

Monetary developments

Kuwait: Credit growth slowed to 4.3% in November on corporate repayments

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Bank credit contracted in November, with growth slowing to 4.3% year-on-year (y/y). The month had seen the completion of the KD 400 million acquisition of a stake in Zain by Omantel, which is thought to have resulted in some corporate repayments. Still, credit growth had been slowing already before this. Growth during the three months ending in October had slipped to an annualized 2.3%. Meanwhile, private deposits saw a decent increase in November.

Business credit was off in November, likely reflecting corporate repayments related to the Zain acquisition. Lending excluding credit to nonbanks and household credit dropped by KD 200 million, with growth slipping to 3.3% y/y. Most sectors saw credit lower or unchanged, with the main declines in lending for the purchase of securities (-KD 83 mn), real estate (-KD 50 mn), oil & gas (-KD 26 mn) and construction (-KD 26 mn). No business sector showed any noticeable gains during the month. (Chart 2.)

Growth in lending to “productive” business sectors was steady in November, holding on to a somewhat more robust pace of 6.1% y/y. Productive credit, which excludes real estate and financial sector lending, still dropped by KD 67 million in November. Nonetheless, growth has weakened in recent months, particularly on the heels of a stronger first half of 2017.

Household lending was the only sector to see noticeable gains in November. While personal facilities excluding securities lending rose a net KD 76 million during the month, this figure was slightly more modest than gains in recent months. Growth remained steady at 7.4% y/y (Chart 2).

Private deposits rose in November. The KD 336 million increase was largely on gains in foreign currency and KD sight deposits. Money supply (M2) growth rose to 2.9% y/y. Government deposits continued to decline, losing KD 197 million during the month, with growth slowing to 1.6% y/y. (Chart 3.)

The banking system’s liquid reserves edged higher in November. Bank reserves (cash, deposits with the CBK, and CBK bonds) increased by KD 375 million to KD 4.75 billion (Chart 4), rising to 7.6% of bank assets. This coincided with the absence of public debt issuance in November. As such, the amount of outstanding domestic public debt instruments (PDIs) was steady at KD 4.77 billion, or an estimated 12% of GDP.

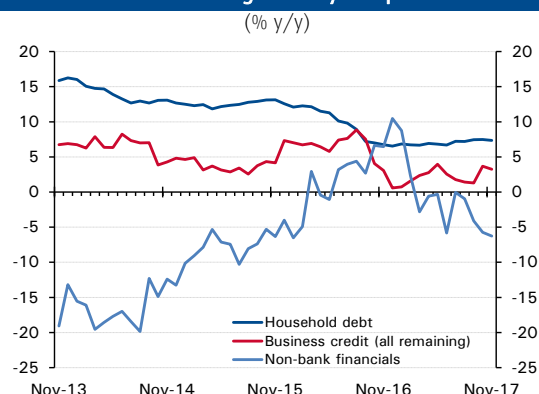
Domestic interest rates were little changed in November. The 3-month interbank rate edged up 1 basis point to settle at 1.8% (Chart 5), though rates have moved higher since. Customer deposit rates were unchanged on the month.

Chart 1: Credit growth



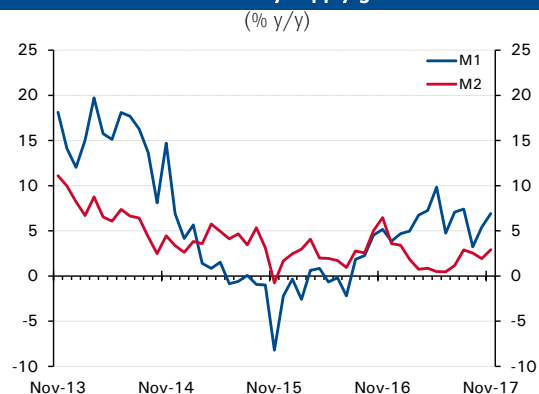
Source: Central Bank of Kuwait

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

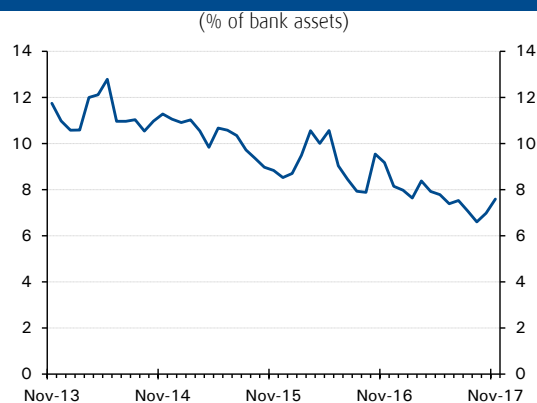
	Nov-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
Total system liquidity (M2)	36,723	404	1.1	410	1.1	1,041	2.9	
Currency in circulation	1,705	68	4.1	-20	-1.2	113	7.1	
Private sector deposits	35,018	336	1.0	431	1.2	929	2.7	
KD deposits	32,419	110	0.3	321	1.0	1,247	4.0	
Sight deposits	8,452	138	1.7	216	2.6	545	6.9	
Savings deposits	4,820	-8	-0.2	-2	0.0	126	2.7	
Time deposits & CDs	19,148	-20	-0.1	107	0.6	576	3.1	
Foreign currency deposits	2,599	226	9.5	110	4.4	-318	-10.9	

Source: Central Bank of Kuwait

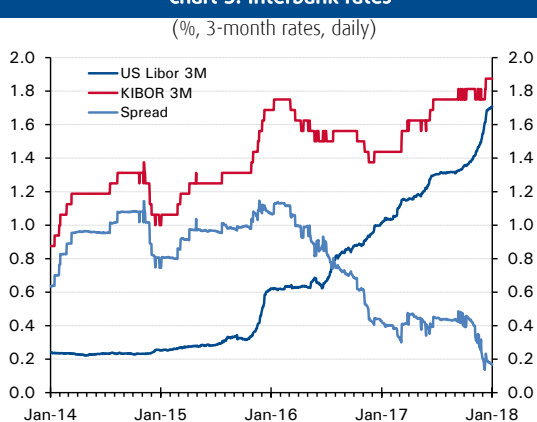
Table 2: Consolidated bank balance sheets

	Nov-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
Total bank assets	62,560	-103	-0.2	-225	-0.4	2,457	4.1	
Core liquid assets	4,749	375	8.6	307	6.9	-766	-13.9	
Cash and CBK deposits	927	9	1.0	137	17.4	-520	-36.0	
CBK bonds	2,722	100	3.8	-260	-8.7	-325	-10.7	
Time deposits with CBK	1,100	265	31.7	430	64.2	79	7.7	
Public debt instruments	5,033	5	0.1	224	4.7	1,847	58.0	
Interbank deposits	1,329	146	12.3	-209	-13.6	101	8.2	
Credit facilities	35,463	-140	-0.4	-128	-0.4	1,447	4.3	
Foreign assets	12,014	-513	-4.1	-606	-4.8	-454	-3.6	
Other assets	3,973	24	0.6	187	4.9	282	7.6	
Total bank liabilities	54,300	-72	-0.1	-174	-0.3	2,143	4.1	
Total deposits	42,859	158	0.4	-338	-0.8	1,046	2.5	
Private sector deposits	35,018	336	1.0	431	1.2	929	2.7	
Government deposits	6,686	-197	-2.9	-415	-5.8	108	1.6	
Interbank deposits	1,154	20	1.7	-354	-23.4	10	0.8	
Foreign liabilities	5,019	-326	-6.1	-71	-1.4	601	13.6	
Other liabilities	6,422	95	1.5	235	3.8	768	13.6	
Shareholder equity	8,261	-31	-0.4	-51	-0.6	314	3.9	

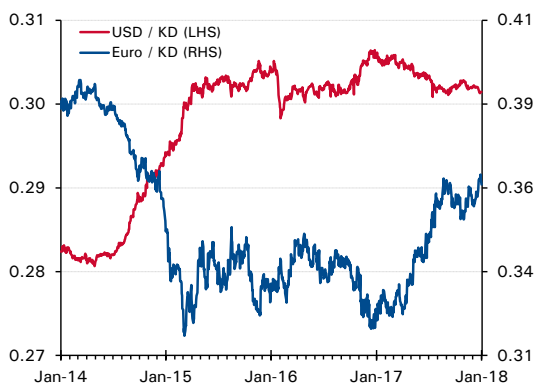
Source: Central Bank of Kuwait

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

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