June 2012
IMF Country Report No. 12/151

Kuwait: Selected Issues and Statistical Appendix

This Selected Issues and Statistical Appendix Paper on Kuwait was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on May 30, 2012. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Kuwait or the Executive Board of the IMF.

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KUWAIT

Selected Issues and Statistical Appendix

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Approved by the Middle East and Central Asia Department

May 30, 2012

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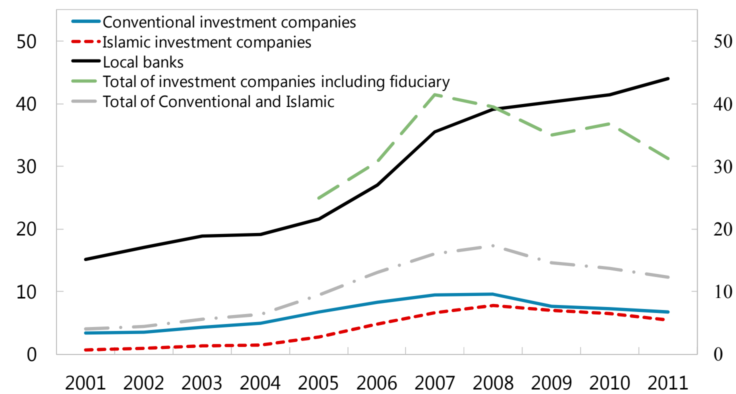
I. Recent Developments in Investment Companies[1]

A. Recent Developments

1. **Kuwait's investment companies (ICs) continued the deleveraging that started in 2009.**[2] The ICs sector (including assets under management) amounts to 64 percent of the estimated 2011 nominal GDP or equivalent to 74 percent of banking system assets (Table I.1). Since their peak in 2008, ICs' own assets shrank by 30 percent, and assets under management shrank by 21 percent (Figure I.1). Deleveraging took place among both conventional and Islamic companies.[3] In 2011 alone, ICs' own assets shrank by KD 1.5 billion (11 percent) to KD 12.2 billion and assets under management declined by 15 percent, reflecting losses—mainly from investments in domestic and regional asset markets— and redemptions by investors.

Figure I.1. Kuwait: Assets of Investment Companies and Banks
(KD billions)



Source: Central Bank of Kuwait.

2. **ICs continue to be vulnerable to swings in financial and real estate markets.** ICs continue to have large exposures to domestic, regional, and international equity and real estate markets. Foreign assets constitute 46 percent of total assets (Figure I.2). The 2010 FSAP indicated that at end-2009, ICs held 35 percent of their assets in stocks (of which 43 percent were domestic and 43 percent in the GCC), and 20 percent in real estate (of which 38 percent were domestic and 55 percent in the GCC). Six percent of ICs' assets were invested in private equity, the majority (83 percent) in Europe. Overall, conventional investment companies depend on foreign operations more than their Islamic counterparts do; with foreign assets and liabilities constituting 54 percent and 24 percent of their balance sheet size, while those of Islamic ICs amount to 36 percent and 15 percent, respectively (Figure I.3). ICs have progressively reduced their dependence on foreign and local financing and, as a result, the relative share of own funds has increased. Nevertheless, foreign liabilities of ICs still account for a sizable 15 percent of total liabilities.

[1] Prepared by A. Prasad.

[2] There are 95 investment companies:44 conventional and 51 operating in accordance with the provisions of the Islamic law.

[3] The assets of conventional and Islamic companies declined by 28 and 29 percent respectively, compared to end-2008.

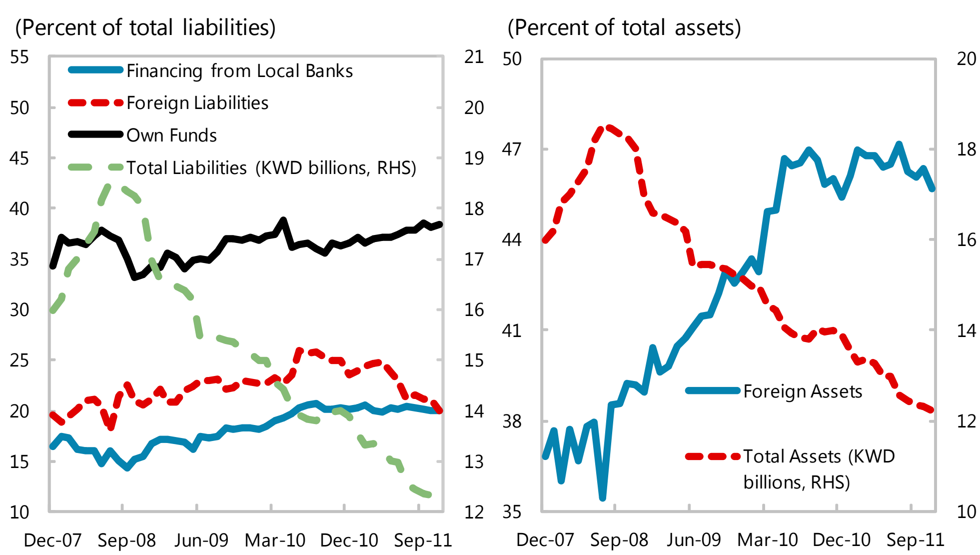
Table I.1. Investment Companies Operations

(KD billions)

	2002	2005	2007	2008	2009	2010	Nov 2011
Investment companies							
Conventional							
Number	27	33	40	46	46	46	44
Assets	3.5	6.7	9.2	10.3	7.6	7.3	6.9
Islamic							
Number	11	23	38	53	54	54	51
Assets	4.3	9.4	6.6	7.8	7.0	6.5	5.5
Total	7.8	16.1	15.8	18.1	14.6	13.7	12.3
Off-balance sheet							
Assets		15.5	24.6	22.2	20.4	23.1	18.9
Total							
Number	38	56	78	99	100	100	95
Assets	7.8	31.7	40.4	40.3	35.0	36.8	31.2
Percent of GDP		105.9	132.4	99.8	114.9	103.4	64.0
Percent of banking assets		115.6	116.5	100.9	86.9	88.9	71.0

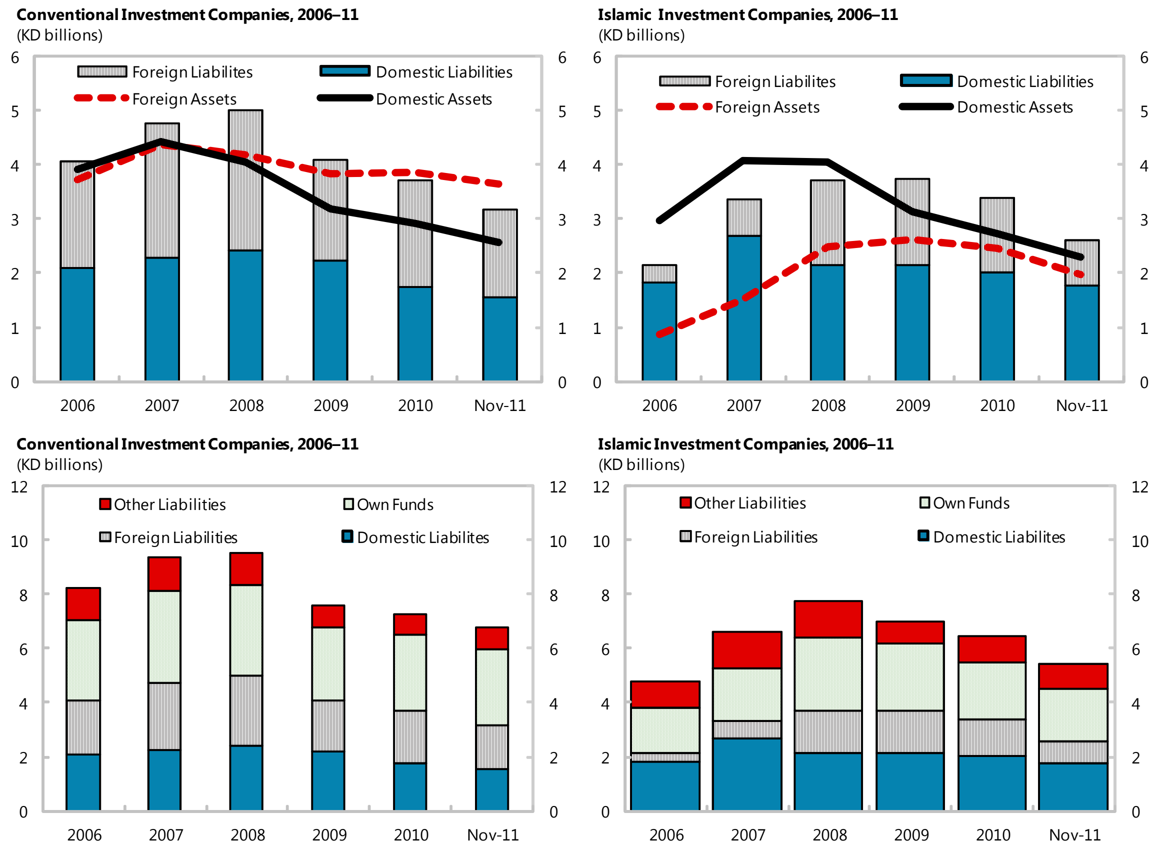
Source: Central Bank of Kuwait.

Figure I.2. Kuwait: Financial Sector Conditions



Source: Central Bank of Kuwait.

Figure I.3. Kuwait: Structure of Assets and Liabilities for Conventional and Islamic Banks



Source: Central Bank of Kuwait.

3. **The sector has encountered renewed pressures in 2011.** While there has been some initial progress in ICs restructuring in 2009–10 (e.g., Kuwait Finance and Investment Company (KFIC); and Global Investment House (GIH)), the sector has hit renewed setbacks due to continued weakness in asset markets and the re-emergence of global liquidity strains. GIH was forced to enter its second financial restructuring in two years (Annex). GIH, together with Gulf Invest, KFIC, and six other ICs, were delisted from the Kuwait Stock Exchange (KSE) in 2012:Q1, and 12 other companies that have been already suspended from trading were given final warnings to address their financial condition by end-June 2011 or be delisted.[4]

[4] Out of the nine delisted companies, one was liquidated, two lost their licenses, and one changed its core business. Two of the remaining five companies had already posted negative equity in their Q3 2011 financial statements, and the rest are suspected of being in a similar position. Of the 12 other companies, one company has already been delisted and another raised paid-in capital and the suspension has been lifted.

4. **Local banks' lending to investment companies has declined in 2010–11 due to banks' write-offs of ICs loans.** ICs are of systemic importance because bank lending to ICs still constitute about 9 percent of total lending by banks—20 percent of the liabilities of ICs are in the form of domestic bank financing. The CBK has required banks since 2009 to provision against nonperforming ICs' loans and to take additional precautionary provisions against weak ICs. In this context, banks have been gradually writing off fully provisioned loans and, as a result, their exposure to ICs has declined in the last two years, from 12 percent in 2009 to 9 percent in 2011.

5. **The financial situation of many investment companies remains precarious.** In aggregate, both conventional and Islamic investment companies are well capitalized at about 39 percent of total assets.[5] Nevertheless, several investment companies continued to post losses at the end of 2011:Q3. Of the 50 listed companies at end-January 2012, only 36 companies had published their Q3 financial results at end-January 2012. The aggregate results of 35 companies indicate that, while they have reduced the size of their operations, they continued to record losses at 2011:Q3 (Table I.2 and Figure I.4). Out of the 35 companies, 24 posted cumulative losses in 2011:Q3, with 11 companies having cumulative losses that exceeded 50 percent of their paid-up capital. Overall, based on the most recent published data, 21 out of the 50 listed companies have already depleted 50 percent or more of their paid-up capital through accumulated losses.

Table I.2. Kuwait Investment Sector [1]

(US$ billions)

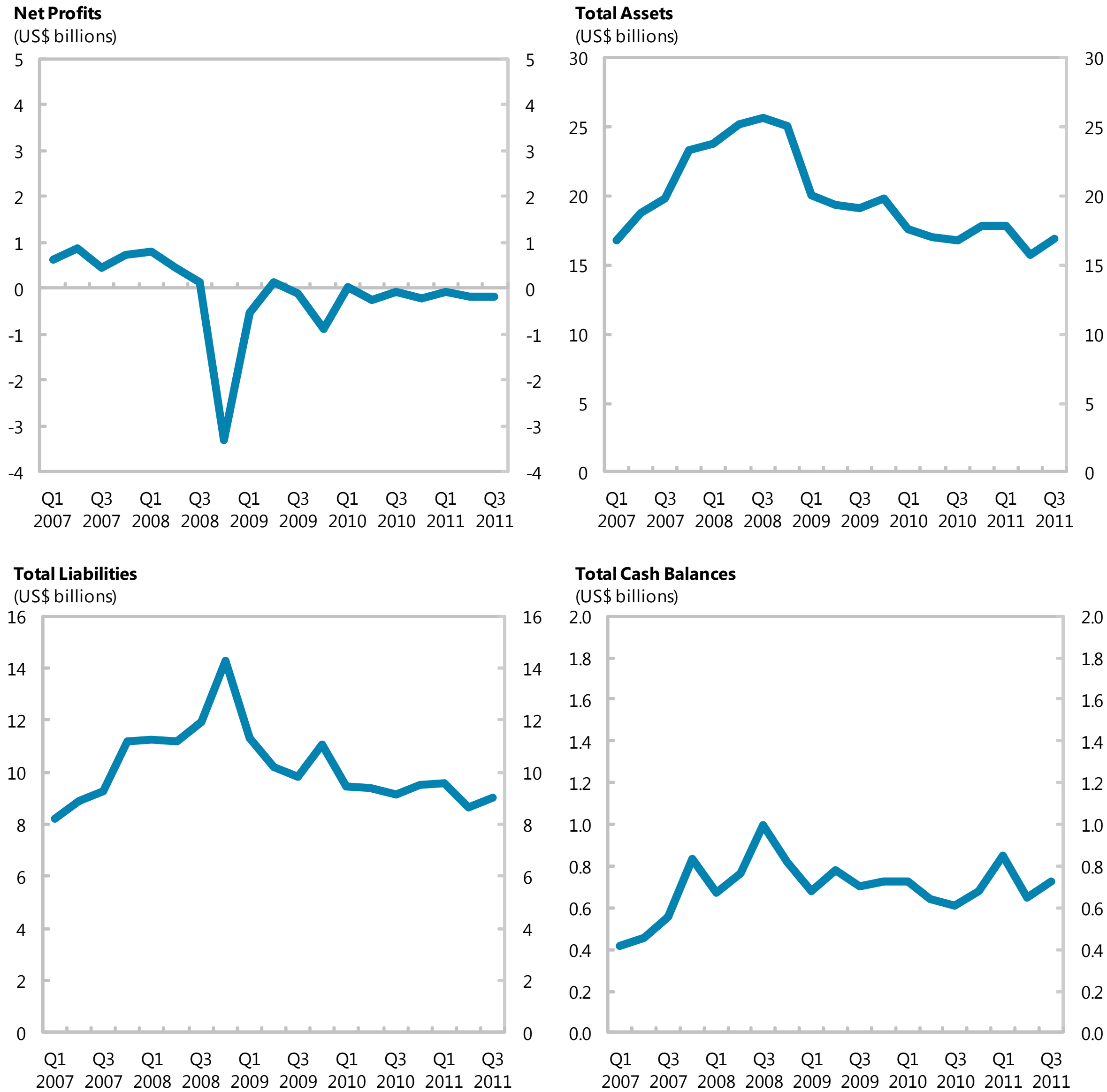
	2007	2008	2009	2010:Q3	2011:Q3
Total assets	23.32	25.03	19.77	16.81	16.93
Cash	0.83	0.82	0.72	0.61	0.73
Equity (paid up +reserves)	7.69	10.74	9.55	8.59	8.81
Total liabilities	11.18	14.31	11.05	9.15	9.05
Net profit before tax	2.52	-2.03	-1.51	-0.32	-0.46

Source: IMF staff calculations based on Zawya balance sheets

[1] Based on 35 out of 50 listed investment companies that have published their 2011:Q3 financials as of end-January 2012 and are neither suspended nor delisted from the KSE. Excludes Kuwait Project Company (Holding).

[5] Based on 35 out of 50 listed companies that have published their financials as of end-January 2012.

Figure I.4. Kuwait: Investment Companies, 2011:Q3[1]



Sources: Zawya; and IMF staff estimates.

[1] Data are based on 35 out of 50 listed companies.

6. **There are 15 listed investment companies in a dire situation.** These companies have either not published their financial statements after 2011:Q2 or from an earlier period, or have been suspended or delisted from the Kuwait Stock Exchange since 2009–10.[6] These companies had combined assets of $14 billion and total liabilities of $11 billion, of which an estimated $0.22 billion is owed to banks (Table I.3). Their published combined accumulated losses of $1.70 billion have already almost completely depleted their paid-up capital. As some of these companies have not published their 2011:Q3 financials, losses are expected to be even larger than noted above.

Table I.3. Kuwait Investment Sector [1]
(US$ billions)

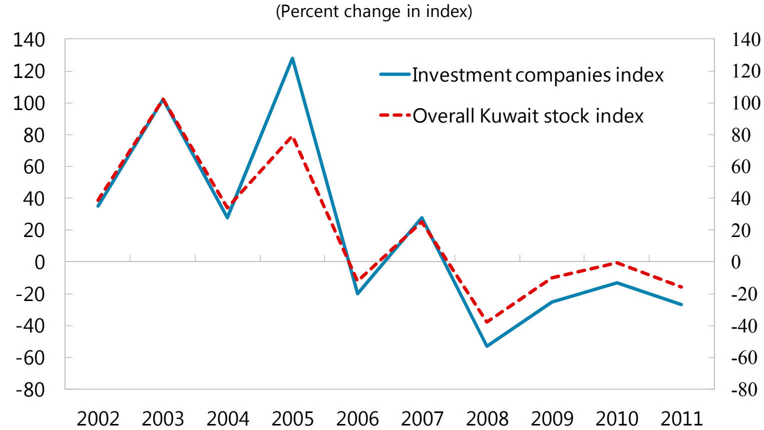
	Latest Available
Total assets	14.07
Cash	0.59
Equity (paid up +reserves)	4.86
SH equity	2.07
Total liabilities	11.05
Debt owed to banks	0.22
Net profit before tax	-0.46

Source: IMF staff calculations based on Zawya balance sheets.

1/ Based on 15 investment companies: four companies with financials as of 2011:Q2; two companies with financials as 2011:Q1; eight companies suspended between 2008 and 2010; and one company (Gulf Invest) delisted in early 2012.

7. **ICs have still not recovered their stock market valuation losses, suffered since the onset of the global crisis.** The investment companies' index, which is still below the overall index, has recovered from its trough of 2008 but is still significantly below its 2007 peak (Figure I.5). The share of investment companies in total market capitalization plummeted by half to 8 percent in the week ended February 9, 2012, compared to 16 percent at end-December 2007.

Figure I.5. Stock Market Performance Trends
(Percent change in index)



Source: Kuwait Stock Exchange.

[6] Of these 14 companies, eight were suspended from the Kuwait Stock Exchange between 2008 and 2010.

B. Conclusions

8. **The condition of ICs has deteriorated in 2011.** ICs suffered declines in income and profits during the first nine months of 2011; continue to face liquidity and market risks; one major investment company is in its second round of restructuring; and others are in the process of restructuring their debt.

9. **Improvement in financial sector regulation and supervision are welcome.** The authorities made significant progress in the implementation of the 2010 FSAP recommendations. The newly established CMA has commenced its supervisory role in September 2010. All ICs are now under dual supervision by the CBK[7] and CMA pending the separation of ICs' activities (i.e. lending versus other investment banking activities), and the CBK and the CMA meet regularly to ensure coordination based on the MoU that they have concluded on this issue. However, in the absence of an adequate bankruptcy law to handle financial institutions, the timeframe and the legal process under which weak and non-viable ICs will be permanently resolved are still unclear.

10. **The operations of investment companies continue to have financial stability implications, although these appear to be limited.** ICs continue to be vulnerable in view of the sluggish improvement in global, regional, and domestic asset markets. The continued dependence on foreign lines of credit could pose potential risks to liquidity and profitability if market conditions tighten. Nevertheless, risk arising from the direct financial linkages between local banks and ICs has declined, since banks have been building up precautionary provisions against weak ICs. Nevertheless, in view of the deterioration in ICs' financial conditions, it is expected that bank provisioning against ICs loans will continue to be needed.

11. **There are important gaps in information disclosure by ICs regarding their performance, fund size, and top investment holdings.** Although there are 95 ICs, only 51 are listed with financial information available in the public domain. Balance sheet data on all the 95 ICs are published on a monthly basis by the central bank, but the income statement is not available in a systematic manner.

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[7] CBK supervision only covers lending activities. In this regard, the regulations that have been issued in June 2010 on liquidity, leverage, and FX borrowing for implementation by June 2012 have been suspended and will only be applicable to finance companies under the sole supervision of the CBK.

Annex I.1—Restructuring Update

Global Investment House

1. In September 2011, GIH requested the lending banks' support for the near-term deferral of principal repayments due in December 2011, deferral of any increase in rate of interest from December 2011 onwards and waiver/deferral of certain covenants applicable to GIH under its debt arrangements. These modifications were designed to facilitate discussions between GIH and its lending banks about a more comprehensive restructuring of GIH's debt obligations. A formal request for these waivers was circulated to the lending banks on November 3, 2011. Also, in the case of KD45 million bonds due on April 25, 2012, a waiver was sought to defer the principal maturity to June 10, 2012.

2. During 9M 2011, GIH made $54.4 million principal repayments, bringing the total repayments since inception under the restructured bank debt to $232.8 million (13.2 percent of the original principal amount).

3. In December 2011, GIH obtained the requisite consent from its lending banks and bondholders, subject to certain terms and conditions, to defer certain mandatory minimum principal payments to June 10, 2012, defer any increase in margin to June 10, 2012 and defer /waive certain covenants applicable to GIH under its lending arrangements to June 10, 2012.

Investment Dar

4. On June 2, 2011, TID was admitted under the FSL following the approval of the restructuring plan, which was submitted by the company to the Court on May 5, 2011.[1] According to the restructuring plan, whose implementation started on June 30, 2011, approximately KD 82 million in total will be paid out in the first year to individual investors and small nonfinancial institutions. In the second, third, fourth and fifth years there will be fixed payments to the banks and remaining investors, followed by a final payment before June 30, 2017 which will make up the balance owed to this group plus an amount equal to an annual profit over the 8.5-year period.

5. For the duration of the plan, the company has undertaken to remain subject to a variety of commercial restrictions detailed in the Court judgment, which is expected to ensure that at all times TID's business activity is centered on maximizing the value of its assets, meeting the repayment schedule given in the plan, and maintaining value for TID's shareholders in the longer term. The commercial restrictions include a freeze on dividends to shareholders, on new TID investments, and on taking on any new indebtedness. The plan also undertakes to separate the roles of the chairman and CEO within the company. Informal comments from market participants indicated that the process was very complicated and that implementation is not proceeding according to the original plan accepted by creditors.

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[1] The FSL provides the necessary legal framework under which TID can implement the court-approved restructuring plan in which full repayment of all of its banks and investors is incorporated.

II. KUWAIT: GLOBAL AND REGIONAL INTERCONNECTEDNESS[1]

1. **As a net savings country, Kuwait has substantial private and government wealth held abroad.** In this context, Kuwait's cross-border asset holdings constitute a potential channel of contagion from global and regional developments. This paper identifies Kuwait's foreign asset valuation risks and evaluates funding risks that face Kuwaiti entities. In view of the concentration of Kuwaiti FDI in Bahrain, Section C explores the Kuwait/Bahrain financial sector linkages.

A. Asset Valuation Risk

2. The 2010 Coordinated Portfolio Investment Survey (CPIS) and the 2010 Coordinated Direct Investment Survey (CDIS) of the IMF indicate a gross foreign asset position for Kuwait (excluding government and the Kuwait Investment Authority) of $51 billion, or 41 percent of 2010 GDP. Of this $13.5 billion is in foreign direct investment (FDI)[2] and $37.5 billion is in portfolio investment[3] ($6.2 billion in debt securities and $31.3 billion in equities) (Table II.1).

II.1. Kuwait: Private Sector Investments Abroad, 2010

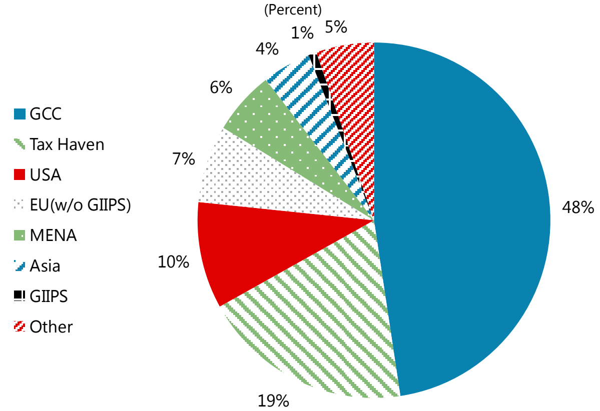
	US$ billions	As % of Total	As % of GDP
Total investment abroad	51.0	100.0	41.0
FDI	13.5	26.5	10.9
Portfolio investment	37.5	73.5	30.1
Debt securities	6.2	12.1	5.0
Equities	31.3	61.3	25.2

Source: Coordinated Direct Investment Survey and Coordinated Portflio Investment Survey, IMF.

Portfolio investment

3. **Kuwaiti cross-border portfolio investment is predominantly in the GCC.** The share of Kuwaiti investments in the GCC accounts for more than 47 percent of total assets (Figure II.1). A sizable share of portfolio investments is booked in

Figure II.1. Geographic Distribution of Total Portfolio Investment, 2010
(Percent)



Source: Coordinated Portfolio Investment Survey (CPIS), IMF.

[1] Prepared by Kentaro Katayama and Gabriel Sensenbrenner.

[2] The amount reflects estimates of the current fair values taking depreciation into account.

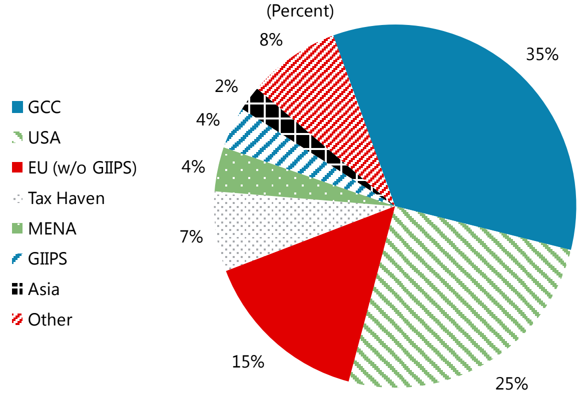
[3] The amount reflects year-end holdings of portfolio investment securities valued at market prices.

tax haven countries[4] (19.3 percent), rendering it the second in size, with the United States ranking third. Exposure to Europe is relatively low, with total exposure amounting only to about 7 percent. Exposure to Greece, Ireland, Italy, Portugal, and Spain (GIIPS) is minimal. Exposure to the rest of the MENA region is also small.

4. **As regards debt securities specifically, the geographic distribution is somewhat different from that of total portfolio investments.** While the GCC's share in debt securities continues to be the largest (34.4 percent), the share of U.S. and European debt is quite sizable—25.2 percent and 15 percent, respectively. Exposure to the GIIPS is however relatively small, as is the share of the rest of the MENA region (Figure II.2).

Figure II.2. Geographic Distribution of Debt Securities, 2010

(Percent)



Source: Coordinated Portfolio Investment Survey (CPIS), IMF.

5. **In terms of holder of risk**, a sizable share of portfolio investments is held by the banking sector and nonbank financial institutions, particularly Investment Companies (ICs)—22 percent and 36 percent, respectively (Table II.2).

Table II.2. Kuwait: Portfolio Investment by Sector (2010)

	US$ millions	As % of Total	As % of GDP	As % of Total Assets[1]
Total	37,465	100.0	30.1	-
Banks	8,237	22.0	6.6	5.7
Other financial institutions[1]	13,608	36.3	10.9	28.2
Government	2,060	5.5	1.7	-
Nonfinancial sector	13,560	36.2	10.9	-
of which, household	6,643	17.7	5.3	-

Source: Coordinated Portflio Investment Survey, IMF; and Central Bank of Kuwait.

[1] Total assets refers to the aggregate balance sheet assets of the sector. For financial institutions, it is proxied by the total balance sheet assets of investment companies.

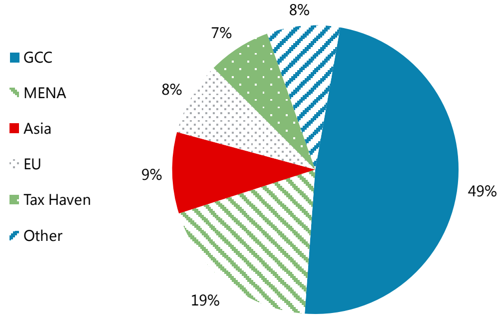
Foreign direct investment

6. **Kuwait's FDI is concentrated in the GCC and other MENA countries, with the combined total amounting to 67 percent of total FDI** (Figure II.3).[5] Within the Middle East region (MENA and Turkey), Bahrain and Saudi Arabia are the main destinations, amounting for about 58 percent of FDI, mostly in the form of equity positions (Figure II.4).

[4] Tax havens include Bahamas, Bermuda, Cayman Islands, Guernsey, Jersey, and the British Virgin Islands.

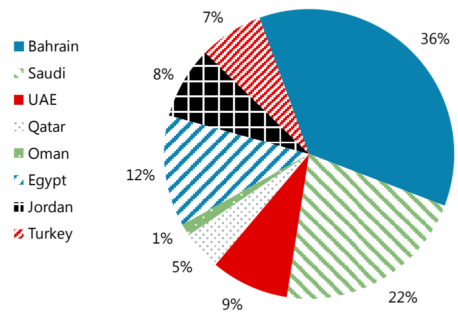
[5] Based on outward FDI positions reported by the Kuwaiti authorities, which is 4 percent larger than the positions reported by the counterpart economies.

Figure II.3. Geographic Distribution of Outward Direct Investment, 2010
(Percent)



Sources: Coordinated Direct Investment Survey (CDIS), IMF.

Figure II.4. Outward Direct Investment to the MENA Region and Turkey, 2010
(Percent)



Sources: Coordinated Direct Investment Survey (CDIS), IMF.

Risk assessment

7. **As a net exporter of capital, Kuwait has high exposure to investments in global financial markets—equities in particular**. In this context, a significant drop in global equities markets is expected to have an important impact on Kuwait. Since the major holders of foreign portfolio investments are banks and ICs, such an event will have a direct impact on Kuwait's financial sector. The impact is expected to be more pronounced for ICs than for banks—portfolio investments account for 28.2 percent of ICs' assets, as opposed to 5.7 percent of banks' assets, and ICs are already in a vulnerable financial condition.

8. **The largest share of portfolio investments is in the GCC region, rendering Kuwait particularly vulnerable to financial market fluctuations in the region.** Higher market volatility has significantly increased the correlation between global and GCC regional financial markets during the global crisis; an external event (for example, the intensification of the European debt crisis) could spill over to the GCC, affecting the majority of Kuwait's portfolio holdings abroad. As regards debt securities, Kuwait's investments only represent a small share of Kuwait's cross-border investments, and therefore the risk involved vis-à-vis debt securities is small. In this context, a confined event that involves only the GIIPS would not have any important impact on Kuwait.

9. **FDI investment in the MENA region could be affected by developments related to the Arab countries in transition**. The impact is manageable as total FDI investment in the rest of the MENA region (i.e., excluding the GCC) amount to only $2.6 billion, and total investments (including portfolio investments) add up to $5.2 billion only.

B. Funding Risk

External debt

10. **Total external debt of Kuwait at end-2010 was about $31 billion, the most of which was private sector debt ($25 billion)** (Table II.3). ICs account for the largest share of private sector external debt, with banks coming second. The ICs sector is also more dependent on foreign financing than banks are. In 2010, foreign liabilities of conventional and Islamic ICs accounted for 23 percent and 25 percent of total liabilities, respectively, while they only accounted for 6.9 percent of total liabilities of banks (Table II.4).

Table II.3. Kuwait: External Debt, 2010

(US$ millions)	
Total external debt outstanding [1]	31,145.9
General government external debt [2]	5,976.5
Private external debt	25,169.4
of which:	
Local banks	9,969.3
Investment companies [3]	12,175.1
Other sectors	3,024.9

Source: Central Bank of Kuwait.

[1] Includes changes due to flows and revaluation changes

[2] Includes year-end stocks of loans, repos, and other credit facilities. CBK foreign liabilities are also included.

[3] Foreign liability.

Table II.4. Kuwait: Liability of Financial Sector

	2010			2011		
(US$ millions; percent)	Total Liability	Domestic Liability	Foreign Liability	Total Liability	Domestic Liability	Foreign Liability
Commercial bank	142,987	102,760	9,840	158,610	113,442	11,366
as share of total liability	100.0	71.9	6.9	100.0	71.5	7.2
Investment companies						
Conventional investment	27,864	5,383	6,408	24,439	4,908	5,603
as share of total liability	100.0	19.3	23.0	100.0	20.1	22.9
Islamic investment	23,584	7,568	5,767	19,856	6,408	3,026
as share of total liability	100.0	32.1	24.5	100.0	32.3	15.2

Source: Central Bank of Kuwait.

Debt rollover needs

11. For 2012 and 2013, private sector bonds and loans maturing in each year amount to around $5 billion (Table II.5). Maturing instruments are concentrated in the telecommunications industry (Zain Telecom, 2012) and investment companies (Global Investment House, 2013).[6] The latter has already been delisted from the Kuwait Stock Exchange and is negotiating, for the second time in two years, a debt restructuring deal with its creditors.

[6] ICs account for $275 million and $3,453 million of maturing debt in 2012 and 2013, respectively.

Table II.5. Kuwait: Maturity Schedule of Bonds and Loans
(US$ millions)

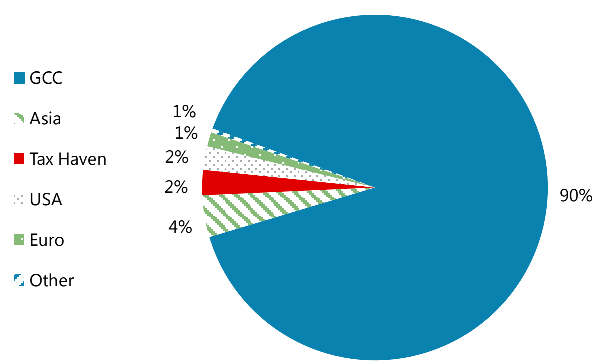
2012					
Bonds:	Total	675	Loans:	Total	4,300
	NIG Sukuk Ltd (SPV Finance)	475		Zain (Mobile Tele.)	3,800
	Kuwait Financial Center (Public Sector Finance)	100		Commercial Facilities (Finance)	175
	URC Sukuk Ltd (SPV Industrial)	100		Burgan Co (Oil&Gas)	125
2013					
Bonds:	Total	283	Loans:	Total	4,273
	Gulf Investment Corp (Intl Financial Institutaion)	183		Global Investment House	2,878
	Kuveyt Turk Katilim Bankasi (Comm. Bank)	100		United Arab Shipping (Transportation)	500
				Kuwait Foreign Petroleum Exploration (Oil&Gas)	320

Source: Dealogic.

Inward foreign direct investment

12. **Inward FDI to Kuwait is very small ($4 billion in 2010, or 3.3 percent of GDP).** FDI in Kuwait is mainly equity acquisition, and 90 percent of FDI originates from the GCC countries (Table II.5).

Figure II.5. Kuwait: Inward ForeignDirect Investment, 2010
(Percent)



Source: Coordinated Direct Investment Survey (CDIS), IMF.

Risk assessment

13. **Rollover needs for the next two years are relatively small, but highly concentrated**. The concentration of maturing debt should be evaluated vis-à-vis the ability of borrowing entities to refinance this debt if global financial conditions tighten further. In view of the relatively small volume of FDI investments in Kuwait, a slowdown in the global economy is not expected to have an important impact.

C. Kuwait–Bahrain Financial Linkages

14. **Kuwait and Bahrain have traditionally had close ties.** Strong relationships among merchant families translate into important ownership ties and cross-border financial linkages. Bahrain is by far the largest destination of Kuwaiti FDI (25 percent of total FDI investments), amounting to 17 percent of Bahrain's 2010 GDP (Table II.6). Bahrain has also been the largest destination of Kuwait's portfolio investments (24 percent of total, and 41 percent of Bahrain's 2010 GDP), excluding the Kuwait Investment Authority (KIA) and other government-related investors.

Table II.6. Kuwait: Portfolio Investment Assets
Top Five Partners

	Equities		Debt Securities	
	US$ millions	Percent of Total	US$ millions	Percent of Total
All countries	31,281	100%	6,184	100%
Bahrain	7,514	24%	1,561	25%
Cayman Islands	6,353	20%	828	13%
Saudi Arabia	4,231	14%	710	11%
United States	2,078	7%	464	8%
United Arab Emirates	1,906	6%	439	7%

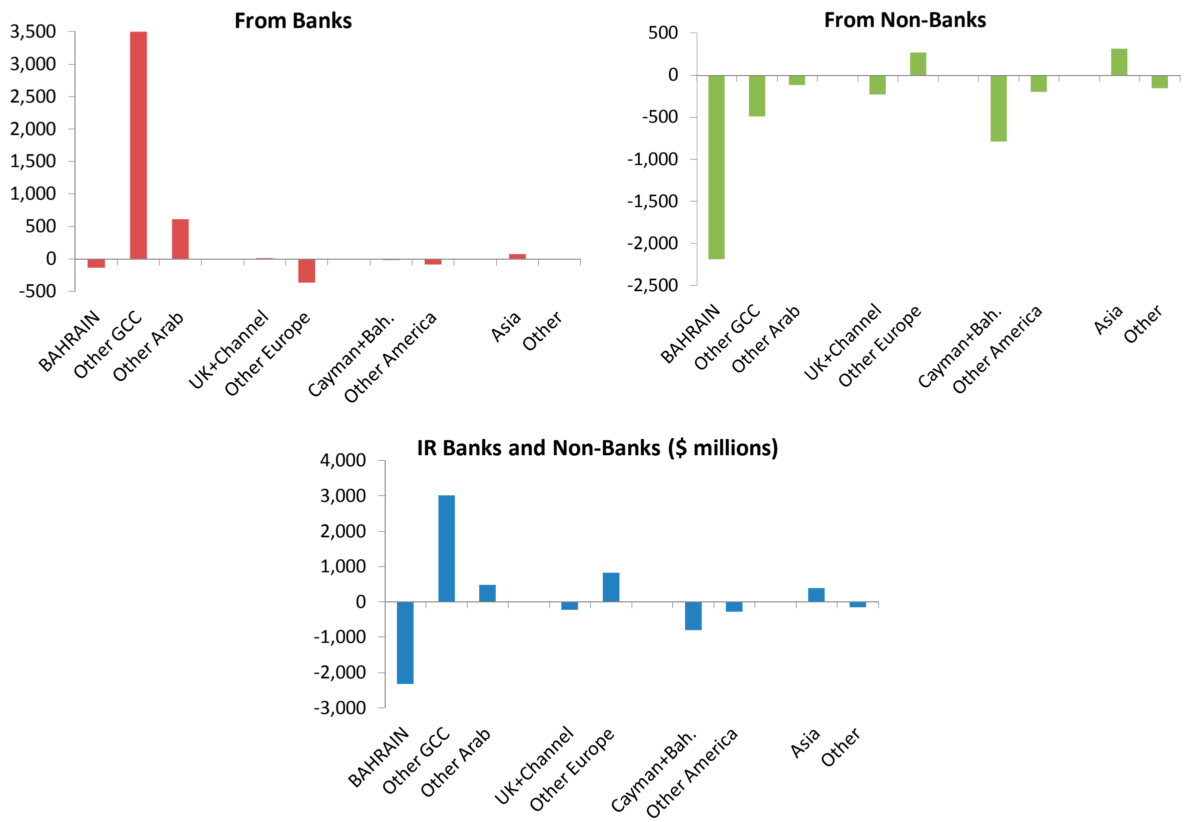
Source: Coordinated Portfolio Investment Survey, IMF.

15. **Bahraini financial intermediaries have facilitated the deployment by Kuwaiti entities of large external surpluses in the region and beyond**. The financial services industry in Bahrain serves as a platform for portfolio investment; Bahrain offers a wide range of investment vehicles and funds that are directly regulated by the central bank as sole regulator of the financial industry.

16. **Kuwaiti ownership of Bahrain-based banks is substantial**. Ownership in Bahrain-based banks falls broadly into three categories: official vehicles, such as KIA and pension funds; Kuwaiti royal family; and private individuals. Kuwaiti interests own 32 percent of Bahrain's largest retail bank and 27 percent of Bahrain's largest wholesale bank, each with total assets of around 100 percent of Bahrain GDP (Table II.7). These banks operate across the Middle East region, including Turkey. Kuwaiti interests also own or substantially control Bahrain's top three Islamic retail banks (with assets amounting to 40 percent of GDP); these banks are primarily focused on lending to and investing in the Bahrain real estate market. Since the outbreak of the global financial crisis, Kuwaiti interests have increased support of several Bahrain-based banks by buying out Bahraini shareholders and providing liquidity.

17. **Kuwait's surpluses also translate into significant funding flows for Bahraini banks whenever ownership ties are important**. This is particularly apparent in the case of Islamic banks (Figure II.6). The following charts show the net funding of Bahrain's Islamic retail banks, which are controlled by Kuwaiti shareholders, according to geographical and institutional origins. These banks obtain significant funding (positive scale) from financial institutions in "other GCC" (mainly Kuwait) and lend these funds (negative scale) to non-banks in Bahrain. They also channel funds to Cayman SPVs, which act as conduits for investments in assets worldwide.

Figure II.6. Net Funding of Bahrain's Islamic Banks



Source: Central Bank of Bahrain, unconsolidated.

18. **Although Bahraini ties are by far dominant, the largest Kuwaiti banks also have direct subsidiaries in Egypt, Iraq, Lebanon, Turkey, and the United Arab Emirates,** although these subsidiaries are fairly small in relation to these countries' banking systems.

Table II.7. Bahrain: Largest Locally Incorporated Banks (Domestic Licenses), 2011

	Business Strategy	Formal License	Shareholding Structure		Main Operations/Investments
Ahli United Bank	Regional retail	Conv. retail	Kuwait public pension fund	19%	Bahrain, Kuwait, Oman, Qatar
Assets $bn 26.9	Mainly conventional		***Bahrain public pension fund***	10%	Egypt, Iraq, Libya
% 2011 GDP 102%			Tamdeen inv. company (Kuwait)	8%	UK
			Kuwait royal	5%	
			IFC, Qatar government and public	52%	
Al Baraka Banking Group	Regional retail	Islamic whol.	Saudi individual		Pakistan
16.5	Islamic		Directly and indirectly	83%	Bahrain
63%			Public (listed)	17%	Algeria, Egypt, Jordan, Lebanon,Tunisia
					Turkey, Sudan, South Africa
Ithmaar Bank	Regional retail	Islamic retail	Al-Saud Prince, via Swiss Trust and		Pakistan
7.1	Real estate development		Bahamas company	49%	Bahrain
27%	Islamic		Public (listed)	51%	Switzerland, Luxembourg
Bank of Bahrain & Kuwait	Local retail	Conv. retail	Ithmaar Bank	25%	Bahrain
6.9	Mainly conventional		***Bahrain public pension fund***	19%	
26%			Kuwait Inv. Authority	19%	
			Public (listed)	56%	
National Bank of Bahrain	Local retail	Conv. retail	***Bahrain government and other***		Bahrain
6.4	Mainly conventional		***public sector***	56%	Branches in Abu Dhabi and Ryadh
24%			Other GCC governments	6%	
			Public (listed)	44%	
Kuwait Finance House	Local retail	Islamic retail	Kuwait Investment Authority	24%	Bahrain
4.5	Real estate development		Other Kuwait public sector	25%	Jordan
17%	Islamic		Public (listed)	51%	
Bahrain Islamic Bank	Local retail	Islamic retail	Kuwait, private & public	59%	Bahrain
2.9	Islamic		IsDevBk	18%	
11%			Public (listed)	23%	
Al-Salaam	Local retail	Islamic retail	Kuwait private	6%	Bahrain
2.7	Islamic		Lebanon private	2%	Singapore, UK
10%			Public (listed)	92%	
Arab Banking Corporation	Corporate finance	Conv. whol.	Central Bank of Libya	59%	Bahrain
28.1	Conventional		Kuwait Investment Authority	27%	Algeria, Egypt, Jordan,Tunisia
106%			Public (listed)	11%	UK
Gulf International Bank	Corporate finance	Conv. whol.	Kingdom of Saudi Arabia	97%	Bahrain, Saudi
15.5	Conventional		Other GCC governments	3%	UK
59%					
Awal Bank	House bank	Conv. whol.	Saad Group, Saudi Arabia	100%	GCC
10			*under CBB administration since mid-2009*		
38%					
TIBC	House bank	Conv. whol.	Algosaibi Group, Saudi Arabia	100%	GCC
5			*under CBB administration since mid-2009*		
19%					
Arcapita	Asset management	Islamic whol.	Partners	30%	Advanced economies
3.7	Private banking		Other private investors	70%	Middle East
14%	Islamic				Asia
Investcorp	Asset management	Conv. whol.	Cayman entities (partners)	70%	Advanced economies
3.5	Private banking		Public (listed)	30%	Middle East
13%	Conventional				Asia
United Gulf Bank	Asset management	Conv. whol.	Kuwait ruling family		Kuwait
1.9	Corporate finance		Through KIPCO	96%	Other GCC
7%					Other MENA
Total assets: 536%	Total retail strategy: 280%		Total wholesale strategy:	256%	

Sources: company websites; rating agencies; Zawya; and IMF staff estimates and calculations.

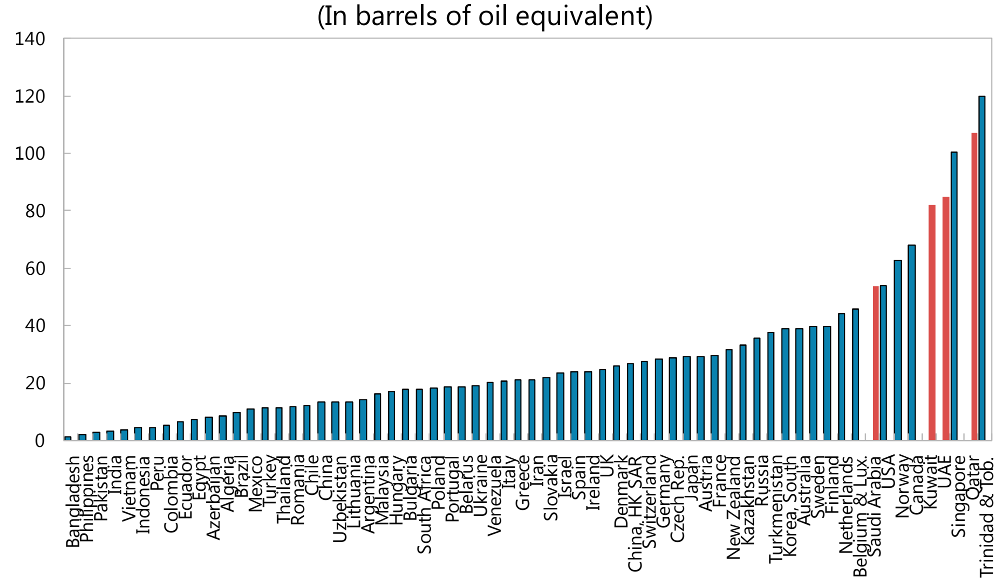
III. Fuel Subsidies and Energy Consumption—A Cross-Country Analysis[1]

A. Introduction

1. **GCC countries have among the highest levels of per capita energy consumption per capita in the world (Figure III.1).** Data produced by British Petroleum's Statistical Review of World Energy indicate that Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates (no data are reported for Bahrain and Oman) were among the top ten per capita consumers of energy in 2010.

Figure III.1. Energy Consumption per Capita, 2010

(In barrels of oil equivalent)



Sources: British Petroleum Statistical Review of World Energy and IMF staff calculations.

2. **GCC countries' high energy consumption is in part related to their high per-capita income levels, but is also linked to low domestic energy prices.** For example, gasoline prices in the GCC are highly subsidized (compared to their opportunity cost) and are among the lowest in the world (Figure III.2). A highly subsidized gasoline price is a feature of several other fuel exporters (e.g., Algeria, Ecuador, Iran, Turkmenistan, and Venezuela).

3. **The high level of energy subsidies raises the question of whether resources are being spent in the most efficient manner.** In particular, untargeted energy subsidies tend to benefit low-income households less than high-income households, because the latter consume more energy. In addition, energy subsidies tend to encourage inefficient excess consumption of energy.

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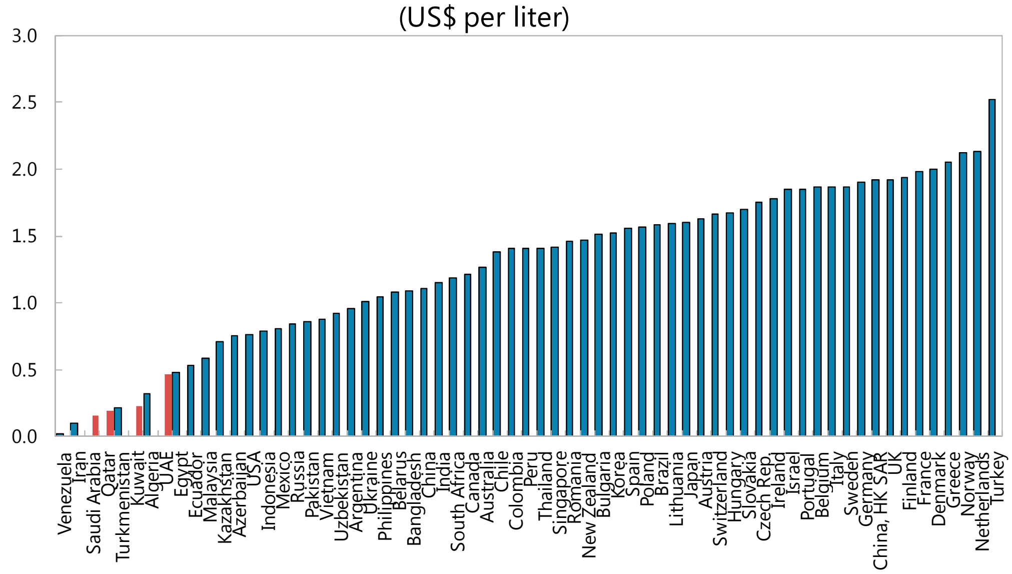
[1] Prepared by Pedro Rodriguez, Joshua Charap, and Arthur Ribeiro da Silva.

Figure III.2. Price of Gasoline, end-2010

(US$ per liter)



Sources: IMF, FAD database on cross-country gasoline prices and GTZ.

4. **In this chapter, we explore the relationship between energy prices and consumption, and discuss its implications for subsidy reform—for Kuwait in particular.** In Section B, we report the findings from the empirical literature on this topic. In Section C, we estimate the sensitivity of energy consumption to energy prices using a panel dataset of 66 countries. Finally, we explore the implications of our estimates for subsidy reform.

B. Responsiveness of Energy Consumption to Energy Prices—Findings of the Empirical Literature

5. **While it is usually argued that high energy subsidies encourage inefficient consumption, quantifying this link is generally difficult.** This is largely linked to the difficulty in estimating the price elasticity of demand. Two issues are particularly important: First, short-term and long-term demand elasticities are likely to differ, since consumers may need time to adapt to a different price environment (e.g., they may need time to change from a high energy-intensive technology to a less energy-intensive one in response to higher prices). Second, empirical estimations face identification problems; the data observed usually reflect the interaction of both supply and demand factors, making it difficult to isolate demand-specific elasticities.

6. **It is therefore not surprising that there is significant variability in the price elasticities of energy demand found in the empirical literature.** As illustrated in Table III.1, the findings of the empirical literature suggest a large variability for both short-term and long-term price elasticities. For instance, the work summarized in Hamilton (2009) puts short-term price elasticities for gasoline and oil consumption in a range from nearly zero

to -0.25, and long-term price elasticities in a range from -0.21 to -0.86. More recently, IMF (2011) estimated much lower elasticities for oil consumption: a short-term price elasticity of nearly zero, and a long term price elasticity of -0.08.

Table III.1. Income and Price Elasticities of Energy Demand: Literature Review

	Study	Sample	Product	Method	Short-term Price Elasticity	Long-term Price Elasticity	Long-term Income Elasticity
Hamilton (2009)	Dahl and Sterner (1991)		Gasoline	Literature survey	-0.26	-0.86	1.21
Hamilton (2009)	Espey (1998)		Gasoline	Literature survey	-0.26	-0.58	0.88
Hamilton (2009)	Graham and Glaister (2004)		Gasoline	Literature survey	-0.25	-0.77	0.93
Hamilton (2009)	Brons and others (2008)		Gasoline	Literature survey	-0.34	-0.84	…
Hamilton (2009)	Dahl (1993)	developing countries	Oil	Literature survey	-0.07	-0.30	1.32
Hamilton (2009)	Cooper (2003)	22 OECD countries plus China	Oil	Time series regressions	-0.05	-0.21	…
	Al-Mutairi and Eltony (1996)	Kuwait (1965–89 period)	Energy	Co-integration and error correction model, and simutaneous equation model	-0.12 and -0.20	-0.23 and -0.43	1.20 and 1.13
	Parry and Small (2005)		Gasoline	Parameter selection for callibration		-0.55	
	Narayan and Smyth (2007)	12 Middle East Countries	Oil	Time series regressions and panel co-integration		from 0 to -0.07	0.2 to 1.8
	IMF (April WEO 2011)	45 countries (OECD and non-OECD)	Oil	Panel with fixed-effects	-0.02	-0.07	0.29

Source: IMF staff literature review.

7. **There is more consensus, however, that income elasticities are close to one, but recent evidence may suggest lower values.** The work summarized by Hamilton (2009) indicates a range for the income elasticity of oil and gasoline consumption between 0.88 and 1.32 (Table III.1)—i.e., close to unitary income elasticity. IMF (2011), however, suggests lower long-term income elasticities for oil consumption, arguing that this may reflect substitution away from oil and toward other energy sources.

C. Re-examining the (Long-term) Price Elasticity of Energy Consumption

8. **Given the wide range of empirical estimations in the literature, we reexamine the issue by comparing cross-country energy consumption and its determinants**. The use of cross-country data provides key sources of heterogeneity to estimate income and price elasticities of energy demand, as countries differ widely in per capita income per capita and also in their energy prices. The price differences are mainly due to different taxation regimes,

as some countries tend to tax energy heavily, while other countries apply lower taxes or even subsidize energy consumption. Cross-country data also provide other sources of heterogeneity that can affect energy consumption, such as weather conditions and the level of development (e.g., more developed countries typically have stricter environmental regulations that can affect energy consumption).

Analytical framework

9. **Our starting point for estimating the determinants of cross-country energy demand is the following standard demand equation:**

$$q_{i,t} = \alpha \gamma_t A_i y_{i,t}^{\delta} p_{i,t}^{\beta} \quad (1)$$

where $q_{i,t}$ denotes energy demand of country *i* at time *t*, α denotes a constant, γ_t denotes a time-varying parameter (e.g., technology), A_i denotes country-specific factors (e.g., weather or environmental regulations), $y_{i,t}$ denotes the (real) income of country *i* at time *t* (i.e., demand for all goods and services), $p_{i,t}$ denotes the real price of energy, δ is the income elasticity of energy demand—which is expected to be positive, and β is the price elasticity of energy demand—which is expected to be negative.

Taking natural logs on both sides of equation (1) we obtain:

$$ln(q_{i,t}) = ln(\alpha) + ln(\gamma_t) + ln(A_i) + \delta ln(y_{i,t}) + \beta ln(p_{i,t}) \quad (2)$$

Data

10. **The data are collected from a variety of sources and are available for periods of different length:**

a. Data on energy consumption (measured in million tons of oil equivalent) come from British Petroleum's 2011 Statistical Review of World Energy. These data are available for the period 1965–2010 for a group of 66 countries, which defines the country dimension of the dataset.

b. US CPI data—used to deflate variables denominated in U.S. dollars—and GDP per capita statistics (in U.S. dollars)—used as a proxy for countries' income—come from the IMF's World Economic Outlook database. Data on population come from the United Nations. These data are available for the period 1965–2010.

c. Gasoline prices—used as a proxy for overall energy prices—for 2002–09 come from the IMF's Fiscal Affairs Department data prepared for the paper by Coady and others (2010), while 2010 gasoline prices come from GTZ. These data are only available for the period 2002–10, and therefore restrict the time dimension of the dataset.

d. Raw daily weather data come from the U.S. National Oceanic and Atmospheric Administration (NOAA).[2] These data were processed to compute a *cold weather index* (average temperature of the three coldest months) and a *hot weather index* (average temperature of the three hottest months). The time coverage of these data varies from country to country. For our empirical exercise (below) we have collapsed these two variables into two time-invariant country dummies by taking the average of the specific variable during the observation period available for each country.[3]

e. An advanced countries dummy follows the IMF World Economic Outlook country classification. This classification implies that our sample is composed of 29 advanced economies and 37 non-advanced economies.

In total, we have a highly balanced panel (for some countries gasoline prices were missing in some years) of 66 countries covering the period 2002–10.

Estimation strategy

11. **We use OLS (with robust standard errors and adjusting for within-cluster correlation) for estimating equation (2).** The choice of the estimation method is not trivial. An alternative to our estimation method would be to use fixed-effects (Within) estimation, but this procedure may be problematic, given the short time series of our dataset and given that this method will likely capture short-term elasticities. On this issue, Baltagi and Griffin (1984) have shown with Monte Carlo simulations that OLS estimation is likely to be superior to fixed-effects (and random effects) estimation if the objective is to estimate long-term elasticities, particularly for panels with a short time dimension.

12. **Before proceeding with the estimation, it is illustrative to view the data assuming unit income elasticity.**[4] In this case equation (2) can be rearranged to obtain:

$$ln\left(\frac{q_{i,t}}{y_{i,t}}\right) = ln(\alpha) + ln(\gamma_t) + ln(A_i) + \beta ln\left(p_{i,t}\right) \qquad (3)$$

---

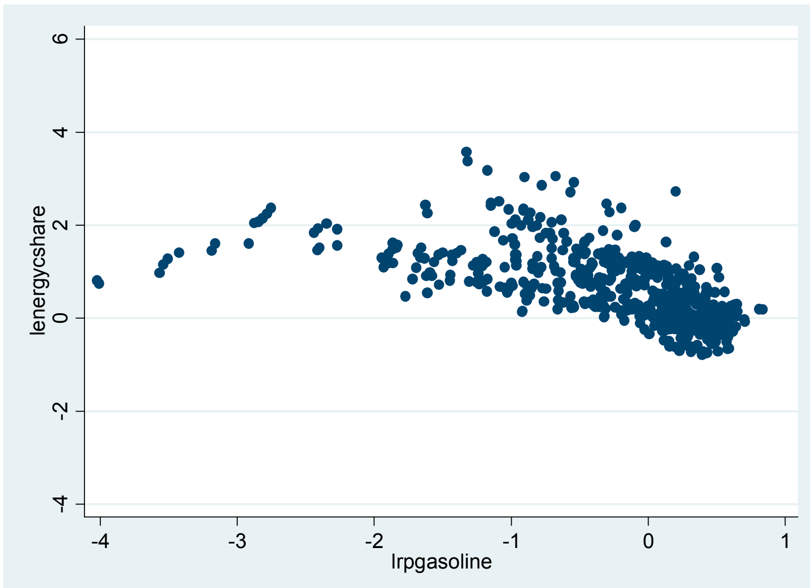
[2] For a number of countries, more than one weather collection point was available. In such cases, we chose the collection point in the capital of the country, or closest to the capital of the country.

[3] This was done to avoid losing observations due to missing weather data and under the view that weather patterns are in general similar over time (i.e., a country with a relatively cold winter is in general going to have cold winters, especially when compared with other countries).

[4] The case of unit income elasticity is appealing as an illustrative tool on several grounds. First, the existing empirical data suggest that income elasticity should be close to one. Second, an income elasticity equal to one can be easily obtained from standard assumption on demand functions, such as when consumer preferences are assumed to be homothetic—in which case an increase in income will trigger an equally proportional increase in the demand for *all* the goods in consumers' consumption basket.

where the left-hand side is the share of energy consumption in total (real) GDP.[5] Figure III.3 shows the share of energy consumption in total demand against the domestic gasoline price (which, as mentioned above, is taken as a proxy for the overall domestic cost of energy). Despite some outliers that show quite low prices and medium levels of energy consumption, the chart suggests, as expected, an inverse relation between energy consumption share and energy prices.

Figure III.3. Share of Energy Consumption (per-capita) to GDP (per-capita) and Energy Prices in a Sample of 66 Countries, 2002–10



Source: Authors' calculations using data from: British Petroleum Statistical Review of World Energy,FAD and GTZ databases on gasoline prices, and World Economic Outlook database.

D. Estimation Results[6]

13. **The estimation of equation (2) suggests a relatively good fit and a statistically significant link between energy consumption and the explanatory variables.** The explanatory power of the estimated equation is quite high; R-square is in the order of 0.75–0.81. In terms of significance of the regressors, looking at column (3) of Table III.2 we obtain that:

---

[5] As mentioned above, nominal variables in U.S. dollars have been deflated by the U.S. CPI to obtain the equivalent variable in real terms.

[6] Given that the main information in our dataset comes from the cross-section dimension (we have 66 countries but only nine time periods), our price elasticity should be mainly interpreted as a long-term elasticity—as per the findings of Baltagi and Griffin (1984) mentioned above.

a. Real per capita GDP has the expected (positive) sign, is statistically significant, and implies an income elasticity of around 0.75. This elasticity is somewhat lower than the range reported by the empirical literature mentioned in section B.

b. The gasoline price also has the expected (negative) sign, is statistically significant, and implies a (long-term) price elasticity of around -0.3. This elasticity is in the lower end of the range reported by the empirical literature mentioned in section B.

c. The weather variables are both statistically significant and have the expected sign. They imply that having a winter (summer) period that is on average 10 degrees Celsius colder (hotter) will increase energy consumption by 2.9 (2.7) percent.

d. The advanced countries dummy was not significant.

Table III.2. Estimating Energy Demand

	Dependent Variable is Log of Total Energy Consumption per Capita		
	(1)	(2)	(3)
Log real per-capita gdp	0.7040114 ***	0.7609094 ***	0.7516369 ***
	(0.0564951)	(0.076793)	(0.0706263)
Log real price of gasoline	-0.3576102 ***	-0.3108121 ***	-0.2885908 ***
	(0.0839052)	(0.0860859)	(0.0624626)
Advanced		-0.2376945	-0.2189112
		(0.1893617)	(0.1830948)
Cold weather			0.0296344 ***
			(0.0091407)
Hot weather			0.0278904 ***
			(0.00833)
R-square	0.75	0.76	0.81
Observations	548	548	548
Countries	66	66	66

Note: Standard errors in parentheses. Standard errors are robust and adjust for within-cluster correlation. Time dummies included but not reported. Three, two, and one asterisk denote significance levels of 1, 5, and 10 percent, respectively. Estimation is done using OLS for the period 2002–10.

14. **Testing for different coefficients across country groups (i.e., advanced versus nonadvanced) and for the impact of outliers suggests a lower income elasticity in advanced countries and a higher price elasticity (but equal) across countries.**

a. Column (1) of Table III.3 shows the results of a regression with interaction variables that allow the coefficients to differ between advanced and nonadvanced countries. This column shows that the interaction terms are only statistically significant for the income elasticity, whose interaction term is negative. This implies an income elasticity for advanced countries in the order of 0.44. Another feature of this regression is that the advanced countries dummy becomes positive and significant, which suggests that advanced countries have a higher energy consumption per capita that is not fully explained by their higher income.

b. Column (2) of Table III.3 shows the results dropping the observations of two countries whose gasoline prices were at the bottom of the distribution, which based on Figure III.3 are outliers in terms of energy consumption. These results show that the price elasticity increases to around -0.5 (in the middle range of the empirical literature), but remains equal for advanced and nonadvanced countries. The R-square increases to 0.84.

E. Implications for Subsidy Reform

15. **The price elasticity of energy demand estimated in the previous section suggests that subsidy reform could potentially have large implications on energy consumption in several countries in the long-term, including Kuwait.** As shown in Table III.4, bringing energy prices to reflect the opportunity cost would constitute a large price adjustment for GCC countries and other countries in the MENA region.[7,8] For the case of Kuwait, increasing the gasoline price to its opportunity cost would mean a 183 percent increase in the retail price of gasoline. If that price increase was also reflected in price increases of other forms of energy (e.g., electricity), Kuwait could see a reduction of its energy demand of around 27–41 percent in the long term.

---

[7] The opportunity cost is defined as the tax/subsidy-free cost of gasoline. In order to calculate the opportunity cost of gasoline we took the U.S. price in our sample for end-2010 and subtracted the average tax in the U.S. (11 cents per liter). For end-2010 this would have implied an opportunity cost (in U.S. dollars) of 65 cents per liter.

[8] Notice that this exercise corresponds to changes vis-à-vis end-2010. Iran has since then adjusted its gasoline prices as it has embarked on a reform of energy subsidies.

Table III.3. Estimating Energy Demand

	Dependent Variable is Log of Total Energy Consumption per Capita			
	(1)		(2)	
Log real per capita gdp	0.7768784	***	0.7641232	***
	(0.0771483)		(0.0762733)	
Advanced*(log real per capita gdp)	-0.3325647	**	-0.3346056	**
	(0.1421592)		(0.1411293)	
Log real price of gasoline	-0.306732	***	-0.5010601	***
	(0.0655563)		(0.1047174)	
Advanced*(log real price of gasoline)	-0.1069239		0.0506833	
	(0.1969446)		(0.2090136)	
Advanced	1.185545	*	1.162859	*
	(0.638926)		(0.6572737)	
Cold weather	0.0352439	***	0.0356906	***
	(0.0103973)		(0.0113349)	
Advanced*(cold weather)	-0.026798		-0.0276711	
	(0.0199452)		(0.0203519)	
Hot weather	0.0261044	**	0.0204284	
	(0.0107952)		(0.0128956)	
Advanced*(hot weather)	-0.0134209		-0.0089693	
	(0.017118)		(0.0184739)	
R-square	0.83		0.84	
Observations	548		527	
Countries	66		64	

Note: Standard errors in parentheses. Standard errors are robust and adjust for within-cluster correlation. Time dummies included but not reported. Three, two, and one asterisk denote significance levels of 1, 5, and 10 percent, respectively. Estimation is done using OLS for the period 2002–10. The second column excludes observations for which the real price is below $0.14 cents per liter.

Table III.4. Change in per Capita Energy Consumption if Energy Priced at its Opportunity Cost

	Energy Related Subsidies/Transfers (Percent of GDP)	Change in Energy Costs (Percent)[1,2]	Percent Change in Energy Consumption if Price Elasticity Equals:		Proxy for Deadweight Loss from Subsidies (Percent of GDP)	
			-0.3	-0.5	-0.3	-0.5
Iran		570	-43.5	-61.4		
Saudi Arabia		306	-34.3	-50.4		
Libya		282	-33.1	-48.8		
Qatar		242	-30.9	-45.9		
Turkmenistan		195	-27.7	-41.8		
Kuwait	7.0	183	-26.8	-40.6	0.9	1.4
Algeria		103	-19.1	-29.8		
UAE		38	-9.2	-14.9		
Egypt		35	-8.6	-13.9		

Note: For Kuwait, energy-related subsidies/transfers are projections for FY 2011/12.

Source: IMF staff calculations.

[1] Change in gasoline price needed to reach its opportunity cost (defined as the tax/subsidy-free cost of gasoline). In order to calculate the tax-free cost of gasoline we take the U.S. price and subtract the average tax in the U.S. (11 cents per liter). For end-2010 this would have implied a gasoline price of 65 cents per liter.

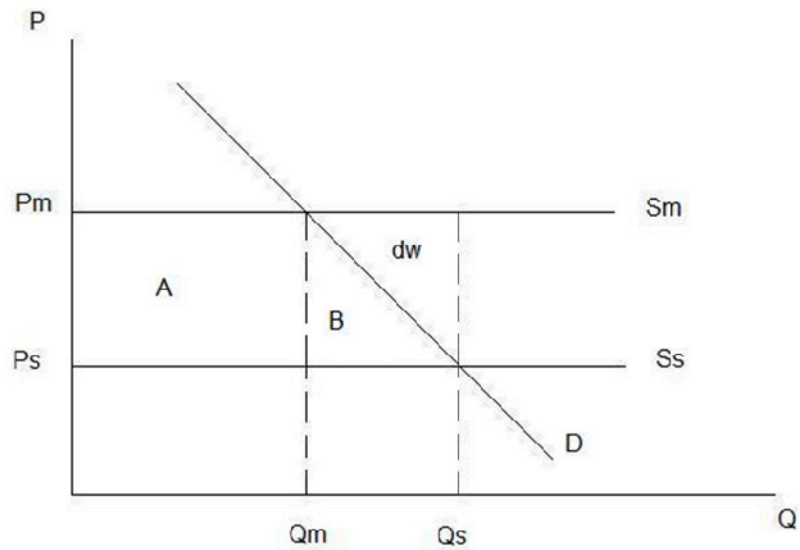
[2] Changes are with respect to the end-2010 price. Notice that this exercise corresponds to changes vis-à-vis end-2010. Iran has since then adjusted its gasoline prices as it has embarked on a reform of its energy subsidies.

16. **The findings suggest that countries with high energy subsidies could benefit from subsidy reform accompanied by safety nets to protect the lower income segments of the population.** Let's take Figure III.4 to illustrate this point: Ss is the energy supply in a country that is selling energy at the subsidized price Ps, which is lower than the international market price Pm (which is also the opportunity cost). Given the country's demand curve, the country ends up consuming the amount of energy Qs, which is higher than the energy it would consume if the price of energy were equal to its opportunity cost (Qm). The rectangle formed by the areas A, B, and dw constitutes the total subsidy that the government is giving to consumers. Notice that dw is a deadweight loss from the subsidy—that is, the area in which willingness to pay by consumers (given by the height of the demand curve) is below the opportunity cost.

17. **Now, if the government removes the subsidy (i.e., price increases to Pm) it saves for itself the areas A, B, and dw, but the welfare of consumers declines because they are now consuming less of the good and paying more for each unit.** The government can then decide on how to rebate part of the resources it has saved to compensate consumers. If the government wants to keep consumers completely indifferent, then it can rebate back areas A and B, which would still provide the government a net saving equal to dw—for the case of Kuwait this would mean a net permanent long-term saving between 0.9–1.4 percent of GDP (Table III.4). But other alternatives are also possible: for instance, the government

could only rebate area A—i.e., only rebate the subsidy for the amount of energy that should have been consumed without the subsidy—in which case the net permanent savings would amount to areas B and dw—which for the case of Kuwait would be between 1.8 and 2.8 percent of GDP. Finally, the government could choose a more targeted approach, focusing only on low-income consumers, in which case the savings would depend on the scope of the government's rebate program.

Figure III.4. Illustration of Impact of Subsidy Reform



dw = (Pm-Ps)*(Qs-Qm)/2 = (Pm-Ps)*Qs*(Qs-Qm)/Qs*(1/2)

dw = (subsidy)*(percent change in quantity consumed)*(1/2)

Source: IMF staff analysis.

F. Final Considerations

18. **The findings of this chapter suggest potentially large long-term benefits from reforming energy subsidies.** Nevertheless, it is important to take into account short-term considerations. In particular, as the empirical literature mentioned in Table III.1 indicates, the short-term price elasticity is likely to be lower than the long-term elasticity, which suggests that the loss of consumer welfare in the short term is likely to be higher than the long-term loss.[9] The higher impact that changes in energy prices would have on consumers' welfare in the short term calls for a gradual approach to subsidy reform or, alternatively, more generous safety nets in the short term.

[9] Because consumers would not be less able to substitute away from energy in the short term.

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IV. Fiscal Rules: Application to Kuwait[1]

A. Introduction

1. **Fiscal policy is the main macroeconomic policy tool in Kuwait and other GCC countries**. With low public sector debt (4.3 percent of GDP in 2011) and strong financial buffers, the authorities had sufficient fiscal space to respond to the global financial turmoil after the onset of the global financial crisis in 2008. Nevertheless, current strong financial positions could be negatively affected by a downturn in global oil demand and prices in the medium term, as increasing fiscal break-even prices raise the vulnerability of government finances to the volatility of oil prices.

2. **A credible fiscal anchor could help Kuwait and other GCC countries to improve the management of oil resources over the oil cycle**. On the revenue side, Kuwait needs to develop alternative sources of revenue, among other measures. On the spending side, the authorities should decide on a sustainable level of public expenditure and realize this target over the medium term. To achieve this goal, a new approach to fiscal management should be considered, namely the use of fiscal rules for the management of government finances. Transparent and well-designed fiscal rules can help smooth government expenditure over the business cycle and achieve fiscal sustainability and macroeconomic stabilization.

3. **This chapter outlines the potential impact of a variety of fiscal rules on the fiscal balance and public debt in Kuwait, and highlights key trade-offs**. Simulations in this area suggest that adopting certain fiscal rules in Kuwait could have delivered better policy outcomes than were effected by the actual fiscal stance. Section B summarizes fiscal developments in Kuwait over the past few years. Section C discusses the fiscal management objectives and types of fiscal rules. Section D summarizes the results of simulations based on a variety of fiscal rules and assesses the potential impact of each rule on the historical fiscal outcome for Kuwait. Section E discusses some suggestions for the way forward.

B. Fiscal Policy in Kuwait

4. **Fiscal outcomes were strong in recent years**. The increases in oil revenue caused by higher oil prices and production levels have strengthened the fiscal position, while the size of the budget envelope has expanded. Kuwait had 13 consecutive years of fiscal surpluses, and the fiscal surplus in 2011 is estimated to have reached over 30 percent of GDP.

5. **Nonetheless, the budget breakeven oil price and the non-oil fiscal deficit have increased rapidly in recent years** (Figures IV.1 and IV.2). The fiscal breakeven oil price has increased from $17 per barrel in FY 2007/08, just before the global financial crisis, to $44 per barrel in FY 2011/12; and the non-oil deficit has also. While the current fiscal breakeven price level is still far below current market prices, the continued increase in the fiscal breakeven price renders the budget more vulnerable to oil price fluctuation. Furthermore, if current spending trends continue (e.g., the government's wage bill increased by 20 percent in

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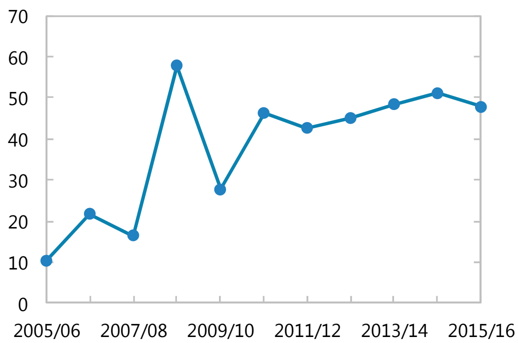
[1] Prepared by Kentaro Katayama.

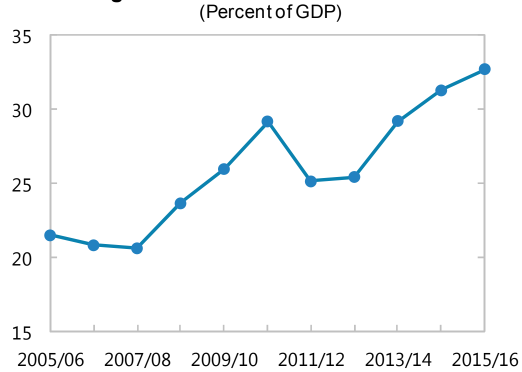
FY 2011/12) the fiscal breakeven price is projected to increase further in the medium term. If the estimates exclude the investment income from oil revenues and accounts for transfers to the Future Generations Fund (FGF) as expenditure, the budget breakeven price increases by about $20 per barrel.

Figure IV.1. Kuwait: Budget Breakeven Price
(US$ per barrel)



Sources: Country authorities; and IMF staff estimates.

Figure IV.2. Kuwait: Non-oil Deficit
(Percent of GDP)



Sources: Country authorities; and IMF staff estimates.

6. **A well-designed fiscal management framework could help the authorities better manage the oil cycle.** Options include establishing a medium-term budget framework (MTBF) and adopting a fiscal rule. This could help smooth fiscal expenditures over the oil cycle as fluctuations in government expenditure can entail potentially significant fiscal costs, including a reduction in the quality and efficiency of spending—a good reason for insulating government expenditure from the volatility of oil receipts.

C. Objectives and Types of Fiscal Rules[2]

7. **A well-designed fiscal rule could achieve the main objectives of fiscal policy in a balanced way.** Fiscal management in oil-exporting countries could aim at: (i) stabilizing the macroeconomy so that fiscal policy does not amplify externally driven volatility from oil-price shocks, (ii) maintaining fiscal sustainability for intergenerational equity, and (iii) enhancing development by achieving the economic diversification. Policymakers can select from a range of alternative fiscal rules to help them achieve these objectives.[3] However, different fiscal rules have different implications for the way fiscal policy delivers these objectives and responds to shocks.

8. Desirable properties of a fiscal rule include:

   a. Simple to implement and operate;

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[2] Source: *The GCC Monetary Union: Lessons from the Euro Area Crisis*, prepared by IMF staff as background paper for The GCC Annual Meeting of Ministers of Finance and Central Bank Governors that was held in Kuwait in October 2010.

[3] Kuwait has already a fiscal rule in place. By law (Article 1, Law Decree No. 106 for the year 1976 concerning the Reserves for Future Generations), 10 percent of all state revenues are transferred to the Future Generations Fund on an annual basis and all investment income is reinvested. No assets can be withdrawn from the FGF unless sanctioned by law.

b. Flexible, to provide counter-cyclical stabilization, both on the upside and on the downside;

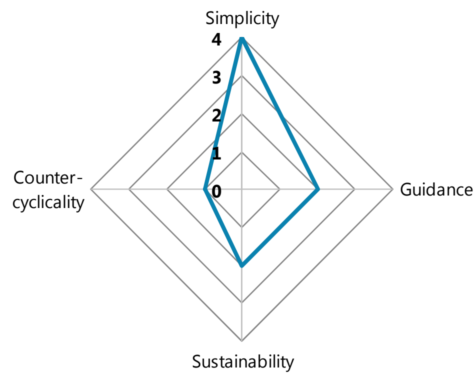
c. Transparent in providing clear guidance to policymakers; and

d. Consistent with a sustainable fiscal path.

9. **The discussion below compares potential fiscal rules on the basis of the criteria noted above and the inherent trade-offs**. The area of the diamond in Figure IV.3 broadly represents the overall desirability of the rule with a rank of four being the highest score according to Staff's assessment.

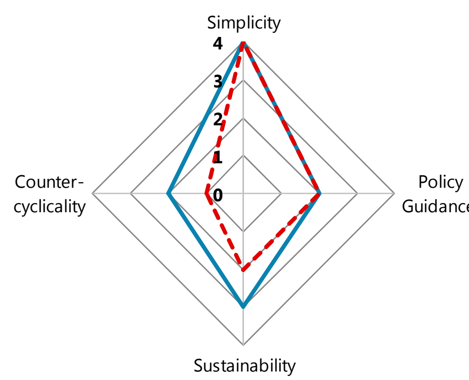
A) The ***Budget Balance Rule (BBR).*** This corresponds to the proposed rule in the current GCC monetary union framework: (a) ceilings on the debt of the central and general government of 60 and 70 percent of GDP, respectively; and/or (b) a ceiling on the overall fiscal deficit of 3 percent of GDP. The BBR is operationally simple to implement and monitor. Nevertheless, the rule could lead to a procyclical stance as the ceiling on the deficit is on the overall fiscal balance (which includes the highly volatile oil revenue) (Figure IV.3). For instance, the rule could trigger a consolidation in the event of a severe shock in oil revenues (which occurred periodically over the past few decades) or allow excessive spending during boom periods. Furthermore, it does not provide any guidance for the conduct of fiscal policy when the deficit is below the ceiling.

Figure IV.3. Kuwait: Properties of the Budget Balance Rule



B) The ***Non-oil Balance Rule (NOBR)***. An alternative BBR could set a ceiling on the non-oil (primary) fiscal deficit.[4] This rule could eliminate (or at least mitigate) the procyclicality of the previous rule by eliminating oil revenue from the targeted budget balance. It is simple to implement and monitor, while providing some relative flexibility for counter cyclical stabilization (Figure IV.4). Specifically, oil revenue windfalls would be saved rather than spent, building buffers for bad times and leaving some of the oil wealth for future generations.

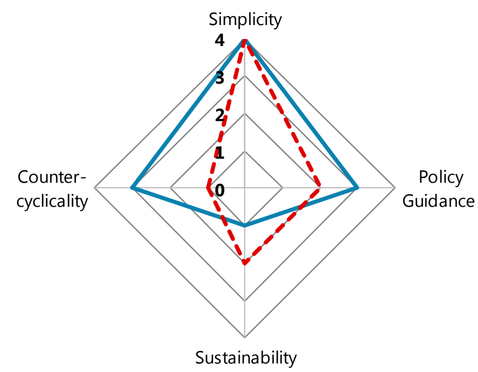
Figure IV.4. Kuwait: Properties of the Non-oil Balance Rule



[4] Non- oil fiscal deficits are basically calculated by excluding the oil-related revenue and expenditure from the budget balance.

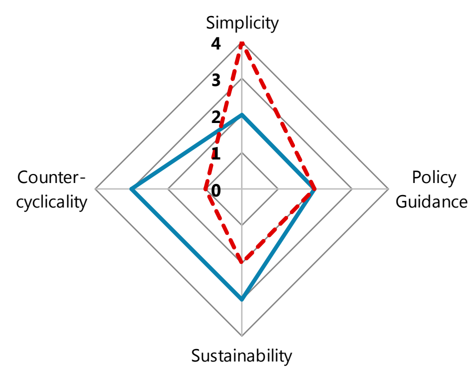
C) The ***Expenditure Rule (ER).*** This rule puts a cap on nominal or real expenditure growth consistent with a credible MTBF. The operation would be simple to monitor and clear guidance would be provided to policymakers on how to adjust fiscal policy over time (Figure IV.5). While the revenue projection is sometimes uncertain, the control on expenditure could be easily achieved within the legislative process. This rule requires, however, a credible and reliable MTBF to avoid large overall fiscal deficits and deterioration in net assets when revenue is persistently lower than the MTBF forecasts. Botswana, Canada, and Costa Rica have adopted this type of rule.

Figure IV.5. Kuwait: Properties for the Expenditure Rule



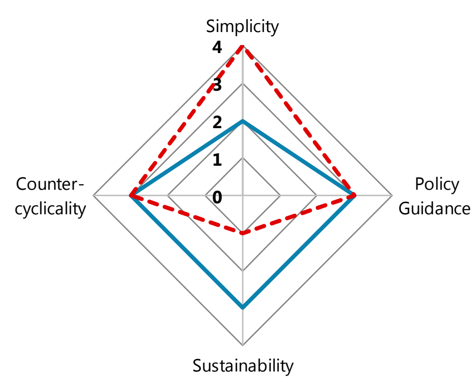
D) The ***Structural Balance Rule.*** This rule is practiced by Chile**.** The framework underlying this rule attempts to signal long-term fiscal sustainability and avoid procyclical policies. Implementation of this rule involves estimating the output gap, which can be challenging in oil-producing countries. Under this rule, government expenditures are budgeted ex-ante in line with structural revenues that would be achieved if the economy were operating at full potential (Figure IV.6).

Figure IV.6. Kuwait: Properties for the Structural Balance Rule



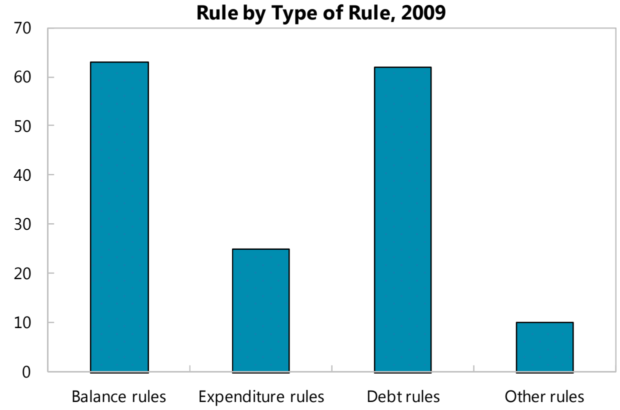
E) The ***Debt Brake Mechanism.*** Under this mechanism, an automatic fiscal adjustment, effectively arresting an undesired build up in public debt, is triggered when cumulative deficits reach a given threshold to correct for deterioration in net assets. Swiss and German rules incorporate this mechanism. It would help effect a timely adjustment while retaining desirable countercyclical properties (Figure IV.7). It could be combined either with the non-oil fiscal deficit rule or with the expenditure rule. The chart shows how the introduction of this mechanism would change the property of expenditure rule.

Figure IV.7. Kuwait: Properties of the Debt Brake Mechanism



10. **Globally, fiscal rules are increasingly used to guide policy** (Figure IV.8). In recent years, the number of countries adopting fiscal rules has risen from 10 in 1990 to about 80 at end-2009 (see IMF, 2009). This comprises 21 advanced economies, 33 emerging markets, and 26 low-income countries. In four cases there were supranational treaties adopted by the following common currency areas: The Stability and Growth Pact (SGP) in Europe; the West African Economic and Monetary Union (WAEMU); the Central African Economic and Monetary Community (CEMAC); and the Eastern Caribbean Currency Union (ECCU).

Figure IV.8. Kuwait: Number of Countries with at Least one Fiscal Rule by Type of Rule, 2009



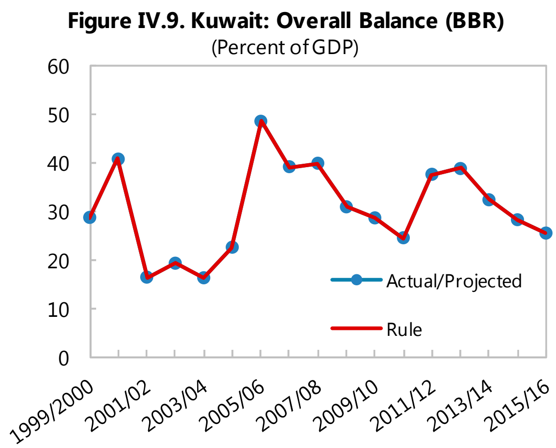
Sources: IMF fiscal rules database; and IMF staff calculations.

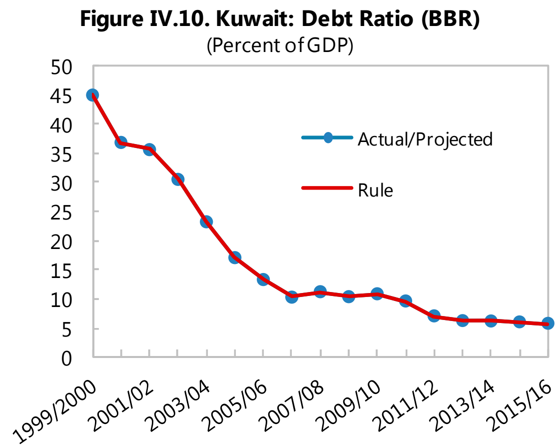
D. Simulations for Kuwait

11. **The following simulations show the results of adopting three main fiscal rules (BBR, NOBR, and ER) to historical fiscal data and projections**. Coverage spans FY 1999/2000 to FY 2015/16, and is based on data from country authorities and staff projections for the baseline scenario. For the simulations, the first step is to determine the fiscal balance in each fiscal year based on each rule.[5] If the actual/projected fiscal balance (or expenditure growth, depending on the rule) has a better outcome than the ceiling of the rule, then the rule will not be binding and actual figures are used in the simulation of that year. Otherwise, the fiscal outcome will be bound by the rule's ceiling. The next step is to link the impact of the fiscal balance to the accumulation or reduction of debt (or to building savings in the case of Kuwait).

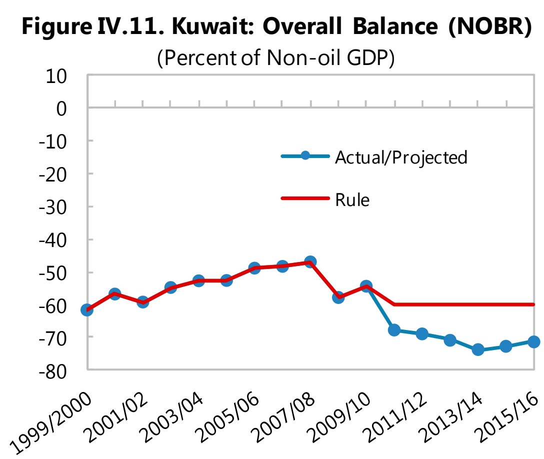
12. **The Budget Balance Rule is not binding in Kuwait.** A ceiling on the overall fiscal deficit of 3 percent of GDP is used as the fiscal rule in this simulation. Nonetheless, the fiscal balance had turned positive since 1998, and therefore the ceiling would have been non-binding (Figures IV.9 and IV.10). As discussed in the previous section, this rule tends to lead to a procyclical stance. During the boom, the rule would have permitted a ramping up of spending as higher oil revenues enabled the deficit rule to be met quite easily.

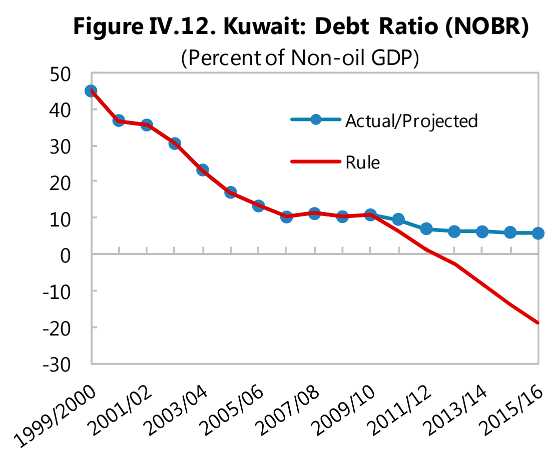
[5] The cost of recapitalization of social security is excluded from the expenditure in all simulations, as this could be considered as a one-off transfer.





13. **The Non-oil Primary Balance Rule would have permitted an additional accumulation of about 25 percent of GDP in savings by the end of FY 2015/16.** The NOBR excludes oil revenue and investment income that originates from abroad and is therefore a better measure of the impact of fiscal policy on domestic demand. A non-oil primary deficit ceiling of 60 percent of non-oil GDP is used for the simulations.[6] This rule would have resulted in additional savings of about 25 percent of GDP by 2015/16. Figures IV.11 and IV.12 suggest that the NOBR would have been more countercyclical (and consistent with long-term fiscal sustainability), compared to the BBR.





14. **The Expenditure Rule would have reduced total spending by KD 40 billion during the period.** This simulation adopts a ceiling on real expenditure growth of 6.6 percent.[7] Under this rule, Kuwait would have had additional saving of 38 percent of GDP by 2015/16.

[6] For Kuwait, a non-oil primary deficit of 30–35 percent of GDP was estimated as a sustainable level in a baseline scenario, taking into account intergenerational equity.

[7] This is equivalent to the average annual real non-oil GDP growth for the period 2000–11.

Figures IV.13 and IV.14 indicate that it would have been more countercyclical than a BBR and NOBR.

Figure IV.13. Kuwait: Overall Balance (ER)
(Percent of GDP)

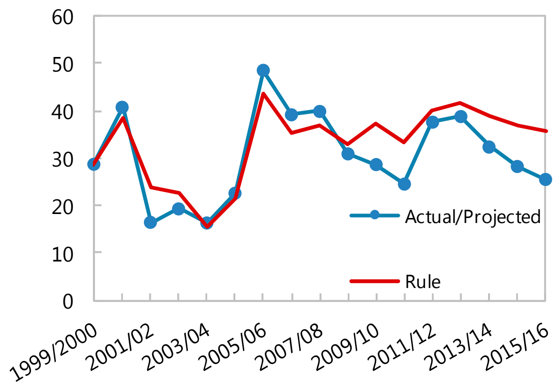
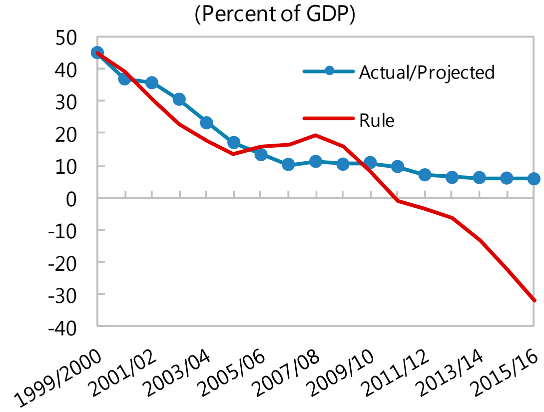


Figure IV.14. Kuwait: Debt Ratio (ER)
(Percent of GDP)



E. Conclusions and Main Consideration

15. **Adopting a BBR in Kuwait would not have an impact on policy outcomes, while the policy outcomes under a NOBR and an ER would have been better than actual fiscal outcomes**. The corresponding additional savings allows the authorities to engage in countercyclical fiscal policy and achieve intergenerational equality.

16. **Trade-offs among rules should be identified.** As each rule has pros and cons, one should examine how the desired policy objectives could be achieved through each of the rules and the ease with which each rule could be implemented. In any case, the establishment of a MTBF by the macro-fiscal unit at the Ministry of Finance would be a prerequisite before the adoption of a fiscal rule and the setting of the numerical targets.

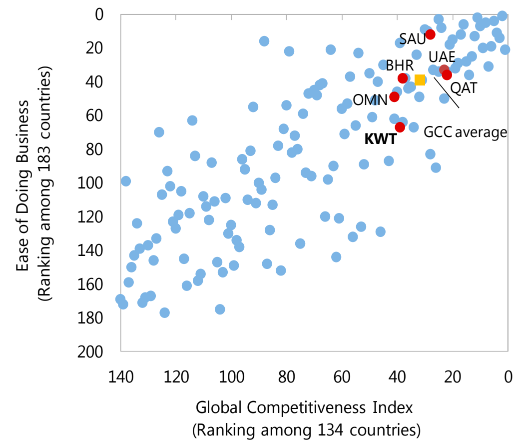
17. **The fiscal framework could incorporate explicit "escape clauses" in the event of severe shocks**. A temporary deviation from the numerical rules may enable implementation of an adequate fiscal response to shocks while preserving the integrity and credibility of the fiscal framework. However, there is a trade-off between allowing flexibility and ensuring a credible anchor for long-term sustainability of the fiscal regime. Accordingly, the reason for allowing departures from expenditure and/or debt ceilings should be made clear in advance, and a time-bound transition path back to compliance with the fiscal rules should be specified.

18. **For the developmental objective of fiscal policy, the composition of expenditure should be taken into consideration**. In terms of the productivity of spending, the multiplier of capital expenditure tends to be higher than that of current expenditure. In this context, adopting a nominal anchor/sub target for public sector wage increases would be useful.

V. Improving the Business Environment in Kuwait[1]

1. **Kuwait ranks low relative to other GCC countries on both the World Economic Forum's *Global Competitiveness Index* and the World Bank's *Doing Business* indicators (Figure V.1).** In general, inefficient government bureaucracy and restrictive labor and education conditions were identified by business leaders in Kuwait in 2011 as the most problematic factors for doing business in Kuwait. Progress in these areas would help improve the investment and business environment and help growth in the non-oil economy.

Figure V.1. Doing Business vs. Global Competitiveness Index, 2011



Sources: World Bank; and World Economic Forum.

2. **Kuwait lags in government efficiency.** Most notably, it lags significantly on the burden of government regulation—indicating red tape and bureaucracy—and the transparency of government policymaking (Table V.1). The latter indicates difficulties for businesses to obtain information about government policies and regulations that affect their activities.

Table V.1. GCC: Selected Efficiency Indicators[1]

	Number of Procedures To Start a Business	Wastefulness of Government Spoending	Burden of Government Regulation	Efficiency of Legal Framework in Settling Disputes	Efficiency of Legal Framework in Challenging Regulations	Transparency of Government Policymaking
Bahrain	65	7	5	31	25	10
Kuwait	**108**	**58**	**118**	**48**	**50**	**113**
Oman	23	4	15	15	26	31
Qatar	78	6	4	11	40	33
Saudi Arabia	15	3	10	30	22	27
UAE	78	5	13	34	43	40

Source: *Global Competitiveness Report,* 2011–12.

[1]Rankings for 142 countries, with 1 indicating the best, and 142 the worst.

3. **Kuwait also lags in labor market regulation and education conditions, two essential elements for competitiveness.** Kuwait lags the rest of the GCC in a number of areas, particularly in the areas of quality of the education system, availability of high-quality specialized training services, the relationship between pay and productivity, and flexibility in hiring and firing practices (Table V.2). Among other things, the survey results point to the need to upgrade the education system, where the quality of education is poor and not attuned to the needs of the business sector.

[1] Prepared by Kentaro Katayama.

Table V.2. GCC: Labor Market and Education Indicators[1]

	Quality of the Education System	Quality of Math and Science Education	Availability of Research and Training Services	Flexibility of Wage Determination	Pay and Productivity	Hiring and Firing Practices	Rigidity of Employment Index[2]
Bahrain	31	40	35	4	19	74	19
Kuwait	**108**	**94**	**86**	**22**	**73**	**72**	**1**
Oman	46	68	90	40	44	59	29
Qatar	4	13	67	10	20	46	29
Saudi Arabia	25	27	29	14	6	9	29
UAE	29	26	28	5	12	13	10

Source: *Global Competitiveness Report*, 2011–12.

[1]Rankings for 142 countries, with 1 indicating the best, and 142 the worst.

[2]From 1 to 100, with 1 indicating the best. The average of the difficulty of hiring, rigidity of hours and difficulty of redundancy.

4. **Another area that needs immediate attention is Kuwait's ability to attract foreign direct investment.** This limits to a great extent the ability of Kuwait to make use of the knowhow and technology transfer that foreign ownership could bring.

5. **In the area of private sector corporate governance, Kuwait lags its neighbors in basic indicators,** such as the strength of auditing and financial reporting standards, the efficacy of corporate boards of directors, and the protection of minority shareholders' interest (Table V.3). As regards the financial sector specifically, the CBK has made important steps in improving corporate governance, including issuing the *Circular on Principles of Good Corporate Governance* in 2004, and limiting the use of public sector funds to bail out failing institutions, which has been demonstrated during the recent financial crisis. On the other hand, weak corporate governance in Investment Companies (ICs) has contributed to the buildup of vulnerabilities in these companies in the pre crisis boom period and has resulted in significant challenges for these companies after the crisis. Specifically, the nature of the ownership structure of ICs (largely family-owned) and the strong links between senior management, Board members, and owners weakens the oversight role of the Board and hinders adequate risk management practices. Strengthening board member composition and role (for example by requiring a larger share of independent members) and enforcing the appropriate implementation of auditing and reporting standards, should be priorities. Enhancing corporate governance can contribute to better business management practices, improve the investment sentiment (including FDI), and raise growth potential.

Table V.3. GCC: Governance Indicators[1]

	Strength of Auditing and Reporting	Efficacy of Corporate Boards	Protection of Minority Shareholder's
Bahrain	6	19	7
Kuwait	**67**	**132**	**100**
Oman	29	28	12
Qatar	8	21	42
Saudi Arabia	22	15	9
UAE	38	39	40

Source: *Global Competitiveness Report*, 2011–12.

[1]Rankings for 142 countries, with 1 indicating the best, and 142 the worst.

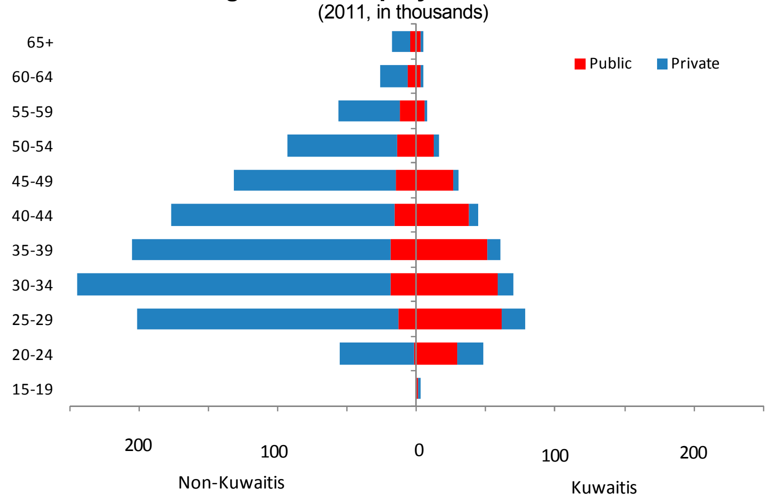
VI. Population and Employment Trends in Kuwait[1]

A. Introduction

1. **The growth rates of the labor force and population in Kuwait have been high in recent years.** Data from the Public Authority for Civil Information (PACI) indicate that the labor force is growing faster than the total population, where labor force as a percent of total population grew from 48 percent in 1995 to more than 60 percent in 2009. Total population in Kuwait reached 3.69 million in December 2011, growing 3.2 percent with respect to 2010.[2]

2. **The labor market is highly segmented.** Like other Gulf Cooperation Council (GCC) countries, Kuwait relies heavily on expatriate labor (Figure VI.1). According to the PACI statistics, expatriates account for nearly two thirds of the population. The share of Kuwaitis and expatriates in the employed labor force has remained largely stable, accounting for about 17 percent and 83 percent, respectively. Unemployment is not an issue, with the unemployment rate below 3 percent.[3]

Figure VI.1. Employment in Kuwait
(2011, in thousands)



Source: Public Authority Civil Information.

3. **Compared to expatriates, Kuwaiti nationals rely much more on public sector jobs,** occupying over 80 percent of all jobs in this sector (Figure VI. 2). The private sector, however, creates the bulk of employment opportunities, generating almost 73 percent of total employment, particularly in the service sector. Most expatriates work in the construction and wholesale and retail sales sectors, as well as private household employees.

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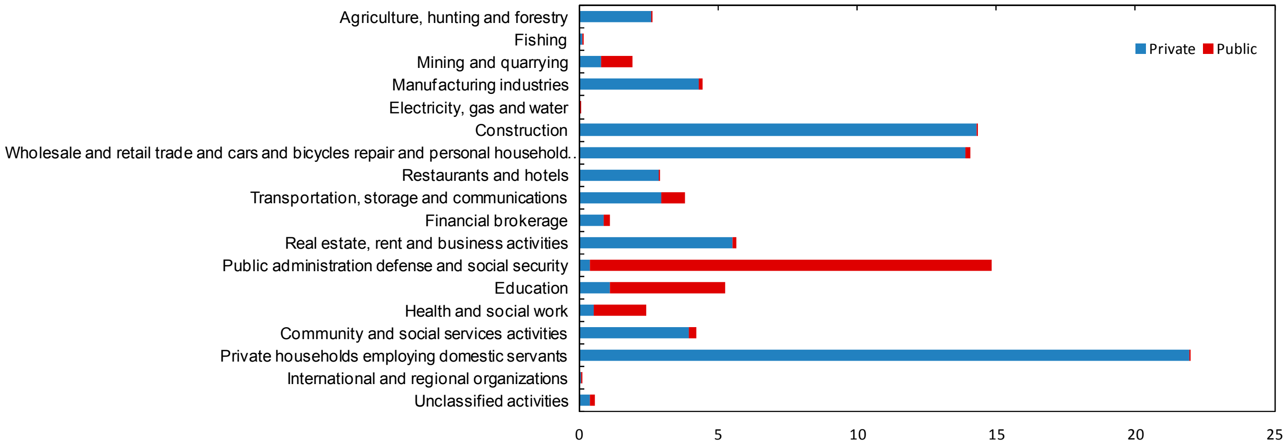
[1] Prepared by Leandro Medina.

[2] In the previous five years the population grew, on average, 2.9 percent.

[3] The unemployment is higher among the young because the accounting method of the PACI assigns a status of unemployed to each person who graduates until he or she is registered as employed.

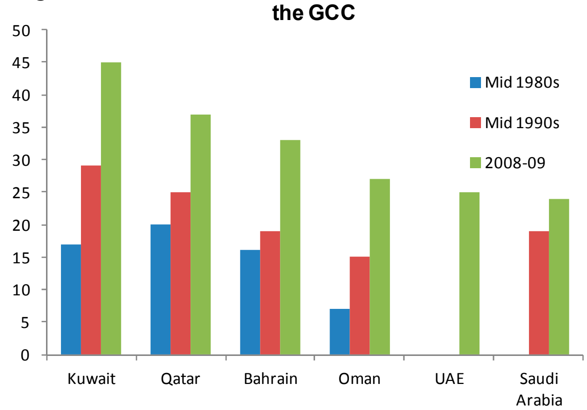
Figure VI.2. Economic Activities in Kuwait
(Census 2005, in percent of total employment)



Source: Public Authority for Civil Information.

4. **The participation of women in the national labor force has been steadily increasing.** The increase in the share of women in the GCC labor force is a manifestation of the changing social and economic roles of women in the region.[4] The participation of women in the labor force in Kuwait is higher than the regional average (Figure VI.3). In 2008–09, Kuwaiti women's participation ratio reached 45 percent, while in the mid-1980s and mid-1990s women's participation in the labor force was more modest across the GCC. Kuwaiti women mostly work in the public sector (over 70 percent), although at lower rates than Kuwaiti men (81 percent).

Figure IV.3. Share of Women in the National Labor Force in the GCC



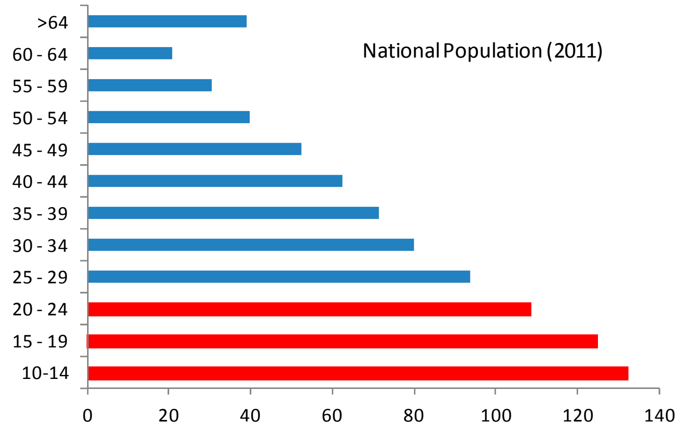
Source: Zovighian, D. (2012) "Gulf Women's Participation in the Labour Market: Participation in the Labour, Care and Social Protection in Patrialchal Systems."

[4] It is associated with increased educational levels, changing patterns of fertility and marriage and, to some extent, with a progressive alteration of the dominant male breadwinner model. For more detail, see Zovighian (2012).

B. Can Current Growth Rates in Economic Activity Absorb New Entrants to the Labor Force?

5. **Labor force dynamics will be defined by the entrants to the labor force in the coming years.** The national employed labor force in 2011 was around 367,000, 21 percent of them working in the private sector. With respect to the population, more than 60 percent of the national population is younger than 24 years old and more than 40 percent of the national population falls in the range of 10 to 24 years old (Figure VI.4). This particular characteristic of the Kuwaiti population could generate increasing preasures in the labor markets.

Figure VI.4. Kuwait National Population in 2011



Source: Public Authority for Civil Information.

6. **This chapter uses two scenarios to estimate the number of new entrants to the labor force during 2012–16.** The first scenario (baseline), assumes that the ratio of the labor force (including those who are identified as unemployed) to the population remains constant by age group. This scenario assumes that employment choices by age group (e.g., students, housewives, individuals having other sources of income, etc.) remain the same (Table VI.1). The second scenario (alternative) assumes that Kuwaitis participating in the employed labor force in 2011 will remain employed in 2016; this second scenario also takes into account the students ratio in the 15–24 age range and assumes that all nationals over the age

Table VI.1. Baseline Scenario: Entrants to the Labor Force in 2016

2011				2016	
Age Groups	Population (thousands)	Employed Labor Force (thousands)	(ELF+U) / Tot. Pop. (in %)	Age Groups	Labor Force (thousands)
10-14	132.2			10-14	
15-19	124.8	3.1	3.8	15-19	5
20-24	108.2	47.9	48.5	20-24	59.8
25-29	93.6	78.4	89.3	25-29	94.8
30-34	79.9	69.7	90.6	30-34	83.5
35-39	71.3	60	85.9	35-39	67.8
40-44	62.4	44.5	72.5	40-44	51.5
45-49	52.3	30.1	58.6	45-49	36.4
50-54	39.8	15.8	40.6	50-54	21.2
55-59	30.4	8.1	28.4	55-59	11.3
60-64	20.7	4.7	23.4	60-64	7.1
>64	39.1	5.1	14	>64	2.9
Total	854.7	367.5		Total	441.2

Sources: Public Authority for Civil Information; and IMF staff calculations.

of 65 will exit the labor force (Table VI.2). Estimations project an increase from 20 to 30 percent in the national labor force in the next five years (around 74,000in the baseline scenario and 112,000 in the alternative one).[5]

Table VI.2. Alternative Scenario: Entrants to the Labor force in 2016

2011				2016	
Age groups	Population (thousands)	Employed Labor force (thousands)	Students / Tot. Pop. (in %)	Age Groups	Labor Force (thousands)
10-14	132.2			10-14	
15-19	124.8	3.1	95.2	15-19	6.2
20-24	108.2	47.9	48 .5	20-24	63.3
25-29	93.6	78.4	7.5	25-29	98.1
30-34	79.9	69.7		30-34	78.4
35-39	71.3	60		35-39	69.7
40-44	62.4	44.5		40-44	60
45-49	52.3	30.1		45-49	44.5
50-54	39.8	15.8		50-54	30.1
55-59	30.4	8.1		55-59	15.8
60-64	20.7	4.7		60-64	8.1
>64	39.1	5.1		>64	4.7
Total	854.7	367.5		Total	479.1

Sources: Public Authority for Civil Information; and IMF staff calculations.

7. Medium-term elasticity of private sector Kuwaiti employment to non-Oil GDP is estimated to project the entrants that would be absorbed by the private sector. Employment elasticity is obtained by estimating the following equation:

$$\log(E_t) = \alpha + \rho \log(E_{t-1}) + \beta \log(GDP_t)$$

where E_t stands for the kuwaiti employment in the private sector at time t, E_{t+1} stands for Kuwaiti employment in the private sector at time $t+1$,and GDP_t stands for the real non-oil GDP at time t.

Our estimates of ρ and β are 0.8 and 0.2, respectively. The five-years-ahead elasticity is estimated at around 0.8.[6] This elasticity is high if compared with regional standards.[7] The

[5] Estimates project an increase from around 73,000 (baseline scenario) to around 111,000 (alternative scenario).

[6] The estimations are performed for the period 1993-2007. The contemporaneous elasticity is calculated as $dE_t/dGDP_t$, while the five-year-ahead elasticity is calculated as $(dE_t/dGDP_t) + (dE_{t+1}/dGDP_{t+1}) + \ldots + (dE_{t+5}/dGDP_{t+5})$.

[7] Regional mean elasticity is 0.5.

elasticity for non-Kuwaiti private sector employment is not statistically significant from the one estimated for the Kuwaiti private sector employment.

8. Taking into account staff non-oil GDP growth projections and the medium-term elasticities, the private sector is projected to absorb around 17 thousand Kuwaiti entrants.[8] This will put pressure on the public sector to absorb the remaining entrants to the labor force at around 11,000–19,000 per year (around 56,000 in the baseline scenario and 94,000 in the alternative one for the period of five years).This is higher than the average increase of public sector employemet of nationals in the past 10 years, which was around 9,000 per year. Alternatively, if the private sector were to absorb all new Kuwaiti entrants to the labor force, it would need to grow at 14–17 percent per year.

C. What are the Factors that Impact the Employment Elasticities?: Cross-Country Evidence

9. Preliminary evidence suggests that structural policies affect employment elasticities. Using an unbalanced panel of 167 countries over the period 1991–2009, Crivelli, Furceri, and Toujas-Bernate (2012) find that structural policies aimed at increasing labor and market product flexibility and reducing government size have a positive effect on employment elasticity.

10. In addition to structural policies, macroeconomic policies aimed at reducing macroeconomic volatility may have significant effect in increasing employment elasticities. Preliminary results in Crivelli et al. (2012) show that policies designed to reduce output and price volatility may have important effect in increasing employment elasticities. Additionally, they show that economic development and trade openness contribute to explaining cross-country variations in employment elasticities. The results also confirm previous empirial evidence suggesting that the employment intensity of growth tends to be higher in countries with a larger services sector.[9]

[8] According to the IMF projections, Kuwait's non-Oil GDP will grow, on average, at a 5 percent rate per year in the next five years.

[9] See Paladino and Vivarelli (1997); Mourre (2004).

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Table 1. Kuwait: Sectoral Origin of Gross Domestic Product at Current Prices, 2006–10[1]

(Millions of Kuwaiti dinars)

	2006	2007	2008	2009	Prel. 2010
Oil sector (crude oil, gas, and refining)	17,308	17,954	24,346	15,802	19,366
Crude oil and gas	16,478	17,048	23,508	14,992	18,288
Petroleum and refining	829	907	838	810	1,078
Non-oil sector	13,316	16,108	16,839	16,201	17,782
Agriculture and fisheries	70	70	63	61	59
Mining (non-oil) and quarrying	39	47	45	68	70
Manufacturing	785	896	916	752	821
Food, beverage and tobacco	77	84	86	109	112
Textile, clothing and leather products	48	51	51	55	57
Wood and wood products	24	27	27	29	31
Paper, printing, and publishing	59	60	67	63	66
Chemicals, fertilizers, and plastic	275	330	357	223	248
Non-metallic minerals	104	116	114	110	112
Basic metals	22	26	6	-26	7
Fabricated metal products	171	194	200	186	186
Other manufacturing	5	9	7	4	3
Electricity, gas and water	335	337	363	432	486
Construction	534	596	656	583	603
Hotels and restaurants	206	240	263	259	272
Whole sale and retail trade	1,057	1,131	1,144	1,154	1,473
Transport, storage and communications	1,937	2,395	2,623	2,741	3,126
Financial institutions and insurance	3,272	4,698	4,407	3,471	3,686
Real estate and business services	1,506	1,609	1,616	1,588	1,612
Community, social and personal services	3,576	4,090	4,742	5,092	5,572
Public administration and defense	1,574	1,775	2,065	2,203	2,433
Personal and household services	353	425	429	443	490
Other	1,648	1,890	2,248	2,445	2,650
Imputed bank service charges	-1,341	-1,697	-1,782	-1,723	-1,729
GDP at factor cost	29,283	32,365	39,403	30,281	35,419
Import duties	187	216	217	197	215
GDP at current market prices	29,470	32,581	39,620	30,478	35,634

Source: Central Statistical Office.

[1] Based on the International Standard Industrial Classification (ISIC) Revision 3.

Table 2. Kuwait: Sectoral Origin of Gross Domestic Product at Constant 2000 Prices, 2006–09 [1]

(Millions of Kuwaiti dinars)

	2006	2007	2008	2009
Oil sector (crude oil, gas, and refining)	7,886	7,519	7,927	6,901
Crude oil and gas	7,272	7,072	7314.2	6,241
Petroleum and refining	614	447	612.6	660
Non-oil sector	11,619	13,398	13,754	13,097
Agriculture and fisheries	42	46	44.2	55.5
Mining (non-oil) and quarrying	16	17	11.1	26.7
Manufacturing	717	799	784	536
Electricity, gas and water	460	543	929	826
Construction	387	402	424	391
Hotels and restaurants	107	157	130	124
Whole sale and retail trade	945	946	866	852
Transport, storage and communications	1,722	2,105	2,703	3,111
Financial institutions and insurance	2,933	3,994	3,381	2,554
Real estate and business services	1,446	1,316	1,240	1,132
Community, social and personal services	2,844	3,075	3,242	3,490
Public administration and defense	1,171	1,284	1,429	1,584
Personal and household services	338	380	349	350
Other	1,336	1,411	1,464	1,556
Imputed bank service charges	-1,196	-1,434	-1,362	-1,267
GDP at factor cost	18,309	19,483	20,318	18,731
Import duties	160	178	167	152
GDP at constant prices	18,469	19,661	20,485	18,882

Source: Central Statistical Office.

[1]Based on the International Standard Industrial Classification (ISIC) Revision 3.

Table 3. Kuwait: Gross Domestic Expenditure at Current Market Prices, 2006–10

(Millions of Kuwaiti dinars)

	2006	2007	2008	Rev. 2009	Prel. 2010
Final consumption	12,514	14,481	16,456	15,833	16,792
Government	4,095	4,563	5,308	5,636	5,946
Private [1]	8,419	9,918	11,148	10,197	10,846
Gross domestic investment	4,696	6,665	6,985	5,479	6,802
Net exports of goods and nonfactor services	12,194	11,435	16,179	9,166	12,040
Exports of goods and services [2]	19,316	20,661	26,450	18,125	21,407
Imports of goods and services [2]	7,122	9,226	10,271	8,959	9,367
Gross domestic product	29,470	32,581	39,620	30,478	35,634
Net factor income from abroad	3,182	3,523	2,888	1,994	2,241
Gross national product	32,652	36,103	42,508	32,471	37,874
Net transfers	-1,066	-2,971	-2,874	-3,742	-3,727
Gross national disposable product	31,586	33,132	39,634	28,730	34,148
Gross saving	19,072	18,652	23,178	12,897	17,356
S-I=CAB	14,376	11,987	16,193	7,418	10,554
Current account	13,148	11,747	16,195	7,418	10,553
			(Percent of GDP)		
Memorandum items:					
Final consumption	42.5	44.4	41.5	51.9	47.1
Government	13.9	14.0	13.4	18.5	16.7
Private [1]	28.6	30.4	28.1	33.5	30.4
Gross domestic investment	15.9	20.5	17.6	18.0	19.1
Government	0.0	0.0			
Private	0.0	0.0			
Gross Saving	64.7	57.2	58.5	42.3	48.7
Current account	44.6	36.1	40.9	24.3	29.6

Source: Central Statistical Office.

[1] Includes government-owned enterprises.

[2] Including re-exports.

Table 4. Kuwait: Gross Domestic Expenditure at Constant 2000 Prices, 2006–09

(Millions of Kuwaiti dinars)

	2006	2007	2008	2009
Final consumption	11,072	12,204	12,686	11,921
Government	3,562	3,821	4,162	4,421
Private[1]	7,510	8,383	8,524	7,500
Gross domestic investment	3,879	5,380	5,459	4,428
Of which:				
Government	n.a	n.a	n.a	n.a
Private	n.a	n.a	n.a	n.a
Net exports of goods and nonfactor services	3,519	2,077	2,340	2,533
Exports of goods and services	9,614	9,681	10,232	9,440
Imports of goods and services	6,096	7,604	7,892	6,907
Statistical discrepancy				
GDP at constant prices	18,469	19,661	20,485	18,882

Sources: Central Statistical Office; and IMF staff estimates.

[1] Includes government-owned enterprises.

Table 5. Kuwait: Production, Disposal, and Prices of Oil and LPG, 2006–11

	2006	2007	2008	2009	2010	2011
	(In thousands of barrels per day)					
Crude oil output	2644	2574	2677	2261	2312	2659
	(In millions of barrels)					
Crude and LPG output	1007	978	1022	864	890	1022
Crude oil output	965	940	980	825	844	971
Of which: Refined locally [1]	327	335	328	314	322	320
LPG	41	39	42	39	46	52
Crude and LPG disposal	996	962	1013	878	910	1037
Domestic consumption	101	92.9	107.0	94.5	104.4	95.3
Refined products	100	91.5	105.6	93.0	102.9	93.7
LPG	1.3	1.4	1.5	1.5	1.5	1.6
Exports	889	864	895	779	800	937
Crude oil	629	589	636	512	522	663
Refined products (including bunker oil)	219	239	219	232	230	225
Of which: Bunkers						
LPG	41	37	41	36	48	49
Stocks[2]	5.6	4.3	10.7	5.0	5.3	4.9
Refinery loss & reinjection	11	17	8	-14	-20	-15
Domestic oil product prices (in KD/Liter)						
Leaded gasoline 95 octane	0.070	0.070	0.070	0.070	0.070	0.070
Unleaded gasoline 95 octane	0.065	0.065	0.065	0.065	0.065	0.065
Unleaded gasoline 91 octane	0.060	0.060	0.060	0.060	0.060	0.060
Diesel	0.055	0.055	0.055	0.055	0.055	0.055
Kerosene	0.055	0.055	0.055	0.055	0.055	0.055
Memorandum items						
Export value (US$ millions)	53,329	59,134	82,600	47,896	62,124	96,788
Export value (KD)	15430	16780	22200	14073	17711	26689
Export price (US$/barrel)[3]	59.95	68.40	92.18	61.52	77.64	103.32
Crude price (US$/barrel)	58.2	65.5	90.1	60.1	76.3	102.0
LPG price (US$/barrel)	43.8	52.1	66.5	43.8	61.2	71.9
Refined products prices (US$/barrel)	68.0	78.1	103.2	67.3	84.2	114.1

Sources: Ministry of Energy; Kuwait Petroleum Corporation; Central Bank of Kuwait; and IMF staff estimates.

[1] Excludes bunkers and stocks.

[2] Includes statistical discrepancy.

[3] Average price of crude, LPG, and refined products.

Table 6. Kuwait: Consumer Price Index, 2006–11

	Relative Weight	2006	2007	2008	2009	2010	2011
				(Annual average)			
				(2000=100)			
Overall index	1,000.0	112.1	118.3	130.8	136.0	141.5	148.2
Food	182.9	124.0	129.9	145.0	149.6	162.1	177.7
Beverages and tobacco	6.6	114.3	122.3	145.6	159.1	167.9	163.6
Clothing and footwear	88.6	122.8	128.6	137.9	144.7	151.7	157.0
Housing	267.5	108.0	116.1	131.0	137.7	143.8	149.2
Household goods and services	147.1	102.2	105.8	122.6	129.8	132.9	138.6
Transport and communications	161.4	102.6	110.2	115.0	114.9	113.4	115.8
Education and medical care	46.8	126.2	132.0	145.1	151.3	155.0	161.1
Other goods and services	99.1	115.3	118.2	128.1	133.0	137.9	142.7
				(Annual percentage changes)			
Overall index		3.1	5.5	10.6	4.0	4.0	4.7
Food		3.9	4.8	11.6	3.2	8.4	9.6
Beverages and tobacco		1.9	7.0	19.1	9.3	5.5	-2.6
Clothing and footwear		4.1	4.7	7.2	4.9	4.8	3.5
Housing		2.6	7.5	12.8	5.1	4.4	3.7
Household goods and services		2.7	3.5	15.9	5.9	2.4	4.2
Transport and communications		1.8	7.4	4.3	-0.1	-1.3	2.1
Education and medical care		2.4	4.6	9.9	4.3	2.4	3.9
Other goods and services		4.8	2.5	8.4	3.8	3.7	3.5

Source: Central Statistical Office.

Table 7. Kuwait: Wholesale Price Index, 2006–11

(1980=100)

	Relative Weights								
	Imported	Locally Produced	All Items	2006	2007	2008	2009	2010	2011
All groups	769.2	230.8	1,000.0	187.5	194.8	208.0	207.9	219.4	226.0
Agriculture, livestock, and fishing	47.4	6.1	53.4	175.3	188.3	219.9	229.6	243.3	247.1
Agriculture	30.0	1.9	31.9	172.6	189.3	225.9	244.5	261.5	264.5
Livestock	17.3	2.1	19.5	168.3	172.3	196.7	187.0	195.6	202.9
Fishing	0.0	2.1	2.1	283.1	322.6	344.6	374.1	409.7	392.4
Mining (non-oil) and quarrying	0.0	7.8	7.8	207.6	216.3	217.5	242.7	266.2	271.5
Manufacturing	721.8	216.9	938.8	188.0	195.0	207.2	206.4	217.7	224.5
Food, beverages, and tobacco	79.8	51.0	130.9	183.1	186.2	202.2	200.3	203.9	210.2
Textiles	125.9	0.0	125.9	310.1	326.7	347.7	357.3	360.2	362.8
Wood and wood products	9.9	20.4	30.2	179.6	209.3	223.5	223.3	253.2	268.6
Paper and paper products	14.2	2.0	16.1	135.6	137.2	138.9	142.1	142.8	144.4
Chemicals and chemical products	49.7	43.2	92.9	146.3	152.7	168.8	185.0	204.2	219.5
Nonmetallic mineral products	43.7	51.2	94.9	172.6	179.3	180.0	178.8	196.0	201.9
Basic metal products	61.6	2.4	64.0	161.8	175.2	222.0	158.4	186.8	208.4
Fabricated metal products	327.8	46.8	374.6	170.3	172.8	177.8	179.2	189.2	192.9
Other	9.4	0.0	9.4	189.5	195.5	202.0	202.8	210.8	213.3

Source: Central Statistical Office.

Table 8. Kuwait: Output of Major Industrial Products, 2006–10

Product	Unit	2006	2007	2008	2009	2010
Brakish water	Million gallons	33.9	32.3	29.3	28.3	22.6
Potable water	Million gallons	108.0	113.1	119.9	123.0	125.3
Electric energy	bn kwh	47.6	48.8	51.7	53.2	57.0
Sand lime bricks	Thousand metric meters	393.2	370.0	478.9	642.2	478.2
Cement	Thousand tons	2837.3	3232	3146.9	2320.1	…
Bran and flour	Thousand tons	309.1	345.0	336.7	340.2	336.2
Urea	Thousand metric tons	925.1	935.0	961.7	653.8	964.9
Chlorine	Thousand tons	21.9	25.2	24.7	24.5	21.8
Caustic soda	Thousand tons	30.5	36.4	37.0	36.9	35.5
Salt	Thousand tons	13.2	8.4	9.0	15.1	11.2
Hydrochloric acid	Million gallons	3.4	4.8	5.8	6.3	7.1
Sodium hypochlorite	Thousand tons	3.4	4.4	2.8	4.7	12.0
Hydrogen gas	Thousand cubic meters	66.9	59.7	79.1	111.6	90.9

Source: Central Statistical Office.

Table 9. Kuwait: Agricultural and Fisheries Production, 2003/04–2007/08

(In thousands of metric tons)

	2003/04	2004/05	2005/06	2006/07	2007/08
Vegetable and field crop	611.15	950.15	672.00	715.50	732.90
Wool	326.00	289.00	296.00	416.00	354.00
Meat	36.09	41.45	36.72	37.30	43.61
Milk	35.97	42.68	41.88	59.20	47.19
Eggs (millions)	390.40	282.40	363.80	195.40	293.70
Fish	5.90	n.a.	5.60	4.40	4.00

Sources: Central Statistical Office; and the Public Authority for Agriculture.

Table 10. Kuwait: Population and Employment, 2006–2011

(In thousands)

End of period	Kuwaiti			Non-Kuwaiti			Total		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
2006									
Employed	135.5	192.1	327.7	320.3	1,288.1	1,608.4	455.9	1,480.2	1,936.1
Total labor force[1]	142.3	198.8	341.2	326.6	1,295.2	1,621.8	468.9	1,494.0	1,963.0
Population	522.2	501.1	1,023.3	648.8	1,510.8	2,159.6	1,171.0	2,012.0	3,183.0
Participation ratio (in percent)	27.3	39.7	33.3	50.3	85.7	75.1	40.0	74.3	61.7
2007									
Employed	131.2	173.3	304.4	376.5	1,376.0	1,752.5	507.6	1,549.3	2,056.9
Total labor force[1]	141.7	182.6	324.3	384.0	1,384.2	1,768.2	525.8	1,566.7	2,092.5
Population	538.0	516.6	1,054.6	729.8	1,615.3	2,345.0	1,267.7	2,131.9	3,399.6
Participation ratio (in percent)	26.3	35.3	30.8	52.6	85.7	75.4	41.5	73.5	61.6
2008									
Employed	141.0	178.7	319.7	364.6	1,368.9	1,733.5	505.5	1,547.6	2,053.1
Total labor force[1]	149.9	186.3	336.3	373.8	1,377.8	1,751.7	523.7	1,564.2	2,088.0
Population	555.0	532.6	1,087.6	735.5	1,618.8	2,354.3	1,290.5	2,151.3	3,441.8
Participation ratio (in percent)	27.0	35.0	30.9	50.8	85.1	74.4	40.6	72.7	60.7
2009									
Employed	154.1	184.7	338.8	387.3	1,332.8	1,720.1	541.4	1,517.4	2,058.9
Total labor force [1]	160.8	190.6	351.5	398.4	1,343.3	1,741.7	559.2	1,534.0	2,093.2
Population	570.6	548.3	1,118.9	774.0	1,591.9	2,366.0	1,344.7	2,140.2	3,484.9
Participation ratio (in percent)	28.2	34.8	31.4	51.5	84.4	73.6	41.6	71.7	60.1
2010									
Employed	163.8	191.2	355.0	440.8	1,317.7	1,758.5	604.6	1,508.9	2,113.5
Total labor force [1]	169.4	196.2	365.6	456.7	1,335.9	1,792.6	626.1	1,532.1	2,158.2
Population	584.7	563.6	1,148.4	847.0	1,586.7	2,433.7	1,431.7	2,150.3	3,582.1
Participation ratio (in percent)	29.0	34.8	31.8	53.9	84.2	73.7	43.7	71.3	60.3
2011									
Employed	172.9	203.7	376.6	444.3	1,360.2	1,804.6	617.2	1,563.9	2,181.1
Total labor force[1]	179.9	209.9	389.7	460.1	1,377.6	1,837.7	639.9	1,587.5	2,227.4
Population	602.6	580.6	1,183.2	873.0	1,641.1	2,514.1	1,475.6	2,221.7	3,697.3
Participation ratio (percent)	29.8	36.2	32.9	52.7	83.9	73.1	43.4	71.5	60.2

Sources: Central Statistical Office, and Civil Information Authority.

[1] Labor force includes population 15 years old and over.

Table 11. Kuwait: Distribution of Employees by Economic Activity and Nationality, 2005–11

End of period	2006			2007			2008			2009			2010			2011		
Economic sectors	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
									(In thousands)									
Agriculture and fisheries	0.2	34.6	34.8	0.3	36.0	36.3	0.3	35.6	35.8	0.3	37.8	38.1	0.4	37.4	37.8	0.4	41.4	41.8
Mining and quarrying	4.7	1.6	6.3	4.1	1.5	5.6	4.2	1.6	5.8	4.6	1.7	6.2	4.7	1.7	6.4	4.9	2.1	7.1
Manufacturing	9.1	97.3	106.4	7.8	106.1	113.9	8.2	111.7	119.8	8.8	109.2	118.0	9.0	107.4	116.4	9.0	112.7	121.6
Construction	4.4	155.4	159.8	5.3	164.1	169.4	6.7	167.3	174.0	8.2	161.5	169.6	9.2	163.1	172.3	10.9	175.9	186.8
Electricity, water, and gas	9.2	2.5	11.7	9.0	2.3	11.3	9.5	2.3	11.9	10.3	2.1	12.4	11.4	2.1	13.5	13.1	2.0	15.1
Wholesale and retail trade	8.2	258.9	267.0	9.4	302.1	311.5	10.1	312.9	323.0	11.5	308.5	320.0	13.3	305.1	318.4	14.5	331.2	345.7
Transportation and communications	8.6	53.4	62.0	7.6	54.6	62.1	8.1	56.3	64.4	8.7	58.4	67.1	9.0	57.4	66.4	9.3	59.9	69.1
Finance and business services	13.7	77.9	91.6	14.6	85.2	99.8	16.0	90.9	106.9	18.3	89.1	107.3	19.9	91.8	111.7	19.3	95.7	114.9
Public administration	260.5	672.7	933.2	233.7	734.7	968.4	240.4	658.6	899.0	247.0	648.8	895.7	254.6	776.5	1,031.1	270.6	764.0	1,034.6
Unclassified	22.5	267.5	290.0	32.6	281.6	314.1	32.8	314.7	347.5	34.0	324.8	358.7	34.1	250.1	284.2	37.9	252.8	290.7
Total	341.2	1,621.8	1,963.0	324.3	1,768.2	2,092.5	336.3	1,751.7	2,088.0	351.5	1,741.7	2,093.2	365.6	1,792.6	2,158.2	389.7	1,837.7	2,227.4
									(Percent of total, by sector)									
Agriculture and fisheries	0.1	2.1	1.8	0.1	2.0	1.7	0.1	2.0	1.7	0.1	2.2	1.8	0.1	2.1	1.8	0.1	2.3	1.9
Mining and quarrying	1.4	0.1	0.3	1.3	0.1	0.3	1.2	0.1	0.3	1.3	0.1	0.3	1.3	0.1	0.3	1.3	0.1	0.3
Manufacturing	2.7	6.0	5.4	2.4	6.0	5.4	2.4	6.4	5.7	2.5	6.3	5.6	2.5	6.0	5.4	2.3	6.1	5.5
Construction	1.3	9.6	8.1	1.6	9.3	8.1	2.0	9.5	8.3	2.3	9.3	8.1	2.5	9.1	8.0	2.8	9.6	8.4
Electricity, water, and gas	2.7	0.2	0.6	2.8	0.1	0.5	2.8	0.1	0.6	2.9	0.1	0.6	3.1	0.1	0.6	3.4	0.1	0.7
Wholesale and retail trade	2.4	16.0	13.6	2.9	17.1	14.9	3.0	17.9	15.5	3.3	17.7	15.3	3.6	17.0	14.8	3.7	18.0	15.5
Transportation and communications	2.5	3.3	3.2	2.3	3.1	3.0	2.4	3.2	3.1	2.5	3.4	3.2	2.5	3.2	3.1	2.4	3.3	3.1
Finance and business services	4.0	4.8	4.7	4.5	4.8	4.8	4.8	5.2	5.1	5.2	5.1	5.1	5.4	5.1	5.2	4.9	5.2	5.2
Public administration	76.4	41.5	47.5	72.1	41.5	46.3	71.5	37.6	43.1	70.3	37.3	42.8	69.6	43.3	47.8	69.4	41.6	46.4
Unclassified	6.6	16.5	14.8	10.0	15.9	15.0	9.8	18.0	16.6	9.7	18.6	17.1	9.3	14.0	13.2	9.7	13.8	13.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
									(Percent, by nationality)									
Agriculture and fisheries	0.6	99.4	100.0	0.7	99.3	100.0	0.8	99.2	100.0	0.8	99.2	100.0	0.9	99.1	100.0	0.9	99.1	100.0
Mining and quarrying	74.8	25.2	100.0	72.6	27.4	100.0	72.1	27.9	100.0	73.4	26.6	100.0	73.8	26.2	100.0	69.9	30.1	100.0
Manufacturing	8.6	91.4	100.0	6.9	93.1	100.0	6.8	93.2	100.0	7.4	92.6	100.0	7.8	92.2	100.0	7.4	92.6	100.0
Construction	2.8	97.2	100.0	3.1	96.9	100.0	3.8	96.2	100.0	4.8	95.2	100.0	5.3	94.7	100.0	5.8	94.2	100.0
Electricity, water, and gas	78.6	21.4	100.0	79.4	20.6	100.0	80.4	19.6	100.0	82.9	17.1	100.0	84.5	15.5	100.0	86.8	13.2	100.0
Wholesale and retail trade	3.1	96.9	100.0	3.0	97.0	100.0	3.1	96.9	100.0	3.6	96.4	100.0	4.2	95.8	100.0	4.2	95.8	100.0
Transportation and communications	13.9	86.1	100.0	12.2	87.8	100.0	12.6	87.4	100.0	13.0	87.0	100.0	13.6	86.4	100.0	13.4	86.6	100.0
Finance and business services	15.0	85.0	100.0	14.6	85.4	100.0	15.0	85.0	100.0	17.0	83.0	100.0	17.8	82.2	100.0	16.8	83.2	100.0
Public administration	27.9	72.1	100.0	24.1	75.9	100.0	26.7	73.3	100.0	27.6	72.4	100.0	24.7	75.3	100.0	26.2	73.8	100.0
Unclassified	7.7	92.3	100.0	10.4	89.6	100.0	9.4	90.6	100.0	9.5	90.5	100.0	12.0	88.0	100.0	13.0	87.0	100.0
Total	17.4	82.6	100.0	15.5	84.5	100.0	16.1	83.9	100.0	16.8	83.2	100.0	16.9	83.1	100.0	17.5	82.5	100.0

Sources: Central Statistical Office, and Civil Information Authority.

Table 12. Kuwait: Permits for Expatriate Workers, 2000–10

(In thousands)

Year	Entry Visa for Work[1]	Work Permits Issued First time	Cancellation of Work Permits	Net Issuance of Work Permits
2000	52.9	40.3	16.5	23.8
2001	66.9	60.3	26.8	33.5
2002	102.9	87.5	20.8	66.7
2003	98.2	96.0	39.8	56.1
2004	107.0	125.1	36.0	89.1
2005	124.0	110.8	41.3	69.5
2006	150.6	126.3	31.4	94.9
2007	137.2	144.6	36.0	108.7
2008	99.2	78.2	44.5	33.7
2009	88.8	58.3	44.4	13.9
2010	95.7	53.5	37.0	16.4

Sources: Central Statistical Office; and Annual Statistical Abstract.

[1] Entry visa must be obtained separately from work permit.

Table 13. Kuwait: Number of Construction Permits Issued, 2000–10

	Residential	Commercial/Industrial	Total
2000	11,608	1,716	13,324
2001	11,183	1,148	12,331
2002	11,097	1,254	12,351
2003	…	…	…
2004	9,846	1,223	11,069
2005	10,715	1,490	12,205
2006	11,460	2,624	14,084
2007	13,135	2,519	15,654
2008	13,113	2,234	15,347
2009	10,139	2,140	12,279
2010	7,763	1,780	9,543

Source: Central Statistical Office.

Table 14. Kuwait: Summary of Government Finance, 2006/07–2011/12[1]

	2006/07	2007/08	2008/09	2009/10	2010/11	Budget 2011/12
Total revenue	18,753	23,067	24,303	17,494	21,278	13,098
Oil and gas	14,511	17,720	19,711	16,585	19,947	12,307
Investment income and transfer						
of profits of public entities [2]	3,367	4,211	3,521			
Other [3]	875	1,136	1,071	909	1331	791
Total expenditure	10,296	9,667	18,130	11,057	15,996	19,088
Current	9,072	8,245	16,483	9,604	13,949	15,750
Wages and salaries	2,467	2,780	3,353	3,504	3722	4790
Goods and services	1,577	1,785	1,906	1,949	2054	2704
Of which: IMilitary Equipment		112	37	11	1	27
Interest on domestic debt [4]	127	142	92			
Transfers abroad	196	365	535	160	396	532
Subsidies and transfers	4,705	3,173	10,597	3,991	7,777	7,724
Capital	1,224	1,422	1,647	1,453	2,047	3,338
Of which: land purchases	361	268	179	0	4	21
	863	1,154	1,468	1,443	2,043	3,317
Overall balance	8,457	13,400	6,173	6,437	5,282	-5,990
Financing	-8,457	-13,400	-6,173	-6,437	-5,282	5,990
			(Percent of GDP)			
Revenue	62.0	67.2	65.1	55.1	59.7	36.8
Oil and gas	48.0	51.6	52.8	52.2	56.0	34.5
Investment income	11.1	12.3	9.4	0.0	0.0	0.0
Other	2.9	3.3	2.9	2.9	3.7	2.2
Expenditure	34.0	28.1	48.6	34.8	44.9	53.6
Current	30.0	24.0	44.1	30.2	39.1	44.2
Wages and salaries	8.2	8.1	9.0	11.0	10.4	13.4
Goods and services	5.2	5.2	5.1	6.1	5.8	7.6
Interest on domestic and foreign debt	1.1	1.5	1.7	0.5	1.1	1.5
Subsidies and transfers	15.6	9.2	28.4	12.6	21.8	21.7
Capital	4.0	4.1	4.4	4.6	5.7	9.4
Overall balance	28.0	39.0	16.5	20.3	14.8	-16.8
Memorandum items:						
Overall balance (excluding investment						
income and profit transfers)	5,090	9,189	2,652	6,437		
(In percent of GDP)	16.8	26.8	7.1	20.3		
Kuwait crude export price (US$ per barrel)	57.5	74.8	78.1	68.5		

Sources: Ministry of Finance; Central Bank of Kuwait; and IMF staff estimates.

[1] Coverage of budgetary operations includes the operation of the KIA. Data are on an accrual basis.

[2] Excluded from the national budget presentation. Estimated by the Fund staff.

[3] Excludes revenues from utility tariffs (which are included in the national budget presentation), but includes UN (Iraq) compensations.

[4] Covers interest payments on the treasury bills and bonds, and on the DCP bonds. Only the latter is included in the national budget presentation.

Table 15. Kuwait: Government Revenue, 2006/07–2011/12

	2006/07	2007/08	2008/09	2009/10	2010/11	Budget 2011/12
	(Millions of Kuwaiti dinars)					
Total revenue	18,753	23,067	24,303	17,494	21,278	13,098
Current revenue	18,734	23,055	24,301	17,492	21,271	13,097
Oil and gas receipts	14,511	17,720	19,711	16,585	19,947	12,307
Investment income and transfer [1]	3,367	4,211	3,521			
Other current revenue	856	1,124	1,069	907	1,324	790
Tax revenue	286	354	347	294	317	266
Taxes on income and profits						
of non-oil companies	82	109	122	94	88	53
Taxes on property transfers	14	20	10	9	11	12
Customs duties	190	225	215	191	218	201
Excise taxes						
Nontax revenue	570	770	722	613	1,007	524
Capital revenue	19	12	2	2	7	1
	(Percent of total)					
Oil receipts	77.4	76.8	81.1	94.8	93.7	94.0
Investment income	18.0	18.3	14.5	0.0	0.0	0.0
Tax revenue	1.5	1.5	1.4	1.7	1.5	2.0
Of which						
Customs duties	1.0	1.0	0.9	1.1	1.0	1.5
Nontax revenue	3.0	3.3	3.0	3.5	4.7	4.0
Capital revenue	0.1	0.1	0.0	0.0	0.0	0.0

Sources: Ministry of Finance; and IMF staff estimates.

[1] Income from government's external assets; excluded from national budget and ex-post fiscal accounts.

Table 16. Kuwait: Government Current Expenditure, 2006/07–2011/12

	2006/07	2007/08	2008/09	2009/10	2010/11	Budget 2011/12
	(Millions of Kuwaiti dinars)					
Economic classification						
Total current expenditure	9,072	8,245	16,483	9,604	13,949	15,750
Wages and salaries [1]	2,467	2,780	3,353	3,504	3,722	4790
Goods and non-interest services	1,577	1,785	1,906	1,949	2,054	2,704
Interest on domestic debt	127	142	92	0	0	0
Interest on DCP bonds	13	5	0			
Interest on treasury bills [2]	0					
Interest on treasury bonds [2]	115	136	92			
Interest on foreign debt [2]						
Transfers abroad	196	365	535	160	396	532
Subsidies and domestic transfers	4,705	3,173	10,597	3,991	7,777	7,724
Functional classification						
Total current expenditure	9,072	8,245	16,483	9,604	13,949	15,750
General public service	1,021	1,210	1,386	1,217	2775	1511
Defense	1,052	1,209	1,185	1,220	1250	1568
Public order	649	727	899	918	911	1040
Education	950	1,121	1,323	1,381	1499	1816
Health	512	560	968	780	968	1099
Social affairs	2,935	1,114	7,235	1,568	3320	4573
Social security	2,538	669	6,401	787	1835	2546
Social welfare	397	445	834	781	1485	2027
Housing and utilities	245	289	300	320	360	419
Economic services	1,183	1,525	2,691	1,787	2424	2313
Mining, manufacturing, and construction	17	21	31	29	30	40
Electricity, etc.	1,075	1,393	2,533	1,653	2269	2121
Agriculture	37	59	71	53	59	84
Other	54	52	56	52	66	68
Other [3]	525	490	496	102	96	1006
Other (recrational, cultural & religious affairs & services)				311	346	405
	(Percent of total)					
Economic classification						
Of which						
Wages and salaries	27.2	33.7	20.3	36.5	26.7	30.4
Goods and services	17.4	21.7	11.6	20.3	14.7	17.2
Transfers abroad	2.2	4.4	3.2	1.7	2.8	3.4
Subsidies and domestic transfers	51.9	38.5	64.3	41.6	55.8	49.0
Functional classification						
Of which						
General public service	11.3	14.7	8.4	12.7	19.9	9.6
Defense	11.6	14.7	7.2	12.7	9.0	10.0
Health	5.6	6.8	5.9	8.1	6.9	7.0
Housing and utilities	2.7	3.5	1.8	3.3	2.6	2.7
Economic services	13.0	18.5	16.3	18.6	17.4	14.7

Sources: Ministry of Finance; and IMF staff estimates.

[1] Excludes military wages and salaries which are included under goods and services.

[2] Excluded from national budget presentation.

[3] Includes interest payments on treasury bills and bonds which are excluded from national budget presentation.

Table 17. Kuwait: Government Capital Expenditures and Land Purchases, 2006/07–2011/12

	2006/07	2007/08	2008/09	2009/10	2010/11	Budget 2011/12
			(Millions of Kuwaiti dinars)			
Capital expenditure	1,224	1,422	1,647	1,453	2,047	3,338
General public services	83	169	192	245	292	429
Defense	7	10	10	29	10	45
Education	106	115	171	158	145	505
Health	35	39	60	81	102	181
Social affairs	48	16	16	20	26	42
Housing	240	229	208	194	283	412
Economic services	280	501	723	631	1073	1478
Of which						
Electricity and water	250	468	690	594	1017	1286
Other	30	33	33	37	56	192
Public order	37	43	50	49	75	142
Other [1]	27	32	38	36	37	83
Land purchases	361	268	179	10	4	21
Capital and land, total	1,585	1,690	1,826	1,463	2047	3338
			(Percent of total)			
Capital expenditure	77.2	84.1	90.2	99.3	100.0	100.0
Of which						
General public services	5.2	10.0	10.5	16.7	14.3	12.9
Education	6.7	6.8	9.4	10.8	7.1	15.1
Health	2.2	2.3	3.3	5.5	5.0	5.4
Housing	15.1	13.6	11.4	13.3	13.8	12.3
Economic services	17.7	29.6	39.6	43.1	52.4	44.3
Land purchases	22.8	15.9	9.8	0.7	0.2	0.6
Total	100.0	100.0	100.0	100.0	100.2	100.6

Sources: Ministry of Finance; and IMF staff estimates.

[1] Includes contingency funds not allocated to specific expenditures.

Table 18. Kuwait: Government Domestic Subsidies and Transfers, 2006/07–2011/12

(Millions of Kuwaiti dinars)

	2006/07	2007/08	2008/09	2009/10	2010/11	Budget 2011/12
Total current subsidies	1,166	1,525	2,964	2,034	3,505	3,707
Food and commodity subsidies	19	47	130	94	113	337
Petroleum product subsidies	30	38	252	125	933	1029
Electricity and water	1,117	1,440	2,582	1,815	2,459	2341
Total transfers	3,539	1,648	7,633	1,957	4,272	4,017
Social Security Institute	2,538	669	6,401	787	1,835	2546
Individuals	224	225	282	290	305	384
Of which						
End-of-employment benefits	14	11	15	12	12	14
Cancellation of housing loans	35	35	35	35	45	63
Private domestic institutions	17	19	20	27	5	6
Other public entities	98	165	155	140	148	288
Other	662	570	775	713	1,979	793
Total current subsidies and transfers	4,705	3,173	10,597	3,991	7,777	7724
Memorandum items						
Subsidies and transfers						
As percent of GDP	15.6	9.2	28.4	12.6	21.8	21.7
As percent of government expenditure	45.7	32.8	58.4	36.1	48.6	40.5

Sources: Ministry of Finance; and IMF staff estimates.

Table 19. Kuwait: Monetary Accounts of the Central Bank, 2006–11

(Millions of Kuwaiti dinars)

End of Period	2006	2007	2008	2009	2010	2011
Foreign assets [1]	3,551	4,475	4,613	5,079	5,254	6,412
Gold	32	32	32	32	32	32
Other foreign assets	3,519	4,443	4,581	5,047	5,222	6,381
Rediscounted commercial paper	-	-	-	-	-	-
Deposits with local banks	-	-	311	-	-	-
Claims on government	-	-	-	-	-	-
Unclassified assets	43	179	252	69	63	170
Total assets = Total liabilities	3,594	4,654	5,176	5,148	5,316	6,582
Reserve money	2,119	2,654	1,705	2,980	3,804	4,891
Currency in circulation	656	642	708	776	843	1,025
Currency with banks	149	115	161	168	164	180
Local banks' deposits with CBK	959	1,307	461	1,019	1,453	2,133
CBK bonds	356	591	375	1,017	1,344	1,553
Foreign liabilities [2]	135	148	103	70	71	15
Government deposits	617	920	1,124	1,165	533	682
Capital accounts	253	300	300	300	300	300
Unclassified liabilities [3]	469	632	1,944	633	609	694
Memorandum items						
Net foreign assets	3,416	4,327	4,510	5,009	5,183	6,397
Currency issued	805	757	869	944	1,007	1,205

Source: Central Bank of Kuwait.

[1] Excludes SDRs and IMF reserve position.

[2] Accounts of international organizations.

[3] Includes deposits against L/Cs.

Table 20. Kuwait: Monetary Survey, 2006–11

End of Period	2006	2007	2008	2009	2010	2011
	(Millions of Kuwaiti dinars)					
Foreign assets (net)	5,546	5,737	7,607	9,441	9,465	11,380
Central bank [1]	3,416	4,327	4,510	5,009	5,183	6,397
Local banks	2,130	1,410	3,097	4,432	4,283	4,983
Domestic assets (net)	10,375	13,223	14,343	15,455	16,169	16,444
Claims on government (net)	113	-1,013	-2,663	-3,227	-2,441	-2,578
Central bank (net)	-617	-920	-1,124	-1,165	-533	-682
Claims	0	0	0	0	0	0
Deposits (increase -)	617	920	1,124	1,165	533	682
Local banks (net)	731	-93	-1,539	-2,063	-1,908	-1,896
Claims	2,165	1,912	1,996	1,922	1,910	1,887
Government debt bonds	176	0	0	0	0	0
Public debt instruments	1,989	1,912	1,996	1,922	1,910	1,887
Other claims	0	0	0	0	0	0
Deposits (increase -)	1,434	2,004	3,535	3,984	3,818	3,783
Claims on nongovernment sector	16,148	21,820	25,450	27,019	27,527	28,237
Credit facilities	14,934	20,137	23,666	25,108	25,201	25,612
Local investments	1,214	1,683	1,785	1,911	2,326	2,626
Other items (net)	-5,887	-7,584	-8,444	-8,337	-8,917	-9,215
Broad money	15,921	18,960	21,950	24,896	25,634	27,824
Money	3,550	4,147	4,370	4,714	5,625	6,630
Currency in circulation	656	642	708	776	843	1,025
Demand deposits	2,894	3,505	3,663	3,938	4,782	5,605
Quasi money, of which:	12,370	14,813	17,580	20,182	20,009	21,194
Foreign currency deposits	2,245	1,683	1,899	2,753	2,118	2,141
	(Annual percentage change)					
Foreign assets (net)	42.1	3.4	32.6	24.1	0.3	20.2
Central bank	44.1	26.6	4.2	11.1	3.5	23.4
Local banks	38.9	-33.8	119.7	43.1	-3.4	16.3
Domestic assets (net)	13.0	27.5	8.5	7.8	4.6	1.7
Claims on government (net)	-88.0	-993.3	162.9	21.2	-24.4	5.6
Claims on nongovernment sector	24.8	35.1	16.6	6.2	1.9	2.6
Other items (net)	25.2	28.8	11.3	-1.3	7.0	3.3
Central bank (net)	18.8	49.1	22.2	3.6	-54.2	28.1
Claims						
Deposits (increase -)	15.6	49.1	22.2	3.6	-54.2	28.1
Local banks (net)	-50.2	-112.7	1,562.9	34.1	-7.5	-0.6
Claims	-12.1	-11.7	4.4	-3.7	-0.6	-1.2
Government debt bonds	-53.5	-100.0	…	…	…	…
Public debt instruments	-4.6	-3.9	4.4	-3.7	-0.6	-1.2
Other claims	…	…	…	…	…	…
Deposits (increase -)	44.0	39.7	76.4	12.7	-4.2	-0.9
Credit facilities	26.3	34.8	17.5	6.1	0.4	1.6
Local investments	9.5	38.6	6.0	7.1	21.8	12.9
Broad money	21.7	19.1	15.8	13.4	3.0	8.5
Money	-4.8	16.8	5.4	7.9	19.3	17.9
Currency in circulation	13.4	-2.3	10.3	9.6	8.7	21.6
Demand deposits	-8.1	21.1	4.5	7.5	21.4	17.2
Quasi money, of which:	32.2	19.7	18.7	14.8	-0.9	5.9
Foreign currency deposits	45.0	-25.0	12.9	44.9	-23.0	1.1

Table 20. Kuwait: Monetary Survey, 2006–11 (concluded)

End of Period	2006	2007	2008	2009	2010	2011
	(Change in percent of broad money stock a year earliar)					
Foreign assets (net)	12.5	1.2	9.9	8.4	0.1	7.5
Central bank	8.0	5.7	1.0	2.3	0.7	4.7
Local banks	4.6	-4.5	8.9	6.1	-0.6	2.7
Domestic assets (net)	9.1	17.9	5.9	5.1	2.9	1.1
Claims on government (net)	-6.4	-7.1	-8.7	-2.6	3.2	-0.5
Claims on nongovernment sector	24.5	35.6	19.1	7.1	2.0	2.8
Central bank (net)	-0.7	-1.9	-1.1	-0.2	2.5	-0.6
Local banks (net)	-5.6	-5.2	-7.6	-2.4	0.6	0.0
Government debt bonds	-1.5	-1.1	0.0	0.0	0.0	0.0
Other items (net)	-9.1	-10.7	-4.5	0.5	-2.3	-1.2
Broad money	21.7	19.1	15.8	13.4	3.0	8.5
Money	-1.4	3.7	1.2	1.6	3.7	3.9
Quasi money, of which:	23.0	15.3	14.6	11.9	-0.7	4.6
Foreign currency deposits	5.3	-3.5	1.1	3.9	-2.5	0.1

Source: Central Bank of Kuwait.

[1] Excludes SDRs and IMF reserve position.

Table 21. Kuwait: Balance Sheet of the Local Banks, 2006–11

(Millions of Kuwaiti dinars)

End of Period	2006	2007	2008	2009	2010	2011
Reserves	199	599	533	393	242	402
Cash	149	115	161	168	164	180
Balances with central bank	50	484	371	225	78	221
Foreign assets	5,246	7,633	8,796	7,354	7,274	8,141
Claims on nongovernment sector	16,148	21,820	25,450	27,019	27,527	28,237
Credit facilities	14,934	20,137	23,666	25,108	25,201	25,612
Local investments	1,214	1,683	1,785	1,911	2,326	2,626
Claims on government	2,165	1,912	1,996	1,922	1,910	1,887
Government debt bonds	176	0	0	0	0	0
Public debt instruments 1/	1,989	1,912	1,996	1,922	1,910	1,887
Other claims	0	0	0	0	0	0
Interbank deposits	1,291	1,390	672	855	906	1,038
Time Deposits with CBK	926	813	97	873	1,374	1,908
CBK bonds	356	591	375	1,017	1,344	1,553
Other assets	659	797	1,322	889	804	911
Total assets=Total liabilities	26,990	35,553	39,241	40,321	41,382	44,078
Demand deposits	2,894	3,505	3,663	3,938	4,782	5,605
Quasi-money deposits	12,370	14,813	17,580	20,182	20,009	21,194
Savings	1,982	2,370	2,489	2,723	2,992	3,847
Time	8,144	10,760	13,192	14,706	14,899	15,206
Foreign currency	2,245	1,683	1,899	2,753	2,118	2,141
Certificates of deposit	0	0	0	0	0	0
Government deposits	1,434	2,004	3,535	3,984	3,818	3,783
Broad money deposits	15,264	18,318	21,242	24,120	24,791	26,800
Demand deposits	2,894	3,505	3,663	3,938	4,782	5,605
Quasi-money deposits	12,370	14,813	17,580	20,182	20,009	21,194
Government deposits	1,434	2,004	3,535	3,984	3,818	3,783
Foreign liabilities	3,116	6,223	5,699	2,922	2,991	3,159
Interbank deposits	1,302	1,374	664	847	840	943
Own funds	3,170	4,496	4,600	4,904	5,879	6,045
Other liabilities	2,703	3,138	3,500	3,544	3,061	3,348

Source: Central Bank of Kuwait.

[1] Treasury bills and bonds.

Table 22. Kuwait: Distribution of Local Bank Domestic Credit Outstanding to the Private Sector, 2006–11

End of Period	2006	2007	2008	2009	2010	2011
	(Millions of Kuwaiti Dinars)					
Trade	1,702	1,900	2,285	2,261	2,299	2,307
Industry	609	1,071	1,465	1,501	1,617	1,750
Construction	1,070	1,367	1,674	1,724	1,756	1,688
Agriculture and fisheries	36	15	12	12	9	10
Non-bank financial institutions	1,427	2,409	2,762	2,904	2,837	2,380
Personal facilities	6,052	7,093	7,866	8,386	8,457	8,947
Of which : credit for trading in securities	1,605	2,157	2,794	2,827	2,698	2,641
Real estate	3,288	5,002	5,966	6,597	6,466	6,756
Other	750	1,282	1,635	1,723	1,759	1,775
Total	14,934	20,137	23,666	25,108	25,201	25,612
	(Percent of total)					
Trade	11.4	9.4	9.7	9.0	9.1	9.0
Industry	4.1	5.3	6.2	6.0	6.4	6.8
Construction	7.2	6.8	7.1	6.9	7.0	6.6
Agriculture and fisheries	0.2	0.1	0.1	0.0	0.0	0.0
Financial institutions	9.6	12.0	11.7	11.6	11.3	9.3
Personal facilities	40.5	35.2	33.2	33.4	33.6	34.9
Of which : credit for trading in securities	10.7	10.7	11.8	11.3	10.7	10.3
Real estate	22.0	24.8	25.2	26.3	25.7	26.4
Other	5.0	6.4	6.9	6.9	7.0	6.9
Total	100	100	100	100	100	100
	(Change in percent)					
Trade	24.1	11.6	20.3	-1.1	1.7	0.4
Industry	30.1	75.9	36.8	2.4	7.8	8.2
Construction	38.9	27.8	22.5	3.0	1.9	-3.9
Agriculture and fisheries	88.7	-59.4	-14.8	-0.2	-28.5	9.5
Financial institutions	53.0	68.8	14.7	5.1	-2.3	-16.1
Personal facilities	17.8	17.2	10.9	6.6	0.8	5.8
Of which : credit for trading in securities	28.5	34.4	29.6	1.2	-4.5	-2.1
Real estate	29.5	52.1	19.3	10.6	-2.0	4.5
Other	27.0	70.9	27.6	5.4	2.1	0.9
Total	26.3	34.8	17.5	6.1	0.4	1.6

Source: Central Bank of Kuwait.

Table 23. Kuwait: Structure of Interest Rates, 2006–11

(Percent per annum)

Valid Since		Discount	Consumer	Maximum Lending Rates				Lending Margin Over Discount Rate			
				Credit One Year or Less		Credit More Than One Year		Credit One Year or Less		Credit More Than One Year	
Year	Month	Rate	Loans	Overdraft	Loans	Overdraft	Loans	Overdraft	Loans	Overdraft	Loans
2006	7	6.25	6.25	9.25	8.75	10.25	9.75	3.00	2.50	4.00	3.50
2007	12	6.25	6.25	9.25	8.75	10.25	9.75	3.00	2.50	4.00	3.50
2008	1	5.75	5.75	8.75	8.25	9.75	9.25	3.00	2.50	4.00	3.50
2008	3	5.75	8.75	8.75	8.25	9.75	9.25	3.00	2.50	4.00	3.50
2008	10	4.50	7.50	7.50	7.00	8.50	8.00	3.00	2.50	4.00	3.50
2008	10	4.25	7.25	7.25	6.75	8.25	7.75	3.00	2.50	4.00	3.50
2008	12	3.75	6.75	6.75	6.25	7.75	7.25	3.00	2.50	4.00	3.50
2009	4	3.50	6.50	6.50	6.00	7.50	7.00	3.00	2.50	4.00	3.50
2009	5	3.00	6.00	6.00	5.50	7.00	6.50	3.00	2.50	4.00	3.50
2010	2	2.50	5.50	5.50	5.00	6.50	6.00	3.00	2.50	4.00	3.50
2011		2.50	5.50	5.50	5.00	6.50	6.00	3.00	2.50	4.00	3.50

Memorandum items:

Types of rates		**Rate formation**
Overnight REPO rate	0.750	
One week REPO rate	1.500	
One month REPO rate	2.000	
Overnight rate	10.00	
Sales/purchase of treasury bills rate		Variable rate set daily by CBK.
Market rates		
Interbank rate		One week; one-, three-, six-, and twelve-month rate set daily by contribution from local banks
Savings deposit rate		Variable rate; floor abolished effective February 1995.
Time deposit rate		Variable rate; floor abolished effective February 1995.
Commercial loans rate		
One year or less		Market Rate
Ceiling	5.00	Discount rate +2.5 percentage points
More than one year		Market Rate
Ceiling	6.50	Discount rate +4 percentage points.
Consumer loans rate	5.50	Discount rate +3 percentage points.
Ceiling		Discount rate, but front loaded.

Source: Central Bank of Kuwait.

Table 24. Kuwait: Interest Rates on Kuwaiti Dinar and U.S. Dollar Deposits with Local Banks, 2006–11

(Percent per annum, period average)

Period	Kuwaiti Dinar Deposits		U.S. Dollar Deposits		Interest Differential KD minus U.S. Dollar	
	3 months	6 month	3 months	6 month	3 months	6 month
2006	5.029	5.110	4.512	4.612	0.517	0.498
2007	5.025	5.154	4.698	4.691	0.326	0.463
2008	3.418	3.635	2.399	2.498	1.019	1.136
2009	1.688	1.912	0.565	0.881	1.123	1.031
2010	1.265	1.503	0.384	0.534	0.882	0.970
2011	1.103	1.366	0.326	0.467	0.777	0.900
2006						
Q1	4.597	4.742	4.093	4.235	0.504	0.507
Q2	4.830	4.955	4.461	4.588	0.369	0.366
Q3	5.282	5.294	4.705	4.795	0.578	0.499
Q4	5.348	5.403	4.730	4.776	0.618	0.627
2007						
Q1	5.374	5.413	4.719	4.767	0.655	0.647
Q2	5.052	5.167	4.713	4.740	0.339	0.427
Q3	5.033	5.201	4.859	4.830	0.175	0.371
Q4	4.635	4.827	4.481	4.404	0.154	0.424
2008						
Q1	3.844	4.042	2.835	2.727	1.010	1.315
Q2	3.537	3.748	2.164	2.245	1.373	1.503
Q3	3.608	3.848	2.267	2.500	1.341	1.348
Q4	2.726	2.945	2.354	2.542	0.372	0.403
2009						
Q1	2.173	2.412	0.918	1.312	1.255	1.101
Q2	1.651	1.852	0.588	0.996	1.063	0.856
Q3	1.436	1.666	0.407	0.656	1.030	1.010
Q4	1.509	1.737	0.356	0.568	1.153	1.169
2010						
Q1	1.409	1.656	0.340	0.516	1.069	1.140
Q2	1.269	1.501	0.399	0.546	0.870	0.955
Q3	1.203	1.439	0.409	0.554	0.794	0.886
Q4	1.181	1.420	0.381	0.515	0.800	0.905
2011						
Q1	1.170	1.444	0.349	0.470	0.822	0.975
Q2	1.110	1.376	0.316	0.446	0.794	0.930
Q3	1.071	1.331	0.292	0.438	0.780	0.893
Q4	1.057	1.311	0.346	0.510	0.712	0.801

Source: Central Bank of Kuwait.

Table 25. Kuwait: Balance Sheet of the Investment Companies, 2006–11

(Millions of Kuwaiti dinars)

A. Conventional Investment Companies

End of Period	2006	2007	2008	2009	2010	2011
Assets	8,324	9,458	8,987	7,623	7,286	6,829
Cash and balances with local banks	405	450	373	398	287	322
Loans and discounts to residents	1,030	1,014	1,012	754	632	569
Local investments	2,462	2,783	2,539	2,026	2,001	1,673
Foreign assets	3,810	4,631	4,215	3,845	3,866	3,671
Cash and balances with foreign banks	147	301	406	421	296	249
Loans and discounts to nonresidents	59	71	116	79	60	62
Foreign investments	3,605	4,259	3,693	3,346	3,511	3,360
Other assets	616	581	849	600	498	594
Liabilities	8,324	9,458	8,987	7,623	7,286	6,829
Resources from residents	1,309	1,620	2,078	1,605	1,583	1,416
From government	46	57	63	53	45	52
From local banks	848	1,301	1,464	1,229	1,289	1,158
From others	415	262	551	322	249	206
Foreign liabilities	2,058	2,493	2,174	1,875	1,949	1,599
Capital and reserves	2,962	3,589	2,751	2,686	2,841	2,857
Other liabilities	1,995	1,755	1,985	1,457	912	957
Memorandum item:						
Number of companies covered	40	40	46	46	46	44

B. Islamic Investment Companies

End of Period	2006	2007	2008	2009	2010	2011
Assets	4,811	6,601	7,452	6,742	6,382	5,518
Cash and cash-like assets	3	0	1	2	7	4
Balances with other financial institutions	531	665	566	378	349	369
Financial investments	1,492	2,429	1,880	1,683	1,604	1,249
Non-financial investments	276	230	362	347	250	406
Customer financing operations	668	788	955	630	517	453
Foreign assets	864	1,480	2,592	2,637	2,460	1,872
Other assets	977	1,009	1,095	1,065	1,195	1,166
Liabilities	4,811	6,601	7,452	6,742	6,382	5,518
Funding from financial sector	1,718	2,641	2,151	2,129	2,024	1,781
Local banks	696	1,333	1,357	1,516	1,517	1,277
Investment companies	609	774	540	382	301	202
Other financial institutions	413	534	254	231	207	302
Liabilities to government	15	6	26	25	24	24
Subordinated loans	111	85	6	5	4	4
Foreign liabilities	338	667	1,664	1,622	1,370	841
Capital and reserves	1,651	2,174	2,424	2,096	2,044	1,806
Other liabilities	978	1,028	1,181	866	914	1,062
Memorandum item:						
Number of companies covered	33	39	53	54	54	51

Source: Central Bank of Kuwait.

Table 26. Kuwait: Composition of Imports, 2006–11

	2006	2007	2008	2009	2010	Prel.[1] 2011
	(Millions of Kuwaiti dinars)					
Total, f.o.b.	4,713	5,674	6,167	4,974	5,464	n.a
By SITC category (c.i.f.)	5,001	6,061	6,679	5,852	6,428	6,972
Food and live animals	640	697	880	849	n.a	n.a
Beverages and tobacco	55	59	57	54	n.a	n.a
Crude materials	98	94	98	135	n.a	n.a
Mineral fuels	28	36	41	37	n.a	n.a
Other oils and fats	23	23	35	28	n.a	n.a
Chemicals	434	483	558	571	n.a	n.a
Manufactured materials	1,225	1,394	1,478	973	n.a	n.a
Machinery and equipment	1,834	2,527	2,721	2,351	n.a	n.a
Miscellaneous manufactures	646	715	758	823	n.a	n.a
Other commodities	17	33	52	32	n.a	n.a
By economic use (c.i.f.)	5,001	6,061	6,679	5,852	6,428	6,972
Capital goods	844	1,266	1,314	1,142	n.a	n.a
Intermediate goods	2,067	2,435	2,657	2,122	n.a	n.a
Consumer goods	2,072	2,327	2,655	2,555	n.a	n.a
Other, unspecified	17	33	53	33	n.a	n.a
Adjustments for BOP	-288	-388	-512	-878	-964	n.a
Unrecorded imports [2]	653	614	556	102	-33	n.a
Freight and insurance payments	-941	-1,002	-1,068	-980	-931	n.a
	(US$ millions)					
Total, f.o.b.	16,239	19,958	22,964	17,289	19,052	n.a
By SITC category (c.i.f.)	17,231	21,322	24,871	20,340	22,414	n.a
Food and live animals	2,204	2,453	3,278	2,952	n.a	n.a
Beverages and tobacco	189	208	213	187	n.a	n.a
Crude materials	339	330	366	468	n.a	n.a
Mineral fuels	96	128	151	130	n.a	n.a
Other oils and fats	81	80	130	96	n.a	n.a
Chemicals	1,497	1,701	2,079	1,985	n.a	n.a
Manufactured materials	4,222	4,903	5,506	3,381	n.a	n.a
Machinery and equipment	6,320	8,890	10,131	8,170	n.a	n.a
Miscellaneous manufactures	2,225	2,514	2,824	2,862	n.a	n.a
Other commodities	57	115	193	110	n.a	n.a
By economic use (c.i.f.)	17,231	21,322	24,871	20,340	22,414	25,267
Capital goods	2,907	4,455	4,893	3,969	n.a	n.a
Intermediate goods	7,123	8,566	9,893	7,375	n.a	n.a
Consumer goods	7,141	8,185	9,888	8,881	n.a	n.a
Other, unspecified	60	117	196	115	n.a	n.a
Adjustments for BOP	-992	-1,365	-1,907	-3,051	-3,362	n.a
Unrecorded imports [2]	2,250	2,159	2,071	354	-116	n.a
Freight and insurance payments	-3,243	-3,524	-3,978	-3,405	-3,246	n.a

Sources: Central Bank of Kuwait and Central Statistical Office.

[1] CBK estimates.

[2] Imports not reflected in the customs returns.

Table 27. Kuwait: Composition of Exports, 2006–11

(Millions of Kuwaiti dinars)

	2006	2007	2008	2009	2010	Prel. 2011
Total f.o.b. (1+2+3)	16,381	17,771	23,373	14,871	19,195	n.a
of which re-exports	268	342	460	466	512	555
1-Oil and oil products	15,430	16,780	22,200	14,073	17,711	26,689
Crude oil	10,634	10,941	15,492	8,882	11,409	18,668
Refined products	4,273	5,285	5,976	4,736	5,554	7,045
of which bunker oil	0	0	0	0	0	0
LPG	523	554	732	455	748	976
Unrecorded exports and adjustments [1]	0	0	0	0	0	0
2-Non-oil	823	990	1,281	1,456	1,514	1,867
Plastics in primary forms	302	345	174	673	n.a	n.a
Road Vehicles	147	194	228	194	n.a	n.a
Non-metallic mineral manufactures	26	29	36	34	n.a	n.a
Electrical machinery apparatus	20	31	53	35	n.a	n.a
Papers and paperboard	11	12	13	11	n.a	n.a
Metalliferous and metal	21	29	24	26	n.a	n.a
Manufactures of metal	14	36	46	23	n.a	n.a
Fertilizers, manufactured	73	82	129	56	n.a	n.a
Inorganic chemicals	16	8	14	6	n.a	n.a
Clothing	3	4	5	4	n.a	n.a
Fruit and vegetables	8	12	16	19	n.a	n.a
Machinery and equipment	12	18	19	20	n.a	n.a
Textile yarn and fabrics made-up	3	3	4	3	n.a	n.a
Plastics in non-primary forms	6	10	14	13	n.a	n.a
Other	161	177	508	339	1,514	1,867
3-Adjustments for BOP						
Unrecorded exports and adjustments [2]	129	1	-109	-658	-31	n.a

Sources: Central Bank of Kuwait, Ministry of Oil; and Central Statistical Office.

[1] CBK estimates.

[2] Include exports that are not reflected in the customs returns, and are mainly provided to the allied forces.

Table 28. Kuwait: Summary Balance of Payments, 2006–11

	2006	2007	2008	2009	2010	Prel. 2011
	(Millions of Kuwaiti Dinars)					
Current account	13,148	11,987	16,195	8,138	10,975	19,531
Goods (trade balance)	11,669	12,338	17,206	10,330	13,632	22,722
Exports	16,381	17,771	23,373	15,662	19,383	28,782
Oil and oil products	15,430	16,780	22,200	14,073	17,711	26,689
Non-oil [1]	952	991	1,173	1,589	1,672	2,093
Imports	-4,713	-5,433	-6,167	-5,332	-5,752	-6,060
Services	-637	-902	-1,026	-655	-1,616	-2,079
Transportation	64	-28	-171	-395	-307	-203
Insurance [2]	-22	-27	-36	n.a.	n.a.	n.a.
Travel	-1,558	-1,823	-1,966	-1,679	-1,773	-2,189
Other services	857	948	1,111	1,419	464	313
Investment income	3,182	3,523	2,888	2,241	2,724	3,082
Receipts	3,627	4,640	3,753	2,551	3,044	3,151
General government [3]	2,051	2,429	2,371	1,761	2,072	2,432
Other [4]	1,576	2,211	1,383	790	972	719
Payments	445	1,118	865	310	320	69
General government	3	4	5	1	0	0
Other	442	1,114	861	309	320	69
Current transfers [5]	-1,066	-2,971	-2,874	-3,747	-3,741	-4,174
Capital and financial account	-14,165	-9,485	-13,321	-7,377	-12,717	-16,475
Capital account [6]	216	423	465	290	608	970
Financial account	-14,381	-9,908	-13,786	-7,667	-13,325	-17,445
Direct investment	-2,347	-2,749	-2,445	-2,149	-1,360	-2,294
abroad	-2,383	-2,781	-2,444	-2,470	-1,452	-2,404
In reporting country	35	32	-2	n.a.	n.a.	n.a.
Portfolio investment	-8,452	-9,920	-7,562	-2,358	-4,835	-2,571
Assets	-8,465	-10,113	-8,625	-2,496	-4,879	-2,549
Liabilities	13	192	1,063	138	44	-22
Other investment (net)	-3,582	2,761	-3,779	-3,146	-7,123	-12,612
Trade credits	-128	-458	928	-777	-256	-680
Loans	1,703	2,525	660	-1,350	-1,996	-349
Currency and deposits	-5,174	453	-5,483	177	-5,650	-10,731
Other	17	241	116	-1,196	780	-852
Net errors and omissions [7]	2,056	-1,585	-2,702	-261	1,901	-1,825
Overall balance	1,039	917	172	500	159	1,231
International reserve assets (-increase)	-1,039	-917	-172	-500	-159	-1,231
Memorandum items						
Current account to GDP	44.6	36.8	40.9	26.7	30.8	
Overall balance to GDP	3.5	2.8	0.4	1.6	0.4	

Sources: Central Bank of Kuwait; and IMF staff estimates.

[1] Also includes unrecorded exports.

[2] The numbers from 2009 are not available due to the change in classification by authorities, and included in "Other services'.

[3] Kuwait Investment Authority, Kuwait Petroleum Corporation, Kuwait Fund for Arab Economic Development, Public Authority for Social Security, Kuwait Airways Corporation.

[4] CBK, local banks, Investment companies, exchange companies, insurance companies, and some non-financial private sector companies.

[5] Primarily expatriate workers' remittances.

[6] Includes UN war compensation.

[7] Includes Financial derivatives and other unclassified private sector flows.

Table 29. Kuwait: Summary Balance of Payments, 2006–11

	2006	2007	2008	2009	2010	Prel. 2011
			(Millions of US$)			
Current account	45,319	42,151	60,308	28,285	38,267	70,800
Goods (trade balance)	40,220	43,384	64,074	35,903	47,531	82,368
Exports	56,462	62,488	87,039	54,435	67,583	104,336
Oil and oil products	53,182	59,004	82,671	48,912	61,753	96,748
Non-oil [1]	3,280	3,485	4,367	5,523	5,830	7,587
Imports	-16,243	-19,104	-22,964	-18,532	-20,055	-21,968
Services	-2,195	-3,173	-3,820	-2,277	-5,635	-7,536
Transportation	222	-98	-637	-1,373	-1,070	-736
Insurance [2]	-74	-96	-134	N.A.	N.A.	N.A.
Travel	-5,369	-6,409	-7,321	-5,836	-6,182	-7,935
Other services	2,952	3,334	4,138	4,932	1,618	1,135
Investment income	10,969	12,387	10,754	7,789	9,498	11,172
Receipts	12,501	16,317	13,977	8,866	10,614	11,422
General government [3]	7,070	8,543	8,828	6,121	7,225	8,815
Other [4]	5,431	7,774	5,149	2,746	3,389	2,608
Payments	1,533	3,930	3,223	1,077	1,116	250
General government	9	14	18	4	0	-1
Other	1,524	3,916	3,205	1,074	1,116	252
Current transfers [5]	-3,675	-10,447	-10,701	-13,023	-13,044	-15,131
Capital and Financial account	-48,823	-33,354	-49,607	-25,640	-44,340	-59,722
Capital account 6/	744	1,487	1,731	1,008	2,120	3,516
Financial account	-49,567	-34,841	-51,338	-26,648	-46,460	-63,239
Direct investment	-8,091	-9,667	-9,106	-7,469	-4,742	-8,316
abroad	-8,212	-9,778	-9,100	-8,585	-5,063	-8,715
In reporting country	121	111	-6	N.A.	N.A.	N.A.
Portfolio investment	-29,130	-34,883	-28,160	-8,196	-16,858	-9,320
Assets	-29,175	-35,559	-32,119	-8,676	-17,012	-9,240
Liabilities	44	677	3,959	480	153	-80
Other investment (Net)	-12,346	9,709	-14,071	-10,934	-24,836	-45,719
Trade credits	-441	-1,610	3,457	-2,701	-893	-2,465
Loans	5,869	8,878	2,458	-4,693	-6,959	-1,265
Currency and deposits	-17,833	1,592	-20,418	616	-19,700	-38,900
Other	59	849	432	-4,156	2,720	-3,089
Net errors and omissions [7]	7,086	-5,574	-10,062	-906	6,630	-6,616
Overall balance	3,582	3,223	639	1,739	556	4,462
International reserve assets (-increase)	-3,582	-3,223	-639	-1,739	-556	-4,462
Memorandum items						
Current account to GDP	44.6	36.1	40.9	26.7	30.8	
Overall balance to GDP	39.6	37.1	43.4	33.9	38.3	

Sources: Central Bank of Kuwait; and Fund staff estimates.

[1] Also includes unrecorded exports.

[2] The numbers from 2009 are not available due to the change in classification by authorities, and included in "Other serveces'.

[3] Kuwait Investment Authority, Kuwait Petroleum Corporation, Kuwait Fund for Arab Economic Development, Public Authority for Social Security, Kuwait Airways Corporation.

[4] CBK, local banks, Investment companies, exchange companies, insurance companies, and some non-financial private sector companies.

[5] Primarily expatriate workers' remittances.

[6] Includes UN war compensation.

[7] Includes Financial derivatives and other unclassified private sector flows.

Table 30. Kuwait: External Services, Investment Income, and Current Transfers, 2006–11

(Millions of Kuwaiti dinars)

	2006	2007	2008	2009	2010	Prel. 2011
Receipts	6,077	7,530	6,831	5,851	5,716	5,947
Transport [1]	923	983	1,051	940	1,265	1,517
Insurance [1]	19	19	17	n.a.	n.a.	n.a.
Travel	59	63	69	102	69	55
Government, n.i.e.	275	303	293	166	169	166
Other services	1,175	1,523	1,647	2,092	1,169	1,058
Investment income	3,627	4,640	3,753	2,551	3,044	3,151
Government [2]	2,051	2,429	2,371	1,808	2,130	2,432
Private	1,576	2,211	1,383	743	914	719
Financial institutions [3]	614	1,111	787	n.a.	n.a.	n.a.
Other	962	1,100	596	n.a.	n.a.	n.a.
Government transfer receipts	0	0	0	0	0	0
Payments	-4,598	-7,881	-7,842	-8,012	-8,350	-9,118
Transport [1]	-858	-1,011	-1,222	-1,335	-1,572	-1,720
Insurance [1]	-40	-46	-54	n.a.	n.a.	n.a.
Travel	-1,617	-1,886	-2,035	-1,781	-1,842	-2,244
Government, n.i.e.	-532	-810	-769	-247	-174	-333
Other services	-40	-40	-24	-592	-701	-578
Investment income	-445	-1,118	-865	-310	-320	-69
Government	-3	-4	-5	-2	-2	-
Private	-442	-1,114	-861	-308	-318	-69
Financial institutions [3]	-230	-754	-401	n.a.	n.a.	n.a.
Other	-213	-360	-460	n.a.	n.a.	n.a.
Government transfer payment	-117	-163	-72	-158	-122	-360
Private transfer payments [4]	-949	-2,808	-2,802	-3,589	-3,619	-3,814
Total (net)	1,480	-351	-1,011	-2,161	-2,634	-3,171
Transport[1]	64	-28	-171	-395	-307	-203
Insurance[1]	-22	-27	-36	n.a.	n.a.	n.a.
Travel	-1,558	-1,823	-1,966	-1,679	-1,773	-2,189
Government, n.i.e.	-257	-507	-476	-81	-5	-167
Other services	1,135	1,483	1,623	1,500	468	480
Investment income	3,182	3,523	2,888	2,241	2,724	3,082
Government	2,049	2,425	2,366	1,806	2,128	2,432
Private	1,134	1,097	522	435	596	651
Financial institutions	384	357	386	n.a.	n.a.	n.a.
Other	749	740	136	n.a.	n.a.	n.a.
Government transfer	-117	-163	-72	-158	-122	-360
Private transfer	-949	-2,808	-2,802	-3,589	-3,619	-3,814

Sources: Central Bank of Kuwait; and IMF staff estimates.

[1] Available data are prepared according to BPM6 which separate transport from insurance. Since 2009, insurance is included under other services.

[2] Income from external assets managed by Kuwait Invetsment Authority , Kuwait Petroleum corporation, Public Authority for social security,Kuwait Fund for Arab Economic Development and Kuwait Airways Corporation.

[3] Income from external assets of Central Bank of Kuwait, local banks, investment, exchange and insurance companies.

[4] Includes remittances of long-term expatriate workers.

Table 31. Kuwait: Capital and Financial Account, 2006–11

(Millions of Kuwaiti dinars)

	2006	2007	2008	2009	2010	2011
Capital and financial account	-14,165	-9,485	-13,321	-7,377	-12,717	-16,475
Capital account	216	423	465	290	608	970
General government	134	380	475	318	274	433
Other sectors	81	43	-10	-28	334	537
Financial account	-14,381	-9,908	-13,786	-7,667	-13,325	-17,445
Direct investment	-2,347	-2,749	-2,445	-2,149	-1,360	-2,294
Direct investment abroad	-2,383	-2,781	-2,444	-2,470	-1,452	-2,404
General government	-968	-1,913	-1,993	n.a.	n.a.	n.a.
Other sectors	-1,415	-868	-451	n.a.	n.a.	n.a.
Foreign direct investment in Kuwait	35	32	-2	320	91	110
Portfolio investment (net)	-8,452	-9,920	-7,562	-2,358	-4,835	-2,571
Assets	-8,465	-10,113	-8,625	-2,496	-4,879	-2,549
General government	-5,979	-7,691	-7,530	-2,179	-4,260	-2,225
Local banks	-149	-503	-415	-120	-235	-123
other sectors	-2,337	-1,918	-680	-197	-385	-201
Liabilities	13	192	1,063	138	44	-22
Local banks	-10	-3	-57	2	1	0
other sectors	23	196	1,120	136	43	-22
Other investment (net)	-3,582	2,761	-3,779	-3,146	-7,123	-12,612
Assets	-6,597	-4,116	-4,915	838	-5,037	-12,012
Trade credit	-128	-458	928	-777	-256	-680
Loans	-103	-375	-289	-166	305	-131
General government	119	64	-235	-76	-21	-196
Local banks	-208	-342	-98	-36	370	139
other sectors	-15	-98	44	-54	-44	-74
Currency and deposits	-6,055	-2,589	-5,013	1,413	-5,721	-10,910
General government	-4,253	-314	-3,553	-1,425	-5,089	-9,782
Local banks	-1,056	-1,208	-965	1,575	-63	-29
Other sectors	-746	-1,067	-495	1,262	-569	-1,099
Other	-311	-694	-541	368	636	-291
General government	-201	-132	-155	138	-8	-29
Local banks	-8	-251	-58	-34	-78	-5
Other sectors	-102	-311	-328	263	722	-257
Liabilities	3,015	6,877	1,136	-3,983	-2,086	-600
Trade credit	0	0	0	0	0	0
Loans	1,806	2,900	949	-1,184	-2,301	-218
General government	-11	-7	54	0	-16	-16
Other sectors	1,817	2,907	895	-1,185	-2,285	-202
Currency and deposits	881	3,041	-470	-1,236	71	179
Other	328	936	657	-1,563	144	-561
General government [1]	142	767	243	-382	-265	64
Local banks	-16	46	19	-564	0	-27
Other sectors	202	123	395	-617	409	-598

Source: Central Bank of Kuwait.

[1] Includes CBK other liabilities.

Table 32. Kuwait: Capital and Financial Account, 2006–11

(Millions of US$)

	2006	2007	2008	2009	2010	2011
Capital and financial account	-48,823	-33,354	-49,607	-25,640	-44,340	-59,722
Capital account	744	1,487	1,731	1,008	2,120	3,516
General government	463	1,337	1,768	1,105	955	1,570
Other sectors	281	149	-38	-97	1,165	1,947
Financial account	-49,567	-34,841	-51,338	-26,648	-46,460	-63,239
Direct investment	-8,091	-9,667	-9,106	-7,469	-4,742	-8,316
Direct investment abroad	-8,212	-9,778	-9,100	-8,585	-5,063	-8,715
General government	-3,335	-6,727	-7,423	n.a.	n.a.	n.a.
Other sectors	-4,877	-3,051	-1,678	n.a.	n.a.	n.a.
Foreign direct investment in Kuwait	121	111	-6	1,114	317	399
Portfolio investment (net)	-29,130	-34,883	-28,160	-8,196	-16,858	-9,320
Assets	-29,175	-35,559	-32,119	-8,676	-17,012	-9,240
General government	-20,607	-27,045	-28,043	-7,574	-14,852	-8,067
Local banks	-512	-1,769	-1,544	-417	-819	-445
Other sectors	-8,056	-6,746	-2,533	-685	-1,341	-729
Liabilities	44	677	3,959	480	153	-80
Local banks	-36	-11	-212	7	2	-1
Other sectors	80	688	4,172	473	151	-79
Other investment (net)	-12,346	9,709	-14,071	-10,934	-24,836	-45,719
Assets	-22,739	-14,474	-18,301	2,913	-17,562	-43,544
Trade credit	-441	-1,610	3,457	-2,701	-893	-2,465
Loans	-356	-1,320	-1,075	-576	1,063	-475
General government	411	226	-874	-264	-72	-711
Local banks	-716	-1,202	-363	-126	1,290	504
Other sectors	-51	-343	162	-186	-155	-268
Currency and deposits	-20,869	-9,103	-18,669	4,911	-19,947	-39,549
General government	-14,659	-1,104	-13,232	-4,951	-17,744	-35,460
Local banks	-3,640	-4,248	-3,594	5,474	-220	-105
Other sectors	-2,570	-3,751	-1,843	4,388	-1,984	-3,984
Other	-1,073	-2,441	-2,014	1,278	2,218	-1,055
General government	-694	-466	-578	481	-27	-105
Local banks	-27	-882	-216	-119	-272	-18
Other sectors	-352	-1,094	-1,220	915	2,517	-932
Liabilities	10,393	24,183	4,230	-13,845	-7,273	-2,175
Trade credit	0	0	0	0	0	0
Loans	6,225	10,198	3,533	-4,116	-8,023	-790
General government	-38	-24	201	1	-57	-58
Other sectors	6,263	10,222	3,332	-4,117	-7,966	-732
Currency and deposits	3,036	10,695	-1,749	-4,294	248	649
Other	1,132	3,290	2,446	-5,434	502	-2,034
General government [1]	490	2,697	906	-1,326	-925	232
Local banks	-54	161	70	-1,962	0	-98
Other sectors	696	433	1,471	-2,146	1,426	-2,168

Source: Central Bank of Kuwait.

[1] Includes CBK other liabilities.

Table 33. Kuwait: Reserves and Net Foreign Assets of the Financial Sector, 2006–11

(Millions of Kuwaiti dinars)

	2006	2007	2008	2009	2010	2011
Central Bank net foreign assets [1]	3,530	4,445	4,650	5,773	5,925	7,215
International reserve assets	3,665	4,593	4,753	5,843	5,996	7,230
Central Bank foreign assets	3,553	4,491	4,615	5,081	5,262	6,412
Gold [2]	32	32	32	32	32	32
Foreign exchange (as in IFS)	3,521	4,459	4,583	5,049	5,230	6,381
SDRs [3]	60	63	65	648	624	633
IMF reserve position	52	39	74	114	110	184
Central Bank foreign liabilities	135	148	103	70	71	15
Local banks net foreign assets [4]	2,035	1,294	2,994	4,301	4,113	4,805
Foreign assets	5,246	7,633	8,796	7,354	7,274	8,141
Foreign liabilities	3,211	6,338	5,802	3,054	3,162	3,336
Net foreign assets of the banking system	5,565	5,739	7,644	10,074	10,038	12,021
Net Foreign assets of non-bank financial institutions [5]	2,305	2,993	3,033	3,041	3,084	3,175
Foreign assets	4,774	6,209	6,912	6,588	6,423	5,606
Foreign liabilities	2,469	3,216	3,880	3,547	3,339	2,431
Of which: net foreign assets of investment co.	2,278	2,950	2,969	2,986	3,006	3,109
Foreign assets	4,674	6,110	6,807	6,482	6,327	5,507
Foreign liabilities	2,396	3,161	3,838	3,497	3,320	2,398
Net foreign assets of the financial sector	7,870	8,732	10,677	13,114	13,121	15,195
Memorandum item :						
Central bank foreign exchange						
at central bank valuation [6]	3,533	4,631	4,461	5,066	5,341	6,325
Central bank gross foreign assets [6]	3,551	4,475	4,613	5,079	5,254	6,412
Central bank gross foreign exchange [6]	3,533	4,631	4,461	5,066	5,341	6,325
Net foreign assets of non-bank financial institutions	2,305	2,993	3,033	3,041	3,084	3,175
exchange insurance companies	2,305	2,993	3,033	3,041	3,084	3,175
Foreign assets	4,774	6,209	6,912	6,588	6,423	5,606
Foreign liabilities	2,469	3,216	3,880	3,547	3,339	2,431

Source: Central Bank of Kuwait.

[1] Excludes SDRs and IMF reserve position.

[2] At notional valuation of KD 12.5 per fine ounce.

[3] Carried as assets of the Ministry of Finance.

[4] Commercial Banks, specialized banks and Islamic banks.

[5] Investment companies, exchange companies, and insurance companies.

[6] At period average exchange rate.

Table 34. Kuwait: Financial Soundness Indicators of the Banking Sector, 2006–11

(Percent unless specifed otherwise) [1]

	2006	2007	2008	2009	2010	2011
Capital adequacy						
Regulatory capital to risk-weighted assets	20.2	19.3	15.6	16.7	18.9	18.5
Regulatory Tier I capital to risk-weighted assets	17.7	17.2	14.3	14.9	17.3	16.9
Capital to assets	12.6	12.3	10.9	11.4	12.6	12.4
Loan composition and quality						
Oil/gas	0.7	0.8	0.9	1.2	1.2	1.1
Trade	11.8	10.4	10.2	10.6	10.0	10.5
Industry	5.0	5.9	6.8	6.5	7.0	7.1
Construction	13.4	12.6	11.9	11.4	12.7	12.1
Real estate	17.5	19.2	18.1	20.6	20.0	19.6
Equity purchase loans (corporate)	5.4	4.5	5.8	5.9	5.7	5.8
Agriculture/fishing	0.2	0.1	0.7	0.3	0.4	0.2
Financial Institutions	14.6	15.9	12.8	12.7	14.1	13.1
Of which: investment companies	5.3	7.9	7.5	8.0	8.7	6.1
Of which: banks	0.0	0.0	0.0	0.0	4.6	3.7
Public services	1.6	2.2	1.9	1.6	1.6	1.7
Households	20.3	19.1	16.0	16.1	16.3	17.0
Of which: credit card advances	1.0	0.8	0.6	0.5	0.5	0.5
Of which: installment loans	13.7	12.1	10.9	12.7	12.1	12.9
Of which: consumer loans	3.7	4.1	2.5	1.0	2.2	2.2
Of which: equity purchase loans (individuals)	1.8	2.1	2.0	1.9	1.4	1.4
Other	9.6	9.2	14.8	13.3	11.1	11.8
Gross non-performing loans to total loans	4.6	3.8	6.8	11.5	8.9	7.3
NPLs net of specific provisions to total loans net of specific provisions	2.5	2.1	4.9	7.4	6.1	5.3
Specific provisions to gross NPLs	47.4	47.2	29.0	38.3	33.9	29.5
NPLs net of specific provisions to Tier I capital	12.6	10.8	31.5	46.2	33.8	28.7
Loans to shareholders, parent companies, & directors to total loans	4.9	4.2	4.9	6.4	2.0	2.3
Large exposures to Tier I capital	147.6	141.6	212.4	165.1	124.3	105.3
Specific provisions to gross loans	2.2	1.8	2.0	4.4	3.0	2.1
Profitability						
Return on Average Assets (ROAA) [2]	2.7	3.3	0.8	0.7	1.2	1.1
Return on Average Equity (ROAE) [2]	20.1	24.3	6.5	6.1	9.1	8.1
Net interest income to gross income	33.9	29.0	36.6	44.5	49.9	47.6
Non-interest income to gross income	29.0	29.0	21.6	25.3	24.6	33.1
Trading and foreign exchange income to gross income	13.7	15.1	6.7	6.0	4.1	10.0
Non-interest expenses to gross income	27.6	23.9	26.4	36.9	37.7	36.1
Non-interest expenses to average assets [2]	1.4	1.5	1.6	1.9	1.6	2.1
Personnel expenses to non-interest expenses	50.7	49.6	48.0	42.9	48.7	36.8
Liquidity						
Core liquid assets to total assets [3]	29.3	26.9	20.8	20.4	17.7	22.1
Core liquid assets to short-term liabilities	38.6	34.1	28.0	28.6	27.8	36.3
Liquid assets to total assets	34.5	32.9	28.4	27.9	22.8	26.5
Liquid assets to short term liabilities	45.3	41.7	38.4	39.2	35.7	43.7
FX- loans to total loans	19.7	23.3	24.9	25.8	25.5	25.8
FX- deposits to total deposits	28.8	34.9	35.1	32.7	30.7	33.8
FX- liabilities to total liabilities	23.2	27.8	24.2	22.6	11.2	11.4
Deposits to assets	59.3	56.4	59.2	58.8	56.7	58.3
Loans to deposits	96.1	103.1	109.0	113.0	116.5	110.9
FX- loans to FX-deposits	65.5	68.9	77.3	89.1	96.8	84.6
Sensitivity to market risk						
Net open FX position (overall) as percent of Tier I capital	0.0	0.0	11.2	10.7	8.7	
Off-balance sheet operations as percent of assets	32.1	34.7	32.5	25.3	26.2	25.4
Gross asset position in derivatives as a percentage of tier I capital	77.9	90.9	71.1	46.9	33.6	
Gross liability position in derivatives as a percentage of tier I capital	77.9	91.0	71.1	46.8	39.4	
Equity exposure to capital	40.6	42.4	47.1	45.4	39.1	43.7

Source: Central Bank of Kuwait

[1] Data is on consolidated basis.

[2] Averaging was not applied in 2006 indicators.

[3] Core liquid assets include: cash and cash equivalents, deposits with CBK, government securities, CBK bills, deposits with banks, certificate of deposits with other banks which mature within three months. The data was extracted from CBK prudential report.

Table 35. Kuwait: Selected Stock Market Indicators, 2006–11

	2006	2007	2008	2009	2010	2011
Market index (1993/12=1,000)	10,067	12,559	7,783	7,005	6,956	5,814
Value of shares traded						
(In millions of KD)	17,284	37,012	35,747	21,829	12,526	6,060
Number of shares traded						
(In millions)	37,658	70,442	80,851	6,332	74,692	38,343
Number of transactions						
(In thousands)	1,486	2,102	1,998	1,939	1,254	618
Market capitalization						
(In millions of KD end-period)	42,006	57,455	33,426	30,236	36,300	29,324
Memorandum items						
Number of listed companies	176	192	202	204	214	217
Market capitalization/GDP	142.5	176.3	84.4	99.2	101.9	82.3 *
Turnover [1]	41.1	64.4	106.9	72.2	34.5	20.7
Profits of listed companies						
(Percentage change)	-21.4	68.7	-103.0	-188.7	1,092.0	-24.9 **
Price/earnings ratio [2]	12.5	11.1	9.4	4.3	14.9	13.6 ***

Source: Central Bank of Kuwait.

[1] Value of shares traded divided by market capitalization.

[2] Market-wide average of all P/E ratios, that are calculated for each listed company by dividing its period closing market share price by the net profits of that company.

(*) The reference is GDP 2010.

(**) Profits of (168 companies) listed in Kuwait Stock Exchange for the third quarter of 2011.

(***) Price/earning ratio for the third quarter of 2011.

Table 36. Kuwait: External Debt, 2006–10

	2006	2007	2008	2009	2010
	(Millions of Kuwaiti dinars)				
Total external debt outstanding [1]	8,924.7	15,760.2	14,605.7	11,717.4	8,747.4
Drawings	3,042.9	6,906.6	1,664.1	547.6	240.9
Repayment of principle	-27.5	-29.3	-528.2	-4,530.9	-3,254.2
Total Interest repayments	-444.7	-1,117.6	-865.4	-452.2	-502.2
General government external debt [2]	679.3	1,502.5	1,705.8	1,327.3	1,678.6
of which: CBK F. Liabilities & SDR	(146.0)	(159.9)	(114.9)	(662.2)	(647.9)
Drawings	142.0	766.8	339.5	547.6	0.0
Repayment of principle	-10.9	-6.8	-42.4	-929.0	-281.4
Interest repayments	-2.6	-4.0	-4.8	-1.1	0.0
Private external debt [3]	8,245.5	14,257.7	12,899.9	10,390.0	7,068.8
Local banks	3,056.0	6,166.5	4,614.1	3,035.4	2,799.9
Other sectors	5,189.5	8,091.2	8,285.7	7,354.7	4,268.9
Drawings	2,900.9	6,139.8	1,324.6	0.0	240.9
Repayment of principle	-16.6	-22.5	-485.8	-3,601.9	-2,972.8
Interest repayments	-442.1	-1,113.6	-860.6	-451.1	-502.2
	(Millions of US$)				
Total external debt outstanding [1]	30,866.5	57,560.8	52,938.2	40,862.6	31,146.3
Drawings	10,524.1	25,225.2	6,031.5	1,909.6	857.8
Repayment of principle	-95.1	-107.0	-1,914.4	-15,801.0	-11,586.8
Total Interest repayments	-1,538.0	-4,081.8	-3,136.6	-1,576.9	-1,788.1
General government external debt [2]	2,349.3	5,487.6	6,182.6	4,628.9	5,977.0
of which: CBK F. Liabilities & SDR	(504.8)	(584.0)	(416.3)	(2309.3)	(2306.8)
Drawings	491.3	2,800.8	1,230.5	1,909.6	0.0
Repayment of principle	-37.7	-24.8	-153.6	-3,239.7	-1,001.9
Interest repayments	-9.0	-14.6	-17.4	-3.7	0.0
Private external debt [3]	28,517.3	52,073.3	46,755.7	36,233.8	25,169.4
of which:					
Local banks	10,569.2	22,521.8	16,724.0	10,585.5	9,969.3
Other sectors	17,948.1	29,551.5	30,031.7	25,648.3	15,200.0
Drawings	10,032.9	22,424.4	4,801.0	0.0	857.8
Repayment of principle	-57.4	-82.2	-1,760.8	-12,561.2	-10,584.9
Interest repayments	-1,529.0	-4,067.2	-3,119.2	-1,573.2	-1,788.1

Source: Central Bank of Kuwait.

[1] Stocks of external debt include changes due to flows (drawings and repayments), as well as revaluation changes.

[2] Includes year-end stocks of loans, repos. and other credit facilities as defined in the BPM5, CBK foreign liabilities are also included.

[3] Local banks, investment companies, exchange companies, insurance companies, and other non-financial private sector entities.

Table 37. Kuwait: International Investment Position 2006–10
(Millions of US$)

	2006	2007	2008	2009	2010
Assets	96,641.3	131,237.2	173,032.0	165,508.0	135,361.2
Direct investment abroad	10,845.3	14,622.4	22,440.8	22,993.7	19,050.8
Equity capital and reinvested earnings	10,845.3	14,622.4	20,713.7	21,070.1	18,659.4
Claims on affiliated enterprises	10,845.3	14,622.4	20,713.7	21,070.1	18,659.4
Liabilities to affiliated enterprises	0.0	0.0	0.0	0.0	0.0
Other capital	0.0	0.0	1,727.1	1,923.6	391.4
Claims on affiliated enterprises	0.0	0.0	1,727.1	1,923.6	391.4
Liabilities to affiliated enterprises	0.0	0.0	0.0	0.0	0.0
Portfolio investment	27,424.1	37,804.6	59,180.2	55,396.4	24,702.2
Equity securities	11,357.1	15,988.7	50,896.8	48,221.6	21,428.0
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	3,015.1	4,727.2	7,576.5	7,426.5	2,048.2
Other sectors	8,342.0	11,261.5	43,320.3	40,795.2	19,379.8
Debt securities	16,067.0	21,815.9	8,283.4	7,174.8	3,274.1
Bonds and notes	16,067.0	21,815.9	8,283.4	7,174.8	3,274.1
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	574.8	901.4	1,295.6	1,160.7	1,237.2
Other sectors	15,492.1	20,914.5	6,987.8	6,014.0	2,037.0
Money market instruments	0.0	0.0	0.0	0.0	0.0
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	0.0	0.0	0.0	0.0
Financial derivatives	0.0	0.0	13.8	241.6	277.3
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	0.0	13.8	241.6	277.3
Other investment	45,702.4	62,082.9	74,175.5	66,510.7	69,969.9
Trade credits	4,323.5	6,238.5	2,826.3	5,190.6	6,025.9
General government	4,323.5	6,238.5	2,826.3	5,190.6	6,025.9
of which: long-term	0.0	0.0	0.0	0.0	0.0
of which: short-term	4,323.5	6,238.5	2,826.3	5,190.6	6,025.9
Other sectors	0.0	0.0	0.0	0.0	0.0
of which: long-term	0.0	0.0	0.0	0.0	0.0
of which: short-term	0.0	0.0	0.0	0.0	0.0
Loans	7,739.5	9,906.5	20,384.7	20,309.3	19,490.4
Monetary authorities	0.0	0.0	0.0	0.0	0.0
of which: long-term	0.0	0.0	0.0	0.0	0.0
of which: short-term	0.0	0.0	0.0	0.0	0.0
General government	4,776.6	5,170.9	5,387.2	5,404.6	5,690.3
of which: long-term	4,776.6	5,170.9	5,387.2	5,404.6	5,690.3
of which: short-term	0.0	0.0	0.0	0.0	0.0
Banks	2,577.3	3,970.4	4,298.4	4,419.5	3,074.5
of which: long-term	0.0	0.0	0.0	0.0	0.0
of which: short-term	2,577.3	3,970.4	4,298.4	4,419.5	3,074.5
Other sectors	385.6	765.2	10,699.1	10,485.2	10,725.7
of which: Long-term	0.0	0.0	0.0	0.0	0.0
of which: Short-term	385.6	765.2	10,699.1	10,485.2	10,725.7
Currency and deposits	32,489.1	42,737.4	45,686.8	36,680.4	37,562.0
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	11,678.4	16,978.5	18,928.3	13,838.3	10,218.0
Other sectors	20,810.7	25,758.9	26,758.5	22,842.0	27,344.0

Table 37. Kuwait: International Investment Position 2006–10 (continued)
(Millions of US$)

	2006	2007	2008	2009	2010
Other assets	1,150.3	3,200.5	5,277.7	4,330.5	6,891.6
Monetary authorities	0.0	0.0	0.0	0.0	0.0
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	0.0	0.0	0.0	0.0	0.0
Banks	243.8	1,173.5	1,403.7	1,521.0	1,758.3
of which: long-term	0.0	0.0	0.0	0.0	0.0
of which: short-term	243.8	1,173.5	1,403.7	1,521.0	1,758.3
Other sectors	906.5	2,027.0	3,874.0	2,809.4	5,133.3
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	906.5	2,027.0	3,874.0	2,809.4	5,133.3
Reserve assets	12,669.5	16,727.4	17,221.8	20,365.6	21,361.1
Monetary gold	109.8	115.9	115.0	110.7	113.0
Special drawing rights	200.6	232.9	240.9	2,257.4	2,253.8
Reserve position in the Fund	187.2	150.5	260.7	395.8	400.9
Foreign exchange	12,171.9	16,228.1	16,605.2	17,601.7	18,593.3
Currency and deposits	12,171.9	16,228.1	16,605.2	17,601.7	18,593.3
With monetary authorities	1,218.0	1,080.5	1,061.8	666.6	623.0
With banks	10,953.9	15,147.6	15,543.4	16,935.1	17,970.3
Securities	0.0	0.0	0.0	0.0	0.0
Equities	0.0	0.0	0.0	0.0	0.0
Bonds and notes	0.0	0.0	0.0	0.0	0.0
Money-market instruments	0.0	0.0	0.0	0.0	0.0
Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0
Other claims	0.0	0.0	0.0	0.0	0.0
Liabilities	32,420.1	59,860.0	68,729.1	56,843.7	51,140.0
Direct investment in Kuwait	773.3	942.7	8,723.3	9,487.6	6,553.7
Equity capital and reinvested earnings	773.3	942.7	8,527.5	9,250.2	6,508.3
Claims on direct investors	0.0	0.0	0.0	0.0	0.0
Liabilities to direct investors	773.3	942.7	8,527.5	9,250.2	6,508.3
Other capital	0.0	0.0	195.8	237.3	45.4
Claims on direct investors	0.0	0.0	0.0	0.0	0.0
Liabilities to direct investors	0.0	0.0	195.8	237.3	45.4
Portfolio investment	780.2	1,356.5	7,043.9	6,262.3	13,159.0
Equity securities	0.0	0.0	6,926.0	6,169.6	13,159.0
Banks	0.0	0.0	48.0	53.8	79.7
Other sectors	0.0	0.0	6,878.0	6,115.8	13,079.3
Debt securities	780.2	1,356.5	117.8	92.8	0.0
Bonds and notes	780.2	1,356.5	117.8	92.8	0.0
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	208.5	208.2	0.0	0.0	0.0
Other sectors	571.7	1,148.3	117.8	92.8	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	0.0	0.0	0.0	0.0
Financial derivatives	0.0	0.0	23.7	231.1	281.0
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	0.0	23.7	231.1	281.0

Table 37. Kuwait: International Investment Position 2006–10 (concluded)
(Millions of US$)

	2006	2007	2008	2009	2010
Other investment	30,866.5	57,560.8	52,938.2	40,862.6	31,146.3
Trade credits	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	0.0	0.0	0.0	0.0
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	0.0	0.0	0.0	0.0	0.0
Loans	16,421.1	27,541.6	23,982.0	22,176.5	15,830.6
Monetary authorities	0.0	0.0	0.0	0.0	0.0
of which :use of fund credit and loans	0.0	0.0	0.0	0.0	0.0
from the Fund	0.0	0.0	0.0	0.0	0.0
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	0.0	0.0	0.0	0.0	0.0
General government	27.3	4.0	199.4	203.0	146.0
of which : long-term	27.3	4.0	199.4	203.0	146.0
of which : short-term	0.0	0.0	0.0	0.0	0.0
Banks	0.0	0.0	0.0	643.8	1,188.3
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	0.0	0.0	0.0	643.8	1,188.3
Other sectors	16,393.8	27,537.6	23,782.6	21,329.7	14,496.2
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	16,393.8	27,537.6	23,782.6	21,329.7	14,496.2
Currency and deposits	10,498.7	22,198.0	8,545.0	4,023.6	8,528.1
Monetary authorities	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	0.0	0.0	0.0
Banks	10,420.9	22,198.0	8,545.0	4,023.6	8,528.1
Other sectors	77.8	0.0	0.0	0.0	0.0
Other liabilities	3,946.7	7,821.2	20,411.3	14,662.5	6,787.6
Monetary authorities	504.8	584.0	416.3	2,309.3	2,307.3
of which : long-term	38.9	42.6	42.4	2,064.0	2,307.3
of which : short-term	465.9	541.4	373.9	245.3	0.0
General government	1,817.1	4,899.6	5,566.9	2,116.5	3,523.6
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	1,817.1	4,899.6	5,566.9	2,116.5	3,523.6
Banks	148.3	323.8	8,179.0	5,918.0	252.9
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	148.3	323.8	8,179.0	5,918.0	252.9
Other sectors	1,476.4	2,013.9	6,249.1	4,318.7	703.8
of which : long-term	0.0	0.0	0.0	0.0	0.0
of which : short-term	1,476.4	2,013.9	6,249.1	4,318.7	703.8
Net international investment position	64,221.2	71,377.3	104,303.0	108,664.4	84,221.3

Source: Central Bank of Kuwait.