

# KUWAIT'S CONSUMER SECTOR EASES; EMPLOYMENT ROBUST

News in brief

## NBK ECONOMIC REPORT

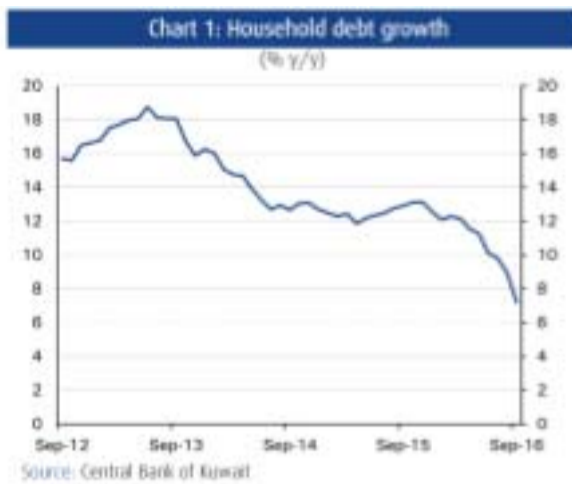
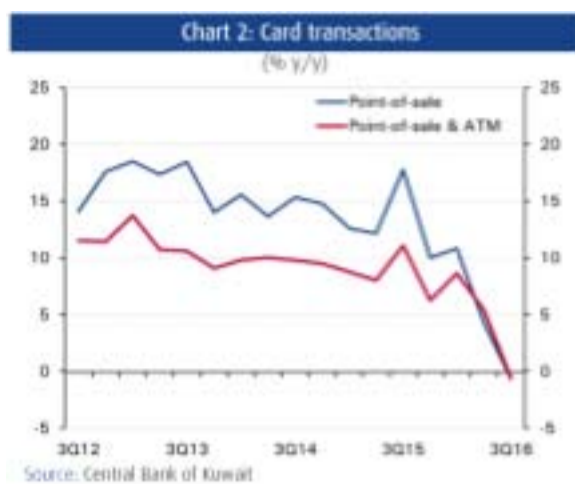
**KUWAIT:** The consumer sector softened noticeably in recent months just as subsidy reforms took off, though household income growth and employment remained robust. Most consumer indicators revealed further softness in the third quarter of 2016. Consumer confidence weakened notably at the end of the summer, while card spending shrank y/y. Meanwhile, employment among Kuwaitis continues to provide support to the sector, thanks to steady government hiring.

Consumer spending came under pressure during the third quarter of 2016. Credit and debit card point-of-sale spending growth slid into negative territory for the first time on record, as spending shrank by 0.7 percent y/y in 3Q16. Even total spending including ATM withdrawals showed a comparable decline in growth of 0.6 percent y/y. Growth in consumer spending has been slowing since 4Q15, in tandem with the significant drop in oil prices, though until now this slowdown was relatively gradual.

Imports of consumer goods have also felt the softness in the consumer sector. Consumer imports grew by a mere 1.3 percent y/y during the 12 months through 2Q16; this is well below the 8.4 percent y/y growth posted last year. Most of the impact has been felt in imports of motor vehicles, which recorded an 11 percent decline y/y in 2Q16. This is a reflection of a struggling auto market and, more generally, weak durable goods purchases.

Consumer confidence also weakened noticeably in recent months. The overall ARA consumer confidence index stood at 89 in October 2016, after recording its lowest reading since 4Q08 at 83 in September.

Most of that decline is due to weakness in the current income and the current economic situation components, highlighting concerns over sustained low oil



prices and the subsidy reforms being implemented. Household borrowing has also slowed more notably in recent months. Growth in personal facilities excluding credit for the purchase of securities slipped to 7.2 percent year-on-year (y/y) in September 2016 compared to 13.7 percent a year ago.

The average monthly net gain in such loans dropped to KD 50 million in the most recent six months, compared to an average of KD 123 million during 2015. Employment growth among Kuwaiti nationals has remained relatively supportive. The number of Kuwaiti civilian job entrants averaged around 4,039 a quarter over the four quarters ending in 2Q16. This represents a marked increase from around 3,000 job entrants two years earlier.

Of those, government sector hiring has been particularly strong; new government jobs nearly doubled to 2,726 a quarter during the same period. New private sector jobs retreated slightly, but continued to hold up relatively well, accounting for about a third of new civilian jobs. The slowdown in private sector employment is attributed to the government's continuous efforts to clamp down on "phantom employment".

The consumer sector is expected to continue to be soft into 2017, as consumers deal with further hikes in utility charges next year. While steady employment growth and modest gains in salaries in the government sector will continue to provide support to consumers, fiscal reforms will be a drag on the sector's performance.

**Kuwait oil price up 88 cents to \$49.89 pb**  
**KUWAIT:** The price of Kuwaiti oil went up by 88 cents to reach \$49.89 per barrel yesterday after it was at \$49.01 pb Friday, said Kuwait Petroleum Corporation (KPC) yesterday. At the global scale, the price of the crude's future contracts fluctuated yesterday due to the increase in Shale oil excavations in the US. The price was also affected by doubt that the OPEC decision to reduce production by the beginning of 2017 would really lower the global oil surplus. The price of the Brent crude was up yesterday by 48 cents to reach \$54.94 per barrel, the same case with the American crude which went up by 11 cents to hit \$51.79 pb.

**Bahrain has no sukuk plans in near future**  
**MANAMA:** Bahrain is not planning a sukuk issue "in the near future", and any offer will depend on the shape of the Gulf nation's budget for next year which is in the final stages of approval, the country's central bank governor said yesterday. Rasheed Al-Maraj, speaking to reporters on the sidelines of an Islamic finance conference, also repeated that Bahrain is committed to continuing with its currency peg against the US dollar.

**Islamic bank Al-Baraka eyes \$300m sukuk issue**  
**MANAMA:** Al-Baraka Banking Group is targeting the sale of capital-raising sukuk worth \$300 million in the first quarter of 2017, the chief executive of the Bahrain-based Islamic lender, with operations in over a dozen countries, said yesterday. "You'll see issuance of sukuk in the first quarter of 2017 around \$300 million, and we are talking to some banks" about arranging it, Adnan Ahmed Yusef told reporters on the sidelines of an Islamic banking conference. Yusef added that the issue would enhance the bank's core Tier 1 capital. Al-Baraka had a total capital adequacy ratio - a key indicator of a bank's financial health, which combines both Tier 1 and supplementary Tier 2 capital - of 15.15 percent as of June 30, according to a regulatory disclosure on its website.

**Emirates Islamic Bank launches 1.5bn dirham rights issue**  
**DUBAI:** Emirates Islamic Bank, the sharia-compliant arm of Dubai's largest lender, launched its 1.5 billion dirham (\$408 million) rights issue yesterday. Shareholders, who hold shares in the bank at the close of business yesterday, will be eligible to the subscription which begins on December 14 and ends on December 28, the Dubai-based lender owned by Emirates NBD said in a bourse statement. The statement said allocation of the new shares will be made on December 29. The bank's chief executive Jamal Bin Ghalaita told Reuters on October 10 the lender planned to complete its rights issue by early December. The rights issue will increase the bank's paid up share capital from 3.93 billion dirhams to 5.43 billion dirhams, it said in a statement. Each new share will be priced at 1 dirham. Shareholders are eligible to buy one share for every 2.63 shares held on the subscription date. Emirates NBD is the book runner for the transaction.

**US dollar down against KD to 0.304**  
**KUWAIT:** The exchange rate of the US dollar went down yesterday against the Kuwaiti dinar to reach KD 0.304 while the rate of the euro rose to KD 0.327 compared with Monday, said the Central Bank of Kuwait (CBK). The CBK said that the rate of the pound sterling went up to KD 0.388, the same case with Swiss Franc which stood at KD 0.302.

**Weak lira could knock CB off targets in early 2017**  
**ANKARA:** Weakness in the Turkish lira could start to drive up prices and knock the central bank off its targets in the first quarter of next year, but the impact will depend on the pace of economic activity, Governor Murat Cetinkaya said yesterday. At a news conference on the central bank's monetary and exchange rate policy for 2017, Cetinkaya said the impact of forex volatility on inflation had so far been limited, but said the upwards risks to prices had increased. The lira has hit a series of record lows in recent weeks, hit by a resurgent dollar as well as uncertainty about the outlook for Turkey's domestic politics and security. The bank's rate hike last month, its first in almost three years, has done little to ease the pain.

## OPEC EXPECTED TO DELIVER ONLY HALF OF TARGET PRODUCTION CUT

**LONDON:** OPEC will achieve some but not all of the production cuts the organization agreed last month, according to an informal survey of energy professionals conducted after the agreement was announced. Most energy professionals expect OPEC output will decline to around 33.0 million barrels per day in January 2017, down from 33.6 million bpd in October but well above the deal's target of 32.5 million bpd.

Most of the 260 respondents to the survey think the organization will succeed in cutting output, but on average by only 600,000 bpd, or half its stated target of 1.2 million bpd. Less than 8 percent thought OPEC would achieve its target in full. Skepticism about OPEC's ability to meet its target underlines the challenge facing the organization as it tries to reduce global oil stocks and raise prices next year.

Saudi Arabia and its allies Kuwait, Qatar and the United Arab Emirates have pledged to cut their combined production by almost 790,000 bpd with effect from January. Cuts by these members will probably be delivered in full, or almost, given their track record of complying with past output agreements.

But the current deal assumes cuts of around 380,000 bpd from other members of OPEC, most of which have a poor track record of compliance and are unlikely to deliver them in full. In addition, Nigeria and Libya were specifically exempted from output ceilings imposed on other members of OPEC to allow them to increase production if they can restore security at their oil facilities.

Most OPEC members actually raised production last month, even as they talked about reducing it from January, as they tried to defend market shares and establish the highest possible baseline for future cuts. OPEC production hit a record high of 34.19 million bpd in November from 33.82 million bpd in October, according to the official Reuters survey.

OPEC members have been consistently boosting production for the last six months even as they have been talking about the need for a freeze or cut to drain excess stocks.

The short-term boost in production has worsened the supply situation, increased stockpiles, and made the eventual process of rebalancing harder. If OPEC members can deliver some sort of production cut, even one of only 600,000 bpd, it will help bring rebalancing forward, but the process is still likely to be a long and difficult one.

OPEC needs strong growth in oil consumption next year to absorb cheating by the organization's members, as well as a possible increase in exports from Nigeria and Libya, and a potential rise in US shale production. — Reuters



DUBAI: Visitors look at planes during the Middle East and North Africa Business Aviation Association (MEBAA) show in Dubai yesterday. — AFP

## OMAN LOOKING AT SPENDING CUTS IN 2017 BUDGET

**MUSCAT:** Oman's Finance Ministry is looking at cutting expenditure again in the state budget for next year to reduce a deficit caused by low oil prices, sources briefed on the ministry's thinking told Reuters yesterday. A draft budget for 2017 foresees a 5 percent cut in spending from this year's budget, and no increase in revenues, the sources said. The draft assumes an average oil price of \$45 per barrel.

The ministry declined to comment on its 2017 budget plan, which is expected to be released around the end of this year or early next.

The 2016 budget envisaged state expenditure of 11.9 billion rials - down 11 percent from actual spending in 2015 - and revenues of 8.6 billion rials; officials said their 2016 economic plans also assumed an average oil price of \$45. So far, however, the deficit has come in higher than projected, totalling 4.4 billion rials in the first nine months.

Financial Affairs Minister Darwish Al-Balushi briefed the Shura Council, a top advisory body to the government, on the draft budget in a closed-door session last month, the sources said.

Oman cut benefits for employees of state agencies this year as part of its austerity drive. The 2017 draft budget proposes more cuts to public sector bonuses but foresees no immediate reductions to salaries, according to the sources. — Reuters

## SAUDI ARAMCO IPO UNLIKELY TO REQUIRE RULE CHANGES

**RIYADH:** Saudi Aramco's planned flotation is unlikely to require any major changes to Saudi Arabia's securities rules, the vice chairman of the kingdom's market regulator said. The kingdom's state oil giant is targeting 2018 for what is expected to be the world's biggest ever initial public offering, with a listing on both its home exchange and a foreign market among the options being discussed.

The move is part of Saudi Arabia's ambitious plans to diversify its economy away from oil, under the banner of Vision 2030, which includes a greater involvement of the private sector and improving the efficiency of state-owned companies.

Should a dual listing happen, some work might be needed involving the management of shares between two markets, such as the mechanics on the sharing of information on trades, Mohammed bin Abdullah Elkuwaiz of the Capital Market Authority (CMA) told reporters on the sidelines of a conference yesterday. Saudi Arabia has never before had a dual listing involving a company listed on its bourse, which is known as the Tadawul.

"If there is a decision to list in another exchange, whether it is Aramco or any other company, there would be something that will need to be done, but most of this is more on the operations side not the regulatory side," he said. Ultimately it will depend on the structure which Aramco decides to employ on its listing, but from what the CMA is anticipating there would be no need for additional rule changes, Elkuwaiz added. — Reuters

## EXCHANGE RATES

### AL-MUZAINI EXCHANGE CO.

#### ASIAN COUNTRIES

Japanese Yen	2.697
Indian Rupees	4.497
Pakistani Rupees	2.919
Sri Lankan Rupees	2.065
Nepali Rupees	2.812
Singapore Dollar	216.870
Hongkong Dollar	39.459
Bangladesh Taka	3.846
Philippine Peso	6.169
Thai Baht	8.626

#### GCC COUNTRIES

Saudi Riyal	81.654
Qatari Riyal	84.101
UAE Dirham	795.218
Bahraini Dinar	813.070
UAE Dirham	83.356

#### ARAB COUNTRIES

Egyptian Pound - Cash	23.900
Egyptian Pound - Transfer	17.399
Yemen Riyal/for 1000	1.229
Tunisian Dinar	133.920
Jordanian Dinar	431.200
Lebanese Lira/for 1000	2.040
Syrian Lira	2.182
Morocco Dirham	30.909

#### EUROPEAN & AMERICAN COUNTRIES

US Dollar Transfer	306.000
Euro	324.670
Sterling Pound	390.150
Canadian dollar	230.150
Turkish lira	88.230

Swiss Franc	302.970
Australian Dollar	229.350
US Dollar Buying	304.800

#### GOLD

20 Gram	241.07
10 Gram	123.46
5 Gram	62.57

### DOLLARCO EXCHANGE CO. LTD

#### Rate for Transfer

Rate for Transfer	Selling Rate
US Dollar	305.650
Canadian Dolla	230.085
Sterling Pound	389.515
Euro	324.345
Swiss Frank	302.445
Bahrain Dinar	810.255
UAE Dirhams	83.610
Qatari Riyals	84.830
Saudi Riyals	82.435
Jordanian Dinar	431.775
Egyptian Pound	17.593
Sri Lankan Rupees	2.064
Indian Rupees	4.487
Pakistani Rupees	2.916
Bangladesh Taka	3.878
Philippines Peso	6.150
Cyprus pound	167.850
Japanese Yen	3.690
Syrian Pound	2.435
Nepalese Rupees	3.800
Malaysian Ringgit	69.445

Chinese Yuan Renminbi	45.000
Thai Bhat	9.575
Turkish Lira	87.220

### BAHRAIN EXCHANGE COMPANY WLL

#### CURRENCY BUY SELL

CURRENCY	BUY	SELL
British Pound	0.381639	0.391639
Czech Korune	0.003927	0.015927
Danish Krone	0.039332	0.044332
Euro	0.317427	0.326427
Norwegian Krone	0.032031	0.037231
Romanian Leu	0.072173	0.072173
Slovakia	0.009174	0.01914
Swedish Krona	0.028990	0.033990
Swiss Franc	0.294522	0.305522
Turkish Lira	0.083994	0.094294
Australian Dollar	0.219571	0.231571
New Zealand Dollar	0.211038	0.220538
Canadian Dollar	0.224135	0.233135
Georgina Lari	0.138207	0.138207
US Dollars	0.301900	0.306600
US Dollars Mint	0.302400	0.306600
Bangladesh Taka	0.003377	0.003961
Chinese Yuan	0.042940	0.046440
Hong Kong Dollar	0.037368	0.040118
Indian Rupee	0.000096	0.004607

Indonesian Rupiah	0.000018	0.000024
Japanese Yen	0.002608	0.002788
Kenyan Shilling	0.002996	0.002996
Korean Won	0.000250	0.000265
Malaysian Ringgit	0.064916	0.070916
Nepalese Rupee	0.002840	0.003010
Pakistan Rupee	0.002670	0.002960
Philippine Peso	0.006074	0.006374
Sierra Leone	0.000052	0.000058
Singapore Dollar	0.209050	0.219050
South African Rand	0.015998	0.024498
Sri Lankan Rupee	0.001642	0.002222
Taiwan	0.009428	0.009608
Thai Baht	0.008255	0.008805

Arab	
Bahraini Dinar	0.805100
Egyptian Pound	0.015640
Iranian Riyal	0.000085
Iraqi Dinar	0.000181
Jordanian Dinar	0.426542
Kuwaiti Dinar	1.000000
Lebanese Pound	0.000152
Moroccan Dirhams	0.020137
Nigerian Naira	0.000369
Omani Riyal	0.788384
Qatar Riyal	0.083239
Saudi Riyal	0.080513
Syrian Pound	0.001298
Tunisian Dinar	0.129939
Turkish Lira	0.083994
UAE Dirhams	0.081888
Yemeni Riyal	0.001013