

News Release

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S&P Global Kuwait PMI[®]

Non-oil activity continues to rise, but at softer pace

Key findings

Solid expansions in output and new orders

Charge inflation moderates despite rapid rise in purchase prices

Staffing levels reduced for first time in eight months

Kuwait's non-oil private sector remained in growth territory during April as successful advertising and competitive pricing supported further expansions in new orders and output. That said, rates of increase softened from March.

Employment was scaled back for the first time in eight months as companies attempted to minimise costs. At the same time, the rate of purchase price inflation was one of the sharpest on record. Despite this, firms increased their output prices at a slower pace.

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 dipped to 51.5 in April, down from 53.2 in March, to signal a softer improvement in business conditions in the non-oil private sector at the start of the second quarter. The health of the sector has now strengthened in 15 consecutive months.

Central to the improved performance of companies in April were competitive pricing strategies and advertising activity. These factors were widely reported by those firms that recorded increases in output and new orders during the month. In both cases, growth was sustained for the fifteenth month running, but at a reduced pace than seen in March.

Efforts to limit price increases to customers, and in some cases offer discounts, meant that output prices increased only modestly in April, and at the softest pace in three months. Where charges did rise, this reflected higher input costs.

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:

"The slowdown in growth seen in April is not cause for immediate alarm as Kuwaiti firms were still able to generate solid expansions in new business and output at the start of the second quarter.

"Growth continued to be predicated, at least in part, on competitive pricing. This put pressure on margins given rapidly increasing input costs, however. In a bid to limit expenses, firms cut back on employment numbers, thereby restricting the extent to which they were able to fulfil orders. There are clearly risks that this will prove unsustainable and so companies will be hoping that either cost inflation moderates or that demand strengthens sufficiently to reduce the need for discounting in the months ahead."

PMI[®]

by S&P Global

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Overall input costs increased sharply, driven by a marked rise in purchase prices. In fact, excluding the pandemic period, the rate of purchase cost inflation was the sharpest since the survey began. Anecdotal evidence pointed to higher costs related to advertising, machinery, stationery and transportation in particular.

Meanwhile, staff costs also rose in April, but only slightly and to a lesser extent than in March.

Indeed, companies cut back on their staffing levels as part of cost-reduction efforts. Employment decreased for the first time in eight months despite expanding workloads.

This scaling back of workforce numbers, plus a lack of available raw materials, led to a build-up of backlogs of work again in April. Outstanding business has accumulated in 15 consecutive months, with the latest increase broadly in line with those seen in February and March.

In line with the trends in output and new orders, both purchasing activity and stocks of inputs increased again in April, but at reduced rates.

Meanwhile, non-oil companies continued to experience quicker deliveries from suppliers as vendors attempted to secure new business by showing an improved performance.

As well as supporting current growth, competitive pricing and marketing are set to be the key drivers of expansions in business activity in the year ahead. Sentiment dipped from that seen in March, but remained strong overall.

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.

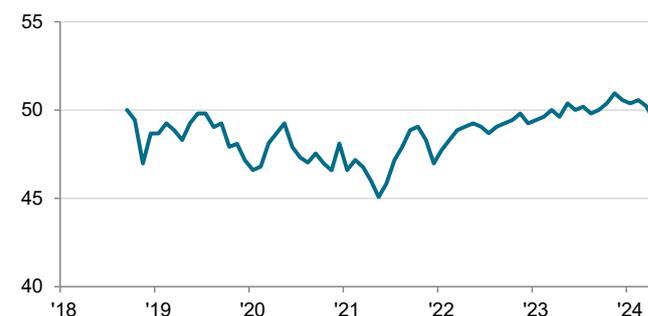
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PMI Employment Index

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