

# Kuwait: Non-oil activity accelerates in Q3 but overall growth slows due to oil cuts

### Highlights

- **Headline growth slows in Q3 2019 to 0.4% y/y as oil sector activity declines due to Kuwait's OPEC+ production cut obligations.**
- **Official data show non-oil activity accelerating to 7.8% y/y, but as in the past, this will likely be revised when the annual growth data is compiled.**

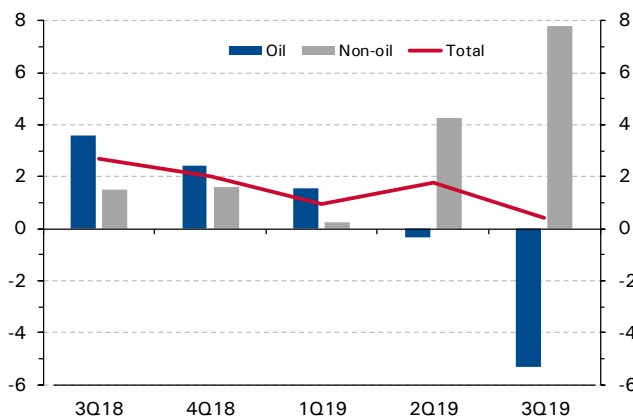
### Headline growth slows on reduced oil sector output

Preliminary GDP data from the Kuwait's Central Statistical Bureau (CSB) show's that economic growth slowed in Q3 2019 to 0.4% y/y (-0.7% q/q) from 1.8% in Q2 2019. (Chart 1.)

This is the slowest rate since the first quarter of 2018, and due mainly to a decline in oil sector output related to Kuwait's OPEC+ production cut obligations. Oil sector activity fell 5.3% y/y (-0.6% q/q), which correlated perfectly with the fall in oil production over the same time period (-5.3% y/y), from 2.78 mb/d in 3Q18 to 2.64 mb/d in Q3 2019.

▶ **Chart 1: Real GDP growth**

(% y/y)



Source: Central Statistical Bureau (CSB)

Kuwait has routinely produced less crude than its OPEC+ quota, notching up a compliance rate of 182% in Q3 2019. Continuing maintenance issues at Kuwait's giant 1.7 mb/d Burgan oil field has also been a contributing factor. Burgan may get some respite if Kuwait and Saudi Arabia can bring on line oil production from the Partitioned Neutral Zone (PNZ) in 2020 now that the two countries have signed an agreement to restart production from the Khafji and Wafra fields, which they share equally.

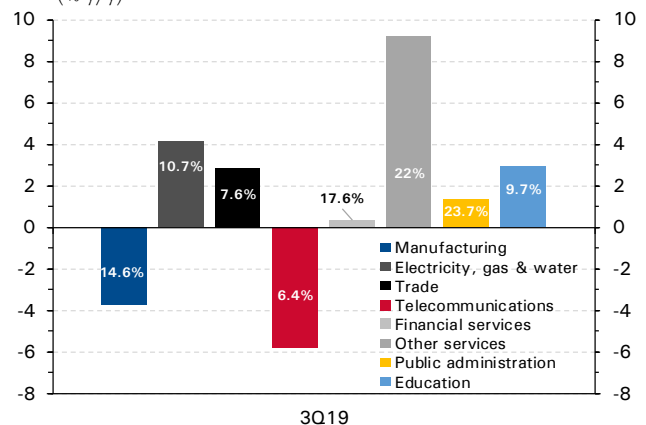
### Non-oil activity boosted by services and real estate

Non-oil activity, on the other hand, was robust in Q3 2019, with raw data showing a growth rate of 7.8% y/y (-0.9% q/q). This is almost twice the rate of growth in Q2 2019, which will be revised down when the annual growth rate is officially published. (Chart 2.)

The main growth drivers were the 'other services' sector, which includes real estate (+9.2% y/y) and electricity, gas and water (+4.1% y/y), which typically goes up during the summer months, followed to a lesser extent by education (+2.9% y/y), trade (+2.9% y/y) and public administration (+1.3% y/y). Sectors that were contracting in 3Q19 include: manufacturing (-3.7% y/y); construction (-7.3% y/y); telecommunications (-5.8% y/y); and transport (-9% y/y).

▶ **Chart 2: Non-oil sector GDP growth**

(% y/y)



Source: CSB; sector shares in brackets are >100% before subtracting FISIM/taxes

As noted above, due to differences in the way the national accounts are compiled and calculated for the annual and quarterly GDP series, once seasonally volatile sub-components such as 'taxes and subsidies' are account for, the level of non-oil growth is usually revised down. On this basis, Q3 2019 non-oil growth would have been in the more moderate 1-2% range.

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