

Monetary developments

Kuwait: Credit growth rose to 4.7% in May on healthy monthly gain

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Credit saw a healthy gain in May of KD 279 million, with growth improving to 4.7% year-on-year (y/y). Both business and household credit accounted for most of the healthy gain. Private deposits saw a moderate increase. Interest rates were steady in May. They have risen since even though the central bank opted to keep its key policy rate unchanged following the June US Fed hike.

The gain in household lending was relatively good in May, though growth held steady. The sector saw a gain of KD 75 million, with growth at 6.8% y/y. There was a noticeable net drop in consumer loans of KD 11 million, with loans contracting by 4.6% y/y. Installment loans continued to be the only source of household loan growth, gaining KD 90 million and recording growth of 8.3% y/y.

Business credit (excluding nonbanks) added KD 216 million, with growth improving to 4.0% y/y. Most of the gains were in real estate, industry and trade. Other sectors were flat, though there was a noticeable KD 20 million decline in credit to the oil & gas sector. Despite this, credit to the sector still doubled from a year before. "Productive" business sectors (excluding real estate and securities lending) continued to exhibit strong growth of 10.4% y/y.

Private deposits saw moderate gains in May while an increase in government deposits offset recent declines. Private deposits rose by KD 42 million, following decent gains in KD sight and savings deposits. These were offset by declines in foreign currency and KD time deposits. Money supply (M2) growth remained subdued at 0.5% y/y, though M1 growth has been stronger at 9.8% y/y. Government deposits rose by KD 172 million, with growth bouncing back to 13.4% y/y. (Chart 3.)

Banking system liquidity was steady in May. Bank reserves (cash, deposits with the CBK, and CBK bonds) declined marginally by KD 46 million to KD 4.8 billion or 7.8% of bank assets (Chart 4). This coincided with no net issuance of public debt during the month. Outstanding domestic public debt instruments (PDIs) were steady at KD 4.117 billion, or an estimated 12% of GDP.

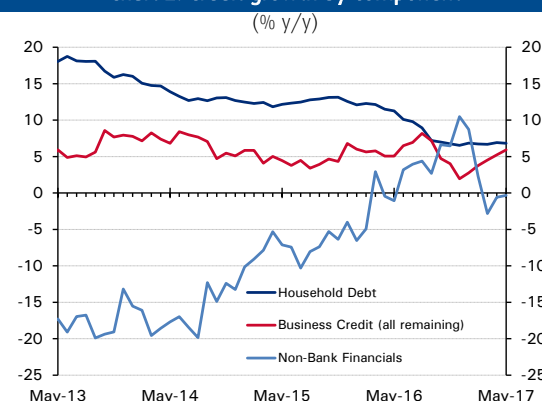
Interest rates were relatively steady in May, though they have risen since. (Chart 5.) The 3-month and 6-month interbank rates were up just 1-2 basis points in May. Customer deposit rates were also little changed. Rates have moved up since, following the Fed's June rate hike of 25 bps, which saw the CBK increase its repo rate by 25 bps but keep its main policy rate, the discount rate, unchanged. The move was an effort to avoid pressuring domestic economic growth.

Chart 1: Credit growth



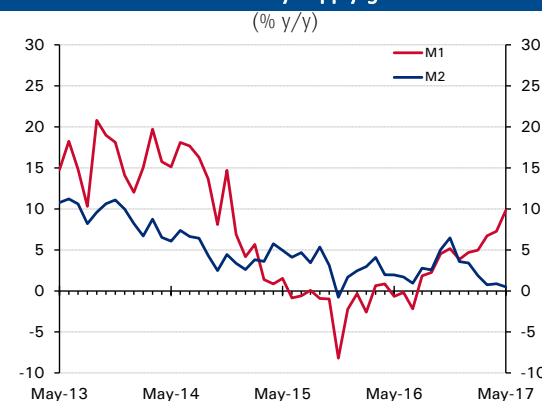
Source: Central Bank of Kuwait

Chart 2: Credit growth by component



Source: CBK; *Excl. loans to nonbanks and for the purchase of securities.

Chart 3: Money supply growth



Source: Central Bank of Kuwait

Table 1: Monetary indicators

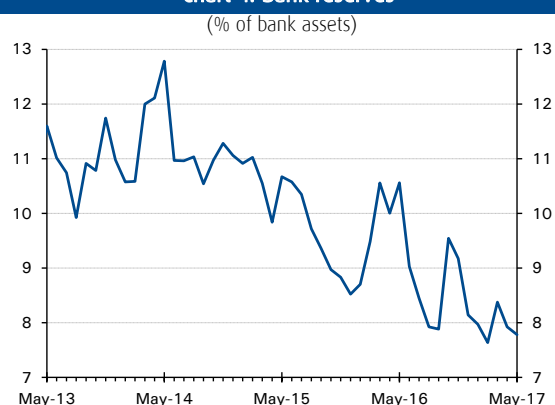
	May-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
Total system liquidity (M2)	36,574	173	0.5	840	2.4	180	0.5	
Currency in circulation	1,810	130	7.8	195	12.1	260	16.8	
Private sector deposits	34,764	42	0.1	645	1.9	-80	-0.2	
KD deposits	32,288	262	0.8	1,055	3.4	1,129	3.6	
Sight deposits	8,767	272	3.2	583	7.1	687	8.5	
Savings deposits	4,887	50	1.0	152	3.2	177	3.8	
Time deposits & CDs	18,635	-61	-0.3	320	1.7	265	1.4	
Foreign currency deposits	2,476	-219	-8.1	-410	-14.2	-1,209	-32.8	

Source: Central Bank of Kuwait

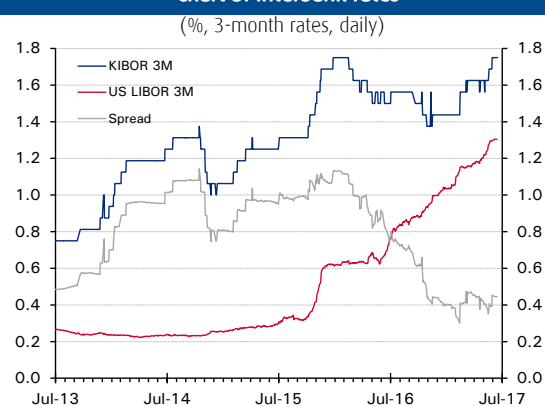
Table 2: Consolidated bank balance sheets

	May-17		1-month change		3-month change		12-month change	
	KD mn	KD mn	%	KD mn	%	KD mn	%	
Total bank assets	61,602	530	0.9	896	1.5	2,283	3.8	
Core liquid assets	4,795	-46	-0.9	159	3.4	-1,470	-23.5	
Cash and CBK deposits	1,076	61	6.0	-40	-3.6	-355	-24.8	
CBK bonds	3,001	126	4.4	55	1.9	-610	-16.9	
Time deposits with CBK	718	-232	-24.4	144	25.1	-505	-41.3	
Public debt instruments	4,147	1	0.0	356	9.4	2,204	113.4	
Interbank deposits	1,271	179	16.4	81	6.8	-169	-11.7	
Credit facilities	35,153	279	0.8	754	2.2	1,589	4.7	
Foreign assets	12,219	65	0.5	-670	-5.2	-302	-2.4	
Other assets	4,017	51	1.3	216	5.7	431	12.0	
Total bank liabilities	53,338	515	1.0	766	1.5	1,915	3.7	
Total deposits	41,678	215	0.5	808	2.0	737	1.8	
Private sector deposits	34,764	42	0.1	645	1.9	-80	-0.2	
Government deposits	6,914	172	2.6	163	2.4	817	13.4	
Interbank deposits	1,226	175	16.6	75	6.6	-128	-9.4	
Foreign liabilities	4,594	162	3.6	-97	-2.1	664	16.9	
Other liabilities	5,841	-36	-0.6	-21	-0.4	642	12.3	
Shareholder equity	8,264	14	0.2	131	1.6	369	4.7	

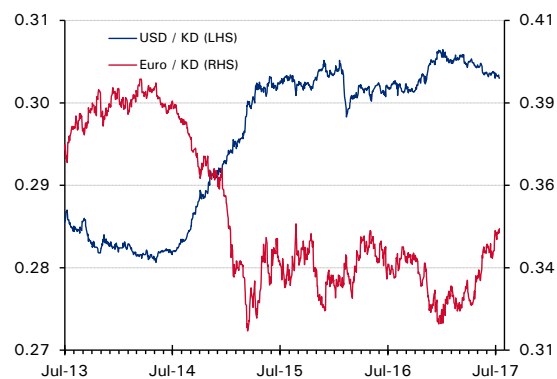
Source: Central Bank of Kuwait

Chart 4: Bank reserves


Source: Central Bank of Kuwait

Chart 5: Interbank rates


Source: Thomson Reuters Datastream, Central Bank of Kuwait

Chart 6: Exchange rates


Source: Thomson Reuters Datastream

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