

Monetary developments

Kuwait: August credit growth was steady at 3.2%; solid household credit

> Nembr Kanafani

Head of Research

+965 2259 5365, nemrkanafani@nbk.com

> Chaker El Mostafa

Economist

+965 2259 5356, chakermostafa@nbk.com

Credit saw a moderate gain in August, though growth continued to slow on basis effects. The month saw a net gain of KD 193 million in credit, as growth eased to 3.2% year-on-year (y/y). Most gains came from solid household borrowing and from some business sectors. Private deposits bounced back following a couple of months of decline. Meanwhile, interest rates held steady.

Household lending saw a second consecutive month of strength in August, with growth steady at 7.2% y/y. Personal facilities excluding securities lending added a net KD 118 million during the month, double the average monthly gains achieved in the first half of 2017.

Business credit (excluding nonbanks) saw a relatively modest gain in August, as the real estate sector weighed on growth. Credit added a net KD 83 million, with growth slipping to 1.4% y/y. Gains were largely limited to construction and "other sectors", which added KD 81 million and 82 million, respectively. These increases were partly offset by declines in real estate and oil & gas.

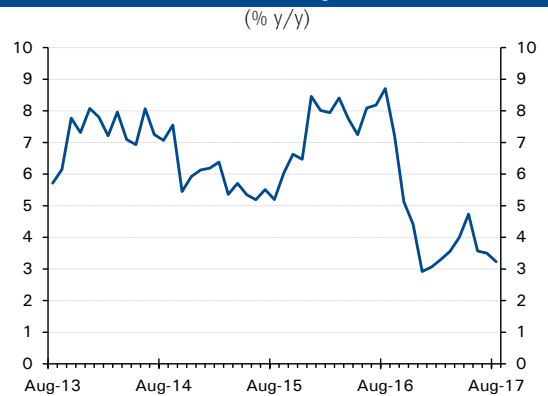
Despite apparent weakness in business credit, lending to "productive" business sectors remained relatively robust in August. While growth in this segment, which excludes real estate and financial sector lending, was unimpressive at 4.5% y/y, this was largely due to large settlements in 4Q16. By contrast, growth thus far in 2017 averaged an annualized 11%. The August gain in this portfolio topped a healthy KD 142 million, which is well above the average monthly gain of KD 99 million registered this year through August.

Private deposits bounced back in August following two months of declines. Deposits rose by KD 240 million on the back of gains in foreign currency deposits and KD time deposits. Some of this was offset by declines in KD sight and KD savings deposits. This helped push money supply (M2) growth higher to 2.9% y/y. Government deposits were flat, with growth slipping to 4.9% y/y.

The banking system's liquid reserves, or "excess liquidity", edged lower in August to 7.1% of bank assets. Bank reserves (cash, deposits with the CBK, and CBK bonds) decreased by KD 247 million to KD 4.4 billion (Chart 4). This coincided with KD 400 million in net issuance of public debt. This increased outstanding domestic public debt instruments (PDIs) to KD 4.57 billion, or an estimated 12% of GDP.

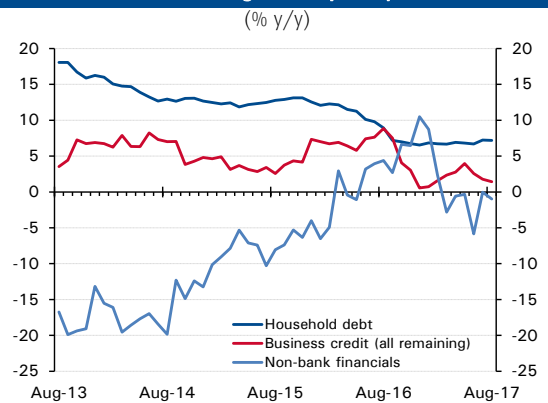
Domestic interest rates in August were little changed from July. The 3-month interbank rate edged up 2 basis points to settle at 1.74 (Chart 5); rates have slightly adjusted upwards since. Customer deposit rates were unchanged on the month.

Chart 1: Credit growth



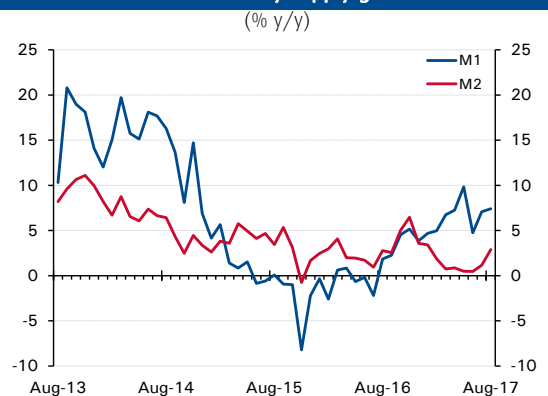
Source: Central Bank of Kuwait

Chart 2: Credit growth by component



Source: Central Bank of Kuwait

Chart 3: Money supply growth



Source: Central Bank of Kuwait

Table 1: Monetary indicators

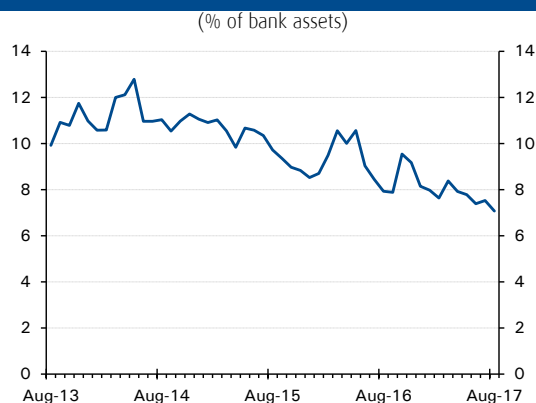
	Aug-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
Total system liquidity (M2)	36,313	341	0.9	-261	-0.7	1,023	2.9	
Currency in circulation	1,726	101	6.2	-85	-4.7	161	10.3	
Private sector deposits	34,588	240	0.7	-176	-0.5	862	2.6	
KD deposits	32,098	38	0.1	-190	-0.6	1,636	5.4	
Sight deposits	8,236	-107	-1.3	-531	-6.1	526	6.8	
Savings deposits	4,822	-25	-0.5	-65	-1.3	196	4.2	
Time deposits & CDs	19,040	170	0.9	406	2.2	915	5.0	
Foreign currency deposits	2,489	202	8.8	13	0.5	-774	-23.7	

Source: Central Bank of Kuwait

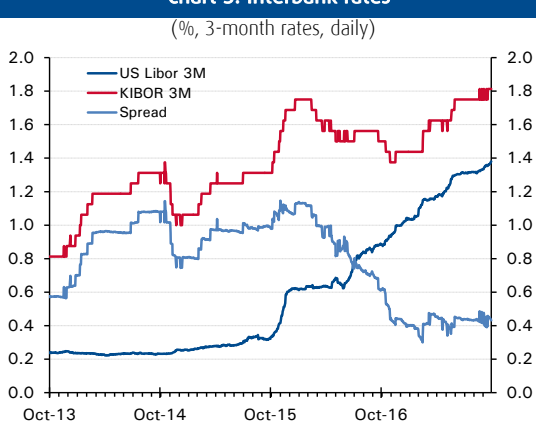
Table 2: Consolidated bank balance sheets

	Aug-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
Total bank assets	62,785	521	0.8	1,183	1.9	3,228	5.4	
Core liquid assets	4,442	-245	-5.2	-353	-7.4	-279	-5.9	
Cash and CBK deposits	790	100	14.5	-286	-26.6	-203	-20.4	
CBK bonds	2,982	-200	-6.3	-19	-0.6	-276	-8.5	
Time deposits with CBK	670	-145	-17.8	-48	-6.7	200	42.5	
Public debt instruments	4,809	612	14.6	662	16.0	2,229	86.4	
Interbank deposits	1,537	235	18.0	267	21.0	-110	-6.7	
Credit facilities	35,591	193	0.5	438	1.2	1,113	3.2	
Foreign assets	12,620	-179	-1.4	401	3.3	167	1.3	
Other assets	3,785	-95	-2.4	-232	-5.8	109	3.0	
Total bank liabilities	54,474	500	0.9	1,136	2.1	2,942	5.7	
Total deposits	43,196	496	1.2	293	0.7	1,121	2.7	
Private sector deposits	34,588	240	0.7	-176	-0.5	862	2.6	
Government deposits	7,101	-5	-0.1	187	2.7	331	4.9	
Interbank deposits	1,508	260	20.9	282	23.0	-73	-4.6	
Foreign liabilities	5,090	-110	-2.1	496	10.8	1,227	31.8	
Other liabilities	6,188	114	1.9	347	5.9	2,145	53.1	
Shareholder equity	8,312	22	0.3	47	0.6	286	3.6	

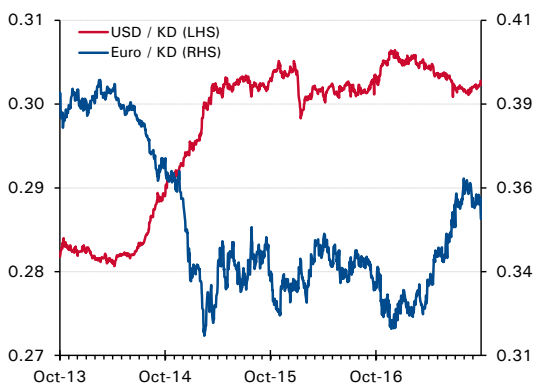
Source: Central Bank of Kuwait

Chart 4: Bank reserves


Source: Central Bank of Kuwait

Chart 5: Interbank rates


Source: Thomson Reuters Eikon, Central Bank of Kuwait

Chart 6: Exchange rates


Source: Thomson Reuters Eikon

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

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 Representative 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