

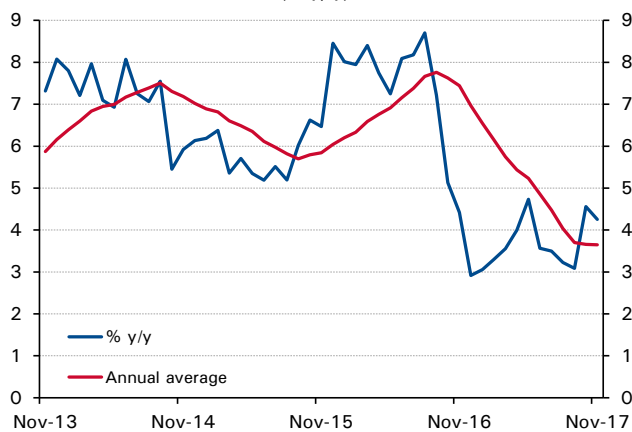
Macroeconomy

# Kuwait: Deficit could narrow to 9% of GDP in 17/18; inflation slows to 1.1%

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- Credit growth stood at 4.3% y/y in November, weakened slightly by a large corporate repayment that month.
- Inflation was subdued during 4Q17 on soft housing prices; the annual rate slipped to 1.1% y/y in December.
- Oil prices continued to climb in January, with Kuwait's price averaging \$65.7 per barrel during the month.
- The deficit is expected to narrow to 9% of GDP in FY17/18 thanks to a rally in oil prices since mid-2017.
- Consumer confidence maintained a much-improved level at 110 in December.
- Equities started the year strong, gaining 2.6% in January. They had closed 2017 with a 5.6% rise.
- Real estate sales saw overall improvement in 2017, though basis effects in December hit growth at year-end.
- The dinar continued to decline on a weaker USD, with its trade-weighted value down 1.7% in January.

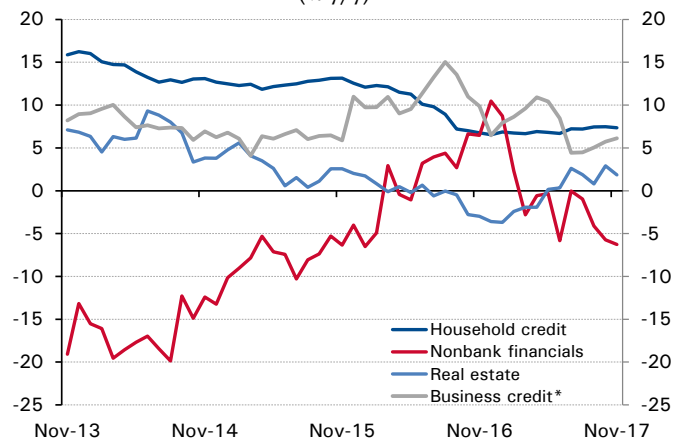
Private credit  
(% y/y)



Credit growth stood at 4.3% y/y in November, weakened slightly by a large corporate repayment that month.

Source: Central Bank of Kuwait

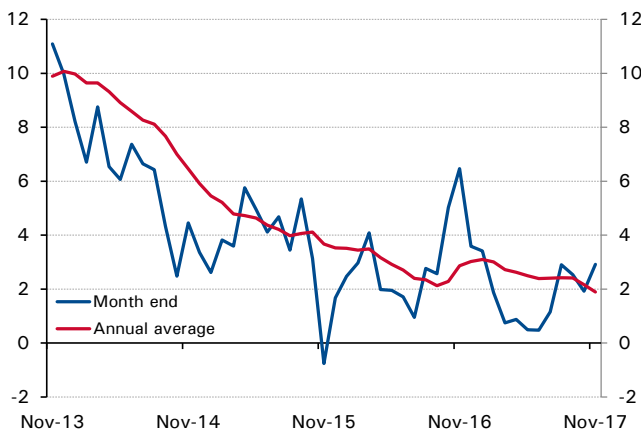
Credit by sector  
(% y/y)



Business credit growth held up at 6.1% y/y in November, while household debt growth remained steady at 7.4% y/y.

Source: CBK; \*Excludes loans to nonbanks, real estate, households and for purchase of securities

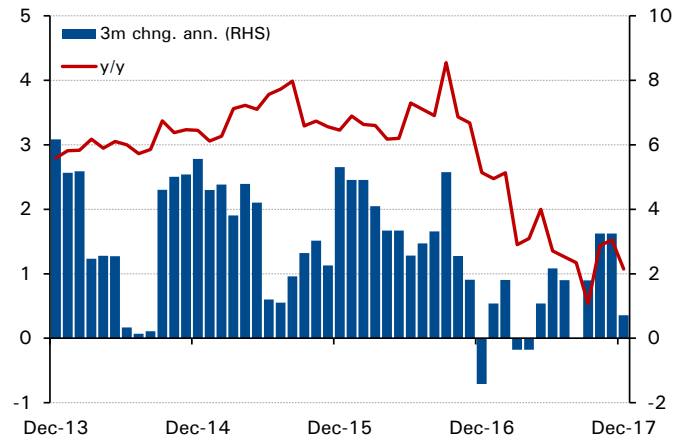
Money supply (M2)  
(% y/y)



Money supply (M2) growth maintained a more rapid pace in November than earlier in the year at 2.9% y/y.

Source: Central Bank of Kuwait

Consumer price inflation  
(% y/y)

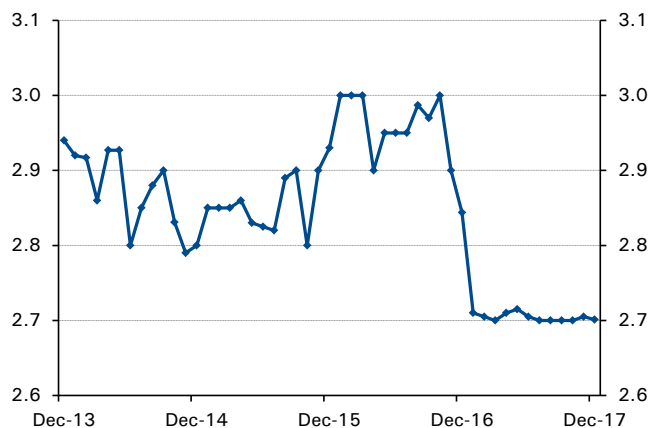


Inflation was subdued during 4Q17 on soft housing prices; the annual rate slipped to 1.1% y/y in December.

Source: Central Statistical Bureau; \*NBK estimates

### Crude oil production

(million barrels per day)



Oil output remained steady in December at the 2.7 million barrels per day average targeted under the OPEC agreement.

Source: OPEC

### Oil price and monthly oil revenues

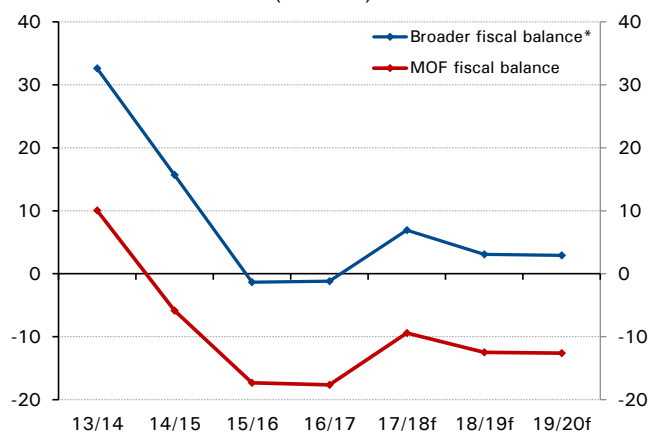


Oil prices continued to climb in January, with Kuwait's crude price averaging \$65.7 per barrel during the month.

Source: Ministry of Finance, Kuwait Petroleum Corporation

### Fiscal balance

(% of GDP)



The fiscal deficit is expected to narrow to KD 3.6 billion (9% of GDP) in FY17/18 thanks to a rally in oil prices since mid-2017.

Source: MOF, NBK estimates; \*Before FGF transfer and incl. inv. Income.

### Central bank reserves

(months of imports)

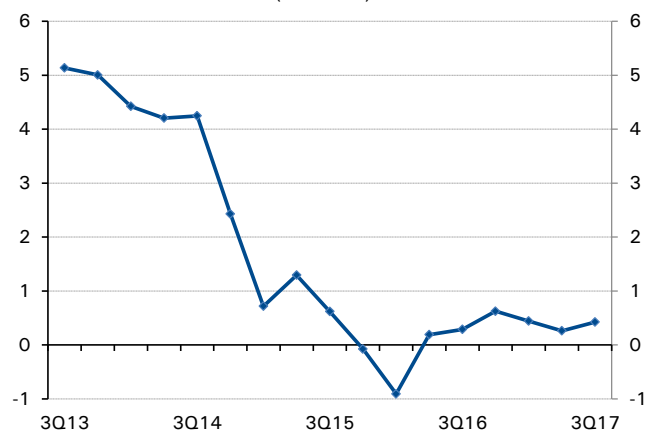


CBK reserves were steady in November at KD 9.1 billion, or an estimated 11 months of imports.

Source: Central Bank of Kuwait, NBK estimates

### Current account balance

(KD billion)

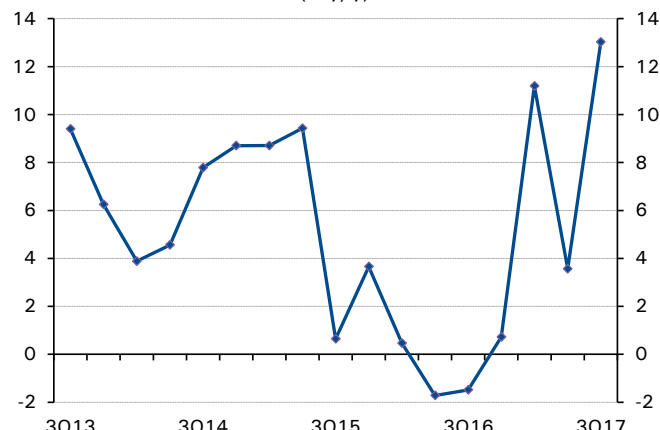


The current account surplus was steady at KD 0.4 billion in 3Q17 as higher oil prices were offset by strong import growth.

Source: Central Bank of Kuwait

### Imports growth

(% y/y)

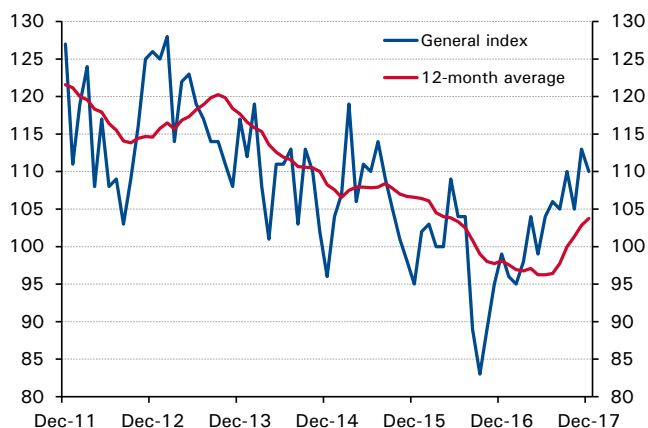


Import growth was robust in 3Q17 at 13% y/y, supported by capital goods and improvement in consumer spending.

Source: Central Statistical Bureau

### Consumer confidence

(index)

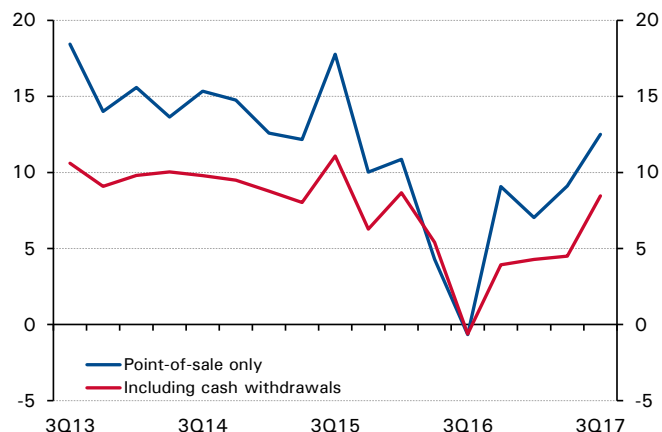


Consumer confidence maintained a much-improved level at 110 in December.

Source: Ara Research & Consultancy

### Card transactions

(% y/y)

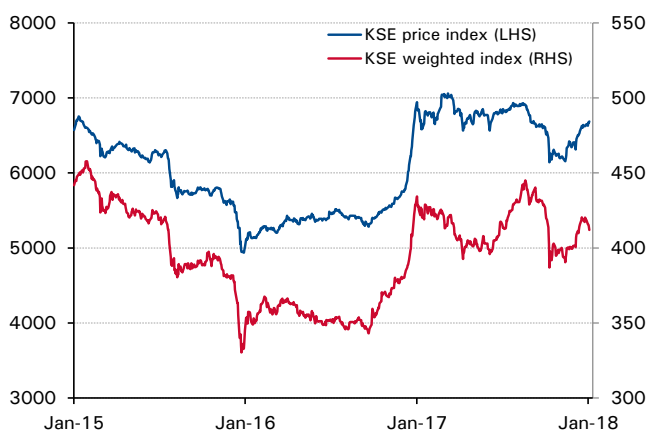


Growth in consumers' card spending accelerated to 12.5% y/y in 3Q17, in line with the broad improvement in the sector.

Source: Central Bank of Kuwait

### Stock market

(index)



Equities started the year strong, gaining 2.6% in January. They had closed 2017 with a 5.6% rise.

Source: Boursa Kuwait, Thomson Reuters Datastream

### Real estate sales

(% y/y, 3-month average)

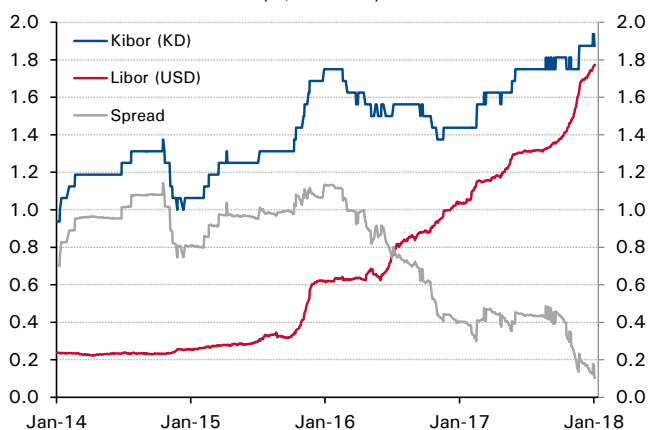


Real estate sales saw overall improvement in 2017, though basis effects in December hit growth at year-end.

Source: Ministry of Justice

### Interbank rates

(%, 3-month)



Local interbank rates rose in recent months as US rate hikes impacted the local market; the 3-month Kibor rose to 1.94%.

Source: Central Bank of Kuwait, Thomson Reuters Datastream

### Dinar exchange rate



The dinar continued to decline in January on a weaker USD; the trade-weighted dinar index was 1.7% lower on the month.

Source: Central Bank of Kuwait, Thomson Reuters Datastream

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