



Central Bank of Kuwait



# Economic Report 2015

CENTRAL BANK  
OF KUWAIT

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*Central Bank of Kuwait*



# ***ECONOMIC REPORT***

# **2015**





**H. H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah  
The Amir Of The State Of Kuwait**





**H. H. Sheikh Nawwaf Al-Ahmad Al-Jaber Al-Sabah  
The Crown Prince Of The State Of Kuwait**





**H. H. Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah  
The Prime Minister Of The State Of Kuwait**



**BOARD OF DIRECTORS OF THE CENTRAL BANK OF KUWAIT**

**FOR THE YEAR 2015**



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Chairman



**Mr. Yousef J. Alobaid**

Deputy Governor  
Member



**Mr. Khalifa M. Hamada**

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Ministry of Finance  
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**Mr. Khaled J. Al-Shamali**

Undersecretary  
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Member



**Mr. Mohammed Ali Al-Kadi**

Member



**Mr. Abdul Rasul Yousef Abu Al-Hasan**

Member



**Mr. Nasser Abdullah Alroudan**

Member



**Mr. Osamah Mohammad Al-Nisf**

Member



In the Name of God, Most Gracious, Most Merciful

## Preface

I am pleased to present the Economic Report 2015 to all those interested in the economic affairs of the State of Kuwait, noting that data on Gross Domestic Product (GDP) was published by the Central Statistical Bureau (CSB) at the end of July 2016. This forty-fourth issue of the Economic Report, annually prepared by the Central Bank of Kuwait (CBK), contains details on the key economic developments during the year, including the most recent data and statistics available on various aspects of economic performance of the State of Kuwait during the mentioned year. The CBK has also published an annex summarizing major economic indices included in the Economic Report 2015. The Report addresses these developments in six parts with each part covering a major topic at an appropriate detail.

The **first part** of the Economic Report highlights the key trends in the performance of the Kuwaiti economy during 2015, as reflected in the available data and statistics on national accounts, domestic prices, population and the labor force. In this context, available statistics indicate an increase in the value added at constant prices from non-oil sectors of KD 282.7 million or 1.3% to KD 21,369.4 million during 2015 against KD 21,086.7 million during 2014. On the other hand, the value added at constant prices in oil sectors declined by KD 398.6 million or 1.7% to reach KD 23,501.3 million during 2015 against KD 23,899.9 million the previous year. As a result of these developments, GDP at constant prices increased to reach KD 40,033.2 million during 2015 against KD 39,307.4 million the previous year, i.e. a growth of KD 725.8 million or 1.8%. Concurrently, non-oil GDP at current prices increased by 3% during 2015, while oil GDP recorded a decline of 46.2%. As a result, GDP at current prices amounted to KD 34,314.6 million during 2015, i.e. a decline of 25.9% compared with 2014. In this context, it is worth noting that oil GDP was affected by the decline in global oil prices. Data reported by the Organization of the Petroleum Exporting Countries (OPEC) indicate a decrease in the average spot price of the OPEC Reference Basket (ORB) to \$49.49 a barrel in 2015, compared with an average of \$96.29 a barrel in 2014, i.e. a decrease of \$46.80 or 48.6%. In parallel, the average price of Kuwait export crude oil dropped to \$47.80 a barrel during 2015, compared with an average price of \$95.21 a barrel during the previous year, i.e. a decrease of \$47.40 or 49.8%.

The inflation rate in the State of Kuwait, measured by the relative change in the General Consumer Price Index (CPI), was 3.3% during 2015 against 2.9% during the previous year. Available statistics also indicate a slowdown in the growth rate of the Kuwaiti population to 2.5% during 2015 against 2.7% during the previous year, while the growth rate of the non-Kuwaiti population increased to 4.1% during 2015 compared with a growth rate of 3.4% during 2014, bringing the growth rate of the total population in the State of Kuwait to 3.6% during 2015. In this context, the growth rate of the total labor force in the State of Kuwait reached 4.8% during 2015, compared to 3.6% during the previous year, while the growth rate of the Kuwaiti labor force increased to 3.2% during 2015 against 2.9% during the previous year.

In the **second part**, the Report reviews the main monetary and banking conditions and CBK's activities in areas of monetary policy and banking supervision through highlighting major developments witnessed in the key monetary aggregates and indicators, as well as significant developments in the banking oversight and supervision area during 2015. In this regard, available data indicate a sustained relative stability in the KD exchange rate against major currencies during 2015, in line with the exchange rate policy pegging the KD to a weighted basket of currencies of countries that have significant trade and financial relations with the State of Kuwait. The dollar exchange rate against the KD increased by 10.5 fils, or 3.6% at the end of 2015. On the other hand, growth in Money Supply in its Broad Definition (M2) slowed down to 1.2%, and in private sector (resident) deposits with local banks to 1.3% at the end of 2015 compared with the end of 2014. Additionally, the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors increased by 8.0% at the end of 2015. Moreover, the CBK continued its efforts in managing domestic liquidity levels during 2015 using its available monetary policy instruments, mainly accepting deposits from local banks, as well as issuing CBK bonds and managing public debt instruments on behalf of the Ministry of Finance. Local banks' claims on the CBK increased by 18.7% to reach KD 4,695.8 million at the end of 2015.

In the area of banking supervision and oversight efforts over the local banking and financial sector, aimed at enhancing its financial position and maintaining financial stability, the CBK continued its efforts during 2015 through issuing and overseeing the implementation of its directives related to banking supervision regulations, particularly those related to the implementation of Basel Committee's latest banking supervision standards (Basel III Set of Reforms) with the aim to improve capital quality, enhance the ratio of regulatory capital, and develop risk management to strengthen banks' absorption capacity against losses

as well as increase their ability to withstand shocks, in addition to the introduction of major amendments in the area of disclosure and transparency enhancement. The CBK continued its efforts concerning the issuance of instructions related to the enhancement of banking disclosure and transparency by issuing the Consumers Protection Guide Instructions in light of the increasing international concern, over recent years, regarding consumer financial protection, particularly with the continuous developments in financial services and the increasing possibilities of risk transfer to customers in various sectors.

The **third part** of the Report indicates developments in financial indicators of the banking and financial system, in light of data on aggregate financial statements of various banking and financial sector units supervised by the CBK, including local banks, finance companies and exchange companies, in order to identify the growth, performance and trends of these indicators, as well as their effect on the financial position of these units. In this context, the aggregate balance sheet of local banks amounted to KD 58,595.1 million at the end of 2015, realizing a growth rate of 5.7% compared with the previous year. The aggregate balance sheet of local investment companies amounted to KD 9,827.5 million at the end of 2015, i.e. a decline of 6.1% from its level at the end of 2014. The aggregate balance sheet of local exchange companies registered with, and supervised by the CBK, amounted to KD 153.7 million at the end of 2015, decreasing by 0.1% from the end of the previous year.

The **fourth part** of the Report highlights the developments in the State's public finances within two key sections, first: the Closing Account for FY2014/2015, second: the general budget for ministries and government departments for FY2015/2016 (the enacted general budget and government financial operations carried out during the first nine months of FY2015/2016). In this context, the enacted general budget during FY2014/2015 recorded an actual surplus of KD 3,510.5 million, i.e. a notable decrease of 72.8% compared with the previous fiscal year, before deduction of allocations for the Reserve Fund for Future Generations (RFFG).

The **fifth part** of the Report reviews the developments in the trade and financial relations of the State of Kuwait with other economies during 2015, as reflected in the statistics on foreign trade and the Balance of Payments (BOP) of the State of Kuwait during 2015, where the realized surplus in the balance on goods witnessed a decrease of KD 13,639.7 million, or 61.8% during 2015, mainly due to the decline in oil exports resulting from the noticeable decrease in global oil prices since mid-2014. Likewise, surplus in the current

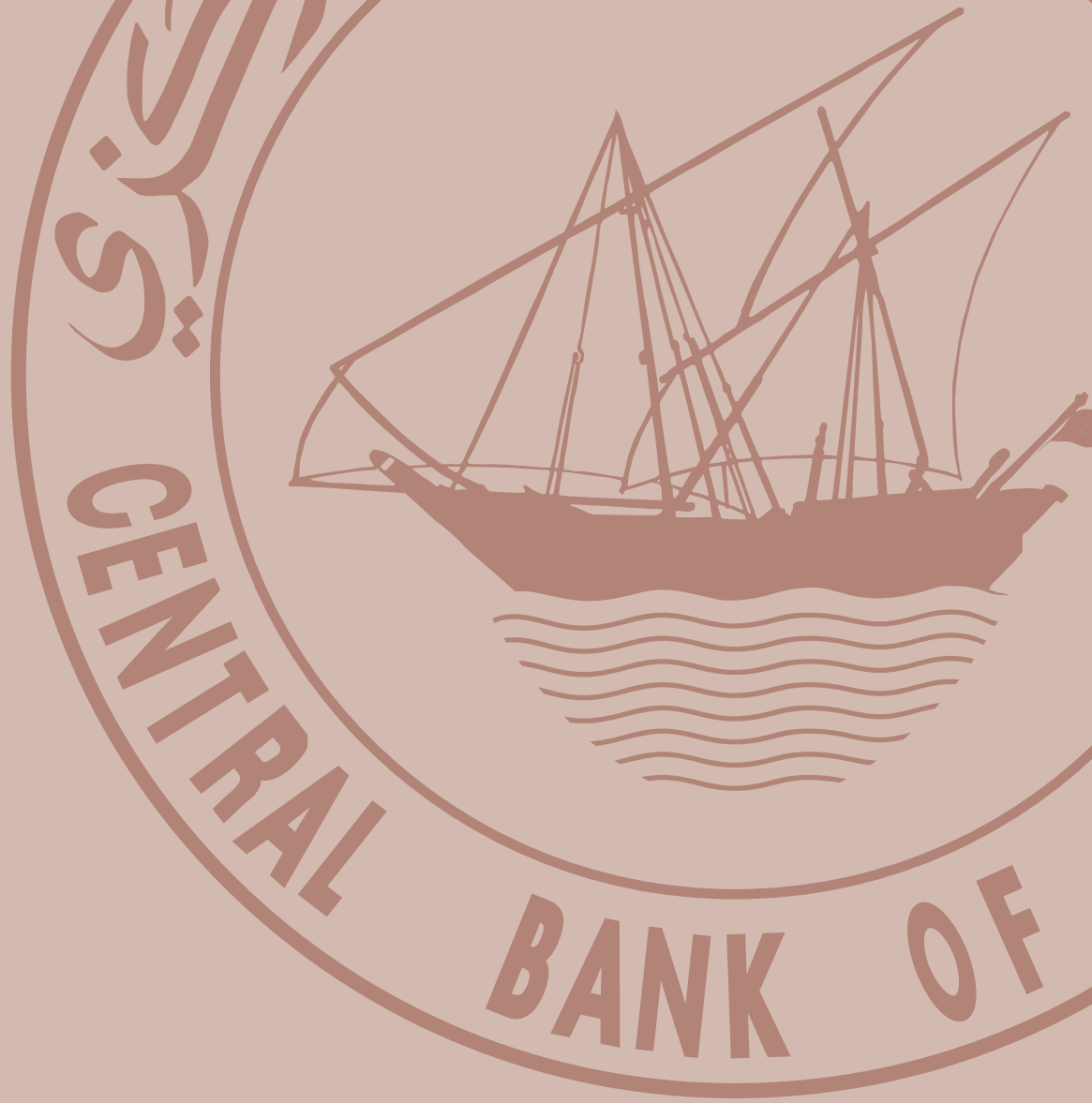
account decreased by KD 13,682.0 million, or 88.4%. The overall position of the BOP of the State of Kuwait recorded a total deficit of KD 885.9 million in 2015.

Lastly, **part six** of the Report covers the developments in the performance of the Kuwait Stock Exchange (KSE) during 2015 as reflected in the key trading indicators, price movements and factors affecting the KSE's performance. In this context, the KSE Price Index (PI) closed with a decline of 14.09% at the end of 2015 compared with the closing of 2014, while the KSE Weighted Price Index (WPI) recorded a decrease of 13.03% at the end of 2015 compared with the closing of 2014. Worth noting is that key indicators recorded a noticeable decline in the third quarter of 2015 where the PI, WPI and "Kuwait 15" recorded a decrease of 7.69%, 7.51% and 8.06% respectively, compared with the second quarter of the mentioned year.

We pray to Allah the Almighty to grant success to our efforts and endeavors and to enable us to achieve the welfare of our beloved country, under the patronage of His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmad Al-Jaber Al-Sabah; and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah, may Allah bless and guard them.

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

**Governor**



Summary of the Economic  
Report

**2015**



## Summary of the Economic Report

The Economic Report for the year 2015 addresses key economic, financial, monetary and banking conditions and updates witnessed in the Kuwaiti economy during the mentioned year presented in six parts, the most significant of which can be briefly indicated as follows:

### **First - Performance of the Domestic Economy:**

Preliminary estimates on the national accounts statistics of the State of Kuwait for the year 2015 indicate that the value added at constant prices in non-oil sectors grew by KD 282.7 million or 1.3% to reach KD 21,369.4 million during 2015 against KD 21,086.7 million during 2014, after realizing a growth of KD 967 million or 4.8% during the previous year. On the other hand, the value added at constant prices in oil sectors decreased by KD 398.6 million or 1.7% to KD 23,501.3 million during 2015 against KD 23,899.9 million during the previous year. As a result, GDP at constant prices increased to KD 40,033.2 million during 2015 against KD 39,307.4 million during the previous year, i.e. a growth of KD 725.8 million or 1.8%.

On the other hand, the value added at current prices in non-oil sectors increased to KD 23,858 million during 2015 against KD 23,156.2 million during 2014, i.e. a growth of KD 701.8 million or 3%, after a growth of KD 719.9 million or 3.2% during the previous year. Conversely, the value added at current prices in oil sectors decreased by KD 13,511.3 million or 46.2% to KD 15,713.1 million during 2015 against KD 29,224.4 million during the previous year. As a result, GDP at current prices declined to KD 34,314.6 million during 2015 against KD 46,285 million during the previous year, i.e. a decrease of KD 11,970.4 million or 25.9%.

Inflation in the State of Kuwait, measured by the relative change in the CPI (2007=100), recorded an increase to reach 3.3% during 2015 against 2.9% during the previous year. The said increase resulted from the changes in the main groups constituting the CPI during 2015 compared with their levels during 2014. The rate of increase in the average price of Housing Services (weight 28.9%) increased to 6% during 2015 against 4.4% during 2014, Restaurants and Hotels (weight 3.3%) to 5.7% during 2015 against 3.1% during 2014, and Food and Beverages (weight 18.4%) to 3.4% during 2015 against 2.9% during 2014. On the other

hand, the rate of increase in the average price of Education (weight 3%) slowed to 4.4% during 2015 against 4.7% during 2014 Household Furniture & Maintenance Equipment (weight 11.3%) to 3.4% during 2015 against 4.8% during 2014, while the average price of Clothing and Footwear (weight 9.3%) decreased by 0.9% during 2015 against 2.2% during 2014.

Available statistics on developments in population and labor force in the State of Kuwait indicate a growth rate of 3.6% in total population in the State of Kuwait during 2015 compared to 3.2% during 2014. This growth was caused by the increase in the growth of non-Kuwaiti population to 4.1% compared to 3.4% during 2014, and the slowdown in the growth rate of Kuwaiti population to 2.5% during 2015 compared to 2.7% during 2014. This was coupled with a growth of 4.8% in total labor force in the State of Kuwait during 2015 against 3.6% during the previous year, as well as an increase to 3.2% in the growth rate of Kuwaiti labor force during 2015 against 2.9% during 2014.

## **Second - Monetary Developments and CBK's Activity:**

Developments in the KD exchange rate during 2015 reflect CBK's implementation of the exchange rate policy applied since 20 May 2007 of pegging the KD to a specially weighted basket of currencies of countries that have significant trade and financial relations with the State of Kuwait. In this respect, data indicate that the movements in the exchange rate of the US dollar against the KD were within relatively narrow margins during 2015 compared with the average of changes in the exchange rate of the US dollar against other key currencies. The difference between the highest and the lowest exchange rate of the US dollar against the KD was 10.05 fils or 3.6% as at the end of 2015. On the other hand, data indicate more visible fluctuations in the exchange rate of the US dollar against other key currencies, where the difference between the highest and the lowest exchange rate of the US dollar was 20.2% against the Swiss Franc, 14% against the Euro, 8.8% against the Pound Sterling and 7.3% against the Japanese Yen. Daily data indicate that the movements in the exchange rate of the US dollar against the KD were within relatively narrow margins during 2015, where the difference between the highest and the lowest exchange rate of the US dollar against the KD was 3.7%.

Data on the key monetary and banking aggregates of the State of Kuwait indicate a slow growth of 1.2% in the Money Supply in its Broad Definition (M2) at the end of 2015 compared to a growth of 3.4% at the end of 2014. Furthermore, developments in residents' private sector deposits with local banks indicate a growth

of 1.3% at the end of 2015 compared to 3.5% at the end of 2014. 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 8.0% at the end of 2015 compared to 6.3% at the end of 2014.

Data on local banks' deposits with the CBK indicate that local banks' claims on the CBK witnessed a decline of KD 1,082.2 million or 18.7% to KD 4,695.8 million at the end of 2015, against KD 5,778.0 million at the end of 2014.

In light of the continuous increase in interest rates on world major currencies during 2015, the CBK raised its Discount Rate by 0.25 percentage points in December 2015, from 2.0% during 2014. The last change in CBK's Discount Rate, a historical reduction of 50 basis points to 2.0%, was made on 3/10/2012.

The CBK continued its efforts in managing domestic liquidity levels using its available monetary policy instruments (Treasury Bills and Treasury Bonds). The CBK, on behalf of the Ministry of Finance, launched 25 issues of Treasury Bonds with a total nominal value of KD 1,250.0 million during 2015, while 26 previous issues of Treasury Bonds with a total nominal value of KD 1,300.0 million matured during the same period. As a result, the outstanding balance of Treasury Bonds remained unchanged at its 2014 level of KD 1,587.3 million.

The CBK launched 41 issues of CBK Bonds bringing the total nominal value of CBK Bonds launched during 2015 to KD 5,950.0 million, while 41 previous issues of CBK Bonds with a total nominal value of KD 6,000.0 million matured during 2015. These developments caused the outstanding balance of CBK Bonds to decrease by KD 50.0 million to KD 1,875.0 million at the end of 2015 compared to KD 1,925.0 million at the end of 2014.

Developments on the side of banking oversight and supervision during 2015 indicate CBK's continued efforts in the area of oversight and supervision of local banking and financial units aimed at strengthening their 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 Financial Sector:**

The aggregate balance sheet of local banks (23 banks including 5 Kuwaiti conventional banks, 5 Islamic banks, one specialized bank and 12 foreign bank branches of which one is an Islamic bank branch) amounted to KD 58,595.1 million at the end of 2015 against KD 55,452.3 million at the end of the previous year, realizing a growth of KD 3,142.8 million or 5.7% during 2015 compared to KD 3,967.5 million or 7.7% during 2014.

The number of local investment companies registered with the CBK decreased to 85 (47 of which are Islamic investment companies) at the end of 2015 compared to 89 at the end of the previous year. Total assets of local investment companies (conventional and Islamic) amounted to KD 9,827.5 million at the end of 2015 compared to KD 10,465.3 million at the end of 2014, i.e. a decrease of KD 637.8 million or 6.1%.

The aggregate balance sheet of 40 local exchange companies registered with, and supervised by, the CBK was KD 153.7 million at the end of 2015, decreasing by KD 0.2 million or 0.1% from its level of KD 153.9 million at the end of the previous year.

### **Fourth - Public Finance:**

Data on the Closing Account of ministries and government departments for FY2014/2015 indicate that the total actual budgetary revenues collected for the mentioned fiscal year amounted to KD 24,925.9 million compared to KD 31,811.4 million for the previous fiscal year, recording a decrease of KD 6,885.5 million or 21.6%. This decline mainly reflects the decrease in actual oil revenues collected, of KD 6,790.3 million or 23.2% to KD 22,501.6 million for FY2014/2015 compared to KD 29,291.9 million for the previous fiscal year.

Data on the Closing Account for FY2014/2015 indicate an increase in actual public expenditures of KD 2,512.1 million or 13.3% to KD 21,415.4 million during the mentioned fiscal year, against KD 18,903.3 million during the previous fiscal year. This increase reflects the growth in actual expenditures for FY2014/2015 under the First Chapter (salaries & wages) of KD 265.5 million or 5.3% to KD 5,303.2 million against KD 5,037.7 million during the previous fiscal year, Fourth Chapter (construction projects,

maintenance and public acquisitions) of KD 131.6 million or 8.6% to KD 1,662.1 million against KD 1,530.5 million for the previous fiscal year, and Fifth Chapter (miscellaneous expenditures and transfer payments) of KD 2,320.6 million or 26.1% to KD 11,227.1 million against KD 8,906.5 million for the previous fiscal year.

As a result, the Closing Account for FY2014/2015 recorded an actual surplus of KD 3,510.5 million (7.5% of 2014 GDP) against KD 12,908.1 million (26.1% of 2013 GDP) for the previous fiscal year, i.e. a noticeable decrease of KD 9,397.6 million or 72.8%, before deduction of allocations for the Reserve Fund for Future Generations (RFFG).

Furthermore, monthly budgetary statements for FY2015/2016 indicate that total budgetary revenues estimated for the mentioned fiscal year decreased by KD 7,858.4 million or 39.1% to KD 12,210.6 million, compared to KD 20,069.0 million for the previous FY2014/2015. This decline was caused by the decrease in estimated oil revenues of KD 8,048.3 million or 42.8% to KD 10,757.4 million compared to KD 18,805.7 million on the one hand, and the increase in estimated non-oil revenues of KD 189.9 million or 15% to KD 1,453.2 million compared to KD 1,263.3 million for FY2014/2015 on the other.

Allocations for public expenditures for FY2014/2015 decreased by KD 4,041.1 million or 17.4% to KD 19,171.0 million, against KD 23,212.1 million for the previous fiscal year.

These developments in estimated public revenues and expenditures for FY2015/2016 resulted in an estimated deficit of KD 6,960.4 million, against KD 3,143.2 million for the previous FY2014/2015, i.e. a growth of KD 3,817.2 million or 121.4%, before deduction of allocations for the RFFG.

### **Fifth - Developments in Foreign Trade and Balance of Payments:**

Preliminary estimates on the Balance of Payments (BOP) of the State of Kuwait for 2015 indicate that the current account realized a surplus of KD 1,796.5 million during 2015 (equivalent to 3.9% of 2014 GDP), against KD 15,478.5 million during 2014 (equivalent to 33.2% of 2014 GDP), i.e. a decline of KD 13,682.0 million or 88.4%. The surplus in the current account of the BOP is basically related to the surplus realized in the balance on goods, where estimates indicate a decline in the surplus realized in the balance on goods to KD 8,419.5 million during 2015 compared to KD 22,059.2 million during the previous year, i.e. a

decrease of KD 13,639.7 million or 61.8%. Developments in both sides of the balance on goods show that total (FOB basis) exports of goods of the State of Kuwait amounted to KD 16,644.3 million during 2015 compared to KD 29,737.4 million during the previous year, i.e. a decrease of KD 13,093.1 million or 44%. Conversely, total (CIF basis) imports of goods of the State of Kuwait grew to KD 9,600.1 million during the mentioned year compared to KD 8,829.3 million during the previous year, i.e. an increase of KD 770.8 million or 8.7%.

On the side of the capital account, preliminary statistics indicate a deficit (net capital outflows) of KD 123.3 million during 2015 against a surplus (net capital inflows) of KD 1,095.1 million during the previous year, i.e. a decrease of KD 1,218.4 million or 111.3% compared with 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 2,066 million during 2015 against KD 16,353.6 million during the previous year, i.e. a decrease of KD 14,287.6 million or 87.4%.

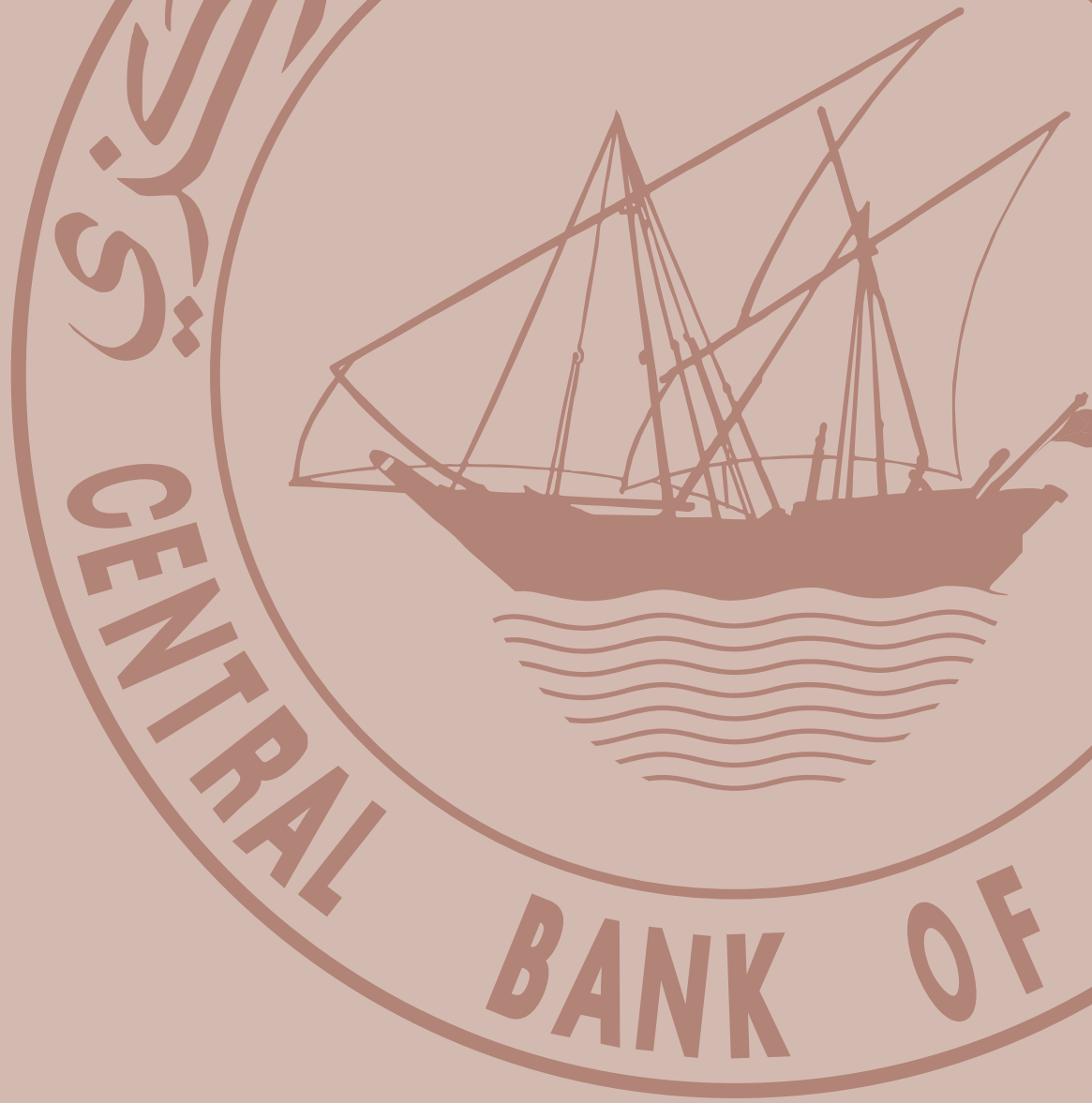
As a result of the above-mentioned developments, the overall position of the BOP of the State of Kuwait recorded a deficit of KD 885.9 million during 2015 compared with a surplus of KD 362.6 million during the previous year. The deficit reflects the decrease recorded in CBK's reserve assets of the same value. The overall position of the BOP of the State of Kuwait, from a broader perspective to include both the change in net external investments of some government bodies/institutions and the above-mentioned change in CBK's reserve assets, shows an estimated surplus of KD 1,619 million during 2015 compared with a surplus of KD 16,429 million during the previous year.

### **Sixth - Developments in the Kuwait Stock Exchange (KSE):**

Key KSE trading indicators and price movements recorded a visible decline during 2015, where the main trading indicators (value/volume of traded shares) recorded a noticeable drop of 35.21% and 21.66% respectively, compared with their levels recorded at the end of 2014. The KSE Price Index (PI) closed 14.09% lower at the end of 2015 compared with the end of 2014. Likewise, the KSE Weighted Index (WI) recorded a decline of 13.03% compared with the end of 2014. Market capitalization of listed companies decreased to KD 26,230.1 million at the end of 2015, i.e. a decrease of KD 3,502.9 million or 11.78% compared with the end of 2014.

The performance of the KSE during 2015 was affected by various factors. It was positively affected by the increase in total cash distributions from dividends of 2014, realized during 2015, of 6.71% compared with the previous year, the issuance of the Capital Markets Authority's executive regulations, completion of acquisition transactions of the KSE-listed companies, approval of the five-year midterm development plan (2015/2016-2019/2020) which enhanced the positive atmosphere and dealers' trading, and finally, the increase in the interim profits of the KSE-listed companies of 1.98% and 7.22% in the first quarter and first half of 2015 compared with the corresponding periods of 2014. On the other hand, the performance of the KSE was negatively affected by the noticeable drop in crude oil prices during 2015, as well as the increasing voluntary withdrawal of listed companies from the KSE during 2015, increasing regional geopolitical tensions, in addition to the predicted budgetary deficit causing investors to noticeably refrain from trading during the mentioned period.





Performance of the  
Domestic Economy

2015  
GDP

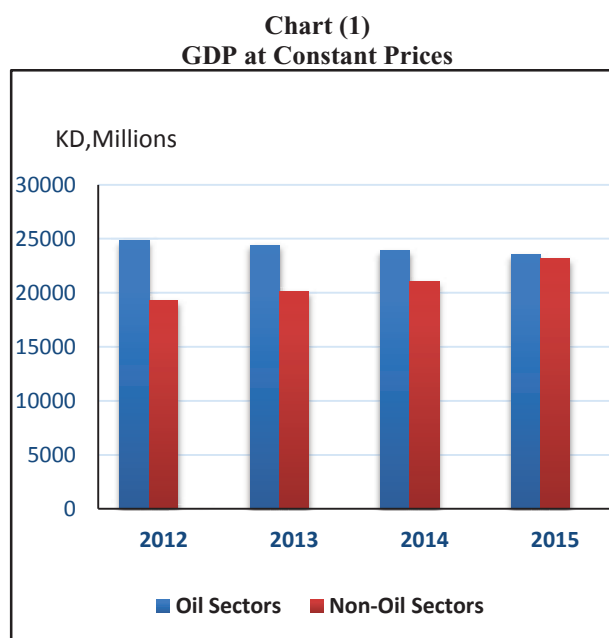


## Performance of the Domestic Economy

### First – Gross Domestic Product and Economic Growth:

Preliminary estimates on the national accounts statistics of the State of Kuwait for the year 2015 indicate a growth in the value added at constant 2010 prices from total non-oil sectors of KD 282.7 million or 1.3%, reaching KD 21,369.4 million, against KD 21,086.7 million during 2014, after realizing a growth of KD 967 million or 4.8% compared with 2013. The proportionate share of the value added from these sectors in Gross Domestic Product (GDP) at constant prices slightly decreased to 53.4% during 2015, against 53.6% during 2014.

On the other hand, the value added at constant prices in total oil sectors decreased by KD 398.6 million or 1.7%, reaching KD 23,501.3 million during 2015, against KD 23,899.9 million during the previous year. Consequently, the value of GDP at constant prices increased to KD 40,033.2 million during 2015, against KD 39,307.4 million for the previous year, i.e. a growth of KD 725.8 million or 1.8%, compared to KD 196 million or 0.5% during the previous year. Table (1) shows developments in GDP at constant prices for both oil sectors and non-oil sectors during 2012-2015.



**Table (1)**  
**GDP at Constant 2010 Prices by Sectors (Oil and Non-oil)**  
(KD Million)

Items	2012	2013	2014*	2015**
<b>1- Crude Oil &amp; Natural Gas Sector</b>	<b>23,490.2</b>	<b>23,065.3</b>	<b>22,754.7</b>	<b>22,579.3</b>
Change (%)	10.0	-1.8	-1.3	-0.8
To GDP (%)***	60.7	59.0	57.9	56.4
<b>2- Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel</b>	<b>1,381.2</b>	<b>1,357.2</b>	<b>1,145.2</b>	<b>922.0</b>
Change (%)	16.0	-1.7	-15.6	-19.5
To GDP (%)	3.6	3.5	2.9	2.3
<b>3- Total Oil Sectors (1 + 2)</b>	<b>24,871.4</b>	<b>24,422.5</b>	<b>23,899.9</b>	<b>23,501.3</b>
Change (%)	10.3	-1.8	-2.1	-1.7
To GDP (%)	64.3	62.4	60.8	58.7
<b>4- Non-oil Sectors</b>	<b>19,299.6</b>	<b>20,119.7</b>	<b>21,086.7</b>	<b>21,369.4</b>
Change (%)	3.4	4.2	4.8	1.3
To GDP (%)	49.9	51.4	53.6	53.4
<b>Subtotal (3 + 4)</b>	<b>44,171.0</b>	<b>44,542.2</b>	<b>44,986.6</b>	<b>44,870.7</b>
Change (%)	7.2	0.8	1.0	-0.3
<b>Imputed Banking and Insurance Services</b>	<b>-1,685.2</b>	<b>-1,788.5</b>	<b>-1,840.4</b>	<b>-1,855.4</b>
Change (%)	-1.4	6.1	2.9	0.8
<b>Taxes minus Subsidies (Net Taxes)</b>	<b>-3,818.7</b>	<b>-3,642.2</b>	<b>-3,838.7</b>	<b>-2,982.0</b>
Change (%)	17.8	-4.6	5.4	-22.3
<b>GDP at Purchaser's Value</b>	<b>38,667.1</b>	<b>39,111.4</b>	<b>39,307.4</b>	<b>40,033.2</b>
Change (%)	6.6	1.1	0.5	1.8

\* Revised data.

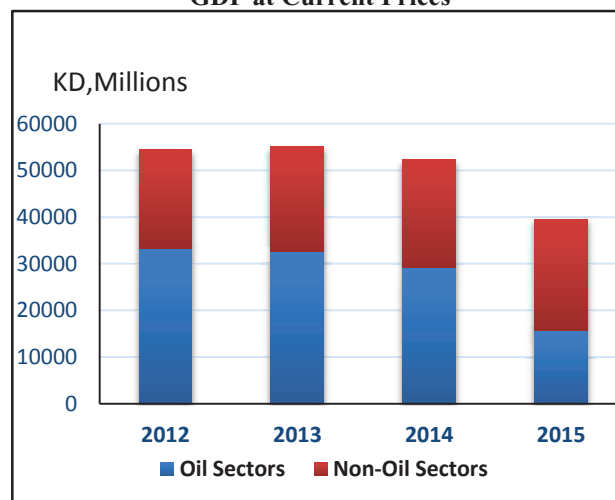
\*\* Provisional data.

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

Source: Central Statistical Bureau, (CSB).

**Chart (2)**  
**GDP at Current Prices**

On another front, value added at current prices from total non-oil sectors witnessed a growth to KD 23,858.0 million during 2015, against KD 23,156.2 million during 2014, i.e. a growth of KD 701.8 million or 3%, after realizing a growth of KD 719.9 million or 3.2% during the previous year. The proportionate share of the value added from these sectors in GDP at current prices was 69.5% during 2015, against 50% during 2014.



On the other hand, value added at current prices in total oil sectors decreased by KD 13,511.3 million or 46.2%, reaching KD 15,713.1 million during 2015, against KD 29,224.4 million during the previous year. Consequently, GDP at current prices decreased to KD 34,314.6 million during 2015, against KD 46,285.0 million for the previous year, i.e. a decline of KD 11,970.4 million or 25.9%, compared to a decrease of KD 3,107.2 million or 6.3% during the previous year. Table (1-A) and Chart (2) show developments in GDP at current prices for both oil and non-oil sectors during 2012-2015.

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

Items	2012	2013	2014*	2015**
<b>1- Crude Oil &amp; Natural Gas Sector</b>	<b>31,764.8</b>	<b>31,297.7</b>	<b>28,059.2</b>	<b>14,775.0</b>
Change (%)	18.1	-1.5	-10.3	-47.3
To GDP (%)***	65.2	63.4	60.6	43.1
<b>2- Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel</b>	<b>1,406.6</b>	<b>1,384.9</b>	<b>1,165.2</b>	<b>938.1</b>
Change (%)	16.9	-1.5	-15.9	-19.5
To GDP (%)	2.9	2.8	2.5	2.7
<b>3- Total Oil Sectors (1 + 2)</b>	<b>33,171.4</b>	<b>32,682.6</b>	<b>29,224.4</b>	<b>15,713.1</b>
Change (%)	18.0	-1.5	-10.6	-46.2
To GDP (%)	68.1	66.2	63.1	45.8
<b>4- Non-oil Sectors</b>	<b>21,374.4</b>	<b>22,436.3</b>	<b>23,156.2</b>	<b>23,858.0</b>
Change (%)	9.6	5.0	3.2	3.0
To GDP (%)	43.9	45.4	50.0	69.5
<b>Subtotal (3 + 4)</b>	<b>54,545.8</b>	<b>55,118.9</b>	<b>52,380.6</b>	<b>39,571.1</b>
Change (%)	14.6	1.1	-5.0	-24.5
<b>Imputed Banking and Insurance Services</b>	<b>-1,783.1</b>	<b>-1,956.6</b>	<b>-2,009.6</b>	<b>-2,011.3</b>
Change (%)	1.3	9.7	2.7	0.1
<b>Taxes minus Subsidies (Net Taxes)</b>	<b>-4,040.5</b>	<b>-3,770.1</b>	<b>-4,086.0</b>	<b>-3,245.2</b>
Change (%)	21.0	-6.7	8.4	-20.6
<b>GDP at Purchaser's Value</b>	<b>48,722.2</b>	<b>49,392.2</b>	<b>46,285.0</b>	<b>34,314.6</b>
Change (%)	14.6	1.4	-6.3	-25.9

\* Revised data.

\*\* Provisional data.

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

Source: CSB.

Data indicate that total expenditure (consumption and investment) by residents at constant prices representing their total expenditure on GDP and imports of goods and services reached KD 27,001.2 million during 2015, recording a growth of KD 1,133.4 million or 4.4% after realizing a growth of KD 786.1 million or 3.1% during 2014. The rise in this item was the outcome of the increase in final (government and private) consumption expenditure of KD 245.8 million or 1.3%, against KD 489 million or 2.6% during the previous

year, and the growth in gross capital formation of KD 887.6 million or 13% to reach KD 7,717.1 million during 2015, against KD 297.1 million or 4.5% during the previous year.

Available data on expenditures by non-residents on exports of goods and services at constant prices (Table 2) indicate an increase of KD 253.9 million or 1% to reach KD 26,673.9 million during 2015, compared to KD 26,420 million during 2014. Net expenditure by residents (consumption and investment expenditures minus imports of goods and services) on GDP witnessed a rise of KD 472.1 million or 3.7% to reach KD 13,359.4 million during 2015, against KD 12,887.3 million during 2014.

Residents' expenditure on imports of goods and services at constant prices increased to KD 13,641.8 million during 2015 compared to KD 12,980.5 million during the previous year, i.e. a growth of KD 661.3 million or 5.1%. Accordingly the surplus of domestic resources or net exports, which represents the arithmetical difference between the value of exports and the value of imports of goods and services, recorded a decline of KD 407.4 million or 3% to reach KD 13,032.1 million during 2015 against KD 13,439.5 million during 2014, which led to a decline in the ratio of surplus to GDP at constant prices to 32.6% against 34.2% during the two mentioned years respectively.

**Table (2)**  
**Expenditure on GDP at Constant 2010 Prices**  
(KD Million)

Items	2012	2013	2014*	2015**
<b>(1) Final Consumption</b>	<b>17,567.2</b>	<b>18,549.3</b>	<b>19,038.3</b>	<b>19,284.1</b>
Change (%)	10.4	5.6	2.6	1.3
to Residents Expenditure (%)	74.6	74.0	73.6	71.4
to GDP (%)	45.4	47.4	48.4	48.2
<b>- Government Consumption</b>	<b>6,921.1</b>	<b>7,378.5</b>	<b>7,318.1</b>	<b>7,283.0</b>
Change (%)	13.6	6.6	-0.8	-0.5
to Final Consumption (%)	39.4	39.8	38.4	37.8
to Residents Expenditure (%)	29.4	29.4	28.3	27.0
<b>- Private Consumption</b>	<b>10,646.1</b>	<b>11,170.8</b>	<b>11,720.2</b>	<b>12,001.1</b>
Change (%)	8.3	4.9	4.9	2.4
to Final Consumption (%)	60.6	60.2	61.6	62.2
to Residents Expenditure (%)	45.2	44.5	45.3	44.4
<b>(2) Gross Capital Formation</b>	<b>5,996.7</b>	<b>6,532.4</b>	<b>6,829.5</b>	<b>7,717.1</b>
Change (%)	5.1	8.9	4.5	13.0
to Residents Expenditure (%)	25.4	26.0	26.4	28.6
to GDP (%)	15.5	16.7	17.4	19.3
<b>(3) Total Expenditures by Residents (1 + 2)</b>	<b>23,563.9</b>	<b>25,081.7</b>	<b>25,867.8</b>	<b>27,001.2</b>
Change (%)	9.0	6.4	3.1	4.4
to GDP (%)	60.9	64.1	65.8	67.4
<b>(4) Exports of Goods and Services</b>	<b>27,137.7</b>	<b>26,054.1</b>	<b>26,420.0</b>	<b>26,673.9</b>
Change (%)	7.7	-4.0	1.4	1.0
to GDP (%)	70.2	66.6	67.2	66.6
<b>(5) Imports of Goods and Services</b>	<b>12,034.5</b>	<b>12,024.3</b>	<b>12,980.5</b>	<b>13,641.8</b>
Change (%)	14.0	-0.1	8.0	5.1
to Residents Expenditure (%)	51.1	47.9	50.2	50.5
<b>(6) GDP (3 + 4 - 5)</b>	<b>38,667.1</b>	<b>39,111.4</b>	<b>39,307.3</b>	<b>40,033.3</b>
Change (%)	6.6	1.1	0.5	1.8
<b>(7) Domestic Resources Surplus (6 - 3)</b>	<b>15,103.2</b>	<b>14,029.7</b>	<b>13,439.5</b>	<b>13,032.1</b>
Change (%)	3.2	-7.1	-4.2	-3.0
to GDP (%)	39.1	35.9	34.2	32.6

\* Revised data.

\*\* Provisional data.

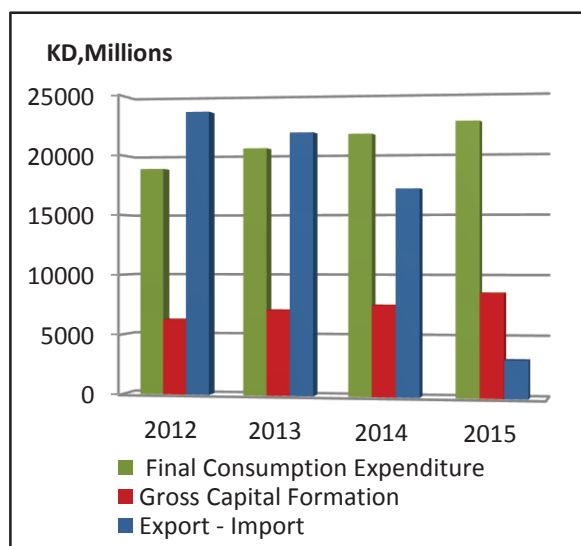
Source: CSB.

Available data regarding expenditure on GDP at current prices (Table 2-A and Chart 3) indicate a decline in expenditure by non-residents on exports of goods and services of KD 13,047.5 million or 41.1% to reach KD 18,660.2 million during 2015, compared to KD 31,707.7 million during 2014. Net expenditure by residents (consumption and investment expenditures minus imports of goods and services) witnessed a rise of KD 1,077.1 million or 7.4% to reach KD 15,654.3 million, against KD 14,577.2 million during the two mentioned years respectively.

Data indicate that total expenditure (consumption and investment) by residents reached KD 31,186.1 million during 2015, recording a rise of KD 2,014.5 million or 6.9% after realizing a growth of KD 1,569.5 million or 5.7% during 2014. The rise in this item was the outcome of the increase in final (government and private) consumption expenditure of KD 974.4 million or 4.5% to reach KD 22,606.1 million during 2015 against KD 21,631.7 million during the previous year, and the growth in gross capital formation of KD 1,040.1 million or 13.8% to reach KD 8,580 million during 2015 against KD 451.4 million or 6.4% during the previous year.

Residents' expenditure on imports of goods and services at current prices increased to KD 15,531.8 million during 2015 compared to KD 14,594.4 million during the previous year, i.e. a growth of KD 937.4 million or 6.4%. Accordingly, the surplus of domestic resources or net exports recorded a sharp fall of KD 13,984.9 million or 81.7% to reach KD 3,128.5 million during 2015, against KD 17,113.4 million during 2014, which led to a decline in the ratio of surplus to GDP at current prices to 9.1% against 37% during the two mentioned years respectively.

**Chart (3)**  
**GDP by Type of Expenditure at Current Prices**



**Table (2-A)**  
**Expenditure on the GDP at Current Prices**  
(KD Million)

Items	2012	2013	2014*	2015**
<b>(1) Final Consumption</b>	<b>18,861.7</b>	<b>20,513.5</b>	<b>21,631.7</b>	<b>22,606.1</b>
Change (%)	13.4	8.8	5.5	4.5
to Residents Expenditure (%)	75.1	74.3	74.2	72.5
to GDP (%)	38.7	41.5	46.7	65.9
<b>- Government Consumption</b>	<b>7,337.4</b>	<b>8,093.8</b>	<b>8,218.1</b>	<b>8,427.1</b>
Change (%)	16.0	10.3	1.5	2.5
to Final Consumption (%)	38.9	39.5	38.0	37.3
to Residents Expenditure (%)	29.2	29.3	28.2	27.0
<b>- Private Consumption</b>	<b>11,524.3</b>	<b>12,419.7</b>	<b>13,413.6</b>	<b>14,179.0</b>
Change (%)	11.8	7.8	8.0	5.7
to Final Consumption (%)	61.1	60.5	62.0	62.7
to Residents Expenditure (%)	45.9	45.0	46.0	45.5
<b>(2) Gross Capital Formation</b>	<b>6,253.5</b>	<b>7,088.5</b>	<b>7,539.9</b>	<b>8,580.0</b>
Change (%)	8.6	13.4	6.4	13.8
to Residents Expenditure (%)	24.9	25.7	25.8	27.5
to GDP (%)	12.8	14.4	16.3	25.0
<b>(3) Total Expenditures by Residents (1 + 2)</b>	<b>25,115.2</b>	<b>27,602.1</b>	<b>29,171.6</b>	<b>31,186.1</b>
Change (%)	12.1	9.9	5.7	6.9
to GDP (%)	51.5	55.9	63.0	90.9
<b>(4) Exports of Goods and Services</b>	<b>36,411.0</b>	<b>34,999.8</b>	<b>31,707.7</b>	<b>18,660.2</b>
Change (%)	17.0	-3.9	-9.4	-41.1
to GDP (%)	74.7	70.9	68.5	54.4
<b>(5) Imports of Goods and Services</b>	<b>12,804.0</b>	<b>13,209.7</b>	<b>14,594.4</b>	<b>15,531.8</b>
Change (%)	16.3	3.2	10.5	6.4
to Residents Expenditure (%)	51.0	47.9	50.0	49.8
<b>(6) GDP (3 + 4 - 5)</b>	<b>48,722.2</b>	<b>49,392.1</b>	<b>46,285.0</b>	<b>34,314.6</b>
Change (%)	14.6	1.4	-6.3	-25.9
<b>(7) Domestic Resources Surplus (6 - 3)</b>	<b>23,607.0</b>	<b>21,790.0</b>	<b>17,113.4</b>	<b>3,128.5</b>
Change (%)	17.4	-7.7	-21.5	-81.7
to GDP (%)	48.5	44.1	37.0	9.1

\* Revised data.

\*\* Provisional data.

Source: CSB.

Regarding the other principal aggregates of national accounts at current prices (Table 3), net-factor income from abroad (represented mainly in the net income accruing from Kuwaiti assets invested abroad) decreased by KD 329.7 million or 7.4% to KD 4,121.6 million during 2015 compared to KD 4,451.3 million during 2014. Accordingly, Gross National Product (GNP) at current prices (representing the sum of GDP and net factor income from abroad) recorded a decrease of KD 12,300.1 million or 24.2% to reach KD 38,436.2 million during 2015 compared to KD 50,736.3 million during the previous year.

**Table (3)**  
**Principal Aggregates of National Accounts at Current Prices**  
(KD Million)

Items	2012	2013	2014*	2015**
<b>1- GDP</b>	<b>48,722.2</b>	<b>49,392.2</b>	<b>46,285.0</b>	<b>34,314.6</b>
Change (%)	14.6	1.4	-6.3	-25.9
<b>2- Net Factor Income from Abroad</b>	<b>2,561.0</b>	<b>3,759.0</b>	<b>4,451.3</b>	<b>4,121.6</b>
Change (%)	3.2	46.8	18.4	-7.4
<b>3- GNP (1 + 2)</b>	<b>51,283.2</b>	<b>53,151.2</b>	<b>50,736.3</b>	<b>38,436.2</b>
Change (%)	14.0	3.6	-4.5	-24.2
<b>4- Depreciation of Fixed Capital</b>	<b>2,948.1</b>	<b>3,001.0</b>	<b>2,870.6</b>	<b>2,841.4</b>
<b>5- National Income at Market Prices (3 - 4)</b>	<b>48,335.1</b>	<b>50,150.2</b>	<b>47,865.7</b>	<b>35,594.8</b>
Change (%)	14.2	3.8	-4.6	-25.6
<b>6- Net Current Transfers</b>	<b>-4,816.0</b>	<b>-4,915.4</b>	<b>-5,883.5</b>	<b>-4,970.8</b>
Change (%)	18.5	2.1	19.7	-15.5
<b>7- National Disposable Income (5 + 6)</b>	<b>43,519.1</b>	<b>45,234.8</b>	<b>41,982.2</b>	<b>30,624.0</b>
Change (%)	13.8	3.9	-7.2	-27.1
<b>8- Final Consumption Expenditure</b>	<b>18,861.7</b>	<b>20,513.6</b>	<b>21,631.7</b>	<b>22,606.1</b>
Change (%)	13.4	8.8	5.5	4.5
<b>9- Net Savings (7 - 8)</b>	<b>24,657.4</b>	<b>24,721.2</b>	<b>20,350.6</b>	<b>8,017.9</b>
Change (%)	14.0	0.3	-17.7	-60.6
<b>10- Net Capital Formation</b>	<b>3,305.4</b>	<b>4,087.5</b>	<b>4,669.4</b>	<b>5,738.6</b>
Change (%)	7.1	23.7	14.2	22.9
<b>11- Surplus from Current Transactions (9 - 10)</b>	<b>21,352.0</b>	<b>20,633.7</b>	<b>15,681.2</b>	<b>2,279.2</b>
Change (%)	15.2	-3.4	-24.0	-85.5

\* Revised data.

\*\* Provisional data.

Source: CSB.

In the same direction Gross National Income (GNI), which represents GNP minus allocations for depreciation of fixed capital, decreased by KD 12,270.9 million or 25.6% to KD 35,594.8 million during 2015 compared to KD 47,865.7 million during 2014. As a result of this decline in GNI on the one hand, and the decrease of 15.5% in net current outward transfers on the other, National Disposable Income (NDI) decreased during 2015 by KD 11,358.2 million or 27.1% to KD 30,624 million against KD 41,982.2 million during 2014. This decrease led to a decline of KD 3,066.5 or 27.9% in per-capita NDI at current prices to KD 7,894.6 during 2015 against KD 10,961.1 during the previous year, taking into account population growth as will be indicated later on.

On another front, available data indicate that Net Savings (representing the difference between NDI and Final Consumption Expenditure) declined by KD 12,332.7 million or 60.6% to KD 8,017.9 million during 2015. Furthermore, the ratio of Net Savings to NDI reached 22.5% during 2015, against 48.4% during 2014. As an outcome of this decrease in Net Savings, and the growth in Net Capital Formation of 22.9%, the surplus from current transactions abroad (also known as surplus in national resources) decreased by KD 13,402 million or 85.5% during 2015 to KD 2,279.2 million compared to KD 15,681.2 million during the previous year.

The developments in the economic performance in the main oil and non-oil sectors during 2015 compared with the previous year, are addressed in some detail as follows:

#### **A- Oil Sectors:**

Value added in the oil sectors (crude oil and natural gas production, manufacture of coke, refined petroleum products and nuclear fuel) at current prices witnessed a decline of KD 13,511.3 million or 46.2% during 2015 to reach KD 15,713.1 million, after a decline of KD 3,458.2 million or 10.6% during 2014. This decline reflects the decrease in the value added of crude oil and natural gas production sector to reach KD 14,775 million during 2015 against KD 28,059.2 million during the previous year, i.e. a decrease of KD 13,284.2 million or 47.3% on the one hand, and the decline in the value added of the manufacture of coke, refined petroleum products and nuclear fuel sector of KD 227.1 million or 19.5% to reach KD 938.1 million during 2015 against KD 1,165.2 million during the previous year on the other.

Data provided by the Organization of Petroleum Exporting Countries (OPEC) indicate a decrease in the average spot price of the OPEC Reference Basket (ORB) to reach \$49.49 per barrel during 2015 compared to \$96.29 per barrel during 2014, i.e. a decline of \$46.80 or 48.6%. In parallel, the average price of the Kuwaiti export crude oil barrel recorded a decline to \$47.80 per barrel during 2015, compared to \$95.21 per barrel on average during the previous year, i.e. a decrease of \$47.40 or 49.8%. Furthermore, prices of refined petroleum products witnessed a decrease wherein the weighted average of the export price of a barrel equivalent of refined petroleum products decreased from \$107.08 per barrel during 2014 to \$56.64 per barrel on average during 2015, i.e. a decline of \$50.44 or 47.1%. The weighted average of the export price of a barrel equivalent of liquefied natural gas (Propane and Butane) recorded a decline of \$30.25 or 45.3% to reach \$36.55 during 2015 compared to \$66.80 during the previous year.

Within the same context, production of Kuwaiti crude oil recorded a decline from 2.866 million b/d on average during 2014 to 2.858 million b/d on average for 2015, i.e. a decline of 0.008 million b/d or 0.3%. Conversely, production of refined petroleum products increased from 871.8 thousand b/d during 2014 to 892.7 thousand b/d during 2015, i.e. an increase of 20.9 thousand b/d or 2.4%. However, production of liquefied natural gas increased from 144.8 thousand of equivalent b/d on average during 2014 to 185.5 thousand equivalent b/d on average during 2015, i.e. an increase of 40.6 thousand b/d or 28.1%. Regarding exported Kuwaiti oil, available data indicate a decrease in total quantity from 1.995 million b/d on average during 2014 to 1,965.9 million b/d during 2015, i.e. a decline of 0.029 million b/d or 1.5%.

## **B- Non-Oil Sectors:**

As previously mentioned, value added by non-oil sectors at constant prices witnessed a growth of KD 282.7 million or 1.3% to KD 21,369.4 million during 2015, compared to KD 967 million or 4.8% during 2014. Table (4) sets out the developments of GDP at constant prices by divisions of economic activity over the last four years (2012-2015).

Data also indicate that value added at constant prices in “Financial Intermediation and Insurance” (accounting for 14.9% of non-oil GDP) recorded a growth of KD 105.8 million or 3.4% to reach KD 3,183 million during 2015, against KD 158.1 million or 5.4% during 2014. While “Construction” (accounting for 4% of non-oil GDP) recorded a growth in its value added of KD 66.4 million or 8.4% to reach KD 855.9

million during 2015, compared to KD 3.7 million or 0.5% during 2014. Value added by “Electricity and Water” (accounting for 5.5% of non-oil GDP) at constant prices reached KD 1,174.6 million during 2015 against KD 1,302.2 million during 2014, i.e. a decrease of KD 127.6 million or 9.8%.

“Community, Social & Personal Services” (accounting for 34.5% 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 170.4 million or 2.4% to reach KD 7,363.3 million during 2015, after a growth of KD 316.7 million or 4.6% during 2014. This growth contributed 60.3% of the increase in the value added by total non-oil activities during 2015 (Table 4).

Value added by “Real Estate, Renting and Business Activities” (accounting for 13.1% of non-oil GDP) recorded a decline of KD 38.6 million or 1.4% to reach KD 2,805.7 million during 2015, compared to KD 76.3 million or 2.6% during 2014. Furthermore, value added by ‘Wholesale & Retail Trade’ (accounting for 7% of non-oil GDP) at constant prices witnessed a growth of KD 33.9 million or 2.3% to reach KD 1,499.6 million during 2015, compared to KD 84.3 million or 6.1% during 2014. Meanwhile, value added by “Manufacturing Industries” (accounting for 5.8% of non-oil GDP) recorded a growth of KD 5.5 million or 0.4% to reach KD 1,242.3 million during 2015, against a decline of KD 148.6 million or 10.7% during 2014.

Furthermore, value added by ‘Transportation, Storage and Communication’ (accounting for 12.1% of non-oil GDP) at constant prices witnessed a growth of KD 28.9 million or 1.1% to reach KD 2,594.7 million during 2015 compared to KD 63.4 million or 2.5% during 2014.

**Table (4)**  
**Non-Oil GDP at Constant 2010 Prices by Divisions of Economic Activity**  
(KD Million)

Item	2012	2013	2014*	2015**
Agriculture and Fishing	163.7	165.0	177.4	184.8
Activities of Services related to Extraction of Crude Oil and Gas	81.2	82.9	94.7	93.2
Manufacturing Industries***	1,398.0	1,385.3	1,236.8	1,242.3
Electricity, Gas and Water	698.5	778.7	1,302.2	1,174.6
Construction	770.4	785.8	789.5	855.9
Wholesale & Retail Trade	1,337.7	1,381.4	1,465.7	1,499.6
Hotels & Restaurants	297.6	322.3	340.2	372.4
Transport, Storage and Communications	2,426.7	2,502.4	2,565.8	2,594.7
Financial Intermediation and Insurance	2,871.2	2,919.1	3,077.2	3,183.0
Real Estate, Renting and Business Activities	2,921.4	2,920.6	2,844.3	2,805.7
Community, Social & Personal Services	6,333.2	6,876.2	7,192.9	7,363.3
<b>Total Non-Oil Sectors</b>	<b>19,299.6</b>	<b>20,119.8</b>	<b>21,086.7</b>	<b>21,369.5</b>

\* Revised data.

\*\* Provisional data.

\*\*\* Excluding manufacture of coke, refined petroleum products and nuclear fuel.

Source: CSB.

On another front, value added by the non-oil sectors at current prices witnessed a growth of KD 702.2 million or 3% to KD 23,858.1 million during 2015 compared to KD 719.6 million or 3.2% during 2014. Table (4-A) sets out the developments of GDP at current prices by divisions of economic activity over the last four years (2012-2015).

The table's data show that 'Community, Social & Personal Services' (accounting for 35.7% of non-oil GDP) recorded a growth in its value added of KD 171.1 million or 2% to KD 8,526.5 million during 2015, after a growth of KD 292.3 million or 3.6% during 2014. This growth contributed 24.4% of the increase in the value added by total non-oil activities during 2015, as detailed in Table (4-A).

"Financial Intermediation and Insurance" came second (accounting for 14.5% of non-oil GDP) with a growth of KD 92 million or 2.7% in its value added to reach KD 3,450 million during 2015 compared to KD 167.4 million or 5.2% during 2014. It is worth noting that financial institutions constitute 96.5% of the "Financial Intermediation and Insurance" activity. On another front, data indicate that value added by "Real Estate, Renting and Business Activities" (accounting for 14.2% of non-oil GDP) at current prices recorded

a growth of KD 117.5 million or 3.6% to reach KD 3,380.1 million during 2015 against a growth of 1.1% during 2014.

Value added by “Wholesale & Retail Trade” (accounting for 7.5% of non-oil GDP) recorded a growth of KD 95.5 million or 5.7% to reach KD 1,784.7 million during 2015, compared to KD 1,689.2 million during the previous year. Meanwhile, value added by “Transportation, Storage and Communications” (accounting for 10.5% of non-oil GDP) reached KD 2,504.6 million during 2015 against KD 2,488.6 million during 2014, i.e. a growth of KD 16 million or 0.6% compared to KD 11.1 million or 0.4% during the previous year.

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

Item	2012	2013	2014*	2015**
Agriculture and Fishing	175.3	175.4	208.4	237.2
Activities of Services related to Extraction of Crude Oil and Gas	84.1	85.9	98.1	100.0
Manufacturing Industries***	1,499.5	1,519.3	1,400.0	1,373.6
Electricity, Gas and Water	862.5	919.9	973.9	1,090.4
Construction	832.7	897.3	956.8	1,002.9
Wholesale & Retail Trade	1,449.0	1,543.9	1,689.2	1,784.7
Hotels & Restaurants	309.7	336.5	364.9	408.1
Transport, Storage and Communications	2,455.8	2,477.5	2,488.6	2,504.6
Financial Intermediation and Insurance, of which:	3,039.1	3,190.6	3,358.0	3,450.0
- Financial Institutions	2,933.7	3,082.7	3,253.3	3,330.2
Real Estate, Renting and Business Activities	3,125.1	3,226.9	3,262.6	3,380.1
Community, Social & Personal Services	7,541.5	8,063.1	8,355.4	8,526.5
<b>Total Non-Oil Sectors</b>	<b>21,374.4</b>	<b>22,436.3</b>	<b>23,155.9</b>	<b>23,858.1</b>

\* Revised data.

\*\* Provisional data.

\*\*\* Excluding manufacture of coke, refined petroleum products and nuclear fuel.

Source: CSB.

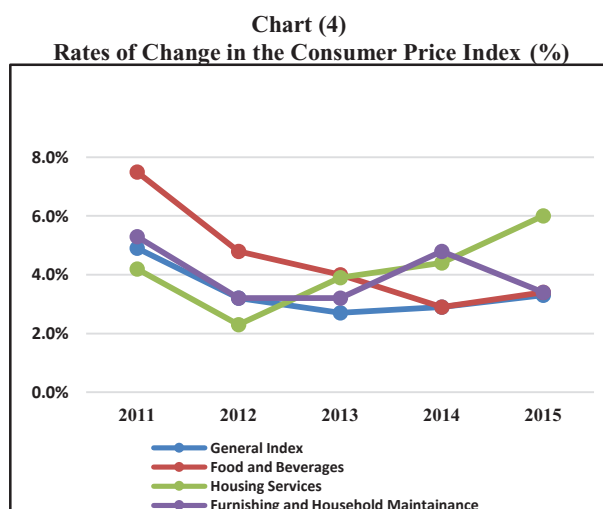
Value added by “Manufacturing Industries” (accounting for 6.7% of non-oil GDP) recorded a decline of KD 26.4 million or 1.9% to reach KD 1,373.6 million during 2015 compared to KD 1,400 million with a decrease of KD 119.3 million or 7.8% during 2014. Furthermore, value added by “Construction” (accounting for 4.2% of non-oil GDP) witnessed a growth of KD 46.1 million or 4.8% during 2015 to reach KD 1,002.9 million compared to KD 59.5 million or 6.6% during the previous year. Data also indicate that

value added by “Electricity, Gas and Water” (accounting for 4.6% of non-oil GDP) witnessed an increase in its value added to KD 1,090.4 million during 2015, i.e. an increase of KD 116.5 million or 12% compared to KD 973.9 million and a growth of KD 54 million or 5.8% during the previous year.

## Second- General Level of Domestic Prices:

### 1- General Index of Consumer Prices<sup>(\*)</sup>:

Table (5) shows developments in the General Consumer Price Index (CPI) (base year 2007=100) in the State of Kuwait by main groups of consumption expenditure during the period 2013-2015. Data in this table and Chart (4) indicate an increase in the annual inflation rate based on the relative change in average CPI reaching 3.3% during 2015 against 2.9% during 2014 compared with the previous year.



The above-mentioned increase in the annual inflation rate recorded during 2015 resulted from developments in some main components of CPI compared with 2014. Growth rate in average prices of “Housing Services” (relative weight 28.9%) increased to 6% during 2015 against 4.4% during 2014, “Hotels & Restaurants” (relative weight 3.3%) to 5.7% during 2015 against 3.1% during 2014, and “Food & Beverages” (relative weight 18.4%) to 3.4% during 2015 against 2.9% during 2014 on the one hand, and a slower increase was recorded in average prices of “Education” (relative weight 3%) reaching 4.4% during 2015 against 4.7% during 2014 and “Household Goods & Maintenance Equipment” (relative weight 11.3%) to 3.4% against 4.8% on the other hand. Meanwhile, the average prices of “Clothing and Footwear” (relative weight 9.3%) decreased by 0.9% during 2015 against an increase of 2.2% during 2014.

<sup>(\*)</sup>The Central Statistical Bureau (CSB) calculates CPI based on the income survey and household spending (household budget) for 2007/2008. In 2013, CPI components’ relative weights have been updated to (base year 2007=100).

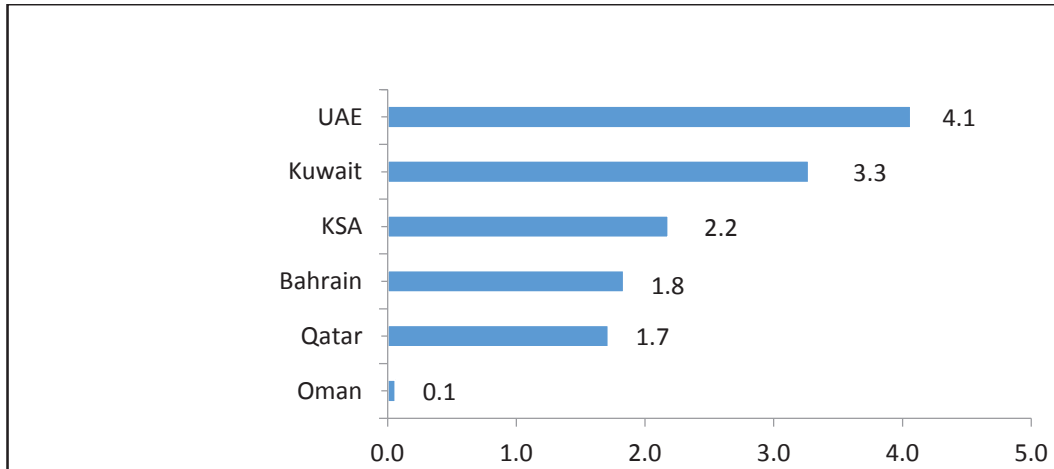
**Table (5)**  
**Developments in the General Consumer Price Index**  
(Base Year 2007=100)

Item	Relative Weights	Average Period (2011-2015)	2014		2015		Relative Contribution in Price Index Change (%)	
			2014	2015	2014	2015	2014	2015
			Change (%)		Change (%)		Change (%)	
<b>Consumer Price Index:</b>	<b>100.0</b>	<b>129.4</b>	<b>133.0</b>	<b>137.3</b>	<b>2.9</b>	<b>3.3</b>	<b>100.0</b>	<b>100.0</b>
<b>1- By Items of Expenditure</b>								
• Food & Beverages	18.4	129.4	146.0	150.9	2.9	3.4	20.2	20.9
• Cigarettes and Tobacco	0.3	133.4	142.9	151.4	7.8	6.0	0.7	0.5
• Clothing and Footwear	9.3	126.8	129.7	128.6	2.2	-0.9	6.9	-2.4
• Housing Services	28.9	129.0	133.2	141.2	4.4	6.0	42.7	52.8
• Household Goods & Maintenance Equipment	11.3	132.9	138.3	143.0	4.8	3.4	19.1	12.2
• Health	1.6	125.5	126.1	128.2	-0.6	1.7	-0.3	0.8
• Transport	7.9	122.3	124.5	125.2	1.5	0.5	4.0	1.2
• Communications	4.0	101.1	100.6	101.0	-0.8	0.4	-0.8	0.4
• Entertainment & Culture	4.3	126.8	129.3	129.0	0.9	-0.2	1.3	-0.3
• Education	3.0	126.9	130.0	135.8	4.7	4.4	4.7	4.0
• Hotels & Restaurants	3.3	128.6	130.4	137.8	3.1	5.7	3.4	5.6
• Other Goods & Services	7.8	126.7	127.9	130.3	-0.7	1.9	-1.8	4.3

Source: CSB.

Available statistics on CPI in the GCC countries indicate varied annual inflation rates during 2015 compared with the previous year. During 2015, the inflation rate in the United Arab Emirates was 4.1% (2.3% during 2014), State of Kuwait 3.3% (2.9% during 2014), Kingdom of Saudi Arabia 2.2% (2.7% during 2014), Kingdom of Bahrain 1.8% (2.7% during 2014), Qatar 1.7% (3% during 2014), and Oman 0.1% (1% during 2014).

**Chart (5)**  
**Inflation Rates in the GCC Countries during 2015 (%)**

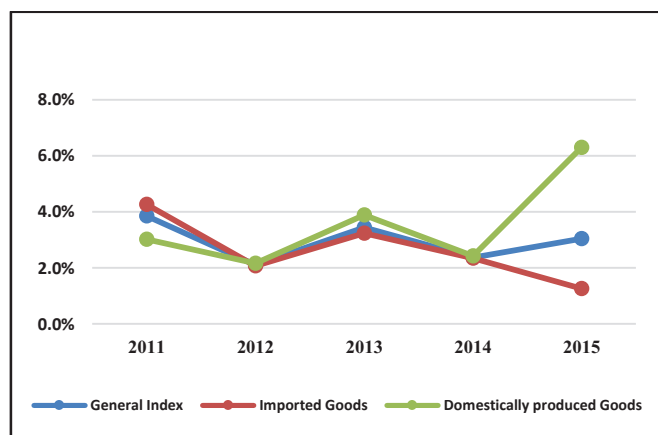


Source: Official National Authorities.

**2- General Wholesale Price Index (\*):**

Table (6) shows developments in the General Wholesale Price Index (WPI) (base year 2007=100) by main groups during the period 2013-2015 in the State of Kuwait. Data indicate a rise in the rate of change in WPI reaching 3% during 2015 from 2.4% during 2014.

**Chart (6)**  
**Rates of Change in the General Wholesale Price Index (%)**



(\*). In June 2012, CSB updated the WPI to base year 2007 instead of base year 1980. Update also included relative weights, basket of goods, classification of goods, sample of sources and survey form.

The developments witnessed in wholesale prices indicate a rise to 6.3% in the rate of change in WPI “Domestically Produced Goods” (relative weight 35.6%) during 2015 from 2.4% during 2014. On the other hand, the rate of change in WPI “Imported Goods” (relative weight 64.4%) decelerated to 1.3% during 2015 from 2.4% during 2014.

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

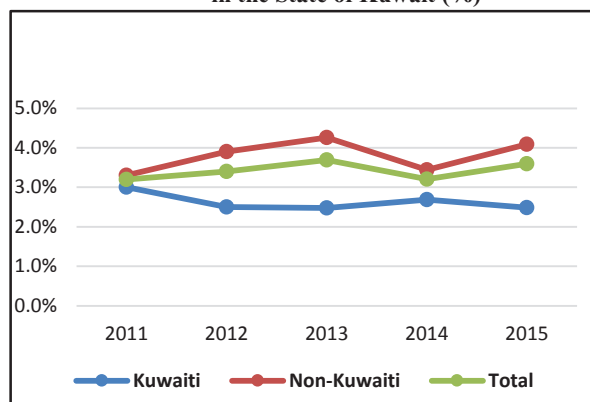
Item	Relative Weights	2013	2014	2015	Change (%)	
					2014	2015
<b>General Wholesale Price Index</b>	<b><u>1,000.00</u></b>	<b><u>122.2</u></b>	<b><u>125.1</u></b>	<b><u>128.9</u></b>	<b><u>2.4</u></b>	<b><u>3.0</u></b>
- By Main Groups:						
• Agriculture, Forestry and Fishing	44.9	144.3	147.0	150.4	1.9	2.2
• Quarrying	3.2	111.5	105.3	110.1	-5.5	4.5
• Manufacturing Industries	900.2	122.4	125.6	129.5	2.6	3.2
• Electricity and Water	51.7	100.0	100.0	100.0	0.0	0.0
- Wholesale Price Index of Imported Goods	64.4	123.7	126.6	128.2	2.4	1.3
- Wholesale Price Index of Domestically Produced Goods	35.6	119.5	122.4	130.1	2.4	6.3

Source: CSB.

### Third- Population and Labor Force:

Table (7) and Chart (6) indicate that the growth rate of total population in the State of Kuwait reached 3.6% during 2015 compared to 3.2 % during 2014, bringing the total number of population to 4,239 million at the end of 2015 against 4,092 million at the end of 2014.

Chart (7)  
Developments in the Population Growth Rates  
in the State of Kuwait (%)



The largest portion (78.4%) of this growth was caused by the 4.1% rise in non-Kuwaiti population reaching 2.931 million at the end of 2015, against a 3.4% rise to 2.816 million at the end of 2014. Meanwhile, the growth rate of Kuwaiti population reached 2.5% during 2015 against 2.7% during 2014, bringing the total number of Kuwaiti population to 1.308 million at the end of 2015 against 1.276 million at the end of 2014. As a result of these developments, the ratio of Kuwaiti population to total population slightly declined to 30.8% at the end of 2015 against 31.2% at the end of 2014. Conversely, the ratio of non-Kuwaiti population to total population slightly increased to 69.2% at the end of 2015 against 68.8% at the end of 2014.

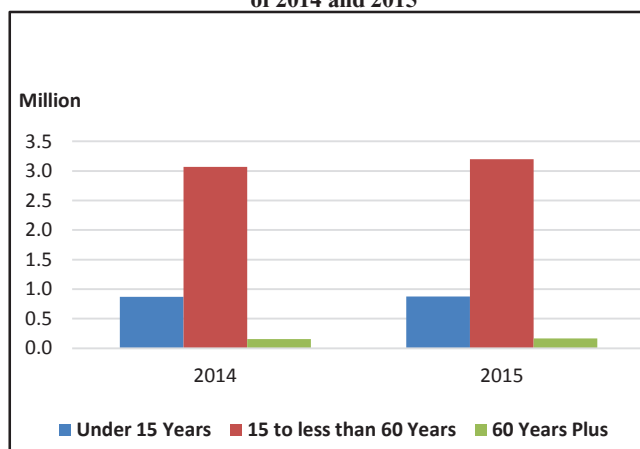
**Table (7)**  
**Developments in the Main Indicators of Population**  
**in the State of Kuwait**  
(End of Period)

Item	2013	2014	2015
<b>Population:</b>			
<b>1- Kuwaitis:</b>	<b>1,242,490</b>	<b>1,275,857</b>	<b>1,307,605</b>
Change (%)	2.5	2.7	2.5
To total (%)	31.3	31.2	30.8
<b>2- Non-Kuwaitis:</b>	<b>2,722,532</b>	<b>2,816,136</b>	<b>2,931,401</b>
Change (%)	4.3	3.4	4.1
To total (%)	68.7	68.8	69.2
<b>3- Total Population (1+2)</b>	<b>3,965,022</b>	<b>4,091,993</b>	<b>4,239,006</b>
Change (%)	3.7	3.2	3.6
Under 15 years (%)	21.5	21.2	20.6
15 to less than 60 years (%)	74.9	75.0	75.5
60 years plus (%)	3.6	3.8	3.9

Source: Public Authority for Civil Information.

Regarding developments in population age structure and their implications on the participation rates in the economic activity as well as on the related dependency ratios, the number of economically active individuals - i.e. those aged between 15 and less than 60 years- in total population, increased to 75.5% at the end of 2015 against 75% at the end of 2014.

**Chart (8)**  
**Distribution of Population by Age Groups at the End of 2014 and 2015**



In the same context, dependency ratio to total population (representing population not in labor force to total labor force) decreased to an average of 647 persons per one thousand persons in labor force at the end of 2015, compared to 666 persons per one thousand persons in labor force at the end of 2014 (Table 8).

Dependency ratio of Kuwaiti population decreased to 2,000 persons per one thousand persons at the end of 2015, against 2,021 persons per one thousand persons at the end of 2014. This decrease was caused by the increase in Kuwaiti labor force at a greater rate (3.2%) than the increase in Kuwaiti population not in labor force (2.1%) at the end of 2015, compared with the end of the previous year.

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

Item	2013	2014	2015
<b>Dependency rates (per 1000 persons in labor force):</b>			
1- Kuwaitis	2,029	2,021	2,000
2- Non-Kuwaitis	389	384	371
<b>3- Total Population</b>	<b>672</b>	<b>666</b>	<b>647</b>

Source: Public Authority for Civil Information.

In the same direction, dependency ratio of non-Kuwaiti population decreased from 384 persons per one thousand persons in non-Kuwaiti labor force at the end of 2014 to 371 persons per one thousand persons at the end of 2015. This decrease was the result of the increase in non-Kuwaiti labor force at a greater rate (5.1%) than the increase in non-Kuwaiti population not in labor force (1.5%) at the end of 2015 compared with the end of the previous year.

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

Item	2013	2014	2015
<b>Labor Force:</b>			
<b>1- Kuwaitis:</b>	<b>410,254</b>	<b>422,325</b>	<b>435,904</b>
Change (%)	2.7	2.9	3.2
Relative share to total (%)	17.3	17.2	16.9
<b>2- Non-Kuwaitis:</b>	<b>1,960,747</b>	<b>2,034,273</b>	<b>2,138,163</b>
Change (%)	3.4	3.7	5.1
Relative share to total (%)	82.7	82.8	83.1
<b>3- Total Labor Force (1 + 2):</b>	<b>2,371,001</b>	<b>2,456,598</b>	<b>2,574,067</b>
Change (%)	3.3	3.6	4.8

Source: Public Authority for Civil Information.

Regarding developments in labor force indicators at the end of 2015, data in Table (9) indicate that the growth rate of total labor force increased to 4.8% during 2015 from 3.6% during 2014, bringing the total labor force to 2.574 million at the end of 2015 compared to 2.457 million at the end of the previous year. This increase was brought about by the increase in the growth rate of non-Kuwaiti labor force of 5.1% during 2015 against 3.7% during 2014, thus increasing non-Kuwaiti labor force to 2.138 million at the end of 2015 compared to 2.034 million at the end of the previous year. Similarly, the growth rate of Kuwaiti labor force increased to 3.2% during 2015, against 2.9% during 2014, causing an increase in Kuwaiti labor force to 436 thousand at the end of 2015 compared to 422 thousand at the end of the previous year.

With regard to the distribution of labor force by divisions of economic activity at the end of 2015 (Table 10), “Community, Social & Personal Services” accounted for 47% of total labor force against 44.8% at the end of 2014, followed by “Trade, Restaurants & Hotels” (18.7%) and “Construction” (14.2%). Meanwhile, data on the relative distribution of Kuwaiti labor force by divisions of economic activity at the end of 2015 indicate that Kuwaiti labor force was also concentrated in activities associated with “Community, Social & Personal Services” (77.2%), followed by “Finance, Insurance, Real Estate & Business Services” (5.9%) and “Trade, Restaurants & Hotels” (5.7%).

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

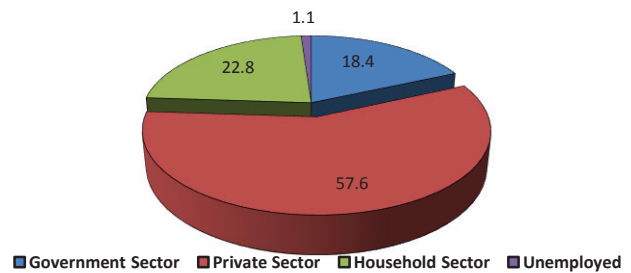
Divisions of Economic Activity	2013			2014			2015		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
Agriculture & Fishing	0.1	1.8	1.5	0.2	2.4	2.1	0.2	2.9	2.4
Mining & Quarrying	1.3	0.1	0.3	1.4	0.1	0.3	0.1	0.1	0.1
Manufacturing Industries	1.7	5.9	5.2	2.2	6.6	5.9	1.4	6.4	5.6
Electricity, Gas & Water	3.5	0.1	0.7	3.5	0.1	0.7	0.0	0.0	0.0
Construction	3.1	10.4	9.2	5.5	15.7	13.9	5.2	16.0	14.2
Trade, Restaurants & Hotels	3.9	17.9	15.4	5.8	21.5	18.8	5.7	21.4	18.7
Transport, Storage & Communications	2.0	3.0	2.8	2.0	3.3	3.1	1.0	3.0	2.6
Finance, Insurance, Real Estate & Business Services	5.7	5.4	5.5	6.5	6.4	6.4	5.9	6.5	6.4
Community, Social & Personal Services	68.9	41.6	46.3	68.0	40.1	44.8	77.2	40.8	47.0
Unspecified	9.7	13.8	13.1	5.0	3.8	4.0	3.3	2.9	3.0
<b>Total</b>	100	100	100	100	100	100	100	100	100

Source: Public Authority for Civil Information.

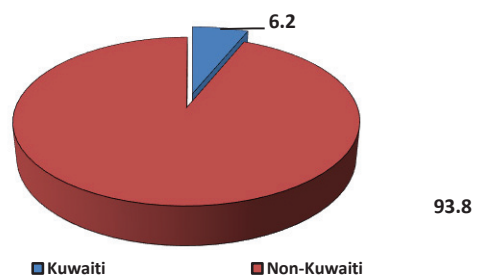
With respect to the distribution of labor force by sectors: government, private, household and unemployed, data in Table (11) and Chart (9) indicate that labor force in the private sector increased by 6.1% during 2015, resulting in an increase in its relative share to total labor force (93.8% non-Kuwaitis and 6.2% Kuwaitis) from 56.8% at the end of 2014 to 57.6% at the end of 2015.

Meanwhile, the growth rate of labor force in the government sector reached 4.4% during 2015 compared with the previous year, causing its relative share to total labor force (69.9% Kuwaitis and 30.1% non-Kuwaitis) to slightly decrease from 18.5% at the end of 2014 to 18.4% at the end of 2015. Conversely, unemployed population decreased by 28.1% at the end of 2015 compared with the end of the previous year, causing a decline of 1.1% in its relative share to total labor force (60% non-Kuwaitis and 40% Kuwaitis) at the end of 2015 compared to 1.7% at the end of the previous year.

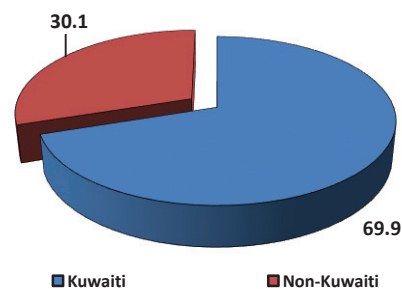
**Chart (9)**  
**Relative Structure of Labor Force in 2015 (% of the Total)**



**Manpower in the Private Sector in 2015 (% of the Total)**



**Manpower in the Government Sector in 2015 (% of the Total)**



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

Sector	2013	2014	2015
<b>Government Sector</b>	<b>18.8</b>	<b>18.5</b>	<b>18.4</b>
Kuwaiti	13.1	13.0	12.9
Non-Kuwaiti	5.7	5.5	5.5
<b>Private Sector</b>	<b>55.2</b>	<b>56.8</b>	<b>57.6</b>
Kuwaiti	3.7	3.6	3.6
Non-Kuwaiti	51.5	53.2	54.0
<b>Household Sector</b>	<b>24.2</b>	<b>23.0</b>	<b>22.8</b>
Kuwaiti	0.0	0.0	0.0
Non-Kuwaiti	24.2	23.0	22.8
<b>Unemployed</b>	<b>1.8</b>	<b>1.7</b>	<b>1.1</b>
Kuwaiti	0.5	0.4	0.5
Non-Kuwaiti	1.3	1.2	0.7
<b>Total Labor Force</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Kuwaiti	17.3	17.2	16.9
Non-Kuwaiti	82.7	82.8	83.1

Source: Public Authority for Civil Information.



Monetary Developements  
and Activity of the  
Central Bank of Kuwait

2015



## Monetary Developments and Activity of the Central Bank of Kuwait

Many significant monetary and banking developments took place during 2015 reflecting CBK's continuous efforts in the area of monetary policy, banking supervision and oversight programs, and vigorous follow up of local economic developments on the one hand, and global market developments on the other. CBK's efforts are aimed at strengthening monetary and financial stability, providing supportive atmosphere for the growth of the national economy.

Within the framework of CBK's keenness to establish the national currency's attractiveness as a store of domestic savings, which represent the main source of finance for the various sectors of the national economy, the CBK increased its discount rate by 25 basis points to 2.25% in the end of 2015. This rise is intended to provide encouraging climates enabling various sectors of the national economy to overcome the current challenges associated with the drop in global oil prices.

Developments related to the KD exchange rate during 2015 reflects CBK's efforts towards maintaining relative stability of the KD exchange rate against other major currencies according to the KD exchange rate policy determined by Decree No. 147 of the year 2007 issued on 20 May 2007 pegging the KD exchange rate to a special weighted basket of currencies of major trade and financial partners of the State of Kuwait. Data indicate that the difference between the highest and lowest exchange rate of the US Dollar against the KD during 2015 was 3.7%, while the exchange rate of the US Dollar against other major currencies fluctuated within broader margins reaching a difference of 20.2% against the Swiss Franc, 14% against the Euro, 8.8% against the Pound Sterling, and 7.3% against the Japanese Yen.

Data on main monetary and banking aggregates of the State of Kuwait show a deceleration in the growth rate of both money supply in its Broad Definition (M2) of 1.2% and resident private sector deposits with local banks of 1.3% at the end of 2015 compared with 2014. Furthermore, cash credit facilities extended by local banks to various economic sectors indicate a growth rate of 8.0% at the end of 2015.

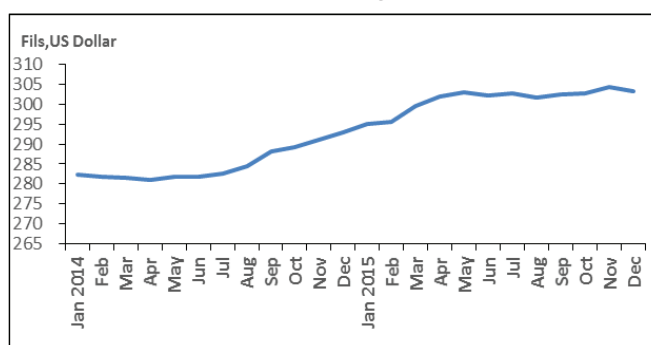
This part of the Economic Report highlights most notable developments in main monetary aggregates and indicators and in the area of banking oversight and supervision during 2015 as follows:

## 1- Developments in the KD Exchange Rate:

During 2015, the CBK continued the KD exchange rate policy adopted as of May 20, 2007 pegging the KD exchange rate to a special weighted basket of currencies of countries with significant trade and financial relations with the State of Kuwait. This contributes to maintaining relative stability of the KD exchange rate against other currencies, strengthening CBK's ability to draw and implement a monetary policy aimed at reducing imported inflationary pressures, particularly those resulting from fluctuations in the exchange rates of world currencies, on the one hand and provide a supportive atmosphere to promote sustainable economic growth on the other.

Regarding the changes in the US Dollar exchange rate against the KD and some other major currencies at the end of 2015 compared with the end of the previous year (Table 12), a rise is noted in the US Dollar exchange rate against the KD of 10.5 fils or 3.6%. The US Dollar exchange rate recorded an increase of 11.0% against the Euro, 4.5% against the Pound Sterling, 0.1% against the Swiss Franc, and 0.02% against the Japanese Yen.

**Chart (10)**  
**US Dollar Exchange Rate Against the Kuwaiti Dinar (End of Period) During 2015**



Source: CBK

**Table (12)**  
**US Dollar Exchange Rate against the KD and Some Major Currencies at the End of 2015 Compared with the Previous Year**

End Period	KD (*)	Euro	Japanese Yen	Swiss Franc	Pound Sterling
2014	292.800	0.821	120.3	0.987	0.642
2015	303.30	0.911	120.33	0.988	0.671
Change	10.5	0.09	0.025	0.001	0.029
Rate of Change (%)	3.6	11.0	0.02	0.1	4.5

Source: CBK.

(\*) In fils.

Data indicate the daily exchange rate of the US Dollar against the KD and some other major currencies during 2015 were within relatively narrow margins, where the difference between the highest and lowest exchange rate of the US Dollar against the KD reached 3.7%, while noticeable fluctuations occurred against other major currencies reaching 20.2% against the Swiss Franc, 13.9% against the Euro, 8.8% against the Pound Sterling, and 7.3% against the Japanese Yen (Table 13).

**Table (13)**  
**US Dollar Exchange Rate against the KD and Some Major Currencies Based on Daily Data During 2015**

Item	High	Low	Difference	Change (%)
KD (fils)	304.4	293.6	10.8	3.68
Pound Sterling	0.684	0.629	0.056	8.83
Euro	0.953	0.837	0.116	13.86
Swiss Franc	1.031	0.858	0.174	20.23
Japanese Yen	125.6	117.1	8.545	7.30

Source: CBK.

## 2- Money Supply Developments:

Available data (Table 14, Chart 11) indicate a decelerated pace of growth in domestic liquidity levels during 2015. Money supply in its Broad Definition (M2) grew to KD 34,392.1 million at the end of 2015 realizing an increase of KD 419.5 million or 1.2% compared with the end of 2014, and after a rise of KD 1,105.7 million or 3.4% during 2014.

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

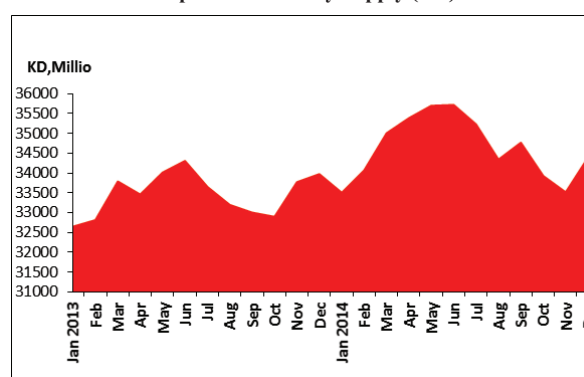
Items	2014	2015	Change at the end of 2015 against the previous year	
			Value	%
<b>Money (M1)</b>	<b>9,605.2</b>	<b>9,244.0</b>	<b>-361.2</b>	<b>-3.8</b>
Of which Currency in Circulation	1,492.6	1,496.5	3.9	0.3
<b>Quasi-Money</b>	<b>24,367.5</b>	<b>25,148.1</b>	<b>780.7</b>	<b>3.2</b>
KD Deposits (excluding sight deposits)	21,476.0	21,557.3	81.3	0.4
Foreign Currency Deposits	2,891.4	3,590.8	699.4	24.2
<b>Money Supply (M2)</b>	<b>33,972.6</b>	<b>34,392.1</b>	<b>419.5</b>	<b>1.2</b>
Deposits with Investment Companies (*)	20.0	35.5	15.6	78.1
<b>Money Supply (M3)</b>	<b>33,992.6</b>	<b>34,427.7</b>	<b>435.1</b>	<b>1.3</b>

Source: CBK.

(\*) Companies that accept deposits in accordance with their articles of association.

The mentioned growth in Money Supply in its Broad Definition (M2) during 2015 was an outcome of the increase in Quasi-Money of KD 780.7 million or 3.2%, on the one hand, and the decrease in Money in its Narrow Definition (M1) of KD 361.2 million or 3.8% on the other.

**Chart (11)**  
**Developments in Money Supply (M2)**



The increase in Quasi-Money during 2015 was the result of the rise in resident private sector foreign-currency deposits with local banks by the equivalent of KD 699.4 million or 24.2%, and KD deposits (excluding sight deposits) with these banks by the equivalent of KD 81.3 million or 0.4%. (Table 15).

**Table (15)**  
**Private Sector Deposits with Local Banks at the end of 2015**  
(Value in KD Million, End of Period)

Item	2014	2015	Change at the end of 2015 against the end of the previous year	
			Value	Rate (%)
<b>KD Deposits</b>	<b>29,588.6</b>	<b>29,304.9</b>	<b>-283.7</b>	<b>-1.0</b>
Sight	8,112.6	7,747.6	-365.0	-4.5
Savings	4,838.3	4,615.0	-223.3	-4.6
Time	16,637.7	16,942.3	304.6	1.8
CDs	-	-	-	-
<b>Foreign Currency Deposits</b>	<b>2,891.4</b>	<b>3,590.8</b>	<b>699.4</b>	<b>24.2</b>
<b>Total</b>	<b>32,480.0</b>	<b>32,895.7</b>	<b>415.6</b>	<b>1.3</b>

Source: CBK.

Within the aggregate monetary position of the CBK and local banks during 2015, data related to the factors affecting the changes in Money Supply – the factors affecting changes in the elements of net domestic assets and net foreign assets of the mentioned entities (Tables 16 and 17) – indicate that the mentioned increase in Money Supply (M2) during 2015 was the outcome of the rise in net domestic assets of those entities by KD 808.5 million or 4.6% on the one hand, and the decrease in net foreign assets of the mentioned entities by KD 338.0 million or 2.1% on the other.

The said increase in net domestic assets of the CBK and local banks resulted from a number of developments in the components of domestic assets and liabilities of these entities, the most notable of which can be indicated as follows:

- The rise in local banks' claims on the private sector at the end of 2015 by KD 2,470.8 million or 7.6% compared with the end of the previous year. This rise caused an expansionary effect on the growth of Money Supply (M2).
- The increase in net claims of local banks on the government of KD 813.6 million or 18.7% resulted from the increase in net claims of local banks on government of KD 576.0 million or 15.5%, and net claims of the CBK on government of KD 237.6 million or 38.6% causing a contractionary effect on the growth of Money Supply (M2).

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

Particulars	2014	2015	Change		Contribution to Money Supply Growth (%) <sup>*</sup>
			Value	(%)	
<b>Money Supply (M2)</b>	<b><u>33,972.6</u></b>	<b><u>34,392.1</u></b>	<b><u>419.5</u></b>	<b><u>1.2</u></b>	<b><u>1.2</u></b>
<b>Net Domestic Assets:</b>	<b><u>17,649.1</u></b>	<b><u>18,457.5</u></b>	<b><u>808.5</u></b>	<b><u>4.6</u></b>	<b><u>2.4</u></b>
<b>Claims on the Government (net):</b>	<b><u>4,339.7</u></b>	<b><u>5,153.2</u></b>	<b><u>813.6</u></b>	<b><u>18.7</u></b>	<b><u>-2.4</u></b>
<b>CBK (net):</b>	<b><u>616.3</u></b>	<b><u>853.9</u></b>	<b><u>237.6</u></b>	<b><u>38.6</u></b>	<b><u>-0.7</u></b>
Claims on the Government	-	-	-	-	-
Government Accounts	616.3	853.9	237.6	38.6	-0.7
<b>Local Banks (net):</b>	<b><u>3,723.4</u></b>	<b><u>4,299.4</u></b>	<b><u>576.0</u></b>	<b><u>15.5</u></b>	<b><u>-1.7</u></b>
Claims on the Government:	1,562.6	1,579.6	17.0	1.1	-
Debt Purchase Bonds	-	-	-	-	-
Public Debt Instruments	1,562.6	1,579.6	17.0	1.1	-
Government Deposits	5,286.0	5,879.0	592.9	11.2	-1.7
<b>Claims on the Private Sector:</b>	<b><u>32,705.9</u></b>	<b><u>35,176.7</u></b>	<b><u>2,470.8</u></b>	<b><u>7.6</u></b>	<b><u>7.3</u></b>
Credit Facilities to Residents	30,736.6	33,209.6	2,473.0	8.0	7.3
Other Domestic Investments	1,969.3	1,967.1	-2.2	-0.1	-
<b>Other Items (net)</b>	<b><u>10,717.2</u></b>	<b><u>11,565.9</u></b>	<b><u>848.8</u></b>	<b><u>7.9</u></b>	<b><u>-2.5</u></b>
<b>Net Foreign Assets:</b>	<b><u>15,971.4</u></b>	<b><u>15,633.4</u></b>	<b><u>-338.0</u></b>	<b><u>-2.1</u></b>	<b><u>-1.0</u></b>
<b>CBK</b>	<b><u>8,588.2</u></b>	<b><u>7,774.7</u></b>	<b><u>-813.5</u></b>	<b><u>-9.5</u></b>	<b><u>-2.4</u></b>
<b>Local Banks</b>	<b><u>7,383.2</u></b>	<b><u>7,858.7</u></b>	<b><u>475.5</u></b>	<b><u>6.4</u></b>	<b><u>1.4</u></b>

-Source: CBK.

\* The negative sign expresses a deflationary effect on money supply (M2), while the positive sign expresses an expansionary effect on money supply (M2).

The mentioned decline in CBK's and local banks' net foreign assets (Table 17) was an outcome of the decrease in CBK's net foreign assets (by the equivalent of KD 813.5 million or 9.5%) on the one hand, and the rise in net foreign assets of local banks by the equivalent of KD 475.5 million or 6.4% on the other.

The mentioned decrease in CBK's net foreign assets was an outcome of the decrease in total foreign assets (by the equivalent of KD 797.1 million or 9.3%) and total foreign liabilities (by the equivalent of KD 16.5 million or 195.9%). In contrast, the rise in net foreign assets of local banks was a result of the increase in its total foreign assets (by the equivalent of KD 870.9 million or 7.5%) in excess of the rise in its total foreign liabilities (by the equivalent of KD 395.4 million or 9.2%).

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

Particulars	End of 2014			End of 2015			Change	
	Foreign Assets	Foreign Liabilities	Net	Foreign Assets	Foreign Liabilities	Net	Value	(%)
CBK	8,596.6	8.4	8,588.2	7,799.5	24.9	7,774.6	-813.5	-9.5
Local Banks	11,680.6	4,297.4	7,383.2	12,551.5	4,692.8	7,858.7	475.5	6.4
<b>Total</b>	<b>20,277.2</b>	<b>4,305.8</b>	<b>15,971.4</b>	<b>20,351.0</b>	<b>4,717.7</b>	<b>15,633.3</b>	<b>-338.0</b>	<b>-2.1</b>

Source: Central Bank of Kuwait.

### 3- Developments of Bank 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 2,473.0 million or 8.0% to KD 33,209.6 million at the end of 2015 against KD 30,736.6 million at the end of 2014, after recording a rise of KD 1,825.2 million or 6.3%.

The utilized cash portion of Personal Facilities accounted for 41.7% of total credit facilities. Data on Personal Facilities indicate a rise in installment loans of KD 1,227.7 million or 15.1%, and purchase of securities of KD 171.7 million or 6.1% on the one hand, and the decline in consumer loans of KD 3.9 million or 0.3% on the other. Personal Facilities accounted for KD 1,382.2 million or 55.9% of the increase in total credit facilities.

The remaining increase in credit facilities came as a result of the rise in credit extended to the Industry sector of KD 293.0 million or 16.8%, Trade sector of KD 268.1 million or 9.4%, Crude Oil and Gas sector of KD 236.4 million or 57.3%, Real-Estate sector of KD 159.5 million or 2.0%, 'Other' sector of KD 109.0 million or 5.4%, Construction sector of KD 47.0 million or 2.5%, and Public Services sector of KD 33.9 million or 50.1% on the one hand, and the decrease in credit extended to Non-Bank Financial Institutions sector of KD 56.0 million or 4.0%, and Agriculture and Fisheries sector of KD 0.2 million or 1.4% on the other hand.

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

Sector	Year-End Balance		Change in 2015 from 2014	
	2014	2015	Value	Change (%)
Trade	2,846.6	3,114.8	268.1	9.4
Industry	1,742.8	2,035.8	293.0	16.8
Construction	1,906.3	1,953.3	47.0	2.5
Agriculture & Fisheries	14.6	14.4	-0.2	-1.4
Non-Bank Financial Institutions	1,398.4	1,342.4	-56.0	-4.0
Personal Facilities:	<u>12,453.1</u>	<u>13,835.3</u>	<u>1,382.2</u>	11.1
- Consumer Loans	1,199.0	1,195.2	-3.9	<u>-0.3</u>
- Installment Loans	8,111.8	9,339.4	1,227.7	15.1
- Purchase of Securities	2,818.1	2,989.7	171.7	6.1
- Others	324.2	310.9	-13.3	-4.1
Real Estate	7,889.3	8,048.8	159.5	2.0
Crude Oil & Gas	412.8	649.2	236.4	57.3
Public Services	67.8	101.7	33.9	50.1
Other	2,004.9	2,113.9	109.0	5.4
<b>Total</b>	<b>30,736.6</b>	<b>33,209.6</b>	<b>2,473.0</b>	<b>8.0</b>

Source: The Central Bank of Kuwait

On another front, available data (Table 19) on new KD credit facility agreements with residents during 2015 indicate the level of bank credit demand during the mentioned year. These facilities encompass the limits of credit facilities extended to new clients, as well as the renewal and/or change in the limits of credit facilities extended to existing clients. Available data indicate that the value of these agreements increased by KD 2,825.8 million or 16.1% to reach KD 20,360.8 million at the end of 2015 compared to KD 17,535.0 million at the end of 2014.

This rise came as a result of the increase in the value of credit facility agreements with the Real-Estate sector of KD 1,307.1 million or 27.5%, Personal Facilities sector of KD 1,141.3 million or 22.5%, “Others” sector of KD 264.8 million or 25.9%, Trade sector of KD 197.8 million or 7.9%, Crude Oil and Gas sector of KD 59.9 million or 11.7%, Industry sector of KD 40.3 million or 4.1%, and Public Services sector of

KD 25.1 million or 9.9% on the one hand, and the decrease in the value of credit facility agreements with the Non-Bank Financial Institutions sector of KD 162.9 million or 12.1%, Construction sector of KD 77.8 million or 7.2%, and Agriculture and Fisheries sector of KD 0.03 million or 0.4% on the other.

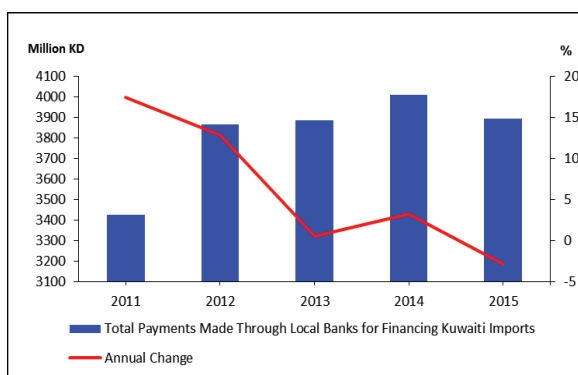
**Table (19)**  
**Developments of New KD Credit Facility Agreements Concluded with Residents**  
**(KD Million)**

Sector	Year-End Balance		Change in 2015 from 2014	
	2014	2015	Value	Change (%)
Trade	2,503.1	2,700.9	197.8	7.9
Industry	993.0	1,033.4	40.3	4.1
Construction	1,077.3	999.6	-77.8	-7.2
Agriculture & Fisheries	7.44	7.40	-0.03	-0.4
Non-Bank Financial Institutions	1,343.4	1,180.5	-162.9	-12.1
Personal Facilities:	<u>5,072.9</u>	<u>6,214.3</u>	<u>1,141.3</u>	22.5
- Consumer Loans	811.7	790.5	-21.2	<u>-2.6</u>
- Others	4,261.3	5,423.8	1,162.5	27.3
Real Estate	4,749.0	6,056.1	1,307.1	27.5
Crude Oil & Gas	513.5	573.4	59.9	11.7
Public Services	254.8	279.9	25.1	9.9
Other	1,020.5	1,285.3	264.8	25.9
<b>Total</b>	<b>17,535.0</b>	<b>20,330.7</b>	<b>2,795.7</b>	<b>15.9</b>

Source: The Central Bank of Kuwait.

Data (Chart 12) on financing merchandise imports of Kuwaiti private sector indicate that total payments made through local banks for financing these imports decreased by KD 115.6 million or 2.9% to reach KD 3,893.2 million during 2015 against KD 4,008.8 million during 2014.

**Chart (12)**  
**Financing Merchandise Imports Through Local Banks**



The mentioned decrease in the value of financing imports between the years 2014 and 2015 was an outcome of the decline in the value of imports financed in Japanese Yen from KD 493.2 million to KD 296.6 million, Euro from KD 337.4 million to KD 284.8 million, and Swiss Franc from KD 4.8 million to KD 4.2 million on the one hand, and the increase in the value of imports financed in US Dollar from KD 2,205.6 million to KD 2,296.9 million, “other” currencies from KD 938.4 million to KD 972.4 million, and Pound Sterling from KD 29.3 million to KD 38.3 million on the other hand during the same period.

Consequently, the relative share of payments in Japanese Yen decreased from 12.3% to 7.6%, and Euro from 8.4% to 7.3%. Meanwhile, the relative share of payments in US Dollar increased from 55.0% to 59.0%, “other” currencies from 23.4% to 25.0%, and Pound Sterling from 0.7% to 1.0%, while the relative share of payments in Swiss Franc remained unchanged at 0.1% during 2015.

#### **4 - Developments in Domestic Interest Rates:**

Within CBK’s framework to harmonize local interest rates in KD with trends in interest rates on major international currencies, CBK raised the Discount Rate by 25 basis points in December 2015 from its previous level of 2.0%. CBK’s last cut of the Discount Rate was on 3/10/2012 by 50 basis points to reach 2.0%, which is the lowest level recorded in the history of Discount Rate in CBK (Table 20).

CBK continued, during 2015, to apply the structure of the local interest rates in KD adopted since March 30, 2008 stipulating that the maximum limit of interest rates on KD consumer loans and installment loans

(residential) should not exceed three percentage points on CBK’s Discount Rate. Installment loans (residential) are granted at fixed interest rates provided that the loan contract contains a clause stating that the lender shall review the applied interest rate every five years during the term of the loan, to insure that the applied interest rate at the time of revision is in line with CBK’s announced interest rate for this type of loans. The change in the interest rate should not exceed two percentage points above or below the interest rate applied by virtue of 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 CBK’s Discount Rate. The annual maximum limit of 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
	Rate	Rate	Rate	Loans
2011	2.50	5.00	6.50	5.50
2012	2.00	4.5	6.00	5.00
2013	2.00	4.5	6.00	5.00
2014	2.00	4.5	6.00	5.00
2015	2.25	4.75	6.25	5.25

Source: CBK.

Data on the average interest rates on KD-denominated customer time deposits with local banks during 2015, compared with 2014, point to a rise in the average rate of 0.025 percentage point for 1-month deposits from 0.594% to 0.619%, and 0.010 percentage point for 3-month deposits from 0.779% to 0.789%. On another front, average interest rates on US dollar time deposits with local banks for 1-month deposits declined from 0.157% to 0.154%, and 3-month deposits from 0.277% to 0.269%, between 2014 and 2015. Margins between the average interest rates on KD and US dollar customer deposits with local banks continued to be in favor of the KD and witnessed some rise at the end of 2015, against 2014 (Table 21).

The margin reached 0.465 percentage point against 0.437 percentage point during the previous year for 1-month deposits, and 0.520 percentage point against 0.502 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 2015 compared with their levels during 2014.

**Table (21)**  
**Interest Rates on Customer**  
**KD and US Dollar 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	US \$		KD	US \$	
2012	0.737	0.208	0.529	0.985	0.353	0.632
2013	0.563	0.164	0.399	0.750	0.287	0.462
2014	0.594	0.157	0.437	0.779	0.277	0.502
2015	0.619	0.154	0.465	0.789	0.269	0.520

Source: CBK.

As for the interest rates on Public Debt Instruments (Kuwaiti Treasury Bills and Treasury Bonds) issued by CBK on behalf of the Ministry of Finance, the average interest rates on 1-year Treasury Bonds remained stable at 1.0% during 2015. The average interest rates on 2-year Treasury Bonds also remained stable at 1.125% during 2015. Meanwhile, the average interest rates on over 2-year Treasury Bonds declined by 1.875% to reach 1.250% during 2015, against 3.125% during the previous year. No Treasury Bills were issued during 2015.

Regarding the average interest rates on CBK Bonds, the interest rates on 3-month maturity bonds slightly increased to 0.7589% during 2015, against 0.7500% during 2014. Meanwhile, interest rates on 6-month maturity bonds increased to 0.8958% during 2015 against 0.8636% during the previous year.

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

### A- Issuance of Public Debt Instruments:

CBK manages the issuance of public debt instruments (Kuwaiti Treasury Bills and Treasury Bonds) on behalf of the Ministry of Finance. CBK floated 25 issues of Treasury Bonds with a nominal value of KD 1,250.0 million during 2015 (22 issues of 1-year maturity with a total nominal value of KD 1,100.0 million, 1 issue of 2-year maturity with a total nominal value of KD 50.0 million and 2 issues of 3-year maturity with a total nominal value of KD 100.0 million). During the same period, 26 previous issues matured with a total nominal value of KD 1,300.0 million (22 issues of 1-year maturity with a total nominal value of KD 1,100.0 million, 2 issues of 2-year maturity with a total nominal value of KD 100.0 million, and 2 issues of 3-year maturity with a total nominal value of KD 100.0 million). Accordingly, at the end of 2015, the outstanding balance of Treasury Bonds remained stable at its 2014 level of KD 1,587.3 million.

Regarding the distribution of the outstanding balances of public debt instruments held by different institutions at the end of 2015, data indicate that the increase witnessed in the total outstanding balances of public debt instruments is reflected in the rise in the balance of local banks' holdings of KD 17.0 million or 1.1% from KD 1,562.6 million at the end of 2014 to KD 1,579.6 million at the end of 2015, accounting for 99.5% of the total balance at the end of the mentioned year.

**Table (22)**  
**Developments of Public Debt Instruments**  
(KD Million)

Particulars	2013	2014	2015
<b>Issues:</b>	<b>1,217.3</b>	<b>1,210.0</b>	<b>1,250.0</b>
Bills	0.0	0.0	0.0
Bonds	1,217.25	1,210.0	1,250.0
<b>Maturities:</b>	<b>1,445.0</b>	<b>1,150.0</b>	<b>1,300.0</b>
Bills	0.0	0.0	0.0
Bonds	1,445.0	1,150.0	1,300.0
<b>Balances at Year End:</b>	<b>1,527.3</b>	<b>1,587.3</b>	<b>1,587.3</b>
Bills	0.0	0.0	0.0
Bonds	1,527.3	1,587.3	1,587.3

Source: CBK.

On another front, the balance of other institutions' holdings decreased by KD 17.0 million or 68.9% from KD 24.6 million at the end of 2014 to KD 7.7 million at the end of 2015.

## B- Issuance of CBK Bonds:

Table (23)  
Developments of CBK Bonds (KD Million)

Particulars	2013	2014	2015
<b>Issues:</b>	<b>6,092.0</b>	<b>6,150.0</b>	<b>5,950.0</b>
3 Months	4,514.0	4,600.0	4,100.0
6 Months	1,578.0	1,550.0	1,850.0
<b>No. of Issues:</b>	<b>41</b>	<b>42</b>	<b>41</b>
3 Months	31	32	29
6 Months	10	10	12
<b>Maturities:</b>	<b>6,144.0</b>	<b>6,125.0</b>	<b>6,000.0</b>
3 Months	3,869.0	4,625.0	4,300.0
6 Months	2,275.0	1,500.0	1,700.0
<b>No. of Maturities</b>	<b>41</b>	<b>40</b>	<b>41</b>
3 Months	28	30	30
6 Months	13	10	11
<b>Balances at Year End:</b>	<b>1,900.0</b>	<b>1,925.0</b>	<b>1,875.0</b>
3 Months	1,175.0	1,150.0	950.0
6 Months	725.0	775.0	925.0
<b>No. at Year End:</b>	<b>39</b>	<b>44</b>	<b>10</b>
3 Months	22	28	5
6 Months	17	16	5

Source: CBK.

million (29 issues of 3-month maturity with a total nominal value of KD 4,100.0 million, and 12 issues of 6-month maturity with a total nominal value of KD 1,850.0 million) (Table 23).

At the same time, 41 previous issues matured during 2015 with a total nominal value of KD 6,000.0 million (30 issues of 3-month maturity with a total nominal value of KD 4,300.0 million, and 11 issues of 6-month maturity with a total nominal value of KD 1,700.0 million). As a result, the outstanding balance of CBK Bonds declined by KD 50.0 million from its balance at the end of 2014 of KD 1,925.0 million to KD 1,875.0 million at the end of 2015.

## 6- Activity of the Interbank Deposit Market of Local Banks:

Activity in the local interbank KD-deposit market witnessed an increase during 2015. The value of market transactions reached KD 94,534.5 million against KD 88,886.0 million during 2014, i.e. a rise of KD 5,648.8 million or 6% (Table 24). Data indicate an increase in the relative share of certain transactions values, particularly “longer than overnight and up to one month” transactions to 57.1 % during 2015 against 53.7% during 2014. Meanwhile the relative share of “overnight” transactions declined to 40.8% of total transactions against 43.4% during 2014, and the relative share of “over six-months” transactions to 0.2% compared to 0.3%.

**Table (24)**  
**Distribution of Transaction Values of the Interbank Deposit Market of Local Banks (\*)**  
**According to Maturity Periods (KD million)**

Maturity Period	2014		2015	
	Value	% of Total	Value	% of Total
Overnight	38,566.1	43.4	38,554.9	40.8
Over one night to one week	40,721.7	45.8	48,993.1	51.8
Over one week to one month	6,973.1	7.8	4,962.9	5.2
Over one month to three months	1,269.7	1.4	1,020.3	1.1
Over three months to six months	1,058.0	1.2	804.6	0.9
Over six months	297.5	0.3	198.9	0.2
<b>Total</b>	<b>88,886.0</b>	<b>100.0</b>	<b>94,534.5</b>	<b>100.0</b>

Source: CBK.

(\*) Excluding CBK operations.

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

The balances of accounts of CBK on the one hand and local banks on the other, 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 a positive value, or a net absorption by CBK of the KD liquidity surplus with local banks if it is a negative value (Table 25), all within CBK's efforts to manage local liquidity levels.

Available data indicate that the balance of local banks' claims on CBK witnessed a notable decline of KD 1,082.0 million or 18.7% during 2015 to reach KD 4,695.8 million at the end of the year against KD 5778 million at the end of 2014. This decline was the outcome of the decrease in the balances of local banks' time deposits with CBK of KD 1,214.8 million or 35.4%, and the balances of local banks' holdings of CBK Bonds of KD 50 million or 2.6% on the one hand, and the increase in the balances of demand deposits of local banks with CBK of KD 182.6 million or 43.3% on the other. No CBK claims on local banks were recorded at the end of 2015. In view of these developments, local banks' net claims on CBK declined by KD 1,082.2 million or 18.7% at the end of 2015 from its recorded level at the end of the previous year.

**Table (25)**  
**Trends in Development of KD Balances of CBK with Local Banks (KD Million)**

End of Period	Local Banks Claims on CBK				CBK Claims on Local Banks				Net Balance
	On Demand Deposits	CBK Bonds	Time Deposits with CBK	Total	Currency Swaps	Discount and Re-discount	Deposits and Current Accounts with Local Banks	Total	
2013	533.0	1,900.0	2,916.4	5,349.4	-	-	-	-	-5,349.4
2014	420.3	1,925.0	3,432.7	5,778.0	-	-	-	-	-5,778.0
2015	602.9	1875	2,217.9	4,695.8	-	-	-	-	-4,695.8

Source: CBK.

### 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 134.4 thousand transactions or 5.6% to a total of 2,545.6 thousand transactions during 2015 amounting to KD 19,774.2 million against 2,411.2 thousand transactions amounting to KD 13,512.2 million during 2014. The total value of clearing transactions during 2015 increased by KD 6262 million or 46.3% from its level during 2014. Consequently, the average value per transaction (average value of cheque) increased by KD 2,164.0 or 38.6% to KD 7,768.0 during 2015 against KD 5,604 during 2014.

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), grew by KD 28.3 billion or 10.4% to KD 301.8 billion during 2015 against KD 273.4 billion during 2014.

**Table (26)**  
**Clearing Transactions**

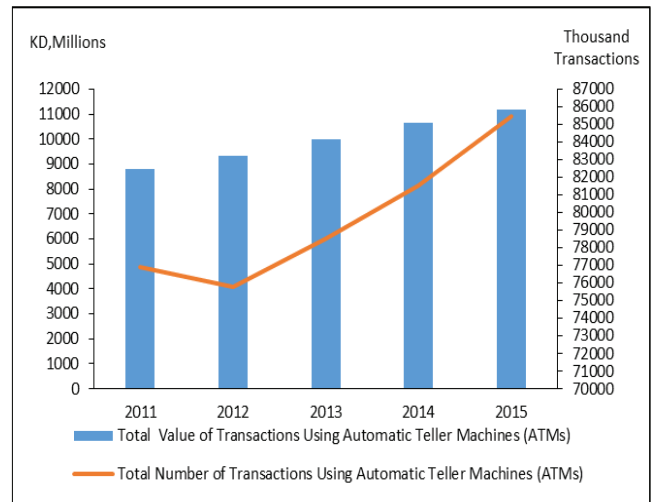
Period	Checks			Local Interbank Settlement Transactions (KD Million)
	Total Value (KD million)	Number of Transactions (Thousand Transactions)	Average Transaction Value (KD million)	
2013	12,973.0	2,334.9	5,556.1	197,475.8
2014	13,512.2	2,411.2	5,604.0	273,448.7
2015	19,774.2	2,545.6	7,768.0	301,795.8

Source: CBK.

## 9- Transactions Using Plastic Cards:

Available data regarding transactions using **plastic cards** (including transactions using 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** of 5.2% reaching KD 11,184.8 million (distributed over 85 million transactions) during 2015 against KD 10,633.4 million (distributed over 82 million transactions) during 2014.

Chart (13)  
Total Value and Number of Transactions Using ATM Machines

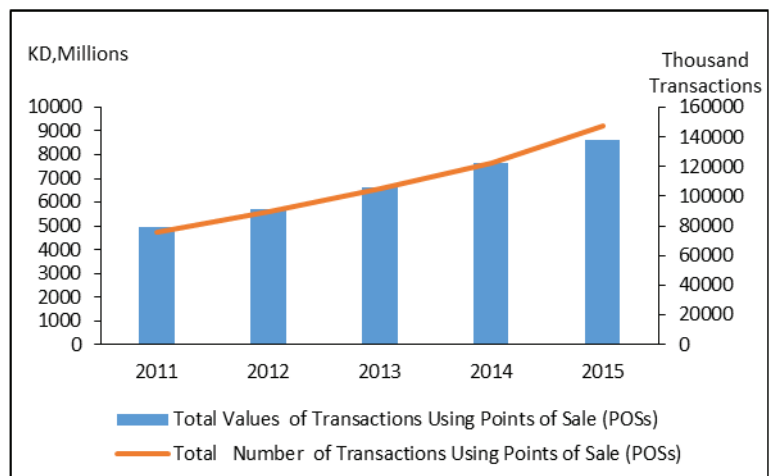


Source: CBK

In this context, **total value of ATM transactions in the State of Kuwait** amounted to KD 10,776.1 million (distributed over 82 million transactions) during 2015 against KD 10,264.2 million (distributed over 78 million transactions) during the previous year, i.e. a rise of 5%.

Chart (14)  
Total Value and Number of Transactions Using Points of Sale (POSs)

Furthermore, **total value of Points of Sale (POS) transactions in the State of Kuwait and abroad** increased by KD 1006 million or 13.2% reaching KD 8,638.6 million (distributed over 148 million transactions) during 2015 against KD 7,632.6 million (distributed over 123 million transactions) during the previous year.



Source: CBK

Within this context, **total value of POS transactions in the State of Kuwait** amounted to KD 7,839.4 million (distributed over 135 million transactions) during 2015 against KD 6,919.7 million (distributed over 112 million transactions) during the previous year, i.e. a rise of 13.3%.

Data on the **number of payment devices used in the State of Kuwait**, which are represented in the POS machines and ATMs, indicate an increase in the number of **POS** machines to reach 166696 at the end of 2015 against 141199 at the end of 2014, i.e. a rise of 18.1%. Data also indicate an increase in the number of **ATMs** of 7.1% to reach 6751 during 2015 against 6305 during the previous year.

### **10- Developments in Banking Oversight and Supervision:**

The most significant accomplishments made by CBK as part of the following projects that are listed in the Annual Plan of 2015/16, with the key instructions, circulars and controls issued for the banking and financial units under its supervision during the mentioned year are addressed below with a brief description of their objectives:

- **Intensifying the supervisory and oversight efforts over the banking and financial sector units to enhance the sector's ability to fulfill its role in the national economy.**
- **Verifying the financial and banking sector units' commitment to execute supervisory instructions and implement sound financial and banking practices.**
- **Sustaining the efforts to develop supervision and oversight systems and instructions concerning the financial and banking sector units to strengthen their financial position and enhance their role in the national economy.**
- **Continuing efforts to establish competitive efficiency in the banking and financial sector units.**
- **Adopting and implementing sound governance standards by the units of the banking and financial sector, which would contribute to the strengthening of the basic components of these units' financial position, improve their performance and achieve financial stability.**

## **Implementation of Basel Committee Banking Supervision Standards (Basel III Set of Reforms):**

- Within the framework of CBK's efforts to implement the international supervisory standards to immunize the banking system as well as increase its ability to resist shocks, CBK has taken the necessary measures to implement Basel Committee Banking Supervision Standards known as Basel III Set of Reforms and completed the application of the Net Stable Funding Ratio (NSFR), whereby these standards become applicable in their entirety as follows:

A- CBK's Board of Directors approved on 24/6/2014 the final form of Basel III Capital Adequacy Standard instructions for conventional and Islamic banks, where the minimum level of Basel III capital adequacy ratio is 13%. In line with the decisions of Basel Committee on Banking Supervision and the directions of global central banks, CBK's instructions permit banks to gradually attain the minimum level of Basel III capital adequacy ratio within 3 years (2014 – 2016) in accordance with the transitional period stipulated in the issued instructions. All Kuwaiti banks meet the requirements of this ratio, which amounted to 16.5% on average (according to Basel III instructions) at the end of September 2015 (on a collective base). In addition, more than 90% of the capital base represents the first layer, which is characterized by high quality. Moreover, it is evident that the capital adequacy ratio of Kuwaiti banks exceeds the minimum requirements as defined by the CBK and which, in turn, is higher than the international standard rate of 10.5%. This standard aims to improve capital quality, increase the ratio of regulatory capital, develop risk management to strengthen banks' absorption capacity against losses, and increase their ability to withstand shocks, in addition to the introduction of major amendments in the field of disclosure and transparency enhancement.

B- In accordance with Basel III requirements, CBK's Board of Directors approved on 21/10/2014 the Leverage Ratio (LR) Standard for conventional and Islamic banks requiring a minimum leverage ratio of 3%. This standard is aimed at limiting leverage accumulation in the banking sector to contain systemic risks that may affect financial stability, taking into consideration that calculation of the leverage ratio is not based on the size of risk-weighted assets as required by Basel III Capital Adequacy Standard instructions but on the

banks' total assets on/off balance sheet, and that banks meet this ratio in excess of the minimum requirements.

- C- In accordance with Basel III requirements, CBK's Board of Directors approved on 23/12/2014 the Liquidity Coverage Ratio (LCR) Standard for conventional and Islamic banks. This standard is aimed at enhancing banks' ability to manage short-term liquidity risks, ensuring the availability of sufficient amount of high quality liquid assets in banks to cover liquidity needs that may occur according to the 30 day stress scenario.
- D- CBK's Board of Directors approved on 25/10/2015 the Net Stable Funding Ratio (NSFR) Standard for conventional and Islamic banks, including foreign banks' branches in the State of Kuwait. By that the CBK completes the application of Basel III Set of Reforms, taking the State of Kuwait to the forefront of world countries to apply the latest Basel Committee Standards following the global financial crisis to consolidate financial stability, taking into consideration lessons drawn from the crisis. The standard is designed to guide banks to enhance their stable funding sources in terms of matching assets maturity both on/off balance sheet and to reduce the reliance of banks on unstable short-term funding sources in financing their assets. The NSFR Standard seeks to affirm that the banks' available stable funding is sufficient to meet the required amount of stable funding in light of each bank's assets and liabilities structure.

### **Inspection using risk-based supervision:**

- In the context of the inspection using risk-based supervision methodology, CBK continued during 2015 to execute inspection tasks on banks using advanced methods focusing on quantitative and qualitative evaluation of banks' activity components according to CAMEL-BCOM mechanism. This mechanism has also been implemented in the field of anti-money laundering and financing terrorism.

### **Following-up the banks' risk management strategy:**

- Within the context of keeping pace with international banking supervision standards, and in light of CBK's attention to large exposures and concentrations of credit risk in Kuwaiti banks, as well as banks' mechanism for risk management, Kuwaiti banks were requested on 24/12/2014 to submit a brief report on the risk management strategy adopted particularly in relation to large exposures and concentrations of credit, bank's methodology in evaluating the creditworthiness of customers, as well as the applicable bases and rules regarding the assessment of the conditions and quality of different guarantees. Banks were also requested to submit an annual statement on the indebtedness of the largest 25 customers and their related parties, along with the bank's evaluation and future vision of the level of risks each customer may incur. CBK examines and discusses the reports with the banks to take appropriate measures in view of the developments described in those reports.

### **Improved ratio of irregular debt in Kuwaiti banks:**

- Within the framework of CBK's follow-up of Kuwaiti banks' credit and finance portfolio through cooperation with the banks on the application of sound practices, the ratio of irregular cash debt of Kuwaiti banks on the level of local activity to total cash facilities portfolio decreased to 2.4% at the end of December 2015 against 3.6% and 2.9% at the end of December 2013 and 2014 respectively. This ratio had reached 8.9% at the end of December 2010.

### **Scholarships program for Kuwaiti graduates:**

- Within CBK's pursuance of its duty towards the community to enhance the national cadres' capability to support the development process in the State of Kuwait it continued the implementation of its initiative, in collaboration with local banks, regarding the Kuwaiti graduates' scholarship program to obtain a master's degree from the best universities in the world. Those scholars are free to work in any organization in the public or private sector.

### **Authorizing foreign banks operating in the State of Kuwait to open multiple branches and representatives branches:**

- In the context of CBK's endeavors to enhance banks' local activities, improve their performance and encourage competition within the banking sector, and in light of the legislative amendment that allows foreign banks operating in the State of Kuwait to open multiple branches as well as representatives branches, the CBK issued on 25/3/2014 a circular to all foreign banks operating in the State of Kuwait containing the controls, terms and bases that need to be adhered to by licensed foreign banks operating in the State of Kuwait to open more than one branch as approved by CBK's Board of Directors. CBK's Board of Directors approved the opening of Qatar National Bank's second branch on 21/10/2014, which became the first foreign bank to benefit from this amendment.

### **Signing letters of intent for cooperation in the field of consolidated supervision and exchange of information between the mother state and the country hosting banking entities:**

- On 28/3/2015, CBK has signed letters of intent for cooperation with The China Banking Regulatory Commission (CBRC) as part of the recommendations made by the Basel Committee on Banking Supervision with respect to regulation and exchange of consolidated information between mother state and the country hosting banking entities. It is worth mentioning that the State of Kuwait has a banking presence in China with the establishment of the National Bank of Kuwait (NBK) in China. On the other hand, China has a banking presence with the Industrial and Commercial Bank of China Ltd. (ICBC) in Kuwait, which has already been authorized to operate in the State of Kuwait according to CBK's Board of Directors decision and the Council of Ministers' approval.

### **The application of the electronic cheques clearing system:**

- In June 2015, CBK introduced electronic clearing system of cheques as an alternative to the previously used manual system. This system has several advantages for the local banking system's customers; most important of which is its ability to improve the operational efficiency of cheques clearing by reducing the time needed to collect the cheque and deposit it in the beneficiary's account from over four days to one working day or even within the same day. Consequently, this

leads to improvement in customer service as well as reduction of systemic risk related to the collection of deferred cheques through the system's ability to provide instant information and data that detects cheque fraud.

### **Developing the systems and improving data quality:**

- In the field of developing the systems and improving the quality of data presented to CBK, and the transition process from the manual system to the electronic system so as to increase the speed and efficiency of oversight and supervision over the units under CBK's supervision, a number of projects have been implemented during 2014 and 2015.

Furthermore, the programs of information development systems have been installed on CBK's systems to be used by the Customers Protection Unit. Most important of these projects, for example, is the electronic banking system project, the centralized system of new risks project, the new Islamic banks control system, the registration of banking units system, and the system of rating policy of credit facilities for conventional banks.

### **Strengthening supervision controls on exchange companies:**

- With the growing significance of the exchange companies' role in the field of financial intermediation, being specialized institutions in this activity, and as part of the measures taken by CBK to strengthen the supervisory controls on exchange companies' activities ensuring their compliance with a set of standards and requirements that are in line with the supervisory developments aimed at enhancing companies' sound practices and improving the performance of this sector being one of the central pillars of the financial system in the country, CBK's Board of Directors approved on 21/10/2014 a set of foundations and controls related to the establishment of exchange companies and supervision of their activities, identifying minimum capital requirements and the eligibility requirements for key executive positions in these companies.

### **Following up the implementation Family Support Fund Law:**

- Within the framework of implementing the Family Support Fund Law and CBK's circulation of 10/6/2013 in this regard, CBK has monitored the auditors' reports on the inspection of loans that benefited debtors under that law, to validate the procedures carried out by banks in the field of law enforcement. CBK conducts a weekly follow-up, through the statistical data presented by banks via Kuwait Banking Association (KBA), on the developments of loans under the provisions of this law, as part of the regulatory and supervisory role of CBK on those banks.

### **Modifying the instructions of consumer and installment loans:**

- Within CBK's efforts to fortify banking sector clients' security through emphasis on promoting transparency and disclosure in the financial and banking transactions offered by banks to various clients, and owing to CBK's interest in financial inclusion which covers the delivery of banking and financial services to all segments of society, CBK's Board of Directors approved on 5/7/2015 the inclusion of amendments to the instructions of the foundations and rules for granting consumer loans and other installment loans. These amendments aim at enhancing transparency and clarity of the transactions carried out by banks, investment firms and finance companies with their customers in this regard, as well as ensuring that the customers are informed of the financial implications of such loans. These amendments require that customers are given a follow-up period of a minimum of two days to inform them of all the financial implications of the loans to be provided to them as well as the contractual terms and obligations.

These amendments also require providing more transparency and clarity in the contracts concluded by banks and companies with their customers so that the rights and obligations of each party in these contracts are clear, understandable, and compliant with local laws, relevant decisions, and the instructions of CBK. In addition, the amendments aim to meet the needs of such loans' customers by allowing the regular-paying client to revise the existing contract terms in a way that permits obtaining a new loan of the same type (consumer or installment) whether from the current creditor institution or another creditor institution (banks, investment companies, finance companies).

## **Customers Protection Guide:**

- As part of CBK's efforts to complete the instructions issued to banks on the promotion of transparency and disclosure in financial and banking transactions, and the establishment of necessary components to foster an appropriate environment for maintaining customers' rights as part of a balanced relationship that provides protection for the banking sector from reputational risks that may arise from the banks' incompliance with the controls of banking code of conduct. CBK issued on 5/7/2015 the instructions of the Bank Customers Protection Guide in the light of the increased international concern during the last couple of years regarding consumer protection in the areas of financial services as a result of the global financial crisis and the developments in new financial instruments and services, including the expansion of electronic services, and the increasing chances of transferring risks to clients in various sectors, especially in the case of customers' lack of financial knowledge and awareness.

The Guide also addresses the development of the Customer Protection Unit functions in banks as well as in the CBK, in addition to identifying the methods and mechanisms to increase customers' financial awareness, examining the state of financial inclusion in the country, banking confidentiality, and the limits of customer protection.

Within this context, and in abidance of the instructions contained in the Customer Protection Guide, banks are requested to state their plans regarding financial awareness and education activities in their annual plans, as well as identify the mechanisms and means necessary to implement that plan. The reports that are semi-annually submitted to CBK should contain the development of retail and companies sectors, as well as the implemented segments regarding awareness, education and financial inclusion within the mentioned plan.

## **Instructions issued to Kuwaiti banks concerning the services they provide to people with special needs:**

- Regarding the instructions issued to Kuwaiti banks on the services provided to people with special needs, these instructions include a set of principles and practices related to banking services offered to all people with special needs in general, and a set of principles and practices for blind customers as well as customers with hearing and visual impairment in particular. Those are allowed to benefit from the banking products and services by providing all the banking services by banks to achieve that, without incurring any additional costs, for example, by selecting a branch in each province (as a minimum) to provide banking services to people with special needs, in parallel with the normal work in the branch. Banks' are obligated to equip such branches with at least one ATM machine with special features such as a speaker and a Braille keyboard. Banks' are also obligated for guaranteeing the right of equality for clients with special needs in obtaining, credit facilities and other financial services, providing branch and ATM access to customers using wheelchairs, and ensuring that the services, account statements and notices posted to this category of customers are printed in Braille, as well as other special requirements that may apply for such customers.



Financial Indicators of the  
Banking and Financial  
System

2015



## Financial Indicators of the Banking and Financial System

This part of the Economic Report 2015 reviews key aggregate financial indicators of the banking and financial sector comprising local banks (conventional, specialized, and Islamic 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.

The institutional structure of the local banking and financial system supervised by CBK comprised 148 registered units as at the end of 2015, encompassing 23 local banks of which are 5 conventional banks, 5 Islamic banks, one specialized bank and 12 foreign bank branches, one of which is an Islamic Bank branch. It also includes 85 investment companies, 47 of which are

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

<b>Local Banks</b>					
End of period	No. of head Offices	No. of local Branches	No. of External Branches	No. of Representative Offices	Total Branches/ Representative offices
2013	22	400	16	3	419
2014	23	419	16	4	439
2015	23	401	16	4	421

Source: CBK.

companies operating in accordance with the provisions of the Islamic Sharia, under the dual supervision of the CBK and the Capital Markets Authority (CMA), and two finance companies supervised by the CBK, one of which is operating in accordance with the provisions of the Islamic Sharia. The CBK is responsible only for the finance activity practiced by these companies plus 40 exchange companies. In this respect, the supervision responsibilities over investment funds and investment companies -excluding the finance activity- were transferred to the CMA in accordance with Law No. 7/2010 on the "Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities", effective 13 September 2011.

### Aggregate Balance Sheet of Local Banks

The total number of local banks onshore branches decreased to 401 at the end of 2015 against 419 at the end of the previous year. The number of local banks offshore branches (16) as well as the number of offshore representative offices (4) saw no change during 2015.

The aggregate balance sheet of local banks (excluding offshore branches and subsidiaries) amounted to KD 58,595.1 million at the end of 2015 against KD 55,452.3 million at the end of the previous year, realizing a growth of KD 3,142.8 million or 5.7% during 2015, compared with a growth of KD 3,967.5 million or 7.7% during 2014.

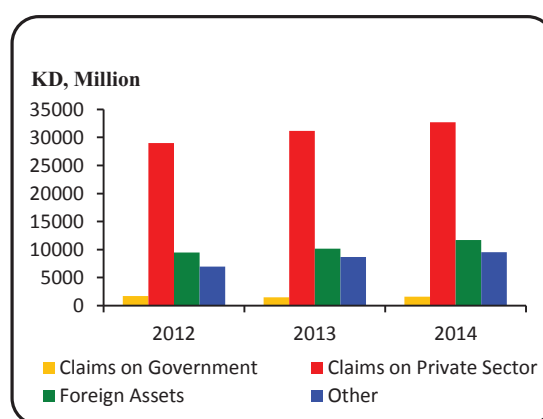
In order to identify the most significant changes in the main elements of the aggregate balance sheet of local banks as at the end of 2015 - as shown in Tables (28 & 28-A) - compared with the previous year, the noteworthy factors and developments in terms of some key elements of the balance sheet as at the end of 2014 and 2015, are indicated as follows:

### First- Domestic Assets:

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

**1- Claims on the Private Sector:** Local banks’ claims on the private sector grew by KD 2,470.8 million or 7.6% reaching KD 35,176.7 million at the end of 2015 compared to KD 32,705.9 million at the end of the previous year. This increase was mainly the result of the growth in the utilized cash portion of credit facilities extended to residents of KD 2,473.0 million on the one hand, and the decline in other domestic investments of KD 2.2 million on the other.

(Chart 15)  
Local Banks’ Assets



**2- Claims on the Government:** These claims are banks’ holdings of public debt instruments. The outstanding balance of local banks’ claims on government grew to KD 1,579.6 million at the end of

2015 against KD 1,562.6 million at the end of the previous year, recording an increase of KD 17.0 million or 1.1%.

**3- Claims on the CBK:** These claims consist of cash and cash balances, sight deposits, time deposits and holdings of CBK Bonds. The outstanding balance of these claims decreased by KD 1,137.2 million or 18.5% during 2015, from KD 6,133.1 million at the end of 2014 to KD 4,995.9 million at the end of 2015.

**Table (28)**  
**Aggregate Balance Sheet of Local Banks (Assets)\***

Items	Balances at year end (KD, Million)		Change in 2015	
	2014	2015	Value	(%)
<b>Claims on CBK, of which:</b>	<b><u>6,133.1</u></b>	<b><u>4,995.9</u></b>	<b><u>-1,137.2</u></b>	<b><u>-18.5</u></b>
Time Deposits with CBK	3,432.7	2,217.9	-1,214.8	-35.4
Sight Deposits	423.2	601.8	178.6	42.2
CBK Bonds	1,925.0	1,875.0	-50.0	-2.6
<b>Local Interbank Deposits</b>	<b>1,782.5</b>	<b>2,600.2</b>	<b>817.7</b>	<b>45.9</b>
<b>Claims on the Government:</b>	<b><u>1,562.6</u></b>	<b><u>1,579.6</u></b>	<b><u>17.0</u></b>	<b><u>1.1</u></b>
Treasury Bonds	1,562.6	1,579.6	17.0	1.1
Treasury Bills	0.0	0.0	0.0	0.0
<b>Claims on the Private Sector:</b>	<b><u>32,705.9</u></b>	<b><u>35,176.7</u></b>	<b><u>2,470.8</u></b>	<b><u>7.6</u></b>
Credit Facilities to Residents	30,736.6	33,209.6	2,473.0	8.0
Other Local Investments	1,969.3	1,967.1	-2.2	-0.1
<b>Foreign Assets, of which:</b>	<b><u>11,680.6</u></b>	<b><u>12,551.5</u></b>	<b><u>870.9</u></b>	<b><u>7.5</u></b>
Deposits with Foreign Banks	6,205.5	6,794.3	5,88.8	9.5
Foreign Investments	3,720.9	3,780.7	59.8	1.6
KD Credit Facilities to Non-Residents	176.3	190.6	14.3	8.1
Foreign Currency Facilities to Non-Residents	1,032.9	1,178.4	145.5	14.1
<b>Other Assets</b>	<b>1,587.7</b>	<b>1,691.2</b>	<b>103.5</b>	<b>6.5</b>
<b>Assets</b>	<b><u>55,452.3</u></b>	<b><u>58,595.1</u></b>	<b><u>3,142.8</u></b>	<b><u>5.7</u></b>
<b>Number of Banks</b>	<b>23</b>	<b>23</b>		

\* Data on offshore branches and subsidiaries is not included.

Source: CBK.

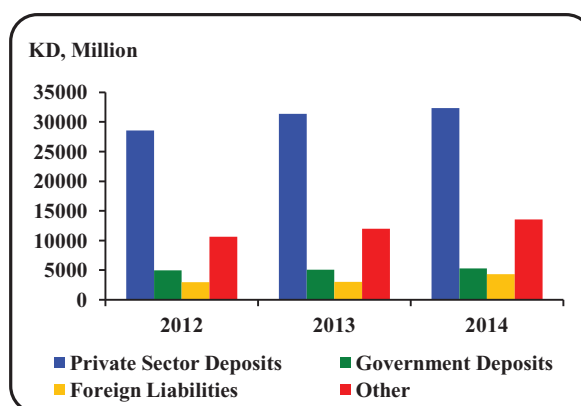
## Second- Domestic Liabilities:

Liabilities in the aggregate balance sheet of local banks contain primary sources of finance through which money resources for banks are generated. Private sector (resident) deposits are the main source of local banks' funds and thus a dominating factor in the structure of banks' liabilities. Following is an analysis of developments in the elements of liabilities within local banks' aggregate balance sheet during the years 2014 and 2015:

**1- Private Sector (Resident) Deposits:** Private sector resident deposits with local banks increased to KD 32,895.7 million at the end of 2015 against KD 32,480.0 million at the end of the previous year, i.e. a growth of KD 415.7 million or 1.3%. This growth was the outcome of the increase in the foreign currency deposits by the equivalent of KD 699.4 million or 24.2% on the one hand, and the decline in KD deposits of KD 283.7 million or 1.0% on the other.

**2- Government Deposits:** Government (ministries, government departments, public authorities and institutions with budgets attached to the State General Budget, and Kuwait Credit Bank) deposits with local banks increased to KD 5,879.0 million at the end of 2015 compared to KD 5,286.0 million at the end of the previous year, i.e. a growth of KD 593.0 million or 11.2%.

(Chart 16)  
Local Banks' Liabilities



**3- Shareholders' Equity:** Shareholders' equity in local banks, including paid-up capital, increased by KD 59.1 million or 0.8% from KD 7,524.8 million at the end of 2014 to KD 7,583.9 million at the end of 2015.

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

Items	Balances at year end (KD, Million)		Change in 2015	
	2014	2015	Value	(%)
<b>Private Sector Deposits:</b>	<u>32,480.0</u>	<u>32,895.7</u>	<u>415.7</u>	<u>1.3</u>
KD Deposits	29,588.6	29,304.9	-283.7	-1.0
Foreign Currency Deposits	2,891.4	3,590.8	699.4	24.2
<b>Government Deposits</b>	<b>5,286.0</b>	<b>5,879.0</b>	<b>593.0</b>	<b>11.2</b>
<b>Local Interbank Deposits</b>	<b>1,804.9</b>	<b>2,417.2</b>	<b>612.3</b>	<b>33.9</b>
<b>Shareholders' Equity</b>	<b>7,524.8</b>	<b>7,583.9</b>	<b>59.1</b>	<b>0.8</b>
<b>Foreign Liabilities: of which:</b>	<u>4,297.4</u>	<u>4,692.8</u>	<u>395.4</u>	<u>9.2</u>
Foreign Bank Deposits	2,921.4	2,786.5	-134.9	-4.6
Foreign Non-Bank Deposits	996.8	1,317.5	320.7	32.2
<b>Other Liabilities</b>	<b>4,059.3</b>	<b>5,126.6</b>	<b>1,067.3</b>	<b>26.3</b>
<b>Liabilities</b>	<b>55,452.3</b>	<b>58,595.1</b>	<b>3,142.8</b>	<b>5.7</b>
<b>Number of Banks</b>	<b>23</b>	<b>23</b>		

\* Data on offshore branches and subsidiaries not included.  
Source: CBK.

### Third- Net Foreign Assets:

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

- 1- **Foreign Assets:** Total foreign assets of local banks grew by the equivalent of KD 870.9 million or 7.5% during 2015 to reach the equivalent of KD 12,551.5 million at the end of that year compared with the equivalent of KD 11,680.6 million at the end of 2014, accounting for 21.4% of total assets at the end of 2015 compared to 21.1% at the end of the previous year.
- 2- **Foreign Liabilities:** Total foreign liabilities of local banks increased to the equivalent of KD 4,692.8 million at the end of 2015 against the equivalent of KD 4,297.4 million at the end of 2014, i.e. an

increase equivalent to KD 395.4 million or 9.2%, accounting for 8.0% of total liabilities at the end of 2015 compared to 7.7% at the end of the previous year.

- 3- Net Foreign Assets:** As a result of the aforementioned developments in the total foreign assets and total foreign liabilities, net foreign assets of local banks increased by the equivalent of KD 475.5 million or 6.4% at the end of 2015 compared with the end of the previous year.

#### **Fourth- Contra Accounts:**

Contra accounts are off-balance-sheet items (sometimes referred to as opposite accounts) on both assets and liabilities sides. On the assets side, they form contingent assets, i.e. assets that are unrealized in banks' or customers' accounts on the balance sheet date. These contingent assets may become realized assets at a later date, if the relevant conditions are met. These accounts are offset on the liabilities side by banks' contingent liabilities to third parties which may, in turn, become realized liabilities once the relevant conditions are met.

Contra accounts are mainly non-cash payment facilities extended by local banks to clients. Various types of such facilities are grouped, off-balance-sheet, into three basic items: documentary credits (letters of credit), bank guarantees (letters of guarantee), and bank acceptances. According to Table (28-B) total contra accounts with local banks amounted to KD 13,621.5 million at the end of 2015 against KD 11,594.4 million at the end of the previous year, i.e. an increase of KD 2,027.1 million or 17.5%, accounting for 23.2% of the aggregate balance sheet of local banks at the end of 2015 against 20.9% at the end of 2014.

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

Items	Balances at year end (KD, Million)		Change in 2015	
	2014	2015	Value	(%)
<b>Contra Accounts</b>	<b><u>11,594.4</u></b>	<b><u>13,621.5</u></b>	<b><u>2,027.1</u></b>	<b><u>17.5</u></b>
Bank Guarantees	10,172.6	12,343.6	2,171.0	21.3
Documentary Credits	1,028.8	906.7	-122.1	-11.9
Bank Acceptances	393.0	371.3	-21.7	-5.5
<b>Number of Banks</b>	<b>23</b>	<b>23</b>		

\* Data on offshore branches and subsidiaries not included.  
Source: CBK.

### **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 reflections on the financial position of local banks at the end of 2015, 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 Market Operations:**

Sources of funds from domestic market operations originate from 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 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 3,884.5 million during 2015 compared to KD 2,889.4 million during the previous year.

The major portion of domestic financial resources realized during 2015 of KD 2,747.3 million, or 70.7% of total domestic financial resources, resulted from increasing some elements of local liabilities.

Meanwhile, the remaining financial resources of KD 1,137.2 million or 29.3% resulted from decreasing some elements of 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 2015 were exclusively used in increasing some elements of domestic assets by KD 3,409.0 million.

**Table (29)**  
**Summary of Financial Flows in Local Banks during 2014 and 2015**  
(KD, Million)

Items	2014		2015	
	Flows Value	to Total (%)	Flows Value	to Total (%)
<b>First- Domestic Operations:</b>				
<b>1- Total Sources of Funds:</b>	<b>2,889.4</b>	<b>100.0</b>	<b>3,884.5</b>	<b>100.0</b>
* <b>From Increase in Liabilities:</b>	<b>2,714.1</b>	<b>93.9</b>	2,747.3	70.7
Private Sector Deposits	1,094.4	37.9	415.6	10.7
Government Deposits	229.3	7.9	592.9	15.3
Shareholders' Equity	344.8	11.9	59.1	1.5
Local Banks' Deposits	546.4	18.9	612.3	15.8
Other Domestic Liabilities	499.2	17.3	1,067.4	27.5
* <b>From Decrease in Assets:</b>	<b>175.3</b>	<b>6.1</b>	<b>1,137.2</b>	<b>29.3</b>
Claims on CBK	-	-	1,137.2	29.3
Other Domestic Assets	175.3	6.1	-	-
<b>2- Total Uses of Funds:</b>	<b>2,664.4</b>	<b>100.0</b>	<b>3,409.0</b>	<b>100.0</b>
* <b>In Decreasing Liabilities:</b>	-	-	-	-
* <b>In Increasing Assets:</b>	<b>2,664.4</b>	<b>100.0</b>	<b>3,409.0</b>	<b>100.0</b>
Claims on the Private Sector	1,606.7	60.3	2,470.8	72.5
Claims on CBK	478.8	18.0	-	-
Claims on Government	60.2	2.3	17.0	0.5
Deposits with Local Banks	518.7	19.5	817.8	24.0
Other Domestic Assets	-	-	103.5	3.0
<b>Surplus (+) or Deficit (-) of Resources against Uses</b>	<b>225.0</b>	<b>-</b>	<b>475.5</b>	<b>-</b>

Source: CBK.

**Table (29) / Cont'd.**  
**Summary of Financial Flows in Local Banks during 2014 and 2015**  
(KD, Million)

Items	2014		2015	
	Flows Value	to Total (%)	Flows Value	to Total (%)
<b>Second- Foreign Operations:</b>				
<b>1- Total Sources of Funds:</b>	<b>1,253.4</b>	<b>100.0</b>	<b>530.3</b>	<b>100</b>
<b>* From Increase in Liabilities:</b>	1,253.4	100.0	530.3	100.0
Non-Resident (Bank) Deposits	919.8	73.4	-	-
Non-Resident (Non-Bank) Deposits	100.9	8.1	320.7	60.5
Other Foreign Liabilities (including bonds)	232.7	18.6	209.6	39.5
<b>* From Decrease in Assets:</b>	-	-	-	-
<b>2- Total Uses of Funds:</b>	<b>1,478.4</b>	<b>100.0</b>	<b>1,005.8</b>	<b>100.0</b>
<b>* In Decreasing Liabilities:</b>	-	-	134.9	13.4
Non-Resident (Non-Bank) Deposits	-	-	134.9	13.4
<b>* In Increasing Assets:</b>	<b>1,478.4</b>	<b>100.0</b>	<b>870.9</b>	<b>86.6</b>
Foreign Investments	383.3	25.9	59.8	5.9
Local Bank Deposits with Foreign Banks	773.6	52.3	588.8	58.5
KD Credit Facilities to Non-Residents	61.9	4.2	14.3	1.4
Foreign Currency Credit Facilities to Non-Residents	156.0	10.5	145.5	14.5
Other Foreign Assets	103.6	7.0	62.5	6.2
<b>Surplus (+) or Deficit (-) of Resources against Uses</b>	<b>-225.0</b>	<b>-</b>	<b>-475.5</b>	<b>-</b>

Source: CBK.

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

The movement of funds in local banks' domestic operations during 2015 resulted in a net surplus of KD 475.5 million in local financial resources, totaling KD 3,884.5 million after covering the uses of funds in domestic market operations totaling KD 3,409.0 million. The surplus was used to cover the deficit in the financial resources resulting from foreign operations, indicating a net financial outflow of KD 475.5 million.

#### 4- Financial Flows from Foreign Operations:

Total financial resources generated by local banks from foreign operations amounted to the equivalent of KD 530.3 million during 2015, resulting exclusively from increasing some elements of foreign liabilities. Total uses of funds in local banks' foreign operations amounted to the equivalent of KD 1,005.8 million during 2015, used in increasing some elements of foreign assets by the equivalent of KD 870.9 million or 86.6% of total foreign uses of funds, as well as in decreasing some elements of foreign liabilities by the equivalent of KD 134.9 million or 13.4% of total foreign uses of funds. This resulted in a net deficit equivalent to KD 475.5 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 475.5 million.

#### Sixth- Indicators and Financial Ratios:

This part shows some indicators of local banks' financial position at the end of 2015 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 2014 and 2015 shown in Table (30) as follows<sup>1</sup>:

##### 1- Liquidity Standards:

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

Available data indicate a decline in the **cash standard** reaching 32.0% at the end of 2015 compared to 32.8% at the end of 2014, and a decrease in the **liquidity standard** to 38.9% at the end of 2015 from 40.3%

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<sup>1</sup> Indicators and financial ratios are according to local banks' aggregated, not consolidated, data.

at the end of 2014. Accordingly, the average of both standards for the period 2014-2015 was 32.4% for the cash standard and 39.6% for the liquidity standard.

## **2- Uses of Funds Standards:**

The analysis indicates a growth in the ratios of funds uses remaining 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, increased to 101.0% at the end of 2015 compared to 94.6% at the end of 2014, and an annual average of 97.8% for the years 2014 and 2015. The second ratio which shows, among other details, the extent to which domestic private sector deposits were used in funding the domestic private sector, increased to reach 106.9% at the end of 2015 compared to 100.7% at the end of 2014, with an annual average ratio of 103.8% for the years 2014 and 2015. The third ratio, which indicates the share of resident deposits and shareholders' equity in local funding, grew to 98.2% at the end of 2015 compared to 93.6% at the end of 2014, with an annual average ratio of 95.9% for the years 2014 and 2015.

## **3- Profitability Standards:**

Table (30) shows developments in the net profit ratio to average assets, average shareholders' equity, and paid-up capital at the end of 2015 compared with the end of the previous year. Local banks' realized net profits totaled KD 708.2 million during 2015 compared to KD 559.3 million and KD 656.4 million during 2013 and 2014, respectively. The ratio of the realized net profit to average assets, average shareholders' equity and paid-up capital was 1.2%, 9.3% and 27.4%, respectively, in 2015 against 1.2%, 8.7% and 26.1%, respectively, in 2014.

## **4- Adequacy Standards of Shareholders' Equity:**

The ratio of shareholders' equity to total assets, total uses of funds, and total non-cash assets was 12.9%, 14.6% and 18.8%, respectively, at the end of 2015 compared to 13.6%, 15.8% and 20.0% at the end of 2014. Accordingly, the average of the above-mentioned adequacy ratios of shareholders' equity during 2014 and 2015 was 13.3% to total assets, 15.2% to total uses of funds and 19.4% to total non-cash assets,

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

### **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 this respect, and 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 and the phase-in arrangements targeting the minimum ratio of 13% shall be carried out as follows:

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

Capital adequacy ratio in Kuwaiti banks according to Basel III was 17.5% at the end of December 2015 against 16.9% at the end of December 2014.

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

Items	2014	2015	Average
<b>First- Liquidity Standards:</b>			
1- Cash Standard	32.8	32.0	32.4
2- Liquidity Standard	40.3	38.9	39.6
<b>Second- Uses Standards:</b>			
1- Credit Facilities to Private Sector Deposits	94.6	101.0	97.8
2- Claims on Private Sector to Private Sector Deposits	100.7	106.9	103.8
3- Local Uses to Resident Deposits & Shareholders' Equity	93.6	98.2	95.9
<b>Third- Profitability Standards:</b>			
1- Net Profit to Average Assets	1.2	1.2	1.2
2- Net Profit to Average Shareholders' Equity	8.7	9.3	9.0
3- Net Profit to Paid-up Capital	26.1	27.4	26.8
<b>Fourth- Adequacy Standards of Shareholders' Equity:</b>			
1- Shareholders' Equity to Total Assets	13.6	12.9	13.3
2- Shareholders' Equity to Total Uses	15.8	14.6	15.2
3- Shareholders' Equity to Non-Cash Assets	20.0	18.8	19.4
<b>Fifth- Capital Adequacy Standard:</b>			
1- Capital Adequacy Standard (Local Banks)*	16.9	17.5	17.9

Source: CBK.

\* Capital Adequacy Standard for 2014 and 2015 according to Basel III.

## The Aggregate Balance Sheet of Local Investment Companies

The number of registered local investment companies supervised by the CBK decreased to 85 at the end of 2015 compared to 89 at the end of the previous year. Local investment companies sector at the end of 2015 encompassed 38 conventional investment companies and 47 Islamic investment companies. In this respect, and in accordance with Law No. 7/2010 issued on 26 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 finance companies, the supervision of investment companies and investment funds was transferred from the CBK to the CMA as of 13 September 2011, limiting CBK’s supervisory role to the finance activities of the investment companies. Total assets of local conventional and Islamic investment companies amounted to KD 9,827.5 million at the end of 2015 compared to KD 10,465.3 million at the end of 2014, i.e. a decline of KD 637.8 million or 6.1% (Table 32).

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

Period	Number of Investment Companies			Number of Exchange Companies
	Conventional	Islamic	Total	
2011	44	51	95	39
2012	43	50	93	39
2013	42	50	92	39
2014	40	49	89	39
2015	38	47	85	40

Source: CBK.

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

Items	Balances at year end		Change during 2015	
	2014	2015	Value	(%)
<b>Assets:</b>				
Cash & Balances with local Banks & Investment companies	471.1	426.0	-45.1	-9.6
Financing to Customers	<b>890.5</b>	<b>893.6</b>	<b>3.1</b>	<b>0.3</b>
Loans and Advances to Residents (conventional Companies)	520.9	545.9	25.0	4.8
Financing to Customers	369.6	347.7	-21.9	-5.9
Domestic Investments	<b>2,468.2</b>	<b>2,360.4</b>	<b>-107.8</b>	<b>-4.4</b>
Financial Investments	1,965.5	1,861.8	-103.7	-5.3
Non-Financial Investments	502.7	498.5	-4.1	-0.8
Foreign Assets	4,867.1	4,574.9	-292.2	-6.0
Other Assets	1,768.4	1,572.7	-195.7	-11.1
<b>Assets = Liabilities</b>	<b>10,465.3</b>	<b>9,827.5</b>	<b>-637.8</b>	<b>-6.1</b>
<b>Liabilities:</b>				
Capital and reserve	4,581.9	4,259.1	-322.8	-7.0
Financing from Residents	2,193.8	2,122.2	-71.5	-3.3
Bonds & Financing Instruments	59.1	26.6	-32.5	-55.0
Foreign Liabilities	1,872.6	1,770.5	-102.1	-5.5
Other Liabilities	1,757.9	1,649.0	-108.8	-6.2
<b>Number of Companies</b>	<b>89</b>	<b>85</b>	<b>-4</b>	

\*Including data on subsidiaries.

Source: CBK.

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 2014 and 2015:

### **First- Conventional Investment Companies:**

Available financial data (Table 33) on the 38 conventional investment companies indicate a total aggregate balance sheet of KD 5,727.4 million at the end of 2015, recording a decrease of KD 121.7 million or 2.1% from its level of KD 5,849.1 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 2015 compared with the end of 2014 can be addressed as follows:

- 1- Foreign assets decreased by the equivalent of KD 127.2 million or 3.7% at the end of 2015 compared with the end of the previous year. This decrease resulted from the decline in other foreign assets by the equivalent of KD 135.6 million or 26.5%, foreign investments by the equivalent of KD 17.4 million or 0.7%, and loans and advances to non-residents by the equivalent of KD 9.3 million or 25.5% on the one hand, and from the increase in cash and balances with foreign banks by the equivalent of KD 35.1 million or 17.1% on the other.
- 2- Domestic investments decreased by KD 43.1 million or 3.4% from KD 1,255.2 million at the end of 2014 to KD 1,212.1 million at the end of 2015. This decline resulted from the decrease in financial investments of KD 48.1 million or 4.4% on the one hand, and the increase in non-financial investments of KD 5.0 million or 2.9% on the other.
- 3- Loans and advances to residents grew by KD 25.0 million or 4.8% to reach KD 545.9 million at the end of 2015 against KD 520.9 million at the end of the previous year.

On the liabilities side, notable developments at the end of 2015 compared with the end of 2014 can be highlighted as follows:

- 1- Capital and reserve decreased by KD 22.5 million or 0.8% from KD 2,810.3 million at the end of 2014 to KD 2,787.8 million at the end of 2015.
- 2- Financing from residents decreased by KD 13.2 million or 1.5% at the end of 2015 compared with the end of the previous year, from KD 893.1 million to KD 879.8 million.
- 3- Foreign liabilities declined by the equivalent of KD 30.3 million or 2.4% from KD 1,244.3 million at the end of 2014, to the equivalent of KD 1,214.0 million at the end of 2015.

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

Items	Balances at year end		Change during 2015	
	2014	2015	Value	(%)
<b>Assets:</b>				
Cash & Balances with local Banks and Investment Companies	226.2	211.8	-14.4	-6.4
Loans and Advances to Residents (Conventional Companies)	520.9	545.9	25.0	4.8
Domestic Investments:	<b>1,255.2</b>	<b>1,212.1</b>	<b>-43.1</b>	<b>-3.4</b>
Financial Investments	1,083.0	1,034.8	-48.1	-4.4
Non-Financial Investments	172.2	177.2	5.0	2.9
Foreign Assets	3,429.9	3,302.7	-127.2	-3.7
Other Assets	416.9	455.0	38.1	9.1
<b>Assets = Liabilities</b>	<b>5,849.1</b>	<b>5,727.4</b>	<b>-121.7</b>	<b>-2.1</b>
<b>Liabilities:</b>				
Capital and reserve	2,810.3	2,787.8	-22.5	-0.8
Financing from Residents	893.1	879.8	-13.2	-1.5
Bonds and Financing Instruments	59.1	26.6	-32.5	-55.0
Foreign Liabilities	1,244.3	1,214.0	-30.3	-2.4
Other Liabilities	842.3	819.1	-23.1	-2.7
<b>Number of Companies</b>	<b>40</b>	<b>38</b>	<b>-2</b>	

\*Including data on subsidiaries.

Source: CBK.

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

The review in this part is built on comparable data on the aggregate financial position of 47 Islamic investment companies for 2014 and 2015. Those are the companies registered with the CBK at the end of 2015.

Available financial data (Table 34) indicate a decline in the total aggregate balance sheet of KD 516.2 million or 11.2% at the end of 2015 compared with the previous year reaching KD 4,100.1 million, against KD 4,616.3 million at the end of the previous year. Following are key developments witnessed **on the assets side**:

- 1- Domestic financial investments decreased by KD 64.8 million or 5.3% to reach KD 1,148.3 million at the end of 2015 compared to KD 1,213.1 million at the end of 2014.
- 2- Foreign assets, which are foreign financial/non-financial assets, declined by the equivalent of KD 165.0 million or 11.5% from the equivalent of KD 1,437.2 million at the end of 2014 to the equivalent of KD 1,272.2 million at the end of 2015.
- 3- Financing to customers decreased by KD 21.9 million or 5.9% to KD 347.7 million at the end of 2015 against KD 369.6 million at the end of 2014.

**On the liabilities side**, main developments witnessed at the end of 2015 compared with the end of 2014 can be indicated as follows:

- 1- Shareholders' equity decreased by KD 300.3 million or 17.0% to reach KD 1,471.3 million at the end of 2015 compared to KD 1,771.6 million at the end of 2014.
- 2- Foreign liabilities declined by the equivalent of KD 71.8 million or 11.4% to the equivalent of KD 556.5 million at the end of 2015 against the equivalent of KD 628.3 million at the end of 2014.
- 3- Funding operations made through local banking and financial sector decreased by KD 58.3 million or 4.5% to KD 1,242.4 million at the end of 2015 against KD 1,300.7 million at the end of 2014.

**Table (34)**  
**Aggregate Balance Sheet of Investment Companies**  
**Operating in Accordance with the Provisions of the Islamic Sharia\***  
(KD, Million)

Items	Balances at year end		Change during 2015	
	2014	2015	Value	(%)
<b>Assets:</b>				
Cash & Balances with local Banks and Investment companies	244.8	214.2	-30.6	-12.5
Financing to Customers	369.6	347.7	-21.9	-5.9
<b>Domestic Investments: including:</b>	<b>1,213.1</b>	<b>1,148.3</b>	<b>-64.8</b>	<b>-5.3</b>
Financial Investments	882.6	827.0	-55.6	-6.3
Non-Financial Investments	330.5	321.3	-9.2	-2.8
Foreign Assets	1,437.2	1,272.2	-165.0	-11.5
Other Assets	1,351.5	1,117.7	233.8	-17.3
<b>Assets = Liabilities</b>	<b>4,616.3</b>	<b>4,100.1</b>	<b>-516.2</b>	<b>-11.2</b>
<b>Liabilities:</b>				
Capital and reserve	1,771.6	1,471.3	-300.3	-17.0
Financing from Residents	1,300.7	1,242.4	-58.3	-4.5
Foreign Liabilities	628.3	556.5	-71.8	-11.4
Other Liabilities	915.6	829.9	-85.7	-9.4
<b>Number of Companies</b>	<b>49</b>	<b>47</b>	<b>-2</b>	

\*Including data on subsidiaries.

Source: CBK.

### 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 85 local investment companies registered with the CBK (38 conventional and 47 Islamic) as at the end of 2015 amounted to KD 19,204.4 million, of which KD 17,202.0 million or 89.6% for conventional investment companies, and KD 2,002.4 million or 10.4% for Islamic investment companies, recording a decline of KD 519.9 million or 2.6% from its level of KD 19,724.3 million for 89 registered companies at the end of 2014, of which KD 18,096.9 million or 91.7% for 40 conventional investment companies, and KD 1,627.4 million or 8.3% for 49 Islamic investment companies.

**Table (35)**  
**Contra Accounts of Local Investment Companies\***  
(KD, Million)

Items	Balances at Year-End		Changes in 2015	
	2014	2015	Value	(%)
<b>Contra Accounts:</b>	<b><u>19,724.3</u></b>	<b><u>19,204.4</u></b>	<b><u>-519.9</u></b>	<b><u>-2.6</u></b>
Conventional Investment Companies	18,096.9	17,202.0	-894.9	-4.9
Islamic Investment Companies	1,627.4	2002.4	375.0	23.0
Investment Portfolios	15,862.3	15,534.5	-327.7	-2.1
Investment Funds	1,634.3	1,687.9	53.6	3.3
Foreign Funds	1,759.6	1,488.8	-270.8	-15.4
Custody Assets	391.8	399.6	7.8	2.0
Commitments/Collaterals/ Guarantees	76.3	93.6	17.3	22.6
<b>Number of Investment Companies</b>	<b><u>89</u></b>	<b><u>85</u></b>	<b><u>-4</u></b>	
Conventional Investment Companies**	40	38	-2	
Islamic Investment Companies**	49	47	-2	

\* Including data on subsidiaries.

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

Source: CBK.

### The Aggregate Balance Sheet of Local Exchange Companies

The number of local exchange companies (40) registered with, and supervised by the CBK witnessed no change during 2015. Available data (Table 36) indicate that the aggregate balance sheet of these companies amounted to KD 153.7 million at the end of the year decreasing by KD 0.2 million or 0.1% from its level of KD 153.9 million at the end of the previous year. This decline reflected the following developments on both assets and liabilities sides:

#### First- Assets:

1- Foreign assets of exchange companies decreased by the equivalent of KD 9.2 million or 13.6% to reach the equivalent of KD 58.8 million at the end of 2015 compared with the equivalent of KD 68.0 million at the end of 2014.

- 2- Financial and real estate investments of exchange companies declined by KD 0.5 million or 27.5% to reach KD 1.3 million at the end of 2015 compared with the end of the previous year.
- 3- Claims of exchange companies on financial institutions increased by KD 5.7 million or 19.9% to KD 34.3 million at the end of 2015 against KD 28.6 million at the end of the previous year.
- 4- Liquid assets in the form of cash and cash assets grew by KD 1.8 million or 8.0% from KD 22.5 million at the end of 2014 to KD 24.3 million at the end of 2015.

**Second- Liabilities:**

- 1- Claims of financial institutions on local exchange companies decreased by KD 6.7 million or 75.9% from KD 8.8 million at the end of 2014 to KD 2.1 million at the end of 2015.
- 2- Partners' equity, covering results of the period, decreased by KD 4.0 million or 3.8% from KD 104.6 million at the end of 2014 to KD 100.6 million at the end of 2015.
- 3- Other liabilities grew by KD 14.3 million or 45.0% from KD 32.0 million at the end of 2014 to KD 46.3 million at the end of 2015.

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

Items	Balances at Year-End		Change in 2015	
	2014	2015	Value	(%)
<b>Assets:</b>				
Cash & Cash Assets	22,513.5	24,318.6	1,805.1	8.0
Claims on Financial Institutions	28,597.1	34,298.3	5,701.2	19.9
Total Receivables	1,545.3	3,458.7	1,913.4	123.8
Financial & Real estate Investments	1,857.2	1,345.6	-511.6	-27.5
Fixed Assets	16,822.3	17,999.5	1,177.2	7.0
Foreign Assets	68,027.4	58,774.1	-9,253.3	-13.6
Other Assets	14,534.9	13,501.3	-1,033.6	-7.1
<b>Assets = Liabilities</b>	<b>153,897.7</b>	<b>153,696.1</b>	<b>- 201.6</b>	<b>-0.1</b>
<b>Liabilities:</b>				
Partners' Equity & Results of the Period	104,568.4	100,600.9	- 3,967.5	-3.8
Claims of Financial Institutions	8,841.4	2,135.0	-6,706.6	-75.9
Total Payables	4,165.8	2,849.2	-1,316.6	-31.6
Foreign Liabilities	4,356.5	1,768.6	-2,587.9	-59.4
Other Liabilities	31,965.8	46,342.5	14,376.7	45.0
<b>Contra Accounts</b>	<b>6,297.7</b>	<b>6,804.5</b>	<b>506.8</b>	<b>8.0</b>
Results of the Period (Net Profit)	17,503.3	17,312.8	-190.6	-1.1
<b>Number of Companies</b>	<b>39</b>	<b>40</b>	<b>1</b>	

Source: CBK.

### Third- Liquidity, Profitability and Solvency Ratios:

Available data on net credit position of local exchange companies with local banks and financial institutions indicate a growth from KD 19.8 million at the end of 2014 to KD 32.2 million at the end of 2015, recording an increase of 62.8% remaining in favor of local exchange companies.

In respect of net liquidity position of local exchange companies at the end of 2015, liquidity available to those companies amounted to KD 113.5 million of which KD 24.3 million or 21.4% in the form of cash and cash assets, and KD 89.2 million or 78.6% in the form of net claims of local exchange companies on local/foreign banks and financial institutions. Profit to partners' equity ratio grew to 17.2% at the end of 2015 against 16.7% at the end of 2014, while return on assets to total assets ratio decreased to reach 11.3%

at the end of 2015 against 11.4% at the end of the previous year. Meanwhile, net profit declined by KD 0.2 million or 1.1% to KD 17.3 million during 2015 against KD 17.5 million during 2014.

On the other side, the ratio of partners' equity to total assets decreased from 67.9% at the end of 2014 to 65.5% at the end of 2015. Likewise, the ratio of partners' equity to total assets and contingent liabilities represented in contra accounts declined from 65.3% at the end of 2014 to 62.7% at the end of 2015.





Public Finance

2015



## Public Finance

This part of the Economic Report highlights developments of the public finance of the State of Kuwait by presenting developments of the Closing Account of ministries and government bodies for fiscal year (FY) 2014/15, along with the revenue estimates and allocations for budgetary expenditures for ministries and government departments for FY2015/16, and the government budgetary fiscal operations<sup>(1)</sup> during the period April-December 2015 of FY2015/16.

### First - The Closing Account for Fiscal Year 2014/15:

#### 1- Public Revenues

Closing Account data for FY2014/15 indicate that the total actual budgetary revenues collected for the mentioned fiscal year reached KD 24,925.9 million compared to KD 31,811.4 million in the previous fiscal year, i.e. a noticeable decrease of KD 6,885.5 million or 21.6 %. The mentioned decrease mainly reflects the drop in the actual budgetary oil revenues collected of KD 6,790.3 million or 23.2 % to reach KD 22,501.6 million in FY2014/15 compared to KD 29,291.9 million for the previous fiscal year on the one hand, and the decline in the non-oil revenues collected of KD 95.2 million or 3.8% to reach KD 2,424.3 million against KD 2,519.5 million on the other (Table 37).

Worth noting is that the average price of Kuwait's exported crude oil witnessed a noticeable drop of \$23.68 or 22.5% during FY2014/15 to reach \$81.41 per barrel against \$105.10 per barrel during the previous fiscal year. Also, the quantity of produced crude oil in the State of Kuwait during FY2014/15 reached 2.885 million b/d against 2.946 million b/d for the previous fiscal year, i.e. a decline of 61 thousand b/d.

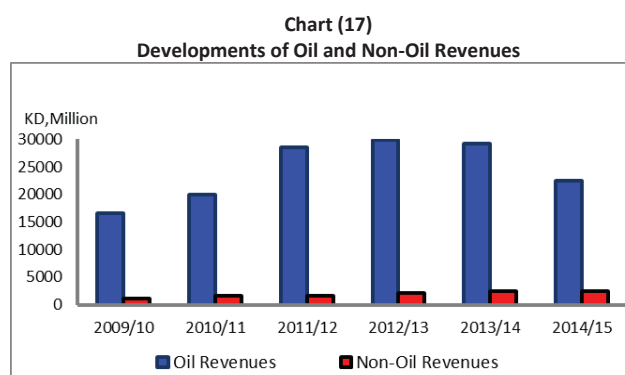
Table (37)  
Actual Revenues in the General Budget  
(KD Million)

Item	Closing Account				Change (2) - (1)	
	2013/14		2014/15		Value	%
	Value (1)	(%)	Value (2)	(%)		
<b>Total Budgetary Revenues:</b>	<b>31,811.4</b>	<b>100</b>	<b>24,925.9</b>	<b>100</b>	<b>-6,885.5</b>	<b>-21.6</b>
Oil Revenues	29,291.9	92.1	22,501.6	90.3	-6,790.3	-23.2
Non-Oil Revenues	2,519.5	7.9	2,424.3	9.7	-95.2	-3.8

Source: Ministry of Finance.

<sup>(1)</sup> The monthly follow-up statements monitor the data on government fiscal operations prepared on cash basis, while the Closing Account data is prepared on maturity basis after completing all accounting settlements. Therefore, the aggregate data of the monthly follow-up statements for a specific fiscal year do not correspond to the Closing Account data for that fiscal year.

Actual budgetary non-oil revenues collected during FY2014/15 compared with the previous fiscal year decreased to KD 2,424.3 million against KD 2,519.5 million during the previous fiscal year, i.e. a decline of KD 95.2 million or 3.8%. However, the relative share of actual budgetary non-oil revenues in the total actual budgetary revenues collected during FY2014/15 rose to 9.7% against 7.9% for the previous fiscal year.



Source: Ministry of Finance.

The above-mentioned decrease in total non-oil revenues during FY2014/15 is attributed to the decline in the actual revenues collected under the Seventh Chapter (miscellaneous revenues and charges) and the Eighth Chapter (capital revenues) totaling KD 246.2 million or 17.2% on the one hand, and the rise in actual revenues collected within the rest of the chapters of the total actual non-oil revenues collected during FY2014/15 of KD 151 million or 13.8% on the other (Table 38).

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

Item	Closing Account				Change (2) – (1)	
	2013/14		2014/15		Value	%
	Value (1)	(%) to Total	Value (2)	(%) to Total		
<b>Non-Oil Revenues:</b>	<b>2,519.5</b>	<b>100</b>	<b>2,424.3</b>	<b>100</b>	<b>-95.2</b>	<b>-3.8</b>
- Taxes on Net Income & Profits	87.0	3.5	100.3	4.1	13.4	15.4
- Taxes & Fees on Property	21.0	0.8	21.4	0.9	0.4	2.0
- Taxes & Fees on Goods & Services	4.6	0.2	7.7	0.3	3.1	67.4
- Taxes & Fees on International Trade & Transactions	275.9	11.0	290.6	12.0	14.7	5.3
- Services Revenues, of which:	703.2	27.9	822.6	33.9	119.4	17.0
Electricity & Water	192.5	7.6	240.9	9.9	48.4	25.1
Transport & Communications	182.5	7.2	172.7	7.1	-9.8	-5.4
Fiscal Stamps Revenues	85.6	3.4	87.9	3.6	2.3	2.7
Security & Justice	80.6	3.2	113.1	4.7	32.5	40.3
Housing & Facilities	64.9	2.6	109.4	4.5	44.5	68.6
Healthcare	91.9	3.6	94.0	3.9	2.1	2.3
- Miscellaneous Revenues & Charges	1,402.7	55.7	1,180.5	48.7	-222.2	-15.8
- Capital Revenues	25.1	1.0	1.1	0.0	-24.0	-95.6

Source: Ministry of Finance.

## 2- Public Expenditures

The Closing Account data for FY2014/15 indicate a rise in actual public expenditures of KD 2,512.1 million or 13.3% to reach KD 21,415.4 million during the mentioned fiscal year against KD 18,903.3 million during the previous fiscal year. Worth noting is that the actual public expenditures during FY2014/15 amounted to 92.2% of the allocations for public expenditures of KD 23,212.2 million for the mentioned fiscal year.

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

Item	Closing Account		Change	
	2013/14	2014/15	Value	(%)
<b>Public Expenditures:</b>	18,903.3	21,415.4	2,512.1	13.3
- Salaries & Wages	5,037.7	5,303.2	265.5	5.3
- Requirements of Goods & Services	3,219.3	3,025.8	-193.5	-6.0
- Means of Transport, Equipment & Supplies	209.3	197.2	-12.1	-5.8
- Construction Projects, maintenance & Public Acquisitions	1,530.5	1,662.1	131.6	8.6
- Miscellaneous Expenditures & Transfer Payments	8,906.5	11,227.1	2,320.6	26.1

Source: Ministry of Finance

This rise in actual public expenditures within the general budget of FY2014/15 reflects the increase of actual expenditures under the First Chapter (salaries and wages) of KD 265.5 million or 5.3% to reach KD 5,303.2 million against KD 5,037.7 million for the previous fiscal year, the Fourth Chapter (construction projects, maintenance and public acquisitions) of KD 131.6 million or 8.6% to reach KD 1,662.1 million against KD 1,530.5 million for the previous fiscal year, and the Fifth Chapter (miscellaneous expenditures and transfer payments) of KD 2,320.6 million or 26.1% to reach KD 11,227.1 million against KD 8,906.5 million for the previous fiscal year (Table 39).

It is worth noting that the increase in actual expenditures under the Fifth Chapter was a result of the rise in most of its items. Expenditures on “subsidized locally marketed refined products and liquefied gas” under the third item (government subsidies) of the second group (internal transfer payments) increased by KD 663.3 million or 106% to reach KD 1,288.9 million against KD 625.6 million for FY2013/14. Expenditures on the third item (external subsidies) under the third group (external transfer payments) also increased by KD 577.0 million or 139.7% to reach KD 989.8 million against KD 412.9 million for FY2013/14.

On another front, with regards to the economic classification of public expenditures, the Closing Account data for FY2014/15 indicate a rise in current expenditures (including consumption expenditures, miscellaneous expenditures and transfer payments) to reach KD 19,556.1 million during the mentioned fiscal year against KD 17,163.5 million for FY2013/14, i.e. an increase of KD 2,392.6 million or 13.9% (Table 40). Worth noting is that current expenditures during FY2014/15 accounted for 91.3% of total actual public expenditures, and amounted to 93.5% of allocations for current expenditures totaling KD 20,904.8 million for that fiscal year.

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

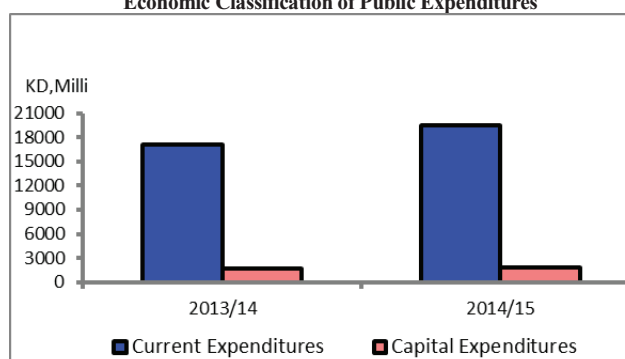
Item	Closing Account				Change	Change (2) – (1) (%)
	2013/14		2014/15			
	Value (1)	(%) to Total	Value (2)	(%) to Total		
<b>Current Expenditures:</b>	<b>17,163.5</b>	<b>90.8</b>	<b>19,556.1</b>	<b>91.3</b>	<b>2,392.6</b>	<b>13.9</b>
- Consumption Expenditures	8,256.9	43.7	8,329.0	38.9	72.1	0.9
• Salaries & wages	5,037.7	26.6	5,303.2	24.8	265.5	5.3
• Requirements of Goods & Services	3,219.2	17.0	3,025.8	14.1	-193.4	-6.0
- Miscellaneous Expenditures	1,717.5	9.1	1,886.9	8.8	169.4	9.9
- Transfer Payments of which:	7,189.1	38.0	9,340.2	43.6	2,151.1	29.9
• Internal Transfers, of which:	6,601.8	35.0	7,973.5	37.2	1,371.7	20.8
Transfers to Public Authorities & Institutions	4,769.2	25.2	5,091.8	23.8	322.6	6.8
• External Transfers	587.2	3.1	1,366.7	6.4	779.5	132.7
<b>Capital Expenditures:</b>	<b>1,739.8</b>	<b>9.2</b>	<b>1,859.3</b>	<b>8.7</b>	<b>119.5</b>	<b>6.9</b>
- Means of Transport, Equipment & Supplies	209.3	1.1	197.2	0.9	-12.1	-5.8
- Construction Projects & Maintenance	1,517.9	8.0	1,610.8	7.5	93.1	6.1
- Public Acquisitions	12.6	0.1	51.3	0.2	38.7	307.1
<b>Total</b>	<b>18,903.3</b>	<b>100</b>	<b>21,415.4</b>	<b>100</b>	<b>2,512.1</b>	<b>13.3</b>

Source: Ministry of Finance.

Actual budgetary capital expenditures increased during FY2014/15 by KD 119.5 million or 6.9% to reach KD 1,859.3 million against KD 1,739.8 million during FY2013/14. Consequently, the ratio of actual budgetary capital expenditures to total actual public expenditures declined to reach 8.7% during FY2014/15 against 9.2% during FY2013/14. In addition, capital expenditures during FY2014/15 accounted for 80.6% of total allocations for capital expenditures amounting KD 2,307.3 million for that fiscal year.

As a result of these mentioned developments in both actual revenues and actual expenditures in the Closing Account for FY2014/15, the general budget recorded an actual surplus of KD 3,510.5 million against an actual surplus of KD 12,908.1 million for FY2013/14, i.e. a noticeable drop of KD 9,397.6 million or 72.8%, before deducting the allocations for the Reserve Fund for Future Generations (RFFG) (Table 41).

**Chart (18)**  
**Economic Classification of Public Expenditures**



Source: Ministry of Finance.

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

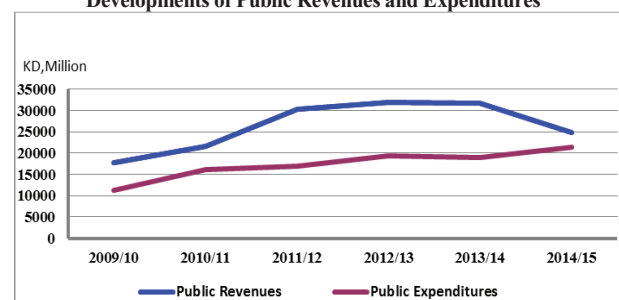
Item	2013/14	2014/15
<b>Actual Public Revenues, of which:</b>	<b>31,811.4</b>	<b>24,925.9</b>
Actual Oil Revenues	29,291.9	22,501.6
<b>Actual Public Expenditures</b>	<b>18,903.3</b>	<b>21,415.4</b>
<b>Surplus or (Deficit) <sup>(1)</sup></b>	<b>12,908.1</b>	<b>3,510.5</b>
<b>Surplus or (Deficit) <sup>(2)</sup></b>	<b>4,955.2</b>	<b>-2,721.1</b>

(1) Before deducting the allocations for the RFFG.

(2) After deducting the allocations for the RFFG.

Source: Ministry of Finance.

**Chart (19)**  
**Developments of Public Revenues and Expenditures**



Source: Ministry of Finance, Closing Account.

## **Second – Fiscal Year 2015/16:**

### **1- The General Budget for FY2015/16**

Decree Law No. 81 of the year 2015 issued on 5 August 2015 enacted the general budget for ministries and government authorities for FY2015/16. The general budget for the mentioned fiscal year encompassed a decline in the public revenue estimates of KD 7,858.4 million or 39.1% to reach KD 12,210.6 million, compared to KD 20,069.0 million for FY2014/15. This decrease reflects the decline in oil revenue estimates of KD 8,048.3 million or 42.8% to reach KD 10,757.4 million compared with the approved estimates of KD 18,805.7 million for FY2014/15 on the one hand, and the rise in non-oil revenue estimates of KD 189.9 million or 15% to reach KD 1,453.2 million compared with the approved estimates of KD 1,263.3 million for FY2014/15 on the other hand.

The mentioned decline in oil revenue estimates within the general budget for FY2015/16 mainly reflects the decrease in the reference oil price used in estimating the budgetary oil revenues for the mentioned fiscal year. The reference oil price used was \$45 per barrel, i.e. a decrease of \$30 or 40%, compared to \$75 per barrel applied in estimating the oil revenues within the general budget for FY2014/15. However, the production quantity applied in estimating the budgetary oil revenues for FY2015/16 was increased by 100 thousand b/d or 3.7% to reach 2.8 million b/d, compared to 2.7 million b/d for the previous fiscal year.

On another front, total allocations for budgetary expenditures for FY2015/16, compared with FY2014/15, decreased by KD 4,041.1 million or 17.4% to reach KD 19,171.0 million against KD 23,212.1 million for the previous fiscal year (Table 42).

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

Item	Approved Budget	Approved Budget	Change	
	2014/15	2015/16	Value	(%)
<b>Public Revenues:</b>	<b>20,069.0</b>	<b>12,210.6</b>	<b>-7,858.4</b>	<b>-39.1</b>
<b>Oil Revenues</b>	<b>18,805.7</b>	<b>10,757.4</b>	<b>-8,048.3</b>	<b>-42.8</b>
<b>Non-Oil Revenues, of which:</b>	<b>1,263.3</b>	<b>1,453.2</b>	<b>189.9</b>	<b>15.0</b>
- Taxes on Net Income & Profits	79.0	102.6	23.6	23.0
- Taxes & Duties on Property	17.5	23.0	5.5	31.4
- Taxes & Fees on Goods & Services	3.5	6.1	2.6	74.4
- Taxes on International Trade & Transactions	260.2	281.1	20.9	8.0
- Services Revenues, of which:	732.6	795.6	63.0	8.6
*Electricity & Water	238.0	241.5	3.5	1.5
*Transport & Communications	211.4	237.8	26.4	12.5
- Miscellaneous Revenues & Charges	155.4	173.6	18.2	11.7
- Capital Revenues	15.0	71.1	56.1	374.0
<b>Public Expenditures:</b>	<b>23,212.1</b>	<b>19,171.0</b>	<b>-4,041.1</b>	<b>-17.4</b>
- Salaries & Wages	5,586.0	5,386.8	-199.2	-3.5
- Requirements of Goods & Services	3,919.1	2,602.8	-1,316.3	-33.6
- Means of Transport, Equipment & Supplies	290.3	285.5	-4.8	-1.6
- Construction Projects, Maintenance & Public Acquisitions	2,017.0	2,076.0	59.0	2.9
- Miscellaneous Expenditures & Transfer Payments	11,399.7	8,819.8	-2,579.9	-22.6

Source: Ministry of Finance.

The mentioned decrease in allocations for budgetary expenditures for FY2015/16 reflects the drop in allocations for expenditures under the First Chapter (salaries and wages) of KD 199.2 million or 3.5%, from KD 5,586.0 million to KD 5,386.8 million; Second Chapter (goods and services) of KD 1,316.3 million or 33.6%, from KD 3,919.1 million to KD 2,602.8 million; Third Chapter (means of transport, equipment and supplies) of KD 4.8 million or 1.6%, from KD 290.3 million to KD 285.5 million; and Fifth Chapter (miscellaneous expenditures and transfer payments) of KD 2,579.9 million or 22.6%, from KD 11,399.7 million to KD 8,819.8 million.

Allocations for expenditures under the Fifth Chapter for FY2015/16 against FY2014/15 decreased by 0.6% due to the decline in allocations for miscellaneous expenditures, internal transfer payments by 22% and external transfer payments by 56.5%. The decrease in internal transfer payments for FY2015/16 was concentrated in two items, the government subsidies item particularly locally marketed refined products and liquefied gas (excluding fuels and lubricants for electricity generation listed under the Second Chapter) which declined by KD 928.7 million or 72% (from KD 1,288.9 million to KD 360.2 million). Moreover, transfers to public authorities and institutions declined by KD 752.8 million or 14.8% from (KD 5,091.8

million to KD 4,339.0 million), while the decrease in external transfer payments was concentrated in the external subsidies item, which dropped by KD 589.9 million or 59.6% (from KD 989.9 million to KD 400.0 million).

Regarding the economic classification of allocations for budgetary expenditures for FY2015/16 (Table 43), allocations for current expenditures decreased by KD 4,095.4 million or 19.6% to reach KD 16,809.4 million, compared with allocations of KD 20,904.8 million for the previous fiscal year. Furthermore, the relative share of the allocations for current budgetary expenditures for FY2015/16 in the total allocations for expenditures decreased to 87.7%, against 90% for FY2014/15.

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

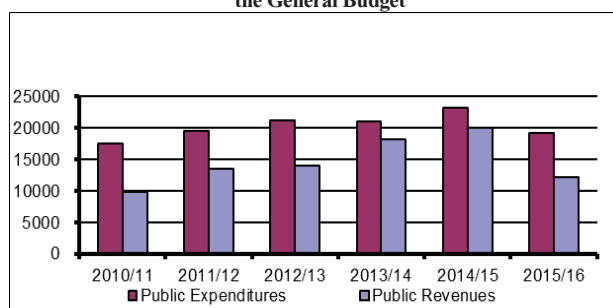
Item	Approved Budget				Change	
	2014/15		2015/16		Value	(%)
	Value	(%)	Value	(%)		
<b>Current Expenditures:</b>	<b>20,904.8</b>	<b>90.0</b>	<b>16,809.4</b>	<b>87.7</b>	<b>-4,095.4</b>	<b>-19.6</b>
- Consumption Expenditures	9,505.1	40.9	7,989.6	41.7	-1,515.5	-15.9
* Salaries and Wages	5,586.0	24.1	5,386.8	28.1	-199.2	-3.6
* Requirements of Goods and services	3,919.1	16.9	2,602.8	13.6	-1,316.3	-33.6
- Miscellaneous Expenditures	1,932.2	8.3	1,921.1	10.0	-11.1	-0.6
- Transfer Payments, of which:	9,467.5	40.7	6,898.7	36.0	-2,568.8	-27.1
* Internal, of which:	8,051.8	34.7	6,283.6	32.8	-1,768.2	-22.0
Transfers to Public Authorities & Institutions	5,091.8	21.9	4,339.0	22.6	-752.8	-14.8
* External	1,415.7	6.1	615.1	3.2	-800.6	-56.5
<b>Capital Expenditures:</b>	<b>2,307.3</b>	<b>10.0</b>	<b>2,361.5</b>	<b>12.3</b>	<b>54.2</b>	<b>2.3</b>
- Means of Transport, Equipment & Supplies	290.3	1.3	285.5	1.5	-4.8	-1.7
- Construction Projects and Maintenance	1,965.7	8.5	2,072.0	10.8	106.3	5.4
- Public Acquisitions	51.3	0.2	4.0	0.02	-47.3	-92.2
<b>Total</b>	<b>23,212.1</b>	<b>100</b>	<b>19,171.0</b>	<b>100</b>	<b>-4,041.2</b>	<b>-17.4</b>

Source: Ministry of Finance.

Allocations for budgetary capital expenditures for FY2015/16 increased to KD 2,361.5 million, against KD 2,307.3 million during the previous fiscal year, i.e. a rise of KD 54.2 million or 2.3%. In the same direction, their relative share in total allocations for expenditures for FY2015/16 rose to 12.3% against 10% for FY2014/15.

As a result of the above-mentioned developments in both estimated budgetary revenues and allocations for expenditures for FY2015/16, the general budget for the mentioned fiscal year encompassed an estimated deficit of KD 6,960.4 million against an estimated deficit of KD 3,143.2 million for the previous fiscal year, before deducting the allocations for the RFFG (Table 44).

**Chart (20)**  
Developments of Estimated Revenues and Expenditure Allocations in the General Budget



Source: Ministry of Finance.

**Table (44)**  
Estimates of Revenues and Allocations for Expenditures in the General Budget  
(KD Million)

Item	Approved Budget	
	2014/15	2015/16
Public Revenue Estimates, of which:	20,069.0	12,210.6
Oil Revenues	18,805.7	10,757.4
Allocations for Public Expenditures	23,212.2	19,171.0
Surplus or Deficit <sup>(1)</sup>	-3,143.2	-6,960.4
Surplus or Deficit <sup>(2)</sup>	-8,160.4	-8,181.5

(1) Before deducting the allocations for the RFFG.

(2) After deducting the allocations for the RFFG.

Source: Ministry of Finance.

## 2- Government Fiscal Operations during the First Nine Months (April-December) of FY2015/16

Available data in the monthly follow-up statements on revenues and expenditures of the general budget for the year 2015/16 (Table 45) shows a decline in the total actual public revenues collected during the first nine months (April-December 2015) of the mentioned fiscal year of KD 9,820.6 million or 46.3% to reach KD 11,381.1 million, compared to KD 21,201.7 million in the corresponding period (April-December 2014) of FY2014/15. This is attributed to the drop in the value of actual oil revenues collected during April-December 2015 of KD 8,882.7 million or 45.8% to reach KD 10,522.9 million, against KD 19,405.6 million in the corresponding period of the previous fiscal year 2014/15. In addition, the total value of non-oil revenues collected during April-December 2015 decreased by KD 938 million or 52.2% to reach KD 858.2

million, compared to KD 1,796.2 million during the corresponding period of the previous fiscal year. The mentioned decline in the total actual oil revenues collected during the first nine months of FY2015/16 reflects the noticeable decrease in the average price of Kuwait's export crude oil of \$48.80 or 48.4% to reach \$47.75 per barrel against \$92.55 per barrel for the corresponding period of the previous fiscal year, and the slight increase in the quantity of the State of Kuwait's crude oil production during April-December 2015 to reach an average of 2.861 million b/d, against 2.856 million b/d during the corresponding period of the previous fiscal year.

In accordance with the developments in both actual oil and non-oil revenues collected during the first nine months of FY2015/16, the actual public revenues collected of KD 2,223.2 million or 24.3% surpassed their approved estimates for the corresponding period of the mentioned fiscal year of KD 9,157.9 million. The approved estimates for the whole mentioned fiscal year reached KD 12,210.6 million.

**Table (45)**  
**Public Revenues**  
(KD Million)

Item	Follow-up Statements		Value of Change	Rate of Change (%)
	Apr.-Dec. 2014	Apr.-Dec. 2015		
<b>Total Public Revenues:</b>	<b>21,201.7</b>	<b>11,381.1</b>	<b>-9,820.6</b>	<b>-46.3</b>
Oil Revenues	19,405.6	10,522.9	-8,882.7	-45.8
Non-Oil Revenues	1,796.2	858.2	-938.0	-52.2
-Taxes on Net Income and Profits	88.6	125.5	36.9	41.6
-Taxes and Duties on Property	16.4	11.4	-5.0	-30.5
-Taxes & Fees on Goods & Services	3.6	3.6	0.0	0.0
-Taxes & Fees on International Trade & Transactions	199.6	213.8	14.2	7.1
-Services Revenues, of which:	496.4	431.2	-65.2	-13.1
*Security & Justice	78.6	77.6	-1.0	-1.3
*Electricity & Water	134.9	83.3	-51.6	-38.2
*Transport and Communications	126.9	117.4	-9.5	-7.5
-Miscellaneous Revenues and Charges	990.6	71.7	-918.9	-92.7
-Capital Revenues	0.6	0.9	0.3	50.0

Source: Ministry of Finance.

Actual public expenditures during the first nine months (April-December 2015) of FY2015/16 recorded a decline of KD 2,536.4 million or 24% to KD 8,038.0 million against KD 10,574.4 million for the corresponding period of the previous fiscal year. It is worth noting that the amount of actual expenditures within the general budget during the first nine months of FY2015/16 accounted for 42% of total allocations for budgetary public expenditures of KD 19,171.0 million for the mentioned fiscal year as a whole.

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

Item	Follow-up Statements		Value of Change	Rate of Change (%)
	Apr.-Dec. 2014	Apr.-Dec. 2015		
<b>Total Public Expenditures:</b>	<b>10,574.4</b>	<b>8,038.0</b>	<b>-2,536.4</b>	<b>-24.0</b>
-Salaries and Wages	2,585.9	2,805.4	219.5	8.5
-Requirements of Goods and Services	1,884.9	425.1	-1,459.8	-77.4
-Means of Transport, Equipment and Supplies	62.5	74.2	11.7	18.7
-Const. Projects, Maintenance & Public Acquisitions	836.5	908.1	71.6	8.5
-Misc. Expenditures and Transfer Payments	5,204.6	3,825.2	-1,379.4	-26.5

Source: Ministry of Finance.

The mentioned drop in total actual expenditures during April-December 2015 compared with the corresponding period of the previous fiscal year is attributed to the decrease in actual expenditures under the following Chapters: the Second Chapter (requirements of goods and services) of KD 1,459.7 million or 77.4% to KD 425.1 million against KD 1,884.8 million during the corresponding period of the previous fiscal year, and under the Fifth Chapter (miscellaneous expenditures and transfer payments) of KD 1,379.4 million or 26.5% to KD 3,825.2 million against KD 5,204.6 million during the corresponding period of the previous fiscal year on the one hand and the increase in actual expenditures under the following Chapters: the First Chapter (salaries and wages) of KD 219.6 million or 8.5% to KD 2,805.4 million against KD 2,585.9 million during the corresponding period of the previous fiscal year, the Third Chapter (means of transport, equipment and supplies) of KD 11.7 million or 18.7%, and the Fourth Chapter (construction projects, maintenance and public acquisitions) of KD 71.4 million or 8.5% on the other.

On another front, according to the economic classification of public expenditures, available data in the monthly follow-up statements on the general budget indicate a decline in current expenditures (including consumption expenditures, miscellaneous expenditures and transfer payments) during the first nine months (April-December 2015) of FY2015/16 to reach KD 7,055.7 million, against KD 9,675.4 million during the corresponding period of the previous fiscal year, i.e. a drop of KD 2,619.7 million or 27.1%. Moreover, current expenditures during the first nine months of FY2015/16 accounted for 37% of allocations for current expenditures of KD 19,171.0 million for the mentioned fiscal year as a whole, while capital expenditures increased during the first nine months of FY2015/16 by KD 83.3 million or 9.3% to reach KD 982.3 million, against KD 899.0 million during the corresponding period of the previous fiscal year (Table 47).

**Table (47)**  
**Economic Classification of Public Expenditures**  
(KD Million)

Item	Follow-up Statements				Change	
	Apr.-Dec. 2014		Apr.-Dec. 2015		Value	%
	Value	(%)	Value	(%)		
<b>Current Expenditures</b>	<b>9,675.4</b>	<b>91.5</b>	<b>7,055.7</b>	<b>87.8</b>	<b>-2,619.7</b>	<b>-27.1</b>
- Consumption Expenditures	4,470.8	42.3	3,230.5	40.2	-1,240.3	-27.7
• Salaries & wages	2,585.9	24.5	2,805.4	34.9	219.5	8.5
• Requirements of Goods & Services	1,884.9	17.8	425.1	5.3	-1,459.8	-77.4
- Miscellaneous Expenditures	294.9	2.8	208.1	2.6	-86.8	-29.4
- Transfer Payments of which:	4,909.7	46.4	3,617.1	45.0	-1,292.6	-26.3
• Internal Transfers, of which:	4,248.8	40.2	3,288.0	40.9	-960.8	-22.6
Transfers to Public Authorities & Institutions	2,483.3	23.5	2,193.4	27.3	-289.9	-11.7
• External Transfers	660.9	6.3	329.1	4.1	-331.8	-50.2
<b>Capital Expenditures:</b>	<b>899.0</b>	<b>8.5</b>	<b>982.3</b>	<b>12.2</b>	<b>83.3</b>	<b>9.3</b>
- Means of Transport, Equipment & Supplies	62.5	0.6	74.2	0.9	11.7	18.7
- Construction Projects & Maintenance	836.5	7.9	908.1	11.3	71.6	8.6
- Public Acquisitions	-	-	-	-	-	-
<b>Total</b>	<b>10,574.4</b>	<b>100</b>	<b>8,038.0</b>	<b>100</b>	<b>-2,536.4</b>	<b>-24.0</b>

Source: Ministry of Finance.

As a result of developments in actual public revenues and expenditures during the first nine months (April-December 2015) of FY2015/16, the general budget recorded an actual surplus of KD 3,343.1 million, against an actual surplus of KD 10,627.3 million for the corresponding period of FY2014/15, i.e. a decrease of KD 7,284.2 million or 68.5%, before deducting the allocations for the RFFG.

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

Item	Follow-up Statements		Change	
	April-Dec. 2014	April-Dec. 2015	Value	(%)
Actual Public Revenues	21,201.7	11,381.1	-9,820.6	-46.3
Actual Public Expenditures	10,574.4	8,038.0	-2,536.4	-24.0
Surplus or Deficit <sup>(1)</sup>	10,627.3	3,343.1	-7,284.2	-68.5
Surplus or Deficit <sup>(2)</sup>	5,326.9	2,205.0	-3,121.9	-58.6

(1) Before deducting the allocations for the RFFG.

(2) After deducting the allocations for the RFFG.

Source: Ministry of Finance.



Foreign Trade and Balance  
of Payments

**2015**



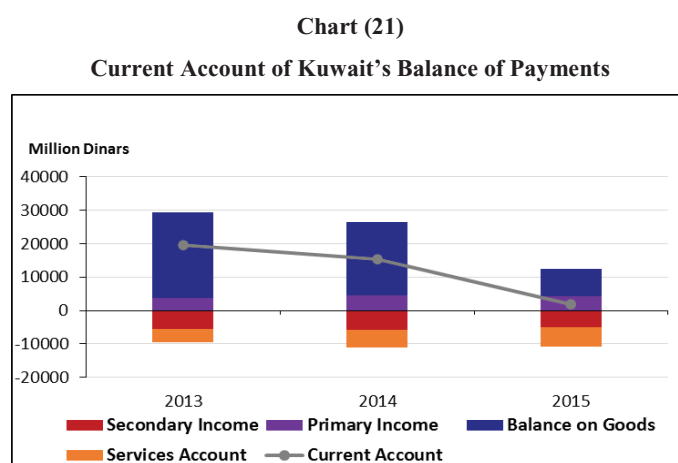
## Foreign Trade and Balance of Payments

This part of the Economic Report highlights developments in the statistics on the Balance of Payments (BOP) and Foreign Trade of the State of Kuwait during 2015 compared with 2014, through the developments in the Current Account and its basic components represented in: Balance on Goods, Services Account, Primary Income (Investment Income), and Secondary Income (Current Transfers) and the developments related to Capital Account and Financial Account of the BOP, as follows:

### First- Current Account:

The Current Account reflects outflows of goods, services, primary income and secondary income between residents and non-residents. The balance of these accounts is known as Current Account Balance; which is the difference between total exports and receivable income on the one hand, and total imports and payable income on the other (exports and imports refer to both goods and services, while income refers to both primary and secondary accounts).

Preliminary estimates of the State of Kuwait's BOP indicate that the Current Account surplus reached KD 1,796.5 million during 2015 (3.9% of 2014 GDP) against a surplus of KD 15,478.5 million during 2014 (33.2% of 2014 GDP), i.e. a decrease of KD 13,682.0 million or 88.4%.



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

Item	2014	2015	Change	
	(Revised)	(Provisional)	Value	(%)
<b>First: Current Account (1+2+3+4):</b>	15,478.5	1,796.5	-13,682.0	-88.4
<b>1- Balance on Goods:</b>	22,059.2	8,419.5	-13,639.7	-61.8
* Merchandise Exports (FOB), of which:	29,737.4	16,644.3	-13,093.1	-44.0
Oil Exports	27,753.0	14,683.0	-13,070.0	-47.1
* Minus Merchandise Imports (FOB)	7,678.2	8,224.8	546.6	7.1
<b>2- Services, of which:</b>	-5,148.6	-5,773.8	-625.2	12.1
* Transportation	-1,116.7	-1,188.1	-71.4	6.4
* Travel	-3,250.6	-3,560.9	-310.4	9.5
* Government Services and Goods	-237.5	-313.2	-75.7	31.9
<b>3- Primary Income, of which:</b>	4,451.3	4,121.6	-329.7	-7.4
* Workers' Compensations	-35.5	-13.9	21.6	-60.9
* Investment Income	4,486.9	4,135.5	-351.3	-7.8
<b>4- Secondary Income:</b>	-5,883.5	-4,970.8	912.7	-15.5
* Government Bodies	-729.0	-427.7	301.3	-41.3
* Other Sectors, of which:	-5,154.5	-4,543.1	611.4	-11.9
Workers' Transfers	-5,107.7	-4,492.3	615.4	-12.0

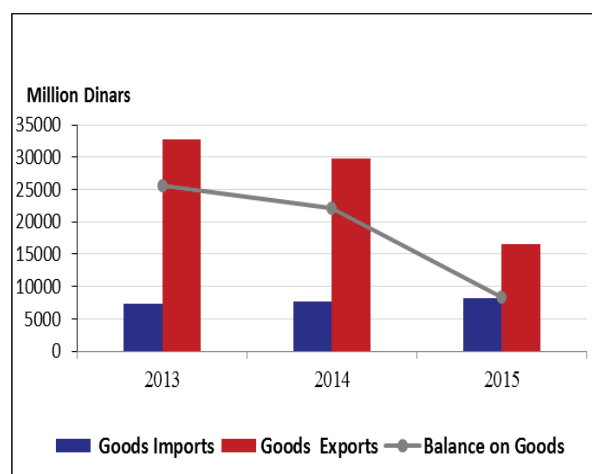
Source: CBK.

This decline in the Current Account surplus during 2015 compared with the previous year resulted from the decrease in the total receipts on the credit side of the Current Account (most significant of which are receipts from exports of goods and services, and primary income (investment income)) of KD 12,700.1 million or 35.1% on the one hand, and the increase in the total payments on the debit side of the Current Account (most significant of which are payments for imports of goods and services, and secondary income payments (current transfers)) of KD 981.9 million or 4.8% on the other. Following are developments in the most significant items of the Current Account:

## 1- Balance on Goods<sup>(1)</sup>:

Available preliminary data and estimates indicate a decrease in the total value of the State of Kuwait foreign trade (exports plus imports) of KD 24,869.0 million during 2015 against KD 37,415.0 million during the previous year, i.e. a decline of KD 12,546.0 million or 33.5%. The realized surplus in the Balance on Goods (expressed as the arithmetical difference between the value of merchandise exports and (FOB basis) imports reached KD 8,419.5 million during 2015 compared to KD 22,059.2 million during the

Chart (22)  
The Balance on Goods for Kuwait's Balance of Payments



previous year, i.e. a decrease of KD 13,639.7 million or 61.8%. The following addresses, in some detail, the developments in the foreign merchandise trade of the State of Kuwait during 2015 compared with the previous year:

### a- Merchandise Exports:

The total value of the merchandise (FOB basis) exports of the State of Kuwait reached KD 16,644.3 million during 2015 compared to KD 29,737.4 million during the previous year, i.e. a decrease of KD 13,093.1 million or 44%. This decline mainly reflects the decrease in the value of oil exports of the State of Kuwait of KD 14,683.0 million during 2015 against KD 27,753.0 million during the previous year, i.e. a decline of KD 13,070.0 million or 47.1%. This decline in the value of oil exports mainly reflect the drop in the average price of Kuwait's exported crude oil from \$95.1 per barrel on average during 2014 to \$47.8 per barrel on

(1)The "Balance on goods" in the Balance of Payments Statistics prepared by the CBK differs from the "Trade Balance" in the Foreign Trade Statistics prepared by the CSB due to the difference in the comprehensiveness of data on the value of merchandise exports and imports used in the preparation of the two mentioned balances, as will be mentioned later under 'Developments in the value of merchandise exports and imports' in this Report.

average during 2015, i.e. a decrease of \$47.3 or 49.7%. The quantity of exported oil of the State of Kuwait recorded a slight decrease in the daily average of 1.5% between 2014 and 2015 (from 1.995 million b/d on average during 2014 to 1.966 million b/d on average during 2015).

In the same context, the value of (FOB basis) non-oil exports of the State of Kuwait decreased to KD 1,961.0 million during 2015 against KD 1,984.0 million during the previous year, i.e. a decline of KD 23.0 million or 1.2%. 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 1,408.1 million or the equivalent of 71.8% of total value of non-oil exports of the State of Kuwait during 2015 against KD 1,380.5 million or the equivalent of 69.6% during the previous year to these countries.

**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	2014		2015	
	Value	%	Value	%
Saudi Arabia	208.3	10.5	256.3	13.1
UAE	217.4	11.0	246.0	12.5
China (PRC)	294.0	14.8	242.8	12.4
India	247.7	12.5	235.5	12.0
Iraq	193.9	9.8	129.1	6.6
Turkey	38.4	1.9	71.6	3.7
Qatar	53.6	2.7	71.6	3.6
USA	35.3	1.8	66.3	3.4
Pakistan	57.0	2.9	46.5	2.4
Jordan	35.0	1.8	42.3	2.2
<b>Total</b>	<b>1,380.5</b>	<b>69.6</b>	<b>1,408.1</b>	<b>71.8</b>
<b>Total value of non-oil exports</b>	<b>1,984.0</b>	<b>100.0</b>	<b>1,961.0</b>	<b>100.0</b>

Source: CSB and CBK.

## b- Merchandise Imports:

Available data on the (CIF basis)\* merchandise imports of the State of Kuwait indicate a rise in the total value of these imports to KD 9,600.1 million during 2015 against KD 8,829.3 million during the previous year, i.e. an increase of KD 770.8 million or 8.7%. 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 6,307.3 million or the equivalent of 65.7% of the total value of the merchandise imports of the State of Kuwait during 2015 against KD 5,912.5 million or the equivalent of 67.0% during the previous year from these countries.

**Table (51)**  
**Geographic Distribution of Kuwait (CIF basis) Merchandise Imports Value**  
**From the Top Ten Countries**  
(Value in KD Million and Relative Share in Percentage)

Country	2014		2015	
	Value	%	Value	%
China (PRC)	1,266.9	14.3	1,532.6	16.0
USA	860.4	9.7	903.9	9.4
UAE	817.8	9.3	895.9	9.3
Japan	638.2	7.2	650.8	6.8
Germany	597.6	6.8	537.2	5.6
Saudi Arabia	433.8	4.9	476.2	5.0
India	368.5	4.2	419.6	4.4
Italy	342.7	3.9	326.7	3.4
South Korea	354.3	4.0	291.7	3.0
UK	232.3	2.6	272.8	2.8
<b>Total</b>	<b>5,912.5</b>	<b>67.0</b>	<b>6,307.3</b>	<b>65.7</b>
<b>Total Imports</b>	<b>8,829.3</b>	<b>100.0</b>	<b>9,600.1</b>	<b>100.0</b>

Source: CSB.

Within this context, China ranked first among the source of Kuwait imports with KD 1,532.6 million or 16.0% of the total value of Kuwait merchandise imports during 2015, the USA ranked second with KD 903.9 million or 9.4%, and the UAE ranked third with KD 895.9 million or 9.3%.

(\*) The value of Kuwait merchandise imports in this item, as indicated in Table (49), which is compiled on Free On Board (FOB) basis, differs from that in Table (50), which is compiled on Cost, Insurance and Freight (CIF) basis.

### c- Kuwait Trade with the GCC Countries:

Available preliminary statistics on non-oil trade between the State of Kuwait and other GCC member countries indicate an increase of KD 227.4 million or 11.3% to KD 2,237.5 million during 2015 against KD 2,010.1 million during the previous year. The value of non-oil exports of the State of Kuwait to the GCC countries was KD 635.6 million during 2015, an increase of KD 101.2 million or 18.9% compared with the previous year.

The value of the merchandise imports of the State of Kuwait from other GCC member countries reached KD 1,601.9 million or 16.7% of the total value of Kuwait merchandise imports during 2015 against KD 1,475.7 million or 16.7% during the previous year. Merchandise imports from the UAE and Saudi Arabia constituted 85.7% of the total value of Kuwait imports from the GCC countries during 2015. Consequently, the balance of merchandise trade of the State of Kuwait with other GCC member countries recorded a deficit of KD 966.2 million during 2015 against a deficit of KD 941.2 million during the previous year.

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

Item	2014			2015		
	Exports	Imports	Balance of Trade	Exports	Imports	Balance of Trade
Saudi Arabia	208.3	433.8	-225.5	256.3	476.2	-219.9
UAE	217.4	817.8	-600.5	246.0	895.9	-649.9
Bahrain	25.0	56.6	-31.6	35.5	125.4	-89.9
Oman	30.2	135.1	-104.9	26.3	73.1	-46.8
Qatar	53.6	32.3	21.2	71.6	31.3	40.2
<b>Total</b>	<b>534.4</b>	<b>1,475.7</b>	<b>-941.2</b>	<b>635.6</b>	<b>1,601.9</b>	<b>-966.2</b>

\* Only non-oil exports included.

Source: CSB.

## **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 travel, transportation, communications, construction, insurance, financial services, government services and other services. The Services Account (Net) recorded a deficit of KD 5,773.8 million during 2015 compared with a deficit of KD 5,148.6 million during 2014, i.e. a rise of KD 625.2 million or 12.1%. The increase in the deficit in the Services Account is mainly attributed to the rise in the payments for travel services of KD 3,560.9 million during 2015 against KD 3,250.6 million during the previous year, i.e. an increase of KD 310.4 million or 9.5%, as well as the rise in payments for the “government services and goods”, and “transportation” items during the mentioned year of KD 75.7 million and KD 71.4 million or 31.9% and 6.4% respectively.

It is noticed that the total value of payments on Services (listed on the debit side of the Services Account) reached KD 7,548.3 million during 2015 compared to KD 6,916.2 million during the previous year, i.e. an increase of KD 632.1 million or 9.1% compared with the previous year. Worth noting is that payments for the “travel” item contributed 49.2% of the total payments on the debit side of the Services Account during 2015 compared to 48.5% during the previous year. The value of payments for the “transportation” item ranked second, accounting for 21.8% of the total value of payments under the Services Account during 2015 against 22.9% during the previous year.

Conversely, total value of receipts (listed on the credit side of the Services Account) was KD 1,774.6 million during 2015 against KD 1,767.7 million during the previous year, i.e. an increase of KD 6.9 million or 0.4%. This increase is attributed to the rise in the receipts from travel services of KD 150.4 million during 2015 against KD 105.1 million during the previous year, i.e. an increase of KD 45 million or 43.2%, and the rise in other services of KD 180.5 million during 2015 against KD 148.4 million during the previous year, i.e. an increase of KD 32 million or 21.6%.

## **3- Primary Income:**

Primary Income, in terms of value, is the second source after Balance on Goods, of the surplus realized in the Current Account of the State of Kuwait’s Balance of Payments. The Primary Income Account realized a surplus of KD 4,121.6 million during 2015 against a surplus of KD 4,451.3 million during the previous

year, i.e. a decrease of KD 329.7 million or 7.4%. Statistics indicate that total receipts from investments abroad during 2015 reached KD 4,135.5 million against KD 4,486.9 million during the previous year, i.e. a drop of KD 351.3 million or 7.8%.

#### 4- Secondary Income:

The Secondary Income Account in the Current Account of the BOP on the debit side reflects the current outward transfers from residents, including expatriate workers' remittances, and the cash and in-kind subsidies donated by the government of the State of Kuwait to non-residents. Provisional statistics indicate that the Secondary Income account recorded a deficit of KD 4,970.8 million during 2015 compared with a deficit of KD 5,883.5 million during the previous year, i.e. a decrease of KD 912.7 million or 15.5%. This mainly came as a result of the decline in expatriate workers' remittances of KD 4,492.3 million during 2015 against KD 5,107.7 million during the previous year, i.e. a drop of KD 615.4 million or 12%.

#### Second- Capital Account:

The Capital Account recorded a deficit (net outflow for capital transfers) of KD 123.3 million during 2015 against a surplus (net inflow) of KD 1,095.1 million during the previous year, i.e. a decrease of KD 1,218.4 million or 111.3%. Capital transfers is one of the main items of the Capital Account. Compensations received by residents from the UN is considered the main item of such transfers. The decline in this item mainly resulted from postponing compensation payments concerning the State of Kuwait's claims by the UN Compensation Committee from the beginning of 2015 until January 2016.

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

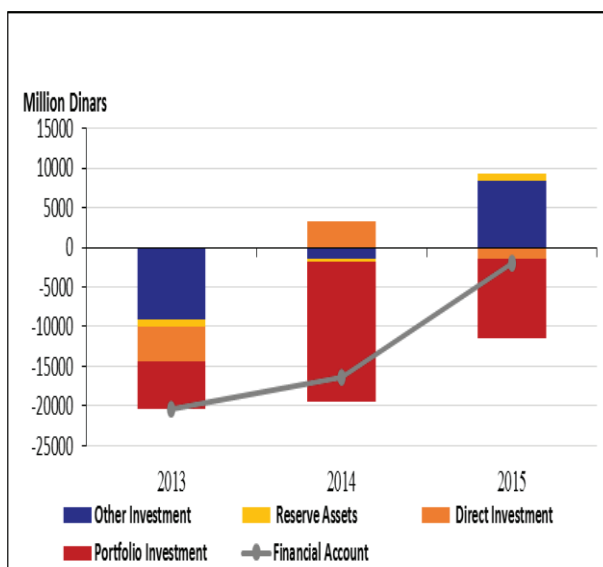
Items	2014	2015	Change	
	(Revised)	(Provisional)	Value	(%)
<b>Second: Capital Account:</b>	<b>1,095.1</b>	<b>-123.3</b>	<b>-1,218.4</b>	<b>-111.3</b>
<b>Capital Transfers:</b>	<b>1,095.1</b>	<b>-123.3</b>	<b>-1,218.4</b>	<b>-111.3</b>
Government Bodies	-68.9	-68.0	0.9	-1.4
Other Sectors	1,214.0	-55.4	-1,269.4	-104.6

Source: CBK.

### 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 2,066.0 million during 2015 against (growth in the net value of external investments) KD 16,353.6 million during the previous year, i.e. a decrease of KD 14,287.6 million or 87.4%.

Chart (23)  
Financial Account of Kuwait's Balance of Payments



The mentioned decline in the Financial Account is a result of the developments in the main components of the Financial Account represented in direct investments, portfolio investments, financial derivatives, and other investments. Worth noting is that one of the main reasons for this decline is the reclassification of the general government data to include direct investments abroad (ownership rights) and portfolio investments of some government authorities and institutions.

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

Item	2014	2015	Change	
	(Revised)	(Provisional)	Value	(%)
<b>Third- Financial Account:</b>	<b>-16,353.6</b>	<b>-2,066.0</b>	<b>14,287.6</b>	<b>-87.4</b>
<b>a- Direct Investment (Net):</b>	<b>3,250.2</b>	<b>-1,538.4</b>	<b>-4,788.7</b>	<b>-147.3</b>
- Direct Investments Abroad	2,978.9	-1,626.7	-4,605.6	-154.6
- Foreign Direct Investments in Kuwait	271.3	88.3	-183.0	-67.4
<b>b- Portfolio Investment (Net):</b>	<b>-17,633.2</b>	<b>-9,889.9</b>	<b>7,743.3</b>	<b>-43.9</b>
- Assets	-17,770.6	-9,985.7	7,784.8	-43.8
- Liabilities	137.3	95.8	-41.5	-30.2
<b>c- Financial Derivatives:</b>	<b>-79.8</b>	<b>46.4</b>	<b>126.1</b>	<b>-158.1</b>
- Assets	-433.1	-284.1	149.0	-34.4
- Liabilities	353.3	330.4	-22.9	-6.5
<b>d- Other Investments (Net):</b>	<b>-1,528.3</b>	<b>8,430.0</b>	<b>9,958.3</b>	<b>-651.6</b>
- Assets	-2,461.3	6,769.1	9,230.4	-375.0
- Liabilities	933.0	1,660.9	727.9	78.0

\*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: CBK.

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

Available data indicate that net flows which are not recorded under any of the BOP items are estimated at KD 392.8 million on the credit side, representing net inflows during 2015, compared to KD 219.9 million on the debit side during the previous year.

#### **Fifth- Overall Balance:**

The overall position of the State of Kuwait BOP presents a summary of the transactions recorded under various BOP items, and shows a deficit of KD 885.9 million during 2015 compared with a surplus of KD 362.6 million during the previous year. The deficit in the overall BOP reflects a drop in the gross value of reserve assets of the CBK by the same amount. The overall position of the State of Kuwait BOP, within

a broader perspective to encompass 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, shows a surplus estimated at KD 1,619.0 million during 2015 compared with a surplus of KD 16,429.0 million during the previous year.

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

Item	2014	2015	Change	
	(Revised)	(Provisional)	Value	(%)
- Current Account	15,479.0	1,797.0	-13,682.0	-88.4
- Capital Account	1,095.1	-123.3	-1,218.4	-111.3
- Current and Capital Account	16,574.1	1,673.7	-14,900.4	-89.9
- Financial Account	-16,353.6	-2,066.0	14,287.6	-87.4
- Errors and Omissions	-219.9	392.8	612.7	-278.6
- <b>Overall Balance (Surplus/Deficit)</b>	<b>362.6</b>	<b>-885.9</b>	<b>-1,248.5</b>	<b>-344.4</b>
- <b>Reserve Assets of CBK (Change)</b>	<b>-362.6</b>	<b>885.9</b>	<b>1,248.5</b>	<b>-344.4</b>

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

Source: CBK.





The Kuwait Stock  
Exchange

2015



## The Kuwait Stock Exchange

The major trading and price indicators of the Kuwait Stock Exchange (KSE) decreased remarkably during 2015, where key trading indicators (value and volume of traded shares) recorded a decline of 35.21% and 21.66% respectively, compared with their recorded levels during 2014. KSE General Price Index (PI) closed its transactions decreasing by 14.09% at the end of 2015 compared with the closing of 2014. KSE Weighted Price Index (WI) recorded a decrease of 13.03% at the end of 2015 compared with the closing of 2014. The Kuwait 15 index<sup>(1)</sup> recorded a decline of 15.05% at the end of 2015 compared with the closing of 2014. In light of these developments, the market capitalization of listed companies recorded a decline reaching KD 26,230.1 million at the end of 2015, down by 11.78% compared with the end of 2014, after a decrease of KD 1,253.2 million or 4.04% at the end of 2014 compared with the previous year.

With regard to the most prominent developments regarding the procedures taken by KSE during 2015, KSE Committee issued decision No. (1) of the year 2015 concerning the amendments to share prices of KSE-listed companies after the decision on dividends and capital increase, and decision No. (72) of the year 2015 concerning “Issuing the executive regulations of Law No. (7) of the year 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its amendments”.

The Morgan Stanley Capital International (MSCI) emerging markets (EM) index declined at the end of 2015 by 162.16 points or 16.96% compared with 2014. The MSCI developed markets (DM) index declined to an even lower ratio than the EM index, by 46.88 points or 2.74% at the end of 2015 compared with the closing of 2014.

This part of the report presents the main developments of KSE activity during 2015, as follows:

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<sup>(1)</sup>The Kuwait 15 Index was introduced on Sunday 13/5/2012 encompassing the 15 largest KSE-listed companies in terms of market capitalization and value of traded shares. The index components are revised every six months (May and November) and are announced in June and December respectively of every year.

### First- Main Trading Indicators:

The main trading indicators of KSE witnessed a noticeable downward trend during 2015 compared with their levels during 2014 (Table 56 and Chart 24). The total value of traded shares was KD 3.94 billion with a daily average of KD 15.82 million during 2015 against KD 6.08 billion with a daily average of KD 24.96 million during 2014, i.e. a decline of KD 2.15 billion or 35.21% in the total value of traded shares and a 36.62% decline in their daily average traded value.

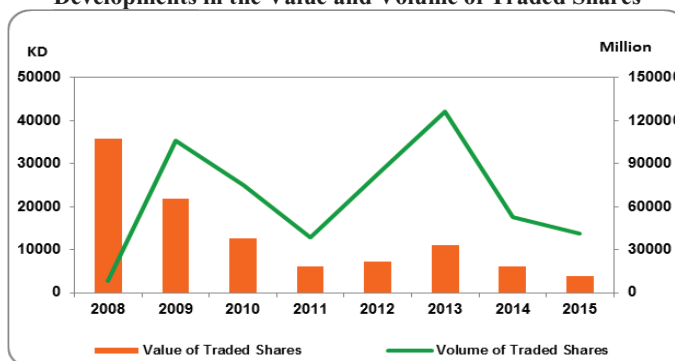
Table (56)  
Main Share Trading Indicators of KSE-Listed Companies

Period	Value (KD Million)	Quantity (Million Shares)	Number of Transactions (Thousand Transactions)
2013	11,102.6	126,507.2	2,136.1
2014	6,087.0	52,986.1	1,185.9
2015	3,943.7	41,509.7	960.7
Q1	1,328.2	12,649.5	307.7
Q2	1,064.7	12,639.5	263.0
Q3	765.7	8,073.6	191.8
Q4	785.1	8,147.1	198.2
Average Annual Change in 2015 from 2014	-35.21	-21.66	-18.99

Source: KSE.

Traded shares volume was 41.51 billion with a daily average of 166.71 million during 2015 compared to 52.99 billion with a daily average of 217.17 million during 2014, i.e. a decrease of 11.48 billion or 21.66% in the total volume of traded shares and a 23.24% decline in their daily average traded volume.

Chart (24)  
Developments in the Value and Volume of Traded Shares



Source: KSE.

Regarding the sectoral distribution of the total value of traded shares (Table 57), shares of the banks sector (encompassing 12 banks, or 6.32% of KSE-listed companies, and 50.13% of market capitalization at the end of 2015) 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 997.3 million during 2015, accounting for 25.29% of the total value of traded shares for the mentioned year.

**Table (57)**  
Developments in the Value of Traded Shares by KSE Sectors during 2015 (Value in KD Million)

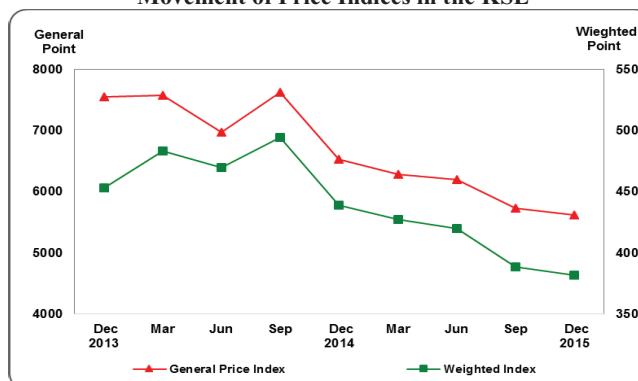
Sector	Number of Companies	2015	
		Value	%
Oil & Gas	(8)	78.1	1.98
Basic Materials	(4)	32.4	0.82
Industrials	(39)	430.3	10.91
Consumer Commodities	(8)	125.8	3.19
Healthcare	(4)	4.5	0.11
Consumer Services	(16)	115.8	2.94
Telecommunications	(4)	634.6	16.09
Utilities	-	-	-
Banks	(12)	997.3	25.29
Insurance	(8)	3.8	0.10
Real-Estate	(36)	651.5	16.52
Financial Services	(47)	859.2	21.79
Financial Instruments	-	-	-
Technology	(4)	10.3	0.26
<b>Total</b>	<b>(190)</b>	<b>3,943.7</b>	<b>100</b>

Source: KSE.

## Second- Price Movements:

KSE PI (29/12/1993=1000 points) recorded a significant decrease at the end of 2015 closing at 5,615.12 points against 6,535.72 points at the end of 2014, i.e. a decline of 920.60 points or 14.09%. KSE PI recorded its highest daily level on 8 February 2015 closing at 6,755.14 points, while its lowest daily level recorded on 29 December 2015 was 5,571.93 points. Consequently, the difference between the highest and the lowest daily closing levels recorded during 2015 was 21.24%.

**Chart (25)**  
Movement of Price Indices in the KSE



Source: KSE.

Furthermore, KSE WI (26/12/2000 = 100 points) decreased to close at 381.70 points at the end of 2015 against 438.88 points at the end of 2014, i.e. a decrease of 57.18 points or 13.03%. In the same direction, the Kuwait 15 index (13/5/2012 = 1000 points) declined to close at 900.43 points at the end of 2015 against 1,059.95 points at the end of 2014, i.e. a decrease of 159.52 points or 15.05%.

Of the quarters of 2015, major price indicators recorded a significant decline in the third quarter, where the PI, WI and Kuwait 15 index recorded a decline of 7.69%, 7.51% and 8.06% respectively compared with the second quarter of 2015.

**Table (58)**  
**Major Price Indicators from Q4 2014 to Q4 2015**

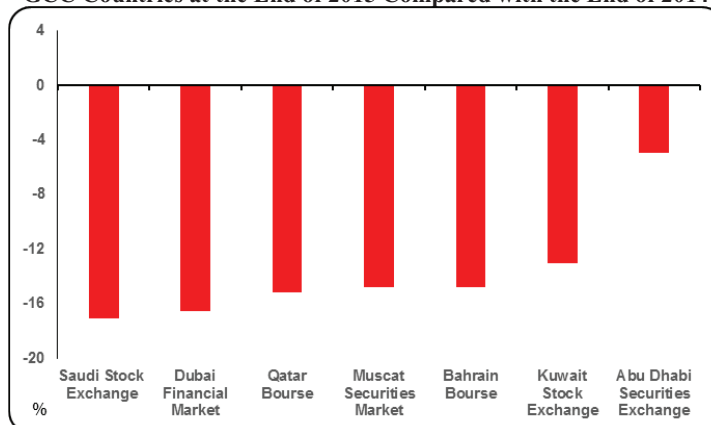
Period	PI	WI	Kuwait 15 Index
Q4 2014	6,535.72	438.88	1,059.95
Q1 2015	6,282.46	427.17	1,021.43
(%)	-3.88	-2.67	-3.63
Q2 2015	6,202.95	419.94	1,017.02
(%)	-1.27	-1.67	-0.43
Q3 2015	5,725.96	388.40	935.06
(%)	-7.69	-7.51	-8.06
Q4 2015	5,615.12	381.70	900.43
(%)	-1.94	-1.73	-3.70

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

### Price Indicators in the Financial Markets in the GCC Countries

Price indices for the capital markets in the GCC countries (indicators weighted by companies' capitals) recorded a decline at the end of 2015 compared with the closings of 2014, where the Saudi Capital Market recorded the highest ratio (17.06%) of decline among other GCC capital markets, followed by Dubai Financial Market with a decline of 16.51%, and Qatar Stock Exchange with a decline of 15.11%.

**Chart (26)**  
**Change in the Ratio of Price Indicators in the Financial Market in the GCC Countries at the End of 2015 Compared with the End of 2014**



Source: KSE

The PI in Muscat Securities Market, Bahrain Bourse, and Abu Dhabi Securities Exchange recorded a decline of 14.77%, 14.77%, and 4.89% respectively at the end of 2015.

### **Third- Factors Affecting KSE's Activity:**

The performance of KSE was affected by a number of negative factors during 2015, most significant of which are:

- \* **The continuous decline in crude oil prices:** Major trading and price indicators witnessed a significant decline in 2015, particularly in the third quarter, as a result of the continuous decrease of crude oil prices in global markets. Traders were led by speculations regarding the negative effects of the decline in oil prices on government spending and consequently on the prospects of economic growth that could affect the performance of KSE-listed companies.
- \* **The increasing number of optional withdrawals of KSE-listed companies during 2015:** KSE witnessed an optional withdrawal of four companies from the market during 2015, causing relative refraining from trading those shares.
- \* **Escalating regional geopolitical tensions:** The year 2015 witnessed growing regional political tensions represented in military operations of the Arab coalition forces (the Decisiveness Storm) to support legitimacy in Yemen that began on March 26, 2015 causing an atmosphere of caution and anticipation in the market.
- \* **The projected deficit in the general budget:** Reports on an expected budget deficit during FY2015/16, for the first time, after realizing historic surpluses during the past 16 years, as well as the alternatives proposed to finance the expected deficit, led to the decline in price and trading indicators and weighed on investors' trading.

In contrast, KSE witnessed some positive factors that reinforced its performance during certain periods of 2015, most prominent of which are:

- \* **The increase in the value of cash distributions in 2014:** The increase in the value of cash distributions during 2014 contributed to the rise in the value of some companies' traded shares in early 2015. The value of these distributions was KD 1,061.66 million during 2015 against KD 994.91 million during 2014, i.e. an increase of KD 66.75 million or 6.71%.
- \* **The issuance of the Capital Markets Authority (CMA) new executive regulations:** The CMA's executive regulation (Law No. 7 of the year 2010) was issued in November 2015. It employs the best global practices in the field of financial market regulation, and aims at improving the market and creating an attractive investment environment for investors.
- \* **Acquisition:** The Saudi Telecom Company (Saudi VIVA) applied for 74% share acquisition of a Kuwait Telecom Company (VIVA) reflecting optimism among market investors and resulting in capital flow. The ratio of purchased shares to total issued shares reached 25.8%, and resulted in a noticeable trading in the company's shares, causing the market's major trading indices to rise.
- \* **Approval of the midterm five-year development plan (2015/2016 – 2019/2020):** A state of optimism pervaded market traders regarding the listed companies' ability to achieve good financial results, after the approval of the state's five-year development plan (Law No. 11 of 2015 issued on March 11, 2015). The plan is aimed at enhancing the domestic economy to reflect positively on all economic sectors, particularly the performance of KSE-listed companies, restoring investor confidence and increasing cash flows.
- \* **Quarterly profits in 2015:** Net profits/losses of listed companies witnessed an increase of 1.98% and 7.22% during Q1 and H1 2015 compared with the corresponding periods of 2014, while net profits/losses during the first three quarters of 2015 was lower by 2.52% compared with the corresponding period of the previous year. In addition, KSE-listed companies recorded a decrease of 2.29% in total net profits/losses during Q4 2015. Consequently, the companies' total

net profits/losses recorded a slight decline of KD 7.45 million or 0.46% compared with 2014. Within this context, 88 companies witnessing an increase in their net profits realized a rise of KD 310.87 million or 29.50% in 2015, compared with 2014 for the same companies. However, 45 companies recorded a decrease in their net profits of KD 152.66 million or 25.71% compared with 2014 for the same companies. Finally, 42 companies recorded losses of KD 184.73 million during 2015 against KD 19.07 million compared with 2014 for the same companies.

#### **Fourth- Profits of KSE-Listed Companies:**

Total net profits/losses of 175 out of the 190 KSE-listed companies recorded a decrease of KD 1,621.2 million during 2015 against KD 1,628.7 million for the same companies for their work during 2014, i.e. a decline of KD 7.5 million or 0.4%, where 131 companies recorded a net profit of KD 1,812.9 million during 2015 against KD 1,799.6 million for 141 companies during 2014, i.e. an increase of KD 13.4 million or 0.74%. Meanwhile 43 companies recorded losses of KD 191.8 million during 2015 against KD 170.9 million for 33 companies during 2014, i.e. an increase of KD 20.8 million or 12.2%.

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 2015 were led by the Banks sector with a relative share of 52.93%, followed by Telecommunications (13.46%), Real Estate (9.8%), Industries (9.72%), and Consumer Services (4.41%).

The Price to Earnings (P/E) ratio of KSE-listed companies witnessed an increase reaching an average of 12.9 during 2015 against an average of 12.5 during 2014.

Table (59) illustrates the sectoral distribution of net profits of KSE-listed companies during 2014 and 2015:

**Table (59)**  
**Performance of KSE-Listed Companies by Sector during 2014 and 2015**  
(Value in KD Million)

Sector	Number of Companies Listed in the Sector	Number of Companies Which Announced Their Data	Net Profits (Losses) during 2014 and 2015			EPS (Fils)	Average Return on Equity	P/E (Multiples)
			2014	2015	Change (%)			
Oil & Gas	8	7	0.02	13.0	5,9642.8	-1.5	-1.3	6.1
Basic Materials	4	2	7.37	2.35	-68.1	17.7	5.9	11.2
Industrial*	39	39	178.99	157.65	-11.9	13.3	5.7	11.4
Consumer Commodities	8	7	67.87	71.56	+5.4	24.6	11.7	11.2
Healthcare	4	4	10.90	3.89	-64.3	20.4	4.3	13.1
Consumer Services	16	15	0.245	55.46	22,460.9	15.4	12.8	9.2
Telecommunications	4	4	274.81	218.26	-20.6	43.1	12.8	13.7
Utilities	-	-	-	-	-	-	-	-
Banks*	12	12	802.31	858.22	+7.0	22.3	6.9	16.1
Insurance*	8	8	24.97	37.14	+48.7	27.5	5.9	10.1
Real-Estate	36	34	156.47	158.80	+1.5	7.3	2.1	12.5
Financial Services*	47	39	102.21	66.11	-35.3	0.5	-5.6	12.3
Financial Instruments	-	-	-	-	-	-	-	-
Technology	4	4	2.50	4.73	+89.1	12.2	7.2	12.9
<b>Market's Total</b>	<b>190</b>	<b>175</b>	<b>1,628.7</b>	<b>1,621.2</b>	<b>-0.5</b>	<b>16.8</b>	<b>5.6</b>	<b>12.9</b>

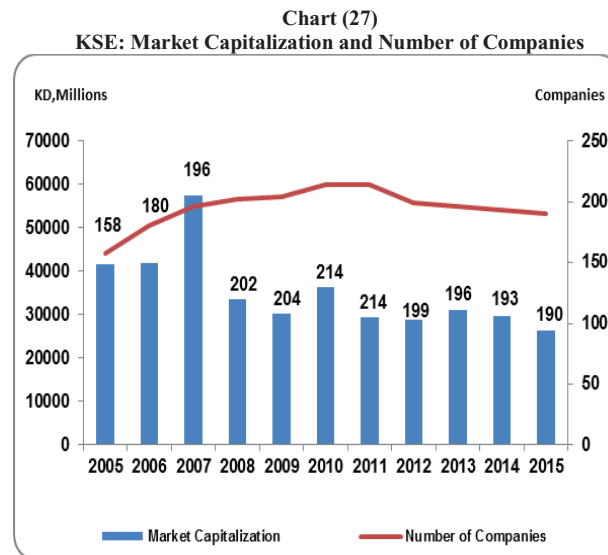
\* The new sectoral distribution (14 sectors) became effective as of 13/5/2012. Non-Kuwaiti companies are included in the above-mentioned sectors. (There are companies that have not announced their profits yet, these are: 4 companies from the Financial Services sector, one company from the Consumer Services sector, and one company from the Consumer Commodities sector. Nine more companies have not yet announced their profits due to their different balance sheet dates).

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

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

### 1- Market Capitalization:

Market capitalization of KSE-listed companies decreased by KD 3,502.9 million or 11.78%, i.e. a decline of KD 3,289.9 million or 11.95% for 179 Kuwaiti listed companies, to reach KD 26,230.1 million (KD 24,241.7 million for Kuwaiti listed companies) at the end of 2015 against KD 29,733.0 million (KD 27,531.6 million for 182 Kuwaiti listed companies) at the end of 2014 (chart 27).



Market capitalization of top ten KSE-listed companies reached KD 9,474.8 million or 36.12% of total market capitalization. The National Bank of Kuwait took the lead with a market capitalization of KD 4,031.8 million or 42.55% of total market capitalization of top ten KSE-listed companies (equivalent to 15.37% of total market capitalization) during 2015, followed by Kuwait Finance House with a market capitalization of KD 2,573.1 million or 27.16% of total market capitalization for the top ten KSE-listed companies during 2015.

One new company was listed during 2015 with a market capitalization of KD 343.9 million, accounting for 1.31% of total market capitalization, while four Kuwaiti companies with market capitalization of KD 42.91 million, accounting for 0.16% of total market capitalization, were delisted.

## **2- Share Issue Base:**

The share issue base of KSE-listed companies decreased by 1397 million or 1.33% during 2015 to reach 103481 million (of which 87726 million issued by 179 Kuwaiti companies) at the end of 2015 compared to 104878 million (of which 87078 million issued by 182 Kuwaiti companies) at the end of 2014. The number of shares issued by the one newly-listed company was 297 million, while the number of shares of the four companies delisted during 2015 was 698 million.

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