

Consumer sector

Kuwait: Consumer sector stabilizing, following 2016 slowdown

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The consumer sector is seen stabilizing so far in 2017, following significant moderation in the previous year. Despite robust household income and employment growth, most consumer indicators softened during 2016, including consumer confidence, which remained noticeably weak in 2017. However, growth in card spending has bounced back though it remains far below the double-digit growth of the previous years. Meanwhile, employment among Kuwaitis continues to provide support to the sector, thanks in large part to steady government hiring.

Consumer spending continued to moderate in 1Q17, but maintained a decent pace. Spending growth on credit and debit cards at point-of-sale machines slid back to 6.9% year-on-year (y/y) during the first quarter, down from 9.1% y/y back in 4Q2016. Total spending including ATM withdrawals growth was improved slightly at 4.3% y/y (Chart 2).

Moderation in the sector was also felt in weaker import growth. Consumer imports were flat in 1Q17, growing by just 0.2% y/y. Imports of motor vehicles has been particularly weak, though a 3% y/y decline in 1Q17 was an improvement on the deeper decreases seen in recent quarters and pointed to some stabilization. The auto market has been struggling and sales are estimated to have retreated by 20-25% in 2016. More generally, there has been noticeable weakness in consumer durable goods purchases as reflected in the Ara consumer confidence index.

Indeed, while consumer confidence has improved in recent months, it remains somewhat soft. Though confidence weakened in May to 99, it has been improving since 3Q16. The index has been on a downward trend for four years and fell more rapidly in 2016 after the government hiked fuel prices. It has since recovered somewhat, though the general index's 3-month average in May was still down 2.5% y/y. The durable goods component has remained particularly disappointing, with the 3-month average down 9% y/y (Chart 3).

Household lending growth has firmed up slightly since the beginning of the year. Growth in personal facilities excluding credit for the purchase of securities slipped to 6.9% y/y April 2017, compared to 11.6% growth a year ago (Chart 1). The average monthly gain in such loans rose to KD 70 million so far in 2017, compared to a KD 59 million average in 2016.

Public sector hiring in 2016 continues to support national employment growth. The number of Kuwaiti civilian job-entrants averaged nearly 3,900 a quarter during 2016, supported by strong hiring during 1Q16. This represents a marked rise from around 3,000 job entrants two years earlier. Around 70% of these new jobs were in the government. While offered new public jobs have retreated slightly, they continue to be an important driver of job gains in the post-\$100 oil era.

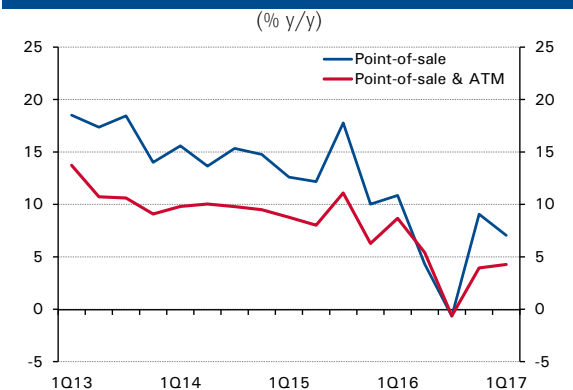
The consumer sector is likely to stabilize further in 2017. The recent decision to implement more moderate hikes in utility prices, combined with a government commitment to limit its spending cuts, should continue to provide decent support to the consumer sector.

Chart 1: Household debt growth



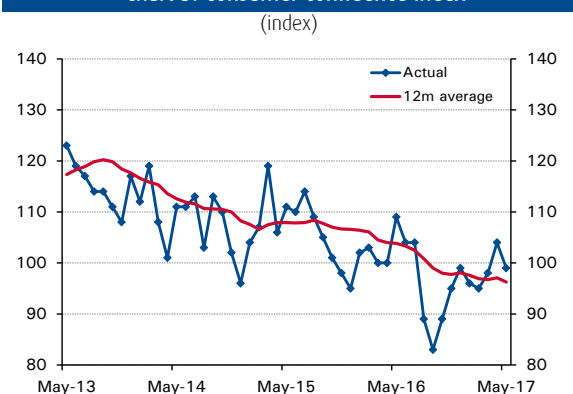
Source: Central Bank of Kuwait

Chart 2: Card transactions



Source: Central Bank of Kuwait

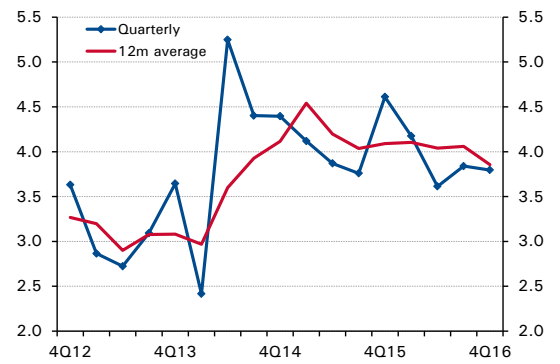
Chart 3: Consumer confidence index



Source: Ara Research & Consultancy

Chart 4: Kuwaiti civilian job entrants

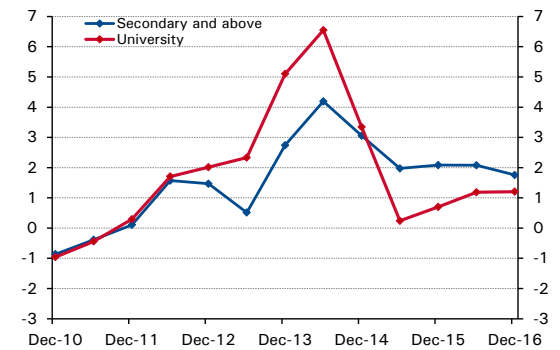
(thousands)



Source: Public Institution For Social Security (PIFSS), NBK estimates

Chart 5: Expatriate employment

(% y/y)



Source: Public Authority for Civil Information

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