

This Week

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1. The Chinese Initiative "The Belt and The Road"

As long as we are discussing a "New Kuwait" project after the pioneer Kuwait has lagged in recent decades, and as long as the project is connected with the Chinese Initiative "The Belt and the Road", our involvement in shedding light on the initiative might be useful. The belt and the road may be the title for a Chinese strategy that aims to expedite and sustain its economic superiority after it changed its development model in 2012 benefitting from the lessons and repercussions of the Global Financial Crisis in 2008 which deprived China from 40% of its historical growth rates.

Defining the title "The Belt and the Road", the concerned parties transfer the Chinese interpretation for it; the belt is referring to roads, bridges, railway roads and projects which are built using Chinese materials towards land expansion in Asia and the ME region. The Road is the marine path from South China towards the rising African continent which is full of raw materials until it reaches the Mediterranean Sea. In our view, the geographical target is valid and correct at this phase. Nevertheless, the definition is imprecise.

Going back to September of 2013 when the Chinese President launched the above initiative in a lecture at Kazakhstan University titled "The Silk Road: Economic Belt" which is a more valid name, we believe. In our view, he meant that the belt includes whatever states China can reach -geographical belt- including regions of Western homogeneity after its withdrawal or weakness in continuing its control. The belt is expandable by time. The road described as silk is borrowed from the past when China -the belt- was the premiere economic power then and used to export its goods through a similar land route. Recently, it means a communications network both on land and sea to connect all markets -the belt- it reaches with the center, or China, to excel in relative advantages in exporting its goods and services. The reason for changing the name in our opinion is to avoid what the concept Belt might suggest that the countries participating in the project are inevitably contained by the Chinese Belt, which is a highly sensitive political concept.

The Belt region currently contains 68 states whose number and population to the world total population is more than their contribution to the global economy. China however is aware of that and is also aware that this contribution will grow bigger in the forthcoming years. It is also aware that the economic return -and not the financial- and the strategic return in the long term outweigh what it might benefit financially in the short term. The West, especially USA, is aware that the Chinese superiority is forthcoming and the American trade war and the refrainment of most European states from participating in the last Chinese economic conferences and the Western pressure on the states involved in the project might delay the time of achieving the Chinese Initiative goals. However, it does not have the means to halt it.

We also believe that China classifies the belt states into two groups: a group is welcome to deal with right away which includes rich states which do not need financing from China. Besides, they obtain strategic raw materials. The group includes KSA, Kuwait and UAE. The other group is struggling to achieve its goals both in medium and long terms like Bangladesh, Pakistan, Sri Lanka and most of the African Continent. China does not object investing its huge financial surpluses there though with tough terms and conditions which might lead to seize those projects as in the case of Sri Lanka and perhaps Pakistan later on.

Therefore, China and Kuwait signing of three "MOUs" is the product of an accord for the interest of both sides with no party

is better than the other as long as each party knows what it wants and what the other party wants. China should know that Kuwait is a favorable state with its belt although its integration in it will face western resistance. Kuwait which is eager to diversify its economy and reduce its heavy reliance on oil knows its need for China's experience in achieving its goal for trade expansion in the north and in the west. It is a convergence of interests where there is little room for emotions. The understanding of each party to its interests and defending them will end up doubling the benefits of the project and minimize its risks and vice versa.

2. Monetary & Economic Indicators (October – December 2018)

The periodical statistical bulletin of the Central Bank of Kuwait (CBK) states in its October-December issue some economic and monetary indexes which deserve follow up; we shall cite some of them to document their developments. An example is the balance of trade - commodity exports minus commodity imports- which achieved surplus in the fourth quarter of 2018 in the amount of KD 2.790 billion, with exports reaching KD 5.411 billion in the fourth quarter, of which 92.2% were oil exports. Total commodity exports for the entire year scored KD 21.726 billion with 90.9% being oil exports. On the other hand, its non-military commodity imports during the fourth quarter of 2018 scored KD 2.622 billion (KD 10.829 billion for the entire year). The balance of trade achieved surplus in the first quarter of 2018 in the amount of KD 2.323 billion, increased to KD 2.645 billion in the second quarter,

and increased in the third quarter to KD 3.139 billion. This means the balance of trade achieved a surplus in the amount of KD 10.897 billion for 2018, which is 67.8% higher than its 2017 value at KD 6.495 billion.

Consumer prices rose in 2018 by 0.6% and scored an average of 113 (year 2013=100) up from 112.3 in 2017. This rate is endurable. The rise is attributed to the prevalence of the rise in tobacco and narcotics prices from 113.1 in 2017 to 126.2 in 2018 (+11.6%).

The bulletin points to continued increase in the weighted interest rate on deposits from 1.682% in the third quarter to 1.770% in the fourth quarter of 2018, a quarterly increase by 5.2%. Likewise, it increased from 1.619% for 2017 to 1.669% for 2018, an increase rate by 3.7%. The weighted interest rate on loans continued its increase from 4.816% to 4.832% for the same period, a quarterly increase rate by 0.3% and increased from 4.696% in 2017 to 4.827% for 2018 (2.8%).

Private sector deposits at local banks scored KD 36.852 billion (KD 35.385 billion at the end of 2017), up by 4.1%. Local banks' claims on the private sector similarly rose to KD 38.670 billion (KD 37.199 billion in 2017), i.e. 4%.

3. Comparative Performance of Selected Stock Markets – April 2019

Performance during April was positive for most stock markets of the sample (14 markets). Where 12 markets achieved gains while 2 markets only achieved losses. In March, 9 markets were gainers

and 5 markets were losers. By the end of April, the first third of the current year ended by a positive result during which 13 markets achieved gains in comparison with their indexes in the end of the year and only one market achieved losses in the end of last year.

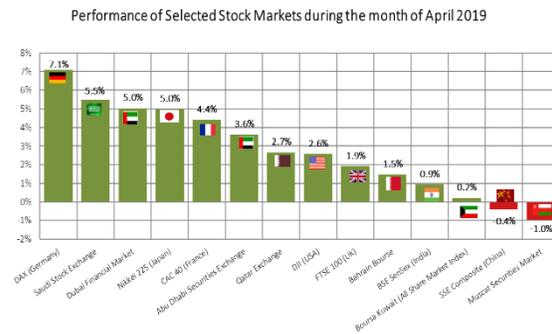
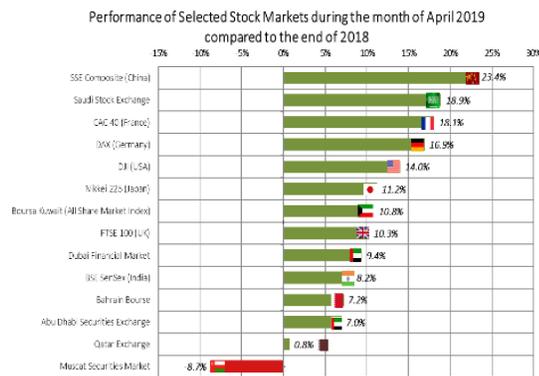
The biggest gainer in April was the German market whose index gained 7.1% in one month and gained 16.9%, becoming fourth in terms of gains ranking compared with its position since the beginning of the year. The Saudi market was the second gainer and continued its positive performance, its index achieved 5.5% gains. It came second among gaining markets since the beginning of the year and accumulated gains by 18.9%. The third gainer was Dubai stock exchange by 5% gains after slight losses achieved last March by -0.03%. It ended April by being in the 9th position by 9.4% gains since the beginning of the year. As for Boursa Kuwait, it was the least winner during April and its index achieved 0.2% gains and occupied the 7th position among gainers since the beginning of the year by 10.8% gains.

The biggest loser in April was Muscat stock market by losing -1% and remained alone in the negative zone since the beginning of the year (-8.7% losses since the beginning of the year). The second loser was the Chinese market which lost -0.4%. Nevertheless, it retained its position No. 1 for gaining markets since the beginning of the year by 23.4% gains.

It is likely that the performance during May will witness more losers for several reasons. First is the return to the trade war

led by the USA against China without excluding the European Union. Second is the coinciding of the first reason with the wave of a semi-comprehensive rise for the sample markets which might render a deserved course correction. That might occur even temporarily because stock

markets still receive support from the strong performance of the American economy together with recovery indexes for the European economies and postponing BREXIT from the European Union and the Federal Reserve halting lifting the interest rate.

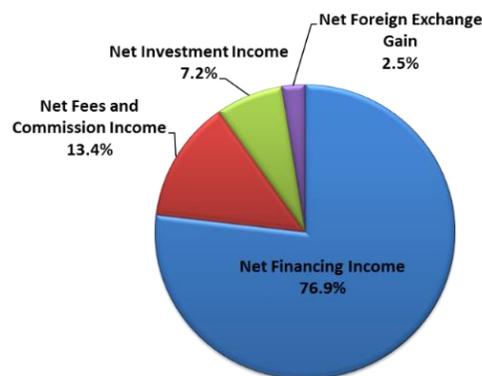


4. Boubyan Bank Financial Results – First Quarter 2019

Boubyan Bank announced results of its operations for the first quarter of the current year, which indicate that the bank's profit (after tax deduction) scored KD

14.62 million, a rise by KD 1.97 million or by 15.6%, compared with KD 12.65 million for the same period of 2018. The rise in net profit is attributed to the rise in total operating income by a higher value than the rise in total operating expenses.

Total Operating Income in the First Quarter 2019



In details, all items of the bank's operating income increased by KD 3 million or by 8.9%, with the exception of item net financing income which decreased by KD 223 thousand or by 0.8%, reaching KD 28.6 million compared to the same period of 2018. As a result, bank's operating income scored KD 37.2 million versus KD 34.2 million for the same period of 2018. This resulted from the rise in the item of net financing income by KD 1.8 million or by 208.6%, reaching KD 2.7 million compared with KD 874 thousand. Item of net fees and commission income also increased by KD 1.2 million to KD 4.9 million from KD 3.8 million.

Total operating expenses rose by a lesser value than the rise in total operating income, i.e. by KD 702 thousand or by 5.1%, and scored KD 14.35 million compared with KD 13.64 million in the same period of 2018. The rise included all items of operating expenses except item of General and administrative expenses. Percentage of total operational expenses to total operational income scored 38.6% versus 39.9%. Provisions for impairment increased by KD 318 thousand and scored KD 7.6 million compared with KD 7.3 million, a rise by 4.4%. Net profit margin scored 39.3% of total operational income versus 37% in the same period of 2018.

The bank's financial statements indicate that total assets increased by KD 209 million or by 4.8%, and scored KD 4.554 billion compared with KD 4.345 billion in the end of 2018. The rise in total assets scored KD 343.4 million or by 8.2%, when compared with the same period of 2018 when it scored then KD 4.210

billion. Item of Islamic financing to customers increased by KD 142.5 million or by 4.4%, to KD 3.404 billion (74.8% of total assets), compared with KD 3.262 billion (75.1% of total assets) in the end of 2018. It increased by 13% which equals to KD 391.3 million, compared with KD 3.013 billion (71.6% of total assets) in the same period of 2018. Percentage of Islamic financing to clients to total clients' deposits scored 89.7% versus 85.5%. Item of cash and balances with banks rose by KD 38.9 million or by 46.5%, and reached KD 122.7 million (2.7% of total assets) versus KD 83.8 million (1.9% of total assets) in the end of 2018. It also rose by KD 80 million or by 187.1%, when it scored KD 42.8 million (1% of total assets) compared with the same period of 2018.

Figures indicate that the Bank's liabilities (excluding total equity) increased by KD 210 million or by 5.5%, and scored KD 4.070 billion compared with KD 3.859 billion in the end of 2018. When compared them with total liabilities in the same period of 2018, we will find a rise by KD 303.8 million or by 8.1%, when total liabilities scored KD 3.766 billion. Percentage of total liabilities to total assets scored remained at 89.4% for both periods.

Results of analyzing financial statements calculated on annual basis indicate that the entire bank's profitability indexes rose compared with the same period 2018. The average return on shareholders' equity (ROE) increased to 14.4% from 13.6%. Likewise, the average return on capital (ROC) increased also and scored 23.9%

versus 21.7%. The average return on assets (ROA) rose slightly to 1.31% versus 1.24%. Earnings per share (EPS) scored 5.83 fils versus 5.01 fils. (P/E) increased to 26 times as versus 24.1 times,

a result of the rise in the earnings per share (EPS) by a lower percentage than the rise in the share market price compared with their levels on March 31, 2018. (P/B) scored 3.1 times versus 2.6 times.

	31/03/2019	31/03/2018	Change		
	(Thousand KD)	(Thousand KD)	Value	%	
Total Assets	4,553,885	4,210,486	343,399	8.2%	↑
Total liabilities	4,069,804	3,766,000	303,804	8.1%	↑
Total Equity attributable to the equity holders of the bank	406,373	366,794	39,579	10.8%	↑
Total Operating Revenues	37,214	34,177	3,037	8.9%	↑
Total Operating Expenses	14,346	13,644	702	5.1%	↑
Provision	7,601	7,283	318	4.4%	↑
Taxation	643	597	46	7.7%	↑
Net income	14,624	12,653	1,971	15.6%	↑
Ratios					
**Return on Average Assets (ROA)	1.31%	1.24%			↑
**Return on Average Equity Relevant To The Bank Shareholder (ROE)	14.4%	13.6%			↑
**Return on Capital (ROC)	23.9%	21.7%			↑
Earnings per share (EPS) – (Fils)	5.83	5.01	0.82	16.3%	↑
Closing price – (Fils)	606	483	123	25.5%	↑
* Price to Earnings Per Share Multiplies (P/E)	26.0	24.1			
Price to Book Value Multiplies (P/B)	3.1	2.6			

* Indicators Ended March 31, 2019 on an annual basis.

** Calculated based on the average rate of the financial data at the end of December 2018 and 31 March 2019

5. The Weekly Performance of Boursa Kuwait

The performance of Boursa Kuwait for last week was more active compared to the previous one, where the traded value, traded volume, number of transactions and the general index (AlShall index) increased. AlShall Index (value weighted) closed at 504.7 points as of last Thursday, showing an increase by 13.3 points or by 2.7% compared with its level last week. While it increased by 75.7 points or by 17.6% compared with the end of 2018.

The following tables summarize last week's performance of Boursa Kuwait

Description	Week 19	Week 18	Diff %
	09/05/2019	02/05/2019	
Working days	5	5	
AlShall index (33 Companies)	504.7	491.4	2.7%
Boursa All Share Market Index	5,803.2	5,695.0	1.9%
Value Trade (KD)	144,494,287	90,726,680	
Daily average (KD)	28,898,857	18,145,336	59.3%
Volume Trade (Shares)	524,798,817	424,856,277	
Daily average (Shares)	104,959,763	84,971,255	23.5%
Transactions	25,848	24,429	
Daily average (Transactions)	5,170	4,886	5.8%

Most Active Sectors & Companies		
Description	Value Traded	% of Total
Sectors	KD	Market
KUWAIT FINANCE HOUSE	26,796,017	18.5%
NATIONAL BANK OF KUWAIT	17,886,923	12.4%
MOBILE TELECOMMUNICATIONS COMPANY	16,047,922	11.1%
GULF BANK	15,278,634	10.6%
AHLI UNITED BANK (B.S.C)	13,572,931	9.4%
Total	89,582,426	62.0%
Description	Value Traded	% of Total
Sectors	KD	Market
BANKS SECTOR	90,380,353	62.5%
FINANCIAL SERVICES SECTOR	17,779,797	12.3%
TELECOMMUNICATIONS SECTOR	16,217,653	11.2%
INDUSTRIALS SECTOR	9,028,875	6.2%
REAL ESTATE SECTOR	7,711,804	5.3%

ALSHALL INDEX	Week 19	Week 18
	09/05/2019	02/05/2019
Increased Value (# of Companies)	17	12
Decreased Value (# of Companies)	10	17
Unchanged Value (# of Companies)	6	4
Total Companies	33	33

	Company Name	THU	THU	DIFF	CLOSE	DIFF
		09/05/2019	02/05/2019	%	2018	%
1	National Bank Of Kuwait	638.5	617.6	3.4	520.4	22.7
2	Gulf Bank	254.4	250.3	1.6	204.8	24.2
3	Commercial Bank Of Kuwait	543.9	572.8	(5.0)	516.0	5.4
4	Al-Ahli Bank Of Kuwait	209.5	216.1	(3.1)	193.1	8.5
5	Kuwait International Bank	307.8	305.6	0.7	275.1	11.9
6	Ahli United Bank	332.3	317.7	4.6	296.5	12.1
7	Burgan Bank	356.7	359.0	(0.6)	284.8	25.2
8	Kuwait Finance Bank	2,078.4	2,052.3	1.3	1,659.8	25.2
	Banking Sector	609.0	597.7	1.9	502.7	21.1
9	Commercial Facilities Company	150.1	144.4	3.9	126.3	18.8
10	International Financial Advisors	190.5	193.7	(1.7)	227.8	(16.4)
11	National Investments Company	144.7	146.0	(0.9)	103.8	39.4
12	Kuwait Projects Company (Holding)	524.1	503.1	4.2	486.7	7.7
13	Coast Investment & Development Company	51.9	50.7	2.4	45.4	14.3
	Investment Sector	208.9	202.9	3.0	187.1	11.7
14	Kuwait Insurance Company	72.8	72.8	0.0	79.4	(8.3)
15	Gulf Insurance Company	356.4	356.4	0.0	373.5	(4.6)
16	Al-Ahleia Insurance Company	169.0	152.8	10.6	160.3	5.4
17	Warba Insurance Company	59.6	54.6	9.2	54.1	10.2
	Insurance Sector	143.9	139.6	3.1	147.7	(2.6)
18	Kuwait Real Estate Company	120.0	122.8	(2.3)	89.0	34.8
19	United Realty Company	124.4	124.4	0.0	122.4	1.6
20	National Real Estate Company	211.2	200.0	5.6	229.5	(8.0)
21	Salhiaha Real Estate Company	1,393.1	1,393.1	0.0	1,332.5	4.5
	Real Estate Sector	179.2	177.2	1.1	172.2	4.1

22	The National Industries	213.5	197.5	8.1	141.2	51.2
23	Refrigeration Industries Co	467.3	453.8	3.0	571.3	(18.2)
24	Gulf Cable & Electrical Industries	147.9	151.5	(2.4)	140.3	5.4
	Industrial Sector	194.9	186.9	4.3	177.5	9.8
25	Kuwait National Cinemas	564.9	571.2	(1.1)	671.0	(15.8)
26	The Public Warehousing Co	4,044.4	3,808.3	6.2	3,579.3	13.0
27	Mobile Telecommunications Co (ZAIN)	831.4	737.8	12.7	662.9	25.4
28	Safat Energy Co	23.1	24.8	(6.9)	29.9	(22.7)
	Services Sector	1,251.6	1,157.8	8.1	1,085.3	15.3
29	Livestock Transport & Trading Co	165.8	165.0	0.5	156.7	5.8
30	Danah Alsafat Foodstuff Company	31.8	34.3	(7.3)	39.0	(18.5)
	Food Sector	457.5	457.5	0.0	456.1	0.3
31	Sharjah Cement Co	300.0	300.0	0.0	362.0	(17.1)
32	Gulf Cement Co	239.9	238.3	0.7	273.8	(12.4)
33	Umm Al-Qaiwain Cement Industries	431.9	431.9	0.0	489.3	(11.7)
	Non Kuwaiti Companies	198.1	197.8	0.2	215.0	(7.9)
	General Index	504.7	491.4	2.7	429.0	17.6