



Central Bank of Kuwait



Economic Report 2013





Central Bank of Kuwait



ECONOMIC REPORT

2013



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



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



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

BOARD OF DIRECTORS OF THE CENTRAL BANK OF KUWAIT

FOR THE YEAR 2013



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Mr. Nasser Abdullah Alroudan

Member



Mr. Osamah Mohammad Al-Nisf

Member

Preface

I am pleased to introduce the Economic Report for the year 2013 to all those interested in the affairs of the Kuwaiti economy. This Report, which is the forty-second issue of the Economic Report series annually prepared by the Central Bank of Kuwait (CBK), contains a documentation of key economic developments during the year, covering the most recent data and statistics available on the various aspects of the economic performance in the State of Kuwait during the year under review.

The first part of the Economic Report highlights the key trends of the performance of the Kuwaiti economy during 2013, as reflected in the available data and statistics on national accounts, domestic prices, population and labor force. In this context, available statistics indicate an increase of the value added at constant prices from non-oil sectors by KD 1144.2 million or 5.9% to KD 20443.8 million during 2013, against KD 19299.6 million during 2012, after a growth of KD 631.4 million or 3.4% during the previous year. On the other hand, the value added at constant prices of oil sectors declined by KD 195.6 million or 0.8% to reach KD 24675.8 million during 2013, against KD 24871.4 million in the previous year. As a result of these developments the total GDP at constant prices grew during 2013 to reach KD 39239 million, against KD 38667.1 million in the previous year, a growth of KD 571.9 million or 1.5%. In parallel, GDP at current prices from non-oil sectors increased by 10% during 2013, while GDP from oil sector recorded a decline of 1.5%. As a result, total GDP at current prices amounted to KD 49862.5 million during 2013, i.e. an increase of 2.3% compared with 2012.

On the other side, inflation in the State of Kuwait, measured by the percentage change in the General Consumer Price Index (CPI) was 2.7% during 2013 against 3.2% during 2012. Available statistics also indicate that the growth rate of non-Kuwaiti population reached 4.3% during 2013 with a stable growth rate of Kuwaiti population at 2.5% during the mentioned year, accordingly, total population in the State of Kuwait grew by 3.7% during 2013. Within this context, the growth rate of total labor force in the State of Kuwait during 2013 reached 3.3%, while the growth rate of Kuwaiti labor force reached 2.7% during the same year.

In its **second part**, the Report reviews the main monetary and banking developments and CBK's activities in the area of monetary policy and banking supervision, highlighting major developments in the main monetary aggregates and indicators as well as developments in banking oversight and supervision during 2013. In this regard, available data indicate a continued relative stability in the KD exchange rate against major currencies during 2013, in line with CBK policy pegging the KD to a specially weighted basket of currencies of countries that have significant trade and financial relations with the State of Kuwait. Money Supply in its broad definition (M2) realized a growth of 9.5% at the end of 2013, while the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors increased by 8.1% to KD 28960.9 million. Similarly, private sector (resident) deposits with local banks grew by 9.5% to KD 31251.1 million, at the end of 2013. Moreover, CBK continued its efforts to manage domestic liquidity levels during 2013, using the available monetary policy instruments, mostly accepting local bank deposits and issuance of CBK bonds and managing public debt instruments on behalf of the Ministry of Finance. Local banks' claims on CBK increased by 20.3% to KD 5349.4 million at the end of 2013.

In the area of supervision and oversight, efforts exerted by CBK over local banking and financial sector units aim to enhance their financial position and maintain financial stability. In particular, CBK continued such efforts during 2013 through monitoring the implementation of its directives on supervision regulations, particularly those related to the supervision standards introduced by the Basel Committee (Basel III set of reforms) which contained several material amendments to Capital Adequacy Standard (Basel II) in addition to introducing new standards for financial leverage and short/long-term liquidity. Additionally, in the area of promoting banks' risk management, CBK continued to oversee implementation by banks of CBK's directives regarding periodical financial stress testing. With regard to macro prudential policies adopted by CBK and aimed at curbing systemic risks and promoting financial stability, CBK issued new regulations to local banks, investment companies and finance companies regulating the financing extended to individual clients for the purpose of purchasing or developing private residential real estate. Furthermore, CBK continued its efforts in insuring the implementation of corporate governance standards at local banks and several inspections were carried out on local banks to ensure application of CBK's regulations which were put into effect as of 1/7/2013.

The **third part** of the Report discusses developments in the financial indicators of the banking and financial system, in light of the data on aggregate financial statements of CBK-regulated banking and financial sector units, namely local banks, finance companies and exchange companies, to identify the aspects of growth, performance and trends in those indicators and their impact on the financial position of these units. In this context, the aggregate balance sheet of local banks amounted to KD 51481 million at the end of 2013, realizing a growth of 9.2% compared with its level at the end of 2012. The aggregate balance sheet of local investment companies amounted to KD 10681.6 million at the end of 2013, i.e. a decline of 7.8% from its level at the end of 2012. The aggregate balance sheet of local exchange companies registered and supervised by CBK, was KD 143.2 million at the end of 2013, increasing by 17.1% from its level at the end of 2012.

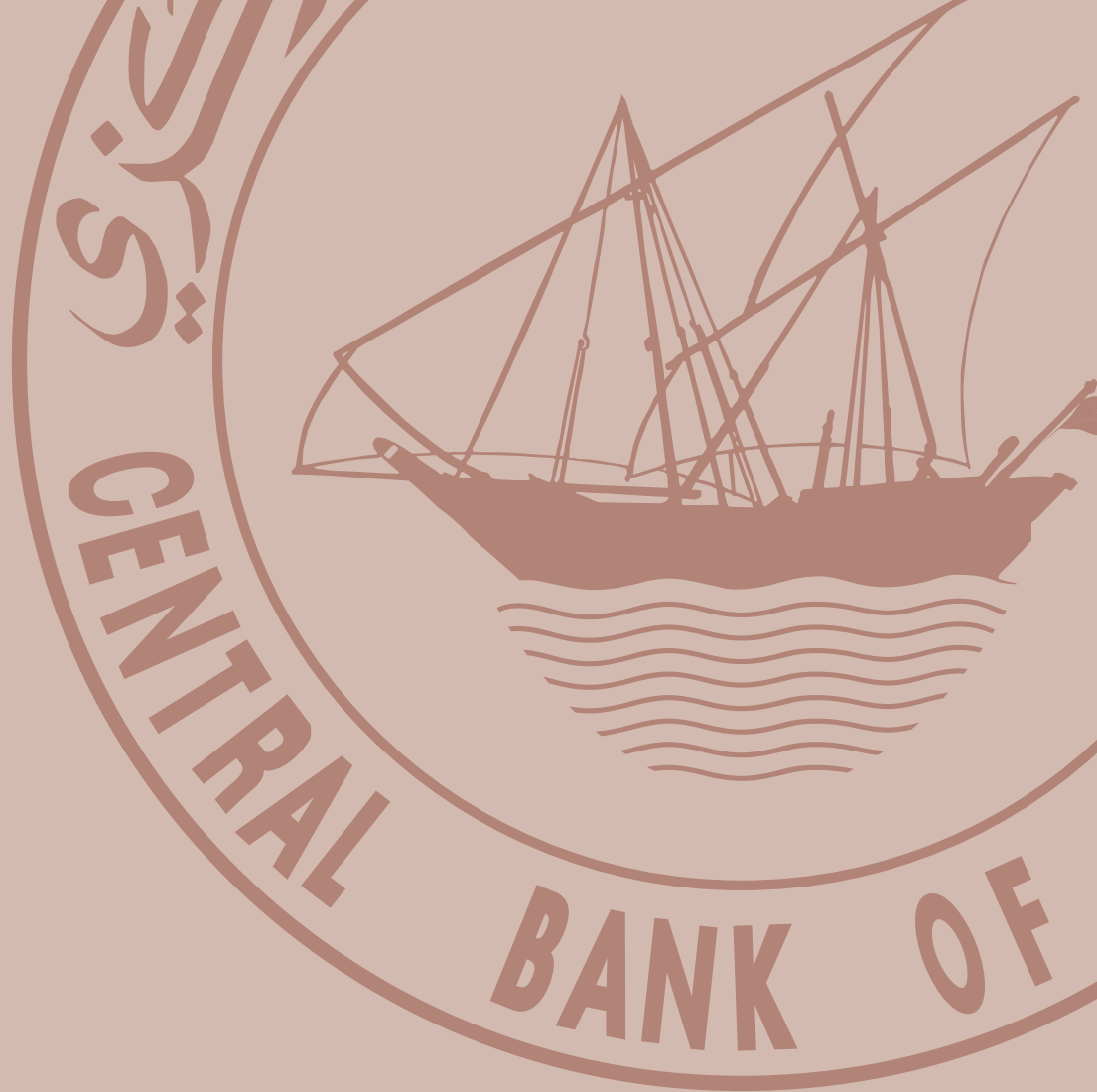
The **fourth part** of the Report addresses developments in the State's public finance within two main sections: first; the closing account for FY2012/13, second; the general budget for FY2013/14 (the enacted general budget and government financial operations executed during the first nine months of FY2013/14). In this context, the closing account for FY2012/13 recorded an actual surplus of KD 12701 million, i.e. a decrease of 4% compared with the previous fiscal year, pre-deduction of allocations for the Reserve Fund for Future Generations.

The **fifth part** covers developments in foreign trade and financial relations of the State of Kuwait with other economies during 2013, as reflected in the statistics on the foreign trade and the Balance of Payments (BOP) of the State of Kuwait for the mentioned year, where the realized surplus in the balance on goods witnessed a decline of KD 1320.7 million or 4.9% during 2013, and the current account surplus decreased by KD 1746.5 million or 7.9%. The overall BOP of the State of Kuwait realized a total surplus of KD 953.5 million during that year.

Lastly, the **sixth part** of this Economic Report covers developments in the Kuwait Stock Exchange (KSE) during 2013 as reflected in key trading indicators, price movements and factors affecting the performance of the KSE. The KSE Price Index (PI) closed at an increase of 27.22%, and the KSE Weighted Price Index (WI) closed at a lower increase of 8.43% compared with 2012.

Finally, we ask Allah the Almighty to assist and guide us in our pursuit to serve our precious country to achieve its prosperity 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 them.

Dr. Mohammad Y. Al-Hashel
Governor of the Central Bank of Kuwait



Summary of the Economic
Report

2013

Summary of the Economic Report

The Economic Report for the year 2013 presents key economic, financial, monetary and banking developments and updates witnessed by the Kuwaiti economy during the year. The Report addresses these developments and updates in six parts, the most significant of which can be briefly pointed to as follows:

First - Performance of the Domestic Economy:

The preliminary estimates on national account statistics of the State of Kuwait for the year 2013 indicate that the value added at constant prices from non-oil sectors grew by KD 1144.2 million or 5.9% to reach KD 20443.8 million during 2013, against KD 19299.6 million during 2012, after a growth of KD 631.4 million or 3.4% during the previous year. On the other hand, the value added at constant prices of oil sectors declined by KD 195.6 million or 0.8% to reach KD 24675.8 million during 2013, against KD 24871.4 million in the previous year. As a result of these developments GDP at constant prices increased to reach KD 39239 million during 2013, against KD 38667.1 million in the previous year, accounting for a growth of KD 571.9 million or 1.5%.

On another front, the value added at current prices from non-oil sectors grew to reach KD 23501.4 million during 2013, against KD 21374.4 million during 2012, accounting for a growth of KD 2127 million or 10%, after realizing a growth of KD 1863.7 million or 9.6% during the previous year. The value added at current prices of oil sectors declined by KD 500.3 million or 1.5% to reach KD 32671.1 million during 2013, against KD 33171.4 million in the previous year. As a result of these developments GDP at current prices increased to reach KD 49862.6 million during 2013, against KD 48722.2 million in the previous year, accounting for a growth of KD 1140.4 million or 2.3%.

In respect of domestic price levels, inflation in the State of Kuwait, measured by the relative change in the CPI (2007=100) slowed down to 2.7% during 2013 against 3.2% during 2012. This slowdown was caused by the changes in the main groups constituting the CPI during 2013 compared with their levels during 2012. The increase in average prices of Food and Beverages (weight 18.4%) slowed to 4% during 2013 against 4.8% during 2012, followed by Transport (weight 7.9%) at 1.3% against 2.6% during 2012. Similarly, the CPI for Clothing and Footwear

(weight 9.3%) recorded a decrease of 0.2% during 2013 against an increase of 4.3% during 2012, meanwhile the increase in average prices of Housing Services (weight 28.9%) grew to 3.9% during 2013 against 2.3% during 2012.

With regard to developments in population and labor force in the State of Kuwait, available statistics indicate that the growth rate of non-Kuwaiti population increased to 4.3% during 2013 compared to 3.9% during 2012. Conversely, the growth rate of Kuwaiti population remained stable at 2.5% during 2013 (same as during 2012). As a result, the growth rate of total population in the State of Kuwait witnessed an increase from 3.4% during 2012 to 3.7% during 2013. This was coupled with an increase in the growth rate of Kuwait's total labor force by 3.3% during 2013 against 3.1% during 2012, and an increase in the growth rate of Kuwaiti labor force by 2.7% during 2013 against 2.5% during 2012.

Second - Monetary Developments and CBK Activity:

Data on key monetary and banking aggregates of the State of Kuwait indicate an increase in Money Supply in its broad definition (M2) of 9.5% at the end of 2013 compared to 7% during 2012. Furthermore, developments in total resident private sector deposits with local banks point to a growth of 9.5% at the end of 2013 compared to 6.3% at the end of 2012. With regard to bank credit, data indicate an increase in the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors of 8.1% at the end of 2013 compared to 4.6% during 2012.

In respect of the KD exchange rate developments during 2013, CBK continued to implement the policy applied since 20 May 2007 of pegging the KD exchange rate to a special weighted basket of currencies of countries that share 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 2013, compared with the average of changes in the exchange rate of the US dollar against other major currencies. The difference between the highest and lowest exchange rate of the US dollar against the KD was 5 fils or 1.7% as at the end of each month of 2013.

On the other side, data indicate more visible fluctuations in the exchange rate of the US dollar against other major currencies. The difference between the highest and lowest exchange rate of the US dollar was 15.69% against the Japanese Yen, 8.81% against the Pound Sterling, 8.66% against the Swiss Franc and 6.78% against the Euro. Meanwhile, changes in the exchange rate of the US dollar against the KD on the one hand, and other certain major currencies on the other, indicate a rise of 1.1 fils or 0.39% at the end of 2013 compared with the end of 2012. The exchange rate of the US dollar recorded a rise of 22.53% against the Japanese Yen, and a decline of 3.7% against the Euro, 2.3% against the Swiss Franc and 2.096% against the Pound Sterling.

Concerning local banks' deposits with CBK, available data show that local banks' claims on CBK witnessed a noticeable increase of KD 903 million or 20.9% to KD 5349.4 million at the end of 2013 against KD 4446.4 million at the end of 2012.

In respect of regulating domestic liquidity levels, CBK continued its efforts using the available monetary policy instruments (Treasury Bills and Treasury Bonds). CBK, on behalf of the Ministry of Finance, launched 26 issues of Treasury Bonds with a total nominal value of KD 1217.3 million during 2013. Meanwhile, 19 previous issues of Treasury Bonds matured during the same period, with a total nominal value of KD 1445 million. As a result, the outstanding balance of Treasury Bonds declined by KD 228 million or 13% to KD 1527 million at the end of 2013, against KD 1755 million at the end of 2012. CBK launched no issues of Treasury Bills during 2013.

Furthermore, CBK launched 41 issues of CBK Bonds bringing the total nominal value of Bonds launched during 2013 to KD 6092 million. Meanwhile, 41 previous issues of CBK Bonds matured with a total nominal value of KD 6144 million during 2013. Consequently, the outstanding balance of CBK Bonds declined by KD 52 million to KD 1900 million at the end of 2013. Moreover, local banks' time deposits with CBK grew by KD 607.3 million or 26.3%.

In the context of its endeavor to strengthen the already solid financial position of local banking and financial sector units, CBK continued its efforts during 2013, in the area of supervision and oversight of CBK registered units, in line with the international standards for effective supervision. Such efforts are made in the framework of developing CBK's capabilities in the area of risk management, shocks absorption and handling stressful situations towards the reinforcement of national economy's financial stability.

Third - Financial Indicators of the Banking and Financial Sector:

Aggregate balance sheet of local banks (22 banks including 5 Kuwaiti conventional banks, 10 foreign bank branches, one specialized bank and 6 Islamic banks of which one is a foreign bank branch) was KD 51486.4 million at the end of 2013, against KD 47145.3 million at the end of 2012, realizing a growth of KD 4341.2 million or 9.2% during 2013 compared to KD 3063.8 million or 7% during 2012.

The number of local investment companies registered with the CBK decreased to 92, 49 of which are investment companies operating in accordance with the provisions of the Islamic Sharia, at the end of 2013 compared to 93 companies at the end of 2012. Total assets of local investment companies (conventional and Islamic) was KD 10773.4 million at the end of 2013 compared to KD 11639.9 million at the end of 2012, i.e. a decrease of KD 866.4 million or 7.4%.

The aggregate balance sheet of 39 local exchange companies registered with and supervised by CBK grew to KD 143.4 million at the end of 2013 increasing by KD 21.2 million or 17.3% from its level of KD 122.2 million at the end of 2012.

Fourth - Public Finance:

Data on the Closing Account of ministries and governmental bodies for FY2012/13 indicate that total actual budgetary revenues collected for the mentioned fiscal year was KD 32008.5 million, compared to KD 30236.1 million for the previous fiscal year, recording an increase of KD 1772.4 million or 5.9% . This rise mainly reflects the increase in actual oil revenues collected, of KD 1400.2 million or 4.9%, to KD 29969.7 million for FY2012/13 compared to KD 28569.5 million for FY2011/12.

With regard to actual budgetary expenditures, data on the Closing Account for FY2012/13 indicate an increase of KD 2300.1 million or 13.5% to KD 19307.5 million during the mentioned fiscal year, against KD 17007.4 million during FY2011/12. This increase reflects the rise in actual budgetary expenditures under the First Chapter (salaries and wages) by KD 728.2 million or 17.7% to KD 4831.5 million, against KD 4103.3 million during FY2011/12; Second Chapter (goods and services) by KD 880.6 million or 31.9% to KD 3640.7 million during FY2012/13,

against KD 2760.1 million during FY2011/12; Third Chapter (transportation, equipment and supplies) by KD 11.6 million or 7.9% to KD 158.6 million, against KD 147 million during FY2011/12 and Fifth Chapter (miscellaneous expenditure and transfer payments) by KD 679.8 million or 8.1% to KD 9024.8 million during FY2012/13, against KD 8345 million during FY2011/12. On the other side, actual budgetary expenditures within the Fourth Chapter (construction projects, maintenance and public acquisitions) were rather stable during FY2012/13 reaching KD 1651.8 million, against KD 1652 million during FY2011/12.

As a result, the Closing Account for FY2012/13 recorded an actual surplus of KD 12701 million (24.7% of GDP for 2012), against KD 13228.7 million (29.8% of GDP for 2011) for FY2011/12, i.e. a decline of KD 527.7 million or 4%, pre-deduction of allocations for the Reserve Fund for Future Generations.

Furthermore, budgetary monthly follow-up statements for FY2013/14 indicate a decline in total actual budgetary revenues collected during the first nine months April-December 2013 of the mentioned fiscal year, of KD 276 million or 1.1%, to KD 23984.3 million, compared to KD 24260.3 million for the corresponding period April-December 2012 of FY2012/13. This decline was caused by the decrease in actual oil revenues collected during the period April-December 2013 of KD 644.2 million or 2.8% to KD 22196.3 million, against KD 22840.5 million for the corresponding period of FY2012/13. On the other side, total non-oil revenues collected during the period April-December 2013 grew by KD 368.2 million or 25.9% to KD 1787.9 million, compared to KD 1419.7 million for the corresponding period of FY2012/13.

Actual budgetary expenditures during the first nine months of FY2013/14 (April-December 2013) recorded an increase of KD 1484.1 million or 18.2% to KD 9641.9 million, against KD 8157.8 million for the corresponding period of FY2012/13.

These developments in public actual revenues/expenditures during the first nine months of FY2013/14 (April - December 2013) resulted into an actual surplus of KD 14342.4 million, against KD 16102.5 million for the corresponding period of FY2012/13, i.e. a decline of KD 1760.2 million or 10.9%, pre-deduction of allocations for the Reserve Fund for Future Generations.

Fifth - Developments in Foreign Trade and Balance of Payments:

Statistics on the Balance of Payments (BOP) of the State of Kuwait in 2013 indicate that the current account realized a surplus of KD 20316 million, accounting for 39.6% of total GDP in 2012, compared to KD 22062.5 million in 2012, accounting for 43% of total GDP in that year, i.e. declining by KD 1746.5 million or 7.9%. The surplus in the current account of the BOP is basically related to the surplus realized in the balance on goods, where estimates indicate a decrease to KD 25441.6 million during 2013 compared to KD 26762.3 million during 2012, i.e. a decline of KD 1320.7 million or 4.9%. Developments in the balance on goods show that total exports of goods of the State of Kuwait (FOB basis) was KD 32805 million during 2013, compared to KD 33491.2 million during 2012 i.e. a decline of KD 686.2 million or 2%. Conversely, total imports of goods of the State of Kuwait (CIF basis) grew to KD 8337.7 million during 2013, compared to KD 7631.7 million during 2012, i.e. an increase of KD 706 million or 9.3%.

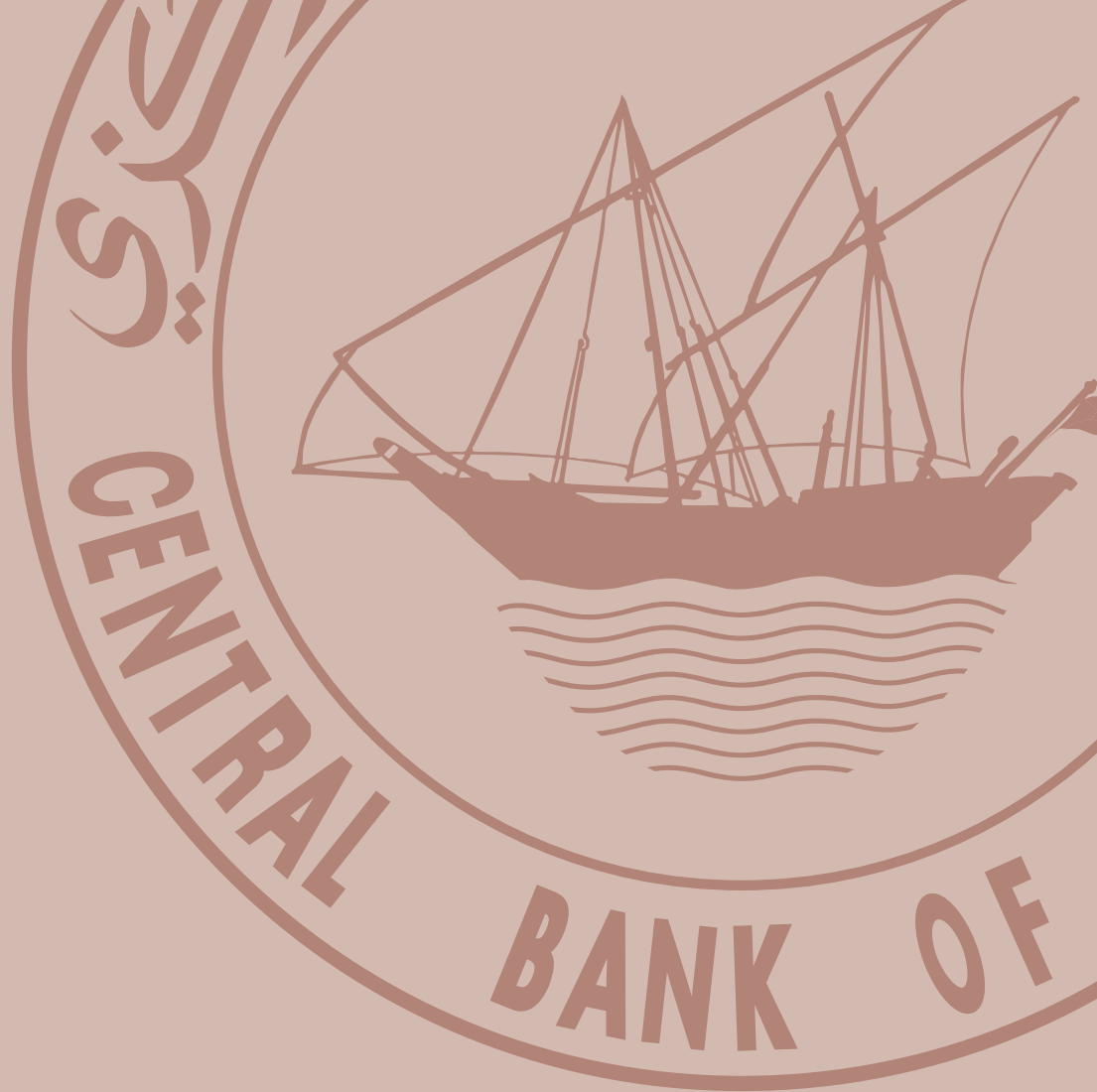
On the side of the capital account, preliminary statistics indicate that net capital inflows was KD 1286.6 million during 2013, against KD 1191.5 million during 2012, causing net capital inflows to increase by KD 95.1 million or 8% during 2013 compared with 2012. Preliminary statistics on the financial account of the BOP of the State of Kuwait indicate that net external assets of the national economy (foreign assets minus actual changes in foreign liabilities) reached KD 21710.7 million during 2013, against KD 23565.5 million during 2012.

As a result of the above-mentioned developments, the overall position of the BOP of the State of Kuwait realized a total surplus of KD 953.5 million during 2013, compared to KD 917.6 million during 2012. This surplus reflects the increase realized in CBK's total 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 investment of certain government bodies/institutions, and the above-mentioned change in CBK's total reserve assets, shows an estimated surplus of KD 16270.8 million during 2013 compared to KD 20683.2 million during 2012.

Sixth - Developments in the Kuwait Stock Exchange:

Key KSE trading indicators and price movements recorded a tangible increase during 2013, where the main trading indicators (traded shares by value/volume) realized a noticeable growth at 35.95% and 52.17% respectively, compared with their levels recorded at the end of 2012. The KSE PI closed at an increase of 27.22% at the end of 2013 compared with 2012, while the KSE WI recorded an increase of 8.43% compared with 2012. Market capitalization of listed companies increased to KD 30986.2 million at the end of 2013, i.e. a growth of KD 2100.6 million or 7.3% compared with 2012.

The performance of the KSE during 2013 was affected by a set of positive factors, mostly interim profits of listed companies. Total profits recorded a growth of 22.5% compared with 2012, thus enhancing the already positive atmosphere reflected in the dealers' confident trading during the year. Also total dividends for the year 2012 - realized during 2013 - increased by 13.65% compared with 2012.



Performance of the Domestic Economy

2013

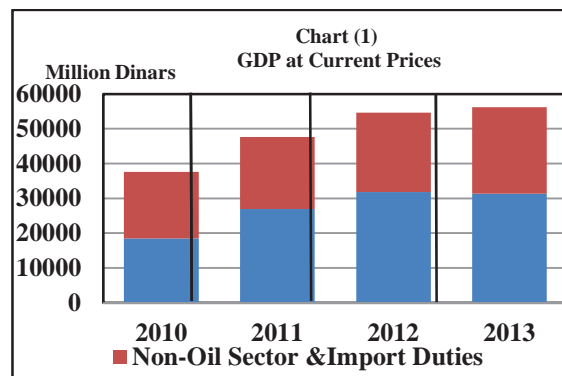
Performance of the Domestic Economy

First – Gross Domestic Product and Economic Growth:

Provisional statistics for national income accounts of the State of Kuwait during 2013¹ indicate a growth in the value added at constant prices in total non-oil sectors of KD 1144.2 million or 5.9%, reaching KD 20443.8 million, against KD 19299.6 million during 2012, after realizing a growth of KD 631.4 million or 3.4% during the previous year. The relative share of the value added from these sectors in Gross Domestic Product (GDP) at current prices constituted 52.1% during 2013, against 49.9% during 2012.

On another front, the value added at constant prices of 2010 in total oil sectors decreased by KD 195.6 million or 0.8%, reaching KD 24675.8 million during 2013, against KD 24871.4 million during the previous year. The relative share of the value added from that sector in GDP at constant prices decreased to 62.9% during 2013, against 64.3% during the previous year. Consequently, the value of GDP at constant prices increased to KD 39239 million during the mentioned year, against KD 38667.1 million for the previous year, i.e. an increase of KD 571.9 million or 1.5%, compared to KD 2403 million or 6.6% during the previous year. Table 1 and Chart 1 show developments in GDP at constant prices for both oil sectors and non-oil sectors during 2010-2013.

On the other hand, value added at current prices in total non-oil sectors witnessed a growth of KD 23501.4 million during 2013, against KD 21374.4 million during 2012, i.e. a growth of KD 2127 million or 10%, after realizing a growth of KD 1863.7 million or 9.6% during the previous year. The relative share of value added from these sectors in GDP at current prices was 47.1% during 2013, against 43.9% during 2012.



¹ The Central Statistical Bureau has issued the amended and provisional estimates for the national income accounts at current prices for the years 2010-2013, and that included a change in the methodology and classification of data.

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

Items	2010*	2011*	2012*	2013**
1- Crude Oil & Natural Gas Sector	18406.5	21356.9	23490.2	23329.8
Change (%)	-	16.0	10.0	-0.7
To GDP (%)***	55.6	58.9	60.7	59.5
2- Manufacturing of Coke, Refined Petroleum Products and Nuclear Fuel	1094.6	1190.6	1381.3	1346
Change (%)	-	8.8	16.0	-2.5
To GDP (%)	3.3	3.3	3.6	3.4
3- Total Oil Sectors (1+2)	19501.1	22547.5	24871.4	24675.8
Change (%)	-	15.6	10.3	-0.8
To GDP (%)	59.0	62.2	64.3	62.9
4- Non-oil Sectors	18062.7	18668.2	19299.6	20443.8
Change (%)	-	3.4	3.4	5.9
To GDP (%)	54.6	51.5	49.9	52.1
Subtotal (3+4)	37563.8	41215.7	44171	45119.6
Change (%)	-	9.7	7.2	2.1
Imputed Banking and Insurance Services	-1764.7	-1709.4	-1685.2	-1694.1
Change (%)	-	-3.1	-1.4	0.5
Taxes minus Subsidies (Net Taxes)	-2720	-3242.2	-3818.7	-4186.5
Change (%)	-	19.2	17.8	9.6
GDP at Purchaser's Value	33079.1	36264.1	38667.1	39239
Change (%)	-	9.6	6.6	1.5

* Revised data.

** Provisional data.

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

Source: Central Statistical Bureau.

On another front, the value added at current prices in total oil sectors decreased by KD 500.3 million or 1.5%, reaching KD 32671.1 million during 2013, against KD 33171.4 million during the previous year. The relative share of the value added from that sector in GDP at current prices decreased to 65.5% during 2013, against 68.1% during the previous year. As a result, the value of GDP at current prices increased to KD 49862.6 million during the mentioned year, against KD 48722.2 million for the previous year, i.e. an increase of KD 1140.4 million or 2.3%, compared to KD 6210.6 million or 14.6% during the previous year. Table 1-A and Chart 1 show developments in GDP at current prices for both oil sectors and non-oil sectors during 2010-2013.

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

Items	2010*	2011*	2012*	2013**
1- Crude Oil & Natural Gas Sector	18406.5	26896.1	31764.8	31297.7
Change (%)	-	46.1	18.1	-1.5
To GDP (%)***	55.6	63.3	65.2	62.8
2- Manufacturing of Coke, Refined Petroleum Products and Nuclear Fuel	1094.6	1203.4	1406.6	1373.4
Change (%)	-	9.9	16.9	-2.4
To GDP (%)	3.3	2.8	2.9	2.8
3- Total Oil Sectors (1+2)	19501.1	28099.5	33171.4	32671.1
Change (%)	-	44.1	18.0	-1.5
To GDP (%)	59.0	66.1	68.1	65.5
4- Non-oil Sectors	18062.7	19510.7	21374.4	23501.4
Change (%)	-	8.0	9.6	10.0
To GDP (%)	54.6	45.9	43.9	47.1
Subtotal (3+4)	37563.8	47610.2	54545.8	56172.5
Change (%)	-	26.7	14.6	3.0
Imputed Banking and Insurance Services	-1764.7	-1760.1	-1783.1	-1817.8
Change (%)	-	-0.3	1.3	1.9
Taxes minus Subsidies (Net Taxes)	-2720	-3338.5	-4040.5	-4492.2
Change (%)	-	22.7	21.0	11.2
GDP at Purchaser's Value	33079.1	42511.6	48722.2	49862.6
Change (%)	-	28.5	14.6	2.3

* Revised data.

** Provisional data.

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

Source: Central Statistical Bureau.

Available data on expenditures by residents on imports of goods and services at constant prices (Table 2) indicate a decline in expenditure of the outside world on GDP (exports of goods and services) by KD 685.9 million or 2.5% to reach KD 26451.8 million during 2013, compared to KD 27137.7 million during 2012. Net expenditure by residents (consumption and investment expenditures minus imports of goods and services) on GDP witnessed a rise by KD 1869.1 million or 10.9% to reach KD 12787.2 million, against KD 11529.4 million during the two mentioned years respectively.

Data indicate that total expenditure by residents (consumption and investment) representing their total expenditure on GDP and imports of goods and services was KD 24915.1 million during 2013, recording a rise of KD 1351.2 million or 5.7% after realizing a growth of KD 1940.5 million or 9% during 2012. The rise in this item was the outcome of the increase in final

(government and private) consumption expenditure by KD 982.2 million or 5.6% to reach KD 18549.4 million during 2013 against KD 17567.2 million during the previous year, and the growth in gross capital formation by KD 369 million or 6.2% to reach KD 6365.7 million during 2013 against KD 292.6 million or 5.1% during the previous year.

Residents' expenditure on imports of goods and services at constant prices increased to KD 12127.9 million during 2013 compared to KD 12034.5 million during the previous year, i.e. a growth of KD 93.4 million or 0.8%. Accordingly, the surplus of domestic resources or net exports, which represents the arithmetical difference between the value of exports and the value of imports of goods and services, recorded a decline of KD 779.3 million or 5.2% to reach KD 14323.9 million during 2013 against KD 15103.2 million during 2012, which led to a decline in the ratio of that surplus in GDP at constant prices to 36.5% against 39.1% during the two mentioned years respectively.

Available data on expenditures on GDP at current prices (Table 2-A, Chart 2) indicate a decline in expenditure of the outside world on GDP (exports of goods and services) by KD 728.7 million or 2% to reach KD 35682.3 million during 2013, compared to KD 36411 million during 2012. Net expenditure by residents (consumption and investment expenditures minus imports of goods and services) on GDP witnessed a rise by KD 1869.1 million or 15.2% to reach KD 14180.3 million, against KD 12311.2 million during the two mentioned years respectively.

Data indicate that total expenditure by residents (consumption and investment) representing their total expenditure on GDP and imports of goods and services was KD 27417.6 million during 2013, recording a growth of KD 2302.4 million or 9.2% after realizing a growth of KD 2719.6 million or 12.1% during 2012. The rise in this item was the outcome of the increase in final (government and private) consumption expenditure by KD 1647.9 million or 8.7% to reach KD 20509.6 million during 2013 against KD 18861.7 million during the previous year, and the growth in gross capital formation by KD 654.5 million or 10.5% to reach KD 6908 million during 2013 against KD 494 million or 8.6% during the previous year.

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

Type of Expenditure	2010*	2011*	2012*	2013**
(1) Final Consumption	15223.8	15919.3	17567.2	18549.4
Change (%)	-	4.6	10.4	5.6
to Residents Expenditure (%)	72.3	73.6	74.6	74.5
to GDP (%)	46.0	43.9	45.4	47.3
- Government Consumption	5666.6	6091.4	6921.1	7645.7
Change (%)	-	7.5	13.6	10.5
to Final Consumption (%)	37.2	38.3	39.4	41.2
to Residents Expenditure (%)	26.9	28.2	29.4	30.7
- Private Consumption	9557.2	9827.9	10646.1	10903.7
Change (%)	-	2.8	8.3	2.4
to Final Consumption (%)	62.8	61.7	60.6	58.8
to Residents Expenditure (%)	45.4	45.5	45.2	43.8
(2) Gross Capital Formation	5841.3	5704.1	5996.7	6365.7
Change (%)	-	-2.3	5.1	6.2
to Residents Expenditure (%)	27.7	26.4	25.4	25.5
to GDP (%)	17.7	15.7	15.5	16.2
(3) Total Expenditures by Residents (1 + 2)	21065.1	21623.4	23563.9	24915.1
Change (%)	-	2.7	9.0	5.7
to GDP (%)	63.7	59.6	60.9	63.5
(4) Exports of Goods and Services	22055.0	25200.5	27137.7	26451.8
Change (%)	-	14.3	7.7	-2.5
to GDP (%)	66.7	69.5	70.2	67.4
(5) Imports of Goods and Services	10041.0	10559.9	12034.5	12127.9
Change (%)	-	5.2	14.0	0.8
to Residents Expenditure (%)	47.7	48.8	51.1	48.7
(6) GDP (3 + 4 - 5)	33079.1	36264.0	38667.1	39239.0
Change (%)	-	9.6	6.6	1.5
(7) Domestic Resources Surplus (6-3)	12014.0	14640.6	15103.2	14323.9
Change (%)	-	21.9	3.2	-5.2
to GDP (%)	36.3	40.4	39.1	36.5

* Revised data.

** Provisional data.

Source: Central Statistical Bureau.

Residents' expenditure on imports of goods and services at current prices increased to KD 13237.3 million during 2013 compared to KD 12804 million during the previous year, i.e. a rise of KD 433.3 million or 3.4%. Accordingly, the surplus of domestic resources or net exports, which represents the arithmetical difference between the value of exports and the value of imports of goods and services, recorded a decline of KD 1162 million or 4.9% to reach KD 22445 million during 2013 against KD 23607 million during 2012, which led to a decline in the ratio of that surplus in GDP at current prices to 45% against 48.5% during the two mentioned years respectively.

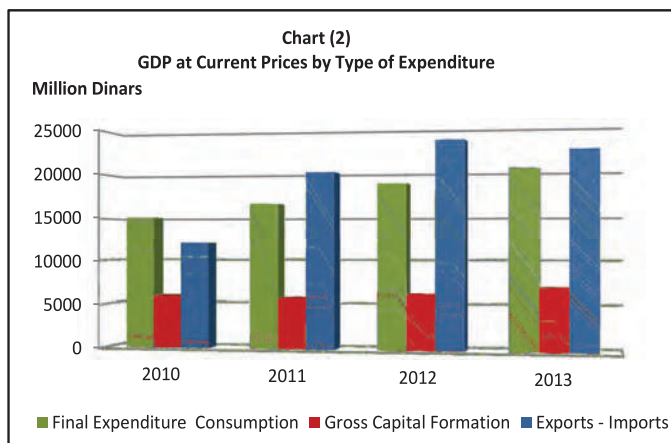


Table (2-A)
Expenditure on the GDP at Current Prices
(KD Million)

Type of Expenditure	2010*	2011*	2012*	2013**
(1) Final Consumption	15223.8	16636.1	18861.7	20509.6
Change (%)	-	9.3	13.4	8.7
to Residents Expenditure (%)	72.3	74.3	75.1	74.8
to GDP (%)	46.0	39.1	38.7	41.1
- Government Consumption	5666.6	6326.6	7337.4	8386.9
Change (%)	-	11.6	16.0	14.3
to Final Consumption (%)	37.2	38.0	38.9	40.9
to Residents Expenditure (%)	26.9	28.2	29.2	30.6
- Private Consumption	9557.2	10309.5	11524.3	12122.7
Change (%)	-	7.9	11.8	5.2
to Final Consumption (%)	62.8	62.0	61.1	59.1
to Residents Expenditure (%)	45.4	46.0	45.9	44.2
(2) Gross Capital Formation	5841.3	5759.5	6253.5	6908.0
Change (%)	-	-1.4	8.7	10.5
to Residents Expenditure (%)	27.7	25.7	24.9	25.2
to GDP (%)	17.7	13.5	12.8	13.9
(3) Total Expenditures by Residents (1 + 2)	21065.1	22395.6	25115.2	27417.6
Change (%)	-	6.3	12.1	9.2
to GDP (%)	63.7	52.7	51.5	55.0
(4) Exports of Goods and Services	22055.0	31126.0	36411.0	35682.3
Change (%)	-	41.1	17.0	-2.0
to GDP (%)	66.7	73.2	74.7	71.6
(5) Imports of Goods and Services	10041.0	11010.0	12804.0	13237.3
Change (%)	-	9.7	16.3	3.4
to Residents Expenditure (%)	47.7	49.2	51.0	48.3
(6) GDP (3 + 4 - 5)	33079.1	42511.6	48722.2	49862.6
Change (%)	-	28.5	14.6	2.3
(7) Domestic Resources Surplus (6-3)	12014.0	20116.0	23607.0	22445.0
Change (%)	-	67.4	17.4	-4.9
to GDP (%)	36.3	47.3	48.5	45.0

* Revised data.

** Provisional data.

Source: Central Statistical Bureau.

With regard to the other principal aggregates of national income accounts at current prices (Table 3), net factor income from abroad (represented mainly in the net income accruing from Kuwaiti assets invested abroad) decreased by KD 889 million or 34.7% to KD 3450 million during 2013 compared to KD 2561 million during 2012. Accordingly, Gross National Product (GNP) at current prices (representing the sum of GDP and net factor income from abroad) recorded a rise of KD 2029.4 million or 4% to reach KD 53312.6 million during 2013, compared to KD 51283.2 million during the previous year.

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

Items	2010*	2011 *	2012 *	2013**
1- GDP	33079.1	42511.6	48722.2	49862.6
Change (%)	-	28.5	14.6	2.3
2- Net-Factor Income from Abroad	2700.0	2481.0	2561.0	3450.0
Change (%)	-	-8.1	3.2	34.7
3- GNP (1+2)	35779.1	44992.6	51283.2	53312.6
Change (%)	-	25.8	14.0	4.0
4- Depreciation of Fixed Capital	2515.4	2672.2	2948.1	3128.4
5- National Income at Market Prices (3-4)	33263.7	42320.4	48335.1	50184.2
Change (%)	-	27.2	14.2	3.8
6- Net Current Transfers	-3741.0	-4063.7	-4816.0	-4713.1
Change (%)	-	8.6	18.5	-2.1
7- National Disposable Income (5+6)	29522.7	38256.7	43519.1	45471.1
Change (%)	-	29.6	13.8	4.5
8- Final Consumption Expenditure	15223.8	16636.1	18861.7	20509.6
Change (%)	-	9.3	13.4	8.7
9- Net Savings (7-8)	14298.9	21620.6	24657.4	24961.5
Change (%)	-	51.2	14.0	1.2
10- Net Capital Formation	3325.9	3087.3	3305.4	3779.6
Change (%)	-	-7.2	7.1	14.3
11- Surplus from Current Transactions (9-10)	10973.0	18533.3	21352.0	21181.9
Change (%)	-	68.9	15.2	-0.8

* Revised data.

** Provisional data.

Source: Central Statistical Bureau.

In the same direction, Gross National Income (GNI), which represents GNP minus allocations for depreciation of fixed capital, increased by KD 1849.1 million or 3.8% to KD 50184.2 million during 2013 compared to KD 48335.1 million during 2012. As a result of this growth in GNI on the one hand, and the decline of 2.1% in net current outward transfers on the other, National Disposable Income (NDI) increased during 2013 by KD 1952 million or 4.5% to KD 45471.1 million against KD 43519.1 million during 2012. This increase led to a rise of KD 634.5 or 5.3% in NDI per-capita at current prices to KD 12512 during 2013, against KD 11877.4 during the previous year, taking into account population growth, as will be indicated later on.

On another front, available data indicate that Net Savings (representing the difference between NDI and Final Consumption expenditure) grew by KD 304.1 million or 1.2% to KD 24961.5 million during 2013. Furthermore, the ratio of Net Savings to NDI reached 54.9% during 2013, against 56.7% during 2012. As an outcome of this growth in Net Savings and in Net Capital Formation by 14.3%, the surplus from current transactions abroad (also known as surplus in national resources) decreased by KD 170.1 million or 0.8% during 2013 to KD 21181.9 million, compared to KD 21352 million during the previous year.

The developments in the economic performance in the main oil and non-oil sectors during 2013, compared with the previous year, are addressed in some detail as follows:

A- Oil Sectors:

Value added by the oil sectors at current prices witnessed a decline by KD 500.3 million or 1.5% during 2013 to reach KD 32671.1 million, compared with a growth of KD 5071.9 million or 18% during 2012. This decline reflects the decrease in the value added of crude oil and natural gas production sector to reach KD 31297.7 million during 2013, against KD 31764.8 million during the previous year, i.e. a decrease of KD 467.1 million or 1.5% compared with the previous year on the one hand, and the decline in the value added from manufacturing of coke, refined petroleum products and nuclear fuel sector by KD 33.2 million or 2.4% to reach KD 1373.4 million during 2013, against KD 1406.6 million during the previous year on the other.

Data provided by the Organization of Petroleum Exporting Countries (OPEC) indicate a decrease in the average spot price of the OPEC Reference Basket (ORB) to reach \$105.87 per barrel during 2013 compared to \$109.45 per barrel during 2012, i.e. a decline of \$3.58 or 3.3%. In parallel, the average price of the Kuwaiti exported crude oil barrel recorded a slight decline to \$105.77 per barrel during 2013, compared to \$106.61 per barrel on average during the previous year, i.e. a decrease of \$0.84 or 0.79%. Furthermore, prices of refined petroleum products witnessed a relative decrease wherein the weighted average price of exported barrel equivalent of Kuwaiti refined petroleum products decreased from \$115.22 per barrel during 2012 to \$111.34 per barrel on average during 2013, i.e. a decline of \$3.89 or 3.37%. The weighted average price of exported barrel equivalent of Kuwaiti natural liquefied gas products (Propane and Butane) recorded a decline of \$1.57 or 2.02% to reach \$75.94 during 2013 compared to \$77.51 during the previous year.

Within the same context, production rates of Kuwaiti crude oil witnessed a slight decline from 2.977 million b/d on average during 2012 to 2.924 million b/d on average for 2013, i.e. a decline of .053 million or 1.8%. Also, production quantities of refined petroleum products decreased from 907.4 thousand b/d during 2012 to 848.1 thousand b/d during 2013, i.e. a decline of 59.4 thousand or 6.5%. Moreover, production quantity of liquefied natural gas declined from 151.8 thousand of equivalent b/d on average during 2012 to 147.4 thousand equivalent b/d on average during 2013, i.e. a decrease of 4.4 thousand barrel or 2.9%. Regarding quantities of exported Kuwaiti oil, available data indicate a decrease in total quantities from 2.879 million b/d on average during 2012 to 2.826 million b/d during 2013, i.e. a decline of 0.053 million or 1.84%. Available data on the performance of oil sector indicate a slight decline in the value of Kuwait's oil exports to KD 30790 million during 2013, compared to KD 31608 million during 2012, i.e. a decrease of KD 818 million or 2.6%.

B- Non-Oil Sectors:

Value added by the non-oil sectors at constant prices witnessed a growth of KD 1144.2 million or 5.9% to KD 20443.8 million, compared to KD 631.4 million or 3.4% during 2012. Table (4) sets out the development of non-oil GDP at constant prices by divisions of economic activity over the last four years (2010-2013).

The table's data prove that 'Community, Social & Personal Services' maintained its lead among activities constituting non-oil sectors with the highest relative contribution to the non-oil GDP, at 31.6% during 2013, against 32.8% during the previous year. Within the same context, available data point out that value added by this sector realized a growth of KD 134.6 million or 2.1% to reach KD 6467.8 million during 2013, after a growth of KD 187.1 million or 3% during 2012. This growth contributed 11.8% of the increase in the value added by total non-oil activities during 2013, previously mentioned in Table 4.

The 'Financial Intermediation' came second with a relative contribution of 14.7% to the non-oil GDP at constant prices during 2013, against 14.9% during the previous year. Data also indicate that 'Financial Intermediation and Insurance' recorded a growth in its value added at constant prices of KD 141.5 million or 4.9% to reach KD 3012.7 million during 2013, against KD 2871.2 million during the previous year. Data also indicate that value added by 'Real Estate, Renting and Business Services' recorded a growth of KD 33.1 million or 1.1% to reach KD 2954.5 million during 2013, compared to KD 20.2 million or 0.7% during 2012.

On another front, value added by 'Transportation, Storage and Communication' at constant prices was KD 2638 million during 2013 against KD 2436.7 million during 2012, i.e. a growth of KD 201.4 million or 8.3%, compared to KD 176.2 million or 7.8% during the previous year. Meanwhile, value added by 'Manufacturing Industries' recorded a growth of KD 421.7 million or 30.2% to reach KD 1819.7 million during 2013 compared to KD 1398 million during the previous year. The value added by 'Manufacturing Industries' accounted for 8.9% of non-oil GDP during 2013 against 7.2% during the previous year.

Value added by 'Wholesale & Retail Trade' recorded a growth of KD 143.2 million or 10.8% to reach KD 1470.9 million during 2013, compared to KD 1327.7 million and a decline of KD 2.9 million or 0.2% during 2012. The value added from that sector was 7.2% of non-oil GDP during 2013 against 6.9% during the previous year. Furthermore, value added by 'Electricity, Gas and Water' witnessed a growth of KD 32.2 million or 4.6% during 2013 to reach KD 730.7 million, against KD 698.5 million during the previous year.

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

Item	2010	2011*	2012**	2013
Agriculture and Fishing	149.4	165.8	163.7	164.9
Activities of Services related to Extraction of Crude Oil and Gas	77.4	86.2	81.2	83.9
Manufacturing Industries***	882.7	1134.5	1398	1819.7
Electricity, Gas and Water	662.3	737.1	698.5	730.7
Construction	730.3	744.8	770.4	785.7
Wholesale & Retail Trade	1338.2	1330.6	1327.7	1470.9
Hotels & Restaurants	272.4	290.2	297.6	314.9
Transport, Storage and Communication	2382.3	2260.5	2436.7	2638.1
Financial Intermediation and Insurance, of which:	3092.2	2871.2	2871.2	3012.7
- Financial Institutions	3002.6	2776.4	2772.6	2916.5
Real Estate, Renting and Business Services	2797.6	2901.2	2921.4	2954.5
Community, Social & Personal Services	5677.9	6146.1	6333.2	6467.8
Total Non-Oil Sectors	18062.8	18668.2	19299.6	20443.8

* Revised data.

** Provisional data.

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

Source: Central Statistical Bureau.

Data also indicate that the value added by ‘Construction’ witnessed an increase of KD 785.7 million, i.e. an increase of KD 15.3 million or 2% in 2013, compared to KD 770.4 million and a growth of KD 25.6 million or 3.4% during the previous year.

On another front, value added by the non-oil sectors at current prices witnessed a growth of KD 2127 million or 10% to KD 23501.4 million, compared to KD 1863.7 million or 9.6% during 2012. Table (4-A) sets out the development of non-oil GDP at current prices by divisions of economic activity over the last four years (2010-2013).

The table’s data show that ‘Community, Social & Personal Services’ maintained its lead among activities constituting non-oil sectors with the highest relative contribution to the non-oil GDP, at 35.7% during 2013, against 35.3% during the previous year. Within the same context, available data point out that value added by this sector realized a growth of KD 852.4 million or 11.3% to reach KD 8394.1 million during 2013, after a growth of KD 992.9 million or 15.2% during 2012.

This growth contributed 40.1% of the increase in the value added by total non-oil activities during 2013, previously mentioned in (Table 4-A).

‘Real Estate, Renting and Business Services’ came second with a relative contribution of 13.9% to the non-oil GDP at current prices during 2013, against 14.6% during the previous year. Data also indicate that ‘Real Estate, Renting and Business Services’ recorded a growth in its value added of KD 137.7 million or 4.4% to reach KD 3262.8 million during 2013, compared to KD 97.4 million or 3.2% during 2012. Data also indicate that value added at current prices by ‘Financial Intermediation and Insurance’ recorded a growth of KD 193.1 million or 6.4% to reach KD 3232.1 million during 2013, against KD 3039 million or 2.7% during 2012. Furthermore, the relative contribution of value added by ‘Financial Intermediation and Insurance’ declined from 14.2% in 2012 to 13.8% in 2013. It is worth noting that ‘Financial Institutions’ constituted 97% of the ‘Financial Intermediation and Insurance’ activity.

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

Item	2010	2011*	2012**	2013
Agriculture and Fishing	149.4	186.6	175.3	175.3
Activities of Services related to Extraction of Crude Oil and Gas	77.4	88.7	84.1	87
Manufacturing Industries***	882.7	1182.9	1499.4	2001
Electricity, Gas and Water	662.3	772.6	862.5	900.4
Construction	730.3	772.9	832.7	860.4
Wholesale & Retail Trade	1338.2	1400.7	1449	1643.3
Hotels & Restaurants	272.4	288.9	309.7	332
Transport, Storage and Communication	2382.3	2282.8	2455.8	2613
Financial Intermediation and Insurance, of which:	3092.2	2958.1	3039	3232.1
- Financial Institutions	3002.6	2858.8	2933.6	3129.4
Real Estate, Renting and Business Services	2797.6	3027.7	3125.1	3262.8
Community, Social & Personal Services	5677.9	6548.8	7541.7	8394.1
Total Non-Oil Sectors	18062.8	19510.7	21374.4	23501.4

* Revised data.

** Provisional data.

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

Source: Central Statistical Bureau.

On another front, value added by ‘Transportation, Storage and Communication’ at current prices was KD 2613 million during 2013 against KD 2455.8 million during 2012, i.e. a growth of

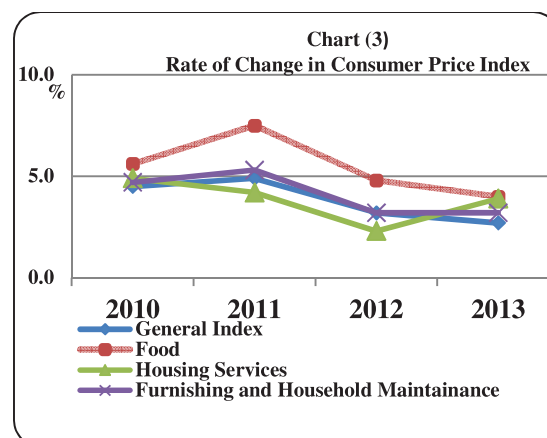
KD 157.2 million or 6.4%, compared to KD 173 million or 7.6% during the previous year. Meanwhile, value added by ‘Manufacturing Industries’ recorded a growth of KD 501.6 million or 33.4% to reach KD 2001 million during 2013 compared to KD 1499.4 million during the previous year. The value added by ‘Manufacturing Industries’ accounted for 8.5% of non-oil GDP during 2013 against 7% during the previous year.

Value added by ‘Wholesale & Retail Trade’ recorded a growth of KD 194.3 million or 13.4% to reach KD 1643.3 million during 2013, compared to KD 1449 million and a growth of KD 48.2 million or 3.4% during 2012. The value added from that sector was 7% of non-oil GDP during 2013 against 6.8% during the previous year. Furthermore, value added by ‘Electricity, Gas and Water’ witnessed a growth of KD 37.9 million or 4.4% during 2013 to reach KD 900.4 million compared to KD 89.9 million or 11.6% during the previous year. Data also indicate that the value added by ‘Construction’ witnessed an increase of KD 860.4 million, i.e. an increase of KD 27.6 million or 3.3% in 2013, compared to KD 832.7 million and a growth of KD 59.9 million or 7.8% during the previous year.

Second- General Level of Domestic Prices:

1- General Consumer Price Index* :

Table 5 and Chart 3 show the development of the CPI (base year 2007=100) in the State of Kuwait by main groups of consumption expenditure and durability of goods during the period 2011-2013. Data in this table (including chart 3) indicate a deceleration in the annual inflation rate calculated on the basis of the relative change on average in the CPI to reach 2.7% during 2013, against 3.2% during 2012 compared to 2011.



* The Central Statistical Bureau prepares the CPI based on the results of research on household income and expenditure (household budget) for 2007/2008. During 2013, the weights of the various components of CPI are accordingly updated, and the year 2007 is taken as the base year (2007=100) for calculating the CPI.

The recorded deceleration in the annual inflation rate during 2013 was an outcome of changes in the main groups constituting the CPI compared with their levels during 2012, whereby the growth rate of 'Food and Beverages' (weight 18.4%) decelerated to 4% during 2013, against 4.8% during 2012. 'Transportation' (weight 7.9%) came next with 1.3% against 2.6% during 2012. In addition, 'Clothing and Footwear' (weight 9.3%) recorded a decrease by 0.2% on average during 2013, against an increase of 4.3% on average during 2012. Meanwhile, 'Housing Services' (weight 28.9%) recorded an increase by 3.9% during 2013 against 2.3% during 2012.

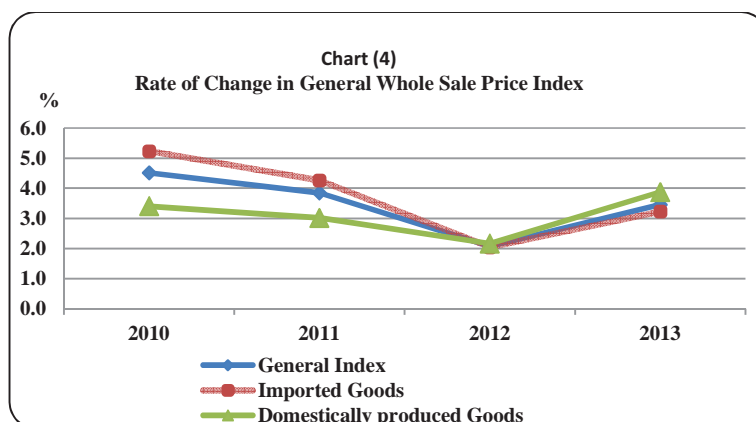
Table (5)
Development of the General Consumer Price Index
 (Base Year 2007 = 100)

Item	Weights	2011	2012	2013	Change (%)		Relative Contribution in Price Index Change (%)	
					2012	2013	2012	2013
Consumer Price Index:	100	121.9	125.8	129.2	3.2	2.7	100	100
1- By Items of Expenditure								
• Food and Beverages	18.3	130.2	136.4	141.9	4.8	4.0	28.8	30.0
• Cigarettes and Tobacco	0.3	116.1	123.8	132.6	6.6	7.1	0.5	7.1
• Clothing and Footwear	9.3	121.8	127.0	126.8	4.3	-0.2	12.1	-0.6
• Housing Services	28.9	120.1	122.9	131.1	2.3	3.9	20.3	40.8
• Household Goods & Services	11.3	123.8	127.8	136.2	3.2	3.2	11.3	13.6
• Health	1.6	121.2	125.3	125.8	3.4	1.2	1.6	0.7
• Transportation	7.9	118.0	121.1	123.6	2.6	1.3	6.2	3.6
• Communication	4.0	101.3	101.4	100.9	0.1	-0.1	0.1	-0.1
• Recreation and Culture	4.3	122.1	125.7	129.0	2.9	1.9	3.9	3.0
• Education	3.0	121.3	123.3	126.4	1.6	0.8	1.5	0.9
• Restaurants and Hotels	3.3	122.3	125.9	130.5	2.9	0.6	3.0	0.7
• Miscellaneous goods and services	7.8	120.5	125.9	126.9	4.5	2.3	10.6	6.6

Source: Central Statistical Bureau.

2- General Wholesale Price Index (*):

Table 6 and Chart 4 demonstrates the development of General Wholesale Price Index (GWPI) (base year 2007=100) by main sections during the last three years 2011-2013 in the State of Kuwait. Data indicate a rise in the rate of change of the GWPI to 3.2% during 2013 compared to 2.1% during 2012, compared to 2011.



The analysis of the developments witnessed by wholesale prices indicate a rise of GWPI of 'Imported Goods' (weight 64.4%) to 3.2% during 2013 compared to 2.1% during 2012, compared to 2011. Furthermore, the change in the GWPI of 'Domestically Produced Goods' (weight 35.6%) recorded an increase of 3.9% during 2013, against 2.2% during 2012 compared to 2011.

Table (6)
Development of the General Wholesale Price Index
(Base Year 2007 = 100)

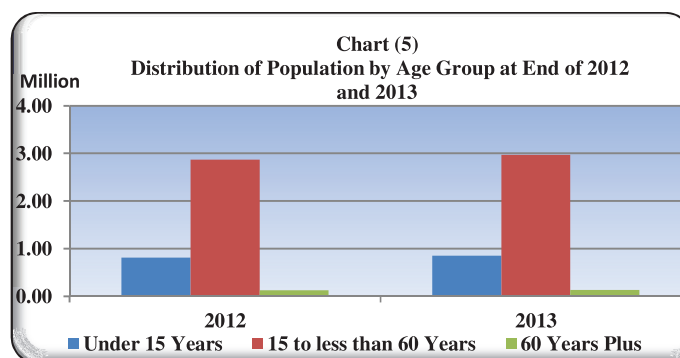
Item	Weights	2011	2012	2013	Change (%)	
					2012	2013
General Wholesale Price Index	100.00	115.7	118.1	122.2	2.1	3.2
By Main Sections:						
• Agriculture, Forestry and Fishing	44.9	134.0	141.0	144.3	5.2	2.3
• Quarrying	3.2	116.2	116.6	111.5	0.3	-4.5
• Manufacturing Industries	900.2	115.7	118.0	122.4	2.0	3.7
• Electricity and Water	51.7	100.0	100.0	100.0	0.0	0.0
1-GWPI of Imported Goods:	644.3	117.4	119.8	123.7	2.1	3.2
2-GWPI of Domestically Produced Goods	355.7	112.6	115.0	119.5	2.2	3.9

Source: Central Statistical Bureau.

* In June 2012, the Central Statistical Bureau updated the GWPI on the basis of base year 2007=100 after replacing 1980 as the previous base year. This update also included changes in the used relative weights, goods basket, goods classification, sources sample and search form.

Third- Population and Labor Force:

Available data (Table 7 and Chart 5) indicate that the growth rate of total population of the State of Kuwait was 3.7% during 2013 against 3.4% during 2012 compared to 2011. Total population was 3.965 million at the end of 2013 against 3.824 million at the end of 2012.



The largest portion (78.7%) of this increase is attributed to the rise in non-Kuwaiti population reaching 2.723 million at the end of 2013, against 2.611 million at the end of 2012, and a growth rate of 4.3%. Growth in Kuwaiti population was 2.5% during 2013 compared to 2012, reaching a total of 1.242 million at the end of 2013, against 1.212 million at the end of 2012. As a result of this development, Kuwaiti population slightly declined to 31.3% during 2013, against 31.7% at the end of 2012. Conversely, non-Kuwaiti population increased to 68.7% of total population at the end of the mentioned year, compared to 68.3% at the end of the previous year.

Table (7)
Development of Main Indicators of Population
(End of Period)

Item	2011	2012	2013
Population:			
1- Kuwaitis:	1183185	1212436	1242490
Change (%)	3.0	2.5	2.5
To total (%)	32.0	31.7	31.3
2- Non-Kuwaitis:	2514107	2611292	2722532
Change (%)	3.3	3.9	4.3
To total (%)	78.0	68.3	68.7
3- Total Population (1+2):	3697292	3823728	3965022
Change (%)	3.2	3.4	3.7
Under 15 years (%)	21.3	21.3	21.5
15 to less than 60 years (%)	75.3	75.2	74.9
60 years plus (%)	3.4	3.5	3.6

Source: Public Authority for Civil Information.

Regarding developments in the population age structure and its reflections on the participation rates and dependency ratios - the ratio of economically active individuals, i.e. those aged between 15 and less than 60 years, in total population - slightly declined to 74.9% at the end of 2013 against 75.2% at the end of 2012. In line with these developments, the dependency indices for total population (which represents the ratio of individuals outside the labor force to total labor force) increased to 672 individuals for every 1000 individuals in labor force at the end of 2013 compared to 665 individuals for every 1000 individuals in labor force at the end of 2012.

On another front, the dependency indicator for Kuwaiti population declined to 2029 individuals for every 1000 at the end of 2013, against 2036 individuals at the end of 2012. This decline is attributed to the rise in the number of Kuwaiti labor force at a rate (2.7%) higher than the growth rate of Kuwaiti population (2.5%) at the end of 2013 compared with the previous year.

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

Item	2011	2012	2013
Dependency Rates (Individuals / 1000 Labor Force):			
1) Kuwaitis	2036	2036	2029
2) Non-Kuwaitis	368	377	389
3) Total Population	660	665	672

Source: Public Authority for Civil Information.

On the other hand, the dependency ratio of non-Kuwaiti population increased from 377 individuals for every 1000 individuals in labor force at the end of 2012 to 389 for every 1000 individuals at the end of 2013. This increase is an outcome of the rise in the number of non-Kuwaiti labor force at a rate (3.4%) lower than the growth rate in the number of non-Kuwaiti population (4.3%) between the end of the two comparative years (Table 8).

As for the development in the labor force indicators, available data (Table 9) indicate that the growth rate of total labor force recorded a slight increase to reach 3.3% at the end of 2013 compared to 3.1% at the end of 2012. Total labor force was 2.371 million compared to 2.296 million at the end of the previous year. This rise is an outcome of the increase in the growth rate of Kuwaiti labor force reaching 2.7% at the end of 2013, against 2.5% at the end of 2012, as well as the rise in the growth rate of non-Kuwaiti labor force to reach 3.4% at the end of 2013 against 3.2% at the end of 2012.

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

Item	2011	2012	2013
Labor Force:			
1- Kuwaitis	389746	399345	410254
Change (%)	6.6	2.5	2.7
To Total (%)	17.5	17.4	17.3
2- Non-Kuwaitis	1837657	1896910	1960747
Change (%)	2.5	3.2	3.4
To Total (%)	82.5	82.6	82.7
3- Total Labor Force (1+2):	2227403	2296255	2371001
Change (%)	3.2	3.1	3.3

Source: Public Authority for Civil Information.

With regard to the relative distribution of total labor force by division of economic activity at the end of 2013 (Table 10), 'Public, Social & Personal Services' accounted for 46.3% of total labor force, against 46% at the end of 2012, followed by 'Trade, Restaurants & Hotels' (15.5%) and 'Construction' (9.2%). The relative distribution of Kuwaiti labor force by division of economic activity at the end of 2013 shows that it was concentrated in activities related to 'Public, Social & Personal Services' (68.9%), followed by 'Finance, Insurance, Real Estate and Business Services' (5.7%) and 'Trade, Restaurants & Hotels'(3.9%). Table (10) shows the relative distribution of total labor force by division of economic activity at the end of the three years 2011-2013.

Table (10)
Relative Distribution of Labor Force by Division of Economic Activity
(%)

Item	End of 2011			End of 2012			End of 2013		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
Agriculture & Fishing	0.1	2.3	1.9	0.1	2.0	1.6	0.1	1.8	1.5
Mining & Quarrying	1.3	0.1	0.3	1.3	0.1	0.3	1.3	0.1	0.3
Manufacturing Industries	2.3	6.1	5.5	2.4	6.1	5.5	1.7	5.9	5.2
Electricity, Gas & Water	3.4	0.1	0.7	3.5	0.1	0.7	3.5	0.1	0.7
Construction	2.8	9.6	8.4	2.9	9.8	8.7	3.1	10.4	9.2
Trade, Restaurants & Hotels	3.7	18.0	15.5	3.8	18.2	15.7	3.9	17.9	15.4
Transport, Storage & Communication	2.4	3.3	3.1	2.3	3.2	3.0	2.0	3.0	2.8
Finance, Insurance, Real Estate & Business Services	4.9	5.2	5.2	4.9	5.2	5.2	5.7	5.4	5.5
Public, Social & Personal Services	69.4	41.6	46.4	69.2	41.1	46.0	68.9	41.6	46.3
Unspecified	9.7	13.8	13.1	9.6	14.2	13.3	9.7	13.8	13.1
Total	100	100	100	100	100	100	100	100	100

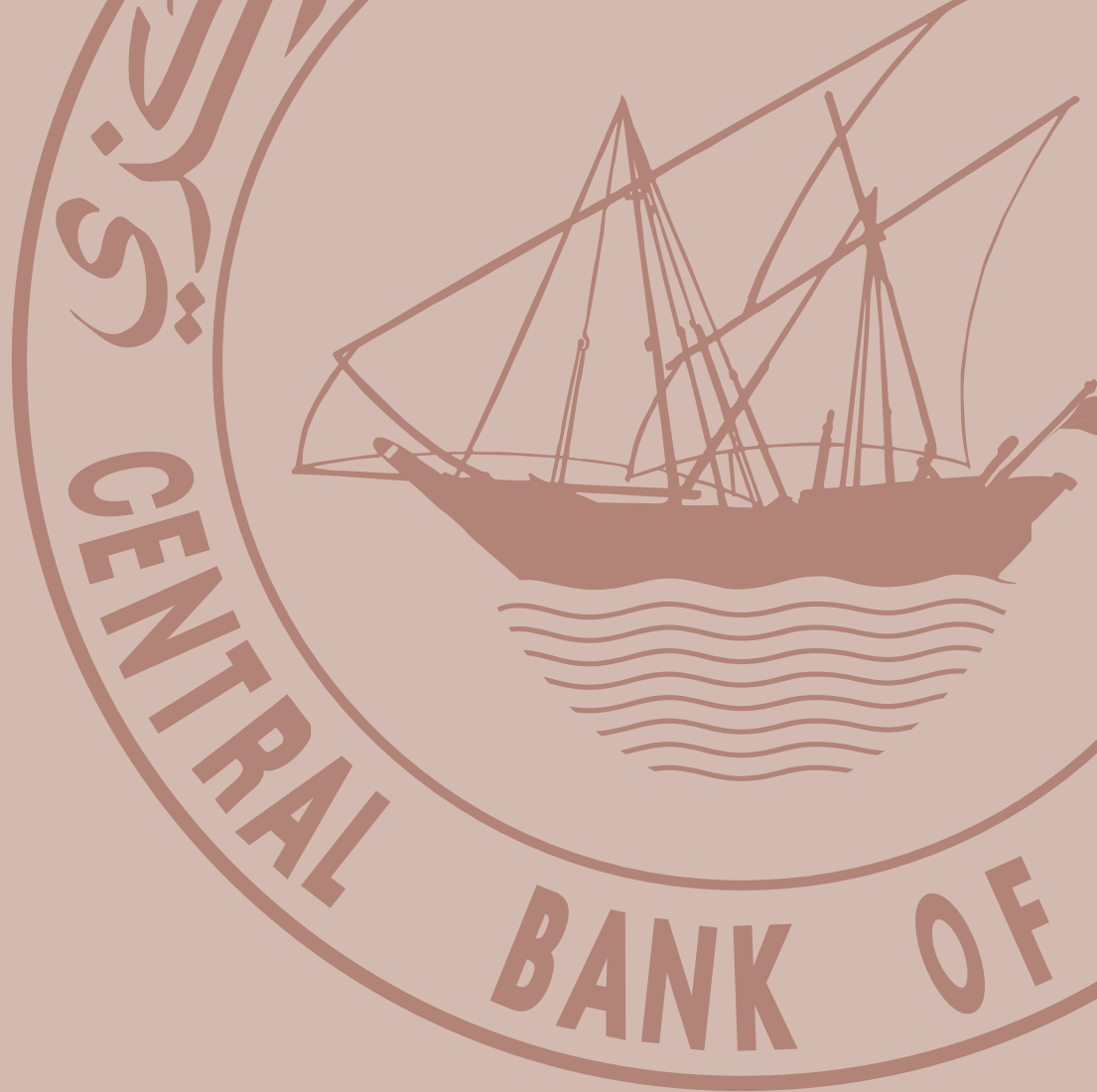
Source: Public Authority for Civil Information.

Regarding distribution of labor force by sectors: government, private, household and unemployed (Table 11), available data indicate that total labor force in the private sector increased by 4.6% during 2013 compared with the previous year, resulting in an increase in the relative share of labor force in the private sector to total labor force from 54.7% at the end of 2012 to 55.5% at the end of 2013. The growth rate of labor force in the government sector was 2.3% at the end of 2013 compared with the previous year, causing a slight decrease in its relative share in total labor force from 18.7% at the end of 2012 to 18.5% at the end of 2013. Conversely, total number of unemployed declined by 5.6% at the end of 2013 compared with the previous year, causing a decrease in its relative share to total labor force to 1.8% at the end of the mentioned year compared to 2% at the end of the previous year.

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

Sector	2011	2012	2013
Government Sector	18.9	18.7	18.5
Kuwaiti	13.3	13.2	13.1
Non-Kuwaiti	5.6	5.5	5.5
Private Sector	53.6	54.7	55.5
Kuwaiti	3.6	3.6	3.8
Non-Kuwaiti	50.0	51.1	51.7
Household Sector	25.5	24.6	24.2
Kuwaiti	0.0	0.0	0.0
Non-Kuwaiti	25.5	24.6	24.2
Unemployed	2.1	2.0	1.8
Kuwaiti	0.6	0.5	0.5
Non-Kuwaiti	1.5	1.4	1.3
Total Labor Force	100.0	100.0	100.0
Kuwaiti	17.5	17.4	17.3
Non-Kuwaiti	82.5	82.6	82.7

Source: Public Authority for Civil Information.



Monetary Developements
and Activity of the
Central Bank of Kuwait

2013

Monetary Development and Activity of the Central Bank of Kuwait

Introduction:

Many significant monetary and banking developments took place during 2013 reflecting CBK's continuous efforts in the fields related to drawing and implementing the monetary policy aimed at strengthening monetary stability of the national economy to stimulate sustainable economic growth and enhance financial stability.

Available data during 2013 indicate a continued growth of domestic liquidity levels, where money supply in its broad definition (M2) increased by 9.5% compared with a growth of 7% during 2012. In addition, bank credit growth rate accelerated during 2013 where the growth rate of the utilized cash of credit facilities extended by local banks to various economic sectors reached 8.1% compared to 4.6% during 2012. Furthermore, developments in resident private sector deposits with local banks indicate a growth in these deposits of 9.5% at the end of 2013 compared to a growth of 6.8% at the end of 2012.

On another front, the Kuwaiti dinar exchange rate, during 2013, continued maintaining its relative satiability in line with CBK policy pegging the KD exchange rate to a special weighted basket of currencies of major trade and financial partners of the State of Kuwait.

Within its efforts on managing the levels of domestic liquidity during 2013, CBK continued to use the monetary policy instruments at its disposal, notably the scheme of accepting deposits from local banks, issuing CBK bonds and managing the issuance of public debt instruments on behalf of the Ministry of Finance.

During 2013, CBK continued its efforts in the area of supervision and oversight on the registered banking and financial sector units, within the framework of enhancing their monetary and financial position in line with the prevailing international supervision and oversight standards to develop banks' abilities regarding risk management, resilience to shocks and difficult stressful circumstances, as well as strengthening the atmosphere of financial stability in the national economy.

This part of the Economic Report highlights the most notable developments in the main monetary aggregates and indicators and in the area of banking supervision and oversight during 2013, as follows:

1- Money Supply Developments:

Available data (Table 12, Chart 6) indicate an accelerated pace of growth in domestic liquidity levels during 2013. Money supply in its broad definition (M2) grew to KD 32732.3 million at the end of 2013 realizing an increase of KD 2844.2 million or 9.5%, after a rise of KD 1955 million or 7% during 2012.

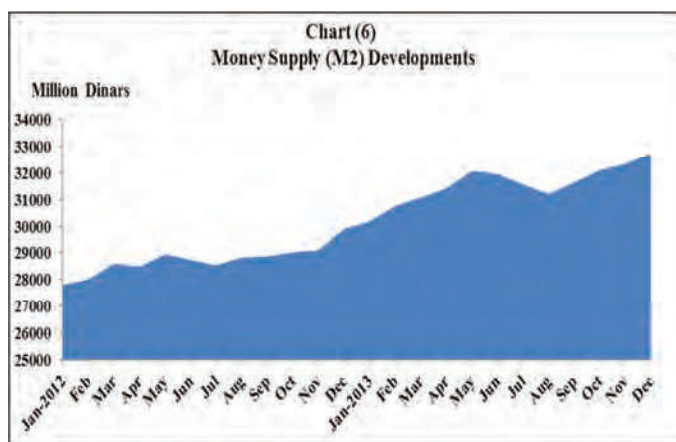
Table (12)
Developments in Money Supply Aggregates
(KD Million)

Items	٢٠١١	2012	٢٠١٣	Change (2)-(1)	
				Value	%
Money (M1):	6551.9	7873.3	8850.5	977.3	12.4
Currency in Circulation	1205.1	1339.9	1481.3	141.3	10.5
Quasi-Money:	21381.3	22014.9	23881.8	1866.9	8.5
KD Deposits	24649.9	26276.0	28129.4	1853.4	7.1
Foreign Currency Deposits	2078.2	2272.2	3121.7	849.5	37.4
Money Supply (M2):	27933.1	29888.1	32732.3	2844.2	9.5
Deposits with Investment Companies (*)	14.1	28.1	56.5	28.5	101.4
Money Supply (M3):	27947.2	29916.2	32788.8	2872.6	9.6
Monetary Indicators:					
Currency in Circulation/M1	18.4	17.0	16.7		
Quasi-Money/M2	76.5	73.7	73.0		
M1/M2	23.5	26.3	27.0		

Source: Central Bank of Kuwait

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

The mentioned growth in Money Supply in its broad definition (M2) during 2013 included an increase in both Quasi-Money of KD 1866.9 million or 8.5%, and Money in its narrow definition (M1) of KD 977.3 million or 12.4%.



The increase witnessed by Quasi-Money during 2013 reflects the rise in both KD resident private sector deposits (excluding sight deposits) with local banks by KD 1017.4 million or 5.2%, and foreign-currency deposits with these banks by KD 849.5 million or 37.4% (Table 13).

Table (13)
Private Sector Deposit Balances with Local Banks at the end of 2013
(Value in KD Million, End of Period)

Item	2012	2013	YOY Change in Q4	
			Value	Rate (%)
KD Deposits	26276.0	28129.4	1853.4	7.1
Sight	6533.3	7369.3	835.9	12.8
Savings	4324.0	4654.9	330.9	7.7
Time	15418.7	16105.2	686.5	4.5
CDs	-	-	-	-
Foreign Currency	2272.2	3121.7	849.5	37.4
Total	28548.2	31251.1	2702.9	9.5

Source: Central Bank of Kuwait.

Within the aggregate monetary position of CBK and local banks during 2013, data related to the factors affecting the changes in money supply – the factors affecting changes that accrued in net domestic assets and net foreign assets of the mentioned entities (Tables 14 and 15) – indicate that the mentioned increase in money supply (M2) during 2013 was the outcome of the rise in the net domestic assets of those entities by KD 1198. 1 million or 7.6%, and the increase in net foreign assets of the mentioned entities by KD 1579 million or 11.4%.

The mentioned increase in the net foreign assets of CBK and local banks was the outcome of the rise in both net foreign assets of CBK by KD 927.7 million or 12.7% and net foreign assets of local banks by the equivalent of KD 629.3 million or 10%.

The said increase in net domestic assets of the entities mentioned (Table 14) resulted from a number of developments in the components of the domestic assets and liabilities of the mentioned entities, the most notable of which can be indicated as follows:

Table (14)
Factors Affecting Changes in Money Supply (M2)
(KD million)

Particulars	٢٠١٢	٢٠١٣	Change		Contribution to Money Supply Growth (%) ²
			Value	(%)	
Money Supply (M2)	<u>29888.1</u>	<u>32732.3</u>	<u>2844.2</u>	<u>9.52</u>	<u>9.52</u>
Net Domestic Assets:	<u>15869.2</u>	<u>17045.0</u>	<u>1198.1</u>	<u>7.6</u>	<u>4.0</u>
Claims on the Government (net):	<u>3814.0</u>	<u>-4189.4</u>	<u>-375.3</u>	<u>-9.8</u>	<u>-1.3</u>
CBK (net):	<u>-542.9</u>	<u>-٦٣٥,١</u>	<u>-92.2</u>	<u>١٧,٠</u>	<u>-٠,٢</u>
Claims on the Government	0.0	0.0	0.0	-	-
Government Accounts	-542.9	-635.1	-٩٢,٢	17.0	-0.3
Local Banks (net):	<u>-3271.1</u>	<u>-3554.3</u>	<u>-283.2</u>	<u>-8.7</u>	<u>-0.9</u>
Claims on the Government:	1684.3	1502.4	-181.9	-10.8	-0.6
Debt Purchase Bonds	0.0	0.0	-	-	-
Public Debt Instruments	1684.3	١٥٠٢,٤	-181.9	-10.8	-0.6
Government Deposits	-4955.4	-5056.7	-101.3	-2.0	-0.3
Claims on the Private Sector:	<u>29020.6</u>	<u>31124.8</u>	<u>2104.2</u>	<u>7.3</u>	<u>7.0</u>
Credit Facilities to Residents	26796.8	28960.9	2164.1	8.1	7.2
Other Domestic Investments	2223.8	2163.9	-59.9	-2.7	-0.20
Other Items (net), of which:	<u>-9359.7</u>	<u>-9890.4</u>	<u>-530.7</u>	<u>-5.7</u>	<u>-1.8</u>
Capital and Reserves	-6889.0	-72950	-406.0	5.9	-1.4
Other	-2470.6	-2595.4	-124.8	5.1	-0.4
Net Foreign Assets:	<u>13799.8</u>	<u>15378.7</u>	<u>1579.0</u>	<u>11.4</u>	<u>5.3</u>
CBK:	<u>7317.5</u>	<u>8255.6</u>	<u>927.7</u>	<u>12.7</u>	<u>3.1</u>
Foreign Assets	7329.1	8255.6	926.5	12.6	3.1
Foreign Claims	11.6	-10.5	1.1	-9.9	0.00
Local Banks:	<u>6504.6</u>	<u>7133.6</u>	<u>629.3</u>	<u>10.0</u>	<u>2.2</u>
Foreign Assets	9487.7	10177.6	689.9	7.3	2.34
Foreign Claims	2983.2	-3044.0	-60.8	2.0	-0.20

Source: Central Bank of Kuwait.

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

- The rise in the balances of local bank claims on the private sector at the end of 2013 by KD 2104.2 million or 7.3% compared with the end of the previous year.
- The increase in net claims of local banks on the government by KD 375.3 million or 9.8%. This rise resulted from the increase in the claims of local banks on the government

by KD 283.2 million or 8.7% on the one hand, and the rise in the balances of government deposits with CBK by KD 92.2 million or 17% on the other hand.

- The rise in the net foreign assets of CBK by the equivalent of KD 927.6 million or 12.7% (Table 15) as a result of the increase in total foreign assets (by the equivalent of KD 926.5 million or 12.6%) on the one hand, and the decrease in foreign liabilities (by the equivalent of KD 1.1 million or 9.9%) on the other.

Table (15)
Net Foreign Assets of the Banking Sector
(KD million)

Particulars	End of 2012			End of 2013			Change	
	Foreign Assets	Foreign Liabilities	Net	Foreign Assets	Foreign Liabilities	Net	Value	(%)
CBK	7329.14	11.6	7317.5	8255.6	10.5	8245.1	927.6	12.7
Local Banks	9487.7	2983.2	6504.6	10177.6	3044.0	7133.6	629.0	9.7
Total	16816.8	2994.8	13822.1	18433.2	3054.5	15378.7	1556.6	11.26

Source: Central Bank of Kuwait.

2- Development of Bank Credit:

Data (Table 16) indicate an increase in the balances of the utilized cash portion of credit facilities extended by local banks to the various domestic economic sectors by KD 2164.1 million or 8.1% to KD 28960.9 million at the end of 2013 against KD 26796.8 million at the end of 2012, after recording a rise of KD 1185.3 million or 4.6% during 2012 compared with the previous year.

Changes in the levels of credit facilities are considered major indicators in understanding CBK's role in directing bank credit policy in accordance with the developments in averages witnessed by sectors comprising the domestic economy. Bank credit is also considered one of the main factors affecting money supply. Data on the balance of the utilized cash portion of extended credit facilities indicate that the Personal Facilities sector encompasses a considerable rate of 39% of total balances of domestic credit facilities. This was caused by the rise in the balances of installment loans (by KD 995.1 million or 16.5%), consumer loans by KD 122.4 million or 11.8%, and purchase of securities by KD 31 million or 1.1%.

The balances of utilized cash portion other than the financial institutions grew by KD 2408.8 million or 9.7% to reach KD 27348.9 million at the end of 2013 compared to KD 24940.1 million at the end of the previous year.

Table (16)
Development of Balances of Utilized
Domestic Cash Credit Facilities
(KD Million)

Sectors	Year-End Balance			Change			
				Value		Rate (%)	
	2011	2012	2013	2012	2013	2012	2013
Trade	2306.6	2475.1	2743.9	168.5	268.8	7.3	10.9
Industry	1750.2	1767.8	1773.6	17.6	5.8	1.0	0.3
Construction	1748.6	1744.9	1916.6	-3.7	171.7	-2.0	9.8
Agriculture & Fisheries	9.7	11	15.9	1.3	4.9	13.4	45
Non-Bank Financial Institutions	2379.8	1856.6	1612.0	-523.2	-244.5	-22.0	-13.2
Personal Facilities, of which:	<u>8946.8</u>	<u>10055.3</u>	<u>12281.6</u>	<u>1108.5</u>	<u>1226.3</u>	<u>12.4</u>	<u>12.2</u>
- Consumer Loans	823	1036.1	1158.5	213.1	122.4	25.9	11.8
- Installment Loans	5136.4	6035.5	7030.6	899.1	995.1	17.5	16.5
- Purchase of Securities	2640.9	2700.3	2731.3	59.4	31	2.2	1.1
- Others	346.5	283.4	361.2	-63.1	77.8	-18.2	27.5
Real Estate	6756	7114.3	7600.7	358.3	486.3	5.3	6.8
Crude Oil & Gas	172.8	165.0	209.1	-7.8	44.0	-4.5	26.7
Public Services	0.1	0	-	-0.1	0.0	0.0	0.0
Other	1540.8	1606.7	1807.5	65.9	200.7	4.3	12.5
Total	25611.4	26796.7	28960.9	1185.3	2164.1	4.6	8.1

Source: Central Bank of Kuwait.

On another front, available data on new KD credit facility agreements concluded with residents during 2013 indicate the level of demand for bank credit during the mentioned year. These agreements encompass the limits of credit facilities extended to new clients, as well as the renewal or increase in the limits of credit facilities extended to existing clients. Available data indicate that the value of these agreements increased by KD 3645.8 million or 32.6% to reach KD 14824.3 million during 2013 compared to KD 11178.6 million during 2012. This rise came as a result of the increase in the value of credit facility agreements concluded with the Real-Estate

sector by KD 1399.2 million or 53.5%, the Personal Facilities sector by KD 794.9 million or 26.1%, the Trade sector by KD 460.4 million or 25.4%, the Construction sector by KD 382.2 million or 94.2%, and the Industry sector by KD 238.6 million or 28.9%.

Data regarding financing merchandise imports of the Kuwaiti private sector indicate that total payments effected through local banks for financing these imports increased by KD 2194.7 million or 56.8% to reach KD 6058.9 million during 2013 against KD 3864.2 million during 2012. This rise included all currencies used to pay the value of the mentioned imports in varying rates, where the value of finance in the Pound Sterling remained stable at KD 29 million, while the value of finance increased in the Japanese Yen from KD 423.5 million to KD 441.1 million, Euro from KD 325.2 million to KD 341.2 million, Swiss Franc from KD 3.9 million to KD 4.8 million, and “other” currencies from KD 838.1 million to KD 2812 million between 2012 and 2013. Consequently, the relative importance of payments decreased in the Japanese Yen from 11% to 7.3%, Euro from 8.4% to 5.6%, US Dollar from 58.1% to 40.1%, and Pound Sterling from 0.8% to 0.5% on the one hand, even though the value of payments used in financing these imports increased. On the other hand, the relative importance of payments increased in the “other” currencies from 21.7% to 46.4% (Table 17, Chart 7).

Chart (7)
Relative Importance of Currencies in Funding Kuwaiti Imports

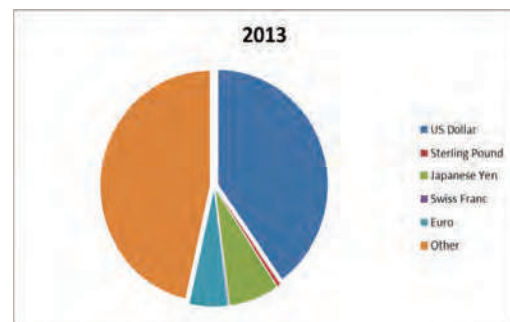
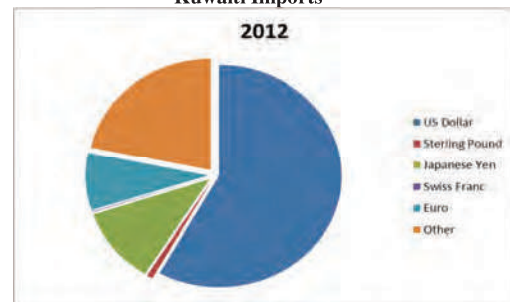


Table (17)
Relative Importance of Currencies in Funding Kuwaiti Imports %

Currencies	2012	2013
US Dollar	58.1	40.1
Sterling Pound	0.8	0.5
Japanese Yen	11	7.3
Swiss Franc	0.1	0.1
Euro	8.4	5.6
Other	21.7	46.4

Source: Central Bank of Kuwait.

3- Developments in the KD Exchange Rate:

During 2013, CBK continued to apply the KD exchange rate policy as of May 20, 2007 of pegging the KD exchange rate to a specially weighted basket of currencies of countries with significant financial and trade relations with the State of Kuwait. The system of the basket of currencies contributes to strengthen the CBK's ability to draw and implement a monetary policy aimed at reducing imported inflationary pressures resulting from fluctuations in the exchange rates of world currencies on the one hand, and to provide a supportive atmosphere to promote sustainable economic growth on the other hand.

In this context, data (Table 18) indicate that the movement of the US Dollar exchange rate against the KD was within relatively tight margins during 2013. The difference between the highest and lowest exchange rate for the US Dollar against the KD at the end of every month of 2013 was 5 fils or 1.7%. On another front data indicate clear fluctuations of the US Dollar exchange rate against other major currencies where the difference between the highest and lowest exchange rate for the US Dollar against these major currencies was: 15.69% against the Japanese Yen, 8.81% against the Pound Sterling, 8.66% against the Swiss Franc and 6.78% against the Euro.

Table (18)
US Dollar Exchange Rate against the Kuwaiti Dinar and
Some Major Currencies at the End of Every Month of 2013

End Period	KD ^(*)	Euro	Japanese Yen	Swiss Franc	Pound Sterling
January	<u>281.50</u>	0.743	<u>90.910</u>	0.927	0.637
February	282.85	0.754	93.470	0.929	0.658
March	284.85	<u>0.779</u>	94.855	0.949	0.660
April	284.60	0.767	98.070	0.943	0.646
May	<u>286.50</u>	0.778	102.325	<u>0.976</u>	<u>0.665</u>
June	284.90	0.765	97.815	0.938	0.649
July	284.25	0.753	97.845	0.929	0.650
August	283.60	0.747	97.130	0.918	0.644
September	282.90	0.739	98.785	0.910	0.622
October	281.75	<u>0.726</u>	97.575	0.896	0.621
November	282.9	0.739	101.490	0.911	0.619
December	282.25	0.728	<u>105.170</u>	<u>0.892</u>	<u>0.607</u>

Source: Central Bank of Kuwait.

(*) in fils.

Conversely, the daily exchange rate of the US dollar against the KD and some other major currencies fluctuated during 2013 (Table 19), where the difference between the highest and lowest exchange rate for the US Dollar against the KD reached 2.1%. Meanwhile, the difference between the highest and lowest exchange rate for the US Dollar against other major currencies reached 22.3% against the Japanese Yen, 10.8% against the Pound Sterling, 10.4% against the Swiss Franc and 8.0% against the Euro.

Regarding the changes in the US Dollar exchange rate against the KD on the one hand and some other major currencies on the other at the end of 2013 compared with the previous year (Table 20), a rise was noted in the US Dollar exchange rate against the KD by 1.1 fils or 0.39%. Furthermore, the US Dollar exchange rate recorded an increase of 22.53% against the Japanese Yen, while recording a decline of 3.7% against the Euro, 2.3% against the Swiss Franc and 2.096% against the Pound Sterling.

Table (19)
US Dollar Exchange Rate against the Kuwaiti Dinar and Some Major Currencies Based on Daily Data During 2013

Item	High	Low	Difference	Change (%)
KD (fils)	286.80	280.95	5.85	2.1
Pound Sterling	0.6724	0.6067	0.07	10.8
Euro	0.7824	0.7243	0.06	8.0
Swiss Franc	0.9770	0.8850	0.09	10.4
Japanese Yen	105.170	86.005	19.17	22.3

Source: Central Bank of Kuwait.

Table (20)
US Dollar Exchange Rate against the Kuwaiti Dinar and Some Major Currencies at the End of 2013 Compared to the Previous Year

End Period	KD ^(*)	Euro	Japanese Yen	Swiss Franc	Pound Sterling
2012	281.15	0.756	85.825	0.913	0.620
2013	282.250	0.728	105.170	0.892	0.607
Change	1.1	-0.028	19.34	0.021	-0.013
Rate of Change (%)	0.39	-3.7	22.53	-2.3	-2.096

Source: Central Bank of Kuwait.

^(*) In fils.

4- Developments in Domestic Interest Rates:

CBK kept the discount rate unchanged at 2% since its last cut by 50 basis points on 3/10/2012 (Table 21). CBK continued, during 2013, to apply the structure of the local interest rates in KD since March 30, 2008 stipulating that the maximum limit of interest rates on consumer loans and installment loans (residential) in KD should not exceed three percentage points on CBK's specified and announced discount rate. Consumer loans 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 interest rate announced for this type of loans. The change in the interest rate shall be no more nor less than two percentage points of the interest rate applied by virtue of loan contract before the change made. As for other types of loans, the maximum limit of annual interest rate agreement on all types of commercial and other KD-lending transactions up to one year should not exceed two and a half percentage points on CBK's specified and announced discount rate. The maximum limit of annual interest rate agreement on all types of KD-lending transactions over one year should not exceed four percentage points on the specified discount rate.

Table (21)
Development of the Local KD Interest Rates Structure
(Percent per Annum)

End of Period	Maximum Contractual Interest Rates on all forms of KD Lending Transactions			
	Discount Rate	Up to One Year	Over One Year	Consumer
	Rate	Rate	Rate*	Loans
2008	3.75	6.25	7.75	6.75
2009	3.00	5.5	7.00	6.00
2010	2.50	5.00	6.50	5.50
٢٠١١	2.50	5.00	6.50	5.50
٢٠١٢	2.00	4.5	6.00	5.00
2013	2.00	٤,٥	٦,٠٠	٥,٠٠

Source: Central Bank of Kuwait.

*Excluding from that rate the maximum limit of interest rate agreement on installment loans which became no more than three percentage points above the discount rate since March 30, 2008 instead of four percentage points before that date.

Data on average interest rates on KD-denominated customer time deposits with local banks during 2013 point to a decline in these average rates for all terms, of 0.377 percentage point for 12-month deposits from 1.521% to 1.144%, and 0.174 percentage point for 1-month deposits from 0.737% to 0.563%. Furthermore, average interest rates on US dollar time deposits with local banks recorded a decline during 2013 against 2012 by 0.126 percentage point for 12-month deposits from 0.777% to 0.651%, and 0.043 percentage point for 1-month deposits from 0.208% to 0.164%. Nevertheless, the existing margins between the average interest rates on KD and US dollar customer deposits with local banks continued to be in favor of KD at the end of 2013, as shown in Table 22. Moreover, margins between the average interest rates on local interbank KD and US dollar deposits decreased for all terms during 2013 compared with their levels during 2012.

As for the interest rates on Public Debt Instruments, the average interest rates on Treasury Bonds with 1-year maturity decreased to 1% during 2013 against 1.125% during 2012. While the average interest rates on Treasury Bonds with a 2-year maturity reached 1.125% during 2013 compared to 1.250% during 2012. No Treasury Bills were issued during 2013.

Table (22)
Developments in Interest Rates on Customer
KD and US Dollar Deposits with Local Banks

Period	Average Interest Rates on Customer 1-Month Deposits (%)		Margin in Favor of KD	Average Interest Rates on Customer 3-Month Deposits (%)		Margin in Favor of KD
	KD	US \$		KD	US \$	
2011	0.895	0.235	0.660	1.103	0.326	0.777
2012	0.737	0.208	0.529	0.985	0.353	0.632
2013	0.563	0.164	0.399	0.750	0.288	0.462

Source: Central Bank of Kuwait.

5- Issuance of Public Debt Instruments and CBK Bonds:

A- Issuance of Public Debt Instruments:

CBK, on behalf of the Ministry of Finance, issues public debt instruments (Kuwaiti Treasury Bills and Treasury Bonds). CBK issued 26 issues of Treasury Bonds during 2013 (21 issues of

1-year maturity with a total nominal value of KD 1050 million, 1 issue of 2-year maturity with a total nominal value of KD 50 million, 1 issue of 3-year maturity with a total nominal value of KD 50 million, 1 issue of 5-year maturity with a total nominal value of KD 25 million, 1 issue of 7-year maturity with a total nominal value of KD 22.3 million and 1 issue of 10-year maturity with a total nominal value of KD 20 million). During the same period 19 previous issues matured with a total nominal value of KD 1445 million (18 issues of 1-year maturity with a total nominal value of KD 885 million and 1 issue of 7-year maturity with a total nominal value of KD 100 million). Accordingly, the outstanding balance of Treasury Bonds decreased by KD 228 million or 13% to KD 1527 million at the end of 2013 against KD 1755 million at the end of 2012. No Treasury Bills were issued by CBK during 2013.

Regarding the distribution of the outstanding balances of public debt instruments held by different institutions at the end of 2013, available data indicate that the decline witnessed in the total outstanding balance of public debt instruments included the balance of local banks' holdings of KD 181.9 million or 10.8% from KD 1684.3 million at the end of 2012 to KD 1502.4 million at the end of 2013 accounting for 98.4% of the total balance at the end of the mentioned year, and the balances of other institutions' holdings of KD 45.8 million or 64.9% from KD 70.7 million at the end of 2012 to KD 24.8 million at the end of 2013.

Table (23)
Development of Public Debt Instruments
(KD Million)

Particulars	2011	٢٠١٢	٢٠١٣
<u>Issues:</u>	<u>2250.0</u>	<u>1885.0</u>	<u>1217.2</u>
Bills	550.0	375	0.0
Bonds	1700.0	1635.0	1217.2
<u>Maturities:</u>	<u>2315.0</u>	<u>2103.0</u>	<u>1445.0</u>
Bills	575.0	375.0	0.0
Bonds	1740.0	1728.0	1445.0
<u>Balances at Year End:</u>	<u>1973.0</u>	<u>1755.0</u>	<u>1527.0</u>
Bills	125.0	0.0	0.0
Bonds	1848.0	1755.0	1527.0

Source: Central Bank of Kuwait.

B- Issuance of CBK Bonds:

Within the framework of its efforts to manage domestic liquidity levels, CBK issues "CBK Bonds" to local banks and investment companies subject to its supervision. It is worth noting that

CBK resumed issuing these bonds in August 2005 since its decision in December 1987 to stop those bonds' issuance. In this context, CBK offered 41 issues with a total nominal value of KD 6092 million during 2013 (Table 24). At the same time, 41 previous issues matured during 2013 with a total nominal value of KD 6144 million. As a result, the outstanding balance of CBK Bonds dropped by KD 52 million at the end of 2012 to KD 1900 million at the end of 2013.

The average interest rates on 3-month CBK bonds declined to 0.75% during 2013 against 0.898% during the previous year, and on 6-month CBK bonds to 0.875% during 2013 against 1.036% during the previous year.

Table (24)
Development of CBK Bonds (KD Million)

Particulars	2011	٢٠١٢	٢٠١٣
Issues:	4821.0	5443.0	6092.0
3 Months	3476.0	3237.0	4514.0
6 Months	1345.0	2206.0	1578.0
No. of Issues:	36	37	41
3 Months	24	23	31
6 Months	12	14	10
Maturities:	4612.0	5044.0	6144.0
3 Months	3322.0	3586.0	3869.0
6 Months	1290.0	1458.0	2275.0
No. of Maturities	35	36	41
3 Months	24	24	28
6 Months	11	12	13
Balances at Year End:	1553.0	1952.0	1900.0
3 Months	879.0	530.0	1175.0
6 Months	674.0	1422.0	725.0
Value of Balances at Year End:	36	37	39
3 Months	16	15	22
6 Months	20	22	17

Source: Central Bank of Kuwait.

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

Activity in the interbank KD-deposit market of local banks witnessed an increase during 2013. The value of market transactions reached KD 54.3 billion against KD 39.9 billion during 2012, i.e. a rise of KD 14.4 billion or 36.1% (Table 25). Data on market transactions indicate a decline in the relative share of 'overnight' transactions to 55.3% of total transactions during 2013 against 59.8% during the previous year. The relative share of 'longer than overnight and up to one month' transactions increased to 41.4 % during 2013 compared to 34% during 2012, while the relative share of 'longer than a month and up to six months' transactions decreased to 2.9% compared to 5.6% during 2012.

Table (25)
Distribution of Transaction Values of the Interbank Deposit Market of Local Banks^(*)
According to Maturity (KD million)

Maturity Period	٢٠١٢		٢٠١٣	
	Value	% of Total	Value	% of Total
Overnight	23849.8	59.8	29988.2	55.3
Over one night to one week	9381.5	23.5	17132.1	31.6
Over one week to one month	4201.2	10.5	5329.5	9.8
Over one month to three months	1164.8	2.9	1126.4	2.1
Over three months to six months	1069.1	2.7	415.2	0.8
Over six months	207.8	0.52	285.1	0.5
Total	39.874	100.0	54.276	100.0

Source: Central Bank of Kuwait.

(*) Excluding CBK operations.

7- The Balances of Local Bank Accounts with CBK:

The balances of accounts of CBK on the one hand and local banks on the other highlight the net result of their inter-operations. As a result of carrying out such operations CBK claims on local banks on one front, and local bank claims on CBK on the other, arise. The net KD balance of CBK with local banks reflects net interbank operations between CBK and local banks, which reflects either a net KD supply by CBK to local banks, if it is a positive value, or a net absorption by CBK of the KD surplus with local banks, if the balance is a negative value (Table 26). All within CBK's efforts to manage local liquidity levels, taking into consideration no CBK claims on local banks were recorded at the end of the previous years.

Available data indicate that the balance of local bank claims on CBK witnessed a notable rise of KD 903 million or 20.3% during 2013 to reach KD 5349.4 million at the end of the year against KD 4446.4 million at the end of 2012. This rise was the outcome of the increase in the balances of local bank time deposits with CBK by KD 607.3 million or 26.3%, and the balances of demand deposits of local banks with CBK by KD 347.7 million or 187.6% on the one hand, as well as the decline in the local bank holdings of CBK bonds by KD 52 million or 2.7% on the other. No CBK claims were recorded on local banks at the end of 2013. In view of these developments, local bank net claims on CBK rose by KD 903 million or 20.3% at the end of 2013 from its recorded level at the end of the previous year.

Table (26)
Trends in Development of KD Balances of CBK with Local Banks (KD Million)

End of Period	Local Banks Claims on CBK				CBK Claims on Local Banks				Net Balance
	On Demand Deposits	CBK Bonds	Time Deposits with CBK	Total	Currency Swaps	Discount and Re-discount	Deposits and Current Accounts with Local Banks	Total	
2011	215.5	1553.0	1908.5	3677.0	-	-	-	-	-3677.0
2012	185.3	1952.0	2309.1	4446.4	-	-	-	-	-4446.4
2013	533.0	1900.0	2916.4	5349.4	-	-	-	-	-5349.4

Source: Central Bank of Kuwait.

8- Activity of CBK Clearing Room:

Data presented (Table 27) indicate that the number of clearing transactions of cheques drawn on accounts of local bank customers, through the clearing room at CBK, increased by 95.5 thousand or 4.3% to a total of 2334.9 thousand during 2013 amounting to KD 12973 million against 2239.5 thousand transactions amounting to KD 11164.8 million during 2012. The total value of clearing transactions during 2013 increased by KD 1808.3 million or 16.2% from its level during 2012. Consequently, the average value per transaction (average cheque value) increased by KD 568.4 or 11.4% to KD 5556.1 during 2013 against KD 4987.7 during 2012.

Data also indicate that the value of local inter-bank settlement transactions by means of credit and debit advices through Kuwait's Automated Settlement System for Inter-Participant Payments (KASSIP) grew by KD 41 billion or 72% to KD 97.4 billion during 2013 against KD 56.6 billion during 2012.

Table (27)
Clearing Transactions

Period	Checks			Interbank Settlement Transactions (KD Million)
	Total Value (KD million)	Number of Transactions (Thousand Transactions)	Average Transaction Value (KD million)	
2010	8719.0	2058.7	4235.1	61210.6
٢٠١١	9765.3	2148.6	4545.0	58959.0
٢٠١٢	11164.8	2239.5	4987.7	56659.4
٢٠١٣	١٢٩٧٣	٢٣٣٤,٩	٥٥٥٦,١	٩٧٤٧٥,٨

Source: Central Bank of Kuwait.

9- Developments in Banking Supervision and Oversight:

During 2013, CBK continued its supervision efforts aimed at enhancing the financial position of local banking and financial sector units and consolidating financial stability. Such efforts came within the framework of relevant projects under the development plan which is represented in the following projects:

- **Intensifying CBK's supervisory and oversight efforts concerning the local banking and financial sector units aiming at increasing competitiveness and strengthening the foundations of financial stability.**
- **Strengthening the position of the local banking and financial sector units under its supervision.**
- **Developing retail banking services.**
- **Developing corporate banking services.**
- **Developing the services supporting the financial sector.**

CBK implements many mechanisms and procedures in executing the previously mentioned projects through off-site supervision and on-site inspection, as well as other monitoring methods, contacts and meetings with managers of banks and financial institutions under its supervision. Within this context, CBK implemented a set of measures, regulations, circulars and controls within its regulatory and supervisory role, the most significant of which are:

- Out of CBK's keenness on keeping up with the international banking supervisory standards, and in the framework of introducing new regulations related to Basel III set of reforms, CBK's Board of Directors approved the structure of the regulatory capital criteria and the transitional application phase, as well as a minimum capital adequacy ratio of 13% to be phased in between 2014 and 2016. This ratio is set based on a quantitative-impact study conducted by CBK in collaboration with a consultancy firm responsible for the regulations drafting project. The study results proved the Kuwaiti

banks' ability to fulfill Basel III capital adequacy requirements. In addition, CBK is currently implementing other standards included in Basel III set of reforms such as ceilings standards of the maximum limit of leverage, and two liquidity standards; the short-term liquidity which is the liquidity coverage ratio, and the long-term liquidity which is the net stable funding ratio. It is worth noting that the new standard of capital adequacy aims to improve capital quality and enhance the ratio of regulatory capital to strengthen banks' absorption against losses, and build up additional capital buffers within macro hedging policies applied by supervisory authorities to reduce systemic risks and enhance financial stability.

- CBK continued its supervisory efforts in strengthening banks' risk management in line with the advanced supervisory methods. In this field, CBK continued to instruct banks regarding conducting financial stress testing twice a year in accordance with a set of detailed forms and appendices that illustrate the methodologies used by each bank and the results of these tests. The results of stress tests performed at the end of December 2013 for a one-year future perspective, confirmed banks' ability to face shocks under difficult stress testing scenarios and stressful work situations. This shall be in parallel with receiving continuous data on Internal Capital Adequacy Assessment Process (ICAAP) conducted by banks in order to study the results and take necessary measures in regards to capital adequacy.
- CBK continued to instruct banks to build the precautionary allocations requested from each bank along with allocations requested according to the classification policy adopted by CBK. The rates of the required allocations for non-performing loans are gradually built according to the level, period and value of securities given in return. This balanced and gradual method was the result of CBK's keenness on strengthening and maintaining local banks' strong financial positions, reflected in their credit ratings by international rating agencies, thereby supporting investors' confidence and reassuring them of these banks' financial positions. As a result, the ratio of irregular cash debt to the total cash credit facilities portfolio reached 3.2% at the end of 2013 against 4.9% at the end of 2012 i.e. decreasing to better than the pre-crisis levels. In addition, the coverage ratio specified and general allocations to total irregular cash debt increased to 141.3% at the end of 2013

against 94.8% at the end of 2012. These indicators prove the strong and solid financial positions of local banks.

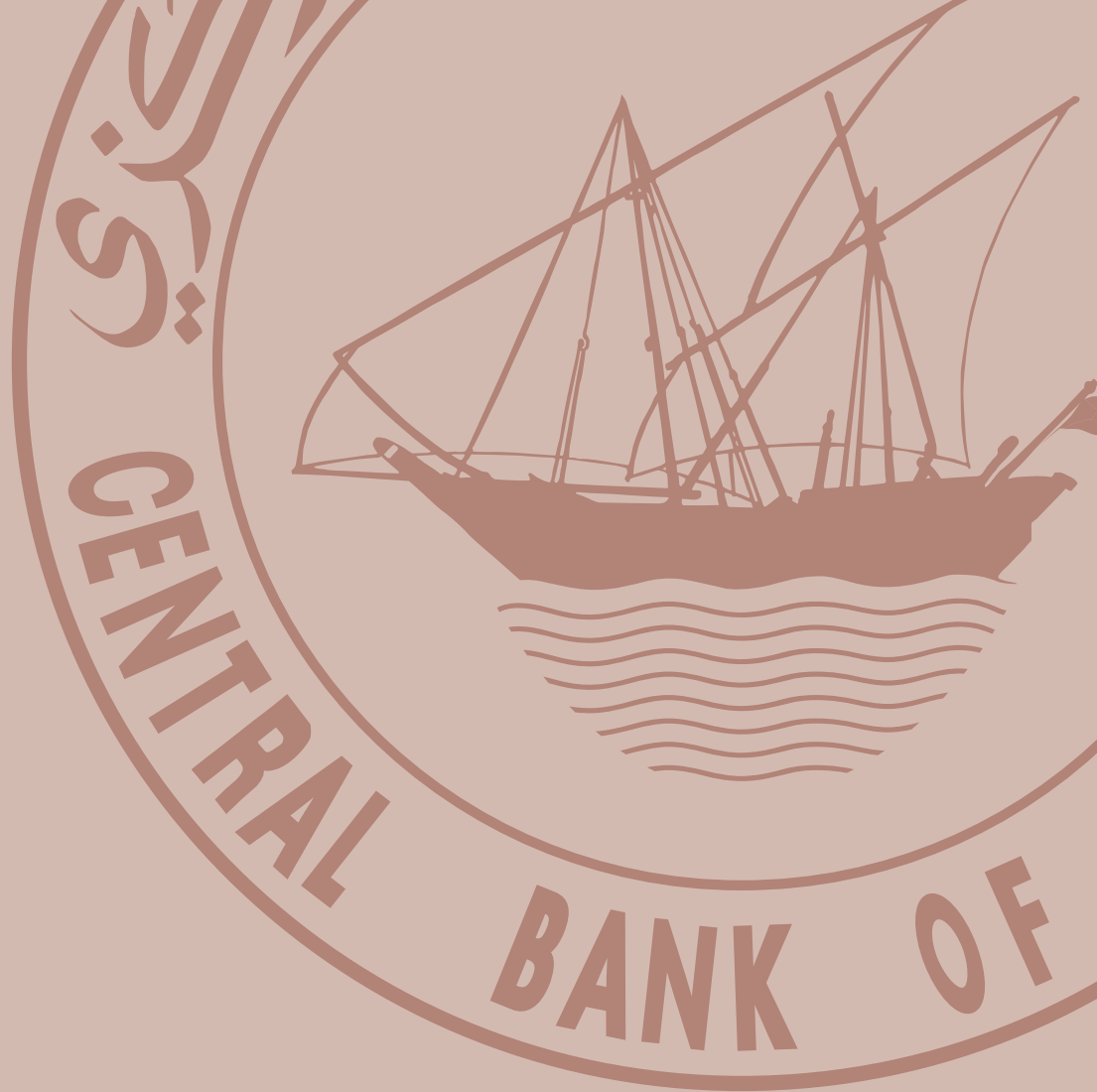
- In the context of CBK's enhancing supervisory work methods applied to all units under its supervision, and in light of what have been revealed by the global financial crisis regarding the importance of strengthening the proper practices on Corporate Governance, CBK issued regulations on 3/9/2013 regarding the rules and regulations of governance for finance companies under its supervision, within the framework of the requirements of Article No. 217 of Law No. 97 of the year 2013 regarding amending some articles of the Decree Law No. 25 of the year 2012 i.e. the issuance of corporate Law. This came in parallel with the governance regulations issued to Kuwaiti banks on June 2012. In this context, and within CBK's keenness on supporting banks to apply best governance practices, a survey was conducted on local banks to make sure of their readiness to apply CBK's regulations regarding the rules and systems of banks' governance effective 1/7/2013, in addition to subsequent on-site inspections to ensure that sound procedures are applied by banks in this regard.
- Within the framework of CBK's applied supervisory methods to ensure the sound financial positions of the banking and financial units under its supervision, CBK issued new controls on 8/9/2013 to all Islamic investment companies which includes a modified calculating method of general allocations on cash/non-cash investment and finance transactions that have no specified allocation and are included in the regulations issued on 27/7/1999 regarding rules and regulations of the classification of investment and finance transactions extended to clients according to Islamic financing formulas and calculation of the resulting allocations and revenues.
- In the area of macro hedging policies applied by CBK to reduce systemic risks and strengthen financial stability, CBK issued a circular on 12/11/2013 to all banks, investment and finance companies regarding the controls on the financing extended to individual clients for the purpose of buying and/or developing real-estate located in private and model residential areas. These regulations have considered the risks of financing faced by individuals and banking sector units alike, which may have economic

and social effects. Hence, these controls are introduced in the framework of a macro hedging policy aiming to reduce systemic risks, specifically in light of the developments witnessed by real-estate market, and what CBK detected from the accelerating demand on this type of financing from banks and clients, which may lead to intensifying competitiveness among banks towards widening this financing activity within accelerating uncontrolled growth that may push towards systemic risks.

- Within CBK's keenness on the continuation of local banks and finance companies' compliance with the rules of loan-granting/consumer and installment funding, a circular was issued on 7/8/2013 regarding instructing all banks and finance companies to assign an audit office other than their external auditors to inspection loan-granting/consumer and installment funding portfolios extended by banks and such companies during the period from 1/1/2008 to 31/8/2012. The inspection operations shall include all consumer and installment loans outstanding on 30/6/2013 extended by the previously mentioned financial units as of 1/1/2008 to the cases that were not included in the sample inspected in accordance with the mentioned circular issued on 16/7/2012 until 30/6/2013, after which quarterly inspections shall be conducted.
- Within CBK's effective role in the area of anti-money laundering, represented in CBK's coordination with the IMF to assign specialists in the international standards applied in anti-money laundering and financing terrorism, CBK's contribution in drafting Law No. 106 of the year 2013 and its executive regulations and the resolution for the establishment of the Financial Intelligence Unit, CBK issued circulars on 23/7/2013 to all local banks, exchange companies and finance companies regarding anti-money laundering and financing terrorism.
- In accordance with the inspection method through risk-based supervision, CBK continued to execute inspection tasks on banks using advanced methods focusing on quantitative and qualitative evaluation for bank activity components involving banking risks, taking into consideration the nature of banks' services and products offered to various categories of clients, inspect the operations systems and confirming the

availability of internal supervisory controls in these banks including the efficiency of their auditing systems.

- In the framework of the implementation of the requirements of the Law No. 104 of the year 2013 for the establishment of the Family Support Fund, CBK has taken a number of measures in this area. This include issuing circulars to conventional banks and investment companies on the actions to be taken by these banks and companies to implement the law, including computing consumer and installment loans subject to the provisions of the mentioned law, maintaining organized loan files ready for inspection and making the necessary corrections based on the requirements of the law. CBK has held many meetings with the concerned authorities to implement the provisions of this law as well as having ongoing communication with creditors, bank managers and auditors in the framework of the tasks required to clarify and respond to any inquiries in this area.
- In light of the ongoing follow-up conducted by the CBK concerning banks' leading positions and the importance it attaches to the training of national manpower and giving them priority when filling these jobs, CBK has issued a circular to Kuwaiti banks on 29/8/2013 regarding the plans and policies of those banks in the field of career development emphasizing national manpower priority in filling leading administrative and technical positions.



Financial Indicators of the
Banking and Financial
System

2013

Financial Indicators of the Banking and Financial System

This part of the Economic Report 2013 reviews some important aggregate financial indicators of the banking and financial units encompassing local banks (conventional, specialized and Islamic banks including Kuwaiti banks and foreign bank branches in the State of Kuwait), local finance companies (conventional/Islamic) and exchange companies, so as to identify developments in these indicators and their implications on the financial position of this sector units.

Aggregate Balance Sheet of Local Banks

The institutional structure of the local banking and financial system supervised by CBK encompasses 153 registered units as at the end of 2013, including 22 local banks 5 of which are conventional banks (National bank of Kuwait, Commercial Bank of Kuwait, Gulf Bank, Al Ahli Bank of Kuwait and Burgan Bank), one

specialized bank (the Industrial Bank of Kuwait) 5 Islamic banks (Kuwait Finance House, Boubyan Bank, Kuwait International Bank Ahli United Bank and Warba Bank) and 11 foreign bank branches (Bank of Bahrain and Kuwait (branch), BNP Paribas (branch), Bank Muscat (branch), HSBC Bank Middle East Limited (branch), Abu Dhabi National Bank (branch), Union National Bank (branch), Citibank (branch), Qatar National Bank (branch), Doha Bank (branch) and Mashreq Bank (branch) one of which is an Islamic Bank branch (Al Rajhi Bank (branch), 92 investment companies (49 of which are companies operating in accordance with the provisions of the Islamic Sharia), some of which are under dual supervision by CBK and the Capital Markets Authority (CMA), where CBK is responsible only for the finance activity of any of these companies, and 39 exchange companies.

Local banks continued to build their local branch network and expand geographically during 2013, to keep pace with the expansion of their local activities. 17 new local branches were opened during the

Developments in the Banking System Structure

End of period	Local Banks					Total Branches/representative offices
	No. of head Offices	No. of local branches	No. of External Branches	No. of Representative Offices		
2011	21	352	16	3		371
2012	21	361	16	3		380
2013	22	378	16	3		397

year, bringing the total number of local bank branches (excluding head offices) to 378 branches at the end of the year, against 361 branches at the end of 2012. However, number of local bank offshore branches (16 branches), and offshore representative offices (3 offices) was unchanged during the year.

The number of local investment companies listed with CBK decreased to 92 companies at the end of 2013, 49 of which are Islamic investment companies, against 93 companies at the end of 2012, 50 of which are Islamic companies. Meanwhile, 39 exchange companies registered and supervised by CBK, remained unchanged at the end of 2013. In this respect, CBK’s supervision responsibilities on investment funds were transferred to CMA, in accordance with Law No. 7/2010 for the “Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities”. However, investment companies will remain under dual supervision by CBK and CMA until separation of finance activity from investment activity at investment companies is completed.

Developments in the Financial System Structure				
Period	Number of Investment Companies			Number of Exchange Companies
	Conventional	Islamic	Total	
2009	46	54	100	38
2010	46	54	100	38
2011	44	51	95	39
2012	43	50	93	39
2013	43	49	92	39

The aggregate balance sheet of local banks (excluding offshore branches and subsidiaries) was KD 51481 million at the end of 2013, against KD 47145.3 million at the end of 2012, realizing a growth of KD 4335.7 million i.e. 9.2% during the year, compared to KD 3063.8 million, i.e. 7% during 2012.

In order to identify the notable changes in various elements of the aggregate balance sheet of local banks as at the end of 2013 (Table 28), compared with 2012, the noteworthy factors and developments at the level of certain main elements of the balance sheet as at the end of the years 2012 and 2013 can be highlighted as follows:

First- Domestic Assets:

The assets side in the aggregate balance sheet of local banks represents the area of “uses of money”, basically concentrated in the area of loaning, in addition to certain financial/non-financial investments at the local and international levels. Following are the most significant developments in the aggregate balance sheet of local banks:

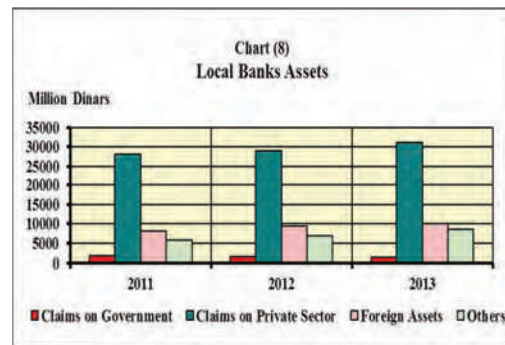
- 1- Claims on the Private Sector:** Local banks’ claims on the private sector increased to KD 31148.6 million i.e. 7.3% during 2013 compared with 2012. This increase was caused by the growth in the utilized cash portion of credit facilities extended to residents by KD 2164.1 million, and the decline in other domestic investments by KD 36.1 million.
- 2- Claims on CBK:** These claims encompass cash and cash balances, sight deposits, time deposits and holdings of CBK Bonds. Local banks’ total claims grew by KD 996 million i.e. 21.4% during 2013, from KD 4658.3 million at the end of 2012 to KD 5654.3 million at the end of 2013.
- 3- Claims on the Government:** The outstanding balance of local banks’ claims on government decreased to KD 1502.6 million at the end of 2013 against KD 1684.3 million at the end of 2012, recording a decline of KD 181.7 million i.e. 10.8%.

Second- Domestic Liabilities:

Liabilities in the aggregate balance sheet of local banks contain main sources of finance from which banks’ funds are generated. Private sector (resident) deposits are the major source of local banks’ funds, hence a dominant factor in the structure of liabilities of those banks. Following is an analysis of developments in the elements of local liabilities on local banks within their aggregate balance sheet during the period 2012-2013:

- 1- Private Sector (Resident) Deposits:** Private sector resident deposits with local banks increased to KD 31385.7 million at the end of 2013 against KD 28548.2 million at the end of 2012, i.e. a growth of KD 2837.5 million i.e. 9.9%. This growth resulted from the increase in the KD deposits by KD 1988 million i.e. 7.6% and foreign currency deposits by the equivalent of KD 849.5 million i.e. 37.4%.

2- Government Deposits: Government deposits (ministries, government departments, public authorities and institutions with budgets attached to the State General Budget, and the Saving and Credit Bank) with local banks increased to KD 5056.7 million at the end of 2013 from its previous level of KD 4955.4 million at the end of 2012, i.e. a growth of KD 101.3 million i.e. 2%.



3- Shareholders' Equity: Shareholders' equity in local banks including the paid-up capital, grew by KD 569.4 million i.e. 8.6% from KD 6592.8 million at the end of 2012 to KD 7162.2 million at the end of 2013.

Table (28)
Aggregate Balance Sheet of Local Banks*
Balances (KD, Millions)

Items			Change in 2013	
	2012	2013	Value	%
Assets:				
Claims on CBK, of which:	4658.3	5654.3	996.0	21.4
Time Deposits with CBK	2309.1	2916.4	607.3	26.3
Sight Deposits	178.1	529.3	351.3	197.3
CBK Bonds	1952.0	1900.0	-52.0	-2.7
Local Interbank Deposits	891.6	1263.7	372.1	41.7
Claims on the Government:	<u>1684.3</u>	<u>1502.6</u>	<u>-181.7</u>	<u>-10.8</u>
Treasury Bonds	1684.3	1502.4	-181.9	-10.8
Treasury Bills	0.0	0.2	0.2	
Claims on the Private Sector:	<u>29020.6</u>	<u>31148.6</u>	<u>2128.0</u>	<u>7.3</u>
Credit Facilities to Residents	26796.8	28960.9	2164.1	8.1
Other Local Investments	2223.8	2187.7	-36.1	-1.6
Foreign Assets, of which:	<u>9487.7</u>	<u>10152.6</u>	<u>664.9</u>	<u>7.0</u>
Deposits with Foreign Banks	5041.3	5431.8	390.5	7.7
Foreign Investments	3317.3	3337.6	20.3	0.6
KD Credit Facilities to Non-Residents	41.3	114.4	73.1	177.0
Foreign Currency Facilities to Non-Residents	691.3	827.4	136.1	19.7
Other Assets	1402.6	1759.2	356.6	25.4
Assets = Liabilities	47145.3	51481.0	4335.7	9.2
Liabilities:				
Private Sector Deposits:	<u>28548.2</u>	<u>31385.7</u>	<u>2837.5</u>	<u>9.9</u>
KD Deposits	26276.0	28264.0	1988.0	7.6
Foreign Currency Deposits	2272.2	3121.7	849.5	37.4
Government Deposits	4955.4	5056.7	101.3	2.0
Local Interbank Deposits	887.6	1258.5	370.8	41.8
Shareholders' Equity	6592.8	7162.2	569.4	8.6
Foreign Liabilities, of which:	<u>2983.2</u>	<u>3044.0</u>	<u>60.8</u>	<u>2.0</u>
Foreign Bank Deposits	1864.8	1992.2	127.4	6.8
Foreign Nonbank Deposits	951.2	905.4	-45.8	-4.8
Other Liabilities	3178.1	3574.0	395.9	12.5
Contra Accounts:	<u>9817.5</u>	<u>10572.3</u>	<u>754.8</u>	<u>7.7</u>
Bank Guarantees	8542.4	9278.0	735.6	8.6
Documentary Credits	930.5	1026.5	96.0	10.3
Bank Acceptances	344.6	267.8	-76.8	-22.3
Number of Banks	22	22		

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

Third- Net Foreign Assets:

External finance, particularly foreign bank deposits and other non-resident deposits are a major source of local banks' funds used to cover various money uses, mostly in matching the maturity structure of assets and liabilities. Most notable developments in this regard are addressed as follows:

- 1- **Foreign Assets:** Total foreign assets on local banks grew by the equivalent of KD 664.9 million i.e. 7% during 2013 to the equivalent of KD 10152.6 million at the end of the year, compared to the equivalent of KD 9487.7 million at the end of 2012, accounting for 19.7% of total assets at the end of 2013 compared to 20.1% at the end of 2012.
- 2- **Foreign Liabilities:** Total foreign liabilities of local banks increased to the equivalent of KD 3044 million at the end of 2013 against the equivalent of KD 2983.2 million at the end of 2012, i.e. a growth of the equivalent of KD 60.8 million i.e. 2%, accounting for 5.9% of total liabilities at the end of 2013 compared to 6.3% at the end of 2012.
- 3- **Net Foreign Assets:** As a result of the aforementioned developments in the total foreign assets and total foreign liabilities, net foreign assets of local banks increased by the equivalent of the equivalent of KD 604 million i.e. 9.3% at the end of 2013.

Fourth- Contra Accounts:

Contra accounts are off-balance-sheet accounts (occasionally 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 to banks' or customers' accounts on the balance sheet date. These contingent assets may become realized at a later date, if the conditions of such realization 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 fulfilled. Contra accounts mainly constitute of non-cash facilities extended to banks' clients, the various types of which are grouped into three basic items off-aggregate balance sheet including documentary credits (credit letters), bank guarantees (guarantee letters) and bank acceptances. Total contra accounts with local banks were KD 10572.3 million at the end of 2013, against KD 9817.5 million at the end of 2012 , i.e.

an increase of KD 754.8 million i.e. 7.7%, accounting for 20.5% of the aggregate balance sheet of local banks at the end of 2013, against 20.8% at the end of 2012.

Fifth- Financial Flows:

The purpose of monitoring developments in the trends and value of financial flows resulting from the movement of funds in local banks - within domestic market operations or external transactions - as shown in (Table 29), is to identify their implications on the financial position of local banks at the end of 2013, and explain the interaction between the movement of funds in domestic operations/external transactions of local banks. Following are the most notable developments:

1- Sources of Funds from Domestic Market Operations:

Sources of funds originate from any increase in the elements of liabilities and/or any decrease in the elements of assets. The value of these sources of funds is calculated by the amount of change occurring in the balances of liabilities and assets at the end of two comparable years, thereby expressing the net financial flows during the year elapsed between the two mentioned dates. Total financial resources generated by local banks from domestic market operations was KD 4456.7 million during 2013 compared to KD 3646.4 million during 2012.

The major share of the realized domestic financial resources during 2013 (KD 4274.9 million i.e. 95.9% of total domestic financial resources) resulted from increasing certain elements of local liabilities, while the remaining share (KD 181.8 million i.e. 4.1%) resulted from decreasing certain elements of local assets.

2- Uses of Funds in Domestic Market Operations:

Areas of uses of funds encompass any decrease in the elements of liabilities and/or any increase in the elements of assets occurring between the end of two consecutive periods, thus expressing the net value of financial flows during the period elapsed between the two mentioned dates. Financial resources realized by local banks from domestic market operations in 2013 were used, as mentioned earlier, in increasing certain elements of domestic assets and decreasing certain

domestic liabilities. Uses of domestic funds during 2013 were concentrated in increasing certain domestic assets by KD 3852.6 million.

Table (29)
Summary of Financial Flows in Local Banks during 2012 and 2013
(KD, Millions)

Items	2012		2013	
	Flows Value	(%) to Total	Flows Value	(%) to Total
First– Domestic Operations:				
1- Total Sources of Funds:	<u>3646.4</u>	<u>100.0</u>	<u>4456.7</u>	<u>100.0</u>
* From Increase in Liabilities:	<u>3297.2</u>	<u>90.4</u>	4274.9	95.9
Private Sector Deposits	1820.2	49.9	2837.5	63.7
Government Deposits	945.5	25.9	101.3	2.3
Shareholders' Equity	327.8	9.0	569.4	12.8
Local Banks' Deposits	-	-	370.8	8.3
Other Domestic Liabilities	203.8	5.6	395.9	8.8
* From Decrease in Assets:	<u>349.1</u>	<u>9.6</u>	<u>181.8</u>	<u>4.1</u>
Claims on Government	202.7	5.6	181.8	4.1
Local Banks' Deposits	146.4	4.0	-	-
2- Total Uses of Funds:	<u>2208.9</u>	<u>100.0</u>	<u>3852.6</u>	<u>100.0</u>
* In Decreasing Liabilities:	57.5	2.6	0.0	0.0
Local Banks' Deposits	57.5	2.6	-	-
* In Increasing Assets:	<u>2151.5</u>	<u>97.4</u>	<u>3852.6</u>	<u>100.0</u>
Claims on the Private Sector	876.3	39.7	2128.0	55.2
Claims on CBK	789.9	35.8	996.0	25.8
Deposits with Local Banks	-	-	372.1	9.7
Other Domestic Assets	485.3	22.0	356.6	9.3
Surplus (+) or Deficit (-) of Resources against Uses	<u>1437.4</u>	<u>-</u>	<u>604.0</u>	<u>-</u>

Source: CBK.

Table (29) / Cont'd.
Summary of Financial Flows in Local Banks during 2012 and 2013
(KD, Millions)

Items	2012		2013	
	Flows Value	(%) to Total	Flows Value	(%) to Total
Second- Foreign Operations:				
1- Total Sources of Funds:	<u>61.1</u>	<u>100.0</u>	<u>127.4</u>	<u>100.0</u>
* From Increase in Liabilities:	42.8	70.0	127.4	100.0
Non-Resident (Non-Bank) Deposits	-	-	127.4	100.0
Other Foreign Liabilities (including bonds)	42.8	70.0	-	-
* From Decrease in Assets:	<u>18.3</u>	<u>30.0</u>	<u>0.0</u>	<u>0.0</u>
KD Credit Facilities to Non-residents	8.8	14.4	-	-
Foreign Currency Credit Facilities to Non-residents	9.5	15.5	-	-
2- Total Uses of Funds:	<u>1498.5</u>	<u>100.0</u>	<u>731.4</u>	<u>100.0</u>
* In Decreasing Liabilities:	218.8	14.6	66.6	9.1
Non-Resident (Non-Bank) Deposits	115.6	7.7	45.8	6.3
Non-Resident (Bank) Deposits	103.2	6.9	-	-
Other Foreign Liabilities (including bonds)	-	-	20.8	2.8
* In Increasing Assets:	<u>1279.7</u>	<u>85.4</u>	<u>664.9</u>	<u>90.9</u>
Foreign Investments	571.2	38.1	20.3	2.8
Local Bank Deposits with Foreign Banks	701.3	46.8	390.5	53.4
KD Credit Facilities to Non-residents	-	-	73.1	10.0
Foreign Currency Credit Facilities to Non-Residents	-	-	136.1	18.6
Other Foreign Assets	7.2	0.5	44.9	6.1
Surplus (+) or Deficit (-) of Resources against Uses	-1437.4	-	- 604.0	-

Source: CBK.

3- The Deficit in Resources from Domestic Market Operations:

The movement of funds in local banks during 2013 resulted in a net surplus of KD 604 million in the financial resources generated from domestic sources of KD 4456.7 million, after employment thereof in domestic market operations of KD 3852.6 million. This surplus was used to cover the deficit in the financial resources resulting from foreign market operations, proving a financial net outflow of KD 604 million, i.e. at the same value of the deficit.

4- Financial Flows from Foreign Market Operations:

Total financial resources generated by local banks from foreign market operations were the equivalent of KD 127.4 million during 2013, resulting exclusively from increasing certain elements of foreign liabilities. Total uses of funds in local banks' foreign market operations were the equivalent of KD 731.4 million during 2013, used in increasing certain elements of foreign assets by the equivalent of KD 664.9 million i.e. 90.9 % of total foreign uses of funds on the one hand, and decreasing certain elements of foreign liabilities by the equivalent of KD 66.6 million i.e. 9.1% of total foreign uses of funds on the other. Consequently, a net deficit equivalent to KD 604 million resulted in the financial resources from foreign resources, and was covered by the surplus in the financial resources which resulted from domestic market operations at the same value of KD 604 million, mentioned earlier.

Sixth- Indicators and Financial Ratios:

This part demonstrates the financial position of local banks at the end of 2013, and developments in their performance over the year, using certain indicators and financial ratios concluded from the analysis of available data on local banks at the end of the years 2012–2013 (Table 30), as follows:

1- Liquidity Standards:

This group of financial standards includes the **cash standard** which measures the adequacy of local banks' cash assets (cash, balances with CBK, CBK Bond holdings, deposits with local banks, deposits with foreign banks and certificates of deposit) for repayment of liabilities from resident/non-resident deposits and local/foreign bank deposits. And the **liquidity standard** which measures the portion covered by liquid assets (cash assets, local banks' holdings of Public Debt Instruments and investments in local/foreign securities) of the mentioned deposits.

Available data indicate an increase in the **cash standard** to 30.8% at the end of 2013 from 28.8% at the end of 2012, and an increase the **liquidity standard** to 38.7% at the end of 2013 from 37.9% at the end of 2012. Accordingly, the average of both standards for the period 2012–2013 was 29.8% for the cash standard and 38.3% for the liquidity standard.

2- Uses of Funds Standards:

The analysis indicates a slight decline in the ratio of funds uses at a relatively high level. The first ratio, which indicates the extent to which domestic private sector deposits were used in extending credit facilities to the sector's activities, decreased to 92.1% at the end of 2013 from 93.9% at the end of 2012, at an annual average of 93.1% for the years 2012-2013. The second ratio which shows, among other details, the extent to which domestic private sector deposits were used in funding domestic private sector, decreased to 99.2% at the end of 2013, compared to 101.7% at the end of 2012, noting that the average ratio for the years 2012-2013 was 100.4%. The third ratio, which indicates the share of resident deposits and shareholders' equity in local funding, declined to 92.5% at the end of 2013 compared to 93.8% at the end of 2012, noting that the average ratio for the years 2012-2013 was 93.2%.

3- Profitability Standards:

Table 30 presents developments in net profit ratio to total assets, total shareholders' equity and paid-up capital at the end of 2013 compared with 2012. The growth in local banks' profitability was KD 432.3 million during 2013 compared to KD 532.8 million and KD 629.3 million during 2011 and 2012 respectively. Net realized profit to total assets, total shareholders' equity and paid-up capital were 0.9%, 6.2% and 18.9% respectively in 2013, against 1.3%, 9.6% and 28.7% respectively in 2012.

4- Adequacy Standards of Shareholders' Equity:

The ratio of shareholders' equity to total assets, total uses of funds and total non-cash assets was 13.9%, 16.3% and 20.3% respectively at the end of 2013. The average of the above adequacy ratios of shareholders' equity during the years 2012-2013 was 14% to total assets, 16.2% to total uses of funds and 20.1% to non-cash assets including credit facilities to residents/non-residents, and certain local/foreign financial and non-cash investments.

5- Capital Adequacy Standard “Solvency”:

Aggregate data on local banks indicate that the capital adequacy ratio for each of these banks was still clearly higher than the minimum limit required according to the international recommendations. The average Capital Adequacy Standard at local banks supervised by CBK was 18.7% until September 2013, compared to 18.5% at the end of 2012.

Table (30)
A number of Financial Indicators and Ratios of Local Banks
(%)

Items	2012	2013	Average
First- Liquidity Standards:			
1- Cash Standard	28.8	30.8	29.8
2- Liquidity Standard	37.9	38.7	38.3
Second- Uses Standards:			
1- Credit Facilities to Private Sector Deposits	93.9	92.3	93.1
2- Claims on Private Sector to Private Sector Deposits	101.7	99.2	100.4
3- Local Uses to Resident Deposits/Shareholders' Equity	93.8	92.5	93.2
Third- Profitability Standards:			
1- Net Profit to Total Assets*	1.3	0.9	1.1
2- Net Profit to Total Shareholders' Equity*	9.6	6.2	7.9
3- Net Profit to Paid-up Capital*	28.7	18.9	23.8
Fourth- Adequacy Standards of Shareholders' Equity:			
1- Shareholders' Equity to Total Assets	14.1	13.9	14.0
2- Shareholders' Equity to Total Uses	16.1	16.3	16.2
3- Shareholders' Equity to Non-cash Assets	19.9	20.3	20.1
Fifth- Capital Adequacy Standards:			
1- Capital Adequacy Ratio (Local Banks)	18.5	18.7	18.6

*Data until September 2013.

Source: CBK.

The Aggregate Balance Sheet of Local Investment Companies

The number of registered local investment companies supervised by CBK decreased to 92 companies at the end of 2013 compared to 93 companies at the end of 2012. Local investment companies sector comprises 43 conventional investment companies and 49 Islamic investment companies. In this respect, in accordance with Law No. 7/2010 for the “Establishment of the

Capital Markets Authority and the Regulation of the Activity of Securities” issued on 26 Feb. 2010, and the Ministerial resolution No. 38/2011 concerning the regulation of CBK’s supervision on finance companies, CBK’s supervision responsibilities on investment companies and investment funds were transferred to CMA as from 13 Sep. 2011. CBK’s supervision responsibility became limited to the finance activity performed by these companies. Total assets of local conventional/Islamic investment companies was KD 10681.6 million at the end of 2013, compared to KD 11588.4 million at the end of 2012, i.e. a decline of KD 906.8 million, i.e. 7.8% (Table 31).

Table (31)
Aggregate Balance Sheet of Local Investment Companies*
(KD, Millions)

Items	Balance at year end		Change during 2013	
	2012	2013	Value	(%)
Assets:				
Cash/Balances with local Banks & Investment companies	475.6	503.5	27.9	5.9
Financing to Customers	929.4	828.2	-101.2	-10.9
Loans and Advances to Residents (conventional Companies)	540.7	444.4	-96.3	-17.8
Financing to Customers	388.7	383.8	-4.9	-1.3
Domestic Investments	2985.9	2691.9	-294.0	-9.8
Financial Investments	2546.6	2241.7	-304.9	-12.0
Non-financial Investments	439.3	450.2	10.9	2.5
Foreign Assets	5810.8	4983.5	-827.3	-14.2
Other Assets	1386.7	1674.5	287.8	20.8
Assets = Liabilities	11588.4	10681.6	-906.8	-7.8
Liabilities:				
Capital and Reserves	4178.6	4460.8	282.2	6.8
Financing from Residents	2730.5	2429.9	-300.6	-11.0
Bonds/Financing Instruments	244.4	92.0	-152.4	-62.4
Foreign Liabilities	2718.5	1851.7	-866.8	-31.9
Other Liabilities	1716.3	1847.2	130.9	7.6
Number of Companies	93	92	-1	

Source: CBK. *Including data on subsidiaries.

For more details on developments in the performance of local investment companies, following is an analysis of both groups, conventional investment companies and Islamic investment companies during the period 2012-2013:

First- Conventional Investment Companies:

Available financial data (Table 32) on the 43 conventional investment companies indicate a total aggregate balance sheet of KD 5922.6 million at the end of 2013, recording a decline of KD 606.8 million i.e. 8.6% from its level of KD 6529.4 million at the end of 2012. This decline reflects the result of developments in the elements of assets and liabilities of these companies. On the assets side, the most noteworthy developments at the end of 2013 compared with the end of 2012 are addressed as follows:

- 1- Foreign assets decreased by the equivalent of KD 333.1 million i.e. 8.6% at the end of 2013 compared with 2012. This decline was caused by the decrease in “cash and balances” with foreign banks by the equivalent of KD 157.9 million i.e. 43%, loans and advances to non-residents by the equivalent of KD 24.2 million i.e. 42.2% and foreign investments by the equivalent of KD 200.7 million i.e. 6.7%, on the one hand, and the growth in other foreign assets by the equivalent of KD 49.5 million i.e. 11% on the other.
- 2- Domestic investments decreased by KD 154.3 million or 10.4% from KD 1486.2 million at the end of 2012 to KD 1331.9 million at the end of 2013. This decline was on the back of the decrease in financial investments by KD 152.6 million i.e. 11.3% and non-financial investments by KD 1.7 million i.e. 1.2%.
- 3- Loans and advances to residents decreased by KD 96.3 million i.e. 17.8% to KD 444.4 million at the end of 2013 against KD 540.7 million at the end of 2012.

On the liabilities side, the most significant developments that took place at the end of 2013 compared with the end of 2012 are highlighted as follows:

- 1- Capital and reserves grew by KD 231 million i.e. 9.3% from KD 2495.1 million at the end of 2012 to KD 2726.1 million at the end of 2013.

Table (32)
Aggregate Balance Sheet of Conventional Investment Companies*
(KD, Millions)

Items	Balance at year end		Change during 2013	
	2012	2013	Value	(%)
Assets:				
Cash/Balances with local Banks & Investment companies	262.9	251.3	-11.6	-4.4
Loans and Advances to Residents (conventional Companies)	540.7	444.4	-96.3	-17.8
Domestic Investments:	1486.2	1331.9	-154.3	-10.4
Financial Investments	1344.9	1192.3	-152.6	-11.3
Non-financial Investments	141.3	139.6	-1.7	-1.2
Foreign Assets	3871.6	3538.5	-333.1	-8.6
Other Assets	368.0	356.5	-11.5	-3.1
Assets = Liabilities	6529.4	5922.6	-6068.8	-9.3
Liabilities:				
Capital and Reserves	2495.1	2726.1	231.0	9.3
Financing from Residents	1150.5	954.8	-195.7	-17.0
Bonds and Financing Instruments	244.4	92.0	-152.4	-62.4
Foreign Liabilities	1829.0	1328.9	-500.1	-27.3
Other Liabilities	810.3	820.8	10.5	1.3
Number of Companies	43	43	0	

Source: CBK.

*Including data on subsidiaries.

- 1- Foreign liabilities decreased by the equivalent of KD 500.1 million i.e. 27.3% from KD 1829 million at the end of 2012, to the equivalent of KD 1328.9 million at the end of 2013.
- 2- Financing from residents declined by KD 195.7 million i.e. 17% at the end of 2013 from KD 1150.5 million to KD 954.8 million compared with the end of 2012.

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

This review is built on data on the aggregate financial position of 49 Islamic investment companies for the period 2012-2013. Those are CBK's registered companies that existed at the end of 2013.

Available financial data (Table 33) indicate a decline in the total balance sheet of these companies of KD 300 million i.e. 5.9% compared with 2012, to KD 4759 million, against KD 5059 million at the end of 2012. Following are the main developments witnessed **on the assets side**:

- 1- Foreign assets (foreign financial/non-financial assets) decreased by the equivalent of KD 494.2 million i.e. 25.5%, from the equivalent of KD 1939.2 million at the end of 2012 to the equivalent of KD 1445 million at the end of 2013.
- 2- Domestic financial investments decreased by KD 152.3 million i.e. 12.7% to KD 1049.4 million at the end of 2013 compared to KD 1201.7 million at the end of 2012.
- 3- Financing to customers decreased by KD 4.9 million i.e. 1.3% to KD 383.8 million at the end of 2013, against KD 388.7 million at the end of 2012.

On the liabilities side, key developments witnessed at the end of 2013 compared with the end of 2012 are addressed as follows:

- 1- Shareholders' equity grew by KD 51.2 million i.e. 3.0% to KD 1734.7 million at the end of 2013 compared to KD 1683.5 million at the end of 2012.

Table (33)
Aggregate Balance Sheet of Investment Companies
Operating in Accordance with the Provisions of the Islamic Sharia*
(KD, Millions)

Items	Balance at year end		Change during 2013	
	2012	2013	Value	(%)
Assets:				
Cash/Balances with local Banks & Investment companies	212.7	252.2	39.5	18.6
Financing to Customers	388.7	383.8	-4.9	-1.3
Domestic Investments:				
Financial Investments	1201.7	1049.4	-152.3	-12.7
Non-financial Investments	298.0	310.6	12.6	4.2
Foreign Assets	1939.2	1445.0	-494.2	-25.5
Other Assets	1018.7	1318.0	299.3	29.4
Assets = Liabilities	5059.0	4759.0	-300.0	-5.9
Liabilities:				
Capital and Reserves	1683.5	1734.7	51.2	3.0
Financing from Residents	1580.0	1475.1	-104.9	-6.6
Foreign Liabilities	889.5	522.8	-366.7	-41.2
Other Liabilities	906.0	1026.4	120.4	13.3
Number of Companies	50	49	-1	

*Including data on subsidiaries.
Source: CBK.

- 2- Funding operations by local banking and financial sector decreased on the back of the decline in the financing extended to Islamic investment companies by KD 104.9 million i.e. 6.6%, to KD 1475.1 million at the end of 2013, against KD 1580 million at the end of 2012.
- 3- Foreign liabilities decreased by the equivalent of KD 366.7 million i.e. 41.2% to the equivalent of KD 522.8 million at the end of 2013, against the equivalent of KD 889.5 million at the end of 2012.

Third- Contra Accounts of Local Investment Companies:

Contra accounts (off-balance-sheet) reveal a significant aspect of local investment companies' activities in the area of financial services provided to both residents and non-residents (Table 34). Contra accounts for the 92 local investment companies registered with CBK at the end of 2013 (43 conventional companies and 49 Islamic companies) was KD 19107.5 million, of which KD 17344.3 million i.e. 90.8% for conventional investment companies, and KD 1763.2 million i.e. 9.2% for Islamic investment companies, thus recording a decline of KD 1079 million i.e. 6% from its level of KD 18028.6 million for 93 registered companies at the end of 2012, of which KD 16238 million i.e. 90.1% for 43 conventional investment companies, and KD 1790.5 million i.e. 9.9% for 50 Islamic investment companies.

Table (34)
Contra Accounts of Local Investment Companies*
(KD, Millions)

Items	Balances at Year-End		Changes in 2013	
	2012	2013	Value	%
Contra Accounts:	<u>18028.6</u>	<u>19107.5</u>	<u>1079.0</u>	<u>6.0</u>
Conventional Investment Companies	16238.0	17344.3	1106.3	6.8
Islamic Investment Companies	1790.5	1763.2	-27.3	-1.5
Investment Portfolios	14266.4	15185.1	918.7	6.4
Investment Funds	1419.4	1469.2	49.7	3.5
Foreign Funds	2142.9	2060.9	-82.0	-3.8
Custody Assets	102.7	313.0	210.3	204.7
Commitments/Collaterals/ Guarantees	97.1	82.3	-14.8	-15.2
Number of Investment Companies	<u>93</u>	<u>92</u>	<u>-1</u>	
Conventional Investment Companies	43	43	0	
Islamic Investment Companies	50	49	-1	

Source: CBK.

* Including data on subsidiaries.

The Aggregate Balance Sheet of Local Exchange Companies

Available data on local exchange companies (39 companies) registered and supervised by CBK at the end of 2013 (Table 35) indicate that the aggregate balance sheet of these companies was KD 143.2 million at the end of the year i.e. an increase of KD 20.9 million i.e. 17.1% from its level of KD 122.3 million at the end of 2012. This growth was driven by several developments on both assets and liabilities sides, which are addressed as follows:

First- Assets:

- 1- Liquid assets in the form of cash/cash assets grew by KD 2.4 million i.e. 13.4%, from KD 18 million at the end of 2012 to KD 20.4 million at the end of 2013.
- 2- Foreign assets of exchange companies increased by the equivalent of KD 20.4 million i.e. 45.7% to the equivalent of KD 65 million at the end of 2013, against the equivalent of KD 44.6 million at the end of 2012.
- 3- Claims of exchange companies on financial institutions declined by KD 6.9 million i.e. 20.4% to KD 26.8 million at the end of 2013, against KD 33.7 million at the end of 2012.
- 4- Financial and real estate investments of exchange companies decreased by KD 0.3 million i.e. 13.3% to KD 1.7 million at the end of 2013 compared with the end of 2012.

Second- Liabilities:

- 1- Claims of financial institutions on local exchange companies grew by KD 8.4 million i.e. 790.9%, from KD 1.1 million at the end of 2012 to KD 9.5 million at the end of 2013.

Table (35)
Aggregate Balance Sheet of Local Exchange Companies
(KD, Thousands)

Items	Balances at Year-End		Change in 2013	
	2012	2013	Value	%
Assets:				
Cash/Cash Assets	18005.2	20415.1	2409.9	13.4
Claims on Financial Institutions	33705.9	26815.1	-6890.8	-20.4
Total Receivables	2921.4	3263.5	342.1	11.7
Financial/Real estate Investments	1974.8	1713.0	-261.8	-13.3
Fixed Assets	11638.0	14591.3	2953.3	25.4
Foreign Assets	44615.6	65004.8	20389.2	45.7
Other Assets	9442.5	11381.2	1938.7	20.5
Assets = Liabilities	122303.4	143184.0	20880.6	17.1
Liabilities:				
Partners' Equity & Results of the Period	85084.3	96554.7	11470.2	13.5
Claims of Financial Institutions	1061.5	9456.9	8395.4	790.9
Total Payables	3988.0	3962.9	-25.1	-0.6
Foreign Liabilities	1115.2	2462.2	1374.0	120.8
Other Liabilities	31054.4	30747.3	-307.1	-1.0
Contra Accounts	5523.9	5909.3	385.4	7.0
Results of the Period	11871.6	14112.9	2241.3	18.9
Number of Companies	39	39	0	

Source: CBK.

- 2- Shareholders' equity (covering results of the period) grew by KD 1.2 million i.e. 13.5% from KD 85.1 million at the end of 2012 to KD 96.6 million at the end of 2013.

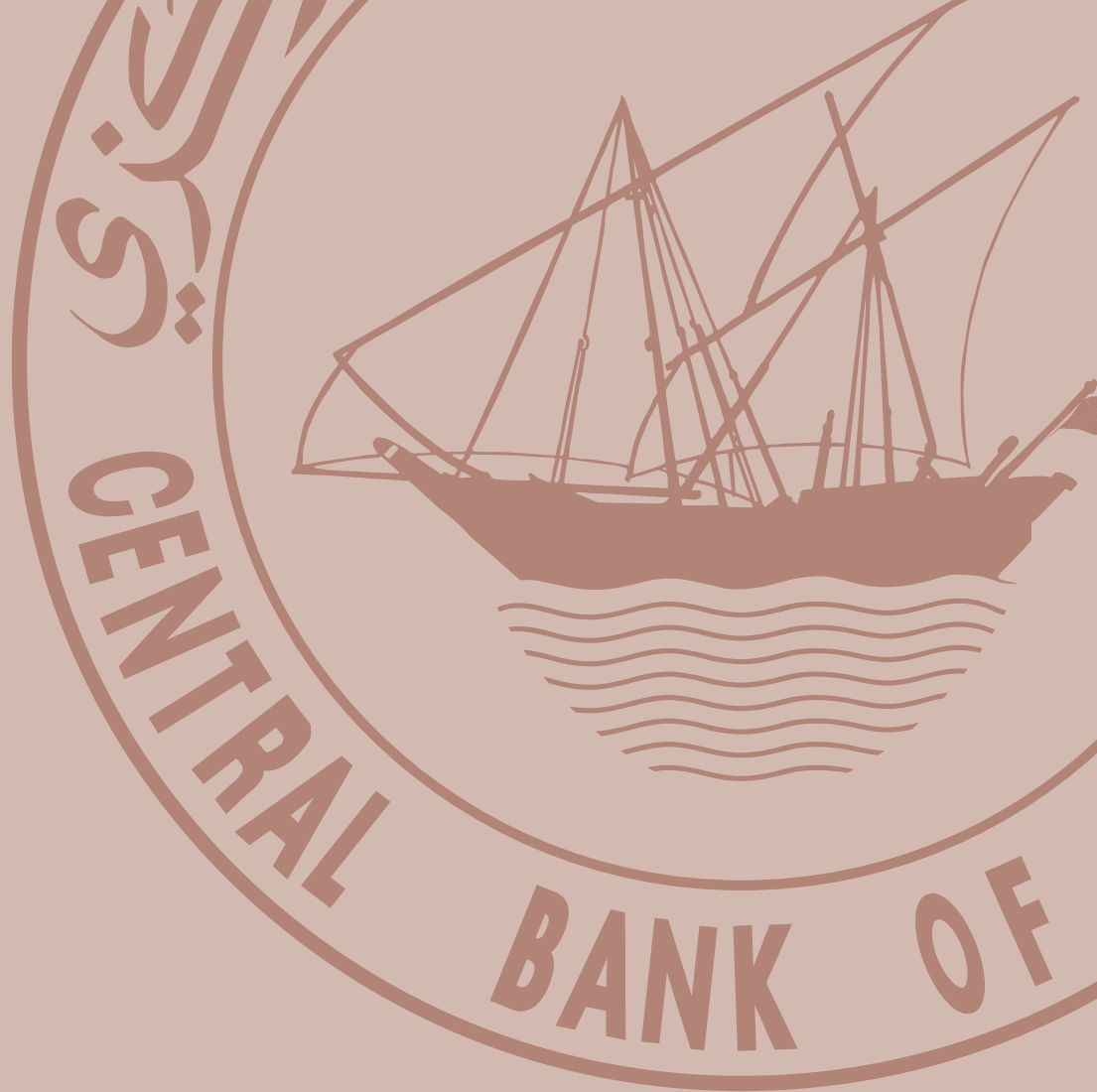
- 3- Other liabilities decreased by KD 307.1 million i.e. 1% from KD 31.1 million at the end of 2012 to KD 30.7 million at the end of 2013.

Third- Liquidity, Profitability and Solvency Ratios:

Available data on local exchange companies shows that the net credit position of these companies with local banks and financial institutions declined from KD 32.6 million at the end of 2012 to KD 17.4 million at the end of 2013, recording a decrease of 46.8%, remaining in favor of local exchange companies.

With regard to net liquidity position of local exchange companies at the end of 2013, liquidity available to those companies was KD 100.3 million in the form of cash and cash assets (KD 20.4 million or 20.4%), and net claims of local exchange companies on local/foreign banks and financial institutions (KD 79.9 million i.e. 79.6%). Profitability ratios of local exchange companies increased during 2013 as a result of the growth in the ratio of shareholders' net equity to 14.6 % during 2013 against 14% during 2012. Meanwhile, the ratio of the return to total assets slightly increased to 9.9% during 2013 against 9.7% during 2012. Net profit also grew by KD 2.2 million i.e. 18.9%, to KD 14.1 million during 2013 against KD 11.9 million during 2012.

On another front, the ratio of partners' equity to total assets decreased from 69.6% at the end of 2012 to 67.4% at the end of 2013. The ratio of partners' equity to total assets and contingent liabilities represented in contra accounts decreased from 66.6% at the end of 2012 to 64.8% at the end of 2013.



Public Finance

2013

Public Finance

Introduction:

This part of the Economic Report highlights developments of the State's public finance by presenting the developments of the Closing Account of ministries and governmental bodies for the fiscal year 2012/13, along with the estimates and allocations of public expenditures for the fiscal year 2013/14, and the actual revenues and expenditures as reflected in the monthly follow-up statements on government budgetary fiscal operations during April-December 2013 of the fiscal year 2013/14.

The monthly follow-up statements monitor the data on government fiscal operations on both revenues and expenditures sides, prepared on cash basis, while the Closing Account data is prepared on the maturity basis and becomes final after completing all accounting settlements of the fiscal year ending in March. In this context, aggregate data of the monthly follow-up statements for a specific fiscal year do not correspond to the Closing Account data of that same fiscal year.

First - The Closing Account for the Fiscal Year 2012/13:

1- Public Revenues

The Closing Account data of ministries and governmental bodies for the fiscal year 2012/13 indicate that the total actual budgetary revenues collected for the mentioned fiscal year reached KD 32008.5 million compared to KD 30236.1 million in the previous fiscal year, recording an increase of KD 1772.4 million or 5.9 %. The mentioned increase in the total value of the actual budgetary revenues collected during the fiscal year 2012/13 compared with 2011/12 mainly reflects the rise in the actual budgetary oil revenues collected by KD 1400.21 million or 4.9 % to reach KD 29969.7 million in the fiscal year 2012/13 compared to KD 28569.5 million for the previous fiscal year.

This rise in the actual budgetary oil revenues collected during the fiscal year 2012/13 compared with the previous fiscal year resulted from the increase in the daily average production of crude oil in the State of Kuwait by 0.13 million b/d or 4.6% to reach an average of 2.932 million b/d for the fiscal year 2012/13 against 2.803 million b/d for the previous fiscal year. The average price of Kuwait's exported crude oil reached \$104.5 per barrel during the fiscal year 2012/13 against \$106.16 per barrel during the fiscal year 2011/12, i.e. a decline of \$1.66 or 1.5 % (Table 36).

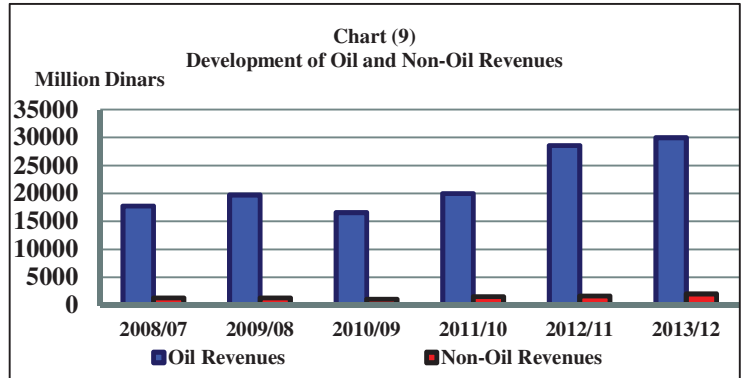


Table (36)
Development of Actual Revenues in the General Budget 2012/13
(KD Million)

Item	Closing Account				Change (2) – (1)	
	2011/12		2012/13		Value	(%)
	Value (1)	(%)	Value (2)	(%)		
Total Budgetary Revenues:	30236.1	100.0	32008.5	100	1772.4	5.9
Oil Revenues	28569.5	94.5	29969.7	93.6	1400.2	4.9
Non-Oil Revenues	1666.6	5.5	2038.8	6.4	372.2	22.3

Source: Ministry of Finance.

Actual budgetary non-oil revenues collected during the fiscal year 2012/13 grew to KD 2038.8 million against KD 1666.6 million, i.e. a rise of KD 372.2 million or 22.3%. Accordingly, the relative share of actual budgetary non-oil revenues collected during the fiscal year 2012/13 rose to 6.4% against 5.5% for the previous fiscal year.

The above-mentioned growth in total non-oil revenues collected during the fiscal year 2012/13 mainly reflects the increase in the actual revenues collected in both the sixth chapter (services

revenues) by KD 130 million or 22.5%, and the seventh chapter (miscellaneous revenues and charges) by KD 208.5 million or 27.9% (Table 37).

Table (37)
Development of Actual Budgetary Non-oil Revenues
(KD Million)

Item	Closing Account				Change (2) – (1)	
	2011/12		2012/13		Value	(%)
	Value (1)	(%)	Value (2)	(%)		
Non-Oil Revenues, of which:	1666.6	100	2038.8	100	372.2	22.3
- Taxes on Net Income & Profits	86.3	5.2	73.8	3.6	-12.4	-14.4
- Taxes & Fees on Property	14.5	0.8	73.8	3.6	-12.4	-14.4
- Taxes & Fees on Goods & Services	2.5	0.2	2.3	0.1	-0.2	9.6
- Taxes & Fees on Trade & International Transactions	222.9	13.4	259.0	12.7	36.1	16.2
- Service Revenues, of which:	576.7	34.6	706.7	34.7	130.0	22.5
Electricity & Water	136.9	8.2	202.6	9.9	65.7	48.0
Transport & Communication	143.8	8.6	208.5	10.2	64.7	45.0
Fiscal Stamps Revenues	79.7	4.8	81.9	4.0	2.2	2.8
Security & Justice	67.9	4.1	111.7	5.5	43.8	64.5
Housing & Facilities	65.3	4.2	46.9	3.0	0.1	0.3
Health Services	78.9	4.7	94.4	4.6	15.5	19.6
- Misc. Revenues & Charges	746.4	44.8	954.9	46.8	208.5	27.9
- Capital Revenues	17.3	1.0	26.6	1.3	9.3	53.53

Source: Ministry of Finance

2- Public Expenditures

The Closing Account data for the fiscal year 2012/13 indicate an increase in the total actual budgetary expenditures by KD 2300.1 million or 13.5% to reach KD 19307.6 million during the mentioned fiscal year against KD 17007.4 million during the previous fiscal year.

Table (38)
Development of Actual Budgetary Expenditures for Fiscal Year 2012/13
(KD Million)

Item	Closing Account		Change (2) – (1)	
	2011/12 (1)	2012/13 (2)	Value	(%)
Budgetary Expenditures:	17007.4	19307.6	2300.1	13.5
- Salaries and Wages	4103.3	4831.5	728.2	17.7
- Requirements of Goods and Services	2760.1	3640.7	880.6	31.9
- Means of Transport, Equipment and Supplies	147.0	158.7	11.7	8.0
- Construction Projects & Public Acquisitions	1652.0	1651.8	-0.1	-0.01
- Miscellaneous Expenditures & Transfer Payments	8345.1	9024.8	679.8	8.1

Source: Ministry of Finance

The rise in actual budgetary expenditures within the general budget of the fiscal year 2012/13 reflects the rise of the actual expenditure within the first chapter (salaries and wages) by KD 728.2 million or 17.7% to KD 4831.5 million against KD 4103.3 million during the previous fiscal year, the second chapter (requirements of goods and services) by KD 880.6 million or 31.9% to KD 3640.7 million during the fiscal year 2012/13 against KD 2760.1 million for the previous fiscal year, and the fifth chapter (miscellaneous expenditures and transfer payments) by KD 679.8 million or 8.1% to reach KD 9024.8 million during the fiscal year 2012/13 against KD 8345.1 million for the previous fiscal year (Table 38).

On another front, the economic classification of budgetary expenditures indicate that the Closing Account data of the budgetary current expenditures during the fiscal year 2012/13 increased to KD 13088.5 million against KD 11097.3 million for the fiscal year 2011/12, i.e. a rise of KD 1991.2 million or 17.9% (Table 39).

Table (39)
Economic Classification of Actual Budgetary Expenditures
(KD Million)

Item	Closing Account				Change (2) – (1)	
	2011/12		2012/13		Value	(%)
	Value (1)	(%)	Value (2)	(%)		
Current Expenditures:	11097.3	65.2	13088.5	67.8	1991.2	17.9
- Consumption Expenditures	6863.4	40.4	8472.2	43.9	1608.8	23.4
• Salaries and wages	4103.3	24.1	4831.5	25.0	278.2	17.7
• Requirements of Goods & Services	2760.1	16.2	3640.7	18.9	880.6	31.9
- Miscellaneous Expenditures	1534.1	9.0	1864.0	9.7	329.8	21.5
- Transfer Payments of which:	2699.8	15.8	2752.3	14.3	52.5	2.0
• Internal Transfers	2228.7	13.1	1986.6	10.3	-242.1	-10.9
• External Transfers	471.1	2.8	765.8	4.0	294.7	62.5
Capital Expenditures:	1799.0	10.6	1810.5	9.4	11.5	0.6
- Means of Transport, Equipment & Supplies	147.0	0.9	158.6	0.8	11.6	7.9
- Construction Projects and Maintenance	1631.0	9.6	1516.4	7.9	-114.5	-7.0
- Public Acquisitions	21.0	0.1	135.4	0.7	114.4	544.7
Transfers to Public Authorities & Institutions	4111.1	24.2	4408.5	22.8	297.4	7.2
Total	17007.4	100	19307.5	100	2300.1	13.5

Source: Ministry of Finance.

The actual budgetary capital expenditures slightly increased during the fiscal year 2012/13 by KD 11.5 million or 0.6% to KD 1810.5 million against KD 1799 million during the fiscal year 2011/12. Despite this increase, the ratio of actual budgetary capital expenditures to the actual budgetary total expenditures declined to 9.4% during the fiscal year 2012/13 against 10.6% during the fiscal year 2011/12.

Table (40)
Summary of the General Budget Closing Account
(KD Million)

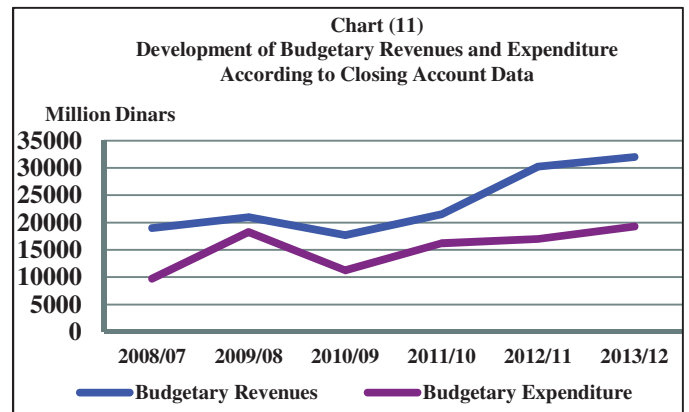
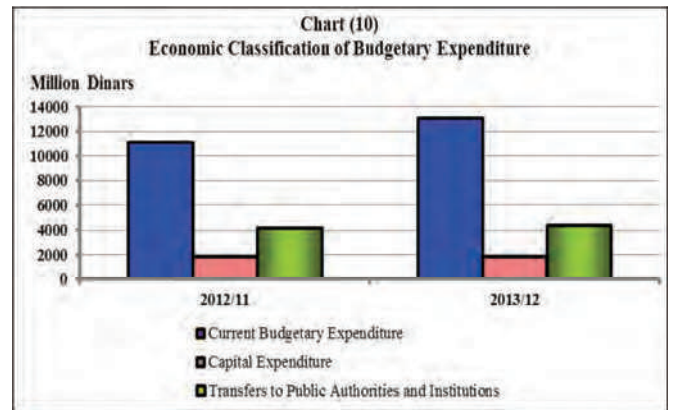
Item	2011/12	2012/13
Actual Public Revenues, of which:	30236.1	32008.5
- Actual Oil Revenues	28569.6	29969.7
Actual Public Expenditures	17007.4	19307.6
Surplus or (Deficit) ⁽¹⁾	13228.7	12701.0
Surplus or (Deficit) ⁽²⁾	10205.1	*4698.8

(1) Before deducting the allocations for the Reserve Fund for Future Generations.

(2) After deducting the allocations for the Reserve Fund for Future Generations.

* Reserve Fund for Future Generations: the deduction ratio of the allocations for the Reserve Fund for Future Generations had been raised to 25% in the general budget for 2012/13 instead of the 10% mentioned in Law No. 106 of the year 1976.

As a result of these mentioned developments in both actual budgetary revenues and expenditures in the Closing Account of the fiscal year 2012/13, the general budget recorded an actual surplus of KD 12701 million against an actual surplus of KD 13228.7 million during the previous fiscal year, i.e. a decrease of KD 527.7 million or 4%, before deducting the allocations for the Reserve Fund for Future Generations (Table 40).



Source: Ministry of Finance.

Second – Fiscal Year 2013/14:

1- The General Budget for the fiscal year 2013/14

Decree Law No. 120 of the year 2013 issued on 21 July 2013 enacted the general budget for the ministries and governmental authorities for the fiscal year 2013/14. The general budget for the mentioned fiscal year encompassed an increase in the total budgetary revenue estimates by KD 4163.5 million or 29.9% to KD 18095.8 million against KD 13932.4 million during the previous fiscal year. The increase in total budgetary revenue estimates within the general budget of the fiscal year 2013/14 reflects the rise of oil revenue estimates by KD 4114.9 million or 32.2% to KD 16883.1 million compared to KD 12768.2 million of the approved estimates for the fiscal year 2012/13 on the one hand, and the rise of non-oil revenue estimates during the fiscal year 2013/14 by KD 48.5 million or 4.2% to reach KD 1212.7 million compared to KD 1164.2 million of the approved estimates during the fiscal year 2012/13 on the other hand (Table 41).

The mentioned growth in oil revenue estimates within the enacted general budget for the fiscal year 2013/14 mainly reflects the increase in the production quantity applied in estimating the oil revenues within the general budget for the fiscal year 2013/14 by 0.48 million b/d or 17.8 % to 2.70 million b/d against 2.22 million b/d for the fiscal year 2012/13. The reference oil price used within the general budget estimates for the fiscal year 2013/14 was \$70 per barrel compared to \$65 per barrel applied in estimating the budgetary oil revenues for the fiscal year 2012/13, i.e. an increase of \$5 or 7.7%.

On another front, total allocations for budgetary expenditures for the fiscal year 2013/14 compared with the corresponding allocations for budgetary expenditures for the fiscal year 2012/13 slightly decreased by KD 237.4 million or 1.1% to reach KD 21002.6 million compared to KD 21240 million for the previous fiscal year (Table 41).

Regarding the economic classification of the allocations for budgetary expenditures for the fiscal year 2013/14 (Table 42), the allocations for current expenditures decreased by KD 594.9 million or 4.2% to reach KD 13454.7 million for the mentioned fiscal year compared with allocations of KD 14049.7 million for the previous fiscal year. Furthermore, the relative share of the total

allocations for current budgetary expenditures for the fiscal year 2013/14 declined to 64.1%, against 66.1% for the fiscal year 2012/13.

Table (41)
Revenue Estimates and Expenditure Allocations in the General Budget
for the Fiscal Years 2012/13 and 2013/14
(KD Million)

Item	Approved Budget		Change	
	2012/13	2013/14	Value	(%)
Public Revenues:	13932.4	18095.8	4163.5	29.9
Oil Revenues	12768.2	16883.1	4114.9	32.2
Non-Oil Revenues, of which:	1164.2	1212.7	48.5	4.2
- Taxes on Net Income and Profits	88.4	85.0	-3.4	-3.8
- Taxes & Fees on Goods & Services	2.2	2.1	-0.1	-4.5
- Taxes and Duties on Property	17.0	17.5	0.5	2.9
- Taxes & Fees on International Trade & Transactions	198.1	225.1	27.0	13.7
Service Revenues, of which:	682.1	709.8	27.7	4.1
- Electricity and Water	218.7	228.0	9.3	4.3
- Transport and Communication	183.4	198.2	14.8	8.1
- Miscellaneous Revenues and Charges	136.3	143.1	6.8	5.0
- Capital Revenues	40.0	30.0	-10.0	-25.0
Public Expenditures:	21240.0	21002.6	-237.4	-1.1
- Salaries and Wages	5146.0	5194.0	48.0	0.9
- Requirements of Goods and Services	4169.0	3873.7	-295.3	-7.1
- Means of Transport, Equipment and Supplies	477.0	351.3	-125.7	-26.4
- Construction Projects, Maintenance & Public Acquisitions	2162.0	2222.0	60.0	2.8
- Miscellaneous Expenditures and Transfer Payments	9286.0	9361.7	75.7	0.8

Source: Ministry of Finance

The allocations for capital expenditures decreased by KD 66 million or 2.5% to KD 2573 million during the fiscal year 2013/14 against KD 2639 million during the previous fiscal year. In the same context, their relative share to total allocations for the fiscal year 2013/14 declined to 12.3% against 12.4% for the fiscal year 2012/13. On another front, allocations of transfers to public authorities and institutions increased by KD 423.5 million or 9.3% during the fiscal year 2013/14 to KD 4974.8 million or 23.7% of total allocations for public expenditures for the mentioned fiscal year compared to KD 4551.3 million or 21.4% of total allocations for budgetary expenditures for the fiscal year 2012/13.

Table (42)
Allocations for Expenditures in the General Budget
(KD Million)

Item	Approved Budget				Change	
	2012/13		2013/14		Value	(%)
	Value	(%)	Value	(%)		
Current Expenditures:	1404.7	66.1	13454.7	64.1	-594.9	-4.2
- Consumption Expenditures	9315.0	43.9	9067.8	43.2	-247.2	-2.7
* Salaries and Wages	5146.0	24.2	5194.1	24.7	48.1	0.9
* Requirements of Goods and services	4169.0	19.6	3873.7	18.4	-295.3	-7.1
* Miscellaneous Expenditures	1894.1	8.9	1812.2	8.6	-81.8	-4.3
- Transfer Payments, of which:	2840.6	13.4	2574.7	12.3	-265.9	9.3
* Domestic Expenditures	1952.6	9.2	1979.1	9.4	26.5	1.4
* External Transfers	540.2	2.5	595.6	2.8	55.4	10.3
Capital Expenditures:	2639.0	12.4	2573.0	12.3	-66.0	-2.5
- Means of Transport, Equipment & Supplies	477.0	2.2	351.3	1.7	-125.7	-26.4
- Construction Projects and Maintenance	2.26.7	9.5	2209.1	10.5	182.4	9.0
- Public Acquisitions	135.3	0.6	12.6	0.06	-122.7	-90.7
Transfers to Public Authorities & Institutions	4551.3	21.4	4974.8	23.7	423.5	9.3
Total	21240.0	100	21002.6	100	-237.4	-1.1

Source: Ministry of Finance.

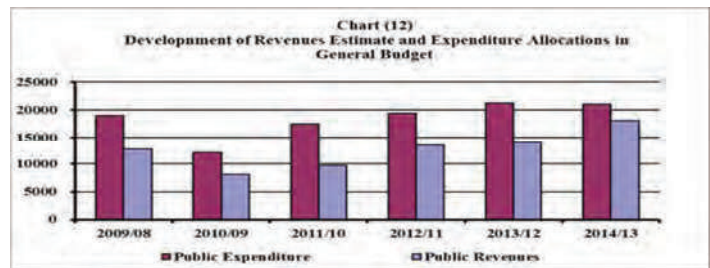
As a result of the above-mentioned developments in both estimated budgetary revenues and allocations for budgetary expenditures for the fiscal year 2013/14, the general budget for the mentioned fiscal year encompassed an estimated deficit of KD 2906.7 million against an estimated deficit of KD 7307.6 million for the previous fiscal year, before deducting the allocations for the Reserve Fund for Future Generations (Table 43).

Table (43)
Revenue Estimates and Allocations for Expenditures in the General Budget

Item	Approved Budget	
	2012/13	2013/14
Public Revenue Estimates, of which:	13932.4	18095.8
Oil Revenues	12768.2	16883.1
Allocations for Public Expenditures	21240.0	21002.6
Surplus or Deficit (1)	-7307.6	-2906.6
Surplus or Deficit (2)	*-10790.7	*-7430.6

(1) Before deducting the allocations for the Reserve Fund for Future Generations.
(2) After deducting the allocations for the Reserve Fund for Future Generations.

* Reserve Fund for Future Generations: the deduction ratio of the allocations for the Reserve Fund for Future Generations had been raised to 25% in the general budget for 2012/13 instead of the 10% mentioned in Law No. 106 of the year 1976. Source: Ministry of Finance



2- Government Fiscal Operations during the First Nine Months (April–December) of the Fiscal Year 2013/14

Available data in the monthly follow-up statements of the General Budget (Table 44) shows a decline in the actual budgetary revenues during the first nine months (April–December 2013) of the fiscal year 2013/14 by KD 276 million or 1.1% to reach KD 23984.3 million compared to KD 24260.3 million during the corresponding period (April–December 2012) of the fiscal year 2012/13. This is attributed to the drop in the value of actual oil revenues collected during April–December 2013 by KD 644.2 million or 2.8% to KD 22196.3 million against KD 22840.5 million in the corresponding period of the previous fiscal year. Meanwhile, the total value of non-oil revenues collected during April–December 2013 increased by KD 368.2 million or 25.9% to KD 1787.9 million compared to KD 1419.7 million during the corresponding period of the previous fiscal year. It is worth noting that the average price of the OPEC (Organization of Petroleum Exporting Countries) crude oil basket during April–December 2013 decreased to \$104.75 per barrel against \$106.86 per barrel during the corresponding period (April–December 2012), i.e. a decline of \$2.11 per barrel. The daily average of Kuwait's crude oil production during the same period was 2.962 million b/d, while the indicative oil price used in the preparation of estimated oil revenues in the general budget of 2013/14 was \$70 per barrel at an estimated production rate of 2.700 million b/d during the mentioned fiscal year.

In accordance with the previous view of developments in both actual oil and non-oil revenues collected during the first nine months of the fiscal year 2013/14 (Table 44), actual revenues collected surpassed their approved estimates of KD 18095.8 million for the whole mentioned fiscal year by KD 5888.5 million or 32.5%. This rise is attributed to the increase of actual oil revenues collected during the first nine months (April–December 2013) of the fiscal year 2013/14 by KD 9534 million or 75.3% above their approved estimates of KD 12662.3 million for the whole mentioned fiscal year. Furthermore, the actual non-oil revenues collected during the first nine months (April–December 2013) of the fiscal year 2013/14 increased by KD 575.2 million or 47.4% from their approved estimates for the whole mentioned fiscal year of KD 1212.7 million.

Table (44)
Actual Revenues and Expenditures in the General Budget
(KD Million)

Item	Follow-up Statements		Value of Change	Rate of Change (%)
	Apr.-Dec. 2012	Apr.-Dec. 2013		
Total Public Revenues:	24260.3	23984.3	-276.0	-1.1
Oil Revenues	22840.5	22196.3	-644.2	-2.8
Non-Oil Revenues, of which:	1419.8	1787.9	368.2	25.9
-Taxes on Net Income	64.1	79.4	15.3	23.9
-Taxes and Customs Duties	189.3	200.9	11.6	6.1
- Service Revenues, of which:	480.5	460.0	-20.4	-4.3
Electricity and Water	136.2	-	-	-
Transport and Communication	131.1	-	-	-
Fiscal Stamps	59.4	-	-	-
Total Public Expenditures:	8157.8	9641.9	1484.1	18.2
- Salaries and Wages	2286.7	2520.4	233.7	10.2
- Requirements of Goods and Services	1617.4	1417.1	-200.3	-12.4
- Means of Transport, Equipment and Supplies	54.3	38.1	-16.2	-29.8
- Const. Projects, Maintenance & Public Acquisitions	658.9	648.8	-10.1	-1.5
- Misc. Expenditures and Transfer Payments	3540.5	5017.5	1477.0	41.7
Surplus or Deficit ⁽¹⁾	16102.5	14342.4	-1760.2	-10.9
Surplus or Deficit ⁽²⁾	*10037.4	*8346.3	-1691.1	-16.8

Source: Ministry of Finance.

⁽¹⁾ Before deducting the allocations for the Reserve Fund for Future Generations.

⁽²⁾ After deducting the allocations for the Reserve Fund for Future Generations.

* Reserve Fund for Future Generations: the deduction ratio of the allocations for the Reserve Fund for Future Generations had been raised to 25% in the general budget for 2012/13 instead of the 10% mentioned in Law No. 106 of the year 1976.

Actual budgetary expenditures recorded an increase of KD 1484.1 million or 18.2% to KD 9641.9 million during the fiscal year 2013/14 against KD 8157.8 million for the corresponding period of the previous fiscal year. It is worth noting that the amount of actual expenditures within the general budget during the first nine months of the fiscal year 2013/14 encompasses 45.9% of the total budgetary allocations of KD 21002.6 million for the mentioned fiscal year as a whole.

Table (45)
Summary of Actual Revenues and Expenditures in the General Budget During the First 9 Months Of 2013/14

Item	Follow-up Statements		Change	
	April-Dec. 2012	April-Dec. 2013	Value	(%)
Actual Public Revenues	24260.3	23984.3	-276.0	-1.1
Actual Public Expenditures	8157.9	9641.9	1484.0	18.2
Surplus or Deficit ⁽¹⁾	16102.4	14342.3	-1760.0	-10.9
Surplus or Deficit ⁽²⁾	*10037.3	*8346.3	-1691.0	-16.8

Source: Ministry of Finance.

⁽¹⁾ Before deducting the allocations for the Reserve Fund for Future Generations.

⁽²⁾ After deducting the allocations for the Reserve Fund for Future Generations.

* Reserve Fund for Future Generations: the deduction ratio of the allocations for the Reserve Fund for Future Generations had been raised to 25% in the general budget for 2012/13 instead of the 10% mentioned in Law No. 106 of the year 1976.

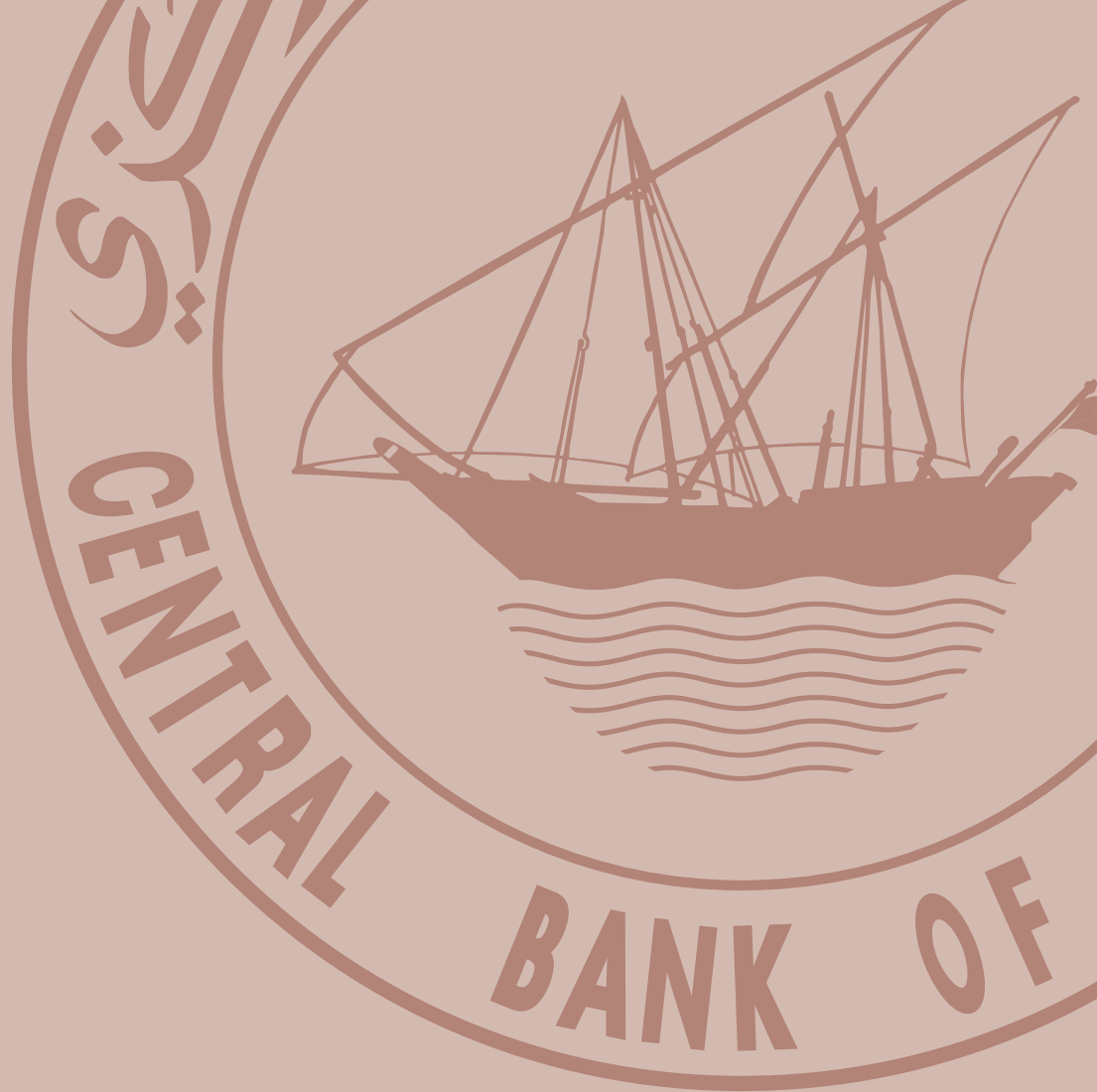
The mentioned rise in total actual budgetary expenditures during April-December 2013 compared with the corresponding period of the previous fiscal year is basically attributed to the increase in the actual expenditures under the first chapter (salaries and wages) by KD 233.7 million or 10.2% to KD 2520.4 million against KD 2286.7 million during the corresponding period of the previous fiscal year, and the fifth chapter (miscellaneous expenditures and transfer payments) by KD 1477 million or 41.7% to KD 5017.5 million against KD 3540.5 million during the corresponding period of the previous fiscal year on the one hand; and the decrease in the actual expenditures under the second chapter (requirements of goods and services) by KD 200.3 million or 12.4% to KD 1417.1 million against KD 1617.4 million during the corresponding period of the previous fiscal year, the third chapter (means of transport, equipment and supplies) by KD 16.2 million or 29.8% to KD 38.1 million against KD 54.3 million during the corresponding period of the previous fiscal year, and the fourth chapter (construction projects, maintenance & public acquisitions) by KD 10.1 million or 1.5% to KD 648.8 million against KD 658.9 million during the corresponding period of the previous fiscal year on the other.

The mentioned growth under the fifth chapter resulted from the rise in internal transfer payments by KD 2084.7 million or 90.4% to reach KD 4390.4 million during the first nine months (April-December 2013) of the fiscal year 2013/14 against KD 2305.7 million during the corresponding period of the previous fiscal year, which resulted from the increase of internal transfer payments to public authorities and institutions by KD 1418.1 million or 83.7% to reach KD 3112.2 million during the first nine months (April-December 2013) of the fiscal year 2013/14 against KD 1694.1 million during the corresponding period of the previous fiscal year.

The mentioned increase of internal transfer payments to public authorities and institutions as a result of the rise of internal transfer payments to the General Organization for Social Insurance by KD 1235.1 million or 189.7% to reach KD 1886.1 million during the first nine months (April-December 2013) of the fiscal year 2013/14 compared to KD 651 million during the corresponding period of the previous fiscal year.

As a result of the developments in the actual public revenues and expenditures during the first nine months (April-December 2013) of the fiscal year 2013/14, the general budget recorded an actual surplus of KD 14342.4 million against an actual surplus of KD 16102.5 million for the

corresponding period of the fiscal year 2012/13; i.e. a decrease of KD 1760.2 million or 10.9%, before deducting the allocations for the Reserve Fund for Future Generations.



Foreign Trade and Balance of Payments

2013

Foreign Trade and Balance of Payments

This section of the Economic Report highlights the developments of the State of Kuwait's Balance of Payments (BOP) statistics and its foreign trade during 2013 compared with 2012, through the developments in the Current Account and its basic items represented in: Balance on Goods, Services Account, Primary Income (Investment Income), 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 surplus in the BOP of the State of Kuwait reached KD 20316 million during 2013 against KD 22062.5 million during the previous year, i.e. a decrease of KD 1746.5 million or 7.9% compared with the previous year. This decline resulted from the increase in the total payments on the debit side of the Current Account (payments for imports of goods and services, income payments from foreign investments in the domestic economy, and current outward transfers) by KD 1199.2 million to reach KD 18712.3 million during 2013 against KD 17513.1 million during the previous year on the one hand, and the decrease in the total receipts on the credit side of the Current Account (receipts from exports of goods and services, and income from foreign investments) by KD 547.3 million to KD 39028.3 million during 2013 against K 39575.6 million during the previous year on the other.

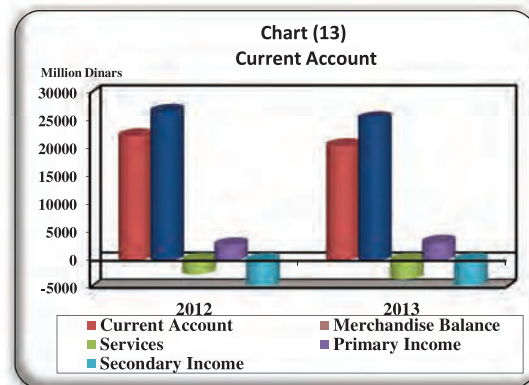


Table (46)
Current and Capital Account
(KD Million)

Item	2012 (Revised)	2013 (Provisional)
First: Current Account (1+2+3+4):	22062.5	20316.0
1- Balance on Goods:	26762.3	25441.6
* Merchandise Exports (FOB), of which:	33491.2	32805
Oil Exports	(31813.4)	(30947.8)
* Merchandise Imports (FOB)	-6728.9	-7363.5
2- Services, of which:	-2623.4	-3493.7
* Transportation	39.5	-499.4
* Travel	-2401	-2878.4
* Government Services	-28.4	-8
3- Primary Income, of which:	2729.2	3175.6
* Direct Investment Income	512	471.3
* Portfolio Investment Income	1620.7	2179.5
* Other Investment Income	539.3	449.9
4- Secondary Income:	-4805.5	-4807.4
* General Government	-342.8	-362.9
* Other Sectors, of which:	-4462.7	-4444.5
Workers Transfers	(-4405.2)	(-4393.1)
Second: Capital Account:	1191.5	1286.6
* Capital Transfers:	1191.5	1286.6
General Government	409.9	-0.2
Other Sectors	781.6	1286.8
Third: Current and Capital Account	23254	21602.7

Source: Central Bank of Kuwait.

1- Balance on Goods⁽¹⁾:

Available provisional data and estimates of the BOP of the State of Kuwait indicate a slight decrease in the total value of the State of Kuwait foreign trade (exports and imports) during 2013 compared with the previous year, which reached KD 40168.5 million during 2013 against KD 40220.1 million during the previous year, i.e. a decline of KD 51.7 million or 0.1%.

Item	2012 (Revised)	2013 (Provisional)
1- Merchandise Exports (FOB), of which:	<u>33491.2</u>	<u>32805.0</u>
Oil Exports	31813.4	30947.8
2-Minus merchandise Imports (FOB)	<u>6728.9</u>	<u>7363.5</u>
3- Balance on Goods	<u>26762.3</u>	<u>25441.6</u>

Source: Central Bank of Kuwait.

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 25441.6 million during 2013 compared to KD 26762.3 million during the previous year, i.e. a decrease of KD 1320.7 million or 4.9% (Table 47).

The following addresses, in some detail, the developments in the foreign merchandise trade of the State of Kuwait during 2013 compared with the previous year as follows:

1- Merchandise Exports:

The total value of the State of Kuwait merchandise exports (on FOB basis) during 2013 reached KD 32805 million compared to KD 33491.2 million during 2012 i.e. a decrease of KD 686.2 million or 2%. This decline mainly reflects the decrease in the total value of oil exports of the State of Kuwait which reached KD 30947.8 million during 2013 against KD 31813.4 million during the previous year, i.e. a decline of KD 865.6 million or 2.7%.

However, the value of non-oil merchandise exports of the State of Kuwait (on FOB basis) increased to KD 1857.2 million during 2013 against KD 1677.8 million during the previous year, i.e. a rise of KD 179.4 million or 10.7%.

(1)The "Balance on goods" in the Balance of Payment Statistics prepared by the CBK differs from the "Trade Balance" in the Foreign Trade Statistics prepared by the 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 mentioned balances, as will be mentioned later under developments in the value of merchandise exports and imports in this Report.

2- Merchandise Imports:

Data on the merchandise imports of the State of Kuwait (on CIF basis)* indicate a rise in the total value of these imports to KD 8337.7 million during 2013 against KD 7631.7 million during the previous year, i.e. an increase of KD 706 million or 9.3%. In the same context, available estimates on the relative distribution of the total value of merchandise imports by main trade partners indicate that the value of merchandise imports from the top ten countries reached KD 5502.5 million during 2013 or the equivalent of 66% of the total value of the State of Kuwait merchandise imports, against KD 5062.3 million or the equivalent of 66.3% during the previous year (Table 48).

Table (48)
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	2012		2013*	
	Value	%	Value	%
China (PRC)	1007.9	13.2	1071.3	12.8
USA	762.8	10.0	807.2	9.7
UAE	554.3	7.3	749.5	9.0
Japan	599.0	7.8	624.6	7.5
Germany	488.0	6.4	545.7	6.5
Saudi Arabia	401.5	5.3	414.4	5.0
Italy	363.0	4.8	362.4	4.3
India	364.7	4.8	351.3	4.2
South Korea	342.8	4.5	331.9	4.0
France	178.5	2.3	244.4	2.9
Total	5062.4	66.3	5502.5	66.0
Total Imports	7631.7	100.0	8337.7	100.0

Source: Central Statistical Bureau.

*CBK estimates.

Regarding geographic distribution of the State of Kuwait merchandise imports by countries during 2013, China ranked first among Kuwait import markets with KD 1071.3 million or 12.8% of the total value of Kuwait merchandise imports, the USA ranked second with KD 807.2 million or 9.7% of the total and the UAE ranked third with KD 749.5 million or 9% of the total during 2013 (Table 49).

(*) The value of Kuwait merchandise imports in this item as indicated in Table (48) is compiled on Free On Board (FOB) basis. It differs from that in Table (51), which is compiled on Cost, Insurance and Freight (CIF) basis.

Estimates also indicate that the value of the merchandise imports from other GCC member countries reached KD 1395.2 million or 16.7% of the total value of Kuwait merchandise imports during 2013 against KD 1103.5 million or 14.5% of that total during the previous year. Merchandise imports from the UAE and Saudi Arabia contributed 83.4% of the total value of imports from the GCC countries during 2013.

Table (49)
Geographic Distribution of Kuwait Merchandise Imports Value (on CIF basis) from GCC Countries
(Value in KD Million and Relative share in Percentage)

Country	2012		2013*	
	Value	%	Value	%
UAE	554.3	7.3	749.5	9.0
Saudi Arabia	401.5	5.3	414.4	5.0
Oman	63.4	0.8	99.3	1.2
Qatar	43.1	0.6	67.5	0.8
Bahrain	41.2	0.5	64.6	0.8
Total	1103.5	14.5	1395.2	16.7
Total Imports	7631.7	100.0	8337.7	100.0

Source: Central Statistical Bureau.

*CBK estimates.

2- Services Account (Net):

The Services Account (Net) reflects the value of services transactions between residents and non-residents, the most important of which are travel, transportation, communications, construction, insurance, financial services, government services and other services. The Services Account (Net) recorded a deficit of KD 3493.7 million during 2013 compared to KD 2623.4 million during 2012, i.e. a rise by KD 870.2 million or 33.2%. The increase in the deficit on the Services Account is attributed to the rise in the payments for travel services to KD 2962.7 million during 2013 against KD 2520.1 million during the previous year, i.e. an increase of KD 442.6 million or 17.6%. It is noticed that the Services total payments reached KD 5983.7 million during 2013 compared to KD 5614.5 million during the previous year, i.e. an increase of KD 369.2 million or 6.6% compared with the previous year. Worth noting is that Payments for travel services contributed 49.5% of the total payments on the debit side of the Services Account during 2013 compared to 44.9% during the previous year. The value of payments in the transportation item ranked second accounting for 25% of the total value of payments of the Services Account during 2013 against 25.1% during the previous year.

Conversely, total receipts on the credit side of the Services Account reached KD 2490.1 million during 2013 against KD 2991.1 million during the previous year, i.e. a decrease of KD 501 million or 16.8%. This decrease is attributed to the decline in the receipts of the transportation

services to KD 454.6 million, i.e. 90.7% of the total receipts on the credit side of the Services Account during 2013. Receipts from transportation services is the most important item on the credit side of the Services Account reaching KD 997.6 million during 2013 or 40.1% of the total value of receipts on the credit side of the Services Account, followed by receipts from communication services of KD 952.2 million or 38.2% of the total value of receipts on the credit side of the Services Account during 2013.

3- Primary Income:

Primary Income, in terms of value, is the second source after Balance on Goods, of the surplus realized in the Current Account of the State of Kuwait's Balance of Payments, with a relative share of 15.6% of the surplus realized in the Current Account reaching KD 3175.6 million during 2013 compared with a surplus of KD 2729.2 million during the previous year, i.e. an increase of KD 446.4 million or 16.4%. Provisional statistics of the BOP indicate that total receipts from investments abroad reached KD 3731.9 million during 2013 against KD 3092.7 million during the previous year, i.e. a rise of KD 639.2 million or 20.7%.

4- Secondary Income:

The Secondary Income Account in the Current Account of the BOP on the debit side reflects the current outward transfers from residents, whether these are workers' remittances or the in-kind and cash aid donated by the government of the State of Kuwait to non-residents. Total current outward transfers reached KD 4807.4 million during 2013 against KD 4805.5 million during the previous year, i.e. a slight increase of KD 1.9 million. Total expatriate workers' remittances is estimated to be KD 4393.1 million during 2013 against KD 4405.2 million during the previous year, i.e. a small decrease of KD 12.1 million or 0.3%. Also, current outward transfers by the public government bodies reached KD 363.4 million during 2013 against KD 343.3 million during the previous year, i.e. an increase of KD 20.1 million or 5.9%.

Second- Capital Account:

The Capital Account of the BOP of the State of Kuwait recorded a net capital inflow of KD 1286.6 million during 2013 against KD 1191.5 million during the previous year, i.e. an

increase of KD 95.1 million or 8%. In this context, total compensations received by residents from the United Nations Compensation Committee reached KD 1339.6 million during 2013 against KD 1235.6 million during the previous year.

Third- Financial Account:

Provisional BOP statistics of the State of Kuwait indicate a growth in the net value of the domestic economy's external assets (actual changes in foreign assets minus actual changes in foreign liabilities) of KD 21710.7 million during 2013 against KD 23565.5 million during the previous year. Table 50 illustrates the sub-items of the Financial Account within the BOP statistics.

Table (50)
Financial Account *
(KD Million)

Item	2012 (Revised)	2013 (Provisional)
Third- Financial Account:	-23565.5	-21710.7
a- Direct Investment (Net):	-1453.1	-1782.5
- Direct Investment Abroad	-1969.6	-2293.3
- Foreign Direct Investment in Kuwait	516.5	510.8
b- Portfolio Investment (Net):	-7399.8	-8749.1
- Assets	-7636.7	-8665.9
- Liabilities	236.9	-83.2
c- Financial Derivatives:	-33.6	10.9
- Assets	-39.3	101.6
- Liabilities	5.7	-90.7
d- Other Investments (Net):	-14679.1	-11189.9
- Assets	-13711.8	-11528.6
- Liabilities	-967.2	338.7
Fourth- Reserve Assets of CBK (change)	-917.6	-953.5
Fifth- Errors and Omissions (Net)	1229.1	1061.6
Sixth- Overall Balance (Surplus or Deficit)	917.6	953.5

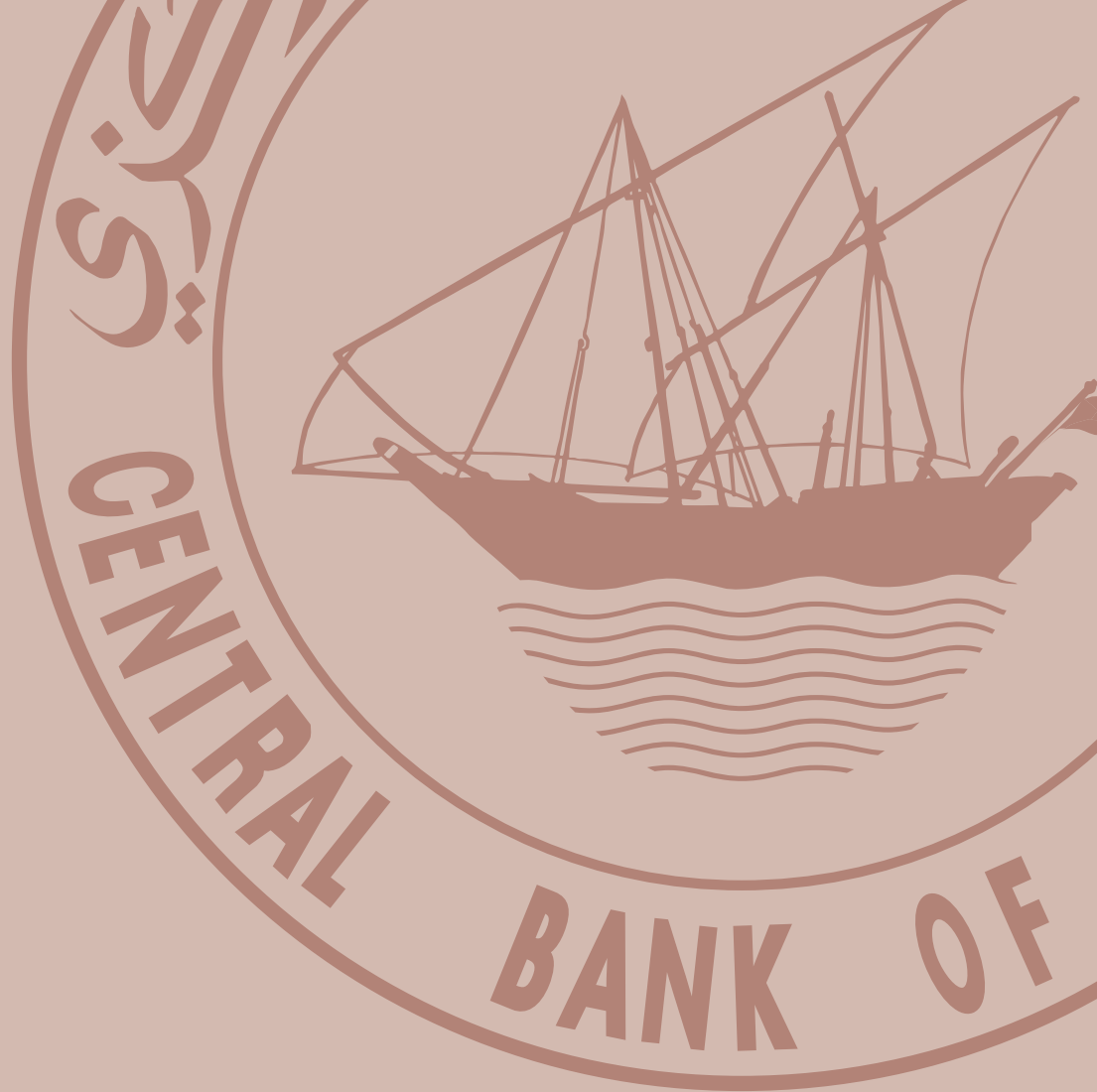
* The negative sign in the Financial Account indicates a net capital outflow, and the positive sign indicates the opposite.
Source: Central Bank of Kuwait.

Fourth- Errors and Omissions (Net):

Data concerning this item indicate that net flows on the credit side which are not recorded under any of the BOP items, estimated at KD 1061.6 million, represent the net inflows during 2013, compared to KD 1229.1 million (on the credit side) during the previous year (Table 50).

Fifth- Overall Balance:

The overall position of the State of Kuwait BOP, which is a summary of the transactions recorded under various BOP items, presents a total surplus of KD 953.5 million during 2013 against KD 917.6 million during the previous year. The surplus in the overall balance of BOP reflects the rise in the gross Reserve Assets of the CBK by the same amount. The overall position of the State of Kuwait BOP, within a broader perspective to encompass the change in the net value of external investments of some government authorities and institutions, particularly KIA and KPC, in addition to the above-mentioned change in CBK's gross reserve assets, the overall position of the Balance of Payments shows a surplus of KD 16270.8 million during 2013 (31.8% of GDP at current prices for the year 2012), compared with a surplus of KD 20683.2 million during the previous year (40.8% of GDP at current prices for that year).



The Kuwait Stock
Exchange

2013

The Kuwait Stock Exchange

Introduction

The major trading and price indicators of the Kuwait Stock Exchange (KSE) increased remarkably during 2013. In this regard, key trading indicators (value and volume of traded shares) recorded a significant rise during 2013 of 53.95% and 52.17% compared with their recorded levels during 2012. The KSE General Price Index (PI) closed its transactions increasing by 27.22% at the end of 2013 compared with the closing of 2012. The KSE Weighted Price Index (WI) recorded a lower increase of 8.43% at the end of 2013 compared with the closing of 2012, and the Kuwait 15 index recorded a rise of 5.88% at the end of 2013 compared with the closing of 2012. Moreover, the market capitalization of listed companies recorded an increase reaching KD 30986.2 million at the end of 2013 increasing by KD 2100.6 million or 7.3% compared with 2012, after a decrease of KD 474.2 million or 1.6% at the end of 2012 compared with 2011.

This part of the report presents the main developments of the KSE activity during 2013, as follows:

First- Main Trading Indicators:

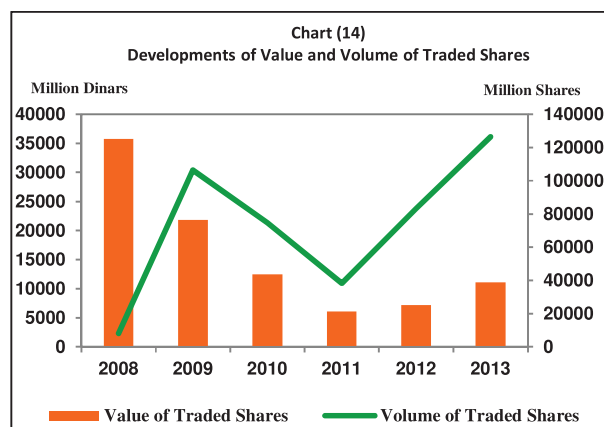
The main trading indicators of the KSE witnessed an upward trend during 2013 compared with their levels during 2012 (Table 51 and Chart 14). The total value of traded shares reached KD 11.10 billion with a daily average of KD 45.12 million during 2013 compared to KD 7.21 billion with a daily average of KD 28.84 million during 2012, i.e. a rise of KD 3.89 billion or 53.95% (a daily average of 56.45% of traded shares value). The total volume of traded shares reached 126.51 billion with a daily average of 514.27 million during 2013 compared to 83.14 billion with a

Table (51)
Main Share Trading Indicators of Companies
Listed on the Kuwait Stock Exchange

Period	Value (KD Million)	Quantity (Million Shares)	Number of Transactions (Thousand Transactions)
2011	6059.7	38343.0	617.7
2012	7214.7	83136.5	1198.3
2013	11102.6	126507.2	2136.1
Q1	2372.6	31915.6	481.7
Q2	4936.2	54417.6	840.4
Q3	2121.5	22967.7	424.0
Q4	1672.3	17206.3	390.0
Annual Change in 2013 from 2012	+53.89	+52.17	+78.26

Source: Kuwait Stock Exchange.

daily average of 332.56 million during 2012, i.e. an increase of 43.37 billion or 52.17% (a daily average of 54.64% of traded shares volume).



Source: Kuwait Stock Exchange

Regarding the sectoral distribution of the total value of traded shares (Table 52), the shares of Financial Services Companies sector (encompassing 53 companies, or 26.90% of total listed companies at the end of 2013) recorded the highest value of traded shares among the market sectors. Worth noting is that the traded value of the Services sector shares reached KD 3422.4 million during 2013, accounting for 30.83% of the total value of traded shares for the mentioned year.

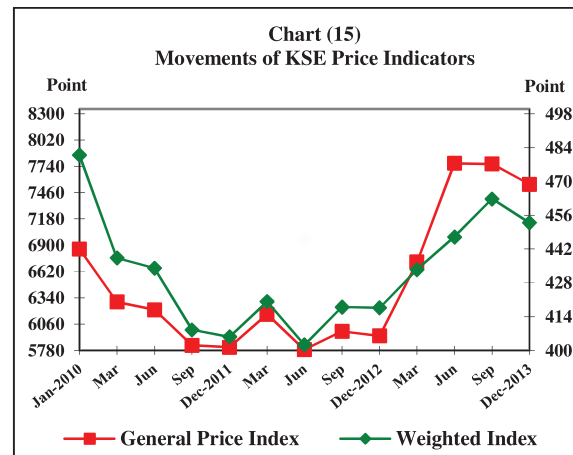
Table (52)
Developments in the Value of Traded Shares by KSE Sectors During 2013 (Value in KD Million), and the Relative Share (%)

Sector	Number of Companies	2013	
		Value	%
Oil & Gas	(8)	365.8	3.29
Basic Materials	(5)	87.3	0.79
Industrials	(39)	1363.9	12.28
Consumer Commodities	(7)	181.4	1.63
Healthcare	(3)	28.8	0.26
Consumer Services	(16)	197.3	1.78
Telecommunications	(3)	375.2	3.38
Utilities	-	-	-
Banks	(12)	1940.2	17.48
Insurance	(8)	26.0	0.23
Real-Estate	(38)	3057.9	27.54
Financial Services	(53)	3422.4	30.83
Financial Instruments	(1)	-	-
Technology	(4)	56.4	0.51
Total	(197)	11102.6	100

Source: Kuwait Stock Exchange.

Second- Price Movements:

The Kuwait Stock Exchange General Price Index (29/12/1993=1000 points) recorded a significant rise during 2013 closing at 7549.52 points against 5934.28 points at the end of 2012, i.e. a rise by 1615.24 points or 27.22%.



Source: Kuwait Stock Exchange.

Furthermore, the KSE Weighted Price Index increased to close at 452.86 points at the end of 2013 against 417.65 points at the end of 2012, i.e. a rise of 35.21 points or 8.43%. In the same direction, the Kuwait 15 index increased to close at 1068.42 points against 1009.09 points at the end of 2012, i.e. a rise of 59.33 points or 5.88%.

Third- Factors Affecting KSE Activity:

The performance of the KSE was affected by a number of factors during 2013, the most significant of which are:

- * **The rise in net interim profits of listed companies:** Profits of listed companies increased by 22.5% during 2013 compared with the previous year. Within this context, the **total cash dividends** of listed companies' net profits increased to KD 998.50 million during 2013 against KD 878.56 million during 2012, i.e. a rise of KD 119.98 million or 13.65%.
- * **Improved compliance with disclosure requirements of companies' financial statements:** Listed companies showed an improved compliance with the disclosure requirements of financial statements within the legal period given, thus reducing the cases of suspended shares of non-complying companies during 2013 compared with the previous year.

- * **Local political situation:** Local political situation relatively improved during 2013 compared with the previous year, thus enhancing optimism among the KSE dealers.
- * **Continued delisting of KSE's companies:** According to the Capital Markets Authority (CMA) resolutions the shares of 4 companies were delisted from the KSE during 2013 for non-submission of financial statements for different periods.
- * **Continued and escalated regional geopolitical unrest:** KSE's performance was negatively affected by the growing regional political unrest related to Syria's escalating political crisis.

Fourth- Profits of Listed Companies:

The total net profits/losses of 183 listed companies in the KSE increased to KD 1621.751 million during 2013, against KD 1323.678 million for the same companies during 2012, i.e. a rise of KD 298.073 million or 22.5%, where 148 profit-making companies recorded a net profit of KD 1793.180 million against KD 1602.242 million for 131 profit-making companies during 2012, i.e. an increase of KD 190.938 million or 11.92%. On the other hand, 35 companies recorded losses of KD 171.429 million during 2013 against KD 278.564 million for 52 companies during 2012, i.e. a decline of KD 107.135 million or 38.46%.

The top five sectors, ranked by their relative share of total net profits and losses of sector's companies to total net profits and losses of all sectors during 2013, were led by the Banks sector with a relative share of 41.45% of total companies' profits; Telecommunications, second with 17.69%; Financial Services, third with 13.85%; Industries, fourth with 11.31% and Real Estate fifth with 11.15%.

The Price to Earnings (P/E) ratio of KSE's listed companies witnessed a decline during the first three quarters of 2013 reaching an average of 13.85 against an average of 14.19 during the corresponding period of 2012.

Table 53 illustrates the sectoral distribution of net profits of companies listed on the KSE during 2012/2013.

Table (53)
Performance of KSE-Listed Companies by Sector during 2012/2013
(Value in KD Million)

Sector	Number of Companies Listed in the Sector	Number of Companies Which Announced Their Data	Net Profits (Losses) during 2012/2013			EPS (Fils)	Return on Equity	P/E (Multiples)
			2012	2013	Change (%)			
Oil & Gas	8	7	11.645	16.853	+44.7	4.42	1.4	14.5
Basic Materials	5	2	5.480	7.490	+36.7	37.09	4.65	18.25
Industrial*	39	39	143.687	183.356	+27.6	21.53	0.81	13.88
Consumer Commodities	7	7	36.221	52.287	+44.4	7.79	10.33	13.83
Healthcare	3	3	11.327	9.709	-14.3	22.71	3.49	12.85
Consumer Services	16	16	45.029	57.293	+27.2	21.13	1.74	14.03
Telecommunications	3	3	321.899	286.852	-10.9	-	35.61	11.60
Utilities**								
Banks*	12	12	656.990	672.278	+2.3	19.26	8.28	18.45
Insurance*	8	7	28.541	30.089	+5.4	19.56	4.24	14.0
Real-Estate	38	36	95.058	180.824	+90.2	8.76	0.9	13.18
Financial Services*	53	47	(35.627)	128.420	+460.5	7.65	0.19	13.33
Financial Instruments**								
Technology	4	4	3.428	(3.700)	-207.9	15.79	-1.51	12.8
Market's Total	196	183	1323.678	1621.751	+22.5	9.62	15.13	13.85

* The new sectoral distribution (14 sectors) became effective as of 13/5/2012. Non-Kuwaiti companies are included in the above-mentioned sectoral distribution.

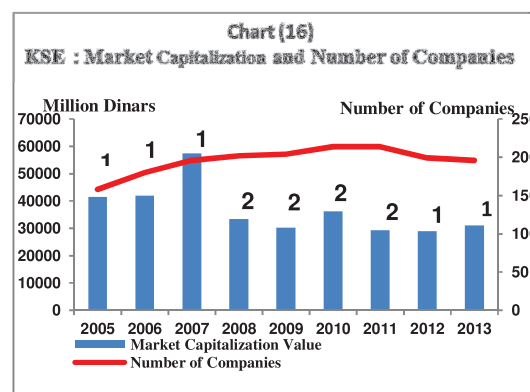
** No listed companies under this sector.

Source: Financial data of companies' balance sheets available from Kuwait Stock Exchange.

Fifth- Developments in Market Capitalization and Share Issue Base:

1- Market Capitalization:

The market capitalization of listed companies on KSE increased by KD 2100.6 million or 7.3% (a rise of KD 1764.7 million or 6.49% for Kuwaiti companies), to reach KD 30986.2 million (KD 28967.3 million for 185 Kuwaiti listed companies) at the end of 2013, against KD 28885.6 million (KD 27202.6 million for 187 Kuwaiti listed companies) at the end of 2012.



In this context, one bank's shares were listed during 2013 with a market capitalization of KD 330 million, accounting for 1.1% of total market capitalization. Meanwhile, three Kuwaiti companies were delisted from the KSE and one bank was delisted from the non-Kuwaiti companies sector. The market capitalization of KSE's delisted company shares was KD 236.7 million, accounting for 0.8% of total market capitalization (Chart 16).

2- Share Issue Base:

The share issue base of companies listed on the KSE increased by 1269 million or 1.3% during 2013 to reach 102212 million (of which 86600 million shares issued by 185 Kuwaiti companies) at the end of 2013, against 100943 million (of which 86520 million shares issued by 187 Kuwaiti companies) at the end of 2012. The number of shares issued by the KSE newly-listed bank was 1 billion, and the number of shares issued by the KSE delisted companies was 2957 million during 2013.

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