Economic and Statistical Bulletin

Industrial Survey in Kuwait

2018

First Section:

Overview of Kuwait's Economy

This chapter provides an overview of the Kuwaiti economy with a review of recent developments in four important economic sectors, namely, the real sector and the financial and banking, public finance, and external sectors. Next, the chapter presents economic and industrial indicators for analyzing Kuwait's 2018 industrial survey results.

I. Economic Growth

The Kuwaiti economy is characterized by a dominant oil sector, similar to other Gulf Arab oil-exporting countries. This is apparent from many relevant economic indicators such as the petroleum sector's contribution to Gross Domestic Product (GDP), the contribution of oil exports in total exports, and the value of oil revenues that accounts for an overwhelming proportion of the Kuwaiti government's total revenues. Kuwait is considered an important and major oil-exporting country in the Middle East. Furthermore, Kuwait's economy enjoys a high degree of openness and allows free movement of capital and goods to and from Kuwait, as domestic consumption depends heavily on imported goods.

The global and regional economy in 2017 and the first half of 2018 have gone through a range of developments and events that positively affected economic growth. This recovery in economic performance came after a period of relative economic slowdown in both developed and developing economies. It includes accelerated international trade and investment activities, the adoption of expansionary monetary policies by developed economies, and the continuing economic growth in Southeast Asia and China, as well as some economic recovery in the European Union and the United States.

Moreover, the relatively high global oil prices have accelerated worldwide economic growth in the said period. Meanwhile, several risks arose in this period that negatively affected the world economy such as trade tensions between the United States and China

that adversely affected the movement of international trade, as well as the US Federal Reserve's decision to raise interest rates from the beginning of 2017.

Needless to say, Kuwait's economy is not isolated from global developments or regional political events in some Arabic countries. As a result of these factors, and also because of Kuwait's dependence on the oil sector, developments in global oil prices are considered a major determinant of the country's economic growth. Specifically, the local economy has been significantly affected by the decline in oil prices since the end of 2014 to 2016, causing a slowdown in real economic growth rates and the shrinking of GDP in terms of current market prices for the said period. This slowdown was most evident in the value of oil exports (with a yearly decrease of about 43% in 2015 and around 14% in 2016) that, for the first time in decades, resulted in a deficit in the current account of Kuwait's balance of payments of approximately 1.5 billion Kuwaiti dinars (KD) in 2016.

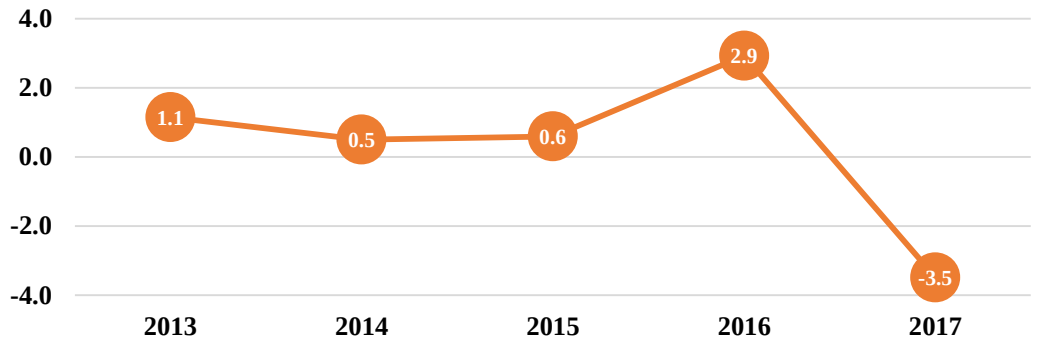
Furthermore, Kuwait's public revenues declined as a result of the drop in oil revenues during this period, causing the Kuwaiti government to resort to foreign borrowing for the first time in 2017 when it issued international treasury bonds worth around 8 billion US dollars to cover the budget deficit. These developments have forced the Kuwaiti government to work on a comprehensive economic reform to diversify the economy and reduce its dependence on oil as a key engine of the economy. The Kuwaiti government considered such circumstances as an opportunity to start structural reforms in Kuwait's economy. Consequently, a national development plan through 2035 was launched for the State of Kuwait. This plan is called "New Kuwait" and aims for a prosperous and sustainable diversified economy through seven pillars designed to make the country a financial, commercial, and cultural pioneer and founder in the region by the year 2035. The government has several action plans that aim to reduce subsidies for some commodities, particularly fuel prices, and raise fees on some government services to diversify revenues and reduce complete reliance on the oil sector.

Vision of the new Kuwait, year 2035:

"Kuwait transforms into an attractive financial and commercial center for investment, with private-sector-led economic activities, encouraging the spirit of competition and raising production efficiency in a supportive institutional State, reinforcing values and maintaining social identity and human development, and building an appropriate, balanced infrastructure and a sophisticated legislation that provide an encouraging work environment," his Highness Sheikh Sabah Al-Ahmed Al-Sabah.

In this regard, the Kuwaiti economy achieved modest economic growth rates (rates of change in the GDP in constant prices) in the last five years, particularly during the period from 2013 to 2017. Using real GDP (at constant prices), the data shows a 3.5% shrinkage in GDP growth in 2017 versus a positive growth of 2.9% in 2016. Notice that a growth rate of 0.6% was achieved in 2015, 0.5% in 2014, and 1.1% in 2013 (Figure 1).

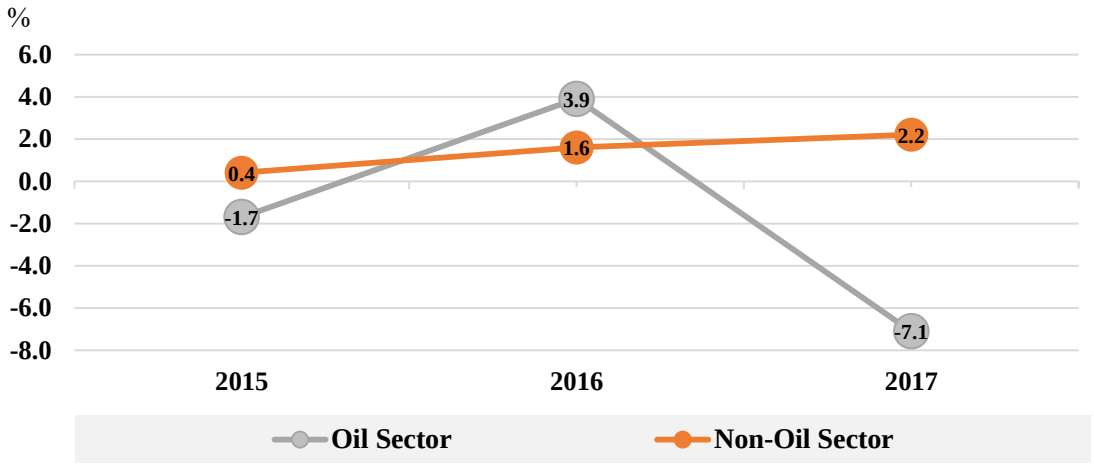
Figure 1: Trend of GDP Growth at Constant Prices for Kuwait (%)



Source: Central Statistical Bureau

Fluctuations in total GDP (at constant prices) during the year 2017 resulted from changes in the GDP for the oil and non-oil sectors during that year (Figure 2). As seen in Figure 2, the oil sector's GDP contracted by 7.1 % after a positive growth of 3.9% in 2016. This was a result of the Organization of Petroleum Exporting Countries members' agreement in 2016 to reduce oil production in order to achieve balance in the oil market. By contrast, the non-oil sector grew by 2.2% in 2017 after growing by 1.6% in 2016, and 0.4% in 2015.

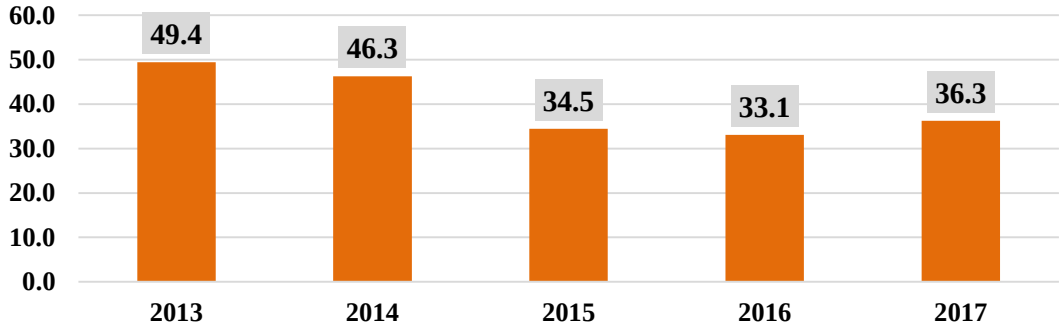
Figure 2: Trend of GDP Growth (at constant prices) by Sectors (oil and non-oil) (%)



Source: Central Statistical Bureau

Regarding changes in GDP at current market prices (nominal), the output value amounted to 36.3 billion KD in 2017, up by 9.7% from the 2016 value of 33.1 billion KD (Figure 3). This was due mainly to the high growth in GDP for the oil sector, equivalent to 19.1%, between those two years. Other non-oil sectors achieved a positive growth of 3% in 2017 versus 2016.

Figure 3: GDP at Current Market Prices of Kuwait (Billion KD)

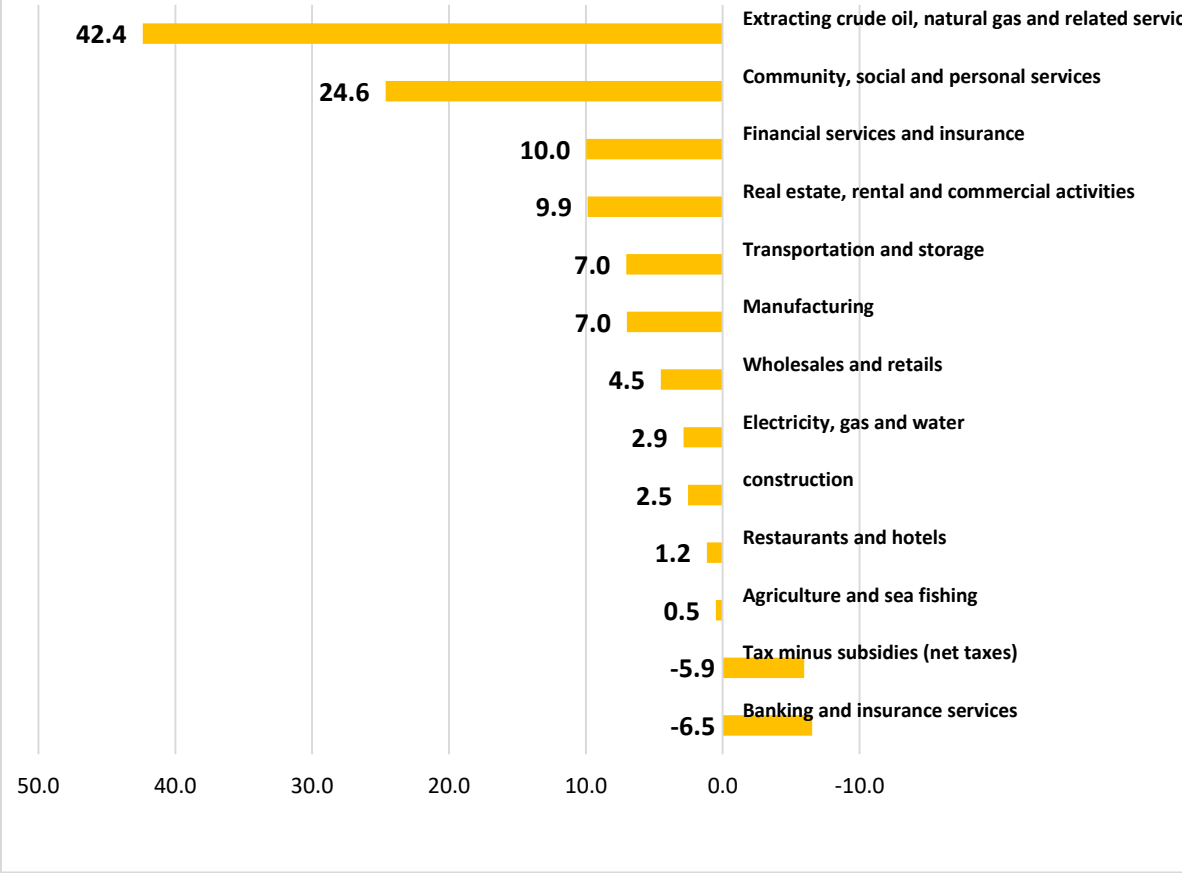


Source: Central Statistical Bureau

As for the structure of GDP by economic activity, it is noted from Figure 4 that GDP was dominated by activities related to "**extracting crude oil, natural gas, and related services**" that accounted for 42.4% of GDP in 2017, followed by "**community, social, and personal services**" at 24.6%, "**financial services and insurance**" at 10.0%, "**real**

estate, rental, and commercial activities" at 9.9%, "**transportation and storage**" at 7.0%, and "**manufacturing**" (including refined petroleum products industry) at 7.0%.

Figure 4: GDP Structure - at current market prices (%)



Source: Central Statistical Bureau

With regard to the industrial sector and its relative contribution to GDP, statistics show that both extractive and manufacturing industries contributed approximately 49% of GDP (at current market prices) in 2017 versus 46% in 2016. Both industries grew by 17.6% at 17.9 billion KD in 2017 compared to 15.2 billion KD in 2016 (Table 1).

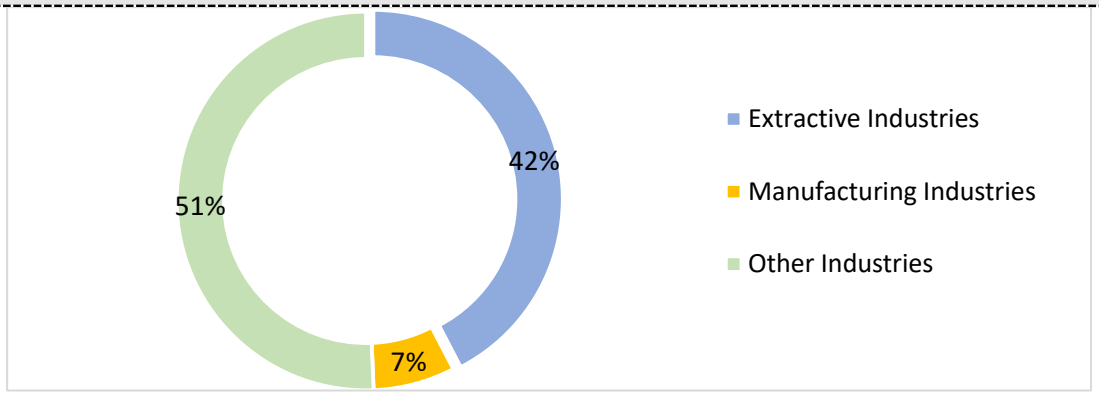
Table (1): GDP by Industrial Activity (Million KD)

The statement	2015	2016	2017
Extractive industries	14884	12835	15364
Manufacturing industries	2405	2381	2537
Total industrial sector	17289	15216	17901

Source: Central Statistical Bureau

The increase in growth of industrial sector resulted from the 19.7% growth of extractive industries (constituting approximately 42% of GDP, or about 86% of the industrial sector GDP), as well as the 6.6% growth of the manufacturing industry in 2017(Figure 5).

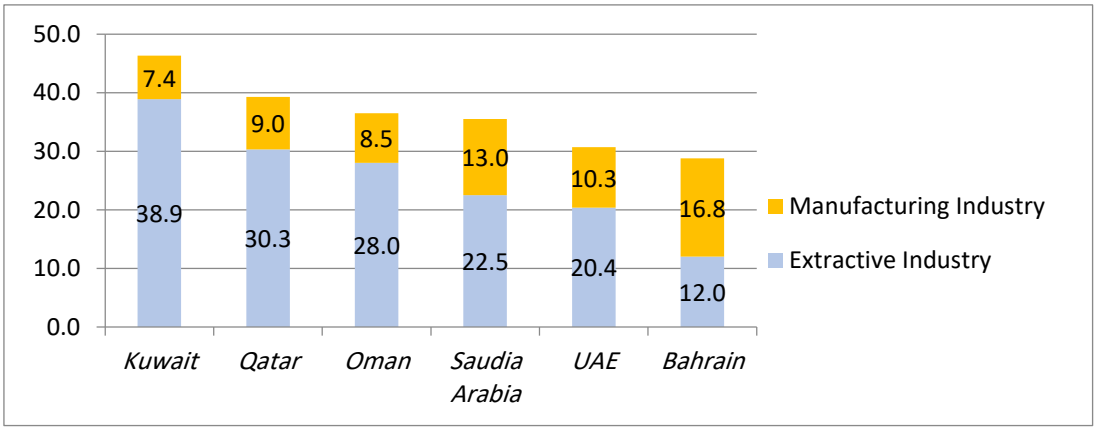
Figure 5: GDP Contribution of the Industrial Sector (at current market prices) in 2017



Source: Central Statistical Bureau

Regarding the industrial sector's share in GDP across Gulf Cooperation Council (GCC) countries in 2016, Figure 6 indicates that Kuwait was at the top of GCC countries at 46.3% (including 38.9% for extractive industries), next were Qatar at 39.3% (30.3%, extractive industries), Oman at 36.5% (28.0%, extractive industries), Saudi Arabia at 35.5% (22.5%, extractive industries), the U.A.E. at 30.7% (20.4%, extractive industries), and finally Bahrain at 28.8% (12.0%, extractive industries). Despite the higher share of industrial sector in GDP for Kuwait as compared to other GCC countries, Kuwait had the lowest rank among GCC members in terms of manufacturing's contribution to GDP at 7.4%.

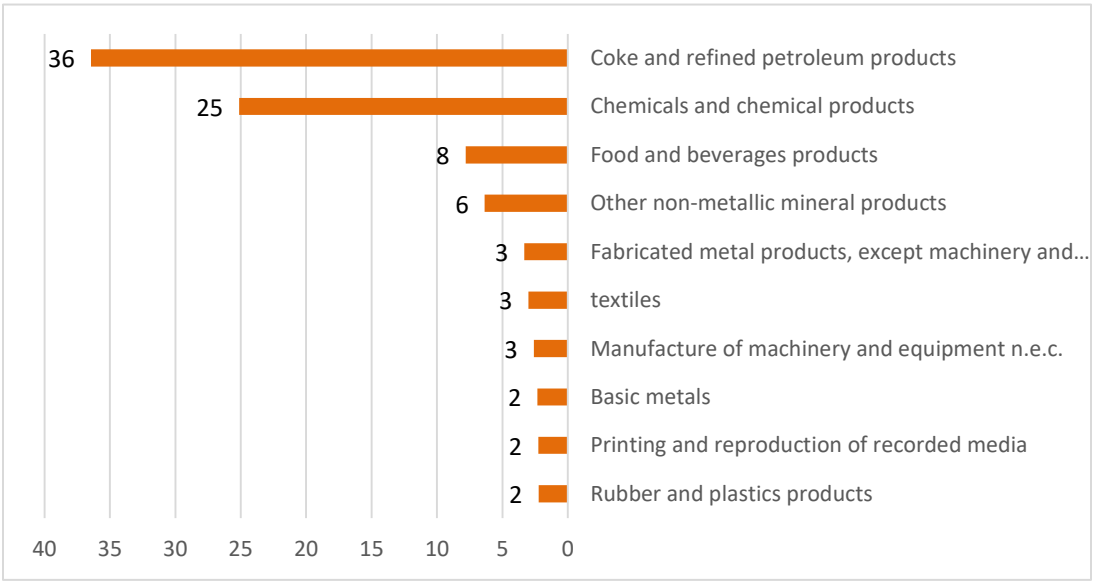
Figure 6: Relative Contribution of the Industrial Sector to GDP (%)



Source: Arab Monetary Fund

Figure 7 shows the top 10 manufacturing sectors that accounted for 91% of the industry's contribution to GDP in 2017. The top sector that contributed 36% was "**coke and refined petroleum products and nuclear fuel**" at 925 million KD, followed by "**chemicals and chemical products**" at 637 million KD (25%). Next was "**food products and beverages**" at 198 million KD (8%).

Figure 7: Relative Contribution of Most Important Industries in Manufacturing Sector (%)



Source: Central Statistical Bureau

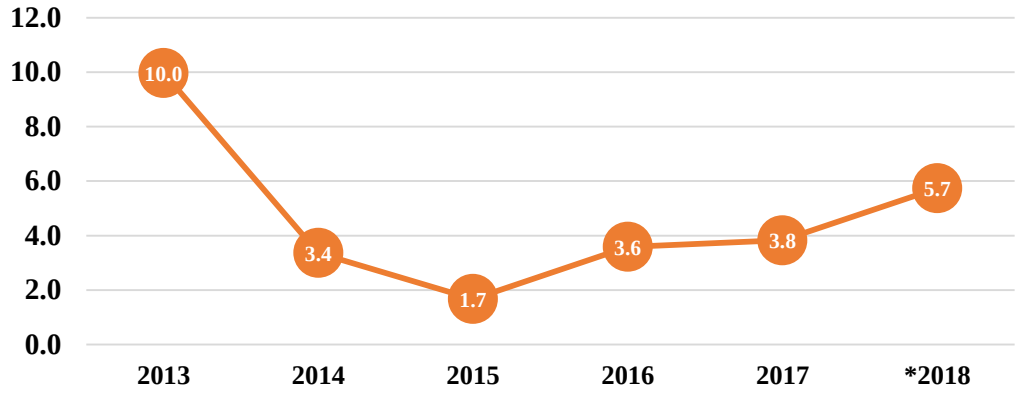
II. Financial and Banking Sector

Economic developments during the period of low global oil prices since 2014 affected global monetary policies. Specifically, the US interest rate had an important impact on Kuwait's monetary policy and banking sector. However, banking and monetary indicators show that the Kuwaiti banking system remained stable despite these developments. This sector managed to withstand the pressure due to decent policies of the Central Bank of Kuwait. Undoubtedly, these policies have helped maintain the stability of the banking, monetary, and financial sectors in general. This was manifested in the stability of the national currency relative to other currencies, the continued growth of domestic liquidity at healthy rates, increases in domestic credit growth (although slowing), as well as decent growth in banking deposits and banks' earnings.

It is noteworthy that the financial and banking sectors of Kuwait consist of local banks and branches of foreign banks that, as of the end of July 2018, total 23 banks (five commercial banks, six Islamic banks, 11 branches of foreign banks, and one industrial bank that is the Bank of Kuwait). There are also approximately 61 investment companies (26 traditional and 35 Islamic), 42 banking companies, around 106 investment funds (including 25 traditional and 54 Islamic investment funds, among others), and finally, one Islamic financing company.

With regard to monetary developments, Kuwait recorded a strong total domestic liquidity (money supply) growth of 10.0% in 2013, coinciding with the surge in world oil prices as shown in Figure 8. In 2014, with the decline in oil prices and the slowdown in economic activity, the growth domestic liquidity slowed, averaging 3.4%, then reached its lowest in 2015, as associated with the lowest levels of oil prices. With the relative recovery of oil prices and economic activity starting from 2017, domestic liquidity improved by 3.8% in 2017 and continued to improve at a rate of 5.7% in July 2018 (on an annual basis). Overall, domestic liquidity grew by an average of 4.5% from 2013 to 2017, with a higher average rate of economic growth during the same period.

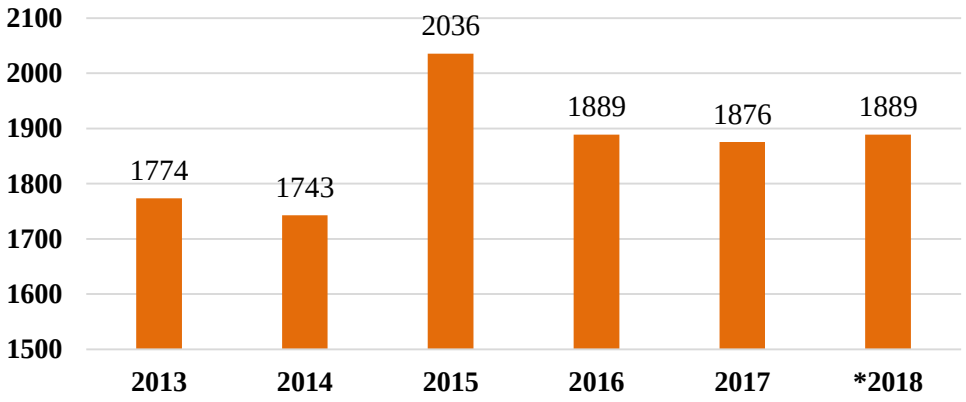
Figure 8: Growth of Domestic Liquidity (M2) (%)



Source: Central Bank of Kuwait

Figure 9 illustrates the distribution of domestic credit to the industrial sector, where balances of credit granted to industries had been rising from 2013 to 2015 at 2,036 million KD and was at a stable level of 1,889 million KD in 2018 (first quarter 2018). It is noted that credit provided to the industry (as a share of total credit) declined from 6.1% in 2013 to 5.3 % in 2017 and 2018 (first quarter 2018).

Figure 9: Credit to Industrial Sector (Million KD)



Source: Central Bank of Kuwait

III: Public Finance

This section briefly reviews public finance developments with regard to general revenue and general state expenses. General state revenues are closely linked to world oil prices, with oil revenues accounting for nearly 89% of total revenues in Kuwait during the fiscal year 2016/2017.

Table (2) shows the continued achievement of a general state budget surplus until 2014/2015 that transformed into a deficit estimated at 4,612 million KD in 2015/2016. This resulted from a drop in total revenues due to declining in oil revenues as affected by lower global oil prices. For the fiscal year 2016/2017, public revenues amounted to 13,100 million KD. However, the overall budget deficit for that fiscal year was 4,608 million KD. The approved budget for the financial year 2017/2018 included general revenues of 13,344 million KD, but the estimated deficit is 6,556 million KD, which was the highest expected deficit in the history of Kuwait's public budget.

Table (2): General State Budget (Million KD)

Fiscal Year	General income	General Expenses	Surplus/Deficit
2013/12	32009	19042	12966
2014/13	31811	18903	12908
2015/14	24926	21416	3510
2016/15	13634	18246	-4612
2017/16	13100	17708	-4608
2018/17 (Approved Budget)	13344	19900	-6556

Source: Central Bank of Kuwait

IV: External Transactions

At the end of each time period, Kuwait's monetary interactions with other countries are expressed in terms of balance of payments, which includes both commodity and service balances and capital and financial accounts. Table (3) shows that Kuwait has achieved a surplus in the last five years (2013 to 2017) in terms of commodity balance, but the surplus has declined significantly from 2014, coinciding with the decline in world oil prices. The surplus amounted to 4,672 million KD in 2016, reflecting a decrease of 33% compared to 2015. However the commodity balance surplus rose by 38% in 2017, as merchandise exports amounted to 16,659 million KD in 2017, with oil exports

contributing 90% of total exports and merchandise imports amounting to 10,191 million KD in 2017.

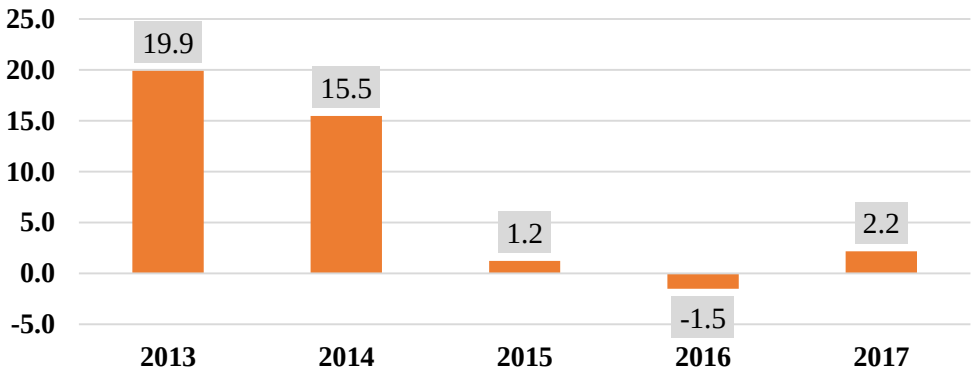
Table (3): Commodity Balance for Kuwait (Million KD)

Year	Exports of Goods	Imports of Goods	Balance
2013	32363	8309	24055
2014	28637	8829	19807
2015	16280	9316	6964
2016	13977	9304	4672
2017	16659	10191	6468

Source: Central Bank of Kuwait

As a result of developments in the current account of the balance of payments of Kuwait (primarily commodity balance), the current account had, for the first time in years, a deficit of 1.5 billion KD in 2016 (Figure 10) due to a lower commodity balance surplus during the year. With the relative improvement in world oil prices in 2017, rising commodity balance surplus led to the current account surplus at 2.2 billion KD, which equaled 5.9% of GDP in current prices. At the aggregate level, the balance of payments achieved a total surplus amounting to 569 million KD in 2017 compared with 960 million KD in 2016.

Figure 10: Current Account at the Balance of Payments (Billion KD)



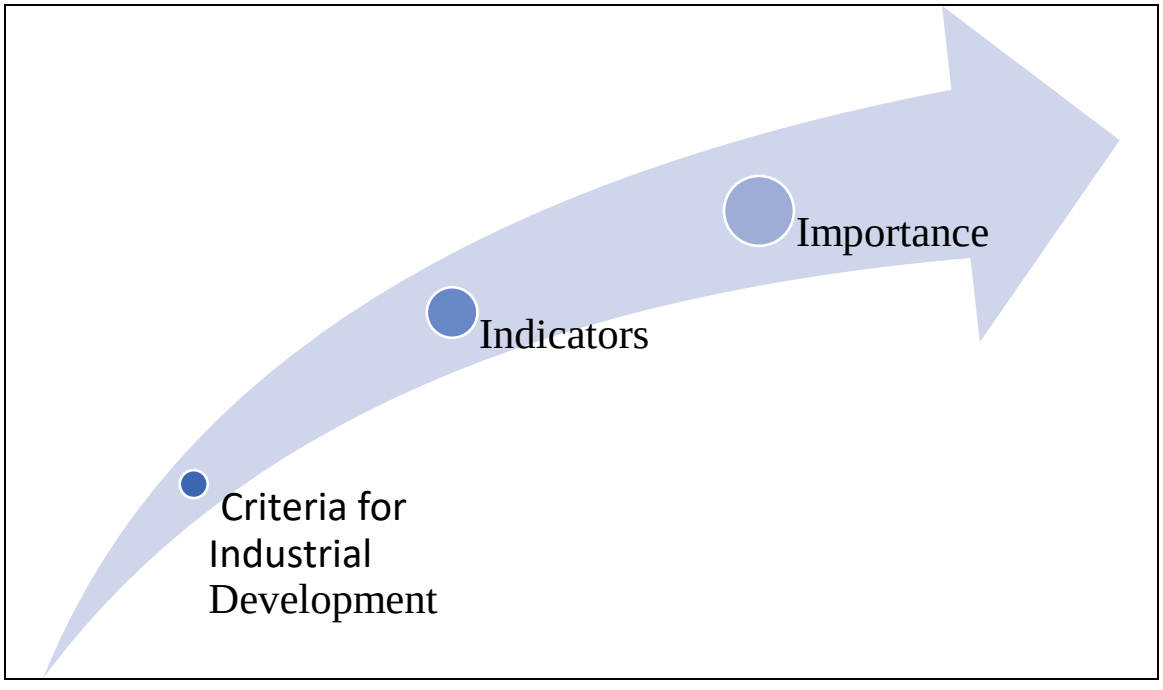
Source: Central Bank of Kuwait

V. Theoretical Framework to Build the Basic Indicators of the Industrial Survey

To assist industrial policymakers, it is necessary to build a framework for a range of different indicators that assess the performance of the industrial sector in Kuwait. In accordance with international criteria and indicators used for this purpose, as well as based on results of different industrial surveys implemented in Kuwait, the general framework adopts key indicators as discussed in this section. Such indicators are derived from the Kuwait industrial survey of 2018 and can help highlight the strengths and weaknesses of various industrial activities. Specifically, through a framework of a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, these indicators provide information on benefits and costs of various industrial activities by sector, leading to conclusions and recommendations that support policymakers' decisions for the development of industrial activities in Kuwait. The indicators can also help promote the growth of the value added by the industrial sector.

Building a set of economic and statistical indicators to evaluate the country's industrial performance largely depends on the importance of such indicators in the national economy. Such importance is determined primarily from objective criteria used to analyze the performance of the industrial sector. (Figure 11) summarizes the interrelationship among these criteria, the specific indicators, and their importance.

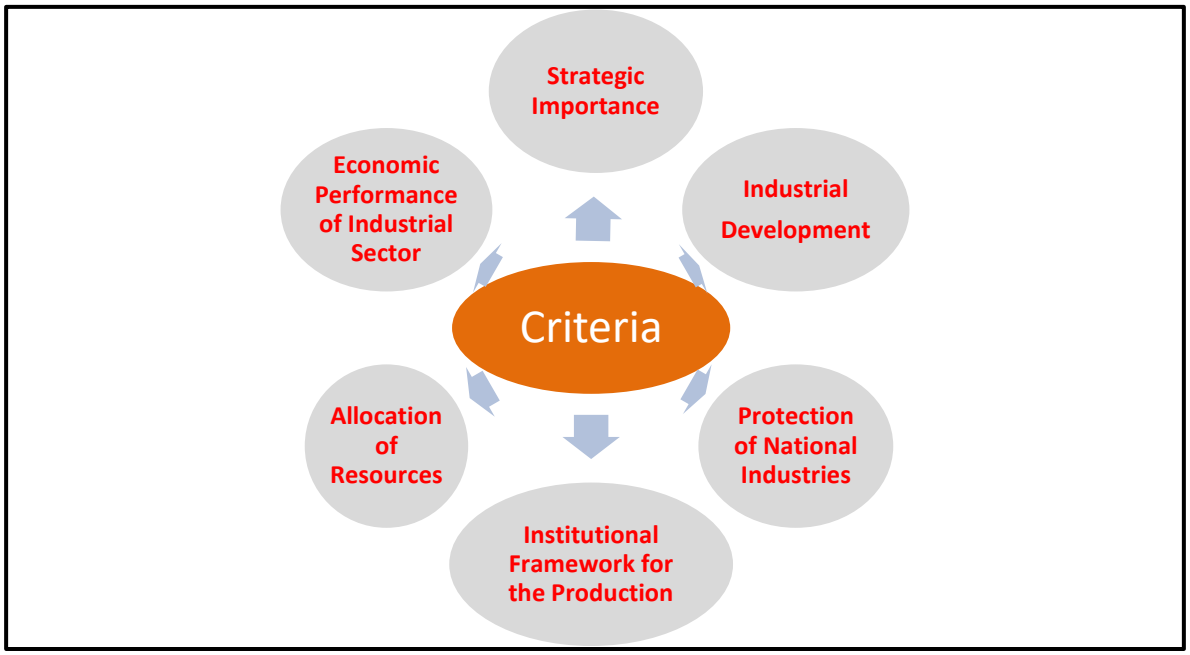
Figure 11: Theoretical Framework for Evaluating the Industrial Performance



VI. Performance Indicators of the Basic Industrial Survey 2018

Obtaining a realistic vision of the performance and development of the industrial sector depends heavily on the availability of statistical data. As such, objective criteria are employed to construct the economic and statistical indicators for evaluating the industrial sector's development. Although previous studies considered several criteria to determine the evolution and development of the industrial sector, the new indicators can be designed depending on the availability of data supporting the indicator. Figure (12) outlines the main criteria for evaluating the performance of the industrial sector.

Figure 12: Basic Economic & Industrial Standards for Assessing Industrial Performance



❖ Strategic Importance

The criterion, strategic importance, is crucial in evaluating the industry, and includes economic, social, and national security aspects. The following are key indicators and their importance.

Main Indicators	Importance
Size of the industry	The industries are classified based on the degree of social return and satisfaction of the basic needs of the population.
Export character	This signifies support for the country's goals towards import substitution and reliance on national industries to meet domestic demand for goods and services.

❖ **Standard Industrial Development**

This criterion aims to rationalize and plan for investment. This standard also highlights the importance of the intricate relationships and the size of the project until it reaches its optimal size. In addition, it demonstrates the importance of financial and technical feasibility studies and marketing research. This standard includes a set of indicators as follows:

Main indicators	Importance
Criteria for the identification of investment opportunities at the macro level	
Optimal use of available resources	This is important for the protection of rare, raw materials (scarcity of raw materials) owned by the Kuwaiti government, especially raw materials (except oil and gas) that go into production.
Intricate relations	The importance of the intricate relations indicator (whether front or rear) is in activating existing industries and increasing demand for products through the expansion of industrial development, leading to a wider network of industries.
Economies of scale (large size)	The importance of this indicator is that with larger projects, the cost of production per unit of final product is reduced to the point where marginal cost equals average cost.
Value added of industrial project	This signifies the relative contribution of value added used in the industrial production (final product) including interest paid and profit.
National labor used	It is important to encourage industrial enterprises to use national employment, especially in small and medium-sized enterprises in the private sector, and this indicator helps measure this initiative.
Project's ability for export and import substitution	This indicator represents the government's objective for import substitution as well as its reliance on national industries to meet domestic demand for goods and services.
Environmental friendliness	This indicator evaluates industrial projects in the context of the social cost of environmental pollution. It emphasizes the need to pay attention to the environmental dimension in feasibility studies and assess the economic and social effects of pollution.

Geographical distribution of industrial exports	This indicator is used to determine the direction of specific exports that could indicate the direction of the non-oil exports.
Criteria for the identification of investment opportunities at the micro level	
Average return on investment	Expressing project's return on investment per production unit.
IRR	This indicator provides the return on capital invested in the project for the duration of its life.
Project profitability & return on investment	These indicators reflect the profitability of the firm or the sector as a whole.

- **Protection for National Industries**

This criterion is essential in explaining the importance of providing the necessary protection for domestic products. It helps to encourage the development of higher quality domestic products in order to increase competitiveness in the external and internal markets, thus raising the export capacity of those products. It includes a set of indicators as follows.

Main Indicators	Importance
Share of national employment to total employment	This refers to the industrial sector's ability to create jobs in the economy.
Share of value added of the firm to the industry and GDP	This helps assess the contribution of each activity to GDP.
Share of revenue from the investment industry in the domestic economy	This helps identify the role of industrial investment in the economy.
Productivity rate of the firm	This measures the efficiency in turning inputs into outputs for the firm.
Export capacity and support for the domestic economy	This indicator serves to boost exports in the economy and diversify production, encouraging the opening of new markets and promoting export activity.
The strategic importance of the industry to be protected	This refers to the protection of strategically important national industries that are in competition with similar industries in the domestic market.

Capital intensity factor for the industry	This provides data on financial assets and capital formation in industrial activities.
Quality certification	A mark of quality for goods means that these goods have been checked and tested and thus, are ensured to conform to standard specifications. This helps in establishing an integrated system for quality control of production (to meet standards and requirements).

- **Institutional Framework for the Production**

This criterion contributes in determining the size of the enterprise according to the size of employment. Thus, it recognizes the importance of small and medium-sized enterprises in the economy. This criterion comprises three indicators as follows.

Main Indicators	Importance
Number of firms employing 1 to 9 workers	These indicators determine the degree of production concentration and the number of large, small, and medium-sized industries.
Number of firms employing 10 to 49 workers	
Number of firms employing 50 or more workers	

- **Allocation of Resources**

This criterion relates to a number of important indicators that measure the ratio of non-performing energy industry and the size of various industrial activity expenditures on research and development. It includes three indicators as shown below.

Main indicators	Importance
Percentage of idle capacity	This refers to the idle energy rate measurement in the industry.
Proportion of industry spending on research and development compared to industrial output	This represents an industry's research and development expenditure in relation to its output.
Contribution of industry to finance research and development	This refers to industry spending on research and development.

❖ **Economic Performance of the Industrial Sector**

This criterion intends to recognize the economic importance of the industrial sector in general, both in foreign trade or domestic value added. It includes two indicators as follows.

Main indicators	Importance
Proportion of exports to total manufacturing imports	This measures the external efficiency of research and development in the area of foreign trade.
Proportion of domestic manufacturing (in a number of selected industries)	This measures the external efficiency of research and development in localizing domestic industries.

Second Section:

2018 Industrial Survey Results

This section reports the results of the 2018 industrial survey in Kuwait and includes six chapters. Chapter one covers statistics related to industrial firms. Chapter two covers the industrial production and Chapter three discusses industrial investment. Chapter four presents statistics on the industrial sector's exports and imports and includes an analysis of employment in the sector. Finally, chapter six presents an investigation of the industrial sector entitled "Manufacturing Industries towards Industrial Competitiveness".

Chapter 1: Industrial Firms

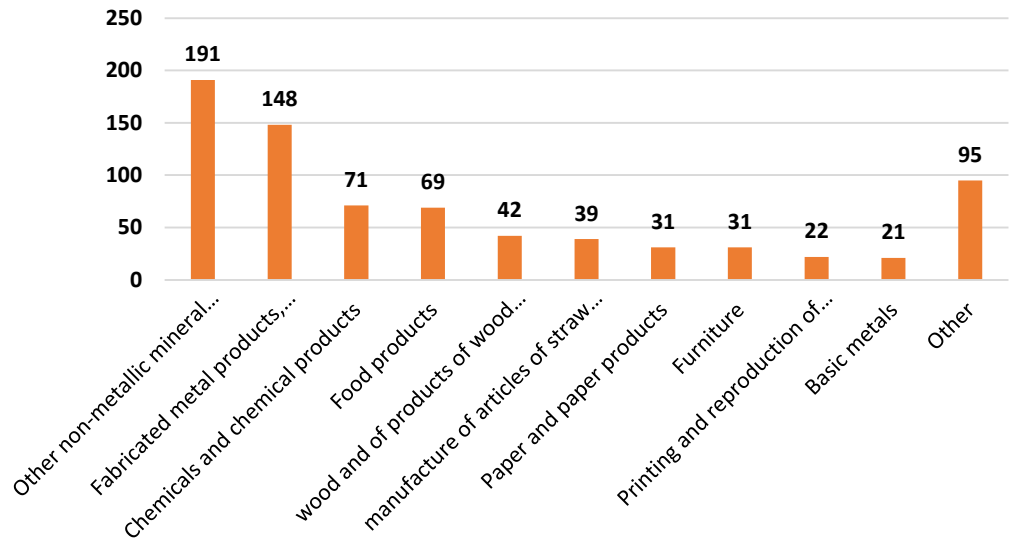
This chapter discusses the composition of the industrial firms covered by the 2018 industrial survey. The distribution of these firms by industrial activity is based on the United Nations' international industrial classification standard for all economic activities (revision IV). Moreover, this chapter includes the geographical distribution of industrial firms by region and the distribution by size of such firms.

First: Number of industrial firms

There were 760 industrial firms included in the 2018 survey, covering all industrial activities. The total number of registered industrial firms increased by 38 firms or 5.3% compared to that in 2014 (722 manufacturing firms).

According to the distribution of industrial firms, based on the international industrial classification standard of all economic activities (fourth revision, ISIC 4), the sector "**other non-metallic mineral products**" ranked first with 191 firms or 25.1% of the total number of industrial firms. Next were "**metal products, except machinery and equipment problem**" with 148 firms (19.5%) and "**chemicals and chemical products**" with 71 firms (9.3%).

Figure 1-1: Number of Industrial Firms by Industrial Sectors (Year 2016)



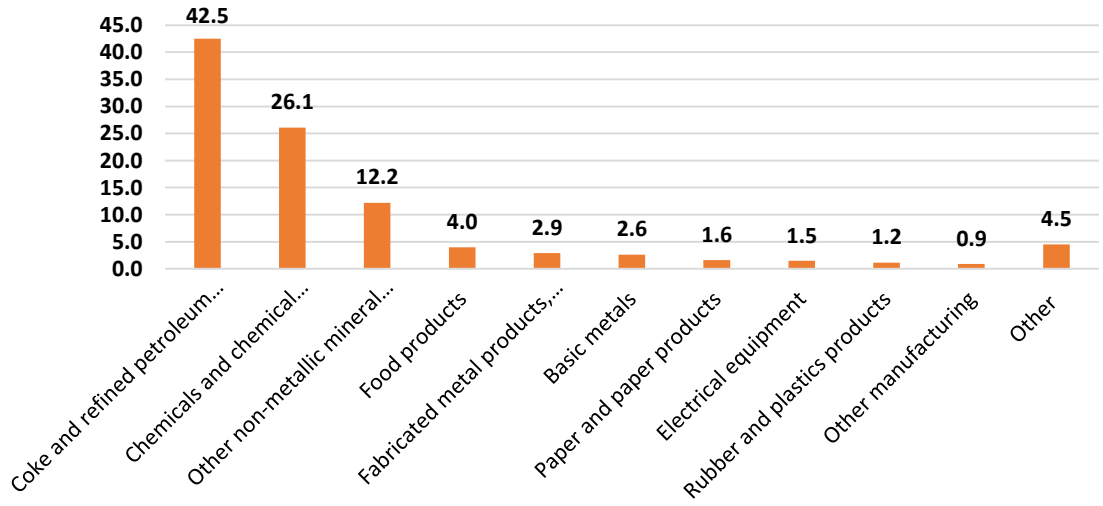
Source: Public Authority for Industry

Second: Industrial firms by capital

The total capital value of industrial firms included in the 2018 survey was 5,226.1 million KD at the end of 2016, accounting for 15.8% of the GDP for that year. This capital value increased by 1,003.9 million KD when compared to that of the last survey conducted in 2013.

In terms of the value of capital, the sector "**coke and refined petroleum products**" ranked first with capital value of 2,221.4 million KD or 42.5% of the total firms' capital. Next were "**chemicals and chemical products**" with capital value of 1,363.9 million KD (26.1%), "**other non-metallic mineral products**" with capital value of 637.3 million KD (12.2%), and "**food product**" with capital value of 208.0 million KD (4.0%).

Figure 1-2: Industrial Firms by Capital Value in 2016 (% of Total Capital Value)



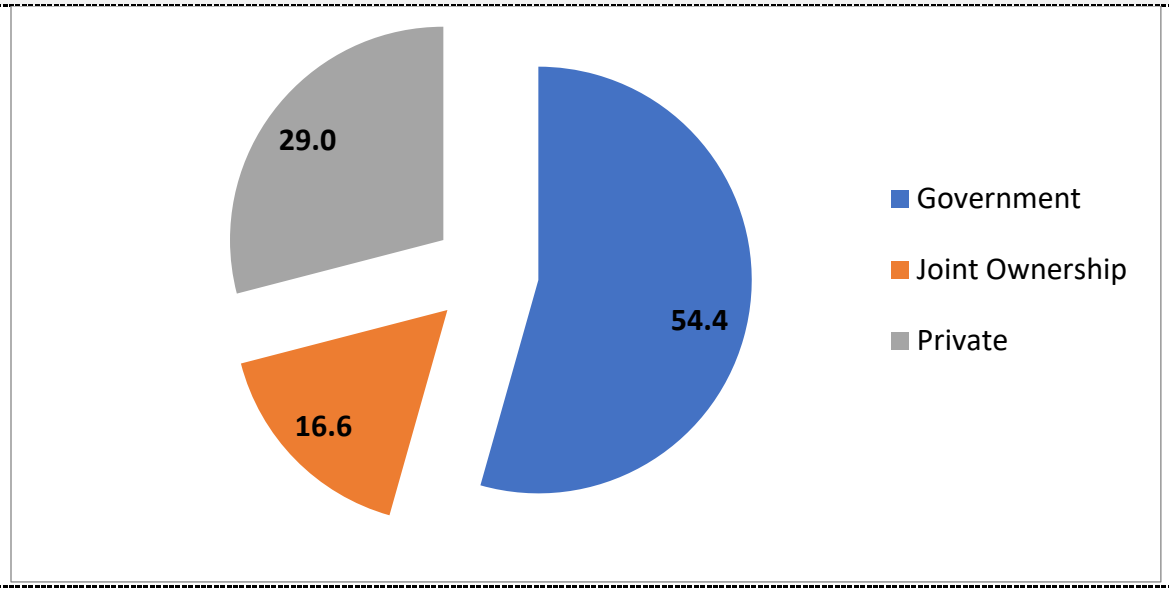
Source: Public Authority for Industry

Meanwhile, based on the 2018 survey, the ownership of industrial firms in 2016 was distributed between the government and private sector, either separately or jointly, with the government owning 54.4% at a capital value of 2,841.9 million KD, mainly in the sectors of "**coke and refined petroleum products**" (72.7%) and "**chemicals and chemical products**" (26.2%).

Private ownership accounted for 29.0% of total capital value at 1,517.5 million KD and were mainly invested in the sectors "**other non-metallic mineral products**" (27.2%), "**food products**" (10.6%), and "**metal products sector except for machines and equipment**" (9.8%).

Joint ownership between the government and private sector accounted for 16.6% of total capital value at 866.7 million KD and were mainly invested in the sectors of "**chemicals and chemical products**" (54.6%), "**other non-metallic mineral products**" (25.9%), and "**coke and refined petroleum products**" (12.4%).

Figure 1-3: Industrial Firms as Capital Ownership in 2016 (% of Total Capital)

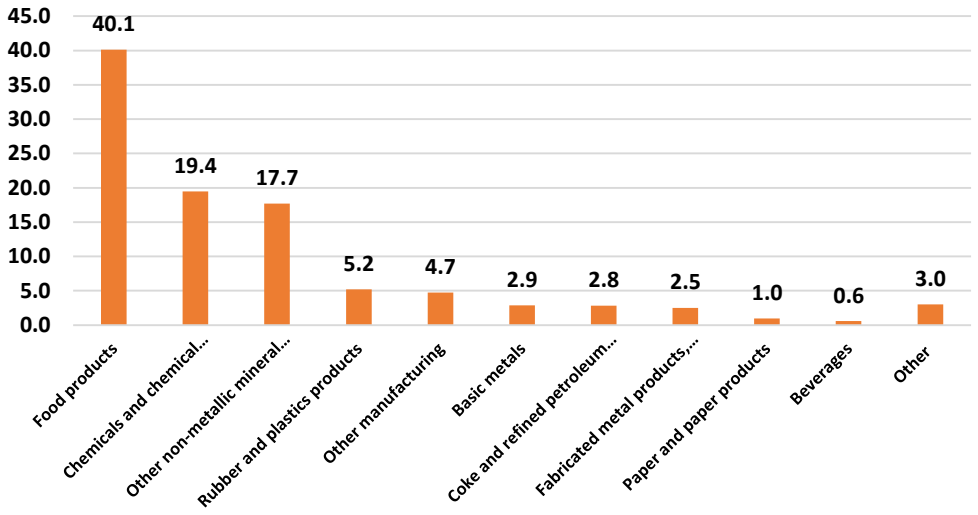


Source: Public Authority for Industry

Third: Industrial Firms by Total Area

The industrial firms included in the 2018 survey covered a total of 23.0 million sq m at the end of 2016. In terms of the size of area covered, the sector "**food products**" ranked first with 9.2 million sq m or 40.1% of the total area covered by industrial firms. Next was the sector "**chemicals and chemical products**" with 4.5 million sq m at 19.4%. The total area covered by the top 10 industrial sectors was 22.3 million sq m or 97.0% of the total area covered by industrial firms in 2016.

Figure 1-4: Industrial Firms by Spaces in Year 2016 (% of total)



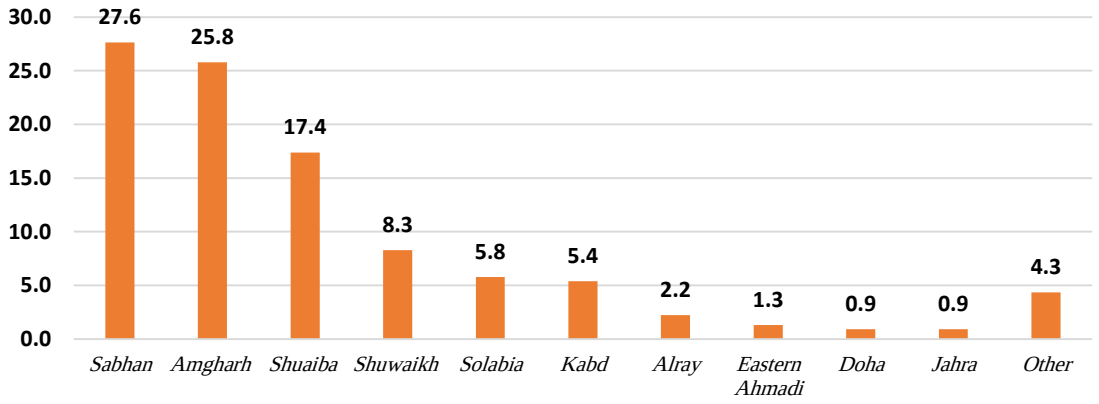
Source: Public Authority for Industry

Fourth: Geographical Distribution of Industrial Firms

The 2018 survey results indicate that most of the industrial firms were concentrated in four major areas in 2016, and the Sabhan industrial area located in Mubarak Al-Kabeer Governorate ranked first, accounting for 210 industrial firms or 27.6% of the total number of industrial firms surveyed. The firms in this area focused on many industrial activities such as **food products**, **beverage industries**, **textiles**, **wood products**, **chemicals and chemical products**, **metal products**, **furniture**, and others.

Second in ranking was Amgharh industrial area in Jahra Governorate , with 196 industrial firms or 25.8% of total firms surveyed. Firms in this area focused on sectors such as **wood products**, **chemicals and chemical products**, o**ther non-metallic mineral products**, **metal products except machinery and equipment**, **furniture**, and others. Third was Shuaiba industrial area (Western and Eastern) located at Ahmadi Governorate, with 132 industrial firms or 17.4% of total firms surveyed. The firms in this area participated in various activities concerning **chemicals and chemical products**, **rubber plastics and wood products**, **metals and metal products**, and others. Fourth was Shuwaikh industrial area located in the province's capital, comprising 63 industrial firms or 8.3% of total firms surveyed. In addition, there are many other industrial areas of importance. Ten other areas where a significant number of industrial firms were located accounted for 727 industrial firms or 95.7% of total firms surveyed.

Figure 1-5: Industrial Firms by Industrial Area in Year 2016 (% of total)



Source: Public Authority for Industry

Fifth: Industrial Firms by Size

There were 147 small industrial firms with capital of no more than 250 thousand KD, accounting for 19.3% of the total number of industrial firms surveyed. The capital of these firms amounted to 22.4 million KD, representing 0.4% of the total capital.

There were 142 medium-sized industrial firms (18.7% of the total firms surveyed) that kept their capital at 500,000 KD, totaling 60.4 million KD. Lastly, there were 425 large industrial firms (55.9% of the total firms surveyed).

Table 1-1: Industrial Firms by size (Small- Medium-Large)

Statement	Number of Kuwaiti Workers	Capital (Million KD)	Number of Firms
Small Firms	256	22.4	147
Medium Firms	287	60.4	142
Large Firms	10474	5143.4	425
Not Classified	92	0.0	46
Total of Industrial Firms	**11109**	**5226.1**	**760**

Source: Public Authority for Industry

Chapter 2: Industrial Production

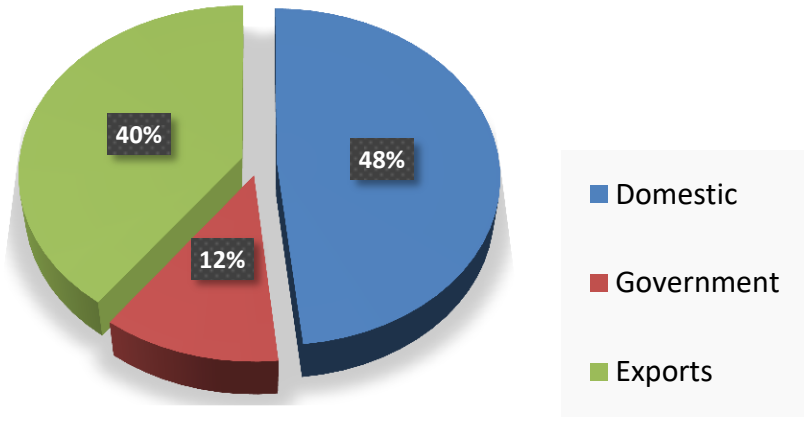
This chapter discusses the summary analysis of industrial production indicators based on the 2018 industrial survey results, including the evolution of the volume of production and relative structure of production by industrial sector, sales value, and added value of the industrial sector with the extent of its contribution to the gross domestic product.

First: Sales of the Industrial Sector

The overall sales value of industrial firms in 2016 was 4,189.0 million KD, which increased by 52.6 million KD (1.3%) as compared to that of 2015 at 4,136.3 million KD.

Findings show that the sector "**chemicals and chemical products**" ranked first with 859.4 million KD in sales or 20.6% of the total value of industrial sales in 2016. Next were the sectors "**coke and refined petroleum products**" with 770.2 million KD (18.0%) and "**other non-metallic mineral products**" with 701.3 million KD (17.0%). It is noteworthy that the total sales value of the top ten sectors was 3,860.4 million KD (92.0%).

Figure 2-2: Total sales Structure for Industrial Sector in 2016 (% of total)



Source: Public Authority for Industry

With regard to the distribution of the industrial sector's gross sales in 2016 by type of market, 2,026.9 million KD (48.4%) was attributable to the domestic market, 1,669.5 million KD (39.9%) to the export market, and 492.5 million KD (11.8%) to the government.

Second: Industrial Production

In 2016, the value of industrial output was 4,174.9 million KD, which decreased by 19.7 million KD or 0.5% as compared to that of 2015.

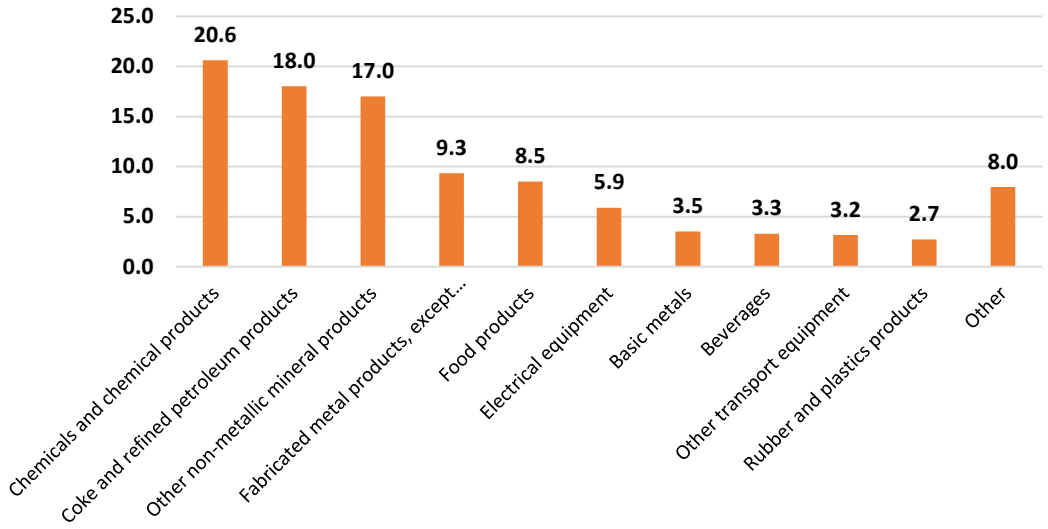
Table 2-2: Industrial Production Value

Statement	2014	2015	2016
Industrial production value (Million KD)	4062.7	4194.6	4174.9
Rate of change (%)		3.2	-0.5

Source: Public Authority for Industry

The production value of the sector "**chemicals and chemical products**" ranked first with 861.2 million KD or 20.6% of the total value of industrial production in 2016. Next were the sectors "**coke and refined petroleum products**" valued at 753.1 million KD (18.0%) and "**other non-metallic mineral products**" at 709.5 million KD (17.0%). It is noteworthy that the total production value of the top ten sectors was 3,842.7 million KD (92.0% of total production value for all industrial firms in 2018).

Figure 2-3: The Industrial Firms by Production Value in 2016 (% of total)



Source: Public Authority for Industry

Third: Intermediate Inputs (Requirements for Industrial Production)

The value of intermediate inputs for the industrial sector amounted to 2,309.9 million KD in 2016 compared to 2,397.8 million KD in 2015, representing a drop of 88.8 million KD or 3.7%. This drop was due to the low cost of raw materials and production requirements that contributed 75.8% of the total cost of intermediate inputs.

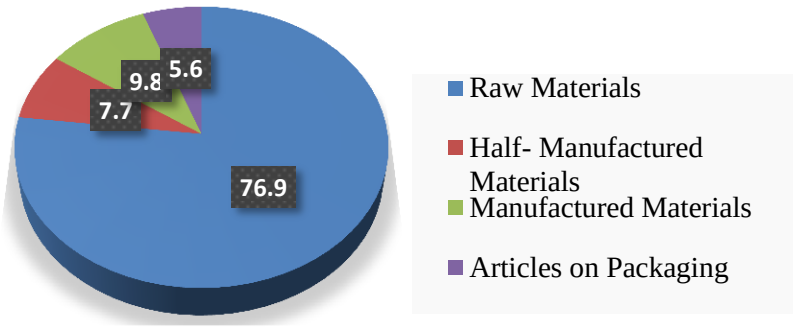
Table 2-3: Value of Intermediate Inputs for Industrial Production (Million KD)

Statement	2014	2015	2016
▪ Cost of raw materials and production requirements	1754.5	1869.1	1749.5
▪ Consumption costs of fuel and fuels	147.8	149.2	147.2
▪ Rental, maintenance and other costs	362.0	379.5	412.4
Total intermediate Inputs	**2264.3**	**2397.8**	**2309.0**

Source: Public Authority for Industry

The value of the cost of raw materials for industrial production and production requirements was 1,749.5 million KD in 2016 compared to 1,869.1 million KD in 2015. Moreover, raw materials consisted of four basic elements, namely, raw materials valued at 1,345.8 million KD in 2016, or 76.9% of the total cost of raw materials; manufactured materials valued at 171.5 million (9.8%); half-manufactured materials valued at 134.7 million KD (7.7%), and packaging materials valued at 97.5 million KD (5.6%).

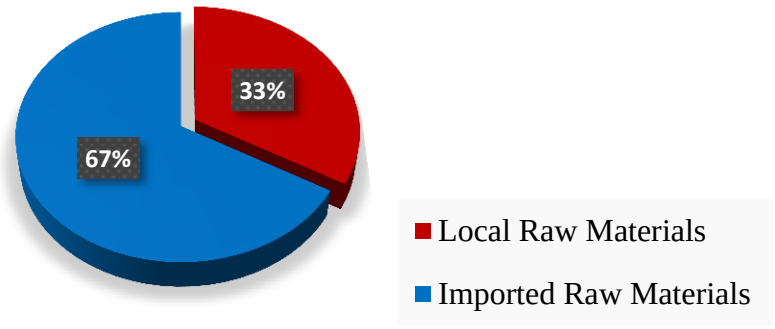
Figure 2-4: Cost of Raw Materials for Industrial Production 2016 (% of total)



Source: Public Authority for Industry

Meanwhile, raw materials for the production processes are divided (in terms of its source) to local raw materials and imported raw materials. The total value of local raw materials was 582.5 million KD in 2016 or 33.3% of the total value of raw materials, while imported raw materials was 1,167.0 million KD (66.7%).

Figure 2-5: The Cost of Raw Materials by Source in 2016 (% of total)

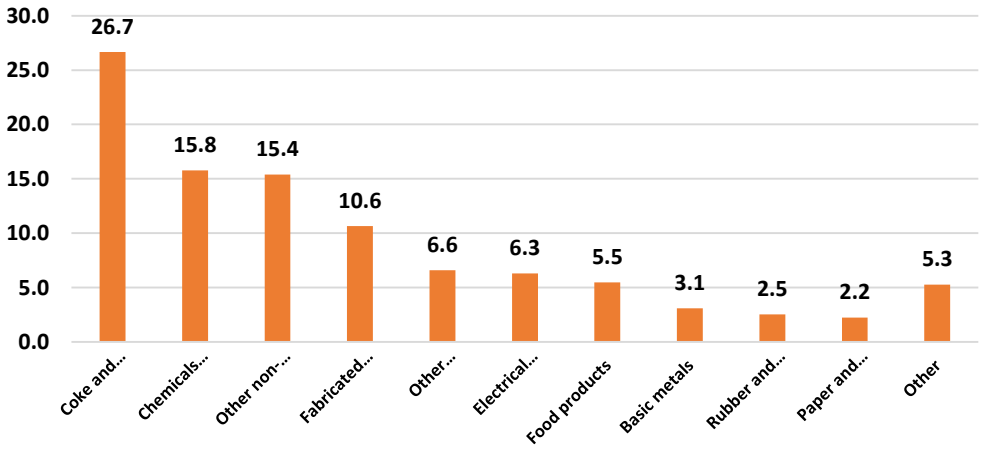


Source: Public Authority for Industry

Fourth: Value Added of the Industrial Sector

The industrial sector's value added amounted to 1,865.9 million KD in 2016, representing an increase of 69.1 million KD or 3.8% as compared to that of 2015. The sector "**coke and refined petroleum products**" ranked first with 497.6 million KD value added or 26.7% of the total in 2016. Next were the sectors "**chemicals and chemical products**" with 294.5 million KD value added (15.8%) and "**other non-metallic mineral products**" with 287.4 million KD value added (15.4%). It is noteworthy that the value added by the ten largest sectors accounted for 1,767.4 million KD (94.7%).

Figure 2-6 : Relative Importance of Industrial Firm by Value Added in 2016 (% of Total)



Source: Public Authority for Industry

Chapter Three: Industrial investment

This chapter focuses on the analytical indicators derived from the 2018 survey of industrial firms, including indicators of non-financial assets of industrial firms, its distribution and structure, size of investment spending, as well as automated systems used in industrial projects.

First: Non-financial Assets of Industrial Firms

The value of non-financial assets of industrial firms at the end of 2016 was 3,002.3 million KD as compared to 2,426.4 million KD in 2015, representing an increase of 575.9 million KD or 23.7%. The value in 2015 increased by 234.5 million KD or 10.7% as compared to that of 2014.

Table 3-1: Value of Non-Financial Assets of Industrial Firm

Statement	2014	2015	2016
Value of Non-Financial Assets (Million KD)	2191.9	2426.4	3002.3
Change Rate (%)		10.7	23.7

Source: Public Authority for Industry

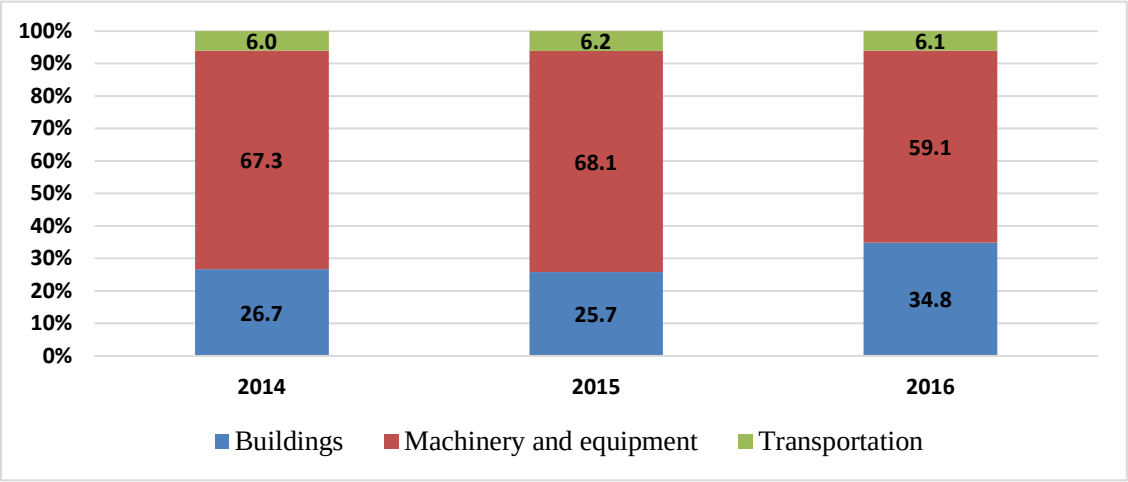
With regard to the industrial firms' non-financial assets structure, machinery and equipment ranked first with a value of 1,775.1 million KD in 2016 or 59.1% of the total non-financial asset value in 2016. Next were buildings valued at 1,045.5 million KD (34.8%) and transportation assets valued at 181.7 million KD (6.1 %).

Table 3-2: Non-Financial Assets of Industrial Firm (Million KD)

Statement	2014	2015	2016
▪ Buildings	584.2	624.6	1045.5
▪ Machinery and equipment	1475.9	1652.2	1775.1
▪ Transportation	131.8	149.6	181.7
Total non-financial assets	**2191.9**	**2426.4**	**3002.3**

Source: Public Authority for Industry

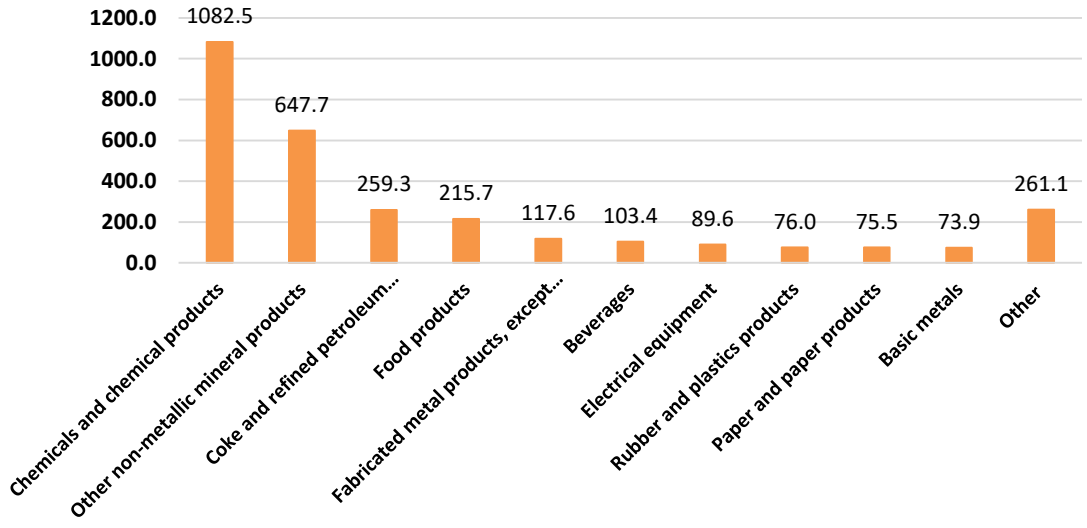
Figure 3-1: Non-Financial Assets of Industrial Firm (% of Total)



Source: Public Authority for Industry

In terms of the distribution of non-financial assets by sector in 2016, the sector "**chemicals and chemical products**" ranked first with 1,082.5 million KD or 36.1% of the total non-financial assets of industrial firms at the end of 2016. Next were the sectors "**other non-metallic mineral products**" at 647.7 million KD (21.6%) and "**coke and refined petroleum products**" at 259.3 million KD (8.6%). It is noteworthy that the top ten sectors accounted for 2,741.2 million KD (91.3 %).

Figure 3-2: Non-Financial Assets of Industrial Firm by Sector in 2016 (Million KD)



Source: Public Authority for Industry

Second: Capital Spending in the Industrial Sector

The value of the industrial firms' capital expenditure (for increasing production) amounted to 241.0 million KD in 2016 as compared to 355.5 million KD in 2015, representing a decrease of 114.5 million KD or 32.2%.

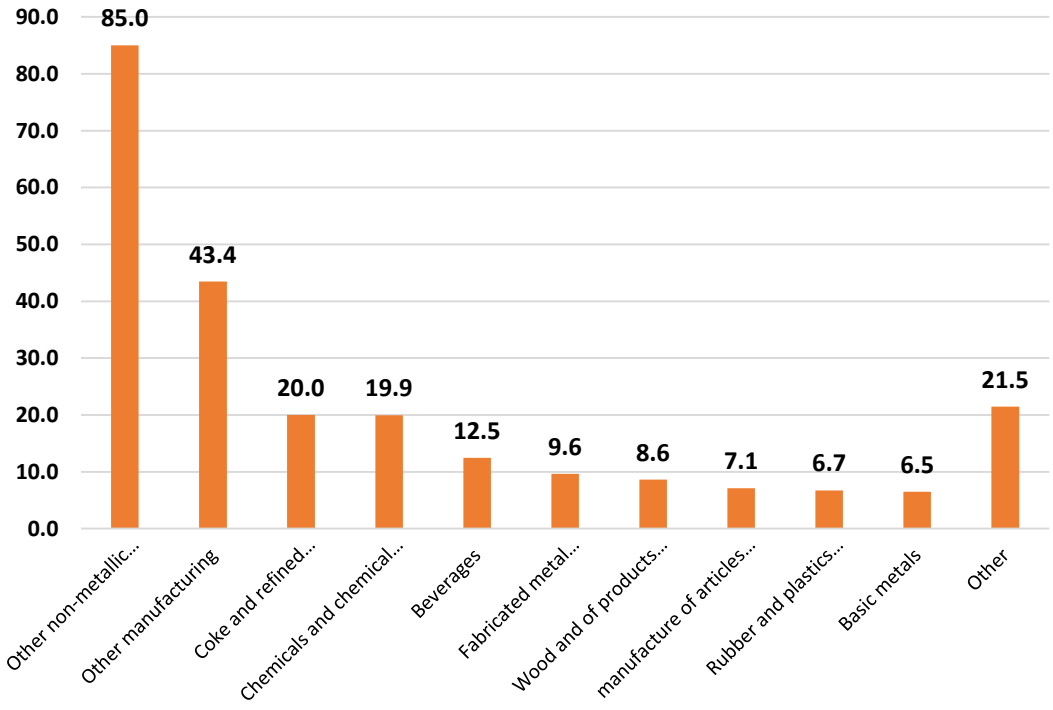
Table 3-3: Value of Capital Expenditure for Industrial Firm

Statement	2014	2015	2016
Capital Expenditure (Million KD)	305.7	355.5	241.0
Change Rate (%)		16.3	-32.2

Source: Public Authority for Industry

With regard to the distribution of investment expenditure by sector in 2016, the sector "**other non-metallic mineral products**" ranked first at 85.0 million KD or 35.3% of the total industrial investment spending in 2016. Next were the sectors "**other manufacturing industrie**s" at 43.4 million KD (18.0%) and "**coke and refined petroleum products**" at 20.0 million KD (8.3%). The top ten sectors contributed 219.6 million KD (91.1%).

Figure 3-3: Value of Capital Expenditure for Industrial Firm by Sector in 2016 (Million KD)

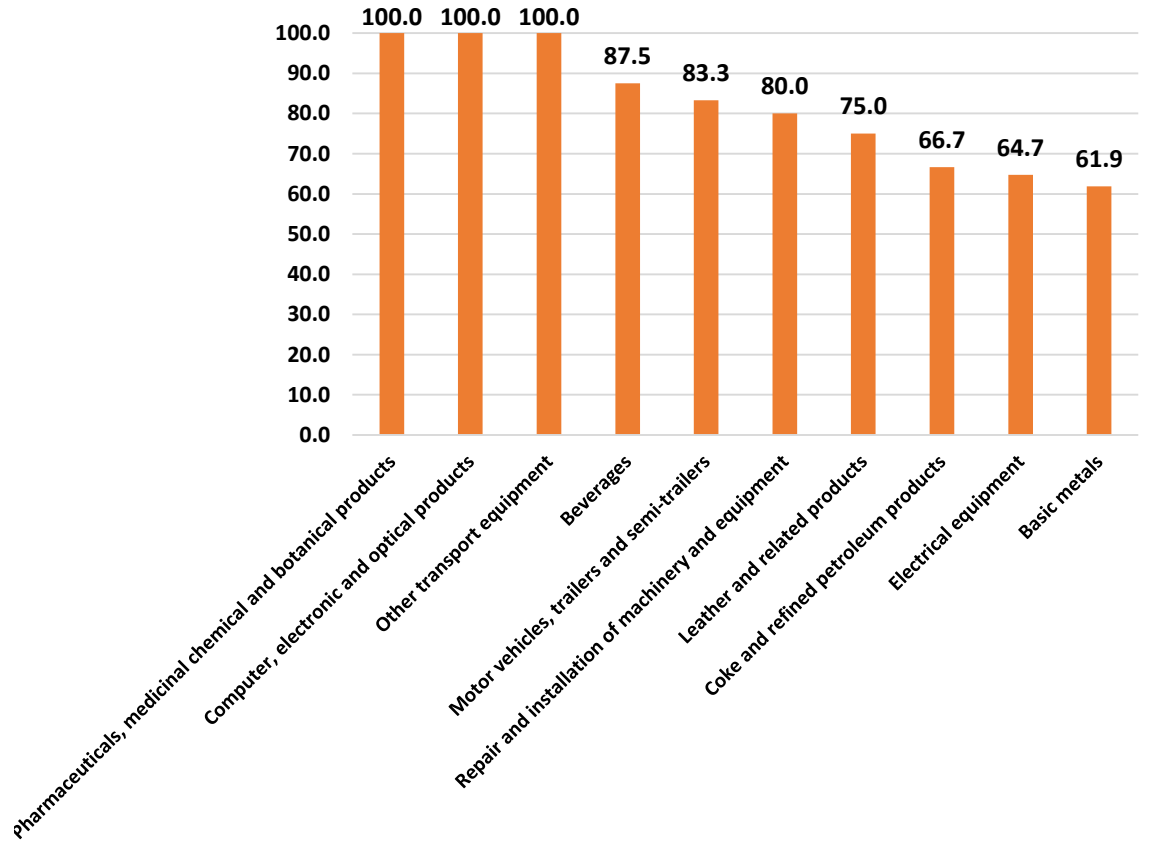


Source: Public Authority for Industry

Third: Nature of Technology Used

Based on the 2018 survey, industrial firms with automated systems (financial, administrative, or production machinery systems) represented 53.2% of total industrial firms surveyed as compared to 33.3% of those surveyed in 2014 and 31.5% of those surveyed in 2011. With regard to the proportion of projects that had automated systems per industrial sectors, the sectors "**pharmaceutical products**", "**computer and electronic products**," and "**other transport equipment**" were tied at first place, with 100% of projects having automated systems. Next were the sectors "**beverages**" and "**motor vehicle and trailer**", with 87.5% and 83.3% of projects having automated systems, respectively.

Figure 3-4: Ratios of Projects with Automated Systems by Industrial Sectors for 2016 (%)



Source: Public Authority for Industry

Chapter Four: Imports and Exports in the Industrial Sector

This chapter presents the analytical indicators derived from the 2018 survey concerning exports and imports in the industrial sector. It includes indicators on the number of exporting firms and the values of imports and exports per sector. It also includes the geographical distribution of these exports, as well as details on the import of production inputs.

First: Exports of Industrial Sector

Based on the 2018 survey, there were 229 industrial firms or 30.1% of total firms surveyed that engaged in exports in 2016. The sectors "l**eather products and related products**" and "**pharmaceutical products**" ranked first with 100% of these sectors' firms engaged in exports in 2016. Next were the sectors "**beverages**" and "**chemicals and chemical products**" with 87.5% and 60.6% of the sectors' firms engaged in exports, respectively.

Table 4-1: Number and Percentage of Exported Firms by Sector in 2016

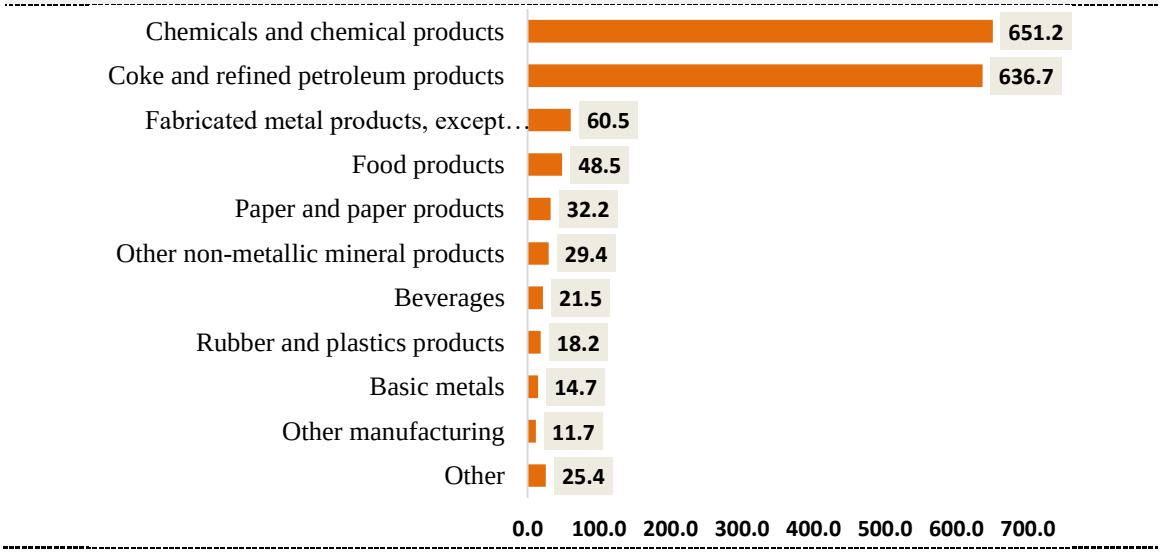
Activity	Number of exporting establishments	Number of establishments	Percentage
Leather products and related products	4	4	100.0
Pharmaceuticals, medicinal chemical and botanical products	2	2	100.0
Beverages	7	8	87.5
Chemicals and chemical products	43	71	60.6
Textiles	5	9	55.6
Rubber & Plastics Products	21	39	53.8
Clothing	1	2	50.0
Computers, electronic and optical products	1	2	50.0
Food Products	29	69	42.0
Paper and paper products	13	31	41.9
Other manufacturing	6	16	37.5

Electrical equipment	6	17	35.3
Coke and refined oil products	3	9	33.3
Basic metals	7	21	33.3
Fabricated metal products, except machinery and equipment	39	148	26.4
Printing and media reproduction	5	22	22.7
Repair and installation of machinery and equipment	1	5	20.0
Machines and equipment not classified elsewhere	2	11	18.2
Wood and wooden products	6	42	14.3
Furniture	4	31	12.9
Other non-metallic mineral products	24	191	12.6
Motor Vehicles and trailers	0	6	0.0
Other transport equipment	0	4	0.0
Total	**229**	**760**	**30.1**

Source: Public Authority for Industry

Industrial exports amounted to 1,550.1 million KD in 2016 compared to 1,528.9 million KD in 2015, representing a slight increase of 21.2 million KD or 1.4%. In terms of the value of exports, the sector "**chemicals and chemical products**" ranked first with a value of 651.2 million or 42% of total industrial exports in 2016.

Figure 4-1: Value of Industrial Exports by Sector in 2016 (Million KD)



Source: Public Authority for Industry

With regard to the geographical distribution of exports (by destination), the amount of industrial exports directed to international markets (excluding Arab and GCC countries) was 1,028.6 million KD or 66.4% of total industrial exports in 2016. Exports to the Arab region (excluding GCC countries) amounted to 289.2 million KD (18.7%). Finally, exports to GCC countries amounted to 232.5 million KD (15%).

Table 4-2: Geographical Distribution of Industrial Exports (Million KD)

Statement	2014	2015	2016
Gulf Export	238.9	243.4	232.5
Arab Export	306.3	301.9	289.2
International Export	999.7	983.6	1028.6
Total	**1544.9**	**1528.9**	**1550.1**

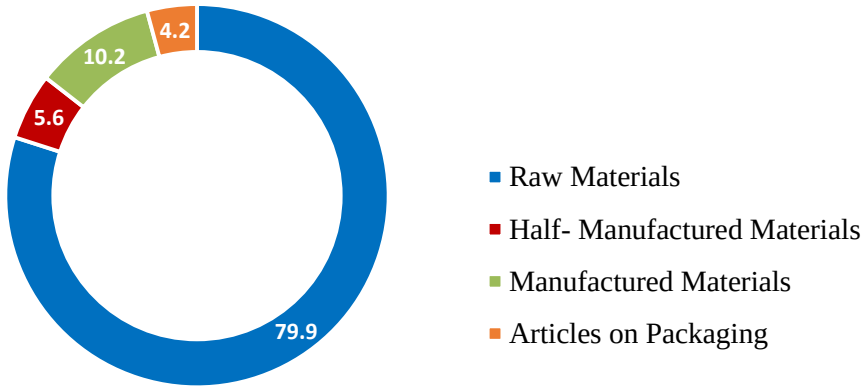
Source: Public Authority for Industry

With regard to the ratio of industrial exports to industrial output, this ratio reached 37.1% in 2016 compared to 36.5% in 2015 and 38% in 2014. However by sector (in 2016), the ratio was up by nearly 84.5% for the sector "**coke and refined petroleum products**", 75.6% for "**chemical and chemical products**", 47.4% for "**pharmaceutical products**", and 37.3% for "**other manufacturing**".

Second: Imports of Industrial Sector

The industrial sector's imports mainly consisted of raw materials for the production process and reached 1,167.0 million KD in 2016, which contributed 66.7% of the total cost of raw materials for that year. This amount came from four components, namely "primary raw materials," which accounted for 79.9% of total imported raw materials, "manufactured articles" (10.2%), "half-manufactured materials" (5.6%), and "packaging materials" (4.2%).

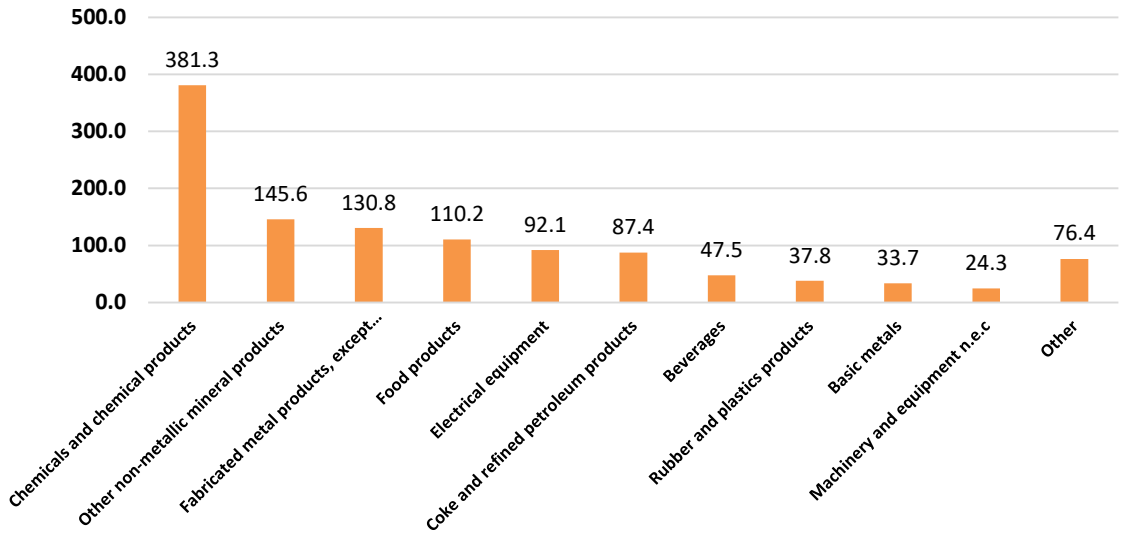
Figure 4-2: Relative Structure for cost of Imported Raw Materials in 2016 (% of Total)



Source: Public Authority for Industry

In terms of the distribution of imported raw materials by sector, the sector "**chemical products"** ranked first with 381.3 million KD or 32.7% of the total imported raw materials. The top ten sectors accounted for 1,090.6 million KD or 93.5% of the total.

Figure 4-3: Industrial Imports by Sector in 2016 (Million KD)



Source: Public Authority for Industry

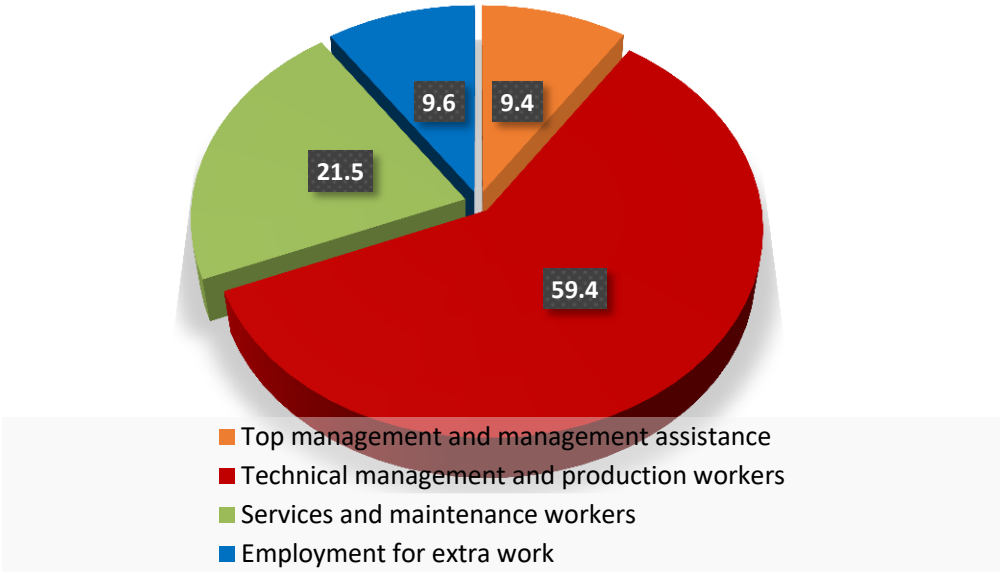
Chapter 5: Employment in the Industrial Sector

This chapter focuses on several indicators related to employment in the industrial sector based on the 2018 survey, including those related to upper and middle management, technical management and production, regular employees, and other types of employees hired for extra work. It also shows employment statistics with regard to nationality and amounts of employee compensation including wages, salaries, and various types of benefits.

First: Employment in the Industrial Sector

Results from the 2018 survey indicate that total employment in the industrial sector was 181.4 thousand workers at the end of 2016 across all industrial activities. As for the structure of employment, the category "technical management and production workers" ranked first with 107.7 thousand workers or 59.4% of total employment in the industrial sector in 2016. Next were the categories "services and maintenance workers" with 39.0 thousand workers (21.5%), "employment for extra work" with 17.5 thousand workers (9.6%), and "top management and management assistance" with 17.1 thousand workers (9.4%).

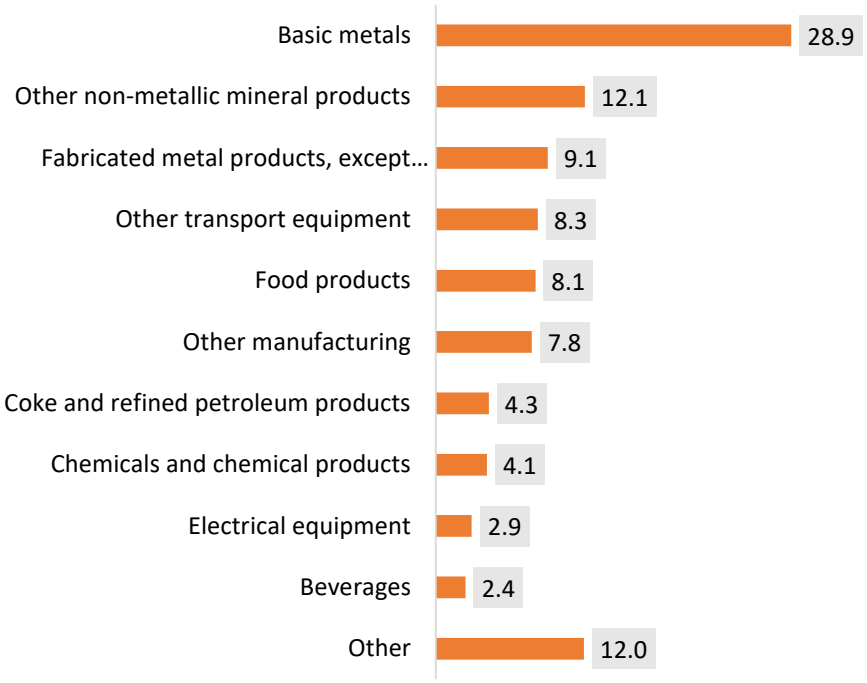
Figure 5-1: Relative Structure of Employment in Industrial Sector by Occupational Classification in 2016 (% of Total)



Source: Public Authority for Industry

As for the distribution of employment in the industrial sector by activity, the sector "**basic metals**" ranked first with 52.4 thousand workers or 28.9% of total employment in the industrial sector at the end of 2016. Next were the sectors "**other non-metallic mineral products**" with 22.0 thousand workers (12.1%) and "**metal products except for machinery and equipment**" with 16.5 thousand workers (9.1%). It is noted that the top ten sectors accounted for 159.5 thousand workers (88%).

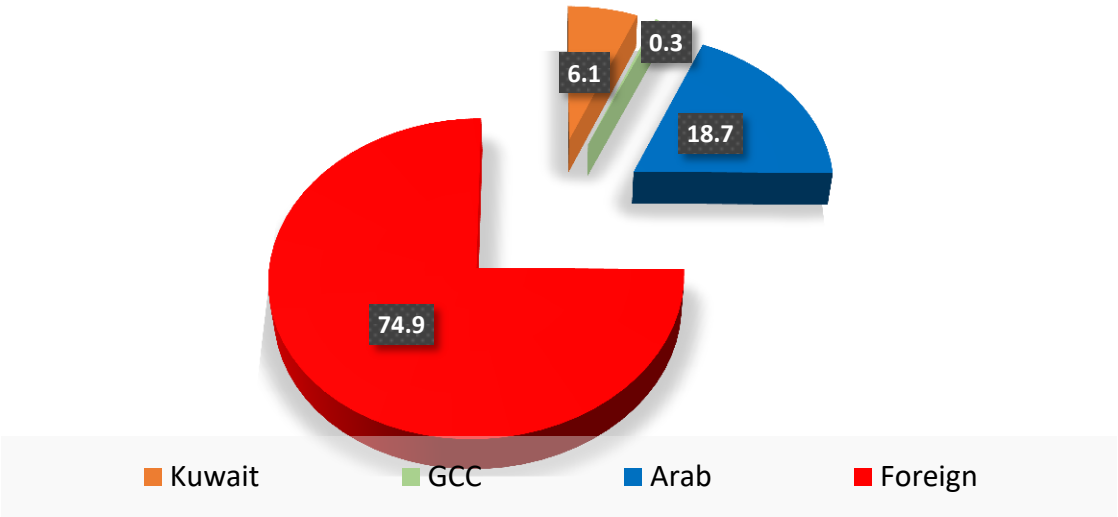
Figure 5-2: Relative Structure of Employment in the Industrial Sector by Industrial Activities in 2016 (% of Total)



Source: Public Authority for Industry

With regard to the distribution of employment in the industrial sector by nationality (Kuwaiti, Gulf, Arab, foreign), foreign employment ranked first with 135.8 thousand workers or 74.9% of total employment in the industrial sector during 2016. Next were Arab employment at 33.9 thousand (18.7%), local (Kuwaiti) employment at 11.1 thousand workers (6.1%), and Gulf employment with 575 workers (0.3%).

Figure 5-3: Relative Structure of Employment in the Industrial Sector by Nationality, 2016 (% of Total)



Source: Public Authority for Industry

Second: Compensation for Workers in Industrial Firms

Compensation for workers in the industrial sector includes wages and salaries in cash and in kind, in addition to the value of contributions to social insurance premiums, private pension funds, accident insurance (work injuries), life insurance, and other pension programs, as well as the rewards of board members. The employees' compensation according to the 2018 industrial survey is grouped into three categories:

- **Wages and salaries:** This category includes all cash payments made by the employer for the completion of work by all personnel at the business, covering all cash payments, gratuities, cost-of-living allowances, and wages paid during regular period and sick leave.

- **Physical and material benefits provided:** This category includes the cost of food, beverages, smoke, clothing (other than work costumes), dwelling (including maintenance and repair expenses, among others) provided free of charge or at nominal value by the employer to the employees.

- **Payroll accessories**: This category includes other payments made by the employer on behalf of employees (salaried employees) that are usually considered to be part of their income and not part of their cash or in-kind wages, including the contributions of employers to social insurance programs, unemployment compensation programs,

accident and work-injury-related compensation, health insurance premiums for hospitals, health services, retirement programs, workers' residency fees, and separation and leave allowances.

The results of the 2018 industrial survey show that the total value of compensation for workers in the industrial sector amounted to 1,571.6 million KD in 2016 as compared to 1,439.6 million KD in 2015, representing an increase of 132.1 million KD or 9.2%. The 2015 value increased by 261.0 million KD or 22.1% when compared to 2014.

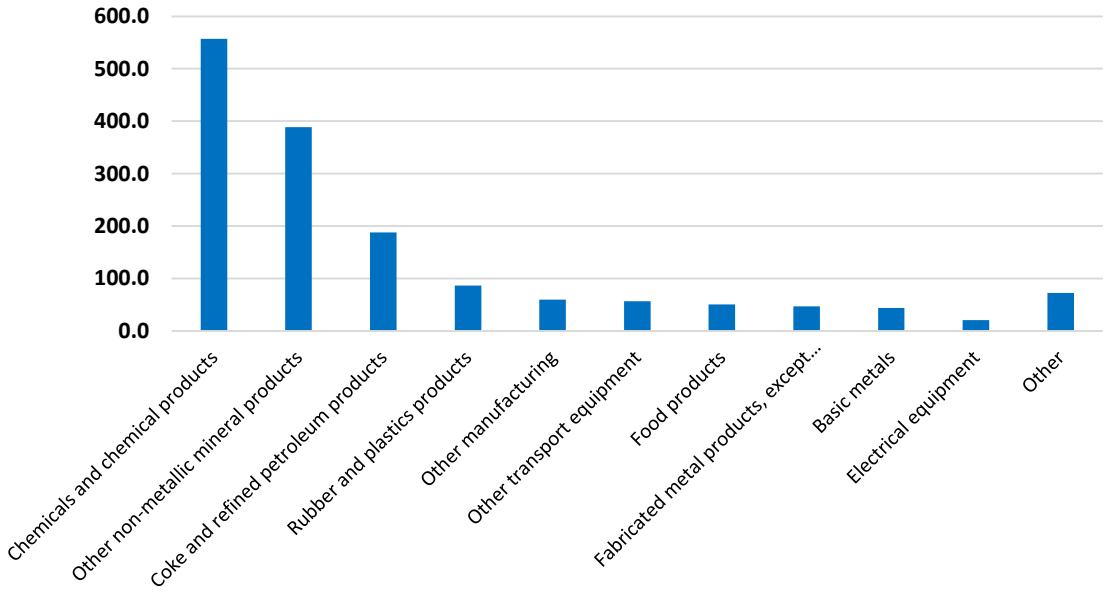
Table 5-1: The Value of Compensation for Workers in the Industrial Sector

Statement	2014	2015	2016
Employee Compensation value (Million KD)	1178.6	1439.6	1571.6
Change Rate (%)		22.1	9.2

Source: Public Authority for Industry

As for the distribution of compensation for workers in terms of activity, the sector "**chemicals and chemical products**" ranked first with 557.2 million KD worth of compensation or 35.5% of total compensation for workers in the industrial sector in 2016. Next were the sectors "**other non-metallic mineral products**" with 388.5 million KD (24.7%) and "**coke and refined oil products**" with 188.0 million KD (12.0%). The top 10 sectors accounted for 1,498.8 million KD or 95.4% of the total.

Figure 5-4: Compensation for Industrial Sector Employees by Industrial Activities in 2016 (Million KD)



Source: Public Authority for Industry

Wages and Salaries:

The amount of wages and annual salaries paid in the industrial sector amounted to 1,181.2 million KD in 2016 compared to 1,065.7 million KD in 2015, representing an increase of 115.5 million KD or 10.8%. The 2015 value increased by 200.8 million KD or 23.2% when compared with the value in 2014. When analyzing wages and salaries by type of activity in 2016, the sector "**chemicals and chemical products**" ranked first with 410.4 million KD or 34.7% of the total salaries of workers in the industrial sector during 2016. Next were the sectors "**other non-metallic mineral products**" at 297.5 million KD (25.2%) and "**coke and refined oil products**" with 129.0 million KD (10.9%). The top ten sectors accounted for 1,122.9 million KD or 95.1% of the total.

Table 5-2: Wages and Salaries of Workers in the Industrial Sector (Million KD)

Statement	2014	2015	2016
Chemicals and chemical products	334.5	403.3	410.4
Other non-metallic mineral products	133.4	234.0	297.5
Coke and refined oil products	129.2	129.0	129.0
Rubber & Plastics Products	56.5	61.0	71.5
Other manufacturing	29.3	34.1	43.0
Other transport equipment	27.3	31.8	40.6
Fabricated metal products, except machinery and equipment	33.2	37.0	39.7
Food Products	33.4	35.9	37.4
Basic metals	21.6	30.2	36.0
Electrical equipment	15.1	15.4	17.8
Other	51.4	53.9	85.3
Total industrial Facilities	**864.9**	**1065.7**	**1181.2**

Source: Public Authority for Industry

Physical and Material Benefits:

The value of payments for workers' physical and material benefits amounted to 158.5 million KD in 2016, representing an increase of 19.7 million KD or 14.2 % as compared to that of 2015.

Table 5-3: Value of Physical & Material Benefits Provided by Workers in the Industrial Sector (Million KD)

Statement	2014	2015	2016
Chemicals and chemical products	49.3	48.4	51.8
Other non-metallic mineral products	12.3	24.4	33.3
Coke and refined oil products	22.4	19.7	21.9
Other manufacturing	6.9	11.7	12.5
Other transport equipment	6.8	11.6	12.4
Rubber & Plastics Products	3.7	8.3	10.2
Food Products	5.7	6.2	6.4
Fabricated metal products, except machinery and equipment	1.7	1.9	1.9
Paper and paper products	1.2	1.3	1.3
Electrical equipment	1.0	0.7	1.2
Other	3.9	4.7	5.7
Total industrial Firms	**114.9**	**138.8**	**158.5**

Source: Public Authority for Industry

When analyzing physical and material benefits by type of activity in 2016, the sector "**chemicals and chemical products**" ranked first with 51.8 million KD or 32.7% of the total physical and material benefits during 2016. Next were the sectors "**other non-metallic mineral products**" with 33.3 million KD (21.0%) and "**coke and refined oil products**" with 21.9 million KD (13.8%).

Payroll Accessories:

Payments were also made in the form of salary supplements (social insurance, unemployment compensation, accident and work injury compensation, special health insurance premiums, retirement programs, employee residency fees, and end-of-service and leave allowances) to workers in the industrial sector that equaled 231.9 million KD in 2016. This amount decreased by 3.1 million KD or 1.3% when compared to the amount in 2015. When analyzing payroll accessories by type of activity in 2016, the sector "**chemicals and chemical products**" ranked first with 95.0 million KD or 41.0% of the total value of payroll accessories during 2016. Next were the sectors "**other non-metallic**

mineral products" with 57.6 million KD (24.8%) and "**coke sector refined oil products**" with 37.1 million KD (16.0%).

Table 5-4: The value of Salary Supplements Provided to Workers in the Industrial Sector (Million KD)

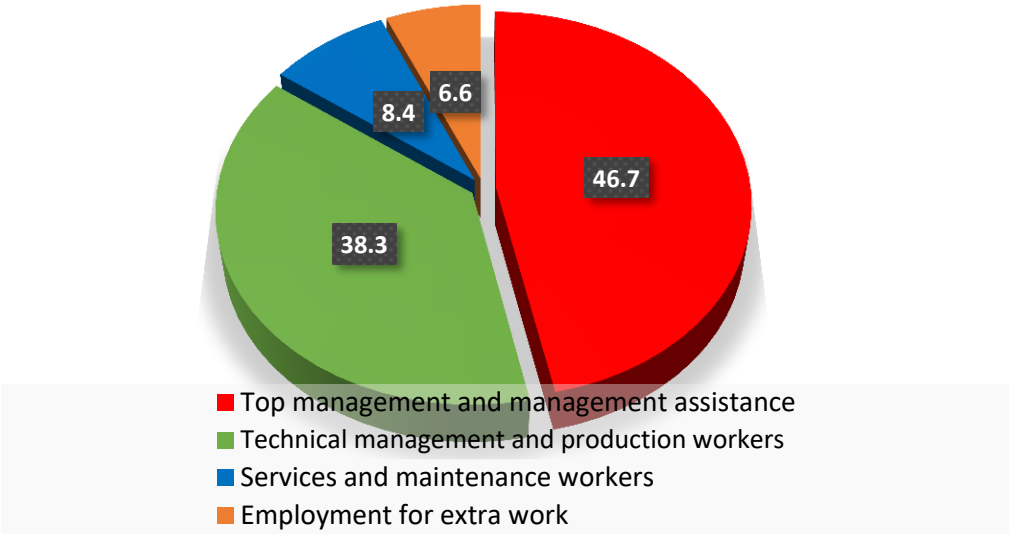
Statement	2014	2015	2016
Chemicals and chemical products	95.1	114.7	95.0
Other non-metallic mineral products	28.8	46.4	57.6
Coke and refined oil products	38.1	36.1	37.1
Basic metals	3.8	5.2	7.2
Food Products	7.4	7.1	6.6
Fabricated metal products, except machinery and equipment	5.7	4.5	5.1
Rubber & Plastics Products	4.3	4.4	5.0
Other manufacturing	3.5	4.0	4.5
Other transport equipment	3.2	3.5	4.0
Paper and paper products	1.8	1.9	2.0
Other	7.2	7.3	7.7
Total industrial Facilities	**198.8**	**235.1**	**231.9**

Source: Public Authority for Industry

National Employment in the Industrial Sector:

The results of the 2018 industrial survey indicate that the number of Kuwaiti nationals employed in the industrial sector amounted to 11.1 thousand workers at the end of 2016, which accounted for 6.1% of total employment in the industrial sector. In terms of type of work, 46.7% of these Kuwaiti employees worked as senior managers or department assistants, 38.3% worked as technical managers or production workers, 8.4% as service and maintenance workers, and 6.6 % were employed for additional work.

Figure 5-5: Relative Structure of Kuwaiti National Employment in the Industrial Sector by Occupational Classification in 2016 (% of total)



Source: Public Authority for Industry

Chapter 6: Manufacturing Industries towards Industrial Competitiveness

Based on the opinions of industrial firms, this chapter addresses the issues faced by manufacturing industries in Kuwait in terms of barriers to industrial investment in the country and then evaluates the industrial sector to highlight its strengths and weaknesses. Finally the industrial vision for the State of Kuwait is discussed.

First: Obstacles to Industrial Investment

This section presents the main issues in the industrial sector of Kuwait from the point of view of industrial firms as gathered from the 2018 survey. The survey included questions on the obstacles to investment and problems faced by the survey participants concerning different areas such as marketing, exports, technology, raw materials, employment, and production facilities as discussed below.

Barriers to marketing in the industrial sector: The results indicate that 23% of industrial firms encounter marketing problems related to strong local competition, while 17% of firms have problems with dumping the local market, and 17% have issues related to strong foreign competition.

Constraints	Percentage%
▪ Strong local competition	23
▪ Dumping the domestic market	17
▪ Strong external competition	17
▪ Storage-related issues	11
▪ Lack of demand	11
▪ High advertising burden	8
▪ Non-availability of distribution channels	6
▪ Transport-related issues	6
▪ Other marketing issues	4

Obstacles to export in the industrial sector: The results show that 24% of industrial firms have export problems related to limited distribution channels, while 22% of firms have problems with high tariffs, and 13% have issues related to international foreign affairs.

Constraints	Percentage%
▪ Limited distribution channels	24
▪ High customs duties	22
▪ International-related problems	13
▪ Strong competition	13
▪ Other	28

Problems of the industrial sector in the field of technology: The results indicate that 44% of industrial firms have problems with the high cost of technology, while 17% of firms have problems with access to technology, and 17% of these firms have issues related to maintenance operations and spare parts.

Constraints	Percentage (%)
▪ High cost of technology	44
▪ Difficulty acquiring technology	17
▪ Maintenance and spare parts	17
▪ Storage problems	11
▪ Unavailability of institutions	6
▪ Other	5

Industrial sector in the field of raw materials: The results indicate that 54% of industrial firms have problems with the volatility of the prices of raw materials, while 24% of the firms have problems related to transport and shipping, and 16% of these firms have issues related to the timeliness of the delivery of raw materials.

Constraints	Percentage (%)
▪ Price fluctuations	54
▪ Transport and shipping	24
▪ Timeliness of delivery	16
▪ Other	6

Industrial sector problems in employment: The results indicate that 47% of industrial firms have problems with the lack of skilled labor, while 31% of firms have difficulties with other employers, and 13% of these firms have issues related to unemployment.

Constraints	Percentage (%)
▪ Absence of skilled labor	47
▪ Difficulties with others	31
▪ Problems related to unemployment	13

▪ Other	10

Problems in the area of production facilities: The results indicate that 39% of industrial firms have problems with the provision of land for the establishment of industrial projects, while 27% of firms have problems related to administrative restrictions, and 26% of these firms have issues related to licensing procedures.

Constraints	Percentage (%)
▪ Land provision	39
▪ Administrative restrictions	27
▪ License extraction	26
▪ Other	9

Second: Evaluation of the Industrial Sector in Kuwait (SWOT Analysis)

The general framework used to assess the performance of the industrial sector in Kuwait is based on key indicators derived from the 2018 industrial survey results. It highlights the strengths and weaknesses of industrial activities based on an analysis of returns and costs. This is achieved by performing a SWOT analysis, which demonstrates the strengths and weaknesses, as well as the opportunities and threats at the industrial sector level. It also helps in reaching conclusions and recommendations that enable decision makers to contribute to the development of industrial activity in Kuwait, thereby promoting the growth of industrial value added in general.

The SWOT analysis is an important tool used in strategic management to define objectives and future strategies. It is useful for evaluating the overall situation by looking into the internal factors of strength and weakness, and the external factors of opportunities and threats surrounding the industrial sector. The method is considered an effective method for acquiring knowledge and understanding of internal and external factors that affect the industrial sector and for using this knowledge to improve and implement plans aimed to develop and improve the performance of this sector. Accordingly, the evaluation of the industrial sector through this analysis depends on a closer reading of performance indicators obtained from the 2018 industrial survey results, as well as findings from other economic studies. The SWOT analysis of Kuwait's industrial sector is separated into four main aspects as divided into two groups as follows.

- **The internal environment of the industrial sector (strengths and weaknesses)**: This represents the organizational environment of the sector and essentially concerns the administrative and regulatory applications in the sector and the levels of performance, strengths, and weaknesses of the sector (including marketing,

production, distribution, research and development, resources, and employment within industrial enterprises).

- **The external environment of the industrial sector (opportunities and threats)**: This refers to the elements and forces that fall outside the boundaries of the sector and interact among themselves to create different influences and varying degrees of opportunities or challenges that affect the performance of industrial facilities or the industrial sector as a whole. These factors are exemplified in the general economic and political environment, developments in the local and global economies, technology, laws and legislation, the natural environment, and society.

Analysis of the Current Situation of the Industrial Sector in Kuwait
SWOT Analysis

The internal environment of the industrial sector (strengths and weaknesses):

Weaknesses	Strengths
▪ The modest rates of the manufacturing sector to GDP in Kuwait, as compared to other GCC countries ▪ Multiple marketing problems ▪ Intense competition in the domestic market ▪ High costs of acquiring and localizing modern technology ▪ The industrial sector's horizontal expansion being hampered by significant obstacles in the strategic planning of economic development and by bureaucratic institutional procedures within government agencies ▪ The length of the documentary course in allocating and delivering new industrial projects ▪ The scarcity of land allocated to industrial activity ▪ Lack of funding from general	▪ The development of the industrial sector (especially chemical and petrochemical industries) being one of Kuwait's main strategic objectives for diversifying its sources of income that is based on oil and its derivatives of raw materials ▪ Continuous expansion in the preparation of industrial facilities, licenses granted, and industrial zones ▪ Increase in the value added of the industrial sector over time, albeit relatively moderate increases ▪ A large proportion of national employment involved in the industrial sector ▪ The contribution of the industrial sector in bridging the domestic-consumer-demand gap ▪ Manufacturing-sector exports being an important and specific component of

authorities to accomplish industrial development tasks in Kuwait ▪ Impediments to the growth of small and medium-sized enterprises including problems of access to finance, challenges related to the labor market (e.g., access to skilled labor), management constraints, poor orientation of innovation, small market size, difficulties in access to market/ land/ investment sites, government bureaucracy and challenging business environments, competition from imported products, limited studies and surveys by sector, weak linkages between enterprises (small, medium-sized, and large), abrupt decisions and regulations issued by concerned authorities, and the low level of government establishment of such enterprises ▪ Small and medium-sized enterprises suffering from 1) a lack of technical support to develop necessary skills for improving the work quality of owners or employees and 2) lack of assistance to rehabilitate these enterprises so that their products conform to international standards, and 3) the problem of acquiring qualified and trained employees	the development of the industrial sector

The external environment of the industrial sector (opportunities and threats)

Opportunities	Threats
▪ The many themes and projects (of	▪ Fluctuations in the prices of raw

the State of Kuwait's "Vision 2035") aimed at the development of various economic sectors (including the industrial sector) such as infrastructure, education technology transfer, and others ▪ Kuwait's substantial financial resources that allows for allocating necessary resources to develop industrial land infrastructure and establish institutions for science and technology education to equip national cadres to deal with modern industrial technology, and to expand and deepen the role of research and development centers and increase the proportion of public spending on research, development, and innovation activities ▪ Kuwait's current strategies to attract foreign investment (e.g., preferential incentives to leading and selected industries that can lead in the diversification of the country's productive base) to help bring and localize modern manufacturing technology ▪ Activating the agreement between Kuwait and China regarding the preparation of the structural outline of the "Silk City" project, as well as the introduction of legislation and procedures to create an economic zone with a distinctive business environment	materials ▪ The relative rise in global oil prices after its decline in 2014 ▪ Slowdown in the growth of global and regional economies, international trade, and capital movements ▪ The trend towards relative rise in global and domestic interest rates, which means higher cost of financing for industrial activities ▪ With regard to non-oil industrial products, not adopting an export strategy (with clear objectives), operational plans, and measurement indicators for follow-up and implementation ▪ The slow pace of structural economic reforms at the national level in light of Kuwait's goal towards being a global financial and trade center, and the need to amend much of the legislation (especially concerning foreign-related matters, commercial companies, and expatriate employment) that is an impediment to the entry of global, technology-efficient companies ▪ The need to provide support and facilities to the private sector and foreign investors in the implementation of joint development programs that will contribute to the introduction of technology and improved qualification of national cadres, and the need to simplify procedures and eliminate government bureaucracy in the implementation of development projects ▪ Lack of qualified personnel, resulting in weak interest in marketing programs and lack of ability to link

	these marketing programs with the programs and plans for economic development, as well as with the investment of local and foreign channels necessary to recreate these plans in a way that achieves the strategic objectives of the State

Third: The Industrial Vision of Kuwait

The industrial vision of the State of Kuwait stems from the general economic vision of the country, particularly the vision of Kuwait 2035. It is also closely linked to the achievement of sustainable development goals adopted by the United Nations at the global level. The vision of the State of Kuwait 2035 includes many themes and projects aimed at the development of various aspects of the economy aside from the industrial sector, such as infrastructure hubs, education, and technology transfer, among others. One of the most important pillars of this vision is "achieving a diversified and sustainable economy," which aims to achieve economic and productive diversification that contributes to reducing the dependence of the Kuwaiti economy on oil as a major economic resource. The most important projects under this theme include the following.

- The economic zones project of the direct investment promotion authority, Kuwait Direct Investment Promotion Authority (KDIPA): This project aims to improve the investment environment in Kuwait, increase the value-added investment opportunities for both domestic and foreign investors, and coordinate with government agencies within the framework of the development of the third State structural plan 2005/2030. This is done through the development, planning, and implementation of the economic zones that the municipality of Kuwait allocated to KDIPA for the implementation of its economic projects. The objectives of the economic zones are to transfer modern technology and technical knowledge to Kuwait, create jobs, provide opportunities for capacity building, and transform the State of Kuwait into a commercial center.

- "Silk City" project: This relates to the agreement with China regarding the preparation of a structural plan for the "Silk City" project, including proposals for legislation and procedures to create an economic zone with a distinctive business environment.

Meanwhile, the United Nations strives to achieve sustainable development in all nations worldwide, with a blueprint for a better and more sustainable future for all, addresses the various challenges the world faces (including those related to poverty and inequality,

climate, environmental degradation, prosperity, peace, and justice), and seeks to achieve all these goals by 2030. Among these objectives, those that relate to the economy are the eighth objective, "promotion of sustained, inclusive, and sustainable economic growth, full and productive employment, and industrial development," and the ninth objective of "building infrastructure able to withstand and stimulate inclusive and sustainable industrialization, and promote innovation."

In light of the vision of the State of Kuwait 2035 and the goals of the United Nations for sustainable development, the industrial vision of the State of Kuwait is starting a new era focused on the development, partnership, and future outlook of the industrial sector. This vision is to "be a global center for innovative, sustainable, and competitive industries. The objectives of this vision are as follows.

- **Increase the share of the industrial sector in the country's GDP:** This means increasing the value added of national industries and the share of domestic and foreign investment in the industrial sector, which is an engine of economic growth.

- **Strengthen the role of research and development in the industrial sector:** This entails increasing industrial awareness and encouraging development and innovation.

- **Show targeted investment opportunities:** This means publicizing national products regionally and internationally and increasing Kuwaiti exports of national origin in manufacturing industries.

- **Promote environmental sustainability by rationalizing energy consumption:** This requires maintaining the local environment and processing and recycling industrial waste.

- **Increase qualified national employment in the industrial sector.**

The industrial vision of the State of Kuwait involves enhancing and developing a number of industrial sectors, the most important of which are the petrochemical and chemical industries, the industries related to construction materials, the food and pharmaceutical industries, as well as the fourth generation industries. The vision includes the establishment of five smart industrial cities by 2035, namely, the industrial city of Al-Shdadiya with an area of 4.5 sq km and about 700 industrial vouchers; 6 sq km of urban industrial area; the city of iron and steel with an area of 1.5 sq km and about 60 industrial units; the city of industrial economy with an area of 79 sq km; the city of Shaqaya south of Salmi with an area of 2 sq km (for waste recycling industries) and about 250 industrial vouchers.

The achievement of the **objectives of the industrial vision of Kuwait requires many reform policies** including the provision of integrated industrial cities with the participation of the private sector, the development of the legislative and institutional environment and the rationalization of support and incentives for the industrial sector, the launch of industrial clusters in priority industries, promotion of industrial exports, creation of viable employment opportunities for citizens in the industrial sector, and promotion of research and development.

With regard to the **expected impact and returns from the implementation of the Kuwait vision** for the **year 2035**, the industrial sector's indicators are expected to increase from its current state to 2035 as follows.

- **Capital invested in the industrial sector:** from 5.2 billion KD to 11 billion KD
- **Number of specialized jobs for national employment in the industrial sector:** from 11,000 to more than 26,000 specialized national jobs
- **Industrial sector exports:** from 1.67 billion KD to 3 billion KD
- **Manufacturing sector's value added:** from 2.5 billion KD to 5.0 billion KD
- **Value of research and development spending:** from 14.5 million KD to 55 million KD