KUWAIT

Kuwait’s economic freedom score is 56.7, making its economy the 108th freest in the 2023 Index. Its score is 1.6 points lower than last year. Kuwait is ranked 9th out of 14 countries in the Middle East/North Africa region, and its overall score is below the world and regional averages.

Institutional weaknesses continue to constrain overall economic freedom. The judicial system lacks the capacity to defend property rights effectively. Despite some progress, corruption continues to undermine prospects for long-term economic development. There have been efforts to enhance the efficiency of the business regulatory framework, but overall progress has been mixed.

BACKGROUND: The constitutional monarchy of Kuwait has been ruled by the al-Sabah dynasty since the 18th century. Opposition from Islamists and tribal populists has triggered protests, cabinet shakeups, and dissolution of the National Assembly. Nawaf al-Ahmad Al-Jaber al-Sabah became emir in 2020, and his eldest son, Sheikh Ahmed Nawaf al-Ahmed al-Sabah, is prime minister. 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 as a hedge against the impact of lower oil prices.
The overall rule of law is weak in Kuwait. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

Kuwait has taken steps to improve its regulatory framework, but progress has been gradual and uneven. Overall labor regulations lack flexibility. The government provides numerous subsidies and controls prices through state-owned utilities and enterprises. The most recent available inflation rate is 3.4 percent.

The top individual and corporate tax rates are, respectively, 0 percent and 15 percent. The tax burden equals 1.8 percent of GDP. Three-year government spending and budget balance averages are, respectively, 56.8 percent and -3.4 percent of GDP. Public debt equals 8.7 percent of GDP.

The trade-weighted average tariff rate is 4.7 percent, and nontariff barriers increase the cost of trade. The economy is generally open to foreign investment, but some sectors are restricted. A modern financial regulatory system facilitates and welcomes portfolio investment. The banking sector remains well capitalized.