

Local

Economists have faith in Kuwait's 'strong economy' to withstand crises

Strait of Hormuz closure 'almost impossible to happen'

By Nawara Fattahova

KUWAIT: People in Kuwait are bracing for a potential war or military operations due to the unstable situation in the region after the killing of top Iranian commander Qasem Soleimani in Iraq by the US. The current situation has impacted various economic sectors in Kuwait, as well as the stock market, and may change the behavior of consumers.

According to economist Hajjaj Abu Khadour, the economic situation of Kuwait is strong. "I don't expect a war to happen, but if serious events take place, they won't last for long - maybe only for a few days. The effect of such operations may last for a month or two, which includes closing the Strait of Hormuz, which also can't last for long," he told Kuwait Times.

The disruptive actions will have a limited effect. "An example is the attacks on Saudi oil facilities three months back. Oil production resumed within two days. Kuwait has oil reserves in China and the US. We have alternative sources to compensate, and oil exports will not stop. If people read history carefully, they will realize that Iran will not take any irrational decisions, as they want to preserve their political regime," Abu Khadour said.

Abu Khadour does not foresee any economic or food problems. "Kuwait has large food stocks. Furthermore, land borders are open, so we don't necessarily need to get them by sea. Moreover, Kuwait has

experience dealing with crises, as we endured the worst experience during the invasion in 1990," he explained.

"People in Kuwait and the GCC region have a culture of consumerism. So the consuming motivation controls decisions. There should be some awareness campaigns in such situations. Also, during the last few years, a 'grumbling' culture has spread among people, who complain about everything," concluded Abu Khadour.

Another economist, Dr Abdullah Marafi, agreed that Kuwaitis are avid consumers. "We are not used to save, so even if people feel worried about the situation or the future, austerity won't be noticeable. In general, people depend on their salaries for spending, and if their salaries don't change, their spending behavior won't change too," he pointed out.

"The current period is unstable, but we don't know until when it may last - but I think it will be resolved within a few months. I don't expect the situation to reach the danger level. The region is troubled, but people have got used to this situation - this also includes earthquakes and not just political issues," stressed Marafi.

He is optimistic about oil prices. "Currently, the oil price is below the fair price of oil, and I expect it to rise in the coming months. Supply and demand and alternative energy, which is still more expensive, will affect oil prices. The closure of the Strait of Hormuz will cause a



KUWAIT: A Kuwaiti trader follows stock prices at Boursa Kuwait stock market in Kuwait City yesterday. —Photo by Yasser Al-Zayyat

collapse for the whole world, and I think it's almost impossible to happen. International oil tankers pass from there, so even if it is closed, this can't last for long. In case this happens, we will be affected of course," Marafi added.

GCC countries follow regional event with concern

JEDDAH: GCC Secretary General Dr Abdullah bin Rashid Al-Zayani said the Gulf countries were following up with great concern the serious events and developments in Iraq, said a statement. The GCC Secretariat indicated that Dr Zayani called on the concerned parties to calm down, de-escalate and prioritize political solutions to the crises in order to spare the region and its people of any negative repercussions on their security and stability. The Secretary General called on the international community to assume its responsibilities to reduce escalation in this vital region of the world. The Pentagon confirmed last Friday an operation in which Commander of the Islamic Revolutionary Guard Corps' Quds Force Qassem Soleimani was eliminated in Iraq.— KUNA

Ministry takes measures against offending companies

KUWAIT: The Ministry of Commerce and Industry said yesterday that the department for combating money laundering and terrorism funding issued in December a total of 128 precautionary measures against offending companies, in accordance with Law 106/2013. The ministry said in a press release that the measures included the address of written warnings to 14 realty companies, nine jewelry companies, a single insurance firm and a money exchange company. Up to 49 property companies, 23 jewelry companies and two money exchange ones were compelled to abide by specific measures compatible with the laws.— KUNA

Oil price trends hinge on how crisis is tackled: Experts

KUWAIT: Current geopolitical conditions in the Gulf region namely mounting tension between the United States and Iran are expected to lead to rising oil prices, according to Kuwaiti experts. In interviews with Kuwait News Agency (KUNA), the experts have pointed out that impact on the crude oil prices largely depends on the manner the current crisis will be addressed; indicating that the crude prices may steady if the issue is tackled with diplomacy.

Ahmad Al-Kouh, a petroleum analyst, said geopolitical impact on oil prices would be direct and for a specific period, noting that the latest round of escalation between Tehran and Washington pushed the oil price high by three dollars. He expressed the belief that a forecast rise of the oil prices would be largely due to psychological factors rather than factual stimulants, noting that navigation via the Gulf waters and crude production in the regional countries have proceeded as regular. Abdulsamee Bahbahani, also an expert in the sector, said oil prices, in shadow of the crisis, have increased rapidly reaching the level of \$70 per barrel

for the Brent in particular. Global oil reserves are currently high, thus the prices fluctuations will be relatively slow on weekly basis, Bahbahani said. He underscored necessity of protecting regional waterways via which GCC countries export 80 percent of their crude output.

Meanwhile, Khaled Boodai, the oil expert at Al-Ofoq Consulting Center, noted that oil prices are, under regular circumstances, are affected with demand and supply, economic growth, crude reserves and geopolitical jitters. Tensions related to the crisis have begun to affect the oil prices amid consumers' tendency to purchase additional amounts of oil to beef up reserves in anticipation of any possible drastic escalation, according to Boodai.

Despite the prevailing bleak picture, Boodai rules out further military escalation between the US and Iran, expecting a political settlement as happened in similar situations in the past. Oil prices in the foreseeable future are expected to wobble between \$70 and 75 pb, he believed.— KUNA



KUWAIT: This file photo shows Kuwait Oil Company employees working at a company site.



KUWAIT: Deputy Foreign Minister Khaled Al-Jarallah met yesterday with the US Charge d'affaires to the State of Kuwait Larry Memmott. The deputy foreign minister and the American diplomat discussed bilateral relations, developments on the regional and international arenas.—KUNA

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