

## Foreign trade

# Kuwait: Trade balance retreats in 3Q15, but maintains a healthy surplus

Kuwait's trade surplus narrowed in 3Q15 on the back of lower oil revenues. However, the surplus remains relatively healthy at 17% of GDP. The surplus slipped to KD 1.8 billion in the third quarter of 2015 as lower oil prices continued to weigh down on revenues. The trade surplus is expected to shrink still further in 4Q15 on weaker oil prices.

Oil export revenues fell from KD 4.3 billion in 2Q15 to KD 3.7 billion in 3Q15 as oil prices edged lower. Kuwait export crude (KEC) slid from an average of \$58 per barrel in 2Q15 to \$47 per barrel in 3Q15. As a result of the lower oil price, oil export receipts have declined by 48% year-on-year (y/y). We expect oil revenues to come in lower in the coming quarters as downward pressures on oil prices persist. KEC averaged \$38 per barrel in 4Q15.

Growth in non-oil exports declined further in 3Q15, falling by 8% y/y. Non-oil export growth was driven lower by a drop in ethylene prices and a stronger Kuwaiti dinar against most major currencies (with the exception of the US dollar). Relative to the previous quarter, ethylene prices were down 10%. The dinar index (reflecting the currency's trade-weighted price) rose by 2.4% in 3Q15. Non-oil exports are expected to maintain their downward trend in the near-to-medium term, amid still softer ethylene prices.

Import growth witnessed a marked slowdown in 3Q15, though this is likely to be a temporary softening. Growth in imports slowed from 9.7% y/y in 2Q15 to 1.4% y/y in 3Q15. The slowdown in imports in 3Q15 may be a one-off, after having witnessed robust growth rates over the past year.

Despite the slowdown in imports, growth in capital goods imports, a bellwether of growth in aggregate investment in the economy, remained strong. Capital goods imports rose by 18.5% y/y in 3Q15, pointing to healthy levels of investment spending in the quarters ahead. This is in line with our outlook for aggregate investment in the economy that is being boosted by the improving implementation of the government's development projects. Meanwhile, growth in transport and consumer goods imports were weaker in 3Q15.

Table 1: Foreign trade

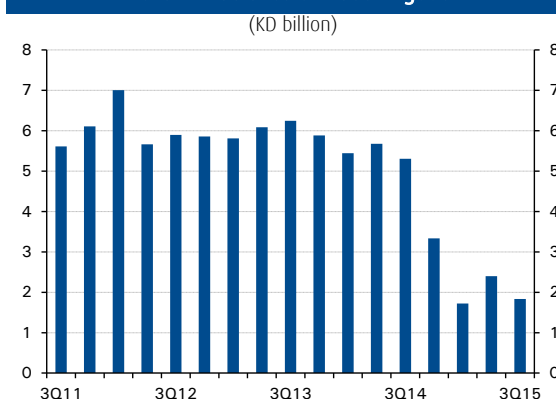
	1Q15	2Q15	3Q15		
			KD mn q/q	% y/y	
<b>Total exports</b>	<b>4,064</b>	<b>4,842</b>	<b>4,171</b>	<b>-672</b>	<b>-45.2</b>
Oil	3,594	4,319	3,747	-572	-47.6
Non-oil	311	337	311	-26	-8.0
Re-exports	159	186	113	-73	-4.0
<b>Imports</b>	<b>2,342</b>	<b>2,442</b>	<b>2,335</b>	<b>-107</b>	<b>1.4</b>
Capital goods	545	537	528	-9	18.5
<b>Trade balance</b>	<b>1,722</b>	<b>2,401</b>	<b>1,836</b>	<b>-565</b>	<b>-65.4</b>

Source: Central Statistical Bureau

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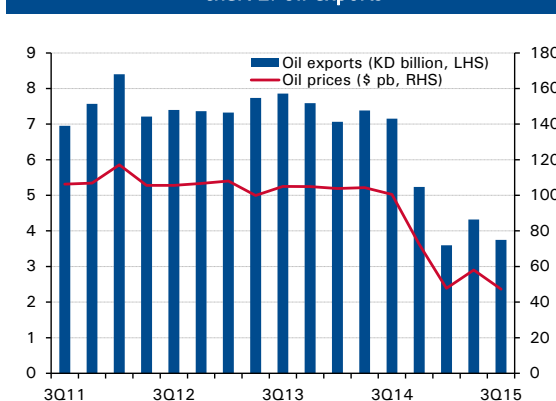
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Chart 1: Balance of trade in goods



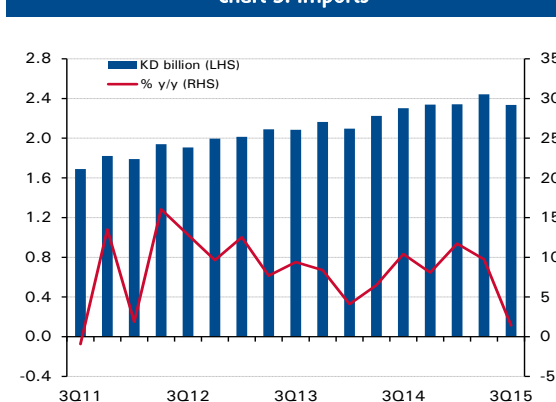
Source: Central Statistical Bureau

Chart 2: Oil exports



Source: Central Statistical Bureau, Kuwait Petroleum Corporation

Chart 3: Imports



Source: Central Statistical Bureau

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