

Special Report

ARA Consumer Confidence Index – October 2021

Consumer spending exceeds pre-pandemic level

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.

Growth in Some Sectors Exceeds Pre-pandemic Rates

ARA Research & Consultancy has released its Consumer Confidence Index in Kuwait, for October 2021 in collaboration with Arab Times Newspaper and under the sponsorship of Lexus.

The General Index registered a ratio of 110 points, adding three points to its previous monthly ratio and an increase of 8 points on an annual basis.

The rise in Consumer Confidence in Kuwait on the monthly and annual levels reflected a number of positive facts, perhaps the most prominent of which are:

1. The State of Kuwait's political stability, based on the cooperation of the executive and legislative branches.
2. The rise in oil prices, which contributed to addressing the general budget deficit for the year 2020-2021

and contributed to the solidification of financial solvency in Kuwait.

3. The remarkable improvement in the performance of the stock exchange and the gains it achieved during the year despite some partial and temporary declines that are logical to occur sometimes within the daily activity context of the stock exchange.

4. The recovery of the real estate sector and its return to healthy levels, and the importance of this in revitalizing a range of industrial and service sectors related to this sector.

5. The registration of some economic sectors in both the public and private sectors, and the launching of some projects on the basis of partnership between the two sectors.

These and other factors confirm the State of Kuwait's overcoming the repercussions of the pandemic and gradually relaunching businesses and the production activity.

Within this climate, citizens' ratio stabilized at the previous monthly rate of 99 points for the General Index, while the rate of Arab residents increased to 118 points, adding 6 points within a month.

Notably, Governorates' rates decreased in the Capital by 13 points and Al-Jahra Governorate by 8 points, while Hawalli Governorate increased its rate by 7 points and Al-Ahmadi Governorate by 8 points.

It is noticeable that the rate decreased among those with private businesses, in contrast to the previous months, whereby they recorded a ratio of 107 points, losing 14 points within a month.

The discrepancy in evaluating the level of consumer confidence among the components of the research is considered normal and logical in similar conditions of the production and marketing activity and the successful response to the pandemic's repercussions and frequencies.

Real Estate Transactions Jumped by 15.5% during August

The Current Economic Situation Index registered a rate of 95 points, boosting its previous monthly balance by three points and adding ten points on its annual ratio registered in October 2020.

It is remarkable that the majority of the various components of the research confirmed their high level of confidence in the current economic situation. This majority reflects the economic realities achieved on the

ground, including:

1. The recovery of the real estate sector, which added 15.5% to its trading volume during August, charting an upward line in the path of the construction activity's and the real estate sector's overall re-dynamism. This sector is a locomotive for many other economic fields, such as industry, trade and services.

2. The results and gains achieved by the Kuwait Stock Exchange during the past months, despite some losses recorded from time to time, which are normal across various stock exchanges around the world, and do not hide the achievements that have been made. These achievements have turned into a lever for the confidence of investors, traders and institutions involved in stock trading.

3. Another factor that also played a stimulating role for the economy, are the results of investment funds, whose profit rates reached 28% within nine months.

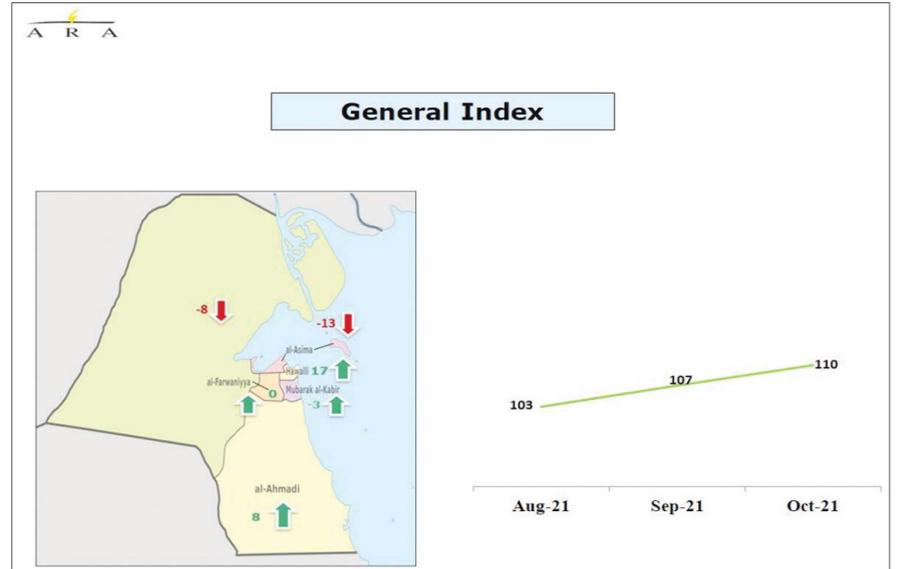
This is in addition to the recovery of many sectors that have been affected by the repercussions of the pandemic, especially the air transport sector.

These and other factors that raised consumers' confidence in the economic conditions, have leaned on a stable domestic political climate conducive to growth.

The Expected Economic Situation Index at its Highest Levels

The Expected Economic Situation Index recorded a rate of 113 points, boosting its monthly balance by three points and occupying one of its best levels in several months, relying on a number of positive facts achieved during this year despite the geopolitical tension surrounding the region. The most prominent headlines that raised the level of consumer confidence in the Expected Economic Situation include:

1. The increase of oil price to higher levels with expectations for further increase next year. With reference to various types of pressure being exerted on oil producing countries to increase production with the aim of reducing prices. Noting that the issue of oil prices is linked to the need to compensate the losses faced by producing countries last year on the one hand, and the need to face the phenomenon of fiscal deficits on the other hand. Nevertheless, there



are demands to take into account the need to support global economic growth after its decline and contraction during the spread of the pandemic, as well as the question of the developing countries' ability to bear the burdens of high oil prices.

This means that this phase is complicated in the global oil markets.

2. The return of Kuwaiti economic sectors to growth after the partial or total contraction imposed by the pandemic, with the best recovery examples shown in:

- a. The trajectory and gains of the stock exchange.
- b. The recovery of the real estate sector.
- c. The return of air transport, hospitality and commercial sectors' activities to satisfactory levels.
- d. Continuing the policy of public investment spending in several fields, especially oil. The availability of gas and the pursuit of its production in Kuwait and its export enhances confidence in the future of the economy.

Within this climate, citizens gave this index 98 points by adding 8 points, and Arab residents raised their confidence level to 122 points by adding one point within a month.

Decline in Citizens' Satisfaction with Personal Income

The Current Personal Income Index registered 98 points, dropping by 4 points compared to last September, and increasing by 16 points on an annual basis.

ARA analysts pondered at the monthly decline of this rate, noting that the Central Statistical Bureau issued a report on wages and salaries with figures, including:

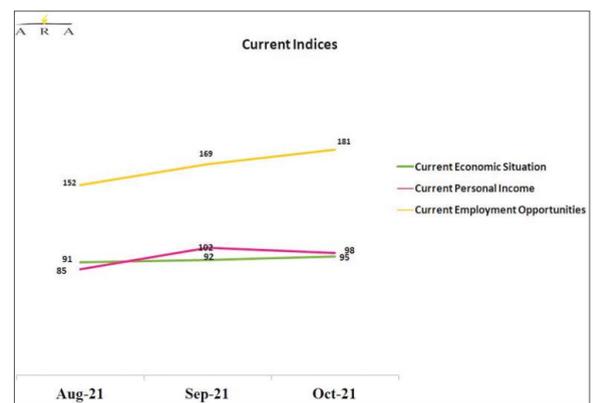
1. The average monthly wage for male citizens working in the public sector amounted to 1,872 Dinars at the end of the second quarter of the year, and the average wage for Kuwaiti females amounted to 1,304 Dinars.
2. The average monthly salary for expatriate workers in the public sector amounted to 769 Dinars and 688 Dinars for female expatriate workers.

3. While the monthly salary of Kuwaiti males in the private sector is 1,519 Dinars, the salary of Kuwaiti females working in the same sector is 958 Dinars.

If we compare these rates with those in the first quarter of the year, we can see that wages and salaries increased during the second quarter between 1% and 1.5%. This means that the personal income of this broad category of Kuwaiti and expatriate workers has increased albeit slightly.

The lack of confidence by some components of the research in Current Income could be based on personal and psychological motivations and ambitions to raise the standard of living and/or to improve job levels.

However, some of the research components' rates dropped significantly, with the Capital's rate decreasing by 25 points within a month, Mubarak Al-Kabeer Governorate by



22 points and owners of private businesses by 46 points. With reference that the Expected Personal Income Index has stabilized at 105 points, noting that economic and financial developments encourage high levels of respondents' confidence. Knowing that income conviction and satisfaction require time to be absorbed and accepted, means waiting for a higher level of confidence in the coming months.

A Significant Increase in Labor Market Activity

The Current Employment Opportunities Index registered a ratio of 181 points, boosting its previous monthly balance by 12 points and surpassing its annual rate recorded in October 2020 by 49 points. Thus, reflecting the level of growth in demand for most types of workers to meet market needs.

In these circumstances, a number of issues and challenges arise in the labor market, the most prominent of which is continuing the implementation of the program aimed at the Kuwaitization of workers in various sectors, specifically the private sector, by securing employment for all citizens, along with giving the necessary importance to their educational and vocational qualifications in order to increase productivity.

Noting that some sectors are suffering from a shortage of manpower in the agricultural, construction and other sectors. This imbalance is a result of the pandemic's repercussions.

It is expected for Kuwait to register in 2022 a growth between 4% and 4.5%, and this will create more job opportunities for citizens and expatriate workers.

At the end of the second quarter of 2021, Kuwait's workforce reached one million nine hundred and thirty thousand according to the report of the Central Statistical Bureau.

Within this climate, citizens gave a ratio of 121 points to this index, decreasing by 5 points, while Arab residents granted this index 283 points by adding 32 points to their previous balance.

Consumer Spending Exceeded Pre-Corona Level

The Purchase of Durable Goods Index jumped again to 113 points, adding 26 points within a month, restoring one of the best levels over the past years. Consumer spending returned to healthy levels which exceeded the pre-pandemic levels, and the value of transfers on bank cards amounted to 8.2 billion Dinars during the second quarter of this year, a jump of 1.55 billion Dinars in three months.

Moreover, the number of electronic payments during the three months reached 147 million transactions, and 437,000 bank cards were issued in the second quarter of the year.

These data and figures confirm the extent at which Kuwait has overcome the repercussions of the pandemic and the level of economic recovery, including consumption to pre-pandemic levels.

