

Kuwait: Consumer spending slows in August, weighed by seasonal factors

Growth in NBK's consumer spending index slowed to 3.5% y/y in August from 6.5% in July, affected by travel and holidays. The index dropped 2.5% on the month, coinciding with Hajj (Islamic pilgrimage) and a 10-day Eid holiday. According to the Directorate General of Civil Aviation, the number of passengers that traveled during Eid-al-Adha is expected to have reached 542,000, up 52% on the same period last year. Year-to-date, the NBK PCE index is down 3.5%, though is expected to pick-up upon the end of the summer season and the start of the academic year.

Softness was observed across the board, with durables easing the most. Consumption in that sector was down 4.3% m/m in August, with growth easing to 2.3% y/y from 7.4% in July. Auto sales were particularly weak, down 8.8% m/m and 6% y/y.

Meanwhile, the pace of consumption of non-durables contracted further, after struggling to maintain the positive growth it saw in previous months. The sector retreated by 1.9% y/y in August, pulled down by softer clothing, cosmetics and general store sales.

Growth in the spending for services slowed to 7.8% y/y from 10.4% in July, due to less domestic spending across most components.

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

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

	Aug-18 index	Jul-18 index	Aug-17 index	Change	
				M/M %	Y/Y %
Durables	106.5	111.3	103.9	-4.3	2.4
- Auto	76.7	84.0	81.5	-8.8	-6.0
Non-durables	121.7	123.5	124.0	-1.5	-1.9
Services	141.7	145.0	131.5	-2.3	7.8
NBK PCE	132.0	135.4	127.5	-2.5	3.5

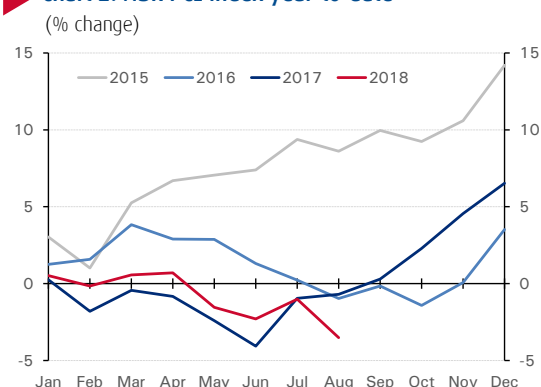
Source: NBK

► **Chart 1: NBK PCE index**



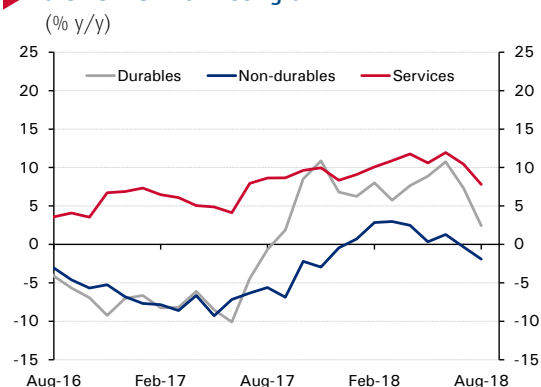
Source: NBK

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



Source: NBK

► **Chart 3: NBK PCE index growth**



Source: NBK

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