



Consumer price inflation

Kuwait: Inflation edges up to 3.8% in August; core inflation eases

Inflation in consumer prices edged higher in August, rising from 3.6% year-on-year (y/y) in July to 3.8% y/y, mainly on the back of strong gains in food inflation. Inflation across all other components either retreated or remained unchanged. Core inflation (excludes food) eased for the first time in almost a year, but still remains relatively high at 3.4%. Core inflation has been relatively steady in recent months as inflationary pressures from its components, with the exception of housing, have receded. Slowing inflation in most components and a stronger dinar against major currencies (excluding the US dollar), are expected to limit any further gains in headline inflation. Subsequently, annual consumer price inflation is forecast to average close to 3.5% in 2015.

Inflation in food prices jumped from 4.1% y/y in July to 5.6% y/y in August, though global food prices continued to decline. Local food inflation was driven higher by sharp increases in fish prices. Fish and seafood prices rose by 20% y/y in August, up from a rise of 14.5% y/y in July. However, inflation in this segment is expected to slow in the near-term after a local boycott was organized against the exuberant price hikes, forcing prices down. With international food prices still declining, upward pressures on local food inflation will be limited over the coming months. According to the Commodity Research Bureau global commodity index, international food prices were down by around 15% y/y in August.

Inflation in housing services has been an important source of inflationary pressure over the last 12 months, though we expect that pressure to ease. The housing component rose to a six-year high of 6.5% y/y in June. However, after witnessing strong gains in 4Q14 and in 1Q15, housing inflation, which is mostly comprised of rents, is expected to ease in the coming months.

Inflation in clothing & footwear, and furnishings & household maintenance continued to trend lower in August. Clothing & footwear inflation fell further in August, declining by 1.8% y/y. Inflation in this component is witnessing a large correction, following a high base around the same period last year. Another factor contributing to the downward trend is the stronger dinar (most goods in this component are imported). Inflation in furnishings & household maintenance also eased, slowing from 4.2% y/y in July to 3.8% y/y in August.

Inflation in the 'other goods & services' segment maintained its downward trend in August. Inflation in this segment, which includes prices of personal care products and jewelry and certain business charges, is currently seeing some downward correction. The slowdown can also be attributed to the stronger dinar, since most of the items in this segment are imported.

Wholesale price inflation has been rather steady since the beginning of 2015, amid stable manufacturing costs and slowing mining & quarrying inflation. The most recent data on wholesale price inflation showed a slight easing to 3.4% y/y in June on moderating pressures

> Dana Al-Fakir

Economist

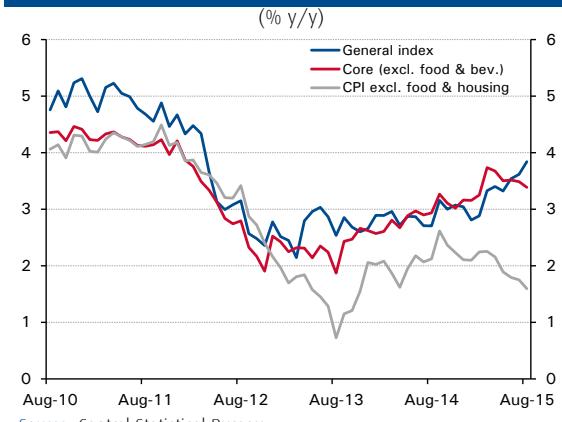
+965 2259 5373, danafakir@nbk.com

> Nemr Kanafani

Senior Economist

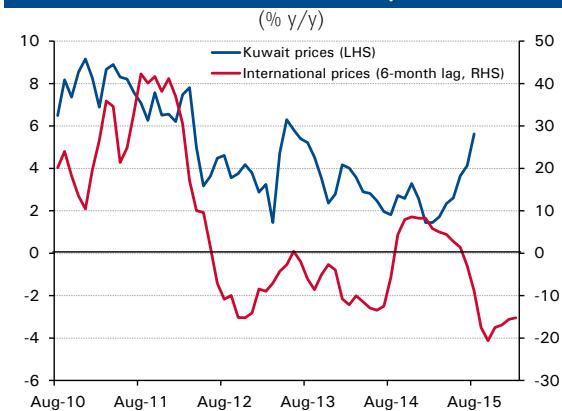
+965 2259 5365, nemrkanafani@nbk.com

Chart 1: Consumer price inflation



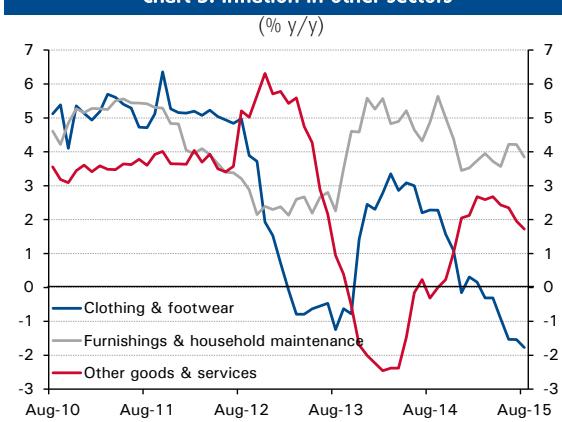
Source: Central Statistical Bureau

Chart 2: Inflation in food prices



Source: Central Statistical Bureau, Commodity Research Bureau

Chart 3: Inflation in other sectors



Source: Central Statistical Bureau

from the manufacturing, and mining & quarrying components. Some of this was offset by upward price pressures in agriculture, livestock & fishing inflation during the summer months. There was a jump in the latter attributable mainly to hikes in fish & seafood prices. Here again, price rises are expected to ease following the boycott organized in August against high fish prices. We expect inflation in the agricultural component to soften over the coming months. Easing wholesale price inflation is a further reassurance that inflation in the consumer price index is poised to remain in check and average close to our 3.5% in 2015.

Table 1: Consumer price inflation

CPI basket (%)	Month-on-month		Year-on-year		Annual average	
	Jul-15	Aug-15	Jul-15	Aug-15	2013	2014
Food & beverages	0.5	1.8	4.1	5.6	4.0	2.9
Tobacco & cigarettes	0.3	0.1	1.5	1.5	7.1	7.8
Clothing & footwear	-0.4	-0.4	-1.5	-1.8	-0.1	2.2
Housing services*	0.0	0.0	6.5	6.5	3.8	4.4
Furnishings & household	0.1	-0.2	4.2	3.8	3.2	4.8
Healthcare	0.1	0.1	2.2	1.7	1.2	-0.6
Transportation	0.0	0.0	0.4	0.4	1.3	1.5
Communication	0.1	0.1	0.5	0.6	0.0	-0.8
Recreation & culture	-0.1	-0.4	-0.8	-0.9	1.9	0.9
Education	0.0	0.0	4.4	4.4	0.8	4.7
Restaurants & hotels	0.0	0.0	6.9	6.9	0.5	3.1
Other goods & services	-0.3	-0.2	2.0	1.7	2.3	-0.7
Core**	0.0	-0.1	3.5	3.4	2.3	2.9
General index	0.1	0.3	3.6	3.8	2.7	2.9

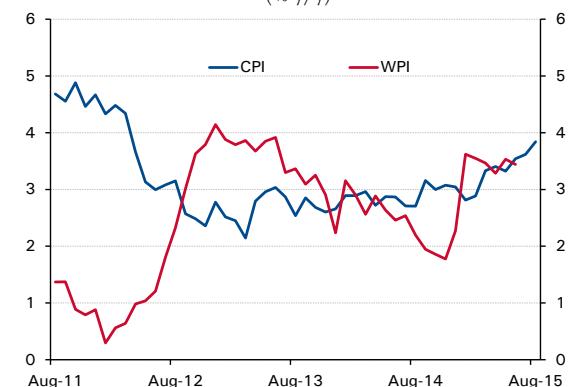
Source: Central Statistical Bureau

* Updated once every quarter

** Excludes food and beverages

Chart 4: Wholesale & consumer price inflation

(% y/y)



Source: Central Statistical Bureau

Head Office

Kuwait

National Bank of Kuwait SAK
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain

National Bank of Kuwait SAK
Bahrain 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
Bahrain Branch (H.O.)
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 SAK
Head Office - Dubai
Latifa Tower, Sheikh Zayed Road
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait
Abu Dhabi - Branch
Sheikh Rashed Bin Saeed
Al Maktoum, (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 SAK
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 SAK
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

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 States of America
National Bank of Kuwait SAK
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 SAK
Singapore Branch
9 Raffles Place #44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China

National Bank of Kuwait SAK
Shanghai Representative Office
Suite 1003, 10th Floor, Azia Center
133 Yin Cheng Bei Road, Lujiazui
Shanghai 200120
China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

Associates

Turkey
Turkish Bank
Valikonagi CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353

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