

Business

NBK Economic Report

Spending solid amid vaccination progress and economy reopening

Spending supported by renewed debt repayment deferrals and recent pick-up in consumer loans

KUWAIT: Rising consumer spending continues to be one of the main drivers of Kuwait's economic recovery, supported by renewed debt repayment deferrals for Kuwaiti borrowers and a recent pick-up in consumer loans. Spending remained strong, although slowed recently, given the good progress on vaccinations and the recent sharp drop in the infection rate and the easing of COVID restrictions. However, a possible drop in public spending (to contain budgetary pressures), further weakening in the labor market particularly among expatriates, and possibly another virus wave could weigh on spending in the period ahead.

Spending growth slows as the base effect fades

Despite a monthly increase of 4% m/m, spending growth decelerated to 18% y/y in July, its lowest rate since last November and well down from the 137% recorded in May. It is also worth noting that year-to-date, spending was up more than 12% in July, which is decent by historical standards. The recent slowdown reflects mostly the fading of y/y base effects that had pushed up growth earlier this year on the anniversary of the start of the pandemic. With this base effect now in the past, spending growth should be more stable going forward, with less fluctuations in mobility restrictions, in the absence of another surge of the COVID cases.

As for consumers' method of payment, growth in ATM cash withdrawals fell back into negative territory after being positive for four months in a row, decreasing by 3.9% y/y in July following average growth of 17% in

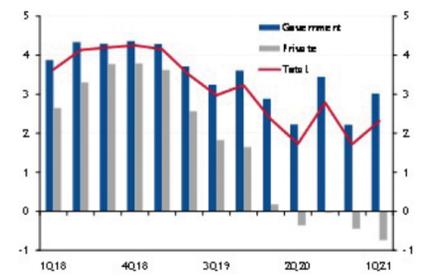
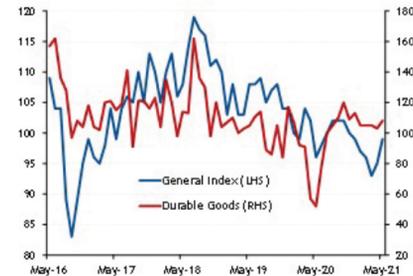
1H21. Growth in point-of-sale transactions declined 12.8% y/y in July after reaching a record high of 302% in May, as May last year saw closures and movement restrictions due to COVID. Online spending growth, however, remained strong at 42.8%, pushing the amount of online transactions to a record KD 0.92 billion, or 38.3% of total spending.

Consumer confidence improved on economic reopening

With the reopening of the economy and rising oil prices, confidence about jobs and the economic outlook improved, boosting household expenditure on durables purchases. Ara's consumer confidence index continued its upward trend from 93 in March to 99 in May, the highest level since December 2020. This reflects mainly consumers' hopes that the worst of the pandemic's impact may have passed. Most index sub-components, including current employment (132) and durable goods (108), remained robust, though the current economic situation (87) and current personal income (85) segments remained lower.

Strong consumer lending is supporting spending

Consumer spending was also supported by a pick-up in borrowing coming in the wake of a sharp drop in 2020 due to the pandemic. In fact, overall household credit growth accelerated in 2Q21, with the y/y increase at 11.6% through June, the highest annual expansion since early 2016. This robust increase was driven in part by personal consumption loans (+12.8%),



which picked up in 2Q21 following two weak quarters. Moreover, spending is in part supported by accumulated savings, thanks to the renewed six-month repayment deferral for Kuwaiti borrowers, which is expected to temporarily free up about KD 1 billion for possible spending, equivalent to around 5% of estimated household spending in 2020.

Public sector hiring trends supportive of spending

Rising spending levels continue to come against the backdrop of solid employment growth among the Kuwait national segment. According to the recently released data by the Public Institution for Social Security (PIFSS), employment growth among Kuwaitis increased by 2.3% y/y in 1Q21 from 1.7% in 4Q20. This reflects an improvement in hiring activity growth in the public sector from an over three-year low of 2.2% y/y

in 4Q20 to 3% in 1Q21, while the private sector recorded a drop of 0.7% y/y. Thus, softness in the private labor market is likely to weigh on the consumer-spending outlook in the near-to-medium term. The public sector has fared quite well in comparison to the private sector, but this could mostly be attributed to the effects of Kuwaitization efforts.

With the continued successful rollout of the vaccination program and the further reopening of the economy and businesses, consumer spending is expected to remain solid. However, the outlook will remain contingent on the recovery of the labor market especially in the private sector, as well as worries about another virus wave in the coming months. Also, the easing of travel restrictions is encouraging Kuwaitis and non-Kuwaitis to spend their summer holiday outside Kuwait, diverting more spending overseas.

Delegates hash out UN biodiversity goals online

PARIS: Country delegates met online on Monday to start tackling a draft agreement for the pandemic-delayed COP15 global summit on biodiversity, days after the new summit date of April 2022 was set. The virtual discussions between delegations from 195 countries are the first to be held since the UN unveiled the text in July and are slated to run until September 3.

The fruit of months of online talks, the draft calls for the preservation of at least 30 percent of land and oceans, along with other biodiversity targets. It maps out the route for humanity to be "living in harmony with nature" by 2050, outlining dozens of targets and milestones to be hit by 2030 to preserve biodiversity.

But environmental and conservation groups are lobbying for stronger language in the draft agreement around several key issues, including the measures needed to stave off further outbreaks of deadly viruses such as SARS-CoV-2. "It's not ambitious enough at all," Wildlife Conservation society vice president Susan Lieberman told AFP, adding "There is no mention of the pandemic." Eleven civil society organisations warned in a statement that the current language on wildlife trade was dangerously weak, despite its probable link to the COVID outbreak. "The (text) calls only for such trade to be 'safe for human health'," a representative for the groups said in an email, proposing new language that would outlaw any activity that carries a risk of "pathogen spillover".

Highlighting further concerns, the Avaaz online activist network called for the agreement to include the full recognition of indigenous peoples and the elimination of at least \$800 billion in subsidies for environmentally harmful activities.

It also said the text should "conserve and protect at least half of the planet by 2030 as a means of staying below 1.5C and addressing the acceleration of biodiversity loss". The text will need to withstand the crucial online negotiations phase in October as China assumes the presidency of the summit. —AFP

Burgan Bank announces special monthly 'Mega Hit' offer on 'GoPro Hero 9'

KUWAIT: Burgan Bank's prepaid and credit cardholders can now benefit from the exclusive monthly 'Mega Hit Offer' through its partnership with 'Best Al-Yousifi', the leading electronics store in Kuwait. The bank's valued customers will be given the chance to purchase "GoPro Hero 9" for a special discounted price today (25th of August, 2021).

The offer provides limited quantities of the highly demanded camera and is valid for 24 hours only. Customers can benefit from the 'Mega Hit Offer' while making other purchases only through the 'Best Al-Yousifi' website or mobile application. As the only bank in Kuwait to provide this special offer, the selected product's price can also be viewed on Burgan Bank's social media platforms on the same day of the offer. To learn more about Burgan Bank's latest offers or any of its products and services, customers can visit any of the bank's branches or Burgan Banks Instagram page on @BurganBankKuwait, contact the call center or via WhatsApp at 1804080.

KFH offers variety of 'Mercedes' cars through its leasing product

KUWAIT: Executive Manager Automotive & Equipment at Kuwait Finance House (KFH), Ahed Aleesa said: KFH is providing, through its amazing lease products, a variety of "Mercedes" cars as part of KFH lease fleet. "Mercedes" cars are distinguished for fulfilling the needs of all society classes. The product provides a competitive monthly lease value starting from KD 279.

NBK provides customers 50% discount from Samsonite

KUWAIT: National Bank of Kuwait (NBK) is keen to offer best services for all customers, and as part of its endeavors to meet their needs and provide a wide range of services that suit their lifestyle, the bank is offering premium Family Banking Services Customers 50% discount from Samsonite.

Simply using the promo code they will receive by SMS, customers will get 50% off when purchasing the Cosmolite Bundle from Samsonite website, or present the code at the cashier when shopping in-store at Marina Mall, The Avenues, AlKout, and 360 Mall.

Customers can avail the offer by making their purchases using eligible NBK Credit Cards including: NBK Visa Infinite Credit Card, NBK-Kuwait Airways (Oasis Club) Visa Infinite Credit Card, NBK Visa Signature Credit Card, NBK-Kuwait Airways (Oasis

Aleesa added that KFH lease fleet comprises a variety of wide-spread and well-known brands, approximating 70 different kinds. KFH is distinguished for providing its (retail and corporate) customers with a unique and high-level service, thus giving them the opportunity to pick the cars of their choice through the lease products provided at KFH showrooms and the agents showrooms. The operational lease period, 12-36 months, plays a major role in identifying the best and easiest ways to enhance KFH role and contributions to customer service and the enhancement of the automotive market.

Aleesa said that KFH is distinguished for providing amazing programs through its retail and corporate

finance lease products, thus enabling the corporate sector to deal with the product easily and swiftly. Lease products comprise several attractive advantages including comprehensive maintenance, Takaful insurance, replacement car, round the clock road assistance service and travel in the leased car according to certain terms and conditions.



Ahed Aleesa

them a richer banking experience."

Family Banking Services are available for new and existing Kuwaiti customers and their families. Eligibility conditions for Privilege Family Banking Customers are minimum KD 5,000 combined salaries, or minimum KD 150,000 combined deposits/AUM of family members, whereas for Thahabi Family Banking Customers, minimum KD 2,500 combined salaries, or minimum KD 50,000 combined deposits/AUM of family members.

All family members are eligible to enjoy Family Banking Services (parents, spouse and children), up to 6 members in total.



Mohamed Akram Hashim

Samsung Group announces \$205bn investment plan

SEOUL, South Korea: Samsung Group unveiled a \$205 billion investment blueprint yesterday aimed at making the company a leader in a range of technologies from semiconductors to robotics and creating 40,000 new jobs. The tech giant is South Korea's largest conglomerate and its overall turnover is equivalent to a fifth of the national gross domestic product. Samsung Electronics, its flagship subsidiary, is the world's biggest smartphone maker.

The plan will "help Samsung strengthen its global standing in key industries while spearheading innovation in new fields", the company said in a statement, adding that it will also pursue corporate acquisitions. On the semiconductor front, the firm said it will seek to enhance cutting-edge technologies to meet "long-term demand rather than short-term changes". It is also looking to expand its biopharmaceutical business run by Samsung

Stellantis, Foxconn to make 'smart cockpit' for cars

PARIS: Global auto group Stellantis and Taiwanese electronics giant Foxconn unveiled a joint venture yesterday to make a "smart cockpit" for cars that will feature navigation, voice assistance and payment services.

The US-European automaker was formed in a merger between France's Peugeot and the US-Italian company Fiat Chrysler earlier this year,

Biologics and Samsung Bioepis.

The conglomerate said it would build two new manufacturing plants on top of three currently in operation with a view to tapping into the manufacturing of vaccines. Of the 240 trillion won (\$205 billion) it plans to spend, it will commit 180 trillion won to South Korea. The domestic investment is expected to create another 10,000 jobs on top of 30,000 already planned.

It could also induce as many as 560,000 new hirings in related industries, it said. The announcement comes just days after Lee Jae-yong, the de-facto leader of the conglomerate, walked out of prison on parole after completing only about half of his jail term.

It was the latest instance of the country's long tradition of freeing business leaders on economic grounds after imprisonment for corruption or tax evasion. Lee was serving a two-and-a-half year prison sentence for bribery, embezzlement and other offences in connection with a corruption scandal that brought down former South Korean president Park Geun-hye. But his parole is not the end of his legal travails: he remains on trial over alleged stock manipulation that effectively eased his path to take control of the family conglomerate. —AFP

with a stable that includes Alfa Romeo, Jeep and Maserati.

The joint venture with Foxconn, named Mobile Drive, and will make the smart cockpits available to other car makers.

"Its roadmap of software innovations will include artificial intelligence-based applications, navigation, voice assistance, e-commerce store operations, and payment services integration, amongst others," the companies said in a joint statement.

Foxconn, more famous for assembling Apple's iPhone, is trying to diversify into the auto business.

Stellantis plans to invest 30 billion euros in electric vehicles and new software over the next four years. —AFP

LuLu Hypermarket holds 'Super Deals' promotion

KUWAIT: The week-long promotion offered massive deals on a wide gamut of products ranging from groceries, fruits and vegetables, to fresh and frozen products, meat and fish items, as well as to non-food items including consumer electronics such as mobile phones, televisions, IT products and a whole lot more.

In addition, popular clothing and garment brands such as Cortigiani, De Backers, Eten, Ruff and Sin were also available at unbelievably amazing discounts. Besides being held simultaneously in all outlets of LuLu Hypermarkets in the country, the 'Super Deals' promotion was also available on the hypermarket's online platform at <https://www.luluhypermarket.com/>.

Access to the promotion deals, both online and offline, allowed shoppers the choice of selecting their preferred method and convenient time for shopping and ordering from the entire range of products on offer at the hypermarket. A main benefit for those ordering on the online platform was that LuLu Hypermarket offered free home-delivery for purchase of all products ordered online worth over KD 30. The free home-delivery offer was valid on purchases made from the start of the promotion on 25 August, until the penultimate Super Deals day on 31 August.

Super Deals promotion, which coincided with the country slowly returning to normal activity, was a major draw for shoppers eager at avail of the best offers at extraordinary prices. The promotion also once again reiterated LuLu Hypermarket's resolve to offer customers what they require, when they require, at the most competitive prices and on the widest selection of products.