



بنك الإمارات دبي الوطني  
Emirates NBD

Economics  
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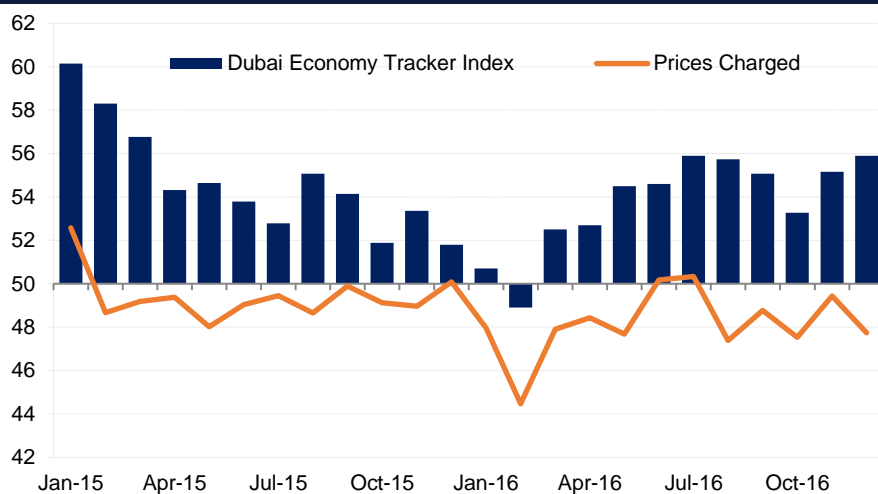
## Dubai Economy Tracker at 5-month high in December

The Emirates NBD Dubai Economy Tracker Index (DET) rose to 55.9 in December, the highest reading since July as both output and new work grew at a faster rate than in November. The output and new work sub-indices both registered readings over 60 last month, well above the neutral 50.0 level. Firms were also more optimistic about the coming 12 months, with the business expectations index rising to 74.5 in December from 70.8 in November.

Consistent with what we've seen in the data through 2016, the rise in output and new work in December was partly driven by price discounting – the prices charged index fell to 47.7 last month from 49.4 in November, even as input costs rose. Employment was also broadly unchanged from November.

Looking at the three sector surveys, the construction sector saw a solid rebound in December following fairly lackluster growth in the prior two months. Travel & tourism and wholesale & retail trade continued to show strong expansion at the end of last year.

### Emirates NBD Dubai Economy Tracker Index



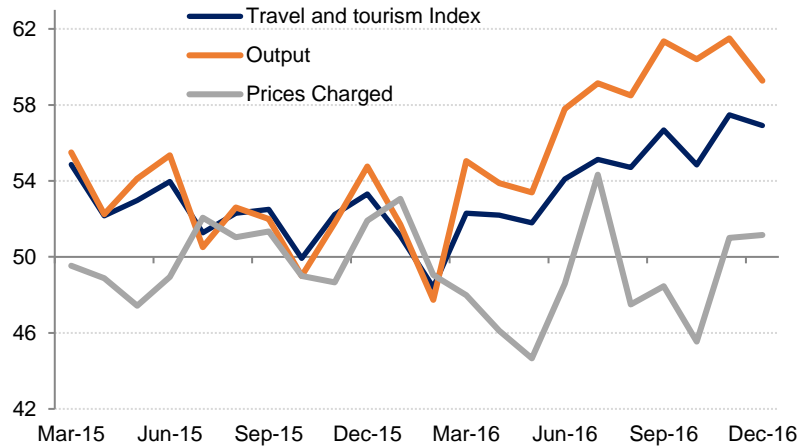
Source: IHS Markit, Emirates NBD Research

### Travel & tourism sector ends 2016 on a strong note.

The travel & tourism sector index eased from the November high, to 56.7 in December. Output and new orders showed very strong growth again last month, but the expansion in output was at a slower rate than in November. Employment was largely unchanged in December in line with the trend we've seen throughout last year.

Encouragingly, firms in the tourism & travel sector were able to increase selling prices slightly in December on the back of strong demand. However input costs rose at a faster rate than output prices, so margins are still under pressure. There is still a very high level of optimism in the sector, with the business expectations index rising to a new series high in December at 85.9.

## Travel & tourism sector indicators



Source: IHS Markit, Emirates NBD Research

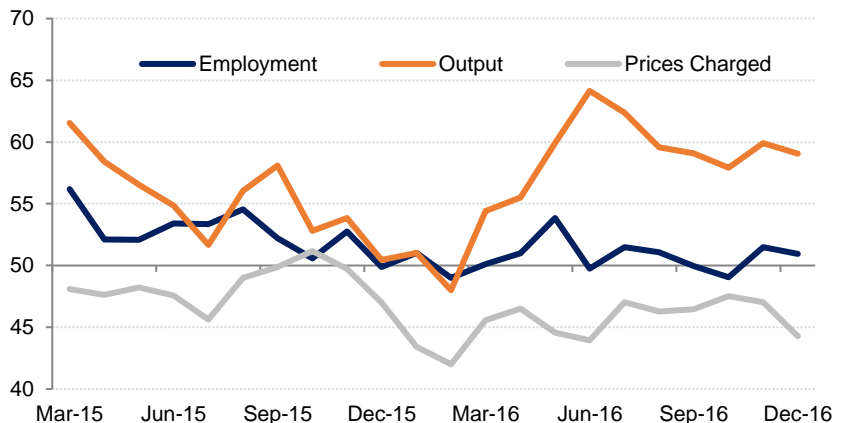
### Wholesale & retail sector cut selling prices again

The wholesale & retail sector index climbed to 56.4 last month from 56.1 in November, on stronger new work growth (63.3). While output rose at a sharp rate as well (59.0), it was slightly slower than in November.

However, the wholesale & retail sector saw selling prices in December fall at the fastest rate since June, as firms cited greater market competition. Prices charged in this sector have declined for fourteen straight months, even as input costs have increased modestly over the same period. **In fact, selling prices have increased in only one month – October 2015 - since the time series began in March 2015.** The strength of the USD and the UAE’s fixed exchange rate have eroded competitiveness and this is particularly evident in the retail sector, where firms have had to absorb the impact of the stronger local currency by reducing output prices.

Encouragingly, firms were much more optimistic about the coming 12 months, with the business expectations index rising to 81.7 in December from 75.8 in November, and a new series high.

## Wholesale & retail sector indicators



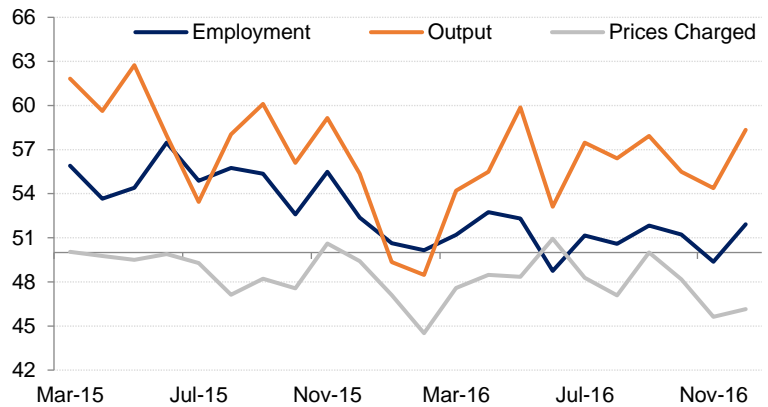
Source: IHS Markit, Emirates NBD Research

## Construction sector rebounds in December

**The construction sector index rose to 54.3 in December from 51.8 in November as output and new work rebounded strongly.** The output index rose to 58.3 in December, its highest reading since May, while the new work index rose to 57.7 from 54.4 in November. While firms dropped prices charged for the third consecutive month in December, the extent of price cuts was slightly less than in November.

**Employment also increased moderately in December** as firms were slightly more optimistic about the prospects for order growth in the coming 12 months. Preparations for Expo 2020 are expected to move up a gear in 2017 and this is likely underpinning **sentiment** in the construction sector.

### Construction sector indicators



Source: IHS Markit, Emirates NBD Research

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