

Monetary developments

Kuwait: Credit growth steady at 6.2%; drop in securities lending offsets gains

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

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

Credit saw a small increase in January, with growth steady at 6.2% y/y. Credit was up a mere KD 18 million during the month, with solid household and business credit growth offset by a drop in securities lending. Growth in business credit excluding securities lending accelerated to 5.8% y/y, but remained below the pace seen during the first three quarters of 2014. Money supply contracted on the back of a drop in private deposits. Deposit and interbank rates eased during the month.

Household debt maintained a strong pace, gaining KD 83 million, though growth eased slightly to 12.5% y/y. Most of the growth in household debt continued to come from installment loans, whose growth stood at 15% y/y. The strong growth in this segment continues to be driven by robust employment and household income trends, as well as strong demand for home purchases.

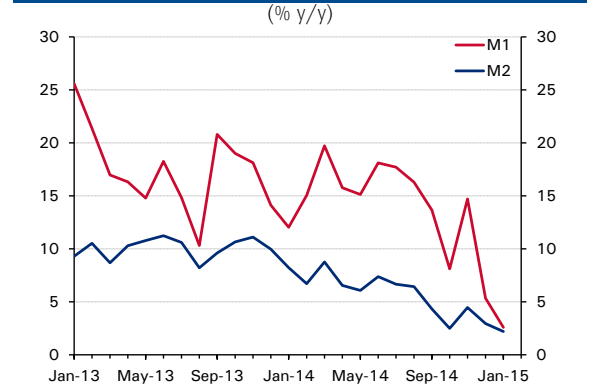
Credit to non-bank financials declined by KD 12 million, as deleveraging in this sector resumed. Nonbanks continued to deleverage, though the pace has been declining, reflecting a stabilization in volume. Credit to nonbank financials currently stands at KD 1.4 billion, almost half of its January 2009 value. January credit to the sector was down by 9.2% y/y.

Meanwhile, remaining credit declined by KD 54 million, though business credit excluding securities lending was robust. Lending for the purchase of securities, volatile on a monthly basis, was the main source of weakness, declining by KD 165 million in January. This was offset by healthy gains in trade, real estate and "other sectors". While business credit excluding securities lending saw a good month in January, growth remained weaker than during the same period a year before.

Broad money supply (M2) growth eased further in January to 2.2% y/y as deposits saw a decline. Private deposits were down by KD 402 million, which was split between KD time deposits, which declined by KD 261 million, and KD sight, off by KD 219 million. Growth in the narrower M1 measure of money supply fell to 2.6% y/y, its slowest pace since early 2012.

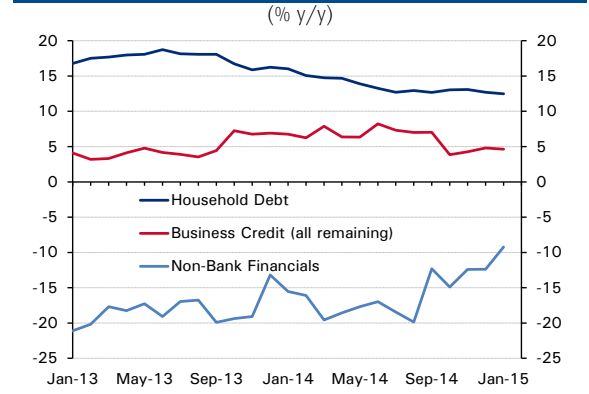
Average customer deposit rates on dinar time deposits saw small declines in January, as did interbank rates. The average rates on the 1-month, 3-month, 6-month and 12-month time deposits declined by 2-4 bps to 0.58%, 0.76%, 0.95% and 1.18%, respectively. KD interbank rates declined for a fourth consecutive month, with the 1-month KIBOR offer rate dropping by 10 bps to 0.88%.

Chart 1: Money supply growth



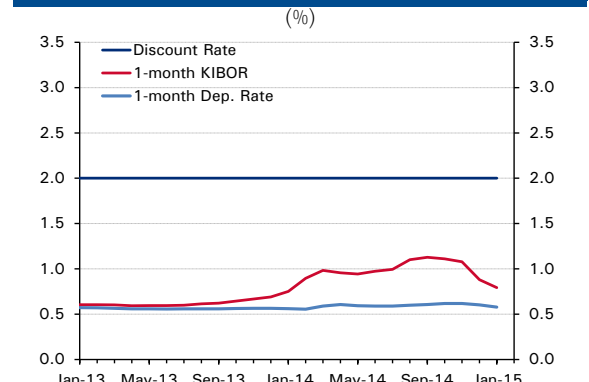
Source: Central Bank of Kuwait

Chart 2: Credit growth



Source: Central Bank of Kuwait

Chart 3: Interest rates



Source: Central Bank of Kuwait

Table 1: Monetary highlights

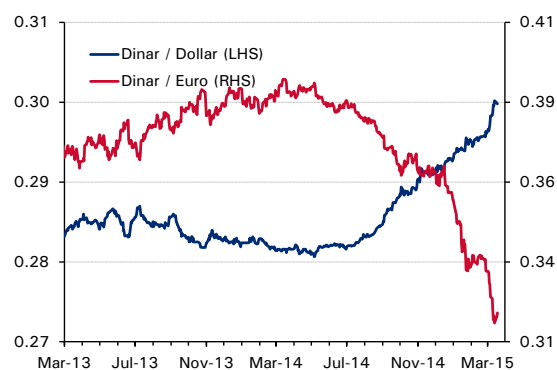
	Jan-15		1-month change		3-month change		12-month change	
	KD mn	%	KD mn	%	KD mn	%	KD mn	%
Total system liquidity (M2)	-471	-1.4	465	1.4	713	2.2	-471	
Currency in circulation	-69	-4.6	-55	-3.7	-51	-3.5	-69	
Private sector deposits	-402	-1.2	520	1.7	764	2.4	-402	
KD deposits	-498	-1.7	13	0.0	927	3.3	-498	
Sight deposits	-219	-2.7	111	1.4	282	3.8	-219	
Savings deposits	-18	-0.4	-73	-1.5	196	4.2	-18	
Time deposits & CDs	-261	-1.6	-25	-0.2	450	2.8	-261	
Foreign currency deposits	96	3.3	507	20.5	-164	-5.2	96	

Source: Central Bank of Kuwait

Table 2: Banking system highlights

	Jan-15		1-month change		3-month change		12-month change	
	KD mn	%	KD mn	%	KD mn	%	KD mn	%
Total bank assets	190	0.3	1,782	3.3	4,055	7.9	190	
Liquid assets	164	1.7	802	9.1	1,583	19.6	164	
Cash and CBK Balances	154	19.9	-198	-17.6	229	32.7	154	
CBK bonds	0	0.0	50	2.7	25	1.3	0	
Public debt instruments	1	0.1	3	0.2	60	4.0	1	
Local interbank deposits	224	12.5	637	46.5	907	82.5	224	
Time deposits with CBK	-215	-6.3	310	10.7	362	12.7	-215	
Credit facilities	18	0.1	391	1.3	1,806	6.2	18	
Trade	51	1.8	-21	-0.7	95	3.4	51	
Industry	4	0.2	-64	-3.5	-36	-2.0	4	
Construction	-7	-0.4	-62	-3.2	-27	-1.4	-7	
Agriculture & fishing	0	2.1	0	-0.7	-1	-3.9	0	
Non-bank financial	-12	-0.8	8	0.5	-142	-9.2	-12	
Personal facilities	-82	-0.7	275	2.3	1,018	9.0	-82	
Purchase of securities	-165	-5.8	-7	-0.3	-60	-2.2	-165	
Other personal facilities	83	0.9	282	3.0	1,079	12.5	83	
Real estate	11	0.1	85	1.1	360	4.8	11	
Crude oil & gas	-5	-1.3	85	26.4	199	95.0	-5	
Other sectors	52	2.6	39	1.9	272	15.2	52	
Foreign assets	4	0.0	790	7.3	1,085	10.2	4	
Other assets	4	0.1	-202	-5.4	-419	-10.5	4	
Total bank liabilities	158	5.2	1,710	13.4	3,901	60.8	158	
Total deposits	-80	-0.2	1,282	3.4	1,975	5.3	-80	
Private sector deposits	-402	-1.2	520	1.7	764	2.4	-402	
Government deposits	159	3.0	156	3.0	365	7.2	159	
Interbank deposits	224	12.5	637	46.5	907	82.5	224	
Foreign liabilities	23	0.5	188	4.5	1,041	31.7	23	
Other liabilities	215	4.9	240	5.5	885	23.8	215	
Shareholder equity	31	0.4	72	1.0	154	2.1	31	

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 178
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

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
Watani Investment Company KSC (c)
38th Floor, Arraya II Building
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904

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

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0352