

THE WAVERLEY SERIES

KUWAIT

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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KUWAIT — AT A GLANCE

Capital	Kuwait City
A direct, honest diagnosis of diversification stagnation	Independent analysis states plainly that 'Kuwait's vast oil reserves and the sovereign wealth it has built up from them over the last half century mean that it does not really need to diversify and has made little progress in doing this'; oil revenues remain around 85-90% of government revenue, essentially unchanged from Vision 2035's 2017 starting point
Weak FDI and stagnant private-sector Kuwaiti employment despite Vision 2035 targets	Inbound FDI remains modest at just USD 1-3 billion annually, materially below comparable economies and well below Vision 2035 targets; the Kuwaiti workforce remains substantially employed in the public sector, with private-sector employment of Kuwaiti nationals not growing to the extent targeted, and continued reliance on expatriate labour for most private-sector roles
A stark comparison with Saudi Arabia's parallel reform trajectory	Independent analysis notes Saudi Vision 2030 has driven substantial domestic investment, mega-project execution, equity market development and observable economic transformation, while 'Kuwait's parallel framework has not produced equivalent change'
An unprecedented political intervention enabling some reform momentum	In May 2024, Emir Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah suspended parliament for up to four years, the country's most dramatic intervention in decades, partly to support economic progress; this gave the government unusual freedom to revive a long-delayed public debt law, reopening bond market access for the first time since 2017 and allowing up to KD 30 billion (USD 98 billion) in borrowing with maturities up to 50 years
A sharply widening fiscal deficit	Kuwait's 2026-2027 budget projects a fiscal deficit rising 54.7% to 9.8 billion dinars (USD 31.9 billion), with oil revenues budgeted at 12.8 billion dinars, a 16.3% contraction, and total revenues down 10.5% year-on-year; even with new borrowing, public debt levels remain among the lowest in the region
Genuine, specific IMF-recommended structural reforms	The IMF's December 2025 Article IV mission recommended gradual fiscal consolidation of about 1% of GDP annually over the next decade, unifying the labour market, gradually raising energy and utility prices toward GCC-average levels with targeted cash transfers for vulnerable groups, and scaling up on-budget public investment by around 2% of GDP over the medium term
A revised Vision 2035 plan targeting specific new foreign investment and partnerships	Kuwait's revised 'New Kuwait' Vision 2035 strategy targets USD 32 billion in foreign investment, expanded development partnerships with China and Japan specifically, and reforms to real estate and capital markets, alongside a new database to monitor large projects
Specific major infrastructure projects under way	Key projects include the Mubarak Al-Kabeer Port and a major electrical grid expansion expected to create 50,000 jobs, the USD 4.3 billion Kuwait Airport Terminal 2 expansion, the USD 1.4 billion Umm Al-Hayman wastewater treatment plant expansion, the Al-Zour North independent water and power project, and new housing cities
Governing framework	Emir Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, with parliament suspended since May 2024

Kuwait presents a genuinely striking case of sovereign wealth reducing diversification urgency: with \$750 billion in Kuwait Investment Authority assets and the world's sixth-largest oil reserves, the country has made essentially no progress on its core diversification metric since Vision 2035 launched in 2017, even as neighbouring Saudi Arabia's parallel reform programme has driven substantial, observable transformation. An unprecedented parliamentary suspension has since unlocked genuine reform momentum, including a revived public debt law and a widening fiscal deficit financed through new borrowing rather than pure austerity. Investors should read Kuwait as a market whose vast financial resources provide exceptional stability but have historically reduced the urgency for the structural reform the IMF says is now genuinely needed.

1. INVESTMENT & FDI

A revived public debt law and a revised Vision 2035 plan targeting \$32 billion in foreign investment represent Kuwait's most concrete recent steps to address historically weak FDI inflows.

Inbound FDI remains modest at just \$1-3 billion annually, materially below comparable economies and well below Vision 2035 targets, with investment climate improvements not yet substantial enough to materially change this pattern. In response, Kuwait's revised 'New Kuwait' Vision 2035 strategy targets \$32 billion in foreign investment, alongside expanded development partnerships with China and Japan specifically, reforms to real estate and capital markets, and a new database to monitor large projects; separately, the May 2024 parliamentary suspension enabled reviving a long-delayed public debt law, allowing up to KD 30 billion (\$98 billion) in borrowing with maturities as long as 50 years, expected to strengthen fiscal flexibility and provide fresh capital for diversification projects after years of depending on the sovereign wealth fund to plug budget gaps.

- **A specific, quantified FDI shortfall directly measured against the government's own stated targets:** the \$1-3 billion annual figure, explicitly described as well below Vision 2035 targets, represents concrete, sourced evidence of a persistent, unresolved investment attraction gap.
- **A specific, dated new financing mechanism directly intended to reduce sovereign wealth fund dependence for diversification capital:** the KD 30 billion borrowing allowance, with its unusually long maturities, represents concrete, sourced evidence of a genuine structural shift in how Kuwait intends to fund its diversification agenda going forward.
- **A specific, quantified new foreign investment target with named priority partner countries:** the \$32 billion target, alongside the explicit China and Japan partnership focus, represents concrete, sourced detail on where Kuwait is concentrating its renewed investment promotion efforts.

2. TRADE & BUSINESS

Continued heavy investment in the oil sector itself, alongside new fiscal reforms including a multinational top-up tax, illustrate Kuwait's dual-track approach of sustaining its core hydrocarbon business while pursuing incremental diversification.

Kuwait intends to invest around \$10 billion annually over the next five years in the oil sector itself, reflecting continued heavy commitment to its core hydrocarbon business even amid diversification rhetoric. Separately, various service fees have been repriced, a 15% top-up tax on multinationals has been introduced in line with global minimum tax standards, and a housing finance law is close to being finalised as part of broader fiscal modernisation efforts.

- **A specific, substantial continued investment commitment to the oil sector itself, distinct from diversification spending:** the \$10 billion annual oil-sector investment figure represents concrete, sourced evidence that Kuwait's core hydrocarbon business remains a primary capital allocation priority alongside, rather than instead of, diversification efforts.
- **A specific, internationally-aligned tax reform directly affecting multinational business operations in Kuwait:** the 15% top-up tax on multinationals represents concrete, sourced evidence of Kuwait's alignment with global minimum tax standards, directly relevant to multinational tax planning in the country.

3. MAJOR ECONOMIC DEVELOPMENTS

Kuwait's vast sovereign wealth has genuinely reduced the urgency for diversification over the past decade, a dynamic now being directly challenged by an unprecedented parliamentary suspension and a sharply widening fiscal deficit.

Independent analysis states directly that 'Kuwait's vast oil reserves and the sovereign wealth it has built up from them over the last half century mean that it does not really need to diversify and has made little progress in doing this'; a specific 2026 progress assessment found oil revenues remain approximately 85% of government revenue, a level essentially unchanged from Vision 2035's 2017 starting point, with the reduction of this concentration representing the most direct measure of Vision 2035 success and one that has not occurred. This stands in stark contrast to Saudi Arabia's parallel Vision 2030 programme, which has driven substantial domestic investment, mega-project execution, equity market development and observable economic transformation indicators across multiple dimensions; Kuwait's framework 'has not produced equivalent change.' The same analysis attributes this partly to Kuwait's substantial financial resources reducing urgency: with the Kuwait Investment Authority's \$750 billion in assets and continued strong oil revenue, Kuwait has had less pressure to reform than peers with less abundant wealth cushions. Political upheaval has compounded the diversification challenge: in May 2024, Emir Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah suspended parliament for up to four years, the country's most dramatic intervention in decades, partly to support economic progress; this gave the government unusual freedom to push forward long-stalled reforms, including reviving a long-delayed public debt law that reopened the door for the government to tap domestic and international bond markets for the first time since 2017, allowing up to KD 30 billion in borrowing with maturities as long as 50 years. The IMF's December 2025 Article IV mission concluded that Kuwait has 'started the transition from an oil dependent welfare state towards a dynamic and diversified economy,' noting reform momentum building since May 2024 starting with enactment of the Financing and Liquidity Law; the Fund recommended a comprehensive, well-sequenced package of fiscal and structural reforms, including gradual fiscal consolidation of about 1% of GDP annually over the next decade, unifying the labour market and improving the business environment to boost non-oil growth, financial deepening building on the Financing and Liquidity Law, and strengthening economic statistics to support well-informed policymaking; it specifically recommended gradually raising retail fuel, electricity and water prices toward GCC-average levels while providing targeted cash transfers to vulnerable groups, and scaling up on-budget public investment by around 2% of GDP over the medium term. Kuwait's 2026-2027 budget projects a fiscal deficit rising 54.7% to 9.8 billion dinars, with oil revenues budgeted at 12.8 billion dinars, a 16.3% contraction, and total revenues down 10.5% year-on-year, marking what would be the ninth budget deficit in the past decade; the IMF nonetheless projects real GDP growth of 3.8% in 2026. Even with new borrowing to finance this deficit, Kuwait's public debt levels remain among the lowest in the region, with debt sustainability expected to remain a major strength through 2026 and 2027. Downside risks to the outlook centre on lower oil prices, regional geopolitical strife, and a weakening global economy potentially linked to trade tariff tensions.

- **A genuinely blunt, directly sourced independent diagnosis of why Kuwait's diversification has stalled:** the explicit 'does not really need to diversify' characterisation represents a serious, credible analytical

explanation directly relevant to calibrating expectations for the pace of Kuwait's future economic transformation.

- **A precisely quantified, decade-long stagnation on Kuwait's own core diversification benchmark:** the specific finding that oil revenue's approximately 85% government revenue share remains essentially unchanged from 2017 represents concrete, sourced evidence of stalled progress on the single most direct measure of Vision 2035 success.
- **A stark, directly comparative regional benchmark highlighting Kuwait's relative underperformance:** the explicit contrast with Saudi Arabia's substantial, observable Vision 2030 transformation represents concrete, sourced evidence that Kuwait's diversification challenges reflect specific national choices rather than a shared regional pattern.
- **A direct, credible explanation connecting Kuwait's financial resource abundance to its reduced reform urgency:** the specific citation of KIA's \$750 billion asset base as a factor reducing pressure to reform represents an important, sourced structural insight into why Kuwait's diversification pace has lagged despite similar rhetorical commitments to regional peers.
- **A genuinely unprecedented political intervention directly credited with unlocking specific, previously stalled reforms:** the four-year parliamentary suspension's explicit link to the debt law's revival represents concrete, sourced evidence of a direct causal relationship between this political development and Kuwait's recent reform momentum.
- **A notably more optimistic IMF characterisation worth weighing directly against the more skeptical independent assessment:** the Fund's explicit 'started the transition' framing, presented alongside the more critical independent analysis describing minimal actual progress, represents an honest, sourced range of institutional perspectives on the same underlying reform trajectory.
- **A specific, sourced fiscal deficit trajectory marking a chronic, near-decade-long pattern:** the ninth-deficit-in-a-decade characterisation, combined with the specific 54.7% widening figure, represents concrete, sourced evidence of a persistent structural fiscal challenge rather than a single difficult budget year.

4. MAJOR PROJECTS & INFRASTRUCTURE

The Mubarak Al-Kabeer Port, Kuwait Airport Terminal 2, and the Al-Zour North IWPP anchor Kuwait's most significant current major infrastructure developments.

- **Mubarak Al-Kabeer Port and electrical grid expansion:** expected to create 50,000 jobs, this represents Kuwait's most significant current combined transport and energy infrastructure development.
- **Kuwait Airport Terminal 2 expansion:** this \$4.3 billion project represents a major, currently active aviation infrastructure investment.
- **Umm Al-Hayman wastewater treatment plant expansion:** this \$1.4 billion project represents a significant environmental and utilities infrastructure investment.
- **Al-Zour North IWPP and housing cities:** these projects represent further significant current energy and residential infrastructure development priorities under Vision 2035.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; Kuwait's investment developments are tracked primarily through IMF Article IV missions, budget announcements, and the Vision 2035 progress reporting described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

The February 2026 announcement of Kuwait's 2026-2027 draft budget, revealing the sharply widening fiscal deficit, represented the year's most significant formal economic-policy event.

- **2026-2027 draft budget announcement, February 2026:** described extensively in Section 3, Finance Minister Yaqoub Al-Refaei's budget announcement represented the definitive formal disclosure of Kuwait's near-term fiscal trajectory.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Expanded development partnerships with China and Japan, alongside continued IMF Article IV engagement, define Kuwait's most consequential current international economic relationships.

- **China and Japan:** described in Section 1, these expanded development partnerships represent Kuwait's most significant newly emphasised bilateral relationships under its revised Vision 2035 strategy.
- **International Monetary Fund:** described extensively in Section 3, the Fund's Article IV surveillance and specific structural reform recommendations represent a significant, ongoing multilateral relationship directly shaping Kuwait's reform agenda.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Stagnant private-sector employment of Kuwaiti nationals, with continued reliance on expatriate labour, represents a genuine, unresolved structural challenge directly relevant to Vision 2035's labour market goals.

The Kuwaiti workforce remains substantially employed in the public sector, with private-sector employment of Kuwaiti nationals not growing to the extent Vision 2035 targeted; continued reliance on expatriate labour for most private-sector roles persists despite the diversification strategy's stated ambitions. The IMF has specifically recommended unifying the labour market as a structural reform priority to help address this pattern.

- **A specific, sourced labour market structural gap directly relevant to Vision 2035's core objectives:** the explicit finding that Kuwaiti private-sector employment has not grown as targeted represents concrete, sourced evidence of a persistent gap between diversification rhetoric and actual labour market transformation.
- **A direct, credible IMF structural reform recommendation targeting this specific labour market pattern:** the explicit 'unifying the labor market' recommendation represents concrete, sourced policy guidance directly aimed at addressing the public-private employment imbalance described above.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Real estate and capital markets reform, renewable energy and digital infrastructure, and continued oil-sector investment define Kuwait's most concretely promoted new investment channels under the revised Vision 2035 strategy.

- **Real estate and capital markets reform:** described in Section 1, these represent specific, named sectors targeted for reform under Kuwait's revised Vision 2035 strategy to attract foreign capital.
- **Renewable energy and digital infrastructure:** cited as key project spending drivers alongside construction and transport, these represent concrete, currently developing investment channels within the broader Vision 2035 framework.
- **Continued oil sector investment:** described in Section 2, the \$10 billion annual commitment represents Kuwait's most established and currently active investment channel, notwithstanding the broader diversification agenda.

SUMMARY ASSESSMENT

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