Consumer price inflation

Kuwait: Inflation eases to 2.9% in April on moderating food price growth

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Inflation in consumer prices eased to 2.9% year-on-year (y/y) in April, on the back of a slowdown in food inflation. (Chart 1.) Core inflation (which excludes food prices) was slightly higher at 2.9% y/y, as inflation in the clothing & footwear and furnishings segments continued to gather some pace in April. Inflation is projected to hold steady in the near-to-medium term, amid low global commodity prices and a stronger dinar. As a result, we foresee annual average inflation in 2016 to ease slightly to 3.0% compared to 3.3% in 2015.

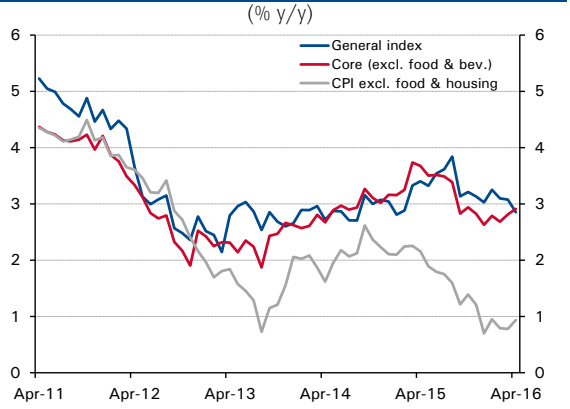
Inflation in local food prices continued to trend lower in April. (Chart 2.) Food inflation eased from 4.1% y/y in March to an almost one-year low of 2.6% y/y in April, on the back of a slowdown in most of its subcomponents. Inflation in global food prices witnessed a rebound, climbing into positive territory for the first time since June 2015. According to the Commodity Research Bureau's global commodity index, inflation in international food prices logged in a reading of 2.6% y/y for April.

Inflation in furnishings & household maintenance saw some stabilization in April; clothing & footwear costs gained some momentum during the same period. (Chart 4.) Inflation in furnishings stabilized at around 3% y/y in April. Clothing & footwear prices continued to fall during the same period, but at a much lower rate of –0.1% y/y. The stronger dinar and more frequent and longer seasonal promotions have kept costs low in this component.

Inflation in the 'other goods & services' segment continued to edge higher in April but still remained relatively low. (Chart 4.) Inflation in this component, which is mostly comprised of imported goods such as personal care products and jewelry, has been kept in check by lower imported inflation, thanks to the ongoing strength in the local currency against all major currencies except the US dollar.

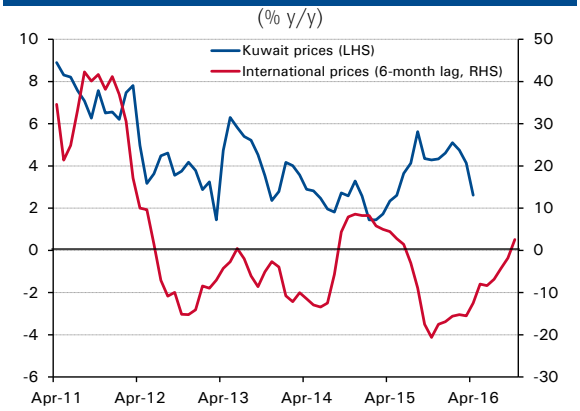
Inflation in wholesale prices decelerated sharply in the first quarter of 2016, amid weaker inflation in agriculture, livestock & fishing, mining & quarrying and in particular, manufacturing (oil related). (Chart 5.) Inflation across the major components of the wholesale price index is forecast to remain moderate in at least the near-to-medium term, on the back of a softer oil price environment and a stronger local currency. This should in turn help keep inflation in the consumer price index at a steady pace in 2016.

Chart 1: Consumer price inflation



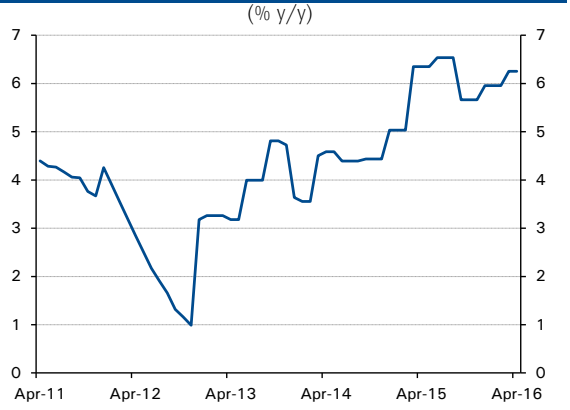
Source: Central Statistical Bureau, NBK estimates

Chart 2: Inflation in food prices



Source: Central Statistical Bureau, Commodity Research Bureau

Chart 3: Inflation in housing services



Source: Central Statistical Bureau

Table 1: Consumer price inflation

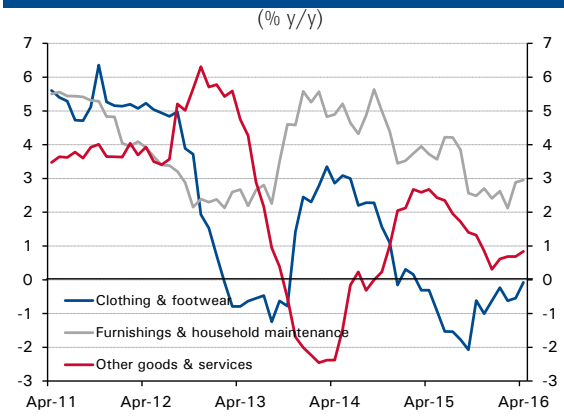
	Month-on-month		Year-on-year		Annual average	
	Mar-16	Apr-16	Mar-16	Apr-16	2014	2015
Food & beverages	-0.5	-0.5	4.1	2.6	2.9	3.4
Tobacco & cigarettes	0.0	0.0	1.1	1.0	7.8	6.0
Clothing & footwear	0.0	0.3	-0.5	-0.1	2.2	-0.9
Housing services*	2.5	0.0	6.3	6.3	4.4	6.0
Furnishings & household maint.	1.2	0.1	2.9	3.0	4.8	3.4
Healthcare	0.3	-0.1	1.2	1.3	-0.6	1.7
Transportation	-1.1	0.0	-1.4	-1.4	1.5	0.5
Communication	0.0	0.0	0.8	0.6	-0.8	0.4
Recreation & culture	0.0	0.0	-1.2	-0.4	0.9	-0.2
Education	0.1	0.0	3.5	3.5	4.7	4.4
Restaurants & hotels	-0.9	0.0	2.4	2.4	3.1	5.7
Other goods & services	0.2	0.1	0.7	0.8	-0.7	1.9
Core**	**1.0**	**1.0**	**2.8**	**2.9**	**2.9**	**3.2**
General index	**0.7**	**0.7**	**3.1**	**2.9**	**2.9**	**3.3**

Source: Central Statistical Bureau, NBK estimates

* Updated once every quarter

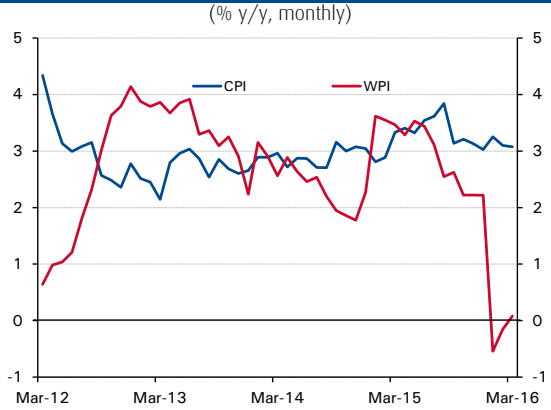
** Excludes food and beverages; estimated by NBK

Chart 4: Inflation in other sectors



Source: Central Statistical Bureau

Chart 5: Wholesale & consumer price inflation



Source: Central Statistical Bureau

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