

## Gross domestic product

# Kuwait: Real GDP grows 1.8% in 2015, boosted by strong investment

> Nemr Kanafani

Senior Economist

+965 2259 5365, nemrkanafani@nbk.com

Preliminary national account figures show overall GDP growth accelerating to 1.8% in 2015 from 0.5% in 2014, boosted by record high investment. While the figures show nonoil GDP growth slowing to 1.3% in 2015, we think growth will likely be revised higher when final figures are published later (Chart 1). Data prepared by the Central Statistical Bureau (CSB) also show domestic demand growth improving in 2015, with stronger investment growth making up for some weakness in government and private consumption.

The oil sector, which includes the production of crude oil and natural gas as well as oil refining activity, shrank by 1.7% in 2015 in real terms. The decline, which represents the third year of decreasing real output, was not due to lower crude production, which was essentially flat averaging 2.86 million barrels per day in 2015 (Chart 2). Instead, the sector's contraction was due to a 19% decline in refining activity during 2015, according to the CSB. It is not clear why there was such a decline especially with independent figures indicating that Kuwait's refining output grew by around 3% during the year. Notably, over the last five years, changes in real output have largely mirrored changes in this sector's nominal GDP.

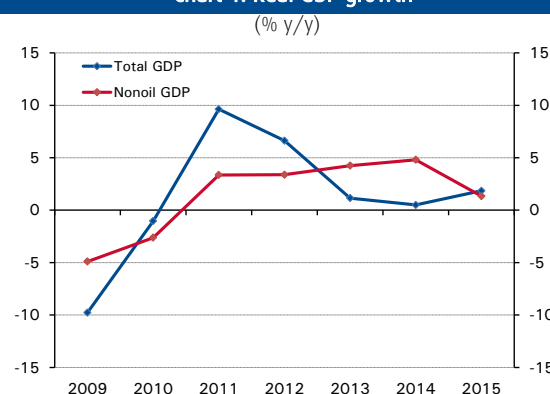
In nominal terms, oil sector GDP plunged in 2015 on a sharp decline in the price of oil last year. As the average price of Kuwaiti crude declined by half to \$48 per barrel during 2015, nominal oil sector GDP saw a 46% decline. This followed an 11% decrease in 2014. The price of Kuwait export crude (KEC) has fallen further since, averaging \$35 during the first seven months of 2016.

In real terms, the nonoil sector showed a surprising slowdown in 2015 to 1.3%, though we think this figure will likely be revised upwards. The largest decline was in the "electricity, gas and water" sector, which, according to official preliminary figures, shrank by 9.8%. The government-dominated "public administration and defense" sector also saw a notable slowdown with growth slowing to 2.4% (Table). Weakness also came from "wholesale and retail trade" and "financial institutions and insurance". Meanwhile, "real estate and business services" remained in contracting mode, shrinking by 1.4% in 2015.

Investment saw a strong boost in 2015 as Development Plan implementation improved. Aggregate investment spending grew by 13% during the year, rising to 36% of nonoil GDP, a level that has not been recorded for over 20 years (Chart 5). This strength does not come as a surprise, given the clear pick up seen in the awarding of Development Plan projects during 2014 and 2015. Bank lending has also reflected the solid increase in capital spending, as credit growth rose to 8.5% year-on-year (y/y) by the end of 2015.

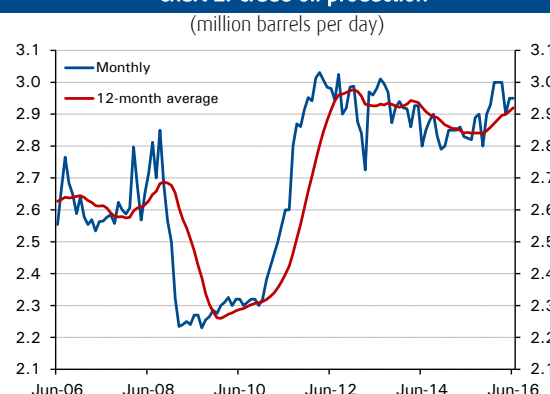
Strong investment helped support domestic demand, which saw growth accelerate in 2015. Domestic demand, which includes final consumption by households and the government as well as investment, grew by 4.4% in 2015, up from 3.1% the year before. But unlike

Chart 1: Real GDP growth



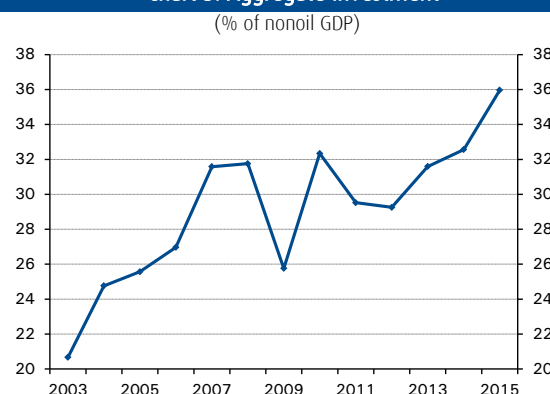
Source: Central Statistical Bureau

Chart 2: Crude oil production



Source: Joint Organizations Data Initiative

Chart 3: Aggregate investment



Source: Central Statistical Bureau

investment, private and government consumption did not do as well, both appearing to take a hit in the current low oil price environment. Private consumption growth was more than halved to 2.4%. Meanwhile, government consumption saw a small decline of 0.5%, similar to the one seen in 2014.

**The latest figures reveal a notable upward revision in 2014 nonoil GDP growth.** According to the latest revised figures, the nonoil sector grew by 4.8% in 2014, the most rapid pace since the 2008 financial crisis, up from a preliminary 4.2%. Growth in aggregate investment and private consumption also benefited from upward revisions. Meanwhile, government consumption was revised substantially downwards, with a preliminary growth estimate of 8.8% for 2014 revised to a 0.8% contraction.

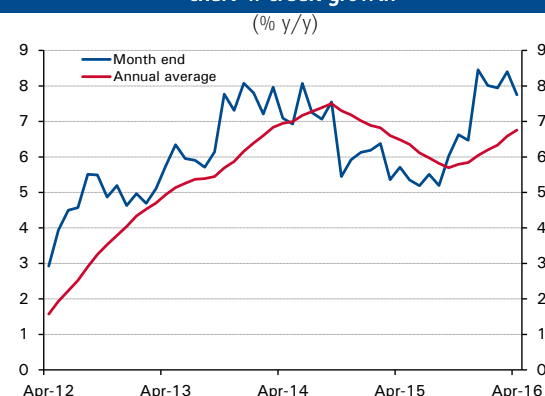
**In our view, nonoil activity is expected to maintain growth of around 4-5% in 2016 and 2017, and 2015 growth is likely to be revised up.** Growth ahead should continue to be supported by strong investment spending as Development Plan implementation maintains the current, improved pace of execution. Authorities remain keen to push ahead with strategic projects worth upwards of KD 30 billion over the next 3-4 years despite the low oil prices. Very comfortable fiscal buffers and a number of fiscal reforms should help Kuwait weather a period of reduced oil revenues without having to resort to cuts in planned capital spending.

**Table: Gross domestic product**

	2015 KD bn nominal	Real growth		
		2013 % y/y real	2014 % y/y real	2015 % y/y real
<b>Oil sector</b>	<b>15.71</b>	<b>-1.8</b>	<b>-2.1</b>	<b>-1.7</b>
Crude oil & gas extraction	14.77	-1.8	-1.3	-0.8
Refining	0.94	-1.7	-15.6	-19.5
<b>Nonoil sector</b>	<b>23.86</b>	<b>4.2</b>	<b>4.8</b>	<b>1.3</b>
Public administration and defense	3.98	12.5	7.4	3.0
Financial institutions and insurance	3.45	1.7	5.4	3.4
Real estate and business services	3.38	0.0	-2.6	-1.4
Transport, storage and communication	2.50	2.7	2.5	1.1
Education	2.15	5.0	2.5	0.3
Wholesale and retail trade	1.78	4.0	6.1	2.3
Manufacturing (excl. refining)	1.37	-0.9	-10.7	0.4
Health and social work	1.22	4.1	6.4	6.7
Construction	1.00	2.0	0.5	8.4
Electricity, gas and water	1.09	11.5	67.2	-9.8
Other sectors	1.92	5.3	0.7	2.0
<b>GDP at producer prices</b>	<b>39.57</b>	<b>0.8</b>	<b>1.0</b>	<b>-0.3</b>
minus: imputed bank service	2.01	6.1	2.9	0.8
plus: taxes less subsidies on products	-3.25	-4.6	5.4	-22.3
<b>GDP at market prices</b>	<b>34.31</b>	<b>1.1</b>	<b>0.5</b>	<b>1.8</b>
<b>By type of expenditure:</b>				
Private consumption (C)	14.18	4.9	4.9	2.4
Government consumption (G)	8.43	6.6	-0.8	-0.5
Gross investment (I)	8.58	8.9	4.5	13.0
<b>Domestic demand (C + G + I)</b>	<b>31.19</b>	<b>6.4</b>	<b>3.1</b>	<b>4.4</b>
Exports	18.66	-4.0	1.4	1.0
Imports	15.53	-0.1	8.0	5.1

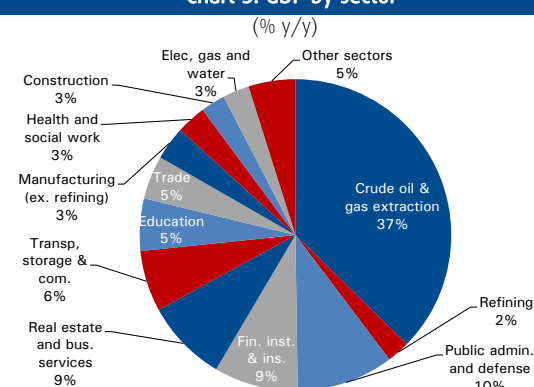
Source: Central Statistical Bureau

**Chart 4: Credit growth**



Source: Central Bank of Kuwait

**Chart 5: GDP by sector**



Source: Central Statistical Bureau

## Head Office

**Kuwait**  
National Bank of Kuwait SAKP  
Abdullah Al-Ahmed Street  
P.O. Box 95, Safat 13001  
Kuwait City  
Tel: +965 2242 2011  
Fax: +965 2259 5804  
Telex: 22043-22451 NATBANK  
[www.nbk.com](http://www.nbk.com)

## International Network

**Bahrain**  
National Bank of Kuwait SAKP  
Bahrain Branch  
Zain Tower, Building 401, Road 2806  
Seef Area 428, P. O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

National Bank of Kuwait  
Bahrain Branch (H.O.)  
GB Corp Tower  
Block 346, Road 4626  
Building 1411  
P.O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

**United Arab Emirates**  
National Bank of Kuwait SAKP  
Head Office - Dubai  
Latifa Tower, Sheikh Zayed Road  
Next to Crown Plaza  
P.O.Box 9293, Dubai, U.A.E  
Tel: +971 4 3161600  
Fax: +971 4 3888588

National Bank of Kuwait  
Abu Dhabi - Branch  
Sheikh Rashed Bin Saeed  
Al Maktoom, (Old Airport Road)  
P.O.Box 113567, Abu Dhabi, U.A.E  
Tel: +971 2 4199 555  
Fax: +971 2 2222 477

**Saudi Arabia**  
National Bank of Kuwait SAKP  
Jeddah Branch  
Al Khalidiah District,  
Al Mukmal Tower, Jeddah  
P.O Box: 15385 Jeddah 21444  
Kingdom of Saudi Arabia  
Tel: +966 2 603 6300  
Fax: +966 2 603 6318

**Jordan**  
National Bank of Kuwait SAKP  
Amman Branch  
Shareef Abdul Hamid Sharaf St  
P.O. Box 941297, Shmeisani,  
Amman 11194, Jordan  
Tel: +962 6 580 0400  
Fax: +962 6 580 0441

**Lebanon**  
National Bank of Kuwait  
(Lebanon) SAL  
BAC Building, Justinien Street, Sanayeh  
P.O. Box 11-5727, Riad El-Solh  
Beirut 1107 2200, Lebanon  
Tel: +961 1 759700  
Fax: +961 1 747866

**Iraq**  
Credit Bank of Iraq  
Street 9, Building 187  
Sadoon Street, District 102  
P.O. Box 3420, Baghdad, Iraq  
Tel: +964 1 7182198/7191944  
+964 1 7188406/7171673  
Fax: +964 1 7170156

**Egypt**  
National Bank of Kuwait - Egypt  
Plot 155, City Center, First Sector  
5th Settlement, New Cairo  
Egypt  
Tel: +20 2 26149300  
Fax: +20 2 26133978

**United States of America**  
National Bank of Kuwait SAKP  
New York Branch  
299 Park Avenue  
New York, NY 10171  
USA  
Tel: +1 212 303 9800  
Fax: +1 212 319 8269

**United Kingdom**  
National Bank of Kuwait  
(International) Plc  
Head Office  
13 George Street  
London W1U 3QJ  
UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7224 2101

National Bank of Kuwait  
(International) Plc  
Portman Square Branch  
7 Portman Square  
London W1H 6NA, UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7486 3877

**France**  
National Bank of Kuwait  
(International) Plc  
Paris Branch  
90 Avenue des Champs-Élysées  
75008 Paris  
France  
Tel: +33 1 5659 8600  
Fax: +33 1 5659 8623

**Singapore**  
National Bank of Kuwait SAKP  
Singapore Branch  
9 Raffles Place #24-01/02  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

**China**  
National Bank of Kuwait SAKP  
Shanghai Representative Office  
Suite 1003, 10th Floor, Azia Center  
133 Yin Cheng Bei Road, Lujiazui  
Shanghai 200120  
China  
Tel: +86 21 6888 1092  
Fax: +86 21 5047 1011

## NBK Capital

**Kuwait**  
NBK Capital  
38th Floor, Arraya II Building, Block 6  
Shuhada'a street, Sharq  
PO Box 4950, Safat, 13050  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6904 / 5

**United Arab Emirates**  
NBK Capital Limited - UAE  
Precinct Building 3, Office 404  
Dubai International Financial Center  
Sheikh Zayed Road  
P.O. Box 506506, Dubai  
UAE  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

## Associates

**Turkey**  
Turkish Bank  
Valikonagl CAD. 7  
Nisantasi, P.O. Box. 34371  
Istanbul, Turkey  
Tel: +90 212 373 6373  
Fax: +90 212 225 0353