

***A Welcome Statement Addressed to H. E. The Governor  
of the Reserve Bank of New Zealand***

It gives me great pleasure to welcome our guests from New Zealand to the State of Kuwait. Their visit is much appreciated, as it strengthens the already firm relationship between the State of Kuwait and New Zealand. Also, the occasion of their visit to the Central Bank of Kuwait allows me to draw attention to the current condition of our national economy and the direction in which our monetary policy is moving.

The timing of this visit is also opportune, as we have just celebrated, this past February, the fifth anniversary of our liberation from the brutal Iraqi occupation. As a member of the allied nations who participated in achieving that liberation, New Zealand is always remembered with appreciation by all Kuwaitis. Furthermore, I am certain that our guests can recognize the tremendous challenges that we have had to face, and the efforts we have had to exert, both during and after the occupation, to put the Kuwaiti economy back on its course.

To face the serious difficulties and challenges caused by the Iraqi invasion, and to give attention to compelling future concerns, Kuwait's efforts since the liberation have focused on reforming the growth and composition of the oil and non-oil GDP, correcting the persistent deficit in the State budget, expanding the role of the private sector in domestic economic activities, and planning for improved future economic performance.

In this regard, and as examples to show that our national economy has come a long way, it is appropriate to indicate that Kuwait's GDP (at current prices) since 1993 has exceeded its pre-invasion level. Furthermore, recent provisional data on national accounts reveal that GDP (at current prices) increased in 1995 at an annual rate of 8.2%, compared to 1.6% in 1994. The noticeable increase in the GDP for 1995 compared to the previous year was the outcome of growth in both oil and non-oil sectors by 10.9% and 6.6% respectively.

Also, Kuwait's trade balance in 1994 realized a surplus of KD1.3 billion, the highest level during the post-liberation period. The surplus in the trade balance for 1995 was estimated at KD1.1 billion. In addition, the current account surplus was also noticeable, estimated to be around KD889 million in 1995, against KD797 million in 1994.

In my view, two additional matters related to the performance of our national economy deserve our attention:

1. Kuwait's Stock Exchange was quite active during 1995, and showed substantial increases in its activities, compared to 1994. These increases were 226% in the total value of transactions, 259% in the volume of traded shares, and 39% in the general share price index.
2. Kuwait has been fulfilling its foreign debt obligations regarding its loan from the international financial market for US \$5.5 billion, signed in December 12, 1991. The loan is to be repaid quarterly in seven equal installments, beginning in the second quarter of 1995. Kuwait had already paid the first four installments by 1996, amounting to US \$3.142 billion, and their due interest. The remaining three installments (US\$2.357 billion) and their due interest were to be paid in 1996, on schedule.

In view of its pronounced economic performance, future prospects, and the ability to service its foreign debt, the State of Kuwait was assigned a sovereign rating by the international rating agency IBCA, which assigned Kuwait (A) and (A1) ratings for long-term and short-term credit risks respectively.

In the last few years, our major effort to ensure the restructuring of our national economy required giving proper attention to the deficit in the State budget, because this deficit is considered the most critical

challenge, and is linked to all other economic challenges, which we have faced in recent years.

On the level of monetary policy and the role of the Central Bank of Kuwait, this visit comes after the occasion of the Silver Jubilee of the Central Bank of Kuwait. As we look back on 27 years of operations since its inception in April 1969, the effective role of monetary policy in the State of Kuwait during and after the exceptional circumstances of the brutal Iraqi occupation stands out in our memory.

The recognition, which our monetary policy received internationally, has been a driving force for the tasks that remain, specifically the task of maintaining monetary stability through more effective instruments and supervisory procedures in line with international standards. Furthermore, and with the aid of merger operations and foreign participation, we are working diligently to create Kuwaiti banking and financial units that are capable of outstanding performance and of providing initiatives and free competition, both locally and abroad.

In the context of creating more capable banking and financial units, I would like to highlight a few of the most recent data on banking performance in 1995, compared with their levels in the previous year. These data reveal the significant results derived from an increase of 5.7% (KD624.3 million) in the aggregate balance sheet of local banks, and a rise of 32.8% (KD129.3 million) in the net profit realized by all local banks. Also, an average capital adequacy ratio of 28% was realized in these banks at end of 1995; this ratio far exceeds the minimum international standard of 8%.

Finally, as we look at trade relations between the State of Kuwait and New Zealand during the three years 1993-1995, the value of our average annual imports from New Zealand was about KD5.2 million, against KD16.2 thousand for our average annual exports to New Zealand. These modest figures suggest that opportunities may be explored for expanding our future trade relations.

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