

Al-Shall Report

Weak contribution of oil sector tied to drop in overall growth rate

Increase in real estate market liquidity during June '19

Gross Domestic Product (GDP) First Quarter 2019

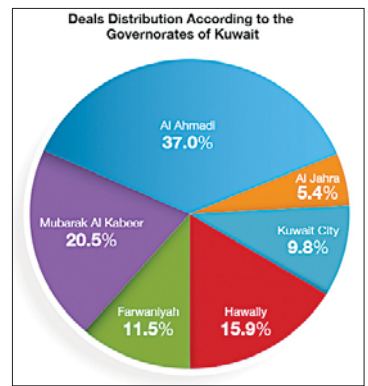
The Central Statistical Bureau published figures of the Gross Domestic Product (GDP) at fixed prices for the 1st Quarter of 2019. Reading these figures is important for two dimensions: the first is to follow up their evolution, meaning growth i.e. the expansion or contraction of the economy; the second is the reading the development within the components of that output to observe the strengths or weaknesses. The more important perhaps is to follow up the impact of public policies in reforming its structural imbalances, says Al-Shall Economic Report prepared by Al-Shall Consulting Co headed by Jassem Al-Saadoun.

Those figures at constant prices – real growth – estimate a positive growth by 2.6% was achieved between the first quarter of 2018 and the first quarter of 2019, while the growth was negative by -1.9% between the fourth quarter of last year and the first quarter of this year. The positive growth between the first quarter of 2018 and the first quarter of 2019 came largely from non-oil sector growth which expanded by 4.1%, while the overall growth rate dropped to 2.6% as mentioned due to the weak contribution of the oil sector in that growth which achieved low growth by only 1.3%. The GDP achieved negative growth by -1.9% when compared to the end of the fourth quarter of last year. All the negative impact was due to the oil sector which shrank by -3.7%, while the non-oil sectors maintained their positive but fragile growth of 0.2%.

5.4% of the total. Value of private residential activity scored KD 87.7 million, down by -18% compared with KD 107 million in May 2019. Its contribution percentage decreased to 33.3% of the total real estate trading versus 44.9% in May 2019. The monthly average value for private residence trading in the last 12 months scored KD 127.8 million. This means that June trading value was lower by -31.4% than the average. The number of deals for this activity declined to 276 deals versus 313 deals in May 2019. Accordingly, the average value of private residence activity deal scored about KD 318 thousand versus KD 342 thousand in May 2019, a decrease by -7%.

Value of investment housing activity scored KD 121.1 million, higher by 28.2% from KD 94.5 million in May 2019. Its contribution to total liquidity increased to 46% versus 39.7% in May 2019. Monthly trading average value of investment housing activity during 12 months scored KD 126.9 million. This means that trading value during June 2019 was lower by -4.6% compared with the last 12 months' average. Moreover, its deals decreased to 119 deals compared with 147 deals in May 2019. Therefore, the average value per deal for investment housing scored KD 1 million versus KD 643 thousand in May 2019, representing an increase by 58.4%.

Commercial activity trading value increased to KD 53.2 million or by 44.9%, compared with KD 36.7 million in May 2019. Its percentage out of total real estate trading value rose to 20.2% in June versus 15.4% in May 2019. Average value of commercial activity trading in 12 months scored about KD 53.4 million. This means that total trading



value in June was lower by -0.6% than the last 12 months' average. However, its deals scored 83 deals compared with 120 for May 2019. The average value per deal for June 2019 scored KD 641 thousand versus KD 306 thousand average for May 2019, a 109.6% increase. Moreover, 1 deal occurred for stores activity in June 2019 valued at KD 1.3 million.

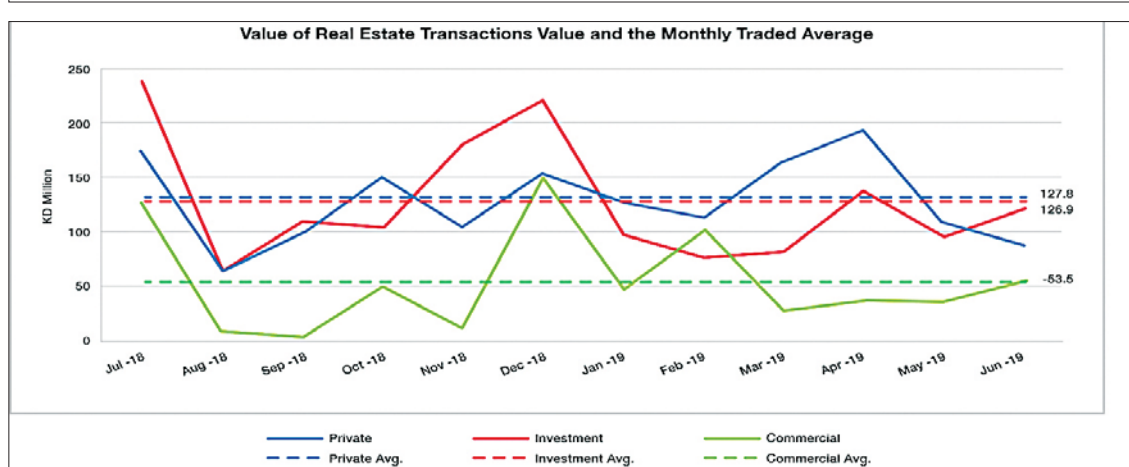
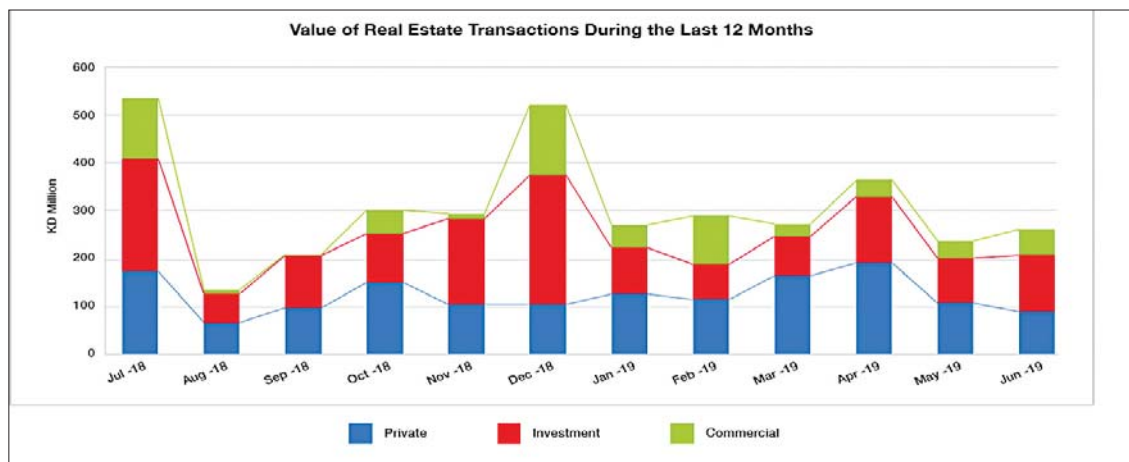
When comparing total June 2019 trading with June 2018, we note that real estate markets liquidity increased from KD 212.5 million to KD 263.2 million, a 23.9% rise as mentioned previously.

The increase included the investment housing activity by 43.5%, commercial activity by 18.4% and private residence activity by 5.4%.

If we compare total trading value since the beginning of the current year until June 2019 with its 2018 counterpart, we note an increase in total real estate market liquidity from KD 1.627 billion to KD 1.701 billion, a 4.6% rise. If we assume that market liquidity level will continue at the same level for the remainder of the year (6 months), market trading value would amount to KD 3.402 billion, which is KD 229.2 million lower than the total for last year because liquidity in the second half of last year was high. Representing a -6.3% decline below 2018 level which scored KD 3.631 billion.

Bursa Kuwait Promotion

According to Morgan Stanley's press release on 25/2019/06, Bursa Kuwait



is on the path of being promoted to be listed on the MSCI index among the emerging markets. The obstacle in the way of listing is regulatory only, especially the trading system. The first regulatory obstacle is to provide a structure for Omnibus Account, and the second one is the offset of the same National Investor Number (NIN), provided that systems be aligned with those adjustments before the end of next November. If this is achieved, the promotion decision will become a reality by the end of December 2019. The validity of this decision, i.e. the start of trading Kuwait selected shares within the index, will also become real by May 2020. The first obstacle is to create a system that takes into account the size and spread of foreign portfolio customers through markets separated by wide time gaps, which complicates the allocation of each purchase or sale. The second obstacle is to consolidate the definition of the client's account wherever it is traded around the world. Therefore, the Stock Exchange resorted to sending dozens of potential foreign clients to take their suggestions and to act in the opinion of the majority of them. What is important is that whatever the solution formula is, it should be applied uniformly to the foreign and domestic customer.

We mentioned earlier that the experience of reforming the Bursa is a success story and it will continue to progress and succeed by such promotion. The first indicators suggest that Bursa Kuwait has in hand solutions. The speculation is that the amendments or removal of obstacles will be completed before November. What we do not know, and we do not think that anyone does, is the number of companies which are likely to be included in the index; consequently, the weight of the Bursa Kuwait within the index and the amount of funds likely to be injected by foreign investors. Any guess is within 10 companies more or less, which is not far from reality.

What we want to warn against is that the promotion of Bursa Kuwait to be in par with the emerging markets is a good achievement and it is the result of a great and appreciated effort; however, not all foreign indirect investment flows are good. Bursa Kuwait history places it among the world's most stock markets vulnerable to crises. These crises are the result of abundant local liquid-

ity confronted by lack of investment opportunities and exceptional appetite for risk-taking. With any chance suggesting rising stocks' prices, money flows heavily to the Bursa causing unjustified price inflation, most of which aim at harmful speculation and exiting as soon as possible, aiming to generate high profits in the short term.

According to the latest available information, the foreign ownership of Bursa Kuwait scored 14.9% by the end of June 2019. It will certainly rise significantly by the end of June 2020, after some of its companies start trading on the MSCI Index. Foreigners are the first to feel the risk of unjustified price inflation. They are the first to withdraw, with risks and costs rising dramatically.

The October 1997 crisis of the Asian Tigers lingers in memory. Therefore, we believe in the necessity of creating early contingencies for such possibilities, and ideas may be exchanged and mechanisms proposed to minimize their harm at least, should they occur.

GCC Stock Markets Liquidity First Half 2019

The best performance in liquidity and index movement was Bursa Kuwait whose liquidity rose by about 163.6% between the two halves, and its share of the liquidity of the seven stock markets rose from 3% in the first half of last year to 8.1% currently which shifted its position from position 4 in the 1st half of 2018 to the second position in the current half after the Saudi market, its liquidity is still reasonable. The All-Share Market index of Bursa Kuwait gained in the first half of this year by about 14.8% thus achieving the best performance versus the performance of the seven stock markets. There is a disparity in the performance of the other exchange markets. The Saudi market liquidity lost about -7.7% as mentioned, but its index achieved the second highest gain by about 12.7%. In contrast, Abu Dhabi market achieved the second highest liquidity by about 55.6%, while its index achieved the lowest gains of

GCC Stock Markets

	Value in USD\$	% from the Total
Kuwait (ASM Index)	4,806,009,026	3.0%
Abu Dhabi	4,782,659,425	4.8%
Bahrain	338,949,435	0.2%
Qatar	11,331,138,123	7.1%
Saudi Arabia	126,789,421,965	79.7%
Dubai	9,807,779,348	6.2%
Muscat	1,283,890,411	0.8%

Liquidity & Indices Movement of GCC's Stock Markets

	First Half 2018	First Half 2019	Change in Value	Stock Indices
Kuwait (ASM Index)	4,806,009,026	12,669,441,548	163.6%	14.8%
Abu Dhabi	4,782,659,425	7,441,452,625	55.6%	1.3%
Bahrain	338,949,435	460,580,000	35.9%	10.0%
Qatar	11,331,138,123	10,718,787,221	-5.4%	1.5%
Saudi Arabia	126,789,421,965	117,026,106,008	-7.7%	12.7%
Dubai	9,807,779,348	6,554,044,973	-33.2%	5.1%
Muscat	1,283,890,411	710,860,727	-44.6%	-10.1%

Al-Shall Index

Company Name	Thu 11/07/2019	Thu 04/07/2019	Diff	Close 2016	Diff %
1 National Bank Of Kuwait	671.0	650.7	3.1	520.4	28.9
2 Gulf Bank	251.9	254.4	(1.0)	204.8	23.0
3 Commercial Bank Of Kuwait	559.4	533.6	4.8	516.0	8.4
4 Al-Ahli Bank Of Kuwait	205.6	204.9	0.3	193.1	6.5
5 Kuwait International Bank	300.2	303.5	(1.1)	275.1	9.1
6 Ahli United Bank	356.4	343.9	3.6	296.5	20.2
7 Burgin Bank	372.2	381.0	(2.3)	284.8	30.7
8 Kuwait Finance Bank	2,423.6	2,283.6	6.1	1,659.8	46.0
9 Commercial Facilities Company	140.7	140.7	0.0	126.3	11.4
10 International Financial Advisors	166.4	166.4	0.0	227.8	(18.2)
11 National Investments Company	166.6	144.7	16.5	103.8	62.4
12 Kuwait Projects Company (Holding)	587.0	573.9	2.3	486.7	20.6
13 Coast Investment & Dev Company	53.3	51.5	3.5	45.4	17.4
14 Investment Sector	221.9	214.9	3.3	187.1	18.6
15 Kuwait Insurance Company	70.9	70.6	0.0	79.4	(11.1)
16 Gulf Insurance Company	353.6	357.0	(1.0)	373.5	(5.3)
17 Al-Ahliya Insurance Company	158.5	161.5	(1.9)	160.3	(1.1)
18 Warba Insurance Company	53.3	52.5	1.5	54.1	(1.5)
19 Kuwait Real Estate Company	135.0	135.6	(0.4)	89.0	51.7

From July 04, 2019 to July 11, 2019

Company Name	Thu 11/07/2019	Thu 04/07/2019	Diff	Close 2016	Diff %
19 United Realty Company	122.4	124.4	(1.6)	122.4	0.0
20 National Real Estate Company	235.9	206.7	14.1	229.5	2.8
21 Saliha Real Estate Company	1,344.6	1,340.6	0.3	1,332.5	0.9
Real Estate Sector	186.1	179.4	3.7	172.2	8.1
22 The National Industries	219.8	209.1	5.1	141.2	55.7
23 Refrigeration Industries Co	429.6	437.2	(1.7)	57.3	(24.8)
24 Gulf Cable & Electrical Industries	161.9	158.3	2.3	140.3	15.4
Industrial Sector	194.7	190.6	2.2	177.5	9.7
25 Kuwait National Cinemas	564.9	539.8	4.6	617.0	(15.8)
26 The Public Warehousing Co	4,147.0	3,972.5	4.4	3,579.3	15.9
27 Mobile Telecom Co (ZAIN)	1,081.2	971.9	11.2	662.9	63.1
28 Safat Energy Co	20.9	21.3	(1.9)	29.9	(30.1)
Services Sector	1,412.0	1,316.8	7.2	1,065.3	30.1
29 Livestock Transport & Trading Co	151.7	166.7	(9.0)	156.7	(3.2)
30 Darah Alsalat Foodstuff Company	27.5	26.3	(2.8)	39.0	(29.5)
Food Sector	453.5	457.3	(0.8)	456.1	(0.6)
31 Sharjah Cement Co	281.2	281.2	0.0	382.0	(22.3)
32 Gulf Cement Co	221.8	218.0	0.9	278.0	(19.0)
33 Umm Al-Qaiwain Cement Industries	581.3	513.6	13.2	489.3	18.8
Non-Kuwaitian Companies	200.1	196.3	1.9	215.0	(6.9)
General Index	540.2	521.0	3.7	429.0	25.9

Local Real Estate Market June 2019

The latest released data by the Ministry of Justice – Real Estate Registration and Authentications Department – (after excluding the crafts activity and the coastal strip system) indicate an increase in real estate market liquidity during June 2019 versus May 2019 liquidity. Total value of contracts and agencies traded during June scored KD 263.2 million which was a 10.5% increase than its counterpart value in May 2019 which scored KD 238.2 million, and also rose by 23.9% when compared with June 2018 liquidity that totalled KD 212.5 million.

Trading during June 2019 was distributed between KD 225.7 million to contracts and about KD 37.5 million to agencies. Number of real estate deals in this month scored 479 deals of which 438 contracts and 41 agencies. The highest share in real estate deals went to Al Ahmadi Governorate by 177 deals representing about 37% of the total number of real estate deals. Mubarak Al Kaboor Governorate came second with 98 deals representing 20.5%. While the lowest share went to Al Jahra Governorate by 26 deals, representing about

'Govt needs to issue executive regulations for all ratified laws'

By Ahmed Al-Naqeb Arab Times Staff

KUWAIT CITY, July 13: MPs Ahmed Al-Fadel and Yousef Al-Fadala have emphasized the need for the government to issue the executive regulations for all ratified laws.

They also urged the newly formed ministerial coordination committee to show the Kuwaiti public that there are new ways to implement laws.

Al-Fadel said serious efforts are not reflected in the formation of committees and holding meetings, but in brain storming and identifying flaws through strong coordination between ministries.

He pointed out that numerous committees and meetings are focusing on coordination but if the same road is taken, the results will be the same. Therefore, it is vital to inform the public about the new governmental directive on coordination, he added.

Al-Fadala called on the government to buckle down and issue executive regulations as the next legislative round will witness the ratification of more comprehensive bills especially those postponed multiple times in the past.

Rates reach before 2011

Kuwaiti touristic movement in Cairo recovers: ambassador

KUWAIT CITY, July 13: The tourism sector in Cairo, Egypt has been in high demand since the beginning of summer; especially the touristic facilities, summer destinations and resorts in South Sinai and the coastal areas, reports Al-Qabas daily.

Speaking to the daily, Kuwaiti Ambassador to Cairo Mohamed Saleh Al-ThowaiKh said the Kuwaiti touristic movement in Cairo recovered recently as it approached rates before 2011; whereas it was estimated that 150,000 tourists will visit annually in light of the stability experienced by Egypt.

He affirmed that Kuwaitis visit Egypt to enjoy famous facilities such as ancient Cairo, Al-Hussein, Nile picnic areas and new residential zones like the Fifth Settlement and Sheikh Zayed City; in addition to activation of travel movement in Sharm El-Sheikh, Hurgahda and Alexandria.

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