

# Kuwait's trade surplus narrowed on low oil exports in 1H20

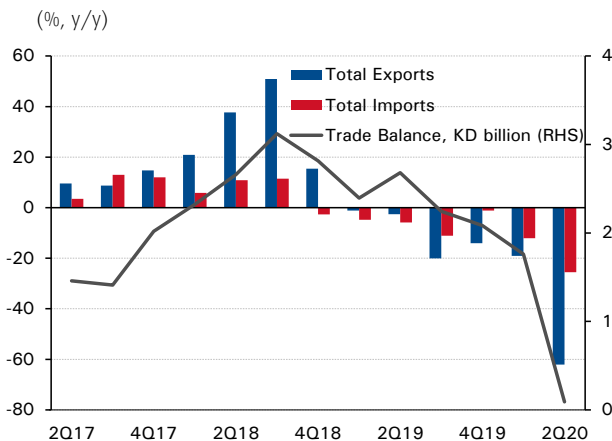
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### Highlights

- Trade volume witnessed a sharp decline of 34% y/y in 1H20 due to the economic disruptions brought by Covid-19.
- Oil exports fell by 42% y/y as the price of Kuwait Export Crude plummeted to an average of \$39/bbl.
- The decline in imports by 18.8% was largely attributed to virus-linked lockdowns, which saw companies scale down operations resulting in weak demand for imported goods.
- China was Kuwait's largest trade partner despite the decline in bilateral trade volume by 24% y/y in 1H20.

Kuwait's international trade was adversely affected by the economic disruptions brought by Covid-19, which resulted in a dramatic decline in trade (imports plus exports) of 34% y/y during 1H20, according to the Central Statistical Bureau (CSB). (Chart 1.) Moreover, the trade surplus narrowed 64% to KD1.8 billion, from KD5.1 billion in 1H19. Oil exports, which constituted around 90% of total exports fell by 42% y/y in 1H20 as the price of Kuwait Export Crude (KEC) plummeted to \$39/bbl on average, while imports declined by 18.8% during the same period.

▶ **Chart 1: Kuwait foreign trade**



Source: CSB, NBK estimates

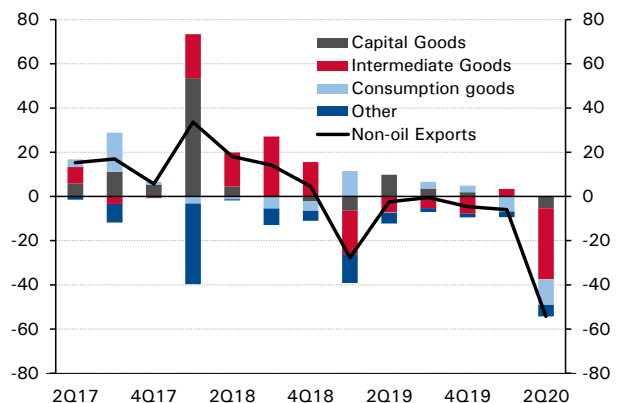
### Total exports declined on low oil prices

The decline in oil exports by 42% y/y in 1H20 was affected the most by the plunge of the KEC oil price by 63% in 2Q20 compared with a 16.5% decline in the previous quarter. Meanwhile, in terms of economic categories, intermediate goods (63% of total non-oil exports) decreased by 26% y/y in 1H20, while capital goods (10%) fell by 53%. (Chart 2.) In addition, consumption goods (26%), declined by 33%, partially due to the Ministry of Trade and Industry decision to ban exports

of all kinds of goods, food products, medicines, medical supplies and equipment without prior approval in early March.

▶ **Chart 2: Non-oil exports**

(%, y/y)



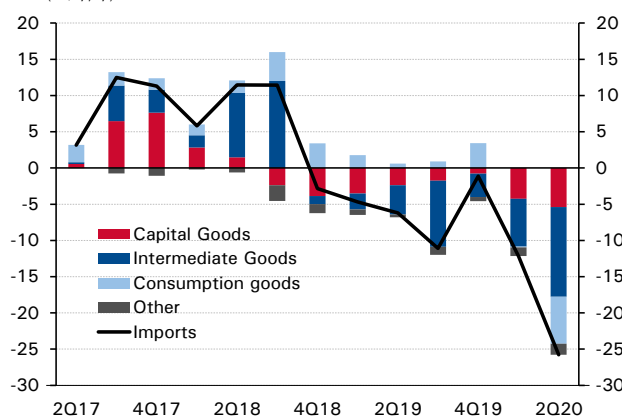
Source: CSB, NBK estimates

### Imports suffered from trade disruptions

Trade disruptions had a clear impact on imports. The decline in imports was largely attributed to the lockdowns, which saw companies scale down operations resulting in weak demand for imported goods. Capital goods, which include industrial and transport equipment, declined by 30% y/y in 1H20. (Chart 3.) In addition, the decline of 26% in intermediate goods (37% of imports) will have a direct impact on manufacturing activities as primary and processed industrial supplies plummeted by 26%. Moreover, consumption goods (47%) witnessed a softer contraction of 6.8% with food and beverages for households relatively unchanged, while durable goods fell by 38%.

**Chart 3: Imports**

(%, y/y)



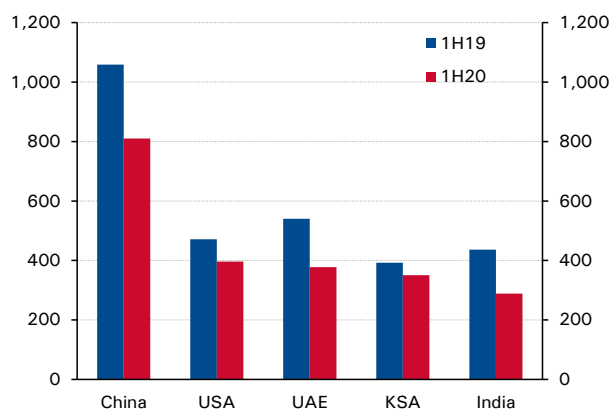
Source: CSB, NBK estimates

### China remains the main trading partner

Imports from the top five source countries (China, USA, UAE, Japan, and Saudi Arabia), which accounted for 47% of total imports, witnessed a decline of 20% y/y during 1H20. On the other side, the top five destinations for non-oil exports (Saudi Arabia, China, India, the UAE, and Iraq), which account for 63% of total non-oil exports, declined by 35%. China ranked first as the largest trade partner for Kuwait despite the decline in the trade value of 24%.

**Chart 4: Kuwait top 5 trading partners\***

(KD million)



Source: CSB, NBK estimates

\* Total trade is equal to imports plus total exports

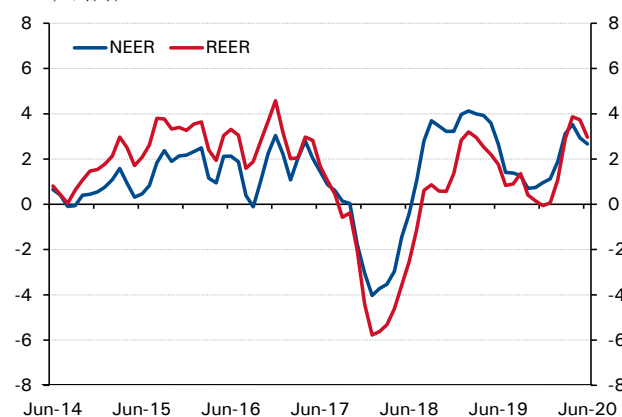
### Mild real exchange rate appreciation

During 1H20, the Kuwaiti dinar appreciated 2.5% y/y against the currencies of major trading partners. (Chart 5.) This appreciation has been rather more pronounced against the yuan, euro, rupee, and the Turkish lira (depreciating by 3.7%, 2.9%, 6.0%, and 15.4% y/y, respectively), almost equivalent to the dinar appreciation against the US dollar. Meanwhile, the Real Effective Exchange Rate (REER) appreciated moderately by 2.4% y/y during 1H20 compared with an appreciation of 2.6% in the corresponding period of 2019. The changes in the REER were dominated by the nominal exchange movements of Kuwait's

trading partners, while inflation differentials have had little impact as inflation in Kuwait averaged 1.8% y/y in H1, relatively close to inflation in trading partners' countries, which witnessed an increase of 1.9% during the same period.

**Chart 5: Nominal and Real effective exchange rate**

(%, y/y)



Source: IMF, CSB, NBK estimates

► **Table 1: Kuwait External Trade, KD billion unless otherwise indicated**

	2017	2018	1H19	1H20	y/y		
					1H18	1H19	1H20
Total Exports	16.7	21.7	10.2	6.0	29.0	-1.9	-41.1
Domestic Exports	16.1	21.1	9.8	5.8	28.9	-1.9	-41.2
Oil exports	15.0	19.7	9.3	5.4	28.8	0.0	-42.1
Non-oil exports	1.0	1.4	0.5	0.4	30.3	-26.1	-25.5
Re-exports	0.6	0.6	0.4	0.2	33.2	-2.8	-39.4
Imports	10.2	10.7	5.1	4.1	8.3	-5.3	-18.8
Total Trade	26.9	32.4	15.3	10.1	21.1	-3.1	-33.7
Trade Balance	6.5	10.9	5.1	1.8	62.6	1.8	-63.5

► **Trade by Standard International Trade Classification**

Total Exports	16.7	21.7	10.2	6.0	28.5	-1.9	-41.1
Capital Goods	0.2	0.2	0.1	0.1	147.2	-24.0	-53.1
Intermediate goods	16.0	21.1	9.8	5.8	28.7	-2.0	-41.1
Consumption goods	0.5	0.4	0.2	0.2	-12.8	16.9	-32.9
Other	0.0	0.0	0.0	0.0	65.5	-22.8	-26.6
Imports	10.2	10.7	5.1	4.1	8.6	-5.3	-18.9
Capital Goods	2.2	2.1	0.9	0.7	10.3	-16.0	-30.2
Intermediate goods	4.1	4.5	2.1	1.5	12.2	-7.8	-26.1
Consumption goods	3.9	4.1	2.1	2.0	4.3	2.9	-6.8
Other	0.0	0.0	0.0	0.0	-40.3	14.1	-20.6

Source: CSB

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