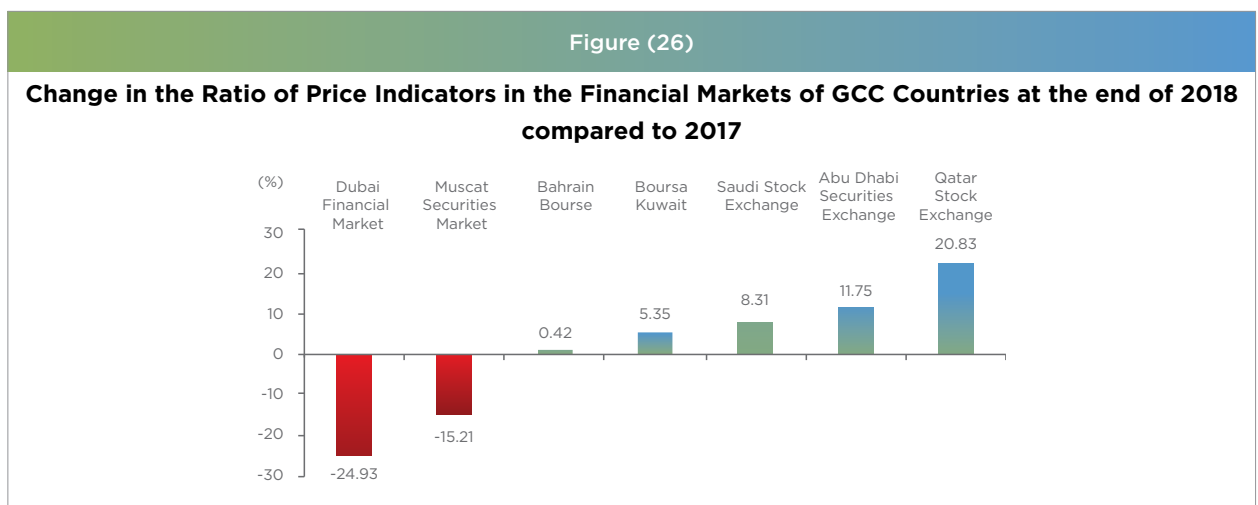
Period	All-share Index	Premier Index	Main Index
April 2018 1	5,000	5,000	5,000
2018 Q2	4,890.44	4,904.82	4,863.51
(%)	-2.19	-1.90	-2.73
2018 Q3	5,128.04	5,343.91	4,735.62
(%)	4.86	8.95	-2.63
2018 Q4	5,079.56	5,267.36	4,738.56
(%)	-0.95	-1.43	0.06

(%) Reflects the change in the current quarter against the previous quarter in major indicators.

Source: Boursa Kuwait.

**Price Indicators in the Financial Markets of the GCC Countries**

Price indices for the capital markets in the GCC countries (indicators weighted by companies' capitals) showed varied performance in 2018 compared to 2017 closings. Qatar Stock Exchange posted the biggest gain of 20.83%, followed by Abu Dhabi Securities Exchange, which was up 11.75%, Saudi Stock Exchange with an up of 8.31%, Boursa Kuwait with a gain of 5.35%, and Bahrain Bourse with an up of 0.42%. Meanwhile, there were declines in the indices of the Dubai Financial Market and Muscat Securities Market, down 24.93% and 15.21%, respectively.



Source: Reuters

As for major developments in main international exchanges, Morgan Stanley Capital International (MSCI) data reveal clear declines. The data uncover a decline of 192.67 points and 16.63% in the Emerging Markets Index (EM), as well as a drop of 219.55 points and 10.44% in the Developed Markets Index (DM) by end of 2018 against closing 2017.<sup>8</sup>

**Third: Factors Affecting Boursa Kuwait's Activity**

Several factors affected Boursa Kuwait's performance in 2018, most important of which are the following:

- Results of Morgan Stanley Capital International (MSCI) and FTSE Standard classification review: MSCI had decided, in March 2018, to list additional countries under its Emerging Markets Index, including the State of Kuwait. MSCI asserted it would list Boursa Kuwait for

<sup>8</sup> Source: Morgan Stanley

classification review for the following year, possibly granting the bourse to Emerging Market status, adding the final decision in this respect is to be announced in June 2019. This has helped elevate liquidity and indices levels in 2018. Boursa Kuwait was also elevated to an Emerging Market within the FTSE Russell Standard framework in two phases, the first in September and the second in December. An additional 13 companies were added under the shares index, mostly companies listed in the Premier Market. The Bourse's addition to the annual MSCI classification review in June 2019 later indicated the market might soon be listed under more international indices, which buoyed demand for and pushed up prices of shares considerably. The bourse also successfully launched its Over-The-Counter (OTC) market in 2018, after drawing up the regulations that govern trading in non-listed shares, within the framework of restraints set by the Capital Markets Authority (CMA), in coordination with Boursa Kuwait. This was the first system in the Arabian Gulf region for trading in stocks not listed in the regular market.

- Developments in crude oil prices in global markets: Price of Kuwait's export crude gained since start of 2018 to reach its highest since 2014 at the beginning of October when it peaked at USD 83.01 pb, which affected main trading and price indices at Boursa Kuwait. However, crude price later started to recede gradually, specifically in November and December in the last quarter of the year.
- Continued geo-political tensions and ramifications of global economic conditions: Security and political concerns in the Middle East cast their shadows on Boursa Kuwait activity, and the market was also affected by the drops seen in Gulf money markets, most particularly in the last quarter of 2018.
- State's budget records deficit: The State of Kuwait's general Budget recorded deficits of KD 3.2 billion and KD 6.4 billion in FY2017/18 and FY2018/19. This is the third and fourth deficit, before deduction of allocations for the Reserve Fund for Future Generations (RFFG), recorded within the space of 17 years. This had an impact still felt today on the Kuwaiti economy, which had to resort to a variety of sources of financing, internal or external, to curb the realized deficit and its impact on the national economy, and on Boursa Kuwait listed companies' financial positions thereon.
- Decline in the number of companies voluntarily opting out of Boursa Kuwait: In 2018, Boursa Kuwait saw the voluntary opting-out (de-listing) of two companies, and the re-classification of seven others from the parallel market to the regular market. These changes were caused by weak turnover ratios of these companies' shares, as well as increase in annual fees on companies.
- Slight drop in companies' cash distributions for 2018: The drop in companies' cash distributions in view of their financial results for the year 2017, actually distributed in early 2018, was among the factors affecting liquidity levels in 2018. Cash distributions for 2017 came to KD 1.236 billion against KD 1.329 billion in 2016, which is a drop of KD 0.093 billion and %7.
- Companies' quarterly profits for 2018: The net profit/loss of listed companies increased by %11.1, %6.1, and %8.8 for the first quarter of 2018, the first half of 2018, and for the first three quarters of the year, respectively, compared to the same periods of 2017. Listed companies also posted a marked increase of %25.2 in total net profit/loss for the last quarter. Accordingly, listed companies' net profit/loss for 2018 is up KD 224.997 million and %12 from the year before.

#### Fourth: Profits of Boursa-Listed Companies

Total net profit/loss for 159 out of 163 companies listed with Boursa Kuwait increased to KD 2,092.518 million for the year 2018, against KD 1,867.521 for 2017 for same said companies. This is an up of KD 224.997 million and 12%. Profits were posted by 118 companies at a combined total of KD 2,270.199 million against profits posted by 115 companies in 2017 at a combined total of KD

2,019.918 million, which is an increase of 250.281 million and 12.4% from last year. Losses were meanwhile suffered by 41 companies at a combined total of KD 177.681 million against 44 companies in 2017 and a combined total of KD 152.397 million in losses, which is a decline of KD 25.284 million at 16.6%.

Leading the top five sectors, ranked by the relative share of their total net profits and losses to total net profits and losses of all sectors for 2018, was the banks sector. Banks' profits accounted for 56.8% of all company profits for 2018. Communications were second at 13.2%, and Industry third with 11.4%. Fourth was the Financial Services sector with 10.4%, and fifth was the Real Estate sectors with 3.1% of the year's profits.

In 2018, the Price to Earnings (P/E) ratio of Bursa-listed companies showed a slight increase to an average of 13.8 times against an average of 12 times in 2017.

Table (59) shows the sectorial distribution of net profits of Bursa-listed companies for the years 2017 and 2018:

Table (59)  
**Performance of Bursa-Listed Companies by Sector during 2017 and 2018**  
(KD Million)

Sector	Number of Companies listed in the Sector	Number of Companies, which announced their Data	Net Profits (Losses) during 2017 and 2018			EPS (Fils)	Average Return on Equity	P/E (Multiples)
			2017	2018	Change (%)			
Oil & Gas <sup>(1)</sup>	6	5	8.927	14.841	+66.2	6.4	5.9	9.7
Basic Materials <sup>(1)</sup>	4	4	51.958	63.326	+21.9	33.4	9.3	15.7
Industrial <sup>(1)</sup>	29	28	238.923	237.858	-0.4	21.8	6.2	11.8
Consumer Commodities	3	3	9.603	3.634	-62.2	1.6	-2.1	20.1
Healthcare <sup>(1)</sup>	3	2	(1.438)	(1.206)	+16.1	0.6	11.5	22.6
Consumer Services	11	11	22.612	(10.149)	-144.9	5.3	2.2	12.0
Telecommunications	4	4	234.719	275.909	+17.5	51.0	11.1	10.0
Utilities	-	-	-	-	-	-	-	-
Banks	12	12	989.349	1,188.757	+20.2	25.6	8.1	15.0
Insurance	7	7	30.449	35.425	+16.3	28.0	7.6	9.3
Real-Estate <sup>(1)</sup>	37	36	89.285	65.538	-26.6	0.1	-2.8	12.0
Financial Services	45	45	190.396	216.875	+13.9	5.8	3.8	17.7
Technology	2	2	2.738	1.710	-37.5	8.5	6.5	15.1
<b>Market's Total</b>	<b>163</b>	<b>159</b>	<b>1,867.521</b>	<b>2092.518</b>	<b>12.0</b>	<b>11.5</b>	<b>3.5</b>	<b>13.8</b>

(1) There are companies that have not announced their profits for 2018, these are: one company from the Oil and Gas sector, 2 companies from the Industrial sector, and 2 companies from the Real Estate sector.

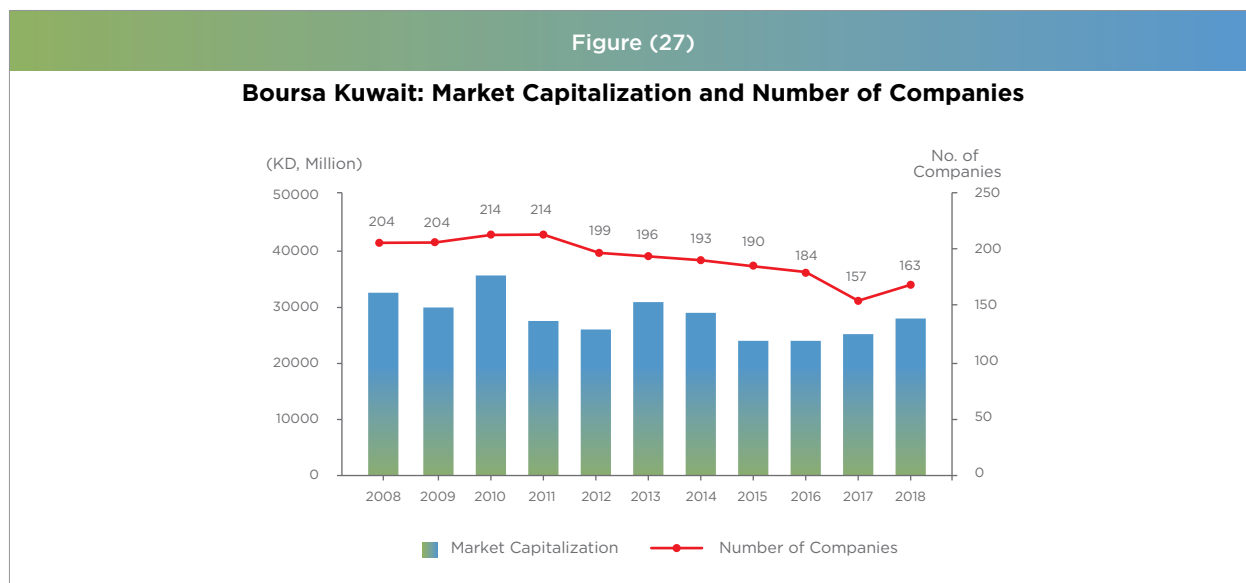
Source: Financial data on companies' balance sheets available with Bursa Kuwait.

## Fifth: Developments in Market Capitalization and Share Issue Base

### 1- Market Capitalization

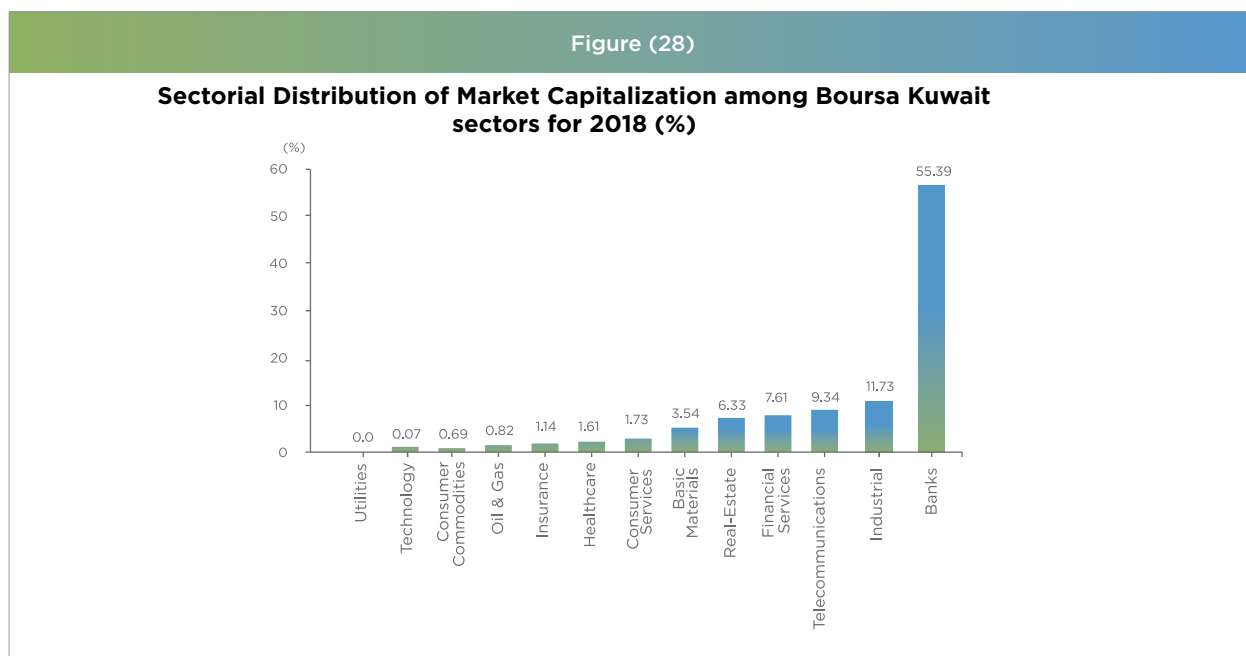
Market capitalization of Bursa-listed companies increased by KD 1,634.34 million or 5.95% in 2018 to reach KD 29,105.22 million for 163 companies against KD 27,470.88 million for 157 com-

panies the year before (Figure 27). As for market capitalization for Kuwaiti listed companies, the total was up KD 1,714.76 million or 6.90% to reach 26,572.11 million for 153 companies against KD 24,857.35 million for 147 companies in 2017.



Source: Bursa Kuwait.

In terms of sectoral distribution of market capitalization (Figure 28), banking sector shares came at the top at KD 16,120.37 million and accounted for 55.39% of total market capitalization for 2018. Technology, meanwhile, tailed the list at just 0.07% of overall market capitalization for the year.

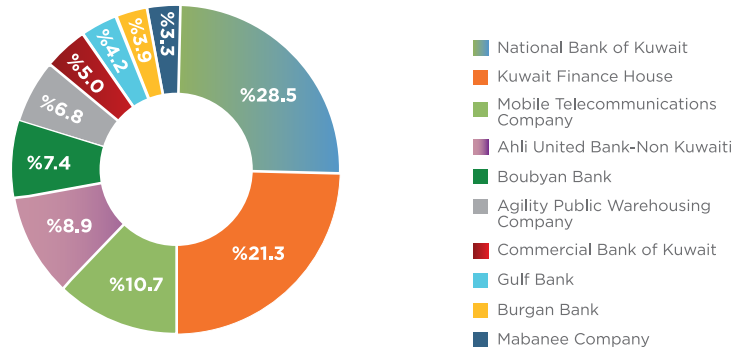


Source: Bursa Kuwait.

Market capitalization of Bursa Kuwait's 10 biggest companies came to KD 18,162.85 million, which is 62.38% of overall market capitalization. National Bank of Kuwait (NBK) shares were valued at KD 5,181.91 million, which is 28.52% of the market capitalization of the ten biggest listed companies and 17.79% of that for Bursa Kuwait for 2018. In second place was Kuwait Finance House (KFH) with KD 3,875.12 million and 21.31% of market capitalization of the 10 biggest listed companies for 2018.

Figure (29)

**Sectorial Distribution of Bursa Kuwait's ten biggest companies in terms of Market Capitalization for 2018 (%)**



Within this context, seven Kuwaiti companies moved from the parallel to the regular market with their market capitalization at KD 400.86 million and one Kuwaiti company was listed with market capitalization of KD 184.8 million, while two Kuwaiti companies with market capitalization of KD 594.92 million de-listed from Bursa Kuwait voluntarily in 2018. The market capitalization of these companies<sup>9</sup> (all three categories) came to KD 641.15 million and 2.2% of Bursa Kuwait's market capitalization.

## 2- Share Issue Base

The share issue base of Bursa-listed companies increased by 4,287 million or 4.17% in 2018 to reach 107,173 million (88,531 million of which issued by 153 Kuwaiti companies) at the end of 2018 compared to 102,886 million (84,713 million shares of which issued by 157 Kuwaiti companies) at the end of 2017. Shares issued by companies which transferred from the regular market to the parallel market (7 companies) came to 1,444.26 million, while the single newly-listed company had 220 million. Shares of the voluntarily de-listing companies (2 companies) were at 502 million shares. This brings the total number of shares issued by the transferring, listing, and voluntarily de-listing companies for the year 2018 to 2,166.26 million.

<sup>9</sup> The companies in this paragraph are as follows: (Changing market: Ajwan Gulf Real Estate Company, Al Masaken International Real Estate Development Company, Dar Al Thuraya Real Estate Company, Sanad Holding Company, Amar Finance and Leasing Company, Al Maidan Dental Clinic for Oral Health & Services, and Al Eid Food Company); (Newly listed: Integrated Holding Company); (de-listing: Nafais Holding and Kuwait Food Company).

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