

**Embassy of India
Kuwait**

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MONTHLY ECONOMIC & COMMERCIAL REPORT FOR APRIL 2016

Overview

The Kuwaiti Government is facing some obstacles on their way to economic reforms. On 17 April, over 20,000 Kuwaiti oil workers went on an open-ended strike over the impending cuts in their pay and benefit packages after failing to reach an agreement with the Oil Ministry. The strike continued for three days until on 19 April the Amir intervened and promised that the issues would be taken care off. It was reported that during the period of strike, average oil-production in Kuwait sharply came down to 1.1 million bpd from the normal 3 million bpd and the LNG production was reduced to 630 million cubic feet from 1.3 billion cubic feet. The strike also affected the production at its refineries which came down to 520,000 bpd from 930,000 bpd. Striking workers also got support of some of the Kuwaiti MPs who backed the strike and felt that genuine demands of the workers should be met. On 23 April, Kuwaiti Finance Minister and Acting Oil Minister Anas Al-Saleh reportedly said that the Government stands by its Constitution, which specifically states that "no privatization is allowed of oil and natural gas production or oil refineries or education or health." Separately, the Government's proposal to increase the electricity and water charges met stiff resistance in the Parliament. Although the Parliament approved the increase in water and electricity charges, it excluded Kuwaitis from the increase. Nevertheless, the revised rates are not going to take effect before September 2017.

2. During the month, various Ministries and Government organizations announced taking measures for reducing the expatriate employees to boost 'Kuwaitization' and handle demographic imbalances. While the Kuwaiti Municipality decided to terminate 400 expatriate employees, Kuwait Petroleum Corporation (KPC) instructed its subsidiary companies to sack expatriate secretaries w.e.f. 1 July 2016 and employ them through contracts. Kuwait deported 14,400 expatriates during January-April 2016, as compared to 26,600 in the whole of 2015, for violation of residency and labor laws. Since 21 April, Kuwait is hosting the UN-brokered Yemeni peace talks. It also co-chaired the Communication Working Groups Conference of the Global Coalition against ISIS in Kuwait on 25 April.

3. On the bilateral front, Ambassador met Mr. Mohammed Al-Farhoud, CEO, Petrochemical Industries Company (PIC) on 6 April and discussed the issue of PIC investment in OPaL, Dahej Project. A 10-member Kuwaiti delegation led by Sheikh Youssef Al-Sabah, Director General, Kuwait Port Authority participated in the Maritime India Summit in Mumbai from 14-16 April 2016, while a Kuwaiti Health Ministry delegation led by Assistant Undersecretary Dr. Jamal Al Harbi and Dr Mahmoud Abdulhadi visited Kerala on April 15 and met the Kerala Chief Minister and NORKA Minister Shri K.C. Joseph.

4. On the external front, while the Amir participated at the US-GCC Summit in Saudi Arabia and OIC Summit in Turkey, the PM visited USA, DPM and Foreign Minister visited Bahrain; the Foreign Ministers of Sudan and New Zealand, Defense Ministers of Qatar and Italy, Culture & Tourism Minister of Azerbaijan and Governor General of Australia visited Kuwait during the month.

I. Economic Indicators

1. **Inflation:** According to a Central Statistical Bureau report published on 25 April, inflation for the month of March 2016 rose at 3.08% compared to the same month last year 2015.

2. **Budget Deficit:** According to a report on 3 April, a KD 5 billion (US\$ 16.5 million) deficit was detected in the 2015-16 Budget which is before deducting KD 1.3 billion (US\$ 4.29 million) for the Future Generations Fund, or 10% of the total budget. Total spending in the fiscal year ending March 31, 2016 reached around KD 18.3 billion (US\$ 60.39 million) while revenues reached around KD 13 billion (US\$ 43 billion). Kuwaiti Government on 4 April reported that the Government plans to issue KD 2 billion (US\$ 6.6 billion) of Islamic and conventional bonds to help cover a budget deficit created by low oil prices.

3. **Electricity & Water charges:** The Kuwaiti Parliament on 27 April passed the draft law to increase the electricity and water charges after exempting Kuwaitis residing in investment residential buildings (apartments or flats) from the proposed increase. The new charges would take effect from September 2017. The new rates for the expats would increase the charges from the current 2 fils per kilowatt ($1\text{ KD} = 1000\text{ fils} = \text{US\$ } 3.3$) to (i) 5 fils per kilowatt for the first 1000 kilowatts; (ii) 10 fils per kilowatt for between 1000 and 2000 kilowatt; and (iii) 15 fils per kilowatt for consumption above 2000 kilowatt. For governmental and commercial sectors, the flat rate is 25 fils per kilowatt, 10 fils per kilowatt for the industrial and agricultural sectors, and 20 fils per kilowatt for other sectors. On water charges for the investment sector (apartments), those with consumption ranging from 1 to 3,000 imperial gallons per month will pay KD 2 per 1,000 imperial gallons; those who consume 3,001 to 6,000 gallons will pay KD 3 per 1,000 gallons; and those who consume more than 6,000 gallons will pay KD 4 per 1,000 gallons. For the commercial and government sectors, the flat rate is KD 4 per 1,000 imperial gallons; KD 2 per 1,000 gallons for the industrial and agricultural sectors; KD 2.5 per 1,000 gallons for other sectors including chalets and stables; and KD 1 per 1,000 gallons for water refilling stations.

4. **Prices:** Dr. Youssef Al-Ali, Minister of Commerce and Industry on 10 April reportedly issued a total freeze on consumer prices to prevent any “artificial “ hikes as the Assembly prepares to approve raising power charge and the Government plans to raise petrol prices. However, on 11 April, Kuwait Chamber of Commerce & Industry (KCCI) had expressed objection and displeasure to the decision of Dr. Yousef Al-Ali to freeze the prices of consumer goods. KCCI insisted that the decision to freeze prices in a country, which imports almost all its needs and is one of the most exposed countries trade-wise, amounts to frivolity.

5. **CACC:** Minister of Commerce and Industry on 4 April, issued a decision to disband the Commercial Activities Categorization Committee (CACC) and rely on International Categorization. The Committee is specialized in studying and describing activities and getting the necessary conditions to practice and follow the licensed activities that are up for renewal, and adding, canceling, amending or rejecting any application for commercial activities be it categorized or not with an explanation. As per the decision, current license owners must adapt their situation according the international code within four years, and this applies to general trading and contracting companies

6. **Project:** Based on a research at Kuwait Financial Centre which was published on 11 April, Kuwait awarded projects worth KD 10 billion (US\$ 33 billion) in 2015, a compound annual growth rate (CAGR) of 84% compared to 2013.

7. **Exchange rates:** The exchange rates between Kuwaiti Dinar and Indian Rupee/\$ during April 2016 were as follows:

Date	KD/Rs.1000	\$1000= KD
April 1	4.603	303.130
April 15	4.579	303.080
April 30	4.585	302.930

8. **Crude Oil:** Kuwait Crude Oil Prices during April 2016.

Date	Per barrel (US \$)
April 8	34.00
April 11	35.02
April 20	36.40
April 21	38.65
April 25	39.64
April 26	40.25

9. **KSE:** Kuwait Stock Exchange (KSE) became the first public entity to be privatized and will be operated by Kuwait Bourse Company w.e.f. 25 April 2016. Kuwaiti Commerce Minister described the move as a milestone and the start of a historic era of privatization. The price index of KSE during April 2016 fluctuated as follows:

Date	Price Index
April 3	5207.92
April 10	5251.11
April 17	5316.47
April 21	5346.95
April 24	5372.38
April 28	5391.81

II. MAJOR INVESTMENTS WITHIN AND OUTSIDE THE COUNTRY/ RELATED AGREEMENTS SIGNED / OTHER ECONOMIC DEVELOPMENTS

Banking, Finance and Investment

1. **KAMCO:** According to Bloomberg's EMEA fixed income league tables for the first quarter of 2016, KAMCO Investment Company, a leading Kuwaiti investment management company, reportedly ranked among the top 15 international lead managers and book runners in GCC and MENA Bonds.
2. **NBK:** National Bank of Kuwait reportedly registered net profits of KD 78.9 million for the first quarter of 2016 as compared to KD 96.5 million (USD 320 million) for the same period in 2015.
3. **KCB:** On 9 April, Kuwait Credit Bank had reportedly offered 934 real estate loans in March 2016, worth KD 27.3 million (US\$ 90.09 million).
4. **World Bank:** On 11 April, Talal Al-Sayegh, President of Kuwaiti Financial Investigation Unit and Chairman of the National Committee for Combating Money Laundering and Financing Terrorism, reportedly said that a Memorandum to obtain Consultation Services was signed with the World Bank in preparation for implementing the national risk assessment programme.

Oil, Gas and Petrochemicals

1. **KPC:** On 7 April, Kuwait Petroleum Corporation's (KPC) signed contracts to buy one million tonnes of Liquefied Natural Gas (LNG) each from British petroleum and Royal Dutch Shell and 0.5 million tonnes from Qatar Gas per year. Separately, Nizar Al-Adsani, KPC's CEO, while speaking at the Kuwait Fourth Oil and Gas Conference on 11 April, said that KPC was planning to expand its performance in the petrochemical field and develop Jurassic Gas to further contribute to Kuwait's economy.
2. **Clean Fuel Project:** On 27 April, CEO of KPC Nizar Al-Adsani said that work on KPC's Clean Fuel Project was 50% complete and the project would be finished on schedule in 2018.
3. **KNPC:** On 27 April, Kuwait National Petroleum Company (KNPC) signed a contract worth KD 1.2 billion (US\$ 3.98 billion) to finance the Clean Fuels Project with the National Bank of Kuwait (NBK) and Kuwait Finance House (KFH).

Power

1. It was reported on 4 April that Kuwait was planning to boost production of solar electricity on house roofs through model pilot projects in 150 homes which would be increased to 1,500 homes in a later stage after 2018. According to the plans, the cost of a kilowatt of electricity produced through solar energy is 20 fils (65 cent).
2. Kuwait's Ministry of Electricity and Water Undersecretary Mohammad Bushehri on 11 April said that Kuwait ranked first in the world in power consumption with an average power consumption of nearly 15,700 kW, while in water consumption, it ranked 3rd with a daily consumption rate of 500 liters.

III. MAJOR ECONOMIC & COMMERCIAL DEVELOPMENTS WITH OTHER COUNTRIES, INCLUDING TRADING AGREEMENTS PROPOSED/FINALIZED

INDIA-BILATERAL

1. **Yoga:** As a run up to the 2nd International Day of Yoga, Embassy in association with 'Isha Foundation', 'Art of Living', 'Sahaj Marg Meditation', 'Harmony House' and 'Artistic Yoga' (all based in Kuwait) organized its first Yoga event titled "Relax & Rejuvenate with Yoga & meditation" at Al-Shaheed Park (Circle of Peace) in Kuwait City on 8 April 2016 from 0700-0930 hrs, which was attended by large number of people from different nationalities and religion.
2. **Meeting:** On 6 April, Ambassador met Mr. Mohammed Al-Farhoud, CEO, Petrochemical Industries Company (PIC) and discussed the issue of PIC investment in OPaL, Dahej Project.
3. **Ambedkar Jayanti:** The 125th Birth anniversary of Dr. B.R. Ambedkar was celebrated in the Embassy Auditorium on 14 April 2016. Various speakers from Indian community shared their views and spoke about the relevance of Ambedkar's life and teachings in today's world, followed by an interactive session on community issues.
4. **Maritime Summit:** A 10-member Kuwaiti delegation led by Sheikh Youssef Al-Sabah, President of Arab Sea Ports & Director General of Kuwait Port Authority participated in the Maritime India Summit in Mumbai from 14-16 April 2016.
5. **Nurses:** A Kuwaiti Health Ministry delegation led by Assistant Undersecretary Dr. Jamal Al Harbi and Dr Mahmoud Abdulhadi visited Kerala on April 15 and met the Kerala Chief Minister and NORKA Minister Shri K.C. Joseph. Kuwait reportedly agreed to recruit 1000 Indian nurses during the year 2016 for Kuwait through three State-owned agencies in India.
6. **Concert:** Ms Sonam Kalra, a Sufi-Ghazal singer performed a cultural evening at the Embassy auditorium on 15 April, which was organized by the prominent members of Indian community for the benefit of families of Pathankot Martyrs.

OTHER COUNTRIES

1. **Australia:** Australia Governor General Peter John Cosgrove led a delegation to Kuwait for a four-day visit from 29 April and met the Amir, National Assembly Speaker Marzouq Al-Ghanim, as well as the Prime Minister Sheikh Jaber Al-Mubarak Al Ahmad Al Sabah and Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah, First Dy PM & Foreign Minister and discussed bilateral relations. Australia is reportedly looking forward to a Free Trade Agreement with Kuwait and GCC. Kuwait's investment in Australia is about USD 12 billion, making Kuwait one of the top 20 investors in Australia.
2. **Azerbaijan:** Abulfaz Garayev, Culture & Tourism Minister of Azerbaijan visited Kuwait on 5 April and met Sheikh Salman Humoud Al-Sabah, Minister of

Information and discussed tourism cooperation and offered opening Azeri airspaces for many Gulf airlines.

3. **Bahrain:** On 6 April, Kuwait Fund for Arab Economic Development (KFAED) signed a loan agreement worth USD 940 million with Bahrain to finance up-gradation of electricity transmission network in Bahrain. On 7 April, Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah, Kuwaiti FM attended the Joint Committee meeting of the GCC Foreign Ministers and US Secretary of State John Kerry in Manama.

4. **Canada:** On 11 April, Anas Al-Saleh, DPM and Minister of Finance and Acting Minister of Oil said that Petrochemical Industries Company (PIC) and Canada's Pembina Pipeline Corporation (Pembina) signed an Agreement to jointly develop a feasibility study for a world-scale combined world-scale Propane de-hydrogenation (PDH) and Polypropylene (PP) plant with a capacity to produce up to 800,000 tons per year of Polypropylene in Alberta, Canada..

5. **Cuba:** On 23 April, KFAED signed a loan agreement worth KD 8.8 million with Cuba to finance hydroelectric project.

6. **Czech Republic:** Jan Hamacek, Speaker of Czech Republic's Chamber of Deputies visited Kuwait from 2-3 April and met Marzouq Al-Ghanim, National Assembly Speaker and discussed bilateral relations, regional and international issues.

7. **Iraq:** On 10 April, Kuwait Energy reportedly announced the signing of Iraq's Block 9 Export Oil Sales Agreement. The Agreement was signed between a consortium led by Kuwait Energy and Iraq's State Oil Marketing Company (SOMO).

8. **Italy:** Roberta Pinotti, Italian Defense Minister visited Kuwait on 5 April and met the Amir, the Crown Prince and Dy PM & Defense Minister and discussed strengthening bilateral defence cooperation. During the visit, Kuwait signed a contract with Italian company Finmeccanica to purchase 28 fourth generation multi-role Eurofighter "Typhoon" warplanes worth US\$ 8-9 million.

9. **New Zealand:** Murray Stuart McCully, New Zealand's Foreign Minister visited Kuwait on 5 April and met the Amir, Acting PM & Defense Minister and discussed bilateral, regional and international issues.

10. **Qatar:** Dr. Khaled Bin Mohammad Al-Attiyah, Qatari Defense Minister visited Kuwait on 10 April and met the Amir, Acting PM & FM Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah and discussed bilateral, regional and international issues.

11. **Russia:** Russian Dy. FM and Special Presidential Envoy for the MENA region Mikhail Bogdan visited Kuwait on 5 April and met Dy FM Khaled Al-Jarallah and discussed hosting of Yemeni peace talks by Kuwait. On 22 April, Sheikh Mohammad Abdullah Al-Sabah, Kuwaiti Minister of State for Cabinet Affairs led the Kuwaiti delegation at the 5th Kuwaiti-Russian Committee for Commerce, Economy, Science and Technical Cooperation and discussed bilateral relations and co-operations. Following the meeting, the two sides

signed the conclusion Protocol, while Kuwait Institute for Scientific Research (KISR) and Oil and Petrochemical Institute of the Russian Academy of Sciences signed a Cooperation Agreement. Russian Minister for the Development of the Russian Far East Alexander Galushka said that trade volume between Russia and Kuwait increased to USD 500 million in 2015.

12. **Saudi Arabia:** On 6 April, Sheikh Salman Sabah Al-Salem Al-Hauoud, Information Minister and Minister of State for Youth Affairs participated at the 30th meeting of GCC Ministers of Youth & Sports held in Riyadh. During the visit, he met King Salman and discussed GCC unity and promoting joint action as well as empowering youth to contributing in development of GCC sports and forming a new media committee. Kuwaiti Dy PM&FM Sheikh Sabah Khaled Al-Hamad Al-Sabah participated at the international conference on late Saudi FM Saud Al-Faisal held in Riyadh on 24 April.

13. **Sudan:** On 3 April Professor Ibrahim Ghandour, Sudanese Foreign Minister visited Kuwait and met Sheikh Sabah Khaled Al-Hamad Al-Sabah, First Dy. PM and Foreign Minister and discussed bilateral relations, regional and international developments. During the visit he also signed a Visa Exemption Agreement for bearers of diplomatic and special passports. A Memorandum of Understanding (MoU) was signed between Saud Al-Nasser Al-Sabah Diplomatic Institute and a Sudanese Diplomatic Research Center.

14. **Turkey:** On 27 April, Kuwait Petroleum Corporation (KPC) reportedly signed a contract to supply crude oil to Turkish refiner Tupras. Turkey imported 149,227 tonnes of crude oil from Kuwait in 2015.

15. **Yemen:** The UN-mediated Yemeni peace talks between the representatives of the Yemeni Government and the Houthis and forces loyal to former President Ali Abdullah Saleh in the presence of UNSG's Special Envoy for Yemen Ismail Ould Cheikh Ahmed, started on 21 April in Kuwait. On 25 April, Kuwaiti Dy FM Khaled Suleiman Al-Jarallah expressed optimism over the talks and said that "it is virtually impossible to find a solution to the conflict that has raged for over a year, in merely a day or two."

IV. INTERNATIONAL/MULTILATERAL ACTIVITIES

1. **US-GCC Summit:** The Amir participated in the Joint US-Gulf Summit held in Riyadh on 21 April. During the Summit, he met the US President, King Mohammed VI of Morocco and the GCC leaders and discussed bilateral relations and regional and international developments. The Joint Summit discussed strengthening the strategic partnership between the GCC and the United States in the political, security, defense and economic fields as well as a number of regional issues, including the fight against terrorism.

2. **OIC:** Kuwaiti Amir attended the 13th OIC Summit held at Istanbul on 14 April and expressed hope that the ongoing political efforts would end the catastrophe in Syria. He reaffirmed Kuwait's support to Iraq's security and stability as well as national reconciliation among all Iraqis. He called on the UNSC to play its role in maintaining international security and peace by pressuring Israel to accept peace in line with relevant UN resolutions and Arab peace Initiative.

3. **AIPU:** Ali Abdulal, Egypt's Speaker of House of Representatives visited Kuwait on 9 April, and met Marzouq Al-Ghanem, Kuwaiti National Assembly Speaker, on the sidelines of the 23rd conference of the Arab Inter-Parliamentary Union (AIPU) and discussed bilateral relations, regional and international issues.

UNFCCC: On 22 April, Kuwaiti PM signed Paris Agreement on Climate Change at the UN in New York.

4. **UN:** United Nations High Commissioner for Refugees Filippo Grandi visited Kuwait on 29 April and met the Amir and handed a special book titled 'Kuwait's response' about Kuwait's humanitarian role.

V. TRADE DATA, ENQUIRIES, EXHIBITIONS, ETC.

1. During the month, the Mission replied to 70 trade queries received from India (mostly relating to food products, textiles & garments, industrial equipment & machinery, tiles, pharmaceuticals, herbal products and handicrafts) and 2 from Kuwait. Trade enquiries from India and Kuwait are at **Annexure 'A'**.

2. Kuwait's trade with major countries may be seen at **Annexure 'B'**.

3. Kuwait's total trade with India and Kuwait's five major items of imports and exports with India are as per **Annexure 'C'**.

4. A list of useful websites is at **Annexure 'D'**.

5. Details of forthcoming trade exhibitions to be held in Kuwait in 2016 are at **Annexure 'E'**.

This issues with the approval of Ambassador.

(B.S. Bisht)
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