Monetary developments

Kuwait: Healthy credit gains in May, growth at 5.3%

> Nemr Kanafani
Head of Banking and Finance Research
+965 2259 5360, nemrkanafani@nbk.com

> Chaker El Mostafa
Economist
+965 2259 5352, chakermostafa@nbk.com

Credit growth in May was relatively strong, but annual growth eased to 5.3% y/y on basis effects. Lending was up by KD 175 million during the month supported by the household sector and some business sectors. One exception was real estate, which weighed on growth as the sector saw a net decline in credit. Despite strong growth in private deposits, money supply growth eased on basis effects. Meanwhile, interbank rates held steady and deposit rates moved lower.

Household borrowing remained robust adding KD 94 million, with growth accelerating to 12.2% y/y. Growth in May came once more from installment loans, with consumer loans seeing another small decline. Growth in this segment is likely to ease in the coming months, as consumer activity moderates, though it will remain a key driver of growth.

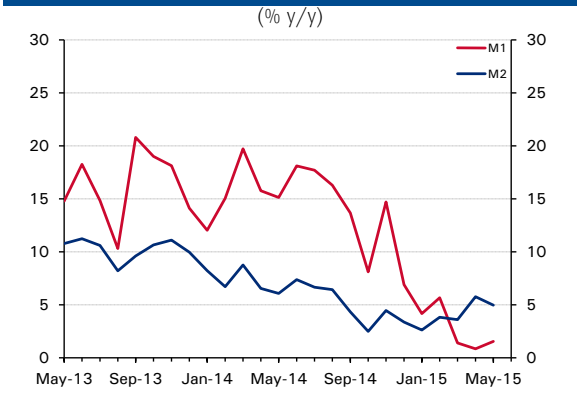
Credit to non-bank financial companies resumed its decline, losing KD 7 million. While still in deleveraging mode, the net declines in this sector's credit have been diminishing over the last year. The decline in sector debt over the last year stood at 7.1% y/y.

All remaining credit rose by KD 88 million, though growth eased to 3.1% y/y on basis effects. Most gains were in construction, industry and trade. Not all business sectors did well, however, with real estate seeing a KD 13 million decline; growth in this sector dropped to 2.6% y/y. Credit extended for the purchases of securities was flat on the month following some volatility in the past few months.

May saw another large increase in private deposits, though money supply (M2) eased to 5.0% y/y. Private deposits rose by KD 289 million, most of it going to KD sight deposits, up KD 265 million. Gains were also seen in KD time deposits and KD savings, adding KD 54 million and KD 63 million, respectively. Foreign currency deposits declined by KD 93 million following a couple of months of strong increases. M1 growth picked up to 1.5% y/y.

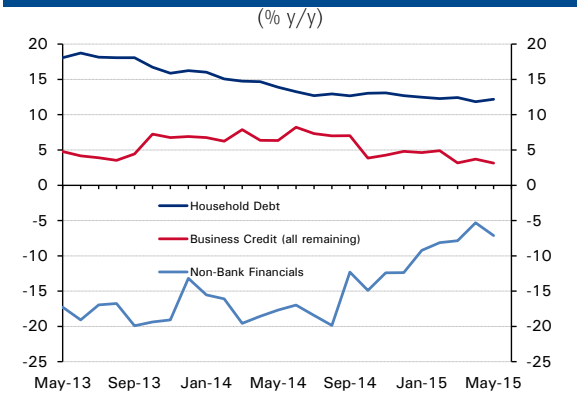
Average customer deposit rates on dinar time deposits eased in May, while interbank were steady. The average rates on the 1-month, 3-months time deposits were down 1 basis point to settle at 0.61% and 0.77%, respectively, while rates on 6-month time deposits were unchanged at 0.97%. 12-month rates, on the other hand, saw a significant decline on the month, shaving off 6 bps, its biggest move in two years. KD interbank rates held steady at 1.00%, up 21 basis points year-to-date.

Chart 1: Credit Growth



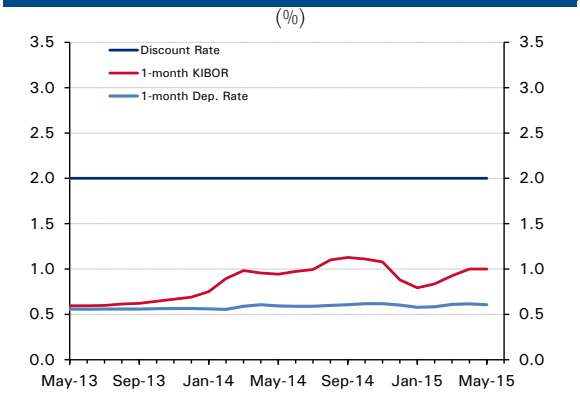
Source: Central Bank of Kuwait

Chart 2: Money Supply



Source: Central Bank of Kuwait

Chart 3: Interest rates



Source: Central Bank of Kuwait

Table 1: Monetary highlights

	May-15	1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%
Total system liquidity (M2)	**35,697**	**312**	**0.9**	**1,631**	**4.8**	**1,910**	**5.7**
Currency in circulation	1,517	23	1.5	35	2.3	28	1.9
Private sector deposits	34,180	289	0.9	1,596	4.9	1,882	5.8
KD deposits	29,831	382	1.3	398	1.4	814	2.8
Sight deposits	8,177	265	3.3	77	1.0	199	2.5
Savings deposits	4,911	63	1.3	56	1.2	178	3.8
Time deposits & CDs	16,744	54	0.3	265	1.6	437	2.7
Foreign currency deposits	4,349	-93	-2.1	1,198	38.0	1,068	32.6

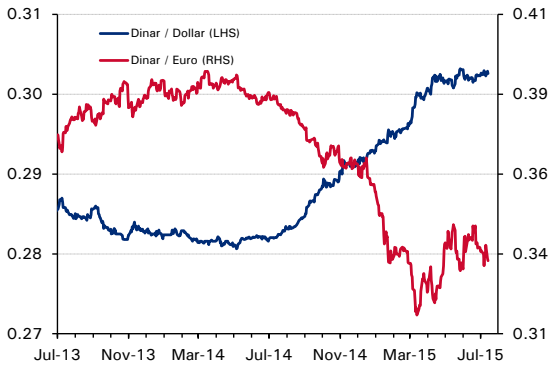
Source: Central Bank of Kuwait

Table 2: Banking system highlights

	May-15	1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%
Total bank assets	**57,696**	**832**	**1.5**	**1,924**	**3.5**	**3,558**	**6.6**
Liquid assets	9,652	453	4.9	368	4.0	-132	-1.4
Cash and CBK Balances	1,014	291	40.2	-142	-12.3	-211	-17.2
CBK bonds	1,925	0	0.0	0	0.0	-25	-1.3
Public debt instruments	1,573	2	0.1	8	0.5	18	1.1
Local interbank deposits	1,923	-110	-5.4	352	22.4	192	11.1
Time deposits with CBK	3,218	270	9.2	150	4.9	-105	-3.2
Credit facilities	**31,296**	**175**	**0.6**	**432**	**1.4**	**1,799**	**6.1**
Trade	2,928	14	0.5	25	0.9	66	2.3
Industry	1,740	22	1.3	-12	-0.7	-87	-4.8
Construction	1,882	24	1.3	-24	-1.3	-43	-2.2
Agriculture & fishing	15	-2	-9.3	-1	-8.2	-3	-14.6
Non-bank financial	1,361	-7	-0.5	-39	-2.8	-108	-7.3
Personal facilities	12,657	100	0.8	230	1.9	1,048	9.0
Purchase of securities	2,636	6	0.2	-44	-1.7	-229	-8.0
Other personal facilities	10,021	94	0.9	275	2.8	1,277	14.6
Real estate	7,954	-13	-0.2	68	0.9	293	3.8
Crude oil & gas	618	6	1.0	203	48.8	370	149.2
Other sectors	2,055	30	1.5	-23	-1.1	186	9.9
Foreign assets	13,198	211	1.6	1,214	10.1	2,189	19.9
Other assets	3,550	-6	-0.2	-90	-2.5	-298	-7.7
Total bank liabilities	**50,075**	**840**	**12.0**	**1,796**	**3.2**	**3,177**	**30.5**
Total deposits	41,495	392	1.0	1,869	4.7	2,231	5.7
Private sector deposits	34,180	289	0.9	1,596	4.9	1,882	5.8
Government deposits	5,375	172	3.3	-110	-2.0	166	3.2
Interbank deposits	1,923	-110	-5.4	352	22.4	192	11.1
Foreign liabilities	4,320	295	7.3	85	2.0	443	11.4
Other liabilities	4,260	153	3.7	-158	-3.6	504	13.4
Shareholder equity	**7,621**	**-8**	**-0.1**	**128**	**1.7**	**381**	**5.3**

Source: Central Bank of Kuwait

Chart 4: Exchange rates



Source: Thomson Reuters Datastream

Head Office

Kuwait
National Bank of Kuwait SAK
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAK
Bahrain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait
Bahrain Branch (H.O)
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAK
Head Office - Dubai
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait
Abu Dhabi - Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567,Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAK
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait SAK
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAK
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France
National Bank of Kuwait
(International) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAK
Singapore Branch
9 Raffles Place #24-01/02
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAK
Shanghai Representative Office
Suite 1003, 10th Floor, Azia Center
133 Yin Cheng Bei Road, Lujiazui
Shanghai 200120
China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353

© Copyright Notice. The Economic Brief is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.
While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. GCC Research Note is distributed on a complimentary and discretionary basis to NBK clients and associates. This report and other NBK research can be found in the "Reports" section of the National Bank of Kuwait's web site. Please visit our web site, www.nbk.com, for other bank publications. For further information please contact: NBK Economic Research, Tel: (965) 2259 5500, Fax: (965) 2224 6973, Email: econ@nbk.com