Research Update:

Kuwait 'AA-/A-1+' Ratings Affirmed; Outlook Stable

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Overview

- Given the continued disruptions to the production and export of oil, we forecast Kuwait's real GDP will contract by 14%, and the government will post a fiscal deficit of 25% of GDP in 2026.
- S&P Global Ratings' base case assumes disruption related to the Middle East war will continue through 2027, with periods of escalation and negotiation presenting significant uncertainty.
- That said, barring prolonged oil industry incapacity, we expect exports and GDP to partly recover next year, while Kuwait's large stock of government liquid assets should help it weather the impact of the Middle East war and associated disruptions.
- We affirmed our 'AA-/A-1+' long- and short-term sovereign credit ratings on Kuwait. The outlook is stable.

Rating Action

On Nov. 20, 2026, S&P Global Ratings affirmed its 'AA-/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Kuwait. The outlook is stable. The 'AA' transfer and convertibility assessment is unchanged.

Outlook

The stable outlook reflects our view that Kuwait's sizable accumulated fiscal and external assets will enable it to weather a period of security and trade flow disruptions tied to the Middle East conflict. The stable outlook is also based on our expectation that damage to civilian and energy infrastructure will be limited. However, if hostilities were to escalate sharply, we would reassess the potential impact.

Downside scenario

We could lower our ratings if the conflict posed a significant threat to oil production or exports, with further material risks of damage to key oil production facilities in Kuwait or a long-term effective blockage of the Strait of Hormuz. A protracted interruption to the country's oil exports could lead to notably weaker budgetary performance and prolonged erosion of Kuwait's accumulated asset buffers.

We could lower the ratings if slower-than-expected progress on the implementation of broader reforms to Kuwait's taxation, expenditure control, and economic diversification weaken Kuwait's fiscal metrics or growth prospects.

Upside scenario

We could raise the ratings over the next two years if Kuwait sustains strong fiscal buffers while its reforms support the development of deep domestic capital markets and promote economic diversification and growth.

Rationale

Despite the regional conflict and its impact on oil production and related revenue, Kuwait's sizable net external and fiscal stock positions support our sovereign ratings. The country has accumulated a large stock of assets within its sovereign wealth fund, the Kuwait Investment Authority (KIA), and we estimate that its liquid assets will exceed 600% of GDP in 2026--the highest among all sovereigns we rate. We also note that as of end-September 2026, the Central Bank of Kuwait’s gross foreign exchange reserves stood at $31 billion. These buffers provide substantial room for a policy maneuver under adverse scenarios.

Significant uncertainty remains regarding the conflict, with wide differences between the key parties and ongoing hostilities, resulting in a persistent elevated risk of further escalation. Attacks on tankers around the Strait of Hormuz and Houthi strikes on Saudi Arabia underscore continued regional hostilities. Diplomacy and escalation are not mutually exclusive, and a breakdown in negotiations could trigger renewed military action and retaliation. Our base case allows for renewed periods of negotiation and escalation, including attacks on Gulf energy or other critical infrastructure, whether triggered by the actions of Iran, the U.S., Israel, the Houthis, or other regional proxies. However, it excludes a large-scale military confrontation involving the Gulf Cooperation Council (GCC) countries and other regional countries or damage that materially impairs regional production, exports, or economic activity.

Kuwait's high dependence on the oil sector and the Strait of Hormuz for energy exports is a key risk. Due to the strait's effective closure, Kuwait Petroleum Corp., a state-owned oil company, significantly reduced its crude oil production to an average of 989,000 barrels per day (bpd) during March-May 2026, compared with the pre-war level of 2.582 million bpd (as of Feb. 28, 2026). Production recovered to 1.9 million bpd by October-end, according to the latest OPEC data. We understand that GCC exporters can pass some ships through the strait and are also offering ship-to-ship transfer operations outside the Strait of Hormuz. Despite gradual recovery in volumes over the past quarter, we forecast that full-year oil production will remain 30% below pre-war levels, causing real GDP to contract by 14.2% in 2026. Temporary oil production or export disruption remain consistent with our base case, provided output subsequently recovers relatively quickly and broadly in line with our existing expectations. Our downside assumes prolonged oil industry incapacity, which could weigh on Kuwait’s creditworthiness.

We expect fiscal deficits in 2026 will widen to a high 25.5% of GDP due to reduced hydrocarbon revenue. We assume the fiscal deficit will be financed by a combination of annual debt issuances and drawdowns from the General Reserve Fund (GRF). The GRF consolidates government proceeds (including from debt issuances) and provides financing for government expenditure. The government plans to borrow Kuwaiti dinar (KWD) 10 billion ($32 billion) in fiscal year ending March 2027 and any further funding requirements will be covered by the GRF. Access

to financing from the GRF and the ability to issue debt enables the government to manage ongoing fiscal pressures.

Despite elevated fiscal pressures, Kuwait's credit profile benefits from substantial funding flexibility in the form of KIA funds and an access to external financing. The KIA oversees two principal funds--the Future Generations Fund (FGF) and the GRF--and holds most of its assets within the FGF.

- As part of its role in managing fiscal stability and flexibility, the GRF provides financing for government expenditure. We understand that the GRF has sufficient liquid assets in the form of cash and short-term fixed deposits to meet the government's budgetary requirements. It also has the flexibility to sell assets to raise liquidity, if required.
- The government decree regarding the FGF, issued in September 2026, gives authorization to GRF to borrow from the much larger FGF with approval from the Council of Ministers and Board of Directors of the KIA, subject to certain thresholds. This decree revokes the longstanding cap on borrowing from the FGF for general government purposes.
- Kuwait passed a financing and liquidity law in March 2025 that allows the government to issue debt in domestic and external capital markets. It sets a debt ceiling of KWD30 billion (about $98 billion or 60% of GDP) and a tenor limit of up to 50 years. Adding to this flexibility, the government issued a decree in September 2026, which allows sukuk (Islamic financing) issuances in domestic and external markets.

Institutional and economic profile: Kuwait entered this Middle East conflict with high policy buffers

- Temporary oil production or export disruption remain consistent with our base case.
- Following a deep contraction in 2026, we expect real GDP growth to rebound to average 8.0% over 2027-2029, supported by a recovery in oil production and large-scale investment programs in non-oil sectors.
- We expect the government to continue to work on a medium-term financing plan that will support the expansion of non-oil revenue sources.

Because the Middle East war and the disruption in the Strait of Hormuz has constrained Kuwait's oil production, we project the economy will contract by 14.2% in 2026. Our base case assumes marginally positive growth for the non-oil sector (about 1.5%). We understand that oil refining is considered in the non-oil GDP. In addition, other diversified services such as manufacturing, trade, and transportation are broadly aligned with the oil sector dynamics. These dependent sectors would benefit from oil sector recovery in the second half of the year. In the first quarter of 2026, the economy declined by 4.6% as the oil sector contracted by 12.5%, while non-oil sector GDP expanded by 1.9%.

Costs associated with infrastructure damage remain relatively limited for now. During March 2026-July 2026 and earlier this week, Iran carried out air strikes on various civilian and military targets and infrastructure facilities in Kuwait and across the countries of the GCC. Kuwait’s defense capabilities intercepted many ballistic and cruise missiles and drones and destroyed most projectiles. However, a drone strike caused damage to the passenger terminal of Kuwait international airport and, in other few instances, limited damage was reported at Subiya power station, Mina-Al-Ahmadi refinery and Kuwait Petroleum Corp. complexes. We understand that damage to energy infrastructure did not cause any material disruptions in oil production or electricity generation and airport terminal 1 is set to resume operations. In response to recent

conflict and to strengthen collective defense capability, the GCC recently approved the establishment of a joint forward command in Kuwait under the GCC's Unified Military Command, with forces to be allocated to it.

We expect oil production to return closer to the pre-war level (2.2 million bpd-2.4 million bpd), supporting a sharp economic recovery, with real GDP growth of about 13% in 2027. Over 2028-2029, and provided the regional security environment eases, we expect Kuwait's real GDP to grow by an average of 5.6%, supported by both stable oil production and the implementation of non-oil related capital projects. Kuwait's main investment projects include the development of the Mubarak al-Kabeer port, Al Aquila residential city, a few affordable housing projects, and several energy projects in the Northern Economic Zone. In addition, Kuwait expects to complete the expansion of the Kuwait international airport by 2027. This, combined with visa reforms, will benefit the hospitality industry. We understand that the government aims to use public-private partnerships and government-to-government models to develop projects across energy, housing, and logistics. These will help boost growth in a fiscally sustainable way. We estimate that the country's per capita GDP will remain above $31,000 in 2026-2029, which is moderate in a global context.

Kuwait's parliament could remain suspended until 2028 and while potentially affecting checks and balances, it has increased the pace of reforms, in our view. In May 2024, Kuwait's National Assembly (the parliament elected by the Kuwaiti population) was suspended, pending a review of parliamentary process. The suspension follows a period of repeated political deadlock, resulting in four elections since 2020 and eight since 2012, largely due to parliamentary opposition stalling economic and fiscal reforms. During the suspension, the cabinet--always appointed by the Emir--has been tasked with expediting reforms and the relevant government entities have produced draft laws. Once reviewed, these are elevated to the Council of Ministers (that is, the cabinet), and then to the Emir, to be issued as an Amiri Decree. During the suspension, we expect the reform momentum to continue under the oversight of key bodies such as the State Audit Bureau, the Kuwait Anti-Corruption Authority, and the State Bureau of Financial Control, along with other supervisory institutions that retain their full mandates.

If implemented, reforms should support non-oil growth momentum and fiscal consolidation in the medium term. The reforms include raising non-oil government revenue, containing government expenditure, optimizing procurement, and improving the performance of public entities. In 2026, the government adopted sukuk law, mortgage law, and excise tax law and amended a decree on FGF law. Last year, the government implemented the financing and liquidity law, adopted a 15% minimum domestic top-up tax for multinational enterprises, and removed the long-standing cap on fees for public services. We expect these efforts to strengthen the government's non-oil revenue base in the medium-to-long term.

The government has increased the flexibility of the fiscal framework, allowing it to borrow from the FGF and tap capital markets. The Sukuk Law further expands the range of available financing instruments through a dedicated framework for Shariah-compliant sovereign financing. The government is also planning to moderate public sector wage growth through more efficient workforce planning and hiring caps and subsidy rationalization. In fiscal 2025, current expenditure--most of which consists of wages, subsidies, and grants--declined by 8%, with a further decline of 9% in fiscal 2026. Other fiscal reforms are in progress, ranging from initial planning and interministerial coordination to technical capacity building.

Flexibility and performance profile: The large stock of KIA assets supports the rating despite elevated fiscal deficits

- We project fiscal deficits will remain high, averaging about 17% of GDP between fiscal year 2027 and fiscal year 2030.
- KIA's return on investment and the dynamics of its liquid assets do not depend on the government's fiscal balances, which somewhat offsets the risk of recurring high deficits and a heavy reliance on the hydrocarbon sector.
- We expect Kuwait's exchange rate to remain pegged to an undisclosed basket of currencies, backed by large foreign reserves and government assets.

Amendments to the FGF decree have further diversified the financing options for the government and alleviated funding concerns amid elevated fiscal pressures. The decree passed in 2026 establishes a mechanism that allows GRF to borrow from FGF, subject to the following thresholds:

- The total loans in any individual fiscal year shall not exceed 100% of the average returns achieved by FGF over the past five audited fiscal years.
- The total outstanding accumulated balance of loans shall not exceed 10% of the net value of the FGF's assets, according to its audited financial statements for the last fiscal year.

The decree prohibits contracting any new loans if either of the limits stipulated above is exceeded and stipulates the requirement to specify details such as loan amount, purpose, interest rate, loan term, and repayment schedule including terms and conditions for restructuring or rescheduling the loan.

The FGF loan will not be reflected in an official debt stock of the government as it implies an exchange of funds between FGF and GRF. As such, it will be recorded as an outstanding asset for FGF (similar to receivables) and a liability for GRF. These loans are expected to be repaid when the government achieves a surplus. We understand that in case of a deficit at the government level, the GRF can use its other revenue or investment returns to repay loans from FGF. The decree does not allow loans to be written off or restructured except by law and, at the same time, does not subordinate commercial debt payments in any manner.

We project a very high fiscal deficit of 25.5% of GDP in fiscal 2027 following a 15% deficit in fiscal 2026. Kuwait's economy is heavily focused on the hydrocarbon sector--about 90% of government revenue is linked to oil. As a result, our fiscal forecasts are closely linked with the conditions in the global oil sector. Our higher deficit projection in fiscal 2027 is mainly driven by reduced oil revenue amid production cuts. In the first seven months of fiscal 2027 (April 2026-October 2026), the deficit reached about 10% of annual GDP. We expect recovery of oil revenue in the rest of the fiscal year--concurrent to production and export recovery, and higher oil prices along with expenditure rationalization, to somewhat offset the significant loss of revenue during the first half of this fiscal year. Despite Kuwait's low oil production costs per barrel, the government budget estimates the fiscal breakeven price for the current fiscal year at a relatively high $90.5 per barrel (/bbl), because of its high expenditure.

In fiscal 2028, we forecast the deficit to sharply decline to about 11% of GDP due to recovery in oil revenue. This is underpinned by our expectation of production and export recovery, which would mitigate the drop in oil price (we assume Brent crude oil price will average $85/bbl next year). We also expect ongoing revenue reforms to increase the share of non-oil revenue from the current 5% of GDP to about 7% of GDP over next two to three years.

Nevertheless, spending on wages, subsidies, grants, and social benefits will weigh on fiscal deficits. We project expenditure to remain at about 45% of GDP over fiscal years 2027-2030 reflecting spending on public sector wages and subsidies. These constitute about 70% of

Kuwait's total expenditure. We also understand that large capital projects will not be deferred due to regional conflict. As the annual government budget includes substantial social benefits, subsidies, and grants (about 30% of total expenditure or 15% of GDP) to various public sector entities, we do not expect additional fiscal support to the public sector amid the ongoing conflict.

In our base case, we assume the government will partially fund capital expenditure (capex) and fiscal deficits via debt issuance. Following the passage of the financing and liquidity law in 2025, Kuwait's government raised about $32 billion from international markets via a combination of bond issuances, bank loans, private placements, and revolving credit facilities. As of October-end 2026, gross government debt stood at about KWD15 billion (about $49 billion or 31% of GDP), compared with 3% at the end of March-2025. About 73.5% of gross debt is denominated in foreign currency, with the majority held by the non-residents. Domestic debt is fully held by local banks.

Following a sharp increase in borrowing in the current fiscal year, we assume that annual borrowing (in both local and foreign currency) will reach 4%-5% of GDP over fiscal years 2028-2030 (roughly equivalent to the capex amount). Therefore, we forecast that debt will increase to about 41% of GDP by the end of fiscal 2030, from about 15% at the end of fiscal 2026.

Given Kuwait's relatively low level of debt, we expect interest expenditure to remain below 5% of government revenue over the next three years. We also note that about 65% of gross debt is at fixed rate and the average maturity of Kuwait’s debt portfolio is about four years. We therefore expect tighter funding conditions to affect the government interest bill only moderately.

Kuwait's external debt maturity schedule

Compared with government's liquid assets and foreign exchange reserves, debt service payments are limited.

Year	Amount ($ Million)
Mar-27	4,500
Oct-28	3,250
Nov-28	3,250
Mar-29	2,150
Jun-29	4,250
Jul-29	3,000
Oct-29	2,250
Oct-30	3,000

We estimate that the U.S. dollar value of KIA's assets--a potential source of government funding--will continue to increase over 2026-2029, despite projected wide fiscal deficits. Most of KIA's investments have long investment horizons and consist of strategic asset allocations in various asset classes outside Kuwait. Therefore, we expect its funds to be able to accommodate short-term volatility and domestic fiscal pressures. FGF has been expanding organically since 2018, largely through the compounding and reinvestment of returns. During this period, it received only one small revenue transfer from the Ministry of Finance, in 2023. Even after consecutive years of large fiscal deficits, we do not forecast a material erosion of the government's net asset position. However, if the conflict and oil revenue disruption were to be prolonged, drawdown from KIA for deficit financing could pose an increased risk to the KIA's investment strategy and over time, put pressure on the overall size of its assets.

Mirroring its strong government asset position, Kuwait's balance-of-payments position is also solid and supports the sovereign ratings. Despite weaker oil prices, Kuwait posted a current account surplus of about 23% of GDP ($36 billion) in 2025, partially supported by large primary income receipts, largely from returns on KIA assets. We forecast that current account surpluses will average 19% of GDP in 2026-2029, based on our oil price assumptions and our expectation that Kuwait will return to pre-war oil production levels by 2027. Given these large current account surpluses, we estimate that Kuwait's net external creditor position will average a substantial 900% of current account receipts over 2026-2029, which is among the strongest of all the sovereigns we rate.

We expect Kuwait's exchange rate will remain pegged to an undisclosed basket of currencies. We understand the basket is dominated by the U.S. dollar, the currency in which most of the country's hydrocarbon exports are priced and sold. This monetary regime has historically helped Kuwait manage inflation, although its domestic debt markets are less developed than those of similarly rated peers. Despite supply-side constraints linked to the war, we project that consumer price index inflation will remain modest, at about 2%-3% over 2026-2027, because some prices are administered. In April, the government issued a decree that introduced financial facilities and direct support for suppliers (covering higher insurance and shipping costs), to guarantee the continual flow of essential goods without price increases.

We do not anticipate that the banking sector will be a source of significant contingent liabilities for the Kuwaiti government. Lending growth has been strong over 2026 despite heightened geopolitical tensions on the back of government investment and still positive non-oil economic activity growth. Asset quality remains broadly stable with non-performing loans at 1.5% as of mid-2026 and cost of risk at about 38 basis points. We expect banks' provisions--covering 244% of nonperforming loans as of mid-2026--to be sufficient to offset possible deterioration of asset quality metrics. Banks maintain a strong net external asset position and are well positioned to cope with the risk of capital outflows under a severe stress scenario. We also anticipate that the authorities would provide support to the banking system, if required. The central bank's recent relief measures (focused on enhancing banks' access to liquidity and providing temporary flexibility in regulatory requirements) are still in place, which continues helping banks navigate the current turbulence.

Kuwait--Selected Indicators

	2020	2021	2022	2023	2024	2025	2026bc	2027bc	2028bc	2029bc
Economic indicators (%)										
Nominal GDP (bil. KWD)	34.0	44.8	56.2	50.8	49.4	48.2	50.0	52.7	50.5	52.3
Nominal GDP (bil. $)	111.1	148.4	183.5	165.5	160.9	157.2	163.6	172.5	165.4	171.4
GDP per capita (000s $)	23.8	33.8	38.7	34.1	32.3	30.8	31.7	33.0	31.2	31.9
Real GDP growth	(4.8)	1.7	6.8	(1.6)	(1.5)	2.7	(14.2)	12.8	8.7	2.6
Real GDP per capita growth	(2.7)	8.3	(1.2)	(4.1)	(4.0)	0.2	(15.0)	11.4	7.3	1.3
Real investment growth	(35.5)	1.4	41.8	(2.6)	(18.3)	2.7	(14.2)	8.0	5.0	2.6
Investment/GDP	18.7	14.5	16.6	17.8	15.1	18.5	15.9	17.1	19.7	20.5
Savings/GDP	23.0	39.7	50.9	48.8	44.1	41.2	31.8	37.9	38.6	39.3
Exports/GDP	43.7	51.7	60.5	57.7	55.8	53.9	47.8	50.5	49.9	49.6
Real exports growth	(2.9)	(3.2)	15.3	2.4	(3.2)	10.0	(35.0)	28.0	24.0	3.0

Kuwait--Selected Indicators

Unemployment rate	--	--	--	--	--	--	--	--	--	--
External indicators (%)										
Current account balance/GDP	4.4	25.2	34.4	31.1	29.0	22.7	15.9	20.8	18.9	18.8
Current account balance/CARs	7.1	35.9	44.4	38.6	36.1	28.2	21.9	27.1	24.0	23.8
CARs/GDP	61.4	70.3	77.4	80.5	80.4	80.5	72.6	76.8	78.9	78.8
Trade balance/GDP	14.0	27.3	39.2	30.9	27.4	21.1	18.2	19.7	15.8	14.6
Net FDI/GDP	(6.9)	(2.8)	(13.0)	(5.5)	(6.0)	(1.6)	(1.0)	(3.0)	(4.0)	(4.0)
Net portfolio equity inflow/GDP	(33.7)	(34.8)	(10.3)	(13.4)	(5.2)	4.0	5.0	2.0	(2.0)	(2.0)
Gross external financing needs/CARs plus usable reserves	132.3	102.1	81.0	89.1	93.1	100.2	121.6	121.2	124.0	124.5
Narrow net external debt/CARs	(995.3)	(729.2)	(458.2)	(574.4)	(661.4)	(760.7)	(834.5)	(786.1)	(832.5)	(840.5)
Narrow net external debt/CAPs	(1,071.5)	(1,136.7)	(824.5)	(935.4)	(1,035.4)	(1,059.8)	(1,068.5)	(1,078.3)	(1,094.8)	(1,103.6)
Net external liabilities/CARs	(1,138.6)	(791.8)	(512.3)	(635.9)	(727.2)	(831.3)	(914.5)	(854.4)	(905.2)	(914.2)
Net external liabilities/CAPs	(1,225.7)	(1,234.3)	(921.9)	(1,035.4)	(1,138.4)	(1,158.0)	(1,170.9)	(1,171.9)	(1,190.5)	(1,200.3)
Short-term external debt by remaining maturity/CARs	63.7	50.7	33.6	40.0	41.5	42.2	62.2	57.3	61.8	62.9
Usable reserves/CAPs (months)	2.4	2.3	2.2	2.7	2.5	2.3	2.4	1.2	1.8	1.8
Usable reserves (Mil. $)	12,985.5	14,447.6	18,396.0	17,066.8	17,392.4	18,209.9	9,805.4	14,523.8	15,711.7	16,950.1
Fiscal indicators (general government %)										
Balance/GDP	(31.7)	(9.7)	11.3	(3.1)	(2.1)	(14.8)	(25.5)	(11.3)	(16.8)	(14.8)
Change in net debt/GDP	(39.1)	(54.3)	54.4	(71.3)	(57.3)	(60.9)	(9.0)	(22.9)	(21.4)	(23.2)
Primary balance/GDP	(31.3)	(9.5)	11.4	(3.0)	(2.0)	(14.7)	(24.6)	(10.2)	(15.4)	(13.3)
Revenue/GDP	30.9	41.6	51.3	46.5	44.7	34.2	21.6	34.2	31.3	31.6
Expenditures/GDP	62.6	51.3	39.9	49.6	46.8	49.0	47.1	45.5	48.1	46.4
Interest/revenues	1.1	0.6	0.2	0.3	0.2	0.5	3.9	3.4	4.3	4.7
Debt/GDP	10.4	4.2	2.9	3.2	2.9	15.4	30.2	32.4	38.4	41.4
Debt/revenues	33.6	10.2	5.8	6.8	6.6	45.2	139.4	94.8	122.5	131.0
Net debt/GDP	(592.9)	(504.8)	(347.6)	(455.7)	(526.6)	(600.2)	(587.9)	(580.4)	(626.8)	(628.1)
Liquid assets/GDP	603.3	509.1	350.6	458.8	529.5	615.7	618.0	612.8	665.1	669.5
Monetary indicators (%)										
CPI growth	2.1	3.4	4.0	3.6	2.9	2.4	3.0	2.2	2.0	2.0
GDP deflator growth	(16.5)	29.4	17.6	(8.1)	(1.5)	(5.0)	20.8	(6.5)	(11.8)	1.0

Kuwait--Selected Indicators

Exchange rate, year-end (KWD/$)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Banks' claims on resident non-gov't sector growth	(3.8)	5.3	8.0	2.4	4.6	6.9	4.0	7.0	6.0	6.0
Banks' claims on resident non-gov't sector/GDP	114.2	91.3	78.5	88.8	95.7	104.8	105.1	106.7	118.0	120.7
Foreign currency share of claims by banks on residents	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	3.4	3.7	3.8	3.7	3.7	3.8	3.76	3.76	3.76	3.76
Real effective exchange rate growth	(0.7)	(0.6)	3.8	0.7	2.6	(1.9)	N/A	N/A	N/A	N/A

Sources: Central Bank of Kuwait, Central Statistical Bureau (Economic Indicators); International Monetary Fund, Central Bank of Kuwait (Monetary Indicators), Ministry of Finance, Central Bank of Kuwait (Fiscal Indicators), Central Bank of Kuwait, Ministry of Finance, International Monetary Fund (External Indicators).

Adjustments: Usable reserves adjusted by subtracting monetary base from reported international reserves. Liquid assets include the estimated assets of KIA.

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A- Not applicable. KWD--Kuwaiti dinar. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Kuwait--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	4	Kuwait has traditionally had a three-pillared governance structure with the prime minister and cabinet appointed by the Emir, a vocal elected parliament, and a judiciary. Kuwait's parliament and cabinet have often clashed, making important decisions difficult and frequently resulting in policy paralysis. Although the suspension of parliament since 2024 could weaken checks and balances, it could also speed up reforms, in our view. Kuwait faces external security risks tied to the regional conflict. Despite elevated geopolitical risks and headline fiscal deficits, sizable net external and government asset positions provide the government with headroom for policy measures.
Economic assessment	3	Based on GDP per capita in U.S. dollars and growth trends as per the Selected Indicators table.
External assessment	1	Based on narrow net external debt and gross external financing needs/(current account receipts + usable reserves) as per the Selected Indicators table. We estimate that the sovereign's net external liability position is more favorable than the narrow net external debt position, as per the Selected Indicators table; and both ratios are very strong when compared with peers'. However, weak disclosures restrict the visibility of external risks.

Kuwait--Rating Component Scores

Key rating factors	Score	Explanation
Fiscal assessment: flexibility and performance	1	Based on the change in net general government debt (% of GDP) as per the Selected Indicators table. Kuwait has substantial net savings accumulated within the Kuwait Investment Authority, estimated at over 500% of GDP as of 2026. Kuwait has a volatile revenue base, given that over 90% of general government revenue is based on hydrocarbon production.
Fiscal assessment: debt burden	1	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per the Selected Indicators table. Substantial net asset position compared with peers'.
Monetary assessment	4	The Kuwaiti dinar is pegged to a U.S.-dollar-dominated basket of currencies. Our assessment indicates that operational independence is less secure than that of sovereigns where our monetary assessment is stronger. Market-based monetary instruments are prevalent, but their effectiveness may not have been tested in a downside scenario. The consumer price index is relatively low, as per the Selected Indicators table.
Indicative rating	a	
Notches of supplemental adjustments and flexibility	2	We estimate that Kuwait's government assets amount to substantially more than 100% of its GDP. Kuwait has an exceptionally large sovereign wealth fund asset base, relative to the size of its economy. In addition, its financing and liquidity law enables it to access external financing, which gives it greater financial and balance sheet flexibility than others in its peer group.
Final rating		
Foreign currency	AA-	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	AA-	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating, the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Special Update: Continued Middle East Disruption Is Part Of The Base Case, Nov. 10, 2026
- Oil And Gas Price Assumptions Revised As Disruptions In Middle East Persist, Nov. 5, 2026
- Sovereign Ratings Score Snapshot, Nov. 4, 2026
- Sovereign Ratings List, Oct. 26, 2026,
- Sovereign Ratings History, Oct. 26, 2026
- Sovereign Risk Indicators, Oct. 13, 2026. Interactive version available at https://www.spglobal.com/ratings/sri/
- Kuwait 'AA-/A-1+' Ratings Affirmed; Outlook Stable, May 22, 2026
- Kuwait 'AA-/A-1+' Ratings Affirmed; Outlook Stable, March 18, 2026
- Banking Industry Country Risk Assessment: Kuwait, Feb. 3, 2026

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List

Ratings Affirmed	
Kuwait	
Sovereign Credit Rating	AA-/Stable/A-1+
Transfer & Convertibility Assessment	AA
Senior Unsecured	AA-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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