

# Kuwait Business Forecast Report Q3 2014

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## Abstracts

### Core Views

We expect the Kuwaiti economy to perform relatively well over 2014, and retain our forecast for real GDP growth of 2.9%, from an estimated 3.0% in 2013. After a long period of stagnation, the Kuwaiti investment outlook appears to be improving, while the prospects for consumption remain bright. However, we again highlight Kuwait's ever-volatile political situation as the key downside risk to economic activity.

Kuwait has seen a flurry of populist legislation recently, including several measures specifically targeting expatriate workers. This runs the risk of increasing uncertainty within the private sector, as well as cementing perceptions of the country as a hub of policy instability. We expect some tensions to remain between the government and the legislative branch, even with the election of a renewed 'loyalist' parliament.

We forecast average consumer price inflation for Kuwait of 3.0% and 3.5% for 2013 and 2014 respectively, up from 2.9% in 2012. While we expect a slight fall in Kuwaiti food inflation over the near term on the back of lower global prices, a tight supply picture in the real estate market will fuel housing inflation over the coming quarters, in a trend seen across the GCC.

### Key Risks To Outlook

As ever, given the economy's heavy dependence on oil, any sustained downturn in global energy prices would prove disastrous. That said, Kuwait has the financial wherewithal to cope with any short-term volatility in oil prices, and therefore the underlying risks in this regard are minimal.

## Contents

Executive Summary  
Core Views  
Key Risks To Outlook

### **CHAPTER 1: POLITICAL OUTLOOK**

SWOT Analysis

BMI Political Risk Ratings

Domestic Politics

Nationalisation Policies Unlikely To Be Implemented Fully

We believe the Kuwaiti government's announcement that police will no longer be able to deport expatriates without interior ministry approval is a sign that workforce nationalisation policies will be watered down. As well as being difficult to enforce, we believe 'Kuwaitisation' will be detrimental to economic growth and worsen the business environment.

Table: POLITICAL OVERVIEW

Long-Term Political Outlook

Democracy: No Turning Back

Kuwait's political backdrop is complicated by labour and population imbalances, as well as a parliament which has consistently blocked the government's reform efforts.

Meanwhile, with six dissolutions of the National Assembly and subsequent elections since 2006, the prospect of new polls and policy instability is always on the horizon.

### **CHAPTER 2: ECONOMIC OUTLOOK**

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Turning Bullish On Investment Outlook

We expect the Kuwaiti economy to perform relatively well over 2014, and retain our forecast for real GDP growth of 2.9%, from an estimated 3.0% in 2013. After several quarters of stagnation, the investment outlook has improved and prospects for consumption remain bright. However, we flag Kuwait's ever-volatile political situation as the key downside risk to economic activity.

Table: ECONOMIC ACTIVITY

Fiscal Policy

New Budget: Few Changes To Fiscal Policy

We forecast Kuwait's budget surplus to narrow to 17.9% of GDP in FY2014/15, from a projected 21.0% for FY2013/14. Lower crude prices and near-flat non-oil revenue growth will lead to a decline in government income.

Table: FISCAL POLICY

Banking Sector

Banking Sector: Lending Opportunities Expanding

The outlook for Kuwaiti commercial banks is brightening, as moderate signs of progress in the government's development plans herald the prospect of new lending opportunities.

Table: BANKING SECTOR OVERVIEW

Monetary Policy

Rising House Prices To Drive Inflation

We forecast Kuwait's consumer price inflation to average 3.5% and 4.0% in 2014 and 2015 respectively, from 3.0% in 2013. We anticipate the trend of global lower food prices to be coming to an end, and see some risks of a food price spike.

Table: MONETARY POLICY

Islamic Finance

Islamic Banking: New Markets To Emerge

We expect 2014 to be a key year for the global Islamic finance industry as several new markets come to the fore. It has been our longheld view that rather than becoming an integrated global financial system, Islamic banking will see the creation of regional hubs. Even with this slightly fragmented outlook, we still expect significant growth for the sector. That said, we think the impact of low base effects is beginning to wear off and we expect to see lower growth rates in the coming years.

Table: Islamic Bonds & Loans (2013)

## **CHAPTER 3: 10-YEAR FORECAST**

The Kuwaiti Economy to 2023

High Wealth, Yet Challenges To Growth

Kuwait faces substantial structural challenges over the long term, but the energy sector will continue to grow in real terms to 2023, keeping the government in surplus.

Table: Long -Term Macroeconomic Forecasts

## **CHAPTER 4: BUSINESS ENVIRONMENT**

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

#### Institutions

TABLE: BMI BUSINESS & OPERATION RISK RATINGS

#### Infrastructure

TABLE: BMI LEGAL FRAMEWORK RATING

TABLE: LABOUR FORCE QUALITY

#### Market Orientation

TABLE: MENA - ANNUAL FDI INFLOWS

TABLE: TRADE & INVESTMENT RATINGS

#### Operational Risk

TABLE: Top Export Destinations

### **CHAPTER 5: KEY SECTORS**

#### Defence

Table: Defence Expenditure, 2011-2018

Table: Trade Overview, 2009-2018

Table: Maritime Freight , 2011-2018

Table: Air Freight, 2009-2018

Table: Main Import Partners , 2004-2012

Table: Key Trade Indicators, 2011-2018

#### Other Key Sectors

Table: Oil & Gas Sector Key Indicators

Table: Pharma Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: Infrastructure Sector Key Indicators

### **CHAPTER 6: BMI GLOBAL ASSUMPTIONS**

#### Global Outlook

#### Chinese Economy Under Pressure

Table: Global Assumptions

Table: Developed States, Real GDP Growth, %

TABLE: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH

#### FORECASTS, %

Table: Emerging Markets , Real GDP Growth , %

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