Foreign trade

Kuwait: trade surplus retreats to 10-year low; import demand steady

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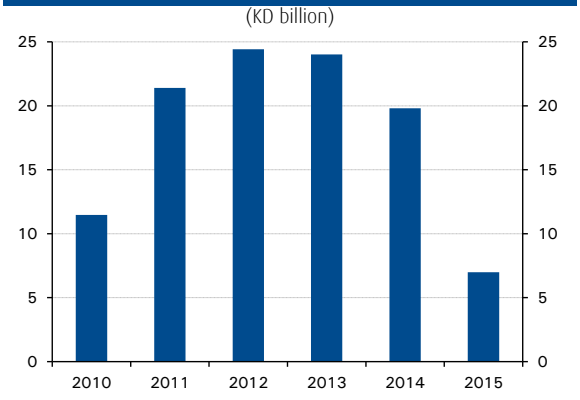
Kuwait's trade surplus narrowed to a 10-year low in 2015 mainly due to a decline in oil export earnings. Imports remained firm however, in line with good growth in the non-oil economy. The surplus shrank from KD 20 billion in 2014 to KD 7 billion in 2015 (20% of projected GDP). The trade balance was mainly driven lower by a drop in oil export revenues as a result of lower oil prices. A further decline in non-oil export earnings and a pickup in imports also weighed down on the overall balance. The surplus is expected to remain under pressure while oil prices remain low or until oil prices begin to strengthen later in the year.

Oil export receipts tumbled by 45% year-on-year (y/y) in 2015 to KD 14.7 billion, its lowest in five years. Oil export revenues retreated amid markedly lower oil prices in 2015. The Kuwait Export Crude (KEC) price declined 50% during the year and averaged $47.2 per barrel. Oil export revenues are projected to edge lower, at least in the near to medium term, as oil prices continue to remain weak. So far in 1Q16 (as of mid-March), KEC has averaged $26.0 per barrel.

Non-oil exports continued to decline in 2015, but at a notably lower rate of 1%. Non-oil export earnings, which are predominantly driven by ethylene prices, continued to contract, albeit at a slower pace, as the rate of decline in ethylene prices moderated. A stronger Kuwaiti dinar against most major currencies (with the exception of the US dollar) has also limited any significant gains in non-oil export growth. Having said that however, growth in 4Q15 non-oil exports edged back into positive territory for the first time in almost a year. This segment is expected to continue to witness positive gains in 1Q16, on the back of a recovery in ethylene prices.

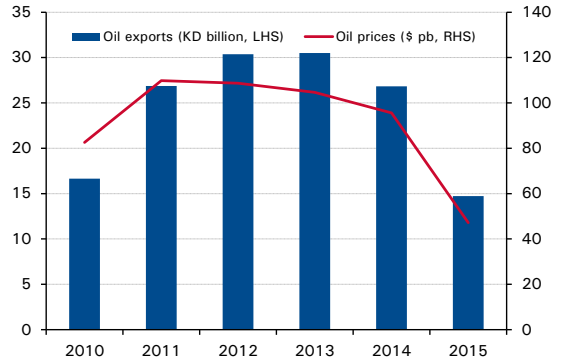
Import growth moderated for the most part of 2015, but still logged in another historic high of KD 2.5 billion for the year. The stark slowdown in imports in 3Q15 appears to have been short-lived, following the healthy rebound in the final quarter of 2015. The rebound came on the back of a jump in consumer goods imports, which more than offset the slowdown in capital goods imports. Although growth in capital goods imports slowed down rather significantly in 4Q15, this may be a one-off, after several months of robust growth rates. Import growth is forecast to remain strong in the near to medium term primarily because of healthy consumer and investment spending, shoring up non-oil GDP growth. Growth in capital goods imports is gradually edging higher on the back of higher spending in capital projects. And the stronger Kuwaiti dinar, which makes imports more affordable, is also expected to continue to support demand for consumer and transportation goods.

Chart 1: Balance of trade in goods



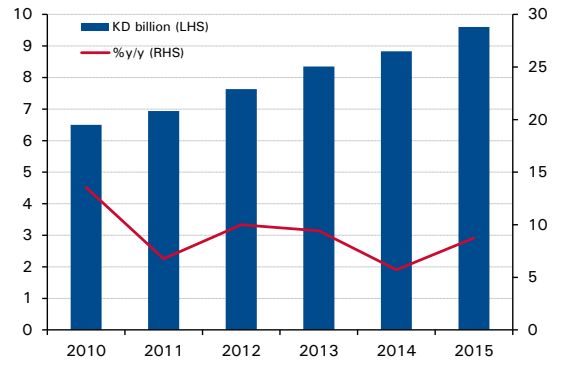
Source: Central Statistical Bureau

Chart 2: Oil exports



Source: Central Statistical Bureau, Kuwait Petroleum Corporation

Chart 3: Imports



Source: Central Statistical Bureau

Table 1: Foreign trade

(KD billion)

	Exports					
	Oil	Non-oil	Re-exports	Total	Imports	Trade balance
2011	26.9	1.2	0.3	28.3	6.9	21.4
2012	30.4	1.3	0.4	32.1	7.6	24.4
2013	30.5	1.4	0.4	32.4	8.4	24.0
2014	26.8	1.3	0.5	28.6	8.8	19.8
2015	**14.7**	**1.3**	**0.6**	**16.6**	**9.6**	**7.0**
KD change	-12.1	-0.01	0.07	-12.0	0.8	-12.8
% y/y	-45.1	-1.0	13.5	-42.1	8.7	-64.7

Source: Central Statistical Bureau

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