

Kuwait: Summer lull weighs on consumer spending in July

Growth in the NBK consumer spending index eased to 6.5% y/y in July, despite recording a strong rise in month-on-month terms. Signs of the summer lull were apparent, with softer demand for durable goods and services during the month. Meanwhile, spending on non-durables increased in July, but growth in that sector was close to flat relative to last year. Year-to-date, the index is down 1%.

The consumption of durables was flat in July, with growth easing to 7.3% y/y from 10.8% in June, as the sector continued to feel the impact of seasonally lower demand during the summer months. Sales of cars, furniture, and luxury items were weaker, while spending on electronics picked up.

With the travel season in full swing, service consumption was up slightly on the month, supported by spending on travel, but growth slowed to a still strong 10.4% y/y.

Meanwhile, consumption of non-durables witnessed its strongest monthly pick-up in a year, driven by clothing and cosmetics. Growth for the year was softer, however, contracting by 0.3% y/y, its first time since December.

Consumer spending is projected to continue growing through 2018, albeit at a softer pace than originally expected. A steady expansion in national employment and expat employment (better than earlier expectations) should support spending, with further support from low inflation and higher public spending.

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

	Jul-18 index	Jun-18 index	Jul-17 index	Change	
				M/M %	Y/Y %
Durables	111.3	111.1	103.7	0.1	7.3
- Auto	84.0	88.2	80.0	-4.7	5.1
Non-durables	123.5	119.1	123.9	3.7	-0.3
Services	145.0	144.0	131.3	0.7	10.4
NBK PCE	135.4	133.7	127.2	1.3	6.5

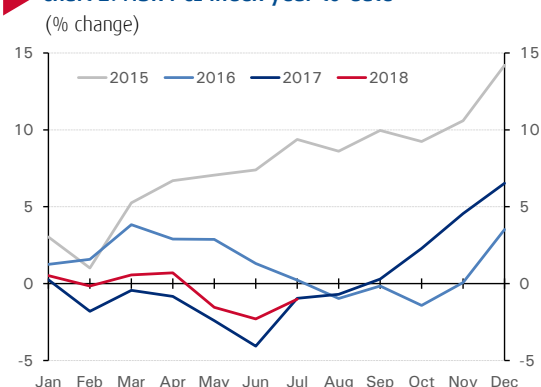
Source: NBK

► **Chart 1: NBK PCE index**



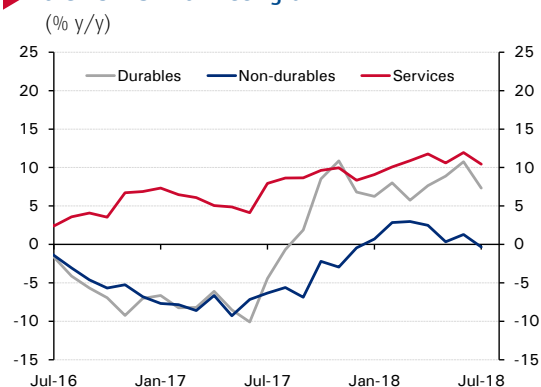
Source: NBK

► **Chart 2: NBK PCE index year-to-date**



Source: NBK

► **Chart 3: NBK PCE index growth**



Source: NBK

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