

# Kuwait: Credit growth rebounded to 4.3% in 2018

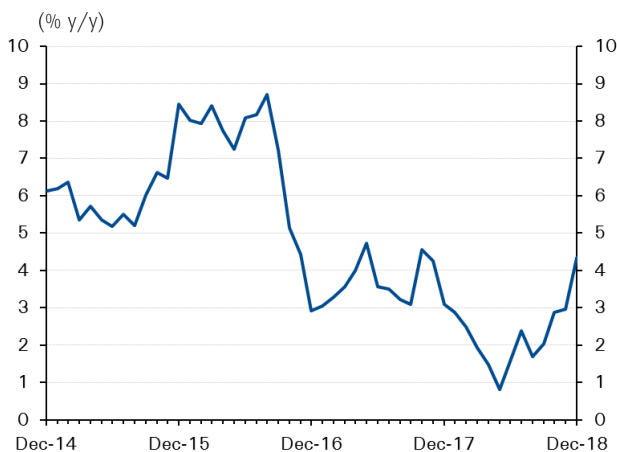
> Assil EL Mahmah  
Senior Economist  
+965 2259 5365  
assilelmahmah@nbk.com

### Highlights

- Credit growth picked up to 4.3% y/y in December on stronger lending to both businesses and households.
- Lending to businesses rose 5.3% y/y in 2018, up from 3.3% y/y in 2017, despite a slowdown during the 1H18.
- Growth in household borrowing reached 6% y/y, driven mainly by a robust growth in housing loans.
- Private deposits grew by 4.1% y/y in 2018 while government deposits dropped by 1.8% y/y.
- Domestic deposit rates were higher in line with the hike in the repo rate, while the discount rate remained unchanged.

Credit growth rebounded to a 13-month high of 4.3% in December 2018 from 3.1% in 2017 (chart 1). This was supported by stronger lending to both businesses and households, as well as the usual end-of-year jump in lending for the purchase of securities. Growth in deposits edged up to 3.2% y/y in December, due mainly to an increase in private deposits by 4.1% y/y. As for interest rates, the CBK left its policy rate unchanged after the Fed's December rate hike, but increased the repo rate by 25 bps.

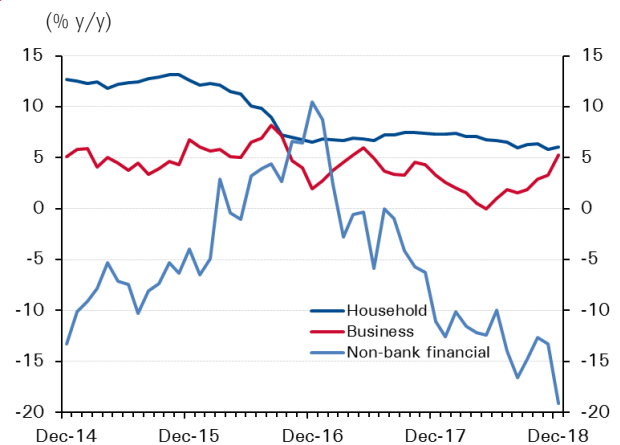
▶ **Chart 1: Credit growth**



Source: Central Bank of Kuwait

Despite a slowdown during the 1H18, lending to businesses rose 5.3% y/y in 2018, up from 3.3% y/y in the previous year. This was driven mainly by a significant improvement in real estate borrowing (4% y/y), which more than offset a decline in lending to the trade sector (-1.7% y/y). Business confidence was supported by an environment of higher average oil prices in the 2H18, which may have helped restore the appetite for credit, after a large corporate repayment a year earlier.

▶ **Chart 2: Credit growth by component**

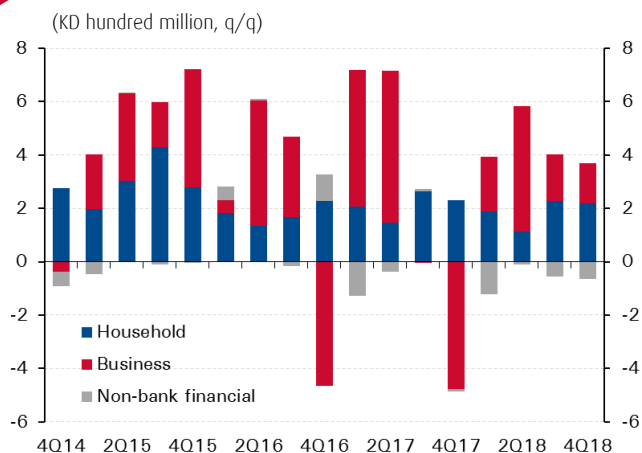


Source: Central Bank of Kuwait

Household borrowing rose 6.0% in December, driven mainly by a robust growth in housing loans (6.8% y/y). Meanwhile, growth in consumer loans remained in decline, reaching -2.6% y/y, the slowest pace of contraction in more than two years, which could suggest an improvement in this segment's lending in the coming months. This may be the initial positive impact of the new CBK's recent loosening of lending restrictions (November 2018), which increase the maximum limits of non-housing loans to 25 times the salary or a maximum of KD 25,000 (up from 15 times or maximum of 15,000 KD).

Regarding non-bank financial firms, the pace of deleveraging continued its decline in 2018 to -19.1% y/y from -11.1% in 2017.

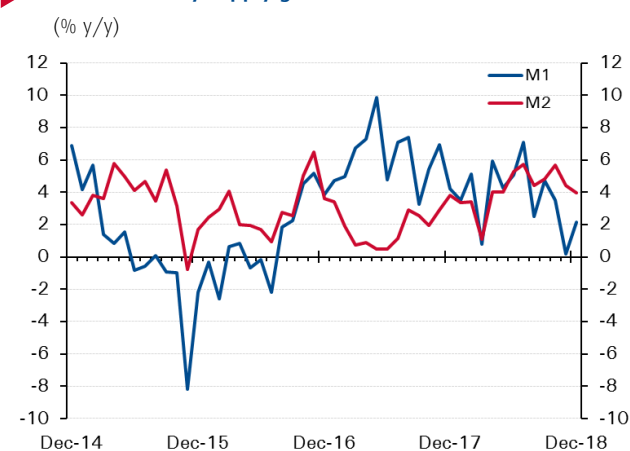
**Chart 3: Credit growth by component**



Source: Central Bank of Kuwait

Private deposits grew by 4.1% y/y in 2018 (up from 3.7% in 2017) due to the rise in in both sight (2.5% y/y) and time deposits (6.4% y/y). Meanwhile, government deposits dropped by 1.8% y/y, despite a robust rise of 5.3% m/m in December after five consecutive months of decline. As such, the money supply (M2) increased by 4% y/y (Chart 4).

**Chart 4: Money supply growth**



Source: Central Bank of Kuwait

Commercial lending rates were unchanged compared to last quarter, while deposit and interbank rates increased alongside hikes in the domestic repo rate. The Central Bank of Kuwait forewent an increase in its main policy rate – the discount rate used to price loans – after the US Fed hiked its target rate by 25 bps in December for the fourth time in 2018. The CBK has skipped three out of the last four US Fed hikes, in order to support non-oil economic activity. In the meantime, the CBK increased by 25 bps its repo-rate in December, and so did commercial banks on their saving deposits, to maintain the attractiveness of the Kuwaiti dinar and stem potential outflows.

**Chart 5: Interbank rates**



Source: Thomson Reuters Eikon, Central Bank of Kuwait

► **Table 1: Monetary indicators**

	KD mn				% m/m				% y/y			
	Sep18	Oct18	Nov18	Dec18	Sep18	Oct18	Nov18	Dec18	Sep18	Oct18	Nov18	Dec18
<b>Total system liquidity (M2)</b>	<b>38,323</b>	<b>38,376</b>	<b>38,352</b>	<b>38,623</b>	<b>1.0</b>	<b>0.1</b>	<b>-0.1</b>	<b>0.7</b>	<b>4.8</b>	<b>5.7</b>	<b>4.4</b>	<b>4.0</b>
Currency in circulation	1,666	1,677	1,728	1,755	-3.3	0.7	3.1	1.6	2.9	2.4	1.4	0.5
Private sector deposits	36,657	36,699	36,624	36,867	1.3	0.1	-0.2	0.7	4.9	5.8	4.6	4.1
KD deposits	33,743	34,085	33,983	34,251	0.7	1.0	-0.3	0.8	4.1	5.5	4.8	4.8
Sight deposits	8,744	8,623	8,449	8,628	3.0	-1.4	-2.0	2.1	5.0	3.7	0.0	2.5
Savings deposits	4,993	4,959	4,960	4,991	-0.1	-0.7	0.0	0.6	4.3	2.7	2.9	2.8
Time deposits & CDs	20,007	20,503	20,574	20,632	-0.1	2.5	0.3	0.3	3.6	7.0	7.5	6.4
Foreign currency deposits	2,914	2,614	2,641	2,617	8.0	-10.3	1.0	-0.9	15.5	10.1	1.6	-4.3

► **Table 2: Consolidated bank balance sheets**

	KD mn				% m/m				% y/y			
	Sep18	Oct18	Nov18	Dec18	Sep18	Oct18	Nov18	Dec18	Sep18	Oct18	Nov18	Dec18
<b>Total bank assets</b>	<b>64,944</b>	<b>65,270</b>	<b>65,319</b>	<b>66,579</b>	<b>0.9</b>	<b>0.5</b>	<b>0.1</b>	<b>1.9</b>	<b>2.9</b>	<b>4.2</b>	<b>4.4</b>	<b>5.0</b>
Core liquid assets	6,004	6,134	6,348	6,181	2.0	2.2	3.5	-2.6	44.0	40.2	33.7	23.1
Cash and CBK deposits	1,440	1,420	1,412	1,625	-2.8	-1.4	-0.5	15.0	80.7	54.7	52.4	48.8
CBK bonds	2,999	3,000	3,000	3,001	0.0	0.0	0.0	0.0	16.2	14.4	10.2	3.7
Time deposits with CBK	1,565	1,715	1,935	1,555	11.4	9.6	12.8	-19.6	98.1	105.4	75.9	50.2
Public debt instruments	3,832	3,838	3,859	3,862	-5.0	0.1	0.6	0.1	-26.6	-23.7	-23.3	-23.7
Interbank deposits	1,418	1,383	1,198	1,839	29.0	-2.5	-13.4	53.4	4.6	16.9	-9.8	46.5
Credit facilities	36,556	36,626	36,517	36,906	1.0	0.2	-0.3	1.1	2.0	2.9	3.0	4.3
Foreign assets	13,130	13,269	13,295	13,786	0.7	1.1	0.2	3.7	4.3	5.9	10.7	8.2
Other assets	4,003	4,020	4,102	4,005	-2.3	0.4	2.0	-2.4	0.8	1.8	3.3	1.0
<b>Total bank liabilities</b>	<b>56,192</b>	<b>56,574</b>	<b>56,573</b>	<b>57,743</b>	<b>0.9</b>	<b>0.7</b>	<b>0.0</b>	<b>2.1</b>	<b>2.5</b>	<b>4.1</b>	<b>4.2</b>	<b>5.4</b>
Total deposits	44,362	44,345	43,947	45,101	1.3	0.0	-0.9	2.6	2.4	3.9	2.5	3.2
Private sector deposits	36,657	36,699	36,624	36,867	1.3	0.1	-0.2	0.7	4.9	5.8	4.6	4.1
Government deposits	6,426	6,383	6,282	6,617	-2.6	-0.7	-1.6	5.3	-8.9	-7.3	-6.0	-1.8
Interbank deposits	1,279	1,263	1,041	1,617	29.1	-1.3	-17.6	55.3	-2.6	11.3	-9.8	31.3
Foreign liabilities	5,785	6,020	6,125	6,073	-1.1	4.1	1.7	-0.8	10.0	12.7	22.0	8.5
Other liabilities	6,045	6,209	6,501	6,569	0.0	2.7	4.7	1.0	-3.5	-1.9	1.2	12.8
<b>Shareholder equity</b>	<b>8,753</b>	<b>8,697</b>	<b>8,747</b>	<b>8,836</b>	<b>1.1</b>	<b>-0.6</b>	<b>0.6</b>	<b>1.0</b>	<b>5.4</b>	<b>4.9</b>	<b>5.9</b>	<b>2.5</b>

Source: Central Bank of Kuwait

## Head Office

### Kuwait

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

## International Network

### Bahrain

National Bank of Kuwait SAKP  
Zain 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 SAKP  
Bahrain Head Office  
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 SAKP  
Dubai Branch  
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 SAKP  
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 SAKP  
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 SAKP  
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 SAKP  
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 SAKP  
Singapore Branch  
9 Raffles Place # 44-01  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

### China

National Bank of Kuwait SAKP  
Shanghai Office  
Suite 1003, 10th Floor, Azia Center  
1233 Lujiazui Ring Road  
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