

Business

NBK Economic Report

Oil prices rebound in Jan; draft budget signals fiscal expansion

Global markets rally as US-China trade tensions ease

KUWAIT: After December's volatility, global financial markets recovered in January helped by a dovish policy shift by the US Fed and amid hopes for easing tensions on the US-China trade war. The news benefitted both oil prices and the Kuwaiti stock market, the latter rising 2.5 percent for its best month since July. There was also positive news on the domestic macroeconomic front, with employment growth and real estate activity both coming strong at the end of last year. This seems to support the case that underlying growth may be gradually improving. There were important signals on fiscal policy, too. The draft budget for the coming year points to an expansionary fiscal policy which should bode well for the near-term growth outlook, albeit at the expense of a larger fiscal deficit and a possible drawdown in the government's financial reserves.

Crude output falls

The price of Kuwait Export Crude bounced by 17 percent in January to finish the month at \$61/bbl, more than recouping the losses seen in December. The rally was helped by news that OPEC+ was making progress in implementing its 1.2 million b/d production cut aimed at clearing the global oil glut. While official figures are not yet available, survey data point to a drop in OPEC output of 1 million b/d in January. Saudi Arabia is said to have cut by 0.4 million b/d, deeper than targeted. In compliance with the OPEC+ decision, Kuwait is targeting a reduction of 85,000 b/d to 2.72 million b/d, which would leave crude output down around 1 percent on average this year, from a 1.4 percent rise in 2018.

The government has presented the draft budget for FY2019/20 to parliament for approval. It signals a looser fiscal stance, with spending rising 4.7 percent y/y in budget-on-budget terms to KD 22.5 billion. Within the total, capital spending is seen rising 0.8 percent y/y to KD 3.3 billion, while current spending rises 5.3 percent to KD 19.2 billion. The rise in current spending includes a 7 percent rise in wages & salaries, and an 11 percent rise in spending on goods & services. The latter mostly reflects larger subsidy payments for power stations due to a higher oil price assumption (\$55/bbl versus \$50/bbl before). With revenues projected to rise 8.6 percent to KD 16.4 billion, this leaves a deficit of KD6.1 billion before transfers to the Reserve Fund for Future Generations (KD 7.8 billion after). Note that the government's forecasts are typically conservative, and the eventual budget position is likely to end up stronger than projected.

While spending usually comes in below budget, the planned increase, if implemented in full, would provide significant support for economic growth over the coming year. However, in the absence of economic reform measures on both revenues and expenditures, and notwithstanding the government's large financial reserves, rising current spending reduces the government's ability to react to future oil shocks. Provisional public finance data for the first nine months of FY2018/19 (to December) suggest that the fiscal outcome may come in better than budgeted. A surplus of KD 3.6 billion was recorded year-to-date, as spending came in soft but also as rising oil prices boosted revenues. Year-to-date spending fell 3.3 percent y/y, with capital spending down 0.4 percent. The execution rate for capex fell to 45 percent of the full-year total, down from 52 percent at the same stage last year. Spending rates normally accelerate in the final three months of the year however, but we still expect a small deficit for the year as a whole.

Employment growth

According to the official biannual data release, employment saw an encouraging pick-up through 2018. Total employment rose 4.2 percent y/y in December - driven by increases in both Kuwaiti employment (+3.7 percent y/y, a multi-year high) and expat employment (+4.3 percent y/y) - up from growth of 2.4 percent in December 2017. Kuwaiti employment continues to be predominantly driven by public sector hiring, which was up 4.0 percent y/y, while expat jobs growth mainly stemmed from hiring in the construction, real estate and hospitality sectors.

Meanwhile, population growth rose to 2.7 percent y/y from 2.0 percent in 2017. Expat population growth reached 2.8 percent, amid a decline in the number of expatriate dependents.

Real estate sales

The real estate market ended 2018 on a very strong note. December saw sales of KD470 million, the second highest monthly sales of 2018 and far exceeding the monthly average of the year. The surge was driven by much higher activity in all three sub-sectors, but most notably the commercial sector which saw sales spike to a two-year high of KD 127 million on stronger volumes. This sector may have benefitted from a surge in the number of commercial business licenses (start-ups) issued during 2018, encouraged by the ongoing easing of requirements and procedures by MOCI. Apartment sales meanwhile surged to their second highest in four-and-a-half years.

The strong sales figures for December were accompanied by positive price changes in both the residential and invest-

ment sectors. Monthly price movements have been mostly positive since September, showing a consistent but mild uptrend, and year-on-year changes in all sectors were positive as of the year's end. In total, 2018 sales were KD3.4 billion, up 54 percent from 2017, and the highest since the surge in 2014.

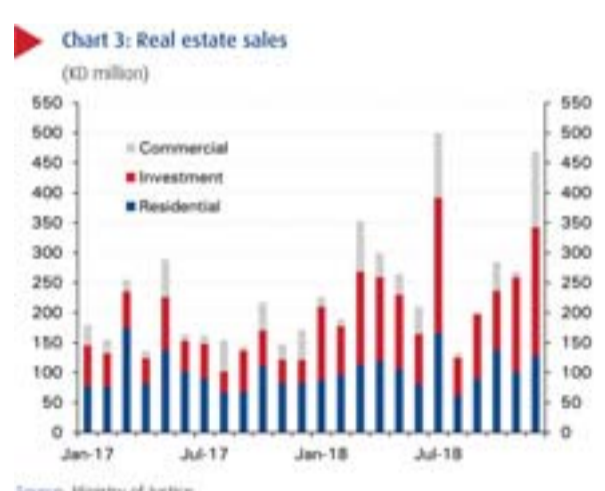
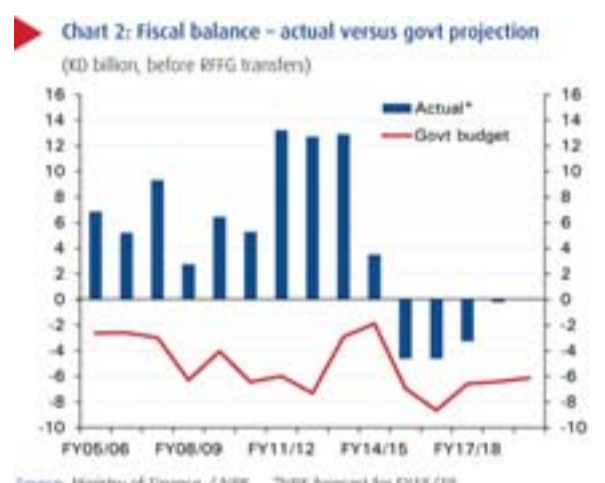
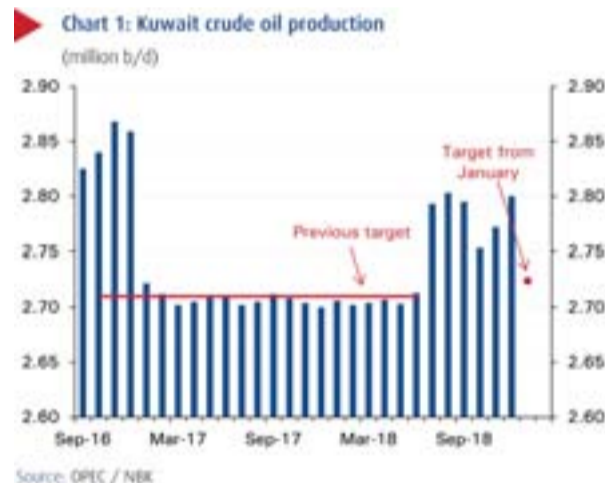
Consumer spending rises

According to the NBK consumer index, consumer spending growth slowed slightly to 0.7 percent m/m in January from 0.9 percent m/m in December, as increases in both durables (0.8 percent) and services (1.2 percent) spending were offset by a decline in non-durable expenditures (-0.9 percent m/m) for the sixth straight month. On a year-on-year basis, consumer spending remained in decline at -1.7 percent, a slower pace of contraction than December's -1.9 percent. Nonetheless, the outlook for spending remains fairly encouraging given solid consumer confidence, low inflation and stronger employment growth.

Inflation picked up in December to 0.4 percent y/y from a 15-year low of 0.1 percent in November. The pickup came mostly from slower deflation in some of the major index sub-components: food deflation slowed to -0.1 percent from -0.4 percent in November, while housing deflation eased to -1.1 percent from -1.4 percent in November. But our measure of core inflation, which excludes food and housing, also rose, to 1.7 percent from 1.3 percent in November. Items including furnishings & household maintenance, transportation, communication, education, and clothing & footwear, together weighing in at 35 percent of the CPI basket, all saw modestly higher inflation during December. We expect a slight rise in inflation overall this year to an average of 2.0 percent from 0.6 percent in 2018.

Credit growth reaches 13-month high

Credit growth rebounded to a 13-month high of 4.3 percent y/y in December from 3.0 percent in November, supported by



stronger lending to both businesses and households as well as the usual end-of-year jump in lending for the purchase of securities. Lending to businesses rose 5.3 percent y/y, up from 3.3 percent in November, driven mainly by a significant improvement in real estate borrowing. Household borrowing rose 6.0 percent from 5.8 percent the previous month. Growth in housing loans remains the key driver (6.8 percent y/y), while growth in consumer loans (although up m/m) remained in decline.

Meanwhile growth in deposits edged up to 3.2 percent from 2.9 percent before, due to a strong rise in government deposits after five consecutive months of decline. The M2 money supply measure increased by 4.0 percent y/y versus 4.4 percent in November.

Equity market

Boursa Kuwait (BK) made a solid start to the year in January, with the All-Share index rising 2.5 percent m/m. In contrast the MSCI-GCC rose 7.5 percent, lifted by a surge in Saudi's TASI. BK turnover was strong at a daily average of 180 million shares, the highest since April 2017. Market capitalization breached the KD30 billion mark for the first time since 2014. The rally was led by financial and banking stocks, which rose by 5.6 percent and 4.1 percent m/m, respectively. Financial and banking stocks were boosted by good earnings and the removal of foreign ownership limits in the banking sector (subject to CBK approval). Net foreign inflows, although moderating from the record high of December, remained solid at KD48 million, roughly double the average monthly net inflow of 2018.

Bayt.com weekly report

How to choose the right company for you

On average people in the Middle East are changing jobs once in around two and a quarter years. In an era of higher workplace volatility, professionals often find themselves wondering where to work next and uncertain how to evaluate the different job offers. Experts from Bayt.com have prepared this article, which will explore some of the dimensions worth considering when deciding what company to work for.

Size of Company

While there is no right or wrong size of company, there will be a size that agrees best with your career level, preferences, priorities, objectives and character.

Larger companies:-

Larger companies typically have sprawling HR departments and sophisticated HR policies that protect the employee and focus on maximizing employee productivity, engagement and satisfaction. They tend to pay better due to larger and revenue bases and profitability and they typically pay on time and offer more benefits including sophisticated training and development programs. Larger companies are also typically more stable and sustainable financially which makes it easier to think ahead in your career and plan for the long run.

On the downside, larger companies can be more rigid, bureaucratic and inflexible as well as impersonal, with less room for visibility at the top and more layers of management approval required for every decision. Moreover, positions tend to be clearly defined and delineated with less room for ambiguity and more specialization required, so you are less likely to be involved in varied projects that challenge and extend your skill-set in lateral directions.

Smaller companies:-

In a small company your efforts may be noticed more rapidly, there is usually more visibility by top management and you are more likely to participate in and be exposed to multiple tasks and projects and in the process learn valuable new skills. There tends to be more flexibility in smaller companies and it is typically easier to get buy-in for and implement change. Opportunities for growth and advancement are great if your performance is good and you are confident of your abilities, as it is easier to shine and be noticed in a small company.

However if your performance is not up to par or you are not a great cultural fit, that is quite likely to be quickly noticed too. Moreover, if it is a small family business, the senior executive positions may be taken by family members which limits room for advancement at the very top. Often, remuneration packages are less in smaller companies due to smaller revenue bases and profitability. Training opportunities may also be very limited in smaller companies and HR systems and policies are often very basic. Small companies that are not financially sound may miss employee salaries and bonus payments and their long-term viability and sustainability is often jeopardized.

especially if barriers to entry in the industry are low and the company's product and service line is not clearly differentiated.

Market Share of Company

Ideally, you should choose a company with a robust and growing market share that is at the forefront of its industry and in no danger of being made obsolete by the competition. A company that is losing customers and shrinking its business may not have room for you in the long run. Look for companies that lead in their industry and are performing well, acquiring new clients and retaining the business and loyalties of old ones.

Unique Value Proposition

Look for a company that has clearly and cleverly differentiated itself from its competition and can articulate its unique value propositions confidently and articulately. Lack of a clear value proposition means no ammunition in the face of incumbent competitors or copycat competitors who jump on the bandwagon where barriers to entry are low.

Products and Services Offered by Company

Make sure you are comfortable with and will enjoy working with the array of products and services the company offers. It is not too wise to take a job in a company where you will not take pride or feel a sense of ownership in the products you represent. Also make sure the line of products/services has a bright future and is not in danger of being obsolete by new technologies or market trends and preferences.

Company Culture and Values

Not every great company will necessarily be the right cultural fit for you. Ask about the culture and the team and try to ensure that the ethics, values, team dynamics, management style and atmosphere are agreeable to you.

Reputation of Company

A company's reputation is key. Ask a lot of questions and do your research to make sure you get a firm grasp of it. Understand the track record of the company and its image in the market. Ideally you should select a company with high and very positive brand recognition and association and a stellar reputation.

Management Team

Management styles vary. It is important that you are comfortable with the style at a particular company and feel you can meet your objectives, thrive, grow and even excel in this environment. Look for management who are highly respected and revered in the industry and from whom you will have a lot to learn.

Employee Turnover

Some companies have substantially higher employee turnover than others and these should be approached very carefully if you are looking for long-term employment, job security and career stability. Understand why a certain position is open, what happened to the predecessors and what the management's attitude is towards employee development and retention before you risk becoming another victim in the turnover wheel.

EXCHANGE RATES

Al-Muzaini Exchange Co.

EUROPEAN & AMERICAN COUNTRIES

US Dollar Transfer	304.400
Euro	346.560
Sterling Pound	394.500
Canadian dollar	231.310
Turkish lira	58.880
Swiss Franc	304.550
US Dollar Buying	297.100

ASIAN COUNTRIES

Japanese Yen	2.752
Indian Rupees	4.315
Pakistani Rupees	2.221
Sri Lankan Rupees	1.706
Nepali Rupees	2.697
Singapore Dollar	225.570
Hongkong Dollar	38.785
Bangladesh Taka	3.586
Philippine Peso	5.858
Thai Baht	9.758
Malaysian ringgit	77.852

GCC COUNTRIES

Saudi Riyal	81.227
Qatari Riyal	83.661
Omani Riyal	791.163
Bahraini Dinar	808.820
UAE Dirham	82.931

ARAB COUNTRIES

Egyptian Pound - Cash	19.700
Egyptian Pound - Transfer	17.259

Yemen Riyal/for 1000	1.223
Tunisian Dinar	103.890
Jordanian Dinar	429.640
Lebanese Lira/for 1000	0.203
Syrian Lira	0.000
Morocco Dirham	32.452

Dollarco Exchange Co. Ltd

Rate for Transfer	Selling Rate
US Dollar	304.240
Canadian Dollar	229.562
Sterling Pound	393.780
Euro	345.630
Swiss Franc	308.270
Bahrain Dinar	809.085
UAE Dirhams	83.235
Qatari Riyals	84.475
Saudi Riyals	82.025
Jordanian Dinar	430.395
Egyptian Pound	17.303
Sri Lankan Rupees	1.708
Indian Rupees	4.288
Pakistani Rupees	2.192
Bangladesh Taka	3.626
Philippines Peso	5.828
Cyprus pound	18.099
Japanese Yen	3.750
Syrian Pound	1.590
Nepalese Rupees	2.689
Malaysian Ringgit	75.475
Chinese Yuan Renminbi	45.250
Thai Bhat	10.685

Turkish Lira	58.045
Singapore dollars	223.412

BAHRAIN EXCHANGE COMPANY WLL

CURRENCY	BUY	SELL
Europe		
British Pound	0.386507	0.400407
Czech Korune	0.005388	0.014689
Danish Krone	0.042063	0.047063
Euro	0.337315	0.351015
Georgian Lari	0.132152	0.132152
Hungarian 0.001148	0.001338	
Norwegian Krone	0.031231	0.036431
Romanian Leu	0.065299	0.082149
Russian ruble	0.004588	0.004586
Slovakia	0.009111	0.019111
Swedish Krona	0.028818	0.033818
Swiss Franc	0.297041	0.0308041
Australasia		
Australian Dollar	0.209932	0.221932
New Zealand Dollar	0.203270	0.212770
America		
Canadian Dollar	0.224917	0.233917
US Dollars	0.300650	0.305850
US Dollars Mint	0.301050	0.305850
Asia		
Bangladesh Taka	0.003056	0.003857
Chinese Yuan	0.043496	0.046996

Hong Kong Dollar	0.037068	0.030818
Indian Rupee	0.003724	0.004496
Indonesian Rupiah	0.000017	0.000023
Japanese Yen	0.002677	0.002857
Korean Won	0.000260	0.000275
Malaysian Ringgit	0.070865	0.076865
Nepalese Rupee	0.002612	0.002952
Pakistan Rupee	0.001570	0.002340
Philippine Peso	0.005811	0.006111
Singapore Dollar	0.219251	0.229251
Sri Lankan Rupee	0.001342	0.001922
Taiwan	0.010169	0.010349
Thai Baht	0.009387	0.009937
Vietnamese Dong	0.00013	0.00013

Arab

Bahraini Dinar	0.793520	0.810020
Egyptian Pound	0.017133	0.019733
Iranian Riyal	0.000084	0.000086
Iraqi Dinar	0.000211	0.000271
Jordanian Dinar	0.425393	0.434303
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000157	0.000267
Moroccan Dirhams	0.022152	0.046152
Omani Riyal	0.784981	0.790861
Qatar Riyal	0.079390	0.084330
audi Riyal	0.080153	0.081453
Syrian Pound	0.001292	0.001512
Tunisian Dinar	0.095066	0.103066
Turkish Lira	0.051117	0.062617
UAE Dirhams	0.081520	0.083220
Yemeni Riyal	0.000990	0.001070