

This Week

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1. Global Competitiveness Report

The International Institute for Management Development at Lausanne, Switzerland issued the new classification for the ranking of States in their economies' competition index. The report was issued on May 28 and included 63 states. Singapore ranked first (up from third in 2018 Index). A McKenzie study presented to the Higher Planning and Development Board stated that a "New Kuwait" project will create about 210,000-220,000 new national jobs with high productivity quality that is comparable to the Singaporean. But this classification this year Kuwait was out of the classification, i.e. not within the 63 States. In a parallel classification called "World Competitiveness Index" issued by Dafus Kuwait has regressed from position 34 in 2015 to position No. 38 in 2016, to position No. 52 in 2017 and to position 54 in 2018. This reflects sustained regression or lagging for its competitive classification.

The classification of the International Institute for Management Development is the outcome of the performance of other indexes: the macro economy performance, competence of the

government performance, competence of the business sector's performance and competence of the infrastructure. This means the coefficient factor among the 4 indexes should be positive and strong to yield an advanced competitive outcome for the economy, which Kuwait lacks. If we add to that the continued backwardness in the Corruption Conceptions Index and the Business Climate Index in general, we realize the urgency of Kuwait's adoption of a disciplined surgical reform approach. Other than that, all that is said about the beautiful development goals is nothing but mirage. In its literature, development is close to any agricultural project. Tilling, irrigation, fertilization and suitable weather are the difference between success in gleaning the harvest or not. Likewise, competitiveness, sound business climate and scarce corruption besides sound human and material infrastructure are guarantees for the success of any development project.

It does not seem that achieving progress in the above index is impossible for Kuwait. The above competitiveness index for 2019, three GCC States achieved tangible progress

in their positions and came within the first half of the table. The best one was UAE came fifth (7th in 2018) and preceded Netherlands, Ireland, Denmark, and Sweden. The second was Qatar which ranked 10th (14th in 2018). Its weakest index was its infrastructure index which came 40th. With some attention to it, its competitiveness will improve. KSA came in the 27th position and jumped about 13 positions in one year which was the biggest jump among all countries.

Therefore, we would like to recall that "New Kuwait" Project is a dream and it is good to dream. But making it real will not be fulfilled by escaping from reforming the center which is the nursing environment for development and no development is possible without reforming it. Otherwise, the dream remains a dream.

2. Parallel Government Authorities

Al Qabas newspaper mentioned in its June 2nd 2019 issue that the Minister of the Municipality asked the Minister of Justice to establish a public Real Estate Authority to confront the real estate fraud issues. Remember that there are more than 40 authorities, councils and committees 90% of which do not perform their responsibilities but add a heavy burden on public finance. Most of them are no more than platforms for conflicts on quotas in their appointments. Their continuity is impossible. One of the governmental economic and financial reform priorities was to dispose of the largest number of them either by disbanding or

merge. None of these governmental goals was achieved. The recent call is a call for changing the track to the opposite reform direction.

Real estate fraud cases when they used to occur could have been stopped by a preemptive decision from any official after reading these companies' ads and promises. Investigating and verification of these promises was adequate to stop any subsequent tragic consequences. But the government's approach is one of reaction and not action. The Government of Kuwait is the largest government in the world throughout history. There is one public servant in working in the government sector for each adult citizen not working in the government. And if this massive block is unable to achieve, the solution lies in reviewing the approach but not by increasing the number. It is unacceptable to justify this by claiming that our region or the world has similar authorities. (We claim) that there is not one single state in the world so full of public labor force like Kuwait. The world does not resort to establishing parallel entities if the original ones fail in performing their responsibilities while retaining the original ones at the same time.

Discussing establishing any necessary authority is not a problem but only after studying all the existing ones and adopting a decisive resolution by dissolving most of them. The government approach should be to reduce the government's size which is no longer an option but an inevitable

demand to increase chances of sustainable public finance.

3. Performance of Selected Stock Markets – May 2019

Performance during May was negative for most stock markets of the sample (14 markets). 12 markets achieved losses while 2 markets only achieved gains. Therefore, May achieved the worst monthly performance during 2019 due to the increased tension of geopolitical events and prospects of a military confrontation between the USA and Iran and due to the rise in the rising pace of the trade war. By the end of May, the 5th month of the year ended by a positive outcome during which 12 markets achieved gains compared with their indexes in the end of last year while two markets achieved losses.

The biggest gainer in April was Boursa Kuwait whose index gained 1.8% in one month becoming 2nd in terms of gains compared with its level since the beginning of the year with gains of 12.8%. The Indian market was the

second biggest gainer and continued its positive performance and its index achieved 1.7% gains. It came 4th among gaining markets since the beginning of the year by 10.1%.

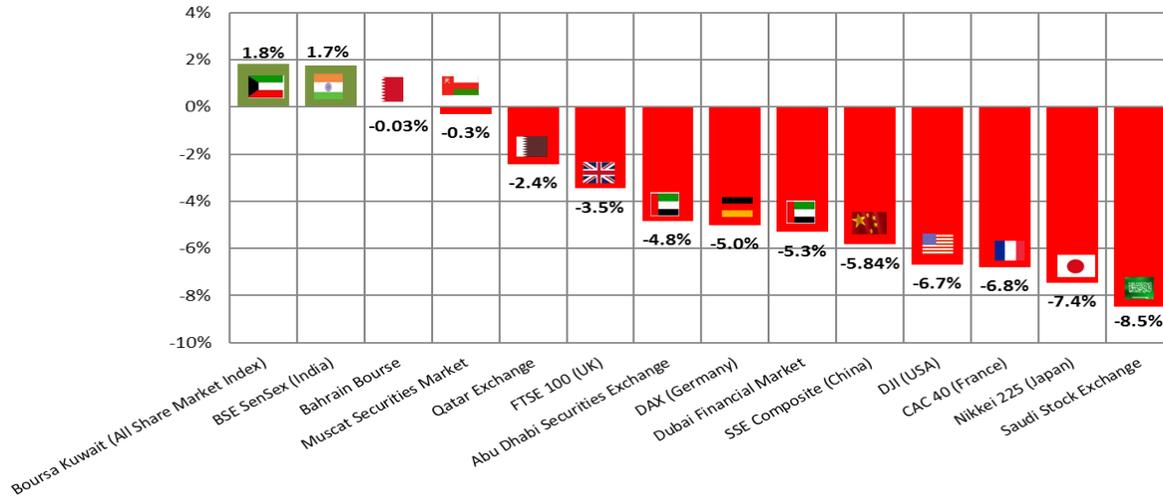
The biggest loser in May was the Saudi stock market by losing -8.5% and reversed to the 6th position among gainers since the beginning of the year by 8.8% gains compared with the 2nd position in April. The second major loser was the Japanese market which lost -7.4% in one month. Its position retreated from the 6th position to the 11th position among markets in terms of gains from the beginning of the year achieving 2.9% by the end of May.

It is likely that the performance during June will witness dominance of losers due to the return of tense trade war between the USA and China on a global level and continued tension of geopolitical events in the region. Any improvement in these two factors might lead to the opposite.

Performance of Selected Stock Markets during the month of May 2019 compared to the end of 2018



Performance of Selected Stock Markets during the month of May 2019

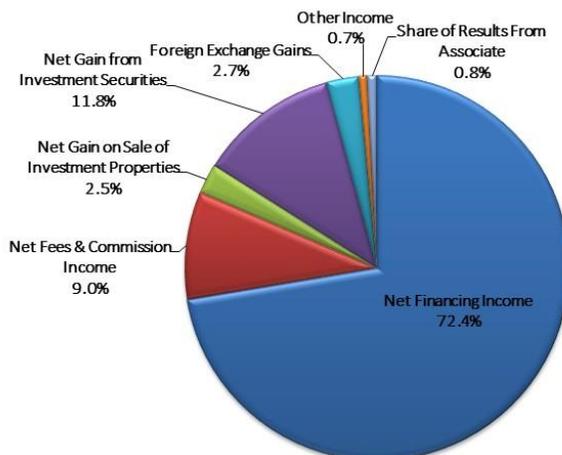


4. Ahli United Bank Financial Results – First Quarter 2019

Ahli United Bank (AlMutahed) announced results of its operations for the first quarter of the current year, which indicate that the bank achieved net profits (after tax deduction) of KD 17.55 million, an increase by KD 728 thousand or by 4.3% versus KD 16.82

million for the same period of 2018. This resulted from the absolute increase in total operating income by a higher value than the increase in total operating expenses. Therefore, operating profit of the bank rose by KD 1.10 million, to score KD 21.68 million compared with KD 20.58 million.

Total Operating Income in The First Quarter 2019



In details, the bank's total operating income increased by KD 1.75 million or by 6%, reaching KD 30.94 million compared with KD 29.19 million. This resulted from the bank achieving net gain from investment securities by KD 3.67 million, alongside the increase in most items of the operating income by KD 1.05 million. While item net financing income decreased by KD 2.95 million or by 11.6% reaching KD 22.39 million compared with KD 25.34 million.

Total operating expenses of the bank increased by a lesser value than the increase in the operating income, operating expenses increased by KD 648 thousand or by 7.5%, scoring KD 9.25 million compared with KD 8.60 million in the first quarter of 2018. This resulted from the rise in the items of staff costs and depreciation by KD 958 thousand, while item of other operating expenses which declined by KD 301 thousand. Percentage of total operating expenses to total operating income scored 29.9% compared with 29.5%. Total provisions increased by KD 353 thousand or by 11.9%, and scored KD 3.33 million compared with KD 2.97 million. Consequently, the net profit margin decreased to 56.7% of total operating income compared with 57.6% during the same period of 2018.

Total bank assets scored KD 4.098 billion indicating an increase by KD 183.9 million or by 4.7%, versus KD 3.914 billion in the end of 2018. It also increased by KD 342.3 million or by 9.1% if compared with total assets in

the end of the first quarter of 2018 when it scored KD 3.755 billion. Item of financing receivables rose by KD 73.7 million or by 2.6%, reaching KD 2.874 billion (70.1% of total assets) versus KD 2.800 billion (71.5% of total assets) in the end of 2018, and rose by KD 177.1 million or by 6.6%, if compared with the same period of 2018 when it scored KD 2.696 billion (71.8% of total assets). Percentage of total financing receivables to total deposits scored 82% compared with 84.1%. Likewise, item of cash & balances with banks rose by KD 38.9 million and scored KD 115.8 million (2.8% of total assets), i.e. increased by 50.6%, versus KD 76.9 million (2% of total assets) in the end of last year. If we compare it with the same period of last year, it had risen by KD 58.2 million or by 101.1%, when it scored KD 57.6 million (1.5% of total assets).

Figures indicate that the bank's liabilities (excluding total equity) increased by KD 192.9 million or by 5.6%, and scored KD 3.614 billion compared with KD 3.422 billion in the end of 2018. However, it increased by KD 345 million or by 10.5%, when compared with the total in the end of the first quarter of last year when it reached KD 3.270 billion. Percentage of total liabilities to total assets scored 88.2% versus 87.1%.

Results of analyzing the bank's financial statements calculated on annual basis indicate that profitability indexes scores were mixed compared with the same period of 2018. The

average return on capital (ROC) dropped to 35.7% versus 36%. Likewise, the average return on bank assets (ROA) declined to 1.75% versus 1.81%. While the average return on equities relevant to the bank shareholders (ROE) increased to 16.5% versus 16.2%. Also, earnings per share (EPS) rose to 9.9 Fils

compared with 9.5 Fils. (P/E) scored 8.6 times versus 8.4 times as a result of the increase in the EPS by 4.2%, against a greater increase in the share market price by 6.3% compared with its level in March 31 2018. (P/B) scored 1.6 times compared with 1.4 times.

	31/03/2019	31/03/2018	Change		
	(Thousand KD)	(Thousand KD)	Value	%	
Total Assets	4,097,561	3,755,291	342,270	9.1%	↑
Total liabilities	3,615,144	3,270,175	344,969	10.5%	↑
Equity attributable to the equity holders of the bank	421,777	424,476	-2,699	-0.6%	↓
Total Operating income	30,937	29,187	1,750	6.0%	↑
Total Operating Expenses	9,252	8,604	648	7.5%	↑
Provisions	3,327	2,974	353	11.9%	↑
Taxation	806	785	21	2.7%	↑
Net income	17,552	16,824	728	4.3%	↑
Ratios					
**Return on Average Assets (ROA)	1.75%	1.81%			↓
**Return on Average Equity Relevant To The Bank Shareholder (ROE)	16.5%	16.2%			↑
**Return on Average Capital (ROC)	35.7%	36.0%			↓
Earnings per share (EPS) – (Fils)	9.9	9.5	0.4	4.2%	↑
Closing price – (Fils)	340	320	20	6.3%	↑
*Price to Earnings Per Share Multiplies (P/E)	8.6	8.4			
Price to Book Value Multiplies (P/B)	1.6	1.4			

* 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 (2 working days due to Eid Al-Fitr Holiday) was mixed compared to the previous one, where the traded value, traded volume, and number of transactions decreased, while the general index (AlShall index) increased. AlShall Index (value weighted) closed at 503.4 points as of last Thursday, showing an increase by 4.2 points or by 0.8% compared with its level last week. While it increased by 74.4 points or by 17.3% compared with the end of 2018.

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

Description	Week 23	Week 22	Diff
	03/06/2019	30/05/2019	%
Working days	2	5	
AlShall index (33 Companies)	503.4	499.2	0.8%
Boursa All Share Market Index	5,764.6	5,731.7	0.6%
Value Trade (KD)	41,957,358	137,658,087	
Daily average (KD)	20,978,679	27,531,617	-23.8%
Volume Trade (Shares)	134,590,644	486,885,208	
Daily average (Shares)	67,295,322	97,377,042	-30.9%
Transactions	8,159	25,080	
Daily average (Transactions)	4,080	5,016	-18.7%

Most Active Sectors & Companies		
Description	Value Traded	% of Total
Sectors	KD	Market
KUWAIT FINANCE HOUSE	8,756,854	20.9%
NATIONAL BANK OF KUWAIT	6,964,490	16.6%
MOBILE TELECOMMUNICATIONS COMPANY	5,458,692	13.0%
AHLI UNITED BANK (B.S.C)	4,361,001	10.4%
AGILITY PUBLIC WAREHOUSING COMPANY	2,723,180	6.5%
Total	28,264,217	67.4%
Description	Value Traded	% of Total
Sectors	KD	Market
BANKS SECTOR	26,421,734	63.0%
TELECOMMUNICATIONS SECTOR	5,501,788	13.1%
INDUSTRIALS SECTOR	4,461,930	10.6%
FINANCIAL SERVICES SECTOR	3,306,757	7.9%
REAL ESTATE SECTOR	1,311,922	3.1%

ALSHALL INDEX	Week 23	Week 22
	03/06/2019	30/05/2019
Increased Value (# of Companies)	14	22
Decreased Value (# of Companies)	8	5
Unchanged Value (# of Companies)	11	6
Total Companies	33	33

	Company Name	THU	THU	DIFF	CLOSE	DIFF
		03/06/2019	30/05/2019	%	2018	%
1	National Bank Of Kuwait	641.9	638.5	0.5	520.4	23.3
2	Gulf Bank	253.5	254.4	(0.4)	204.8	23.8
3	Commercial Bank Of Kuwait	535.6	526.3	1.8	516.0	3.8
4	Al-Ahli Bank Of Kuwait	202.3	202.3	0.0	193.1	4.8
5	Kuwait International Bank	306.7	304.5	0.7	275.1	11.5
6	Ahli United Bank	319.8	317.7	0.7	296.5	7.9
7	Burgan Bank	342.4	345.7	(1.0)	284.8	20.2
8	Kuwait Finance Bank	2,065.4	2,065.4	0.0	1,659.8	24.4
	Banking Sector	606.6	604.3	0.4	502.7	20.7

9	Commercial Facilities Company	144.4	144.4	0.0	126.3	14.3
10	International Financial Advisors	186.4	186.4	0.0	227.8	(18.2)
11	National Investments Company	146.0	144.7	0.9	103.8	40.7
12	Kuwait Projects Company (Holding)	503.1	503.1	0.0	486.7	3.4
13	Coast Investment & Development Company	49.2	49.1	0.2	45.4	8.4
	Investment Sector	202.0	201.8	0.1	187.1	8.0
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	167.1	161.5	3.5	160.3	4.2
17	Warba Insurance Company	56.5	57.9	(2.4)	54.1	4.4
	Insurance Sector	143.2	142.0	0.8	147.7	(3.0)
18	Kuwait Real Estate Company	131.4	130.4	0.8	89.0	47.6
19	United Realty Company	114.2	118.3	(3.5)	122.4	(6.7)
20	National Real Estate Company	202.6	201.4	0.6	229.5	(11.7)
21	Salhiaha Real Estate Company	1,352.7	1,352.7	0.0	1,332.5	1.5
	Real Estate Sector	176.0	176.3	(0.2)	172.2	2.2
22	The National Industries	195.7	196.6	(0.5)	141.2	38.6
23	Refrigeration Industries Co	452.3	431.1	4.9	571.3	(20.8)
24	Gulf Cable & Electrical Industries	148.7	149.5	(0.5)	140.3	6.0
	Industrial Sector	185.4	183.0	1.3	177.5	4.5
25	Kuwait National Cinemas	571.2	527.3	8.3	671.0	(14.9)
26	The Public Warehousing Co	3,741.6	3,741.6	0.0	3,579.3	4.5
27	Mobile Telecommunications Co (ZAIN)	971.9	897.0	8.4	662.9	46.6
28	Safat Energy Co	21.3	21.4	(0.5)	29.9	(28.8)
	Services Sector	1,279.7	1,232.5	3.8	1,085.3	17.9
29	Livestock Transport & Trading Co	167.5	166.7	0.5	156.7	6.9
30	Danah Alsafat Foodstuff Company	27.1	30.3	(10.6)	39.0	(30.5)
	Food Sector	457.3	457.5	(0.0)	456.1	0.3
31	Sharjah Cement Co	320.4	320.4	0.0	362.0	(11.5)
32	Gulf Cement Co	260.1	225.8	15.2	273.8	(5.0)
33	Umm Al-Qaiwain Cement Industries	669.6	669.6	0.0	489.3	36.8
	Non Kuwaiti Companies	216.3	210.3	2.9	215.0	0.6
	General Index	503.4	499.2	0.8	429.0	17.3