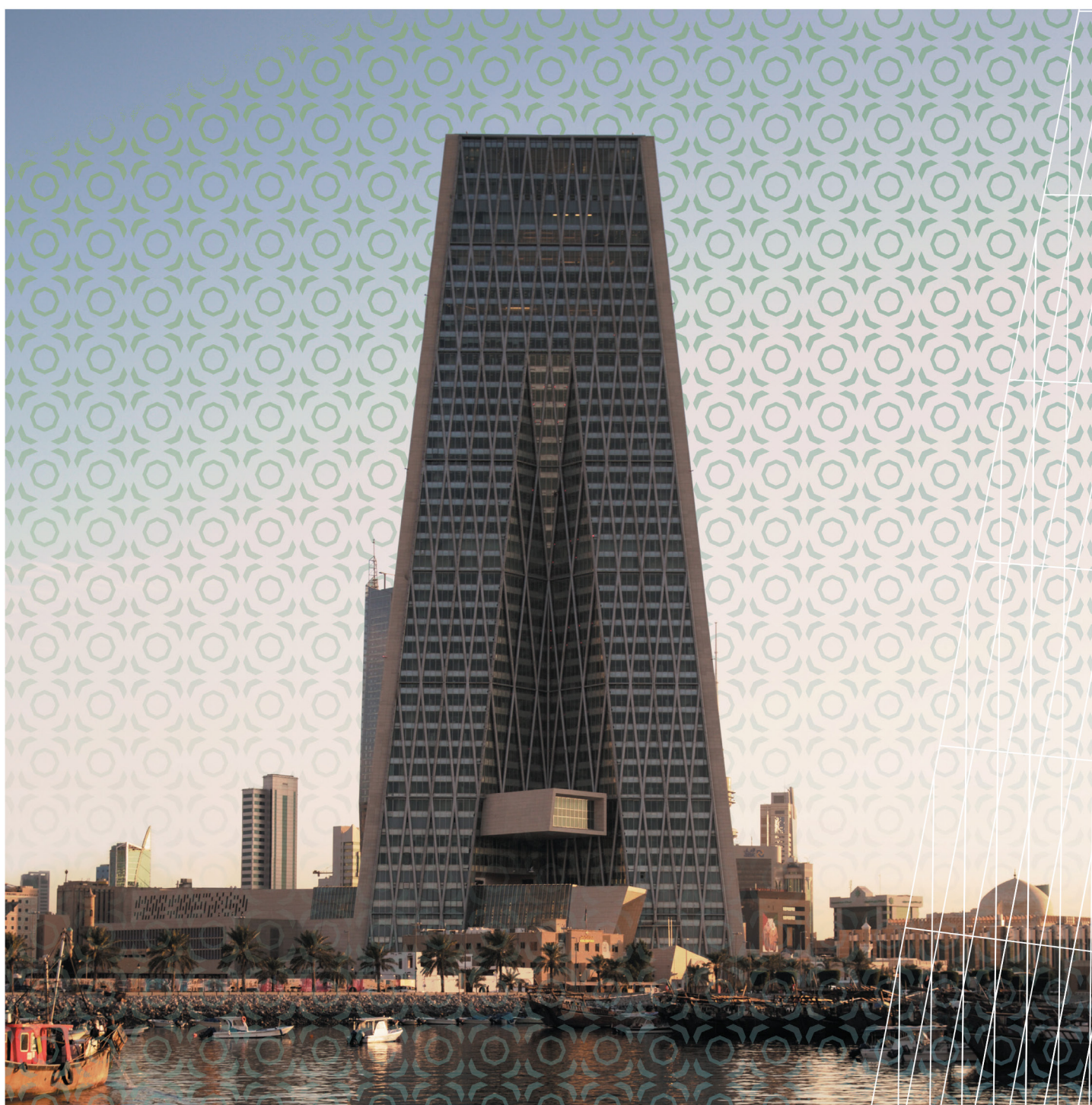


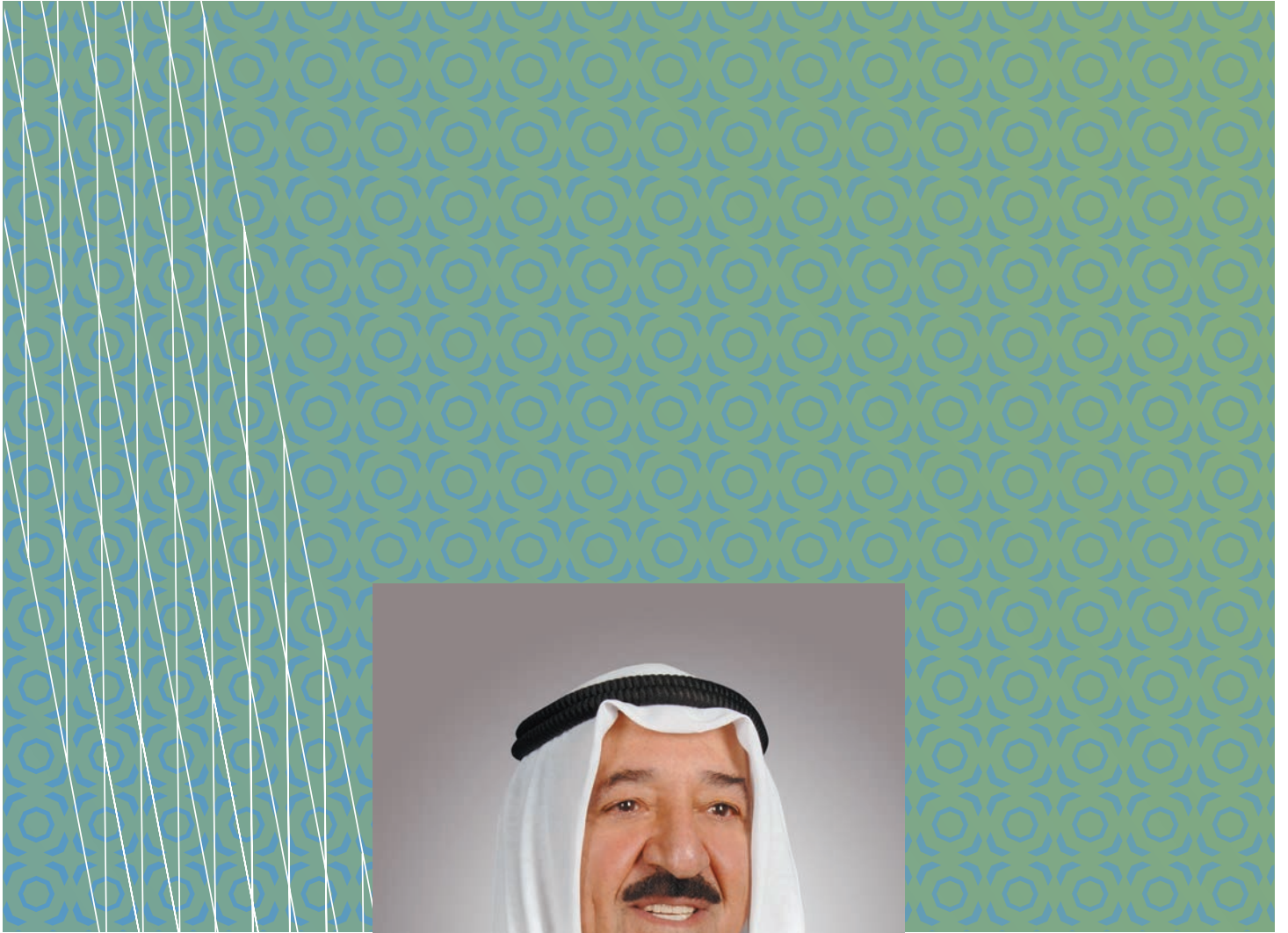
بنك الكويت المركزي
CENTRAL BANK OF KUWAIT



The 48th Economic Report For The Year 2019



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 Sabah Khalid Al-Hamad Al-Sabah

The Prime Minister Of The State Of Kuwait

BOARD OF DIRECTORS



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. Abdullah M. Al-Afasi
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

Contents

Contents	Page
Preface	1
Summary of the Economic Report	5
Performance of the Domestic Economy	9
Monetary Developments and Central Bank of Kuwait Activity	25
Financial Indicators of the Banking and Financial System	43
Public Finance	61
Foreign Trade & Balance of Payments	75
Boursa Kuwait	85



Table of Tables	Page
Table 1: GDP at Constant Prices by Sectors (Oil and Non-oil)	12
Table 2: GDP at Current Prices by Sectors (Oil and Non-Oil)	13
Table 3: Non-Oil GDP at Constant Prices by Divisions of Economic Activity	15
Table 4: Non-Oil GDP at Current Prices by Divisions of Economic Activity	16
Table 5: Developments in the General Consumer Price Index	18
Table 6: Developments in the General Wholesale Price Index	20
Table 7: Developments in the Main Indicators of Population in the State of Kuwait	21
Table 8: Developments in the Labor Force Main Indicators in the State of Kuwait	22
Table 9: Developments in the Dependency Indicators in the State of Kuwait	22
Table 10: Distribution of Labor Force by Divisions of Economic Activity (%)	23
Table 11: Relative Distribution of Labor Force by Nationality and Sector (%)	24
Table 12: USD Exchange Rate against KD and Some Major Currencies at the End of 2019 Compared to the Previous Year	28
Table 13: USD Exchange Rate against KD and some major currencies based on daily data during 2019	28
Table 14: Developments in Money Supply Aggregates	29
Table 15: Private sector's deposits with local banks in 2019	30
Table 16: Factors affecting changes in Money Supply (M2)	30
Table 17: Net foreign assets of CBK and local banks	31
Table 18: Developments of Balances of utilized domestic Cash Credit Facilities	32
Table 19: Developments of new KD Credit Facility Agreements with Residents	33
Table 20: Developments of the local KD interest Rates Structure	34
Table 21: Average interest rates on customer KD and USD deposits with local banks	35
Table 22: Developments of public debt instruments	36
Table 23: Developments of CBK bonds and related Tawarruq	36
Table 24: Distribution of transaction values of the interbank deposit market of local banks by maturity term	37



Table 25: Trends in developments of KD balances of CBK with local banks	38
Table 26: Clearing Transactions and Settlements among local Banks	38
Table 27: Developments in the Banking System Structure	45
Table 28: Aggregate Balance Sheet of Local Banks (Assets)	46
Table 28 (A): Aggregate Balance Sheet of Local Banks (Liabilities)	48
Table 28 (B): Aggregate Balance Sheet of Local Banks (Contra Accounts)	49
Table 29: Summary of Financial Flows in Local Banks during 2018 and 2019	50
Table 30: Some Financial Indicators and Ratios of Kuwaiti Banks (%)	53
Table 31: Developments in the Financial System Structure	54
Table 32: Aggregate Balance Sheet of Local Investment Companies	54
Table 33: Aggregate Balance Sheet of Conventional Investment Companies	55
Table 34: Aggregate Balance Sheet of Investment Companies Operating in Accordance with the Provisions of the Islamic Shari'ah	56
Table 35: Contra Accounts of Local Investment Companies	57
Table 36: Aggregate Balance Sheet of Local Exchange Companies	58
Table 37: Actual Revenues in the General Budget	63
Table 38: Actual Budgetary Non-Oil Revenues	64
Table 39: Actual Budgetary Expenditures	64
Table 40: Economic Classification of Actual Public Expenditures	66
Table 41: Summary of the General Budget Closing Account	67
Table 42: Estimates of Revenue in the General Budget	68
Table 43: Allocations for Expenditures in the General Budget	69
Table 44: Economic classification of Allocations for Expenditures in the General Budget	70
Table 45: Summary of Surplus or Deficit	71
Table 46: Public Revenues	71
Table 47: Public Expenditure	72



Table 48: Summary of Surplus or Deficit	73
Table 49: Current Account	77
Table 50: Geographic Distribution of Value of Non-Oil Exports of the State of Kuwait to the Top Ten Countries	79
Table 51: Geographic Distribution of Kuwait Merchandise Imports Value (on CIF basis) From the Top Ten Countries	80
Table 52: Kuwait Trade with GCC Countries*	81
Table 53: Capital Account	82
Table 54: Financial Account*	83
Table 55: The State of Kuwait BOP	84
Table 56: Main Share Trading Indicators of Boursa-Listed Companies	87
Table 57: Developments in the Value of Traded Shares by Boursa Kuwait Sectors during 2019 (Value in KD Million) and the Relative Share of the Total (%)	88
Table 58: Major Price Indicators at the end of the Quarters of 2019 (Point)	89
Table 59: Morgan Stanley Capital International (MSCI) for Developed Markets Index (DM), Emerging Markets Index (EM) and Boursa Kuwait for the Period (2015-2019)	90
Table 60: Performance of Boursa-Listed Companies by Sector during 2018 and 2019	92



Table of Figures	Page
Figure 1: GDP at Constant Prices	11
Figure 2: GDP at Current Prices	12
Figure 3: Rates of Change in the Consumer Price Index (%)	17
Figure 4: Relative Contribution to the Change in the General Consumer Price Index by main groups (%)	17
Figure 5: Inflation Rates in the GCC Countries during 2019 (%)	19
Figure 6: Rate of Changes in the General Wholesale Price Index	19
Figure 7: Developments in the Population Growth Rates in the State of Kuwait	20
Figure 8: Distribution of Population by Age Group at the End of 2018 and 2019	21
Figure 9: Relative Structure of Labor Force in 2019 (% of the Total)	23
Figure 10: USD/KD Exchange Rate (end of period)	28
Figure 11: Developments in Money Supply (M2)	29
Figure 12: Financing Merchandise Imports through Local Banks	33
Figure 13: Total Value & Number of Transactions using ATM Machines	39
Figure 14: Total Value & Number of Transactions using Points of Sale (POSs)	39
Figure 15: Local Banks' Assets	46
Figure 16: Local Banks' Liabilities	47
Figure 17: Development of Oil and Non-Oil Revenues	63
Figure 18: Economic Classification of Public Expenditures	67
Figure 19: Developments of the Closing Account Data	68
Figure 20: Development of Estimated Revenues and Expenditure Allocations in the General Budget	70
Figure 21: Current Account of Kuwait's Balance of Payments	77
Figure 22: The Balance on Goods for Kuwait's Balance of Payments	78



Figure 23: Financial Account of Kuwait's Balance of Payments	83
Figure 24: Developments in the Value and Volume of Traded Shares	88
Figure 25: Movements of Price Indices in Boursa Kuwait	89
Figure 26: Change in the Ratio of Price Indicators in the Financial Markets of GCC Countries at the end of 2019 compared to 2018	90
Figure 27: Boursa Kuwait: Market Capitalization and Number of Companies	93
Figure 28: Sectoral Distribution of Market Capitalization among Boursa Kuwait for 2019 (%)	93
Figure 29: Sectoral Distribution of Boursa Kuwait's ten biggest companies in terms of Market Capitalization for 2019 (%)	94

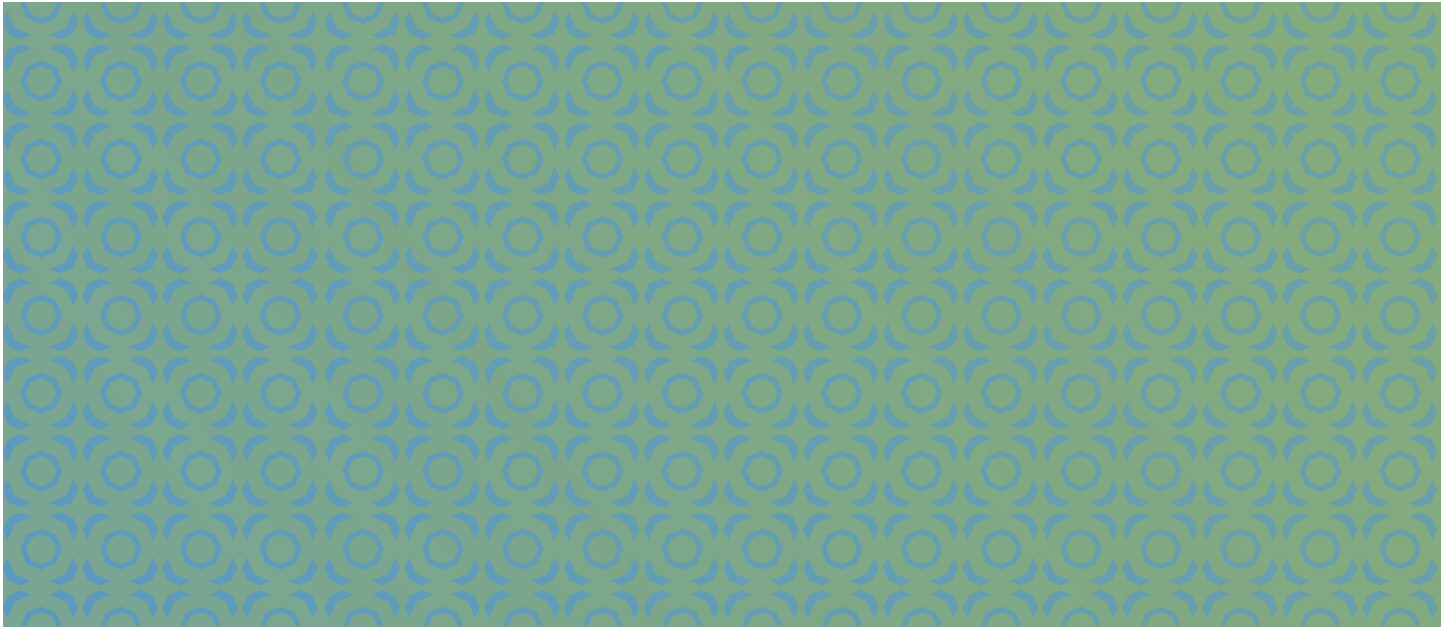
PREFACE



I am pleased to introduce the Economic Report 2019 to all those interested in the economic affairs of the State of Kuwait. This forty-eighth 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 2019 as reflected in data and statistics available for state accounts, domestic prices, population, and workforce. Within this context, the available statistics reveal growth in value added at constant prices in non-oil sectors by KD 532.4 million or 3.0% in 2019, to reach KD 18,541.5 million against KD 18,009.1 million in 2018. Meanwhile, value added at constant prices in the oil sectors decreased by KD 370.5 million or 1.7% to KD 20,883.2 million in 2019 compared to KD 21,253.7 million in the previous year. As a result, the value of Gross Domestic Product (GDP) at constant prices inched up to KD 39,424.7 million in 2019 against KD 39,262.8 million in the previous year, which is a growth of KD 161.9 million or 0.4%. In parallel, Domestic Product at current prices in non-oil sectors went up by 1.0% in 2019, whereas the Domestic Product in oil sectors suffered a drop of 8.8%. Consequently, GDP at current prices reached KD 40,913.5 million in 2019, which is a drop of 3.7% from 2018. It is noteworthy here that the value of the Domestic Product in oil sectors was affected by the slump in global oil prices, with Organization of Petroleum Exporting Countries (OPEC) statistics indicating a decrease in the benchmark OPEC-basket spot price to reach USD 64.04 per barrel (pb) as the price average for 2019. This compares to USD 69.78 pb price average back in 2018, which is a decrease of USD 5.74 pb or 8.2%. The price of Kuwait Export Crude meanwhile dropped to USD 64.260 pb in 2019, compared to USD 68.545 pb on average the year before, which is a drop of USD 4.285 pb or 6.3%.

“The value of the Domestic Product in oil sectors was affected by the slump in global oil prices”




The **second part** reviews the main monetary and banking developments and CBK's activities in areas of monetary policy and banking supervision, through addressing the major developments observed in the key monetary aggregates and indicators, and significant developments in the area of banking oversight and supervision during 2019. In this regard, available data indicate a sustained relative stability in the Kuwaiti Dinar (KD) exchange rate against major currencies during 2019, as CBK maintained an exchange rate system based on pegging the KD to a special weighted basket of currencies of countries that share significant trade and financial relations with the State of Kuwait. Data reveal that the USD exchange rate against the KD was confined within a relatively narrow margin during 2019, compared to the changes in USD exchange rate against the other key currencies. The difference between the highest and the lowest exchange rate of the USD against the KD during 2019 was 0.6%.

“The Kuwaiti Dinar (KD) exchange rate sustained relative stability against major currencies during 2019.”

On another front, growth in both Money Supply in its Broad Definition (M2) and private sector (resident) deposits with local banks decreased to 1.2% and to 1.7% at the end of 2019 compared to the previous year. Growth rate in credit facilities extended by local banks to various domestic economic sectors accelerated to 4.3% at the end of the mentioned year.

In light of the CBK's continuous monitoring of developments in the local economic, monetary, and banking conditions as well as developments in interest rate trajectories of major currencies during the year 2019, the CBK lowered its Discount Rate by a quarter-percentage point from 3.0% to 2.75%, on 30 October 2019. In the regulatory domain, the CBK maintained supervision and oversight over the units of the local banking and finance sector, aiming to strengthen these units and further entrench financial stability. To this end, the CBK had intensified oversight to strengthen the sector's ability to serve the national economy.

“The CBK had intensified oversight over the local banking and finance sector, to strengthen the sector's ability to serve the national economy.”



The **third part** of the report highlights the developments seen in the financial indicators of the local banking and financial system, in light of the aggregate financial statements of the various CBK-regulated banking and financial units' groups including local banks, investment companies, and exchange companies. This review helps identify some aspects of growth and performance, as well as the trajectory of these indicators and the perceived impact on the financial position of these groups. In this context, the aggregate balance sheet of local banks on the domestic level (activity of local banks and their local branches) grew by 6.7% at the end of 2019 compared to the previous year. The aggregate balance sheet of local exchange companies registered with and regulated by the CBK posted a growth of 13.4%, while the aggregate balance sheet of local investment companies registered with the CBK dropped by 5.9% at the end of the year compared to the previous.

The **fourth part** of the report outlines the key developments in the State's public finances within two key sections; the first addresses the Closing Account for FY 2018/19, while the second addresses the general budget for ministries and government departments for FY 2019/20. Within this context, the general budget recorded an actual deficit of KD 1,290.1 million for FY 2018/19, compared to an actual deficit of KD 3,247.8 million the previous FY, before deducting the allocations for the Reserve Fund for Future Generations (RFFG).

The **fifth part** of the report reviews the developments in the international 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 for 2019. In this regard, realized surplus in the balance on goods dropped by KD 1,650.4 million or 13.3%. This drop is mainly due to a decrease in the value of oil exports, resulting in turn from a relative drop of global oil prices. As a result, the current account registered a surplus of KD 6,722.5 million against a surplus of KD 6,008.0 million the previous year. The overall position of the BOP of the State of Kuwait during 2019 accordingly recorded a total surplus of KD 821.2 million.

Lastly, the **sixth part** of the Economic Report showcases the developments in the performance of Bursa Kuwait in 2019, as reflected by key trading indices, price movements, and factors affecting Bursa performance. The main trading indices (value and volume of traded shares) had posted notable gains by the end of the year, up 92.3% and 82.7% respectively, compared to



2018. The All-share Index meanwhile ended 2019 up 23.7%, compared to the year before. The Premier Market (PM) Index also posted a considerable increase of 32.6%, while the Main Market (MM) Index posted a more modest increase of 3.6% at the end of 2019 compared to the year before. Market capitalization of listed companies increased by a good 24.6% at the end of 2019, compared to the year before.

In conclusion, we pray to Allah the Almighty that our efforts are rewarded with success for the prosperity 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 Sabah Khalid 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 2019 addresses key economic, financial, monetary and banking developments witnessed in the Kuwaiti economy during said 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 2019 indicate that the value added at constant prices in non-oil sectors grew by KD 532.4 million, 3.0%, to reach KD 18,541.5 million compared to KD 18,009.1 million in 2018, after realizing a growth of KD 232.8 million, 1.3% in 2018 compared to 2017. The relative share of value added of total non-oil sectors to GDP at constant prices reached 47.0% against 45.9% in 2018. On the other hand, the value added at constant prices in oil sectors decreased by KD 370.5 million, 1.7%, to reach KD 20,883.2 million during 2019, compared to KD 21,253.7 million during the previous year. As a result, GDP at constant prices increased to KD 39,424.7 million during 2019, against KD 39,262.8 million during the previous year, i.e. a rise of KD 161.9 million or 0.4%, compared to a growth of KD 813.2 million or 1.2% during the previous year. On another front, value added at current prices in total non-oil sectors increased slightly to KD 22,565.8 million during 2019 against KD 22,351.8 million during 2018, i.e. an increase of KD 214.0 million or 1.0% after realizing a growth of KD 1,118.8 million or 5.3% during the previous year. Value added at current prices in total oil sectors declined by KD 1,775.4 million or 8.8% to reach KD 18,347.7 million during 2019, compared to KD 20,123.1 million during the previous year. Consequently, GDP at current prices was down to KD 40,913.5 million during 2019, against KD 42,474.9 million during the previous year.

As for inflation in the State of Kuwait, the relative change in General Consumer Price Index (CPI) (base year 2013=100), grew to 1.1% during 2019, against 0.6% during 2018. Said acceleration in the annual inflation rate recorded in 2019 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 2018.

The rate of increase in the average price of Furniture Equipment & Household Maintenance accelerated to 2.6% during 2019 compared to 2.0% during 2018, and went up to 3.4% in Transport during 2019 compared to 1.4% during 2018, while the rate was up to 5.1% in Communications during 2019 compared to 3.7% during 2018. As for Food & Beverage, it increased to 1.1% during 2019 compared to 0.1% during 2018, while Education increased to 2.7% during 2019 compared to 1.4% during 2018. Clothing & Footwear meanwhile increased to 1.3% during 2019 against a decrease of 0.5% during 2018, and Health also increased to 2.7% during 2019 compared to 1.9% during 2018. Conversely, the rate decreased in Services sub-categories where Recreation & Culture dropped to 2.8% during 2019 compared to 4.1% during 2018, and Restaurants and Hotels decreased to 0.7% during 2019 compared to 1.7% during 2018, while Cigarettes and Tobacco decreased to 3.7% during 2019 compared to 11.5% during 2018. Lastly, inflation in Housing Services decreased by 0.8% during 2019 compared to a decline of 1.1% during 2018.

Regarding developments in population and labor force in the State of Kuwait, available statistics indicate that the growth rate of total population was 3.3% at the end of 2019 compared to 2.7% at the end of 2018. This was an outcome of an increase in non-Kuwaiti population by 3.9% at the end of 2019 compared to 2.8% for 2018, alongside an increase in the Kuwaiti population by 2.1% at the end of 2019 compared to 2.4% for 2018. This was coupled with an increase of 5.1% in total labor force during 2019 compared to 4.4% during 2018. This was due to the acceleration in the rate of increase in non-Kuwaiti labor force by to 5.3% during 2019 against 4.3% during 2018, as well as a rise of 3.5% in the Kuwaiti labor force for 2019 against 4.7% in 2018.

Second: Monetary Developments and CBK Activities

Developments in the KD exchange rate during 2019 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 changes in the exchange rate of the US dollar against the KD were within relatively narrow margins during 2019 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 0.6% as at the end of 2019. On the other hand, data indicate more notable 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 11.2% against the Pound Sterling, 6.2% against the Euro, 6.4% against the Japanese Yen, and 5.2% against the Swiss Franc.

Data on main monetary and banking aggregates of the State of Kuwait reveal a slower pace of growth in terms of Money Supply in its Broad Definition (M2) of 1.2% at the end of 2019. Furthermore, developments in residents' private sector deposits with local banks indicate a contraction of 1.7% at the end of 2019 compared to its levels at the end of 2018. 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 4.3% at the end of 2019.

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 2019, CBK cut its Discount Rate by 0.25% on 30 October 2019, which brought the rate from 3.0% to 2.75%.

Developments in the area of banking oversight and supervision during 2019 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 on local activity level amounted to KD 71,021.3 million at end of 2019 against KD 66,537.6 million at the end of the previous year, realizing a growth of KD 4,483.8 million or 6.7% during 2019 compared to a growth of KD 3,126.9 million or 4.9% during 2018.

The number of local investment companies registered with the CBK decreased to 55 (31 of which are Islamic investment companies) at the end of 2019 compared to 59 (34 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 6,258.6 million at the end of 2019 compared to KD 6,653.0 million at the end of 2018, i.e. a decrease of KD 394.5 million or 5.9%.

The aggregate balance sheet of 40 local exchange companies registered with, and supervised by the CBK, was KD 228.0 million at the end of 2019, which is an increase of KD 27.0 million or 13.4% from KD 201.0 million at the end of the previous year.

Fourth: Public Finance

Data on the Closing Account of ministries and government departments for FY2018/19 indicate that the total actual budgetary revenues collected for the mentioned fiscal year amounted to KD 20,558.6 million, recording an increase of KD 4,559.0 million or 28.5% compared to the previous fiscal year. This rise mainly reflects the increase of KD 4,146.2 million or 29.0% in actual oil revenues collected to KD 18,428.4 million for FY2018/19. Data on the Closing Account for FY2018/19 indicate an increase of KD 2,601.3 million or 13.5% in actual public expenditures

to KD 21,848.7 million during said fiscal year. As a result, the Closing Account for FY2018/19 recorded an actual deficit of KD 1,290.1 million against an actual deficit of KD 3,427.8 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 FY2019/20 indicate an increase in the total estimated public revenues for the mentioned fiscal year by KD 722.7 million or 4.8% to KD 15,811.7 million, compared to KD 15,089.0 million for the total estimated public revenues for FY2018/19. The rise in total public revenue within the General budget of FY2019/20 mainly reflects the increase in estimated oil revenue by KD 546.0 million or 4.1% to reach KD 13,863.4 million compared to FY2018/19 approved estimate of KD 13,317.4 million. Allocations for public expenditures for FY2019/20 decreased by KD 272.7 million or 1.2% to KD 22,500.0 million, against KD 22,772.7 million for the previous fiscal year. These developments in estimated public revenues and expenditures for FY2019/20 resulted in an estimated deficit of KD 6,688.3 million, against an estimated deficit of KD 7,683.7 million for FY2018/19, 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 2019 indicate that the current account recorded a surplus of KD 6,722.5 million during 2019, against a surplus of KD 6,008.8 million during 2018.

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 drop in the surplus realized in the balance on goods to KD 10,731.6 million during 2019 compared to KD 12,382.0 million during the previous year, i.e. a decrease of KD 1,650.4 million or 13.3%.

The Services Account recorded a deficit of KD 5,112.9 million during 2019 against a deficit of KD 7,426.2 million during the previous year, i.e. a decrease of KD 2,313.3 million or 31.2%. As for the capital account, preliminary statistics indicate a surplus (net capital outflows) of KD 41.6 million during 2019 against a deficit of KD 64.8 million during 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 7,427.4 million during 2019 against net capital outflows of KD 6,602.5 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 821.2 million during 2019 compared to a total surplus of KD 1,139.8 million during the previous year. The surplus reflects the increase recorded in CBK's reserve assets by 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 3,797.4 million during 2019 compared to a surplus of KD 7,853.2 million during the previous year.

Sixth: Developments at Boursa Kuwait

The performance of the key trading indicators and price movements in Boursa Kuwait was generally positive throughout 2019, where main indices (value and volume of traded shares) recorded strong hikes of 92.3% and 82.7% respectively compared to their levels recorded at the end of 2018. The All-share Index closed on a rise of 23.7% at the end of 2019 compared to closing at end of 2018. Meanwhile the Premier Market (PM) Index recorded a significant rise of 32.6% at the end of 2019, posting a higher gain than those seen in both All-share Index and Main Market Index. The Main Market (MM) Index posted a slight gain of 3.6% by end of 2019 compared to the previous year's closing. In light of these figures, market capitalization of listed companies recorded a significant increase of 24.6% at end of 2019 reaching KD 36,272.93 million, compared to an increase of 6.0% posted at the end of 2018 compared to the year before.



Performance of the Domestic Economy

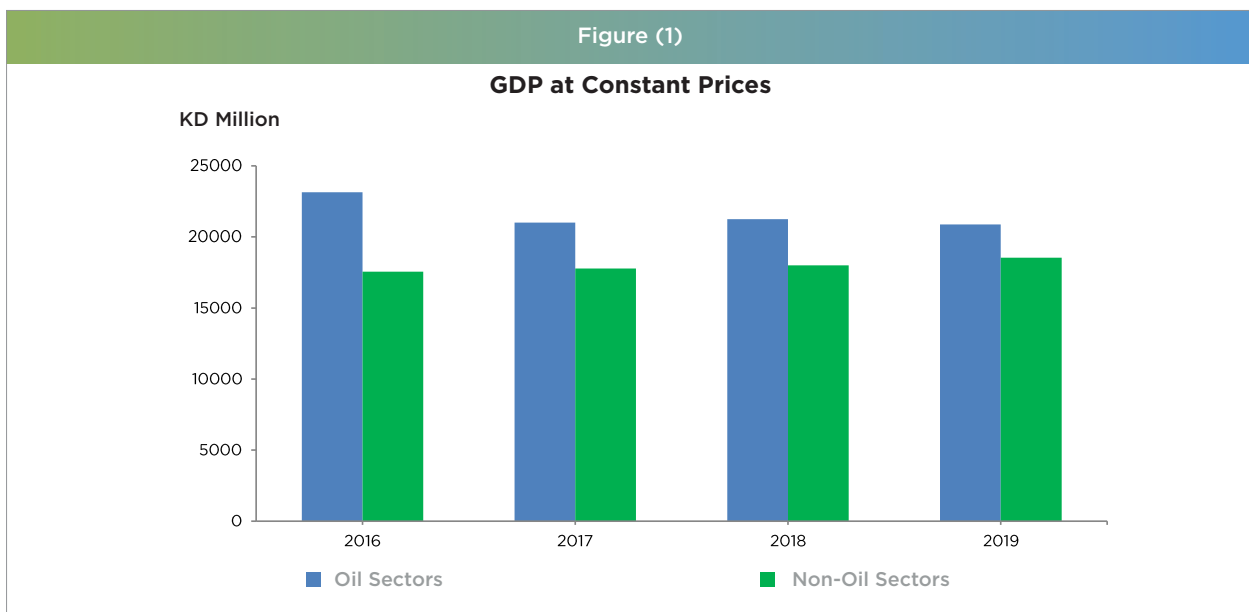


Performance of the Domestic Economy

First: Gross Domestic Product and Economic Growth¹:

Preliminary estimates on the national accounts statistics of the State of Kuwait for 2019 indicate a growth in value added at constant prices from the total non-oil sectors by KD 532.4 million at 3.0%, to reach KD 18,541.5 million following a growth by KD 232.8 or 1.3% in 2018 that recorded KD 18,009.1 compared to 2017. The relative share of the value added from these sectors in Gross Domestic Product (GDP) at constant prices for 2019 reached 47.0% against 45.9% for 2018.

On the other hand, the value added at constant prices in total oil sectors decreased by KD 370.5 million or 1.7%, to reach KD 20,883.2 million during 2019 against KD 21,253.7 million during the previous year. Consequently, GDP at constant prices increased to KD 39,424.7 million during 2019 against KD 39,262.8 million for the previous year, i.e. a rise of KD 161.9 million or 0.4% compared to a rise of KD 813.2 million or 1.2% during the previous year. The below table (1) shows developments in GDP at constant prices for both oil sectors and non-oil sectors during 2016-2019.



Source: Central Statistical Bureau.

¹ 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.

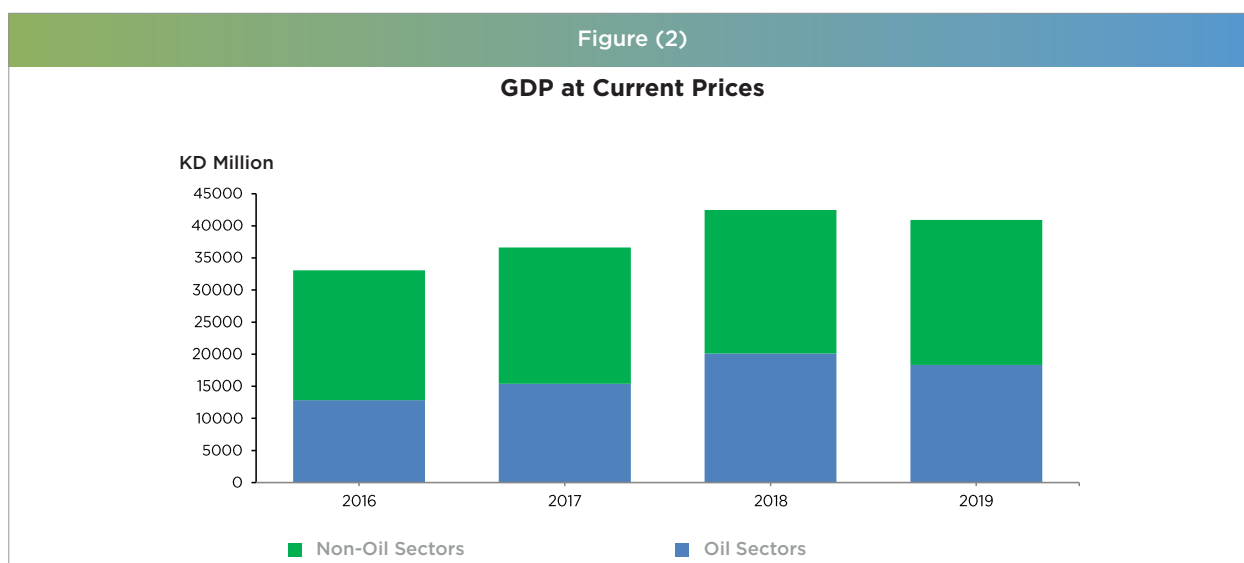
Table (1)
GDP at Constant Prices by Sectors (Oil and Non-oil)
 KD Million

Items	2016	2017	2018	2019*
1. Crude Oil & Natural Gas Production	23,032.2	20,884.9	21,134.9	20,767.0
Change (%)	2.0	-9.3	1.2	-1.7
Relative share to GDP (%)	56.6	53.9	53.8	52.7
2. Activities of Services related to Extraction of Crude Oil and Gas Excluding Survey Services	111.4	118.4	118.7	116.2
Change (%)	10.2	6.3	0.3	-2.2
Relative share to GDP (%)	0.3	0.3	0.3	0.3
3. Total Oil Sectors (1 + 2)	23,143.6	21,003.3	21,253.7	20,883.2
Change (%)	2.0	-9.2	1.2	-1.7
Relative share to GDP (%)	56.9	54.2	54.1	53.0
4. Non-oil Sectors	17,553.7	17,776.3	18,009.1	18,541.5
Change (%)	4.1	1.3	1.3	3.0
Relative share to GDP (%)	43.1	45.8	45.9	47.0
GDP at Purchaser's Value	40,697.3	38,779.6	39,262.8	39,424.7
Change (%)	2.9	-4.7	1.2	0.4

* Quarterly data.

Source: Central Statistical Bureau.

On another front, the value added at current prices from total non-oil sectors slightly increased to KD 22,565.8 million during 2019 against KD 22,351.8 million during 2018, i.e. a rise of KD 214.0 million or 1.0%, following a growth of KD 1,118.8 million or 5.3% during the previous year. The relative share of the value added from these sectors in GDP at current prices was 55.2% during 2019 against 52.6% during 2018.



Source: Central Statistical Bureau.

On the other hand, the value added at current prices in total oil sectors decreased by KD 1,775.4 million or 8.8%, to reach KD 18,347.7 million during 2019 against KD 20,123.1 million during the previous year. Consequently, GDP at current prices dropped to KD 40,913.5 million during 2019, against KD 42,474.9 million for the previous year, i.e. a decline of KD 1,561.4 million or 3.7% compared to a growth of KD 5,864.3 million or 16.0% 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 2016-2019.

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

Items	2016	2017	2018	2019*
1. Crude Oil & Natural Gas Production	12,715.8	15,240.2	19,985.4	18,216.3
Change (%)	-13.9	19.9	31.1	-8.9
Relative share to GDP (%)	38.5	41.6	47.1	44.5
2. Activities of Services related to Extraction of Crude Oil and Gas Excluding Survey Services	119.2	137.4	137.7	131.4
Change (%)	9.8	15.3	0.2	-4.6
Relative share to GDP (%)	0.4	0.4	0.3	0.3
3. Total Oil Sectors (1 + 2)	12,835.0	15,377.6	20,123.1	18,347.7
Change (%)	-13.8	19.8	30.9	-8.8
Relative share to GDP (%)	38.8	42.0	47.4	44.8
4. Non-oil Sectors	20,220.6	21,233.0	22,351.8	22,565.8
Change (%)	3.2	5.0	5.3	1.0
Relative share to GDP (%)	61.2	58.0	52.6	55.2
GDP at Purchaser's Value	33,055.6	36,610.6	42,474.9	40,913.5
Change (%)	-4.1	10.8	16.0	-3.7

* Quarterly data.

Source: Central Statistical Bureau.

The developments in the economic performance in the main oil and non-oil sectors during 2019 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 declined by KD 1,775.4 million or 8.8% during 2019, to reach KD 18,347.7 million following a remarkable growth by KD 4,745.5 million or 30.9% during 2018. Growth drop in this reporting year is due to the decline in the value added of crude oil and natural gas production sector that reached KD 18,216.3 million in 2019 against KD 19,985.4 million in 2018 (drop by KD 1,769.1 million or 8.9%), and the decline in the value added of the activities of services related to extraction of crude oil and gas excluding survey services sector by KD 6.3 million or 4.6% to reach KD 131.4 million in 2019 against KD 137.7 million in 2018.

Data provided by the Organization of Petroleum Exporting Countries (OPEC) indicate a drop in the average spot price of the OPEC Reference Basket (ORB) to reach an average USD 64.04 per barrel during 2019 compared to an average USD 69.78 per barrel during 2018, i.e. a decrease of USD 5.74 or 8.2%. In parallel, the average price of the Kuwaiti export crude oil barrel declined to USD 64.02 per barrel during 2019 compared to USD 68.72 per barrel on average during the previous year, i.e. a drop of USD 4.7 or 6.8%.

Furthermore, the production of Kuwaiti crude oil recorded a decline from 2.736 million barrels per day on average during 2018 to 2.677 million barrels per day on average for 2019, i.e. a decrease of 59.0 thousand barrels per day or 2.2%. Meanwhile, the production of refined petroleum products increased from 672.75 thousand barrels per day on average during 2018 to 693.15 thousand barrels per day on average during 2019, i.e. an increase of 20.4 thousand barrels per day or 3.0%. The production of liquefied natural gas decreased from 175.19 thousand of equivalent

barrel per day on average during 2018 to 169.19 thousand equivalent barrel per day on average during 2019, i.e. a decline of 6.0 thousand barrels per day or 3.4%. Regarding exported Kuwaiti oil, available data indicate a decrease in total quantity from 2,051.0 million barrels per day on average during 2018 to 1.986 million barrels per day during 2019, i.e. a drop of 65.0 thousand barrels per day or 3.2%.

B. Non-Oil Sectors

As previously mentioned, value added by non-oil sectors at constant prices grew by KD 532.4 million or 3.0% to reach KD 18,541.5 million during 2019, compared to an increase of KD 232.8 million or 1.3% during 2018. Table (3) sets out the developments of GDP at constant prices by divisions of economic activity over the last four years (2016-2019).

Data also indicate that value added at constant prices by “Real Estate, Renting and Business Activities” (accounting for 16.8% of non-oil GDP) recorded a growth of KD 122.0 million or 4.1% to reach KD 3,123.2 million during 2019, against a growth of KD 131.5 million or 4.6% during 2018. “Electricity and Water” (accounting for 7.3% of non-oil GDP) recorded a growth of KD 15.1 million or 1.1% to reach KD 1,352.3 million during 2019, against KD 1,337.2 million during 2018. Moreover, the value added by “Hotels and Restaurants” (accounting for 1.8% of non-oil GDP) at constant prices also recorded an increase of KD 13.7 million or 4.3% to reach KD 331.0 million during 2019, against a growth of KD 34.6 million or 11.6% during 2018.

On the other hand, “Community, Social and Personal Services” (accounting for 45.5% 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 258.5 million or 3.2% to reach KD 8,444.1 million during 2019, against KD 8,185.6 million during 2018.

Meanwhile, “Financial Intermediation and Insurance” (accounting for 17.4% of non-oil GDP) recorded a drop in its value added of KD 12.3 million or 0.4% to reach KD 3,218.6 million during 2019, compared to a growth of KD 4.6 million or 0.1% during 2018. The value added by “Manufacturing Industries” (accounting for 14.4% of non-oil GDP) also recorded a decline of KD 50.9 million or 1.9% to reach KD 2,668.0 million during 2019, against a decline of KD 162.2 million or 5.6% during 2018. Furthermore, the value added at constant prices by “Transportation, Storage and Communication” (accounting for 12.2% of non-oil GDP) recorded a decline in its value added of KD 133.2 million or 5.6% to reach KD 2,266.2 million during 2019 compared to KD 2,399.4 million during 2018. “Wholesale and Retail Trade” (accounting for 7.3% of non-oil GDP) also recorded a drop in its value added of KD 19.7 million or 1.4% to reach KD 1,358.7 million during 2019 compared to KD 1,378.4 million during 2018. Moreover, the value added by “Construction” (accounting for 4.2% of non-oil GDP) recorded a drop of KD 58.4 million or 7.0% to reach KD 780.5 million during 2019, against a growth of KD 16.0 million or 1.9% during 2018.

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

Item	2016	2017	2018	2019*
Agriculture and Fishing	168.8	179.3	178.6	167.7
Manufacturing Industries	2,694.1	2,881.1	2,718.9	2,668.0
Electricity, Gas and Water	1,295.4	1,392.8	1,337.2	1,352.3
Construction	659.8	822.9	838.9	780.5
Wholesale & Retail Trade	1,341.6	1,367.9	1,378.4	1,358.7
Hotels & Restaurants	329.3	298.2	317.3	331.0
Transport, Storage and Communications	2,643.3	2,260.3	2,399.4	2,266.2
Financial Intermediation and Insurance	3,097.5	3,226.3	3,230.9	3,218.6
Real Estate, Renting and Business Activities	2,751.4	2,869.7	3,001.2	3,123.2
Community, Social & Personal Services	7,796.4	7,982.8	8,185.6	8,444.1
Subtotal	22,777.6	23,181.3	23,586.4	23,710.3
Financial Intermediation Services Indirectly Measured	-1,902.2	-2,019.2	-2,026.9	-2,028.3
Taxes minus Subsidies (Net taxes)	-3,321.7	-3,486.0	-3,550.3	-3,140.5
Total Non-Oil Sectors	17,553.7	17,776.1	18,009.2	18,541.5
(%) Change	4.1	1.3	1.3	3.0

* Quarterly data.

Source: Central Statistical Bureau..

On another front, value added by non-oil sectors at current prices witnessed a slight growth of KD 214.0 million or 1.0% to KD 22,565.8 million during 2019, compared to a growth of KD 1,118.8 million or 5.3% during 2018. Table (4) sets out the developments of GDP at current prices by divisions of economic activity over the last four years (2016-2019).

The table's data show that "Community, Social and Personal Services" (accounting for 44.1% of non-oil GDP) recorded a growth in its value added of KD 295.2 million or 3.1% to reach KD 9,945.6 million during 2019, compared to a growth of KD 427.7 million or 4.6% during 2018. The "Real Estate, Renting and Business Activities" (accounting for 17.1% of non-oil GDP) increased by KD 94.6 million or 2.5% in its value added to reach KD 3,867.7 million during 2019, compared to a growth of KD 84.7 million or 2.4% during 2018. The value added by "Financial Intermediation and Insurance" (accounting for 16.8% of non-oil GDP) recorded a growth in its value added of KD 140.2 million or 3.8% to reach KD 3,802.2 million during 2019, compared to a growth of KD 23.0 million or 0.6% during 2018. The value added by "Electricity, Gas and Water" (accounting for 5.0% of non-oil GDP) increased by KD 78.4 million or 7.4% to reach KD 1,136.6 million during 2019, compared to a growth of KD 1.1 million or 0.1% during the previous year. Furthermore, value added by "Hotels & Restaurants" (accounting for 1.8% of non-oil GDP) increased by KD 15.8 million or 4.0% to reach KD 409.0 million during 2019, compared to a growth of KD 27.6 million or 7.5% during 2018.

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

Item	2016	2017	2018	2019*
Agriculture and Fishing	171.4	192.2	186.6	178.1
Manufacturing Industries	2,380.7	2,746.3	2,903.9	2,820.4
Electricity, Gas and Water	1,030.8	1,057.1	1,058.2	1,136.6
Construction	987.0	1,181.5	1,224.3	1,148.5
Wholesale & Retail Trade	1,627.0	1,644.9	1,655.2	1,645.0
Hotels & Restaurants	376.2	365.6	393.2	409.0
Transport, Storage and Communications	2,396.6	2,290.1	2,501.3	2,478.8
Financial Intermediation and Insurance	3,482.0	3,639.0	3,662.0	3,802.2
Real Estate, Renting and Business Activities	3,480.0	3,628.5	3,773.1	3,867.7
Community, Social & Personal Services	8,706.5	9,222.7	9,650.4	9,945.6
Subtotal	24,638.2	25,967.9	27,008.2	27,431.9
Financial Intermediation Services Indirectly Measured	-2,319.7	-2,521.2	-2,254.1	-2,263.6
Taxes minus Subsidies (Net taxes)	-2,097.9	-2,213.8	-2,402.3	-2,602.5
Total Non-Oil Sectors	20,220.6	21,232.9	22,351.8	22,565.8
(%) Change	3.2	5.0	5.3	1.0

* Quarterly data.

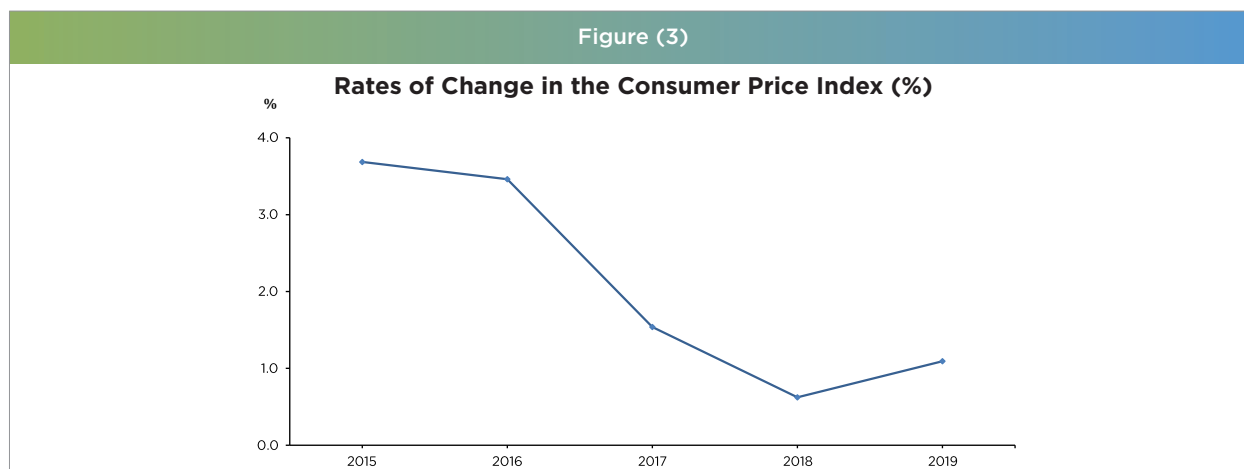
Source: Central Statistical Bureau..

The value added by “Manufacturing Industries” (accounting for 12.5% of non-oil GDP) recorded a drop of KD 83.5 million or 2.9% to reach KD 2,820.4 million during 2019, following a growth of KD 157.6 million or 5.7% during 2018 (Table 4). Furthermore, value added by “Transport, Storage and Communications” (accounting for 11.0% of non-oil GDP) witnessed a decrease of KD 22.5 million or 0.9% to reach KD 2,478.8 million during 2019, compared to a growth of KD 211.2 million or 9.2% during 2018. Meanwhile, the value added by “Wholesale & Retail Trade” (accounting for 7.3% of non-oil GDP) witnessed a drop in its value added of KD 10.2 million or 0.6% to reach KD 1,645.0 million during 2019, compared to KD 1,655.2 million during 2018. Moreover, value added by “Construction” (accounting for 5.1% of non-oil GDP) recorded a decline of KD 75.8 million or 6.2% to reach KD 1,148.5 million during 2019, compared to KD 1,224.3 million during 2018.

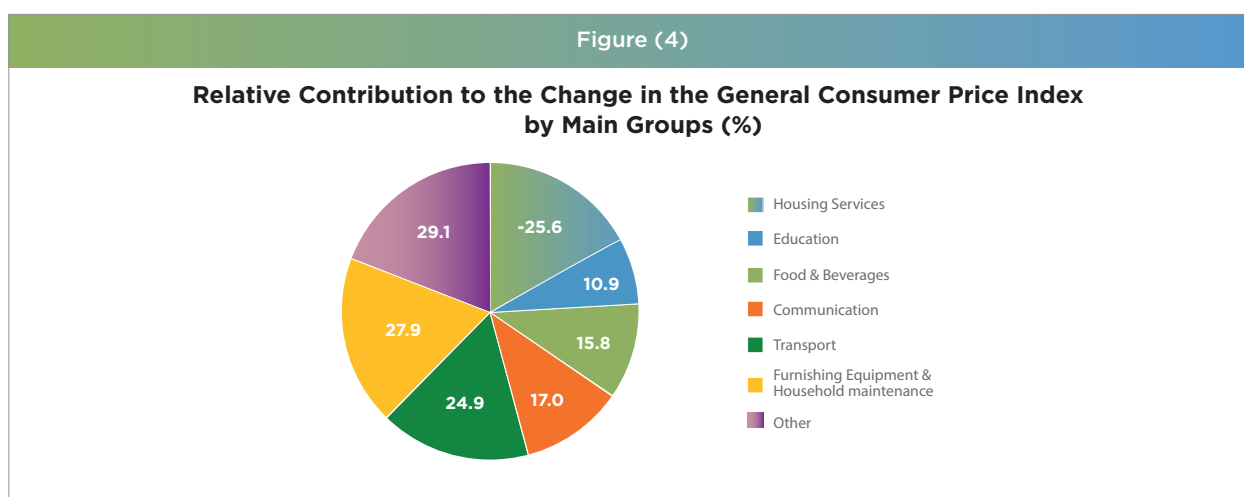
Second: General Level of Domestic Prices

(1) General Index of Consumer Prices

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, increased to reach 1.1% during 2019 after reaching 0.6% during 2018 and 1.6% during 2017 (Table 5, Figure 3).



Source: Central Statistical Bureau.



Source: Central Statistical Bureau.

The above-mentioned increase in the annual inflation rate recorded during 2019 resulted from developments in the inflation rate in average prices of the main components of CPI compared to 2018. An acceleration was recorded in the inflation rate in average prices of “Furnishing equipment and Household Maintenance” (relative weight 11.4%) to 2.6% during 2019 against 2.0% during 2018, “Transport” (relative weight 7.5%) to 3.4% during 2019 against 1.4% during 2018, “Communications” (relative weight 4.0%) to 5.1% during 2019 against 3.7% during 2018, “Food & Beverages” (relative weight 16.7%) to 1.1% during 2019 against 0.1% during 2018. Furthermore, an increase was recorded in the inflation rate in average prices of “Education” (relative weight 4.2%) to 2.7% during 2019 against 1.4% during 2018, “Clothing & Footwear” (relative weight 8.0%) to 1.3% during 2019 against a drop of 0.5% during 2018 and “Health” (relative weight 1.5%) to 2.7% during 2019 against 1.9% during 2018.

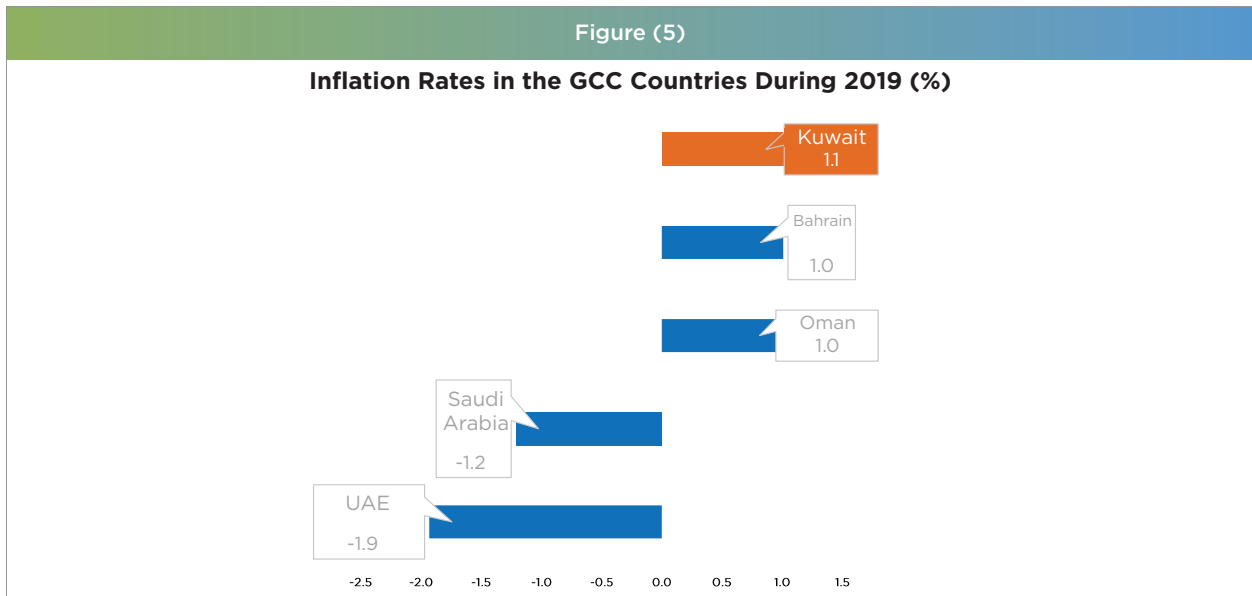
A decrease was recorded in average prices of “Recreation & Culture” (relative weight 3.8%) to 2.8% during 2019 against 4.1% during 2018, “Restaurants & Hotels” (relative weight 3.4%) to 0.7% during 2019 against 1.7% during 2018, “Tobacco & Narcotics” (relative weight 0.3%) to 3.7% during 2019 against 11.5% during 2018, and “Housing Services” (relative weight 33.2%) to 0.8% during 2019 against a drop of 1.1% during 2018.

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

Item	Relative Weights	Average Period (2017-2019)	2018	2019	Change (%)		Relative Contribution to Price Index Change (%)	
					2018	2019	2018	2019
Consumer Price Index:	100.0	113.2	113.0	114.2	0.6	1.1	100.0	100.0
1- By Items of Expenditure								
- Food & Beverage	16.7	108.0	107.6	108.8	0.1	1.1	1.8	15.8
- Tobacco & Narcotics	0.3	123.4	126.2	130.8	11.5	3.7	6.8	1.3
- Clothing & Footwear	8.0	106.1	105.5	106.8	-0.5	1.3	-6.2	8.8
- Housing Services	33.2	116.3	116.2	115.2	-1.1	-0.8	-70.1	-25.6
- Furnishing equipment & Household Maintenance	11.4	117.3	117.0	120.0	2.0	2.6	42.1	27.9
- Health	1.5	105.9	105.6	108.5	1.9	2.7	4.5	3.5
- Transport	7.5	120.3	119.5	123.6	1.4	3.4	18.9	24.9
- Communication	4.0	104.4	103.8	109.1	3.7	5.1	22.9	17.0
- Recreation & Culture	3.8	104.7	105.1	108.0	4.1	2.8	24.9	9.4
- Education	4.2	119.5	118.9	122.1	1.4	2.7	10.6	10.9
- Restaurants & Hotels	3.4	120.6	121.0	121.8	1.7	0.7	11.0	2.2
- Miscellaneous Goods & Services	5.8	106.6	107.5	108.3	3.4	0.8	32.7	4.0

Source: Central Statistical Bureau.

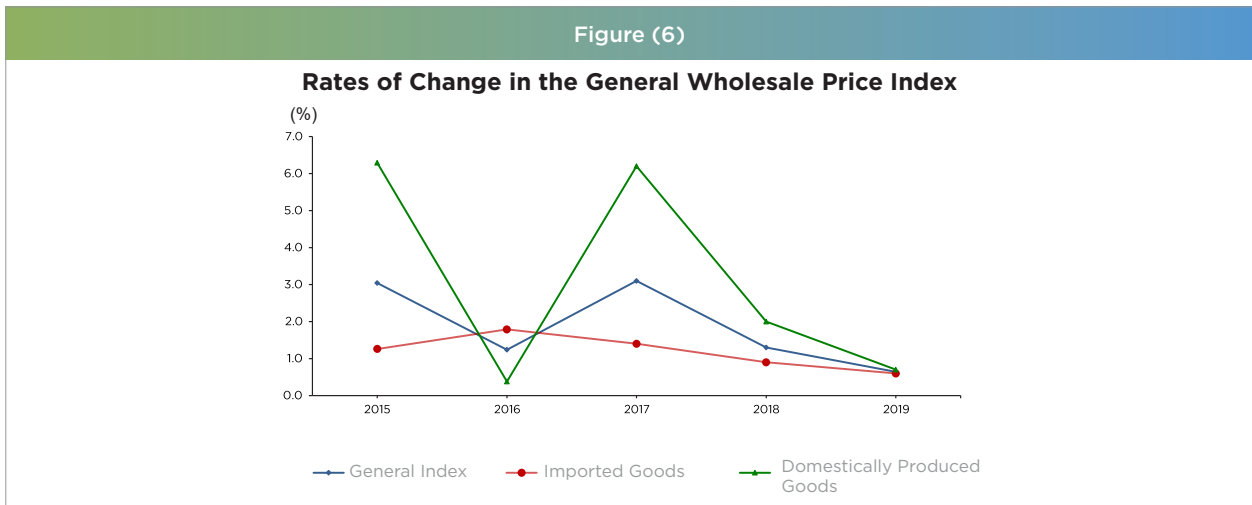
Available statistics on CPI in the GCC countries indicate varied annual inflation rates during 2019 compared to the previous year. During 2019, the inflation rate in the State of Kuwait reached 1.1% (0.6% during 2018), Kingdom of Bahrain 1.0% (2.1% during 2018), Oman 1.0% (0.9% during 2018), Kingdom of Saudi Arabia -1.2% (2.5% during 2018), United Arab Emirates was -1.9% (3.1% during 2018).



Source: Official National Authorities.

(2) General Wholesale Price Index

Figure (6) and Table (6) show developments in the General Wholesale Price Index (WPI) (base year 2007=100) by main groups in the State of Kuwait. Data indicate a slowdown in the rate of change in WPI reaching 0.6% during 2019 from 1.3% during 2018 and 3.1% during 2017.



Source: Central Statistical Bureau.

The decline in the General Wholesale Price Index (WPI) during 2019 resulted from a deceleration in the growth rate in average prices of “Manufacturing Industries” (relative weight 90.0%) to 0.7% during 2019 from 1.4% during 2018, “Quarrying” (relative weight 0.3%) to 0.2% during 2019 from 1.2% during 2018, and the slight rise in the growth rate in average prices of “Agriculture, Forestry and Fishing” (relative weight 4.5%) to 0.6% during 2019 from 0.5% during 2018.

The developments witnessed in wholesale prices indicate a slowdown in the rate of change in WPI of “Imported Goods” (relative weight 64.4%) to 0.6% during 2019 from 0.9% during 2018, and a deceleration in the rate of change in WPI of “Domestically Produced Goods” (relative weight 35.6%) to 0.7% during 2019 from 2.0% during 2018.

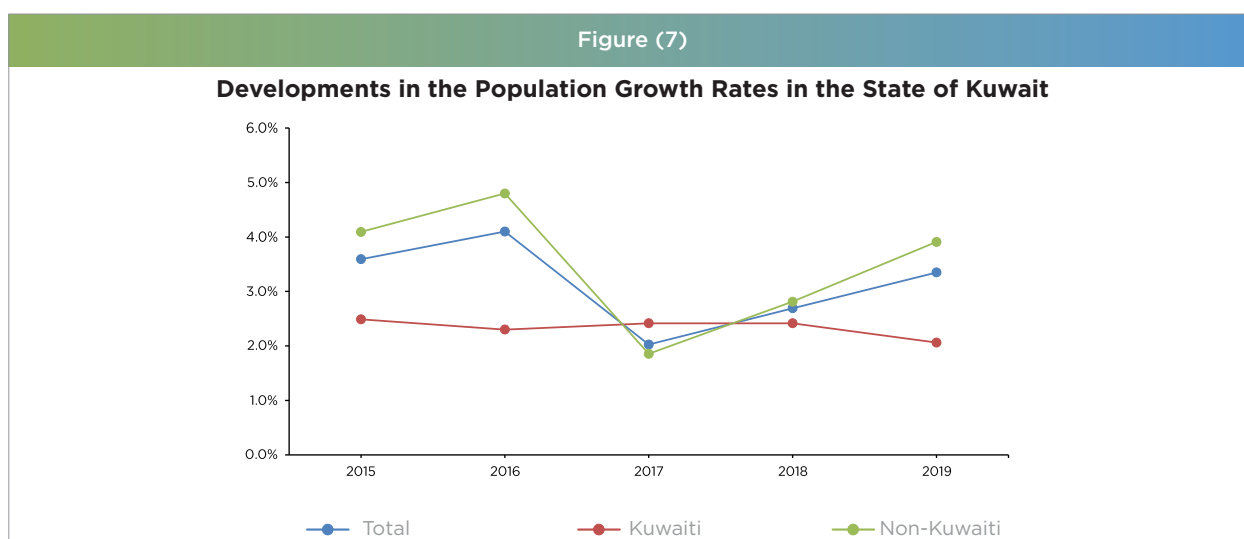
Table (6)
Developments in the General Wholesale Price Index
(Base Year 2007=100)

Item	Relative Weights	2017	2018	2019	Change (%)	
					2018	2019
General Wholesale Price Index	100.00	134.6	136.3	137.2	1.3	0.6
- By Main Groups:						
* Agriculture, Forestry and Fishing	4.5	154.6	155.3	156.3	0.5	0.6
* Quarrying	0.3	122.5	124.0	124.3	1.2	0.2
* Manufacturing Industries	90.0	135.6	137.5	138.4	1.4	0.7
* Electricity and Water	5.2	100.0	100.0	100.0	0.0	0.0
- Wholesale Price Index of Imported Goods	64.4	132.3	133.5	134.4	0.9	0.6
- Wholesale Price Index of Domestically Produced Goods	35.6	138.7	141.4	142.4	2.0	0.7

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 3.3% at the end of 2019 compared to 2.7% at the end of 2018, bringing the total population to 4.776 million at the end of 2019 against 4.622 million at the end of 2018.



Source: Public Authority for Civil Information.

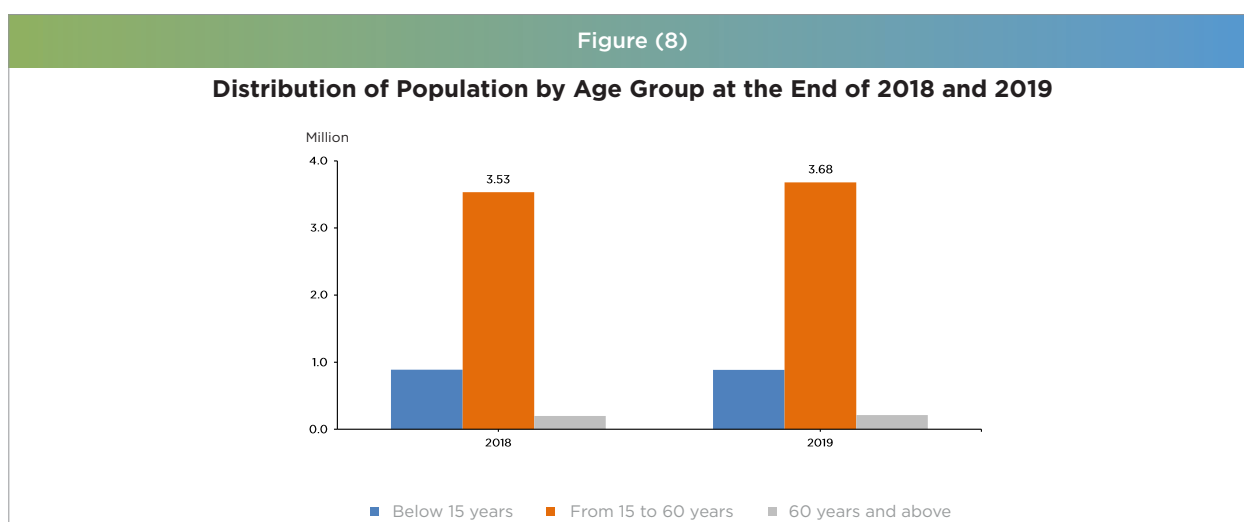
The largest portion (81.3%) of this growth was driven by the 3.9% rise in non-Kuwaiti population reaching 3.344 million at the end of 2019, against a 2.8% rise to 3.219 million at the end of 2018. Meanwhile, the growth rate of Kuwaiti population reached 2.1% during 2019 against 2.4% during 2018, bringing the total Kuwaiti population to 1.432 million at the end of 2019 against 1.403 million at the end of 2018. As a result of these developments, the ratio of Kuwaiti population to total population slightly declined to 30.0% at the end of 2019 (30.4% in 2018), while the ratio of non Kuwaiti population to total population slightly increased to 70.0% at the end 2019 (69.6% in 2018).

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

Item	2017	2018	2019
Population:			
1. Kuwaitis:	1,370.013	1,403.113	1,432.045
Change (%)	2.4	2.4	2.1
Relative share to total population (%)	30.4	30.4	30.0
2. Non-Kuwaitis:	3,130.463	3,218.525	3,344.362
Change (%)	1.9	2.8	3.9
Relative share to total population (%)	69.6	69.6	70.0
3. Total Population (1+2)	4,500.476	4,621.638	4,776.407
Change (%)	2.0	2.7	3.3
Under 15 years (%)	19.7	19.2	18.6
15 to less than 60 years (%)	76.1	76.5	77.0
60 years plus (%)	4.2	4.3	4.4

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 77.0% at the end of 2019 against 76.5% at the end of 2018.



Source: Public Authority for Civil Information.

Regarding developments in labor force indicators at the end of 2019, data in Table (8) indicate a growth rate of 5.1% in total labor force compared to an increase of 4.4% during 2018, bringing the total labor force to 2.966 million at the end of 2019 compared to 2.823 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 5.3% during 2019 against 4.3% during 2018, thus reaching 2.526 million at the end of 2019 compared to 2.398 million at the end of the previous year. Also, the growth rate of Kuwaiti labor force increased by 3.5% during 2019, against 4.7% during 2018, bringing the number to 440 thousand at the end of 2019 (223 thousand males (50.7%) and 217 thousand females (49.3%)) compared to 425 thousand at the end of the previous year.

Table (8)
**Developments in the Labor Force Main Indicators in the State of Kuwait
(End of Period)**

Item	2017	2018	2019
Labor Force:			
1. Kuwaitis:	406,201	425,324	440,022
Change (%)	-9.2	4.7	3.5
Relative share to total (%)	15.0	15.1	14.8
2. Non-Kuwaitis:	2,299.412	2,398.063	2,526.234
Change (%)	1.8	4.3	5.3
Relative share to total (%)	85.0	84.9	85.2
3. Total Labor Force (1 + 2):	2,705.613	2,823.387	2,966.256
Change (%)	-0.02	4.4	5.1

Source: Public Authority for Civil Information.

According to the aforesaid developments, dependency ratio (the ratio of population not in the labor force to total labor force) decreased to an average of 610 persons per one thousand persons in the labor force at the end of 2019, compared to 637 persons per one thousand persons in the labor force at the end of 2018 (Table 9).

Dependency ratio of Kuwaiti population decreased to 2,254 persons per one thousand persons at the end of 2019, against 2,299 persons per one thousand persons at the end of 2018. This drop was driven by the increase in Kuwaiti labor force (3.5%) against the increase in Kuwaiti population not in labor force (1.5%) at the end of 2019 compared to the previous year. In the same direction, dependency ratio of non-Kuwaiti population decreased from 342 persons per one thousand persons in non-Kuwaiti labor force at the end of 2018 to 324 persons per one thousand persons at the end of 2019. This was the result of the increase in non-Kuwaiti labor force (5.3%) against the decrease in non-Kuwaiti population not in the labor force (0.3%) at the end of 2019 compared to the end of the previous year.

Table (9)
**Developments in the Dependency Indicators in the State of Kuwait
(End of Period)**

Item	2017	2018	2019
Dependency rates (per 1000 persons in labor force):			
1. Kuwaitis	2,373	2,299	2,254
2. Non-Kuwaitis	361	342	324
3. Total Population	663	637	610

Source: Public Authority for Civil Information.

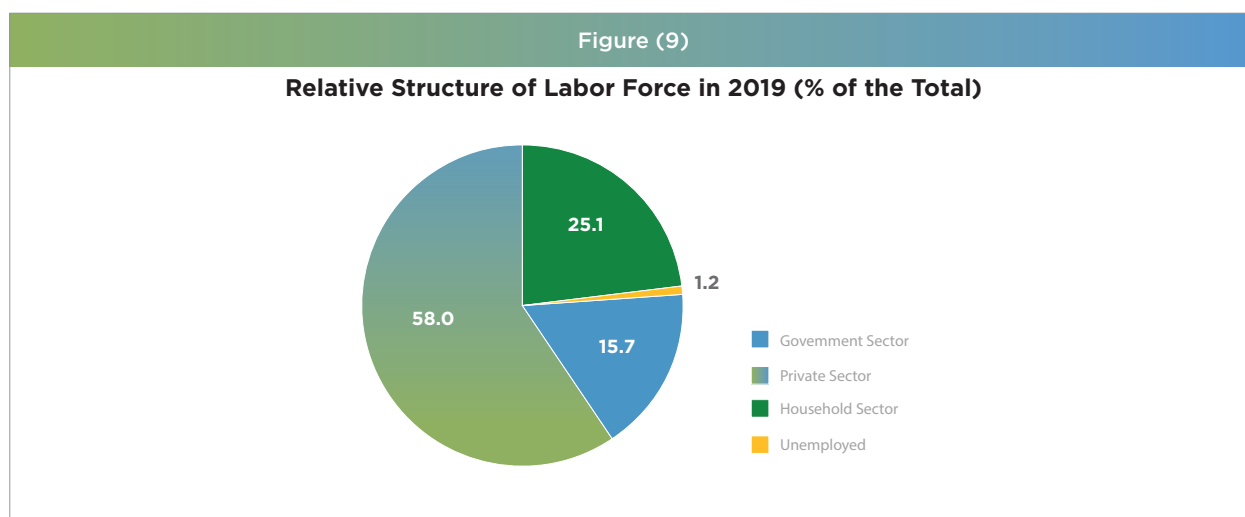
With regards to the distribution of labor force by economic activity at the end of 2019 (Table 10), "Community, Social and Personal Services, and International Organizations" accounted for 46.8% of total labor force against 45.4% at the end of 2018, followed by "Trade, Restaurants and Hotels" for 19.2% against 18.9% at the end of 2018, and "Construction" for 14.9% against 15.7% at the end of 2018. Meanwhile, data on the relative distribution of Kuwaiti labor force by divisions of economic activity at the end of 2019 indicate that Kuwaiti labor force was also concentrated in activities associated with "Community, Social and Personal Services, and International Organizations" by 81.1%, followed by "Finance, Insurance, Real Estate and Business Services" by 7.5% and "Trade, Restaurants and Hotels" by 4.4%.

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

Divisions of Economic Activity	2017			2018			2019		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
Agriculture & Fishing	0.1	2.5	2.1	0.1	2.5	2.1	0.1	2.7	2.3
Mining & Quarrying	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Manufacturing Industries	1.1	6.4	5.6	1.1	6.2	5.4	1.2	6.0	5.2
Electricity, Gas & Water	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	4.2	17.0	15.0	4.1	17.7	15.7	4.3	16.8	14.9
Trade, Restaurants & Hotels	4.0	21.2	18.6	3.8	21.5	18.9	4.4	21.8	19.2
Transport, Storage & Communications	0.7	2.9	2.5	0.6	2.9	2.5	0.6	2.8	2.5
Finance, Insurance, Real state & Business Services	5.3	7.0	6.8	7.2	7.3	7.3	7.5	7.0	7.1
Community, Social & Personal Services, and International Organizations	82.5	40.3	46.6	81.0	39.0	45.4	81.1	40.8	46.8
Unspecified	2.1	2.7	2.6	2.0	2.8	2.7	0.7	2.1	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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 2.2% during 2019, while its relative share to total labor force (96.3% for non Kuwaitis and 3.7% for Kuwaitis) dropped from 59.7% at the end of 2018 to 58.0% at the end of 2019.



Source: Public Authority for Civil Information

Growth rate of labor force in the government sector increased by 1.5% at the end of 2019 compared to the previous year, while its relative share to total labor force (74.2% for Kuwaitis and 25.8% for non-Kuwaitis) decreased from 16.3% at the end of 2018 to 15.7% at the end of 2019. Furthermore, the unemployed population rose by 14.4% at the end of 2019 compared to

the end of the previous year, causing a slight rise to 1.2% in its relative share to total labor force (88.0% for unemployed non-Kuwaitis and 12.0% for unemployed Kuwaitis) at the end of 2019 compared to 1.1% at the end of the previous year.

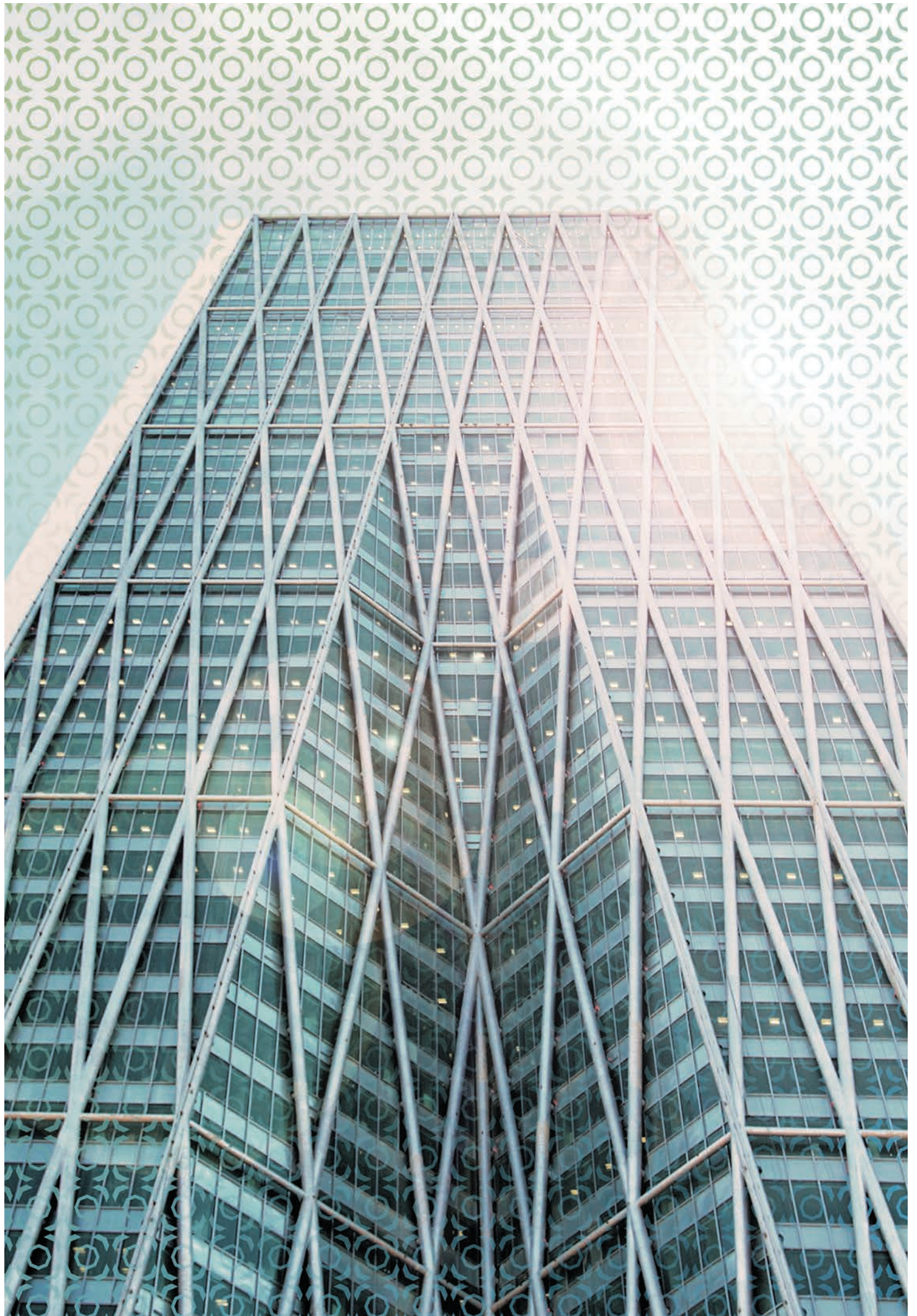
Table (11)
Relative Distribution of Labor Force by Nationality and Sector (%)
(End of Period)

Sector	2017	2018	2019
Government Sector	16.6	16.3	15.7
Kuwaiti	11.9	11.9	11.6
Non-Kuwaiti	4.6	4.4	4.1
Private Sector	59.3	59.7	58.0
Kuwaiti	2.3	2.3	2.2
Non-Kuwaiti	57.0	57.4	55.9
Household Sector	23.1	23.0	25.1
Kuwaiti	0.0	0.0	0.0
Non-Kuwaiti	23.1	23.0	25.1
Unemployed	1.0	1.1	1.2
Kuwaiti	0.8	0.9	1.0
Non-Kuwaiti	0.2	0.2	0.1
Total Labor Force	100.0	100.0	100.0
Kuwaiti	15.0	15.1	14.8
Non-Kuwaiti	85.0	84.9	85.2

Source: Public Authority for Civil Information.



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



Monetary Developments and Central Bank of Kuwait Activity

During 2019, 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 decreased its policy rate by 25 basis points on 30 October 2019, pushing the discount rate to 2.75% with the aim to provide a favorable climate for the sustainable economic growth.

Developments on the KD exchange rate during 2019 reflect CBK's efforts towards maintaining the 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 2019 was 0.6%, while the USD exchange rate against the other major currencies fluctuated within broader margins. The difference between the highest and the lowest rates was 11.2% against the Pound Sterling, 6.2% against the Euro, 6.4% against the Japanese Yen, and 5.2% 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 1.2% at the end of 2019, and resident private sector deposits with local banks of 1.7% at the end of 2019 compared to 2018. Furthermore, cash credit facilities extended by local banks to various economic sectors indicate a growth by 4.3% at the end of 2019.

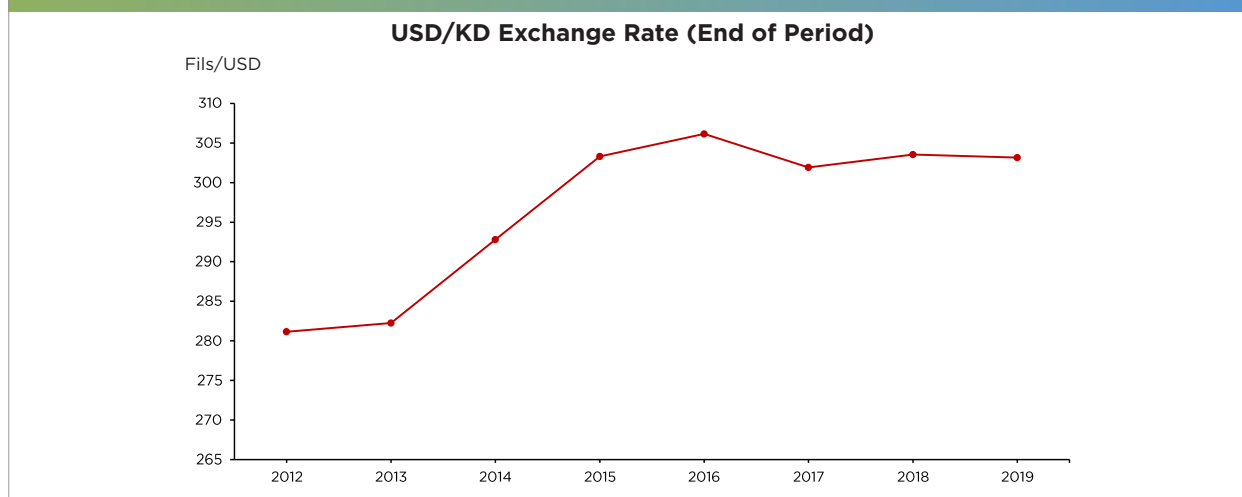
This part of the Economic Report highlights the most notable developments in main monetary aggregates and indicators and in the area of banking oversight and supervision during 2019, as follows:

(1) Developments in the KD Exchange Rate

During 2019, 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. 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 conducive environment 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 2019 compared to the end of the previous year (Table 12), USD decreased against KD by 0.40 fils or 0.1%. The USD exchange rate during the same period recorded a depreciation of 3.2% against the Pound Sterling, 1.7% against the Swiss Franc and 1.3% against the Japanese Yen, and 1.9% against the Euro.

Figure (10)



Source: Central Bank of Kuwait.

Table (12)

USD Exchange Rate against KD and Some Major Currencies at the End of 2019 Compared to the Previous Year

End of Period	KD ⁽¹⁾	Euro	Japanese Yen	Swiss Franc	Pound Sterling
2018	303.55	0.88	110.89	0.99	0.79
2019	303.15	0.89	109.43	0.97	0.76
Change (%)	-0.13	1.92	-1.32	-1.73	-3.16

(1) In fils.

Source: Central Bank of Kuwait.

Data indicate that the daily USD exchange rate against KD during 2019 was within relatively narrow margins, as the difference between the highest and lowest exchange rate of USD against the KD was 0.6%. Meanwhile, the same data reveal more noticeable fluctuations of the USD against other major currencies, at 11.2% against the Pound Sterling, 6.2% against the Euro, 6.4% against the Japanese Yen and 5.2% against the Swiss Franc (Table 13).

Table (13)

USD Exchange Rate Against KD and Some Major Currencies Based on Daily Data During 2019

Currency	High	Low	Difference	Change (%)
KD (fils)	304.450	302.650	1.800	0.6
Pound Sterling	0.8308	0.7470	0.084	11.2
Euro	0.9183	0.8647	0.054	6.2
Swiss Franc	1.0205	0.9702	0.050	5.2
Japanese Yen	112.0300	105.3100	6.720	6.4

Source: Central Bank of Kuwait.

(2) Money Supply Developments

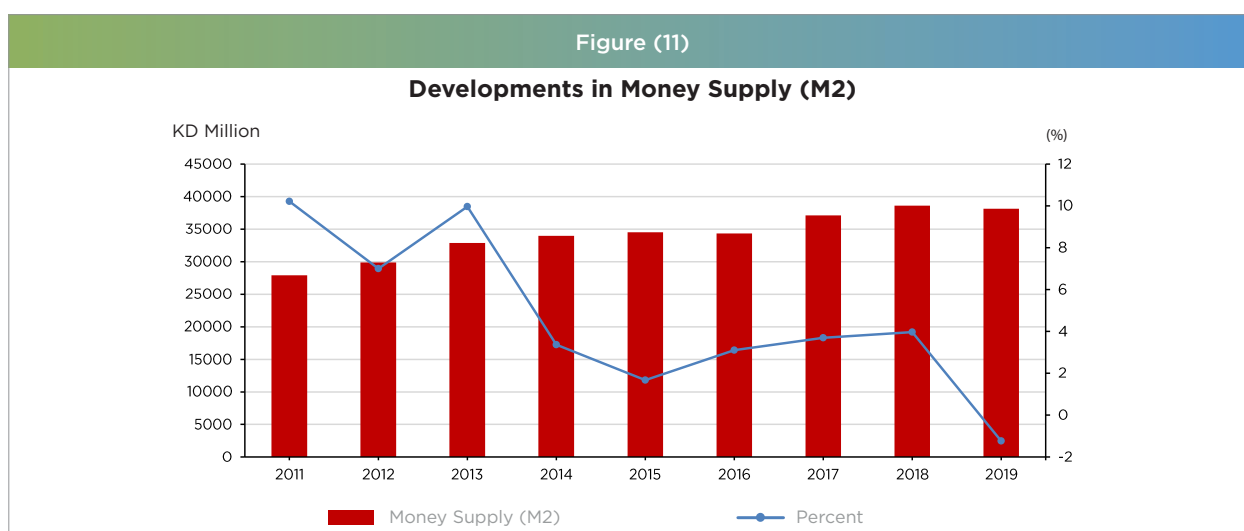
Available data (Table 14 and Figure 11) indicate a decline in domestic liquidity levels during 2019, Money Supply in its Broad Definition (M2) declined to KD 38,129.2 million at the end of 2019, i.e. a decrease of KD 477.2 million or 1.2% following an increase of KD 1,474.4 million or 4% at the end of 2018 compared to the end of 2017.

Table (14)
Developments in Money Supply Aggregates
 KD Million

Item	2018	2019	Change	
			Value	Change (%)
Money (M1)	10,378.8	10,489.4	110.6	1.1
Of which Currency in Circulation	1,755.2	1,889.7	134.5	7.7
Quasi-Money	28,227.6	27,639.8	-587.8	-2.1
KD Deposits (excluding sight deposits)	25,610.9	25,108.2	502.7	2
Foreign Currency Deposits	2,616.7	2,531.6	-85	-3.3
Money Supply (M2)	38,606.4	38,129.2	-477.2	-1.2
Deposits with Investment Companies (1)	-	-	-	-
Money Supply (M3)	38,606.4	38,129.2	-477.4	-1.2

⁽¹⁾Private sector's deposits with the companies that accept deposits by virtue of their articles of association.
 Source: Central Bank of Kuwait.

The decline witnessed in Money Supply in its Broad Definition (M2) during 2019 was an outcome of the decrease in Quasi Money of KD 587.8 million or 2.1% and the increase in Money in its Narrow Definition (M1) of KD 110.6 million or 1.1%.



Source: Central Bank of Kuwait.

The decrease in Quasi Money during 2019 resulted from the drop in resident private sector KD deposits (other than sight deposits) with local banks by KD 502.7 million or 2%, and the decline in resident private sector foreign currency deposits with local banks by KD 85.1 million or 3.3% (Table 15).

Table (15)
Private Sector's Deposits with Local Banks in 2019
 KD million, end of period

Item	2018	2019	Change	
			Value	Change (%)
KD Deposits	34,234.5	33,707.9	-526.6	-1.5
Sight	8,623.6	8,599.7	-24	-0.3
Savings	4,990.7	5112	121.3	2.4
Time	20,620.2	19,996.2	-623.9	-3.0
Certificate Deposits	-	-	-	-
Foreign Currency Deposits	2,616.7	2,531.6	-85.1	-3.3
Total	36,851.2	36,239.5	-611.7	-1.7

Source: Central Bank of Kuwait.

Within the aggregate monetary position of CBK and local banks during 2019, 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 decrease in Money Supply (M2) during 2019 reflected the decline (Table 16) in net domestic assets of those entities of KD 1,598 million i.e. 7.8% on the one hand, and the increase in net foreign assets thereof of KD 1,120.9 million i.e. 6.2% on the other.

The above mentioned decrease in net domestic assets of CBK and local banks is attributed to the decline in local banks' claims on the government, which posted a decrease by KD 2,412.9 million or 55.4% and in net domestic assets under the "Other" item, which posted a drop by KD 880 million or 6.4% (which causes a contractionary effect on Money Supply) on the one hand, and the increase in local banks' claims on the private sector by KD 1,695 million or 4.4% at the end of 2019, compared to the previous year (which causes an expansionary effect on Money Supply) on the other.

Table (16)
Factors Affecting Changes in Money Supply (M2)
 KD million

Item	2018	2019	Change ⁽¹⁾	
			Value	(%)
Money Supply (M2)	38,606.4	38,129.2	-477.2	-1.2
Net Domestic Assets:	20,485.8	18,887	-1,598	-7.8
Claims on the Government (net)(*)	-4,355.2	6,768.2	-2,412.9	-55.4
Claims on the Private Sector	38,669.6	40,358.3	1,695	4.4
Other Items (net)	-13,828.5	14,703.1	-880	-6.4
Net Foreign Assets:	18,120.6	19,242.2	1,120.9	6.2
CBK	10,408.2	11,266.6	858.4	8.2
Local Banks	7,712.4	7,975.7	262.4	3.4

⁽¹⁾ The minus sign shows the contractionary effect on the growth of Money Supply (M2), while the plus sign shows the expansionary effect on the growth of Money Supply (M2).

⁽²⁾ Public debt Tawarruq operations were initiated in April 2016. Public debt Tawarruq of local banks does not include the returns there on nor the government Tawarruq of more than a year acquired by Islamic banks.

Source: Central Bank of Kuwait.

The mentioned increase in CBK's and local banks' net foreign assets (Table 17) resulted from the growth of CBK's net foreign assets by the equivalent of KD 858.4 million or 8.2%, and local banks' net foreign assets by the equivalent of KD 262.4 million or 3.4%.

The mentioned increase in CBK's net foreign assets was an outcome of the increase in total foreign assets (by the equivalent of KD 794.6 million or 7.5%) and in total foreign liabilities (by the equivalent of KD 63.8 million or 38.9%). The growth in net foreign assets of local banks was a result of the increase in their total foreign assets (by the equivalent of KD 2,876.4 million or 20.8%), and the decrease in total foreign liabilities (by the equivalent of KD 2,613.9 million or 42.9%).

Table (17)
Net Foreign Assets of CBK and Local Banks
KD million

Particulars	End of 2018			End of 2019			Change	
	Foreign Assets	Foreign Liabilities	Net	Foreign Assets	Foreign Liabilities	Net	Value	(%)
CBK	10,574.5	166.4	10,408.2	11,369.1	102.6	11,266.6	858.4	8.2
Local Banks	13,803.5	6,090.0	7,712.6	16,679.8	8,704.1	7,975.7	262.4	3.4
Total	24,360.5	6,256.5	18,120.7	28,048.9	8,806.7	19,242.2	1,121.6	6.2

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 1,573.5 million or 4.3% to KD 38,428.2 million at the end of 2019, against KD 36,854.7 million at the end of 2018, after recording an increase in 2018 of KD 1,482.9 million or 4.2% compared to the end of 2017.

The utilized cash portion of personal credit facilities accounted for 42.8% of total credit facilities. The increase in personal credit facilities amounted to KD 618.3 million or 3.9%, which accounted for 39.3% of the increase in total credit facilities at the end of 2019. Data on personal credit facilities indicate an increase in consumer loans (of KD 382.1 million or 35.9%), housing loans (of KD 236.6 million or 2.0%), and 'Other' items of KD 41.1 million or 11.5% on one hand, and a decline in purchase of securities (of KD 41.5 million or 1.6%) on the other.

The remaining increase in credit facilities resulted from the rise in credit extended to the Real Estate sector of KD 760.4 million or 9.3%, Non-Bank Financial Institutions sector of KD 98.1 million or 9.1%, Crude Oil and Gas sector of KD 35.9 million or 2.1%, Industry sector of KD 35.5 million or 1.8%, Agriculture & Fisheries sector of KD 1.8 million or 10.3%, "Other" items of KD 200.5 million or 7.7%, and the decrease in credit extended to the Trade sector of KD 90.6 million or 2.7%, Construction sector of KD 84.0 million or 4.1%, and Public Services sector of KD 2.2 million or 1.9%.

Table (18)
Developments of Balances of Utilized Domestic Cash Credit Facilities
 KD million

Sector	Year-End Balance		Change	
	2018	2019	Value	Change(%)
Trade	3,315.9	3,225.3	-90.6	-2.7
Industry	1,981.3	2,016.6	35.3	1.8
Construction	2,063.8	1,979.8	-84.0	-4.1
Agriculture & Fisheries	17.3	19.1	1.8	10.3
Non-Bank Financial Institutions	1,081.8	1,179.9	98.1	9.1
Personal Facilities:	15,820.9	16,439.2	618.3	3.9
- Consumer Loans	1,063.3	1,445.3	382.1	35.9
- Installment Loans	11,723.3	11,959.9	236.6	2
- Purchase of Securities	2,675.7	2,634.2	-41.5	-1.6
- Others	358.6	399.7	41.1	11.5
Real Estate	8,157.6	8,918.1	760.4	9.3
Crude Oil & Gas	1,689.9	1,725.7	35.9	2.1
Public Services	114.2	112.1	-2.2	-1.9
Other	2,611.9	2,812.4	200.5	7.7
Total	36,854.7	38,428.2	1,573.5	4.3

Source: Central Bank of Kuwait.

On another front, available data (Table 19) on new KD credit facility agreements with residents during 2019 indicate the level of demand on bank credit 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 decreased by KD 1,395.7 million or 42.0% to reach KD 1,924.9 million at the end of 2019 compared to KD 3,320.6 million at the end of 2018.

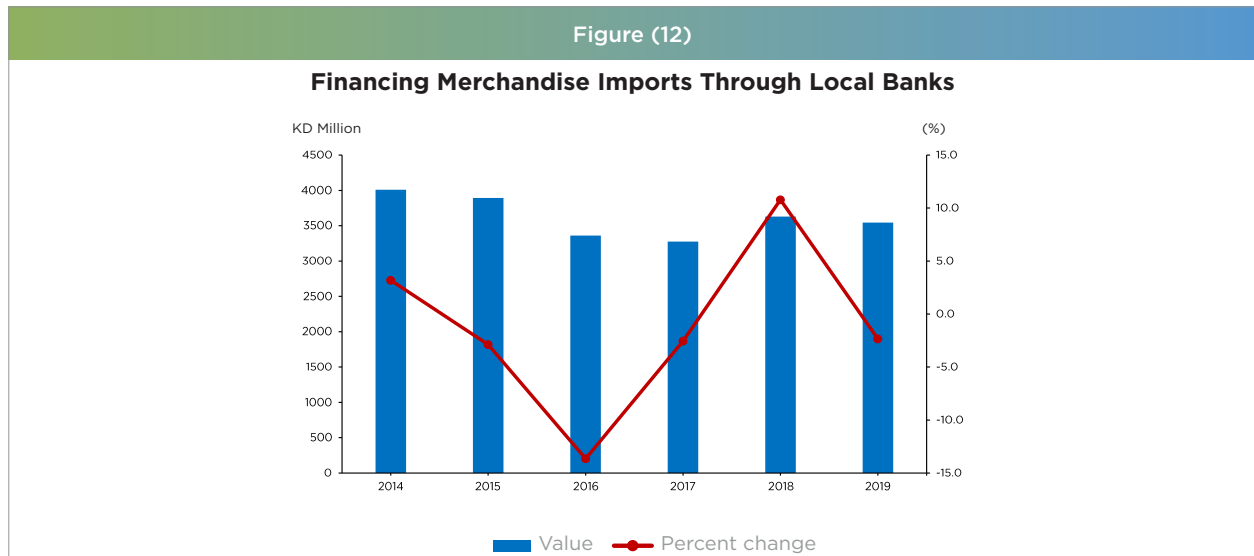
This decline was due to the decrease in the value of credit facility agreements with the Real Estate sector of KD 838.2 million (67.0%), Personal Facilities sector of KD 482.8 million (54.4%), Industry sector of KD 148.1 million (73.3%), Trade sector of KD 110.8 million (30.0%), Construction sector of KD 81.1 million (33.7%), and Agriculture and Fisheries sector of KD 1.8 million (70.1%) on the one hand, and the increase in the value of Crude Oil and Gas sector of KD 42.3 million (82.3%), Public Services sector of KD 26.1 million (108.3%) and Non Bank Financial Institutions sector of KD 21.5 million (23.8%) on the other.

Table (19)
Developments of New KD Credit Facility Agreements with Residents
 KD million

Sector	Year-End Balance		Change	
	2018	2019	Value	Change(%)
Trade	369.8	258.9	-110.8	-30.0
Industry	202.0	53.8	-148.1	-73.3
Construction	240.7	159.6	-81.1	-33.7
Agriculture & Fisheries	2.6	0.8	-1.8	-70.1
Non-Bank Financial Institutions	90.4	111.9	21.5	23.8
Personal Facilities:	888.1	405.3	-482.8	-54.4
- Consumer Loans	88.7	92.4	3.7	4.2
- Others	779.5	313.0	-486.5	-60.9
Real Estate	1,251.0	412.7	-838.2	-67.0
Crude Oil & Gas	51.5	93.8	42.3	82.3
Public Services	2.4	28.4	26.1	1,083.3
Other	222.3	399.6	177.3	79.7
Total	3,320.6	1,924.9	-1,395.7	-42.0

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 decreased by KD 85.0 million or 2.3% to reach KD 3,544.8 million during 2019 against KD 3,629.8 million during 2018.



Source: Central Bank of Kuwait.

The mentioned decrease in the value of financing imports between the years 2018 and 2019 was an outcome of the decline in the value of imports financed in USD from KD 2,187.7 million to KD 2,103.5 million, Euro from KD 366.3 million to KD 296.5 million, and Swiss Franc from KD 7.1 million to KD 5.0 million on the one hand, and the growth in the value of imports financed in “Other” currencies from KD 1,005.3 million to KD 1,056.4 million, Japanese Yen from KD 42.4 million to KD 42.7 million, and Pound Sterling from KD 21.0 million to KD 40.8 million on the other hand during the same period.

Consequently, the relative share of payments decreased in USD from 60.3% to 59.3%, Euro from 10.1% to 8.4%, and Swiss Franc from 0.2% to 0.1%. Meanwhile, the relative share of payments increased in “other” currencies from 27.7% to 29.8%, and Pound Sterling from 0.6% to 1.2%, while the relative share of payments remained stable in Japanese Yen at 1.2% during 2019.

(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 decreased the discount rate by 0.25 percentage points on 30 October 2019 to 2.75% from its previous level of 3%.

CBK continued, during 2019, 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 for a period of 15 years 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	
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
2019	2.75	5.25	6.75	5.75

Source: Central Bank of Kuwait.

Data on the average interest rates on KD-denominated customer time deposits with local banks during 2019, compared with 2018, reveal an increase in the average rate of 0.558 percentage point for 1-month deposits from 2.149% to 2.707%, and 0.555 percentage point for 3 month deposits from 2.285% to 2.839%. On another front, average interest rates on USD time deposits with local banks increased by 0.483 percentage point for 1 month deposits from 1.329% to 1.812%, and by 0.465 percentage point for 3-month deposits from 1.542% to 2.007%. Margins between the average interest rates on KD and USD customer deposits with local banks contin-

ued to be in favor of the KD (Table 21). The margin reached 0.895 percentage point against 0.820 percentage point during the previous year for 1-month deposits, and 0.833 percentage point against 0.743 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 2019 compared with their levels during 2018.

Table (21)
Average 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	
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
2019	2.707	1.812	0.895	2.839	2.007	0.833

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 decreased to 3% during 2019 against 3.25% during 2018. Furthermore, the average interest rate (revenue) on 2-year Treasury Bonds decreased to 3.125% during 2019 against 3.375% during 2018. Likewise, the interest rates (revenue) on 3, 5, and 7-year Treasury Bonds decreased to 3.125%, 3.250%, and 3.375% during 2019 against 3.375%, 3.375%, and 3.500% during 2018 respectively. In addition, the interest rate on 10-year Treasury Bonds decreased to 3.625%, against 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 2.938% during 2019 against 2.458% during 2018. Furthermore, the interest rate on 6 month maturity bonds and related Tawarruq increased to 3.063% during 2019 against 2.583% 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 instruments² (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 October 2017 without issuing a law for general borrowing, CBK did not issue any issuance during 2019. During the same period, 16 previous issues matured with a total nominal value of KD 1,470.0 million (2 issues of 1 year maturity with a total nominal value of KD 150 million, 6 issues of 2-year maturity with a total nominal value of KD 600 million, 7 issues of 3-year maturity with a nominal value of KD 700 million, and 1 issue of 7-year maturity with a nominal value of KD 20 million). Accordingly, the outstanding balance of Treasury Bonds decreased to KD 2,072.3 million at the end of 2019.

Regarding the distribution of the outstanding balances of public debt instruments held by different institutions at the end of 2019, 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 1,470 million or 41.5% from KD 3,543.3 million at the end of 2018 to KD 2,072.3 million at the end of 2019.

² Public debt Tawarruq operations were initiated in April 2016

Table (22)
Developments of Public Debt Instruments
 KD million

Particulars	2017	2018	2019
Issues:	3100	-	-
Treasury Bonds and Related Tawarruq	3100	-	-
Maturities:	1600	1225	1470
Treasury Bonds and Related Tawarruq	1600	1225	1470
Balances at End of Period:	4767.3	3542.3	2072.3
Treasury Bonds and Related Tawarruq	4767.3	3542.3	2072.3

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 37 issues of bonds and related Tawarruq during 2019 with a total nominal value of KD 8,710 million (26 issues of 3-month maturity with a total nominal value of KD 5,670 million, and 11 issues of 6-month maturity with a total nominal value of KD 3,040 million) (Table 23).

Table (23)
Developments of CBK Bonds and Related Tawarruq
 KD million

Particulars	2017	2018	2019
Issues:	7,825	9,140	8,710
3 Months	4,505.0	6,160	5,670
6 Months	3,320.0	2,980	3,040
No. of Issues:	38	42	37
3 Months	24	30	26
6 Months	14	12	11
Maturities:	7,740	8,980	8,710
3 Months	4,740.0	5,920	5,700
6 Months	3,000.0	3,060	3,010
No. of Maturities	38	42	34
3 Months	25	29	23
6 Months	13	13	11
Balances at End of Period:	2,883	2,988	2,958
3 Months	1,200.0	1,440	1,410
6 Months	1,570.0	1,490	1,520
Tawarruq with CBK (1 year and above)	113	58	28

Source: Central Bank of Kuwait.

At the same time, 34 previous issues matured during 2019 with a total nominal value of KD 8,710 million (of which 23 issues of 3-month maturity with a total nominal value of KD 5,700 million, and 11 issues of 6-month maturity with a total nominal value of KD 2,958 million). As a result, the outstanding balance of CBK Bonds decreased to KD 2,958 million at the end of 2019 compared to KD 2,988 million at the end of the previous year.

(6) Activity of the Local Interbank Deposit Market

Activity in the local interbank KD-deposit market increased during 2019. The value of market transactions reached KD 120,714.7 million against KD 80,741.6 million during 2018, i.e. an increase of KD 39,973.0 million or 49.5% (Table 24). Data indicate an increase in the relative share of “overnight” transactions to 47.8% during 2019 against 45.9% during 2018. Data also indicate a stability in the relative share of “over one night to one week” transactions to 39.3%, and the “over one month to three months” transactions at 1.3%. Meanwhile, the relative share of “over one week to one month” transactions decreased to 10.8% against 12.5% during 2019.

Table (24)

Distribution of Transaction Values of the Interbank Deposit Market of Local Banks* by Maturity Term KD million

Maturity Term	2018		2019	
	Value	% of Total	Value	% of Total
Overnight	37,045.7	45.9	57,683.5	47.8
Over one night to one week	31,726.6	39.3	47,484.6	39.3
Over one week to one month	10,079.1	12.5	12,988.9	10.8
Over one month to three months	1,019.8	1.3	1,570.1	1.3
Over three months to six months	339.9	0.4	410.5	0.3
Over six months	530.5	0.7	567.1	0.5
Total	80,741.6	100.0	120,714.7	100.0

* 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 557.8 million or 9.5% at the end of 2019 to reach KD 6,399.4 million at the end of the year against KD 5,841.7 million at the end of 2018. This increase was the outcome of the rise in local banks’ time deposits and related Tawarruq with CBK of KD 445.2 million or 28.6%, and local banks’ on demand deposits CBK of KD 142.6 million or 11.1%, and the decline in the balances of and local banks’ holdings of CBK Bonds and related Tawarruq with CBK of KD 30.0 million or 1.0%. No CBK claims on local banks were recorded at the end of 2019.

Table (25)
Trends in Developments 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	
2017	2.9	2892.5	1035.2	0.6	-	-	-	-	4600.6
2018	5.7	3000.8	1555.2	1.7	-	-	-	-	5841.7
2019	1428.2	2970.8	2000.4	6399.4	-	-	-	-	6399.4

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 64.8 thousand transactions or 2.2% to a total of 2,978.3 thousand transactions during 2019 amounting to KD 17,436.3 million against 2,913.5 thousand transactions amounting to KD 17,014.9 million during 2018. The total value of clearing transactions during 2019 increased by KD 421.4 million or 2.5% from its level during 2018. Consequently, the average value per transaction (average value of cheque) increased by KD 14.4 or 0.2% to KD 5,854.4 during 2019 against KD 5,840.0 during 2018.

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 72.1 billion or 27.6% to KD 333.2 billion during 2019 against KD 261.1 billion during 2018.

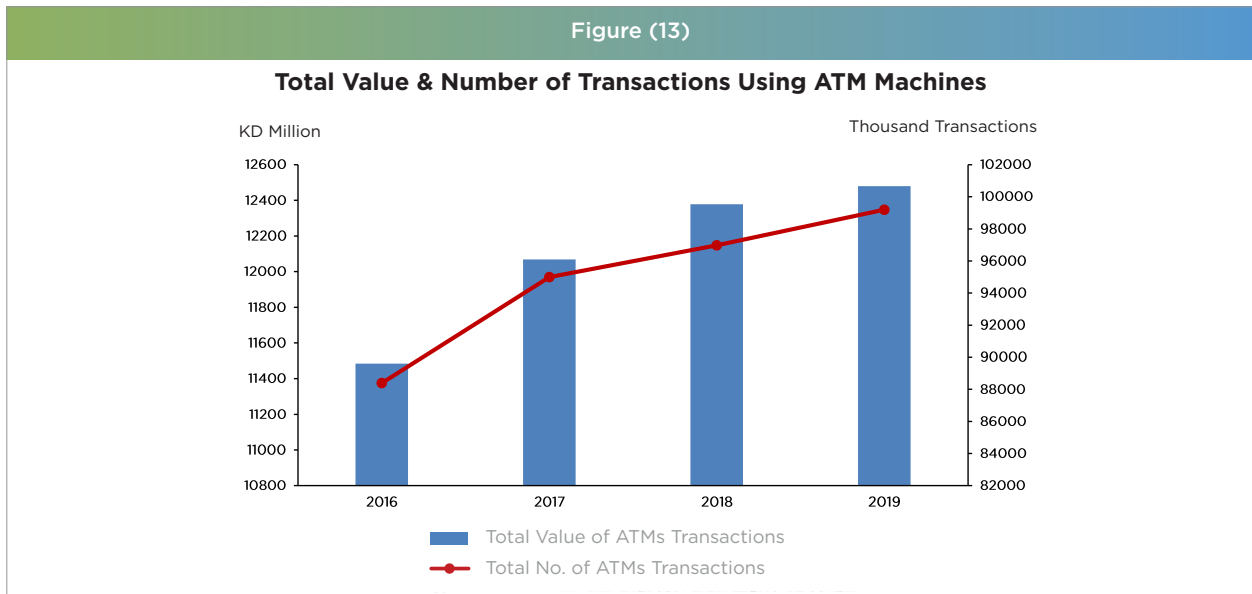
Table (26)
Clearing Transactions and Settlements Among Local Banks

Period	Cheques			Local Interbank Settlement Transactions
	Total Value	No. of Transactions	Average Transaction Value	
	(KD million)	('000)	(KD)	(KD million)
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
2019	17,436.3	2,978.3	5,854.4	333,145.0

Source: Central Bank of Kuwait.

(9) Transactions Using Plastic Cards

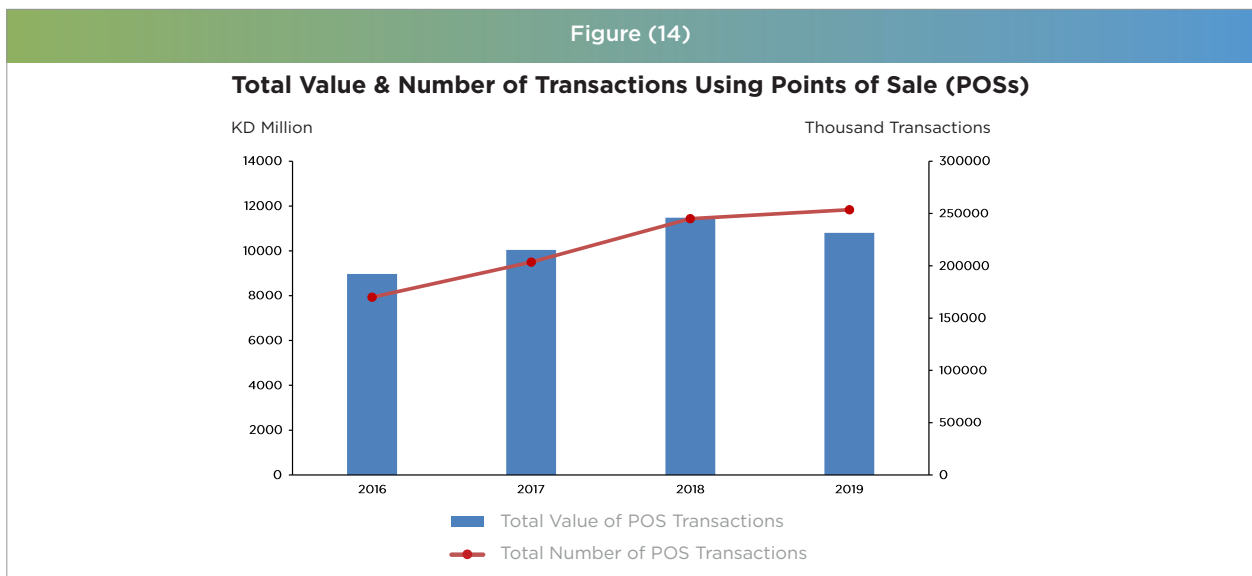
Available data on plastic card transactions (including credit and debit cards issued by local banks and foreign banks that are being used locally) indicate an increase in the total value of Automatic Teller Machine (ATM) transactions in the State of Kuwait and abroad by 0.8% to reach KD 12,479.2 million (on 99,197.7 thousand transactions) during 2019 against KD 12,378.5 million (on 96,981.4 thousand transactions) during 2018.



Source: Central Bank of Kuwait.

Total value of ATM transactions in the State of Kuwait amounted to KD 12,123.6 million (95,718.7 thousand transactions) during 2019 against KD 12,012.4 million (93,544.7 thousand transactions) during the previous year, i.e. an increase of 0.9%.

Furthermore, total value of Points of Sale (POSS) transactions in the State of Kuwait and abroad decreased by KD 675.0 million or 5.9% reaching KD 10,803.1 million (distributed over 253,661.7 thousand transactions) during 2019 against KD 11,478.1 million (distributed over 245,166.7 thousand transactions) during the previous year. Moreover, total value of POS transactions in the State of Kuwait amounted to KD 9,937.9 million (distributed over 234,253.6 thousand transactions) during 2019 against KD 10,431.4 million (distributed over 222,338.7 thousand transactions) during the previous year, i.e. an increase of 4.7%.



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 a decrease in the number of POS machines to reach 58,240 at the end of 2019 against 59,547 at the end of 2018, i.e. a decline of 2.2%. Data also indicate an increase in the number of ATMs of 296.3% to reach 9,425 at the end of 2019 against 2,378 at the end of the previous year.

(10) Developments in Banking Oversight and Supervision

CBK continued its efforts during 2019 in 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:

- On 3/3/2019, CBK issued a circular to all Islamic banks requiring the new and current Shari'ah auditors to obtain the "Certified Shari'ah Auditor" certificate, within the framework of developing the qualified cognitive and professional cadres in the principles of internal Shari'ah audit and supervision. According to this circular, those holding the positions of Internal Shari'ah Audit Department Manager, Internal Shari'ah Auditor, and Shari'ah Auditor on banks in the external Shari'ah audit firms must obtain the "Certified Shari'ah Auditor" certificate from the Institute of Banking Studies (KIBS) in the State of Kuwait. In addition, they must fulfill the other conditions stipulated under the instructions with respect to "Shari'ah Supervisory Governance for Kuwaiti Islamic Banks" issued on 20/12/2016.
- On 14/5/2019, CBK has issued a circular to all local banks updating its instructions regarding anti-money laundering (AML) and combating the financing of terrorism (CFT) previously issued on 23/7/2013. The updated instructions reinforce and elaborate on some requirements relative to AML/CFT, assuring the compliance of regulated banking and financial institutions. In addition, a circular was issued on 28/8/2019 to form a committee at each bank responsible for making the decisions on reporting any suspicious incident to the Financial Intelligence Unit. The committee's membership should include the AML/CFT Compliance Officer. All discussions on every suspicious incident should be recorded in a report to be presented to the committee, along with the opinion of each member, and the final decision of the committee while maintaining the evidences thereof for submission, if required.
- CBK is aware of the unprecedented challenges facing the banking industry and believes that Kuwaiti banks must take stock of the external challenges including a difficult economic environment, the impact of evolving technologies and the shift in customer expectations. Therefore, as per the circular dated on 6 October 2019, CBK instructed all Kuwaiti banks to adopt future-proof strategies in order to operate efficiently and resiliently and to embrace innovative products and services. The strategy is to be well-defined and should cover prerequisite requirements over the medium term (3-5 years). It should also address the above challenges and technical developments while focusing on winning customers' loyalty and providing them with value.
- In its meeting held on 10/9/2019, CBK's Board of Directors approved amendments to the instructions of the rules and regulations of corporate governance in Kuwaiti banks by adding independent members to banks' boards of directors and board committees. The amendments shed the light on the importance of risk management governance and the roles assigned to the board of directors, and included compliance governance and cyber security risks within the bank's overall risk management framework.
- In the same meeting mentioned above, CBK's Board of Directors approved amendments to the rules and regulations related to the experience required under Article (68) of the Law No. (32) of 1968, as amended, whereby a new decision was passed to include the conditions that must be met by the independent and non-independent candidates for membership of the bank's Board of Directors. The decision provided for, six conditions applicable to the

independent candidates under Article (1) thereof, a new condition for the experience of the non-independent candidates, in addition to amendments to the conditions of the technical experience to be fulfilled by the nominees for Deputy or Assistant Chief Executive Officer.

(11) Other Work and Activities:

- CBK hosted a high-level panel discussion organized by the International Monetary Fund (IMF) Middle East Center for Economics and Finance (CEF) on banking supervision and oversight. The event, scheduled for 24-28 March 2019, gathered representatives from central banks and monetary agencies of the countries of the Gulf Cooperation Council (GCC). The panel's objectives were capacity building, honing supervision and oversight methods, and ensuring compliance with international best practices. Topics on the agenda included reinforcing central banks' oversight and supervision over the banking sector, the latest Basel III reform initiative developments, Liquidity Ratios and Leverage Ratio, as well as the revised standardized approaches to credit-risk and to operational-risk. Participants also discussed capital requirements for Domestic Systemically Important Banks (D-SIBs) and capital buffers to counter economic instability.
- CBK had concluded a workshop for Accounting Experts from the Ministry of Justice "General Directorate of Experts", held 16-24 April, 2019 on the topic of CBK policies, regulations, and instructions. The workshop aimed to develop the participants' skills to enable them to conclude cases raised to the directorate with satisfactory swiftness and accuracy. Sessions addressed the supervisory role of CBK over banks, financing companies, and exchange companies. Among the latest CBK instructions reviewed during the workshop were those relating to consumer and housing loans and financing, where actual examples and applications were used to demonstrate how interest on loans is calculated, along with sample contracts used for such lending. The discussions also touched upon banks' fees and charges and related CBK instructions, as well as CBK's role in the areas of inspection and of countering money laundering and financing of terrorism.
- CBK signed a MOU with the Ministry of Commerce and Industry on 02 July 2019 to define a framework of coordination between CMA and MOCI with respect to the allocation of the regulatory and supervisory responsibilities over certain activities undertaken by the CBK-regulated units. This MOU is an update of the previous version signed by the two parties on 17 September 2000, and takes into account new regulatory developments since then, in particular the amendments to certain provisions of the Law of Companies and its executive regulations, and the resulting areas that need mutual coordination. Moreover, this MOU covers the implementation of Anti-Money Laundering and Combat of Financing Terrorism Law, the Electronic Transactions Law, and the Law on Regulating Credit Information Exchange. It also addresses a number of principles defining the terms of reference with the aim to prevent any oversight duplication or overlap within the basic tasks of CBK and MOCI as well as simplifying work procedures.
- CBK organized the International Banking Conference "Shaping the Future" on 23 September 2019 under the patronage of His Highness the Amir of the State of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah. The event included a number of key policymakers and specialists in the banking and financial industry from all over the world, and a FinTech Exhibition with more than 45 participants from Kuwait, Gulf Cooperation Council (GCC) countries, local banks, and leading telecommunications companies at a regional level.
- A Liquidity Forecast, Analysis and Management Workshop in Kuwait City, 6-7 October 2019, in collaboration with the Gulf Monetary Council.
- Through the launch of the Risk Management Leadership Program on 21 October 2019, CBK continued its efforts to support the Kuwaiti economy. The program falls within the "Kafa'a"

capacity-building initiative developed in cooperation with Kuwaiti banks and under the Institute of Banking Studies (IBS) management. The program aims to provide the participants with the necessary expertise for decision-making and developing effective strategies in risk management at banks and financial institutions. The program lasted 5 months in three discreet phases. The first and second phases were held in the State of Kuwait and include training programs and lectures in risk management. The program was held in cooperation with the London Banking and Financial Institute, UK, and the International Association of Risk Management Managers, USA who issued accredited certificates. The program included multiple training tracks with local and international professional lecturers in the field of risk management. The third phase lasted one month and was held in UK, where the program covers the costs of travel, accommodation and transportation. In addition, the participants receive onsite training in risk management at an international company specialized in the field to gain the experience provided by advanced simulation programs, workshops, interactive educational experiences, and the field visits to the most important financial institutions.

- With apparent efforts to reinforce Shari'ah governance and Shari'ah audit in Islamic banks in Kuwait, CBK launched on 03 November 2019 the second session of the Certified Shari'ah Auditor Program under the Kafa'a initiative launched by CBK in cooperation with Kuwaiti banks and the Institute of Banking Studies. The program shed the light on Shari'ah auditing, which is a key function of Shari'ah supervision and governance, especially in light of the changes in the Islamic banking sector and the banking industry in general. Therefore, CBK conducted a survey to assess availability of Shari'ah auditors in the Kuwaiti market and their educational and professional qualification. The study revealed the need for more cadres, developing the available cadres and redoubling the efforts and initiatives to enhance the capabilities of the Shari'ah auditors in the State of Kuwait.
- In line with CBK's strategic vision to develop national cadres, cope with the technical advancements, and meet the needs of the banking sector in terms of the highly qualified national labor, on 16 December 2019 CBK held an academic meeting with banking and academic executives. CBK led in-depth discussions on future work requirements of the banking sector and the ways to develop university education to prepare graduates to be able to bridge the gap and, thus, increase the job opportunities for the national competencies in a variety of specialties.



Financial Indicators of the Banking and Financial System



Financial Indicators of the Banking and Financial System

This part of the Economic Report 2019 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
2017	23	408	15	3	426
2018	23	413	16	3	432
2019	23	400	14	1	415

Source: Central Bank of Kuwait.

The institutional structure of the local banking and financial system supervised by CBK comprises of 120 registered units at the end of 2019, encompassing 23 local banks out of which 5 conventional banks, 5 Islamic banks, one specialized bank and 12 foreign bank branches including one Islamic bank branch. It also includes 56 investment companies, 31 of which are companies operating in accordance with the regulations of the Islamic Shari'ah, under the dual supervision of CBK and Capital Markets Authority (CMA), and one financing company (supervised by CBK operating in accordance with the provisions of the Islamic Shari'ah). CBK supervision is confined only on the finance activity practiced by these companies plus the 41 exchange companies. The supervisory responsibilities over the investment companies and funds, excluding the financing activity, were transferred to the CMA in accordance with Law No. 7/2010 regarding the Establishment of the Capital Markets Authority and Regulation of Securities Activity, effective 13 September 2011.

Aggregate Balance Sheet of Local Banks (local banks' activity and their branches inside Kuwait)

The total number of local banks' branches inside Kuwait reached 400 at the end of 2019 against 413 branches during the previous year. Meanwhile, the number of local banks' branches abroad decreased by two to reach 14 abroad branches during 2019. Furthermore, the numbers of representative offices of these banks abroad decreased, reaching one representative office during 2019.

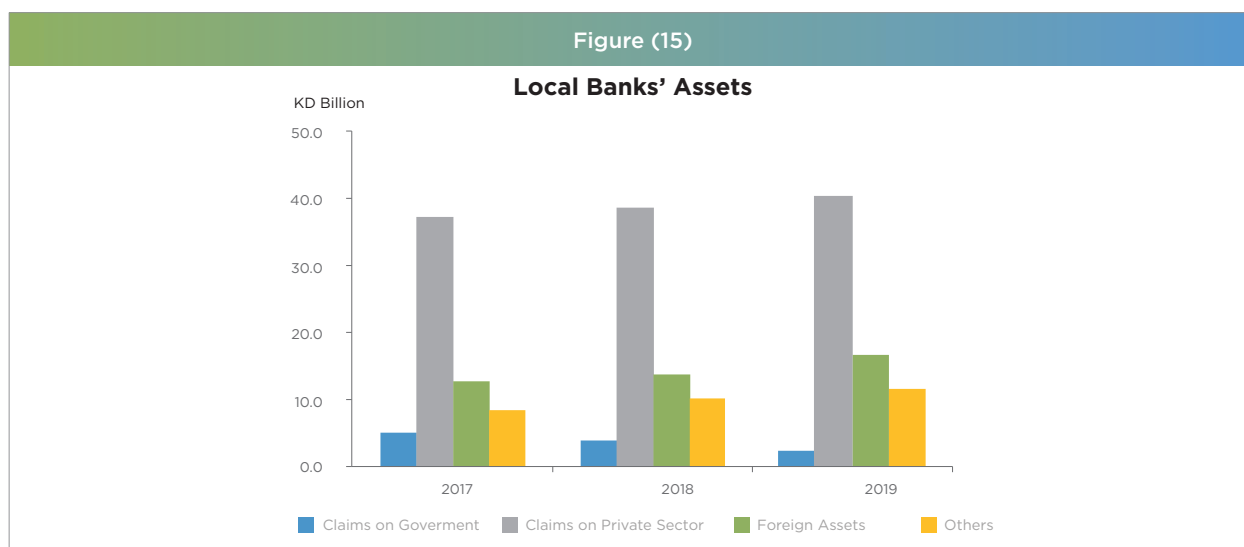
The aggregate balance sheet of local banks on the domestic level amounted to KD 71,021.3 million at the end of 2019 against KD 66,537.6 million at the end of the previous year, realizing a growth of KD 4,483.8 million or 6.7% during 2019, compared with a growth of KD 3,126.9 million or 4.9% during 2018.

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 2019 - 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 2018 and 2019, are indicated as follows:

First: Domestic Assets

The assets side in the aggregate balance sheet of local banks on local activity 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 1,695.0 million or 4.4% reaching KD 40,358.3 million at the end of 2019 compared to KD 38,663.3 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 by KD 1,573.5 million or 4.3% and the other domestic investments by KD 121.5 million or 6.7%.



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 2,370.7 million at the end of 2019 against KD 3,861.9 million at the end of the previous year, recording a drop by KD 1,491.2 million or 38.6%. This decrease resulted, as new issuance of public debt was stalled on behalf of the Ministry of Finance following the expiry of the Decree Law No. 3 of 2009 that allowed the government to issue public debts on 4/10/2017, and meet its outstanding commitments without renewal thereof.
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. The outstanding balance of these claims increased by KD 641.8 million or 10.4% during 2019, from KD 6,180.7 million at the end of 2018 to KD 6,822.5 million at the end of 2019.

Table (28)

Aggregate Balance Sheet of Local Banks (Assets)*

Items	Balances at year end (KD, Million)		Change	
	2018	2019	Value	(%)
Claims on CBK, of which:	6,180.7	6,822.5	641.8	10.4
Time Deposits with CBK	1,555.2	2,000.4	445.2	28.6
- Sight Deposits	1,270.9	1,413.1	142.2	11.2
- CBK Bonds	3,000.8	2,970.8	-30.0	-1.0
Local Interbank Deposits	1,838.9	2,467.0	628.1	34.2
Claims on the Government:	3,861.9	2,370.7	-1,491.2	-38.6
- Treasury Bonds	3,861.9	2,370.7	-1,491.2	-38.6
Claims on the Private Sector:	38,663.3	40,358.3	1,695.0	4.4
- Credit Facilities to Residents	36,854.7	38,428.2	1,573.5	4.3
- Other Local Investments	1,808.6	1,930.0	121.5	6.7

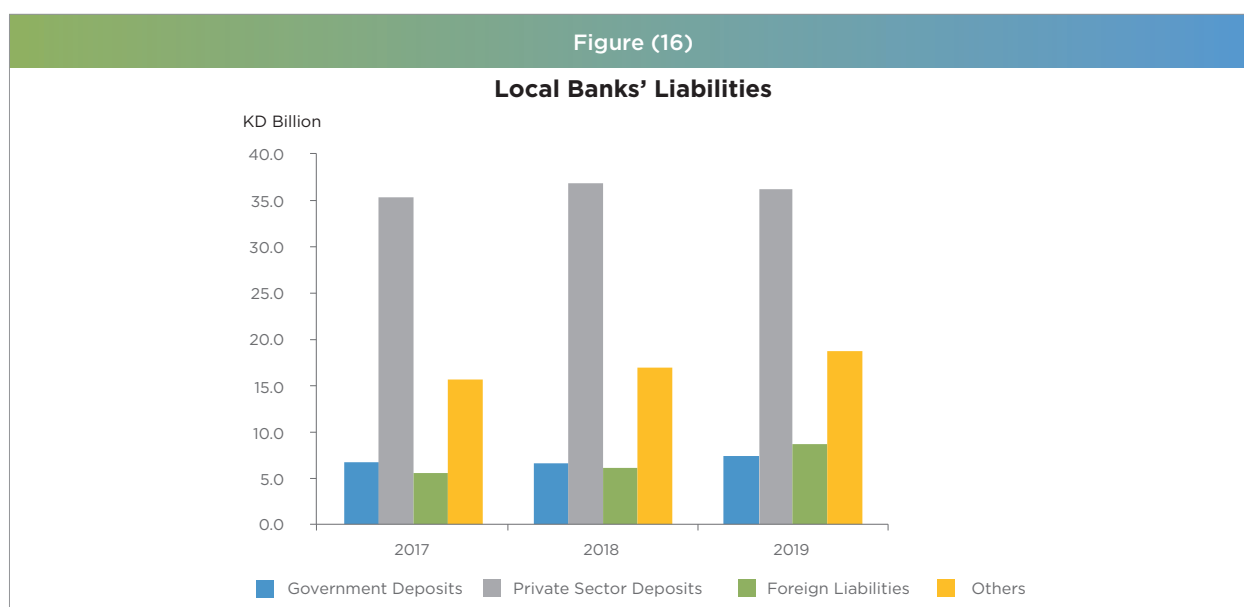
Foreign Assets, of which:	13,803.4	16,679.8	2,876.4	20.8
Deposits with Foreign Banks	<u>6,102.3</u>	<u>8,133.7</u>	<u>2,031.4</u>	<u>33.3</u>
- Foreign Investments	4,392.8	4,720.0	327.1	7.4
- KD Credit Facilities to Non-Residents	170.0	153.6	-16.3	-9.6
- Foreign Currency Facilities to Non-Residents	2,083.8	2,568.6	484.9	23.3
Other Assets	2,189.3	2,323.2	133.8	6.1
Assets	66,537.6	71,021.3	4,483.8	6.7
Number of Banks	23	23	-	-

* 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 on local activity represents 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 2018 and 2019:

- Private Sector (Resident) Deposits:** Private sector resident deposits with local banks decreased to KD 36,239.5 million at the end of 2019 against KD 36,851.2 million at the end of the previous year, i.e. a decline of KD 611.7 million or 1.7%. This decrease was the outcome of the decline in the KD deposits of KD 526.6 million or 1.5% and the foreign currency deposits by the equivalent of KD 85.1 million or 3.3%.
- Government Deposits:** Government deposits (ministries, government departments, public authorities and institutions with attached budgets and Kuwait Credit Bank) with local banks increased to KD 7,388.0 million at the end of 2019 compared to KD 6,633.1 million at the end of the previous year, i.e. an increase of KD 754.9 million or 11.4%.



Source: Central Bank of Kuwait.

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

Items	Balances at year end (KD, Million)		Change	
	2018	2019	Value	(%)
Private Sector Deposits:	36,851.2	36,239.5	-611.7	-1.7
KD Deposits	34,234.5	33,707.9	-526.6	-1.5
Foreign Currency Deposits	2,616.7	2,531.6	-85.1	-3.3
Government Deposits	6,633.1	7,388.0	754.9	11.4
Local Interbank Deposits	1,616.5	2,354.1	737.6	45.6
Shareholders' Equity	9,173.4	9,425.5	252.1	2.7
Foreign Liabilities: of which:	6,090.2	8,704.1	2,613.9	42.9
Foreign Bank Deposits	2,410.3	3,342.4	932.1	38.7
Foreign Non-Bank Deposits	2,384.7	3,687.8	1,303.1	54.6
Other Liabilities	6,173.1	6,910.2	737.0	11.9
Liabilities	66,537.6	71,021.3	4,483.8	6.7
Number of Banks	23	23		

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

- Shareholders' Equity:** Shareholders' equity in local banks, including paid-up capital, increased by KD 252.1 million or 2.7% from KD 9,173.4 million at the end of 2018 to KD 9,425.5 million at the end of 2019.

Third: Net Foreign Assets on the Domestic Level

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 usage 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:

- Foreign Assets:** Total foreign assets of local banks grew by KD 2,876.4 million or 20.8% during 2019 to reach KD 16,679.8 million at the end of that year compared to KD 13,803.4 million at the end of 2018. The foreign assets account for 23.5% of total assets at the end of 2019 compared to 20.7% at the end of the previous year.
- Foreign Liabilities:** Total foreign liabilities of local banks increased to KD 8,704.1 million at the end of 2019 against KD 6,090.2 million at the end of 2018, i.e. a growth of KD 2,613.9 million or 42.9%. Foreign liabilities account for 12.3% of total liabilities at the end of 2019 compared to 9.2% at the end of the previous year.
- 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 262.5 million or 3.4% at the end of 2019 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 18,239.8 million at the end of 2019 against KD 16,935.0 million at the end of the previous year, i.e. an increase of KD 1304.8 million or 7.7%, accounting for 25.7% of the aggregate balance sheet of local banks at the end of 2019 against 25.5% at the end of 2018.

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

Items	Balances at year end (KD, Million)		Change	
	2018	2019	Value	(%)
Contra Accounts	<u>16,935.0</u>	<u>18,239.8</u>	<u>1,304.8</u>	<u>7.7</u>
Bank Guarantees	265.0	265.0	0.0	0.0
Documentary Credits	1,198.1	1,078.9	-119.2	-9.9
Bank Acceptances	453.0	493.5	40.5	8.9
Number of Banks	23	23		

* 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 2019, 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 3,972.8 million during 2019 compared to KD 3,952.0 million during the previous year.

The major portion of domestic financial resources realized during 2019 of KD 2,481.5 million or 62.5% of total domestic financial resources, resulted from increasing some elements of local liabilities. Meanwhile, the remaining financial resources of KD 1,491.2 million or 37.5% 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 2019 were used in increasing some elements of domestic assets by KD 3,098.6 million (83.5% of total domestic uses), and decreasing some domestic liabilities by KD 611.7 million (16.5% of total domestic uses).

Table (29)
Summary of Financial Flows in Local Banks During 2018 and 2019
 KD million

Items	2018		2019	
	Flows Value	to Total (%)	Flows Value	to Total (%)
First- Domestic Operations:				
1. Total Sources of Funds:	<u>3,952.0</u>	<u>100.0</u>	<u>3,972.8</u>	<u>100.0</u>
* From Increase in Liabilities:	2,754.8	69.7	2,481.5	62.5
Private Sector Deposits	1,465.9	37.1	-	-
Government Deposits	-	-	754.9	19.0
Shareholders' Equity	553.4	14.0	252.1	6.3
Local Bank Deposits	387.3	9.8	737.6	18.6
Other Domestic Liabilities	348.2	8.8	737.0	18.6
* From Decrease in Assets:	<u>1,197.2</u>	<u>30.3</u>	<u>1,491.2</u>	<u>37.5</u>
Claims on Government	1,197.2	30.3	1,491.2	37.5
2. Total Uses of Funds:	<u>3,381.4</u>	<u>100.0</u>	<u>3,710.3</u>	<u>100.0</u>
* In Decreasing Liabilities:	122.3	3.6	611.7	16.5
Local Banks' Deposits	-	-	611.7	16.5
Government Deposits	122.3	3.6	-	-
* In Increasing Assets:	<u>3,259.1</u>	<u>96.4</u>	<u>3,098.6</u>	<u>83.5</u>
Claims on the Private Sector	1,464.5	43.3	1,695.0	45.7
Claims on CBK	1,160.9	34.3	641.8	17.3
Local Banks' Deposits	583.9	17.3	628.1	16.9
Other Domestic Assets	49.8	1.5	133.8	3.6
Surplus (+) or Deficit (-) of Resources against Uses	570.6	-	262.4	-

Source: Central Bank of Kuwait.

Table (29)-Continued
Summary of Financial Flows in Local Banks During 2018 and 2019
 KD million

Items	2018		2019	
	Flows Value	to Total (%)	Flows Value	to Total (%)
Second- Foreign Operations:				
1. Total Sources of Funds:	512.5	100.0	2,630.3	100
* From Increase in Liabilities:	494.3	96.4	2,613.9	99.4
Non-Resident (Bank) Deposits	2,63.1	51.3	9,32.1	35.4
Non-Resident (Non-Bank) Deposits	37.0	7.2	1,303.1	49.5
Other Foreign Liabilities (including bonds)	194.2	37.9	378.7	14.4
* From Decrease in Assets:	18.3	3.6	16.3	0.6
Local Bank Deposits with Foreign Banks	-	-	-	-
Foreign Currency Credit Facilities to Non-Residents	-	-	-	-
KD Credit Facilities to Non-Residents	18.3	3.7	16.3	0.6
2. Total Uses of Funds:	1,083.1	100.0	2,892.7	100.0
* In Decreasing Liabilities:	0.0	0.0	0.0	0.0
Non-Resident (Non-Bank) Deposits	-	-	-	-
Non-Resident (Bank) Deposits	-	-	-	-
Other Foreign Liabilities (including bonds)	-	-	-	-
* In Increasing Assets:	1,083.1	100.0	2,892.7	100.0
Foreign Investments	451.4	41.7	327.1	11.3
Local Bank Deposits with Foreign Banks	214.0	19.8	2031.4	70.2
KD Credit Facilities to Non-Residents	115.0	10.6	484.9	16.8
Other Foreign Assets	302.7	27.9	49.3	1.7
Surplus (+) or Deficit (-) of Resources against Uses	-570.6	-	-262.4	-

Source: Central Bank of Kuwait.

3. The Surplus in Resources from Domestic Market Operations

The movements of funds in local banks' domestic operations during 2019 resulted in a net surplus of KD 262.4 million in local financial resources, totaling KD 3,972.8 million after covering the uses of funds in domestic market operations totaling KD 3,710.3 million. The surplus was covered using the gap in the financial resources resulting from foreign operations, indicating a net financial outflow of KD 262.4 million.

4. Financial Flows from Foreign Operations

Total financial resources generated by local banks from foreign operations amounted to the equivalent of KD 2,630.3 million during 2019, resulting from increasing some elements of foreign liabilities of KD 2,613.9 million or 99.4% of total foreign financial resources. Meanwhile, the remainder of these resources resulted from decreasing some elements of foreign assets of KD

16.3 million or 0.6% of total foreign resources. Total uses of funds in local banks' foreign operations amounted to the equivalent of KD 2,892.7 million during 2019, all used in increasing some elements of foreign assets by the equivalent of KD 2,892.7 million or 100% of total foreign uses of funds. This resulted in a net deficit equivalent to KD 262.4 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 262.4 million.

Sixth: Indicators and Financial Ratios

This part shows some indicators of local banks' financial position at the end of 2019 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 2018 and 2019 shown in Table (30) as follows³:

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 decrease in the cash standard reaching 30.2% at the end of 2019 compared to 31.8% at the end of 2018, and a decline in the liquidity standard by 30.2% at the end of 2019 compared to 38.8% at the end of 2018. Therefore, the average of both standards for the years 2018 and 2019 reached 31.0% for the cash standard and 34.5% 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 reached 106.7% at the end of 2019 compared to 100.0% the end of 2018, with an annual average of 103.0% for the years 2018 and 2019. The second ratio which shows, among others, the extent to which domestic private sector deposits were used in funding the domestic private sector, increased to reach 111.4% at the end of 2019 compared to 104.7% at the end of 2018, with an annual average of 108.1% for the years 2018 and 2019. The third ratio, which indicates the share of resident deposits and shareholders' equity in local funding, increased to 97.6% at the end of 2019 compared to 95.8% at the end of 2018, with an annual average of 96.7% for the years 2018 and 2019.

3. Profitability Standards

Table (30) shows developments in the net profit ratio to average assets and average shareholders' equity at the end of 2019 compared with the end of the previous year. Local banks' realized net profits totaled KD 969.3 million during 2019 compared to KD 997.0 million during 2018 and KD 847.6 million during 2017. The ratio of the realized net profit to average assets and average shareholders' equity was 1.4% and 10.3%, respectively, in 2019 against 1.5% and 10.9% respectively in 2018.

4. Adequacy Standards of Shareholders' Equity

The ratio of shareholders' equity to total assets, total uses of funds, and total non-cash assets was 11.2%, 13.1% and 15.0%, respectively, at the end of 2019 compared to 13.8%, 16.2% and 20.2% at the end of 2018. Accordingly, the average of the above-mentioned adequacy ratios of shareholders' equity during 2018 and 2019 was 12.5% to total assets, 14.7% to total uses of funds

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

and 17.6% to total non-cash assets, encompassing credit facilities to residents/non residents, as well as some local/foreign financial and non-cash investments.

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

Items	2018	2019	Average
First- Liquidity Standards:			
1- Cash Standard	31.8	30.2	31.0
2- Liquidity Standard	38.8	30.2	34.5
Second- Uses Standards:			
1- Credit Facilities to Private Sector Deposits	100	106.7	103.3
2- Claims on Private Sector to Private Sector Deposits	104.9	111.4	108.1
3- Local Uses to Resident Deposits & Shareholders' Equity	95.8	97.6	96.7
Third- Profitability Standards:			
1- Net Profit to Average Assets	1.5	1.4	1.4
2- Net Profit to Average Shareholders' Equity	10.9	10.3	10.6
Fourth- Adequacy Standards of Shareholders' Equity:			
1- Shareholders' Equity to Total Assets	13.8	11.2	12.5
2- Shareholders' Equity to Total Uses	16.2	13.1	14.7
3- Shareholders' Equity to Non-Cash Assets	20.2	15.0	17.6
Fifth- Capital Adequacy Standard:			
1- Capital Adequacy Standard (Local Banks)*	18.3	18.5	18.4

(*) 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 still 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.

The capital adequacy ratio in Kuwaiti banks according to Basel III was 18.5% at the end of December 2019 against 18.3% at the end of December 2018.

The Aggregate Balance Sheet of Local Investment Companies

The number of registered local investment companies supervised by the CBK decreased to 55 at the end of 2019 compared to 59 at the end of the previous year. The local investment companies sector at the end of 2019 encompassed 24 conventional investment companies and 31 Islamic investment companies.

Table (31)
Development in the Financial System Structure

Period	No. of Investment Companies			No. of Exchange Companies
	Conventional	Islamic	Total	
2015	38	47	85	40
2016	34	44	78	41
2017	29	39	68	42
2018	25	34	59	42
2019	24	31	55	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, focusing CBK’s supervisory role to the finance activities of the investment companies. Total assets of local conventional and Islamic investment companies amounted to KD 6,258.6 million at the end of 2019 compared to KD 6,653.0 million at the end of 2018, i.e. a decline of KD 394.5 million or 5.9% (Table 32).

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

Items	Balances at year end		Change	
	2018	2019	Value	(%)
Assets:				
Cash & Balances with local Banks & Investment companies	423.9	394.4	-29.6	-7.0
Financing to Customers	644.5	637.7	-6.7	-1.0
Loans and Advances to Residents (conventional Companies)	335.2	312.2	-23.0	-6.9
Financing to Customers	309.3	325.5	16.3	5.3
Domestic Investments	2,195.5	2,114.9	-80.6	-3.7
Financial Investments	1,718.2	1,659.3	-58.9	-3.4
Non-Financial Investments	477.3	455.7	-21.7	-4.5
Foreign Assets	2276.2	2,013.6	-262.6	-11.5
Other Assets	1,112.9	1,098.0	-14.9	-1.3
Assets = Liabilities	6,653.0	6,258.6	-394.5	-5.9
Liabilities:				
Capital and reserves	3,018.7	3,073.5	54.8	1.8
Financing from Residents	1,540.6	1,499.3	-41.3	-2.7
Bonds & Financing Instruments	67.3	67.3	0.0	0.0
Foreign Liabilities	800.0	443.8	-356.2	-44.5
Other Liabilities	1,226.4	1,174.6	-51.8	-4.2
Number of Companies	66	62	-4	

*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 2018 and 2019:

First: Conventional Investment Companies

Available financial data (Table 33) on the 27 conventional investment companies indicate a total aggregate balance sheet of KD 2,707.0 million at the end of 2019, recording a decrease of KD 289.7 million or 9.7% from its level of KD 2,996.7 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 2019 compared with the end of 2018 can be addressed as follows:

1. Foreign assets decreased by the equivalent of KD 196.6 million or 16.0% at the end of 2019 compared with the end of the previous year.
2. Domestic investments decreased by KD 28.8 million or 2.9% from KD 998.2 million at the end of 2018 to KD 969.4 million at the end of 2019. This drop resulted from the decline in financial investments of KD 27.0 million or 3.1%, and non-financial investments of KD 1.9 million or 1.3%.
3. Loans and advances to residents declined by KD 23.0 million or 6.9% to reach KD 312.2 million at the end of 2019 against KD 335.2 million at the end of the previous year.

On the liabilities side, notable developments at the end of 2019 compared with the end of 2018 can be highlighted as follows:

1. Capital and reserve increased by KD 2.1 million or 0.1% from KD 1,562.9 million at the end of 2018 to KD 1,565.0 million at the end of 2019.
2. Foreign liabilities declined by the equivalent of KD 193.1 million or 60.8% from KD 317.6 million at the end of 2018, to the equivalent of KD 124.5 million at the end of 2019.
3. Financing from residents decreased by KD 72.1 million or 12.1% at the end of 2019 compared with the end of the previous year, i.e. from KD 596.3 million to KD 524.2 million.

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

Items	Balances at year end		Change	
	2018	2019	Value	(%)
Assets:				
Cash & Balances with local Banks and Investment Companies	216.1	195.1	-21.0	-9.7
Loans and Advances to Residents (Conventional Companies)	335.2	312.2	-23.0	-6.9
Domestic Investments:	998.2	969.4	-28.8	-2.9
Financial Investments	858.3	831.4	-27.0	-3.1
Non-Financial Investments	139.9	138.0	-1.9	-1.3
Foreign Assets	1,225.9	1,029.3	-196.6	-16.0
Other Assets	221.3	201.1	-20.2	-9.1
Assets = Liabilities	2,996.7	2,707.0	-289.7	-9.7
Liabilities:				
Capital and reserves	1,562.9	1,565.0	2.1	0.1
Financing from Residents	596.3	524.2	-72.1	-12.1
Bonds, Financing Instruments & Subordinated Loans	67.3	67.3	0.0	0.0
Foreign Liabilities	317.6	124.5	-193.1	-60.8
Other Liabilities	452.6	426.0	-26.6	-5.9
Number of Companies	29	27	-2	

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

Second: Investment Companies Operating in Accordance with the Provisions of the Islamic Shari'ah

The review in this part is based on comparable data on the aggregate financial position of 37 Islamic investment companies for 2018 and 2019. Those are the companies registered with the CBK at the end of 2019.

Available financial data (Table 34) indicate a drop in the total aggregate balance sheet of KD 104.8 million or 2.9% at the end of 2019 compared with the previous year reaching KD 3,551.6 million, against KD 3,656.4 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 51.8 million or 4.3% to reach KD 1,145.5 million at the end of 2019 compared to KD 1,197.3 million at the end of 2018.
2. Financing to customers grew by KD 16.3 million or 5.3% to KD 309.3 million at the end of 2019 against KD 325.5 million at the end of 2018.
3. Foreign assets, which are foreign financial/non-financial assets, declined by the equivalent of KD 66.0 million or 5.3%, from the equivalent of KD 1,050.4 million at the end of 2018 to the equivalent of KD 984.3 million at the end of 2019.

On the liabilities side, main developments witnessed at the end of 2019 compared with the end of 2018 can be indicated as follows:

1. Foreign liabilities decreased by the equivalent of KD 163.1 million or 33.8% to the equivalent of KD 319.3 million at the end of 2019 against the equivalent of KD 482.4 million at the end of 2018.
2. Funding operations made through local banking and financial sector increased by KD 30.8 million or 3.3% to KD 975.2 million at the end of 2019 against KD 944.3 million at the end of 2018.
3. Shareholders' equity (Capital and reserves) increased by KD 52.8 million or 3.6% to reach KD 1,508.5 million at the end of 2019 compared to KD 1,455.8 million at the end of 2018.

Table (34)

Aggregate Balance Sheet of Investment Companies Operating in Accordance with the Provisions of the Islamic Shari'ah* KD million

Items	Balances at year end		Change	
	2018	2019	Value	(%)
Assets:				
Cash & Balances with local Banks and Investment companies	207.8	199.3	-8.5	-4.1
Financing to Customers	309.3	325.5	16.3	5.3
Domestic Investments: including:	1,197.3	1,145.5	-51.8	-4.3
Financial Investments	859.9	827.9	-31.9	-3.7
Non-Financial Investments	337.4	317.6	-19.8	-5.9
Foreign Assets	1,050.4	984.3	-66.0	-6.3
Other Assets	891.7	896.9	5.3	0.6
Assets = Liabilities	3,656.4	3,551.6	-104.8	-2.9
Liabilities:				
Capital and reserves	1,455.8	1,508.5	52.8	3.6
Financing from Residents (Financial Sector)	944.3	975.2	30.8	3.3
Foreign Liabilities	482.4	319.3	-163.1	-33.8
Other Liabilities	773.9	748.6	-25.3	-3.3
Number of Companies	37	35	-2	

*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 64 local investment companies registered with CBK (29 conventional and 35 Islamic) as at the end of 2019 amounted to KD 22,346.5 million, of which KD 19,805.2 million or 88.6% for conventional investment companies, and KD 2,541.3 million or 11.4% for Islamic investment companies, recording a growth of KD 1,719.4 million or 8.3% from its level of KD 20,627.1 million for 64 registered companies at the end of 2018, of which KD 17,998.7 million or 87.3% for 27 conventional investment companies, and KD 2,628.5 million or 12.7% for 37 Islamic investment companies.

Table (35)
Contra Accounts of Local Investment Companies*
 KD million

Items	Balances at Year-End		Change	
	2018	2019	Value	(%)
Contra Accounts:	<u>20,627.1</u>	<u>22,346.5</u>	<u>1,719.4</u>	<u>8.3</u>
Conventional Investment Companies	17,998.7	19,805.2	1,806.6	10.0
Islamic Investment Companies	2,628.5	2,541.3	-87.1	-3.3
Investment Portfolios	16,913.8	18,040.3	1,126.5	6.7
Investment Funds	1,778.5	2,102.2	323.6	18.2
Foreign Funds	1,495.2	1,752.3	257.1	17.2
Custody Assets	425.3	444.8	19.5	4.6
Commitments/Collaterals/ Guarantees	14.3	6.9	-7.3	-51.5
Number of Investment Companies	<u>64</u>	<u>64</u>	<u>0</u>	
Conventional Investment Companies**	27	29	2	
Islamic Investment Companies**	37	35	-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 (40) registered with, and supervised by, the CBK indicate that at the end of 2019 the aggregate balance sheet (Table 36) of these companies amounted to KD 228.0 million at the end of the year increasing by KD 27.0 million or 13.4% from its level of KD 201.0 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 33.6 million or 10.6% to reach the equivalent of KD 91.5 million at the end of 2019 compared with the equivalent of KD 57.8 million at the end of 2018.
2. Financial and real estate investments of exchange companies inched up by KD 287.9 thousand to reach KD 1.9 million at the end of 2019 compared to KD 1.6 million at the end of 2018.
3. Claims of exchange companies on financial institutions decreased by KD 26.4 million or 38.2% to KD 42.7 million at the end of 2019 against KD 69.0 million at the end of the previous year.
4. Liquid assets in the form of cash and cash assets increased by KD 6.7 million or 21.3%, from KD 31.3 million at the end of 2018 to KD 38.0 million at the end of 2019.

Second: Liabilities

1. Claims of financial institutions on local exchange companies increased by KD 7.5 million or 66.8%, from KD 11.2 million at the end of 2018 to KD 18.7 million at the end of 2019.
2. Partners' equity, covering results of the period, grew by KD 7.0 million or 5.3%, from KD 132.4 million at the end of 2018 to KD 139.4 million at the end of 2019.
3. Other liabilities increased by KD 5.1 million or 9.1%, from KD 55.3 million at the end of 2018 to KD 60.4 million at the end of 2019.
4. Foreign liabilities noticeably grew by KD 1.9 million or 460.5%, from KD 0.4 million at the end of 2018 and KD 2.3 million at the end of 2019.

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

Items	Balances at Year-End		Change	
	2018	2019	Value	(%)
Assets:				
Cash & Cash Assets	31,320.2	38,005.6	6,685.4	21.3
Claims on Financial Institutions	69,060.1	42,695.5	-26,364.6	-38.2
Total Receivables	3,926.9	7,686.3	3,759.4	95.7
Financial & Real estate Investments	1,579.7	1,867.6	287.9	18.2
Fixed Assets	21,154.7	26,619.4	5,464.7	25.8
Foreign Assets	57,829.8	91,468.3	33,638.5	58.2
Other Assets	16,168.0	19,691.4	3,523.4	21.8
Assets = Liabilities	201,039.4	228,034.1	26,994.7	13.4
Liabilities:				
Partners' Equity & Results of the Period	132,363.5	139,374.8	7,011.3	5.3
Claims of Financial Institutions	11,196.9	18,673.4	7,476.5	66.8
Total Payables	1,684.1	7,271.8	5,587.7	331.8
Foreign Liabilities	404.0	2,264.6	1,860.6	460.5
Other Liabilities	55,390.6	60,449.3	5,058.7	9.1
Contra Accounts	2,177.3	1,874.4	-302.9	-13.9
Results of the Period (Net Profit)	18,379.2	17,964.6	-414.6	-2.3
Number of Companies	41	40	-1	

Source: Central Bank of Kuwait.

Third: Liquidity, Profitability and Solvency Ratios

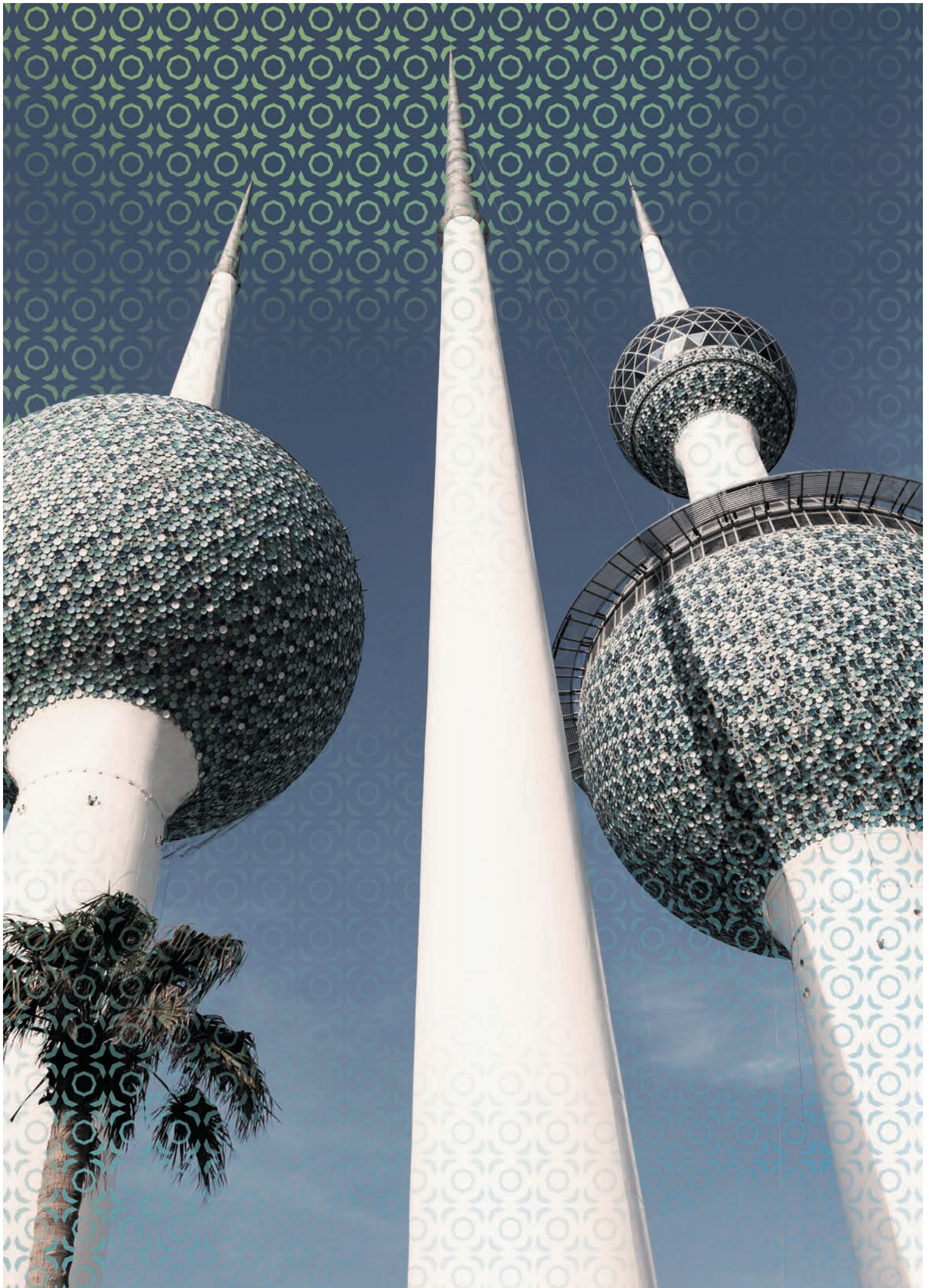
Available data on net credit position of local exchange companies with local banks and financial institutions indicate a drop from KD 57.9 million at the end of 2018 to KD 24.0 million at the end of 2019, recording a decrease of 58.5% and remaining in favor of local exchange companies.

Liquidity available to local exchange companies at the end of 2019 amounted to KD 151.2 million of which KD 38.0 million or 25.1% in the form of cash and cash assets, and KD 113.2 million or

74.9% 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 a decrease due to the drop in net profit of KD 0.4 million or 2.3% to reach KD 18.0 million in 2019 against KD 18.4 million in 2018. Net profit to partners' equity ratio declined to 12.9% in 2019 against 13.9% in 2018. Likewise, the return on assets to total assets ratio decreased to 7.9% in 2019 against 9.1% in 2018. The ratio of partners' equity to total assets declined from 65.8% at the end of 2018 to 61.1% at the end of 2019. The ratio of partners' equity to total assets and contingent liabilities represented in contra accounts also decreased from 65.1% at the end 2018 to 60.6% at the end 2019.



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) 2018/19, along with the budgetary revenue and allocations of expenditures for ministries and government departments for (April-December 2019) in the FY2019/20.

First: Closing Account for FY2018/19

1- Public Revenues

Data of the Closing Account for FY2018/19 indicate that total actual revenues collected for said fiscal year reached KD 20,558.6 million compared to KD 15,999.6 million in the previous fiscal year, i.e. an increase of KD 4,559.0 million or 28.5%. The mentioned increase resulted from the growth in actual budgetary oil revenues of KD 4,146.2 million or 29.0% to reach KD 18,428.4 million in FY2018/19 compared to KD 14,282.2 million for the previous fiscal year, and the increase in non-oil revenues of KD 412.8 million or 24.0% (Table 37).

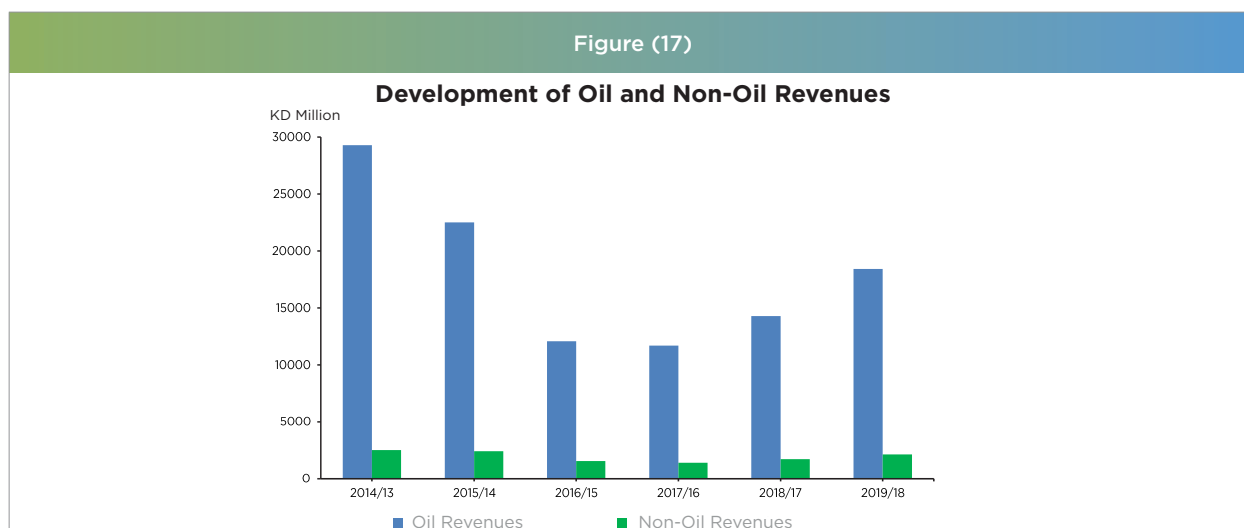
The increase in oil revenues reflected improved average price of Kuwait's export crude oil per barrel (pb) by USD 13.95 or 26.0% during FY2018/19 to reach USD 68.48 pb against USD 54.53 pb during the previous fiscal year. Average production of Kuwait export crude oil during FY2018/19 reached 2.739 million barrels per day against 2.703 million barrels per day i.e. an increase of 36 thousand barrel per day.

Table (37)
Actual Revenues in the General Budget
KD million

Items	Closing Account				Change	
	2017/18		2018/19		Value	%
	Value	% to Total	Value	% to Total		
Total Budgetary Revenues:	15,999.6	100	20,558.6	100	4,559.0	28.5
Oil Revenues	14,282.2	89.3	18,428.4	89.6	4,146.2	29.0
Non-Oil Revenues	1,717.4	10.7	2,130.2	10.4	412.8	24.0

Source: Ministry of Finance.

The actual budgetary non-oil revenues during FY2018/19 as compared with the previous fiscal year, increased to KD 2,130.2 million against KD 1,717.4 million during the previous year, i.e. an increase of KD 412.8 million or 24%.



Source: Ministry of Finance.

This increase in total non-oil revenues during FY2018/19 reflects the increase in gross actual revenues collected under the Second Chapter (Taxes and Fees) by KD 67.9 million and 13.4%, the Third Chapter (Social Contributions) by 6.8 million and 7.2%, the Fifth Chapter (Other Revenues) by 369.1 million and 34.2%, and the Sixth Chapter (Revenues on Disposal of Assets and other Non-Operating Income) by 214.9 million and 50% (Table 38).

Table (38)
Actual Budgetary Non-Oil Revenues
 KD million

Items	Closing Account				Change	
	2017/18		2018/19		Value	% to Total
	Value	% to Total	Value	% to Total		
Non-Oil Revenues:	1,717.4	100	2,130.2	100	412.8	24.0
Taxes and Charges	506.3	29.5	574.2	27.0	67.9	13.4
- Tax on Income and Capital Gains	162.1	9.4	181.3	8.5	19.2	11.8
- Property Tax	13.8	0.8	20.3	1.0	6.5	47.2
- Taxes on International Trade & Transactions	330.4	19.2	372.6	17.5	42.2	12.8
Social Contributions	94.6	5.5	101.4	4.8	6.8	7.2
Other Revenues	1,077.8	62.8	1,446.9	67.9	369.1	34.2
- Property Income	69.3	4.0	65.2	3.1	-4.1	-5.9
- Sales of Goods and Services	456.7	26.6	599.6	28.1	142.9	31.3
- Fines, Penalties and Confiscations	121.6	7.1	137.2	6.4	15.6	12.8
- Miscellaneous Revenues not classified elsewhere	430.1	25.0	645.0	30.3	214.9	50.0
Revenues on Disposal of Assets and Other Non-operating Income	38.6	2.2	7.5	0.4	-31.1	-80.5

Source: Ministry of Finance.

2- Public Expenditures

Closing Account for FY2018/19 showed an increase in actual public expenditure by KD 2,601.3 million and 13.5% to reach KD 21,484.7 million during the mentioned year against KD 19,247.4 million during the previous year. Worth noting is that the actual public expenditure for FY2018/19 amounted to 94.3% of the allocations for public expenditures of KD 22,772.7 million for the mentioned fiscal year.

Table (39)
Actual Budgetary Expenditures
 KD million

Items	Closing Account				Change	
	2017/18		2018/19		Value	%
	Value	%	Value	%		
Public Expenditures:	19,247.4	100	21,848.7	100	2,601.3	13.5
- Compensation of Employees	6,747.4	35.1	7,185.9	32.9	438.5	6.5
- Goods and Services	2,810.8	14.6	2,999.8	13.7	189.0	6.7
- Subsidies	328.2	1.7	1,428.8	6.5	1,100.6	335.3
- Grants	4,682.6	24.3	5,243.0	24.0	560.4	12.0
- Social Benefits	1,065.1	5.5	981.0	4.5	-84.1	-7.9
- Expenses and Other Transfers	1,108.2	5.8	1,396.8	6.4	288.6	26.0
- Purchase of Non-Current Assets	2,505.1	13.0	2,613.4	12.0	108.3	4.3

Source: Ministry of Finance.

This increase in actual public expenditure of the general budget in the FY2018/19 reflects an increase in actual expenditures under the First Chapter (Compensation of Employees) by KD 438.5 million or 6.5% to reach KD 7,185.9 million in FY2018/19 against KD 6,747.4 million in the previous year, the Second Chapter (Goods & Services) by KD 189 million or 6.7% to reach KD 2,999.8 million in FY2018/19 against KD 2,810.8 million in the previous year, the Fifth Chapter (Subsidies) by KD 1,100.6 million or 335.3% to reach KD 1,428.8 million in FY2018/19 against KD 328.2 million in the previous year, the Sixth Chapter (Grants) by KD 560.4 million or 12% to reach KD 5,243 million in FY2018/19 against KD 4,682.6 million in the previous year, the Eighth Chapter (Expenses and other Transfers) by KD 288.6 million or 26% to reach KD 1,396.8 million in FY2018/19 against KD 1,108.2 million in the previous year, and the (Purchase of Non-Current Assets) Chapter by KD 108.3 million or 4.3% to reach KD 2,613.4 million in FY2018/19 against KD 2,505.1 million in the previous year (Table 39). It is worth noting that during FY2018/19 the First Chapter (Compensation of Employees) accounts for highest percentage of 32.9% of total public expenditure for FY2018/19, then comes the Sixth Chapter (Grants) by 24%, whereas the least contribution came under the Fifth Chapter (Subsidies) by 4.5%.

The increase in actual expenditures under the First Chapter was the result of the growth in the expenditures of **Salaries and Wages** Group by KD 414.8 million or 6.6% (from KD 6,279.3 million to KD 6,694.1 million). This group makes up 93.2% of the First Chapter gross figures. Meanwhile the rise in actual expenditure under the Fifth Chapter was result of the increase in **Subsidiaries Public Corporations** Group by KD 1,103.6 million or 112.6% (from KD 98.0 million to KD 1,201.6 million). This group makes up 84.1% of the Fifth Chapter gross figures. The growth in actual expenditures under the Sixth Chapter was the result of the increase in the expenditures of Grants to **Other General Government Units** Group by KD 575.8 million or 13.3% (from KD 4321.3 million to KD 4897.1 million). This group makes up 93.4% of the Sixth Chapter gross figures.

As for economic classification of public expenditures, the closing account data for FY2018/19 indicates an increase of KD 2493 million or 14.9% in Current Expenditures to KD 19235.3 million against KD 16,742.3 million for FY2017/18 (Table 40). Current Expenditures accounted for 88.0% of gross Actual Expenditure, and for 98.7% of the Current Expenditure Allocations for FY2018/19 were recorded at KD 19,494.3million.

Table (40)
Economic Classification of Actual Public Expenditures
 KD million

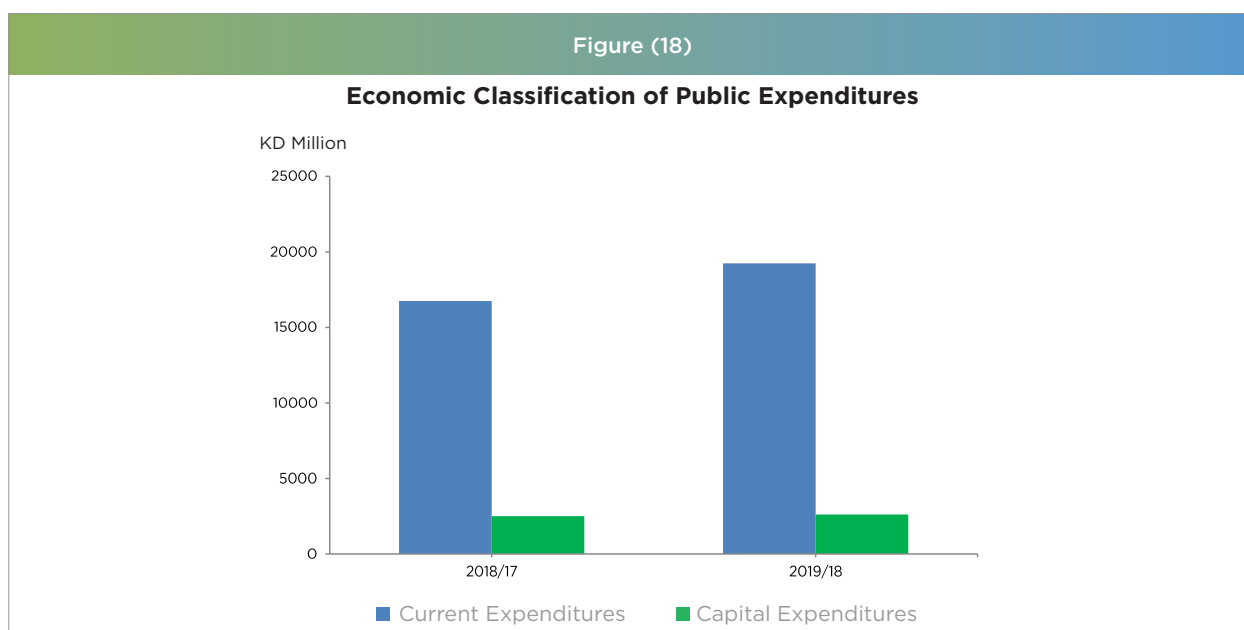
Items	Closing Account				Change	
	2017/18		2018/19			
	Value	%	Value	%	Value	%
Current Expenditures:	16,742.3	87.0	19,235.3	88.0	2,493.0	14.9
- Compensation of Employees, of which:	6,747.4	35.1	7,185.9	32.9	438.5	6.5
• Salaries & Wages	6,279.3	32.6	6,694.1	30.6	414.8	6.6
• Social Contributions	445.3	2.3	461.9	2.1	16.6	3.7
- Goods & Services	2,810.8	14.6	2,999.8	13.7	189.0	6.7
- Subsidies	328.2	1.7	1,428.8	6.5	1,100.6	335.3
- Grants, of which:	4,682.6	24.3	5,243.0	24.0	560.4	12.0
• To Foreign Governments	356.1	1.9	343.8	1.6	-12.3	-3.5
• To other Government Units	4,321.3	22.5	4,897.1	22.4	575.8	13.3
- Social Benefits	1,065.2	5.5	981.0	4.5	-84.2	-7.9
- Expenses and other Transfers	1,108.2	5.8	1,396.8	6.4	288.6	26.0
Capital Expenditures:	2,505.1	13.0	2,613.4	12.0	108.3	4.3
- Purchase of Non-Current Assets, of which:	2,505.1	13.0	2,613.4	12.0	108.3	4.3
• Purchase of Tangible Non-Financial Non-Current Assets	660.8	3.4	670.7	3.1	9.9	1.5
• Construction & Maintenance Projects	1,844.2	9.6	1,942.7	8.9	98.5	5.3
Total	19,247.4	100.0	21,848.7	100.0	2,601.3	13.5

Source: Ministry of Finance.

The actual budgetary capital expenditures increased during FY2018/19 by KD 108.3 million or 4.3% to reach KD 2,613.4 million against KD 2,505.1 million during FY2017/18. Inconsequently with this rise, the ratio of capital expenditures to total actual public expenditures decreased to 12% during FY2018/19 against 13% during FY2017/18. Furthermore, capital expenditure for FY2018/19 accounted for 79.7% of the total allocations for capital expenditures amounting to KD 3,278.4 million for that fiscal year.

This increase in actual budgetary capital expenditures for FY2018/19 reflects the growth in the **Construction and Maintenance Projects** Group (under Purchase of Non-Current Assets) by KD 98.5 million or 5.3% (from KD 1,844.2 million to KD 1,942.7 million) with the group accounting for 74.3% of overall capital expenditure.

Figure (18)



Source: Ministry of Finance.

As a result of these developments in both actual revenues and expenditures of the general budget, closing account for FY2018/19 recorded an actual deficit of KD 1,290.1 million against an actual deficit of KD 3,247.8 million for FY2017/18, i.e. a drop of KD 1,957.7 million or 60.3%, before deduction of allocations for the Reserve Fund for Future Generations (RFFG). Meanwhile, the general budget for FY2018/19 recorded an actual deficit of KD 3,346.0 million against an actual deficit of KD 4,847.8 million before the deduction of allocations for (RFFG) (Table 41).

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

Item	2017/18	2018/19
Actual Public Revenues, of which:	15,999.6	20,558.6
Actual Oil Revenues	14,282.2	18,428.4
Actual Public Expenditures	19,247.4	21,848.7
Surplus or (Deficit)⁽¹⁾	-3,247.8	-1,290.1
Surplus or (Deficit)⁽²⁾	-4,847.8	-3,346.0

(1) Before deducting the allocations for the RFFG.

(2) After deducting the allocations for the RFFG.

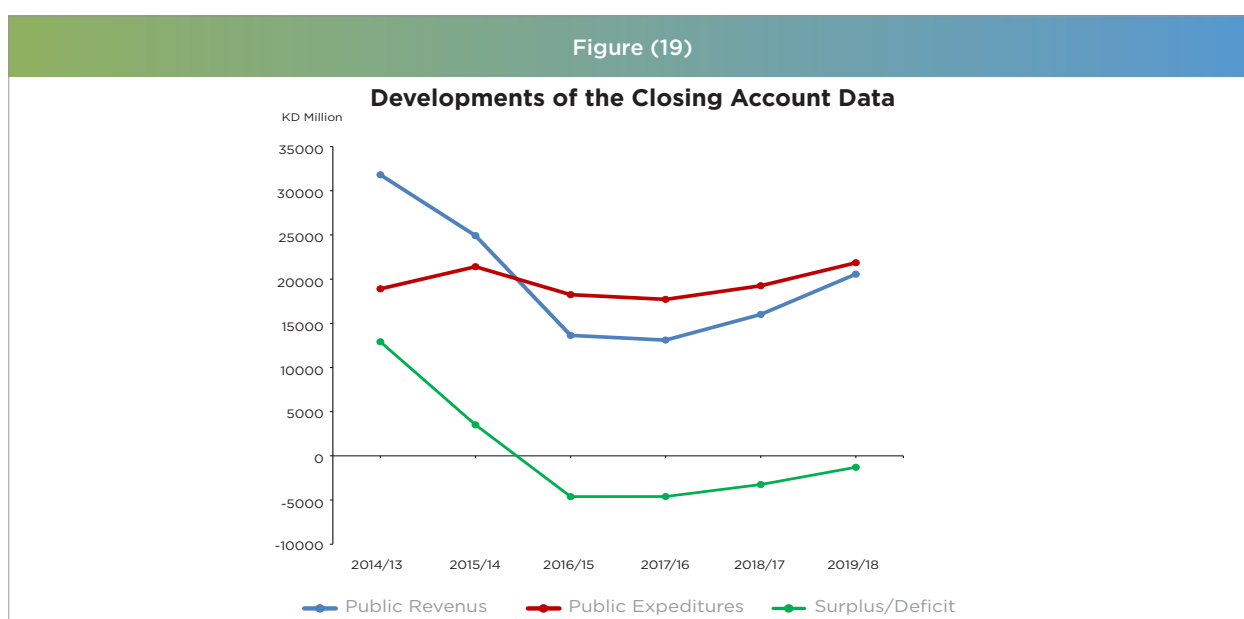
Source: Ministry of Finance.

Second: Fiscal Year 2019/20

1- General Budget for FY2019/20

On 25 July 2019, the Decree Law No. 90 of 2019 was promulgated for the budget appropriation of ministries and government departments for FY2019/20. The envisaged general budget indicates an increase of KD 722.7 million or 4.8% in overall public revenue estimates, to reach KD 15,811.7 million compared to KD 15,089.0 million in FY2018/19. This increase is mainly the result of the gross increase in oil revenue estimates by KD 546.0 million or 4.1% to reach KD 13,863.4 million in FY2019/20 compared to KD 13,317.4 million in the previous fiscal year. And the increase in non-oil revenue estimates by KD 176.9 million or 10.0% to reach KD 1,948.4 million against KD 1,771.5 million in the previous fiscal year (Table 42).

The expansion in oil revenue estimates within the general budget for FY2019/20 mainly reflects the increase in the reference oil price pb used in estimating budgetary oil revenues for the mentioned fiscal year. The reference oil price used was USD 55 pb, i.e. an increase of USD 5 or 10%, compared to USD 50 pb applied in estimating oil revenues for FY2018/19. However, the production quantity applied in estimating oil revenues within the general budget for FY2019/20 remained unchanged at its previous level of 2.8 million b/d.



Source: Ministry of Finance - Closing Accounts

Table (42)

Estimates of Revenue in the General Budget
KD million

Item	Approved Budget				Change	
	2018/19		2019/20		Value	%
	Value	%	Value	%		
Public Revenues:	1,508.9	100.0	15,811.7	100.0	722.7	4.8
Oil Revenues	13,317.4	88.3	13,863.4	87.7	546.0	4.1
Non-Oil Revenues, of which:	1,771.5	11.7	1,948.4	12.3	176.9	10.0
- Taxes & Fees	551.0	3.7	575.9	3.6	24.9	4.5
- Social Contributions	113.2	0.8	108.1	0.7	-5.1	-4.5
- Other Revenues	1,098.8	7.3	1,247.3	7.9	148.5	13.5
- Revenues from Disposal of Assets, and Other Non-Operating Revenues	8.5	0.1	17.1	0.1	8.6	101.3

Source: Ministry of Finance.

On another front, total allocations for budgetary expenditures for FY2019/20, decreased by KD 272.7 million or 1.2% to reach KD 22,500.0 million against KD 22,772.7 million for the previous fiscal year.

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

Item	Period		change	
	2018/19	2019/20	Value	%
Current Expenditures of which:	22,772.7	22,500	-272.7	-1.2
- Compensation of Employees	7,235.0	7,692.1	457.1	6.3
- Goods & Services	3,162.6	3,386.3	223.7	7.1
- Subsidies	1,431.6	639.5	-792.1	-55.3
- Grants	5,243.0	5,252.2	9.2	0.2
- Social Benefits	1,004.6	994.7	-9.9	-1.0
- Other Expenditures & Transfers	1,417.5	1,263.5	-154.0	-10.9
- Purchase of Non-Current Assets	3,278.4	3,271.7	-6.7	-0.2

Source: Ministry of Finance.

This decline in allocations for expenditures in the general budget for the FY2019/20 is attributed to a drop in allocations under each of the Fifth Chapter (Subsidies) by KD 792.1 million or 55.3% to reach KD 639.5 million during FY2019/20 against KD 1,431.6 million during the previous fiscal year, the Eighth Chapter (Other Expenditures and Transfers) by KD 154.0 million or 10.9% to reach KD 1,263.5 million during FY2019/20 against KD 1,417.5 million during the previous fiscal year, the Seventh Chapter (Social Benefits) by KD 9.9 million or 1.0% to reach KD 994.7 million during FY2019/20 against KD 1,004.6 million during the previous fiscal year, and the Purchase of Non-Current Assets Chapter (within Capital Expenditures) by KD 6.7 million or 0.2% to reach KD 3,271.7 million during FY2019/20 against KD 3,278.4 million during the previous fiscal year, on the one hand, and the increase in allocations for expenditures under the First Chapter (Compensation of Employees) by KD 457.1 million or 6.3% to reach KD 7,692.1 million during FY2019/20 against KD 7,235.0 million during the previous fiscal year, the Second Chapter (Goods and Services) by KD 223.7 million or 7.1% to reach KD 3,386.3 million during FY2019/20 against KD 3,162.6 million during the previous fiscal year, and the Sixth Chapter (Grants) by KD 9.2 million or 0.2% to reach KD 5,252.2 million during FY2019/20 against KD 5,243.0 million during the previous fiscal year, on the other (Table 43).

In regards to the economic classification of allocations for expenditures in the general budget of FY2019/20, data indicate a drop in the allocations reaching KD 19,228.3 million against the previous fiscal year's KD 19,494.3 million in FY2018/19, i.e. a decline of KD 266.0 million or 1.4% (Table 44). It is worth noting that current expenditures amounted to the equivalent of 85.5% of overall actual public expenditures.

Table (44)

Economic classification of Allocations for Expenditures in the General Budget
KD million

Item	Approved Budget				Change	
	2018/19		2019/20		Value	%
	Value	%	Value	%		
Current Expenditures:	19,494.3	85.6	19,228.3	85.5	-266	-1.4
- Compensation of Employees, of which:	7,235.0	31.8	7,692.1	34.2	457.1	6.3
* Salaries and Wages	6,738.0	29.6	6,974.4	31.0	236.4	3.5
* Social Contributions	467.0	2.1	487.4	2.2	20.4	4.4
- Goods & Services	3,162.6	13.9	3,386.3	15.1	223.7	7.1
- Subsidies	1,431.6	6.3	639.5	2.8	-792.1	-55.3
- Grants, of which:	5,243.0	23.0	5,252.2	23.3	9.2	0.2
* Grants to Foreign Governments	343.8	1.5	217.0	1.0	-126.8	-36.9
* Grants to other Government Units	4,897.1	21.5	4,999.2	22.2	102.1	2.1
- Social Benefits	1,004.6	4.4	994.7	4.4	-9.9	-1.0
- Other Expenditures & Transfers	1,417.5	6.2	1,263.5	5.6	-154	-10.9
Capital Expenditures:	3,278.4	14.4	3,271.7	14.5	-6.7	-0.2
- Purchase of Non-Current Assets, of which:	3,278.4	14.4	3271.7	14.5	-6.7	-0.2
* Purchase of Tangible Non-Financial Non-Current Assets	847.2	3.7	748.3	3.3	-98.9	-11.7
* Construction & Maintenance Projects	2,431.1	10.7	2,523.3	11.2	92.2	3.8
Total	22,772.7	100.0	22,500.0	100	-272.7	-1.2

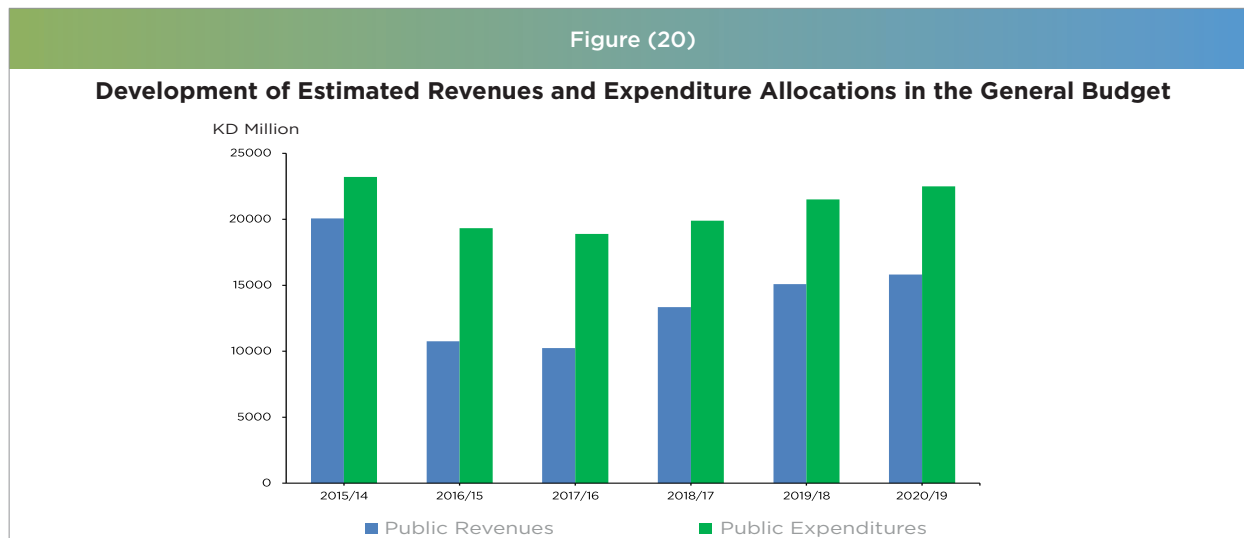
Source: Ministry of Finance.

The capital expenditure allocations for FY2019/20 data indicate a decrease of KD 6.7 million or 0.2% to reach KD 3,271.7 million against KD 3,278.4 million during FY2018/19.

This decrease in capital expenditure allocations for FY2019/20 reflects in the drop in allocations of the **Purchase of Tangible Non-Financial Non-Current Assets** Group by KD 98.9 million or 11.7% on the one hand, and the increase in allocations of the **Construction and Maintenance** Group by KD 92.2 million or 3.8% on the other.

Resulting from above-mentioned developments in revenue and in expenditure allocations in the general budget for FY2019/20, the general budget for said year recorded an estimated deficit of KD 6,688.3 million against an estimated deficit of KD 7,683.7 million in FY2018/19, before deduction of allocations for (RFFG). Meanwhile, the general budget for FY2019/20 recorded an estimated deficit of KD 9,192.6 million, after the deduction of allocations for (RFFG) (Table 45).

Figure (20)



Source: Ministry of Finance.

Table (45)
Summary of Surplus or Deficit
 KD million

Item	2018/19	2019/20
Public Revenue Estimates, of which:	15,089	15,811.7
Oil Revenues	13,317.4	13,863.4
Allocations for Public Expenditures	22,772.7	22,500.0
Surplus or Deficit⁽¹⁾	-7,683.7	-6,688.3
Surplus or Deficit⁽²⁾	-9,192.6	-8,269.4

(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 2019) of FY2019/20

Available data in the monthly follow-up statements on revenues and expenditures of the general budget for FY2019/20 (Table 46) indicate a decline of KD 3,011 million or 19.2% in total actual public revenue collected in the first nine months (April-December 2019) of FY2019/20 to reach KD 12,675.5 million against KD 15,686.5 million for the corresponding period (April-December 2018) in FY2018/19. This decrease is attributed to the drop in actual oil revenues collected in (April-December 2019) by KD 3,071.9 million or 20.9% to reach KD 11,587.6 million against KD 14,659.5 million for the corresponding period in FY2018/19. Meanwhile, total oil revenues collected during the first nine months (April-December 2019) of FY2019/20 rose by KD 60.9 million or 6% reaching KD 1,087.9 million against KD 1,027.0 million for the corresponding period in the previous fiscal year. The mentioned drop in total oil revenues collected in the first nine months of FY2019/20 reflects the decline in average price of Kuwait's crude oil export by USD 5.89 pb or 8.3% to reach USD 64.66 pb against USD 70.55 pb for the corresponding period in the previous fiscal year. The average price of Kuwait's crude oil production also decreased during the first nine months of FY2019/20 by 3% reaching 2.667 million pb, compared to the corresponding period in the previous fiscal year.

Based on the developments in actual oil and non-oil revenues collected in the first nine months of FY2019/20 (April-December 2019), total actual public revenue collected for the said period reached KD 15,811.7 million or 80.2% of the overall estimate endorsed for the whole mentioned fiscal year.

Table (46)
Public Revenues
 KD million

Item	Period		Change	
	April-Dec 2018	April-Dec 2019	Value	%
Total Public Revenues:	15,686.5	12,675.5	-3,011.0	-19.2
Oil Revenues	14,659.5	11,587.6	-3,071.9	-20.9
Non-Oil Revenues:	1,027.0	1,087.9	60.9	6.0
- Taxes & Fees	393.8	400.9	7.1	1.8
- Social Contributions	38.1	54.4	16.3	42.8
- Other Revenues	590.9	621.2	30.3	5.1
- Revenues on Disposal of Assets and Non-Operating Revenues	4.2	11.3	7.1	169.0

Source: Ministry of Finance.

As for actual public expenditures for the first nine months (April-December 2019) of FY2019/20, data indicate an increase of KD 1,968.9 million or 19.9% and to reach KD 11,881.8 million against KD 9,912.9 million for the corresponding period in the previous fiscal year. The actual expenditures within the general budget during the first nine months of FY2019/20 accounted for 52.8% of public expenditure allocations for the whole mentioned fiscal year of KD 22,500.0 million.

Table (47)
Public Expenditure
KD million

Item	period		Change	
	April-Dec 2018	April-Dec 2019	Value	%
Current Expenditure:	8,973.9	10,986.1	2,012.2	22.4
- Compensation of Employees	2,419.4	3,955.7	1,536.3	63.5
- Goods & Services	1,732.3	2,001.2	268.9	15.5
- Subsidies	249.3	407.7	158.4	63.5
- Grants	3,397.6	3,570.9	173.3	5.1
- Social Benefits	367.1	382.4	15.3	4.2
- Expenses and Other Transfers	808.2	668.2	-140	-17.3
Total Capital Expenditure	939.0	895.7	-43.3	-4.6
- Purchase of Non-Current Assets	939.0	895.7	-43.3	-4.6
Total Current Expenditure	9,912.9	11,881.8	1,968.9	19.9

Source: Ministry of Finance.

The aforementioned increase in total actual expenditure for the period (April-December 2019) compared to the same period of the previous fiscal year is attributed to the growth in actual expenditure under the First Chapter (Compensation of Employees) by KD 1,536.3 million or 63.5%, the Second Chapter (Goods and Services) by KD 268.9 million or 15.5%, the Fifth Chapter (Subsidies) by KD 158.4 million or 63.5%, the Sixth Chapter (Grants) by KD 173.3 million or 5.1%, and the Seventh Chapter (Social Benefits) by KD 15.3 million or 4.2% on the one hand, and the drop in actual expenditure under the Eighth Chapter (Expenses and Other Transfers) by KD 140 million or 17.3% and the Purchase of Non-Current Assets (within Capital Expenditure) by KD 43.3 million or 4.6% on the other.

Regarding the economic classification of public expenditures, monthly follow-up data for FY2019/20 indicate a growth in Current Expenditure for the first nine months (April-December 2019) of FY2019/20 reaching KD 10,986.1 million against KD 8,973.9 million during the corresponding period of the previous fiscal year, i.e. an increase of KD 2,012.2 million or 22.4%. The current expenditure for the first nine months (April-December 2019) of FY2019/20 period accounted for 57.1% of current expenditure allocations for the whole of said year, which total KD 19,228.3 million. As for capital expenditure, a decline was recorded during the first nine months of FY2019/20 by KD 43.3 million or 4.6% reaching KD 895.7 million against KD 939.0 million during the corresponding period of the previous fiscal year.

Table (48)
Summary of Surplus or Deficit
 KD million

Item	Period	
	April-Dec 2018	April-Dec 2019
Actual Public Revenue	15,686.5	12,675.5
Actual Public Expenditures	12,108.9	11,881.8
Surplus or Deficit ⁽¹⁾	3,577.6	793.7
Surplus or Deficit ⁽²⁾	2,008.9	-473.8

(1) Before deducting the allocations for the RFFG.

(2) After deducting the allocations for the RFFG.

Source: Ministry of Finance.

As a result of the developments in the actual public revenues and expenditures over the nine first months (April-December 2019) of FY2019/20, the general budget recorded an actual surplus of KD 793.7 million against an actual surplus of KD 3,577.6 million for the corresponding period of 2018/19, before deduction of allocations for (RFFG).

On another front, the general budget during the first nine months (April-December 2019) of FY2019/20 recorded an actual deficit of KD 473.8 million against an actual surplus of KD 2,008.9 million during the corresponding period of the previous fiscal year, after deducting the allocations for the (RFFG).



Foreign Trade and Balance of Payments

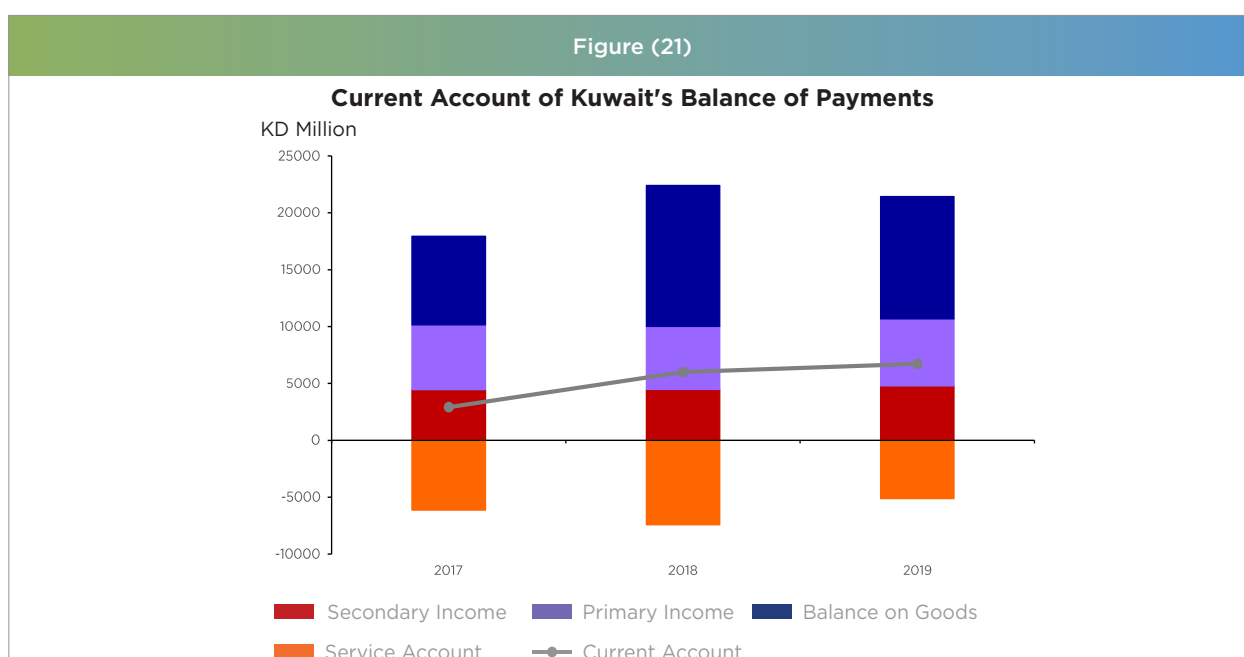


Foreign Trade and Balance of Payments

This part of the report reviews developments in the statistics on the State of Kuwait's balance of payments (BOP) and foreign trade in 2019 as compared to 2018. 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 6,722.5 million in 2019, against a surplus of KD 6,008.0 million in 2018, i.e. a jump of KD 714.5 million or 11.9% during the previous year.

Table (49)
Current Account
KD million

Item	2018	2019	Change	
	(Revised)	(Provisional)	Value	(%)
First: Current Account (1+2+3+4):	6,008.0	6,722.5	714.5	11.9
1. Balance on Goods:	12,382.0	10,731.6	-1,650.4	-13.3
* Merchandise Exports (FOB), of which:	21,771.1	19,673.9	-2,097.2	-9.6
Oil Exports	19,731.0	17,814.4	-1,916.6	-9.7
* Minus Merchandise Imports (FOB)	-9,389.1	-8,942.3	446.8	4.8

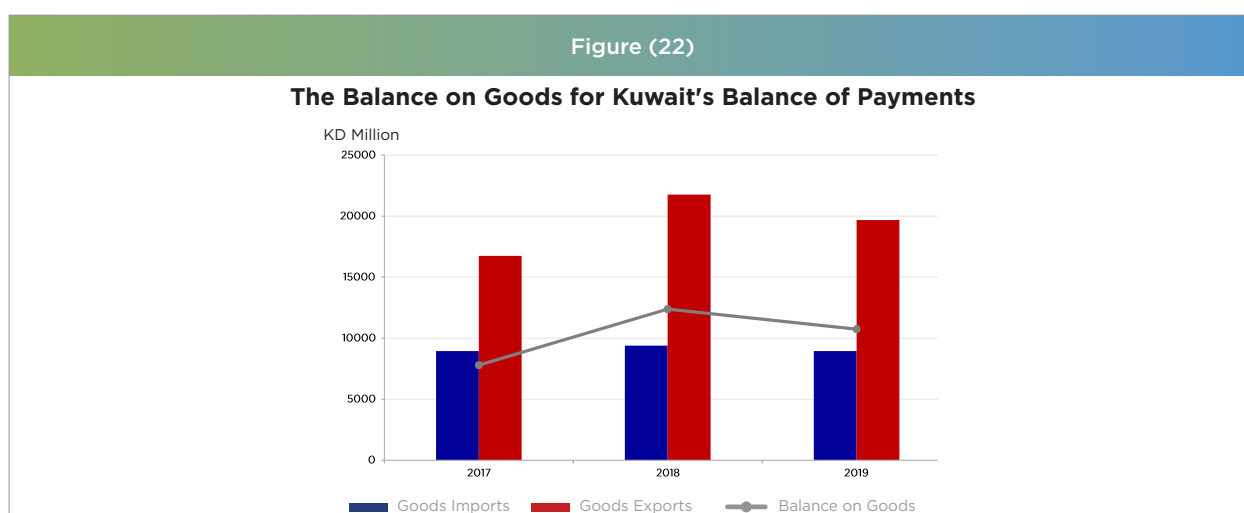
2. Services, of which:	-7,426.2	-5,112.9	2,313.3	31.2
* Transportation	-939.3	-850.9	88.4	9.4
* Travel	-3,649.7	-3,356.1	293.6	8.0
* Telecom	893.5	1,222.1	328.6	36.8
* Government Services and Goods	-280.1	-301.6	-21.5	-7.7
3. Primary Income, of which:	5,537.0	5,894.6	357.5	6.5
* Compensation of Employees	-30.5	-19.1	11.3	37.2
* Investment Income	5,567.5	5,913.7	346.2	6.2
4. Secondary Income:	-4,484.8	-4,790.7	-305.9	-6.8
* Government Bodies	-132.2	-254.4	-122.1	-92.4
* Other Sectors, of which:	-4,352.6	-4,536.3	-183.8	-4.2
Workers' Transfers	-4,306.3	-4,467.2	-160.9	-3.7

Source: Central Bank of Kuwait.

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

1- Balance on Goods⁴

Available preliminary data and estimates indicate a decline in the total value of the State of Kuwait foreign merchandise trade (exports plus imports) to KD 28,616.2 million during 2019 against KD 31,160.2 million during the previous year, i.e. a drop of KD 2,544.1 million or 8.2%. Realized surplus in the Balance on Goods (which is the difference between value of merchandise exports and imports on FOB basis) reached KD 10,731.6 million during 2019 compared to KD 12,382.0 million during the previous year, i.e. a decrease of KD 1,650.4 million or 13.3%. The following addresses, in some detail, the developments in the foreign merchandise trade of the State of Kuwait during 2019 compared with the previous year:



Source: Central Bank of Kuwait.

A. Merchandise Exports

The total value of the merchandise exports of the State of Kuwait (on FOB basis) reached KD 19,673.9 million during 2019 compared to KD 21,771.1 million during the previous year, i.e. a decline of KD 2,097.2 million or 9.6%. This decrease mainly reflects the drop in the value of oil exports of the State of Kuwait to KD 17,814.4 million during 2019 against KD 19,731.0 million during the previous year, i.e. a decrease of KD 1,916.6 million or 9.7%.

⁴ The balance on goods concept within the balance of payments prepared by the CBK is different from 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.

This drop in the value of oil exports mainly reflects the decrease in the average price of Kuwait's exported crude oil from USD 68.72 per barrel in 2018 to USD 64.02 pb in 2019, i.e. a decrease of USD 4.70 pb or 6.8%. The quantity of exported oil of the State of Kuwait recorded a drop of 3.1% in the daily average between 2018 and 2019 (from 2.050 million bpd on average during 2018 to 1.986 million bpd on average during 2019). In the same context, the value of non-oil exports (on FOB basis) of the State of Kuwait decreased to KD 1,859.5 million during 2019 against KD 2,040.1 million during the previous year, i.e. a drop of KD 180.6 million or 8.9%.

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	2018		2019	
	Value	%	Value	%
Iraq	188.1	9.2	291.5	15.7
China (PRC)	287.3	14.1	276.5	14.9
India	346.9	17.0	244.6	13.2
Kingdom of Saudi Arabia	166.0	8.1	199.9	10.8
UAE	168.6	8.3	173.0	9.3
Qatar	129.3	6.3	109.2	5.9
Sultanate of Oman	61.3	3.0	62.0	3.3
Pakistan	87.4	4.3	57.1	3.1
Jordan	29.4	1.4	32.5	1.7
Turkey	50.8	2.5	25.9	1.4
Total	1,515.1	74.3	1,472.3	79.2
Total value of non-oil exports	2,040.1	100.0	1,859.5	100.0

Source: Central Statistical Bureau.

As for the relative distribution of the value of non-oil exports by main trade partners, data indicate that the value of non-oil exports to the top ten countries totaled KD 1,472.3 million or the equivalent of 79.2% of total value of non-oil exports of the State of Kuwait during 2019, against KD 1,515.1 million or the equivalent of 74.3% during the previous year to these countries (Table 50).

B. Merchandise Imports

The merchandise imports (on CIF basis)⁵ of the State of Kuwait reached to KD 10,198.8 million during 2019 against KD 10,750.4 million during the previous year, i.e. a decline of KD 551.6 million or 5.1%. As for the relative distribution of the total value of merchandise imports by main trade partners, available data indicate that the value of merchandise imports from the top ten countries reached KD 6,564.0 million or the equivalent of 64.4% of the total value of the merchandise imports of the State of Kuwait during 2019 against KD 6,834.9 million or the equivalent of 63.0% during the previous year from these countries (Table 51).

⁵ The value of the State of Kuwait's imports in this item as in table (49) on FOB (Free on Board) basis is different from 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	2018		2019	
	Value	%	Value	%
China (PRC)	1,803.3	16.8	1,818.1	17.8
USA	937.0	8.7	926.7	9.1
UAE	936.4	8.7	856.8	8.4
Japan	635.3	5.9	641.6	6.3
Kingdom of Saudi Arabia	616.6	5.7	630.7	6.2
India	561.8	5.2	578.1	5.7
France	478.5	4.5	387.9	3.8
South Korea	426.0	4.0	273.8	2.7
United Kingdom	230.1	2.1	253.0	2.5
Turkey	209.8	2.0	197.3	1.9
Total	6,834.9	63.6	6,564.0	64.4
Total Imports	10,750.4	100.0	10,198.8	100.0

Source: Central Statistical Bureau.

During 2019, China ranked first among the source of Kuwait imports with KD 1,818.1 million or 17.8% of the total value of Kuwait merchandise imports, the USA ranked second with KD 926.7 million or 9.1%, and the UAE ranked third with KD 856.8 million or 8.4%.

C. Kuwait Trade with GCC countries

Available preliminary statistics on non-oil trade between the State of Kuwait and other GCC member countries indicate a decrease of KD 152.3 million or 6.3% to KD 2,275.9 million during 2019 against KD 2,428.1 million during the previous year. The value of non-oil exports of the State of Kuwait to the GCC countries was KD 564.4 million during 2019, i.e. a rise of KD 16.2 million or 3.0% compared with the previous year.

The value of the merchandise imports of the State of Kuwait from other GCC member countries decreased to KD 1,711.5 million during 2019 compared to KD 1,879.9 million in 2018, i.e. a decline of KD 168.5 million or 9.0%. Value of these imports accounted for 16.8% of the total value of Kuwait merchandise imports during 2019. Merchandise imports from the UAE and KSA accounted for 86.9% of the total value of Kuwait imports from the GCC countries during 2019. Consequently, the balance of merchandise trade of the State of Kuwait with other GCC member countries recorded a deficit of KD 1,147.1 million during 2019 against a deficit of KD 1,331.7 million during the previous year.

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

Item	2018			2019		
	Exports	Imports	Balance of Trade	Exports	Imports	Balance of Trade
UAE	168.6	936.4	-767.8	173.0	856.8	-683.8
Saudi Arabia	166.0	616.6	-450.6	199.9	630.7	-430.8
Bahrain	23.0	232.5	-209.6	20.3	140.3	-120.0
Qatar	129.3	15.3	113.9	109.2	18.6	90.6
Oman	61.3	79.0	-17.7	62.0	65.0	-3.0
Total	548.2	1,879.9	-1,331.7	564.4	1,711.5	-1,147.1

* 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) recorded a deficit of KD 5,112.9 million during 2019 compared with a deficit of KD 7,426.2 million during the previous year, i.e. a drop in deficit by KD 2,313.3 million or 31.2%. The decline in deficit in the Services Account is mainly attributed to the decrease in the payments for “construction services” to KD 914.0 million during 2019 against KD 2,461.7 million during the previous year, i.e. a decrease by KD 1,547.7 million or 62.9%.

The total value of payments on Services (listed on the debit side of the Services Account) reached KD 7,738.0 million during 2019 compared to KD 9,648.6 million during the previous year, i.e. a decline by KD 1,910.6 million or 19.8% compared with the previous year. Payments for “travel” accounted for 48.2% of the total payments on the debit side of the Services Account during 2019 compared to 41.7% during the previous year. The value of payments for the “transportation” item ranked second, accounting for 16.8% of the total value of payments under the Services Account during 2019 against 14.0% during the previous year.

Conversely, the total value of receipts (listed on the credit side of the Services Account) for 2019 was KD 2,625.1 million against KD 2,222.4 million during the previous year, i.e. an increase of KD 402.7 million or 18.1%. This growth is attributed to the increase in the receipts from the “Communication” services to KD 1,346.7 million during 2019 against KD 1,005.9 million during the previous year, i.e. an increase of KD 340.8 million or 33.9%, and “transportation” item to KD 449.3 million during 2019 against KD 413.3 million during the previous year, i.e. an increase of KD 36.0 million or 8.7%.

3- Primary Income

Primary Income includes the net value of income from investments abroad and net value of employee compensations. The Primary Income Account realized a surplus of KD 5,894.6 million during 2019 against a surplus of KD 5,537.0 million during the previous year, i.e. a growth of KD 357.5 million or 6.5%. Statistics indicate that total receipts from investments abroad, by various national sectors, during 2019 reached KD 6,892.3 million against KD 6,429.1 million during the previous year, i.e. an increase of KD 463.1 million or 7.2%.

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 4,790.7 million in the Secondary Income Account during 2019 compared with a deficit of KD 4,484.8 million during the previous year, i.e. a rise of KD 305.9 million or 6.8%. This mainly came as a result of the increase in the value of expatriate workers' remittances to KD 4,467.2 million during 2019 against KD 4,306.3 million during the previous year, i.e. a rise of KD 160.9 million or 3.7%.

Second: Capital Account

The Capital Account recorded a surplus (net capital transfer inflows) of KD 41.6 million during 2019, against a deficit (net capital transfer outflows) of KD 64.8 million during the previous year. This is mainly the result of residents' collection/receipt of UN compensations (a key component within Capital Transfers) to the value of KD 179.7 million in 2019, payment of which had previously been deferred.

Table (53)
Capital Account
KD Million

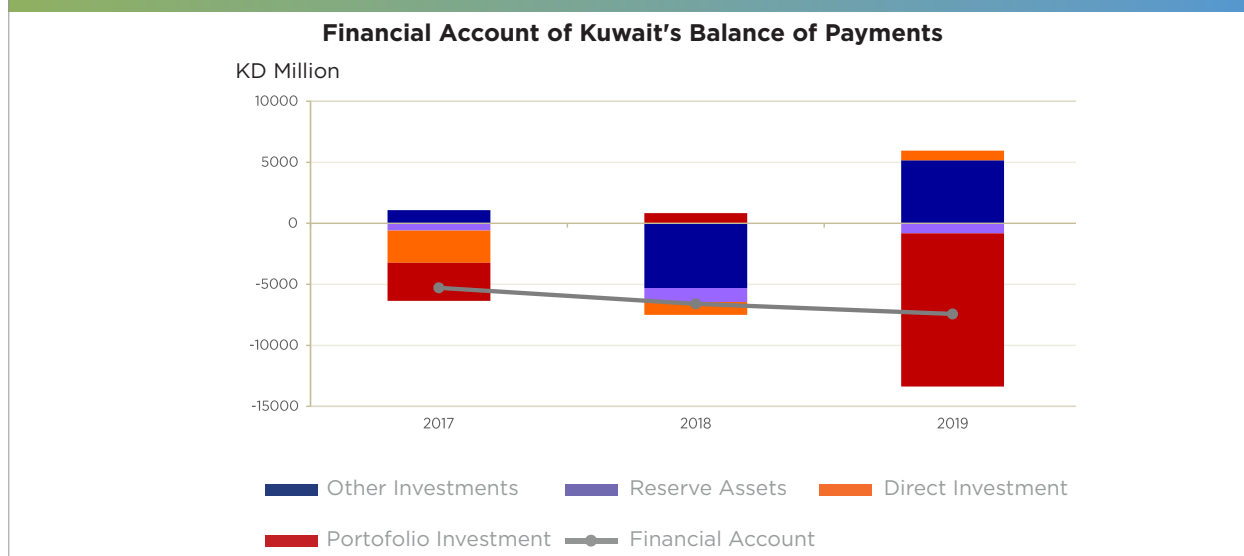
Item	2018	2019	Change	
	(Revised)	(Provisional)	Value	%
Second: Capital Account:	-64.8	41.6	106.4	164.2
* Capital Transfers:	-45.5	42.2	87.7	192.9
General Government	-49.4	-56.1	-6.7	-13.6
Other Sectors	4.0	98.3	94.4	2,389.3
Third: Current and Capital Account	5,943.2	6,764.2	820.9	13.8

Source: Central Bank of Kuwait.

Third: Financial Account

The Financial Account records transactions involving financial assets and liabilities between residents and non-residents. It includes job categories, sectors, instruments, and maturities used in net international finance transactions. Provisional BOP statistics of the State of Kuwait indicate a net outflow (growth in the net value of external investments from residents in the domestic economy) of KD 7,427.4 million during 2019 against a net outflow of KD 6,602.5 million during the previous year, mainly due to the change in the net investment of securities portfolio.

Figure (23)



Source: Central Bank of Kuwait.

Table (54)
Financial Account*
KD Million

Item	2018	2019	Change	
	(Revised)	(Provisional)	Value	%
Third- Financial Account:	-6,602.5	-7,427.4	-824.9	-12.5
1. Direct Investment (Net):	-1,060.2	789.3	1,849.5	174.5
- Direct Investments Abroad	-1,121.8	757.6	1,879.4	167.5
- Foreign Direct Investments in Kuwait	61.6	31.7	-29.9	-48.5
2. Portfolio Investment (Net):	835.8	-12,548.4	-13,384.2	-1,601.4
- Assets	535.8	-13,046.3	-13,582.1	-2,535.1
- Liabilities	300.0	498.0	197.9	66.0
3. Financial Derivatives:	63.9	-12.4	-76.3	-119.3
- Assets	158.0	-228.8	-386.8	-244.8
- Liabilities	-94.0	216.4	310.5	330.1
4. Other Investments (Net):	-5,302.2	5,165.2	10,467.4	197.4
- Assets	-7,655.3	1,185.4	8,840.6	115.5
- Liabilities	2,353.0	3,979.8	1,626.7	69.1
5. CBK's Total Reserve Assets (Change)	-1,139.8	-821.2	318.6	28.0

*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 indicate that net flows which are not listed under any of the BOP items was at around KD 663.3 million on the credit side, representing net inflows during 2019, compared to KD 659.2 million on the credit side during the previous year.

Fifth: Overall Balance

The overall position of the State of Kuwait BOP, which presents a summary of the transactions recorded under various BOP items, shows a total surplus of KD 821.2 million during 2019 compared with a surplus of KD 1,139.8 million during the previous year. The total surplus in the overall BOP reflects a rise in the gross value of reserve assets of the CBK of the same amount. From a broader perspective, the overall position of the State of Kuwait BOP that takes into consideration the changes in the net value of external investments of some government authorities and institutions, particularly, Kuwait Investment Authority (KIA) and Kuwait Petroleum Corporation (KPC), in addition to the above mentioned change in the gross value of CBK's reserve assets, the overall position of BOP, in a broad definition, indicates a surplus estimated at KD 3,797.4 million during 2019 compared with a surplus of KD 7,853.2 million during the previous year.

Table (55)

The State of Kuwait BOP KD Million

Item	2018	2019	Change	
	(Revised)	(Provisional)	Value	%
Current Account	6,008.0	6,722.5	714.5	11.9
Capital Account	-64.8	41.6	106.4	164.2
Current and Capital Account	5,943.2	6,764.2	820.9	13.8
Financial Account	-6,602.5	-7,427.4	-824.9	-12.5
Errors and Omissions	659.2	663.3	4.0	0.6
Overall Balance (Surplus/Deficit)	1,139.8	821.2	-318.6	-28.0
Reserve Assets of CBK (Change)	-1,139.8	-821.2	318.6	28.0

Source: Central Bank of Kuwait.

Boursa Kuwait



Boursa Kuwait

Boursa Kuwait's major trading and price indicators witnessed an increase during 2019, where key trading indicators (value and volume of traded shares) recorded a significant increase of 92.3% and 82.7%, respectively, compared with their recorded levels during 2018. Boursa Kuwait General Price Index (PI) closed its transactions increasing by 23.7% at the end of 2019 compared with the closing of 2018. The All Share market index recorded an increase, at a higher rate compared to the All-share Index and the Main Market Index, of 32.6% at the end of 2019 compared with the closing of 2018. The Main Market Index also recorded a slight increase of 3.6% at the end of 2019 compared with the closing of 2018. In light of these developments, the market capitalization of listed companies recorded a tangible increase reaching KD 36,272.9 billion at the end of 2019, i.e. an increase by 24.6%, after the increase in market capitalization by 6.0% at the end of 2018 compared with the previous year.

This section of the report addresses key developments in Boursa Kuwait activity in 2019, as follows:

First: Main Trading Indices

The main trading indicators of Boursa Kuwait recorded a significant increase during 2019 compared with their levels during 2018 (Table 56, Figure 24). The total value of traded shares amounted to KD 7.94 billion with a daily average of KD 31.76 million⁶ during 2019 against KD 4.13 billion with a daily average of KD 16.86 million during 2018, i.e. an increase of KD 3.81 billion or 92.3% (and a drop of 88.4% in the daily average value of traded shares). Traded shares volume reached 39.02 billion with a daily average of 156.08 million during 2019 compared to 21.36 billion with a daily average of 87.18 million during 2018, i.e. an increase of 17.66 billion or 82.7% in the total volume of traded shares and an increase of 79.0% in their daily average traded volume.

Table (56)

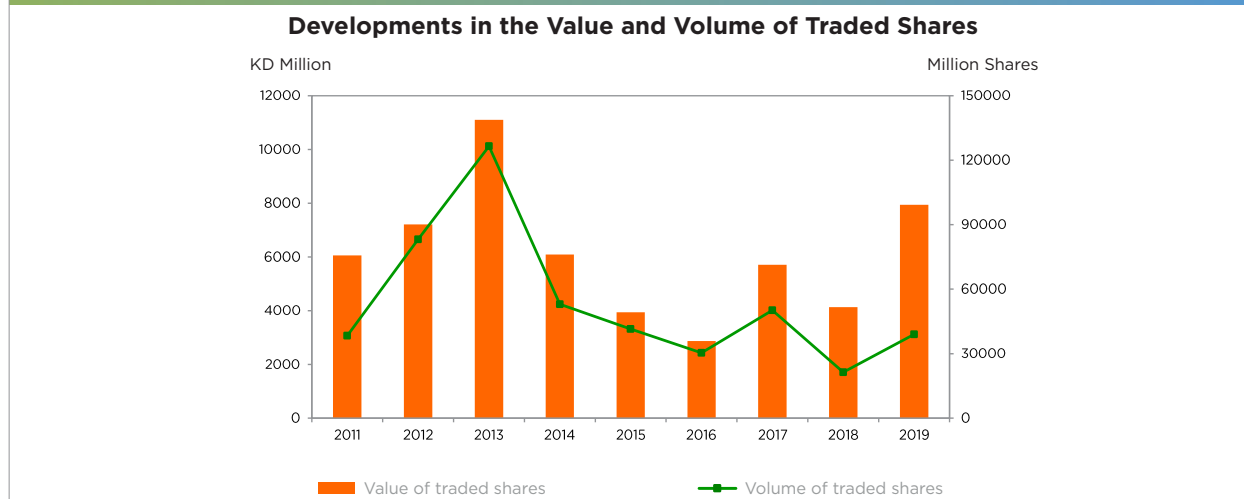
Main Share Trading Indicators of Boursa-Listed Companies

Period	Value (KD Million)	Quantity (Million Shares)	No. of Transactions (Thousand)
2017	5,707.3	50,221.1	1,193.8
2018	4,127.8	21,356.8	924.7
2019	7,937.2	39,017.4	1,542.0
Q1	1,866.3	10,116.8	331.0
Q2	1,979.9	8,522.2	362.4
Q3	2,219.0	10,377.4	427.7
Q4	1,872.0	10,001.0	420.9
Annual Change in 2019 from 2018 (%)	92.3	82.7	66.7

Source: Boursa Kuwait.

⁶ The daily average of traded value and volume in Boursa Kuwait in 2019 was calculated for 250 trading days against 245 trading days in 2018.

Figure (24)



Source: Boursa Kuwait.

Distribution of the total value of traded shares by sector (Table 57) reveals that shares of the banking sector (that includes 12 banks, or 7.4% of listed companies, and 60.6% of market capitalization at the end of 2019) recorded the highest value of traded shares among the market sectors. Worth noting is that the value of traded shares of the banks sector was KD 4,874.58 million during 2019, accounting for 61.4% of the total value of traded shares for the mentioned year. The top five sectors were the financial services sector (13.2%), industrial (9.1%), telecommunications and real estate (7.3%) and (5.7%) respectively.

Table (57)

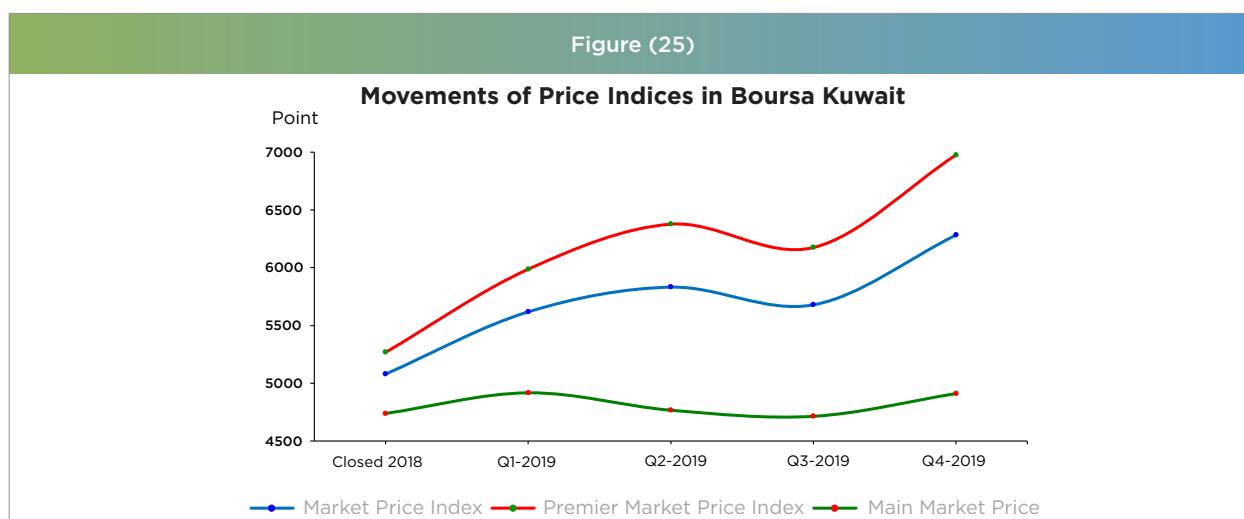
Developments in the Value of Traded Shares by Boursa Kuwait Sectors During 2019 (Value in KD Million) and the Relative Share of the Total (%)

Sector	Number of Companies	2019	
		Value	%
Oil & Gas	6	28.70	0.36
Basic Materials	4	138.21	1.74
Industrial	28	725.05	9.13
Consumer Commodities	3	25.40	0.32
Healthcare	3	0.72	0.01
Consumer Services	11	59.71	0.75
Telecommunications	4	575.59	7.25
Utilities	-	-	-
Banks	12	4,874.58	61.41
Insurance	7	11.48	0.14
Real-Estate	37	453.10	5.71
Financial Services	46	1,044.53	13.16
Technology	2	0.10	0.001
Total	163	7,937.17	100

Source: Boursa Kuwait.

Second: Price Movements

Boursa Kuwait PI (1/4/2019=5000 points) recorded a notable increase at the end of 2019 closing at 6,282.46 points against 5,079.56 points at the end of 2018, i.e. a hike of 1,202.90 points or 23.68%.



Source: Boursa Kuwait.

Boursa Kuwait All-share Index recorded its highest daily level on 31 December 2019 with 6,282.46 points, while its lowest daily level recorded on 2 January 2019 was 5,109.62 points. Therefore, the difference between the highest and the lowest daily closing levels recorded during 2019 was 1,172.84 points or 22.95%.

The Premier Market Index (1/4/2019=5000 points) meanwhile made bigger gains than the All-share Index and the Main Market Index during 2019, closing at 6,975.96 points against 5,267.36 points, i.e. an increase of 1,708.60 points and 32.44%. The Main Market Index (1/4/2019=5000 points), also soared to reach 4,910.69 points against 4,738.56 points, i.e. an increase of 172.13 points and 3.63%.

It is notable that the main price indicators recorded significant gains in the fourth quarter during 2019, with the All-share Index, Premier Market Index and Main Market Index going up 10.63%, 12.98% and 4.18%, respectively, compared to the third quarter of 2019.

Table (58)

Major Price Indicators at the End of the Quarters of 2019 (Point)

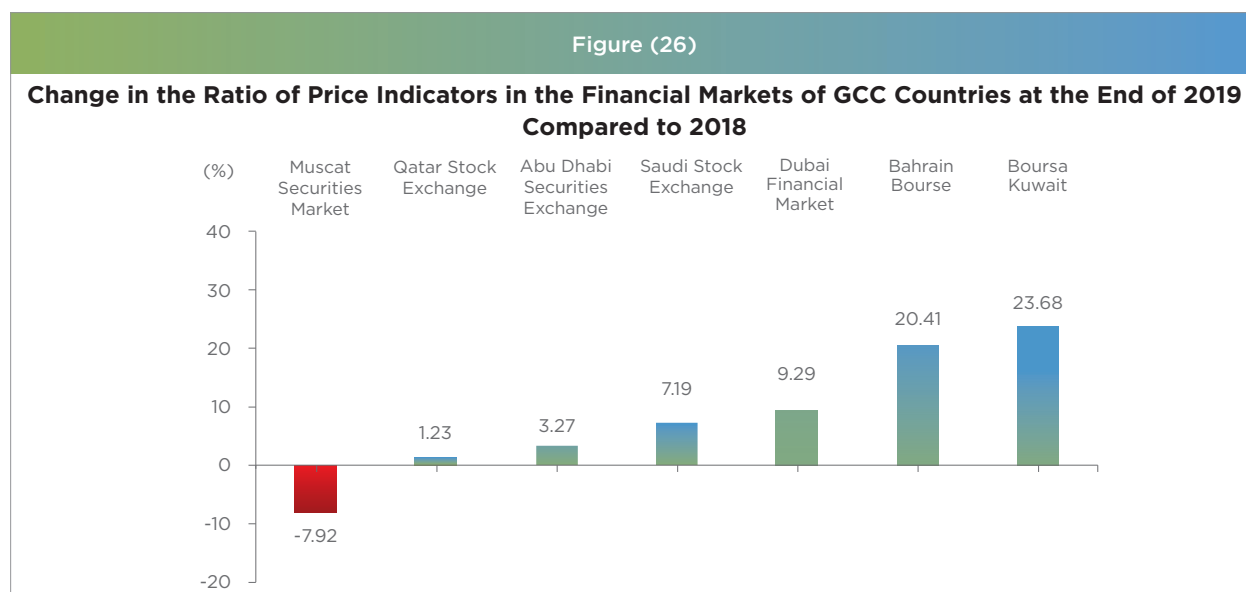
Period	All-Share Index	Premier Index	Main Index
Closing 2018	5,079.56	5,267.36	4,738.56
Q1 2019	5,617.82	5,986.87	4,917.27
(%)	10.6	13.7	3.8
Q2 2019	5,832.13	6,377.02	4,766.53
(%)	3.8	6.5	-3.1
Q3 2019	5,678.7	6,174.78	4,713.82
(%)	-2.6	-3.2	-1.1
Q4 2019	6,282.46	6,975.96	4,910.69
(%)	10.6	13.0	4.2

(%) 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) recorded a tangible increase at the end of 2019 compared to 2018 closings, except for Muscat Securities Market, which recorded a decrease of 7.92% for the mentioned period. Boursa Kuwait recorded the highest increase of 32.44% among other GCC capital markets, followed by Bahrain Bourse with 20.41%, and then Dubai Financial Market, Saudi Stock Exchange, Abu Dhabi Securities Exchange and Qatar stock Exchange by 9.29%, 7.19%, 3.27%, and 1.23%, respectively.



Source: Reuters

As for major developments in main international exchanges, Morgan Stanley Capital International (MSCI) data reveal clear growth, at the end of 2019 compared to the end of 2018, in the Developed Markets Index (DM) by 474.57 points or 25.19%, as well as a rise in the Emerging Markets Index (EM) by 148.88 points or 15.42%.

The Kuwait Domestic Index for emerging markets also registered a remarkable increase at the end of 2019 by 191.61 points or 32.60% (Table 59 and Chart 27).

Table (59)

Morgan Stanley Capital International (MSCI) for Developed Markets Index (DM), Emerging Markets Index (EM) and Boursa Kuwait for the Period (2015-2019)

Period	(Kuwait Domestic) (EM)	(EM)	(DM)
2015	465.20	794.14	1,662.794
2016	461.84	862.28	1,751.22
2017	528.11	1,158.45	2,103.45
2018	587.77	965.78	1,883.90
2019	779.38	1,114.66	2,358.47

Source: Morgan Stanley.

Third: Factors Affecting Bursa Kuwait's Activity

Performance of Bursa Kuwait in 2019 was affected by certain factors, most important of which are:

- **Developments in crude oil prices in the global markets:** the average Kuwait's export crude oil price increased by 13.8% compared to last year to reach USD 66.47 in 2019. Supply fluctuations and agreement of the Organization of Petroleum Exporting Countries (OPEC) to make further additional cuts in production helped take the market back into balance with the demands and stabilize the oil prices in the last quarter of 2019.
- **Continued geo-political tensions and ramifications of global economic conditions:** The political and security tensions in the Middle East continue to affect the Bursa Kuwait trading.
- **State's budget deficit:** though the general Budget deficit continues for the fourth consecutive fiscal year since FY2015/16, it decreased by KD 2,046.7 billion or 63% during 2018/19 compared to FY2017/18 (before allocations to the Reserve Fund for Future Generations (RFFG)). This deficit still overburdens the ability of Kuwait's economy to resort to several sources of financing, internal or external, to curb the realized deficit and its impact on the national economy, and on the listed companies' financial positions.
- **Decline in the number of voluntary delisting in 2019:** only one company voluntarily delisted from Bursa Kuwait in 2019 due to its inability to pay the annual fees and lower share turnover.
- **Growth in companies' cash dividends for 2019:** liquidity levels have been favorably affected by growth of companies' cash dividends in early 2019 based on their financial results for 2018, Cash distributions for 2018 amounted to KD 1.244 billion against KD 1.180 billion in 2017, i.e. an increase of KD 0.065 billion (5.5%).
- **Companies' quarterly profits for 2019:** the net profit/loss of the listed companies increased by 6.6%, 4.6%, and 3.1% for the first quarter of 2019, the first half of 2019 and the first three quarters of the same year, respectively, compared to the corresponding periods of 2018. However, listed companies recorded a net decrease of 18.2% in total net profit/loss for the last quarter of 2019. Accordingly, listed companies' net profit/loss for 2019 marginally fell off by KD 16.840 million or 0.8% compared to the previous year.

Fourth: Profits of Bursa-Listed Companies

Total net profit/loss for 153 out of 163 companies listed with Bursa Kuwait slightly declined in 2019 to KD 2,040.598 million against KD 2,057.438 in 2018 for same said companies, i.e. a drop of KD 16.840 million and 0.8%. 116 companies recorded a net profit of KD 2,236.583 million during 2019 against KD 2,260.077 million for 115 companies during 2018, i.e. a decrease of KD 23.494 million or 1.0%. Meanwhile 37 companies recorded losses of KD 195.985 million during 2019 against KD 202.639 million for 38 companies during 2018, i.e. a decrease of KD 6.654 million or 3.3%.

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 during 2019 were led by the Banks sector with a relative share of 58.9%, followed by Telecommunications (14.3%), Industrial (10.1%), Financial Services (7.2%), and Real Estate (3.9%).

The Price to Earnings (P/E) ratio of Bursa-listed companies witnessed a decline reaching an average of 13.0 during 2019 against an average of 13.8 during 2018.

Table (60) shows the sectorial distribution of net profits of Bursa-listed companies for the years 2018 and 2019:

Table (60)
Performance of Bursa-Listed Companies by Sector during 2018 and 2019

Sector	Number of Companies listed in the Sector	Number of Companies, which announced their Data	Net Profits (Losses) during 2018 and 2019 KD Million			EPS (Fils)	Average Return on Equity	P/E (Multiples)
			2018	2019	Change (%)			
Oil & Gas ⁽¹⁾	6	5	14.841	6.352	-57.2	0.6	-7.8	11.6
Basic Materials ⁽¹⁾	4	4	63.326	45.735	-27.8	27.2	7.9	19.4
Industrial ⁽¹⁾	28	26	228.475	206.874	-9.5	17.8	5.0	13.4
Consumer Commodities	3	2	3.415	6.809	99.4	12.1	4.1	27.0
Healthcare ⁽¹⁾	3	2	(1.206)	2.072	271.8	6.8	7.3	-
Consumer Services	11	11	(10.267)	11.630	213.3	15.0	4.8	11.4
Telecommunications	4	4	275.801	290.922	5.5	49.3	10.8	11.6
Utilities	-	-	-	-	-	-	-	-
Banks	12	12	1,188.757	1,202.246	1.1	21.0	9.5	16.1
Insurance	7	7	35.425	39.782	12.3	31.0	7.3	7.1
Real Estate ⁽¹⁾	37	34	36.135	78.945	118.5	3.5	-0.2	13.3
Financial Services	46	44	221.026	147.943	-33.1	2.4	-0.4	12.5
Technology	2	2	1.710	1.289	-24.6	6.4	4.9	7.6
Market's Total	163	153	2,057.438	2,040.598	-0.8	11.1	2.6	13.0

⁽¹⁾There are companies that have not announced their profits for 2019, these are: one company from the Oil and Gas sector, 2 companies from the Industrial sector, one company from the Consumer Commodities sector, one company from the Healthcare sector, 3 companies from the Real Estate sector, and 2 companies from the Financial Services sector.

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

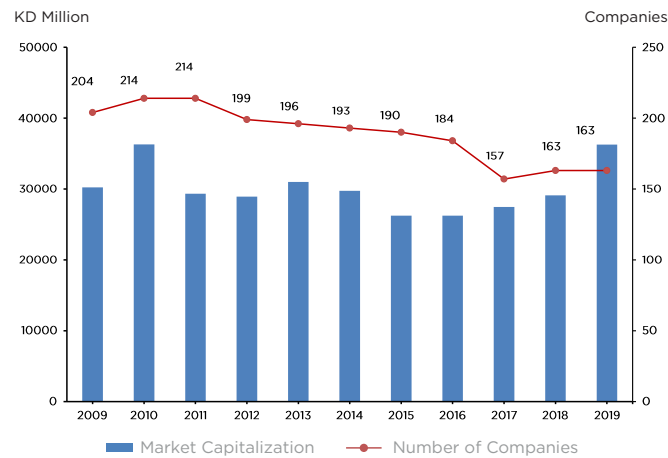
Fifth: Developments in Market Capitalization and Share Issue Base

1- Market Capitalization

Market capitalization of Bursa-listed companies increased by KD 7,167.71 million or 24.6% in 2019 to reach KD 36,272.93 million for 163 companies at the end of 2019 against KD 29,105.22 million for 163 companies at the end of 2018 (Figure 27). Market capitalization for Kuwaiti listed companies increased by KD 5,921.75 million or 22.3% to reach KD 32,493.86 million for 153 com-

Figure (27)

Boursa Kuwait: Market Capitalization and Number of Companies

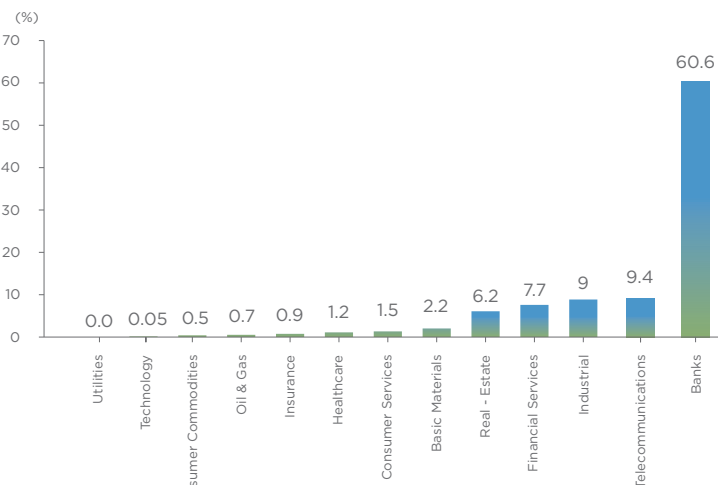


Source: Boursa Kuwait.

In terms of sectoral distribution of market capitalization (Figure 28), banking sector shares came at the top at KD 21,992.46 million or 60.6% of total market capitalization during 2019. Technology, meanwhile, tailed the list at just 0.05% of overall market capitalization during 2019.

Figure (28)

Sectoral Distribution of Market Capitalization Among Boursa Kuwait for 2019 (%)

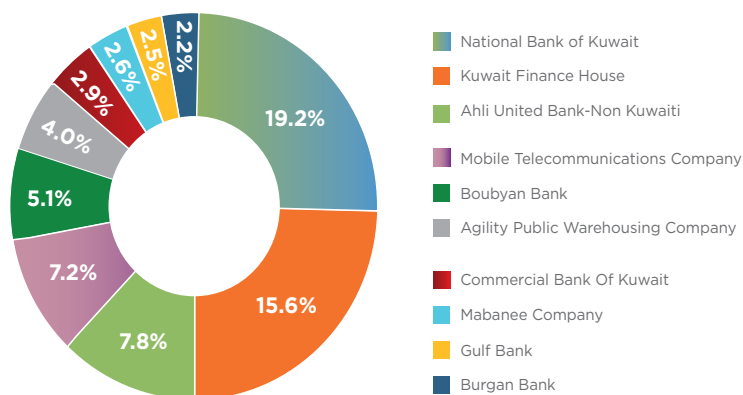


Source: Boursa Kuwait.

Market capitalization of top ten Boursa-listed companies reached KD 25,078.64 million or 69.1% of total market capitalization. The National Bank of Kuwait took the lead with a market capitalization of KD 6,980.66 million or 27.8% of total market capitalization of top ten Boursa listed companies (equivalent to 19.2% of total market capitalization) during 2019. Kuwait Finance House comes second with a market capitalization of KD 5,657.94 million or 22.6% of total market capitalization for the top ten Boursa-listed companies during 2019.

Figure (29)

Sectoral Distribution of Bursa Kuwait's Ten Biggest Companies in Terms of Market Capitalization for 2019 (%)



Source: Bursa Kuwait.

Within this context, one Kuwaiti company (Al-Manar Financing and Leasing) was listed with a market capitalization of KD 15.99 million. Moreover, there was an optional withdrawal for Mushrif Trading and Contracting Company with a market capitalization of KD 17.19 million during 2019. The market capitalization of the companies' shares in Bursa Kuwait (transferred and optionally withdrawn) reached KD 33.18 million, accounting for 0.01% of total market capitalization.

2- Share Issue Base

The share issue base of Bursa-listed companies increased by 3,418 million or 3.19% during 2019 to reach 110,591 million shares (of which 91,145 million issued by 153 Kuwaiti companies) at the end of 2019 compared to 107,173 million shares (of which 88,531 million issued by 153 Kuwaiti companies) at the end of 2018. Moreover, shares issued by one listed company was valued at 308.7 million shares, and the amount of shares of optionally withdrawn listed companies (1 company) was 307.0 million. Thus, the total number of shares issued by the new and optionally withdrawn companies reached 615.7 million shares during 2019.





تم بحمد الله

