

KUWAIT NEWS REPORT



Kuwait: Changing Tourism Trends

Although Kuwait's tourism sector is expected to have a slow year in 2009, with the global recession cutting into visitor numbers and reducing returns, this could be offset to some degree by more Kuwaitis holidaying at home.

Kuwaiti media has reported that more locals and expatriates are choosing to stay in the country, rather than travel abroad or return home during the hot summer months. Though this trend may not benefit the accommodation sector of the tourism industry, it will help to keep the tills ringing at Kuwait's cafes, restaurants and entertainment facilities.

This is supported by a recent report by the UN World Tourism Organisation (UNWTO), which said that the global economic downturn and the threat posed by swine flu could actually be to the benefit of the region's tourism industry.

According to the results of a WTO study issued on July 21, there could be a 2 to 6% increase in tourism in the Middle East as Gulf holidaymakers decide to stay at home or take their summer breaks within the region to save on costs and avoid exposure to the H1N1 virus.

Such a boost would be much needed, with the UNWTO reporting in early July that there had been an 18% drop in tourist arrivals in the Middle East in the first four months of the year, while a World Travel and Tourism Council (WTTC) study also had mixed news for the Kuwaiti tourism sector.

In its latest report on Kuwait, the WTTC predicted that while the sector's contribution to the country's economy

would decline from an estimated 3.7% of GDP in 2009 to 3% in 2019, its actual monetary contribution would more than double, from \$5.6bn this year to \$12bn in a decade.

While long-term revenue prospects are good, the WTTC report foresees a slump in earnings this year, with real GDP growth for the travel and tourism economy expected to be -11.1% in 2009, while averaging 0.9% per annum over the next 10 years.

Perhaps worrying for Kuwaiti officials are WTTC's expectations that direct and indirect employment in the travel and tourism sector will fall from 71,000 jobs in 2009, which represents 3.5% of total employment or one in every 28.3 jobs, to 65,000 jobs, 2.6% of total employment or one in every 37.9 jobs by 2019. The global average for employment in the travel and tourism industry is at 7.6%.

Added to this is the council's prediction that direct employment in the tourism sector will fall by 10% this year, dropping to 13,000 and recording further shrinkage by 2019, when there will only be 8800 positions available.

Though having invested heavily in tourism infrastructure and actively encouraged private sector involvement, Kuwait faces considerable competition in its efforts to become a regional power in the tourism industry.

Dubai has set itself a target of attracting 15m overseas arrivals annually by 2015, an objective it is aiming to achieve through massive investments in hotels and resorts, along with conference centres to draw in the meetings, incentives, conferences and exhibitions (MICE) segment.

Bahrain has also set its sights on becoming a major MICE hub, greatly expanding its conference and business meeting facilities; Oman promotes itself heavily as an adventure and nature holiday destination, offering trekking and safari tours; while further afield Arab states such as Jordan

and Syria are enticing greater numbers of tourists from the region and beyond with a mix of history and luxury.

Kuwait does have its own niche however, in its appeal as a wholesome family holiday destination, with the country promoting attractions such as the largest water park in the Gulf region; Entertainment City, one of the longest established and best theme parks in the Middle East, located to the north of Kuwait City; and Al Shaab Leisure Park to the south of the capital, a project of the United Entertainment and Tourism Company (UETC).

According to Adel Hassan Omoor, the chairman and managing director of UETC, this is a specialist market that should be exploited.

"Kuwait will never be a tourist destination in comparison to the likes of Dubai, but there is great potential for business tourism and a strong domestic demand for amusement and leisure activities," he told OBG. "The amusement and leisure market is severely undersupplied and combined with strong local demand there are many opportunities for new forms of entertainment facilities."

UETC is grasping that opportunity, opening THE 99 Village theme park at Jahra in late March, inspired by the comic characters created by Dr Naif Al Mutawa, the head of the Teshkeel Media Group. The park is unique in that, unlike similar parks, it is framed around Muslim superheroes from the comic series, which have story lines based on the universal values inherent in Islam.

Speaking at the opening of the park, Al Mutawa said THE 99 Village, the first of many planned, provided entertainment while delivering an important message.

"We want everyone to experience our positive message about tolerance, teamwork and respect that appears in every story of THE 99," he said. "THE 99 theme parks will provide a safe and fun environment for families to be entertained

and educated by characters drawn from their culture and values."

Having been one of the first Gulf states to introduce theme parks and the family travel concept to its tourism repertoire, Kuwait again appears to be breaking new ground. With the help of homegrown heroes, it could overcome the short-term slowdown in the sector and the longer-term challenges of its rivals.

Source.: Oxford Business Group 29/07/2009

Kuwait: A Class Act

While Kuwait's education system was listed in a 2008 report issued by the World Bank as the leading proponent of educational reform in the Arab world (along with Jordan), it still has many challenges to face as it tries to shape the leaders of the future.

Kuwait has a mix of private and public schools and universities, with non-state education at all levels becoming increasingly popular. However, the rapid expansion of the fee-paying segment, as well as the higher demands being placed on the public education network by a growing population, has meant that resources have at times become overstretched and results uneven.

The education system also has its share of critics, with a series of debates being waged ahead of the new school year, set to begin in late August. While recent discussion has focused on issues such as segregation in the classroom and suggested reforms to the Islamic component of the curriculum, there have also been calls to improve the overall standard of education in Kuwait to meet both international standards and the needs of the expanding economy.

Among the proposals have been the establishing of new state universities that would offer a broader range of specialised courses to train Kuwaitis to take over positions in the workplace currently held by expatriates, raising admission standards at Kuwait University and increasing funding for pre-tertiary education so that

students can achieve these standards.

Even the World Bank has weighed in on the debate. In its July 18 edition, *Al Watan* reported that the World Bank had warned Kuwait that unless further reforms were made to its education system, especially increasing the number of teaching days in the academic year, major academic institutions could cease to recognise the country's high school certificates. This would mean that the tertiary education options for young Kuwaitis would be restricted.

Abdullah Al Sharhan, the chairman of the Board of Trustees, who said that the present secondary education system is not equipping all students for the next stage of the learning process, supported this view.

"Many students are ill-prepared to enter directly into tertiary level courses from high school and they must enroll in a foundation year, which is a bridge year between high school and university," he told OBG.

Another difficulty facing universities in Kuwait is finding sufficient teaching staff, particularly for courses such as engineering that are in high demand.

The increasing competition in the Gulf region, along with the political situation in the region and the employment policies of the state of Kuwait, have made it challenging to recruit highly trained and qualified faculty members, Marina Tolmacheva, the president of the American University of Kuwait, said in an interview with OBG.

"The field of engineering is stressed due to the limited supply of faculty," she said. "Therefore, the number of engineering programmes, introduced by private universities, has not reached the levels to which the council for private universities had anticipated."

The need for Kuwait to address these problems is very real, helping to bridge the gap between workplace supply/demand and provide professional-level

employment to graduates.

"With over 20,000 contractor jobs available in Kuwait, there is a huge demand for engineers," said Al Sharhan. "Most students graduating in this field will find employment almost immediately out of university."

While coming under criticism from some quarters, the government has been working to expand and improve the country's educational system. At the primary and secondary levels, it announced plans in mid-July to open 16 new schools in the 2009-10 academic year and a further nine in 2011, while later the same month, the minister of education and higher education, Moudhi Al Humoud, said there would be a speeding up of plans to introduce state-of-the-art technological applications in the country's educational process.

As part of the ministry's programme of further modernising the education system, the minister said there would be a greater emphasis on e-learning, through the provision of relevant educational equipment and practical interactive materials, together with an educational portal and wireless networks at schools. This would help create a conscious and self-educated generation capable of keeping abreast of global technological advancements, she said.

Though continuing to invest heavily in education, with the portfolio receiving around 12% of the state budget, Kuwait may not be reaping the full value of these investments. While having high levels of graduates passing out from both its secondary and tertiary institutions, there remains the question of whether the focus has been on quantity or quality.

Source.: Oxford Business Group 12/08/2009

Kuwait: Retail Steady

Kuwait's retailers are confident their sector is on the verge of picking up after a slow first half of the year, though shoppers themselves seem to be more cautious, waiting to see the way the economy will

go before splashing out.

The sector has enjoyed high levels of growth in recent years, reflected by the sharp rise in gross leasable space, which is expected to top 1.1m sq metres by the beginning of next year, triple the 2006 figure of 345,000 sq metres.

However, with the economic slowdown, various estimates put the expected fall in Kuwait's GDP at around 1% for 2009, not dramatic but a sharp contrast to the figures enjoyed in recent years.

The economy is nevertheless expected to return to positive territory next year, the IMF is predicting GDP to expand by 2.4% in 2010, though the retail sector is tipped to exceed this.

A report on Kuwait issued by research firm Business Monitor International in early August predicted retail sales will rise from \$39bn in 2008 to almost \$51bn in 2013. Among the factors that will stimulate growth in the sector are an increasing population in the 20 to 44 age bracket, and a high level of urbanisation, with nearly 99% of those living in Kuwait expected to be residing in built-up areas by 2015, up from the 96% in 2005.

Industry projections put retail sales growth in the country at around 31% between 2008 and 2013, averaging slightly over 6% per annum.

While the medium-term prospects look bright, if not spectacular, the outlook in the immediate future appears to be tinged with grey. The findings of the latest MasterCard Worldwide Index of Consumer Confidence survey, covering the second half of 2009, shows that Kuwaitis are far more pessimistic over the economy than they were in the first six months of the year.

According to the index, published at the beginning of August, the confidence of Kuwait's consumers has slipped from a high of 96.6 to just 49.5, with a score of 100 representing optimism and 50 being neutral.

According to Raghu Malhotra, the area business head for the Middle East (Gulf countries) at MasterCard Worldwide, a neutral position could almost be seen as a vote of confidence.

"In Kuwait, while consumers are not bullish about the next six months, neither are they feeling pessimistic. This is encouraging given the economic challenges of today," Malhotra said.

There was also some good news for retailers, with the breakdown of the study showing purchasing electrical goods, along with dining out and entertainment, remained as priorities for consumers when spending, while just over-two thirds of those surveyed said they were planning to maintain the same level of discretionary and recreation spending as the last six months.

While Kuwait's consumers might be somewhat wary, retailers themselves are starting to take a more upbeat view of the economy. According to a survey conducted by Dun & Bradstreet South Asia Middle East and Muthanna Investment Company (MIC), business confidence is on the rise.

The Business Optimism Index (BOI) for Kuwait for the third quarter of 2009, released at the end of July, reveals that just over half of respondents expected sales volumes to pick up from their levels in the second quarter, with just 18% predicting further falls, while forecasts for net profits are running at similar levels.

Though many businesses in the wholesale and retail trade cited tight liquidity as hampering their efforts to access finance, 33% of firms plan to boost investment expenditure, with another 28% planning to maintain investments at the same level this quarter as in the last.

Positive developments such as rising oil prices and the anticipation of improved corporate performances were some of the factors driving the strengthening of business sentiment, MIC said in a

statement accompanying the release of the data.

"The Kuwaiti economy outlook for the third quarter is certainly brighter than it was in the previous quarter, as clearly visible by the BOI survey, where all the sectors have shown firm confidence to register an improvement in their business," the company said.

While shoppers may be of a more neutral frame of mind, adopting a wait-and-see approach to spending, it seems as if many retailers are readying themselves for better times ahead.

Source.: Oxford Business Group 27/08/2009

Kuwait's food & drink industry subdued

KUWAIT - Kuwait remains unmoved in sixth position in BMI's regional Food & Drink Business Environment Ratings table for Q409. Its low placing largely reflects its modest per capita food consumption growth outlook. On the economic front, BMI expect the energy-exporting Kuwaiti economy to contract by 1 percent in 2009, which is a fairly resilient appraisal under the backdrop of the global economic meltdown.

Nevertheless, despite a GDP per capita close to \$30,000 and a reasonably sized population of 3.2mn by regional standards, Kuwait's mass grocery retail (MGR) sector has yet to truly take-off. Government legislation restricting private retailers from launching in residential areas has affected private retailers as discussed in BMI's recently published Kuwait Food & Drink Report for Q409.

Kuwait's grocery retail landscape is dominated by the cooperative segment, which differentiates it from the wider Gulf region where the supermarket and hypermarket segments account for the bulk of MGR sales. The Union of Consumer Cooperative Societies (UCCS) accounts for the majority of grocery sales. To provide a comparison, BMI estimate that the size of the UAE's hypermarket segment by value sales to have been

almost 2.5 times larger than Kuwait's in 2008.

In the same year, BMI estimates that co-operative stores accounted for almost 60 percent of MGR sales. However, through to 2013, BMI has forecast cooperative store sales to increase by a modest 13.2 percent. The segment is expected to lose impetus as a greater proportion of consumers trade up to modern supermarkets and hypermarkets. Should the government relax its cooperative supporting legislation, this process will probably accelerate.

Despite these regulatory challenges, Kuwaiti MGR operator Sultan Group has established itself as the country's largest private retailer. It currently operates 11 large retail outlets as well as a growing number of convenience stores. The convenience segment remains Kuwait's least developed. Through to 2013, Sultan is well placed to capitalize on BMI's forecast that store sales will increase by 20 percent from a low base to reach \$0.11 billion.

Earlier this quarter, the UAE-based retailer EMKE Group announced its intention to invest AED1.5 billion (KWD117.5 million) through to 2010 to expand its hypermarket presence in Abu Dhabi. It is also committed to increasing its presence in a number of regional markets, which should result in further investment into Kuwait through its Lulu banner. Carrefour also has a hypermarket presence in Kuwait through its joint venture with the UAE-based retailer Majid Al Futtaim (MAF). It currently only operates one hypermarket store in the country. Both retailers should benefit from BMI's forecast that through to 2013, hypermarket sales will increase by 21.2 percent and reach \$0.51 billion.

Source.: Saudi Gazette 30/08/2009

