

Summary of the Key Local Monetary and Banking Indicators

August 2023

This brief covers the key monetary and banking developments in the State of Kuwait as at the end of August 2023 compared to those reported in the corresponding month in the previous year (on an annual basis). Following are the most prominent highlights:

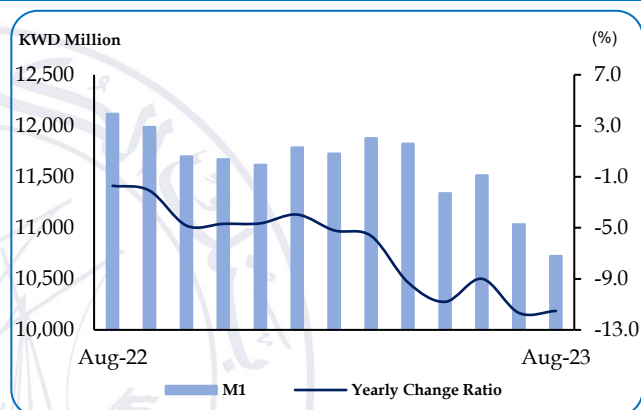
- Money Supply in its Broad Sense (M2) increased by 3.7% to KWD 39.17 billion.
- The total local banks' assets grew by KWD 2.64 billion or 3.2%.
- The net foreign assets in the local banks increased by KWD 3.90 billion or 57.4%.
- The utilized cash portion of credit facilities to residents increased by KWD 0.99 billion or 2.2%.
- The total residents' deposits with local banks inched up by KWD 0.36 billion or 0.8%. Likewise, the resident private sector's deposits increased by KWD 1.42 billion or 3.9%.

I. Monetary Developments (Money Supply)

1. Money Supply (M1):

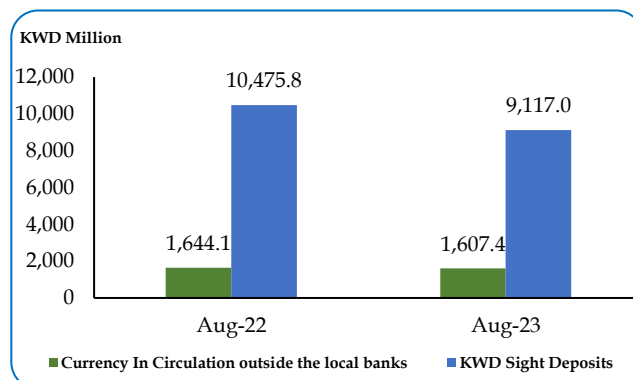
Money Supply in its Narrow Sense "Narrow Money" (M1) decreased by KWD 1.40 billion or 11.5% to KWD 10.72 billion at the end of August 2023 against KWD 12.12 billion at the end of the corresponding month in the previous year.

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



This mainly resulted from the drop in KWD sight deposits by KWD 1.36 billion or 13.0% to KWD 9.12 billion, and the decline in currency in circulation outside the local banks by KWD 0.04 billion or 2.2% to KWD 1.61 billion.

Figure (2): Developments of Narrow Money Components



2. Developments and Components of Money Supply (M2):

Money Supply in its Broad Sense (M2) increased by KWD 1.38 billion or 3.7% to KWD 39.17 billion at the end of August 2023 against KWD 37.79 billion for the corresponding month. This gain resulted from the rise in Quasi-Money (KWD saving deposits, KWD time deposits and deposits in foreign currency) by KWD 2.78 billion or 10.8%, and the decrease in Narrow Money (M1) by KWD 1.40 billion or 11.5%.

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

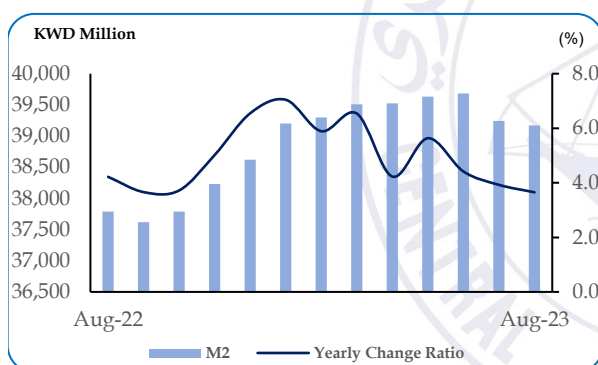


Figure (4): Developments and Components of Quasi-Money

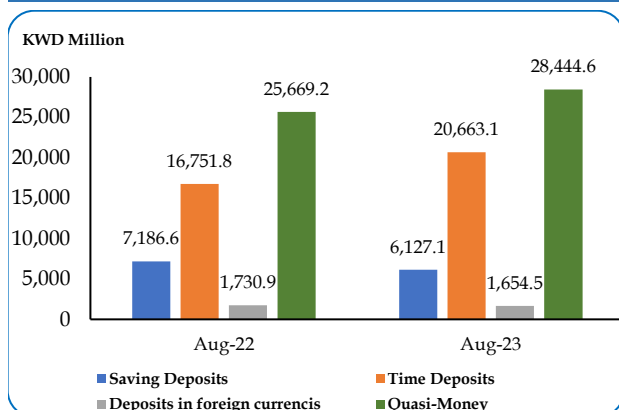
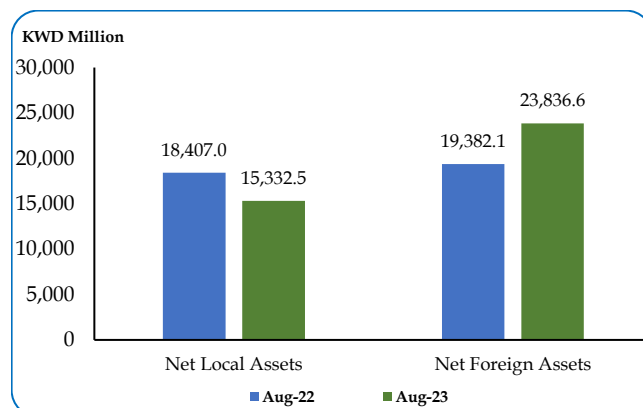


Figure (5): Factors affecting Broad Money (M2)



Considering the combined monetary survey of CBK and the local banks during the period from the end of August 2022 to the end of August 2023, (M2) can be calculated according to the factors affecting it, namely (a) **Net Local Assets** (that includes net claims of CBK and local banks on government, public institutions and private sector less government's deposits and accounts, and others "net"), and (b) **Net Foreign Assets** with CBK and local banks.

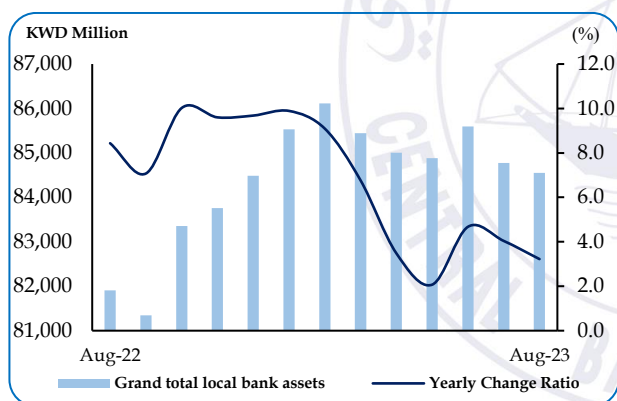
The relevant data indicate that the rise in M2 was driven by the **increase in net foreign assets** by KWD 4.45 billion or 23.0% (as a result of the increase in net foreign assets with local banks by KWD 3.90 billion or 57.4% and net foreign assets with CBK by KWD 0.56 billion or 4.4%), and the **decline in net local assets** by KWD 3.07 billion or 16.7% (resulted from the rise in claims on private sector and others "net", in addition to the decline in claims on government, public institutions and government's deposits and accounts).

II. Banking Developments (at the Activity level of Local Banks and their Branches inside the State of Kuwait)

1. Local Banks' Assets:

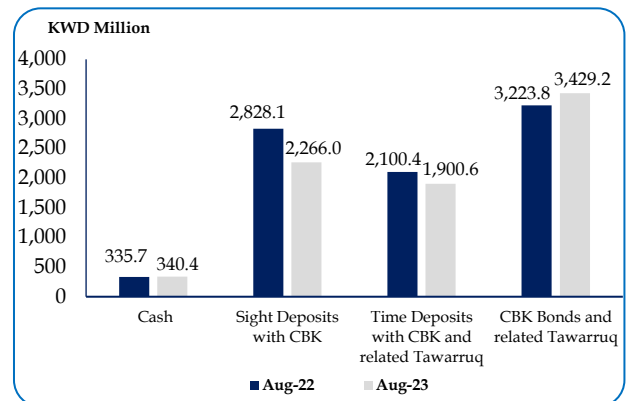
Total assets of local banks grew by KWD 2.64 billion or 3.2% to KWD 84.55 billion at the end of August 2023 against KWD 81.91 billion at the end of the corresponding month in the previous year. This was mainly driven by the rise in foreign assets by KWD 3.47 billion or 18.1% to KWD 22.61 billion, claims on private sector by KWD 1.05 billion or 2.4% to KWD 44.66 billion and loans to banks by KWD 0.05 billion or 4.9% to KWD 1.03 billion.

Figure (6): Developments of Local Banks' Total Assets



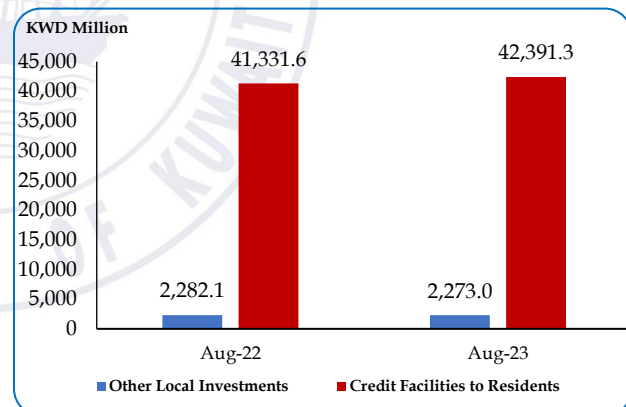
On another front, the balances of claims on government, interbank deposits, claims on CBK, claims on public institutions, and other assets fell by 31.7%, 41.7%, 6.5%, 3.1% and 2.9%, respectively.

Figure (7): Components of Claims on CBK



The claims on private sector represents the main source of local banks' assets. The average of these claims accounted for 52.4% of the local banks' total assets during the period from the end of August 2022 to the end of August 2023 (52.8% in August 2023).

Figure (8): Components of Claims on Private Sector



The claims on private sector are mainly credit facilities to residents (accounted for 94.9% of the claims on private sector, and 50.1% of the local banks' total assets) as well as other local investments. The foreign assets ranked

second accounting for 26.7% of the total local banks' assets, followed by the claims on CBK (9.4% of the total local banks' assets) as at the end of August 2023. The total claims on private sector

and foreign assets accounted for 79.6% of the local banks' total assets at the end of August 2023 against 76.6% at the end of the corresponding month in the previous year.

The following table shows the total assets of local banks by main components:

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

Statement	August 2022	August 2023	Change		to Total (%)
			Value	%	
Claims on CBK	8,488.0	7,936.2	-551.8	-6.5	9.4
Claims on Government	613.8	419.5	-194.4	-31.7	0.5
Claims on Public Institutions*	3,757.9	3,642.3	-115.6	-3.1	4.3
Claims on Private Sector, of which:	43,613.7	44,664.3	1,050.5	2.4	52.8
Credit Facilities to Residents	41,331.6	42,391.3	1,059.6	2.6	50.1
Foreign Assets	19,138.8	22,608.6	3,469.8	18.1	26.7
Loans to Banks	981.9	1,030.5	48.6	4.9	1.2
Local Interbank Deposits	2,354.3	1,372.5	-981.8	-41.7	1.6
Other Assets	2,960.7	2,875.0	-85.7	-2.9	3.4
Total Assets	81,909.2	84,548.8	2,639.6	3.2	100.0

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

Data indicate that **net foreign assets with local banks increased** by KWD 3.90 billion or 57.4% to KWD 10.68 billion at the end of August 2023 against KWD 6.79 billion at the end of

the corresponding month in the previous year. This rise was mainly driven by the rise in foreign assets by KWD 3.47 billion or 18.1% and the decrease in foreign liabilities by KWD 0.43 billion or 3.4%.

Figure (9): Development of Net Foreign Assets in Local Banks

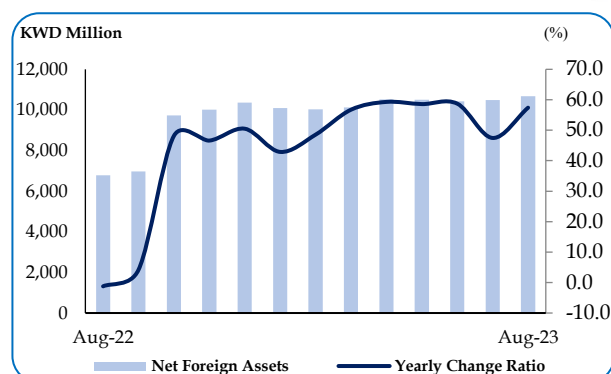
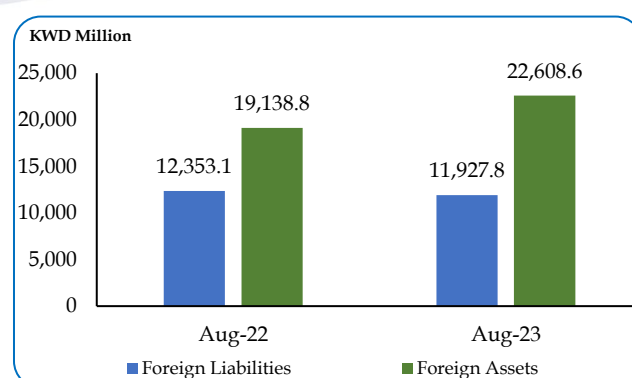


Figure (10): Foreign Assets & Liabilities in Local Banks



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

The utilized cash portion of the credit facilities to residents increased by KWD 0.99 billion or 2.2% to KWD 47.06 billion at the end of August 2023 against KWD 46.07 billion at the end of the corresponding month in the previous year. In more detail, personal credit facilities (39.6% of the total cash portion of the overall facilities to residents) increased by KWD 0.55 billion or 3.0% to KWD 18.64 billion at the end of August 2023 against KWD 18.09 billion at the end of the corresponding month in the previous year. This was mainly driven by the rise in the total utilized cash portion of housing credit facilities by KWD 0.52 billion or 3.4% (housing credit facilities account for 85.6% of overall personal facilities) to KWD 15.96 billion at the end of August 2023. In addition, the utilized cash portion of both consumer credit facilities (10.5% of the overall personal facilities) increased by 1.5% to KWD 1.95 billion and that of other personal credit facilities (2.3% of overall personal facilities) by 2.9% to KWD 0.43 billion. In contrast, the utilized cash portion of the personal credit facilities for private residential housing (1.6% of overall personal facilities) declined by KWD 0.02 billion to KWD 0.30 billion.

The utilized cash portion of credit facilities to businesses (60.4% of the overall facilities to residents) increased by KWD 0.45 billion or 1.6% to KWD

28.42 billion at the end of August 2023 against KWD 27.98 billion at the end of the corresponding month in the previous year. The cash portion of credits to real estate sector (33.4% of the overall credit facilities to businesses and 20.2% of the overall utilized cash portion of credit facilities to residents) went up by KWD 0.11 billion or 1.2% to KWD 9.50 billion at the end of August 2023 against KWD 9.38 billion at the end of the corresponding month in the previous year. On another front, the cash portion of credits to construction sector increased by KWD 0.27 billion or 13.7% to KWD 2.25 billion (7.9% of the overall credit facilities to businesses and 4.8% of the overall utilized cash portion of credit facilities to residents) at the end of August 2023 against KWD 1.98 billion at the end of the corresponding month in the previous year.

Credits to trade, purchase of securities (individuals, companies and institutions), non-bank financial institutions, loans to banks, public services and agriculture & fishing went up by 5.5%, 4.4%, 19.0%, 4.9%, 46.0% and 56.3%, respectively. Meanwhile, credits to crude oil & gas, industry and other services decreased by 11.1%, 6.3% and 4.0%, respectively.

Table (2): Utilized Cash Portion of Credit Facilities by Residents (KWD Million)

Statement	August 2022	August 2023	Change		to Total (%)
			Value	%	
Personal Credit Facilities	18,093.7	18,640.1	546.4	3.0	39.6
Consumer Loans	1,923.8	1,953.5	29.7	1.5	4.2
Installment Loans	15,436.5	15,960.1	523.6	3.4	33.9
Private Residential Loans	319.7	300.6	-19.0	-6.0	0.6
Other Loans	413.7	425.8	12.1	2.9	0.9
Business Sector Credit Facilities	27,977.8	28,424.0	446.2	1.6	60.4
Trade	3,199.5	3,376.8	177.4	5.5	7.2
Industry	2,510.2	2,351.4	-158.8	-6.3	5.0
Agriculture & Fishing	20.5	32.0	11.5	56.3	0.1
Purchase of Securities	3,039.1	3,171.5	132.3	4.4	6.7
Real Estate	9,383.3	9,492.2	108.9	1.2	20.2
Constructions	1,975.4	2,245.5	270.1	13.7	4.8
Loans to Banks	981.9	1,030.5	48.6	4.9	2.2
Non-Bank Financial Institutions	994.2	1,183.1	188.9	19.0	2.5
Crude Oil & Gas	2,230.4	1,982.7	-247.7	-11.1	4.2
Public Services	118.1	172.5	54.4	46.0	0.4
Other Services	3,525.0	3,385.7	-139.4	-4.0	7.2
Total	46,071.5	47,064.1	992.6	2.2	100.0

3. Residents' Deposits with Local Banks:

The total residents' deposits with local banks went up by KWD 0.36 billion or 0.8% to KWD 47.55 billion at the end of August 2023 against KWD 47.19 billion at the end of the corresponding month in the previous year. This rise was driven mainly by the increase in total private sector's deposits by KWD 1.42 billion or 3.9% to KWD 37.56 billion, as well as the rise in government's deposits by KWD 0.47 billion or 12.2% to KWD 4.35 billion at the end of August 2023.

In contrast, public institutions' deposits decreased by KWD 1.53 billion or 21.3% to KWD 5.64 billion.

Resident private sector's deposits are the main source of financing for local banks (44.4% of the local banks' total liabilities at the end of August 2023). On another front, government's deposits and public institutions' deposits accounted for 5.2% and 6.7%, respectively, of the local banks' total liabilities at the end of August 2023.

Figure (11): Development of Government Deposits with Local Banks

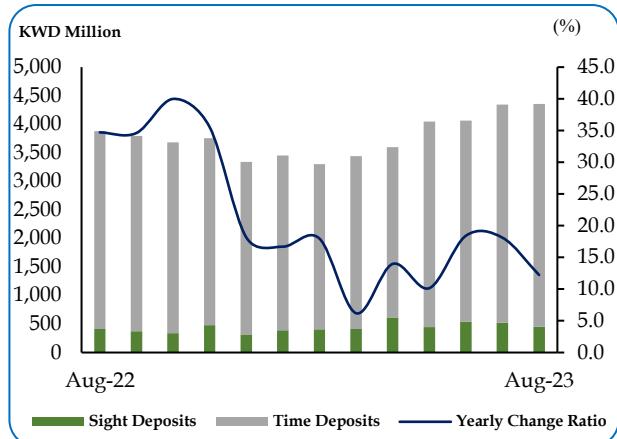


Figure (12): Development of Public Institutions' Deposits with Local Banks

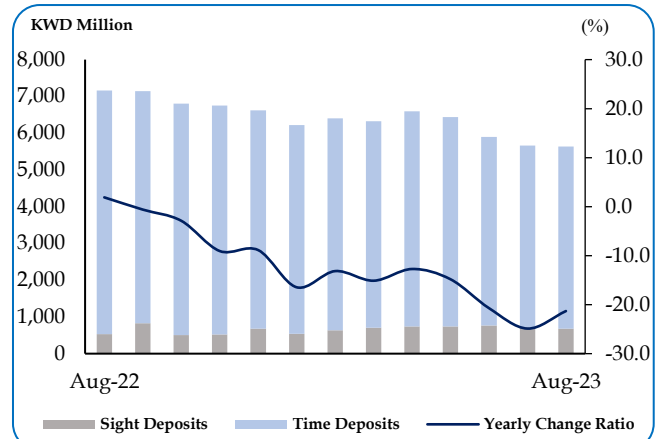


Figure (13): Development of Private Sector's Deposits (Residents) in Local Currency

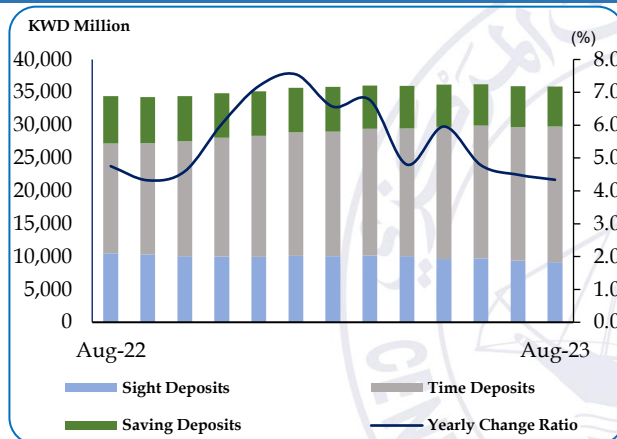


Figure (14): Development of Private Sector's Deposits (Residents) in Foreign Currencies

