MARMORE
MENA INTELLIGENCE
A المركز MARKAZ Subsidiary

January 2019

MARMORE
FIRST TAKE

Kuwait Budget 2019-20:

4th year of deficits after 16 years of surplus-Needed a national investment policy to spur capital markets

www.e-marmore.com enquiry@e-marmore.com

HIGHLIGHTS

- Kuwait has announced a state budget for the year ending on March 31, 2020, that projects spending at KD 22.5 billion (USD 74 billion) and revenues at KD 16.4 billion (USD 54 billion). Spending is projected to increase by 12.5% while revenues by 9%. In comparison, Saudi Arabia in its budget revealed that it will raise its spending by 7% and revenue by 24% for 2019-20.
- While the budget focusses on increased infrastructure spending, a robust capital market with a clear national investment policy can encourage local investors and funds according to a recent Markaz report.
- Kuwait has now posted a budget deficit in each of the past four years ever since the oil prices began to slide in mid-2014 in contrast to healthy surpluses for 16 successive years prior to that.
- The budget 2019-20 is based on an average oil price of $55 per barrel. In contrast, the budget for current fiscal year is based on an average oil price of $50 per barrel.
- Out of the total revenue generated, 10 percent or KD 1.6 billion (approximately USD 5.3 billion) of the revenues will be transferred to Kuwait's sovereign wealth fund. The budget deficit is expected to be around KD 7.7 billion (USD 25.4 billion) following the allocations for 'Future Generations Fund' (FGF). The budget deficit for the current fiscal year ending on March 31, 2019, was estimated at KD 6.5 billion (USD 21.4 billon) after the 10 percent deposit into the sovereign wealth fund.
- Fiscal balance is estimated at a deficit of 16.7% of GDP (GDP estimate of KD 46 billion for 2019), after transfer of funds to FGF, representing a minor improvement over the previous year.
- Oil revenues that comprise over 88 percent of the budgeted revenue for 2019-20 are expected to reach KD 14.5 billion (USD 47.7 billion), an increase of 9 percent from KD 13.3 billion (USD 44.4 billion) a year ago. The daily production of oil is expected to be 2.8 million barrels for the fiscal year 2019-20. The budget also highlighted the breakeven oil price of USD 75-80 per barrel. Finance minister indicated that the focus is on decreasing expense rather than completely depending on oil price. Oil expense have increased due to higher spending on oil refining and development.
- Non-oil income on the other hand is projected to be at KD 1.86 billion (USD 6.1 billion) for the year 2019-20 which is an increase of 5 percent as compared to last fiscal budget.
- Wages and salaries (including subsidies) will account for 71% of the total expenditure. Capital expenditure will comprise 17 percent of the budgeted expenditure and will be used to stimulate economic growth. Other expense account for remaining 12% and subsidies are projected at KD 3.97 billion (USD 13.08 billion) of the budget which takes effect on April 1, 2019.
- Minister of Justice also unveiled a five-year anti-corruption strategy based on rule of law and complete transparency. 2019-2024 strategy, the first of its kind in Kuwait, includes four major objectives divided into 13 priorities which were distributed over 47 initiatives.
- The actual revenue of the Kuwait budget at the end of 2018 stood at KD 14.6 billion and the total deficit after the deduction of 10 percent reserve for future generations amounted to KD 1.2 billion as opposed to KD 240 million surplus before allocation to FGF.

Kuwait Budget 2019, Key Numbers

Values in KD billion	2016-17	2016-17	2016-17	2016-17
Oil Revenues	11.7	11.7	13.3	14.5
Non- Oil Revenues	1.4	1.6	1.8	1.9
Total Revenues	**13.1**	**13.3**	**15.0**	**16.4**
Salary & Wages	10.2	10.9	11.2	12.0
Subsidies	2.7	3.1	3.4	3.97
Capital Expenditure	2.6	3.4	3.6	3.83
Other	2.2	2.6	1.7	2.7
Total Expenditures	**17.7**	**19.9**	**20.0**	**22.5**
Transfer to FGF	1.3	1.3	1.5	1.6
Fiscal Balance (Pre-FGF)	**-4.6**	**-6.6**	**-5.0**	**-6.1**
% of GDP	-13.7%	-18.2%	-13.0%	-13.3%
Fiscal Balance (Post-FGF)	**-5.9**	**-7.9**	**-6.5**	**-7.7**
% of GDP	-17.6%	-21.8%	-16.9%	-16.7%

Source: IMF, Ministry of Finance

about marmore

Our vision
To be the first choice for obtaining strategic intelligence on the MENA region.

Our mission
Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making.

Our aim
Advocate intellectual research on MENA economics, businesses and financial markets and provide customized, actionable solutions.

Our foundation
- *A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history*
- *Markaz research activities commenced in 2006*
- *Marmore established in 2010 to intensify the research activities*
- *Publishes research reports and provides consulting services*

published research

Industry research
Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

Economic research
These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

Infrastructure research
Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyses the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

Capital market research
Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

Policy research
Marmore has partnered with several leading thought leaders and institutions of repute to generate economic policy research studies in key areas like energy, labor, economic structure and public sector.

Periodic research
Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

Regulatory research
Our regulatory research series is an effective consolidation, analysis and summary of key business, economic, and market regulations that impact business environment.

consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

What type of consulting services we provide?
- *Industry market assessment (market size, competitors, regulations)*
- *White label reports (industry reports, company newsletters, periodic research)*
- *Databases (competitors' information, target clients insights)*
- *Company valuation (buy/sell side advisory)*
- *Due diligence / Business evaluation*
- *Feasibility studies (market and financial)*
- *Business plans*
- *C-Suite support to leaders with intellectual, industry related needs*

How do we execute consulting engagement?
Our seven step process to execute consulting engagements:
- *Step 1: Requirement and scope analysis*
- *Step 2: Proposal submission*
- *Step 3: Project initiation*
- *Step 4: Fieldwork / research*
- *Step 5: Analysis & reporting*
- *Step 6: Review & approval*
- *Step 7: Report submission / presentation*

RESEARCH PROVIDER OF THE YEAR
2018
GLOBAL INVESTOR (EUROMONEY)

KNOWLEDGE PARTNER
SWFI

/marmoremena
@marmoremena
marmore-mena
marmoreMENA

www.e-marmore.com
enquiry@e-marmore.com