Monetary developments

Kuwait: March sees stronger credit gain and large increase in deposits

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Resident credit growth picked up in March, though growth eased to 5.4% year-on-year (y/y) on basis effects. Credit was up a healthy KD 214 million, its strongest gain in four months. Most of the gain was in household debt, credit for securities purchases and real estate. Money supply saw a strong month as well thanks to large gains in private deposits, mainly in foreign currency. Deposit rates remained stable, while interbank rates eased on the month.

Household credit growth continued to reflect the health of the consumer sector. Growth of the segment regained strength in March growing slightly to 12.4% with a healthy addition of KD 85 million compared to last month's weak gain of KD 29 million. Growth in March came from installment loans, still the main driver of household credit growth, with consumer loans seeing a small decline.

Card spending data also held up well despite some moderation, indicating consumer spending remained robust. Quarterly point-of-sale (POS) data spending growth slowed in 1Q15 but remained healthy at 12.6% y/y. The pace was the slowest in three years. Total card sales also eased to 8.8% y/y, with ATM activity growth remaining steady.

The nonbank financial sector remained in deleveraging mode, with credit falling by KD 47 million. The decline was the largest in five months, though the decline in sector debt over the last year continued to slow to 7.9% y/y.

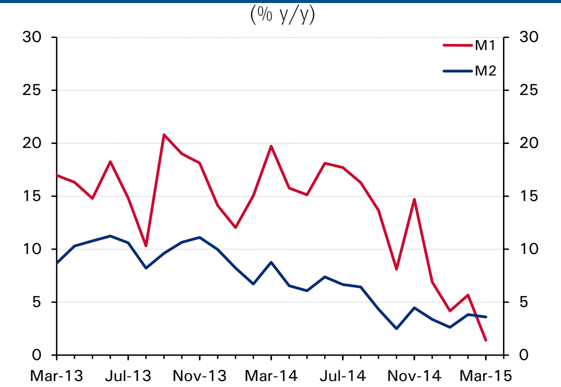
All remaining credit rose by a solid KD 175 million, though growth eased to 4.0% y/y on basis effects. Most of the gain came from a large gain in lending for the purchase of securities (+KD 134 million) and real estate (+KD 89 million). Excluding those two sectors, however, growth in business credit was more tepid, up KD 40 million on the month. Indeed, some sectors saw small declines, including industry and trade.

March saw a large increase in private deposits, likely related to bank dividend payments during the month. Still, money supply (M2) growth eased to 3.6% y/y on basis effects. Private deposits were up by KD 960 million, most of it in foreign currency deposits (+KD 656 million) and KD time deposits (+KD 308 million). M1 growth eased to 1.4% y/y.

Average customer deposit rates on dinar time deposits were up in March, while interbank rates eased. The average rates on the 1-month, 3-month, 6-month and 12-month time deposits increased by 1-3 basis points (bps) to 0.61%, 0.78%, 0.97% and 1.20%, respectively. KD interbank rates eased in March following a pick up last month, reaching 0.81%, down 3 bps.

Chart 1: Money supply growth

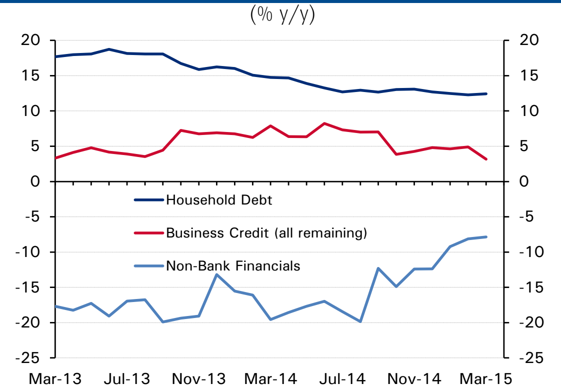
(% y/y)



Source: Central Bank of Kuwait

Chart 2: Credit growth

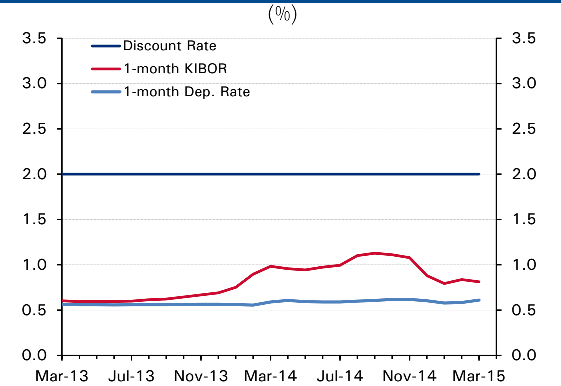
(% y/y)



Source: Central Bank of Kuwait

Chart 3: Interest rates

(%)



Source: Central Bank of Kuwait

Table 1: Monetary highlights

	Mar-15	1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%
Total system liquidity (M2)	**35,003**	**936**	**2.7**	**1,030**	**3.0**	**1,215**	**3.6**
Currency in circulation	1,459	-24	-1.6	-34	-2.3	-30	-2.0
Private sector deposits	33,544	960	2.9	1,064	3.3	1,245	3.9
KD deposits	29,737	304	1.0	149	0.5	720	2.5
Sight deposits	8,139	40	0.5	27	0.3	162	2.0
Savings deposits	4,811	-44	-0.9	-27	-0.6	78	1.6
Time deposits & CDs	16,787	308	1.9	149	0.9	480	2.9
Foreign currency deposits	3,807	656	20.8	915	31.7	526	16.0

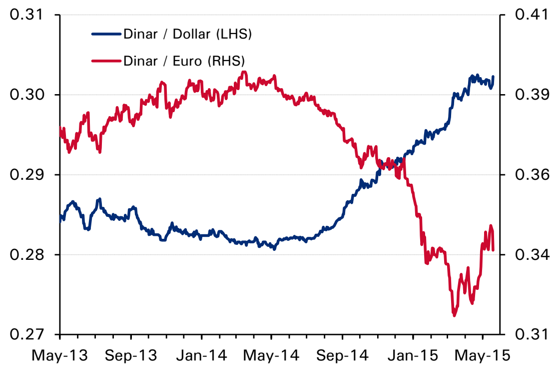
Source: Central Bank of Kuwait

Table 2: Banking system highlights

	Mar-15	1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%
Total bank assets	**56,734**	**962**	**1.7**	**1,271**	**2.3**	**2,596**	**4.8**
Liquid assets	9,675	391	4.2	197	2.1	-109	-1.1
Cash and CBK Balances	1,069	-86	-7.5	294	37.9	-155	-12.7
CBK bonds	1,925	0	0.0	0	0.0	-25	-1.3
Public debt instruments	1,567	3	0.2	5	0.3	12	0.8
Local interbank deposits	2,122	551	35.1	339	19.0	391	22.6
Time deposits with CBK	2,991	-76	-2.5	-441	-12.9	-331	-10.0
Credit facilities	**31,078**	**214**	**0.7**	**327**	**1.1**	**1,580**	**5.4**
Trade	2,891	-13	-0.4	53	1.9	29	1.0
Industry	1,735	-18	-1.0	-8	-0.4	-93	-5.1
Construction	1,902	-4	-0.2	-4	-0.2	-23	-1.2
Agriculture & fishing	16	0	-1.3	1	7.5	-1	-8.2
Non-bank financial	1,353	-47	-3.3	-59	-4.2	-115	-7.9
Personal facilities	12,645	219	1.8	184	1.5	1,036	8.9
Purchase of securities	2,814	134	5.0	-13	-0.5	-51	-1.8
Other personal facilities	9,832	85	0.9	197	2.0	1,087	12.4
Real estate	7,975	89	1.1	85	1.1	314	4.1
Crude oil & gas	419	4	1.0	7	1.6	171	69.0
Other sectors	2,055	-22	-1.1	51	2.5	186	9.9
Foreign assets	12,490	505	4.2	809	6.9	1,481	13.4
Other assets	3,492	-148	-4.1	-62	-1.8	-355	-9.2
Total bank liabilities	**49,113**	**835**	**-6.1**	**1,135**	**-0.5**	**2,216**	**20.2**
Total deposits	40,866	1,240	3.1	1,295	3.3	1,602	4.1
Private sector deposits	33,544	960	2.9	1,064	3.3	1,245	3.9
Government deposits	5,212	-273	-5.0	-74	-1.4	3	0.1
Interbank deposits	2,122	551	35.1	339	19.0	391	22.6
Foreign liabilities	4,185	-50	-1.2	-113	-2.6	307	7.9
Other liabilities	4,063	-355	-8.0	-48	-1.2	306	8.2
Shareholder equity	**7,621**	**128**	**1.7**	**133**	**1.8**	**381**	**5.3**

Source: Central Bank of Kuwait

Chart 4: Exchange rates



Source: Thomson Reuters Datastream

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