

# Summary of the Key Local Monetary and Banking Indicators

August 2022



This brief report highlights the key monetary and banking developments in the State of Kuwait as at the end of August 2022 compared to July 2022 (on a monthly basis), in line with the statistical tables updated by the Central Bank of Kuwait (CBK) to comply with relevant international manuals, methodologies and best practices, as follows:

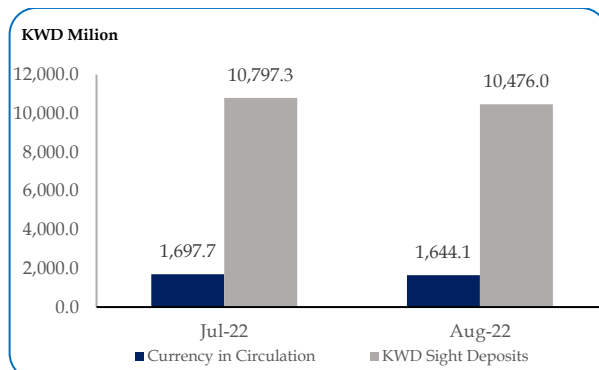
## I. Monetary Developments (Money Supply)

### 1. Money Supply in its Narrow Sense (M1):

M1 Data indicate a continuous decline since May 2022 by KWD 374.9 million or 3.0% to reach KWD 12,120.1 million by end of August 2022 compared to KWD 12,495.0 million by end of July 2022, driven by a decrease in currency in circulation outside the local banks by KWD 53.7 million or 3.2%, as well as decrease in balances of KWD sight deposits by KWD 321.3 million or 3.0%.

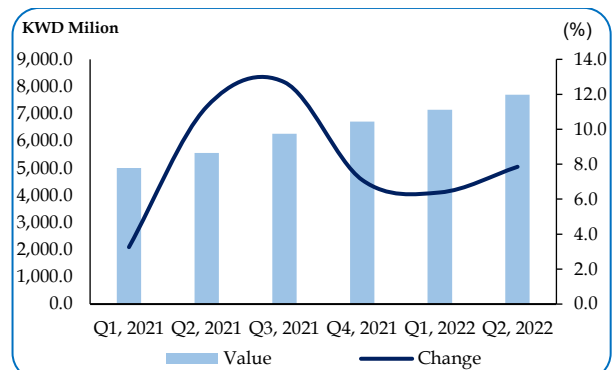
The demand for currency in circulation outside the local banks depends on many macroeconomic variables including rate of economic growth, interest rates and seasonal factors, in addition to the increasing reliance on the use of electronic means for payment settlements. Available data reveal a continuous rise in the value of Payment Gateway (PG) transactions and through Point of Sale (POS) transactions to reach KWD 6,909.4 million and KWD 7,938.5 million during the first half of 2022, respectively.

Figure (1): Developments of Narrow Money (M1)



Source: Central Bank of Kuwait

Figure (2): Total Values of PG and POSs Transactions

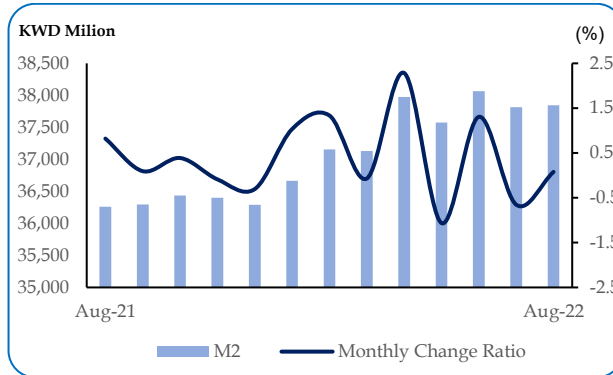


Source: Central Bank of Kuwait

## 2. Developments and Components of Money Supply in its Broad Sense (M2):

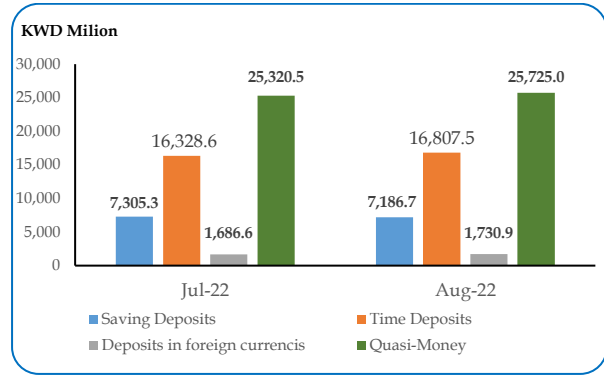
Local liquidity (M2) went up by KWD 29.6 million or 0.1% (on a monthly basis) to reach KWD 37,845.1 million, as a result of an increase in quasi-money (savings deposits in KWD, time deposits in KWD, deposits in foreign currencies and certificates of deposits in KWD) by KWD 404.5 million or 1.6%, against a decline in Narrow Money (M1) by KWD 374.9 million or 3.0% (as previously explained).

Figure (3): Developments of Broad Money (M2)



Source: Central Bank of Kuwait

Figure (4): Quasi-Money Developments and Components



Source: Central Bank of Kuwait

## 3. CBK Bonds and Related Tawarruq:

During August 2020, CBK issued new bonds and related tawarruq to **control liquidity levels in the banking sector** with a total nominal value of KWD 400.0 million (3-month maturity at interest rate of 2.625%), concurrently with the maturity of the previously issued bonds and related tawarruq of KWD 240.0 million.

Table (1): CBK Bonds and Related Tawarruq by end of August 2022 (KWD Million)

	3-month Maturity	6-month Maturity	12-month Maturity	Tawarruq with CBK (above 12 months)
<b>Matured</b>	240.0	–	–	–
<b>New Issue</b>	400.0	–	–	–
<b>Balance</b>	1090.0	2000.0	100.0	23.0
<b>Interest Rate (Return)</b>	2.625%	3.000%	3.250%	

Source: Central Bank of Kuwait

Consequently, total value of CBK bonds and related tawarruq reached KWD 3,213.0 million against KWD 3,058.0 million by end of July 2022, i.e. an increase of KWD 155.0 million or 5.1%. In addition, the demand for the last issue amounted to KWD 2,177.0 million, i.e. a coverage of 5.4 times.

Since the beginning of 2022, the total CBK bonds and related tawarruq issued to regulate liquidity in the banking sector (12 months or less) amounted to KWD 5,040.0 million, against KWD 5,260.0 million for the corresponding period of 2021, i.e. a drop of KWD

220.0 million or 4.2%. Meanwhile, the total value of matured bonds and related tawarruq reached KWD 4,780.0 million during the period (Jan-Aug 2022).

CBK maintains liquidity level in the banking sector by issuing new bonds with the same nominal value of the outstanding issues, thus creating a balance in the current liquidity levels. All issuances for regulating liquidity since the beginning of the year intended to pay for similar bonds maturity (excluding April 2022 and August 2022).

## II. Banking Developments (Other than CBK)

### 1. Local Banks' Assets:

The assets side in local banks' combined balance sheet represents "uses of funds" that are basically concentrated in lending as well as financial/non-financial investments, at both local and international levels. As of the end of August 2022, total assets increased (on a monthly basis) by KWD 425.2 million or 0.5% as a result of the rise in claims on government (1.8%), claims on non-financial public institutions (1.2%), claims on private sector (0.6%), Loans to banks (9.7%) and local interbank deposits (23.2%), on one side, and the decline in claims on CBK (0.5%), foreign assets (1.2%) and other assets (4.1%) on the other side. On an annual basis, total assets raised by KWD 6,372.4 million or 8.4% driven by rise in all asset components, except for the claims on government. The balances of claims on private sector and foreign assets represent approximately 76.7% of the total local banks assets, i.e. 53.3% and 23.4% respectively.

Table (2): Local Banks' Total Assets by Main Components (KWD Million)

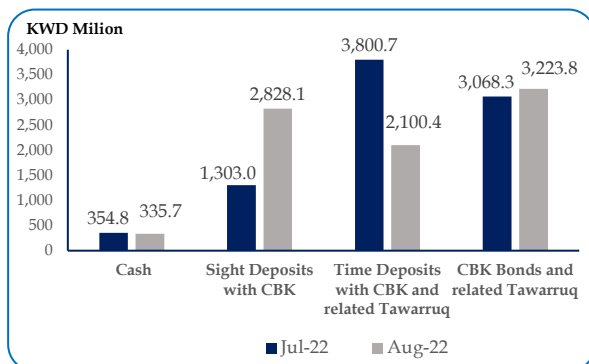
	August 2021	July 2022	August 2022	Change (%)	
				Monthly	Annual
Claims on CBK	8,062.2	8,526.9	8,488.0	-0.5	5.3
Claims on Government	1,274.2	603.2	613.8	1.8	-51.8
Claims on Public Institutions*	3,441.5	3,692.7	3,736.3	1.2	8.6
Claims on Private Sector	39,877.1	43,388.0	43,635.3	0.6	9.4
Foreign Assets	17,522.0	19,380.2	19,138.8	-1.2	9.2
Loans to Banks	902.2	894.8	981.9	9.7	8.8
Local Interbank Deposits	1,706.4	1,910.7	2,354.3	23.2	38.0
Other Assets	2,751.3	3,087.5	2,960.7	-4.1	7.6
<b>Total Assets</b>	<b>75,536.8</b>	<b>81,484.0</b>	<b>81,909.2</b>	<b>0.5</b>	<b>8.4</b>

Source: Central Bank of Kuwait

\* These are financial/non-financial institutions wholly or partially (50% and above) owned by the government.

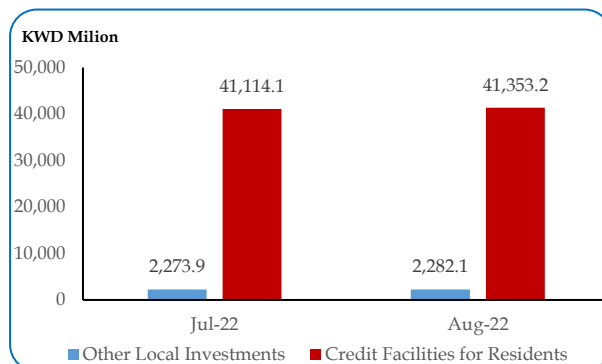
On the other side, the net foreign assets with the banking sector dropped by KWD 320.9 million or 4.5% to reach KWD 6,785.8 million due to the decline of foreign assets by KWD 241.4 million or 1.2% and the elevation of foreign liabilities by KWD 79.5 million or 0.6%.

Figure (5): Claims on CBK



Source: Central Bank of Kuwait

Figure (6): Claims on Private Sectors

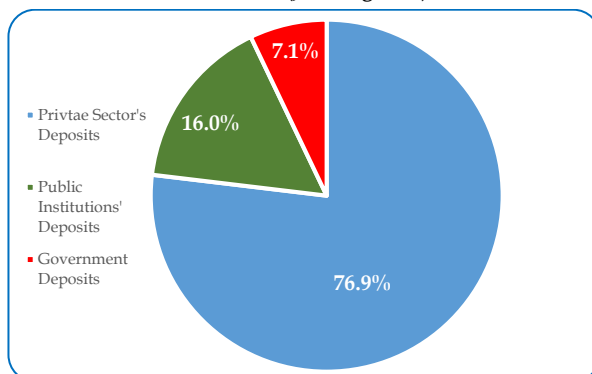


Source: Central Bank of Kuwait

## 2. Deposits with Local Banks:

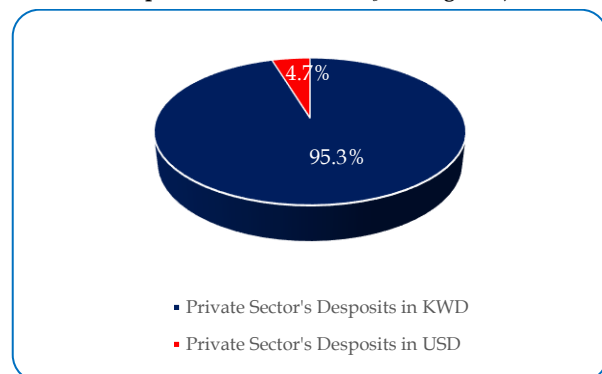
Total residents' deposits with local banks increased by KWD 1,897.7 million or 4.2% (from end of Jan 2022 to end of Aug 2022) to reach KWD 47,188.5 million. This rise is attributed to increase in private sector's deposits and government deposits by KWD 1,270.5 million and 909.5 million, respectively, against decrease in public institutions' deposits by KWD 282.2 million or 3.8% during the same period. From the beginning of this year until the end of August 2022, the average ratio of the total private sector's deposits accounts for 76.9% of the total deposits in local banks followed by the average ratio of the total public institutions' deposits (16.0%) and the average ratio of the total government deposits (7.1%). Moreover, the average ratios of the private sector's KWD deposits accounted for 73.3% of the total deposits with local banks and 95.3% of the total deposits of the private sectors' deposits during the same period.

Figure (7): Average Ratio of total Deposits Components for the Period (Jan-Aug 2022)



Source: Central Bank of Kuwait

Figure (8): Average Ratio of Private Sectors' Deposits Components for the Period (Jan-Aug 2022)

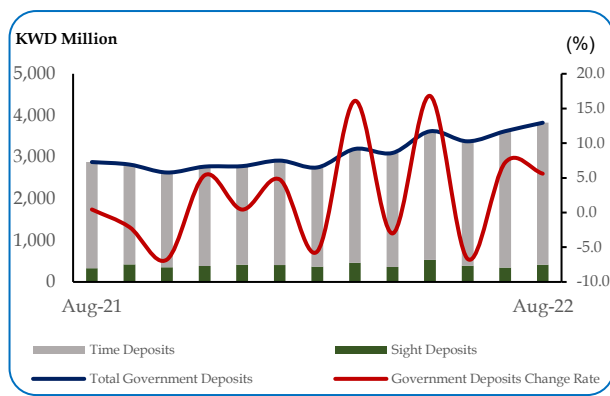


Source: Central Bank of Kuwait

The total residents' deposits with local banks slightly decreased, on a monthly basis, by KWD 82.6 million or 0.2% to reach KWD 47,188.5 million. This decline was mainly attributed to the drop in the public institutions' deposits by KWD 368.7 million or 4.9% to reach KWD 7,163.3 million by end of Aug 2022, against KWD 7,539.0 million by end of previous month. Meanwhile, the government deposits with local banks soared by KWD

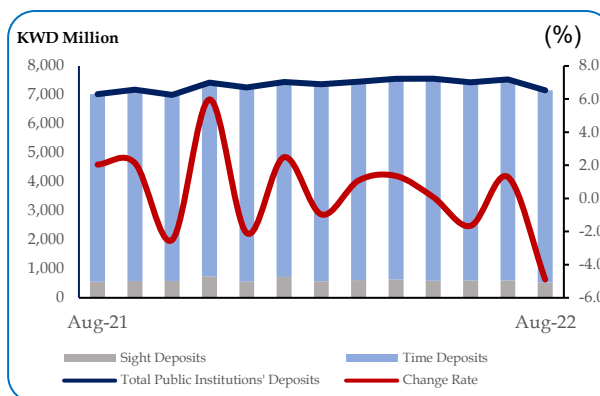
202.9 million or 5.6% to reach KWD 3,824.1 million (due to the elevation of both sight deposits by KWD 69.5 million or 20.2% and time deposits by KWD 133.4 million or 4.1%). Likewise, the private sectors' deposits (residents) in KWD increased by KWD 39.0 million or 0.1% to reach KWD 34,470.2 million. Also, the private sectors' deposits in foreign currencies raised by KWD 44.3 million or 2.6% to reach KWD 1,730.9 million.

Figure (9): Government Deposits with local Banks



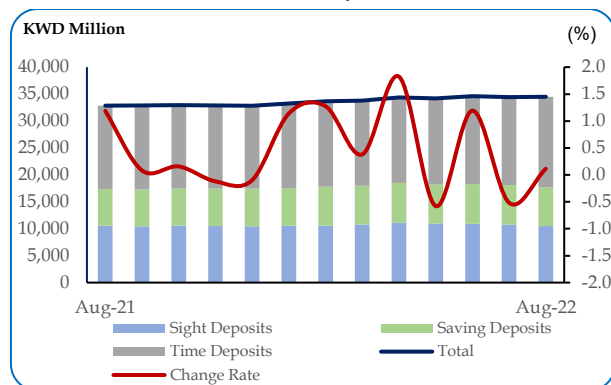
Source: Central Bank of Kuwait

Figure (10): Public Institutions' Deposits with Local Banks



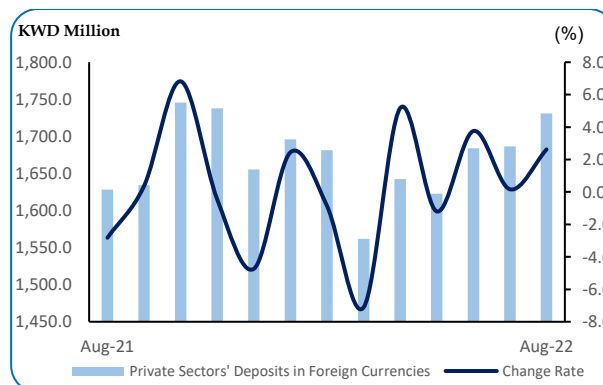
Source: Central Bank of Kuwait

Figure (11): Private Sector's Deposits (Residents) in Local Currency



Source: Central Bank of Kuwait

Figure (12): Private Sector's Deposits (Residents) in Foreign Currencies



Source: Central Bank of Kuwait

Available data indicate a rise in the total private sector's deposits (residents and non-residents) in KWD with local banks by KWD 33.2 million or 0.1% to reach KWD 37,093.2 million by end of August 2022, against KWD 37,060 million by end of July 2022.

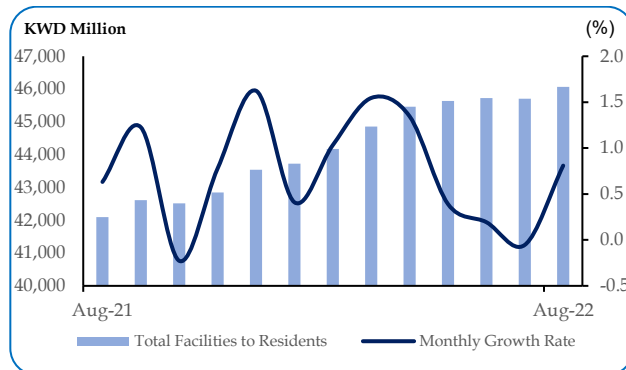
### 3. Credit Facilities Extended by Local Banks:

On a monthly basis, the cash portion of the local credit facilities for residents and non-residents inched up by KWD 378.2 million or 0.7% to reach KWD 51,346.4 million by end of Aug 2022. This increase was mainly driven by the hike in the utilized cash portion of credit facilities extended to residents (accounting for 89.7% of the overall facilities) by KWD 369.8 million or 0.8% to reach KWD 46,071.5 million. Likewise, the cash portion of the local credit facilities for non-residents reached KWD 5,274.9 million, i.e. a rise of KWD 8.4 million or 0.2%.

In terms of the sectoral distribution by the cash portion of the credit facilities for residents, the utilized cash portion of personal credit facilities (which account for 39.3% of overall facilities extended to residents) inched up by KWD 185.8 million or 1.0%, to reach KWD 18,093.7 million, mainly driven by **the rise in the personal housing credit facilities** by KWD 149.5 million or 1.0% (installment or housing facilities are long-term personal loans for up to 15 years, to finance purchase, construction or renovations of home). On the other hand, credit to businesses (accounting for 60.7% of the overall facilities extended to residents) increased by KWD 184.0 million or 0.7%, to stand at KWD 27,977.8 million.

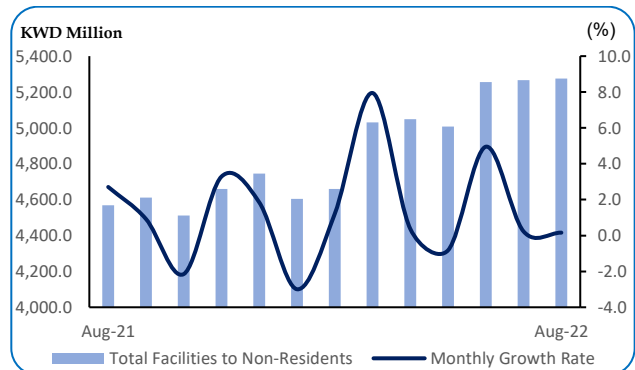
As for the cash portion of the credit facilities for non-residents, credit to trade, industry, construction, loans to banks, and non-banking financial institutions, and public services increased by 0.1%, 1.0%, 9.0%, 0.1%, 2.0%, and 7.4%, respectively. On the other side, credit to other services, crude oil and gas, and real estate dropped by 1.5%, 2.2% and 1.7%, respectively. Meanwhile, loans to banks accounted for 35.6% of the overall cash portion of the credit facilities for non-residents during Aug 2022, followed by other services by 21.5%, non-banking financial institutions by 11.0% and crude oil and gas by 10.1%.

Figure (13): Credit Facilities to Residents



Source: Central Bank of Kuwait

Figure (14): Credit Facilities to Non-Residents



Source: Central Bank of Kuwait