

Monetary developments

# Kuwait: Credit was on the weaker side in October, with growth at 4.6% y/y

> Nembr Kanafani  
Head of Research  
+965 2259 5365, nemrkanafani@nbk.com

> Chaker El Mostafa  
Economist  
+965 2259 5356, chakermostafa@nbk.com

**Credit was weaker than expected in October**, though growth rose to 4.6% y/y on base effects. The month saw total credit contract by KD 220 million. (Chart 1.) While some of that was from the usual start-of-quarter drop in securities lending, there was additional weakness in some business sectors. Nonetheless, year-on-year (y/y) growth improved as the impact of last year’s Americana-related repayments faded. Private deposits saw a decline on the heels of two strong months.

**Household lending was the exception, seeing healthy gains in October.** Growth improved slightly to 7.5% y/y. (Chart 2.) Personal facilities excluding securities lending added a net KD 102 million during the month, a figure comparable to levels seen in the months before 2016 and well above the KD 72 million average recorded thus far in 2017.

**Business credit (excluding nonbanks) dropped by KD 322 million on the regular start-of-quarter drop in lending for the purchase of securities as well as weakness in some business sectors.** (Chart 2.) Securities lending fell by KD 213 million. Outside that, there were relatively large declines in “other sectors” (-KD 88 mn) and construction (-KD 59 mn). These were partly offset by gains in industry (+KD 24 mn) and trade (+KD 15 mn).

**Lending to “productive” business sectors was weak, though growth remained relatively robust at 5.7% y/y.** Productive credit, which excludes real estate and financial sector lending, dropped by KD 112 million during the month. The fading of the large Americana-related settlements made in October 2016 helped boost growth. Still, growth has been weaker in the last few months following a stronger first half of the year.

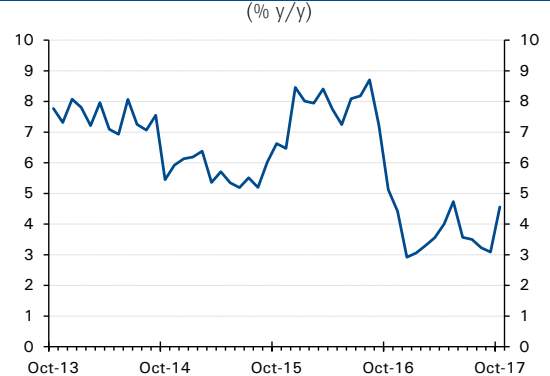
**Private deposits were off in October following two months of relatively strong gains.** Deposits fell by KD 263 million largely on declines in KD time (-KD 142 mn) and foreign currency deposits (-KD 151 mn). Money supply (M2) growth slipped slightly to 1.9% y/y. Government deposits also declined, losing KD 167 million, as growth slowed to 2.4% y/y. (Chart 3.)

**The banking system’s liquid reserves, or “excess liquidity”, edged higher in October to 7.0% of bank assets.** Bank reserves (cash, deposits with the CBK, and CBK bonds) increased by KD 200 million to KD 4.4 billion (Chart 4). This coincided with the absence of public debt issuance in October. As such, the amount of outstanding domestic public debt instruments (PDIs) dropped to KD 4.77 billion, or an estimated 12% of GDP.

**Domestic interest rates in October were little changed from September.** The 3-month interbank rate edged up 3 basis points to settle at 1.79% (Chart 5), though rates have moved higher since. Customer deposit rates were unchanged on the month.

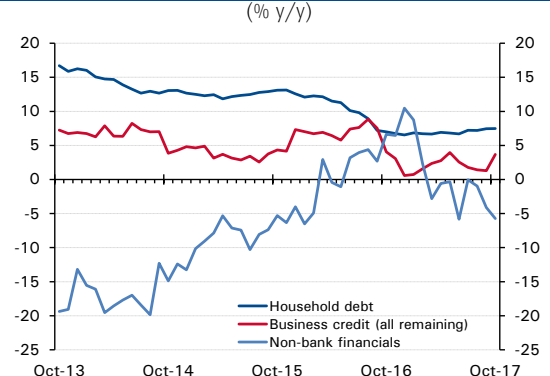
**More recently, the Central Bank of Kuwait (CBK) kept the discount rate unchanged following the US Fed’s much-anticipated rate hike on 13 December.** This was the second time the CBK holds off hiking its key rate during the current Fed cycle of rising rates; it did so also in June

Chart 1: Credit growth (% y/y)



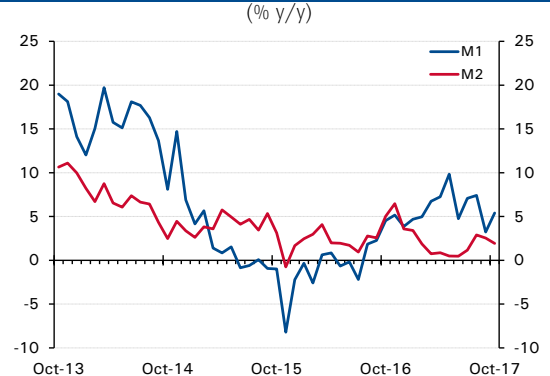
Source: Central Bank of Kuwait

Chart 2: Credit growth by component (% y/y)



Source: Central Bank of Kuwait

Chart 3: Money supply growth (% y/y)



Source: Central Bank of Kuwait

2017. However, the CBK again indicated it might continue to take steps to push bank deposit rates higher while keeping bank lending rates unchanged. The CBK explained that, in keeping the discount rate at 2.75%, it sought to avoid stifling non-oil growth while continuing to take further action to maintain the dinar's attractiveness. In this vain, the CBK increased its coupon rate on 3-month bills issued on 19 December by 25 bps to 2%.

**Table 1: Monetary indicators**

	Oct-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
<b>Total system liquidity (M2)</b>	<b>36,320</b>	<b>-244</b>	<b>-0.7</b>	<b>348</b>	<b>1.0</b>	<b>687</b>	<b>1.9</b>	
Currency in circulation	1,638	19	1.2	13	0.8	37	2.3	
Private sector deposits	34,682	-263	-0.8	334	1.0	650	1.9	
						1,13		
KD deposits	32,309	-112	-0.3	249	0.8	4	3.6	
Sight deposits	8,313	-12	-0.1	-30	-0.4	474	6.0	
Savings deposits	4,829	42	0.9	-18	-0.4	179	3.8	
Time deposits & CDs	19,168	-142	-0.7	297	1.6	481	2.6	
Foreign currency deposits	2,373	-151	-6.0	85	3.7	-484	-16.9	

Source: Central Bank of Kuwait

**Table 2: Consolidated bank balance sheets**

	Oct-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
<b>Total bank assets</b>	<b>62,663</b>	<b>-468</b>	<b>-0.7</b>	<b>399</b>	<b>0.6</b>	<b>2,614</b>	<b>4.4</b>	
Core liquid assets	4,374	206	4.9	-312	-6.7	1,358	-23.7	
Cash and CBK deposits	917	120	15.1	228	33.1	-511	-35.8	
CBK bonds	2,622	40	1.6	-560	-17.6	-496	-15.9	
Time deposits with CBK	835	45	5.7	20	2.5	-351	-29.6	
Public debt instruments	5,028	-196	-3.8	623	14.1	2,044	68.5	
Interbank deposits	1,183	-173	-12.7	-120	-9.2	-95	-7.4	
Credit facilities	35,603	-220	-0.6	204	0.6	1,552	4.6	
Foreign assets	12,527	-61	-0.5	-272	-2.1	116	0.9	
Other assets	3,949	-24	-0.6	276	7.5	354	9.9	
<b>Total bank liabilities</b>	<b>54,372</b>	<b>-458</b>	<b>-0.8</b>	<b>403</b>	<b>0.7</b>	<b>2,345</b>	<b>4.5</b>	
Total deposits	42,700	-608	-1.4	0	0.0	737	1.8	
Private sector deposits	34,682	-263	-0.8	334	1.0	650	1.9	
Government deposits	6,884	-167	-2.4	-222	-3.1	163	2.4	
Interbank deposits	1,135	-178	-13.6	-113	-9.1	-76	-6.3	
Foreign liabilities	5,344	84	1.6	144	2.8	1,069	25.0	
Other liabilities	6,327	65	1.0	260	4.3	729	13.0	
<b>Shareholder equity</b>	<b>8,292</b>	<b>-10</b>	<b>-0.1</b>	<b>-4</b>	<b>-0.1</b>	<b>269</b>	<b>3.4</b>	

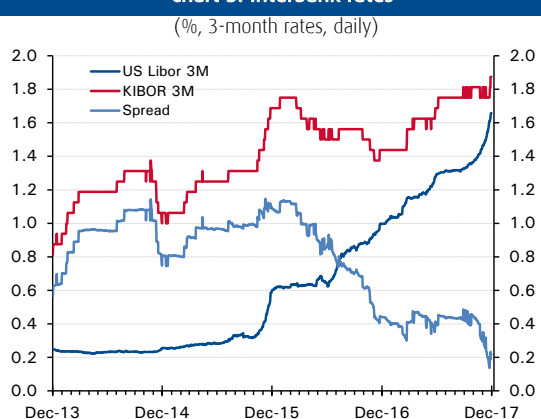
Source: Central Bank of Kuwait

**Chart 4: Bank reserves**



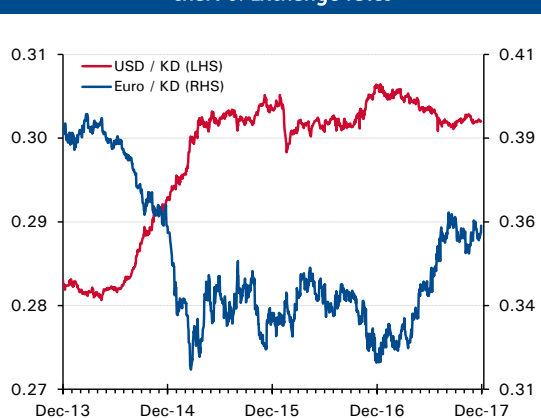
Source: Central Bank of Kuwait

**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](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 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