

Consumer price inflation

Kuwait: November inflation inches up to 1.5%, spurred by retail activity

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Consumer price inflation rose slightly to 1.5% in November, predominantly driven by price rises of some retail goods and services. (Chart 1.) Inflation remained subdued recently, held back by the ongoing deflationary pressures in housing rents and a slow pickup in food and beverage prices. However, price activity excluding housing rent, food and energy prices has been stronger, with inflation there rising to 3.4% year-on-year (y/y) in November. While headline inflation bounced back from a low in September 2017, it is still expected to end 2017 well below levels in recent years. We expect inflation to average 1.5% for 2017, down from 3.5% in 2016.

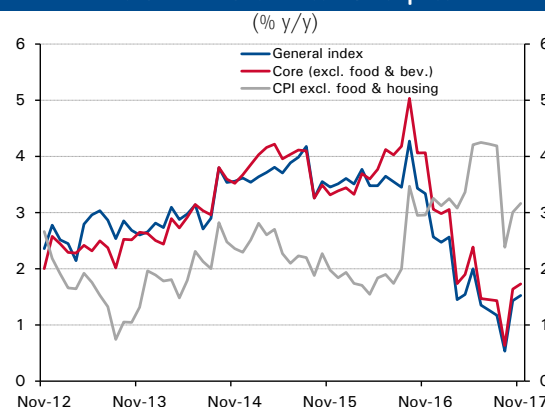
Prices in housing services, especially rent, have continued to contract, though the pace has moderated. The housing services sub-index reflected the correction in rental rates after a general slowdown in the real estate market in 2015 and 2016. Prices in housing services contracted by 0.3% y/y in November, a vast improvement from August's 2.3% y/y decline (Chart 2). Based on the recovery in real estate sales activity, especially in the residential sector, rental rates are expected to continue to stabilize in the coming months.

Food price inflation is on the mend as global food prices show a steady pick-up. Inflation in local food prices picked up to 0.5% y/y, compared to October's 0.4% y/y. The annual change in local food prices in 2016 and 2017 oscillated around zero, as global food prices remained largely deflationary. With global food price inflation already on the rise, 2018 could see higher local food inflation though not before mid-2018.

November's price pick-up was largely driven by a rise in retail goods and services. (Chart 4.) On the back of improved consumer spending, the price of furnishing products, such as carpeting, and services related to household maintenance, has made a noticeable contribution to inflation over the last year. Along with accelerating prices in clothing and footwear and in recreation and culture, there was significant price increase in personal care products. These four sectors, along with transport related costs, contributed to around 85% of the annual price increase in November.

Inflation in services excluding housing has been somewhat higher recently, possibly reflecting a recovery in consumer spending activity. Inflation in services ex-housing remained steady at 3.0% y/y in November. The ongoing easing in transport costs and deflation in some personal care costs were offset by a pickup in consumer expenditure on recreation and spending on cultural activities. Meanwhile, services overall have stabilized on the back of moderating housing-related services. (Chart 5.) Keeping pace with October, inflation in services as a whole remained at 0.8% y/y in November.

Chart 1: Inflation in consumer prices



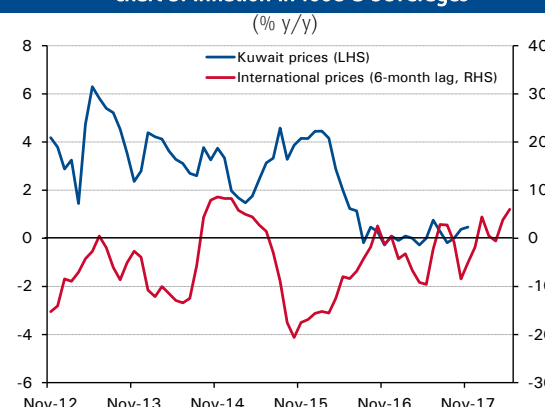
Source: Central Statistical Bureau, NBK estimates

Chart 2: Inflation in housing services



Source: Central Statistical Bureau

Chart 3: Inflation in food & beverages



Source: Central Statistical Bureau

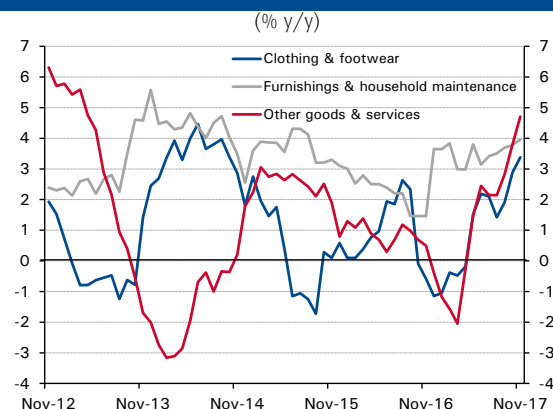
Table: Consumer price inflation

(% change)	Year-on-year		Annual average	
	Oct-17	Nov-17	2015	2016
Food & beverages	0.4	0.5	3.0	1.7
Tobacco & cigarettes	2.1	2.1	5.6	0.3
Clothing & footwear	2.9	3.4	0.3	0.8
Housing services*	-0.3	-0.3	6.1	6.1
Furnishings & household maintenance	3.8	4.0	3.7	2.3
Healthcare	0.9	0.9	1.7	1.2
Transportation	1.7	1.9	0.9	4.1
Communication	0.8	0.9	0.6	2.0
Recreation & culture	5.7	6.3	-0.3	-1.8
Education	1.8	1.8	4.8	3.6
Restaurants & hotels	3.0	3.0	6.3	6.9
Other goods & services	3.8	4.7	2.4	0.8
Core**	1.6	1.7	3.8	3.9
Durable goods	1.3	1.6	2.4	2.5
Semi-durable goods	2.4	2.7	1.4	1.1
Non-durable goods	4.6	5.5	0.0	0.4
Services	0.8	0.8	5.4	4.9
Services ex-housing	3.0	3.0	3.9	2.4
General index	1.4	1.5	3.7	3.5

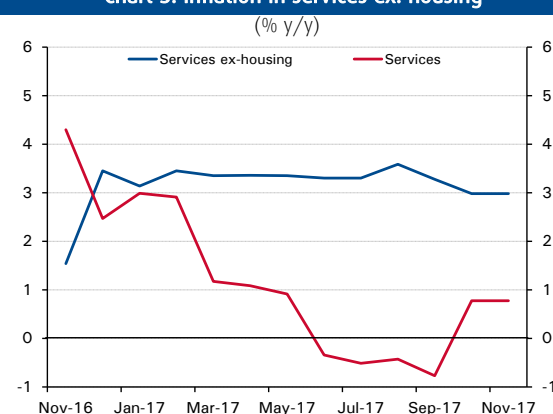
Source: Central Statistical Bureau, NBK estimates

* Updated once every quarter

** Excludes food and beverages; estimated by NBK

Chart 4: Inflation in other sectors


Source: Central Statistical Bureau

Chart 5: Inflation in services ex. housing


Source: Central Statistical Bureau, NBK estimates

Chart 6: Inflation in transportation


Source: Central Statistical Bureau

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