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Nada Alameddine, managing partner at Hodema Consulting Services, offers insight into Kuwait's market status, highlighting its strengths and weaknesses.

For the last few years, one word has been on the lips of GCC members: diversification. The six states' revenues are highly dependent on oil. Furthermore, their governments are trying to vary their sources of income as quickly as possible. This is due to global uncertainties and climate change that are reshuffling the growth cards. However, Kuwait still relies on oil as its main source of income (90 percent). Indeed, this led to a good year in 2022, with GDP growth of 7.9 percent. The surge in oil prices brought the first fiscal surplus in nine years.

An oil-dependent economy

However, 2023 is showing the flip side of the coin. OPEC cuts in production quotas coupled with lower energy prices and higher interest rates are drastically slowing down the economy. In October, the World Bank even revised its GDP growth forecast to a timid 0.8 percent. It also suggested that Kuwait should prepare for another setback in the coming months, partly attributed to the projected decrease in oil demand resulting from a global economic slowdown.

On a brighter note, the non-oil sector should fare better, with 4.4 percent growth this year. Domestic demand and government spending support it. Furthermore, this should also be kept subdued, thanks to fiscal support measures and falling import prices. In the mid-term, the World Bank's outlook is less gloomy. After a decline this year, oil revenues are expected to recover in 2024, leading to a 2.6 percent increase in GDP. Although unable to prevent the current deceleration of the economy, the country can still rely on its sovereign wealth fund (KIA), ranked among the world's largest. The government has already been trying to contain the downtrend; in July it announced the creation of another sovereign fund, Ciyada, to support upcoming non-oil projects and attract foreign funds.

A political gridlock

The International Monetary Fund is advocating the implementation of VAT, aligning with other GCC countries, which would boost revenues. The political stalemate is slowing down the infrastructure upgrades needed across the country. However, some sectors have been doing well. For example, Kuwait Airways recently announced 30 percent growth in the first half of 2023. Furthermore, the country signed a deal with Saudi Arabia for a railway project between Riyadh and Kuwait City.

The tourism industry: Vision 2035

The situation in the tourism industry mirrors the rest of the economy. There is still no dedicated body and no specific legal framework regulating the industry. The most recent development in the sector was the introduction of a new visa for sports, culture and social activities in June. However, some projects are in the pipeline. In addition, the Vision 2035 reform program has outlined mega projects to compete with its neighbors. Key projects include the USD 647 million Kuwait Entertainment City amusement park and a USD 247.5 million tourist resort on Failaka Island.

Furthermore, the Touristic Enterprises Company, a government-owned entity, is developing seasonal projects. For instance, Winter Wonderland and Green Island have been purposed to enhance tourism offerings. Next on the list are the South Subahiya Park project, the Water Front Project and the Balajat Project. Culture and arts are part of the Vision 2035 as well. Additionally, restoration programs have been announced for historical sites such as Sheikh Khazaal’s Diwan, Al-Mubarakiya School and Mishref Castle. New buildings are planned in the Al-Mubarakiya area, such as a hotel, mosque, museum and several commercial buildings.

An F&B dreamland

The F&B sector stands out as the powerhouse in Kuwait’s entertainment industry. According to Fitch Solutions, Kuwaitis are the highest spenders on food among Arab countries, spending an average of USD 1,415 per month. Furthermore, locals are open to new culinary experiences and concepts. Moreover, the country’s food scene is buoyant, with thousands of international and local restaurants. Food market revenue is set to reach USD 302.60 million this year. In addition to securing an annual growth rate of over 10 percent by 2027. Complex licensing and the local agents’ system, where international brands must cede full ownership, continue to discourage investors in Kuwait.

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