

EXAMINATION OF THE STRUCTURE OF THE KUWAITI ECONOMY AND ITS RESPONSE TO THE FLUCTUATING OIL PRICES

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JEL Classification: E42, F33, O53

Keywords: Micro credit, consumption pattern, budget share, AIDS model

1. INTRODUCTION

Kuwaiti economy depends on similar natural resources and has a comparable structural base. Its economy depends entirely on the production of oil, and all economic sectors revolve around revenues generated by oil exports. Kuwait also shares the same socio-political system where the states, ruled by kings and princes, own most of the natural resources and the large public sector dominates all aspects of the economy.

This paper is divided into four sections. Section one gives information about composition of Kuwaiti population; labor force, and social indicators. Section two examines the impact of Kuwaiti oil. Section three examines Kuwaiti foreign trade and its balance of payments. Finally, Section four summarizes the main conclusions.

2. COMPOSITION OF KUWAITI POPULATION; LABOR FORCE, AND SOCIAL INDICATORS

The State of Kuwait is a member of the Gulf Cooperation Council (GCC). The GCC was created on Feb 4th 1981 by six Arab Gulf states: Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the United Arab Emirates, with the ultimate aim of creating a political union between its six members. A free trade area was created in 1982 and a GCC customs union was created in 2008.

The state of Kuwait shares common features such as: religion, language, historical background, and social life with other members of the GCC which depend on similar natural resources and have a comparable structural base. The GCC also shares the same socio-political system where the states, ruled by kings and princes, own most of the natural resources and the large public sector dominates all aspects of the economy.

The state of Kuwait, like other GCC countries, was extremely affected by fluctuations in oil prices because of its great dependence on oil exports. The impact

of fluctuations of oil prices on economic growth and performance of Arab oil producers has been analyzed by a number of researchers (Balassa, 1978, Metwally and Tamaschke, 1980; Balassa, 1985; Metwally and Arab, 1987; Shaalan, and Handy, 1991; Basu and Mcleod, 1992; Metwally, 1993, Yousefi; 1994. and Al-Yousif, 1997) According to these researchers, oil prices during the period 1963-1973 were very low (less than US\$3 per barrel). Following the oil embargo in 1973, an oil boom took place through the period 1974-1980. The oil price reached a very high level (over US\$36 per barrel) at the end of 1980. Since 1981, oil prices started declining and reached a very low level (less than US\$10 per barrel) in 1998. From 1999 onwards, oil prices started going up and reached a very high level (over US\$70 per barrel) in 2008. In order to take into consideration the impact of fluctuations in oil prices on the structure and performance of the Kuwaiti economy in general and Kuwaiti companies in particular, the analysis in this chapter has been related to the following three periods: 1980, 1998 and 2008.

Table 1 gives data on the composition of the Kuwaiti population over the specified periods. These data reveal that Kuwaiti total population in 2008 was more than 2.863 million compared with only 1.370 million persons in 1980. The data in this table reveals that Kuwait depends heavily on expatriates to conduct its economic activities. The proportion of Kuwaiti nationals to total population is very small (less than 41.2 per cent in 2008). However, the Kuwaiti fertility rate is among the highest in the world. This is the one of the main reasons that the percentage of Kuwaiti national has increased substantially over the last three decades (from less than 28.2 per cent of total population in 1980 to more than 41.1 per cent in 2008).

The rise in oil prices has encouraged the attraction of expatriates. During the 17 years of depreciation in oil exports (1981-1998), the number of expatriates increased by around 15 thousands per annum. On the other hand, during the period 1999-2008, when oil prices increased, the number of Kuwaiti expatriates also increased by approximately 72 thousand persons per annum.

Table 1
Kuwaiti Population
(Thousand persons)

	1980		1998		2005		2008	
Total Population	1370		2027		2610		2863	
Nationals	387	(28.2)	786	(38.8)	1049	(40.2)	11778	(41.1)
Expatriates	983	(71.8)	1241	(61.2)	1561	(59.8)	16861	(58.9)

Note: figures between parentheses are percentages out of total population.

Sources: 1. Gulf Cooperation Council, Economic Bulletin, various issues, Riyadh, Saudi Arabia

2. Kuwaiti Public Authority of Civil Information, (various issues)

Table 2 reveals that while the percentage of national Kuwaiti males is equivalent to that of national females, the percentage of female expatriates is approximately

half of male expatriates. This suggests that the state of Kuwait attracts more males for working purposes. Actually, an expatriate whose income is less than US\$1500 per month is not permitted to bring members of his/her family to share his/her living in Kuwait.

Table 2
Total Kuwaiti Population According to Sex and Nationality
(Thousand persons)

Year	Kuwaiti				Total	Non-Kuwaiti				Total Population-	
	Male	%	Female	%		Male	%	Female	%		
1980	192	49.6	195	51.4	387	591	60.1	392	39.9	983	1370
1998	389	49.5	397	50.5	786	838	67.5	403	32.5	1241	2027
2005	515	49.1	534	50.9	1049	1047	67.1	514	32.9	1561	2610
2008	576	48.9	601	51.1	1177	1125	66.7	561	33.3	1686	2863

Sources: 1. Central Bank of Kuwait, Quarterly Statistical Bulletin, Various Issues, Kuwait
 2. Central Statistical Office, Annual Statistical Bulletin, Various issues, Ministry of Planning, Kuwait
 3. Kuwait Central Statistical Office, Population Main Characteristics, (various issues),

Table 3 shows that 70.2 per cent of the Kuwaiti expatriates are Asians and approximately 28.6 per cent of these expatriates are Arabs. North American expatriates represent 0.56; European expatriates represent 0.41 per cent; Africans represent 0.18 per cent while each of the South Americans and Australians represent less than 0.04 per cent of total Kuwaiti expatriates. The majority of Europeans, Americans and Australians are employed the fields of community, social and personal services; construction and wholesale and retail trade.

The distortion in the labor market is another dimension of the imbalance in the population mix. Table 4 shows the allocation of the labor force in the state of Kuwait according to economic sectors. The data in this table suggest that:

1. Agriculture & Hunting employed more than 2.0 per cent of the total labor force during various years since 2007.
2. The Mining, Quarrying and Fisheries, employed less than one per cent of the total labor force during the period 1997 to 2007.
3. The percentage of total labor force employed in the Manufacturing Sector was reduced from 6.58 per cent in 1997 to approximately 5.27 per cent in 2007.
4. The percentage of total labor force employed in the Construction sector was reduced from 10.93 per cent in 1997 to 7.69 per cent in 2007.
5. The Wholesale & Retail Trade Hotels and Restaurants were reduced from 16.22 per cent in 1997 to 12.88 per cent in 2007.
6. Finance, Insurance, Real –Estate & Business Services increased from 3.54 in 1997 to 4.73 in 2007.

Table 3
Non-Kuwaiti Labor Force (15 Years and Above) According to Nationality & Groups of Activity (2007)

<i>Groups of Activities</i>	<i>Arabs</i>	<i>Asians</i>	<i>Africans</i>	<i>Europeans</i>	<i>N- Americans</i>	<i>South American</i>	<i>Australians</i>	<i>Total</i>
Agriculture & Fisheries	8823 (22.9)	29708 (76.9)	47 (0.11)	15 (0.04)	15 (0.04)	5 (.01)	2 (.01)	38615 2.40
Mining & Quarrying	1311 (70.1)	426 (22.8)	2 (0.1)	21 (1.1)	102 (5.5)	2 (0.1)	5 (0.3)	1869 0.12
Manufacturing	28124 (24.7)	85111 (74.9)	52 (0.06)	212 (0.2)	127 (0.1)	15 (0.02)	20 (0.02)	113661 7.06
Electricity, Gas & Water	1212 (54.0)	988 (44.0)	25 (1.1)	14 (0.6)	4 (0.2)	1 (0.05)	1 (0.05)	2245 0.14
Construction	55116 (35.8)	94236 (61.2)	114 (0.08)	1355 (0.88)	2989 (1.94)	59 (0.04)	95 (0.06)	153964 9.56
Wholesale & Retail Trade, Restaurants & Hotels	120279 (38.9)	186432 (60.3)	294 (0.1)	1094 (0.35)	901 (0.3)	105 (0.03)	80 (0.02)	309185 19.20
Transport, Storage and Communication	16683 (30.3)	36712 (66.7)	206 (0.4)	614 (1.1)	722 (1.3)	48 (0.09)	61 (0.11)	55046 3.42
Finance, Insurance, Realestate & Business Services	39017 (46.0)	43928 (51.8)	247 (0.3)	716 (0.8)	815 (0.94)	61 (0.07)	78 (0.09)	84862 5.27
Community, Social and Personal Services	90532 (14.5)	528106 (84.5)	1507 (0.24)	1973 (0.30)	2656 (0.40)	132 (0.02)	219 (0.04)	625125 38.81
Un Classified	99628 (44.1)	124535 (55.1)	412 (0.2)	643 (0.28)	612 (0.25)	84 (0.04)	67 (0.03)	225981 14.03
Total	460725 (28.61)	1130182 (70.17)	2906 (0.18)	6657 (0.41)	8943 (0.56)	512 (0.03)	628 (0.04)	1610553 100

Note: Figures in brackets refer to percentages.

Source: Kuwaiti Public Authority of Civil Information, (various issues)

7. Community, Social and Personal Services has increased from 49.14 per cent in 1997 to 52.81 per cent in 2002 and was reduced to 48.3 per cent in 2007.
8. The Unclassified had changed from 6.70 per cent in 1997 to 15.32 per cent in 2007.
9. The Electricity, Gas & Light and the Transport, Storage & communication did not change much during the last 10 years.

The Kuwaiti citizens represent about **13 per cent** and 87 per cent of the labor force in the private and public sectors, respectively (Kuwaiti Public Authority of Civil Information).

Table 4
Total Kuwaiti Labor Force by Economic Activity

	1997	%	2002	%	2007	%
Agriculture & Hunting	23668	(1.95)	22044	(1.62)	48004	(2.01)
Mining , Quarrying& Fisheries	8235	(0.68)	7533	(0.55)	6687	(0.28)
Manufacturing	80067	(6.58)	83573	(6.13)	125862	(5.27)
Electricity, Gas & Light	8099	(0.66)	8655	(0.63)	12180	(0.51)
Construction	133011	(10.93)	108305	(7.94)	181270	(7.59)
Wholesale & Retail ,Trade Hotels and Restaurants	197323	(16.22)	219994	(16.13)	307609	(12.88)
Transport, Storage & communication	42685	(3.51)	42979	(3.15)	74275	(3.11)
Finance, Insurance, Real –Estate & Business Services	43053	(3.54)	59084	(4.33)	112965	(4.73)
Community, Social & Personal Services	597767	(49.14)	720455	(52.81)	1153641	(48.30)
Unclassified	82641	(6.79)	91668	(6.72)	365783	(15.32)
Total	1216549	100%	1364290	100%	2388276	100%

Sources: Ministry of Planning, Kuwait, Population Main Characteristics, The Economists Intelligence Unit, Country Profile, Saudi Arabia & UAE.

Table 5 summarizes the main social indicators in the State of Kuwait. It can be seen that the life expectancy rate is well above 70 years. Infant mortality rate is far below world average. The number of population per physician is very low.

The fertility rate in Kuwait is among the highest in the world. This was largely due to government’s efforts to increase the population base. Generous family allowances are paid to GCC citizens. Spending on education contributed directly to the decline in the illiteracy rate.

Table 5
Kuwaiti Social and Development Indicators

	1993	2000	2007	World Average in 2004
Life Expectancy at Birth	75	77	809	62
Fertility Rate (births per woman)	3.1	3.4	3.7	2.6
Infant Mortality Rate (per 1000 live births)	10	14	209	609
Population per Physicians	612	644	714	N/A
Access to Safe Water(% of population)	100	102	108	N/A
Illiteracy	22	20	16	N/A

Sources: 1. Social Indicators of Development, World Bank (various issues)

2. UN Development Program, Human Development Report, (various issues)

3. THE IMPORTANCE OF KUWAITI OIL

The Kuwaiti economy depends heavily on the production and exportation of oil. All its economic sectors revolve around revenues generated by oil exports. It can be said that economic development in the State of Kuwait has passed through two stages. The first stage of development, from early 1970s to early 1980s, utilized the huge oil revenues to build up the basic infrastructure (physical and human). The second stage started from the mid 1980s. This stage witnessed the participation of the private sector in the process of economic development. The focus was to establish new industries that use modern technologies and managerial skills and result in a diversification of income. However, rigidity in the political system (bureaucracy) and lack of appropriate managerial skills and leadership are major obstacles. Although the infrastructure in the Kuwaiti economy has developed to a stage similar to that of the developed world, the political decisions and policies are conducted in a different manner (Thornton and Aronson, 1997).

Kuwait plays an important role as a member of OPEC in the supply of oil to the world market (Adelman, 1995). The geological factors such as: the location of the onshore oil fields close to the deep Persian Gulf; the flow of the oil toward the sea, and the effortlessness of drilling helped the Kuwaiti oil to be produced relatively cheaper than that of the rest world. The central geographical location of Kuwait in the Persian Gulf between the developed economies in the West and growing economies of East Asia has reduced transport costs and increased the significance of the Kuwaiti oil market (Osama, 1987, Haji, and Al-Salman, 1995 and Malhotra 2004).

The Kuwaiti production of oil in 2007 was approximately 2.7 million barrels per day. This amounts to around 19 per cent of oil production of all GCC countries. Kuwaiti oil reserves were evaluated at to approximately 125 billion barrels (32 per cent of total GCC countries' reserves) at the end of 2007 (Gulf Cooperation Council, Economic Bulletin).

Two major oil shocks have affected the world in general and the GCC in particular (Stevens, 1997). The first major oil shock was after the oil embargo of 1973. The disturbances of the oil supplies by the Arabs in 1973 caused prices to rise significantly. After 1973, the GCC enjoyed high oil revenues that lasted for almost a decade. The second oil shock took place in 1981. World oil demand fell reflecting a combination of recession, fuel switching and energy conservation. As a result, the price of oil fell dramatically and the Kuwaiti economy suffered huge losses in oil revenues. Oil demand returned to its normal levels in the 1990s, however, oil prices stabilized at much lower levels than during the boom years. The oil prices started rising sharply in 2003 and reached their higher level in 2007.

Table 6 classifies Gross Domestic Product (GDP) of the Kuwaiti economy by type of economic activity. It can be seen from the table that the petroleum and mining sector forms the mainstay of the economy in the State of Kuwait. Oil

production has the greatest contribution to GDP than other economic activities. However, the percentage of oil contribution to GDP differed in various periods due to fluctuations in oil prices. It was the highest in 1980 (62.2 per cent) and the lowest in 1998 (30.5 per cent). The percentage of oil contribution to GDP in the State of Kuwait in 2007 was very similar to that in 1972.

The second most important sector is the service sector representing wholesale and retail trade, transportation and communication, finance and insurance and real estate. These sectors contributed 16.6 per cent of GDP in 2007. The percentage contribution of these services to GDP was higher in 1998 (the periods that suffered a sharp reduction in oil prices) than in other periods.

The third most important economic activity in the state of Kuwait is the government activity. The data in Table 3-6 show that the contribution of government services to GDP in the state of Kuwait varied inversely with the fluctuations in oil revenue. This contribution was the highest (28.1 per cent) in 1998 (the period that suffered the greatest depression following the oil boom) and the lowest (16.3 per cent) in 1980 (the period of oil boom). The contribution of Kuwaiti government services amounted to approximately 17 per cent of total GDP in 2004 and 15 per cent of in 2007.

The manufacturing sector plays a small role in Kuwait. This sector contributed to only 5.2 per cent of GDP in 2007. Contribution of the agricultural sector to GDP is very negligible (around half a per cent).

The state of Kuwait heavily subsidized the state-owned electricity, gas, and water sector. This resulted in a negligible or negative contribution of this sector towards the GDP over the last three decades

Table 6
Kuwaiti Gross Domestic Product by Economic Activity (million US\$)

	1980	%	1998	%	2004	%	2007	%
Petroleum and Mining	16031	62.6	7779	30.5	30221	53.9	42231	60.0
Agriculture	44	0.2	116	0.5	187	0.3	169	0.2
Manufacturing	969	3.8	3006	11.8	4210	7.5	3660	5.2
Electricity, Gas & Water	-39	-0.2	-77	-0.3	00	00	00	0.0
Constructions	925	3.6	779	3.0	1668	3.0	2182	3.1
Wholesale, Retail Trade	2022	7.9	2106	8.2	3504	6.2	5490	7.8
Transport & communication	743	2.9	1516	5.9	1965	3.5	2112	3.0
Finance & Insurance services	691	2.7	3148	12.3	5001	8.9	4082	5.8
Government Services	4211	16.3	7179	28.1	9404	16.7	10487	14.9
GDP at Market Prices	25597	100.0	25552	100.0	56160	100.0	70413	100.0

Sources: 1. Gulf Cooperation Council, Economic Bulletin, various issues, Riyadh, Saudi Arabia
 2. Kuwaiti Public Authority of Civil Information, (various issues)
 3. Central Statistical Office, Annual Statistical Bulletin, Various issues, Ministry of Planning,

Table 7 presents Kuwaiti Expenditure on Gross Domestic Product over the last three decades. It can be seen that the proportion of total expenditure on exports and imports constituted a significant proportion of GDP. These proportions were the highest than all other expenditure proportions during the top boom period (1980). Expenditure on oil exports contributed to 70.6 per cent of GDP in year 2007, while expenditure on imports in the same year was less approximately 39.1 per cent.

Expenditure on private consumption in the state of Kuwait is not as high as in advanced countries. The proportion of total expenditure on private consumption out of GDP was around 34 per cent in 2007, compared with less than 30 per cent in 1972 and 1980. The percentage of Gross capital formation to total GDP in the state of Kuwait is very low. It amounted to 15.6 per cent of total GDP in 2007 compared with 10.2 per cent in 1972 and 13.9 per cent in 1980.

Table 7 summarizes the main social indicators in the four GCC members. It can be seen that the life expectancy rate is well above 70 years for all the members. Infant mortality rate is far below world average (World Bank, 1996). The number of population per physician is very low, especially in Kuwait and Saudi Arabia. The fertility rate in the GCC, though declined in the 1990s, is still among the highest in the world. This was largely due to government's efforts to increase the population base. Generous family allowances are paid to GCC citizens. Spending on education contributed directly to the decline in the illiteracy rate.

Table 7
The Kuwaiti Expenditure on Gross Domestic Product (Million US\$)

	1972	%	1980	%	1998	%	2004	%	2007	%
Private Consumption	1416	28.7	7675	30.0	14220	55.6	21221	37.8	24052	34.3
Public Consumption	709	14.3	2855	11.1	7960	31.2	11816	21.0	13043	18.6
Gross Fixed Capital Formation	504	10.2	3557	13.9	5260	20.6	7972	14.2	10939	15.6
Exports of Goods & Services	3313	67.0	20014	78.2	11444	44.8	33807	60.2	49487	70.6
Imports of Goods & Services	-1000	-20.2	-8504	-33.2	-13332	52.2	-18656	-33.2	-27398	-39.1
GDP at Market Prices	4942	100.0	25597	100.0	25552	100.0	56160	100.0	70123	100.0

Note: figures between parentheses are percentages out of total GDP.

Sources: 1. Gulf Cooperation Council, Economic Bulletin, various issues, Riyadh, Saudi Arabia

2. Kuwaiti Public Authority of Civil Information, (various issues)

3. Central Statistical Office, Annual Statistical Bulletin, Various issues, Ministry of Planning,

4. IMF, International Financial Statistics Yearbook, Various Issues, Washington, D.C.,

Government spending in the state of Kuwait, as a proportion of total GDP, has increased significantly (Azzam, 1985). This percentage of expenditure was 31.2 per cent in 1998 compared with 14.3 per cent in 1972 and 11.1 per cent in 1980. Expenditure on public consumption was lower in 2007 (18.6 per cent of GDP).

Table 8 provides data on government revenue and expenditure in the State of Kuwait over the last three decades and reveals the impact of fluctuations in oil prices on these values. It can be seen that the Kuwaiti government experienced a budget deficit during years of depreciation in oil prices (1981-1998) while experienced very high surplus during years of high rise in oil prices (1980 and 2007). Actually, Kuwaiti government had its highest deficit in 1994 (13.2 % of GDP) and its highest surplus in 2001 (39.2% of GDP). Many factors contributed to the budget deficits. These include inconsistent policies, huge subsidies, increased military expenditures, unproductive investments, and bureaucratic waste. (Yousef, and Mohammad, 1990, and Metwally and Perera, 1995).

Table 8
The Kuwaiti Government Revenue and Expenditure (Million US\$)

<i>Government Finance</i>	1972	1980	1998	2004	2007
Total Revenues	2010	20096	9096	28735	34649
Oil Revenues	1950	19078	8533	26012	30767
Non-Oil Revenues	60	1018	958	2723	2922
Total Expenditure	1250	8910	10608	16621	18775
Surplus/(deficit)	634	11186	(1512)	12114	14988
Surplus/(deficit) as % of GDP	13.1	39.1	(5.89)	21.6	25.9

Sources: 1. Central Statistical Office, Annual Statistical Bulletin, Various issues, Ministry of Planning,
2. IMF, International Financial Statistics Yearbook, Various Issues, Washington, D.C.

Subsidies are regarded as the main cause of the deficit. The Kuwaiti government allocates generous direct and indirect subsidies to its citizens. These subsidies together with the generous salaries in the public sector were the indirect procedure of transferring oil revenues to citizens. However, as mentioned by Haddad (1993), this policy distorted the structure of the labor market with ultimate affect on the growth of the private sector.

4. STRUCTURE OF KUWAITI FOREIGN TRADE AND ITS BALANCE OF PAYMENTS

The Kuwait relationship with the rest of the world is highly significant in terms of exports, imports and foreign investment (Al-Ashal, 1995). Table 9 shows that most of Kuwaiti expenditure on imports in 2007 related to machinery and transport equipment; manufactured goods classified by material; manufactured articles and food and live animals. Kuwait imports of machinery and transport equipment amounted to 41 per cent of total imports in 2007, while imports of manufactured goods classified by material and manufactured articles amounted to approximately 32 per cent in that year.

Kuwaiti imports of food and live animals amounted to around 12 per cent, while all other products amounted to less than 13 per cent of total imports.

Table 9
Kuwaiti Imports in 2007 According to SITC Sections
(Million US\$)

<i>Type of import</i>	<i>Value</i>	<i>%</i>
Food and Live Animals	1348	12.34
Beverages and Tobacco	143	1.31
Inedible Crude Materials except Fuels	229	2.10
Mineral Fuels, Lubricants & related Materials	66	0.60
Animal and Vegetable Oils & Fats	59	0.54
Chemicals	994	9.10
Manufactured Goods Classified by Material	1940	17.77
Machinery and Transport Equipment	4477	41.00
Miscellaneous Manufactured Articles	1514	13.86
Other commodities	150	1.38
Total	10920	100.0

Sources: 1. Gulf Cooperation Council, Economic Bulletin, various issues, Riyadh, Saudi Arabia
 2. Central Statistical Office, Annual Statistical Bulletin, Various issues, Ministry of Planning,
 3. League of Arab States, Statistical Abstract for Arab Countries, Various Editions, Cairo, Egypt

Table 10 shows that over 55 per cent of Kuwaiti imports during 2007 were imported from the industrial countries. Kuwaiti imports from Germany, in 2007 amounted to over 11.6 per cent of its total imports, while Kuwaiti imports from USA amounted to 11.47 per cent of its total imports. Japan contributed to more than 6.2 per cent and Italy contributed to approximately 5.2 per cent. Each of UK and France contributed to over 3 per cent of to Kuwaiti total imports while Australia contributed to over 2.4 per cent of total Kuwaiti imports in 2007.

Kuwaiti intra-imports from China, India, South Korea and Turkey amounted to more than 16 per cent. Kuwaiti intra-imports from other members of the GCC customs union amounted to 15.43 per cent of its total imports in 2007. The downturn in oil prices resulted in a drastic reduction in the growth rates of imports of all GCC countries including the state of Kuwait. (Metwally, 2004).

Table 11 gives information about Kuwaiti balance of payments in various years that are distinguished by fluctuations in oil prices, over the last three decades. The Table shows that Kuwaiti trade balance; balance on goods and services and the balance of current account were much higher during the periods of rise in oil prices (1980 , and 2004, 1987) than during the periods of reduction in oil prices (1972 and 1998). The state of Kuwait invests most of its balance of payments surplus overseas. This has helped the country during periods of recession in oil exports through receiving high returns on overseas investment (Metwally, 1987a).

Table 10
Kuwaiti Imports from the Top Trading Partners in 2007
(Values in Thousand K.D)

<i>Country</i>	<i>Value</i>	<i>%</i>
Germany	549,771	11.61
USA	495,789	10.47
Saudi Arabia	327,685	6.92
China	297,378	6.28
Japan	294,064	6.21
Italy	245,763	5.19
UAE	222,560	4.70
India.	211,669	4.47
U.K	182,784	3.86
France	142,060	3.00
South Korea	128,801	2.72
Turkey	123,592	2.61
Australia	111,754	2.36
Iran	72,450	1.53
Netherlands	62,033	1.31
Switzerland	61,086	1.29
Spain	57,297	1.21
Canada	55,877	1.18
Malaysia	55,403	1.17
Taiwan	54,456	1.15
Thailand	53,036	1.12
Brazil	47,827	1.01
Sweden	44,512	0.94
Egypt	42,144	0.89
Belgium	40,250	0.85
Lebanon	38,356	0.81
Ireland	28,885	0.61
Pakistan	26,991	0.57
Syria	25,097	0.53
Hungary	23,677	0.50
Denmark	22,730	0.48
Singapore	20,362	0.43
Bahrain	18,941	0.40
All other countries	550,245	11.62
Total	4,735,326	100.00

Source: IMF, International Financial Statistics Yearbook, (2007), Washington, D.C

Table 11
Kuwait Balance of Payments
(Million US\$)

	1975	1980	1998	2004	2007
Trade Balance	6086	13877	1903	19301	20154
Balance on goods services and Agriculture	5848	12035	-1877	15032	17886
Balance on goods Services & Inc	6999	16881	3990	21432	27921
Current Account	5930	15302	2215	18884	24554
Financial Account	-6648	11306	-2920	-19820	-21115
Portfolio investment assets	-90	-329	-4768	-14001	-16010
Other Investments Assets	-6368	12198	646	-3936	-4244
Overall Balance,	315	366	258	626	759

Sources: 1. Central Statistical Office, Annual Statistical Bulletin, Various issues, Ministry of Planning,
 2. Gulf Cooperation Council, Economic Bulletin, various issues, Riyadh, Saudi Arabia
 3. IMF, Balance of Payments Statistics Yearbook,; various issues, Washington, D.C.,

5. CONCLUSIONS

The main results of this chapter may be summarized in the following:

1. Fluctuations in oil prices have important effects on the structure and performance of the Kuwaiti economy and composition of Kuwaiti companies.
2. The proportion of Kuwaiti nationals to total population is very small although the Kuwaiti fertility rate is amongst the highest in the world. The percentage of Kuwaiti female expatriates is approximately half that of male expatriates.
3. Approximately 70 per cent of the Kuwaiti expatriates are Asians and 29 per cent are Arabs. Other expatriates (less than one per cent of Kuwaiti expatriates) are Europeans, Americans and Australians who are employed mainly in the fields of community, social and personal services; construction and wholesale and retail trade.
4. The Kuwaiti citizens represent about 13 per cent and 87 per cent of the labor force in the private and public sectors, respectively.
5. The services sector (wholesale and retail trade, transportation and communication, finance and real estate and Community, social and personal services) absorbs over three-quarters of Kuwaiti labor force.
6. The petroleum and mining sector forms the mainstay of the economy in the State of Kuwait. However, the percentage of oil contribution to GDP differed in various periods due to fluctuations in oil prices. The second most important sector is the service sector representing wholesale and retail trade, transportation and communication, finance and insurance and real estate. The third most important economic activity in the state of Kuwait is the

government activity. The contribution of the manufacturing sector to Kuwaiti GDP is very small and the contribution of the agricultural sector is negligible.

7. The proportion of Kuwaiti expenditure on exports and imports to total Kuwaiti GDP is higher than all other expenditure proportions. Expenditure on private consumption in the state of Kuwait is not as high as in advanced countries. Also, the percentage of Gross Fixed capital Formation to total GDP is very low.
8. The Kuwaiti government experienced a budget deficit during years of depreciation in oil prices while experienced very high surplus during years of high rise in oil prices.
9. Most of Kuwaiti expenditure on imports relate to machinery and transport equipment; manufactured goods; food and live animals. Over 80 per cent of Kuwaiti imports are obtained from the industrial countries. Kuwaiti intra-imports from other members of the GCC customs union amount to approximately 10 per cent of its total imports in 2004.
10. The state of Kuwait invests most of its balance of payments surplus overseas. This has helped the country during periods of recession in oil exports through receiving high returns on overseas investment.

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