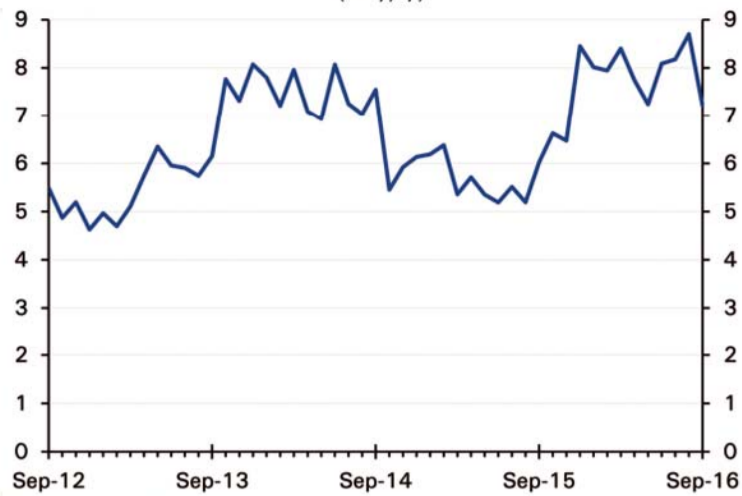
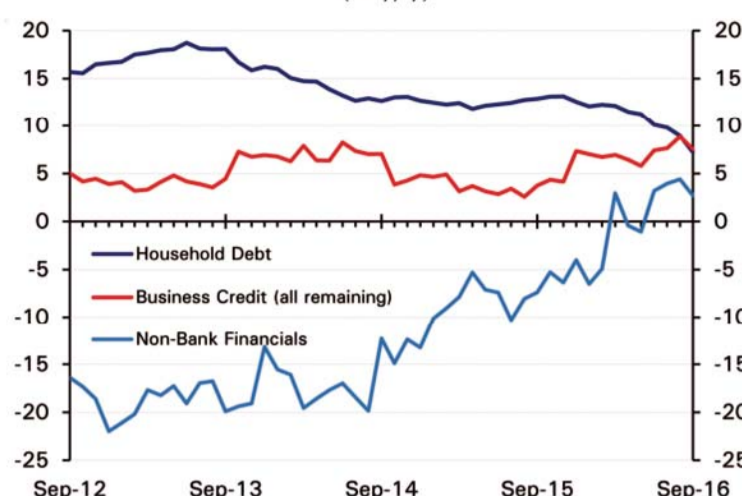


Chart 1: Credit growth (% y/y)



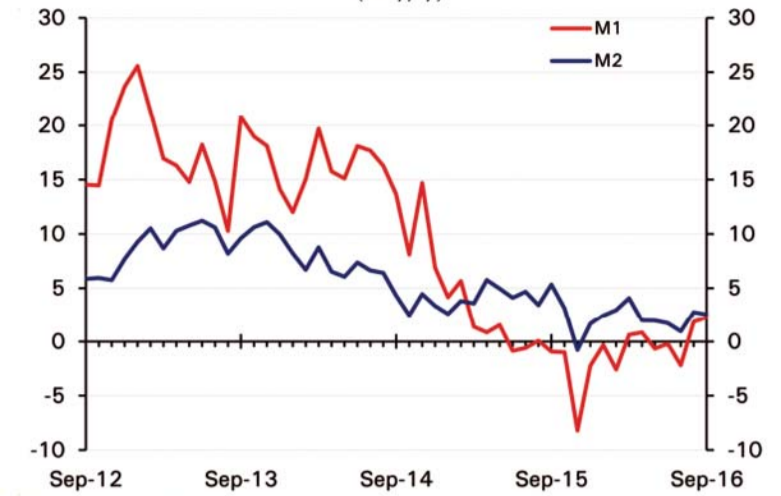
Source: Central Bank of Kuwait

Chart 2: Credit growth by component (% y/y)



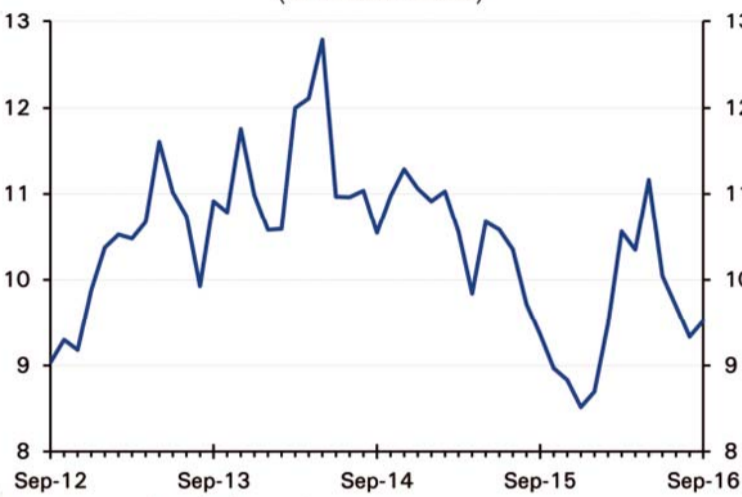
Source: Central Bank of Kuwait

Chart 3: Money supply growth (% y/y)



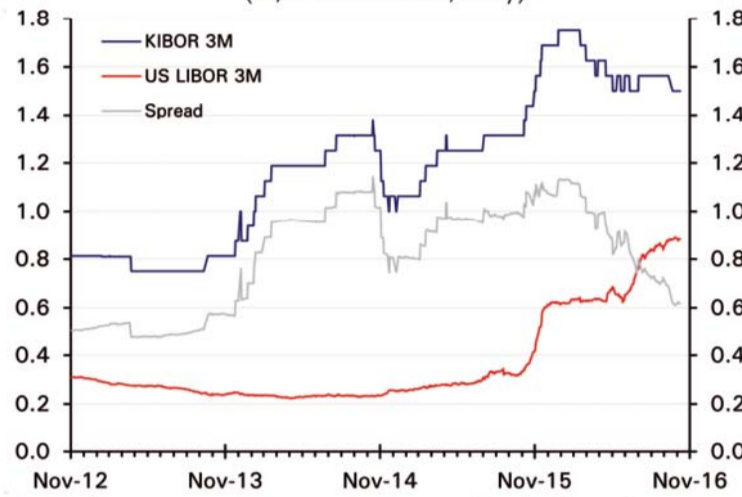
Source: Central Bank of Kuwait

Chart 4: Bank reserves (% of bank assets)



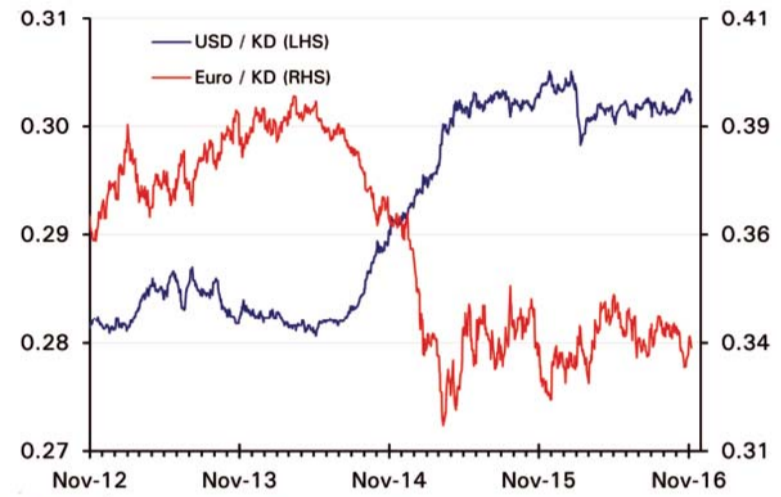
Source: Central Bank of Kuwait

Chart 5: Interbank rates (% 3-month rates, daily)



Source: Thomson Reuters Datastream, Central Bank of Kuwait

Chart 6: Exchange rates



Source: Thomson Reuters Datastream

KUWAIT CREDIT GROWTH MODERATES TO 7.2% IN SEPT

NBK ECONOMIC REPORT

KUWAIT: Outstanding bank credit recorded a healthy gain in September, but saw growth slow notably to 7.2 percent year-on-year (y/y) due to base effects. Loans rose by a good KD 272 million, driven largely by lending for the purchase of securities. Meanwhile, household loans were flat during the month and business credit was mixed. Private deposits saw a solid gain during the month combined with a smaller increase in government deposits. Domestic interest rates held steady throughout the month.

Household lending was flat in September, with growth slowing to 7.2 percent following months of softening. The absence of growth during the month was the worst result since early 2011, though it did come on the heels of a strong showing in August. As a result, growth was the

weakest it's been in five years.

Lending to nonbank financial companies saw a healthy net gain and maintained positive growth from a year ago. Sector debt added KD 42 million during the month, with growth coming in at 2.7 percent y/y. The sector appears to have largely completed deleveraging that began in the wake of the 2008 financial crisis.

All remaining credit rose by KD 231 million, though growth eased to 7.5 percent y/y on basis effects. A large part of the gain came from a KD 219 million increase in lending for the purchase of securities. Other business sectors were mixed. Some solid gains were visible in the construction, real estate and trade sectors. This was offset, however, by a notable weakness in crude oil & gas and "other".

Private deposits rose in September, following three months of decline during the summer. Deposits rose by KD 405 million. The gains were concentrated in KD sight and time deposits. Meanwhile, foreign currency deposits declined, partially offsetting the gains. The notable rise in KD sight deposits pushed growth in the narrower M1 money supply higher to 2.3 percent y/y; meanwhile, broad M2 money supply growth slowed slightly to 2.6 percent y/y on base effects.

Government deposits added KD 46 million on the month with growth steady at 27 percent. Government deposits have grown notably over the last twelve months at a time when private sector deposits have been under pressure; they added KD 1.4 billion over

the last twelve months compared to a gain of only KD 825 million in private deposits during the same period.

Banking system liquidity improved in September, further bolstering its healthy level. Bank reserves (i.e. cash, deposits with the CBK and CBK bonds) added KD 210 million to reach KD 5.8 billion or 9.5 percent of total bank assets. The increase was predominantly in time deposits with the CBK and coincided with a KD 413 million increase in CBK foreign reserves, which jumped to KD 8.1 billion. Meanwhile, net domestic debt issuance, which taps back liquidity, rose from the previous month; outstanding public debt instruments (PDIs) rose by KD 200 million during September to KD 2.77 billion.

EGYPT, SAUDI HIT BY PROFIT-TAKING

MIDEAST STOCK MARKETS

DUBAI: Profit-taking hit stocks in Egypt and Saudi Arabia yesterday following strong rallies in both markets, while general weakness in emerging markets dragged down the United Arab Emirates and Qatar.

Cairo's blue chip index, which had soared 28.1 percent since the Egyptian pound was floated on Nov. 3, fell 2.0 percent ending 12 consecutive sessions of gains. The broader EGX100 index dropped 0.8 percent. Exchange data showed non-Arab foreign investors remained net buyers of stocks to the tune of about \$6.7 million, a smaller amount than in previous days.

Many Egyptian blue chips surged after the pound's float partly because the depreciation of currency meant companies' dollar-denominated global depositary receipts were suddenly worth much more in local currency. But that effect now appears to have largely run its course. The Cairo-listed shares of Commercial International Bank, for example, fell 3.9 percent to 66.60 Egyptian pounds. At \$4.26, its GDRs were worth 67.10 pounds at an exchange rate of 15.75 pounds to the dollar.

Saudi Arabia's index slipped 0.5 percent, ending seven consecutive sessions of gains in the heaviest trading volumes since April. Petrochemical shares lost their footing as Brent futures fell below \$44.50 a barrel, heading for their lowest settlement since August. Heavyweight producer Saudi Basic Industries fell 0.6 percent.

The banking sector was mixed as Saudi central bank officials told a news conference that they wanted money rates to fall further, easing a liquidity squeeze in the sector. They indicated that more fund inflows into the banking system were expected.

UAE, QATAR

Currencies from the Mexican peso to the Malaysian ringgit fell yesterday as the US dollar soared to an 11-month peak. But in the Gulf, foreign exchange pegs mean foreign investors do not have to worry about currency depreciation against the US dollar.

Nevertheless, Dubai's main index lost 0.9 as builder Arabtec dropped 2.3 percent. The company reported a narrower quarterly loss of 225.5 million dirhams (\$61.4 million) compared with a 944.8 million loss in the same period of last year. Index compiler MSCI is due to announce the results of its semi-annual index review at the end of the day. VTB Capital said in a note that it estimated an 80 percent probability that DXB Entertainment would replace Arabtec in MSCI's emerging market index. Shares in the amusement park builder closed down 0.7 percent.

VTB Capital also expects Dubai Financial Market, the only listed Gulf exchange, to be excluded from the index. Its shares dropped 1.8 percent. But Air Arabia climbed 2.4 percent after it reported a 26 percent rise in third-quarter net profit to 297 million dirhams, at the upper end of analysts' forecasts.

Similarly, Abu Dhabi's index fell for a fourth straight session, closing 1.2 percent down. MSCI emerging market index component Etisalat lost 2.3 percent.

In Qatar, the index slipped 1.3 percent in modest volume to a fresh five-month low. Twelve of the 13 shares that are members of the MSCI emerging market index fell, with Qatar Navigation losing 3.5 percent. —Reuters



CHEVROLET ALGHANIM PROMOTES KIND DRIVING

SPONSORSHIP ACTIVITIES IN 2016 YELLOW PARADE

KUWAIT: As part of its ongoing commitment to promoting safety and kindness on the road, Yusuf A. Alghanim & Sons Automotive, the exclusive distributor of Chevrolet Alghanim, has participated in and sponsored for the second year in a row the Yellow Parade organized by Alnowair, a non-profit initiative founded by Sheikhha Intisar Salem Al-Ali Al-Sabah that aspires to spread positivity in Kuwait through campaigns and activations. Coinciding with the World Kindness Day, the Yellow Parade and kindness carnival, which hosted over 100 vehicles and dozens of motorbikes along with representatives from many organizations, aim to promote kindness and empathy on the road and in our daily lives through a variety of public activities under the social umbrella, #DriveKind.

As one of Yellow Parade's sponsors, Chevrolet Alghanim had a captivating booth that garnered the attention of many visitors through a number of interactive activities led with positive messages. One of the activities that drew a large number of participants was the "Wheel of Kindness," where a participant would spin the wheel and perform one of the 12 acts of kindness on the spot, such as thanking five volunteers for their efforts, meeting someone new, taking a group selfie with friends, and more. Attendees also had the chance to write on the "Wall of Kindness," an interactive wall that invited them to write down behaviors that they appreciate on the road from other drivers; thus, in return, relaying their messages to other drivers who stopped by to read them.

Ultimately, the event underscores Chevrolet Alghanim's commitment to build an engaging relationship with the youth of Kuwait as part of



the company's varied social initiatives. The company promises to continue sponsoring and participating in events that promote noble and social causes in a creative manner, especially ones like Alnowair's Yellow Parade and its brand of positivity, whose core values of pursuing a life of fulfillment and happiness through empathy with others coincide with values that Chevrolet Alghanim endorses, both internally and publically, through its "I Care" pledge. Chevrolet Alghanim encourages all of its customers to #DriveKind and to stay tuned for the feedback that was shared on its interactive wall.

Chevrolet Care

All customers who purchase a Chevrolet from Yusuf A. Alghanim & Sons will receive the benefits of the Chevrolet Care Program, which entails new levels of post-sale support and trust. The Chevrolet Care is an exceptional customer service that is based on four main pillars: competitive and transparent service costs (especially for four-wheel drive vehicles), scheduled service appointment booking with same day delivery, quality service by certified technicians and 3yr/100,000km warranty with 24x7 roadside assistance for 4 years.

IDB TO ANNOUNCE SUKUK ROADSHOW THIS WEEK

DUBAI: The Islamic Development Bank (IDB) will announce this week plans for investor roadshows covering its planned sukuk sale, bankers familiar with the situation told Reuters. The issue, expected to be in excess of \$1 billion, is one of the few remaining debt sales likely to be completed in the Middle East before the end of this year, as the window to prepare new bonds shrinks and as market volatility puts investors in a defensive mode, bankers and investors said.

The IDB did not respond to an emailed request to comment. It mandated nine banks for the Islamic bond sale in late October, with the aim of issuing the sukuk after the US elections on Nov 8.

But the unexpected victory of Donald Trump in the US presidential election last week caused the IDB - as well as other potential debt issuers in the

Middle East - to wait a bit longer to assess the impact of Trump's victory on the regional bond market, bankers said.

"The deal would have gone out earlier if Clinton had won," said one. Some Middle Eastern bond transactions for which banks had already been mandated have been put on hold because of the market turmoil caused by Trump's win, and new mandates for issues that could have been taken place after a Clinton victory have been frozen, bankers said. Potential borrowers have decided to wait until January to see how markets perform. An interest rate hike by the US Federal Reserve Bank in December seems likely, and the market has already priced that in, "so what's the advantage in issuing now rather than in January?" said the banker. —Reuters