

بنك الكويت المركزي  
CENTRAL BANK OF KUWAIT



# Economic Report For the Year 2022



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ





The Amir of the State of Kuwait

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





The Crown Prince of the State of Kuwait

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





The Prime Minister of the State of Kuwait

**H.H. Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah**



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## Governor's Speech

Basel Ahmad Al-Haroon  
The Governor

I am pleased to present the 51<sup>st</sup> annual economic report that highlights the foremost economic and financial developments in the Kuwaiti economy during 2022, and the accelerating challenges and highly interrelated and complex risks for the global economy. At the end of 2021 and following a partial recovery from the repercussions of Covid-19 pandemic, there was a kind of optimism that economic activities would return to normal, disruptions in supply chains would be improved to the pre-pandemic levels, and pressures on the prices of basic commodities would become lower. However, the Russia-Ukraine War that erupted in early 2022 triggered a massive shock to the global economy, squeezing supply and pushing up prices of energy and food to unprecedented levels. It also triggered the return of disruptions in the global supply chains, and growing concern about the high risk of stagflation. Given these challenges and their effects on the local economy, the International Monetary Fund (IMF) forecasts that the real GDP of the State of Kuwait would grow by 8.2% in 2022, compared to 1.3% in 2021. Inflation rate increased to average 4.0% in 2022 against 3.4% in 2021.

**As for the monetary and banking developments in 2022**, CBK is keen to adopt a prudent and balanced approach in managing monetary policy by tightening its monetary policy without exposing the economic growth and financial stability to risks. As part of its monitoring of the economic conditions locally and globally, and the geopolitical repercussions and monetary policy trends in global economies, CBK raised the discount rate seven times by 200 basis points to 3.5%. These decisions are in line with the CBK's balanced and gradual approach for its monetary policy aimed at consolidating monetary and financial stability of the banking sector, maintaining the competitiveness and attractiveness of the national currency as a lucrative store of domestic savings, and enhancing the atmosphere supportive of the sustainable economic growth.

Indicators of the banking sector's performance in 2022 have reaffirmed the resilience thereof and its ability to withstand crises and continue serving the national economy without interruption, as revealed by the strong soundness indicators, e.g. capital adequacy, liquidity, asset quality and profitability, supported by the positive results of the stress testing regularly conducted by CBK, and the healthy consolidated balance sheet of the Kuwaiti banking that grew by 10.3% in 2022. In addition, CBK continues to develop banking services to keep pace with the remarkable digital revolution and support the digital transformation by following up on the latest financial technologies and identifying regulatory and supervisory frameworks to enable modern financial services while ensuring integrity and stability of the banking and financial system.

In line with the vision of His Highness the Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah to achieve sustainable development, and "New Kuwait 2035" Vision, CBK seeks to bolster the concept of sustainable development, encourage sustainable economy, pay the most attention to green finance, and take practical steps to promote and apply these concepts in the banking sector. To this end, CBK promulgated guidelines on sustainable finance that defined the sustainability standards and the key principles banks should consider in relation to sustainable finance and sustainability factors.

CBK's endeavors in 2022 were recognized by the International Monetary Fund (IMF) as per its statement issued within the framework of the annual periodic consultations of IMF mission for the year 2023 with the State of Kuwait under Article IV of IMF Establishment Agreement. IMF commended the ability of the Kuwaiti

economy to contain inflation given the limited pass-through from higher global food and energy prices due to administered prices and subsidies, as well as monetary policy tightening, and the CBK's policy pegging the Kuwaiti Dinar to a special weighted basket of currencies of Kuwait's major trade and finance partners. This policy contributed to maintaining inflation low and stable for many years, and gives CBK some independence of monetary policy. IMF also commended its prudent supervisory measures that contributed to maintaining the financial stability of the banking system.

**On the public finance front,** CBK still exerts all the reasonable efforts to expedite addressing the structural imbalances in the Kuwaiti economy, including those in the public finance. Despite the remarkable increase in public revenues mainly resulting from the increase in oil revenues collected, the general budget recorded an actual deficit of KWD 2,991.1 during FY 2021/22 (accounting for 7.3% of GDP for 2021) compared to an actual deficit of KWD 10,772.5 million in the FY 2020/21.

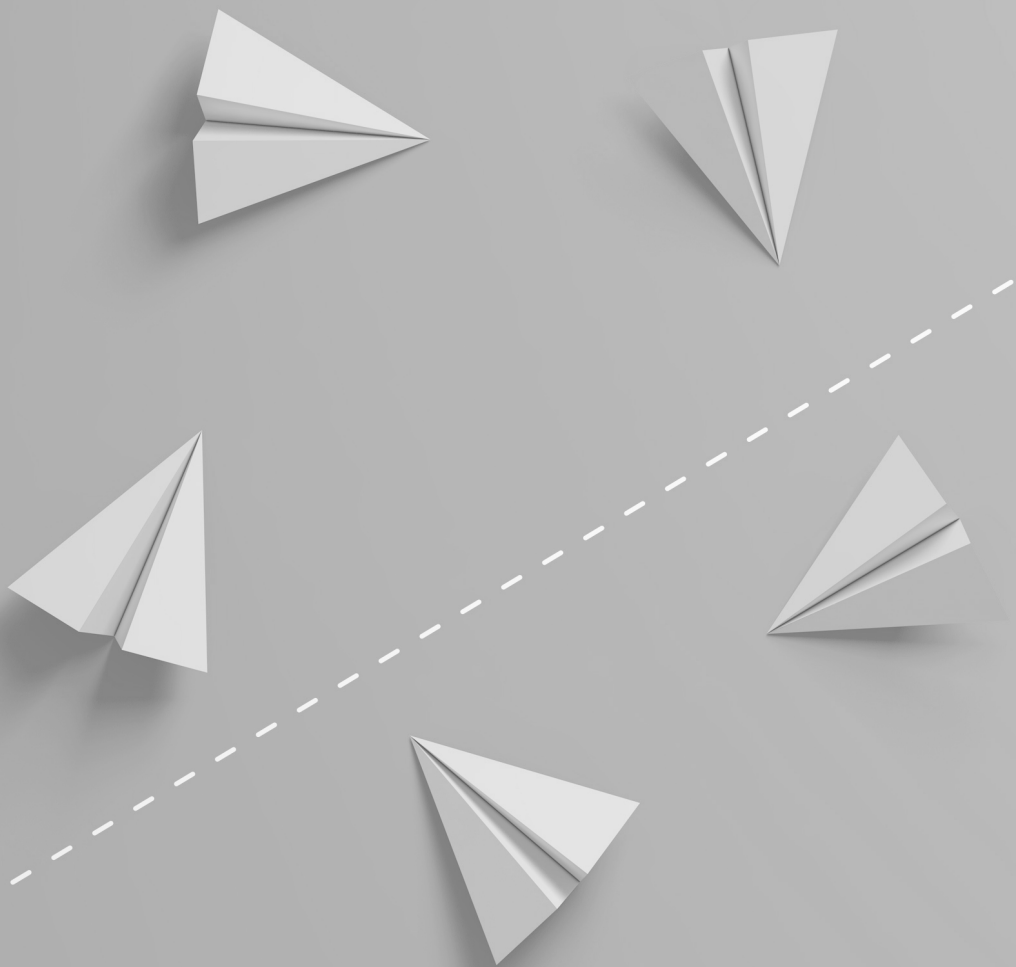
**As regards the external sector,** the current account continues to realize a surplus of KWD 19,329.3 million in 2022 compared to a surplus of KWD 10,537.0 million in the previous fiscal year. Despite the higher fiscal surpluses in the current account as a source of strength for the national economy, their strong correlation with developments in the performance of global oil markets must be considered, emphasizing the importance of intensifying efforts to bolster the sustainable economic performance.

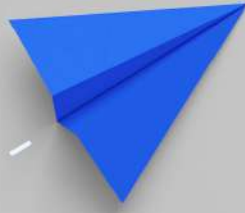
**With regard to the performance of Boursa Kuwait,** despite the negative performance of most international stock exchanges coinciding with the slowdown in the global economy during 2022, the price indices of Boursa Kuwait reported a positive performance, as the All-Share Index increased by 3.5% at the end of 2022 compared to the end of the previous year, the market capitalization of the listed companies increased, and foreign ownership in the banking sector shares increased compared to the end of the previous year.

**In conclusion,** CBK seizes this opportunity to express sincere gratitude to His Highness the Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Prime Minister Sheikh Ahmad Nawaf Al-Hamad Al-Sabah for their enduring care and support. We would like also to express our deepest thanks and gratitude to all ministries, government departments, the banking sector, financial institutions and other entities operating in the State of Kuwait for their cooperation in providing the data and information necessary for the preparation of this report, looking forward to building upon our communication and coordination in order to best serve our country, and continue achieving more progress and prosperity.

*May Allah bless our endeavors with success!*

# The Executive Summary





## The Executive Summary

The Economic Report for the year 2022 addresses key economic, financial, monetary and banking developments of the Kuwaiti economy during the reporting year, presented in six parts, as enumerated below:

### I. Performance of Local Economy

The vigorous efforts exerted by the government during 2021 and 2022 to accelerate vaccination and respond to the spread of coronavirus pandemic helped lift all social distancing restrictions and support economic recovery. The International Monetary Fund estimates indicated that the real Gross Domestic Product (GDP) growth will improve in 2022, mainly driven by the increased oil production, higher oil prices, and improvement in domestic demand. The State of Kuwait has so far been able to contain the repercussions of the Russian-Ukrainian war due to the limited trade and financial relationships with both countries. Inflation rates have remained at moderate levels, as a result of the CBK's prudent monetary policy and the limited transmission of the effects of higher food and energy prices thanks to the subsidy and pricing policies. As oil prices rose and oil production increased, the fiscal deficit narrowed significantly, and the current account surplus increased compared to last year.

Estimates by IMF indicate that the real GDP of the State of Kuwait for 2022 recorded a growth of 8.2% compared to 1.3% in 2021. This growth was the outcome of a growth of 3.9% in real domestic product of non-oil sectors in the said year, compared to 3.4% the year before on the one hand, and growth of the real domestic product of the oil sector by 11.6% in 2022, having been retracted by 0.3% the year before on the other hand.

As for the developments of oil indicators, the average price of Kuwait Export Crude (KEC) increased during 2022 to USD 101.1 per barrel compared to USD 70.5 per barrel the year before, which is a hike by USD 30.6 per barrel, i.e. 43.5%. Production of Kuwaiti crude oil also increased from 2.414 million barrels per day on average during 2021 to 2.706 million barrels per in 2022, i.e. an increase of 292,000 barrels per day at 12.1%. On the side of the exported quantities of Kuwaiti oil, the available data reveal an increase from 1.820 million barrels per day on average during 2021 to 1.843 million barrels per day on average during 2022, i.e. an increase of 22,900 barrels per day at 1.3%.

On the domestic prices note, inflation rate calculated on the basis of relative change in the consumer price index in the State of Kuwait (base year 2013=100) meanwhile increased to 4.0% in 2022, compared to 3.4% in 2021 and 2.1% in 2020. "Food and Beverages" was the largest contributor to the high inflation rate by 32.2%, followed by "Housing Services" by 17.2%, and "Education" by 11.7%.

As for the developments of population and workforce, data indicate that the total population of Kuwait increased in 2022 by 2.4% compared to a decrease of 0.9% in 2021 bringing the total population to 4.737 million (60.7% male and 39.3% female) in 2022 compared to 4.628 million in 2021. Data also indicate that the total labor force increased by 2.2% compared to a decline by 1.7% in 2021, to reach 2.859 million compared to 2.798 million in the previous year.

### II. Monetary Developments and CBK Activities

CBK continued its efforts during 2022 in the area of monetary policy and banking regulation and supervision in line with the latest developments in the local economic situation on the one hand, and developments in global markets on the other. Accordingly, from March 2022 until the end of 2022, CBK tightened its monetary policy by raising the discount rate seven times by 200 basis points, as it decided to raise the discount rate in a gradual and balanced manner by 25 basis points six consecutive times during the months of March, May, June, July, August and September of 2022 to 3.0%, followed by another increase of 50 basis points on 06 December 2022 to 3.5%. These hikes came within the framework of the CBK's balanced and gradual approach of monetary policy aimed at consolidating monetary and financial stability for the units of the banking and financial sector, and preserving attractiveness of the national currency as a lucrative store of domestic savings, which constitute one of the main sources of financing for various sectors of the national economy, in a manner conducive to the sustainable economic growth.

In a parallel note, the developments related to the exchange rate of the Kuwaiti dinar during 2022 reflect the CBK's efforts to maintain stability of KWD exchange rate against the other major currencies, in accordance with the policy of pegging KWD exchange rate as per the Decree No. 147 of 2007 issued on 20 May 2007 to a special weighted basket of currencies of countries that have trade and financial relations with the State of Kuwait.

Local interest rates continued on an upward trajectory in line with the CBK's monetary policy aimed at maintaining monetary and financial stability, enhancing the supportive atmosphere for various economic sectors, especially the non-oil sectors, containing the domestic inflationary pressures, and maintaining the competitiveness and attractiveness of the national currency as a store of domestic savings. The average interest rates on KWD term deposits with local banks witnessed a remarkable increase for all maturities during 2022 compared to 2021. In addition, spreads between the average interest rates on customer deposits in KWD and USD with local banks continued in favor of KWD. The average interest rates on KWD interbank deposits increased for all maturities during 2022 compared to 2021.

Data reveal a hike in domestic liquidity levels during 2022, as the money supply in its broad sense (N2) increased by 6.0% compared to the end of 2021. The total residents' deposits with local banks at the end of 2022 increased by 5.3% compared to a decrease during 2021 by 1.6%. The utilized cash portion of credit facilities extended by local banks to various local economic sectors increased by 7.7% at the end of 2022 compared to an increase of 7.4% at the end of 2021.

### III. Financial Indicators of the Banking and Financial System

CBK continues its efforts to keep pace with the changes and developments in the global banking industry, and introduce the appropriate regulatory policies and instructions to support products, services and advanced business models in the financial services industry. In order to enhance its supervisory role in bolstering innovation, CBK launched its Regulatory Sandbox Framework in 2018, and 5 companies benefited from the regulatory sandbox. CBK contributed to the graduation of two companies that provide modern fintech services that are the first of their kind in the region. CBK also provides support to three other companies, while two companies are in the process of applying for the regulatory sandbox.

CBK is keen to develop banking services supporting the digital transformation by keeping pace with the most recent financial technologies and defining regulatory and supervisory frameworks that contribute to enabling modern financial services while consolidating the integrity and stability of the banking and financial system.

In order to achieve the vision of His Highness the Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah for sustainable development, and in light of the development goals under "New Kuwait 2035", Vision, CBK supports the concept of sustainable development, and continues its efforts in encouraging a sustainable economy over the medium term, paying more attention to the green finance and its tools, and promoting these concepts in the banking sector. To this end, CBK issued a circular on 17 November 2022 to local banks regarding the Guidelines on Sustainable Finance. Such guidelines involve importance of defining sustainability standards, and the most important basic principles that banks should consider with respect to the sustainable finance and sustainability factors.

The aggregate balance sheet of local banks reveals the resilience of the banking sector and its ability to withstand crises, recording a growth from KWD 77,029.2 million at the end of 2021 to KWD 84,964.1 million at year of 2022, i.e. a growth by KWD 7,934.9 million (10.3%) compared to KWD 3,703.5 million (5.1%) for 2021. This growth in assets was driven by the increase in the utilized cash portion of the credit facilities granted to resident" private sector by around KWD 3,343.2 million (8.6%) from KWD 38,775.2 million at the end of 2021 to KWD 42,118.4 million at the end of 2022, in addition to the increase in foreign assets by KWD 5,347.5 million (29.9%) from KWD 17,879.4 million at the end of 2021 to KWD 23,226.9 million at the end of 2022.

### IV. Public Finance

Data of the Closing Account for FY 2021/22 indicate that total actual revenues collected for the said fiscal year significantly increased by KWD 8,092.6 million or 76.9% to KWD 18,612.9 million compared to KWD 10,520.3 million in the previous fiscal year. Data also reveal that FY 21/2022 revenues to Gross Domestic Product (GDP) of 2021 increased to 45.2% from 32.4% in the previous year. The rise in the total actual revenues resulted mainly from the increase by KWD 7,427.3 million or 84.5% in the actual collected oil revenues to KWD 16,217.0 million in FY 2021/22 compared to KWD 8,789.7 million in the previous fiscal year, and the increase in non-oil revenues by KWD 665.3 million or 38.4% to KWD 2,395.9 million against KWD 1,730.6 million in the previous fiscal year.

Data indicate a rise in the actual public expenditure by KWD 311.3 million or 1.5% to KWD 21,604.0 million during said year against KWD 21,292.7 million during the previous year. The total public expenditure for FY 21/2022 to Gross Domestic Product (GDP) of 2021 declined to 52.4% from 65.6% in the previous year.

As a result of these developments in both actual revenue and expenditure under the closing account, the general budget for FY 2021/22 recorded an actual deficit of KWD 2,991.1 million (7.3% of GDP in 2021) against an actual deficit of KWD 10,772.5 million for FY 2020/21, i.e. a decrease in deficit of KWD 7,781.4 million or 72.2%.

## V. External Sector

The Preliminary estimates of the balance of payments statistics of the State of Kuwait indicate that the current account recorded a surplus of KWD 19,329.3 million during 2022, compared to a surplus of KWD 10,537.0 million during the previous year, i.e. an increase of KWD 8,792.3 million (83.4%), driven by the increased surplus in the Balance of Goods (FOB) by KWD 9,805.7 million (80.2%), the increased surplus in the Primary Income Account by KWD 307.9 million (4.0%), the declined deficit in the Secondary Income Account by KWD 130.5 million (2.3%) on the one hand, and the increased deficit in Services Account by KWD 1,451.8 million (38.9%) on the other. It is worth noting that oil exports increased to KWD 28,790.6 million during 2022, compared to KWD 19,000.3 million during the previous year, i.e. an increase of KWD 9,790.3 million (51.5%), which contributed to the increased surplus in the Balance of Goods.

## VI. Development at Bursa Kuwait

Most of stock markets across the world suffered severe contraction in 2022 following significant rises in 2021, due to the repercussions of the Russian-Ukrainian war that resulted in higher prices of goods and services and inflation rates, urging the global central banks to tighten their monetary policies, leading to reduced risk appetite in investing in stock markets.

Stock market indices in the Gulf Cooperation Council (GCC) countries declined in the 2022 but at smaller percentage than the global markets, as the MSCI GCC Index recorded a decline by 6.3%, while the MSCI World Index declined by 19.5%, which is the largest decline since the global financial crisis in 2008.

Bursa Kuwait performed well during 2022, with the all-share index increased by 248.9 points, i.e. 3.5%, to reach 7,292.1 points at the end of 2022. Thus, Bursa Kuwait ranked fifth among the GCC countries in terms of the highest rate of increase in 2022. The Premier Index was the best performer, rising by 6.2%, while the Main Index (50) declined by 6.4%, followed by the Main Index with a decline of 4.9%. The rise in the market indices reflect the positive performance of large-cap companies during 2022. The capital capitalization of companies listed on Bursa Kuwait (155 companies) increased by KWD 5.3 billion, i.e. 12.9%, to KWD 46.7 billion at the end of 2022 compared to KWD 41.4 billion at the end of 2021 (167 companies).



# Chapter I

## Performance of the Domestic Economy





## Chapter I Performance of the Domestic Economy

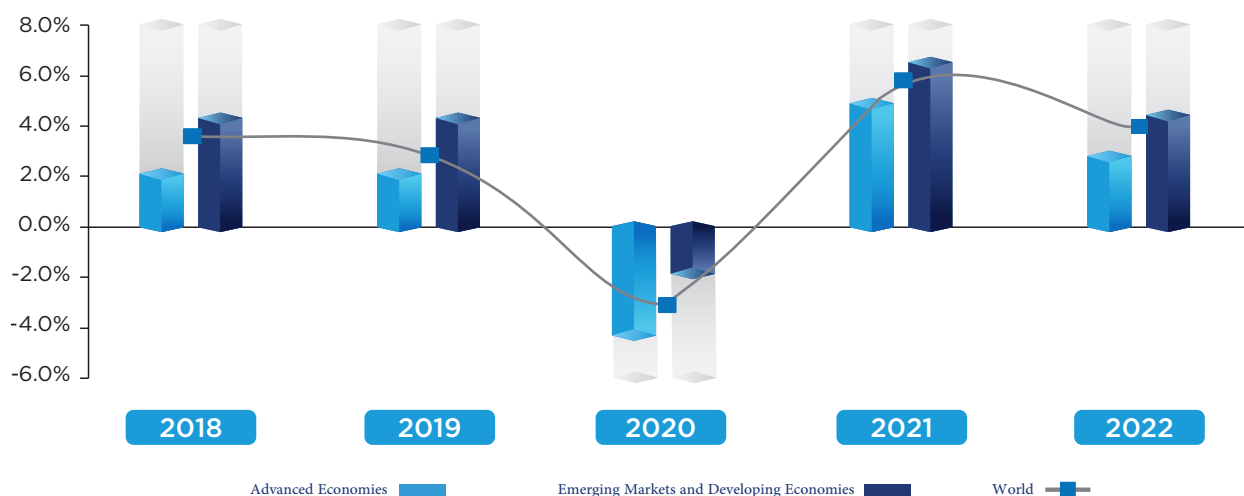
### I. Economic Growth

Despite the recovery from the Coronavirus pandemic, the global economic conditions are still facing difficult challenges due to the ongoing effects of the pandemic or the rise in inflation rates to record levels, and the tightened monetary policies in many major economies to curb inflation and avoid stagflation. The foremost challenges the world has faced was the Russian-Ukrainian war that cast a shadow over the global economic scene, caused a sharp rise in food and energy and higher inflation. This also affected the most vulnerable groups, as governments are having difficulty supporting them groups due to higher debt and tightened global financial conditions.

All of these factors have led to a deceleration in the performance of the global economy, according to International Monetary Fund (IMF) estimates, which indicate that the growth of the global (real) GDP during 2022 reached 3.4% against a growth of 6.3% during 2021. This deceleration came as a result of the decline in the growth of advanced economies by 2.7% in 2022, compared to 5.4% in 2021, and the developing countries and emerging market economies by 4.0% in 2022, compared to 6.9% in the previous year.

The economies of the Middle East and Central Asia were not excluded from the global economy challenges, as they have faced simultaneous shocks due to the slowdown of the global economy, as a result of the rise in food and energy prices, and the financial conditions that tightened faster and stronger than expected. Though these countries witnessed moderate growth in 2022 at an average of 5.3%, against a growth of 4.6% in 2021, the economic recovery in these countries is still fragile, as a result of the economic and geopolitical challenges seen in the region and the world during 2022.

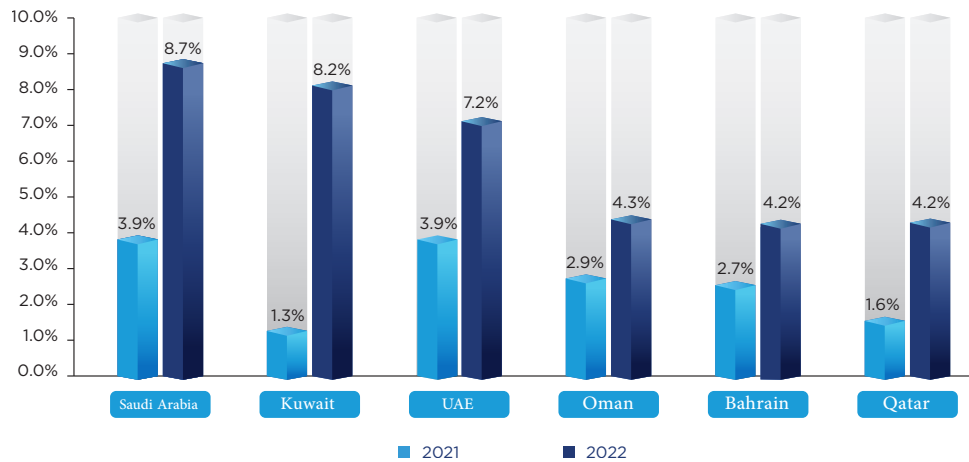
**Figure 1.1: Global Economic Growth Rates**



Source: International Monetary Fund, April 2023.

At the level of the Gulf Cooperation Council (GCC) countries, and according to IMF estimates (April 2023), Kingdom of Saudi Arabia (KSA) recorded the highest growth level among the GCC countries by 8.7% in 2022 compared to 3.9% in 2021, followed by Kuwait by 8.2% compared to 1.3% in 2021, United Arab Emirates (UAE) by 7.4% compared to 3.9% in 2021, Oman by 4.3% compared to 2.9% in 2021, Kingdom of Bahrain by 4.2% compared to 2.7% in 2021, and Qatar by 4.2% compared to 1.6% in 2021.

Figure 1.2: GCC Economic Growth Rates



Source: International Monetary Fund, April 2023.

As for the State of Kuwait, the government's efforts during 2021 and 2022 in terms of vaccination and its rapid response to the Coronavirus pandemic helped lift all social distancing restrictions and support economic recovery. IMF estimates indicate an improvement in overall real GDP growth in 2022, supported by the increased oil production, higher prices and continued improvement in domestic demand. In addition, the State of Kuwait has so far managed to contain the direct negative repercussions of the Russian-Ukrainian war due to the limited commercial and financial ties with both countries. Inflation rates remained at moderate levels, as a result of CBK's prudent monetary policy and the limited transmission of the effects from the rise in global prices of food and energy thanks to the subsidy and pricing policies in Kuwait. The rising oil prices and increased production led to a remarkable deficit decrease in the public finance, and surplus increase in the current account compared to the previous year.

IMF estimates indicate that the (real) GDP of the State of Kuwait during 2022 recorded a growth of 8.2% against 1.3% in 2021. This growth came as a result of real GDP growth for the non-oil sectors by 3.9% during the aforementioned year against 3.4% during the previous year on one hand, and real GDP growth of the oil sector by 11.6% in 2022 against a contraction of 0.3% in 2021, on the other hand.

Table 1: GDP at Constant Prices by Sector (oil, non-oil sectors)

Item	2018	2019	2020*	2021**	2022**
<b>GDP</b>	<b>2.4</b>	<b>-0.6</b>	<b>-8.9</b>	<b>1.3</b>	<b>8.2</b>
• Oil	2.3	-1.0	-8.2	-0.3	11.6
• Non-Oil	2.6	0.0	-9.6	3.4	3.9

\* Quarterly Statements of 2020

\*\* International Monetary Fund estimates, April 2023

Source: Central Statistical Bureau.

With regard to the development of oil indicators during 2022, OPEC data indicate an increase in the average spot price of the OPEC Reference Basket (ORB), to reach an average of USD 100.08 per barrel in 2022 compared to an average of USD 69.89 per barrel in 2021, i.e. an increase of USD 30.19 or 43.2%. In parallel, the average price of the Kuwaiti export crude oil barrel during 2022 increased to USD 101.1 per barrel, compared to USD 70.5 per barrel on average during the previous year, i.e. a rise of USD 30.6 or 43.5%. On the other hand, production of Kuwaiti crude oil increased from an average 2.414 million barrel per day during 2021 to an average 2.706 million barrel per day in 2022, i.e. a rise of 292 thousand barrel per day or 12.1%. As for Kuwait's oil exports, available data indicate an increase in total quantity from an average 1.820 million barrel per day during 2021 to an average 1.843 million barrel per day during 2022, i.e. a rise of 22.9 thousand barrel per day or by 1.3%.

On the other hand, the Kuwaiti banking system has performed well against shocks due to the banks' strong reserves allocation, vigilant and diligent supervision, and CBK's proactive approach in monitoring financial risks,

as banks enjoy good levels of capital and liquidity, as well as other financial soundness indicators. Furthermore, the private sector's credit growth remains strong.

## II. Levels of Domestic Prices

### 1. Consumer Price Index

Developments connected to the general level of domestic prices are main indicators through which some aspects of economic performance can be identified. These developments also affect purchasing power, actual income of members of society, and actual interest prices, therefore affecting the pattern of allotting the resources available within the local economy into the consumption, savings, and investment categories. The Consumer Price Index is used as an indicator of inflation trends in the local economy where the changes in the figure reflect changes in the average price (cost) of a select basket of goods and services purchased by consumers in Kuwait. The basket's components are weighted in relation to the pattern of consumer spending rates based on findings of household income and spending research conducted for this purpose. This basket based on which the Consumer Price Index in the State of Kuwait is calculated includes the goods and services making up the main components of final household consumer spending, mainly Housing Services, Food & Beverages, Furnishing Equipment & Household Maintenance, and Clothing & Footwear, etc.

In 2022, the global economy witnessed an inflationary wave that constituted a global concern. Inflation rates during the aforementioned year in a number of major economies reached record levels unprecedented in decades, including economies of US, Europe and some emerging markets and developing economies. Global prices of food and energy continued to rise during 2022, but at a slower pace than 2021, due to increasing pressures from some other factors, especially those related to disruptions in global supply and supply chains, the Russian-Ukrainian war, and unfavorable weather conditions.

In this regard, the statistics issued by IMF regarding the global prices of goods indicate that the inflation rate measured by the primary goods price index (other than energy) increased during 2022 by 7.5% compared to an increase of 26.0% and 6.8% during 2021 and 2020, respectively. On a detailed level, the inflation rate of global Food price index reached 14.2% during 2022 compared to 26.2% in 2021, Beverage price index reached 14.1% during the mentioned year compared to 22.7% during 2021, and the Agricultural Raw Materials price index reached 5.9% during 2022 compared to 15.8% in 2021. meanwhile, global Metals price index decreased reaching 5.6% during 2022 compared to an increase of 46.9% in 2021.

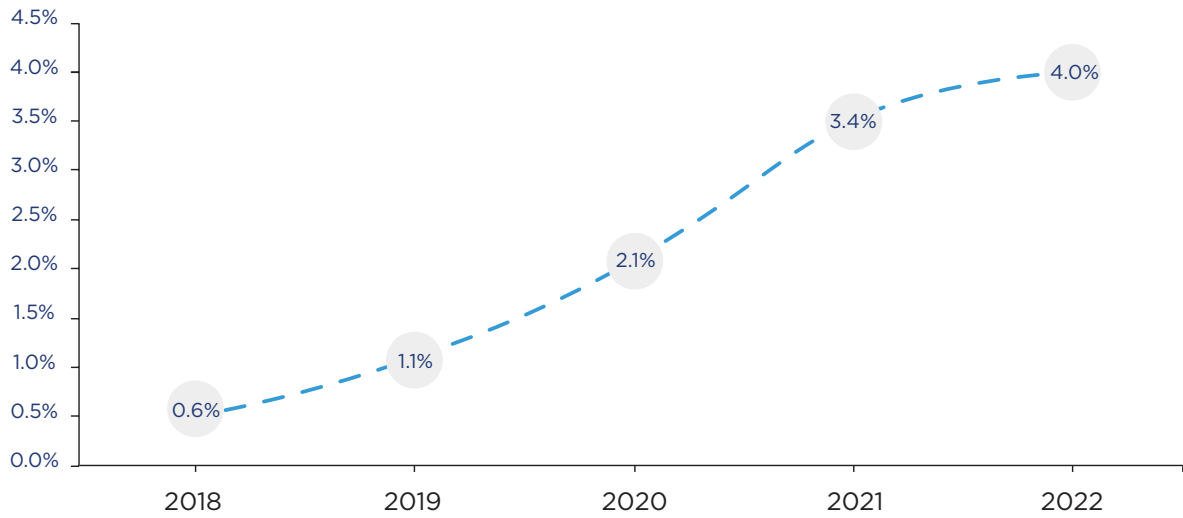
**Table 2: Developments of Global Prices on Goods (%)**

Item	2020	2021	2022
<b>Primary Goods (Other than Energy):</b>	<b>6.8</b>	<b>26.0</b>	<b>7.5</b>
- Food	1.6	26.2	14.2
- Beverage	3.4	22.7	14.1
- Agricultural Raw Materials	-3.3	15.8	5.9
- Metals	3.5	46.9	-5.6
<b>Energy</b>	<b>-29.9</b>	<b>101.8</b>	<b>63.6</b>

Source: International Monetary Fund

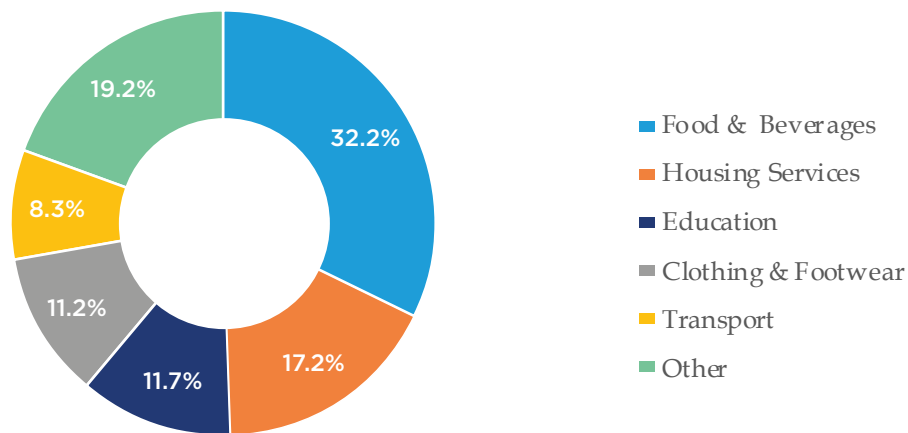
In this context, the inflation rate calculated based on relative change in the Consumer Price Index (CPI) in the State of Kuwait (base year 2013=100) increased to 4.0% in 2022 compared to 3.4% in 2021 and 2.1% in 2020. Moreover, the "Food and Beverages" section came as the largest contributor to the increase in the aforementioned inflation rate by about 32.2%, followed by Housing Services with 17.2%, and Education with 11.7%.

**Figure 1.3: Change in the Consumer Price Index**



Source: Central Statistical Bureau.

**Figure 1.4: Relative Contribution to the Change in the Consumer Price Index by Main Groups in 2022**



Source: Central Statistical Bureau.

The increase in the inflation rate during 2022 compared to 2021 came as a result of changes in the main groups of the CPI within the two comparison years, as the inflation rate in the average price increased for each of the following sections: Housing Services by 2.2% during 2022 against 0.4% during 2021, Education by 12.1% during 2022 against -5.3% during 2021, and Restaurants & Hotels by 2.7% during 2022 against 0.8% during 2021. On the other hand, the average inflation rate in the average price decelerated for Food & Beverage by 7.4% during 2022 against 9.5% during 2021, Clothing & Footwear by 5.7% in 2022 against 6.1% for 2021, Transport by 4.0% in 2022 against 4.4% for 2021, Household Furnishing and Equipment Maintenance by 2.1% in 2022 against 3.5% for 2021, Miscellaneous Goods & Services by 3.3% in 2022 against 4.1% for 2021, Recreation and Culture by 3.7% during 2022 against 6.3% during 2021, Health by 2.0% during 2022 against 2.3% during 2021, Communication by 1.8% during 2022 against 4.5% during 2021, and finally, Cigarettes & Tobacco by 0.1% during 2022 against 0.6% during 2021.

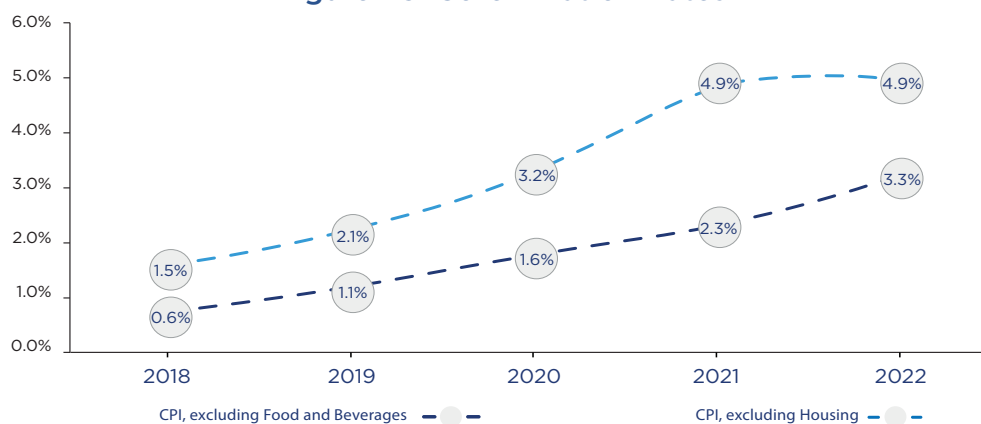
Table 3: Change in CPI (%) by Main Groups

Item	Weight	2020	2021	2022
<b>Consumer Price Index</b>	<b>100.0</b>	<b>2.1</b>	<b>3.4</b>	<b>4.0</b>
- Food & Beverage	16.7	4.9	9.5	7.4
- Cigarettes & Tobacco	0.3	2.6	0.6	0.1
- Clothing & Footwear	8.0	3.8	6.1	5.7
- Housing Services	33.2	-0.2	0.4	2.2
- Household Furnishing and Equipment Maintenance	11.4	3.5	3.5	2.1
- Health	1.5	1.7	2.3	2.0
- Transport	7.5	2.7	4.4	4.0
- Communication	4.0	3.9	4.5	1.8
- Recreation & Culture	3.8	3.8	6.3	3.7
- Education	4.2	-3.5	-5.3	12.1
- Restaurants & Hotels	3.4	0.6	0.8	2.7
- Miscellaneous Goods & Services	5.8	4.9	4.1	3.3

Source: Central Statistical Bureau

Core inflation rates performance varied during 2022 indicating the inflationary trends which are not affected by temporary fluctuations. Core inflation, excluding Food & Beverages, in 2022 reached 3.3% against 2.3% in 2021 and 1.6% in 2020. Meanwhile, inflation rate in CPI, excluding Housing Services, was stable at 4.9% during 2022 and 2021.

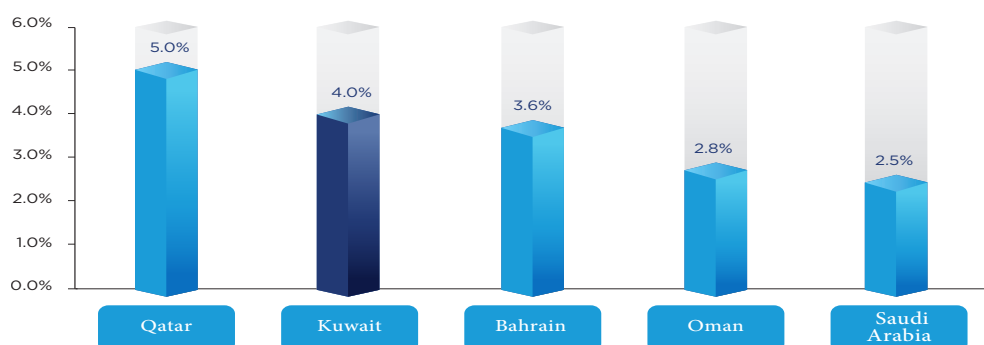
Figure 1.5: Core Inflation Rates



Source: Central Statistical Bureau.

On another front, inflation rates recorded in GCC countries in 2022 varied. Available stats on GCC CPI during 2022 compared to the previous year indicate that inflation rate was highest in Qatar at 5.0%, followed by Kuwait at 4.0%, Bahrain at 3.6%, Oman at 2.8%, and KSA at 2.5%.

Figure 1.6: Inflation Rates in GCC Countries in 2022

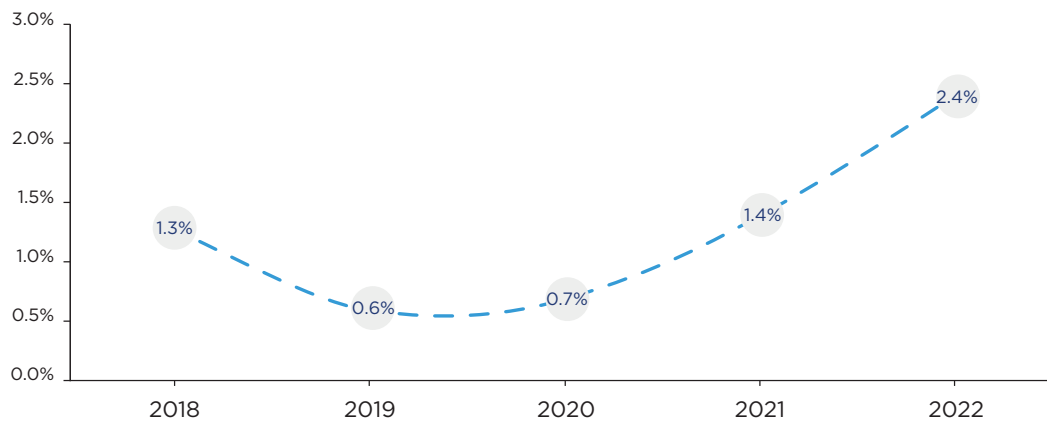


Source: Central Statistical Bureau.

## 2. Wholesale Price Index

The Wholesale Price Index (WPI) is used to measure changes in wholesale prices in domestic markets with both goods produced locally and imported goods weighted to reflect their relative contribution to total wholesale sales at the base year. This helps identify the effect of both domestic and external resources on inflationary trends in the domestic economy. Examination of changes in the WPI helps measure and analyze their impact on developments in the CPI. It is noteworthy to clarify that the CPI and the WPI have different components; the former includes local services such as Housing, Education, Healthcare, and Transport, in addition to consumer goods, while the latter does not include services, but includes production goods (intermediate and capital) along with consumer goods. Changes in the index (base year 2007=100) according to main groups in the State of Kuwait indicate an increase in the WPI to 2.4% in 2022 compared to 1.4% in 2021 and 0.7% in 2020.

Figure 1.7: Change Rate in Wholesale Price Index



Source: Central Statistical Bureau.

This rise in the average change rate in the WPI during 2022 was a result of an increase in average change in the prices of Manufacturing Industries (relative weight of 90.0% of WPI) to 2.3% compared to 1.6% in 2021, Agriculture, Forestry & Fishing (relative weight of 4.5% of WPI) to 4.5% compared to 0.1% in 2021, and Quarrying (relative weight of 0.3% of WPI) to 7.5% compared to 2.9% in 2021. On another front, there was a rise in the average change of WPI for Imported Goods (relative weight of 64.4% of WPI) to 3.0% compared to 1.9% in 2021, and an increase in the average change of WPI for Locally-Produced Goods (relative weight of 35.6% of WPI) to 1.3% compared to 0.6% in 2021.

Table 4: Change Rates in WPI (%)  
Base year (2007 = 100)

Item	Weight	2020	2021	2022
<b>Wholesale Price Index</b>	<b>100.0</b>	<b>0.7</b>	<b>1.4</b>	<b>2.4</b>
▪ By Main Groups				
- Manufacturing Industries	90.0	0.6	1.6	2.3
- Electricity & Water	5.2	0.0	0.0	0.0
- Agriculture, Forestry & Fishing	4.5	1.3	0.1	4.5
- Quarrying	0.3	0.4	2.9	7.5
▪ WPI for Imported Goods	64.4	0.8	1.9	3.0
▪ WPI for Locally-Produced Goods	35.6	0.4	0.6	1.3

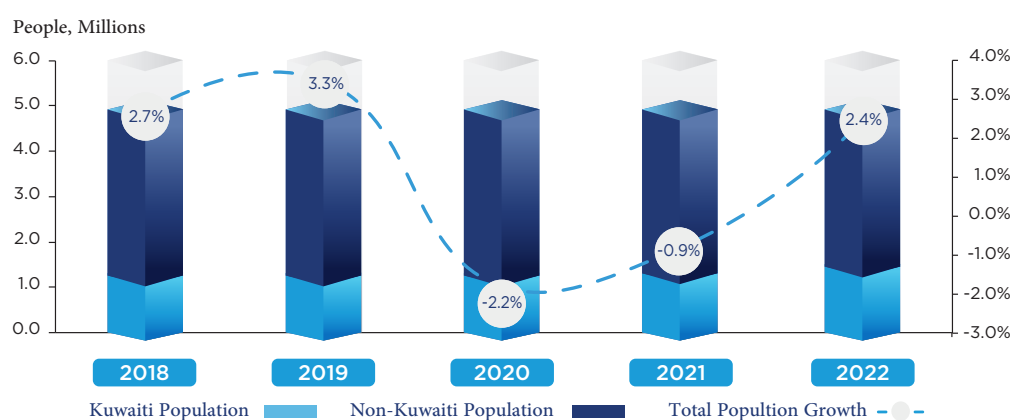
Source: Central Statistical Bureau

### 3. Population and Labor Force (2022 data as on December 31, 2022)

Population and labor force statistics indicate developments in the demographic characteristics in the State of Kuwait such as composition with regards to gender, age group, education level, and employment, whether for Kuwaitis or non-Kuwaitis. This is connected to key indicators such as developments in population and labor force rates and in rates of contribution to economic activity, as well as in unemployment rates, housing care, etc.

The available data indicate that the total population of Kuwait increased in 2022 by 2.4% compared to a decrease of 0.9% in 2021 bringing the total population to 4.737 million (60.7% male and 39.3% female) in 2022 compared to 4.628 million in 2021. The largest portion (59.5%) of this growth in population is attributed to the rise in the number of non-Kuwaiti population in 2022 to 3.219 million (66.2% male and 33.8% female) compared to 3.154 million in 2021, i.e. an increase of 2.1% (decrease of 1.8% in 2021).

**Figure 1.8: Population in the State of Kuwait**

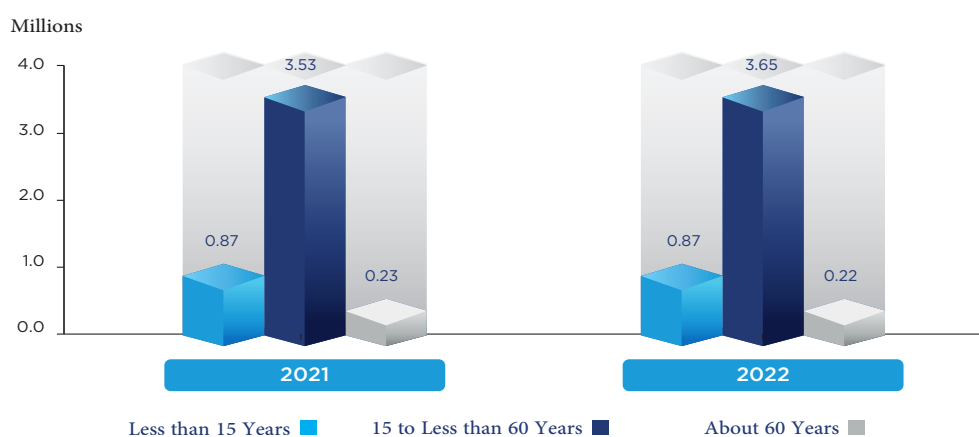


Source: Public Authority for Civil Information (PACI).

Meanwhile, the number of Kuwaitis increased by 3.0% in 2022 (0.9% in 2021) to reach 1.517 million (49.1% male and 50.9% female) compared to 1.473 million in 2021. Due to the above reasons, ratio of the non-Kuwaitis to the total population in the State of Kuwait dropped to 68.0% in 2022 (68.2% in 2021) while that of Kuwaitis came up to 32.0% (31.8% in 2021).

In terms of age group composition of the population and its effect on rates of contribution to economic activity and financial dependency rates associated therewith, the percentage of those economically active (aged 15 to less than 60) of the total population increased to 77.0% in 2022 against 76.2% in 2021. As for age group composition for Kuwaitis, the percentage of those aged below 15 came to over a third of the total by 33.0% in 2022 indicating the increasing number of this segment and the higher need for creating job opportunities.

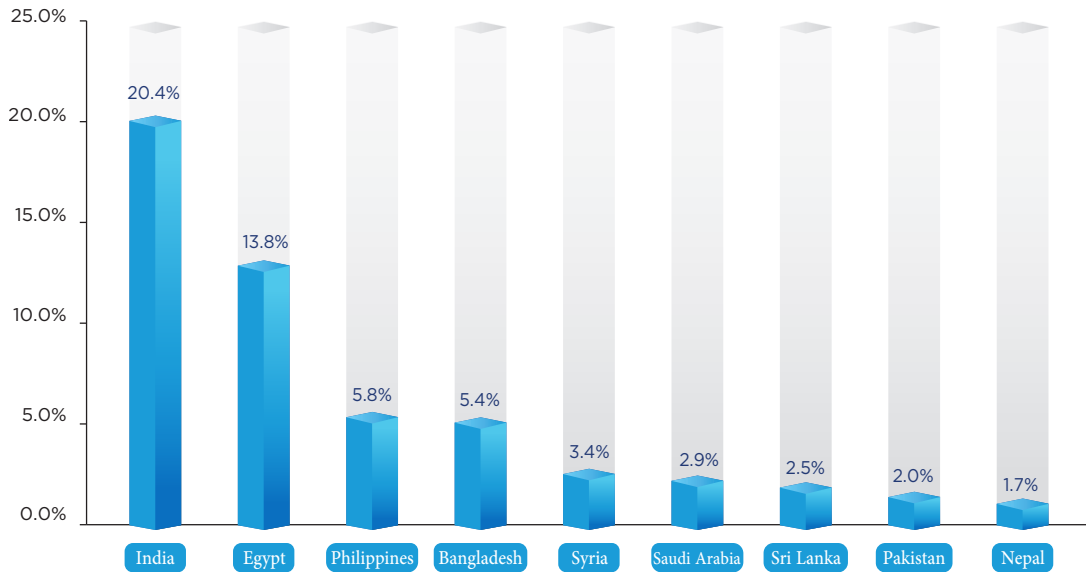
**Figure 1.9: Distribution of Population by Age Group, in 2021 and 2022**



Source: Public Authority for Civil Information (PACI).

Certain nationalities comprise a big portion of the non-Kuwaiti population. In terms of composition of population according to nationality in 2022 (latest available data), data indicate that the Indians are numbered the highest at 20.4% of the non-Kuwaiti population, followed by Egyptians at 13.8% and Filipinos at 5.8%. The top 5 most prevalent non-Kuwaiti nationalities constitute 48.9% of the total non-Kuwaiti population in 2022.

**Figure 1.10: Non-Kuwaiti Population by Nationality in 2022**



Source: Public Authority for Civil Information (PACI).

In terms of indicators related to labor force developments during the year 2022, available data indicate an increase of 2.2% in total labor force in the said year compared to a decline of 1.7% in 2021, bringing the total to 2.859 million compared to 2.798 million in the previous year. This increase is mainly due to the rise in the number of non-Kuwaiti labor by 1.5% in 2022 compared to a decrease by 2.2% in 2021, bringing the number to 2.377 million in 2022 compared to 2.342 million in 2021. Meanwhile, the number of Kuwaitis labor force increased by 5.6% in 2022 compared to an increase of 1.3% in 2021 bringing the number to 481.1 thousand (235.3 thousand or 48.9% male and 245.7 thousand or 51.1% female) compared to 455.7 thousand in 2021.

**Table 5: Main Indicators of Labor Force in the State of Kuwait**

Item	2020	2021	2022
<b>1) Kuwaitis:</b>	<b>449,812</b>	<b>455,742</b>	<b>481,054</b>
Change (%)	2.2	1.3	5.6
Relative Share to Total	15.8	16.3	16.8
<b>2) Non-Kuwaitis:</b>	<b>2,395,399</b>	<b>2,341,937</b>	<b>2,377,498</b>
Change (%)	-5.2	-2.2	1.5
Relative Share to Total	84.2	83.7	83.2
<b>3) Total Labor Force (1 + 2):</b>	<b>2,845,211</b>	<b>2,797,679</b>	<b>2,858,552</b>
Change (%)	-4.1	-1.7	2.2

Source: Public Authority for Civil Information (PACI).

In line with the above-mentioned changes in population and labor force, there was an increase in the financial dependency ratio for the total population (constituting population not included in labor force to total labor force) reaching 657 persons per 1,000 workers in 2022 compared to 654 persons in 2021. As for dependency among Kuwaitis, the ratio dropped to 2,155 persons per 1,000 workers in 2022 compared to 2,233 persons in 2021. This was due to the increase in the Kuwaiti labor force by 5.6% and the increase of unemployed Kuwaitis by 1.9% in 2022 compared to the previous year. On the other hand, dependency ratio for non-Kuwaitis increased from 347 persons per 1,000 persons in 2021 to 354 in 2022, due to the rise in the number of non-Kuwaiti workers by 1.5% against an increase in number of unemployed non-Kuwaitis by 3.6% in 2022 compared to the previous year.

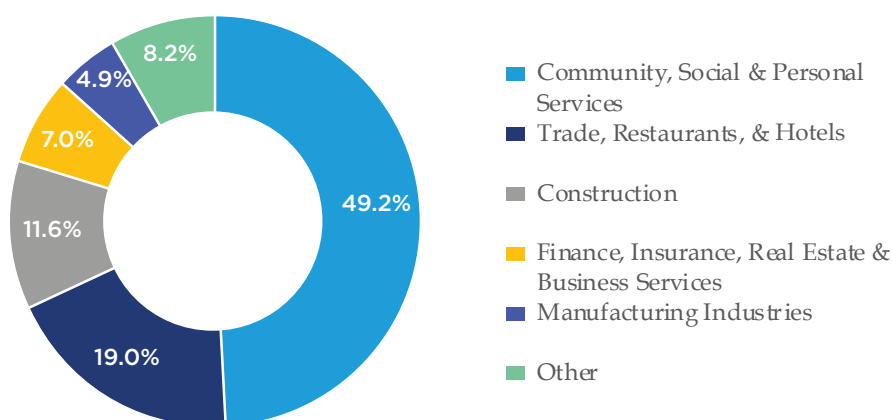
**Table 6: Dependency Indicators in the State of Kuwait**

Item	2020	2021	2022
<b>Dependency Rates (per 1000 Persons in Labor Force)</b>			
▪ Kuwaitis	2,246	2,233	2,155
▪ Non-Kuwaitis	340	347	354
<b>Dependency Rates for the Total Population</b>	<b>642</b>	<b>654</b>	<b>657</b>

Source: Public Authority for Civil Information (PACI).

The concentration of the labor force remained in the fields of public and social services. Statistics on relative distribution of total labor force by division of economic activity in 2022 reveal that Community, Social & Personal Services, and International Organizations activities came first at 49.2% of the total, followed by Trade, Restaurants & Hotels in second place at 19.0% and Construction at 11.6%. As for relative distribution of Kuwaiti labor force by division of economic activity in 2022, Community, Social & Personal Services, and International Organizations activities came first as well at 78.5%, followed by Financial Brokerage, Real Estate & Business Services at 7.1% and Trade, Restaurants & Hotels at 3.9%.

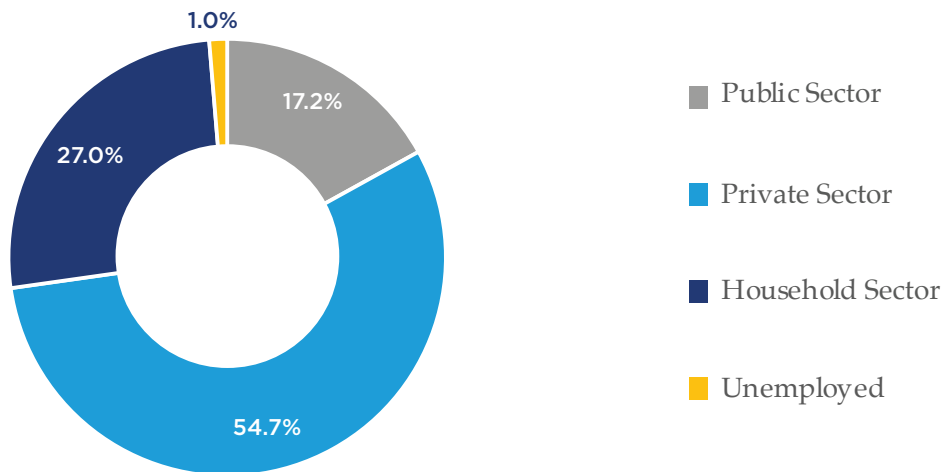
**Figure 1.11: Relative Distribution of Labor Force by Economic Activity in 2022**



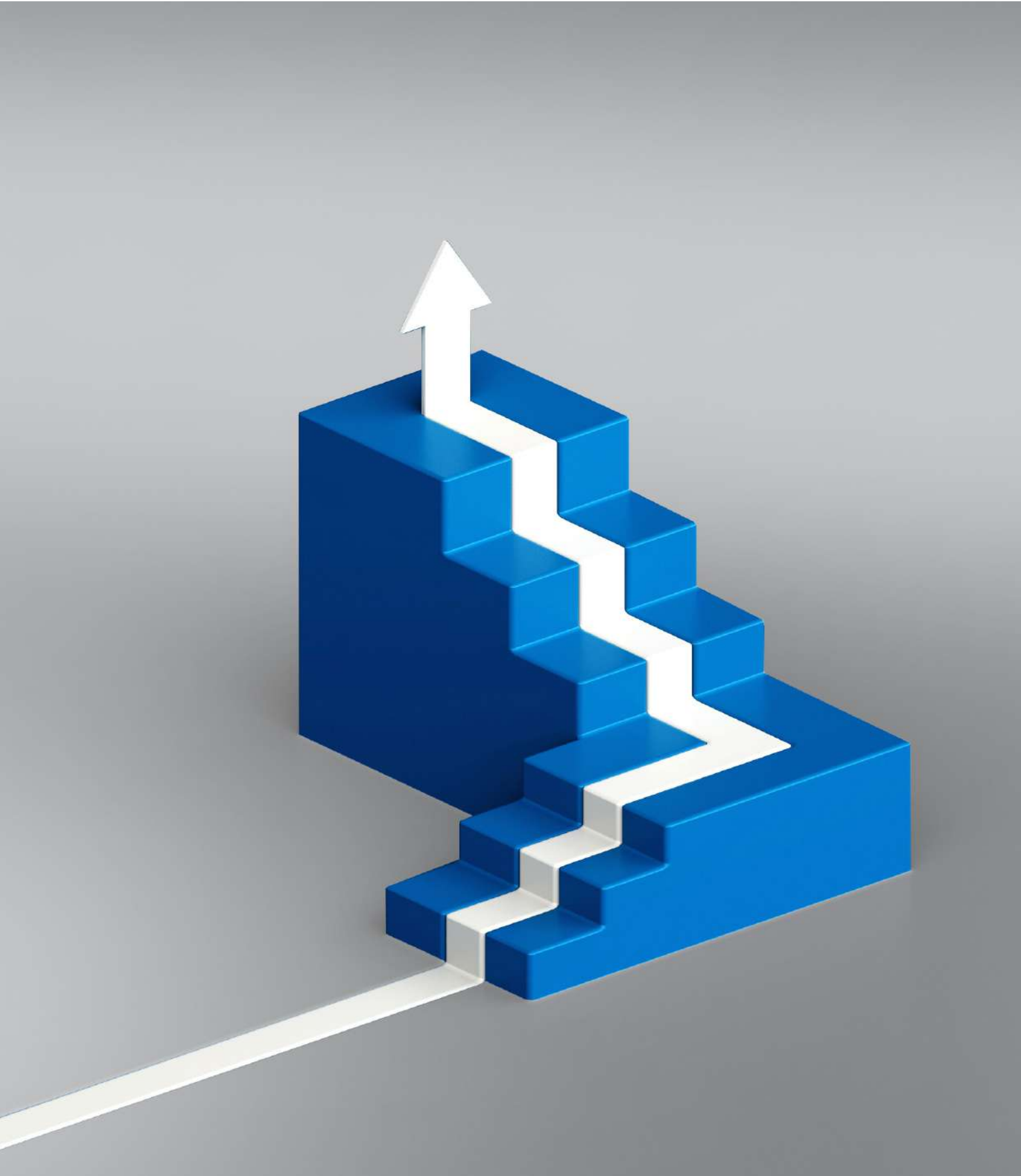
Source: Public Authority for Civil Information (PACI).

In terms of relative distribution of labor force by sector (Government, Private, Household, and Unemployed), the available data reveal a rise in total number of workers in the private sector by 0.1% in 2022 compared to the previous year. Meanwhile, the relative weight of the total labor force in the private sector to the total labor force dropped from 55.8% in 2021 to 54.7% in 2022 (95.2% non-Kuwaitis and 4.8% Kuwaitis of the total labor force in the private sector). Furthermore, the number of government employees grew by 3.8% in 2022 compared to the previous year. Thus, the relative weight of government employees to the total labor force increased from 17.0% in 2021 to 17.2% in 2022 (77.2% Kuwaitis and 22.8% non-Kuwaitis of the total government employees). On the other hand, the number of the unemployed decreased by 19.3% in 2022 compared to the previous year, thus slightly increasing their relative weight to the total labor force to 1.0% (87.6% Kuwaitis and 12.4% non-Kuwaitis of the total unemployed) in the said year compared to 1.32% in the previous year.

**Figure 1.12: Relative Structure of Labor Force by Sector 2022**



Source: Public Authority for Civil Information (PACI).



## Chapter II

# Monetary Developments & CBK's Activity

## Chapter II Monetary Developments & CBK's Activity

### I. Monetary Developments

During 2022, CBK continued its efforts in the field of monetary policy, banking supervision and oversight programs in line with developments in the latest local economic conditions and global markets. This comes within its efforts to consolidate a monetary and financial stability environment, provide an environment that supports the national economy and enhances economic growth, and reinforce the competitiveness and attractiveness of the national currency, which is considered a store of domestic savings and forms the main source of finance extended by local banking and financial sector units to various sectors of the national economy. To this end, CBK raised its discount rate seven times, since March 2022, by a combined 200 basis points. CBK decided to increase discount rate in a progressive manner by 25 basis points six times in 2022 (March, May, June, July, August and September) to stand at 3.0%. Furthermore, on December 6, 2022, CBK raised its discount rate by 50 basis points to 3.5%. These decisions were in line with a progressive approach adopted by CBK to reinforce the financial and monetary stability of the banking and financial units, and maintain the attractiveness of the national currency as a lucrative and reliable store for domestic savings and foster an environment conducive to economic sustainable growth.

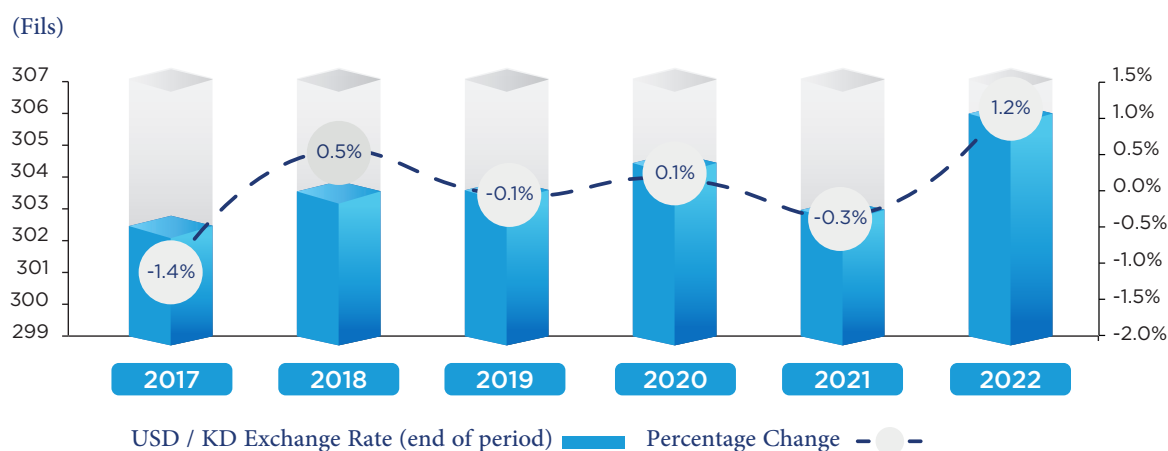
Developments on the KWD exchange rate during 2022 reflect CBK's efforts towards maintaining the relative stability of KWD exchange rate against the other major currencies according to the KWD's Peg, as determined by Decree No. 147 of 2007 promulgated on May 20, 2007. This said policy is to keep the KWD exchange rate pegged to an undisclosed weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait.

This part of the Economic Report highlights the most notable developments in main monetary aggregates and indicators and in the area of banking oversight and supervision during 2022, as follows :

#### 1. Developments in the KWD Exchange Rate

During 2019, CBK continued its KWD exchange rate policy adopted since 20 May 2007 pegging the KWD exchange rate to an undisclosed special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. This policy helps maintain relative stability of the KWD exchange rate against the other currencies. Hence, strengthen CBK's ability to lay down and implement a monetary policy that aims to reduce imported inflationary pressures, particularly those resulting from fluctuations in the exchange rates of major world currencies on one hand, and provide a conducive environment to promote sustainable economic growth on the other.

Figure 2.1: USD/KWD Exchange Rate (end of period)



Source: Central Bank of Kuwait.

As for the changes in the USD exchange rate against KWD and some other major currencies at the end of 2022 compared to the end of the previous year, USD increased against KWD by 3.7 fils or 1.2%. Moreover, the USD exchange rate during the mentioned year recorded a rise of 16.8% against the Japanese Yen and 1.1% against the Swiss Franc. On the other front, the USD exchange rate recorded a decrease of 6.2% against the Euro and 10.4% against the Pound Sterling.

**Table 7: USD Exchange Rate against KWD and Major Currencies (end of 2022)**

End of Period	Kuwait Dinar <sup>(1)</sup>	Euro	Japanese Yen	Swiss Franc	Pound Sterling
2021	302.60	1.13	114.85	0.92	1.34
2022	306.30	1.06	134.10	0.93	1.20
<b>Change (%)</b>	<b>1.2</b>	<b>-6.2</b>	<b>16.8</b>	<b>1.1</b>	<b>-10.4</b>

<sup>(1)</sup> by Fils.

Source: Central Bank of Kuwait.

The pegging policy of the exchange rate of KWD consolidate the CBK's ability to shield the national economy against the harsh fluctuations sometimes seen in the exchange rates of main currencies. This policy provides an effective support and relative flexibility to the exchange rate when USD exchange rate rises. Data indicate that movements on USD exchange rate against KWD at daily rates during 2022 were within relatively narrow margins. The difference between the highest and the lowest rate of USD against KWD was 2.9%, as opposed to wider fluctuation against other main currencies, as the margins were 31.9% against Japanese Yen, 29.9% against the Pound Sterling, 19.8% against Euro, and 10.3% against the Swiss Franc.

**Table 8: USD Exchange Rate against KWD and Some Major Currencies at Daily Rates in 2022**

Currency	Highest	Lowest	Difference	Change %
Kuwaiti Dinar (Fils)	310.80	302.05	8.8	2.9
Pound Sterling	0.95	0.73	0.2	29.9
Euro	1.05	0.87	0.2	19.8
Swiss Franc	1.01	0.91	0.1	10.3
Japanese Yen	149.94	113.70	36.2	31.9

Source: Central Bank of Kuwait.

## 2. Developments in Domestic Interest Rates

Domestic interest rates were managed in light of the CBK's monetary policy aimed at maintaining financial and monetary stability, reinforcing an environment inducing to all economic sectors, particularly the non-oil sectors, containing inflation pressures in the local economy, and maintaining the attractiveness of the national currency as a store of the local savings, as these are considered as firm pillars aimed at enhancing monetary and financial stability. In 2022, CBK continued to apply the domestic KWD interest rate structure introduced on March 30, 2008, whereby the maximum annual interest rate on consumer/installment (housing) loans in KWD should be three percentage points above the discount rate. As for the installment (housing), which could be repaid within a maximum 15 years, the interest rate thereon is fixed, provided that the loan contract must include a clause stating that the lender may revise the interest rate charged every five years throughout the loan term, so that the interest rate applicable at the time of revision should be in line with the CBK discount rate declared as on the date of the revision for such type of loan, and that any change by increase or decrease of the interest rate shall not exceed two percentage points above or below the interest rate agreed upon under the contract before revision. As for other types of loans, the maximum annual contractual interest rate for all types of commercial and other lending in KWD is 2.5 percentage points above the discount rate for lending transactions in KWD for periods not exceeding one year. The maximum annual interest rate for all types of lending in KWD for periods over a year was meanwhile set as 4 percentage points above the discount rate.

**Table 9: Domestic KWD Interest Rates (% p.a.)**

End of Period	Maximum Contractual Interest Rates on all Types of KWD Lending Transactions			
	Revised Discount Rate	Up to One Year Revised Rate	Over One Year Revised Rate	Consumer Loans
2018	3.00	5.50	7.00	6.00
2019	2.75	5.25	6.75	5.75
2020	1.50	4.00	5.50	4.50
2021	1.50	4.00	5.50	4.50
2022	3.50	6.00	7.50	6.50

Source: Central Bank of Kuwait.

Average interest rate on customers' KWD time deposits with local banks was markedly higher. Data indicate the average interest rate increased for all terms in 2022 compared to 2021, in line with the monetary policy geared to enhance monetary stability pillars. There was a 0.989 percentage point rise in the rate for one-month deposits (from 0.906% to 1.895%), and a 1.142 percentage point increase in the rate for 3-month deposits (from 1.060% to 2.201%). Likewise, average interest rates on USD time deposits for all terms with local banks increased in 2022, by 1.139 percentage points (from 0.171% to 1.310%) for one-month deposits and by 1.357 percentage points (from 0.250% to 1.607%) for 3-month deposits. Margins between the average rates on customers' USD and KWD time deposits with local banks remained in favor of KWD, as the margin reached 0.585 percentage points in 2022 against to 0.735 percentage points in 2021 for one-month deposits, and 0.594 percentage points in 2022 against 0.810 in the previous year for the 3-month deposits. Besides, the average interest rates on interbank KWD deposits for all terms increased during 2022 against their levels in 2021.

**Table 10: Average Interest Rates on KWD and USD Customers' Deposits with Local Banks**

Period	Average Interest Rates on Customer's 1-month Deposits (%)		Margins in KWD Favor	Average Interest Rates on Customer's 3-month Deposits (%)		Margins in KWD Favor
	KWD	USD		KWD	USD	
2018	2.149	1.329	0.820	2.285	1.542	0.743
2019	2.707	1.812	0.895	2.839	2.007	0.833
2020	1.247	0.444	0.803	1.389	0.568	0.821
2021	0.906	0.171	0.735	1.060	0.250	0.810
2022	1.895	1.310	0.585	2.201	1.607	0.594

Source: Central Bank of Kuwait.

Interest rate (yield) on Public Debt Instruments (Kuwaiti Treasury Bills, Treasury Bonds and related Tawarruq issued by CBK on behalf of the Ministry of Finance) increased. The interest rate (revenue) on 1-year Treasury Bonds went up to 4.500% at the end of 2022 against 1.375% at the end of 2021. The rate on 2-year Treasury Bonds also increased to 4.500% at the end of 2022 compared to 2021. Furthermore, the rates for 3-year, 5-year, 7-year and 10-year Treasury Bonds inched up to 4.500%, 4.625%, 4.625% and 4.750%, respectively, at the end of 2022 compared to the end of 2021.

The interest rates on CBK Bonds and related Tawarruq went up on 3-month maturity bonds to 2.361% by the end of 2022 compared to 1.125% by the end of 2021. The interest on 6-month CBK Bonds and related Tawarruq increased to 2.633% by the end of 2022 compared to 1.250% by the end of 2021.

### 3. Money Supply Developments

Money supply is a main monetary variable for identifying domestic liquidity levels and how well suited they are to the trends of economic activity in the country. Monitoring the developments witnessed in money supply, and analysis of the changes in its components, and the factors effecting these changes reflects many key monetary developments, particularly those connected to managing domestic liquidity levels and CBK efforts to maintain monetary stability in a manner suited to the requirements of local economic activity and the surrounding economic conditions. Data reveal a rise in domestic liquidity levels during 2022, where Money

Supply in its Broad Sense (M2) reached KWD 38,430.0 million at the end of 2022, i.e. an increase of KWD 2,184.5 million or 6.0%, compared to the end of 2021.

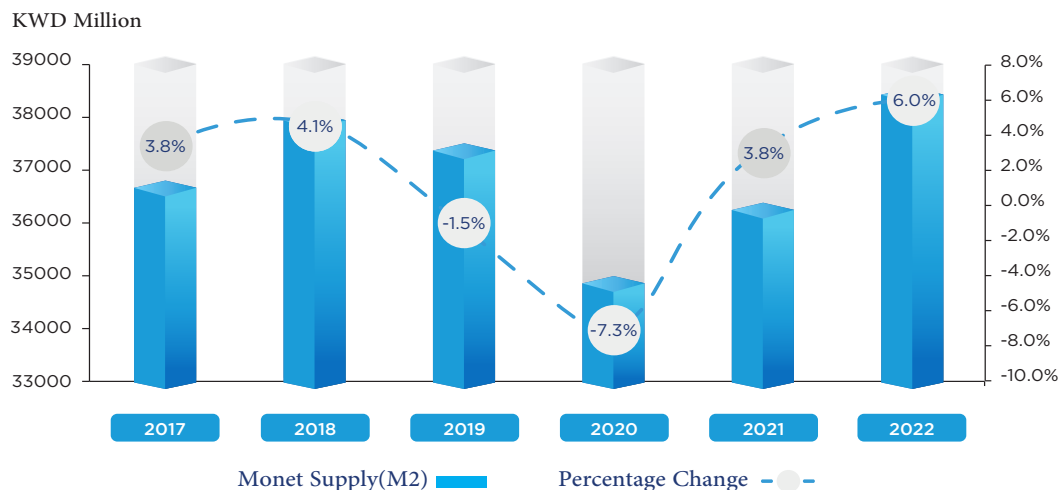
**Table 11: Money Supply Aggregates**

Item	2021	2022	Change	
			Value	(%)
<b>Money Supply in its Narrow Sense (M1)</b>	<b>12,184.9</b>	<b>11,559.9</b>	<b>-625.0</b>	<b>-5.1</b>
Of which Currency in Circulation	1,775.2	1,670.3	-104.9	-5.9
<b>Quasi-Money</b>	<b>24,060.6</b>	<b>26,870.1</b>	<b>2,809.5</b>	<b>11.7</b>
KWD Deposits (excluding sight deposits)	22,405.2	25,095.4	2,690.2	12.0
Deposits in Foreign Currency	1,655.4	1,774.7	119.3	7.2
<b>Money Supply in its Broad Sense (M2)</b>	<b>36,245.5</b>	<b>38,430.0</b>	<b>2,184.5</b>	<b>6.0</b>
<b>Money Supply in its Broadest Sense (M3)</b>	<b>36,245.5</b>	<b>38,430.0</b>	<b>2,184.5</b>	<b>6.0</b>

Source: Central Bank of Kuwait

The net rise in Money Supply in its Broad Definition (M2) during 2022 resulted from the increase in Quasi-Money by KWD 2,809.5 million or 11.7%, on the one hand, and the decrease in Money Supply in its Narrow Definition (M1) by KWD 625 million or 5.1%, on the other. Consequently, M1 to M2 ratio dropped from 33.6% by the end of 2021 to 30.1% by the end of 2022. Meanwhile, ratio of Quasi-Money to M2 increased from 66.4% by the end of 2021 to 69.9% by the end of 2022. The drop in M1 is attributed to a decrease in balances of resident private sector KWD sight deposits in 2022 by KWD 520.1 million or 5% compared to 2021, and a decrease in Currency in Circulation by 5.9% for said year. Meanwhile, the increase in Quasi-Money in 2022 was the result of the rise in balances of both the resident private sector KWD deposits with local banks (excluding sight deposits) by KWD 2,690.3 million or 12%, and resident private sector deposits in foreign currencies by KWD 119.3 million or 7.2%.

**Figure 2.2: Money Supply (M2)**



Source: Central Bank of Kuwait.

Data on factors affecting developments in money supply within the aggregate monetary survey of the CBK and local banks for 2022 - factors including changes in the components of the net local assets and net foreign assets for the mentioned entities - indicate that the said increase in Money Supply (M2) in 2022 was the result of the rise in net foreign assets of the mentioned entities by KWD 5,110.7 million or 27%, and the drop in their net local assets by KWD 2,926.2 million or 16.9%.

The said decrease in net local asset of CBK and the local banks at the end of 2022 was attributed to the increase in the claims on the private sector by KWD 3,250.2 million or 8.0% at the end of 2022 compared to the previous year, the decline in the net balance of claims on the government that declined by KWD 1,805.4 million or 17.4%, and the drop in the net balance of "Other" items by KWD 4,455.5 million or 26.7%.

Table 12: Factors affecting Changes in Money Supply (M2)

KWD Million

Item	2021	2022	Change	
			Value	(%)
<b>Money Supply (M2)</b>	<b>36,245.5</b>	<b>38,430.0</b>	<b>2,184.5</b>	<b>6.0</b>
<b>Net Local Assets:</b>	<b>17,331.7</b>	<b>14,405.5</b>	<b>-2,926.2</b>	<b>-16.9</b>
Claims on the Government (Net) <sup>(2)</sup>	-10,354.6	-12,159.9	-1,805.3	-17.4
Claims on the Private Sector	40,858.6	44,108.8	3,250.2	8.0
Other items (Net)	-16,683.7	-21,139.2	-4,455.5	-26.7
<b>Net Foreign Assets:</b>	<b>18,913.7</b>	<b>24,024.4</b>	<b>5,110.7</b>	<b>27.0</b>
CBK	12,033.8	13,192.9	1,159.1	9.6
Local banks	6,879.9	10,831.5	3,951.6	57.4

(1) The (-) mark indicates a contractionary effect on money supply (M2) while a (+) indicates an expansionary effect on money supply (M2).

(2) Public Debt Tawarruq started in April 2016. Local banks' Public Debt Tawarruq balances do not cover return from that origin. The balances also do not include government Tawarruq for over a year by Islamic banks.

Source: Central Bank of Kuwait.

The said increase in net CBK's and local banks' foreign assets reflects a rise in local banks' net foreign assets of KWD 3,951.6 million or 57.4%, and CBK's net foreign assets of KWD 1,159.1 million or 9.6%. The noted increase in CBK's net foreign assets resulted from a rise in net foreign assets (KWD 1,128.6 million or 9.3%), and a decrease in net foreign liabilities (KWD 30.5 million or 69.8%). The rise in local banks' net foreign assets resulted from an increase in their net foreign assets (KWD 5,347.6 million or 29.9%), and an increase in their net foreign liabilities (KWD 1,396 million or 12.7%).

Table 13: CBK's and Local Banks' Net Foreign Assets

KWD Million

Item	End of 2021			End of 2022			Change	
	Foreign Assets	Foreign Liabilities	Net	Foreign Assets	Foreign Liabilities	Net	Value	(%)
CBK	12,077.5	43.7	12,033.8	13,206.1	13.2	13,192.9	1,159.1	9.6
Local Banks	17,879.4	10,999.4	6,879.9	23,226.9	12,395.4	10,831.5	3,951.6	57.4
<b>Total</b>	<b>29,956.9</b>	<b>11,043.1</b>	<b>18,913.7</b>	<b>36,433.0</b>	<b>12,408.6</b>	<b>24,024.4</b>	<b>5,110.7</b>	<b>27.0</b>

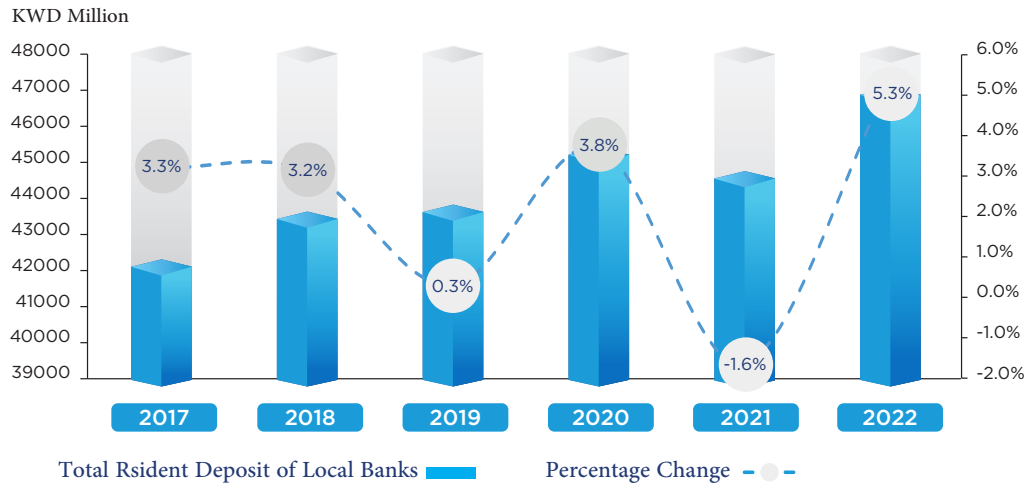
Source: Central Bank of Kuwait.

## 4. Developments in Bank Deposits

Total residents' deposits with local banks increased by the end of 2022\*. Total of these deposits went up by KWD 2,348.1 million or 5.3% reflecting the rise in the resident private sector deposits with local banks (which constitutes 78.4% of total deposits) at the end of 2022 by KWD 2,289.4 million or 6.6%, as well as an increase in government deposits (which constitutes 7.1% of total deposits) during the same year by KWD 513.3 million or 18.2% compared to the previous year. It is worth noting that the total residents' deposits with local banks witnessed a decrease by KWD 713.5 million or 1.6% during 2021.

\* "Residents" means the Kuwaiti persons (natural and legal) as well as the non-Kuwaitis having work or residency permits issued by the competent authorities for one year or more.

Figure 2.3: Total Residents' Deposits with Local Banks



Source: Central Bank of Kuwait.

Table 14: Private Sector's Deposits with Local Banks

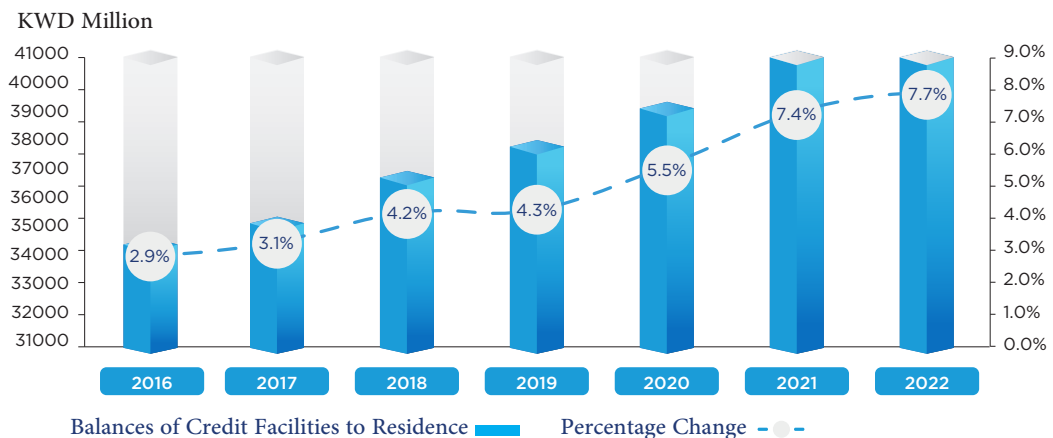
Item	2021	2022	Change	
			Value	(%)
<b>KWD Deposits</b>	32,814.8	34,985.0	2,170.2	6.6
Sight	10,409.7	9,889.5	-520.1	-5.0
Savings	7,022.9	6,798.2	-224.6	-3.2
Time	15,382.3	18,297.3	2,914.9	18.9
Certificate Deposits	-	-	-	-
<b>Foreign Currency Deposits</b>	1,655.4	1,774.7	119.3	7.2
<b>Total</b>	34,470.2	36,759.6	2,289.4	6.6

Source: Central Bank of Kuwait.

## 5. Developments in Banning Credit

Balances of the utilized cash portion of credit facilities extended by local banks to the various domestic economic sectors increased by KWD 3,340.4 million or 7.7% to KWD 46,884.7 million at the end of 2022 against KWD 43,544.3 million at the end of 2021 having recorded an increase of 7.4% at the end of 2021 compared to the end of 2020.

Figure 2.4: Total Balances of Domestic Credit Facilities to Residents (at domestic activity level)



Source: Central Bank of Kuwait.

The strong growth of personal facilities boosted the growth of total domestic credit during 2022. The utilized cash portion of personal credit facilities accounted for 39.4% of total credit facilities. The increase in personal credit facilities amounted to KWD 1,533.2 million or 9.0%. Data of personal credit facilities indicate an increase in the balances of consumer loans by 6.6%, housing loans by 9.4% and “Other” loans by 15.2%.

The loans provided to the Construction sector boosted the growth of the total credit facilities. During 2022, a positive growth was seen in the balances of loans extended to the Construction sector accounting for 4.5% of total credit facilities at the end of the said year. Despite the difficulties that the Construction sector has faced during 2022, the sector’s loans grew by KWD 395.3 million or 23.3% after recording a drop of 9.9% in the previous year.

With the relative improvement in economic activity late in 2022, the balances of credit facilities recorded positive growth for a group of other sectors. An increase was recorded in the balances of the Real Estate sector by KWD 502.3 million or 5.6%, Purchase of Securities sector by KWD 403.4 million or 14.3%, Trade sector by KWD 206.6 million or 7.0%, “Other” sector by KWD 412.5 million or 12.9%, Non-Bank Financial Institutions by KWD 16.8 million or 1.7%, Industry sector by KWD 10.6 million or 0.4%, and Agriculture & Fisheries sector by KWD 9.7 million or 51%. Meanwhile, a decline was recorded in the credit facilities to Crude Oil and Gas sector by KWD 59.3 million or 2.8%, Loans to Banks by KWD 87.3 million or 6.9%, and Public Services sector by KWD 3.5 million or 2.9%.

**Table 15: Sectoral Distribution of Balances of Utilized Domestic Cash Credit Facilities to Residents**

*KWD million*

Sector	2021	2022	Change	
			Value	Change (%)
Trade	2,971.9	3,178.5	206.6	7.0
Industry	2,381.3	2,391.9	10.6	0.4
Construction	1,696.1	2,091.3	395.3	23.3
Agriculture & Fisheries	19.0	28.7	9.7	51.0
Loans to Banks	1,257.7	1,170.4	-87.3	-6.9
Non-Bank Financial Institutions	1,009.0	1,025.8	16.8	1.7
Personal Facilities:	1,6942.5	18,475.7	1,533.2	9.0
- Housing Loans	14,390.7	15,740.4	1,349.7	9.4
- Private Housing	322.9	326.3	3.4	1.0
- Consumer Loans	1,845.4	1,967.3	121.9	6.6
- Others	383.4	441.7	58.3	15.2
- Purchase of Securities	2,812.1	3,215.5	403.4	14.3
Real Estate	8,994.7	9,497.1	502.3	5.6
Crude Oil & Gas	2,138.6	2,079.3	-59.3	-2.8
Public Services	120	116.4	-3.5	-2.9
Other	3,201.4	3,613.9	412.5	12.9
<b>Total</b>	<b>43,544.3</b>	<b>46,884.7</b>	<b>3,340.4</b>	<b>7.7</b>

Source: Central Bank of Kuwait.

New KWD credit facility agreements concluded with residents during 2022 indicate the level of bank credit demand during the year. These facilities encompass the limits of credit facilities extended to new customers, as well as the renewal and/or change in the limits of credit facilities extended to existing customers. Available data indicate that the value of these agreements jumped by KWD 2,709.3 million or 13.3% to reach KWD 23,049.7 million in 2022 compared to KWD 20,340.4 million in 2021.

Table 16: New KWD Credit Facilities Agreements with Residents

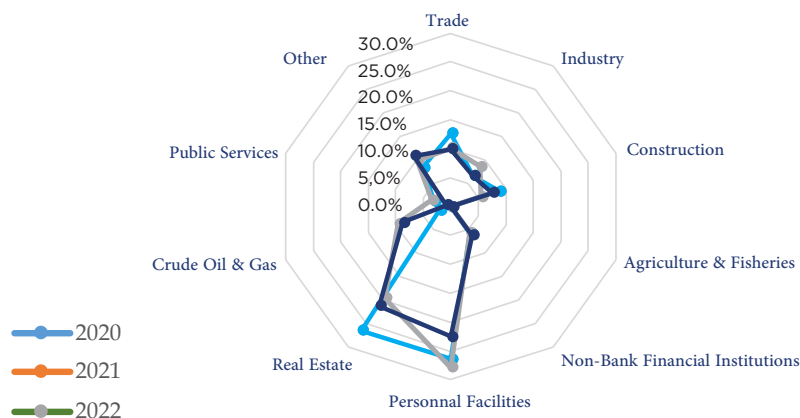
KWD million

Sector	2021	2022	Change	
			Value	Change (%)
Trade	2,064.1	2,282.9	218.9	10.6
Industry	1,731.9	1,499.6	-232.2	-13.4
Construction	1,105.6	1,741.0	635.5	57.5
Agriculture & Fisheries	9.8	18.0	8.2	83.6
Non-Bank Financial Institutions	1,119.1	1,416.9	297.8	26.6
Personal Facilities:	4,811.5	5,184.2	372.8	7.7
- Consumer Loans	1,106.5	982.8	-123.7	-11.2
- Others	3,705.0	4,201.4	496.4	13.4
Purchase of Securities	858.0	1,310.7	452.7	52.8
Real Estate	3,974.1	4,880.4	906.3	22.8
Crude Oil & Gas	1,937.8	2,024.0	86.2	4.4
Public Services	719.8	212.9	-506.9	-70.4
Other	2,008.7	2,478.9	470.2	23.4
<b>Total</b>	<b>20,340.4</b>	<b>23,049.7</b>	<b>2,709.3</b>	<b>13.3</b>

Source: Central Bank of Kuwait.

New credit facilities increased for all economic sectors except for two. The said increase was due to the rise in the value of credit facilities agreements concluded with the Real Estate sector (of KWD 906.3 million or 22.8%), Construction sector (of KWD 635.5 million or 57.5%), "Others" (of KWD 470.2 million or 23.4%), Purchase of Securities sector (of KWD 452.7 million or 52.8%), Personal Facilities sector (of KWD 372.8 million or 7.7%), Non Bank Financial Institutions sector (of KWD 297.8 million or 26.6%), Trade sector (of KWD 218.9 million or 10.6%), Crude Oil and Gas sector (of KWD 86.2 million or 4.4%), and Agriculture and Fisheries sector (of KWD 8.2 million or 83.6%) on the one hand, and the decrease in new credit facilities concluded with the Public Services sector (of KWD 506.9 million or 70.4%) and Industry sector (of KWD 232.2 million or 13.4%) on the other hand during 2022 compared to the previous year.

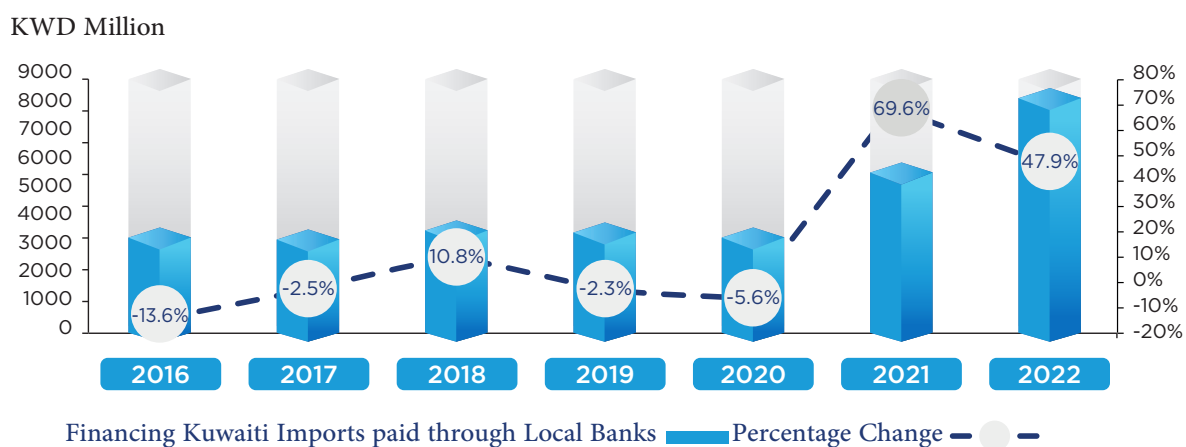
Figure 2.5: Relative Structure of New Credit Facilities Agreements in KWD with Residents



Source: Central Bank of Kuwait.

Data on financing merchandise imports for the Kuwaiti private sector indicate that the total payments made through local banks for financing these imports increased by KWD 2,717.4 million or 47.9% to reach KWD 8,391.8 million during 2022 against KWD 5,674.4 million during 2021. The mentioned net increase in the value of financing imports between 2021 and 2022, by currency type denominated in KWD, was the outcome of the rise in the value of imports financed in USD from KWD 4,456.1 million to KWD 7,059.7 million, in Euro from KWD 350.9 million to KWD 460.8 million, in Japanese Yen from KWD 35.3 million to KWD 40.0 million, in Swiss Franc from KWD 13.4 million to KWD 20.6 million, and in Pound Sterling from KWD 33.9 million to KWD 42.9 million on the one hand, and the drop in the value of imports financed in "Other" currencies from KWD 596.4 million to KWD 522.9 million on the other hand.

**Figure 2.6: Financing Kuwaiti Merchandise Imports Paid through Local Banks**



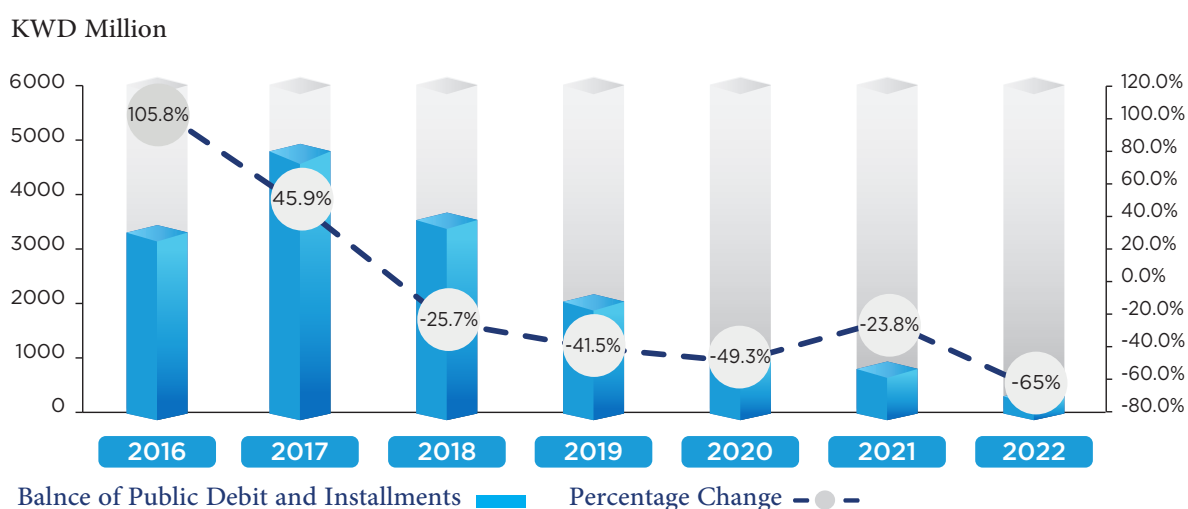
Source: Central Bank of Kuwait.

## 6. Issuance of Public Debt Instruments and CBK Bonds

### A. Issuance of Public Debt Instruments:

CBK manages the issuance of public debt instruments (Kuwaiti Treasury Bills, Treasury Bonds and related Tawarruq) on behalf of the Ministry of Finance. In light of the expiration of Decree Law No. (3) of 2009 authorizing the government to hold public debt on October 2017, the public debt instruments dropped as there were no CBK issues in 2022. Within the same year, 8 previous issues matured with a total nominal value of KWD 520 million. Accordingly, the outstanding balances of public debt instruments decreased by 65.0% to reach KWD 280.0 million at the end of 2022, resulting in a drop of an equal amount in the balance of local banks' holdings.

**Figure 2.7: Balances of Public Debt Instruments**



Source: Central Bank of Kuwait.

## B. Issuance of CBK Bonds and Related Tawarruq:

The outstanding balance of CBK issues remained at the same level of last year. To manage domestic liquidity levels, CBK issues “CBK Bonds” with 3 month and 6 month maturities, which could be purchased by CBK-regulated local banks and investment companies only. In addition, CBK offered 36 issues of bonds and related tawarruq during 2022 with a total nominal value of KWD 8,600 million (19 issues of 3-month maturity with a total nominal value of KWD 4,470.0 million and 17 issues of 6-month maturity with a total nominal value of KWD 4,130.0 million). At the same time, 34 previous issues matured during 2022 with a total nominal value of KWD 8,320.0 million (19 issues of 3-month maturity with a total nominal value of KWD 4,560.0 million and 15 issues of 6-month maturity with a total nominal value of KWD 3,760.0 million). As a result, the outstanding balance of CBK issues increased to KWD 3,235.9 million at the end of 2022.

Table 17: CBK Bonds and Related Tawarruq

*KWD Million*

Particulars	2020	2021	2022
<b>Issues:</b>	<b>8,680.0</b>	<b>8,440.0</b>	<b>8,600.0</b>
3 Months	5,640.0	4,920.0	4,470.0
6 Months	3,040.0	3,520.0	4,130.0
<b>No. of Issues:</b>	<b>35</b>	<b>31</b>	<b>36</b>
3 Months	23	19	19
6 Months	12	12	17
<b>Maturities:</b>	<b>8,680.0</b>	<b>8,440.0</b>	<b>8,320.0</b>
3 Months	5,640.0	5,160.0	4,560.0
6 Months	3,040.0	3,280.0	3,760.0
<b>No. of Maturities</b>	<b>36</b>	<b>31</b>	<b>34</b>
3 Months	24	20	19
6 Months	12	11	15
<b>Balances at End of Period:</b>	<b>2,958.0</b>	<b>2,958.0</b>	<b>3,235.9</b>
3 Months	1,410.0	1,170.0	1,080.0
6 Months	1,520.0	1,760.0	2,130.0
Tawarruq with CBK (1 year and above)	28.0	28.0	25.9

Source: Central Bank of Kuwait.

## 7. Activity of the Local Interbank Deposit Market

Activity in the local interbank KWD-deposit market increased during 2022 and the value of its transactions reached KWD 158,961.2 million against KWD 149,988.0 million during 2021, i.e. an increase of KWD 8,973.2 million or 6.0%. This rise resulted from the increase in the value of “overnight” market transactions by 11.6% leading the relative share of “overnight” transactions to reach 59.9% during 2022 against 56.9% during 2021. Meanwhile, data indicate a decrease in the relative share of “over one night to one week” transactions by 0.4% to reach 33.4% during 2022 against 35.5% during 2021. Also, a decrease was indicated in the relative share of “over one week to one month” transactions by 5.4%, “over one month to three months” transactions by 1.1%, “over three months to six months” transactions by 0.1%. Meanwhile, data indicate a rise in the relative share of “over six months” transactions by 0.1%.

**Table 18: Allocation of Local Interbank Deposit Market Transaction Values\* by Maturity Term**

KWD Million

Maturity Term	2021		2022	
	Value	% of Total	Value	% of Total
Overnight	85,320.5	56.9	95,176.6	59.9
Over one night to one week	53,278.4	35.5	53,057.3	33.4
Over one week to one month	9,312.8	6.2	8,616.1	5.4
Over one month to three months	1,804.1	1.2	1,704.1	1.1
Over three months to six months	243.2	0.2	214.0	0.1
Over six months	28.9	-	193.0	0.1
<b>Total</b>	<b>149988.0</b>	<b>100</b>	<b>158961.2</b>	<b>100</b>

\* Excluding CBK operations.

Source: Central Bank of Kuwait.

## 8. Activity of the Local Interbank Deposit Market

Within the framework of CBK's efforts to manage local liquidity levels, the balances of accounts of CBK and of local banks highlight the net result of their interoperations. These operations result in CBK claims on local banks on one hand, and local banks claims on CBK on the other, reflecting either a net KWD liquidity supply by CBK to local banks if it is positive, or a net absorption by CBK of the KWD liquidity surplus with local banks if it is negative.

Available data indicate that the net balance of local banks' claims on CBK declined in 2022 by KWD 90.6 million or 1.3% to reach KWD 7,146.9 million at the end of 2022 against KWD 7,237.4 million at the end of 2021. This decrease was the outcome of a drop in the balance of local banks' time deposits and related Tawarruq with CBK of KWD 644.8 million or 31.8%, and the increase in the balances of both local banks' holdings of CBK Bonds and related Tawarruq of KWD 420.0 million or 14.2%, and local banks' sight deposits with CBK of KWD 134.2 million or 6.0%. No CBK claims on local banks were recorded at the end of 2022.

**Table 19: Trends of CBK's KWD Balances with Local Banks**

KWD Million

Period	Local Banks Claims on CBK				CBK Claims on Local Banks				Net Balance
	On Demand Deposits	CBK Bonds and Related Tawarruq	Time Deposits with CBK and Related Tawarruq	Total	Currency Swaps	Discount and Rediscount	Deposits and Current Accounts with Local Banks	Total	
2020	2,809.3	2,964.0	2,700.2	8,473.5	-	-	-	-	-8,473.5
2021	2,248.2	2,964.1	2,025.2	7,237.4	-	-	-	-	-7,237.4
2022	2,382.4	3,384.1	1,380.4	7,146.9	-	-	-	-	-7,146.9

Source: Central Bank of Kuwait.

## 9. Activity of CBK Clearing Room

The number of clearing transactions of cheques drawn on the accounts of local banks' customers, through the CBK clearing room, decreased by 1.6 thousand transactions or 0.1% to a total of 2,385.0 thousand transactions during 2022 amounting to KWD 18,026.3 million against 2,386.6 thousand amounting to KWD 17,118.3 million during 2021, i.e. the total value of clearing transactions during 2022 increased by KWD 908.0 million or 5.3% compared to 2021. Consequently, the average value per transaction (average cheques value) decreased by KWD 329.8 or 4.6% to KWD 6,842.8 during 2022 against KWD 7,172.6 for 2021. Also, the value of local interbank settlement transactions, by means of credit and debit notices through Kuwait's Automated Settlement System for Inter Participant Payments (KASSIP), declined by KWD 26.0 billion or 9.9% to KWD 287.6 billion during 2022 against KWD 261.6 billion during 2021.

**Table 20: Clearing and Settlement Transactions among Local Banks**

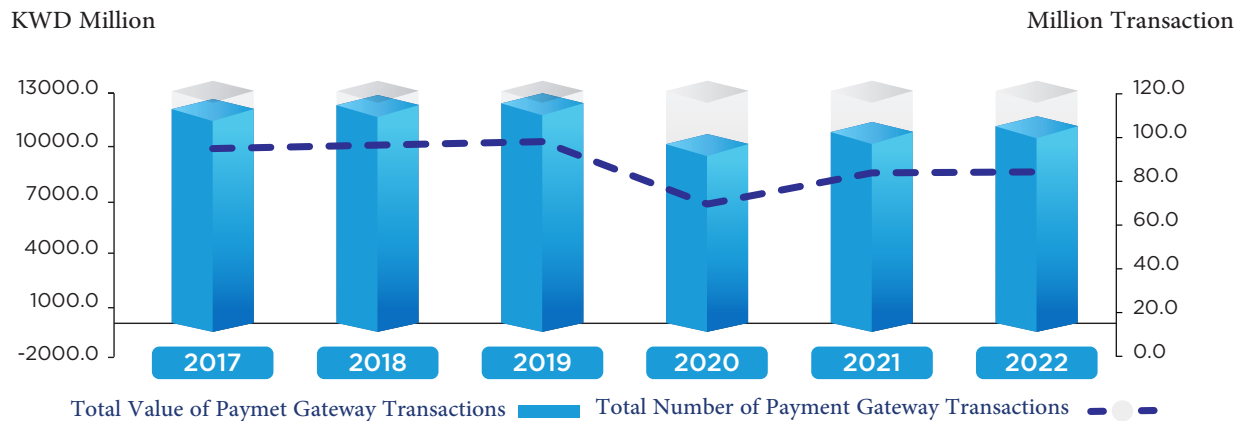
Period	Cheques			Local Interbank Settlement Transactions (KWD Millions)
	Total Value (KWD Million)	No. of Transactions ('000)	Average Transaction Value (KWD)	
2020	13,117.7	2,026.8	6,472.2	283,608.9
2021	17,118.3	2,386.6	7,172.6	261,550.2
2022	18,026.3	2,385.0	6,842.8	287,658.4

Source: Central Bank of Kuwait.

## 10. Transactions Using Plastic Cards

Transactions using plastic cards (including credit and debit cards issued by local banks and those issued by foreign banks that are being used locally) recorded an increase in the total value of Automatic Teller Machine (ATM) transactions in the State of Kuwait and abroad by 3.3% to reach KWD 11,086.3 million (for 86.4 million transactions) during 2022 against KWD 10,734.1 million (for 83.9 million transactions) during 2021. Moreover, total value of ATM transactions in the State of Kuwait amounted to KWD 10,770.0 million (for 83.3 million transactions) during 2022 against KWD 10,478.1 million (for 81.6 million transactions) during the previous year, i.e. a rise of 2.0% in the number of transactions.

**Figure 2.8: Total Value & Number of ATM Transactions**

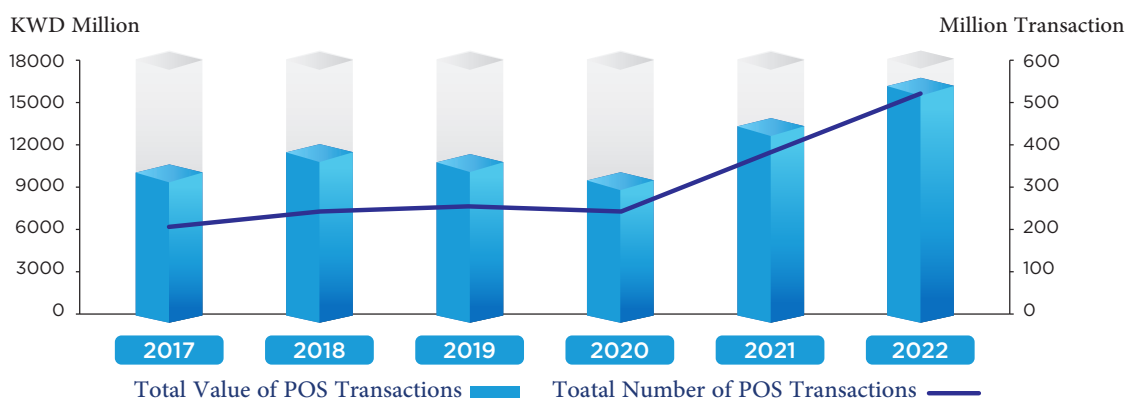


Source: Central Bank of Kuwait.

Total value of Points of Sale (POSs) transactions in the State of Kuwait and abroad during 2022 increased by KWD 2,894.6 million or 21.6% to reach KWD 16,280.2 million (for 525.7 million transactions) against KWD 13,385.6 million (for 383.9 million transactions) during the previous year. Moreover, total value of POS transactions in the State of Kuwait amounted to KWD 15,242.0 million (for 481.6 million transactions) during 2022 against KWD 12,820.3 million (for 359.2 million transactions) during the previous year, i.e. a rise of 18.9%.

Data on the number of payment devices used in the State of Kuwait (POS machines and ATMs) indicate an increase in the number of POS machines to reach 87,578 at the end of 2022 against 78,549 at the end of 2021, i.e. a rise of 11.5%. Data also indicate an increase in the number of ATMs by 4.1% to reach 2,319 at the end of 2022 against 2,227 at the end of the previous year.

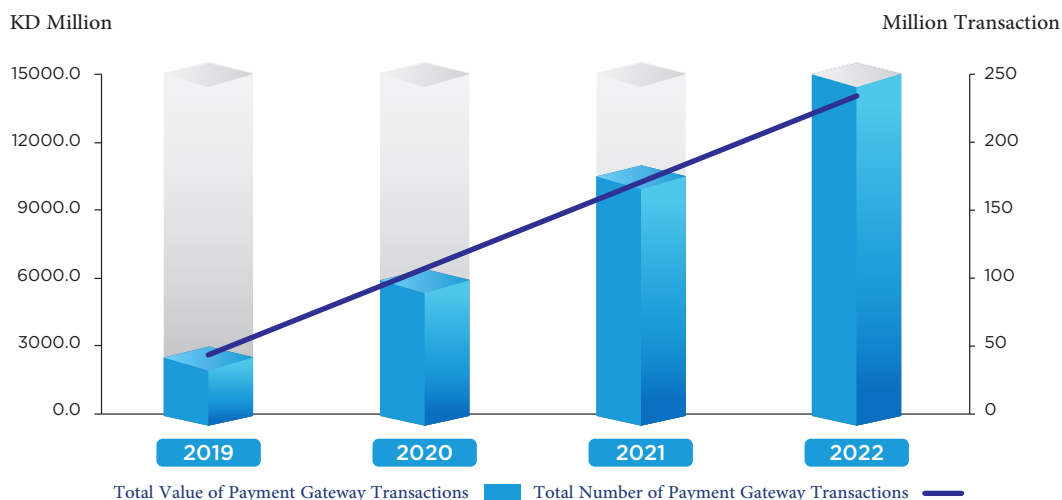
**Figure 2.9: Total Value & Number of POS Transactions**



Source: Central Bank of Kuwait.

Total value of payment gateway transactions in the State of Kuwait and abroad during 2022 increased by KWD 4,427.8 million or 43.6% to reach KWD 14,588.3 million (for 232.3 million transactions) against KWD 10,160.5 million (for 180.4 million transactions) during the previous year. Moreover, total value of payment gateway transactions in the State of Kuwait amounted to KWD 13,762.7 million (for 203.8 million transactions) during 2022 against KWD 9,435.8 million (for 157.1 million transactions) during the previous year, i.e. a rise of 45.9%.

**Figure 2.10: Total Value & Number of Payment Gateway Transactions**



Source: Central Bank of Kuwait.

## II. Second: Key Banking Oversight and Supervision Efforts

- On 31/01/2022, CBK held a virtual event titled “Stability and Enablement” and highlighted its digitalization strategy aiming to develop CBK’s analytical tools and policy frameworks, and accelerate digitalization for both CBK and the banking and financial sector. Furthermore, the event announced several developments to usher in a new era in banking and finance.
- Out of CBK’s keenness to keep abreast with the advancements in Fintech and e-payments, and introduce regulatory and supervisory frameworks, CBK issued updated draft of e-payment instructions for public consultation on 01/02/2022. The document included enhancements on the instructions in this regard issued in 2018 pursuant to law No. (20) of 2014, which gave the CBK full regulatory and supervisory authority on e-payments, as well as the authority to issue binding instructions in this respect. The CBK published the draft on its website and urged the public and interested individuals to submit their views and comments via the designated email in preparation of issuing the final version of these instructions.

- As part of CBK's effort to regulate margin trading, CBK issued a circular on 01/02/2022 to all investment companies concerning the practice of margin trading, which is under the supervision and regulation of the Capital Markets Authority. The Circular instructed investment companies not to list margin financing transactions under the financing portfolio, and that the Central Bank of Kuwait shall determine the interest or profit rate for all lending transactions related to financing the margin trading.
- As tech-based business models are becoming vital within the banking and finance sector, and as the banking industry undergoes transformation, new business models enable better and more accessible services to customers thanks to the immense potential of digital technology. Thus, CBK issued the Digital Banks Guidelines on 02/02/2022 and has opened the application process. The guideline come in five parts covering the definition of digital banks and their legal framework, licensed activities, phases and procedures of establishment, application form, and the supervisory and regulatory instructions and controls, which are all available on the CBK's website.
- Keen to bolster economic growth and enhance the soundness of the banking sector in order to maintain monetary and financial stability, and in light of the provisions issued concerning the distribution of profits of shareholding companies, CBK issued a circular on 08/02/2022 to all Kuwaiti banks allowing those with sound financial positions to distribute the semi-annual profits.
- Following its efforts to develop the cross-border payment systems and deploy advanced technologies with the aim to enhance efficiency, provide cost-effective rates and reduce the reliance on external financial systems and networks, CBK initiated the GCC Cross-border payment system (AFAQ) in the State of Kuwait in cooperation with GCC Central Banks.
- CBK issued two circulars on 06/03/2022 and 12/05/2022 to all local banks, exchange companies and finance companies concerning the instructions for using the updated automatic system for exchanging tax information, whereby CBK stressed compliance with the reporting requirements in accordance with the (FATCA) agreement and the Common Reporting Standard (CRS) agreement, and required the CBK-regulated entities to provide the Ministry of Finance with the needed information and data on an annual basis.
- CBK issued a circular on 19/05/2022 to all Kuwaiti banks concerning the controls banks must abide by in case they intend to increase the credit limits for any LIBOR-linked contracts, in order to balance between exposures to LIBOR and not restricting investment opportunities.
- On 20/06/2022, CBK issued two circulars to local banks and exchange companies to establish a database for the transactions to be reported (TRS) and related to each of the cash deposits made to customer accounts (LCT) and money transfers executed to Kuwait for the benefit of customers (FCT) equal to or above KWD 3,000 or its equivalent in foreign currencies per day per customer. CBK indicated in its circulars that it seeks to double the oversight follow-up and verification of the unusual financial transactions both ways to and from Kuwait processed by the customers of CBK-regulated entities and, accordingly, consider the actions taken by those entities in this regard.
- On 02/08/2022, CBK issued a circular to all local banks to inform CBK prior to initiating any contact with off shore supervisory or banking authorities if the branches, subsidiaries and associates intend to expand outside the host country, and provide CBK with a report of the closing financial statements, including observations of the supervisory authorities in the host country, as well as the penalties, if any, imposed on foreign branches, subsidiaries and associates.
- As the role played by exchange companies is becoming increasingly vital within the field of fund transfer, as they are specialized in this activity, and within the scope of CBK's measures to enhance supervision controls on exchange companies, a circular was issued on 07/09/2022 to exchange companies concerning the amendments made on the controls and standards for opening new branches in order to keep abreast with the fast-paced advancement in the business model of these companies.
- In line with the approved standard approach to facilitate the issuance of a clearance certificate, a circular was issued to all local banks on 08/09/2022 requiring compliance with the mechanism of issuing customers' clearance certificates, whether from bank branches or through electronic services, within the specified

period, as well as the revised mechanism of buying/transferring debts from banks, and the transfer of customers from one bank to another.

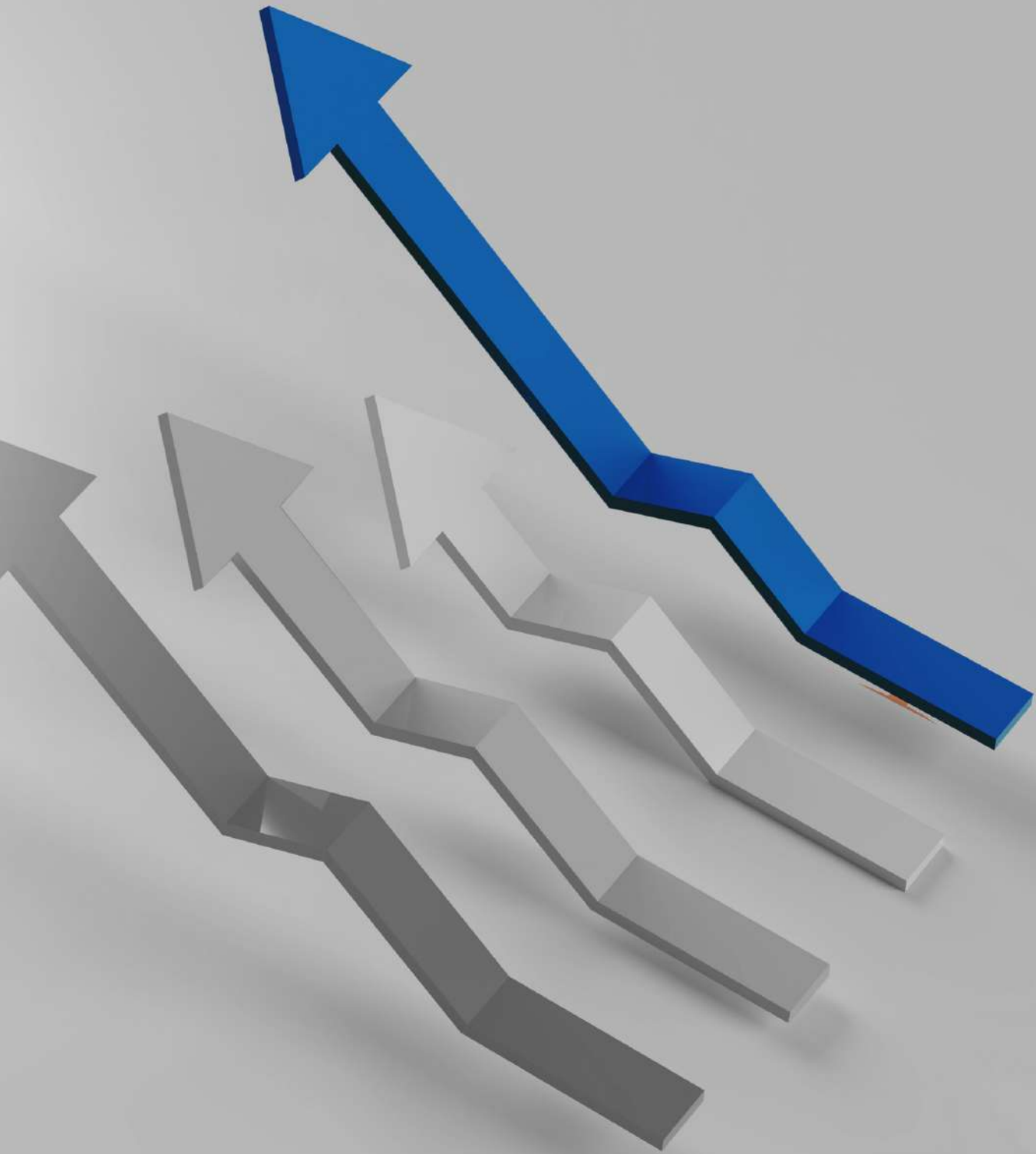
- As Sustainable Finance is becoming increasingly important, and within CBK's effort to support the concept of sustainability, the CBK issued a circular to local banks concerning the guidelines on sustainable financing and the ESG (Environment, Social and Governance) standards. Out of CBK's keenness to support Fintech and keep abreast with the international trends related to sustainability, the CBK gives priority to products and services that support sustainability standards to be tested in the Regulatory Sandbox.
- As part of CBK's efforts to protect individual customers' rights and enhance the services provided to them, the Customer Protection Unit at the CBK issued a circular on 04/12/2022 concerning the launch of an online portal on the [CBK website](http://www.cbk.gov.kw) (www.cbk.gov.kw) for individual customers to file their complaints and appeals.



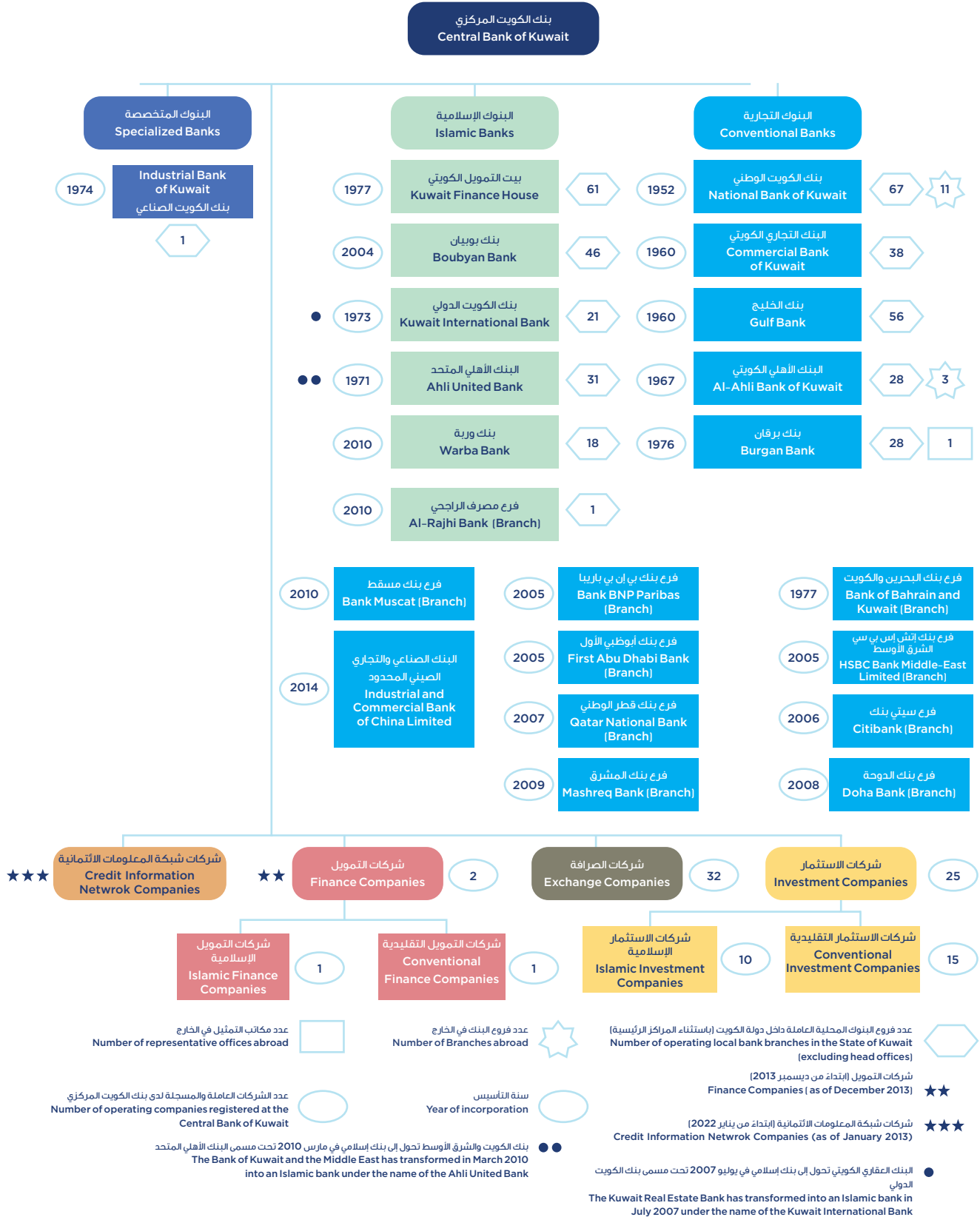


# Chapter III

## Financial Indicators of the Banking and Financial System



## هيكل الجهاز المصرفي والمالي Banking and Financial System Structure ديسمبر 2022 ديسمبر



## Chapter III Financial Indicators of the Banking and Financial System

CBK continues to keep abreast of changes and developments in the global banking industry, and provide appropriate supervisory policies and instructions to support advanced products, services and business forms in the financial services industry. In order to enhance its supervisory role in adopting and encouraging innovation, CBK initiated the launch of the general framework for the regulatory sandbox in 2018, by providing services to both companies and individuals whom wish to showcase innovative products or services within the framework of modern financial technologies, whether their activities subject to CBK's supervision, is likely to subject, or serving the entities subject to its supervision, without exposing the banking and financial system to risks. Five companies have benefited from the regulatory sandbox, as CBK helped two companies that provide services with modern financial technologies to graduate, and these companies are considered the first of their kind in the region. CBK continues currently to provide support to other three companies. Meanwhile, there are two companies in the stage of applying to the regulatory sandbox.

On another front, CBK strengthens the regulatory and supervisory frameworks for existing and emerging companies in the field of electronic payment by developing the supervisory and regulatory requirements that govern and control the work of these companies, which resulted in strengthening the position of these companies on a regional level in which a number of them were selected among the best 25 companies across the Middle East in the field of modern financial technologies. Moreover, CBK continues to develop banking services to serve the digital transformation, through its continuous follow-up of the latest developments in the field of modern financial technologies and the identification of regulatory and supervisory frameworks that enable modern financial services while consolidating soundness and stability of the banking and financial system.

In order to achieve the vision of His Highness, the Amir, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, regarding sustainable development, and in light of the development goals under "New Kuwait 2035" Vision, CBK supports the concept of sustainable development and continues, on the medium term, to encourage a sustainable economy, pay attention to green finance and develop its tools, and take serious steps to promote and apply these concepts in the banking sector. On November 17, 2022, CBK issued a circular to local banks regarding guidelines on sustainable finance.

These principles include directives to local banks on the importance of sustainability standards, and the most important basic principles that banks should consider in terms of sustainable finance and sustainability factors. Sustainability standards are divided into three main groups: Environmental, Social, and Governance (ESG). CBK directives emphasized the inclusion of these three sustainability standards in the banks' governance and risk management strategy, focusing on issuing financing products and tools compatible with green finance activities, applying the principle of sustainability to the bank's operations and internal activities by measuring the carbon impact resulting from buildings and branches, improving waste management, and adopting water and energy efficiency standards. Banks should consider the fundamental impact on ESG when making their decisions regarding lending and investment, while issuing annual reports on sustainability. It is worth noting that CBK encourages innovative financial technology products and services that support ESG by giving them priority for testing within CBK's regulatory sandbox.

The local financial system consists of various financial institutions such as banks, exchange companies, investment companies, finance companies, and insurance companies. CBK is the authorized entity entrusted with regulating the activities of banks, finance companies, and exchange companies. In addition, CBK in collaboration with the Capital Markets Authority (CMA), plays a dual supervisory role over investment companies. This chapter covers the performance of those institutions subject to CBK's supervision, which includes 11 local banks (5 conventional banks, 5 Islamic banks, and 1 specialized bank), 11 foreign banks (foreign branches operating in the State of Kuwait) as well as nearly 60 investment companies, finance companies, and exchange companies.

## I. Aggregate Balance Sheet of Local Banks (Activity of local banks and their branches inside Kuwait)

The aggregate balance sheet of local banks on the domestic level amounted to KWD 84,964.1 million at the end of 2022 against KWD 77,029.2 million at the end of the previous year, growing by KWD 7,934.9 million or 10.3% during 2022, compared with a growth of KWD 3,703.5 million or 5.1% in 2021.

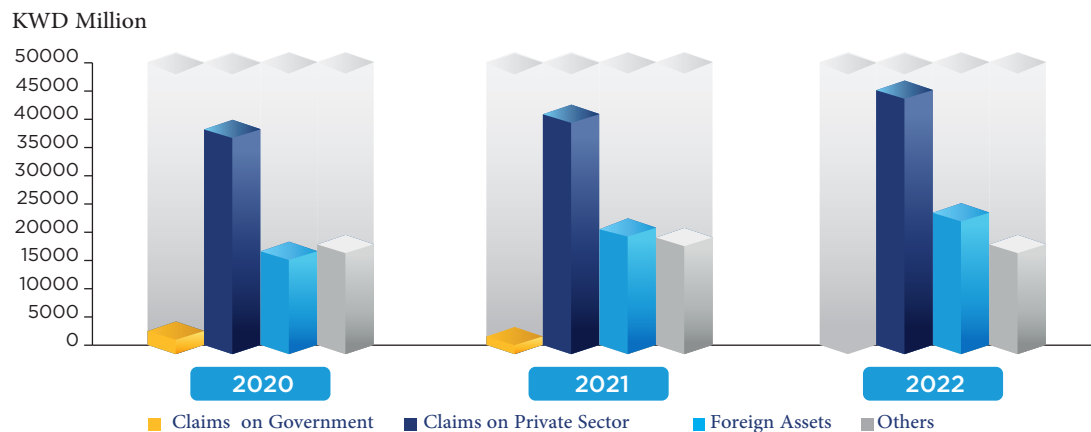
To identify the most significant changes in the main elements of the aggregate balance sheet of local banks as at the end of 2022 compared with the previous year end, the noteworthy factors and developments are indicated as follows:

### Domestic Assets

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

1. **Claims on the Private Sector:** Local banks' claims on the private sector grew by KWD 3,250.2 million or 8.0% reaching KWD 44,108.8 million at the end of 2022 compared to KWD 40,858.6 million at the end of the previous year. This increase was an outcome of the growth in the utilized cash portion of credit facilities extended to residents by KWD 3,343.2 million or 8.6% increasing from KWD 38,775.2 million to KWD 42,118.4 between December 2021 and December 2022, and drop in other domestic investments by KWD 93.0 million or 4.5% during the same period.

Figure 3.1: Local Banks' Assets



Source: Central Bank of Kuwait.

2. **Claims on the Government:** These claims are banks' share of public debt instruments. The outstanding balance of local banks' claims on the government declined to KWD 522.4 million at the end of 2022 against KWD 1,137.5 million at the end of the previous year, i.e. a drop by KWD 615.1 million or 54.1% in coincidence with the suspension of issuance of new public debt on behalf of the Ministry of Finance following the expiration of the Decree Law No. 3/2009 on 4/10/2017 that authorized the government to take public loans, and pay the outstanding issues without renewal thereof.
3. **Claims on CBK:** These claims consist of cash and cash balances, sight deposits, time deposits, and holdings of CBK Bonds. The balance of these claims decreased by KWD 42.2 million or 0.6% during 2022, from KWD 7,511.8 million at the end of 2021 to KWD 7,469.7 million at the end of 2022.

Table 21: Aggregate Balance Sheet of Local Banks (Assets)\*

KWD Million

Item	Year-End Balances		Changes	
	2021	2022	Value	(%)
<b>Claims on CBK, of which:</b>	<b>7,511.8</b>	<b>7,469.7</b>	<b>-42.2</b>	<b>-0.6</b>
Time Deposits with CBK	2,025.2	1,380.4	-644.8	-31.8
Sight Deposits	2,226.0	2,375.6	149.6	6.7
CBK Bonds	2,964.1	3,384.1	420.0	14.2
<b>Local Interbank Deposits</b>	<b>2,079.7</b>	<b>1,867.9</b>	<b>-211.8</b>	<b>-10.2</b>
<b>Claims on the Government:</b>	<b>1,137.5</b>	<b>522.4</b>	<b>-615.1</b>	<b>-54.1</b>
Treasury Bonds	1,137.5	522.4	-615.1	-54.1
<b>Claims on Public Institutions</b>	<b>3,511.4</b>	<b>3,595.8</b>	<b>84.4</b>	<b>2.4</b>
<b>Claims on the Private Sector:</b>	<b>40,858.6</b>	<b>44,108.8</b>	<b>3,250.2</b>	<b>8.0</b>
Credit Facilities to Residents	38,775.2	42,118.4	3,343.2	8.6
Other Local Investments	2,083.4	1,990.4	-93.0	-4.5
<b>Banks' Loans</b>	<b>1,257.7</b>	<b>1,170.4</b>	<b>-87.3</b>	<b>-6.9</b>
<b>Foreign Assets, of which:</b>	<b>17,879.4</b>	<b>23,226.9</b>	<b>5,347.6</b>	<b>29.9</b>
Deposits with Foreign Banks	6,583.0	6,614.0	31.0	0.5
Foreign Investments	5,378.1	9,581.2	4,203.2	78.2
KWD Credit Facilities to Non-Residents	92.8	126.1	33.3	35.9
Foreign Currency Facilities to Non-Residents	2,950.5	3,267.3	316.9	10.7
<b>Other Assets</b>	<b>2,793.2</b>	<b>3,002.1</b>	<b>209.0</b>	<b>7.5</b>
<b>Assets</b>	<b>77,029.2</b>	<b>84,964.1</b>	<b>7,934.9</b>	<b>10.3</b>
<b>Number of Banks</b>	<b>22</b>	<b>22</b>	<b>0</b>	

\* Data on overseas branches and subsidiaries not included.

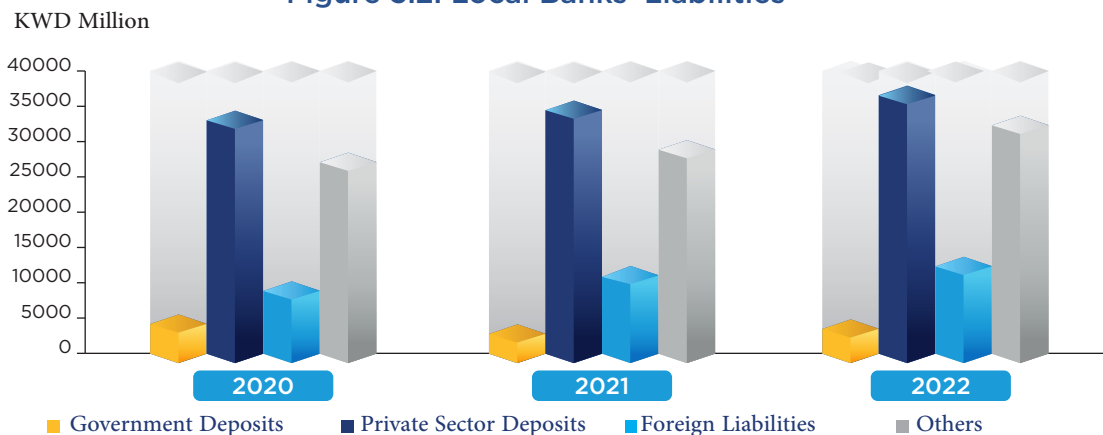
Source: Central Bank of Kuwait.

## Domestic Liabilities

Liabilities in the aggregate balance sheet of local banks on local activity level include the primary sources of finance from which banks' financial resources are generated. Private sector (resident) deposits are the main source of local banks' funds dominating the structure of banks' liabilities. Following is an analysis of developments in the elements of local liabilities within local banks' aggregate balance sheet during the years 2021 and 2022:

- Private Sector (Resident) Deposits:** Private sector resident deposits with local banks increased to KWD 36,759.6 million at the end of 2022 against KWD 34,470.2 million at the end of the previous year, i.e. a rise of KWD 2,289.4 million or 6.6%. This rise was the outcome of an increase in KWD deposits by KWD 2,170.2 million or 6.6% and foreign currency deposits by KWD 119.3 million or 7.2%. At the end of December 2022, foreign currency deposits amounting to KWD 1,774.7 million accounts for 4.8% of the total private sector deposits, with a balance of KWD 36,759.6 million, while KWD deposits amounting to KWD 34,985.0 million accounts for 95.2%.

Figure 3.2: Local Banks' Liabilities



Source: Central Bank of Kuwait.

2. **Government Deposits:** Government deposits (ministries, government departments, public authorities and institutions with attached budgets and Kuwait Credit Bank) with local banks increased to KWD 3,340.5 million at the end of 2022 compared to KWD 2,827.2 million at the end of the previous year, i.e. a rise of KWD 513.3 million or 18.2%.
3. **Shareholders' Equity:** Shareholders' equity in local banks including paid-up capital increased by KWD 3,299.0 million or 29.8% from KWD 11,068.4 million at the end of 2021 to KWD 14,367.4 million at the end of 2022.

Table 22: Aggregate Balance Sheet of Local Banks (Liabilities)\*

KWD Million

Items	Year-End Balances		Changes	
	2021	2022	Value	(%)
<b>Private Sector Deposits:</b>	<u>34,470.2</u>	<u>36,759.6</u>	<u>2,289.4</u>	<u>6.6</u>
KWD Deposits	32,814.8	34,985.0	2,170.2	6.6
Foreign Currency Deposits	1,655.4	1,774.7	119.3	7.2
<b>Government Deposits</b>	<b>2,827.2</b>	<b>3,340.5</b>	<b>513.3</b>	<b>18.2</b>
<b>Local Interbank Deposits</b>	<b>2,781.4</b>	<b>2,281.3</b>	<b>-500.1</b>	<b>-18.0</b>
<b>Public Institutions' Deposits</b>	<b>7,264.5</b>	<b>6,809.9</b>	<b>-454.6</b>	<b>-6.26</b>
<b>Loans from Banks</b>	<b>366.5</b>	<b>546.8</b>	<b>180.3</b>	<b>49.20</b>
<b>Shareholders' Equity</b>	<b>11,068.4</b>	<b>14,367.4</b>	<b>3,299.0</b>	<b>29.8</b>
<b>Foreign Liabilities: of which:</b>	<u>10,999.4</u>	<u>12,395.4</u>	<u>1,396.0</u>	<u>12.7</u>
Foreign Bank Deposits	3,941.0	5,041.7	1,100.7	27.9
Foreign Non-Bank Deposits	4,384.6	4,308.7	-75.9	-1.7
<b>Other Liabilities</b>	<b>7,251.6</b>	<b>8,463.3</b>	<b>1,211.7</b>	<b>16.7</b>
<b>Liabilities</b>	<b>77,029.2</b>	<b>84,964.1</b>	<b>7,934.9</b>	<b>10.3</b>
<b>Number of Banks</b>	<b>22</b>	<b>22</b>	<b>0</b>	

\* Data on overseas branches and subsidiaries not included.

Source: Central Bank of Kuwait.

## Net Foreign Assets on the Domestic Level

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

1. **Foreign Assets:** Total foreign assets of local banks increased by KWD 5,347.5 million or 29.9% during 2022 to reach KWD 23,226.9 million at end of year compared to KWD 17,879.4 million at the end of 2021. Foreign assets accounted for 27.3% of total assets at the end of 2022 compared to 23.2% at the end of the previous year.
2. **Foreign Liabilities:** Total foreign liabilities of local banks increased to KWD 12,395.4 million at the end of 2022 against KWD 10,999.4 million at the end of 2021, i.e. a growth of KWD 1,396.0 million or 12.7%. Foreign liabilities accounted for 14.6% of total liabilities at the end of 2022 compared to 14.3% at the end of the previous year.
3. **Net Foreign Assets:** As a result of the aforementioned developments in total foreign assets and liabilities, net foreign assets balance of local banks increased by KWD 3,951.6 million or 57.4% at the end of 2022 compared with the end of the previous year.

## Contra Accounts

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

Contra accounts are mainly non-cash facilities extended by local banks to customers. The various types of such facilities are grouped, off-balance-sheet, under three main items: documentary credits (letters of credit), bank guarantees (letters of guarantee), and bank acceptances. Total value of contra accounts balance with local banks reached KWD 31,468.3 million at the end of 2022 against KWD 28,711.4 million at the end of the previous year, i.e. an increase of KWD 2,756.9 million or 9.6%, accounting for 37.0% of the aggregate domestic balance sheet of local banks at the end of 2022 against 37.3% at the end of 2021.

**Table 23: Aggregate Balance Sheet of Local Banks (Contra Accounts)\***

*KWD Million*

Items	Year-End Balances		Change	
	2021	2022	Value	(%)
<b>Contra Accounts</b>	<b>28,711.4</b>	<b>31,468.3</b>	<b>2,756.9</b>	<b>9.6</b>
Bank Guarantees	11,338.5	11,388.9	2,244.9	8.3
Documentary Credits	1,042.9	1,179.8	136.8	13.1
Bank Acceptances	568.6	943.7	375.1	66.0
Other	15,761.4	17,955.9	2,194.5	13.9
<b>Number of Banks</b>	<b>22.0</b>	<b>22.0</b>	<b>0.0</b>	

\* Data on overseas branches and subsidiaries not included.

Source: Central Bank of Kuwait.

## Financial Flows

The purpose of monitoring developments in the trends and values of financial flows, resulting from the movement of funds in local banks whether in the context of domestic market operations or external transactions is to identify their effects on the financial position of local banks at the end of 2022, and to interpret the interaction between the movement of funds in local banks' domestic operations and in their external transactions. Following are the most notable developments:

### 1. Sources of Funds from Domestic Operations:

Sources of funds from domestic operations result from any increase in the elements of liabilities and/or decrease in the elements of assets. The value of these sources of funds is calculated as the amount of change in the balances of liabilities and assets at the end of the two comparable years, which is net financial flows for the period mentioned. Total financial resources generated by local banks from domestic market operations amounted to KWD 8,450.0 million during 2022 compared to KWD 5,007.4 million during the previous year.

The biggest portion of domestic financial resources realized during 2022 (KWD 7,493.7 million or 88.7% of total domestic financial resources) resulted from increase in some elements of local liabilities. Meanwhile, the remaining financial resources (KWD 956.3 million or 11.3%) resulted from a decrease in some local assets.

### 2. Uses of Funds in Domestic Operations:

Uses of funds are expressed in any decrease in the elements of domestic liabilities and/or any increase in the elements of domestic assets between the ends of two consecutive periods, thus summing up domestic financial flows for the period mentioned. Financial resources realized by local banks from domestic market operations during 2022 were used towards increase in some elements of domestic assets amounting to KWD 3,543.6 million (78.8% of total domestic uses), and a decrease in some domestic liabilities amounting to KWD 954.7 million (21.2% of total domestic uses).

Table 24: Summary of Financial Flows in Local Banks (2021 and 2022)

KWD Million

Items	2021		2022	
	Flow	to Total (%)	Flow	to Total (%)
<b>First: Domestic Operations:</b>				
<b>1. Total Sources of Funds:</b>	<b><u>5,007.4</u></b>	<b><u>100.0</u></b>	<b><u>8,450.0</u></b>	<b><u>100.0</u></b>
• <b>From Increase in Liabilities:</b>	<b><u>3,407.6</u></b>	<b><u>68.1</u></b>	<b><u>7,493.7</u></b>	<b><u>88.7</u></b>
Private Sector Deposits	1,360.0	27.2	2,289.4	27.1
Government Deposits	-	-	513.3	6.1
Local Interbank Deposits	557.9	11.1	-	-
Shareholders' Equity	793.3	15.8	3,299.0	39.0
Other Domestic Liabilities	555.9	11.1	1,211.7	14.3
Loans from Banks	140.5	2.8	180.3	2.1
• <b>From Decrease in Assets:</b>	<b><u>1,599.9</u></b>	<b><u>31.9</u></b>	<b><u>956.3</u></b>	<b><u>11.3</u></b>
Claims on CBK	1,379.9	27.6	42.2	0.5
Local Interbank Deposits	-	-	211.8	2.5
Claims on Government	219.9	4.4	87.3	1.0
Claims on Public Institutions	-	-	615.1	7.3
Loans for Banks	-	-	-	-
<b>2. Total Uses of Funds:</b>	<b><u>5,940.7</u></b>	<b><u>100.0</u></b>	<b><u>4,498.4</u></b>	<b><u>100.0</u></b>
• <b>In Decreasing Assets:</b>	<b><u>2,073.5</u></b>	<b><u>34.9</u></b>	<b><u>954.7</u></b>	<b><u>21.2</u></b>
Government Deposits	1,487.1	25.0	-	-
Local Interbank Deposits	-	-	500.1	11.1
Public Institutions' Deposits	586.4	9.9	454.6	47.6
• <b>In Increasing Assets:</b>	<b><u>3,867.3</u></b>	<b><u>65.1</u></b>	<b><u>3,543.6</u></b>	<b><u>78.8</u></b>
Local Interbank Deposits	393.9	6.6	-	-
Claims on Public Institutions	586.8	9.9	84.4	1.9
Claims on the Private Sector	2,040.8	34.4	3,250.2	72.3
Loans for Banks	419.2	7.1	-	-
Other Assets	426.5	7.2	209.0	4.6
<b>Surplus (+) or Deficit (-) of Resources against Uses</b>	<b><u>-933.3</u></b>	<b><u>-</u></b>	<b><u>3,951.6</u></b>	<b><u>-</u></b>

Source: Central Bank of Kuwait.

Table 24 (continued): Summary of Financial Flows in Local Banks (2021 and 2022)

*KWD Million*

Items	2021		2022	
	Flow	to Total (%)	Flow	to Total (%)
<b>Second: Foreign Operations:</b>				
<b>1. Total Sources of Funds:</b>	<b>2,502.8</b>	<b>100.0</b>	<b>14,89.0</b>	<b>100.0</b>
• <b>From Increase in Liabilities:</b>	<b>2,369.3</b>	<b>94.7</b>	<b>1,489.0</b>	<b>100.0</b>
Non-Resident (Bank) Deposits	1,157.3	46.2	1,100.7	73.9
Non-Resident (Non-Bank) Deposits	815.3	32.6	-	-
Other Foreign Liabilities (including bonds)	324.6	13.0	-	-
Loans for Foreign Banks	72.0	2.9	388.2	26.1
• <b>From Decrease in Assets:</b>	<b>133.5</b>	<b>5.3</b>	<b>0.0</b>	<b>0.0</b>
Local Bank Deposits with Foreign Banks	-	-	-	-
Foreign Currency Credit Facilities to Non-Residents	-	-	-	-
Loans for Foreign Banks	97.2	3.9	-	-
KWD Credit Facilities to Non-Residents	36.3	1.5	-	-
<b>2. Total Uses of Funds:</b>	<b>1,569.5</b>	<b>100.0</b>	<b>5,440.6</b>	<b>100.0</b>
• <b>In Decreasing Liabilities:</b>	<b>0.0</b>	<b>0.0</b>	<b>93.0</b>	<b>1.7</b>
Non-Resident (Non-Bank) Deposits	-	-	75.9	1.4
Non-Resident (Bank) Deposits	-	-	-	-
Other Foreign Liabilities (including bonds)	-	-	17.1	0.3
• <b>In Increasing Assets:</b>	<b>1,569.5</b>	<b>100.0</b>	<b>5,347.6</b>	<b>98.3</b>
Foreign Investments	379.4	24.2	4,203.2	77.3
Local Bank Deposits with Foreign Banks	812.7	32.5	31.0	0.6
Foreign Currency Credit Facilities to Non-Residents	321.1	20.5	316.9	5.8
KWD Credit Facilities to Non-Residents	-	-	33.3	0.6
Loans for Foreign Banks	-	-	466.3	8.6
Other Foreign Assets	56.4	3.6	297.0	5.5
<b>Surplus (+) or Deficit (-) of Resources against Uses</b>	<b>933.3</b>	<b>-</b>	<b>-3,951.6</b>	<b>-</b>

Source: Central Bank of Kuwait.

### 3. The Surplus in Resources from Domestic Operations:

The movements of funds in local banks' domestic operations during 2022 resulted in a net surplus of KWD 3,951.6 million in local financial resources, totaling KWD 8,450.0 million, after covering the uses of funds in domestic operations totaling KWD 4,498.4 million. This surplus was covered using the deficit in the financial resources resulting from foreign operations, **indicating a net financial inflow of KWD 3,951.6 million, equal to the surplus.**

### 4. Financial Flows from Foreign Operations:

Total financial resources generated by local banks from foreign operations amounted to the equivalent of KWD 3,951.6 million during 2022, resulting from an increase in some elements of foreign liabilities (amounting to KWD 1,489.0 million or 100.0% of total foreign financial resources). Meanwhile, there are no elements of foreign assets. Total uses of funds in local banks' foreign operations amounted to the equivalent of KWD 5,440.6 million during 2022, all used in increasing elements of foreign assets (by KWD 5,347.6 million or 98.3% of total foreign uses of funds). This resulted in net deficit of KWD 3,951.6 million in the financial resources from foreign sources. The deficit was covered from the aforesaid surplus of equal value in the financial resources resulting from domestic market operations (KWD 3,951.6 million).

## II. The Aggregate Balance Sheet of Local Investment Companies

The local investment companies' assets (conventional and Shari'a-compliant investment companies) amounted to KWD 4,687.0 million (41 companies) at the end of 2022 compared to KWD 4,987.6 million (47 companies) in 2021, i.e. a drop of KWD 300.6 million or 6.0%.

Table 25: Aggregate Balance Sheet of Local Investment Companies\*

*KWD Million*

Items	Year-End Balance		Change	
	2021	2022	Value	(%)
<b>Assets</b>				
Cash & Balances with Local Banks & Investment Companies	393.4	379.7	-13.7	-3.5
Financing to Customers	522.5	511.2	-11.3	-2.2
Loans and Advances to Residents (conventional Companies)	260.3	246.7	-13.6	-5.2
Financing to Customers	262.2	264.4	2.2	0.8
Domestic Investments	2,000.0	1821.9	-178.1	-8.9
Financial Investments	1,573.9	1383.6	-190.3	-12.1
Non-Financial Investments	426.1	438.3	12.2	2.9
Foreign Assets	1,179.7	1101.0	-78.7	-6.7
Other Assets	892.1	873.1	-19.0	-2.1
<b>Assets = Liabilities</b>	<b>4,987.6</b>	<b>4687.0</b>	<b>-300.6</b>	<b>-6.0</b>
<b>Liabilities:</b>				
Capital & Reserve	2,695.0	2463.7	-231.3	-8.6
Financing from Residents	1,005.5	1002.6	-2.9	-0.3
Bonds & Financing Instruments	79.6	79.6	0.0	0.0
Foreign Liabilities	317.6	351.6	34.0	10.7
Other Liabilities	889.8	789.5	-100.3	-11.3
<b>Number of Companies</b>	<b>47</b>	<b>41</b>	<b>-6</b>	

\* Including data on subsidiaries.

Source: Central Bank of Kuwait.

In order to identify key features in the performance of local investment companies, following is a separate review of conventional investment companies and of Shari'a-complaint investment companies during 2021 and 2022:

## Conventional Investment Companies

Available financial data on conventional investment companies (21 companies) indicate a total aggregate balance sheet of KWD 2,284.2 million at the end of 2022, i.e. a decrease of KWD 41.1 million or 1.8% from its level of KWD 2,325.3 million (22 companies) at the end of the previous year. This decline reflects developments in these companies' assets and liabilities elements. On the assets side, noteworthy developments at the end of 2022 compared with the end of 2021 can be summed up as follows:

1. Foreign assets decreased by the equivalent of KWD 28.1 million or 3.8% to reach KWD 716.9 million at the end of 2022 compared to the end of the previous year.
2. Domestic investments decreased by KWD 19.9 million or 2.1% from KWD 928.8 million at the end of 2021 to KWD 908.9 million at the end of 2022. This decline resulted from a KWD 28.8 million or 3.7% decrease in financial investments and a KWD 9.0 million or 6.1% decrease in non-financial investments.
3. Loans and advances to residents declined by KWD 13.6 million or 5.2% to reach KWD 246.7 million at the end of 2022 against KWD 260.3 million at the end of the previous year.

On the liabilities side, notable developments at the end of 2022 compared to the end of 2021 can be highlighted as follows:

1. Capital and reserve decreased by KWD 30.2 million or 2.2% from KWD 1,379.0 million at the end of 2021 to KWD 1,348.8 million at the end of 2022.
2. Foreign liabilities increased by the equivalent of KWD 13.3 million or 16.9% from KWD 78.7 million at the end of 2021 to the equivalent of KWD 92.0 million at the end of 2022.
3. Financing from residents increased by KWD 35.5 million or 9.2% at the end of 2022 compared with the end of the previous year, from KWD 384.2 million to KWD 419.7 million.

Table 26: Aggregate Balance Sheet of Conventional Investment Companies\*

*KWD Million*

Items	Year-End Balance		Change	
	2021	2022	Value	(%)
<b>Assets:</b>				
Cash & Balances with Local Banks & Investment Companies	235.5	239.9	4.4	1.9
Loans and Advances to Residents (Conventional Companies)	260.3	246.7	-13.6	-5.2
Domestic Investments, including:	928.8	908.9	-19.9	-2.1
Financial Investments	781.9	753.1	-28.8	-3.7
Non-Financial Investments	146.8	155.8	9.0	6.1
Foreign Assets	745.0	716.9	-28.1	-3.8
Other Assets	155.8	171.8	16.0	10.3
<b>Assets = Liabilities</b>	<b>2,325.3</b>	<b>2,284.2</b>	<b>-41.1</b>	<b>-1.8</b>
<b>Liabilities:</b>				
Capital and Reserve	1,379.0	1,348.8	-30.2	-2.2
Financing from Residents	384.2	419.7	35.5	9.2
Bonds and Financing Sukuk	79.6	79.6	0.0	0.0
Foreign Liabilities	78.7	92.0	13.3	16.9
Other Liabilities	403.8	344.1	-59.7	-14.8
<b>Number of Companies</b>	<b>22</b>	<b>21</b>	<b>-1</b>	

\*Including data on subsidiaries.

Source: Central Bank of Kuwait.

## Shari'a-compliant Investment Companies

Presentation in this part includes comparable data on the aggregate financial position of 20 Shari'a-compliant investment companies in 2022 and 25 in 2021, registered with the CBK at the end of 2022.

Available financial data indicate a total aggregate balance sheet drop of KWD 259.5 million or 9.7% at the end of 2022 compared with the previous year, reaching KWD 2,402.8 million against KWD 2,662.2 million at the end of the previous year. Following are key developments in the mentioned aggregate balance sheet on the **assets side**:

1. Domestic investments decreased by KWD 158.2 million or 14.8% to reach KWD 913.0 million at the end of 2022 compared to KWD 1,071.2 million at the end of 2021.
2. Financing to customers increased by KWD 2.2 million or 0.8% to KWD 264.4 million at the end of 2022 against KWD 262.2 million at the end of 2021.
3. Foreign assets (consisting of financial and non-financial foreign assets) declined by the equivalent of KWD 50.5 million or 11.6%, from the equivalent of KWD 434.7 million at the end of 2021 to the equivalent of KWD 384.2 million at the end of 2022.

On the **liabilities side**, the key developments by the end of 2022 compared with the end of 2021 are as follows:

1. Foreign liabilities increased by the equivalent of KWD 20.7 million or 8.7% to the equivalent of KWD 259.6.7 million at the end of 2022 against the equivalent of KWD 238.9 million at the end of 2021.
2. Financing through the local banking and financial sector decreased by KWD 38.3 million or 6.2% to KWD 583.0 million at the end of 2022 against KWD 621.3 million at the end of 2021.
3. Shareholders' equity (Capital and reserve) decreased by KWD 201.2 million or 15.3% to reach KWD 1,114.8 million at the end of 2022 compared to KWD 1,316.0 million at the end of 2021.

**Table 27: Aggregate Balance Sheet of Shari'a-compliant Investment Companies\***

KWD Million

Items	Year-End Balances		Change	
	2021	2022	Value	(%)
<b>Assets:</b>				
Cash & Balances with Local Banks & Investment Companies	157.8	139.8	-18.0	-11.4
Financing to Customers	262.2	264.4	2.2	0.8
Domestic Investments, including:	1,071.2	913.0	-158.2	-14.8
Financial Investments	791.9	630.4	-161.5	-20.4
Non-Financial Investments	279.3	282.6	3.3	1.2
Foreign Assets	434.7	384.2	-50.5	-11.6
Other Assets	736.3	701.3	-35.0	-4.8
<b>Assets = Liabilities</b>	<b>2,662.2</b>	<b>2,402.8</b>	<b>-259.5</b>	<b>-9.7</b>
<b>Liabilities:</b>				
Capital and Reserve	1,316.0	1,114.8	-201.2	-15.3
Financing from Residents (Financial Sector)	621.3	583.0	-38.3	-6.2
Foreign Liabilities	238.9	259.6	20.7	8.7
Other Liabilities	486.0	445.4	-40.6	-8.4
<b>Number of Companies</b>	<b>25</b>	<b>20</b>	<b>-5</b>	

\*Including data on subsidiaries.

Source: Central Bank of Kuwait.

## Contra Accounts of Local Investment Companies

Contra accounts (off-balance-sheet items) reflect a significant aspect of local investment companies' activities in terms of financial services extended to resident and non-resident customers alike. Contra accounts for the 41 local investment companies registered with CBK (21 conventional and 20 Islamic) as at the end of 2022 amounted to KWD 24,001.8 million (KWD 20,463.9 million or 85.3% for conventional investment companies, and KWD 3,537.9 million or 14.7% for Islamic investment companies), i.e. a decline of KWD 725.5 million or 2.9% from KWD 24,727.3 million for 47 registered companies at the end of 2021 (KWD 21,408.8 million or 86.6% for 22 conventional investment companies and KWD 3,318.5 million or 13.4% for Islamic investment companies).

**Table 28: Contra Accounts of Local Investment Companies\***

KWD Million

Items	Year-End Balances		Change	
	2021	2022	Value	(%)
<b>Contra Accounts:</b>	<b>24,727.3</b>	<b>24,001.8</b>	<b>-725.5</b>	<b>-2.9</b>
Conventional Investment Companies	21,408.8	20,463.9	-944.9	-4.4
Islamic Investment Companies	3,318.5	3,537.9	219.4	6.6
Investment Portfolios	20,131.4	19,277.3	-854.1	-4.2
Investment Funds	2442.0	2,310.7	-131.3	-5.4
Foreign Funds	1,752.1	1,832.0	79.9	4.6
Custody Assets	396.1	575.6	179.5	45.3
Commitments/Collaterals/ Guarantees	5.6	6.2	0.6	10.7
<b>Number of Investment Companies</b>	<b>47</b>	<b>41</b>	<b>-6</b>	
Conventional Investment Companies**	22	21	-1	
Islamic Investment Companies**	25	20	-5	

\* Including data on subsidiaries.

\*\* Two CBK-regulated financing companies, one conventional and one Islamic.

Source: Central Bank of Kuwait.

### III. The Aggregate Balance Sheet of The Local Exchange Companies

Available data on the local exchange companies registered with and supervised by the CBK (32 companies) indicate that the aggregate balance sheet of these companies increased by KWD 19.5 million or 7.4% to KWD 283.3 million at the end of 2022 from KWD 263.8 million in the previous year. This increase reflected several developments on both assets and liabilities sides, which could be further explained as follows:

#### Assets

1. Financial and real estate investments of exchange companies rose by KWD 100.0 thousand to reach KWD 2.4 million at the end of 2022 compared to KWD 2.3 million at the end of 2021.
2. Liquid assets in the form of cash and cash assets increased by KWD 1.5 million or 4.5%, from KWD 35.0 million at the end of 2021 to KWD 36.5 million at the end of 2022.
3. Claims of exchange companies on financial institutions increased by KWD 16.8 million or 23.4% to KWD 89.1 million at the end of 2022 against KWD 72.3 million at the end of the previous year.
4. Foreign assets of exchange companies declined by the equivalent of KWD 4.1 million or 4.6% to reach the equivalent of KWD 84.3 million at the end of 2022 compared with the equivalent of KWD 88.4 million at the end of 2021.

#### Liabilities

1. Claims of financial institutions on local exchange companies increased by KWD 0.5 million or 5.3%, from KWD 9.5 million at the end of 2021 to KWD 10.0 million at the end of 2022.
2. Partners' equity, covering results of the period, increased by KWD 13.6 million or 9.6%, from KWD 142.4 million at the end of 2021 to KWD 156.0 million at the end of 2022.
3. Other liabilities increased by KWD 5.4 million or 5.1%, from KWD 105.5 million at the end of 2021 to KWD 110.9 million at the end of 2022.

**Table 29: Aggregate Balance Sheet of The Local Exchange Companies**

*KWD Million*

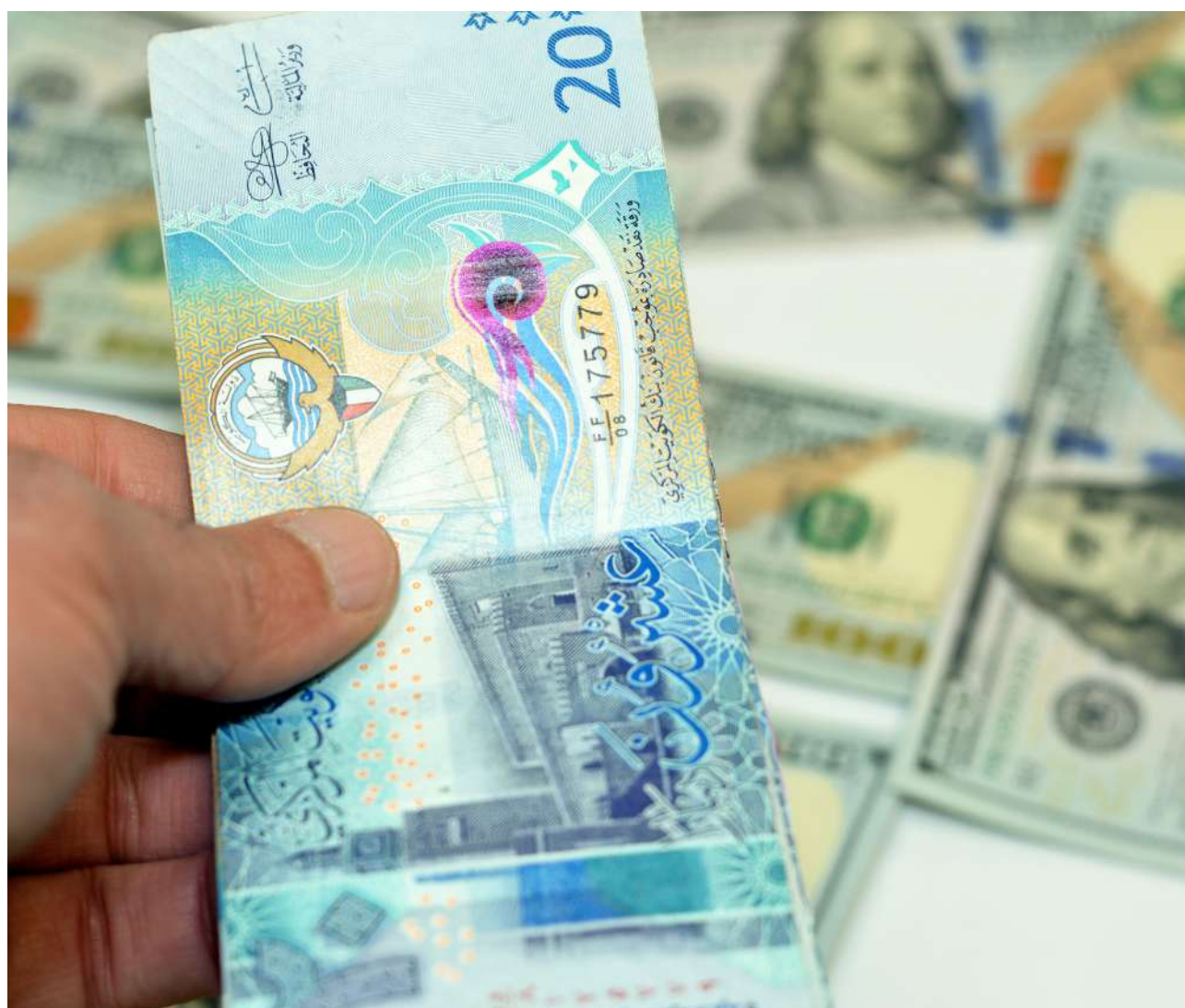
Items	Year-End Balances		Change	
	2021	2022	Value	(%)
<b>Assets:</b>				
Cash & Cash Assets	35.0	36.5	1.5	4.5
Claims on Financial Institutions	72.3	89.1	16.8	23.4
Total Receivables	5.8	3.7	-2.1	-36.2
Financial & Real-Estate Investments	2.3	2.4	0.1	3.7
Fixed Assets	28.2	29.9	1.7	6.1
Foreign Assets	88.4	84.3	-4.1	-4.6
Other Assets	32.0	37.4	5.4	16.9
<b>Assets = Liabilities</b>	<b>263.8</b>	<b>283.3</b>	<b>19.5</b>	<b>7.4</b>
<b>Liabilities:</b>				
Partners' Equity & Results of the Period	142.4	156.0	13.6	9.6
Claims of Financial Institutions	9.5	10.0	0.5	5.3
Total Payables	6.0	5.8	-0.2	-3.3
Foreign Liabilities	0.4	0.6	0.2	50.0
Other Liabilities	105.5	110.9	5.4	5.1
<b>Contra Accounts</b>	<b>0.9</b>	<b>0.9</b>	<b>0.0</b>	<b>1.8</b>
Results of the Period (Net Profit)	45.0	43.1	-1.9	-4.3
<b>Number of Companies</b>	<b>32</b>	<b>32</b>	<b>0</b>	

Source: Central Bank of Kuwait.

## Liquidity, Profitability and Solvency Ratios

Available data on net credit position of local exchange companies with local banks and financial institutions indicate an increase from KWD 58.7 million at the end of 2021 to KWD 79.2 million at the end of 2022, i.e. a hike of 34.8%, with the balance still in favor of local exchange companies.

The net liquidity position with the local exchange companies at the end of 2022 amounted to KWD 199.4 million allocated to cash and cash assets (KWD 36.5 million or 18.3%) and claims of local exchange companies on local/foreign banks and financial institutions (KWD 173.4 million or 81.7%). Data also reflect a decrease in most profitability ratios of local exchange companies due to a net profit decline of KWD 1.9 million or 4.3% to KWD 43.1 million in 2022 against KWD 45.0 million in 2021. Meanwhile, net profit to partners' equity ratio increased to 27.6% in 2022 against 26.2% in 2021, and return on assets ratio decreased to 15.2% in 2022 against 17.1% in 2021. The ratio of partners' equity to total assets declined to from 65.1% at the end of 2021 to 55.1% at the end of 2022. Ratio of partners' equity to total assets and contingent liabilities represented in contra accounts also decreased from 64.9% at the end 2021 to 54.9% at the end 2022.





# Chapter IV

## Public Finance





## Chapter IV Public Finance

The general budget is a comprehensive financial plan that outlines the State's priorities and objectives. Therefore, addressing any imbalance in the budget, typically financial deficit, is of great importance, and the remedies at the current stage must focus on the main items of the budget on both sides of the public expenditures and non-oil revenues. In addition, "financing" or "accounting" deficit that the budget may suffer from, and the "structural" deficit on excluding oil revenues should be distinguished.

It is also important to distinguish between the current expenditures of the general budget and the expenditures associated with the investment program. While increases in current expenditures should be contained and non-oil revenues increased, it is necessary to enhance the efficiency of government performance in implementing development projects and government policies in general, and ensure that the remedies of "financing" deficit of the general budget are not at the expense of its investment program that addresses the "structural" deficit, in line with a comprehensive vision of financial reform. This is considered a key pillar of the desired economic reform towards the sustainable economic growth and justice between present and future generations at the same time.

This part of the economic report discusses the developments in public finance by presenting the closing account of ministries and government departments for FY 2021/22, along with the expenditure estimates and appropriations for FY 2022/23.

### I. Closing Account for FY 2021/22 Public Revenues

Data of the Closing Account for FY 2021/22 indicate that total actual revenues collected for the said fiscal year reached KWD 18,612.9 million compared to KWD 10,520.3 million in the previous fiscal year, i.e. a notable increase of KWD 8,092.6 million or 76.9%. Data also revealed that FY 2021/22 revenues to Gross Domestic Product (GDP) of 2021 increased by 45.2% from previous fiscal year to reach 32.4%.

The rise in the total actual revenues resulted mainly from an increase of KWD 7,427.3 million or 84.5% in actual budgetary/collected oil revenues to KWD 16,217.0 million in FY 2021/22 compared to KWD 8,789.7 million for the previous fiscal year, and a rise in non-oil revenues by KWD 665.3 million or 38.4% to KWD 2,395.9 million

**Table 30: Actual Revenues in the General Budget**

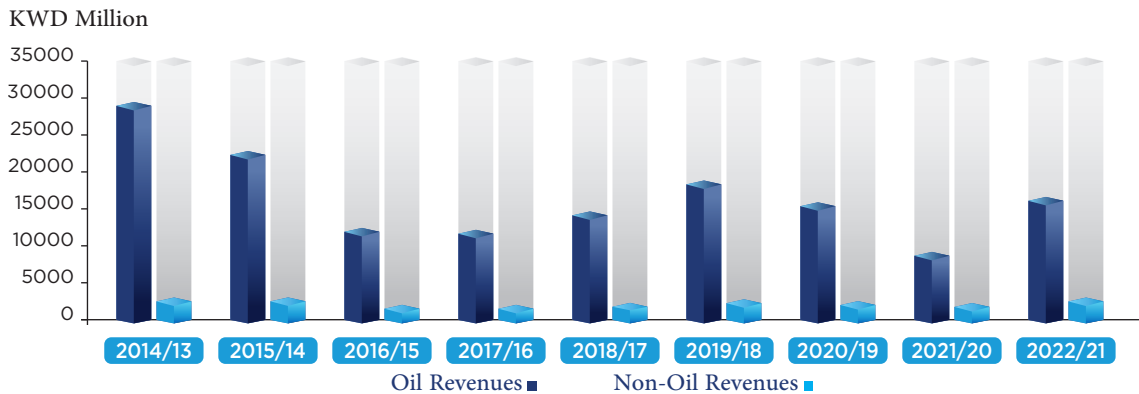
*KWD Million*

Items	Year-End Balances				Change	
	2020/21		2021/22		Value	(% )
	Value	% to Total	Value	% to Total		
<b>Total Actual Revenues</b>	<b>1,0520.3</b>	<b>100</b>	<b>18,612.9</b>	<b>100</b>	<b>8,092.6</b>	<b>76.9</b>
Oil Revenues	8,789.7	83.6	16,217.0	87.1	7,427.3	84.5
Non-Oil Revenues	1,730.6	16.4	2,395.9	12.9	665.3	38.4

*Source: Ministry of Finance.*

The increase in oil revenues resulted from the rise in the average price of Kuwait's Export Crude per barrel by USD 36.16 or 82.8% during FY 2021/22 to reach USD 79.84 per barrel against USD 43.68 per barrel during the previous fiscal year, and the rise in average production of Kuwaiti crude oil during FY 2021/22 by 150.0 thousand barrels per day to reach 2.486 million barrels per day against 2.336 million barrels per day during the previous fiscal year.

Figure 4.1: Oil and Non-Oil Revenues



Source: Central Bank of Kuwait.

This increase in total non-oil revenues collected during FY 2021/22 reflects a growth in the gross actual revenues collected under the Third Chapter (Social Contributions) by KWD 13.1 million or 15.0%, the Fifth Chapter (Other Revenues) by KWD 654.1 million or 56.0%, and the Sixth Chapter (Revenues on Disposal of Assets and other Non-Operating Income) by KWD 9.3 million or 715.4%.

Table 31: Actual Budgetary Non-Oil Revenues

*KWD Million*

Items	Year-End Balances				Change	
	2020/21		2021/22		Value	%
	Value	(%) to Total	Value	(%) to Total		
<b>Non-Oil Revenues:</b>	<b>1,730.6</b>	<b>100</b>	<b>2,395.9</b>	<b>100</b>	<b>665.4</b>	<b>38.4</b>
<b>Taxes &amp; Fees</b>	<b>473.5</b>	<b>27.4</b>	<b>462.4</b>	<b>19.3</b>	<b>-11.1</b>	<b>-2.3</b>
- Tax on Income & Capital Gains	161.5	9.3	131.3	5.5	-30.2	-18.7
- Property Tax	14.7	0.8	24.2	0.1	9.5	64.7
- Taxes on International Trade & Transactions	297.3	17.2	306.9	12.8	9.6	3.2
<b>Social Contributions</b>	<b>87.1</b>	<b>5.0</b>	<b>100.2</b>	<b>4.2</b>	<b>13.1</b>	<b>15.0</b>
<b>Other Revenues</b>	<b>1,168.6</b>	<b>67.5</b>	<b>1,822.7</b>	<b>76.1</b>	<b>654.1</b>	<b>56.0</b>
- Property Income	41.3	2.4	68.8	2.9	27.4	66.4
- Sales of Goods & Services	379.6	21.9	696.0	29.0	316.4	83.3
- Fines, Penalties & Confiscations	121.3	7.0	126.3	5.3	5.0	4.1
- Miscellaneous Revenues not Classified Elsewhere	626.3	36.2	931.7	38.9	305.3	48.8
<b>Revenues on Disposal of Assets &amp; Other Non-Operating Income</b>	<b>1.3</b>	<b>0.1</b>	<b>10.6</b>	<b>0.4</b>	<b>9.3</b>	<b>715.4</b>

Source: Ministry of Finance.

## Public Expenditures

Closing Account data for FY 2021/22 indicate a rise in the actual public expenditure by KWD 311.3 million or 1.5% to KWD 21,604.0 million during said year against KWD 21,292.7 million during the previous year. The Actual public expenditure for FY 2021/22 amounted to 93.7% of public expenditures allocations totaling KWD 23,048.0 million for the mentioned fiscal year. In addition, the total public expenditure for FY 2021/22 to Gross Domestic Product (GDP) of 2021 decreased to 52.4% from 65.6% during the previous fiscal year.

Table 32: Actual Budgetary Expenditures

KD Million

Items	Closing Account				Change	
	2020/21		2021/22		Value	%
	Value	% to Total	Value	% to Total		
<b>Public Expenditures:</b>	<b>21,292.7</b>	<b>100</b>	<b>21,604.0</b>	<b>100</b>	<b>311.3</b>	<b>1.5</b>
- Compensation of Employees	7,445.8	35.0	7,990.4	37.0	544.6	7.3
- Goods & Services	2,873.6	13.5	3,190.7	14.8	317.1	11.0
- Subsidies	556.7	2.6	620.3	2.9	63.6	11.4
- Grants	5,432.5	25.5	5,550.9	25.7	118.4	2.2
- Social Benefits	847.2	4.0	1,037.5	4.8	190.3	22.5
- Expenses & Other Transfers	2,394.3	11.2	1,350.8	6.3	-1,043.5	-43.6
- Purchase of Non-Current Assets	1,742.7	8.2	1,863.5	8.6	120.8	6.9

Source: Ministry of Finance.

This increase in the actual public expenditure of FY 2021/22 general budget reflects a rise in actual expenditure under the First Chapter (Compensation of Employees) by KWD 544.6 million or 7.3% to reach KWD 7,990.4 million during FY 2021/22 against KWD 7,445.8 million during the previous fiscal year, the Second Chapter (Goods and Services) by KWD 317.1 million or 11.0% to reach KWD 3,190.7 million during FY 2021/22 against KWD 2,873.6 million during the previous fiscal year, the Fifth Chapter (Subsidies) by KWD 63.6 million or 11.4% to reach KWD 620.3 million during FY 2021/22 against KWD 556.7 million during the previous fiscal year, the Sixth Chapter (Grants) by KWD 118.4 million or 2.2% to reach KWD 5,550.9 million during FY 2021/22 against KWD 5,432.5 million during the previous fiscal year, the Seventh Chapter (Social Benefits) by KWD 190.3 million or 22.5% to reach KWD 1,037.5 million during FY 2021/22 against KWD 847.2 million during the previous fiscal year, and Purchase of Non-Current Assets Chapter (within Capital Expenditures) by KWD 120.8 million or 6.9% to reach KWD 1,863.5 million during FY 2021/22 against KWD 1,742.7 million during the previous fiscal year on the one hand, and a decline in the actual expenditure under the Eighth Chapter (Expenses and other Transfers) by KWD 1,043.5 million or 43.6% to reach KWD 1,350.8 million during FY 2021/22 against KWD 2,394.3 million during the previous fiscal year on the other hand.

Notably, the First Chapter (Compensation of Employees) expenditures item accounts for highest percentage of 37.0% of the total public expenditure for FY 2021/22, and the Sixth Chapter (Grants) comes second with 25.7%, whereas the least contribution came under the Fifth Chapter (Subsidies) at 2.9%.

In terms of the Economic Classification of the Actual Public Expenditures, closing account data for FY 2021/22 indicate a growth in the current expenditures to KWD 19,740.5 million during the aforementioned fiscal year compared to KWD 19,550.0 million in FY 2020/21, i.e. a rise of KWD 190.5 million or 1.0%. Current expenditures accounted for 91.4% of gross Actual Expenditure, and 96.6% of the FY 2021/22 Current Expenditure Allocations of KWD 20,426.3 million.

**Table 33: Economic Classification of Actual Public Expenditures**

KWD Million

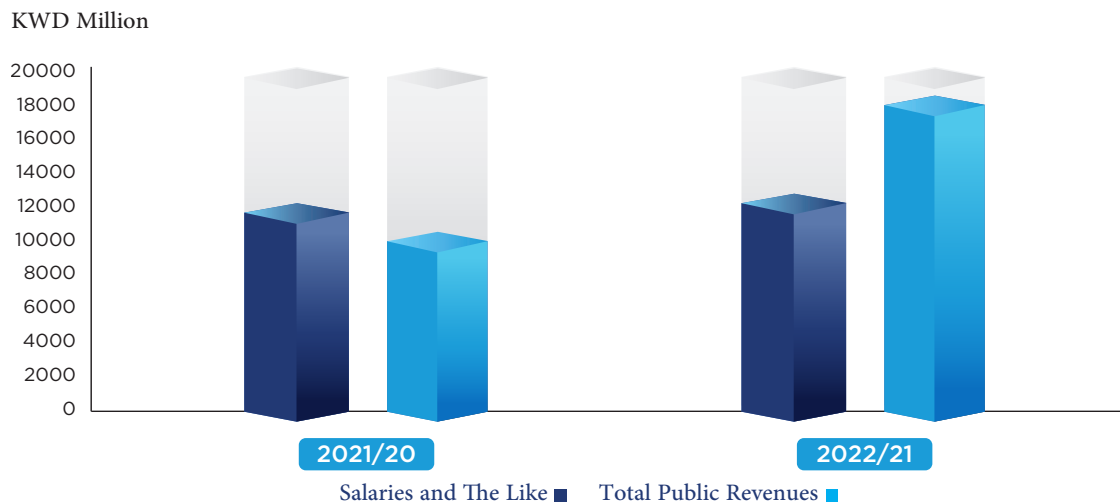
Items	Closing Account				Change	
	2020/21		2021/22		Value	%
	Value	(%) to Total	Value	(%) to Total		
<b>Current Expenditures:</b>	<b>19,550.0</b>	<b>91.8</b>	<b>19,740.5</b>	<b>91.4</b>	<b>190.5</b>	<b>1.0</b>
- Compensation of Employees, of which:	7,445.8	35.0	7,990.4	37.0	544.6	7.3
• Salaries & Wages	6,936.0	32.6	7,425.2	34.4	489.2	7.1
• Social Contributions	487.9	2.3	528.0	2.4	40.1	8.2
- Goods & Services	2,873.6	13.5	3,190.7	14.8	317.1	11.0
- Subsidies	556.7	2.6	620.3	2.9	63.6	11.4
- Grants, of which:	5,432.5	25.5	5,550.9	25.7	118.4	2.2
• To Foreign Governments	50.0	0.2	60.1	0.3	10.0	20.0
• To Other Government Units	5,381.1	25.3	5,489.8	25.4	108.7	2.0
- Social Benefits	847.2	4.0	1,037.5	4.8	190.3	22.5
- Expenses & Other Transfers	2,394.3	11.2	1,350.8	6.3	-1,043.5	-43.6
<b>Capital Expenditures:</b>	<b>1,742.7</b>	<b>8.2</b>	<b>1,863.5</b>	<b>8.6</b>	<b>120.8</b>	<b>6.9</b>
- Purchase of Non-Current Assets, of which:	1,742.7	8.2	1,863.5	8.6	120.8	6.9
• Purchase of Tangible Non-Financial Non-Current Assets	362.7	1.7	588.5	2.7	225.8	62.2
• Construction & Maintenance Projects	1,380.0	6.5	1,275.0	5.9	-105.0	-7.6
<b>Total</b>	<b>21,292.7</b>	<b>100.0</b>	<b>21,604.0</b>	<b>100.0</b>	<b>311.3</b>	<b>1.5</b>

Source: Ministry of Finance.

The actual budgetary capital expenditures for FY 2021/22 increased by KWD 120.8 million or 6.9% to reach KWD 1,863.5 million, compared to KWD 1,742.7 million during FY 2020/21. In addition, capital expenditures for the said year accounted for 71.1% of total allocations for capital expenditures for the fiscal year, which amounted to KWD 2,621.7 million.

This increase in the actual budgetary capital expenditures for FY 2021/22 mainly reflects the rise in expenditures in Purchase of Tangible Non-Financial Non-Current Assets Group by KWD 225.8 million or 62.2% (from KWD 362.7 million to KWD 588.5 million) on the one hand, and the decrease in Construction and Maintenance Projects Group by KWD 105.0 million or 7.6% (from KWD 1,380.0 million to KWD 1,275.0 million) on the other.

**Figure 4.2: Salaries & Total Public Revenues**



Source: Ministry of Finance.

On another front, salaries accounted for 67.8% of total actual public revenue, and 77.9% of total oil revenue for FY 2021/22, and will touch 88.3% of the total actual public revenue and 101.4% of total oil revenue if subsidies are added to salaries and the like.

**Table 34: Summary of the General Budget Closing Account**

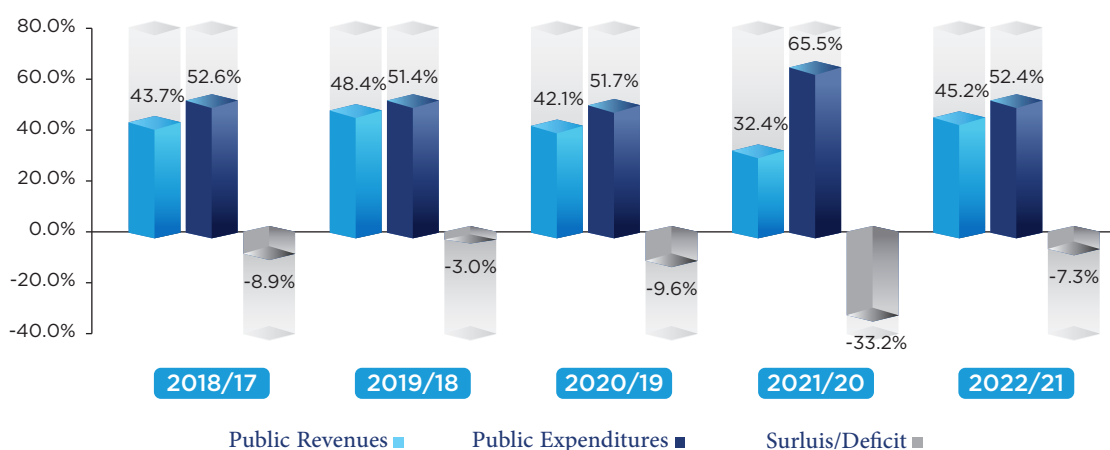
<i>KWD Million</i>				
Items	2020/21	% to GDP	2021/22	% to GDP
Actual Public Revenues	10,520.3	32.4	18,612.9	45.2
Actual Public Expenditures	21,292.7	65.5	21,604.0	52.4
<b>Surplus or (Deficit)*</b>	<b>-10,772.5</b>	<b>-33.2</b>	<b>-2,991.1</b>	<b>-7.3</b>

\* Gross Domestic Product (GDP)

Source: Ministry of Finance.

As a result of these developments in both actual revenue and expenditure within the closing account, the general budget for FY 2021/22 recorded an actual deficit of KWD 2,991.1 million (7.3% of GDP in 2021) against an actual deficit of KWD 10,772.5 million for FY 2020/21, i.e. a decrease in deficit of KWD 7,781.4 million or 72.2%.

**Figure 4.3: Public Finance (% of GDP)**



Source: Ministry of Finance.

## II. Fiscal Year 2022/23

### General Budget for FY 2022/23

Before the issuance of the General Budget for FY 2022/23, the Ministry of Finance was keen to direct all the government departments, attached bodies and independent institutions to study and prepare revenue and expenditure estimates in accordance with the state's general policies for rationalizing spending, reducing and regulating expenditures, and eliminating unnecessary expenditures and secondary expenditures that do not affect the performance of government entities. The Decree Law No. 7 of 2022 was issued on 16 November 2022, linking the general budget of ministries and government departments for FY 2022/23. This general budget included an increase of KWD 12,469.9 million or 114.1% in the estimates of total public revenues for the mentioned fiscal year, to reach KWD 23,399.1 million, compared to KWD 10,929.3 million for FY 2021/22. This increase mainly reflects the rise in estimates of oil revenues by KWD 12,194.3 million or 133.6%, to reach KWD 21,321.5 million in FY 2022/23, compared to KWD 9,127.2 million for the previous fiscal year, and the rise in the estimates of non-oil revenues by KWD 275.5 million or 15.3% to reach KWD 2,077.6 million, compared to KWD 1,802.1 million during FY 2021/22.

The growth in the value of oil revenue estimates for the FY 2022/23 general budget mainly reflects the increase in reference price of oil per barrel used in estimating budgetary oil revenues for the mentioned fiscal year. The reference price used was USD 80.0 per barrel, i.e. a rise of USD 35.0 or 77.8% compared to USD 45.0 per

barrel for FY 2021/22. Moreover, the production volume applied in estimating oil revenues within the general budget for FY 2022/23 increased by 300 thousand barrel per day or 12.3%, reaching 2.73 million barrel per day, compared to 2.43 million barrel per day for the previous fiscal year.

**Table 35: Estimates of Revenue in the General Budget**

*KWD Million*

Items	Approved Budget				Change	
	2021/22		2022/23		Value	%
	Value	(%) to Total	Value	(%) to Total		
<b>Public Revenues:</b>	<b>10,929.3</b>	<b>100.0</b>	<b>23,399.1</b>	<b>100.0</b>	<b>12,469.9</b>	<b>114.1</b>
<b>Oil Revenues</b>	<b>9,127.2</b>	<b>83.5</b>	<b>21,321.5</b>	<b>91.1</b>	<b>12,194.3</b>	<b>133.6</b>
<b>Non-Oil Revenues, of which:</b>	<b>1,802.1</b>	<b>16.5</b>	<b>2,077.6</b>	<b>8.9</b>	<b>275.6</b>	<b>15.3</b>
- Taxes & Fees	526.1	4.8	564.7	2.4	38.6	7.3
- Social Contributions	0.1	0.0	105.0	0.4	104.9	1,049.0
- Other Revenues	1,269.2	11.6	1,393.7	6.0	124.5	9.8
- Revenues from Disposal of Assets, and Other Non-Operating Revenues	6.6	0.1	14.2	0.1	7.6	115.2

Source: Ministry of Finance.

As for allocations for budgetary expenditures, general budget data for FY 2022/23 indicate a rise of KWD 475.0 million or 2.1% to KWD 23,523.0 million, compared to KWD 23,048.0 million for the previous fiscal year.

**Table 36: Allocations for Expenditures in the General Budget**

*KWD Million*

Items	Approved Budget		Change	
	2021/22	2022/23	Value	(%)
<b>Current Expenditures of which:</b>	<b>23,048.0</b>	<b>23,523.0</b>	<b>475.0</b>	<b>2.1</b>
- Compensation of Employees	8,066.5	8,537.6	471.1	5.8
- Goods & Services	3,470.9	4,081.7	610.7	17.6
- Subsidies	840.6	797.9	-42.6	-5.1
- Grants	5,550.9	5,629.1	78.2	1.4
- Social Benefits	1,072.5	736.2	-336.3	-31.4
- Other Expenditures & Transfers	1,424.9	1,434.2	9.3	0.7
- Purchase of Non-Current Assets	2,621.7	2,306.3	-315.5	-12.0

Source: Ministry of Finance.

This growth in allocations for expenditures in the FY 2022/23 general budget is attributed to a rise in expense allocations under the First Chapter (Compensation of Employees) by KWD 471.1 million or 5.8% to KWD 8,537.6 million in FY 2022/23, against KWD 8,066.5 million in the previous fiscal year, the Second Chapter (Goods and Services) by KWD 610.7 million or 17.6% to KWD 4,081.7 million in FY 2022/23, against KWD 3,470.9 million in the previous fiscal year, the Sixth Chapter (Grants) by KWD 78.2 million or 1.4% to KWD 5,629.1 million in FY 2022/23, against KWD 5,550.9 million in the previous fiscal year, and the Eighth Chapter (Other Expenditures and Transfers) by KWD 9.3 million or 0.7% to KWD 1,434.2 million in FY 2022/23, against KWD 1,424.9 million in the previous fiscal year. On the other hand, this also reflected the decrease in allocations for expenditures under the Fifth Chapter (Subsidies) by KWD 42.6 million or 5.1% to KWD 797.9 million in FY 2022/23, against KWD 840.6 million in the previous fiscal year, the Seventh Chapter (Social Benefits) by KWD 336.3 million or 31.4% to KWD 736.2 million in FY 2022/23, against KWD 1,072.5 million in the previous fiscal year, and the Purchase of Non-Current Assets Chapter (within Capital Expenditures) by KWD 315.5 million or 12.0% to KWD 2,306.3 million in FY 2022/23 against KWD 2,621.7 million in the previous fiscal year.

As regards the economic classification of allocations for expenditures in the general budget of FY 2022/23, data indicate an increase in current expenditures allocations to KWD 21,216.7 million against KWD 20,426.3 million for FY 2021/22, i.e. an increase of KWD 790.4 million or 3.9%. It is worth noting that current expenditures accounted for 90.2% of the overall public expenditures.

Capital expenditure allocations within the general budget for FY 2022/23 decreased by KWD 315.5 million or 12.0% to reach KWD 2,306.3 million against KWD 2,621.7 million in FY 2021/22.

**Table 37: Economic Classification of Allocations for General Expenditures**

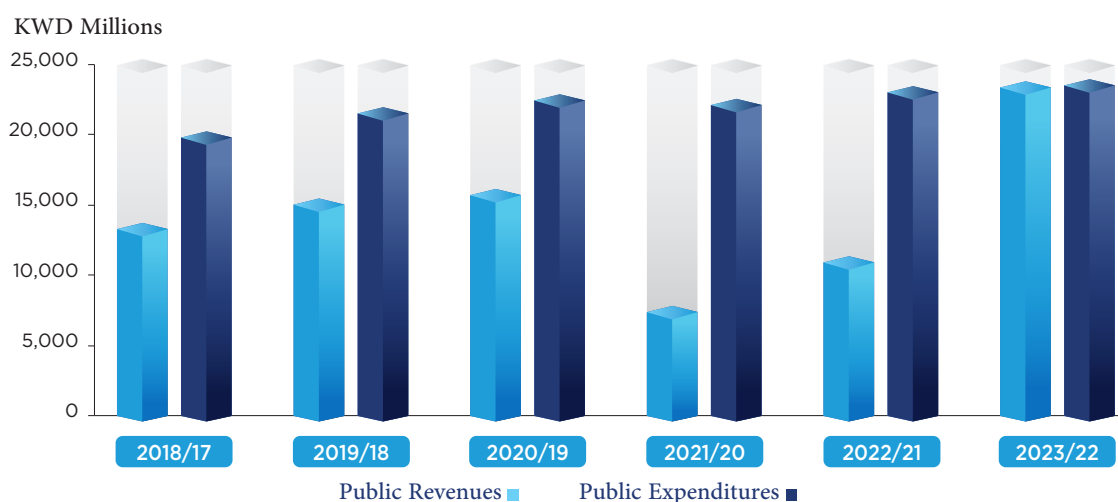
*KWD Million*

Items	Approved Budget				% to GDP	
	2021/22		2022/23		Value	%
	Value	(%)	Value	(%)		
<b>Current Expenditures:</b>	<b>20,426.3</b>	<b>88.6</b>	<b>21,216.7</b>	<b>90.2</b>	<b>790.4</b>	<b>3.9</b>
- Compensation of Employees, of which:	8,066.5	35.0	8,537.6	36.3	471.1	5.8
* Salaries & Wages	7,400.2	32.1	7,980.3	33.9	580.1	7.8
* Social Contributions	519.2	2.3	539.8	2.3	20.6	4.0
- Goods & Services	3,470.9	15.1	4,081.7	17.4	610.7	17.6
- Subsidies	840.6	3.6	797.9	3.4	-42.6	-5.1
- Grants, of which:	5,550.9	24.1	5,629.1	23.9	78.2	1.4
* Grants to Foreign Governments	12.0	0.1	165.5	0.7	153.5	1,279.2
* Grants to Other Government Units	5,536.9	24.0	5,462.6	23.2	-74.3	-1.3
- Social Benefits	1,072.5	4.7	736.2	3.1	-336.3	-31.4
- Other Expenditures & Transfers	1,424.9	6.2	1,434.2	6.1	9.3	0.7
<b>Capital Expenditures:</b>	<b>2,621.7</b>	<b>11.4</b>	<b>2,306.3</b>	<b>9.8</b>	<b>-315.5</b>	<b>-12.0</b>
- Purchase of Non-Current Assets, of which:	2,621.7	11.4	2,306.3	9.8	-315.5	-12.0
* Purchase of Tangible Non-Financial Non-Current Assets	698.2	3.0	513.7	2.2	-184.6	-26.4
* Construction & Maintenance Projects	1,923.5	8.3	1,792.6	7.6	-130.9	-6.8
<b>Total</b>	<b>23,048.0</b>	<b>100</b>	<b>23,523.0</b>	<b>100</b>	<b>475.0</b>	<b>2.1</b>

Source: Ministry of Finance.

This decrease in the capital expenditure allocations within the general budget for FY 2022/23 reflects the decline in allocations of the Purchase of Tangible Non-Financial Non-Current Assets by KWD 184.6 million or 26.4%, and Construction and Maintenance by KWD 130.9 million or 6.8%.

**Figure 4.4: Developments of the Public Revenues and Expenditure Estimate**



Source: Ministry of Finance.

Resulting from the above-mentioned developments in revenue and expenditure allocations in the general budget for FY 2022/23, the general budget for said fiscal year recorded an estimated deficit of KWD 123.8 million against an estimated deficit of KWD 12,118.7 million in FY 2021/22, i.e. a decline of KWD 11,994.9 million or 99.0%.

**Table 38: Summary of Surplus or Deficit**

*KWD Million*

Item	2021/22	2022/23
<b>Public Revenue Estimates, of which:</b>	<b>10,929.3</b>	<b>23,399.1</b>
Oil Revenues	9,127.2	21,321.5
<b>Allocations for Public Expenditures</b>	<b>23,048.0</b>	<b>23,523.0</b>
<b>Surplus or Deficit</b>	<b>-12,118.7</b>	<b>-123.8</b>

*Source: Ministry of Finance.*

# Chapter V

## The External Sector





## Chapter V The External Sector

The indicators developed by the International Monetary Fund (IMF) to measure the performance of the external sector in the member states of the IMF are of particular importance in analyzing the performance of the national economy during the period for which these indicators are prepared compared to other periods, and these indicators include statistics related to the foreign trade and Balance of Payments, international investment position statement, external debt, and official reserve assets. The IMF has developed the principles and standards on which external sector statistics are prepared since its establishment in 1945, and it reviews and updates them from time to time through the issue of successive editions of the Balance of Payments Manual. In this context, the CBK collects and prepares Balance of Payments statistics according to the sixth edition of the Balance of Payments and International Investment Position Manual issued by the IMF in 2009 (Balance of Payments & International Investment Position Manual 2009-BPM6).

The CBK maintains continuous development for enhancing quality of BOP statistics, and among the tasks the CBK completed in 2022 towards this end was the implementation of the methodology proposed by the IMF pertaining to extraction of annual BOP statistical data (for the year 2022) through the collection of quarterly data (for 2022 quarters) to introduce consistency to the annual and quarterly State of Kuwait BOP statistics. Following is a review of the key developments in these statistics for 2022 (extracted from compiled 2022 quarterly data) compared to the BOP statistics for 2021, extracted from compiled 2021 quarterly data.

### Balance of Payments

The term Balance of Payments (BOP) refers to a statement that summarizes all economic transactions between residents and non-residents during a specific period of time. The term Residency in relation to the BOP manual refers to the institutional unit resident in the economic region to which it is connected more than any other, i.e. the region that represents its the dominant economic interest. Each economic unit is "resident" in one economic region only that represents its prevalent economic interest.

The BOP is considered one of the most important tools through which the performance of the local economy can be measured and compared with that elsewhere in the world. This determines the competitiveness of the State compared to other countries. In general, the results of the BOP's transactions are related to goods and services (exports and imports), income (receipts and payments), and transfers (incoming or outgoing) which are included in the current account of the BOP. This is in addition to incoming and outgoing capital transfers within the capital account of the BOP and, financial flows associated with foreign investments (assets) and foreign investments in the local economy (liabilities) which are included in the financial account for the BOP.

This part of the report reviews developments in the statistics on the State of Kuwait's Balance of Payments and foreign trade during 2022 compared to the corresponding period of 2021. The comparison is mainly in terms of developments in the State's Current Account and its main components, namely the Balance on Goods, Services Account, Primary Income (investment income), and Secondary Income (current transfers), as well as developments related to the Capital Account and the Financial Account of the BOP. The review indicated the following:

#### Structure of the State of Kuwait's Balance of Payments for 2022 (KWD Million)\*

Balance of Payments										
Current Account				19,329.3	Capital Account	163.4	Financial Account	-19,989.0	Omission & Error	496.3
Balance on Goods	Services	Primary Account	Secondary Income							
22,034.2	-5,187.0	7,961.9	-5,479.9							

\* Initial data.

-Negative numbers for the value of BOP elements indicate a net outflow. Positive numbers indicate the opposite.

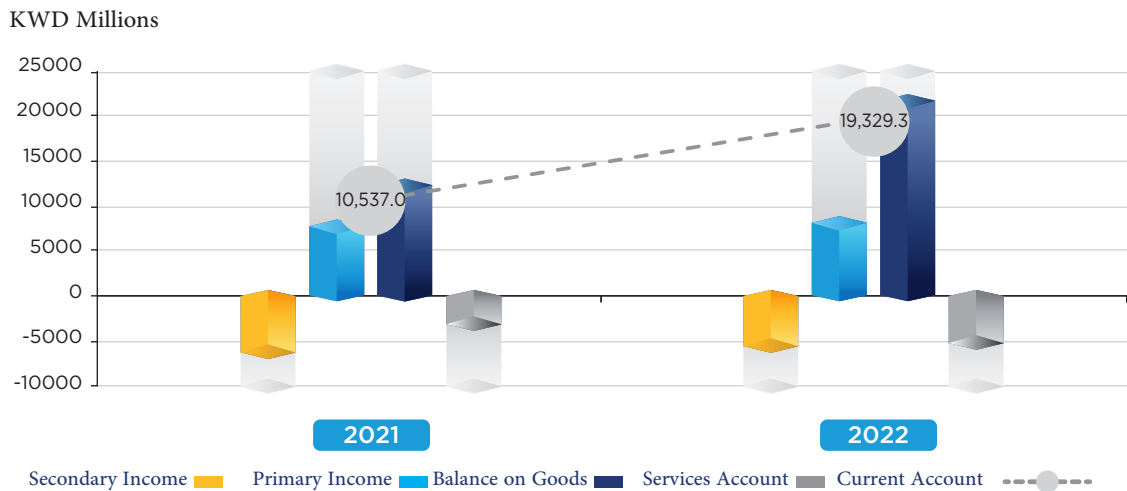
## I. Current Account

The current account reflects the flows of goods, services, and primary and secondary income between residents and non-residents. The “balance” of such accounts is defined as the Current Account Balance, which is the difference between total exports and receivable income on one hand and total imports and payable income on the other (exports and imports refer to both goods and services, while income refers to both primary and secondary income).

Preliminary estimates of Kuwait’s BOP statistics indicate a Current Account surplus of KWD 19,329.3 million during 2022, against a surplus of KWD 10,537.0 million during the previous year, i.e. a rise of KWD 8,792.4 million or 83.4%.

The increase in the current account surplus is a result of the developments in the basic components of the current account, most notably the developments of the balance on goods account and the primary income account.

**Figure 5.1: Current Account of the State of Kuwait BOP**



Source: Central Bank of Kuwait.

**Table 39: Current Account of the State of Kuwait BOP**

Items	2021 (Revised)	2022 (Provisional)	Change	
			Value	%
<b>First: Current Account (1+2+3+4):</b>	<b>105,370</b>	<b>19,329.3</b>	<b>8,792.3</b>	<b>83.4</b>
<b>1. Balance on Goods:</b>	<b>122,285</b>	<b>22,034.2</b>	<b>9,805.7</b>	<b>80.2</b>
a. Merchandise Exports (FOB), of which:	206,34.8	30,720.6	10,085.7	48.9
Oil Exports	190,00.3	28,790.6	9,790.3	51.5
b. Minus Merchandise Imports (FOB)	-8,406.3	-8,686.4	-280.0	-3.3
<b>2. Services:</b>	<b>-3,735.2</b>	<b>-5,187.0</b>	<b>-1,451.8</b>	<b>-38.9</b>
<b>3. Primary Income:</b>	<b>7,654.0</b>	<b>7,961.9</b>	<b>307.9</b>	<b>4.0</b>
<b>4. Secondary Income:</b>	<b>-5,610.4</b>	<b>-5,479.9</b>	<b>130.5</b>	<b>2.3</b>
Workers' Transfers	-5,526.4	-5,406.3	120.1	2.2

- Negative numbers for the value of the year indicate a net outflow. Positive numbers indicate the opposite.

- Negative numbers for the value of the change and the rate of change indicate that the deficit will increase or the surplus will decrease. Positive numbers indicate the opposite.

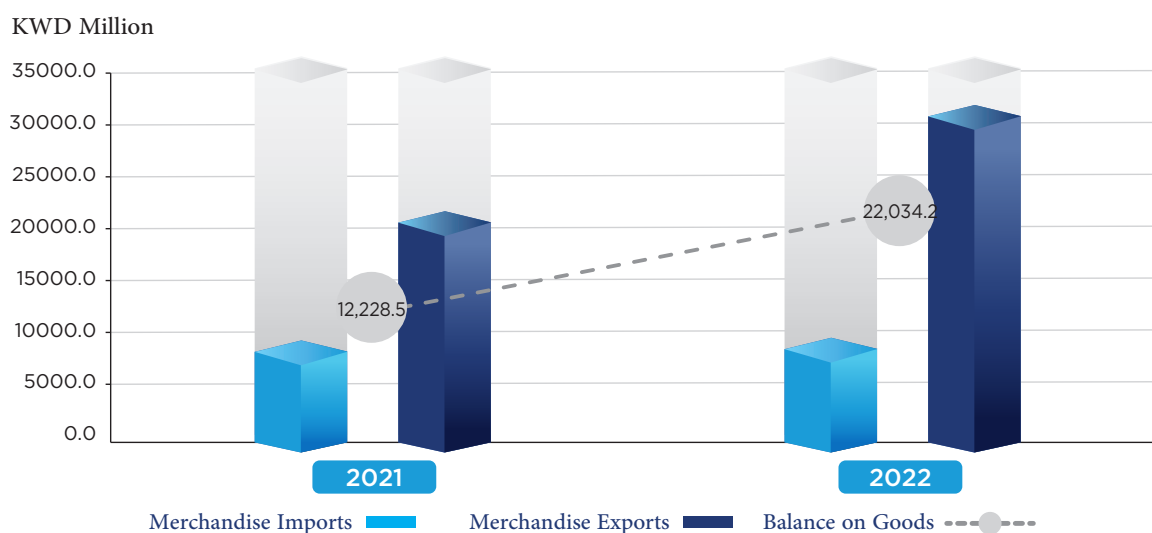
Source: Central Bank of Kuwait.

The following addresses developments in the basic constituent items of the current account for the year 2022 compared to the year before:

## 1. Balance on Goods<sup>1</sup>:

Available preliminary data and estimates indicate a rise in realized surplus in the Balance on Goods (which is the difference between value of merchandise exports and imports on FOB basis) for 2022 to KWD 22,034.2 million compared to KWD 12,228.5 million during the previous year, i.e. an increase of KWD 9,805.7 million or 80.2%. The following addresses, in some detail, developments in the foreign merchandise trade of the State of Kuwait during 2022 compared with the corresponding period of the previous year:

**Figure 5.2: Balance on Goods of the State of Kuwaiti BOP**



Source: Central Bank of Kuwait.

### A. Merchandise Exports

The total value of the merchandise exports of the State of Kuwait (on FOB basis) reached KWD 30,720.6 million during 2022 compared to KWD 20,634.8 million during the previous year, i.e. an increase of KWD 10,085.7 million or 48.9%. This growth mainly reflects the rise in the value of oil exports of the State of Kuwait to KWD 28,790.6 million during 2022 against KWD 19,000.3 million during the previous year, i.e. an increase of KWD 9,790.3 million or 51.5%. In the same direction, the value of non-oil exports of the State of Kuwait increased (on FOB basis) to reach KWD 1,930.0 million during 2022 compared to KWD 1,634.5 million during the previous year, i.e. a rise of KWD 295.5 million or 18.1%.

As for the relative distribution of the value of non-oil exports by main trade partners, data indicate that the value of non-oil exports to the top ten countries totaled KWD 1,498.6 million or the equivalent of 77.7% of total value of non-oil exports of the State of Kuwait during 2022, against KWD 1,307.8 million or the equivalent of 80.0% during the previous year. The UAE ranked first among the non-oil export markets of the State of Kuwait with a total of 14.1 during 2022 (14.9% during 2021), and KSA ranked second along with India with 12.8% (13.4% and 13.0% the year before, respectively). Pakistan came third with 9.3% (5.8% the previous year).

<sup>1</sup> The balance on goods concept within the BOP statistics prepared by CBK is different from external trade statistics prepared by the Central Statistical Bureau because of a difference in the scope of comprehensiveness of data for Merchandise Exports and Imports upon which the two balances are prepared. Merchandise Imports data within CBK statistics are prepared on FOB (Free on Board) basis, while Merchandise Imports data within the Central Statistical Bureau are prepared on CIF (Cost, Insurance and Freight) basis. As for Merchandise Exports, both balances are prepared on FOB basis.

**Table 40: Geographic Allocation of Value of Non-Oil Exports of the State of Kuwait to the Top 10 Countries**

*KWD Million - Relative Share in %*

Country	2021*		2022**	
	Value	%	Value	%
UAE	243.1	14.9	272.1	14.1
KSA	219.7	13.4	247.1	12.8
India	211.7	13.0	246.9	12.8
Pakistan	94.2	5.8	178.7	9.3
China	215.0	13.2	172.6	8.9
Iraq	152.3	9.3	141.8	7.3
Qatar	84.3	5.2	85.6	4.4
Turkey	20.0	1.2	73.9	3.8
Sultanate of Oman	44.0	2.7	44.8	2.3
Egypt	23.5	1.4	35.2	1.8
<b>Total</b>	<b>1,307.8</b>	<b>80.0</b>	<b>1,498.6</b>	<b>77.7</b>
<b>Total value of non-oil exports</b>	<b>1,634.5</b>	<b>100</b>	<b>1,930.0</b>	<b>100</b>

\* actual data

\*\* Estimates by the Central Bank of Kuwait

Source: Central Statistical Bureau, Central Bank of Kuwait.

## B. Merchandise Imports

The merchandise imports (on CIF basis) of the State of Kuwait totaled KWD 9,918.7 million during 2022 against KWD 9,616.3 million during the previous year, i.e. a rise of KWD 302.4 million or 3.1%. As for the relative distribution of the total value of merchandise imports by main trade partners, available data indicate that the value of merchandise imports from the top ten countries reached KWD 6,728.3 million or the equivalent of 67.8% of the total value of merchandise imports of the State of Kuwait during 2022 against KWD 6,440.0 million or the equivalent of 67.0% during the previous year.

During 2022, China ranked first among Kuwait's import markets with KWD 1,721.7 million or 17.4% of the total value of Kuwait merchandise imports, the UAE meanwhile ranked second with KWD 1,346.5 million or 13.6%, and the USA ranked third with KWD 856.7 million or 8.6% of the total for 2022.

**Table 41: Geographic Allocation of Kuwait Merchandise Imports Value (on CIF basis) from the top 10 Countries**

*KWD Million - Relative Share in %*

Country	2021*		2022**	
	Value	%	Value	%
China (PRC)	1,727.7	18.0	1,721.7	17.4
UAE	1,143.7	11.9	1,346.5	13.6
USA	768.7	8.0	856.7	8.6
India	500.6	5.2	563.7	5.7
KSA	508.8	5.3	479.5	4.8
Japan	554.0	5.8	493.3	5.0
Germany	424.1	4.4	388.8	3.9
Italy	367.3	3.8	400.3	4.0
Turkey	227.8	2.4	251.6	2.5
France	217.4	2.3	226.3	2.3
<b>Total</b>	<b>6,440.0</b>	<b>67.0</b>	<b>6,728.3</b>	<b>67.8</b>
<b>Total Imports</b>	<b>9,616.3</b>	<b>100</b>	<b>9,918.7</b>	<b>100</b>

\* actual data.

\*\* estimates by the Central Bank of Kuwait.

Source: Central Statistical Bureau.

## C. Kuwait Bilateral Trade with GCC countries

Available preliminary statistics on non-oil trade between the State of Kuwait and other GCC member countries indicate a rise of KWD 243.9 million or 9.8% in value to KWD 2,733.8 million during 2022 against KWD 2,489.9 million during the previous year. The value of non-oil exports of the State of Kuwait to the GCC countries was KWD 672.0 million during 2022, i.e. an increase of KWD 63.6 million or 10.5% compared with the previous year.

The value of the merchandise imports of the State of Kuwait from other GCC member countries increased to KWD 2,061.8 million during 2022 against KWD 1,881.5 million during the previous year, i.e. a growth of KWD 180.3 million or 9.6%. Value of these imports accounted for 20.8% of the total value of Kuwait merchandise imports during 2022. Merchandise imports from the UAE and KSA accounted for 88.6% of the total value of Kuwait imports from the GCC countries during 2022. Overall, the balance of merchandise trade of the State of Kuwait with other GCC member countries recorded a deficit of KWD 1,389.8 million during 2022 against a deficit of KWD 1,273.1 million during the previous year.

**Table 42: Kuwait's Bilateral Trade with GCC Countries\***

KWD Million

Item	2021**			2022***		
	Exports	Imports	Balance of Trade	Exports	Imports	Balance of Trade
UAE	243.1	1,143.7	-900.6	272.1	1346.5	1074.0-
KSA	219.7	508.8	-289.1	247.1	479.5	232.3-
Kingdom of Bahrain	17.3	138.6	-121.3	22.4	89.5	67.1-
Qatar	84.3	28.7	55.6	85.6	92.5	6.9-
Sultanate of Oman	44.0	61.7	-17.7	44.8	53.8	9.0-
<b>Total</b>	<b>608.4</b>	<b>1,881.5</b>	<b>-1,273.1</b>	<b>672.0</b>	<b>2061.8</b>	<b>1389.8-</b>

\* Only non-oil exports are included.

\*\* Actual data.

\*\*\* Estimates by the Central Bank of Kuwait.

Source: Central Statistical Bureau and the Central Bank of Kuwait.

## 2. Services Account (net):

The Services Account reflects the net value of service transactions among residents and non-residents, and it covers services in the areas of transportation, travel, communications, construction, and others, in addition to state services and goods. The Services Account recorded a deficit of KWD 5,187.0 million compared to a deficit of KWD 3,735.2 the previous year. This is an increase of KWD 1,451.8 million or 38.9%.

It is notable that net payments on services (listed on the debt column of the services account) in 2022 reached KWD 8,437.0, compared to KWD 6,360.9 million the year before, which is an increase of 32.6% year-on-year.

On the other hand, net payable value (listed on the credit column of the services account) for 2022 came to KWD 3,250.0 million compared to KWD 2,625.7 million, which is a rise of 23.8%.

## 3. Primary Income:

Primary Income is the return accrued to institutional units for their contribution to the production process or for providing financial assets and leasing natural resources to other institutional units. It includes the net value of employee compensations and net value of income from investment. The Primary Income Account realized a surplus of KWD 7,961.9 million during 2022 against a surplus of KWD 7,654.0 million during the previous year, i.e. a rise of KWD 307.9 million or 4.0%. Statistics indicate that total receipts from investment abroad by all national economy sectors combined reached KWD 9,521.2 million during 2022 against KWD 8,117.1 million during the previous year, i.e. an increase of KWD 17.3%.

## 4. Secondary Income:

The Secondary Income can be measured by the Current Account of the BOP as value of current transfers between residents and non-residents and it includes personal transfers (expatriates' remittances) and other current transfers (including current transfers associated with international cooperation "the cash and in-kind subsidies and donations extended by the government of the State of Kuwait to non-residents", social contributions, current taxes on income and wealth, etc.). Provisional statistics indicate a Secondary Income Account deficit of KWD 5,479.9 million during 2021 compared to a deficit of KWD 5,610.4 million during the previous year, i.e. a deficit drop of KWD 130.5 million or 2.3%. This mainly resulted from decrease in the value of expatriates' remittances to KWD 5,406.3 million during 2022 against KWD 5,526.4 million during the previous year, i.e. a drop of KWD 120.1 million or 2.2%.

## II. Capital Account

The Capital Account displays debits and credits for non-financial non-producing assets and capital transfers between residents and non-residents. The Capital Account recorded a surplus (net capital transfer inflow) of KWD 163.4 million during 2022, against a surplus (net capital transfer inflow) of KWD 458.6 million during the previous year. The value of compensations related to the brutal Iraqi aggression that residents receive from the UN, incoming transfers, is a key component within Capital Transfers, and a major determinant of achieving a surplus in the Capital Account of the State of Kuwait. The last batch of compensations due the State of Kuwait has been paid in January 2022.

It is worth noting that the UN Security Council on February 22, 2022 issued a resolution officially ending the mandate of the UN Committee on compensation for damage resulting from the Iraqi Invasion of Kuwait, after Iraq paid the full amounts due to the State of Kuwait.

**Table 43: Capital Account**

*KWD Million*

Item	2021 (Revised)	2022 (Provisional)	Change	
			Value	(%)
<b>II. Capital Account</b>	<b>458.6</b>	<b>163.4</b>	<b>-295.2</b>	<b>-64.4</b>
* <b>Capital Transfers, of which:</b>	<b>459.1</b>	<b>163.4</b>	<b>-295.7</b>	<b>-64.4</b>
General Government	459.1	163.4	-295.7	-64.4
<b>III. Current and Capital Account</b>	<b>10,995.5</b>	<b>19,492.7</b>	<b>8,497.2</b>	<b>77.3</b>

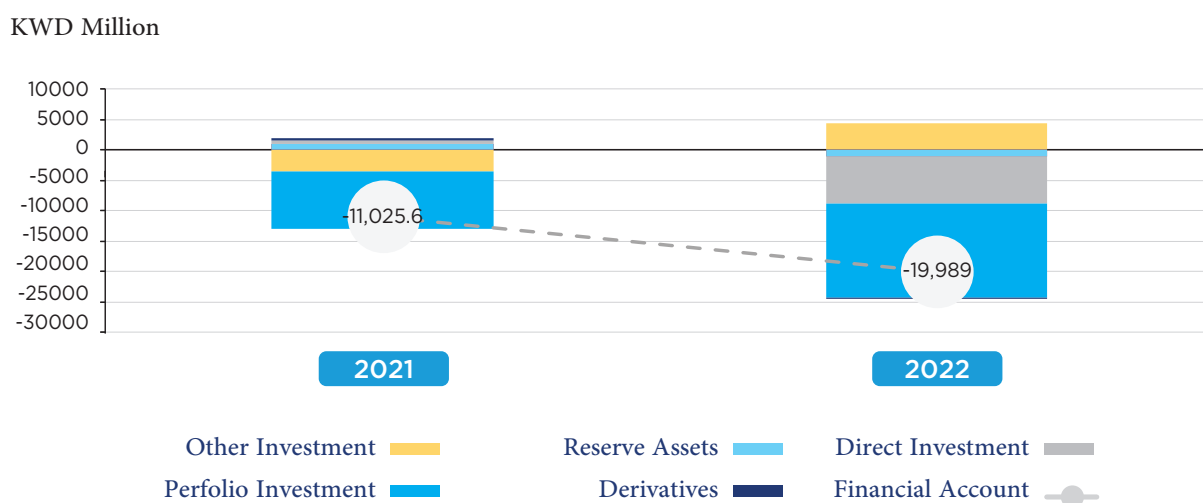
- Negative numbers for the value of the year indicate a net outflow. Positive numbers indicate the opposite.
- Negative numbers for the value of the change and the rate of change indicate that the deficit will increase or the surplus will decrease. Positive numbers indicate the opposite.

Source: Central Bank of Kuwait.

## III. Financial Account

The Financial Account records transactions involving financial assets and liabilities between residents and non-residents. It includes job categories, sectors, instruments, and maturities used in net international finance transactions. Provisional BOP statistics of the State of Kuwait indicate a net outflow (growth in the net value of external investments from residents in the domestic economy) of KWD 19,989.0 million during 2022 against a net outflow of KWD 11,025.6 million during the previous year.

Figure 5.3: Financial Account of the BOP of the State of Kuwait



Source: Ministry of Finance.

Table 44: Financial Account

KWD Million

Item	2021 (Revised)	2022 (Provisional)	Change	
			Value	(%)
<b>Third- Financial Account:</b>	<b>-11,025.6</b>	<b>-19,989.0</b>	<b>-8,963.5</b>	<b>-81.3</b>
<b>1. Direct Investment (Net):</b>	590.8	-7,608.9	-8,199.7	-1,387.9
- Direct Investments Abroad	672.6	-7,841.0	-8,513.6	-1,265.8
- Foreign Direct Investments in Kuwait	-81.8	232.0	313.8	383.6
<b>2. Portfolio Investment (Net):</b>	-9,303.4	-15,537.6	-6,234.2	-67.0
- Assets	-9,024.9	-14,221.2	-5,196.3	-57.6
- Liabilities	-278.5	-1,316.4	-1,037.9	-372.7
<b>3. Financial Derivatives:</b>	304.9	-3.6	-308.5	-101.2
<b>4. Other Investments (Net):</b>	-3,588.4	4,287.9	7,876.3	219.5
- Assets	-6,343.7	1,402.9	7,746.6	122.1
- Liabilities	2,755.2	2,884.9	129.7	4.7
<b>5. CBK's Total Reserve Assets (Change)</b>	970.7	-1,126.7	-2,097.4	-216.1

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

- Negative numbers in the value of the change and the rate of change indicates that there is an increase in the flow of external assets or a decrease in liabilities. Positive numbers indicate the opposite.

Source: Central Bank of Kuwait.

## IV. Omissions and Errors (Net)

Despite BOP Accounts being balanced in principle, in accordance with the double-entry principle, the imbalances arise in practice as a result of the shortcomings of the source data and the means of preparing the data. In this sense, "Omissions and Errors (Net)" reflect the value of transactions that were not included under any of the BOP items, inadvertently or through error. The "Omissions and Errors (Net)" is derived as a "residual value" based on the value of net lending/net borrowing, and may be derived from the Financial Account minus the value of the same item derived from the Current and Capital Account. Available data indicate that the net of Omissions and Errors within the BOP items reached KWD 496.3 million on the debit side during 2022, compared to KWD 30.0 million on the debit side during the previous year.

## V. Overall Balance

The overall position of the State of Kuwait BOP, which presents a summary of the transactions recorded under various BOP items, indicates a total surplus of KWD 1,126.7 million during 2022 against a deficit of KWD 970.7 million during the previous year. The total surplus in the overall BOP reflects a rise of the same amount in the gross value of CBK's official reserve assets.

In view of the overall position of State of Kuwait BOP in broader sense to include both the change in the net value of foreign investments of some government bodies and institutions, in particular the Kuwait Investment Authority and the Kuwait Petroleum Corporation, and the change in the total value of the aforesaid CBK's reserve assets, the overall position of BOP in the broader sense shows a surplus of KWD 13,899.7 million during 2022 compared to a surplus of KWD 13,547.9 million during the previous year.

**Table 45: The State of Kuwait's BOP**

*KWD Million*

Item	2021 (Revised)	2022 (Provisional)	Change	
			Value	(%)
Current Account	10,537.0	19,329.3	8,792.3	83.4
Capital Account	458.6	163.4	-295.2	-64.4
Current and Capital Account	10,995.5	19,492.7	8,497.2	77.3
Financial Account	-11,025.6	-19,989.0	-8,963.5	-81.3
Omissions and Errors	30.0	496.3	466.3	1,553.2
Overall Balance (Surplus/Deficit)	-970.7	1,126.7	2,097.4	216.1
Reserve Assets of CBK (Change)	970.7	-1,126.7	-2,097.4	-216.1

- Negative numbers in the Financial Account reflect capital outflows, indicating an increase in external assets or a decrease in foreign liabilities. Positive numbers indicate the opposite.
- Negative numbers in the Omissions and Errors (net) reflect the complementary value on the (debit side) of BOP, and positive numbers as the complementary value on the (credit side).

Source: Central Bank of Kuwait

## International Investment Position (IIP):

In this part, the report deals with developments in the IIP statistics for the State of Kuwait at the end of 2022 compared to end of 2021. As per the 6th Edition of the Balance of Payments and International Investment Position Manual, the IIP is a statistical statement that shows at a point in time the value of: financial assets of residents of an economy that are claims on non-residents or are gold bullion held as reserve assets; and the liabilities of residents of an economy to non-residents. The difference between the assets and liabilities is the net IIP and represents either a net claim on or a net liability to the rest of the world.

The IIP is closely related to the BOP through the Financial Account within the BOP components. While the Financial Account records the flows arising from transactions with non-residents during a certain period of time, we find that the values of the IIP at the end of the period are the result of those Financial Account transactions and other changes in financial assets and liabilities (other changes in volume and revaluation) in the current and prior periods. Assets and liabilities in IIP are divided into direct investment of 10% or more of the capital of a non-resident institution, portfolio investments of less than 10% of the capital of a non-resident institution, derivatives, and other investments such as trade credits, loans, currency and deposits, and others as well as official reserve assets.

Preliminary estimates of the statistics of the State of Kuwait IIP indicate that the total balances of external assets for all sectors except the general government sector (included only in the commercial credit data and the data on Kuwait Fund for Arab Economic Development loans within other investment components) reached KWD 61.1 billion at the end of 2022 against KWD 53.5 billion at the end of 2021, i.e. a rise of KWD 7.6 billion or 14.1%. As for external liabilities balance for all sectors, the value reached KWD 28.6 billion at the end of 2022 against KWD 26.2 billion at the end of 2021, i.e. an increase of KWD 2.3 billion or 8.9%. Net IIP (total assets minus total liabilities) reached KWD 32.5 billion at the end of 2022 compared to KWD 27.3 billion at the end of the previous year, i.e. a rise of KWD 5.2 billion or 19.2%.

**Table 46: State of Kuwait's International Investment Position (IIP)\***

KWD Million

Item	2021	2022	Change	
			Value	(%)
<b>I. Assets</b>				
1. Direct Investment abroad	9,206.7	14,329.6	5,122.9	55.6
2. Investment in Securities Portfolio	6,392.1	6,401.2	9.1	0.1
3. Financial Derivatives	1,544.3	1,609.8	65.5	4.2
4. Other Investments	22,691.4	23,963.7	1,272.2	5.6
5. Reserve Assets (CBK)	13,680.6	14,778.8	1,098.2	8.0
<b>Total Assets: (1+2+3+4+5)</b>	<b>53,515.2</b>	<b>61,083.1</b>	<b>7,567.9</b>	<b>14.1</b>
<b>II. Liabilities</b>				
1. Direct Foreign Investment in Kuwait	4,245.5	4,618.6	373.1	8.8
2. Investment in Securities Portfolio	5,039.4	3,977.2	-1,062.3	-21.1
3. Financial Derivatives	1,571.7	1,608.3	36.6	2.3
4. Other Investments	15,367.0	18,354.0	2,987.1	19.4
<b>Total Liabilities: (1+2+3+4)</b>	<b>26,223.6</b>	<b>28,558.1</b>	<b>2,334.5</b>	<b>8.9</b>
<b>III. Net IIP (Total Assets - Total Liabilities)</b>	<b>27,291.6</b>	<b>32,525.0</b>	<b>5,233.4</b>	<b>19.2</b>

\* Latest available statement at the end of 2022 compared to the end of 2021.

Source: Central Bank of Kuwait

## External Debt

Data on external debt balances include both general government balances and private sector balances. The external debt statistics of the general government includes: end-of-period balances for loans, other credit facilities, and external liabilities of the Central Bank of Kuwait, as well as Special Drawing Rights allocations as mentioned in the Balance of Payments and International Investment Position Manual (Sixth Edition) issued by the IMF. On the other hand, the external debt statistics for the private sector includes: data of local banks, investment companies, exchange companies, insurance companies, and non-financial private companies.

Preliminary estimates indicate that the total external debt balances of the State of Kuwait are estimated at KWD 19,746.0 million at the end of 2022 compared to KWD 17,808.0 million at the end of 2021.

## Official Reserve Assets

The definition refers to those external assets that are at the disposal of the monetary authorities and are subject to their control to meet BOP financing needs, to intervene in the exchange markets to affect currency exchange rate, or to achieve any other related purposes. Reserve assets consist of monetary gold, IMF reserve position, Special Drawing Rights, total currency and deposits, and securities abroad. The official reserve assets of the State of Kuwait do not include the external assets of the Kuwait Investment Authority.

Statistics indicate an increase in the total official reserve assets to KWD 14,778.8 million at the end of 2022, against KWD 13,680.6 million at the end of 2021, i.e. a rise of KWD 1,098.2 million or 8.0%. This increase is mainly attributed to the rise in the total currency and deposits (currency consists of banknotes and coins in circulation in foreign currencies generally used to make payments, excluding commemorative coins. As for the deposits included in reserve assets, they are deposits with foreign central banks, the Bank for International Settlements, and other banks. Deposits here refer to sight deposits). The total value of currency and deposits reached KWD 13,126.9 million at the end of 2022, against KWD 11,998.3 million at the end of 2021.

Table 47: State of Kuwait's Official Reserve Assets\*

KWD Million

Item	2021	2022	Change	
			Value	(%)
1. Monetary Gold	31.7	31.7	0.0	0.0
2. Special Drawing Rights	1,366.6	1,340.3	-26.3	-1.9
3. IMF Reserve Position	236.5	232.4	-4.1	-1.7
4. Total Currency and Deposits	11,998.3	13,126.9	1,128.6	9.4
5. Securities Abroad	47.4	47.4	0	0
<b>Official Reserve Assets: (1+2+3+4+5)</b>	<b>13,680.6</b>	<b>14,778.8</b>	<b>1,098.2</b>	<b>8.0</b>

\* Latest available statement at the end of 2022 compared to the end of 2021.

Source: Central Bank of Kuwait

# Chapter VI

## Boursa Kuwait





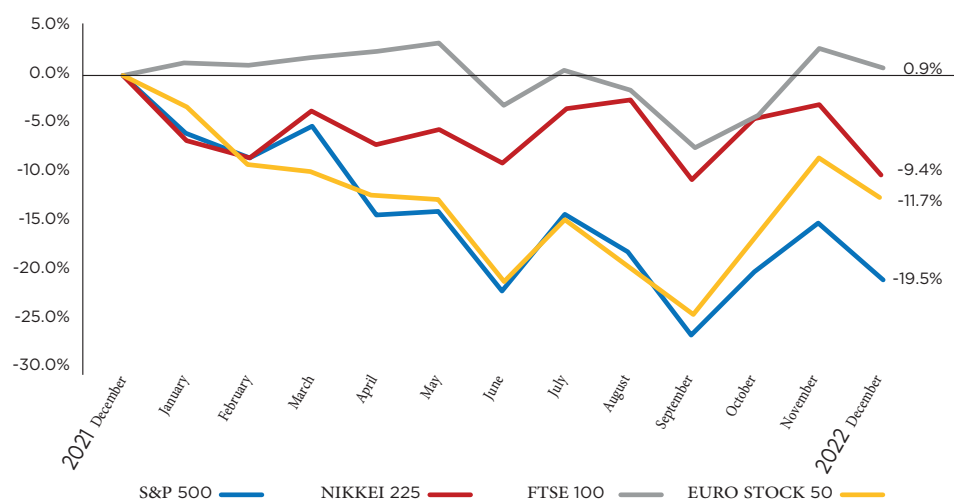
## Chapter VI Bursa Kuwait

### I. Global Stock Exchange Markets in 2022

Most global stock exchange markets witnessed a negative performance during 2022 after the significant increases that occurred during 2021. These markets recorded a sharp drop during 2022 due to the Russia-Ukraine war which drove prices of goods and services higher and increased inflation rates. These jumps pushed central banks to further tighten their monetary policies at an unprecedented pace. This was reflected in the performance of the global economy in 2022, as it witnessed a decline of 3.4% in 2022 and is expected to slow to 2.9% in 2023, according to the estimates of the International Monetary Fund (World Economic Outlook, January 2023).

At the end of the 2022 transactions, the (FTSE 100) Index, which is a share index of the 100 companies with the highest market capitalization operating in the UK, was the best performer among the advanced stock market indices, increasing by 0.9%. On the contrary, the Nikkei Index (NIKKEI 225) in Japan and the European stock index (EURO STOXX 50) decreased by 9.4% and 11.7% respectively, during the mentioned year. Likewise, the Standard & Poor's 500 Index (S&P 500), of the 500 largest companies listed on the US stock exchange market, declined by 19.5% recording a negative performance for the first time since 2018, due to the global economy slowdown and the tightening of monetary policy, which negatively affected the performance of stock exchange markets.

**Figure 6.1: Price Indices in some World Stock Exchange Markets (2022)**



Source: Bloomberg.

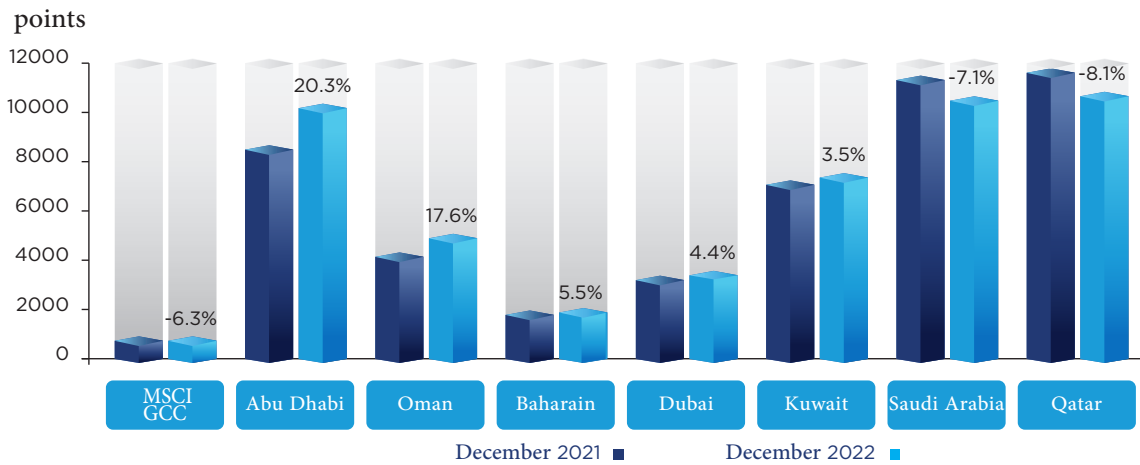
### II. Bursa Kuwait against other GCC Stock Markets in 2022

GCC markets' indices declined during 2022 but at a lower rate than global stock markets, whereby the MSCI GCC Index recorded a drop of 6.3%. This is attributed to certain factors most notably the high oil prices due to the Russia-Ukraine war. In addition, the GCC stock markets witnessed capital inflows from other emerging economies and developed markets. The high energy prices and the record inflation rates in global markets are influential and motivating factors for some of the GCC markets which benefited from these changes, as follows:

- **Abu Dhabi Securities Exchange (ADX):** ADX General Index led the GCC markets in 2022 with historic rises, whereby the index scored the best performance increasing by 1,722.7 points or 20.3%, to reach 10,211.1 points at the end of 2022, against 8,488.4 points at the end of 2021. This rise was driven by a positive performance in the Financial Services and Investment sector and Real Estate sector, which increased by 47.0% and 8.8%, respectively.
- **Muscat Securities Market (MSX):** The MSX30 Index for Muscat Securities Market increased and emerged as the second-best performing market in GCC during 2022. The MSX30 Index closed 2022 by increasing 727.9 points or 17.6%, to reach 4,857.4 points compared to the previous year closing. As for index comprising sectors, the Financial sector witnessed the best performance during the year, with an increase of 20.2%, followed by Industry sector, which elevated by 5.8% during 2022.

- **Bahrain Bourse (BHB):** The Bahrain All Share Index closed 2022 higher than 2021. The Bahrain All Share Index increased by 98.0 points or 5.5%, to reach 1,895.3 points during 2022 after recording a rise by 20.6% at the end of 2021. The Materials sector was the leader, recorded the biggest yearly growth in the bourse during the year, surging 36.3%, followed by the Consumer Discretionary sector 9.8%. The Bahrain All Share Index declined in the main trading indicators during 2022, whereas the value, volume and number of share trading deals decreased by 13.2%, 47.3% and 16.8% respectively.
- **Dubai Financial Market (DFM):** The DFM General Index increased by 140.2 points or 4.4%, to reach 3,336.1 points at the end of 2022. The DFM General Index fell sharply in June and July after posting gains during the first five months of 2022, driven by the decline in Utility Sector index and Communications Services sector index.
- **The Saudi Stock Exchange - Tadawul:** The stock market fell after posting gains for six consecutive years. This comes in contrast to the significant growth of the non-oil sectors due to the economic reforms that enhanced economic activity and attracted foreign investments. Tadawul All-Share Index (TASI) decreased by 803.2 points or 7.1%, to reach 10,478.5 points at the end of 2022, against 11,281.7 points at the end of 2021.
- **Qatar Stock Exchange (QSE):** The QE Index of the (QSE) recorded the lowest performance among GCC markets' indices and closed 2022 by declining 944.7 points or 8.1%, to reach 10,681.1 points at the end of 2022, recording a negative performance for the first time since 2017. This drop resulted from the sharp decline in Insurance, Banks and Real Estate sectors' indices.

Figure 6.2: Closing Prices in GCC Stock Markets (2021 & 2022)



Source: GCC Stock Markets and Morgan Stanly.

Table 48: Closing Prices in GCC Stock Markets (2021-2022)

Markets	Closing Price		Change	
	2021	2022	Points	(%)
MSCI GCC Countries Index	739.8	693.5	-46.3	-6.3
Abu Dhabi Financial Market Index	8,488.4	10,211.1	1,722.7	+20.3
Muscat Securities Market Index	4,129.5	4,857.4	727.9	+17.6
Bahrain Bourse Index	1,797.3	1,895.3	98.0	+5.5
Dubai Financial Market Index	3,195.9	3,336.1	140.2	+4.4
Boursa Kuwait All-Share Index	7,043.2	7,292.1	248.9	+3.5
Saudi Stock Exchange (Tadawul) Index	11,281.7	10,478.5	-803.2	-7.1
Qatar Stock Exchange Index	11,625.8	10,681.1	-944.7	-8.1

Source: GCC Stock Markets and Morgan Stanly.

### III. Boursa Kuwait's Performance Analysis in 2022

#### 1. Major Indicators

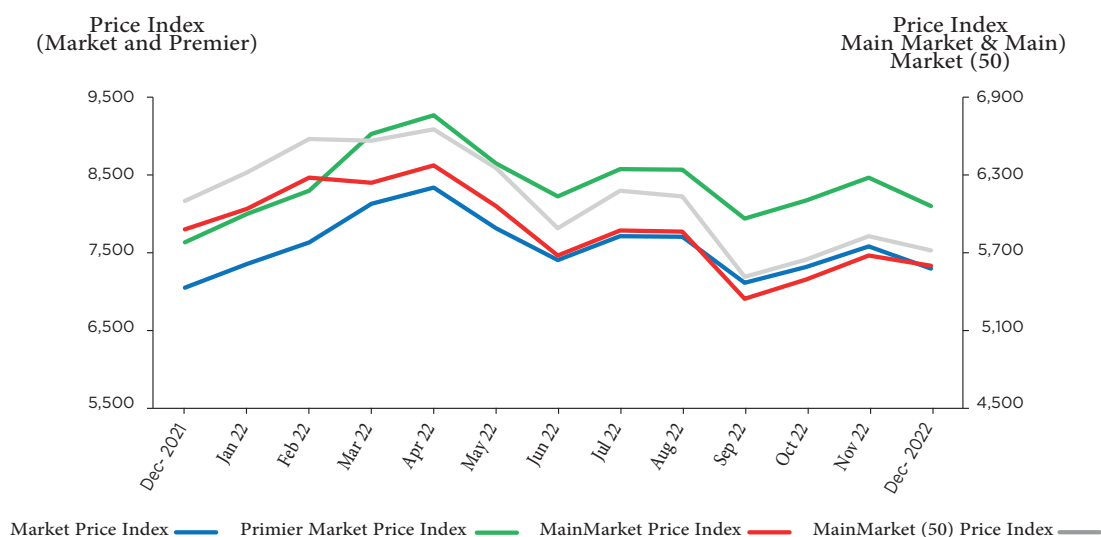
The major trading indicators and price levels of Boursa Kuwait showed mixed performance during 2022, as the All-Share Index closed high by 3.5% at the end of 2022 compared to 2021. Also, the Premier Market Index increased by 6.2%. On the contrary, the Main Market Index and Main Market 50 Index recorded a decrease by 4.9% and 6.4% respectively, compared with the closing of 2021. Furthermore, major trading indicators in terms of value and volume of traded shares recorded a mixed performance during 2022 compared to 2021 levels. The market capitalization of the listed companies significantly increased by 12.9% at the end of 2022 over the end of 2021 to reach KD 46,721.81 million, driven by the rise in global oil prices as a result of the shortage in supply due to the boycott of some developed countries of Russian oil. The periodic review of MSCI and FTSE, the launch of new investment products to stimulate liquidity, and the turnout of local and foreign investors have all contributed to positively pushing the Boursa's performance and stimulating its liquidity. On the other front, the positive performance of the banking sector contributed to the rise in the Premier Market Index. In addition, local banks witnessed a significant increase in net profits during 2022.

**Table 49: Boursa Kuwait Price Indicators (2022)**

Indicators	2021	2022	Change (%)
<b>All-Share Index</b>	7,043.16	7,292.12	+3.5
<b>Premier Market Index</b>	7,639.11	8,115.68	+6.2
<b>Main Market Index</b>	5,886.27	5,596.79	-4.9
<b>Main Market 50 Index</b>	6,108.04	5,719.01	-6.4

Source: Boursa Kuwait.

**Figure 6.3: Boursa Kuwait Price Indicators**



Source: Boursa Kuwait.

Table 50: Bursa Kuwait Sector Indicators (2022)

Sector	2021	2022	Change (%)
Energy	1,428.15	1,138.52	-20.3
Basic Materials	1,024.78	865.11	-15.6
Industry	1,141.49	1,078.88	-5.5
Consumer Commodities	731.11	479.95	-34.4
Healthcare	797.03	461.85	-42.1
Consumer Services	1,336.63	1,486.83	+11.2
Telecommunications	1,089.37	1,181.46	+8.5
Utility	600.0	494.74	-17.5
Banks	1,622.77	1,793.91	+10.5
Insurance	1,533.39	1,550.82	+1.1
Real Estate	1,326.41	1,208.71	-8.9
Financial Services	1,423.32	1,257.24	-11.7
Technology	683.85	696.22	+1.8

Source: Bursa Kuwait.

The sectoral performance in 2022 mainly reflected the high market capitalization and the performance of winning shares to a large extent. The Consumer Services sector recorded the highest annual increase rate of 11.2% at the end of 2022 compared to the closing at the end of previous year. In the second place, the Banking sector closed at 10.5%, while the third highest increase was for the Telecommunications sector closing at 8.5%. The Healthcare sector (consists of three companies) closed at a maximum decline by 42.1% at the end of 2022 compared to the closing of 2021. This is followed by a decrease in the closing of the Consumer Commodities sector by 34.4% for the same period.

## 2. Main Trading Indicators

The main trading indices of Bursa Kuwait witnessed a mixed performance during 2022 compared to the previous year levels. The total value of traded shares (Bursa liquidity) amounted to KD 14.72 billion (a daily average of KD 60.33 million) during 2022 against KD 13.61 billion (and a daily average of KD 55.55 million) during 2021, i.e. an increase of KD 1.11 billion or 8.2% (an increase of KWD 4.78 million or 8.6% in the daily average traded value).

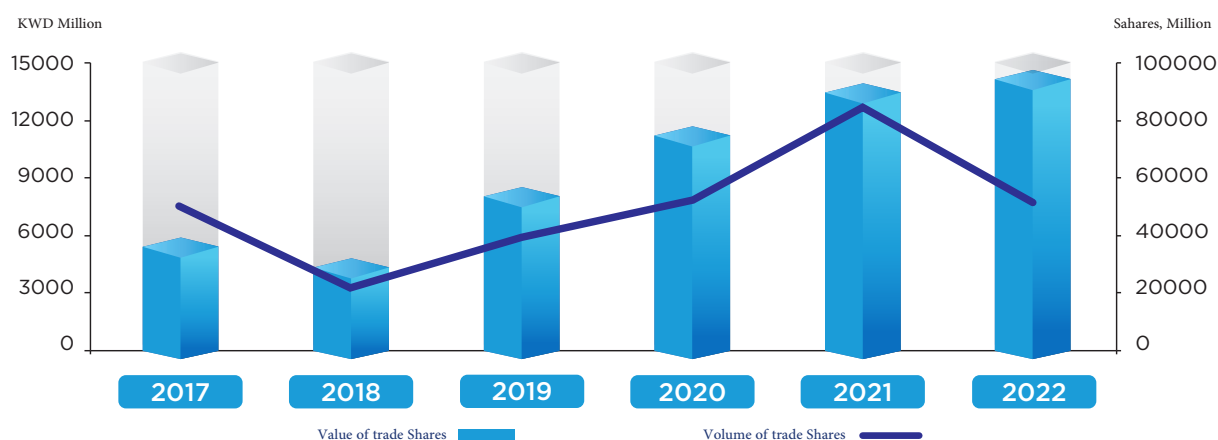
Table 51: Major Trading Indicators of Bursa Kuwait-Listed Companies (All-Share Index)

Sector	Value (Million)	Volume (Million Shares)	Number of Transactions
2020	10,743.7	52,048.9	2,316.6
2021	13,612.2	84,564.6	3,056.6
2022	14,722.7	55,811.7	2,888.0
Q1	4,146.8	16,940.3	757.0
Q2	4,251.8	14,134.2	833.0
Q3	3,092.2	13,276.8	669.0
Q4	3,231.9	11,460.4	629.0
<b>Annual Change in 2022 (%)</b>	<b>+8.2</b>	<b>-34.0</b>	<b>-5.5</b>

Source: Bursa Kuwait.

Meanwhile, the volume of traded shares during 2022 decreased to reach KD 55.81 billion shares (a daily average of KD 228.73 million shares) compared to KD 84.56 billion shares during 2021 (a daily average of KD 345.14 million shares), i.e. a significant decline of KD 28.75 billion shares or 34.0% (and a drop of KD 116.4 billion shares or 33.7% in the daily average trading volume).

Figure 6.4: Share Trading Value and Volume



Source: Boursa Kuwait.

In terms of the sectoral allocation by the total value of traded shares, the Banking sector (11 banks or 7.1% of Boursa-listed companies; 64.3% of the total market capitalization at the end of 2022) recorded the highest value of traded shares among other sectors. The total value of traded shares for the Banking sector reached KWD 6,716.6 million during 2022, i.e. 45.6% of the total value of traded shares during 2022. The Financial Services sector came second with (23.0%), followed by the Industrial sector (12.6%), the Real Estate sector (6.9%), and the Telecommunications sector (5.7%).

Table 52: Value of Traded Shares in Boursa Kuwait and the Relative Share of Total (2022)

Sector	No. of Companies	Value in KD Million - Relative Share in %					
		2021		No. of Companies	2021		
		Value	%		Value	%	
Oil & Gas	6	133.45	0.98	6	39.60	0.3	
Basic Materials	4	162.58	1.19	3	193.20	1.3	
Industry	28	1,628.47	11.96	24	1,854.10	12.6	
Consumer Commodities	2	74.92	0.55	2	93.30	0.6	
Healthcare	3	1.48	0.01	3	3.00	0.02	
Consumer Services	12	305.58	2.25	13	515.40	3.5	
Telecommunications	5	571.90	4.20	5	836.70	5.7	
Utilities	1	110.35	0.81	1	48.20	0.3	
Banks	11	4,875.56	35.82	11	6,716.60	45.6	
Insurance	8	68.11	0.50	8	27.90	0.2	
Real-Estate	38	1,899.76	13.96	34	1,010.70	6.9	
Financial Services	48	3,776.45	27.74	44	3,382.80	23.0	
Technology	1	3.63	0.03	1	1.20	0.01	
<b>Total</b>	<b>167</b>	<b>13,612.25</b>	<b>100</b>	<b>155</b>	<b>14,722.70</b>	<b>100</b>	

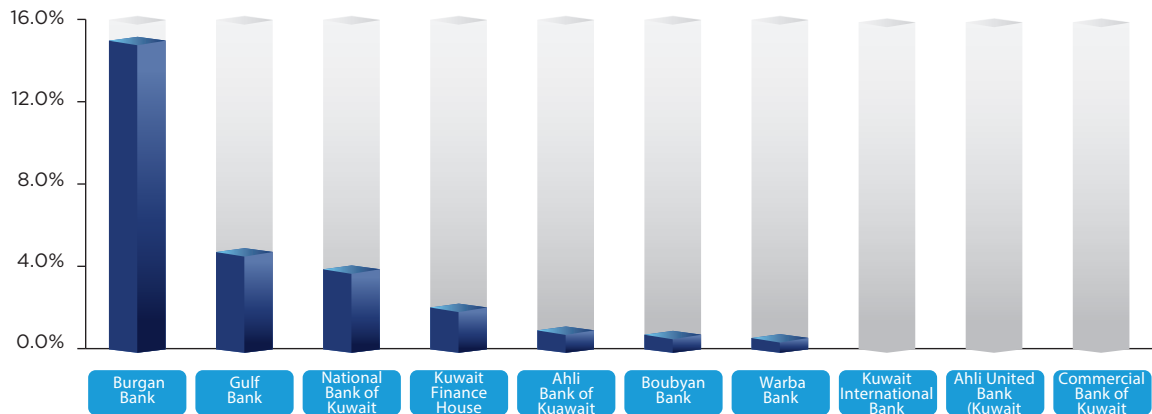
Source: Boursa Kuwait.

### 3. Non-Kuwaitis' Ownership in the Banking Sector of Boursa Kuwait

Non-Kuwaitis' ownership of banks' shares increased at the end of 2022 compared to 2021 due to the inflow of foreign investments following the instability of some international markets, in addition to the attractiveness of the Kuwaiti market after the upgrade of Boursa Kuwait to an emerging market after its upgrade, as well as high oil prices, soundness of the banking sector and government support to the banking sector. All previously mentioned factors contributed to increasing Non-Kuwaitis' ownership of Burgan Bank from 2.7% in 2021 to 17.70% in 2022 (i.e. a rise by 15.0%), Gulf Bank from 12.5% in 2021 to 17.2% in 2022 (i.e. an increase by 4.7%), National Bank of Kuwait from 20.8% to 24.7% (i.e. a rise by 3.9%) and Kuwait Finance House from 10.3% to 12.3%

(i.e. an increase by 2.0%) in 2022. Meanwhile, the Non-Kuwaitis' ownership of Kuwait International Bank, Ahli United Bank (Kuwait) and Commercial Bank of Kuwait remained unchanged during 2022.

**Figure 6.5: Change in the Ownership of Non-Kuwaiti Shareholders in the Banking Sector of Boursa Kuwait at the end of 2022 compared to 2021**



Source: Boursa Kuwait.

**Table 53: Ownership of Non-Kuwaiti Investors in Kuwaiti Banks**

Name of Share	Non- Kuwaitis' Ownership 2021 (%)	Non- Kuwaitis' Ownership 2022 (%)	Change (%)
Burgan Bank	2.70%	17.70%	+15.0
Gulf Bank	12.50%	17.20%	+4.7
National Bank of Kuwait	20.80%	24.70%	+3.9
Kuwait Finance House	10.30%	12.30%	+2.0
Ahli Bank of Kuwait	0.40%	1.30%	+0.9
Boubyan Bank	5.20%	5.90%	+0.7
Warba Bank	4.60%	5.10%	+0.5
Kuwait International Bank	4.50%	4.50%	-
Ahli United Bank	0.40%	0.40%	-
Commercial Bank of Kuwait	0.10%	0.10%	-

Source: Boursa Kuwait.

## 4. Drivers of Boursa Performance

### Favorable

- **Crude oil prices witnessed noticeable increases during 2022**, as the average price of Kuwait's Export Crude (KEC) per barrel exceeded USD 100 for the first time since 2014 to stand at USD 101.1 in 2022. This increase in oil prices enhances investors' confidence in the Kuwaiti economy's activity and reflects positively on the Boursa - listed companies.
- **The State's general budget is expected to record a significant surplus for the FY 2022/23** for the first time since FY 2013/14. Surpluses in the general budget improve the prospect of the Kuwaiti economy and the sovereign rating of the State of Kuwait, also support the non-oil sector, thus reflecting positively on Boursa-listed companies.
- **Record profits of local banking sector during 2022**, benefiting from the monetary tightening cycle of CBK. The banking sector constitutes 45.6% of the total trading value and 64.3% of the total market capitalization of Boursa Kuwait.

- **The increase in total net profits of Bursa-listed companies** by 5.3% to reach KWD 2,379.06 million at the end of 2022 against KWD 2,259.74 million at the end of 2021, enhances investors' confidence.
- **During 2021, Bursa Kuwait** launched new investment product tools in the market to stimulate liquidity in Bursa Kuwait after joining the MSCI and FTSE indicators. Bursa Kuwait strengthened its products in 2022 by offering priority rights and trading on the margins, which contributed to the rise in foreign ownership of listed companies

### Adverse:

- **The increase in Consumer Price Index (CPI) in the State of Kuwait** to stand at the average of 4.0% during 2022 against 3.4% during 2021, driven by the geopolitical conditions resulting from the Russian-Ukrainian war, which contributed to the rise in global prices of goods and services.
- **Tightening of monetary policy at a rapid pace:** As a result of the record high global inflation rates, and the rapid interest rates increases by central banks during 2022, the State of Kuwait entered the cycle of tightening monetary policy by raising interest rates in a progressive manner. This policy is expected to positively affects local liquidity, taking into account the slowdown period, in search of higher returns.
- **The increase in numbers of companies optionally withdrawn from Bursa Kuwait in 2022:** During 2022, twelve companies have optionally withdrawn from Bursa Kuwait due to the lower turnover of these companies' shares, and their inability to pay the annual fees of Bursa Kuwait

## 5. Profits of Listed Companies

Total net profits (losses) of 140 out of 155 listed companies recorded an increase reaching KWD 2,379.06 million in 2022 against KWD 2,259.74 million in 2021, i.e. a rise by KWD 119.32 million or 5.3%. A total of 115 companies recorded profits during 2022 against 110 companies in 2021. Meanwhile, 25 companies incurred losses during 2022 against 30 companies in 2021. It is worth noting that the companies which incurred losses during 2022 concentrated in the Financial Services sector and Real Estate sector, as 15 companies listed in these two sectors recorded losses accounting for 60% of the total companies that announced losses.

The top five sectors, ranked by the relative share of their total net profits and losses to total net profits and losses of all sectors during 2022, were led by the Banks sector with a relative share of 58.1%, followed by Telecommunications (11.2%), Financial Services (9.0%), Industry (7.4%), and Real Estate (5.6%). The Price to Earnings (P/E) ratio of Bursa-listed companies reached an average of 18.9 during 2022, against an average of 14.2 during 2021.

**Table 54: Sectoral Performance of Bursa Kuwait-Listed Companies (2021-2022)**

*KWD Million*

Sector	NO. of Companies	No. of Reporting Companies	Net Profits (Losses)			P/E (Multiples)
			2021	2022	Change (%)	
Energy	6	4	13.64	3.18	-76.7	61.0
Basic Materials*	3	2	5.02	11.01	+119.3	5.5
Industry*	24	20	133.00	176.04	+32.4	19.7
Consumer Commodities	2	2	1.97	-6.36	-422.8	N/A
Healthcare*	3	2	3.46	5.42	+56.7	13.6
Consumer Services	13	13	68.44	67.11	-2.0	14.6
Telecommunications	5	5	235.41	266.19	+13.1	13.6
Utility	1	1	13.54	14.46	+6.8	14.3
Banks	11	11	1,065.26	1380.98	+29.6	21.8
Insurance	8	8	110.02	112.68	+2.4	5.5
Real Estate*	34	29	276.80	133.89	-51.6	18.6
Financial Services*	44	42	333.76	214.80	-35.6	18.1
Technology	1	1	-0.58	-0.33	+43.1	N/A
<b>Market's Total</b>	<b>155</b>	<b>140</b>	<b>2,259.74</b>	<b>2379.06</b>	<b>+5.3</b>	<b>18.9</b>

\* 13 companies have not declared their profits for 2022, of which 1 company in Basic "Health" Materials sector, 1 company in Healthcare sector, 2 companies in Financial Services sector, 4 companies in Industry sector and 5 companies in Real Estate sector.

Source: Financial Statements available with Bursa Kuwait.

## 6. Movements on the Market Capitalization and Share Issue Base

### A. Market Capitalization

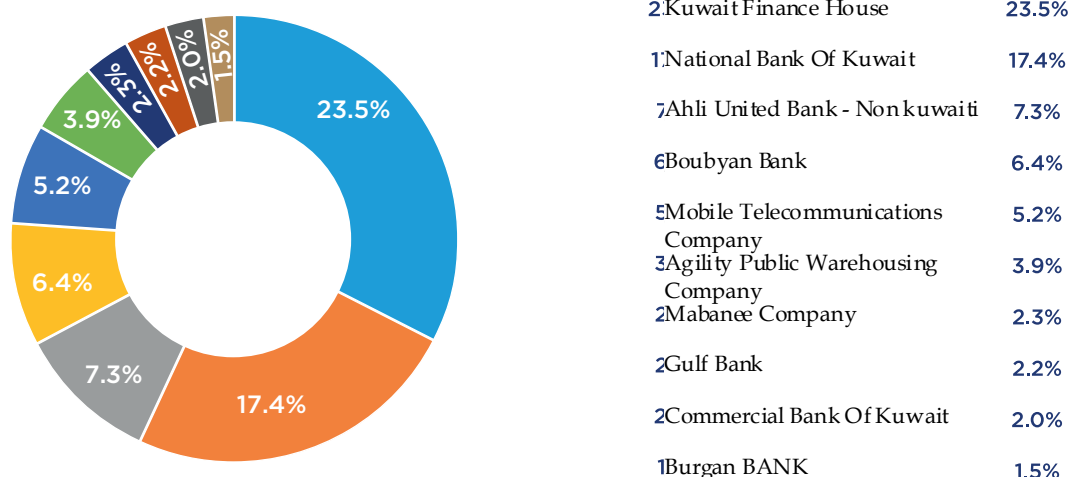
Market capitalization of Boursa-listed companies increased by KWD 5,326.09 million or 12.9%, to reach KWD 46,721.87 million for 155 companies at the end of 2022 against KWD 41,395.78 million for 167 companies at the end of 2021. Market capitalization for Kuwaiti listed companies increased by KWD 4,909.12 million or 13.1%, to reach KWD 42,476.24 million for 148 companies during 2022, against KWD 37,567.12 million for 159 companies during 2021. Market capitalization for Kuwaiti companies represented 90.9% of the total market capitalization of listed companies against 9.1% for non-Kuwaiti companies.

During the past five years, the market capitalization of the Boursa-listed companies witnessed a varied performance, decreasing slightly to the end of 2020, then increasing significantly at the end of 2021 and rising further at the end of 2022, reaching KWD 17,616.67 million or 60.5% compared to the market capitalization value of the Boursa-Listed companies in 2018, amounting to KWD 29,105.20 million.

The non-Kuwaiti Boursa-listed companies belong to three Arab stock exchange markets; 1 company in the Insurance sector of the Egyptian Exchange, two companies in the Industry sector of the UAE stock exchange markets, and the Bahrain Stock Exchange has three companies and one bank, two listed companies in the Financial Services sector, one listed company in the Insurance sector, and one bank listed in the Banks sector. In terms of sectoral distribution of market capitalization, the Banks sector's shares came at the top with KWD 30,054.33 million or 64.3% of total market capitalization during 2022. The **Technology sector**, meanwhile, tailed the list at just 0.02% of total market capitalization during 2022.

Market capitalization of **top ten Boursa-listed companies** reached KWD 33,489.96 million or 71.7% of total market capitalization amounting to KWD 46,721.87 million. Kuwait Finance House took the lead with a market capitalization of KWD 10,968.72 million or 32.8% of total market capitalization of top ten Boursa listed companies (equivalent to 23.5% of total market capitalization) during 2022. The National Bank of Kuwait came second with a market capitalization of KWD 8,141.41 million or 24.3% of total market capitalization for the top ten Boursa-listed companies during 2022.

Figure 6.6: Sectoral Allocation of the Top 10 Companies by Market Cap 2022



Source: Boursa Kuwait.

Within this scope, one Kuwaiti company was listed with a market capitalization of KWD 220.61 million, and two listed companies were optionally withdrawn with a market capitalization of KWD 17.27 million during 2022. In addition, 11 listed companies were delisted with a market capitalization of KWD 357.06 million during 2022. As a result, the market capitalization of the companies' shares in Bursa Kuwait (new, optionally withdrawn and delisted) reached KWD 594.94 million or 1.3% of total market capitalization.

#### B. Share Issue Base

The share issue base of Bursa-listed companies during 2022 witnessed a slight increase by 7,138 million shares or 6.4% to reach 117,924 million shares (of which 100,844 million shares issued by 148 Kuwaiti companies) at the end of 2022, compared to 110,786 million shares (of which 94,293 million shares were issued by 159 Kuwaiti companies) at the end of 2021. Moreover, shares issued by one newly listed company were valued at 0.27 million shares. Shares of the optionally withdrawn and delisted companies (13 companies) reached 4.64 million shares. Thus, the total number of shares issued by (new and optionally withdrawn) companies reached 4.91 million shares during 2022.

**Table 55: Numbers and Names of Listed, Delisted and Withdrawn Companies, and the Companies that changed their Named in Bursa Kuwait in 2022**

Statement	Sector / Name of the Company
Newly Listed Companies in Bursa Kuwait (1 Company)	<b><u>Consumer Commodities:</u></b> - Ali Alghanim Sons Automotive Company.
Delisted Companies in Bursa Kuwait (11 Companies)	<b><u>Basic Materials:</u></b> - Qurain Petrochemical Industries Company. <b><u>Industry:</u></b> - National Shooting Company. - KGL Logistics. <b><u>Real Estate:</u></b> - Ajwan AL Khalij Real Estate. - Ream Realestate Company. - Al Mudon International Real Estate - ALMUDON. - Investors Holding Group Company - INVESTORS. <b><u>Financial Services:</u></b> - Al Mal Investment Company. - Al Bareeq Holding Company- BAREEQ. - Alsalam Holding Group. - Al Madina for Finance and Investment Company.
Optionally Withdrawn Companies (2 Companies)	<b><u>Industry:</u></b> - Hilal Cement Company. - Fujairah Cement Industries Company (non-Kuwaiti).

Statement	Sector / Name of the Company
<p><i>Companies that changed their Names (6 Companies)</i></p>	<p><b>Industry:</b></p> <ul style="list-style-type: none"> <li>- From Gulf Cables &amp; Electrical Industries Company to <b>Gulf Cables &amp; Electrical Industries Group Company.</b></li> </ul> <p><b>Financial Services:</b></p> <ul style="list-style-type: none"> <li>- From Kuwait Syrian Holding Company to <b>Kuwait Emirates Holding Company.</b></li> <li>- From Kuwait Finance &amp; Investment Company to <b>KFIC Invest.</b></li> <li>- From Gulf North Africa Holding Company to <b>Rasiyat Holding Company.</b></li> <li>- From Bayan Investment Company to <b>Bayan Investment Holding Company.</b></li> </ul> <p><b>Insurance:</b></p> <ul style="list-style-type: none"> <li>- From Warba Insurance Company to <b>Warba Insurance and Reinsurance Company.</b></li> </ul>

Source: Bursa Kuwait.

## Market Definitions on Bursa Kuwait:

### All-Share Market:

The All-Share Market consists of the total listed companies in the Premier Market (26 companies) and the Main Market (129 companies).

### Premier Market:

The “Premier” Market is the flagship of the Bursa Kuwait markets, targeting companies with high liquidity and a medium to big market capitalization. Companies listed in that market are available in the “Premier” and “All-Share” market indicators.

The Premier Market includes 26 of high liquidity and market capitalization companies representing 80.0% of the market capitalization of the Bursa-listed companies.

### Main Market:

The “Main” Market in Bursa Kuwait is comprised of companies that do not qualify to be listed in the “Premier” Market, but nonetheless enjoy enough liquidity to be listed among market participants and is compliant to the basic listing conditions. The companies listed in the “Main” Market are included in the “All-Share” Market as well.

The Main Market is comprised of 129 companies, accounting for 20.0% of the market capitalization of the Bursa-listed companies.

### Main Market 50 Index:

The Bursa Kuwait Main Market 50 Index (“**BK Main Market 50**”) is a Market Capitalization Weighted Index that reflects the top 50 liquid companies in the Main Market. The BK Main Market 50 Index inclusions are based on a set of standards as: the company must be listed in the Main Market and among the average daily traded value (ADTV-based) top 50 companies. The constituents of BK Main Market 50 are reviewed on an annual basis.

**Table 56: Numbers and Names Sectoral Allocation of the Companies listed in Boursa Kuwait Premier Market and Main Market Indices (2022)**

Sector	Number of Companies	Number of listed Companies in the Premier Market Index	Number of listed Companies in the Main Market Index
Energy	6	-	6
Basic Materials	3	1	2
Industry	24	5	19
Consumer Commodities	2	1	1
Healthcare	3	-	3
Consumer Services	13	2	11
Telecommunications	5	1	4
Utility	1	1	0
Banks	11	8	3
Insurance	8	-	8
Real-Estate	34	2	32
Financial Services	44	5	39
Technology	1	-	1
<b>Total</b>	<b>155</b>	<b>26</b>	<b>129</b>

*Boursa Kuwait, Annual Report 2022.*



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