

**Embassy of India
Kuwait

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MONTHLY ECONOMIC & COMMERCIAL REPORT FOR DECEMBER 2015

POLITICAL DEVELOPMENTS

The Kuwaiti Amir, in a published statement on 3 December, said that the local and international developments would not affect the security of Kuwait and the future seemed bright for the country. He said that the Government was spending billions for the welfare of its citizens and several development projects such as Jaber hospital, the opera house, and other cultural centers were nearing completion. He underlined the importance of relations with Saudi Arabia, stressing that "*what affects the Kingdom of Saudi Arabia also affects us*". Regarding Iran's influence in the region, affirming that the Iranian leadership knows the interest of Kuwait and the GCC countries were in line with their interest; therefore, he sees the situation in the region as secure.

2. At the invitation of the Kuwaiti Amir, Bill Gates, founder of Microsoft and Co-Chairman of Melinda Gates Foundation, visited Kuwait on 7 December. The Amir decorated Bill Gates with the state's first-degree award and Informatics Medal in appreciation for his tremendous efforts and distinguished services in humanitarian field. Separately, in a glittering ceremony on 18 December, Kuwaiti Amir inaugurated the 60,000 seating capacity multi-purpose Jaber Al-Ahmad International Stadium in Kuwait.

3. On 20 December, the Kuwaiti Cabinet welcomed the Saudi-led anti-terror Islamic coalition and establishing a joint operation center in Riyadh. Cabinet also welcomed the UN-led Libyan deal and agreement to form a national unity Government in Libya. It also approved a new draft law for establishing an Anti-corruption Authority.

4. On 2 December, Kuwaiti National Assembly called on the Government to refer 24 ex-oil officials to the Public Prosecution for legal action over a scrapped joint venture deal with US firm Dow Chemical that resulted in a US\$ 2.2 billion fine for Kuwait.

5. On the early morning of 23 December, in a massive security campaign against illegal expatriates, Kuwaiti authorities raided Al-Jleeb Shuyoukh area in Kuwait and arrested over 3,000 residency violators and those wanted for various offences. It was reported that 1,700 security operatives, 150 patrol teams and helicopters took part in the raid.

6. On the bilateral front, Embassy organized a Conference of EPC companies in Kuwait on 9 December 2015 and Kuwait Investment Authority (KIA)

announced investment of US\$300 million (Rs.2,000 crore) in GMR Infrastructure Limited.

7. On the external front, while the Kuwaiti Amir visited Riyadh, Minister of Justice visited Austria, Minister of Information visited Russia; President of Kyrgyzstan, Speaker of Tajikistan, Foreign Ministers of Iraq, Tunisia and Yemen, Egyptian Minister of International Cooperation and Minister of Territorial Administration of Armenia visited Kuwait during the month.

I. ECONOMIC INDICATORS

1. **Inflation:** According to the Kuwait Central Statistical Bureau, the inflation rate in Kuwait during November 2015 was 3.1% compared to 3.2% in October 2015.

2. **Trade:** According to Central Bank of Kuwait, in July – September 2015, Kuwait's exports were KD 4.1 billion (US\$ 13.3 billion) with a 45.1% decrease and imports were KD 2.3 million (US\$ 7.5 million) with a 3.9% increase compared with same period in 2014. Kuwait is reportedly the world's 8th biggest exporter and the 10th largest producer of oil. Crude and refined oil account for 95% of total exports of Kuwait and its main export partners are South Korea, India, Japan, China and the United States.

(ii) Based on the data showed from the Central Statistical Bureau on 21 December 2015, Kuwait's foreign trade surplus shrank 66% from a year earlier to KD 1.84 billion (US\$6.1 billion) in the third quarter of 2015 as lower oil prices reduced export revenues.

3. **Economy:** On 2 December, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultations with Kuwait. IMF observed that the decline in oil prices has adversely affected Kuwait's fiscal and current account balances and slowed growth in 2014–15. With high financial buffers and substantial borrowing space, the government can smooth the fiscal adjustment in response to the decline in oil prices, and continue to support growth through sizable investment spending. Real non-oil GDP growth is projected to slow in 2015 and 2016, and pick up to 4% in the medium term, supported by government investment in infrastructure and private investment. Average inflation is projected to increase to 3.4% in 2015 and will remain broadly stable at that level over the medium term, given limited global inflation.

(ii) Despite the sharp decline in oil price and sluggish economic growth, the Central Bank of Kuwait raised its reverse repo rate by 25 basis points to 2.25 percent after a decision by US Federal Reserve to hike its rates on 17 December.

4. **Ratings:** On 4 December, Fitch Ratings has affirmed Kuwait's Long-term foreign and local currency Issuer Default Ratings (IDR) at "AA" with a Stable Outlook. Kuwait's Ceiling has been affirmed at "AA+" and the Short-term foreign

currency IDR at “F1+.” Kuwait has one of the lowest breakeven oil prices among Fitch-rated oil-exporting countries.

5. **Defence:** The Kuwaiti government had reportedly asked its Parliament for KD 6.2 billion (US\$20.5 billion) additional funds for defense purchases over the next 10 years to upgrade its military capability amid the current security situation in the region.

6. **Subsidy:** Kuwaiti Finance Minister Undersecretary Khalifa Hamada said on 3 December 2015 that subsidies would first be cut on petrol followed by other products. Gasoline prices in Kuwait are the lowest compared to other countries in the world and by cutting the subsidies on petrol, a considerable amount from the state budget would be saved.

(ii) Meanwhile, it was reported that the Kuwaiti government would not lift energy and product subsidies from citizens with low and medium incomes. A special mechanism is reportedly being prepared to determine who deserve subsidies and who do not by using the smart civil ID which would be used to get petrol at the prevailing prices. The expats would have to pay the new prices which are expected to double by the beginning of the 2016, jumping from 65 to 100 fils per liter thus saving the state budget around KD 500 million (US\$ 1.6 billion).

7. **KIA:** Kuwait Investment Authority (KIA) Managing Director Bader Mohammad Al-Saad signed the Articles of Agreement of the Asian Infrastructure Investment Bank (AIIB) on behalf of the Kuwaiti Government in Beijing on 4 December 2015. Kuwait is one of the early founders of AIIB.

8. **Corporate Tax:** As part of a broad move to introduce fiscal reforms due to low oil prices, Dr, Yousef Abdullah Al-Ali, Kuwaiti Minister of Commerce and Industry said on 8 December that Kuwait may raise the corporate tax rate to 10% from local firms and impose limits on energy subsidies. Presently, most of the Kuwaiti companies do not pay taxes on income, although some firms must pay an employment tax and make a mandatory contribution to zakat and for a scientific research foundation. Foreign firms pay a levy on commercial activities in the country at a flat rate of 15%, already slashed from an earlier maximum rate of 55% in reforms introduced in 2008. Separately, Kuwaiti Finance Ministry Undersecretary Khalifa Hamada said that Kuwait plans to unify corporate taxes on local and foreign companies at 10%, and expects revenues from such a move to exceed KD 2 billion a year. He added better management of fuel subsidies would earn the country KD 1 billion in savings.

9. **Ranking:** Kuwait ranked 76th in Forbes Magazine’s list of most attractive countries to invest in 2015 while it is ranked 7th the Arab world.

(ii) In a recent literacy survey conducted by Standard and Poor, in collaboration with World Bank and Gallup Incorporated, Kuwait secured 3rd position in the Arab world and ranked 37 globally. The survey focused on the level of familiarity of the nations with the basic financial concepts such as numeracy-risk diversification, inflation and compound interest (savings and debt).

10. **KCAC:** Kuwait Commercial Arbitration Center (KCAC) announced on 12 December that the value of cases submitted to the center in 2015 amounted to about KD 41.24 million (US\$136 million). It said the number of companies using arbitration clauses as a safe alternative for speed and security in resolving commercial disputes has been growing.

11. **Free Economic Zone:** On 17 December, Kuwait's Supreme Planning Council announced establishing a free economic zone on five islands close to the shorelines of Iraq and Iran with large investments open to the private sector. Minister of Social Affairs & Labour and Minister of Planning & Development, Ms. Hind Al-Sabeeh said the project is based on inviting local, regional and international private sectors to finance, execute and operate the zone.

12. **Government Employees:** According to the Kuwaiti Central Statistics Department, the number of employees in the government sector until March 31, 2015 reached 368,745, representing 116 nationalities. Indians were in third place at 23,148 which is 6% of the total number (25% of expats in the government).

13. **Manpower:** Authorities from Needs Estimation Department and Government Projects Department at the Public Authority for Manpower held the first meeting with officials of oil companies in Kuwait to initiate the execution of environmental fuel project and assign workers needed for the project. According to report, the officials will simplify procedures for recruitment of about 60,000 workers from abroad at various stages of this project.

14. **Superannuation:** Kuwait's Civil Service Commission would reportedly terminate the services of all expatriate government employees aged 50 and above from 1 March 2016. However, the expats working in the judiciary, medicine and education, would continue to work due to the special nature of their job requirements.

15. **Overseas treatment:** According to a report, 11,000 Kuwaitis received medical treatment abroad at a cost of KD 230 million in 2015.

Exchange rates:

The exchange rates between Kuwaiti Dinar and Indian Rupee/\$ during December 2015 were as follows:

Date	KD/Rs.1000	\$1000= KD
December 1	4.620	305.680
December 15	4.564	304.330
December 31	4.612	304.780

Crude Oil:

Kuwait Crude Oil Prices during December 2015

Date	Per barrel (US\$)
December 6	\$ 35.92
December 7	\$ 34.21
December 21	\$ 27.90
December 22	\$ 28.42

Stock Exchange

The price index of KSE fluctuated as follows during December 2015:

Date	Price Index
December 1	5,803.34
December 7	5,783.69
December 10	5,686.15
December 14	5,602.38
December 20	5,571.93
December 27	5,647.16
December 31	5,615.12

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

Banking, Finance and Investment

1. **Gulf Bank:** Gulf Bank's long-term foreign currency deposit rating has been upgraded by Moody's Investors Service to "A3" from "Baa1" and the standalone baseline credit assessment to "ba1" from "ba2" with a stable outlook. Gulf Bank is one of the highest rated banks in the region with a three 'A' ratings from leading international ratings agencies, Fitch and Standard & Poor's.
2. **Burgan Bank:** On 1 December 2015, Kuwait's Burgan Bank, the third-largest lender by assets, has accepted US\$362.9 million worth of bonds that were tendered by investors against its offer to buy back a US\$400 million bond.
3. **KDIPA:** The officials from Kuwait Direct Investment Promotion Authority (KDIPA) and Japan Foreign Trade Council (JFTC) met in Dubai on 13 December. During the meeting, KDIPA Director General Sheikh Dr. Meshaal Jaber Al Sabah said that Kuwaiti-Japanese relations in the fields of investment and economy are strong. The two sides discussed Kuwait's investment laws, investment opportunities and benefits provided for foreign companies, most importantly: the exemption of corporate income tax and the exemption of customs tariff in Kuwait.
4. **KIA:** On 21 December, the sovereign wealth fund of Kuwait, Kuwait Investment Authority (KIA) teamed up with Ontario Teachers' Pension Plan and Hermes to bid for the London City airport, which has been valued at £2 billion.

Oil, Gas and Petrochemicals

Power

1. On 30 November, The Kuwait Institute for Scientific Research (KISR) and the Kuwait Petroleum Corporation (KPC) had signed contracts for a model project to use photovoltaics systems (PV) to generate electricity for the latter's building.
2. The Kuwaiti Supreme Planning Council recently submitted to the Cabinet a full vision on current water and electricity consumption rates and the challenges the oil sector is facing. The vision included 14 recommendations to conserve electricity and water as well as reducing reliance on oil derivatives to generate electricity. The recommendations, inter alia, include reconsidering current prices and subsidies to increase fuel and electricity prices according to actual rates and encourage citizens to rationalize consumption; adjusting collection methods and setting a limit to maximum consumption rates; etc.
3. Kuwaiti Central Tenders Committee opened tenders number 54 and 55 on 20 December, to supply, install and operate the Subbiya and South Zour power generating stations. The project is supposed to produce 250 megawatts to provide the necessary energy to face the growing demand for electricity in old and new residential areas.

Health

1. According to a report, Kuwait has collected KD 763.5 million (US\$ 2.5 billion) till 30 December 2015 from expatriates as health insurance fee.
2. Kuwait's Ministry of Health set KD 1.33 million (US\$ 4 billion) for a total of seven projects for expansion and establishment of hospitals in the country's governorates.

Telecom

1. Kuwait's Capital Markets Authority (CMA) had approved Saudi Telecom Company's (STC) plan to acquire all the shares of its Kuwaiti affiliate Viva. In November 2015, STC revealed it had submitted an offer to raise its stake in Viva from the present 26% to 100%.

Real Estate:

1. According to a report by the Kuwait Real-Estate Union, prices of plots in the local private property sector drastically increased in the past few years due to low supply and increased demand. Rate of a square meter which stood at KD 334 (US\$ 1,112) in 2007 jumped to KD 698 (US\$ 2,300) in 2014, rising by 109%.

2. According to a report by Kuwait National Bank (NBK) on 22 December, Kuwait real estate sales during January-November 2015 recorded a total of KD 2.8 billion (US\$ 10 billion), down by 29% compared with the same period last year.

Logistics

1. **Jazeera Airways:** Jazeera Airways board of Directors have reportedly received approval from its shareholders to cut the Jazeera Airways capital from KD 42 million (US\$139 million) to KD 20 million through a share buyback program as it has closed its airline leasing business. The company will buy back 220 million shares at the nominal share price of 100 fils per share at a total value of KD 22 million (US\$71 million).

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

INDIA-BILATERAL

1. **Meeting:** On 1 December, Ambassador met, Mr. Sulaiman al-Saeid, newly appointed Assistant Foreign Minister for Asian Affairs and discussed bilateral issues.

2. **Conference:** The Embassy of India, Kuwait organised a Conference titled "Presence of Indian EPC Companies in Kuwait and their role in the developmental process of Kuwait" on 9 December 2015 in Crowne Plaza Hotel, Kuwait. The representatives of Indian EPC companies executing projects in Kuwait viz. Larsen & Toubro, Shapoorji Pallonji, Dodsal Group, Essar Projects, Punj Lloyd, Simplex Projects, Afcons Infrastructures, Kalpataru Power Transmission and The Energy & Resources Institute (TERI) gave presentation about their capabilities in execution of various projects in Kuwait. Several senior officials from Kuwaiti companies including PIC, KPC, KOC, KNPC, MEW, MPW etc participated in the conference.

3. **GMR:** On 4 December, Kuwait Investment Authority signed an agreement to invest US\$300 million (Rs.2,000 crore) in GMR Infrastructure Limited and agreed to subscribe to 60 year long Foreign Currency Convertible Bond (FCCB) due in 2075. This would be the largest bilateral investment of KIA in India in the infrastructure sector. The conversion price of Rs 18 represents approximately 30 percent premium to the 3-months average share price of GMR.

4. **Mahindra Comviva:** It was reported on 9 December that Mahindra Comviva, a subsidiary of Tech Mahindra and a part of the US\$ 16.5 billion Mahindra Group, has entered the Kuwait market in its first-ever strategic value-added service business management deal with Ooredoo Kuwait. As part of the multi-year deal, Mahindra Comviva will manage Ooredoo Kuwait's end-to-end VAS business for premium services offering such as SMS alerts, international credit transfer, OTT app aggregation, etc.

5. **Culture:** Embassy in association with the National Library of Kuwait organized 'Celebration of Indian Culture' from 21-23 December at the National Library building,. The three-day event featured rich display of Indian art, fashion, embroidery, handicraft and Indian culture. The Embassy also handed over 40 books on Indian history, arts and culture, 20 children books and 18 CD's on documentaries of India to the National Library of Kuwait.

6. **Remittance:** The World Bank annual report (for the period June 2014 to June 2015) indicated that Indian expatriates in Kuwait remitted approximately US\$ 4.8 billion during the period and placed Kuwait at the 5th place globally among countries from where funds are mostly transferred to India.

Other Countries

1. **Armenia:** Armenian Minister of Territorial Administration Armen Yeritsyan visited Kuwait on 17 December for the Kuwait-Armenian Joint ministerial committee for economic and technical cooperation meeting headed by Dy PM, Finance Minister and Acting Oil minister Anas Al-Saleh from Kuwaiti side. The two sides discussed issues in the fields of investment, health, tourism, and higher education.

2. **Australia:** An Australian Parliamentary delegation led by Ms. Teresa Gambaro, Chairperson of the Foreign, Defense and Commerce Committee visited Kuwait on 13 December and held talks with officials from the Kuwaiti Ministry of Foreign Affairs, members of the National Assembly, Kuwait Chamber of Commerce and Industry on strengthening parliamentary, commercial and business cooperation between the two countries.

3. **Austria:** Kuwaiti Minister of Justice and Awqaf and Islamic Affairs Yaquob Al-Sane visited Vienna on 12 December and met Austrian Minister of Justice Worlfgang Brandsetter and discussed possible bilateral agreement in the legal assistance, repatriation as well as in fighting terrorism.

4. **Egypt:** Egyptian Minister of International Cooperation, Ms. Sahar Nasr visited Kuwait on 20 December and met Kuwaiti PM and Kuwaiti FM and discussed bilateral cooperation and thanked Kuwait for supporting and promoting security, stability and economy of Egypt. Separately, the Kuwait Fund for Arab Economic Development (KFAED) earmarked an amount of USD 1 billion for Egypt for three years, divided to approx 300 million every year, for developmental projects in Sinai Peninsula.

(ii) Egyptian President Abdelfattah Al-Sisi conferred a medal of honour to the visiting Kuwaiti Minister of Justice and Awqaf & Islamic Affairs, Yaquob Al-Sane on 22 December at Cairo for his policy of promoting religious moderation and tolerance.

5. **Indonesia:** Dy Speaker of Indonesian Parliament Fadli Zon visited Kuwait on 16 December and met Kuwaiti Speaker Marzouq Al-Ghanem and discussed bilateral, regional and international issues. He also called on the Amir.
6. **Iraq:** Iraqi Foreign Minister Ibrahim Al-Jaafari visited Kuwait on 21-23 December to attend the fifth session of the Kuwaiti-Iraqi Ministerial Committee meeting on 22 December, headed by First DPM & FM from Kuwaiti side. Both FMs stated that many outstanding issues have been addressed and signed four agreements in the field of communication, transportation and Youth & sports. During the visit, The Iraqi FM also met Crown Prince and Kuwaiti PM.
7. **Kyrgyzstan:** Kyrgyz President Almazbek Atambayev led a high-level delegation to Kuwait from 12-14 December 2015 and held talks with the Kuwaiti side headed by the Amir. Both sides signed five agreements on (i) exemption of entry visas for holders of diplomatic service and special passports; (ii) to avoid double taxation and evasion of income and capital taxes; (iii) encouragement and mutual protection of investments; (v) agreement on aviation services; and (iv) in the field of economic and technical cooperation.
8. **Mauritania:** On 23 December, KFAED signed a loan agreement worth KD 6 million (USD 21 million) with Mauritania for financing of the Deposit and Development Fund Operations Project in Mauritania.
9. **Mexico:** Miguel Angel, Mayor of Mexico City visited Kuwait on 7 December and met the Amir, National Assembly Speaker and discussed bilateral issues as well as regional and international developments.
10. **Niger:** On 17 December, KFAED signed a loan agreement worth KD 6 million (US\$ 20 million) with Niger to fund a transportation project.
11. **Russia:** Kuwaiti Minister of Information & Youth Affairs Sheikh Salman Al-Humoud Al-Sabah visited St. Petersburg on 15 December and met Russian Minister of Culture Vladimir Medinsky and discussed promoting bilateral cultural ties.
12. **Rwanda:** On 8 December, KFAED signed a loan agreement worth KD 4.5 million (USD 15.3 million) to finance the Nyagatare-Rukomo Road Project in Rwanda. Prior to this, KFAED had provided nine loans to Rwanda amounting to KD 25.1 million (USD 84 million) to finance projects in transport, irrigation and education sectors.
13. **Tajikistan:** Mr Shukurjon Zuhurov, Speaker of National Assembly of Tajikistan visited Kuwait from 19-21 December and met the Amir, Crown Prince and National Assembly Speaker Marzouq Al-Ghanem and discussed bilateral cooperation as well as regional and international developments. During the visit, an Agreement on strategic partnership between the Kuwaiti and Tajik Parliaments was also signed.

14. **Tunisia:** Tunisian Foreign Minister Taieb Baccouche visited Kuwait from 12-14 December and met the Kuwaiti Amir, Speaker of Parliament, First DPM and Foreign Minister and discussed bilateral, regional and international issues. During the visit, Agreements/MoUs on cooperation in S&T, youth and sports, higher education, visa waivers, and industrial exports were signed.

15. **Yemen:** Abdul-Malik Abdul Jalil Al-Mekhlafi, Dy PM & Foreign Minister of Yemen visited Kuwait on 27 December and met Kuwaiti First DPM & FM and Crown Prince and discussed mechanisms to restore stability and security of Yemen as well as issues of mutual concern and other regional and international developments.

IV INTERNATIONAL/MULTILATERAL ACTIVITIES

1. **UN:** On 17 December, Kuwait pledged USD one million to UN Central Emergency Response Fund (UNCERF).

(ii) UN Secretary General's Special Adviser on Sports for Development & Peace Wilfried Lemke visited Kuwait on 20 December and met the Dy Amir & Crown Prince, Kuwaiti PM and Foreign Minister of Kuwait and discussed Kuwait's suspension from FIFA and development of sports sector in Kuwait.

2. **GCC:** The Amir of Kuwait participated at the 36th session of the GCC Supreme Council Meetings in Riyadh on 9 December.

V. TRADE DATA, ENQUIRIES, EXHIBITIONS, ETC.

1. During the month, the Mission replied to 38 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 2015 are at **Annexure 'E'**.

This issues with the approval of Ambassador.

(B.S. Bisht)
Attaché (Political & Commercial)