MASHREQ GLOBAL DIGEST
Kuwait
July 26 – August 1

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This edition of the Market Digest highlights Kuwait's latest macroeconomic and financial developments, alongside recent deals and key trends influencing the country's economic outlook.

Macroeconomic News

Kuwait's GDP Falls 4.6% in Q1 2026

According to preliminary official estimates, Kuwait's economy contracted 4.6% year-on-year in Q1 2026, mainly due to a 12.5% drop in oil GDP caused by lower crude production following the US-Iran conflict and disruptions at the Strait of Hormuz. In contrast, non-oil GDP grew 1.9%, led by gains in real estate, finance, healthcare, and public administration. The report expects further weakness in Q2 as oil exports remain constrained, with a broader recovery anticipated in 2027 once production and trade normalize.

Reference: Kuwait Times

Kuwait Inflation Rises 2.19% in June

Kuwait's annual inflation rate rose to 2.19% year-on-year in June 2026, driven mainly by higher prices for food (+5.55%), transport (+4.83%), and miscellaneous goods and services (+5.8%). More moderate increases were recorded in healthcare, education, housing, and communications, while tobacco prices remained unchanged. Overall, inflation remains relatively contained despite continued price pressures in key consumer categories.

Reference: Zawya

Kuwait Borrows $7B as Budget Deficit Widens

Kuwait borrowed more than $7 billion in one week through local and international bond issuances as lower oil revenues and disruptions to exports through the Strait of Hormuz put pressure on public finances. The country's 2025–26 budget deficit widened to KD 7.1 billion, nearly seven times the previous year's level and the largest since the pandemic. In response, the government instructed ministries to curb spending and prioritize essential projects while continuing to finance the deficit through debt rather than drawing on its sovereign wealth fund.

Reference: AGBI

Kuwait Consumer Spending Up 5% in H1 2026

Consumer spending in Kuwait rose 5% year-on-year to KD 27.9 billion in the first half of 2026, reflecting resilient domestic demand despite regional uncertainty. Digital payments continued to drive growth, with WAMD instant payment transactions surging 52.3% to KD 5.56 billion, while point-of-sale and online payments remained strong. The figures highlight the country's continued shift toward a more digital, cashless economy.

Reference: Times Kuwait

Kuwait Ranks 3rd Globally in Public Finance

Kuwait ranked third globally in the Public Finance indicator under the Government Efficiency pillar of the IMD World Competitiveness Yearbook 2026. The ranking reflects the country's strong fiscal position and effective management of public resources, highlighting the success of its government efficiency and economic policies.

Reference: AlQabas

Kuwait Oil Output May Fall 25% Amid Hormuz Disruption

Kuwait's oil production could decline by 25% in July to around 1.2 million barrels per day, according to Rystad Energy, as renewed disruptions in the Strait of Hormuz restrict exports. Unlike some Gulf neighbors, Kuwait has no alternative export route, leaving its oil sector highly exposed. Analysts warn that lower production could increase fiscal pressure, forcing the government to rely more on borrowing despite its strong financial reserves.

Reference: AGBI

Financial News

Kuwait Raises $6B in Sovereign Bond Sale

Kuwait raised $6 billion through a three-tranche sovereign bond sale, comprising 3-, 5-, and 10-year bonds priced at spreads of 70, 75, and 85 basis points over comparable U.S. Treasuries, respectively. The offering attracted more than $18 billion in orders, demonstrating strong investor demand despite heightened regional tensions. The issuance marks Kuwait's first international bond sale since October 2025 and supports the government's financing needs under its expanded public debt framework.

Reference: Zawya

Kuwait Bank Lending Grows 1.9% in H1 Despite Trade Slowdown

Bank lending in Kuwait rose 1.9% in the first half of 2026 to KD 64.93 billion, supported by stronger lending to the construction, oil and gas, and real estate sectors. In contrast, import financing dropped sharply as merchandise imports fell 45% year-on-year, highlighting weaker trade activity amid regional disruptions.

Reference: Kuwait Times

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Deals/Projects

Kuwait Signs $16B Pipeline Investment Deal

Kuwait's state-owned Kuwait Oil Company (KOC) signed a $16 billion lease-and-leaseback deal with a consortium led by Blackstone, Brookfield, and KKR for its oil pipeline network. The transaction will generate $7.85 billion in upfront proceeds to support investment plans, while KOC retains 51% ownership and full operational control. KPC described the agreement as the largest foreign direct investment transaction in Kuwait's history, signaling continued investor confidence despite regional tensions.

Reference: Reuters

Kuwait, Saudi Arabia Plan to Expand Wafra Oilfield Output

Kuwait and Saudi Arabia agreed to deploy advanced technologies to expand production at the jointly operated Wafra oilfield in the Neutral Zone. The project aims to improve operational efficiency and develop new reserves, with local reports suggesting production could increase to 300,000–350,000 barrels per day over the next five years. The two countries also reviewed the FY2027 budget for joint petroleum operations as part of their long-term energy cooperation.

Reference: Zawya

Pakistan and Kuwait Expand Economic Cooperation

Pakistan and Kuwait agreed to expand cooperation across trade, investment, energy, labor, agriculture, technology, health, mining, and defense, while strengthening institutional ties through regular high-level meetings. The agreement aims to deepen the economic partnership and create opportunities for increased trade and investment over the long term.

Reference: Arab News

Rating

Kuwait Retains A1 Rating as Financial Buffers Exceed 500% of GDP

Moody's reaffirmed Kuwait's A1 sovereign credit rating with a stable outlook, citing the country's exceptionally strong financial position. Kuwait's combined sovereign wealth assets and central bank foreign reserves exceed 500% of GDP, the highest in the region, providing a significant buffer against geopolitical and economic shocks. While Moody's downgraded its overall outlook for the Middle East and North Africa from stable to negative due to rising regional tensions, it noted that GCC countries, particularly Kuwait, remain resilient thanks to strong financial reserves, alternative trade routes, regional cooperation, and higher oil revenues.

Reference: Times Kuwait

Markets

Market Dashboard

- U.S. equities ended the week higher, with the S&P 500 rising 1.05% and the Nasdaq gaining 1.59%, supported by stronger-than-expected earnings from major technology companies. Amazon surged more than 15% after reporting its fastest revenue growth in over four years, while Microsoft extended gains on strong cloud forecasts, easing concerns over AI-related spending. Apple, however, fell 7.4% after warning that supply constraints could weigh on future growth. Meanwhile, investors reduced expectations for a September Federal Reserve rate hike, with the estimated probability falling to around 65% from over 80% a week earlier.
- Bitcoin fell 2% to around $62,800, its lowest level in three weeks, after Strategy announced it may sell up to $5 billion worth of Bitcoin following weaker-than-expected earnings. Strategy, the world's largest corporate Bitcoin holder, owns 843,775 BTC worth approximately $63.8 billion, and the potential sale raised concerns over increased market supply despite the company's continued long-term commitment to Bitcoin.
- Gold edged 0.3% lower during the week to $4,043 per ounce. On Friday alone, the metal fell 2% as the U.S. dollar strengthened following a sharp drop the previous day. Despite the late-week pullback, the precious metal rose 1.1% in July, marking its biggest monthly gain in five months, supported by softer U.S. inflation data that reduced expectations for further Federal Reserve rate hikes. Investors continued to monitor inflation, interest rate expectations, and developments in the Middle East.
- Brent crude declined during the week to $90.12 per barrel, despite rebounding on Friday as concerns over disruptions to oil shipments through the Strait of Hormuz supported prices. Geopolitical tensions, sparse tanker traffic, and declining U.S. crude inventories continued to keep a risk premium in the market. For July, Brent gained 24%, marking its strongest monthly performance since March.
- The U.S. dollar weakened sharply during the week, with the Dollar Index falling 1.6%, its biggest weekly decline since January. The move followed the Federal Reserve's decision to keep interest rates unchanged, while markets reduced expectations for further rate hikes. Against the dollar, the euro edged higher to around $1.1527, supported by broad dollar weakness.

Indicators	24-Jul-26	31-Jul-26	% Change
S&P 500	7,411.98	7,489.72	1.05%
Bitcoin	64,098.50	62,813.75	-2.00%
Gold	4,053.17	4,042.67	-0.26%
Crude Oil	96.78	90.12	-6.88%
EUR/USD	1.1377	1.1527	1.32%

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