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The Edge Economic & Market Update

Kuwait Macroeconomic Overview
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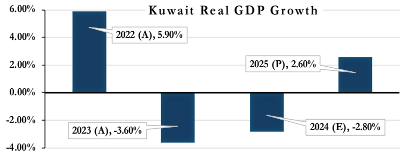
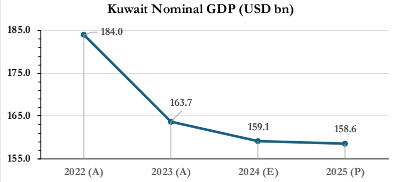
Kuwait Macroeconomic Overview

Kuwait's economy contracted over the past two years due to oil production cuts, but a tentative recovery is on the horizon. **Real GDP** grew by a strong +5.9% in 2022, then shrank by 3.6% in 2023 as OPEC+ quotas slashed oil output (The oil sector fell 4.3% in 2023 while non-oil GDP dipped 1.0%), reflecting lower refining activity. Another contraction of around 2.8% is expected in 2024 with additional oil cuts, before growth resumes at +2.6% in 2025 as production curbs are lifted.



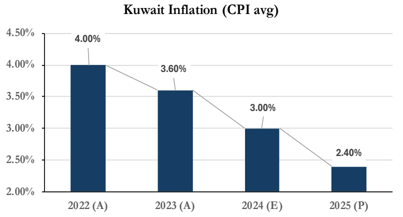
Source: IMF

Nominal GDP has accordingly declined from about $184 billion in 2022 to $164 billion in 2023 and is forecast at around $159 billion in 2024 and 2025.



Source: IMF

Inflation, which averaged 4.0% in 2022, eased to 3.6% in 2023 and is projected to moderate further to 3.0% in 2024 and 2.4% in 2025 amid subsiding import costs.



Source: IMF

Kuwait's **fiscal and external balances** remain sturdy but have weakened from previous highs. The current account surplus has narrowed from 34.3% of GDP in 2022 to 31.4% in 2023, and is estimated and projected to decline to the 27% to 22% range by 2024 and 2025 respectively as oil export earnings fall as indicated by the IMF in Dec 2024, yet actual figures for 2025 might be slightly more pressured given recent events.

Kuwait Macroeconomic Overview (Continued)

Lower oil revenues pushed the **budgetary central government** from a 7.2% of GDP surplus in 2022 to a 5.8% of GDP deficit in 2024 and is projected to reach around 7.9% of GDP deficit by 2025. However, when investment income from Kuwait's sovereign fund is included, the general government balance remained in a huge surplus of +29.9% of GDP in 2023, down slightly from +30.4% in 2022.

As **oil prices** drop, the IMF projects the central government deficit to widen to ~6.6% of GDP in FY2024/25 (while the general government surplus falls toward +24% of GDP). Kuwait's public finances thus hinge on oil: every USD 10 change in oil price swings the budget by several billion dinars.

With Kuwait's export crude averaging about USD 97/bbl in FY2022/23 and USD 85/bbl in FY2023/24, the recent plunge to ~$60 in May 2025 is a significant shock.

Worth noting that Kuwait Export Crude spot price plunged to USD 59.94/bbl on 6 May 2025 -its lowest since mid-2021.

Fortunately, Kuwait has ample buffers (foreign reserves cover 9+ months of imports) and minimal debt.

Yet the risks from volatile oil markets to global slowdown are "skewed to the downside", reinforcing the need for fiscal consolidation and diversification.

Sources: IMF and Kuwait Official sources.

Kuwait, GCC, and Global Insights

Executive Summary

Kuwait's economy is poised to exit a two-year oil-led downturn and grow again in 2025, yet the backdrop has become significantly more challenging with recent Global Events.
Oil-price shock: Kuwait Export Crude averaged about USD 73/bbl YTD, but the spot price plunged to USD 59.94/bbl on May 6, 2025 - its lowest since mid-2021. Should prices remain in the low-60s, the headline fiscal and current-account surpluses embedded in the IMF's December 2024 baseline would erode by 3-4 pp of GDP.
Domestic balance-sheet strength: General-government surpluses and the Future Generations Fund still provide a deep buffer, but the central-government budget is now expected to post a wider deficit near 10 % of GDP if oil averages below US $70 this year, increasing reliance on the new Public-Debt Law.

GCC recalibration. Early data for 2024/2025 show the region already recovering: UAE GDP up +4 %, Saudi non-oil activity +4 %, Qatar steady at 2 % range, while Oman and Bahrain hover around 2–3 %. With OPEC+ supply returning from Q2 2025, the bloc should average ~3 ½ % growth in 2025, but the oil-price dip trims revenue and could delay capex in the more oil-dependent states.

Global outlook softens further. The IMF's April 2025 WEO (World Economic Update) pegs world GDP growth at 3.3 % for 2024 and 2.8 % for 2025, citing higher real rates, renewed US-China trade frictions and slow European growth. Energy spot-price volatility and Red-Sea shipping disruptions also add downside risk.

Bottom line: Kuwait still enters 2025 with formidable buffers, but the sudden oil-price slide underscores the urgency of diversifying revenue, accelerating megaproject execution and deepening private-sector reforms. Region-wide, the GCC growth pulse is improving, yet fiscal space is tightening again—making coordination on spending efficiency and non-oil diversification an immediate priority.

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