

Summary of the Key Local Monetary and Banking Indicators

December 2022



This brief report highlights the most prominent monetary and banking developments in the State of Kuwait as at the end of December 2022 compared to the prior month, as follows:

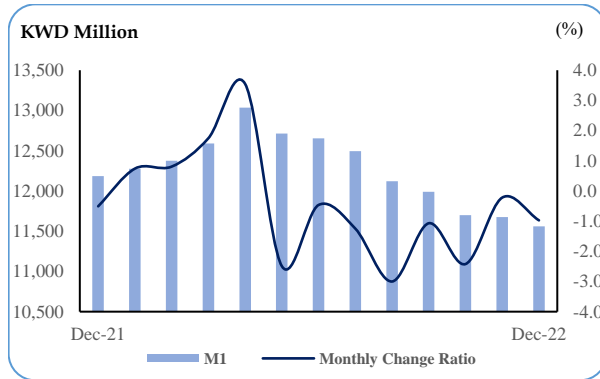
- Increase of Money Supply in its Broad Sense (M2) by 0.5% to stand at KWD 38,430.0 million.
- Growth in total local banks' assets by KWD 735.9 million or 0.9%.
- Rise of net foreign assets in local banks by KWD 346.5 million or 3.3%.
- Downturn in the utilized cash portion of credit facilities extended to residents by KWD 30.3 million or 0.1%.
- Decline in total residents' deposits with local banks by KWD 181.1 million or 0.4% despite the increase in resident private sector deposits by KWD 170.8 million or 0.5%.
- Upturn in total value of financing Kuwaiti imports (paid-up) by local banks to reach KWD 8,391.8 million at the end of 2022, i.e. an increase of KWD 2,717.4 million or 47.9% compared to the prior year.
- Elevation in the total value of transactions using plastic cards by KWD 7,674.7 million or 22.4% to stand at KWD 41,954.9 million during 2022 compared to the prior year.

I. Monetary Developments (Money Supply)

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

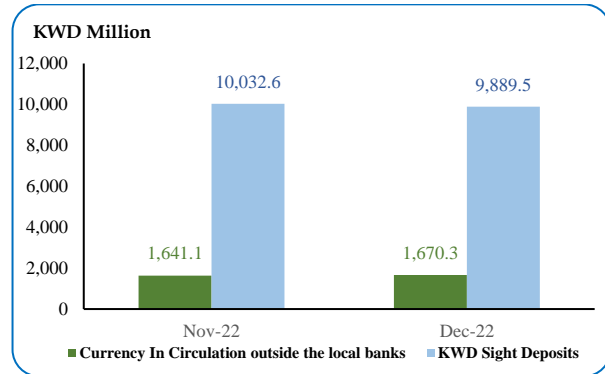
On a monthly basis, M1 decreased by KWD 113.8 million or 1.0% to stand at KWD 11,559.9 million at the end of December 2022 against KWD 11,673.7 million at the end of November 2022, driven by a drop in balances of KWD sight deposits by KWD 143.0 million or 1.4% against a rise in currency in circulation outside the local banks by KWD 29.2 million or 1.8%. **On an annual basis**, M1 declined by KWD 625.0 million or 5.1% in December 2022 compared to KWD 12,184.9 million in December 2021, due to the decrease of both KWD sight deposits by KWD 520.1 million or 5.0% and currency in circulation outside the local banks by KWD 104.9 million or 5.9%.

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



Source: Central Bank of Kuwait

Figure (2): Developments of Narrow Money Components

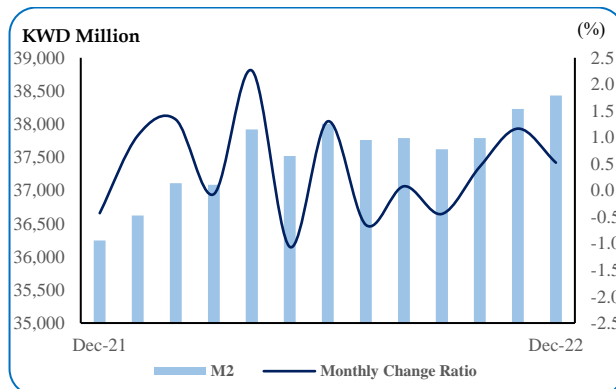


Source: Central Bank of Kuwait

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

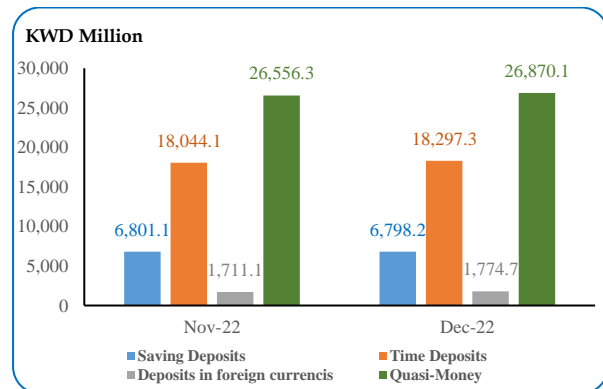
Money Supply in its Broad Sense (M2) went up, **on a monthly basis**, by KWD 200.0 million or 0.5% to stand at KWD 38,430.0 million at the end of December 2022 against KWD 38,229.9 million at the end of prior month. This gain resulted from the rise in Quasi-Money (KWD saving deposits, KWD time deposits and deposits in foreign currency) by KWD 313.8 million or 1.2%, and the decline in Narrow Money (M1) by KWD 113.8 million or 1.0% (as previously indicated). **On an annual basis**, data recorded an upward trend in M2 by KWD 2,184.5 million or 6.0% compared to December 2021.

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



Source: Central Bank of Kuwait

Figure (4): Quasi-Money Developments and Components



Source: Central Bank of Kuwait

In terms of M2 components during 2022, average ratio of sight deposits, saving deposits and time deposits represents 91.0% of total M2 balance, ratio of deposits in foreign currency 4.6%, and currency in circulation outside the local banks 4.4%.

II. Banking Developments (At Activity Level of Local Banks and their Branches Inside the State of Kuwait)

1. Local Banks' Assets:

On a monthly basis, total assets of local banks increased by KWD 735.9 million or 0.9% to reach KWD 84,964.1 million at the end of December 2022 against KWD 84,228.1 million at the end of prior month, driven by the rise in foreign assets, local interbank deposits, other assets and claims on private sector by (KWD 952.7 million, KWD 287.2 million, KWD 53.3 million and KWD 19.3 million respectively), on one side, and the decline in claims on CBK, loans to banks, claims on public institutions and claims on government by (KWD 512.4 million, KWD 35.7 million, KWD 28.1 million and KWD 0.2 million respectively) on the other side.

On an annual basis, total assets inched up by KWD 7,934.9 million or 10.3% mainly driven by the rise in foreign assets by KWD 5,347.6 million or 29.9% and claims on private sector by KWD 3,250.2 million or 8.0% as well as the increase in other assets and claims on public institutions by (7.5% and 2.4% respectively). The balances of claims on government, interbank deposits, loans to banks and claims on CBK fell by (54.1%, 10.2%, 6.9% and 0.6% respectively).

Table (1): Local Banks' Total Assets by Main Components (KWD Million)

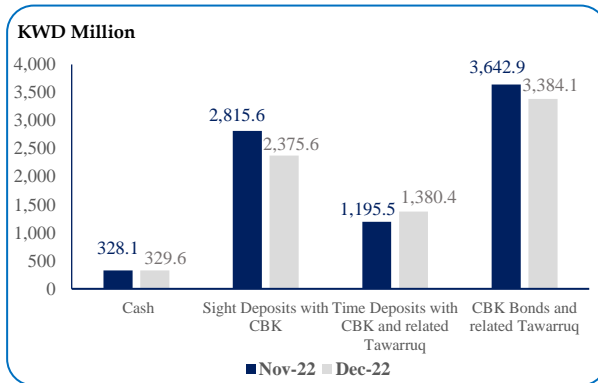
	December	November	December	Change (%)		to Total (%)
	2021	2022	2022	Monthly	Annual	
Claims on CBK	7,511.8	7,982.1	7,469.7	-6.4	-0.6	8.8
Claims on Government	1,137.5	522.6	522.4	0.0	-54.1	0.6
Claims on Public Institutions*	3,511.4	3,623.9	3,595.8	-0.8	2.4	4.2
Claims on Private Sector, of which:	40,858.6	44,089.6	44,108.8	0.0	8.0	51.9
credit facilities to residents	38,775.2	42,085.0	42,118.4	0.1	8.6	49.6
Foreign Assets	17,879.4	22,274.3	23,226.9	4.3	29.9	27.3
Loans to Banks	1,257.7	1,206.1	1,170.4	-3.0	-6.9	1.4
Local Interbank Deposits	2,079.7	1,580.6	1,867.9	18.2	-10.2	2.2
Other Assets	2,793.2	2,948.9	3,002.1	1.8	7.5	3.5
Total Assets	77,029.2	84,228.1	84,964.1	0.9	10.3	100.0

Source: Central Bank of Kuwait

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

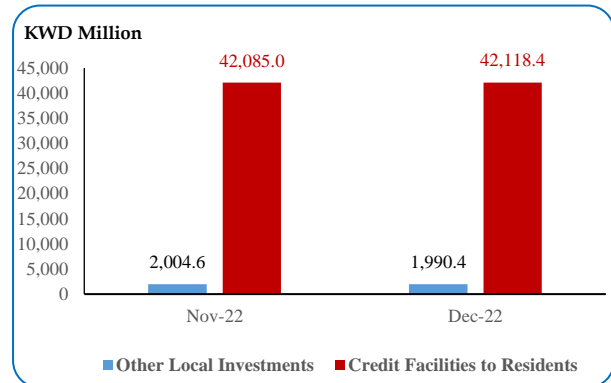
The total claims on private sector and foreign assets accounted for 79.3% of the local banks' total assets at the end of December 2022 against 78.8% at the end of prior month. As per the data available till the end of September 2022, asset quality improved, as the non-performing loans remained at its historical low of 1.5%.

Figure (5): Claims on CBK



Source: Central Bank of Kuwait

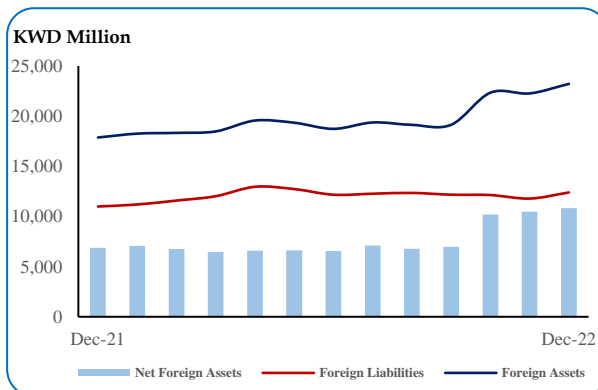
Figure (6): Claims on Private Sector



Source: Central Bank of Kuwait

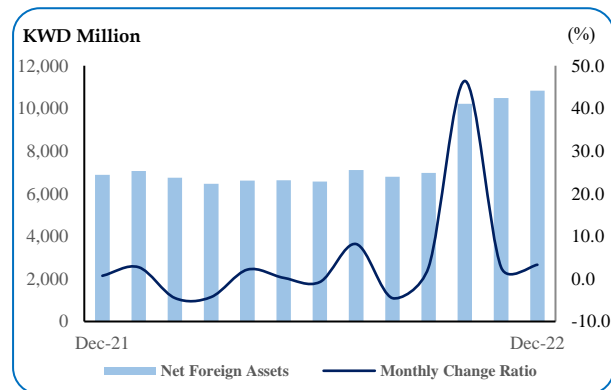
On another front, the net foreign assets with the banking sector increased by KWD 346.5 million or 3.3% at the end of December 2022 to stand at KWD 10,831.5 million against KWD 10,485.1 million at the end of prior month. This rise was due to the increase in foreign assets at a greater rate (by KWD 952.7 million or 4.3%) than the rise in foreign liabilities (by KWD 606.2 million or 5.1%).

Figure (7): Foreign Assets & Liabilities in Local Banks



Source: Central Bank of Kuwait

Figure (8): Net Foreign Assets & Monthly Change Ratio



Source: Central Bank of Kuwait

During 2022, the average ratio of deposits with foreign banks accounted for 33.5% of the total foreign assets, followed by foreign investments, credit facilities to non-residents, loans to foreign banks, and other assets by (33.4%, 16.7%, 9.6%, and 6.8% respectively). In contrast, the average ratio of non-residents deposits (with local banks and others) accounted for 76.8% of the total foreign liabilities, followed by other liabilities and loans by foreign banks by (15.9% and 7.4% respectively).

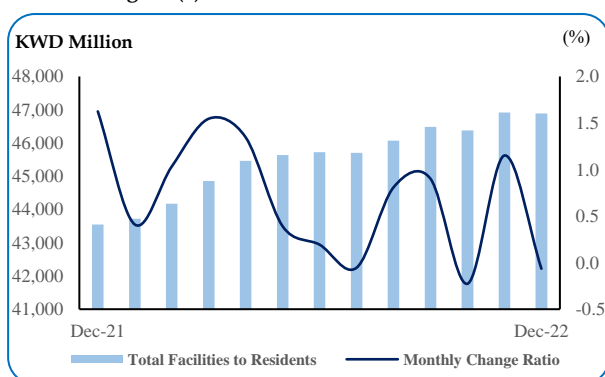
2. Cash Portion of the Credit Facilities Extended to Residents:

On a monthly basis, the utilized cash portion of the credit facilities for residents slowed down by KWD 30.3 million or 0.1% to stand at KWD 46,884.7 million. **In terms of the sectoral distribution by the utilized cash portion of credit facilities for residents**, it was noticed that since the end of August 2021, the personal credit facilities (accounting for

39.4% of overall facilities extended to residents) continued to rise to stand at KWD 18,475.7 million at the end of December 2022 against KWD 18,413.0 million at the end of prior month, i.e. an increase by KWD 62.7 million or 0.3%, driven by **the increase in the housing credit facilities** by KWD 39.8 million or 0.3% (accounting for 85.2% of overall personal facilities), in addition to the rise in the **consumer credit facilities** by KWD 5.0 million or 0.3% (accounting for 10.6% of overall personal facilities). Moreover, other facilities inched up by KWD 18.9 million or 4.5%. On the other side, credits extended to private residential went down by KWD 0.9 million or 0.3%.

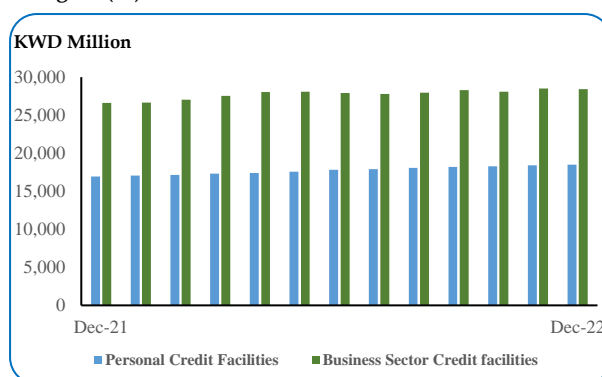
Credit to businesses (accounting for 60.6% of the overall facilities extended to residents) fell by KWD 93.1 million or 0.3%, to stand at KWD 28,409.0 million at the end of December 2022 against KWD 28,502.1 million at the end of November 2022. Credit to purchase of securities, other services, constructions and non-bank financial institutions increased by (KWD 32.8 million or 1.0%, KWD 28.7 million or 0.8%, KWD 16.1 million or 0.8%, and KWD 15.8 million or 1.6%, respectively). Meanwhile credits to the remaining sectors dropped.

Figure (9): Credit Facilities to Residents



Source: Central Bank of Kuwait

Figure (10): Personal & Business Sector Credit Facilities



Source: Central Bank of Kuwait

On an annual basis, data indicate a rise in the utilized cash portion of the credit facilities for residents by KWD 3,340.4 million or 7.7% due to the increase in personal credit facilities by KWD 1,533.2 million or 9.0% and credit to businesses by KWD 1,807.2 million or 6.8%.

3. Deposits with Local Banks:

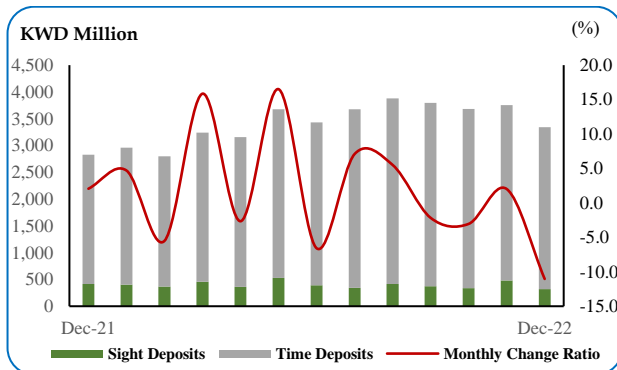
On a monthly basis, the total residents' deposits with local banks went down by KWD 181.1 million or 0.4% to stand at KWD 46,910.0 million at the end of December 2022 against KWD 47,091.1 million at the end of prior month, driven mainly by the drop in government deposits by KWD 414.3 million or 11.0%, against the rise in total private sector's deposits by KWD 170.8 million or 0.5% and public institutions' deposits by KWD 62.4 million or 0.9%.

On an annual basis, residents' deposits jumped by KWD 2,348.1 million or 5.3% due to increase of both government deposits and private sector's deposits by KWD 513.3 million

or 18.2% and 2,289.4 million or 6.6%, respectively, at the end of December 2022 for the same comparative month of prior year. In contrast, public institutions' deposits fell by KWD 454.6 million or 6.3%.

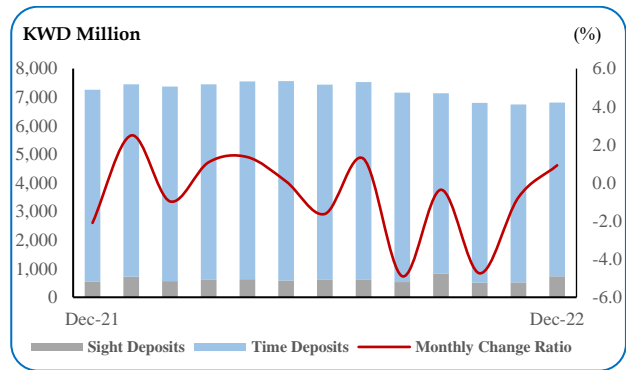
During 2022, the average ratio of the total "resident" private sector's deposits accounted for 77.0% of the total resident deposits with local banks followed by the average ratio of the total public institutions' deposits 15.6% and the average ratio of the total government deposits 7.4%. Moreover, the average ratios of the private sector's KWD deposits accounted for 73.5% of the total residents' deposits with local banks and 95.3% of the total "resident" private sectors' deposits during the same period.

Figure (11): Government Deposits with local Banks



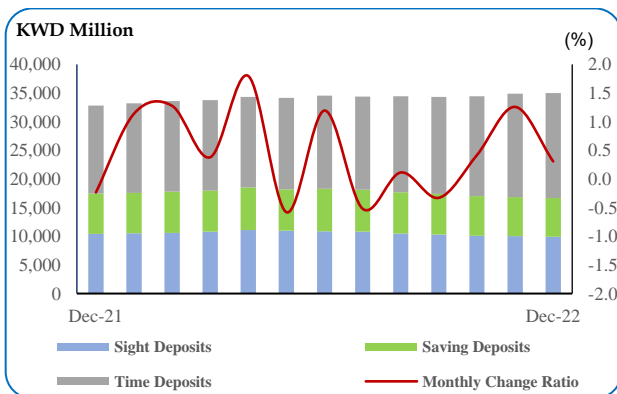
Source: Central Bank of Kuwait

Figure (12): Public Institutions' Deposits with Local Banks



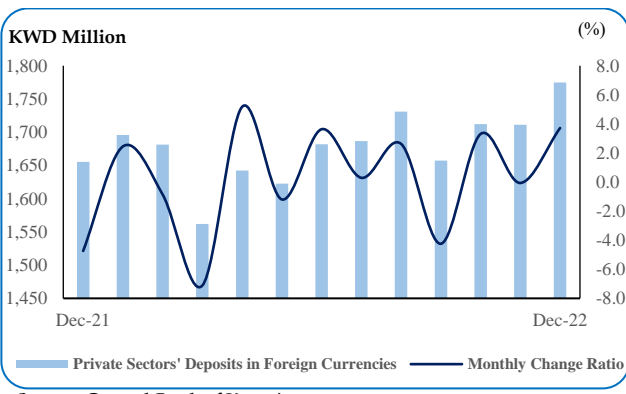
Source: Central Bank of Kuwait

Figure (13): Private Sector's Deposits (Residents) in Local Currency



Source: Central Bank of Kuwait

Figure (14): Private Sector's Deposits (Residents) in Foreign Currencies



Source: Central Bank of Kuwait

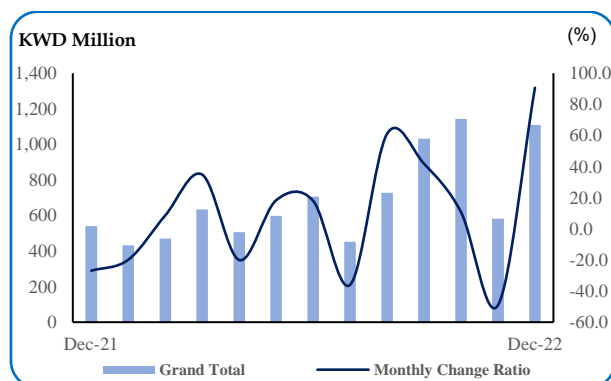
Data indicate that the total private sector's deposits (residents and non-residents) in KWD with local banks reached KWD 37,494.3 million at the end of December 2022, against KWD 37,300.3 million at the end of November 2022, i.e. a rise by KWD 194.0 million or 0.5%. Private sector's **non-interest** deposits of residents and non-residents in KWD with local banks reached KWD 10,900.7 million or 29.1% of the total deposits, while **deposits with interest up to 2.0%** reached KWD 11,477.3 million or 30.6%. During the period from the end of April 2022 to the end of December 2022 (the period of tightening monetary policy that came into force in March 2022), non-interest deposits, deposits with interest

up to 2.0% and deposits with interest above 2.0% up to 2.5% recorded declined by KWD 1,243.7 million or 10.2%, KWD 8,970.4 million or 43.9% and KWD 2,268.9 million or 73.1%, respectively. Deposits with **interest above 3.0% to 3.5%** topped the list increasing by KWD 3,978.6 million or 1,605.6%, followed by **deposits with interest above 3.5% up to 4.0%** that increased by KWD 3,492.9 million or 14,904.1%.

4. Financing Kuwaiti Imports (Paid-Up) through Local Banks:

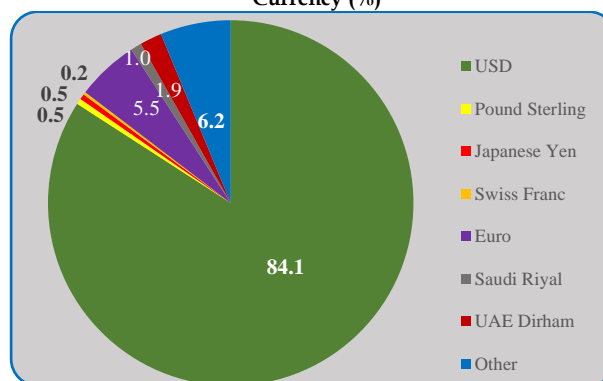
The cumulative value of financing Kuwaiti imports (paid-up) through local banks reached KWD 8,391.8 million during 2022, compared to KWD 5,674.4 million during 2021, i.e. an increase by KWD 2,717.4 million or 47.9%. Worth noting is that the highest value of financing import reached KWD 1,143.0 million during October 2022, and the lowest value reached KWD 432.4 million during January 2022. The value of financing Kuwaiti imports in USD reached KWD 7,059.7 million or 84.1% of the total, followed by other currencies with KWD 522.9 million or 6.2%, and then Euro with KWD 460.8 million or 5.5%.

Figure (15): Financing Kuwaiti Imports (Paid-Up)



Source: Central Bank of Kuwait

Figure (16): Financing Kuwaiti Imports(Paid-Up) According to Currency (%)



Source: Central Bank of Kuwait

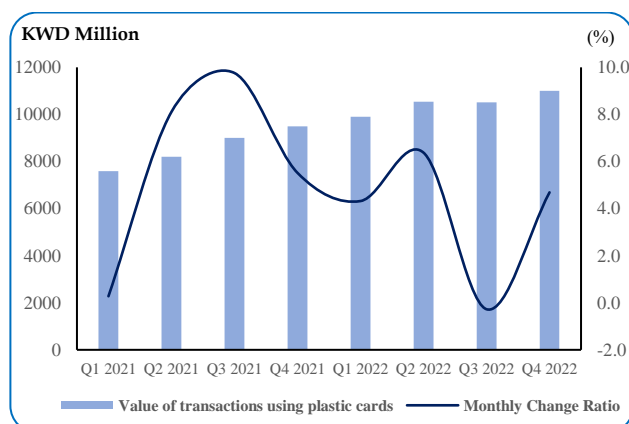
5. Value of Transactions Using Plastic Cards:

In light of the rapid growth of digital economy and the enhancement of transformation towards an economy less dependent on banknotes, value of plastic cards transactions inched up to reach KWD 41,945.9 million during 2022 against KWD 34,280.2 million during 2021, i.e. a rise by KWD 7,674.7 million or 22.4%, mainly driven by the increase in payment gateway transactions by KWD 4,427.8 million or 43.6% to stand at KWD 14,588.3 million (accounting for 34.8% of the total value of transactions using plastic cards during 2022), in addition to the rise in value of Points of Sale (POS) transactions by KWD 2,894.6 million or 21.6% to stand at KWD 16,280.2 million (accounting for 38.8% of the total value of transactions using plastic cards during 2022), as well as the increase in the value of Automatic Teller Machine (ATM) transactions by KWD 352.3 million or 3.3% to stand at KWD 11,086.3 million (accounting for 26.4% of the total value of transactions using plastic cards during 2022). Total value of transactions using plastic cards in the State of Kuwait (local) reached KWD 39,774.7 million or 94.8% of the total transactions during 2022, meanwhile, value of transactions abroad reached KWD 2,180.1 million or 5.2%. This

comes in line with the decline in currency circulating outside the local banks by KWD 104.9 million or by 5.9% (as previously indicated in the analysis of M1).

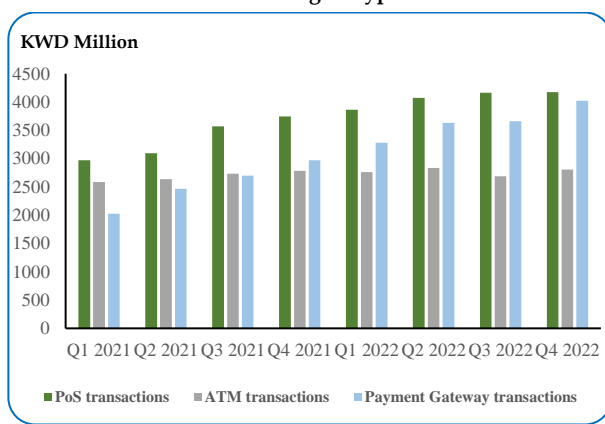
On a quarterly basis, total value of plastic cards transactions went up reaching KWD 11,001.5 million during the fourth quarter of 2022 against KWD 10,508.9 million during the third quarter of 2022, i.e. a rise by KWD 492.7 million or 4.7%. This increase was due to the rise in the value of payment gateway transactions (by KWD 362.8 million or 9.9% to stand at KWD 4,020.8 million), Automatic Teller Machine (ATM) transactions (by KWD 118.9 million or 4.4% to stand at KWD 2,804.4 million), and Points of Sale transactions (by KWD 11.0 million or 0.3% to stand at KWD 4,176.3 million).

Figure (17): Value of Transactions using Plastic Cards



Source: Central Bank of Kuwait

Figure (18): Value of Transactions using Plastic Cards According to Type



Source: Central Bank of Kuwait