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Country Outlook: Kuwait

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In a nutshell

- Kuwait's economy revolves almost wholly around crude oil with over 30% of the economy directly involved in the oil & gas sector, and half the very small manufacturing sector revolved around refinery activities in 2010. Following the deep recession that saw the economy contracting by 7.8% year-on-year (y-o-y) in 2009, Kuwait's economy rebounded in 2010 with gross domestic product (GDP) growth accelerating to 11.4% y-o-y. Improved external demand was the main underpinning factor, followed by investment activities which in total contributed 10.5 percentage points to the overall growth. While the recovery has been strong, the ongoing euro area crisis and the slowing momentum in emerging markets that have capped gains in oil prices bring into question the sustainability of Kuwait's growth trajectory.

- With growth momentum slowing amidst weaknesses in the global economy, price pressures in Kuwait appear to be dissipating with the rate of increase in the consumer price index (CPI) slowing in June 2012 by half the pace recorded in December 2010 when inflation peaked. This is consistent with GDP growth that is gradually moving closer to its trend level. Kuwait's inflation, as in many other countries, is mainly driven by food prices, which have averaged nearly 10% in 2011. Thus far in 2012, food prices have increased 6.9% over the corresponding period last year.

- The Central Bank of Kuwait (CBK) has been aggressive in responding to the Great Recession, cutting the Discount Rate a total of 375 basis points to 2.5% since late 2007. As a consequence, average lending rates fell from an average of 8.5% in 2007 to 5.1% in 2012, roughly in line with the reduction in the policy rate, while liquidity conditions remain healthy with the M1 and M2 monetary aggregates gaining 15.9% y-o-y and 10.4% y-o-y respectively in June. Lending activities within the banking system are showing tentative signs of recovery with total loans expanding by 4.5% y-o-y in June 2012, above the 1.8% average growth recorded in the past two years.

- In tandem with large surpluses in the current account balance, bank deposits registered a strong 13.6% growth in June helped by an 8.8% expansion in private sector deposits. As such, the loan-to-deposit ratio trended lower to 81.2% in June compared to the 88.2% registered last year. As a result, the banking system's resource surplus increased to KWD6.1 billion as of June from KWD5.3 billion in January this year. Improvement was also seen in asset quality as reflected by the decline in the non-performing loan (NPL) ratio to 7.3% in 2011.

- The current account balance is expected to remain strongly in surplus, having averaged over 35% of GDP in the last five years. Despite lower average oil prices this year, trade surplus is still at a more than respectable level of KWD7.3 billion in 1Q2012, largely on the back of strong oil export growth. Kuwait does not retain its surplus domestically, instead recycling export revenues into overseas investments. Based on International Monetary Fund (IMF) data, Kuwait's total private sector investments abroad stood at USD51.4 billion or 41.4% of GDP in 2012. Out of this amount, portfolio investments constituted the largest share at 73.7% of total private investment. In addition, public sector surpluses are fed into the Kuwait Investment Authority (KIA), which manages investments on behalf of the Kuwaiti government.

- In terms of external debt, the latest available data has Kuwait seeing a reduction in its external exposure, with the debt ratio falling to 25.9% of GDP in 2010 compared to 42.8% of GDP in 2009. Almost all of these debts are liabilities of the private sector, indicating both the relative underdevelopment of the financial sector and public sector dominance of the oil & gas sector as the major contributor to GDP. With respect to the exchange rate, the Kuwaiti Dinar is ostensibly pegged to a basket of currencies and has been fairly stable over the past decade. In fact, the KWD peg appears to track the price of oil rather better than it does other currencies – a commodity peg rather than a currency peg.

- As in other Gulf Cooperation Council (GCC) countries, Kuwait's government finances look rock solid with a double-digit surplus balance as well as single-digit public debt as a percentage of GDP, with oil revenue making up 92.8% of total government revenue in 2011. As a ratio-to-GDP, government revenues averaged a whopping 52.9% of GDP over the last five years, with over 98% from non-tax sources. The large surplus suggests that the government has the financial muscle to craft a credible and effective development agenda. However, development project implementation has been generally delayed by red-tape and bureaucracy. In addition, generous oil and non-oil-related subsidies could potentially constrain the government budgetary position should oil prices head south.

- In terms of critical macroeconomic matrices, Kuwait lies in the most favourable quadrant in the 'government revenue-fiscal balance' matrix with an extraordinarily high ratio of revenue and surplus relative to the rest of the economy. In the 'CPI-GDP growth' matrix, the country's growth is around the median, although accompanied by elevated levels of inflation. In the 'current account-fiscal balance' matrix, Kuwait is located in the best quadrant, with massive current account surplus and fiscal surpluses. Similarly, in the 'government debt-fiscal balance' matrix, Kuwait lies in the most favourable quadrant, with a large budget surplus and very low government debt. On the other hand, despite its high human development indicators, Kuwait's corruption statistics have shown some deterioration from the country's initial inclusion in the Corruption Perception Index (CP Idx) by Transparency International in 2003.

Introduction

Kuwait is among the richest nations in the world, and is located at the top of the Persian Gulf. With a land area of 17,818 sq km, it is also one of the smallest non-island nations, and it borders Saudi Arabia to the south, Iraq to the north and the Persian Gulf to the east, while Iran lies some 20km across the Gulf. Kuwait has long hot summer seasons with little precipitation, and flat desert plains make up most of its land area, of which less than 1% is arable. Kuwait is currently home to a population of 2.6 million, of which about 55% are non-citizens and almost all of whom live in Kuwait City. The median age is a youthful 28.6 years, and literacy rates are high at about 93.3%. Arabic is the official language, although English is also widely used.

Figure 1: Map of Kuwait

Source: CIA World Fact Book.

Modern Kuwait has its beginnings in the early 18th century on the establishment of a settlement and fort on the present location of Kuwait City (the name Kuwait can be roughly translated as “little fort”). The location had the advantage of having one of the best natural harbours in the Gulf, as well as a supply of fresh water. It was also on the edge of the territory of the Ottoman Empire and straddled the maritime and overland trade routes from the east and west. The early Kuwaiti economy was thus built on trade, as well as pearl diving in the nearby waters of the Gulf.

In 1897, the ruling Sheikh of Kuwait invited British intervention in the region on account of Ottoman claims on Kuwait, culminating in Kuwait becoming a British protectorate on the conclusion of the First World War. Oil was discovered in Kuwait in 1938, which later prompted a full-fledged British takeover during World War II.

Kuwait gained its independence in 1961 and was almost immediately was embroiled in a confrontation with Iraq, which claimed to have inherited the Ottoman Empire’s claim over Kuwait. Intervention from the British and Saudi governments helped forestall an invasion, but tensions between the two countries remained, occasionally erupting in border clashes. The 1979 revolution in Iran prompted a reappraisal of the countries’ relationship, with Kuwait lending assistance and monies to Iraq in its subsequent war with Iran. The rapprochement was temporary, however, as Kuwait’s refusal to forgive Iraqi debt provided an incentive for a revival of Iraqi territorial claims, leading to the invasion and annexation of Kuwait in 1990.

The international response was swift and decisive, with a coalition of military forces led by the United States driving out Iraqi forces within six months of the invasion. Damage to Kuwait’s economy was extensive, however, as was the trauma to the population, requiring extensive rebuilding efforts. Kuwait later became a staging area for the United States (US) invasion of Iraq, and continues to support Western intervention in the region.

The government and legal system

Kuwait is governed by a constitution, with the hereditary Amir of Kuwait as head of state and Prime Minister as head of government. Both the Amir and Prime Minister are descendents of the Al-Sabah family, which has ruled Kuwait from its modern beginnings, while ministers are generally, though not always, selected from the same family.

The legislature (the Majlis al-Umma) is a unicameral chamber with 66 members, of which 50 are elected for a 4-year term. Political parties are banned in practice, and the Amir has the right to dissolve the legislature at any time with the proviso that elections must be called within 60 days. Over the last six years, the Majlis has been dissolved five times. The main legislative check against the Amir's authority is the right of the Majlis to select the Crown Prince.

The Kuwaiti legal system is derived from Islamic, English, and French laws. Administratively, Kuwait is divided into six districts, although there are no firm borders between these administrative areas.

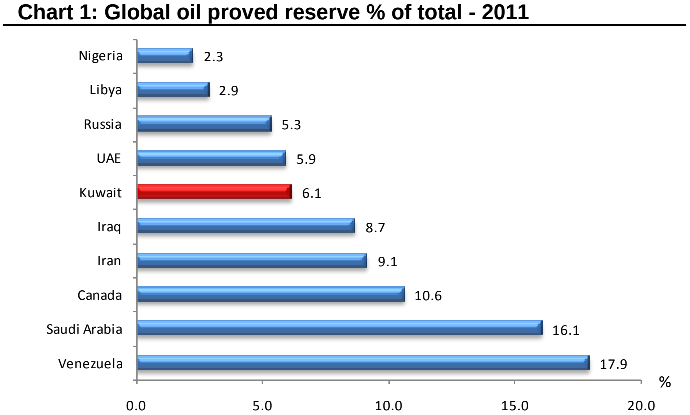
Economic background and structure

Kuwait's economy revolves almost wholly around crude oil, being the world's ninth largest oil producer and with the world's sixth largest proven oil reserves. In 2010, over 30% of the economy was directly involved in the oil & gas sector, and half the very small manufacturing sector revolved around refinery activities. The other three major sectors are social and personal services (2010: 21.7%), transport, storage & communications (2010: 17.5%), and finance (2010: 11.8%); taken together, services account for 61.4% of the economy. Even this lopsided economic structure is an improvement over the past – just ten years ago, oil & gas represented nearly half the economy, and no other sector apart from social and personal services had more than an 8% share; services in aggregate contributed less than oil& gas.

While there has thus been some diversification, Kuwait's economy is highly vulnerable to volatility in global crude oil prices. This is even more true considering that 90% of the private sector is manned by foreign labour (with correspondingly less job security) while the majority of citizens are employed in the public sector. Kuwaiti citizens are also given to access to a wide variety of benefits (healthcare, education, housing) that is unavailable to non-citizens, but these benefits are dependent on government finances. Since taxes are not levied on personal income or corporate income, this social largesse is subject to the profitability of Kuwait's oil production. Moreover, the labour divide poses a challenge for national competitiveness, with little incentive given to much of the domestic talent pool to upgrade their skills given the role of the public sector as employer of first and last resort.

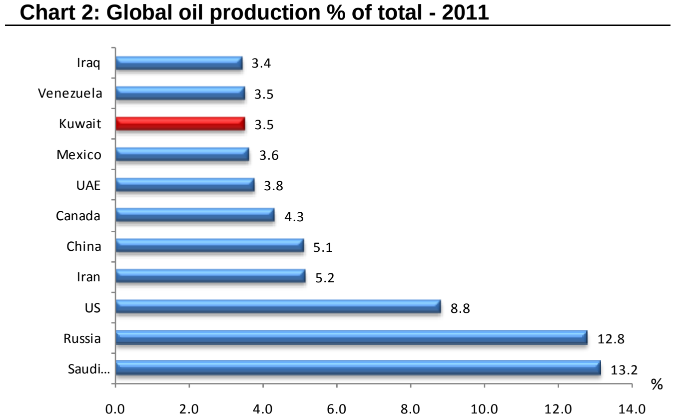
Recognising this, Kuwait has embarked on a four-year development plan to turn the country into a regional trade and finance hub, with KWD37 billion (approximately USD130 billion) to be invested by 2015. Most of the investment will directed towards infrastructure, which is acknowledged to be poor relative to the country's per capita GDP, and is slated to include both private and public sector capital expenditure.

Chart 1: Global oil proved reserve % of total - 2011



Source: BP Statistical Review 2012.

Chart 2: Global oil production % of total - 2011



Source: BP Statistical Review 2012.

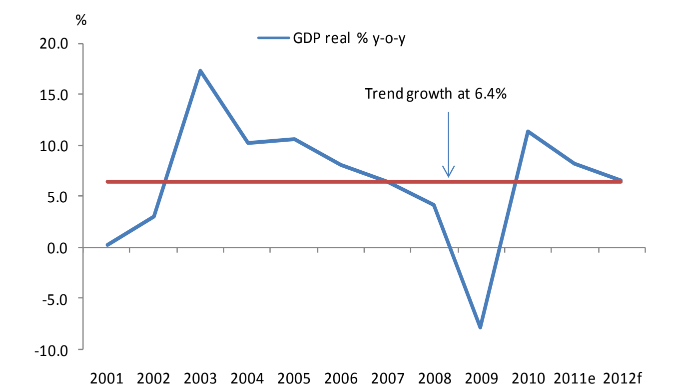
The economy in detail

Growth momentum slowing

The economy recorded a sharp turnaround in 2010 when GDP growth accelerated to 11.4% y-o-y after experiencing a deep 7.8% y-o-y contraction in the preceding year. Improved external demand was the main underpinning factor as reflected by a 6.5 percentage point contribution to overall growth from net exports. This was followed by 4.0 percentage point contribution to headline growth by investment activities. Higher oil prices in 2011 will help boost nominal growth for that year, although preliminary indications are that the economy will do no better than trend growth over the 2011-2012 time frame.

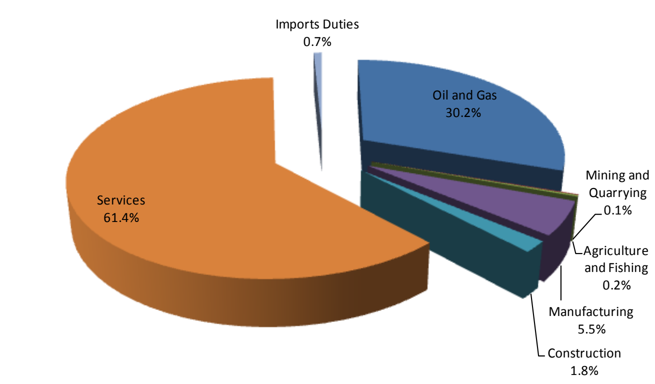
While the recovery has been strong, the ongoing euro area crisis and the slowing momentum in emerging markets that have capped gains in oil prices bring into question the sustainability of Kuwait's growth trajectory. Already, the IMF has revised its 2013 global growth forecast in its July update to 3.9% compared to the 4.2% forecast made in April this year. Even this forecast hinges on improvement in the European economy and sustained growth in other major economies such as the US. Should these assumptions not be met, GDP growth would probably fall below its current trajectory. Already the latest data from Germany and the US point to recession in the former and weakening growth in the latter, while growth in China and India have fallen off considerably. Oil prices have thus far held up well, benefiting Kuwait's economy, but downside risks loom.

Chart 3: Annual GDP growth



Source: CEIC, IMF, MARC Economic Research.
Note: 2011-12 GDP are IMF forecast figure.

Chart 4: Kuwait economic structure (2010)

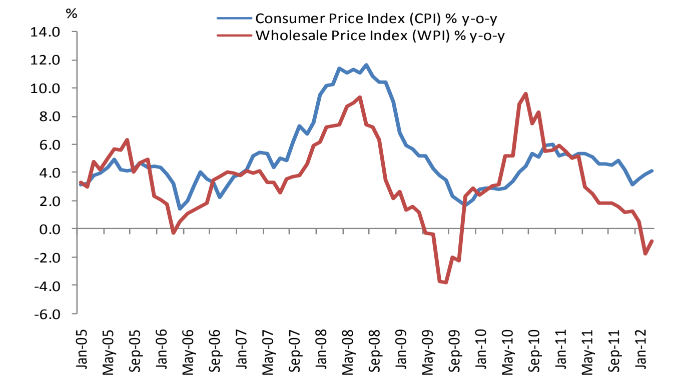


Source: CEIC, MARC Economic Research.

Inflation has peaked

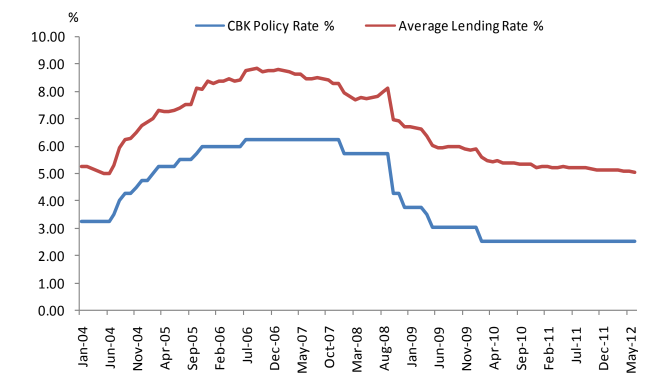
Against such a backdrop, price pressures appear to be dissipating with the rate of increase in the CPI slowing to 2.8% y-o-y in June 2012 from a peak of 6.0% registered in December 2010 (2011 average: 4.8%). This is consistent with GDP growth that is gradually moving closer to its trend level. Kuwait's inflation, as in many other countries, is mainly driven by food prices, which increased 8.3% in 2010 and 9.7% in 2011. Thus far in 2012, food prices have increased 6.9% over the corresponding period last year. Wholesale prices, on the other hand, have been more sedate, increasing by just 0.7% in the year to June.

Chart 5: Monthly CPI and WPI



Source: CEIC, MARC Economic Research.

Chart 6: CBK policy rate and average lending rate



Source: CEIC, CBK.

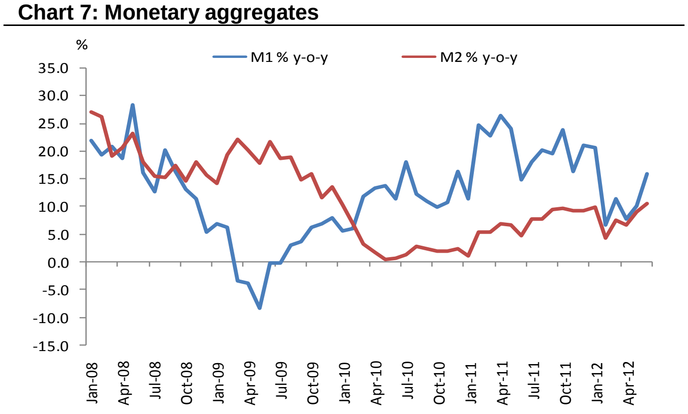
Monetary policy and the financial sector

The CBK has been aggressive in responding to the Great Recession, cutting the Discount Rate a total of 375 basis points to 2.50% since late 2007. The latest cut was in 2010, and the rate has been held steady since despite the relatively high inflation experienced over 2010-2011. Part of the reason for this dovish stance was to encourage private sector investment by cutting the cost of borrowing, thus helping to move the economy away from the public sector and oil & gas activities. Average lending rates have fallen from an average of 8.5% in 2007 to 5.1% in 2012, roughly in line with the reduction in the policy rate, while liquidity conditions remain healthy with the M1 and M2 monetary aggregates gaining 15.9% y-o-y (10.0% in May) and 10.4% y-o-y (8.9% in May) respectively in June.

Lending activities within the banking system are showing tentative signs of recovery. As of June this year, total loans expanded by 4.5% y-o-y, above the 1.8% average growth recorded in the past two years. Growth was driven by increases in personal facilities which grew by 10.6% y-o-y, followed by loans to agriculture (8.9%) as well as lending for trade activities (8.8%). In tandem with large surpluses in the current account balance, bank deposits registered a strong 13.6% y-o-y growth in June helped by an 8.8% expansion in private sector deposits. As such, the loan-to-deposit ratio trended lower to 81.2% in June compared to the 88.2% registered last year. As a result, the banking system's resource surplus increased to KWD6.1 billion as of June from KWD5.3 billion in January this year. Improvement was also seen in asset quality as reflected by the decline in the NPL ratio to 7.3% in 2011 (2010: 8.9%).

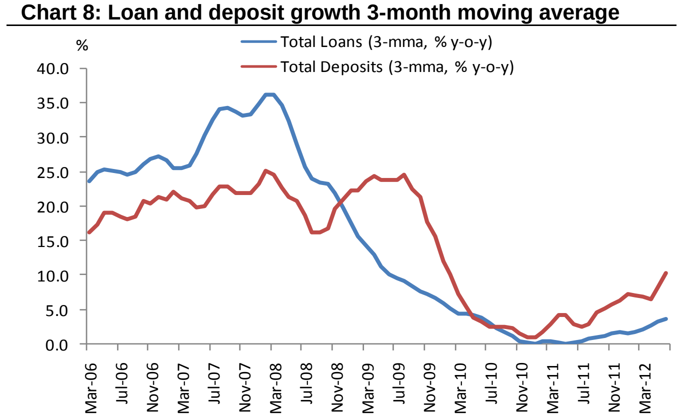
Be that as it may, Kuwait's financial sector remains somewhat underdeveloped and has substantial room for growth through deepening and broadening of product offerings. This is partly a reflection of the high incomes and social benefits of residents who thus require little in the way of financing, except for housing. Most credit facilities are thus related to business, which is still a small proportion of the economy relative to the public sector as compared to other more diversified economies.

Chart 7: Monetary aggregates



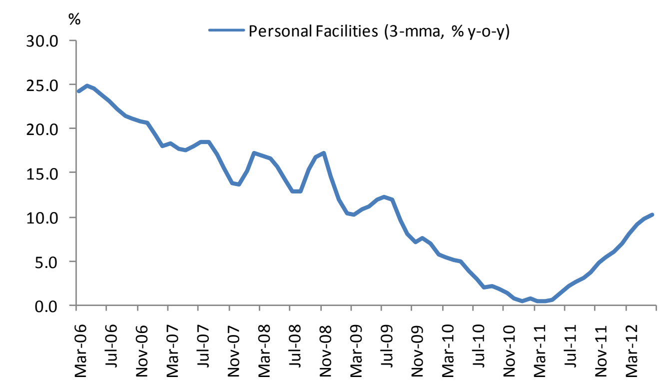
Source: CEIC, MARC Economic Research.

Chart 8: Loan and deposit growth 3-month moving average



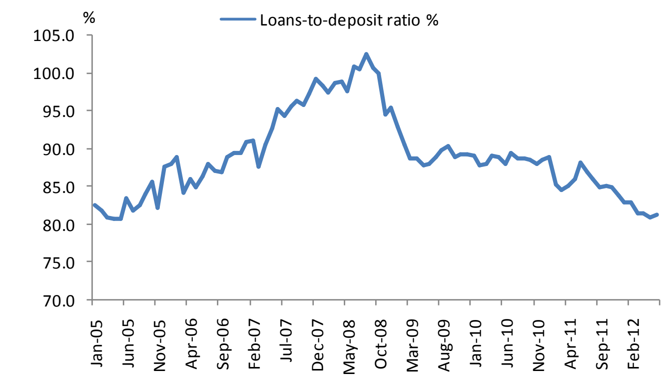
Source: CEIC, MARC Economic Research.

Chart 9: Personal facilities growth 3-month moving average



Source: CEIC, MARC Economic Research.

Chart 10: Loan-to-deposit ratio



Source: CEIC, MARC Economic Research.

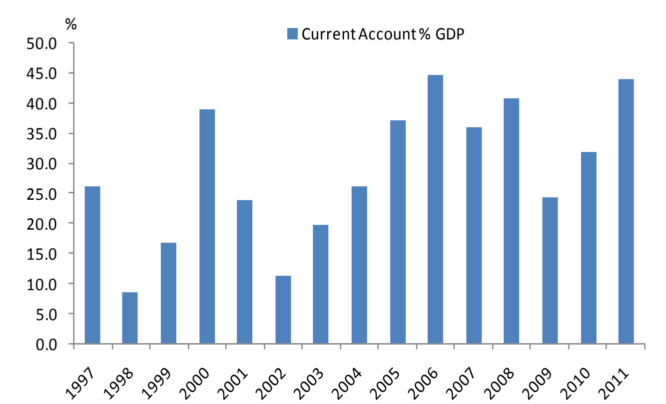
Balance of payments and external debt

The current account balance is expected to remain strongly in surplus, having averaged over 35% of GDP in the last five years. Lower average oil prices this year may cause some erosion of the surplus with growth in the trade surplus, which made up almost all of the current account balance last year, moderating to 57.4% y-o-y in 1Q2012 compared to 67.3% growth in the preceding quarter. Nonetheless, in absolute terms, the trade surplus is still at a more than respectable level of KWD7.3 billion in 1Q2012, largely on the back of strong oil export growth of 45.8% y-o-y (4Q2011: 52.5%), while total imports grew by only 12.8% (4Q2011: 11.0%).

Kuwait does not retain its surplus domestically, instead recycling export revenues into overseas investments. Based on IMF data, Kuwait's total private sector investments abroad stood at USD51.4 billion or 41.4% of GDP in 2012. Out of this amount, portfolio investments constituted the largest share at 73.7% of total private investment abroad while the balance is in the form of foreign direct investments (FDI). In addition, public sector surpluses are fed into the KIA, which manages investments on behalf of the Kuwaiti government – while its assets under management are not allowed to be legally disclosed, KIA is estimated to manage over USD300 billion in assets (approximately 2 times 2011 nominal GDP), making it one of the world's largest sovereign wealth funds.

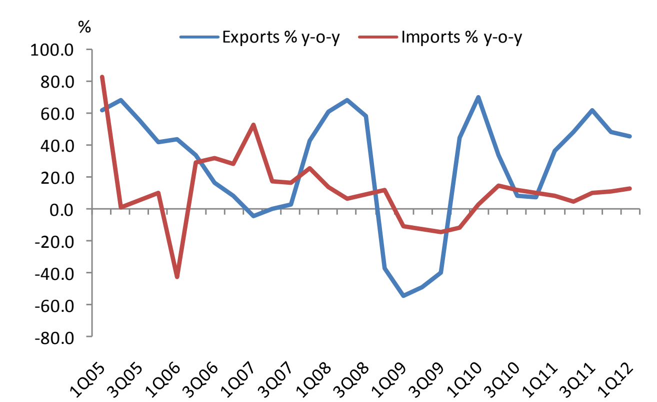
Part of the reason for this approach to managing fiscal and current account surpluses is simply lack of investment opportunities domestically, as well as the public sector orientation of the national labour force. Given the climate and topography, there are limited opportunities for either manufacturing or agricultural expansion, while the services sector is largely geared towards supporting the oil & gas sector.

Chart 11: Current account as % of GDP



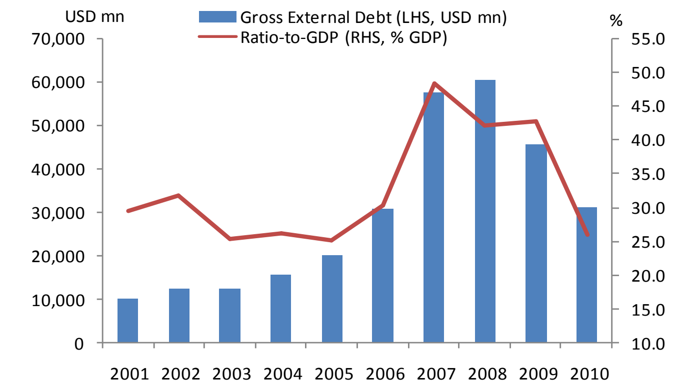
Source: CEIC, MARC Economic Research.

Chart 12: Exports and imports growth



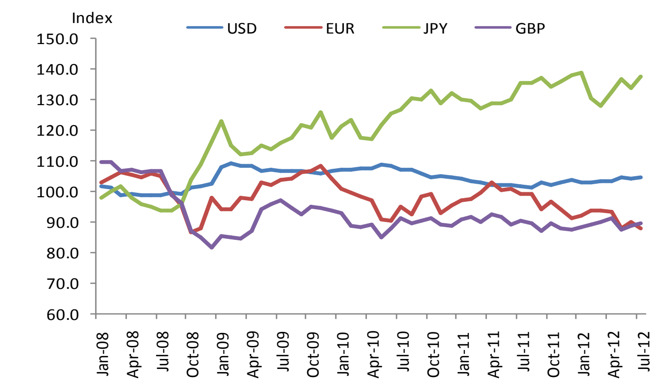
Source: CEIC, MARC Economic Research.

Chart 13: Gross external debt and ratio-to-GDP



Source: CEIC, MARC Economic Research.

Chart 14: KWD major exchange rate (2008 = 100)



Source: CEIC, MARC Economic Research.

One side effect of continuous "petro-dollar recycling" is a relatively poor stock of official international reserves at the central bank, which barely covers one month's worth of imports. However, unlike the position with most other trade-dependent nations such as those in East Asia, demand for Kuwait's exports is highly inelastic with respect to volume. As this assures a steady and continuous inflow of export revenues, the need for precautionary "insurance" in the form of foreign exchange (forex) reserves is substantially reduced. Another consideration is that since much of oil revenues flow through government hands and is subsequently "recycled" through KIA, public holdings of foreign-denominated assets are considerably higher than implied by central bank international reserves. In this context, reserves are only required to cover private sector foreign liabilities, where it has already been noted earlier that the private sector is much smaller relative to the economy compared to other trading nations.

In terms of external debt, the latest available data has Kuwait seeing a reduction in its external exposure, with the debt ratio falling to 25.9% of GDP in 2010 compared to 42.8% of GDP in 2009. Almost all of these debts are liabilities of the private sector, indicating both the relative underdevelopment of the financial sector and public sector dominance of the oil & gas sector as the major contributor to GDP. The debt ratio has, however, been highly volatile, which points to a potential vulnerability – if private sector access to credit has capacity constraints, the resulting reliance on external funding (both for the banking sector and the private sector at large) is a red flag.

With respect to the exchange rate, the Kuwaiti Dinar is ostensibly pegged to a basket of currencies and has been fairly stable over the past decade. Major volatility only appeared during the commodity bull run of 2008, when crude oil spiked to over USD130 per barrel, although even at this point the currency only gained about 8% against the USD. In fact the KWD peg appears to track the price of oil rather better than it does other currencies – a commodity peg rather than a currency peg. This makes good policy sense and has sound theoretical and empirical foundations, limiting the domestic monetary impact of commodity price movements.

Table 1: Balance of payments

KWD million	2006	2007	2008	2009	2010	2011
Current Account	13,148	11,746	16,194	7,417	10,553	19,531
Capital and Financial Account	(14,165)	(9,485)	(13,321)	(7,294)	(9,338)	(18,300)
Net Errors and Omissions	2,055	(1,345)	(2,702)	964	(1,056)	-
Overall Balance	1,039	916	171	1,088	159	1,231

Source: CEIC, CBK.

Government operations and debt

As in other GCC countries, Kuwait's government finances look rock solid with a double-digit surplus balance (11.9% in 2011) as well as single-digit public debt as a percentage of GDP (4.4% in 2011), with oil revenue making up 92.8% of total government revenue in 2011. As a ratio-to-GDP, government revenues averaged a whopping 52.9% of GDP over the last five years, with over 98% from non-tax sources. Government expenditure, on the other hand, stood at an average of 37.1% of GDP over the same period; substantially lower than revenue but nevertheless generously higher than the norm.

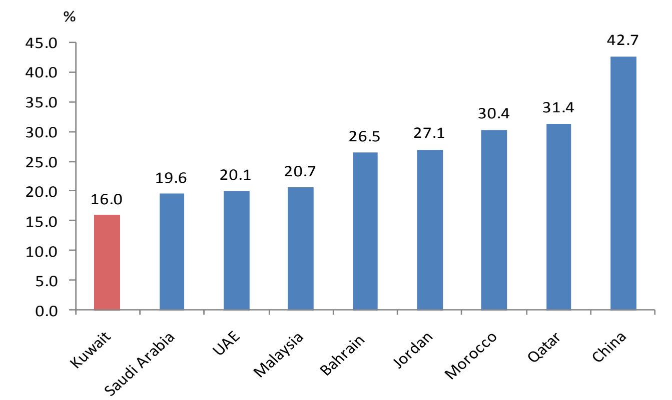
The large surplus suggests that the government has the financial muscle to craft a credible and effective development agenda. However, development project implementation has been generally delayed by red-tape and bureaucracy while much of the surplus is actually “recycled” overseas. In addition, generous oil and non-oil-related subsidies (fuel, electricity, water, education and health) could potentially constrain the government budgetary position should oil prices head south. The latest IMF Article IV consultation report highlighted Kuwait as lagging behind in terms of investment activities in comparison to other countries. According to IMF data, the average total investment for Kuwait between 2005 and 2011 is in the region of 16.0% of GDP while countries such as China, Qatar, and Morocco have higher investment ratios of 42.7%, 31.4% and 30.4% respectively.

Table 2: Central government finances

KWD million	2006	2007	2008	2009	2010	2011
Total Revenue	13,728	15,509	19,023	21,006	17,688	21,502
Total Expenditure	6,862	10,306	9,698	18,262	11,251	16,221
Overall Balance	6,866	5,203	9,325	2,744	6,437	5,281
Overall Balance (% GDP)	23.3	16.0	23.5	9.0	18.7	11.9
Government Debt (% GDP)	7.8	7.0	5.4	6.7	5.9	4.4

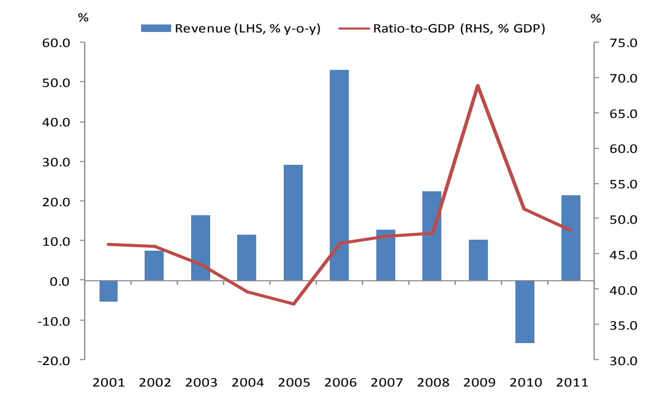
Source: CEIC, CBK, MARC Economic Research.

Chart 15: Average total investment % of total GDP (2005 – 2011)



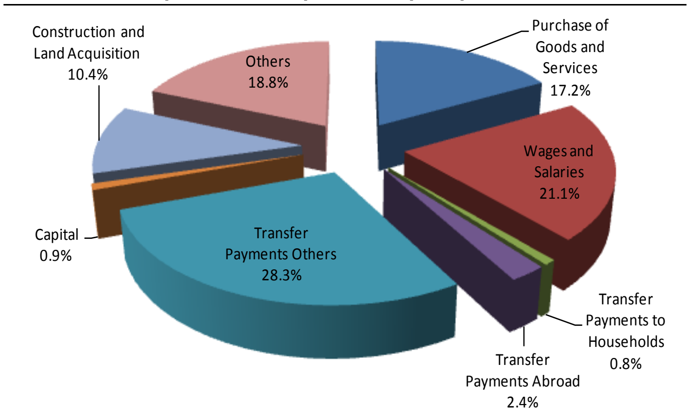
Source: IMF Article IV.

Chart 16: Government revenue growth and ratio-to-GDP



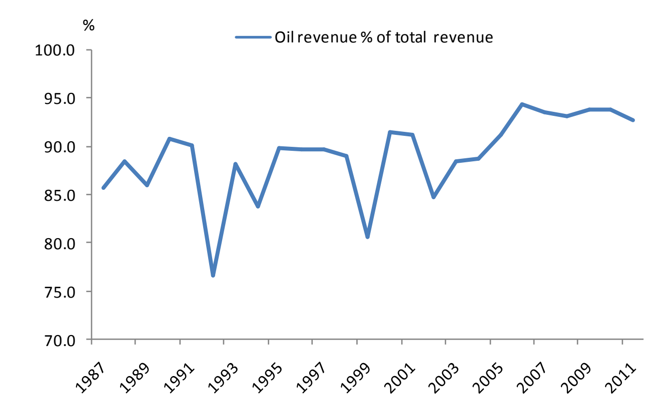
Source: CEIC, MARC Economic Research.

Chart 17: Composition of expenditure (2011)



Source: CEIC, MARC Economic Research.

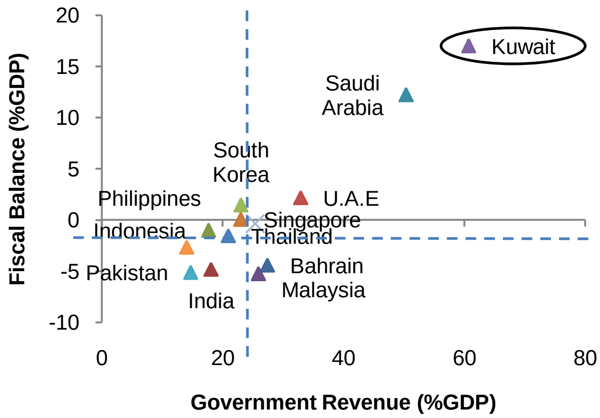
Chart 18: Oil revenue as percentage of total revenue



Source: CEIC, MARC Economic Research.

Comparison of five-year median macroeconomic matrices

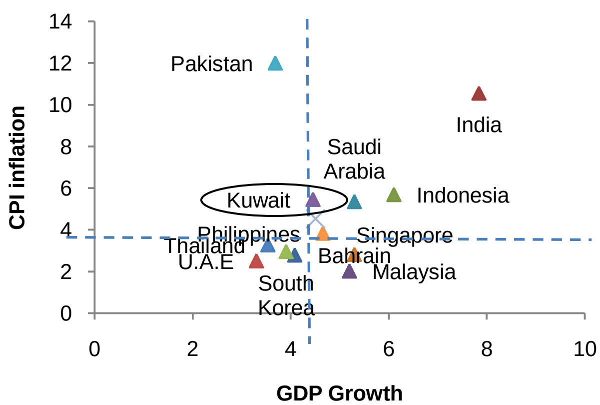
Chart 19: Government revenue vs. Fiscal balance



Sources: IMF & MARC Economic Research.

- Kuwait is strongly located within the most favourable quadrant which separates it from the whole pack including other GCC members.
- The high fiscal surplus as well as sturdy revenue stream suggests higher flexibility to face potential economic adversities.
- Nonetheless, the imbalances stemming from continued reliance on oil revenue suggest that further action needs to be taken to diversify national income sources.

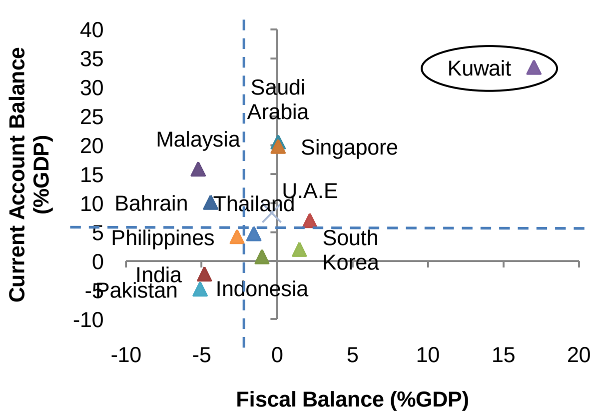
Chart 20: CPI & GDP growth



Sources: IMF & MARC Economic Research.

- Kuwait's rate of inflation is somewhat higher than the norm, but not overly so, while growth is around the median level of our sample.
- We expect inflation to be largely influenced by oil prices which indirectly contributes to demand-side price pressures rather than supply side as it would be in a non-oil producer. Import costs will also be a factor, as Kuwait does not produce many of the goods it consumes.

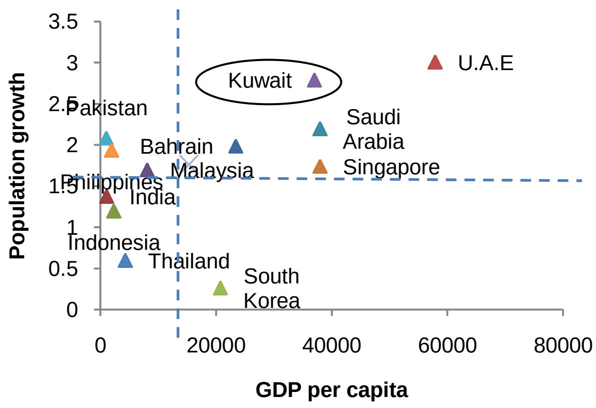
Chart 21: Current account % of GDP vs. fiscal balance % of GDP



Sources: IMF & MARC Economic Research.

- Kuwait's position in the current account and fiscal balance matrix is highly positive, with substantial savings generated both domestically and internationally.
- While stocks of international reserves are low, to a large extent the ability to service debt obligations by the government appears to be a non-issue, given its own resources.

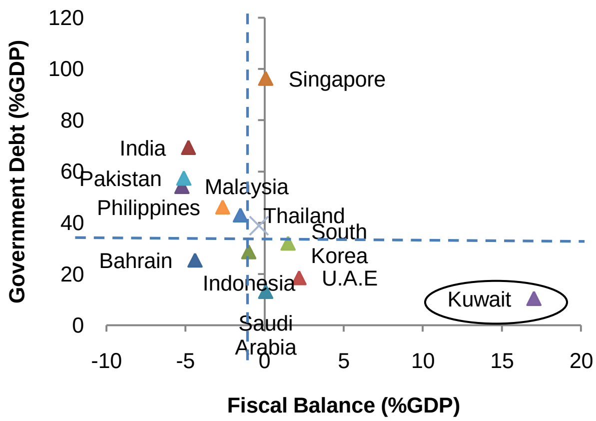
Chart 22: Population growth vs. GDP per capita



Sources: IMF & MARC Economic Research.

- Kuwait lies within the most favourable quadrant with relatively high population growth and high per capita income.
- However, given the characteristics of the economy and the dominance of the public sector, productivity growth – the long-term basis of economic development – is problematic.
- This is supported by anecdotal evidence not just from Kuwait but also the rest of the Gulf region, where foreign expatriates form the bulk of the work force across the income spectrum.

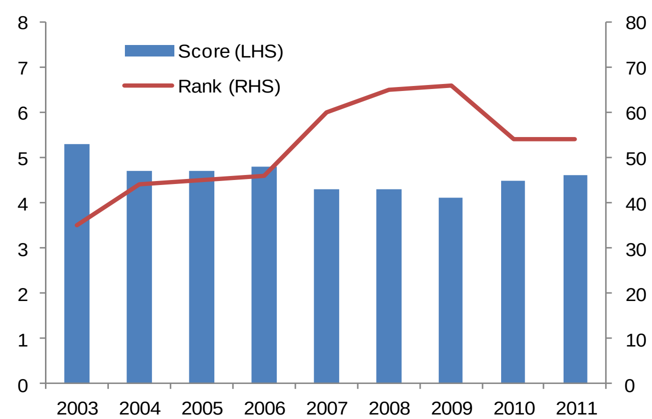
Chart 23: Govt. debt % of GDP vs. fiscal balance % of GDP



Sources: IMF & MARC Economic Research.

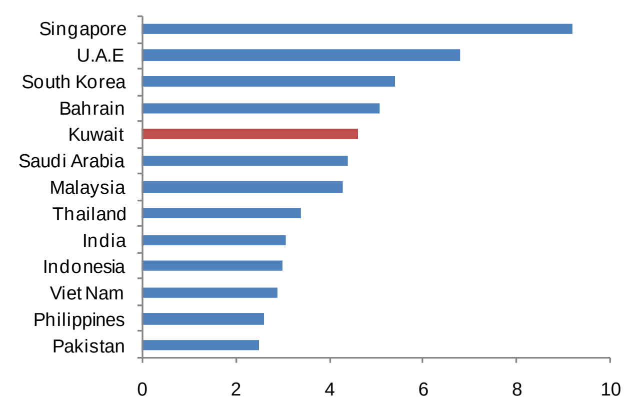
- In the debt to fiscal balance matrix, Kuwait is outperforming its peers with very low public debt as well as huge fiscal surpluses. The country does not need to resort to borrowings to finance development expenditure.
- Nevertheless, this does raise the question of the very long-term sustainability of Kuwait's governance and development model – while efforts have been made to diversify the economy, it is still largely reliant on oil revenues and thus vulnerable to price volatility. Questions over whether global "peak oil" has been passed are also highly relevant.

Chart 24: Corruption Perception Index score and rank (Kuwait)



Source: Transparency International.

Chart 25: Corruption perception index (the higher the better)



Source: Transparency International.

Despite its high human development indicators, Kuwait's corruption statistics are middle of the pack and have shown some deterioration from the country's initial inclusion in the CP Idx by Transparency International in 2003. Kuwait's CP Idx score has consistently fallen below 5.0 since 2004 (on a scale of 0 to 10; the higher the better) and its 2011 rank barely makes the top third at 54 among 183 countries.

Table 3: Summary of critical macro matrices

Matrix	Explanation
Government revenue and fiscal balance	Kuwait lies in the most favourable quadrant with an extraordinarily high ratio of government revenue and surplus relative to the rest of the economy.
CPI and real GDP growth	Kuwait's growth is around the median, although accompanied by elevated levels of inflation.
Current account and fiscal balance	Kuwait is located in the best quadrant, with massive current account surplus and fiscal surpluses.
GDP per capita and population growth	Kuwait has relatively high GDP per capita and above median population growth.
Fiscal balance and government debt	Kuwait lies in the most favourable quadrant, with a large budget surplus and very low government debt.
Control of corruption	Kuwait's governance indicators aren't in keeping with its status as a high income economy.

Appendix

Vital statistics - Kuwait

	2006	2007	2008	2009	2010	2011	2012F
National accounts							
Growth (%)							
GDP	**8.1%**	**6.5%**	**4.2%**	**-7.8%**	**11.4%**	**8.2%**	**6.6%**
Supply side							
Oil & Gas	1.8%	-2.8%	3.4%	-14.7%	1.7%	n.a.	n.a.
Agriculture, forestry & fishing	-18.0%	9.7%	-34.7%	140.5%	-22.8%	n.a.	n.a.
Mining & quarrying	-30.3%	8.1%	-2.9%	25.6%	-15.5%	n.a.	n.a.
Manufacturing	1.2%	-6.4%	12.1%	-14.4%	-3.4%	n.a.	n.a.
Construction	5.7%	3.8%	5.6%	-8.0%	-0.9%	n.a.	n.a.
Services	15.3%	15.5%	4.0%	-2.7%	19.4%	n.a.	n.a.
Demand side							
Total final consumption expenditure	9.6%	10.2%	4.0%	-6.0%	1.4%	n.a.	n.a.
-Private final consumption expenditure	13.8%	7.3%	8.9%	6.2%	0.0%	n.a.	n.a.
-Government final consumption expenditure	7.7%	11.6%	1.7%	-12.0%	2.3%	n.a.	n.a.
Gross fixed capital formation	17.2%	38.7%	1.5%	-18.9%	17.0%	n.a.	n.a.
Exports	8.8%	0.7%	5.7%	-7.7%	12.5%	n.a.	n.a.
Imports	4.7%	24.7%	3.8%	-12.5%	-0.8%	n.a.	n.a.
Public finance (% of GDP) - Central government							
Total receipts	46.6%	47.6%	48.0%	68.9%	51.5%	48.4%	n.a.
-Tax revenue	0.8%	0.9%	0.9%	1.1%	0.9%	0.7%	n.a.
-Non tax revenue	45.7%	46.7%	47.1%	67.7%	50.6%	47.7%	n.a.
Total expenditure	23.3%	31.6%	24.5%	59.9%	32.7%	36.5%	n.a.
Fiscal balance	23.3%	16.0%	23.5%	9.0%	18.7%	11.9%	n.a.
Inflation rate							
Wholesale Price Index (WPI)	2.1%	3.9%	6.8%	0.0%	5.5%	3.0%	n.a.
Consumer Price Index (CPI)	3.0%	5.5%	10.6%	4.0%	4.0%	4.8%	4.4%
Money, banking and policy rates							
M1 growth	-4.8%	16.8%	5.4%	7.9%	19.3%	17.9%	n.a.
M2 growth	21.7%	19.1%	15.8%	13.4%	3.0%	8.5%	n.a.
M3 growth	21.7%	19.1%	15.9%	13.2%	2.4%	9.1%	
Bank credit growth (residents)	26.3%	34.8%	17.5%	6.1%	0.4%	1.6%	n.a.
loan-to-deposit ratio (residents)	89.4%	99.1%	95.5%	89.3%	88.1%	83.7%	n.a.
NPL Ratio	4.6%	3.8%	6.8%	11.5%	8.9%	7.3%	n.a.
Base Rate (Discount rate)	6.30%	6.25%	3.75%	3.00%	2.50%	2.50%	n.a.
Balance of payments (% of GDP)							
Current account	44.6%	36.1%	40.9%	24.3%	30.7%	44.0%	46.2%
Capital account	-48.1%	-29.1%	-33.6%	-23.9%	-27.2%	-41.2%	n.a.
Overall balance	3.5%	2.8%	0.4%	3.6%	0.5%	2.8%	n.a.
International reserves (USD bn)	11.8	15.9	16.7	17.7	18.7	n.a.	n.a.
Reserve-to-import (x)	0.7	0.8	0.7	1.0	0.9	n.a.	n.a.
External debt - USD bn	30.9	57.6	60.5	45.5	31.1	n.a.	n.a.
External debt - % of GDP	30.3%	48.4%	42.1%	42.8%	25.9%	n.a.	n.a.
Debt service ratio (% Reserves)	261.6%	362.2%	362.0%	257.0%	141%	n.a.	n.a.
Development indicators							
Population (in mn)	3.18	3.40	3.44	3.48	3.58	3.70	n.a.
Population (growth)	6.4%	6.8%	1.2%	1.3%	2.8%	3.2%	n.a.
Human Development Index (HDI) -High human dev.	0.755	0.756	0.757	0.757	0.758	0.760	n.a.

Sources: CEIC, IMF, CBK, Rabobank, EIU, UNDP, MARC Economic Research.

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