



# Kuwait: Macroeconomic Trends and Monetary/Financial Stability

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Central Bank of Kuwait

Berlin | June 26, 2018



# Outline



Kuwait: Foundations of Economic Strength

Favorable Macroeconomic Indicators conducive to investment

Stable Monetary and Exchange Rate Regime

Stable and Inclusive Financial System

Reforms: the way forward

# Kuwait: Foundations of Economic Strength



## Distinctive Geographical Location

Neighboring key MENA countries with high population density

## Significant Financial Buffers

Around 500% percent of GDP  
Reflecting prudent economic policies, preserving interest of future generations.

## Oil Wealth

8% of the world oil reservoirs

## Foundations of Economic Strength

## Monetary and Financial Stability

Supporting sustainable economic growth and development

## Enhanced Regulatory and Institutional Environment

Governance, transparency and integrity.

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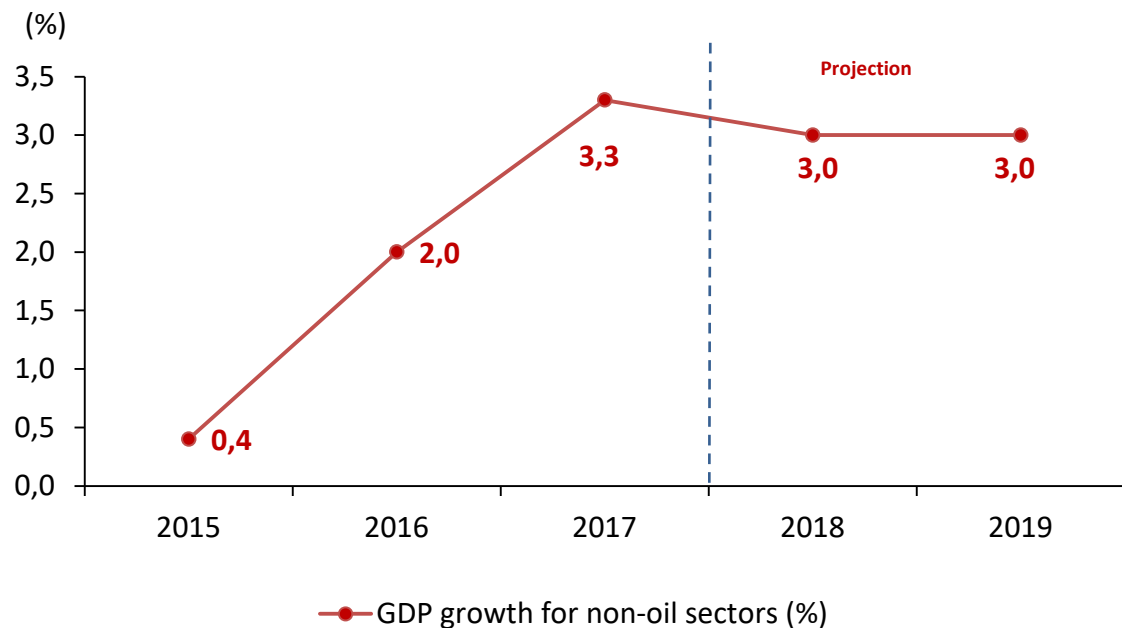


# Favorable Macroeconomic Indicators



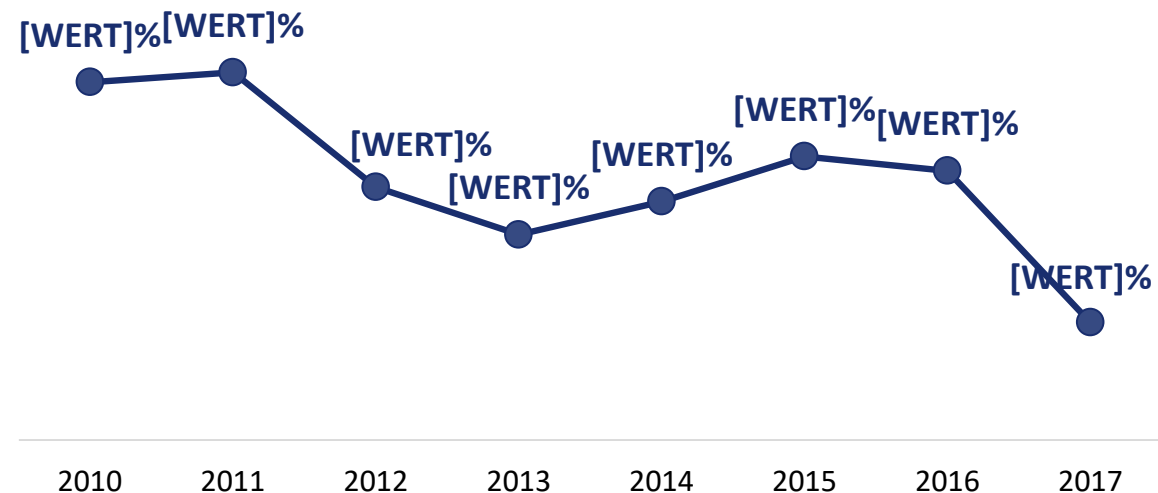
## Healthy Economic Growth

Growth is projected to continue in 2018 and 2019  
Recovery in oil prices will help support oil-GDP growth as well



## Low inflation Rates

Record low inflation in 2017  
3.4% p.a. on average for 2010-2017



Source: Central Statistical Bureau, National authorities; and IMF staff estimates and projections.

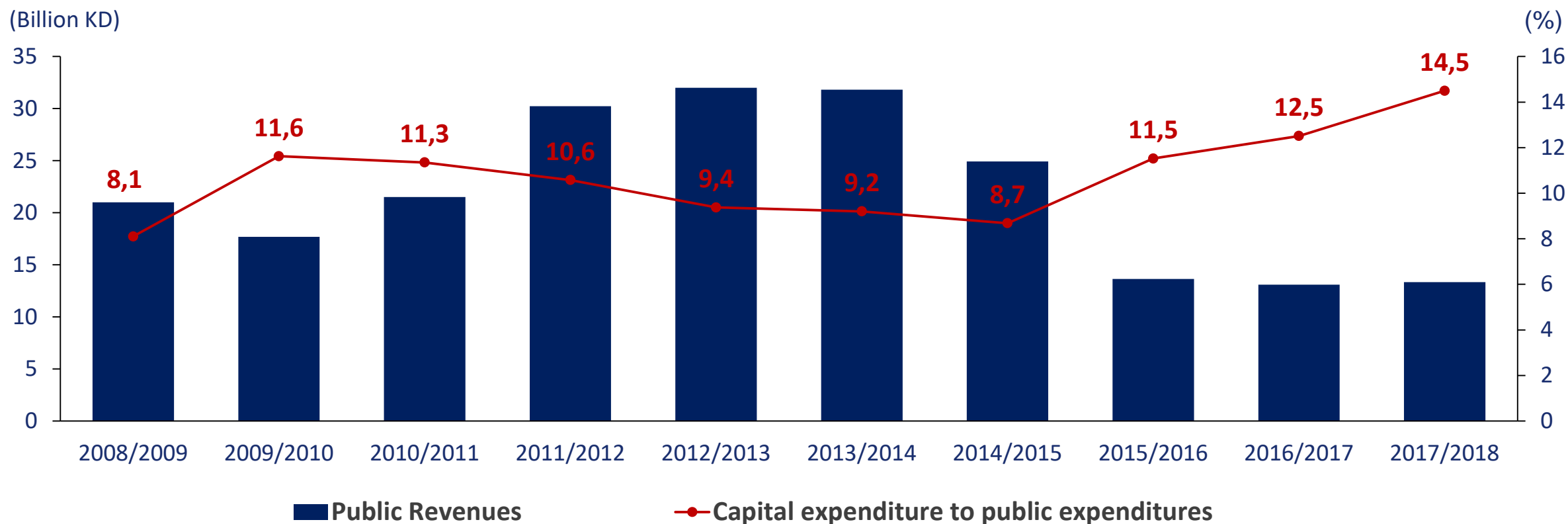
Source: Central Statistical Bureau, National authorities; and IMF staff estimates and projections.

# Favorable Macroeconomic Indicators



## Robust Capital Expenditures to support economic activity:

The average capital expenditure to the overall expenditure over the last decade was 11% p.a.



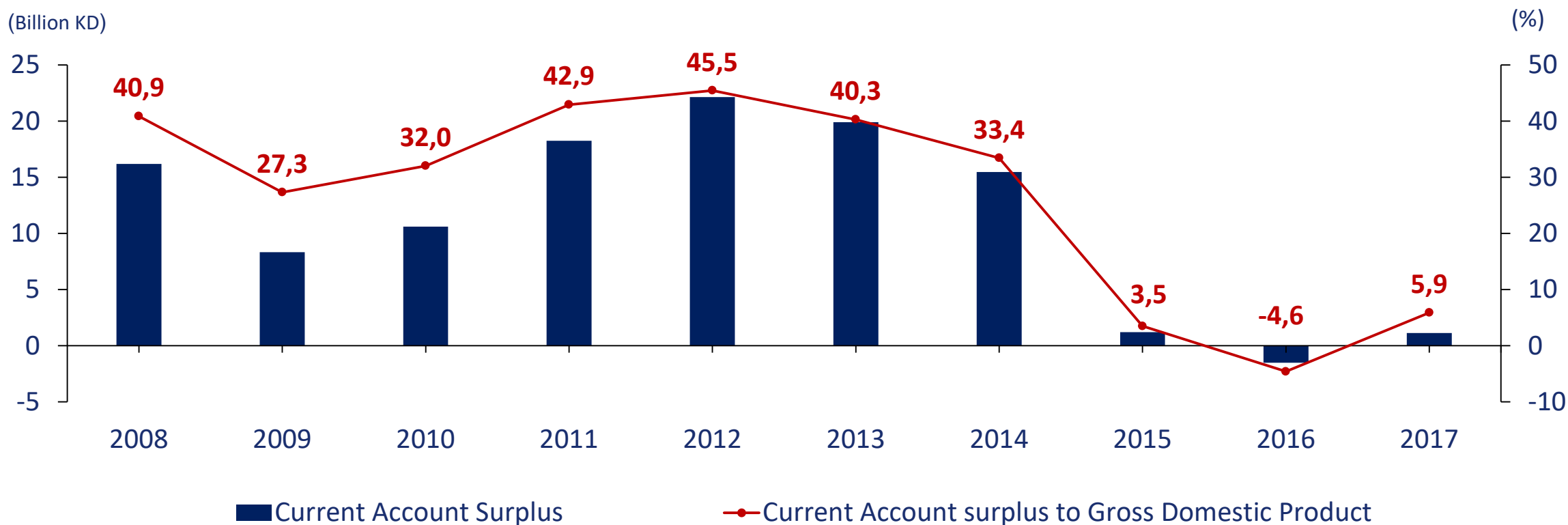
Source: Ministry of Finance

# Favorable Macroeconomic Indicators



**Current Account has again turned into a surplus**

CA/GDP over the last decade: around 27% p.a.



Source: Central Bank of Kuwait

# Favorable Macroeconomic Indicators



## Strong Credit Ratings by all Rating Agencies

**Fitch**Ratings



Since 4 September 2008



**AA/Stable**

**STANDARD  
& POOR'S**



Since 20 July 2011



**AA/Stable**

**MOODY'S**



Since 25 July 2007



**Aa2/Stable**

Source: Official Websites of the World Credit Rating Agencies



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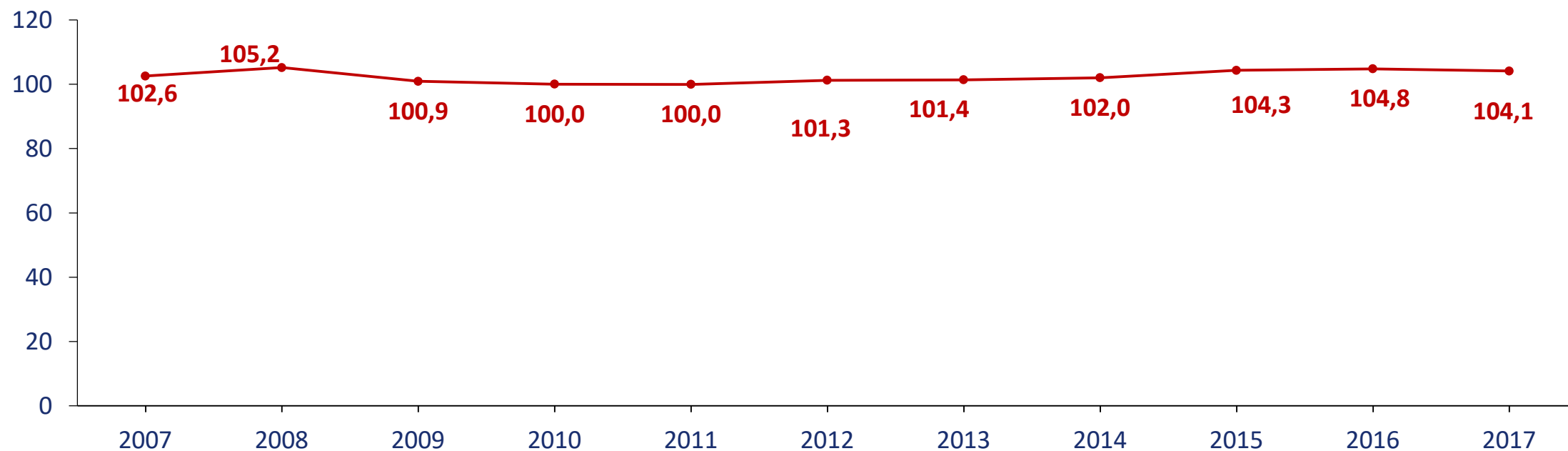
Reforms: the way forward

# Monetary & Exchange Rate Stability



## Relative Stability of the KD Exchange Rate:

Nominal Effective Exchange Rate

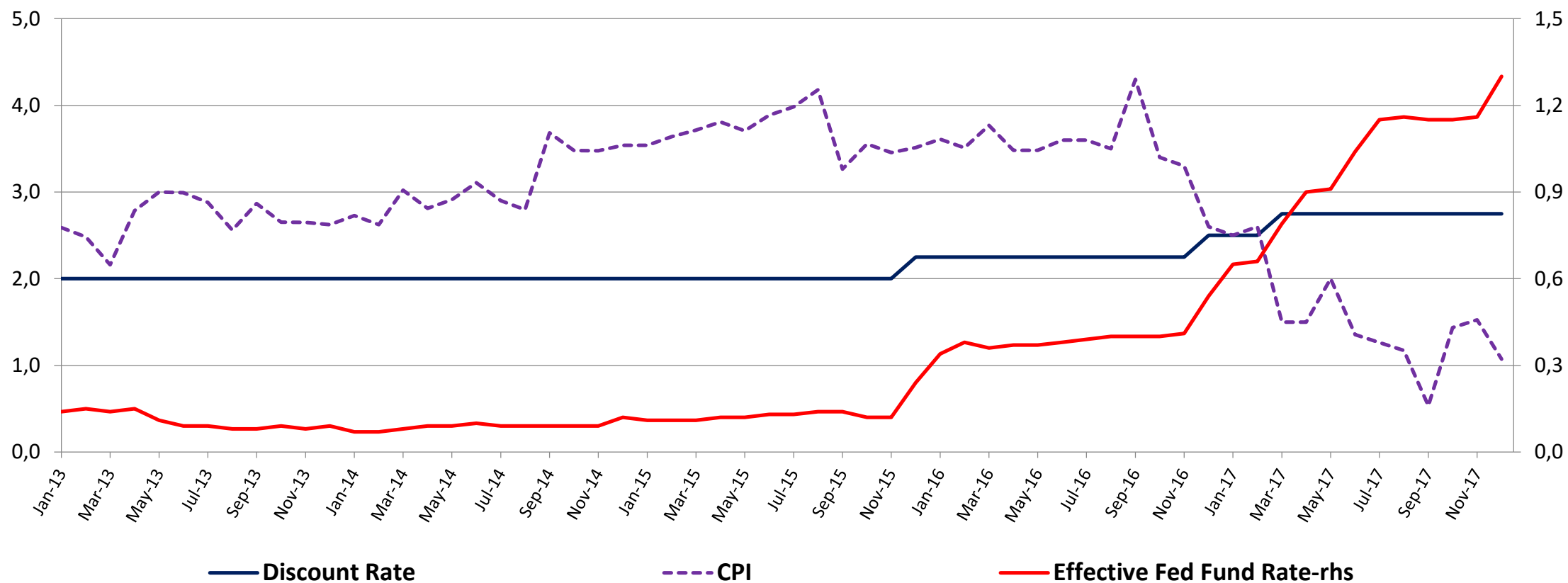


Source: Central Bank of Kuwait

# Monetary & Exchange Rate Stability



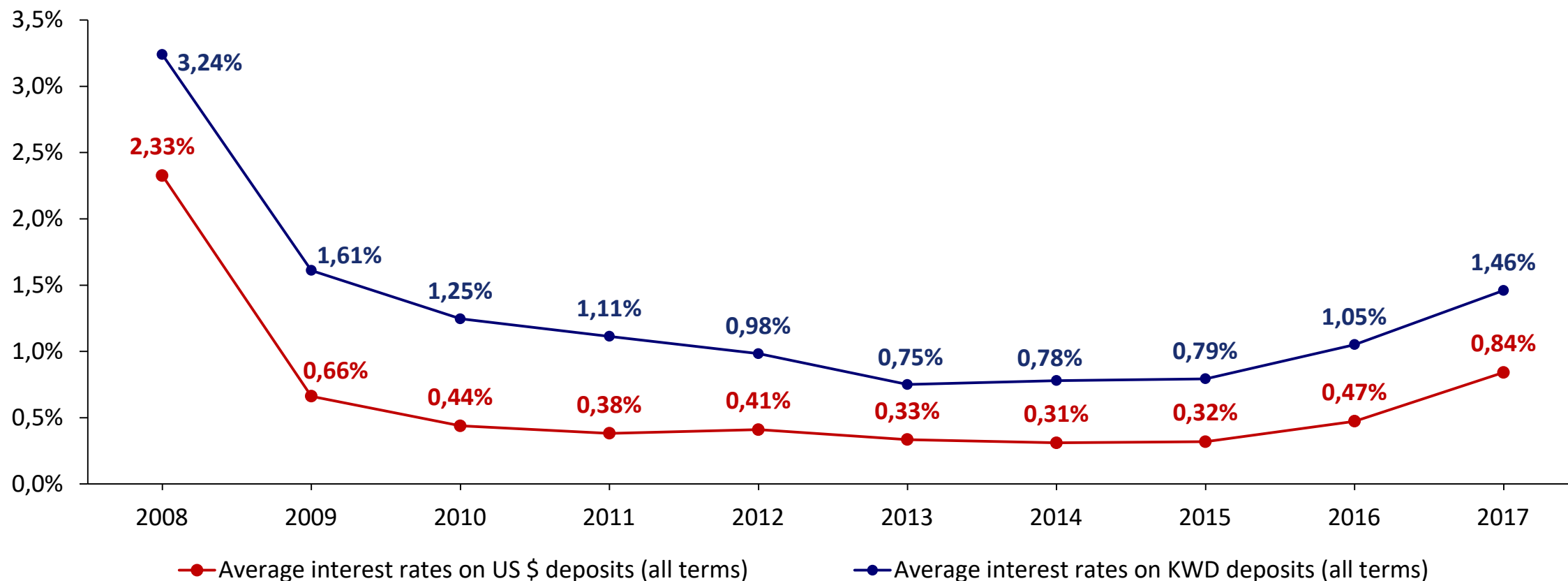
**Discount Rate & Inflation (%)**



# Monetary & Exchange Rate Stability



## Maintaining Attractiveness and Competitiveness of Kuwaiti Dinar as a Store of National Savings



Source: Central Bank of Kuwait

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# Stable & Inclusive Financial System



## Expanding Outreach of The Banking Sector and Payments Infrastructure

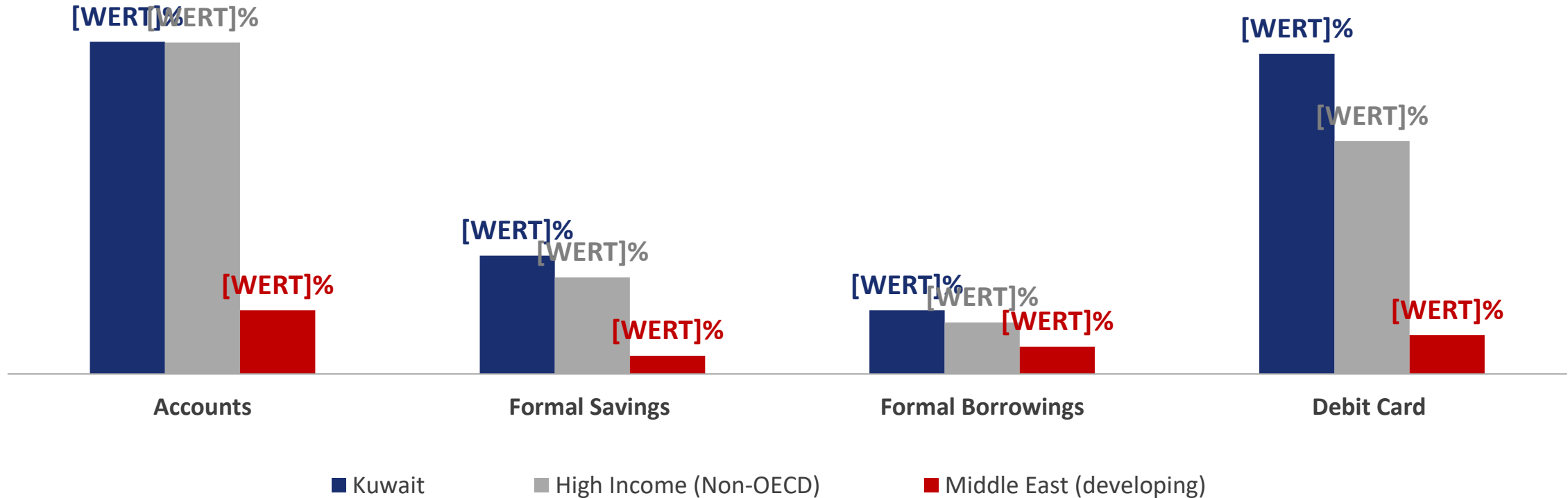
Particular	2008	2017	Change (%)
Number of Banks	16	23	43.8
Number of Local banks' branches	295	407	38.0
Number of ATMs	1026	2103	105.0
Number of ATMs / 1,000 sq. km.	58	118	105.0
Number of POSs	19039	51072	168.2
Number of ATM cards ('000)	2673	3902	46.0
Number of credit cards ('000)	491	823	67.5

Source: Central Bank of Kuwait

# Stable & Inclusive Financial System

## Inclusive Financial System

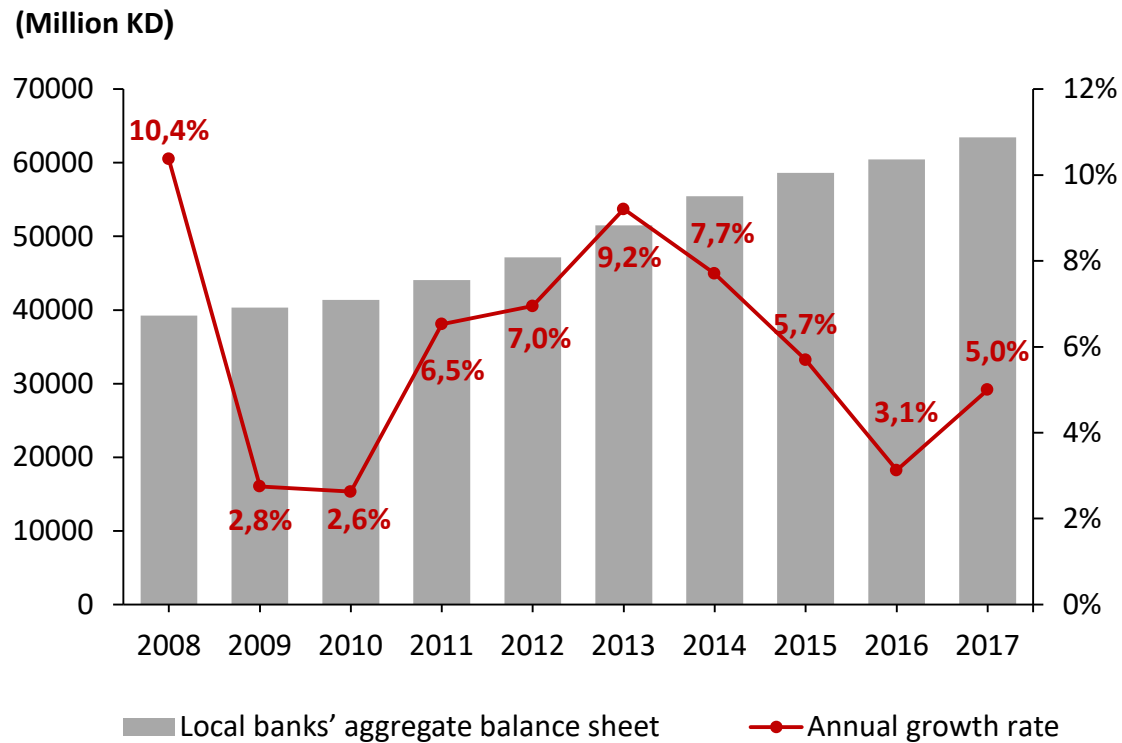
(Have saving account / borrowings / debit card)  
(% of population aged above 15)



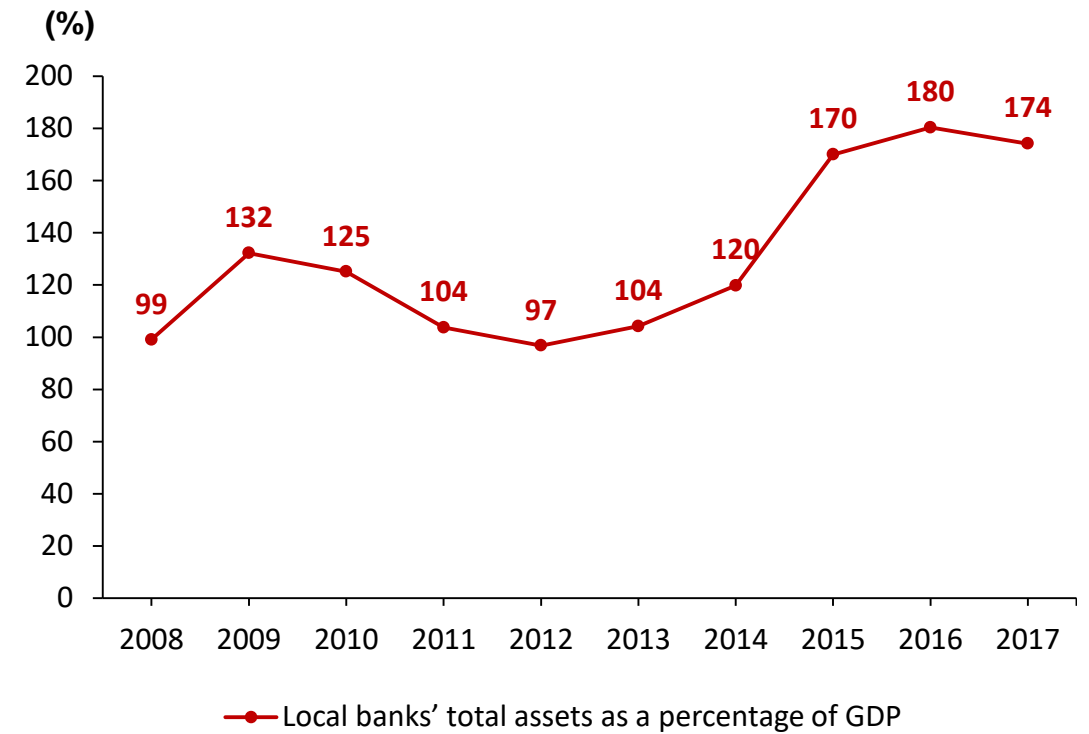
Source: World Bank

# Stable & Inclusive Financial System

## Healthy growth in banking sector



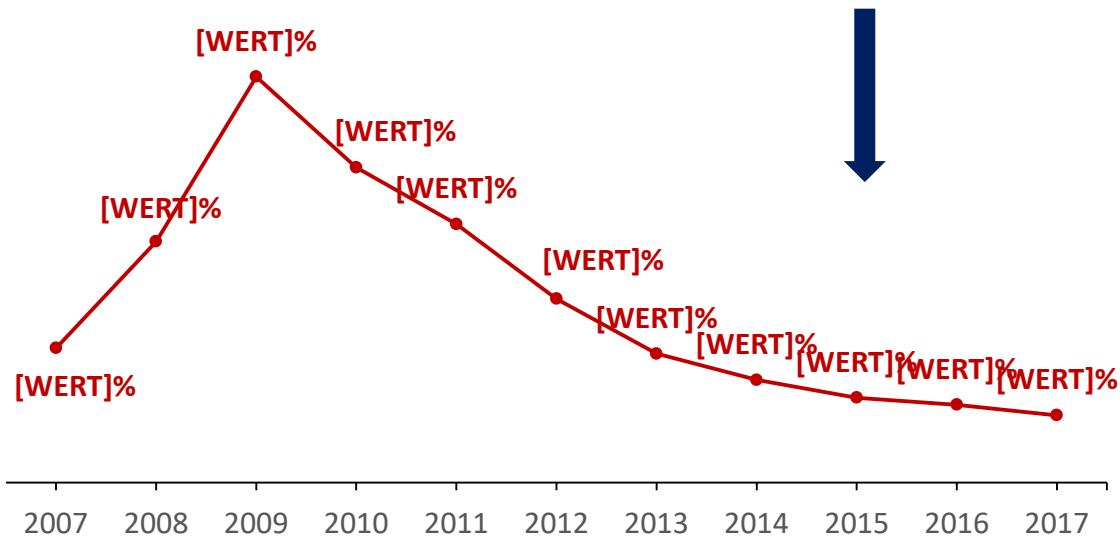
## Sizeable banking sector in terms of GDP



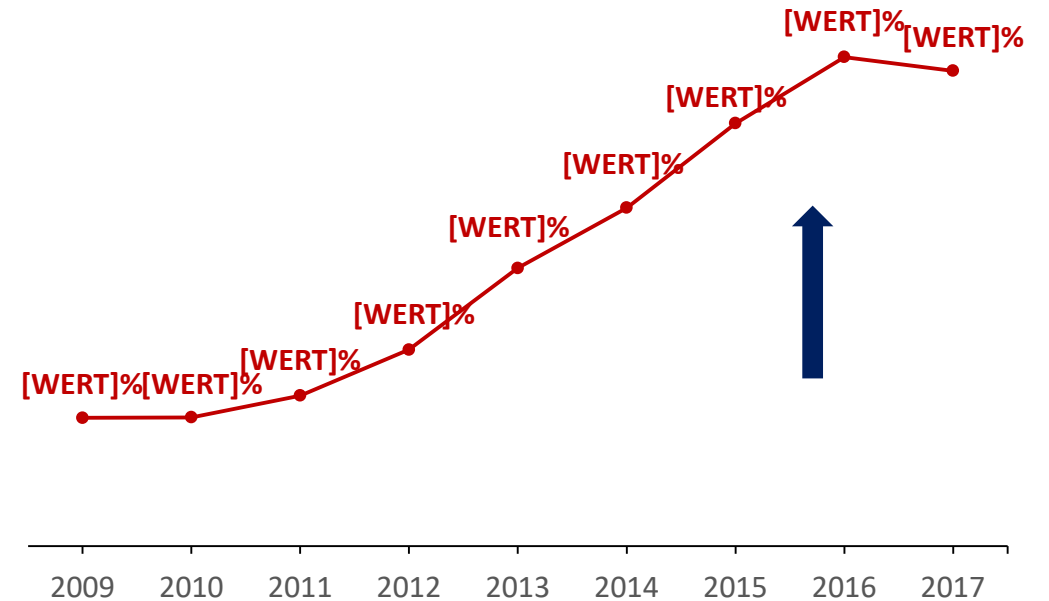
# Stable & Inclusive Financial System

**High Asset Quality and Coverage**  
**Steady decline in NPLs & Robust level of provisions**

Ratio of Non-Performing to Total Loans (NPLR)



NPLs Coverage Ratio

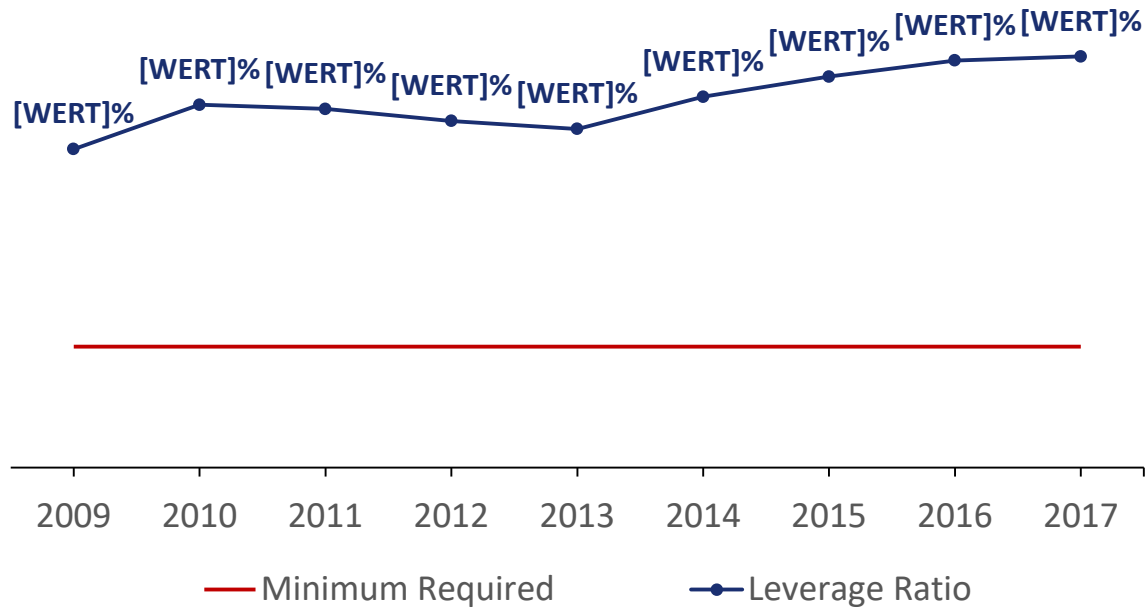


Source: Central Bank of Kuwait

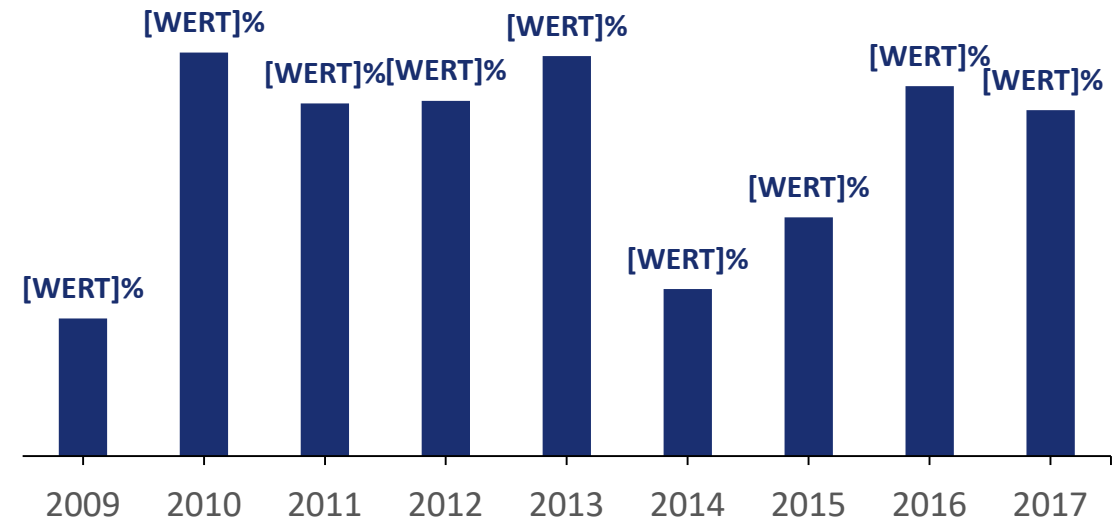
# Stable & Inclusive Financial System

**Robust Capital Adequacy and Leverage Ratio**  
Well above the Basel III requirements.

**Leverage Ratio**



**Capital Adequacy Ratio (Basel III)**



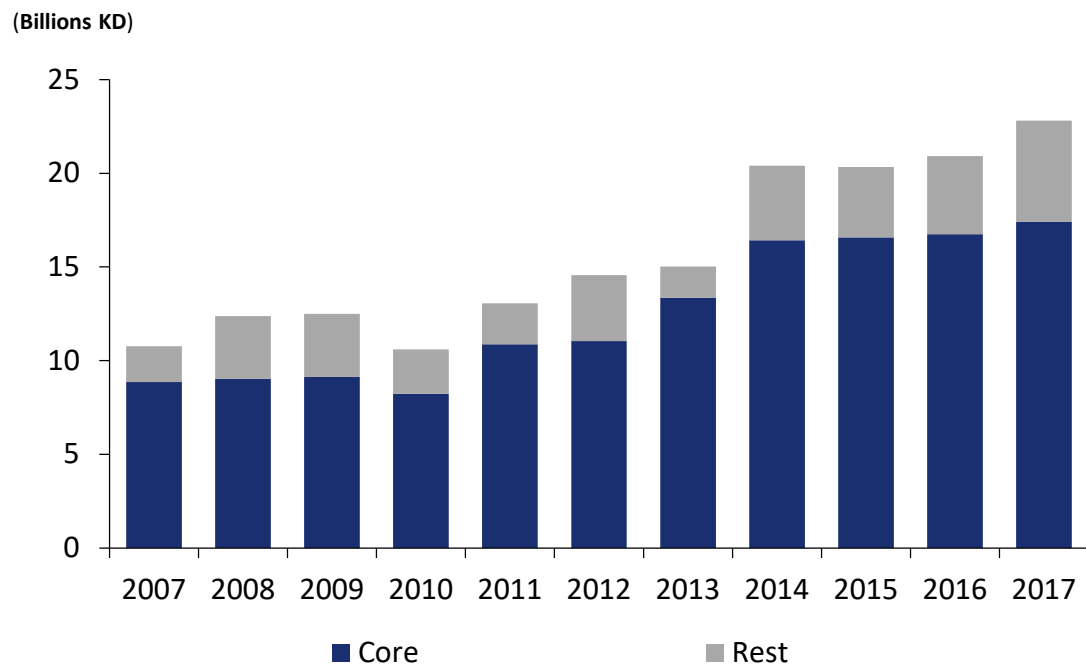
Source: Central Bank of Kuwait



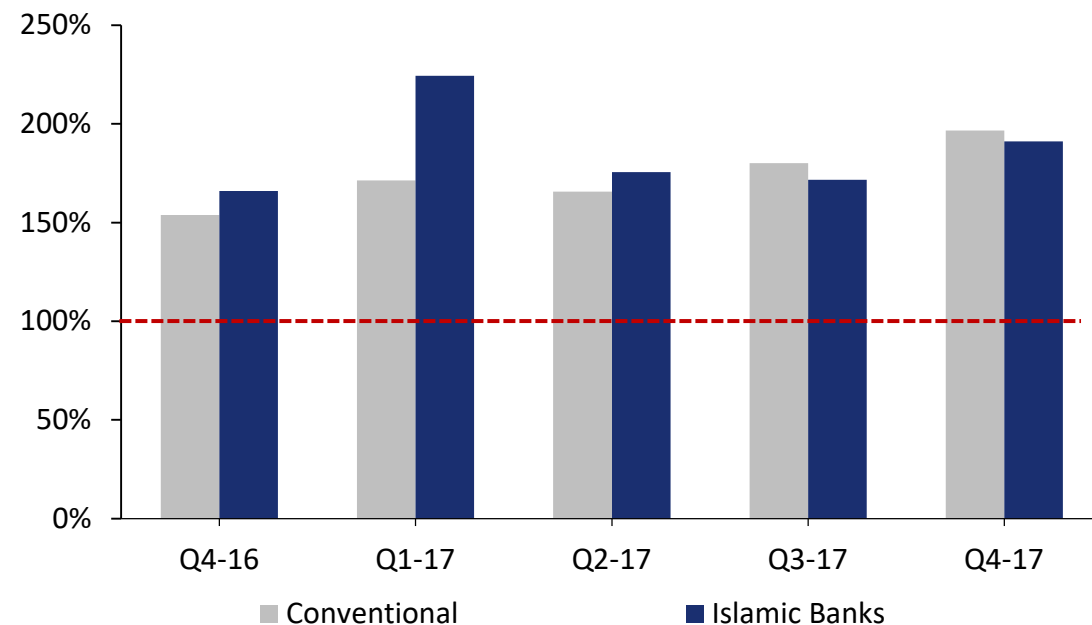
# Stable & Inclusive Financial System

## High Level of Liquidity Both on traditional and recent (LCR) measures

**Banks' Liquid Assets for less than 3 month**

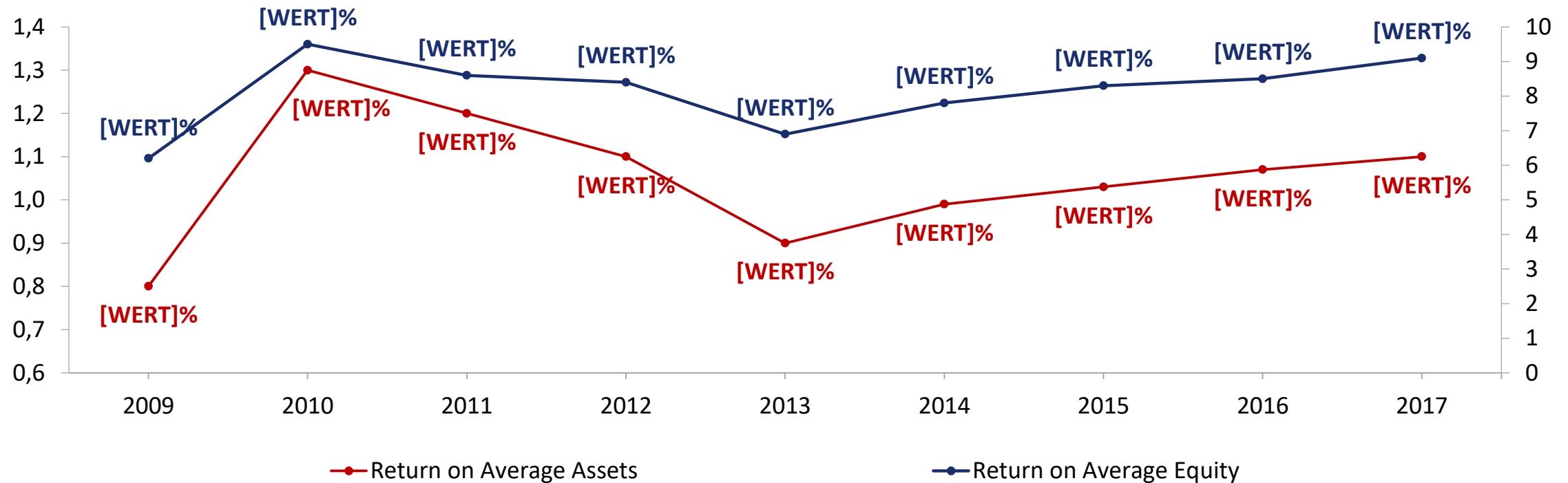


**Liquidity Coverage Ratio (LCR)**



# Stable & Inclusive Financial System

**Healthy banking sector profitability**  
**Even in times of low yields and negative interest rates**



Source: Central Bank of Kuwait

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# Economic Reforms: The Way Forward

## Key Priorities

1



Improve efficiency of the public administration

Strengthen governance and integrity

2



Increase private sector's contribution to the economic activity through private-public partnerships

3



Develop/Upgrade the infrastructure to improve business environment and enhance competitiveness

4



Develop education and training systems

Create competitive jobs for Kuwaiti nationals outside the government sector

5



Improve investment and business environments to encourage national investments and attract foreign investments



THANK YOU

