

Consumer price inflation

# Kuwait: Inflation holds steady at 2.6% in April

> Dana Al-Fakir

Economist

+965 2259 5373, danafakir@nbk.com

> Nembr Kanafani

Senior Economist

+965 2259 5365, nemrkanafani@nbk.com

**Inflation in consumer prices held steady at 2.6% year-on-year (y/y) in April, as inflation across most components stabilized.** (Chart 1.)

Softer inflation in housing rent has been a key contributor to lower inflation recently, as has food inflation. Local food prices continued to fall amid an ongoing decline in global food prices. Core inflation, which excludes food prices, also came in unchanged from March at 3.3% y/y.

**Inflation is expected to gather some pace from the second half of 2017 onward, as the government hikes electricity and water tariffs.**

The tariffs are set to rise to 3-5 fils per kilowatt-hour (kWh) for the various sectors from the current 2 fils. In May, the Ministry of Electricity & Water began applying new utility tariffs in the commercial sector. Tariffs rose to 5 fils/kWh from 2 fils and to KD 2 per 1,000 imperial gallon of water from KD 0.8. The increases in utility prices are expected to push inflation up slightly from current levels to an expected annual average close to 3% in 2017; this is slightly lower than the 3.2% reading in 2016.

**Inflation in food prices remained soft in April.** Local food prices fell by 0.2% y/y as global food prices declined sharply. (Chart 2.) According to the Commodity Research Bureau, international prices of commodity foods were down by 8.4% y/y in April. Inflation in local food prices may face some limited upward pressure during Ramadan in May and June, when demand for some food staples typically rises. Indeed, a number of local co-ops have already hiked some prices by 20% to 35%.

**Inflation in housing services came in unchanged from March.** Inflation in the housing component, mostly comprised of housing rents and updated quarterly, slowed from 6.4% y/y in 4Q16 to a three-year low of 4.3% y/y in 1Q17, in-line with some softness in the housing market (Chart 3). However, we expect momentum in this segment to pick up in the second half of 2017 on the back of higher utility tariffs.

**Inflation in the retail sector remained weak amid subdued consumer demand.** (Chart 4.) Inflation in clothing & footwear prices fell deeper into deflationary territory in April after retreating by 1.1% y/y, as the ongoing weakness in consumer demand continues to lead to more frequent and extended promotions. Car prices also continued to decline for the seventh consecutive month in April, after falling by 1.3% y/y. Inflation in "other goods & services" was flat amid softer gold inflation, while inflation in the furnishings & household maintenance segment was stable at 2.9% y/y.

**Inflation in services was steady at a multi-month high of 2.4% y/y in April.** (Charts 5 & 6.) Price growth remains particularly strong in the hospitality sector. At 4.5% y/y, inflation in the restaurants & hotels segment remained relatively elevated. Inflation in the services ex-housing has also been buoyed by the recent increases in transport service fees. Transport services have been readjusting their fees to account for the higher fuel charges that were implemented back in September of 2016. In April, inflation in this segment stood at a multi-year high of 3.3% y/y.

Chart 1: Consumer price inflation

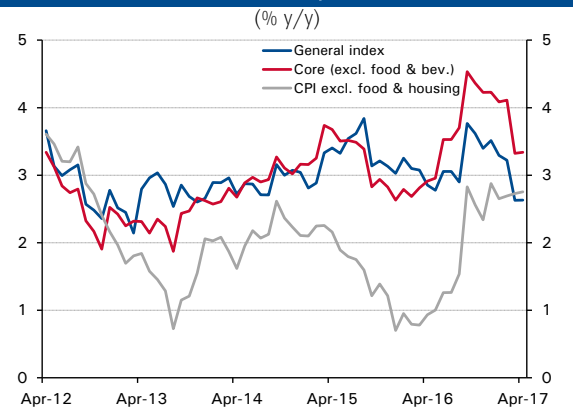


Chart 2: Inflation in food prices

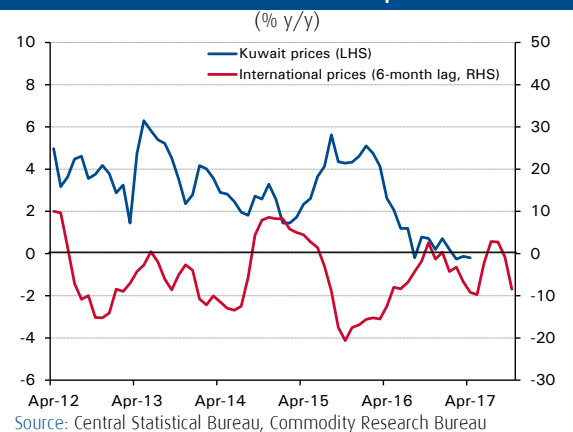
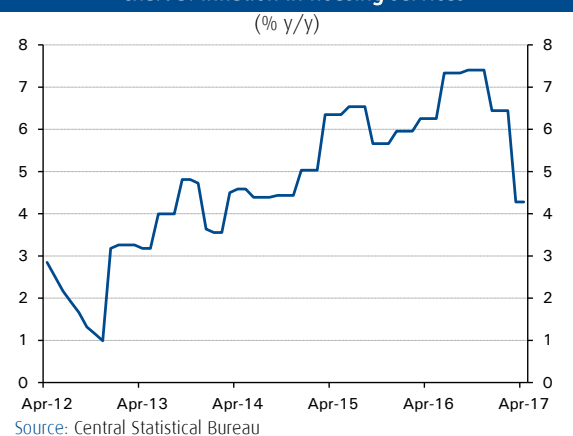


Chart 3: Inflation in housing services



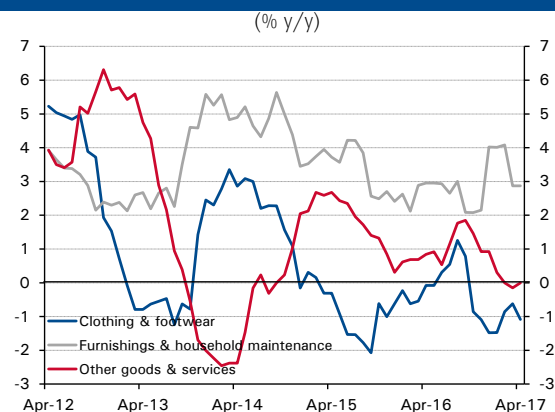
**Table: Consumer price inflation**

(% change)	Year-on-year		Annual average	
	Mar-17	Apr-17	2015	2016
Food & beverages	-0.1	-0.2	3.4	1.9
Tobacco & cigarettes	0.6	0.6	6.0	0.7
Clothing & footwear	-0.6	-1.1	-0.9	-0.2
Housing services*	4.3	4.3	6.0	6.8
Furnishings & household maintenance	2.9	2.9	3.4	2.7
Healthcare	1.5	1.8	1.7	1.7
Transportation	12.1	12.1	0.5	2.5
Communication	-0.1	-0.1	0.4	0.5
Recreation & culture	0.2	0.2	-0.2	-0.1
Education	1.1	1.1	4.4	3.1
Restaurants & hotels	4.5	4.5	5.7	3.1
Other goods & services	-0.2	0.0	1.9	1.0
<b>Core**</b>	<b>3.3</b>	<b>3.3</b>	<b>3.2</b>	<b>3.5</b>
Durable goods	0.1	0.2	1.1	0.8
Semi-durable goods	-0.1	-0.4	0.2	0.6
Non-durable goods	3.0	3.0	2.6	2.6
Services	3.5	3.5	4.9	4.7
Services ex-housing	2.4	2.4	3.3	1.6
<b>General index</b>	<b>2.6</b>	<b>2.6</b>	<b>3.3</b>	<b>3.2</b>

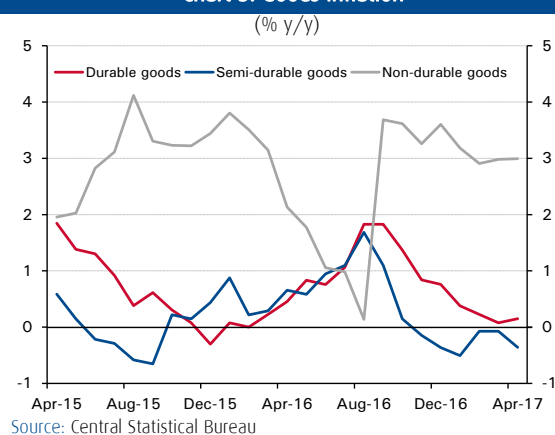
Source: Central Statistical Bureau, NBK estimates

\* Updated once every quarter

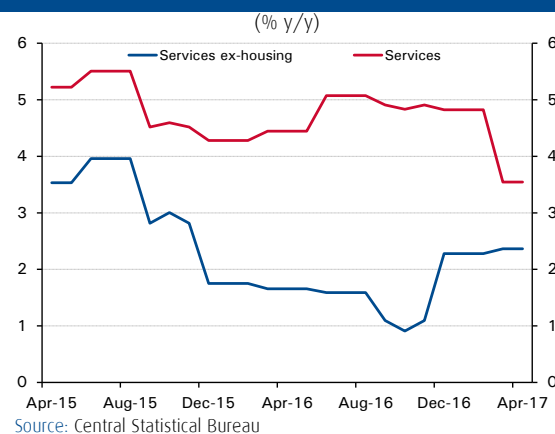
\*\* Excludes food and beverages; estimated by NBK

**Chart 4: Inflation in other sectors**


Source: Central Statistical Bureau

**Chart 5: Goods inflation**


Source: Central Statistical Bureau

**Chart 6: Services inflation**


Source: Central Statistical Bureau

## Head Office

**Kuwait**  
National Bank of Kuwait SAKP  
Abdullah Al-Ahmed Street  
P.O. Box 95, Safat 13001  
Kuwait City, Kuwait  
Tel: +965 2242 2011  
Fax: +965 2259 5804  
Telex: 22043-22451 NATBANK  
[www.nbk.com](http://www.nbk.com)

## International Network

**Bahrain**  
National Bank of Kuwait SAKP  
Zain Branch  
Zain Tower, Building 401, Road 2806  
Seef Area 428, P. O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

National Bank of Kuwait SAKP  
Bahrain Head Office  
GB Corp Tower  
Block 346, Road 4626  
Building 1411  
P.O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

**United Arab Emirates**  
National Bank of Kuwait SAKP  
Dubai Branch  
Latifa Tower, Sheikh Zayed Road  
Next to Crown Plaza  
P.O.Box 9293, Dubai, U.A.E  
Tel: +971 4 3161600  
Fax: +971 4 3888588

National Bank of Kuwait SAKP  
Abu Dhabi Branch  
Sheikh Rashed Bin Saeed  
Al Maktoom, (Old Airport Road)  
P.O.Box 113567, Abu Dhabi, U.A.E  
Tel: +971 2 4199 555  
Fax: +971 2 2222 477

**Saudi Arabia**  
National Bank of Kuwait SAKP  
Jeddah Branch  
Al Khalidiah District,  
Al Mukmal Tower, Jeddah  
P.O Box: 15385 Jeddah 21444  
Kingdom of Saudi Arabia  
Tel: +966 2 603 6300  
Fax: +966 2 603 6318

**Jordan**  
National Bank of Kuwait SAKP  
Amman Branch  
Shareef Abdul Hamid Sharaf St  
P.O. Box 941297, Shmeisani,  
Amman 11194, Jordan  
Tel: +962 6 580 0400  
Fax: +962 6 580 0441

**Lebanon**  
National Bank of Kuwait  
(Lebanon) SAL  
BAC Building, Justinien Street, Sanayeh  
P.O. Box 11-5727, Riad El-Solh  
Beirut 1107 2200, Lebanon  
Tel: +961 1 759700  
Fax: +961 1 747866

**Iraq**  
Credit Bank of Iraq  
Street 9, Building 187  
Sadoon Street, District 102  
P.O. Box 3420, Baghdad, Iraq  
Tel: +964 1 7182198/7191944  
+964 1 7188406/7171673  
Fax: +964 1 7170156

**Egypt**  
National Bank of Kuwait - Egypt  
Plot 155, City Center, First Sector  
5th Settlement, New Cairo  
Egypt  
Tel: +20 2 26149300  
Fax: +20 2 26133978

**United States of America**  
National Bank of Kuwait SAKP  
New York Branch  
299 Park Avenue  
New York, NY 10171  
USA  
Tel: +1 212 303 9800  
Fax: +1 212 319 8269

**United Kingdom**  
National Bank of Kuwait  
(International) Plc  
Head Office  
13 George Street  
London W1U 3QJ  
UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7224 2101

National Bank of Kuwait  
(International) Plc  
Portman Square Branch  
7 Portman Square  
London W1H 6NA, UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7486 3877

**France**  
National Bank of Kuwait  
(International) Plc  
Paris Branch  
90 Avenue des Champs-Elysees  
75008 Paris  
France  
Tel: +33 1 5659 8600  
Fax: +33 1 5659 8623

**Singapore**  
National Bank of Kuwait SAKP  
Singapore Branch  
9 Raffles Place # 44-01  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

**China**  
National Bank of Kuwait SAKP  
Shanghai Representative Office  
Suite 1003, 10th Floor, Azia Center  
1233 Lujiazui Ring Road  
Shanghai 200120, China  
Tel: +86 21 6888 1092  
Fax: +86 21 5047 1011

## NBK Capital

**Kuwait**  
NBK Capital  
38th Floor, Arraya II Building, Block 6  
Shuhada'a street, Sharq  
PO Box 4950, Safat, 13050  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6904 / 5

**United Arab Emirates**  
NBK Capital Limited - UAE  
Precinct Building 3, Office 404  
Dubai International Financial Center  
Sheikh Zayed Road  
P.O. Box 506506, Dubai  
UAE  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

## Associates

**Turkey**  
Turkish Bank  
Valikonagl CAD. 7  
Nisantasi, P.O. Box. 34371  
Istanbul, Turkey  
Tel: +90 212 373 6373  
Fax: +90 212 225 0353