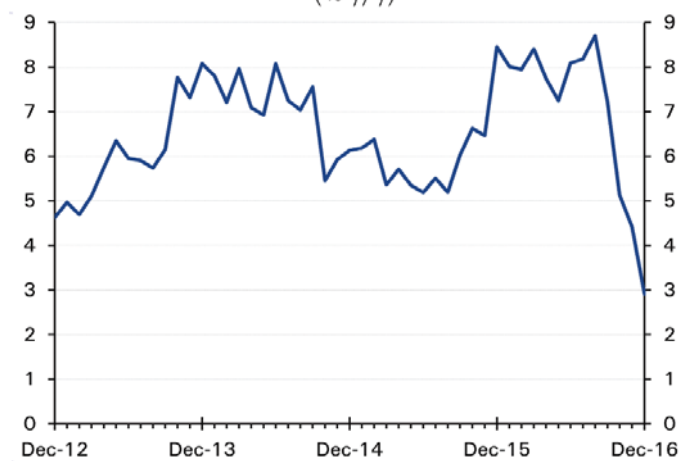
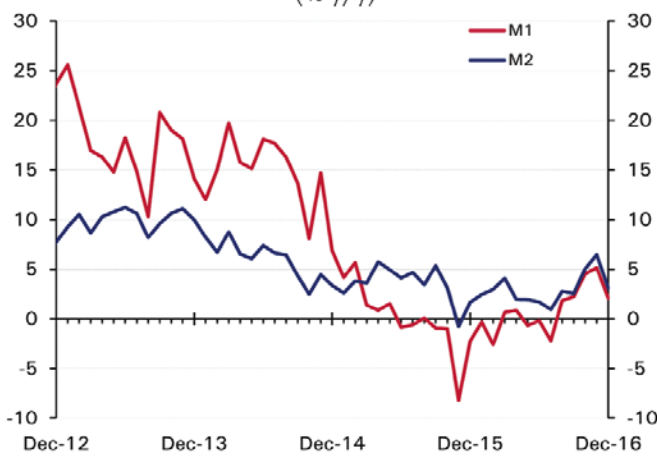


Chart 1: Credit growth (% y/y)



Source: Central Bank of Kuwait

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



Source: Central Bank of Kuwait

KUWAIT CREDIT GROWTH AVERAGES 7% IN 2016

NBK ECONOMIC REPORT

KUWAIT: Credit growth slowed further in December, despite a healthy gain during the month, on basis effects. Growth came in at 2.9 percent year-on-year (y/y), its slowest pace in nearly five years. December's healthy net gain of KD 291 million in lending was dominated by a jump in lending for the purchase of securities and an unusually large increase in investment company debt. Lending for households and business activity was weaker in December. Total credit growth averaged 7 percent in 2016. Private deposits were down, though they were largely offset by an increase in government deposits. Interest rates were mixed on the month.

Credit growth's recent slowdown is largely explained by a large corporate debt repayment in October, though basis effects were also to blame. A single borrower is thought to have repaid nearly KD 700 million. Still, we estimate that credit growth adjusted for this repayment still slowed to 5 percent y/y in December due to basis effects, as a result of large jump in lending in December 2015.

Household lending was weaker following two

months of more robust gains. Growth eased to 6.5 percent y/y, well below the 12.6 percent y/y growth recorded at the end of 2015. December's gains topped out at a modest KD 52 million, in line with the relatively weaker average recorded during the first nine months of 2016, though much smaller than the stronger gains recorded in October and November.

The weakness in household lending comes on the heels of a perceived slowdown in the consumer sector. Evidence has pointed to a decrease in household consumption. This has been visible in point-of-sale (POS) data, which shows consumer spending weakening notably in 2016. Growth in the value of local POS transactions slowed to 5.5 percent in 2016 from 13.3 percent in 2015.

Lending to nonbank financial companies saw a stronger than usual increase in December. Sector debt was up KD 85 million, as growth accelerated to 10.5 percent y/y. The sector, which ended 2016 with one of the most rapid paces of credit growth, was recording declines in debt just 12 months before and now appears to have clearly moved beyond more than six years of debt consolidation.

All remaining credit saw growth slow to 0.6 percent y/y on basis effects and the effects of the large debt repayment by a Kuwaiti company in October. The sector actually added KD 154 million in net new loans during the month, much of it in lending for the purchase of securities and the oil sector. These were partly offset by declines in real estate, industry and trade.

Private deposits were down KD 123 million in December, though mostly offset by a rise in government deposits. Broad M2 money supply growth fell to 3.1 percent y/y while growth in narrower M1 slowed to 2.1 percent y/y. The drop in deposits came largely from KD time and KD savings deposits, while KD sight deposits saw a small increase. Government deposits rose by KD 101 million during the month, offsetting much of the decline in private deposits, with growth steady at 14 percent y/y.

Banking system liquidity retreated for a second consecutive month but remained healthy nonetheless. Bank reserves (cash, deposits with the CBK and CBK bonds) lost KD 609 million to reach KD 4.7 billion or 7.75 percent of total bank assets. This coincided with a drop in foreign assets and the government continuing to tap bank liquidity through the issuance of domestic bonds. The issuance of domestic debt slowed slightly in December. Outstanding domestic public debt instruments (PDIs) rose by KD 100 million during December to KD 3.27 billion or an estimated 9.4 percent of GDP. This compares to a debt level of 4.6 percent in 2015. Meanwhile, outstanding CBK bills, used for liquidity management, decreased by KD 310 million in 2016, as the CBK reduced issuance of the 3-6 month paper to KD 8.4 billion in 2016 from KD 9.5 billion in 2015. Interest rates were mixed in December as interbank rates continued to edge lower on ample liquidity in Kuwait, while deposit rates rose following the policy rate hike. The 3-month Kuwait interbank offered rate (Kibor) edged lower in December to 1.40 percent and has held relatively steady since. The rate was apparently unfazed by the CBK's 25 basis point (bp) discount rate hike in December. Customer deposit rates, however, did benefit from the hike, rising by 8-10 bps in December.

EDF TARGETS POSITIVE CASH FLOW AHEAD OF FRENCH, UK N-PROJECTS

PARIS: EDF pledged yesterday to deliver positive cash flow next year before it has to invest in upgrading its ageing French nuclear plants and building new reactors in Britain. The French utility, which is 85-percent state-owned, made the commitment as it posted a 6.7 percent fall in 2016 core earnings to 16.41 billion euros following the temporary closure of about a third of its French reactors last year for safety checks. EDF has been wrestling with heavy debts and has had to borrow just to pay dividends for several years. It had negative cash flow of 1.6 billion euros last year, and 2.1 billion euros in 2015.

CEO Jean-Bernard Levy said that cost savings, asset sales, lower investments and a state-funded capital injection will boost EDF's finances by next year. "The year 2018 will be the year of the rebound," he said. EDF needs to finance the 18 billion pound (21.15 billion euros) build of two nuclear reactors in Hinkley Point, Britain and a 50 billion euro upgrade of its French nuclear stations over the next decade.

It also needs to spend 5 billion euros on smart meters and billions more buying and restructuring the nuclear reactor unit of fellow state-owned company Areva. Levy declined comment on Japan's Toshiba, which yesterday said it expected to book a \$6.3 billion hit to Westinghouse and postponed its 2016 results by a month as auditors try to determine its US nuclear business' liabilities.

Westinghouse's AP1000 reactor is the main competitor for the Areva EPR third-generation reactor that EDF plans in Britain. Such reactors have improved safety features, but are more costly to build. Delays mean none have yet been connected to the grid. While problems at Westinghouse ought to benefit the French nuclear industry, EDF-Areva's chances of winning new export contracts are slim due to new safety requirements following the 2011

Fukushima disaster, competition from Chinese, Russian and Korean reactor makers and ever-cheaper renewables, industry sources say.

Capital on horizon

EDF said its planned capital raising should be launched before the end of March, market conditions permitting, after its board approved a 4 billion euro increase on Monday. The French state is set to subscribe for 3 billion euros. It is planning a share dividend for the second year running, to which the state will again subscribe. By taking this option last year it left an extra 1.8 billion euros in EDF's coffers.

EDF said it plans to distribute 2.1 billion euros in dividends on its 2016 earnings, but the dividend per share will not be announced until the capital increase is launched. Shares in EDF were down 0.5 percent following the results. They have lost about 20 percent over the past six months, making them the second-worst performers in the Thomson Reuters Europe utility index.

EDF's 2016 revenues fell 5.1 percent to 71.20 billion euros, while net income rose 140 percent to 2.85 billion due to lower impairment losses in 2016, and the extension to 50 years of the accounting depreciation period of some of its nuclear plants. EDF set a core earnings target of 13.7-14.3 billion euros for 2017 and of at least 15.2 billion euros for 2018. Levy said the higher 2018 core earnings target should be achievable thanks to higher power prices, further cost cuts and the gradual return to a normal nuclear output in France.

This year, French nuclear power production will be capped by planned maintenance and the continued outages of EDF's Bugey 5, Fessenheim 2, Gravelines 5 and Paluel 2 reactors, which have been shut for months due to safety and technical problems. — Reuters



PARIS: The CEO of France's state-run utility company EDF Jean-Bernard Levy attends the presentation of the group's 2016 results in Paris yesterday. —AFP

Table 1: Monetary indicators

	Dec-16		1-month change		3-month change		12-month change	
	KD mn	%	KD mn	%	KD mn	%	KD mn	%
Total system liquidity (M2)	35,613		-69	-0.2	-47	-0.1	1,072	3.1
Currency in circulation	1,646	53	3.3	117	7.6	149	10.0	
Private sector deposits	33,967	-123	-0.4	-163	-0.5	923	2.8	
KD deposits	31,045	-128	-0.4	58	0.2	1,592	5.4	
Sight deposits	7,944	37	0.5	-159	-2.0	48	0.6	
Savings deposits	4,653	-42	-0.9	34	0.7	38	0.8	
Time deposits & CDs	18,449	-123	-0.7	183	1.0	1,506	8.9	
Foreign currency deposits	2,922	5	0.2	-221	-7.0	-669	-18.6	

Source: Central Bank of Kuwait

Table 2: Consolidated bank balance sheets

	Dec-16		1-month change		3-month change		12-month change	
	KD mn	%	KD mn	%	KD mn	%	KD mn	%
Total bank assets	60,443		338	0.6	-171	-0.3	1,830	3.1
Core liquid assets	4,922	-594	-10.8	143	3.0	-74	-1.5	
Cash and CBK deposits	1,179	-268	-18.5	188	18.9	276	30.5	
CBK bonds	3,042	-5	-0.2	-46	-1.5	1,167	62.2	
Time deposits with CBK	701	-320	-31.3	1	0.1	-1,517	-68.4	
Public debt instruments	3,287	101	3.2	504	18.1	1,707	108.1	
Interbank deposits	1,456	228	18.6	-259	-15.1	-1,145	-44.0	
Credit facilities	34,308	291	0.9	-443	-1.3	973	2.9	
Foreign assets	12,668	199	1.6	-311	-2.4	116	0.9	
Other assets	3,803	112	3.0	195	5.4	253	7.1	
Total bank liabilities	52,488		332	0.6	-103	-0.2	1,670	3.3
Total deposits	40,646	-21	-0.1	-299	-0.7	1,723	4.4	
Private sector deposits	33,967	-123	-0.4	-163	-0.5	923	2.8	
Government deposits	6,679	101	1.5	-136	-2.0	800	13.6	
Interbank deposits	1,422	277	24.2	-203	-12.5	-996	-41.2	
Foreign liabilities	4,364	-53	-1.2	162	3.8	-329	-7.0	
Other liabilities	6,056	129	2.2	237	4.1	1,271	26.6	
Shareholder equity	7,955		6	0.1	-68	-0.9	161	2.1

Source: Central Bank of Kuwait

ZIMBABWE'S STREET VENDORS USE CARD PAYMENTS, CARS TO STAY AHEAD

HARARE: Clutching a payment terminal in one hand and a customer's debit card in the other, 34-year-old street vendor Melissa Mbiza stands on the roadside by her truck loaded with mangoes, touting for business in central Harare. "I'm in a hurry - please can you be quick," said her client, one of a sizeable queue forming as Mbiza swiped the card and packed the fruit into a plastic bag.

Mbiza hummed joyfully while taking debit cards from her waiting customers and doling out mangoes. "There is very little hard cash circulating these days and if I relax, I risk going broke in business - so I have had to embrace electronic payments on the streets," she said. Business has been good since she started using the point-of-sale machine last April, she added.

With Zimbabwe's economy struggling and a shortage of cash as people hoard US dollars, the main currency, some 230 companies shut up shop in the first half of 2016, according to the Zimbabwe Congress of Trade Unions, pushing more people into an already bulging informal economy. But even in a high-tech form like Mbiza's, street vending is illegal in Zimbabwe, as stipulated in local bylaws. That doesn't put off the vendors, who have found their own

ways to cope with tough conditions, including what they describe as "harassment" by the police if they set up on pavements.

"We now often choose to come into town at night when city council police have finished work for the day," said Mbiza.

Street vendors get some help to deal with daily challenges, thanks to civil society groups like the Zimbabwe Informal Sector Organization (ZISO).

It helps traders whose goods are seized by police to restock so they can stay in business. "We source money from good Samaritans and the donor community, which we use to compensate vendors who lose their goods to city council police," said ZISO executive director Promise Mkwanzani.

The National Vendors Union of Zimbabwe (NAVUZ), founded in 2008, also represents street traders, who have become a common feature in towns and cities across the southern African nation in recent years. There are more than 1 million informal vendors in Zimbabwe, with over 100,000 operating in Harare, of whom some 20,000 peddle their wares on pavements in the Central Business District, according to NAVUZ statistics. — Reuters

EXCHANGE RATES

AL-MUZAINI EXCHANGE CO.

ASIAN COUNTRIES	
Japanese Yen	2.700
Indian Rupees	4.570
Pakistani Rupees	2.919
Sri Lankan Rupees	2.034
Nepali Rupees	2.865
Singapore Dollar	216.590
Hongkong Dollar	3.455
Bangladesh Taka	3.833
Philippine Peso	6.136
Thai Baht	8.749
GCC COUNTRIES	
Saudi Riyal	81.694
Qatari Riyal	84.142
ani Riyal	795.608
Bahraini Dinar	81.347
UAE Dirham	83.408
ARAB COUNTRIES	
Egyptian Pound - Cash	21.000
Egyptian Pound - Transfer	18.293
Yemen Riyal/for 1000	1.230
Tunisian Dinar	134.810
Jordanian Dinar	431.290
Lebanese Lira/for 1000	2.041
Syrian Lira	2.183
Morocco Dirham	30.924
EUROPEAN & AMERICAN COUNTRIES	
US Dollar Transfer	306.150
Euro	326.970
Sterling Pound	385.290
Canadian dollar	235.500
Turkish lira	84.110

Swiss Franc	306.180
Australian Dollar	236.350
US Dollar Buying	304.950
GOLD	
20 Gram	251.470
10 Gram	128.660
5 Gram	65.170

DOLLARCO EXCHANGE CO. LTD

Rate for Transfer	Selling Rate
US Dollar	305.800
Canadian Dolla	234.970
Sterling Pound	384.915
Euro	326.090
Swiss Frank	306.032
Bahrain Dinar	810.650
UAE Dirhams	83.650
Qatari Riyals	84.870
Saudi Riyals	82.475
Jordanian Dinar	432.480
Egyptian Pound	16.108
Sri Lankan Rupees	2.034
Indian Rupees	4.571
Pakistani Rupees	2.917
Bangladesh Taka	3.863
Philippines Peso	6.137
Cyprus pound	167.935
Japanese Yen	3.695
Syrian Pound	2.425
Nepalese Rupees	3.855
Malaysian Ringgit	69.630

Chinese Yuan Renminbi	44.890
Thai Bhat	9.725
Turkish Lira	83.265

BAHRAIN EXCHANGE COMPANY WLL

CURRENCY	BUY	SELL
Europe		
British Pound	0.376973	0.386973
Czech Korune	0.003999	0.015999
Danish Krone	0.039600	0.044600
Euro	0.319298	0.328296
Norwegian Krone	0.032457	0.037657
Romanian Leu	0.072047	0.072091
Slovakia	0.009181	0.019181
Swedish Krona	0.030235	0.035235
Swiss Franc	0.298142	0.309142
Turkish Lira	0.077429	0.087729
Australasia		
Australian Dollar	0.226463	0.238463
New Zealand Dollar	0.213405	0.222905
America		
Canadian Dollar	0.228972	0.237972
Georgina Lari	0.138275	0.138275
US Dollars	0.302050	0.306450
US Dollars Mint	0.302550	0.306450
Asia		
Bangladesh Taka	0.003624	0.004208
Chinese Yuan	0.042961	0.046461
Hong Kong Dollar	0.037363	0.040113
Indian Rupee	0.002682	0.004905

Indonesian Rupiah	0.000018	0.000024
Japanese Yen	0.002613	0.002793
Kenyan Shilling	0.002941	0.002941
Korean Won	0.000258	0.000273
Malaysian Ringgit	0.065106	0.071106
Nepalese Rupee	0.003086	0.003256
Pakistan Rupee	0.002641	0.002931
Philippine Peso	0.006031	0.006331
Sierra Leone	0.000038	0.000044
Singapore Dollar	0.210333	0.220333
South African Rand	0.016998	0.025498
Sri Lankan Rupee	0.001682	0.002262
Taiwan	0.009827	0.010007
Thai Baht	0.008405	0.008955
Arab		
Bahraini Dinar	0.805497	0.813997
Egyptian Pound	0.011680	0.020933
Iranian Riyal	0.000085	0.000086
Iraqi Dinar	0.000187	0.000247
Jordanian Dinar	0.426143	0.435143
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000152	0.000252
Moroccan Dirhams	0.020153	0.044153
Nigerian Naira	0.000403	0.001038
Omani Riyal	0.788774	0.794454
Qatar Riyal	0.083280	0.084730
Saudi Riyal	0.080553	0.081853
Syrian Pound	0.001298	0.001518
Tunisian Dinar	0.130455	0.138455
Turkish Lira	0.077429	0.087729
UAE Dirhams	0.081929	0.083629
Yemeni Riyal	0.000995	0.001075