

Press Release

The Board of Directors of the Central Bank of Kuwait (CBK) has decided to keep the current discount rate at 3% to bolster conditions conducive to recovery of economic growth. The Bank is to continue utilizing monetary policy instruments and measures to enhance the attractiveness and the competitiveness of the national currency as a reliable, lucrative store for local savings. The decision to retain the current rate was result of continuous monitoring of developments and expected trends in economic, monetary and banking conditions and in interest rate trends on major currencies, mainly the US Dollar, and following a US Federal Reserve decision on 13 June, 2018 to increase interest rate on federal funds.

Governor and Chairman of the Board, Dr. Mohammad Y. Al-Hashel, stated that the CBK has decided to maintain the current discount rate and to keep using the appropriate monetary policy instruments and measures, including CBK Bonds, acceptance of term deposits from local banks, Tawarruq, and direct interventions. This, he added, reflects CBK's keenness to promote non-inflationary economic growth conditions in non-oil sectors, as well as bolster the attractiveness and the competitiveness of the national currency as a store for local savings, which are mainstays of CBK monetary policy. The decision to retain the discount rate was based on review of available data related to banks' capacity to adjust to CBK efforts aimed at bolstering interest rates on KD deposits in view of the current maximum limits for interest on loans by current discount rate. Competition among banks thus lies in attracting borrowers amidst modest local bank credit growth rates, mainly connected to modest economic activity rates in non-oil sectors.

The Governor also noted that the data available, until date of said decision, indicates CBK's success in preserving margin stability between interest rates on KD deposits and those on USD deposits and keeping this margin in favor of KD deposits, which enhances the attractiveness and competitiveness of the national currency. The Data also indicates that CBK had succeeded in preserving stability of the margin between interest rates on KD loans and interest rates on KD deposits with local banks, at levels supportive of financial stability in view of

a competitive local lending market and modest lending growth rates, coupled with growth in balances of local banks' KD loans and KD deposits.

Dr. Al-Hashel remarked that CBK monetary policy decisions, including decisions and relevant measures pertaining to local interest rates, are fundamentally based on a thorough assessment of the latest economic, monetary, and banking information and data, including general economic performance ratios, local liquidity indicators, developments in deposits and bank credit, and interest rates on the Kuwaiti Dinar and on main currencies lead by the US Dollar. Such data is a main indicator as to whether a change to the local interest rates is indeed required, as well as an indicator of the direction and magnitude of this change and suitable instruments to effect it.

The CBK Governor concluded his statement by stressing the Bank's unwavering policy of vigilant follow up on economic, monetary and banking developments in view of the latest data and of sustained readiness to act when necessary to enhance the attractiveness and competitiveness of the national currency and to foster an atmosphere conducive to sustainable economic growth.

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