

Consumer sector

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

> Chaker El Mostafa

Economist
+965 2259 5356, chakermostafa@nbk.com

> Nembr Kanafani

Head of Research
+965 2259 5365, nemrkanafani@nbk.com

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 1: Household debt growth

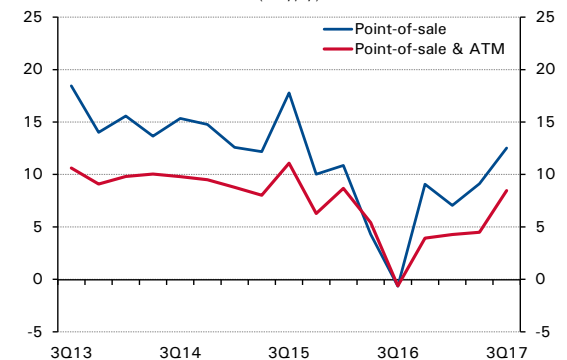
(% y/y)



Source: Central Bank of Kuwait

Chart 2: Card transactions

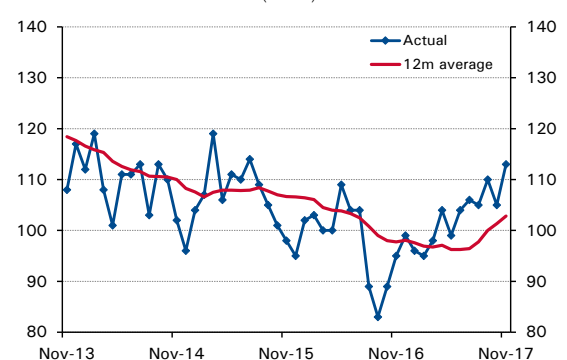
(% y/y)



Source: Central Bank of Kuwait

Chart 3: Consumer confidence index

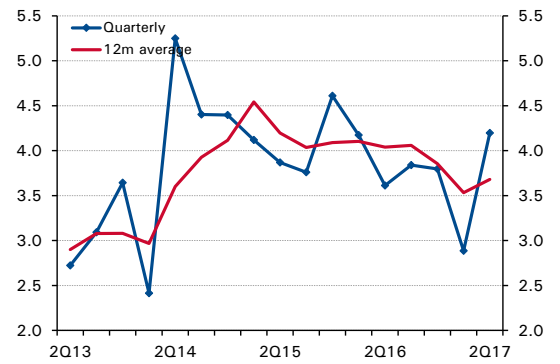
(index)



Source: Ara Research & Consultancy

Chart 4: Kuwaiti civilian job entrants

(thousands)



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

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

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