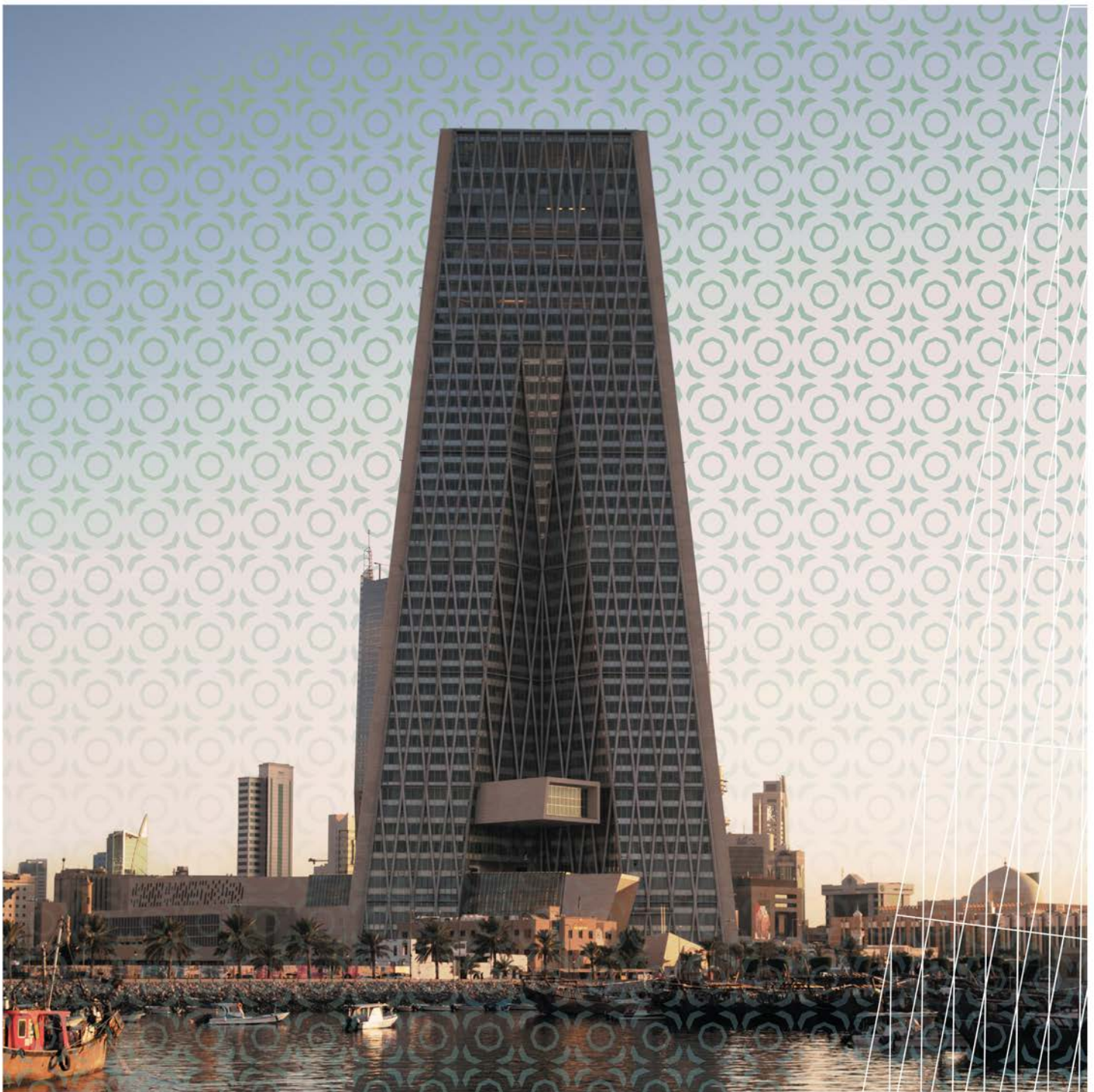


The 46th Economic Report For The Year 2017

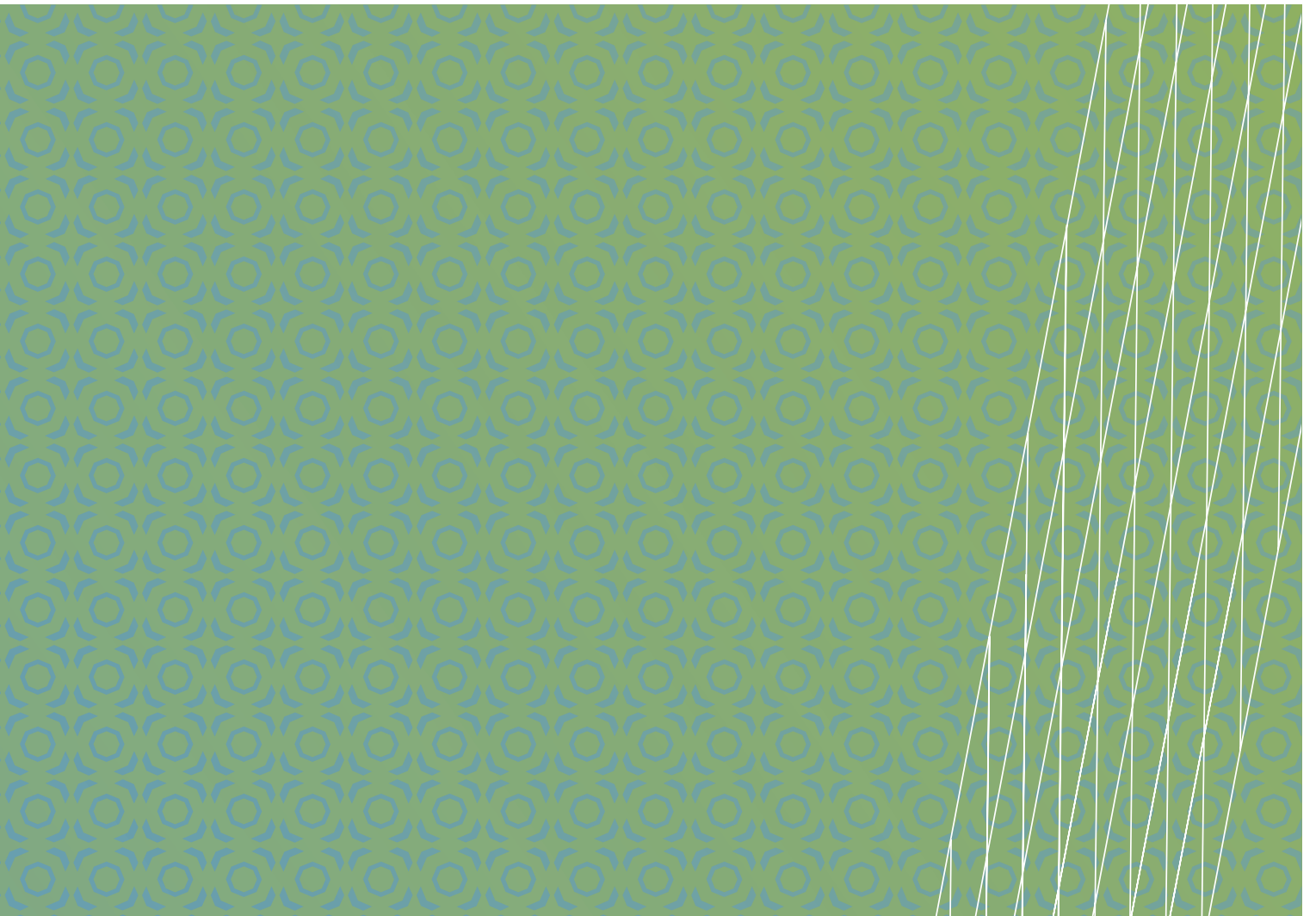


بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



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

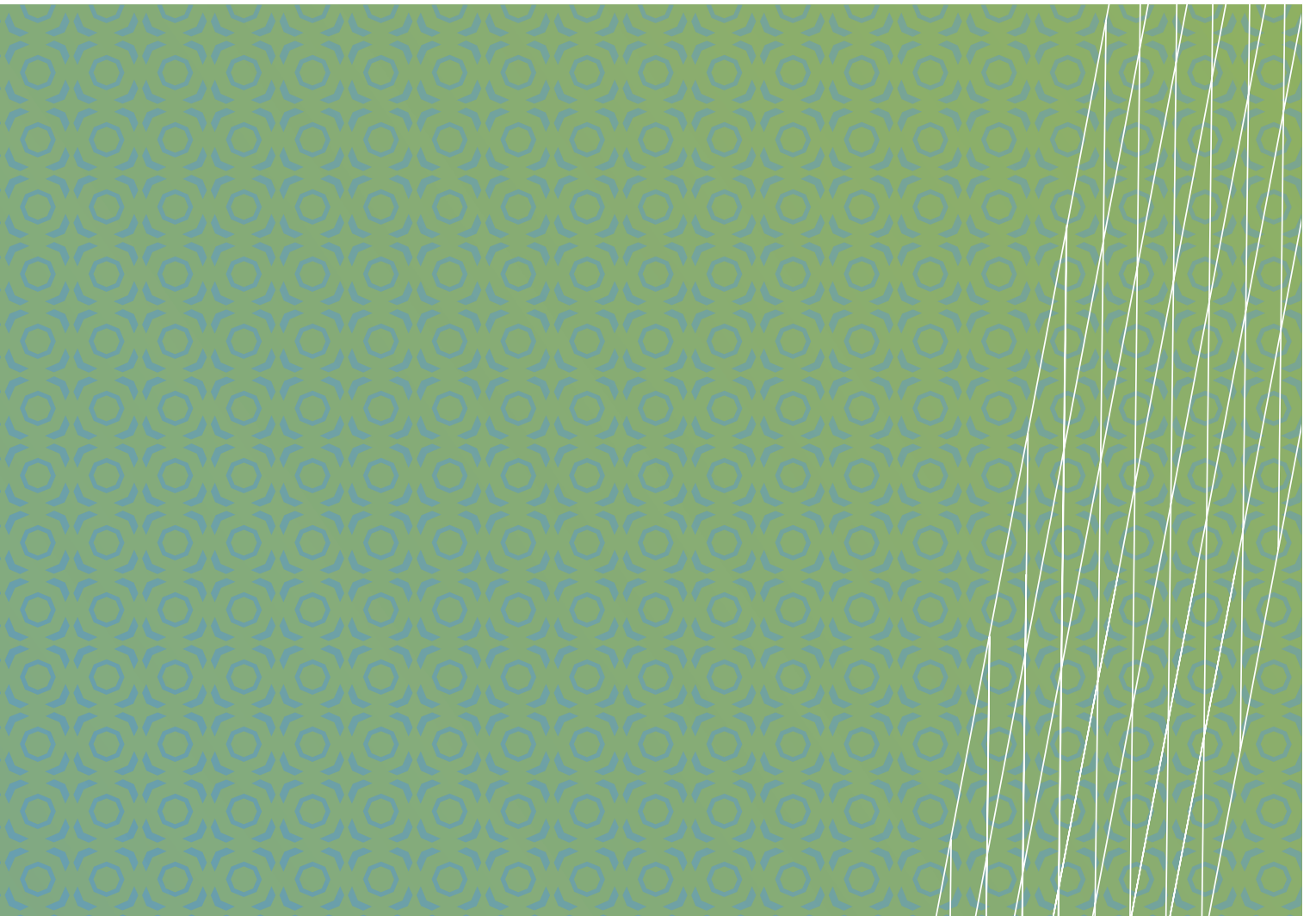
The Amir of The State of Kuwait





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

The Crown Prince of The State of Kuwait





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

The Prime Minister of The State of Kuwait



BOARD OF DIRECTORS



Dr. Mohammad Y. Al-Hashel

Governor
Chairman



Mr. Yousef J. Alobaid

Deputy Governor
Member

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

Article (26) of law No. 32 of 1968



Mr. Khalifa M. Hamada
Undersecretary
Ministry of Finance
Member



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



Mr. Nasser Abdullah Alroudan
Member



Mr. Mustafa J. Al-Shamali
Member



Mr. Osamah Mohammad Al-Nisf
Member



Mr. Ahmed Y. Al-Sager
Member

Contents

No.	Contents	Page
1	Preface	1
2	Summary of the Economic Report for the Year 2017	5
3	Performance of Domestic Economy	11
4	Monetary Developments and Central Bank of Kuwait Activity	27
5	Financial Indicators of the Banking and Financial System	45
6	Public Finance	63
7	Foreign Trade & Balance of Payments	75
8	Boursa Kuwait	85

No.	Table of Tables	Page
1	Table 1: GDP at Constant Prices by Sectors (Oil and Non-oil)	14
2	Table 2: GDP at Current Prices by Sectors (Oil and Non-Oil)	15
3	Table 3: Non-Oil GDP at Constant Prices by Divisions of Economic Activity	17
4	Table 4: Non-Oil GDP at Current Prices by Divisions of Economic Activity	18
5	Table 5: Developments in the General Consumer Price Index	20
6	Table 6: Developments in the General Wholesale Price Index	22
7	Table 7: Developments in the Main Indicators of Population in the State of Kuwait	23
8	Table 8: Developments in the Dependency Indicators in the State of Kuwait	24
9	Table 9: Developments in the Labor Force Main Indicators in the State of Kuwait	24
10	Table 10: Distribution of Labor Force by Divisions of Economic Activity (%)	25
11	Table 11: Relative Distribution of Labor Force by Nationality and Sector (%)	26
12	Table 12: USD Exchange Rate against KD and some major Currencies at the end of 2017 compared with the previous Year	30

13	Table 13: USD Exchange Rate against KD and some major currencies based on daily data during 2017	30
14	Table 14: Developments in Money Supply Aggregates	31
15	Table 15: Private sector's deposits with local banks at the end of 2017	32
16	Table 16: Factors affecting changes in Money Supply (M2)	33
17	Table 17: Net foreign assets of CBK and local banks	33
18	Table 18: Developments of Balances of utilized domestic Cash Credit Facilities	34
19	Table 19: Developments of new KD Credit Facility Agreements with Residents	35
20	Table 20: Developments of the local KD interest Rates Structure	37
21	Table 21: Interest rates on customer KD and USD deposits with local banks	37
22	Table 22: Developments of public debt instruments	38
23	Table 23: Developments of CBK bonds and related Tawarruq	39
24	Table 24: Distribution of transaction values of the interbank deposit market of local banks* according to maturity periods	40
25	Table 25: Trends in development of KD balances of CBK with local banks	41
26	Table 26: Clearing Transactions and Settlements among local Banks	41
27	Table 27: Developments in the Banking System Structure	47
28	Table 28: Aggregate Balance Sheet of Local Banks (Assets)	49
29	Table 29 (A): Aggregate Balance Sheet of Local Banks (Liabilities)	50
30	Table 29 (B): Aggregate Balance Sheet of Local Banks (Contra Accounts)	51
31	Table 30: Summary of Financial Flows in Local Banks during 2016 and 2017	52
32	Table 31: Some Financial Indicators and Ratios of Local Banks (%)	55
33	Table 32: Developments in the Financial System Structure	56
34	Table 33: Aggregate Balance Sheet of Local Investment Companies	57
35	Table 34: Aggregate Balance Sheet of Conventional Investment Companies	58
36	Table 35: Aggregate Balance Sheet of Investment Companies Operating in Accordance with the Provisions of the Islamic Sharia	59

37	Table 36: Contra Accounts of Local Investment Companies	60
38	Table 37: Aggregate Balance Sheet of Local Exchange Companies	61
39	Table 38: Actual Revenues in the General Budget	65
40	Table 39: Actual Budgetary Non-Oil Revenues	66
41	Table 40: Actual Budgetary Expenditures	67
42	Table 41: Economic Classification of Actual Public Expenditures	67
43	Table 42: Summary of the General Budget Closing Account	68
44	Table 43: Estimates of Revenue and Expenditure Allocations in the General Budget	69
45	Table 44: Allocations for Expenditures in the General Budget	70
46	Table 45: Estimates of Revenues and Allocations for Expenditures in the General Budget	71
47	Table 46: Public Revenues	72
48	Table 47: Public Expenditure	72
49	Table 48: Summary of Surplus or Deficit	73
50	Table 49: Current Account	78
51	Table 50: Geographic Distribution of Value of Non-Oil Exports of the State of Kuwait to the Top Ten Countries	79
52	Table 51: Geographic Distribution of Kuwait Merchandise Imports Value (on CIF basis) From the Top Ten Countries	80
53	Table 52: Kuwait Trade with the GCC Countries	81
54	Table 53: Capital Account	82
55	Table 54: Financial Account	83
56	Table 55: The State of Kuwait BOP	84
57	Table 56: Main Share Trading Indicators of Bursa-Listed Companies	88
58	Table 57: Developments in the Value of Traded Shares by Bursa Kuwait Sectors during 2017 (Value in KD Million) and the Relative Share of the Total (%)	89
59	Table 58: Major Price Indicators at the end of the Quarters of 2017 (Point)	90
60	Table 59: Performance of Bursa-Listed Companies by Sector during 2016 and 2017	93

No.	Table of Figures	Page
1	Figure 1: Real GDP at Constant Price	13
2	Figure 2: GDP at Current Prices	14
3	Figure 3: Rates of Change in the Consumer Price Index (%)	19
4	Figure 4: Relative Contribution to Change in the General Consumer Price Index by main groups (%)	19
5	Figure 5: Inflation Rates in the GCC Countries during 2017 (%)	21
6	Figure 6: Rates of Change in the General Wholesale Price Index	21
7	Figure 7: Developments in the Population Growth Rates in the State of Kuwait	22
8	Figure 8: Distribution of Population by Age Groups at the End of 2016 and 2017	23
9	Figure 9: Relative Structure of Labor Force in 2017 (% of the Total)	25
10	Figure 10: USD/KD Exchange Rate (end of period)	30
11	Figure 11: Developments in Money Supply (M2)	31
12	Figure 12: Financing Merchandise Imports through Local Banks	36
13	Figure 13: Total Value & Number of Transactions using ATM Machines	42
14	Figure 14: Total Value & Number of Transactions using Points of Sale (POSs)	42
15	Figure 15: Local Banks' Assets	48
16	Figure 16: Local Banks' Liabilities	50
17	Figure 17: Developments of Oil and Non-Oil Revenues	66
18	Figure 18: Economic Classification of Public Expenditures	68
19	Figure 19: Developments of the Closing Account Data	69
20	Figure 20: Developments of Estimated Revenues and Expenditure Allocations in the General Budget	71
21	Figure 21: Current Account of Kuwait's Balance of Payments	77
22	Figure 22: The Balance on Goods for Kuwait's Balance of Payments	78
23	Figure 23: Financial Account of Kuwait's Balance of Payments	83
24	Figure 24: Developments in the Value & Volume of Traded Shares	88
25	Figure 25: Movement of Price Indices in the Boursa Kuwait	89
26	Figure 26: Change in the Ratio of Price Indicators in the Financial Markets of the GCC Countries at the End of 2017 Compared with the End of 2016	90
27	Figure 27: Boursa Kuwait: Market Capitalization and Number of Companies	94

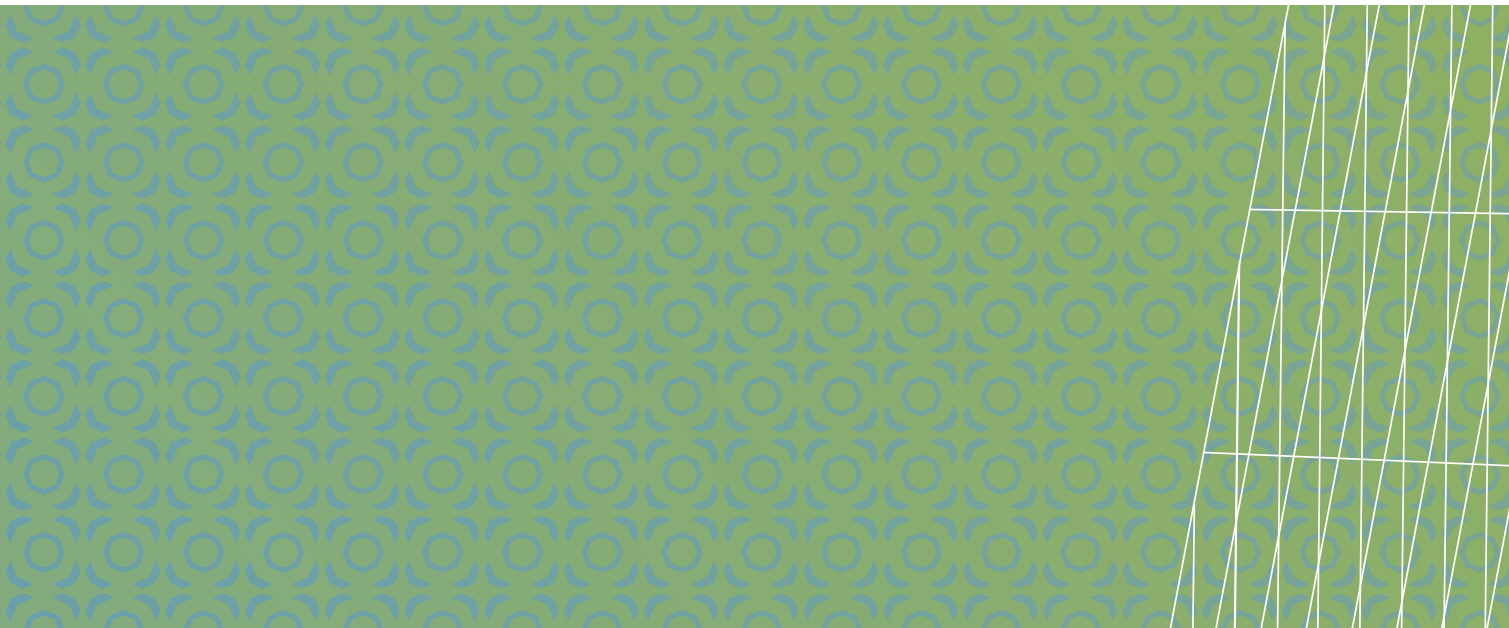
PREFACE



I am pleased to introduce the Economic Report 2017 to all those interested in the economic affairs of the State of Kuwait. This forty-sixth issue of the Economic Report, prepared annually by the Central Bank of Kuwait (CBK), covers key economic developments, including the most recent data and statistics available on various aspects of economic performance in the State of Kuwait during the year under review. The Report addresses these developments in six parts with each part covering a major topic in appropriate detail.

The first part of the report addresses the key trends in Kuwaiti economic performance in 2017 as reflected in data and statistics available for state accounts, domestic prices, population, and workforce. In this context, available statistics indicate growth in value added at constant prices in non-oil sectors by KD 704.8 million or 3.3% during 2017, to reach KD 22,295 million, against KD 21,590.2 million in 2016. On another front, value added at constant prices in oil sectors dropped by KD 1,942.6 or 8.1% to reach KD 22,097.9 million during 2017, compared to 24,040.5 million in 2016. In light of these developments, the value of the Gross Domestic Product (GDP) at constant prices decreased to KD 39,769.3 million in 2017, compared to KD 40,942.9 million during the previous year, i.e. a decline of KD 1,173.6 million or 2.9%. Meanwhile, non-oil sectors GDP at current prices increased by 4.7%, while oil sectors GDP recorded a growth of 20.6%. Consequently, GDP at current prices reached KD 36,434.4 million during 2017, with a rise of 8.7%, compared to the year 2016. Within this context, it is worth mentioning that oil sectors GDP was affected by the rise in world oil prices. Data from Organization of Petroleum Exporting Countries (OPEC) indicate a rise in the OPEC basket average spot price to reach \$52.43 p/b during 2017, compared to \$40.76 p/b in 2016, i.e. an increase of \$11.67 p/b or 28.6%. In parallel, the average price for the average price of Kuwait's exported crude oil recorded an increase to \$51.61 p/b during 2017, compared to \$39.44 p/b during the previous year, i.e. a rise of \$12.17 p/b or 30.8%.

“The Report covers the most recent and available data and statistics of the economic performance of the State of Kuwait”

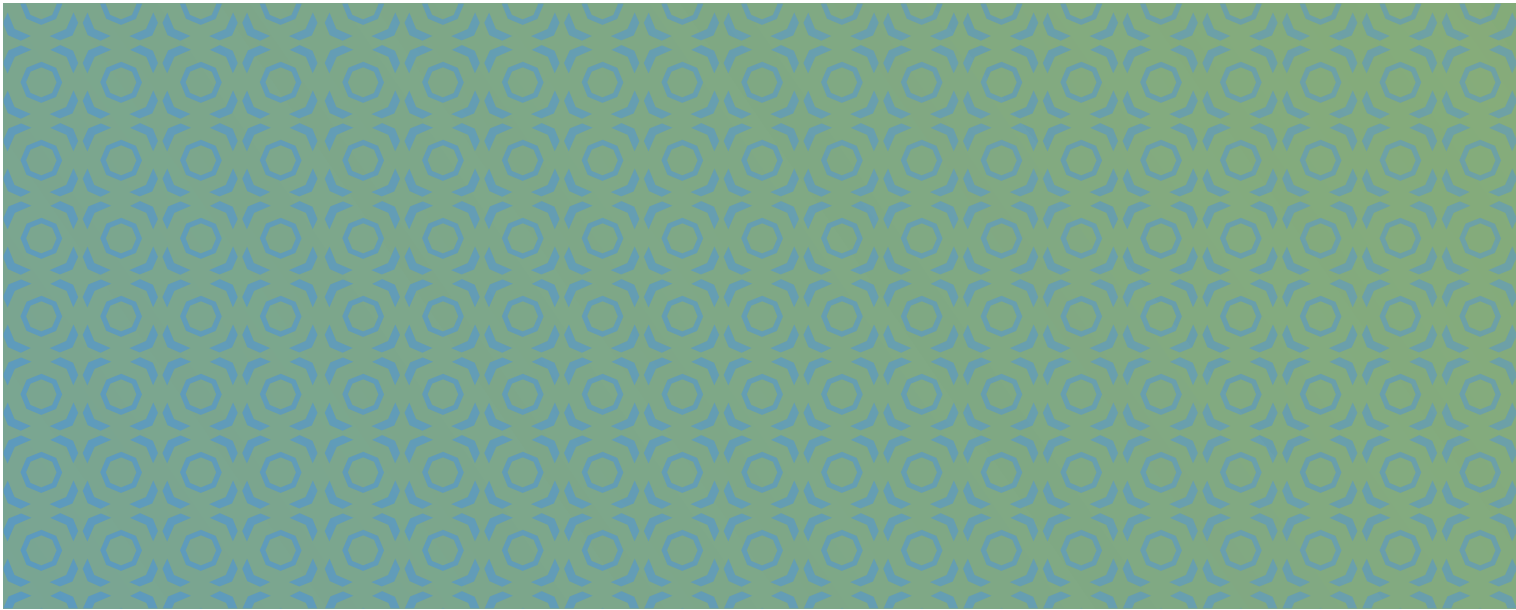


The second part discusses the main monetary and banking developments and CBK's activities in areas of monetary policy and banking supervision through highlighting major developments observed in the key monetary aggregates and indicators, as well as significant developments in the area of banking oversight and supervision during 2017. In this regard, available data indicate a sustained relative stability in the KD exchange rate against major currencies during 2017, in line with CBK's exchange rate policy of pegging the KD to a weighted basket of currencies that share significant trade and financial relations with the State of Kuwait. Data indicate movements within a relatively narrow margin in the exchange rate of the USD against the KD during 2017, compared with the changes in the exchange rate of the USD against other key currencies. The difference between the highest and the lowest exchange rate of the USD against the KD during 2017 was 1.8%.

“ KD exchange rate is still relatively stable
against the major currencies in 2017 ”

On another front, growth in Money Supply in its Broad Definition (M2) increased to 3.8%, and private sector (resident) deposits with local banks to 0.9% at the end of 2017 compared to the previous year. Growth rate in credit facilities extended by local banks to various domestic economic sectors decelerated to 3.2% at the end of the mentioned. In light of the continuous increase in interest rates on major world currencies during 2017, CBK raised its Discount Rate once by 0.25 percentage points to reach 2.75% in March 2017. CBK continued during 2017 its oversight and supervision of local banking and financial units aimed at strengthening their financial position and reinforcing financial stability through intensifying its oversight and supervision measures, enhancing the financial sector's ability to effectively fulfill its role in the national economy.

The third part of the report highlights the developments in the financial indicators of the banking and financial system, in light of the aggregate financial statements of various banking and financial system units, including local banks, investment companies and exchange companies, in order to identify some of the aspects



of 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 realized a growth of 5% at the end of 2017 compared to the level recorded in 2016. The aggregate balance sheet of local exchange companies registered with, and supervised by, the CBK increased by 12.1%, while the aggregate balance sheet of local investment companies registered with CBK decreased by 10.6% at the end of 2017 compared with its previous year level.

The fourth part of the report highlights the developments in the State's public finances within two key sections, namely the Closing Account for 2016/17, and the general budget for ministries and government departments for 2017/18. The Closing Account of the general budget for 2016/17 recorded an actual deficit of KD 4,608.4 million compared to an actual deficit of KD 4,612 million during the previous year, before deduction of allocations for the Reserve Fund for Future Generations (RFFG).

The fifth part of the report addresses the developments in the trade and financial relations of the State of Kuwait with other economies, as reflected in the statistics on foreign trade and the Balance of Payments (BOP) of the State of Kuwait during 2017, where the surplus realized in the balance on goods witnessed an increase of KD 1,871.0 million or 31.7%. This rise is mainly due to increase in value of oil exports after the significant rise in world oil prices. Consequently, the current account recorded a surplus of KD 2,151.8 million, against a deficit of KD 1,528.2 million during the previous year. The overall position of the BOP of the State of Kuwait recorded a total surplus of KD 569.2 million.

“ Developments of the trade and financial relations of the State of Kuwait with the other economies ”




The sixth and last part of the Economic Report covers the developments in the performance of Bursa Kuwait during 2017, as reflected in the key trading indicators, price movements, and factors affecting the Bursa performance. In this context, the main trading indicators (traded shares by value and volume) recorded a rise of 98.67% and 65.65% respectively compared to previous fiscal year. The Price Index (PI) closed with a rise of 11.48% at the end of 2017 compared to the end of the previous year. Meanwhile the Weighted Price Index (WPI) recorded an increase of KD 5.61% at the end of 2017 compared to the closing of the previous year. Market capitalization of listed companies recorded an increase of 4.67% at the end of 2017 compared to the previous year.

In conclusion, 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, Central Bank of Kuwait



Summary of the Economic
Report for the Year 2017

Summary of the Economic Report for the Year 2017

The Economic Report for the year 2017 addresses key economic, financial, monetary and banking developments witnessed in the Kuwaiti economy during the mentioned year which are presented in six parts, the most significant of which are briefly highlighted as follows:

First: Domestic Market Performance

Preliminary estimates on the national accounts statistics of the State of Kuwait for the year 2017 indicate that the value added at constant prices in non-oil sectors grew by KD 704.8 million or 3.3%, to reach KD 22,295 million compared to KD 21,590.2 million during 2016, after realizing a growth of KD 423.8 million or 2% compared to 2015. The relative share of value added of GDP at constant prices in total non-oil sectors remained unchanged at 52.7%. On the other hand, the value added at constant prices in oil sectors decreased by KD 1,942.6 million or 8.1%, to reach KD 22,097.9 million during 2017, compared to KD 24,040.5 million during the previous year. As a result, GDP at constant prices decreased by KD 39,769.3 million during 2017, against KD 40,942.9 million during the previous year, i.e. a decline of KD 1,173.6 million or 2.9%, compared to a growth KD 1,402.5 million or 3.5% during the previous year. On another front, value added at current prices in total non-oil sectors increased to KD 25,660 million during 2017, against KD 24,504.4 million during 2016, i.e. an increase of KD 1,155.7 million or 4.7% after realizing a growth of KD 593.1 million or 2.5% during the previous year. Value added at current prices in total oil sectors recorded a growth of KD 2,796.6 million or 20.6% to reach KD 16,356.9 million during 2017, compared to KD 13,560.3 million during the previous year. Consequently, GDP at current prices increased by KD 36,434.4 million during 2017, against KD 33,506.6 million during the previous year.

Inflation in the State of Kuwait, measured by the relative change in General Consumer Price Index (CPI) (2013=100), decelerated to reach 1.5% during 2017, against 3.5% during 2016. The said deceleration in the annual inflation rate recorded in 2017 is a result of the changes in increase rate in the average prices of the main groups constituting the CPI compared to its levels during 2016.

The rate of increase in the average price of Foods and Beverages (weight 16.7%) decelerated to 0.1% compared to 1.7% during 2016, Healthcare (weight 1.5%) to 0.2% during 2017, compared to 1.2% during 2016, and Education (weight 4.2%) to 2.8% during 2017, compared to 3.6% during 2016. Meanwhile, the rate of increase in the average price of Clothing and Footwear (weight 8.0%) increased by 1.4% during 2017, compared to 0.8% during 2016, and Furniture Equipment & Household Maintenance (weight 11.4%) to 3.3% during 2017, compared to 2.4% during 2016. The rate of increase in the average price of Housing Services (weight 33.2%) decreased to 0.4% during 2017, against 6.2% during 2016, and Communications (weight 4.0%) to 0.6% during 2017, against 2.0% during 2016.

Available statistics on developments in population and labor force in the State of Kuwait reached 2.0% in total population in the State of Kuwait at the end of 2017 compared to 4.1% during 2016. This was an outcome of increase in non-Kuwaiti population by 1.9% at the end of 2017, compared to 4.8% for 2016, alongside an increase in the Kuwaiti population by 2.4% compared to 2.3% for 2016. This was coupled with a relative stability (slight decline by 0.02%) in total labor force during 2017, compared to a growth of 5.1% during 2016. This was due to the deceleration in the rate of increase in non-Kuwaiti labor force by 1.8% during 2017, against 5.7% during 2016, while Kuwaiti labor force declined to 9.2% for 2017 compared to the rise of 2.6% in 2016.

Second: Monetary Developments and CBK Activities

Developments in the KD exchange rate during 2017 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 2017 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 5.45 fils or 1.81% as at the end of 2017. 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 67.88% against the Pound Sterling, 9.4% against the Japanese Yen, 28.11% against the Euro, and 8.8% against the Swiss Franc.

Data on the key monetary and banking aggregates of the State of Kuwait indicate a fast growth of 3.8% in the Money Supply in its Broad Definition (M2) at the end of 2017. Furthermore, developments in residents' private sector deposits with local banks indicate a growth of 0.9% at the end of 2017 compared to its levels at the end of 2016. 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 3.2% at the end of 2017.

In the light of the continuous increase in interest rates in world major currencies during 2017, CBK raised its Discount Rate by 0.25 percentage points in 16 March 2017, lifting it from 2.5% to 2.75%. A similar previous hike in CBK's Discount Rate was made in 15 December 2016 by 25 basis points.

Developments on the side of banking oversight and supervision during 2017 indicate CBK's continued efforts in the area of oversight and supervision of local banking and financial units. These endeavors aim at strengthening the units' financial position and reinforcing financial stability through intensifying the oversight and supervision measures applied to the local financial sector for enhancing the sector's ability to effectively fulfill its role in the national economy.

Third: Financial Indices of the Banking and Monetary System

The aggregate balance sheet of local banks (23 banks including 5 Kuwaiti conventional banks, 5 Islamic banks, one specialized bank and 12 foreign bank branches of which one is an Islamic bank branch) amounted to KD 63,467.8 million at end of 2017 against KD 60,444.5 million at the end of the previous year, realizing a growth of KD 3,023.4 million or 5.0% during 2017, compared to a growth of KD 1830.4 million or 3.1% during 2016.

The number of local investment companies registered with the CBK decreased to 68 (39 of which are Islamic investment companies) at the end of 2017 compared to 78 (44 of which are Islamic investment companies) at the end of the previous year. Total assets of local investment companies (conventional and Islamic) amounted to KD 7,299.6 million at the end of 2017 compared to KD 8,165.0 million at the end of 2016, i.e. a decrease of KD 865.8 million or 10.6%.

The aggregate balance sheet of 42 local exchange companies registered with, and supervised by, the CBK was KD 209 million at the end of 2017, increasing by KD 22.5 million or 12.1% from KD 186.5 million at the end of the previous year.

Fourth: Public Finance

Data on the Closing Account of ministries and government departments for FY2016/17 indicate that the total actual budgetary revenues collected for the mentioned fiscal year amounted to KD 13,099.5 million, recording a decrease of KD 534.4 million or 4% compared with the previous fiscal year. This decline mainly reflects the decrease in actual oil revenues collected of KD 386.6 million or 3.2% to KD 11,688.8 million for FY2016/17. Data on the Closing Account for FY2016/17 indicate a decrease in actual public expenditures of KD 538 million or 3% to KD 17,707.9 million during the mentioned fiscal year. As a result, the Closing Account for FY2016/17 recorded an actual deficit of KD 4,608.4 million against an actual deficit of KD 4,612 million during the previous fiscal year and before deduction of allocations for the Reserve Fund For Future Generations (RFFG).

Furthermore, data on the General Budget for FY2017/18 indicate an increase in the total estimated public revenues for the mentioned fiscal year by KD 3,106.2 million or 30.0% to KD 13,344.2 million, compared to KD 10,238 million for the total estimated public revenues for FY2016/17. The rise in total public revenue within the General budget of FY2017/18 mainly reflects the increase in estimated oil revenue by KD 3,087.3 million or 35.8% to reach KD 11,710.7 million compared to KD 8,623.4 million for the approved estimated of the FY2016/17.

Allocations for public expenditures for FY2017/18 increased by KD 1,008 million or 5.3% to KD 19,900 million, against KD 18,892 million for the previous fiscal year. These developments in estimated public revenues and expenditures for FY2017/2018 resulted in an estimated deficit of KD 6,555.8 million, against KD 8,654 million for the previous FY2016/2017, before deduction of allocations for the RFFG.

Fifth: Foreign Trade and Balance of Payments

Preliminary estimates on the Balance of Payments (BOP) of the State of Kuwait for 2017 indicate that the current account recorded a surplus of KD 2,151.8 million during 2017, against a deficit of KD 1,528.2 million during 2016.

Basically, surplus or deficit in the current account of the BOP is related to the surplus or deficit recorded in the balance on goods. Estimates indicate a rise in the surplus realized in the balance on goods to KD 7,768.7 million during 2017 compared to KD 5,897.7 million during the previous year, i.e. an increase of KD 1,871 million or 31.7%. 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 16,725.7 million during 2017 compared to KD 14,051.8 million during the previous year, i.e. a rise of KD 2,673.9 million or 19.0%. On the other hand, total (CIF basis) imports of goods of the State of Kuwait reached KD 10,189.7 million during the mentioned year against KD 9,269.3 million during the previous year, i.e. an increase of KD 920.4 million or 9.9%.

The Services Account recorded a deficit of KD 6,925.4 million during 2017 against KD 6,048.5 million during the previous year, i.e. a rise of KD 876.9 million or 14.5%.

On the side of the capital account, preliminary statistics indicate a deficit (net capital outflows) of KD 126.6 million during 2017 against a deficit of KD 147.3 million during the previous year, i.e. a decline of KD 20.7 million or 14% 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 6,522.3 million during 2017 against net capital inflows (an increase in net internal investments) of KD 1,779.9 million during the previous year.

As a result of the above-mentioned developments, the overall position of the BOP of the State of Kuwait

recorded a total surplus of KD 569.2 million during 2017 compared with a total surplus of KD 960.1 million during the previous year. The surplus reflects the increase recorded in CBK's reserve assets of the same value. The overall position of the BOP of the State of Kuwait, from a broader perspective to include both the change in net external investments of some government bodies/institutions and the above-mentioned change in CBK's reserve assets, shows an estimated surplus of KD 4,252.3 million during 2017 compared with a deficit of KD 2,530.7 million during the previous year.

Sixth: Developments at Bursa Kuwait

The performance of the key trading indicators and price movements in Bursa Kuwait improved at the end of 2017, whereas main indices (value and volume of traded shares) realized an increase of 98.67% and 65.65% respectively compared to their levels recorded at the end of 2016. The Price Index (PI) closed at 11.48%, higher at the end of 2017, compared with the closing of 2016. The Weighted Index (WI) recorded a rise of 5.61% compared with the end of 2016. The Kuwait 15 index recorded an increase of 3.37% at the end of 2017 compared with the end of 2016. Market capitalization of listed companies recorded an increase reaching KD 27,470.9 billion at the end of 2017, i.e. an increase of KD 1,225.1 million or 4.67% compared with the end of 2016. The most notable achievements during 2017 was promoting Bursa Kuwait from a beginning market to an emerging market by one of the prestigious institutions specialized in classifying global financial markets, which is (FTSE Russell).





Performance of Domestic Economy



Performance of Domestic Economy

First: Gross Domestic Product and Economic Growth

Preliminary estimates on the national accounts statistics of the State of Kuwait for 2017 indicate a growth in value added at constant prices from the total non-oil sectors of KD 704.8 million or 3.3%, to reach KD 22,295 million against KD 21,590.2 million during 2016, which in turn registered a growth of KD 423.8 million or 2% from 2015. The relative share of the value added from these sectors in Gross Domestic Product (GDP) at constant prices for 2017 remained the same as the previous year at 52.7%.

On the other hand, the value added at constant prices in total oil sectors decreased by KD 1,942.6 million or 8.1%, to reach KD 22,097.9 million during 2017 against KD 24,040.5 million during the previous year. Consequently, GDP at constant prices dropped to KD 39,769.3 million during 2017 against KD 40,942.9 million for the previous year, i.e. a decline of KD 1,173.6 million or 2.9% compared to KD 1,402.5 million or 3.5% during the previous year. Table (1) shows developments in GDP at constant prices for both oil sectors and non-oil sectors during 2014-2017.

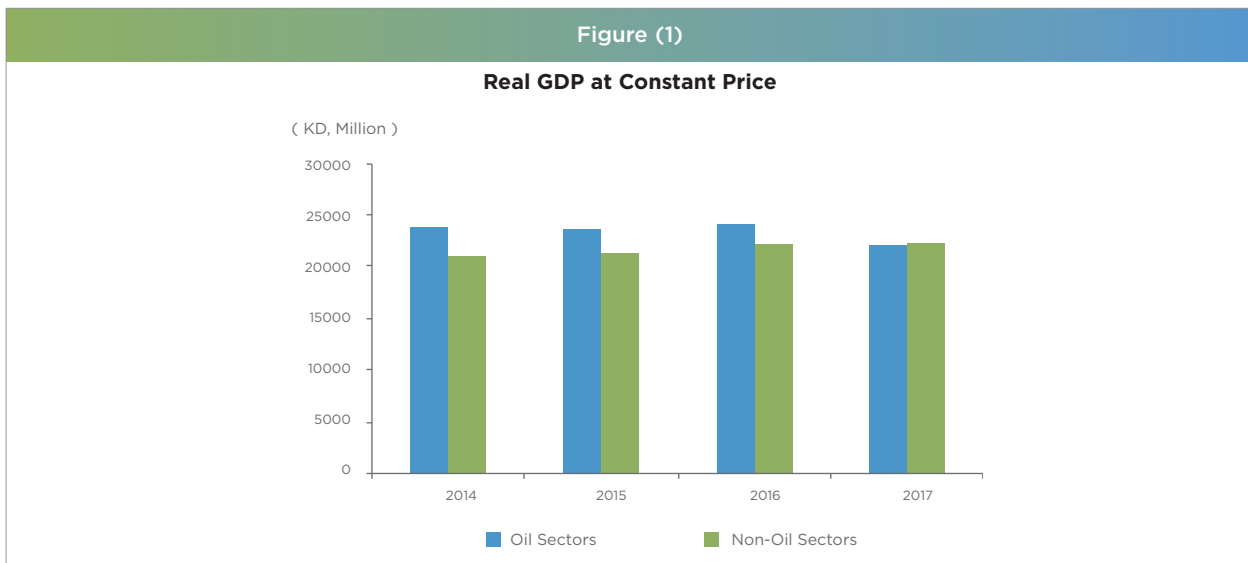


Table (1)

GDP at Constant Prices by Sectors (Oil and Non-oil)

KD Million

Items	2014	2015	2016*	2017**
1. Crude Oil & Natural Gas Production	22,754.7	22,579.3	23333.2	21357.8
Change (%)	-1.3	-0.7	3.3	-8.5
To GDP (%)***	57.9	57.1	57.0	57.0
2. Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel	1,145.2	911.8	707.2	740.1
Change (%)	-15.6	-20.4	-22.4	4.7
To GDP (%)	2.9	2.3	1.7	1.7
3. Total Oil Sectors (1 + 2)	23,899.9	23,491.1	24040.5	22097.9
Change (%)	-2.1	-1.7	2.3	-8.1
To GDP (%)	60.8	59.4	58.7	58.7
4. Non-oil Sectors	21,086.7	21,166.4	21590.2	22295.0
Change (%)	4.8	0.4	2.0	3.3
To GDP (%)	53.6	53.5	52.7	52.7
Subtotal (3 + 4)	44,986.6	44,657.5	45630.6	44392.9
Change (%)	1.0	-0.7	2.2	-2.7
Imputed Banking and Insurance Services	-1,840.4	-1,900.5	-1,941.0	-1,958.1
Change (%)	2.9	3.2	2.1	0.9
Taxes minus Subsidies (Net Taxes)	-3,838.7	-3,216.6	-2,746.7	-2,665.6
Change (%)	5.4	-16.2	-14.6	-3.0
GDP at Purchaser's Value	39,307.4	39,540.4	40,942.9	39,769.3
Change (%)	0.5	0.6	3.5	-2.9

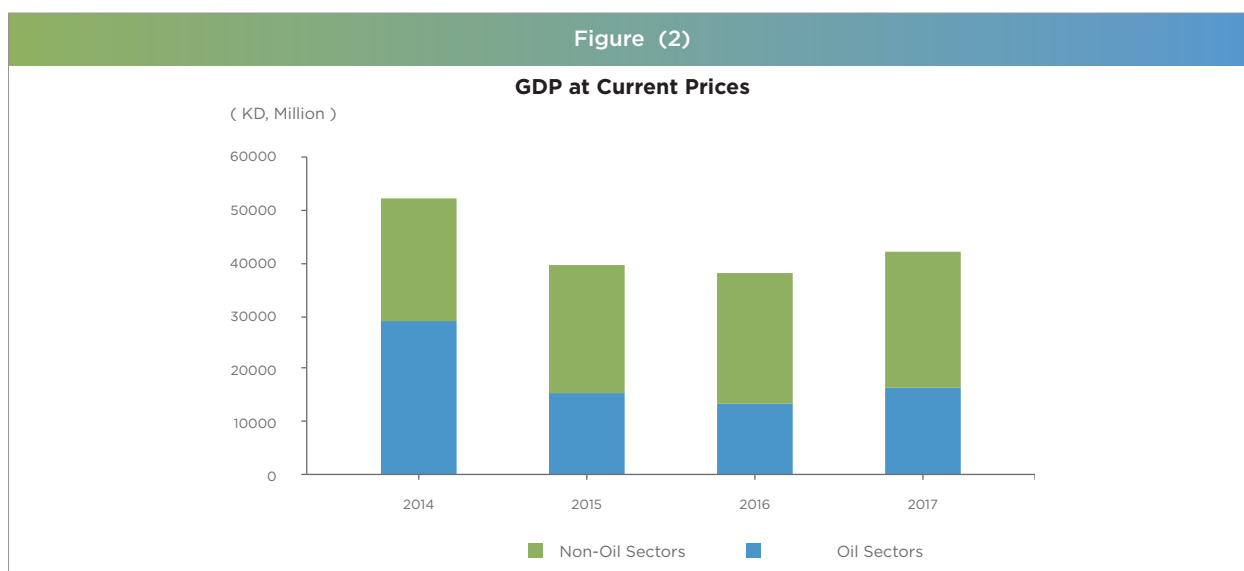
* Revised data.

** Provisional data.

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

Source: Central Statistical Bureau.

On another front, value added at current prices from total non-oil sectors increased to KD 25,660 million during 2017 against KD 24,504.4 million during 2016, i.e. an increase of KD 1,155.7 million or 4.7%, after realizing a growth of KD 593.1 million or 2.5% during the previous year. The relative share of the value added from these sectors in GDP at current prices was 70.4% during 2017 against 73.1% during 2016.



On the other hand, value added at current prices in total oil sectors increased by KD 2,796.6 million or 20.6%, reaching KD 16,356.9 million during 2017 against KD 13,560.3 million during the previous year. Consequently, GDP at current prices increased to KD 36,434.4 million during 2017, against KD 33,506.6 million for the previous year, i.e. a growth of KD 2,927.8 million or 8.7% compared with a decrease of KD 966.7 million or 2.8% during the previous year. Table (2) and Figure (2) reveal the developments in GDP at current prices for both oil and non-oil sectors during 2014-2017.

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

Items	2014	2015	2016*	2017**
1. Crude Oil & Natural Gas Production	28,059.2	14,775.0	12,715.8	15,341.3
Change (%)	-10.3	-47.3	-13.9	20.6
To GDP (%)***	60.6	42.8	37.9	42.1
2. Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel	1,165.2	927.7	844.5	1,015.7
Change (%)	-15.9	-20.4	-8.9	20.3
To GDP (%)	2.5	2.7	2.5	2.8
3. Total Oil Sectors (1 + 2)	29,224.4	15,702.7	13,560.3	16,356.9
Change (%)	-10.6	-46.2	-13.6	20.6
To GDP (%)	63.1	45.5	40.5	44.9
4. Non-oil Sectors	23,156.2	23,911.2	24,504.4	25,660.0
Change (%)	3.2	3.3	2.5	4.7
To GDP (%)	50.0	69.4	73.1	70.4
Subtotal (3 + 4)	52,380.6	39,613.9	38,064.7	42,016.9
Change (%)	-5.0	-24.4	-3.9	10.4
Imputed Banking and Insurance Services	-2,009.6	-2,245.7	-2,319.7	-2,369.1
Change (%)	2.7	11.7	3.3	2.1
Taxes minus Subsidies (Net Taxes)	-4,086.0	-2,895.0	-2,238.4	-3,213.4
Change (%)	8.4	29.1-	22.6-	43.6
GDP at Purchaser's Value	46,285.0	34,473.3	33,506.6	36,434.4
Change (%)	-6.3	-25.5	-2.8	8.7

* Revised data.

** Provisional data.

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

Source: Central Statistical Bureau.

The developments in the economic performance in the main oil and non-oil sectors during 2017 compared with the previous year are addressed in some detail as follows:

A. Oil Sectors

Value added in the total oil sectors (crude oil and natural gas production, manufacture of coke, refined petroleum products and nuclear fuel) at current prices witnessed a rise of KD 2,796.6 million or 20.6% during 2017 to reach KD 16,356.9 million, after a decline of KD 2,142.3 million or 13.6% during 2016. This

hike is an outcome of an increase in the value added of crude oil and natural gas production sector to reach KD 15,341.3 million during 2017 against KD 12,715.8 million during the previous year, i.e. a growth of KD 2,625.5 million or 20.6% on the one hand, and the rise in the value added of the manufacture of coke, refined petroleum products and nuclear fuel sector of KD 171.2 million or 20.3% to reach KD 1,015.7 million during 2017 against KD 844.5 million during the previous year on the other hand.

Data provided by the Organization of Petroleum Exporting Countries (OPEC) indicate a hike in the average spot price of the OPEC Reference Basket (ORB) to reach \$52.43 per barrel during 2017 compared to \$40.76 per barrel during 2016, i.e. an increase of \$11.67 or 28.6%. In parallel, the average price of the Kuwaiti export crude oil barrel recorded an increase to \$51.61 per barrel during 2017 compared to \$39.44 per barrel on average during the previous year, i.e. a rise of \$12 or 30.5%. Furthermore, prices of refined petroleum products witnessed an increase wherein the weighted average of the export price of a barrel equivalent of refined petroleum products grew from \$46.32 per barrel during 2016 to \$60.07 per barrel on average during 2017, i.e. a rise of \$13.75 or 29.7%. The weighted average of the export price of a barrel equivalent of liquefied natural gas (Propane and Butane) recorded a growth of \$12.46 or 43.1% to reach \$41.36 during 2017 compared to \$28.90 during the previous year.

Meanwhile, the production of Kuwaiti crude oil recorded a decline from 2.954 million b/d on average during 2016 to 2.704 million b/d on average for 2017, i.e. a decline of 249 thousand b/d or 8.4%. Furthermore, the production of refined petroleum products decreased from 890.78 thousand b/d during 2016 to 678.60 thousand b/d during 2017, i.e. a drop of 212.2 thousand b/d or 23.8%. However, the production of liquefied natural gas increased from 201.55 thousand of equivalent b/d on average during 2016 to 205.50 thousand equivalent b/d on average during 2017, i.e. an increase of 3.95 thousand b/d or 2%. Regarding exported Kuwaiti oil, available data indicate a decrease in total quantity from 2.128 million b/d on average during 2016 to 2.025 million b/d during 2017, i.e. a decline of 103 thousand b/d or 4.8%.

B. Non-Oil Sectors

As previously mentioned, value added by non-oil sectors at constant prices witnessed a growth of KD 704.8 million or 3.3% to KD 22,295 million during 2017, compared to an increase of KD 423.8 million or 2% during 2016. Table (3) sets out the developments of GDP at constant prices by divisions of economic activity over the last four years (2014-2017).

On the other hand, "Community, Social and Personal Services" (accounting for 34.6% 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 334.5 million or 4.5% to reach KD 7,714.6 million during 2017, against KD 7,380.1 million during 2016. This growth contributed 47.5% of the increase in the value added by total non-oil activities during 2017 (Table 3).

Data also indicate that value added at constant prices by "Financial Intermediation and Insurance" (accounting for 15% of non-oil GDP) recorded a growth of KD 28.1 million or 0.8% to reach KD 3,350.4 million during 2017, against a growth of KD 75.2 million or 2.3% during 2016. "Transportation, Storage and Communication" (accounting for 13.3% of non-oil GDP) recorded an increase in its value added of KD 297.1 million or 11.1% to reach KD 2,970.3 million during 2017 compared to KD 2,673.2 million, i.e. a growth of 3.3% during 2016.

The value added at constant prices by "Real Estate, Renting and Business Activities" (accounting for 13.2% of non-oil GDP) reached KD 2,940.1 million during 2017, compared to KD 2,940 million during 2016, i.e. a slight growth of KD 100 thousand. The value added by "Manufacturing Industries" (accounting for

6.4% of non-oil GDP) recorded a slight increase of KD 100 thousand to KD 1,427.2 million during 2017, against a decline of KD 91.6 million or 6.9% during 2016. Furthermore, the value added at constant prices by “Wholesale and Retail Trade” (accounting for 6.3% of non-oil GDP) witnessed a growth of KD 75.1 million or 5.7% to reach KD 1,395.4 million during 2017, compared to a decline of KD 28.9 million or 2.1% during 2016. And “Electricity and Water” (accounting for 5.4% of non-oil GDP) recorded a growth of KD 5.1 million or 0.4% to reach KD 1,205.4 million during 2017, against a growth of KD 13.7 million or 1.2% during 2016.

Meanwhile, “Construction” (accounting for 3.1% of non-oil GDP) recorded a drop in its value added of KD 31.2 million or 4.4% to reach KD 685.7 million during 2017, compared to a decline of KD 24 million or 3.2% during 2016. The value added by “Hotels and Restaurants” (accounting for 1.5% of non-oil GDP) at constant prices also witnessed a decrease of KD 3.3 million or 1% to reach KD 331.2 million during 2017, against a decline of KD 4.9 million or 1.4% during 2016.

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

Item	2014	2015	2016*	2017**
Agriculture and Fishing	177.4	167.9	174.0	173.2
Activities of Services related to Extraction of Crude Oil and Gas	94.7	101.1	101.6	101.6
Manufacturing Industries***	1,236.8	1,335.5	1,427.1	1,427.2
Electricity, Gas and Water	1,302.2	1,186.6	1,200.3	1,205.4
Construction	789.5	740.9	716.9	685.7
Wholesale & Retail Trade	1,465.7	1,349.2	1,320.3	1,395.4
Hotels & Restaurants	340.2	339.4	334.5	331.2
Transport, Storage and Communications	2,565.8	2,587.1	2,673.2	2,970.3
Financial Intermediation and Insurance	3,077.2	3,247.1	3,322.3	3,350.4
Real Estate, Renting and Business Activities	2,844.3	2,827.4	2,940.0	2,940.1
Community, Social & Personal Services	7,192.9	7,284.0	7,380.1	7,714.6
Total Non-Oil Sectors	21,086.7	21,166.4	21,590.2	22,295.0

* Revised data.

** Provisional data.

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

Source: Central Statistical Bureau.

On another front, value added by non-oil sectors at current prices witnessed a growth of KD 1,155.7 million or 4.7% to KD 25,660 million during 2017, compared with a growth of KD 593.1 million or 2.5% during 2016. Table (4) sets out the developments of GDP at current prices by divisions of economic activity over the last four years (2014-2017).

The table’s data show that “Community, Social and Personal Services” (accounting for 36.3% of non-oil GDP) recorded a growth in its value added of KD 409 million or 4.6% to KD 9,315 million during 2017, after a growth of KD 8,906 million or 2.1% during 2016. This growth contributed 35.4% of the increase in the value added by total non-oil activities during 2017, as detailed in (Table 4).

“Financial Intermediation and Insurance” came second (accounting for 14.4% of non-oil GDP) with a growth of KD 39.8 million or 1.1% in its value added to reach KD 3,695.9 million during 2017, compared with a growth of KD 41.2 million or 1.1% during 2016.

The value added by “Transportation, Storage and Communications” (accounting for 11.3% of non-oil GDP) recorded a growth of KD 321.1 million or 12.5% to KD 2,891.5 million during 2017, against KD 2,570.4 million during 2016. Value added by “Wholesale and Retail Trade” (accounting for 6.7% of non-oil GDP) reached KD 1,709.9 million during 2017, against KD 1,600.3 million during 2016, i.e. a growth of KD 109.6 million or 6.8% compared to a growth of KD 11.3 million or 0.7% during the previous year.

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

Item	2014	2015	2016*	2017**
Agriculture and Fishing	208.4	185.4	190.2	197.0
Activities of Services related to Extraction of Crude Oil and Gas	98.1	108.6	108.8	108.8
Manufacturing Industries***	1,400.0	1,477.7	1,591.8	1,656.4
Electricity, Gas and Water	973.9	1,010.0	1,016.2	1,223.8
Construction	956.8	984.0	1,024.1	1,008.2
Wholesale & Retail Trade	1,689.2	1,589.0	1,600.3	1,709.9
Hotels & Restaurants	364.9	370.4	377.2	390.3
Transport, Storage and Communications	2,488.6	2,517.6	2,570.4	2,891.5
Financial Intermediation and Insurance	3,358.0	3,614.9	3,656.1	3,695.9
Real Estate, Renting and Business Activities	3,262.6	3,333.8	3,463.1	3,463.1
Community, Social & Personal Services	8,355.4	8,719.9	8,906.0	9,315.0
Total Non-Oil Sectors	23,156.2	23,911.2	24,504.3	25,660.0

* Revised data.

** Provisional data.

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

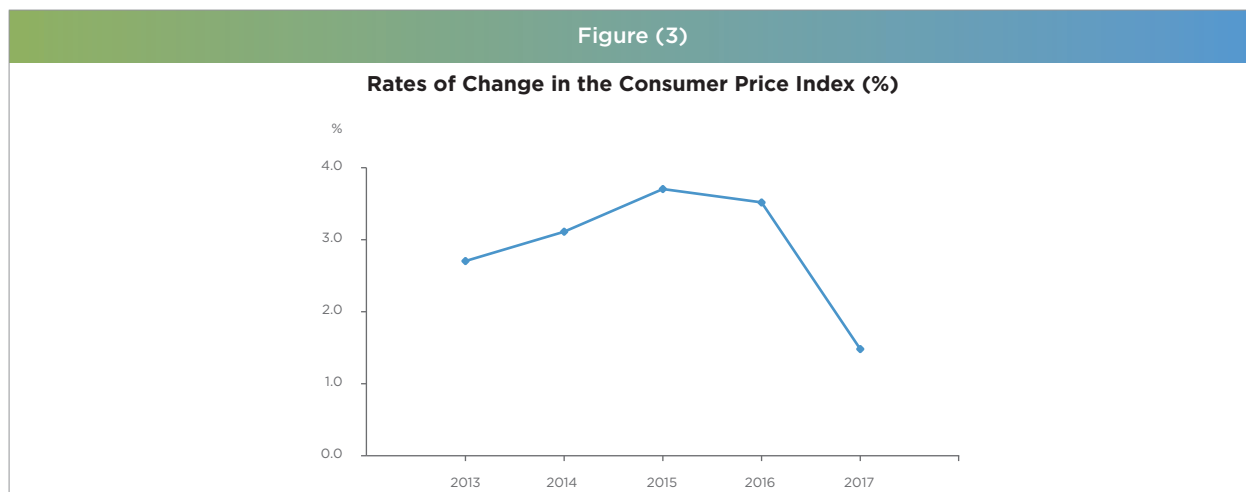
Source: Central Statistical Bureau.

The value added by “Manufacturing Industries” (accounting for 6.5% of non-oil GDP) recorded an increase of KD 64.6 million or 4.1% to reach KD 1,656.4 million during 2017 compared with a growth of KD 114.1 million or 7.7% during 2016. Furthermore, value added by “Electricity, Gas and Water” (accounting for 4.8% of non-oil GDP) witnessed a growth of KD 207.6 million or 20.4% during 2017 to reach KD 1,223.8 million compared with a growth of KD 6.2 million or 0.6% during the previous year. Data also indicate that value added by “Hotels and Restaurants” (accounting for 1.5% of non-oil GDP) witnessed an increase in its value added of KD 13.1 million or 3.5% to KD 390.3 million during 2017, compared to KD 377.2 million during 2016.

However, the value added by “Construction” (accounting for 3.9% of non-oil GDP) recorded a drop of KD 15.9 million or 1.6% during 2017 to reach KD 1,008.2 million compared with a growth of KD 40.1 million or 4.1% during 2016.

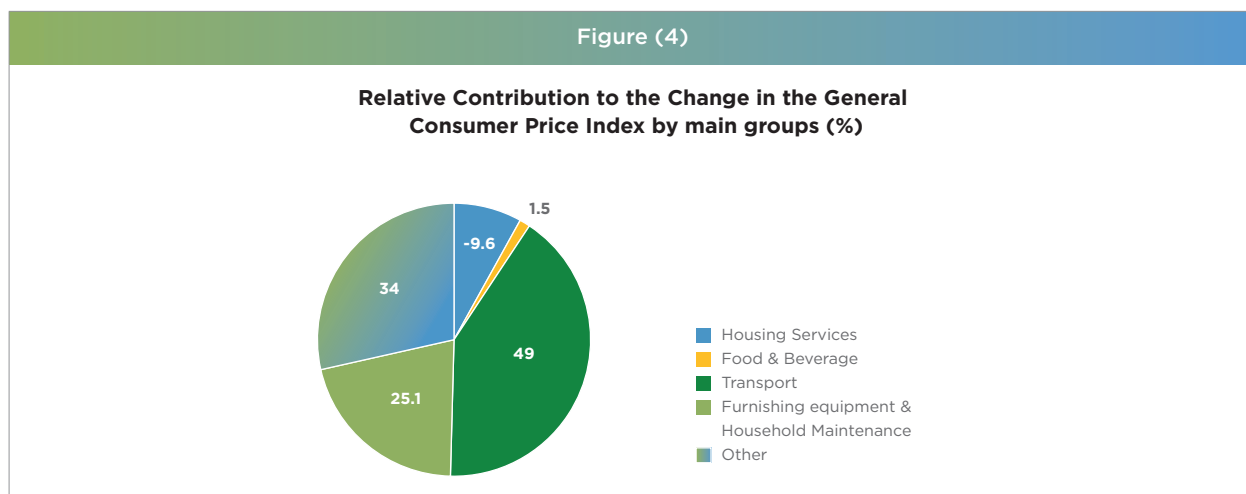
Second: General Level of Domestic Prices

1. General Index of Consumer Prices¹



Source: Central Statistical Bureau.

Data on the General Consumer Price Index (CPI) (base year 2013=100) in the State of Kuwait by main groups of consumption expenditure during 2017 show a deceleration in the annual inflation rate based on the relative change in CPI reaching 1.5% during 2017 against 3.5% during 2016 (Table 5, Figure 3).



Source: Central Statistical Bureau.

The above-mentioned deceleration in the annual inflation rate recorded during 2017 resulted from developments in the growth rate in average prices of the main components of CPI compared with 2016. A deceleration was recorded in the growth rate in average prices of “Food and Beverage” (relative weight 16.7%) to 0.1% during 2017 against 1.7% during 2016, “Health” (relative weight 1.5%) to 0.2% during 2017 against 1.2% during 2016, “Education” (relative weight 4.2%) to 2.8% during 2017 against 3.6% during 2016, and “Restaurants and Hotels” (relative weight 3.4%) to 3.1% during 2017 against 6.9% during 2016. An increase was recorded in average prices of “Tobacco and Narcotics” (relative weight 0.3%) to 1.2% during 2017 against 0.3% during 2016, “Clothing and Footwear” (relative weight 0.8%) to 1.4% during 2017 against 0.8% during 2016, and “Furnishing equipment and Household Maintenance” (relative weight 11.4%) to 3.3% during 2017 against 2.4% during 2016. Meanwhile, a decrease was recorded in the average prices of “Housing Services” (relative weight 33.2%) by 0.4% during 2017 against an increase of 6.2% during 2016, and “Communication” (relative weight 4.0%) by 0.6% during 2017 against a rise of 2.0% during 2016.

¹ The Central Statistical Bureau (CSB) calculates CPI based on the household income and spending (household budget) survey for 2013. In June 2017, relative weights of CPI components have been updated to (base year 2013=100).

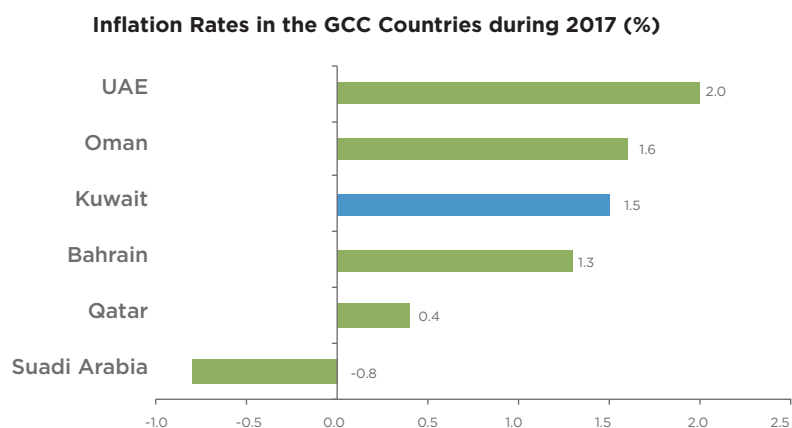
Table (5)

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

Item	Relative Weights	Average Period (2015-2017)	2016	2017	(%) Change		Relative Contribution to Price Index (%) Change	
					2016	2017	2016	2017
Consumer Price Index:	100	110.0	110.6	112.3	3.5	1.5	100.0	100.0
1. By Items of Expenditure								
Food & Beverage	16.7	106.9	107.4	107.6	1.7	0.1	8.0	1.5
Tobacco & Narcotics	0.3	112.2	111.8	113.2	0.3	1.2	0.0	0.3
Clothing & Footwear	8.0	104.7	104.5	105.9	0.8	1.4	1.7	6.9
Housing Services	33.2	115.5	118.0	117.5	6.2	-0.4	60.8	-9.6
Furnishing equipment & Household Maintenance	11.4	111.4	111.0	114.7	2.4	3.3	7.9	25.1
Health	1.5	103.1	103.4	103.6	1.2	0.2	0.5	0.2
Transport	7.5	109.2	107.0	117.9	4.1	10.2	8.4	49.0
Communication	4.0	99.9	100.8	100.2	2.0	-0.6	2.1	-1.5
Recreation & Culture	3.8	99.4	97.8	100.9	-1.8	3.2	-1.8	7.1
Education	4.2	113.8	114.1	117.3	3.6	2.8	4.4	8.0
Restaurants & Hotels	3.4	114.1	115.4	119.0	6.9	3.1	6.7	7.2
Miscellaneous Goods & Services	5.8	102.5	102.2	103.9	0.8	1.6	1.2	5.8

Source: Central Statistical Bureau.

Figure (5)

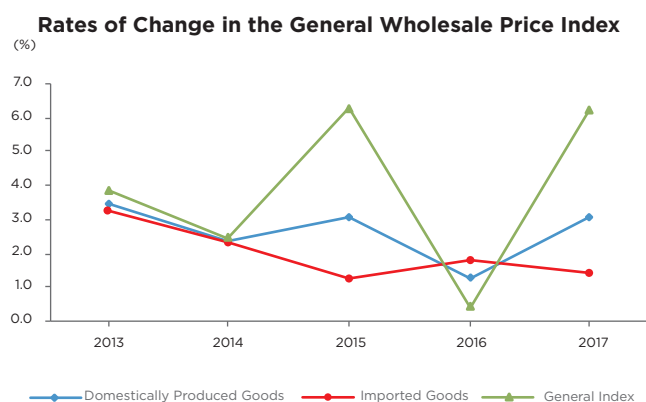


Source: Official National Authorities

Available statistics on CPI in the GCC countries indicate varied annual inflation rates during 2017 compared with the previous year. During 2017, the inflation rate in the United Arab Emirates recorded 2% (1.6% during 2016), Oman 1.6% (1.1% during 2016), State of Kuwait 1.5% (3.5% during 2016), Qatar 0.4% (2.7% during 2016), Kingdom of Saudi Arabia -0.8% (2.1% during 2016), and Kingdom of Bahrain 1.3% (2.8% during 2016).

2. General Wholesale Price Index

Figure (6)



Source: Central Statistical Bureau.

Table (6) shows developments in the General Wholesale Price Index (WPI) (base year 2007=100) by main groups during the period 2015-2017 in the State of Kuwait. Data indicate a rise in the rate of change in WPI reaching 3.1% during 2017 from 1.3% during 2016.

The rise in the General Wholesale Price Index (WPI) during 2017 resulted from an acceleration in the growth rate in average prices of “Manufacturing Industries” (relative weight 90.0%) to 3.3% during 2017 from 1.4% during 2016, “Agriculture, Livestock, and Fishing” (relative weight 4.5%) to 2.4% during 2017 from 0.4% during 2016, and “Quarrying” (relative weight 0.3%) to 6.5% during 2017 from 4.6% during 2016.

The developments witnessed in wholesale prices indicate a rise in the rate of change in WPI “Domestically Produced Goods” (relative weight 35.6%) to 6.2% during 2017 from 0.4% during 2016, and a deceleration in the rate of change in WPI “Imported Goods” (relative weight 64.4%) to 1.4% during 2017 from 1.8% during 2016.

Table (6)

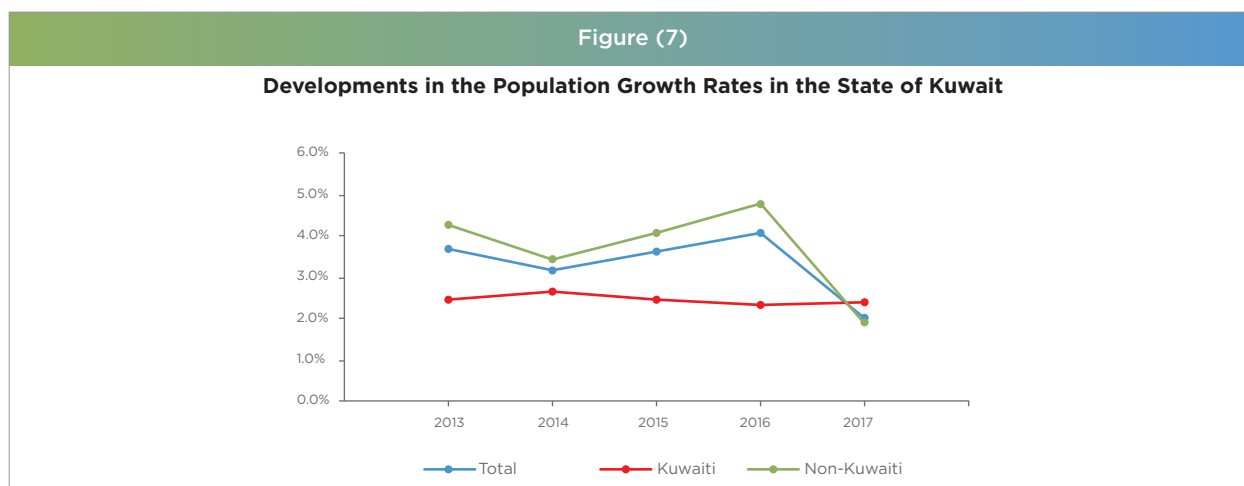
Developments in the General Wholesale Price Index
(Base Year 100=2007)

Item	Relative Weights	2015	2016	2017	(%) Change	
					2016	2017
General Wholesale Price Index	100.00	128.9	130.5	134.6	1.3	3.1
- By Main Groups:						
* Agriculture, Forestry and Fishing	4.5	150.3	151.0	154.6	0.4	2.4
* Quarrying	0.3	110.1	115.1	122.5	4.6	6.5
* Manufacturing Industries	90.0	129.5	131.3	135.6	1.4	3.3
* Electricity and Water	5.2	100.0	100.0	100.0	0.0	0.0
- Wholesale Price Index of Imported Goods	64.4	128.2	130.5	132.3	1.8	1.4
- Wholesale Price Index of Domestically Produced Goods	35.6	130.1	130.6	138.7	0.4	6.2

Source: Central Statistical Bureau.

Third: Population and Labor Force

Table (7) and Figure (7) indicate that the growth rate of total population in the State of Kuwait reached 2.0% at the end of 2017 compared to 4.1% at the end of 2016, bringing the total number of population to 4.500 million at the end of 2017 against 4.411 million at the end of 2016.



Source: Public Authority for Civil Information.

The largest portion (63.8%) of this growth was driven by the 1.9% rise in non-Kuwaiti population reaching 3.130 million at the end of 2017, against a 4.8% rise to 3.073 million at the end of 2016. Meanwhile, the growth rate of Kuwaiti population reached 2.4% during 2017 against 2.3% during 2016, bringing the total number of Kuwaiti population to 1.370 million at the end of 2017 against 1.338 million at the end of 2016. As a result of these developments, the ratio of Kuwaiti population to total population slightly increased to 30.4% at the end of 2017 against 30.3% at the end of 2016. Conversely, the ratio of non-Kuwaiti population to total population slightly declined to 69.6% at the end of 2017 against 69.7% at the end of 2016.

Table (7)

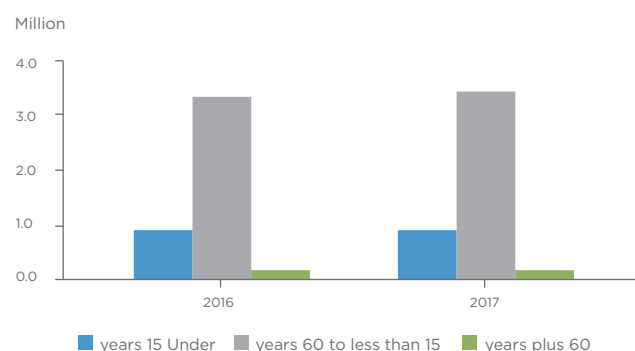
**Developments in the Main Indicators of Population in the State of Kuwait
(End of Period)**

Item	2015	2016	2017
Population:			
1. Kuwaitis:	1,307,605	1,337,693	1,370,013
Change (%)	2.5	2.3	2.4
To total (%)	30.8	30.3	30.4
2. Non-Kuwaitis:	2,931,401	3,073,431	3,130,463
Change (%)	4.1	4.8	1.9
To total (%)	69.2	69.7	69.6
3. Total Population (1+2)	4,239,006	4,411,124	4,500,476
Change (%)	3.6	4.1	2.0
Under 15 years (%)	20.6	20.1	19.7
15 to less than 60 years (%)	75.5	75.9	76.1
60 years plus (%)	3.9	4.0	4.2

Source: Public Authority for Civil Information.

Figure (8)

Distribution of Population by Age Groups at the End of 2016 and 2017



Source: Public Authority for Civil Information.

Regarding developments in population age structure and their implications on the participation rates in economic activity as well as on the related dependency ratios, the number of economically active individuals - i.e. those aged between 15 and less than 60 years - in total population, increased to 76.1% at the end of 2017 against 75.9% at the end of 2016. In the same context, dependency ratio (the ratio of population not in the labor force to total labor force) increased to an average of 663 persons per one thousand persons in the labor force at the end of 2017, compared to 630 persons per one thousand persons in the labor force at the end of 2016 (Table 8).

Table (8)

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

Item	2015	2016	2017
Dependency rates (per 1000 persons in labor force):			
1. Kuwaitis	2,000	1,992	2,373
2. Non-Kuwaitis	371	360	361
3. Total Population	647	630	663

Source: Public Authority for Civil Information.

Dependency ratio of Kuwaiti population increased to 2,373 persons per one thousand persons at the end of 2017, against 1,992 persons per one thousand persons at the end of 2016. This increase was driven by the decrease in Kuwaiti labor force (9.2%) against the increase in Kuwaiti population not in labor force (8.2%) at the end of 2017, compared with the previous year.

In the same direction, dependency ratio of non-Kuwaiti population slightly grew from 360 persons per one thousand persons in non-Kuwaiti labor force at the end of 2016 to 361 persons per one thousand persons at the end of 2017. This was the result of the increase in non-Kuwaiti labor force at a smaller rate (1.8%) than the increase in non-Kuwaiti population not in the labor force (2.1%) at the end of 2017 compared with the end of the previous year.

Regarding developments in labor force indicators at the end of 2017, data in Table (9) indicate a relative stability rate (decrease of 0.02%) of total labor force compared to the growth rate of 5.1% during 2016, bringing the total labor force to 2.705 million at the end of 2017 compared to 2.706 million at the end of the previous year. This relative stability was brought about by the deceleration in the growth rate of non-Kuwaiti labor force of 1.8% during 2017 against 5.7% during 2016, thus reaching 2.299 million at the end of 2017 compared to 2.259 million at the end of the previous year. Meanwhile, the growth rate of Kuwaiti labor force decreased to 9.2% during 2017, against 2.6% during 2016, bringing the number to 406 thousand at the end of 2017 compared to 447 thousand at the end of the previous year.

Table (9)

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

Item	2015	2016	2017
Labor Force:			
1. Kuwaitis :	435,904	447,120	406,201
Change (%)	3.2	2.6	-9.2
Relative share to total (%)	16.9	16.5	15.0
2. Non-Kuwaitis :	2,138,163	2,259,100	2,299,412
Change (%)	5.1	5.7	1.8
Relative share to total (%)	83.1	83.5	85.0
3. Total Labor Force (1 + 2) :	2,574,067	2,706,220	2,705,613
Change (%)	4.8	5.1	-0.02

Source: Public Authority for Civil Information.

With regard to the distribution of labor force by divisions of economic activity at the end of 2017 (Table 10), “Community, Social and Personal Services” accounted for 46.6% of total labor force against 46.4% at the end of 2016, followed by “Trade, Restaurants and Hotels” (18.6%) against 18.3% at the end of 2016, and “Construction” (15.0%) against 14.6% at the end of 2016. Meanwhile, data on the relative distribution of Kuwaiti labor force by divisions of economic activity at the end of 2017 indicate that Kuwaiti labor force was also concentrated in activities associated with “Community, Social and Personal Services” (82.5%), followed by “Finance, Insurance, Real Estate and Business Services” (5.3%) and “Construction”(4.2%).

Table (10)

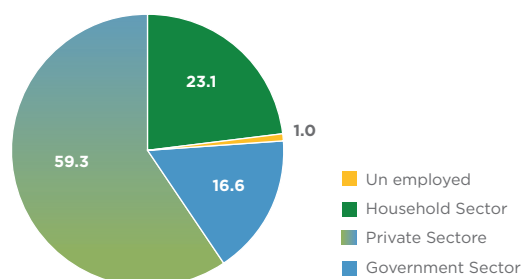
**Distribution of Labor Force by Divisions of Economic Activity (%)
(End of Period)**

Divisions of Economic Activity	2015			2016			2017		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
Agriculture & Fishing	0.2	2.9	2.4	0.2	2.7	2.3	0.1	2.5	2.1
Mining & Quarrying	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Manufacturing Industries	1.4	6.4	5.6	1.2	6.4	5.6	1.1	6.4	5.6
Electricity, Gas & Water	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	5.2	16.0	14.2	4.7	16.5	14.6	4.2	17.0	15.0
Trade, Restaurants & Hotels	5.7	21.4	18.7	4.8	20.9	18.3	4.0	21.2	18.6
Transport, Storage & Communications	1.0	3.0	2.6	0.9	2.9	2.6	0.7	2.9	2.5
Finance, Insurance, Real Estate & Business Services	5.9	6.5	6.4	5.7	6.9	6.7	5.3	7.0	6.8
Community, Social & Personal Services	77.2	40.8	47.0	77.8	40.2	46.4	82.5	40.3	46.6
Unspecified	3.3	2.9	3.0	4.6	3.4	3.6	2.1	2.7	2.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Public Authority for Civil Information.

Figure (9)

Relative Structure of Labor Force in 2017 (% of the Total)



Source: Public Authority for Civil Information.

With respect to the distribution of labor force by sectors: government, private, household and unemployed, data in Table (11) and Figure (9) indicate that labor force in the private sector increased by 2.8% during 2017, resulting in a rise in its relative share to total labor force (96.1% for non-Kuwaitis and 3.9% for Kuwaitis) from 57.7% at the end of 2016 to 59.3% at the end of 2017.

Growth rate of labor force in the government sector decreased reaching 10.0% during 2017 compared with the previous year, causing its relative share to total labor force (72.0% for Kuwaitis and 28.0% for non-Kuwaitis) to decrease from 18.4% at the end of 2016 to 16.6% at the end of 2017. Furthermore, unemployed population dropped by 21.2% at the end of 2017 compared with the end of the previous year, causing a slight decline of 1.0% in its relative share to total labor force (19.1% for non-Kuwaitis and 80.9% for unemployed Kuwaitis) at the end of 2017 compared to 1.2% at the end of the previous year.

Table (11)

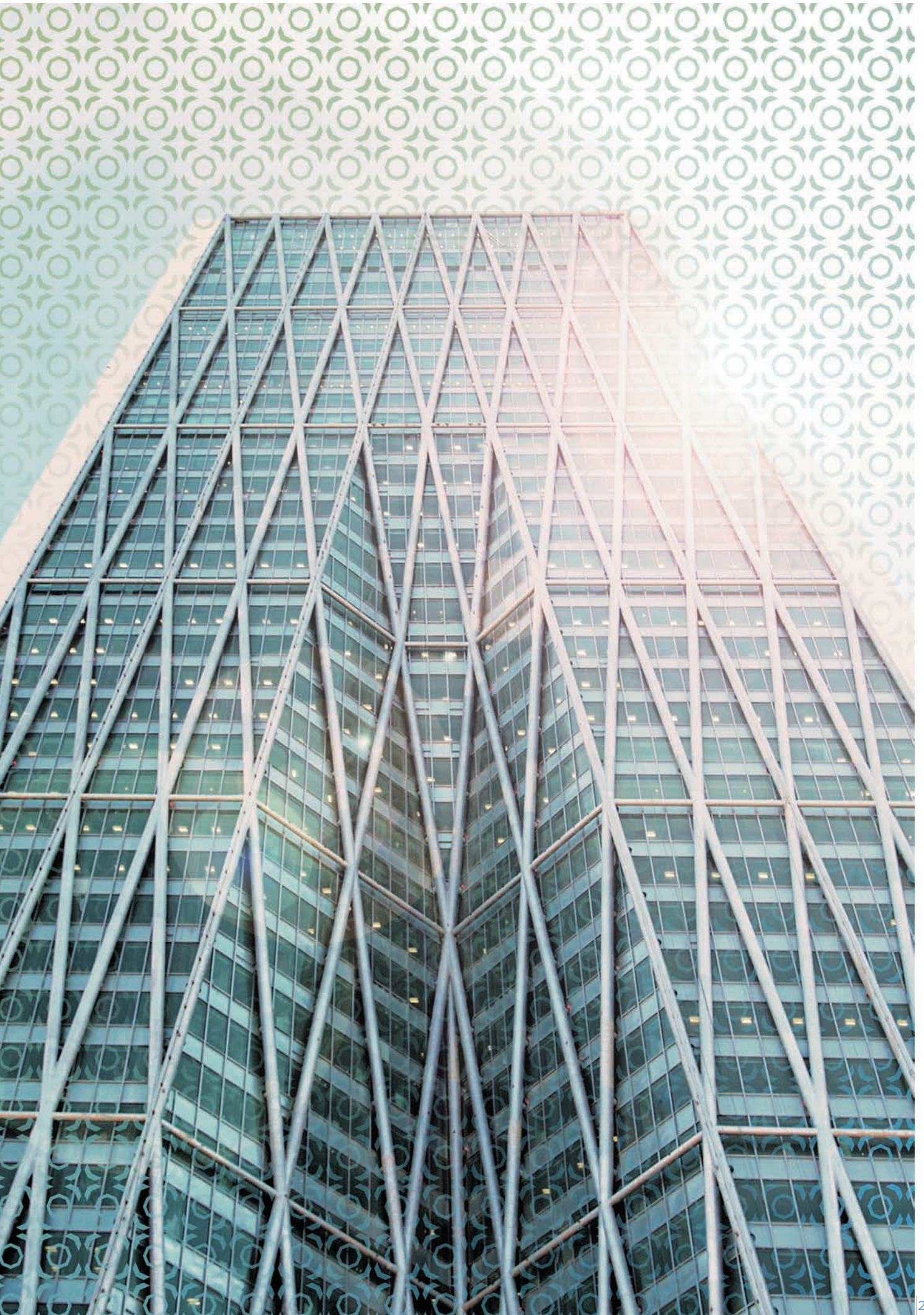
Relative Distribution of Labor Force by Nationality and Sector (%)
(End of Period)

Sector	2015	2016	2017
Government Sector	18.4	18.4	16.6
Kuwaiti	12.9	12.7	11.9
Non-Kuwaiti	5.5	5.7	4.6
Private Sector	57.6	57.7	59.3
Kuwaiti	3.6	3.2	2.3
Non-Kuwaiti	54.0	54.5	57.0
Household Sector	22.8	22.7	23.1
Kuwaiti	0.0	0.0	0.0
Non-Kuwaiti	22.8	22.7	23.1
Unemployed	1.1	1.2	1.0
Kuwaiti	0.5	0.5	0.8
Non-Kuwaiti	0.7	0.7	0.2
Total Labor Force	100.0	100.0	100.0
Kuwaiti	16.9	16.5	15.0
Non-Kuwaiti	83.1	83.5	85.0

Source: Public Authority for Civil Information.



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



Monetary Developments and Central Bank of Kuwait Activity

During 2017, CBK continued its efforts in the area of monetary policy, banking supervision and oversight programs in line with local economic developments on the one hand, and global market developments on the other. CBK's efforts aimed to strengthen monetary and financial stability, promote the supportive atmosphere of confidence in the national economy and stimulate economic growth.

In addition, CBK reiterated its keenness to reinforce the competitiveness and attractiveness of the national currency, which is considered as a store of domestic savings and forms the main source of finance extended by local banking and financial sector units for various sectors of the national economy. To this end, CBK hiked its policy rate by 25 basis points on 16 March 2017, pushing the discount rate to 2.75% with the aim to provide a favorable climate for the sustainable growth.

Developments on KD exchange rate during 2017 reflect CBK's efforts in maintaining relative stability of KD exchange rate against the other major currencies according to the KD's Peg, as determined by the Decree No. 147 of the year 2007 promulgated on 20 May 2007. This said policy is to keep the KD exchange rate pegged to an undisclosed special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. Such developments indicate that the difference between the highest and lowest USD exchange rate against KD during 2017 was 1.8%, while USD exchange rate against the other major currencies fluctuated within broader margins of 67.9%, 28.1%, 9.4% and 8.8% against Pound Sterling, Euro, Japanese Yen, and Swiss Franc respectively.

Data on main monetary and banking aggregates of the State of Kuwait reveal a quicker pace of growth in terms of Money Supply in its Broad Definition (M2) of 3.8% at the end of 2017, and resident private sector deposits with local banks of 0.9% at the end of 2017 compared to 2016. Furthermore, cash credit facilities extended by local banks to various economic sectors indicate a growth by 3.2% at the end of 2017.

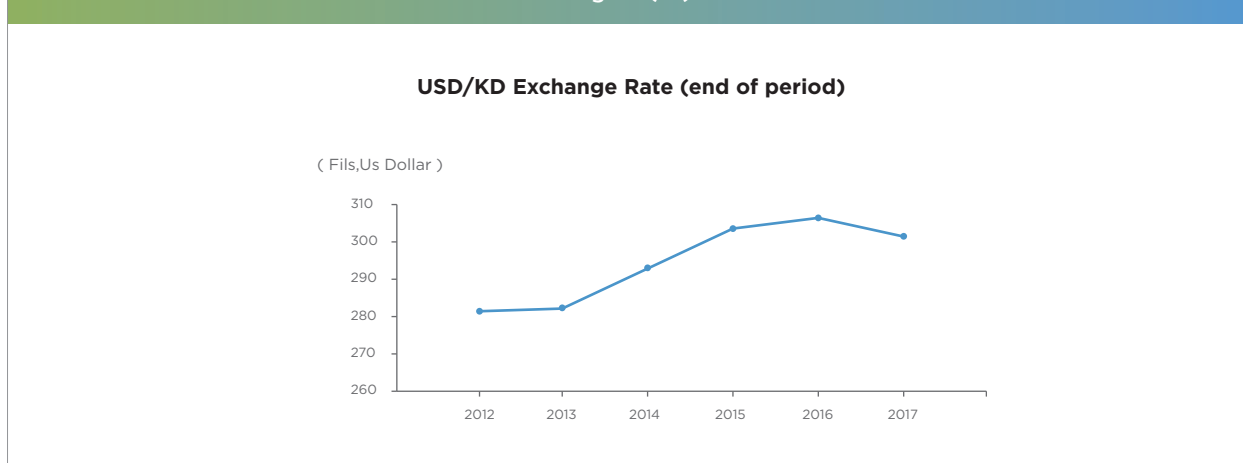
This part of the Economic Report highlights the most notable developments in main monetary aggregates and indicators and in the area of banking oversight and supervision during 2017, as follows:

1. Developments in the KD Exchange Rate

During 2017, CBK continued its KD exchange rate policy adopted as of May 20, 2007 pegging the KD exchange rate to an undisclosed special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. This policy helps maintain relative stability of the KD exchange rate against the other currencies and, hence, strengthen CBK's ability to lay down and implement a monetary policy that aims to reduce imported inflationary pressures, particularly those resulting from fluctuations in the exchange rates of world major currencies, on one hand and provide a supportive atmosphere to promote the sustainable economic growth on the other.

As for the changes in the USD exchange rate against KD and some other major currencies at the end of 2017 compared with the end of the previous year (Table 12), USD noticeably declined against KD at 4.4 fils or 1.43%. The USD exchange rate during the same period recorded a depreciation of 8.46%, 12.12%, 4.16% and 3.86% against Pound Sterling, Euro, Swiss Franc and Japanese Yen respectively.

Figure (10)



Source: Central Bank of Kuwait.

Table (12)

USD Exchange Rate against KD and some major Currencies at the end of 2017 compared with the previous Year

End of Period	KD ⁽¹⁾	Euro	Japanese Yen	Swiss Franc	Pound Sterling
2016	306.15	0.955	117.63	1.028	0.814
2017	301.75	0.839	113.080	0.985	0.745
Change	-4.400	0.115	-4.550	-0.0428	-0.068
Change (%)	-1.43	-12.12	-3.868	-4.165	-8.466

(1) In fils.

Source: Central bank of Kuwait.

Data indicate that the daily USD exchange rate against KD and some other major currencies during 2017 were within relatively narrow margins, as the difference between the highest and lowest exchange rate of USD against the KD was 1.81%. The same data reveal noticeable fluctuations against the other major currencies at 67.88%, 28.11%, 9.4% and 8.8% against Pound Sterling, Euro, Japanese Yen and Swiss Franc respectively (Table 13).

Table (13)

USD Exchange Rate against KD and some major currencies based on daily data during 2017

Item	High	Low	Difference	Change (%)
KD (fils)	306.350	300.900	5.450	1.811
Pound Sterling	1.2346	0.7354	0.4992	67.8814
Euro	1.0644	0.8308	0.234	28.117
Swiss Franc	1.0278	0.9445	0.0833	8.8195
Japanese Yen	118.005	107.860	10.145	9.406

Source: Central Bank of Kuwait.

2. Money Supply Developments

Available data (Table 14 and Figure 11) indicate an accelerated pace of growth in domestic liquidity levels during 2017; Money supply in its Broad Definition (M2) grew to KD 37,147.9 million at the end of 2017, i.e. an increase of KD 1,369.1 million or 3.8% following an increase of KD 1,238.2 million or 3.6% at the end of 2016.

Table (14)

Developments in Money Supply Aggregates
(KD Million)

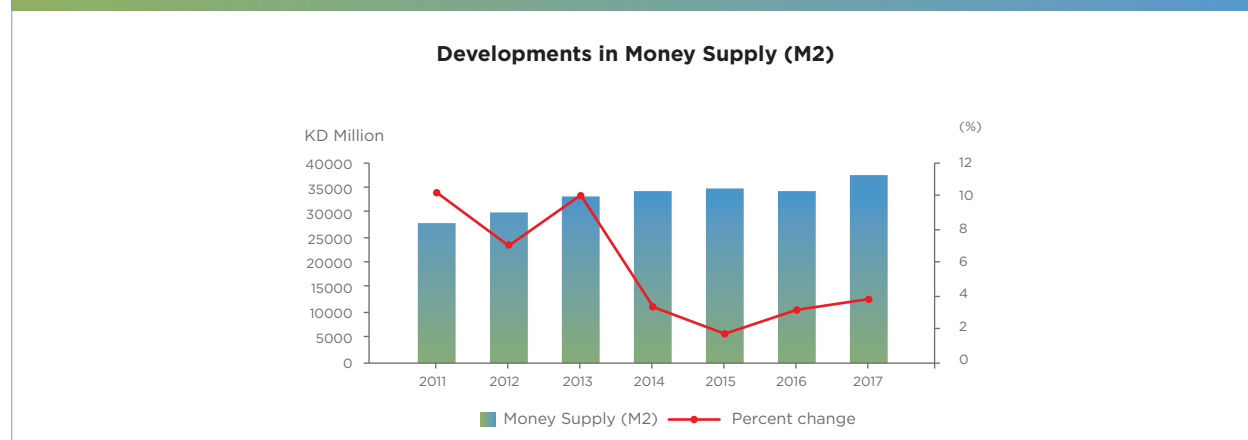
Statement	2016	2017	End of 2017 change against the previous year	
			Value	Change (%)
Money (M1)	9,755.3	10,167.4	412.1	4.2
Of which Currency in Circulation	1,645.6	1,746.8	101.2	6.1
Quasi-Money	26,023.5	26,980.5	957	3.7
KD Deposits (excluding sight deposits)	23,101.4	24,246.9	1,145.6	5
Foreign Currency Deposits	2,922.1	2,733.5	-188.6	-6.5
Money Supply (M2)	35,778.7	37,147.9	1,369.1	3.8
Deposits with Investment Companies (1)	6.1	-		
Money Supply (M3)	35,784.9	37,147.9	1,363	3.8

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

Source: Central Bank of Kuwait.

The growth mentioned in Money Supply in its Broad Definition (M2) during 2017 was an outcome of the increase in Quasi-Money of KD 957 million or 3.7% and Money in its Narrow Definition (M1) of KD 412.1 million or 4.2%.

Figure (11)



Source: Central Bank of Kuwait.

The increase in Quasi-Money during 2017 resulted from the hike in resident private sector KD deposits (other than sight deposits) with local banks by KD 1,145.6 million or 5%, and the decline in resident private sector foreign-currency deposits with local banks by KD 188.6 million or 6.5% (Table 15).

Table (15)

Private sector's deposits with local banks at the end of 2017

KD million, end of period

Item	2016	2017	End of 2017 change against the end of the previous year	
			Value	(%)
KD Deposits	31,211.0	32,667.6	1,456.5	4.7
Sight	8,109.7	8,420.7	311.0	3.8
Savings	4,652.8	4,855.8	203.1	4.4
Time	18,448.6	19,391.1	942.5	5.1
CDs	-	-	-	-
Foreign Currency Deposits	2,922.1	2,733.5	-188.6	-6.5
Total	34,133.2	35,401.1	1,267.9	3.7

Source: Central Bank of Kuwait.

Within the aggregate monetary position of CBK and local banks during 2017, 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 2017 reflected the rise in net domestic assets of those entities of KD 1,861.6 million i.e. 9.9% on the one hand, and the decrease in net foreign assets thereof of KD 492.3 million i.e. 2.9% on the other.

The above mentioned increase in net domestic assets of CBK and local banks is mainly driven by growth of local banks' claims on the government and the private sector's claims on the local banks, which posted an increase by KD 1,772.2 million or 53.9%², and KD 1,024.2 million or 2.8% respectively compared with the previous year (which causes an expansionary effect on the growth of Money Supply (M2)). The mentioned growth is higher than that of the net domestic assets under the "other" item and government deposits and accounts of KD 99.2 million or 0.8% and of KD 835.6 million or 10.9% respectively at the end of 2017, compared with the previous year (which causes a contractionary effect on the growth of Money Supply (M2)).

² Public debt Tawarruq operations were initiated in April 2016

Table (16)

Factors affecting changes in Money Supply (M2)

KD Million

Particulars	2016	2017	Change		Contribution to Money Supply Growth (%) ⁽¹⁾
			Value	(%)	
Money Supply (M2)	35,778.7	37,147.9	1,369.2	3.8	3.7
Net Domestic Assets:	18,781.4	20,643	1,861.6	9.9	5.1
Claims on the Government ⁽²⁾	3,286.9	5,059.1	1,772.2	53.9	4.8
Claims on the Private Sector	36,201.2	37,225.4	1,024.2	2.8	2.8
Government Deposits and Accounts	7,656.9	8,492.6	835.6	10.9	-2.2
Other Items (net)	13,049.8	13,149	99.2	0.8	-0.3
Net Foreign Assets:	16,997.2	16,504.9	-492.3	-2.9	-1.3
CBK	8,692.7	9,329.6	636.8	7.3	1.7
Local Banks	8,303.5	7,175.4	-1,129.1	-13.5	-3

⁽¹⁾ Negative sign indicates a deflationary effect on Money Supply (M2), while a positive sign indicates an expansionary effect on Money Supply (M2).

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

Source: Central Bank of Kuwait.

The mentioned decline in CBK's and local banks' net foreign assets (Table 17) was an outcome of the decrease in local banks net foreign assets by the equivalent of KD 1,129.1 million or 13.5%, and the rise in net CBK's foreign assets by the equivalent of KD 636.8 million or 7.3%.

The mentioned rise in CBK's net foreign assets was an outcome of the increase in total foreign liabilities (by the equivalent of KD 18.5 million or 9.4%) on one hand, and the rise in total foreign assets (by the equivalent of KD 618.4 million or 7%) on the other. Conversely, the decline in net foreign assets of local banks was a result of the increase in its total foreign assets (by the equivalent of KD 102.6 million or 0.8%), and the decline in its total foreign liabilities (by the equivalent of KD 1,231.7 million or 22%).

Table (17)

Net foreign assets of CBK and local banks

KD Million

Particulars	End of 2016			End of 2017			Change	
	Foreign Assets	Foreign Liabilities	Net	Foreign Assets	Foreign Liabilities	Net	Value	(%)
CBK	8,889.5	196.8	8,692.7	9,507.9	178.3	9,329.6	636.9	7.3
Local Banks	12,668.7	4,364.2	8,303.5	12,771.2	5,595.9	7,175.4	-1,129.1	-13.5
Total	21,558.2	4,561.0	16,997.2	22,279.2	5,774.2	16,505	-492.2	-2.9

Source: Central Bank of Kuwait.

3. Developments in Banking Credit

Data (Table 18) indicate an increase in the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors of KD 1,091.1 million or 3.2% to KD 35,398.5 million at the end of 2017 against KD 34,307.4 million at the end of 2016, after recording a rise of KD 972.2 million or 2.9%.

The utilized cash portion of personal facilities accounted for 42.6% of total credit facilities. Data on Personal Facilities indicate a rise in installment loans of KD 886.9 million or 8.8% on one hand, and a decline in purchase of securities of KD 218.4 million or 7.6%, and consumer loans of KD 56.6 million or 4.9% on the other. Personal Facilities amounted to KD 15,067.1 million, which accounted for 57.7% of the increase in total credit facilities at the end of 2017.

The remaining increase in credit facilities resulted from the rise in credit extended to the Crude Oil and Gas sector of KD 262.2 million or 24.7%, Real Estate sector of KD 212.9 million or 2.7%, 'Other' sector of KD 202.2 million or 8.7%, trade sector of KD 195.1 million or 6.2%, Agriculture & Fisheries sector of KD 1.9 million or 14.4%, and Public Services sector of KD 1.0 million or 0.8% on the one hand, and the decrease in credit extended to Construction sector of KD 235.5 million or 11.3%, Non-Bank Financial Institutions sector of KD 164.6 million or 11.1%, and Industry sector of KD 13.2 million or 0.7% on the other hand.

Table (18)

Developments of Balances of utilized domestic Cash Credit Facilities KD Million

Sector	Year-End Balance		Change in 2017 from 2016	
	2016	2017	Value	Change (%)
Trade	3,146.8	3,341.9	195.1	6.2
Industry	1,889.0	1,875.8	-13.2	-0.7
Construction	2,093.3	1,857.8	-235.5	-11.3
Agriculture & Fisheries	12.9	14.8	1.9	14.4
Non-Bank Financial Institutions	1,483.1	1,318.5	-164.6	-11.1
Personal Facilities:	1,4437.9	15,067.1	629.2	4.4
- Consumer Loans	1,148.2	1,091.5	-56.6	-4.9
- Installment Loans	10,085.8	10,972.6	886.9	8.8
- Purchase of Securities	2,882.1	2,663.6	-218.4	-7.6
- Others	321.9	339.3	17.4	5.4
Real Estate	7,758.7	7,971.5	212.9	2.7
Crude Oil & Gas	1,060.6	1,322.8	262.2	24.7
Public Services	113.8	114.7	1.0	0.8
Other	2,311.3	2,513.5	202.2	8.7
Total	34,307.4	35,398.5	1091.1	3.2

Source: Central Bank of Kuwait.

On another front, available data (Table 19) on new KD credit facility agreements with residents during 2017 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 6,531.1 million or 28.7% to reach KD 29,260.3 million at the end of 2017 compared to KD 22,729.2 million at the end of 2016.

This rise was due to the increase in the value of credit facility agreements with the Real Estate sector of KD 2,165.5 million (31.8%), Personal Facilities sector of KD 1,262.8 million (23.1%), "Others" sector of KD 840.0 million (53.2%), Trade sector of KD 766.3 million (27.4%), Non-Bank Financial Institutions sector of KD 599.5 million (33.9%), Crude Oil and Gas sector of KD 418.2 million (38.4%), Public Services sector of KD 357.2 million (1,008.7%), Construction sector of KD 298.7 million (21.3%) and Agriculture and Fisheries sector of KD 11.0 million (104.8%) on the one hand, and the decrease in the value of Industry sector of KD 188.3 million (11.7%) on the other.

Table (19)

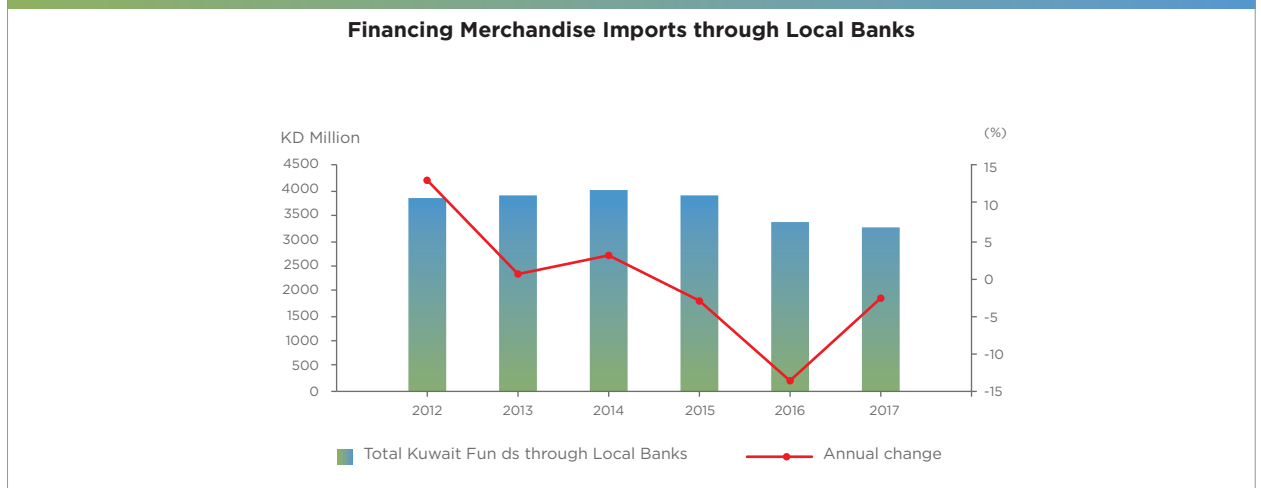
Developments of new KD Credit Facility Agreements with Residents
KD Million

Sector	Year-End Balance		Change in 2017 from 2016	
	2016	2017	Value	Change (%)
Trade	2,800.4	3,566.7	766.3	27.4
Industry	1,611.6	1,423.2	-188.3	-11.7
Construction	1,403.1	1,701.8	298.7	21.3
Agriculture & Fisheries	10.5	21.6	11.0	104.8
Non-Bank Financial Institutions	1,766.4	2,366.0	599.5	33.9
Personal Facilities:	5,461.1	6,723.9	1262.8	23.1
- Consumer Loans	707.6	567.2	-140.4	-19.8
- Others	4,753.5	6,156.7	1,403.2	29.5
Real Estate	6,974.1	9,139.6	2,165.5	31.1
Crude Oil & Gas	1,088.7	1,506.9	418.2	38.4
Public Services	35.4	392.6	357.2	1008.7
Other	1,578.0	2,418.0	840.0	53.2
Total	22,729.2	29,260.3	6531.1	28.7

Source: Central Bank Of Kuwait.

Data (Figure 12) on financing merchandise imports of Kuwaiti private sector indicate that the total payments made through local banks for financing these imports decreased by KD 85.6 million or 2.5% to reach KD 3,276.4 million during 2017 against KD 3,362.0 million during 2016.

Figure (12)



Source: Central Bank of Kuwait.

The mentioned decrease in the value of financing imports between the years 2016 and 2017 was an outcome of the decline in the value of imports financed in USD from KD 1,811.6 million to KD 1,731.9 million, Japanese Yen from KD 121.6 million to KD 71.2 million, Pound Sterling from KD 29.1 million to KD 26.3 million, and Euro from KD 306.6 million to KD 292.7 million on the one hand, and the increase in the value of imports financed in Swiss Franc from KD 4.0 million to KD 4.5 million and “other” currencies from KD 1,089.2 million to KD 1,149.7 million on the other hand during the same period.

Consequently, the relative share of payments in USD decreased from 53.9% to 52.9%, Japanese Yen from 3.6% to 2.2%, Pound Sterling from 0.9% to 0.8%, and Euro from 9.1% to 8.9%. Meanwhile, the relative share of payments in “other” currencies from 32.4% to 35.1%, while the relative share of payments in Swiss Franc remained unchanged at 0.1% during 2017.

4. Developments in Domestic Interest Rates

Within the CBK follow-up to developments in local interest rates levels on KD and the trends in interest rates on major international currencies, CBK raised the discount rate by 0.25 percentage points on 16 March 2017 to 2.75% from its previous level of 2.5% set on 15 December 2016 which was CBK’s last change of the Discount Rate raising it by 25 basis points (Table 20).

CBK continued, during 2017, to apply the structure of the local interest rates in KD adopted since March 30, 2008 stipulating that the maximum limit of interest rates on KD consumer loans and installment loans (residential) should not exceed three percentage points on CBK’s Discount Rate. Installment loans (residential) are granted at fixed interest rates provided that the loan contract contains a clause stating that the lender shall review the applied interest rate every five years during the term of the loan, to insure that the applied interest rate at the time of revision is in line with CBK’s announced interest rate for this type of loans. The change in the interest rate should not exceed two percentage points above or below the interest rate applied by virtue of the loan contract before the change was made. As for other types of loans, the maximum annual interest rate on all types of commercial and other KD-lending transactions up to one year should not exceed two and a half percentage points above the Discount Rate. The maximum limit of annual interest rate on all types of KD-lending transactions over one year should not exceed four percentage points above the Discount Rate.

Table (20)

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

End of Period	Maximum Contractual Interest Rates on all forms of KD Lending Transactions			
	Discount Rate	Up to One Year	Over One Year	Consumer Loans
	Rate	Rate	Rate	
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
2016	2.50	5.0	6.5	5.5
2017	2.75	5.25	6.75	5.75

Source: Central Bank of Kuwait.

Data on the average interest rates on KD-denominated customer time deposits with local banks during 2017, compared with 2016, reveal a rise in the average rate of 0.454 percentage point for 1-month deposits from 0.868% to 1.323%, and 0.425 percentage point for 3 month deposits from 1.070% to 1.495%. On another front, average interest rates on USD time deposits with local banks increased by 0.352 percentage point for 1 month deposits from 0.278% to 0.630%, and by 0.379 percentage point for 3-month deposits from 0.409% to 0.788%, between 2016 and 2017. Margins between the average interest rates on KD and USD customer deposits with local banks continued to be in favor of the KD (Table 21). The margin reached 0.693 percentage point against 0.591 percentage point during the previous year for 1-month deposits, and 0.707 percentage point against 0.661 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 2017 compared with their levels during 2016.

Table (21)

Interest rates on customer KD and USD deposits with local banks

Period	Average interest rates on customer 1-month deposits (%)		Margin in favor of KD	Average interest rates on customer 3-month deposits (%)		Margin in favor of KD
	KD	US \$		KD	US \$	
2013	0.563	0.164	0.399	0.750	0.288	0.462
2014	0.594	0.155	0.439	0.781	0.275	0.506
2015	0.619	0.154	0.464	0.789	0.269	0.519
2016	0.868	0.278	0.591	1.070	0.409	0.661
2017	1.323	0.630	0.693	1.495	0.788	0.707

Source: Central Bank Of Kuwait.

As for the interest rates (revenue) on Public Debt Instruments (Kuwaiti Treasury Bills, Treasury Bonds and related Tawarruq) issued by CBK on behalf of the Ministry of Finance, the average interest rate (revenue) on 1-year Treasury Bonds increased to 2.25% during 2017 against 1.50% during 2016. Furthermore, the average interest rate (revenue) on 2-year Treasury Bonds increased to 2.5% during 2017 against 1.875% during 2016. Likewise, the interest rates (revenue) on 3-, 5-, 7-, and 10-year Treasury Bonds increased to

2.625%, 3.0%, 3.375%, and 3.875% during 2017 against 2.25%, 2.75%, 3.125%, and 3.625% during 2016 respectively.

Regarding the average interest rates on CBK Bonds and related Tawarruq, the interest rate on 3-month maturity bonds increased to 1.625% during 2017 against 0.964% during 2016. Furthermore, interest rate on 6-month maturity bonds and related Tawarruq increased to 1.750% during 2017 against 1.143% 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 instruments³ (Kuwaiti Treasury Bills, Treasury Bonds and related Tawarruq) on behalf of the Ministry of Finance. CBK floated 32 issues of Treasury Bonds with a nominal value of KD 3,100 million during 2017 (7 issues of 1-year maturity with a total nominal value of KD 700 million, 7 issues of 2-year maturity with a total nominal value of KD 700 million and 10 issues of 3-year maturity with a total nominal value of KD 1,000 million, 5 issues of 5-year maturity with a total nominal value of KD 500 million, 2 issues of 7-year maturity with a total nominal value of KD 150 million, and 1 issue of 10 year maturity with a total nominal value of KD 50 million). During the same period, 20 previous issues matured with a total nominal value of KD 1,600 million (18 issues of 1-year maturity with a total nominal value of KD 1,500 million, 1 issue of 2-year maturity with a total nominal value of KD 50 million, and 1 issue of 5-year maturity with a total nominal value of KD 50 million). Accordingly, the outstanding balance of Treasury Bonds increased to KD 4,767.3 million at the end of 2017.

Regarding the distribution of the outstanding balances of public debt instruments held by different institutions at the end of 2017, 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 1,500 million or 45.9% from KD 3,267.3 million at the end of 2016 to KD 4,767.3 million at the end of 2017, accounting for 100% of the total balance at the end of the mentioned year.

Table (22)

Developments of public debt instruments

KD Million

Particulars	2015	2016 ⁽¹⁾	2017
Issues:	1250.0	2950	3100
Treasury Bonds and Related Tawarruq	1250.0	2950	3100
Maturities:	1250.0	1270	1600
Treasury Bonds and Related Tawarruq	1250.0	1270	1600
Balances at End of Period:	1587.3	3267.3	4767.3
Treasury Bonds and Related Tawarruq	1587.3	3267.3	4767.3

(1) Public debt Tawarruq operations were initiated in April 2016.

Source: Central Bank of Kuwait.

³ Public debt Tawarruq operations were initiated in April 2016

B. Issuance of CBK Bonds and Related Tawarruq

Within the framework of its efforts to manage domestic liquidity levels, CBK issues “CBK Bonds” with 3-month and 6-month maturities for purchase only by local banks and investment companies subject to its supervision. In this context, CBK offered 38 issues of bonds and related tawarruq during 2017 with a total nominal value of KD 7,825 million (24 issues of 3-month maturity with a total nominal value of KD 4,505 million, and 14 issues of 6-month maturity with a total nominal value of KD 3,320 million) (Table 23).

Table (23)

Developments of CBK bonds and related Tawarruq

KD Million

Particulars	2015	2016	2017
Issues:	9,500	8,405	7,825
3 Months	6,540.0	5,795	4,505.0
6 Months	2,960.0	2,610.0	3,320.0
No. of Issues:	41	40	38
3 Months	29	28	24
6 Months	12	12	14
Maturities:	9,569	8,715	7,740
3 Months	6,850.0	5,875.0	4,740.0
6 Months	2,719.0	2,840.0	3,000.0
No. of Maturities	41	40	38
3 Months	30	28	25
6 Months	11	12	13
Balances at End of Period:	3,884.3	3,033	2,883
3 Months	1,515.0	1,435.0	1,200.0
6 Months	1,480.0	1,250.0	1,570.0
Tawarruq with CBK (1 year and above)	889	348	113

Source: Central Bank of Kuwait.

At the same time, 38 previous issues matured during 2017 with a total nominal value of KD 7,740 million (of which 25 issues of 3-month maturity with a total nominal value of KD 4,740 million, and 13 issues of 6-month maturity with a total nominal value of KD 3,000 million). As a result, the outstanding balance of CBK Bonds increased to KD 2,883 million at the end of 2017 compared to KD 3,033 million at the end of the previous year.

6. Activity of the Local Interbank Deposit Market

Activity in the local interbank KD-deposit market declined during 2017. The value of market transactions reached KD 89,855.6 million against KD 94,988.9 million during 2016, i.e. a decrease of KD 5,133.3 million or 5.4% (Table 24). Data indicate a decrease in the relative share of “over one night to one week” transactions to 44.1% during 2017 against 49.9% during 2016, and that of “over one month to 3 month” to 1.3% against 1.8% during 2016. Meanwhile, the relative share of “over one week to one month” transactions increased to 11.2% against 6.6% during 2016.

Table (24)

Distribution of transaction values of the interbank deposit market of local banks* according to maturity periods

KD Million

Maturity Period	2016		2017	
	Value	% of Total	Value	% of Total
Overnight	38,587.5	40.6	38,638.1	43.0
Over one night to one week	47,399.1	49.9	39,583.6	44.1
Over one week to one month	6,226.9	6.6	10,089.8	11.2
Over one month to three months	1,700.6	1.8	1,142.3	1.3
Over three months to six months	651.4	0.7	199.9	0.2
Over six months	423.3	0.4	201.9	0.2
Total	94,988.9	100	89,855.6	100

* Excluding CBK operations.

Source: Central Bank of Kuwait.

7. The Balances of Local Bank Accounts with CBK

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

The Available data indicate that the balance of local banks’ claims on CBK declined by KD 84 million or 1.8% at the end of 2017 to reach KD 4,600.6 million at the end of the year against KD 4,684.6 million at the end of 2016. This decline was the outcome of the decrease in the balances of local banks’ on demand deposits CBK of KD 269 million or 28.6% and local banks’ holdings of CBK Bonds and related Tawarruq with CBK of KD 149.3 million or 4.9% on the one hand, and the increase in the balances of local banks’ time and related Tawarruq with CBK of KD 334.2 million or 47.7% on the other. No CBK claims on local banks were recorded at the end of 2017.

Table (25)

Trends in development of KD balances of CBK with local banks

KD Million

End of Period	Local Banks Claims on CBK				CBK Claims on Local Banks				Net balance
	On demand deposits	CBK bonds and Tawarruq	Time deposits with CBK and Tawarruq	Total	Currency swaps	Discount and Re-discount	Deposits and current accounts with local banks	Total	
2015	602.9	1,875.0	2,217.9	4,695.8	-	-	-	-	-4,695.8
2016	941.9	3,041.8	701.0	4,684.6	-	-	-	-	-4,684.6
2017	672.9	2,892.5	1,035.2	4,600.6	-	-	-	-	-4,600.6

Source: Central Bank of Kuwait.

8. Activity of CBK Clearing Room

Presented data (Table 26) indicate that the number of clearing transactions of cheques drawn on the accounts of local banks' customers, through the clearing room at CBK, increased by 144.6 thousand transactions or 5.5% to a total of 2,769.4 thousand transactions during 2017 amounting to KD 15,163.6 million against 2,624.8 thousand transactions amounting to KD 14,087 million during 2016. The total value of clearing transactions during 2017 increased by KD 1,076.7 million or 7.6% from its level during 2016. Consequently, the average value per transaction (average value of cheque) increased by KD 108.6 or 2% to KD 5,475.4 during 2017 against KD 5,366.9 during 2016.

Data also indicate that the value of local interbank settlement transactions, by means of credit and debit advices through Kuwait's Automated Settlement System for Inter Participant Payments (KASSIP), declined by KD 1 billion or 3.3% to KD 289.9 billion during 2017 against KD 299.9 billion during 2016.

Table (26)

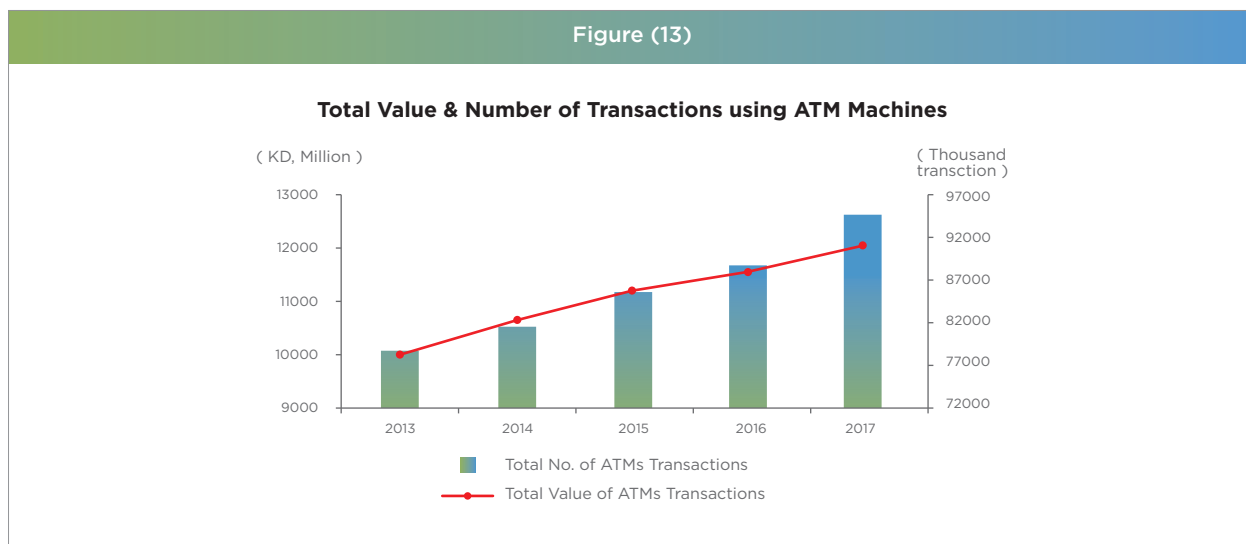
Clearing Transactions and Settlements among local Banks

Period	Cheques			Local Interbank Settlement Transactions
	Total Value	No. of Transactions	Average Transaction Value	
	(KD million)	('000)	(KD)	(KD million)
2014	13,512.2	2,411.2	5,604.0	273,448.7
2015	13,251.1	2,504.5	5,290.9	301,795.8
2016	14,087.0	2,624.8	5,366.9	299,961.8
2017	15,163.6	2,769.4	5,475.4	289,959.5

Source: Central Bank of Kuwait.

9. Transactions Using Plastic Cards

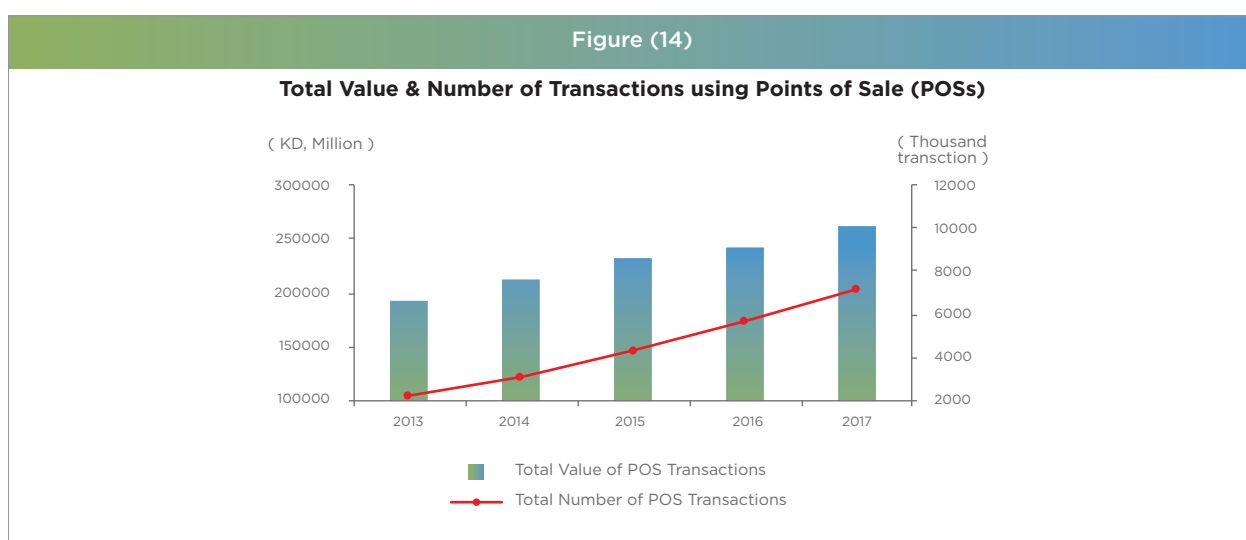
Available data on plastic card transactions (including credit and debit cards issued by local banks and foreign banks that are being used locally) indicate an increase in the total value of Automatic Teller Machine (ATM) transactions in the State of Kuwait and abroad by 4.2% to reach KD 12,027.6 million (on 95 million transactions) during 2017 against KD 11,542.4 million (on 89 million transactions) during 2016.



Source: Central Bank of Kuwait.

Total value of ATM transactions in the State of Kuwait amounted to KD 11,664.8 million (91 million transactions) during 2017 against KD 11,113.5 million (85 million transactions) during the previous year, i.e. a rise of 5%.

Furthermore, total value of Points of Sale (POSs) transactions in the State of Kuwait and abroad increased by KD 917.4 million or 10.1% reaching KD 10,040.3 million (distributed over 204 million transactions) during 2017 against KD 9,122.8 million (distributed over 174 million transactions) during the previous year.



Source: Central Bank of Kuwait.

Moreover, total value of POS transactions in the State of Kuwait amounted to KD 9,122.2 million (distributed over 186 million transactions) during 2017 against KD 8,271.3 million (distributed over 159 million transactions) during the previous year, i.e. a rise of 10.3%.

Data on the number of payment devices used in the State of Kuwait, which include POS machines and ATMs, indicate an increase in the number of POS machines to reach 51,072 at the end of 2017 against

46,513 at the end of 2016, i.e. a rise of 9.8%. Data also indicate an increase in the number of ATMs of 5.6% to reach 2,103 at the end of 2017 against 1,991 at the end of the previous year.

10. Developments in Banking Oversight and Supervision

The most significant accomplishments made by CBK in terms of developing supervision and control systems and rules during 2017, including key instructions, circulars and controls issued for the banking and financial units under its supervision as well as other activities, are:

First: major instructions, circulars and regulations issued by the CBK for banking and financial units under its supervision:

1. Within its efforts towards revising and updating instructions and controls of banking in line with the international control standards and the best practices in the regulatory and supervisory field, CBK issued two circulars to all local banks and financing companies regarding the rules and regulations of the experience required under Article (68) of the Law No. 32 of 1986 and amendments thereto.
2. To stay abreast with the international developments in the field of banking supervisions, and ensure implementation of the related best practices, and given the growing role of the financial technologies (Fintech), the first phase of “Regulatory Sandbox” Project has been finalized. The first phase was to issue the draft regulatory sandbox instructions and work mechanism with the aim to provide the testing environment necessary for innovative products and services and to find an appropriate balance between the risks and benefits involved in such innovations. This approach helps minimize the disadvantages of the innovative technologies without exposing the entire financial system to risks during the early stages of the exploration and development.
3. With the aim to reinforce the strength of the financial and banking sector, and enhance the supervision over the banking system in the State of Kuwait, CBK developed a process manual for cheque inspection in line with the developments of the international banking system.
4. Within the framework of CBK’s continuous efforts to promote Islamic banking activities in the State of Kuwait and develop sharia-complaint supervisory instructions in Islamic banks along with the best practices in this regard, CBK finalized its follow up on implementation by the Kuwaiti banks, through quarterly reports in 2017, of the instructions issued on 20 December 2016 regarding “Governance of Sharia Supervision for Kuwaiti Islamic Banks” that were fully implemented effective from 01.01.2018.

These instructions were issued in light of major developments in the Islamic banking industry, and developments in the Islamic banking sector in the State of Kuwait in terms of size and quality of its operations. This emphasizes the importance of sharia governance of all Islamic banks and the banking sector as whole, as one of the major pillars of financial stability.

Second: other activities:

1. Within the framework of CBK's keenness on developing employee capabilities in the sectors under its supervision and achieving full awareness regarding their supervisory requirements, CBK organized for the third year in a row a workshop titled "Requirements of Anti-Money Laundering and Financing Terrorism" for the supervisors and employees working in all local banks and exchange companies in Kuwait during 21-23 November 2017.

The workshop included explanations of the combat of money laundering and financing of terrorism, as per the recommendations of the Financial Action Task Force (FATF), the provisions of the law No. 106 of 2013 regarding Combat of Money Laundering and Financing of Terrorism, the ministerial resolutions applicable in Kuwait, and the instructions issued by CBK on 23 July 2013. The workshop further discussed the requirements of the Ministerial Resolution No. (5) of 2014 regarding the executive regulations issued for implementation of the Security Council's decisions issued in accordance with the Seventh Chapter of UN Charter relating to terrorism and financing of terrorism, in addition to the supervisory guidelines issued by the Security Council Resolution's implementation committee - Ministry of Foreign Affairs in this regard.

2. Aiming to develop Islamic financial and banking business and enhance the relevant technical capabilities and knowhow of the staff of financial and banking sectors and those interested in the Islamic banking industry, CBK organized a workshop at CBK headquarters, during 7-8 May 2017, in cooperation with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the world's leading body that issues the accounting, auditing, governance, ethics, and Shari'a standards for Islamic financial institutions. Several local bodies including Capital Markets Authority (CMA), a host of Islamic banks, investment companies, and financing companies, as well as a number of Shari'a consultancy and auditing firms partook in the workshop that addressed, inter alia, the technical stages of issuing standards and importance and extent of implementation thereof. In addition, key Shari'a standards and other standards of accounting, review, governance, and ethics were also covered.



Financial Indicators of the Banking and Financial System



Financial Indicators of the Banking and Financial System

This part of the Economic Report 2017 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.

Table (27)

Developments in the Banking System Structure

End of period	Local Banks				
	No. of head Offices	No. of local Branches	No. of External Branches	No. of Representative Offices	Total Branches/ Representative offices
2015	23	401	16	4	421
2016	23	409	16	4	429
2017	23	408	15	3	426

Source: Central Bank of Kuwait.

The institutional structure of the local banking and financial system supervised by CBK comprised of 130 registered units at the end of 2017, 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 65 investment companies, 36 of which are companies operating in accordance with the provisions of the Islamic Sharia, under the dual supervision of CBK and Capital Markets Authority (CMA), and one finance company supervised by CBK operating in accordance with the provisions of the Islamic Sharia. CBK is responsible only for the finance activity practiced by these companies plus 42 exchange companies. The supervisory responsibilities over investment funds and investment companies, excluding the finance activity, were transferred to the CMA in accordance with Law No. 7/2010 on the "Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities", effective 13 September 2011.

Aggregate Balance Sheet of Local Banks

The total number of local banks' onshore branches reached 408 at the end of 2017 against 409 at the end of the previous year. The number of local banks' overseas branches reached 15 branches during 2017 against 16 branches during 2016. The number of overseas representative offices of such banks also dropped to 3 offices during 2017 against 4 offices during 2016.

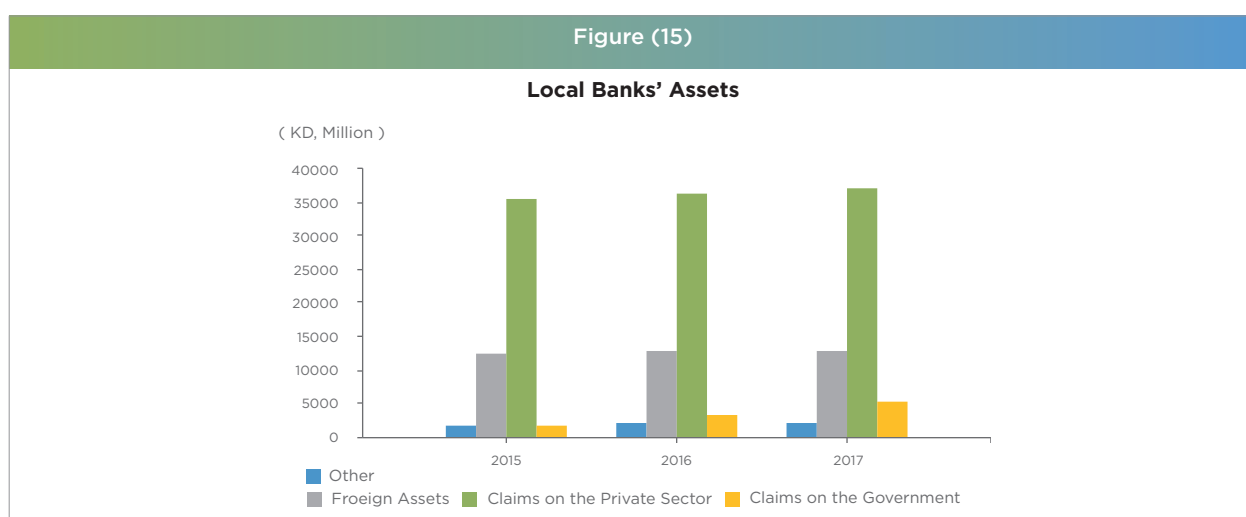
The aggregate balance sheet of local banks (excluding overseas branches and subsidiaries) amounted to KD 63,467.8 million at the end of 2017 against KD 60,444.5 million at the end of the previous year, realizing a growth of KD 3,023.4 million or 5.0% during 2017, compared with a growth of KD 1,833.0 million or 3.1% during 2016.

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 2017 - as shown in Tables (28, 29-A & 29-B) - compared with the previous year, the noteworthy factors and developments in terms of some key elements of the balance sheet as at the end of 2016 and 2017, are indicated as follows:

First: Domestic Assets

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

1. **Claims on the Private Sector:** Local banks’ claims on the private sector grew by KD 1,024.2 million or 2.8% reaching KD 37,225.4 million at the end of 2017 compared to KD 36,201.2 million at the end of the previous year. This increase was an outcome of the growth in the utilized cash portion of credit facilities extended to residents of KD 1,091.1 million or 3.1% on the one hand, and the decline in other domestic investments of KD 66.9 million or 3.5% on the other hand.



Source: Central Bank of Kuwait.

2. **Claims on the Government:** These claims are banks’ share of public debt instruments. The outstanding balance of local banks’ claims on the government witnessed a notable growth reaching KD 5,059.1 million at the end of 2017 against KD 3,286.9 million at the end of the previous year, recording an increase of KD 1,772.2 million or 53.9%. This significant increase was a result of banks’ participation in financing the budget deficit through new issues of domestic borrowing since the beginning of April 2016. It is worth mentioning that banks’ holdings of public debt instruments (bonds and related Tawarruq) are considered high quality liquid assets (HQLA) under the instructions of CBK.
3. **Claims on CBK:** These claims consist of cash and cash balances, sight deposits with CBK, time deposits with CBK and holdings of CBK Bonds & Related Tawarruq. The outstanding balance of these claims increased by KD 98.3 million or 1.9% during 2017, from KD 4,921.4 million at the end of 2016 to KD 5,019.7 million at the end of 2017.

Table (28)

Aggregate Balance Sheet of Local Banks (Assets)*

Items	Balances at year end (KD, Million)		Change	
	2016	2017	Value	(%)
Claims on CBK, of which:	4,921.4	5,019.7	98.3	1.9
- Time Deposits with CBK & Related Twarruq	701.0	1,035.2	334.2	47.6
- Sight Deposits	927.4	721.1	-206.2	-22.2
- CBK Bonds & Related Twarruq	3,041.8	2,892.5	-149.3	-4.9
Local Interbank Deposits	1,456.1	1,255.0	-201.0	-13.8
Claims on the Government:	<u>3,286.9</u>	<u>5,059.1</u>	<u>1,772.2</u>	<u>53.9</u>
- Treasury Bonds & Related Twarruq	3,286.9	5,059.7	1,772.2	53.9
- Treasury Bills	0.0	0.0	0.0	0.0
Claims on the Private Sector:	<u>36,201.2</u>	<u>37,225.4</u>	<u>1,024.2</u>	<u>2.8</u>
- Credit Facilities to Residents	34,307.4	35,398.5	1,091.1	3.1
- Other Local Investments	1,893.8	1,826.9	-66.9	-3.5
Foreign Assets, of which:	<u>12,668.7</u>	<u>12,771.3</u>	<u>102.6</u>	<u>0.8</u>
- Deposits with Foreign Banks	6,442.9	5,888.3	-554.6	-8.6
- Foreign Investments	3,905.5	3,969.1	63.6	1.6
- KD Credit Facilities to Non-Residents	192.5	188.2	-4.3	-2.2
- Foreign Currency Facilities to Non-Residents	1,495.1	1,973.1	478.0	31.9
Other Assets	1,910.1	2,137.3	227.1	11.8
Assets	60,444.5	63,467.8	3,023.3	5.0
Number of Banks	23	23	-	-

* Data on overseas branches and subsidiaries not included.

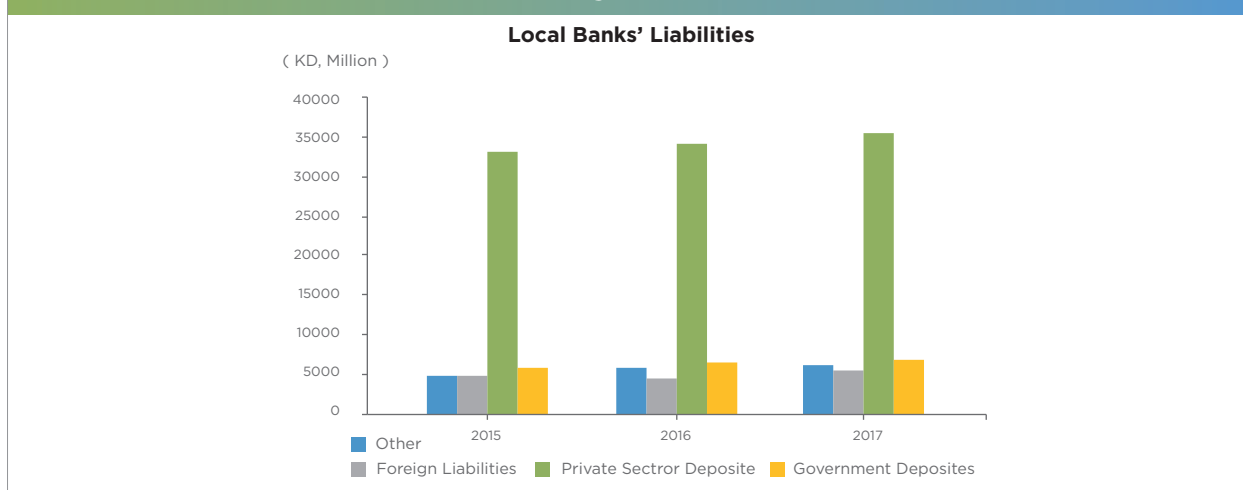
Source: Central Bank of Kuwait.

Second: Domestic Liabilities

Liabilities in the aggregate balance sheet of local banks 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 2016 and 2017:

1. **Private Sector (Resident) Deposits:** Private sector resident deposits with local banks increased to KD 35,401.1 million at the end of 2017 against KD 34,133.2 million at the end of the previous year, i.e. a growth of KD 1,267.9 million or 3.7%. This growth was the outcome of the increase in the KD deposits of KD 1,456.5 million or 4.7% on the one hand, and the decrease in the foreign currency deposits by the equivalent of KD 188.6 million or 6.5% on the other hand.
2. **Government Deposits:** Government deposits (ministries, government departments, public authorities and institutions with attached budgets and Kuwait Credit Bank) with local banks increased to KD 6,737.4 million at the end of 2017 compared to KD 6,679.4 million at the end of the previous year, i.e. a growth of KD 58.0 million or 0.9%.

Figure (16)



Source: Central Bank of Kuwait.

Table (29 -A)

Aggregate Balance Sheet of Local Banks (Liabilities)*

Items	(Balances at year end (KD, Million		Change	
	2016	2017	Value	(%)
Private Sector Deposits:	34,133.2	35,401.1	1,267.9	3.7
- KD Deposits	31,211.0	32,667.6	1,456.5	4.7
- Foreign Currency Deposits	2,922.1	2,733.5	-188.6	-6.5
Government Deposits	6,679.4	6,737.4	58.0	0.9
Local Interbank Deposits	1,421.5	1,231.4	-190.1	-13.4
Shareholders' Equity	8,136.3	8,339.9	203.6	2.5
Foreign Liabilities: of which:	4,364.2	5,595.9	1,231.7	28.2
- Foreign Bank Deposits	2,167.6	2,147.2	-20.4	-0.9
- Foreign Non-Bank Deposits	1,432.2	2,484.7	1,052.5	73.5
Other Liabilities	5,709.9	6,162.1	452.2	7.9
Liabilities	60,444.5	63,467.8	3,023.4	5.0
Number of Banks	23	23	-	-

* Data on overseas branches and subsidiaries not included.

Source: Central Bank of Kuwait.

3. **Shareholders' Equity:** Shareholders' equity in local banks, including paid-up capital, increased by KD 203.6 million or 2.5% from KD 8,136.3 million at the end of 2016 to KD 8,339.9 million at the end of 2017.

Third: Net Foreign Assets

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

1. **Foreign Assets:** Total foreign assets of local banks grew by KD 102.6 million or 0.8% during 2017 to reach KD 12,771.3 million at the end of that year compared to KD 12,668.7 million at the end of 2016. The foreign assets account for 20.1% of total assets at the end of 2017 compared to 21.0% at the end of the previous year.
2. **Foreign Liabilities:** Total foreign liabilities of local banks increased to KD 5,595.9 million at the end of 2017 against KD 4,364.2 million at the end of 2016, i.e. a growth of KD 1,231.7 million or 28.2%. Foreign liabilities account for 8.8% of total liabilities at the end of 2017 compared to 7.2% 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 declined by KD 1,129.1 million or 13.5% at the end of 2017 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 (29-B) total contra accounts with local banks amounted to KD 16,336.5 million at the end of 2017 against KD 15,451.7 million at the end of the previous year, i.e. an increase of KD 884.8 million or 5.7%, accounting for 25.7% of the aggregate balance sheet of local banks at the end of 2017 against 25.6% at the end of 2016.

Table (29 - B)

Aggregate Balance Sheet of Local Banks (Contra Accounts)*

Items	Balances at year end (KD, Million)		Change	
	2016	2017	Value	(%)
Contra Accounts	<u>15,451.7</u>	<u>16,336.5</u>	<u>884.8</u>	<u>5.7</u>
Bank Guarantees	14,155.7	14,820.7	665.0	4.7
Documentary Credits	910.2	1,164.3	254.1	27.9
Bank Acceptances	385.9	351.5	-34.4	-8.9
Number of Banks	23	23		

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

Fifth: Financial Flows

The purpose of monitoring developments in the trend and value of financial flows, resulting from the movement of funds in local banks –whether in the context of domestic market operations or external transactions as shown in Table (30) – is to identify their reflections on the financial position of local banks at the end of 2017, and explain the interaction between the movement of funds in local banks' domestic operations as well as external transactions. Following are the most notable developments:

1. Sources of Funds from Domestic Operations

Sources of funds from domestic operations are represented in the increase in the elements of liabilities and/or decrease in the elements of assets. The value of these sources of funds is calculated by the amount of change in the balances of liabilities and assets at the end of the two comparable years, thus summing up the financial flows during the period elapsed between the two mentioned dates. Total financial resources generated by local banks from domestic market operations amounted to KD 2,183.8 million during 2017 compared to KD 4,374.9 million during the previous year.

The major portion of domestic financial resources realized during 2017 of KD 1,982.7 million or 90.7% of total domestic financial resources, resulted from increasing some elements of local liabilities. Meanwhile, the remaining financial resources of KD 201 million or 9.3% 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 2017 were used in increasing some elements of domestic assets by KD 3,122.9 million (94.3% of total domestic uses), and decreasing some domestic liabilities by KD 190.1 million (5.7% of total domestic uses).

Table (30)

Summary of Financial Flows in Local Banks during 2016 and 2017

KD Million

Items	2016		2017	
	Flows Value	to Total(%)	Flows Value	to Total(%)
First- Domestic Operations:				
1. Total Sources of Funds:	4374.9	100.0	2183.8	100.0
* From Increase in Liabilities:	3156.2	72.1	1982.7	90.8
- Private Sector Deposits	1089.0	24.9	1267.9	58.1
- Government Deposits	800.5	18.3	58.0	2.7
- Shareholders' Equity	342.5	7.8	204.5	9.4
Other Domestic Liabilities	924.2	21.1	452.3	20.7
* From Decrease in Assets:	1218.6	27.9	201.0	9.2
- Claims on CBK	74.5	1.7	-	-
- Deposits with Local Banks	1144.1	26.2	201.0	9.2
2. Total Uses of Funds:	3929.1	100.0	3312.9	100.0
* In Decreasing Liabilities:	995.7	25.3	190.1	5.7
- Local Banks' Deposits	995.7	25.3	190.1	5.7
* In Increasing Assets:	2933.4	74.7	3122.9	94.3
- Claims on the Private Sector	898.9	22.9	1023.7	30.9

Table (30) - Continued

Summary of Financial Flows in Local Banks during 2016 and 2017

KD Million

Items	2016		2017	
	Flows Value	to Total(%)	Flows Value	to Total(%)
- Claims on CBK	-	-	98.3	3.0
- Claims on Government	1707.3	43.5	1772.2	53.5
- Other Domestic Assets	327.2	8.3	228.6	6.9
Surplus (+) or Deficit (-) of Resources against Uses	445.8	-	-1,129.2	-
Second- Foreign Operations:				
1. Total Sources of Funds:	641.8	100.0	1,811.0	100
* From Increase in Liabilities:	290.4	45.2	1,252.1	69.1
- Non-Resident (Bank) Deposits	-	-	-	-
- Non-Resident (Non-Bank) Deposits	114.6	17.9	1,052.5	58.1
- Other Foreign Liabilities (including bonds)	175.8	27.4	199.6	11.0
* From Decrease in Assets:	351.4	54.8	558.9	30.9
- Local Bank Deposits with Foreign Banks	351.4	54.8	554.6	30.6
- Foreign Currency Credit Facilities to Non-Residents	-	-	4.3	0.2
2. Total Uses of Funds:	1,087.5	100.0	681.9	100.0
* In Decreasing Liabilities:	618.9	56.9	20.4	3.0
- Non-Resident (Non-Bank) Deposits	-	-	20.4	3.0
- Non-Resident (Bank) Deposits	618.9	56.9	-	-
- Other Foreign Assets (including bonds)	-	-	-	-
* In Increasing Assets:	468.6	43.1	661.5	97.0
Foreign Investments	124.8	11.5	63.7	9.3
Local Bank Deposits with Foreign Banks	-	-	-	-
KD Credit Facilities to Non-Residents	1.9	0.2	-	-
Foreign Currency Credit Facilities to Non-Residents	316.7	29.1	478.0	70.1
Other Foreign Assets	25.2	2.3	119.7	17.6
Surplus (+) or Deficit (-) of Resources against Uses	-445.8	-	1,129.2	-

Source: Central Bank of Kuwait.

3. The Surplus in Resources from Domestic Market Operations

The movements of funds in local banks' domestic operations during 2017 resulted in a net deficit of KD 1,129.2 million in local financial resources, totaling KD 2,183.8 million after covering the uses of funds in domestic market operations totaling KD 3,312.9 million. The surplus was used to cover the deficit resulting from foreign operations, indicating a net financial inflow of KD 1,129.2 million.

4. Financial Flows from Foreign Operations

Total financial resources generated by local banks from foreign operations amounted to the equivalent of KD 1,811.0 million during 2017, resulting from decreasing some elements of foreign assets of KD 558.9 million or 30.9% of total foreign resources. Meanwhile, the remainder of these resources resulted from increasing some elements of foreign liabilities of KD 1,252.1 million or 69.1% of total foreign financial resources. Total uses of funds in local banks' foreign operations amounted to the equivalent of KD 681.9 million during 2017, used in decreasing some elements of foreign liabilities by the equivalent of KD 20.4 million or 3.0% of total foreign uses of funds, as well as in increasing some elements of foreign assets by the equivalent of KD 661.5 million or 97.0% of total foreign uses of funds. This resulted in a net surplus equivalent to KD 1,129.1 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 1,129.1 million.

Sixth: Indicators and Financial Ratios

This part shows some indicators of local banks' financial position at the end of 2017 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 2016 and 2017 shown in Table (31) as follows⁴ :

1. Liquidity Standards

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

Available data indicate a decline in the cash standard reaching 30.0% at the end of 2017 compared to 31.1% at the end of 2016, and an increase in the liquidity standard at 38.9% at the end of 2017 compared to 38.6% at the end of 2016. Therefore, the average of both standards for the years 2016 and 2017 reached 30.7% for the cash standard and 38.7% for the liquidity standard.

2. Uses of Funds Standards

The analysis indicates a drop in the ratios of fund uses. The first ratio, indicating the extent to which private sector deposits were used in the credit facilities extended to the sector's activities, decreased to 100.0% at the end of 2017 compared to 100.5% at the end of 2016, with an annual average of 100.2% for the years 2016 and 2017. The second ratio which shows, among others, the extent to which domestic private sector deposits were used in funding the domestic private sector, slightly decreased to reach 105.2% at the end of 2017 compared to 106.3% at the end of 2016, with an annual average of 105.6% for the years 2016 and 2017. The third ratio, which indicates the share of resident deposits and shareholders' equity in local funding, also slightly declined to 96.6% at the end of 2017 compared to 96.9% at the end of 2016, with an annual average of 96.7% for the years 2016 and 2017.

3. Profitability Standards

Table (31) shows developments in the net profit ratio to average assets, average shareholders' equity, and paid-up capital at the end of 2017 compared with the end of the previous year. Local banks' realized net

⁴ Indicators and financial ratios are according to local banks' aggregated, not consolidated, data.

profits totaled KD 839.8 million during 2017 compared to KD 744.3 million and KD 727.6 million during 2015 and 2016, respectively. The ratio of the realized net profit to average assets, average shareholders' equity and paid-up capital was 1.3%, 10.1% and 28.6%, respectively, in 2017 against 1.3%, 9.4% and 26.2% respectively in 2016.

4. Adequacy Standards of Shareholders' Equity

The ratio of shareholders' equity to total assets, total uses of funds, and total non-cash assets was 13.1%, 15.4% and 19.2%, respectively, at the end of 2017 compared to 13.5%, 15.6% and 19.5% at the end of 2016. Accordingly, the average of the above-mentioned adequacy ratios of shareholders' equity during 2016 and 2017 was 13.3% to total assets, 15.5% to total uses of funds and 19.3% to total non-cash assets, encompassing credit facilities to residents/non residents, as well as some local/foreign financial and non-cash investments.

Table (31)

Some Financial Indicators and Ratios of Local Banks (%)

Items	2016	2017	Average
First- Liquidity Standards:			
1- Cash Standard	31.1	30.0	30.7
2- Liquidity Standard	38.6	38.9	38.7
Second- Uses Standards:			
1- Credit Facilities to Private Sector Deposits	100.5	100	100.2
2- Claims on Private Sector to Private Sector Deposits	106.1	105.2	105.6
3- Local Uses to Resident Deposits & Shareholders' Equity	96.9	96.6	96.7
Third- Profitability Standards:			
1- Net Profit to Average Assets	1.3	1.3	1.3
2- Net Profit to Average Shareholders' Equity	9.4	10.1	9.7
3- Net Profit to Paid-up Capital	26.2	28.6	27.4
Fourth- Adequacy Standards of Shareholders' Equity:			
1- Shareholders' Equity to Total Assets	13.5	13.1	13.3
2- Shareholders' Equity to Total Uses	15.6	15.4	15.5
3- Shareholders' Equity to Non-Cash Assets	19.5	19.2	19.3
Fifth- Capital Adequacy Standard:			
1- Capital Adequacy Standard (Local Banks) ⁽¹⁾	18.6	18.4	18.5

(1) Capital Adequacy Standard for 2015 and 2016 according to Basel III.

Source: Central Bank of Kuwait.

5. Capital Adequacy Standard "Solvency"

Available aggregate data on Kuwaiti banks indicate that the capital adequacy ratio for each bank was still noticeably higher than the minimum ratio required according to CBK's regulations, which is higher than the minimum limit required by the international standards. In the context of CBK's implementation of Basel III set of reforms, CBK's Board of Directors has decided that the application of Basel III capital adequacy standard 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 18.4% at the end of December 2017 against 18.6% at the end of December 2016.

The Aggregate Balance Sheet of Local Investment Companies

The number of registered local investment companies supervised by the CBK decreased to 68 at the end of 2017 compared to 78 at the end of the previous year. Local investment companies sector at the end of 2017 encompassed 29 conventional investment companies and 39 Islamic investment companies.

Table (32)

Developments in the Financial System Structure

Period	No. of Investment Companies			No. of Exchange Companies
	Conventional	Islamic	Total	
2013	43	50	93	39
2014	40	49	89	39
2015	38	47	85	40
2016	34	44	78	41
2017	29	39	68	42

Source: Central Bank of Kuwait.

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 7,299.6 million at the end of 2017 compared to KD 8,165.0 million at the end of 2016, i.e. a decline of KD 865.8 million or 10.6%.

Table (33)

Aggregate Balance Sheet of Local Investment Companies*

KD Million

Items	Balances at year end		Change	
	2016	2017	Value	(%)
Assets				
Cash & Balances with local Banks & Investment companies	477.4	410.0	-67.4	-14.1
Financing to Customers	793.9	491.3	-302.6	-38.1
Loans and Advances to Residents (conventional Companies)	441.8	346.3	-95.5	-21.6
Financing to Customers	352.1	145.0	-207.1	-58.8
Domestic Investments	2,311.8	2,226.5	-85.3	-3.7
Financial Investments	1,800.2	1,702.9	-97.3	-5.4
Non-Financial Investments	511.5	523.7	12.2	2.4
Foreign Assets	2,974.3	2,710.0	-264.3	-8.9
Other Assets	1,608.0	1,461.8	-146.2	-9.1
Assets = Liabilities	8,165.4	7,299.6	-865.8	-10.6
Liabilities:				
Capital and reserve	3,548.6	3,080.8	-467.8	-13.2
Financing from Residents	2,199.0	1,968.8	-230.2	-10.5
Bonds & Financing Instruments	27.6	29.2	1.6	5.8
Foreign Liabilities	1,159.9	996.7	-163.2	-14.1
Other Liabilities	1,230.2	1,224.1	-6.1	-0.5
Number of Companies	78	68	-10	

*Including data on subsidiaries.

Source: Central Bank of Kuwait.

In order to identify key features in the performance of local investment companies, following is a separate review of conventional investment companies and Islamic investment companies during 2016 and 2017:

First: Conventional Investment Companies

Available financial data (Table 34) on the 29 conventional investment companies indicate a total aggregate balance sheet of KD 3,243.2 million at the end of 2017, recording a decrease of KD 528.4 million or 14.0% from its level of KD 3,771.6 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 2017 compared with the end of 2016 can be addressed as follows:

1. Foreign assets decreased by the equivalent of KD 175.5 million or 10.8% at the end of 2017 compared with the end of the previous year. This decrease resulted from the decline in foreign investments by the equivalent of KD 163.0 million or 12.6%, other foreign assets by the equivalent of KD 5.1 million or 2.4%, cash and balances with foreign banks by the equivalent of KD 4.2 million or 4.4%, and loans and advances to non-residents by the equivalent of KD 3.2 million or 15.2%.
2. Loans and advances to residents declined by KD 95.5 million or 21.6% to reach KD 346.3 million at the end of 2017 against KD 441.8 million at the end of the previous year.

- Domestic investments decreased by KD 64.0 million or 6.1% from KD 1,051.2 million at the end of 2016 to KD 987.2 million at the end of 2017. This decline resulted from the decrease in financial investments of KD 110.6 million or 12.1% on the one hand, and the increase in non-financial investments of KD 46.6 million or 34.8% on the other hand.

On the liabilities side, notable developments at the end of 2017 compared with the end of 2016 can be highlighted as follows:

- Capital and reserve decreased by KD 346.7 million or 17.9% from KD 1,935.1 million at the end of 2016 to KD 1,588.4 million at the end of 2017.
- Financing from residents decreased by KD 45.3 million or 5.4% at the end of 2017 compared with the end of the previous year, i.e. from KD 836.7 million to KD 791.4 million.
- Foreign liabilities declined by the equivalent of KD 139.4 million or 28.3% from KD 493.2 million at the end of 2016, to the equivalent of KD 353.8 million at the end of 2017.

Table (34)

Aggregate Balance Sheet of Conventional Investment Companies*

KD Million

Items	Balances at year end		Change	
	2016	2017	Value	(%)
Assets:				
Cash & Balances with local Banks and Investment Companies	265.6	225.7	-39.9	-15.0
Loans and Advances to Residents (Conventional Companies)	441.8	346.3	-95.5	-21.6
Domestic Investments:	1,051.2	987.2	-64.0	-6.1
Financial Investments	917.2	806.6	-110.6	-12.1
Non-Financial Investments	133.9	180.5	46.6	34.8
Foreign Assets	1,624.3	1,448.8	-175.5	-10.8
Other Assets	388.8	235.2	-153.6	-39.5
Assets = Liabilities	3,771.6	3,243.2	-528.4	-14.0
Liabilities:				
Capital and reserve	1,935.1	1,588.4	-346.7	-17.9
Financing from Residents	836.7	791.4	-45.3	-5.4
Bonds, Financing Instruments & Subordinated Loans	27.6	27.6	0.0	0.0
Foreign Liabilities	493.2	353.8	-139.4	-28.3
Other Liabilities	479.0	482.0	3.0	0.6
Number of Companies	34	29	5-	

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

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

The review in this part is built on comparable data on the aggregate financial position of 39 Islamic investment companies for 2017. Those are the companies registered with the CBK at the end of 2017.

Available financial data (Table 35) indicate a drop in the total aggregate balance sheet of KD 337.4 million or 7.7% at the end of 2017 compared with the previous year reaching KD 4,056.4 million, against KD 4,393.8 million at the end of the previous year. Following are key developments witnessed in the mentioned aggregate balance sheet on the assets side:

1. Financing to customers declined by KD 207.1 million or 58.8% to KD 145.0 million at the end of 2017 against KD 352.1 million at the end of 2016.
2. Foreign assets, which are foreign financial/non-financial assets, declined by the equivalent of KD 88.9 million or 6.6%, from the equivalent of KD 1,350.0 million at the end of 2016 to the equivalent of KD 1,261.1 million at the end of 2017.
3. Domestic investments dropped by KD 21.2 million or 1.7% to reach KD 1,239.4 million at the end of 2017 compared to KD 1,260.6 million at the end of 2016.

On the liabilities side, main developments witnessed at the end of 2017 compared with the end of 2016 can be indicated as follows:

1. Funding operations made through local banking and financial sector decreased by KD 184.9 million or 13.6% to KD 1,177.4 million at the end of 2017 against KD 1,362.3 million at the end of 2016.
2. Shareholders' equity declined by KD 121.2 million or 7.5% to reach KD 1,492.4 million at the end of 2017 compared to KD 1,613.6 million at the end of 2016.
3. Foreign liabilities decreased by the equivalent of KD 23.8 million or 3.6% to the equivalent of KD 642.9 million at the end of 2017 against the equivalent of KD 666.7 million at the end of 2016.

Table (35)

Aggregate Balance Sheet of Investment Companies Operating in Accordance with the Provisions of the Islamic Sharia*

KD Million

Items	Balances at year end		Change	
	2016	2017	Value	(%)
Assets:				
Cash & Balances with local Banks and Investment companies	211.9	184.3	-27.6	-13.0
Financing to Customers	352.1	145.0	-207.1	-58.8
Domestic Investments: including:	1,260.6	1,239.4	-21.2	-1.7
Financial Investments	883.0	896.2	13.2	1.5
Non-Financial Investments	377.6	343.1	-34.5	-9.1
Foreign Assets	1,350.0	1,261.1	-88.9	-6.6
Other Assets	1,219.2	1,226.6	7.4	0.6
Assets = Liabilities	4,393.8	4,056.4	-337.4	-7.7
Liabilities:				
Capital and reserve	1,613.6	1,492.4	-121.2	-7.5
Financing from Residents	1,362.3	1,177.4	-184.9	-13.6
Subordinated Loans	-	1.5	-	-
Foreign Liabilities	666.7	642.9	-23.8	-3.6
Other Liabilities	751.2	742.1	-9.1	-1.2
Number of Companies	44	39	-5	

*Including data on subsidiaries.

Source: Central Bank of Kuwait.

Third: Contra Accounts of Local Investment Companies

Contra accounts (off-balance-sheet items) reflect a significant side of local investment companies' activities in the domain of financial services extended to resident/non-resident clients (Table 36). Contra accounts for the 68 local investment companies registered with CBK (29 conventional and 39 Islamic) as at the end of 2017 amounted to KD 19,691.2 million, of which KD 16,797.0 million or 85.3% for conventional investment companies, and KD 2,894.2 million or 14.7% for Islamic investment companies, recording a growth of KD 870.4 million or 4.6% from its level of KD 18,820.8 million for 78 registered companies at the end of 2016, of which KD 16,856.2 million or 89.6% for 34 conventional investment companies, and KD 1,964.6 million or 10.4% for 44 Islamic investment companies.

Table (36)

Contra Accounts of Local Investment Companies*

KD Million

Items	Balances at Year-End		Changes	
	2016	2017	Value	(%)
Contra Accounts:	18,820.8	19,691.2	870.4	4.6
Conventional Investment Companies	16,856.2	16,797.0	-59.2	-0.4
Islamic Investment Companies	1,964.6	2,894.2	929.6	47.3
Investment Portfolios	15,074.6	15,973.3	898.7	6.0
Investment Funds	1,658.3	1,707.1	48.8	2.9
Foreign Funds	1,594.7	1,614.6	19.9	1.2
Custody Assets	466.9	376.7	-90.2	-19.3
Commitments/Collaterals/ Guarantees	26.3	19.5	-6.8	-25.9
Number of Investment Companies	78	68	-10	
Conventional Investment Companies**	34	29	-5	
Islamic Investment Companies**	44	39	-5	

* Including data on subsidiaries.

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

Source: Central Bank of Kuwait.

The Aggregate Balance Sheet of Local Exchange Companies

Available data on local exchange companies (42) registered with, and supervised by, the CBK indicate that at the end of 2017 the aggregate balance sheet (Table 37) of these companies amounted to KD 209.0 million at the end of the year increasing by KD 22.5 million or 12.1% from its level of KD 186.5 million at the end of the previous year. This increase reflected the following developments on both assets and liabilities sides:

First: Assets

1. Claims of exchange companies on financial institutions increased by KD 20.0 million or 37.4% to KD 73.5 million at the end of 2017 against KD 53.5 million at the end of the previous year.
2. Liquid assets in the form of cash and cash assets grew by KD 10.3 million or 36.4%, from KD 28.3 million at the end of 2016 to KD 38.6 million at the end of 2017.

- Financial and real estate investments of exchange companies inched up by KD 101.0 thousand to reach KD 1.5 million compared to KD 1.499 million at the end of the previous year.
- Foreign assets of exchange companies decreased by the equivalent of KD 8.6 million or 14.0% to reach the equivalent of KD 52.7 million at the end of 2017 compared with the equivalent of KD 61.3 million at the end of 2016.

Second: Liabilities

- Partners' equity, covering results of the period, increased by KD 13.9 million or 12.2%, from KD 113.6 million at the end of 2016 to KD 127.5 million at the end of 2017.
- Claims of financial institutions on local exchange companies increased by KD 7.2 million or 46.8%, from KD 15.4 million at the end of 2016 to KD 22.6 million at the end of 2017.
- Foreign liabilities soared by KD 2.0 million or 90.9%, from KD 2.2 million in 2016 and KD 4.2 million at the end of 2017.
- Other liabilities grew by KD 0.6 million or 1.2%, from KD 51.4 million in 2016 to KD 52.0 million at the end of 2017.

Table (37)

Aggregate Balance Sheet of Local Exchange Companies

KD Million

Items	Balances at Year-End		Change	
	2016	2017	Value	(%)
Assets:				
Cash & Cash Assets	28.3	38.6	10.3	36.4
Claims on Financial Institutions	53.5	73.5	20.0	37.4
Total Receivables	7.3	5.9	-1.4	-19.2
Financial & Real estate Investments	1.4	1.5	0.1	7.1
Fixed Assets	19.4	20.5	1.1	5.7
Foreign Assets	61.3	52.7	-8.6	-14.0
Other Assets	15.2	16.3	1.1	7.2
Assets = Liabilities	186.5	209.0	22.5	12.1
Liabilities:				
Partners' Equity & Results of the Period	113.6	127.5	13.9	12.2
Claims of Financial Institutions	15.4	22.6	7.2	46.8
Total Payables	4.0	2.7	-1.3	-32.5
Foreign Liabilities	2.2	4.2	2.0	90.9
Other Liabilities	51.4	52.0	0.6	1.2
Contra Accounts	2.1	2.4	0.3	14.3
Results of the Period (Net Profit)	15.3	15.6	0.3	2.0
Number of Companies	41	42	1	

Source: Central Bank of Kuwait.

Third: Liquidity, Profitability and Solvency Ratios

Available data on net credit position of local exchange companies with local banks and financial institutions indicate a growth from KD 38.1 million at the end of 2016 to KD 50.9 million at the end of 2017, recording an increase of 33.8% and remaining in favor of local exchange companies.

Liquidity available to local exchange companies at the end of 2017 amounted to KD 138.0 million of which KD 38.6 million or 28.0% in the form of cash and cash assets, and KD 99.4 million or 72.0% in the form of net claims of local exchange companies on local/foreign banks and financial institutions. Some profitability ratios of local exchange companies witnessed a slight increase due to the rise in net profit of KD 305.6 million or 2.0% to reach KD 15.6 million in 2017 against KD 15.3 million in 2016. Ratio of partners' equity to total assets grew from 60.9% at the end of 2016 to 61.0% at the end of 2017. Ratio of partners' equity to total assets and contingent liabilities represented in contra accounts also increased from 60.2% at the end of 2016 to 60.3% at the end 2017.

On the other side, the profit to partners' equity ratio decreased to 12.2% at the end of 2017 against 13.5% at the end of 2016. Likewise, the return on assets to total assets ratio declined to 7.5% at the end of 2017 against 8.2% at the end of 2016.



Public Finance



Public Finance

This part of the Economic Report highlights developments in the public finance of the State of Kuwait by presenting developments published in the Closing Account of ministries and government bodies for fiscal year (FY) 2016/17, along with the revenue estimates and allocations for budgetary expenditures for ministries and government departments for FY2017/18.

First: The Closing Account for Fiscal Year 2016/17

1. Public Revenues

Closing Account data for FY2016/17 indicate that total actual budgetary revenues collected during the mentioned fiscal year reached KD 13,099.5 million compared to KD 13,633.9 million in the previous fiscal year, i.e. a decrease of KD 534.4 million or 4%. The mentioned decrease resulted from the drop in actual budgetary oil revenues of KD 386.6 million or 3.2% to reach KD 11,688.8 million in FY2016/17 compared to KD 12,075.4 million for the previous fiscal year, and the decline in non-oil revenues of KD 147.8 million or 9.5% to reach KD 1,410.7 million against KD 1,558.5 million (Table 38).

In addition, the average price of Kuwait's exported crude oil increased by \$2.3 or 5.4% during FY2016/17 to reach \$45.19 per barrel against \$42.91 per barrel during the previous fiscal year. The average quantity of crude oil produced in the State of Kuwait during FY2016/17 reached 2.888 million b/d against 2.896 million b/d for the previous fiscal year, i.e. a slight decline of 8 thousand b/d.

Table(38)

Actual Revenues in the General Budget

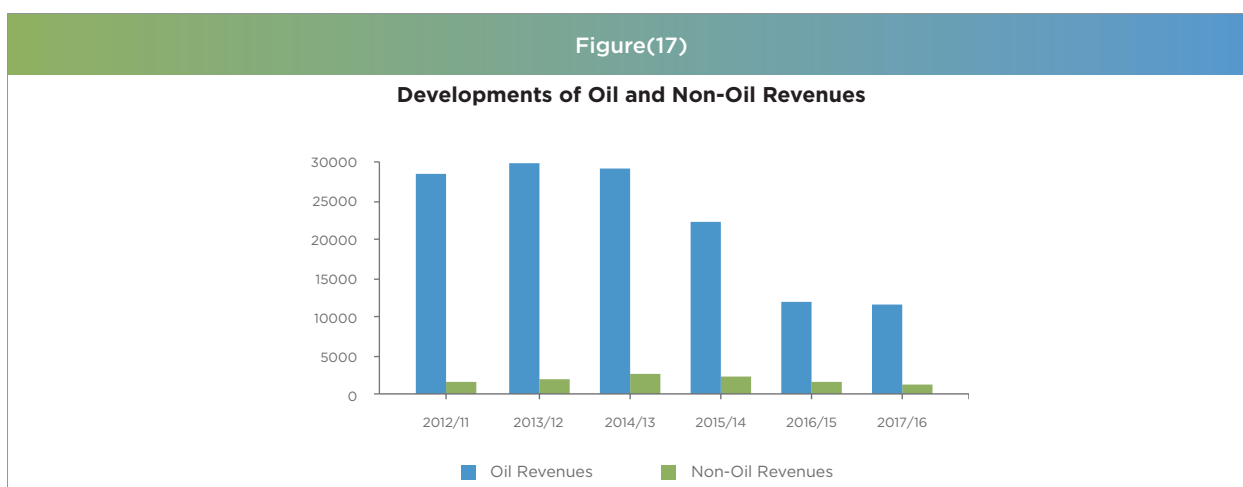
KD Million

Item	Closing Account				Change	
	15/2016		16/2017			
	Value	% to Total	Value	% to Total	Value	%
Total Budgetary Revenues:	13,633.9	100	13,099.5	100	-534.4	-4.0
Oil Revenues	12,075.4	88.6	11,688.8	89.2	-386.6	-3.2
Non-Oil Revenues	1,558.5	11.4	1,410.7	10.8	-147.8	-9.5

Source: Ministry of Finance.

In terms of the actual budgetary non-oil revenues collected during FY2016/17 as compared with the previous fiscal year, the Second Chapter (Taxes & Fees) of the public revenues accounted for 39.6% of the gross non-oil revenues, while the Fifth Chapter (other revenues) constitutes the remaining portion, i.e. 54.4%. It's worth mentioning that the Second Chapter covers income tax, capital gains, taxes on property and taxes on international trade and transactions, while the Fifth Chapter covers property income, sales of goods and services, fines, penalties and confiscations, miscellaneous revenues not classified elsewhere.

Figure(17)



Source: Ministry of Finance.

Table(39)

Actual Budgetary Non-Oil Revenues
KD Million

Item	Closing Account	
	16/2017	
	Value	(%) to Total
Non-Oil Revenues:	1410.7	100
Taxes and Charges	558.8	39.6
- Tax on Income and Capital Gains	215.4	15.2
- Property Tax	14.6	1.0
-Taxes on International Trade & Transactions	328.7	23.3
Social Contributions	79.0	5.5
- Other Social Contributions	79.0	5.5
Other Revenues	768.1	54.4
- Property Income	40.9	2.8
- Sales of Goods and Services	409.0	28.9
- Fines, Penalties and Confiscations	122.7	8.6
- Miscellaneous Revenues not classified elsewhere	195.3	13.8
Revenues on Disposal of Assets and Other Non-operating Income	4.8	0.3
- Revenues on Disposal of Non-Financial Assets	2.9	0.2
- Revenues from Change of Foreign Exchange	1.9	0.1

Source: Ministry of Finance.

2. Public Expenditures

Closing Account data for FY2016/17 reveal a decline in actual public expenditures by KD 538 million or 3% to reach KD 17,707.9 million during the mentioned fiscal year against KD 18,245.9 million during the previous fiscal year. Worth noting is that the actual public expenditures during FY2016/17 amounted to 94% of the allocations for public expenditures of KD 18,892 million for the mentioned fiscal year.

Table (40)

Actual Budgetary Expenditures

KD Million

Item	Closing Account		Change	
	15/2016	16/2017	Value	(%)
Public Expenditures:	18,245.9	17,707.9	-538.0	-3.0
Current Expenses	16,143.6	15,492.3	-651.3	-4.0
Capital Expenditure	2,102.3	2,215.6	113.3	5.4

Source: Ministry of Finance.

On another front, regarding economic classification of public expenditures, Closing Account data for FY2016/17 reveal a decline in current expenditures to reach KD 15,492.3 million during the mentioned fiscal year against KD 16,143.6 million for FY2015/16, i.e. a decrease of KD 651.3 million or 4% (Table 41). Worth noting is that current expenditures during FY2016/17 accounted for 87.5% of total actual public expenditures, and 96% of allocations for current expenditures totaling KD 16,135.3 million for that fiscal year.

It is also worth noting that the First Chapter of the Public Expenditure (Staff Indemnity) accounts for 41% of the total current expenditure and 35.9% of the total public expenditure, while the relative share of the Second Chapter of the Public Expenditure (Goods & Services) accounts for 14.7% of the total current expenditure. The relative share of the Sixth Chapter (Grants) of the total current expenditure is 29.4%.

Table (41)

Economic Classification of Actual Public Expenditures

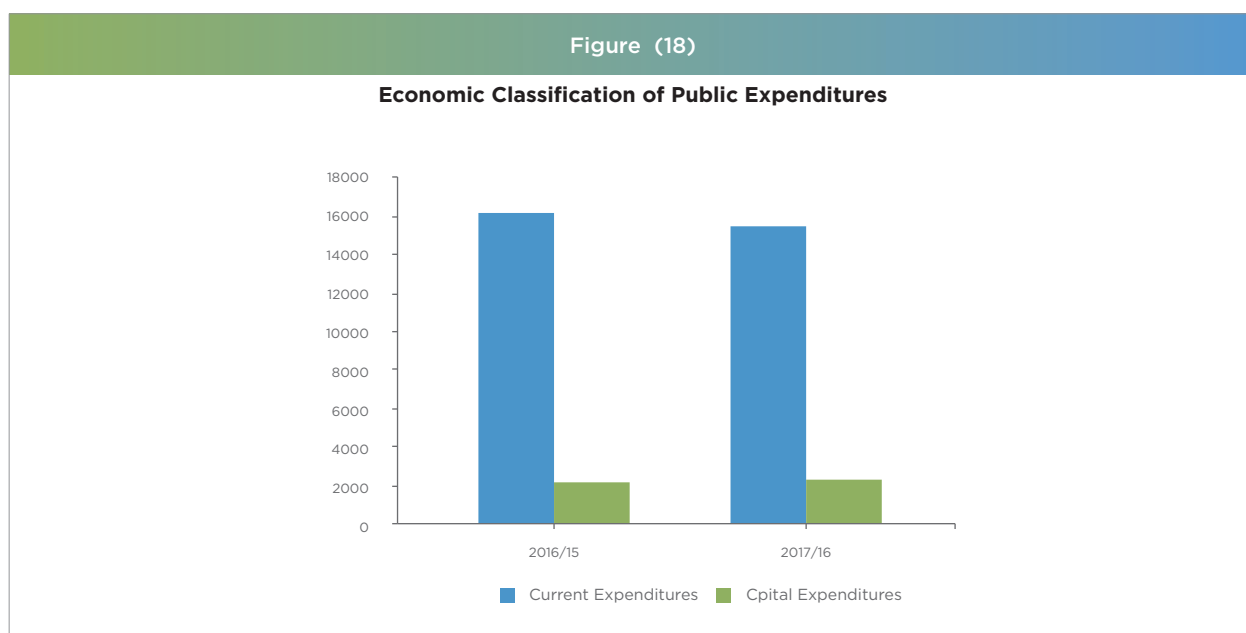
KD Million

Item	Closing Account	
	16/2017	
	Value	(%) to Total
Current Expenditures:	15,492.3	87.5
- Compensation of Employees, of which:	6,353.7	35.9
• Salaries & Wages	5,912.9	33.5
• Social Contributions	420.8	2.3
- Goods & Services	2,281.8	12.9
- Subsidies	364.6	2.1
- Grants, of which:	4,548.8	25.7
• To Foreign Governments	480.0	2.7
• To Other Government Units	4,068.7	22.9
- Social Benefits	1,018.1	5.7
- Expenses and Other Transfers	925.2	5.2
Capital Expenditures:	2,215.6	12.5
- Purchase of Non-Current Assets, of which:	2,215.6	12.5
• Purchase of Tangible Non-Financial Non-Current Assets	729.3	4.1
• Construction & Maintenance Projects	1,486.2	8.3
Total	17,707.9	100

Source: Ministry of Finance.

Actual budgetary capital expenditures increased during FY2016/17 by KD 113.3 million or 5.4% to reach KD 2,215.6 million against KD 2,102.3 million during FY2015/16. Consequently, the ratio of capital expenditures to total actual public expenditures increased to reach 12.5% during FY2016/17 against 11.5% during FY2015/16. Capital expenditures during FY2016/17 accounted for 80.4% of total allocations for capital expenditures amounting to KD 2,756.6 million for that fiscal year.

As a result of these developments in both actual revenues and expenditures in the Closing Account for FY2016/17, the General Budget recorded an actual deficit of KD 4,608.4 million against an actual deficit of KD 4,612 million for FY2015/16, before deducting the allocations for the Reserve Fund for Future Generations (RFFG) (Table 42).



Source: Ministry of Finance.

Table (42)

Summary of the General Budget Closing Account

KD Million

Item	15/2016	16/2017
Actual Public Revenues, of which:	13,633.9	13,099.5
Actual Oil Revenues	12,075.4	11,688.8
Actual Public Expenditures	18,245.9	17,707.9
Surplus or (Deficit)⁽¹⁾	-4,612.0	-4,608.4
Surplus or (Deficit)⁽²⁾	-5,975.3	-5,918.3

(1) Before deducting the allocations for the RFFG.

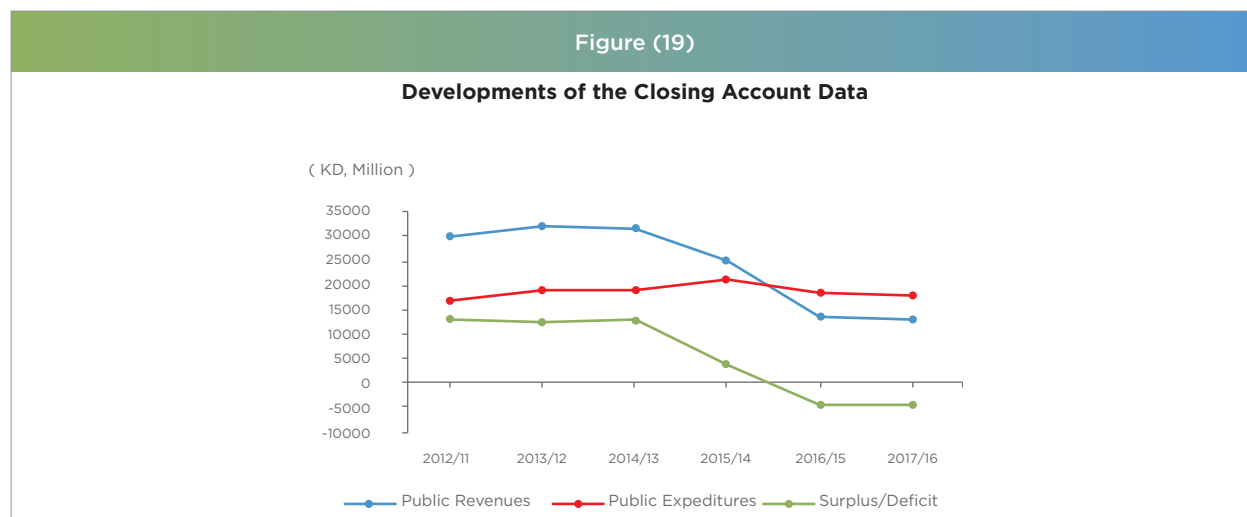
(2) After deducting the allocations for the RFFG.

Source: Ministry of Finance.

Second: The Fiscal Year 2017/18

1. General Budget for FY2017/18:

The general budget for 2017/18 envisages an increase in public revenue estimates of KD 3,106.2 million or 30.3% to reach KD 13,344.2 million, compared to KD 10,238 million for FY2016/17. This increase reflects the hike in oil revenue estimate by KD 3,087.3 million or 35.8% to reach KD 11,710.7 million compared with the approved estimate of KD 8,623.4 million for FY2016/17 on one hand, and the rise in non-oil revenue estimate by KD 18.9 million or 1.2% to reach KD 1,633.5 million compared with the approved estimate of KD 1,614.6 million for FY2016/17 on the other (Table 43).



Source: Ministry of Finance, Closing Accounts.

The hike in oil revenue estimates within the general budget for FY2017/18 mainly reflects the increase in the reference oil price used in estimating budgetary oil revenues for the mentioned fiscal year. The reference oil price used was \$45 per barrel, i.e. an increase of \$10 or 28.5%, compared to \$35 per barrel applied in estimating oil revenues for FY2016/17. However, the production quantity applied in estimating oil revenues within the general budget for FY2017/18 remained unchanged at its previous level of 2.8 million b/d.

Table (43)

Estimates of Revenue and Expenditure Allocations in the General Budget

KD Million

Item	Approved Budget		Change	
	16/2017	17/2018	Value	(%)
Public Revenues:	10,238.0	13,344.2	3,106.2	30.3
Oil Revenues	8,623.4	11,710.7	3,087.3	35.8
Non-Oil Revenues, of which:	1,614.6	1,633.5	18.9	1.2
- Taxes & Fees	474.9	494.8	19.9	4.2
- Social Contributions	103.3	111.2	7.9	7.7
- Other Revenues	995.7	950.0	-45.7	-4.6
- Revenues from Disposal of Assets, and Other Non-Operating Revenues	40.6	77.4	36.8	90.6

Source: Ministry of Finance.

On another front, total allocations for budgetary expenditures for FY2017/18, compared with FY2016/17, increased by KD 1,008 million or 5.3% to reach KD 19,900 million against KD 18,892 million for the previous fiscal year (Table 44).

The increase in allocations for budgetary expenditures for FY2017/18 reflects the rise in allocations for current expenditures by KD 880 million or 5.5% to reach KD 17,015.5 million for that fiscal year, compared to KD 16,135.3 million for the previous fiscal year on one hand, and the rise in allocations for capital expenditures by KD 127.8 million or 4.6% to reach KD 2,884.5 million compared with allocations for capital expenditures of KD 2,756.7 million for FY2016/17 on the other hand.

The increase in allocations for current expenditures for FY2017/18 is mainly attributed to the rise in allocations for expenditures under the First Chapter (Compensation of Employees) by KD 394.3 million or 6.1% (from KD 6,401 million to KD 6,795.3 million), the Second Chapter (Goods and Services) by KD 432 million or 17.2% (from KD 2,519.5 million to KD 2,952.1 million), Sixth Chapter (Grants) by KD 40.8 million or 0.9% (from KD 4,641.8 million to KD 4,682.5 million), Seventh Chapter (Social Benefits) by KD 46.5 million or 4.4% (from KD 1,061.7 million to KD 1,108.2 million) and Eighth Chapter (Other Expenditures and Transfers) by KD 137.9 million or 14% (from KD 984.3 million to KD 1,122.2 million) on the one hand, and the decline in allocations for expenditures under the Fifth Chapter (Subsidies) by KD 171.7 million or 32.6% (from KD 526.7 million to KD 354.9 million) on the other hand.

Table (44)

Allocations for Expenditures in the General Budget

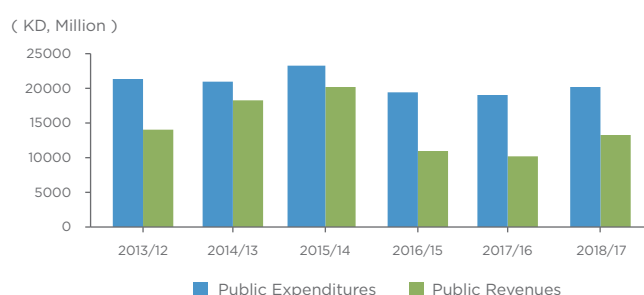
KD Million

Item	Approved Budget				Change	
	16/2017		17/2018		Value	(%)
	Value	(%)	Value	(%)		
Current Expenditures of which:	16,135.3	85.4	17,015.5	85.5	880.2	5.4
- First Chapter (Compensation of Employees)	6,401.1	33.9	6,795.3	34.1	394.3	6.1
- Second Chapter (Goods & Services)	2,519.6	13.3	2,952.1	14.8	432.6	17.2
- Fifth Chapter (Subsidies)	526.7	2.8	355.0	1.8	-171.7	-32.6
- Sixth Chapter (Grants)	4,641.8	24.6	4,682.6	23.5	40.8	0.9
- Seventh Chapter (Social Benefits)	1,061.7	5.6	1,108.2	5.6	46.5	4.4
- Eighth Chapter (Other Expenditures & Transfers)	984.3	5.2	1,122.2	5.6	137.9	14.0
Capital Expenditures:	2,756.6	14.6	2,884.5	14.5	127.8	4.6
- Second Chapter (Purchase of Non-Current Assets)	2,756.6	14.6	2884.5	14.5	127.8	4.6
Total	18,892.0	100	19,900.0	100	1,008.0	5.3

Source: Ministry of Finance.

As a result of the above-mentioned developments in both estimated budgetary revenues and allocations for expenditures for FY2017/18, the general budget for the mentioned fiscal year encompassed an estimated deficit of KD 6,555.8 million against an estimated deficit of KD 8,654 million for the previous fiscal year, before deducting the allocations for the RFFG (Table 45).

Figure(20)

Developments of Estimated Revenues and Expenditure Allocations in the General Budget

Source: Ministry of Finance.

Table (45)

Estimates of Revenues and Allocations for Expenditures in the General Budget

KD Million

Item	Approved Budget	
	16/2017	17/2018
Public Revenue Estimates, of which:	10,238.0	13,344.2
Oil Revenues	8,623.4	11,710.7
Allocations for Public Expenditures	18,892.0	19,900.0
Surplus or Deficit ⁽¹⁾	-8,654.0	-6,555.8
Surplus or Deficit ⁽²⁾	-9,677.7	-7,890.1

(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 FY2017/18

Available data in the monthly follow-up statements on revenues and expenditures of the general budget for the year 2017/18 (Table 46) demonstrate that the total actual public revenues collected during the first nine months (April-December 2017) of the mentioned fiscal year of KD 11,149.8 million or 83.6% of the total estimates for the whole fiscal year since the approved estimates of the mentioned fiscal year amounted to KD 13,344.2 million. The total oil revenues collected during the first nine months of the fiscal year 2017/18 amounted to 1,015.5 million with a relative share of 91% of the total actual public revenues during the mentioned period. In addition, the total non-oil revenues collected during the first nine months of the fiscal year 2017/18 amounted to KD 998.3 million or 9% of the total actual public revenues during the mentioned period.

Table (46)

Public Revenues
KD Million

Item	Fiscal Year 2017/18				Collected to Budgetary (%)
	Estimated Revenues 17/2018	% to Total	Apr-Dec 2017	% to Total	
Total Public Revenues:	13,344.2	100.0	11,149.8	100.0	83.6
Oil Revenues	11,710.7	87.8	10,151.5	91.0	86.7
Non-Oil Revenues	1,633.5	12.2	998.3	9.0	61.1
- Taxes & Fees	494.8	3.7	345.9	3.1	69.9
- Social Contributions	111.2	0.8	32.3	0.3	29.0
- Other Revenues	950.0	7.1	586.6	5.3	61.7
- Revenues on Disposal of Assets and Non-Operating Revenues	77.4	0.6	33.4	0.3	43.2

Source: Ministry of Finance.

Actual public expenditures during the first nine months (April-December 2017) of FY2017/18 amounted to KD 12,512.4 million or 62.9% of the total allocations, since the total allocations for the mentioned fiscal year amounted to KD 19,900 million. In addition, the total current expenditure to the total actual public revenues accounted for 88.1% to reach KD 11,018.2 million, meanwhile to the total capital expenditure amounted to KD 1,494.2 million with a relative share of 11.9% of the total actual public expenditure during the first nine months of the fiscal year 2017/18 (Table 47).

Table (47)

Public Expenditure
KD Million

Item	Fiscal Year 2017/18				Expensed to Allocations (%)
	Allocations 2017/18	% to Total	Apr-Dec 2017	% to Total	
Total Public Expenditure:	19,900.0	100.0	12,512.4	100.0	62.9
Total Current Expenditure	17,015.4	85.5	11,018.2	88.1	64.8
- Compensation of Employees	6,795.3	34.1	4,436.5	35.5	65.3
- Goods & Services	2,952.1	14.8	1,747.9	14.0	59.2
- Subsidies	354.9	1.8	279.9	2.2	78.9
- Grants	4,682.5	23.5	3,118.8	24.9	66.6
- Social Benefits	1,108.2	5.5	777.6	6.2	70.2
- Expenses and Other Transfers	1,122.2	5.6	657.4	5.3	58.6
Total Capital Expenditure	2,884.5	14.5	1,494.2	11.9	51.8
- Purchase of Non-Current Assets	2,884.5	14.5	1,494.2	11.9	51.8

Source: Ministry of Finance.

As a result of the developments in the actual public revenues and expenditures during the first nine months (April-December 2017) of FY2017/18, the general budget recorded an actual deficit of KD 1,362.6 million before deducting the allocations for the RFFG (Table 48).

Table (48)

Summary of Surplus or Deficit

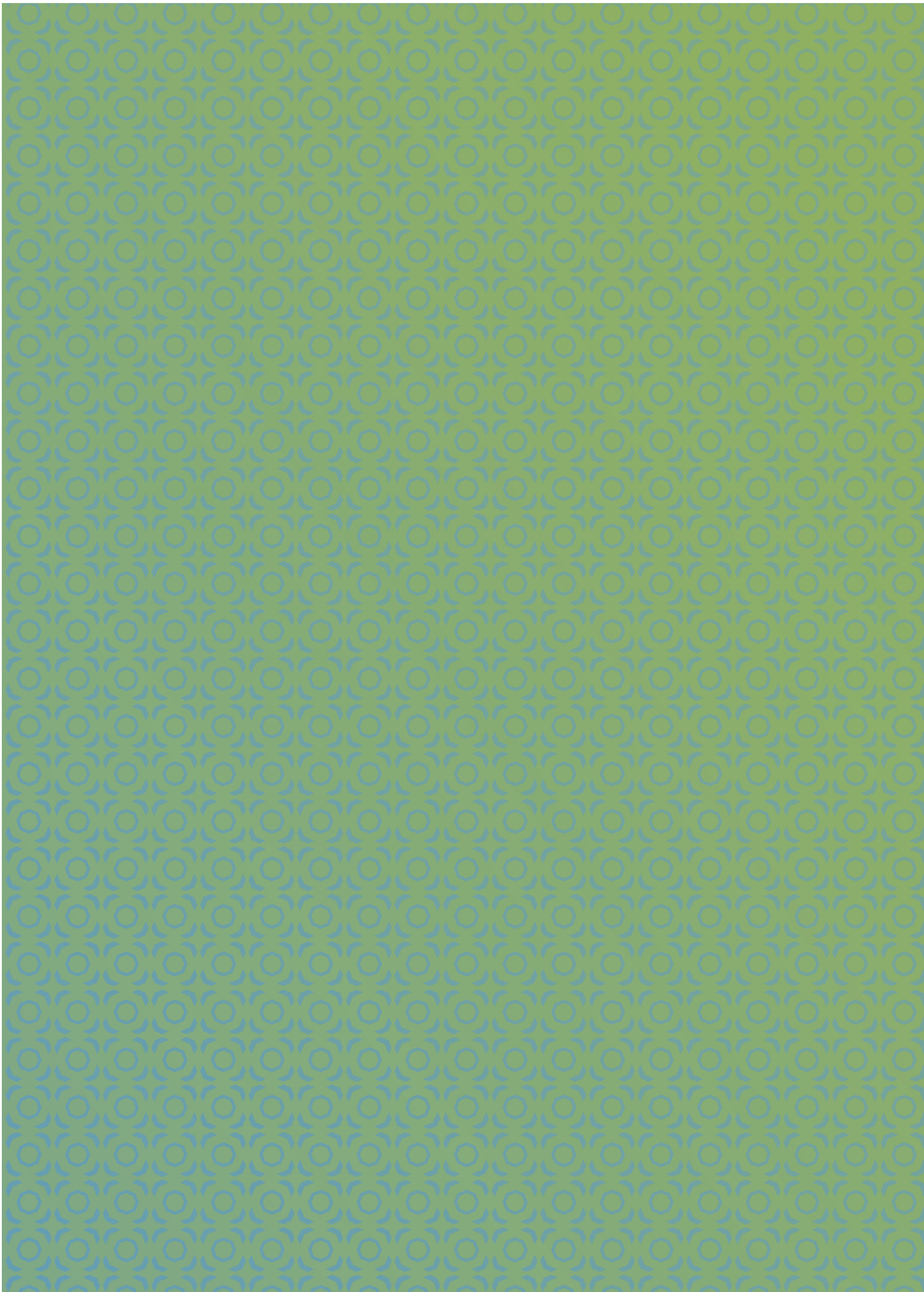
KD Million

Item	Fiscal Year 2017/18	
	General Budget 2017/18	Apr-Dec 2017
Actual Public Revenue	13,344.2	11,149.8
Actual Public Expenditures	19,900.0	12,512.4
Surplus or Deficit ⁽¹⁾	-6,555.8	-1,362.6
Surplus or Deficit ⁽²⁾	-7,890.2	-2,477.6

(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

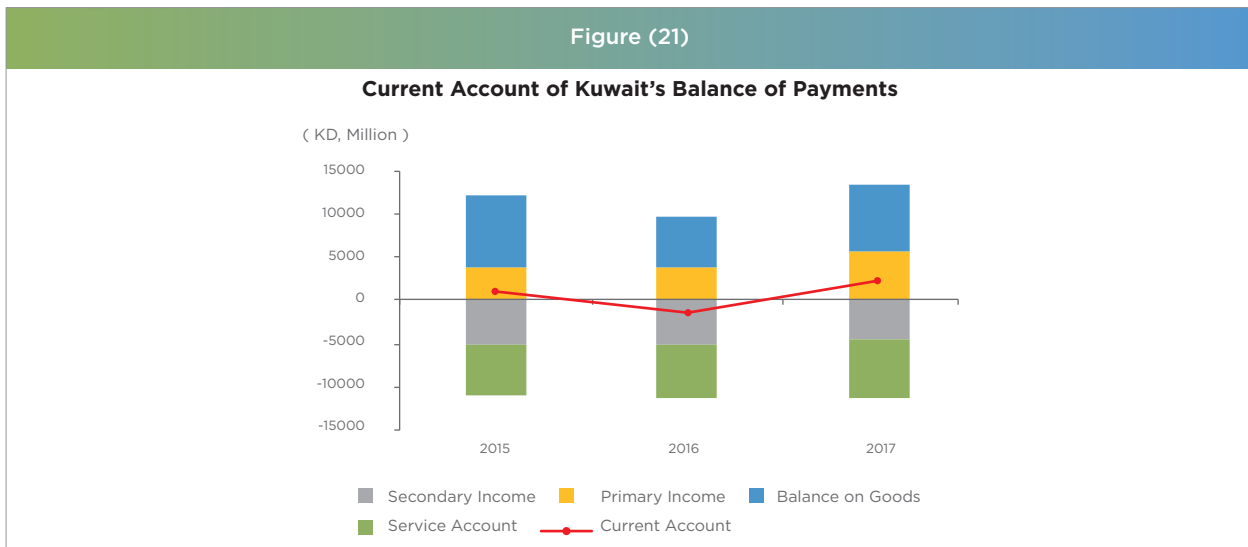


Foreign Trade & Balance of Payments

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 2017 compared with 2016, 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 the 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 income).



Source: Central Bank of Kuwait.

Preliminary estimates of the State of Kuwait's BOP indicate that the Current Account registered a surplus of KD 2,151.8 million during 2017 against a deficit of KD 1,528.2 million during 2016. This deficit in the Current Account during 2017 compared with the previous year resulted from the increase in the total receipts on the credit side of the Current Account (mostly receipts from exports of goods and services, and primary income "investment income") of KD 3,551.9 million or 16.8% on the one hand, and the decrease in the total payments on the debit side of the Current Account (mostly services payments and secondary income "current transfers") of KD 128.1 million or 0.6% on the other.

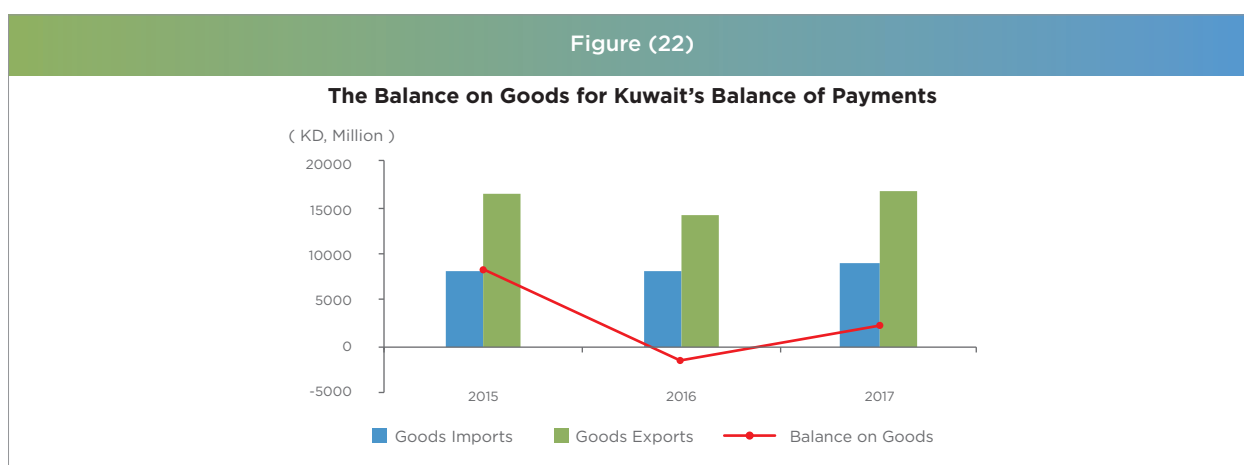
Table (49)
Current Account
KD Million

Item	2016	2017	Change	
	(Revised)	(Provisional)	Value	(%)
First: Current Account (1+2+3+4):	-1,528.2	2,151.8	3,680.0	240.8
1. Balance on Goods:	5,897.7	7,768.7	1,871.0	31.7
* Merchandise Exports (FOB), of which:	14,051.8	16,725.7	2,673.9	19.0
Oil Exports	12,526.7	14,950.9	2,424.2	19.4
* Minus Merchandise Imports (FOB)	-8,154.0	-8,957.0	-802.9	-9.8
2. Services, of which:	-6,048.5	-6,925.4	-876.9	-14.5
* Transportation	-1,084.4	-1,281.6	-197.2	-18.2
* Travel	-3,588.2	-3,707.3	-119.1	-3.3
* Telecom	566.3	577.7	11.4	2.0
* Government Services and Goods	-57.8	-138.0	-62.2	-82.0
3. Primary Income, of which:	3,860.7	5,757.4	1,896.7	49.1
* Compensations of Employees	-56.7	-34.4	22.3	39.3
* Investment Income	3,917.4	5,791.8	1,874.4	47.8
4. Secondary Income:	-5,238.1	-4,448.9	789.2	15.1
* Government Bodies	-627.9	-266.2	361.7	57.6
* Other Sectors, of which:	-4,610.2	-4,182.6	427.6	9.3
Workers' Transfers	-4,566.1	-4,142.3	423.7	9.3

Source: Central Bank of Kuwait.

The following are developments in the most significant items of the Current Account:

1. Balance on Goods⁵ :



Source: Central Bank of Kuwait.

⁵ 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 Central Statistical Bureau 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.

Available preliminary data and estimates indicate an increase in the total value of the State of Kuwait foreign merchandise trade (exports plus imports) to KD 25,682.7 million during 2017 against KD 22,205.8 million during the previous year, i.e. a rise of KD 3,476.9 million or 15.7%. The realized surplus in the Balance on Goods (expressed as the arithmetical difference between the value of merchandise exports and imports on FOB basis) reached KD 7,768.7 million during 2017 compared to KD 5,897.7 million during the previous year, i.e. an increase of KD 1,871.0 million or 31.7%. The following addresses, in some detail, the developments in the foreign merchandise trade of the State of Kuwait during 2017 compared with the previous year:

A. Merchandise Exports:

The total value of the merchandise exports of the State of Kuwait (on FOB basis) reached KD 16,725.7 million during 2017 compared to KD 14,051.8 million during the previous year, i.e. an increase of KD 2,673.9 million or 19.0%. This increase mainly reflects the rise in the value of oil exports of the State of Kuwait to KD 14,950.9 million during 2017 against KD 12,526.7 million during the previous year, i.e. a rise of KD 2,424.2 million or 19.4%. This rise in the value of oil exports mainly reflects the increase in the average price of Kuwait's exported crude oil from \$39.4 per barrel on average during 2016 to \$51.6 per barrel on average during 2017, i.e. a rise of \$12.2 per barrel or 30.9%. Meanwhile, quantity of exported oil of the State of Kuwait recorded a drop of 4.8% in the daily average between 2016 and 2017 (from 2.128 million b/d on average during 2016 to 2.025 million b/d on average during 2017).

In the same context, the value of non-oil exports (on FOB basis) of the State of Kuwait increased to KD 1,774.8 million during 2017 against KD 1,525.1 million during the previous year, i.e. a rise of KD 249.7 million or 16.4%. 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 1,309.9 million or the equivalent of 73.8% of total value of non-oil exports of the State of Kuwait during 2017 against KD 1,046.4 million or the equivalent of 68.6% during the previous year to these countries (Table 50).

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	2016		2017	
	Value	(%)	Value	(%)
India	221.8	14.5	242.9	13.7
Iraq	84.7	5.6	217.5	12.3
Saudi Arabia	210.7	13.8	207.0	11.7
UAE	157.1	10.3	183.4	10.3
China (PRC)	149.7	9.8	159.5	9.0
Qatar	52.0	3.4	111.0	6.3
Oman	43.6	2.9	60.3	3.4
Pakistan	38.7	2.5	47.0	2.6
USA	38.1	2.5	42.5	2.4
Russian Republic	49.9	3.3	38.8	2.2
Total	1,046.4	68.6	1,309.9	73.8
Total value of non-oil exports	1,525.1	100.0	1,774.8	100.0

Source: Central Statistical Bureau.

B. Merchandise Imports:

The merchandise imports (on CIF basis)⁶ of the State of Kuwait reached to KD 10,189.7 million during 2017 against KD 9,269.3 million during the previous year, i.e. a rise of KD 920.4 million or 9.9%. 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 7,026.7 million or the equivalent of 69.0% of the total value of the merchandise imports of the State of Kuwait during 2017 against KD 6,351.7 million or the equivalent of 68.5% during the previous year from these countries (Table 51).

Table (51)

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

(Value in KD Million and Relative Share in Percentage)

Country	2016		2017	
	Value	(%)	Value	(%)
China (PRC)	1,403.5	15.1	1,669.5	16.4
USA	884.0	9.5	1,044.6	10.3
UAE	839.6	9.1	888.7	8.7
Germany	582.6	6.3	604.4	5.9
Saudi Arabia	458.9	5.0	557.0	5.5
India	512.9	5.5	533.5	5.2
Japan	606.9	6.5	521.8	5.1
South Korea	407.3	4.4	471.5	4.6
Italy	423.7	4.6	459.9	4.5
UK	232.4	2.5	275.7	2.7
Total	6,351.7	68.5	7,026.7	69.0
Total Imports	9,269.3	100.0	10,189.7	100.0

Source: Central Statistical Bureau.

During 2017, China ranked first among the source of Kuwait imports with KD 1,669.5 million or 16.4% of the total value of Kuwait merchandise imports, the USA ranked second with KD 1,044.6 million or 10.3%, and the UAE ranked third with KD 888.7 million or 8.7%.

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 a rise of KD 233.7 million or 11.8% to KD 2,210.8 million during 2017 against KD 1,977.1 million during the previous year. The value of non-oil exports of the State of Kuwait to the GCC countries was KD 588.4 million during 2017, i.e. a rise of KD 92.3 million or 18.6% compared with the previous year. The value of the merchandise imports of the State of Kuwait from other GCC member countries increased to KD 1,622.4 million during 2017 compared to KD 1,481 million in 2016, i.e. a rise of KD 141.4 million or 9.5%. Value of these imports accounted for 15.9% of the total value of Kuwait merchandise imports during 2017. Merchandise imports from the UAE and KSA accounted for 89.1% of the total value of Kuwait imports from the GCC countries during 2017. Consequently, the balance of merchandise trade of the State of Kuwait with other GCC member countries recorded a deficit of KD 1,034 million during 2017 against a deficit of KD 984.9 million during the previous year.

⁶ 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 (51), which is compiled on Cost, Insurance and Freight (CIF) basis.

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

Item	2016			2017		
	Exports	Imports	Balance of Trade	Exports	Imports	Balance of Trade
UAE	157.1	839.6	-682.5	183.4	888.7	-705.4
Saudi Arabia	210.7	458.9	-248.2	207.0	557.0	-350.0
Oman	43.6	64.3	-20.7	60.3	68.8	-8.5
Qatar	52.0	27.8	24.2	111.0	15.8	95.2
Bahrain	32.6	90.3	-57.7	26.8	92.1	-65.4
Total	496.1	1481.0	-984.9	588.4	1622.4	-1034.0

* Only non-oil exports included.
 Source: Central Statistical Bureau.

(2) Services Account (Net):

The Services Account (Net) reflects the value of services transactions between residents and non residents, the most important of which are transportation, travel, communications, construction, and other services, as well as government services and goods. The Services Account (Net) recorded a deficit of KD 6,925.4 million during 2017 compared with a deficit of KD 6,048.5 million during the previous year, i.e. a rise in deficit by KD 876.9 million or 14.5%. The rise in deficit in the Services Account is mainly attributed to the increase in the payments for “construction services” to KD 1,280.4 million during 2017 against KD 874.3 million during the previous year, i.e. an increase by KD 406.1 million or 46.5%, as well as the rise in payments for both the “transportation” and “other services” items during the mentioned year by KD 219.3 million and KD 97.4 million or 15.1% and 8.1%, respectively.

The total value of payments on Services (listed on the debit side of the Services Account) reached KD 8,469.5 million during 2017 compared to KD 7,742.0 million during the previous year, i.e. an increase by KD 727.5 million or 9.4% compared with the previous year. Worth noting is that payments for the “travel” item accounted for 44.9% of the total payments on the debit side of the Services Account during 2017 compared to 48.7% during the previous year. The value of payments for the “transportation” item ranked second, accounting for 19.7% of the total value of payments under the Services Account during 2017 against 18.8% during the previous year.

Conversely, total value of receipts (listed on the credit side of the Services Account) was KD 1,544.1 million during 2017 compared to KD 1,693.5 million during the previous year, i.e. a decline of KD 149.4 million or 8.8%. This decrease is attributed to the decline in the receipts from the “travel” services to KD 95.0 million during 2017 against KD 181.4 million during the previous year, i.e. a decrease of KD 86.4 million or 47.7%, the “communication” services to KD 693.0 million during 2017 against KD 771.5 million during the previous year, i.e. a decrease of KD 78.4 million or 10.2%, and “other services” to KD 196.2 million during 2017 against KD 202.6 million during the previous year, i.e. a decrease of KD 6 million or 3.1%.

(3) Primary Income:

Primary Income includes the net value of income from investments abroad and net value of employee compensations. The Primary Income Account realized a surplus of KD 5,757.4 million during 2017 against a surplus of KD 3,860.7 million during the previous year, i.e. a rise of KD 1,896.7 million or 49.1%. Statistics indicate that total receipts from investments abroad, by various national sectors, during 2017 reached

KD 6,463 million against KD 5,437.8 million during the previous year, i.e. a rise of KD 1,025.2 million or 18.9%.

(4) Secondary Income:

The Secondary Income Account in the Current Account on the debit side of the BOP reflects the current outward transfers from residents, including expatriate workers' remittances, and the cash and in-kind subsidies 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 4,448.9 million during 2017 compared with a deficit of KD 5,238.1 million during the previous year, i.e. a decrease of KD 789.2 million or 15.1%. This mainly came as a result of the decrease in current transfers of the government to KD 266.2 million during 2017 against KD 627.9 million during the previous year, i.e. a decrease of KD 361.6 million or 57.6%, and the decrease in the expatriate workers' remittances to KD 4,142.3 million during 2017 against KD 4,566.1 million during the previous year, i.e. a decrease of KD 423.7 million or 9.3%.

Second: Capital Account

The Capital Account recorded a deficit (net capital transfer outflows) of KD 126.6 million during 2017 against a deficit of KD 147.3 million during the previous year, i.e. a decrease by KD 20.7 million or 14.0%. 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 deficit in this item mainly resulted from the postponement of compensation payments following the State of Kuwait's claims to the UN Compensation Committee from the beginning of 2015 until January 2018.

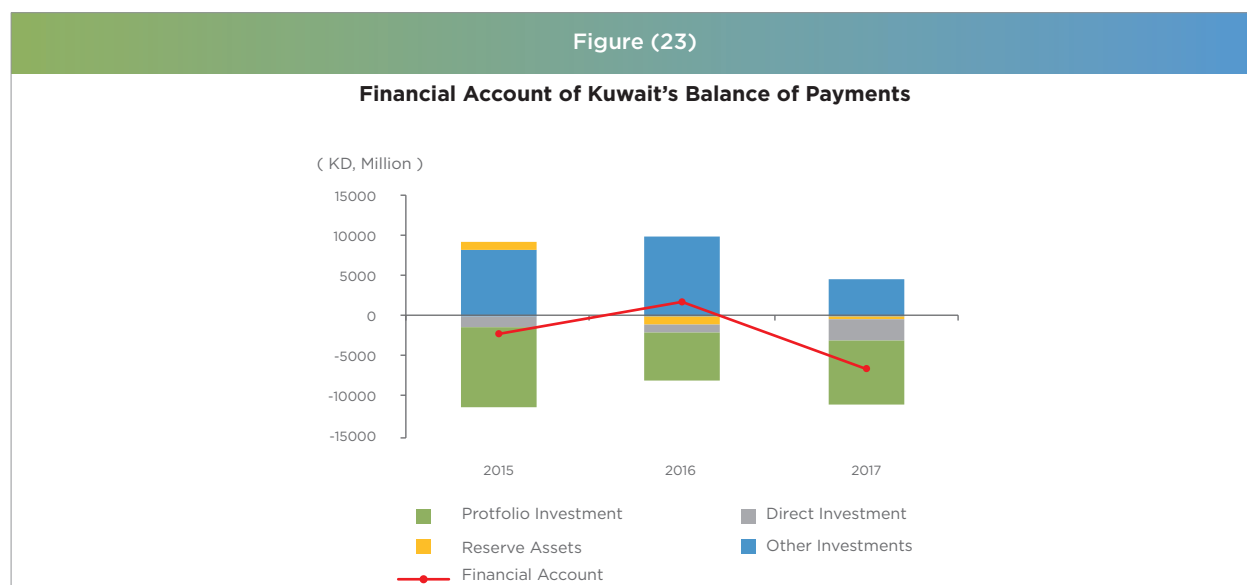
Table (53)

Capital Account KD Million

Items	2016	2017	Change	
	(Revised)	(Provisional)	Value	(%)
Second: Capital Account:	-147.3	-126.6	20.7	14.0
* Capital Transfers:	-147.3	-126.6	20.7	14.1
General Government	-46.2	-50.5	-4.3	-9.3
Other Sectors	-101.1	-76.1	25.0	24.7
Third: Current and Capital Account	-1,675.5	2,025.2	3,700.7	220.9

Source: Central Bank of Kuwait.

Figure (23)



Source: Central Bank of Kuwait.

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 6,522.3 million during 2017 against a net inflow (growth in the net value of investments from non-resident in the domestic economy) of KD 1,779.9 million during the previous year, mainly due to the change in the net investment of securities portfolio and the change in the net value of other investments.

Table (54)

Financial Account*
KD Million

Items	2016	2017	Change	
	(Revised)	(Provisional)	Value	(%)
Third- Financial Account:	1,779.9	-6,522.3	-8,302.1	-466.4
1. Direct Investment (Net):	-1,241.5	-2,369.7	-1,128.2	-90.9
- Direct Investments Abroad	-1,368.1	-2,460.9	-1,092.8	-79.9
- Foreign Direct Investments in Kuwait	126.5	91.2	-35.4	-27.9
2. Portfolio Investment (Net):	-5,671.6	-8,131.7	-2,460.1	-43.4
- Assets	-5,804.3	-8,268.3	-2,463.9	-42.5
- Liabilities	132.7	136.5	3.8	2.9
3. Financial Derivatives:	-35.8	-2.6	33.2	92.8
- Assets	-72.2	-101.2	-29.1	-40.3
- Liabilities	36.4	98.7	62.3	171.3
4. Other Investments (Net):	9,688.9	4,551.0	-5,138.0	-53.0
- Assets	9,177.8	513.2	-8,664.5	-94.4
- Liabilities	511.2	4,037.8	3,526.6	689.9
5. CBK's Total Reserve Assets (Change)	-960.1	-569.2	390.9	40.7

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

Source: Central Bank of Kuwait.

Fourth: Errors and Omissions (Net)

Available data indicate that net flows which are not listed under any of the BOP items was at around KD 4,497.1 million on the credit side, representing net inflows during 2017, compared to KD 104.4 million on the credit side during the previous year.

Fifth: Overall Balance

The overall position of the State of Kuwait BOP, which presents a summary of the transactions recorded under various BOP items, shows a total surplus of KD 569.2 million during 2017 compared with a surplus of KD 960.1 million during the previous year. The total surplus in the overall BOP reflects a rise in the gross value of reserve assets of the CBK of the same amount. From a broader perspective, the overall position of the State of Kuwait BOP that takes into consideration the changes in the net value of external investments of some government authorities and institutions, particularly, Kuwait Investment Authority (KIA) and Kuwait Petroleum Corporation (KPC), in addition to the above mentioned change in the gross value of CBK's reserve assets, the overall position of BOP, in a broad definition, indicates a surplus estimated at KD 4,252.3 million during 2017 compared with a deficit of KD 2,530.7 million during the previous year.

Table (55)

The State of Kuwait BOP KD Million

Items	2016	2017	Change	
	(Revised)	(Provisional)	Value	(%)
Current Account	-1,528.2	2,151.8	3,680.0	240.8
Capital Account	-147.3	-126.6	20.7	14.0
Current and Capital Account	-1,675.5	2,025.2	3,700.7	220.9
Financial Account	1,779.9	-6,522.3	-8,302.1	-466.4
Errors and Omissions	-104.4	4,497.1	4,601.4	4,409.4
Overall Balance (Surplus/Deficit)	960.1	569.2	-390.9	-40.7
Reserve Assets of CBK (Change)	-960.1	-569.2	390.9	40.7

Source: Central Bank of Kuwait.

Boursa Kuwait



Boursa Kuwait

All of Boursa Kuwait's major trading and price indicators witnessed an increase during 2017, where key trading indicators (value and volume of traded shares) recorded a significant rise of 98.67% and 65.65%, respectively, compared with their recorded levels during 2016. Boursa Kuwait General Price Index (PI) closed its transactions increasing by 11.48% at the end of 2017 compared with the closing of 2016. Boursa Kuwait Weighted Price Index (WI) recorded an increase, at a lower rate compared to the PI, of 5.61% at the end of 2017 compared with the closing of 2016. The "Kuwait 15 index" recorded an increase of 3.37% at the end of 2017 compared with the closing of 2016. In light of these developments, the market capitalization of listed companies recorded a tangible increase reaching KD 27,470.9 billion at the end of 2017, i.e. an increase by 4.67%, after a slight increase in market capitalization by 0.06% at the end of 2016 compared with the previous year.

The most prominent developments made by Boursa Kuwait during 2017 which added a value to its achievements are: In January 2017, Boursa Kuwait was included as an official member of the International Capital Market Association (ICMA). This membership situates the State of Kuwait on the map of the international financial market and participates in shaping the future of Kuwaiti financial market through providing insight into the international practices and experiences. Moreover, Boursa Kuwait announced its accession to the UN Sustainable Stock Exchanges (SSE) initiative in February 2017, which is a platform for exchanging experiences and information between investors and regulators in stock exchange markets. Such step will enhance companies' transparency and performance regarding environmental, social and governance issues, and encourage sustainable investment. Furthermore, Boursa Kuwait launched its new website in April 2017, which is designed to be the main source of stock exchange news and meet the needs of traders and those who are interested. In addition, in December 2017, Boursa Kuwait announced its membership in the International Organization of Securities Commissions (IOSCO), which is an international body that brings together the world's leading securities regulators, and is recognized as an international standard-setting body for the securities sector.

With regard to the performance of global markets, these markets have witnessed noticeable improvement. According to the Morgan Stanley Capital International (MSCI) Index, Morgan Stanley indices rose significantly at the end of 2017 compared with the end of 2016 in terms of the emerging markets (EM) index by 296.17 points (34.35%), and the developed markets (DM) index by 352.23 points (20.11%)⁷.

This part of the report presents the main developments of Boursa Kuwait activity during 2017, as follows:

First: Main Trading Indicators

The main trading indicators of Boursa Kuwait recorded a significant rise during 2017 compared with their levels during 2016 (Table 56 and Figure 24). The total value of traded shares was KD 5.71 billion with a daily average of KD 22.93 million⁸ during 2017 against KD 2.87 billion with a daily average of KD 11.62 million during 2016, i.e. an increase of KD 2.84 billion or 98.9% (an increase of 97.3% in the daily average value of traded shares). Traded shares volume reached 50.22 billion with a daily average of 201.69 million during 2017 compared to 30.32 billion with a daily average of 122.75 million during 2016, i.e. an increase of 19.90 billion or 65.6% in the total volume of traded shares and a 64.3% rise in their daily average traded volume.

⁷Source: Morgan Stanley Capital International.

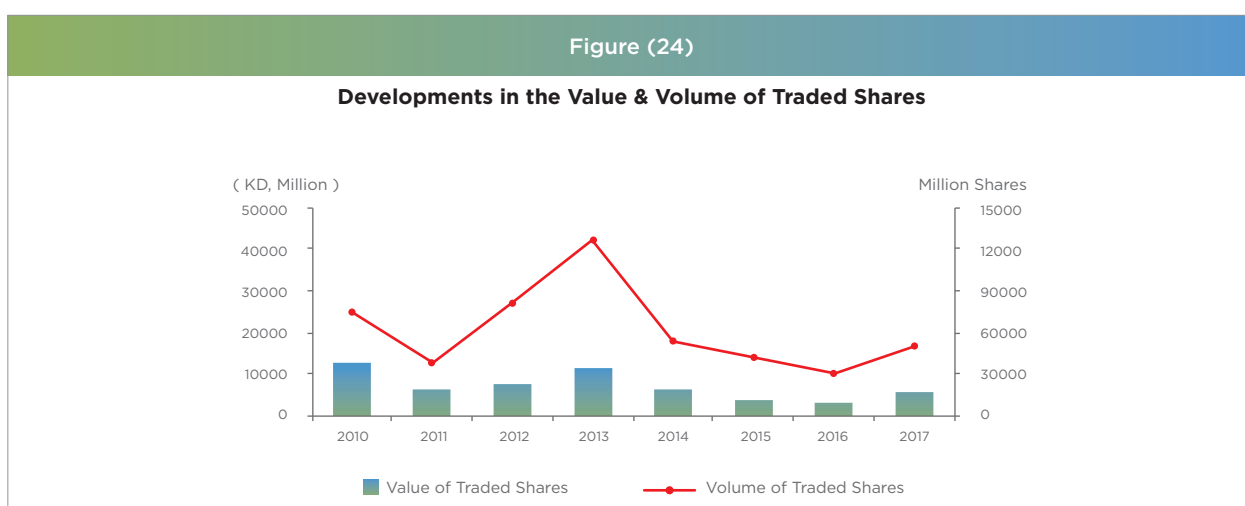
⁸The daily average of traded value and volume in Boursa Kuwait in 2017 was calculated for 249 trading days against 247 trading days in 2016.

Table(56)

Main Share Trading Indicators of Boursa-Listed Companies

Period	Value (KD Million)	Quantity (Million Shares)	No. of Transactions (Thousand)
2015	3,943.7	41,509.7	960.7
2016	2,872.7	30,318.1	712.8
2017	5,707.3	50,221.1	1,193.8
Q1	2,705.1	29,819.3	549.4
Q2	969.0	9,374.1	223.8
Q3	1,047.2	5,629.4	209.7
Q4	986.0	5,398.3	210.9
Annual Change in 2017 from 2016 (%)	98.67	65.65	67.48

Source: Boursa Kuwait.



Source: Boursa Kuwait.

Regarding the sectoral distribution of the total value of traded shares (Table 57), shares of the banks sector (encompassing 12 banks, or 7.64% of Boursa-listed companies, and 50.74% of market capitalization at the end of 2017) 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 1,723.57 million during 2017, accounting for 30.20% of the total value of traded shares for the mentioned year. The top five sectors were the financial services sector (23.49%), real-estate sector (16.44%), telecommunications (11.67%), and industrials (11.38%).

Table (57)

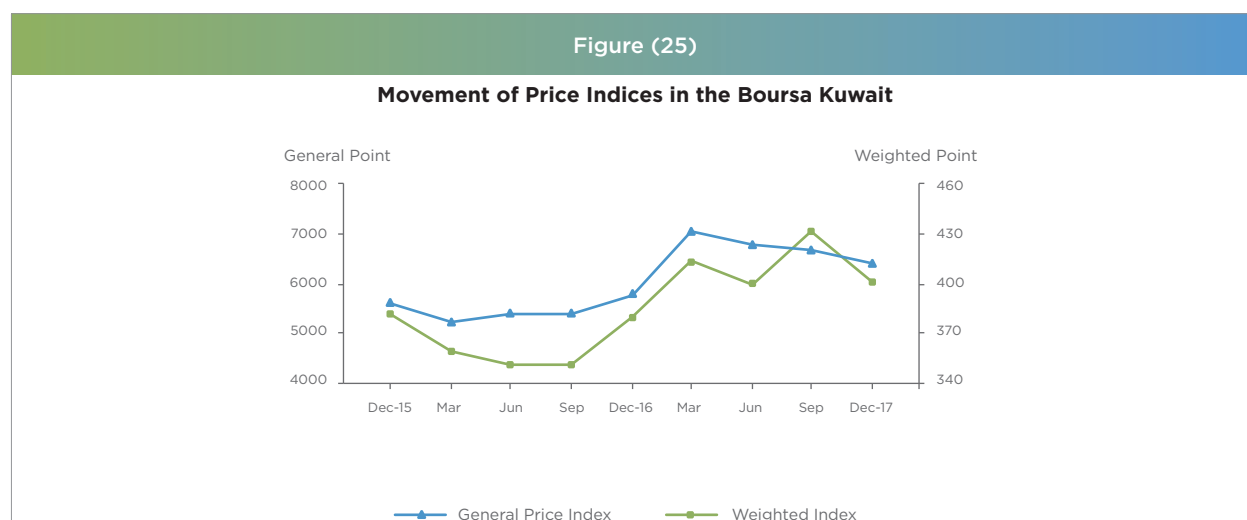
Developments in the Value of Traded Shares by Boursa Kuwait Sectors during 2017 (Value in KD Million) and the Relative Share of the Total (%)

Sector	Number of Companies	2017	
		Value	(%)
Oil & Gas	6	79.12	1.39
Basic Materials	4	103.13	1.81
Industrials	29	649.76	11.38
Consumer Commodities	4	110.98	1.94
Healthcare	2	1.69	0.03
Consumer Services	10	78.0	1.37
Telecommunications	4	666.12	11.67
Utilities	-	-	-
Banks	12	1,723.57	30.20
Insurance	7	5.86	0.10
Real-Estate	34	938.03	16.44
Financial Services	43	1,340.46	23.49
Financial Instruments	-	-	-
Technology	2	10.58	0.19
Total	157	5,707.30	100

Source: Boursa Kuwait.

Second: Price Movements

Boursa Kuwait PI (29/12/1993=1000 points) recorded a notable increase at the end of 2017 closing at 6,408.01 points against 5,748.09 points at the end of 2016, i.e. an increase of 659.92 points or 11.48%.



Source: Boursa Kuwait.

Boursa Kuwait PI recorded its highest daily level on 5 April 2017 closing at 7,059.61 points, while its lowest daily level recorded on 3 January 2017 was 5,775.03 points. Therefore, the difference between the highest and the lowest daily closing levels recorded during 2017 was 1,284.58 points or 22.24%.

On the other front, Boursa Kuwait WI (26/12/2000 = 100 points) increased, at a lower rate compared to

PI, to close at 401.42 points at the end of 2017 against 380.09 points at the end of 2016, i.e. a rise of 21.33 points or 5.61%. In the same direction, the “Kuwait 15 index”⁹ (13/5/2012 = 1000 points) increased to close at 914.87 points at the end of 2017 against 885.02 points at the end of 2016, i.e. a rise of 29.85 points or 3.37%.

It is worth noting that during 2017, major price indicators recorded a significant increase in the first quarter, where the PI, WI and Kuwait 15 index recorded a rise of 22.29%, 8.73% and 5.52% respectively, compared to the last quarter of 2016.

Table (58)

Major Price Indicators at the end of the Quarters of 2017 (Point)

Period	PI	WI	Kuwait 15 Index
Q4 2016	5,748.09	380.09	885.02
Q1 2017	7,029.43	413.27	933.84
(%)	+22.29	+8.73	+5.52
Q2 2017	6,762.82	399.33	910.10
(%)	-3.79	-3.37	-2.54
Q3 2017	6,679.73	430.70	997.37
(%)	-1.23	+7.86	+9.59
Q4 2017	6,408.01	401.42	914.87
(%)	-4.07	-6.80	-8.27

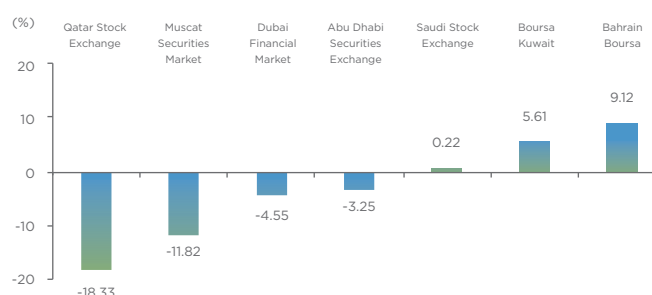
(%) Reflects the change in the current quarter against the previous quarter in major indicators.
Source: Boursa Kuwait.

Price Indicators in the Financial Markets of the GCC Countries

Price indices for the capital markets in the GCC countries (indicators weighted by companies’ capitals) recorded a varied performance at the end of 2017 compared with the closings of 2016, where Bahrain Bourse recorded the highest increase (9.12%) among GCC capital markets, followed by Boursa Kuwait with a rise of 5.61% and Saudi Stock Exchange (0.22%). Meanwhile, the Qatar stock Exchange, Muscat Securities Market, Dubai Financial Market, and Abu Dhabi Securities Exchange have all recorded a decline of (18.33%, 11.82%, 4.55%, and 3.25%) respectively at the end of 2017.

Figure (26)

Change in the Ratio of Price Indicators in the Financial Markets of the GCC Countries at the End of 2017 Compared with the End of 2016



Source: Reuters.

⁹ The Kuwait 15 Index was introduced on Sunday 2012/5/13 encompassing the 15 largest Boursa-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 of every year.

Third: Factors Affecting Boursa Kuwait's Activity

The performance of Boursa Kuwait was affected by a number of factors during 2017, most significant of which are:

- The continued geopolitical risks and development of the global economic situation: The political and security tensions in the Middle East continues to affect the Boursa Kuwait trading. Despite the global recovery, economic prospects remain relatively weak in the Middle East and North Africa. In oil-exporting countries in the region, low oil prices and fiscal consolidation remain a burden on non-oil growth, while overall growth is also constrained by the OPEC-led production cut agreement.

- Developments in crude oil prices in global markets: Crude oil prices ranged between \$50 - \$60 p/b during 2017, compared to \$43 p/b during 2016. Consequently, optimistic speculations about the shrinkage of the expected deficit in the state budget increased, reflecting on the major trading and price indicators in Boursa Kuwait.

- Budget deficit continues: The general budget continued to realize a deficit (before deducting the allocations for the Future Generation Reserve Fund) during FY2016/17, accompanied by a deficit in the current account of the balance of payments. The developments in the State's internal and external balances led to growing concerns over the finance of these deficits thus forcing the government to compete with the private sector for financing and investing, which caused implications on the financial positions of Boursa-listed companies.

- Acquisition: During the year 2017, the UAE company Adeptio AD Holdings completed an acquisition of 93.4% of the Kuwaiti food company "Americana" shares for KD 995 million. During Q3 2017, mobile telecommunications - Zain sold its entire block of treasury shares, representing 9.84% of its capital, distributed over 425.71 million shares, for KD 255.43 million, to Oman Telecommunications Company ("Omantel").

- Upgrading and dividing Boursa Kuwait: As of September 2018, upgrading the boursa to an emerging market by FTSE Russell, one of the most prestigious institutions specialized in classifying international financial markets, was one of the most important and unprecedented achievements. Consequently, Boursa Kuwait took the necessary measures in late 2017 to modernize its infrastructure and ensure the soundness of various procedures taken with relative bodies before the announcement of the official division of Boursa Kuwait in early 2018. Such step will significantly strengthen the boursa position and boost its competitiveness with regional and international exchange markets, and make a qualitative shift in trading. By this step, Boursa Kuwait seeks to achieve recovery through increasing the percentage of trading and thus boosting liquidity, and provide an attractive investment platform by dividing the market into three sub-ones, premier, main, and auction.

- The increasing number of optional withdrawals of Boursa-listed companies during 2016: Boursa Kuwait recorded 16 optional withdrawals of companies during 2017, and 11 transfers of companies from the official market to the parallel market, negatively affecting the trading in Boursa Kuwait. The most notable reasons for companies' withdrawals and transfers are: low share turnover ratio, low demand for company's stock, and high annual fees paid up by the company.

- The increase in the value of cash distributions over the results of 2016: One of the factors that boosted the level of Boursa liquidity was the increase in the value of cash distributions of companies' financial results in 2016, which occurred at the beginning of 2017. The value of these distributions was KD 1.348 billion

during 2016 against KD 1.046 billion during 2015, with an increase of KD 302 million or 28.87%.

- Companies' quarterly profits in 2017: Net profits (losses) of listed companies witnessed a rise of 15.31%, 14.28%, and 14.96% for Q1 2017, H1 2017, and the first three quarters of 2017 compared with the corresponding periods of 2016. Also Boursa listed companies recorded an increase of 6.11% in total net profits (losses) during Q4 2017. Consequently, the companies' total net profits (losses) recorded an increase of KD 221.557 million or 13.01% compared with 2016. Within this context, 74 companies witnessing an increase in their net profits of KD 348.618 million or 25.16% in 2017, compared with 2016 for the same companies. Furthermore, 39 companies recorded a decrease in their net profits of KD 121.360 million or 27.39% during 2017 for the same companies. Finally, 39 companies recorded losses of KD 130.705 million during 2017 against KD 125.004 million compared with 2016 for the same companies.

- Moody's modifying its classification of the State of Kuwait's credit rating during 2017: the agency upgraded the State of Kuwait's outlook from negative to stable, maintaining the sovereign credit rating of Kuwait at "AA2". This contributed in enhancing the ability of the Kuwaiti economy to advance towards a bright economic future and create an attractive economic environment for foreign investors.

Fourth: Profits of Boursa-Listed Companies

Total net profits (losses) of 152 out of the 157 Boursa-listed companies recorded an increase of KD 1,925.175 million during 2017 against KD 1,703.618 million for the same companies for their work during 2016, i.e. a rise of KD 221.557 million or 13.0%, where 112 companies recorded a net profit of KD 2,055.880 million during 2017 against KD 1,910.507 million for 117 companies during 2016, i.e. an increase of KD 145.373 million or 7.6%. Meanwhile 40 companies recorded losses of KD 130.705 million during 2017 against KD 206.889 million for 35 companies during 2016, i.e. a decrease of KD 76.184 million or 36.82%.

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 2017 were led by the Banks sector with a relative share of 51.4%, followed by Telecommunications (12.1%), Industries (11.7%), Financial Services (9.8%), and Real Estate (5.6%).

The Price to Earnings (P/E) ratio of Boursa-listed companies witnessed a slight increase reaching an average of 11.5 during 2017 against an average of 10.2 during 2016.

Table (59) illustrates the sectoral distribution of net profits of Boursa-listed companies during 2016 and 2017:

Table(59)

Performance of Bursa-Listed Companies by Sector during 2016 and 2017
Value in KD Million

Sector	Number of Companies Listed in the Sector	Number of Companies Which Announced Their Data	Net Profits (Losses) during 2016 and 2017			EPS (Fils)	Average Return on Equity	P/E (Multiples)
			2016	2017	Change (%)			
Oil & Gas ⁽¹⁾	6	5	(9.711)	8.927	+191.9	6.5	3.5	9.2
Basic Materials	4	4	48.134	51.047	+6.1	34.8	10.3	9.0
Industrial ⁽¹⁾	29	27	184.332	225.574	+22.4	16.3	5.6	11.0
Consumer Commodities	4	4	68.171	65.572	-3.8	17.3	23.8	15.0
Healthcare	2	2	6.258	(1.437)	-123.0	0.8	15.0	20.2
Consumer Services	10	10	15.364	21.265	+38.4	8.5	-2.8	12.6
Telecommunications	4	4	237.800	232.567	-2.2	47.6	10.1	11.6
Utilities	-	-		-	-	-	-	-
Banks	12	12	930.672	989.461	+6.3	22.1	8.4	14.1
Insurance	7	7	22.516	30.671	+36.2	24.6	5.8	9.4
Real-Estate ⁽¹⁾	34	32	106.240	108.094	+1.7	4.4	2.6	11.9
Financial Services	43	43	89.286	190.696	+113.6	4.5	0.7	10.8
Financial Instruments	-	-		-	-	-	-	-
Technology	2	2	4.556	2.738	-39.9	13.7	10.0	8.4
Market's Total	157	152	1703.618	1925.175	+13.0	11.5	4.0	11.5

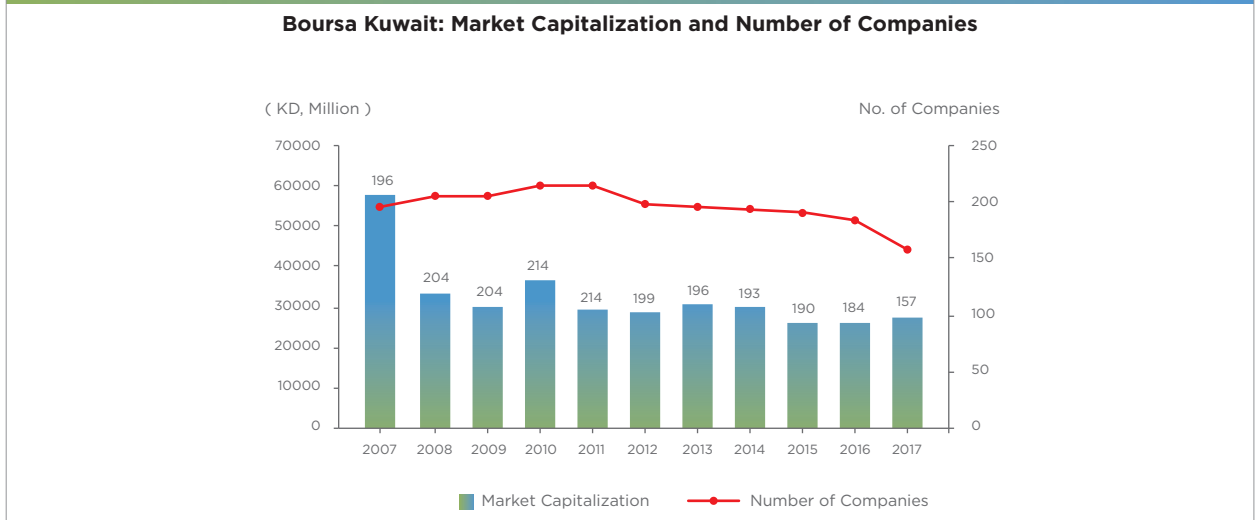
⁽¹⁾ There are companies that have not announced their profits for 2017, these are: one company from the Oil and Gas sector, 2 companies from the Industrial sector, and 2 companies from the Real Estate sector.
Source: Financial data on companies' balance sheets available with Bursa Kuwait.

Fifth: Developments in Market Capitalization and Share Issue Base

1. Market Capitalization

Market capitalization of Bursa-listed companies increased by KD 1,225.1 million or 4.67%, i.e. a rise of KD 844.5 million or 3.52% for 147 Kuwaiti listed companies, to reach KD 27,470.9 million (KD 24,857.3 million for Kuwaiti listed companies) at the end of 2017 against KD 26,245.8 million (KD 24,012.8 million for 173 Kuwaiti listed companies) at the end of 2016 (Figure 27).

Figure(27)



Source: Boursa Kuwait.

Market capitalization of top ten Boursa-listed companies reached KD 15,829.4 billion or 57.62% of total market capitalization. The National Bank of Kuwait took the lead with a market capitalization of KD 4,307.9 billion or 27.21% of total market capitalization of top ten Boursa listed companies (equivalent to 17.33% of total market capitalization) during 2017. Kuwait Finance House comes second with a market capitalization of KD 3,321.0 billion or 20.98% of total market capitalization for the top ten Boursa-listed companies during 2017.

Within the same direction, 10 Kuwaiti companies and 1 non-Kuwaiti company with a market capitalization of KD 83.6 million have transferred from the official market to the parallel market during 2017. Moreover, there was an optional withdrawals of 26 Kuwaiti companies with a market capitalization of KD 372.6 million during 2017. The market capitalization of the companies' shares in Boursa Kuwait (transferred and optionally withdrawn) reached KD 456.2 million, accounting for 1.7% of total market capitalization.

2. Share Issue Base

The share issue base of Boursa-listed companies decreased by 320 million or 0.31% during 2017 to reach 102,886 billion (of which 84,713 billion issued by 157 Kuwaiti companies) at the end of 2017 compared to 103,206 billion (of which 87,242 billion issued by 173 Kuwaiti companies) at the end of 2016. The number of shares issued by the companies (11) which transferred from the official market to the parallel market was 669.7 million, while the number of shares of the optionally withdrawn companies (16) was 3,425.2 million. Thus, the total number of shared issued by the transferred and optionally withdrawn companies reached 4,094.9 million during 2017.

تم بحمد الله