

KUWAIT

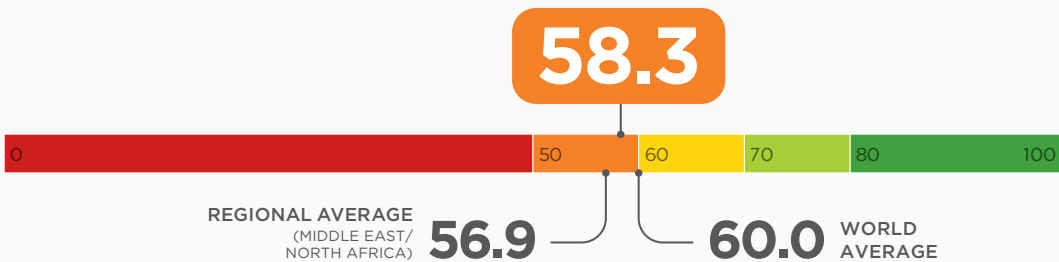
Kuwait's economic freedom score is 58.3, making its economy the 101st freest in the 2022 *Index*. Kuwait is ranked 7th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional average but below the world average.

After accelerating from 2017 through 2018 and slowing in 2019, Kuwait's economic growth contracted in 2020 and then rebounded in 2021. During the same period, however, generally weakening economic freedom worsened. Driven lower by score decreases in **property rights** and **judicial effectiveness**, Kuwait has registered a 6.8-point overall loss of economic freedom since 2017 and has fallen from the "Moderately Free" category to the "Mostly Unfree" category. Fiscal health is robust, but **government spending** weighs very heavily on the economy.

IMPACT OF COVID-19: As of December 1, 2021, 2,465 deaths had been attributed to the pandemic in Kuwait, and the government's response to the crisis ranked 99th among the countries included in this *Index* in terms of its stringency. The economy contracted by 8.1 percent in 2020.

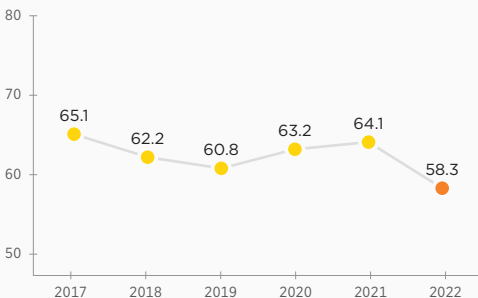


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): -7.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.3 million

GDP (PPP):
\$203.3 billion
-8.1% growth in 2020
5-year compound annual growth -1.6%
\$41,627 per capita

UNEMPLOYMENT:
6.8%

INFLATION (CPI):
2.1%

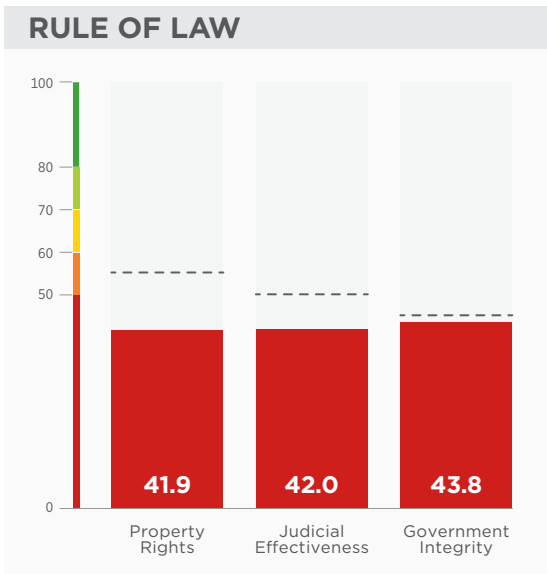
FDI INFLOW:
-\$319.0 million

PUBLIC DEBT: 11.5% of GDP

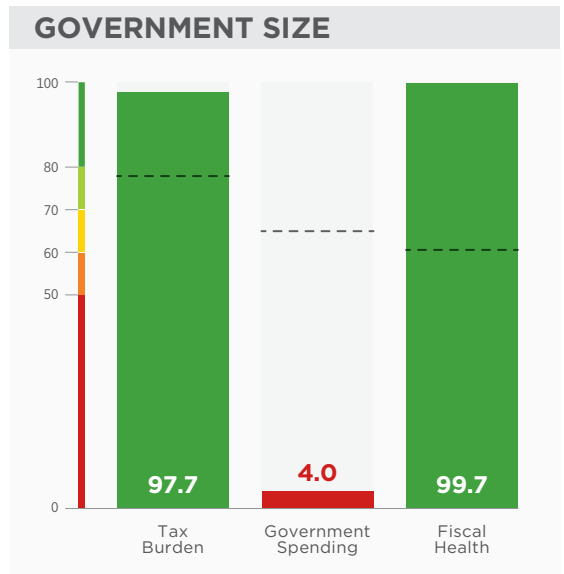
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The former British protectorate of Kuwait is a constitutional monarchy and has been ruled by the al-Sabah dynasty since the 18th century. Growing opposition from Islamists and tribal populists since 2012 has triggered protests, several cabinet shakeups, and dissolutions of the National Assembly. Nawaf al-Ahmad Al-Jaber al-Sabah succeeded Sabah al-Ahmad al-Jabr al-Sabah as emir following the latter's death in 2020. Kuwait controls approximately 6 percent of the world's oil reserves. Oil and gas account for more than half of GDP and approximately 92 percent of export revenues. The government saves at least 10 percent of revenue annually to cushion itself against the possible impact of lower oil prices.

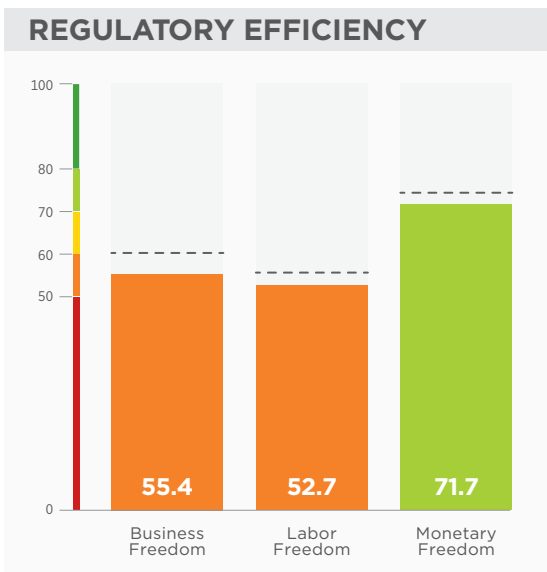
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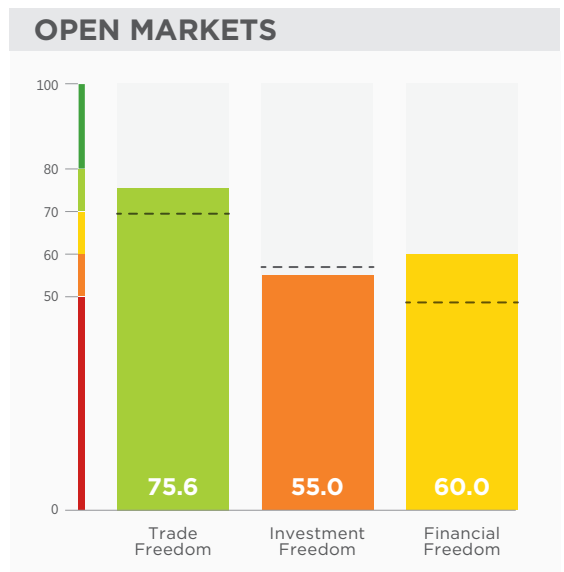
The law defines property rights, but enforcement is uneven. Most land is state-owned and frequently misallocated because of weak titling and registration systems. In general, citizens of non-Gulf Cooperation Council countries may not own land. The judiciary is independent by law but poorly developed and subject to interference. Corruption is pervasive, especially among ruling elites who sometimes act with impunity.



Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses that are subject to the flat 15 percent corporate income tax. The overall tax burden equals 1.4 percent of total domestic income. Government spending has amounted to 56.6 percent of total output (GDP) over the past three years, and budget surpluses have averaged 1.4 percent of GDP. Public debt is equivalent to 11.5 percent of GDP.



Slow-moving bureaucracy and restrictive economic policies inhibit private-sector growth. Many Kuwaitis prefer government jobs and are not accustomed to working in the private sector. Abuses of the *Kafala* (sponsorship) system that applies to foreign workers are widespread. The government supports almost all Kuwaiti citizens, usually with public-sector jobs and always with generous benefits and subsidies from cheap electricity and gasoline to free health care and education.



Kuwait has three preferential trade agreements in force. The trade-weighted average tariff rate is 4.7 percent, and 57 nontariff measures are in effect. The economy benefits from openness to foreign investment, although some sectors are not open. A modern financial regulatory system facilitates and welcomes portfolio investment. The banking sector remains well capitalized, and a more dynamic capital market is evolving.