

Public finance

# Kuwait: Public spending remains solid even amid lower oil revenues

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**Government spending remained solid ten months into the fiscal year of 2014/15 (FY14/15) even as revenues fell.** Government spending was up 12.6% year-on-year (y/y) and stood at KD 11.9 billion fiscal-year-to-date (fytd) in January. Both current and capital spending witnessed healthy gains. Revenues growth continued to trend downwards on the back of lower oil prices.

**The government's interim surplus was at KD 10.4 billion, considerably lower than the KD 16.0 billion surplus witnessed during the same period a year ago.** At this rate, the government surplus is forecast to log in a smaller surplus of approximately KD 4.1 billion for the full FY14/15 ending in March 2015. This would be the smallest surplus in six years. However, at around 8.7% of GDP it remains large by global standards.

**Current spending expanded by 11.2% in January and came in at KD 10.9 billion fytd.** "Miscellaneous expenditures & transfers", which include military salaries and transfers to the social security fund, rose by 8.9% to KD 5.7 billion fytd. Wages & salaries grew by 6.7% to KD 3.0 billion fytd; the smaller component of spending "goods & services" was up by a strong 26% and was at KD 2.1 billion fytd.

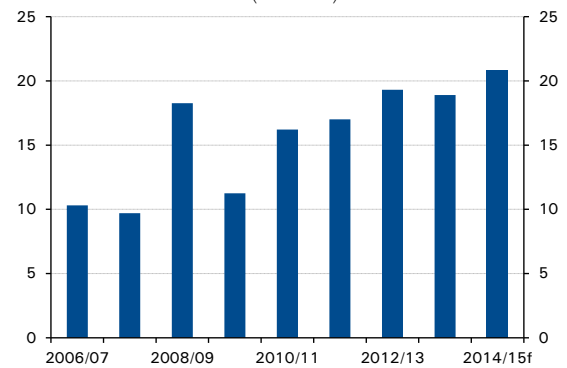
**Capital expenditures have been historically higher for the most part of FY14/15, on the back of greater progress on the project execution front.** Capital spending expanded by a solid 29% to KD 1.1 billion fytd in January. At 46% of the full-year budget, it remains higher than the 5-year average of 41%. Although "vehicles & equipment" spending, one of capital spending's major components, declined by 4.3% in January, it was more than offset by the robust 32% growth rate penciled in by the "projects, maintenance & land purchases" component.

**Government revenues remained on a downward trajectory in January as oil prices continued to slide.** Total revenues fell by 16% to KD 22.4 billion fytd, as oil revenues continued to decline. But at 111% of the full-year budget, total revenues are still higher than the conservative budget estimates.

**Oil revenues declined by 17.3% y/y in January, due to a drop in oil prices and a smaller decline in oil production.** In the ten months to January, Kuwait's export crude (KEC) price averaged \$88 per barrel, 14% lower than the corresponding period a year ago. Production fell by 3% and averaged 2.86 million barrels per day.

Chart 1: Total spending

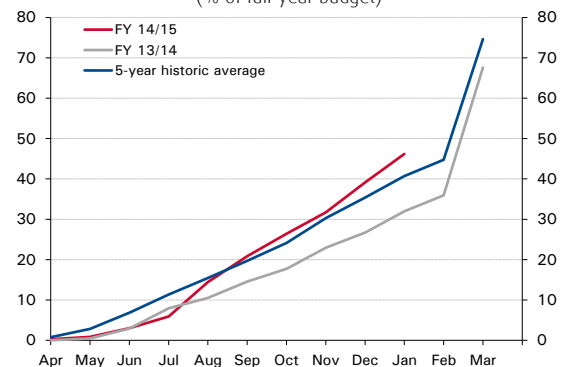
(KD billion)



Source: Ministry of Finance, NBK estimates

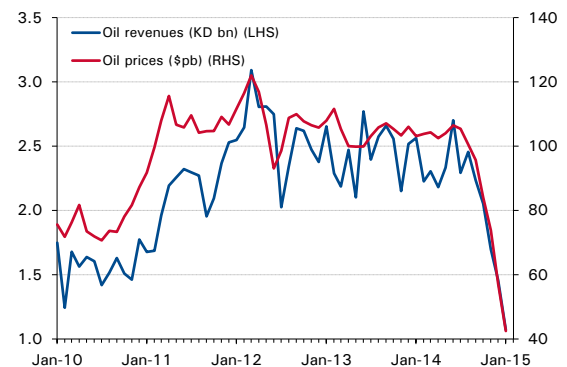
Chart 2: Capital spending

(% of full-year budget)



Source: Ministry of Finance

Chart 3: Oil revenues and prices



Source: Ministry of Finance, Kuwait Petroleum Corporation

**Table 1: Government revenues and expenditures**

	Actual (10 months)			Actual to full-year budget (10 months)	
	FY14/15	FY13/14	% y/y	FY14/15	Average <sup>1</sup>
	KD bn	KD bn			%
<b>Revenues</b>	<b>22.4</b>	<b>26.6</b>	<b>-16.0</b>	<b>111.4</b>	<b>175.4</b>
Oil	20.5	24.8	-17.3	108.9	183.3
Non-oil	1.9	1.9	0.7	148.9	114.2
<b>Expenditures</b>	<b>11.9</b>	<b>10.6</b>	<b>12.6</b>	<b>51.3</b>	<b>51.7</b>
Wages & salaries	3.0	2.8	6.7	54.2	52.8
Goods & services	2.1	1.7	26.0	53.9	51.7
Vehicles & equipment	0.07	0.07	-4.3	23.1	25.0
Projects, maint. & land	1.0	0.8	32.1	49.5	43.5
Miscellaneous & transfers	5.7	5.2	8.9	50.1	54.5
<b>Balance</b>	<b>10.4</b>	<b>16.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
After RFFG	4.9	9.4	-	-	-
<i>Note:</i>					
Current expenditures <sup>2</sup>	10.9	9.8	11.2	51.9	51.4
Capital expenditures	1.1	0.8	29.0	46.2	40.7
Oil production (mbpd)	2.856	2.943	-3.0	-	-
Oil prices (\$/bbl, KEC)	88.3	103.4	-14.6	-	-

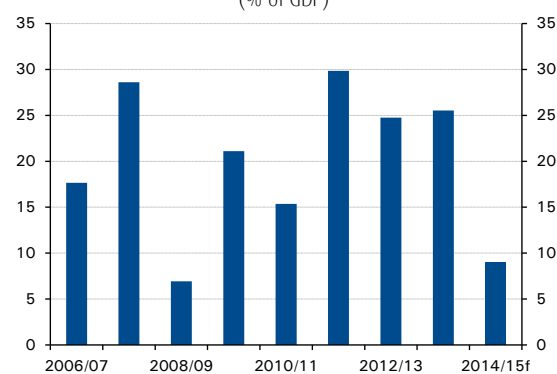
Source: Ministry of Finance, NBK estimates

<sup>1</sup> 5-year average for comparable period.

<sup>2</sup> Includes the wages & salaries, goods & services, and miscellaneous & transfers categories.

**Chart 4: Budget balance**

(% of GDP)



Source: Ministry of Finance, NBK estimates

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