GDP

Kuwait's nominal GDP grew 2.3% in 2013, led by non-oil growth of 10.6%

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Latest national accounts data show that Kuwait's nominal GDP grew by 2.3% in 2013 to KD 49.8 billion. (Chart 1.) For 2013 non-oil GDP grew a strong 10.6%, accelerating gradually since 2010. For its part, oil GDP corrected down 1.5% following two very strong years, when it grew an average 31%. The new set of numbers does not affect our outlook for real GDP growth at this point. We still look for real growth of about 4.5% in the non-oil sector for this year and next (we will refine our estimates when real GDP data becomes available).

GDP data were revised back to 2010 (along with other technical changes). The earlier GDP levels were revised down, primarily because of lower investment spending estimates. Investment spending was revised down by an average KD 1.3 billion for 2010-2012 (or 3% of GDP). These large revisions are not very surprising, given what we knew about projects execution over that time frame. The revisions impacted primarily growth rates in the non-oil sector which grew 7.0%, instead of 9.3%, for the two years 2011-12.

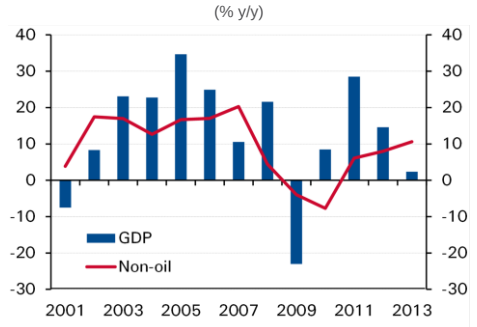
The oil sector (excluding refining) corrected lower, -1.5% in 2013, following strong growth that averaged 31% in 2011-12. Crude oil output fell in 2013 to an average 2.9 million barrels per day while KEC prices fell as well, from an average $108.7 per barrel (pb) in 2012 to $104.6 last year. The oil share of GDP remained however near its recent highs at 66% (including refining). (Chart 2.) This strong and stubborn share reflects both the lack of progress on expanding the non-oil sector in Kuwait but also the strength of the oil market/sector in recent years.

Growth in the non-oil sector was a strong 10.6%, showing that the sector continued to recover from the 2008 crisis and its related weakness that lingered until 2010. The data show a gradual improvement since 2011 with 2013 the strongest year so far (Chart 1.) The increase was driven by three sectors: manufacturing (excluding refining, but including petrochemicals) which saw a huge 33.5% rise, 'government and other services' which gained 10.9%, and the (smaller) trade sector which posted a 12.3% gain. The latter likely reflects stronger consumer sector activity (Chart 3, the trade sector includes restaurants and hotels, up 7.2%.)

There is also evidence that private sector activity continues to gradually improve. As a proxy, the combined output of the construction, trade, transport & communication, and finance sectors grew by 6.5% in 2013, up from 1% in 2011 and 4.5% in 2012. These sectors ought to be the prime beneficiaries of wider growth ahead and of the fuller execution of the development plan.

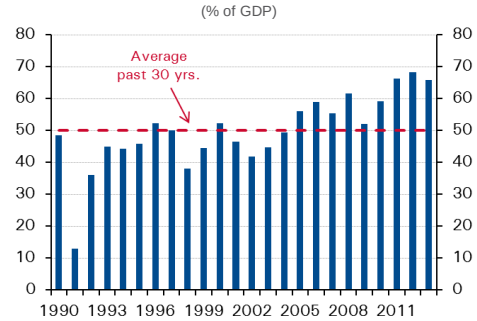
On the expenditure/demand side, growth was supported by the always steady and reliable government expenditures, up 12.8%. (Chart 4.) Other sectors were a bit more volatile. Consumer spending rose 4.9% following two strong years of double digit growth. Exports, in line with oil production, fell 2% last year. Gross capital formation, or the spending on investment and infrastructure, posted a solid 12.7% gain. However investment, at KD 7 billion in 2013, is still at 14% of GDP and needs to move higher (18-22%) to match Kuwait's recent highs, if not the performance of other GCC countries.

Chart 1: Nominal GDP



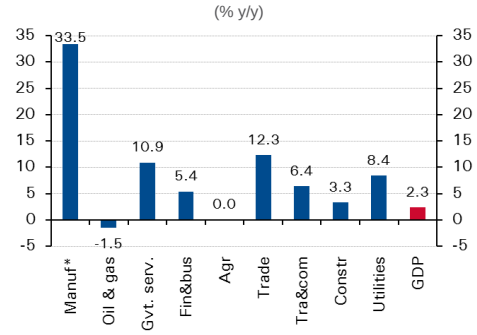
Source: Central Statistical Bureau

Chart 2: Oil sector share of GDP



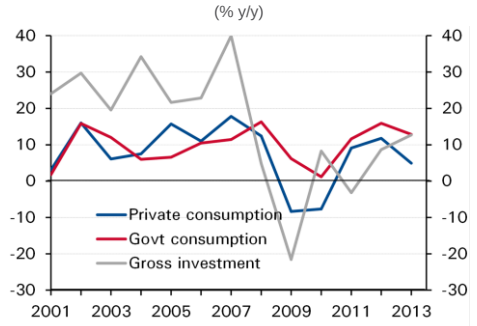
Source: Central Statistical Bureau

Chart 3: GDP by sector, 2012



*Excludes refining
Source: Central Statistical Bureau

Chart 4: GDP by expenditure



Source: Central Statistical Bureau

The hope there is pinned down on accelerating non-oil growth ahead and on the implementation in earnest of the new 5-year (development) plan of 2015-2020.

Table 1: Gross domestic product (nominal terms)

	2013 KD bn	2011 % y/y	2012 % y/y	2013 % y/y
By output				
GDP at market prices[1]	**49.9**	**28.5**	**14.6**	**2.3**
Oil (including refining)	32.8	44.0	18.0	-1.5
Non-oil	17.1	6.1	8.0	10.6
Agriculture & fishing	0.2	15.8	-6.1	0.0
Manufacturing (excl. refining)	2.0	34.0	26.8	33.5
Utilities	0.9	16.7	11.6	8.4
Construction	0.9	5.8	7.7	3.3
Trade	2.0	4.9	4.1	12.3
Transport & communications	2.6	-4.2	7.6	6.4
Financial & business services	6.5	1.6	3.0	5.4
Other services	8.4	15.4	15.4	10.9
By expenditure				
Private consumption	12.1	9.1	11.8	4.9
Government consumption	8.3	11.6	15.9	12.8
Gross investment	7.0	-3.2	8.7	12.7
Exports	35.7	41.1	17.0	-2.0
Imports	13.2	9.7	16.3	3.4

Source: Central Statistical Bureau / NBK

[1] Does not equal sum of oil and non-oil sectors due to adjustments for import duties and imputed bank charges.

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