

# Kuwait Country Risk & Capital Market Assessment

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# Executive Summary

Kuwait and the GCC region have witnessed a wide array of notable events in recent times ranging from Capital Market Index inclusions to escalation of geopolitical tensions. These events have an impact on Kuwait's broader economy as well as the companies operating out of the country. Therefore it becomes imperative to monitor the risk factors associated with the economy on a periodic basis. The 'Kuwait Country Risk & Capital Market Assessment' report provides country risk analysis of Kuwait and assesses its Capital Market in a bid to support companies in operational decision making for risk mitigation policies, as well as early detection of reversal points for risks.

The methodology includes risk assessment through normative approach using a quantitative measure of six fundamental metrics (growth, debt, liquidity, foreign exchange, cyclical and banking system balances), as well as aggregate measures of political and governance risks. As per the assessment, the overall Country Risk Premium for Kuwait remains at an "average" level among emerging markets as a comparatively favorable Economic & Financial Risk and a low Political & Governance Risk combine with a substantial extra premium reflecting the large dependency on oil production and revenues, and highlighting the need for further diversification. Kuwait has registered a continuous improvement in Economic & Financial Risk ratings over the past four quarters to an average level, thanks to the rebound in economic growth and rising external surplus. Nevertheless, the large deformation of the risk profile points to vulnerabilities, notably regarding currency competitiveness (outside the oil sector) and unfavorable cyclical dynamics ahead. Anticipations of a cyclical downturn of domestic demand in the coming quarters, in relation with global economic slowdown and its likely negative impact on energy prices, would significantly affect investor's confidence and progress in fiscal and structural reforms.

The report also stated that despite Kuwait's oil production cuts, GDP growth has improved in 2019 Q1 compared to 2018 Q4, confirming a faster growth in the non-oil sector. Inflation is expected to remain at a low level given moderate economic growth and likely subsiding global oil prices. Structural reforms undertaken by the Capital Markets Authority is expected to strengthen Kuwait's capital markets. Kuwait has been upgraded to the emerging markets status by MSCI (conditionally), FTSE Russell and S&P Dow Jones. The implementation of final phase of market development is an important step that could further boost the prospect of inclusion into MSCI's emerging market index. The positive momentum in Kuwait stock market has continued since the beginning of 2019. Bursa Kuwait liquidity has improved by more than three times from the lows of June 2017, and the increase in liquidity is more observable since December 2018.



## What is this report about?

A report exclusively focusses on country risk assessment including Capital Market based on advanced Quantitative modelling (both linear and non-linear) & artificial intelligence. The report focusses on economic and financial risk as well as political and governance risks. The results are in the form of economic and financial risk ratings.



## What is the research methodology?

The methodology includes risk assessment through normative approach using a quantitative measure of six fundamental metrics (growth, debt, liquidity, foreign exchange, cyclical and banking system balances), as well as aggregate measures of political and governance risks.



## Who are the authors?

The report is jointly developed by TAC ECONOMICS & Marmore Mena Intelligence. TAC ECONOMICS is a financial company providing advisory services on international economies and financial issues.

Marmore is a Kuwait based research house focused on Mena region.

*(Detailed Profile on the back)*



## Who can benefit?

- » Project Managers
- » Risk Managers
- » Asset Managers
- » Business Executives in charge of Strategy & Planning
- » 'C' Suite executives
- » Institutional Investors



## Do you have updates?

This is an annual publication followed by quarterly updates. As economic data do not move much between quarters, the updates will be brief and will cover significant events & any changes to risk ratings.



## Can we ask questions?

We encourage subscribers to raise queries on our observations, we are more than happy to clarify our positions.



## Subscription Details

### Annual Subscription:

Includes **1** Annual report and **3** Quarterly updates

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[enquiry@e-marmore.com](mailto:enquiry@e-marmore.com) | [taceconomics@taceconomics.com](mailto:taceconomics@taceconomics.com)

## ABOUT MARMORE



Markaz is a leading asset management company and investment banking institution with a history spanning more than 40 years. Markaz established Marmore to cater to the growing research and consulting needs of organizations in the MENA region.



Established in 2010 as a majority owned subsidiary of Markaz, Marmore serves businesses and

institutions with actionable information and intelligence, needed to catalyse growth, understand the larger environment and facilitate decision-making.

### Organizational Background

Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore MENA intelligence continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies.

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums.

Almost on a weekly basis, Marmore publishes thematic economic, industry, policy and capital market reports. Marmore has been recently conferred "Research Provider of the Year - 2018" award by Global Investor, a Euromoney Group company.

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## ABOUT TAC ECONOMICS

TAC ECONOMICS is a French company providing advisory services on international economic and financial issues. Over the last 25 years, TAC ECONOMICS has achieved an outstanding track record in providing advanced signals for significant crises, systemic shocks and financial troubles, but also for positive and usually unexpected positive reversals.

With massive investments in traditional models and complex quantitative techniques as well as a unique ability to combine results with analysis and qualitative conclusions, TAC ECONOMICS provides original, operational and forward-looking research on the main risks that international investors and operators have to deal with.

The core principle guiding TAC is the ability to (1) understand fundamental economic and financial developments, (2) design the most relevant quantitative models and data-mining technique to interpret and measure such developments, and (3) derive the operational conclusions from such analysis and modeling that can be directly incorporated in each institution's own decision-making processes regarding international strategies and policies. TAC ECONOMICS has an outstanding track-record for correct projections and analyses, aided by the fact that TAC ECONOMICS does not shy away from contrarian positions.

With our team of 15+ analysts, researchers and modelers, TAC ECONOMICS develops innovative tools that help our customers to stay ahead of critical changes.

TAC ECONOMICS research strength includes a substantial academic commitment (HEC Paris, University of Rennes) and an active participation in international events gathering researchers and investors. This is complemented by regular discussions with key economic and financial players (central banks, think tanks, MNCs...) and frequent travelling to monitored countries.

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