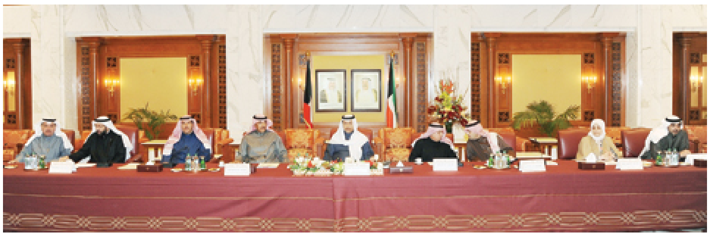
Kuwait sees a record budget deficit on falling oil income – Cabinet approves draft budget for 2016-17 fiscal year



KUWAIT: His Highness the Prime Minister Sheikh Jaber Mubarak Al-Hamad Al-Sabah chairs a joint meeting of the Cabinet and the Supreme Council for Planning and Development (SCPD). — KUNA

KUWAIT: OPEC member Kuwait projected a record budget deficit for the fiscal year starting April 1 on the sliding price of oil, the finance ministry said yesterday. The shortfall for the 2016-17 fiscal year is estimated at 11.5 billion dinars ($38 billion) or a massive 30 percent of gross domestic product (GDP) due to a sharp decline in oil revenues, the ministry said on its Twitter account. Spending was estimated at 18.9 billion dinars, just 1.6 percent lower than in the current year, the ministry said. Revenues were projected at 7.4 billion dinars ($24.4 billion) of which oil income was estimated at $19.1 billion or just 78 percent of the public revenues.

In the past, income from oil contributed more than 94 percent of revenues in the Gulf emirate, before the decline in crude prices. The budget was approved at a joint meeting of the cabinet and the supreme planning council on Wednesday night. The oil income estimate for 2016-17 is 46 percent lower than in the current year, and 74 percent below the actual oil revenues in 2014-15, the ministry said. The oil revenues are calculated on the basis of a crude price of $25 a barrel, down from the current year's $45 a barrel. The price of Kuwaiti oil dived to as low as $19 a barrel last week.

Currently it is hovering around $23 a barrel. Kuwait has projected a shortfall of $23 billion in the current fiscal year, the first deficit after 16 years of surplus. The Gulf state, which has a native population of just 1.3 million, has built around $600 billion in fiscal reserves in those years. Figures posted on the finance ministry website show that actual income earned in the first three quarters of 2015/2016 fiscal year is $37.6 billion, or 46.2 percent lower than last year. The Gulf state posted a provisional deficit of $8 billion in the first nine months. The shortfall normally swells in the last quarter due to accounting adjustments.

All the Gulf Cooperation Council (GCC) states-Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates-have posted deficits after oil prices lost three quarters of their value since mid-2014. The Gulf states have announced a series of austerity measures that included raising the prices of fuel products, electricity, water and others. Kuwait has liberalized the price of diesel and kerosene and is considering cutting subsidies on other services. But it is facing difficulties to cut spending which has increased more than four folds since 2006, mostly on wages and subsidies, according to official figures. The wage bill in the new budget is estimated at $34 billion or 55 percent of total spending while subsidies account for 15 percent.

Kuwaiti oil price up
In another development, the price of Kuwaiti oil was up $1.56 to $23.37 per barrel Wednesday in contrast to $21.78 pb Tuesday, said Kuwait Petroleum Corporation (KPC) yesterday. In world market, the price of oil rose, following a statement by the Russian Energy on the possibility of holding talks with OPEC countries about output cuts to bolster oil prices. The price of the Brent mix went up yesterday by $1.30 to reach $A33.10 pb. The American crude increased by 85 cents to reach $32.30 pb.

US dollar stable
The exchange rate of the US dollar against the Kuwaiti dinar was stable at KD 0.302, the euro was at KD 0.329 compared to the exchange rates for Wednesday, said a statement by the Central Bank of Kuwait (CBK) yesterday. According to the CBK, the exchange rate of the Sterling pound was stable at KD 0.431 while the Swiss franc at KD 0.297. Exchange rate of the Japanese Yen remained the same at KD 0.002. – Agencies

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