

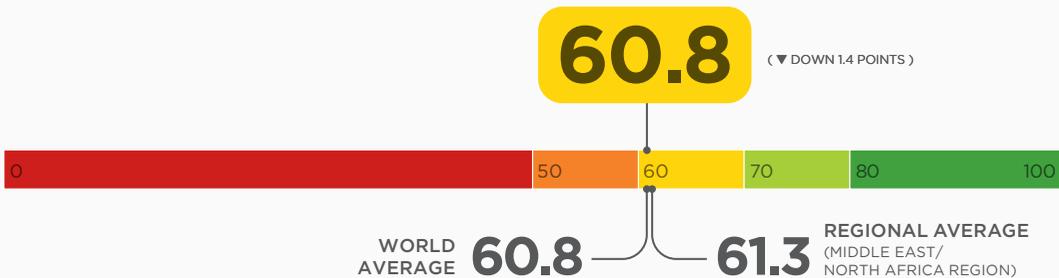
# KUWAIT

Kuwait's economic freedom score is 60.8, making its economy the 90th freest in the 2019 *Index*. Its overall score has decreased by 1.4 points, the result of a steep drop in the score for **judicial effectiveness** and declining scores for **government spending** and **monetary freedom**. Kuwait is ranked 8th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional average and exactly at the world average.

Although the government routinely pledges reforms to reduce reliance on hydrocarbons, Kuwait's failure to diversify its economy or bolster the private sector stems from an entitlement culture that stifles economic dynamism, as well as from a poor business climate, institutional deficiencies, a large and inefficient public sector that employs three-quarters of the workforce, and friction between the legislative and executive branches that has stymied most reforms. The judicial system is subject to political influence and lacks transparency.



## ECONOMIC FREEDOM SCORE

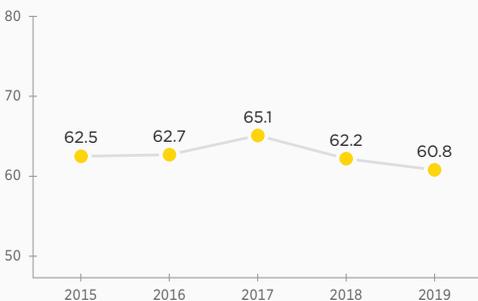


**RELATIVE STRENGTHS:**  
Fiscal Health and Tax Burden

**HISTORICAL INDEX SCORE CHANGE (SINCE 1996):**  
-5.3

**CONCERNS:**  
Government Spending and Government Integrity

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
4.4 million

**GDP (PPP):**  
\$291.5 billion  
-2.5% growth in 2017  
5-year compound annual growth -0.1%  
\$66,163 per capita

**UNEMPLOYMENT:**  
2.1%

**INFLATION (CPI):**  
1.5%

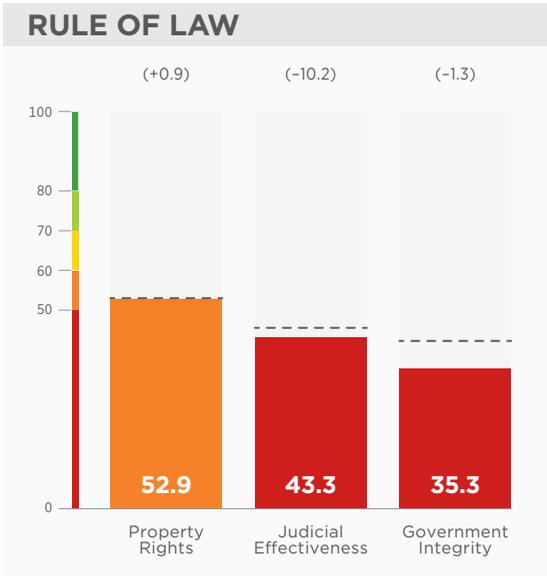
**FDI INFLOW:**  
\$300.5 million

**PUBLIC DEBT:**  
20.6% of GDP

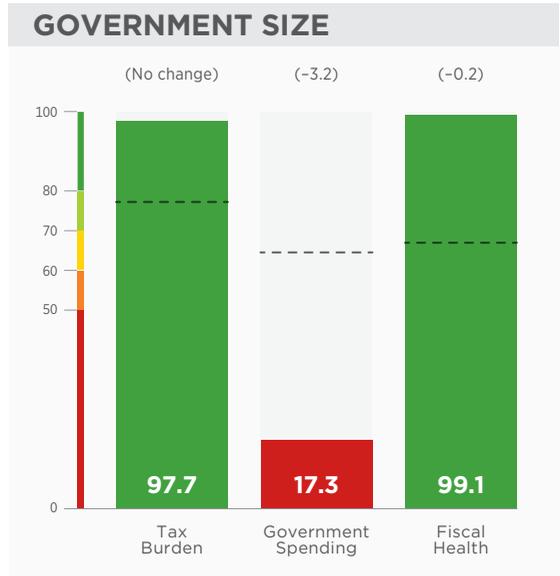
2017 data unless otherwise noted. Data compiled as of September 2018

**BACKGROUND:** The former British protectorate of Kuwait is a constitutional monarchy and has been ruled by the al-Sabah dynasty since the 18th century. Islamists scored major gains in 2012 parliamentary elections, and Emir Sabah al-Ahmad al-Jabr al-Sabah's efforts since then to repress growing opposition from Islamists and tribal populists have sparked protests. In the 2016 parliamentary elections, opposition candidates won almost half of the seats, complicating economic reform efforts. Kuwait controls approximately 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and about 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.

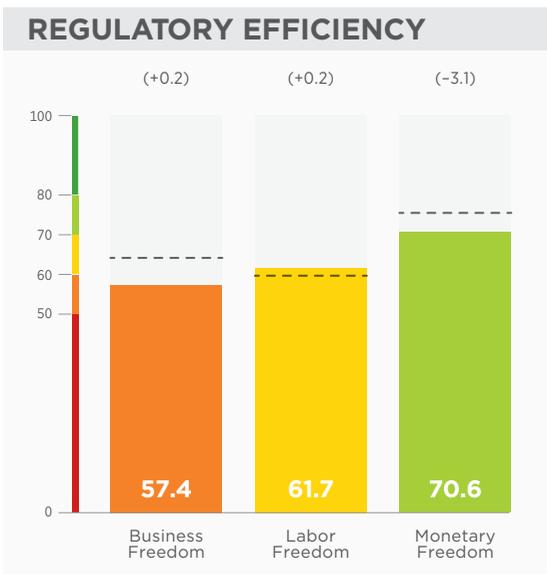
# 12 ECONOMIC FREEDOMS | KUWAIT



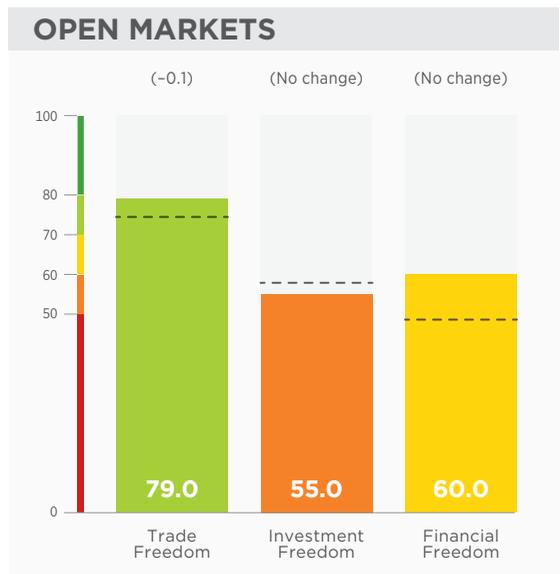
Noncitizens of Gulf Cooperation Council countries may not own land without special permission; they also face additional hurdles in the poorly developed legal system. The emir appoints all judges. There were several reports of corruption in 2018, but the ruling family blocked attempts by the parliamentary opposition to investigate them. Government opacity is exacerbated by the weakness of the rule of law.



Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses subject to the flat 15 percent corporate income tax. The overall tax burden equals 1.6 percent of total domestic income. Over the past three years, government spending has amounted to 52.5 percent of the country's output (GDP), and budget surpluses have averaged 3.4 percent of GDP. Public debt is equivalent to 20.6 percent of GDP.



In an effort to enhance overall competitiveness, Kuwait has taken steps to improve its regulatory framework, but progress has been slow. The labor market is highly segmented. The public sector employs over 70 percent of the labor force. Although the government's 2015-2019 development plan committed to a gradual phasing out of Kuwait's extensive system of subsidies, the 2018-2019 budget increased them by more than 12 percent.



The combined value of exports and imports is equal to 94.7 percent of GDP. The average applied tariff rate is 3.0 percent. As of June 30, 2018, according to the WTO, Kuwait had four nontariff measures in force. The economy benefits from openness to foreign investment, but some sectors are not open. The banking sector remains well capitalized, with nonperforming loans declining. Kuwait's stock exchange has been privatized.