

## Event Update - Kuwait Budget 2022/2023

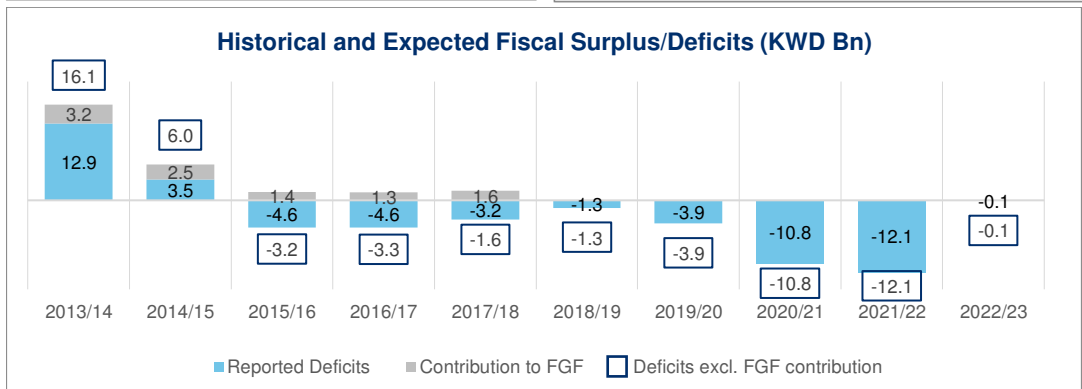
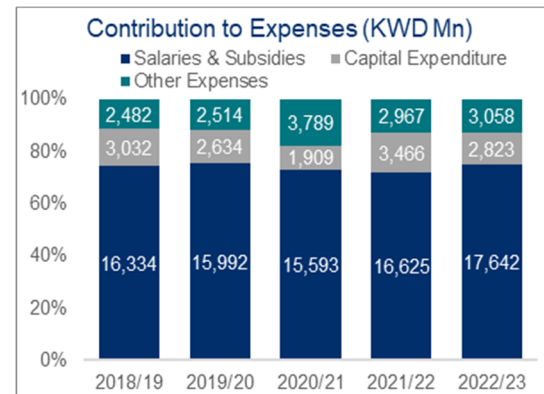
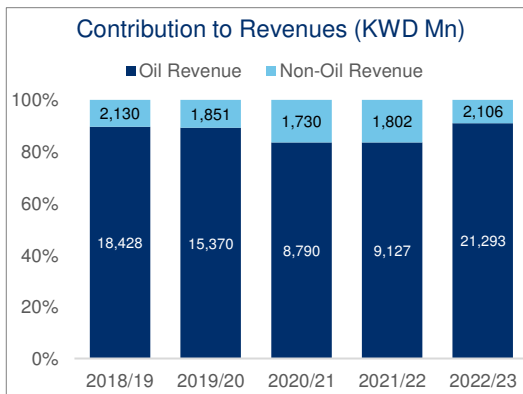
November-2022

### Kuwait parliament approves 2022-2023 budget with a deficit...

The National Assembly of Kuwait approved the state budget for 2022/2023 which forecasts a small deficit for the eighth consecutive year. **The budget snapshot came as a surprise as the bulk of the GCC economies are expected to report surpluses. According to reports, the initial draft budget pointed to a surplus of around KWD 333 Mn during the fiscal year; however, an additional KWD 457 Mn in expenditure request from newly elected ministers were included in the updated document, thereby resulting in a deficit. These additional expenditures include KWD 300 Mn to pay for government staff willing to cash their annual leave and KWD 157 Mn to pay to frontline workers for the work done during the Covid-19 pandemic.**

According to the budget document, revenue is expected to reach **KWD 23.4 Bn (USD 75.5 Bn)** during the fiscal year 2022/2023 as compared to **KWD 10.9 Bn** estimated for the fiscal year 2021/2022, up by 114.1%. The revenues are calculated with a budgeted crude oil price of **USD 80/b**. This could mean that the actual revenues could be significantly higher as oil prices continues to remain elevated this year. Brent crude averaged at **USD 105.5** per barrel since the start of the year, while Kuwait crude oil and OPEC crude basket averaged at **USD 105.1** per barrel and **USD 103.0** per barrel, respectively, according to EIA and Bloomberg. The budget assumes no transfers to the Future Generation Fund (FGF) for the current year and for 2022/2023 after the law introduced last year which said that would be no transfers to the FGF in years of deficits.

In terms of revenues, crude oil will continue to account for the bulk of the budgeted revenues in the fiscal year 2022/2023. The share of oil revenues to total revenues is expected to increase significantly from 83.5% estimated for fiscal year 2021/2022 to 91.0% budgeted for the fiscal year 2022/2023, according to data from Kuwait's Ministry of Finance. This would imply non-oil revenue share of 9.0% for the fiscal year 2022/2023 as compared to 16.5% estimated for the previous fiscal year.



### Junaid Ansari

Head of Investment Strategy &  
Research  
+(965) 2233 6912  
[jansari@kamcoinvest.com](mailto:jansari@kamcoinvest.com)

### Vineetha K. Yeluri

Analyst  
+(965) 2233 6913  
[vyeluri@kamcoinvest.com](mailto:vyeluri@kamcoinvest.com)

Source : Kuwait Ministry of Finance, Kamco Invest Research

\* Oil revenue, non-oil revenue, and expenditures for FY 2022/23 are calculated based on percentage share disclosed in Kuwait MOF disclosure.

### Total revenues at 8-year high

Total budgeted revenues for 2022/2023 is expected to more than double and reach an 8-year high level at KWD 23.4 Bn mainly backed by oil revenues which is also expected to reach an 8-year high level. Revenues from crude oil, based on the 91% share of total revenue as disclosed in the budget snapshot document from Kuwait's Ministry of Finance, is expected to reach KWD 21.3 Bn for 2022/2023. This compares to a revenue of KWD 9.13 Bn estimated for the 2021/2022. Meanwhile, the share of oil revenue in total revenue is budgeted to be the highest in 9-years.

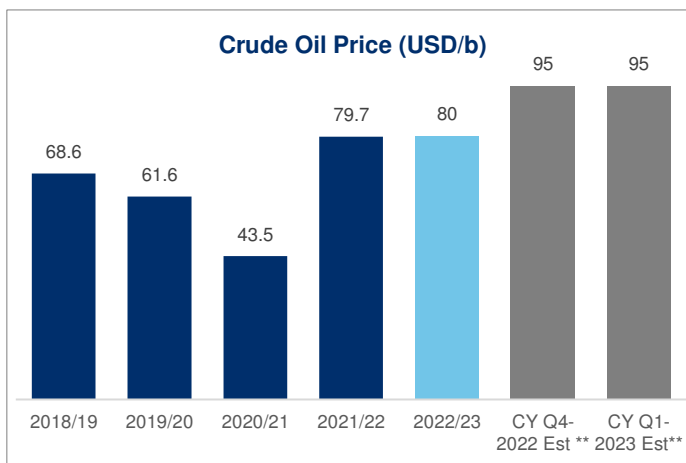
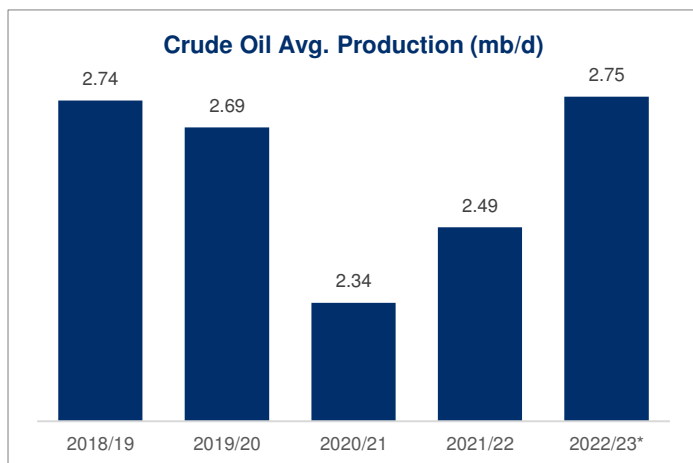
On the other hand, after seeing a decline last year, Kuwait's non-oil revenues are budgeted to reach the second-highest level in eight years and highest since fiscal 2018/2019. In terms of y-o-y performance, non-oil revenues are expected to increase by 16.9% during the fiscal year 2022/2023 to reach KWD 2.1 Bn.

### Budgeted expenditure expected to be at a record high this year

On the expenditure side, planned spending is expected to increase for the year. Total expenses in 2022/23 is budgeted to reach the highest level on record at KWD 23.5 Bn mainly led by an increase in salaries and subsidies this year. The share of salaries and subsidies in total expenditure is expected to increase from 71.6% in the last fiscal year to 75.0% in the fiscal year 2022/2023. In terms of y-o-y growth, the component is expected to show a growth of 6.9% which will more than offset the decline in capital expenditure and other expenses. Capital expenditure is budgeted to decline in the fiscal year 2022/2023 with planned spending of KWD 2.8 Bn as compared to KWD 3.5 Bn in 2021/2022, a y-o-y decline of 18.6%.

### Higher than budgeted oil price to result in significant windfall

The budget for 2022/2023 is based on an oil price of USD 80/b while the budget for the previous fiscal year was based on an oil price of USD 45/b. Based on the expected revenues and expenditure, the state would require a breakeven oil price of USD 56.7/b to balance the budget, according to the IMF's latest Regional Economic Outlook. Kuwait crude grade averaged at USD 107.3/b so far during this fiscal year (Apr-2022-Oct-2022) which is significantly above the budget price of crude for the year. As a result, oil revenue for the current year is expected to be higher than the budgeted revenues and final accounts for the year could see a significant surplus for the fiscal year 2022/2023.



Source : Kuwait Ministry of Finance, OPEC, IMF REO Oct-2022, Kamco Invest Research.

\* Average for the period April-2022 - September-2022

\*\* Brent crude oil consensus estimates for calendar year (CY) Q4-2022 and Q1-2023 sourced from Bloomberg.

This was also emphasized by the IMF which expects all GCC economies to report fiscal surplus this year, barring Bahrain. The projection from the IMF shows Kuwait showing the biggest fiscal surplus in the GCC at 14.1% of the GDP. Moreover, Brent crude is expected to average at USD 95.0/b in calendar quarters Q4-2022 and Q1-2023, according to Bloomberg estimates. This, we believe, would once again leave significant room for higher actual revenues and surplus in the fiscal year 2022/2023.

---

## Disclaimer & Important Disclosures

**Kamco Invest** is authorized and fully regulated by the Capital Markets Authority ("CMA, Kuwait") and partially regulated by the Central Bank of Kuwait ("CBK")

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, an offer to invest, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, Kamco Invest did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives. The entire content of this document is subject to copyright with all rights reserved. This research and the information contained herein may not be reproduced, distributed or transmitted in Kuwait or in any other jurisdiction to any other person or incorporated in any way into another document or other material without our prior written consent.

### Analyst Certification

Each of the analysts identified in this report, if any and where applicable, certifies, with respect to the sector, companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

### Kamco Invest Ratings

Kamco Invest research is based on the analysis of regional and country economics, industries and company fundamentals. Kamco Invest company research reflects a long-term (12-month) target price for a company or stock. The ratings bands are:

- \* **Outperform:** Target Price represents expected returns  $\geq 10\%$  in the next 12 months
- \* **Neutral:** Target Price represents expected returns between  $-10\%$  and  $+10\%$  in the next 12 months
- \* **Underperform:** Target Price represents an expected return of  $< -10\%$  in the next 12 months

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. Kamco Invest policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by Kamco Invest's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to Kamco Invest clients.

Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Kamco Invest and shall be of no force or effect. The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is fair, accurate or complete and it should not be relied upon as such. Kamco Invest has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The publication is provided for informational uses only and is not intended for trading purposes. The information on publications does not give rise to any legally binding obligation and/or agreement, including without limitation any obligation to update such information. You shall be responsible for conducting your own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Kamco Invest is a party.

Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service. This document is directed at Professional Clients and not Retail Clients within the meaning of CMA rules. Any other persons in receipt of this document must not rely upon or otherwise act upon it. Entities and individuals into whose possession this document comes are required to inform themselves about, and observe such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorization, registration or other legal requirements.

Kamco Investment Company (DIFC) Limited ("Kamco Invest DIFC") is regulated by the Dubai Financial Services Authority (DFSA). Kamco Invest DIFC may only undertake the financial services activities that fall within the scope of its existing DFSA licence. This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA, and no other person should act upon it.

This document may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. The recipients of this document hereby should conduct their own due diligence on the accuracy of the information relating to the contents of this document. If you do not understand the contents of this document you should consult an authorized financial advisor.

### Risk Warnings

Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected. The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgment. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

### Conflict of Interest

Kamco Invest and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Salespeople, traders, and other professionals of Kamco Invest may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document. Kamco Invest may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document. Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Kamco Invest business areas, including investment banking personnel. United Gulf Bank, Bahrain owns majority of Kamco Invest's shareholding and this ownership may create, or may create the appearance of, conflicts of interest.

### No Liability & Warranty

Kamco Invest makes neither implied nor expressed representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, and fitness for a particular purpose and/or non-infringement. Kamco Invest will accept no liability in any event including (without limitation) your reliance on the information contained in this document, any negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.



---

**Kamco Investment Company - K.S.C. (Public)**

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 2233 6600 Fax: (+965) 2249 2395

Email : [kamcoird@kamcoinvest.com](mailto:kamcoird@kamcoinvest.com)

Website : [www.kamcoinvest.com](http://www.kamcoinvest.com)

---

**Kamco Invest**