

News Release

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S&P Global Kuwait PMI[®]

New orders continue to rise solidly, but employment unchanged

Key findings

Business activity increases, in part due to competitive pricing

Selling prices up only slightly

Employment unchanged amid difficulties sourcing staff

The non-oil private sector in Kuwait made a positive start to the second half of the year. New orders continued to rise, feeding through to growth of output and purchasing. Employment was unchanged, however, amid reports that finding suitably skilled staff had proved challenging.

Success in securing new orders was often down to competitive pricing, and this meant that output prices increased only slightly despite a further sharp rise in purchase prices and a record pace of staff cost inflation.

The Kuwait Purchasing Managers' Index™ (PMI[®]) indices are compiled from survey responses from a panel of around 350 private sector companies. The panel covers the manufacturing, construction, wholesale, retail, and services sectors.

The headline S&P Global Kuwait PMI is a composite single-figure indicator of non-oil private sector performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases.

The headline PMI posted 51.5 in July, broadly unchanged from 51.6 in June. The index signalled a modest monthly improvement in business conditions, and one that extended the current sequence of expansion to a year-and-a-half.

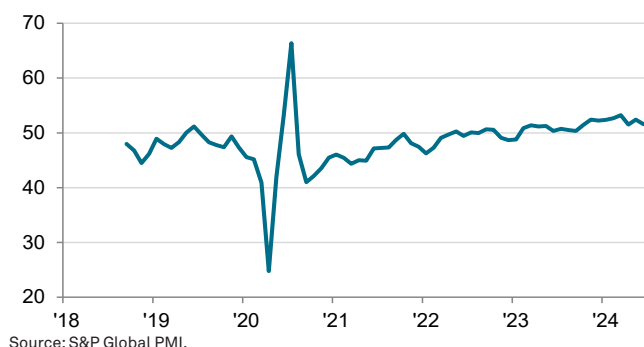
New orders continued to increase at a solid pace in July, despite the rate of growth easing to a ten-month low. Competitive pricing and advertising remained key factors supporting growth of new work. Meanwhile, the rate of expansion in new export orders quickened to the strongest on record amid reports of new orders from customers in neighbouring countries.

New orders from regular customers helped companies to expand business activity again in July. The rate of growth was solid, and slightly stronger than seen in June.

Competitive pricing policies were evident in data on output changes, which increased only slightly and to the least extent

S&P Global Kuwait PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"As has been the case for some time now, firms in Kuwait were able to use advertising and competitive pricing to secure new business and expand output during July. Discounts were often offered in spite of increasing input prices, including a record rise in staff costs."

"A key challenge for firms in July was finding suitably skilled staff, and these difficulties meant that employment was unchanged during the month, resulting in a further build-up of outstanding business. Firms will be hoping to find it easier to raise employment in the months ahead so that they can expand output and keep on top of workloads."

PMI[®]

by S&P Global

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in seven months. Where selling prices were raised, panellists linked this to efforts to protect profit margins amid sharply rising input costs.

Overall input prices increased markedly again in July, although the pace of inflation eased to the weakest in the year-to-date. Among the factors leading input costs to rise during the month were spending on advertising, spare parts, stationery and transportation, while air-conditioning maintenance was also reported. Moreover, staff costs increased at the sharpest pace on record as workers were rewarded for hard work and overtime with extra payments.

Although some firms increased staffing levels in line with greater workloads, difficulties sourcing suitably skilled workers meant that employment was unchanged overall. The stable picture for workforce numbers in July ended a two-month sequence of job creation.

Staff shortages meant that backlogs of work continued to rise, extending the current period of accumulation to 18 months.

Companies were able to keep raising purchasing activity in response to greater new orders, feeding through to an accumulation of inventories.

Efforts to build stocks of inputs were helped by a further shortening of suppliers' delivery times, and one that was marked.

Non-oil firms remained confident that output will increase over the coming year, although sentiment eased to the lowest since February.

Survey methodology

The S&P Global Kuwait PMI® is compiled by S&P Global from responses to questionnaires sent to executives in a panel of around 350 private sector companies. Depending on the type of company responding to the questionnaire, the respondents themselves are either specific purchasing managers, senior executives, finance directors, or someone in a senior position that is best placed to answer the various questions included in the survey. Interviews are conducted by a local research agency who contact respondents by telephone to record their answers to the questionnaires.

The panel of companies is generally stable from month to month and panel attrition low. Changes might occur if companies or individuals decide to leave the panel, or firms go out of business. In these instances, new companies are recruited from the same industry sector as those being replaced. The panel structure is also reviewed on an annual basis to ensure that it continues to replicate the actual structure of the economy.

The panel is stratified by detailed sector and company workforce size, based on contributions to non-oil GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services. Data were first collected September 2018.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

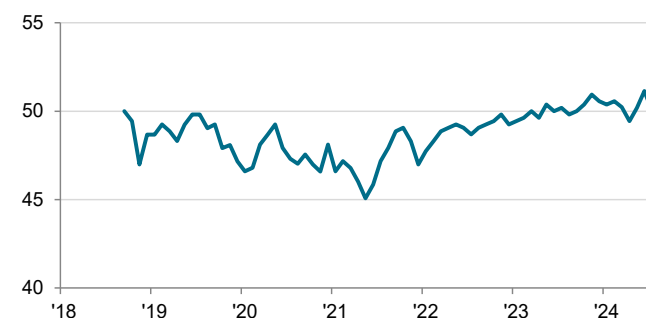
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PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi