

CBK Governor Announces Publication of Economic Report 2019

His Excellency the Governor of the Central Bank of Kuwait (CBK), Dr. Mohammad Y. Al-Hashel, announced the publication of the Economic Report for the year 2019, which is the 48th such report in a series prepared and published by the bank. Dr. Al-Hashel indicated that the report contains the latest available data and statistics on various aspects of the economic performance of the State of Kuwait and is composed of six major parts, each dedicated to a key topic.

The Governor pointed out that the first part addresses key trends in Kuwaiti economic performance in 2019 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 KD 532.4 million or 3.0% in 2019, to reach KD 18,541.5 million against KD 18,009.1 million in 2018. Meanwhile, value added at constant prices in the oil sectors decreased by KD 370.5 million or 1.7% to KD 20,883.2 million in 2019 compared to KD 21,253.7 million in the previous year. As a result, the value of Gross Domestic Product (GDP) at constant prices inched up to KD 39,424.7 million in 2019 against KD 39,262.8 million in the previous year, which is a growth of KD 161.9 million or 0.4%. Moving on to the inflation rate in the State of Kuwait, the relative change in the Consumer Price Index (CPI) was up to 1.1% in 2019 against 0.6% 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 3.3% at the end of 2019 compared to 2.7% in 2018. The total population, at the end of 2019, reached 4.776 million compared to 4.622 million at the end of 2018. As for workforce figures, the total workforce grew 5.1% in 2019 compared to a growth of 4.4% in 2018.

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, available data indicate sustained relative stability in the exchange rate of the Kuwaiti Dinar against major currencies in 2019, as CBK maintained an exchange rate system based on pegging the KD to a special weighted basket of currencies of countries that share significant financial and trade relations

with the State of Kuwait, imposed since 20th May 2007. The data reveal that the USD exchange rate against the KD was confined within relatively narrow margins in 2019 compared to changes in USD exchange rate against the other major currencies. Meanwhile, there was slower growth in Money Supply in its broad definition (M2), 1.2% at the end of 2019, whereas resident private sector deposits with local banks dropped by 1.7% by end of 2019 compared to the previous year.

Dr. Al-Hashel added that balances of credit facilities provided by local banks to various economic sectors were up by 4.3% at the end of 2019. In light of the CBK's continuous monitoring of developments in the local economic, monetary, and banking conditions on the one hand and developments in interest rate trajectories of major currencies during the year 2019 on the other, the CBK lowered its discount rate by a quarter-percentage point from 3.0% to 2.75%, on 30 October 2019. In the regulatory domain, the CBK maintained supervision and oversight over the units of the local banking and finance sector, aiming to strengthen these units and further entrench financial stability. The CBK had intensified oversight to improve the sector's ability to serve the national economy.

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' groups including local banks, investment companies, and exchange companies. This review helps identify some aspects of growth and performance, as well as the trajectory of these indicators and the perceived impact on the financial position of these groups. In this context, the aggregate balance sheet of local banks on the domestic level (activity of local banks and their local branches) grew by 6.7% at the end of 2019. The aggregate balance sheet of local exchange companies registered with and regulated by the CBK meanwhile posted a growth of 13.4%, while the aggregate balance sheet of local investment companies registered with the CBK dropped by 5.9% 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 1,290.1 million, compared

to an actual deficit of KD 3,247.8 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 2019. In this regard, realized surplus in the balance on goods dropped by KD 1,650.4 million, 13.3%. This drop is mainly due to decrease in the value of oil exports, resulting in turn from relative drop of global oil prices. As a result, the Current Account registered a surplus of KD 6,722.5 million against a surplus of KD 6,008.0 million the previous year. The overall position of the BoP of the State of Kuwait in 2019 accordingly recorded a total surplus of KD 821.2 million.

Lastly, the sixth part of the report showcases developments in the performance of Boursa Kuwait in 2019, indicating that the main trading indices (value and volume of traded shares) had posted notable gains by the end of the year, up 92.3% and 82.7% respectively, compared to 2018. The All-Share index meanwhile ended the year up 23.7%, compared to the year before. The Premier Market Index also posted a considerable increase of 32.6%, while the Main Market index posted a more modest increase of 3.6%. The market capitalization of listed companies increased by 24.6% at the end of 2019.

The Governor concluded by pointing out that the Economic Report for 2019 is now available on the CBK official website (www.cbk.gov.kw).

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