

Press Release

In a release to the press, His Excellency the Governor of the Central Bank of Kuwait (CBK), Dr. Mohammad Y. Al-Hashel, highlighted recent domestic economic, monetary and banking conditions and developments and their future trends, as well as the recent developments in US Dollar, interest rates and the key trends of CBK monetary policy. Dr. Al-Hashel noted that the continuous monitoring by CBK indicate a modest growth in domestic economic activity, supported by public expenditure, particularly capital expenditure, despite low crude oil prices, on one hand, and increasing interest rate on the US Dollar in light of the decision by US Federal Reserve on 14.06.2017 to raise further the interest rates on the other hand.

The combination of the moderate economic growth at home and the increasing interest rates on US Dollar present significant challenges for the design and conduct of the monetary policy in Kuwait. The Governor stressed CBK's keenness to formulate and execute monetary policy and select the appropriate tools and measures suitable for the objectives of that policy in the area of enhancing the atmospheres for the economic growth on sustainable non-inflationary basis as well as the efforts for maintaining the attractiveness and competitiveness of the Kuwaiti Dinar as a reliable and rewarding store for domestic savings, considering the role thereof in financing the needs of various sectors of the national economy through the units of the domestic banking and financial system. CBK continued to achieve this in the previous period by increasing the discount rate in light of the need for empowering the local banks to move towards enhancing and improving the yield rates on the domestic savings in Kuwaiti Dinar. In view of the above, the existing margin in favor of the Kuwaiti Dinar between the interest rates on both Kuwaiti Dinar and US Dollar deposits with local banks improved in view of the three previous increases of the discount rate since December 2015 totaling 75 bps.

Within this context, CBK uses available instruments and procedures, such as CBK bonds, public debt instruments, related Tawarruq and money market operations in order to enhance the attractiveness and competitiveness of yields on Kuwaiti Dinar deposits, build an appropriate structure for the interest rates on Kuwaiti Dinar and strengthen the pillars of financial stability, which enhance soundness of the financial positions of units of the domestic banking and financial sector.

The Governor added that the following up and monitoring of the domestic economic, monetary and banking latest developments also indicate soundness of the financial positions of the local banking system on one hand, and modest growth and improvement in the key monetary aggregates and indicators as a reflection of the domestic economic activity on the other hand. The Governor also added that

the domestic banks currently have the capability that enables them to absorb an increase in the interest rates on Kuwaiti Dinar deposits taking into account the current interest rates on loans and credit facilities provided by such banks as well as the existing link, within specific margins, between the discount rate determined by the Board of Directors of CBK and the maximum interest rates on loans and credit facilities provided by the domestic banks in Kuwaiti Dinar to various sectors of the national economy.

Dr. Al-Hashel stated that the Board of Directors of CBK studied the various aspects of the subject and decided to maintain the discount rate at its current level, in this stage, i.e. 2.75%, applicable since March 16, 2017 and to continue utilization of the other instruments and procedures to enhance the attractiveness of the national currency as a store of domestic savings.

The Governor concluded by stressing CBK's continuous keenness and vigilance to follow up and monitor developments in the domestic economic, monetary and banking conditions and the trends of interest rates on the key currencies, particularly US Dollar, and its readiness to use the appropriate tools and procedures to maintain the continued attractiveness of the national currency as a store of domestic savings so as to provide supporting conditions for enhancement of the sustainable economic performance and maintain monetary and financial stability in the country.

14.06.2017