

Press Statement

His Excellency the Governor of the Central Bank of Kuwait (CBK), Dr. Mohammad Y. Al-Hashel, announced the publication of CBK's 47th Annual Report for the Fiscal Year (FY) 2018/19 and 47th Economic Report for the year 2018 in addition to "Highlights on the Economic Report". The Annual Report contains CBK's Financial Statements for the FY ended 31 March 2019. The report also comprises the key developments in the main monetary aggregates and banking indicators, along with the supervisory and regulatory efforts and the major banking operations and key tasks performed by CBK to enhance staff performance and upgrade IT infrastructure during said year. Meanwhile, the Economic Report contains the latest available data and statistics on various aspects of the economic performance of the State of Kuwait in 2018 and is composed of six major parts, each dedicated to a key topic.

The Governor began by clarifying that in light of developments in the domestic economic, monetary, and banking conditions on the one hand, and interest rates trends of major currencies on the other, the CBK had maintained the discount rate at 3.00% for FY 2018/19, adopted since 22nd March 2018. This decision is in accordance with CBK's efforts to support sustainable local economic growth, while maintaining the attractiveness and competitiveness of the national currency as a source of domestic savings, encouraging the local banks and financial units to finance different sectors of the national economy.

In parallel, the CBK continued to maintain the relative stability of the national currency exchange rate against other major world currencies within its system of pegging the KD to a special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. The average exchange rate of the US dollar against the KD for FY 2018/19 reached 302.743 fils (per US dollar) against 302.052 fils during the previous fiscal year, i.e. a slight increase of 0.2% or 0.692 fils in the US dollar's exchange rate.

With respect to monetary and banking developments, Money Supply in its Broad Definition (M2) increased by 5% by the end of FY 2018/19. The balances of the utilized cash portion of credit facilities extended by local banks to various economic sectors during the fiscal year increased by 5.2%. Furthermore, the total balance of residents' deposits with local banks increased by 2.4% by the

end of FY 2018/19, and the aggregate balance sheet for local banks grew by 5.6% at the end of FY 2018/19.

Moving on to supervisory developments, the Governor noted that the CBK has sustained diligent efforts to supervise and regulate the units of the local financial and banking sector, within its broader objective of bolstering these units' financial position and safeguarding financial stability in line with international standards.

To this end, the CBK issued new instructions regulating electronic payments, which apply to e-payment and e-settlement services and systems, dated 23rd September 2018, within the framework of Law 20/2014 on electronic transactions. The CBK also amended instructions on the rules and regulations for granting personal loans and financing facilities (consumer/housing) and the issuance of credit cards, dated 10th November 2018 which effected several fundamental changes to the said regulations. The main change included an increase in the maximum value of a consumer loan extended to a client to maximum 25-fold his/her net monthly income, not exceeding KD 25,000, in addition to a maximum housing loan of KD 70,000.

In the area of capacity building, the CBK continued its efforts to enhance the academic and vocational qualifications of its employees through offering graduate study scholarships at prestigious international universities and training programs locally and abroad. This enhances CBK staff performance and helps retain highly skilled staff and, ultimately, underpins CBK's overall performance.

On another front, the CBK sought to upgrade its information technology infrastructure in line with the latest international developments in this field, which involved IT systems in several CBK departments and offices. The Bank thereby accomplished several development projects, most significant of which are the Government Electronic Banking Services System, the Kuwait National Payment System (KNPS), the Data and Reports Analysis System, and a SWIFT system upgrade.

The CBK meanwhile maintained continuous communications with the Kuwaiti economic and financial community and the society in general, which were enhanced to keep pace with the accelerating development in media, publication, and information technology. The Bank had, in FY 2018/19, drafted and implemented a communications plan which highlights CBK's efforts and contributions within its mandate to implement monetary policy and banking

supervision and oversight, which are aimed at safeguarding the state's monetary stability, supporting an environment that nurtures sustainable economic growth and further buttresses financial stability. Along these lines, the bank issued a series of periodicals in FY 2018/19, which included the latest economic, monetary, banking data and statistics and also, simultaneously, the CBK improved the content on its website, regularly updating it objectively and transparently.

The Governor then turned to expound the Economic Report pointing out that the First Part addresses key trends in Kuwaiti economic performance in 2018 as reflected in data and statistics available on state accounts, domestic prices, population, and workforce. Within this context, the available statistics reveal growth in value added at constant prices in non-oil sectors by 1.1% in 2018 against 1.8% in 2017. Moreover, value added at constant prices in the oil sectors increased by 1.3% against a contraction by 7.2% in the previous year. As a result, Gross Domestic Product (GDP) at constant prices inched up by 1.2% against a contraction by 3.5% in 2017. Moving on to the inflation rate in the State of Kuwait, the relative change in the Consumer Price Index (CPI), it had slowed down for the second year in a row, reaching 0.6% in 2018 against 1.5% in the previous year. In terms of population and workforce developments in the State of Kuwait, the available statistics indicate that the growth rate of population in Kuwait was 2.7% at the end of 2018 compared to 2.0% in 2017. On the other hand, the total workforce grew by 4.4% in 2018 compared with a slight downturn of 0.02% in 2017.

The Second Part of the report, the Governor added, reviews the main monetary and banking developments and CBK's activities in areas of monetary policy and banking supervision. In this regard, the available data indicate sustained relative stability in the exchange rate of the Kuwaiti Dinar against major currencies in 2018. Meanwhile, there was faster growth both in Money Supply in its broad definition (M2) and in resident private sector deposits with local banks by end of 2018, up to 4.0% and 4.1% respectively. Likewise, balances of credit facilities provided by local banks to various economic sectors were up by 4.2%. In view of trends of interest rates on major world currencies in 2018, the CBK raised its discount rate once throughout the year, bringing the rate up by 0.25 percentage points to 3.0% in March.

The Third Part of the report includes the developments seen in the financial indicators of the local banking and financial system, in light of the aggregate financial statements of the various CBK-regulated banking and financial units

including local banks, investment companies, and exchange companies. In order to identify some aspects of growth, performance, and trends, these indicators are examined in terms of their impact on the financial positions of these units. In this context, the aggregate balance sheet of local banks grew by 4.9% at the end of 2018. The aggregate balance sheet of local exchange companies registered with and regulated by the CBK meanwhile posted a growth of 1.2%, while the aggregate balance sheet of local investment companies registered with the CBK dropped by 11.1% at the end of the year compared to the previous.

The Fourth Part of the report outlines the key developments in the State's finances, where the general budget recorded an actual deficit of KD 3,247.8 million, compared to KD 4,608.4 million the year before, before deducting the allocations for the Reserve Fund for Future Generations (RFFG).

The Fifth Part of the report reviews the developments in the international trade and financial relations of the State of Kuwait with other economies, as reflected in the statistics on foreign trade and the Balance of Payments (BoP) of the State of Kuwait for 2018. In this regard, the realized surplus in the balance on goods increased by 58.6%. This surge is mainly due to increase in the value of oil exports, resulting in turn from the significant recovery of global oil prices. As a result, the Current Account registered a surplus of KD 6,158.3 million against a surplus estimated at KD 2,913.4 million the previous year. The overall position of the BoP of the State of Kuwait accordingly recorded a total surplus of KD 1,139.8 million in 2018.

Lastly, the Sixth Part of the report showcases developments in the performance of Boursa Kuwait in 2018, indicating that the main trading indices (value and volume of traded shares) had slipped considerably by the end of the year, shedding 27.67% and 57.47% respectively, compared to 2017. The All-Share index meanwhile closed the year up 1.59%. The Premier Market Index also posted a notable increase of 5.35%, while the Main Market index slipped 5.23%. The market capitalization of listed companies increased by 5.95% at the end of 2018.

The Governor concluded by pointing out that copies of both reports are now available on the CBK official website (www.cbk.gov.kw).

30/7/2019