

# Consumer spending softens in May but remains strong

NBK's consumer spending index is a monthly indicator developed by the Economic Research Department to track domestic private consumption expenditure behavior. This is the first broad monthly consumer spending index in Kuwait. The May index is the first to be publicly released, following several months of testing.

**Seasonal factors weighed on consumer spending in May, with softer numbers observed across the board.** However, conditions remained strong compared to 2017, with NBK's consumer spending index rising 7.5% year-on-year (y/y), supported by firmer oil prices, improving consumer confidence, and steady employment. Momentum is expected to remain robust throughout 2018.

**Spending on durables retreated by 4.2% month-on-month (m/m), pulled down by softer auto sales and furniture purchases ahead of the summer season.** The slowdown also coincided with the first two weeks of the holy month of Ramadan, during which the consumption of durables is usually subdued. The durables index, however, maintained a good pace of growth relative to last year, settling at a strong 8.9% y/y in May.

**Similarly, consumption of services and non-durables slipped in May, by 0.2% m/m and 3.9% m/m, respectively.** The declines were also impacted by the start of the holy month (mid-May), as well as the end of the academic year. The services sector continued to register strong growth compared to 2017, with its index up 10.6% y/y in May, while the non-durables index eased to 0.3% y/y, its slowest pace since December.

Consumer spending is projected to remain healthy through 2018. However, uncertainty over the future income and employment prospects of expats – following higher expected service and utility fees, as well as the state's efforts to reduce expat employment – may weigh down on consumer spending. Meanwhile, spending by Kuwaiti nationals is expected to remain strong, thanks to low inflation, healthy employment, and higher public spending.

► **Table 1: NBK Private Consumption Expenditure (PCE) index by sector**

	May-18 index	Apr-18 index	May-17 index	Change	
				M/M %	Y/Y %
Durables	110.7	115.6	101.7	-4.2	8.9
- Auto	89.4	94.9	78.7	-5.8	13.5
Non-durables	117.7	122.4	117.3	-3.9	0.3
Services	147.8	148.2	133.7	-0.2	10.6
<b>NBK PCE</b>	<b>134.7</b>	<b>137.8</b>	<b>125.3</b>	<b>-2.2</b>	<b>7.5</b>

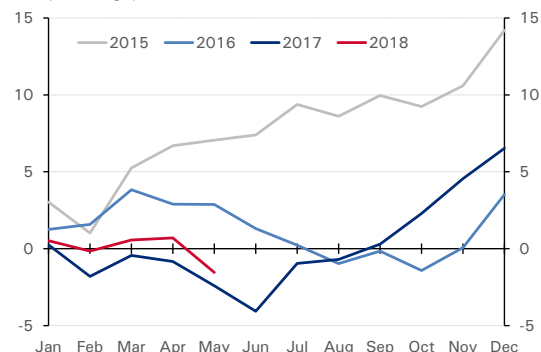
Source: NBK

► **Chart 1: NBK PCE index (2014=100)**



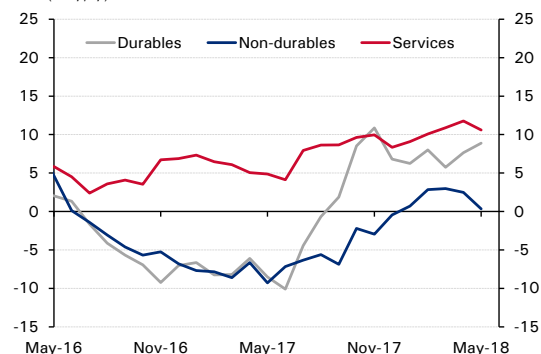
Source: NBK

► **Chart 2: NBK PCE index year-to-date (% change)**



Source: NBK

► **Chart 3: NBK PCE index growth (% y/y)**



Source: NBK