THE EDGE CONSULTANCY

The Edge Economic Reports

Kuwait's New Debt Era

How Sovereign Borrowing Is Reshaping Fiscal Policy, Banking Liquidity and Kuwait's Capital Market

September 2026

Executive Summary

Kuwait's return to sovereign borrowing is not primarily a response to weak solvency. It is a change in fiscal funding architecture. After years in which deficits were absorbed largely through the General Reserve Fund, the 2025 Financing and Liquidity Law has given the Treasury three funding channels: a recurring domestic sovereign curve, access to international bond markets and, following the September 2026 amendment, a regulated ability to borrow from the Future Generations Fund.

The timing is consequential. FY2025/26 closed with an actual deficit of KD 7.14 billion as revenue fell 25.4 percent to KD 16.457 billion and oil revenue fell 29.8 percent to KD 13.589 billion; expenditure rose 2.1 percent to KD 23.598 billion, and the Cabinet said the entire shortfall would be covered from the GRF. Meanwhile domestic public-debt instruments and tawarruq reached KD 3.7 billion by end-July 2026, more than four times a year earlier, and international issuance since the 2025 law totals $19.4 billion across the October 2025 $11.25 billion benchmark, the March 2026 $2.15 billion private placement and the July 2026 $6 billion sale. On an Edge working-stock basis the two books are roughly KD 9.7 billion, about one-third of the KD 30 billion statutory ceiling.

The five-year domestic cut-off has fallen 150 basis points year on year, from 4.875 percent in August 2025 to 3.375 percent on 19 August 2026, while the discount rate moved only 50 basis points. That is a single verified tenor, not a reconstructed curve, and the instrument is not a conventional fixed-coupon bond: the CBK combines treasury bonds and public-debt tawarruq in one auction and records the yield type as variable. The international book is conventional: the July 2026 notes priced at 70, 75 and 85 basis points over Treasuries, with ministry-stated final demand above $18 billion.

The significance extends beyond fiscal financing. Regular sovereign issuance is creating a dinar reference for banks, corporates and projects while giving the Treasury an alternative to forced asset liquidation, and the evidence so far is more consistent with domestic issuance absorbing abundant banking-system liquidity than with crowding out private credit. The trade-off is not debt versus sovereign wealth; it is the cost of borrowing versus the opportunity cost of liquidating or forgoing returns on sovereign assets. At current funding costs that comparison can favour borrowing where expected long-run asset returns exceed the state's all-in funding cost by a sufficient margin, an advantage that is conditional, not permanent.

Our base case is managed borrowing: regular domestic auctions, periodic international benchmarks and selective use of reserve liquidity, with debt moving gradually toward the range in rating-agency assumptions rather than rapidly toward the ceiling. The critical variables are observable monthly: oil price and volumes, auction cut-offs, bank liquidity and private-credit growth, and the FY2026/27 expenditure path.

From KD 50 Million To A Sovereign Debt Market

Kuwait was a sporadic issuer, not a serial one. After the 2016-17 wave of dinar paper and the 2017 dollar benchmarks, the public-debt law lapsed and the domestic stock ran off: Central Bank of Kuwait series show a record low of KD 50 million in May 2025, against a KD 4.97 billion peak in September 2017, with debt-to-GDP near 3 percent in 2024 on IMF figures. Law No. 60 of 2025 on Financing and Liquidity, enacted in March 2025, ended the freeze: a KD 30 billion ceiling, tenors to 50 years, conventional bonds, treasury instruments and sukuk all permitted, for 50 years.

The restart was immediate. By end-September 2025 the CBK series showed KD 1.6 billion of domestic instruments outstanding; October 2025 brought the $11.25 billion three-tranche benchmark into a book the ministry put near $28 billion; March 2026 added a $2.15 billion private placement. Combining the CBK domestic series with the ministry's external prints, an Edge calculation puts total public debt at about KD 8.6 billion at end-June, roughly 17.2 percent of estimated 2026 GDP (KD 3.3 billion domestic plus $17.25 billion external, about KD 5.3 billion at 0.308). That end-June print differs from the KD 9.7 billion working stock used later for two mechanical reasons: another month of domestic issuance took the CBK book to KD 3.7 billion by end-July, and the $19.4 billion cumulative includes the July $6 billion benchmark that post-dates the June cut-off. Domestic paper is held mainly in the local banking system; the external book is global, with more than four-fifths of the July issue placed outside the region. The dinar curve builds a local reference and absorbs surplus liquidity; the dollar curve refinances in size and keeps Kuwait present in benchmark indices.

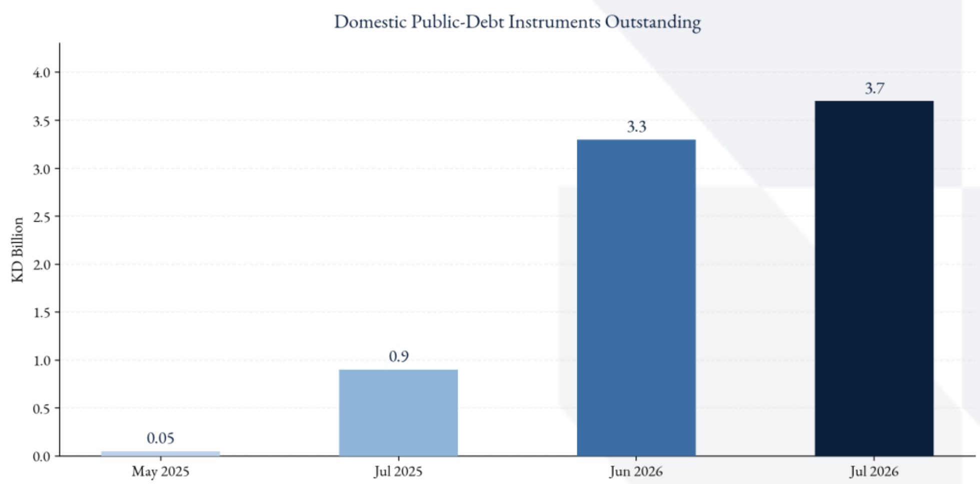

Figure 1. Outstanding domestic public debt instruments and tawarruq.
All points from the Central Bank of Kuwait monthly series on public debt instruments and related tawarruq, balances at end-month.

One reconciliation note: the broader public-debt register and the CBK instruments series are not identical, since tawarruq accrued returns, private placements and settlement timing create small gaps, which is why this report uses an Edge working stock rather than a single official consolidated figure. September 2026 did not bring another jumbo dollar benchmark in the public record; it brought the FGF amendment and the continuation of the domestic auction calendar.

Key Fiscal And Debt Indicators

The table below is the skeleton of the rest of the report. Fiscal-year items are Ministry of Finance closing and budget numbers. Debt-stock items combine CBK domestic data with ministry and rating-agency international prints. Asset ratios are agency or IMF estimates, not a KIA mark-to-market.

Indicator	FY24/25	FY25/26A	FY26/27B	Unit	Note
Total revenue	22.06	16.46	16.31	KD bn	-25.4% YoY
Oil revenue	19.36	13.58	12.81	KD bn	-29.8% YoY
Non-oil revenue	2.70	2.87	3.50	KD bn	Closing ~KD 2.87bn
Total expenditure	23.11	23.60	26.07	KD bn	+2.1% YoY
Fiscal balance	-1.06	-7.14	-9.76	KD bn	Cabinet: GRF-funded
Fiscal balance / GDP (IMF, budgetary central govt)	-	-8.7%	-9.4%	%	Article IV, Feb 2026
Oil share of revenue	~88%	82.6%	79%	%	Still dominant
Domestic CBK book	0.9*	3.7†	Rising	KD bn	4.1x YoY
Intl. issuance, cumulative	-	19.4	Open	USD bn	Three operations
Statutory ceiling	30	30	30	KD bn	Law 60/2025
Gov. debt / GDP (Moody's, end-Mar 2026)	-	below 19	-	%	Rating-agency basis
Gov. debt / GDP (IMF proj., CY2026)	-	-	24.2	%	Art. IV; WEO prints 22.3
KIA assets / GDP (IMF, calendar year-end)	605 (2024)	640 (2025)	-	%	Article IV
Moody's govt financial assets / GDP	-	>475	-	%	May 2026
Fitch net foreign assets / GDP	-	-	668	%	August 2026 affirmation
Sovereign ratings	-	AA- / A1 / AA-	Stable	-	S&P / Moody's / Fitch
CBK discount-rate move, Aug 2025-Aug 2026	-	-50	-	bp	Easing cycle
5Y domestic uniform cut-off	4.875 (Aug 25)	3.375	-	%	19 Aug 2026; variable-yield instrument

*Table 1. Master fiscal and debt indicators. *July 2025 outstanding. †End-July 2026. ‡IMF / Fitch 2026 estimates. A = actual closing; B = budget. Conversion uses KD 0.308 per US dollar. Working stock = KD 3.7bn + ($19.4bn x 0.308).*

Why Kuwait Is Borrowing Despite Its Sovereign Wealth

GRF versus FGF

Kuwait's sovereign wealth is not one pot. The General Reserve Fund is the Treasury's working balance, liquid and drawable; the Future Generations Fund is the long-duration portfolio managed by the KIA for intergenerational return. The IMF's February 2026 Article IV put KIA assets at 640 percent of GDP at end-2025, most of it in the FGF; Moody's puts government financial assets above 475 percent of GDP, enough on its estimate to cover about ten years of spending; Fitch puts net foreign assets at 668 percent of GDP in 2026, the highest of any sovereign it rates. Liquidity at the GRF is a different object: years of deficit financing without a debt law drained the liquid sleeve even as the FGF compounded. Borrowing rebuilds GRF optionality without a forced sale of the long-duration book.

The FY2025/26 residual, and the September FGF amendment

The financing transition was not complete in FY2025/26: when the Cabinet approved the final account in July, it said the entire KD 7.14 billion closing deficit would be covered by the GRF. Issuance replenished and diversified the funding base; it did not, on the Cabinet's own wording, replace the residual. The new programme's significance is therefore prospective as well as current.

The numerical FGF limits appear large in relation to Kuwait's present financing requirement, although they are not directly comparable with the KD 30 billion ceiling under the public-debt law because the two statutes govern different funding channels. The outstanding FGF-loan limit is 10 percent of the reserve's latest audited net asset value, while annual borrowing is capped by the reserve's average returns over the preceding five audited fiscal years. The latter cannot be independently calculated from public information. The practical capacity of this channel therefore depends on both the statutory arithmetic available to the authorities and the approvals required from the Cabinet and the KIA board: each loan must specify amount, purpose, return, tenor and repayment schedule, and the FGF becomes a creditor of the GRF. That is a governance event as much as a funding event.

Decree-Law No. 81 of 2026, published on 1 September, creates a third channel. The state may borrow from the FGF to support the GRF, but only as an exception, and only with Cabinet and KIA board approval. Each loan must specify amount, purpose, return, tenor and a repayment schedule. Two quantitative limits matter more than the adjective “capped.” Total borrowing in a single fiscal year may not exceed 100 percent of the reserve’s average returns over the previous five audited fiscal years. The accumulated outstanding loan balance may not exceed 10 percent of the reserve’s net asset value on the latest audited accounts. No new loan may be contracted if either ceiling is breached. Principal and returns are recorded as an asset of the FGF, rank for priority repayment out of any subsequent budget surplus, and cannot be written off or reduced except by a specific law. Those rules convert the FGF from an untouchable stock into a regulated intra-sovereign creditor. They do not make it a substitute for the market.

The explanatory memorandum published with the decree frames the amendment as strengthening the legal and institutional protection of the Future Generations Reserve, not diluting it: borrowing is exceptional, fully documented, recorded as an FGF asset, repaid with priority from any subsequent surplus, and irreducible except by a dedicated law. Read together with the 2025 Financing and Liquidity Law, the September decree completes a funding architecture in which every channel now operates under statute.

Asset sales versus borrowing

Selling FGF assets to avoid a 3.4 percent dinar note, or a dollar note priced over Treasuries, is a duration and liquidity decision disguised as prudence; whether it is cheap depends on the return those assets would have earned and the mark-to-market incurred by selling them. The debt-versus-assets section sets out the arithmetic as a sensitivity, not a verdict.

The New Domestic Sovereign Yield Curve

The Central Bank of Kuwait, acting for the Ministry of Finance, now runs a multi-tenor auction calendar. A single session on 24 June 2026 sold KD 550 million (2Y KD 150m at 2.750 percent, 3Y KD 250m at 2.700, 5Y KD 100m at 3.250, 7Y KD 50m at 3.125) against bids of KD 1.75 billion, a 3.19 times cover; from the start of FY2026/27 through that session, long-term domestic issuance reached KD 1.25 billion across nine operations against bids of KD 4.08 billion.

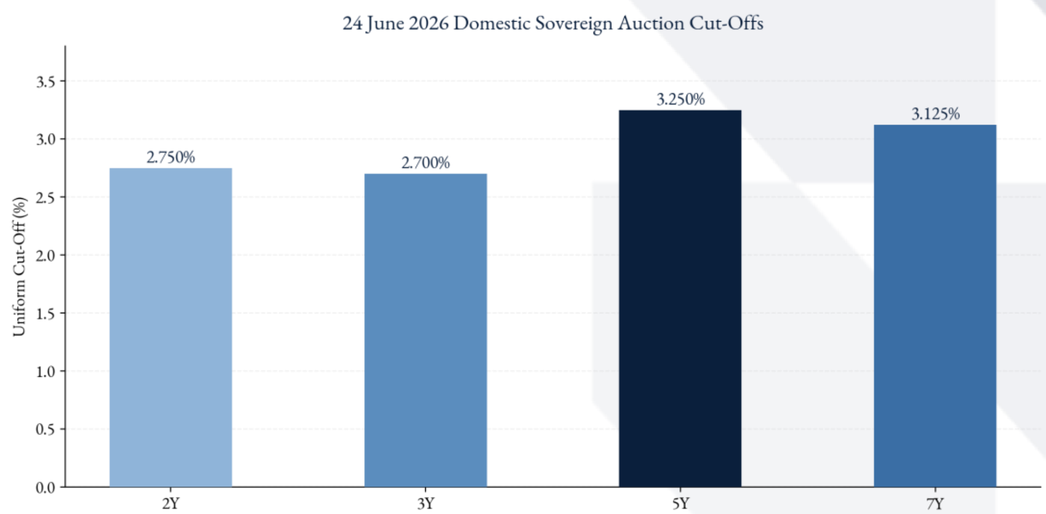

Figure 2. Verified uniform cut-offs from the 24 June 2026 CBK multi-tenor auction. This is an auction snapshot, not a fitted par curve.

The five-year point can now be shown as a verified time series: 4.875 percent in August 2025, 3.625 on 11 February 2026, 3.250 on 29 April, 24 June and 29 July, and 3.375 on 19 August. From August 2025 to August 2026 the cut-off fell 150 basis points while the discount rate fell 50: the curve priced in surplus bank dinars, not only the policy rate. Two caveats: the print is a uniform-yield treasury and tawarruq package recorded as variable, not a fixed sovereign coupon, so comparing 3.375 percent with a dollar five-year priced 75 basis points over Treasuries compares two different instruments; and a usable domestic ten-year point is still thin, so the international ten-year does the long-end work for now.

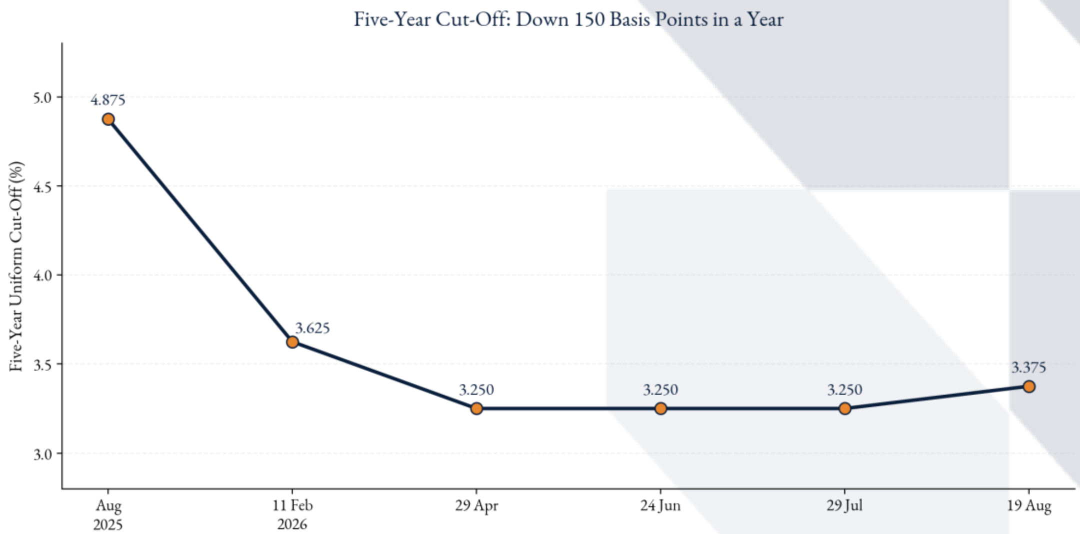

Figure 3. Verified five-year CBK auction cut-offs. August 2025 from contemporaneous issuance reporting; 2026 points from CBK public-debt notices. The instrument is a uniform-yield treasury / tawarruq package, not a fixed-coupon bond.

The International Borrowing Programme

October 2025 set the template: $3.25 billion three-year at 40 basis points over Treasuries, $3.00 billion five-year at 40 and $5.00 billion ten-year at 50, into a ministry-stated book of $28 billion, 2.5 times the issue. March 2026 added $2.15 billion by private placement. The 22 July 2026 pricing was the first major external test after the regional disruption: $3.0 billion three-year at 70 basis points over Treasuries, $1.5 billion five-year at 75 and $1.5 billion ten-year at 85, with ministry-stated final demand above $18 billion, more than three times the issue size. Allocation: Americas 48 percent, UK and Europe 28, MENA 16, Asia 4, other 4.

Spreads were 30 to 35 basis points wider than October 2025, still tight for an issuer pricing immediately after a regional export disruption; Kuwait's limited benchmark supply likely supported the transaction alongside its credit fundamentals. A ten-year dollar note priced 85 basis points over Treasuries is a different cash-interest object from a 3.4 percent dinar cut-off, which is why the sensitivity section refuses to call 3.4 percent the blended cost of the book.

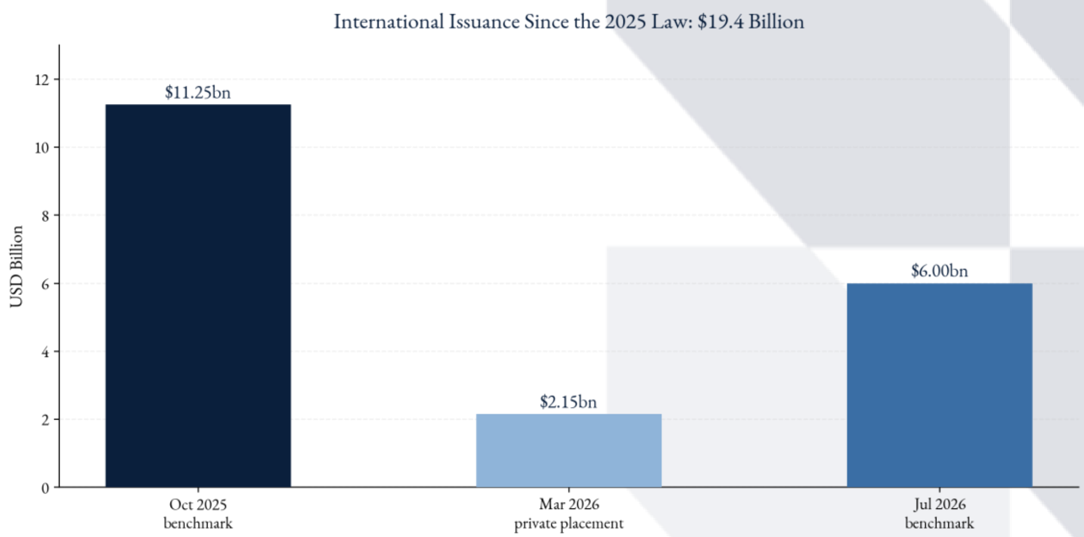

Figure 4. International sovereign issuance since the 2025 law. Sources: Ministry of Finance; S&P Global Ratings (March private placement).

Tranche	Oct 2025 $bn	Spread	Jul 2026 $bn	Spread
3-year	3.25	+40 bp	3.00	+70 bp
5-year	3.00	+40 bp	1.50	+75 bp
10-year	5.00	+50 bp	1.50	+85 bp
3Y private placement	-	-	2.15 (Mar)	Fixed, not public
Demand	~$28bn final	~2.5x	>$18bn (MoF)	>3x

Table 2. International programme, selected terms. Terms from the Ministry of Finance announcements of 1 October 2025 and 23 July 2026; the March 2026 placement from S&P Global Ratings.

The Fiscal Deficit Is The Starting Point

Everything above is a funding answer. The question is the FY2025/26 closing account: an actual deficit of KD 7.14 billion, revenue of KD 16.457 billion (25.4 percent below FY2024/25 and 9.7 percent below the KD 18.231 billion budget), oil revenue of KD 13.589 billion (29.8 percent lower and 11.2 percent below budget), non-oil revenue near KD 2.87 billion, and expenditure of KD 23.598 billion, up 2.1 percent and 3.8 percent under appropriation. The budget had assumed a KD 6.31 billion deficit on $68 oil at 2.5 million barrels a day; the gap widened because oil receipts missed, not because spending exploded.

Two contextual readings belong beside the closing account. On IMF Article IV ratios the FY2025/26 deficit corresponds to roughly 8.7 percent of GDP, with FY2026/27 budgeted near 9.4 percent, the widest outcomes since the pandemic year. The composition is a point in Kuwait's favour: expenditure rose only 2.1 percent and closed under appropriation, a restraint evident in the closing accounts themselves, so the widening was a revenue event driven by slower OPEC+ unwinding and the mid-year export disruption, not a spending loss of control. FY2026/27 is written wider still: revenue KD 16.31 billion (oil KD 12.81 billion, 79 percent), expenditure KD 26.07 billion with capex up 36.8 percent to KD 3.07 billion, deficit KD 9.76 billion. That budget will need a financing mix, not a single instrument.

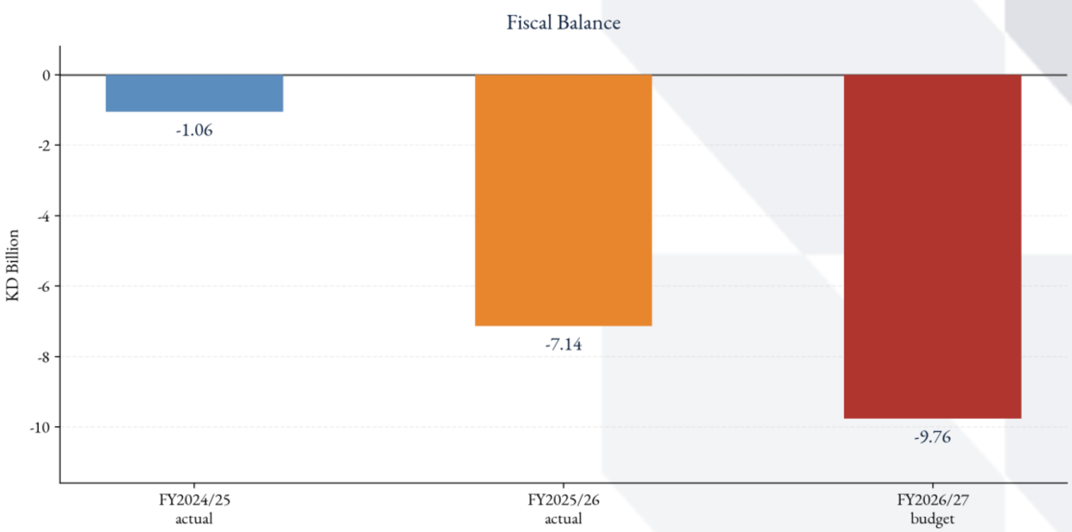

Figure 5. Fiscal balance, KD billion. Closings and the FY2026/27 budget from Ministry of Finance presentations and the July 2026 final-account statement.

Financing requirement is not the same as issuance

The KD 9.76 billion FY2026/27 budget deficit is not a forecast of KD 9.76 billion net debt issuance. The financing mix can include GRF resources, FGF advances under Decree-Law 81, domestic auctions and external borrowing. Gross issuance will additionally reflect refinancing as the 2025–26 notes begin to roll. Fiscal deficit, gross issuance and the change in net debt are three different numbers. Treating them as one is how a debt programme is misread.

Debt Versus Assets: The Correct Kuwait Equation

Sovereign asset-liability management in Kuwait is a spread trade with several unobserved legs: on one side the expected total return on assets that would have to be sold or forgone, plus transaction and mark-to-market costs; on the other the all-in cost of dinar and dollar paper and the refinancing risk of a growing stock. A mechanical illustration, labelled as one: a KD 1 billion need financed at a 3.4 percent dinar reference costs KD 34 million in year one; if the alternative is liquidating assets expected to earn 6 to 8 percent, the carry sacrificed is KD 60 to 80 million, so the first-year difference is KD 26 to 46 million before mark-to-market. Reverse the return assumption to 3 percent and the advantage disappears; fund at the July ten-year dollar yield and the hurdle rises. The sensitivity is the policy: written down, dated, revised when US yields or oil volumes move.

Rating committees already treat the balance sheet this way. S&P's May 2026 affirmation at AA- assumed deficits met by a mix of issuance and GRF drawdowns, with debt rising toward about 42 percent of GDP by fiscal 2030 from about 19 percent at end-fiscal 2026; Moody's A1 affirmation used the same architecture, with a path toward about 40 percent by FY2029/30. The agencies' published assumptions therefore do not depend on a zero-debt strategy; they are consistent with a funding mix that combines sovereign issuance with GRF drawdowns while preserving Kuwait's unusually large financial-asset buffer.

What Public Debt Does To Kuwait's Banks

The domestic curve lives on bank balance sheets. In April 2026 local-bank assets were KD 105.19 billion, up 9.5 percent year on year, and domestic credit KD 54.30 billion, up 6.7 percent, with resident deposits near KD 55.65 billion growing faster than credit. CBK data for end-July put resident deposits at KD 56.48 billion, up 9.8 percent year on year, with government deposits at KD 5.85 billion against KD 3.74 billion at end-December, on our calculation from the CBK monthly tables: public-institution money is part of the same circuit as public-debt paper. Crowding-out would show up as rising sovereign holdings alongside flattening private credit and loan-to-deposit stress; the 2025-26 data do not yet show that pattern. Credit is still expanding, if more slowly than deposits, and the first-half fall in paid-up import facilities was a trade shock, not a sovereign squeeze. The evidence so far is more consistent with issuance absorbing abundant liquidity than with crowding out; the test comes if issuance steps toward the low tens of billions while private credit demand recovers.

For the banks the new paper is a high-quality sovereign asset between central-bank placements and private lending; the applicable regulatory risk-weight treatment is a separate technical note. When government and public-institution deposits rise at the same time as sovereign holdings, part of what looks like surplus dinars is the public sector circulating through the banks, so the crowding-out test must watch private credit and private deposits, not only the headline ratio. Listed-bank profitability through the first half remained resilient, earned on net interest income and fees rather than a collapse in credit, as set out in the August special report; if the sovereign book were already rationing private lending, that print would be harder to reconcile. The warning is about the next step-up in issuance, not the step already taken.

Building Kuwait's Risk-Free Curve

A repeatable sovereign curve is the missing public good in Kuwait's capital market. Corporate sukuk and bonds have existed in isolation; Boursa Kuwait's 2026 bonds-and-sukuk rulebook now supplies listing, trading and disclosure, and the sovereign curve supplies the reference those listings need. Project finance, PPP housing and utility tenders all price off a risk-free rate that until 2025 had to be improvised; a 2s-7s dinar curve, even a thin one, lets a corporate five-year print as a spread instead of a guess. The tawarruq sleeve of the CBK auctions already provides part of an Islamic reference.

Oil Is Still The Fiscal Variable

Eighty-two percent of FY2025/26 actual revenue was oil, and the 29.8 percent fall in that line against a 2.1 percent rise in spending produced almost the entire widening. A $10 move in the realised export price, at 2.5 million barrels a day and 0.308 per dollar, is roughly KD 2.8 billion over a fiscal year, an Edge order-of-magnitude calculation. The OPEC+ required production of 2.676 million barrels a day for September 2026, set on 2 August, supports revenue only as it translates into export volumes. A sustained realised price near $60 would place material upside pressure on the budgeted KD 9.76 billion deficit; $90 with restored volumes would materially narrow it. Diversification of funding is running ahead of diversification of revenue.

How Kuwait Compares With The GCC

On debt-to-GDP Kuwait is still the low outlier, though the vintage matters: Moody's put debt below 19 percent at end-March 2026, the Edge end-June reconciliation 17.2 percent, the IMF Article IV 24.2 percent for calendar 2026 and the April WEO 22.3 percent, different perimeters and dates sharing one direction, a ratio rising from a floor, not exploding from a mid-range. On fiscal balance Kuwait is no longer the comforting outlier; on sovereign assets it remains in a class of one; on ratings it sits with the UAE and Qatar in the AA / A1 neighbourhood. Cross-sovereign borrowing-cost comparisons require matched dollar tenors and observation dates, so this report uses Kuwait's own July 2026 curve, T+70, +75 and +85, as the cleaner measure: a sovereign that had just absorbed a regional export disruption still priced its ten-year inside 90 basis points over Treasuries, reflecting both credit fundamentals and limited benchmark supply.

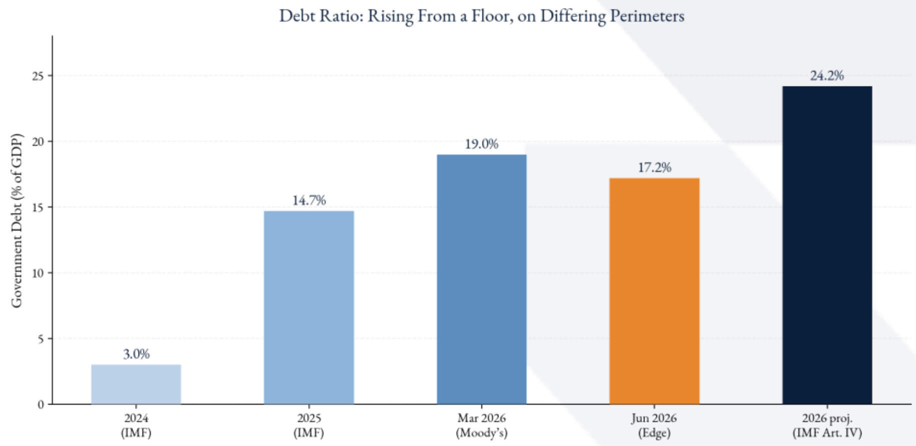

Figure 6. Kuwait government debt ratio on differing perimeters and dates: IMF Article IV estimates for 2024 (2.9 percent, shown rounded) and 2025, Moody's end-March 2026 reading, the Edge end-June 2026 reconciliation, and the IMF Article IV projection for 2026. Sources: IMF; Moody's; Edge calculation.

Debt-Cost Sensitivity

The present stock is small enough that interest is not yet a budget line that moves politics; that changes with rates or size. On the KD 9.7 billion working stock, a mechanical 3.4 percent reference produces an illustrative KD 330 million annual bill, a sensitivity baseline, not the blended coupon: the July dollar notes alone priced 70 to 85 basis points over Treasuries, so a true blended cost sits above the dinar cut-offs. Fifty basis points adds roughly KD 48 million, one hundred KD 97 million, two hundred KD 194 million; none threatens AA-. Scale the stock to KD 20 billion and the same shocks become KD 680, 780, 880 million and KD 1.08 billion, the last about 4.6 percent of FY2025/26 spending, visible, not decisive. The danger is a higher stock colliding with a higher rate cycle when oil is also weak. Ceiling utilisation is the simpler metric: about 32 percent of KD 30 billion on the Edge working stock, moving with every auction and redemption.

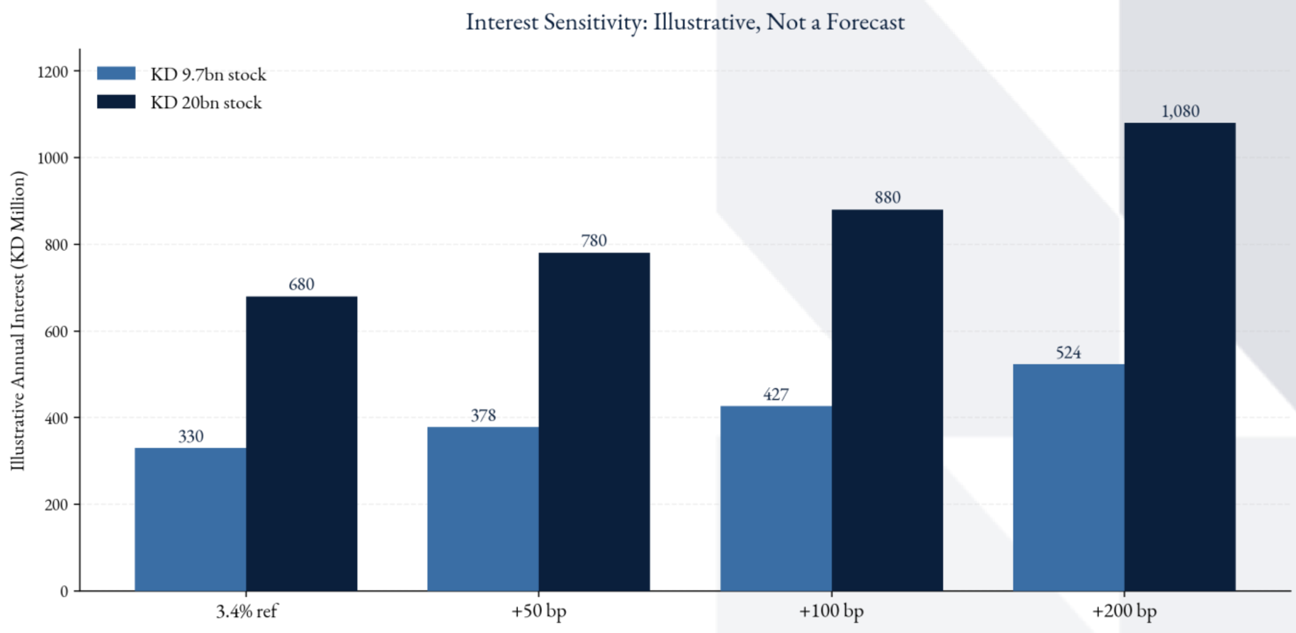

Figure 7. Illustrative annual interest bill at a 3.4 percent reference cost. This is a rate-shock device, not a forecast of the interest appropriation.

Outlook: Three Paths

Asset-liability optimisation: Issuance continues only in sizes that keep a live curve and refinance the book; most of any residual deficit is met by GRF cash and FGF advances inside the statutory limits. Debt-to-GDP stays well below 25 percent through 2028; banks absorb paper without displacing private credit. The risk is political: a thin market can be turned off again.

Managed borrowing: Edge base case: This Edge base case is broadly consistent with the trajectory in S&P's and Moody's published assumptions, including S&P's language that annual borrowing could reach 4-5 percent of GDP over 2027-2029; it is not their forecast. Domestic auctions remain regular; one international benchmark a year in the $5-8 billion range refinances and adds; debt drifts toward 35-42 percent of GDP by 2030; the GRF is no longer the first absorber; capital-market development is a by-product.

Persistent deficit / higher-debt case: Oil stays soft, spending rigidity holds, and issuance fills nearly all of a KD 8-10 billion annual gap; the stock heads toward the ceiling inside the decade, crowding-out becomes a live CBK concern, spreads gap toward wider Gulf names, and the stable AA- / A1 outlook would be the first thing to move. This path is optional; it is also the path of least administrative resistance once a market exists.

Forward watchlist

Four series will decide which path is being taken. They are observable without waiting for the next final account.

Indicator	Latest mark	Edge threshold for reassessment
Export price and volumes	Budget $68; 2.676 mb/d OPEC+ Sep-26	Sustained sub-$60 or a second export halt
5Y domestic cut-off	3.375% (19 Aug 2026)	A move back above 4.0% or a failed auction
Domestic CBK book	KD 3.7bn (Jul 2026)	A jump through KD 8bn without credit growth
FY26/27 deficit outturn	Budget KD 9.76bn	Closing gap above KD 12bn
10Y dollar spread	+85 bp (Jul 2026)	A move through +150 bp over Treasuries
Ceiling utilisation (Edge)	~32% of KD 30bn	A rise through 50% inside two years

Table 3. Monitoring set for the managed-borrowing base case.

Conclusion

Kuwait's new debt era is a funding reform that happens to look like a bond market. The sovereign is not borrowing because it is poor. It is borrowing because the GRF is a liquidity account, the FGF is a long-duration return account, and FY2025/26 demonstrated the fiscal asymmetry: oil revenue fell almost 30 percent while recurrent spending remained comparatively rigid. The resulting KD 7.14 billion deficit was, the Cabinet said, covered in full from the GRF. The 2025 law, the KD 3.7 billion domestic book, the $19.4 billion international programme, the September FGF amendment and the 150 basis-point fall in the five-year dinar cut-off are the first full year of that reform.

The prize is a risk-free curve that prices banks, corporates and projects in dinars, and a Treasury that no longer has to choose between underfunding the state and selling the long-duration assets. The risk is habituation: treating a cheap AA− market as a substitute for a non-oil revenue base. The curve will tell the truth monthly. This report is a reading of the first prints.

Methodology & Verification Note

Fiscal actuals for FY2025/26 are from the Ministry of Finance closing and the Cabinet's July 2026 final-account announcement; FY2026/27 figures are from the Cabinet-approved budget. Domestic stock and auction results are CBK operations and monthly statistics, including the end-July KD 3.7 billion stock and the five-year cut-off sequence in the yield-curve section. International terms are ministry announcements, including the 23 July 2026 statement, cross-checked with S&P's May 2026 research update. The 150 basis-point five-year decline is an Edge calculation from two verified auction marks; no other 2025 tenor points are inferred. Sensitivity math converts $19.4 billion at 0.308 and applies a single 3.4 percent reference only to isolate rate shocks. GCC ratios carry mixed vintages and perimeters and are labelled accordingly. Where this report says our calculation or Edge working stock, the arithmetic is ours from cited official series; where it cites a rating committee, the IMF or the ministry, the figure is theirs. Nothing herein is an offer, a solicitation, or advice.

Sources & References

References are numbered; each links to a primary or reputable source. Data current to 4 September 2026.

OFFICIAL KUWAIT SOURCES

[1] Ministry of Finance: FY2025/26 closing and Cabinet final account (deficit KD 7.14bn; revenue KD 16.457bn; expenditure KD 23.598bn); FY2026/27 budget; FY2025/26 budget decree (revenue KD 18.231bn, deficit KD 6.31bn); international issue announcements, including the 23 July 2026 statement. Link - *Ministry of Finance, State of Kuwait*

[2] Central Bank of Kuwait: monthly monetary statistics (resident deposits KD 56.48bn and government deposits KD 5.85bn at end-July 2026; local-bank assets, credit and public debt instruments series); public-debt issuance notices of 11 February, 29 April, 24 June, 29 July and 19 August 2026. Link - *Central Bank of Kuwait*

[3] Decree-Law No. 81 of 2026 on the Future Generations Reserve and explanatory memorandum, Official Gazette, 1 September 2026; Law No. 60 of 2025 on Financing and Liquidity. Link - *State of Kuwait / Kuwait Investment Authority*

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[4] S&P Global Ratings: Kuwait AA-/A-1+ affirmed, 21 May 2026 (debt toward ~42% of GDP by fiscal 2030; annual borrowing 4-5% of GDP 2027-2029; March private placement). Link - *S&P Global Ratings*

[5] Moody's Ratings: A1 affirmed, 22 May 2026 (assets >475% of GDP; debt <19% at March 2026; path toward ~40% by FY2029/30). Link - *Moody's Ratings*

[6] Fitch Ratings: Kuwait AA- affirmed, 7 August 2026 (net foreign assets 668% of GDP in 2026). Link - *Fitch Ratings*

[7] IMF: 2025 Article IV Consultation with Kuwait, February 2026 (KIA assets 640% of GDP end-2025; deficits 8.7% and 9.4% of GDP; real GDP +3.8% in 2026); World Economic Outlook database, April 2026. Link - *International Monetary Fund*

OFFICIAL DATA SERIES USED IN EDGE CALCULATIONS

[8] CBK and Ministry of Finance series underlying the Edge working stock (KD 3.7bn + $19.4bn x 0.308) and the end-June reconciliation (~KD 8.6bn; 17.2% of estimated 2026 GDP). Link - *Central Bank of Kuwait; Ministry of Finance*

RELATED EDGE ANALYSIS

[9] Edge research series on the Kuwait debt restart: five-year cost down 150bp (20 Aug); domestic instruments at KD 3.7bn (26 Aug); the $6bn July issue; the FGF amendment (2 Sep); the H1 2026 banking report. Link - *The Edge for Economic Consultancy*

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