



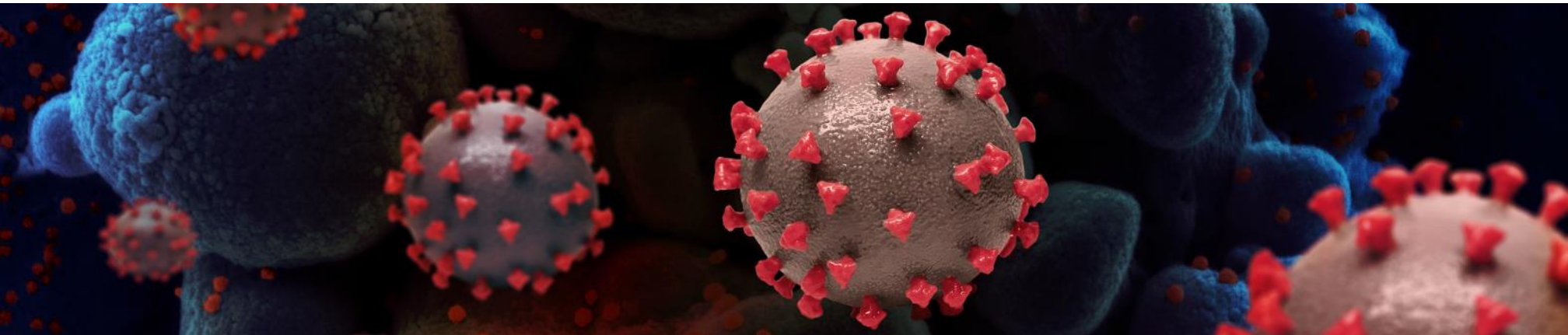
SITUATION REPORT ON THE ECONOMIC AND HEALTH IMPACTS OF THE COVID-19 CRISIS

Special edition (November 2020)

INTRODUCTION

From the onset of the pandemic, the **GS-SCPD**, **KPPC**, and **TICG** have issued a **weekly dashboard** focusing on the COVID-19 situation in Kuwait, which includes **country-specific infection forecasts**, **economic analyses**, **key research digests**, and **news round-ups from local media sources**.

This special edition is a culmination of **7 months of weekly dashboards**, and it provides a **sample** of our **research insights** into a diverse range of special interest topics. In light of the constantly evolving situation, certain insights may become less relevant than others.





CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** Demographic imbalance
- 05** Oil economy
- 06** Non-oil growth
- 07** Monetary developments
- 08** Consumer behaviour



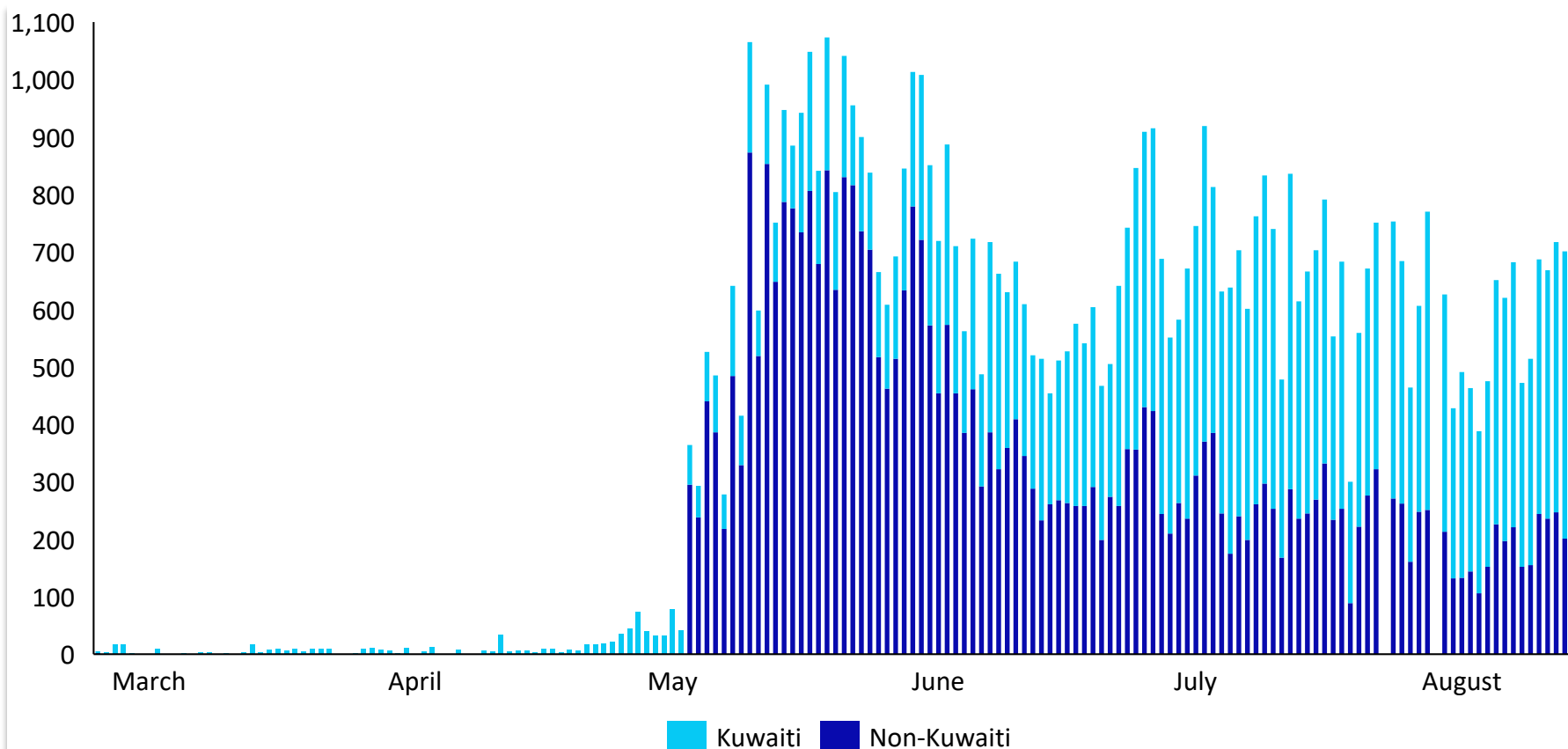
CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** Demographic imbalance
- 05** Oil economy
- 06** Non-oil growth
- 07** Monetary developments
- 08** Consumer behaviour

COVID-19 HAS IMPACTED KUWAITI AND NON-KUWAITI COMMUNITIES

Daily cases in Kuwait by nationality

24-Feb to 14-Aug

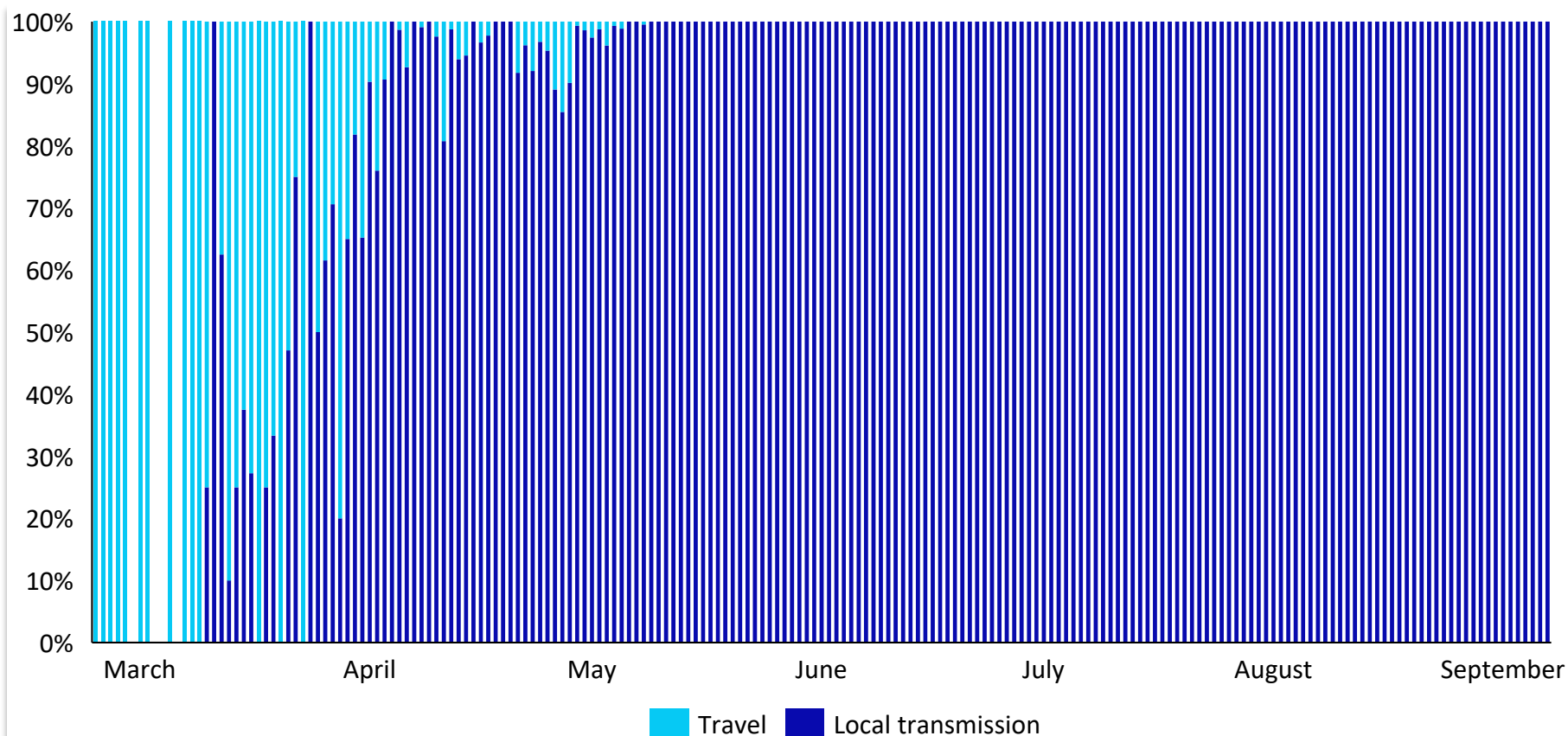


Source: Ministry of Health ([link](#)).

CASES WERE INITIALLY LINKED TO TRAVEL

Daily cases in Kuwait by source of infection

24-Feb to 7-Sep

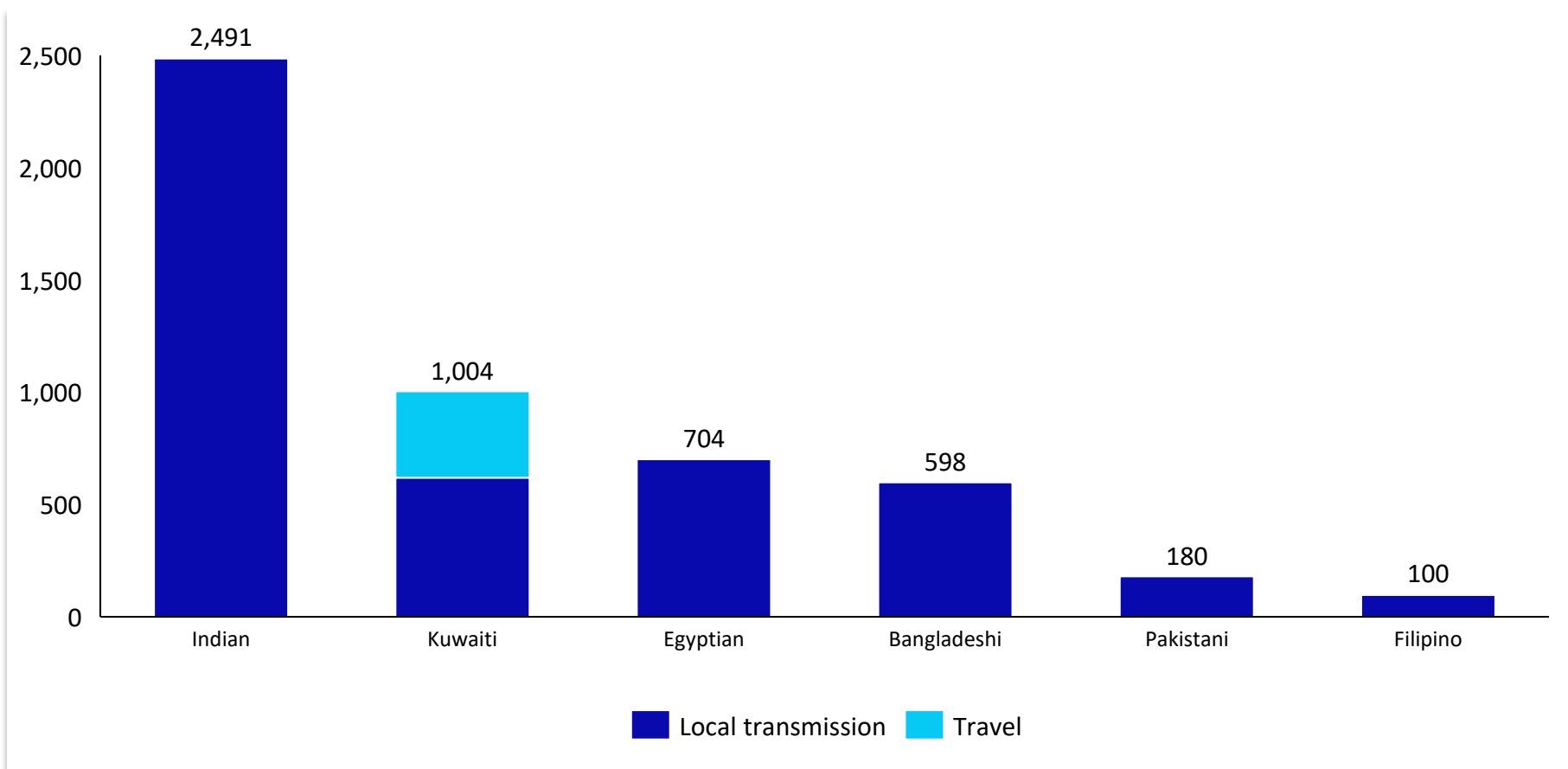


Source: Ministry of Health ([link](#)).

CASES WERE MORE PREVALENT AMONG CERTAIN NATIONALITIES

Cases by nationality and source of infection in Kuwait

24-Feb to 5-May

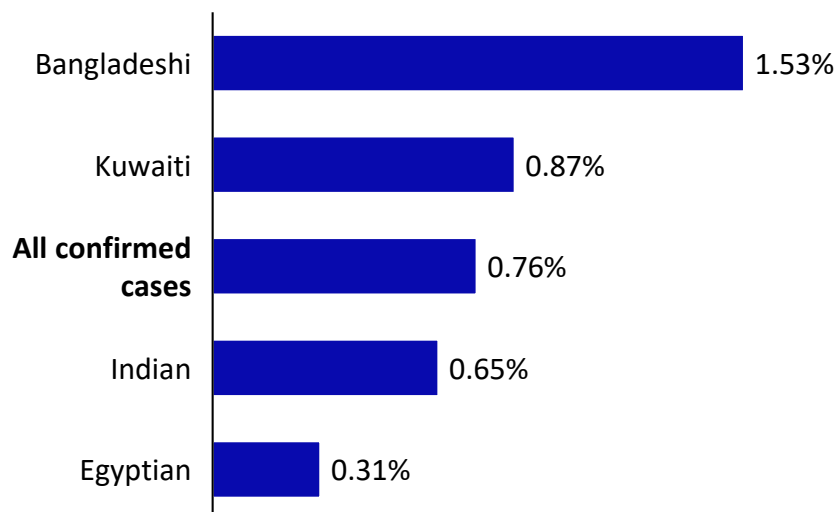


Source: Ministry of Health ([link](#)).

MORTALITY ALSO DIFFERED BY NATIONALITY

Case fatality rates in Kuwait by nationality¹

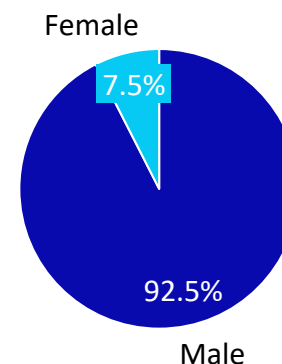
24-Feb to 4-May



- **Certain ethnic groups** have been reported to be **disproportionately affected** by COVID-19²
- In Kuwait, **Bangladeshis had the highest CFR** (1.53%) followed by **Kuwaitis** (0.87%)
- In contrast, **Indians** (0.65%) and **Egyptians** (0.31%) had **noticeably lower CFR** than the total CFR (0.76%)

Deaths in Kuwait by age, gender, and ICU duration¹

24-Feb to 4-May



Gender	Average age at death (years)	Average length of ICU stay (days)
Female	69	3
Male	56.2	13.2

- **Gender differences** have also been observed among COVID-19 patients, **with more men than women dying from the disease**³
- In Kuwait, the **vast majority of deaths occurred among men** (92.5%) compared to women (7.5%)
- Moreover, the average age and length of ICU stay also differed between male and female death cases

Source: 1. Ministry of Health ([link](#)); 2. *BMJ* ([link](#)); 3. *Science Alert* ([link](#)).

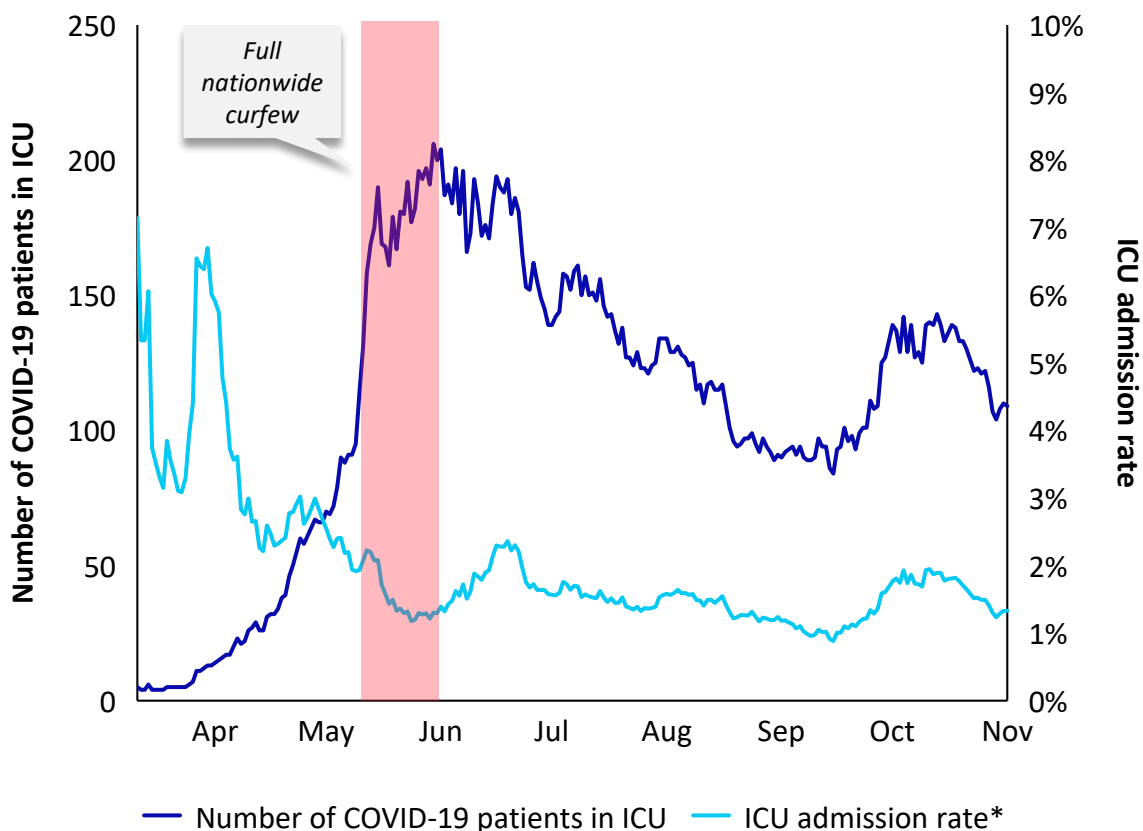
KUWAIT'S ICU ADMISSION RATE FOR COVID-19 PATIENTS HAS REMAINED WELL BELOW GLOBAL RATES

Comments

- Globally, the **ICU admission rate** for known COVID-19 patients has been estimated at **32%**¹
- In **Kuwait**, the **ICU admission rate** has fluctuated from a **high of 7.14%** to a **low of 0.88%***
- In **Kuwait**, the number of **active ICU patients with COVID-19** reached a **record high of 206** on 30-May, significantly below **Kuwait's total ICU bed capacity** of 1,000 beds^{2,3}
- On 14-Oct, **Al-Qabas** reported that a **higher number of young people** are being **admitted to the ICU** at **Jaber Al-Ahmad Hospital**⁴
- However, on 21-Oct, **Al-Jarida** reported that **90% of active ICU patients** with COVID-19 are elderly individuals⁵

COVID-19 patients in the ICU in Kuwait²

11-Mar to 1-Nov



Note (*): ICU admission rate was calculated by dividing the number COVID-19 patients in the ICU by the active number of COVID-19 cases.

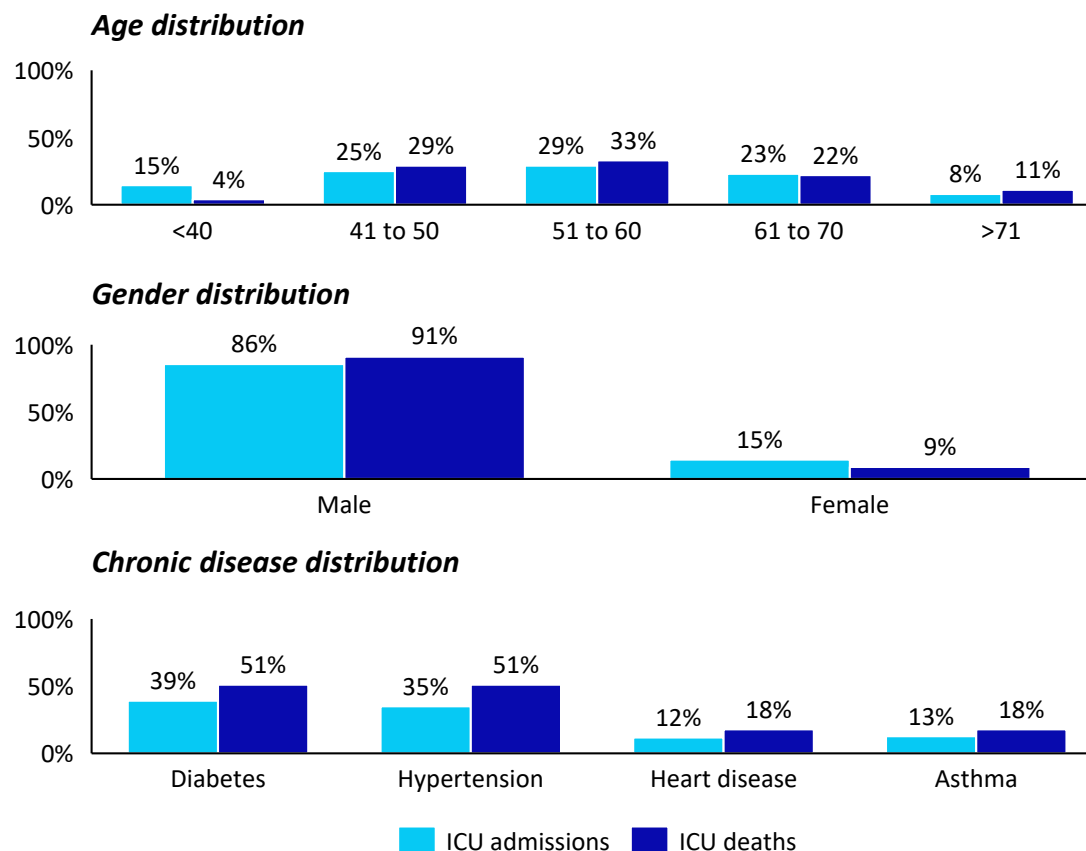
Source: 1. *PLoS ONE* ([link](#)); 2. Ministry of Health infographics ([link](#)); 3. Al-Rai ([link](#)); 4. Al-Qabas ([link](#)); 5. Al-Jarida ([link](#)).

KUWAIT'S COVID-19 PATIENTS IN THE ICU WERE MOSTLY MALE, OLDER THAN 40, AND SUFFERED FROM CHRONIC DISEASES

Comments

- In a study of **103 ICU patients** at **Jaber Al-Ahmad Hospital**, the following clinical characteristics were identified:
 - Median age** is **53** years old
 - Fatality rate** is **43.7%**
 - 85.5%** were **male**
 - 38%** had more than two chronic diseases
- Diabetes** and **hypertension** were prevalent in half of all ICU deaths, an observation that is in line with international findings

Profile of COVID-19 patients in the ICU at Jaber Al-Ahmad Hospital 1-Mar to 30-Apr



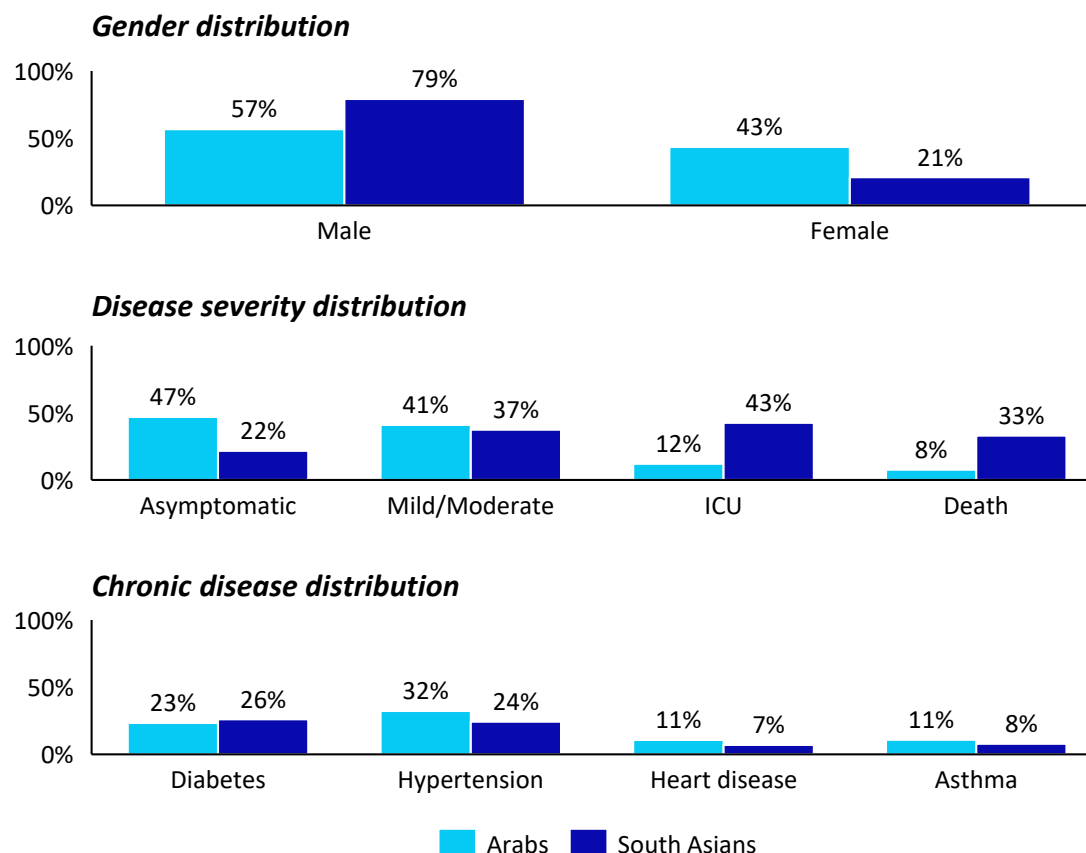
Source: medRxiv ([link](#)).

COVID-19 OUTCOMES IN KUWAIT DIFFERED BETWEEN ARABS AND SOUTH ASIANS

Comments

- Globally, the **ICU mortality rate** for COVID-19 is **41.6%**, a rate which is **higher** than usually seen in ICUs for other viral pneumonias¹
- However, there have been **conflicting reports** about the **impact of ethnicity** on the **ICU mortality rate**²
- In **Jaber Al-Ahmad Hospital**, one study of **405 COVID-19 patients**, including **290 Arabs** and **115 South Asians**, found that South Asians were **more than three times more likely** to be admitted into the ICU and to die from COVID-19 compared to Arabs³

Ethnic disparities in COVID-19 outcome at Jaber Al-Ahmad Hospital³ 24-Feb to May-24



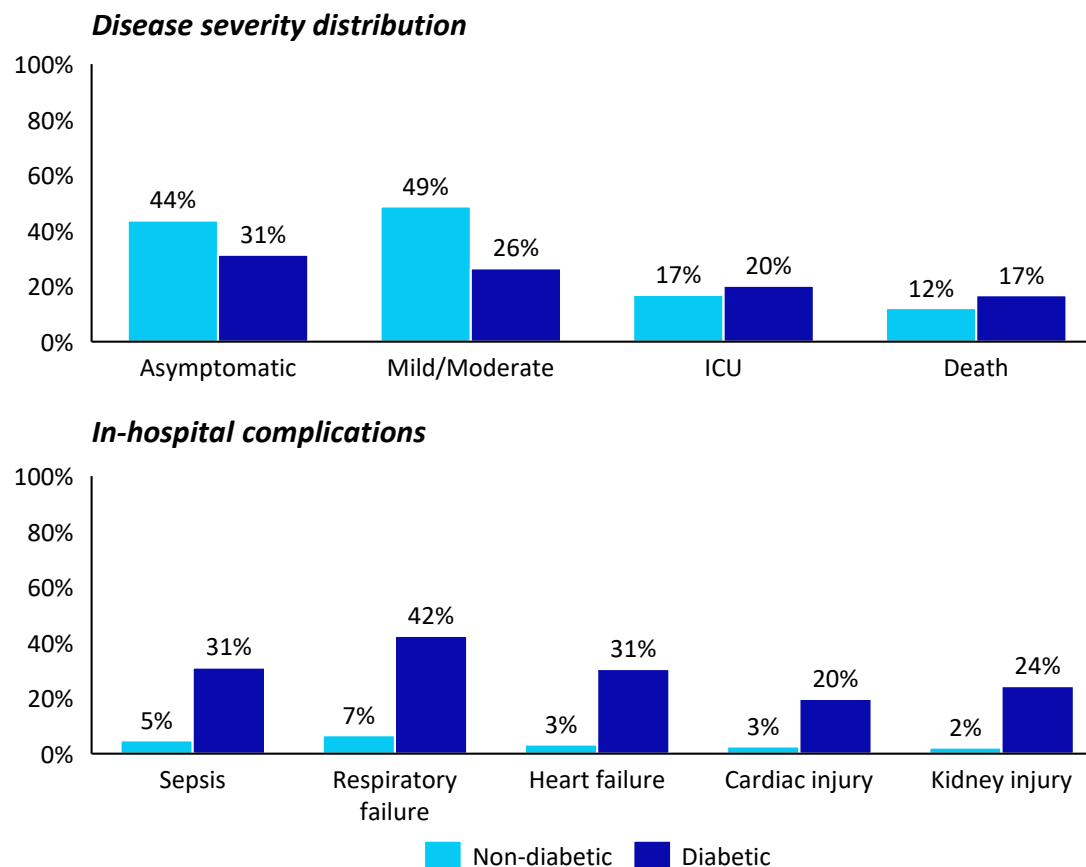
Source: 1. *Anaesthesia* ([link](#)); 2. *JAMA* ([link](#)); 3. medRxiv ([link](#)).

DIABETIC PATIENTS WERE MORE LIKELY TO SUFFER FROM A WORSE COVID-19 PROGNOSIS IN KUWAIT

Comments

- On an international level, **chronic diseases** such as **diabetes** have been associated with an **increased risk of severe COVID-19**¹
- In **Kuwait**, a study of 417 COVID-19 patients in **Jaber Al-Ahmad Hospital** found that **diabetics** had **more severe outcomes** and **higher mortality** than **non-diabetics**²
- In fact, a **significantly higher proportion** of **diabetic COVID-19 patients** required **admission to the ICU**, and they also experienced a **higher incidence of in-hospital complications**²

Impact of diabetes on COVID-19 outcome in Jaber Al-Ahmad Hospital² 24-Feb to 24-May



Source: 1. Centers for Disease Control and Prevention (CDC) ([link](#)); 2. medRxiv ([link](#)).

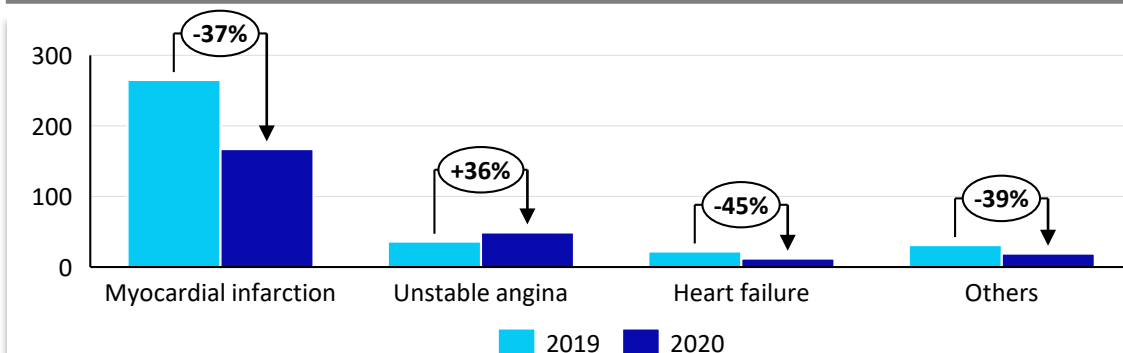
ACCOMMODATING COVID-19 PATIENTS IN ICUS HAS IMPACTED KUWAIT'S CARDIOLOGY PRACTICES

Comments

- At **Mubarak Al-Kabeer Hospital**, a major general hospital with a 678-bed capacity, **cardiologists** were recognized as the **most suitably trained physicians** to work in **COVID-19 ICU wards**
- As a result, **changes** were made to **cardiology staff allocation** and **assignments**, and **unoccupied cardiology wards** were designated as **COVID-19 ICU wards**
- Compared to the same period in 2019, **coronary care admissions** between April and June 2020 **significantly decreased** for **nearly all types** of coronary disease
- To make up for the **dramatic reduction of cardiology beds**, the hospital aimed for a **speedy discharge of patients**, resulting in **64% of ACS patients** discharged **less than 48 hours** after admission

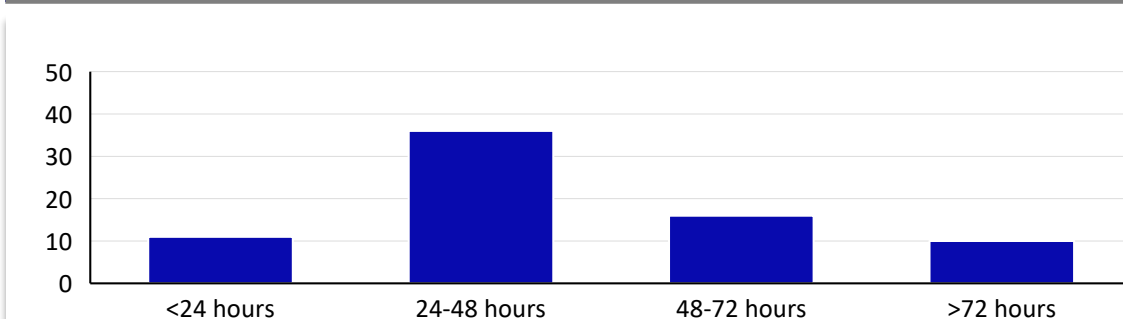
Coronary care admissions in Mubarak Al-Kabeer Hospital

Apr to Jun 2019 vs Apr to Jun 2020



Length of hospital stay for acute coronary syndrome (ACS) patients

17-May to 22-Jun









Source: Heart Views ([link](#)).

AIR HUMIDITY IS INCREASINGLY BEING SHOWN TO INFLUENCE THE TRANSMISSION OF SARS-COV-2

Developments

- Relative humidity is a measure of water vapor in the air at a given temperature
- High relative humidity levels suppress the spread of the coronaviruses, especially when accompanied by a high temperature¹
- A review of major studies on coronaviruses found that air humidity affects their spread by influencing²:
 1. Virus behaviour within the respiratory droplet
 2. Virus survival on surfaces
 3. Role of indoor air in airborne transmission of viruses

Summary of studies on COVID-19 and humidity

	Main findings	Source
	Every 1% increase in relative humidity led to a decrease in daily cases by 11% to 22% in Henan, Anhui, and Chongqing provinces	Hongchao et al. (2020)
	The spread of COVID-19 in Wuhan is negatively correlated with relative humidity	Guo et al. (2020)
	Relative humidity was negatively related to daily new COVID-19 cases and deaths in a multi-country study	Wu et al. (2020)
	Local air humidity negatively correlated with COVID-19 mortality and morbidity across German federal states	Biktaşheva (2020)
	For every 1% decrease in humidity, daily COVID-19 cases in New South Wales increased by 7-8%	Ward et al. (2020)
	A humidity level of at least 40% in public buildings and local transport would reduce the transmission of COVID-19 and other viruses	Ahlawat et al. (2020)

Source: 1. *Advances in Virology* ([link](#)); 2. *Aerosol and Air Quality Research* ([link](#)).

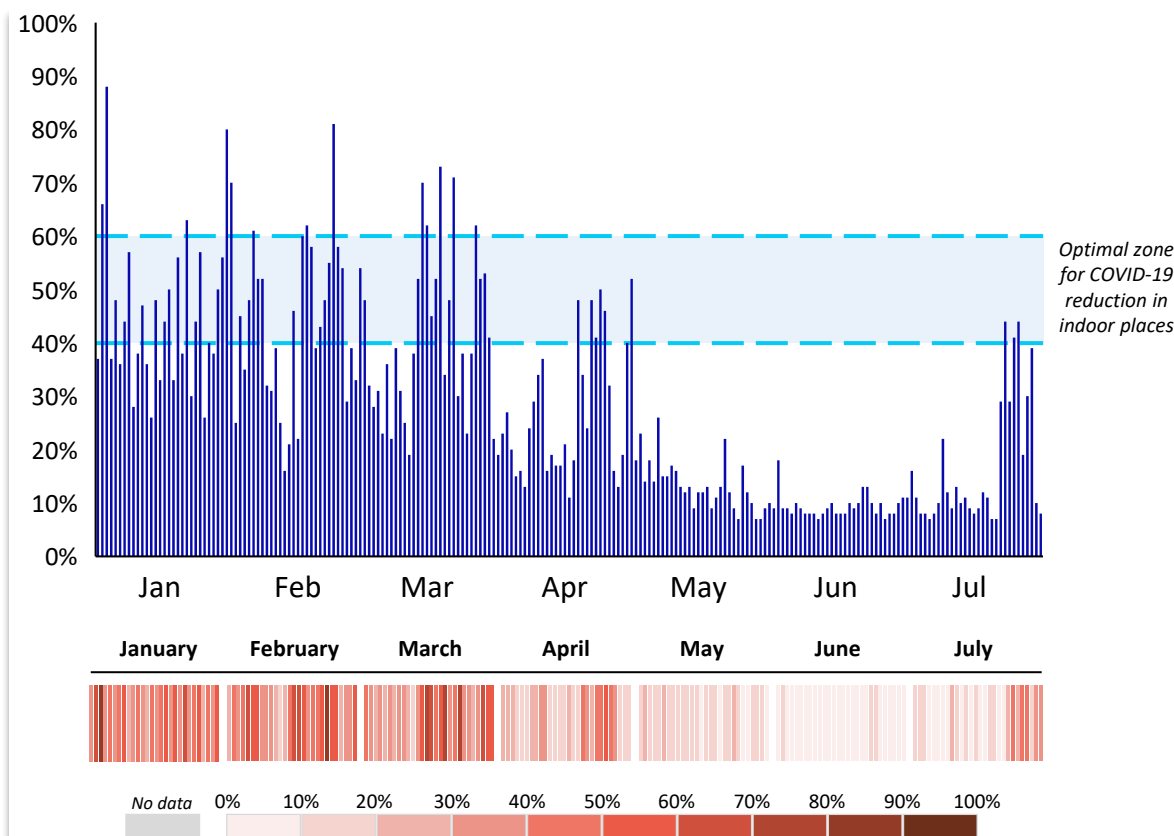
KUWAIT HAS HIGHER LEVELS OF RELATIVE HUMIDITY IN THE WINTER MONTHS

Developments

- Kuwait's relative humidity levels fluctuated in the period between January 2020 and July 2020
- Relative humidity levels in Kuwait were higher in the winter months (January to March)¹
- In contrast, Kuwait's relative humidity was lower in late spring (May) and early summer (June and July)¹
- Researchers found that a relative humidity of 40% to 60% would reduce the transmission of SARS-CoV-2 in indoor areas²

Humidity levels in Kuwait¹

% relative humidity, Jan-2020 to Jul-2020



Source: 1. Ministry of Electricity and Water (MoEW) monthly statistical reports ([link](#)); 2. Aerosol and Air Quality Research ([link](#)).

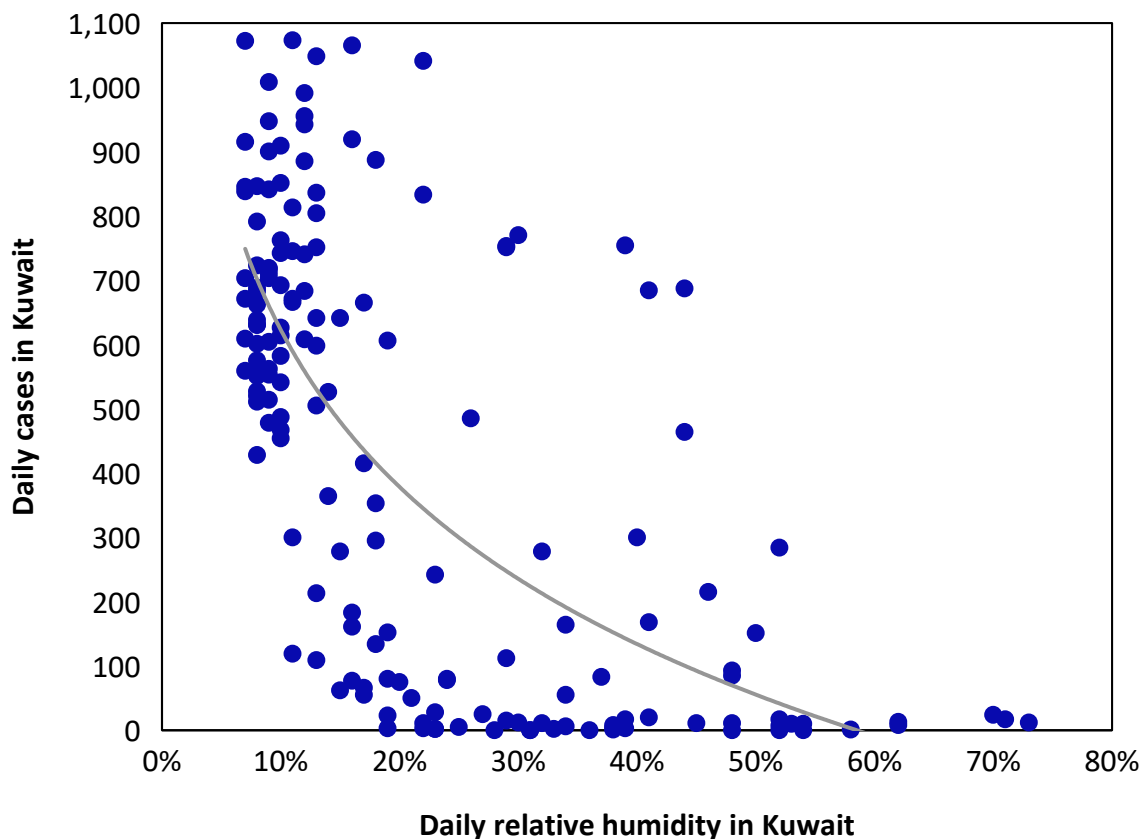
A POSSIBLE INVERSE CORRELATION MAY BE OBSERVED BETWEEN KUWAIT'S HUMIDITY LEVELS AND ITS DAILY COVID-19 CASES

Developments

- In Kuwait, daily humidity levels may be inversely correlated with new COVID-19 cases
- After plotting relative humidity data (from the MoEW) and daily new cases (from the MoH), a correlation can be observed
- As Kuwait's relative humidity increased, the number of daily cases generally decreased
- This observation can help inform health guidelines in Kuwait as winter approaches and relative humidity levels fluctuate

Daily humidity levels and new COVID-19 cases in Kuwait^{1,2}

% relative humidity, Jan-2020 to Jul-2020



Source: 1. Ministry of Health (MoH) ([link](#)); 2. Ministry of Electricity and Water (MoEW) monthly statistical reports ([link](#)).



CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** Demographic imbalance
- 05** Oil economy
- 06** Non-oil growth
- 07** Monetary developments
- 08** Consumer behaviour

TESTING RATES AND POLICIES VARY ACROSS THE GCC

Developments

- **Sufficient testing** is essential to understand how the pandemic is progressing and how the government should respond
- The **WHO** has suggested two benchmarks for **sufficient testing**:
 - **More than 10** daily tests for each newly confirmed case
 - **Less than 12%** share of daily tests that are positive
- The **WHO** advises that the **share of positive tests** should **remain at 5% or lower** before reopening
- The **University of Oxford** classifies **Kuwait and Oman's testing policy** as limited to **anyone showing symptoms**, while **Bahrain, Qatar, Saudi Arabia, and the UAE** carry out **open public testing**

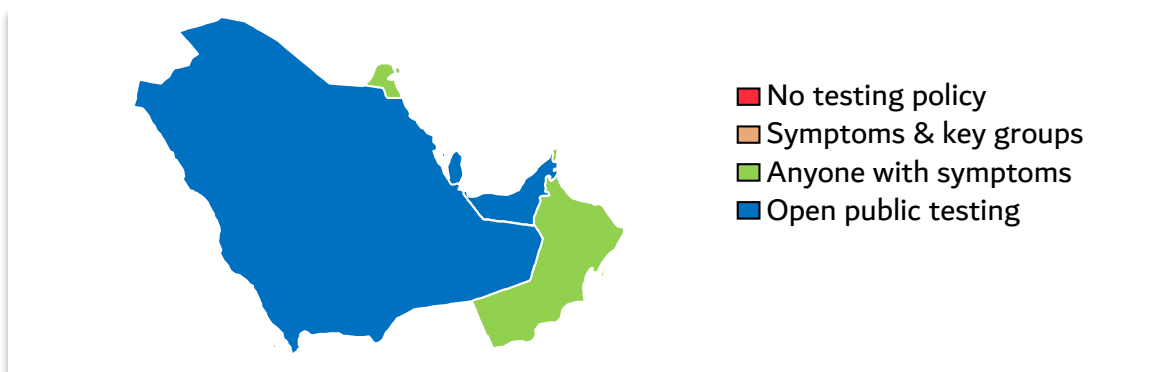
Testing rates across the GCC

As of 4-Nov

	WHO	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Number of tests for each new cases	>10	34	9	n/a	47	149	100
Share of daily tests that are positive	<12%	3.94%	11.07%	n/a	2.11%	0.67%	1.00%

Testing policies across the GCC

As of 4-Nov



Source: Johns Hopkins University & Medicine Coronavirus Resource Center ([link](#)), Ministry of Health infographics, and the University of Oxford ([link 1](#), [link 2](#)).

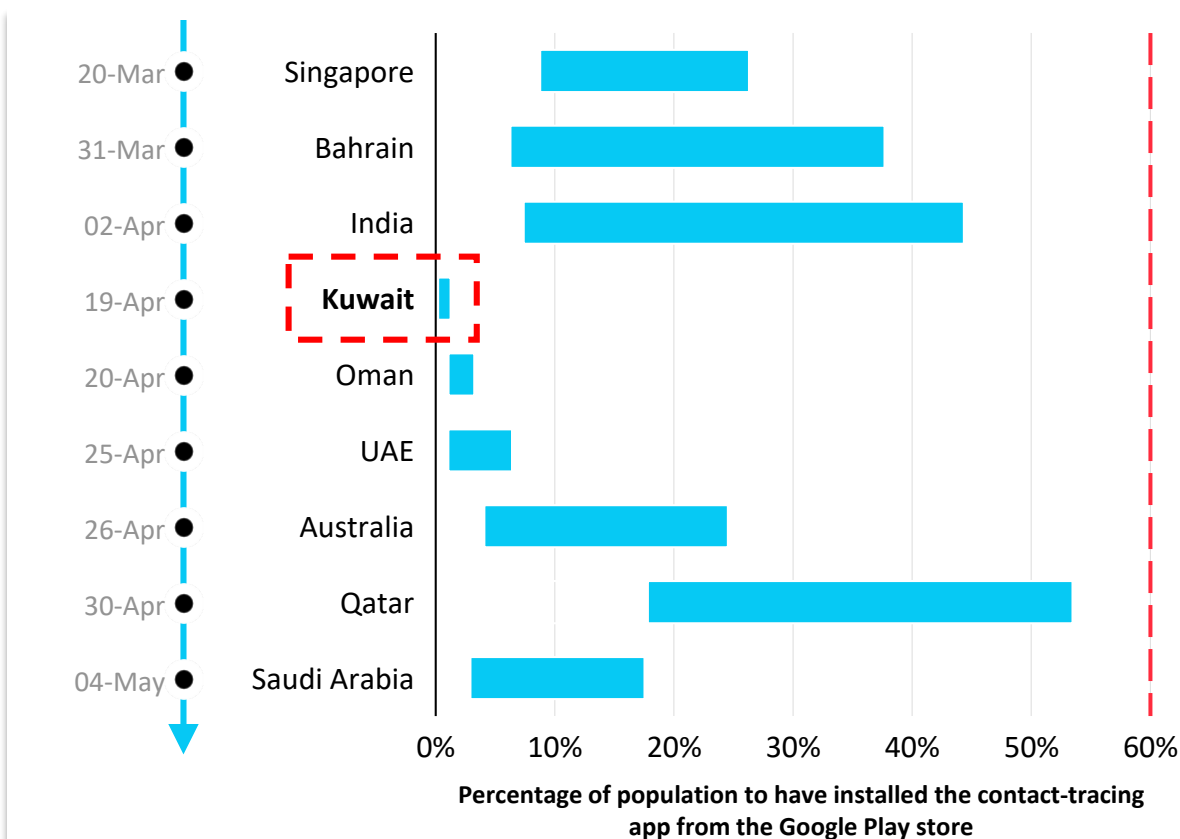
KUWAIT DID NOT FULLY UTILIZE ITS CONTACT-TRACING APP EARLY ON IN THE CRISIS

Developments

- For a **contact-tracing app to be successful**, at least **60% of the population** would have to opt in¹
- Kuwait's '**Shlonik**' app is currently only being used to monitor individual compliance with self-quarantine
- However, **if downloaded by a sufficient proportion** of the population, it could **complement** the MoH's **contact-tracing efforts**
- As of 22-May, **Qatar's Council of Ministers** have made the installation of the **Ehteraz** contact-tracing app **mandatory** for anyone who leaves their home²
- On 20-May, the **UAE** launched a **nation-wide campaign** to urge all citizens and resident to install the **Alhosn** contact-tracing app³

Estimates of contact-tracing app installation from the Google Play store*

Descending in order of app release date, lower to upper range, as of 21-May



Note (*): Download ranges are only available for apps on Google Play and not those on the App Store. However, contact-tracing apps on both stores experienced similar download trends. Lower and upper ranges were calculated using Google's incremental bracket classifications, where 10,000+ downloads fall within the 10,000 to 50,000 range, while 100,000+ downloads fall within the 100,000 to 500,000 range, and so on. Source: 1. The Wall Street Journal ([link](#)), 2. Aljazeera ([link](#)), 3. Emirates News Agency ([link](#)).

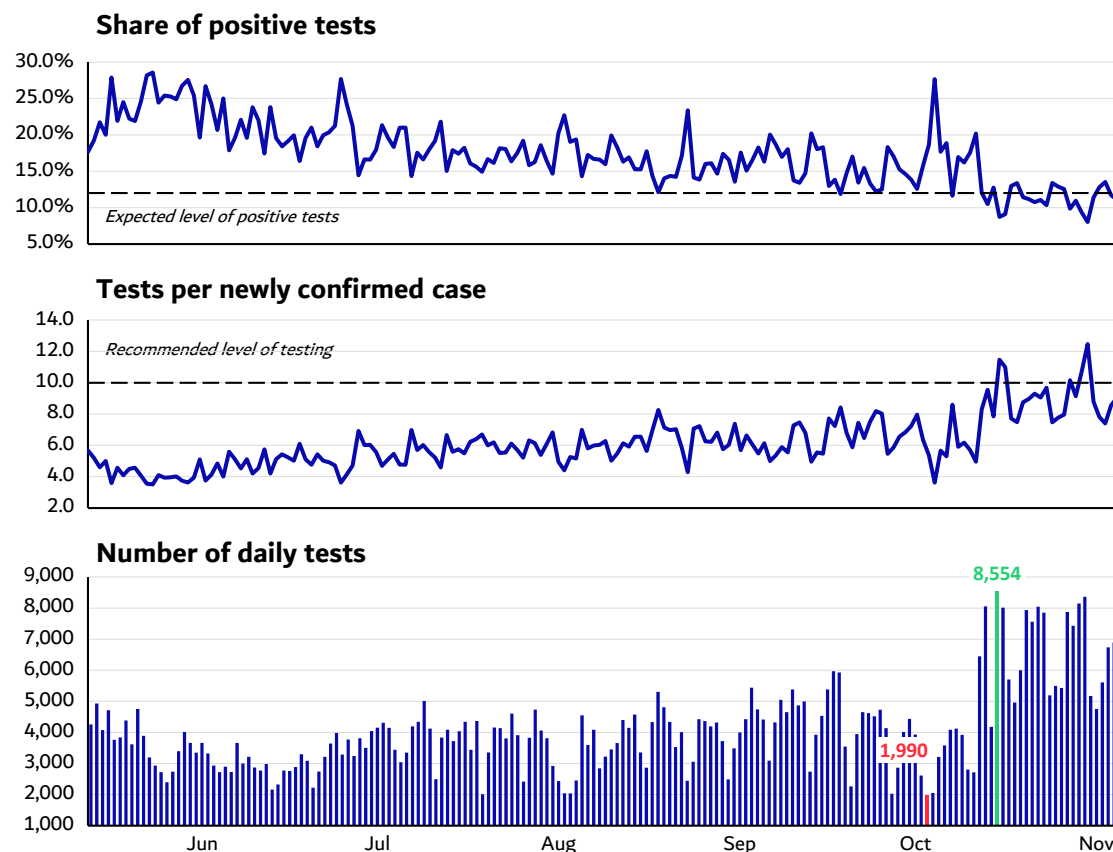
KUWAIT CONTINUES TO REPORT A HIGH POSITIVITY RATE OF COVID-19 TESTS

Developments

- **Daily test numbers have reduced**
 - Maximum number of tests was 8,554 (15-Oct)
 - Lowest was 1,990 (3-Oct)
- Daily tests per newly confirmed case **range from 3.5 to 12.5**
 - WHO recommends **>10**
- The share of positive daily tests range from **8.0% to 28.6%**
 - WHO recommends **<12%**
- Currently, **the policy of testing focuses on anyone that shows symptoms**
 - **High positivity rate** could indicate **only the sickest patients being tested**

Kuwait's COVID-19 testing profile

13-May to 4-Nov



Source: Johns Hopkins University & Medicine Coronavirus Resource Center ([link](#)), Ministry of Health infographics, and the University of Oxford ([link 1](#), [link 2](#)).

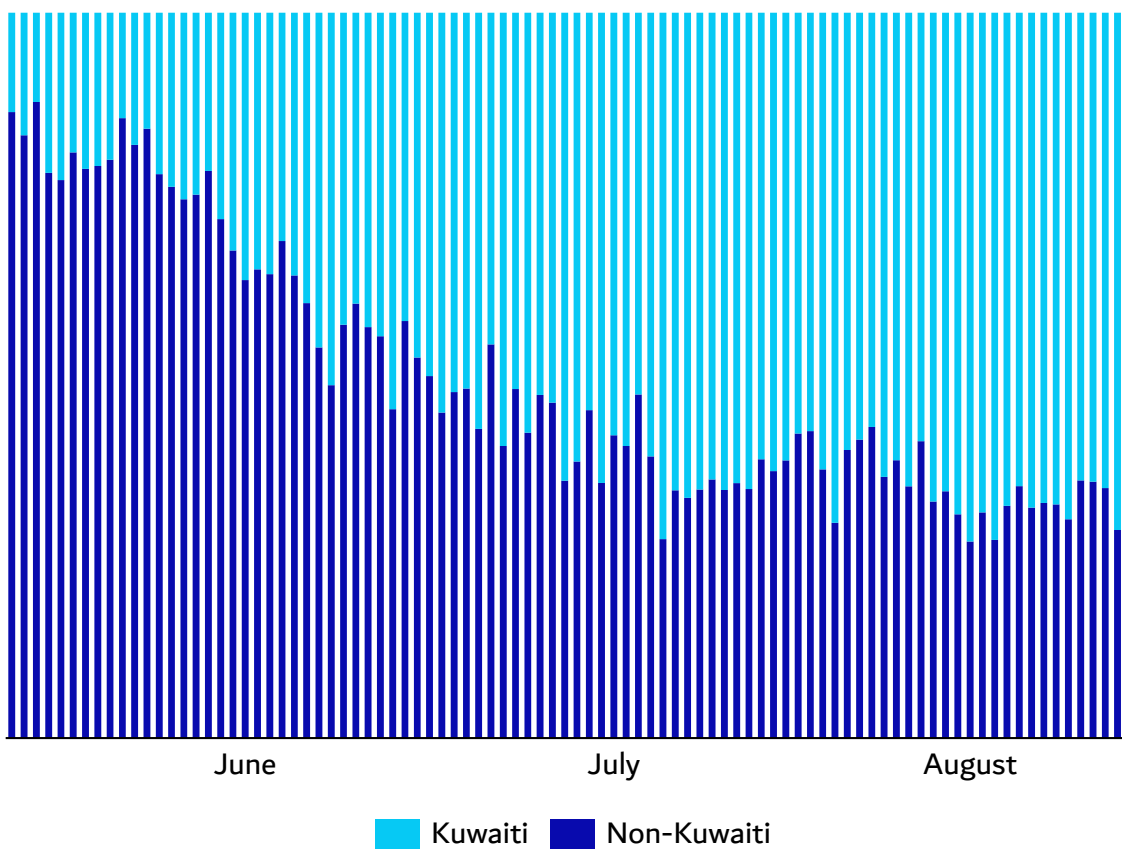
THE PROPORTION OF INFECTED KUWAITIS HAS INCREASED

Developments

- From 13-May to 13-August, the **proportion of Kuwaitis** out of the total daily cases **has been increasing**
- This could be due to **one of two reasons**:
 - A **lack of compliance** with health measures among Kuwaitis
 - A **shift in testing focus** from non-Kuwaiti to Kuwaiti populations
- Recurring infection hotspots** have included **Kuwaiti-dominated areas** such as Jaber Al-Ali, Riqqa, Qasr, and Saad Al-Abdullah

Daily cases by nationality

13-May to 14-Aug



Source: Ministry of Health infographics.

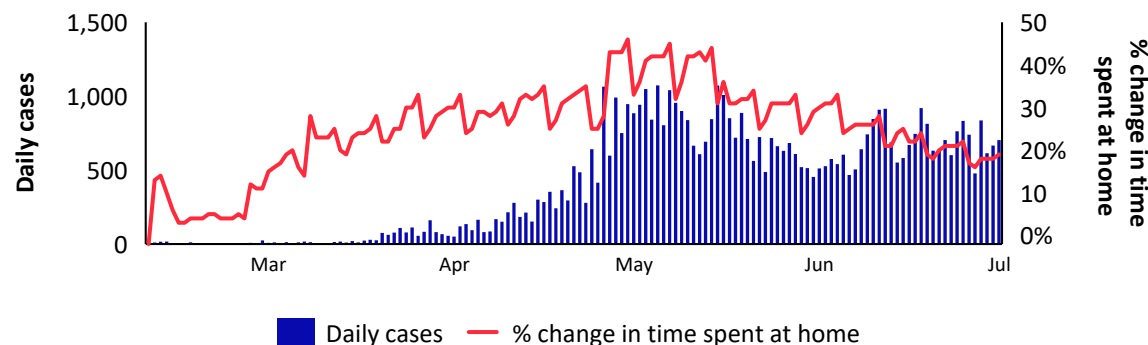
KUWAITI DISTRICTS REPORT A HIGH DENSITY OF CASES

Developments

- As **restrictions are eased**, **less time is being spent at home**, which has been **accompanied by a rise** in the daily number of cases
- To **avoid a second wave**, continued recommendations to **stay at home** are necessary
- Mobility** and **daily cases** vary across **Kuwait's health districts**
- From 8-May to 15-July, **Al Jahra health district** had the **highest number of confirmed cases per 100,000 people (2,448)**, followed by **Al Ahmadi (2,231)** and the **Capital (2,197)** health districts
- The **Ministry of Health** stopped releasing district-level data after 15-July

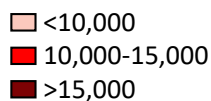
Community mobility and daily cases across Kuwait

24-Feb to 15-Jul



Confirmed number of cases across health districts

8-May to 15-Jul



Al Ahmadi (27,756 cases)

- 2,231 cases per 100,000

Al Farwaniya (23,974 cases)

- 1,924 cases per 100,000

Al Jahra (14,460 cases)

- 2,448 cases per 100,000

Capital (13,345 cases)

- 2,197 cases per 100,000

Hawalli (8,094 cases)

- 817 cases per 100,000

Source: Google Community Mobility Reports ([link](#)) and Ministry of Health infographics.

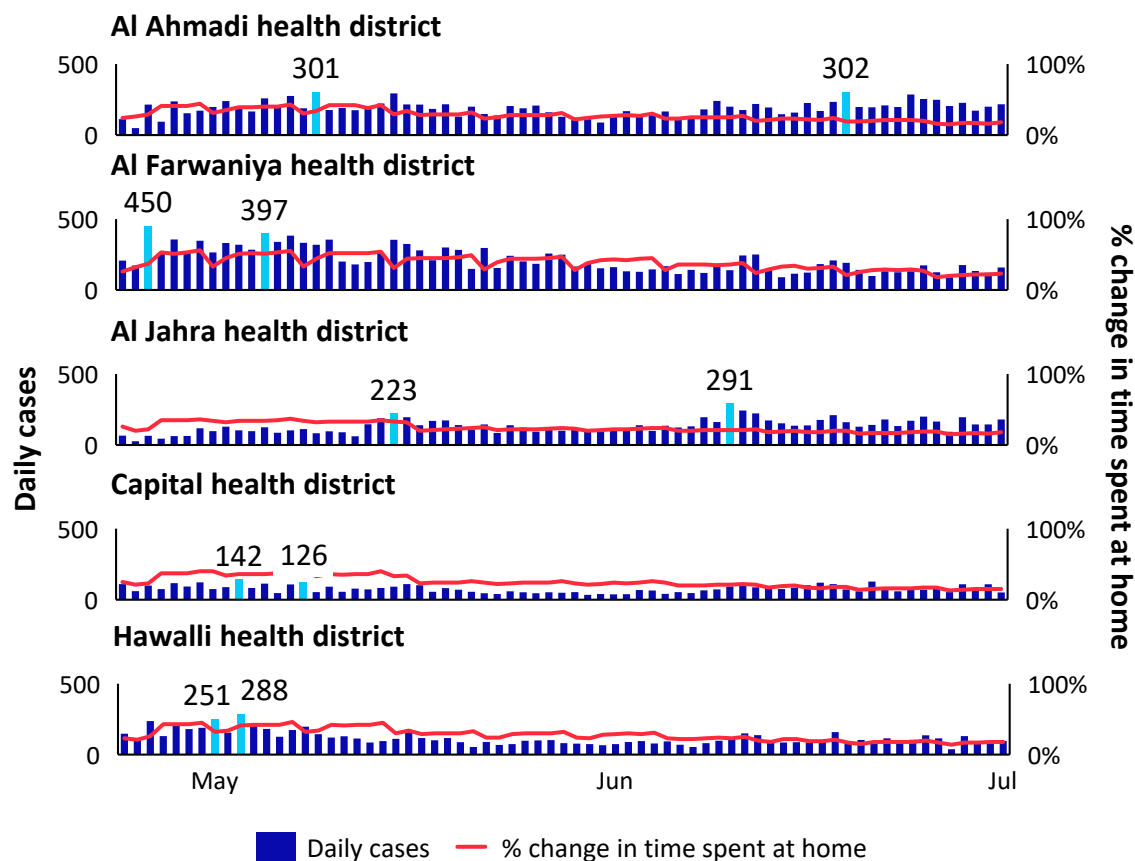
PEAK DAILY CASES OCCURRED AT DIFFERENT TIMES ACROSS KUWAIT'S DISTRICTS

Developments

- For **Al Farwaniya**, **Capital**, and **Hawalli** health districts, **peak daily cases occurred earlier** in the month of May
- In contrast, peak daily cases in **Al Ahmadi** and **Al Jahra** health districts occurred between June and July
- While certain areas of **Al Ahmadi** (*Mahboula*), **Al Farwaniya** (*Farwaniya*, *Khaitan*, and *Jleeb Al-Shuyookh*), and **Hawalli** (*Hawalli* and *Maidan Hawalli*) have been locked down, no such regional isolation has been applied to areas of **Al Jahra**

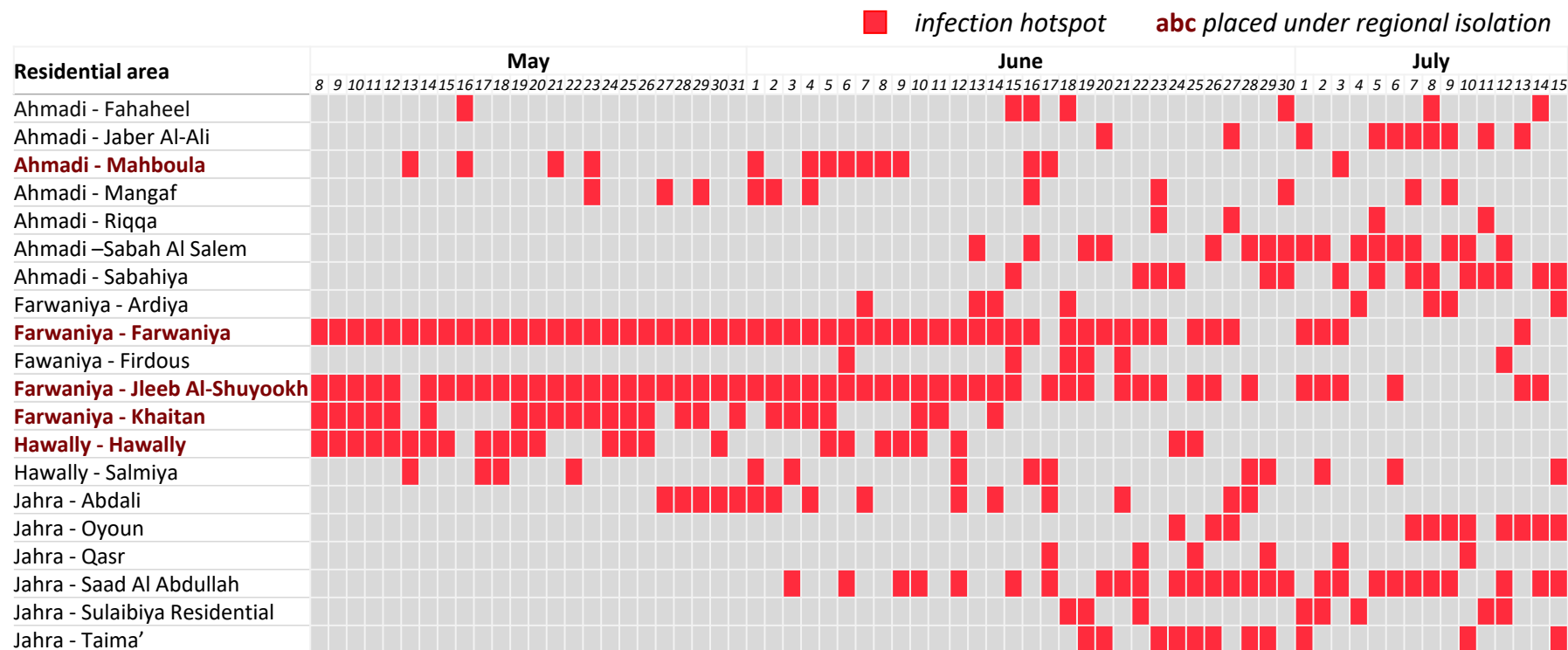
Community mobility and daily cases across Kuwait

8-May to 15-Jul, highest peaks highlighted for each health district



Source: Google Community Mobility Reports ([link](#)) and Ministry of Health infographics.

8-May to 15-July



- On a daily basis, the **MoH lists the top areas in terms of newly confirmed cases**, but it is **not clear** whether **testing efforts** by the MoH are **equal across all health districts**
- Infection hotspots have been increasingly detected in Kuwaiti-populated districts

Source: Ministry of Health infographics.

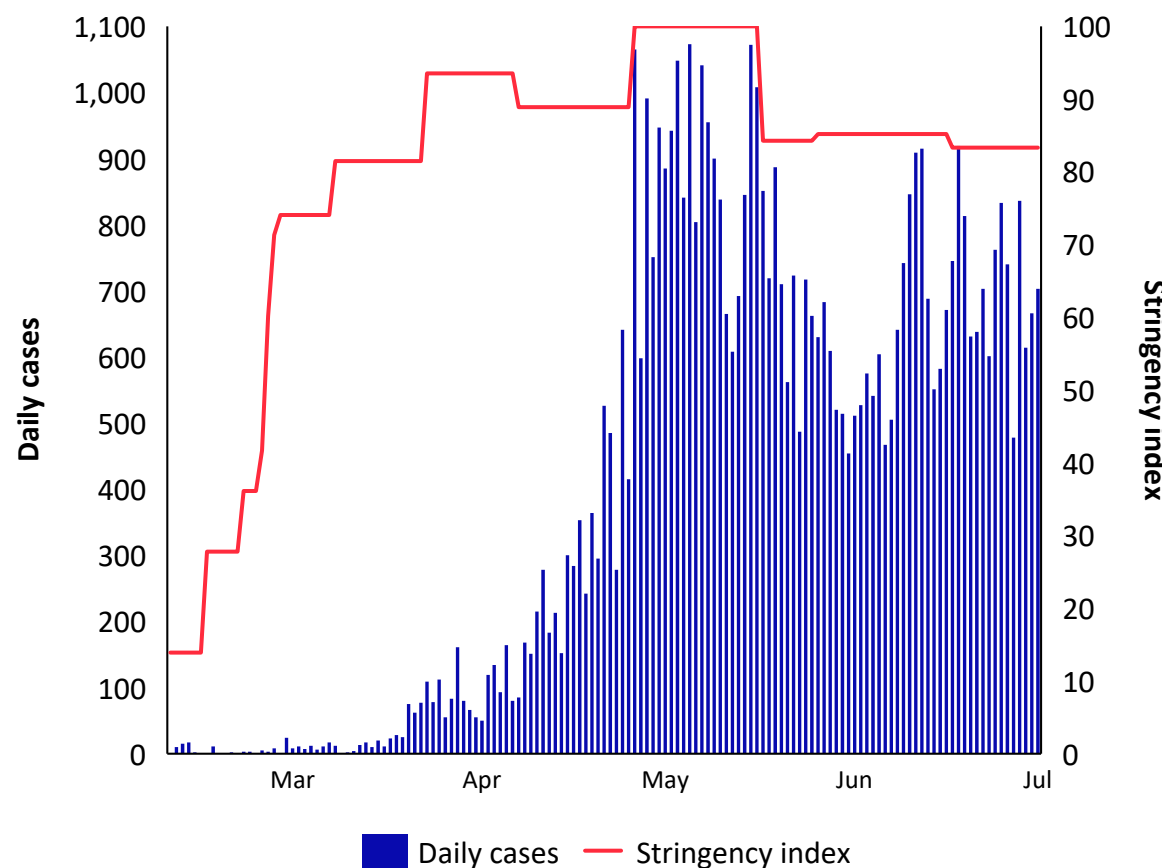
KUWAIT RESPONDED MOST STRINGENTLY WHEN DAILY CASES PEAKED IN MAY

Developments

- **Kuwait** has exhibited a **stringent government response** throughout the epidemic, reaching a stringency of **over 90** on the day it passed its first hundred cases
- The **most stringent** response occurred **during the full curfew** (10-May to 30-May), as Kuwait reached a stringency of **100** during that period
- As **Kuwait advances through the phases of its 5-phase plan**, it must carefully observe fluctuations in its **number of daily cases**
- To avoid a second wave, recurrent lockdowns should be enforced

Government stringency and daily cases across Kuwait

24-Feb to 15-Jul



Source: Our World in Data ([link](#)) and Ministry of Health infographics.

BUT ITS ONGOING RESPONSE WILL PLACE STRAIN ON THE MEDICAL STOCKPILE

Developments

- **Personal protective equipment (PPE)** are essential for frontline workers (*Exhibit 1*)
- However, **PPE cannot be reused**, causing **depletion of national stockpiles** and **eventual shortages** in the **USA, Russia, and Europe**^{1,2}
- **Kuwait** needs to **consolidate its national medical stockpile** to avoid such a situation
- However, medical supplies will **continue to be strained** as demand for PPE increases due to:
 - Mandatory mask-wearing in public spaces
 - Increased public presence in public spaces as the government moves forward with the plan for gradual return to normal life
 - Resumption of medical treatment not related to COVID-19

Exhibit 1: Personal protective equipment (PPE) utilized by the Kuwaiti Ministry of Health



Source: 1. The Washington Post ([link](#)); 2. Asian Development Bank ([link](#)).

THE STATUS OF THE MEDICAL STOCKPILE HAS ATTRACTED MUCH MEDIA ATTENTION

Developments

- After the deadly flash floods of November 2018, the **MoH** activated its emergency preparedness plan and stated that the **national medical stockpile could supply all hospitals for up to 6 months**¹
- However, the COVID-19 pandemic has placed **unprecedented strain** on this stockpile
- For instance, **monthly consumption of face masks in Kuwaiti public hospitals** increased significantly from **220,000** to **12 million**, reaching **55x usual consumption**²
- The press has keenly reported on **medical supply shortages and purchases** (*Exhibit 2*) throughout the pandemic, especially in terms of **costs**

Exhibit 2: Timeline of press reports on medical supply expenses and reserves

Al-Qabas reports that the **MoH** will import **KWD 17 MN** worth of medical supplies and equipment to consolidate its medical reserves³

21
April

In an exclusive press statement to **Al-Jarida**, the **MoH** states that the **national medical stockpile** could last for up to **8 months**, with efforts underway to **increase its capacity to 2 years**⁴

23
April

MP Mohammed Al-Dallal directs a parliamentary question to the **Minister of Health** regarding the **adequacy of the medical reserves** in Kuwait and the **potential of shortages**⁵

3
May

Al-Anba reports that the **MoH** has imported **KWD 5 MN** worth of medical ventilators from **China**⁶

5
May

Al-Qabas reports that **PPE is running out** in public hospitals due to **complicated purchase agreements with importers**⁷

30
May

Moreover, the **MoH's** efforts to **increase ICU capacity from 1,000 to 2,500 beds** was hindered by the **State Audit Bureau's refusal to allow the MoH to purchase the required ventilators**, as their prices were inflated by 40%⁷

After announcing its **intent to create a 6-month strategic PPE stockpile**, the **Public Authority for Industry** states that **Kuwait's daily local production of face masks** at 8 factories has **reached 5,000,000**, noting that only 1 such factory existed in Kuwait before the pandemic⁸

18
July

Al-Qabas reports that the **MoH** will import **KWD 22.8 MN** worth of medical supplies and equipment to consolidate its medical reserves⁹

19
July

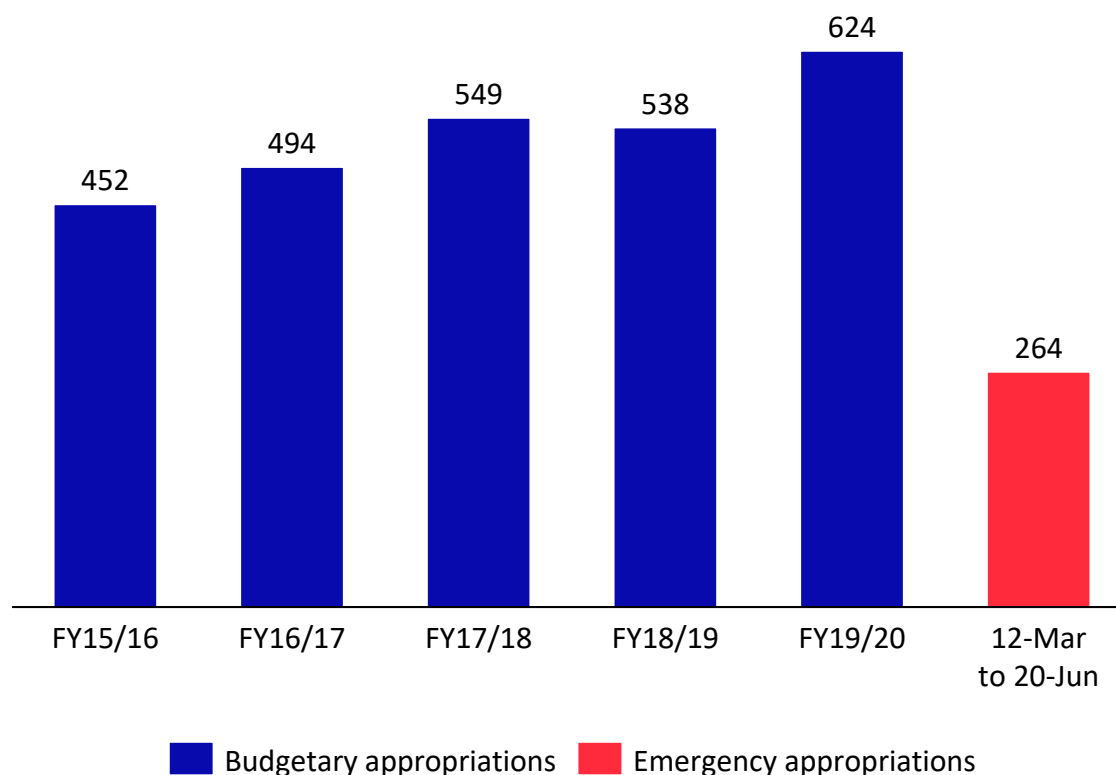
Source: 1. Al-Rai ([link](#)); 2. Al-Rai ([link](#)); 3. Al-Qabas ([link](#)); 4. Al-Jarida ([link](#)); 5. Al-Dustour ([link](#)); 6. Al-Anba ([link](#)); 7. Al-Qabas ([link](#)); 8. KUNA ([link](#)); 9. Al-Qabas ([link](#)).

EXPENDITURE ON MEDICAL EQUIPMENT HAS BALLOONED

Developments

- On 20-May, the **CoM** approved a bill to increase the FY20/21 budget for ministries by KWD 500 MN. However, **costs continue to rise**
- From 12-Mar to 20-June, the **State Audit Bureau** has **approved KWD 1.041 BN in emergency transactions and contracts** by ministries
- The **Ministry of Health** had the **biggest share (KWD 265 MN)** of emergency transactions and contracts, **58% of which were directly related** to the COVID-19 pandemic
- Compared to the **Ministry of Health's** expenditure on goods and services (see *Exhibit 3*) in previous years, the emergency appropriations are relatively large and could continue to increase during the ongoing pandemic

Exhibit 3: Ministry of Health expenditure on goods and services*
KWD MN



Notes (*): FY figures do not include “compensation of employees”, “social benefits”, or “capital expenditure”.

Source: Ministry of Finance ([link](#)) and the State Audit Bureau ([link](#)).

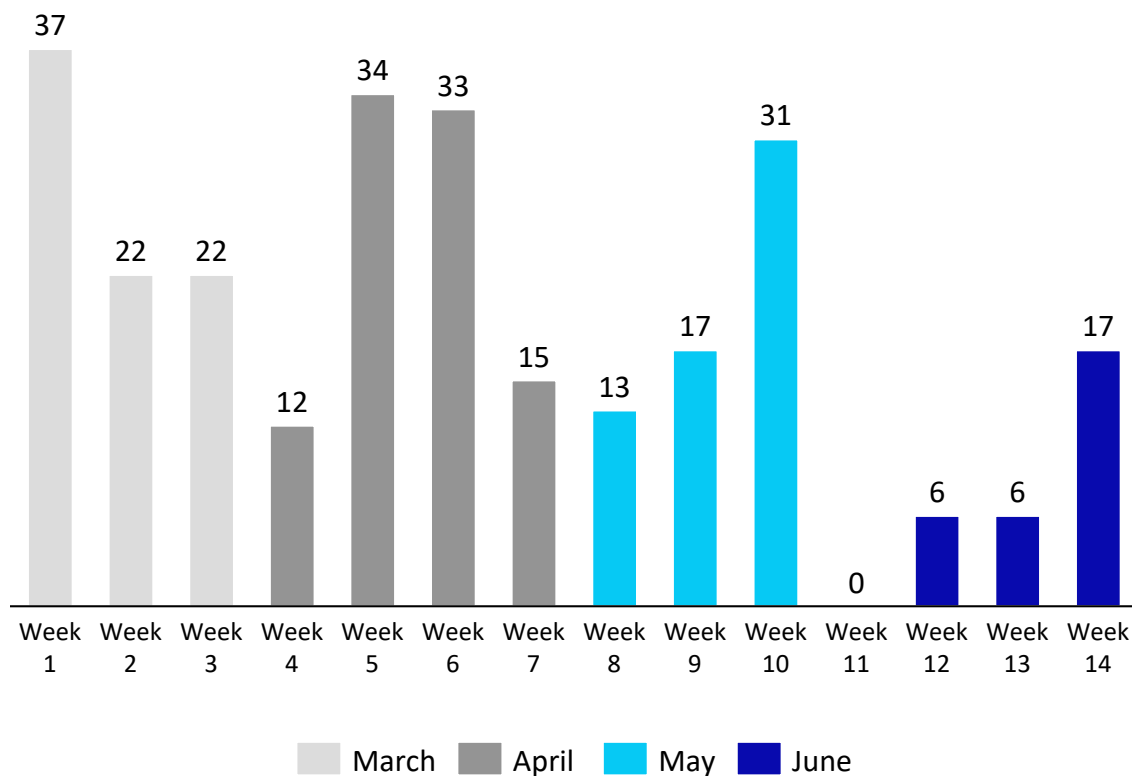
EMERGENCY SPEND IS EXPECTED TO CONTINUE INCREASING DUE TO THE CRISIS

Developments

- From 12-Mar to 20-June, the **Ministry of Health** has requested 265 emergency transactions and contracts worth **KWD 264 MN**
- Although the biggest shares of emergency transactions and contracts occurred in the early weeks of the lockdown, numbers continued to fluctuate as pandemic went on (see *Exhibit 4*)
- As **Kuwait** progresses through its phased plan for the gradual return to normal life, it is possible that the number of infections increases
- This will put further pressure on the **Ministry of Health**, likely increasing the future number of emergency transactions and contracts

Exhibit 4: Ministry of Health emergency transactions and contracts

Weekly review by State Audit Bureau, 12-Mar to 20-June



Source: State Audit Bureau ([link](#)).



CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** **Public utilities**
- 04** Demographic imbalance
- 05** Oil economy
- 06** Non-oil growth
- 07** Monetary developments
- 08** Consumer behaviour

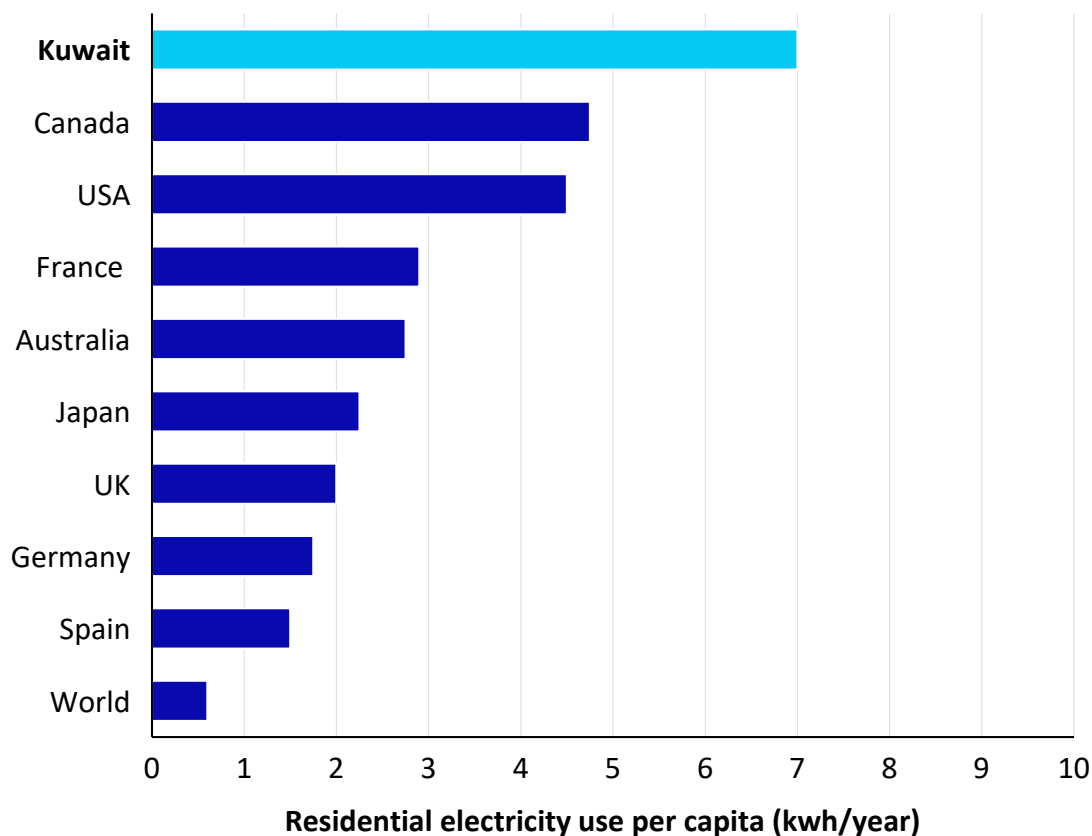
KUWAIT IS AMONG THE BIGGEST RESIDENTIAL CONSUMERS OF ELECTRICITY

Developments

- The residential sector significantly contributes to peak electrical demand, especially during times of extreme cold or heat¹
- Kuwait has one of the highest rates of per capita residential electrical consumption²
- In Kuwait, the residential sector is the major electrical consumer due to a number of reasons³:
 - Harsh climate conditions cause high demand for air-conditioning, which accounts for 70% of annual peak electricity consumption in the GCC
 - Low energy tariffs that contribute to sub-optimal consumption
 - Lack of energy-efficient building codes and use of low-efficiency appliances

Residential electricity consumption in Kuwait and select countries²

As of 2015



Source: 1. *Energy and Buildings* ([link](#)); 2. *Environment Pollution and Climate Change* ([link](#)); 3. *Arab Journal of Basic and Applied Sciences* ([link](#)).

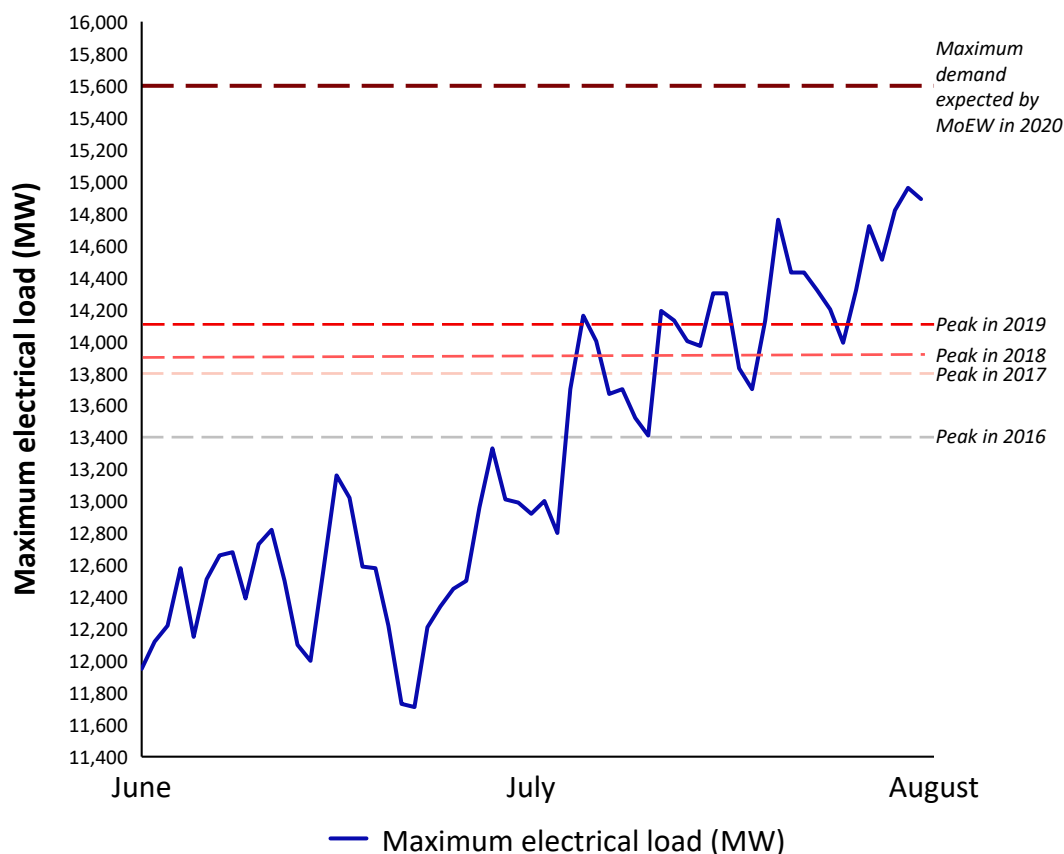
THE LOCKDOWN CAUSED ELECTRICITY DEMAND TO SURPASS PREVIOUS RECORDS

Developments

- Since 1-June, the maximum electrical load has increased overall, reaching an annual high of 14,960 MW on 30-July¹
- This annual high surpasses the maximum electrical loads recorded in previous years^{1,2}
- Al-Qabas reports that, while this figure is concerning, there is no cause for alarm as the MoEW anticipates the maximum electrical load for 2020 to reach 15,600 MW³
- Al-Anba reports that the MoEW is expected to introduce an additional 550 MW into its Az-Zour and Sabiya stations, raising its total capacity to more than 18,500 MW⁴

Maximum electrical load in Kuwait¹

1-Jun to 31-Jul



Source: 1. Ministry of Electricity and Water ([link](#)); 2. Al-Qabas ([link](#)); 3. Al-Qabas ([link](#)); 4. Al-Anba ([link](#)).

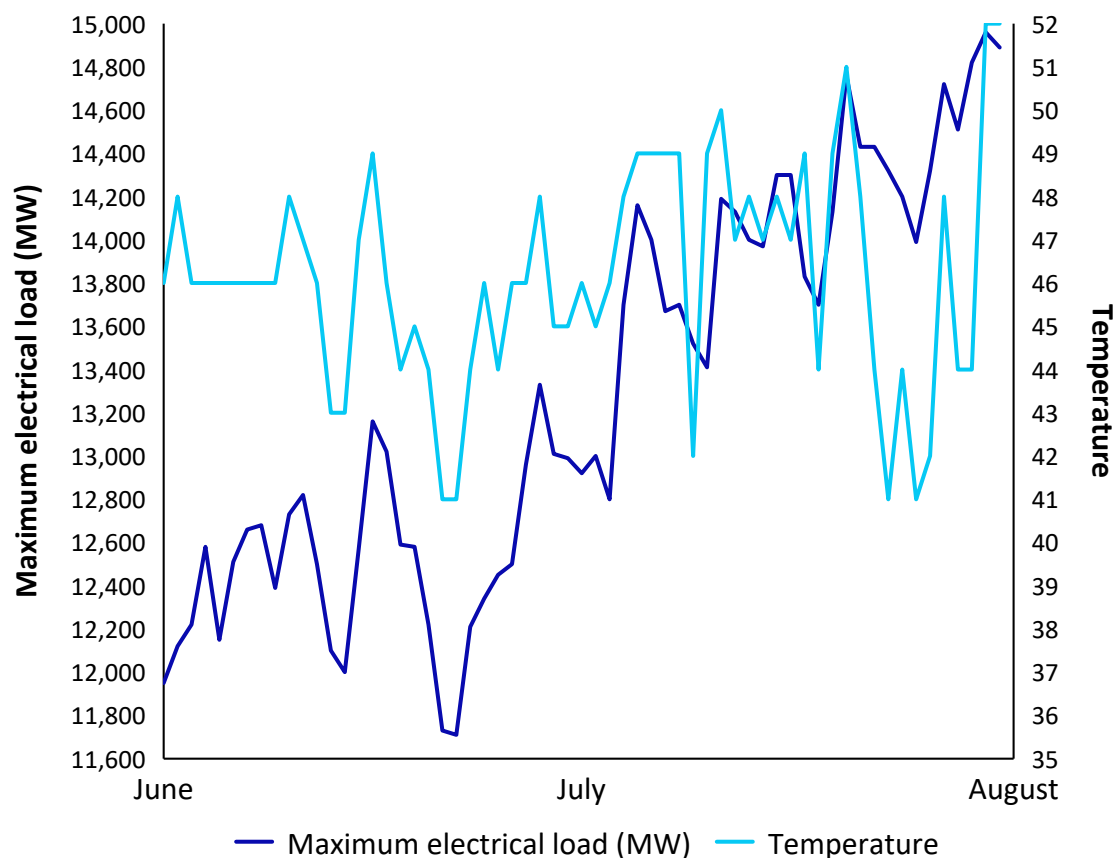
TEMPERATURE HAS A DIRECT EFFECT ON ELECTRICITY DEMAND

Developments

- Throughout the lockdown, the maximum electrical load was closely correlated with the daily temperature, indicating the role that air-conditioning plays in electrical consumption
- In fact, the lowest maximum electrical load was recorded on the day (21-June) with the lowest temperature
- The maximum electrical load is expected to increase due to:
 - High August temperatures
 - Resumption of electrical consumption by the commercial and industrial sectors

Impact of temperature on maximum electrical load

1-Jun to 31-Jul



Source: Ministry of Electricity and Water ([link](#)).

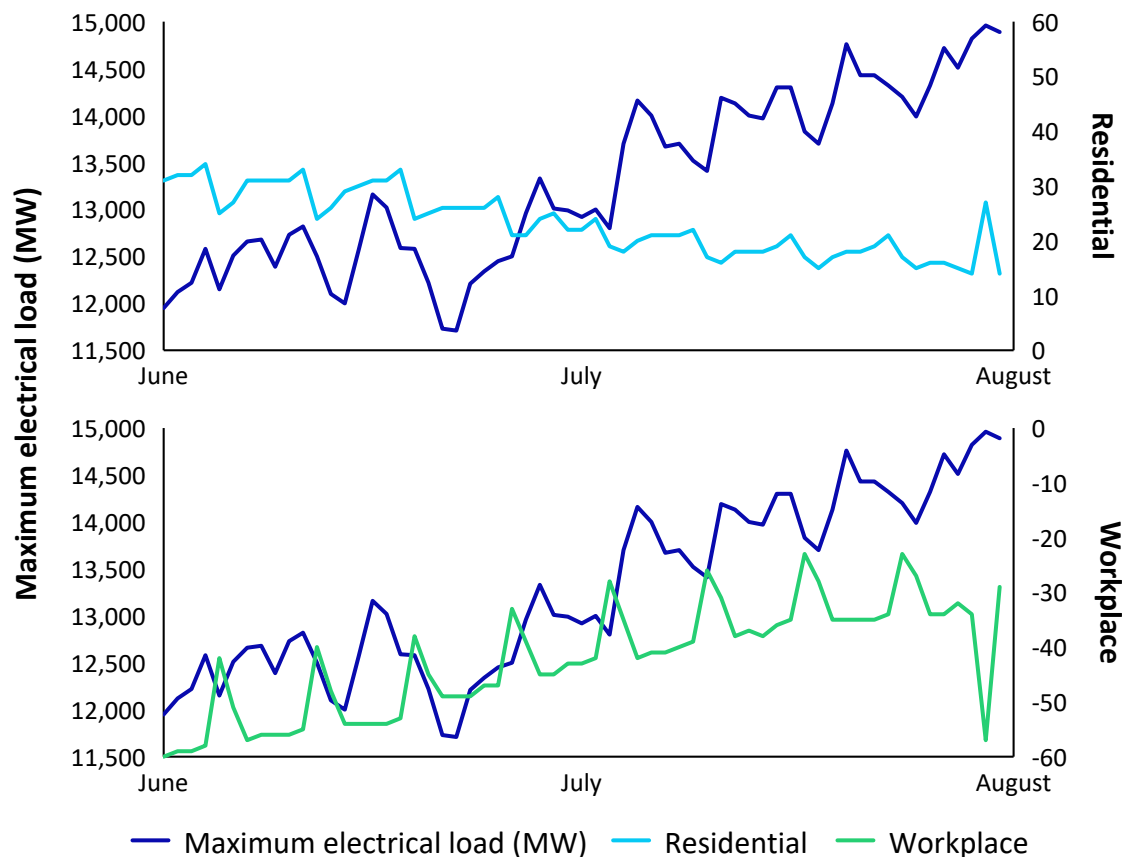
MOBILITY MIGHT BE LINKED TO THE LEVEL OF ELECTRICITY DEMAND

Developments

- Increases in length of time spent in residential locations were met with similar increases in maximum electrical loads
- However, increases in visits to workplace locations were met with decreases in maximum electrical load
- These observations point towards the need for the rationalization of residential electrical consumption
- This could be achieved by encouraging people not to set their air-conditioning units below a certain temperature, e.g. 23.5 °C

Impact of residential and workplace mobility on maximum electrical load

1-Jun to 31-Jul



Source: COVID-19 Community Mobility Reports ([link](#)) and Ministry of Electricity and Water ([link](#)).

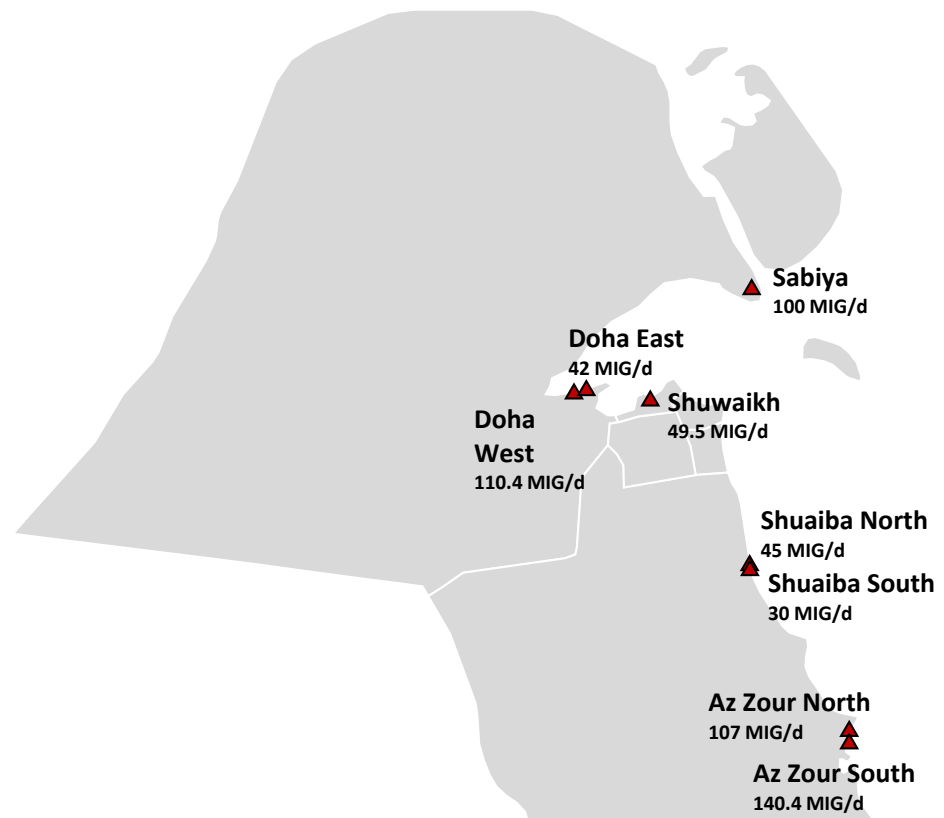
KUWAIT DEDICATES MUCH ENERGY TO WATER DESALINATION

Developments

- **Kuwait** was the first country in the world to adopt desalination as the main freshwater source, but the energy-intensive process is not sustainable in the long-run¹
- In 2010, the **National Assembly** passed a law that allowed the privatization of desalination plants²
- **Az Zour North** was the first desalination plant with private sector involvement, with private entities owning 40%³

Kuwait's desalination plants⁴

Name, location, and installed capacity (MN imperial gallons/day)



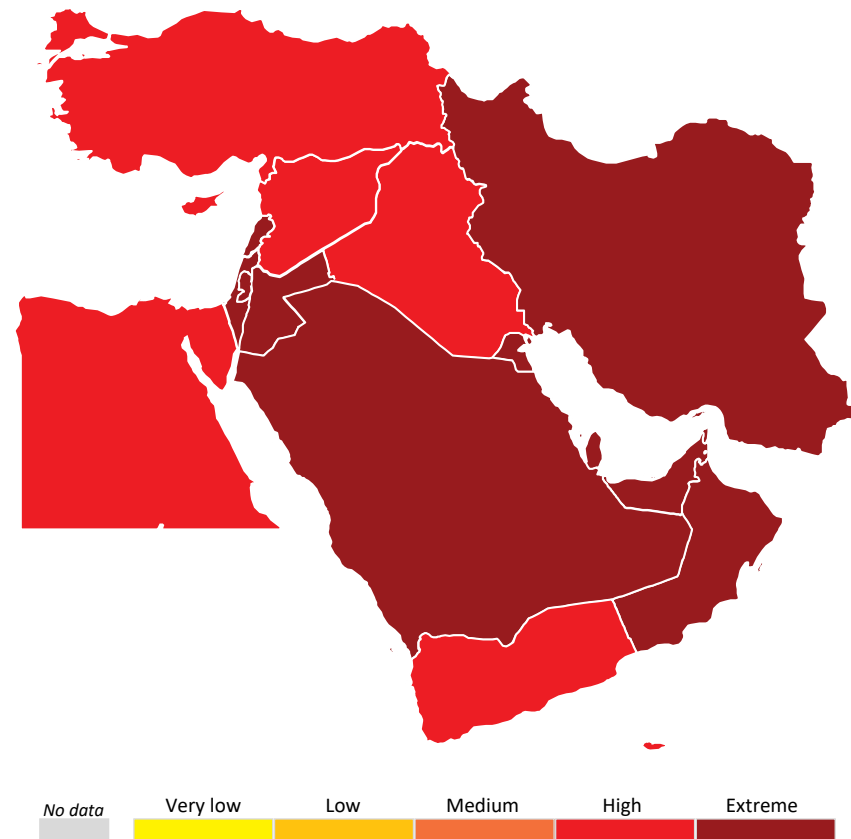
Source: 1. *Desalination and Water Treatment* ([link](#)); 2. UNCTAD ([link](#)); 3. Oxford Business Group ([link](#)); 4. *Environmental Research* ([link](#)).

WATER SCARCITY IS A MAJOR SUSTAINABILITY ISSUE IN KUWAIT

Developments

- **Kuwait** is classified as a water scarcity hotspot along with **Bahrain, Qatar, and the UAE**¹
- In fact, 90% of the **MENA region** is projected to face extremely high water stress by 2040¹
- On 3-Sep, **Fitch Ratings** announced that water risks “*are likely to become a more important sovereign rating driver over the medium to long-term*”, stating that **Kuwait** is “*particularly exposed to drought and water stress risks*”²

Country-level water stress in the Middle East and North Africa¹ As of 2020



Source: 1. Ecological Threat Register 2020 ([link](#)); 2. Fitch Ratings ([link](#)).

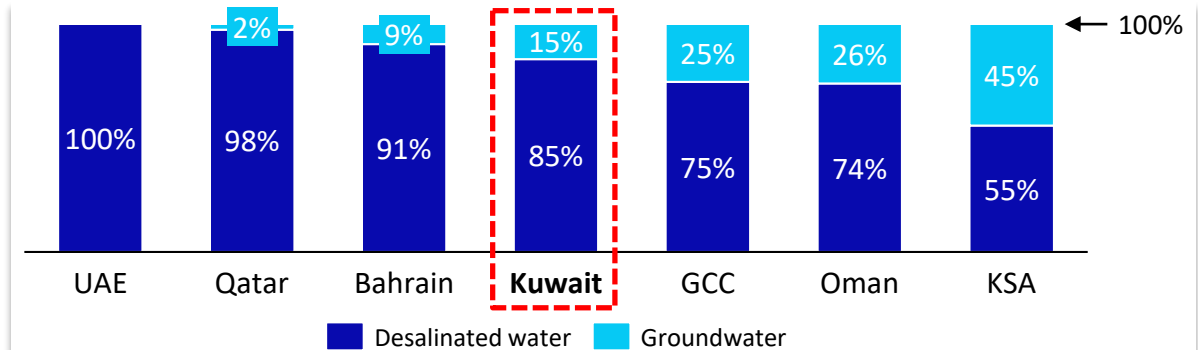
DESPITE ITS DESALINATION EFFORTS, KUWAIT IS QUICKLY DEPLETING ITS NON-RENEWABLE GROUNDWATER

Developments

- **Kuwait** is one of the highest-ranked countries that will be “extremely high water stressed” by 2040^{1,2}
- **Kuwait’s** only natural water resource is groundwater, but low precipitation (~121 mm per annum) and high evaporation rates means that only a small amount of water reaches aquifers²
- Despite this, **Kuwait’s** groundwater withdrawal rate is 255 MN m³/year, which is more than 10 times the annual recharge rates²
- The agricultural sector makes up the majority of groundwater consumption in **Kuwait**³

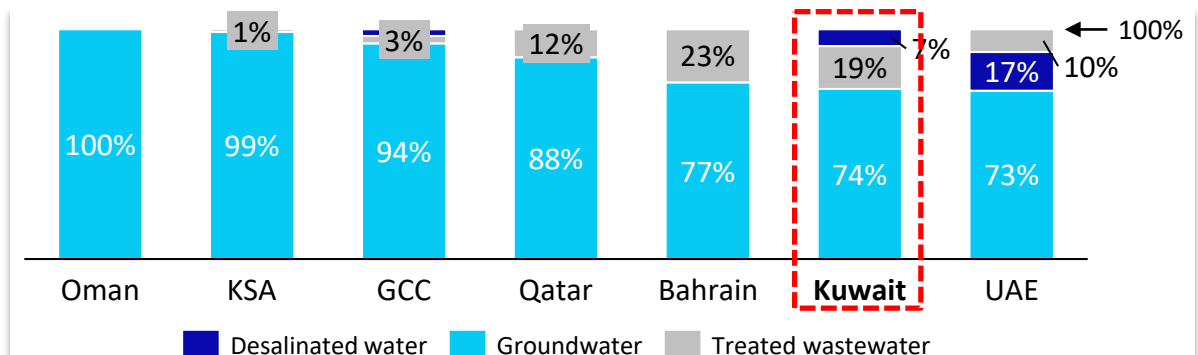
Sources of water for municipal consumption in the GCC³

As of 2012



Sources of water for agricultural consumption in the GCC³

As of 2012



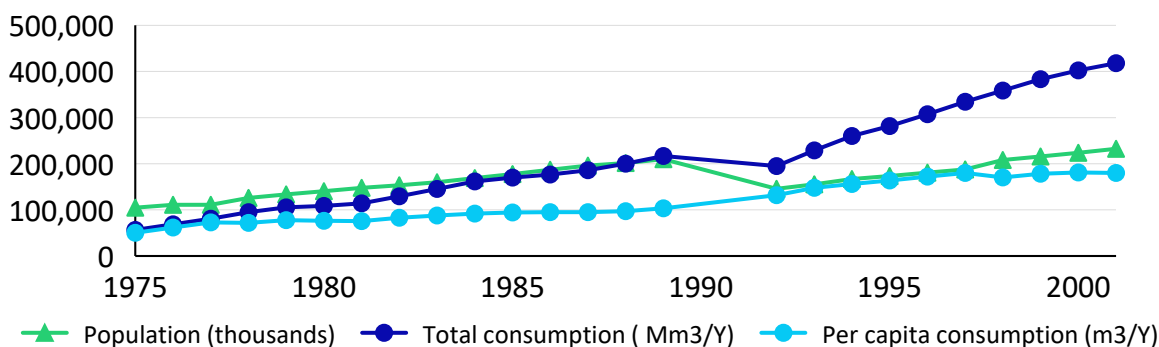
Source: 1. World Resources Institute ([link](#)); 2. Resilience, Response, and Risk in Water Systems ([link](#)); 3. Proceedings of the 12th Gulf Water Conference ([link](#)).

MOREOVER, KUWAIT'S WATER CONSUMPTION IS GROWING AT A RAPID RATE THAT OUTPACES GROWTH IN POPULATION

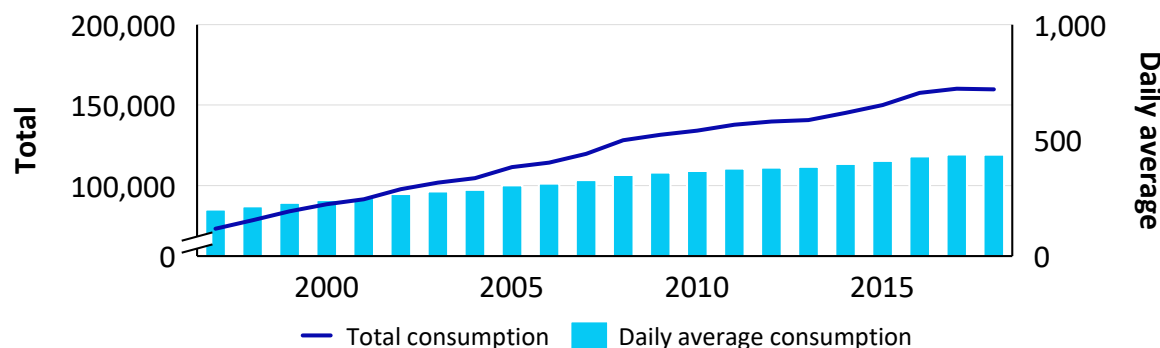
Developments

- Before the **invasion of Kuwait** in 1990, total consumption of water grew roughly on par with population growth¹
- Starting from 1992, a large gap can be observed between total water consumption and population growth, which continued to widen over the decade¹
- In the past twenty years, **Kuwait's** freshwater consumption has nearly doubled²
- As a result, **Kuwait** has one of the highest average annual per capita water consumption rates^{2,3}

Growth of water consumption in Kuwait¹ 1975 to 2001



Total and daily average freshwater consumption² MN imperial gallons, 1997 to 2018



Source: 1. *Water Resources Management* ([link](#)); 2. Ministry of Electricity and Water statistics ([link](#)); 3. Gulf News ([link](#)).

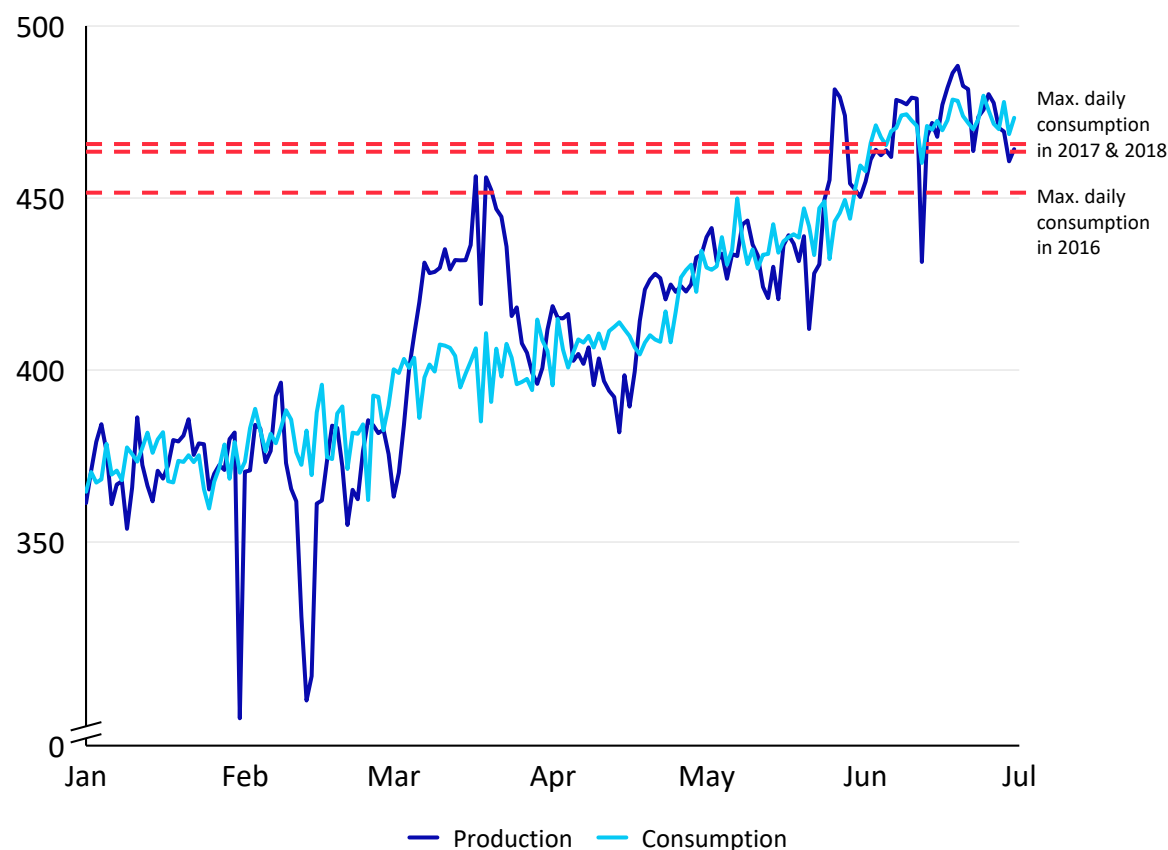
THE PANDEMIC HAS NOT SLOWED DOWN GROWTH IN FRESH WATER CONSUMPTION

Developments

- In 2019, **Kuwait's** consumption exceeded production on several occasions, a worrying development that was attributed to high temperatures and non-eco-friendly building designs^{1,2}
- In 2020, the **COVID-19 lockdown** caused disturbances in the production-consumption balance²
- Well-informed sources from the **Ministry of Electricity and Water** stated that the ministry set an all-time record for water production in June-2020 to meet sky-rocketing demand³

Net consumption and production of fresh water in Kuwait¹

MN imperial gallons, Jan-2020 to Jun-2020



Source: 1. Al-Qabas ([link 1](#), [link 2](#)); 2. Ministry of Electricity and Water statistics ([link](#)); 3. Gulf News ([link](#)).



CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** **Demographic imbalance**
- 05** Oil economy
- 06** Non-oil growth
- 07** Monetary developments
- 08** Consumer behaviour

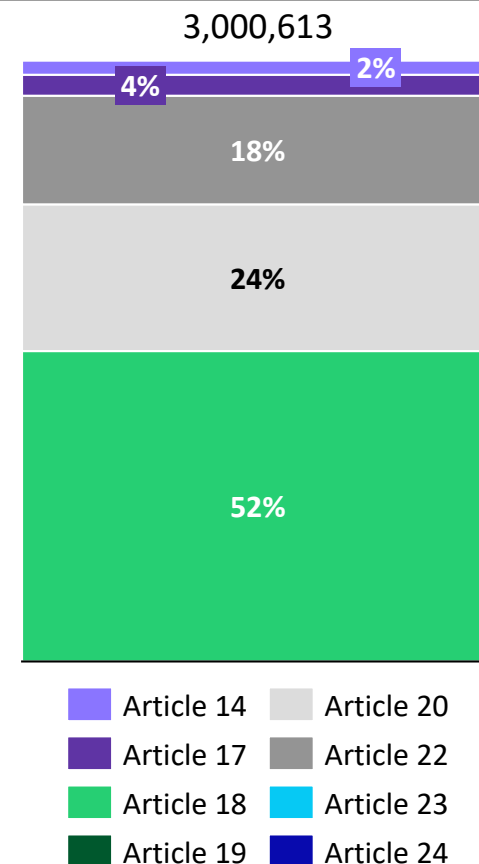
KUWAIT SUFFERS FROM A MAJOR DEMOGRAPHIC IMBALANCE

Brief timeline of previous government attempts to address the imbalance

- To **address the demographic imbalance**, the government has previously focused on **reducing the number of residency violators** via alternating measures of **crackdowns** and **amnesty periods**
- However, as of 2019, the total number of residency violators was **117,808**, a figure which is dwarfed by the **3,000,613 current residents** in Kuwait
- Solely focusing on residency violators can be **costly for the government**, due to the costs of **housing violators in state shelters** until deportation, and **not offer much value** in alleviating the demographic imbalance
- Recently, increasing light is being shed on the role that “**residency permit traders**” have to play in Kuwait’s demographic imbalance, with **accusations levied at different individuals and companies**
- In April 2020, the **government launched an official probe** into local traders of residency permits
- With regard to the **current residents of Kuwait** (*Exhibit 1*), the **majority (>75%)** are either under **Article 18** (working in the private sector) or **Article 20** (domestic labour)
- To **reduce the ability of residency permit traders to manipulate the sponsorship system**, more **stringent requirements** should be introduced for **certain residency permits**

Exhibit 1: Current residencies

As of 2019



Source: Central Statistical Bureau ([link](#)) and KUNA ([link](#)).

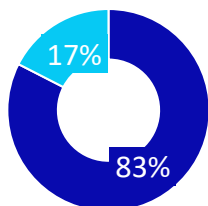
MALES GREATLY OUTNUMBER FEMALES IN CERTAIN TYPES OF RESIDENCY PERMITS

Gender imbalance among different types of residency permits

As of 2019

Male Female

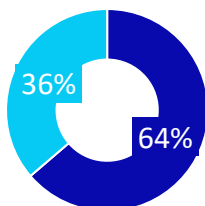
Article (14) Temporary Residence



70,624 residencies

Includes residencies issued for a period of less than one year as well as Visit Permits

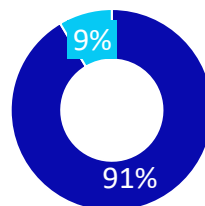
Article (17) Working in Government Sector



105,970 residencies

Includes residencies issued for government contracts

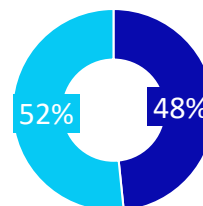
Article (18) Working in Private Sector



1,547,205 residencies

Includes residencies issued for private contracts

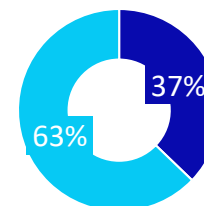
Article (20) Domestic Labour



731,376 residencies

Includes domestic laborers, i.e. servants, drivers, chefs, gardeners, and shepherds, etc.

Article (22) Family Dependents



541,830 residencies

Includes residencies of dependent family members

The **largest gender imbalances** are found within **Article 14** and **Article 18** residency permits.

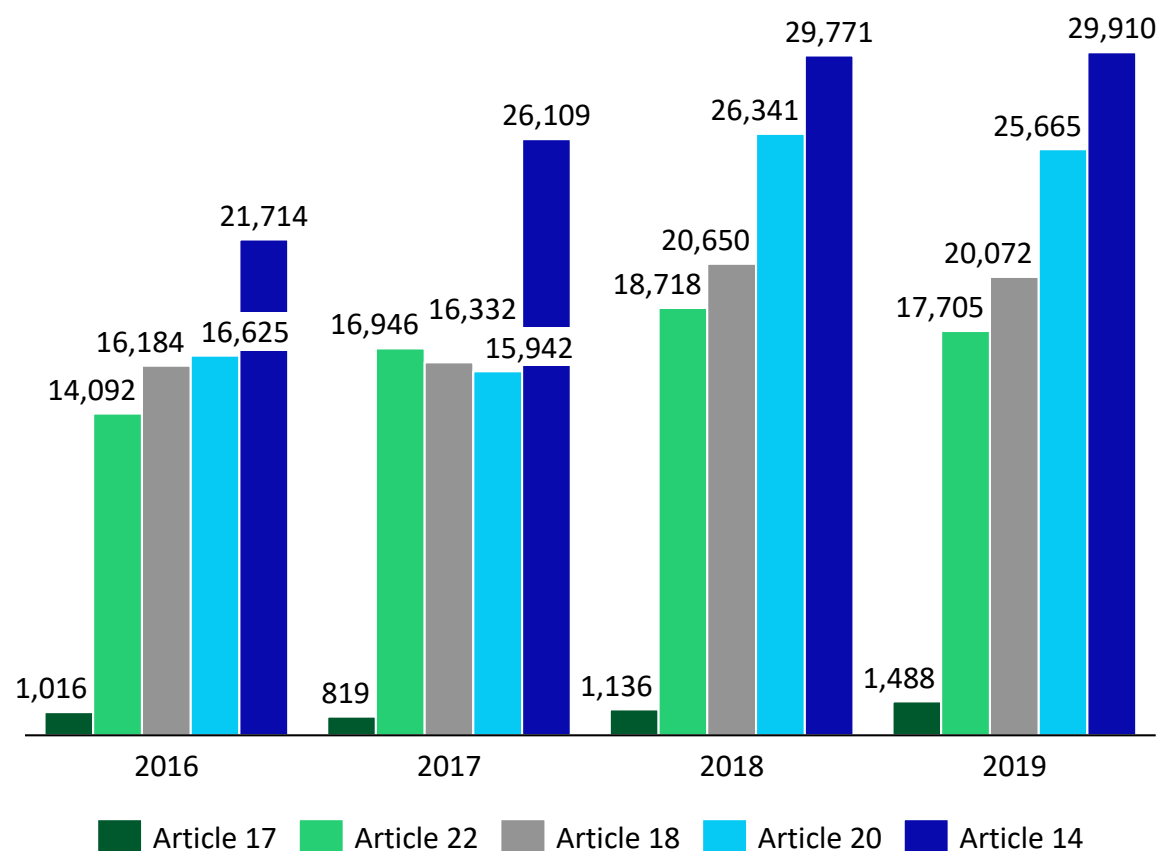
Source: Central Statistical Bureau ([link](#)).

NOT ALL TYPES OF RESIDENCY PERMITS ARE GRANTED EQUALLY

Developments

- Despite government efforts to reduce the demographic imbalance, **migrant inflow into the country** has been **steadily increasing since 2016**
- Article 14 residencies **accounted for the highest proportion** of first-time residencies for each year from 2016 to 2019
- In 2019 alone, **Article 14 residencies** accounted for **31%** of all residencies granted for the first time
- **Males** accounted for **94% of all Article 14 residencies granted in 2019**

Number of residencies granted for the first time 2016 to 2019



Source: Central Statistical Bureau ([link](#)).

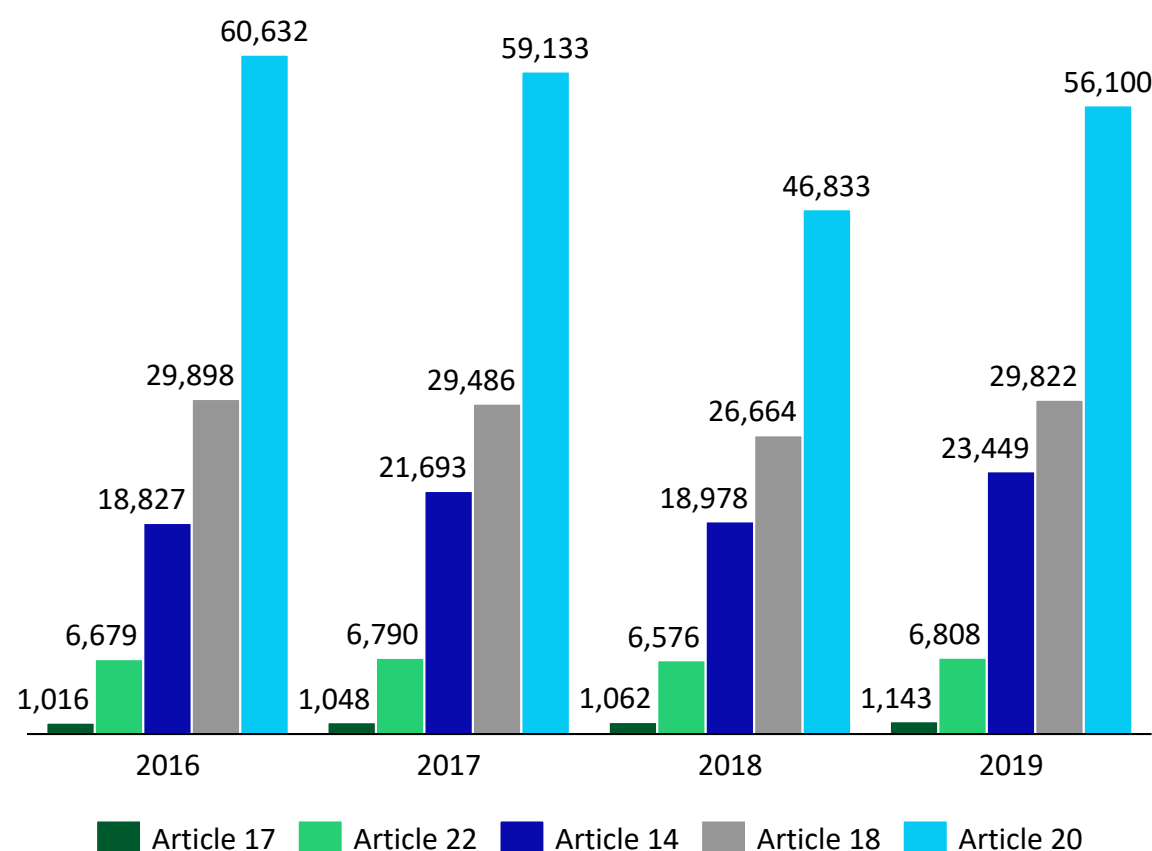
RESIDENCY VIOLATORS ARE ALSO CONCENTRATED WITHIN CERTAIN RESIDENCY CATEGORIES

Developments

- Over the period from 2016 to 2019, the **highest number of residency violators** belonged to the **Article 20** category
- Non-Arab Asians** accounted for **67% of all residency violators** in the period between **2016 to 2019**
- Non-Arab Asians** accounted for **59% of all residency violators** in **2019**, followed by **Arabs (23%)** and **non-Arab Africans (17%)**

Number of residency violators

Cumulative, 2016 to 2019



Source: Central Statistical Bureau ([link](#)).

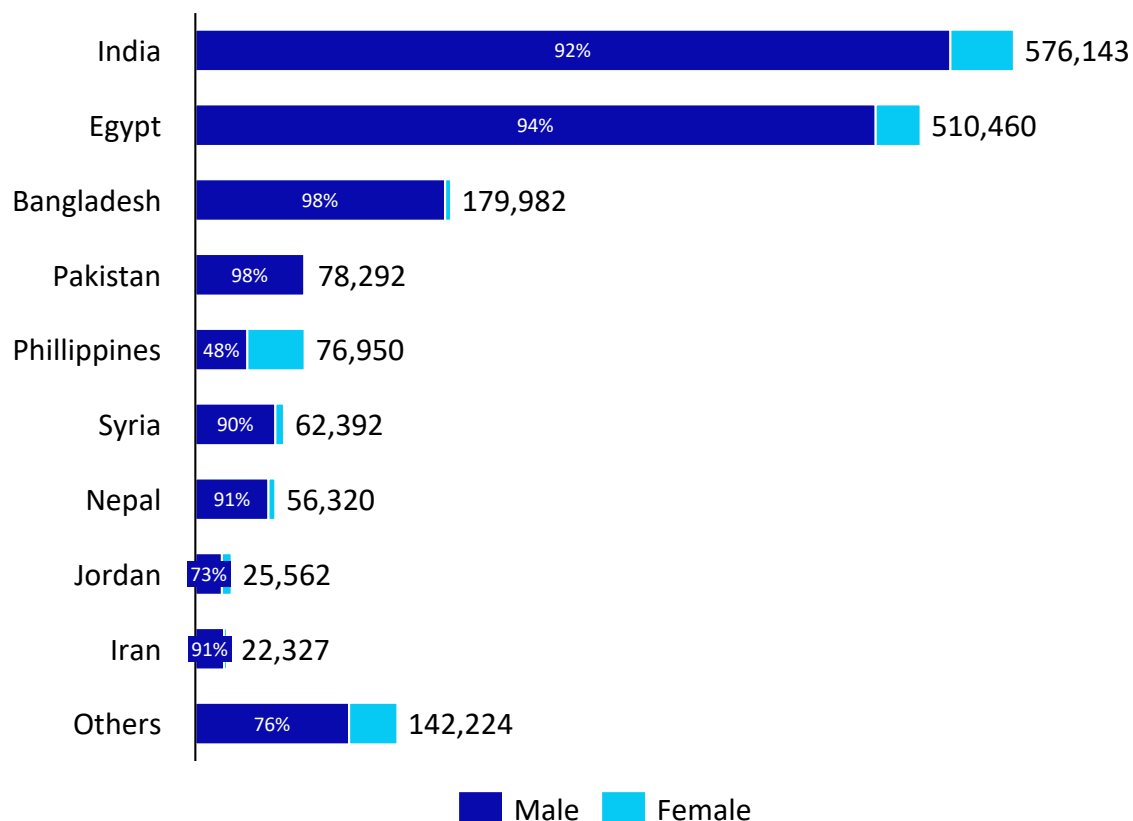
THE DEMOGRAPHIC IMBALANCE IS REFLECTED IN THE LABOUR MARKET

81.6%

Of Kuwait's labour market is non-Kuwaiti

- 49.4% are non-Arab Asians (1,046,869)
- 30.6% are Arabs (648,858)
- Males consistently outnumber females across all non-Kuwaiti nationalities except for the Filipino nationality
- Indians and Egyptians account for 62.8% (1,086,603) of the non-Kuwaiti labour market

Breakdown of non-Kuwaiti employees* by nationality
As of Sep-2019



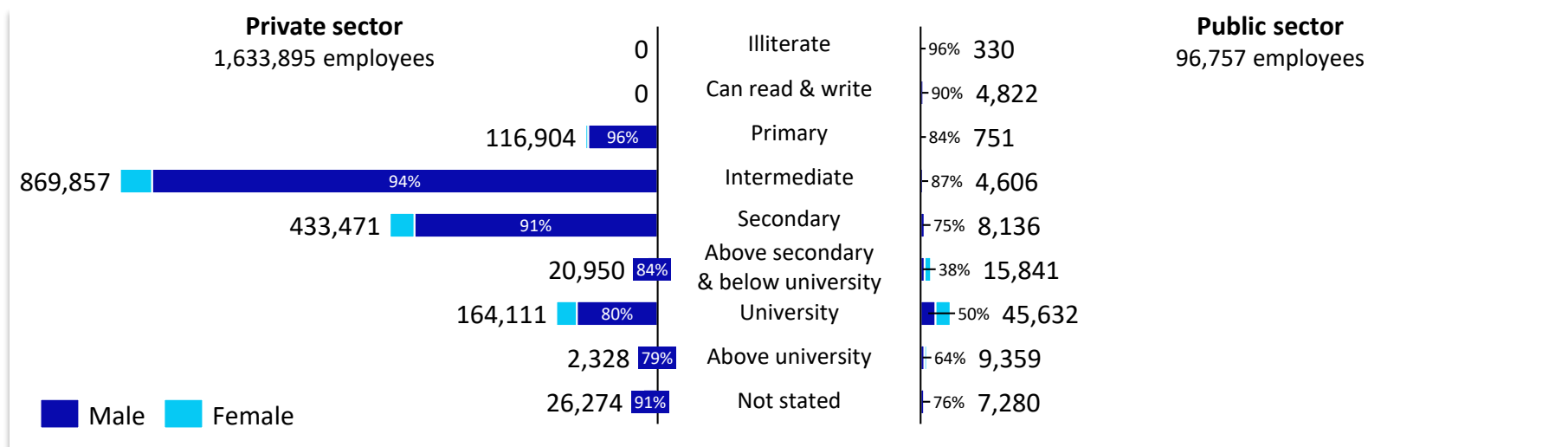
Note (*): Figures do not include domestic workers.

Source: Labor Market Information System (LMIS) as of 30/09/2019 ([link](#)).

A WAGE GAP EXISTS DEPENDING ON SECTOR AND NATIONALITY

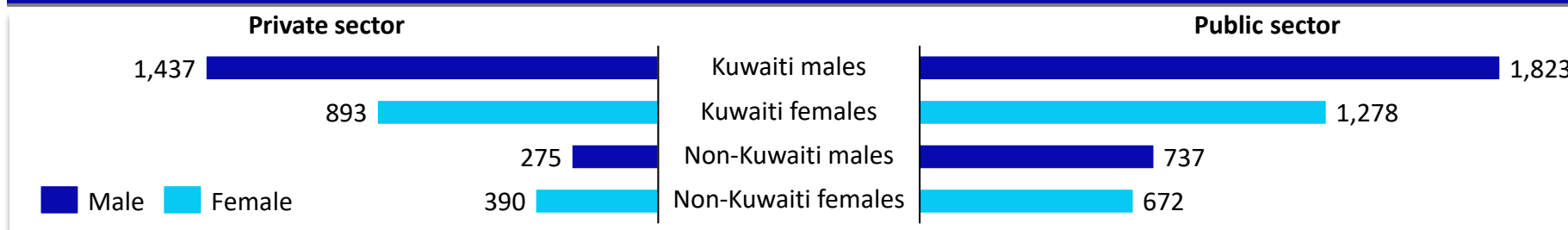
Educational attainment of non-Kuwaiti employees* in the private and public sectors

As of Sep-2019



Salaries of Kuwaiti and non-Kuwaiti employees in the private and public sectors

KWD, as of Sep-2019



Note (*): Figures do not include domestic workers.

Source: Labor Market Information System (LMIS) as of 30/09/2019 ([link](#)).

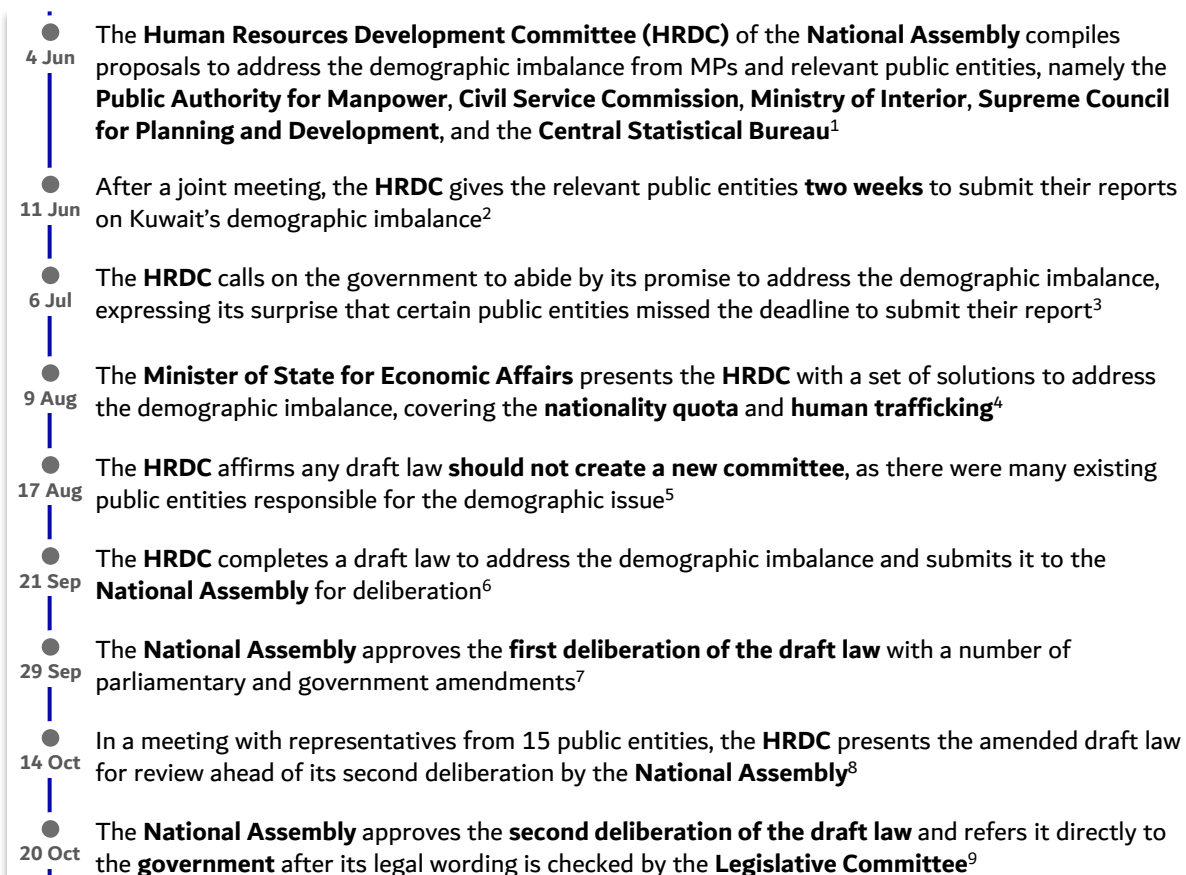
THE COVID-19 CRISIS HAS ACCELERATED THE APPROVAL OF A LAW TO ADDRESS KUWAIT'S DEMOGRAPHIC IMBALANCE

Comments

- The demographic imbalance issue has been the subject of **widespread debate** among Kuwait society¹
- **Little progress** has been made regarding the demographic imbalance issue, which has seen the **expatriate population grow to more than double the size of the Kuwaiti population**²
- Although a **National Supreme Committee** had been established in 2014 to address Kuwait's demographics, not a single proposal has been submitted since then²
- The COVID-19 crisis spurred calls for serious government action on the issue, resulting in the **approval of a law** to address the demographic imbalance

Timeline of approving the law to address the demographic imbalance

4-Jun to 20-Oct



Source: 1. KNA ([link](#)); 2. KNA ([link](#)); 3. KNA ([link](#)); 4. KNA ([link](#)); 5. KNA ([link](#)); 6. KNA ([link](#)); 7. KNA ([link](#)); 8. KNA ([link](#)); 9. KNA ([link](#)).

THE LAW TAKES INTO ACCOUNT THE NEEDS OF KUWAIT IN TERMS OF ITS LABOR MARKET AND DEVELOPMENT PLANS ...

Law regarding the Organization and Management of the Demographic Composition^{1,2}

As it stands after the National Assembly's second deliberation

- 01 For the purpose of implementing the provisions of this law, the following terms and expressions shall have the meanings indicated next to each of them:
- i. **Concerned Minister:** The minister specified by the **Council of Ministers** to implement the provisions of this law
 - ii. **Expatriate Workers:** workers of various nationalities that are brought into the State of Kuwait
-
- 02 This law applies to **Expatriate Workers** of various nationalities who are permitted to enter the State of Kuwait, except for the excluded categories
-
- 03 The **Council of Ministers** issues regulations to address the defect in the demographic composition within a year from the date this law comes into effect, taking into account the preparation of mechanisms that include setting a ceiling for **Expatriate Workers**, and the **Council of Ministers** issues annual executive decisions when the need arises to put the aforementioned mechanisms into effect while providing the National Assembly with annual reports in this regard
-
- 04 When issuing the aforementioned regulations, the following shall be taken into consideration:
- i. The number of **Expatriate Workers** on the date of issuance of those decisions
 - ii. The National Comprehensive Development Plan, the timetables it contains, its requirements for **Expatriate Workers**, and the programs organized for professional qualifications contained in this plan
 - iii. The various policies and plans related to replacing **Expatriate Workers** with national workers
 - iv. Education outputs and programs of the Public Authority for Applied Education and Training
 - v. The extent to which the means of prevention and treatment of diseases and epidemics are absorbed in the country's health system for workers coming from abroad
 - vi. Identifying some excluded categories in light of the needs of the development plan and labor market policies
 - vii. Defining policies to prohibit the transfer of **Expatriate Workers** between different sectors

Source: 1. KNA ([link](#)); 2. KNA ([link](#)).

... BUT IT DOES NOT EXPLICITLY OUTLINE WHICH EXPATRIATE GROUPS WILL BE SUBJECT TO THE LAW

Law regarding the Organization and Management of the Demographic Composition^{1,2}

As it stands after the National Assembly's second deliberation

- 05 Without prejudice to any more severe penalty stipulated in another law, anyone who took a decision in the matter of **Expatriate Workers**, or assisted in its adoption or implementation, in violation of the provisions of this law, shall be punished with imprisonment for a period not exceeding three years and a fine not exceeding five thousand dinars or one of these two penalties, and if the convicted person is a public official, the court may rule to dismiss him from his position
-
- 06 The executive regulations of this law shall be issued by decree based on the proposal of the **Concerned Minister** within six months from the date of its implementation, and until this regulation is issued, the decisions and regulations in force prior to the issuance of this law will apply
-
- 07 The Prime Minister and the ministers - each within his jurisdiction - shall implement this law
-

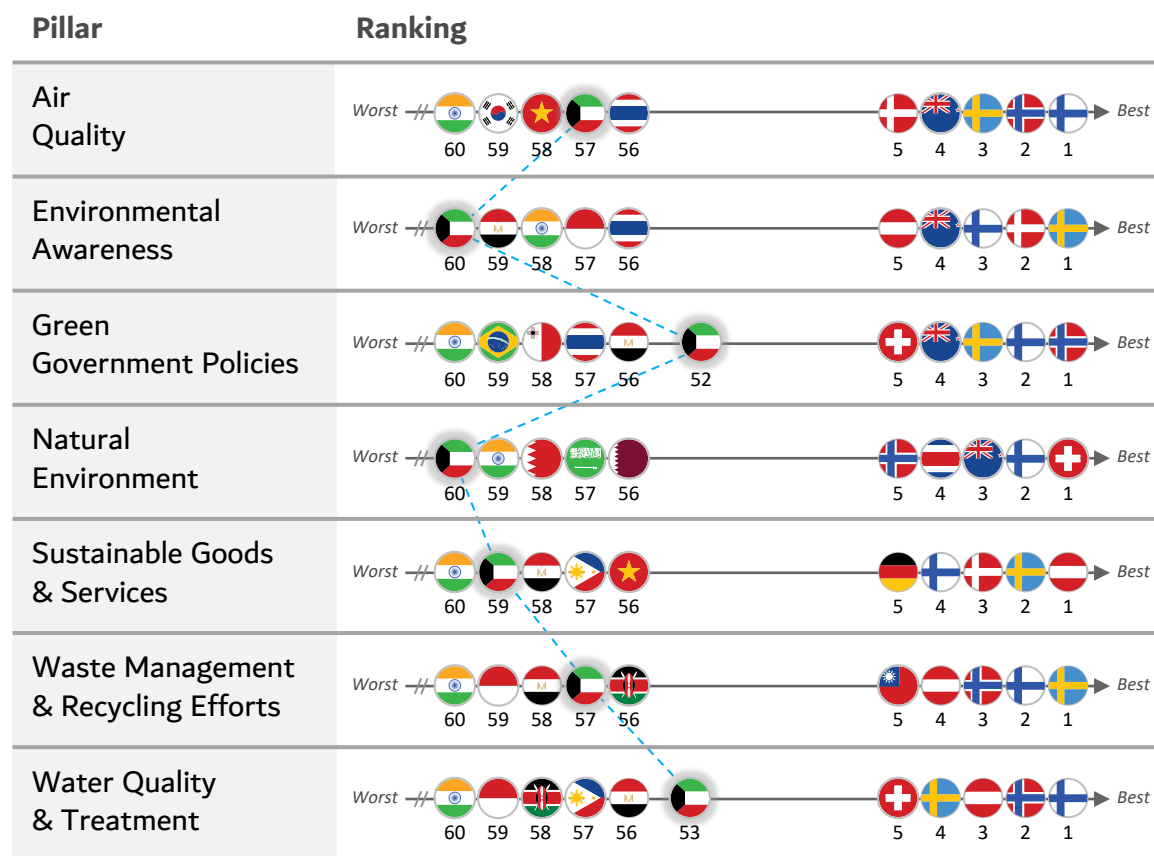
Source: 1. KNA ([link](#)); 2. KNA ([link](#)).

KUWAIT NEEDS TO BE CAREFUL TO RETAIN ITS SKILLED EXPATRIATE WORKFORCE AND AVOID BRAIN DRAIN

Comments

- On 25-Oct, **Al Qabas** reported that **Kuwait** was among the **worst-ranked destinations for expatriates** in the **2020 Expat Insider Index**, which involves a survey of 15,000 expatriates in 60 countries¹
- Among the GCC, **Oman** (21st) and the **UAE** (22nd) were among the **higher-ranked destinations**, while **Saudi Arabia** (49th) and **Kuwait** (59th) were among the **worst destinations**¹
- This is not the first time that **Kuwait** ranked last in the **Expat Insider Index**, as it has **also ranked last in 2014, 2015, 2016, 2018, and 2019**²
- As **Kuwait** addresses its demographic imbalance, conditions may further worsen for expatriates and force them to leave

Expat Insider 2020 – Sustainability and City Life³ As of Oct-2020



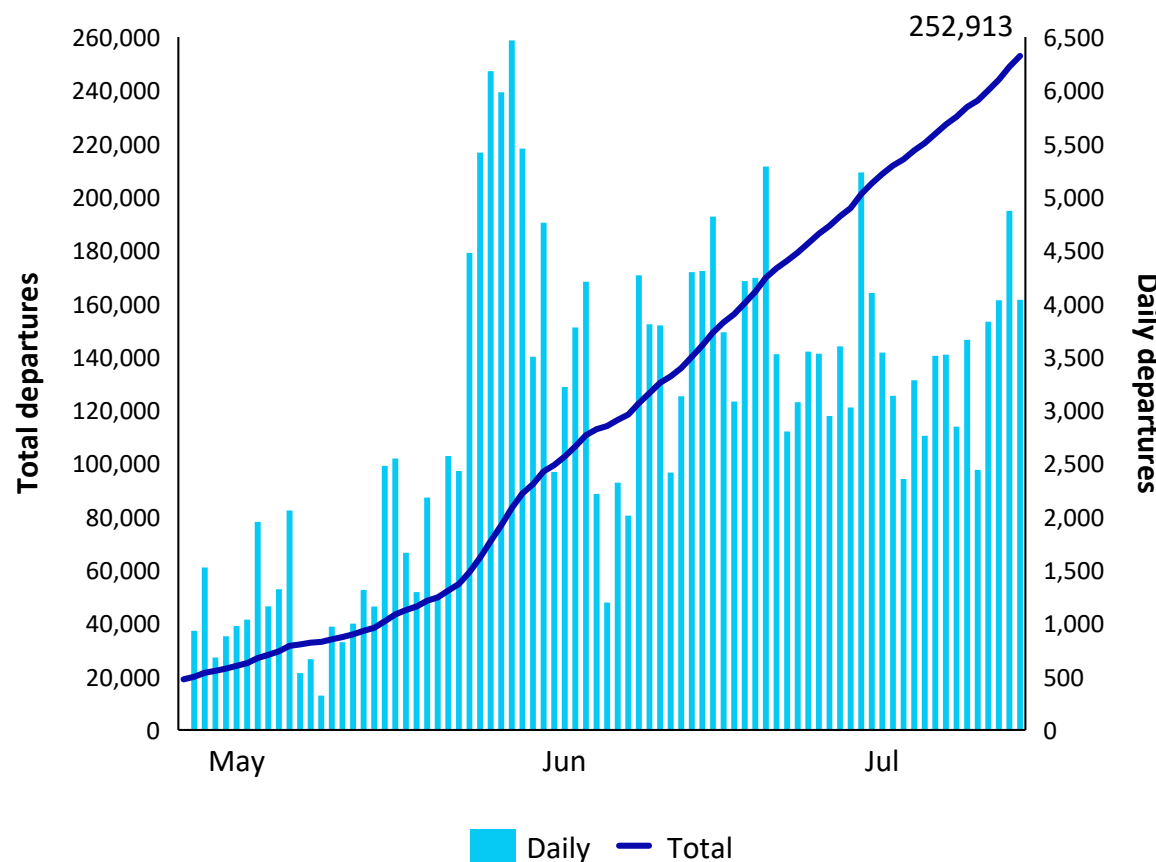
Source: 1. Al Qabas ([link](#)); 2. InterNations ([link](#)); 3. InterNations ([link](#)).

THE LABOR MARKET SITUATION COULD WORSEN DUE TO EXPATRIATE BRAIN DRAIN

Developments

- From 26-March to 30-July, **252,913 expats*** departed from Kuwait, an average of ~1,945 expats per day¹
- This number is **expected to increase**, with several critical points:
 - 15-July:** the Ministry of Education's decision to end the academic year²
 - 1-Aug:** the resumption of commercial flights at a 30% capacity¹
 - 19-Sep:** the announcement of the high school test results³
 - ~Oct:** the National Assembly's finalization of a draft law that would impose nationality quotas, potentially forcing more than a million expats to leave the country by the end of this year^{4,5}

Flight departures from Kuwait during its lockdown¹ 10-May to 30-Jul



Note (*): includes residency violators who benefitted from the MoI's amnesty period.

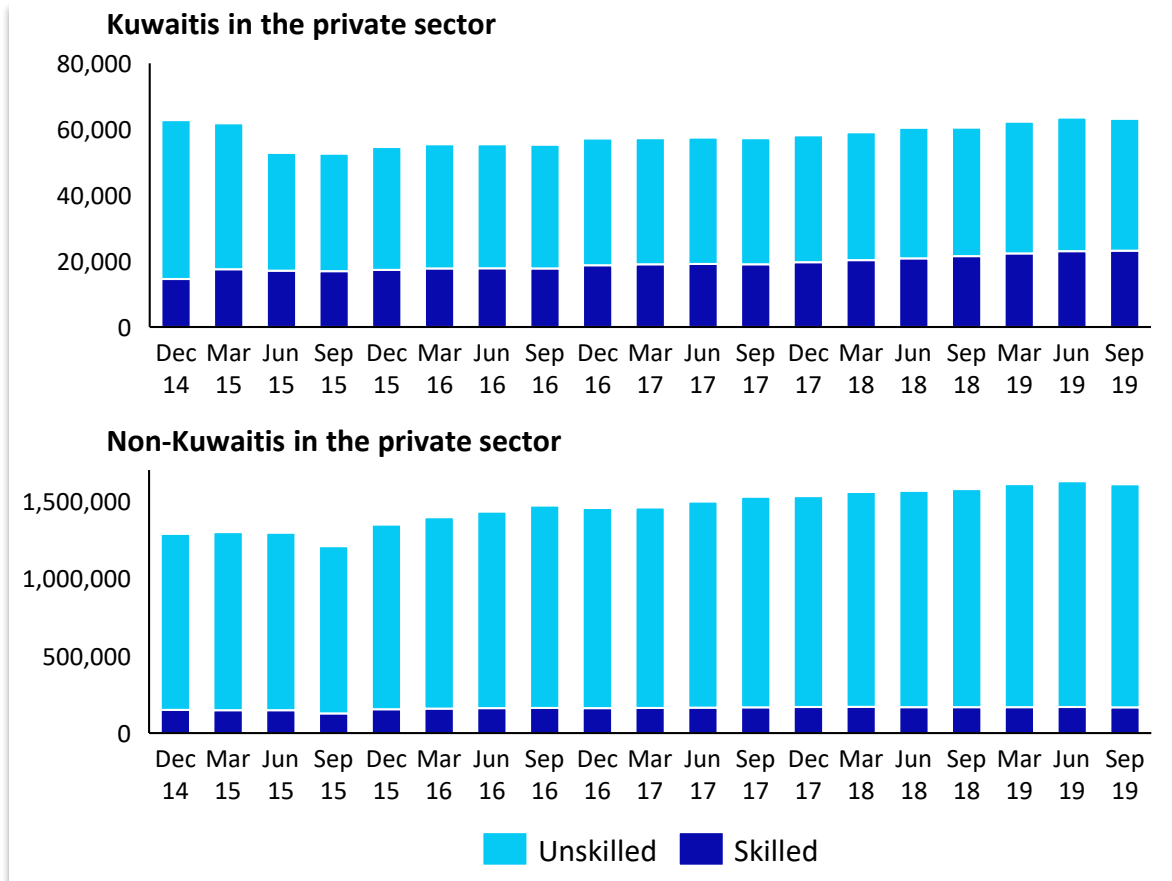
Source: 1. Directorate General of Civil Aviation ([link](#)); 2. Arab News ([link](#)); 3. Al Qabas ([link](#)); 4. Arab News ([link](#)) 5. Gulf Business ([link](#)).

KUWAIT MUST PROTECT ITSELF FROM BRAIN DRAIN DURING ITS DEMOGRAPHIC BALANCING PROCESS

Developments

- The International Labor Organization (ILO) predicts that the **expatriate exodus from the GCC** will be **greater than** that which occurred after the **2008-2009 financial crisis** and **2014-2015 economic slowdown**¹
- Kuwait needs to **protect itself from expat 'brain drain'**, which would **affect the private sector, slow economic growth, and lead to shortages in critical professions**
- **Expats constitute the majority share of Kuwait's labour force**, reaching **1.73 MN (81.6% of the total labour force)** in September 2019:
 - In the skilled labour segment there are 221,430 expat labourers (56.8% of total) compared to 168,561 Kuwaitis
 - In the unskilled labour segment there are 1,475,668 expat labourers (88.4% of total) compared to 193,539 Kuwaitis

Skilled and unskilled workers in the private sector² 2014 to 2019



Note (*): a skilled worker was defined here as anyone with a university-level degree or higher.

Source: 1. Reuters ([link](#)); 2. Labor Market Information System ([link](#)).

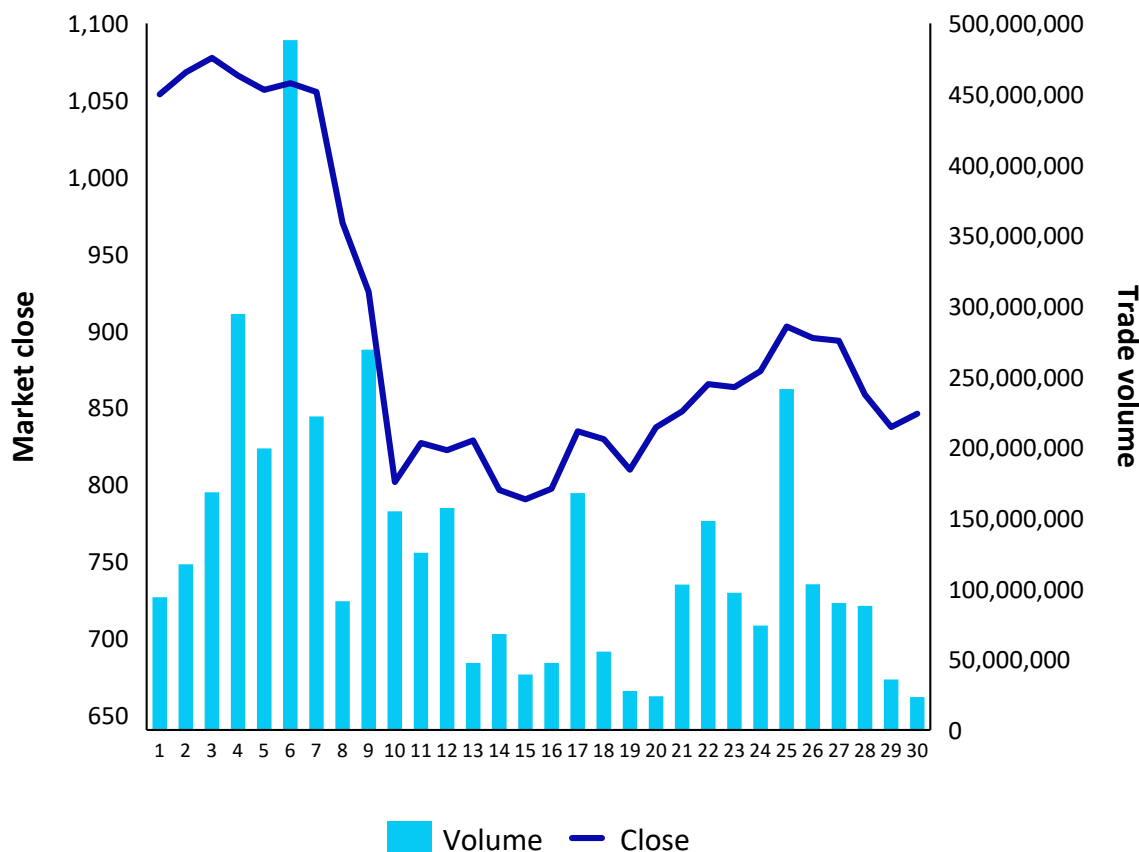
THE REAL ESTATE SECTOR IS EXPECTED TO BE IMPACTED BY THE ONGOING EXPATRIATE OUTFLOW

Developments

- The **expatriate outflow** will have a **major impact** on a number of economic sectors, **most severely** of which is the **real estate sector**
- Real estate shares in **Boursa Kuwait** have seen **signs of distress**, and the **real estate sector index** has **dropped by almost 20%** since the end of February¹
- In fact, the **combined effects of oversupply and weaker demand from expats** has contributed to a **continuing deflationary trend** (-0.3% y/y) among residential rents²

Market performance of real estate sector in Kuwait¹

Weekly, Jan-2020 to Jul-2020



Source: 1. Boursa Kuwait ([link](#)); 2. National Bank of Kuwait ([link](#)).

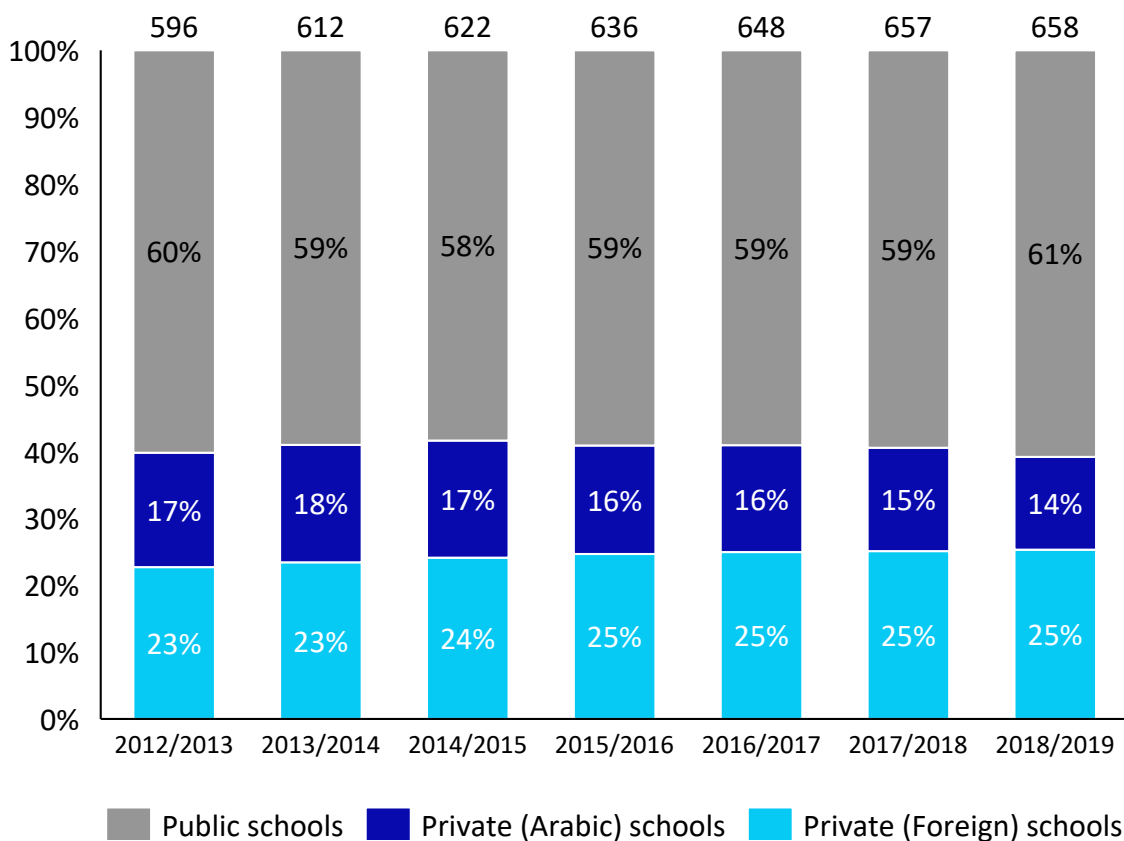
THE EXPATRIATE OUTFLOW IS EXPECTED TO WORSEN THE SHORTAGE OF TEACHERS IN KUWAIT

Developments

- There are **over 658,000 school students** in Kuwait that attend **public, private Arabic, or private foreign schools**¹
- Since 2012, the number of **private foreign school students** has **increased (+31,338)**, while the number of **private Arabic school students** has **decreased (-10,563)**¹
- Similarly, the **number of public school students** has increased by **41,631** since 2012¹
- In response to the growing number of public school students, the **MoE** planned to **open 21 schools in 2020**, whose operation requires the **MoE** to hire an **additional 1,000 teachers**^{2,3}

Distribution of students across Kuwait's schools¹

Thousands, 2012 to 2019



Source: 1. Central Statistical Bureau ([link](#)); 2. Al-Jarida ([link](#)); 3. Gulf News ([link](#)).

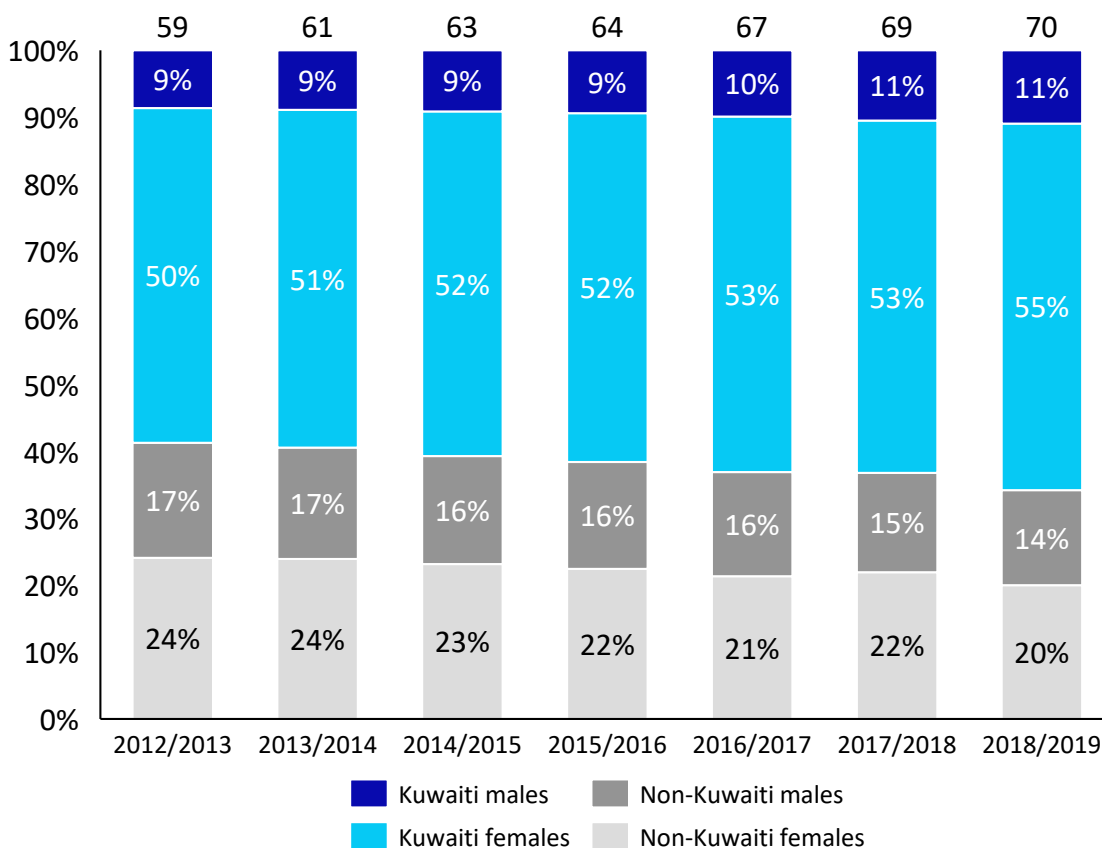
THE MINISTRY OF EDUCATION IS THE LARGEST PUBLIC EMPLOYER OF EXPATRIATES

Developments

- The **MoE** employs the **most non-Kuwaitis** in the public sector¹
- In response to calls for Kuwaitization, the **MoE** announced that it would **terminate the contracts of 365 non-Kuwaiti teachers** by June-2019²
- However, by Jan-2020, the **MoE** had formally requested that its teachers **be exempt from Kuwaitization**³
- The **MoE's** request was due to a **shortage of science, mathematics, and English teachers** and **plans to open 21 public schools**⁴
- Since the start of the pandemic, a **further 250 non-Kuwaiti teachers** have **resigned**, while up to **1,000 non-Kuwaiti teachers remain stuck outside Kuwait** due to the decision to **ban flights from 31 countries**^{5,6,7}

Public school teachers¹

Thousands, 2012 to 2019



Source: 1. Central Statistical Bureau ([link](#)); 2. Arab News ([link](#)); 3. Al-Qabas ([link](#)); 4. Al-Jarida ([link](#)); 5. Gulf News ([link](#)); 6. Al-Qabas ([link](#)); 7. Al-Anba ([link](#)).

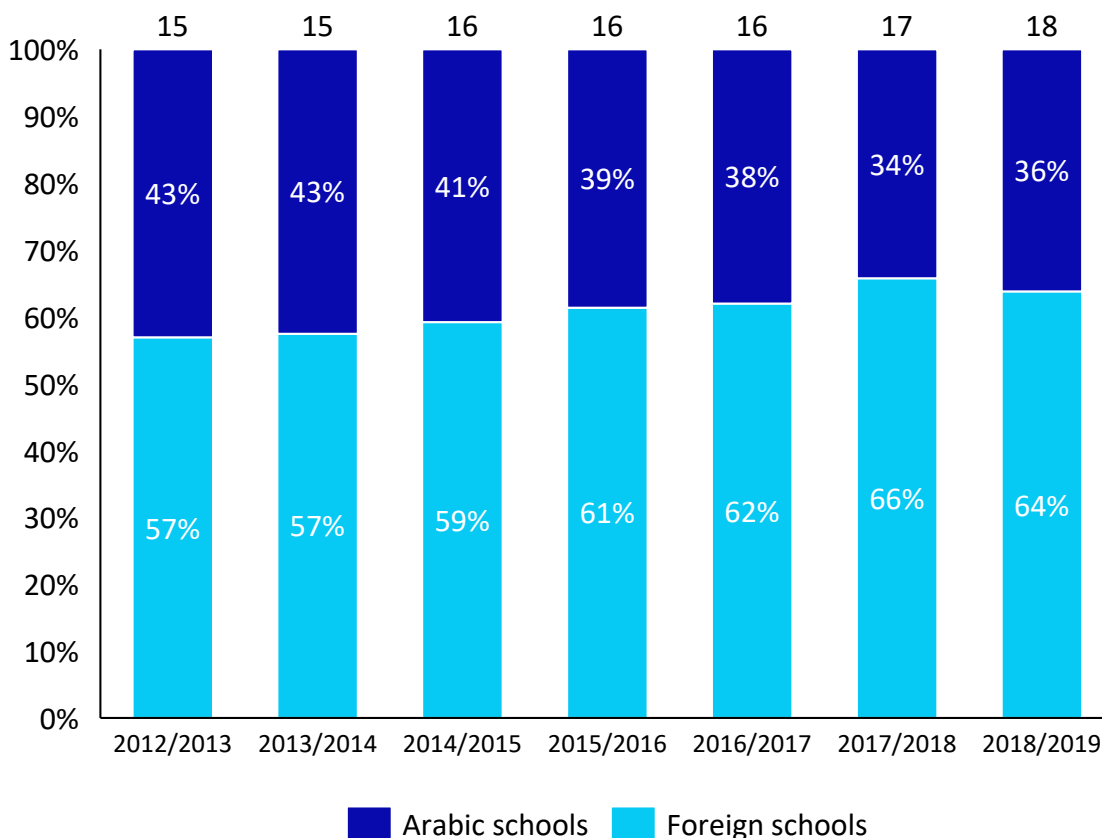
TEACHERS HAVE BEEN IMPACTED BY MASS LAYOFFS

Developments

- Since 2012, the **number of teachers** in private Arabic schools has **decreased**, possibly due to **decreasing student enrolment** in those schools¹
- As a result of the pandemic, **private school teachers** face **mass layoffs**, with some schools asking their staff to give up their salaries or lose their jobs²
- At the end of 2018, the **MoE temporarily suspended the local hire** of non-Kuwaiti teachers due to incidents of falsified credentials³
- If this decision is still in effect, it will prevent the **MoE** from addressing its teacher shortage via the local hire of non-Kuwaiti teachers

Private school teachers in Kuwait¹

Thousands, 2012 to 2019



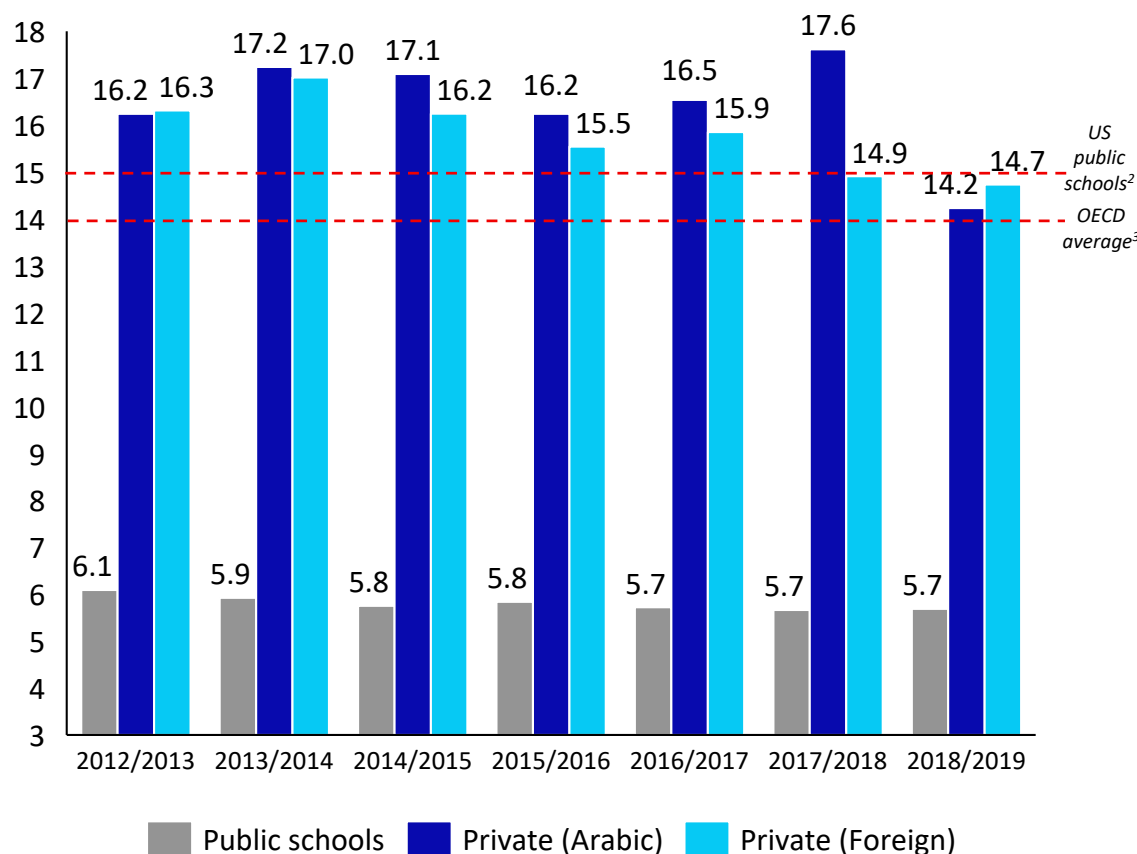
Source: 1. Central Statistical Bureau ([link](#)); 2. Gulf News ([link](#)); 3. Arab Times ([link](#)).

THE ONGOING TEACHER SHORTAGE THREATENS KUWAIT'S FAVORABLE STUDENT-TEACHER RATIO

Developments

- The **student-teacher ratio** is a useful measure of education quality, as a **high ratio** is associated with **poorer academic performance**²
- In **Kuwait**, **public schools** enjoy a **low student-teacher ratio** of **5.7**, but that figure is **much higher** for **private Arabic (14.2)** and **foreign (14.7)** schools¹
- **Kuwait's** relatively **low student-teacher ratios** are **threatened** by the **ongoing shortage** in **science, mathematics, and English** teachers, with Kuwaiti public school teachers mostly focusing on literary subjects^{4,5,6}
- This could potentially explain **Kuwait's low quality of student learning outcomes** in **science** and **math** despite a seemingly favourable student-teacher ratio⁷

Student-teacher ratios in Kuwait's schools¹ 2012 to 2019



Source: 1. Central Statistical Bureau ([link](#)); 2. The Brookings Institution ([link](#)); 3. OECD ([link](#)); 4. Al-Qabas ([link](#)); 5. Al-Anba ([link](#)); 6. Al-Jarida ([link](#)); 7. The World Bank ([link](#)).



CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** Demographic imbalance
- 05** **Oil economy**
- 06** Non-oil growth
- 07** Monetary developments
- 08** Consumer behaviour

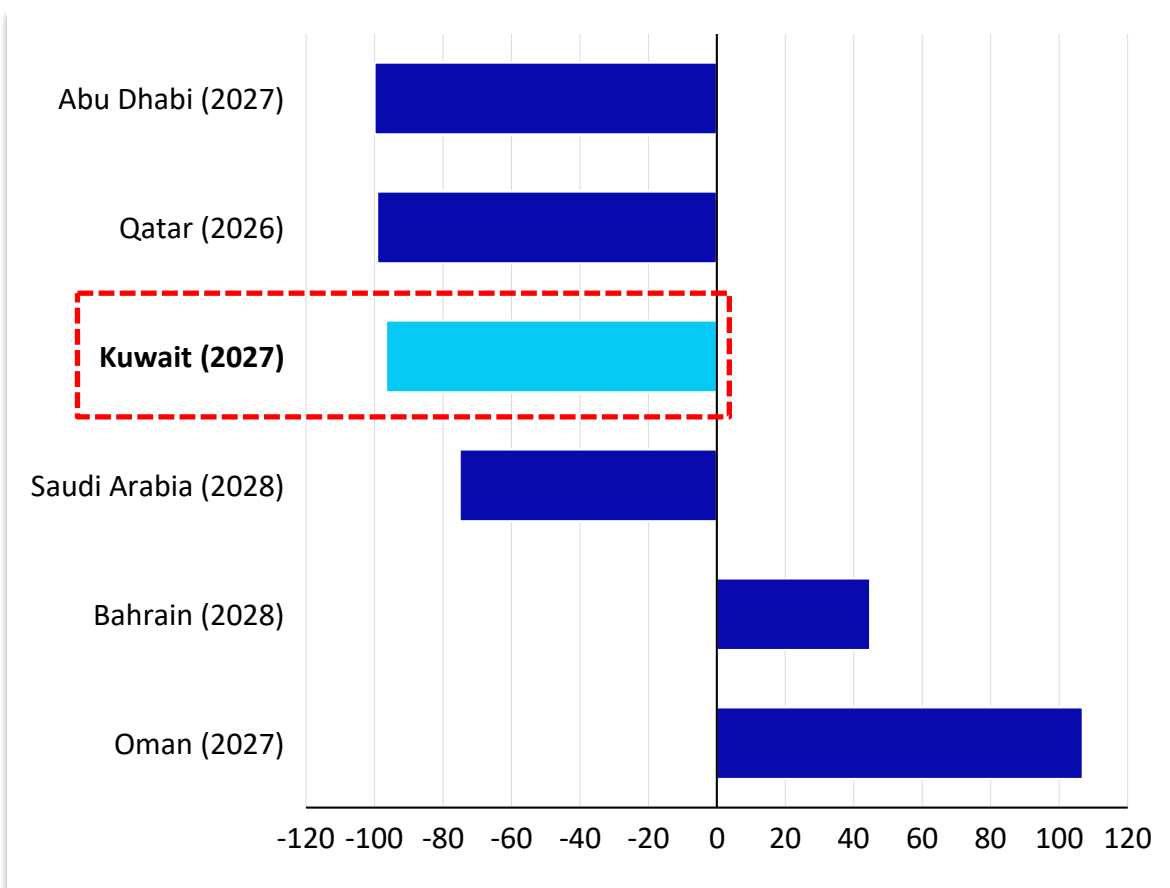
GCC FISCAL POSITIONS HAVE BEEN SIGNIFICANTLY IMPACTED SINCE THE START OF THE PANDEMIC

Developments

- The twin shock of collapsed oil prices and COVID-19 has increased sovereign credit risk in the GCC
- Oman and Bahrain's creditworthiness has been especially affected
- Contrastingly, Abu Dhabi, Qatar, Kuwait, and Saudi Arabia managed to fully reverse increases in their sovereign yields
- However, if fiscal balances remain pressured, then sovereign yields could drift into positive territory

Medium-term sovereign yields in the GCC

Basis points, YTD



Source: NBK Economic Research Department ([link](#)).

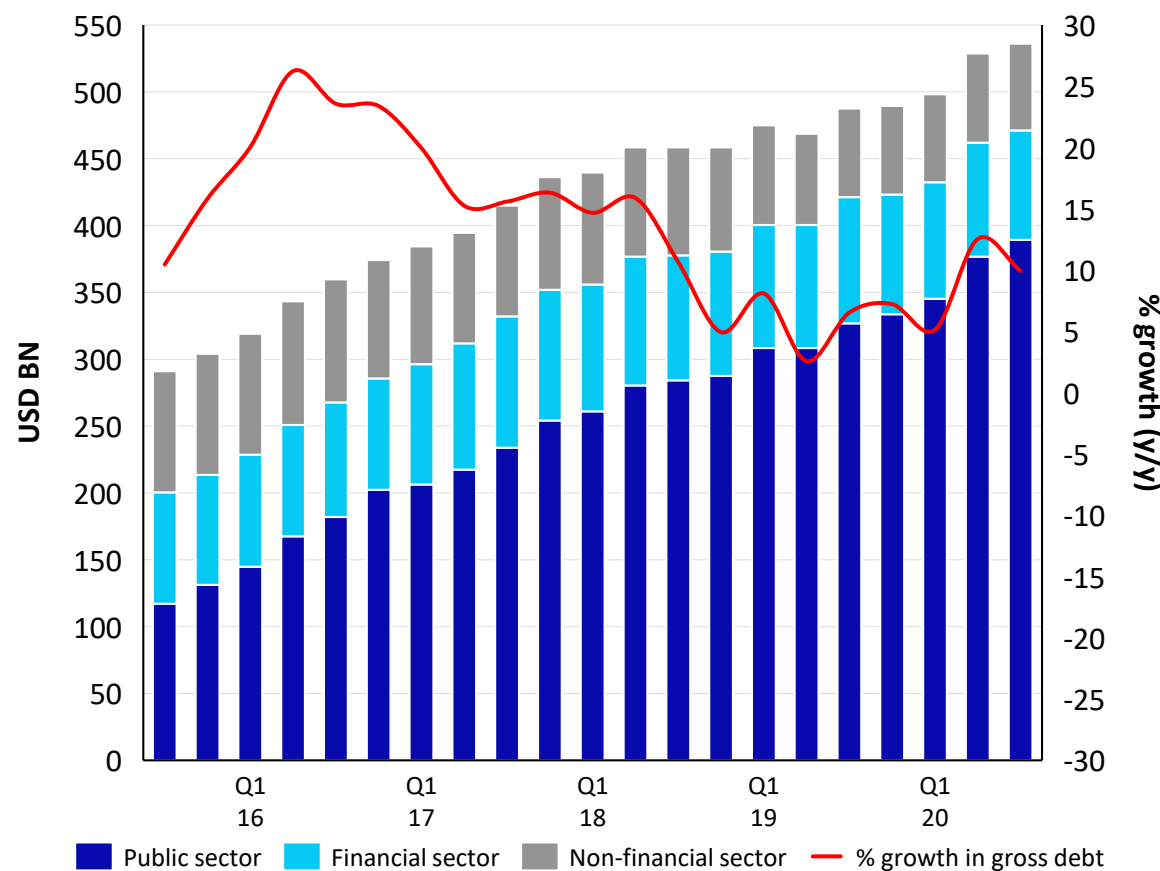
DEBT ISSUANCE IN THE GCC HAS STEADILY INCREASED DUE TO MOUNTING FISCAL PRESSURES

Developments

- NBK reports that the GCC debt issuance reached a high in Q3-20 due to:
 - Extended period of low oil prices
 - Economic impact of lockdowns
 - Strain of crisis management on government budgets
- Thus far, Kuwait has been unable to issue new public debt due to the lack of a public debt law
- In contrast, Saudi Arabia and the UAE dominated debt issuance in 2020, having issued USD 32 BN and USD 26 BN worth of debt, respectively

Gross outstanding debt in the GCC

Q3-15 to Q3-20



Source: NBK Economic Research Department ([link](#)).

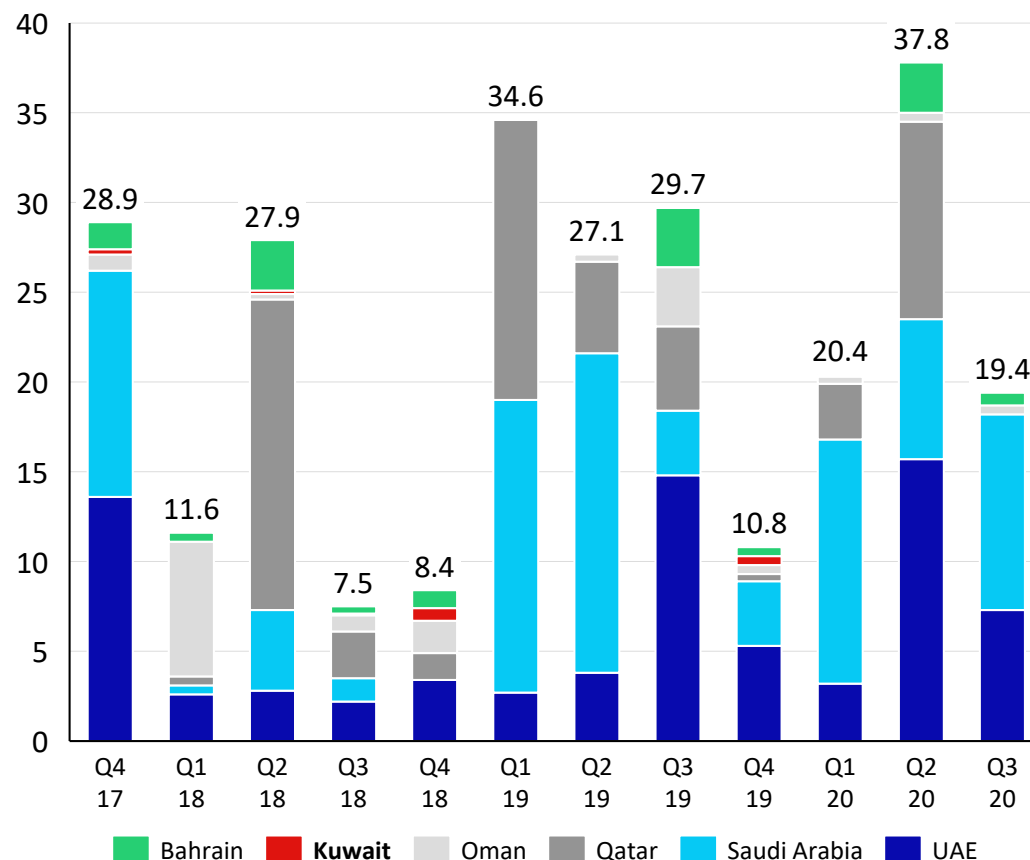
SAUDI ARABIA AND THE UNITED ARAB EMIRATES HAVE DRIVEN SOVEREIGN DEBT ISSUANCE IN THE GCC

Developments

- According to NBK, the most notable GCC debt issuances in 2020 include:
 - USD 4 BN in Eurobonds by the UAE quasi-sovereign Mamoura Diversified Global Holding
 - USD 7 BN in sovereign Eurobonds by Saudi Arabia
 - USD 9 BN in sovereign sukuk by Saudi Arabia
- Kuwait has been unable to issue new debt since its public debt law expired in 2017

Quarterly debt issuance in the GCC

USD BN



Source: NBK Economic Research Department ([link](#)).

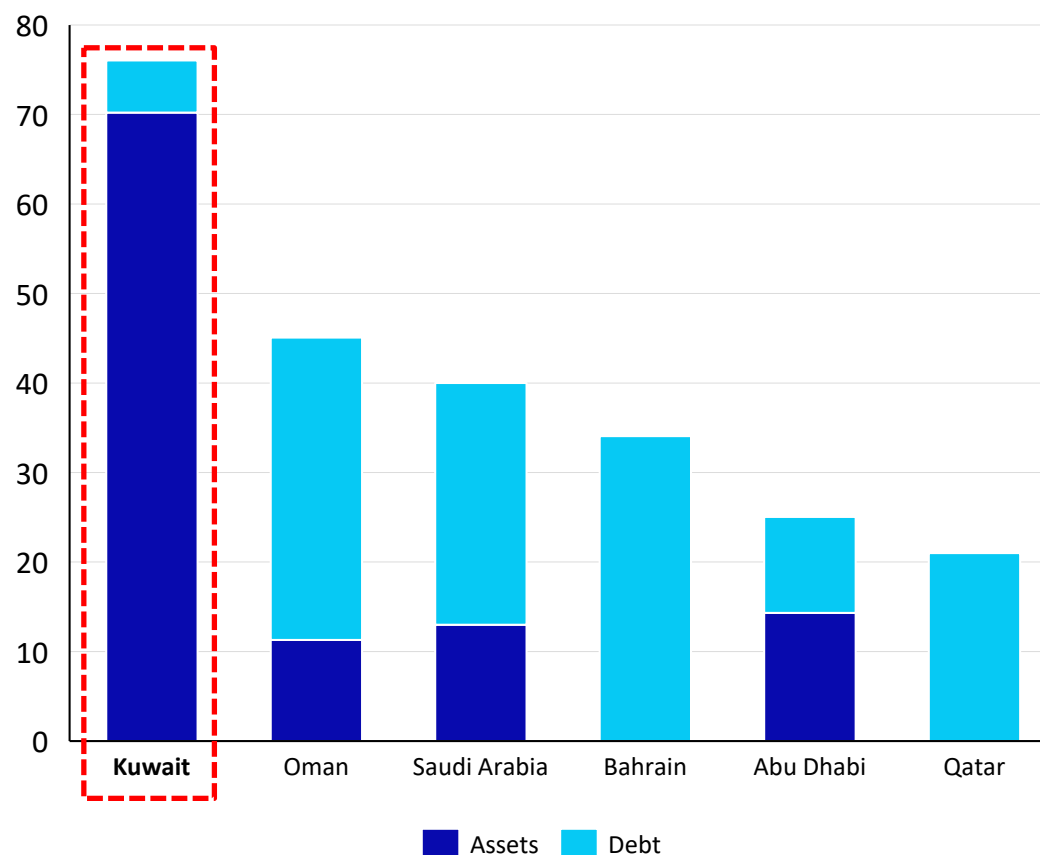
KUWAIT'S INABILITY TO ISSUE DEBT HAS DEPLETED THE LIQUIDITY OF ITS STATE TREASURY

Developments

- The lack of a public debt law has forced Kuwait to use liquid assets to finance its budget deficit
- In contrast to Kuwait, other GCC countries have issued debt to finance their deficits, thereby protecting their liquid assets
- The Kuwaiti Minister of Finance has continually spoken against the status quo, warning that Kuwait will be unable to pay government salaries past October

Financing mix of GCC budget deficit

% GDP, 2020 to 2023



Source: Bloomberg ([link](#)).

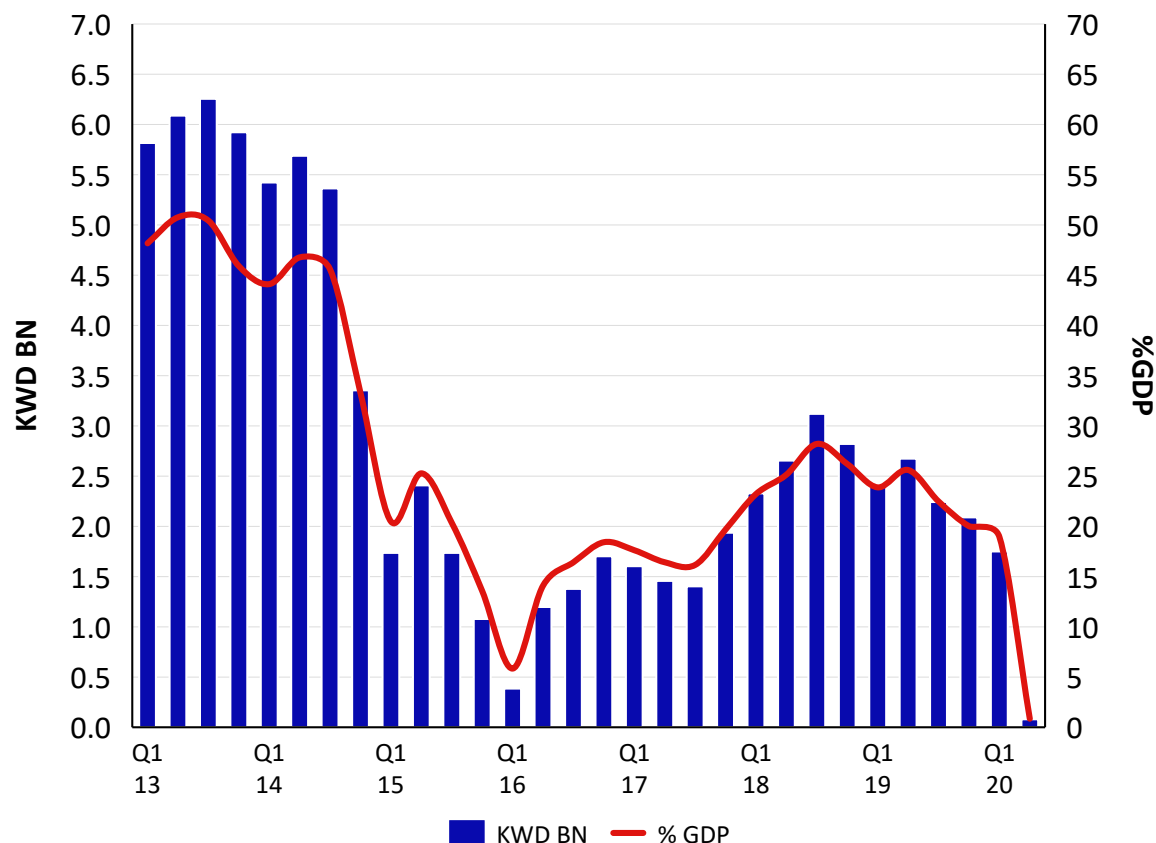
KUWAIT'S BUDGET DEFICITS ARE EXPECTED TO WIDEN IN LIGHT OF ITS WORSENING BALANCE OF TRADE

Developments

- Kuwait's international trade volumes have plummeted in Q2-20, dropping by 50% y/y
- Exports fell by 62% y/y due to lower demand for oil
- Imports fell by 26% y/y, mostly due to a decline in motor vehicle imports
- The trade surplus in Q2-20 was KWD 0.1 BN compared to KWD 1.8 BN in Q1-20
- The pressure on oil prices is expected to continue in the long term, with energy giant BP forecasting that prices will, in the best-case scenario, flat-line over the next 30 years

Kuwait's balance of trade

Q1-13 to Q4-20



Source: NBK Economic Research Department ([link](#)).

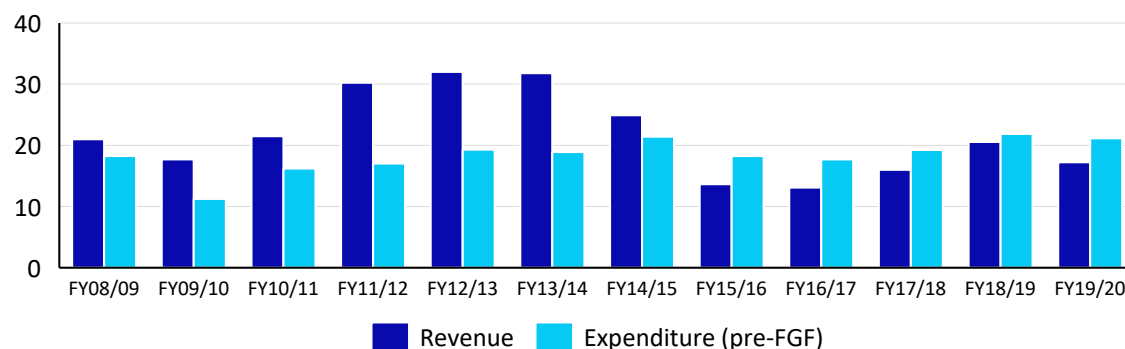
KUWAIT IS HEADING FOR ITS SEVENTH CONSECUTIVE DEFICIT SINCE THE 2014 OIL SLUMP

Developments

- In January 2020, Kuwait had only two years' worth of liquid assets in its General Reserve Fund (GRF), which is used to finance budget shortfalls¹
- However, as of August 2020, the GRF has depleted, with the pandemic having forced the government to withdraw nearly KWD 1.7 BN per month from the GRF²
- To boost the GRF's liquidity:
 - The annual 10% transfer of revenue to the Future Generations Fund (FGF) was halted²
 - The FGF purchased KWD 2.2 BN worth of assets from the GRF²

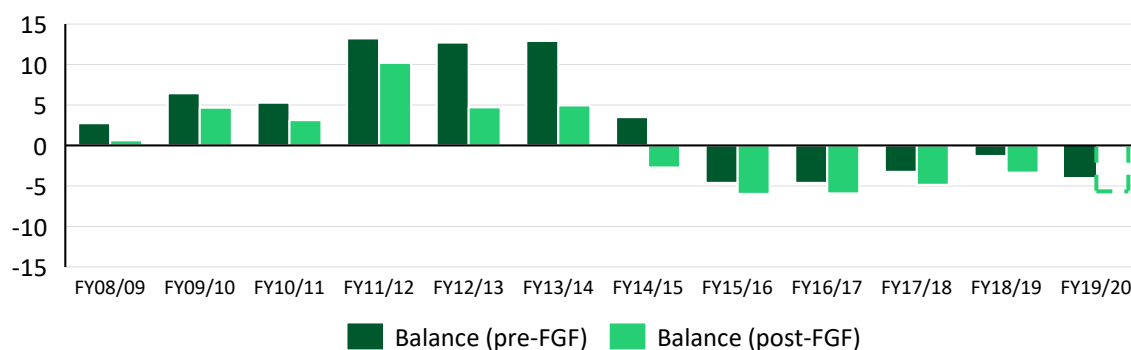
Kuwait's public finances³

KWD BN, FY08/09 to FY19/20



Kuwait's fiscal balance³

KWD BN, FY08/09 to FY19/20



Source: 1. Bloomberg ([link](#)); 2. Bloomberg ([link](#)); 3. Ministry of Finance closing accounts ([link](#)).

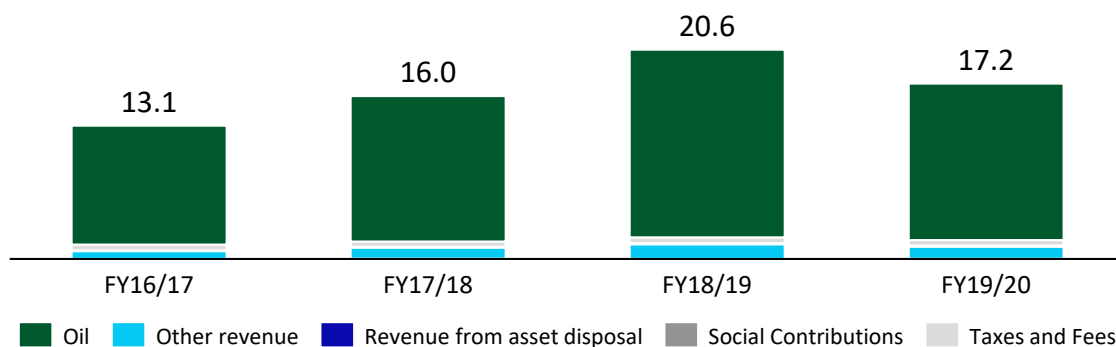
LOWER OIL PRICES HAVE CAUSED KUWAIT'S REVENUE TO FALL BY A SIGNIFICANT AMOUNT

Developments

- Hydrocarbons account for 90% of Kuwait's income, which has been significantly impacted by the dual shock of the COVID-19 pandemic and the 2020 Russia-Saudi Arabia oil price war¹
- In 2020, Kuwait's total oil and gas exports are set to fall to nearly half of 2014's highs¹
- Unless it takes serious steps towards economic reform, Kuwait will soon run out of cash, and the government will be unable to pay public sector salaries beyond October¹

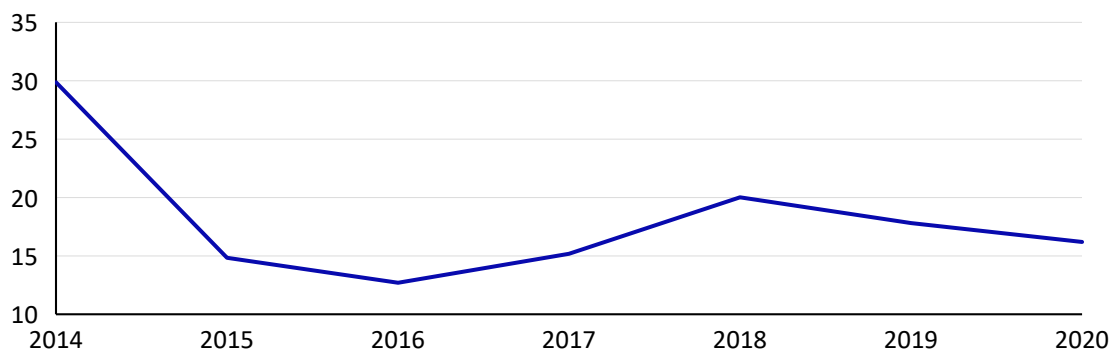
Evolution of Kuwait's revenue²

KWD BN, FY16/17 to FY19/20



Kuwait's total oil and gas exports³

KWD BN, 2014 to 2020



Source: 1. Bloomberg ([link](#)); 2. Ministry of Finance closing accounts ([link](#)); 3. International Monetary Fund (IMF) ([link](#)).

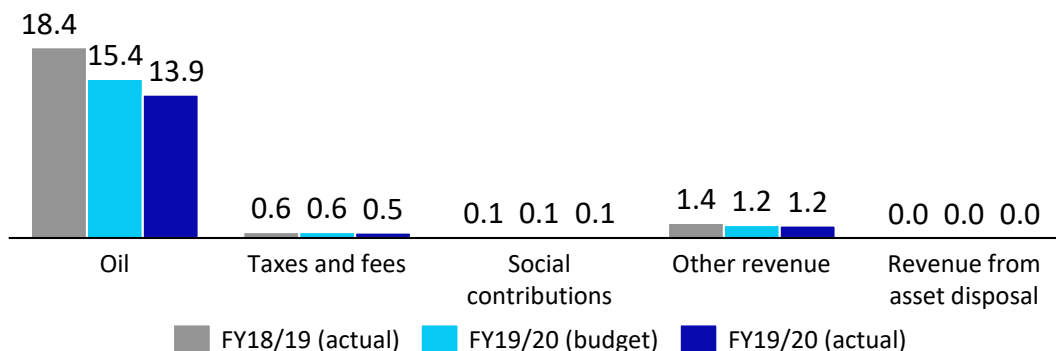
ACTUAL REVENUE FOR FY19/20 FELL SHORT OF BUDGET PREDICTIONS FOR MOST REVENUE CHAPTERS

Developments

- Across all revenue chapters (except asset disposal), Kuwait's actual revenue for FY19/20 fell short of budgeted amounts
- Kuwait's total FY19/20 revenue was KWD 3.34 BN less than that of FY18/19
- In FY19/20, actual revenue was KWD 1.4 BN higher than budgeted revenue, but it was KWD 5.5 BN higher in FY18/19

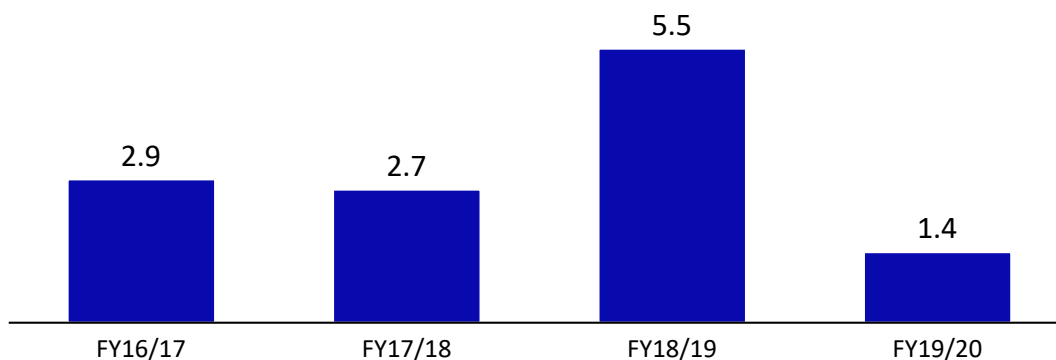
Breakdown of Kuwait's revenue

KWD BN, FY18/19 and FY19/20



Difference between budgeted and actual revenue

KWD BN, FY16/17 to FY19/20



Source: Ministry of Finance closing accounts ([link](#)).

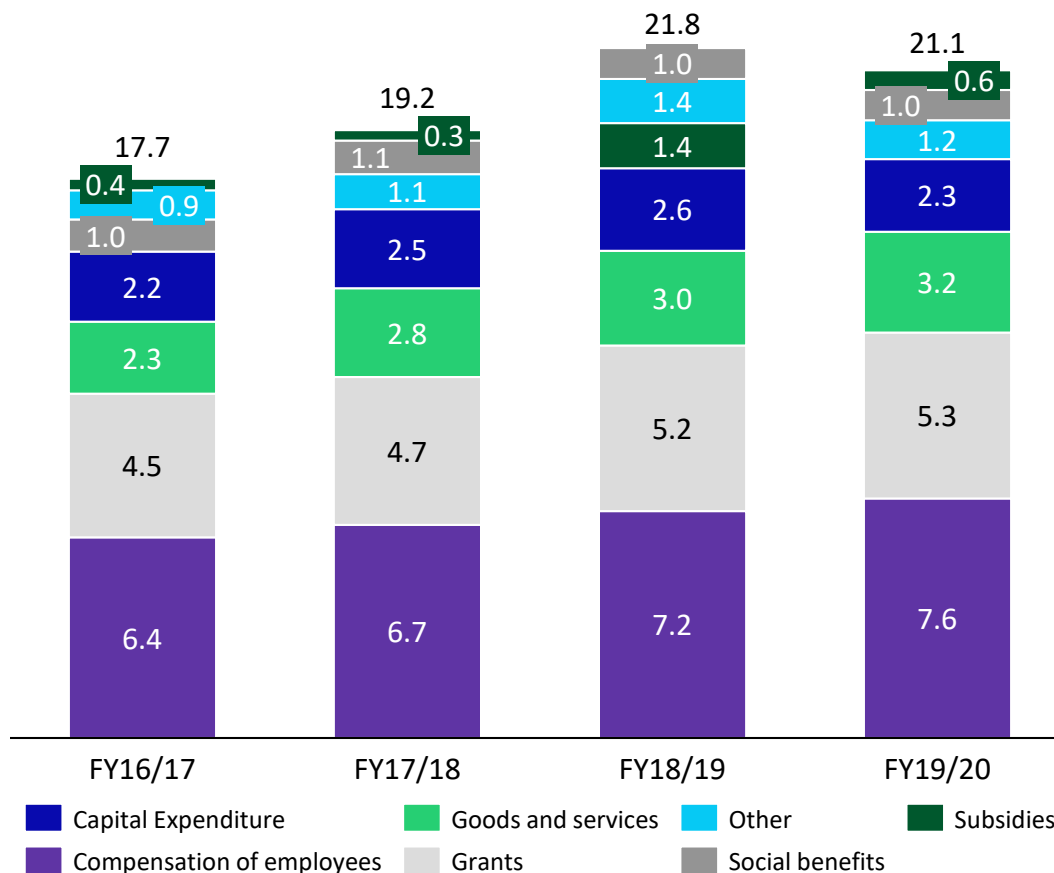
BUDGET RIGIDITIES AND THE GROWING PUBLIC SECTOR WAGE BILL HAVE PREVENTED KUWAIT FROM ADDRESSING ITS BUDGET SHORTFALL

Developments

- A substantial proportion of Kuwait's public expenditure is directed towards wages, subsidies, and social benefits for citizens, which has continued to grow each year¹
- In contrast, gains in capital expenditure growth between FY16/17 and FY18/19 were largely erased in FY19/20¹

Evolution of Kuwait's actual expenditure

KWD BN, FY16/17 to FY19/20



Source: Ministry of Finance closing accounts ([link](#)).

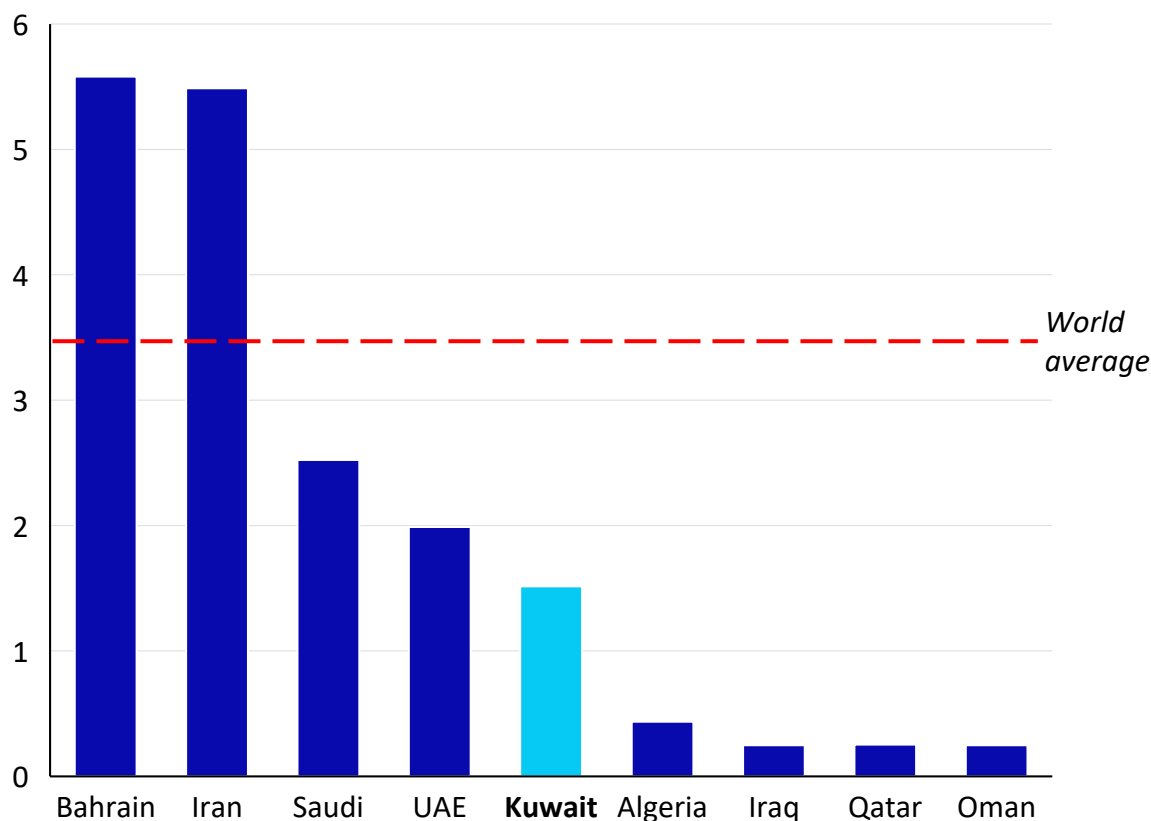
THE CRISIS HAS SIGNIFICANTLY ERODED KUWAIT'S FISCAL SPACE, RESULTING IN A RELATIVELY UNDERWHELMING FISCAL RELIEF PACKAGE

Developments

- As a % of GDP, Kuwait's fiscal support package remains low compared to other oil exporters in the GCC and the MENA region as a whole
- Kuwait's relatively modest fiscal support could be attributed to its limited fiscal space in light of a fast-depleting GRF and an inability to issue public debt

Fiscal response to COVID-19 among MENA oil exporters

% of GDP, as of 5-June



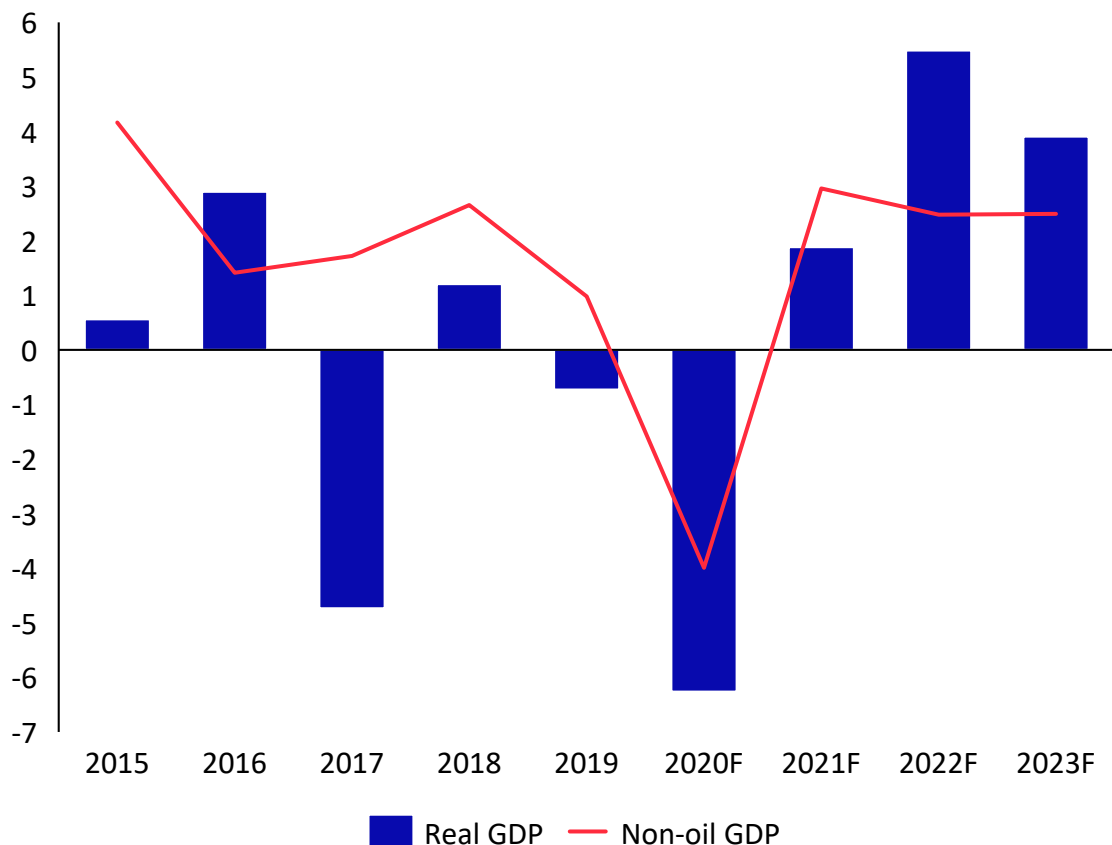
Source: The International Monetary Fund (IMF) ([link](#)).

NBK EXPECTS KUWAIT'S ECONOMY TO PARTIALLY REBOUND IN 2021 IN SPITE OF A LOOMING FISCAL SQUEEZE

Comments

- According to NBK, Kuwait's economy is undergoing a partial recovery that is tempered by¹:
 - Consistently high daily infections
 - Low oil prices
 - Expiry of temporary policy support measures, e.g. debt repayment deferrals
 - Worries over government abilities to finance the deficit
- NBK expects non-oil GDP to fall by 4% in 2020 and rise by 3% in 2021¹
- With elections scheduled for 5-Dec, the new National Assembly is expected to tackle the budget and gradually push through reforms that underpin Kuwait's Vision 2025 plan^{1,3}

Evolution of Kuwait's real GDP growth^{1,2} % y/y, 2015 to 2023



Source: 1. NBK Economic Research Department ([link](#)); 2. Central Statistical Bureau ([link](#)); 3. Center for Government Communication ([link](#)).

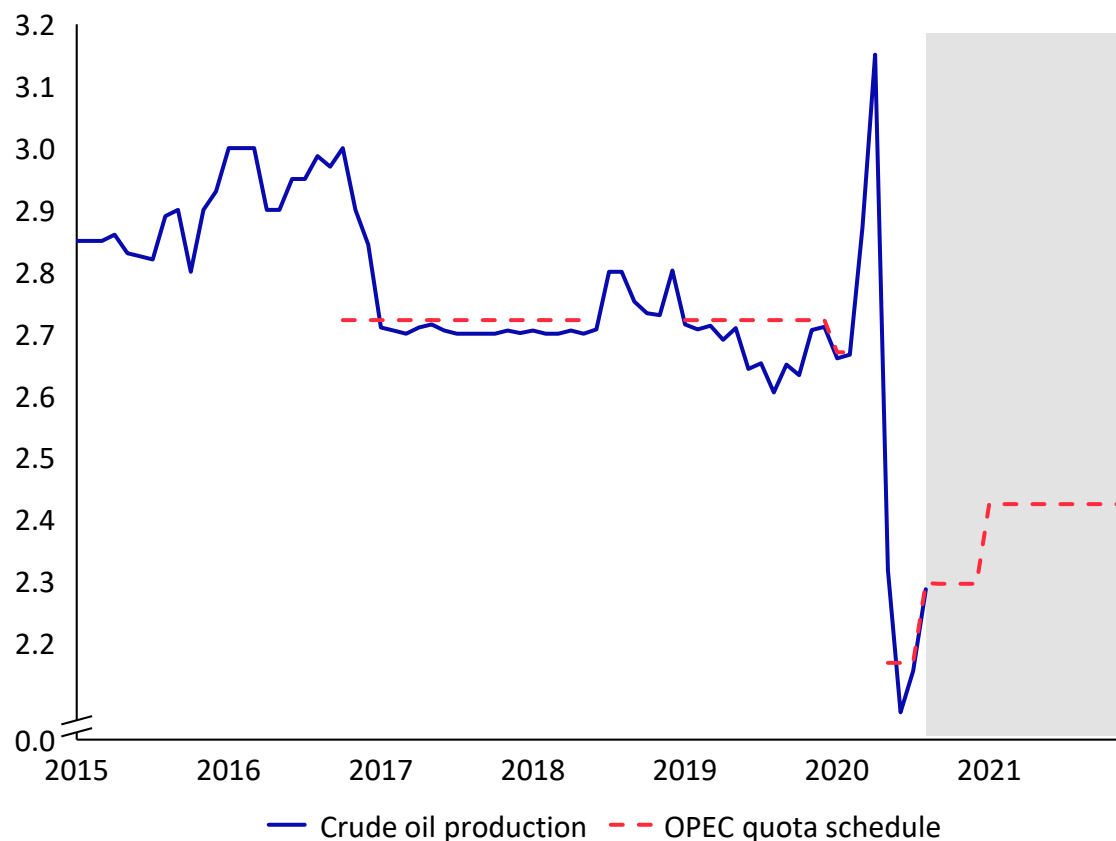
CRUDE OIL PRODUCTION IN KUWAIT WILL CONTINUE TO RISE IN LINE WITH OPEC'S QUOTA SCHEDULE

Comments

- Due to OPEC policy, crude oil production in Kuwait was cut to a 16-year low of 2.09 mb/d in June¹
- However, Kuwait's crude output is projected to rise as a result of¹:
 - OPEC's quota schedule, which will be increased through 2021
 - Clean Fuels and Al Zour refinery projects, which will come onstream in 2021-2023 and nearly double refining capacity
- Although KPC is aiming to cut its 5-year CapEx by 25% or KWD 7 BN, austerity measures will not hinder oil recovery due to the spare capacity arising from adhering to OPEC production cuts¹
- NBK expects oil GDP to rise by 1% in 2021 and average 6-7% in 2022-23¹

Evolution of Kuwait's crude oil production^{1,2}

mb/d, Jan-2015 to Aug-2020



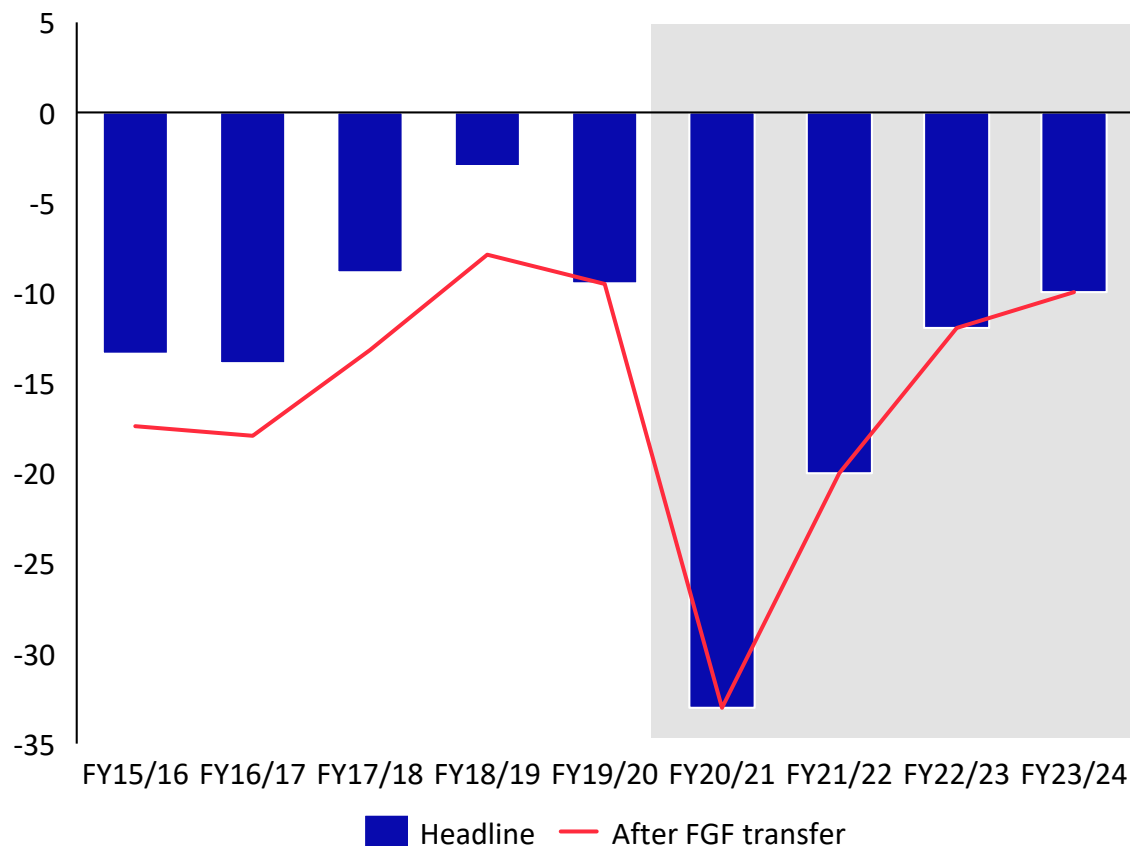
Source: 1. NBK Economic Research Department ([link](#)); 2. Joint Organizations Data Initiative (JODI) ([link](#)).

KUWAIT'S ECONOMIC RECOVERY IS THREATENED BY CONTINUED FISCAL DEFICITS

Comments

- NBK predicts that Kuwait's fiscal deficit will rise to 33% of GDP in FY20/21 compared to 9.5% of GDP in FY19/20¹
- The fiscal deficit is expected to fall to 10% of GDP by FY23/24 if oil prices stabilize at 55 USD/bbl and public expenditure is cut by 10%¹
- Non-oil fiscal adjustment could likely occur as a result of near-term spending cuts of 5% in this year and the next¹
- Further out, NBK expects the introduction of new revenue-raising measures, most likely excise duties in 2021 and VAT in 2022¹
- Addressing the fiscal deficit is exacerbated by the¹:
 - Steady depletion of the GRF
 - Inaccessibility of the FGF
 - Lack of a public debt law

Evolution of Kuwait's fiscal balance^{1,2} % of GDP, FY15/16 to FY23/24



Source: 1. NBK Economic Research Department ([link](#)); 2. Ministry of Finance ([link](#)).

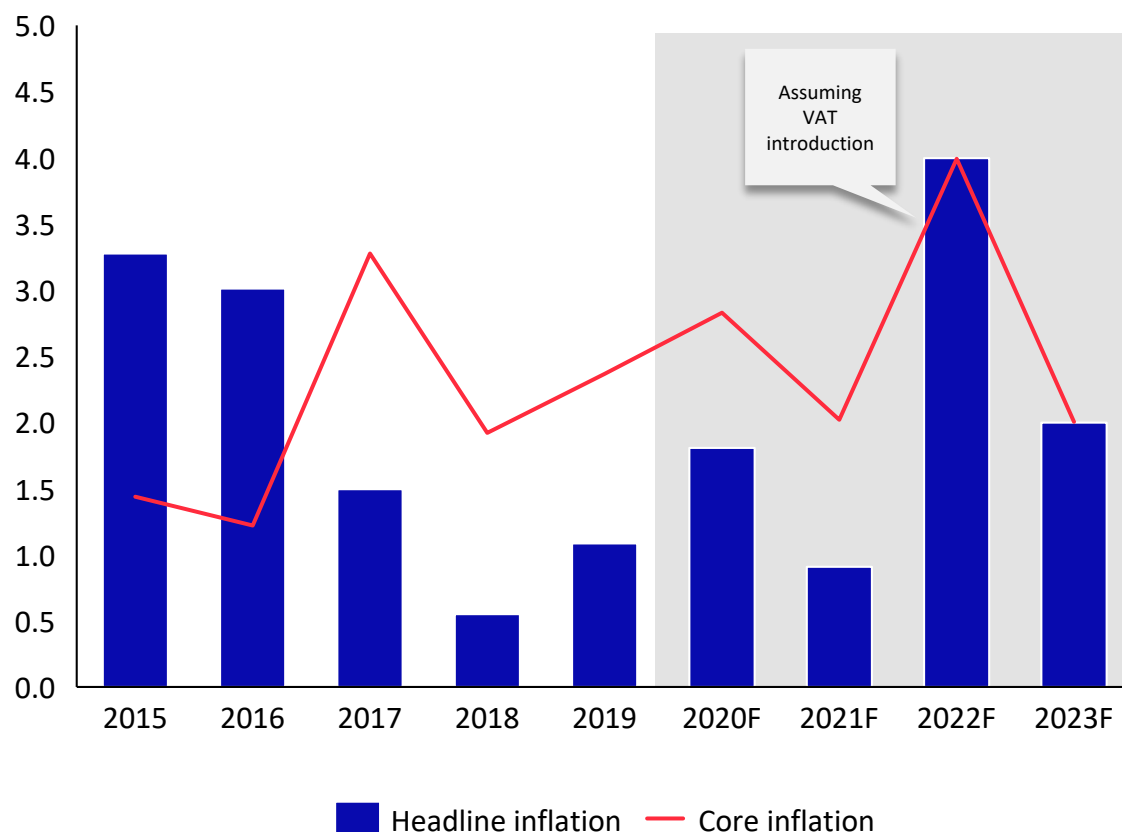
DESPITE TEMPORARY PUSHES UPWARDS, INFLATION IN KUWAIT REMAINS RELATIVELY LOW

Comments

- The inflation growth rate in Kuwait remains relatively low, but has been moderately pushed up by pandemic-related factors that include¹:
 - Rising food pressures
 - Supply chain issues
 - Post-lockdown increase in consumer spending
- As these factors slightly ease off, NBK expects average inflation to soften from 1.8% to 1.5% despite recovery in economic growth¹
- However, the possible implementation of VAT in 2022 would temporarily push up inflation¹

Evolution of inflation in Kuwait^{1,2}

% y/y, year averages, 2015 to 2023



Source: 1. NBK Economic Research Department ([link](#)); 2. Central Statistical Bureau ([link](#)).

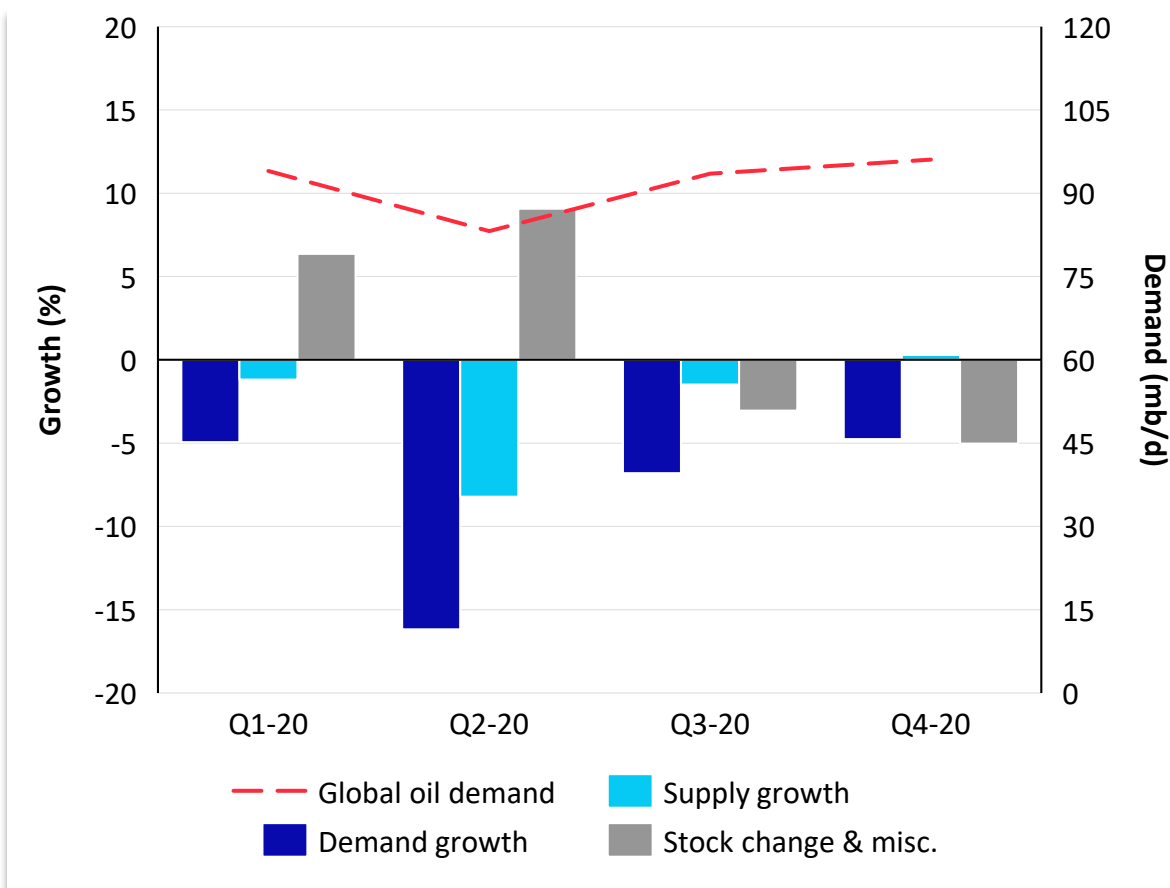
THE SECOND WAVE OF COVID-19 INFECTIONS COULD PUSH BACK OIL MARKET RECOVERY TO 2021

Comments

- Oil markets are growing increasingly worried due to the second wave of COVID-19 infections, which could result in a further fall in demand if mobility restrictions return¹
- In fact, the International Energy Agency (IEA) has stated that the oil market outlook is 'fragile', and it has downwardly revised its 2020 growth assumption by 250,000 barrels/day^{1,2}
- For 2020, the IEA expects oil demand to fall to 90.23 mb/d, with global consumption pegged at 91.70 mb/d. Both figures represent 8-year lows^{1,2}

Balance of oil supply and demand¹

Q1-2020 to Q4-2020



Source: 1. NBK Economic Research Department ([link](#)); 2. IEA's Oil Market Report – September 2020 ([link](#)).

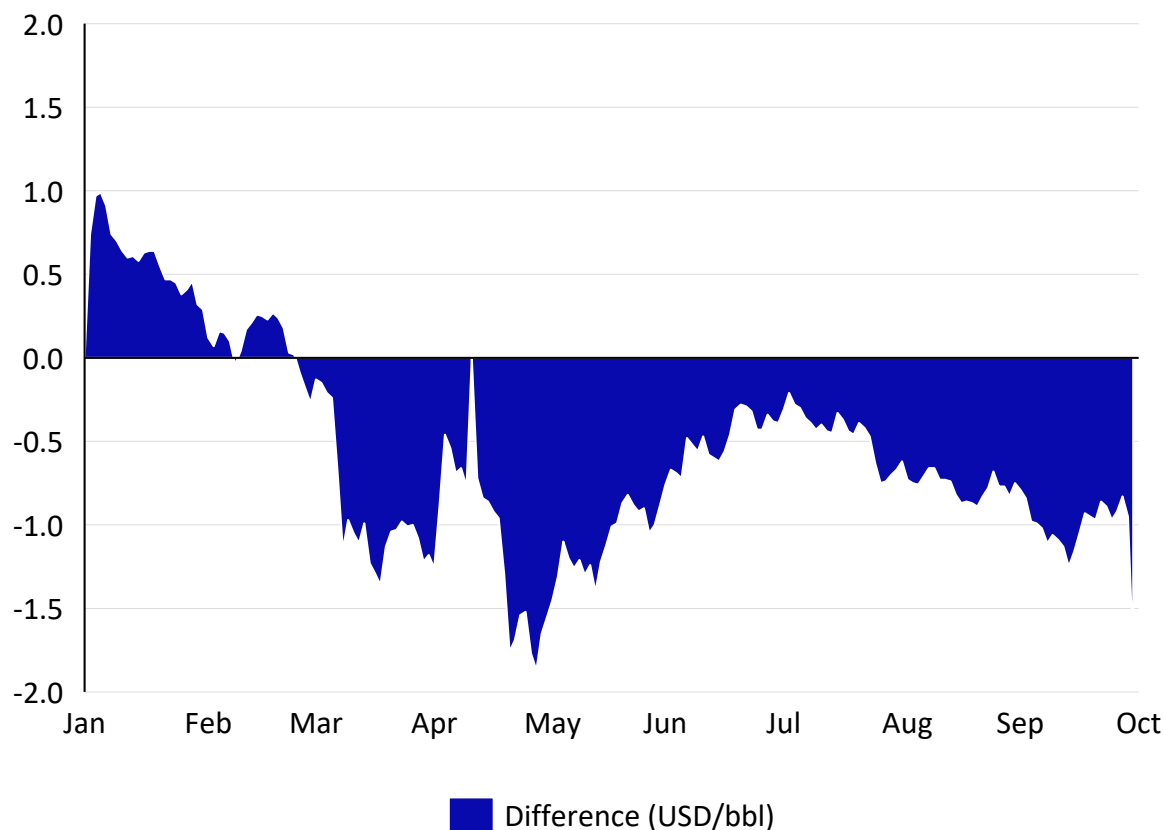
BEARISH MARKET SENTIMENT HAS STEEPENED THE OIL CONTANGO AND MADE STORAGE MORE ECONOMICALLY VIABLE

Comments

- Oil market sentiment is bearish due to various demand-side pressures, such as¹:
 - Passenger air traffic only fully recovering in 2021, making aviation fuel a major weak spot
 - BP's prediction that global oil demand may be past its peak
 - Decreased Chinese crude purchases in the next months
- The bearish sentiment has been strengthened by supply-side pressures, namely^{1,2}:
 - Record high levels of global crude and petroleum stocks
 - Lack of production compliance from some OPEC producers
 - Libya's steps towards restoring its oil production
- In turn, the bearish sentiment has been reflected in the futures market, helping widen the oil contango²

Brent futures time spreads²

USD/bbl, M1 (Nov-20 contract) to M3 (Jan-21 contract) difference



Source: 1. NBK Economic Research Department ([link](#)); 2. Bloomberg ([link](#)).

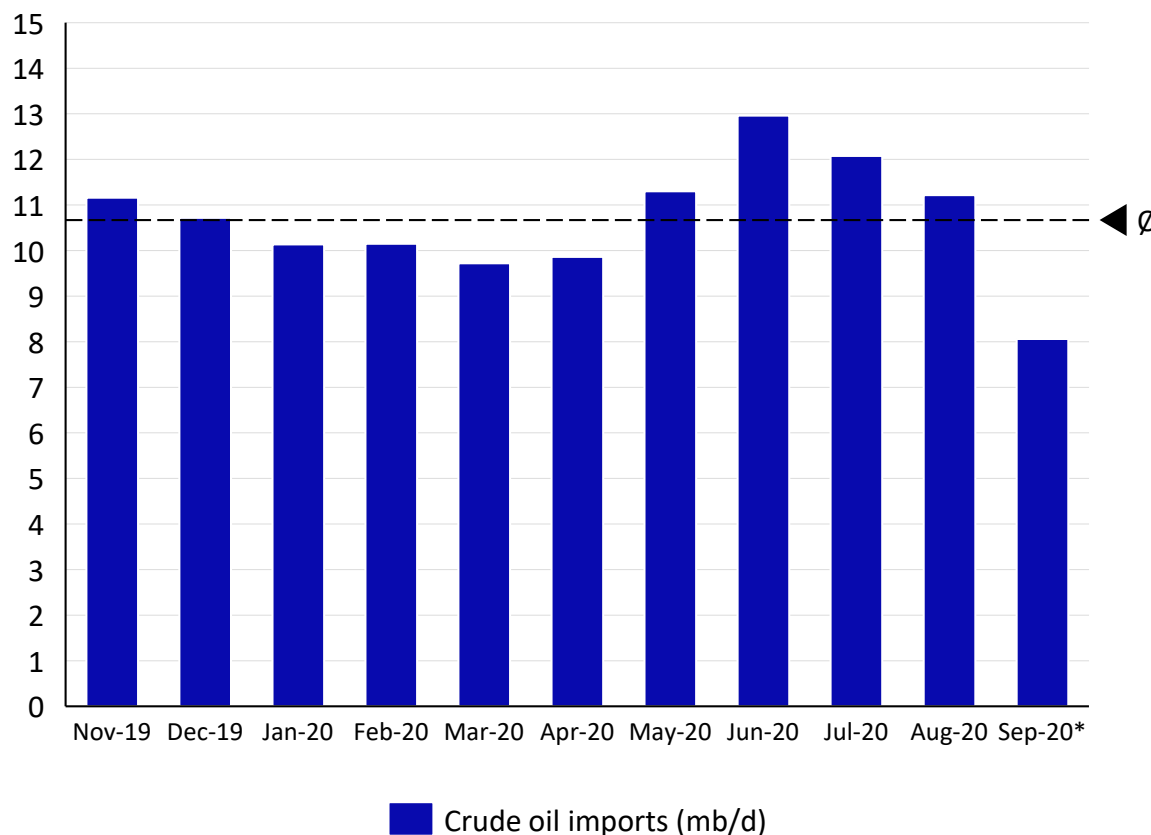
DECREASED CHINESE CRUDE PURCHASES IN THE UPCOMING MONTHS WILL IMPACT DEMAND RECOVERY

Comments

- China, the world's largest crude importer, has been setting records in crude oil imports in recent months¹
- However, China's crude import surge can be attributed to opportunistic buying in the aftermath of the Russia-Saudi price war in March and April¹
- So much crude oil has arrived at Chinese ports that tankers have been forced to wait for up to one month to unload their cargo, with 90 million barrels still waiting outside of Chinese ports as of August¹
- In fact, compared to its June high, China's crude oil imports have fallen for three months in a row²
- Consequently, China's crude oil imports are expected to return to normal from October onwards¹

China's crude oil imports^{2,3}

mb/d, Nov-2019 to Sep-2020



Note (*): Preliminary data for September 2020.

Source: 1. Reuters ([link](#)); 2. NBK Economic Research Department ([link](#)); 3. National Bureau of Statistics of China ([link](#)).

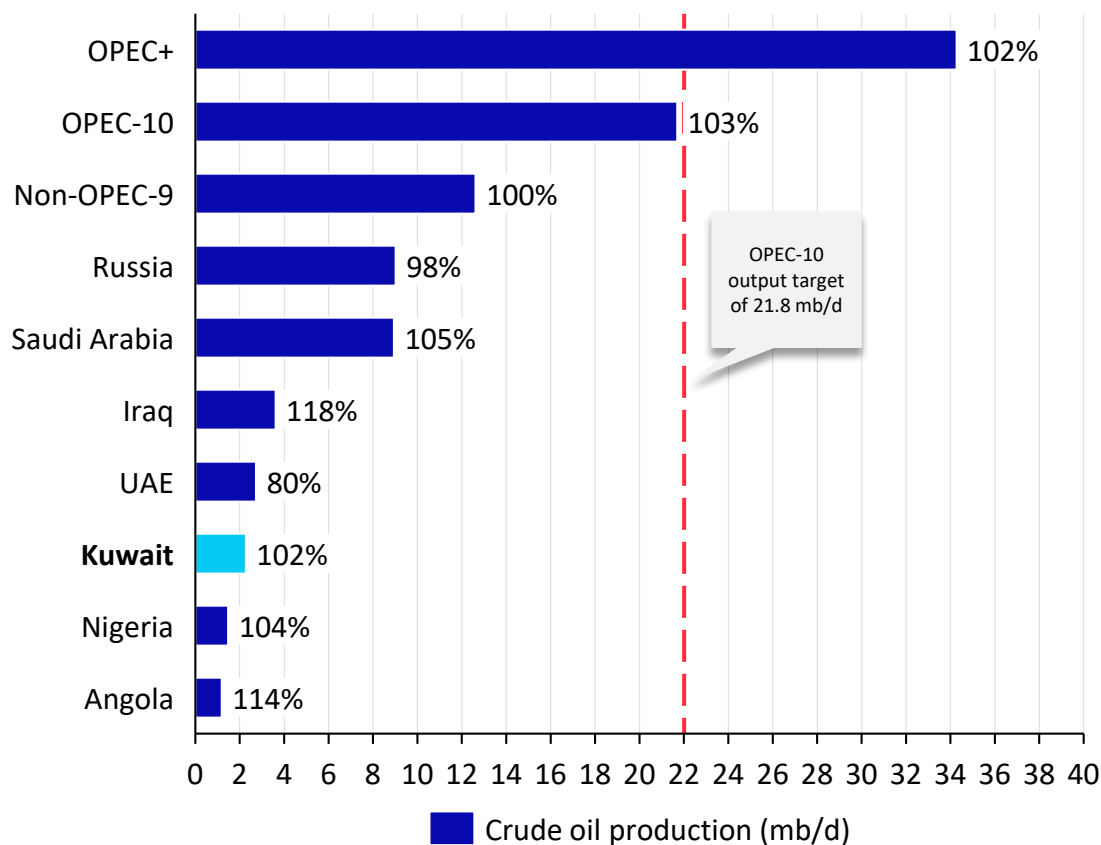
RECOVERY IS ALSO IMPACTED BY THE VARYING LEVELS OF COMPLIANCE WITH OIL PRODUCTION TARGETS AMONG OPEC+ MEMBERS

Comments

- In the first 4 months after the OPEC+ deal in April, the overall compliance rate with output cuts was 98%¹
- However, this astonishing rate was achieved thanks to additional voluntary cuts by Saudi Arabia, UAE, and Kuwait, which totalled 1.18 mb/d in June¹
- Without these voluntary cuts, the compliance rate would have been a less impressive 93%¹
- In the latest OPEC+ meeting, the Saudi Arabian oil minister issued a strong statement on the need for member compliance and warned oil traders about the potential of further supply cuts in December¹

Crude oil production and compliance²

mb/d, % compliance with OPEC+ targets next to bars, Aug-2020



Source: 1. Bloomberg Opinion ([link](#)); 2. NBK Economic Research Department ([link](#)).



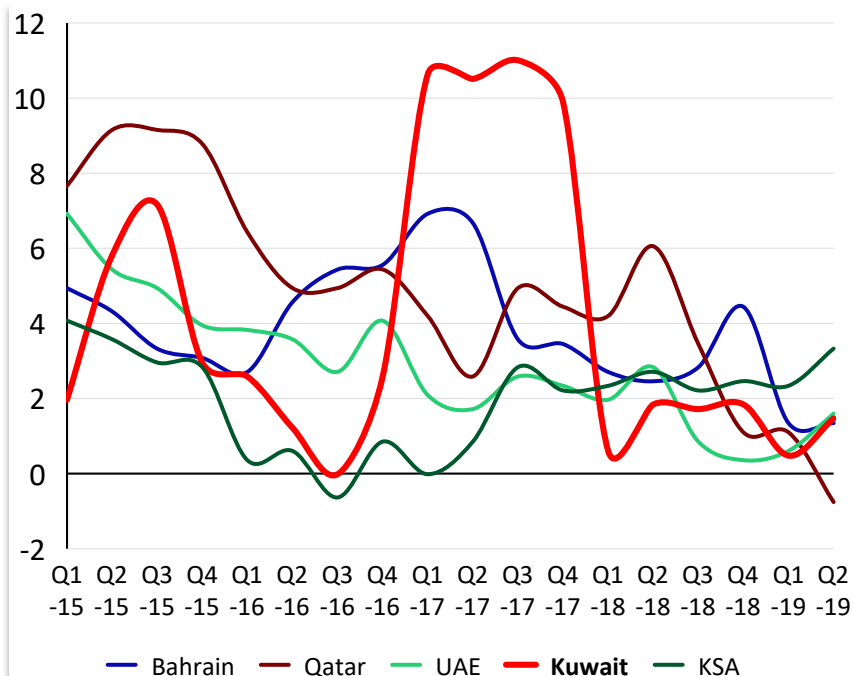
CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** Demographic imbalance
- 05** Oil economy
- 06** **Non-oil growth**
- 07** Monetary developments
- 08** Consumer behaviour

KUWAIT'S NON-OIL GDP WAS LOW EVEN BEFORE THE CRISIS

Non-oil exports in the GCC

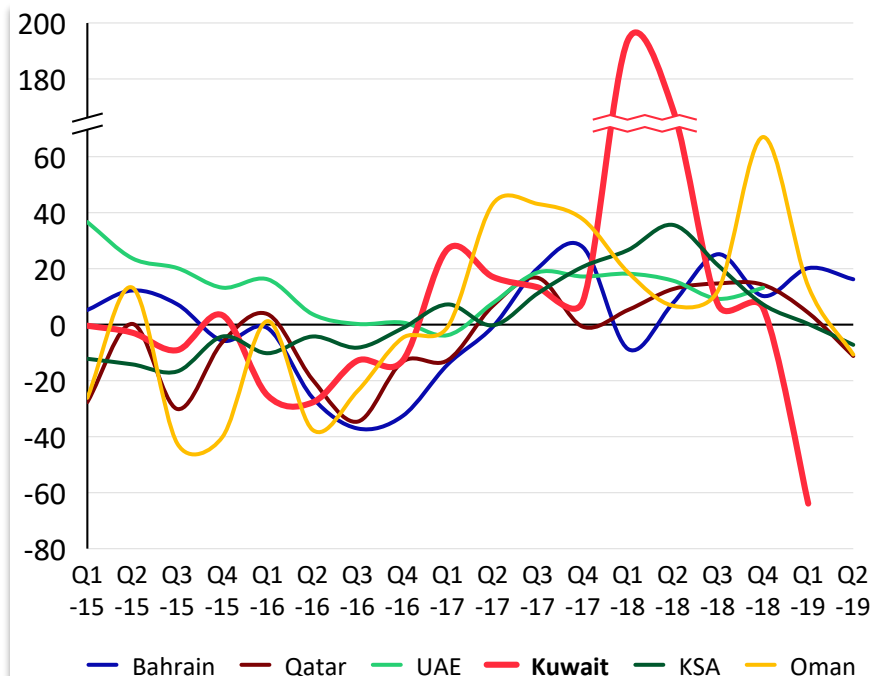
Nominal % growth rate (y/y)



Kuwait's non-oil export growth is among the lowest in the GCC

Non-oil GDP in the GCC

Real % growth rate (y/y)



Kuwait's non-oil GDP growth rate was low, even before COVID-19

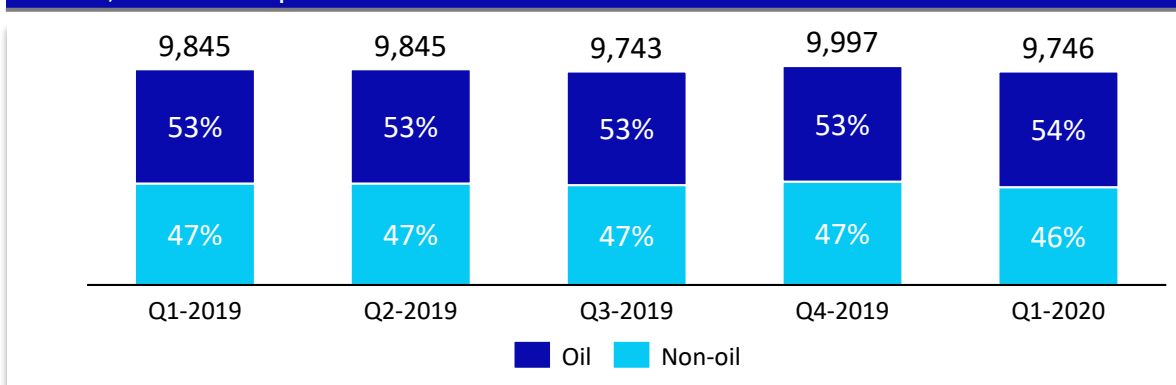
KUWAIT'S REAL GDP GROWTH RATES HAVE BEEN IMPACTED BY THE GOVERNMENT LOCKDOWN MEASURES

Developments

- Preliminary figures from the **Central Statistical Bureau** show that economic growth has declined
- NBK** reports that Kuwait's economy has contracted y/y in real terms in Q4-2019 (-1.1%) and Q1-2020 (-1%)
- For the first time since Q1-2019, **oil GDP** increased by 1.2% y/y
- The **expansion in oil GDP** can be attributed to the increased crude oil production that resulted from the Russia-Saudi Arabia oil price war
- Non-oil GDP** suffered its most severe contraction in the past eight fiscal quarters, due to the government-imposed curfews and employee holidays

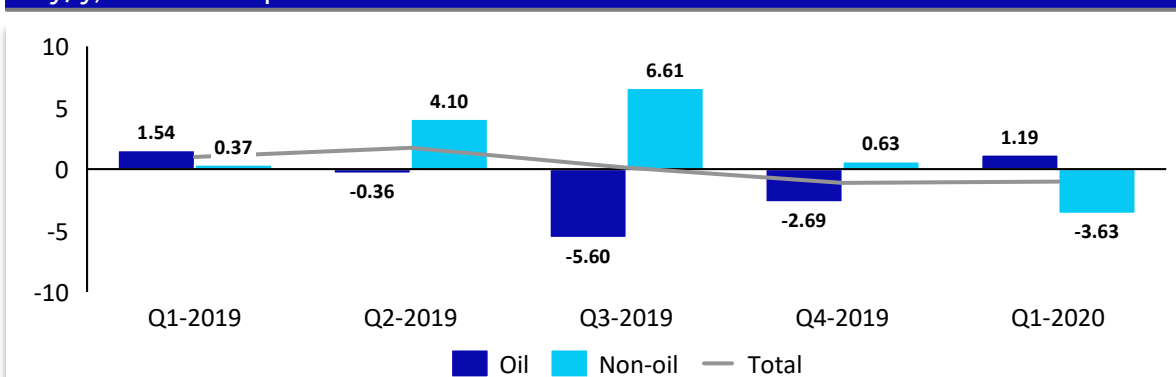
Evolution of Kuwait's real GDP

MN KD, at constant prices



Growth of Kuwait's real GDP

% y/y, at constant prices



Source: Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).

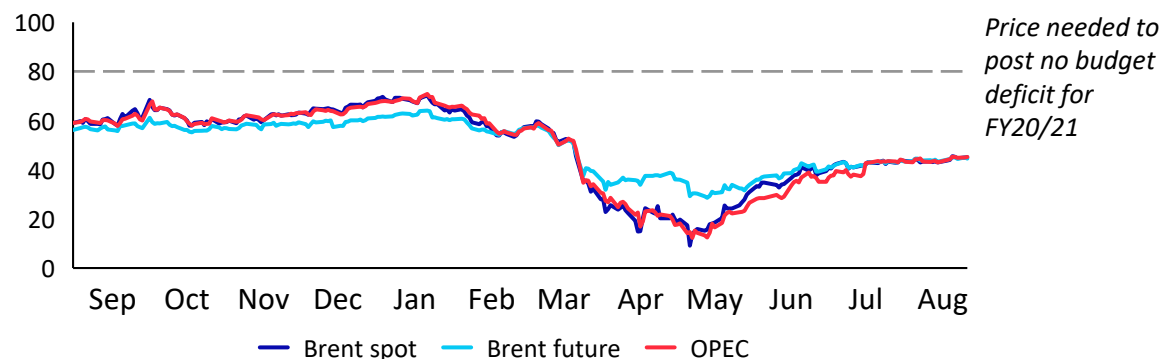
SIGNIFICANT DECLINES IN BOTH THE NON-OIL AND OIL SECTORS ARE EXPECTED

Developments

- At the beginning of this year, the **Ministry of Finance** stated that the oil price per barrel would need to be **USD 81** to post no deficit (pre-FGF transfer) for FY20/21
- However, the **oil price collapse** has caused **revenues to fall**, resulting in a **budget deficit** that is predicted to reach 40% of its GDP
- Non-oil growth** has been similarly affected, with **declines** observed even in **sub-sectors with a historically rigid output**
- The most affected non-oil sub-sectors were **education** (-17.2%), **telecommunications** (-12%), **transport** (-9.6%), **hotel & restaurant** (-7.4%), **public administration & defence** (-5.9%), and **construction** (-5.2%)

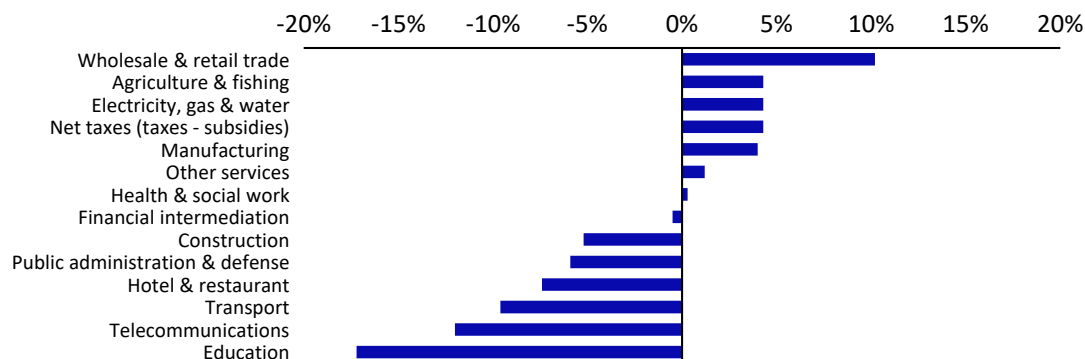
Evolution of oil prices

USD



Real non-oil GDP growth rates by sub-sector

% y/y, at constant prices



Source: Bloomberg ([link](#)), Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).

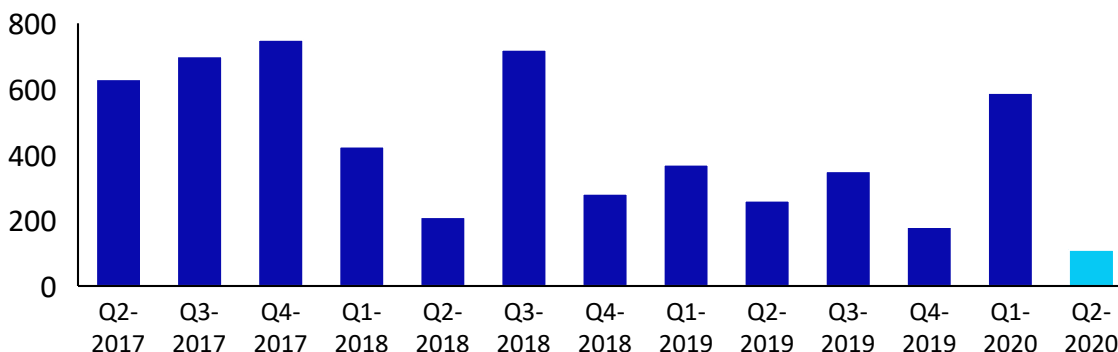
SPENDING ON CAPITAL EXPENDITURE HAS BEEN LARGELY PUT ON HOLD DUE TO THE PANDEMIC

Developments

- **Kuwait's projects market has declined** due to the government lockdown, with the value of projects awarded in Q2-2020 falling to a **historic low of KD 110 MN**
- **More than 50%** of the Q2-2020 award total came from a **single MPW project** (Al-Ghouse Road)
- The majority of projects awarded or planned for 2020 belong to the **construction** (34%), **transport** (30%), and **power & water** (28%) sectors
- While a small increase in project activity is expected once the government eases restrictions, **fiscal constraints** will mean that **only important development plan projects** will be prioritized

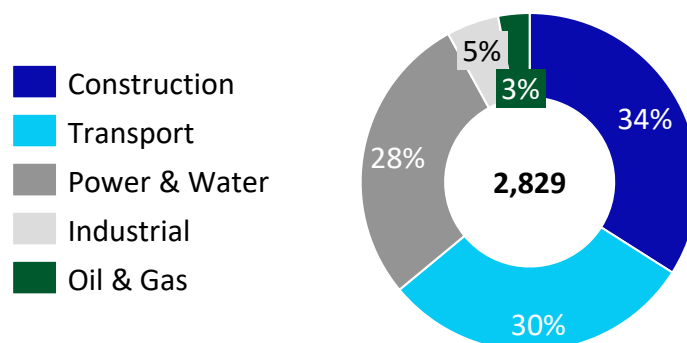
Quarterly project spend

KD MN



Breakdown of projects awarded in and planned for 2020

KD MN

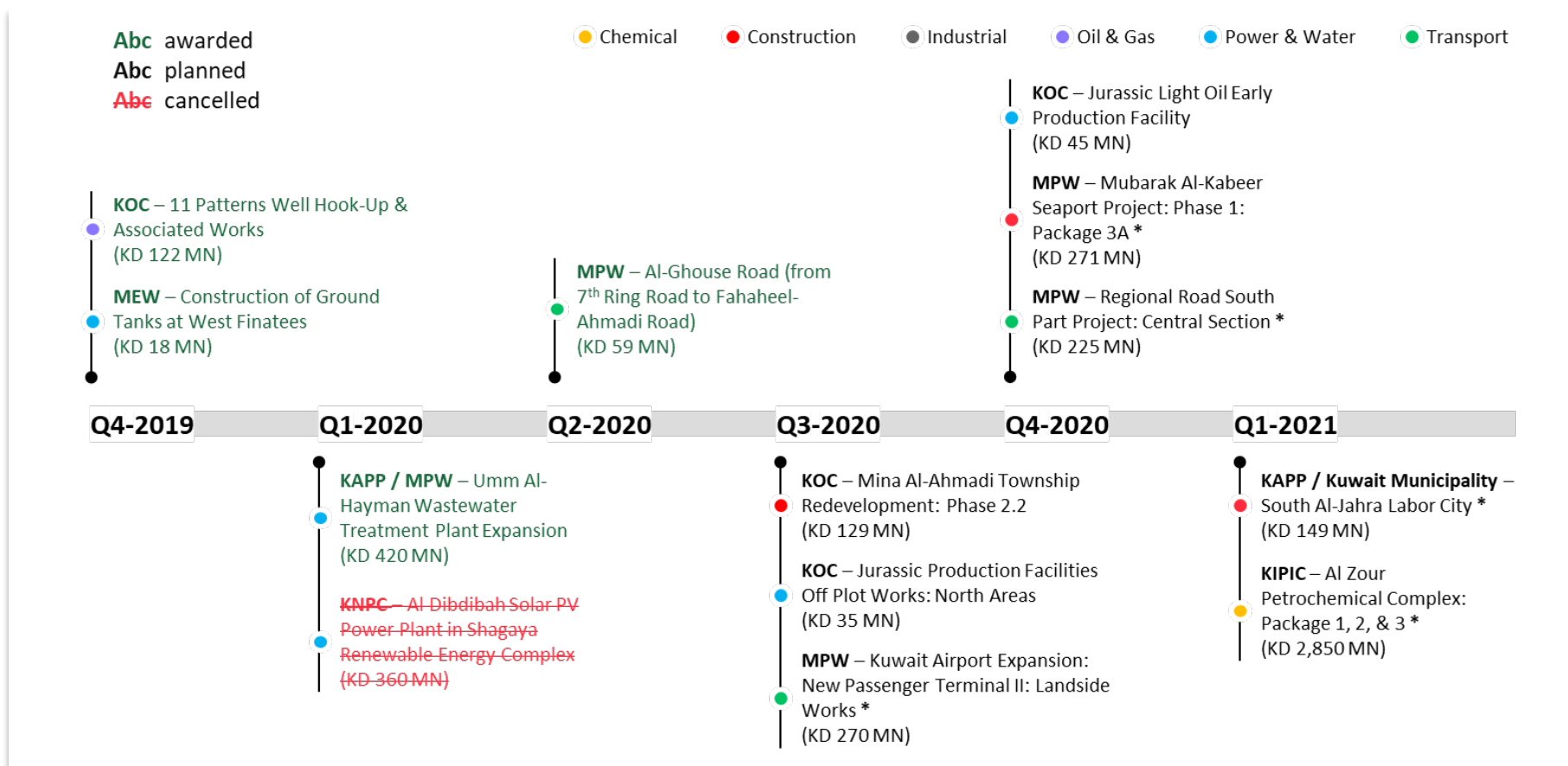


Source: Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).

THE GOVERNMENT LOCKDOWN HAS DISRUPTED THE PROJECTS MARKET, PARTICULARLY IN Q1 AND Q2-2020

Timeline of major projects in Kuwait

As of 21-July



Note (*): rescheduled to this fiscal quarter due to delays.

Source: NBK Economic Research Department ([link](#)).

THE CRISIS HAS LED TO THE CANCELLATION OF KUWAIT'S AL DIBDIBAH SOLAR POWER PLANT, AN IMPORTANT NON-OIL PROJECT

Developments

- As part of its 2030 vision, **Kuwait** has pledged to **source 15% of its energy** from **renewable sources**
- **Kuwait's** first ever solar power plant, the **10 MW Sidrah 500 plant**, was first operated in 2016
- In 2018, Kuwait announced plans to build a second solar power plant, the **Al Dibdibah Solar Power Plant**
- With a capacity of 1.5 GW, **Al Dibdibah plant** would have covered 15% of the oil sector's electricity demand and reduced carbon emissions by 1.3 MN tons annually
- In July 2020, the **Kuwaiti Cabinet** cancelled the project altogether, citing the financial effects of the COVID-19 pandemic

Al Dibdibah Solar Power Plant



Source: Bloomberg ([link](#)), NBK Economic Research Department ([link](#)), PV Magazine ([link](#)), and Reuters ([link](#)).



CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** Demographic imbalance
- 05** Oil economy
- 06** Non-oil growth
- 07** **Monetary developments**
- 08** Consumer behaviour

UNPRECEDENTED INTERVENTION IN BOURSA KUWAIT DEALT A COSTLY BLOW TO MARKET CONFIDENCE

Developments

- The **Kuwait Banking Association's (KBA)** announced, via KUNA, that its **members would pay no cash dividends for 2020**
- Both **KBA members** and the **Capital Markets Authority (CMA)** were caught off guard, with the CMA finding out about the KBA's decision via the KUNA press release
- The **CMA** reacted by **nullifying all of Wednesday's trades**
- Despite the **CMA's** actions, **banking stocks continued to fall** on Thursday, resulting in a **KWD 476.4 MN loss** in market capitalization
- A **clear breakdown in communication** occurred between the concerned entities, resulting in a **costly blow to market confidence**

Boursa Kuwait banks by market capitalization

KWD MN, 7-Jun to 11-Jun

Bank	Sunday 7-Jun	Monday 8-Jun	Tuesday 9-Jun	Wednesday 10-Jun	Thursday 11-Jun
National Bank of Kuwait	5,418.5	5,514.4	5,637.7	5,487.0	5,459.6
Kuwait Finance House	4,773.3	4,781.0	4,781.0	4,673.6	4,688.9
Ahli United Bank - Bahrain	1,733.3	1,791.7	1,791.7	1,772.2	1,743.0
Boubyan Bank	1,672.5	1,682.3	1,695.3	1,662.7	1,649.7
Commercial Bank of Kuwait	946.2	946.2	946.2	946.2	946.2
Gulf Bank	701.1	704.1	695.0	640.1	646.2
Ahli United Bank - Kuwait	567.5	569.6	571.8	561.0	563.1
Burgan Bank	540.8	543.3	540.8	514.5	514.5
Warba Bank	333.9	335.5	338.6	330.8	327.6
Ahli Bank of Kuwait	297.9	296.3	294.7	286.6	286.6
Kuwait International Bank	208.4	210.7	211.8	202.8	202.8
Ithmar Bank	67.6	67.6	67.6	67.6	67.6
Total	17,260.9	17,442.8	17,572.2	17,145.0	17,095.8

Source: Bloomberg ([link](#)), Capital Markets Authority ([link](#)), and KUNA ([link](#)).

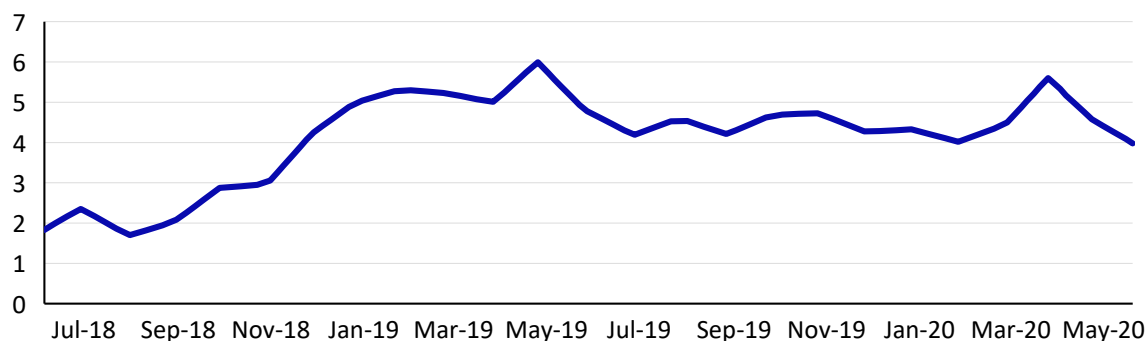
LOCKDOWN MEASURES AND A WEAK OPERATING ENVIRONMENT HAVE SOFTENED DOMESTIC CREDIT GROWTH

Developments

- **Domestic credit growth** softened to **0.7% q/q** (KWD 255 MN), resulting in a **YTD increase of 2.4%** (KWD 906 MN)
- Credit to **non-residents** was **flat** in Q2-20 and represented **7% of the total credit** in the Kuwaiti banking sector
- Credit to **households** was **largely flat** due to the effects of the **lockdown measures** that were imposed for most of Q2-20
- Credit to **non-bank financial institutions** **dragged growth** for the second quarter in a row, resulting in a **YTD decrease of 5.3%**

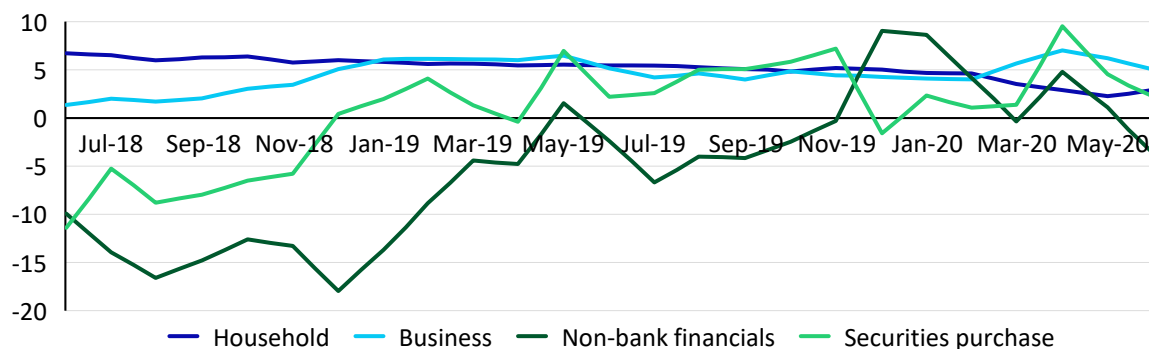
Credit to residents

Jun-18 to Jun-20, % y/y



Categories of credit to residents

Jul-18 to Jun-20, % y/y



Source: Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).

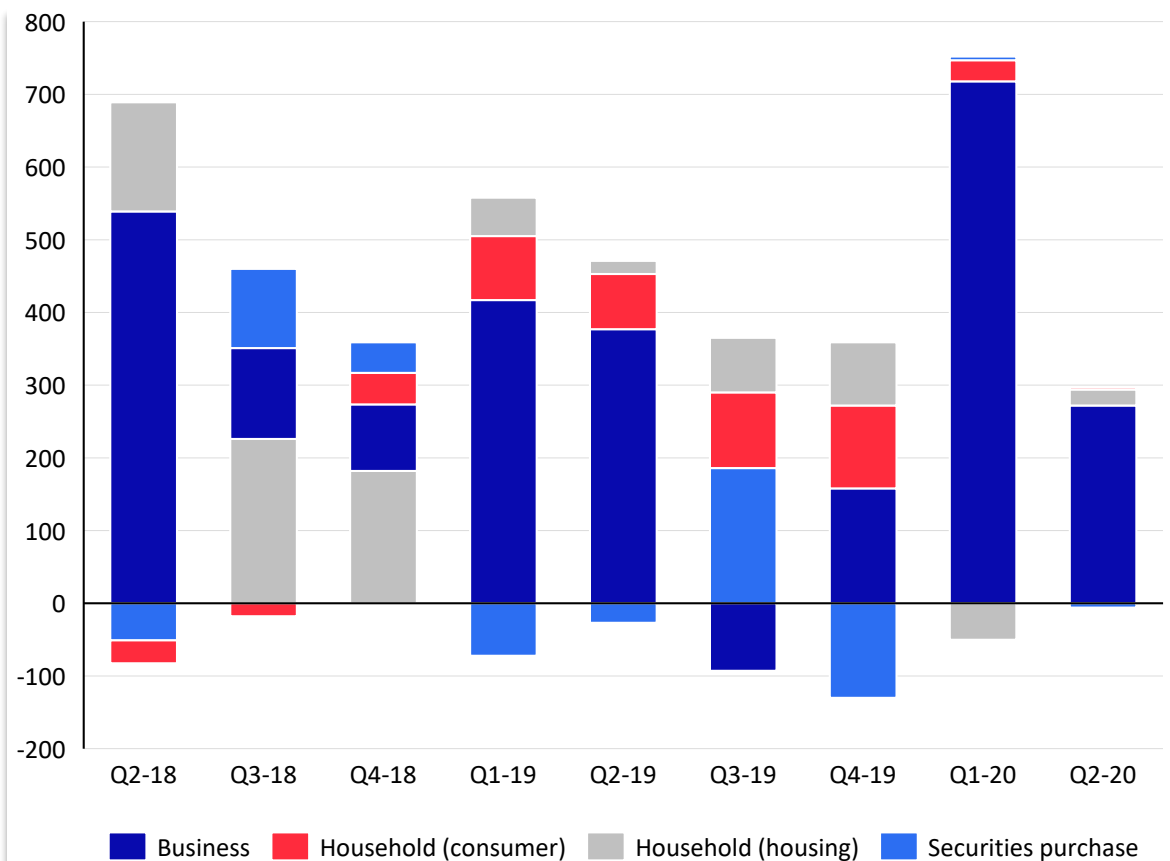
BUSINESS LENDING HAS FULLY DRIVEN CREDIT GROWTH FOR TWO CONSECUTIVE QUARTERS

Developments

- Similar to Q1-20, **credit growth in Q2-20 was fully driven by business lending**, which pushed **YTD growth to 4.7%** (+5.1% y/y)
 - The **trade sector** was the **biggest driver** of business lending
 - Despite having a **42% share** of **business lending**, the **real estate sector** was **flat** in Q2-20, which could be due to official efforts to **reduce expatriate numbers**
- **Personal consumption loans** were **broadly flat** in Q2-20, while **housing loans** slightly **increased** by **0.2% q/q**

Change in credit to residents

KWD MN, q/q



Source: Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).

STRONG DOMESTIC DEPOSIT GROWTH LED TO THE FASTEST QUARTERLY EXPANSION IN THE PAST FOUR YEARS

Developments

- **Domestic deposit growth** was **strong** in Q2-20, standing at **3.6% q/q** (+3.2% YTD, +2.3 y/y)
- **Private sector deposits** fully drove domestic deposit growth in Q2-20, which could be due to:
 - **Weak consumer spending**
 - The **retail loan repayment holiday**, which temporarily inflates balance sheets
- However, this **strong growth** was **offset** by the **steep fall** (20% q/q) in **non-resident deposits**, which could be due to:
 - **Lower local interest rates**
 - **Banks' shedding of relatively expensive corporate deposits** to support their net interest margins

Deposits from residents

% y/y



Source: Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).

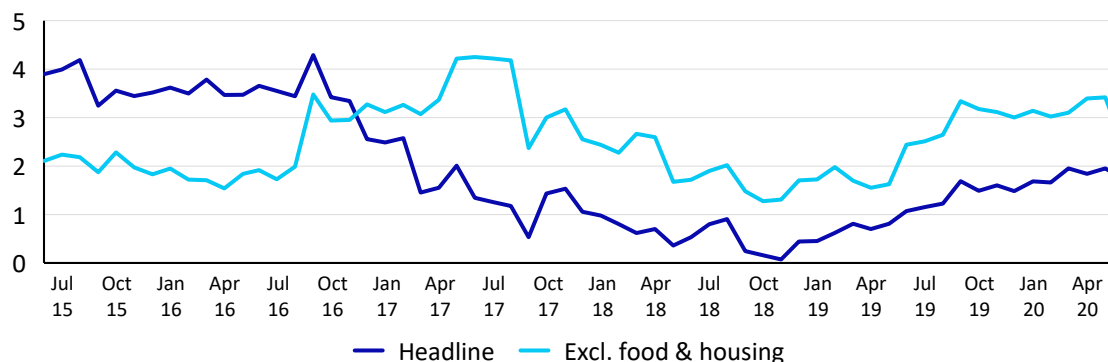
INFLATION SLOWED DOWN DURING THE MONTH OF JUNE DUE TO THE ONGOING WEAKNESS OF THE ECONOMIC CLIMATE

Developments

- **Consumer price inflation** slowed to **1.8% y/y** in June from **1.9%** in May
- **Food inflation** jumped to **3.1% y/y** in June, a **four-year high** that was led by **sharp cost increase in fresh produce**
- The **jump in food prices** is likely due to **local supply-chain disruptions**, as **international food price inflation** remained comparatively **lower**
- Despite a **slight pick-up** in June, the **housing segment** is likely to **continue its deflationary trend** due to the **fall in demand** created by **departing expatriates**

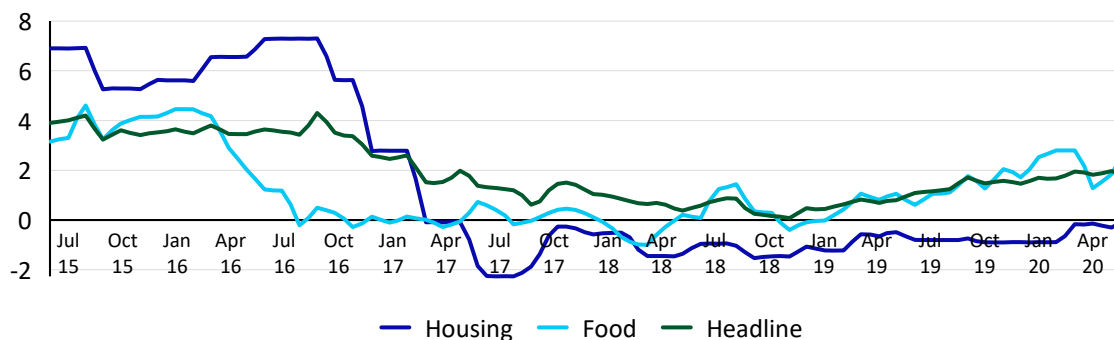
Consumer price inflation

% y/y



Inflation in food and housing services

% y/y



Source: Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).

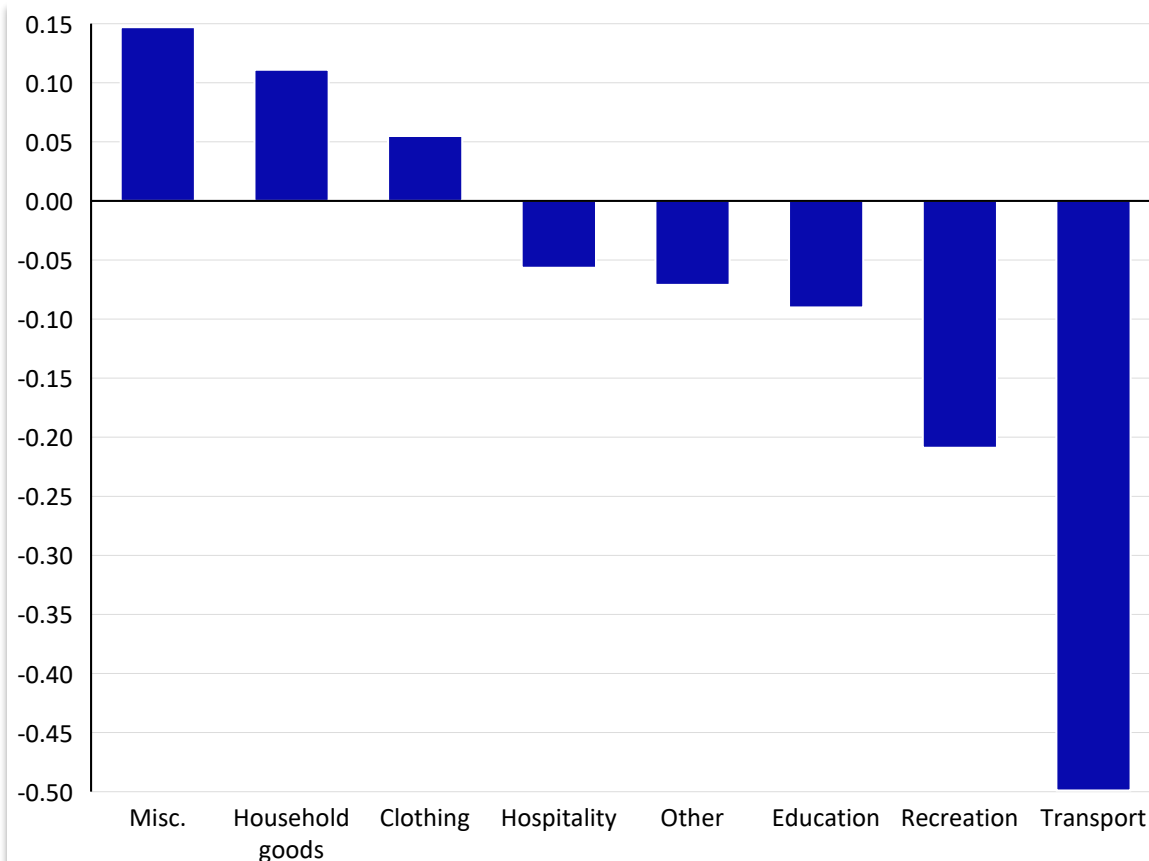
AN EASE IN INFLATION AMONG THE TRANSPORT, RECREATION, AND HOSPITALITY SEGMENTS OFFSET THE RISE IN FOOD AND HOUSING COSTS

Developments

- The **jump in food and housing prices** was **offset** by an **ease in inflation** in several components of “**core inflation**”, namely the **transport, recreation and hospitality segments**
- This **slowdown** was **almost entirely driven** by **restrictions on mobility** as well as **social distancing mandates**
- Therefore, it is likely that **core inflation** will **regain its momentum** after such **restrictions are eased** and **consumer spending** somewhat **recovers**

Contribution to core inflation

% point contribution to the rise in y/y rate, Mar-20 to Jun-20



Source: Central Statistical Bureau ([link](#)) and NBK Economic Research Department ([link](#)).



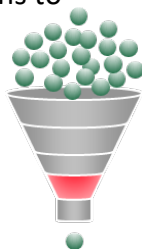
CONTENTS

- 01** COVID-19 in Kuwait
- 02** National testing and second wave prevention
- 03** Public utilities
- 04** Demographic imbalance
- 05** Oil economy
- 06** Non-oil growth
- 07** Monetary developments
- 08** Consumer behaviour

PANIC-BUYING LED TO SHORTAGES IN CERTAIN BASIC FOODSTUFFS

Current situation

- Supply chains in Kuwait are at risk of disruption due to panic-buying, stockpiling, and a sky-rocketing demand for online shopping
- Kuwait has experienced shortages in certain basic foodstuffs, leading to profiteering and more panic-buying
- Kuwait has proposed the establishment of a unified and integrated food security network between the members of the GCC
- However, Kuwait must also improve its internal procurement and supply chain operations to minimize their disruption



Food security

- Kuwait is especially vulnerable to shortages, as it imports the majority of its vegetables and fruits
- As of 23-Apr¹:
 - 5000 tonnes of produce entered the Alforda Central Fruits and Vegetables Market on a daily basis
 - 4000 tonnes of produce were bought by co-operative societies, supermarkets, and restaurants on a daily basis
 - 60% (3000 tonnes) of daily produce was imported
- Out of 5000 farms in Kuwait, only 140 are supplying the local markets, highlighting the need to redistribute non-productive farms²

Government response

- **13-Feb** MoCI decrees the establishment of the Consumer Protection Association³
- **31-Mar** MoSA decrees that co-operative societies must purchase at least 75% of their produce from local sources⁴
- **6-Apr** Wafra International Investment Company commits USD 100 MN to develop controlled-environment agricultural facilities in Kuwait⁵
- **16-Apr** GCC member states approve Kuwait's proposal to set up a single Gulf food security network
- **24-Apr** Kuwait Municipality permits licensed delivery services during the partial curfew for the month of Ramadan⁷

Source: 1. Al Rai Media ([link](#)), 2. Al Jazeera ([link](#)), 3. Mubasher ([link](#)), 4. Ministry of Social Affairs and Labor ([link](#)); 5. TechCrunch ([link](#)); 6. KUNA ([link](#)); 7. Al Anba ([link](#)).

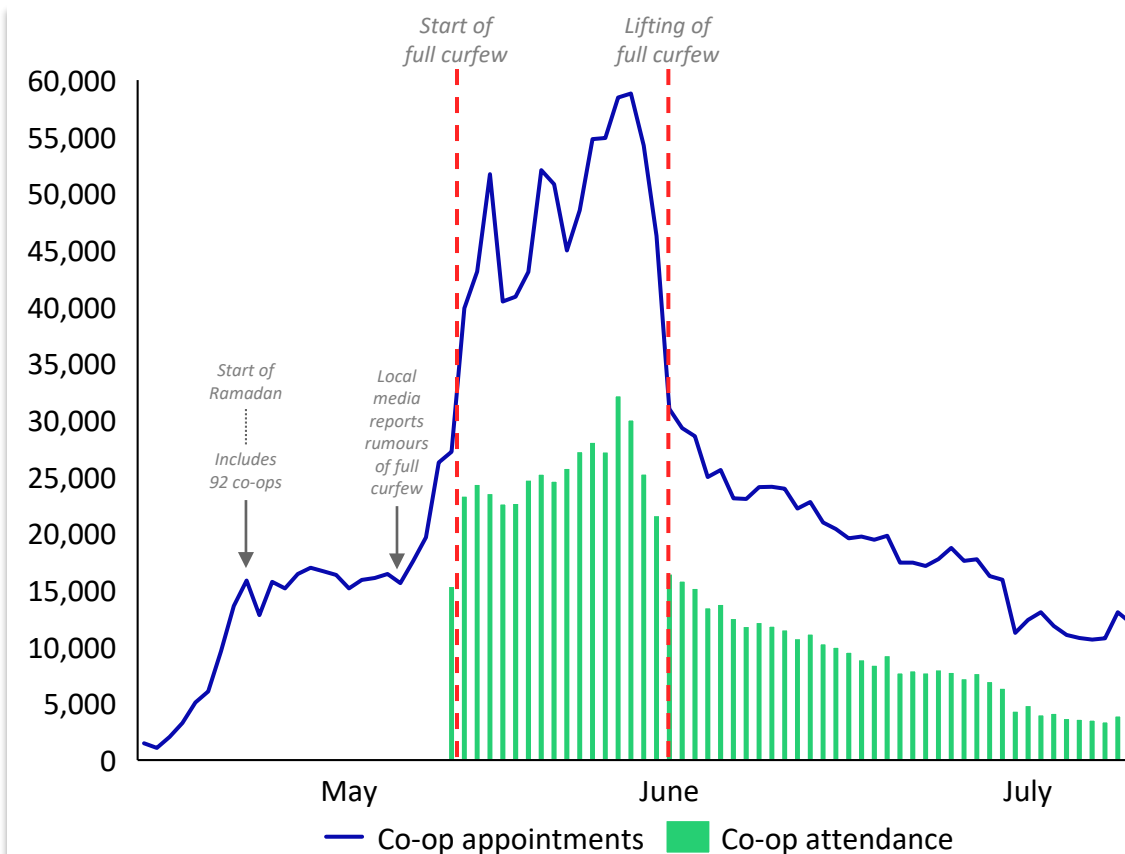
THE MOCI APPOINTMENT SYSTEM REGULATED CONSUMER BEHAVIOR

Developments

- The MOCI-imposed appointment system has **helped control the flow of customers** into co-operatives and other types of grocery stores
- From 15-April to 10-July, **3,923,536** appointments have been made
- Consumers continue to be influenced by **online rumours**, as the number of appointments **began to increase** two days before the CoM announced the full curfew due to local media reports
- Despite **spikes** after the full curfew, the number of attendees was **significantly lower** than the number of appointments made
- This could be due to **abuse of the appointment system**, allowing individuals to leave their homes during the curfew hours

Evolution of co-op appointments and attendance

15-Apr to 10-Jul



Source: Ministry of Commerce and Industry ([link](#)).

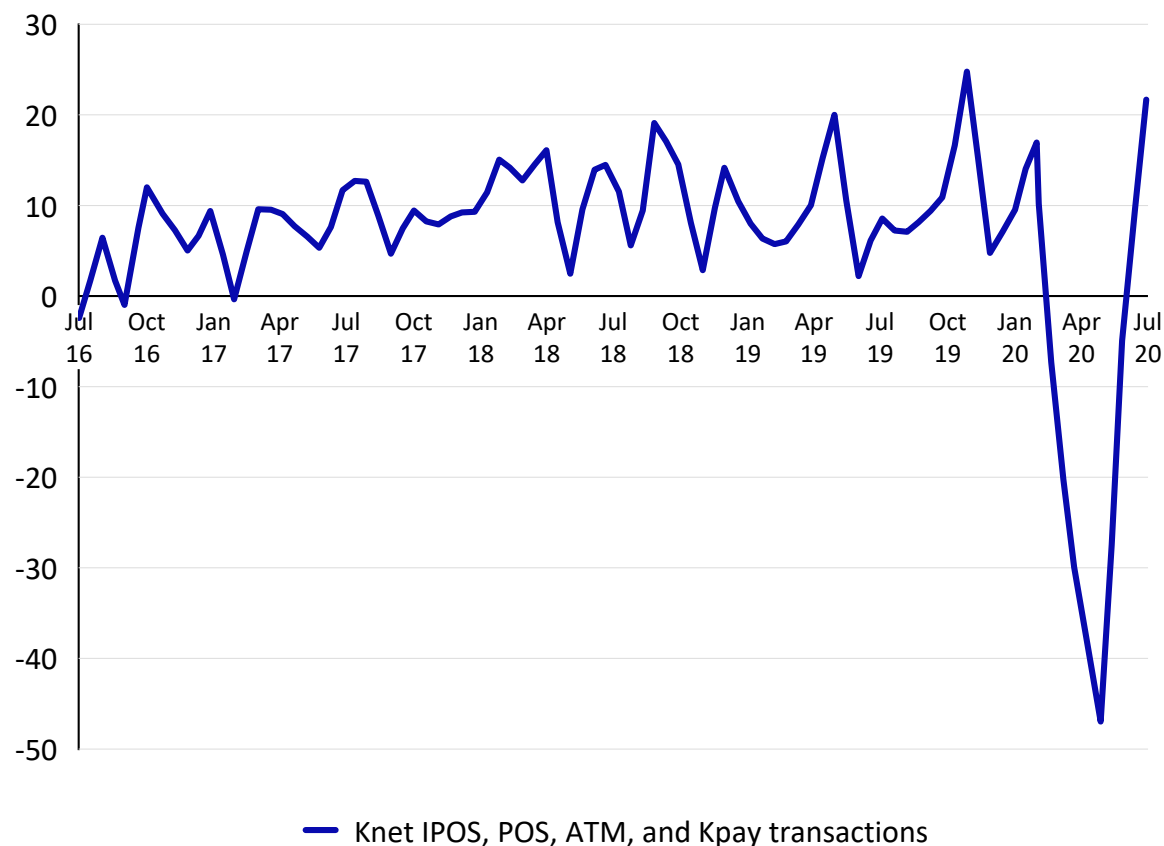
CONSUMER SPENDING SEES A DECENT RECOVERY IN Q3-2020

Developments

- In July, consumer spending rose by 21.6% y/y, reflecting an increase in demand for discretionary items, mainly due to the:
 - Ease in mobility restrictions
 - Reopening of retail stores
- Consumer spending has been partially supported by the:
 - Six-month deferral of debt payment, which has temporarily freed up KWD 1 BN in incomes
 - Accumulated savings
 - Large proportion of the population that is spending their summer holidays in Kuwait

Consumer spending

% y/y, Jul-16 to Jul-20



Source: NBK Economic Research Department ([link](#)) and Knet monthly reports.

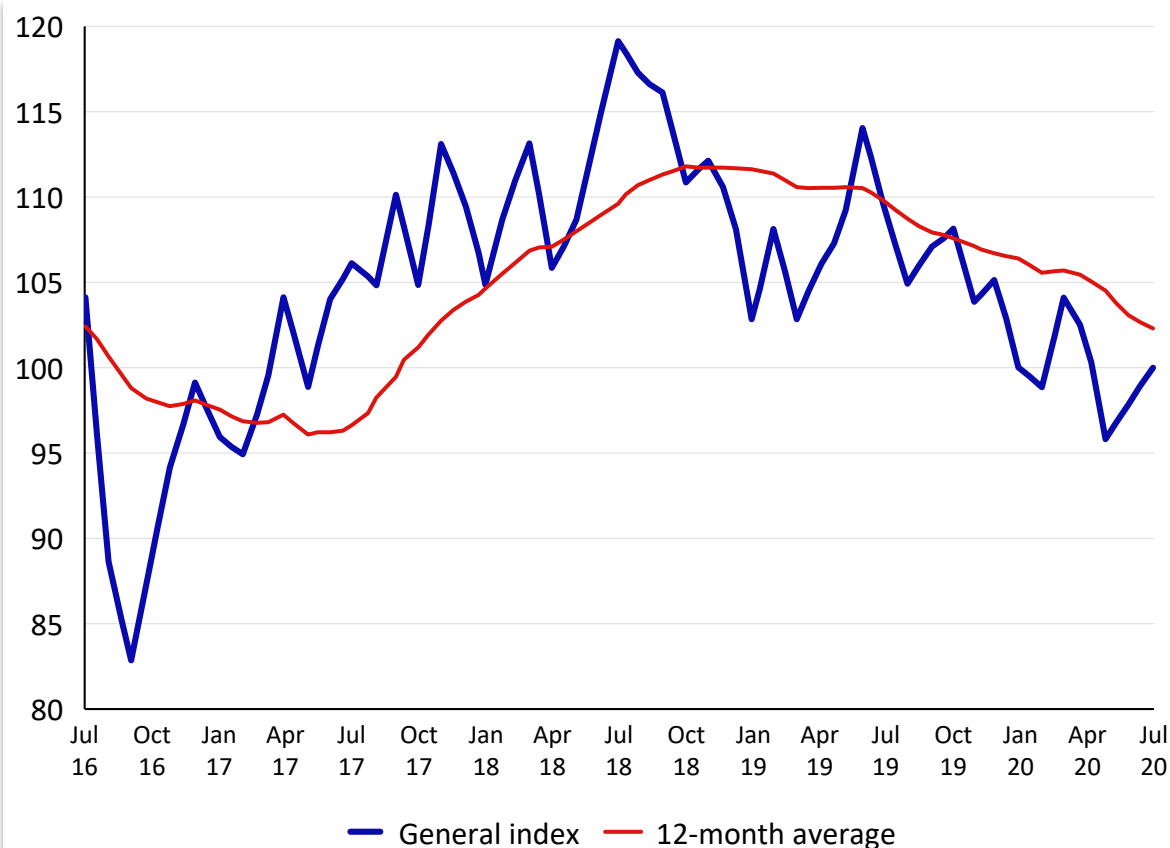
DESPITE THE RISE IN CONSUMER SPENDING, CONSUMER CONFIDENCE CONTINUES ITS DOWNWARD TREND

Developments

- Consumer confidence is on a downward trend, with consumer concerns including:
 - Low oil price environment
 - Weak economic climate
 - Income insecurities
- Income insecurities are particularly pronounced among expatriates, in light of employees being let go, furloughed, or forced to accept pay cuts

Consumer confidence index

Jul-16 to Jul-20



Source: NBK Economic Research Department ([link](#)) and ARA Research & Consultancy.

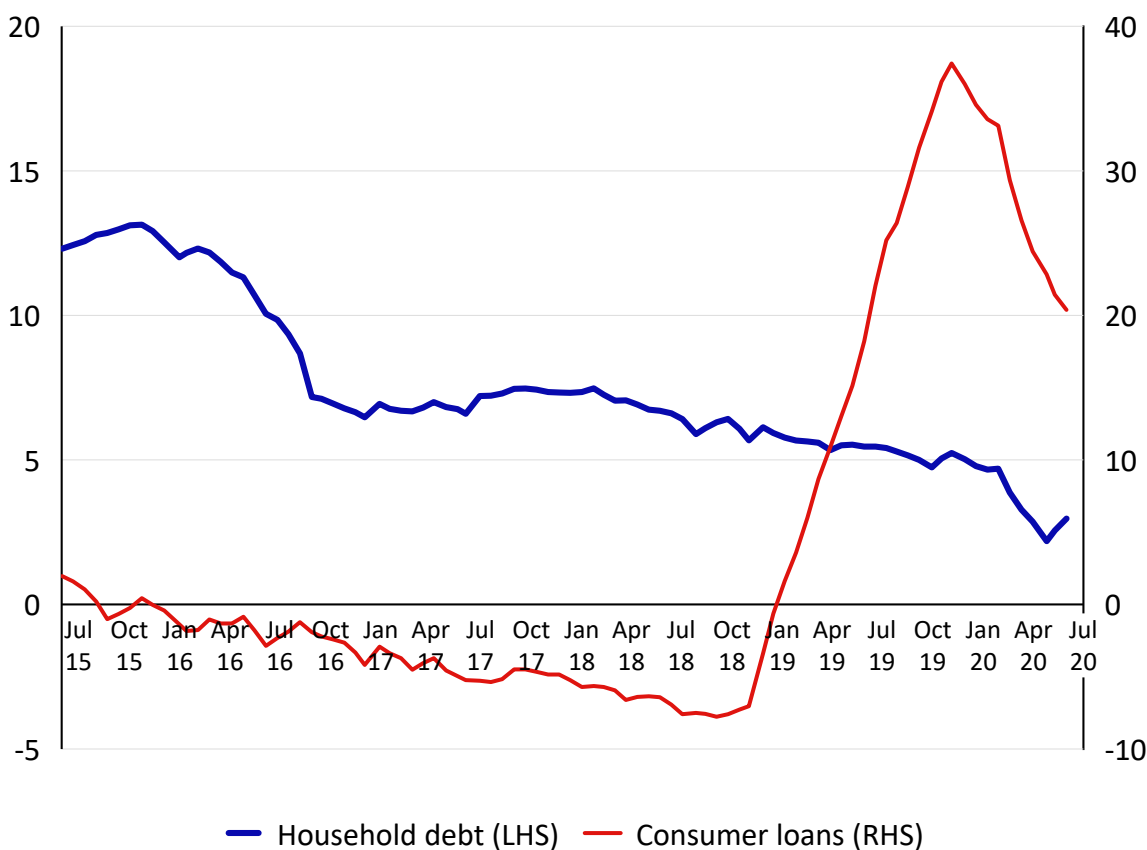
CONSUMER LOANS AND HOUSEHOLD DEBTS HAVE FURTHER SOFTENED IN THE SECOND QUARTER OF 2020

Developments

- In Dec-18, the Central Bank of Kuwait relaxed consumer loan limits (from KWD 15,000 to KWD 25,000), which led to a sharp acceleration in personal consumer loan growth for most of 2019
- In 2020, a correction in personal consumer loan growth was observed, and it was further amplified by lockdown measures
- As of Jun-20, consumer loan growth had slowed to 20% y/y, compared to the 36% surge in late 2019
- Growth in overall household debt, which includes housing loans, has also slowed to 2.9% y/y in Jun-20

Consumer loans and household debt

% y/y, Jun-15 to Jun-20



Source: NBK Economic Research Department ([link](#)) and the Central Bank of Kuwait (CBK).

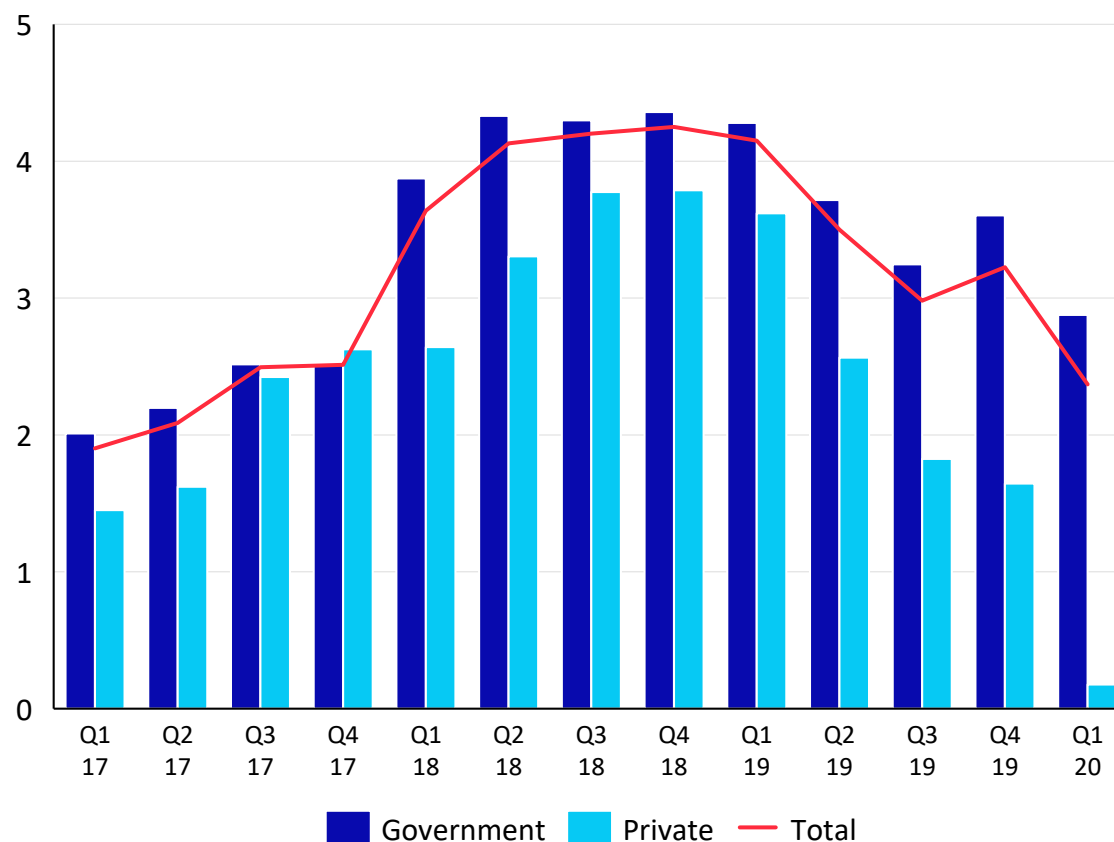
THE CONTINUED LABOUR MARKET WEAKNESS MAY WEIGH DOWN ON CONSUMER SPENDING IN UPCOMING QUARTERS

Developments

- Among Kuwaitis, employment growth slowed to 2.4% y/y in Q1-20, which involved:
 - 2.9% y/y growth in public sector hiring (a two-year low)
 - 0.2% y/y growth in private sector hiring
- Expatriate employment is expected to decline in both the public and private sectors due to:
 - Departure of 5% of the expatriate population between Mar-20 and Jul-20
 - Departure of more expatriates on the back of proposed changes to residency laws
 - Companies firing workers amid a weak economic climate

Kuwaiti employment

% y/y, Q1-17 to Q1-20



Source: NBK Economic Research Department ([link](#)) and the Public Institution for Social Security (PIFSS).

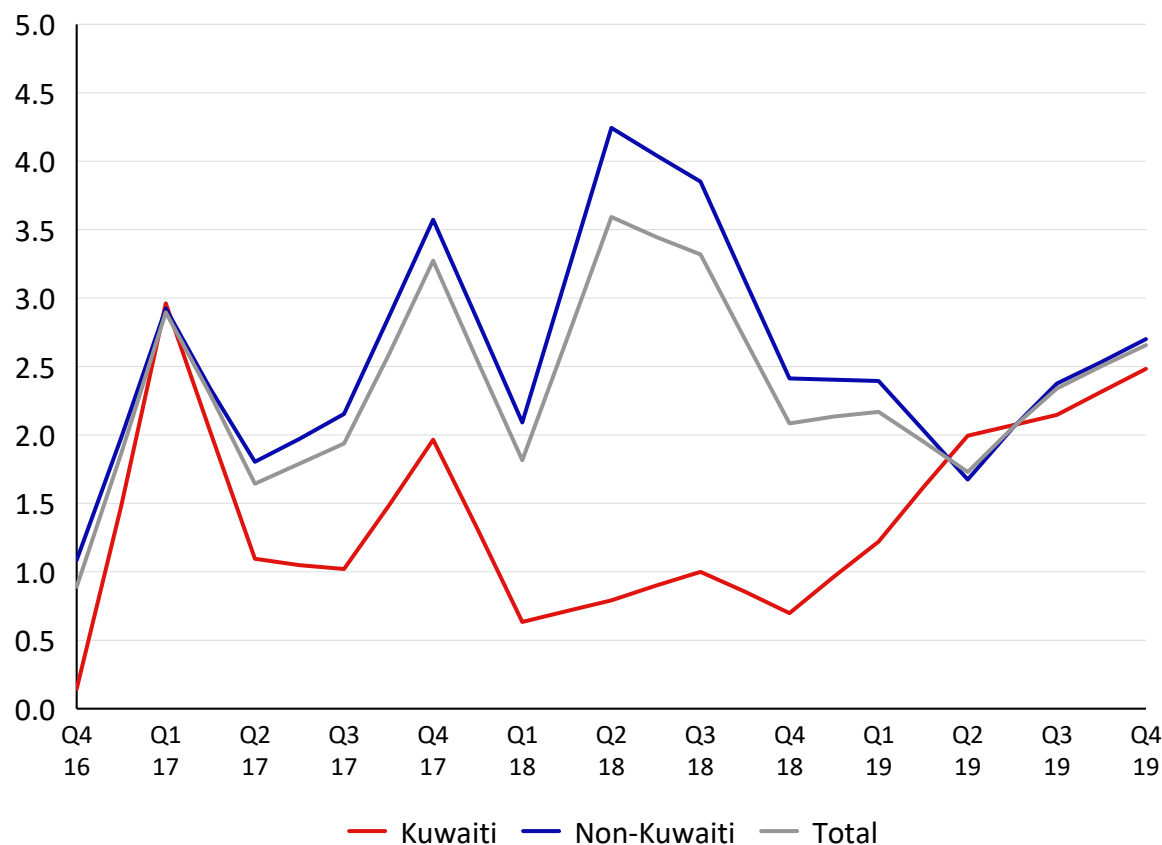
A LIKELY MODERATION OF AVERAGE WAGE GROWTH WILL ALSO WEIGH DOWN ON CONSUMER SPENDING

Developments

- By the end of Q4-19, average wages were growing upwards among both Kuwaiti (2.5% y/y) and non-Kuwaiti (2.7% y/y) workers
- However, NBK predicts that this upwards trend in average wages is likely to moderate in the upcoming quarters as a result of the weak economic climate

Average wages

% y/y, Q4-16 to Q4-19



Source: NBK Economic Research Department ([link](#)) and the Labor Market Information System (LMIS).

