

# Kuwait's international trade saw further recovery during 4Q20

> Issa Hijazeen  
Senior Economist  
+965 2259 5359  
IssaHijazeen@nbk.com

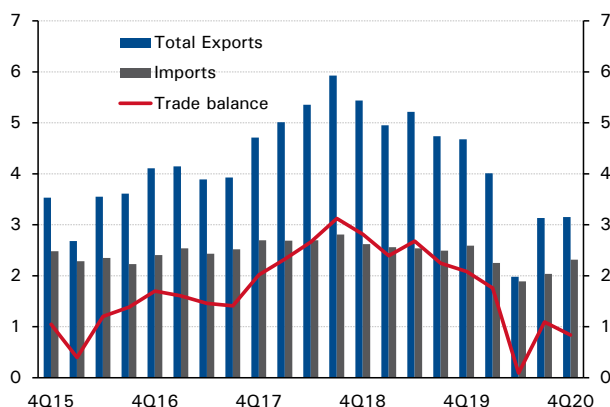
### Highlights

- Trade volumes continued to rise in 4Q20 driven particularly by higher imports; the trade surplus fell to 11% of GDP.
- Imports have continued to climb at a steady pace from their 2Q20 lows.
- Exports were relatively stable with both oil prices and production edging up only slightly.
- China was still Kuwait's main non-oil trading partner despite bilateral trade falling 5.3% y/y.

Kuwait's international trade in goods increased by 5.8% q/q in 4Q20, recovering from the Covid-19 shock as the broader economy improves, but still substantially below pre-pandemic levels. The rise was driven mainly by an increase in imports while exports were relatively stable, and as a result the trade balance fell to KD0.8 billion (around 11% of GDP). (Chart 1.) For 2020 as a whole, total trade fell by 30% from 2019 levels with oil exports impacted by the fall in oil prices, while trade disruptions and health containment measures affected domestic demand for foreign goods. The trade surplus eased to 12% of GDP, down from 23% in 2019.

▶ **Chart 1: Kuwait foreign trade in goods**

(KD billion)



Source: CSB

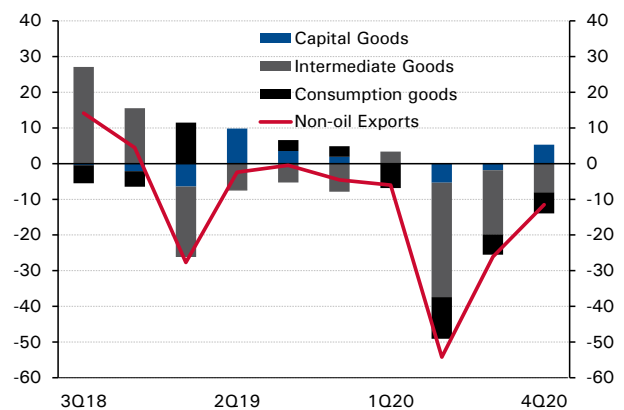
### Oil exports broadly steady in Q4

Total exports (domestic exports *plus* re-exports) remained relatively stable, up by 0.7% q/q driven by a 16.3% q/q increase in re-exports. Oil exports (89% of all exports) increased by 0.2% as oil production (2.3mb/d) and KEC oil prices (\$44.2/bbl.) edged up slightly. On the other hand, non-oil exports (including re-exports) rose 4.8% q/q though were still down significantly year-on-year. (Chart 2.)

The rise in non-oil exports (non-oil domestic exports plus re-exports) was driven by intermediate and capital goods, which surged 24% and 5.8% q/q, respectively, while consumer goods (24% of non-oil exports) fell by 7.4%. The increase in intermediate goods exports could reflect the regional recovery in manufacturing with the ease of health restrictions in 4Q20.

▶ **Chart 2: Non-oil exports**

(%, contribution to growth)



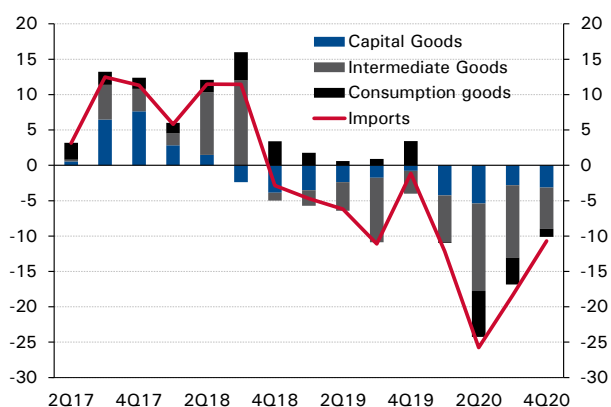
Source: CSB

### Imports continue to recover

Imports continued to rise at a steady pace from 2Q20 lows. Consumer goods (48% of total imports) were the main driver, increasing 16.9% q/q due to the notable rise in passenger cars, which doubled to reach KD0.2 billion, while durable goods also jumped. Intermediate goods imports also rose by 13.3% on higher processed industrial supplies. The overall increase in imports reflects the pent-up demand from several months of health restriction measures, the resumption of economic activities, which started in 3Q20, and the rise in re-exports.

**Chart 3: Imports**

(%, contribution to growth)



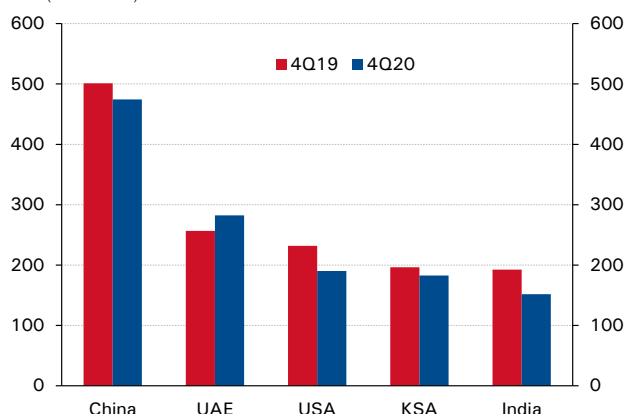
Source: CSB

### China remained the largest non-oil trading partner

The top five trade destinations accounted for 23% of total trade. (Chart 4.) China, the UAE, the United States, Japan, and Saudi Arabia were the main sources of imports (49% of total imports). As for non-oil exports, Saudi Arabia, China, the UAE were the main non-oil export destinations, following by Iraq and India.

**Chart 4: Kuwait top 5 trading partners\***

(KD million)



Source: CSB, NBK estimates

\* Total trade is equal to imports plus total non-oil exports

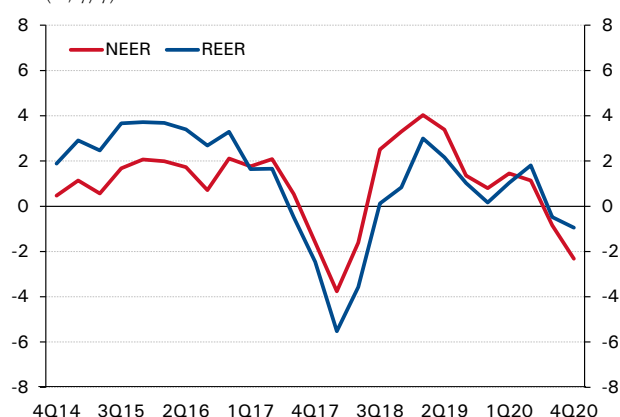
### Stability in the real exchange rate

The Kuwaiti Dinar remained broadly stable against the US dollar in 4Q20 as it depreciated mildly by 0.6% y/y in 4Q20. In addition, the nominal effective exchange rate (NEER) for the dinar against its major trading partners depreciated by 2.3% y/y, though remained broadly stable over the course of 2020 as a whole (Chart 5). The performance of other main currencies against the dinar were mixed during 4Q20: the Chinese yuan, the euro, and the British pound appreciated against the dinar by 6.5%, 7.9%, and 2.8% y/y, while the Indian rupee and the Turkish lira depreciated by 3% and 35%, respectively. The real effective exchange rate (REER), which takes into account inflation movements between Kuwait and its trading partners, depreciated mildly by 0.9% y/y compared with a 0.5%

depreciation in the previous quarter.

**Chart 5: Nominal and real effective exchange rate**

(%, y/y)



Source: IMF, CSB, NBK estimates

Looking ahead, Kuwait's exports should recover this year on higher KEC oil prices, which are expected to average around \$60/bbl, up from around \$41/bbl in 2020. In addition, imports may witness a steady if gradual recovery in 1H21 due to the recent tightening of health restrictions, moderate rates of non-oil economic growth and a potential continued decline in expatriate numbers. However, international trade activity will also hinge on the pandemic path and vaccination progress not only in Kuwait but also in Kuwait's trading partners.

► **Table 1: Kuwait External Trade, KD billion unless otherwise indicated**

								q/q			y/y		
	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	2Q20	3Q20	4Q20	2Q20	3Q20	4Q20
Total Exports	5.2	4.7	4.7	4.0	2.0	3.1	3.2	-50.7	58.3	0.7	-62.1	-33.9	-32.6
Domestic Exports	5.0	4.6	4.5	3.9	1.9	3.0	3.0	-50.8	58.0	0.0	-62.1	-33.9	-33.4
Oil exports	4.7	4.3	4.3	3.6	1.8	2.8	2.8	-51.2	58.2	0.2	-62.8	-34.8	-34.6
Non-oil exports	0.3	0.3	0.2	0.3	0.1	0.2	0.2	-45.3	56.4	-1.4	-50.4	-21.0	-12.5
Re-exports	0.2	0.2	0.2	0.1	0.1	0.1	0.1	-47.5	64.2	16.3	-60.1	-33.8	-9.9
Imports	2.5	2.5	2.6	2.3	1.9	2.0	2.3	-16.1	7.9	13.6	-25.6	-18.3	-10.7
Total Trade	7.8	7.2	7.3	6.3	3.9	5.2	5.5	-38.2	33.7	5.8	-50.1	-28.5	-24.8
Trade Balance	2.7	2.2	2.1	1.8	0.1	1.1	0.8	-94.9	-----	-23.4	-96.6	-51.3	-59.8

► **Trade by Standard International Trade Classification**

Total Exports	5.2	4.7	4.7	4.0	2.0	3.1	3.2	-50.7	58.3	0.7	-62.1	-33.9	-32.6
Capital Goods	0.1	0.1	0.0	0.0	0.0	0.0	0.1	-69.5	-----	24.1	-83.0	-13.6	33.0
Intermediate goods	5.0	4.6	4.5	3.9	1.9	3.0	3.0	-51.0	57.6	0.5	-62.3	-34.5	-33.5
Consumption goods	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-26.8	36.4	-7.4	-37.0	-20.9	-24.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-61.8	182.4	8.2	-62.8	8.6	14.2
Imports	2.5	2.5	2.6	2.3	1.9	2.0	2.3	-16.1	7.9	13.6	-25.8	-18.3	-10.7
Capital Goods	0.4	0.4	0.5	0.4	0.3	0.4	0.4	-19.9	25.7	5.1	-34.7	-15.5	-18.7
Intermediate goods	1.0	1.0	1.0	0.8	0.7	0.7	0.8	-18.6	2.9	13.3	-34.3	-29.7	-17.0
Consumption goods	1.1	1.0	1.2	1.0	0.9	1.0	1.1	-12.5	5.6	16.9	-13.4	-8.1	-2.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-65.3	-----	42.0	-62.9	-67.9	28.4

Source: CSB

## Head Office

### Kuwait

National Bank of Kuwait SAKP  
Shuhada Street,  
Sharq Area, NBK Tower  
P.O. Box 95, Safat 13001  
Kuwait City, Kuwait  
Tel: +965 2242 2011  
Fax: +965 2259 5804  
Telex: 22043-22451 NATBANK  
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 France SA  
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  
34h Floor, NBK Tower  
Shuhada'a street, Sharq Area  
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