

CABINET APPROVES '16-'17 DRAFT BUDGET — REVENUE ASSUMES \$25 PRICE FOR OIL

🕒 28/01/2016

KUWAIT CITY, Jan 28, (Agencies): His Highness the Prime Minister Sheikh Jaber Mubarak Al-Hamad Al-Sabah presided over a joint meeting of the Cabinet and the Supreme Council for Planning and Development (SCPD) at Al-Saif Palace on Wednesday. The meeting discussed a report by the SCPD economic development committee on the draft state budget for FY 2016-2017, said Minister of Social Affairs and Labor and Minister of State for Planning and Development affairs Hind Al-Sabeeh.

Head of the committee Nasser Abdullah Al-Roudhan briefed the meeting on the observations of the committee regarding the upward slant of the public spending and the recommendations for addressing the current financial situation, she noted in a press release following the meeting.

Undersecretary of the Ministry of Finance Khalifa Musa'ed Hamadah and senior officials of the ministry and Kuwait Petroleum Corporation (KPC) offered detailed presentations on the financial data included in the draft budget. The conferees raised suggestions about the draft and how to revitalize the role of the private sector in economic growth amid the negative impacts of the lowering prices of oil on the national economy.

They reviewed the plans for economic and financial reforms as well as the efforts to diversify the sources of national income and make a better use of the resources of the country with a view to offsetting the planned cuts in public spending in the framework of a national comprehensive perspective. The conferees highlighted the need of urgent measures to rationalize spending and avoid the possible impacts of economic shrinkage in order to ensure good living for the current and future generations, Al- Sabeeh pointed out.

Approval

The meeting ended with approval of the draft budget and appreciation of the efforts made by the Finance Ministry staffers while developing the draft. The conferees called on all stakeholders, whether entities or individuals, to understand the challenges of the current stage.

They asked Deputy Prime Minister, Minister of Finance and Acting Minister of Oil to make a complete presentation to the press on all aspects of the draft budget as a prelude to tabling the document to the National Assembly, she added.

They also tasked a joint team from the Cabinet committee on economic affairs and the SCPD economic development committee with translating the instructions relating to financial and economic reforms into practical viable programs in order to reach the desired objectives. Kuwait projected a record budget deficit

for the fiscal year starting April 1 on the sliding price of oil, the finance ministry said on Thursday.

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. Kuwait has liberalised 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.