

Special Report

ARA Consumer Confidence Index – June 2019

Sentiment remains stable despite challenges

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 on 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.

ARA monthly index in collaboration with Arab Times and under sponsorship of Lexus

Signs of pessimism among elderly people

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



The General Index registered 108 points, maintaining its May ratio.

The overall level of consumer confidence remained stable in the face of the challenges posed by the escalation of regional-international tensions on the one hand and the intensification of the global trade conflict on the other hand.

It seems that the visit by the Amir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah to Iraq and his vision to calm the situation have played a role in reassuring the public in Kuwait, thus reflecting positively on consumer confidence. Knowing that Kuwait will be the hardest hit among the Gulf countries by any developments that might disrupt international shipping in the Strait of Hormuz.

Research findings revealed that 16 out of the 27 components exhibited greater confidence on the General Index. This is a high ratio, given the serious regional developments and their negative repercussions on the various financial and economic sectors in general and on the Stock Exchange in particular.

Among the respondents, the category of those aged above 55 was the most pessimistic in June, displaying a negative attitude on all indices. They registered 147 points on the General Index, down 14 points from their previous ratio. Their losses on other indices ranged from 31 points on the Future Economic Situation Index to 3 points on the Expected Personal Income Index.

Noting that that this same segment had previously displayed an optimistic view over the situation.

The citizens boosted their confidence in the General Index with 6 points, while the Arab residents dropped 10 points. The females added 12 points, while the males dropped 6 points.

At the level of Governorates, Mubarak Al-Kabir was the most optimistic, up 9 points, while Hawalli plummeted 13 points within a month.

These are some examples of the different components of the research results regarding their confidence notwithstanding the importance of the general index stability of the overall level of consumer confidence in Kuwait, amid the risks of regional developments.

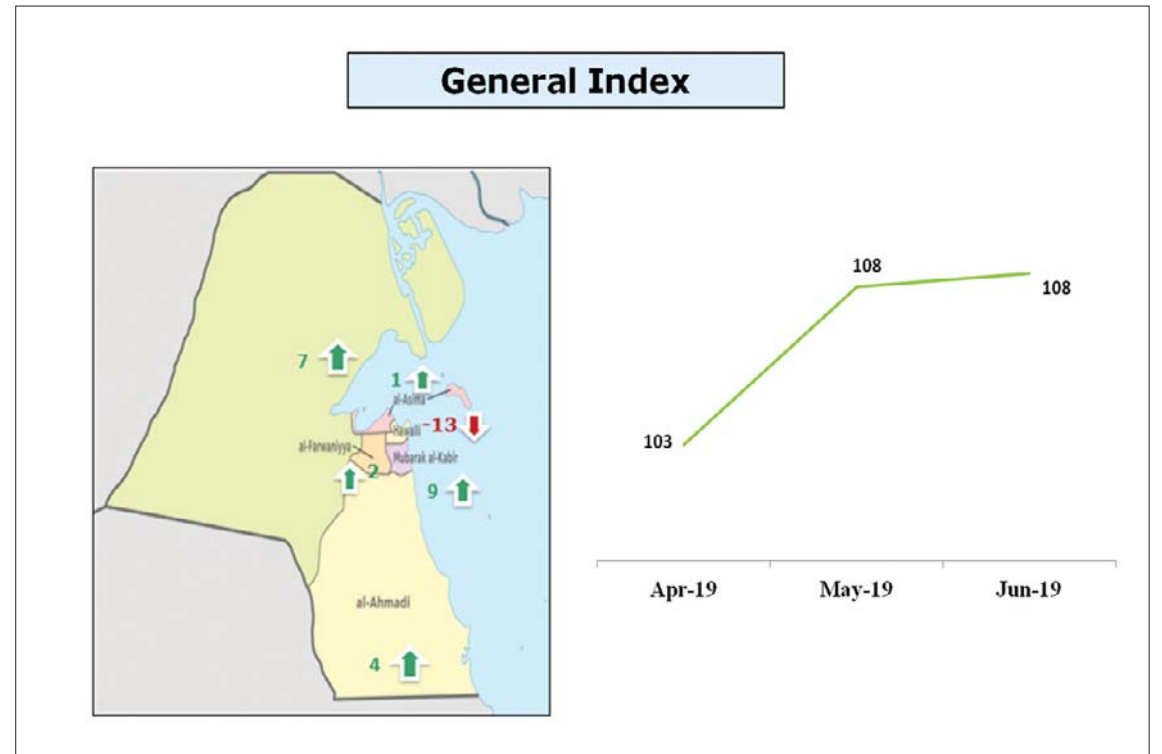
Research components almost unanimous that confidence in current economic situation down

ARA Current Economic Situation Index registered 95 points, down 5 points within a month, thus marking the second lowest ratio in a year.

The research components are almost unanimous that the level of confidence in the current economic situation has declined. This reflects some negative economic realities and comes as part of the general concern about the serious repercussions of the international geopolitical situation, as well as the trade conflict between countries and some continental blocs. This is despite the fact that the G20 summit talks, especially between the US and China, have led to softer stances and offered some solutions.

It also appears that the unexpected fall in oil prices in the second half of June contributed to the decline in some financial and economic sectors in the region, including Kuwait, not to mention the 7% drop in the most popular global stock market indices.

Kuwait Stock Exchange sustained losses of 210 million dinars at the beginning of the third quarter of the month. The stock market activity shrank following the attacks on oil tankers in the Gulf. These developments weighed on



the psyche of consumers and affected a number of the most important financial and economic sectors.

The citizens added 2 points to their previous ratio on the Current Economic Situation Index, while the Arab residents lost 15 points within a month.

At the level of Governorates, Jahra, Hawalli and the Capital dropped 11, 10 and 4 points respectively. The ratio of the low-income people also slumped, with the earners of a monthly household income of less than 450 dinars losing 12 points, and those with a monthly income ranging between 1,250 and 1,850 dinars losing 31 points within a month.

Real estate sector rebounds

ARA consumer confidence survey showed different attitude towards the current and future economic situations. The Current Economic Situation Index dropped 5 points, while the Future Economic Situation Index rose 6 points within a month, posting 110 points, the highest ratio since last February.

The Future Economic Situation Index increased despite some major challenges, mainly including:

1. The geopolitical tensions
2. The trade war and the return to the principle of imposing duties on various goods, products and materials
3. The instability of oil prices due to the contraction of the global economy and its expected repercussions

Amid these challenges, the citizens registered 115 points, up 9 points, while the Arab residents

maintained their previous ratio.

At the level of governorates, the Capital and Hawalli lost 6 and 5 points respectively, while Mubarak Al-Kabir, Jahra and Farwaniya reported an unprecedented hike of 24, 20 and 15 points, respectively.

This positive outcome resulted from a number of economic and financial developments, including:

- Kuwait's real estate market rebounded, recording 33% growth in April and 19% in May on a monthly basis.
- The Stock Exchange also achieved gains of 4.5 billion dinars in the first half of the year, and the liquidity increased by 165%, and the foreign reserves hit \$36.9 billion.

These are some examples of the financial and economic developments that contributed to boosting consumer confidence in the future economic situation.

Personal income indices the best in a year

ARA Current Personal Income Index posted 109 points, adding 1 point. The Expected Personal Income Index reported 110 points, up 3 points within a month. The two ratios are the highest in a year.

The stability of the two indices does not reflect a consensus among all respondents. On the contrary, research findings revealed a clear discrepancy based on income among the respondents:

I. The citizens posted 132 points on the Current Personal Income Index, up 14 points. Meanwhile, the Arab residents dropped 20

points within a month. This negative trend among the Arab residents affects in different levels all categories of expatriate workers.

II. The two ratios of the age group of 35-55 years increased by 8 and 6 points respectively, while those of the group aged above 55 went up by 13 and 3 points respectively.

III. The females were satisfied with the personal incomes, as they posted 121 points on the Current Personal Income Index, up 24 points within a month, while the males dropped 11 points.

This disparity in the level of satisfaction of the males and females reflects a motivation in the work structure that offers women better opportunities for career advancement and thus for income.

This development could be the result of a spontaneous mechanism in the work and administrative decisions in the public and private sectors. It may also have another aspect related to the gradual attempt to bridge the traditional gap between salaries of males and females.

There was also a disparity in the assessment of the personal income indices among the various working groups on the basis of their monthly income.

The fact that both personal income indices occupied an advanced position throughout the year reflects the solidity of Kuwait's financial stability and its positive impact on the psyche of the public, including the consumers.

Continued on Page 21

