

Foreign trade

Kuwait: Trade surplus edges higher in 3Q16 on oil price recovery

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Kuwait's trade surplus widened slightly for the second consecutive quarter in 3Q16, thanks to a continued recovery in oil prices. However, at KD 1.4 billion, it still remains well below pre-2014 levels (Chart 1). We expect the surplus to continue to improve as oil earnings continue to edge higher against a backdrop of recovering oil prices. The average oil price continued to trend upwards in 4Q16, and is set to continue to do so in the months ahead, especially following the announced production cuts by OPEC and non-OPEC producers.

The Kuwait export crude (KEC) price rose by 2% quarter-on-quarter (q/q) in 3Q16, pushing oil export revenues slightly higher to KD 3.3 billion (Chart 2). Oil revenues are poised to move higher still in the near-to medium-term, amid a sustained recovery in oil prices. KEC was up 7% q/q in 4Q16 to-date and is projected to climb higher on the back of planned oil production cuts at the start of next year. Oil export earnings were still down by 9% year-on-year (y/y).

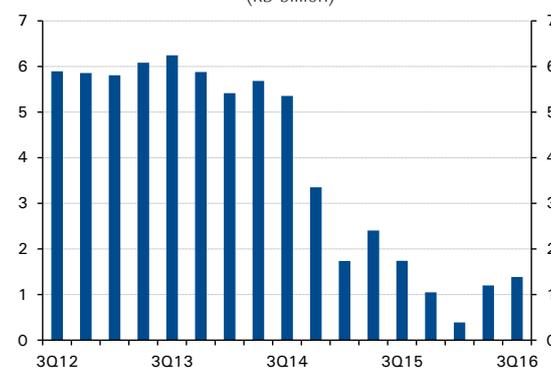
Non-oil export earnings continued to trek higher on a quarterly basis, but were still down 12% y/y. Non-oil export revenues rose by 2% q/q in 3Q16, albeit at a slower pace compared to the previous quarter, after ethylene prices rose by a mere 1% q/q. Growth in non-oil export receipts are set to continue to rise on the quarter in 4Q16 but at a slower pace, as ethylene prices rose more slowly.

Imports contracted for the second straight quarter by 1% y/y in 3Q16, as growth in industrial supply imports slowed and consumer goods imports shrank from a year ago (Chart 3). Growth in industrial supply imports slowed from 15.6% y/y in 2Q16 to 5.7% in 3Q16, while consumer goods declined by 8.8% y/y. Passenger motor cars and food & beverages, which account for 40% of consumer imports, were down 12-15% y/y; declines are due to softer consumer demand as well as lower prices and a stronger dinar.

Capital goods imports remained robust which perhaps continues to be indicative of the government's improved implementation of its development projects. Growth in capital goods imports, a good gauge of domestic investment, rose by an impressive 20% y/y in 3Q16.

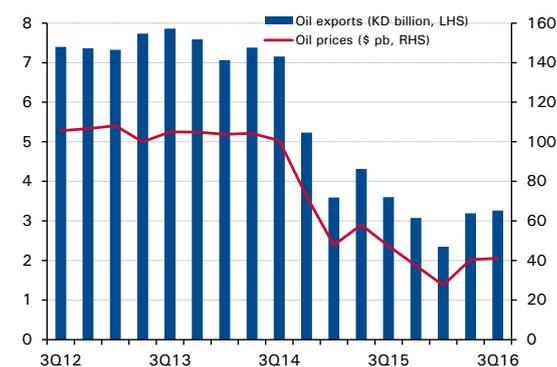
Chart 1: Balance of trade in goods

(KD billion)



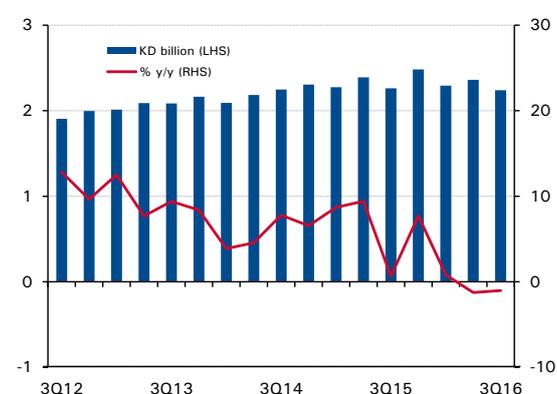
Source: Central Statistical Bureau

Chart 2: Oil exports



Source: Central Statistical Bureau, Kuwait Petroleum Corporation

Chart 3: Imports



Source: Central Statistical Bureau

Table 1: Foreign trade

(KD million)

	1Q16	2Q16	3Q16	change	
				KD mn q/q	% y/y
Total exports	2,684	3,563	3,624	61	-9.5
Oil	2,350	3,191	3,262	71	-9.4
Non-oil	225	255	258	4	-12.4
Re-exports	109	117	103	-14	-3.9
Imports	2,293	2,361	2,239	-122	-1.0
Capital goods	564	582	564	-17	19.9
Trade balance	391	1,202	1,385	183	-20.5

Source: Central Statistical Bureau

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