

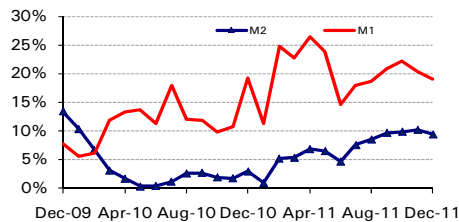
21 January 2012

## Monetary Developments

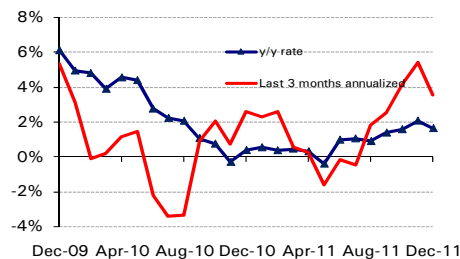
**Total bank credit closed 2011 up KD 411 mn, or 1.6%**

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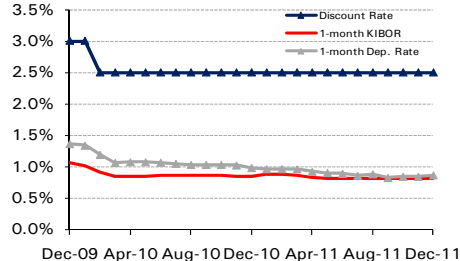
**Money Supply**  
(%/y)



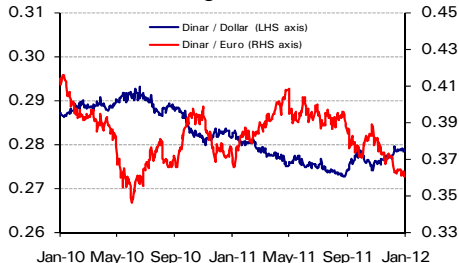
**Credit Growth**



**Interest Rates**



**Exchange Rates**



- Money supply M2 increased by KD 46 million in December while the narrower measure of money supply, M1, expanded KD 163 million. Government injections related to government spending throughout 2011 kept the system liquid and put downward pressure on interest rates. In turn, low interest rates drove the shift from term deposits to sight deposits. As a result M1 (shorter-term liquidity) grew 17.9% y/y in 2011 while M2 growth was more subdued at 8.5%.

- Outstanding credit to residents was up KD 21 million in December. Credit growth remained stagnant in 2011, up 1.6% y/y. The slow growth in bank credit in 2011 was in part due to the aftermath of the financial crisis in particular ailing investment companies that are still reducing debt levels.

- Personal facilities, excluding loans for the purchase of securities, were up another strong KD 65 million in December. There was no notable activity outside of personal facilities in December. In 2011, consumer/household lending continued to lead growth and was up a strong 9.5% y/y. During 2011, an already healthy consumer sentiment was bolstered by a large Amiri grant in February (KD 1,000 per citizen) and by various salary increases. Outside of household finance, loans to real estate showed some improvement and grew a decent 4.5% y/y, probably reflecting the pickup in investment real estate sales throughout 2011. Business-related loans were still lagging, up a mere 1%, and still hinge on the government's development plan and its pace of execution. Non-bank financial institutions and loans for the purchase of securities continue to be a drag on credit and were off 16% and 2% respectively in 2011.

- In December, resident deposits were up slightly (+KD 25 million) exclusively in local currency accounts and mostly in sight deposits. Resident deposits were up 8% in 2011 (+KD 2 billion) mostly in shorter term deposits.

- Total bank assets were up a notable KD 588 million in December. The increase came mainly in foreign assets but banks' liquid assets were up as well. In 2011, bank assets reached KD 44 billion, up 6.5% y/y. About half of that increase came from liquid assets, deposits with the Central Bank of Kuwait (CBK), and CBK bonds.

- The average rates offered on KD private deposits remained unchanged in December. Interbank rates fell 4 to 7 bps across maturities in 2011 as banks remained awash with liquidity. The 1, 3, 6 and 12-month rates averaged 0.82%, 1.05%, 1.30%, and 1.54%, respectively.

- The Kuwaiti dinar, which is tied to a basket of currencies dominated by the US dollar, appreciated by 1% versus the US dollar through 2011. The dinar averaged \$3.62 over the year, versus \$3.49 in 2010. The dinar's appreciation against the euro was larger.

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**Monetary Highlights, December 2011**

	Change							
	Levels		1-Month		3-Month		12-Month	
	mn KD	mn KD	%	mn KD	%	mn KD	%	
<b>Total System Liquidity (M2)</b>	<b>27,824</b>	<b>46</b>	<b>0.2</b>	<b>302</b>	<b>1.1</b>	<b>2,190</b>	<b>8.5</b>	
Currency in Circulation	1,025	21	2.1	23	2.3	182	21.6	
Private Sector Deposits	26,800	25	0.1	279	1.1	2,008	8.1	
KD Deposits	24,659	254	1.0	452	1.9	1,986	8.8	
Sight Deposits	5,606	142	2.6	115	2.1	823	17.2	
Savings Deposits	3,847	58	1.5	154	4.2	855	28.6	
Time Deposits & CDs	15,206	54	0.4	183	1.2	307	2.1	
FC Deposits	2,141	-229	-9.7	-174	-7.5	22	1.1	

**Banking Highlights, December 2011**

	Change							
	Levels		1-Month		3-Month		12-Month	
	mn KD	mn KD	%	mn KD	%	mn KD	%	
<b>Total Bank Assets</b>	<b>44,078</b>	<b>588</b>	<b>1.4</b>	<b>1,140</b>	<b>2.7</b>	<b>2,696</b>	<b>6.5</b>	
Liquid Assets	6,788	149	2.2	66	1.0	1,012	17.5	
Cash and CBK Balances	402	31	8.3	56	16.3	160	66.0	
CBK Bonds	1,553	58	3.9	109	7.5	209	15.6	
Public Debt Instruments	1,887	3	0.2	-2	-0.1	-23	-1.2	
Inter-Local Bank Deposits	1,038	45	4.6	112	12.1	132	14.5	
Time Deposits w/ CBK	1,909	11	0.6	-209	-9.9	535	38.9	
<b>Credit Facilities</b>	<b>25,612</b>	<b>21</b>	<b>0.1</b>	<b>227</b>	<b>0.9</b>	<b>411</b>	<b>1.6</b>	
Trade	2,307	-31	-1.3	-6	-0.3	8	0.4	
Industry	1,750	-18	-1.0	13	0.7	132	8.2	
Construction	1,688	10	0.6	-39	-2.3	-68	-3.9	
Agriculture and Fishing	10	-1	-8.5	-1	-9.3	1	9.0	
Non-Bank Fin. Inst.	2,380	-50	-2.1	-96	-3.9	-457	-16.1	
Personal Facilities	8,947	54	0.6	217	2.5	490	5.8	
Purchase of Securities	2,641	-11	-0.4	-8	-0.3	-58	-2.1	
Other Pers. Fac.	6,306	65	1.0	225	3.7	547	9.5	
Real Estate	6,756	6	0.1	76	1.1	290	4.5	
Crude Oil & Gas	173	-12	-6.7	-26	-12.9	-38	-18.1	
Other	1,602	63	4.1	90	5.9	54	3.5	
Foreign Assets	8,141	308	3.9	646	8.6	867	11.9	
Other Assets	3,537	111	3.2	200	6.0	406	13.0	
<b>Total Bank Liabilities</b>	<b>38,033</b>	<b>587</b>	<b>2.6</b>	<b>1,136</b>	<b>12.3</b>	<b>2,530</b>	<b>22.0</b>	
Total Deposit Liabilities	31,526	561	1.8	839	2.7	2,076	7.0	
Private Sector Deposits	26,800	25	0.1	279	1.1	2,008	8.1	
Gov't Deposits	3,783	435	13.0	429	12.8	-35	-0.9	
Interbank	1,038	45	4.6	112	12.1	132	14.5	
Foreign Liabilities	3,159	9	0.3	110	3.6	167	5.6	
Other Liabilities	3,348	17	0.5	187	5.9	287	9.4	
<b>Equity</b>	<b>6,045</b>	<b>1</b>	<b>0.0</b>	<b>3</b>	<b>0.1</b>	<b>166</b>	<b>2.8</b>	



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