

**Embassy of India
Kuwait

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MONTHLY ECONOMIC & COMMERCIAL REPORT FOR AUGUST 2015

POLITICAL DEVELOPMENTS

The Kuwaiti security agencies busted a major terror cell in Kuwait on 13 August 2015 and arrested three persons and seized a huge cache of weapons and ammunition from them. Members of the cell reportedly revealed links to Iran and Hezbollah and were plotting “aggressive acts” against Kuwait.

2. The DNA testing law was published in the official gazette ‘Kuwait Al-Youm’ on 9 August. The law makes DNA testing mandatory for all citizens and expatriates so as to create a comprehensive database for security reasons and anyone who refuses the procedure would be sentenced to three years imprisonment and fined up to KD 10,000 (US\$ 33,000).

3. It was reported that the Kuwaiti Government was planning to reschedule its Development Plan because of the deficit resulted from the falling oil prices which is negatively impacting the country’s national income. A Kuwaiti MP, Dr. Khalil Abdullah, reportedly asked the Government to impose taxes on expatriates’ remittances to reduce the Budget deficit.

4. The number of residency visa violators in Kuwait reportedly reached 1,15,000, including 5,000 Syrians and Iraqis, who entered the country on visits visas but have not left the country. The Kuwaiti Ministry of Interior deported 11,552 male and 10,800 female expatriates during last one year for various violations.

5. As per the Kuwait’s Public Authority for Civil Information (PACI), the population of Kuwait reached 4.18 million on 30 June 2015, which includes 2.89 million expatriates and 1.29 million citizens.

6. On the external front, the Kuwaiti Amir visited Egypt and Mongolia, Speaker of the National Assembly and Minister of Interior visited the US and First Deputy PM & Foreign Minister visited Qatar during the month.

I. ECONOMIC INDICATORS

1. **Trade:** According to Kuwaiti Central Statistical Bureau’s data, during January-March 2015 Kuwait’s exports amounted to KD 4 billion (US\$ 13.32 billion), i.e. a 46% decrease, and imports were KD 2.3 billion (US\$ 7.65 billion), i.e. an 11.1% increase, compared to the corresponding period in 2014. The balance of trade for this period was KD 1.7 billion (US\$ 5.6 billion) as compared to KD 5.4 billion (US\$ 17.8 billion) during the corresponding period last year – registering a 68% decrease.

2. **Inflation:** According to NBK's economic report, Kuwait's inflation in consumer prices increased to 3.5% y/y in June 2015 and the expected CPI inflation will average 3.5% this year.

3. **Money Supply:** According to National Bank of Kuwait M2 money supply growth slowed to 4.1% year-on-year in June from 5% in May.

4. **Development Plan:** The Kuwaiti Government is planning to reschedule its Development Plan because of the Budget deficit resulted from the decline in oil prices which is negatively impacting the country's national income. The move to reconsider the country's development projects is aimed to expedite the completion of the essential ones and suspend the rest until the oil prices improve and Budget deficit reduces.

5. **Energy Projects:** According to a study by Ventures Research Company, Kuwaiti Government's expenditure on energy projects will reach USD 100 billion in the coming five years. The latest report of International Monetary Fund (IMF) also showed that the energy projects in Kuwait constitute 40% of total number of construction projects.

6. **Oil:** According to National Bank of Kuwait (NBK)'s economic updates, the world oil demand growth eased to a preliminary estimate of 1.4 million bpd in 2Q15 compared to 1.8 million bpd in 1Q15. In Kuwait, oil output dropped for the second month in a row in June to 2.7 million bpd due to the closure of 220,000 bpd jointly operated Wafra field in the Neutral Zone with Saudi Arabia.

7. **Taxes:** Kuwaiti Ministry of Finance is reportedly preparing to implement a new Tax law on companies as of November 2019 to boost the state revenues in commercial, touristic and cultural projects. The law states that the companies in return will receive a package of privileges and government services with 2.5% reduction in labor support tax and scientific advancement tax, and one percent reduction in zakat tax from the company's revenues. The law will be implemented on the public, closed and professional shareholding companies such as clinics, law firms, legal studies and consultancies, indicating 10% tax will be imposed on revenues depending on the nature of work and activity of the companies.

(ii) Government is planning to impose variable tax on new investment and commercial real estates. An international investment body will manage the operation, indicating real estate tax will be imposed on any investment or commercial building exceeding an area of 800 meters. The imposition of variable tax is expected to coincide with the tax of local shareholding companies which is due to be implemented in the course of the year.

(iii) Kuwaiti MP Dr. Khalil Abdullah reportedly asked the Government to impose taxes on expats remittances. He said that the budget deficit announced recently is a sign of danger and the Government must find other sources of national income and benefit from the fact that expatriates remit millions of Kuwaiti dinar annually.

8. **Gold:** Kuwait's Ministry of Commerce and Industry marks 30 tonnes of Gold annually before its distribution to the market for the control over the quality and pricing of Gold. **Kuwait owns 79 tonnes of Gold that constitutes 13.2% of its reserves.** Kuwait was ranked 36th in the world and fifth among the Arab countries in terms of Gold ownership. The local sources reported on 8 August that Kuwait imports Gold from India, Singapore, Hong Kong, Italy, Bahrain and the UAE.

9. **Rating:** On 14 August, Standard & Poor's Ratings Services rated Kuwait with 'AA/A-1+' long-term and short-term foreign and local currency sovereign credit ratings. The outlook remained stable.

10. **KISR:** The Kuwait Institute for Scientific Research (KISR) announced that it got two new patents from the circle of protection of property in the United States on two inventions by Dr. Shawqi Lahalih on energy. The first invention is a polymer gel used for limiting the flow of groundwater into oil and gas wells. The invention works on preventing the flow of high levels of salinity flows of water into the oil wells by injecting the fissures and cracks. The second invention could be used in wastewater treatment and the separation of gases and liquids from each other in petrochemicals and batteries, dairy industry and others.

11. **LPG:** Kuwait is in the process of re-launching the plan to transform motor vehicles to run on Liquefied Petroleum Gas (LPG) instead of Petrol or diesel, with the aim of reducing the annual subsidies.

12. **Health:** According to the health statistics, Kuwait spends more than KD 5 billion (US\$ 16.65 billion) on health sector which is about 10% of its annual national income.

13. **Projects:** On 15 August, Kuwaiti Ministry of Finance approved projects worth KD 3 billion (USD 9.9 billion) for construction of power plants, desalination facility and many other infrastructure projects in Kuwait.

14. **Population:** As per the recent statistics of Kuwait's Public Authority for Civil Information (PACI), the population of Kuwait was 4.183 million as on 30 June 2015, with 2.89 million expatriates and 1.29 million citizens. Total workforce in Kuwait is about 2.525 million which is about 60.4% of the total population.

15. **Ranking:** As per 'Expat Insider 2015' survey on the countries favoured by people to migrate to and reside, Kuwait was placed at the 64th position and is among the least attractive destinations in the world for expatriates to migrate.

Exchange rates:

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

| Date | KD/Rs.1000 | \$1000= KD |
|-------------|-------------------|-------------------|
| August 1 | 4.768 | 304.180 |

| | | |
|-----------|-------|---------|
| August 15 | 4.692 | 303.780 |
| August 31 | 4.605 | 303.530 |

Crude Oil:

Kuwait Crude Oil Prices during August 2015

| Date | Per barrel (US\$) |
|-----------|-------------------|
| August 3 | 47.71 |
| August 4 | 47.58 |
| August 12 | 46.88 |
| August 13 | 47.31 |
| August 14 | 46.57 |
| August 18 | 45.75 |
| August 19 | 45.64 |

Stock Exchange

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

| Date | Price Index |
|-----------|-------------|
| August 2 | 6,236.72 |
| August 5 | 6,238.49 |
| August 6 | 6,249.34 |
| August 10 | 6,299.04 |
| August 13 | 6,301.12 |
| August 16 | 6,262.63 |
| August 20 | 6,052.63 |
| August 23 | 5,909.49 |
| August 26 | 5,814.03 |
| August 31 | 5,820.56 |

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

Banking, Finance and Investment

1. It was reported on 5 August that Kuwait Investment Authority (KIA) was shortlisted along with four other bidders for Ireland's most profitable retail centre, Liffey Valley Shopping Centre at Dundrum, in wealthy south Dublin, being sold by Ireland's National Asset Management Agency (NAMA) for up to Euros 1.7 billion (approx. KD 563.2 million).

2. The shares owned by Kuwait Investment Authority (KIA) in companies listed on Kuwait Stock Exchange (KSE) reportedly decreased from KD 1.75 billion to KD 1.5 billion, i.e. by KD 250 million in the first seven months of 2015. Most of these companies are in banking and communication sectors.

3. Kuwait Investment Authority (KIA) is part of a consortium that has plans to bid for the purchase of London City Airport, which has been valued at £ 2 billion. KIA owned Wren House Infrastructure Management, Canadian giant Ontario Teachers' Pension Plan and investment firm Hermes have teamed-up to bid for the airport.

Oil, Gas and Petrochemicals

1. **Joint Oilfields:** On 4 August, Kuwaiti Minister of State for Cabinet Affairs, Sheikh Mohammad Al-Abdullah Al-Mubarak Al-Sabah dismissed differences with Saudi Arabia over oilfield controversy and said that existing difference with the Kingdom over joint oilfields of Al-Khafji and Al-Wafra are merely technical and will be resolved.

2. **KOC:** On 10 August, Kuwait Oil Company (KOC) reportedly announced that KOC started three-dimensional (3D) exploratory survey project in Kuwait Bay in cooperation with China National Petroleum Corporation (BGP) to produce oil of 65.3 million bpd by 2020. The project will study the underground strategy to find out the amount of reserves in the region and get the accurate information about the oilfields.

3. **Oil and gas fields:** Kuwait is reportedly planning to develop four oil and gas fields in the north as part of its long term plans for expanding output. Kuwait intends to increase output to 4 million bpd by 2020, though delays in the development of new upstream projects, a difficulty attracting foreign investment (due to disagreements on terms) and a recent shutdown of output from the two joint oil fields in Al-Khafji and Al-Wafra in the divided Neutral Zone due with Saudi Arabia, have hindered the objective.

Construction

1. **Projects:** On 15 August, the Kuwaiti Ministry of Finance reportedly said that Kuwait has approved KD 3 billion (US\$ 9.9 billion) worth of projects for the construction of a series of power plants, desalination facilities and other infrastructure projects. The projects include the second phase of the Al-Zour North power plant and desalinated water plant, first phase of the Al-Khiran power plant, waste treatment at Kabd, sewage plant and the Al Abdaliyah solar thermal power plant. A pilot 70 megawatt project in the Shagaya desert zone west of Kuwait City was expected to be completed by next year. All these projects would be co-implemented with both public and private sectors partnerships.

2. **Airport:** On 18 August, Kuwait awarded a contract worth KD 1.31 billion (US\$ 4.34 billion) to build a new terminal of Kuwait International airport to a consortium of Turkey's Limak Holding and a local construction firm, Kharafi National.

Real Estate

1. As per Kuwait International Bank's economic report, sales in the Kuwait's real estate market during the month of July 2015 decreased by 24.1% and reached KD 263.4 million (US\$ 877 million). Meanwhile, It was reported on 14 August, the

number of Kuwait's real estate market deals declined by 70% in first half of 2015 and their value decreased by 29% while the domestic real estate trading liquidity at the Kuwait Stock Exchange (KSE) dropped by 14% to KD 2.4 billion (US\$ 8 billion) during the same period.

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

INDIA-BILATERAL

1. **Independence Day:** The Embassy celebrated the 69th Independence Day in its premises, which was attended by more than 5000 Indian nationals.

2. **Cabinet:** The message of Hon'ble Prime Minister, Shri Narendra Modi to His Highness the Amir of Kuwait regarding the importance of supporting international efforts and promoting cooperation among UN Member States so as to maintain security, peace and human rights, and achieve sustainable development in all countries across the globe, was discussed during the weekly meeting of the Kuwaiti Cabinet on 18 August.

3. **Calls/Meetings:** On 12 August, Ambassador met Mr. Nizar Al-Adsani, CEO of KPC, who led a Kuwaiti delegation to New Delhi on 20 August for meetings with the Chairpersons of ONGC and IOCL to discuss investments in OPaL as well as cooperation in hydrocarbon sectors. On 17 August, Cd'A attended the ACD Diplomatic Missions' Meeting, called by Secretary General of the ACD Provisional Secretariat in Kuwait and discussed Thailand's proposal to host Senior Officials' Meeting in Bangkok, instead of Foreign Ministers' Meeting in New York, on the sidelines of UNGA. On 31 August, he met Mr. Musaed Saleh A. Al-Thuwaikh, Acting Assistant Foreign Minister (earlier nomenclature Acting Director) for Asia Department, Kuwait and discussed early convening FOCs and JMC meetings.

4. **Visit:** A two-member delegation from the Ministry of Finance, New Delhi comprising Shri Rajat Bansal, JS(FT&TR) and Shri A. Sreenivasa Rao, Director (FT & TR) visited Kuwait from 23-25 August to discuss the protocol amending the Agreement between India and Kuwait for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income. The agreed text of the amended Protocol was initialed by both the sides on 25 August.

5. **Contract:** On 12 August, Kuwait National Petroleum Company (KNPC) awarded a contract worth USD 1.57 billion for work on its 615,000 bpd Al-Zour refinery to a consortium of M/s. Saipem Co., Italy and M/s. Essar, India. The signing of contract is expected to be done in October 2015.

6. **Condolences:** Mohammad Dhaif Alla Sharar, the Acting Dy. Minister of Amiri Diwan Affairs and Advisor to the Amir and many Ambassadors/diplomats signed the condolence book at the Embassy on 2 August on the demise of former Indian President Dr. A.P.J. Abdul Kalam. Deputy Speaker of the Kuwaiti National Assembly, Mubarak Al-Khurainji in his condolence message mentioned that Dr. A.P.J. Abdul

Kalam was popularly called as 'People's President' and he had left behind a great and unique legacy in politics and science.

(ii) On 18 August the Kuwaiti Amir, the Crown Prince and the PM sent condolences to Hon'ble President Shri Pranab Mukherjee on the demise of his wife Smt. Surva Mukherjee.

7. **Counterfeit clothes:** Kuwaiti customs authorities reportedly confiscated a shipment full of counterfeit clothes from India.

8. **Basmati:** Despite adverse climatic conditions, a Kuwaiti farmer has managed to grow Indian basmati rice in his farm in Kuwait's Wafra region.

Other countries

1. **Albania:** On 11 August, Kuwait donated 2.1 million Euros to different humanitarian and Charity organizations in Albania for the development of education and health services sectors.

2. **Bangladesh:** Lt. Gen Mohamed Moen Islam, General Coordinator of Armed Forces in Prime Minister of Bangladesh Office visited Kuwait from 3-6 August and met Army chief of Staff, Lt. Gen Mohammad Khaled Al-Khoder and discussed bilateral military ties.

3. **Benin:** On 2 August, KFAED signed a loan agreement worth KD 5 million (USD 17 million) with Benin to finance the country's development of health sector.

4. **Chad:** On 5 August, Kuwaiti Fund for Arab Economic Development (KFAED) signed a loan agreement worth KD 4 million (USD 13.6 million) with Chad to finance rice production in the Chari-Logone perennial river system..

5. **Egypt:** The Kuwaiti Amir visited Egypt on 6 August and attended inauguration of new Suez Canal.

(ii) Yousef Al-Abraham, Amiri Diwan Advisor and Envoy of the Kuwaiti Amir visited Egypt on 20 August and met the Egyptian President Abdelfatah Al-Sisi and conveyed the condolences over the demise of the Egyptian President's mother.

6. **Iran:** On the issue of Iran's inviting tenders to develop Durra oil-field, Mr Hassan Zarinkar, Iranian Cd'A in Kuwait was summoned by Mr Khaled Suleiman Al-Jarallah, Undersecretary in the Ministry of Foreign Affairs of Kuwait on 23 August and was informed of Kuwait's stance that the matter should be resolved through negotiations between Iran, Saudi Arabia and Kuwait.

(ii) Mr. Hamad Al-Harashani, Chairman of the Kuwaiti Parliamentary Foreign Affairs Committee reportedly said that Iran was the true enemy of GCC countries while MP Faisal Al Duwaisan called on the Government to expedite the demarcation of borders with Iran and Saudi Arabia.

7. **Japan:** It was reported on 31 July that Kuwait's crude oil exports to Japan increased by 11.9% in June from a year earlier to 6.73 million barrels, or 224,000 bpd.

8. **Russia:** Russian Foreign Minister Sergei Lavrov visited Kuwait on 10 August and met the First Deputy PM & Foreign Minister Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah and discussed bilateral issues as well as regional and international cooperation.

9. **Saudi Arabia:** Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Amir of Kuwait condemned the terrorist attack in a mosque in Asir province on 6 August and affirmed Kuwait's support to Saudi Arabia in combating terrorism.

10. **Switzerland:** On 16 August, Kuwait signed a Swiss visa-exemption deal for Kuwaiti holders of diplomatic and specials passport in Berne.

11. **UAE:** On 18 August, Kuwait condemned the Houthi Group's occupation of the UAE Embassy in Yemen and described it as an act of violation of Vienna Convention.

12. **UK:** Lt. Gen Tom Becket, Advisor on Middle East Affairs in the UK's Ministry of Defence visited Kuwait on 10 August and met Kuwaiti Defence Minister Sheikh Khaled Al-Jarrah Al-Sabah and discussed bilateral military cooperation.

13. **US:** Kuwaiti DPM & Minister of Interior Sheikh Mohammad Al-Khaled Al-Hamad Al-Sabah visited US from 21-29 August to discuss mutual coordination and security cooperation. During the visit, he met the US Secretary of Homeland Security, Jeh Johnson on 26 August and discussed the issues of terrorism, border security and bilateral cooperation.

(ii) It was reported that Ford Hood, Texas-based III Corps of US Army was planning to send 450 soldiers from its headquarters to Kuwait in September 2015 for a year to combat against Islamic State.

IV INTERNATIONAL/MULTILATERAL ACTIVITIES

1. **GCC:** On 3 August, Kuwaiti First Deputy PM & Foreign Minister Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah attended a coordination meeting of Gulf Cooperation Council (GCC) Foreign Ministers and Joint Ministerial meeting with US Secretary of State, Mr. John Kerry in Doha. The meeting discussed regional and international issues including the Iran nuclear deal. They also discussed to develop a ballistic missile defence capability, expediting arms transfers, Special Forces training, maritime and cyber security programme and intelligence sharing.

(ii) The GCC Secretariat General announced that the Gulf railway project linking all Gulf Cooperation Council (GCC) member countries will be completed and operational by 2018. The project with a total cost of more than US\$15.4 billion will have a total length of 2,117 km and would pass through all six GCC countries. It also includes linking Bahrain and Saudi Arabia by a bridge. The passenger trains will run

at a speed of around 220 km/hr, while cargo trains will have a speed ranging between 80-120 km/hr.

2. **OIC:** Ambassador Mansour Ayyad Al-Otaibi, Kuwait's Permanent Representative to the UN and Chair of the OIC Group while speaking at the Security Council's open debate on 'Regional Organization and Challenges of Global Security' on 18 August, reportedly stated that comprehensive and concerted response to terrorism was very much needed as every nation was more or less susceptible to dangers of terrorism. He further added that there seemed to be some fundamental differences within the international community on handling the issue of terrorism.

3. **UN:** UNSG Ban Ki-moon and many other UN officials praised Kuwait's contributions and described Kuwait as a valuable strategic partner in humanitarian spheres. Kuwait has donated USD 800 million towards humanitarian works in Syria, Iraq & Yemen this year.

(ii) National Assembly Speaker Marzouq Ali Al-Ghanim led the Kuwaiti Parliamentary delegation at the 4th World Conference for Speakers of World Parliament which began in New York from 31 August.

V. TRADE DATA, ENQUIRIES, EXHIBITIONS, ETC.

1. During the month, the Mission replied to 61 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.

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