Consumer sector

Kuwait: Consumer sector on the mend on stronger confidence and spending

The consumer sector appears to be on the mend, with clear signs of a recovery in 3Q17, following a noticeable slowdown in 2016 and 1H17. The recovery is broad based with strength materializing in card spending, consumer confidence and household credit, though most consumer indicators remain below the double-digit growth of previous years. Nonetheless, employment remains healthy, providing support to the sector.

Consumer spending growth continued to recover in 3Q17, with growth nearing its 2015 pace. Spending growth on credit and debit cards at point-of-sale machines improved to 12.5% year-on-year (y/y) during the third quarter, up from -0.7% y/y in 3Q16. Growth in total spending including ATM withdrawals, which has been slower, has also been improving, accelerating to 8.5% y/y in 3Q17 (Chart 2).

Durable goods continue to show some weakness, though a turnaround is expected soon. The contraction in car imports has moderated to a 5% y/y decline during the first nine months of 2017. The Ara consumer confidence index has also hinted at a possible rebound. The durable goods sub-index registered its highest 3-month average in a year, coming in at 119 in November, up 16% y/y. (Chart 3).

Overall consumer confidence has also improved noticeably. The Ara general index registered its sixth consecutive month above 100, settling at 113 in November and averaging 107 since June 2017, compared to 94 over the same period in 2016.

The improvement in consumer confidence appears to be helping household loan growth pick-up steadily in 2017. Growth in personal facilities excluding credit for the purchase of securities has picked up in recent months to average 7.3% y/y between July and October 2017; this is compared to an average of 6.8% during the first half of 2017. (Chart 1). The average monthly gain in such loans also rose to KD 92 million over that same period, well above 1H17’s KD 58 million average.

Employment growth among Kuwaitis strengthened in 2Q17 following some moderation in 1Q17. The number of new civilian jobs among Kuwaitis totaled 4,200 in 2Q17, driven by a strong increase in government hires. Growth in employment, however, was steady at 2% y/y, around the slowest pace it has been in over seven years.

The consumer sector is likely to finish 2017 on a strong note. The decision to implement more moderate hikes in utility prices and the slow recovery in the real estate market activity, combined with a government commitment to limit its spending cuts, should continue to provide decent support to the consumer sector.
Chart 4: Kuwaiti civilian job entrants (thousands)

Source: Public Institute for Social Security (PIFSS), NBK estimates