

Special Report

ARA Consumer Confidence Index – November 2019

Political developments weigh down on key indices

On account of its interest for monitoring the economic situation in Kuwait, "ARA Research & Consultancy" issues a monthly Consumer Confidence Index, in collaboration with the "Arab Times" newspaper and under the sponsorship of the "Lexus" trademark. The Consumer Confidence Index is considered as the only indicator that measures the Consumers' psychological factors, based on people's opinions and their prospects about the current economic situation and its future as well as their expectations regarding their financial conditions, and how that reflects on their purchasing power.

The Consumer Confidence Index is issued the first Sunday of each month, and is based on quantitative research on a sample of 500 people, distributed among Kuwaitis and Arab residents in different Governorates.

The study was conducted by telephone through a random call selection, taking into account that the distribution of the sample should be representative of the population in Kuwait.

The general Consumer Confidence Index is based on six indices which the researchers at ARA use to measure the level of the consumer satisfaction and optimism. These are:

- Current Economic Situation Index
- Expected Economic Situation Index
- Current Personal Income Index
- Expected Personal Income Index
- Current Employment Opportunities Index
- Purchase of Durables Index

The indices' results in a month basis measure the psychological state of consumers in Kuwait, which equal 100 points. This result (100 points) draws the line between optimism and pessimism among consumers. The more the index surpasses this point, the more the psychological state of consumers in Kuwait is considered to be inclined towards optimism. The more the index declines below this point, the more pessimistic the outlook.

Political developments put pressure on all consumer confidence indices

ARA Research & Consultancy has released its November 2019 Consumer Confidence Index in collaboration with the Arab Times newspaper and under the sponsorship of Lexus.

The General Index scored 104 points, down 4 points within a month and 8 points within a year, reflecting



a decline in five of the six indices that comprise the research.

Based on the findings for November at all levels, the main reason for the drop in consumer confidence is that of internal political developments, embodied in the dispute between the parliament and the government.

The relationship between the parliament and the government is one of the most significant aspects of democracy in Kuwait. When this relationship is harmonious, with parliament playing its role in legislation, control, and accountability, and the government planning and implementing its duties, this is reflected in political performance and fortifies and develops the existing financial and economic situation. This is directly manifested in the public mood, thus raising the level of consumer confidence.

However, the differences that arose between some members of the National Assembly and ministers and led to the subsequent resignation of the government has negatively affected the mood of consumers, thus revealing the importance of internal political stability amid highly complex regional conditions.

Research findings have revealed a decline in consumer confidence among the vast majority of respondents. However, the level of that downturn as well as the size of the change in the convictions of consumers varied.

The General Index reported 109 points among citizens, down 4 points. A 10-point fall was also reported among the owners of private businesses.

At the level of governorates, Jahra exhibited a unique increase of 9 points, while all other governorates, including the Capital, fell between 3 and 14 points within a month.

Most ratios for the various categories of the workforce also plummeted between 2 to 17 points within

a month.

Economic situation indices down

The ARA Current Economic Situation Index posted 96 points, down 2 points within a month and 6 points within a year.

Similarly, the Future Economic Situation Index recorded 108 points, down 1 point within a month and 5 points year on year.

Most components of the research expressed their dissatisfaction with the current and future economic situations.

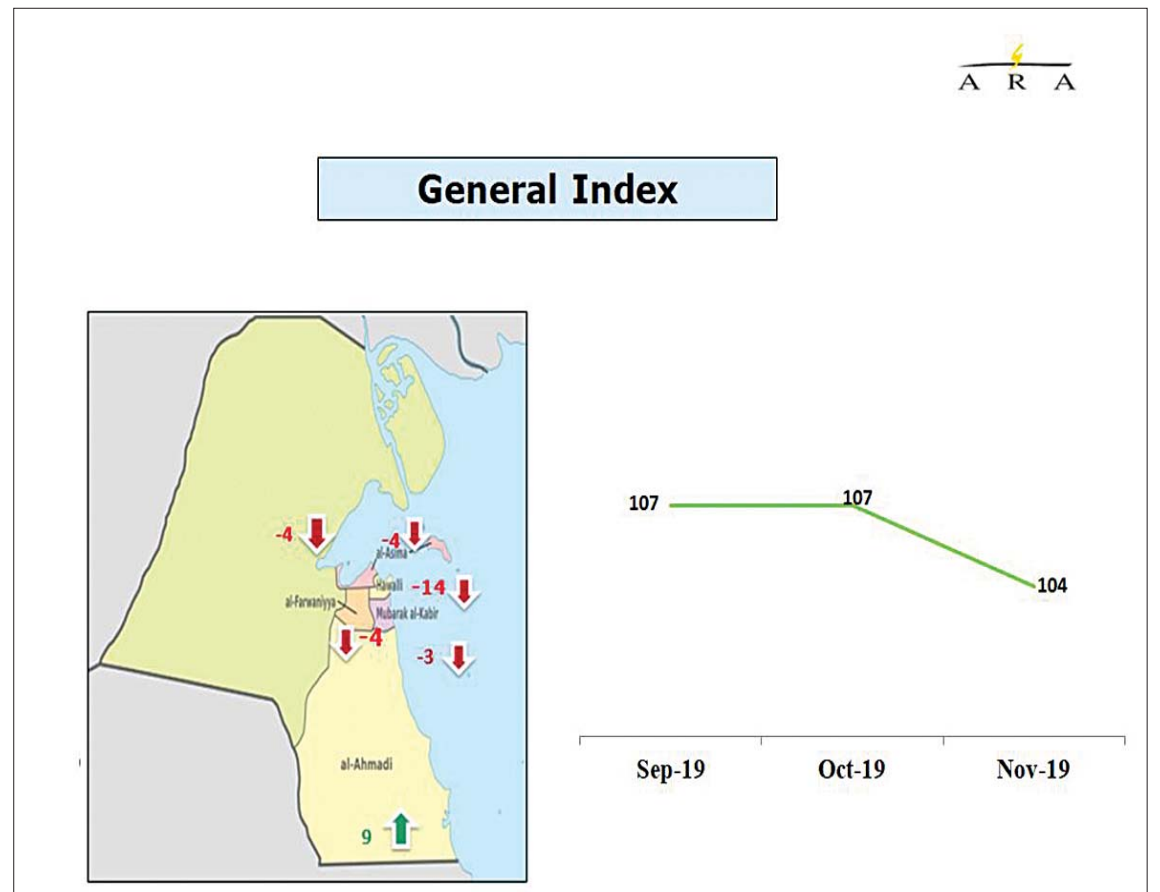
Based on the financial and economic developments that took place during November, the general trend in these developments was clearly positive.

Oil, which constitutes the financial and economic backbone of oil-exporting countries, including Kuwait, maintained its price at 62-64 US dollars per barrel despite an increase in the US strategic reserve and production volume. Oil prices have now stabilized in the face of the ongoing US-China trade conflict, which has had a negative impact on prospects for global economic growth.

The volume of Kuwait's oil production reached 2.674 million barrels per day, pending decisions that will be issued soon by the OPEC meeting, which is expected to maintain the policy of an output cut. Moreover, the Stock Exchange achieved market gains in November, its liquidity increased, and confidence in foreign investment in the Stock Exchange strengthened.

The real estate sector and construction industry also recovered by 8%, even though the 2019-2020 budget is expected to show a deficit of approximately 4.2 billion dinars.

The overall economic situation for Kuwait in November is good; however, the level of confidence shown



by respondents in the economic situation has fallen. This is primarily due to the negative impact of several acute differences that emerged between the parliament and the government, leading to the resignation of the latter.

In this atmosphere, the citizens posted 101 points on the Current Economic Situation Index, a loss of 6 points. They also lost 1 point on the Future Economic Situation Index.

At the level of governorates, the Capital reduced its ratio on the Current Economic Situation Index to 100 points, a drop of 15 points, but increased its ratio on the Future Economic Situation Index by 7 points. At the same time, Ahmadi increased its ratios on both indices by 10 and 2 points, respectively.

The diversity of professions and economic sectors in each governorate is reflected differently in the level of satisfaction expressed by residents.

Capital most pessimistic about current personal income

The ARA Current Personal Income Index reported 102 points, reflecting the realistic and relative stability of personal incomes, which maintained their levels as a result of several factors, including:

- The stability of the purchasing

power of the Kuwaiti Dinar, despite a slight increase in the volume of monetary inflation, which reached 0.4% per month and 1.7% per annum at the end of September.

The International Monetary Fund affirmed that Kuwait had been ranked third in the Arab world, with the per capita quota of national income reaching \$29,000 per annum.

The stability of the Current Personal Income Index does not reflect the convictions of all demographic groups that make up the research. For instance, the Capital expressed reservations about the current personal income, posting a ratio of 77 points, which represents a fall of 21 points within a month.

Conversely, the Ahmadi Governorate increased its ratio to 130 points, a hike of 22 points within a month.

The youth and citizens also boosted their ratios by 10 and 5 points, respectively.

However, the index fell 11 points among the workforce with a monthly personal income not exceeding 450 dinars.

Reservations about expected personal income

The ARA Expected Personal Income Index registered 106 points in November, a fall of 6 points compared with October.

The majority of respondents voiced reservations and a lack of optimism about their expected personal income, perhaps due to the instability of world trade and its impact on global economic growth, which threatens the stability of world oil markets and oil prices. Moreover, geo-political tensions in the region remain a source of concern for several countries.

The lower confidence in expected personal income therefore reflects public concerns and fears that the conflict in the region could spread.

Instability in labor market activity

Research findings have revealed several obstacles, gaps, and instability in labor market activity. The ARA Current Employment Opportunities Index scored 130 points, down 9 points within a month and 31 points year on year. This is one of the lowest ratios in 24 months.

Research findings have also revealed the following weaknesses that need to be addressed:

Young people aged 18-35 dropped from 160 points in October to 144 points in November, a loss of 16 points, while rates of youth unemployment constitute a worrying burden in many countries.

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