Rebuilding Kuwait's Domestic Sovereign Market

Issuance architecture, classified local-bank holdings, and the limits of a primary-market restart

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Abstract

Kuwait resumed domestic sovereign issuance on 25 June 2025 after a 2,828-day interruption. We reconstruct the complete Central Bank of Kuwait (CBK) issue history through 29 July 2026 and link it to official policy-rate decisions and monthly bank balance-sheet aggregates. The restart placed KWD 4.15 billion through 26 issues at six tenors. Relative to the final 32 issues of 2017, its volume-weighted original tenor increased from 2.95 to 3.80 years, while the share issued at five years or longer increased from 22.6% to 41.0%. Through June 2026, CBK's monthly public-debt table classifies the entire KWD 3.30 billion outstanding stock as held by local banks. Over the same June-to-June window, resident credit facilities increased from KWD 46.85 billion to KWD 49.43 billion. That fact rules out a contemporaneous decline in the reported aggregate while the outstanding stock was classified as held by local banks, but it does not identify crowding out. The paper's contribution is an internally reproducible measurement of how Kuwait rebuilt the primary architecture of a domestic debt market. It does not show that a liquid benchmark yield curve or a diversified investor base already exists.

Keywords: Kuwait; sovereign debt; domestic debt market; primary issuance; bank balance sheets; maturity structure **JEL codes:** E43; E52; G12; G21; H63

1. Introduction

The main issue in a new sovereign-debt program is not only whether the government can borrow. It is whether repeated issuance creates securities that can become useful reference points for pricing, collateral, and balance-sheet management. That process starts in the primary market, where the issuer chooses maturities, issue sizes, timing, and placement rules. It only becomes a functioning benchmark curve when those instruments also generate observable secondary prices and enough trading to make the prices informative.

Kuwait offers a useful case because the domestic program stopped in September 2017 and restarted in June 2025 after the Financing and Liquidity Law restored borrowing authority. The new law set a KWD 30 billion ceiling and permits maturities of up to 50 years.[1] The IMF framed the restart as an opportunity to deepen the domestic market, while also arguing that a predictable calendar, standardized tenors, auctions, a broader investor base, and secondary-market activity are still needed.[2] We therefore ask a narrower question: what primary-market structure did Kuwait actually build in the first thirteen months, how did it differ from the final 2017 issuance episode, and where did the outstanding stock sit in the aggregate banking system?

We answer with four public CBK source families. First, the official date-bounded history interface gives issue-level dates, stated life, volume, published bids, and issue rates. Second, a live XML stock and an archived official page validate overlapping issue records. Third, monthly monetary tables give public-debt flows and holder categories, selected local-bank asset positions, resident credit, and total assets. Fourth, official decisions establish the administered discount rate in force on each issue date. This source design matters because the live public-debt stock is not an issuance history: it drops an issue after maturity. Recovering the historical response adds the KWD 500 million opening issue that matured in June 2026.

Three results describe the restart. First, Kuwait issued KWD 4.15 billion across 26 issues and six original tenors: one, two, three, five, seven, and ten years. The volume-weighted original tenor was 3.80 years and 41.0% of volume was issued at five years or longer. For the 32 issues placed in 2017, the comparable values were 2.95 years and 22.6%. The restart therefore allocated more volume to longer original maturities, although it did not extend beyond the same ten-year maximum observed in 2017.

Second, the published bid amount divided by issued volume was 6.55 for the full restart census, compared with 4.64 in the 2017 comparison. The difference is not a causal demand effect. The episodes occurred under different monetary conditions, cover different lengths of time, and may differ in placement arrangements and investor expectations. Within the restart, the quarterly ratio was above ten in the second half of 2025 and near three in 2026. That decline could reflect monetary conditions, issue size, maturity mix, liquidity management, or changes in how investors submitted bids. The public data do not separate these mechanisms.

Third, the monthly holder table classifies the entire KWD 3.30 billion outstanding at June 2026 as held by local banks. Over June 2025-June 2026, local banks' reported local-currency public-debt assets rose from KWD 0.56 billion to KWD 3.32 billion, while their sight and time deposits with the CBK and their CBK bonds and related tawarruq fell in aggregate. The four series move in a way consistent with a change in the visible composition of bank assets. They are not total liquid assets, and the data do not establish a one-for-one portfolio substitution.

The paper makes a measurement contribution rather than a causal one. Existing Kuwait policy work explains why a sovereign curve matters and documents earlier attempts to lengthen maturities. The 2026 IMF assessment already diagnoses the market-development gap and recommends a roadmap. Our addition is the complete issue census through July 2026, a transparent comparison with the final 2017 episode, and a reconciliation of issued face value to the public holder and bank-balance-sheet tables. The distinction is important: we measure progress in primary issuance, not the existence of liquid secondary benchmarks.

2. Institutional setting and related literature

2.1 From an expired borrowing framework to the 2025 law

Kuwait's earlier borrowing framework restricted issuance to KWD 10 billion, capped maturities at ten years, and expired in 2017.[3] The official CBK history used here records its final 2017 issue date as 27 September. Borrowing authority was restored by Decree-Law No. 60 of 2025. The Ministry of Finance states that the law sets a maximum public-debt ceiling of KWD 30 billion, allows financial instruments with maturities up to 50 years, and remains in force for 50 years.[1]

The legal change expanded the feasible set, but it did not determine the first program's structure. Through July 2026, the longest domestic issue remained ten years and the observed stock was still concentrated in banks. This gap between legal capacity and market implementation is central to interpreting the restart.

2.2 What debt-market development requires

Garcia-Kilroy and Silva organize domestic debt-market development around five connected building blocks: money markets, primary issuance, secondary-market organization, the investor base, and clearing and settlement.[4] Their mechanism is straightforward. Regular supply at standardized maturities can improve price discovery, but an issuance program dominated by buy-and-hold bank demand can still leave secondary prices thin. Larger or longer issues are therefore not sufficient evidence of liquidity.

Kuwait's own earlier policy work fits this framework. The CBK's 2014 Financial Stability Report described efforts to extend issuance toward longer maturities to create reference points for corporate pricing, while noting that bank demand for longer issues had sometimes been weak.[5] The 2017 experience then showed that domestic public debt could be placed across one- to ten-year maturities; the separate USD international issue established external five- and ten-year reference points, but did not create a domestic secondary curve.[6]

The IMF's 2025 Article IV report is the closest current study. It argues that the long issuance pause prevented development of a benchmark domestic sovereign curve and that the restart creates an opportunity rather than a completed outcome. Its proposed next steps include a twelve-month calendar, regular auctions across standardized tenors, a debt-management strategy, broader nonbank participation, repo and collateral tools, and stronger secondary-market activity.[2] Our paper tests none of those reforms. Instead, it measures the initial primary architecture against that framework.

2.3 Primary demand and the missing secondary market

Bid-to-cover is a useful accounting ratio because it compares submitted bids with supply. It is not a welfare statistic or a sufficient measure of auction quality. Studies with secondary prices can test whether unexpected auction demand predicts yield changes; for example, Beetsma et al. use euro-area auctions and surrounding secondary yields.[7] Kuwait's public data do not include the corresponding outcome. We therefore use bid-to-cover only to describe submitted demand and do not interpret it as a secondary-market liquidity measure.

3. Data and internal reproducibility

3.1 Issue histories

The unit of observation is a sovereign issue. Our main estimand is the distribution of issue dates, original tenors, face values, published bid amounts, and issue rates for the resumed program from 25 June 2025 through 29 July 2026. The primary source is CBK's official history-form response for 1 January 2025-31 July 2026, archived with the exact request parameters and response hash.

The response contains 26 consecutive issue identifiers, 1332/61 through 1357/86. We reconcile it against two independent vintages. CBK's live XML as of 12 August 2026 contains 25 of the 26 restart issues; every overlapping core field agrees. The missing observation is issue 1332/61, the opening one-year instrument that matured on 24 June 2026. A capture of CBK's official page from 11 September 2025 contains the first eight restart issues, and all eight also agree.

For the historical comparison, we use CBK's official query for 1 January 2017-24 June 2025. It returns 32 issues, all placed between 11 January and 27 September 2017. These are the final issues before the interruption. We call them the “2017 episode,” not a full old-program cycle, because the query starts on 1 January and does not recover earlier issuance years.

3.2 Monthly debt and bank aggregates

We archive three official XML exports from the June 2026 Monthly Monetary Statistics vintage:

- Table 08 reports monthly new issues, maturities, outstanding public-debt face value, and holdings classified among the CBK, local banks, and other holders.
- Table 10 Part 1 reports selected local-bank assets, including sight and time deposits with the CBK, CBK bonds and related tawarruq, and local- and foreign-currency public-debt instruments.
- Table 10 Part 2 reports resident credit facilities and total local-bank assets.

We use the 13 month ends from June 2025 through June 2026. Monthly new issuance in table 08 matches the issue census exactly in every month. Table 08 and table 10 do not measure the same object. Table 08 reports the face value and holder category of public-debt instruments. Table 10 reports bank asset positions on an accounting basis and separates local- and foreign-currency claims. The KWD 3.30 billion table 08 face value in June 2026 is therefore close to, but not exactly the same as, the KWD 3.324 billion table 10 local-currency position. We preserve rather than erase that difference.

The balance-sheet figure stacks four selected categories from table 10 Part 1. It is not a measure of total liquid assets. Other domestic assets, foreign assets, interbank positions, cash, and other balance-sheet items remain outside the stack. A decline in one selected category alongside an increase in sovereign holdings is consistent with reallocation, but does not establish that one financed the other one-for-one.

The raw CBK responses, XML exports, hashes, derived tables, figures, and deterministic builders are retained in the local research archive. The project is internally reproducible from those archived inputs, but it is not presented as a public replication package: redistribution of archived source files and derived outputs remains subject to the applicable CBK terms. Public readers should use the linked CBK source pages and the reported aggregates; archived files can be made available on request where permitted.

3.3 Policy-rate context

Official CBK decisions establish a 4.00% discount rate from 19 September 2024, 3.75% from 18 September 2025, and 3.50% from 11 December 2025.[8] We assign the prevailing rate to each issue date and calculate the issue rate minus the discount rate. This difference is only a policy-rate context measure. The discount rate is administered, has no matched maturity, and is not a secondary risk-free yield. We do not call the difference a term, credit, or liquidity premium.

3.4 Definitions

For issue (i), published bid-to-cover is

$$B_i = (\textit{CBK-published bid amount\_i}) / (\textit{issued volume\_i}).$$

For a group of issues, we sum the numerator and denominator before dividing. We do not average issue-level ratios. Volume-weighted original tenor is

$$\text{mean } T^V = (\Sigma_i V\_i\ T\_i) / (\Sigma_i V\_i),$$

where (V_i) is issued face value and (T_i) is stated life in years. This is not Macaulay duration, remaining maturity, or market-value duration.

4. Empirical design and interpretation

4.1 Estimands before comparisons

The paper has four descriptive estimands:

1. the complete issue-level architecture of the restart through July 2026;
2. the difference in volume shares and volume-weighted original tenor between the 2017 and restart episodes;
3. the aggregate published bid-to-cover ratio within each episode and calendar quarter;
4. the level and change in official aggregate bank positions from June 2025 to June 2026.

There is no causal treatment and no comparison group that identifies a counterfactual. The 2017 comparison is a benchmark for architecture, not a before-after estimate of the 2025 law. The June-to-June balance-sheet change is an accounting context, not an event study.

4.2 Main threats

The largest measurement threat is treating the live stock as the full flow history. Doing so omits the matured opening issue and understates restart issuance by KWD 500 million. Our complete historical response fixes this.

The largest interpretation threat is reading primary issue rates across dates as one yield curve. Because the issues were priced on different days, rate differences combine maturity, monetary conditions, market expectations, placement mechanics, and issue-specific demand. A second threat is comparing bid-to-cover across 2017 and

2025-26 without observing bidder identities or auction rules at sufficient detail. A third is interpreting aggregate bank balance sheets as causal portfolio choices. Monthly aggregates cannot identify which banks bought which instruments, which assets financed purchases, or how resident credit facilities would have evolved without sovereign issuance.

5. Results

5.1 The restart built six maturity points

The complete restart census contains 26 issues totaling KWD 4.15 billion. One-year issuance consists of the KWD 500 million opening issue. Two-year issues total KWD 800 million, three-year KWD 1.15 billion, five-year KWD 1.00 billion, seven-year KWD 600 million, and ten-year KWD 100 million. The program therefore touched six original tenors within thirteen months.

The maturity calendar is spread across nine calendar years. KWD 500 million matured in 2026, KWD 450 million falls in 2027, KWD 600 million in 2028, and the largest calendar-year amount is KWD 900 million in 2029. Later maturities extend through 2035. This profile reduces reliance on a single maturity date, although calendar-year aggregation cannot show refinancing strategy beyond the observed issues.

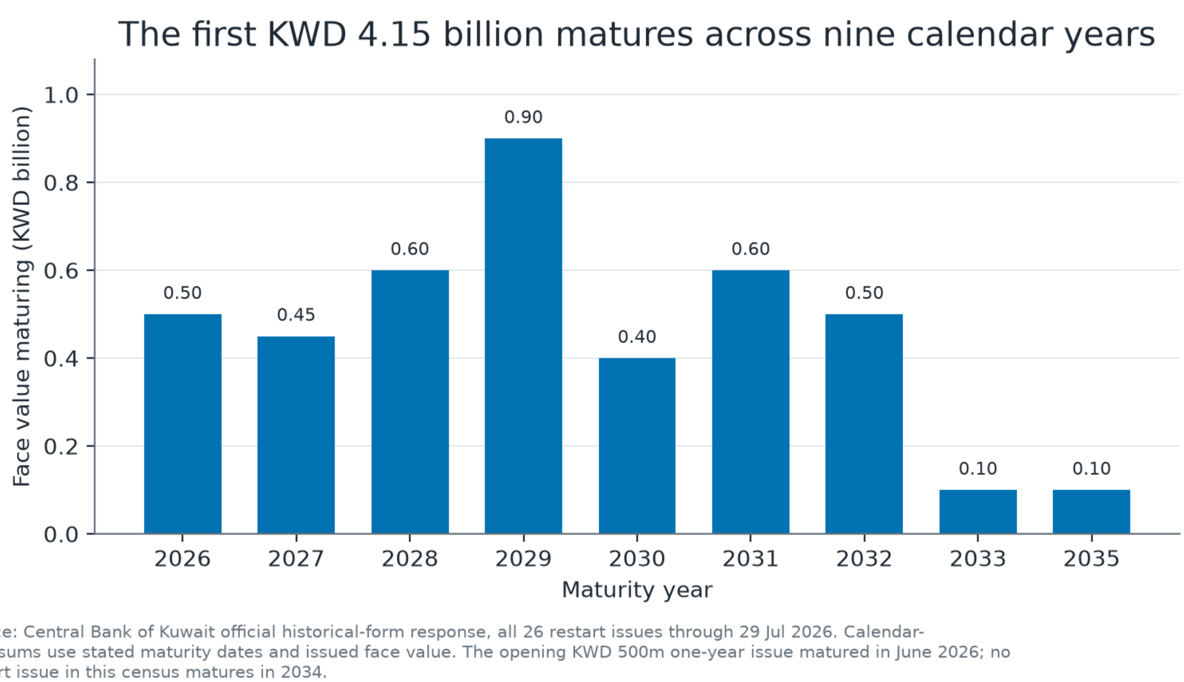


Figure 1. Calendar maturity profile of the complete KWD 4.15 billion restart census.

5.2 The restart placed a larger share at longer original tenors than the final 2017 episode

The 2017 episode issued KWD 3.10 billion through 32 issues. Its median issue size was KWD 100 million, compared with KWD 150 million in the restart. Volume-weighted original tenor increased from 2.95 to 3.80 years. The share issued at five years or longer increased from 22.6% to 41.0%.

This is a real difference in observed issuance architecture, but not proof of improved liquidity. The restart issued more at five and seven years, while the one-year share fell from 22.6% to 12.0%. Ten-year volume remained small in both episodes: KWD 50 million in 2017 and KWD 100 million in the restart. Longer original tenor can reduce near-term refinancing concentration, but small distinct lines can still be hard to trade. We do not observe re-openings, turnover, or bid-ask spreads needed to evaluate benchmark liquidity.

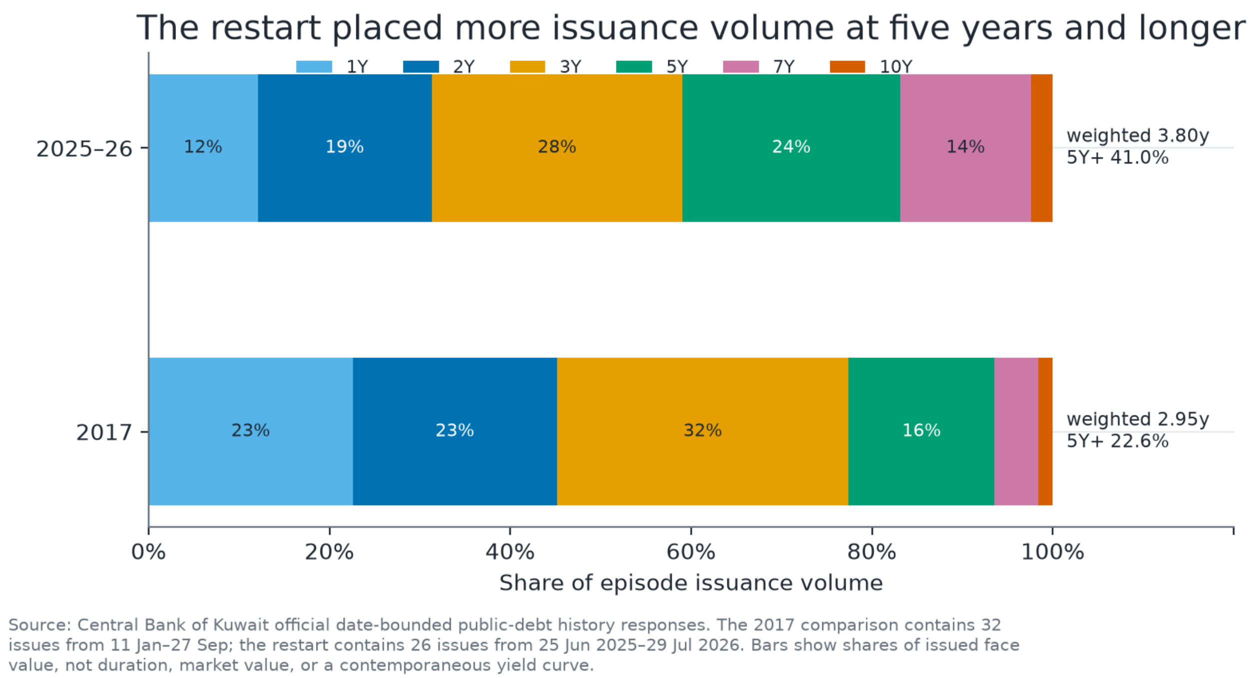
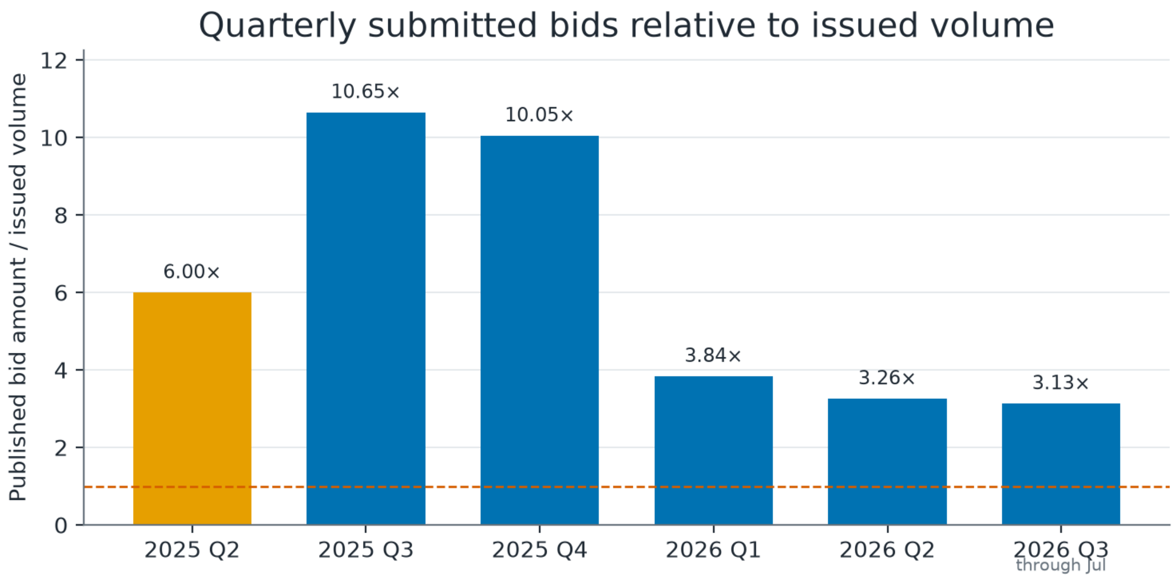


Figure 2. Issued face-value shares and volume-weighted original tenor in the two bounded episodes.

5.3 Published demand was high, then lower in 2026

Aggregate published bid-to-cover was 6.55 for the restart and 4.64 in 2017. Within the restart, the quarterly ratio was 5.998 for the single opening issue in 2025 Q2, 10.65 in Q3, and 10.05 in Q4. It then fell to 3.84 in 2026 Q1, 3.26 in Q2, and 3.13 in Q3 through July.

Every issue received published bids above issued volume. That establishes oversubscription under the reported definition. It does not establish competitive price discovery. High ratios can reflect abundant liquidity, small supply relative to bank balance sheets, repeated bidding strategies, or attractive pricing. Without allocations and secondary outcomes, the ratio cannot tell us whether the market became deeper.



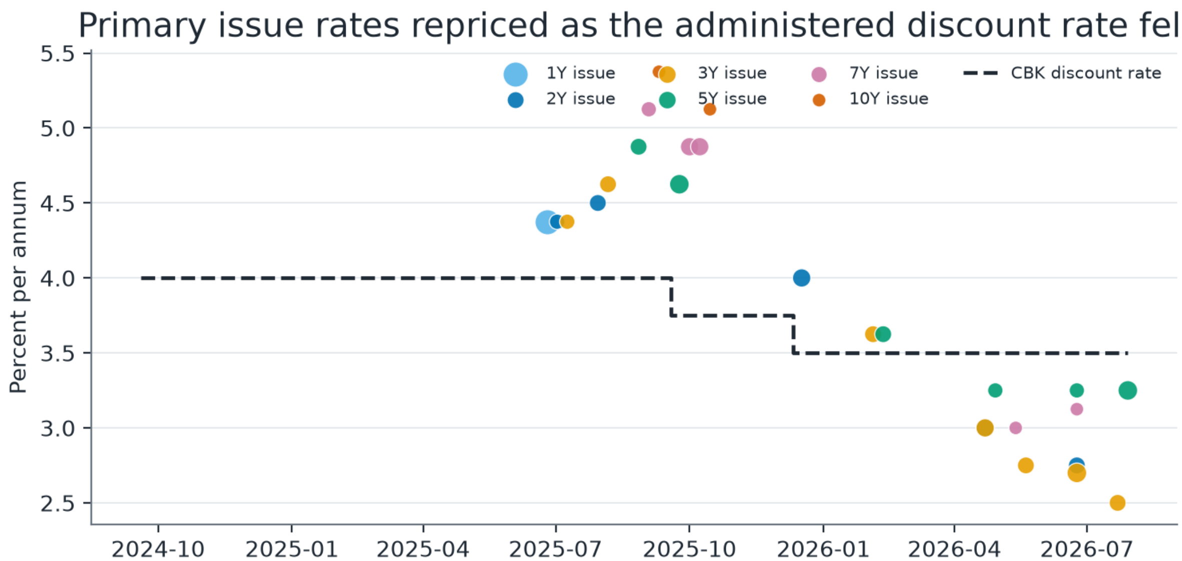
Source: Central Bank of Kuwait official historical-form response, retrieved 12 Aug 2026. Each quarterly ratio is total CBK-published 'Bid' amount divided by total issued volume. The 2025 Q2 bar contains only the KWD 500m opening issue; 2026 Q3 covers July only. The ratio does not measure allocations, bidder counts, secondary liquidity, or current pricing.

Figure 3. Aggregate published bids divided by aggregate issued volume within each calendar quarter.

5.4 Issue rates moved with monetary conditions, but not one-for-one

Issue rates range from 2.50% to 5.375%. Relative to the prevailing discount rate, the difference ranges from -1.00 percentage point to 1.375 percentage points. In the first months, longer tenors were priced above the 4.00% administered rate, while several 2026 two- and three-year issues were priced below the 3.50% discount rate.

This co-movement is useful context for the decline in nominal issue rates. It does not decompose a term structure. Expectations of future policy, issue-specific demand, liquidity, and placement conventions all remain in the difference. We therefore plot discrete issue points against the policy-rate step path and do not connect maturity observations into a curve.



Source: CBK official issue history and official discount-rate decisions effective 19 Sep 2024, 18 Sep 2025, and 11 Dec 2025. Marker size represents issued volume. The discount rate is an administered policy reference, not a matched-maturity risk-free yield; differences are context, not credit or term premia. Issue rates across dates do not form a live yield curve.

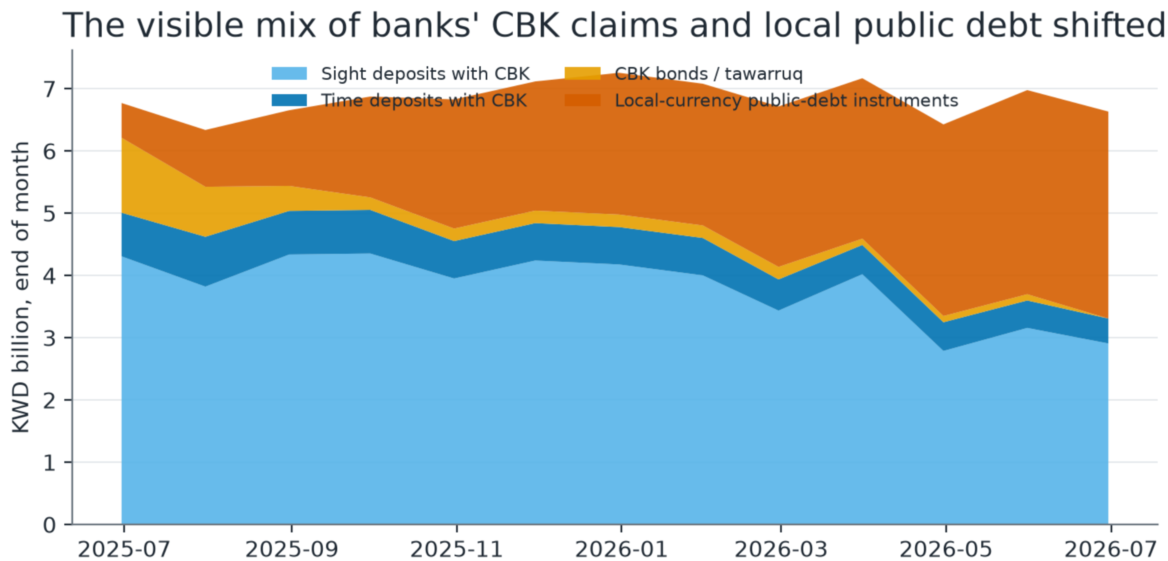
Figure 4. Issue-date rates by original tenor with the prevailing administered discount rate.

5.5 Outstanding public debt was classified as held by local banks

CBK table 08 shows KWD 550 million outstanding at June 2025 and KWD 3.30 billion at June 2026. At both endpoints, and throughout the observed window, the published holder classification assigns the balance to local banks. At June 2026, the CBK and “other” holder columns are zero.

The corresponding table 10 local-currency public-debt asset position increased from KWD 557.5 million to KWD 3.324 billion. Over the same period, sight deposits with the CBK fell from KWD 4.307 billion to KWD 2.907 billion; time deposits and related tawarruq fell from KWD 700.2 million to KWD 400.1 million; and CBK bonds and related tawarruq fell from KWD 1.205 billion to zero. The selected stack remained around KWD 6.6-7.2 billion during much of the window while its composition changed.

The pattern is consistent with sovereign instruments becoming a larger part of the visible asset set as some CBK claims declined. It is not evidence of a mechanical swap. The selected series are not all liquid assets, table classifications have distinct purposes, and the data are aggregate.



Source: CBK Monthly Monetary Statistics, table 10 (Part 1), June 2026 vintage. The chart covers June 2025–June 2026 and shows four selected local-bank asset categories, not total liquid assets. Local-currency instruments are a book-value/accounting series and differ slightly from table 08 face value. The composition change is descriptive and does not identify portfolio substitution causally.

Figure 5. Four selected table 10 Part 1 asset categories; the stack is not total bank liquidity.

5.6 Resident credit facilities increased during the first year

Resident credit facilities increased from KWD 46.855 billion in June 2025 to KWD 49.425 billion in June 2026, a rise of KWD 2.570 billion or 5.5%. Total local-bank assets increased from KWD 97.295 billion to KWD 104.309 billion. Public-debt face value rose from 0.57% to 3.16% of total assets, while resident credit facilities remained close to 47-48% of total assets.

This result matters mainly because it limits an overly simple interpretation. Reported resident credit facilities did not fall while the first KWD 3.30 billion of the restarted stock accumulated on bank balance sheets. The aggregate does not isolate private borrowers or estimate the counterfactual supply of credit, loan pricing, sectoral allocation, or crowding out. It could have grown faster or slower for reasons unrelated to sovereign issuance. The IMF reports that credit growth was broad-based and supported by non-oil activity in 2025, which reinforces the need for a design that separates macro demand from bank portfolio effects.[2]

6. What the restart has and has not built

The first thirteen months show meaningful primary-market construction. Six maturities were used, issue sizes were larger than in the 2017 comparison, a greater share of volume moved to five years and longer, and the maturity calendar extends to 2035. These are necessary ingredients for a domestic sovereign curve.

They are not sufficient ingredients. Three constraints stand out.

First, the investor base visible in public table 08 is entirely local-bank based through June 2026. Banks can provide stable demand and collateral capacity, but a benchmark market normally benefits from insurers, pension funds, asset managers, and other participants with different horizons. The aggregate category also prevents us from measuring concentration across banks.

Second, the public files do not supply secondary prices, turnover, bid-ask spreads, or repo use by issue. We can observe primary prices on different dates, not a current curve. A policy goal of creating benchmarks should therefore be evaluated later with transaction or executable-quote data.

Third, the issue census contains many distinct securities rather than an observed program of large re-opened lines. Market-development research emphasizes consolidation because repeated re-openings can create enough outstanding volume at a given maturity to trade.[4] The public issue numbers and maturity dates alone do not reveal whether later issues are legally fungible re-openings. We therefore do not label them as such.

The practical implication is modest. Kuwait has rebuilt the supply side of a primary market faster and at somewhat longer original tenors than in the final 2017 episode. The next empirical test is whether issuance becomes predictable, investor participation broadens, and secondary prices become observable enough to support genuine benchmarks.

7. Limitations and a data agenda

The paper stops at the public-data ceiling. We do not observe:

- bidder identities, bid schedules, allocations, rejection rates, or the number of bidders;
- bank-level holdings or regulatory treatment by instrument;
- secondary transaction prices, indicative quotes, turnover, or bid-ask spreads;
- repo eligibility, haircuts, collateral use, or issue-level lending activity;
- matched corporate or bank debt pricing at comparable maturities;
- an announced issuance calendar against which predictability could be scored.

These gaps define a feasible next paper. An official release of issue-level allocations and daily secondary quotes would allow us to measure concentration and liquidity. Bank-level holdings, combined with credit registers, could test whether sovereign exposure changed loan growth or pricing. A dated issuance calendar would make auction surprises and predictability measurable. Until those data exist, causal claims about crowding out, monetary transmission, or benchmark creation would outrun the evidence.

8. Conclusion

Kuwait's domestic debt restart was not a single transaction. It was a sequence of 26 issues that rebuilt six primary maturity points and placed KWD 4.15 billion over thirteen months. Compared with the final 2017 episode, the restart used larger issues and allocated more volume to five-, seven-, and ten-year maturities, increasing volume-weighted original tenor from 2.95 to 3.80 years.

The outstanding public-debt stock was classified as held by local banks through June 2026. Aggregate resident credit still grew over that first year, which makes a simple contemporaneous contraction story inconsistent with the observed totals. It does not settle the crowding-out question.

The careful conclusion is that Kuwait rebuilt a broader primary issuance architecture. Whether that architecture becomes a liquid benchmark curve depends on the next layer: regular calendars, larger tradable lines, diversified participation, repo and collateral use, and public secondary prices. Those outcomes remain to be measured.

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Notes

1. Kuwait Ministry of Finance (2025), source-checked against the official Arabic release.
2. IMF (2026), especially the financial-deepening discussion and Annex VI.
3. IMF (2017), which describes the earlier KWD 10 billion ceiling, ten-year maturity cap, and 2017 authorization expiry.
4. Garcia-Kilroy and Silva (2011). Their empirical sample is non-GCC MENA, so we use the paper as a market-building framework rather than direct evidence about Kuwait.
5. CBK (2014), which discusses earlier tenor extension and bank subscription constraints.
6. CBK (2018) and the CBK 2017 Financial Stability Report distinguish domestic issuance from the USD international issue.
7. Beetsma et al. (2018). Their setting includes secondary yields unavailable in the Kuwait public files.
8. CBK official releases: 4.00% effective 19 September 2024, 3.75% effective 18 September 2025, and 3.50% effective 11 December 2025.