

## Foreign trade

# Kuwait: Trade balance expands in 2Q16 on higher oil prices

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Kuwait's trade surplus expanded for the first time in a year in the second quarter of 2016, amid a healthy bounce in oil prices, though it remains at historically low levels. The surplus widened from a mere KD 0.4 billion in the first quarter of 2016 to KD 1.2 billion in 2Q16, as a pickup in oil prices helped push oil export earnings higher. The average oil price continued to edge upwards in 3Q16, thus we expect the surplus to widen slightly further during the same period.

**Oil export revenues rose from KD 2.4 billion in 1Q16 to KD 3.2 billion in 2Q16, on the back of a healthy recovery in oil prices.** The Kuwait export crude (KEC) price was up by 48% quarter-on-quarter (q/q) in 2Q16, rising from an average of \$27 per barrel in 1Q16 to \$40 in 2Q16. Oil prices averaged marginally higher in 3Q16 so we expect to see oil export earnings to continue to edge higher as well. Whilst we did see gains in both oil prices and oil export earnings on a quarterly basis, they were still down significantly compared to a year before, falling by 31% and 26% year-on-year (y/y), respectively.

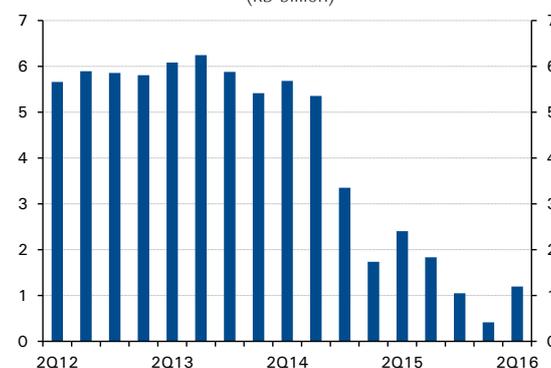
**Non-oil export revenues also improved from the previous quarter, though they were down by 23% y/y.** Non-oil export revenues rose by 5% after ethylene prices rebounded, rising by 11% q/q. Non-oil export earnings are expected to continue to rise on a quarterly basis in 3Q16, as ethylene prices continued to log in positive q/q growth.

**Imports contracted by 1.3% y/y in 2Q16 on the back of lower consumer goods prices.** Consumer goods fell by 12.7% y/y, the first contraction in at least six years, as all the subcomponents witnessed declines. Passenger motor cars and food & beverages, which together make up 40% of total consumer goods, were down 13% y/y and 29% y/y, respectively. These declines can be largely attributed to lower prices. In real terms, food & beverage imports were down by 8.2% y/y in 2Q16. Meanwhile, imports of manufactured goods, which include passenger motor cars, were up by 8.1% y/y in 2Q16.

**Capital and industrial goods imports witnessed double digit growth, likely reflecting the government's improved implementation of its development projects.** Imports of capital goods, which are a good gauge of the level of investment in the economy, and industrial goods, rose by 12% and 16% y/y, respectively, in 2Q16.

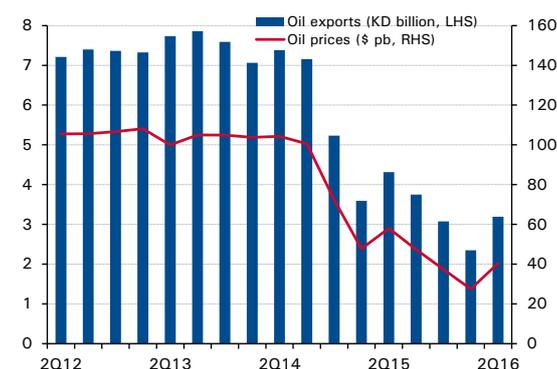
Chart 1: Balance of trade in goods

(KD billion)



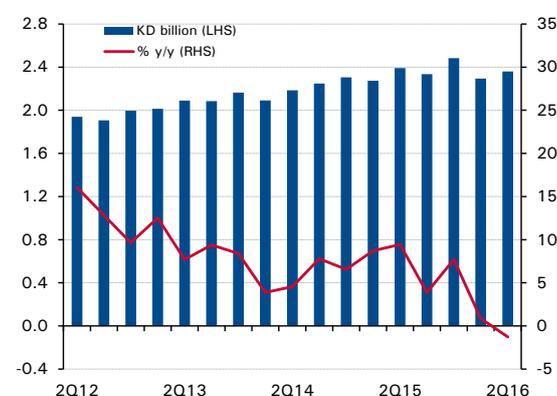
Source: Central Statistical Bureau

Chart 2: Oil exports



Source: Central Statistical Bureau, Kuwait Petroleum Corporation

Chart 3: Imports



Source: Central Statistical Bureau

Table 1: Foreign trade

(KD million)

	4Q15	1Q16	2Q16	change	
				KD mn q/q	% y/y
<b>Total exports</b>	<b>3,532</b>	<b>2,711</b>	<b>3,559</b>	<b>848</b>	<b>-25.8</b>
Oil	3,073	2,350	3,191	842	-26.0
Non-oil	313	238	250	12	-23.3
Re-exports	145	123	117	-6	-23.9
<b>Imports</b>	<b>2,483</b>	<b>2,294</b>	<b>2,360</b>	<b>66</b>	<b>-1.3</b>
Capital goods	519	564	582	18	12.2
<b>Trade balance</b>	<b>1,049</b>	<b>417</b>	<b>1,199</b>	<b>782</b>	<b>-50.1</b>

Source: Central Statistical Bureau

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