

# News Release

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## S&P Global Kuwait PMI<sup>®</sup>

### Employment rises at fastest pace on record

#### Key findings

Sharper, but still modest increase in staffing levels

Solid rises in output and new orders

Cost inflation eases for third month running

Non-oil companies in Kuwait continued to secure increases in output and new orders at the end of the second quarter. Ongoing pressure on capacity encouraged firms to expand staffing levels, with employment rising at the fastest pace in the survey's history.

Although input costs continued to rise sharply, the rate of inflation eased for the third month running. Meanwhile, efforts to protect profit margins led firms to increase selling prices, but charges rose only modestly amid competitive pricing policies.

The Kuwait Purchasing Managers' Index™ (PMI<sup>®</sup>) 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 remained above the 50.0 no-change mark for the seventeenth month running in June. At 51.6, the index was down from 52.4 in May, however, and signalled a modest improvement in business conditions.

Business activity increased solidly, albeit to a lesser extent than seen in the previous survey period. Successful advertising was key to the rise in output, according to respondents. Firms reportedly used a wide range of marketing channels, including social media. Competitive pricing also supported growth.

The twin factors of advertising and price discounting were also mentioned by those respondents signalling growth of new orders in June. New business increased for the seventeenth month in a row, and at a solid pace. The rise in total new orders was supported by a sharp and accelerated

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:

*"Sustained inflows of new orders encouraged companies to expand their staffing levels at the sharpest pace on record in June. Firms were still unable to make a dent in their backlogs of work, however, suggesting that they may need to expand hiring further in the months ahead."*

*"There were more signs of input cost inflation softening, enabling companies to continue their policy of limiting price rises to customers in order to help secure new work. One of the big drivers of rising expenses was spending on advertising, which has often been central to growth in the non-oil private sector in recent months."*

PMI<sup>®</sup>

by S&P Global

increase in new business from abroad. In fact, the expansion was the fastest since the survey began in September 2018.

Employment also rose at the fastest pace on record as companies responded to higher workloads by taking on extra staff. The rate of job creation was still only modest, however, and not sufficient to prevent a further accumulation of backlogs of work given the strength of new order growth. The rise in outstanding business was among the steepest in the series history.

Advertising spend contributed to a further increase in input costs during the month, with panellists also reporting higher transportation costs and rising prices for air conditioning and vehicle maintenance. That said, the rate of inflation eased for the third month running and was the weakest in the year-to-date. Meanwhile, staff cost inflation hit a three-month high.

Rises in new orders encouraged companies to expand their purchasing activity. In some cases, firms had bought in items in bulk, helping to add to inventories. Both input buying and stocks of purchases increased more quickly than in May.

Despite higher demand for inputs, suppliers were able to speed up deliveries again. Prompt ordering and good relationships with vendors were reported. Lead times shortened substantially.

Although easing to a four-month low, the continued success of marketing and improving economic conditions supported confidence in the year-ahead outlook for business activity.

#### 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](mailto:economics@spglobal.com).

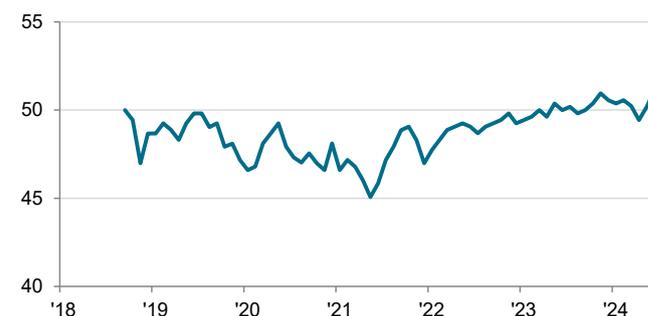
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#### PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)