

Consumer price inflation

Kuwait: Inflation bounced up to 1.4% in October supported by the retail sector

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Consumer price inflation bounced to a multi-month high of 1.4% in October, as inflation in the retail sector provided a healthy boost to the general index. (Chart 1.) Inflation excluding housing rent, food costs and energy prices, rose from 2.5% y/y in September to 3.3% y/y in October, highlighting some upward inflationary pressures from retail goods and services, which coincided with the improving momentum in the consumer sector.

The annual average inflation rate for 2017 is likely to ease to 1.6%, from the 3.5% annual average recorded in 2016. While there are some upward pressures from the retail goods segment and some services, these pressures are likely to be offset by continued softness in housing rent and food prices.

Housing inflation remains subdued during the third quarter of 2017.

The slowdown in the real estate sector sales in 2015 and 2016 has led to an orderly and slow correction in property prices and rents. Housing inflation trended down from 2Q16 to reach deflationary territory in 1Q17. Housing inflation witnessed an uptick in October to -0.3% y/y, due to basis effects.

Local food price inflation remained soft in tandem with weaker inflation in global food prices.

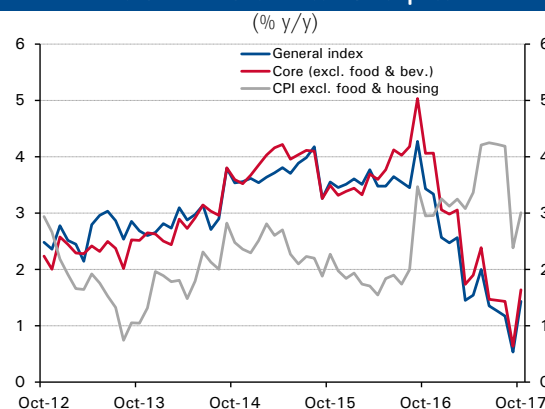
Inflation in local food prices advanced slightly in October to 0.4% y/y, following a flat month. (Chart 3.) According to the Commodity Research Bureau, inflation in international food prices contracted slightly. This weakness is likely to limit any significant increases in local food costs in at least the near-to-medium term.

Inflationary pressures in the retail sector rose in October, just as consumer spending continued to see improvement.

(Chart 4.) Consumer spending improved in 3Q17 with growth in card spending (POS) accelerating to 12.5% y/y, following a systematic moderation in 2016. Card spending has bounced back as the sector stabilized. At the same time, inflation in the three major retail goods related components accelerated to near multi-month highs, with inflation in clothing and footwear accelerating to 2.9% y/y in October from 1.9% y/y the previous month.

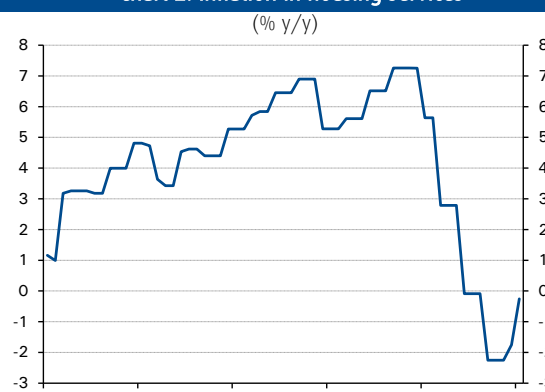
Inflation in services excluding housing services continues to trend downward in October on the back of fading price growth in transportation costs due to base effects. (Charts 5 and 6.) Despite the downward pressures from transportation prices, inflation in services excluding housing services remained supported by continued gains in inflation in the recreation & culture segment and steady inflation in restaurants & hotels. Inflation in restaurants & hotels was steady at its multi-month high of 3.0% y/y in October, while inflation in recreation & culture rose from 5.4% y/y to 5.7% y/y during the same period.

Chart 1: Inflation in consumer prices



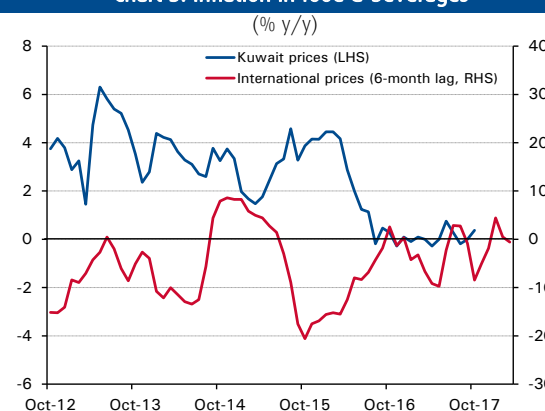
Source: Central Statistical Bureau, NBK estimates

Chart 2: Inflation in housing services



Source: Central Statistical Bureau

Chart 3: Inflation in food & beverages



Source: Central Statistical Bureau

Table: Consumer price inflation

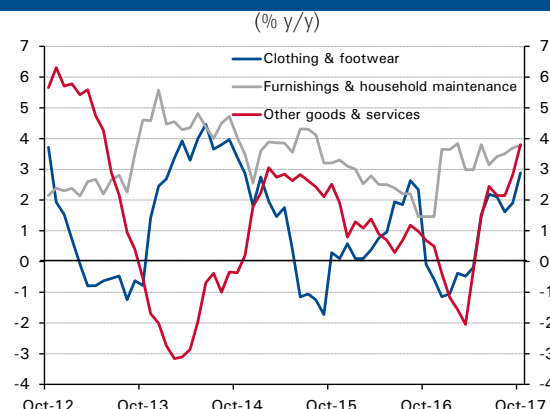
(% change)	Year-on-year		Annual average	
	Sep-17	Oct-17	2015	2016
Food & beverages	0.0	0.4	3.0	1.7
Tobacco & cigarettes	2.1	2.1	5.6	0.3
Clothing & footwear	1.9	2.9	0.3	0.8
Housing services*	-1.8	-0.3	6.1	6.1
Furnishings & household maintenance	3.7	3.8	3.7	2.3
Healthcare	0.4	0.9	1.7	1.2
Transportation	1.7	1.7	0.9	4.1
Communication	-0.1	0.8	0.6	2.0
Recreation & culture	5.4	5.7	-0.3	-1.8
Education	1.9	1.8	4.8	3.6
Restaurants & hotels	3.0	3.0	6.3	6.9
Other goods & services	2.8	3.8	2.4	0.8
Core**	0.6	1.6	3.8	3.9
Durable goods	0.9	1.3	2.4	2.5
Semi-durable goods	1.8	2.4	1.4	1.1
Non-durable goods	3.6	4.6	0.0	0.4
Services	-0.8	0.8	5.4	4.9
Services ex-housing	3.3	3.0	3.9	2.4
General index	0.5	1.4	3.7	3.5

Source: Central Statistical Bureau, NBK estimates

* Updated once every quarter

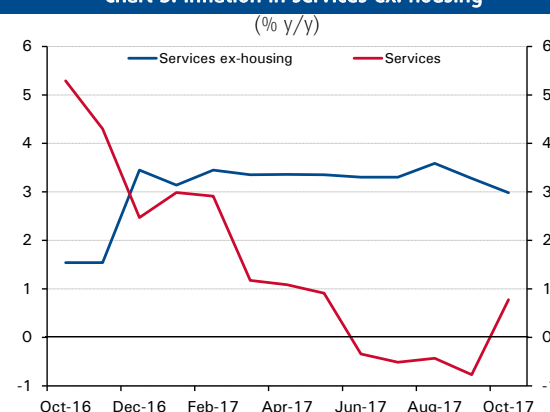
** Excludes food and beverages; estimated by NBK

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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