

Economic Insight

15 January 2025



Kuwait: Preliminary data show GDP fell in Q3 2024, but historical figures revised stronger

Preliminary Central Statistical Bureau (CSB) estimates show non-oil GDP in Q3 2024 declined by 2.5% y/y after a solid H1 and driven by contractions in manufacturing and public administration & defense output. Oil GDP also fell, by 5.3%, constrained by OPEC-linked production cuts that were extended through the second half of the year. As a result of the above sector moves, total GDP fell 3.9% in Q3. The near-term outlook is more constructive, with crude output cuts set to be unwound in 2025, interest rates on a downward trajectory, project awards rising strongly of late and the government expected to accelerate implementation of its economic development plan.

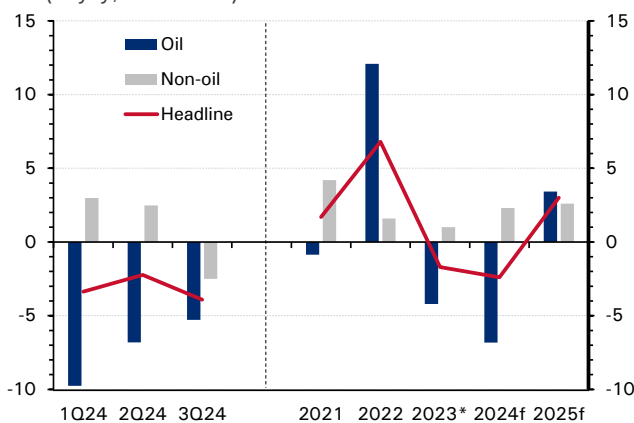
Non-oil sector contracts in Q3; better prospects for Q4 2024 and 2025

The decline in non-oil GDP in Q3 represented a weakening versus the downwardly revised 2.5% y/y recorded in Q2 (previously 4.2%). (Chart 1.) The year-over-year contraction in non-oil activity was broad-based, with growth negative in most non-oil subcomponents and particularly steep in the manufacturing sector (-10.8% y/y), despite output gains in refined petroleum products from the Al-Zour refinery, according to official data submitted to the Joint Organizations Data Initiative. Meanwhile, the contraction in activity in other large economic sectors, including public administration & defense (-2.5% y/y), financial intermediation (-2.5%), and wholesale and retail trade (-3.3%) was less acute though still notable. (Charts 2 & 3.) Output gains in the hotels & restaurants (5%) and education (3.1%) segments as well as in the transport sector (2.2%) helped mitigate some of the contraction.

Looking forward, the non-oil economy should benefit in Q4 2024 from an influx of tourists linked to Kuwait's hosting of the Arabian Gulf Cup football tournament. Moreover, average non-oil private sector output for Q4,

Chart 1: Real GDP growth

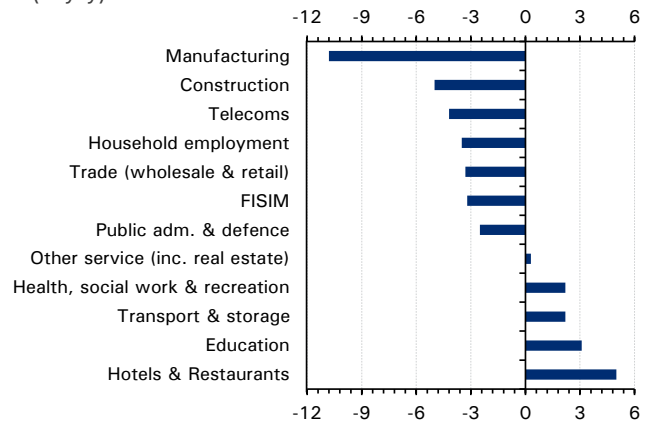
(% y/y; 2010=100)



Source: CSB, Haver, NBK estimates; *preliminary figures

Chart 2: Non-oil growth at sub-sector level (Q3 24)

(% y/y)



Source: CSB, Haver

using the Purchasing Managers' Index survey readings, pointed to the strongest quarter of expansion (57.4) in the history of the series. For 2025, the growth outlook remains broadly constructive given the expected, albeit modest recovery in consumer spending, recent improvements in credit growth and project awards, which hit a near 8-year high in Q4, potentially lower interest rates and a possible rise in public investment as the government advances the Vision 2035 economic agenda. We see non-oil GDP growth at around 2.6% this year, up from an estimated 2.0% in 2024.

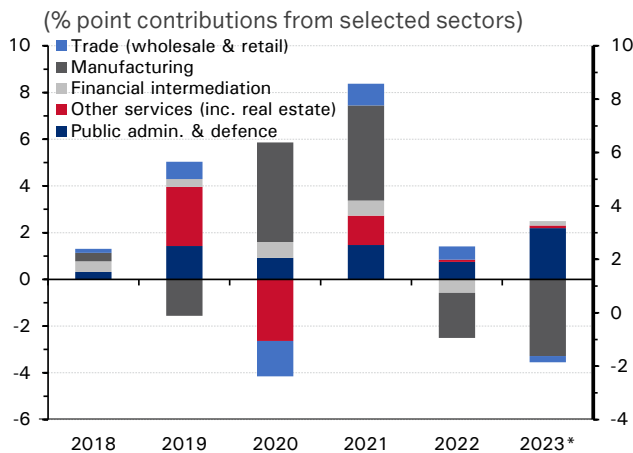
Oil sector fortunes remain linked to OPEC policy as output in Q3 declines for sixth quarter in a row

The contraction in oil sector GDP continued for a sixth consecutive quarter in Q3 2024, albeit less negative than Q2's (-6.8% y/y), and output did improve on a quarter-on-quarter basis (1.0%). (Chart 4.) Since the start of 2024, Kuwait has kept its monthly crude production steady at 2.41 mb/d in accordance with its OPEC+ quota and voluntary production cut obligations, which in 2024 called for a further reduction of 135 kb/d at the outset. These cuts were scheduled to be unwound in H2 2024 but due to weaker-than-expected market fundamentals and prices were extended three times. On the basis of the December 2024 OPEC+ meeting, Kuwait's crude production will only start rising in April 2025, at the rate of 7 kb/d per month until all 135 kb/d is restored and production reaches 2.548 mb/d by September 2026. On this schedule, which assumes no further extension of output cuts, oil GDP growth will turn positive in Q2 2025.

Data revisions show economy escaped recession in 2022-23

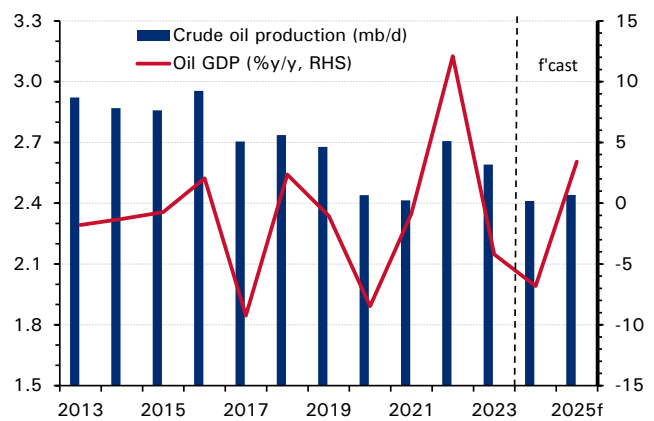
The latest release was once again accompanied by significant revisions to the historical series across several non-oil components, but especially public administration & defense, manufacturing and 'taxes less subsidies'. As a result, Kuwait's non-oil economy looks to have escaped recession in 2022 and 2023 amid significant upgrades to public administration and defense, electricity, gas & water, and construction. In 2022 and 2023, non-oil GDP growth was revised up to 1.6% (from -0.1% previously) and 1% (from -2.9%), respectively. In 2021, though, growth was downgraded to 4.2% from 5.4% previously. Similarly, the latest figures for Q3 2024 are preliminary and subject to revisions in future releases. ■

Chart 3: Contribution to non-oil growth



Source: CSB, Haver; *preliminary estimates

Chart 4: Oil production and oil GDP



Source: CSB, JODI, OPEC, NBK estimates

Head Office

Kuwait
National Bank of Kuwait SAKP
Shuhada Street,
Sharq Area, NBK Tower
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2222 2011
Fax: +965 2229 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

France
National Bank of Kuwait France SA
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Wealth

Kuwait (Headquarters)
NBK Wealth
34h Floor, NBK Tower
Jaber Al-Mubarak & Shuhada'a street
Block 7, Plot 6, Sharq Area
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
Gate District
Precinct Building 4, Floor 7
Office Unit 3
Dubai International Financial Center
(DIFC)
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2804

Saudi Arabia
AIMohammadiyah District
Daman Building 3rd Floor
P.O. Box. 75144
Riyadh 11578,
Kingdom of Saudi Arabia
Tel: +966 11277 7120
Fax: +966 11277 7649

Switzerland
Rue de la Corraeterie 5
P.O. Box. 3271
1211 Geneva 3
Switzerland
Tel: +41 22 319 0202

United Kingdom
13 George Street
W1U 3QJ
London
Tel: +44 20 7224 2277