

Press Statement issued by the Central Bank of Kuwait concerning
publication of the Economic Report for 2015

The Central Bank of Kuwait (CBK) announced the publication of the Economic Report for 2015, following the release of Gross Domestic Product (GDP) data by the Central Statistical Bureau at the end of July 2016. This is the forty-fourth issue of the Economic Reports series that the CBK is keen to publish on an annual basis to provide comprehensive coverage and developments of the economic activities in the State of Kuwait. The report comprises the latest available data and statistics on various aspects of the economic performance in the State of Kuwait during 2015. Moreover, the CBK has issued, for the first time, an annex that summarises the main economic indicators contained in the Economic Report for 2015. The report is composed of six major parts, each addressing a key topic at an appropriate detail.

The **first part** of the Economic Report highlights the key trends of the performance of the Kuwaiti economy during 2015, as reflected in the available data and statistics on national accounts, domestic prices, population and labor force. Within this context, available statistics indicate an increase in non-oil GDP at current prices during 2015 by 3%, while oil GDP recorded a decline of 46.2%. As a result, GDP at current prices amounted to KD 34,314.6 million during 2015 (i.e. a decline of 25.9% compared to 2014). On the other hand, inflation rate in the State of Kuwait, measured by the relative change in the General Consumer Price Index (CPI), was 3.3% during 2015 against 2.9% during 2014. Available statistics also indicate a deceleration in the growth rate of Kuwaiti population to 2.5% during 2015 compared to 2.7% during 2014, while the growth rate of non-Kuwaiti

population increased to 4.1% from 3.4% during 2014. Furthermore, the growth rate of total labor force in the State of Kuwait reached to 4.8% during 2015, while the growth rate of Kuwaiti labor force increased to 3.2% from 2.9% during 2014.

The **second part** of the Report addresses the main monetary, banking developments and the CBK's activities in the areas of monetary policy and banking supervision through highlighting major developments witnessed in the key monetary aggregates and indicators, as well as significant developments in the banking oversight and supervision area during 2015. In this regard, available data indicate a sustained relative stability in the KD exchange rate against major currencies during 2015, as part of the prevailing exchange rate policy, pegging the KD to an undisclosed special weighted basket of currencies of countries that have significant trade and financial relations with the State of Kuwait. On the other hand, Money Supply in its Broad Definition (M2) and the resident private sector deposits with local banks realised a slower pace of growth of 1.2% and 1.3% respectively at the end of 2015. Moreover, the CBK continued its efforts in managing domestic liquidity levels during 2015 using its available monetary policy instruments, mainly accepting deposits from local banks, issuing CBK bonds and managing public debt instruments on behalf of the Ministry of Finance. Local banks' claims on the CBK witnessed a noticeable decline of 18.7% to KD 4,695.8 million at the end of 2015.

In the area of banking supervision and oversight efforts - aimed at enhancing the financial position and maintaining financial stability of the financial sector - the CBK continued its efforts during 2015 through issuing and overseeing the implementation of its directives particularly those related to

the latest Basel III regulations issued by the Basel Committee on Banking Supervision. These regulations strengthened and enhanced the quality and quantity of regulatory capital, liquidity framework through the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), leverage D-SIBs, and the disclosure and transparency enhancements. Within this context, the CBK has also issued Consumer Protection Guide instructions in light of the growing interest in recent years in the issue of consumer protection in financial services industry, particularly with the steady expansion of electronic services and the increasing chances of transferring risks to clients in various sectors.

The **third part** of the Report points out developments in the financial indicators of the banking and financial system, in light of data on aggregate financial statements of various banking and financial units supervised by the CBK, including local banks, finance companies and exchange companies. Within this framework, the aggregate balance sheet of local banks amounted to KD 58,595.1 million at the end of 2015, realizing a growth of 5.7% as compared to KD 55452.3 million at the end of the previous year. On the other hand, the aggregate balance sheet of local investment companies totaled KD 9,827.5 million at the end of 2015, recording a decrease of 6.1% from KD 10465.3 million at the end of 2014. In addition, the aggregate balance sheet of local exchange companies registered with, and supervised by, the CBK amounted to KD 153.7 million at the end of 2015 with a decrease of 0.1% from KD 153.9 million at the end of the previous year.

The **fourth part** of the Report highlights developments in the State's public finance, whereas the general budget recorded an actual surplus of KD 3,510.5 million during FY2014/2015, i.e. a noticeable decrease of 72.8%

compared to the previous fiscal year, before the deduction of allocations for the Reserve Fund for Future Generations (RFFG).

The **fifth part** of the Report reviews the developments in the trade and financial relations of the State of Kuwait with other economies as reflected in the statistics on the foreign trade and the Balance of Payments (BOP) of the State of Kuwait during 2015. The realised surplus in the balance on goods witnessed a decline of KD 13,639.7 million or 61.8% during 2015. Likewise, the current account surplus decreased by KD 13,682.0 million or 88.4%. As a result, the overall position of the BOP realised a total deficit of KD 885.9 million in 2015.

Lastly, the Report covers the developments witnessed in the performance of the Kuwait Stock Exchange (KSE) during 2015 as reflected in the key trading indicators, price movements and the factors affecting the KSE's performance. In this context, the KSE Price Index (PI) closed at a decline of 14.09% at the end of 2015 compared to the closing of 2014. In addition, the KSE Weighted Price Index (WI) recorded a decrease of 13.03% at the end of 2015 compared to 2014.

The Economic Report for 2015 is available on the CBK official website, www.cbk.gov.kw.

21/9/2016