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ASSETS, LOW DEBT, SOUND BANKS PROP KUWAIT RESILIENCE

□ LOWER OIL PRICES, OUTPUT WEIGH ON NEAR-TERM □ UNDERLYING FISCAL POSITION WEAKENED

Challenges cloud measured reform

Opposition to cuts in wage bill, subsidies ... new taxes complicate fiscal adjustment

By IMF/KUNA

KUWAIT CITY, Jan 27: The International Monetary Fund (IMF) issued Monday, the final statement prepared by its mission in Kuwait from Jan 7 to 20 in the framework of the periodic consultations for 2020, which showed that the growth of the local economy reached 0.7 percent in 2019.

The Governor of the Central Bank of Kuwait (CBK) Dr Mohammad Al-Hashel, in a statement to KUNA, outlined the mission's final statement content and the nature of the structural challenges facing the Kuwaiti economy and the ways to confront them.

The statement also praised CBK efforts in strengthening the banking and financial sector and increasing its fortification.

The mission statement came within three main axes, the recent macro-financial developments in Kuwait, the macroeconomic outlook and risks and the policy discussions, Al-Hashel said.

The website of the IMF published Monday the statement and praised the improvement in the growth of non-oil sectors in Kuwait, which reached about three percent last year, driven by the power of government and consumer spending.

Subdued oil prices and output are weighing on near-term growth prospects and external and fiscal balances. The current conjuncture and the exhaustible nature of oil underscore the need to diversify the economy and ensure adequate savings for future generations. While large financial assets, low debt, and a sound banking sector underpin Kuwait's resilience, the recent run-up in spending has worsened the fiscal position and eroded liquid buffers. Without a course correction, the fiscal and financing challenges would intensify and the window of opportunity to proceed at a measured pace would narrow.

The Kuwaiti authorities have embarked on financial and structural reforms to boost private sector growth and employment of Kuwaitis. They are undertaking reforms to improve the business climate, strengthen competition, reduce the role of

the state in the economy, deepen capital markets, and foster the development of small and medium enterprises. The needed fiscal adjustment however is proving difficult due to opposition to reducing the public wage bill, subsidies, and transfers, or introducing new taxes. To build broad support, the adjustment should be: (i) designed in a growth-friendly and socially equitable manner; (ii) supplemented by reforms to cut waste, improve the quality of public services, and strengthen government accountability and transparency; and (iii) accompanied by a vigorous communication campaign.

The IMF mission highly values the candid discussions with the authorities and expresses its gratitude for their hospitality and excellent cooperation.

Recent Macro-Financial Developments

Nonoil growth strengthened in 2019, but lower oil prices and output are weighing on the oil sector. Nonoil growth was propelled by strong government and consumer spending, the latter on the back of a credit recovery. Oil output however is expected to contract by 1 percent, broadly in line with the OPEC+ agreement. Taken together, this would bring overall growth to about 0.7 percent in 2019 from 1.2 percent in 2018. The current account surplus is estimated to have narrowed to 8½ percent of GDP in 2019 on account of lower oil exports. Inflation rose to 1.1 percent, reflecting higher food and transport prices and slower housing rent deflation.

While the consolidated fiscal balance improved in FY2018/19, the underlying fiscal position weakened. The nonoil balance excluding investment income fell by about 6 percentage points of nonoil GDP as government spending rose significantly. It grew by almost 25 percent in dinar terms from FY2016/17 to FY2018/19, mostly in hard-to-reverse expenditure categories. The public wage bill has grown by about 6 percent annually (despite low inflation) over the same period, as the government was compelled to absorb new graduates into the already oversized public sector. To make room for new labor force entrants, the retirement age for civil servants was lowered by 5 years, widening the state pension fund's actuarial gap to about 45 percent of GDP.

Fiscal financing needs have remained large. The consolidated balance after mandatory transfers to the Future Generations Fund (FGF) and excluding investment income amounted to a deficit of about 8 percent of GDP in FY2018/19. With the new debt law awaiting parliamentary approval, the government has been unable to issue debt since October 2017. Instead, it has continued to rely on the General Reserves Fund (GRF) for financing.

Kuwait's financial assets continued to grow, but readily available buffers declined. According to the mission's estimates, assets of the Kuwait Investment Authority (KIA) surpassed 410 percent of GDP by end-2019, as the FGF continued to receive mandatory transfers from the government and generated strong returns on its assets. However, the continued drawdown from the GRF for fiscal financing reduced its estimated total and liquid balances to 56 and 24 percent of GDP by June 2019.

Credit has rebounded thanks to supportive prudential and monetary conditions. Credit growth accelerated, spurred by Central Bank of Kuwait's (CBK) decision in late 2018 to increase ceilings on personal loans and supported by favorable monetary conditions. The CBK skillfully deployed various monetary policy instruments to support lending to the economy while maintaining the attractiveness of the dinar. As the Fed Funds rate rose in 2018, the CBK kept

Base claim hit

Kuwait seeks Iran position

KUWAIT CITY, Jan 27, (Agencies): Kuwait's deputy foreign minister said Iran's ambassador has vowed that a position will be taken on a senior Iranian Air Force officer's repeated remarks that a Kuwaiti military base was, alongside other bases, involved in a recent operation in Baghdad.

Kuwait has "not yet received a response from the Iranian foreign ministry," but Deputy Minister Khaled Al-Jarallah said his talks with the Iranian Ambassador Mohammad Irani were "positive."

"We sensed the Iranian ambassador's acknowledgement of Kuwait's anxiety and concern over the news, and the ambassador promised us that this would be reported to Tehran."

"We also requested for there to be a position (on the matter) and the ambassador promised this would be the case - we are currently awaiting this position."

Al-Jarallah also highlighted that talks remain ongoing between Kuwait's Charge d'Affaires in Tehran and Iranian officials.

Kuwait's foreign ministry summoned the Iranian ambassador last Friday over the matter, during which the deputy foreign minister expressed "dismay and puzzlement" at the repetition of the remarks, categorically rejecting any notions that any aircraft had flown from Ali Al-Salem Airbase to take part in the operation. Kuwait's Armed Forces, in an earlier statement, also denied the involvement of any Kuwaiti bases in the said operation.

Also:

TEHRAN: The chief of Iran's powerful Revolutionary Guard warned Monday that it will retaliate against American and Israeli commanders if the US continues to threaten top Iranian generals.

"I warn them to withdraw from this field," Gen **Hossein Salami** told state television, adding if they do not, they "will definitely regret it."

The US killed Revolutionary Guard Gen Qassem Soleimani, who headed the expeditionary Quds force, in a drone strike outside of Baghdad's airport in Iraq on Jan 3. Five days later, Iran retaliated by launching ballistic missiles at two bases in Iraq housing American troops, causing injuries but no fatalities among soldiers there.

Soleimani was responsible for Iranian proxy forces across the **Mideast**. The US alleged that he was plotting attacks on American targets.

Soleimani's replacement, Brig Gen **Esmail Ghaani**, has said he would carry with his predecessor's work.

Salami's comments come in response to remarks from the US special representative for Iran, **Brian Hook**, made to a Saudi-owned pan-Arab newspaper at the Davos economic forum last week.

Asked about Ghaani's pledge, Hook was quoted by the daily Asharq Awsat newspaper as saying "if he follows a similar path of killing Americans, he will meet the same fate."

He said any "any attacks against American personnel or interests in the region will be met with a decisive response."

KFH reports KD 251m net profit for 2019

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Riot police arrest an injured anti-government protester attempting to prevent the Lebanese lawmakers from reaching the parliament building to attend the 2020 budget discussion session, in downtown Beirut, Lebanon on Jan 27. (AP)

Kuwait faults Manila remark

Deliberations on family violence bill completed

By Saeed Mahmoud Saleh
Arab Times Staff

KUWAIT CITY, Jan 27: The parliamentary Women and Family Affairs Committee on Monday finalized its deliberations on the Family Violence Bill in the presence of representatives from concerned public institutions such as the Ministry of Interior, Ministry of Social Affairs, Supreme Council for Women, and Society Police, says Committee Chairperson MP Safa'a Al-Hashem.

Al-Hashem disclosed the bill is based on nine proposals submitted by MPs on designating protectors who will provide psychological, legal and political protection to victims of family violence in various governorates; in addition to granting financial support through the establishment of a special fund for affected families. She said the bill consists of 26 articles on protection against family violence.

She added the main article in the bill stipulates protection for the informant - a neighbor, friend, employer or others who may have witnessed violent acts against a family member. She explained that if a person witnesses a family member or a child being subjected to violent acts like beating even inside a shopping mall or any public place, he should inform the concerned authority. Members of society police, concerned employees at the Ministry of Social Affairs and protectors assigned in the governorates will be given judicial arrest power to impose penalties on the assailant. The society police, relevant ministry employees and protectors will be designated in public places like parks and public utilities wearing plain clothes, not military or police uniform. Their job is to deal with cases of violent acts committed by a family member against another member like the wife or children. The bill, once approved, will be applied on both the citizens and expatriates, the lawmaker added.

Meanwhile, Chairman of the Legislative Affairs Committee MP Khalid Al-Shatti issued a press statement commenting on the withdrawal of two committee members in protest against the decision to combine three draft laws on the general amnesty.

He affirmed the committee remains committed to the Constitution and Articles 99 and 100 of the National Assembly Decree. He said some people want to implement the decree and abide by the Constitution if such acts support their demands, but they do otherwise if such acts do not support their opinions. He pointed out that these people's opinions change from time to time and from one parliamentary term to another according to the interests of their parties, not the welfare of the public.

Addressing those who opposed the committee's decision to combine the three draft bills, Al-Shatti asserted that hurling accusations of betrayal and being mercenaries are not useful; stressing their action is a form of betrayal according to the point of view of a large part of the society.

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PM reflects on 'prideful' UN Security Council stint

KUWAIT CITY, Jan 27, (KUNA): His Highness Kuwait's Prime Minister Sheikh Sabah Khaled Al-Hamad Al-Sabah on Monday praised his country's tenure in the UN Security Council, saying it was something all Kuwaitis should be "proud" of.

Amid a symposium held in a local diplomatic institute, he gave credit to Kuwait's diplomats, headed by Foreign Minister Sheikh Dr Ahmad Nasser Al-Sabah, for their strenuous efforts dur-

ing the country's 2018-2019 non-permanent membership in the UN Security Council.

Kuwait's commitment to matters concerning the Arab world, particularly, the Israeli-Palestinian conflict, was its primary concern during its tenure, in addition to its devotion to humanitarian causes, he added.

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Opinion

Oh Maryam, face reality without fear

By Ahmed Al-Jarallah

Editor-in-Chief, the Arab Times

TRANSPARENCY is the utmost degree of democracy. Telling the truth prevents many problems. As for obstinacy and pushing towards gaining electoral votes from citizens at the expense of the future generations and the fate of the country, this is typical recklessness, in a bid to avoid describing such a trait as breach of trust and national responsibility.

Therefore, it is necessary for the members of the Parliament to leave behind the curtains of personal interest, and avoid bidding on the Minister of Finance Maryam Al-Aqeel, who raised the alarm about what Kuwait will face in the coming years, after declaring that the deficit expected in the budget of the 2020/2021 fiscal year is about KD 9 billion, 71 percent of which will be allocated for salaries and subsidies.

This is being said at a time when parliamentarians are continue to issue proposals for populist legislation, taking advantage of what is left of the legislative term to collect the largest percentage of votes, which is actually against the supreme interest of the country and the people.

The truth must be confronted. The welfare state ended irrevocably, and attachment to the delusions of the past, or the policy of "taking it easy" is no longer helping because it was, in fact, the reason for the state to carry more than it can bear.

Kuwait is not immune to the negative impacts of the current global economic and financial reality, and the crises facing the world. It could find itself in the midst of a big storm if it does not work from today on developing realistic plans to prevent a gradual collapse that will later transform within the next few years into a snowball that will not be stopped by parliamentary bickering, in light of the increase in the deficit.

The hollow statements countering Al-Aqeel's realistic and rational words indicate ignorance of the simplest rules of parliamentary work, and the threat to grill her seems nothing more than a childish tantrum.

Now the questions that beg to be asked are - Is it required for her to lie to herself and the Kuwaitis in order to ensure a comfortable rest for the parliamentarians? Is it reasonable for the amount spent on subsidies for goods and food items to reach about \$22 billion, which equals the budget of a country that has more population than the population of Kuwait? Are all of the 1.3 million Kuwaitis living in this country suffering from poverty in order for the state to subsidize food items, which most recently included fish? Isn't this an oddity that no country in the world has ever seen?

Kuwait does not suffer from starvation. Even in the days of need, the state did not spend such huge amount for subsidizing food items, electricity, gasoline and other services. It is better to allocate this amount to productive projects.

What is required is to have the least national responsibility in approaching this fateful matter; in fact, if there is a sincere intention to transform Kuwait into a global financial and commercial hub, it is necessary to reflect on the words of the Minister of Finance, search for ways to stop this wastage, and prevent the aggravation of the deficit, instead of bickering. This is because, when the problem occurs, the parliamentarians will be the first to exclude themselves from such responsibility.

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NewsWatch

KUWAIT CITY: His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah will attend and patronize a ceremony to hoist the Kuwaiti flag at Bayan Palace on Tuesday at 10:00 am.

The ceremony will see the attendance of His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and senior state officials. (KUNA)

KUWAIT CITY: His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah received a letter on Sunday from Pope Francis, in response to the greetings he sent the Vatican to mark the new year.

In his letter, Pope Francis said he was overjoyed to have received His Highness the Amir's best wishes, saying he is eager to work with leaders across the world for the good of humanity.

He went on to wish that Kuwait would remain on a fixed path towards prosperity and stability, hoping for even better bilateral ties. (KUNA)

KUWAIT CITY: Head of the Directorate General for Civil Aviation labor syndicate **Jaber Al-Azmi** revealed that nine Chinese passengers who arrived at the Kuwait International Airport from Hong Kong were returned to their country after detecting symptoms of coronavirus infection, reports Al-Seyassah daily.

Al-Azmi said the decision to return them was taken after they were subjected to repeated tests by Ministry of Health, which revealed the existence of symptoms of the virus.

While the Cabinet has been reassuring the public about the nonexistence of coronavirus in the country, and affirming that necessary measures have been taken to counter any possibilities of

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