

Central Bank of Kuwait Unveils Liquidity Management and Forecasting Dashboard

His Excellency the Governor of the Central Bank of Kuwait (CBK) Dr. Mohammad Y. Al-Hashel announced CBK's live and consolidated "Liquidity Management and Forecasting Dashboard", which enhances the ability to forecast liquidity conditions more accurately and at an earlier point in time, in turn leading to more efficient utilization of monetary policy instruments.

Unveiling the dashboard, the Governor noted that "Liquidity management is of utmost importance to the economies of the countries of the Gulf Cooperation Council (GCC), due to multiple factors affecting liquidity levels. Being oil-producing states, their currencies are pegged to foreign currencies so not only are their revenues susceptible to fluctuations in oil prices, but also to fluctuations in foreign exchange rates brought about by global economic and geopolitical developments."

The Governor pointed out that "Any change in liquidity levels or volume of demand for the Kuwaiti Dinar could effect the rate of return in the monetary market. Therefore, forecasting liquidity conditions can help the CBK decide if intervention is required, through the utilization of monetary policy instruments, and can indicate the volume of liquidity to be injected into or pulled out of the market." Dr. Al-Hashel stressed that predicting liquidity conditions allows the CBK to manage future changes in these factors to stabilize liquidity conditions. It also helps the Bank to establish indicators for the rate of return in the monetary market.

The "Liquidity Management and Forecasting Dashboard" relies mainly on the trends indicated by historical data to come up with more accurate forecasts. This requires the gathering and inputting of relevant information and data that indicate the future liquidity position of the whole banking system. Then several reference economic models are constructed incorporating a number of economic variables and time series data for each factor affecting liquidity, so that the resultant forecast value is the mean value of the several models' forecasts.

On the process of developing the dashboard, the Governor noted that several challenges had been overcome, most importantly the consolidation of data gathered from multiple sources, as well as technical difficulties related to maintaining such massive databases.

Dr. Al-Hashel commended the technical assistance extended to the CBK by both the Gulf Monetary Council (GMCo) and the International Monetary Fund (IMF) towards this project.

Wrapping up his statement, CBK Governor Dr. Mohammad Y. Al-Hashel stressed the Liquidity Management and Forecasting Dashboard, which utilizes state of the art technology, is the first of its kind in the GCC region, and one that would be developed even further with machine learning and Artificial Intelligence (AI) technology to enhance accuracy and efficiency. He stressed the CBK is ever keen to stay abreast of global developments in all areas of banking and finance and to implement international best practices to work towards the growth and development of the national economy.

The Liquidity Management and Forecasting Dashboard had been announced during a liquidity management and forecast workshop the bank had organized with the GMCo in Kuwait.

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