

Summary of the Key Local Monetary and Banking Indicators

December 2023

This monthly bulletin recaps on the key monetary and banking developments in the State of Kuwait as at the end of 2023 compared to the corresponding period of 2022. Following are the most prominent highlights:

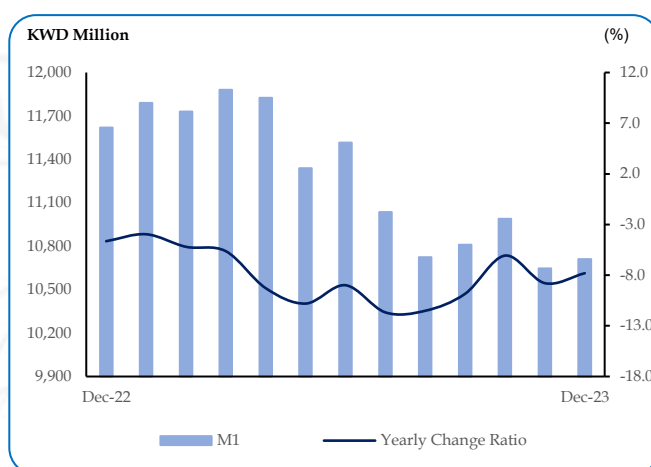
- Money Supply in its Broad Sense (M2) increased by 1.0% to KWD 38.99 billion.
- The total local banks' assets grew by KWD 3.18 billion (3.8%).
- The net foreign assets in the local banks increased by KWD 1.86 billion (17.9%).
- The utilized cash portion of credit facilities to residents increased by KWD 0.82 billion (1.7%).
- The total residents' deposits with local banks went up by KWD 1.82 billion (3.9%). Likewise, the resident private sector's deposits increased by KWD 0.43 billion i.e. 1.2% (KWD deposits increased by KWD 0.39 billion and deposits in foreign currency by KWD 0.04 billion).
- The total value of transactions using plastic cards increased by KWD 3.61 billion (8.6%).

I- Monetary Developments (Money Supply)

1. Money Supply (M1):

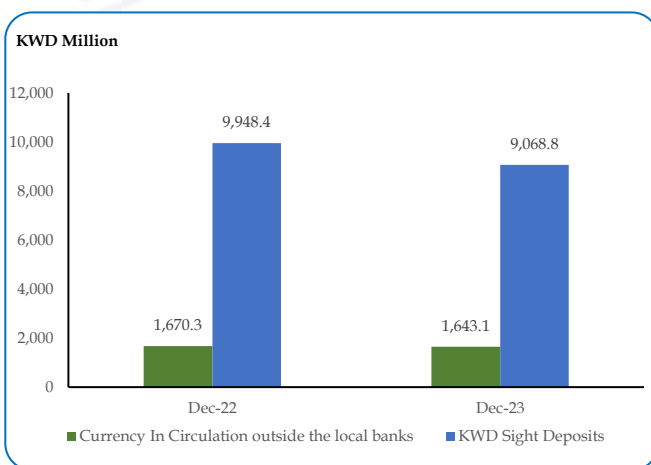
Money Supply in its Narrow Sense "Narrow Money" (M1) contracted by KWD 0.91 billion (7.8%) to KWD 10.71 billion at the end of December 2023 against KWD 11.62 billion at the end of the comparative month.

Figure (1): Narrow Money (M1)



This was attributed to the decrease in both KWD sight deposits by KWD 0.88 billion (8.8%) to KWD 9.07 billion, and currency in circulation outside the local banks by KWD 0.03 billion (1.6%) to KWD 1.64 billion.

Figure (2): Narrow Money Components



2. Developments and Components of Money Supply (M2):

M2 increased by KWD 0.40 billion (1.0%) to KWD 38.99 billion at the end of December 2023 against KWD 38.58 billion at the end of the comparative month. This gain resulted from the rise in Quasi-Money (KWD saving deposits, KWD time deposits and deposits in foreign currency) by KWD 1.31 billion (4.9%) on one end, and the decline in Narrow Money (M1) by KWD 0.91 billion (7.8%) on the other. This was the smallest change rate during the comparison period.

Figure (3): Broad Money (M2)

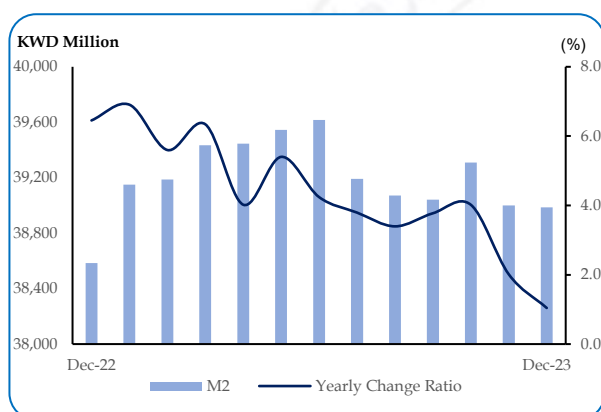
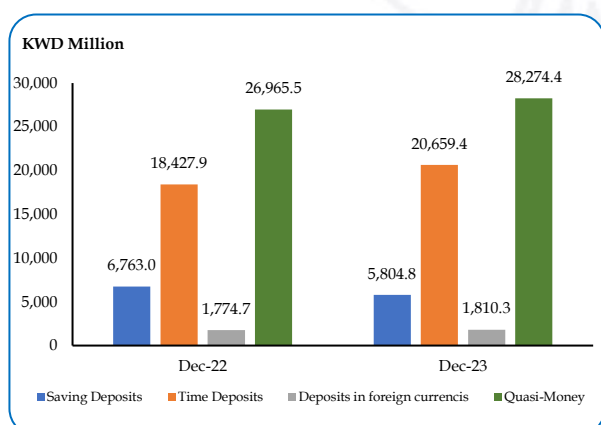


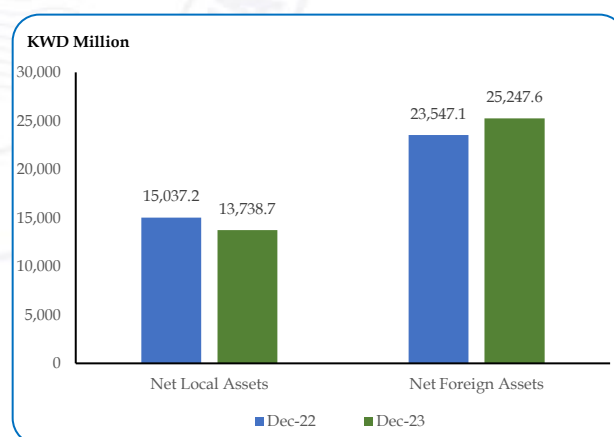
Figure (4): Components of Quasi-Money



Considering the combined monetary survey of CBK and the local banks, (M2) can be calculated according to the factors affecting it, namely (a) Net Local Assets (that includes net claims of CBK and local banks on government, public institutions and private sector **minus** government's deposits and accounts, and other "net"), and (b) Net Foreign Assets with CBK and local banks.

The relevant data indicate that the rise in M2 by the end of December 2023 was driven by the increase in net foreign assets by KWD 1.70 billion, i.e. 7.2% (as a result of the increase in net foreign assets with local banks by KWD 1.86 billion, i.e. 17.9% and the decline in net foreign assets with CBK by KWD 0.16 billion, i.e. 1.2%) on one end, and the decrease in the net local assets by KWD 1.30 billion, i.e. 8.6% on the other.

Figure (5): Factors affecting Broad Money (M2)

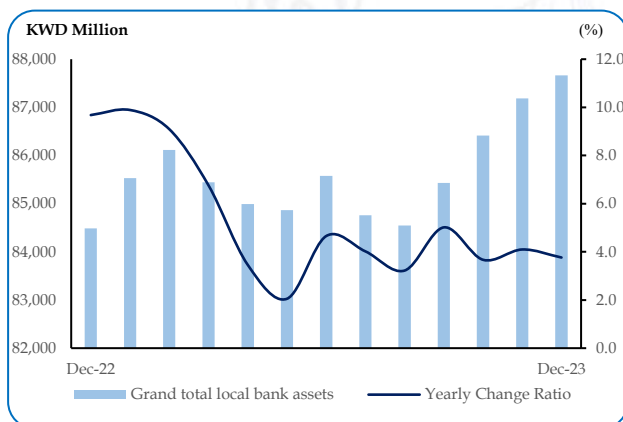


II- Banking Developments (at the Activity Level of Local Banks and their Branches inside the State of Kuwait)

1. Local Banks' Assets:

Total assets of local banks grew by KWD 3.18 billion (3.8%) to KWD 87.67 billion at the end of December 2023 against KWD 84.49 billion at the end of the comparative month. This was mainly driven by the rise in **foreign assets** by KWD 2.11 billion (9.3%) to KWD 24.86 billion, and in **claims on private sector** by KWD 1.06 billion (2.4%) to KWD 45.17 billion. Likewise, **claims on CBK** increased by KWD 0.24 billion (3.3%) to KWD 7.71 billion, while **claims on public institutions** increased by KWD 0.13 billion (3.7%) to KWD 3.73 billion.

Figure (6): Local Banks' Total Assets

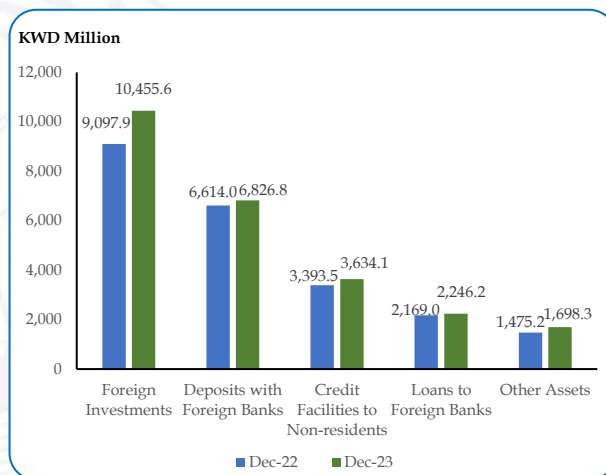


On another front, claims on government, interbank deposits, loans to banks and other assets fell by 16.4%, 8.5%, 7.8%, and 1.1%, respectively.

The components of foreign assets and claims on private sector can be detailed as follows:

- **Foreign assets** accounted for 28.4% of the local banks' total assets at the end of December 2023, higher than the average percentage (27.1%) for the period from the end of December 2022 to the end of December 2023. This came from the rise in the balances of all components; foreign investments, credit facilities to non-residents, loans to foreign banks, deposits with foreign banks, and other assets by 14.9%, 7.1%, 3.6%, 3.2%, and 15.1%, respectively.

Figure (7): Components of Foreign Assets



- **Claims on private sector** represents the main source of local banks' assets. These claims accounted for 51.5% of the local banks' total assets in December 2023 against 52.2% at the end of December 2022. It is worth noting that the highest percentage during the comparison period reached 52.8% at the end of August 2023 while the lowest reached 51.4% at the end of February 2023.

The following table shows the total assets of local banks by main components:

Table (1): Local Banks' Total Assets by Main Components (KWD Million)

Description	December 2022	December 2023	Change		to Total (%)
			Value	(%)	
Claims on CBK	7,469.7	7,713.8	244.1	3.3	8.8
Claims on Government	522.4	436.7	-85.7	-16.4	0.5
Claims on Public Institutions*	3,595.8	3,729.7	133.9	3.7	4.3
Claims on Private Sector, of which:	44,108.8	45,170.0	1,061.2	2.4	51.5
Credit Facilities to Residents	42,118.4	42,892.4	774.0	1.8	48.9
Foreign Assets	22,749.6	24,861.0	2,111.4	9.3	28.4
Loans to Banks	1,170.4	1,078.8	-91.7	-7.8	1.2
Local Interbank Deposits	1,867.9	1,708.3	-159.6	-8.5	1.9
Other Assets	3,001.6	2,968.6	-33.0	-1.1	3.4
Total Assets	84,486.2	87,666.8	3,180.6	3.8	100.0

* These are financial/non-financial institutions wholly or partially (50% and above) owned by the government.

Data indicate that **net foreign assets with local banks increased** by KWD 1.86 billion (17.9%) to KWD 12.21 billion at the end of December 2023 against KWD 10.35 billion at the end of the comparative month.

This rise was mainly due to the increase in foreign assets by KWD 2.11 billion (9.3%) against a smaller increase in foreign liabilities by KWD 0.26 billion (2.1%).

Figure (8): Net Foreign Assets in Local Banks

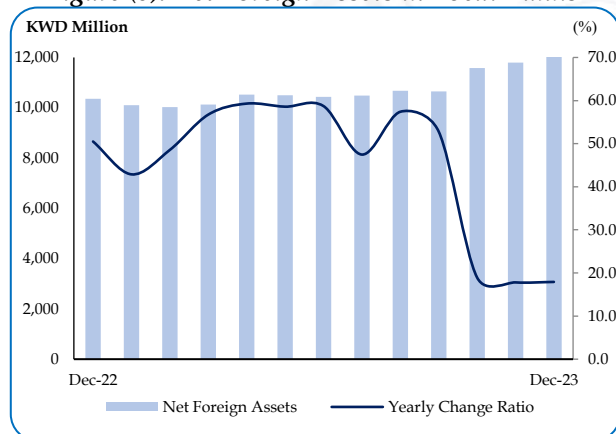
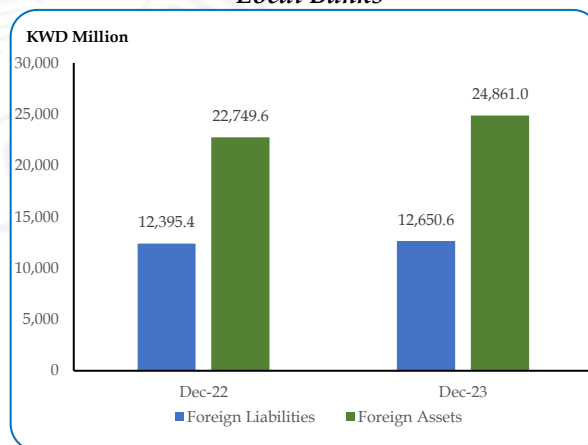


Figure (9): Foreign Assets & Liabilities in Local Banks



2. Cash Portion of the Credit Facilities extended to Residents:

The utilized cash portion of the credit facilities to residents increased by KWD 0.82 billion (1.7%) to KWD 47.70 billion at the end of December 2023 against KWD 46.88 billion at the end of the comparative month.

The credit facilities to businesses accounted for 65.0% of the rise in the total utilized cash portion of the facilities extended to residents.

In more detail, **personal credit facilities** (39.3% of the total utilized cash portion of the overall facilities to residents) increased by KWD 0.29 billion (1.5%) to KWD 18.76 billion at the end of December 2023 against KWD 18.48 billion at the end of the comparative month. This was mainly due to the **rise in the total utilized cash portion of housing credit facilities "Installment"** by KWD 0.28 billion, i.e. 1.8% (housing credit facilities account for 85.4% of overall personal facilities) to KWD 16.02 billion at the end of December 2023 against KWD 15.74 billion at the end of the comparative month, as well as a limited rise in the utilized cash portion of **other personal credit facilities** (2.5% of overall personal facilities) by KWD 0.03 billion (7.4%) to KWD 0.47 billion.

On the other hand, data indicate a slight decline in the utilized cash portion of both **consumer credit facilities** (10.5% of the overall personal facilities) and the **personal credit facilities for private residential housing** (1.6% of overall personal facilities).

The utilized cash portion of credit facilities to businesses (60.7% of the overall facilities to residents) meanwhile increased by KWD 0.53 billion (1.9%) to KWD 28.94 billion at the end of December 2023 against KWD 28.41 billion at the end of the comparative month. This increase was mainly driven by the **increase in the utilized portion of credit** to real estate and construction (KWD 0.44 billion, i.e. 3.8%), trade (KWD 0.21 billion, i.e. 6.8%), non-bank financial institutions (KWD 0.19 billion, i.e. 18.8%), and purchase of securities "individuals, companies and institutions" (KWD 0.22 billion, i.e. 6.9%). Conversely, there was a **decline in the cash portion of credit** to crude oil & gas (KWD 0.17 billion, i.e. 8.1%), industry (KWD 0.14 billion, i.e. 5.9%), loans to banks (KWD 0.09 billion, i.e. 7.8%) and other services (KWD 0.13 billion, i.e. 3.5%) as well as a limited slowdown in agriculture & fishing and in public services by 3.3% and 1.3%, respectively against the comparative month.

Table (2): Utilized Cash Portion of Credit Facilities to Residents (KWD Million)

Description	December 2022	December 2023	Change		to Total (%)
			Value	(%)	
Personal Credit Facilities	18,475.7	18,761.8	286.0	1.5	39.3
Consumer Loans	1,967.3	1,967.0	-0.3	0.0	4.1
Installment Loans	15,740.4	16,016.8	276.4	1.8	33.6
Private Residential Loans	326.3	303.4	-22.9	-7.0	0.6
Other Loans	441.7	474.6	32.8	7.4	1.0
Business Sector Credit Facilities	28,409.0	28,939.2	530.2	1.9	60.7
Trade	3,178.5	3,393.4	214.9	6.8	7.1
Industry	2,391.9	2,249.7	-142.2	-5.9	4.7
Agriculture & Fishing	28.7	27.8	-1.0	-3.3	0.1
Purchase of Securities	3,215.5	3,436.6	221.2	6.9	7.2
Real Estate	9,497.1	9,629.3	132.3	1.4	20.2
Constructions	2,091.3	2,394.3	303.0	14.5	5.0
Loans to Banks	1,170.4	1,078.8	-91.7	-7.8	2.3
Non-Bank Financial Institutions	1,025.8	1,218.3	192.5	18.8	2.6
Crude Oil & Gas	2,079.3	1,910.1	-169.2	-8.1	4.0
Public Services	116.4	114.9	-1.5	-1.3	0.2
Other Services	3,613.9	3,485.9	-128.0	-3.5	7.3
Total	46,884.7	47,700.9	816.2	1.7	100.0

3. Residents' Deposits with Local Banks:

The total residents' deposits went up by KWD 1.82 billion (3.9%) to KWD 48.73 billion at the end of December 2023 against KWD 46.91 billion at the end of the comparative month. This rise was driven mainly by the increase in government's deposits by KWD 1.26 billion (accounted for 69.1% of the increase of the total residents' deposits) i.e. 37.2%, to KWD 4.63 billion, as well as the rise in resident private sector's deposits by KWD 0.43 billion (accounted for 23.6%) i.e. 1.2%, to KWD 37.34 billion at the end of December 2023.

Public institutions' deposits increased by KWD 0.13 billion (accounted for 7.3%) i.e. 2.0%, to KWD 6.75 billion.

Private sector's deposits are the main source of financing for local banks (42.6% of the local banks' total liabilities at the end of December 2023). On another front, government's deposits and public institutions' deposits accounted for 5.3% and 7.7% of the local banks' total liabilities, respectively, at the end of December 2023.

Figure (10): Government Deposits

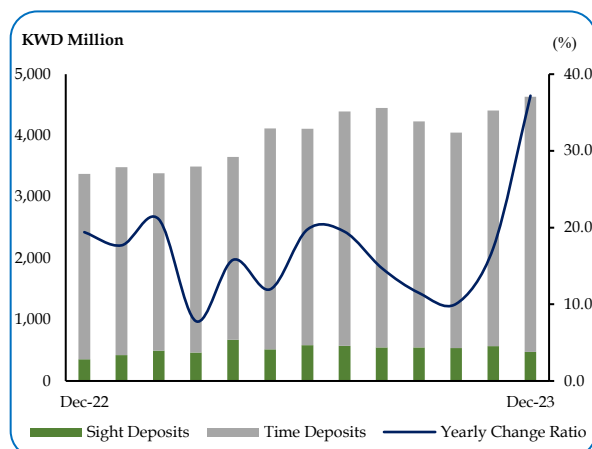


Figure (11): Public Institutions' Deposits

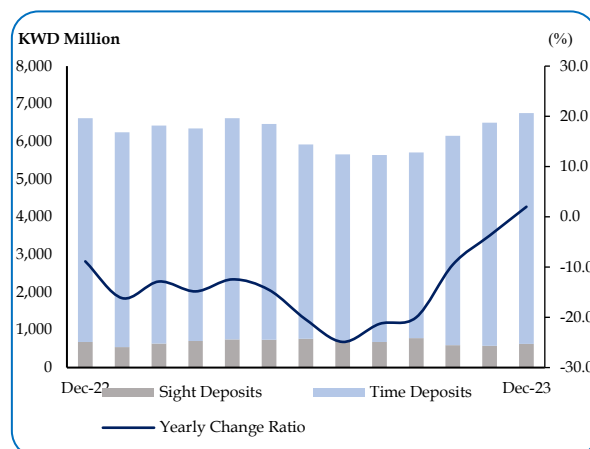


Figure (12): Private Sector's Deposits in Local Currency

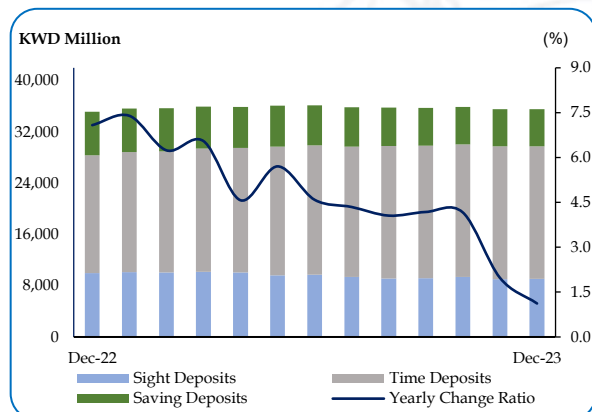
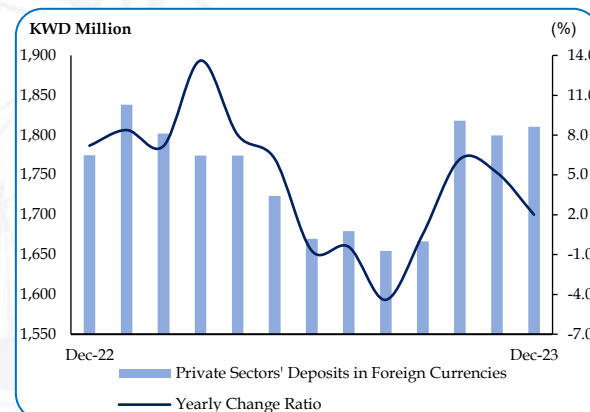


Figure (13): Private Sector's Deposits in Foreign Currencies



4. Value of Transactions Using Plastic Cards:

On an annual basis, total value of plastic cards transactions reached KWD 45.80 billion at the end of 2023 against KWD 42.18 billion at the end of previous year, i.e. a rise by KWD 3.61 billion (of which, KWD 3.29 billion by using plastic cards in the State of Kuwait and KWD 0.33 billion abroad) i.e. 8.6%. This increase contributed to the rise in the value of payment gateway transactions (by KWD 2.80 billion, i.e. 18.9% to KWD 17.55 billion), and Points of Sale (POSs)

transactions (by KWD 1.05 billion, i.e. 6.4% to KWD 17.52 billion) on one end, and the decline in the Automatic Teller Machine (ATM) transactions (by KWD 0.24 billion, i.e. 2.1% to KWD 10.72 billion) on the other. It is worth noting that most transactions using plastic cards are processed through debit cards that does not involve credit limit or credit score, but spending limit with a debit card is determined rather by the account balance.

The value of transactions using debit cards reached KWD 41.20 billion (90.0% of the total value of transactions using plastic cards) as at the end of 2023.

In general, these results are consistent with the decline in the two components of

M1, i.e. currency in circulation outside the banks and sight deposits, for two reasons: high interest rates on local banks' deposits and consumer preference for digital payments.

Figure (14): Value of Transactions Using Plastic Cards

