KUWAIT

Table 1	2023
Population, million	4.3
GDP, current US$ billion	149.9
GDP per capita, current US$	34770.0
School enrollment, primary (% gross)[a]	101.9
Life expectancy at birth, years[a]	80.3
Total GHG emissions (mtCO2e)	155.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2015); Life expectancy (2022).

As one of the world's smallest yet richest countries, a comprehensive fiscal and economic reform is necessary to support sustainable growth and address structural challenges. With oil and gas comprising over 90 percent of exports and government revenue, Kuwait's economy is lagging in diversification and FDI attraction. A further moderation in economic activity is anticipated in 2024, with stabilization expected over the medium term. OPEC+ production cuts, weaker global conditions, and subdued domestic demand weigh on growth. Key risks to the outlook include global uncertainties, oil market volatility, and the ongoing political deliberations on critical reforms, where progress is anticipated as efforts toward resolution continue.

Key conditions and challenges

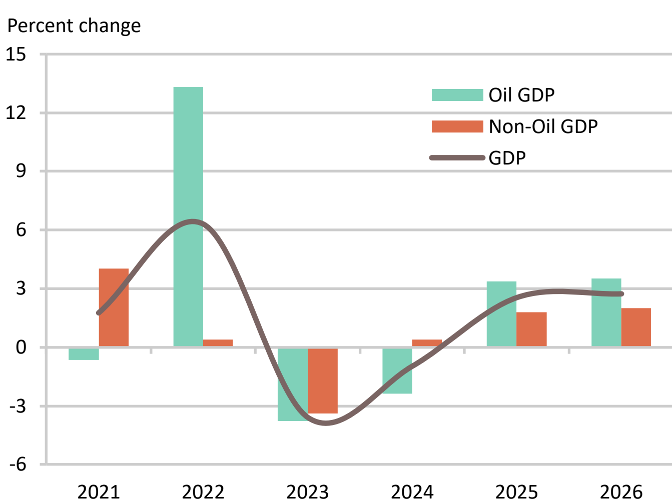
Kuwait's long-term economic outlook remains heavily reliant on hydrocarbon revenues. While the Kuwait Investment Authority's (KIA) substantial foreign assets safeguard macroeconomic stability, they are insufficient to fully mitigate the impact of global oil market volatility and the expected decline in long-term oil demand. Key challenges include the risks from fluctuating oil production and prices, potential global economic slowdown, and increasing climate-related shocks. Historically, frequent governmental changes and tensions between Kuwait's executive and legislative branches weighed on the investment environment and hindered the reform process. With the appointment of a new government in May 2024, resolving the political gridlock will be crucial for advancing economic diversification and reform efforts. Kuwait's government is navigating those challenges amid oil receipts fluctuations and increasing expenditures, with ongoing non-oil revenue generation playing a critical role. Prudent fiscal management remains crucial in navigating the uncertainties of the global economic environment, and in achieving a resilient and diversified economic structure. Environmental priorities, including water resource management and energy efficiency, are being addressed through investments in sustainable infrastructure and renewable energy. Although favorable oil receipts may provide short-term fiscal relief.

Recent developments

Economic activity contracted moderately, with GDP declining by 2.7 percent year-on-year in Q1-2024, following a 4.4 percent contraction in the previous quarter. The oil sector has further contracted by 9.8 percent year-on-year, compared to a 6.8 percent decline in Q4-2023, largely due to OPEC+ production cuts implemented in January 2024. In contrast, the non-oil sector demonstrated a robust rebound, growing at 4.7 percent in Q1-2024 after a contraction of 2.3 percent in the previous quarter driven by recoveries in key sectors such as manufacturing, transport, and services. The S&P Global Kuwait PMI indicates improvement in non-oil private-sector activities, reaching 52.2 in Q2-2024, up from an average of 50.8 in 2023, driven by increases in output and new orders.

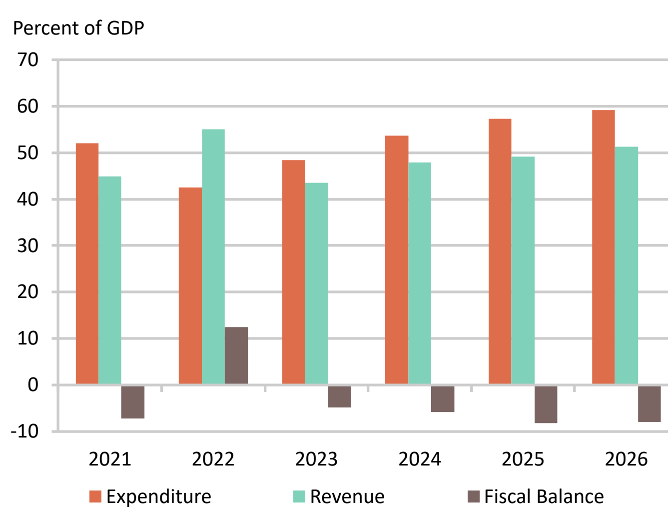
Oil revenue fluctuations also influenced the fiscal position, with the deficit reaching 1.56 billion dinars in March 2024 (12.6 percent of Q1 2024 GDP), highlighting the fiscal challenges linked to reduced oil receipts. Rising government expenditures across various sectors have also contributed to the deterioration. The reliance on oil revenues remains a key vulnerability in the fiscal framework, exposing it to external shocks. Proceeding with the introduction of a Value Added Tax (VAT), in line with GCC practices, alongside other fiscal measures, is essential to broadening

FIGURE 1 Kuwait / Annual real GDP growth



Sources: Kuwait CSB, IMF WEO, and World Bank staff estimates.

FIGURE 2 Kuwait / Public finances



Sources: World Bank and IMF WEO.
Notes: Exclude investment income and FGF transfers.

the revenue base and addressing current fiscal risks. Structural reforms, particularly in public financial management and private sector development, are crucial to reduce the dependence on hydrocarbons.

Inflationary pressures are easing to 2.8 percent In June 2024 down from 3.6 percent in 2023, reflecting the impact of tighter monetary policy. The deceleration is further supported by a slower pace of increases in food and housing prices, marking the lowest rate in the past three years.

Sound macroprudential policies and strong financial sector oversight by the Central Bank of Kuwait (CBK) have ensured continued financial stability. The CBK maintains a discount rate of 4.25 percent, ensuring financial sector stability through strong capital and liquidity buffers. Nonperforming loans remain low at 1.7 percent as of Q2 2024, reflecting sound banking sector fundamentals. Reserves remained at a comfortable level, equivalent to 4.6 months of imports as of Q1 2024.

The labor market posted a strong performance in 2023 relative to 2022: total employment increased by 9 percent, corresponding to a net addition of about 173,000 employed. The positive trends are driven by the employment of non-Kuwaiti nationals in the private sector which posted an employment growth by almost 17 percent. By contrast, Kuwaiti nationals were largely absorbed by the government sector, whereas their employment declined in the private sector, particularly among Kuwaiti women (-2.5 percent). The ILO projects a virtually stable employment-to-population ratio and unemployment rate in 2024 relative to 2023. The unemployment rate is projected at 2.1 percent overall, and at 0.9 percent among men and 5.8 percent among women. Youth are projected to face the highest unemployment rates at 9.1 percent among men ages 15-24 and 29.8 percent among their female counterparts.

The external sector continues to face pressures, with, the trade balance contracted by 12 percent year-on-year in Q1 2024. Consequently, the current account surplus continued to moderate, following its decline to 32.9 percent of GDP in the previous year. In contrast, refined fuel production is increasing, supported by the full commissioning of the Al-Zour refinery, which became fully operational in late 2023.

Outlook

In 2024, GDP is projected to contract by 1 percent, reflecting a 2.4 percent reduction in oil production due to extended OPEC+ output cuts, with a gradual phase-out expected after September. With the gradual recovery of oil output and stable external conditions, overall GDP is projected to grow by 2.5 percent in 2025 and 2.7 percent in 2026. The non-oil sector is expected to grow by 0.4 percent, underpinned by rising domestic demand and supported by infrastructure development and (assumed implementation of) structural reforms, while risks associated with power supply disruptions remain.

Inflation is projected to further moderate to an average of 3.1 percent in 2024 helped by continued monetary policy tightening. Monetary tightening is also expected to keep credit growth subdued, while the CBK's robust regulatory framework will safeguard financial stability and ensure the persistence of financial sector resilience within evolving global monetary conditions. Inflation is expected to moderate to an average of 3.1 percent in 2024, supported by prudent monetary policy measures and moderate further to 2.7 and 2.5 percent in 2025 and 2026 respectively. Credit growth is expected to remain subdued, reflecting these policies, while the CBK's strong regulatory framework will continue to uphold financial stability and reinforce the resilience of the financial sector amid shifting global monetary conditions.

The fiscal deficit is estimated to reach 5.8 percent of GDP in 2024 and continue to widen over the medium term as current policies lead to an expansionary fiscal stance. The reliance on oil as the primary revenue source challenges fiscal predictability. Targeted policies to diversify the economic base and increase non-oil revenues are essential for strengthening fiscal resilience. Long-term fiscal stability depends on the timely and effective implementation of these reforms to mitigate risks from oil price volatility.

In 2024, the current account surplus is projected to reach 21.6 percent of GDP, primarily affected by lower oil exports and is expected to further narrow to 17.8 percent of GDP by 2026. Oil production is expected to decline through the remainder of 2024 due to the extension of OPEC+ production cuts until end-September, but a recovery is anticipated from 2025 as these cuts are gradually lifted.

TABLE 2 Kuwait / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.8	6.3	-3.6	-1.0	2.5	2.7
Private consumption	3.2	1.8	1.1	1.8	2.5	2.4
Government consumption	2.9	3.9	1.2	1.5	2.4	2.5
Gross fixed capital investment	3.9	2.2	0.6	2.9	2.6	2.6
Exports, goods and services	2.2	12.0	-3.6	-2.5	2.9	3.0
Imports, goods and services	5.7	6.3	5.7	2.8	2.9	2.6
Real GDP growth, at constant factor prices	1.8	6.3	-3.6	-1.0	2.5	2.7
Agriculture	0.5	1.1	0.1	0.5	1.2	1.2
Industry	2.2	7.9	0.1	0.7	2.9	2.6
Services	1.4	4.2	-8.8	-3.6	2.1	3.0
Inflation (consumer price index)	3.4	4.0	3.6	3.1	2.7	2.5
Current account balance (% of GDP)	23.9	32.4	26.2	21.6	20.2	17.8
Fiscal balance (% of GDP)[a]	-7.2	12.5	-4.8	-5.8	-8.1	-7.9
GHG emissions growth (mtCO2e)	6.4	3.9	0.4	3.4	6.2	6.8
Energy related GHG emissions (% of total)	66.7	66.5	64.8	64.1	64.3	64.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

KUWAIT

SELECTED INDICATORS*	Avg. '10-19	2015	2016	2017	2018	2019	2020	2021	2022	2023 E	2024 F
INCOME AND ECONOMIC GROWTH											
GDP growth (annual %)	1.6	0.6	2.9	-4.7	2.5	-0.5	-8.9	1.3	7.9	-0.1	2.8
GDP per capita growth (annual %, real)	-3.0	-3.2	-0.6	-6.5	-2.1	-3.3	-7.2	4.0	7.4	-1.0	1.9
GDP per capita (US$, nominal)	37873.9	29313.7	27020.8	29250.7	32007.4	30661.7	24296.8	32383.4	41396.4	37528.6	38117.1
Private Consumption growth (annual %)	2.5	3.4	1.1	3.5	4.0	2.3	-4.5	3.2	4.8	2.0	2.5
Gross Investment (% of nominal GDP)	20.8	25.4	30.0	27.7	25.3	25.0	23.8	23.7	20.8	22.7	24.0
Gross Investment - Public (% of nominal GDP)[2]	..	..	..	..	..	..	..	..	..	..	..
MONEY AND PRICES											
Inflation, consumer prices (annual %, EOP or MRV)[1]	..	..	..	..	..	..	..	..	..	..	..
Inflation, consumer prices (annual %, period average)	2.8	3.3	3.2	2.2	0.6	1.1	2.1	3.4	4.0	3.6	3.0
Base Money (% of GDP)	15.3	18.0	19.2	18.2	16.4	17.2	22.9	19.3	17.3	19.9	20.7
Domestic Credit to the Private Sector (% of GDP)[2]	80.7	98.5	105.2	98.7	90.9	95.1	6.3	5.0	3.7	..	..
10 year interest rate (annual average)[1]	..	..	..	..	..	..	..	..	..	..	..
Nominal Exchange Rate (local currency per USD)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Real Exchange Rate Index (2015=100)	98.1	100.0	102.2	102.9	102.3	103.3	72.7	94.0	110.9	120.8	114.4
FISCAL											
Revenue (% of GDP)	53.4	39.5	39.6	43.7	49.3	41.6	32.4	44.8	47.7	50.0	53.6
Expenditure (% of GDP)	47.5	52.9	53.6	52.6	52.4	51.1	65.6	52.0	45.5	56.8	59.8
Interest Payments (% of GDP)	0.2	0.1	0.1	0.2	0.2	0.3	1.1	1.8	0.2	0.1	0.1
Non-Interest Expenditure (% of GDP)	47.4	52.8	53.4	52.3	52.1	50.8	64.5	50.2	45.3	56.6	59.7
Overall Fiscal Balance (% of GDP)	5.9	-13.4	-13.9	-8.9	-3.1	-9.5	-33.2	-7.2	2.2	-6.8	-6.3
Primary Fiscal Balance (% of GDP)	6.0	-13.3	-13.8	-8.6	-2.9	-9.2	-32.1	-5.4	2.4	-6.7	-6.2
General Government Debt (% of GDP)	8.3	4.7	10.0	20.5	15.1	11.6	11.7	8.6	3.5	3.8	4.0
External Public Debt (% of GDP)[2]	..	..	..	..	..	..	..	..	..	..	..
EXTERNAL ACCOUNTS											
Export growth, G&S (nominal US$, annual %)	4.4	-45.6	-13.8	18.6	28.6	-7.7	-35.2	56.0	39.9	-17.5	5.5
Import growth, G&S (nominal US$, annual %)	5.9	2.7	0.1	7.0	12.0	-11.5	-24.2	27.4	14.3	6.4	7.9
Merchandise exports (% of GDP)	55.9	47.5	42.5	45.7	52.2	46.9	37.8	46.9	56.9	49.9	49.4
Merchandise imports (% of GDP)	19.2	23.2	24.7	24.4	22.5	20.1	23.2	21.9	18.7	18.4	16.2
Services, net (% of GDP)	-12.2	-17.4	-18.3	-16.7	-17.8	-13.9	-9.7	-10.3	-14.3	-19.1	-21.4
Current account balance (current US$ millions)	35583.6	8578.6	-5071.7	9589.3	19897.9	17126.9	3437.7	32828.1	56800.9	47450.8	37701.8
Current account balance (% of GDP)	23.1	7.5	-4.6	7.9	14.4	12.6	3.2	23.9	32.1	29.3	22.7
Foreign Direct Investment, net inflows (% of GDP)	-2.8	-4.4	-3.8	-7.2	-2.5	2.2	-7.3	-2.5	-1.9	-2.0	-1.9
Multilateral debt (% of total external debt)[2]	..	..	..	..	..	..	..	..	..	..	..

See next page for more indicators

KUWAIT

SELECTED INDICATORS*	Avg. '10-19	2015	2016	2017	2018	2019	2020	2021	2022	2023 E	2024 F
POPULATION, EMPLOYMENT AND POVERTY											
Population, total (millions)	3.8	3.9	4.0	4.1	4.3	4.4	4.4	4.3	4.3	4.3	4.3
Population Growth (annual %)	4.8	3.9	3.6	1.9	4.7	2.9	-1.8	-2.5	0.4	1.0	0.9
Unemployment Rate	4.9	5.1	3.6	3.4	3.0	3.2	7.3	6.2	4.4	4.4	4.4
OTHER											
GDP (current LCU, millions)	40720.2	34471.3	33050.4	36605.9	41732.3	41352.4	32449.4	41524.9	53315.6	48896.2	50612.7
GDP (current US$, millions)	139929.9	114579.9	109382.5	120656.2	138182.0	136171.8	105945.0	137633.3	176716.0	161752.5	165785.8
GDP per capita LCU (real)	10300.1	10115.1	10050.9	9399.0	9201.1	8895.4	8257.8	8584.1	9221.1	9127.9	9301.5
Human Development Index Ranking[3]	49.9	49	49	49	51	52	53	50	49	..	..
CPIA (overall rating)[2]	..	..	..	..	..	..	..	..	..	..	..
Economic Management[2]	..	..	..	..	..	..	..	..	..	..	..
Structural Policies[2]	..	..	..	..	..	..	..	..	..	..	..
Policies for Social Inclusion and Equity[2]	..	..	..	..	..	..	..	..	..	..	..
Public Sector Management and Institutions[2]	..	..	..	..	..	..	..	..	..	..	..

Notes: ".." indicates not available. E = estimate, F = forecast. Data from MFMOD unless otherwise noted.

1/ World Bank GEM database; MRV = Most recent value.

2/ World Development Indicators Database and World Bank Staff Estimates.

3/ The HDI ranking in 2001 is in relation to 175 countries and in 2010 in relation to 169 countries. Methodological enhancements in HDI calculations have resulted in notable improvements in the countries' rankings.

Sources: MFMOD Database, World Bank WDI and GEM databases, IMF.