

Kuwait: Credit growth pace picked up in 1Q19

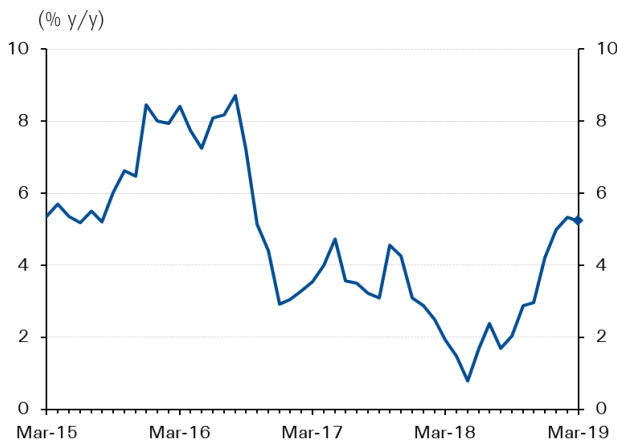
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Highlights

- Credit growth picked up to 5.2% y/y in 1Q19 on stronger lending to both businesses and households.
- Lending to businesses rose 6.1% y/y in 1Q19, up from 5.2% y/y in 4Q18.
- Growth in household borrowing reached 5.6% y/y due to robust growth in both housing and consumer loans.
- Private deposits grew by 5.1% y/y in 1Q19, while government deposits dropped by 11.5% y/y.

Credit growth edged higher to 5.2% in 1Q19 from 4.2% in 4Q18 (chart 1). This was supported by stronger lending to both businesses and households, as well as the usual end-of-quarter jump in lending for the purchase of securities. Growth in deposits decelerated to 2.4% y/y in 1Q19 from 3.2% y/y in 4Q18, due mainly to a drop in government deposits by 11.5% y/y.

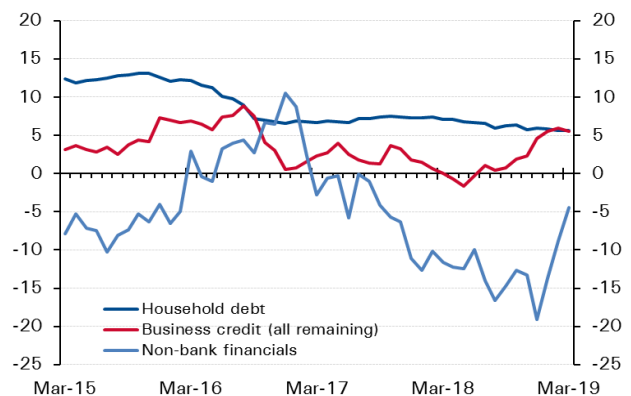
▶ **Chart 1: Credit growth**



Source: Central Bank of Kuwait

Lending to businesses rose 6.1% y/y in 1Q19, up from 5.2% y/y in 4Q18. This was driven mainly by a significant improvement in lending to real estate (4.9% y/y) and trade sector (3.9% y/y). Business confidence was supported by an environment of higher average oil prices in the 1Q19 that may have helped to boost confidence and enhance the appetite for credit.

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

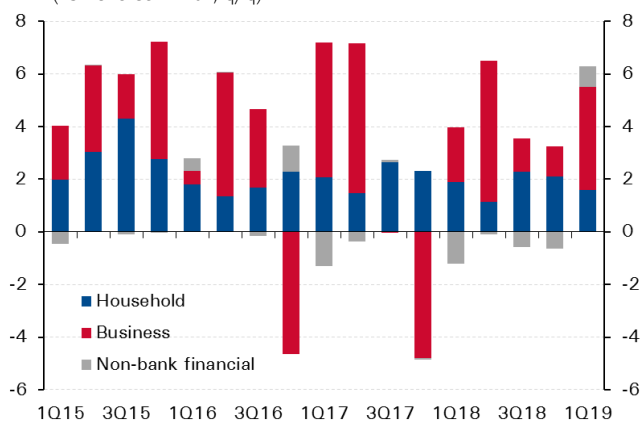


Source: Central Bank of Kuwait

Household borrowing decelerated to 5.6% in 1Q19 from 6% y/y in 4Q18, driven by a slowdown in housing loans to 5.4% y/y from 6.8% y/y last quarter. Meanwhile, growth in consumer loans continued its upward trend to 7.8% y/y in 1Q19, the fastest pace in more than four years. This likely benefited from the new CBK's loosening of lending restrictions (November 2018), which increase the maximum limits of non-housing loans to 25 times the salary or a maximum of KD 25,000 (up from 15 times or maximum of 15,000 KD). Regarding non-bank financial institutions, the pace of deleveraging recorded slowed in 1Q19, reaching -4.4% y/y from -19.1% y/y in 4Q18.

▶ **Chart 3: Credit growth by component**

(KD hundred million, q/q)

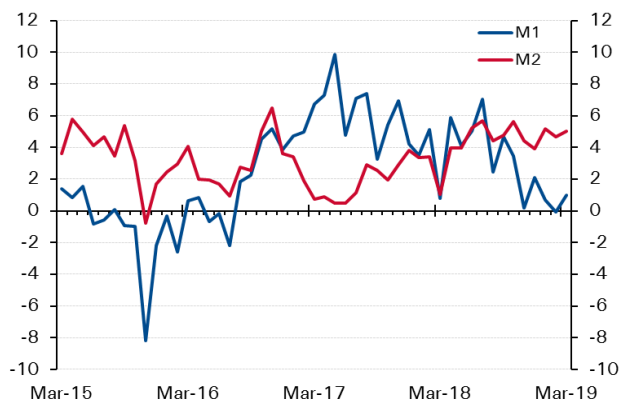


Source: Central Bank of Kuwait

Private deposits grew by 5.1% y/y in 1Q19, up from 4.1% in 4Q18, due to the rise in both time deposits (7.6% y/y) and foreign currency deposits (6.5% y/y). Meanwhile, government deposits dropped by 11.5% y/y in 1Q19, despite an increase of 2.6% m/m in March. As such, the money supply (M2) increased by 5% y/y, up from 3.9% in 4Q18. (Chart 4).

▶ **Chart 4: Money supply growth**

(% y/y)



Source: Central Bank of Kuwait

► **Table 1: Monetary indicators**

	KD mn				% m/m				% y/y			
	Dec18	Jan19	Feb19	Mar19	Dec18	Jan19	Feb19	Mar19	Dec18	Jan19	Feb19	Mar19
Total system liquidity (M2)	38,606	38,597	38,681	38,947	0.7	0.0	0.2	0.7	3.9	5.2	4.7	5.0
Currency in circulation	1,755	1,742	1,806	1,803	1.6	-0.7	3.7	-0.1	0.5	4.4	4.5	4.6
Private sector deposits	36,851	36,855	36,875	37,144	0.7	0.0	0.1	0.7	4.1	5.2	4.7	5.1
KD deposits	34,235	34,165	34,167	34,387	0.8	-0.2	0.0	0.6	4.8	5.4	5.2	4.9
Sight deposits	8,624	8,388	8,484	8,689	2.1	-2.7	1.1	2.4	2.4	-0.1	-1.0	0.3
Savings deposits	4,991	5,068	5,105	5,100	0.6	1.5	0.7	-0.1	2.8	2.2	2.5	2.7
Time deposits & CDs	20,620	20,708	20,578	20,599	0.3	0.4	-0.6	0.1	6.3	8.6	8.7	7.6
Foreign currency deposits	2,617	2,690	2,708	2,757	-0.9	2.8	0.7	1.8	-4.3	3.2	-1.2	6.5

► **Table 2: Consolidated bank balance sheets**

	KD mn				% m/m				% y/y			
	Dec18	Jan19	Feb19	Mar19	Dec18	Jan19	Feb19	Mar19	Dec18	Jan19	Feb19	Mar19
Total bank assets	66,545	65,944	66,383	67,431	1.9	-0.9	0.7	1.6	4.9	5.1	5.0	5.6
Core liquid assets	6,181	6,189	6,118	6,290	-2.6	0.1	-1.1	2.8	23.1	21.3	15.9	18.5
Cash and CBK deposits	1,625	1,672	1,921	2,064	15.0	2.9	14.9	7.4	48.8	31.2	38.4	32.3
CBK bonds	3,001	3,001	3,001	2,971	0.0	0.0	0.0	-1.0	3.7	3.8	-1.0	-2.2
Time deposits with CBK	1,555	1,515	1,195	1,255	-19.6	-2.6	-21.1	5.0	50.2	62.1	39.0	76.8
Public debt instruments	3,862	3,862	3,760	3,715	0.1	0.0	-2.6	-1.2	-23.7	-23.6	-24.1	-23.1
Interbank deposits	1,839	1,292	1,789	1,964	53.4	-29.8	38.5	9.8	46.5	18.2	32.9	65.2
Credit facilities	36,861	36,975	37,136	37,421	0.9	0.3	0.4	0.8	4.2	5.0	5.3	5.2
Foreign assets	13,803	13,515	13,403	13,954	3.8	-2.1	-0.8	4.1	8.4	9.8	7.7	7.3
Other assets	3,999	4,112	4,177	4,087	-2.5	2.8	1.6	-2.1	0.8	4.0	5.6	2.5
Total bank liabilities	57,608	56,988	57,425	58,219	1.8	-1.1	0.8	1.4	5.1	5.4	5.2	5.3
Total deposits	45,101	44,451	44,346	44,933	2.6	-1.4	-0.2	1.3	4.0	4.2	3.1	3.8
Private sector deposits	36,851	36,855	36,875	37,144	0.7	0.0	0.1	0.7	4.1	5.2	4.7	5.1
Government deposits	6,633	6,507	5,876	6,026	5.3	-1.9	-9.7	2.6	-1.5	-1.4	-10.4	-11.5
Interbank deposits	1,617	1,089	1,596	1,763	55.3	-32.7	46.6	10.5	31.3	6.5	31.0	59.5
Foreign liabilities	6,091	5,989	6,503	6,818	-0.5	-1.7	8.6	4.8	8.8	5.5	13.4	13.1
Other liabilities	6,417	6,548	6,575	6,468	-1.3	2.1	0.4	-1.6	10.2	13.6	12.3	7.9
Shareholder equity	8,937	8,956	8,958	9,212	2.2	0.2	0.0	2.8	3.7	3.7	3.5	7.3

Source: Central Bank of Kuwait

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