

October 2019

## MARMORE FIRST TAKE

**Kuwait cuts  
borrowing rates for  
the first time in 2019,  
which other GCC  
Countries followed  
US FED Rate Cut?**

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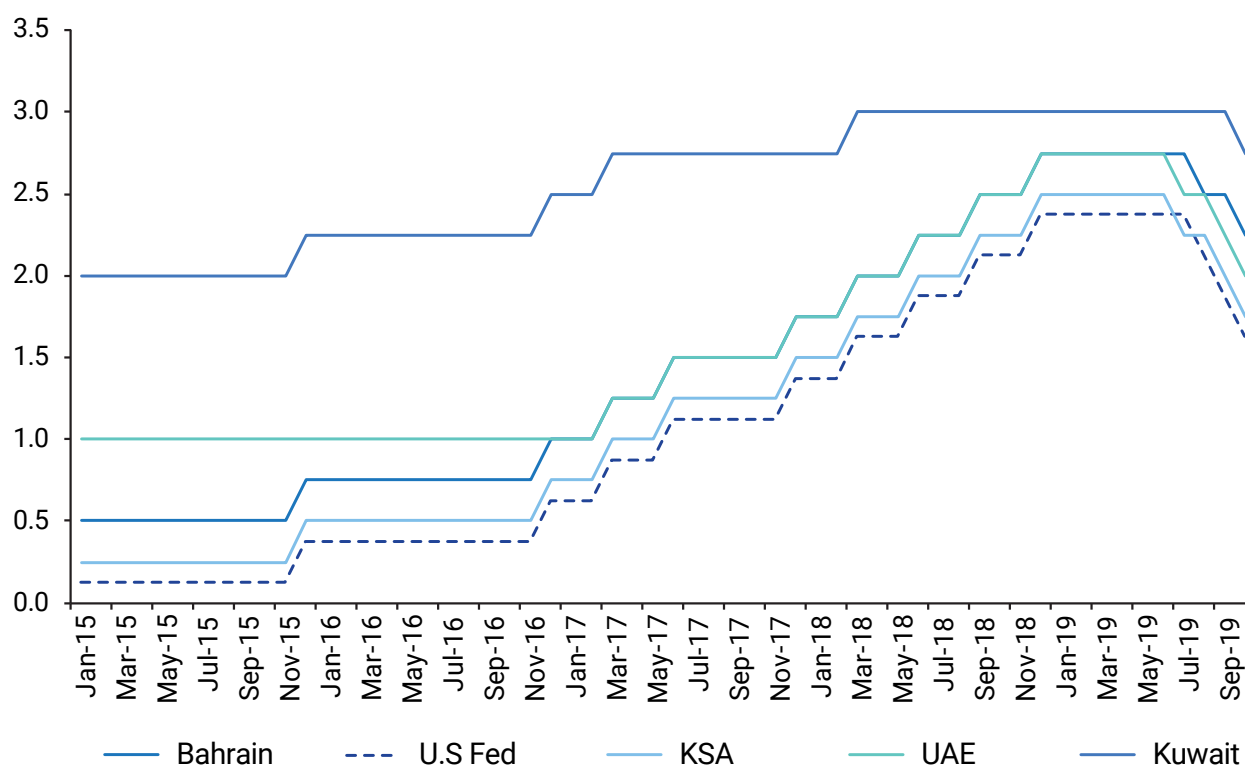
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# HIGHLIGHTS

The US Federal Reserve cut the interest rate for the third time in the year by another 25bps to a target range between 1.5% to 1.75%. The move is to bolster the US economy. The Fed changed its commentary from “will act as appropriate” to “will monitor the implications of incoming information for the economic outlook as it assesses the appropriate path” signaling a momentary pause in the rate cut cycle.

**Figure 1: U.S Interest Rates vs. GCC Countries Interest Rates (in %)**



Source: Reuters

Kuwait responded to the rate cuts by lowering borrowing costs for the first time since the year 2012. Kuwait reduced its discount rate to 2.75 percent from 3 percent. According to the Central Bank of Kuwait the decision to cut interest rates aims to reduce the cost of borrowing in the Kuwaiti dinar, maintain a comfortable margin for the Kuwaiti dinar, and prove a supportive environment for investment. Kuwait's discount rate, which is its policy rate, and deposit rate are influenced by U.S Fed interest rate moves. But it does not always mirror the changes. This is because Kuwait has its currency pegged to an undisclosed basket of currencies, in which US Dollar is expected to have a dominant position. This is also evident as Kuwait hiked its interest rates only four times since 2015, while the US hiked it nine times.

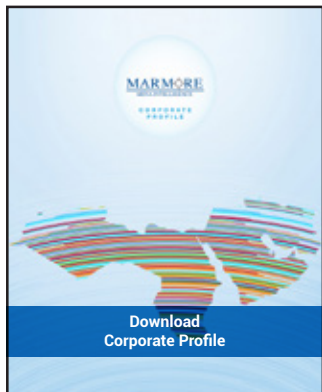
Other GCC countries' interest rate moves mostly mirror that of the U.S Fed interest rate, as their currencies are pegged to the US dollar. UAE, Saudi Arabia and Bahrain followed the Fed's trajectory of rate cuts. Following the Fed for the third time in a row Saudi Arabia lowered both its repo and reverse repo rate by 25bps to 2.25% and 1.75% respectively. The Central Bank of Bahrain which avoided a rate cut in September, cut its rate for the second time in 2019 across all its key rates by 25bps, which includes one-week deposit facility rate to 2.25 percent, the overnight deposit rate to 2.0 percent, one-month deposit rate to 2.60 percent and the lending rate to 4.0 percent. The United Arab Emirates (UAE) cut interest rates by 25bps. The UAE central bank cut interest rates on the issuance of certificates of deposits and repo rate for borrowing short-term liquidity.

Amid weaker growth expectations this year by IMF, the rate cuts are timely for the oil-rich region which is affected by the ongoing trade tensions and curbs on oil production.

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Marmore is a fully-owned research subsidiary of Kuwait Financial Center 'Markaz'. Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

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Marmore is the only regional firm providing niche research based on strong analytics in areas that are less researched. Marmore provides full range of financial market, sector specific and economic and policy researches, as well. The different types of researches are availed based on the client's requirements. It is notable that Marmore research reports have regularly been used by various renowned institutions to better understand the MENA region.

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- » Deep understanding of MENA market and access to wide-ranging database
- » Delivers high quality, client specific, insightful research reports; highlighting key client issues and uncovering key answers/opportunities for the clients.

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